

REGIS HEALTHCARE LIMITED

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26 October 2021

Chairman and MD Addresses to Annual General Meeting

In accordance with Listing Rule 3.13.3, we attach the Chairman and MD addresses to the Regis Healthcare AGM on 26 October 2021.

Webcast facilities are available to listen to the Annual General Meeting. Details are provided on the following webpage:

<https://www.regis.com.au/investor-information/forward-calendar/>

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This document was authorised for release to the ASX by the Regis Healthcare MD/CEO

Chairman's AGM Address

Twelve months ago, as I addressed last year's Regis AGM, Victoria was just emerging from its devastating second wave of infection. Other States had variously seen outbreaks and restrictions on our homes, our residents and their families, while our staff across the country had worked tirelessly under very difficult circumstances to ensure residents and their work colleagues remained safe.

At first glance, one could be forgiven for thinking not much has changed, with Regis and the aged care sector more generally still managing lockdowns, outbreaks and restrictions.

But much has changed, and almost all for the better.

While 2021 has been the most difficult year that Regis has experienced in decades, I believe the most difficult issues are largely behind us and I am more positive about the outlook for Regis, its staff, residents, clients and their families. This should also benefit shareholders.

My optimism reflects progress in important areas, including the rollout of COVID vaccinations, the completion of the Aged Care Royal Commission, the Australian Government's response to the Commission's recommendations and the positive mindset Regis management and staff have brought to the many challenges thrown

at the business in the past year.

We now have over 87% of our residents who have had one COVID vaccination and over 83% who are fully vaccinated. 100% of Regis' residential aged care staff are compliant with the vaccination requirements. Sadly, Regis has had three covid related deaths since last year's AGM, all of which have been in Victoria's latest lockdown period. I would like to express our condolences to families and friends of these residents.

Despite continuing instances of COVID in homes across several States, our staff have learned to manage COVID as 'business-as-usual'. This will be important as locked down States and Territories now open up and the numbers of infections in the community rise. I wish to acknowledge and thank all Regis staff for their dedication and courage in managing our COVID response and for their extraordinary efforts to keep our residents and clients safe over the past year.

The twice-delayed final recommendations of the Royal Commission into Aged Care Quality and Safety delivered in February this year, while comprehensive, were inconclusive in some important areas. The key themes, however, came through loud and clear. Standards of care across the sector have to lift to better meet resident, client and family needs and the expectations of the community; and the

sector needs to be better funded by Government to achieve this.

Regis supports these key themes and much of the detailed analysis supporting them.

The Government's response in May recognised the immediate need to lift funding, as part of an announced \$17.7 billion commitment over 5 years, but also detailed a major sector reform program which will take several years to implement. Regis is well placed to contribute to and benefit from this reform agenda, and we call for regular and detailed sector consultation to best effect these major reforms. Only through working with the sector will these initiatives deliver the full benefits older Australians are expecting.

There are still important policy gaps that need to be detailed by Government that impact the performance and sustainability of the sector. These include how the aged care sector can address critical workforce pressures, the establishment of baseline data and functioning of the Independent Pricing Authority and greater disclosure and consultation around the detailed inputs and methodology behind the AN-ACC or resident care funding model.

This model is at the operational heart of the residential aged care sector's capacity to provide quality care for residents while remaining financial sustainable. The funding model is expected to require more care hours and staff. Full government funding of these

elements will be essential to support a

sector already financially stretched. While these funding reforms will not take full effect for another year, the commitment will be pivotal in signalling to the sector that it can confidently re-start new investment after several years of poor returns and market uncertainty.

Regis has used these recent years of policy and funding uncertainty to pay down debt and strengthen our balance sheet, giving us clear capacity to grow in residential or home care via new development or acquisitions. Net cashflows from operations were \$105 million in FY 2021 and we reduced debt by a further \$94 million to \$142.4 million as of 30 June, and in February this year we renewed our \$515 million syndicated debt facility.

Net debt as at 30 September 2021, had fallen to \$129 million, with better than expected RAD cash inflows of \$32 million more than offsetting payments of \$13.9 million in dividends and \$15 million for a new residential aged care site in the quarter.

