# REGIS HEALTHCARE LIMITED

## Results for the half year ended 31 December 2017


Regis Chelmer Qld

23 February 2018

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# CONTENTS



23 FEBRUARY 2018

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# 01

## Business and financial highlights 1H FY18

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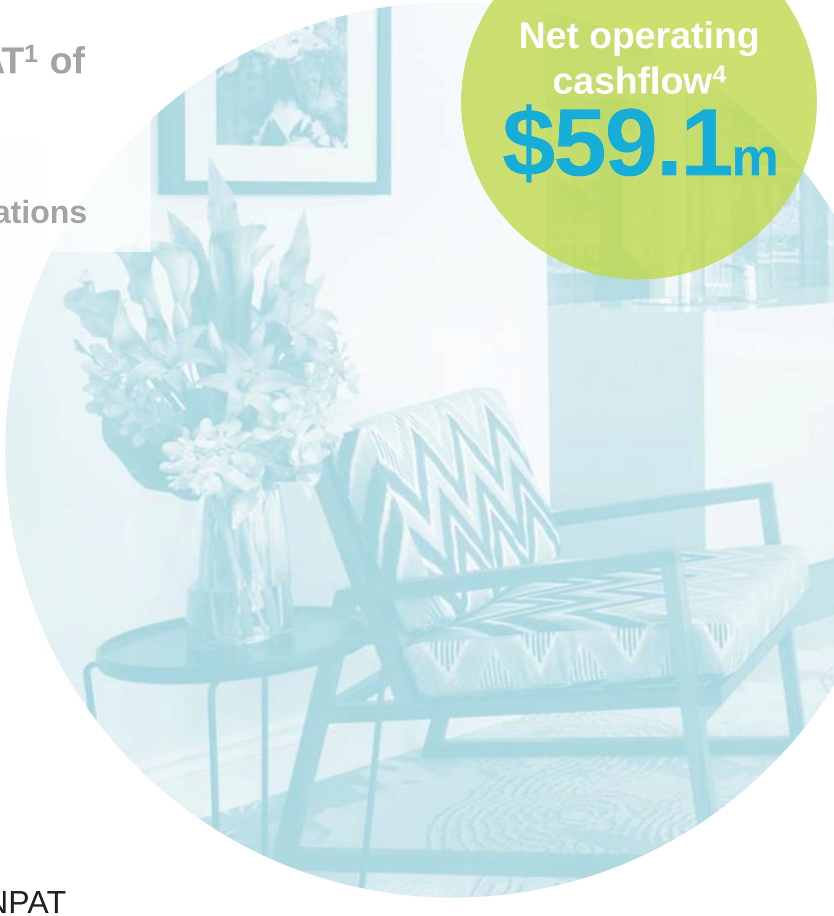
# RESIDENT CARE AND SERVICES

Regis Healthcare is one of Australia's leading private aged care providers and delivers quality care including innovative ageing in place, residential, respite, dementia and palliative care to help residents live well.

# FINANCIAL HIGHLIGHTS 1H FY18

## Strong operational management has underpinned EBITDA and NPAT



**Net operating cashflow[4]**

**$59.1m**

| Revenue of | Normalised EBITDA[1] of | Normalised NPAT[1] of |
|---|---|---|
| **$297m** | **$61.0m** | **$30.5m** |
| 4% higher than 1H FY17 | In line with 1H FY17 | In line with expectations |

- Revenue increase resulting from
  - Growth initiatives including the Presbyterian Care Tasmania acquisition
- Normalised EBITDA broadly in line with prior year
  - Improvements in earnings from greenfield developments in later stages of ramp up, income initiatives and strong cost control
  - Impacted by lower occupancy and the effect of the cuts to residential aged care funding
- Normalised NPAT in line with expectations and includes increased depreciation and interest expense
- Net RAD cashflow of $23.2m[2], consistent with 2H FY17. Net RAD cashflow from greenfield developments in line with expectations and continuing to increase
- Capital expenditure of $143.3m[3]
- Average occupancy of 93.1%
- Fully franked interim dividend of 9.28 cents per share declared, 100% of reported NPAT

1. 1H FY18 results have been normalised to remove the one off impact of the acquisition costs associated with the Presbyterian Care Tasmania acquisition. Refer to the Glossary in Appendix A for definitions and Appendix E for the reconciliation of reported to normalised results, which have been prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information
2. Includes $0.7m contribution from Independent Living Units (ILUs)
3. Capital expenditure on developments, acquisitions, significant refurbishment and other projects
4. Net cashflow before investing and financing activities excluding $32.2m Government funding received in advance, Refer Appendix C

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# KEY OPERATIONAL STATISTICS

## Operations performed well in the face of Industry headwinds

| KEY OPERATIONAL STATISTICS[1] | 1H FY17 Reported | 2H FY17 Reported | FY17 Reported | 1H FY18 Normalised[2] | |
|---|---|---|---|---|---|
| Total operational places | 6,027 | | 6,029 | 6,436 | Increase reflects the opening of Regis Chelmer, QLD and the Presbyterian Care Tasmania acquisition |
| Revenue ($m) | 284.7 | 280.8 | 565.5 | 297.0 | Uplift from growth initiatives offset by government funding cutbacks and occupancy pressure |
| EBITDA ($m) | 61.8 | 61.8 | 123.6 | 61.0 | |
| Average occupancy percentage[3] | 95.3% | 94.4% | 94.9% | 93.1% | Reflects industry experience |
| Occupancy percentage at end of period | 94.7% | | 94.9% | 92.5% | Current occupancy as at 21 February 93.5% |
| Revenue per occupied bed day[3] | $281 | $281 | $281 | $284 | |
| Government income per occupied bed day[3] | $197 | $197 | $197 | $197 | |
| Resident income per occupied bed day[3] | $78 | $79 | $78 | $80 | |
| Staff costs per revenue percentage | 63.2% | 63.3% | 63.3% | 66.1% | Excluding the change arising from the insourcing of cleaning services, this would be 65.0% |
| RADs held (#)[4] | 2,443 | | 2,430 | 2,469 | Reflects new Facilities ramping up and occupancy pressure at steady state Facilities |
| RADs held ($)[5] | $850.9 | | $869.6 | $906.8 | |
| Average RAD held ($000's)[6] | $348.3 | | $357.9 | $367.3 | Continues to reflect contribution from new Club Services facilities |
| Average incoming RAD ($000's)[6] | $454.7 | | $455.6 | $464.8 | |
| Average incoming DAP rate[7] | $38.40 | | $42.25 | $41.61 | For combination payments the average % DAP paid is 55% |

