

Green Cross Health (NZX: GXH)

Half Year Result Announcement for the unaudited six months ending 30 September 2021

GREEN CROSS HEALTH REPORTS STRONG HALF YEAR PROFIT OF \$9.7M

26 November 2021, AUCKLAND, NZ: Listed primary healthcare provider Green Cross Health, the Group behind Unichem and Life Pharmacy, The Doctors and Access Community Health, reported Revenue of \$310m in the six months to 30 September 2021, up 12% on the prior period. Net Profit After Tax Attributable to Shareholders of \$9.7m represents a 9% increase on the prior period. The Group has supported New Zealand communities throughout the COVID-19 pandemic, continuing to provide its essential services, ramping up swabbing efforts over the COVID-19 surge period from August 2021 and rolling out vaccinations at both pharmacies and medical centres.

Result Summary:

- Revenue of \$310m, up 12%
- Operating Profit (EBIT) of \$20.5m, up 14%
- Net Profit After Tax Attributable to Shareholders of \$9.7m, up 9%
- Pharmacy Revenue up 11% and Operating Profit up 9% to \$13.3m
- Medical Revenue up 12% and Operating Profit up 13% to \$5.7m
- Community Health Revenue up 14% and Operating Profit up 38% to \$2.5m
- Group net cash position of \$5.9m
- Dividend declared of 3.0 cps for the half year ended 30 September 2021.

Green Cross Health Group CEO Rachael Newfield, says, “The performance for the six months to 30 September 2021 reflects an increase in activity across all three divisions. Our COVID-19 response efforts have been a huge focus for our business, and our front-line workers have been pivotal in helping to ensure the country can cope with the strain that COVID-19 places on the healthcare system. As an essential service, our pharmacies and medical centres have remained open to support communities, despite a drop in demand associated with lockdown periods, particularly in Auckland. We have also continued to provide essential homecare services to New Zealand’s most vulnerable, via our Community Health operations. As one of the leading providers of primary healthcare in New Zealand, we’ve been able to ramp up our swabbing efforts to meet the COVID-19 delta surge that arose from August 2021 and move quickly into providing COVID-19 vaccinations to substantially support the Government’s 90% vaccination target.

“Earlier in the year, the quality of Green Cross Health’s primary healthcare services was acknowledged at the New Zealand Primary Healthcare awards, with all three Green Cross Health divisions winning first place awards. These included team members winning the pharmacist of the

year and the pharmacy technician of the year awards, one of our medical centres winning an award for its recent extensive refurbishment and winning an excellence in information technology award for our support worker app developed in-house in our Community Health division.

“In addition, we are pleased to have progressed our strategy of acquisitive growth, adding two pharmacies and four medical centres, increasing our shareholding in two pharmacies and one medical centre, plus investing in an online digital health company.

“During the period, we promoted Alison Van Wyk into the newly created role of Chief Operating Officer. This appointment follows the addition of Wayne Woolrich, who joined as General Manager of the Medical division. Alison’s extensive primary healthcare experience, and Wayne’s experience leading Health Hawke’s Bay, adds further depth and expertise to the Green Cross Health management team.”

Unichem & Life Pharmacy Division

Pharmacy Revenue for the period saw an increase of 11% to \$170m. Operating Profit for the period was up 9% to \$13.3m, with growth driven by a higher dispensary gross profit and earnings from COVID-19 vaccinations. Retail sales were flat year-on-year, with the impact of lockdowns, particularly in Auckland, softening retail sales in the six months to 30 September 2021. Auckland retail sales typically represent 37% of total retail sales.

Pharmacies have scaled up their vaccination capability to support the roll-out of the COVID-19 vaccine and to help increase the vaccine uptake within New Zealand’s communities. The Green Cross Health Pharmacy network is providing a significant number of New Zealand’s COVID-19 vaccinations in pharmacies, workplaces, homes and through co-ordinating joint programmes together with the District Health Boards to reach NZ’s most vulnerable communities. The network is also poised to support the Government’s ongoing COVID-19 vaccine response for younger age groups and to support booster vaccinations.

Despite a lessening of retail restrictions post period end, retail sales performance is expected to continue to experience a headwind in the second half of the financial year due to the lockdown impacts and reduced demand for certain items. Pricing and margin management is being reviewed carefully, with exclusive distribution arrangements and strategic brand relationships being sought.

