

Green Cross Health Limited (NZX: GXH)

Full Year Result announcement for the audited twelve months ended 31 March 2022

GREEN CROSS HEALTH REPORTS FULL YEAR PROFIT OF \$24.6M

27 May 2022, AUCKLAND, NZ: Listed primary healthcare provider Green Cross Health, the Group behind Unichem and Life Pharmacy, The Doctors and Access Community Health, reported Net Profit After Tax Attributable to Shareholders of \$24.6 million, which was ahead of the prior year by 47% and included an increase in performance across all three divisions, as well as in-year acquisition activity.

Result Summary:

- Operating Revenue up 18% to \$670.3m
- Operating Profit (EBIT) up 54% to \$54.1m¹
- Net Profit After Tax Attributable to Shareholders up 47% to \$24.6m¹
- Pharmacy Operating Revenue up 16% and Operating Profit up \$11.7m to \$35.9m
- Medical Operating Revenue up 35% and Operating Profit up \$6.6m to \$16.0m
- Community Health Operating Revenue up 12% and Operating Profit up \$1.9m to \$5.6m
- Over \$20m invested in growth including eight medical centre acquisitions, one medical centre greenfield and five pharmacy acquisitions
- Internal promotions of Alison Van Wyk (COO), Androulla Kotrotsos (GM Community Health), plus appointment of Wayne Woolrich (GM Medical)
- \$21m Net Cash position – 3.5 cps dividend declared

Green Cross Health Group CEO Rachael Newfield, commented, “The Company played a lead role in protecting our communities during the COVID-19 pandemic by adapting our business model across all three divisions and scaling up to deliver essential services over a time of extreme uncertainty across New Zealand. Our ability to deliver on our business strategy and invest in growth, coupled with our willingness and ability to deliver additional services, has contributed to a solid FY22 financial performance, resulting in a 47% lift in net profit to shareholders.

“Every member of the Green Cross Health team has played their part, and their efforts are widely appreciated not just here at Green Cross Health, but by New Zealand communities nationwide.”

Green Cross Health Chair Kim Ellis, added, “The financial result for the year reflects the operational efforts that have gone into the pandemic response, our acquisition strategy and delivery of organic growth plans. Our financial performance and strong Balance Sheet support the continuation of our acquisition strategy as well as the payment of dividends to shareholders.”

¹ After deducting one-off costs of \$1.4m associated with the process to acquire Tamaki Health, which Green Cross Health and its consortium partner withdrew from in November 2021.

Unichem & Life Pharmacy Division

Pharmacy Revenue for the period saw an increase of 16% to \$367m. Operating Profit for the period was up 49% to \$35.9m, driven by further growth in dispensary activity and earnings from COVID-19 vaccinations and other services. Throughout the year our network of 345 pharmacies played a key role in supporting communities - providing essential services, supporting the COVID-19 vaccination programme and continuing to innovate and bring new healthcare solutions. Green Cross Health pharmacies represented 51% of all New Zealand pharmacies providing COVID-19 vaccinations.

Even with the return to three-monthly dispensing (rather than monthly dispensing Pharmac put in place for much of the prior year given COVID-19 related challenges), script volumes increased 2% year-on-year. The Green Cross Health pharmacy network dispensed over 30 million scripts during the period, representing almost 40% of New Zealand's volumes.

Retail sales were consistent year-on-year, with metro areas most challenged by further COVID-19 restrictions and businesses working from home. A differentiated product focus resulted in 20% of retail sales now being sourced via strategic supplier partnerships. In line with the strategy of retail innovation, new services were launched in the year including Ingeneous DNA testing and Phillips' sleep apnoea, enhancing our ability to connect with our customers on health solutions.

Living Rewards loyalty membership grew by 81,000 to 1.89m members through targeted acquisition campaigns and differentiated offers to loyalty customers, who spend 62% more on average than non-loyalty members. The Company has contracted the installation of a new loyalty system in FY23, which will allow for enhanced customer segmentation and relevant, personalised offers.

Tight control of labour and occupancy costs continued through the period with a number of leases successfully renegotiated. The ongoing review and optimisation of the store portfolio is a strategic priority. During the year the division acquired two pharmacies in Whakatane, two pharmacies in Katikati and one in Onehunga. Investments included a 25% holding in PillDrop, ensuring Green Cross Health stays close to the increased demand for digital services and the changing needs of customers.

The Pharmacy digital booking system has been enhanced to support ease of customer access to instore services and online fulfilment capability has been scaled to support a 51% increase in online demand. The division announced a partnership with ASX listed MedAdvisor to roll out digital solutions to customers across the pharmacy network to support an omni-channel experience. In FY22, 450 staff completed year one of the specialised Green Cross Health retail apprenticeship programme, with year two of the programme now underway.

The value of the pharmacy workforce was highly visible throughout the pandemic response. Green Cross Health urges the Government to support the enhanced role community pharmacy has played and to address workforce sustainability and cost pressure recovery. With the health reforms underway, Green Cross Health calls on the Government to remove the medicines co-payment tax for vulnerable and marginalised communities as it is a significant barrier to equity of access.

The Doctors Medical Division

The Medical division achieved year-on-year growth in revenue and profitability, through COVID-19 testing, vaccinations and other COVID-19 care opportunities, plus investing to drive growth both organically and through acquisitions. Medical Operating Revenue grew 35% to \$111.0m, with Operating Profit up 71% to \$16.0m.

Nationwide footprint increased by 8 to 53 medical centres through a high level of acquisition activity and one greenfield development. Two centres were added in each of Auckland, Wellington, Christchurch and Queenstown. The Doctors Greenlane was opened in April 2021 and is already exceeding expectations. Enrolled patients for Medical as at 31 March 2022 totalled 329,000, an increase of 44,000 (+15%) since 31 March 2021.

