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David Kerr: Morena, tena koutou katoa. Good morning everyone and welcome to Ryman Healthcare's first half results presentation. My name is David Kerr and I am the Chairman of Ryman Healthcare. To my right we have Gordon MacLeod, our Chief Executive and David Bennett, our Chief Financial Officer.

We have opted to make our half year presentation a virtual event again. We find this is the best approach when we were planning this announcement because it takes the guesswork out of which COVID level we are in. Of course, being virtual does not mean there will not be plenty of opportunity to ask questions. You can do this over the phone, for those of you who have called in and of course you can contact us afterwards if there's anything else you would like to know.

I am going to give you a brief overview of the first half and update on the COVID pandemic from our point of view. Gordy will give you his analysis of the half and thoughts on what he sees ahead and what we plan to achieve. David will then give you some greater detail on our financial results. At the end of the presentation we will then open the session up for questions. You will see on the right-hand side of your screen you have the chance to ask a question online. For those of you calling in by phone, our operator will advise when you are free to ask a question. We anticipate wrapping up around 10:45am.

Well, another eventful six months for Ryman Healthcare. I am happy to report we are still COVID-19 free. That's entirely down to some extraordinarily hard work on behalf of the team and some outstanding patience and goodwill from our residents and their families. It's been a huge team effort and the Board cannot thank everyone enough for what's been achieved, particularly in Victoria.

It has been a very difficult six months and this is reflected in the results. I would also say that we do not feel like we are quite out of the woods yet. We have spent roughly $50 million on a range of responses to COVID-19 as we put the protection of our people first and as a result of that spend, we are now well supplied with PPE. We believe our staff are familiar with how to respond to COVID and its associated threats and are well equipped to respond to an outbreak in the vicinity of a village.

The recent news about a COVID-19 vaccine or vaccines is encouraging, but the reality is that the impact of COVID will be with us for some time yet. I don't want to sound too overly cautious, but in reality, the vaccine results being discussed are only interim results and no data has yet been published to enable critical review. Press releases are not quite the same as science. A lot more information is needed before a vaccine can be utilised and then there are the massive logistical challenges of getting sufficient uptake for the virus to then be controlled. I suspect we have at least another 12 or more months with a similar knife edge for us all to be sitting on.

Nevertheless, let's look first though at the headline numbers. The unaudited underlying profit was $88.4 million, which is a decrease of 14.2% due to these COVID-19 challenges. The reported or IFRS profit increased 12.8% to $212.4 million, which is due to property valuation changes and additional stock added during the half. Our half year dividend is $0.088 per share, which reflects 50% of our underlying profit. The record date is 11 December and the dividend will be paid on 18 December.

The total assets of the Company rose 14.9% to $8.34 billion. We are building across 12 sites, up from four new sites two years ago. As you can see, our half year underlying profit came in well below our medium-term target of 15%. This target has been our holy grail for many years. If we achieve 15% annual growth it means we double the profits every five years, which indeed we have for many years. We are however very conscious that we have not hit this target in recent years and this is an area of significant focus for the Board and management.

For the year ending March 2020 we were indeed on target to hit 15% and then we were hit by COVID which significantly impacted the last couple of months of the financial year, which is always our biggest trading period. In the first half of this year we were expecting strong growth from Victoria and this has been significantly impacted by COVID right across all our trading despite the team's best efforts. On top of this New Zealand was of course significantly affected as well.

The plain fact is that COVID-19 has been a once in a generation challenge and that is why we are not in a position to be providing guidance for our annual result at this point, but we have learned a lot about COVID and about ourselves and still managed to achieve an awful lot this year. This puts us in a good position to again meet that target in the medium term.

The Board has just held deep dive strategy days with the Senior Executive Team. The sort of areas we have been discussing are as diverse as what will our residents seek out in 10 years' time and what challenges might we face with staff recruitment. Everything was on the table, as it should be, and we believe Ryman's business model remains entirely sound. That's not to say there are not things to work on and places we can improve. Our model is tried and tested and our aim remains to deliver as many Ryman communities as possible in New Zealand and in Australia wherever there is demand.

Our main conclusion from the days was that major transformation is not required, but continued iterative change that we have undertaken over 30 years is appropriate. Of course, we will continue to listen to our residents and their families, innovate, improve and make sure we are as relevant as possible to them. We will continue to reinvest 50% of our underlying profits in expansion and the other half is returned to shareholders as dividends.

We have confirmed our commitment to our construction plans and we have 12 villages being built and we remain absolutely committed to further expansion in Victoria and no doubt beyond. We invested in a Victorian Leadership Team over the last couple of years and they have performed superbly. The whole team has done an amazing job in very tough circumstances.

There have been 1986 cases of COVID in aged care in Victoria, including 655 deaths. That is a great tragedy and shows how devastating COVID is when it takes hold in aged care. Our 18,000 staff and residents have stayed COVID free in both Victoria and New Zealand. Gordy will outline our progress and what's next in a minute, but what is heartening is that no-one has taken their foot off the gas during this COVID epidemic. Despite long hours in PPE, COVID alerts and an everchanging work and home environment, our teams' commitment to clinical excellence has never wavered and we have maintained our rate of more than 80% of our villages achieving four year certification in New Zealand. This is the gold star standard.

