Estia Health

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ASX Announcement

24 August 2021

Investor Presentation

Further to the Company's announcement to the market today on its results for the year ended 30 June 2021, the attached presentation will be delivered to investors and analysts this morning.

Investor and Analyst Teleconference Details

Estia's CEO Ian Thorley and CFO Steve Lemlin will host an analyst and investor conference call commencing at 9:30am (AEST) today.

Registration details for the conference call are located in the Company's Investor Centre https://investors.estiahealth.com.au/investor-centre/?page=key-dates

Approved for release by the Board of Estia Health Limited.

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Further Enquiries:

Media	**Investors**
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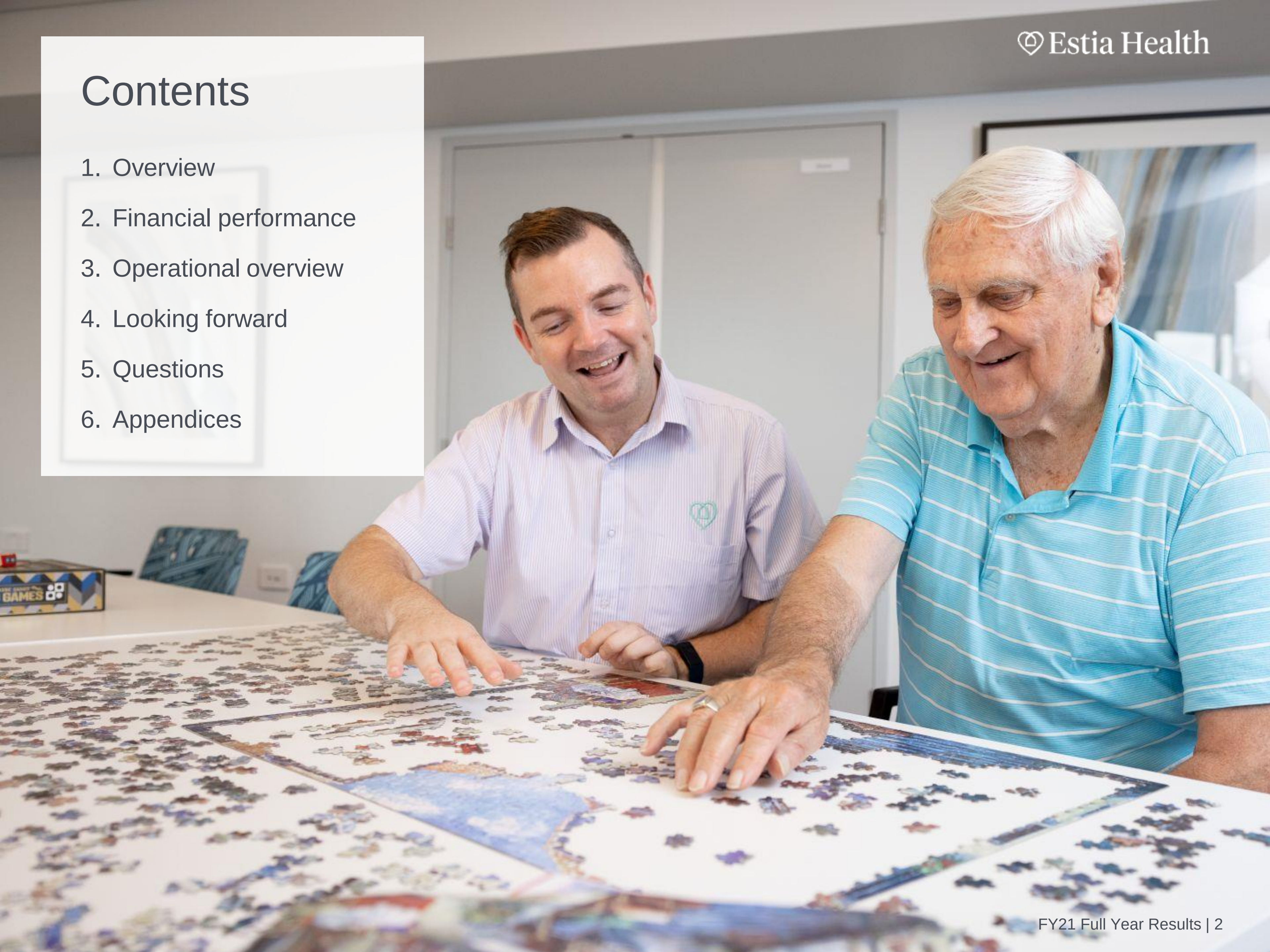
Estia Health

FY21 Full Year Results Presentation

24 August 2021

Contents



Introduction

Estia Health

Estia is well positioned to benefit from the proposed reforms to the aged care sector

Macro drivers remain compelling

- Demographic doubling of aged care population in the next two decades
- Expected increase in complex care needs unlikely to be substituted by home care
- COVID-19 has had a significant impact on residents, employees and the broader business

Reform drives flight to quality

- Reforms expected to increase transparency, consumer choice, competition and lead a flight to quality
- Protected markets have historically supported occupancy levels for ~25% of the sector that do not meet community expectations
- The growth opportunity without acquisitions is significant post-ACAR

Estia's scale and capability delivering a competitive advantage

- Diversified portfolio
- Delivering occupancy ahead of market averages and peers
- Resilient financial performance
- Strong well funded balance sheet with the capacity for growth
- Leadership depth, capability and sector experience

Delivering trusted aged care accessible for all Australians

Financial Outcomes

Estia Health

Resilient financial performance

- Operating revenue of $612.1m
- Mature homes EBITDA[1,2] of $62.5m
- Net Profit After Tax of $6.0m for the period
- Positive Net RAD flows of $30.6m during the period – average incoming RAD's achieved of $443k
- Net Debt reduction of $18.3m during the period - gearing ratio 1.3X
- Surplus land sales generated profit before tax of $9.5m
- Class action settled without admission of liability
- Final Dividend of 2.3 cents per share fully franked (~100% NPAT)

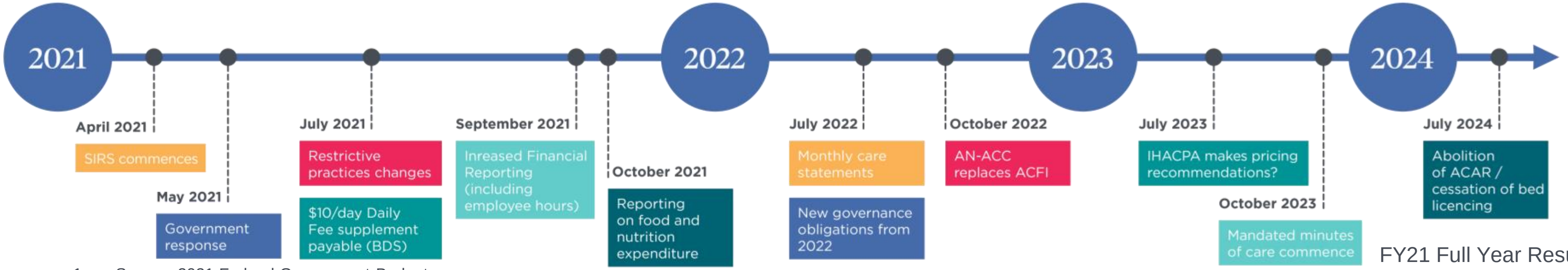
Key metrics

$62.5m EBITDA Mature homes[1,2]	**91.2%** FY21 Average occupancy	**92.8%** 20 August 2021 Spot occupancy	**$81.1m** Net bank debt[3]	**$244.4m** Net liquidity
$6.0m Net profit after tax	**$30.6m** Net RAD inflow	**$863.9m** RAD balance	**$244.4m** Available Net liquidity	**2.3 cents/share** Dividend fully franked

1 A reconciliation of Operating Profit to EBITDA and EBITDA - Mature homes is provided in Appendix B. Mature homes are homes that have been opened for more than 12 months or if open for less than 12 months have greater than 85% occupancy at the commencement of the financial year. EBITDA is a non-IFRS measure
2 EBITDA – Mature homes is defined as Earnings before Interest, Tax, Depreciation, Amortisation, specified non-recurring items and imputed DAP revenue on RAD/bond balances resulting from the adoption of AASB 16
3 Net bank debt is defined as bank borrowings and overdrafts less cash and cash equivalents

Royal Commission and Reform

- Final Report handed down in February 2021 with 148 recommendations
- Complexity and challenges of the sector were highlighted by the fact that on multiple occasions the Commissioners proposed differing recommendations to Government
- Government responded in the May 2021 Budget, 126 recommendations accepted, announcing a headline '$17.7bn' increase in funding over the next four years[1]
- Importantly, the response signalled a fundamental shift in Government thinking towards increasing competition in residential aged care
- Many of the proposals, if enacted, will lead to greater cost and administrative burdens on many smaller providers and create increased hurdles and potential barriers to entry for new entrants
- Proposals can be broadly categorised into the following areas:
  - Governance and prudential regulation
  - Quality and safety
  - Workforce
  - Funding and financing
  - Transparency and competitive markets
- Many responses are *proposed* with further review and work to be undertaken by the Government before changes will be implemented in the next two – three years, and will require the passing of new legislation
- Indicative time-frame for reforms to be enabled or legislated is shown below[1]



1. Source: 2021 Federal Government Budget

Key Aspects of Government's Announced Reforms

Estia Health

Governance and Prudential Regulation	• Increased frequency, detail and examination of financial reporting including spending on food/nutrition, RAD funds usage and care hours • Requirements on independence and skills of Governance Boards • Enhancement of clinical governance
Quality and Safety	• Mandated minimum care hours from October 2023 • Registered Nurse 24 hours per day phased implementation (already standard at Estia) • Increased resourcing and regulatory activity levels of ACQSC
Workforce	• Introduction of register of Aged Care Workers • Increased funding to upskill workforce – carers and nurses • Retention payments for Registered Nurses
Funding and Financing	• Immediate short-term relief with $10 daily fee supplement introduced 1 July 2021 • Independent Pricing Authority to recommend pricing for Government fees/supplements • Replacement of ACFI with AN-ACC case mix model from October 2022 • Increased funding to provide for new mandated minimum care hours
Transparency and Competitive Markets	• Once legislated, the proposed abolition of ACAR with effect from July 2024 will remove artificial barriers to competition and restraints on growth for providers with capital and resource • Publishing of care and performance via a Star Rating System • Greater transparency in reporting of clinical outcomes

Impacts of Government's Announced Reforms

Matters not fully addressed

- Government's response is extensive and will lead to a more competitive and transparent market for residents and employees, though detail remains to be determined in relation to:
  - what extent input cost inflation would be supported by legislated revenue rate increases
  - appropriate returns to cover the cost of capital and service delivery
  - increased funding associated with the delivery of minimum staff hours of care
  - abolition of ACAR/individual bed licences by 2024
  - alternative capital funding solutions for the potential replacement of RADs by 2025
  - long-term Federal Budget affordability and necessary expansion of user pay

