

Radius Residential Care

FY25: Less Room to Spare, More to Share

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Radius Residential Care (RAD) delivered a strong FY25 result, highlighting significant improvements across virtually all key operating and financial metrics. The key driver was rising occupancy (+100 bps to 92.8% in FY25), unlocking robust operational leverage alongside RAD's cost-disciplined approach to care. RAD is benefiting from demographic tailwinds, and we understand its achievement of four-year facility accreditations may also be improving its ability to attract new residents. We lift our FY26 occupancy forecast to 94.4% and raise our long-run occupancy cap from 95% to 96%, noting the pace of improvement suggests this revised ceiling could be tested earlier than previously anticipated. RAD's final dividend was 0.8 cps, fully imputed and up +14% on FY24—reinforcing its capacity to share rising earnings with shareholders. Our blended spot valuation rises +2cps to NZ\$0.40.

NZX code	RAD	Financials: Mar/	25A	26E	27E	28E	Valuation (x)	25A	26E	27E	28E
Share price	NZ\$0.29	Rev (NZ\$m)	177.4	191.0	196.3	201.9	PE	11.0	6.8	6.0	5.4
Spot Valuation	NZ\$0.40 (from 0.38)	NPAT* (NZ\$m)	7.4	12.0	13.5	14.9	EV/EBIT	12.4	10.0	9.4	9.1
Risk rating	Medium	EPS* (NZc)	2.6	4.2	4.7	5.2	EV/EBITDA	8.5	7.1	6.8	6.6
Issued shares	284.7m	DPS (NZc)	1.5	1.9	2.1	2.4	Price / NTA	1.6	1.4	1.2	1.1
Market cap	NZ\$81m	Imputation (%)	100	100	100	100	Cash div yld (%)	5.1	6.5	7.4	8.2
Avg daily turnover	228.7k (NZ\$33k)	*Based on normalised profits					Gross div yld (%)	7.1	9.0	10.2	11.5

What's changed?

- **Earnings:** NPAT increases +5% in FY26 and +3% in FY27.
- **Spot valuation:** Rises +5% to NZ\$0.40, due to earnings upgrades.

Differentiated care model comes to fruition in FY25

Operationally, there was little to critique in RAD's FY25 result. EBITDAR per bed rose +13% to NZ\$27.9k, driven by improved occupancy, a favourable bed mix, and tight cost control. Underlying EBITDA (including lease costs) rose +12% from FY24 to NZ\$23.5m—or +20% when adjusted for the sale of one care home. Robust operational momentum enabled a -NZ\$5.6m decrease in net debt during the period, contributing to a -22% decline in interest costs to NZ\$12.2m alongside reduced interest rates. This culminated in a significant reversal in profitability, with RAD reporting record NPAT of NZ\$7.3m after recording a -NZ\$8.5m loss in FY24 (NZ\$2.9m normalised for a large non-cash tax charge relating to the change in depreciation of commercial buildings).

Rising occupancy key factor in improved performance

Average occupancy during FY25 was 92.8%, +1.0% higher than FY24. Occupancy is exhibiting a strong positive trend, improving to 93.9% in the final week of FY25 and again to 94.4% during April. Given RAD's cost base is broadly 'right-sized', incremental revenue from increased occupancy is high margin. Looking forward, we expect occupancy to continue to rise across the aged-care industry as demographic tailwinds play out. For RAD specifically, our confidence in the occupancy outlook is compounded by: (1) its high-acuity bed mix; and (2) 70% of its care homes now having the maximum four-year certification from the Ministry of Health.

Capital management strategy unveiled

RAD introduced a new capital management framework. Key features include: (1) a medium-term net debt to EBITDA (post-lease costs) target of under 2.5x (versus ~2.9x trailing); (2) a target ownership level of the care portfolio of 25%–50%; and (3) a revised AFFO payout range (was 50%–70%, now 40%–70%). The new framework is designed to support both RAD's capital-light growth strategy and sustainable distribution growth. Overall, we view the announcement positively.

