

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

14 November 2017

Dear Sir/Madam,

Chair and CEO Addresses to the 2017 Estia Health Ltd Annual General Meeting

Please find attached the Chair and CEO's addresses to the Estia Health Ltd AGM on 14 November 2017 as required under Listing Rule 3.13.3.

Yours faithfully,



Suzy Watson
General Counsel and Company Secretary

Estia AGM 2017 – Chairman's Address

Welcome

Good morning everyone and welcome to Estia Health's 2017 AGM.

It is very pleasing to stand here this morning at my first Estia AGM as Chairman and recap on a year of significant progress for the company and the steps we have taken to put Estia on very solid footing for future growth.

Before doing so, I would like to introduce our Board, particularly as we have some new faces.

- Mrs. Norah Barlow, CEO and Managing Director
- Mr. Andrew Harrison, an independent non-executive director and Chair of the Audit Committee
- Mr. Paul Foster, an independent, non-executive director and Chair of the Nomination and Remuneration Committee
- Mr. Warwick L. Smith, an independent, non-executive director and Chair of the Property Committee
- Ms. Helen Kurincic, an independent, non-executive director and Chair of the Risk Management Committee
- Mr. Patrick Grier, an independent, non-executive director

Warwick joined our Board in May, bringing extensive corporate and public policy experience, including as a former Federal Government Minister for Aged Care.

Helen joined our Board in July and has held a variety of executive and non-executive roles in the healthcare sector over the past 20 years, and was actively involved in healthcare government policy reform including aged care.

Both have added tremendous depth to our Board and their experience is proving invaluable as we continue to ensure Estia is well positioned for future growth, and to capture the opportunities that are arising from a more choice-driven approach to care.

I would also like to introduce members of our executive team who have joined Estia since our last AGM. If you could please stand when I call your name:

Steve Lemlin, our Chief Financial Officer. Maryann Curry, our Chief Nursing Officer. Mark Brandon, our Chief Policy and Regulatory Officer. Mary Burke, our Quality Director. Jane Murray, our People and Culture Director. Our most recent additions,

Damian Hiser, our Chief Customer Officer, and Fiona Caldwell, our Chief Information Officer.

The management and leadership changes Estia has made over the past 12 months has seen the arrival of a team of people who understand the aged care sector and its business model extremely well – a combination that is delivering positive outcomes for our residents and our shareholders.

Positive Impact

When I joined Estia as a Non-Executive Director in February 2016, the company had been through a period of rapid expansion and we recognised the business had to be stabilised, and that we needed to focus on growing the high-quality assets already in our portfolio.

As you know, we conducted a wide-ranging strategic review of the company late last year and the positive impact of that was evident in our FY17 result which Norah will take you through shortly.

We continued to divest non-core assets and focused on developing new homes which are an important source of future growth.

We made a number of capital management decisions which strengthened our balance sheet. We halved net debt and reduced our gearing significantly below our target range.

When you look at Estia's capital and funding structure -- comprising Refundable Accommodation Deposits, bank borrowings, and equity – we are in a strong position.

Strong Industry Fundamentals

We are also operating in a sector which is underpinned by very robust demand.

The number of Australians aged 65 and over is forecast to more than double by 2055¹, and the Aged Care Financing Authority (ACFA)² estimates an additional 83,500 places will be required over the next decade. The life expectancy of Australians has also dramatically improved -- females are expected to live to 84.5 years and males to 80.4

¹ Intergenerational Report 2015

² Fifth Report on the Funding and Financing of the Aged Care Sector, July 2017

years, up from 83.3 years and 78.5 years respectively a decade ago³, increasing the complexity of care required.

This demographic profile supports strong demand for aged care for decades to come but also presents some challenges for the sector, particularly around attracting and retaining quality staff, with current aged care staffing needs forecast to grow from around 360,000 now to almost one million by 2050.

Transformation

Next month marks two years since Estia listed on the Australian Securities Exchange (ASX). We are, in many respects, a transformed company.

We have renewed our Board, established a new management and executive team, and overhauled our operational processes.

Critically, we achieved the financial guidance and targets that we set in FY17 and remain confident about FY18, and reaffirm our guidance for mid-single digit percentage growth in EBITDA, subject to no material changes in market or regulatory conditions.

Continuing this momentum requires ongoing commitment and foresight. We strive to be at the forefront of the sector in terms of our operating metrics and the quality of care that we deliver, and this will remain our focus as we continue to grow shareholder returns.

Before closing, I would like to acknowledge the contribution of Non-Executive Director and our former Chairman Pat Grier, who we have announced will be retiring today.

Pat joined Estia as its Chairman just prior to the company listing on the ASX, and oversaw a very challenging period, including significant changes to the Federal Government's funding of the sector.

