

# 1H FY20 FINANCIAL RESULT



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# BUSINESS AND FINANCIAL HIGHLIGHTS



# 1H FY20 FINANCIAL SUMMARY

KEY FINANCIAL STATISTICS	1H FY20 Reported	1H FY20 Underlying <sup>1</sup>	AASB 16 Impact	1H FY20 Underlying Pre AASB 16	1H FY19 Underlying	1H FY19 Underlying v 1H FY20 Underlying Pre AASB 16	
Revenue (\$m)	361.5	361.5	(29.3)	332.2	318.2	4.4%	Ramp ups \$19.3m, steady state (\$4.7m)
Costs (\$m)	288.5	287.3	0.6	287.9	263.1	9.4%	Principally labour costs – steady state and ramp ups
EBITDA (\$m)	73.0	74.3	(29.9)	44.4	56.7	(21.7%)	
NPAT (\$m)	12.1	13.0	0.0	13.0	24.7	(47.4%)	Depreciation increased \$3.4m (ramp ups)
Staff cost / revenue (%)	66.1%	65.9%		71.7%	68.4%	3.3%	Cost inflation (~3%) > Govt income indexation (1.4%) Higher staff/revenue in ramp ups
Capital expenditure (\$m)	30.6	30.6		30.6	42.6	(28.3%)	Development (incl land), refurb and replacement
Net RAD/Entry contribution cash flow (\$m)	46.1	46.1		46.1	72.1	(36.1%)	Ramp ups \$46.5m, steady state \$1m, RVs (\$1.4m)
Net operating cash flow (\$m)	111.0	74.0 <sup>2</sup>		74.0 <sup>2</sup>	109.1 <sup>2</sup>	(32.2%)	
Basic EPS (cents per share)	4.02 <sup>3</sup>						100% Reported NPAT paid as dividend, 50% franked

1. See Appendix A for definition

2. Government funding received in advance in December 2018 and December 2019 is excluded from the underlying net operating cash flow

3. Reported basic EPS for 1H FY19 was 8.12 cents per share

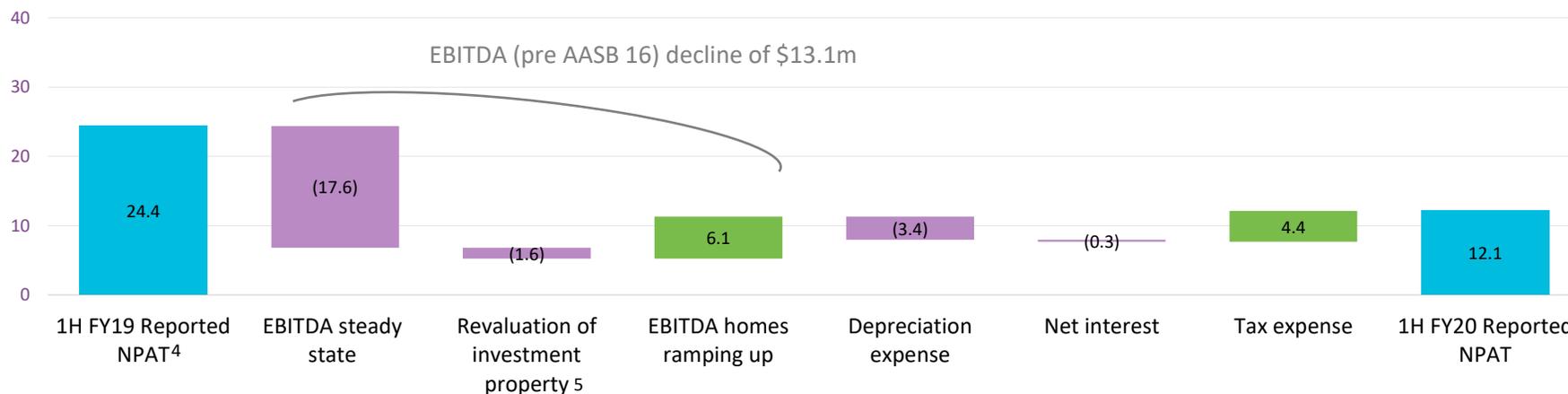
# NPAT

1H FY20 Reported NPAT of \$12.1m was 50.5% lower than 1H FY19

- \$13.1m decline in Reported EBITDA (pre AASB 16)
  - \$17.6m decline in EBITDA from steady state due to cost<sup>1</sup> inflation (~3%) exceeding Government funding (COPE) indexation (1.4%) and lower occupancy
  - \$6.1m additional EBITDA from homes ramping up

Care requirements in residential aged care continue to increase without corresponding funding increases. (By way of comparison, daily funding for different care types are <\$300 for residential aged care<sup>2</sup>, ~\$1,000<sup>3</sup> for sub acute care (~3x more) and ~\$2,000<sup>3</sup> for acute care (~7x greater)).