We are also acutely aware as a Board that continuing to invest record amounts in expansion at a time when operating costs have risen substantially and trading has been restricted, places pressure on our balance sheet. Supporting our team to ensure we are doing everything possible to maintain our villages as COVID free safe havens costs money and we are very mindful of our debt. While debt has risen in the first half and increasing costs put pressure on cashflows, as David will outline in a minute, our balance sheet remains strong with assets of more than $8.3 billion.

By continuing to invest and seeing through our current plans we will place ourselves in the best possible position to continue to grow. Our focus remains long-term and while the here and now of the past six months has been fully absorbing, believe me, we still have our eyes on the long-term prize. The prize is the extraordinary demand for Ryman's quality homes and for care needs of our communities that we see ahead of us.

Only by investing and continuously developing now can we put ourselves in the best position to meet that demand. Not only that, we'll be fulfilling a very important social need through investing in long-term critical healthcare infrastructure, which will create more than 2000 permanent jobs in addition to over what will probably be 5000 construction jobs over the life of the project.

When these 12 villages are complete, we would have created over 4000 new homes for older people and freed up their existing homes which eases pressure on a very tight housing market supply in both countries.

So you can see why it's a win-win for everyone, from the government through to our residents, our new team members and also home buyers. As I've mentioned, COVID is an enormous challenge but adversity is a great teacher.

If we've learned one thing this year, it is that security and reassurance of living in a village community is more important than ever. We think this will result in even more demand for the quality of life that living in a Ryman village offers in the years ahead.

Our residents have told us that they love the comfort and security of living in a supportive community where there's plenty of help on hand to take care of every need. They find it reassuring that they can easily hunker down during the lockdown surrounded by caring and experienced health professionals who are there to help with anything that they might need. And their families love that we share the responsibility to keep their loved ones safe.

I'll now hand over to Gordy to talk you through the year and what is next as we recover from the COVID-19 emergency and live with the new reality of a pandemic world. Over to you Gordy.

Gordon MacLeod: Thanks David. Hi everybody. Morena. As David has mentioned, the team has put in a huge amount of work to keep us safe from COVID and I can't thank them enough.

Our team in Victoria has been working in PPE for over six months now and in the care centres, that includes wearing face shields on top of N95 masks for a huge amount of the time.

The Melbourne team have not been able to work from our office in St Kilda Road in the CBD since March. Finally we're seeing the light at the end of the tunnel and thank goodness for that.

As David touched on, operationally, the most obvious impact from COVID was an increase in cost and a significant restriction on sales and construction activity in Victoria and New Zealand during the first half.

Trading was severely restricted for almost all of the six-month period in Victoria and allowable levels of construction activity in metropolitan Melbourne see-sawed as the rules changed.

Our New Zealand construction sites were shut completely for more than five weeks in March and April. Shutting down or reducing the activity levels on large construction sites is not easy and it took a lot of time to reopen safely under COVID conditions to get the flywheel moving again.

Despite this, we still managed to achieve some significant milestones. Following a number of false starts due to COVID-19, Eliza McCartney and Phil Goff joined us to officially open our Murray Halberg village in October.

It was a fantastic night with over 300 residents and staff in attendance. We also opened our village and care centre at William Sanders at Devonport where we still have additional large stages completing in the second half.

I've had a couple of great visits to William Sanders with our construction and operations teams and I can tell you that the village looks incredible and is another real step up in innovation and look and feel. You can see that from those beautiful pictures there. It's a real credit to the whole team and the residents and families that I met onsite when I was there a couple of weeks ago just loved it.

We also moved our first residents in at James Wattie in Havelock North. And I received a number of really heart-warming messages from new residents who were super impressed with the quality of their new homes.

Miriam Corban on Lincoln Road in West Auckland is looking great as well. It is a contemporary design and again, the first residents that I met were also delighted with the finish and the whole look and feel.

At Highton in Victoria, residents moved in in August, only seems like the other day, and are loving the experience. You can see on the slide in fact some future residents popping a sold sticker on their unit. It's one of their favourite activities that the team love to capture.

Our new Ocean Grove village on the Bellarine Peninsula in Victoria will open in December.

We're still planning to have our John Flynn village open in Burwood East just before Christmas and phew, that will be number five.

Having five villages open in Victoria by 2020 was a stretched target when we set it for ourselves back in July 2015. That's just a wee thank you, Simon Challies for that goal. To achieve this in such a tough year is amazing and we're nearly there.

To take us forward from this great position, we've decided to recruit a chief executive of Ryman Australia as a new member of the senior executive team. This reflects the growth opportunity in Victoria and beyond and would not have been possible without the significant achievements of our teams over recent years.

Across New Zealand and Victoria, we have 12 villages coming onstream and more on the way which gives us a strong platform for growth. We are expecting conditions to improve in the second half as the housing market picks up in New Zealand and sales start moving again in Victoria. I'm really reassured that the governments in both countries are very committed to managing the borders and quarantine facilities highly effectively.

Our integrated villages and high-quality care continue to be in strong demand in the first half. Care occupancy in established villages dipped a little bit during COVID lockdowns but recovered to 97%. Only 1.9% of the retirement village portfolio was available for resale at 30 September. The sales team did a great job of supporting residents and adapting to really difficult conditions.

The main impact on operational costs from COVID are on additional staff resources and PPE. We have had well over 1300 people on paid leave as a COVID precaution since February this year, either because of their health or close contacts.