This year saw us commit to the construction of new homes in Camberwell in Melbourne and Toowong in Brisbane, and acquire the new residential site in Belmore in Sydney. Capital expenditure continued on maintenance and refurbishments and we also committed to system upgrades for our homes and to our core

financial and clinical platforms.

The core purpose of Regis is to provide high quality care to older Australians. We have continued to invest in and improve our clinical governance and capability and recognise that the standards expected of aged care operators will increase further. Our Board Clinical and Care Governance Committee, first established in 2018 and chaired by Professor Christine Bennett, has matured in its ability to guide our improvement efforts, critically review and monitor performance, and assess any early warning signs of clinical risk across the business. Regis can still improve our care delivery as evidenced by the regulatory penalties applied to two of our sixty-four homes in FY2021. Management has applied the lessons from these penalties across all our homes and the Board has used the information to inform our future strategy. Continuous improvement in care outcomes is a key pillar of Regis' three-year strategic plan.

The funding pressures that have impacted residential aged care since 2017 continued to impact in FY 2021, with core operating costs again growing faster than revenues. Additional costs related to COVID were largely covered by extra government funding, but higher care costs (largely labour) were not covered by annual indexation increases. Regis' Net Profit after Tax in FY21 was \$19.9 million and full year dividends were increased to 6.63 cents per share or 100% of profit, as COVID concerns abated and occupancy

recovered from the lows of late 2020. Despite a year of restrictions and lockdowns, net RAD cash inflows were a healthy \$38 million in the year.

Your Board and Management had to contend with a number of specific issues through the year. In September 2020, Regis received a confidential non-binding indicative proposal to acquire your company at \$1.65 per share, and a further public offer was received in November at \$1.85 cents per share. The first proposal was considered by the Board, while the second proposal was considered by a sub-committee of independent Directors. Both proposals were rejected on the grounds that they materially undervalued Regis and the second proposal was withdrawn on 20 January 2021.

A cyber ransom-ware attack on Regis in late July of 2020 was effectively contained with no impact on resident care and services. Since this incident, your Company has strengthened controls against such threats.

Lastly, in August this year, Regis announced it had identified potential underpayments in employee entitlements to certain current and former employees under its enterprise agreements. Regis commenced a review to determine the extent of these underpayments and, based on preliminary analysis, provided \$35 million in our financial statements, of which \$7.1 million was for FY2021

with the remaining amount recorded as a prior period restatement. Since that announcement, Regis has appointed a senior manager and external advisors to undertake the remediation. Your Board and Management regret the impact this error has had on Regis' employees.

While FY 2021 has been an exceptionally challenging year, your Board believes Regis is well positioned to deliver an improved business performance over the

period ahead. We have further strengthened our business leadership and our focus continues to be on improvements in daily care and everyday living fees, occupancy, and management of head office (central) costs as COVID concerns abate. While there are still many challenges and uncertainties, we feel your Company is well placed to shape and navigate the pending reforms and sector opportunities over the next few years.

Finally, I want to thank my fellow Directors, the Executive team and the many committed employees of Regis Healthcare for their contribution throughout the year.

I would particularly like to acknowledge and thank our two Directors who are retiring from the Board effective from this AGM. Sylvia Falzon has been on the Board since Regis' IPO and has made an enormous contribution to the success of your company over seven

years. She has been Chair of the People and Remuneration Committee and more recently the Audit and Risk Committee of the Board and has brought many valuable skills to our Board deliberations. Matthew Quinn's three years on the Board have been the hardest in the Company's recent history and his clear thinking and wide-ranging business experience has been invaluable. I want to thank him for his significant contribution as Chair of the People and Remuneration Committee and more generally to Board considerations.

I expect to be able to announce new Board appointments shortly to replace our retiring Directors.

In closing, I want to thank you, our shareholders for your support in the past year.

I will now pass to our CEO Dr Linda Mellors to address the meeting

Managing Director and CEO AGM Address

I would like to begin by acknowledging the Boon Wurrung people of the Kulin Nation, traditional custodians of the land on which we meet today, and pay my respects to their Elders past, present and emerging. I extend that respect to any Aboriginal or Torres Strait Islander peoples joining us on the call.

Today, I will provide shareholders with an overview of Regis' performance over the past year in the context of multiple industry headwinds.

While the last year was again a difficult period for the sector, I share Graham's sense of hope about the future.

