

focus



“It’s got to be good enough for Mum or Dad...”

Ryman Healthcare is a New Zealand success story. It is the country’s largest retirement village and aged care operator, and in 2014 it opened its first village in Victoria, Australia, where it continues to expand.

Ryman listed on the NZX in 1999, raising NZ\$25 million at a market capitalisation of NZ\$135m. Since then it has grown to now be valued by the market at NZ\$6.5 billion.

We conducted the first part of this interview with Ryman CEO Gordon ‘Gordy’ MacLeod in February, before COVID-19 hit New Zealand. The world changed quickly. When the virus reached our shores there were particular fears for the aged care sector given the reports of impacts on rest homes overseas. In the second part of this interview we talk with Gordy about how Ryman successfully navigated the lockdown and threat of COVID.

Before COVID (February 2020) ...

Ryman has been successful for a long period of time. What have been the keys to this success and its sustainability?

We have great DNA from the founders of Ryman, Kevin Hickman and John Ryder. Kevin is still a major shareholder and, until recently, was a director on our board. 36 years ago they instilled a great culture about why we do what we do, and that's to look after older people as if they were your own parent. To be good enough for your mum or your dad is the highest standard in our opinion, and what drives people at Ryman. We have sustained that culture for 36 years.

Is sustaining that culture your most important role as the CEO?

A huge part of my role is to ensure we've got the right culture through all our staff. I need to ensure our team leaders, people on construction sites, in our offices, in our villages are living our Ryman culture all the time. We, as a company, are only as good as our caregiver looking after a resident, or a unit co-ordinator talking to a family member, or a construction site worker interacting with a sub-contractor. We've got thousands of people who are part of the Ryman team, and it's my job to make everybody feel they are working for one of the strongest purposes you can, which is looking after older people and providing great care and quality of life for people who have earned it.

Another key part of my role is making sure that the safety of our people, whether residents or team members, is constantly achieved. People must go home safe every day and it's a huge part of what we focus on.

Making sure that, through good culture and good safety, we have happy staff and happy residents, is what generates great returns for shareholders. The shareholders' part of the equation is an outcome of doing a good job on the first two.

You've been with Ryman since 2007. How is the company the same and how is it different since you started 13 years ago?

The big change over 13 years ago is that we're so much bigger. That's given us the opportunity to do things we previously couldn't, like have an in-house leadership development team, or our in-house software developers. There are hundreds of processes and systems and specialties that

we weren't able to do 13 years ago that create a bigger competitive advantage for us, and that's just great.

One thing about scale is that you have to be careful to maintain the quickness and speed of operation that we've always had. We aspire and act to be more like a family business than a big corporate. Even as we've got a lot bigger, a lot of people who join us still say that it feels like they're joining a family business. Those sorts of values haven't changed and we want to preserve that.

How do you maintain those values as the company grows and grows as rapidly as you have grown?

By having great leaders who tell the Ryman story. We spend a lot of time internally communicating this story, and the culture and standards we share. For example the next edition of our staff magazine "RQ" is coming out shortly, and there's an article on "what are the Ryman leadership characteristics" and "what do these mean to you" where we interview people in the field. Things like "kindness" and "good enough for mum" come through strongly.

In our leadership training and development, which we design and run in house, we teach how to induct people and how to tell the Ryman story. We weave our values and purpose into everything we do. We're very conscious that if we don't do this all the time, we can slowly drift, and we never want to do that.

From the outside it seems Ryman has never paused for breath. You've always accelerated your pace of development. What keeps you motivated to grow?

Every time I go to the grand opening of a new village, you see the jobs that we've created, people loving it, enjoying the challenge of building the village and getting teams established. You see the residents are loving life in their new community. Sometimes the new residents almost queue up to make sure I know how good the team at the village is and the difference they've made. And I walk away thinking, "we need to be in more communities". We can't consider consolidating or slowing down because then we'd limit the opportunity for people to live in a Ryman village — and we don't want that.



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How important do you think the Ryman brand is in your ability to build a new village and attract residents?

I think the Ryman brand is very important now. Residents do a lot of research. We’ve looked after well over 30,000 people directly in villages and dealt with another 100,000 next of kin so far, as well as tens of thousands of staff, suppliers and subcontractors too. We haven’t always got it right, but we’ve got it right a lot. For thousands of people it has been a great experience, there is now a really strong Ryman community, and word of mouth is massive in our industry.

