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ASX ANNOUNCEMENT

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The Manager
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Regis Healthcare reports increase in FY21 Net Profit after Tax to $19.9 million and lift in Dividend

Regis Healthcare Limited (ASX:REG) today announced a net profit after tax (NPAT) of $19.9 million for the financial year ended 30 June 2021 (FY20: loss of $0.7 million)[1].

Key Points:

- Revenue from services of $701.4 million, up 3.5% on pcp
- EBITDA[2] of $137.8 million
- Average occupancy of 88.9%[3] (FY20: 88.2%)
- Growth in average available operational places to 7,144
- Net operating cash flow of $105.0 million including net RAD receipts of $37.7 million
- Net debt of $142.4 million - reduction of $94.3 million or 39.8% from 30 June 2020
- Board of Directors declared a final dividend of 4.63 cents per ordinary share (50% franked) payable 30 September 2021, taking full-year dividends to 6.63 cents per ordinary share (FY20: 4.02 cents) or 100% of NPAT

Commenting on the financial results, Regis' Managing Director and Chief Executive Officer, Dr Linda Mellors, said, "It is difficult to imagine a more challenging operating environment than the last 12 months. Regis has performed strongly, responding to a range of significant events, including the threat to residents and employees from the global pandemic, an extended Royal Commission, the Australian Government's reform agenda, and various internal matters. Each challenge has been met with commitment and focus from a highly experienced team.

Regis has maintained tight and conservative management of the business ahead of expected funding, policy and regulatory reform over the next year. Our focus on providing quality resident care, service and accommodation to support improved occupancy remains a high priority, while the reduction in debt places the Company in a strong position to take advantage of various growth opportunities as they emerge."

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Royal Commission into Aged Care Quality and Safety

The Australian Government called the Royal Commission into Aged Care Quality and Safety for the purposes of ensuring that the oldest and most vulnerable Australians receive care that supports and respects their dignity and recognises the contribution they have made to society. Regis welcomed the Australian Government's response to the Royal Commission's Final Report recommendations and will continue to work with consumers, the Australian Government and stakeholders on advancing aged care reform.

COVID-19

As the impact of the COVID-19 pandemic continues to be felt across the industry, the Company remains vigilant with infection prevention and control measures. These measures continue to be monitored and refined across all homes in response to health directions, various outbreaks, lockdowns or "hot spot" activity.

Dr Mellors said, "Regis has in place in-house specialist infection control expertise, robust operational controls and detailed business continuity plans. The Company continues to review the progress of the COVID-19 pandemic and take necessary steps to protect the health, well-being and safety of residents, clients and employees."

Residents of Regis aged care homes were offered vaccination against COVID-19 through an Australian Government program. The Company was subsequently successful in securing Department of Health approval to partner with an external provider to offer vaccination to every Regis residential aged care employee and volunteer, and any willing resident yet to be vaccinated. The first clinic at every Regis aged care home has been completed and the Company expects all second clinics to be completed by mid-September. Residents, employees and volunteers can continue to access vaccination through their community provider or public clinics.

The current status (as at 27 August 2021) of the Regis vaccination program is as follows:

Vaccination	First dose	Second dose
Residents	86%	78%
Employees	86%	58%

Responding to the COVID-19 pandemic and the operational changes made as a result are now effectively business as usual. The Company anticipates ongoing costs associated with infection prevention and control including the use of personal protective equipment.

During the year, the Company received $7.7 million of Government funding and $4.2 million of Government grants in relation to COVID-19. The Company incurred COVID-19 related costs of $11.8 million including incremental staff costs, personal protective equipment, infection prevention and control, and employee welfare. Of these costs, $9.7 million was incurred in the first half of the financial year (H2 FY21: $2.1 million).