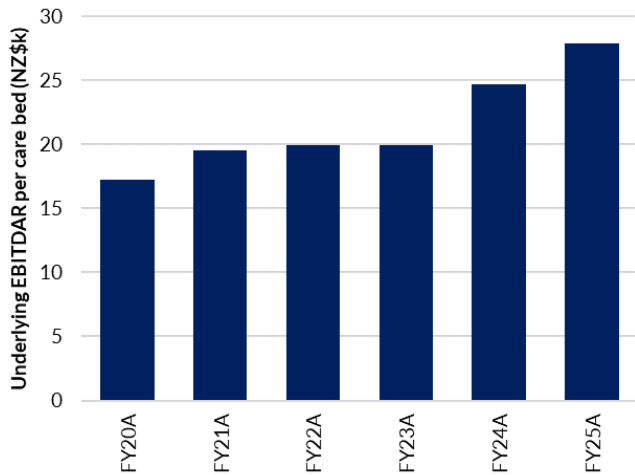
Radius Residential Care Limited (RAD)

Market Data (NZ\$)						Spot valuation (NZ\$)					
Priced as at 21 May 2025					0.29	Comparable relative					0.39
52 week high / low					0.23 / 0.11	DCF					0.42
Market capitalisation (NZ\$m)					81.2	Dividend Discount Model (DDM)					0.36
Carbon and ESG (CESG)**						Key WACC assumptions					
CESG rating					n/a	Risk free rate					5.00%
CESG score					n/a	Equity beta					1.19
Sector average CESG score					n/a	WACC					9.6%
NZ average CESG score					n/a	Terminal growth					1.5%
Profit and Loss Account (NZ\$m)						Valuation Ratios					
Revenue	2024A	2025A	2026E	2027E	2028E	EV/Sales (x)	2024A	2025A	2026E	2027E	2028E
Revenue	171.2	177.4	191.0	196.3	201.9	EV/EBITDA (x)	1.7	1.6	1.5	1.4	1.4
Normalised EBITDA	29.6	32.3	38.7	41.0	42.5	EV/EBIT (x)	9.8	8.5	7.1	6.8	6.6
Depreciation and amortisation	(9.9)	(10.4)	(10.5)	(10.6)	(10.8)	PE (x)	15.2	12.4	10.0	9.4	9.1
Normalised EBIT	19.7	21.9	28.2	30.3	31.6	Price/NTA (x)	23.5	11.0	6.8	6.0	5.4
Net interest	(15.5)	(12.0)	(11.8)	(11.8)	(11.3)	Free cash flow yield (%)	1.8	1.6	1.4	1.2	1.1
Associate income	-	-	-	-	-	Adj. free cash flow yield (%)	9.8	13.9	8.2	14.0	15.2
Tax	(12.1)	(3.1)	(4.4)	(5.0)	(5.5)	Net dividend yield (%)	10.8	14.5	12.0	16.6	17.8
Minority interests	-	-	-	-	-	Gross dividend yield (%)	2.5	5.1	6.5	7.4	8.2
Normalised NPAT	3.5	7.4	12.0	13.5	14.9		3.4	7.1	9.0	10.2	11.5
Abnormals/other	(11.9)	0.0	(0.7)	(0.7)	(0.8)	Capital Structure					
Reported NPAT	(8.5)	7.4	11.3	12.9	14.1	Interest cover EBIT (x)	2024A	2025A	2026E	2027E	2028E
Normalised EPS (cps)	1.2	2.6	4.2	4.7	5.2	Interest cover EBITDA (x)	1.2	1.8	2.3	2.5	2.7
DPS (cps)	0.7	1.5	1.9	2.1	2.4	Net debt/ND+E (%)	1.9	2.7	3.3	3.5	3.8
						Net debt/EBITDA (x)	54.4	50.0	45.7	41.1	36.5
							2.5	2.1	1.7	1.5	1.3
Growth Rates						Key Ratios					
Revenue (%)	2024A	2025A	2026E	2027E	2028E	Return on assets (%)	2024A	2025A	2026E	2027E	2028E
Revenue (%)	17.1	3.6	7.7	2.8	2.9	Return on equity (%)	5.7	6.5	7.8	8.3	8.5
EBITDA (%)	30.5	9.2	19.8	5.7	3.7	Return on funds employed (%)	5.6	10.8	15.5	15.8	15.9
EBIT (%)	>100	15.4	25.4	7.6	3.9	EBITDA margin (%)	0.9	1.9	2.9	3.3	3.6
Normalised NPAT (%)	>100	>100	63.1	12.6	10.3	EBIT margin (%)	17.3	18.2	20.3	20.9	21.0
Normalised EPS (%)	>100	>100	63.1	12.6	10.3	Capex to sales (%)	11.1	12.4	14.4	15.1	15.3
