

HALF YEAR RESULTS 1H FY2017

Estia 
Health

Thursday 23 February 2017



Photo: Tea Gardens, New South Wales

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FINANCIAL OVERVIEW

\$263.1m

REVENUE

Up 5% on 2H FY16 of \$250.4m

\$43.0m

EBITDA

Up 26% on 2H FY16 of \$34.1m

\$19.8m

NPAT

Up 85% on 2H FY16 of \$10.7m

\$98.7m

OPERATING CASHFLOW

Up 68% on 2H FY16 of \$58.9m

\$140.1m

NET DEBT AS AT 31 JAN 2017¹

Down 37% from \$223.7m at June 2016

10.3 cents

EARNINGS PER SHARE

Up 81% on 2H FY16 of 5.7 cents

- Full year EBITDA guidance of \$86 million - \$90 million reconfirmed
- Underlying operating EBITDA of \$45.2m down 9% on 2H FY16 of \$49.4m²
- Net RAD receipts of \$38.7m during 1H FY17
- Capital expenditure of \$24.8m during 1H FY17
- \$136.8m equity raising successfully completed in mid January 2017
 - Net debt reduced to \$140.1m as at 31 January 2017

1. Refer page 6 for reconciliation of 31 January net debt balance.

2. 2H FY16 underlying operating EBITDA is before deducting various items such as \$19.0m of acquisition and transaction related costs. A reconciliation of statutory to underlying revenue and underlying operating EBITDA is presented in Appendix G.



KEY OPERATING METRICS

Operating metrics	1H FY16	2H FY16	1H FY17
Number of homes (period end)	58	69 ¹	68 ¹
Available places (period end)	4,705	5,782	5,910
Underlying revenue ² (m)	\$196.1	\$246.7	\$263.1
Underlying operating EBITDA ² (m)	\$39.6	\$49.4	\$45.2
Average occupancy	94.2%	94.4%	93.0%
Average revenue POBD	\$263	\$258	\$261
Average government income POBD	\$194	\$189	\$193
Underlying staff costs % of revenue	61.1%	62.5%	64.0%
Underlying non-staff costs % of revenue	18.7%	17.5%	18.8%
Net RAD receipts (m)	\$33.8	\$42.6	\$38.7
# of RADs/bonds held	2,765	2,582	2,623
Average value of RADs held ('000)	\$199.3	\$252.8	\$263.2
Average incoming RAD ('000)	\$296.3	\$362.8	\$376.9
Annualised underlying EBITDA per occupied bed	\$19,388	\$18,796	\$16,317

- Revenue was higher compared to 2H FY16, mainly as a result of increased places and higher revenue POBD offsetting a decline in occupancy rates in the period
- The occupancy decline was centred on a minority of homes, principally those acquired in the first half of FY16
 - 10 homes have average occupancy in the period below 90.0%, whilst the company average for the other homes is 95.1% for the same period
- Strategies in place since November have seen total occupancy rates across all homes increase to 93.5% by 12 February 2017
- The decline in underlying operating EBITDA compared to 2H FY16 reflects:
 - the fall in occupancy
 - the poor integration of acquired homes
 - staff and non-wage cost increase
- Kennedy portfolio contributed ~ \$9.0m EBITDA
- Net RAD inflows of \$38.7m remained strong during the period, underpinned by a significant difference between average incoming RAD proceeds compared to outgoing RAD/bond refunds

1. There were 69 homes as at 30 June 2016. Subsequent to that date, the licences of two homes have been merged resulting in Estia now operating 68 homes.

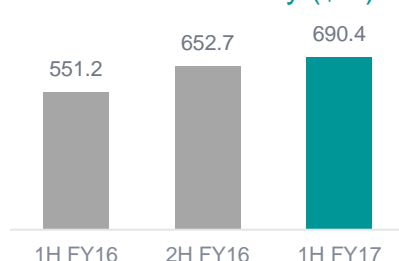
2. A reconciliation of statutory to underlying revenue and underlying operating EBITDA is presented in Appendix G.

