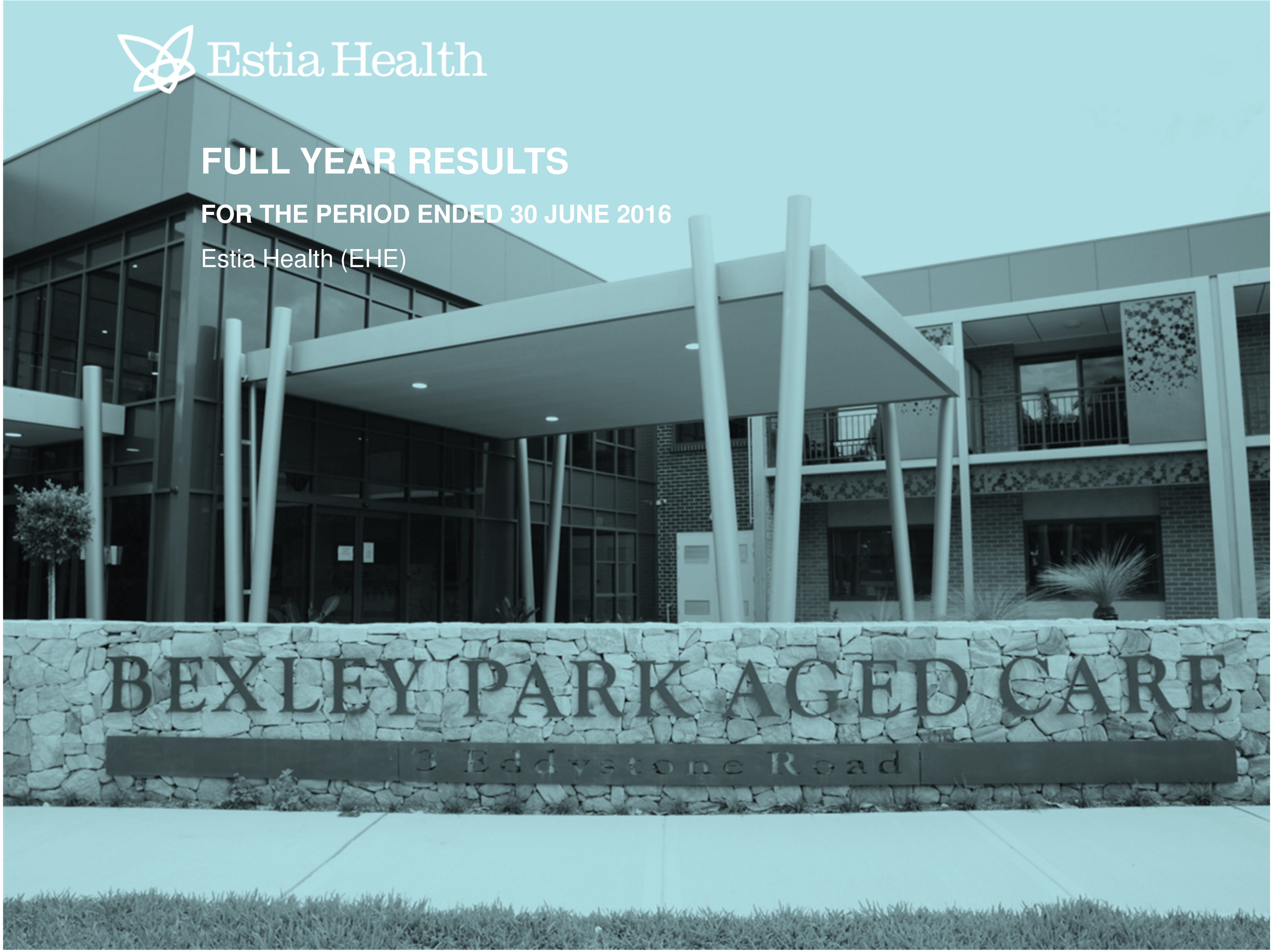
Estia Health

FULL YEAR RESULTS

FOR THE PERIOD ENDED 30 JUNE 2016

Estia Health (EHE)



SECTION 1

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

$446.5m

REVENUE[1]

Increased 50% on FY15 of $297.5m driven by optimisation of core business facility revenue and growth from acquisitions

$79.0m

NET OPERATING CASH FLOW[5]

Up 25% on FY15 of $63.0m due to strong cash flows with 88% cash conversion rate

$92.7m

UNDERLYING EBITDA[2,3]

Strong operational performance, up 31% on FY15 of $70.7m

12.8c

DIVIDEND PER SHARE (fully franked)

Taking annual dividend to 25.6 cents per share, an increase of 88% on FY15 of 13.6 cents and representing pay out ratio of 90%

$51.8m

UNDERLYING NPAT[3]

Up 16% on FY15 of $44.6m

28.3c

UNDERLYING EARNINGS PER SHARE[3]

An increase of 16% on FY15 of 24.5c[4]

