

Estia Health

2017 Annual General Meeting

14 November



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Norah Barlow, Chief Executive Officer and Managing Director

FY17 REVIEW OUTCOMES

Leadership Renewal

- Board renewal completed, new KMP and executive team established
- Home Leadership Development/Emerging Leader Programmes

Operational Overhaul

- Re-aligned management with regional areas of responsibilities
- Reviewed rostering and staffing structures to ensure best practice, quality care at acceptable cost metrics
- Reviewed allied health contracts
- Appointed Head of Hospitality
- Completed comprehensive procurement review, covering non-wage cost suppliers, and inventory management
- Financial & operational reporting, benchmarking, analytics, KPI reporting replaced
- Further improvements to be implemented

Development Opportunities

- Reset growth strategy to focus on high-quality assets within portfolio, and growth-generating development opportunities



DELIVERED ON OUR TARGETS

Outlook Provided	Outcome Achieved
Guidance for FY17 EBITDA of \$86.0m – \$90.0m reconfirmed	\$86.5m
Occupancy expected to rise from 93.0% in H1 to 93.9% in H2 and full year average of 93.4%	94.0% in H2 and 93.5% full year average
Reduction in ACFI rates from Government funding changes effective 1 Jan 2017 to be offset by higher revenue from additional services and improved occupancy rates in low-performing homes	Less than \$0.40 POBD fall in total revenue in H2, and Q4 Rate improved above H1 by \$0.90 POBD
Staff costs expected to be maintained at ~64% of revenue	Full Year Staff Costs 64.7% of revenue
Operating costs reductions expected to deliver ongoing savings	Non-Wage Costs (excluding facility rental costs) reduced by \$4.30 POBD from H1 to \$44.20 POBD in H2 (17.0% of revenue)
Estia's future dividend policy will be to pay at least 70% of net profit after tax for the period to which the dividend relates ¹	Fully franked final dividend of 8 cents per share declared representing a distribution of 100% of H2 NPAT.
Projected gearing ratio at 30 June 2017 at lower end of target maximum gearing range of 1.5x - 1.8x EBITDA	Net debt reduced to \$102.3m; gearing ratio 1.2x EBITDA

1. The payment of a dividend is at the discretion of the Directors and the level of dividend payout ratio may vary depending on a range of factors including general business and financial conditions; Estia's cash flows including consideration of net RAD cash flows; capital expenditure and working capital requirements; potential acquisition opportunities; taxation requirements; and other factors that the Directors consider relevant.

FY17 FULL YEAR FINANCIAL OVERVIEW

\$524.6m
OPERATING REVENUE
Up 18% on FY16

\$86.5m
EBITDA¹
In line with guidance

\$40.7m
NPAT²
Up 47% on FY16

\$98.1m
OPERATIONAL CASHFLOW³
EBITDA Conversion of 113%

\$102.3m
NET DEBT
Gearing Ratio 1.2x EBITDA

18.2 cents
EARNINGS PER SHARE
Up 21% on FY16

- EBITDA¹ of \$86.5m has been achieved in line with guidance. This is after incurring one off-costs, and excludes profit from asset disposals
- NPAT² of \$40.7m has been achieved for the year, ahead of FY16 by 47%,
- Net RAD receipts were \$80.1m in FY17, \$41.4m in H2



1. A reconciliation of operating profit to EBITDA is presented in Appendix D. EBITDA is stated inclusive of non-recurring costs and costs associated with restructuring of approximately \$3.5m and excludes net profits from asset disposals of \$1.0m.
2. NPAT includes the post-tax impact of asset disposals.
3. Operational cash flow before interest, income tax and RADs.

SIGNIFICANT CAPITAL INVESTMENT

\$54.8M Capital Investment in FY17

- \$28.4m of **capacity expansion** at greenfield sites of Twin Waters and Kogarah to drive incremental earnings from FY19
- \$4.9m of **significant refurbishments** covering 5 homes (541 beds) has been incurred and are expected to be eligible for the significant refurbishment supplement, once approved, in FY18
- \$6.5m of **land purchase** at Sunshine Cove (QLD) for future greenfield site
- \$15.0m for **maintenance capex and facility enhancement** to drive performance improvement in the portfolio



Pictures/images: Twin Waters

DEVELOPMENT UPDATE

- **Final Investment Decision** on Southport (QLD), Maroochydore (QLD), and Blakehurst (NSW), commencing in FY18
- Southport and Maroochydore to bring total homes in **fast-growing QLD market** to eight.
- Outdated Blakehurst home to be replaced with **modern, larger facility**. Residents to relocate to new Kogarah home (expected to open in March) in interim.
- Three developments to increase overall portfolio by 301 beds, expected to come online late FY19, **adding to EBITDA from FY20**.



