# REGIS HEALTHCARE LIMITED

## Macquarie Securities Conference 2017


*Artists Impression Regis Lutwyche QLD*

4 May 2017

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# 01

## Business overview and update

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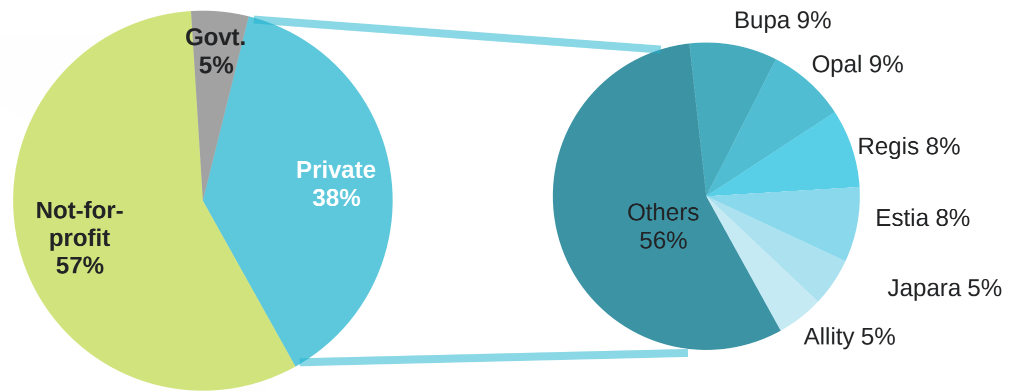
# RESIDENTIAL AGED CARE MARKET

## A substantial segment of the healthcare services sector with strong industry growth metrics

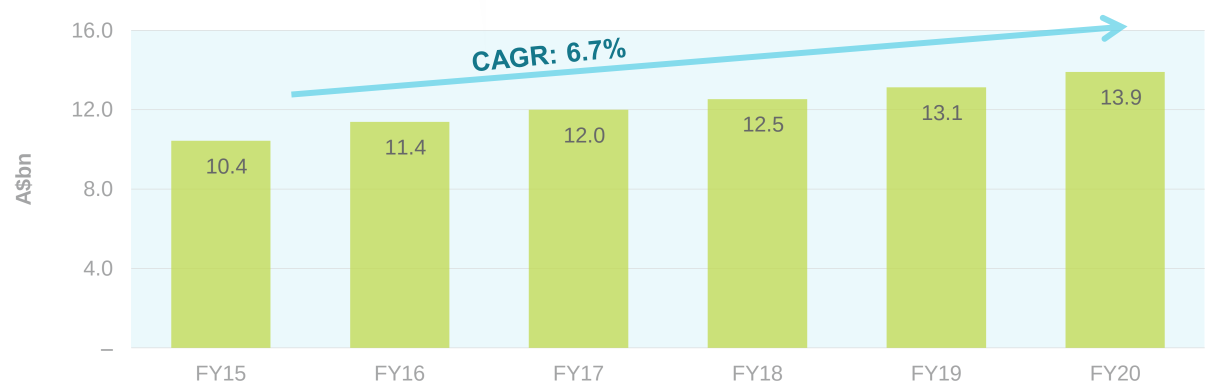
### KEY INDUSTRY DYNAMICS[1]

- $15.8 billion industry size by annual revenue
- $10.4 billion of government funding paid to aged care providers in FY15, $ 4.2 billion is resident funded
- Circa 192,500 places, needs to increase by 76,000 during the next decade to meet required demand as the Australian population ages
- Supply is regulated via the issuing of licences by the Federal Government
- Unique capital funding model (RADs) supports development
- Highly fragmented market with 2,618 facilities operated by a range of private, not for profit and government entities

### RESIDENTIAL AGED CARE SECTOR COMPOSITION IN AUSTRALIA[1,2]




### RESIDENTIAL AGED CARE, GOVERNMENT FUNDING[3]




1. Source – Aged Care Funding Authority (ACFA) Report dated July 2016
2. Source – Public company reports where available, otherwise Management estimates
3. Source – Federal Government Budget Papers (actual and forecast funding)

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# AGED CARE REFORM LANDSCAPE

## Aged care reforms are being progressively implemented in three phases over 10 years

### JULY 2014
***Living Longer Living Better***

Start of a reform program aiming to provide Australians over 65 with more choice, control and easier access to services.