SUMMARY BALANCE SHEET

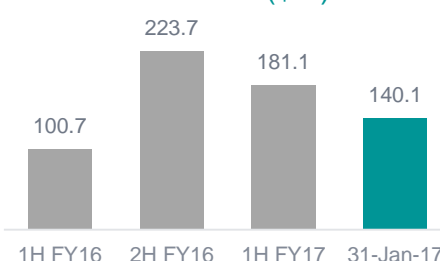
Summary balance sheet (\$ million)	Statutory 31 Dec 15	Statutory 30 Jun 16	Statutory 31 Dec 16 ¹
Cash	45.8	29.8	86.2
Property, plant and equipment	517.4	711.4	706.5
Intangibles	757.6	934.2	971.7
Other assets	25.4	23.2	18.0
Total assets	1,346.2	1,698.6	1,782.4
Loans and borrowings	146.5	253.5	267.4
RAD liabilities	551.2	652.7	690.4
Other liabilities	89.8	200.7	151.3
Total liabilities	787.5	1,106.9	1,109.1
Net assets	558.7	591.7	673.3
Net debt	100.7	223.7	181.1
Net debt at 31 January 2017 ²			140.1

- Net leverage position improved following the completion of the \$136.8m equity raise
 - All proceeds received by 31 January 2017, with net proceeds used to reduce debt
 - Net debt / EBITDA as at 31 January 2017 of 1.6x, within the target gearing range of 1.5x – 1.8x⁴
 - Cash and undrawn debt facilities at 31 January 2017 of \$190.6m (\$155.8m after allowing for liquidity management reserve)
- No remaining deferred consideration payments at 31 December 2016
- As previously advised no interim dividend has been declared in respect of 1H FY17
- Estia's future dividend policy will be to pay at least 70% of net profit after tax for the period to which the dividend relates⁴

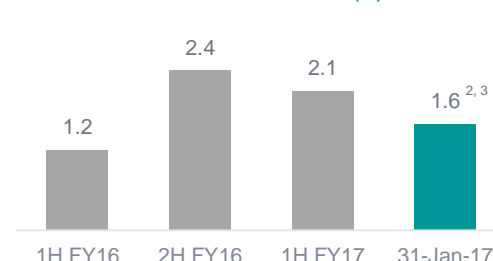
RAD/bond liability (\$m)



Net debt (\$m)²



Net debt/EBITDA (x)³



1. Balance sheet as at 31 December 2016 reflects only the proceeds of the institutional component of the equity raising of \$66.2 million.

2. Net debt position as at 31 January 2017 is unaudited and reflects the proceeds of both the institutional and retail proceeds of the equity raising, together totalling \$136.8 million.

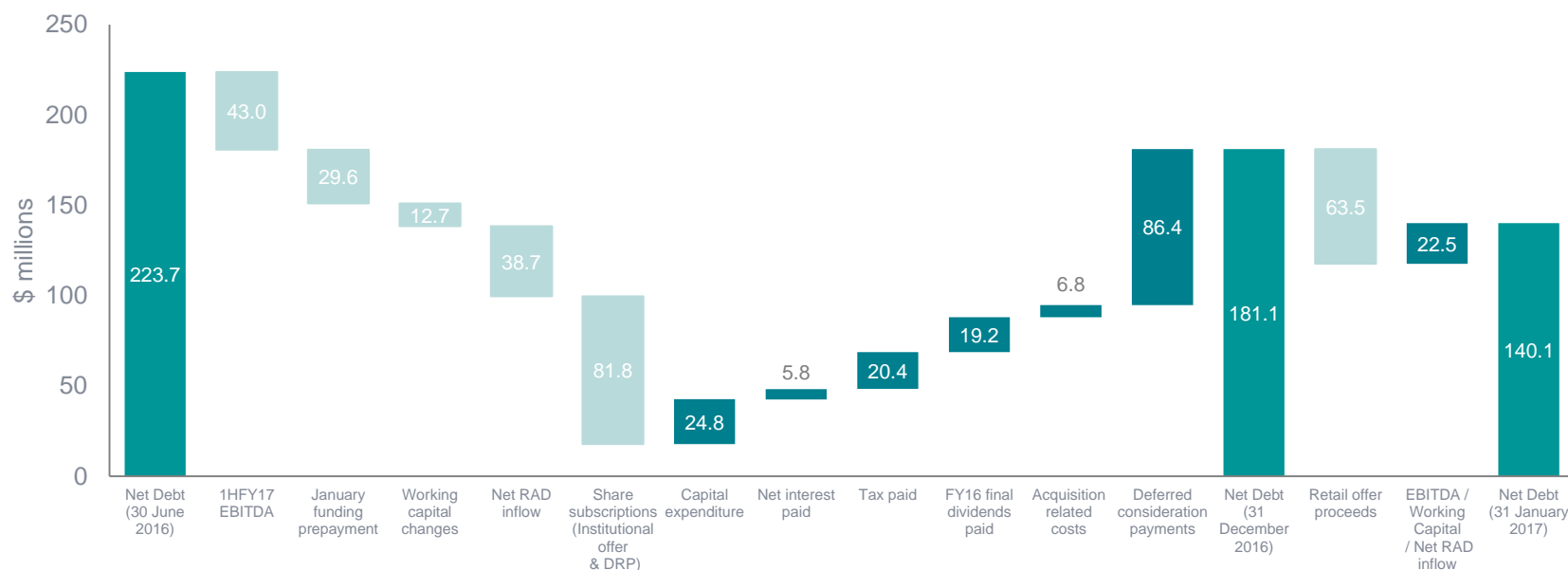
3. Net debt / EBITDA based on mid-point of guidance range of \$86 - \$90 million.

