ESTIA HEALTH
NSW Office
Level 9, 227 Elizabeth Street
Sydney, New South Wales 2000
T 02 9265 7900
E investor@estiahealth.com.au
estiahealth.com.au

ASX Announcement

22 February 2022

Estia Health Interim Results FY22

Estia Health Ltd (ASX: EHE) ("Estia Health", the "Company" or the "Group"), one of Australia's largest residential aged care providers, today reported EBITDA[1,2] of $33.5 million for the half-year ended 31 December 2021, compared with $20.2 million for the corresponding period in 2020. Net RAD inflows in the period were $23.9 million and Net Bank Debt[3] was $6.7 million at 31 December 2021. A fully franked interim dividend of 2.35 cents per share was declared by the Board.

Result Highlights:

- **$33.5 million EBITDA - Mature Homes**
- **$6.1 million Net Profit after Tax before Amortisation of bed licences ("NPATA")**
- **$8.1 million Net Loss after Tax**
- **Group occupancy during the period 92.6%**
- **Net RAD inflows of $23.9 million**
- **Strong balance sheet with available liquidity to fund growth - $6.7 million net debt and $318.7 million net liquidity**
- **$12.1 million direct incremental costs arising from the Group's COVID-19 response**
- **2.35 cents per share fully franked Interim Dividend declared**

CEO Ian Thorley said, "The aged care sector has been through an extremely demanding period brought about by the continued impact of the COVID-19 pandemic. These challenges were beginning to abate towards the end of the first quarter of the FY22 financial year but the rapid spread of the Omicron variant saw over 70% of Australia's aged care homes having experienced outbreaks by the end of January 2022. Although many Estia Health homes were impacted, resident vaccination programs resulted in a lower severity of illness, swifter recovery periods and lower mortality rates than seen with previous variants. I would like to extend my condolences to the families of those residents who have died during the pandemic.

"As of 21 February 2022, the Group is seeing a stabilisation, with the number of homes directly impacted by an outbreak having fallen significantly and with that, a corresponding reduction in employee and resident cases.

"I am confident Estia is emerging from this phase of the pandemic as a stronger organisation, well-placed to succeed in a reformed sector and benefit from the favourable demographics of an ageing Australian population and the need for residential care.

"The reform agenda for the aged care sector continues to move forward regardless of the pandemic. Greater transparency over clinical performance, elevated governance, higher clinical quality standards and the strengthening of the regulatory settings should lead to higher standards of resident care.

"The reforms underway should also lead to a more competitive sector, rewarding high-quality providers with access to capital and quality assets with the opportunity to grow market share, increase occupancy levels and deliver earnings growth.

"After almost two years of the pandemic, our front-line staff continue to provide exemplary support and care for residents and families at a time when many of them have also experienced the impact of COVID-19 within their own families and communities. Their commitment to supporting our residents and each other in such difficult circumstances has been extraordinary and I would like to thank them for their dedication."

[1] EBITDA and NAPATA are categorised as non-IFRS financial information prepared per ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information, issued in December 2011. 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. NPATA presents the results of the Group adjusting the non-cash bed licence amortisation resulting from the abolishment of ACAR. 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 are homes that have been 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 bank debt is defined as bank borrowings and overdrafts less cash and cash equivalents ($43.1m adj for Government Funding received in advanced)

Estia Health

ESTIA HEALTH
NSW Office
Level 9, 227 Elizabeth Street
Sydney, New South Wales 2000
T 02 9265 7900
E investor@estiahealth.com.au
estiahealth.com.au

ASX Announcement

COVID-19

COVID-19 continued to impact the sector in the six months ended 31 December 2021 and the emergence of the Omicron variant has highlighted the uncertainty related to the pandemic which is likely to remain for the foreseeable future.

The impact of COVID-19 on the financial performance during the period has been significant, particularly in the Group's homes in New South Wales and Victoria.

Direct incremental costs related to COVID-19 protection and the response at outbreak homes were $12.1 million. Of this, $7.5 million is estimated to be eligible for Government grants, which are currently restricted to outbreak homes and the impact of mandated "single-site" arrangements for staff.