**Key aspects of the change:**

- Removal of High Care / Low Care licence distinction
- Change from Bonds and Accommodation charges to RADs / DAPs
- Removal of retention payments from bonds
- Requirement to advertise maximum RADs
- Aged Care Pricing Commissioner established for approval of RADS > $550k
- Higher Accommodation Supplement for Significantly Refurbished Facilities

### *Aged Care Roadmap – Launched* JULY 2015

Aged Care Sector Committee tasked with developing a roadmap that sets out future reform directions for aged care

### SEPTEMBER 2016 – AUGUST 2017
***Aged Care Legislated Review***

Reviews 9 aspects of the LLLB changes, including whether unmet demand for Residential Aged Care and Home Care has been reduced

**To ensure sustainable and affordable care as people are living longer**

### FEBRUARY 2017
***ACFA Review of the Accommodation Bond Guarantee Scheme***

- Review of the existing scheme and alternatives which would provide the same level of protection
- Output – "Public Discussion Paper: The Protection of Residential Aged Care Lump Sum Payments"

### FEBRUARY 2017

**Deregulation of Home Care packages, introduction of Consumer directed care**

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# WHO IS REGIS

## Regis is one of the largest private providers of residential aged care in Australia

- Regis' portfolio is one of the most geographically diversified portfolios in Australia
- The company operates in six States and Territories
- Regis' facilities are primarily located in Metropolitan areas
- Many of the facilities and services offerings are targeted at the premium end of the market
- The company has more than 25 years of experience in developing, acquiring and managing facilities and caring for residents
- The Regis business model is that of a vertically integrated Aged Care operator and our operating platform supports this

**>25**
**years experience**

*Regis North Fremantle WA*

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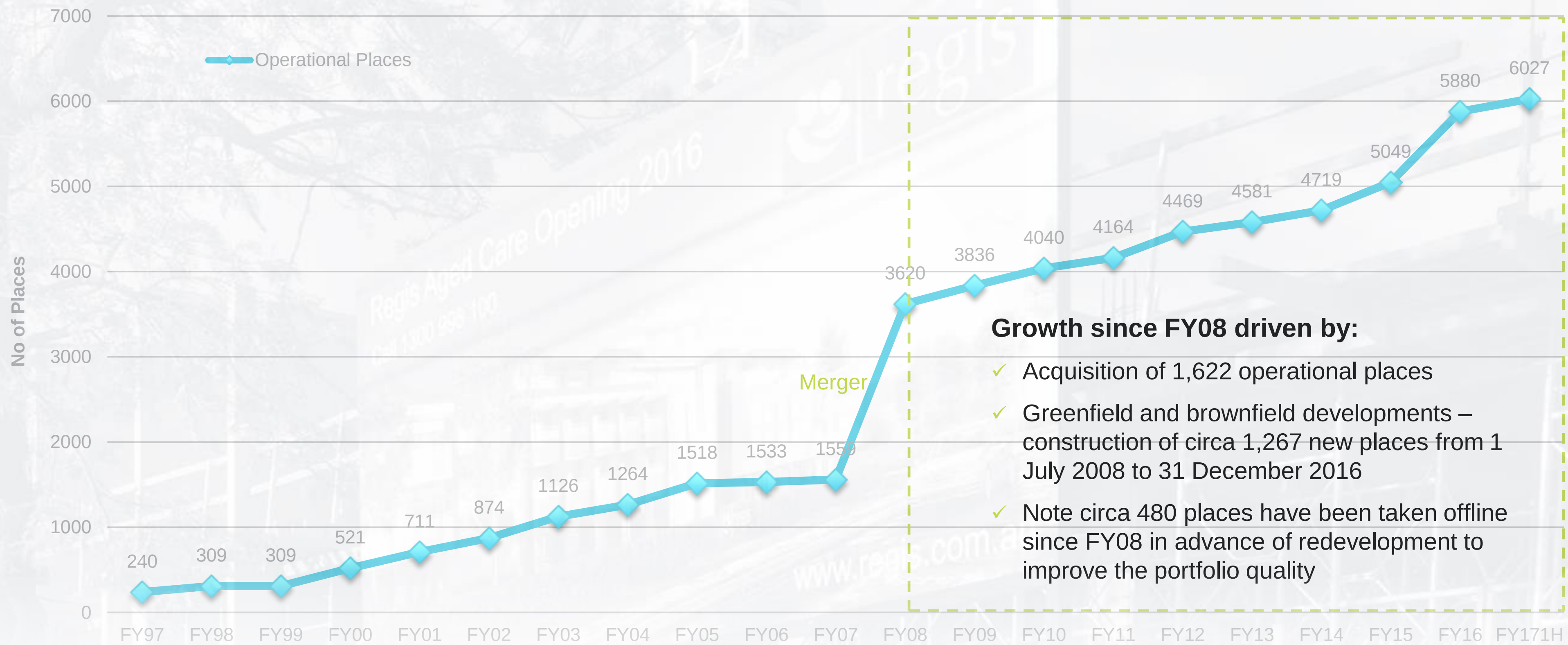
# REGIS HAS GROWN THROUGH DEVELOPMENT AND ACQUISITION