$76.4m

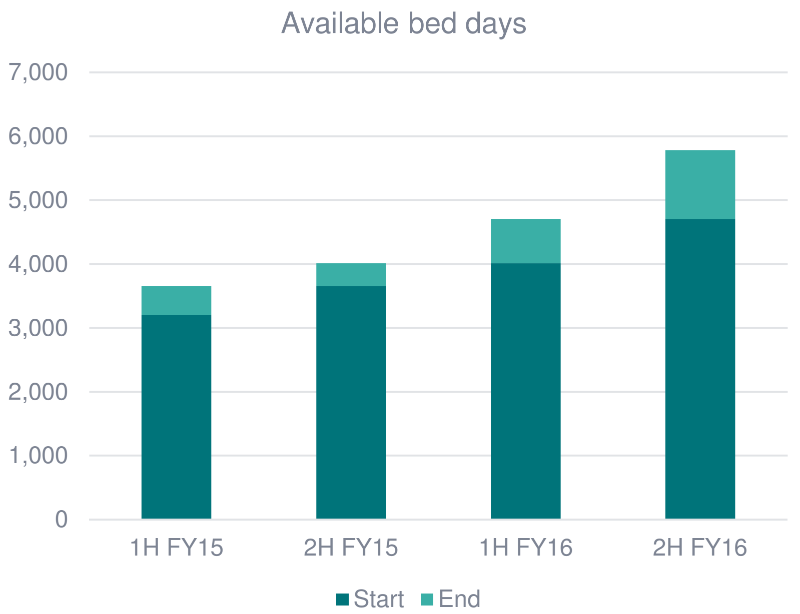
NET RAD RECEIPTS

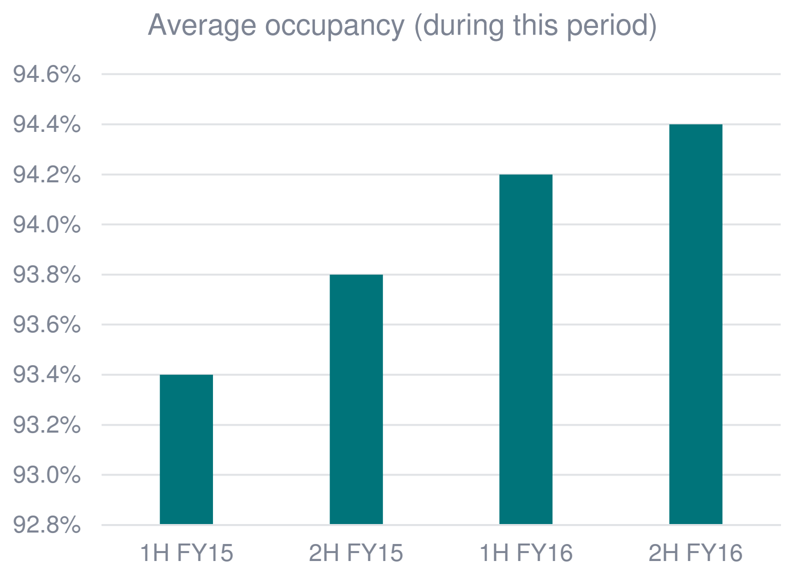
Average incoming RAD[6] $362.800 (FY15: $ $343,683)
Average outgoing RAD[7] $252.800 (FY15: $204.198)

1. Revenue is a non-statutory disclosure and includes revenue from operations and other income. The Company considers revenue to be an appropriate measure due to industry focus on government and resident funding for delivery of aged care services.
2. Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") is a non-statutory disclosure.
3. Underlying EBITDA, NPAT and EPS are non-statutory, unaudited and exclude stamp duty and transaction related costs incurred during the year. Refer to Appendix E for reconciliation between statutory and underlying NPAT.
4. EPS calculation based on weighted average ordinary shares outstanding in FY15 and takes into account the issuance of shares from the initial public offering in December 2014 on a pro forma basis consistent with the information disclosed in the Prospectus lodged 3 December 2014.
5. Underlying Net Operating Cash Flow is non-statutory, unaudited and excludes stamp duty and transaction related costs incurred during the year.
6. Average Incoming RAD: Agreed accommodation price dividend number of RAD paying residents.
7. Average outgoing RAD: Rad/Bond liability at 30 June dividend by number of RAD/Bond paid residents.

KEY OPERATING TRENDS

- Occupancy gains through integration of acquired homes
- Over 2,100,000 available bed days in FY17
- Similar revenue per bed day (FY16 $260, FY15 $259) reflecting the higher proportion of transitional homes





Period	1H FY15[1]	2H FY15[2]	1H FY16[3]	2H FY16
Start	3,203	3,657	4,010	4,705
End	3,657	4,010	4,705	5,782

1H FY15[1]	2H FY15[2]	1H FY16[3]	2H FY16
93.4%	93.8%	94.2%	94.4%

1. As reported 19 February 2015
2. As reported 12 August 2015
3. As reported 18 February 2016

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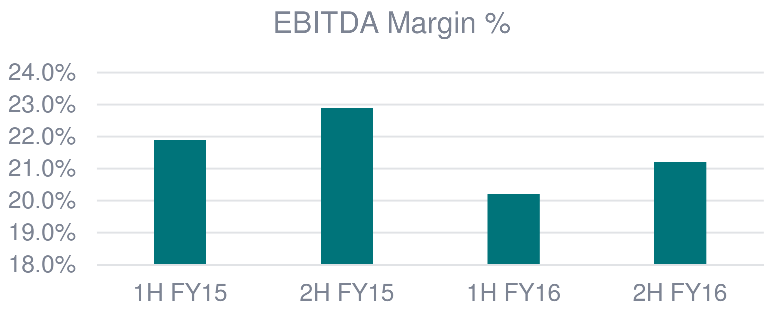
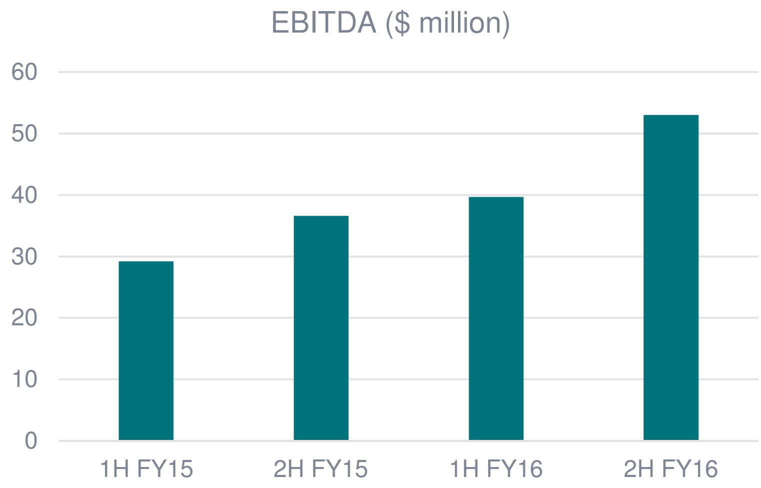
KEY OPERATING TRENDS

