

ASX Announcement

22 August 2023

Estia Health results for the year ended 30 June 2023

Estia Health Limited (**ASX: EHE**) (“Estia Health”, the “Company” or the “Group”), one of Australia’s largest residential aged care providers, today reported a Net Loss After Tax of \$33.9 million compared with a Net Loss After Tax of \$52.4 million for the prior year. The result was impacted by a full-year bed licence amortisation charge of \$80.5 million before tax (2022: \$60.3 million).

Results Summary

- **EBITDA¹ Mature Homes²: \$116.1 million (2022: \$37.5 million)**
- **Profit/(loss) after Tax before exceptional items¹: \$38.4 million (2022: \$(9.6) million)**
- **Statutory Net Loss after Tax: \$33.9 million (2022: \$52.4 million)**
- **Net RAD inflows: \$85.7 million (2022: \$22.8 million)**
- **Capital expenditure: \$138.4 million invested in acquisitions, new home developments, extensions and improvements**
- **9% increase in resident place numbers through acquisitions and developments**
- **\$43.8 million Net Debt at 30 June 2023³**
- **FY23 Average Occupancy: 92.3% (FY22: 91.6%)**
- **Spot occupancy: 93.5% at 18 August 2023**
- **12c per share final fully franked dividend declared**
- **Binding Scheme Implementation Agreement executed with Bain Capital**

Estia Health CEO Sean Bilton said “The FY23 financial outcomes for shareholders signify a marked turnaround in sector and company operational performance notwithstanding the ongoing impacts of COVID-19.

“The significant increase in mature homes EBITDA reflects our successful portfolio expansion through strategic acquisitions and developments, the maintenance of a steady upward trajectory in occupancy rates and higher funding better aligned with input costs.

“I would like to thank our residents and their families for trusting us to provide care and support at an important time in their lives. We continue to strive to provide the highest quality aged care services as we navigate a difficult operating environment”.

1. EBITDA and Profit/(loss) after tax before exceptional items are categorised as non-IFRS financial information prepared per ASIC Regulatory Guide 230 – Disclosing non-IFRS Financial Information. EBITDA is a measure consisting of earnings before interest, tax, depreciation, amortisation and impairment expenses, specified non-recurring items and imputed DAP revenue on RAD/bond balances resulting from the adoption of AASB 16. Profit/(loss) after tax before exceptional items presents the results of the Group adjusting for acquisition costs, legislated changes on leave provisions and non-cash bed licence amortisation resulting from the legislated change in ownership of bed licences from Providers to consumers. Both measures have been adjusted from the reported information to assist readers in better understanding the financial performance of the business in each financial period. This non-IFRS financial information, while not subject to audit, has been extracted from the financial report, which has been subject to an audit by the external auditors.

2. Mature Homes (which excludes homes from the date of closure) are homes that have been owned and opened for more than 12 months or if open for less than 12 months have greater than 85% occupancy at the commencement of the financial year.

3. Net Debt is defined as bank borrowings and overdrafts less cash and cash equivalents.

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Occupancy

Occupancy continues to recover from the COVID-19 induced lows. Occupancy for fiscal year 2023 averaged 92.3%, a material improvement compared to the FY22 average of 91.6%. As of 18 August 2023, Group spot occupancy was 93.5%, with occupancy outside of Victoria at 95.3%, back at pre-pandemic levels. Occupancy in Victoria has improved over the fiscal year by 0.4% and is at 89.4% as of 18 August 2023.

Workforce

Estia Health CEO Sean Bilton advised “The biggest challenge facing the sector remains the shortage of workers. The commitment and loyalty of the aged care workforce has been exceptional during the last few years and it was pleasing to see the Fair Work Commission decide on a significant increase in award wages to direct care workers, making the sector more attractive to employees and facilitating the required growth, retention and funding of the sector workforce.

“The dedicated employees across our sector care for residents at a time of their deepest need and deserve better recognition for their dedication and the value they deliver to society. We were pleased that the Group could facilitate a significant increase in rates of pay for our team members by passing on the full funding uplift provided by Government for the recent Fair Work Commission Work Value Case.”