4. 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.

NET DEBT AND CASH FLOW

- Net cash flow from operating activities of \$98.7m over the half year incorporates:
 - \$29.6m of prepaid Government funding
 - \$38.7 of net RAD receipts
 - \$16.8m of income tax paid in respect of FY16
- Significant repayment of debt following the receipt of proceeds from the \$136.8m equity raise
 - Net debt reduced from \$223.7m as at 30 June 2016 to \$140.1m as at 31 January 2017
- Capital expenditure primarily in relation to Kogarah and Twin Waters which are expected to complete in 1H FY18

Net debt bridge (\$ million)

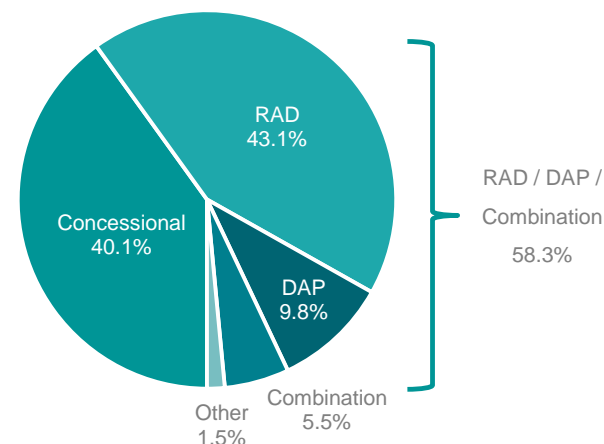


1. Bridging item of \$22.5 million between Net Debt 31 December 2016 and Net Debt 31 January 2017 is based on management accounts and is not audited.