## Growth in operational places of 62% over the last 8 years

### Timeline of portfolio growth

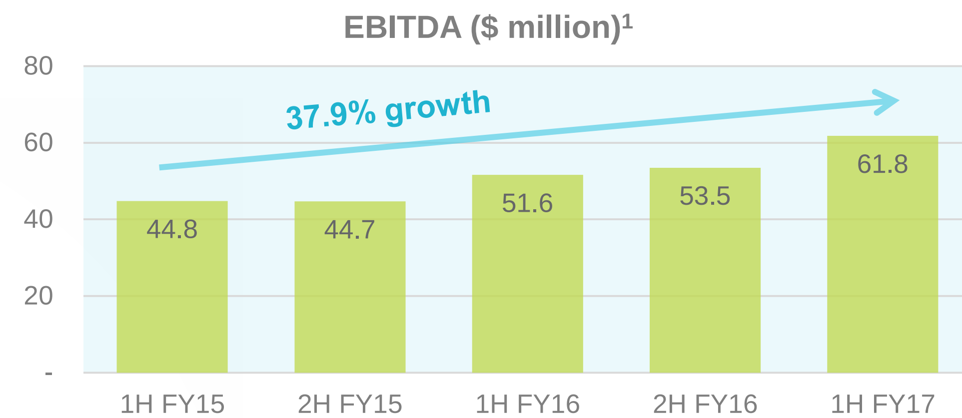


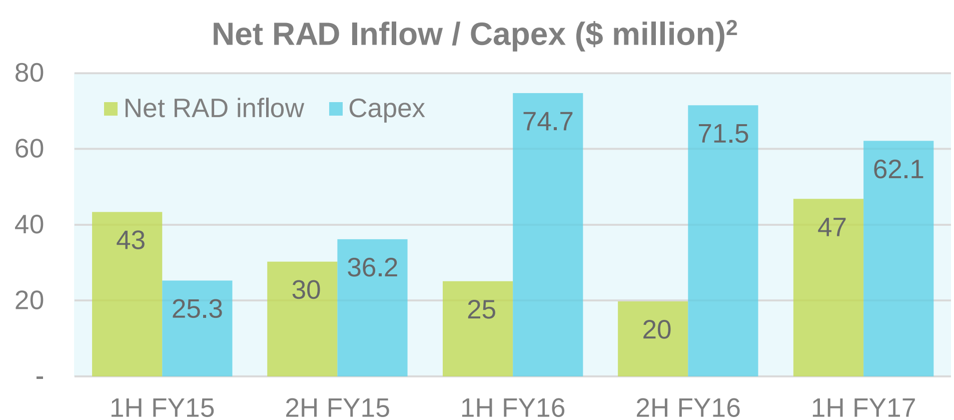

**Growth since FY08 driven by:**

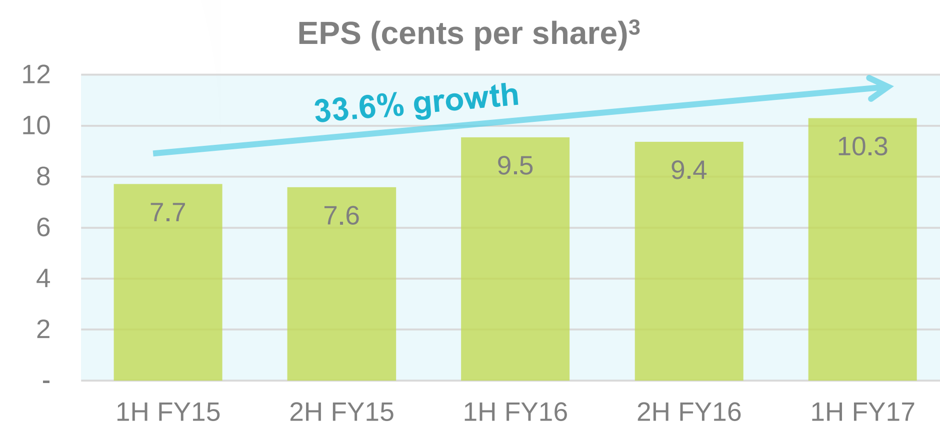
- ✓ Acquisition of 1,622 operational places
- ✓ Greenfield and brownfield developments – construction of circa 1,267 new places from 1 July 2008 to 31 December 2016
- ✓ Note circa 480 places have been taken offline since FY08 in advance of redevelopment to improve the portfolio quality

# COMPANY PERFORMANCE SINCE ASX LISTING

## The Company has delivered on guidance in each reporting period since listing


1. Normalised EBITDA for FY15 and FY16, Reported EBITDA for 1HFY17
2. Capex excludes Acquisitions and Asset Sale Proceeds
