

Morgan Stanley  
2019 Australian Emerging  
Companies Conference  
13 June 2019

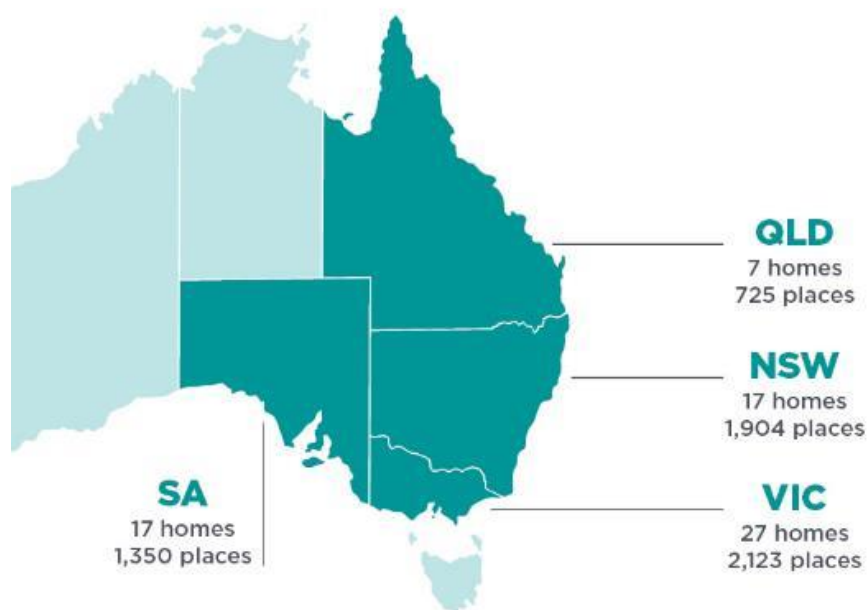
# Delivering trusted residential aged care



# Portfolio overview

## Key Portfolio Statistics

Number of homes	
Metro	52
Regional	16
Total number of operational homes	68
Freehold sites	61
Total operational places <sup>1</sup>	6,102
Number of single rooms	4,967
Single rooms as percentage of total rooms	91%
Average number of places per home	90
Number of homes receiving significant refurbishment supplement	28



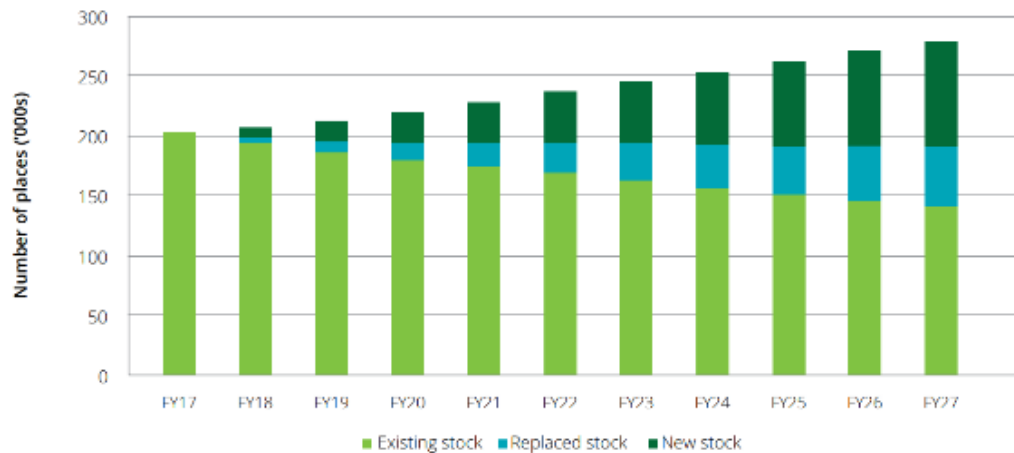
<sup>1</sup>: Comprises the 5,992 operational places as previously reported on 24 May 2019 adjusted for the 110 new operational places resulting from the Southport opening.

# Sector overview – residential aged care

- 886 providers operating ~2,700 homes, with ~200,000 places.
- ~500 single home operators.
- Private sector operates all but 95 Government-run homes.
- ACFA estimates an additional ~88,000 places need to be built in next decade.
- New builds, together with replacement of obsolete stock, requires a capital investment of ~\$54 billion.
- RAD funding has been vital to construction ~\$24.8 billion in RAD pool.
- Government residential aged care funding \$11.9 billion p.a. ~72% of sector funding.
- Home care – significant growth due to policy settings.