## SIGNIFICANT MOVEMENTS IN 1H FY20 (\$m)



1. Includes direct and indirect care costs such as labour, supplies and consumables, food, utilities, cleaning etc

2. Aged Care Financing Authority 2019 Report

3. Independent Hospital Pricing Authority

4. 1H FY19 Reported NPAT included \$0.3m of Royal Commission costs, which are excluded from 1H FY19 Underlying NPAT

5. This amount represents the difference between the increase in the fair value of investment property recognised in profit and loss in 1H FY20 of \$0.1m and the increase recognised in 1H FY19 of \$1.7m

# DEBT

\$m	30 June 2018	31 Dec <sup>1</sup> 2018	30 June 2019	31 Dec <sup>1</sup> 2019
Total net debt, comprising:	403.8	363.6	303.2	281.5
- Development debt – Aged Care <sup>2</sup>	191.4	88.2	50.4	88.7
- Development debt – RVs <sup>2</sup>	11.1	12.0	13.3	15.1
- Core debt	209.1	299.0	239.3	204.7
- (Cash)/overdraft	(7.8)	(35.6)	0.2	(27.0)
Core debt to EBITDA <sup>3</sup> (x)	1.8x	2.6x	2.1x	2.1x
Net debt to EBITDA covenant headroom <sup>4</sup>	90.6	84.1	141.7	97.7
Bank facility headroom <sup>4</sup>	137.8	179.5	243.6	265.5

- \$46.1m net RAD and entry contribution cash flow enabled \$32m debt repayment after \$30.6m capex for growth
- Total debt well within current facility limit of \$540m and covenants
  - leverage<sup>1</sup> (net debt / EBITDA<sup>4</sup>) < 3.75x
  - interest cover (EBITDA<sup>4</sup> / Interest) > 3x
- On 31 December 2019, 987 or 79% of the 1,247 places in the homes ramping up were occupied. \$286.5m of net RAD cash flow had been collected.
- \$50m - \$70m<sup>5</sup> further net RAD cash flow expected from completion of ramp ups in the period to 30 June 2021
- Conservative approach to capex commitment

1. Excludes government funding received in advance of \$37.0m which was prepaid in December 2019 for January 2020 and \$36.0m which was prepaid in December 2018 for January 2019

2. Development debt is defined as the total value of work in progress at the end of the period shown in Section 3 “Assets and Growth” in Regis’s statutory financial reports

3. EBITDA based on last 12 months on an underlying basis (pre AASB 16)

4. Reported and underlying net debt and EBITDA are different to the corresponding amounts for bank covenant calculation purposes

5. Represents 1,247 new places assuming 93.5% occupancy, circa 60% of all residents being RAD payers with an average incoming RAD of \$460k - \$500k, less RADs collected to date

# KEY OPERATIONAL STATISTICS

## KEY OPERATIONAL STATISTICS

	1H FY19	2H FY19	1H FY20	
Total operational places	7,142		7,078	
Average occupancy <sup>1</sup> (%) – steady state	91.9	91.6	90.4	Spot occupancy as at 25 February 90.7%
Average occupancy <sup>1</sup> (%) – ramp up	49.2	64.9	75.1	Spot occupancy as at 25 February 83.2%
Aged Care Revenue per occupied bed day (\$)²	283	289	285	2H FY19 includes additional Government funding boost of \$10m
Aged Care Govt revenue per occupied bed day (\$)	198	203	197	
Aged Care Resident revenue per occupied bed day (\$)	81	83	85	
Aged Care labour cost per occupied bed day (\$)	194	202	205	
RADs held (#)	2,589		2,724	
RADs held (\$m)	1,016.2		1,129.1	
Average RAD held (\$k)	392.5		414.3	
Average incoming RAD (\$k)	478.7		481.7	Ramping up and steady state both increased
Average incoming DAP rate per day (\$)	46.1		43.2	MPIR 5.54% on 1-Jul-19 reduced to 4.98% on 1-Oct-19

### Occupancy

- Industry-wide occupancy challenges
- Homes ramping up continue to progress towards their steady state run rate; WA softer demand now improving
- Focus on improving occupancy in steady state homes

1. Effective from 1H FY20, we have updated the way that we report on occupancy. Previously, with respect to greenfield developments in the ramp up phase, total available beds was assumed to equal occupied beds. With the ramp ups now approaching steady state, the occupancy calculation now reflects occupied beds as a percentage of actual total available beds.