3. EPS based on normalised NPAT for 1HFY15 and 1HFY16 and reported NPAT for 2HFY15, 2HFY16 and 1HFY15 .

For normalisation adjustments refer to the results presentations for each period available on the company's website (investors.regis.com.au/presentations)

# PORTFOLIO OVERVIEW

## Regis continues to execute its growth strategy

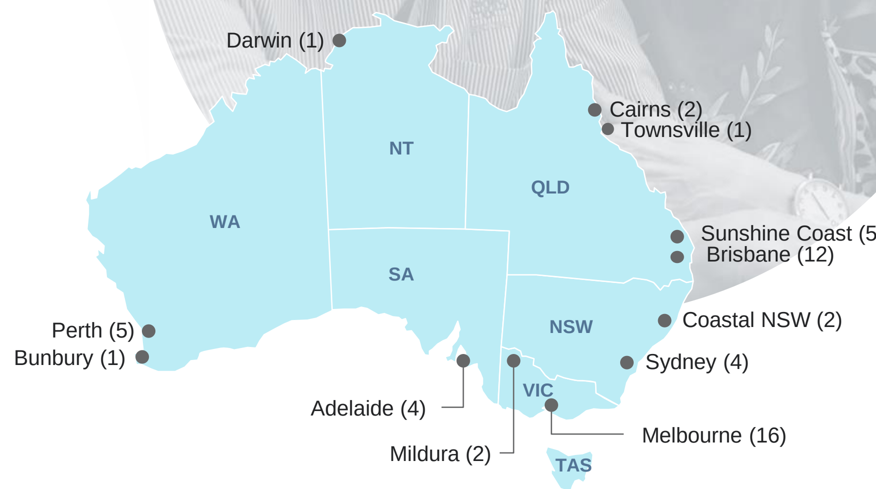
| As at 1 May 2017 | Total |
|---|---|
| Number of Facilities | 55 |
| Total places[1] | 7,619 |
| Total operational places | 6,127 |
| Total rooms | 5,363 |
| Total single bed rooms | 4,924 |
| % operational places in single bed room | 80% |
| % single bed rooms | 92% |
| Average Facility size (number of operational places) | 111 |
| Facilities approved as significantly refurbished[2] | 30 |
| Club Services Facilities | 15 |