Ordinary DPS (%)	0.0	>100	27.6	13.5	11.9	Capex to depreciation (%)	2.0	3.3	4.7	4.1	4.1
						Imputation (%)	-35	-57	-86	-77	-77
						Pay-out ratio (%)	100	100	100	100	100
Cash Flow (NZ\$m)						Operating Performance					
EBITDA	2024A	2025A	2026E	2027E	2028E	Segment EBITDA	2024A	2025A	2026E	2027E	2028E
EBITDA	29.6	32.3	38.7	41.0	42.5	Aged care	42.7	46.2	51.0	52.9	54.2
Working capital change	(3.7)	2.8	(3.3)	(0.9)	(0.8)	Retirement villages	4.5	2.9	4.3	4.5	4.8
Interest & tax paid	(14.0)	(13.1)	(16.2)	(16.8)	(16.8)	Support	-17.6	-16.7	-16.5	-16.4	-16.5
Other	2.3	(1.9)	-	-	-	Total	29.6	32.4	38.7	41.0	42.5
Operating cash flow	14.1	20.1	19.2	23.2	24.9	Key drivers					
Capital expenditure	(3.5)	(5.8)	(9.0)	(8.1)	(8.4)	Sales - new units	0	0	6	6	6
(Acquisitions)/divestments	-	(0.9)	-	-	-	Ave price - new sales (NZ 000's)	0	500	500	515	530
Other	(3.4)	(3.4)	(3.5)	(3.7)	(4.2)	Sales - resold units	28	18	18	18	18
Funding available/(required)	7.3	9.8	6.6	11.4	12.3	Ave price - re-sales (NZ 000's)	390	427	440	453	467
Dividends paid	-	(3.8)	(4.3)	(5.6)	(6.5)	Gross development margin	0%	0%	5%	5%	10%
Equity raised/(returned)	-	(0.0)	-	-	-	Gross resales margin	16%	19%	19%	19%	19%
(Increase)/decrease in net debt	7.3	5.9	2.4	5.8	5.8	Portfolio					
						Care beds	1,789	1,789	1,898	1,898	1,898
Balance Sheet (NZ\$m)						Care bed occupancy	92%	93%	94%	95%	95%
Working capital	2024A	2025A	2026E	2027E	2028E	Accommodation supplement beds	1,217	1,217	1,296	1,301	1,305
Working capital	(4.4)	(8.8)	(6.0)	(5.6)	(5.2)	% of beds with supplements	68%	68%	68%	69%	69%
Fixed assets	117.3	118.2	121.9	124.7	127.6						
Intangibles	16.1	18.1	18.1	18.1	18.1						
Right of use asset	109.9	109.5	117.9	112.7	107.3						
Other assets	73.5	77.1	78.6	80.2	81.8						
Total funds employed	312.4	314.1	330.6	330.1	329.6						
Net debt/(cash)	73.5	67.7	65.4	59.5	53.7						
Lease liability	121.1	122.7	132.8	129.1	124.9						
Other liabilities	46.7	47.7	46.6	47.9	49.3						
Shareholder's funds	71.1	76.0	85.8	93.5	101.6						
Minority interests	-	-	-	-	-						
Total funding sources	312.4	314.1	330.6	330.1	329.6						

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend** Information on Forsyth Barr's Carbon and ESG (CESG) ratings can be found at www.forsythbarr.co.nz/corporate-news-events/cesg-report