- Increased margins in 2H as acquired homes integrated (47.5% places in transition at start of period)
- Reduction in corporate costs as percentage of revenue



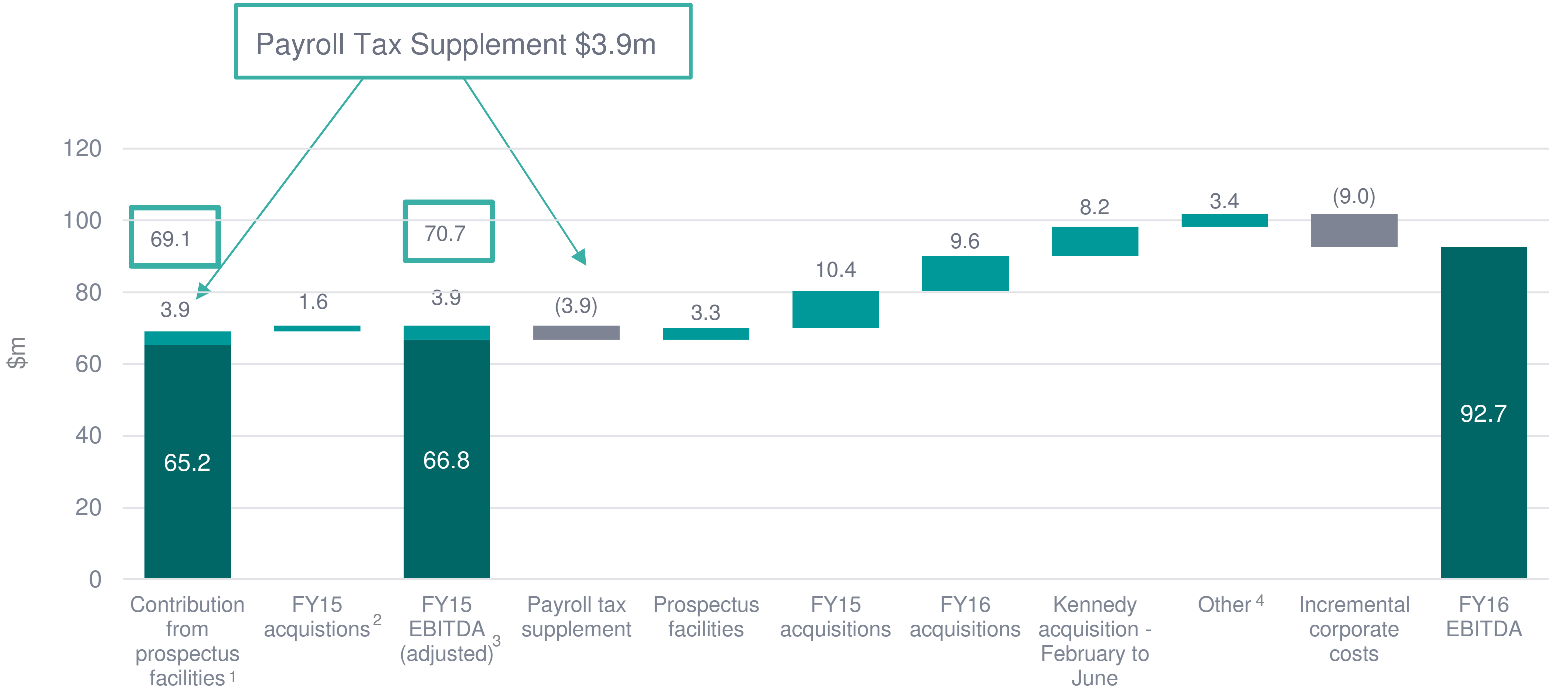


Key operational statistics	1H FY15[1]	2H FY15[2]	1H FY16[3]	2H FY16
EBITDA Margin %	21.9%	22.9%	20.2%	21.2%
EBITDA ($ million)	29.2	36.6	39.7	53.0
Staff Costs per operating bed day ($)	150.26	152.42	160.16	159.15
Corporate Costs as % of Total Revenue	5.8%		5.0%	

1. As reported 19 February 2015, adjusted for payroll tax supplement ($3.9m)
2. As reported 12 August 2015
3. As reported 18 February 2016