Number of operational residential aged care places required in the next decade



Aged Care Financing Authority | Annual Report on the Funding and Financing of the Aged Care Sector - 2018

# Reform agenda

The aged care sector continues to have strong underlying thematics, which need to be supported by a strong and consistent policy environment.

Estia Health is supportive of further reform and implementation of key recommendations from multiple recent reviews in the sector which can deliver a sustainable, high quality aged care sector which meets the community expectations of care and for which consumers are prepared to pay.

- Introduce a scheme to register all aged care workers which also assesses a persons suitability to work in aged care.
- Implement “A Matter of Care” Aged Care Workforce Strategy (Pollaers).
- Implement recommendations from the Tune Review for uncapping of the daily care fee.
- Increased consumer contribution by consumers who can afford to pay.
- Uncapping bed supply would drive capital investment, resulting in increased local market competition.
- Strengthen the prudential arrangements to protect RADs and ensure financial viability of providers.



# Royal Commission update

- Scope is whole of aged care sector.
- Hearings have considered sector wide and individual provider performance, care models, areas of resident risk, and sustainability in both residential and home care settings.
- Case studies (good and bad) have created learning opportunities for providers to undertake change.
- ACQSC (Quality Commission) compliance activities have reflected issues identified in Royal Commission hearings.
- Expect recommendations for structural change and a continued reform agenda from Government.
- Royal Commission process will test proposals for evidence.<sup>1,2</sup>

<sup>1</sup> [https://agedcare.health.gov.au/sites/default/files/documents/05\\_2019/acfa\\_submission\\_to\\_royal\\_commission\\_-\\_april\\_2019.pdf](https://agedcare.health.gov.au/sites/default/files/documents/05_2019/acfa_submission_to_royal_commission_-_april_2019.pdf)

<sup>2</sup> <https://www.ansellstrategic.com.au/royal-commission-submission-fixed-staffing-ratios-in-residential-aged-care/>

# The aged care sector – investment opportunities

The future presents an opportunity for a high performing, clinically safe and financially sustainable sector with increased investor confidence to meet the growing demand for aged care services.

## Opportunities:

1. **Regulatory risk removed:** regulatory certainty.
2. **Productivity Improvements:** large well-capitalised providers will have the scale to invest in technology to improve care levels and raise productivity.
3. **Growth via development:** large well-capitalised providers can secure funding to generate growth from new homes.
4. **Growth via acquisition/consolidation:** reducing the fragmented nature of a large part of the sector.



