

ASX Announcement

23 August 2022

Estia Health Full Year 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 a Net Loss After Tax of \$52.4 million for the period ended 30 June 2022, compared with a Net Profit After Tax of \$5.6 million for the year ended 30 June 2021. The result was impacted by a full-year bed licence amortisation charge of \$60.3 million before tax (2021: Nil) and COVID-19 related costs of \$42.3 million, net of associated grant recoveries.

- **EBITDA Mature homes: \$37.5m (2021: \$61.4m)**^{1,2}
- **COVID-19 costs impact: \$42.3 million of net unrecovered costs**
- **Net Loss after Tax: \$9.6 million before bed licence amortisation (NPATA¹)**
- **Net Loss after Tax: \$52.4 million, after bed licence amortisation (2021: Profit \$5.6 million)**
- **\$79.6 million Net Debt at 30 June 2022**³
- **FY22 Average Occupancy: 91.6% (H2 FY22: 90.6%, FY21: 91.2%)**
- **Occupancy recovery continues to 92.0% at 19 August 2022**
- **No final dividend declared**

Estia Health CEO Sean Bilton said, “The impact of COVID-19 continued to weigh heavily on the financial performance for the year, together with the bed licence amortisation charge (which we announced in the HY22 results) and the continued divergence of government funding increases and input cost inflation.

“While COVID-19 is now more manageable, it comes at a considerable cost not yet fully covered by funding or grants, which may further impact the financial sustainability of the sector.

“Total COVID-19 response and prevention costs exceeded \$50 million during the year. Significant delays in the processing of COVID-19 outbreak response cost claims resulted in only \$7.0 million of claims being processed and confirmed in the period.

“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 the challenging operating environment”.

Occupancy

Average occupancy was again heavily impacted by COVID-19 during FY 22 and continues to be below pre-COVID-19 levels, which typically exceeded 93.5%. Occupancy for the full year averaged 91.6%, a modest improvement compared to FY21. As of 19 August, Group occupancy had recovered to 92%, with occupancy outside of Victoria recovering to pre-pandemic levels of 94.7%.

¹ EBITDA and NPATA 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 (which excludes homes from the date of closure) 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

ASX Announcement

Workforce

Sean Bilton, CEO said, “The biggest challenge facing the sector is the shortage of workers. The commitment and loyalty of the aged care workforce has been exceptional during the last two years, notwithstanding the fact that rates of pay lag comparable sectors. The current Fair Work Commission work value case may provide a trigger for greater parity, making the sector more attractive to employees and facilitating the required growth and funding of the sector workforce.

“I would like to acknowledge the extraordinary commitment, dedication, passion and care shown by our employees at Estia Health. They care for our residents at a time of deepest need, they put others before themselves and over the last two years have been at the forefront in the battle against the pandemic. They bring to life our purpose of *‘enriching and celebrating lives together’*.”

Future of the Sector and the Reform Agenda

Since the Royal Commission was announced four years ago, the aged care sector has faced a period of extreme scrutiny and uncertainty, which has resulted in the underlying positive fundamentals of the sector being overshadowed and somewhat overlooked. While uncertainty remains, the finalisation of the reform agenda should create more confident decision making for the future. Many of the reforms will necessitate higher levels of governance, accountability and transparency, many of which the Group already meets.

Sean Bilton said, “The regulatory landscape is nearing a point where we should have a higher level of certainty for the first time in four years. The Group is well-placed to benefit from opportunities created by a more competitive and transparent sector, including:

- demographic trends which will increase the core 85+ cohort by 60% over the next decade;
- removal of the restrictive licensing regime;
- introduction of the Independent Health and Aged Care Pricing Authority is expected to facilitate pricing and subsidies that reflect the underlying cost of delivering services;
- historical investment in the clinical, quality, people, safety and governance frameworks;
- the quality and location of our portfolio; and
- the Group remaining well-capitalised with significant capacity for growth”.

Outlook

Uncertainties remain which may impact financial performance in the short to medium term until such time as the impact of the pandemic is lessened and the funding, pricing and mandated minimum care minute reforms are fully operational. In particular, there is no certainty over the level of financial returns which the Independent Hospital and Aged Care Pricing Authority and the Government may factor into future pricing and subsidies. The impact of continuing COVID-19 costs and the Government’s response to reimbursement of those costs will also be a key factor.

In the face of these uncertainties, the Group will deploy capital in a disciplined manner to take advantage of potential discrete growth opportunities with the objective of delivering the best care to our residents and value to shareholders for their investment.

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

ASX Announcement

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Investor and Analyst Teleconference Details

Estia Health's CEO and Managing Director Mr Sean Bilton and CFO Mr 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 (62 Freehold sites) in Victoria (25 homes), South Australia (17 homes), New South Wales (18 homes), and Queensland (8 homes). These homes have 6,163 operational places, with 91% in single rooms. 62 of the Group's homes, representing 5,806 resident places, qualify for and benefit from the significant refurbishment supplement paid in respect of supported residents. The Group employs in excess of 7,500 staff who care for more than 8,000 residents annually.