

ASX ANNOUNCEMENT

REGIS HEALTHCARE LIMITED

24 February 2021

ABN 11 125 203 054

Level 2, 615 Dandenong Road
Armadale VIC 3143

t. 03 8573 0444

regis@regis.com.au
regis.com.au

The Manager
Company Announcements Office
Australian Securities Exchange Limited
Level 4, Exchange Centre
20 Bridge Street
Sydney NSW 2000

Regis Healthcare: FY21 Half-Year Financial Results

Regis Healthcare Limited (ASX:REG) today announced a net profit after tax of \$11.0 million for the half-year ended 31 December 2020, down 8.9% on the prior corresponding period (pcp) of \$12.1 million.

Key Points:

- Revenue from services of \$353.1 million, up 6.3% on pcp
- EBITDA (adjusted)¹ of \$42.6 million, down 1.2% on pcp
- Average occupancy of 88.3%² (H1 FY20: 87.9%)
- Growth in average available operational places to 7,170
- Net operating cash flow of \$49.0 million³ including net RAD receipts of \$4.7 million
- Net debt of \$183.1 million³ - reduction of \$98.4 million (35.0%) from 31 December 2019
- Board of Directors declared an interim dividend of 2.00 cents per ordinary share (50% franked) payable 8 April 2021

Commenting on the half-year financial results, Regis' Managing Director and Chief Executive Officer, Dr Linda Mellors said, "Our half-year financial performance, in part, reflects management initiatives to preserve profitability in the face of an unsustainable residential aged care sector landscape. Inadequate Commonwealth Government funding and prevailing uncertainty across the sector needs to be urgently addressed in order to ensure provider viability and build adequate capacity for the future. We look forward to the findings of the Royal Commission into Aged Care Quality and Safety (Royal Commission) including positive recommendations relating to the future financing and funding of the sector."

COVID-19

The impact of the COVID-19 pandemic led the Company to introduce Stringent Access Controls across all of its residential aged care homes on 17 March 2020. These controls continue to be refined and improved across all homes in response to health directions, various outbreaks or "hot spot" activity.

As previously announced, Regis experienced COVID-19 outbreaks at several of its Victorian homes, including Brighton, during the second wave of the pandemic in Melbourne. The Company immediately implemented its Outbreak Management Plan across the impacted homes with residents continuing to be provided with a high standard of care, services and support. Dr Mellors said, "On behalf of the Regis Board, management and staff, we once again offer our condolences to the families of residents who passed away with the virus."

The impact of the second wave of the pandemic in Melbourne was to reduce average occupancy in Victoria from 88.1% (H1 FY20) to 84.1% for the half-year ended 31 December 2020. Occupancy in Victoria recovered to 86.6% by 31 December 2020.

Financial Results

\$ millions	H1 FY21	H1 FY20	△ H1 FY20 to H1 FY21
Revenue from Services	353.1	332.2	6.3%
EBITDA (adjusted) ¹	42.6	43.1	(1.2%)
NPAT	11.0	12.1	(8.9%)
Occupancy % ²	88.3%	87.9%	0.4pts
Staff Expenses / Revenue %	72.3%	71.9%	(0.4pts)
Capital Expenditure	7.6	30.6	(75.2%)
Net RAD Cash Inflow	4.7	46.6	(89.9%)
Net Operating Cash Flow ³	49.0	74.0	(33.8%)
Net Debt ³	183.1	281.5	35.0%
Basic EPS (cents per share)	3.66	4.02	(9.0%)

Trading Performance

Revenue from services for the half-year ended 31 December 2020 included:

- \$6.8 million (H1 FY20: \$Nil) of one-off COVID-19 Government funding;
- \$0.9 million (H1 FY20: \$Nil) of temporary uplift in the Aged Care Funding Instrument (ACFI);
- \$7.9 million (H1 FY20: \$Nil) from 1 March 2020 acquisition of business and assets of Lower Burdekin Home for the Aged Society (LBHA); and
- Impact of 1.6% increase in COPE⁴.

Average occupancy rates slightly improved to 88.3%² (H1 FY20: 87.9%) with increased contributions from WA ramp-up homes and a number of mature homes (excluding some Melbourne based homes which were impacted by COVID-19). Spot occupancy at 31 December 2020 had improved to 89.7%.

Increased staff expenses due to the impact of Enterprise Agreements were only partly offset by the 1 July 2020 indexation increase applied by the Commonwealth Government to aged care funding.

The Group's net profit after income tax of \$11.0 million (H1 FY20: \$12.1 million) included the following one-off items (before tax):

- COVID-19 Government funding of \$7.7 million;
- COVID-19 costs including staff expenses, PPE and other related costs of \$9.7 million;
- Profit on the sale of passive assets of \$2.5 million; and
- Cyber-security incident costs of \$0.4 million.

