

30 May 2018

Green Cross Health Limited Full Year Result Announcement for the year ending 31 March 2018.

GREEN CROSS HEALTH'S PRIMARY HEALTH CARE STRATEGY ON TRACK

Highlights

- Revenue of \$523m (up 7.2%).
- Reported Net Profit after Tax attributable to shareholders of \$16.8m (down 14.6%).
- Underlying Net Profit after Tax attributable to shareholders of \$18.7m* (up 10.9%).
- Medical Division performed strongly with revenue up 6.9%, Operating Earnings up 26.1%, driven by improved operational efficiency and successful acquisitions.
- Pharmacy Division Operating Profit grew 3.5% on revenue growth of 5.8%.
- Revenue growth in the Community Health Division continued, up 11.4%, a result of growth in nursing, ACC and DHB portfolios.
- Pharmacy prescriptions of 31.7m (up 1.7%), representing approximately 50% of NZ's community pharmacy prescriptions.
- 13% increase in enrolled medical centre patients to 237,000 and more than 3.8m care visits were made to 21,000 community health clients in their homes.
- Net Cash from Operating Activities of \$33.2m (up 10.9%).

Multi-disciplinary primary health care provider Green Cross Health (NZX: GXH) today reported Net Profit after Tax attributable to shareholders of \$16.8m for the year ended 31 March 2018 compared with \$19.6m in the prior year. This includes a one-off increase in unfunded Leave Liability in 2018 of \$1.9m (due to the implementation of pay equity legislation) and a one-off Fair Value Gain in 2017 of \$2.8m.

Underlying Net Profit after Tax attributable to shareholders, which removes one-off items, improved 10.9% to \$18.7m* on a 7.2% increase in Group Revenue to \$523m, as the Group continued to implement a sustainable strategy for growth in the New Zealand primary health care sector.

Net Cash Flows from Operating Activities of \$33.2m were up \$3.3m on last year and have been applied to new acquisitions, capital investment, dividends and debt reduction. Net borrowings reduced from \$47.3m to \$38.5m at balance date.

Green Cross Health Chair, Peter Merton, says, "During the last year we have made good progress as a multi-disciplinary team delivering primary health care services to more people. In a challenging health

care funding and retail environment we continue to deliver earnings growth and have increased the financial capacity to continue acquisitions in the primary health care sector.”

Medical Division

Medical Division Revenue increased 6.9% to \$52.7m, with Operating Profit up by 26.1% to \$3.7m, driven by improved operational efficiency and successful acquisitions.

Organic growth, investment in six medical centres and the purchase of two patient books resulted in an increase in enrolled patients of 30,200 (13%). In addition, there has been growth in the provision of urgent care and walk in services.

“Strengthening our presence and operational capability in the Medical Division was identified as a key opportunity for our Group and we have invested in developing a skilled and experienced management team, and systems to drive growth,” says Grant Bai, CEO Pharmacy and Medical Divisions.

The second half performance in 2018 underlines this growth with Operating Profit of \$2.2m up from \$1.5m in the second half of 2017.

Green Cross Health is creating capacity in its medical centres to ensure patient access with a limited resource of health professionals. Initiatives in collaboration with Northland DHB, such as Neighbourhood Healthcare Homes and using mobile applications to deliver remote care, have resulted in increased operational efficiency and improved community health outcomes.

“Maintaining the status quo is not an option to economically meet the future health care needs of our communities. Green Cross Health, along with all providers of health care, operate in an environment challenged by funding and an escalating shortage of health care professionals. We are looking to new leadership models, collaborative multi-disciplinary team initiatives, greater analytical rigour and use of technology to drive better performance and health outcomes for our communities,” says Bai.

Pharmacy Division

Pharmacy Division Operating Profit grew 3.5% to \$28.9m, on revenue growth of 5.8%. The Group now comprises 357 Unichem and Life Pharmacies, with one acquisition during the period: Unichem Springlands. Two greenfield sites were established, one in Wynyard Quarter in central Auckland and another in the west Auckland suburb of Huapai, both co-located with The Doctors medical centres.

“We have continued our focus on delivering products and services that improve customer experiences, health outcomes and loyalty. This includes tools for our pharmacy teams to enable convenient, multi-

channel communications with customers, including the rollout of an automated Prescription Reminder Service.