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Company Impact and Response

- Governance, prudential standards, financial reporting requirements already in place at Estia
- Longer-term investment outlook remains unclear and commitment of capital investment will remain cautious as a result
- Transparency of care performance, customer satisfaction, staffing time will support more informed decision making and choice of provider
- Abolition of ACAR will, subject to capital returns, support greater investment in markets that have enjoyed the benefit of protection. Increased consumer choice will support a re-structure of the sector and drive improved care standards

COVID-19

Estia Health

Response

Governance

- Board sub-committee has provided oversight throughout the pandemic
- Executive Critical Incident Management Team directs group response

Systems and resources

- Enhanced infection prevention control support deployed in all homes
- Investment in PPE inventories in homes and central hubs
- 201 interstate employees volunteered to supplement Victorian workforce during 2nd Wave with 20 employees deployed

Communications

- Dedicated resources with regular out-reach and engagement to support families, staff and stakeholders

Support

- EAP services and psychological support extended to employees, residents and families
- Introduced quarantine and additional sick leave ahead of legislated implementation by Government
- $0.5m voluntary payment made to employees at homes who were not eligible for the Government funded retention payments
- Special pandemic leave entitlement for employees

Impact

- 11 of 27 homes in Victoria experienced outbreaks during 2nd Wave to November 2020
- 110 residents in Victoria tested positive to COVID-19; 36 residents died having been diagnosed with COVID-19
- Approximately 9,800 work weeks of sick and/or quarantine leave taken by employees during FY21
- $24.3m direct incremental costs associated with COVID-19
- $21.4m additional support funding received
- Occupancy declined ~34,000 operational bed days during H1 FY21

COVID-19

Looking Forward

Investing in the future

- Infection, Prevention and Control (IPC) roles appointed to all homes and enhanced PPE inventories
- Infection control training, surveillance and monitoring by leading IC consultant
- Increased resident and family remote communications during outbreaks
- COVID-19 outbreak simulation conducted at all homes to leverage lessons learnt enabling management to be ready to respond

A more adaptive organisation

- Enhancement of *Estia Academy* e-learning platform and content
- Evolving business practices, more agile and adaptive
- New technologies to support remote operations, strengthening of cyber security
- Strengthened focus on people and culture

Vaccinations

- All residents were offered COVID-19 vaccines at their Estia homes during April to June
- The Federal Government announced that it expected the States to issue public health orders before 17 September 2021 to make vaccinations mandatory for all residential aged care workers. It is anticipated that all States will have issued the relevant public health Directions by that date
- The Group has undertaken awareness programs, requested all staff are vaccinated in advance of any legislative change and established an in-reach program offering vaccinations at each home to all staff and residents which commenced in July 2021
- Goal - 100% employee vaccination
- At 20 August 2021:
  - Active employees fully or partially vaccinated 82.1% (6,166 employees)
  - Residents fully or partially vaccinated 82.4% (4,749 residents)
- 50.2% of the Australian population fully or partially vaccinated at 20th August 2021

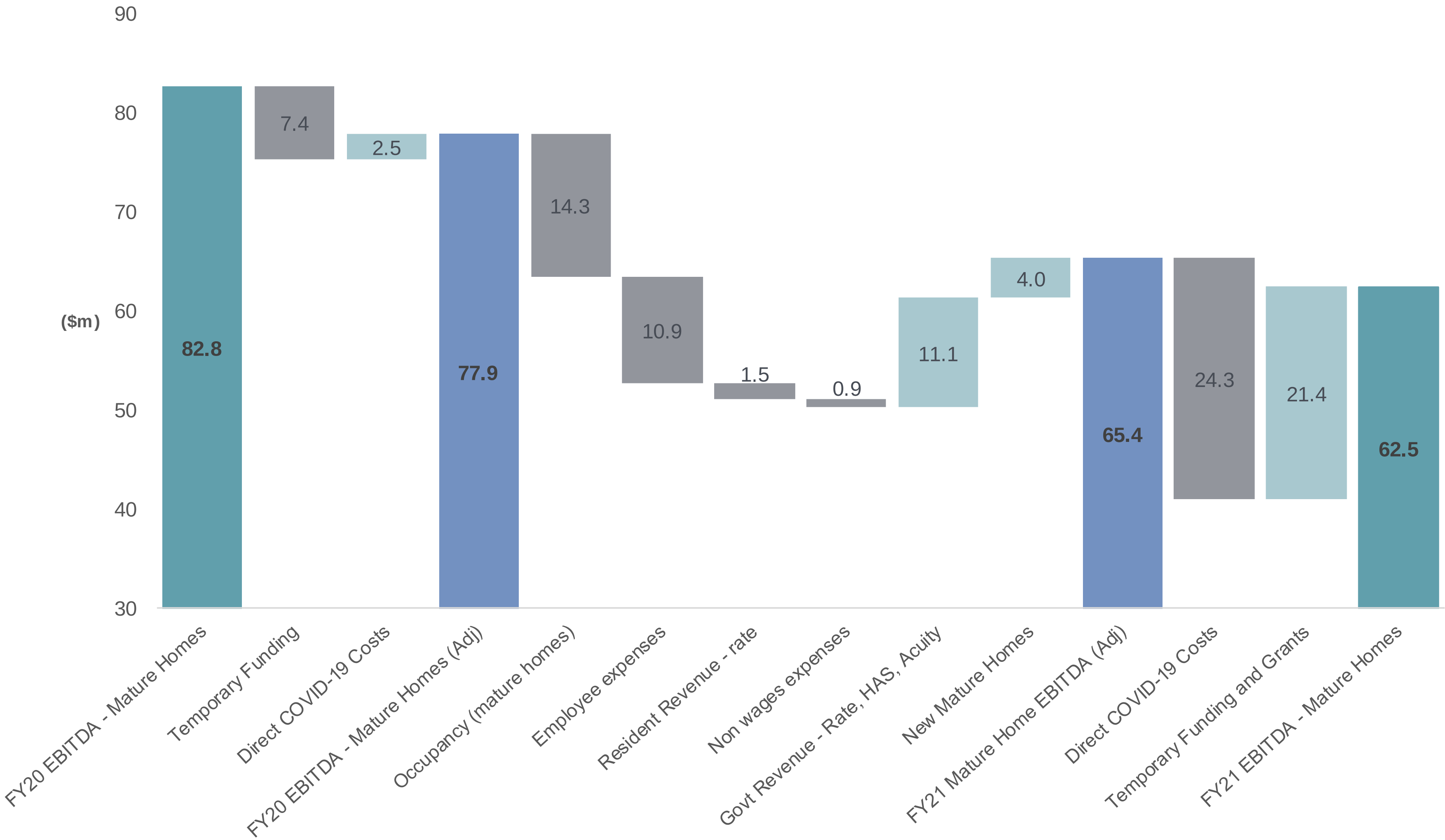
2. Financial performance

Financial overview

$81.1m Net bank debt[1]	Net bank debt $81.1m at 30 June 2021	**$62.5m EBITDA** Mature homes[2,3]	EBITDA – Mature homes excluding net COVID-19 impacts of $2.9m was $65.4m; 16% decline from $77.9m FY20 due to ongoing margin compression
$244.4m Available Net liquidity	Net liquidity representing cash and undrawn credit lines	**$6.0m** Net profit after tax	$6.0m profit after tax – includes class action settlement and profit on asset sales
$863.9m RAD balance	Net RAD inflows of $30.6m during the period, increase in probate liability of $2.9m	**New homes**	Blakehurst (opened 22 February 2021) reached 71.4% occupancy by 20 August 2021
91.2% Average occupancy	Average mature home occupancy of 91.2%, with spot occupancy of 92.8% as of 20 August 2021 94.0% average occupancy outside of Victoria (FY21)	**$49.0m** Capital investment	Investment in new homes, significant refurbishments, sustainability projects and asset replacement and improvement
$24.3m Direct COVID-19 costs	$24.3m of direct incremental costs associated with COVID-19; $21.4m temporary COVID-19 funding and grants in the period	**2.3 cents/share** Dividend fully franked	Final dividend declaration representing ~100% of NPAT

1 Net bank debt is defined as bank borrowings and overdrafts less cash and cash equivalents
2 A reconciliation of Operating Profit to EBITDA - Mature homes is provided in Appendix B. Mature homes are homes that have been opened for more than 12 months or if open for less than 12 months have greater than 85% occupancy at the commencement of the financial year. EBITDA is a non-IFRS measure
3 EBITDA – Mature homes is defined as Earnings before Interest, Tax, Depreciation, Amortisation, specified non-recurring items and imputed DAP revenue on RAD/bond balances resulting from the adoption of AASB 16

EBITDA Bridge – Mature Homes[1,2,3,4]



1. A reconciliation of Operating Profit to EBITDA - Mature homes is provided in Appendix B
2. EBITDA – Mature homes is defined as Earnings before Interest, Tax, Depreciation, Amortisation, specified non-recurring items and imputed DAP revenue on RAD/bond balances resulting from the adoption of AASB 16
3. Mature homes are homes that have been opened for more than 12 months or if open for less than 12 months have greater than 85% occupancy at commencement of the financial year
4. EBITDA – Mature home (Adj) is defined as EBITDA – Mature homes adjusted for the impact of temporary funding and/or grants and the direct costs associated with COVID-19

COVID-19: EBITDA Impact

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	FY21 12 months Homes in Victoria $'000	FY21 12 months Other Homes $'000	FY21 12 months Group $'000	FY20 12 months Group $'000
Government revenue - excluding temporary funding and grants	148,830	294,388	443,218	426,188
Government revenue - temporary funding and grants	13,619	7,807	21,426	7,382
Resident and other revenue[1]	45,493	101,913	147,406	146,310
Total operating revenues	**207,942**	**404,108**	**612,050**	**579,880**
Employee benefits expenses				
Recurring	152,869	277,779	430,648	404,272
COVID-19 related[2]	7,051	4,147	11,198	931
Total employee benefits expenses	**159,920**	**281,926**	**441,846**	**405,203**
Non-wage expenses				
Recurring	34,225	60,414	94,639	90,287
COVID-19 related[2]	6,563	6,548	13,111	1,607
Total non-wage expenses	**40,788**	**66,962**	**107,750**	**91,894**
EBITDA - Mature homes [3,4]	**7,234**	**55,220**	**62,454**	**82,783**
Occupancy - Mature homes	85.9%	94.0%	91.2%	93.2%
Annual average EBITDA - Mature homes per occupied bed	$3,873	$14,646	$11,078	$14,908
Revenue statistics - Per Occupied Bed Day ("POBD")				
Government revenue - excluding temporary funding and grants	$218.3	$213.9	$215.4	$210.3
Resident revenue	$66.7	$74.1	$71.6	$72.2
Total revenue	**$305.0**	**$293.7**	**$297.4**	**$286.1**
Cost statistics - Per Operational/Available Bed Day				
Staff costs - recurring	$192.7	$189.8	$190.8	$185.8
Staff costs - COVID-19 related	$8.9	$2.8	$5.0	$0.4
Total Staff costs	**$201.6**	**$192.6**	**$195.8**	**$186.2**
Non-wage costs - recurring	$43.2	$41.3	$41.9	$41.5
Non-wage costs - COVID-19 related	$8.3	$4.5	$5.8	$0.7
Total Non-wage costs	**$51.5**	**$45.8**	**$47.7**	**$42.2**
Total costs - recurring	$235.9	$231.1	$232.7	$228.5
Total costs - COVID-19 related	$17.2	$7.3	$10.8	$1.1
Total costs	**$253.1**	**$238.4**	**$243.5**	**$229.6**