UNDERLYING EBITDA BRIDGE

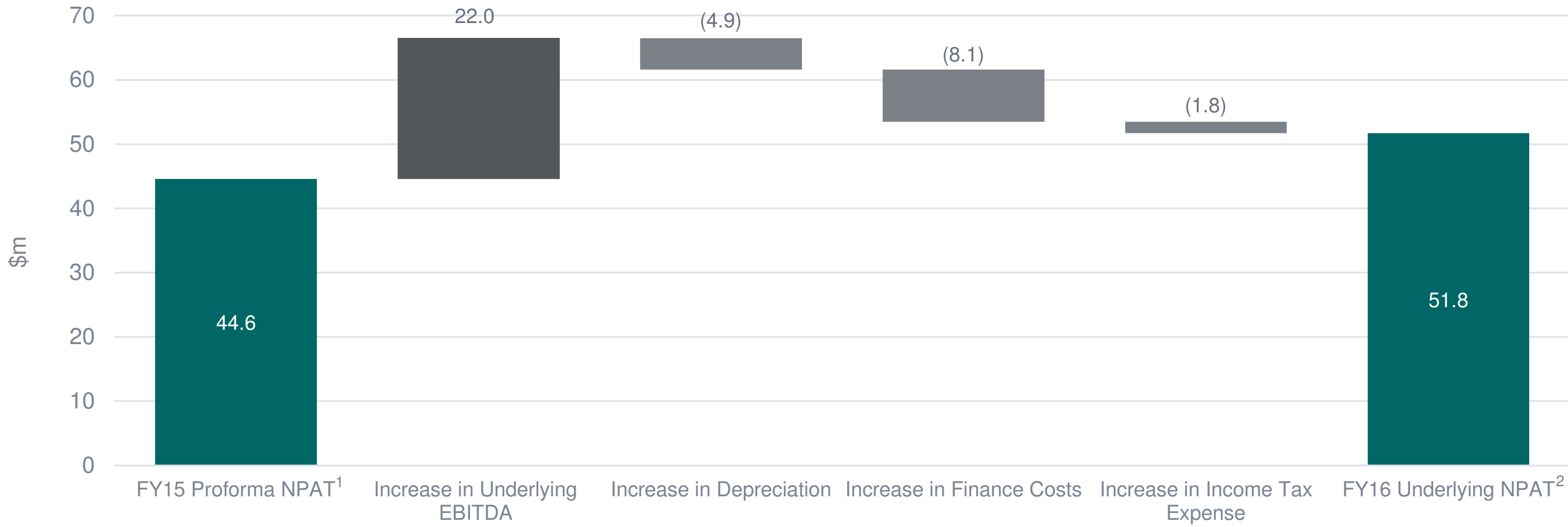
- >5% growth on prospectus facilities
- Kennedy contribution of $8.2m in 5 months



1. Represents facilities included in the Prospectus lodged 3 December 2014
2. FY15 acquisitions above Prospectus lodged 3 December 2014 include Burton, Tuncurry, Foster, Taree and Mt Coolum.
3. Reported FY15 EBITDA of $69.7m was adjusted to reclassify refund bond / RAD interest paid on probate with financing costs. Refer Appendix B for reconciliation
4. Other includes gain on sale of property, plant and equipment and gain on acquisition

UNDERLYING NPAT BRIDGE

- Increase in depreciation driven by higher than expected asset values attributed to acquired homes as determined by independent valuations
- Increase in finance costs is due to the timing of operating cash flows and cash investments in organic development program



1. As reported 12 August 2015.
2. Underlying NPAT is a non-statutory, unaudited and excludes stamp duty and transaction related acquisition costs incurred during the year. Refer Appendix E for reconciliation to Statutory NPAT.

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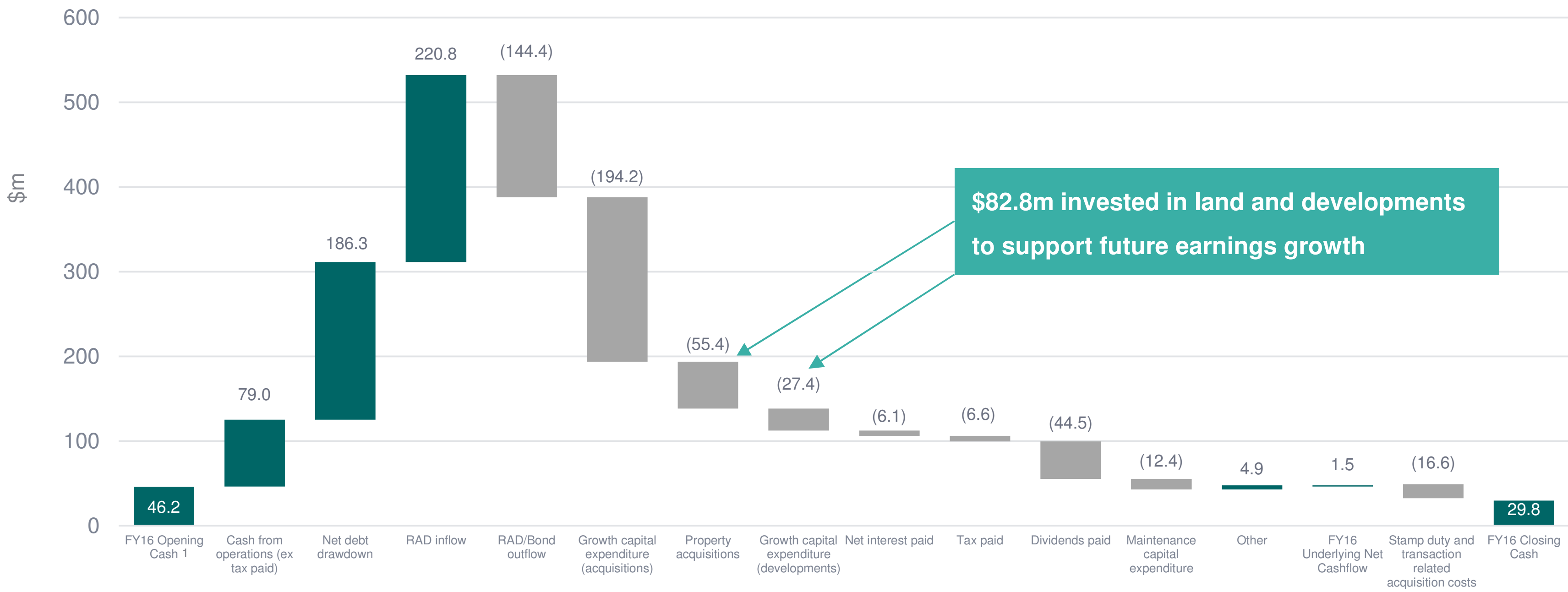
CASH FLOW BRIDGE

