

Radius Residential Care

Beginning FY26 on the Right ARC

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Radius Residential Care (RAD) provided an upbeat trading update not long after its FY25 result announcement, with operational performance in 1H26 tracking significantly ahead of the prior corresponding period, albeit broadly in line with our underlying expectations. Underlying EBITDA for 1H26 is expected to be in the range of NZ\$12m–NZ\$15m, +27% ahead of 1H25 at the midpoint. The improved performance is being driven by: (1) strong occupancy; (2) a favourable bed mix (more high-acuity residents); (3) accommodation supplement growth; and (4) increased resales. RAD also expects to realise interest cost savings of more than NZ\$1m (~15%) in FY26. We have increased our earnings forecasts, and our blended spot valuation rises to NZ\$0.42. Indications are that the government will provide a +4% funding increase (versus ~+2% expected) from 1 July 2025, which would provide further upside to our numbers if confirmed.

NZX code	RAD	Financials: Mar/	25A	26E	27E	28E	Valuation (x)	25A	26E	27E	28E
Share price	NZ\$0.30	Rev (NZ\$m)	177.4	191.0	196.3	201.9	PE	11.4	6.9	6.1	5.6
Spot Valuation	NZ\$0.42 (from 0.40)	NPAT* (NZ\$m)	7.4	12.1	13.7	15.1	EV/EBIT	12.6	9.4	8.9	8.5
Risk rating	Medium	EPS* (NZc)	2.6	4.3	4.8	5.3	EV/EBITDA	8.5	7.1	6.8	6.6
Issued shares	284.6m	DPS (NZc)	1.5	1.9	2.2	2.4	Price / NTA	1.7	1.3	1.1	0.9
Market cap	NZ\$84m	Imputation (%)	100	100	100	100	Cash div yld (%)	4.9	6.4	7.3	8.1
Avg daily turnover	89.2k (NZ\$19k)	*Based on normalised profits					Gross div yld (%)	6.8	8.9	10.1	11.3

What's changed?

- **Earnings:** Underlying EBITDA increases +1%, +1%, and +2% across FY26, FY27, and FY28 respectively.
- **Spot valuation:** Rises +2cps to NZ\$0.42.

Impressive operational performance continues

RAD continues to exhibit robust operational momentum, underpinned by a strong, rising occupancy trend. Occupancy has averaged in the 94%–95% range in the opening two and a half months of FY26, up from 92.8% in FY25. This is in line with our 94.4% FY26 occupancy forecast. RAD is also executing well on two key pillars of its aged care strategy: shifting towards a higher-acuity bed mix and increasing accommodation supplement revenue.

Interest cost reductions support NPAT and AFFO

RAD expects interest costs on bank debt to decline by more than ~NZ\$1m in FY26, implying a larger than ~100 bp decrease in its weighted interest rate for FY26. Just over 40% of RAD's bank debt is hedged, with the remainder floating based on the bank bill benchmark rate.

Funding increases provide further upside

Industry feedback suggests the government's latest funding round could deliver a ~+4% increase in the per day bed rate for aged care providers, effective 1 July 2025 (see Figure 2). While not confirmed and not factored into our forecasts at this stage, this would represent a more favourable outcome than the ~+2% increase we were expecting and would likely be an incremental positive for the wider aged residential care (ARC) sector. We estimate the incremental benefit for RAD of an extra +200 bp funding increase could be north of +NZ\$2m in annualised underlying EBITDA.

Radius Residential Care Limited (RAD)

Market Data (NZ\$)

Priced as at 15 Jun 2025	0.30
52 week high / low	0.31 / 0.14
Market capitalisation (NZ\$m)	84.0

Carbon and ESG (CESG)**

CESG rating	n/a
CESG score	n/a
Sector average CESG score	n/a
NZ average CESG score	n/a

Spot valuation (NZ\$)