The ongoing optimisation of our pharmacy investment portfolio remains a priority. In the period, the company acquired two partner pharmacies in Whakatane and increased its shareholding in Walls and Roche and Whanganui pharmacies. Acquisitions include PillDrop, an online health technology company that sorts and delivers prescription medicine and provides care, advice and support to customers. The

PillDrop investment ensures Green Cross Health stays close to the increased demand for digital services and the changing needs of customers.

As the pressures on the health sector increase, additional innovative professional services have been scaled up within the company's network that enhance the role of the pharmacist and promote easier access to healthcare. While the Government continues to refine its design for New Zealand's Health & Disability sector with a focus on equity of access, a review of the prescription co-payment policy is warranted to ensure alignment with equity of healthcare access for all.

The Doctors Medical Division

Medical Revenue grew 12% to \$46m, with Operating Profit up 13% to \$5.7m. Performance was supported by the impact of acquisitions prior to 31 March 2021, as well the acquisition of Muritai Health Centre in Wellington and an increase in shareholding in The Doctors Napier. After period end, on 1 October 2021, the acquisitions of three further centres were completed: The Doctors Wakatipu (Frankton and Shotover centres) and Apollo Medical Centre in Auckland. These acquisitions bring the division to 50 Medical centres, with 317,000 enrolled patients, an increase of 32,000 patients since 31 March 2021.

Operationally, COVID-19 again had a significant impact on acute patient presentations, particularly in urgent care and walk-in settings and Auckland-based practices. Some medical practices were able to mitigate this decline by providing COVID-19 swabbing and vaccinations. Medical practices were well-prepared to provide patient services virtually through this period of operational restrictions, including operationalising telehealth solutions

The clinical focus has been to keep staff and patients safe throughout the COVID-19 pandemic, respond to community outbreaks, provide COVID-19 testing and COVID-19 vaccinations. Medical centres have been working diligently to ensure routine care is not compromised. Clinical leadership for the network has been enhanced with the appointment of Dr Stephanie Taylor into the role of Clinical Director. Recruitment of clinical staff has been a priority, with the development of an internal recruitment service to source talent from New Zealand and overseas.

Whilst managing the COVID-19 operating environment is ongoing, the underlying strategy remains to grow earnings both organically and via further acquisitions, reduce the operational cost per patient and to provide high-quality equitable services for patients and communities across New Zealand.



Access and Total Care Health Community Health Division

Revenue in the Community Health division for the period increased by 14% to \$94m with Operating Profit up 38% to \$2.5m. The division's strategy is to support clients in the community with higher clinical and complex support needs, improve service delivery, tight cost management and utilise IT systems to enhance workforce efficiency and client outcomes.

A slender operating margin of 2.6% highlights the pressure on financial sustainability of the community health sector, with challenging funding arrangements, labour cost increases and the costs associated with workforce shortages in the sector.

Again, our COVID-19 pandemic response shows the value of the Home & Community support sector in reducing the pressure on an already stretched healthcare system. Support from all funders is called for to return the sector to a position of financial sustainability and to recognise the value of supporting vulnerable populations so they may live within their communities for longer. Green Cross Health also advocate strongly with funders for pay parity for all nurses, in line with the recent Government funding uplift for all DHB nurses.

Outlook and Dividend

Green Cross Health has delivered a positive first half performance, reflecting both increased activity across all divisions and ongoing investment in acquisitions, including \$7.2m of acquisition investment during the six-month period.

The Company performs a key role in supporting New Zealand's COVID-19 response, with 161 pharmacies and 28 medical centres administering COVID-19 vaccinations. Green Cross Health pharmacies currently represent 52% of all pharmacies vaccinating in New Zealand. The network's role will evolve with booster vaccinations and as further age groups become eligible for the vaccination.

The Board has declared an interim dividend of 3.0cps for the half-year ending 30 September 2021, reflecting the strong half year period and a robust balance sheet that can support both an acceleration of acquisitions and the payment of dividends.

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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's 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 351 Unichem and Life Pharmacies covering almost every New Zealand community, Green Cross Health's makes more than 3.6m home visits to more than 42,000 community health clients and cares for 317,000 enrolled patients at medical centres.