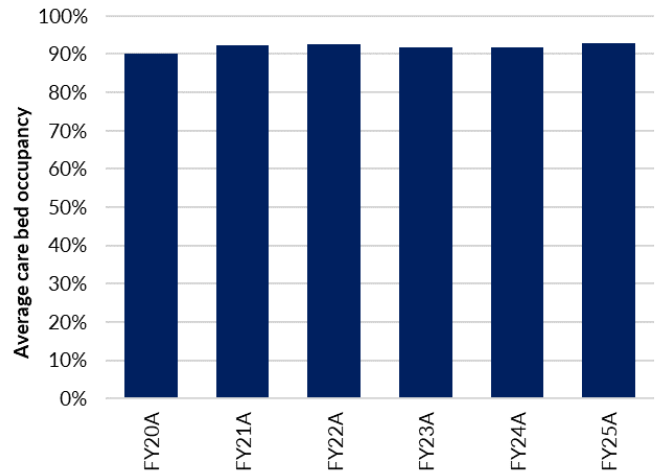
Key charts from the FY25 result

Figure 1. Underlying EBITDAR per bed rose +13% to NZ\$27.9k



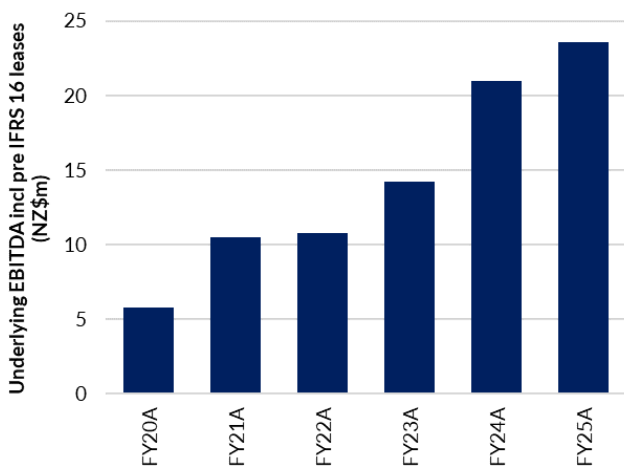
Source: Company, Forsyth Barr analysis

Figure 2. Average occupancy was 92.8% in FY25



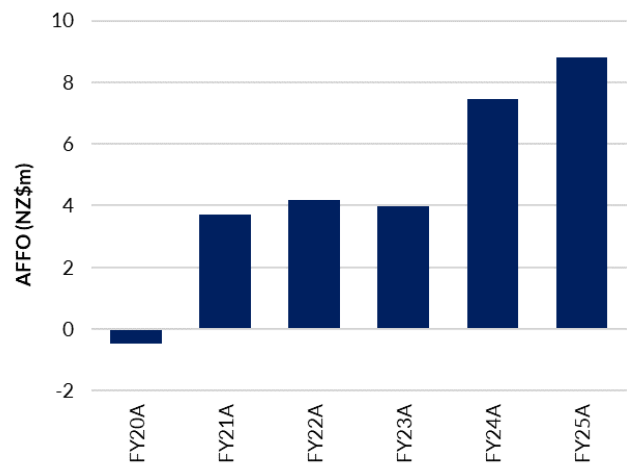
Source: Company, Forsyth Barr analysis

Figure 3. Underlying EBITDA increased to NZ\$23.5m



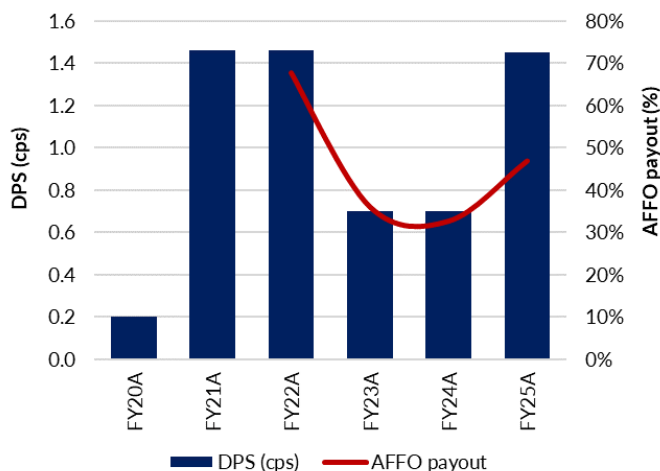
Source: Company, Forsyth Barr analysis

Figure 4. AFFO climbed +18% to NZ\$8.8m



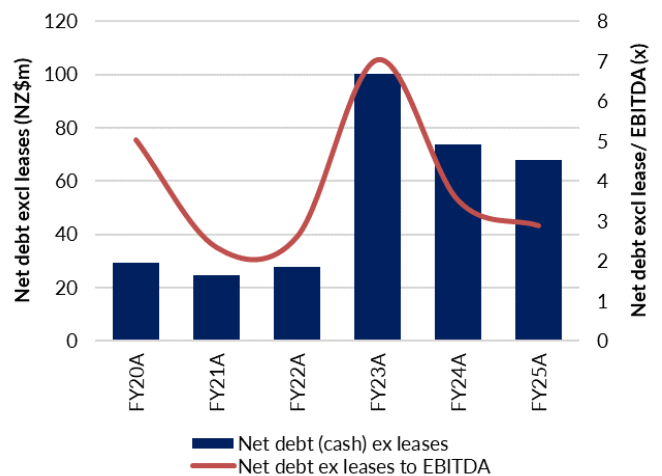
Source: Company, Forsyth Barr analysis

Figure 5. DPS rose to 0.145cps, with the payout 47% of AFFO



Source: Company, Forsyth Barr analysis

Figure 6. Net borrowing to EBITDA fell to 2.9x



Source: Company, Forsyth Barr analysis

FY25 result review

RAD's FY25 result was strong, with robust operational momentum culminating in a record NZ\$7.4m of NPAT. We highlight key points from the result below:

- **Underlying EBITDAR per bed:** rose +13% reflecting operating leverage from higher occupancy, an improved mix of hospital and specialist care residents, tight cost control and increased premium accommodation charges. Underlying EBITDA jumped +20% to NZ\$23.5m, adjusting for the sale of Arran Court.
- **Occupancy:** strengthened to 92.8% from 91.8% in FY24. Occupancy was 93.9% in the final week of FY25 and has subsequently improved further (94.4% in April).
- **Accommodation supplements:** revenue rose +11% to NZ\$10.8m.
- **Cash flow:** operating cash flow was NZ\$20.1m, up +42% on FY24 as RAD benefited from higher EBITDA and reduced borrowing costs. AFFO of NZ\$8.8m was +18% ahead of FY24.