# Drivers of success



**Quality care**



**Resident experience**



**People and culture**

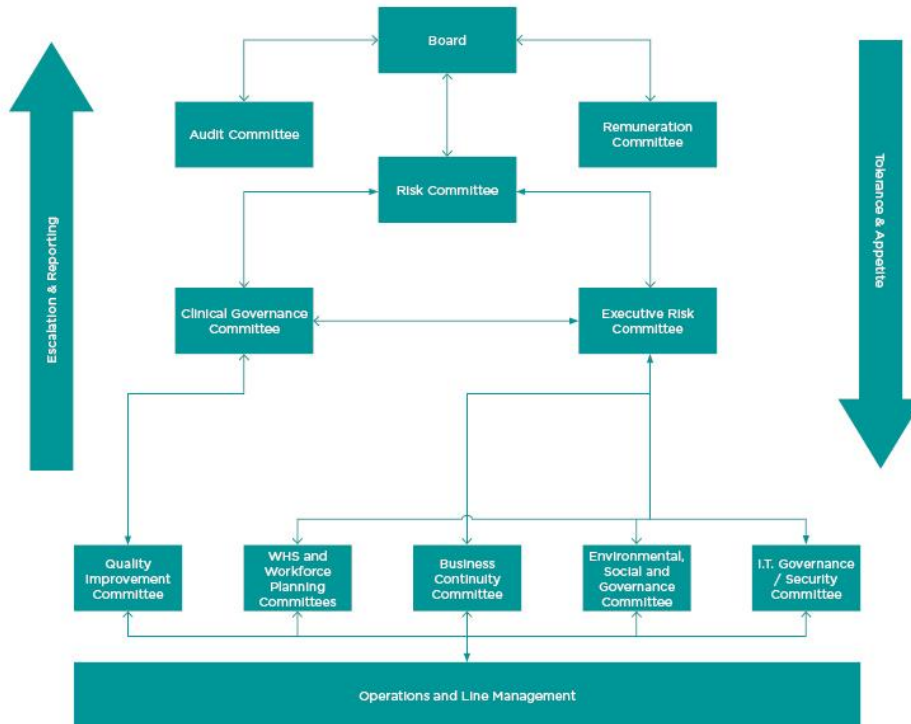


**Leadership**



**Environmental, Social  
and Governance**

# Governance – underpinning quality of care



## Systems and processes

- Uniform clinical standards.
- Clinical indicator benchmarking – identifies potential risk.
- Centralised tracking and monitoring of feedback, complaints and resolutions.
- Independent whistle-blower hotline for staff, residents and families.

## Governance

- Clinical risk monitored by Board Risk Committee.
- Clinical Governance Committee and Executive Risk Committee.
- Independent external review strengthens governance.

## Staffing structures and skills development

- Investment in developing the skills of nurses and carers.
- Registered Nurses rostered 24/7 in all homes.

# Resident experience and satisfaction

- Resident and family satisfaction with their experience in our homes is central to our customer value proposition.
- Our systems ensure hospitality and lifestyle programs are customer focused and tailored to support individual resident choice and preferences.
- Investment in training and development of key leadership roles at our homes supports improvements in customer experience.
- Customer satisfaction is monitored through Consumer Experience Reports from the Aged Care Quality and Safety Commission, and the introduction of regular customer 'pulse' surveys at Estia in 2019.



# People and culture



## Growth in our culture

Ensuring that high quality resident-centred care outcomes are the key focus in defining our behavioural framework.

Utilising our vision, code and principles to ensure shared values and a strong common culture.



## Attracting and retaining our talent

Creating opportunities around our capability framework – ensuring we have individuals placed in the right roles with the requisite skills to succeed.

Continuing to strengthen our local brand at a community level – enabling Estia to attract and retain the best talent to deliver our high standards of quality care.



## Strengthening our workforce

Enabling “growth ready” teams whose capabilities are aligned with our framework through tailored clinical and leadership development at every level.

Evolving our training programs to improve the capability, skills and knowledge of each of our employees. Promote opportunity focused career models to retain Estia's workforce throughout their careers.



## Prevention and learning mindset

Reinforce our WHS mission of ‘zero tolerance for preventable injuries’.

Grow our culture of safety awareness and hazard prevention, ensuring every employee knows their role in maintaining a safe work place for all.



# Developing our leaders

**Estia Health recognises the importance of workforce leadership at all levels of the organisation – we have created a variety of programs ranging from operational leadership through to frontline development, giving employees the skills they need to grow their career in aged care.**

Estia also sits on the Aged Care Workforce Council to help drive the sector response to the challenge of providing a skilled and capable aged care workforce for the future.

Estia leadership programs include:

## **Home Executive Director Leadership Program**

- Grows and enables our leaders to create high performing teams in their homes.

## **Clinical Director Program**

- Grows and enables our Clinical Director's to lead clinical practice in our homes and inspire their teams to bring about the best levels of resident centric care.

## **Emerging Leader Program**

- Supports leadership growth and effectiveness in our high potential future leaders.

## **Transition to Aged Care Program**

- This program seeks to prepare Registered Nurses who are new to our industry for success in our homes.

Frontline employee development through a competency based framework for all roles, developed in partnership with Korn Ferry.



# Environmental, Social and Governance (ESG)

Our ESG Committee oversees programs to deliver progress against benchmarked best practice in a range of areas.

## Social

- Gender Diversity: CEW highest ranked gender balanced ASX200 company for the 2<sup>nd</sup> year in a row.<sup>1</sup>
- Safe workplace initiatives continue to improve LTIFR to 7.5.
- Employee Assistance Programs available 24/7 now accessible by residents, families and employees.
- Employee engagement score 68%<sup>2</sup> (classifies and a 'Culture of Success').
- Employee turnover 20%.
- 78% of staff are employed under endorsed EBAs.
- Nil political donations.

## Environmental

- Solar and LED projects completed at 29 homes with resultant reductions in emissions, usage and cost achieved.
- Next tranche of energy efficiency and sustainability projects at 28 more homes commenced in 2HFY19.
- Waste management audit completed with volumes reduced and benchmarking in place at all homes.