Key observations

- COVID-19 2nd Wave in Victoria resulted in divergent performance across portfolio
- $24.3m of COVID-19 direct incremental costs
- $21.4m of temporary funding and grants partially offset increased costs
- 2nd half recovery resulted in H2 FY21 producing twice the level of EBITDA of H1 FY21

27 Victorian Homes

- Average occupancy 85.9%; low of 82.5% (October 2020), 88.9% at 20 August 2021: ~36,000 less occupied bed days in FY21 compared to FY20, representing ~$10.3m of lost revenue
- COVID-19 related costs of $13.6m representing $17.20 POBD
- EBITDA of $7.2m in period, returning to a profit in the 2nd half of FY21

43 Homes in Other States

- Average occupancy 94.0%
- Increased average revenue POBD of $5.85, 2.1% compared to FY20
- COVID-19 related costs of $10.7m representing $7.30 POBD
- Excluding COVID-19 related costs, annualised EBITDA POB was $17,483; reduced to $14,646 after COVID-19 costs

Refer to Appendix D for details of half yearly comparisons

1. Resident and other revenue excludes the impact of the imputed DAP revenue on RAD/bond balances resulting from the adoption of AASB 16
2. Reflects Employee and Non-Wage expenses incurred in response to the COVID-19 pandemic
3. EBITDA – Mature homes is defined as Earnings before Interest, Tax, Depreciation, Amortisation, specified non-recurring items and imputed DAP revenue on RAD/bond balances resulting from the adoption of AASB 16
4. A reconciliation of Operating Profit to EBITDA - Mature homes is provided in Appendix B

Summary P&L account

	FY21 12 months $'000	FY20 12 months $'000	FY21 vs FY20
Government revenue - excluding temporary funding and grants	443,218	426,188	4.0%
Government revenue - temporary funding and grants	21,426	7,382	190.2%
Resident and other revenue[1]	147,406	146,310	0.7%
Total operating revenues	**612,050**	**579,880**	**5.5%**
Employee benefits expenses	430,648	404,272	6.5%
Non-wage expenses	94,639	90,287	4.8%
COVID-19 incremental costs	24,309	2,538	857.8%
EBITDA - Mature homes[2,3]	**62,454**	**82,783**	**(24.6%)**
Imputed DAP revenue on RAD/bond balances (AASB 16 impact)	(42,316)	(43,407)	(2.5%)
Other income - Asset Disposals	(9,487)	(214)	
Royal Commission expenses	105	101	4.0%
Net loss/(gain) from homes in ramp-up	625	(491)	(227.3%)
Depreciation and amortisation expenses	42,263	39,119	8.0%
Net finance costs	6,496	8,491	(23.5%)
RAD/Bond imputed interest	42,316	43,407	(2.5%)
Operating profit before income tax, class action and impairment expenses	**22,452**	**35,777**	**(37.2%)**
Income tax expense (pre class action/impairment expenses)	6,493	10,599	(38.7%)
Profit for the period before class action and impairment expenses	**15,959**	**25,178**	**(36.6%)**
Class action settlement expenses	12,409	-	
Impairment expenses	980	144,622	
Income tax expense/(benefit) class action and impairment expenses	(3,428)	(2,535)	
Profit/(loss) for the period	**5,998**	**(116,909)**	**(105.1%)**
Total Occupied Bed Days - Mature homes[3]	**2,057,794**	**2,026,915**	**1.5%**
Occupancy %	**91.2%**	**93.2%**	

Key observations

- Mature home EBITDA fell 24.6% as a result of the pandemic and continued margin compression driven by Government revenue indexation levels failing to keep pace with input cost inflation
- Asset disposals from surplus land and retired sites not suitable for re-development contributed $9.5m profit before tax
- Minimal direct costs associated with the Royal Commission
- Net cost of Blakehurst being in ramp up from opening date of 22 February 2021; home was EBITDA positive from May 2021 and occupancy was 71.4% at 20 August 2021
- Depreciation and Amortisation increased by $3.1m representing the expense associated with new homes and refurbishments undertaken in FY20 and FY21
- Finance charges reduced by $2.0m to $6.5m reflecting lower interest rates and reduced debt levels during FY21
- Operating profit before tax excluding the Class Action settlement, asset sales and non-cash impairment charges fell by 37% to $22.5m reflecting the pandemic impact and continued margin compression
- After the resolution of the Class Action, NPAT was $6.0m, representing an EPS of 2.30 cents per share

1 Resident and other revenue excludes the impact of the imputed DAP revenue on RAD/Bond balances resulting from the adoption of AASB 16
2 A reconciliation of Operating Profit to EBITDA - Mature homes is provided in Appendix B. EBITDA – Mature homes is defined as Earnings before Interest, Tax, Depreciation, Amortisation, specified non-recurring items and imputed DAP revenue on RAD/bond balances resulting from the adoption of AASB 16
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Balance sheet, net bank debt and cash flow

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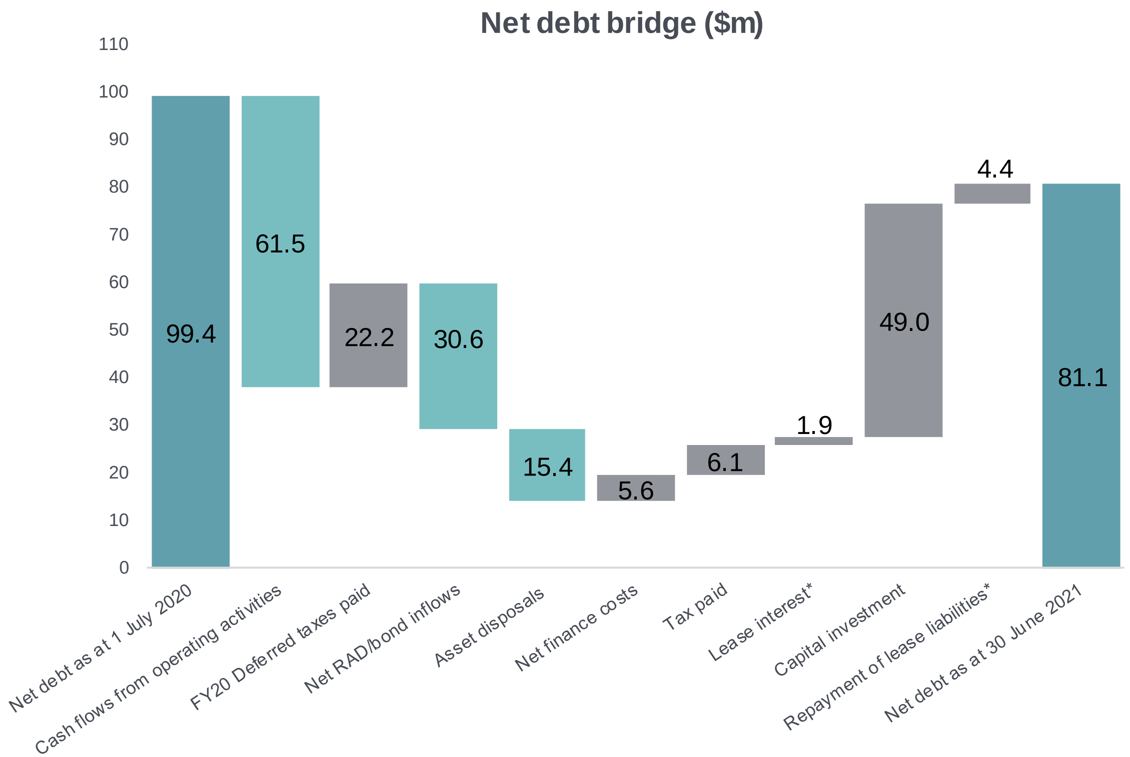


Capital investment	$m
Development (Greenfield)	0.7
Redevelopment (Brownfield)	21.1
Significant refurbishments	3.4
Home enhancement and sustainability projects	21.8
Intangibles (software projects)	2.0
Total capital investment	**49.0**

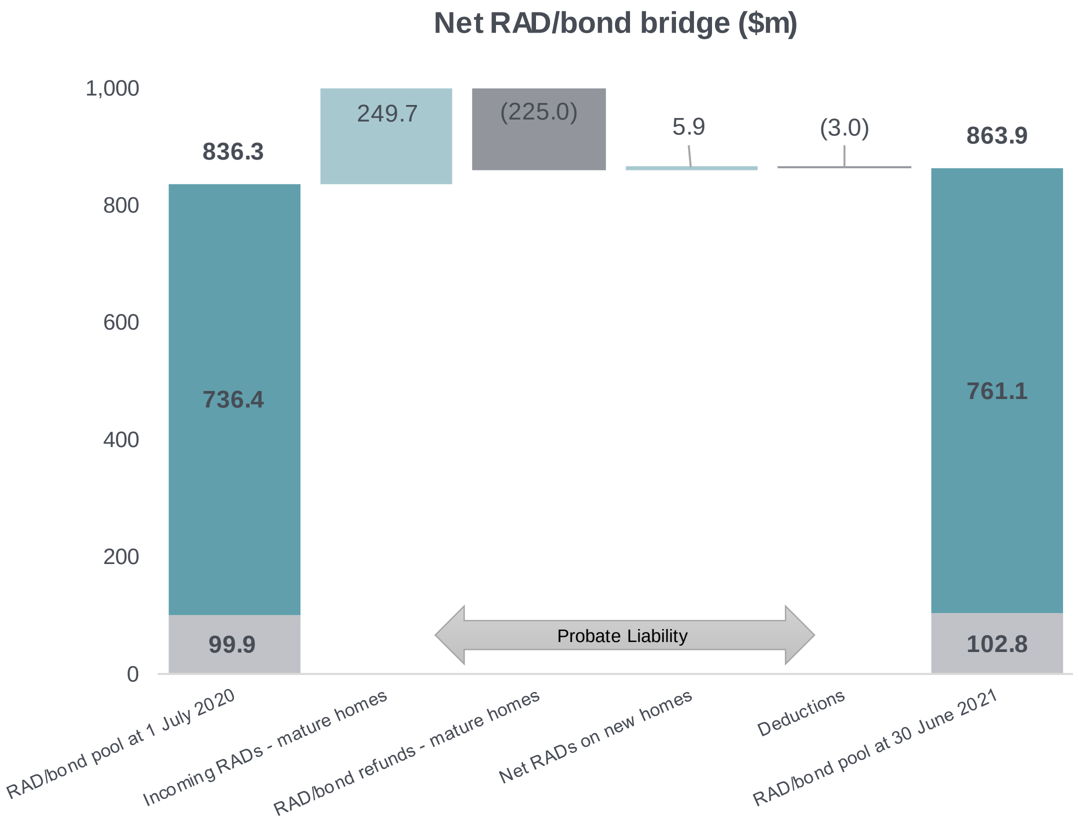
Key observations

- Net bank debt of $81.1m at 30 June 2021
- Sustained high level of EBITDA-cash conversion of ~100%
- Cash movements include the repayment of $22.2m of FY20 PAYG and payroll tax liabilities deferred under the Government's COVID-19 relief program
- Overall Net RAD/Bond inflow of $30.6m
- Mona Vale, Wollongong (NSW) and Grovedale (VIC) disposal proceeds of $15.4m received
- $49.0m of capital investment in the period
- At 30 June 2021, approximately $53.3m of Net Debt was drawn to fund construction work in progress or assets in operational ramp up
- Bank Debt Gearing ratio of 1.3X EBITDA
- Strong, well-capitalised balance sheet with total assets of ~$1.9b supported by $615.7m of shareholders' funds
- $330m Bank Facilities with undrawn capacity of $210.9m at 30 June 2021[1]
- Prudential Liquidity Policy maintained at a minimum of 5% of RAD/Bond balances