- **Debt and leverage:** strong cash flow enabled RAD to reduce net debt by NZ\$5.8m during FY25. Net debt was NZ\$67.7m at balance date, representing ~2.9x trailing underlying EBITDA.
- **Dividends:** RAD declared NZ\$0.0145 of dividends for FY25. The target AFFO payout range has been adjusted to between 40%–70% from 50%–70% to provide flexibility for growth investments.
- **Cibus Catering:** contributed NZ\$0.5m of EBITDA (after minority interests) during FY25.

Figure 7. FY25 result review (NZ\$m)

NZ\$m	FY24	FY25	Change (%)	Comment
Revenue	168.7	175.3	+4%	Driven by Cibus acquisition, funding uplift and increased PACs
Deferred management fees	2.5	2.1	-15%	
Total revenue	171.2	177.4	+4%	
Change in fair value of investment property	2.7	3.1	+14%	
Interest income	0.1	0.1	+9%	
Total revenue and other income	174.1	180.7	+4%	
Employee costs	(105.7)	(106.3)	+1%	Core people costs down, total up due to Cibus consolidation
Depreciation expense	(9.9)	(10.4)	+5%	
Finance costs	(15.6)	(12.2)	-22%	-NZ\$5.6m of debt repayed in the period
Other expenses	(39.2)	(41.3)	+6%	
Total expenses	(170.5)	(170.2)	-0%	Total costs down, enabling significant operating leverage
Profit (loss) before income tax	3.6	10.5	+191%	FY24 impacted by large non-cash charge Comfortably a record for RAD
Income tax expense	(12.1)	(3.1)	n/a	
Profit for the period (NPAT)	(8.5)	7.4	n/a	
Basic and diluted eps (cents per share)	(3.0)	2.6	n/a	
Underlying EBITDA	20.9	23.5	+12%	+18% adjusting for the sale of Arran Court & Cibus acquisition

Source: Company, Forsyth Barr analysis

Earnings revisions

Changes to our earnings forecasts largely reflect a higher occupancy track. Our revenue estimates are rebased higher following the top-line beat relative to our expectations in the FY25 result.