The Living Rewards programme, with 1.5 million members, provides the ability to reward and retain existing customers and drive increased sales via targeted marketing. Opportunities to better service customers with personalised health and wellness messaging, coupled with an improved omnichannel offering, will ensure that we remain relevant and competitive,” says Bai.

Embedding improved operational standards and promotional excellence across the store network, in conjunction with licensees and supply partners, supported retail product sales growth of 2%. These core retail disciplines will continue to be a priority.

External challenges impacted pharmacy profitability in the second half of the year with major infrastructure works in Auckland and Wellington CBDs, and mall redevelopments, including the closure of a flagship store, Life Pharmacy 277, in Newmarket.

“We continue to operate in a competitive market that provides customers with plenty of choice. As the New Zealand retail landscape evolves, the expert care and advice our teams provide is fundamental to maintaining our market leading position. Our Green Cross Health Academy training and development programme now has more than 6,000 people enrolled across 180 courses on our award winning TeachMe platform and has been instrumental in driving enhanced operational efficiencies and customer experience,” continued Bai.

Community Health Division

Revenue growth in the Community Health Division continued, up 11.4% to \$128.9m.

Geographic expansion of nursing specialists Total Care Health resulted in its revenues growing 12.1%. Access Community Health’s ACC portfolio grew by 12.9%, while the Nelson Marlborough DHB Home and Community Support Services contract, won in September 2017, contributed to growth in the Access DHB portfolio.

Revenue growth did not translate to improved profitability in the period due to the implementation of Pay Equity and Guaranteed Hours legislation. While Green Cross Health fully supports the implementation of these initiatives, and the positive benefits for our team, there was a negative financial impact on the division’s Operating Profit as it includes a one-off increase in employee Leave Liability of \$1.9m.

This additional cost, which has impacted all providers, is a result of Pay Equity funding not fully compensating providers for the increase in employee entitlements. While discussions continue between industry representatives and the Ministry of Health, there is no evidence to suggest that this shortfall will be funded.

Aside from these external impacts, the Community Health Division made significant improvements in operational efficiency, augmented by the rollout of a new support worker mobile application. The effects of this investment will be evident in the coming year.

Future Focus

Looking forward, Merton says, “The Green Cross Health Group will continue to deliver on our strategy to provide accessible, quality primary health care through our network of health care experts.

We have respected and trusted brands, a nationwide footprint and a clear strategy across our Group and are confident about future growth, both organically and through acquisition. We anticipate continued positive results from progressing operational improvements and innovation throughout the Group and are committed to providing all New Zealanders with products and services to live, look and feel their best.”

Dividend

The Directors have resolved to pay a fully imputed final dividend of 3.5 cents per share to shareholders on the register at 5pm on 15 June 2018. The dividend is consistent with the prior year, and will be paid on 29 June 2018. This takes the full year dividend to 7 cents per share. The Dividend Reinvestment Plan will not be operative for this dividend payment.

** Underlying Net Profit after Tax attributable to shareholders excludes a one-off increase in unfunded Leave Liability in 2018 of \$1.94m (due to the implementation of pay equity legislation) and a one-off Fair Value Gain in 2017 of \$2.76m. We consider the reporting of underlying profit provides the reader with a better understanding of the Company's operating performance and future profitability.*

END

Contact:

Investor Relations:

Steve Browning, Chief Financial and Operating Officer +64 9 580 6846

steve.browning@greencrosshealth.co.nz

Media:

Debbie Yardley, Communications +64 21 470 773

debbie.yardley@greencrosshealth.co.nz

About Green Cross Health

Green Cross Health (NZX: GXH) is a trusted New Zealand primary health care provider with multi-disciplinary health care teams with the purpose of working together to support healthier communities. Green Cross Health is focused on creating sustainable health care solutions with positive outcomes and experiences.

New Zealand owned and operated, Green Cross Health operates under branded groups Unichem and Life Pharmacies, The Doctors medical centres, Total Care Health community nursing services and Access Community Health to provide support, care and advice to diverse New Zealand communities.

Providing convenient access to professional health care in almost every New Zealand community, Green Cross Health's 8,000 team members support more than 21,000 community health clients, make more than 3.8m home visits, care for 237,000 enrolled patients at medical centres and dispense approximately 50% of all community pharmacy prescription items.