Pat is a widely respected healthcare veteran and we were very privileged to have him on our Board and wish him all the very best.

Finally, to our shareholders. I would like to thank you for your support as we continue to execute our growth strategy and ensure we are well placed to capture opportunities as the sector evolves.

I will now hand over Norah. Thank you.

³ ABS Australian life tables 2013-2015

Estia AGM 2017 - CEO Address

Thank you Gary.

Good morning everyone and welcome to Estia's 2017 AGM.

As Gary said, the past year has been a very busy one for Estia and we have made a great deal of progress on a number of fronts.

This time last year, I spoke predominantly about the challenges we faced and our strategy to address them. It is very pleasing to be able to report back that we have stabilised the business and have a healthy pipeline of development projects that will be a key source of future earnings growth.

Concrete Outcomes

The wide-ranging strategic review we conducted late last year has generated concrete outcomes that have lifted our operating and financial performance.

Leadership

Our Board renewal is complete and, as Gary said, we now have a Board with deep corporate and sector experience to guide us as we execute on our growth strategy and ensure we are well placed to capture future opportunities as the sector continues to grow and evolve.

We also established a new executive team, introduced by Gary earlier, and created roles with an exceptionally strong focus on quality. We appointed a Chief Nurse, a Quality Director, and a Chief Policy and Regulatory Officer. We also established the roles of Quality Manager, and Clinical Educator for each state.

In the past month, we appointed Damian Hiser to the newly created role of Chief Customer Officer to work with the Operations team to drive our lifestyle programmes, food services, and continue to improve occupancy, and Fiona Caldwell as our Chief Information Officer

We now have a team of dynamic people who understand the aged care sector and who see the opportunities within it, but also bring with them a depth of experience from other sectors which assist us, especially when looking forward to the changes in our sector in the area of consumer directed care

We have also invested a lot of time in training to improve leadership at a home level and to support the career progression of our future leaders.

All of these changes and initiatives are ultimately about driving quality outcomes across the business.

Operational Overhaul

During the year we overhauled our operational processes. This entailed conducting a detailed review of our operating systems and procurement practices with the aim of ensuring best practice and quality care, at acceptable cost metrics.

We now have a regional operational structure, rostering and staffing structures which better support the care and customer service needs of each home, and procurement processes which are more appropriate for a company of our scale.

We appointed a Head of Hospitality Management. James reports to our GM Customer Services and works closely with our team of consultant nutritionists to ensure our residents are eating balanced and nutritious meals.

We are very pleased with the progress we have made improving the way we operate, but there is more to do. We said at the outset of this process that re-establishing a company of this size and scale would likely take 12-to-18-months. We are approximately at the half-way mark, with some changes taking a little longer than expected and others taking much less time.

We undertook our first comprehensive staff engagement survey this year, conducted across every home and business unit. The results will be critical in informing the changes we make from here and what we need to improve to cement our place as the leader in this sector.

In recent months I have been visiting Estia homes with members of our senior leadership to deliver the results of the survey to staff and the highlight of these visits was undoubtedly seeing staff going about their daily jobs and doing them so well.

Development Opportunities

As Gary mentioned, we re-set our growth strategy during the year to focus on the high-quality assets within our portfolio, and growth-generating development opportunities which I will talk about in more detail shortly.

Strong FY17 Result

I would now like to take a moment to re-cap the highlights of our FY17 result.

Critically, we stabilised the business and delivered on our promise to you, our shareholders, of meeting a range of financial and operating improvements that we set ourselves at the half-year.

Our EBITDA of \$86.5 million⁴ was in line with guidance, our full-year average occupancy came in at 93.5% following a stronger second-half, we maintained staff costs which came in at 64.7% of revenue, we reduced non-wage costs, and more than

⁴ After incurring one-off costs and excluding profit from asset disposals.

halved our net debt to \$102.3 million which put our gearing ratio at 1.2 x EBITDA, significantly below our maximum gearing range of 1.5 x to 1.8 x EBITDA.

Importantly for shareholders, we declared a fully franked final dividend of 8 cents per share, representing a distribution of 100% of H2 NPAT.

We also performed strongly on a number of other key financial metrics – we grew our operating revenue 18% to \$524.6 million, NPAT⁵ grew 47% to \$40.7 million, EPS grew 21% to 18.2 cents, operational cash flow came in at \$98.1 million⁶, and our net RAD receipts were \$80.1 million.

Significant Capital Investment

We undertook a significant capital expenditure program in FY17, investing \$54.8 million to increase bed capacity and enhance our facilities.