As you can imagine, it's been a huge logistical challenge for our teams at villages to manage their rosters when we have taken such a conservative stance on COVID risk. We consumed a lot of PPE during the higher alert levels and we need to carry a lot in reserve. And this is an ongoing commitment.

Overall, we have spent around $50 million on our COVID response so far, of which roughly $34 million was on PPE alone. But the biggest driver of our working capital increase is the development program which we have expanded significantly in the last two years.

This time two years ago, we were building on just these four sites. See them there? Here we are today, having lifted our development program from these four sites to 12 sites today. It's a significant lift. As we have previously said, it's our biggest ever expansion program.

We have deliberately continued our build program even though resident receipts have been restricted by COVID. This is because it is extremely hard to get the construction flywheel going again if you stop. And residents, of course, still need to move into our villages as soon as possible.

We're conscious of our debt levels. The reality is that our working capital debt reflects the significant increase in our development program. It takes a huge amount of work to lift development from four to 12 sites, believe me. And in addition to this, the development team are also busy progressing the remaining sites in our land bank through the design and consenting process. So there's still a lot more to come.

In fact, we're in the advanced consenting stages for five new villages. Subject to council processing, we're hoping that consents will issue for these in the second half, further adding to our growth options.

To show this in a different way, here's how our development pipeline looked two years ago. We were building new villages at Nellie Melba, Murray Halberg, William Sanders, and we had just broken ground at Linda Jones.

This is our development pipeline today. You can see the huge amount of progress we've made. The 12 villages currently in progress will generate $2.7 billion in capital proceeds and recurring income of $220 million on completion.

Collectively, those sites will recycle capital which is always our objective. One of the key statistics that we monitor very closely is the amount of new sales under contract. Currently we have $430 million of unconditional new sale contracts in place which will be collected in cash over the next 12 to 18 months.

So, we have a strong forward order book and in fact, it's the highest it has ever been. In the short term, we're anticipating $275 million of these contracts to be collected in the second half. Up from $118 million in the second half of last year.

This will be the biggest six months of new sales cash collection in the Company's history and reflects both strong demand and that some of our large construction stages have been pushed into the second half.

Gordon MacLeod: Before I hand over to Dave Bennett, I'd just like to add one more vote of thanks to everyone in the Ryman family. While 2020 has been a bit of a nightmare, I'm conscious that it could have been much, much worse. But the extraordinary teamwork from our army of over 6000 Rymanians and the goodwill of our 12,000 residents and their many thousands of family members have got us through.

Our investors, our banks and our thousands of business partners have also been supportive in our battle to keep everyone safe. They've understood that we put people first, they've been flexible and willing to help and all of this has been a huge support to us and it really means a lot, so thank you. Over to Dave on the finances.

David Bennett: Thanks Gordy and good morning. Our first half underlying profit of $88.4 million was a decrease of 14.2% on the same period last year. Our reported IFRS profit, which includes unrealised fair value movements on investment property was a record $212.4 million, an increase of 12.8% on last year. This included the valuation gain of $124 million, an increase of 33.9% or $31 million on last year.

The lift in the valuation affected the addition of 120 new units, the removal of the negative near-term growth rates, applied by our valuer at 31 March, an adjustment to our discount rates back to pre-COVID levels and pricing increases to affect our recent sales activity. During the half, we booked 456 resales. This is in line with the prior year and a strong endorsement of the relevancy of our offering, given our restricted ability to sell, due to the lockdown conditions in New Zealand and Victoria.

Our cash receipts from residents were $483.1 million for the half, a decrease of 17.1% and this reflects the delays to our build programme, largely due to the COVID-19 restrictions. These delays have pushed the delivery of some large construction stages into the second half of the year, but as Gordy mentioned earlier, we have a very strong order book.

We have invested a record $406 million into our portfolio over the half. That $406 million of investing cash flows was spent as follows: $326 million was spent building new villages, $37 million on supporting our land bank of 6171 units and beds, $20 million was invested on upgrading existing villages to further enhance the resident experience, and $23 million was invested in a range of projects, including the development of the next stage of system integration and technology to enhance our offering.

This record investment during the half, combined with the delay in new sales settlements due to COVID restrictions has seen our working capital debt increase to $2.11 million. This is because we are now building across 12 sites, up from four sites two years ago. This has required an upfront capital investment into each site, but it provides a better spread from a sales perspective.

The 23 sites in our land bank will generate $4.4 billion of capital proceeds. This is why we regard our debt as productive debt. We invest the bulk of it in new villages, where we recycle capital, and which establishes a growing tail of recurring cashflows. In addition to the $4.4 billion of capital proceeds, if you assume an 8% return from the deferred management fee and resales, this will generate an additional $350 million of recurring profits each year.

We have total assets of $8.3 billion, up 14.9% from September 2019. We continue to have very supportive banking partners, and our syndicate of banks understand our growth plans and strongly support us. The debt to debt plus equity ratio is 46.2%, and the debt to total assets ratio is 25.3%. Our banking facility has lifted to $2.4 billion, and we are also considering a retail bond offer to New Zealand institutional and retail investors to provide diversification of our funding from both a source and tenor perspective.