## Governance

- Board Risk Committee has updated the organisation risk management framework and risk profiling.
- Learnings from the Royal Commission and Quality of Care project for new Aged Care Standards have strengthened systems required for quality care delivery.
- Continued strengthening of Estia's security and privacy systems and processes.

**This year Estia has conducted an ESG baseline materiality assessment with key stakeholders to inform the continued development of Estia's ESG strategy.**

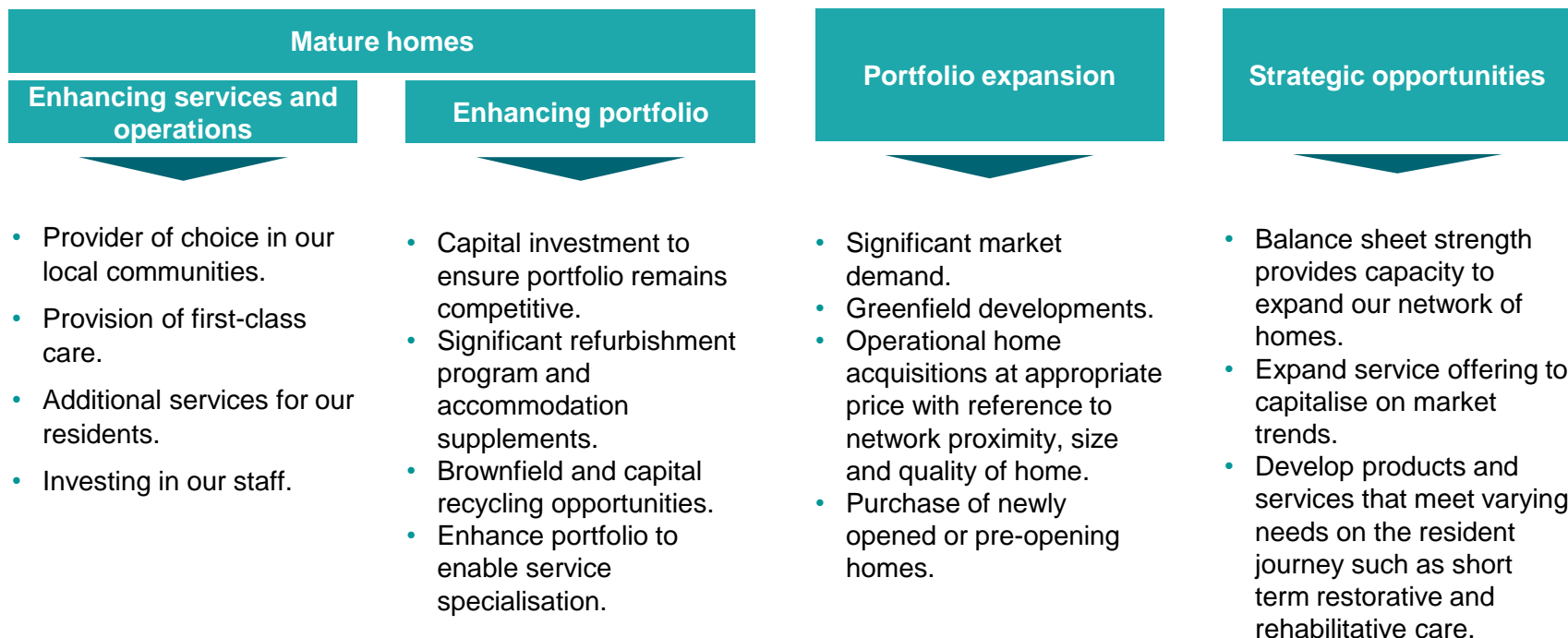


Executive Director and  
Care Director, Estia Leopold

1. CEW Senior Executives Survey 2019  
2. BPA Survey Aug 2017

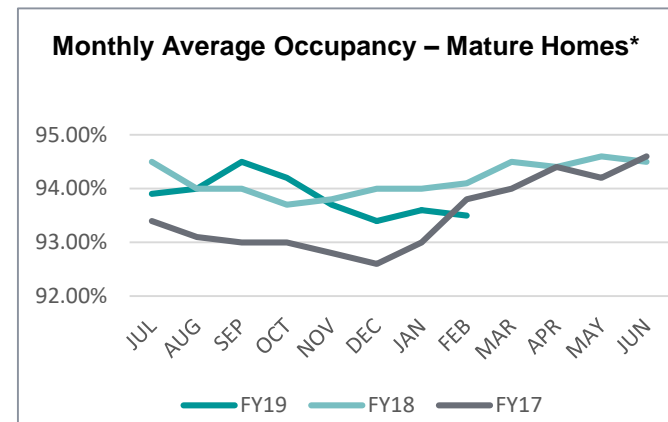
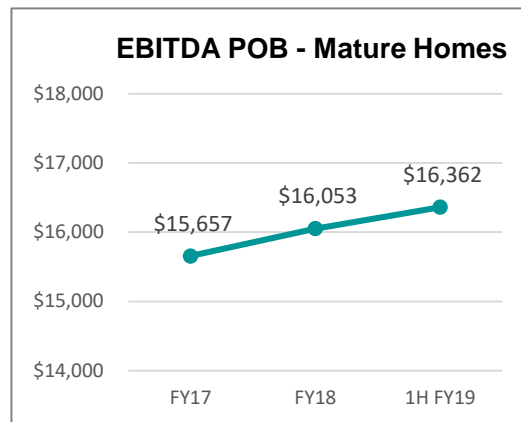
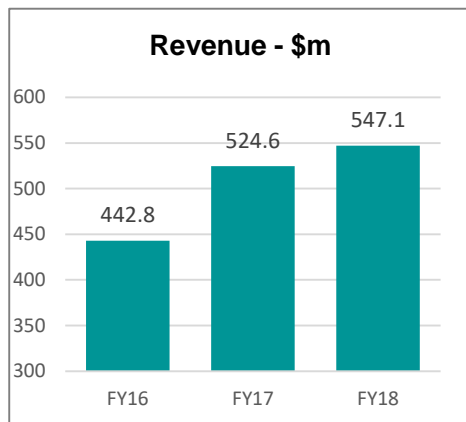
# Growth overview

Delivering solid and sustainable growth to create value for our shareholders



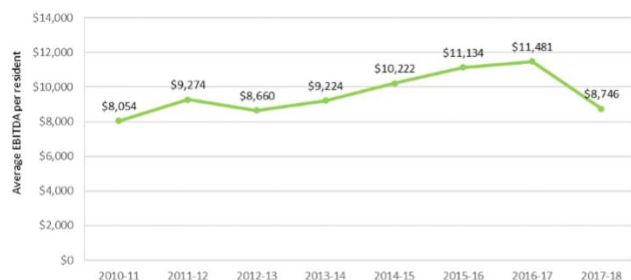
Estia's growth, redevelopment and refurbishment strategy increases capacity and improves asset quality.

# Continued growth and performance



Source: Estia Health Ltd 1H FY19 Results Presentation

**Residential care providers average EBITDA per resident per annum 2010 - 2018**



Source: ACFA Submission to the Royal Commission into Aged Care Quality and Safety



Estia Twin Waters, QLD

# Enhancing the portfolio

## Significant refurbishments programme

- Program rolled out since 2017 has prioritised investment on the needs of each home and investment returns.
- Refurbishments deliver:
  - enhanced experience for all residents.
