

FY26 Annual Letter to Shareholders

May 2026

Dear Fellow Shareholders,

This year marks 15 years since Third Age Health was founded. It all began with a simple conversation: Founder, Bevan Walsh, listened to a potential customer describe a real-world problem in aged care and took immediate action to solve it. That act of listening and doing created the foundation for the company you own today.

That same mindset of noticing what isn't working for customers and taking ownership to resolve it remains our core operating philosophy, or as we call it, the Third Age Way of Working (TAWoW). This is our application of Kaizen, focusing on continuous, incremental improvements driven by the staff closest to the customer, right at gemba, where the actual work happens.

While our business has always incorporated elements of decentralisation, during the year we took steps to deepen this by creating two distinct business units, ARC Medical Services ("ARC") and Community General Practice ("Community GP"), and establishing dedicated General Manager roles with the autonomy to lead them, and with incentives tied directly to their performance.

In our ARC business, this structure has been successful. Niomi Fleming, who initially stepped into the acting role, has been appointed permanent General Manager. Under her leadership, this business has executed with strong discipline and a sharp focus on delighting customers.

Our Community GP business has been more difficult. As the patient numbers will show, we continued to lose ground. This underperformance required leadership changes to ensure we have management in place with the urgency required to stabilise operations.

Financial Performance

Our financial results reflect a business that, despite several challenges, has retained operating leverage. For the full year, Net Profit After Tax (NPAT) rose by 24.7% to \$3.091 million YOY, and underlying NPATA increased by 25.9% to \$3,634 million.

Our ARC business delivered meaningful gains in both revenue and profit. Revenue rose by 27% to \$14.921 million, and our enrolled patient base in this division grew to 7,138. However, margin in this business declined slightly this year as we prioritised delivering high-quality care in the face of workforce shortages. That margin compression was a deliberate choice. We incurred additional expense to secure clinical coverage, workforce recruitment, development, and digital enablement, choosing to trade a short-term margin percentage for long-term durability.

Revenue in our Community GP business rose slightly by 3.2% to \$7.567 million, and overall profitability improved. However, our enrolled patient numbers declined by 4.8% to 19,383 YOY. This decline was driven by doctor departures and clinical vacancies. Operating with fewer doctors than needed temporarily reduces wage costs but earnings resulting from this are unsustainable. While those specific vacancies have now been filled, we are not satisfied with a shrinking patient roster. We are expending all efforts to remedy this and every choice we make is evaluated through the lens of maximising intrinsic value per share.

Operating Environment

While the underlying demand for aged residential care and primary care continues to grow, driven by an ageing population and the increasing complexity of care patients require, the broader system is struggling to keep up.

As we wrote last year, the impact of workforce shortages, funding constraints, and increasing administrative demands was intensifying, and we did not expect that pressure to ease in the short term. It has not. Our primary operational risk remains the supply of clinical talent. The sector-wide shortage of practitioners is acute, bringing with it all the inevitable operational consequences. Although we have managed to navigate these shortages and fill our vacancies to date, failing to do so in the future would directly lead to a loss of business.

Beyond staffing constraints, the daily social reality of operating Community GP facilities is complex. We experienced this firsthand this year at our Belmont Medical Centre practice.

Belmont was a very small practice we had acquired. Recently, incidents with disruptive patients made our small team there feel unsafe. This highlighted a real vulnerability for us. A very small practice lacks the safety in numbers that you get at a much larger practice. We have an absolute obligation to keep our team and patients safe, but the economics of hiring permanent security simply did not work.

Faced with an unsafe environment and a fix that made no financial sense, we took immediate action to close the physical Belmont site and merge it into our larger Devonport practice. This gave our staff the security of a larger team. While the transition inevitably resulted in some patient attrition, it was a necessary decision. It also served as a clear reminder of the operational fragility of acquiring very small practices. This situation highlights one of the reasons why we do not allocate capital to acquiring additional community practices.

Capital Allocation and Quality Shareholders

We think and act like owners because we are. Most of our directors hold meaningful stakes in the company. For some of us, including myself, this represents a significant commitment of our personal net worth, alongside the capital of our friends and family. This, along with our very long time horizon, significantly influences how we think about allocating capital and diversifying the earnings power of the company.



Over the past year, the quoted price of our shares has been volatile, swinging between roughly \$2.50 and \$7.50. Neither of these prices was a realistic assessment of per-share intrinsic value. Our strong preference is for our shares to trade in a tight range around intrinsic value. This is because we would like exiting partners to receive, and new partners to pay, a fair price for their shares. We do not have a "higher is better" attitude, and our focus will always be on maximising the average annual rate of increase in intrinsic value per share.

While we cannot control the share price, we aim to influence it by attracting quality shareholders who focus on long-term progress in intrinsic value, rather than short-term share price movements. These shareholders are aligned with the kind of decisions we make and the multi-decade period we are aiming to compound per-share value over, and we are pleased to have had several more choose to partner with us.

In terms of deploying capital today, apart from investments in improving services to our customers, our bias is heavily weighted toward acquiring good businesses that we understand, at satisfactory returns on capital. As we detailed in our half-year report, we successfully executed on this by acquiring ARC Health and Cicada Health, two businesses that fit perfectly within our core ARC platform. We continue to work on additional acquisitions in this space.

Also, over the year, we engaged with a number of potential acquisition targets outside of healthcare, including services businesses in the life safety, compliance, and maintenance, repair, and operations sectors. In some instances, our discussions advanced to the point of submitting term sheets; however, none of these came to fruition as ultimately, they did not satisfy all our criteria.

Outlook

We expect the operating environment to remain difficult. Workforce shortages and cost pressures are a fact of life, and we are not expecting any near-term relief.

Our priority for FY27 is to build upon the progress made in FY26 by doing the things that are within our control. We will continue to sharpen our operational discipline through TAWoW, invest in delighting our customers and supporting our frontline clinical teams, while remaining frugal.

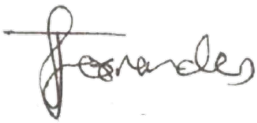
Alongside this operational focus, our search for good businesses to acquire continues with energy. We are looking for businesses that provide mission critical services or products, with recurring and predictable revenue, a demonstrated ability to generate free cash flow and earn returns on tangible capital in line with our expectations. If you know of a high-quality business that meets these standards, or if you are a founder looking for a safe home for your business, please reach out to us.

Acknowledgements

None of our progress is possible without the commitment of our people. I want to thank our clinical, operational, and management teams for their dedication this year, particularly in a challenging environment.

I also want to thank our customers for their continued partnership. Finally, thank you to you, our shareholders. Our goal is to be good stewards of the capital you have entrusted us with.

Sincerely,



John Fernandes
Executive Chairman