- Strong operating cash flow of $79.0m
- 88% cash conversion rate[2]
- $76.4m in net RAD receipts reinvested to fund acquisitions and organic growth



1. As reported 12 August 2015
2. Cash conversion rate = net cash flows from operations divided by underlying EBITDA (net of gain on sale of property, plant and equipment and gain on acquisition)

LEVERAGE

- Net leverage at the end of FY17 expected to be <2.5x, with medium term target of <2.0x
- $55.4m debt drawn down for future land development opportunities (non-income producing assets)
- FY16 pro forma net leverage ratio adjusted for land acquisitions is 1.8x

Debt facility	Total
As at 30 June 2016	$ million
Available	330.0
Drawdown	253.5
Undrawn	76.5

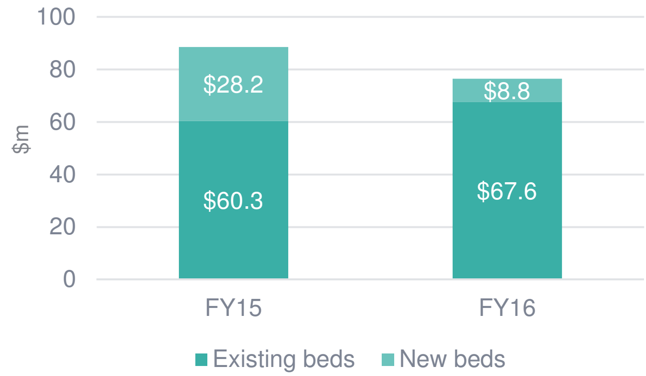
Cash	Total
As at 30 June 2016	$ million
Available	29.8

Net Debt	Total
As at 30 June 2016	$ million
Net debt	223.7

As at 30 June	FY16	FY17
Net Leverage Ratio	2.4x	<2.5x

ACCOMMODATION PAYMENTS

Total net RAD receipts

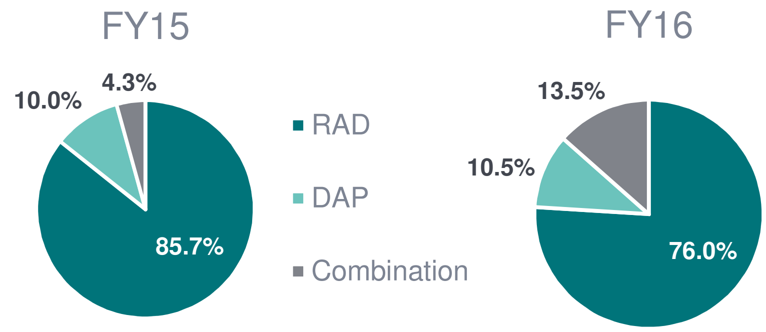


- **12% growth in net RAD receipts from existing beds**

	FY15	FY16
Average incoming RAD	$343,683	$362,800
Total net RAD receipts	$88.5m	$76.4m

- **5.6% growth in average incoming RAD**

Consumer preferences[4]



- **Kennedy portfolio's payment preference mix of 42.3% RAD, 35.7% DAP and 22.0% combination has shifted the total overall mix as shown above**

Conservative pricing

- **Potential upside of c $110,000 on incoming RADs**

1. Source: Third Report on the Funding and Financing of the Aged Care Sector, July 2015, Aged Care Financing Authority.
2. Average agreed accommodation price for incoming residents in 2HFY16
3. EHE average RAD/Bond liability at 30 June 2016 divided by Total # RADs/Bonds outstanding
4. Based on profile of residents at 30 June 2016

SECTION 2

MEDIUM TERM FOCUS

FY17 PRIORITIES

Optimisation of assets

- Continuing improvement in performance of FY16 acquisitions
- Full integration of Kennedy
- Commissioning of new brownfield beds
- Rebalance of government and consumer revenues

Focus on organic growth

- Completion of brownfield developments
- Progression of greenfield developments at Twin Waters and Kogarah
- Development approvals for Blakehurst, St. Ives, Sunshine Cove and Wollongong

