

06 November 2019

Chair and CEO Addresses to the 2019 Estia Health Limited Annual General Meeting

The Chair and CEO's addresses to the Estia Health Limited Annual General Meeting on 06 November 2019 are attached, as required under Listing Rule 3.13.3.

-ENDS-

Further Enquiries

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Estia Health Annual General Meeting – 1.00pm, Wednesday 6 November 2019

CHAIRMAN'S ADDRESS – Dr Gary Weiss

Good afternoon everyone my name is Gary Weiss and it is my pleasure as Chairman of Estia Health Limited to welcome you to the Annual General Meeting.

It is now just past 1.00pm, the nominated time for the meeting and I have been informed that a quorum is present. I note that the meeting has been validly constituted and I declare the meeting open.

I would like to introduce our Board.

- Ian Thorley, Chief Executive Officer and Managing Director
- Norah Barlow, Non-independent, Non-executive Director
- Paul Foster, Independent, Non-executive Director and Chair of the Nomination and Remuneration Committee
- Helen Kurincic, Independent, Non-executive Director and Chair of the Risk Management Committee
- The Honourable Warwick L. Smith, Independent, Non-executive Director and Chair of the Property and Investment Committee
- Karen Penrose, Independent Non-executive Director and Chair of the Audit Committee

And here today we also have Leanne Ralph, our Company Secretary.

In the front row are some of the Executive team.

- Sean Bilton, Chief Operating Officer
- Steve Lemlin, Chief Financial Officer
- Mark Brandon, Chief Policy and Regulatory Officer
- Fiona Caldwell, Chief Information Officer
- Damian Hiser, Chief Customer Officer
- Leanne Laidler, Chief Quality and Risk Officer
- Rita Sheridan, General Manager Development and Property

Estia's sound results for the 2019 financial year reflect our dual strategic priorities to continually improve the quality of care and amenity for our residents, while sustainably growing bed numbers through measured, well-executed investment in new homes and redevelopment of existing homes across our portfolio.

The operating environment was difficult in the 2019 financial year and has continued to be challenging with the current level of funding, increased staffing and compliance costs and uncertainty about future reforms. Estia's disciplined management throughout the 2019 financial year produced a 7.1 per cent increase in total revenue to \$586 million, a 4.3 per cent increase in EBITDA to \$94 million and a net profit of \$41.3 million which was in line with last year.

We maintained a fully franked full year dividend of 15.8 cents per share.

Our balance sheet remains strong, underpinned by \$201 million in undrawn bank facilities at 30 June 2019, providing Estia with capacity to grow as well as flexibility to manage capital inflows and outflows which arise from short-term movements in Refundable Accommodation Deposits.

In the past year, we invested \$93.8 million in expanding and redeveloping our portfolio, our highest level of capital investment since listing on the ASX in 2014.

We delivered two new homes, retired one home which we felt did not meet the emerging community expectations of its amenity, and completed \$35 million of refurbishment projects bringing total operational places in our portfolio to 6,180 as at the end of October 2019.

Last year, I spoke about our commitment to continually strengthening our clinical governance systems to ensure the highest level of care is consistently delivered to our residents. There remains no greater priority for Estia than the highest quality care standards, safety and wellbeing of our residents and employees.

Our governance framework ensures our clinical audit and risk functions report directly to the CEO. The Board Risk Committee oversees and monitors clinical performance to ensure continuous improvement in how we deliver care.

The Board has an active program of visiting homes, meeting directly with residents and employees to see for themselves how our homes are operating and assessing our culture.

Last Thursday, the Royal Commission into Aged Care Quality and Safety released its Interim Report. Over the last nine months we have heard confronting evidence about the treatment of many older Australians in the aged care system. It is impossible not to be moved to sadness by the stories and experiences impacting some of our most vulnerable people and their families.

Estia strongly supports the call by the Royal Commission for reform and redesign of the aged care system.

We support rigorous prudential and governance oversight systems to ensure protections for residents and their families and transparency on how aged care providers apply Government funding. This includes the provision of detailed, audited and publicly available financial statements for all providers of aged care services.

We also advocate for transparency in the disclosure of information by all providers that is used by consumers to compare aged care services, noting that this comparison should be based on a suite of information, including information about staffing and quality outcomes.

The Aged Care Financing Authority has also called for significant structural reform in the way aged care is funded. The objective is to achieve stable, predictable and equitable arrangements for allocating appropriate funding for the sector, including greater contribution

by consumers according to capacity to pay. We support the Aged Care Financing Authority's approach.

