

HollAnd

Advisors

Holland Views: Ryman Health – Price: \$12.50; Mcap: NZ\$6.1bn (US\$4.4bn)

Why?

Those wanting to read a piece that explains a new idea to them in full technicolour maybe disappointed by what comes next. Looking at Ryman Healthcare there are many obvious points (such as its great history of growth and highly respected brand and reputation). There are also questions that arise. We looked at the company briefly a few years back. However, it was only in recent months that we spent more time on it, importantly on its business model and its accounts. Having done so we feel we have now answered the questions that arose as we did so. As a result, we are excited about what we have found/concluded. Explaining those questions and answers to someone who has not looked at the company closely however is hard. Attached to this note you will find an excel spreadsheet. In it we have laid out the story of Ryman as we see it in tables and charts. What follows below is a series of questions to try and get readers thinking on the right lines about it. After that, some observations and a short conclusion. We know that a US\$4bn company based in New Zealand will not get on many of our readers radars. That is a shame as we think the compounding abilities of this business in the next twenty years are likely as impressive as they were in the last twenty.

Asking the right questions

Ryman Healthcare has a wonderful brand having an almost perfect reputation for providing the very best retirement villages in New Zealand and Australia. Indeed, anyone looking at the wider global offering of retirement homes may quickly conclude that they are the best in the world in this area. Furthermore, global populations are aging and the need for elderly care is paramount. It is rarely provided with the love and commitment that Ryman brings. So, why are such a company's shares available to purchase at 12x earnings?

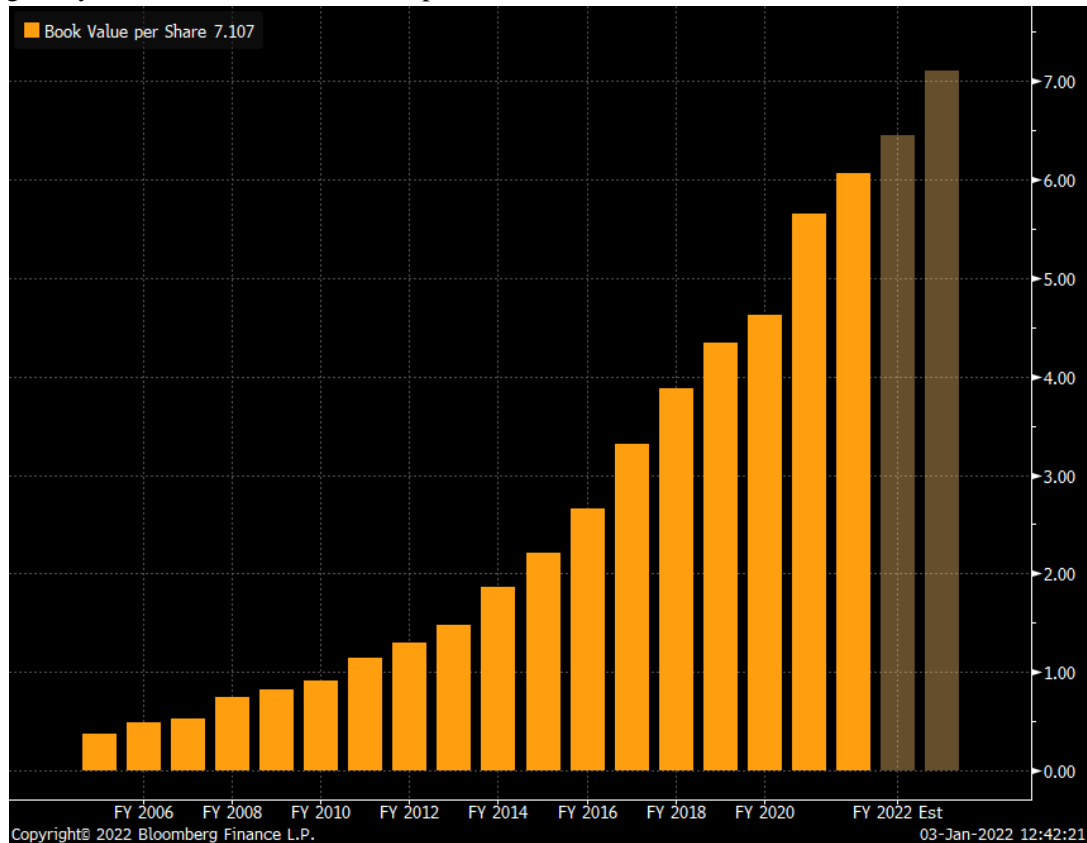
Fig.1: Ryman Healthcare price/book value