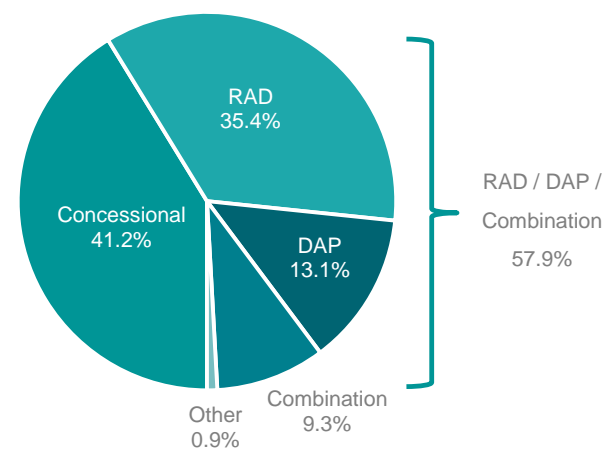
RESIDENT PROFILE

	30 Jun 16 resident mix	Incoming residents	Outgoing residents	31 Dec 16 resident mix
Resident profile				
Concessional (#)	2,097	480	410	2,167
Non-concessional (#)	3,059	664	682	3,041
Other (#) ¹	79	9	42	46
Total residents	5,235	1,153	1,134	5,254
Concessional %	40.1	41.6	36.2	41.2
Non-concessional %	58.3	57.6	60.1	57.9
Other %	1.5	0.8	3.7	0.9
Non-concessional breakdown²				
RAD/bond (#)	2,256	232	383	1,860 ²
Combination (#)	289	150	85	491 ²
DAP (#)	514	282	214	690 ²
Total (#)	3,059	664	682	3,041
RAD/bond %	73.7	34.9	56.2	61.2
Combination %	9.4	22.6	12.5	16.1
DAP %	16.8	42.5	31.4	22.7
Incoming RAD/Combination pro rata % ³		46.2		
RAD pricing				
RAD/bond liability (\$m)	652.7	133.4	95.7	690.4
Average value of RAD/bonds held (\$)	252,756			263,208
Average incoming RAD price (\$) for half	362,800	376,854		
Average outgoing RAD price (\$) for half	281,302		292,334	

Total resident profile – as at 30 June 2016^{1,2}



Total resident profile – as at 31 December 2016^{1,2}



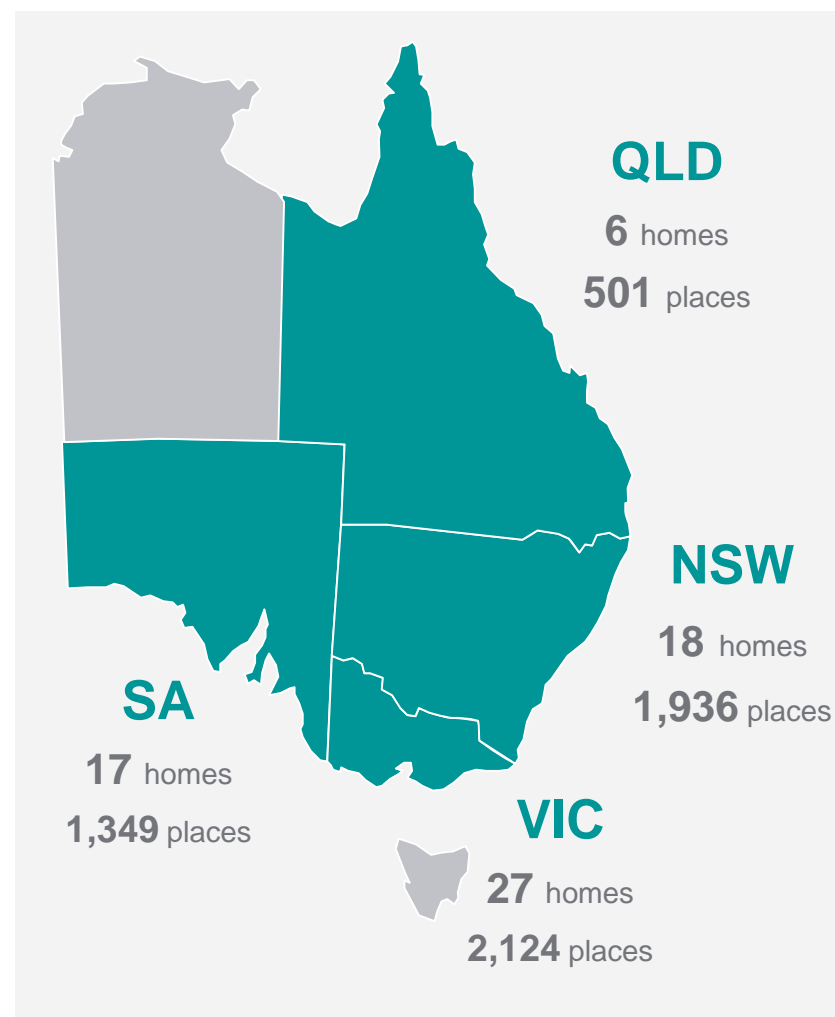
1. 'Other' residents refer to residents who are self-funded.