We understand that people want to stay at home for as long as possible and when entering residential aged care have a preference to remain in their community. That is where Estia can play an important role.

Our aim is to be the provider of choice to deliver care for older Australians in the communities in which they live and in which we operate. We strive to ensure that each of our homes and the services they offer, reflect the local community and the preferences of the residents.

As one of Australia's largest residential aged care providers, we understand the vital role we play in meeting the growing need for the community to have access to affordable, quality residential aged care as our population over 85 almost doubles in the next 20 years.

We await the post Royal Commission environment and the prospect of regulatory certainty. Estia is a well-governed, quality-focused operator with both scale and capital. We have the ability to respond to regulatory changes and will continue to invest in our people, portfolio and services and to grow capacity through developments and acquisitions.

Estia's disciplined approach to improving and expanding our portfolio ensures your Company is on a solid and sustainable path for future growth. This approach is critical in ensuring that we and other providers meet the needs of our older, often very vulnerable, members of our community and continue to deliver quality care for our residents.

We have announced plans for three new projects:

1. Extension of our home in Burton, South Australia to include 24 beds;
2. Construction of a new home in Maitland, New South Wales of up to 120 beds; and
3. Development of a home of up to 120 beds at the newly acquired site in Mount Barker in South Australia, utilising the licences acquired through the Aged Care Approvals Round this year.

In addition to the three projects in the planning stage :

- We have completed demolition at Crown Street in Wollongong, New South Wales and submitted the Development Application;
- We have commenced the construction of our home at Blakehurst in Sydney; and
- We expect to begin construction of a home at St Ives in Sydney in February 2020 which on completion will provide allied health services for the local community as well as our residents. This new service model extends our reach into the community.

In total, planned projects will deliver approximately 600 new beds over the next three to four years.

We are also continuing to improve the amenity of our homes through the Significant Refurbishment program. This investment enhances the attractiveness of our homes by

ensuring they have a contemporary feel. 42 of our 69 homes now qualify for the Higher Accommodation Supplement.

We are committed to the safety and security of our residents and employees and have begun implementing the upgrade of CCTV across all homes, which will be completed by the end of 2020.

Estia takes seriously its obligation to sustainability. We are well advanced in developing our broader sustainability program. During the year we completed a formal Materiality Assessment of Environmental, Social and Governance related issues, asking more than 2,000 external and internal stakeholders what they believe are priority sustainability areas for Estia. We are working through the results of this assessment to formulate our first Sustainability Strategy during this financial year.

We have continued our efforts in actively managing our environmental impact. By the end of 2019 we will have further reduced our energy consumption, representing an annual cost saving of approximately \$659,000.

We are also pleased to report that our merit-based appointment policy and practice places Estia as one of the most diverse employers listed on the ASX. We are the highest ranked gender balanced ASX200 Company for the second consecutive year, as reported in the CEW Senior Executives Survey 2019.

Before I ask Ian to address you, I would like to thank my fellow Directors, our Executive team and all the 7,500 dedicated and passionate members of the Estia team who deliver exceptional care to our residents, every day.

I would finally like to thank you, our shareholders, for your ongoing support and belief in Estia's mission to deliver person-centred services and high quality clinical care for each of our 8,000 residents annually.

CEO'S ADDRESS – Ian Thorley

Thank you Gary and good afternoon everyone.

There is no doubt that this has been one of the most challenging periods for the aged care sector.

Within this environment, our focus has been on continuously improving what we do, to support our employees and improve our homes and our systems to enhance quality of care and amenity for residents, while continuing to create value for our stakeholders.

I want to reinforce Gary's points on the Aged Care Royal Commission. We cannot be complacent and we are continually seeking ways to improve our services.

Entering residential aged care is an incredibly personal, complex and stressful decision. People worry about having to change their lifestyle and about losing varying levels of independence. Elderly Australians have a right to feel they are in a safe, supportive and respectful environment that allows them to remain connected and involved with their family and their community.

The framework and policy settings for Australia's aged care system need to change. This is becoming increasingly evident through the Royal Commission hearings and the declining financial performance of the sector. We strongly support reforms to ensure a sustainable aged care system that includes funding that is flexible and adaptable to meet Australia's changing demographics and aged care needs and promotes confidence and trust in the broader system.

While we have replied to the detailed and substantial request for information from the Royal Commission, to date Estia has not been requested to appear. However, we have made submissions during the aged care sector reform consultation process putting forward our views on the sustainability of the sector, including reform of Aged Care Approval Rounds.

