

Estia Health

2017 Annual General Meeting

14 November

Estia 
Health





Estia 
Health

Estia Health

2017 Annual General Meeting

14 November

Norah Barlow, Chief Executive Officer and Managing Director

FY17 REVIEW OUTCOMES

Leadership Renewal

- Board renewal completed, new KMP and executive team established
- Home Leadership Development/Emerging Leader Programmes

Operational Overhaul

- Re-aligned management with regional areas of responsibilities
- Reviewed rostering and staffing structures to ensure best practice, quality care at acceptable cost metrics
- Reviewed allied health contracts
- Appointed Head of Hospitality
- Completed comprehensive procurement review, covering non-wage cost suppliers, and inventory management
- Financial & operational reporting, benchmarking, analytics, KPI reporting replaced
- Further improvements to be implemented

Development Opportunities

- Reset growth strategy to focus on high-quality assets within portfolio, and growth-generating development opportunities



DELIVERED ON OUR TARGETS

Outlook Provided	Outcome Achieved
Guidance for FY17 EBITDA of \$86.0m – \$90.0m reconfirmed	\$86.5m
Occupancy expected to rise from 93.0% in H1 to 93.9% in H2 and full year average of 93.4%	94.0% in H2 and 93.5% full year average
Reduction in ACFI rates from Government funding changes effective 1 Jan 2017 to be offset by higher revenue from additional services and improved occupancy rates in low-performing homes	Less than \$0.40 POBD fall in total revenue in H2, and Q4 Rate improved above H1 by \$0.90 POBD
Staff costs expected to be maintained at ~64% of revenue	Full Year Staff Costs 64.7% of revenue
Operating costs reductions expected to deliver ongoing savings	Non-Wage Costs (excluding facility rental costs) reduced by \$4.30 POBD from H1 to \$44.20 POBD in H2 (17.0% of revenue)
Estia's future dividend policy will be to pay at least 70% of net profit after tax for the period to which the dividend relates ¹	Fully franked final dividend of 8 cents per share declared representing a distribution of 100% of H2 NPAT.
Projected gearing ratio at 30 June 2017 at lower end of target maximum gearing range of 1.5x - 1.8x EBITDA	Net debt reduced to \$102.3m; gearing ratio 1.2x 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.

FY17 FULL YEAR FINANCIAL OVERVIEW

\$524.6m

OPERATING REVENUE

Up 18% on FY16

\$86.5m

EBITDA¹

In line with guidance

\$40.7m

NPAT²

Up 47% on FY16

\$98.1m

OPERATIONAL CASHFLOW³

EBITDA Conversion of 113%

\$102.3m

NET DEBT

Gearing Ratio 1.2x EBITDA

18.2 cents

EARNINGS PER SHARE

Up 21% on FY16

- EBITDA¹ of \$86.5m has been achieved in line with guidance. This is after incurring one off-costs, and excludes profit from asset disposals
- NPAT² of \$40.7m has been achieved for the year, ahead of FY16 by 47%,
- Net RAD receipts were \$80.1m in FY17, \$41.4m in H2

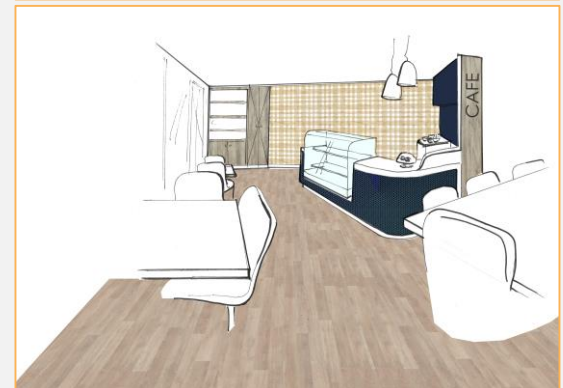


1. A reconciliation of operating profit to EBITDA is presented in Appendix D. EBITDA is stated inclusive of non-recurring costs and costs associated with restructuring of approximately \$3.5m and excludes net profits from asset disposals of \$1.0m.
2. NPAT includes the post-tax impact of asset disposals.
3. Operational cash flow before interest, income tax and RADs.

SIGNIFICANT CAPITAL INVESTMENT

\$54.8M Capital Investment in FY17

- \$28.4m of **capacity expansion** at greenfield sites of Twin Waters and Kogarah to drive incremental earnings from FY19
- \$4.9m of **significant refurbishments** covering 5 homes (541 beds) has been incurred and are expected to be eligible for the significant refurbishment supplement, once approved, in FY18
- \$6.5m of **land purchase** at Sunshine Cove (QLD) for future greenfield site
- \$15.0m for **maintenance capex and facility enhancement** to drive performance improvement in the portfolio



Pictures/images: Twin Waters

DEVELOPMENT UPDATE

- **Final Investment Decision** on Southport (QLD), Maroochydore (QLD), and Blakehurst (NSW), commencing in FY18
- Southport and Maroochydore to bring total homes in **fast-growing QLD market** to eight.
- Outdated Blakehurst home to be replaced with **modern, larger facility**. Residents to relocate to new Kogarah home (expected to open in March) in interim.
- Three developments to increase overall portfolio by 301 beds, expected to come online late FY19, **adding to EBITDA from FY20**.