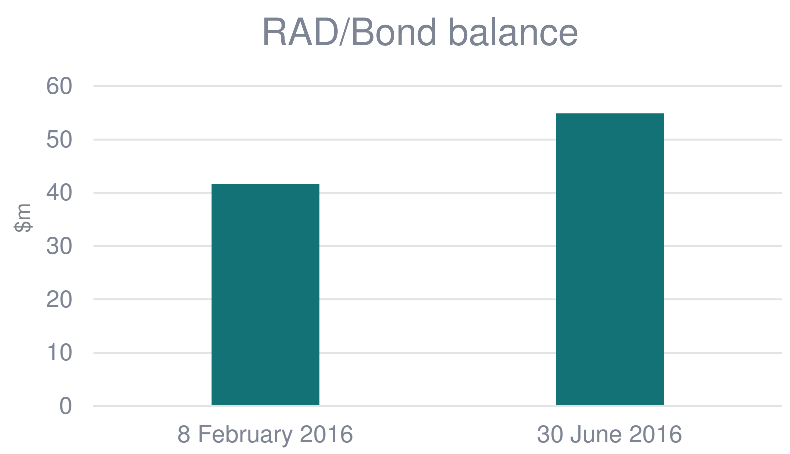
Capital management

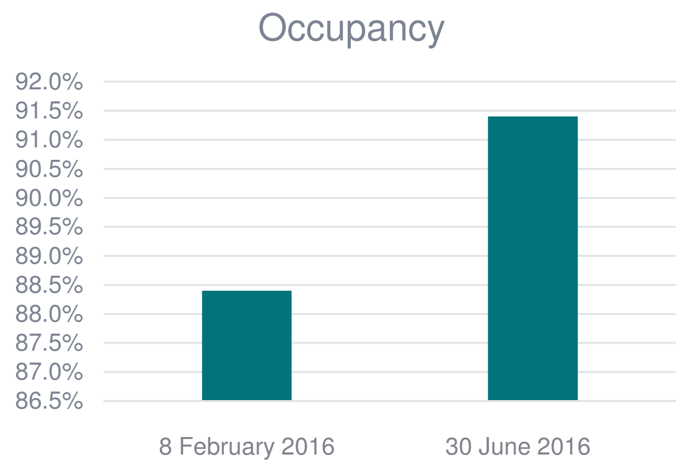
- Net leverage at the end of FY17 expected to be <2.5x, with medium term target of <2.0x
- Convert non-income producing land to operational assets

KENNEDY HEALTH CARE GROUP

- Immediately Earnings Accretive, $8.2m EBITDA contribution in FY16
- Integration plan on track and delivering results
- Included land with capacity to build 456 additional places

Completed 8 February 2016		
Operating business		$183.2m
Land bank for new development[1]		$26.4m
Gross consideration paid for Kennedy Health Care Group		$209.6m





1. Total land acquired for new development, - Bexley, Greystanes (Merrylands), Rosemeadow, Wollongong (Figtree) based on independent valuations; Avondale and Wombarra based on carrying value and are currently being independently revalued.

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PIVOTING FROM ACQUISITION TO ORGANIC GROWTH

- Networks substantially established with acquisition of 1,781 places in FY16. Window for acquisition post-implementation of LLLB Reforms virtually closed.

- Investment of $55.4m in land for future development:
  - GREENFIELD: Kogarah, St. Ives, Wombarra, Wollongong, Avondale, Twin Waters, Sunshine Cove
  - BROWNFIELD: Toorak Gardens (SA), Daw Park (SA), Kilbride (NSW), Merrylands (NSW)

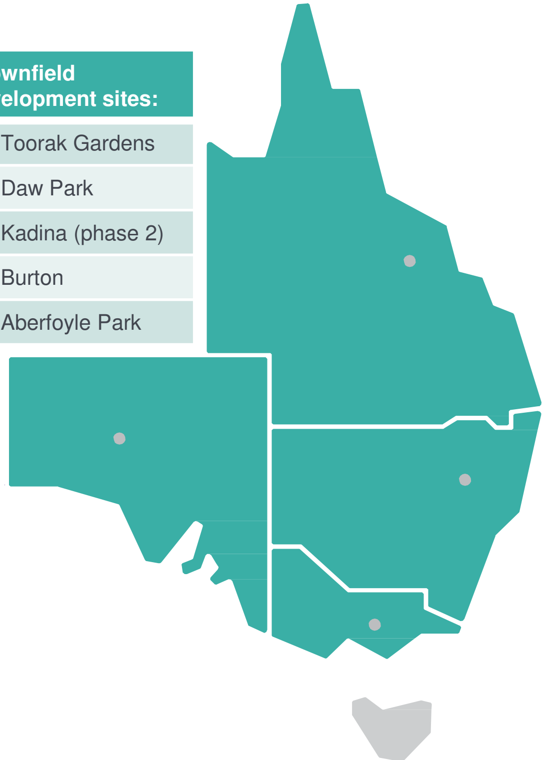
- Completion of redevelopment at Mudgeeraba with 36 new single ensuite rooms opening in May 2016

- 12 homes now eligible for significant refurbishment subsidies

- Construction commenced at Kogarah (NSW) and Twin Waters (QLD)

BUILDING NETWORK CONCENTRATION

- Networks substantially established
- 69 homes organised in 11 networks across 4 states
- 5,782 available beds at start of FY17
- Concentration to increase through organic development



SA

3 networks of 17 homes

Brownfield development sites:
• Toorak Gardens
• Daw Park
• Kadina (phase 2)
• Burton
• Aberfoyle Park

QLD

1 network of 6 homes

Greenfield development sites:	Brownfield development sites:
• Twin Waters	• Nambour
• Sunshine Cove	• Southport