Estia Health Kogarah



Estia Health Blakehurst

ENSURING QUALITY CARE

- Delivering highest standard of care drives every decision from Board through to home
- Right policies and procedures, access to new technology are critical, but above all, need quality staff
- Currently no mechanism to identify care workers with prior history of misconduct
- **Register** would identify workers with prior history, ensure they are not re-employed
- National approach required in co-operation with industry, governments, regulators, backed by legislation
- **Momentum for change is building** - *Legislated Review of Aged Care*, by David Tune AO; *Review of National Aged Care Quality Regulatory Processes* by Kate Carnell AO/Professor Ron Paterson ONZM



GENDER DIVERSITY

Gender Is No Barrier

- Attracting, retaining quality people integral to success
- Estia workplace is inclusive, embraces and promotes diversity
- Gender not a barrier to participation at any level
- Estia has more women at executive level than any other ASX200 company
- Important to encourage men in female-dominated environment



OUTLOOK



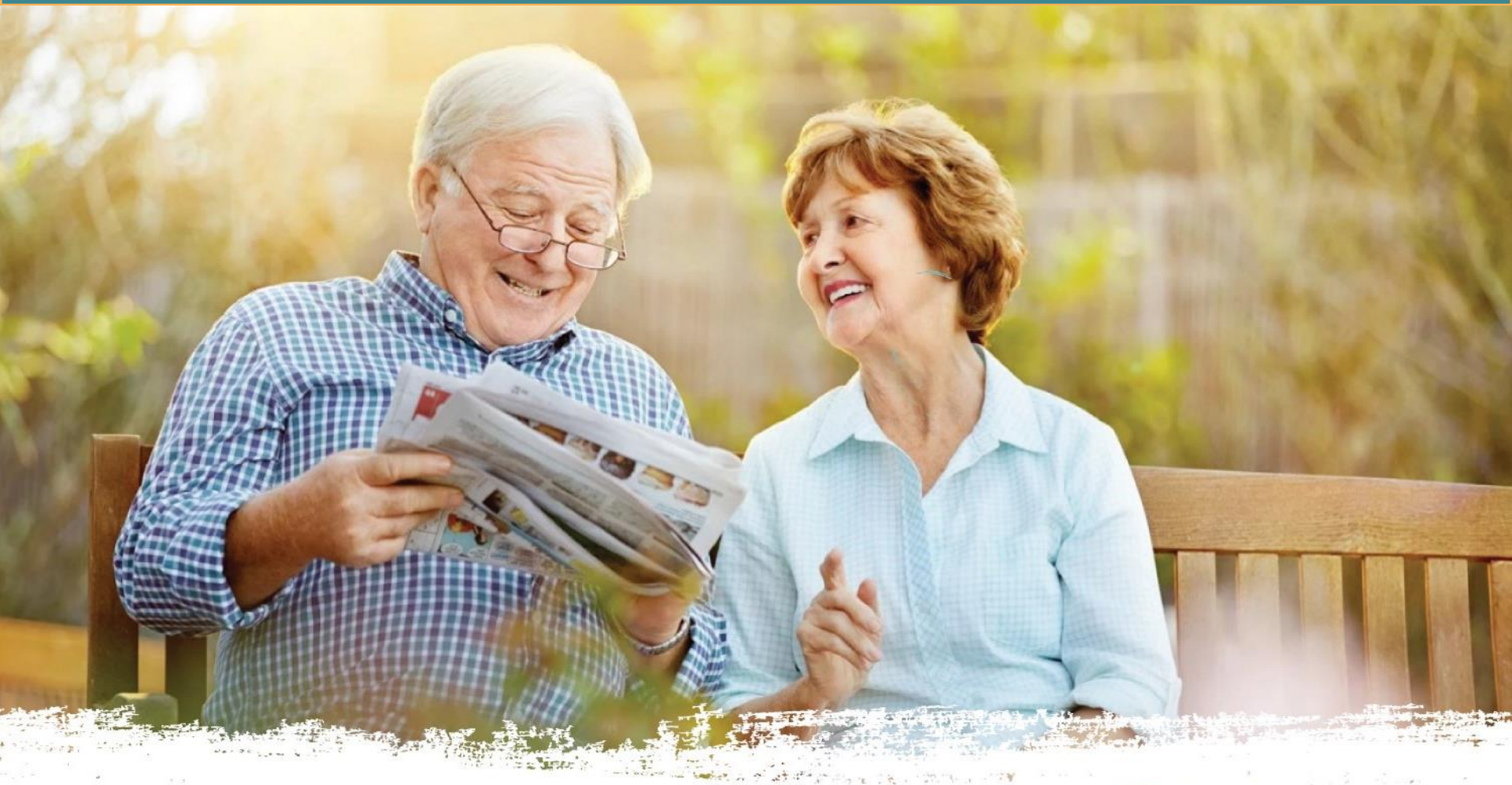
Strong fundamentals

- Sector supported by robust demographics
- Number of people requiring care forecast to grow significantly
- People living longer

EBITDA outlook

- Business is tracking well
- Estia maintains outlook for mid-single digit percentage growth in EBITDA in FY18, subject to no material changes in market or regulatory conditions.

Questions



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Thank you for attending

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