Radius Residential Care
2026 ASM—A Much Bigger Radius of Care

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Radius Residential Care (RAD) provided details on its ambitious Care expansion plans at its 2026 ASM, aiming to more than double aged-care capacity over the next decade through 20 new care homes, materially exceeding our forecasts. Private investors are expected to fund the majority of the land and buildings, with RAD leasing the properties and funding operating assets. The strategy responds to a sector that has struggled to fund new beds, with industry estimates projecting a ~12k aged residential care bed shortfall by 2032. It also underpins management's forecast c.+13% FY26–FY31 operating revenue CAGR, versus c.+11% over the past five years. RAD also introduced Radius Health, bringing Home Support, Cibus, Luma, and Radius Shop under one brand and extending the group beyond core residential care. While these activities remain small, they are EBITDA accretive and capital-light. For FY27, occupancy has lifted year-on-year, the 90-bed Karori home has been integrated, and guidance for underlying growth in key metrics was reiterated. We incorporate two near-term developments into our medium-term bed forecast, lifting our blended spot valuation +4% to NZ$0.54.

NZX code	RAD
Share price	NZ$0.42
Spot Valuation	NZ$0.54 (from 0.52)
Risk rating	Medium
Issued shares	283.5m
Market cap	NZ$117.6m
Avg daily turnover	184.9k (NZ$71k)

Financials: Mar/	26A	27E	28E	29E
Rev (NZ$m)	202.3	220.7	228.0	250.4
NPAT* (NZ$m)	8.6	13.0	15.5	17.4
EPS* (NZc)	3.0	4.6	5.5	6.1
DPS (NZc)	2.2	2.6	2.9	3.5
Imputation (%)	100	100	100	100

*Based on normalised profits

Valuation (x)	26A	27E	28E	29E
PE	13.7	9.1	7.6	6.8
EV/EBIT	11.9	10.4	9.7	9.0
EV/EBITDA	8.6	7.5	6.9	6.3
Price / NTA	2.1	1.9	1.6	1.5
Cash div yld (%)	5.3	6.3	7.0	8.4
Gross div yld (%)	7.4	8.7	9.7	11.7

What's changed?

- **Earnings:** Our FY27/FY28 forecasts remain broadly unchanged, while FY29 underlying EBITDA lifts +2%.
- **Spot valuation:** Our blended spot valuation lifts +4% to NZ$0.54, reflecting the inclusion of Belfast and Hokitika beds in FY29.

FY27 trading update sees occupancy lift

Management reported current occupancy of 96.7%, up from 95.6% on 12 August 2025, with occupied beds up +6% pcp to 1,923. RAD appears to now be operating close to our ~97% sustainable occupancy assumption: a level we had forecast for FY29. With further occupancy gains increasingly difficult to achieve, care bed expansion is becoming the key earnings growth driver. Additionally, RAD reiterated FY27 guidance for underlying growth in key financial metrics.

20 hospitals in 10 years—unit economics appear attractive

RAD aims to add up to c.2k care beds over the next 10 years through 20 new 80–100-bed care hospitals, largely funded by private investors. Management has identified a 900-bed 'in-progress' pipeline over the next c.five years, supporting a NZ$370m FY31 operating revenue forecast. Our estimates remain materially lower (FBe FY31: c.NZ$263m), pending greater certainty on project timelines and execution. Despite this, we view RAD's capital-light economics as attractive: we estimate all 20 hospitals could generate up to c.NZ$20m of NPAT at full maturity if unit economics remain similar to today.

Radius Health vision grows

Health Services generated NZ$7.4m of FY26 revenue and NZ$0.6m of underlying EBITDA, c.2% of group underlying EBITDA. The newly announced Radius Health brand brings Luma, Radius Shop, Cibus, and Home Support under one brand. Cibus menus and systems are used at 49 sites, up seven from FY25; Luma continence products have been rolled out across RAD's homes; and Home Support is an ACC Maximise Independence provider.