  - improved asset quality / extended asset lifecycle.
  - incremental earnings from the higher accommodation supplement.
  - potential for higher priced RAD/DAP.
- A total of 42 homes with 4,097 beds are expected to qualify for the Higher Accommodation Supplement by 31 December 2019.
- A further 13 homes with an additional 1,269 beds are being scheduled for refurbishment during 2020.
- The remaining homes within the portfolio are being assessed for potential brownfield or refurbishment program.

## Redevelopment strategy – Capital recycling opportunities

Planning commenced to redevelop the recently closed Mona Vale location to create a new and contemporary home.



# Portfolio expansion

## Twin Waters opened September 2017



Opened September 2017 with 114 single rooms and a dedicated 18 bed memory support unit.

Capital investment- \$26.4m.

Occupancy in excess of 95% achieved within 12 months.

Top Quartile financial performance.

Average incoming RADs of circa \$520,000 with a RAD pool of \$14.5 million.

## Kogarah opened March 2018



Opened March 2018 with 72 single rooms and a dedicated 11 bed memory support unit.

Redevelopment CAPEX - \$18.8m.

Occupancy in excess of 95% achieved within 3 months after transfer of residents from Blakehurst.

Top Quartile financial performance.

Average incoming RADs of circa \$595,000 with a RAD pool of \$13.5 million.

## Southport opened 27 May 2019



Opened on 27 May 2019 after the decision to close and redevelop the former 1970's built home.

Opened 110 single rooms and contemporary resident services.