Figure 8. Earnings revisions (NZ\$m)

	FY26E			FY27E			FY28E
	Old	New	Change	Old	New	Change	New
Total revenue and other income	187.3	192.7	+3%	192.4	198.0	+3%	203.8
Employee costs	(107.0)	(111.0)	+4%	(110.0)	(112.7)	+2%	(115.8)
Depreciation	(10.5)	(10.5)	+0%	(10.5)	(10.6)	+1%	(10.8)
Finance costs	(12.1)	(11.9)	-1%	(11.8)	(11.9)	+1%	(11.6)
Other expenses	(42.7)	(43.5)	+2%	(42.8)	(44.9)	+5%	(46.1)
Total expenses	(172.3)	(176.9)	+3%	(175.2)	(180.1)	+3%	(184.3)
 Profit (loss) before income tax	 15.0	 15.8	 +5%	 17.3	 17.8	 +3%	 19.5
Income tax expense	(4.2)	(4.4)	+5%	(4.8)	(5.0)	+3%	(5.5)
NPAT	10.8	11.3	+5%	12.4	12.9	+3%	14.1
 Basic and diluted eps	 0.038	 0.040	 +5%	 0.044	 0.045	 +3%	 0.049
DPS	0.018	0.019	+6%	0.020	0.021	+5%	0.024
 Underlying EBITDA (post leases)	 28.2	 28.8	 +2%	 29.9	 30.7	 +3%	 31.9

Source: Forsyth Barr analysis

Additional data

Figure 9. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 10. Substantial shareholders

Shareholder	Latest Holding
Wave Rider	33.5%
Windhaven	10.6%
Neil Foster	5.5%
Main Family Trust	5.4%

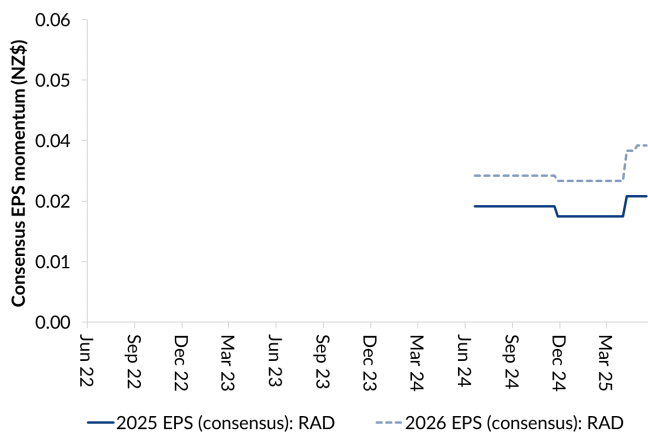
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 11. International valuation comparisons using consensus data (one and two year forward)

Company	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash Yld 1yr
				1yr	2yr	1yr	2yr	1yr	2yr	
Radius Residential Care	RAD NZ	NZ\$0.28	NZ\$81	7.9x	6.8x	11.5x	10.8x	16.0x	14.8x	6.3%
Oceania Healthcare	OCA NZ	NZ\$0.64	NZ\$464	9.7x	7.4x	12.9x	11.0x	17.2x	14.1x	0.8%
Ryman Healthcare	RYM NZ	NZ\$2.50	NZ\$2,539	20.5x	20.8x	30.7x	23.9x	32.4x	32.0x	0.1%
Summerset	SUM NZ	NZ\$11.05	NZ\$2,662	10.7x	9.2x	13.6x	12.3x	15.8x	13.9x	2.3%

Source: Forsyth Barr analysis, Bloomberg, NOTE: all multiples based on Bloomberg consensus estimates, EV = market cap+net debt+lease liabilities+min interests-investments

Figure 12. Consensus EPS momentum (NZ\$)



Source: Bloomberg, Forsyth Barr analysis

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