1. Undrawn capacity under the Bank Facilities is adjusted for bank guarantees and ancillary credit facilities on issue and secured as at 30 June 2021

* Amounts were previously reported as a component of cash flows from operating activities and are now reported separately as a result of the adoption of AASB 16

RADs and bonds



Key observations

- The RAD balance including probate liability increased to $863.9m, with the balance associated with current residents increasing to $761.1m
- Incoming RADs from mature homes were $249.7m, with an average incoming agreed RAD of $443k
- RAD refunds from mature homes were $225m, at an average outgoing agreed price of $406k
- There are currently 223 residents holding pre-July 2014 bonds at an average price of $198k
- Average incoming agreed RAD prices continue to increase and remain significantly higher than the average outgoing RAD/bond price
- Resident mix and payment preference trends remain largely unchanged and are shown in detail in Appendix H

Resident payment preferences	FY21	FY20
Concesional	48.3%	48.4%
Non-Concessional	51.6%	51.4%
Other	0.1%	0.2%
RAD's as % of Non-Concessional residents	**54.1%**	**54.5%**

Total RAD/bond pool at period end ($m)	30-Jun-21	30-Jun-20	30-Jun-19
Pre-July 2014 bonds for current residents	44.2	63.0	88.8
Post-July 2014 RADs for current residents	716.9	673.4	609.4
Total relating to current residents	**761.1**	**736.4**	**698.2**
Probate balance (former residents pending refund)	102.8	99.9	106.8
Total RAD/bond pool	**863.9**	**836.3**	**805.0**

RAD/bond	FY21	FY20	FY19
Total number of paid RAD/bonds	2,643	2,683	2,671
Average RAD/bond held	$326,874	$311,705	$301,398
Average agreed incoming RAD	$442,881	$433,442	$413,667
Average outgoing RAD/bond	$406,447	$379,645	$344,882

3. Operational overview

Estia Health

Competitive Markets - Critical Success Factors

People

Workforce, people and culture

- Competition for talent is intensifying and a workforce strategy that differentiates providers based on culture, career progression and a compelling value proposition will be required to meet the increased demand for health care workers

Care

Clinical care and quality

- Evidence of quality through greater transparency of clinical outcomes and the government proposed Star Rating system will empower consumers to make informed choice of service type and provider. Strong clinical governance and investment in workforce will be fundamental in underpinning quality and the trend to more complex services

Customer

Resident services

- Differentiated services and products competitively priced and relevant to the needs of each local community are fundamental to success and will underpin the delivery of compassionate care, support and engagement for residents and families. Highly developed sales and marketing skills, networks and links into local community and referrers are key enablers

Community

Social impact and local connections

- Strong local professional health partnerships and networks to support the diverse and changing health needs of older people and a demonstrated commitment to maintaining local connections with the community

Growth

Portfolio growth and renewal

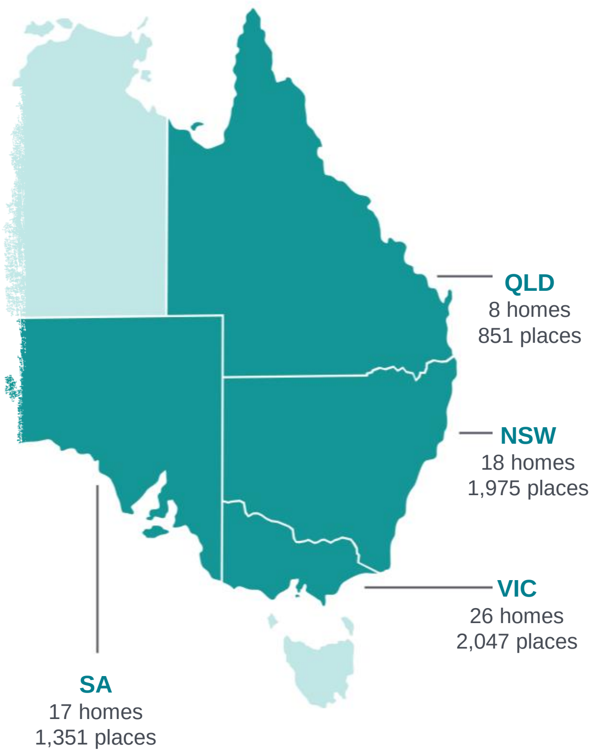
- Abolition of ACAR removes artificial barriers to competition in areas where capable providers wish to operate. Operators with strong balance sheets and access to well-priced capital will be able to leverage scale including central overhead efficiency. These conditions will support consolidation within the sector subject to polices that provide appropriate returns

Occupancy and market share

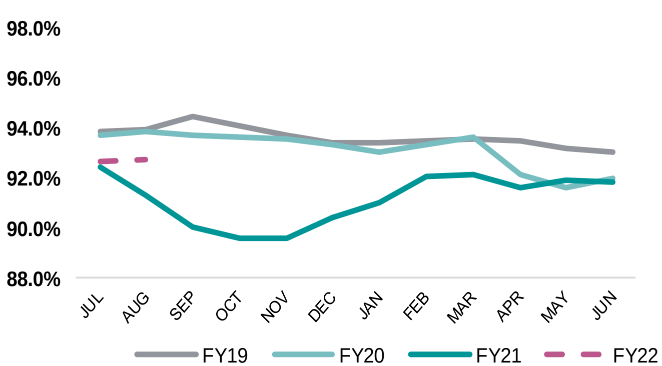
Occupancy is the key indicator of success in aligning homes and services with local communities

Overall

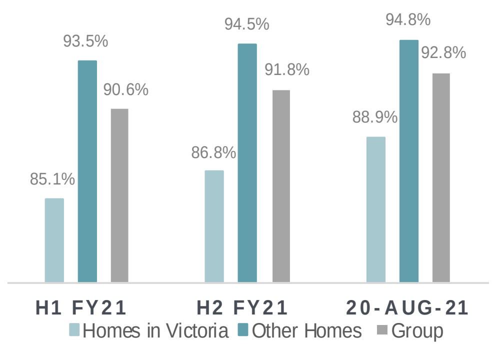
- Pre COVID-19 average occupancy 93.6%, consistently above sector and peers
- FY21 average occupancy 91.2%
- Diversified geographic and demographic portfolio operating in network clusters
- Single rooms represent 91.4% of our current operational places
- From 1 July 2021, 56 homes representing 84% of operational beds qualify for the Higher Accommodation supplement
- Victorian and NSW regions have been impacted by lockdowns and imposed restrictions on access. Likely to persist until community vaccination rates reach high levels
- Sector wide - lower quality older assets do not perform as well as new homes - ACFA estimates 25% of homes in the sector are old, poor quality and requiring significant investment
- Quality homes achieve good results:
  - the Group's new homes which opened in the last four years all perform at near full occupancy
  - Blakehurst opened 21 February 2021 and at 20 August 2021 was 71.4% occupied



Monthly Average Occupancy – Mature Homes [2]



Victorian / Other Homes Occupancy



69 Operational homes	**6,224 places** [1]
Number of single rooms	**5,176 (91.4%)**

1. Total operational places at 20 August 2021 as shown in Appendix J for mature and new homes
2. Mature homes are homes that have been opened for more than 12 months or if open for less than 12 months have greater than 85% occupancy at commencement of the financial year

Workforce, people and culture

Recruit

- Establish an Employee Value Proposition that differentiates Estia within the sector and more broadly to attract and retain an engaged workforce
- Deliver positive selection and onboarding process to increase offer acceptance rates and minimise early-stage withdrawals

Retain

- *Estia Well* – focus on safety and particularly employee psychological wellbeing
- Inclusion and diversity training for all leaders to foster a safe workplace
- Monitor employee engagement and culture - develop organisational and home-based action plans to further improve culture and engagement

Develop

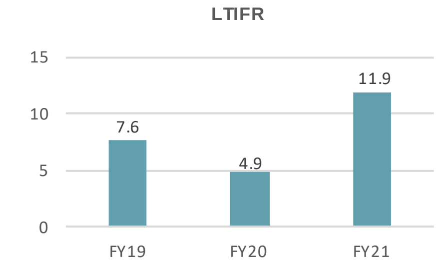
- Building a learning community through *Estia Academy* that provides development pathway programs for all roles
- Investing in clinical skills through preceptorship programs, dedicated clinical development resources and communities of practice
- Fostering both emerging and existing leaders to fulfill career aspirations across our network

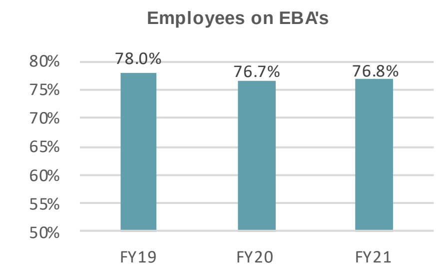
Support

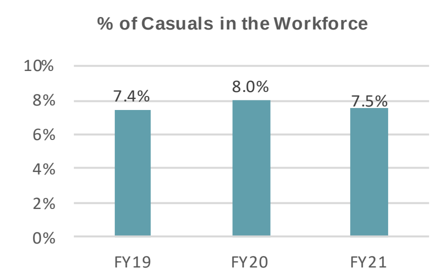
- Understanding our current and future supply and demand of workforce by investing in workforce planning capability
- Managing talent risks and meeting future capability requirements through effective talent and succession planning for all critical roles
- Active monitoring of risk indicators to enable us to both align investment and to respond quickly to any critical people issues

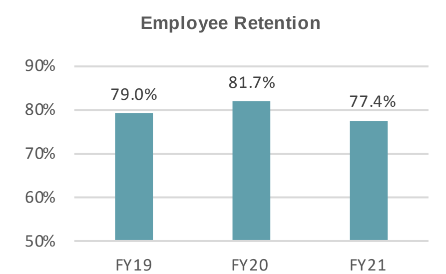
Outcomes

- Prioritising employee engagement and retention – focus on tenure within first six months and critical role turnover
- LTIFR impacted by COVID-19 (FY21) – continued focus on frequency, severity and cost of claims