While costs are always front of mind given the current environment, we have established a task force that I am chairing to work with our design, construction and procurement teams. The focus of this team is on making sure we are finding efficiencies in our design and tendering, while of course always providing the best possible outcome to our residents and team members.

We have also recently launched refundable accommodation deposits or RADs for our care beds in Auckland. These RADs give our residents the choice of how to pay the accommodation premium, with the amount of the RAD being returned to the resident when they vacate the room. The model is consistent with the model we have adopted in Victoria over the last five years.

The benefit to our resident of the RAD option is reduced total cost for their care. In other words, it gives the resident choice of a capital sum or rental payment for their room premium with no deferred management fee. We are continuing to see the benefit of developments being concentrated in high value centres. Our development margin is 29.4% for the half, which is higher than our target range of 20% to 25%.

The resale bank of gains still to come on our existing portfolio currently stands at $945 million. This is the amount of resales margin we could crystallise today based on current prices. So, these pent up gains mean we can expect our resale earnings to keep on growing even if the housing market was flat for several years because volumes increase as villages mature, and of course deferred management fees also reset to the new price levels with each resale and so this creates a compound effect.

Demand remains strong with only 144 units or 1.9% of our portfolio available for resale at the end of September. This represents approximately six weeks vacancies and is a solid achievement if you consider the significant impact of COVID. Demand for the care we provide remains very high and we closed the half with occupancy at 97%. The aged care sector in general is averaging only 87%, so we continue to significantly outperform the market.

What triggers our ability to grow is simple – our model of recycling capital in our villages. Since listing in 1999 and raising $25 million, we have now invested $4.78 billion in our portfolio and paid out a growing dividend stream to shareholders of more than $965 million, but we've never had to raise any new capital. We are in a strong position to continue to grow and bring Ryman to more communities. So, I thank you very much, and over to you again, David.

David Kerr: Thank you Gordy and David. I hope that these presentations give you a good picture of how we've travelled and what challenges we've had to face, and we'll now open up for questions. Do we have some callers with questions please?

Operator: If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speaker phone, please pick up the handset to ask your question. Your first question comes from Andrew Steele with Jarden. Please go ahead.

Andrew Steele: (Jarden, Vice President) Good morning guys. The first one from me is on gearing. With gearing at 46%, which is pretty elevated versus history and given the ongoing operational uncertainty, in the short-term are you taking any actions or changing plans in order to reduce this? In the medium-term, where would you like it to normalise at sort of a target range?

Gordon MacLeod: Look, the main driver, Andrew, for the short-term spike, if you look to September for the debt level, is really due to the fact that there was some fairly large apartment stages, which would have normally completed in the back half of the first half, but have moved into the second part of the year. That's why we've talked with people today about the significant amount of cash receipts we're going to see in half two.

We're always very conscious of our debt levels, so, as Dave said earlier, we're constantly monitoring our - the wisest way to spend our money and watch it really carefully. However, with 12 sites on the go and the outcome from those 12 sites for residents and also for shareholders, we're just going to continue to really prudently manage our rollout and we've also got good sized bank facilities in place and other discussions obviously ongoing as well.

Andrew Steele: (Jarden, Analyst) Thanks, Gordy. Does - reading between the lines on that in terms of prudent rollout, does that mean that you will be looking to potentially temper your development expectations or development rollout over the second half and into the first half of next year?

Gordon MacLeod: Actually in the second half of the year, we'll probably see a lift in our build rate from the first half, because the first half was quite significantly affected by Melbourne's build rate reducing to 25% for basically two months and then only up to 85% and then New Zealand having that - the loss of probably about a month and a half of normal production levels. So all things being well, we should probably see a stronger second half in terms of build numbers. But when we've got a forward-order book of $430 million of unconditional new sale contracts, we're not just boxing on with building for the sake of it. We've got really strong forward orders.

Andrew Steele: (Jarden, Analyst) Great. Thanks, Gordy. Just to pick up on the point about the delays in building as [unclear] the last result and the guidance you provided, 900 bed and units, if you were to look at that [composition] of the 900, are there any particular projects which as a result of lockdown restrictions I guess mainly in Victoria that are now unlikely to fall into this financial year or may [tip] the edge of this financial year, next financial year?

Gordon MacLeod: Yes, look, we'd be really happy with an outcome of around the high sevens for the year, so it hasn't been one particular project in particular. Probably Aberfeldie we'd expect a bit less than what we were thinking, because that's obviously been right in the heart of metro Melbourne and a couple of other sites too, so not a million miles away from where we were, but it's probably taken about 100 or 130 or so off where we thought it might have been.

Andrew Steele: (Jarden, Analyst) Okay. Thank you. You [reflect] then just that 130 units, is the way to think about it into next year that you just - we sort of add 130 on to what would have been the previous expectation or does it push out other projects in order to manage the debt profile?

Gordon MacLeod: Yes. Possibly the latter, but, of course, it's really hard to know right now, to be honest. If we're getting a good run on at different sites and things keep on going back to normal, then obviously we'll be conscious of building in line with demand.

Andrew Steele: (Jarden, Analyst) Okay. Thanks, Gordy. Just one final one for me. Based on your current sales momentum, can you give an expectation on the seasonality between 1H and 2H for retail and new sales, assuming no further lockdown restrictions?