Radius Residential Care Limited (RAD)

Market Data (NZ$)	
Priced as at 12 Aug 2026	**0.42**
52 week high / low	0.44 / 0.34
Market capitalisation (NZ$m)	117.6

Spot valuation (NZ$)	**0.54**
Peers comparable	0.36
DCF	0.65
Dividend Discount Model (DDM)	0.50

Carbon and ESG (CESG)**	
CESG rating	n/a
CESG score	n/a
Sector average CESG score	n/a
NZ average CESG score	n/a

Key WACC assumptions	
Risk free rate	5.00%
Equity beta	0.88
WACC	9.5%
Terminal growth	1.5%

Profit and Loss Account (NZ$m)	2025A	2026A	2027E	2028E	2029E
Revenue	177.4	202.3	220.7	228.0	250.4
Normalised EBITDA	**32.3**	**37.1**	**43.9**	**48.1**	**52.5**
Depreciation and amortisation	(10.4)	(11.8)	(13.6)	(14.8)	(16.8)
Normalised EBIT	**21.9**	**25.3**	**30.3**	**33.3**	**35.7**
Net interest	(12.0)	(11.5)	(11.9)	(12.0)	(11.7)
Associate income	-	-	-	-	-
Tax	(3.1)	(4.3)	(5.4)	(5.9)	(6.7)
Minority interests	-	-	-	-	-
Normalised NPAT	**7.4**	**8.6**	**13.0**	**15.5**	**17.4**
Abnormals/other	0.0	1.5	1.3	0.7	1.0
Reported NPAT	**7.4**	**10.1**	**14.3**	**16.2**	**18.4**
Normalised EPS (cps)	2.6	3.0	4.6	5.5	6.1
DPS (cps)	1.5	2.2	2.6	2.9	3.5

Valuation Ratios	2025A	2026A	2027E	2028E	2029E
EV/Sales (x)	1.8	1.6	1.5	1.5	1.3
EV/EBITDA (x)	9.6	8.6	7.5	6.9	6.3
EV/EBIT (x)	14.1	11.9	10.4	9.7	9.0
PE (x)	16.1	13.7	9.1	7.6	6.8
Price/NTA (x)	2.4	2.1	1.9	1.6	1.5
Free cash flow yield (%)	9.6	18.3	1.6	15.9	16.8
Adj. free cash flow yield (%)	10.0	13.9	20.2	20.3	21.0
Net dividend yield (%)	3.5	5.3	6.3	7.0	8.4
Gross dividend yield (%)	4.9	7.4	8.7	9.7	11.7

Capital Structure	2025A	2026A	2027E	2028E	2029E
Interest cover EBIT (x)	1.8	2.3	2.7	2.8	3.1
Interest cover EBITDA (x)	2.7	3.2	3.7	4.0	4.5
Net debt/ND+E (%)	50.0	48.5	47.5	41.1	34.6
Net debt/EBITDA (x)	2.1	1.9	1.7	1.3	1.0

Growth Rates	2025A	2026A	2027E	2028E	2029E
Revenue (%)	3.6	14.0	9.1	3.3	9.8
EBITDA (%)	9.2	14.7	18.3	9.5	9.3
EBIT (%)	15.4	21.6	18.4	7.4	8.1
Normalised NPAT (%)	>100	16.7	51.2	19.0	12.5
Normalised EPS (%)	>100	17.3	51.2	19.0	12.5
Ordinary DPS (%)	>100	51.7	18.2	11.5	20.7

Key Ratios	2025A	2026A	2027E	2028E	2029E
Return on assets (%)	6.5	7.1	7.9	8.2	8.0
Return on equity (%)	10.8	11.8	16.0	17.3	17.8
Return on funds employed (%)	1.9	2.0	2.8	3.2	3.3
EBITDA margin (%)	18.2	18.3	19.9	21.1	21.0
EBIT margin (%)	12.4	13.2	14.3	14.9	14.7
Capex to sales (%)	3.3	7.1	13.2	6.4	5.6
Capex to depreciation (%)	-57	-123	-214	-98	-83
Imputation (%)	100	100	100	100	100
Pay-out ratio (%)	56	73	57	53	57

