

ASX Announcement

9 May 2022

Ongoing Impact of COVID-19

Estia Health Limited (ASX:EHE) ("the Company") provides the following update in relation to the ongoing impact of COVID-19 on the business of the Estia Health Group ("the Group").

- Approved Providers are able to apply for Federal Government (the "Government") grants to recover some of the costs associated with COVID-19 outbreaks. However, due to the volumes of claims being made across the sector, the processing time between lodgement by the Group and approval of claims by the Department of Health (the "Department") is substantially delayed.
- As a result, it is likely that a significant proportion of claims submitted by the Group relating to FY22 COVID-19 outbreak costs, currently \$20.3m, may not be approved by the Department prior to 30 June 2022.
- Should this be the case, then in accordance with Australian Accounting Standards, unconfirmed claims are unlikely to be recognised as income in the financial results for FY22, which will be below market expectations as a result. Grants confirmed after 30 June 2022 will form part of FY23 earnings.
- Based on previous experience, and the processes adopted prior to submission, the Company has no reason to believe that the submitted claims will not ultimately be wholly or substantially received.

COVID-19 Cost Recovery

Approved Providers are able to apply for Government grants to recover some of the costs associated with COVID-19 outbreaks. The timing of processing and receipt of these grants is substantially delayed from the original timelines communicated.

On 22 February 2022, the Company reported that in the period to 31 December 2021 it had incurred incremental costs associated with COVID-19 prevention and response of \$12.1m, of which it had applied for grant recovery under Government grant schemes of \$7.5m. Government grants do not presently cover preventative measures taken by the Group outside of outbreak periods in specific homes.

As a result of the impact of the ongoing Omicron variant, the total costs associated with COVID-19 prevention and response for the 9 month period to 31 March 2022 has increased to an estimated \$36.4m. Of these costs, the Group has submitted claims to date to recover \$20.3m and expects to submit further claims which are in the course of preparation. These claims have been made on the same basis as previously accepted claims in FY21. In accordance with the grant guidelines, \$14.5m of these claims have been independently reviewed by auditors where individual claims exceeded \$150,000.

Due to the volume of claims being processed across the sector, the Government's stated targets of confirming grants within 6-8 weeks of submission is not being met. At the current time, \$1.4m of claims submitted by the Group have been confirmed as approved for payment. Other claims remain under assessment by the Department. As a result, it is uncertain at this stage as to the timing of confirmation or receipt of monies from submitted grant claims.

In the absence of amended or accelerated Government approval processes for grants, based on current experience, it is likely that a significant amount of the \$20.3m submitted claims relating to FY22 costs to date may not be confirmed as approved by the Department prior to 30 June 2022.

Furthermore, the Group expects to continue to incur incremental COVID-19 prevention and response costs in coming months and, whilst grant claims will be made for the proportion of costs which are eligible for reimbursement, it is likely that the associated approvals will not be received prior to 30 June 2022.

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Under Australian Accounting Standards, unconfirmed claims are unlikely to be recognisable as income in the FY22 Financial Statements and would be recognised in FY23 when approved. Should this be the case, the financial results for FY22 will be below the range of current analyst consensus FY22 earnings and the subsequent receipt of claim confirmations would positively impact FY23 earnings.

The Company continues to engage with its external auditors in relation to the accounting treatment of unconfirmed claims and also with the Department in respect of accelerating the review and processing of reimbursement of COVID-19 related costs under the grant schemes.

Based on previous experience, and the processes adopted prior to submission, the Company has no reason to believe that the submitted grant claims will not be wholly or substantially received, but there can be no guarantee that the Department will confirm any or all of the claims that the Group has submitted. Adverse decisions by the Department in relation to the Group's grant claims may also adversely impact the financial results for the period FY22.

Occupancy

Given the ongoing elevated level of community transmission, multiple COVID-19 outbreaks continue to impact the Group's 68 homes. Operationally, occupancy levels remain adversely impacted compared to historic performance.

Recovery in occupancy rates since the initial Omicron wave in December and January has been slower than experienced following earlier waves during the pandemic. Group occupancy has averaged 90.5% in the 4 months ended 30 April 2022 and has averaged 91.7% for the 10 months to date in FY22.

Spot occupancy was 91.0% at 30 April 2022.

Occupancy performance is not uniform across the Group as shown below, with performance in South Australia and Queensland remaining strong.

Occupancy	31 December 2021 Spot	18 February 2022 Spot	30 April 2022 Spot	6 months H1FY22 Average	4 months to 30 April 2022 Average	10 months to 30 April 2022 Average
NSW & VIC	87.7%	85.8%	87.0%	89.0%	86.2%	87.9%
Other States	96.8%	95.6%	96.0%	97.1%	95.9%	96.7%
Total Group	91.7%	90.1%	91.0%	92.6%	90.5%	91.7%

Approved for release by the Board of Directors of Estia Health Limited

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