- The Regis Kingswood, SA redevelopment opened on 18 April 2017 adding 100 operational places to the portfolio
- The Significant Refurbishment program has been completed at 30 facilities. It is anticipated a further 3 facilities (including 2 former Masonic Care facilities) will be refurbished by the end of FY17

**Total operational places**
**6,127**
**55 facilities**

*Regis Rose Bay NSW*

### REGIS FACILITY NETWORK



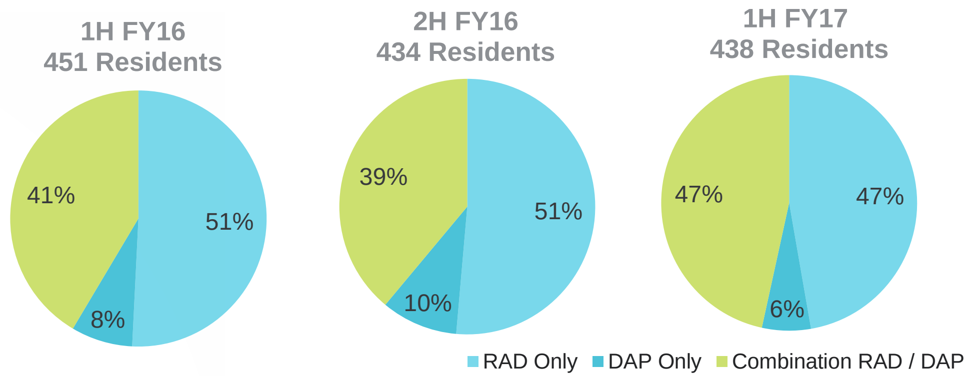

1. Includes 1,492 Provisionally allocated places and offline places
2. Qualifying Supported residents receive a Higher Accommodation Supplement under the Aged Care Legislation. Note this does not include any qualifying Club Services facilities

# RESIDENT PROFILE

## Combination accomodation payments have increased in popularity

- 47% of non supported residents[1] chose to pay a full RAD in 1H FY17
- During this period there was a minor movement from full RADs and full DAPs to “Combination RAD/DAP” payments during 1H FY17 compared to both 1H and 2H of FY16. Combination residents now comprise circa 9.6% of the overall portfolio
- 45.5% of the portfolio are paying a RAD (in part or in full), having increased from 44.7% at the end of 2H FY16
- The Significant Refurbishment program now has circa 1,700 eligible residents living in an enhanced environment and receiving the higher supplement[2]

### PROFILE OF ACCOMMODATION PAYMENT TYPES FOR INCOMING RESIDENTS[5]

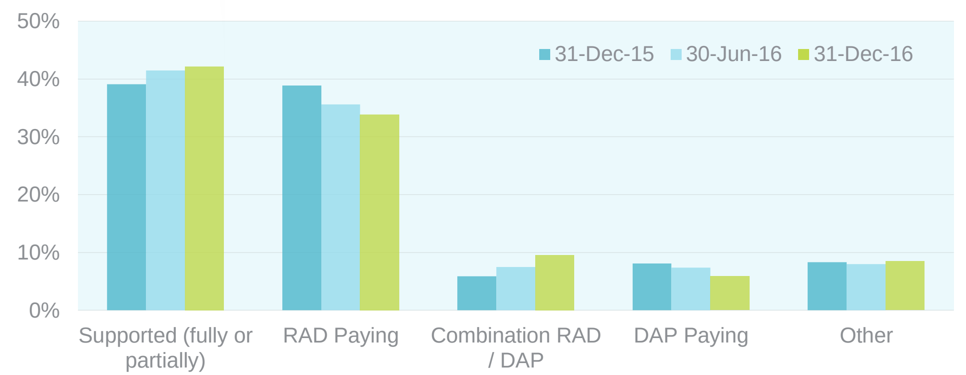



### RESIDENT TENURE STATISTICS

| | 31 December 2015 | 31 December 2016 |
|---|---|---|
| Resident tenure[3] | 2.4 years | 2.4 years |
| Average duration of stay[4] | 2.8 years | 2.8 years |