2. Includes movements of existing residents who have been reclassified between non-concessional categories (e.g. from RAD to Combination).

3. For the 2nd Quarter FY17 incoming RAD/Combination pro rata was 50.1%.

PORTFOLIO OVERVIEW

Key portfolio statistics		31 Dec 16
Number of homes		
Metro		53
Regional		15
Total number of homes ¹		68
Freehold sites		61
Total operational places		5,910
Number of single rooms		4,714
Single rooms as percentage of total rooms		90%
Employees		~7,400
Average occupancy % for the period		93.0%
Average number of places per home		87
Number of homes significantly refurbished		6



1. There were 69 homes as at 30 June 2016. Subsequent to that date, the licences of two homes have been merged resulting in Estia now operating 68 homes.

DEVELOPMENTS UPDATE

- A range of strategic and operational initiatives are being executed to optimise the portfolio with a continued focus on ongoing investment in the existing portfolio
- Brownfield and greenfield developments continue to progress to plan
- Construction of a further 628 places expected to commence from FY18

Brownfield developments

- 108 new places opened during FY17
- FY17 capex of ~\$4m
 - 1st half \$3.8m spent
 - Minimal 2nd half spend
- FY18 capex of ~\$8m expected

Greenfield developments

- 123 new places expected to be opened during FY18
- FY17 capex of ~\$36m
 - 1st half \$14.6m spent
 - 2nd half ~\$21m expected
- FY18 capex of ~\$33m expected

Significant refurbishment

- Six significant refurbishment projects comprising 330 places complete
- Refurbishment underway at five further homes
 - Estimated capex of ~\$9m (FY17/FY18) generating annual EBITDA of \$2m
- 16 homes covering 700 places identified for future refurbishment
 - Estimated capex of \$20m to \$25m generating incremental annual EBITDA of \$5m

Acquisitions

- No further acquisitions anticipated in the short to medium term
- Integration of Kennedy and other FY16 acquisitions is complete from a management, quality, reporting, policies and procedures perspective and is in the final stages of IT integration, with five remaining sites requiring single business application rollout

HALF YEAR SUMMARY

Period of major change for Estia

- Strategic and operational review announced in October and completed and reported in December
 - Included review of operational strategy, management and leadership, resident care quality, assets and facilities and balance sheet and gearing
- Board and management
 - Chairman and CEO appointments
 - New management structure and executive leadership changes, with new COO and CFO recently appointed
- \$136.8m capital raise successfully completed
 - Net debt reduced to \$140.1m at 31 January 2017
- Clear areas of focus going forward
 - Identified non-wage cost savings, including procurement optimisation and revenue improvement opportunities
 - Client service program instigated to improve occupancy
 - Underperforming homes identified and programs initiated to improve performance
 - Non-core assets identified for disposal
 - Delivery of significant refurbishments, greenfield and brownfield developments



REGULATORY ENVIRONMENT

- Significant changes to aged care funding announced by the Government in 2016
 - These come into effect for all residents entering a home after 1 January 2017
- This will have minimal impact in the next reporting period, but will increase in significance as residents leave, and new residents enter, over the next three years
- We will continue to implement a range of strategies to mitigate this impact
 - Increasing occupancy across the portfolio
 - Increased and more targeted charging for additional services
 - Ensuring assessments for funding match the services required by the residents
 - Increasing RADs in certain locations
- We expect continued support for aged care by Government
 - The population is ageing in Australia
 - There is a stated need for 76,000 beds over the next decade and a capital investment need of \$33bn
 - Multiple co-morbidities are harder to handle at home, better managed in care
 - The changes in home care also provides opportunities for aged care providers to work within the overall ageing market in the future.