A number of industry-wide headwinds from the previous year continued including responding to a global pandemic, the ongoing impacts of the extended Royal Commission and associated negative media coverage, insufficient funding to meet the needs and expectations of our consumers, and worsening workforce shortages. On top of these ongoing challenges, as Graham mentioned, the Company also responded to a cyber-attack, regulatory interventions and two takeover bids.

Regis welcomed the conclusion of the twice-extended Royal Commission and the Australian Government's budget and policy responses. It is noteworthy that the issues raised in the final report were largely the same issues raised in many reports beforehand but not addressed through wholesale reform, which has driven the industry to unsustainable returns.

Regis strongly supports the need for reform of all parts of the sector and across all the domains highlighted by the Royal Commission including workforce, funding, governance, quality and safety, regulation and system design. It is critical for the sector and indeed the Australian community that the reforms are implemented properly, with transparency and accountability back to the public.

To this end, Regis is a founding member of the Aged Care Reform Network and is actively supporting the work of the Aged Care Workforce Industry Council. The Aged Care Reform Network is a collection of the largest providers of aged care, committed to leading our sector to achieve the reform intent and goals.

I'll come back to reform and a brief update on Q1 later but would first like to address the ongoing challenges posed by COVID-19.

Responding to COVID-19 has required ongoing close management, including operational changes, supporting our residents, clients and

employees, and coordinating the vaccination of our residents and workforce

Graham has spoken of the second wave in Melbourne last year and the terrible impact on aged care residents, families and employees. The sad reality is that broad community transmission of the virus puts our aged care homes at risk of an incursion. We know that broad community vaccination protects aged care residents and employees. The recent community transmission in Victoria and NSW has impacted multiple homes when there is an exposure from an employee, visitor or resident. Most of these events have not resulted in any transmission in the aged care home, however we have had two homes in Melbourne with transmission since our last presentation and remain grateful for the ongoing support of our employees, residents, families and surrounding health providers. The two homes are in Fawkner and Dandenong North, both suburbs with high community transmission. There have been two resident deaths at Fawkner and one at Dandenong North and we send our sincere condolences to their loved ones.

The protection and wellbeing of our residents, clients and employees is the Company's primary concern. The Regis Pandemic Planning Committee continues to lead our response and our Outbreak

Management Plan is mature. The Company continues to hold stocks of personal protective equipment in hubs across the country to ensure our workforce can access this essential safety equipment as required.

Vaccination of our residents and workforce has required substantial effort and coordination. Regis has actively promoted vaccination options in line with the best evidence around the protection vaccination provides. Vaccination has been shown to be highly protective against death and serious illness from COVID-19.

Residents have the option of vaccination and most of our residents have taken this up with enthusiasm. Currently, over 87% of our residents have had one dose and over 83% two doses of a vaccine. New residents are increasingly entering our homes already vaccinated, consistent with the increasing levels of vaccination in the community.

Regis residential aged care employees met the deadline to receive a first dose of the vaccine and, today, nearly 91% of our residential aged care employees are fully vaccinated. Our Retirement Living and Support Services employees are also vaccinated and our Home Care workers are making good progress to full vaccination.

It is evident that the community will be living with COVID-19 for an extended period and the operational changes Regis has made are

now effectively business as usual. The Company remains grateful for the ongoing care and diligence of our workforce and the understanding of our residents, clients and families. Along with the rest of the community and businesses, Regis is working to re-establish normal patterns of living and working, which includes allowing visitors into our homes with appropriate safety precautions.

Along with the human impacts on our home communities, the pandemic has also impacted our operations, revenues and expenses. At a high level, Regis' FY21 expenses associated with COVID-19 outbreaks and single-site working requirements were offset by Government funding and grants.

In terms of our overall financial performance for the year ended 30 June 2021, revenue from services was \$701.4 million, up 3.5% on the prior corresponding period. The Company delivered full year earnings before interest, tax, depreciation and amortisation of \$137.8 million and net profit after tax of \$19.9 million.

This result is well below what we would expect to deliver in a properly funded environment but pleasing in the difficult operating context.

