



Chairman's address to Green Cross Health Limited (GXH) AGM

2.30pm Tuesday 2nd August

I would like to cover three main topics this afternoon:

- 1/ A brief recap of last year's performance
- 2/ Discussion of our strategic and operational goals
- 3/ Opportunities and issues affecting Green Cross Health

Firstly, 2016 was a year that saw us change as a business with Medical and Community Health becoming more significant, especially in their revenue contribution. Our Pharmacy Division completed the rebranding and loyalty programme rollout which resulted in same store sales growth of 8.5% and a record number (346) of pharmacies now in the group.

NZ pharmacy spent years with declining sales and a sometimes difficult position within the primary health care arena. The investment that has been put in over the last few years via branding, loyalty, professional services and overall visibility of the Green Cross Health group is bearing fruit. This is reflected in the sales growth and the position Green Cross Health is working towards as a leading provider of primary health care services.

We feel confident that we have laid the foundations for continued strong performance well into the future.

Our Medical Division doubled in size with the acquisition of Peak Primary. With the integration of the two businesses complete, we are now investing in systems that deliver better patient outcomes and experiences and more efficient business operations. We have



continued to acquire practices at a relatively modest rate, with our focus being on improving what we have, and learning as quickly as possible about the sector. Branding of our surgeries to “The Doctors” is well underway with 21 sites currently operating under that brand.

We stated last year that we wanted to establish an integrated Community Health business unit, which has been done. To achieve this, we integrated our two community health businesses, Access and Total Care Health and have completed the initial restructuring of the Access operational base to ensure it is efficient, offering better service and a sustainable return. Our Access business is performing to expectations and, funding issues aside, gives us a great opportunity to expand the reach of Green Cross Health further into the community. The nursing side of Access continues to perform well and while there are many acquisition opportunities in the Community Health sector, we want to ensure we are in a strong position before embarking on these.

The balance sheet of Green Cross Health changed significantly due to acquisitions and the payment of the special dividend. Focus has been on reducing working capital and repaying debt so that future growth does not place the business under excessive financial stress. As we have stated, we believe that contributions from our recent acquisitions will begin to flow this financial year.

Strategically we have positioned Green Cross Health as a provider of primary health care services. Improvement to patient and client experiences is at the centre of our strategy.

We have deliberately developed the Group away from a pure pharmacy business as we believe that Green Cross Health is well positioned to take opportunities to improve how primary health care can be delivered, and delivered sustainably. We are well aligned with



government strategy which seeks to move away from a siloed approach and towards a future in which the patient can benefit from a plan of care around their needs, with improved and measurable outcomes. This can only be realised in a health care system different from the one we have today, in which funding can follow the patient and primary health care professionals can genuinely work as a team.

We have begun to develop an integrated service model and will continue to do so. We aim to be the most efficient provider of the best services in the sectors we operate in, and the results in our Pharmacy Division demonstrate that this can be achieved.

Corporate presence in the General Practice arena in NZ is relatively new and has previously attracted a degree of criticism and suspicion. We would like to think that over the last few years our approach has demonstrated that it is not all about “profits”, but more about patients and investing and developing new services for their benefit. With scale and the right culture we believe we can make a significant and ultimately profitable difference.

Our Pharmacy Division has been positioned to compete in an increasingly competitive retail environment and to grow the scope of the “primary healthcare services” offered and this will continue to be a focus. Medicine management plays an important role in healthcare, and especially so in the primary care sector. Through a combination of focus, technology and integration with our Medical and Community Health network we see Green Cross Health providing both an improved patient offering, and possibly, in the future, a more cost effective and preferable home based model for the “Golden Years”.

Our Community Health business is the connection directly to the client in their home and can provide the link between medical care and social care. We see opportunities in this sector that include straight volume growth, through to developing packages of care that



may be more applicable to the private payor. We look to offer the government more cost efficient solutions than are currently available, but to enable that, improved funding systems need to be put in place with the incentives aligned to the outcomes that are required.

At a commercial level, there are two main challenges facing Green Cross Health.

Firstly, the funding associated with our Community Health business. Publicity around this has been fairly intense and we have been very involved in the working groups developing solutions to an expensive situation. Overall we are comfortable with the way things are going, but the devil is always in the detail. We wish for the sector to be more highly skilled and therefore a higher paid one and much of our restructuring has been done with this in mind.

Secondly, the review of the Medicines Act 1981 which will be replaced by the Therapeutic Products and Medicines Bill and the potential for deregulation of the pharmacy industry.

The review by the Ministry of Health is in its early days as yet, and we will actively engage with government and our members, as well as considering the impacts to our communities and the commercial implications of the possible legislative changes to stay involved in this process.

Until we know a few more key details it is difficult to determine the position Green Cross Health will take. The key concern is whether there is a patient benefit, and possibly an economic benefit without compromising primary healthcare delivery. Needless to say we are investing considerable time on this issue.



Green Cross Health is gaining strength and momentum as a provider of primary health care services. With a growing company there is always plenty to do, and our aim is to ensure it is done well and with a high degree of enjoyment and satisfaction. I would like to thank all our staff across the country for making us proud of the services that Green Cross Health provides to tens of thousands of New Zealanders on a daily basis.

I would also offer my thanks to the board for their efforts throughout the year and to you the shareholders, thank you for your support.

Peter Merton

2 August 2016