FY17 OUTLOOK

Guidance for FY17 EBITDA of \$86 million – \$90 million reconfirmed



Key components

- Occupancy expected to rise from 93.0% in 1H to 93.9% in 2H and full year average of 93.4%
- Resident mix stabilising at levels seen in 1H FY17
- Reduction in ACFI rates from Government funding changes effective 1 January 2017 to be offset by
 - higher revenue from additional services
 - improved occupancy rates in low-performing homes
- Staff costs expected to be maintained at ~64% of revenue
- Operating costs reductions expected to deliver ongoing savings
- No interim dividend to be paid in March 2017 in respect of the 1H FY17 in line with previous advice
- Estia's future dividend policy will be to pay at least 70% of net profit after tax for the period to which the dividend relates¹
- Projected gearing ratio at 30 June 2017 at lower end of target gearing range of 1.5x - 1.8x 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.

IN CLOSING

- Challenging six months has seen significant change to bring business back on track
- New management leading the business with restructured reporting, disciplines, approach and objectives
- Financial performance stabilised and guidance re-affirmed based on results to date, projected trends and the impact of management decisions
- Balance sheet strengthened, overall debt and gearing reduced
- Net RAD inflows are expected to continue. Detailed 3 year scenario modelling based on a continuation of incoming mix trends, and sensitivity testing, shows target liquidity and gearing ratios being comfortably maintained
- Resident mix stabilising at levels seen in 1H FY17
- Non-core asset disposals expected to complete in 2H FY17
- New developments are expected to complete in 1H FY18 at Twin Waters and Kogarah





Appendices

APPENDIX A: INCOME STATEMENT

	Dec 2015 \$ million	Dec 2016 \$ million
Revenues	195.8	262.5
Other income	0.3	0.6
Expenses		
Administrative expenses	13.0	9.1
Depreciation and amortisation expenses	5.7	8.5
Employee benefits expenses	119.8	168.5
Health consultants expenses	4.4	4.8
Occupancy expenses	7.2	9.7
Resident expenses	15.8	23.0
Repairs and maintenance expenses	3.6	5.1
Operating profit for the period	26.8	34.5
Net finance costs	1.1	5.9
Profit before income tax	25.7	28.6
Income tax expense	8.8	8.9
Net profit after tax	16.9	19.8
Earnings per share	cents	cents
Basic, profit for the period attributable to ordinary equity holders of the Parent	9.39	10.31
Diluted, profit for the period attributable to ordinary equity holders of the Parent	9.37	10.26

Extract from Estia Health Consolidated Interim Financial Report for the half-year ended 31 December 2016.

APPENDIX B: STATEMENT OF FINANCIAL POSITION

	Jun 2016 \$ million	Dec 2016 \$ million
Current assets		
Cash and cash equivalents	29.8	86.2
Trade and other receivables	16.0	9.8
Prepayments and other assets	5.7	6.6
Total current assets	51.5	102.7
Non-current assets		
Property, plant and equipment	711.4	706.5
Investment properties	1.5	1.5
Goodwill	715.3	752.5
Other intangible assets	218.8	219.2
Total non-current assets	1,647.1	1,679.7
Total assets	1,698.6	1,782.4
Current liabilities		
Trade and other payables	30.6	32.5
Loans and borrowings	-	0.9
Income received in advance	-	29.6
Other financial liabilities	653.3	691.7
Deferred consideration on acquisition	84.5	-
Income tax payable	16.3	4.9
Provisions	35.5	37.3
Total current liabilities	820.3	796.9
Non-current liabilities		
Deferred tax liabilities	29.6	42.4
Loans and borrowings	253.5	266.5
Provisions	3.3	3.2
Other payables	0.2	0.1
Total non-current liabilities	286.6	312.2
Total liabilities	1,106.9	1,109.1
Net assets	591.7	673.3

Extract from Estia Health Consolidated Interim Financial Report for the half-year ended 31 December 2016.