You entered the Victorian market in Australia where you didn’t have a brand initially. What have been the biggest surprises from entering the Victorian market?

What’s really apparent is the scale of the opportunity, which never ceases to amaze me. If you spend just a day driving around Victoria, you realise that you’re in this relatively small geographical area with a population the size of New Zealand. Older people there have the same need for care and living a great life as we do in New Zealand, and there is a great opportunity for us because what we do is different to most other operators in Victoria.

Ryman Healthcare at a glance

- 34 villages operating in New Zealand and two in Melbourne, Australia.
- 11,600 residents and 6,000 staff.
- 23 villages are either under construction or in Ryman Healthcare’s landbank.

Were there any unexpected challenges or mistakes you made when you entered the Victorian market?

I think we allowed too much gap between our first and second villages. We didn't do much development or construction for a year and a half – and it brings home to you that once you create momentum, you don't want to lose it. We have been really focussed on building a land-bank over there for the last two to three years, and we are on track to have three villages open by the end of this year, plus we have another five sites working their way through the development approval process. We're really developing critical mass over there now which is great.

In general, while there are a lot of small differences in terms of culture between New Zealand and Australia, fundamentally, the need for aged care and the aspirations that people have in their retirement, feels very similar to me. They are human wants and desires. And it's the same with our staff; people want to have a job with purpose. Really it's only the regulatory stuff that can be different, but even with regulation the main purpose is to protect older people, which makes sense.

Do you think governments understand and are prepared for the ageing population?

I think governments don't talk enough about the major impacts that the ageing population will have long term. If you look globally, it has taken 200,000 years for there to be 143 million people aged over 80. In 30-years' time this will jump to 426 million. It's a massive change – it's going to change society, and the balance between people in the workforce and those who aren't. Look perhaps at the Government's wellbeing budget last year – I couldn't see any reference to ageing populations and the wellbeing of older people. I guess that says it all.

The work we are doing is a huge contributor to the health infrastructure in New Zealand and Victoria, and wherever we go beyond that. This provides a significant benefit to the public health system – if you take New Zealand as an example, there are 39,000 aged care beds and only 11,000 public hospital beds. If there weren't enough aged care beds, the pressure on the public healthcare system would be extreme. Private sector companies like Ryman are a crucial part of building a health infrastructure for older people, and that need is only going to grow. The relationship between regulators and government is going to become really important over time.

How will Ryman need to evolve to service the next generation of retirees?

Consumer and resident expectations are rightly lifting every year. What we did 13 years ago is very different from today, and I'm sure if you roll forward another 10 years we will be doing more for our residents and staff. You will see more digital solutions at villages and in care centres.

We've pioneered the way with our myRymanCare app. We're getting great benefits from that which will be extended. We have things like electric cabs where we have our own cab drivers at some villages and offer at-cost cab services. We've got a frozen meal line from our in-house recipes. We need to be constantly improving the residents' experience of living in a Ryman village.

Ryman has always been modest about ambitions, but in a relatively short period of time you've grown from mainly being in Christchurch, to across all of New Zealand and now in Victoria. What are your ambitions for the next decade or so, and what are the key challenges for delivering those ambitions?

The key challenge will be finding great people, because we can't achieve anything without people that are the right fit for Ryman. We have been tailoring our recruitment, leadership, psychometric testing, everything to ensure that, as best we can, recruit the right people, and then offer development programmes so, whenever possible, we can create internal promotion opportunities for people. Getting the people side right, growing and developing future Rymanians, is going to be absolutely key.

Over the next 10-20 years I'm sure we will expand beyond Victoria. Whether that's in Australia or beyond, I don't know – but what we do know is that we have something pretty special going on at Ryman. As long as we keep our standards very high, it will be great to reach more communities and keep on growing. It's never growth for growth's sake – it's because we want to serve and we want to do that for more people.

Is there anything we haven't touched on that you would like to share with our investors?

Yes, there is actually. In 2007 I first met the research team at Forsyth Barr, and we've still got an association with those same people today. Forsyth Barr was one of the first firms that committed the time and resource to truly understand Ryman. I think that up-front investment and the long-term stability of people we've dealt with has also helped us learn a lot and given us really good perspectives on other businesses. We've really appreciated it.

“...We spent \$26 million on COVID-related costs...”



... after COVID (June 2020)

How prepared was Ryman and the industry for a sort of event like COVID-19?