LTIFR refers to Lost Time Injury Frequency Rate being the number of lost time injuries occurring in a the organisation in a year per 1 million hours worked

Clinical Care and Quality

Estia Health

Systems and Process

- Focus on simplification of systems and processes to improve reliability across network
- Introducing electronic medication management system in FY22
- External benchmarking of National Quality Indicators undertaken to support continuous improvement

Governance

- Direct discourse between independent Clinical Governance Committee Chair and Board Risk Committee
- Key care metrics regularly reviewed with deep dives conducted to validate positive care outcomes and to understand where variation is not achieving the expected standard

Clinical Development

- Infection Prevention and Control education and training modules developed and delivered
- Development programs for clinical employees to enhance supervision and clinical care interventions
- Material focus on High Impact High Prevalence risks for residents
- Serious Incident Reporting Scheme introduced requiring additional resources for education of incident management and investigation

Allied Health

- Remote allied heath consultation capability established during COVID-19 lockdowns

Outcomes

- 95 assessment visits were conducted during FY21 across 60 of the Group's homes. Ten homes received unmet outcomes during the period of which four are still being resolved as at 20 August 2021 (all within the agreed timeframes)
- External complaints to ACQSC 28% below industry benchmark for most recently published period January – March 2021

Resident Services

Estia Health

One Family where everyone belongs

- Brand purpose and values delivered through rollout of updated 'Family Code'
- Agile response to COVID-19 restrictions – virtual access and partnering in care for families
- Voice of customer program measures resident and family experience through online surveys

Built Environment

- New home designs incorporate smaller more intimate "communities" within overall home
- Introduction of home like dining spaces supporting resident independence, choice and nutrition
- Reablement clinic at Blakehurst designed to meet the needs of residents, the local elderly community and clinical partners

Food, Dining and Nutrition

- Local seasonal menus designed by residents through regular 'food forums' with onsite chefs
- Fresh food focus delivering dietetically assessed homestyle recipes
- Improvements in weight management using natural fortification of fresh food menus as opposed to using supplements
- All chefs attend quarterly Masterclasses focused on innovation and continuous improvement

Lifestyle and Hospitality

- Activities programs built on local resident preference and are adapted through regular monitoring of individual resident engagement in programs
- Lifestyle program innovation is fostered through quarterly lifestyle team education
- Resident wellbeing supported by the integration of targeted therapies such as pet, art and music therapy

Outcomes

- Time to fill new homes averaging less than 14 months with Blakehurst at 63.8% within four months (30 June 2021)
- Average CER results FY21 sustained at 93.7% (FY20 93.0%)[1]
- 97% of residents maintained or gained weight within three months of entry (March 2021)
- 31.6% conversion of respite to permanent residents

1. Satisfaction defined as percentage of responses that report experience as "most of the time" or "always"

Community

Local connections

- Local community engagement plans to support our purpose and maintain strong brand recognition and reputation in the community
- Celebration and acknowledgment of local cultural and community interests
- Supporting local community focused fundraising initiatives valued by residents and employees

Training

- Partnering with TAFEs, RTOs and Universities to provide practical student education experience
- Providing intergenerational opportunities for local preschool and school students
- Partnering with the Australian College of Nursing to provide transition to aged care pathway for graduate nurses

Support

- Reducing the effects of social isolation for older Australians living in the community through targeted short-term residential respite care programs

Health networks

- Developed locally based multi-disciplined health partnerships with Primary Health Networks, Public Health Units and Allied Health Services

Outcomes

- Residents continue to remain connected to and provide value to their local community
- 1,661 nursing undergraduates and vocational education students gained practical experience in Estia's homes
- 130 placements targeted for FY22 Aged Care transition to practice program in partnership with the Australian College of Nursing
- 119,416 respite days of care provided in FY21

Environmental, Social and Governance

Estia Health

2020-24 Sustainability Framework

Strategy

- Sustainability framework and targets published in 2020 showing alignment of goals toward United Nation's Sustainable Development Goals (SDGs)
- Integration of ESG into corporate strategy with resident care and human capital as important short-term risks
- Longer term environmental and social performance tracking to be reported on a regular basis
- Materiality assessment of goals, initiatives and metrics to be conducted in FY22

Environmental

- Microfibre cleaning rollout began in FY21 to reduce water usage by an estimated 1.9 Megalitres, reduce chemicals and improve infection prevention and control and reduce manual handling injuries
- Climate Resilience tool developed to assess physical risk of portfolio as first step in roadmap to meeting recommendations of Taskforce on Climate Related Financial Disclosures (TCFD)
- Program for reduction in use of disposable plastic items continued with stoppage of disposable utensils and plastic pill cups, diverting approximately 9 tonnes of waste from landfill

Social

- Diversity and inclusion training for all leaders in the business completed in FY21
- Employee wellbeing program *Estia Well* launched with revised EAP program
- Implemented a program of mandatory influenza vaccination with COVID-19 vaccination program in progress
- *Estia Academy* launched providing an educational pathway for leaders, graduate and frontline employees
- Gender pay parity assessed at less than 2% differential for central services and leadership roles

Governance

- A diverse Board comprising of five Non-Executive Directors, of whom 43% are female
- Board Committees and sub-Committees including Nomination and Remuneration, Risk Management, Audit, Property and Investment, COVD-19 and Royal Commission & Regulatory
- Independently chaired Clinical Governance Committee
- Whistle-blower Policy independently administered – disclosure monitored by Chair of Audit Committee
- Published first Modern Slavery statement incorporating roadmap for addressing this risk in our supply chain

Growth

Demographic Trends

- The over 70 year old population is expected to grow by 1 million each decade from 2020 to 2040. Over 85's will double from 500,000 now to 1 million by 2040[1]
- Average occupancy has been falling albeit not uniformly across the sector. Consumer expectations and choice will reward quality service offerings delivered in quality homes
- Home care expansion required to replace the informal carer shortage

Artist's impression - Estia Health Aberglasslyn (NSW)

Core Residential Aged Care

- Greater transparency on performance, removal of anti-competitive supply constraints, elevated governance, higher prudential and quality standards and strengthened regulatory compliance regime will create conditions encouraging sector exits and consolidation to a reduced number of providers
- Protected markets have historically supported occupancy levels for ~25% of the sector that is under-invested in and does not meet current community expectations (ACFA). The announced abolition of specific bed licences by 2024 opens up new opportunities and alternatives for large, well capitalised providers
- Trend to even greater complexity of care through delayed entry, plus the demographic underpins core residential aged care market

Artist's impression - Estia Health Toorak Gardens (SA)

Revenue Diversification

- Evaluating Home Care Opportunity:
  - Compelling policy and funding drivers with 80,000 additional places provided by Government in the next two years[2]
  - Increasing consumer demand being met via an immature business model with significant challenges: retrospective funding, increasing regulatory requirements, workforce.
- New allied health and reablement model successfully piloted at Blakehurst

Artist's impression - Estia Health Mt Barker (SA)

1. Source : ACFA 9th Annual Report
2. Source: 2021 Federal Government Budget

Growth – Developments

Investment of **$49.0m FY21** ($80.6m FY20) enabling future increased capacity while continuing the organisation's refurbishment program focused on enhancing the resident experience.

Development *(Greenfield)*

FY21 - $0.7m Invested
- Mt Barker (SA) DA advanced

Opportunity
- Existing pipeline of 339 licenced beds at 3 new sites already held (Appendix K)
- Abolition of ACAR removes anti-competitive supply constraints and opens up all areas with attractive demographics and poor quality of existing competitor supply

Outlook
- Evaluation of highest returning existing opportunities undertaken
- Development opportunities to be progressively activated
- Evaluate and prioritise "post-ACAR" opportunities

Redevelopment *(Brownfield)*

FY21 - $21.1m Invested
- Commissioning of Blakehurst (NSW)
- Advanced expansion of Burton (SA)
- Advanced second stage DA for Toorak Garden (SA)

Opportunity
- Abolition of ACAR removes anti-competitive supply constraints with ability to expand existing sites with small homes to greater size, quality and performance

Outlook
- Burton (SA) 24 additional beds underway
- Evaluate and prioritise "post-ACAR" opportunities

Refurbishment *(HAS, strategic and life-cycle)*

FY21 - $27.2m Invested
- Significant refurbishments of 9 homes with 787 beds during the period ($3.4m)
- Nurse call and CCTV enhancements ($5.0m)
- Asset life-cycle replacements, improvements and sustainability initiatives ($16.8m)
- IT and systems improvements ($2.0m)

Opportunity
- Deployment of new reablement care model through existing home network
- Significantly refurbish a further 8 homes with ~685 beds
- Continue asset life-cycle replacement, home refurbishment and IT/Business process improvements projects

Outlook
- Extend reablement care model
- Continue to improve and enhance resident amenity

FY22 indicative capital investment of between $65-$80 million

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Growth – Realised

Proven ability to identify, develop, commission and operate new homes, quickly achieving optimal metrics

Southport, QLD (May 2018)

Specifications
- 110 Beds
- 130 staff[1]
- 9,485 Sq M site – 2 level construction
- $28.6m investment (excl land)
- 13 months build to open

Outcomes
- 99.3% FY21 average occupancy
- 100% spot occupancy – 20 August 2021
- $18.9m RAD balance – 30 June 2021
- $24.4k Estimated incremental EBITDA POB PA[2]
- Fully occupied within 18 months

Maroochydore, QLD (August 2019)

Specifications
- 126 Beds
- 150 staff[1]
- 10,000 Sq M site – 2 level construction
- $33.2m investment (excl land)
- 14 months build to open

Outcomes
- 91.5% FY21 average occupancy
- 99.2% spot occupancy – 20 August 2021
- $18.2m RAD balance – 30 June 2021
- $22.3k Estimated incremental EBITDA POB PA[2]
- Fully occupied within 18 months

Blakehurst, NSW (February 2021)

Specifications
- 105 Beds
- 115 staff[1]
- 4,400 Sq M site – 5 level construction
- $41.2m investment (excl land)
- 22 months build to open

Outcomes
- 63.8% spot occupancy – 30 June 2021
- 71.4% spot occupancy – 20 August 2021
- $7.2m RAD balance – 30 June 2021
- $24.3k Estimated incremental EBITDA POB PA[2]

Estia Southport

Estia Maroochydore

Estia Blakehurst

1. Estimated average staff complement at fully occupancy
2. Estimated future EBITDA on fully occupancy prior to central overhead costs

4. Looking forward

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In Summary

Estia is well positioned to benefit from the proposed reforms to the aged care sector

Macro drivers remain compelling

- Demographic doubling of aged care population in the next two decades
- Expected increase in complex care needs unlikely to be substituted by home care
- COVID-19 has had a significant impact on residents, employees and the broader business

Reform drives flight to quality

- Reforms expected to increase transparency, consumer choice, competition and lead a flight to quality
- Protected markets have historically supported occupancy levels for ~25% of the sector that do not meet community expectations
- The growth opportunity without acquisitions is significant post-ACAR