APPENDIX C: CASH FLOW STATEMENT

	Dec 2015 \$ million	Dec 2016 \$ million
Cash flows from operating activities		
Receipts from residents	48.2	66.7
Receipts from government	166.7	231.7
Payments to suppliers and employees	(159.5)	(212.3)
RAD, accommodation bond and ILU entry contribution received	96.5	133.4
RAD, accommodation bond and ILU entry contribution refunded	(62.7)	(94.7)
Interest received	0.4	0.3
Finance costs paid	(1.6)	(6.1)
Income tax paid	(5.4)	(20.4)
Net cash flows from operating activities	82.6	98.7
Cash flows from investing activities		
Payments for business combinations, net of cash acquired	(128.3)	(86.4)
Deposits for acquisitions completing after reporting date	(1.0)	-
Payments for acquisition transaction costs	(5.4)	(6.8)
Payments for intangible assets	(2.9)	(0.8)
Proceeds from sale of property, plant and equipment	-	-
Purchase of property, plant and equipment	(15.6)	(24.0)
Net cash flows used in investing activities	(153.1)	(117.9)
Cash flows from financing activities		
Proceeds from issue of share capital	-	84.9
Payments for share issue costs	-	(3.1)
Proceeds from repayment of MEP loans	-	0.1
Proceeds from bank borrowings	92.3	76.5
Repayment of bank borrowings	-	(63.5)
Dividends paid	(22.2)	(19.2)
Net cash flows from financing activities	70.1	75.6
Net increase/(decrease) in cash and cash equivalents	(0.4)	56.4
Cash and cash equivalents at the beginning of the period	46.2	29.8
Cash and cash equivalents at the end of the period	45.8	86.2

Extract from Estia Health Consolidated Interim Financial Report for the half-year ended 31 December 2016.

APPENDIX D: SIGNIFICANT REFURBISHMENTS

Estia has identified a number of significant refurbishment opportunities

- Program to provide enhanced accommodation and living environment to residents and enable higher supplements
- Six significant refurbishment projects representing approximately 330 concessional places complete
 - All six homes now receiving significant refurbishment subsidies
 - Expected to deliver approximately \$2 million of annual EBITDA on a stabilised basis from FY18
- A further five homes identified as eligible for significant refurbishment
 - To be refurbished during FY17 for estimated capex of ~\$9 million
 - Expected to generate additional annual EBITDA of ~\$2 million on a stabilised basis
- Process of identification and execution of future opportunities underway
 - Expectation that a further 16 homes representing ~700 places may be eligible
 - Anticipated capex of \$20 million – \$ 25 million and stabilised incremental annual EBITDA contribution expected to be ~\$5 million

Home	State	Status
Completed		
Bexley Park	NSW	Receiving subsidy
Craigmore	SA	Receiving subsidy
Gold Coast	QLD	Receiving subsidy
Kadina	SA	Receiving subsidy
Encounter Bay	SA	Receiving subsidy
Mudgeeraba	QLD	Receiving subsidy
Underway¹		
Burton	SA	Underway
Dandenong	VIC	Underway
Mt Coolum	QLD	Underway
Bankstown	NSW	Underway
Merrylands	NSW	Underway
Future opportunities¹		Identification and evaluation
16 additional facilities		

1. The actual timing of the significant refurbishments is subject to a range of factors that may influence the timing of completion.

APPENDIX E: DEVELOPMENT PIPELINE – SHORT TERM

Estia has re-developed five facilities YTD and commenced construction of a further 186 places to open during FY18

Development	State	Type	Land owned	DA ³	Licenses held	Previous operational places	New places	Total facility places ¹	Single bed rooms	Additional services	Construction start	Construction completion	First resident admitted
Epping	NSW	Brownfield	Yes	Yes	Yes	103	2	105	100%	Yes		Jun-16	Jul-16
Gold Coast	QLD	Brownfield	Yes	Yes	Yes	31	56	87	100%	Yes		Jun-16	Jul-16
Encounter Bay	SA	Brownfield	Yes	Yes	Yes	121	2	123	100%	Yes		Jul-16	Jul-16
Tea Gardens	NSW	Brownfield	Yes	Yes	Yes	70	36	106	100%	Yes		Jul-16	Jul-16
Kadina	SA	Brownfield	Yes	Yes	Yes	60	12	72	77%	Yes		Sep-16	Sep-16
Completed						385	108	493	95%				
													First resident expected
Twin Waters	QLD	Greenfield	Yes	Yes	Yes ²	0	114	114	100%	Yes	Feb-16	FY18	1H FY18
Kogarah	NSW	Greenfield	Yes	Yes	Yes	63	9	72	97%	Yes	May-16	FY18	1H FY18
Underway						63	123	186	99%				