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Financial Results

$ millions	FY21	*(Restated)*[1] FY20	△ FY20 to FY21
Revenue from services	701.4	677.9	3.5%
Other income[4]	83.0	72.3	14.8%
EBITDA[2]	137.8	141.6	(2.7%)
NPAT	19.9	(0.7)	
Capital expenditure	18.7	44.0	(57.5%)
Net RAD cash inflow	37.7	69.8	(46.0%)
Net operating cash flow	105.0	127.2	(17.5%)
Net debt	142.4	236.7	(39.8%)
Average occupancy[3] %	88.9%	88.2%	0.7pts
Staff expenses / revenue from services %	74.3%	73.6%	0.7pts
Basic EPS (cents per share)	6.63	(0.24)	

Trading Performance

Revenue from services of $701.4 million for the year ended 30 June 2021 included:

- $6.8 million (FY20: $6.4 million) COVID-19 Government funding;
- $0.9 million (FY20: $1.8 million) temporary uplift in Aged Care Funding Instrument; and
- $5.4 million (FY20: $nil) Government funding post Royal Commission Final Report.

Average occupancy improved to 88.9%[3] (FY20: 88.2%) with increased contributions from New South Wales, Queensland, Western Australia and Tasmania offset by Melbourne-based homes which were significantly impacted in late 2020 by the second wave of COVID-19. Excluding Victoria, average occupancy for the year was 90.0% across the remaining portfolio of homes. Average occupancy in the second half of the year improved to 89.6% (excluding Victoria - 90.3%). The occupancy spot rate at 27 August 2021 was 89.3% and has been impacted by current lockdowns in New South Wales and Victoria.

Government underfunding of resident care continued in the 2021 year with increased staff expenses due to the impact of Enterprise Agreements only being partly offset by the 1 July 2020 indexation increase applied by the Australian Government to aged care funding.

Net profit after income tax of $19.9 million included the following one-off items (before tax):

- COVID-19 related funding of $7.7 million and grants of $4.2 million;
- COVID-19 related costs - $11.8 million;
- Net fair value gain on investment properties - $9.2 million;
- Profit on sale of assets - $2.8 million;
- Additional costs associated with regulatory penalties - $2.2 million; and
- Cyber-security incident costs - $0.7 million.

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Potential Employee Entitlement Underpayments

Regis announced to the ASX on 9 August 2021 that it had identified potential underpayments of employee entitlements to certain current and former employees under its enterprise agreements.

Regis, with the assistance of external advisors, has commenced a review to determine the extent of underpayments looking back 6 years. While this review is ongoing, based on preliminary analysis, Regis has provided $35.0 million in the financial statements in relation to the issue.

The impact of the potential underpayment on profit before income tax for the financial year ended 30 June 2021 was $7.1 million (2020: $6.4 million), with the remaining amount recorded as a prior period restatement in accordance with Australian Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*[3].

Cash Flow and Net Debt

Net cash flows from operating activities for the year ended 30 June 2021 were $105.0 million (FY20: $127.2 million). Net cash inflows were negatively impacted by COVID-19, particularly in Victoria.

In February 2021, Regis completed the refinancing of its $515 million syndicated debt facility which included the extension of $150 million to March 2023 and $365 million to March 2024.

Refundable Accommodation Deposits (RADs) and accommodation bond net cash inflows were $37.7 million (FY20: $69.9 million) including $33.0 million received in the second half of the year, despite COVID-19 related lockdowns that impacted 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 $21.0 million. In total, $26.1 million was received during the year in relation to the sale of assets with proceeds used to reduce debt.

During the year, the Company repaid $100.4 million (FY20: $71.0 million) of bank borrowings. Net debt at 30 June 2021 of $142.4 million (FY20: $236.7 million) represented a 39.8% reduction on the prior year with a leverage ratio[5] of 2.0x (FY20: 3.0x).

Capital Expenditure

During the year, the Company invested $18.7 million (FY20: $44.0 million) in capital expenditure mainly on maintenance and refurbishment of homes reflecting the Board's decision to pause a number of planned development initiatives until the policy and funding environment is more certain and supportive of appropriate returns on investments in new developments.