18 residents admitted in initial 3 weeks.

## Maroochydore opening August 2019



Scheduled to open in August 2019.

126 single rooms, café, hairdresser and contemporary resident services.

# Future portfolio growth

Development	Total New Places	Net Additional Places	Land Held	Development Approval	Licenses Secured	Status	Expected Opening
Complete							
Twin Waters, QLD	114	114	✓	✓	✓	Open	Sep 2017
Kogarah, NSW	72	22	✓	✓	✓	Open	Mar 2018
Southport, QLD	110	110	✓	✓	✓	Open	May 2019
Underway							
Maroochydore, QLD	126	126	✓	✓	✓	Under Development	Aug 2019
Blakehurst, NSW	108	108	✓	✓	✓	Under Development	1HFY21
St Ives, NSW	118	118	✓	✓	X	Under Development	2HFY21
Wollongong, NSW	115	115	✓	X	X	Advanced Planning	1HFY22
Aldgate, SA	96	96	X	X	✓	Advanced Planning	FY23
Burton, SA (extension)	28	28	✓	X	✓	Advanced Planning	FY22

# Beyond

## Sector

- Robust future demand, driven by projected demographics.
- Residential aged care is needs based.
- Will remain key to government policy.
- People will always be core to the sector, but technology can improve productivity and support delivery of quality care.
- Regulatory change, such as enhanced prudential standards will increase the quality of industry structure & participants.
- 'User pay' can be expected to increase.
- The Royal Commission presents an opportunity to create a strong and sustainable aged care sector.

## Estia Health

- Leadership depth.
- Financial resources to continue to invest in people, systems and property.
- Continue to commit resources to the delivery of high quality, resident-focused care.
- Sound operational and financial performance.
- Solid balance sheet with good liquidity.
- Opportunities to increase revenue through adding capacity, further significant refurbishment to existing homes, and increased additional service offerings.

**Estia, as a well-governed, quality-focused operator with both scale and capital, has the ability to respond to regulatory change in a post-Royal Commission world, to invest in its people, portfolio and services, and to grow capacity through development and acquisitions.**

# Disclaimer

## Reliance on third party information

This presentation may contain information that has been derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. No responsibility, warranty or liability is accepted by the Company, its officers, employees, agents or contractors for any errors, misstatements in or omissions from this Presentation.

## Presentation is a summary only

This Presentation is information in a summary form only and does not purport to be complete. It should be read in conjunction with the Company's Condensed Consolidated Interim Financial Report for the half- year ended 31 December 2018 and Consolidated Financial Report for the year ended 30 June 2018.

Any information or opinions expressed in this Presentation are subject to change without notice and the Company is not under any obligation to update or keep current the information contained within this Presentation.

## Not investment advice

This Presentation is not intended and should not be considered to be the giving of investment advice by the Company or any of its shareholders, Directors, officers, agents, employees or advisers. The information provided in this Presentation has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs. Each party to whom this Presentation is made available must make its own independent assessment of the Company after making such investigations and taking such advice as may be deemed necessary.

## No offer of securities

Nothing in this Presentation should be construed as either an offer to sell or a solicitation of an offer to buy or sell Company securities in any jurisdiction.

## Forward looking statements

This Presentation may include forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, these statements are not guarantees or predictions of future performance, and involve both known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control. As a result, actual results or developments may differ materially from those expressed in the statements contained in this Presentation. Investors are cautioned that statements contained in this Presentation are not guarantees or projections of future performance and actual results or developments may differ materially from those projected in forward-looking statements.

## No liability

To the maximum extent permitted by law, neither the Company nor its related bodies corporate, Directors, employees or agents, nor any other person, accepts any liability, including without limitation any liability arising from fault or negligence, for any direct, indirect or consequential loss arising from the use of this Presentation or its contents or otherwise arising in connection with it.

## Disclosure of non-IFRS financial information

Throughout this Presentation, there are occasions where financial information is presented not in accordance with accounting standards. There are a number of reasons why the Company has chosen to do this including: to maintain a consistency of disclosure across reporting periods; to demonstrate key financial indicators in a comparable way to how the market assesses the performance of the Company; to demonstrate the impact that significant one-off items have had on Company performance. Where Company earnings have been distorted by significant items Management have used their discretion in highlighting these. These items are non-recurring in nature and considered to be outside the normal course of business. Unaudited numbers used throughout are labelled accordingly.



 Estia Health