NSW

3 networks of 18 homes

Greenfield development sites:	Brownfield development sites:
• Kogarah	• Kilbride
• St Ives	• Merrylands
• Wombarra	• Ryde
• Wollongong	• Blakehurst
• Avondale	• Figtree

VIC

4 networks of 28 homes

Brownfield development sites:
• Bentleigh
• Oakleigh East
• Coolaroo
• Keilor

1. Projected position at 30 June 2017

FOCUS ON ORGANIC GROWTH

- Brownfield developments – 110 new places to be opened in FY17
- FY17 capex of $2.8m to $4.0m

Gold Coast QLD
Opened in July 2016
+56

Tea Gardens NSW
Opened in July 2016
+36

Encounter Bay SA
Including full renovation of 66 rooms, opened in July 2016
+2

Kadina SA
Due for completion in September 2016
+12

Epping NSW
Due for completion in Q3, FY17
+4

FOCUS ON ORGANIC GROWTH

- Greenfield developments – 180 places due to open in FY18
- FY18 capex of $34m to $40m

Kogarah

Q1 FY18

No. of places	72
Project cost to date	$1.9m
FY17 capital forecast	$13m - $16m

Twin Waters

Q1 FY18

No. of places	108
Project cost to date	$2.0m
FY17 capital forecast	$21m - $24m

SECTION 3

OUTLOOK

OUTLOOK

FY17 EBITDA is anticipated to be at least 13% in excess of FY16 Underlying EBITDA, underpinned by:

- Increased earnings contribution from acquired and ramping up facilities
- Continued optimisation of portfolio performance

Having regard to FY17, we anticipate:

- Higher interest expense, in the range of $11m – $13m
- Higher depreciation, in the range of $17m – $20m
- Total capex spend for developments, in the range of $36m – $44m

The federal government announced changes to residential aged care funding in this year's Budget which commence in FY17. Estia estimates the impact will require <2% shift between government and resident contributions in FY17. The changes are more significant in FY18 and Estia has a range of strategies to manage the rebalance of contributions consistent with the aged care Reforms.

SECTION 4

APPENDICES

APPENDIX A: GLOSSARY

EBITDA	Earnings before interest, tax, depreciation and amortisation
EBIT	Earnings before interest and tax
NPAT	Net profit after tax
Underlying NPAT	Net profit after tax, excluding acquisition stamp duty, transaction and integration related costs (net of tax)
Underlying EBITDA	Earnings before interest, tax, depreciation and amortisation, excluding acquisition stamp duty, transaction and integration related costs
RAD	Refundable Accommodation Deposit
DAP	Daily Accommodation Payment
Reported	As reported 12 August 2015
Pro Forma	Pro Forma financial information is consistent with the information disclosed in the Prospectus lodged 3 December 2014
Kennedy	Kennedy Health Care Group, acquired 8 February 2016

APPENDIX B: INCOME STATEMENT

$ million	Pro Forma Actual (Reported) [1] FY15	Reclassification of RAD/Bond refund interest[2]	Pro Forma Actual (Adjusted) FY15	Underlying Actual FY16	Statutory Actual (Reported)[1] FY15	Reclassification of RAD/Bond refund interest[2]	Statutory Actual[1] FY15	Statutory Actual FY16
Government income	202.6		210.2	327.5	202.6		201.7	327.5
Resident contributions	82.1		84.8	115.3	82.1		81.2	115.3
Other income	-		2.5	3.7	-		1.9	3.7
Total revenue	**297.5**		**297.5**	**446.5**	**284.7**		**284.7**	**446.5**
Staff costs	(175.1)		(175.1)	(272.2)	(170.6)		(170.6)	(274.0)
Other operating costs	(52.7)	1.0	(51.7)	(81.6)	(84.2)	1.0	(83.2)	(105.9)
Total operating costs	**(227.8)**	1.0	**(226.8)**	**(353.8)**	**(254.8)**	1.0	**(253.8)**	**(379.9)**
EBITDA	**69.7**	**1.0**	**70.7**	**92.7**	**29.9**	**1.0**	**30.9**	**66.6**
Depreciation and amortisation	(7.9)		(7.9)	(12.8)	(7.3)		(7.3)	(12.8)
EBIT	**61.8**	1.0	**62.8**	**79.9**	**22.6**	1.0	**23.6**	**53.8**
Net interest	1.9	(1.0)	0.9	(7.2)	(31.1)	(1.0)	(32.1)	(7.2)
Net profit (loss) before tax	**63.7**	-	**63.7**	**72.7**	**(8.5)**	-	**(8.5)**	**46.6**
Income tax expense	(19.1)		(19.1)	(20.9)	(14.0)		(14.0)	(19.0)
Net profit (loss) after tax	**44.6**	-	**44.6**	**51.8**	**(22.5)**	-	**(22.5)**	**27.6**
Earnings per share (cents)	24.5	-	24.5	28.3	(16.3)	-	(16.3)	15.1

1. As reported 12 August 2015.
2. Reclassification of bond/RAD refund interest reclassified from other operating costs to net interest, consistent with industry classification.

