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

18 August 2020

Estia Health – FY 20 Full Year Results

Estia Health Ltd (**ASX: EHE**) (Estia or the Company), one of Australia's largest aged care providers, today reported a full year loss after tax of $116.9 million after non-cash impairment charges of $144.6 million for the year ended 30 June 2020. The FY20 profit after tax before the impairment charge was $25.2 million, a 39.5% decline compared to FY19, reflecting the funding and financing challenges of the residential aged care sector.

Key points:

- Average occupancy for the year 93.2%, closing at 92.7% at 30 June 2020
- The full year loss after tax was $116.9 million after a non-cash impairment charge of $144.6 million
- Profit after tax before non-cash impairment was $25.2 million representing a 39.5% decline compared to FY19
- EBITDA[1] (pre-AASB16 like for like basis) of $79.3 million representing an 18.2% decline compared to FY19 – greater than 100% EBITDA to cash conversion
- $99.4 million net debt at 30 June 2020 representing 1.3x EBITDA (pre AASB 16), $226.6 million available net liquidity
- FY20 net RAD inflows of $33.2 million

Chief Executive Officer, Ian Thorley said "The pandemic is presenting serious challenges for residential aged care, particularly as community transmission in the second wave of the pandemic has impacted over 125 residential aged care homes in Victoria. COVID-19 is having a significant impact for residents, their families and the staff of aged care homes, with some families losing loved ones.

"It is well-documented that very early in the community escalation in July 2020 we experienced high numbers of positive cases at our homes at Ardeer and Heidelberg West. We activated our COVID-19 Response Plans – including testing, isolation, standing down staff, adopting full PPE and working closely with state and federal health authorities. These two homes had multiple infections in the initial testing of residents and staff subsequent to the first case being notified.

"The COVID-19 outbreaks in our Ardeer and Heidelberg West homes have caused great anxiety for our residents, their families and staff. I have personally spoken to the families of those residents who have passed away to convey our deeply felt sympathies and confirm our commitment to provide whatever support the families need from us. I feel for each and every one for the distress this has caused.

[1] EBITDA is categorised as non-IFRS financial information prepared in accordance with 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 and gain/loss on sale of assets held for sale and has been adjusted from the reported information to assist readers to better understand 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.

"I wish to acknowledge all members of the Estia team for their ongoing dedication and commitment as we all work to support our residents in circumstances that have disrupted the normal rhythm of their home and the usual contact that they would be having with family and friends. I also wish to thank our residents and families for their understanding through this very challenging and difficult time."

While COVID-19 has impacted our financial performance in the 2020 financial year, the company's underlying fundamentals: occupancy, RAD flows, net debt, liquidity and balance sheet are sound and provide a strong platform to manage the future uncertainty and challenges of this pandemic.

Direct costs associated with the first wave of COVID-19 from March to 30 June 2020 totalled $2.5 million, including $0.3 million of paid quarantine leave which the Company introduced from March as part of its response to the pandemic.

Non-cash impairment
As announced on 13 July 2020, as a result of ongoing uncertainty of future sector funding and financing, exacerbated by the required response to the COVID-19 pandemic, the Company has recorded a non-cash impairment charge relating to goodwill arising from historical acquisitions of $136.1 million and $8.5 million across tangible assets. This charge is non-cash and has no impact on the Company's debt facilities, compliance with banking covenants or its ability to undertake capital initiatives.

Occupancy
Average occupancy for the year was 93.2%, closing at 92.7% at 30 June 2020. At 16 August 2020 group occupancy was 91.5% and in the Group's 2,093 places in Victoria was 86.8%.

The new 110-bed home at Southport (Queensland) performed very strongly over its first full year of operations, reaching 100% occupancy by February 2020. The new 126-bed home at Maroochydore (Queensland), which opened in August 2019, also performed strongly reaching 81.7% occupancy by 16 August 2020. Both homes deliver the highest quality of care in outstanding environments.

Investment
Estia invested $80.6 million of capital during the year on new homes, refurbishments, sustainability, asset replacement and improvements. The financial performance of the two new homes at Southport and Maroochydore was strong, together delivering a net positive EBITDA contribution of $0.5 million in the period.

Asset sale – Mona Vale
After detailed review it was decided that the best option in relation to the site of the former Mona Vale home was to sell the property. The company has entered into a binding unconditional contract to sell this site for $10.95 million, with settlement due in November 2020.

Capital management

Strong operating cash flow conversion in excess of 100% of EBITDA kept bank debt levels well within the target range and enabled the funding of the interim dividend and capital investment.

Net bank debt at 30 June 2020 was $99.4 million, representing a gearing ratio of 1.3X EBITDA. Estia has total debt facilities of $330.0 million with $196.0 million, undrawn at 30 June 2020. The facilities were renewed during FY20 and have a maturity date of 15 November 2022.

Estia's net RAD inflows in the year were $33.2 million, of which $25.8 million came from the two new homes, and the balance from mature homes.

Dividend

As a result of the net loss for the year and as a prudent measure in uncertain times the board has determined not to declare a final dividend for FY20. Total dividends for the year are therefore 5.4 cents per share, fully franked.

Outlook

Mr Thorley said "We continue to advocate for and support many of the multiple reforms and recommendations put forward to Government over the past years. As the Aged Care Financing Authority and the Royal Commission have indicated, sector reform is long overdue. Reform is essential for the sector to continue to attract capital, provide secure returns and deliver the highest quality care and services to residents.

"The scale and duration of the COVID-19 pandemic remain extremely uncertain and the Group is not able to quantify the overall financial impact of the COVID-19 outbreak with a degree of certainty at this stage.

"COVID-19 will remain a challenge for the foreseeable future. We believe that by continuing to work closely with State and Federal authorities and regulators we will get through this difficult period by providing the best possible care to our residents and support for our staff."

--- 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 inquiries:

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's CEO Ian Thorley and CFO Steve Lemlin will host an analyst and investor conference call commencing at 9:30am (AEST) today, which will also be webcast.

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