CEO Ian Thorley said, "Our priority at all times has been the safety of our residents and staff and the provision of the highest quality care to residents. While the Omicron wave had a limited impact on the first half financial performance, it has had a significant impact in January and February with further reductions in occupancy, high PPE usage, high levels of testing and increased staffing costs.

"The Group expects to be able to continue to recover a substantial proportion of these costs through existing federal Government grants but not all costs are eligible for reimbursement. Costs related to general preventative measures outside of specific outbreak periods, including Rapid Antigen Tests ("RAT"s) are not currently recoverable under grants. Ensuring sufficient funding is provided to ensure full recovery of all costs associated with COVID-19 will be an essential element of future funding reform.

"Encouragingly, the easing of conditions nationally is seeing our homes quickly move to a more normal mode of operations and increased admissions.

"Throughout the pandemic we have supported our frontline workers with access to RATs, paid quarantine leave and supplementary payments when a home is experiencing an outbreak of COVID-19.

"Attracting, training and retaining skilled people is a critical challenge for the aged care sector. We support the case for increased baseline wages for workers in aged care so that the sector can continue to compete for the best people to deliver care and support for our older Australians."

Occupancy

Occupancy rates across the Group's 6,163 operational beds and 68 homes has been directly impacted by infection levels in the wider community.

With the stabilisation of community infection rates and reduced number of homes with outbreaks, the Company has seen a commencement of occupancy recovery since January 2022.

Occupancy	H1FY22 Average	31 December 2021 Spot	27 January 2022[1] Spot	18 February 2022 Spot
NSW & VIC	89.0%	87.7%	85.6%	85.8%
Other States	97.1%	96.8%	95.7%	95.6%
Total Group	**92.6%**	**91.7%**	**90.0%**	**90.1%**

1. Information at 27 January 2022 as provided in ASX Announcement "Bed licence accounting implications and trading update"

ESTIA HEALTH
NSW Office
Level 9, 227 Elizabeth Street
Sydney, New South Wales 2000
T 02 9265 7900
E investor@estiahealth.com.au
estiahealth.com.au

ASX Announcement

Financial Performance

Revenues increased to $316.5 million in the period, including the $10/day basic daily fee supplement introduced by the Government in response to the Royal Commission effective from 1 July 2021. There were no receipts of temporary funding or grants in the period.

Direct incremental costs related to COVID-19 protection and the response were $12.1 million. Overall, the net unrecovered costs associated with COVID-19 in the period are approximately $4.6 million.

The $7.5 million expected to be recovered through grants in the coming months, cannot be recognised under Australian Accounting Standards until receipt, which is expected to be during the second half-year.

Overall EBITDA from mature homes was $33.5 million compared to $20.2 million in the prior corresponding period.

Net Profit After tax and before bed license Amortisation (NPATA) was $6.1 million. NPATA includes COVID costs of $12.1 million incurred in the period.

The Net Loss after Tax (including the bed licence amortisation charge of $14.2 million net of tax) was $8.1 million.

Cash, RADs, Net Debt and Liquidity

The Group's balance sheet has equity of $597.9 million supporting $1,828.2 million of total assets.

The Group's capital and funding position is a product of the efficiency of operating profit to cash conversion, net RAD flows, capital investment and dividend distributions. The Group had net bank debt of $6.7 million with operating cash flows excluding RAD flows of $68.6 million at 31 December 2021.

Included within the period cash flows is an amount of $36.3 million representing the advance payment of Government subsidies. This amount is shown as deferred income within the balance sheet. Excluding this advance payment, net debt at 31 December 2021 would be $43.1 million.

Net RAD inflows were $23.9 million during the period, despite the impact of the pandemic.

In November 2021, the Board established an on-market Share Buy-Back scheme because it considered that the Company's current share price did not appropriately reflect the intrinsic value of the Company's assets and business.

The Buy-Back is also part of the Company's capital management strategy in maintaining a balance between operating a high quality and sustainable business and preserving flexibility to invest capital for future value-accretive opportunities, while seeking to provide returns to shareholders through a dividend payout ratio of 70-100% of NPAT prior to bed licence amortisation, subject to prevailing circumstances. The Buy-Back will be funded from the Company's existing cash reserves and committed debt facilities.