Cash Flow (NZ$m)	2025A	2026A	2027E	2028E	2029E
EBITDA	**32.3**	**37.1**	**43.9**	**48.1**	**52.5**
Working capital change	2.8	3.7	(1.2)	0.2	1.2
Interest & tax paid	(13.1)	(15.0)	(17.3)	(17.8)	(18.3)
Other	(1.9)	(0.7)	9.0	6.5	3.6
Operating cash flow	**20.1**	**25.1**	**34.3**	**36.9**	**39.0**
Capital expenditure	(5.8)	(14.4)	(29.1)	(14.5)	(14.0)
(Acquisitions)/divestments	(0.9)	(14.7)	-	-	-
Other	(3.4)	9.1	(3.3)	(3.6)	(5.2)
Funding available/(required)	**9.9**	**5.2**	**1.9**	**18.8**	**19.8**
Dividends paid	(3.8)	(5.7)	(6.8)	(7.7)	(9.1)
Equity raised/(returned)	(0.0)	(0.5)	-	-	-
(Increase)/decrease in net debt	**6.0**	**(1.0)**	**(4.9)**	**11.1**	**10.7**

Operating Performance	2025A	2026A	2027E	2028E	2029E
Segment EBITDA					
Aged care	46.2	53.6	61.3	64.7	71.3
Retirement villages	2.9	3.2	3.8	5.0	5.2
Support	-16.7	-19.7	-21.2	-21.6	-24.0
Total	**32.4**	**37.1**	**43.9**	**48.1**	**52.5**

Key drivers	2025A	2026A	2027E	2028E	2029E
Sales - new units	0	0	20	16	10
Ave price - new sales (NZ 000's)	0	0	500	520	541
Sales - resold units	18	18	20	22	24
Ave price - re-sales (NZ 000's)	427	441	455	470	486
Gross development margin	0%	0%	2%	10%	10%
Gross resales margin	19%	23%	23%	23%	23%

Balance Sheet (NZ$m)	2025A	2026A	2027E	2028E	2029E
Working capital	(8.8)	(12.3)	(11.0)	(11.1)	(12.2)
Fixed assets	118.2	134.1	155.9	162.0	167.2
Intangibles	18.1	17.9	17.9	17.9	17.9
Right of use asset	109.5	125.6	119.2	112.9	136.3
Other assets	77.1	80.5	85.5	89.3	93.4
Total funds employed	**314.1**	**345.7**	**367.5**	**371.0**	**402.7**
Net debt/(cash)	67.7	68.7	73.6	62.5	51.8
Lease liability	122.7	141.5	138.2	134.6	160.9
Other liabilities	47.7	48.4	60.3	70.3	78.0
Shareholder's funds	76.0	87.0	95.4	103.6	112.0
Minority interests	-	-	-	-	-
Total funding sources	**314.1**	**345.7**	**367.5**	**371.0**	**402.7**

Portfolio	2025A	2026A	2027E	2028E	2029E
Care beds	1,789	1,898	1,993	1,993	2,133
Care bed occupancy	93%	95%	96%	97%	97%
Accomodation supplement beds	882	962	1,050	1,090	1,209
% of beds with supplements	49%	51%	53%	55%	57%

* 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

Indicative economics of a 100-bed RAD care facility

Under RAD's leased development model, private property investors fund the land and buildings of each new care hospital, with RAD contributing c.NZ$2m of initial fit-out and chattels capex per hospital. We estimate a 100-bed hospital could generate c.NZ$1.0m per annum of post-tax earnings at mature occupancy, assuming FY26 reported EBITDAR per bed of NZ$31.1k. Additionally, EBITDAR per bed at new homes could be higher than our assumed FY26 average.

The programme does, however, lift lease liabilities. We estimate each incremental 100-bed facility could add c.NZ$22.5m to RAD's NZ$141.5m lease liability. We view this as manageable, given: (1) potential for government care funding to continue growing at CPI-plus in light of industry shortages; (2) lease liabilities sitting outside of bank covenant leverage; and (3) the incremental earnings should provide RAD with capacity to retire its c.NZ$85m of core bank debt over time.