Gordon MacLeod: Yeah, we don't - look, we don't normally give sales - get down to sales forecasts between halves, but if we - but here's maybe something to think about. As we've said that we want to collect about $275 million of new sale cash collections in the second half. Now, that will - on a full year basis, that will be the biggest new sale cash collections we've ever achieved at Ryman. But that will represent 80% of our new sale cash collections for the year will happen in the second half, ready with those stages, some of those stages being shunted into H2.

So, the weighting for new sales definitely will be in the second half and that's also a function of obviously the build program as well, as we signalled at the AGM. In terms of resales, it's a little bit harder to say. We did about - what was it - 456 resales in the first half, which was similar to the first half of last year. Of course, it's too soon to tell now. It's early days that we could see a bit of a lift of that in the second half.

Andrew Steele: (Jarden, Analyst) Great. Thank you very much, Gordy.

Gordon MacLeod: Thank you.

Operator: Your next question comes from Jeremy Kincaid with UBS. Please go ahead.

Jeremy Kincaid: (UBS, Analyst) Good morning, team. Could I start with your gross margins of 29%. They were quite strong, especially given Australia has historically been slightly stronger than New Zealand on that front and so selling presumably more from New Zealand suggests that number's even stronger, also in light of the fact that resale margins declined, so could you just talk to that number and explain why it was quite so strong.

David Bennett: Yes, so the new sales margin, if we start with that one, as a function of the sites that we sort of head to developments coming [through, and] so we touched on in the presentation, there's some high value sites up in Auckland as well that are generating some strong margins and some serviced apartment stock coming on onboard as well, which typically generate good margins as well.

On the resale front, the lower margin is actually a function of the serviced apartment resale weighting being slightly higher than normal. So if look at the sales stats, there'll be a bigger weighting to serviced apartments, which on a resale perspective are lower margin, because they are typically only a three or four year tenure, that the residents are, so there's less house price inflation associated with each resale of a sales serviced apartment.

Gordon MacLeod: I wouldn't mind giving a bit of a plug to the sales team. I think to achieve the same sort of level of resales as the year before when we've lost such a significant amount of trading time in New Zealand - a six-month period is a short trading period and to lose the first month of that and a fair bit of momentum going into the second month and obviously from March as well, it's just a really difficult time for the team and obviously in Melbourne as well trying to do sales on Zoom is very difficult with older people. So I think on the resale front to match last year's volume is a really terrific effort.

David Kerr: I agree.

Jeremy Kincaid: (UBS, Analyst) Great, thanks.

David Kerr: It's really a - it's impressive that they managed to achieve that - those resales worth. Lots of our older people feeling quite nervous and anxious about the COVID experience and so I think that it's a - the strong commendation to the sales team and they are to be congratulated.

David Kerr: Carry on, Jeremy.

Jeremy Kincaid: (UBS, Analyst) Great. My next question is just around pent-up demand. It's obviously something we've seen in New Zealand. I was just hoping if you could provide some colour on how your experience in Melbourne has been in the early weeks coming out of lockdown there.

Gordon MacLeod: Sure. Well, the sales activity, again, it's very early days, as you said, but the sales activity is matching where we were at this time last year at this point in time, so that's really good, so they've got back up to those levels straightaway. It's a big change for people. I mean, if you think about the fact that people in our office haven't worked in our office since March and there's been huge restrictions on people, I think it will just take a few weeks for folk to get back into a normal rhythm and that sort of thing. But our - speaking with our sales team, they are really upbeat; they are really looking forward to getting back into it; they've done a lot of really good transactions in the last few weeks; I think we'll get a lot of momentum when we're able to say that we have got those five villages open by the end of 2020, which is going to be a great highlight.

Really importantly, we've had a lot of contracts in Victoria unconditional for some time pending move-ins and we've hardly had any cancellations at all. The sales team have done a wonderful job at keeping people happy and people are looking forward to moving into our villages, so that - to me, that's the most important signal of demand when the external situation is changing.

David Bennett: The wider property market is starting to show some good activity round clearance rates and other bits and pieces too, so that will support that as well.

Jeremy Kincaid: (UBS, Analyst) Okay. Then just one final question for me, the new RAD product on the care beds in Auckland - sorry - are you rolling that across the entire New Zealand village base or is this rolling out across just new villages? Also, can you talk to how popular the take-up has been for that?

Gordon MacLeod: Well, look, it's really early days just yet. We launched it with our village management team and sales advisors in Auckland a few weeks ago, Dave and I, and, look, it was really well received. The reason that it was well received is that our people understand when we've got something that we are planning to do, which is a great deal for residents and good for us. So being able to offer people choice, which is what people often want and to do it in a way with no deferred management fee, I think, is going to hit a really sweet spot.

We were keen to do it in Auckland to start with, because we always like to trial things first of all, as you'd understand. We'll find out and learn feedback from people during that time and then the intention is to do it throughout New Zealand, subject to that feedback.

David Bennett: That'll be across new and existing villages. We'll take it to the whole portfolio.

David Kerr: It's really important maybe, to just observe that it will be a choice that people have. We don't have any expectation of any particular level of uptake. We're just really keen that the residents have this as a choice and we will just see how much they embrace it.

Jeremy Kincaid: (UBS, Analyst) Okay. Are you willing to put some numbers around what percentage of people that have purchased or considered this option have taken it up?