1. As per Glossary definitions unless otherwise noted
2. As per definition Glossary (Appendix A) – refer Appendix E for reconciliation between Reported and Normalised results
3. Average across the reporting period (12 months or 6 months)
4. Includes all RADs held – full and partial at their weighted value
5. Excludes ILU resident entry contributions
6. Includes partial RADs at full notional value and excludes lump sums received from partially supported residents
7. Includes full and partial DAPs at actual value and excludes daily accommodation contributions received from partially supported residents

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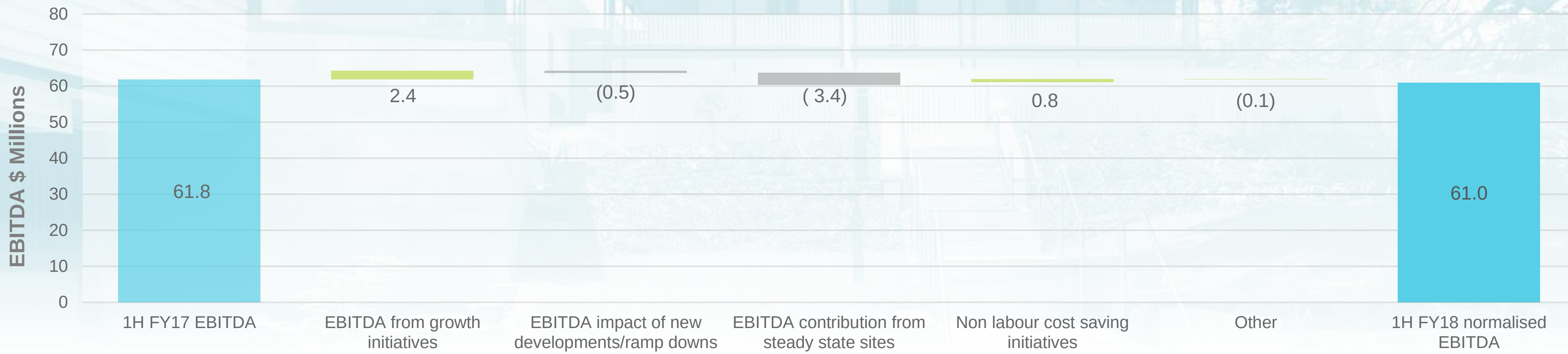
# EARNINGS HIGHLIGHTS

## As anticipated, EBITDA results impacted by cuts to residential aged care funding

- 1H FY18 EBITDA compared to 1H FY17 reflects:
  - The impact of the cuts to residential aged care funding
  - Contributions from growth initiatives including acquisitions and the following recently opened Facilities (North Fremantle, WA and East Malvern, VIC)
  - Cost management initiatives, including the insourcing of cleaning services
  - The impact of lower occupancy, experienced industry wide, resulting from more virulent influenza and gastroenteritis than usual
- Earnings from new developments are in line with expectations
- Staffing expenses were higher than 1H FY17 as a % of revenue. The increase from 1H FY17 to 1H FY18 was $16.1m in total. This comprised:
  - $0.7m for the "steady state" Facilities (EBA increases offset by prudent cost management)
  - $11.5m for ramping up, ramping down and acquired Facilities
  - $3.3m for cleaning services. Previously, when the service was outsourced the cost was included in resident care expenses, but is now included under labour. A circa $0.8m saving was achieved through this exercise
  - the balance relates to changes in the non residential aged care businesses and administration

### SIGNIFICANT 1H FY18 EBITDA MOVEMENTS COMPARED TO 1H FY17[1]




1. Note – all 1H FY18 figures are based on normalised results. Refer Appendix A for glossary and Appendix E for reconciliation between reported and normalised results

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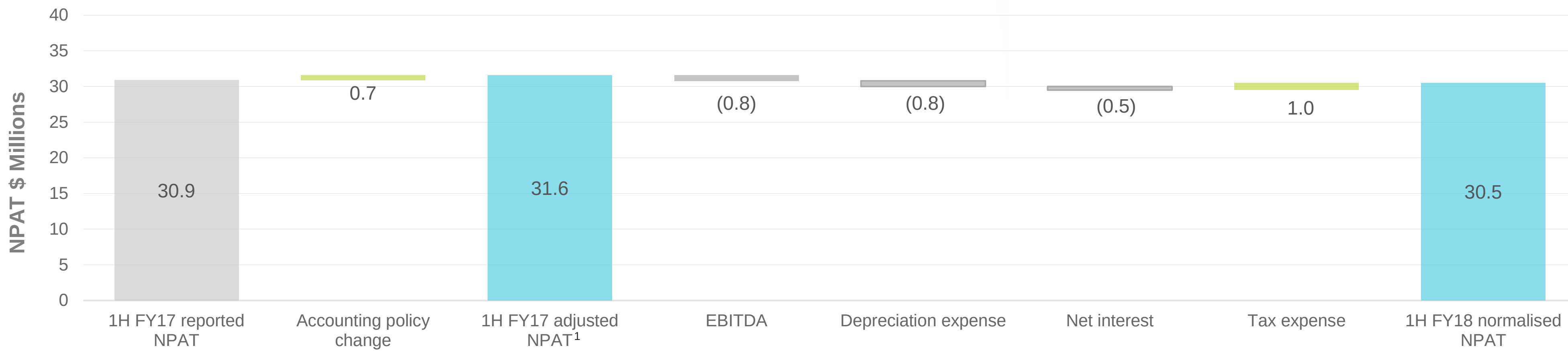
# PROFIT HIGHLIGHTS