We support aged care that gives the community a choice of how this care is delivered. Residential aged care will continue to have an essential role in looking after residents with increasingly complex needs and by also addressing social isolation through engagement in a community setting.

Estia undertook substantial work to be prepared for the introduction of the new Aged Care Quality Standards on 1 July 2019. We increased investment in quality management and resident care systems including employee education, technology development, customer engagement and service.

Estia currently has six of our 69 homes with unmet outcomes. All Estia homes remain fully accredited.

We strive to continuously improve how we care for our residents. This is central to what we do.

We are carefully studying the Royal Commission's Interim Report to learn what we could be doing better.

Given the growing demand for aged care, the recruitment, training and retention of qualified and caring employees is critical to the sustainability of the sector and to the care and wellbeing of elderly Australians.

We are committed to growing a permanent workforce to support the professional and social aspirations of our employees. We prioritise retention of our people and are committed to making employment with Estia a rewarding choice.

We have had a Registered Nurse led, acuity-based staffing model for many years. Registered Nurses are rostered 24 hours a day, seven days a week in all homes.

Building the aged care workforce of the future is a challenge facing the sector. As part of my role on the Aged Care Industry Workforce Council, I am looking forward to progressing the 14 strategic actions of Australia's Aged Care Workforce Strategy (A Matter of Care), developed by the Aged Care Workforce Strategy Taskforce in 2018.

Engaged and committed employees who see the importance and purpose of what they do is fundamental to delivering high quality care for our residents.

We have just completed our bi-annual staff survey which is independently conducted by a leading social research organisation, with over 5,000 employees responding to the survey.

We are increasing investment in training and development at all levels of the Company so that our people continue to enhance their skills to meet evolving community expectations of quality of care. Foremost are our clinical training activities to support our nursing and care employees.

Our Emerging Leaders' Program and other management development programs are designed to provide our talented people with opportunities to develop core leadership and executive skills, in addition to their professional skills. The programs boost talent retention and ensure that we have a pool of leaders that are management ready to support Estia's growth.

We also hold leadership development programs for our home based managers to better equip them to meet the changing quality standards but also provide skills in better managing relationships with staff, relatives and our residents to ensure that we are meeting their needs and addressing services complaints in a way that is seen as an opportunity to improve service standards.

Almost 5,000, or two-thirds of our people, completed professional development programs during the 2019 financial year. Our employee turnover rate is steady and our Lost Time to Injury Frequency Rate further fell to 7.6.

Against a backdrop of strong competition, increasing regulation and growing demand we are further refining our strategic approach to occupancy. We aim to be the provider of choice in the communities in which we operate as opposed to a one-size-fits all approach. We are increasing engagement with local referrer networks and tailoring the services offered in each of our homes to meet the preferences of the local community.

This focus has seen us deliver average occupancy of 93.6% during the 2019 financial year, compared to the sector average of 90.3% as reported by the Aged Care Financing Authority.

Further, the success of this approach is demonstrated by the occupancy rates of our two new homes. Within five months of opening, our 110-bed home in Southport, Queensland is 70 per cent occupied and is expected to reach break-even ahead of schedule. In August we opened a 126-bed home at Maroochydore on the Sunshine Coast. This was over 30 per cent occupied within two months, as expected.

As previously advised, we closed our home in Mona Vale in May. After detailed review we have decided that the best option for the Mona Vale site is to sell the property and transfer the licences to our new St Ives home, which is under development. We have entered into unconditional contractual arrangements to sell this site for \$11 million. This will yield an estimated profit before tax of \$7 million, which will be additional to existing earnings guidance.

We have continued strengthening our clinical governance systems to ensure the highest level of care is consistently delivered to our residents, a focus on supporting employees and a disciplined approach to managing costs; as well as measured, well-executed growth through refurbishment and expansion.

The guiding principle in everything we do is to provide choices that resonate with residents and families, giving them access to simple, straightforward information, and offering options and programs that allow residents to remain connected with their families and communities.

We have leadership depth, sector experience, sound operational metrics and a solid balance sheet with resources to meet post Royal Commission reform and explore growth opportunities that align with our well-defined strategic direction.

Thank you again to our dedicated and hard-working Estia team for the work you do every day to care for and support our residents and their families. This has been a really hard time to work in the aged care sector however be proud of the important role you play in enriching the lives of older Australians.

I would also like to thank our residents and their families who choose to trust us at an important time in their lives.

Thank you to the Board for your commitment and guidance through the year and to you our shareholders for your ongoing support of Estia Health.

I'd now like to hand back to Gary to conduct the formal business of the meeting.