

Green Cross Health (NZX: GXH)

Half Year Result Announcement for the unaudited six months ended 30 September 2022

GREEN CROSS HEALTH REPORTS HALF YEAR PROFIT OF \$11.4M

25 November 2022, AUCKLAND, NZ: Listed primary healthcare provider Green Cross Health, the Group behind Unichem and Life Pharmacy, The Doctors and Access Community Health, reported Operating Revenue of \$355m for the six months to 30 September 2022, up 15% on the comparative period. Net Profit After Tax Attributable to Shareholders of \$11.4m represents an 18% increase on the prior period.

Result Summary:

- Operating Revenue of \$355m, up 15%
- Operating Profit (EBIT) of \$24.7m, up 21%
- Net Profit After Tax Attributable to Shareholders of \$11.4m, up 18%
- Pharmacy Operating Revenue up 6% and Operating Profit down 13% to \$11.6m
- Medical Operating Revenue up 48% and Operating Profit up 63% to \$9.3m
- Community Health Operating Revenue up 14%, Operating Profit up 166% to \$6.6m
- Investment of \$4.0m in four new medical centres
- Net cash position of \$18.9m (up \$13.0m) - 3.5cps dividend declared.

Group commentary:

Green Cross Health Group CEO Rachael Newfield, commented, “The result for the six months to 30 September 2022 is pleasing, with increased revenue performance in all three divisions. As a leading provider of primary healthcare services across New Zealand, Green Cross Health once again formed a key part of New Zealand’s COVID-19 response during the six-month period. We expect the second half of the FY23 financial year to see diminishing levels of COVID-19 activity, with focus returning to core business priorities.

“Given the challenges of the current labour environment, it was fantastic to be recognised by the Randstad Employer Brand Research as one of the Top 10 most desirable places to work in New Zealand. This is great recognition for the people-centric culture we have built at Green Cross Health, with our priority being to care for people, which includes our employees and the New Zealand communities we serve.”

Unichem & Life Pharmacy Division

Revenue in Pharmacy increased 6% to \$180m and Operating Profit for the period decreased 13% to \$11.6m. The decline in profit was largely driven by reduction in COVID-19 vaccination activity and increased labour costs compared to the prior period. Dispensary performance was strong, with total prescriptions up 15% compared to the prior period.

Pharmacies supported their communities throughout the influenza season, with the number of vaccinations administered up 92% on prior period. This growth was the result of a drive to increase workplace influenza vaccinations along with heightened consumer awareness around the types of vaccines that can now be provided by pharmacies, with no appointment required.

A partnership with technology company MedAdvisor has allowed the launch of an exclusive Unichem and Life Pharmacy App. The App has been widely taken up by Green Cross Health pharmacies, assisting medicine adherence and supporting customers to stay connected and loyal to their local pharmacy. Features include the ability for repeat prescriptions to be ordered, to view prescription history, booking of services and the ability to facilitate customer and pharmacist conversations.

In July 2022, investment in a new Living Rewards digital platform provided enhanced functionality that enables pharmacies to deliver targeted offers to customers, increasing average spend per customer. The Living Rewards customer loyalty programme has now reached 1.9 million members throughout New Zealand.

With the economic headwinds expected over the next 12-18 months, Green Cross Health urges the Government to review its medicine co-payment policy and remove cost barriers to ensure the most vulnerable are able to access their medicines.

The Doctors Medical Division

Medical Revenue grew 48% to \$68m, with Operating Profit up 63% to \$9.3m. Performance was the result of COVID-19 activity and acquired growth. Acquisitions from the previous year have integrated into the division, and throughout the half year four centres were acquired in Whanganui, Bay of Plenty and Invercargill (2). These additions, along with an amalgamation of The Doctors Golf Road into The Doctors New Lynn, bring the size of the medical portfolio to 57 centres. Enrolled patients as at 30 September 2022 totalled 345,000, an increase of 57,000 (+20%) since September 2021.

Operationally and clinically, assisting medical practices to service the additional demand created by COVID-19 has been a priority. Medical teams provided care directly to COVID-19 positive patients while in isolation and the national HouseCall virtual care service bolstered local clinical capacity when practices needed extra support. Plans are underway to further develop HouseCall and the raft of services this virtual care team provides to patients, clinical teams and the medical centre network.

As medical practices transition back to providing day-to-day clinical services, they remain vigilant and prepared for the everchanging COVID-19 environment. Investment in the development of The Doctors' recruitment brand continues with targeted campaigns internationally and locally to source talent.

Access and Total Care Health Community Health Division

Revenue in Community Health increased 14% to \$107m for the period with Operating Profit increasing 166% to \$6.6m. Performance was supported by a focus on a people-centred service delivery model, ensuring the division is the provider of choice for people with higher clinical and complex support needs.

The improved EBIT margin is a result of investment in rostering and communications systems enabling workforce efficiency and initiatives in telehealth clinical support, particularly in the Total Care Health specialist nursing division, which will aid expansion into new regions during the second half of the financial year.

With the introduction of Te Whatu Ora (Health New Zealand), Whaikaha (Ministry of Disabled People) and Te Aka Whai Ora (Māori Health Authority) on 1 July 2022 as part of the new health reforms, work with funders is ongoing to ensure financial sustainability for the community health sector during times of change and labour cost pressures and workforce shortages.

Community Health continues to advocate for Government funded pay parity for all nurses across the health sector to secure a workforce who relieve the burden on hospital admissions with care provided by primary and community nursing teams in home. The division is working alongside Kaupapa Māori providers to encourage equity of access for communities.

Outlook and Dividend

Green Cross Health acknowledges that the current labour market is challenging with workforce shortages and inflationary pressure. Focus is on managing this labour challenge and delivering sustained earnings growth through acquisitions, refinements in its operating model and ongoing investment in service offerings.

The Board has declared an interim dividend of 3.5cps for the half-year ending 30 September 2022, reflecting the strong half year period and a robust balance sheet. COVID-19 related earnings are expected to continue to reduce over the coming months, with a return to Group pre COVID-19 profitability levels, adjusted for acquisitions.

As part of the Government's health reforms and the transition to the new health entities as of July 2022, Green Cross Health is targeting opportunities to collaborate across the primary healthcare

sector to address equity of access challenges that exist and to strengthen primary healthcare's offering in order to take pressure off hospital admissions.

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About Green Cross Health

Green Cross Health (NZX: GXH) is a trusted New Zealand primary healthcare provider with multidisciplinary 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 33,000 community health clients and cares for 345,000 enrolled patients at medical centres.