Gordon MacLeod: It's such – look, it's such early days, I don't think – I think it's something we probably want to update on in a few months' time, once we've – once the trial's been going. We've worked through a number of contracts with people. But we've had some really great early feedback so, let's see how we go.

Jeremy Kincaid: (UBS, Analyst) Okay. Thank you.

Gordon MacLeod: Thank you.

Operator: Your next question comes from Stephen Ridgewell, with Craigs Investment Partners. Please go ahead.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) Yeah, good morning. Gordon, just to follow up on Andrew's question earlier. So, back in June, I mean, there was some indication that perhaps we might be looking at 1300 units and beds for FY22. Is that still a reasonable expectation, of course, subject to the normal kind of caveats around [COVID etc.] But is that still something that you'd be aspiring to?

Gordon MacLeod: Yeah. Yeah, yep. Absolutely. Yep.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) Okay. Okay, that was easy. So, next one, perhaps, for David Kerr. David, just wondering if you could take us through the thinking of why the Board's decided to appoint an Australian CEO now, rather than perhaps earlier or later, and whether there are organisational changes that the Board and Gordon will sort of want the new CEO to oversee? Is there any hint in that appointment of an Australian CEO rather than just the Victorian CEO that perhaps you're looking to expand into other states in the medium term?

David Kerr: Oh, look, thank you, Stephen. Look, in essence, we see Victoria as a great growth opportunity and of course, there is growth potential beyond Victoria. I think what we've learned, and I think Gordy's term when we talked about it was, it's very difficult to lead a team from 30,000 feet. So, we have been very aware of the pressure on staff with flying backwards and forwards and we're really keen that the Australian team have their own leadership.

That they are able to grow and that we don't seem like a New Zealand company that's gone to Australia. That we feel part of Australia. So, I think it's just those sorts of things, Stephen, that have driven us to make that decision.

Gordon MacLeod: I want to reiterate, it's not because of the Victorian leadership team doing anything wrong. It's actually the Victorian leadership we've got doing everything right. They have created a tremendous opportunity for us. We established that team about 18 months ago now, because we were keen that there was just a lot more empowerment and self-determination in that key growth market for us, Stephen. They've really done a great job.

David Kerr: They've done a wonderful job and… We're going from two villages to five, I think, by the end of this calendar year. So, and then a growth further beyond that. So, it's good that they have a level of leadership on the ground.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) That's helpful, thanks. Then, maybe just pivoting to the landbank where there's still less acquisition activity in the half, of course. Just wondering if you could – given that perhaps the green shoots you're seeing in the New Zealand business and be it through early days in the Victorian business, but – which may well continue over the coming periods. Do you feel that the landbank's kind of right-sized or are you still actively looking for sites at the moment?

I guess, back in the June, indication was perhaps there was more of a tilt towards focusing on building out existing sites, given the – as you alluded to, Gordy, there's a lot of work going on at 12 sites at the moment. But is there kind of openness to – or intent to go and acquire further sites at this point?

Gordon MacLeod: Well, there's always an openness and an intent to add really good sites to the landbank. But it is fair to say that, with the landbank we currently do have, the 12 sites in progress, the five that we're hoping to get consented between now and the end of March, and then a number of others after that – coming shortly after that. We're going to have a really great development pipeline, which will give us options, plenty of irons in the fire.

But of course, it's really important to keep on replenishing it. I just think it hasn't – we just – with the amount of work we've got on the go, and with COVID-19, we just weren't rushing out of the blocks to buy significant parcels of land in the last sort of six months. But the team have got good options, which we're actually looking at as we speak, this week, in fact. So, just watch this space.

David Kerr: Yeah. I mean, we would be presented, during our Board meetings this week, with half a dozen good opportunities. It's really – we do have to keep very mindful of ensuring that the landbank will flow through, because the time between acquisition of some land and actually turning it into a village is a number of years. So, we're very mindful of making sure that that landbank doesn't diminish too much. So, we are aware of the need, but these are challenging times.

Gordon MacLeod: We're probably not that keen on the most difficult sites right now.

David Kerr: No, we'd like some not too expensive, easy sites, wouldn't we?

Gordon MacLeod: Yeah. Yeah.

Gordon MacLeod: Yeah, we've had a couple of – you always need a mix and we are conscious that a few of the sites we've got on the go right now, are fairly complex from a consenting point of view. So, any new additions would need to be less complex.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) Okay, that's good colour. Thank you. Then maybe, for David Bennett, just on the COVID-19-related costs, which I think you called out as being for $50 million. I mean, how much of that sort of flowed through in the first half and then could you just spell out perhaps how much of that was operating cost? Then maybe just a rough guide to Aussie and New Zealand split, I presume – is it perhaps a decent impact on the Australian kind of result?

David Bennett: Yeah, so, there's about sort of $19 million worth of costs that flowed through. Obviously, we did have some sort of additional funding that offset that. So, net was about six, $6 mill that went through the P&L. In terms of the split between the two, it's probably about 15, 20 per cent of it, I would say, would be in Australia. Because they were in masks and visors for a longer period and we had the security measures in place for a lot longer.

Gordon MacLeod: But what we can tell you, Ridgey, is that $34 million of the 50 was on PPE. We also spent a million dollars on this thing called a fogging machine.

David Kerr: Four fogging machines.