## NPAT reflects investment in greenfield developments

- Normalised NPAT was in line with expectations
- Depreciation and interest expenses will continue to increase as new places are opened as a result of the completion of greenfield developments
- Effective tax rate of circa 30%


### SIGNIFICANT 1H FY18[1] NPAT MOVEMENTS COMPARED TO 1H FY17



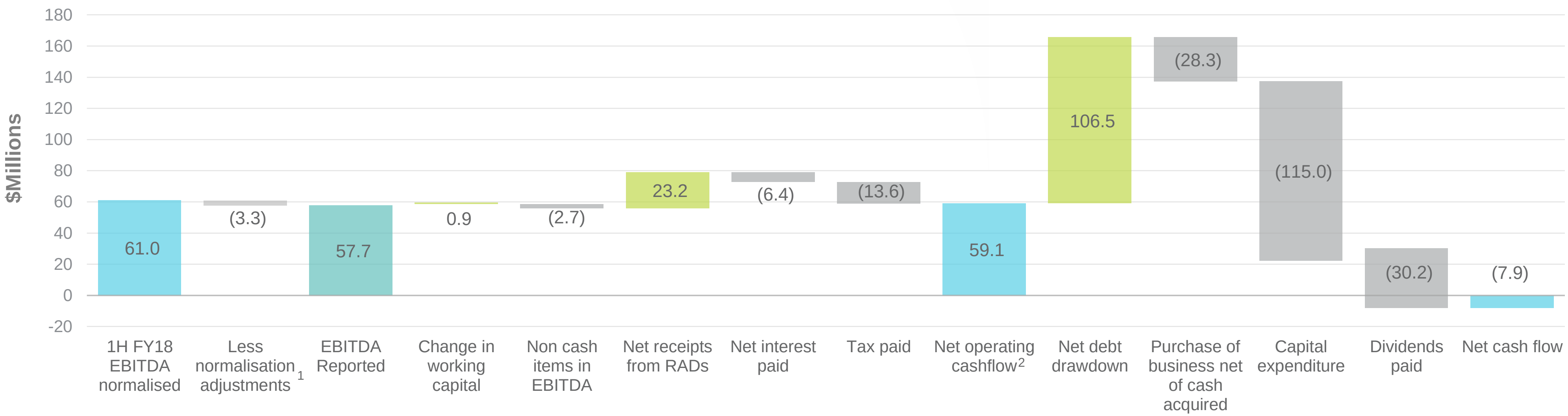

1. As per definition glossary (Appendix A)

# CASHFLOW HIGHLIGHTS

## Strong capex on greenfield developments funded by debt and net operating cashflow

- Net operating cashflow of $59.1m underpinned by:
  - EBITDA of $61m
  - Net RAD cashflow of $23.2m:
    - The contribution from the Facilities ramping up is on track
    - The level of average incoming RADs has increased to $464.8k compared to an average of $458.3k in the prior 6 months and $455.6 for FY17
- Key investment activities included total capex on development, significant refurbishment, land and other projects of $115.0m, plus $28.3m related to the acquisition of Presbyterian Care Tasmania
- Future RAD cashflows from development sites under construction will be used to repay debt drawn for development capex

## KEY 1H FY18 CASHFLOW MOVEMENTS




1. As per definition in Glossary, Appendix A
2. $32.2m of Government Funding was received in advance in December that relates to January. This has been excluded from the net cashflow for the period. Refer Appendix C for 1H FY18 adjustments

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# NET RAD CASHFLOW

## Significant RAD cashflow anticipated from new Facilities from the development pipeline

- Net RAD cashflow for 1H FY18 was $23.2m, which is consistent with the $23.7m for 2H FY17
  - For 1H FY18 net RAD cashflow from the new Facilities from the development pipeline is in line with expectations
    - RAD payers are still a large % of our resident profile for recently opened Facilities
    - As more new Facilities[1] open as a result of the development pipeline (three to open in 2H FY18 delivering a further 381 new places with a further three under construction and due to open in 1H FY19) RAD cashflow will continue to increase
    - Net RAD cashflow in the range of $250m - $300m is anticipated to come from new Facilities from the development pipeline as they ramp up, which will be used to pay down debt
    - The contribution to net RAD cashflow from these new Facilities is far more significant than from the steady state facilities
  - Lower occupancy from more virulent influenza and gastroenteritis than usual has had an impact on net RAD cash flow from steady state sites
- The profile of incoming residents who fund their own accommodation is consistent with prior periods, with 55% full RAD paying, 37% combination payments and 8% DAPs
- Average incoming RAD of $465k is above the prior period and reflects the higher levels of room pricing at recently opened Facilities

1. New Facilities from greenfield developments which have opened consist of Nth Fremantle, East Malvern, Kingswood and Chelmer (which opened on 4 Dec 2017). Sites to be opened in 2018 include Burnside, Woodlands, Nedlands, Lutwyche, Port Coogee and Elermore Vale.
2. $300m = Circa 770 new places assuming 65% RAD payers at an average incoming RAD of $460k, plus estimated additional RAD cashflow from the four Facilities that are currently ramping up being North Fremantle, East Malvern, Kingswood and Chelmer . The 770 new net additional places relate to the Burnside, Woodlands, Nedlands, Lutwyche, Port Coogee and Elermore Vale Facilities which are due to open in 2018.