Acquisitions and Development

The Group's net profit after income tax for the half-year ended 31 December 2020 included a \$0.1 million (H1 FY20: \$Nil) contribution from LBHA.

During the half-year, the Company invested \$7.6 million (H1 FY20: \$30.6 million) in capital expenditure mainly on maintenance and refurbishment of homes reflecting the Board's decision to pause a number of planned development initiatives.

The commencement of a greenfield development in Camberwell, Victoria, is planned for later in the 2021 financial year (subject to market conditions).

For the remaining developments in the pipeline, activities such as preparing land for commencement, development approvals, design documentation and arranging licences required are underway in readiness to commence construction once conditions are more favourable.

Cash Flow and Net Debt

Net cash flows from operating activities for the half-year ended 31 December 2020 were \$49.0 million³ (H1 FY20: \$74.0 million). Net cash inflows were negatively impacted by COVID-19, particularly in Victoria.

Refundable Accommodation Deposits (RADs) and accommodation bond net cash inflow was \$4.7 million (H1 FY20: \$46.6 million) despite COVID-19 related lockdowns that impacted community confidence in the sector and a number of Regis' homes.

The balance sheet was strengthened by the sale of a parcel of land situated at Palm Beach, Queensland, which was sold for approximately \$21 million. In total, \$25.2 million was received during the half-year in relation to the sale of passive assets with proceeds used to reduce debt.

During the half-year, the Company repaid \$43.0 million (H1 FY20: \$32.0 million) of bank borrowings. Net debt at 31 December 2020 of \$183.1 million³ (H1 FY20: \$281.5 million) represented a 35.0% reduction in net debt on the pcp with a leverage ratio⁵ of 2.2x (H1 FY20: 2.7x).

In February, the Company completed the refinancing of its \$515 million syndicated debt facility which included the extension of \$150 million to February 2023 and \$365 million to February 2024.

Cyber-Security Incident

As previously announced, on 3 August 2020, the Company advised the ASX that it had been the target of a cyber-security attack. The Company promptly implemented its back-up and business continuity systems and the incident did not affect the delivery of resident care or services. The incident did not materially impact the Company's day-to-day operations.

Oneview Healthcare PLC

On 21 December 2020, Oneview Healthcare PLC lodged a claim in the Supreme Court of Victoria against Regis seeking damages of \$21,400,000 for alleged breach of a collaboration agreement between the two parties. Regis has engaged external legal counsel and intends to strongly defend the matter.

Subsequent Event - Regis Nedlands

On 23 January 2021, the Aged Care Quality and Safety Commission ('ACQSC') applied regulatory penalties to Regis Nedlands, including a Sanction and a Notice to Agree. Regis has fully complied with all actions and requirements stipulated by the ACQSC. Regis lodged a request for review of the ACQSC Sanction within the strict 14-day time limit. Regis noted within that request for review that its investigation into the matter was on-going and it would provide the ACQSC with its findings once complete. The majority of issues subject to Regis' investigation have not been substantiated.

Dividend

On 24 February 2021, the Board of Directors declared an interim dividend of 2.00 cents per ordinary share totalling \$6,016,000 (50% franked) for the half-year ended 31 December 2020, payable on 8 April 2021.

Outlook

Dr Mellors said, "We continue to focus on business performance improvements centred on occupancy and earnings uplift strategies. The sector is heavily reliant on the response by Government to the Royal Commission's final report due to be released this week. We are confident that acquisition and development opportunities will arise post the Royal Commission and we are well-placed to take advantage of any sector consolidation opportunities that may arise."

Given the imminent release of the threshold Royal Commission findings into Aged Care Quality and Safety and the anticipated Government response, the Board does not believe it to be appropriate to put forward any earnings guidance.

Dr Mellors said, "I would like to take this opportunity to thank all our staff for their on-going commitment and continued quality of care provided to our residents and clients."

For further information, contact:

Rick Rostolis, Chief Financial Officer

T: 03 8573 0444, E: rrostolis@regis.com.au

A teleconference and webcast will be held by Regis' Managing Director & CEO Dr Linda Mellors and CFO Mr Rick Rostolis at 11am AEDT. Dial-in or login registration details are as follows: <https://services.choruscall.com.au/webcast/regis-210226.html>

This document was authorised for release to the ASX by the Board of Directors.

¹ Excludes imputed income on RADs and Bonds of \$23.7 million (H1 FY20: \$29.3 million) and includes operating lease expense of \$0.7 million (H1 FY20: \$0.7 million) in accordance with AASB 16 *Leases*

² Based on average available operational places of 7,170 (H1 FY20: 7,051)

³ Excludes Government funding received in advance (December 2020) for January 2021 of \$39.6 million (H1 FY20: \$37.0 million)

⁴ Commonwealth Own-Purpose Expense

⁵ Leverage ratio is calculated as Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (adjusted) on a normalised rolling 12-month basis as a ratio to net debt