Gordon MacLeod: Four fogging machines. Where you put hydrogen peroxide capsules in and you turn them on like for 30, 60 seconds, and it completely cleans the room of all bugs, including COVID-19. So, we've been using those and we've had them sort of spread around the place. We also – of the balance of the $16 million to get to 50, we've had, as I said earlier, 1300 staff on precautionary leave, either through just illness that we weren't happy for people to come in with, or close contacts.

That was all fully paid by us. That was a really key control measure that we had in place. Was really trying to make sure working with our people that no-one was coming to work sick. Of course, a lot of sort of staff welfare and resident welfare packs, additional security, you name it. Happy Hours in a bag, it was a very intense and demanding time.

David Kerr: I think it's – those of us who wear masks for short periods of time on public transport, you just need to think about what it's like to wear that for an eight-hour shift. So, it was absolutely critical that we kept our rosters full, that we weren't having skinny rosters. Because that would've been just an added stress. So, the combination of making sure people didn't come to work when they had any potential illness or contact and making sure the roster was full was quite a cost.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) Yeah, and just on that topic. Well done to the company for keeping COVID-19 out, particularly in Melbourne. It's obviously a really difficult situation there for the last six months.

Gordon MacLeod: Thank you, Stephen.

David Bennett: Thank you.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) So, look, just one final one from me. Just a slightly more technical question, the $275 million guide for cash inflows in the second half. Just very approximately, how much of that is contracts in hand – you talked to the $431 million, Gordy, earlier, on condition of the contracts you've got. How much is assumed new – sales that – from here, if you like?

Gordon MacLeod: Oh, okay, yep.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) Sort of high probability?

Gordon MacLeod: 100 per cent of the 275 unconditional new sale contracts. So the point of trigger for us to collect it will be people moving into either completed units or units which are going to be completed. To put it into context, the second half of last year, same number was 118 and of course, so therefore…

Stephen Ridgewell: (Craigs Investment Partners, Analyst) Yes, that's great [unclear]…

Gordon MacLeod: Therefore, that 275 could be higher, depending on whether - if we make sales where people can move in before Christmas from here…

David Kerr: No, [unclear] March.

Gordon MacLeod: Sorry, before the end of March from here. Yes.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) Got it, okay. No, that's very helpful, thank you.

Gordon MacLeod: Thanks. Thanks, [Steven]

Operator: Your next question comes from Aaron Ibbotson with Forsyth Barr. Please, go ahead.

Aaron Ibbotson: (Forsyth Barr, Analyst) Hi there. Good morning. Just two - a quick one for me. The first one is on CapEx spend or investment cashflow, I guess. Do you have any sort of rough guidance for the next six months and maybe also matching the 12 to 18 months period that you discussed relative to collecting uncontracted sales?

Then secondly, I just had a quick follow up or clarification on this $50 million of cost that you touched on before. You said $19 million had flown through, presumably you meant the P&L, yes? So the others, should we expect some of that to flow through, through the depreciation line basically? Is this CapEx? Or is the $30 million or $34 million PPE…

Gordon MacLeod: Yes.

Aaron Ibbotson: (Forsyth Barr, Analyst) Presumably will be consumed through the P&L in the next six months? Thank you.

Gordon MacLeod: Yes, the balance of the personal protective equipment will be expensed from the balance sheet as it is consumed. In terms of capital expenditure guidance, we don't really provide that normally. We normally talk about build rate, so we're talking high sevens, perhaps for 31 March '21 and then lifting that again to 31 March '22.

In terms of CapEx spend in the six months, I mean, Dave, do you have any thoughts on that?

David Bennett: Yes, it'll be sort of in the early to mid-threes. $300 mill, I think. So it'll be down on the first half as we've got going across the 12 sites but it'll be of significant investment.

Aaron Ibbotson: (Forsyth Barr, Analyst) Okay. Okay, thank you. That's it.

David Bennett: Thank you. Thanks, Aaron.

Gordon MacLeod: Thanks, Aaron.

Operator: Your next question comes from Raveen Kuhadas with ICE Investors. Please, go ahead.

Raveen Kuhadas: (ICE Investors, Analyst) Hi guys, I just had a question on slide 44 where you have your average and new resale price. Can we just get some colour for the difference between the new sales and resales prices? It's a lot higher for the new sales? Is it a function of mix or demand or some other factor there?

Gordon MacLeod: It's really due to the location of the new villages, a number being in Auckland and a number being in Melbourne. So the resale price includes also some provincial New Zealand. So that brings it down. So that's the main difference for the price.

Raveen Kuhadas: (ICE Investors, Analyst) Right, okay. Thanks.

Multiple Speakers: Thank you.

Operator: Your next question comes from Jason Familton with ACC. Please, go ahead.

Jason Familton: (ACC, Analyst) Morning guys, first of all well done to David, Gordy and your team for [unclear] challenging six months and you've done a really, really good job of protecting [residents] so well done on that.

Gordon MacLeod: Thank you.

Jason Familton: (ACC, Analyst) Can you just - can you talk to - I'm just trying to understand these RADs a little bit more. So just - there's no premium charging. You reduced the premium charging. Is it a swap out for the premium charge?

David Kerr: Yes. Yes, it is.

Jason Familton: (ACC, Analyst) How that…

Gordon MacLeod: Yes, it was just a choice…

Jason Familton: (ACC, Analyst) …financial [unclear] might work.

Gordon MacLeod: Just a choice between one or the other.