COVID-19 created additional clinical and administrative demands, which put further pressure on practices and healthcare staff. Practices were required to respond to relentless change and added demands, while continuing to run day-to-day operations and provide high-quality care to patients. As community transmission spread, isolation requirements and positive cases also impacted Medical's workforce for extended periods.

The division offered phone, virtual and in-person consultations to ensure seamless patient care throughout the pandemic. The introduction of COVID-19 vaccinations to general practice, the transition from PCR swabbing to rapid antigen testing, and caring for COVID-19 positive patients within their home was a huge focus for the clinical teams.

Operationally, COVID-19 had an adverse impact on both acute and routine care presentations. The demand for swabbing activity was high and in some practices more than offset the decline in patient presentation revenue. A new 'Covid Care' telehealth service was implemented by the centralised virtual HouseCall team within a short space of time, relieving some of the pressure on the division's network.

The Medical strategy is to grow organically and through acquisitions. With increased scale, there should be opportunities to strengthen relationships with funders and become more cost efficient while maintaining high performing clinical teams. The Government's health reforms are moving into implementation which is an opportunity to work more closely with Health New Zealand, the Māori Health Authority and locality partners to improve how care is delivered more equitably to communities across New Zealand.

Access and Total Care Health Community Health Division

The Community Health team of over 3,000 front-line and support staff delivered care to vulnerable communities during the various stages of the COVID-19 pandemic, ensuring clients were able to stay safely in their own homes.

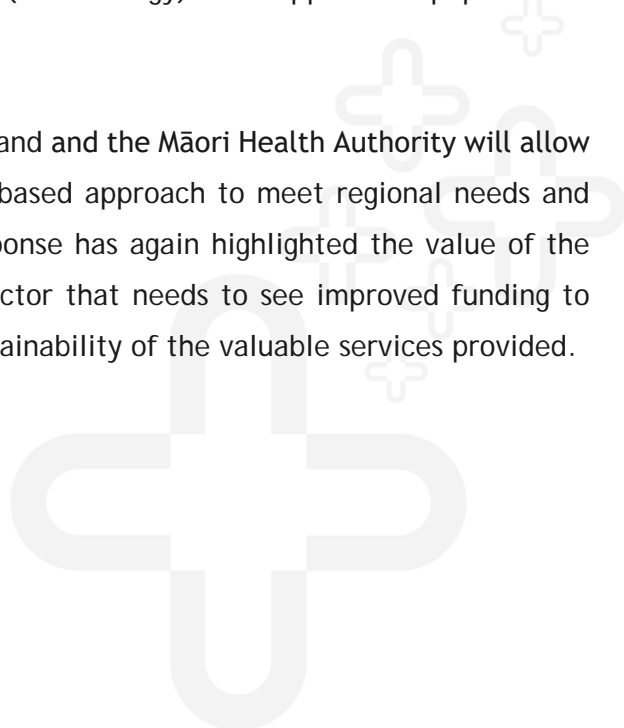
The year was impacted by significant workforce shortages due to illness or contact isolation requirements, which led to a transitioning of care models to ensure clients with COVID-19 continued to receive services. Despite the headwinds, the division delivered year-on-year revenue growth of 12% to \$192.2m, and operating profit (EBIT) growth of 51% to \$5.6m. Despite the improved financial performance, operating profit margin remains low at 2.9%.

The strategy to increase share in higher clinical care needs segments has been successful, seeing a 13% growth in this segment over the previous year. With a workforce constrained by COVID-19 vaccine mandates and border closures, the division successfully leveraged digital tools to provide enhanced telehealth services and improved rostering.

Investment in people and technology has provided operational efficiencies via automation and system improvements. Rollout of the client portal continued with a 61% increase in users year-on-year. Upskilling of team members has been driven via internal training programmes, including online competency development and assessment. In year, there was positive staff engagement from the newly introduced staff development programme Whakatipu Tāngata, which was nominated as a finalist in the New Zealand HR awards.

A health equity focus has seen the division weave te reo Māori and tikanga Māori into operations and strategy. This year saw the launch of Tā Tātou Rautaki (our strategy) that supports kaupapa and te ara whakamua (pathway forward).

The Company expects the transition to Health New Zealand and the Māori Health Authority will allow for a consistent approach nationally, with a localities-based approach to meet regional needs and support equity of access. The COVID-19 pandemic response has again highlighted the value of the Home and Community sector to the Government; a sector that needs to see improved funding to counter escalating wage costs and to safeguard the sustainability of the valuable services provided.



Outlook and Dividend

Whilst acknowledging there is still some COVID-19 uncertainty ahead, the Board is pleased with how the Company has responded to the pandemic, noting the significant investment and tremendous effort that has gone into the past year's performance whilst performing a critical primary healthcare role for the community.

Green Cross Health is committed to meeting patient and customer expectations, providing to all New Zealanders accessible, quality primary healthcare. As part of this commitment, the Company is seeking opportunities to work more closely with Health New Zealand, the Māori Health Authority and locality partners to improve how care is delivered more equitably to communities.

The Board has declared a final FY22 dividend of 3.5 cents per share. The expectation is for FY23 to return to pre COVID-19 profitability levels, adjusted for acquisitions.

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About Green Cross Health

Green Cross Health (NZX: GXH) is a trusted New Zealand primary healthcare provider with multi-disciplinary healthcare teams with the purpose of working together to support healthier communities. Green Cross Health is focused on creating sustainable healthcare 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 healthcare with 345 Unichem and Life Pharmacies covering almost every New Zealand community, Green Cross Health makes more than 3.8m home visits to more than 36,000 community health clients and cares for 329,000 enrolled patients at medical centres.