# RESIDENT PROFILE

## Profile of RAD / DAP mix and combination payments is reasonably consistent with prior periods

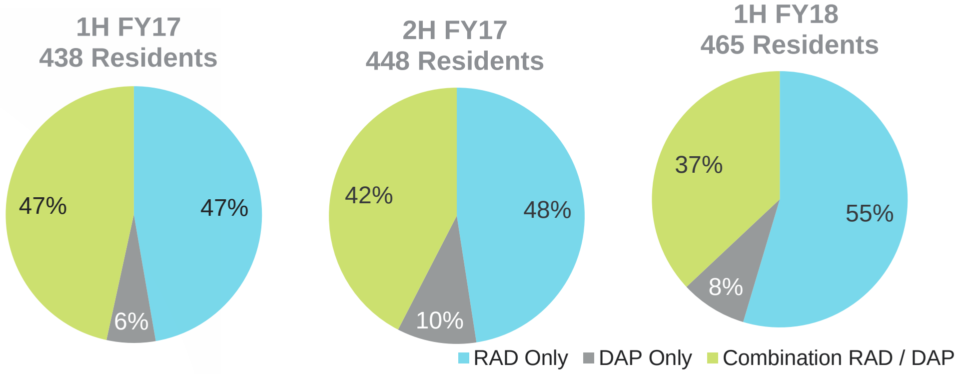
- As at 31 December 2017, 45.4% of the portfolio were paying a RAD (in part or in full), which was consistent with 31 December 2016, which was 45.5%
- For 1H FY18 year, the % split of incoming permanent non-concessional residents was 55% RAD, 8% DAP and 37% combination. This reflects the greater number of residents entering care in the new Facilities ramping up
- The Significant Refurbishment program now has circa 1,900 eligible residents living in an enhanced environment and receiving the higher supplement[2]

## RESIDENT TENURE STATISTICS

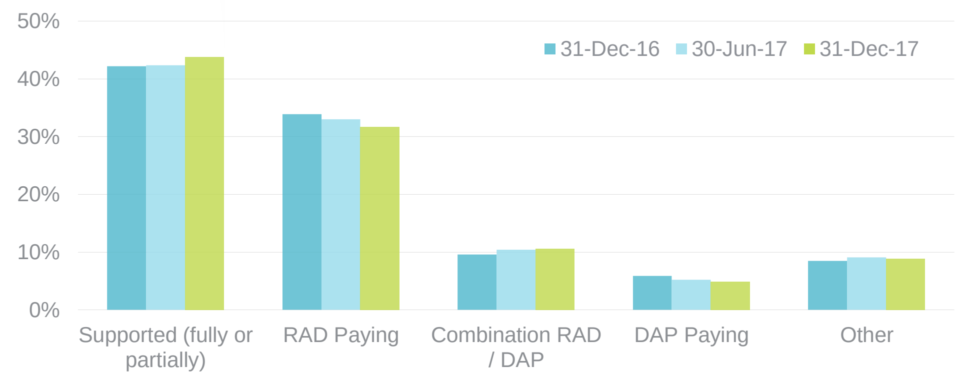
| | 31 December 2016 | 31 December 2017 |
|---|---|---|
| Resident tenure[3] | 2.38 years | 2.37 years |
| Average duration of stay[4] | 2.88 years | 2.81 years |

- Tenure statistics have not materially moved

## PROFILE OF ACCOMMODATION PAYMENT TYPES FOR INCOMING RESIDENTS[1]




## CHANGE IN TOTAL RESIDENT PROFILE[5]




1. Permanent, non supported residents based on the Aged Care Act for those entering care after 1 July 2014
2. As at 31 December 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. All residents, as at end of period. Note DAP paying group includes pre 1 July 2014 Accommodation Charge paying residents

# 02

## Portfolio Overview and Growth Strategy


Regis Kingswood SA

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# PORTFOLIO OVERVIEW

## Regis continues to execute its growth strategy

| As at 23 February 2018 | Total |
|---|---|
| Number of Facilities | 58 |
| Total places | 8,323 |
| Total operational places | 6,489 |
| Total bedrooms | 5,779 |
| % operational places in single bedroom | 83% |
| % single bedrooms | 93% |
| Average Facility size (number of operational places) | 112 |
| Club Services Facilities | 17 |
| Facilities approved as Significantly Refurbished[1] | 33 |

- The Regis Chelmer, QLD development project opened in December 2017 adding 120 operational places to the portfolio
- The Regis Burnside development was opened in February, contributing 117 new places and a net 53 new places
- Significant refurbishment of the three Facilities acquired from Presbyterian Care Tasmania is underway and anticipated to be completed during 2H FY18

**Total operational places**
**6,489**
**58 Facilities**

### REGIS FACILITY NETWORK


1. The total Regis Facilities approved as Significantly Refurbished including Club Services Facilities is 41. The number in the table is provided net of Club Services facilities to support modelling due to the low number of qualifying residents in those facilities. Qualifying Supported residents receive a Higher Accommodation Supplement under the Aged Care Legislation at these Facilities.

# CONSISTENT GROWTH STRATEGY

## Taking advantage of industry growth and consolidation to leverage existing portfolio

### GROWTH STRATEGY – FOUR LEVERS

**Acquisition of single Facilities**

- Regis has acquired three single Facilities since November 2014, adding 444 places to the portfolio
- We continue to 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 assess opportunities that meet our criteria (as above)
- Masonic Care, QLD portfolio of 711 operational places completed in late FY16
- Presbyterian Care, TAS acquisition of 287 places across three Facilities completed on 1 August

**Brownfield Redevelopment**

- The company has a program in place to undertake expansion and redevelopment of its assets, including Significant Refurbishment
- 257 places have been taken offline since listing in advance of redevelopment to improve the portfolio quality. Of these, 225 have now been reopened in the portfolio

**Development of Greenfield Facilities**

- Regis continues to be active in positioning itself for 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
- 352 provisional allocations from the last ACAR further supports this strategy, bringing the total number of provisional allocations and offline places available for future development to 1,834