The Company's growth strategy continues to include the following four levers:

- Greenfield aged care and retirement living developments;
- Aged care facility and home care acquisitions;
- Expansion and reconfiguration of existing facilities; and
- Aged care portfolio acquisition opportunities as they arise.

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Cyber-Security Incident

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.

Washington H. Soul Pattinson (WHSP) Proposals to Acquire Regis

In September 2020, the Company received an initial confidential, non-binding indicative proposal from WHSP to acquire Regis for $1.65 per share. On 19 November 2020, WHSP announced a non-binding indicative proposal to acquire Regis for $1.85 per share.

Both proposals were rejected on the basis that they materially undervalued the Company. WHSP formally withdrew its proposal on 20 January 2021.

Oneview Healthcare PLC

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

Regulatory Penalties

On 23 January 2021, the Aged Care Quality and Safety Commission (ACQSC) applied regulatory penalties to Regis Nedlands of a Sanction and a Notice to Agree. Regis complied with all actions and requirements stipulated by the ACQSC, including appointment of an independent advisor and weekly reporting to ACQSC. The sanction expired on 23 July 2021.

On 24 April 2021, the ACQSC applied regulatory penalties to Regis Tiwi of a Sanction and a Notice to Agree. Regis is complying with all actions and requirements stipulated by the ACQSC, including appointment of an independent advisor and weekly reporting to ACQSC. The sanction is due to expire on 24 October 2021.

Dividends

On 24 February 2021, the Board of Directors declared an interim dividend of 2.00 cents per ordinary share totalling $6.0 million (50% franked) for the year ended 30 June 2021, paid on 8 April 2021.

On 31 August 2021, the Board of Directors declared a final dividend of 4.63 cents per ordinary share totalling $13.9 million (50% franked) for the year ended 30 June 2021, payable on 30 September 2021.

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Outlook

Given the current macro-economic environment, including the ongoing impact of the COVID-19 pandemic, the Board does not believe it to be prudent to put forward any earnings guidance at this stage. A business update will be provided at the Annual General Meeting to be held on 26 October 2021.

Dr Mellors said, "Regis continues to be one of Australia's largest aged care providers, with an almost 30-year history of leading accommodation standards and supporting a committed workforce to provide tailored care and services. Regis will continue to strive for improvement and contribute to meaningful sector reform. We are proud of how our people have demonstrated their commitment, capability and resilience while dealing with the challenges of the past year, including the pandemic. I would like to take this opportunity to thank all our employees for their ongoing commitment to our residents and clients."

For further information, contact:

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A teleconference and webcast will be held by Regis' Managing Director & CEO Dr Linda Mellors and CFO Mr Rick Rostolis at 11am AEST. Dial-in or login registration details are as follows: https://services.choruscall.com.au/webcast/regis-210831.html

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

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[1] Financial year ended 30 June 2020 and prior periods restated for impact of potential employee entitlement underpayments and AASB 16 *Leases* - refer Note A5 of the Consolidated Financial Statements for the year ended 30 June 2021

[2] Non-IFRS financial information has been prepared in accordance with ASIC Regulatory Guide 230 - Disclosing non-IFRS financial information, issued in December 2011. Non-IFRS financial information, while not subject to audit or review, has been extracted from the Financial Report, which has been subject to review by the Company's external auditors. EBITDA is non-IFRS financial information and consists of earnings before interest, tax, depreciation and amortisation including imputed income on RADs and bonds in accordance with AASB 16 - *Leases,* and excluding one-off/non-recurring items

[3] Based on average available operational places of 7,144 (FY20: 7,103)

[4] Includes $64.4 million of imputed income on RADs and Bonds (FY20: $67.0 million)

[5] Leverage ratio is calculated as rolling 12-month EBITDA (pre-AASB 16 *Leases*) as a ratio to net debt