

STRATEGIC REVIEW UPDATE

23 November 2016

- Executive restructure and enhanced operating structure
- Strengthening compliance and quality
- Consolidating acquisitions and refurbishing facilities
- Earnings guidance reaffirmed and revenue tracking to budget
- Estia comfortably within debt covenants

Estia Health Limited (ASX: EHE) (“Estia” or the “Company”) today announced several initiatives from its ongoing strategic review, including a management and operational restructure which will enable the Company to focus on growing its core assets and deliver profitable growth.

The management restructure included the finalisation of a three-year contract with Mrs Norah Barlow, who was confirmed as Estia Health’s permanent CEO earlier today.

Commenting on the initiatives the chairman of Estia Health, Mr Pat Grier, said the Company was focused on maximising efficiencies through an enhanced management structure, which would improve accountability at all levels of the Group and lift performance.

“The Board of Directors and management are disappointed that we have fallen short of expectations in recent times and we are refocusing our efforts on organic growth and ensuring greater oversight of our operational activities,” Mr Grier said.

“We are in the early stages of the strategic review but we are moving swiftly to address a range of important issues in the Estia Health business.

“The Board was very pleased to finalise today the appointment of Norah Barlow as our permanent CEO and she brings to Estia Health deep experience in the aged care and retirement living sector.”

Mrs Barlow said that the initiatives announced today were the first step towards restoring shareholder value and ensuring that Estia Health continued to provide the very best in aged care services.

“We are confident that the new structure, which is a return to a more traditional regional based model, puts the right people with the right skills in the right positions,” Mrs Barlow said.

“We have decided to pause on acquisitions and will focus on maximising the value of our existing assets. This will include a significant reinvestment into capital

refurbishments within our current portfolio – enhancing the living environment for residents which in turn will boost both occupancy and funding.

“Our growth strategy will focus on our robust development pipeline. In addition, we are focused on enhancing our existing homes to ensure we provide an excellent level of accommodation and we also benefit from the significant refurbishment program.

“We have also reaffirmed the earnings guidance provided to the market on October 6 this year.”

It is currently estimated that phase one of the refurbishment program will deliver approximately \$4 million in additional EBITDA on a stabilised basis, with an estimated further capital expenditure outlay of \$9 million.

Apart from reaffirming the earnings guidance of between \$86 million and \$90 million of underlying EBITDA for FY2017, Estia also said today it remained comfortably within its debt covenants, with significant headroom.

As at 31 October 2016, the Company's net debt position was \$254.7 million, comprising \$286.5 million of drawn debt, where approximately \$70.0 million is attributable to development, and the remainder comprising core debt of approximately \$216.6 million. The cash position as at 31 October was \$31.8 million.

Estia's covenant net leverage ratio as at 31 October was 2.1 times. This is comfortably within limits of 3.5 times and results in headroom of 1.4 times.

The management overhaul includes the appointment of Mr Ian Thorley as Chief Operating Officer, while Mr Steven Boggiano will continue in the role of Acting Chief Financial Officer as the company undertakes an active search for a permanent CFO.

Estia has also changed the Quality roles in the company, including a new Head of Quality position with Quality Managers and Clinical Educators in each state. It has also introduced a new Chief Policy and Regulatory Officer role.

These changes will allow Estia to:

- Increase levels of responsibility to regional managers for aspects such as budget, quality, staff/culture and occupancy
- Introduce specialist roles, across every state, covering quality, clinical education, human resources and client relations
- Introduce a greater emphasis on home level operational and financial reporting

Estia has also been deploying best practice business systems across its portfolio and has identified additional opportunities for the optimisation of systems. This is expected to be completed throughout the remainder of FY17.

The Company has also evaluated its procurement process and will streamline and improve this process in coming months.

“The business continues to generate strong cashflows and strong RAD receipts and we continue to see further considerable opportunities to improve performance through the range of initiatives that I have outlined today,” Mrs Barlow concluded.

ENDS

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