**1,770** additional operational places since listing[1]

**1,834** places available for future development

1. Starting from 4,719 as at 29 August 2014

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# 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*

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# GROWTH STRATEGY

## The expansion pipeline now includes 1,245 new places

The following changes have occurred to the expansion pipeline since the previous growth update:

| EXPANSION PIPELINE UPDATE | Total New Places | Net New Places |
|---|---|---|
| **Reported in 30 June 2017 Results Presentation[1]** | **1,482** | **1,303** |
| Opened – Regis Chelmer, QLD | 120 | 120 |
| Opened – Regis Burnside[2], SA | 117 | 53 |
| **Total places opened** (removed from expansion pipeline) | **237** | **173** |
| **Total development places as at 23 February 2018** | **1,245** | **1,130** |
| Balance – places available for future development projects not yet included in the expansion pipeline | 589 | |
| **Places available for development** | **1,834** | |

**1,245** new places in the pipeline

*Artists Impression Regis Inala VIC*

1. Dated 25 August 2017
2. Referred to as Regis Linden Park stage 1 in previous presentations

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# EXPANSION PIPELINE – GREENFIELD DEVELOPMENTS

## Status of current and planned developments

**3**
**Developments Opening in 2H FY18[1]**

| Development | Total new places | Net additional places | Club Services | Land held | Development approval | Provisional Allocations /Licences in hand | Expected construction start | First resident expected | Milestone update |
|---|---|---|---|---|---|---|---|---|---|
| Regis Woodlands, WA | 123 | 123 | ✓ | ✓ | ✓ | ✓ | Underway | Q3FY18 | Construction 100%, opening shortly. Previously communicated to open FY19 |
| Regis Nedlands, WA[2] | 141 | 141 | ✓ | ✓ | ✓ | ✓ | Underway | Q4FY18 | On track, construction nearing completion |
| Regis Elermore Vale, Newcastle, NSW | 120 | 120 | | ✓ | ✓ | ✓ | Underway | 1HFY19 | Construction > 75% |
| Regis Port Coogee, WA | 139 | 139 | ✓ | ✓ | ✓ | ✓ | Underway | 1HFY19 | Construction > 75% |
| Regis Lutwyche, QLD | 130 | 130 | ✓ | ✓ | ✓ | ✓ | Underway | 1HFY19 | Construction > 75% |

**5**
**Developments under construction**

(continues following page)

1. Including Regis Burnside, which opened in February 2018
2. Formerly known as Regis Park prior to closure for redevelopment

# EXPANSION PIPELINE – GREENFIELD DEVELOPMENTS

## Status of current and planned developments (continued)

Total new places **1,245**

| Development | Total new places | Net additional places | Club Services | Land held | Development approval | Provisional Allocations /Licences in hand | Expected construction start | First resident expected | Milestone update |
|---|---|---|---|---|---|---|---|---|---|
| Regis Camberwell, VIC | 90 | 90 | ✓ | ✓ | ✓ | Partially | FY19 | FY20 | Development approval received |
| Regis Palm Beach, QLD | 150 | 150 | ✓ | ✓ | | Partially | FY19 | FY20 | Development approval process underway |
| Regis Inala, VIC Stage 1 | 202 | 126 | ✓ | ✓ | ✓ | Partially | FY19 | FY21 | Development approval received, Yana wing closed. Civil works starting FY18 |
| Regis Greenmount, WA – Stage 2 | 150 | 111 | ✓ | ✓ | ✓ | Partially | | | Timing to be confirmed following the mobilisation of the other WA developments |
| **Total** | **1,245** | **1,130** | | | | | | | |

Net additional places **1,130**

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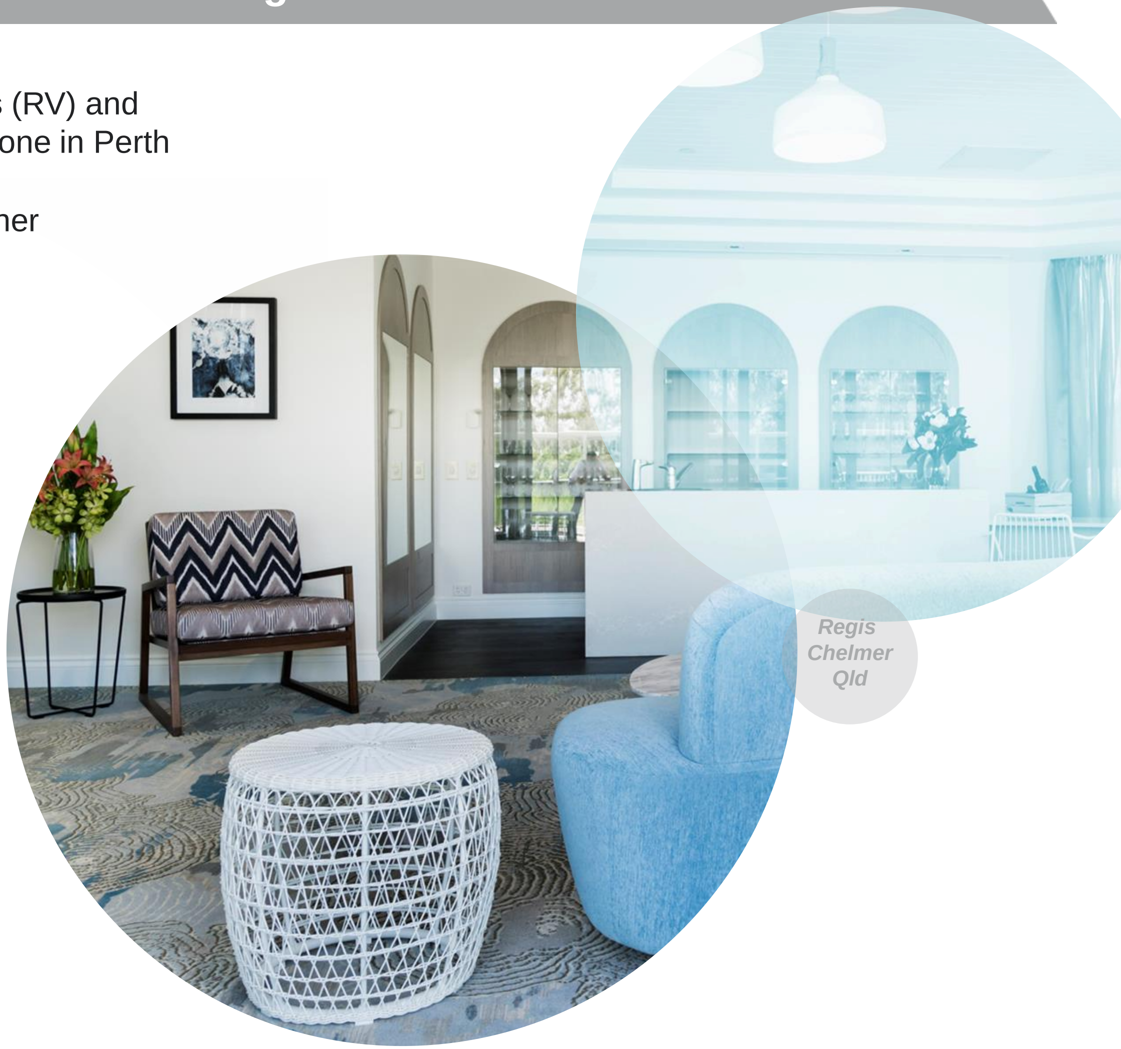
# RETIREMENT LIVING STRATEGY UPDATE