Highlights of the results include:

- Increased occupancy compared with FY20 even with the lower occupancy in Victoria due to the COVID-19 second wave

- Net RAD cashflow of \$37.7m, which is a strong result across the entire portfolio of homes and noting that Victoria ended the year with a negative result
- Net debt now sits at \$142.4 million, reflecting a reduction of nearly 40% compared to the end of FY20
- Our debt refinancing was completed in February giving the Company headroom to take advantage of market opportunities.

As at 30 September, average occupancy was 89.4% across the entire portfolio which is consistent with the spot rate advised at 30 June.

We consider this a reasonable result considering the COVID situation in NSW and Victoria where restrictions to tours and visitation have significantly impacted our opportunities. Pleasingly, RAD cashflow continued to remain positive over the first quarter.

Over the financial year just closed, the pause on development and acquisitions continued due to the uncertainty around future funding and return on capital. In the background, we continued to plan for future developments and have projects ready to commence as conditions improve. This includes our new land acquisition in Belrose NSW. Looking forward, Regis will play an important role in providing new and contemporary homes that are attractive to our market.

This is a good time to now move to an update on our strategic plan and sector reform.

The Australian Government has released the high level sector reform plan and there is substantial work underway on the detailed policy and funding changes. Regis has assessed the available information on the timetable for reform and this has been factored into our 3-year Strategic Plan, our annual business plan and our assessment of enterprise risk.

Our data intelligence continues to support strong growth for the sector with an ageing demographic, the reform outcomes including additional requirements and funding, a substantial increase in the workforce and a likely reduction in the number of Approved Providers, as Providers themselves and regulatory requirements continue to raise the bar.

Notably, at \$17.7b, the Government's response is the largest funding package since the Living Longer Living Better reform in 2013.

There is still much detail to be worked through but the narrative of system reform is encouraging.

As one of the largest providers in Australia, Regis is well placed against many of the intended reforms, including corporate governance, clinical governance, prudential controls, food and nutrition standards, registered nurses on site 24/7 and career pathways across all roles.

Regis has a strong purpose and our nearly 30-year old Company remains dedicated to the care and service of older people. Our current 3 year strategic plan groups our priorities and goals under three pillars, being:

- The Regis Culture of Care
- Positive People and Practice; and
- Ensuring our Future

The Regis Culture of Care pillar uses our clinical governance framework as the base ensuring that the care and services we provide are personal, safe, effective and integrated. Regis will further our existing programs with key focus areas being teaching, training, research, safety, confidence and inclusion.

I particularly want to draw out a number of our existing programs and where we already meet or exceed recommendations from the Royal Commission.

Our Board invests significant time in clinical governance both at Board meetings and through our Board Committee for Clinical Governance and Care, chaired by Independent Director Professor Christine Bennett AO, a medical practitioner with deep expertise in the management and governance of clinical services, tertiary education and technology. Along with health professionals on our

Board and Executive, Regis has Registered Nurses rostered at all homes 24/7, as well as expert clinical support teams and senior registered nurses available for support and advice around the clock.

Our quality and safety processes and reports provide insights into our performance and we have strong processes and requirements to meet our open disclosure, whistleblower and transparency obligations.

Our frontline teams have used electronic clinical management software since 2013, ensuring all information about a resident or client is available at the point of care.

Our seasonal menus meet the nutrition requirements of older people, with regular resident input, as well as a longstanding process of professional review by catering experts and a dietitian.

Our teams work with each resident and client to ensure that our care and lifestyle programs meet their personal needs and preferences. Regis also has a mature additional services program that provides our residents with choice and control and is a key differentiator from our competitors.

We have a range of improvements underway to enhance consumer engagement, add to our clinical, care and research partnerships, and progress our research strategy.

Our model of care reviews will ensure our programs are matched to changing consumer expectations and needs, especially as the increase in resident acuity is expected to continue with the ageing population and later entry into residential aged care.

Work to reduce administration workload for front-line employees continues, allowing our workforce to spend more time providing care and companionship to our residents and clients.

In a key safety improvement, we plan to implement an electronic medication system that will interface with our existing clinical management system, with a pilot underway. We are also enhancing the number and timeliness of quality and safety indicators that the Board and Executive monitor.

A resident or client's experience of Regis is at the point of care or service. To this end, Regis invests heavily in teaching, training and support programs for our workforce.