Source: Bloomberg

Ryman has grown its book value per share at 18% pa over the last 25 years. Additionally paying a c.2-3% dividend yield on top of that growth each year. It has done so by making past ROE's that are c.20%. **If such a level of return is likely to be replicated in the future why do the shares today trade on 2x book?**

Fig.2: Ryman Healthcare book value per share



Source: Bloomberg

Answers and getting lost to find them

Whilst we think the answers to the above questions are partly in the spreadsheet we have enclosed and what follows, we think there is a danger in readers looking for them too quickly. The reason being that just more questions will arise (we have done this advisory job for a long time now!). Crucially we think an understanding of a company like Ryman rests upon an investor already having great foundations in their own approach to a number of factors. These being:

- What is the right accounting measure of return to focus on when trying to understand a company's equity compounding potential? Our answer is unequivocally Return on Equity (ROE)
- How mid-range ROE companies (15-25%) can compound capital powerfully if they have sufficient redeployment opportunities to so do
- Having an eye always toward deferred gratification and how today's investment return can be ignored if you think tomorrow's is compelling enough
- Being genuinely open minded as to where your future investing compound returns may come from in terms of sectors, business models and geography.

To view the remainder of this in-depth report, please contact Andrew Hollingworth, Andrew@hollandadvisors.co.uk for a complete PDF copy.

Disclaimer

This document does not consist of investment research as it has not been prepared in accordance with UK legal requirements designed to promote the independence of investment research. Therefore even if it contains a research recommendation it should be treated as a marketing communication and as such will be fair, clear and not misleading in line with Financial Conduct Authority rules. Holland Advisors is authorised and regulated by the Financial Conduct Authority. This presentation is intended for institutional investors and high net worth experienced investors who understand the risks involved with the investment being promoted within this document. This communication should not be distributed to anyone other than the intended recipients and should not be relied upon by retail clients (as defined by Financial Conduct Authority). This communication is being supplied to you solely for your information and may not be reproduced, re-distributed or passed to any other person or published in whole or in part for any purpose. This communication is provided for information purposes only and should not be regarded as an offer or solicitation to buy or sell any security or other financial instrument. Any opinions cited in this communication are subject to change without notice. This communication is not a personal recommendation to you. Holland Advisors takes all reasonable care to ensure that the information is accurate and complete; however no warranty, representation, or undertaking is given that it is free from inaccuracies or omissions. This communication is based on and contains current public information, data, opinions, estimates and projections obtained from sources we believe to be reliable. Past performance is not necessarily a guide to future performance. The content of this communication may have been disclosed to the issuer(s) prior to dissemination in order to verify its factual accuracy. Investments in general involve some degree of risk therefore Prospective Investors should be aware that the value of any investment may rise and fall and you may get back less than you invested. Value and income may be adversely affected by exchange rates, interest rates and other factors. The investment discussed in this communication may not be eligible for sale in some states or countries and may not be suitable for all investors. If you are unsure about the suitability of this investment given your financial objectives, resources and risk appetite, please contact your financial advisor before taking any further action. This document is for informational purposes only and should not be regarded as an offer or solicitation to buy the securities or other instruments mentioned in it. Holland Advisors and/or its officers, directors and employees may have or take positions in securities or derivatives mentioned in this document (or in any related investment) and may from time to time dispose of any such securities (or instrument). Holland Advisors manage conflicts of interest in regard to this communication internally via their compliance procedures.