## 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) since 2007, one in Melbourne and one in Perth
- The acquisition of the Masonic Care business 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, offering a continuum of care to residents
- Through redevelopment, the company will unlock value
- It is anticipated that this business will be a modest addition to earnings and the Regis portfolio in the near term



*Regis Chelmer Qld*

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# RETIREMENT LIVING STRATEGY UPDATE

## Status of current and planned retirement living developments

| | Total Project | | | | | | Current Stage | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Retirement Living Development** | **Total site area (sqm)** | **Existing co-located Aged Care** | **Current # Units** | **No. Stages** | **Planning Approval** | **Planned new RV Units (circa)** | **Stage #** | **Expected construction start** | **First resident expected** | **Milestone update** |
| Burwood East, VIC | 85,000 | ✓ | 269 | 9 | ✓ | 350 | 1 | 2018 | FY21 | • Masterplan finalised<br>• Undertaking detailed design for Stage 1<br>• Market research to review commercial options for residents underway<br>• Civil works have commenced |
| Nedlands, WA | 74,000 | ✓ | 81 | 9 | | 320 | | | | • Masterplanning underway<br>• Anticipate lodging for Planning Approval in FY18 |
| **Total** | | | | | | **670** | | | | |

**Total new RV Units**
**670**

# DEBT

## Debt increase driven by Presbyterian Care Tasmania acquisition and developments

- Debt increase driven by Presbyterian Care, TAS acquisition and the development pipeline, which has five Facilities currently under construction
- The company anticipates \$250m - \$300m[3] of net RAD cashflow to come from development sites which have been opened but are ramping up and those which are presently under construction. This will be used to pay down debt

Core debt to EBITDA **0.8x**

### SUMMARY – DEBT POSITION

| \$ million | As at 30 June 2016 | As at 30 June 2017 | As at 31 Dec 2017 | Comment |
|---|---|---|---|---|
| Core debt | 64.1 | 53.9 | 94.6 | Core debt is repaid by net RAD cashflow and surplus operating cashflow.<br>• The increase is from the Presbyterian Care acquisition ~\$30m<br>• The opening of Chelmer development meaning capex and land value has been moved from development debt to core debt |
| Core debt to EBITDA (x) | 0.6x | 0.5x | 0.8x | |
| Development debt – Aged Care[1] | 120.7 | 176.8 | 244.0 | Development debt is moved into "core debt" once a new development site is opened.<br>Increase driven by the five facilities under construction |
| Development debt – RVs[1] | 0 | 2.8 | 9.3 | RV related development debt is repaid via proceeds from RV sales.<br>Increase driven by commencement of work at the Inala site in Melbourne |
| **Total Net Debt** | **184.8** | **233.5** | **347.9[2]** | |

- Total debt of \$347.9m is well within current facility limit of \$515m
- Core debt to EBITDA ratio is 0.8x

1. Development debt is defined as the total value of work in progress at the end of the period shown in Section 3 "Assets and Growth" in the Groups statutory financial reports
2. Net debt as at 31 December 2017 excludes the \$32m of Government funding that was received in advance in December 2017, that relates to January 2018
3. Refer footnote 2 on page 8 for the assumptions in this calculation

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# 03

# Summary and Outlook

# 1H FY18 SUMMARY

**Solid financial performance continued in 1H FY18 despite cutbacks to residential aged care funding**

## 1H FY18 PERFORMANCE

- Normalised EBITDA of $61.0m and Normalised NPAT of $30.5m due to growth initiatives and operational performance, which were impacted by the cuts to residential aged care funding and industry wide occupancy pressure:
  - Average revenue per resident per day was $284 in 1H FY18 compared to $281 in FY17
  - Strong cost control and initiatives including insourcing cleaning
- Fully franked interim dividend declared of 9.28 cents per share, 100% of reported NPAT
- Net operating cashflow of $59.1m and net RAD cashflow of $23.2m impacted by occupancy pressure
- Net debt of $347.9m following capex investment of $143.3m in acquisitions and developments
- Development activities continue as per the Company's growth strategy:
  - 173 net new places were delivered with the opening of the Chelmer Facility, QLD and the Burnside Facility, SA
  - The expansion pipeline includes 1,130 net additional places


