Estia Health

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ASX Announcement

23 February 2021

Estia Health FY2021 Half Year Results

Estia Health Ltd (ASX: EHE) ("Estia" or the "Group"), one of Australia's largest aged care providers, today reported a loss after tax of $5.3m for the half year ended 31 December 2020, reflecting the impact of COVID-19 and the ongoing funding and financing challenges of the residential aged care sector. Profit after tax and before impairment and the cost of settling the shareholder class action relating to 2015-2016 was $3.8m. Net RAD inflows in the period were $1.5m and Net Bank Debt was $86.0m at 31 December 2020.

Key points:

- $5.3m net loss after tax
- $3.8m profit after tax before impairment and shareholder class action settlement cost
- Direct incremental costs arising from the Group's intense COVID-19 response were $20.1m in the period
- $8.5m of Government Temporary Funding and grants were received in the period
- Group occupancy averaged 90.6% during the period, 93.5% in its 42 homes outside Victoria, and 85.1% across its 27 homes in Victoria, which were heavily impacted by COVID-19 restrictions
- Net RAD balances were sustained despite the occupancy fall with net inflows of $1.5m in the period
- $86.0m net bank debt and $240.0m available liquidity at period end
- Shareholder class action dating back to 2015-2016 settled at a net cost of $11.7m to the Group
- No Interim Dividend has been declared

Chief Executive Ian Thorley said "*The second wave COVID-19 outbreak in Victoria from July to October tested the sector in a way never previously experienced and we again thank our residents, their families and employees for their ongoing support during this difficult time.*

"Our absolute priority throughout the COVID-19 pandemic has been the health, safety and well-being of our residents and employees and we had no hesitation in committing whatever was required to that priority. Supported by strong governance, depth of management and our financial capacity, we committed more than $20 million in additional costs across our workforce, Infection Prevention and Control, PPE, cleaning, waste disposal, and staff and family welfare support

"The financial and operational strength of the Group, together with Government's additional funding and the geographic and demographic diversity of our homes, supported the Group's financial outcomes in the period, and with that our ability to provide for the needs of residents and employees. Our financial performance outside of Victoria has remained consistently sound and this has supported the additional investment, costs and lost revenues in Victoria."

"It is evident that the impact of COVID-19 on the entire Australian economy and community will continue to be experienced for the foreseeable future, at least until the benefits of the vaccine program are evident.

"The aged care sector, which cares for some of the most vulnerable members of the community, will need to continue to be on alert to COVID-19. As infections and clusters emerge in local communities it is likely that regular lockdowns, restrictions to visitor access and increased PPE usage will continue to be part of the normal operating mode of residential aged care homes for a significant time to come.

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"We are well prepared to respond to such outbreaks as a result of increased training, simulations and exercises, increased PPE inventory and the regular review of Infection Prevention and Control protocols and processes."

COVID-19

Total direct incremental staffing and non-staff costs associated with COVID-19 in the period were $20.1m, and estimated lost revenue from lower occupancy was approximately $5.8m. Government temporary funding and grant support in the period contributed $8.5m to partially offset these costs, and additional grant support of $7.3m has been applied for but has not yet been confirmed nor recognised in the period. These costs continue to decline in line with lower levels of community incidence of COVID-19 and the relaxation of State-based COVID-19 restrictions.

Chief Executive Ian Thorley said, *"The need to respond rapidly, frequently and for sustained periods to the threat posed by COVID-19 caused great disruption to the normal rhythm of our homes and the usual contact our residents would otherwise be having with family and friends. I thank our residents and families for their understanding during this very challenging and difficult time. I particularly wish to extend my condolences to the families whose loved ones died of COVID-19 related complications. The sadness that this brought to our residents, the families and all within Estia profoundly impacted us all."*

Occupancy

The impact of COVID-19 on occupancy has been largely limited to homes in Victoria:

- 42 Homes outside Victoria performed well with average occupancy of 93.5% during the period and spot occupancy at 19 February 2021 of 95.3%
- 27 Victorian homes experienced average H1 FY21 occupancy of 85.1% during the period, falling to 82.5% in mid-October. Victorian spot occupancy improved to 87.8% at 19 February 2021
- Group average occupancy was 90.6% during the period and has continued to improve, with spot occupancy at 19 February 2021 of 92.7 %

Shareholder Class Action

As previously announced, on 15 February 2021, the Company executed a binding deed of agreement fully and finally resolving the shareholder class action relating to market disclosures made between August 2015 and October 2016. The settlement, which is without admission of any liability, is subject to Federal Court approval and the Group will make a net contribution of $11.7m which has been recognised as an expense in the period.

Net Debt and Liquidity

Net bank debt at 31 December 2020 was $86.0m. The Group has total debt facilities of $330.0m with a maturity date of 15 November 2022, of which $221.0m was undrawn at 31 December 2020.

Net RAD balances were sustained at $836.1m despite occupancy falls, with a net inflow of $1.5m during a period in which no new homes were opened by the Group.

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New Homes

Estia Maroochydore, located in the competitive Sunshine Coast market, opened in August 2019 and reached 92.0% occupancy by December 2020. The home is currently at 100% occupancy with RAD balances of $14m which has been achieved without adversely impacting the nearby Estia Twin Waters home.

Estia Blakehurst (NSW) was completed in January 2021 and opened on 22 February 2021 with a good pipeline of residents pre-booked for admission over the coming weeks.

Royal Commission

Chief Executive Ian Thorley said "*The Royal Commission concluded its hearings in November. Estia gave evidence to the Funding and Financing Hearings in September and advanced our views on what we believe is required to achieve a sustainable financially viable sector capable of meeting the quality expectations of the community. Reform is essential for the sector to continue to attract capital, provide secure returns and deliver the highest quality care and services to residents.*

"We look forward to the Final Report of the Royal Commission, expected for release on 26th February. The sector is anticipating a whole of Government response to the Report as part of the May Budget."

Asset Sales

During the period, the Group completed the sale of two surplus land sites within NSW at Mona Vale and Wollongong, which resulted in a profit before tax of $8.2m

Dividends

There were no dividends paid in the period and on the basis of the financial results for the period the Directors have not declared an Interim Dividend for the 6 months ended 31 December 2020.

--- ENDS ---

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

Further inquiries:

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