The Buy-Back commenced on 26 November 2021 for up to 12 months, will be conducted in accordance with the ASX rules, and under the Corporations Act 2001 the Company may buy back up to 10% of its issued capital in any 12-month period without shareholder approval.

As of 31 December 2021, the Company had acquired and cancelled 757,435 shares at a total cost of $1.6 million and an average price of $2.16 per share.

ESTIA HEALTH
NSW Office
Level 9, 227 Elizabeth Street
Sydney, New South Wales 2000
T 02 9265 7900
E investor@estiahealth.com.au
estiahealth.com.au

ASX Announcement

New Developments & Portfolio Management

As a result of the Government's decision to remove the restrictive ACAR licensing regime and other reforms, the directors have determined to approve a cautious re-start of the Group's development and expansion programs. During the period, the resumption of greenfield developments at St Ives and Aberglasslyn, both in NSW, was approved with a total of 236 new beds projected to open in Q1 of FY24. These sites are owned by Estia Health. Construction costs are estimated at $78.9 million, with 70% of the construction costs targeted to be recovered by RAD receipts.

The Group is considering opportunities to expand into complementary adjacencies and reviewing the acquisition of development sites that align with its existing geographical footprint.

Dividends

Directors resolved to pay an interim dividend for the period of 2.35 cents per share fully franked, which represents a 100% distribution of profit after tax before the amortisation of bed licences (NPATA). The directors have determined this to be an appropriate recognition of the support of shareholders during the uncertainty of COVID-19 and confidence in the strength of the Company's cash flows and balance sheet position.

Bed Licence Abolition and Accounting Implications

The Group believes that the Federal Government's decision to remove bed licences from June 2024 and abolish ACAR is positive for the Group's growth prospects.

CEO Ian Thorley said, "The Government response to the Royal Commission represents a fundamental shift towards a more transparent and competitive sector. With the introduction of greater consumer information and as the restrictive supply practises associated with ACAR fall away, success in the sector will be dependent on the ability to compete and provide better quality service and greater value for money."

The Government has announced transitional arrangements to apply prior to June 2024 to allow Approved Providers the ability to secure access to subsidies if they have beds ready to operate but do not have existing licences. The Government will also provide a commitment to allow providers without licences to commence new developments with confidence that new homes will be eligible for subsidies if ready to open prior to 30 June 2024.

Notwithstanding the directors' view that the fair value less cost to dispose of existing operational bed licences is nil, at the present time the directors have determined that to comply with Accounting Standards and the Group's accounting policy in relation to Goodwill and Intangible Assets, bed licences are now regarded as an Intangible Asset with a finite life and will be amortised on a straight-line basis over the period 1 October 2021 to 30 June 2024. This treatment remains dependent on no future change to Government policy or intended legislation arising.

These expected charges do not impact bank covenants, the cash flows of the Group or income tax payable.

Subject to no change to current tax legislation, it is anticipated that the abolition of bed licences on 30 June 2024 should result in a capital gains tax loss of approximately $200 million available to be carried forward against future capital gains of the Group from that date.

--- ENDS ---

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

ESTIA HEALTH
NSW Office
Level 9, 227 Elizabeth Street
Sydney, New South Wales 2000
T 02 9265 7900
E investor@estiahealth.com.au
estiahealth.com.au

ASX Announcement

Further enquiries:

Media	**Investors**
Julie Connolly John Connolly & Partners jlc@jcp.com.au Tel +61 2 9232 1033	Steve Lemlin – Chief Financial Officer steve.lemlin@estiahealth.com.au or investor@estiahealth.com.au

Investor and Analyst Teleconference Details

Estia Health's CEO Ian Thorley and CFO Steve Lemlin 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

About Estia Health Ltd

Estia Health is one of Australia's largest residential aged care providers. The Group delivers services across 68 homes in Victoria (25 homes), South Australia (17 homes), New South Wales (18 homes), and Queensland (8 homes). These homes have 6,163 operational places. 91% of the Group's rooms are single. 57 of the Group's homes, representing 5,351 beds, qualify for and benefit from the significant refurbishment supplement paid in respect of supported residents. The Group employs in excess of 7,500 employees caring for more than 8,000 residents annually.