ESTIA HEALTH

FY2016 HALF YEAR RESULTS

Highlights

- 1H FY2016 Pro Forma NPAT of $23.0m, up 16% over 1H FY2015
- EBITDA of $39.7m, up 20%; Revenue of $196.2m, up 43%
- Mature homes (owned for at least 18 months) average occupancy of 96.3%
- Return on capital employed (ROCE) forecast >25% on Padman Healthcare and Cookcare Group portfolios acquired in August 2014
- Kennedy Healthcare Group (Kennedy) acquisition completed and 3 new single-facility acquisitions in 2H FY2016: bringing total operating places to 5,921 across 69 facilities at the end of FY2016
- More than 1,100 net new beds from strong organic growth pipeline with significant greenfield portfolio (including 456 net new beds from Kennedy)
- FY2016 full year guidance: EBITDA >$95m; NPAT >$56m; EPS >$0.30
- Interim dividend of 12.8 cents per share

Estia Health Limited (ASX: EHE) ("Estia" or the "Company") today released its FY2016 first half results for the period ending 31 December 2015. Revenue of $196.2m was 43% up on 1H FY2015. Pro Forma EBITDA of $39.7m was 20% up on 1H FY2015 and Pro Forma NPAT was $23.0m, 16% up on 1H FY2015.

Estia's current acquisition-led strategy has delivered exceptional performance through the mature portfolio. The Padman Healthcare and Cookcare Group businesses, acquired in August 2014 are forecast to deliver return on capital employed (ROCE) of greater than 25% this financial year. Since these businesses came together occupancy has improved from 90.0% to an average of 96.3% for the first half.

The recent single site acquisitions and completion of Kennedy, on 8 February 2016, offer further opportunities for growth in 2H FY2016 and beyond. Estia CEO, Paul Gregersen remarked: "With Padman and Cookcare, it has taken us about 18 months to fully optimise their performance. In the second half of this year, 47.5% of our available bed days come from recently acquired assets. That means that as we continue improving revenues and margins, we expect to deliver optimal performance in these homes towards the back-end of FY2017."

Estia had strong operating cash flows in the period, boosted by net refundable accommodation deposit (RAD) receipts of $33.8m for the half year against $30.7m for the same period last year. This was due to a continued preference from consumers choosing RADs; with 87% of new residents electing to pay RADs-only and an additional 8.1% choosing a combination of RADs and daily accommodation payments (DAP). With an Accommodation Index (relationship between average RAD and average mean house price) of 0.51, the conservative pricing position allows Estia to comfortably manage risks associated with house price fluctuations.

Estia had net debt of $100.7m as at 31 December 2015 and has $103.5m in available facilities to fund its ongoing operations and future growth. With an overall RAD penetration of around 60% of residents as at 31 December 2015, the Company anticipates further significant cash growth from the penetration and value of RADs received over the next 18 months which will be used to reduce net debt. It is anticipated that leverage will be less than 2.5x at the end of FY2016.

Estia has provided guidance for the full year of greater than $95m of EBITDA and greater than $56m of NPAT. This will result in earnings per share (EPS) of at least 30 cents. Mr Gregersen commented: "We can forecast with high degrees of certainty in our sector. With over one million operating place days available in the second half of FY2016, we re-assert our recent guidance of more than 25% growth in NPAT."

Estia outlined a strong organic pipeline of development with more than 1,100 net new beds to be delivered before the end of FY2020. The greenfield pipeline comprises 12 new facilities with 925 net new places which will be overseen by the Company's two Development Directors – Peter Hamilton and Mark Kennedy. The acquisition of Kennedy boosted the planned activity with 456 net new beds in South Sydney through to Wollongong.

In addition, Estia is in the final stages of: (a) acquiring 7,080 square metres in St Ives (NSW) to develop a 108-bed facility and enable the staged redevelopment of the Ryde and Mona Vale sites and (b) confirming arrangements for the third facility to be constructed through the Living Choice partnership. Upon completion, Estia will own the land for all 12 new facilities.

The immediate short-term brownfield priorities across 9 locations will deliver 181 net new beds by FY2018 at the latest. The second phase of medium-term developments will be communicated in future reporting periods.

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Mr Gregersen noted: "With this volume of development, there is a danger that we will lose our tag of 'roll-up king' in favour of 'bob-the-builder'. We have repeatedly talked about switching from being acquisition-led to growing through organic development as we approach FY2020. Our detailed plans reinforce our commitment to this strategy."

On 8 February 2016, Estia completed the acquisition of Kennedy and will appoint its Chairman, Dr Gary Weiss, to the Estia Board as a non-executive Director. As previously reported, Mark Kennedy will remain as Managing Director of Kennedy through to the end of FY2016, reporting to Estia CEO Paul Gregersen. Thereafter he will work alongside Estia Development Director Peter Hamilton to lead the development of more than 1,100 net new beds.

The Board elected to pay an interim dividend of 12.8 cents per share. On 16th July 2015, the Estia Board implemented a Dividend Reinvestment Plan (DRP) to provide shareholders the opportunity to reinvest dividends in additional Estia shares. Further details related to the DRP are available on the Company's website www.estiahealth.com.au.

The Estia management team is hosting an investor teleconference briefing today, Thursday 18th February at 9.00am AEDT, the details for which are below.

-ENDS-

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Investor and Analyst Teleconference Details

Participants can dial in using the numbers below to join the teleconference briefing. For countries not listed below, the international number can be used. You will also need to quote the conference ID provided.

Synchronised slides are available to be viewed at: http://webcast.openbriefing.com/2640/

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