- Tenure statistics have not materially moved

### CHANGE IN RESIDENT PROFILE[6]




1. Permanent, non supported residents based on the Aged Care Act for those entering care after 1 July 2014
2. As at 31 January 2017
3. Average length of stay of permanent residents who departed during that 12 month period
4. Average length of stay of all permanent residents as at that date
5. Permanent, non supported residents who are contracted under LLLB legislation - total for 6 month period
6. All residents, as at end of period. Note DAP paying group includes pre 1 July 2014 Accommodation Charge paying residents

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Regis Cranbourne VIC

# 02

# Growth Strategy

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# CONSISTENT GROWTH STRATEGY – RESIDENTIAL AGED CARE

## Taking advantage of industry growth and consolidation to improve and grow the portfolio

### GROWTH STRATEGY – FOUR LEVERS

**Acquisition of single facilities**

- Regis has acquired 3 single Facilities since November 2014, adding 444 places to the portfolio
- We continually review opportunities and assess against our criteria
- **Criteria include:** location, competitive position, bed configuration, scale, operational efficiency, future capex required

**Acquisition of portfolios**

- We continue to look at opportunities that meet our criteria (as above)
- Masonic Care, Qld portfolio of 711 operational places completed on 1 June 2016

**Brownfield Redevelopment**

- The company has a program in place to undertake expansion and redevelopment of its assets, including Significant Refurbishment

**Development of Greenfield facilities**

- Regis continues to be active in positioning itself for substantial growth from greenfield developments
- Through development of new places we meet our key criteria (as above) and achieve superior cashflow returns from RADs through well located facilities in major metropolitan locations
- The number of provisional allocations and offline places available for future development is 1,492

**1,408** additional operational places since listing[1]

**1,492** places available for future development

1. As at 1 May 2017, starting from 4,719 as at 29 August 2014

# STRATEGY FOCUS

## Execution of growth strategy

### THE COMPANY MAINTAINS ITS FOCUS ON THE EXECUTION OF ITS GROWTH STRATEGY THROUGH:

- Optimising the location of its new developments – continuing to focus principally on urban locations
- Ensuring efficient Facility size – the development and asset renewal programs are based on a model of circa 120 places – this enables the optimal workforce model to efficiently deliver quality services
- Continued investment in the portfolio to ensure Facilities are modern, high quality and support contemporary care delivery
- Continued focus on maintaining the scalability of systems, processes and human resources strategies
- A continuing focus on revenue growth through
  - The expansion of Club Services through the greenfield program
  - The expansion of Additional Services across the portfolio
- RAD cash inflows from developments facilitate
  - the repayment of acquisition and development related debt

*Regis East Malvern VIC*

# OVERVIEW OF DEVELOPED PORTFOLIO IN FY20

## Quality focus continues as the company executes the current development pipeline

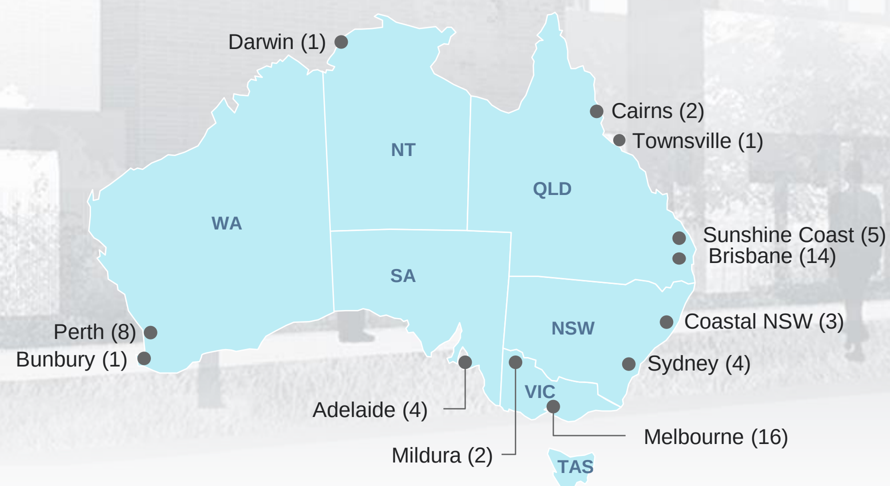
### PREDICTED AGED CARE PORTFOLIO STATISTICS