Comparable relative	0.42
DCF	0.41
Dividend Discount Model (DDM)	0.44
	0.38

Key WACC assumptions

Risk free rate	5.00%
Equity beta	1.19
WACC	9.6%
Terminal growth	1.5%

Profit and Loss Account (NZ\$m)	2024A	2025A	2026E	2027E	2028E
Revenue	171.2	177.4	191.0	196.3	201.9
Normalised EBITDA	29.6	32.3	39.1	41.4	43.0
Depreciation and amortisation	(9.9)	(10.4)	(10.5)	(10.6)	(10.8)
Normalised EBIT	19.7	21.9	28.6	30.8	32.2
Net interest	(15.5)	(12.0)	(11.4)	(11.4)	(10.8)
Associate income	-	-	-	-	-
Tax	(12.1)	(3.1)	(5.1)	(5.7)	(6.2)
Minority interests	-	-	-	-	-
Normalised NPAT	3.5	7.4	12.1	13.7	15.1
Abnormals/other	(11.9)	0.0	1.0	1.1	0.9
Reported NPAT	(8.5)	7.4	13.1	14.7	16.0
Normalised EPS (cps)	1.2	2.6	4.3	4.8	5.3
DPS (cps)	0.7	1.5	1.9	2.2	2.4

Growth Rates	2024A	2025A	2026E	2027E	2028E
Revenue (%)	17.1	3.6	7.7	2.8	2.9
EBITDA (%)	30.5	9.2	20.9	5.9	3.9
EBIT (%)	>100	15.4	34.6	7.5	4.1
Normalised NPAT (%)	>100	>100	64.9	12.7	10.5
Normalised EPS (%)	>100	>100	65.0	12.7	10.5
Ordinary DPS (%)	0.0	>100	31.0	13.2	11.6

Cash Flow (NZ\$m)	2024A	2025A	2026E	2027E	2028E
EBITDA	29.6	32.3	39.1	41.4	43.0
Working capital change	(3.7)	2.8	(3.3)	(0.9)	(0.8)
Interest & tax paid	(14.0)	(13.1)	(16.5)	(17.1)	(17.1)
Other	2.3	(1.9)	-	-	-
Operating cash flow	14.1	20.1	19.3	23.4	25.1
Capital expenditure	(3.5)	(5.8)	(9.0)	(8.1)	(8.4)
(Acquisitions)/divestments	-	(0.9)	-	-	-
Other	(3.4)	(3.4)	(3.5)	(3.7)	(4.2)
Funding available/(required)	7.3	9.8	6.7	11.6	12.6
Dividends paid	-	(3.8)	(4.6)	(5.7)	(6.4)
Equity raised/(returned)	-	(0.0)	-	-	-
(Increase)/decrease in net debt	7.3	5.9	2.2	5.9	6.2

Balance Sheet (NZ\$m)	2024A	2025A	2026E	2027E	2028E
Working capital	(4.4)	(8.8)	(6.0)	(5.5)	(5.2)
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	83.8	90.9	98.4
Total funds employed	312.4	314.1	335.8	340.8	346.1
Net debt/(cash)	73.5	67.7	65.6	59.7	53.5
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	90.9	104.1	118.4
Minority interests	-	-	-	-	-
Total funding sources	312.4	314.1	335.8	340.8	346.1

* 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

Valuation Ratios	2024A	2025A	2026E	2027E	2028E
EV/Sales (x)	1.7	1.6	1.5	1.5	1.4
EV/EBITDA (x)	9.9	8.5	7.1	6.8	6.6
EV/EBIT (x)	15.3	12.6	9.4	8.9	8.5
PE (x)	24.3	11.4	6.9	6.1	5.6
Price/NTA (x)	1.8	1.7	1.3	1.1	0.9
Free cash flow yield (%)	9.5	13.4	8.0	13.8	15.0
Adj. free cash flow yield (%)	10.5	14.0	11.7	16.2	17.5
Net dividend yield (%)	2.4	4.9	6.4	7.3	8.1
Gross dividend yield (%)	3.3	6.8	8.9	10.1	11.3

Capital Structure	2024A	2025A	2026E	2027E	2028E
Interest cover EBIT (x)	1.2	1.8	2.6	2.8	3.1
Interest cover EBITDA (x)	1.9	2.7	3.4	3.6	4.0
Net debt/ND+E (%)	54.4	50.0	44.2	38.4	32.7
Net debt/EBITDA (x)	2.5	2.1	1.7	1.4	1.2

Key Ratios	2024A	2025A	2026E	2027E	2028E
Return on assets (%)	5.7	6.5	8.2	8.6	8.7
Return on equity (%)	5.6	10.8	14.7	14.3	13.7
Return on funds employed (%)	0.9	1.9	2.9	3.2	3.5
EBITDA margin (%)	17.3	18.2	20.5	21.1	21.3
EBIT margin (%)	11.1	12.4	15.5	16.2	16.4
Capex to sales (%)	2.0	3.3	4.7	4.1	4.1
Capex to depreciation (%)	-35	-57	-86	-77	-77
Imputation (%)	100	100	100	100	100
Pay-out ratio (%)	58	56	45	45	45