Estia's scale and capability delivering a competitive advantage

- Diversified portfolio
- Delivering occupancy ahead of market averages and peers
- Resilient financial performance
- Strong well funded balance sheet with the capacity for growth
- Leadership depth, capability and sector experience

A prudent approach to capital deployment continues pending increasing confidence in future funding and pricing reform

Near term portfolio renewal includes two new homes planned to commence in FY22

5. Questions

6. Appendices

Appendix A: Statutory Income Statement

	FY21 $'000	FY20* $'000	FY21 vs FY20
Revenues[1]	**646,305**	**636,908**	**1.5%**
Other income	19,087	214	
Expenses			
Employee benefits expenses	443,421	416,000	6.6%
Administrative expenses	23,206	20,876	11.2%
Occupancy expenses	21,054	21,343	(1.4%)
Resident expenses	64,381	51,276	25.6%
Depreciation and amortisation and expense[2]	42,263	39,119	8.0%
Impairment expense	980	144,622	(99.3%)
Net remeasurement of expected credit loss allowance	(302)	732	(141.3%)
Royal Commission expenses	105	101	4.0%
Class action settlement	12,409	-	100.0%
Operating profit for the period	**57,875**	**(56,947)**	**(201.6%)**
Net finance costs[3]	48,812	51,898	(5.9%)
Profit/(loss) before income tax	**9,063**	**(108,845)**	**(108.3%)**
Income tax expense	3,065	8,064	(62.0%)
Profit/(loss) for the period	**5,998**	**(116,909)**	**(105.1%)**
Earnings per share (cents per share)			
Basic, profit/(loss) for the period attributable to ordinary equity holders of the parent	2.30	(44.79)	(105.1%)
Diluted, profit/(loss) for the period attributable to ordinary equity holders of the parent	2.27	(44.79)	(105.1%)

1 Revenue for FY21 includes $42.3m of imputed DAP revenue on RAD/bond balances (FY20 $43.4m arising as a result of the adoption of AASB 16
2 Depreciation, amortisation and impairment expense for H1 FY21 includes $4.5m of amortisation on leases (FY20 $4.5m) as a result of the adoption of AASB 16
3 Net financing costs for FY21 includes $44.3m of interest expense (FY20 $45.6m) as a result of the adoption of AASB 16
* Comparative information has been adjusted to conform with the current period presentation

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Appendix B: Non IFRS Reconciliations

Operating revenue to total revenue

	FY21 $'000	FY20 $'000	FY21 vs FY20
Government revenue - excluding temporary funding and grants	443,218	426,188	4.0%
Government revenue - temporary funding and grants	21,426	7,382	190.2%
Resident and other revenue[1]	147,406	146,310	0.7%
Total operating revenues	**612,050**	**579,880**	**5.5%**
Imputed DAP revenue on RAD/bond balances (AASB 16 impact)	42,316	43,407	(2.5%)
Operating revenue from new homes in ramp-up	1,539	13,621	(88.7%)
Adjusted for Government Grants (included as part of Other Income)	(9,600)	-	100.0%
Total Revenue	**646,305**	**636,908**	**1.5%**

Operating profit/(loss) for the year to EBITDA – mature homes

	FY21 $'000	FY20 $'000	FY21 vs FY20
EBITDA - Mature homes[2,3]	**62,454**	**82,783**	**(24.6%)**
Imputed DAP revenue on RAD/bond balances (AASB 16 impact)	(42,316)	(43,407)	2.5%
Other income - Asset Disposals	(9,487)	(214)	
Royal Commission expenses	105	101	(4.0%)
Net loss/(gain) from homes in ramp-up	625	(491)	227.3%
Depreciation and amortisation expenses	42,263	39,119	(8.0%)
Class action settlement expenses	12,409	-	100.0%
Impairment expenses	980	144,622	
Operating profit/(loss) for the period	**57,875**	**(56,947)**	**(201.6%)**

1 Resident and other revenue excludes the impact of imputed DAP revenue on RAD/bond balances resulting from the adoption of AASB 16
2 Mature homes are homes that have been opened for more than 12 months or if open for less than 12 months have greater than 85% occupancy at commencement of the financial year
3 EBITDA – Mature homes is defined as Earnings before Interest, Tax, Depreciation, Amortisation, specified non-recurring items and imputed DAP revenue on RAD/bond balances resulting from the adoption of AASB 16

Appendix C: Financial metrics and trends

	H2 FY21 6 months $'000	H1 FY21 6 months $'000	H2 FY20 6 months $'000	FY21 12 months $'000	FY20 12 months $'000	H2 FY21 vs H1 FY21	H2 FY21 vs H2 FY20	FY21 vs FY20
Government revenue - excluding temporary funding and grants	222,217	221,001	210,625	443,218	426,188	0.6%	5.5%	4.0%
Government revenue - temporary funding and grants	12,973	8,453	7,382	21,426	7,382	53.5%	75.7%	190.2%
Resident and other revenue[1]	74,338	73,068	72,453	147,406	146,310	1.7%	2.6%	0.7%
Total operating revenues	**309,528**	**302,522**	**290,460**	**612,050**	**579,880**	**2.3%**	**6.6%**	**5.5%**
Employee benefits expenses	215,024	215,624	205,399	430,648	404,272	(0.3%)	4.7%	6.5%
Non-wage expenses	48,742	45,897	43,693	94,639	90,287	6.2%	11.6%	4.8%
COVID-19 incremental expenses[2]	4,183	20,126	2,538	24,309	2,538	(79.2%)	64.8%	857.8%
EBITDA - Mature homes[3,4]	**41,579**	**20,875**	**38,830**	**62,454**	**82,783**	**99.2%**	**7.1%**	**(24.6%)**
Operating statistics - Mature homes								
Total Operational/Available Bed Days	1,119,304	1,137,612	1,082,172	2,256,916	2,175,868	(1.6%)	3.4%	3.7%
Total Occupied Bed Days	1,027,435	1,030,359	1,002,455	2,057,794	2,026,915	(0.3%)	2.5%	1.5%
Occupancy	91.8%	90.6%	92.6%	91.2%	93.2%	1.2%	(1.0%)	(2.0%)
Revenue statistics - Per Occupied Bed Day ("POBD")								
Government revenue - excluding temporary funding and grants	$216.3	$214.5	$210.1	$215.4	$210.3	0.8%	3.0%	2.4%
Government revenue - temporary funding and grants	$12.6	$8.2	$7.4	$10.4	$3.6	53.7%	70.3%	188.9%
Resident revenue	$72.4	$70.9	$72.3	$71.6	$72.2	2.1%	0.1%	(0.8%)
Total revenue	$301.3	$293.6	$289.8	$297.4	$286.1	2.6%	4.0%	3.9%
Costs statistics - Per Operational/Available Bed Day								
Employee benefits expenses - excluding COVID-19 incremental costs	$192.1	$189.5	$189.8	$190.8	$185.8	1.4%	1.2%	2.7%
Non-wage expenses - excluding COVID-19 incremental costs	$43.5	$40.3	$40.4	$41.9	$41.5	7.9%	7.7%	1.0%
COVID-19 incremental expenses	$3.7	$17.7	$2.3	$10.8	$1.2	(79.1%)	60.9%	800.0%
Total costs	$239.3	$247.5	$232.5	$243.5	$228.5	(3.3%)	2.9%	6.6%
Annual average EBITDA[1,2,3,4] Per Occupied Bed - Mature homes	**$14,772**	**$7,395**	**$14,139**	**$11,078**	**$14,908**	**99.8%**	**4.5%**	**(25.7%)**
Total staff expenses % of revenue[1,2,3,4]	69.5%	71.3%	70.7%	70.4%	69.7%	(1.8%)	(1.2%)	0.7%
Non-wages expenses % of revenue[1,2,3,4]	15.7%	15.2%	15.0%	15.5%	15.6%	0.5%	0.7%	(0.1%)
EBITDA mature homes % of revenue[1,2,3,4]	**13.4%**	**6.9%**	**13.4%**	**10.2%**	**14.3%**	**6.5%**	**0.0%**	**(4.1%)**

1. Resident and other revenue excludes the impact of imputed DAP revenue on RAD/bond balances resulting from the adoption of AASB 16
2. Additional Employee and Non-Wage expenses incurred in response to the COVID-19 pandemic
3. A reconciliation of Operating Profit to EBITDA - Mature homes is provided in Appendix B
4. EBITDA – Mature homes is defined as Earnings before Interest, Tax, Depreciation, Amortisation, specified non-recurring items and imputed DAP revenue on RAD/bond balances resulting from the adoption of AASB 16

Appendix D: Half yearly financial trends

	FY21 Group 12 months $'000	FY21 Homes in Victoria 12 months $'000	FY21 Other Homes 12 months $'000	H2 FY21 Group 6 months $'000	H2 FY21 Homes in Victoria 6 months $'000	H2 FY21 Other Homes 6 months $'000	H1 FY21 Group 6 months $'000	H1 FY21 Homes in Victoria 6 months $'000	H1 FY21 Other Homes 6 months $'000
Government revenue - excluding temporary funding and grants	443,218	148,830	294,388	222,217	74,327	147,890	221,001	74,503	146,498
Government revenue - temporary funding and grants	21,426	13,619	7,807	12,973	9,630	3,343	8,453	3,989	4,464
Resident and other revenue[1]	147,406	45,493	101,913	74,338	23,539	50,799	73,068	21,954	51,114
Total operating revenues	**612,050**	**207,942**	**404,108**	**309,528**	**107,496**	**202,032**	**302,522**	**100,446**	**202,076**
Employee benefits expenses									
Recurring	430,648	152,869	277,779	215,024	76,148	138,876	215,624	76,721	138,903
COVID-19 related[2]	11,198	7,051	4,147	1,728	752	976	9,470	6,299	3,171
Total employee benefits expenses	**441,846**	**159,920**	**281,926**	**216,752**	**76,900**	**139,852**	**225,094**	**83,020**	**142,074**
Non-wage expenses									
Recurring	94,639	34,225	60,414	48,742	17,494	31,248	45,897	16,731	29,166
COVID-19 related[2]	13,111	6,563	6,548	2,455	307	2,148	10,656	6,256	4,400
Total non-wage expenses	**107,750**	**40,788**	**66,962**	**51,197**	**17,801**	**33,396**	**56,553**	**22,987**	**33,566**
EBITDA - Mature homes[3,4]	**62,454**	**7,234**	**55,220**	**41,579**	**12,795**	**28,784**	**20,875**	**(5,561)**	**26,436**
Operating statistics - Mature homes									
Total Operational/Available Bed Days	2,256,916	793,145	1,463,771	1,119,304	393,313	725,991	1,137,612	399,832	737,780
Total Occupied Bed Days	2,057,794	681,670	1,376,124	1,027,435	341,232	686,203	1,030,359	340,438	689,921
Occupancy	91.2%	85.9%	94.0%	91.8%	86.8%	94.5%	90.6%	85.1%	93.5%