| Estimated as at end of FY20 | Total |
|---|---|
| Number of Facilities | 62 |
| Total operational places | 7,167 |
| Average Facility size (number of operational places) | 116 |
| Facilities approved as significantly refurbished[1] | 33 |
| Club Services facilities | 23 |

- Completion of projects in the development pipeline demonstrates the focus on growth of Club Services facilities
- Total operational places, includes all places available to residents, including those from new developments not yet occupied

**Total operational places**
**7,167**
**62 facilities**

### REGIS FACILITY NETWORK[1]




1. Qualifying Supported residents receive a Higher Accommodation Supplement under the Aged Care Legislation. Note this does not include Club Services facilities

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# RETIREMENT LIVING GROWTH STRATEGY - BACKGROUND

## Regis has owned and operated co-located Retirement Villages since 2007

- Regis has owned and operated co-located retirement villages (RV) and aged care facilities (ACF) in Melbourne and Perth since 2007, prior to listing in October 2014
- The recent acquisition of the Masonic Care business has introduced another three co-located RV and ACF sites in Queensland
- The Company now has 550 Independent Living Units across 5 RVs, each of which is co-located with ACFs
- Regis' experience shows that co-located RVs and ACFs can be complementary in certain locations
- The Company is currently finalising development plans in relation to the Burwood East (Inala Village) site in Melbourne

*Regis Sandgate QLD*

# RETIREMENT LIVING OPPORTUNITY

**Opportunity to develop company owned and operated co-located Retirement Village and Aged Care facilities**

## STRATEGIC OPPORTUNITY

- 3.2 million Australians are currently over 65. This is projected to be 8.1 million by 2050[1]
- By 2025 the demand for retirement living accommodation is forecast to double from current demand levels[1]
- Regis has extensive in-house expertise in property development and has existing capability in operating retirement villages
- Regis has a number of large existing co-located ACF and RV sites with surplus land that are currently underdeveloped
- It is the company's intention to develop these sites however the company is not seeking to acquire additional RV sites
- The RV operations provide both diversification of earnings and incremental earnings to the existing aged care portfolio
- Business model is attractive:
  - Strong cashflow attributes
  - Land assets held
  - Co-located RV's also provide a source of residents for the Regis ACF business
- It is anticipated that this business will be a modest addition to earnings and the Regis portfolio in the near term