APPENDIX C: STATEMENT OF FINANCIAL POSITION

Statutory statement of financial position	Statutory Actual[1]	Statutory Actual
$ million	FY15	FY16
Current assets		
Cash and cash equivalents	46.2	29.8
Trade and other receivables	10.8	16.0
Other current assets	3.0	5.7
Total current assets	**60.0**	**51.5**
Property, plant and equipment	416.8	711.4
Investment property	-	1.5
Goodwill	565.6	715.3
Other intangible assets	104.3	218.8
Total non current assets	**1,086.7**	**1,647.0**
Total assets	**1,146.7**	**1,698.5**
Current liabilities		
Trade and other payables	19.6	30.6
Accommodation bonds/RADs	471.1	653.3
Provisions	21.2	35.5
Current tax payable	5.5	16.3
Deferred consideration	-	84.5
Borrowings	54.2	-
Total current liabilities	**571.6**	**820.2**
Provisions	2.0	3.5
Deferred tax liabilities	9.2	29.6

Statutory statement of financial position (cont'd)	Statutory Actual[1]	Statutory Actual
$ million	FY15	FY16
Borrowings	-	253.5
Total non current liabilities	**11.2**	**286.6**
Total liabilities	**582.8**	**1,106.8**
Net Assets	**563.9**	**591.7**
Shareholders' equity		
Contributed equity	600.8	649.2
Reserves	0.1	0.5
Retained earnings	(37.0)	(58.0)
Total shareholders' equity	**563.9**	**591.7**

1. As reported 12 August 2015.

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APPENDIX D: CASH FLOW STATEMENT

$ million	Pro Forma Actual (Reported)[1] FY15	Reclassification	Pro Forma Actual (Adjusted) FY15	Underlying Actual FY16	Statutory Actual (Reported)[1] FY15	Reclassification	Statutory Actual (Adjusted) FY15	Statutory Actual FY16
EBITDA	**69.7**	**1.0**[2]	**70.7**	**92.7**	**29.9**	**1.0**[2]	**30.9**	**66.6**
Change in net working capital	(1.6)		(1.6)	(8.8)	(2.5)		(2.5)	(0.6)
Non cash items in EBITDA	(6.1)		(6.1)	(4.9)	(5.6)		(5.6)	(4.9)
Net cash flows from operations	**62.0**	**1.0**	**63.0**	**79.0**	**21.8**	**1.0**	**22.8**	**61.1**
Net accommodation bond/RAD related cash flows	88.5		88.5	76.4	84.1		84.1	76.4
Maintenance capital expenditure	(7.0)		(7.0)	(11.6)	(7.0)		(7.0)	(11.6)
Net cash flows from operations, before investments, interest, tax and financing activities	**143.5**	**1.0**	**144.5**	**143.8**	**98.9**	**1.0**	**99.9**	**125.9**
Acquisitions of facilities	(150.9)		(150.9)	(194.2)	(468.2)		(468.2)	(194.2)
Capital investment – net (land, developments and other)	(15.0)		(15.0)	(77.6)	(15.0)		(15.0)	(77.6)
Net cash flows before interest, tax and financing activities	**(22.4)**	**1.0**	**(21.4)**	**(128.0)**	**(384.3)**	**1.0**	**(383.3)**	**(145.9)**
Net interest paid	0.7	(1.0)[2]	(0.3)	(6.1)	(33.3)	(1.0)[2]	(33.3)	(6.1)
Income tax paid	(19.1)		(19.1)	(6.6)	0.0		0.0	(6.6)
Proceeds from (net repayment of) debt facility	54.3		54.3	186.3	(60.8)		(60.8)	186.3
Issuance of shares, net of share issue costs and buy back of shares	0.0		0.0	0.4	520.0		520.0	0.4
Net cash flow before dividends	**13.5**	**-**	**13.5**	**46.0**	**42.6**	**-**	**42.6**	**28.1**
Dividends	0.0		0.0	(44.5)	0.0		0.0	(44.5)
Net cash flows	**13.5**	**-**	**13.5**	**1.5**	**42.6**	**-**	**42.6**	**(16.4)**
Cash and cash equivalents at the beginning of the year					**3.6**		**3.6**	**46.2**
Cash and cash equivalents at the end of the year					**46.2**		**46.2**	**29.8**

1. As reported 12 August 2015.
2. Reclassification of bond/RAD refund interest reclassified from other operating costs to net interest, consistent with industry classification.

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APPENDIX E: STATUTORY TO UNDERLYING RECONCILIATIONS

Reconciliation of statutory NPAT to underlying NPAT	Actual
$ million	FY16
Statutory net profit after tax	27.6
Acquisition stamp duty, transaction and integration related costs	24.2
One off costs (including redundancy costs related to acquisition)	1.9
Income tax expense differential	(1.9)
Underlying net profit after tax	51.8

Reconciliation of statutory cash flows to underlying cash flows	Actual
$ million	FY16
Statutory net cash flows	(16.4)
EBITDA adjustments	26.1
Working capital adjustments	(8.2)
Underlying net cash flows	1.5

APPENDIX F: DISCLAIMER

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Presentation is a summary only

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No offer of securities

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This Presentation may include forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, these statements are not guarantees or predictions of future performance, and involve both known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control. As a result, actual results or developments may differ materially from those expressed in the statements contained in this Presentation. Investors are cautioned that statements contained in this Presentation are not guarantees or projections of future performance and actual results or developments may differ materially from those projected in forward-looking statements.

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Throughout this presentation, there are occasions where financial information is presented not in accordance with accounting standards. There are a number of reasons why the Company has chosen to do this including: to maintain a consistency of disclosure across reporting periods; to demonstrate key financial indicators in a comparable way to how the market assesses the performance of the Company; to demonstrate the impact that significant one-off items have had on Company performance. Where Company earnings have been distorted by significant items Management have used their discretion in highlighting these. These items are non-recurring in nature and considered to be outside the normal course of business. Unaudited numbers used throughout are labelled accordingly.

Estia Health

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