*Regis Chelmer Qld*

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# FY18 OUTLOOK

## 2H FY18 Normalised EBITDA anticipated to be broadly in line with 1H FY18

### FY18 OUTLOOK

- The Company's development pipeline will deliver three greenfield developments[1] in the second half, each being completed earlier than scheduled
  - Consequently the company will incur additional mobilisation costs, additional interest expense and increased depreciation as a result of this in FY18
  - These Facilities are each anticipated to make a positive contribution to earnings in FY19
  - The earlier openings are anticipated to have a positive impact on the net RAD cashflow during the second half, which will also be positively impacted by the four Facilities already opened in the last 18 months, which are still ramping up
- 2H FY18 normalised EBITDA is anticipated to be broadly in line with the1H FY18 result
- FY18 normalised NPAT is anticipated to be in the range of $56m to $58m
  - This excludes the one off impact of the Presbyterian Care transaction costs anticipated to be $3.5 - $4 million EBITDA and $2.7- $3 million NPAT from transaction costs (such as stamp duty, integration and acquisition related expenses) in FY18
- As per previous guidance:
  - Interest expense will increase in line with increased investment in development and depreciation will also increase on the opening of new Facilities
  - Net RAD cashflow for FY18 is expected to exceed FY17

1. Regis Burnside, Regis Woodlands, Regis Nedlands


# 04

## Appendices

# APPENDIX A

## Glossary

| | |
|---|---|
| **Reported** | Agrees to or is derived from the results contained in Regis' annual or half year statutory financial reports. |
| **Normalised** | Normalised results are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information. In 1H FY2018 Normalisations were made to the Reported information to assist readers to better understand the financial performance of the underlying business and these Normalised results have been used as the basis for comparison, ie Revenue, EBITDA, NPAT and Cash Flow comparisons are to Normalised 1HFY18 results – refer to Appendix E for the reconciliation of Reported to Normalised results.<br><br>1H FY17 Revenue, EBITDA and NPAT are on the basis of Reported IFRS financial information, as there were no activities requiring Normalisations during this period. |
| **1H FY2017 Adjusted** | The 1H FY2017 comparative period Reported results have been adjusted as set out below.<br><br>During the year ended 30 June 2017, the Group re-assessed its method of valuing investment property (consisting primarily of its retirement living properties) after initial recognition. Certain 1H FY2017 comparative amounts (including depreciation expense of $0.7m) presented in the 31 December 2017 statutory financial report have been adjusted from the amounts presented in Regis' 31 December 2016 statutory financial report as a result of this change in accounting policy. Refer to Note 6.2 of the 31 December 2017 statutory financial report for further information. |
| **1H FY2018 Normalised** | Agrees to or is derived from the results contained in the 31 December 2017 statutory financial report, normalised to exclude one off acquisition costs related to the acquisition of the Pres Care business.<br><br>Refer to Appendix E for a reconciliation of Reported 1H FY2018 results to Normalised 1H FY2018 results for Revenue, EBITDA, NPBT and NPAT. |
| **COPE** | Commonwealth Own Purpose Expenses Indexation |
| **DAP** | A Daily Accommodation Payment |

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# APPENDIX B

## Income Statement

| ($ millions) | 1H FY2017 Adjusted[1] | 2H FY2017 Reported | FY2017 Reported | 1H FY2018 Normalised[2] | Variance 1H FY2017 Adjusted to 1H FY2018 Normalised |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Government revenue | 199.9 | 196.9 | 396.8 | 207.3 | 4% |
| Resident revenue | 79.5 | 78.6 | 158.1 | 83.9 | 5% |
| Other revenue | 5.3 | 5.4 | 10.7 | 5.9 | 10% |
| **Revenue** | **284.7** | **280.8** | **565.5** | **297.0** | **4%** |
| Less interest income[3] | (0.3) | (0.3) | (0.6) | (0.2) | (20%) |
| **Total Income excluding interest** | **284.4** | **280.5** | **564.9** | **296.8** | **4%** |
| **Operating Expenses** | | | | | |
| Staff expenses | (180.0) | (177.9) | (357.9) | (196.2) | 9% |
| Resident care expenses[4] | (21.0) | (19.4) | (40.4) | (17.1) | (18%) |
| Administration & fixed facility expenses | (13.6) | (12.8) | (26.4) | (13.7) | 1% |
| Occupancy expenses | (8.0) | (8.6) | (16.6) | (8.8) | 9% |
| **Total operating expenses** | **(222.6)** | **(218.7)** | **(441.3)** | **(235.8)** | **6%** |
| **EBITDA** | **61.8** | **61.8** | **123.6** | **61.0** | **(1%)** |
| Depreciation and amortisation | (13.2) | (16.3) | (29.5) | (14.0) | 6% |
| **EBIT** | **48.6** | **45.5** | **94.1** | **47.0** | **(3%)** |
| Net interest[3] | (3.4) | (3.0) | (6.4) | (3.9) | 14% |
| **Net profit before tax** | **45.2** | **42.5** | **87.7** | **43.1** | **(5%)** |
| Income tax expense | (13.6) | (13.0) | (26.6) | (12.6) | (7%) |
| **Net profit after tax (NPAT)** | **31.6** | **29.5** | **61.1** | **30.5** | **(3%)** |

1. As per definition, Glossary (Appendix A)
2. As per definition, Glossary (Appendix A) - refer to Appendix E for reconciliation between 1H FY2018 reported and 1H FY2018 normalised results
3. Net interest includes interest expense less interest income. For financial reporting purposes, revenue includes interest income. In the table above this interest income has been included in the "Net interest expense" line in order to be able to correctly show EBITDA and EBIT excluding net interest.
4. In FY2017 Resident care expenses included external cleaning cost. In FY2018 the majority of cleaning has been insourced with the cleaning labour now included in Staff expenses