1. Source – Property Council of Australia

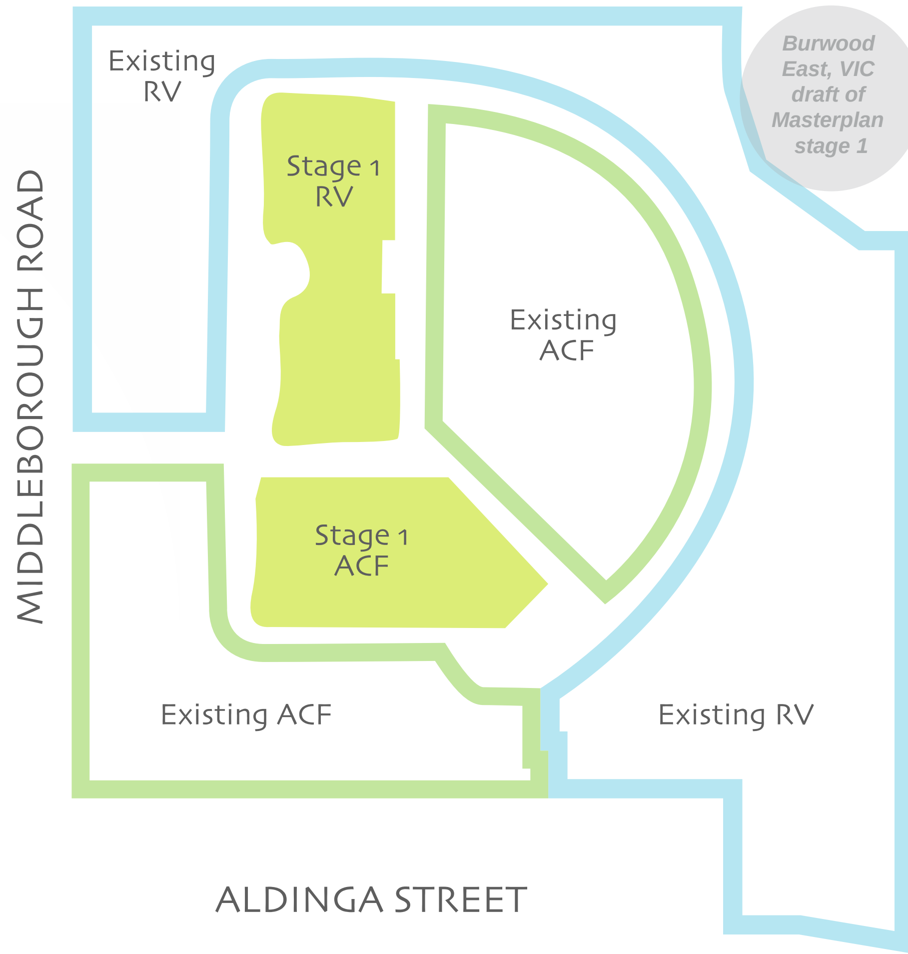
# RETIREMENT LIVING – EXISTING FACILITIES

## Regis has 550 existing Retirement Village units

| Location | Total site area (sqm) | Independent living units (current) | Co-located aged care places (current) |
|---|---|---|---|
| Burwood East, VIC | 85,000 | 269 | 310 |
| Nedlands, WA | 74,000 | 81 | 120 |
| Sandgate, QLD[1] | 65,000 | 53 | 441 |
| Cairns, QLD[1] | 53,000 | 62 | 123 |
| Townsville, QLD[1] | 44,000 | 85 | 127 |
| | | **550** | |

### BURWOOD EAST REDEVELOPMENT – STAGE 1 CONSTRUCTION PLANNED FOR FY18:

- Construction of Stage 1 is planned to commence in FY18. The full project will:
  - be undertaken in 9 stages over a ten year period
  - involve construction of circa 350 retirement living apartments/units
- The Company is currently finalising master planning and design of stage 1




1. Former Masonic site


# 03

## Summary

# IN SUMMARY

## Regis re-affirms its FY17 guidance

- The Company re-affirms the guidance for its FY17 results provided on 24 February 2017
- Following the Dept of Health guidance to Approved Providers in September 2016 in relation to fees and charges that providers may charge, Regis has applied to the Federal Court for a declaration as to the interpretation of the legislation in order to obtain clarity in relation to this issue.
- Pending the outcome of this, Regis has made a provision in its FY17 financial accounts reducing profit by an amount equal to the ARC revenue recognised.

*Regis Townsville QLD*

# IN SUMMARY

## Regis maintains its focus on the execution of its growth strategy

- The development program continues to ramp up:
  - 211 new places were delivered in FY16 and a further 100 have been delivered in FY17 following the opening of Regis Kingswood in Adelaide in April
  - The expansion pipeline now includes 1,304 new places (1,040 net additional places)
- Following the execution of the existing development pipeline, Regis is expected to have circa 7,200 operational places by the end of FY20
- The Company maintains its focus on the execution of its growth strategy through
  - Optimisation of location (urban focus)
  - Optimisation of facility size (circa 120 places per facility)
  - Continued investment in assets in the portfolio
  - Strategies to increase income (Club and Additional Services)
  - Selective acquisition of high quality facilities or redevelopment of existing facilities
  - RAD cash inflows from developments facilitate the repayment of acquisition and development related debt

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All amounts are in Australian dollars. All references starting with 'FY' refer to the financial year ended 30 June.
For example, 'FY16' refers to the year ended 30 June 2016.

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