Jason Familton: (ACC, Analyst) Okay and why no DMF then? Because clearly you're taking a financial hit in the short-term but obviously you don't get a capital release.

Gordon MacLeod: We just feel it's the right balance and we've looked very closely at what works well for us in a different market as well and we think that will be a popular outcome for residents and also good for us either way.

Jason Familton: (ACC, Analyst) Okay. The second one, I guess is for David. Just - can you just talk to - around the Board's decision to pay a dividend given you've taken the wage subsidy in the six-month period and what consideration was given to not rewarding shareholders for this period?

David Kerr: Yes, look, that was quite a lengthy discussion, I have to say. Just as the decision to take a wage subsidy was a lengthy discussion. We felt that the wage subsidy was a great initiative by government that we were, as a result of it, able to continue to employ all our staff and redeploy staff and engage new staff to enable the villages to stay safe.

So effectively, we kept and grew jobs and so when you then look at the other side of it in terms of what we have spent to keep our villages safe and our staff safe, we've probably spent about three times the wage subsidy.

So we felt that the whole thing balanced out. That it was appropriate to pay a dividend. That's been our practice over many years to pay 50% of the underlying profit and so the Board decided that was the right call to make.

Jason Familton: (ACC, Analyst) Okay, thanks for that and just a final one from me. I know it's probably a question to answer but you talked to the $4.4 billion of proceeds from development of a land bank. Are you willing to put a number - for CapEx that you need to spend from now until that development is complete?

Gordon MacLeod: It'll be just over four, I guess.

David Bennett: Or slightly less because we've spent quite a bit of that. So…

Gordon MacLeod: Oh. Yes, I mean, if they hadn't started, I mean.

David Bennett: Yes, if they hadn't started.

Gordon MacLeod: Yes.

David Bennett: So if you work on the basis that we've got about $400 million of core debt, Jason, you can sort of do the maths with that. We'd expect the majority of that $4.4 billion to pay down the remaining debt and the construction cost to complete that.

Jason Familton: (ACC, Analyst) Okay, cool. Thanks for that.

Multiple Speakers: Thank you, Jason.

Operator: Your next question comes from Nick Mah with Macquarie. Please, go ahead.

Nick Mah: (Macquarie, Analyst) Hey guys, lots of questions have been answered but one on the pricing strategy at the moment, given how strong New Zealand house prices have been. What are you thinking on prices, particularly on resale stock?

Gordon MacLeod: We'd like to see a bit more evidence in the market, I think, before we push pricing too hard.

David Bennett: Yes.

Gordon MacLeod: Obviously, we've seen a price lift in the latter part of the first half and we'll just keep on monitoring that closely, Nick.

David Bennett: So we have taken a small portion of that, Nick, and you see that in our resale bank but there's - yes, if the market holds, there's more upside to be taken.

Gordon MacLeod: Look, I think the main message from it is the resale bank number that you see and the development margin number that you see is not us pushing our pricing right to the limit by any stretch.

We're well under the sort of increases that you've seen in Auckland and I guess we'll see what plays out in Melbourne, but it might be something similar. So, we will keep a close eye on it and we might lag - I guess we might just lag the market, which is our usual conservative stance, by a few months to make sure it is sustained.

David Kerr: Yes, keeping that differential between what the resident gets for their home when they sell it and what they pay to enter a Ryman Village is really important to us. That natural buffer is important.

Nick Mah: (Macquarie, Analyst) Yes. No, that makes sense and then in terms of the potential bond issue, would the intention be to cancel an equal amount of debt facility? Or is this going to be additional debt capacity for the business?

Gordon MacLeod: The intention of it is to repay bank debt and diversify funding lines but not to cancel bank facilities.

Nick Mah: (Macquarie, Analyst) Okay, no, that's great. Then lastly, just on the potential new regions in Australia, what do you think the lead time from deciding you want to go into say, New South Wales, to actually opening a first village could be on a hypothetical basis?

Gordon MacLeod: Yes, look, really interesting one. Obviously for now, we're really focussed on getting our - and for many ways, just getting 2020 done. In that objective, we've got another six great sites over there in our landbank as well, which we're getting good consenting flow through, too.

That should put us in a position where we can start looking at market outside of Victoria, probably sometime in the next 12 months and it will be at a - obviously exploratory thinking. We'll learn lessons that are relevant to Victoria as well. But I guess maybe in say three years' time, it might be quite a realistic prospect.

David Kerr: Yes, there are so many uncertainties, aren't there Nick? What are we going to have - I see South Australia in lockdown again. Like all of these things are difficult to predict. I think we'll stick to knitting in Victoria for a bit.

Gordon MacLeod: Yes, but – yes, you know.

David Kerr: But yes…

Gordon MacLeod: We see opportunity, right?

David Kerr: Clearly.

Nick Mah: (Macquarie, Analyst) Yes, absolutely. Great, thanks a lot guys.

Gordon MacLeod: Thank you.

David Kerr: Thanks, Nick.

Operator: Thank you. There are no further questions at this time.

David Kerr: Look, thank you very much for your time and attention today. As I've said, we've had quite a year, haven't we, and we look forward to coming back to you in six months' time. So, I thank you, I hope you all have a good day. Bye.

Gordon MacLeod: Thank you very much.

David Bennett: Thank you.

End of Transcript