Operating Performance	2024A	2025A	2026E	2027E	2028E
Segment EBITDA					
Aged care	42.7	46.2	51.1	53.0	54.3
Retirement villages	4.5	2.9	4.5	4.7	5.1
Support	-17.6	-16.7	-16.5	-16.3	-16.4
Total	29.6	32.4	39.1	41.4	43.0

Key drivers	2024A	2025A	2026E	2027E	2028E
Sales - new units	0	0	6	6	6
Ave price - new sales (NZ 000's)	0	500	500	515	530
Sales - resold units	28	18	20	21	22
Ave price - re-sales (NZ 000's)	390	427	440	453	467
Gross development margin	0%	0%	5%	5%	10%
Gross resales margin	16%	19%	19%	19%	19%

Portfolio	2024A	2025A	2026E	2027E	2028E
Care beds	1,789	1,789	1,898	1,898	1,898
Care bed occupancy	92%	93%	94%	95%	95%
Accommodation supplement beds	1,217	1,217	1,296	1,301	1,305
% of beds with supplements	68%	68%	68%	69%	69%

Earnings revisions

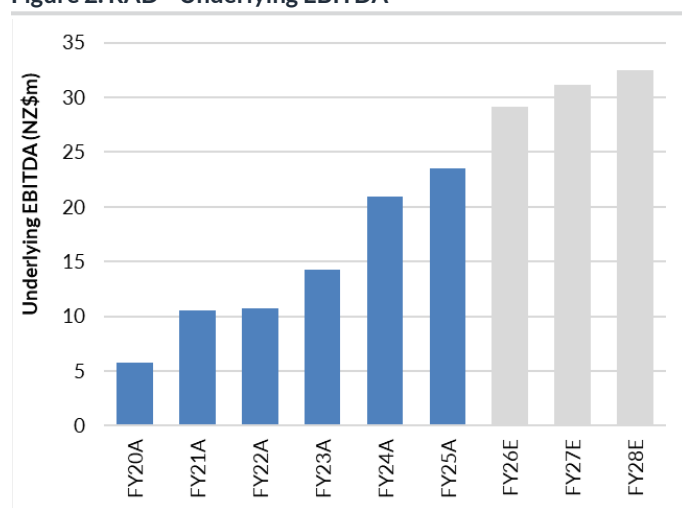
We make minor changes to our underlying EBITDA forecasts, with operational performance tracking broadly in line with our expectations. However, NPAT attributable to shareholders rises +17% in FY26 and +15% in FY27 and FY28 due to increased fair value changes and reduced finance costs.

Figure 1. Earnings revisions (NZ\$m)

	FY26E			FY27E			FY28E		
	Old	New	Change	Old	New	Change	Old	New	Change
Total revenue and other income	192.7	194.5	+1%	198.0	200.0	+1%	203.8	206.0	+1%
Employee costs	(111.0)	(111.1)	+0%	(112.7)	(112.8)	+0%	(115.8)	(115.9)	+0%
Depreciation	(10.5)	(10.5)	+0%	(10.6)	(10.6)	+0%	(10.8)	(10.8)	+0%
Finance costs	(11.9)	(11.5)	-4%	(11.9)	(11.5)	-4%	(11.6)	(11.1)	-4%
Other expenses	(43.5)	(43.2)	-1%	(44.9)	(44.6)	-1%	(46.1)	(45.8)	-1%
Total expenses	(176.9)	(176.3)	-0%	(180.1)	(179.5)	-0%	(184.3)	(183.7)	-0%
Profit (loss) before income tax	15.8	18.2	+16%	17.8	20.4	+15%	19.5	22.3	+14%
Income tax expense	(4.4)	(5.1)	+16%	(5.0)	(5.7)	+15%	(5.5)	(6.2)	+14%
NPAT	11.3	13.1	+16%	12.9	14.7	+15%	14.1	16.0	+14%
NPAT attributable to shareholders	10.8	12.6	+17%	12.3	14.1	+15%	13.4	15.4	+15%
Basic and diluted eps	0.040	0.046	+16%	0.045	0.052	+15%	0.049	0.056	+14%
DPS	0.019	0.019	+3%	0.021	0.022	+2%	0.024	0.024	+2%
Underlying EBITDA (post leases)	28.8	29.1	+1%	30.7	31.2	+1%	31.9	32.5	+2%