1. Resident and other revenue excludes the impact of imputed DAP revenue on RAD/Bond balances resulting from the adoption of AASB 16
2. Reflects Employee and Non-Wage expenses incurred in response to the COVID-19 pandemic
3. EBITDA – Mature homes is defined as Earnings before Interest, Tax, Depreciation, Amortisation, specified non-recurring items and imputed DAP revenue on RAD/bond balances resulting from the adoption of AASB 16
4. A reconciliation of Operating Profit to EBITDA – Mature homes is provided in Appendix B

Appendix D: Half yearly financial metrics

	FY21 Group 12 months $'000	FY21 Homes in Victoria 12 months $'000	FY21 Other Homes 12 months $'000	H2 FY21 Group 6 months $'000	H2 FY21 Homes in Victoria 6 months $'000	H2 FY21 Other Homes 6 months $'000	H1 FY21 Group 6 months $'000	H1 FY21 Homes in Victoria 6 months $'000	H1 FY21 Other Homes 6 months $'000
Revenue statistics - Per Occupied Bed Day ("POBD")									
Government revenue - excluding temporary funding and grants	$215.4	$218.3	$213.9	$216.3	$217.8	$215.5	$214.5	$218.8	$212.3
Resident revenue	$71.6	$66.7	$74.1	$72.4	$69.0	$74.0	$70.9	$64.5	$74.1
Costs statistics - Per Operational/Available Bed Day									
Staff costs									
Recurring	$190.8	$192.7	$189.8	$192.1	$193.6	$191.3	$189.5	$191.9	$188.3
COVID-19 related	$5.0	$8.9	$2.8	$1.5	$1.9	$1.3	$8.3	$15.8	$4.3
Total Staff costs	**$195.8**	**$201.6**	**$192.6**	**$193.6**	**$195.5**	**$192.6**	**$197.8**	**$207.7**	**$192.6**
Non-wage costs									
Recurring	$41.9	$43.2	$41.3	$43.5	$44.5	$43.0	$40.3	$41.8	$39.5
COVID-19 related	$5.8	$8.3	$4.5	$2.2	$0.8	$3.0	$9.4	$15.6	$6.0
Total Non-wage costs	**$47.7**	**$51.5**	**$45.8**	**$45.7**	**$45.3**	**$46.0**	**$49.7**	**$57.4**	**$45.5**
Total costs									
Recurring	$232.7	$235.9	$231.1	$235.6	$238.1	$234.3	$229.8	$233.7	$227.8
COVID-19 related	$10.8	$17.2	$7.3	$3.7	$2.7	$4.3	$17.7	$31.4	$10.3
Total costs	**$243.5**	**$253.1**	**$238.4**	**$239.3**	**$240.8**	**$238.6**	**$247.5**	**$265.1**	**$238.1**

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Appendix E: AASB 16 Impacts

Property Leases / Refundable Accommodation Deposits

- The adoption of AASB 16 Leases on 1 July 2019 has required lessees to account for all leases under a single on-balance sheet model in a similar way to how finance leases were accounted for in accordance with AASB 117
- For arrangements that provide a resident with the right to occupy a room, the Group has performed a detailed assessment of the contractual arrangements and have determined that the adoption of AASB 16 will result in arrangements being generally defined as a lease for accounting purposes. Where residents have opted to pay a Daily Accommodation Payment, adopting AASB 16 is not expected to result in a material change in the accounting treatment. However, for residents that have chosen to pay a Refundable Accommodation Deposit (RAD) or Bond, the application of AASB 16 would regard there to be a non-cash charge for accommodation. The accounting treatment for the non-cash consideration component of this arrangement results in the recognition of an increase in revenue for accommodation and an increase in interest expense on the outstanding RAD liability, with no net impact on the Profit for the Period
- To assist with the understanding of the impact of the of AASB 16, a reconciliation of reported results for FY21 and 20 is shown below

	FY21 Reported $'000	Impact of Op leases	Impact of RADs/ Bonds	FY21 Pro forma Pre AASB 16	FY20 Reported $'000	Impact of Op leases	Impact of RADs/ Bonds	FY20 Pro forma Pre AASB 16	FY19 Reported $'000[5]
Revenues[1,2]	**646,305**	**-**	**(42,316)**	**603,989**	**636,908**	**-**	**(43,407)**	**593,501**	**585,985**
Other income	19,087	-	-	19,087	214	-	-	214	36
Expenses									
Employee benefits expenses	443,421	-	-	443,421	416,000	-	-	416,000	386,804
Administrative expenses	23,206	168	-	23,374	20,876	154	-	21,030	20,583
Occupancy expenses	21,054	6,043	-	27,097	21,343	5,901	-	27,244	31,297
Resident expenses	64,381	-	-	64,381	51,276	-	-	51,276	51,613
Depreciation and amortisation expenses[3]	42,263	(4,535)	-	37,728	39,119	(4,525)	-	34,594	28,719
Impairment expenses	980	-	-	980	144,622	-	-	144,622	465
Net remeasurement of expected credit loss allowance	(302)	-	-	(302)	732	-	-	732	-
Royal Commission expenses	105	-	-	105	101	-	-	101	1,721
Class action settlement expenses	12,409	-	-	12,409	-	-	-	-	-
Operating profit for the period	**57,875**	**(1,676)**	**(42,316)**	**13,883**	**(56,947)**	**(1,530)**	**(43,407)**	**(101,884)**	**64,819**
Net finance costs[4]	48,812	(1,943)	(42,316)	4,553	51,898	(2,171)	(43,407)	6,320	6,990
Profit/(loss) before income tax	**9,063**	**267**	**-**	**9,330**	**(108,845)**	**641**	**-**	**(108,204)**	**57,829**
Income tax expense	3,065	80	-	3,145	8,064	192	-	8,256	16,539
Profit/(loss) for the period	**5,998**	**187**	**-**	**6,185**	**(116,909)**	**449**	**-**	**(116,460)**	**41,290**

1 Revenue for FY21 includes the impact of the temporary funding increases (including additional funding and grants in connection with COVID-19)
2 Revenue for FY21 includes $42.3m of non-cash imputed DAP revenue on RAD/bond balances (FY20 $43.4m) arising as a result of the adoption of AASB 16
3 Depreciation and amortisation expense for FY21 includes $4.5m of amortisation on leases (FY20 $4.5m) as a result of the adoption of AASB 16
4 Net financing costs for FY21 includes $44.3m of interest expense on leases (FY20 $45.6m) as a result of the adoption of AASB 16
5. The Company has adopted the modified retrospective approach when transitioning to AASB 16 (effective 1 July 2019): as a result the comparative periods presented have not been adjusted

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Appendix F: Balance Sheet

	30-Jun-21 $'000	30-Jun-20 $'000
Current assets		
Cash and cash equivalents	33,428	30,600
Trade and other receivables	7,125	8,129
Prepayments and other assets	8,820	6,444
Assets held for sale	2,601	5,441
Total current assets	**51,974**	**50,614**
Non-current assets		
Property, plant and equipment	845,465	842,524
Right of use assets	59,221	67,137
Investment properties	750	1,500
Goodwill	681,014	681,014
Other intangible assets	227,584	226,950
Prepayments	351	585
Total non-current assets	**1,814,385**	**1,819,710**
Total assets	**1,866,359**	**1,870,324**
Current liabilities		
Trade and other payables	39,305	59,527
Lease liabilities	3,897	4,052
Refundable accommodation deposits and bonds	863,929	836,304
Other financial liabilities	508	1,193
Income tax payable	1,162	6,504
Provisions	59,962	52,678
Total current liabilities	**968,763**	**960,258**
Non-current liabilities		
Deferred tax liabilities	100,747	98,404
Lease liabilities	61,225	68,910
Loans and borrowings	113,833	128,848
Provisions	6,059	5,155
Total non-current liabilities	**281,864**	**301,317**
Total liabilities	**1,250,627**	**1,261,575**
Net assets	**615,732**	**608,749**

Appendix G: Cashflow

	FY21 $'000	FY20 $'000
Cash flows from operating activities		
Receipts from residents	145,716	145,941
Receipts from government	462,420	432,171
Payments to suppliers and employees	(568,772)	(466,936)
Operational cash flows before interest, income tax, and RADs	**39,364**	**111,176**
Interest received	520	435
Income tax paid	(6,065)	(9,086)
Finance costs paid	(6,153)	(7,473)
Interest expenses of lease liability	(1,943)	(2,171)
Net cash flows from operating activities before RADs, bonds and ILU entry contribution	**25,723**	**92,881**
RAD, accommodation bond and ILU entry contribution received	256,599	272,871
RAD, accommodation bond and ILU entry contribution refunded	(226,007)	(239,690)
Net cash flows from operating activities	**56,315**	**126,062**
Cash flows from investing activities		
Payments for intangible assets	(2,036)	(5,911)
Proceeds from sale of property, plant and equipment	41	51
Proceeds from sale of assets held for sale	15,385	2,283
Purchase of property, plant and equipment	(46,997)	(74,718)
Net cash flows used in investing activities	**(33,607)**	**(78,295)**
Cash flows from financing activities		
Proceeds from repayment of MEP loans	-	6
Proceeds from bank borrowings	239,500	405,000
Repayment of bank borrowings	(255,000)	(400,000)
Dividends paid[1]	-	(32,920)
Repayment of lease liabilities	(4,380)	(3,884)
Net cash flows from/(used in) financing activities	**(19,880)**	**(31,798)**
Net increase/(decrease) in cash and cash equivalents	**2,828**	**15,969**
Cash and cash equivalents at the beginning of the period	30,600	14,631
Cash and cash equivalents at the end of the period	**33,428**	**30,600**

1. Dividends paid in FY20 are shown net of the Dividend Reinvestment Plan

Appendix H: Resident profile

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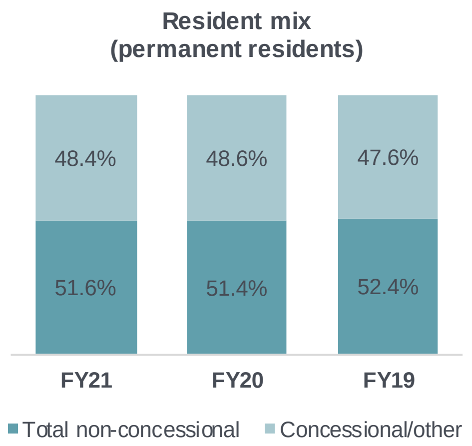
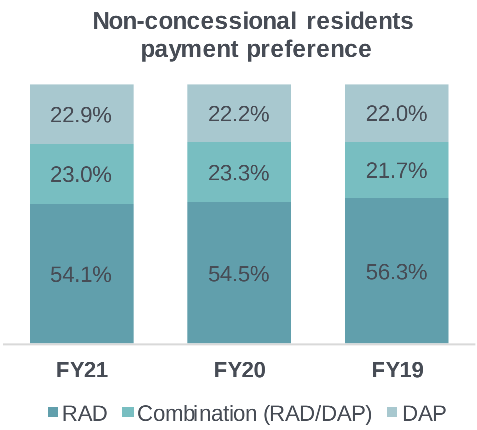
Number of residents	FY21	FY20	FY19
RAD	1,498	1,509	1,560
Combination (RAD/DAP)	638	645	601
DAP	634	613	609
Total non-concessional	**2,770**	**2,767**	**2,770**
Concessional	2,583	2,605	2,500
Other	11	14	20
Total permanent residents	**5,364**	**5,386**	**5,290**
Respite	383	312	282
Total residents	**5,747**	**5,698**	**5,572**
Occupancy	**91.8%**	**90.6%**	**92.6%**