Figure 1. Indicative RAD economics for a generic 100-bed leased care hospital at full maturity

Item	Per bed	Care facility	Notes
Care beds	1	100	Assumed 100-bed facility; deck indicates new care hospitals of 80–100 beds
Occupancy	96.7%	96.7%	ASM 2026 update
Underlying EBITDAR per occupied bed	$31.1k	$3.1m	FY26 actual per occupied bed; mature homes modelled at c.NZ$33k–NZ$34k
EBITDAR	**$30.1k**	**$3.0m**	Care beds × occupancy × underlying EBITDAR per occupied bed
Landlord capital (land and buildings)	$225.0k	$22.5m	Belfast 100-bed home reference; investor-funded
Lease yield on landlord capital	6.0%	6.0%	Assumed lease yield on landlord-funded land and build cost
Rent/lease costs	($13.5k)	($1.4m)	Landlord capital × lease yield
EBITDA (post-rent)	**$16.6k**	**$1.7m**	**EBITDAR less rent**
Average maintenance capex	($2.9k)	($0.3m)	Assumes operator-funded fit-out is replaced over a c.seven-year useful life
Pre-tax earnings after maintenance capex	**$13.7k**	**$1.4m**	
Post-tax earnings	**$9.9k**	**$1.0m**	Assuming 28% tax rate
RAD capex—fit-out and chattels	$20.0k	$2.0m	Estimate of NZ$20k per bed for operator-funded fit-out and chattels; assume c.seven-year blended useful life (five–10-year range)
Post-tax return on RAD capex	49%	49%	Post-tax earnings/RAD fit-out and chattels capex

Source: Company, Forsyth Barr Analysis

Earnings revisions

We lift our FY27 average occupancy assumption +50bp to 96%, conservatively given RAD's 96.7% occupancy being a point-in-time measure. We incorporate the 100-bed Applefields care home (Belfast), where work has commenced, in FY29 and the 80-bed Hokitika home in 2H29 (construction expected to begin in CY27). Our underlying EBITDA lifts 0%/0%/+2% across FY27/FY28/FY29.

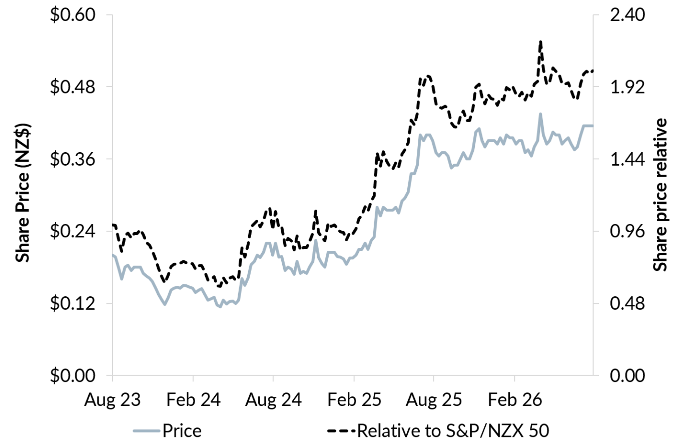
Figure 2. Earnings revisions (NZ$m)