We invested \$28.4 million to increase capacity at our greenfield sites Twin Waters on Queensland's Sunshine Coast, which opened in September, and Kogarah in South Sydney which is expected to open in March.

We also invested \$4.9 million in significant refurbishments across five homes. These homes have a total of 541 beds which are expected to be eligible for the significant refurbishment supplement later in this current financial year.

The balance of our capital was invested in purchasing land for a greenfield site in Queensland's Sunshine Cove, and on facility enhancement and maintenance.

Our capital investment program is continuing this year financial year as we invest in a combination of already committed projects and those in the advanced stages of approval, including new greenfield sites at Blakehurst in New South Wales and Maroochydore and Southport in Queensland for which land, development approvals, and bed licences have been approved.

Today we can confirm we have made a Final Investment Decision on these three development opportunities – all of which will commence in FY18.

Southport and Maroochydore will bring our total homes in the fast-growing Queensland market to eight. In NSW, we are replacing our outdated home in Blakehurst with a modern and larger facility, and will relocate residents during that period to our new home in Kogarah which is expected to open in March.

Southport, Maroochydore, and Blakehurst will increase our overall portfolio by 301 beds, which are expected to come online in late FY19, adding to EBITDA from FY20.

⁵ Includes post-tax impact of asset disposals.

⁶ Before interest, income tax, and RADs.

All of these projects will help Estia meet growing demand for high-quality facilities, services, and care, and will be a key source of future earnings growth.

As we mentioned at our full-year result in August, we will also consider the merits of smaller portfolio acquisitions or single facilities or sites to increase our capacity, should opportunities arise.

Ensuring Quality Care

Delivering the highest standard of care drives every decision at Estia from the Board right through to the home.

Those in our care, and their families, place enormous trust in us to provide an environment where they feel safe, comfortable, and happy and it is our responsibility to provide that.

Having the right policies and procedures in place, and access to new technology, are critical elements of delivering quality care, but above all you need to have quality staff who are compassionate and professional.

The overwhelming number of aged care workers in the sector fit this profile, but their professionalism is brought into question when one individual behaves in a way that is unacceptable and does not meet the high standards that we set.

Estia does not tolerate misconduct of any kind under any circumstances and while we have a very effective policy 'See Something, Say Something', and can take action against this sort of behavior, there is currently no way for us to identify an aged care worker who has engaged in misconduct in the past.

Knowing the work history and past behavior of these individuals would ensure we don't employ them and risk the safety and well being of our residents.

Earlier this month I took a public stance to call for a mechanism, such as a register, that would identify workers who have behaved inappropriately in the past and would pose a risk to residents if employed elsewhere.

This level of transparency and scrutiny is critical for the sector if we are to deliver on the high standards we set and I believe we now have a window to work towards a solution as an industry and in co-operation with the Government and regulatory agencies.

Momentum for change is building with the release of David Tune's *Legislated Review of Aged Care 2017*, and more recently the *Review of National Aged Care Quality Regulatory Processes* by Kate Carnell and Professor Ron Paterson.

The Carnell/Paterson report, for example, proposes unannounced audits for aged care operators, which we support.

The sector is under intense scrutiny, and rightly so, and I believe this scrutiny will help drive lasting and positive change.

Gender Diversity

As I mentioned earlier, attracting and retaining quality people is central to our success.

At Estia, I am very proud that we have an inclusive work place and that we embrace and promote diversity, including gender diversity.

Gender is not a barrier to participation at any level and we are committed to providing opportunities that allow women to reach their full potential.

Most aged care providers have very high numbers of women in carer, nursing, and care manager roles, but it tapers from there.

At Estia we have sought to ensure talented women are also represented at an executive level and it is extremely pleasing to say that we have more women in our executive leadership team than any other ASX200 company.⁷

Outlook

It is an exciting time to be in aged care. The sector is supported by robust demographics, with the number of people requiring care forecast to grow significantly, and with people living longer and wanting greater choice in the type of care they receive.

As Gary said, this presents challenges and opportunities and we have worked extremely hard over the past 12 months to stabilise the business and now have a very strong foundation to continue growing the business and pursue opportunities that leverage our geographic footprint and expertise.

The business is tracking well and we maintain our outlook for mid-single digit percentage growth in FY18 EBITDA, subject to no material changes in market or regulatory conditions.

Before closing, I would also like to thank Pat for his contribution. Pat's name is synonymous with health care in Australia and we have benefited from his wisdom and insights. We wish you all the very best.

I would also like to acknowledge the commitment and professionalism of our more than 7,400 staff who are integral to the success of Estia.

⁷ Chief Executive Women, Senior Executive Census 2017

Finally, I would like to thank you, our shareholders for your support and belief in our strategy and in our commitment to continue to growing returns.

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