

Green Cross Health (NZX: GXH)

Half Year Result Announcement for the six months ending 30 September 2018.

GREEN CROSS HEALTH GROWTH CONTINUES

27 November 2018, AUCKLAND, NZ: Listed primary health care provider Green Cross Health, the group behind Unichem and Life Pharmacy, The Doctors and Access Community Health, has reported a 9% increase in Revenue to \$282m in the six months to 30 September 2018 compared to the prior period. Net Profit after tax attributable to shareholders was \$8.1 million, compared to \$8.8 million in the prior period.

Result Summary:

- Revenue of \$282m up 9%
- EBITDA at \$18.4m down 5.2%
- Operating Profit \$14.9m down 9.5%
- Net Profit after tax attributable to shareholders of \$8.1m down 7.1%
- Pharmacy Revenue growth of 2.2% but Operating Profit down 3.8% at \$13.9m
- Medical performed strongly with Revenue up 37.5% and Operating Profit up 32.4% to \$2.0m
- Revenue growth in Community Health up 15.3% but Operating Profit down \$1.1m to \$0.3m
- Operating Cash Flow returned to normal level at \$8.8m
- Net Debt \$44.1m up \$5.6m primarily due to investment in new acquisitions
- Interim Dividend consistent with prior period at 3.5 cents per share.

Green Cross Health chair Peter Merton, says, "In a challenging health care funding and retail environment we have delivered a reasonable underlying performance and are growing our share of the primary health care market. Sales growth across all divisions is pleasing and the medical contribution is starting to show the benefits of the investments of recent years. Our focus on cost control and pricing in our pharmacy business has delivered good results."

In October Green Cross Health announced the appointment of Rachael Newfield to a newly created position as Group Chief Executive Officer. She will commence in her role in January 2019.

Pharmacy Division

Pharmacy Revenue increased 2.2% to \$170.0m, with Operating Profit down 3.8% at \$13.9m.

External challenges impacted pharmacy profitability including major infrastructure works in the Auckland CBD, mall redevelopments, and a record low cold and flu season. As a result, retail sales in

the cough/cold and pain categories were down 8.6% year-on-year. Conversely, the beauty categories saw a 7.2% year-on-year increase.

Overall, same store sales growth was up 2.1%. However, due to the change in sales mix and increased promotional activity, all store gross margin was down 2.1% to 34.8%.

During the period, a new pharmacy services agreement with the Government was put in place providing certainty of funding for dispensing medicines and a framework for commissioning of local services, such as long-term conditions management and health coaching. This new agreement included an industry wide funding increase of \$20m for volume, cost pressure and additional services.

While the retail environment continues to provide customers with increasing choice, Green Cross Health will remain focused on its core retail disciplines, expanding its e-commerce and digital engagement utilising the Living Rewards loyalty programme, and operational efficiency.

The pharmacy network continues to grow with 362 Unichem and Life Pharmacies with the addition of five Licensees in the period.

Medical Division

Medical Revenue increased 37.5% to \$34.3m, with Operating Profit up by 32.4% to \$2.0m, driven by improved operational efficiency and successful acquisitions.

Organic growth and three newly acquired medical centres in the period resulted in an increase in enrolled patients of 18,480 or 8% since March 2018 to 255,000. Medical also increased its investment in two associate medical centre businesses moving to majority interest.

Operationally, Medical continued to roll out initiatives to provide improved patient access and operational efficiency.

The Doctors network now numbers 41 medical centres, up 10 from this time last year. Increasing scale and operational capability in Medical is core to Green Cross Health's growth strategy.

Community Health Division

Revenue growth in Community Health continued, up 15.3% to \$78.1m. Excluding the increase in revenue from funding for support worker wages, under the Pay Equity settlement, the revenue increase was 8.2%.

Revenue growth did not translate to profit due to the continued shortfall in funding and an increase in leave liability due to Pay Equity. Discussions continue between industry representatives and the Ministry of Health and District Health Boards on this issue.

The Community Health Segmental Operating Profit was \$0.3m, down from \$1.4m.

Targeting the higher clinical needs segments, exiting unprofitable contracts and operational efficiency will lead to improved profitability.

Future Focus

Looking forward, Merton says, “We remain focused on providing accessible, quality primary health care through our network of health care experts. Our trusted brands will continue to offer convenient access to the products and services that our customers want.

We want to continue the growth in medical, in higher needs areas of community health, and invest in our pharmacy retail offer to ensure it is forefront in consumers’ minds.

We are confident in delivering future growth, both organically and through acquisition, as we remain committed to meeting the health, beauty and wellness needs of our communities.”

Dividend

The Directors have resolved to pay a fully imputed interim dividend of 3.5 cents per share to shareholders on the register at 5pm on 11 December 2018. The dividend is consistent with the prior year and will be paid on 21 December 2018.



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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 more than 21,000 community health clients, make more than 3.8m home visits, care for 255,000 enrolled patients at medical centres and dispense approximately 50% of all community pharmacy prescription items.