	FY26		FY27			FY28			FY29	
NZ$m	Actual	Old	New	Change	Old	New	Change	Old	New	Change
Revenue	**200.1**	**216.8**	**218.3**	**+1%**	**224.7**	**225.2**	**+0%**	**231.2**	**247.1**	**+7%**
Deferred management fees	2.2	2.5	2.5	+0%	2.8	2.8	-0%	3.3	3.3	-0%
Total revenue	**202.3**	**219.3**	**220.7**	**+1%**	**227.5**	**228.0**	**+0%**	**234.5**	**250.4**	**+7%**
Total revenue and other income	205.5	222.9	224.3	+1%	231.4	231.9	+0%	238.9	254.8	+7%
Employee costs	(123.0)	(131.5)	(132.4)	+1%	(133.3)	(133.6)	+0%	(135.1)	(144.7)	+7%
Depreciation expense	(13.2)	(13.6)	(13.6)	+0%	(14.8)	(14.8)	+0%	(14.9)	(16.8)	+12%
Finance costs	(11.6)	(12.0)	(12.0)	-0%	(12.1)	(12.1)	-0%	(11.2)	(11.9)	+7%
Other expenses	(43.3)	(46.2)	(46.5)	+1%	(49.3)	(49.4)	+0%	(52.6)	(56.3)	+7%
Total expenses	**(191.2)**	**(203.3)**	**(204.5)**	**+1%**	**(209.4)**	**(209.9)**	**+0%**	**(213.9)**	**(229.7)**	**+7%**
Profit (loss) before income tax	**14.3**	**19.6**	**19.7**	**+1%**	**22.0**	**22.0**	**+0%**	**25.0**	**25.1**	**+0%**
Income tax expense	(4.3)	(5.4)	(5.4)	+1%	(5.8)	(5.9)	+1%	(6.4)	(6.7)	+3%
Profit for the period (NPAT)	**10.1**	**14.2**	**14.3**	**+1%**	**16.1**	**16.2**	**+0%**	**18.6**	**18.4**	**-1%**
Underlying EBITDA	**27.4**	**33.7**	**33.8**	**+0%**	**37.7**	**37.8**	**+0%**	**39.2**	**40.1**	**+2%**

Source: Company, Forsyth Barr analysis

Additional data

Figure 3. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 4. Substantial shareholders

Shareholder	Latest Holding
Kade Kings Limited	33.3%
Neil John Foster	5.5%
Windhaven Care Holdings	5.0%

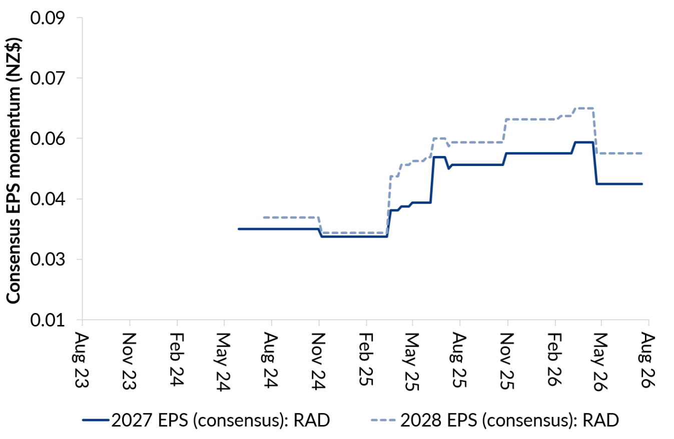
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 5. International valuation comparisons using consensus data (one and two year forward)

Company	Code	Price	Mkt Cap (m)	PE 1yr	PE 2yr	EV/EBITDA 1yr	EV/EBITDA 2yr	EV/EBIT 1yr	EV/EBIT 2yr	Cash Yld 1yr
Radius Residential Care Ltd	**RAD NZ**	**NZD0.42**	**NZD117.6**	**8.5x**	**7.3x**	**7.2x**	**6.6x**	**10.1x**	**9.4x**	**6.5%**
Oceania Healthcare Ltd	OCA NZ	NZD0.78	NZD568.5	6.9x	7x	9.2x	9.1x	12.1x	12.1x	0.5%
Ryman Healthcare Group Ltd	RYM NZ	NZD2.05	NZD2,082.2	>75x	48.8x	32.1x	24.4x	54x	35.8x	0.6%
Summerset Group Holdings Ltd	SUM NZ	NZD8.23	NZD2,011.2	8x	6.8x	12.8x	11.1x	14.1x	12.3x	3.1%

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

Figure 6. Consensus EPS momentum (NZ$)



Source: Bloomber, Forsyth Barr analysis

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