% of permanent residents	FY21	FY20	FY19
RAD	27.9%	28.0%	29.5%
Combination (RAD/DAP)	11.9%	12.0%	11.4%
DAP	11.8%	11.4%	11.5%
Total non-concessional	**51.6%**	**51.4%**	**52.4%**
Concessional	48.3%	48.4%	47.3%
Other	0.1%	0.2%	0.3%
Total permanent residents	**100.0%**	**100.0%**	**100.0%**





Appendix H: Resident profile (detail)

Number of residents	30-Jun-19	Incoming	Outgoing	Preference changes	30-Jun-20	Incoming	Outgoing	Preference changes	30-Jun-21
RAD	1,560	397	521	73	1,509	435	482	36	1,498
Combination (RAD/DAP)	601	372	315	(13)	645	331	351	13	638
DAP	609	698	615	(79)	613	663	579	(63)	634
Total non-concessional	**2,770**	**1,467**	**1,451**	**(19)**	**2,767**	**1,429**	**1,412**	**(14)**	**2,770**
Concessional	2,500	1,054	1,003	54	2,605	927	965	16	2,583
Other	20	8	11	(3)	14	3	3	(3)	11
Total permanent residents	**5,290**	**2,529**	**2,465**	**32**	**5,386**	**2,359**	**2,380**	**(1)**	**5,364**
Respite[1]	282	62	-	(32)	312	70	-	1	383
Total residents	**5,572**	**2,591**	**2,465**	**-**	**5,698**	**2,429**	**2,380**	**-**	**5,747**

% of permanent residents	30-Jun-19	Incoming	Outgoing	30-Jun-20	Incoming	Outgoing	30-Jun-21
RAD	29.5%	15.7%	21.1%	28.0%	18.4%	20.3%	27.9%
Combination (RAD/DAP)	11.4%	14.7%	12.8%	12.0%	14.0%	14.7%	11.9%
DAP	11.5%	27.6%	24.9%	11.4%	28.1%	24.3%	11.8%
Total non-concessional	**52.4%**	**58.0%**	**58.8%**	**51.4%**	**60.5%**	**59.3%**	**51.6%**
Concessional	47.3%	41.7%	40.7%	48.4%	39.4%	40.6%	48.3%
Other	0.3%	0.3%	0.5%	0.2%	0.1%	0.1%	0.1%
Total permanent residents	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

1. Respite residents shown on a net incoming basis only

Appendix I: RAD and bond pool

Summary of movements in past periods	H2 FY21	H1 FY21	FY21	FY20
	$m	$m	$m	$m
Opening RAD/bond balance	836.1	836.3	836.3	805.0
Refunds mature homes	(100.1)	(124.9)	(225.0)	(237.3)
Inflows mature homes	123.6	126.1	249.7	244.7
Net inflows - mature homes	**23.5**	**1.2**	**24.7**	**7.4**
Net inflows new homes	5.9	-	5.9	25.8
Total net inflows	**29.4**	**1.2**	**30.6**	**33.2**
Deductions	(1.6)	(1.4)	(3.0)	(1.9)
Closing RAD/bond balance	**863.9**	**836.1**	**863.9**	**836.3**
Probate balance	102.8	84.8	102.8	99.9

Total RAD/bond pool at period end	30-Jun-21			30-Jun-20		
	$m	#	Average	$m	#	Average
Pre-July 2014 bonds for current residents	44.2	223	$198,484	63.0	310	$203,255
Post-July 2014 RADs for current residents	716.9	2,097	$341,863	673.4	2,040	$330,095
Total relating to current residents	**761.1**	**2,320**	**$328,081**	**736.4**	**2,350**	**$313,363**
Probate balance (former residents pending refund)	102.8	323	$318,205	99.9	333	$300,005
Total RAD/bond pool	**863.9**	**2,643**	**$326,874**	**836.3**	**2,683**	**$311,705**
Average agreed incoming RAD			$442,881			$433,442
Average outgoing RAD/bond			$406,447			$379,645

RADs held reconciliation to RAD residents	30-Jun-21	30-Jun-20
RAD residents	1,498	1,509
Plus : combinations (RAD/DAP)	638	645
Plus : former residents pending refund	323	333
Plus : concessional residents who pay a RAC	198	201
Less : unpaid RAD residents	(14)	(5)
Total number of paid RAD/bonds	**2,643**	**2,683**

Appendix J: Occupancy

Mature homes		H2 FY21 6 months	H1 FY21 6 months	H2 FY20 6 months	FY21 12 months	FY20 12 months
Total mature home beds available at period end		6,184	6,186	5,946	6,184	5,946
Available beds during period for occupancy calculation						
	Jan-21	6,184				
Days in period		181	184	182	365	366
Available bed days during period		1,119,304	1,137,612	1,082,172	2,256,916	2,175,868
Occupied days		1,027,435	1,030,359	1,002,455	2,057,794	2,026,915
Occupancy		**91.8%**	**90.6%**	**92.6%**	**91.2%**	**93.2%**
Total Occupied Bed Days in period						
Mature homes		1,027,435	1,030,359	1,002,455	2,057,794	2,026,915
New homes[1]		5,164	-	32,816	5,164	49,893
Total Occupied Bed Days in period		1,032,599	1,030,359	1,035,271	2,062,958	2,076,808
Beds						
Total available beds at start of period		6,186	6,182	6,180	6,182	6,102
New homes/beds opened during the period[1]		105	4	2	109	128
Homes/beds closed during the period[2]		(2)	-	-	(2)	(48)
Total available beds at period end		**6,289**	**6,186**	**6,182**	**6,289**	**6,182**

Beds closed from 1 July 2021	(66)
New beds opened from 1 July 2021	1
Total available beds as at 24 August 2021	**6,224**

Mature beds from 1 July 2020	
Total mature home beds available at 30 June 2020	5,946
New home beds reclassified to mature home beds	236
Total mature home beds available at 1 July 2020	**6,182**

1. FY21 increase reflects the activation of licences at Blakehurst (Feb 21) following the completion of the redevelopment program, FY20 increase reflected the opening of Maroochydore (Aug 19)
2. FY20 decrease of 48 beds within mature home portfolio resulting from beds taken offline effective from 1 July 2019
3. Effective 1 July 2021, 20 beds within the mature portfolio were taken offline and the 46 beds connected to the Keilor home were removed reflecting the decision to close the home

Appendix K: Development pipeline

Development	Nature of Development	Total New Places	Net Additional Places	Land Held	Development Approval	Licenses Secured	Completion / Target
Completed 2021							
Blakehurst, NSW	Brownfield	105	105	✓	✓	✓	Feb-21
In progress							
Burton, SA	Expansion	24	24	✓	✓	✓	Sep-22
Future							
St Ives, NSW	Greenfield	118	118	✓	✓	✓	
Aberglasslyn, NSW	Greenfield	118	118	✓	✓	✓	
Mt Barker, SA	Greenfield	118	88	✓	Planning Approval	Partial	
Toorak Gardens, SA	Brownfield	118	82	✓	Planning Approval	Partial	
Total		**472**	**406**				

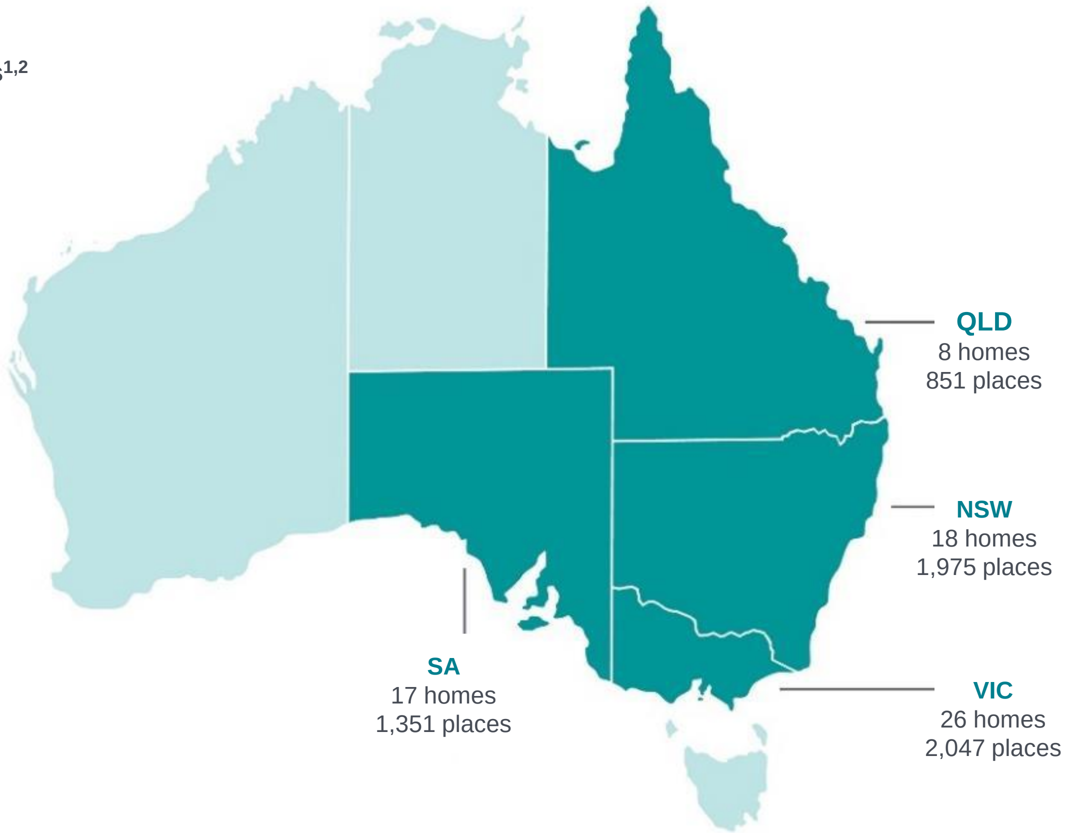
The development and redevelopment pipeline is being progressively reactivated with fully licenced and DA ready sites available.

Appendix L: Operational statistics

69 Operational homes	**6,224 places[1,2]**
Number of single rooms	**5,176 (91%)**
Average places per home	**90**
Freehold sites	**62**

Over 7,900 employees

Care delivered to more than 8,000 older Australians annually



1. Total operational places at 20 August 2021 as shown in Appendix J for mature and new homes
2. As at 1 July 2021, 56 Homes with 5,256 beds qualify for the significant refurbishment higher accommodation supplement

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