Estia Health Kogarah



Estia Health Blakehurst

ENSURING QUALITY CARE

- Delivering highest standard of care drives every decision from Board through to home
- Right policies and procedures, access to new technology are critical, but above all, need quality staff
- Currently no mechanism to identify care workers with prior history of misconduct
- **Register** would identify workers with prior history, ensure they are not re-employed
- National approach required in co-operation with industry, governments, regulators, backed by legislation
- **Momentum for change is building** - *Legislated Review of Aged Care*, by David Tune AO; *Review of National Aged Care Quality Regulatory Processes* by Kate Carnell AO/Professor Ron Paterson ONZM



GENDER DIVERSITY

Gender Is No Barrier

- Attracting, retaining quality people integral to success
- Estia workplace is inclusive, embraces and promotes diversity
- Gender not a barrier to participation at any level
- Estia has more women at executive level than any other ASX200 company
- Important to encourage men in female-dominated environment



OUTLOOK



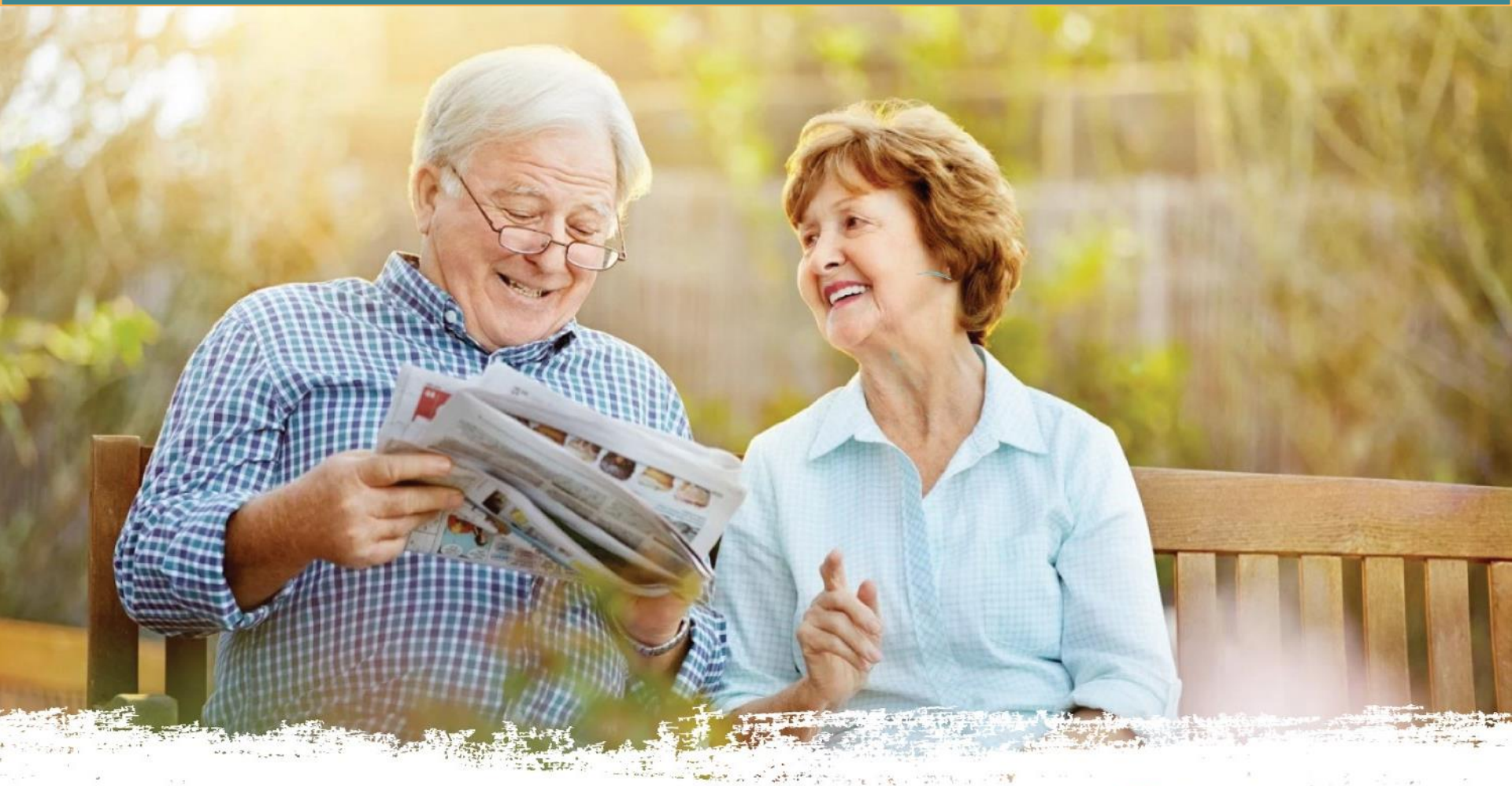
Strong fundamentals

- Sector supported by robust demographics
- Number of people requiring care forecast to grow significantly
- People living longer

EBITDA outlook

- Business is tracking well
- Estia maintains outlook for mid-single digit percentage growth in EBITDA in FY18, subject to no material changes in market or regulatory conditions.

Questions



Estia Health

2017 Annual General Meeting

Thank you for attending

Estia 
Health