The Company has a range of programs in place to provide key skills and updates to our employees, financial support for accredited study, in house clinical and portfolio support teams, and a confidential external employee assistance program.

Regis places a high value on employee wellbeing and respect, needed more in the past two years than ever, and we continue to expand the range of health, fairness, diversity and inclusion

programs.

Regis has comprehensive programs in place for performance review, development and talent mapping, as well as a strong history of career planning and progression across all roles.

A major focus is our workforce strategy and ensuring Regis is the employer of choice for our growing sector. This work is of high strategic importance and value in the context of existing and predicted skills shortages, changes in migration and high sector workforce turnover.

Our final pillar is Ensuring our Future and this group of work includes our digital transformation program, our land and property assets, a diversified portfolio, accurate and efficient systems and processes, partnerships and environmental sustainability.

Keeping ahead of the coming reforms as far as possible will place the Company in good stead from a competitive perspective. We are a key member of the Aged Care Reform Network and determined to play our part in systemic improvement across the industry.

Our Home Care Strategy sets out our plans to expand this part of our business and we anticipate sector consolidation here too. This is a key opportunity as Government continues to increase funding to this part of the aged care sector.

Regis has long been a leader in design standards for residential aged care, and we have added environmentally sustainable elements to all of our homes and offices. We have again reviewed our design standards to ensure that the now business as usual infection prevention and control changes are supported by good design, and that the design enhances workplace efficiency.

We are also increasing partnerships with local and sustainable suppliers to boost communities, support shared value creation and reduce our carbon footprint.

We have significantly improved our cybersecurity capabilities and protections that respond to the increased risks to health and care providers. The team is led by a cybersecurity expert and works closely with external experts and organisations.

Importantly, our future is very much led by the continuous improvement and learning philosophies driven from the Board and Executive through to our frontline teams. The culture of Regis is very much led by the Board and this is a real strength of the Company.

Our current work is focused on a range of necessary upgrades to various systems and infrastructure, to address our business requirements, efficiency opportunities, and data and predictive analytics.

One area of particular focus is the upcoming activity-based funding

program. We are well placed here with various executives holding extensive experience in activity-based funding models.

With regard to our research and innovation partnerships, Regis is a desirable partner due to our scale and sophistication and our ability to deliver rapid translation from research and innovation to practice. Our residents enjoy contributing to research and development, and this is a key attractor for the workforce.

I'm pleased with the progress Regis has made in the environmental, social and governance domains. The Company is proud of our history and our work to create shared value in an essential industry for the Australian community.

The Company's environment achievements across the year include our recycling and sustainable consumable initiatives, and environmental upgrades to our homes and offices.

Our social programs have been impacted by the changed environment associated with COVID-19 and finding new ways for our residents and clients to connect with their loved ones and communities as visitor restrictions have been applied by different state and territory governments. We are looking forward to restoring the full range of social programs as soon as it's safe to do so.

We have introduced a range of new virtual forums and communications to increase interaction between the Executive and

management teams, and to provide leadership, mental health and wellness in-services. While these have been necessary and useful during COVID-19, the team is looking forward to borders reopening so we can return to valuable face-to-face interactions that are critical in our business while keeping the efficiencies of virtual meetings that meet our needs.

Regis continues to prioritise our key drivers of quality care, service and accommodation. High performance in these areas will support the continued improvement in occupancy, which is a focus for us. Our key drivers are themselves supported by the Workforce Strategy and upgrade of our key business systems, taking into account our own requirements and ambitions, as well as those considered by the sector reform agenda.

As I reflect on the FY21 year, I am struck by how our Executive team has balanced the external factors with our own ambitions for Regis. I'm very pleased with how the Executive team has come together with a relentless consumer focus combined with strong business acumen.

Importantly, our Executive team has the breadth and depth of expertise and experience to manage the increasing complexity of the aged care system, in terms of the higher acuity and expectations of residents and clients, the clinical and corporate governance models for a maturing sector, and to deliver improved business

performance. The Executive has worked hard over the past year to recruit additional skills into our management teams to deliver our planned program of work.

I would like to commend the extraordinary efforts of our entire workforce and thank them for the important work they do in caring for older Australians with commitment, focus and kindness. I would also like to express my gratitude to our residents, clients and families for choosing Regis for their care and service needs.

Thank you.