I don't think any business or any government in the world could claim they were prepared for the first global pandemic since 1918. So it came down to broader readiness. We have, as standard practices within Ryman, strong infection control procedures that aim to control things like norovirus and influenza which can be deadly to the elderly.

The big difference with COVID was that it impacted all of society, whereas those sorts of risks tend to be specific to an aged care centre. I don't think anyone was either expecting something like COVID or had the exact playbook for it. It largely relies on great people who have the core under control and can think with agility.

I think our preparation really came from having very strong qualified staff, strong processes around infection control, and a strong leadership

programme. A strong base and financial position meant we were able to deal with issues at speed and with as much confidence as you could have had in the situation. We spent \$26 million on COVID-related costs, including PPE, extra hours for staff, extra pay for staff, extra equipment, and security measures. Don't get me wrong, we were really worried of course, just like everyone else, but the team response was amazing.

What were the biggest challenges you had operating a business in lockdown?

There were a lot.

You've got to empower and trust your teams on the ground. For example, we've not been to Australia since March. Normally we'd have senior people across in Victoria regularly. But about 1½ years ago we beefed up the muscle and depth of our local leadership in Victoria. They have been able to deal superbly with it on the ground.

Within New Zealand we restricted travel. You need to have superb people at villages and construction sites, and then provide them with a huge amount of support and the right policies and procedures to enable them to operate effectively and make decisions. For example, we decided to pay our New Zealand village staff \$2/hour extra during the Level 4 lockdown because it was a considerable inconvenience when everyone else was at home. That provided great support to the managers on the ground. There was also central decision making around measures like when to lock villages down, deploying security at the gates, when to deploy the mass wearing of masks, that sort of thing. Then the village management did a wonderful job on execution.

We had to really dial up the communication across our network. Zoom became our primary communication tool. We probably communicated more than ever and it worked incredibly effectively. That was another big change that enabled us to be able to deal with the lack of travel and lack of physical presence.

I imagine Zoom is one thing that will endure. Are there any other learnings or things that you've put in place that will endure post-COVID?

I think we're really going to question how much we travel. We've always done a lot of travel at Ryman. I've probably spent half my life on a plane. On one hand it's been really tremendous being at villages and meeting people. But maybe a quarter of that travel I could actually replace with Zoom very effectively. That's the same for a lot of people. So we're questioning how much we should travel.

We're also questioning, for people who work in the offices, do they really need to work in the office every day? Could they be more effective at home some of the time, and do we have the right setup for that? Those sorts of things will be permanent changes in how we work, and I don't think they will be unique to Ryman

Do you think your industry will change post-COVID?

I think there's been a significant change in how the industry is perceived. When COVID arrived in New Zealand and Australia the news from overseas nursing homes was terrible. Ryman and other operators responded with a huge range of measures. The industry was really good at sharing ideas both in New Zealand and Australia. There was a real determination from the whole sector to look after residents. In the main, measures were very effective. Of course some of that was due to an amount of luck.

I think older people can look at our industry and at Ryman and say, "Ryman strives to create a safe haven and have done it in the most difficult of times. They're prepared to do what needs to be done and make the investment whenever it's required". That's how you build trust.

Is that the feedback you've had since coming out of lockdown?

Yes, absolutely.

We've just done our NPS (net promoter score) for independent living residents. We've always scored highly compared to the industry in Australasia, but the feedback we've had with our latest NPS is the highest in our history. That's at a time when we've asked people not to leave their apartments.

We've done things like deploy Zoom across tablets in every aged care room. Before you knew it, there were 8,500 Zoom calls that our aged care residents had made over 6,500 hours. We dropped 80,000 "happy hours in a bag" to people, we did 10,000 grocery deliveries. The team mobilised incredibly quickly and effectively to make people feel secure and happy.

As an example, an Yvette Williams village resident wrote to me today. A couple of quotes: "In response to your call for cooperation from residents, the Ryman approach to the threat of the coronavirus pandemic has been quite outstanding. As village residents, we have benefited from the disciplined but caring programme which has carried us safely through a period which could easily have resulted in dire consequences. The

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results speak for themselves”. I’ve had countless messages from families. The most commonly used words were trust, kindness, caring, safe haven, put my mind at rest. And people have had fun too. People have found ways to have fun safely. It was amazing actually. What the teams did on the ground is always humbling and especially humbling over the past few months.



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