# APPENDIX C

## Cash Flow Statement

| ($ millions) | 1H FY2017[2] | 2H FY2017 Reported | FY2017 Reported | 1H FY2018 Reported | Funding received in advance | 1H FY2018[2] |
|---|---|---|---|---|---|---|
| **EBITDA Normalised[1]** | **61.8** | **61.8** | **123.6** | **61.0** | | **61.0** |
| Less: Normalisations | 0.0 | 0.0 | 0.0 | (3.3) | | (3.3) |
| **EBITDA Reported** | **61.8** | **61.8** | **123.6** | **57.7** | | **57.7** |
| Change in net working capital | 0.9 | 3.7 | 4.6 | 0.9 | | 0.9 |
| Government funding received in advance[2] | 0.0 | 0.0 | 0.0 | 32.2 | (32.2) | 0.0 |
| Non–cash items in EBITDA | (3.0) | (7.2) | (10.2) | (2.7) | | (2.7) |
| Net receipts from RADs and ILU entry contribution | 46.8 | 23.7 | 70.5 | 23.2 | | 23.2 |
| Net interest paid | (5.3) | (4.9) | (10.2) | (6.4) | | (6.4) |
| Income tax paid | (15.3) | (12.1) | (27.4) | (13.6) | | (13.6) |
| **Net operating cashflow before investment and financing activities** | **85.9** | **65.2** | **151.1** | **91.3** | **(32.2)** | **59.1** |
| Purchase of property, plant and equipment & other non-current assets | (62.1) | (85.6) | (147.7) | (115.0) | | (115.0) |
| Advance payment on business[3] | 0.0 | (3.3) | (3.3) | 0.0 | | 0.0 |
| Purchase of businesses net of cash acquired[4] | 0.0 | 0.0 | 0.0 | (28.3) | | (28.3) |
| **Cash used in investing activities** | **(62.1)** | **(88.9)** | **(151.0)** | **(143.3)** | | **(143.3)** |
| **Net cashflow before financing activities** | **23.8** | **(23.8)** | **0.0** | **(52.0)** | **(32.2)** | **(84.2)** |
| Debt drawdown/(repayment) | (10.0) | 55.0 | 45.0 | 106.5 | | 106.5 |
| Dividends paid | (17.8) | (31.0) | (48.8) | (30.2) | | (30.2) |
| **Net cashflow** | **(4.1)** | **0.2** | **(3.8)** | **24.3** | **(32.2)** | **(7.9)** |

1. For definitions and explanation of adjustments refer to Glossary (Appendix A)
2. Excludes Government funding received in advance in Dec 2016 and Dec 2017 (prepaid in December for January income)
3. Advance payment on business in 2H FY2017 represents deposit payment towards acquisition of Pres Care
4. Purchase of business net of cash acquired in FY2018 represents the Pres Care acquisition cost

# APPENDIX D

## Balance Sheet

| (As at, $ millions) | 30-Jun-2017 Reported | 31-Dec-2017 Reported | Funding received in advance | 31-Dec-2017[1] |
|---|---|---|---|---|
| Cash and cash equivalents | 21.5 | 45.8 | (32.2) | 13.6 |
| Trade and other receivables | 7.2 | 6.4 | | 6.4 |
| Income tax receivable | 0.0 | 1.2 | | 1.2 |
| Other current assets | 7.6 | 6.8 | | 6.8 |
| **Total current assets** | **36.3** | **60.2** | **(32.2)** | **28.0** |
| Property, plant and equipment | 927.3 | 1,053.9 | | 1,053.9 |
| Investment Property | 115.0 | 126.6 | | 126.6 |
| Intangible assets | 446.1 | 478.4 | | 478.4 |
| **Total non–current assets** | **1,488.5** | **1,658.9** | **0.0** | **1,658.9** |
| **Total assets** | **1,524.7** | **1,719.1** | **(32.2)** | **1,686.9** |
| Trade and other payables | 63.1 | 110.2 | (32.2) | 78.1 |
| Provisions | 46.0 | 49.8 | | 49.8 |
| Income tax payable | 2.9 | 0.0 | | 0.0 |
| Other financial liabilities[2] | 916.7 | 953.9 | | 953.9 |
| **Total current liabilities** | **1,028.7** | **1,114.0** | **(32.2)** | **1,081.8** |
| Interest-bearing loans and borrowings | 255.0 | 361.5 | | 361.5 |
| Provisions | 5.4 | 4.9 | | 4.9 |
| Deferred tax liabilities | 51.8 | 56.8 | | 56.8 |
| **Total non–current liabilities** | **312.1** | **423.1** | **0.0** | **423.1** |
| **Total liabilities** | **1,340.8** | **1,537.1** | **(32.2)** | **1,504.9** |
| **Net assets** | **183.9** | **182.0** | **0.0** | **182.0** |
| **Equity** | | | | |
| Issued capital | 272.2 | 272.8 | | 272.8 |
| Retained earnings/(accumulated losses) | 8.6 | 6.3 | | 6.3 |
| Reserves | (96.9) | (97.2) | | (97.2) |
| **Total Equity** | **183.9** | **182.0** | **0.0** | **182.0** |

1. Government funding received in December 2017 in advance (prepaid in December for January income)
2. Other financial liabilities as at 31 December 2017, include RAD liability of $906.8m and ILU entry contribution of $47.1m

# APPENDIX E

## Reported to Normalised Reconciliation – Half Year Ended 31 December 2017

| Half year ended 31 December 2017 ($ millions) | Revenue | EBITDA | NPBT | NPAT |
|---|---|---|---|---|
| | | | | |
| **1H FY2018 Reported results** | **297.0** | **57.7** | **39.8** | **27.9** |
| Acquisition related expenses (Pres Care) | | 3.3 | 3.3 | 2.6 |
| **1H FY2018 Normalised results** | **297.0** | **61.0** | **43.1** | **30.5** |

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