1. Total facility places includes net new places following development.

2. Transfer of bed licenses from Sunshine Cove.

3. Development Approval.

APPENDIX F: DEVELOPMENT PIPELINE – MEDIUM TERM

Further pipeline of 628 net new places with construction commencement anticipated FY18 onwards

Development	State	Type	Land owned	DA ²	Licenses held	Current operational places	New places	Total facility places ¹	Single bed rooms	Additional services	Planned Construction start	Construction completion	First resident expected
Southport	QLD	Brownfield	Yes	DA submitted	76	0	111	111	100%	Yes	FY18	FY19	FY19
St Ives	NSW	Greenfield	Yes	DA submitted	0	0	120	120	100%	Yes	FY18	FY19	FY19
Sunshine Cove	QLD	Greenfield	Yes	DA approved	6	0	108	108	100%	Yes	FY18+	FY19+	FY20
Ryde	NSW	Brownfield	Yes	DA approved	57	40	18	58	100%	Yes	FY19	FY20	FY20
DA approved or submitted						40	357	397	100%				
Blakehurst	NSW	Brownfield	Yes	DA not submitted	81	50	58	108	100%	Yes	FY18+	FY20+	FY20+
Wollongong	NSW	Greenfield	Yes	DA not submitted	0	0	108	108	100%	Yes	FY19+	FY20+	FY20+
Wombarra	NSW	Greenfield	Yes	DA not submitted	0	0	105	105	100%	Yes	FY19+	FY21+	FY21+
No formal decision to proceed							271	321	100%				
Total projects not yet commenced							628	718	100%				
Total projects not completed							751	904	99%				

1. Total facility places includes net new places following development.
2. Development Approval.

APPENDIX G: RECONCILIATION OF STATUTORY TO UNDERLYING OPERATING EBITDA

Summary Financials (\$ million)	FY16 Year	1H FY16	2H FY16	1H FY17
Underlying Revenue	442.8	196.1	246.7	263.1
Add: Gains on Bargain Purchase and Asset Sales	3.7	-	3.7	-
Statutory Revenue	446.5	196.1	250.4	263.1
Underlying EBITDA FY16 Presentation	92.7	39.6	53.1	N/A
Less: Gains on Bargain Purchase and Asset Sales	(3.7)	-	(3.7)	N/A
Underlying Operating EBITDA	89.0	39.6	49.4	45.2
Less: Acquisition & Transaction Related Costs, one-offs, and costs associated with restructuring	(26.1)	(7.1)	(19.0)	(2.2)
Add back: Gains on Bargain Purchase and Asset Sales	3.7	-	3.7	-
Statutory EBITDA	66.6	32.5	34.1	43.0

Operating results	FY16 Year	1H FY16	2H FY16	1H FY17
Underlying Revenue	442.8	196.1	246.7	263.1
Underlying Staff Costs	274.0	119.8	154.2	168.5
Underlying Non-Staff Costs	79.8	36.7	43.1	49.4
Underlying operating EBITDA	89.0	39.6	49.4	45.2

GLOSSARY

EBITDA (Earnings Before Tax Interest Depreciation & Amortisation)	EBITDA is a non-IFRS measure that is extracted from the consolidated interim financial report and is calculated as statutory Operating Profit for the Period excluding depreciation and amortisation expense
Underlying Operating EBITDA	EBITDA excluding certain items which management consider to be non-recurring in nature and considered to be outside the normal course of business, such as Gains on Bargain Purchase and Asset Sales, transaction and integration costs, and restructuring costs.
Underlying EBITDA FY16 Presentation	Underlying Operating EBITDA plus Gains on Bargain Purchase and Asset Sales, as reported in the FY16 Results presentation
EBIT	Earnings before interest and tax
NPAT	Net profit after tax
POBD	Per Occupied Bed Day
RAD	Refundable Accommodation Deposit
DAP	Daily Accommodation Payment

DISCLAIMER

Reliance on third party information

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Presentation is a summary only

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