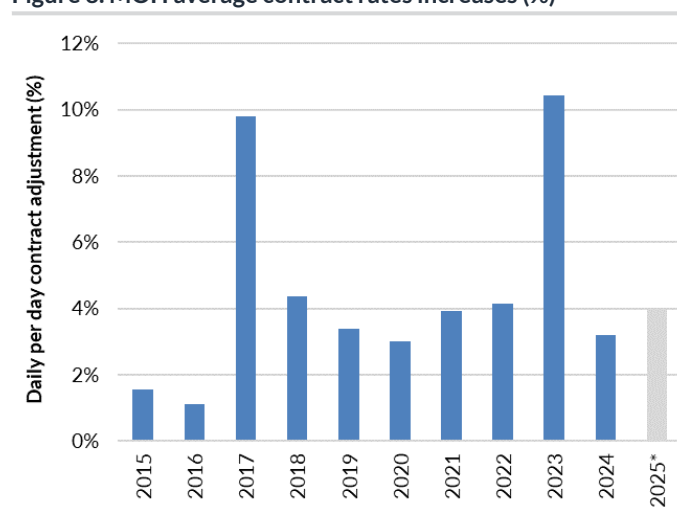
Source: Forsyth Barr analysis

Figure 2. RAD—Underlying EBITDA



Source: Company, Forsyth Barr analysis

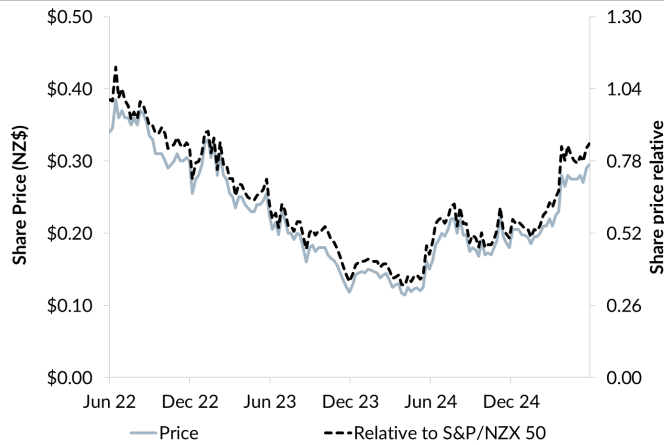
Figure 3. MOH average contract rates increases (%)



Source: MoH, Forsyth Barr analysis, * Preliminary MOH Contract Rate Adjustment for 2025

Additional data

Figure 4. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 5. Substantial shareholders

Shareholder	Latest Holding
Kade Kings Limited	33.5%
Windhaven	10.6%
Neil Foster	5.5%
Main Family Trust	5.4%

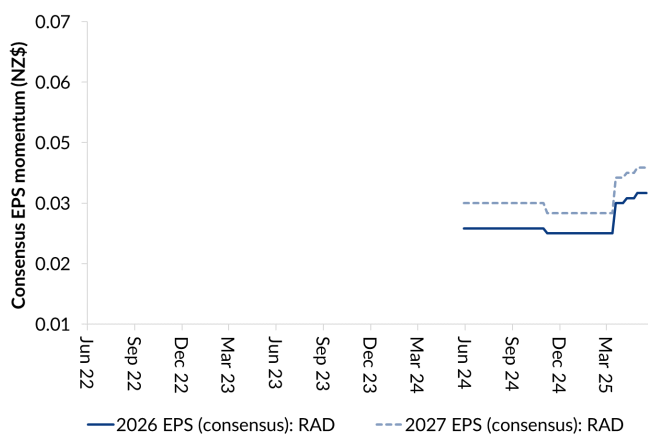
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 6. 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\$0.30	NZ\$84	8.0x	6.9x	11.4x	10.6x	15.8x	14.5x	6.1%
Oceania Healthcare	OCA NZ	NZ\$0.62	NZ\$449	9.0x	7.4x	13.1x	11.8x	17.5x	15.4x	0.6%
Ryman Healthcare	RYM NZ	NZ\$2.17	NZ\$2,204	33.9x	20.9x	25.8x	18.9x	26.1x	22.2x	0.1%
Summerset	SUM NZ	NZ\$11.29	NZ\$2,720	10.8x	9.4x	13.7x	12.5x	15.8x	14.0x	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 7. Consensus EPS momentum (NZ\$)



Source: Bloomberg, Forsyth Barr analysis

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