Future of the Sector and the Reform Agenda

During FY24, the sector is entering the final phase of a significant period of reform, most notably the introduction of mandated minimum care minutes (from October 2023), the abolition of ACAR (largely already in effect through transitional arrangements) and key changes to provider governance requirements.

Expansion of the role of the Independent Health and Aged Care Pricing Authority (IHACPA) to provide funding recommendations to the Government in relation to aged care services took effect from July 2023 and as a result, the Government announced significant funding increases to apply in FY24.

Estia Health is encouraged by the transparency with which IHACPA have undertaken their work and the Government’s response in following this advice for funding to meet the cost of service delivery as a key step in ensuring the enduring financial sustainability of the sector. Beyond FY24, future sustainability and financial performance of the sector is expected to reflect IHACPA’s ongoing work and the Government’s response to that advice.

Estia Health also notes the establishment by the Government of the Aged Care Taskforce in June 2023 to review funding arrangements for aged care, including the development of options for a system that is fair and equitable for all Australians. The Taskforce will build on Royal Commission recommendations and review overall funding arrangements for aged care.

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Group Strategic Initiatives

The Group embarked on several key strategic growth initiatives during the year.

Acquisitions undertaken by the Group during the year added 533 net new resident places and 5 new homes to the portfolio. The Premier Health Care acquisition completed on 1 December 2022 and the Mount Clear, Ballarat home acquisition completed on 1 May 2023, with both trading in line with expectations.

Completion and integration of the Royal Freemasons homes acquisition at Benalla and Bendigo, announced on 1 August 2023, will be a key focus in the short term, with settlement due in October 2023, and includes the consolidation of existing Estia Health operations in those markets.

Estia Health's new greenfield homes under development at St Ives and Aberglasslyn in NSW are due to complete in late calendar year 2023 and will add 236 new resident places to the portfolio.

Scheme of Arrangement with Bain Capital

On 7 August 2023, Estia Health announced the signing of a Scheme Implementation Agreement (**SIA**) with entities controlled by Bain Capital for the acquisition of all shares in Estia Health for a price of \$3.20 per share less any dividends paid after the signing of the SIA. Progressing the Scheme of Arrangement with Bain Capital is an immediate focus, with a Scheme Booklet, which will include an Independent Expert's Report, expected to be released to shareholders in October 2023.

Implementation of the Scheme is subject to various conditions which are set out in the SIA, including an Independent Expert's Report concluding that the Scheme is in the best interests of Estia Health shareholders, approval of the Foreign Investment Review Board, and no material change in financial circumstances.

The Board has concluded that the Scheme is in the best interests of shareholders and has unanimously recommended that shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to an independent expert concluding that the Scheme is fair and reasonable and in the best interests of shareholders.

Dividend

The Board has determined that a final fully franked dividend of 12c per share will be paid.

Outlook

The Group is benefitting from steadily improving occupancy, increased funding ahead of the deadline for minimum care minute requirements from 1 October 2023, lower COVID-19 costs and higher COVID-19 Grant recognition, which have collectively improved revenue growth and operating margins.

However, uncertainties remain which may impact financial performance in the short to medium term, most notably the ongoing availability of labour, future funding decisions from the Government based on IHACPA and Aged Care Taskforce advice and the longer term impact of COVID-19 and any Government response.

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Investor and Analyst Teleconference Details

Estia Health's CEO and Managing Director Mr Sean Bilton and CFO Mr Anthony Rice will host an analyst and investor conference call commencing at 9:30am (AEST) today.

Registration details for the conference call are located in the Company's Investor Centre:
<https://investors.estiahealth.com.au/investor-centre/?page=key-dates>

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

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Further enquiries:

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About Estia Health

Estia Health Limited is one of Australia's leading aged care providers, operating 73 homes across Victoria, South Australia, New South Wales and Queensland. Estia Health cares for over 8,000 residents annually and supports them and their families at an important time in their lives.