2. Pre AASB 16

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# STRATEGY



# WHAT'S WORKING WELL?

Regis Healthcare is one of Australia's leading aged care providers and delivers high quality care and services across residential, retirement, community and home settings



One of Australia's largest aged care providers with 30 years' experience



63 homes  
6 retirement villages  
5 day therapy centres  
6 home care bases



Resident care and wellbeing reforms  
Clinical Governance



Care delivered to >8,000 older Australians by >9,000 employees



Greenfield, brownfield developments

Significant refurbishment program



Acquisitions



Nurses available 24/7 at all homes plus Regis Nurse on Call support



National programs  
Food, Lifestyle and Support Systems



All reaccreditation audits under new standards successful

# FOCUS AREAS 2H FY20

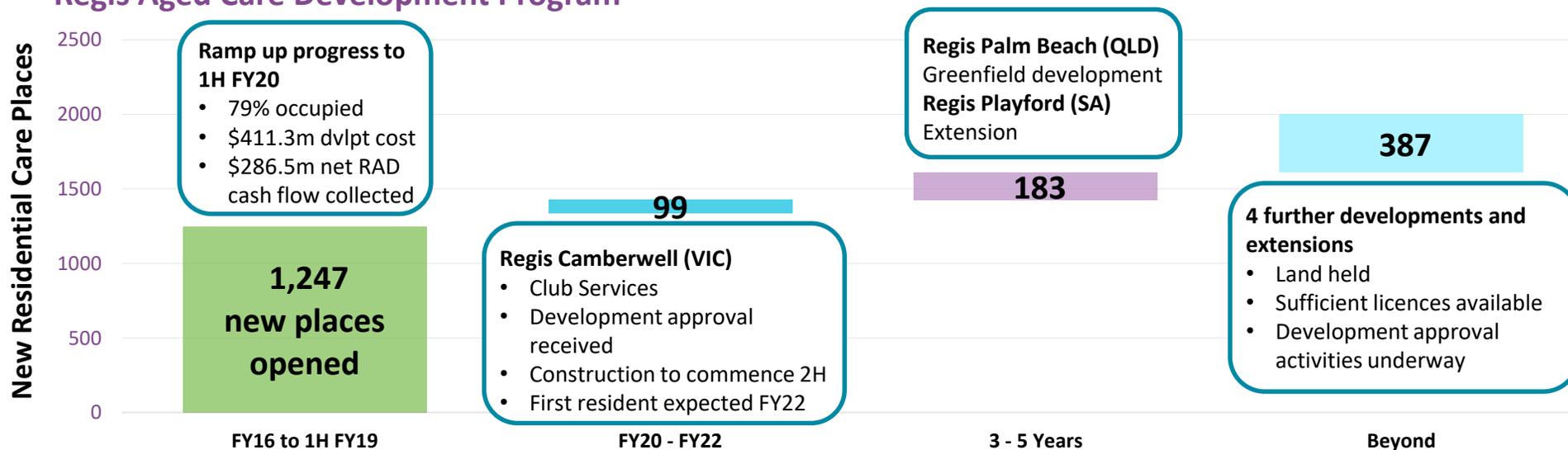
1. Optimise business performance
  - Maintain excellent resident care standards
  - Occupancy – steady state and ramp up
  - Cost discipline and efficiency focus
2. Review of opportunities
  - Market pressures
  - Diversification
  - Potential reforms post Royal Commission
3. Conservative approach
  - Protect balance sheet
  - Managed approach to paying down debt from RAD inflows
4. Workforce support



# DEVELOPMENT PROGRAM

- 7 aged care developments ready for progression
  - Land is owned
  - Sufficient licences held to commence mobilisation
  - Development Approval received or applications being prepared
- Construction at Regis Camberwell planned to commence FY20
- Strategically reviewing or pausing other aged care developments whilst industry conditions are unfavourable
- 2 retirement village redevelopments planned – Nedlands WA and Blackburn South VIC

## Regis Aged Care Development Program



# ESG ACHIEVEMENTS AND PLANS



## Environmental

- Program maturing
- Building initiatives - solar panels and LED lighting
- Residents engaged - e.g. growing own herbs and vegetables, recycling
- Waste management program planned for FY21

## Social

- Intergenerational programs continue
- Improvement in employee engagement for second consecutive year
- Regis Spirit program for employee engagement and recognition
- Programs for cultural diversity, mental health awareness, disability support

## Governance

- Strong and experienced Board benefitting from two founders
- Board and Executive team gender diversity has increased
- Clinician on Board and new senior role on Executive team
- Strong Board committee structure
- New clinical governance framework

# OUTLOOK

- Expect improved 2H FY20 EBITDA<sup>1</sup> and NPAT
  - Occupancy improvement in steady state and WA ramp up homes
  - Full year effect of business performance savings
- Expect \$50m - \$70m net RAD cash flow from completion of ramp up of new homes<sup>2</sup> in the period to 30 June 2021
- Slower development program until conditions improve
- Maintain conservative balance sheet management
- Maintain high quality care and service levels with a focus on care, clinical governance, transparency and occupancy
- Maintain FY20 guidance of circa \$92m underlying EBITDA<sup>1</sup> and circa \$28m underlying NPAT



1. On an underlying basis (pre AASB 16), noting that FY20 full year impact of AASB 16 to EBITDA is likely to be in the order of \$60m  
 2. Represents 1,247 new places assuming 93.5% occupancy, circa 60% of all residents being RAD payers with an average incoming RAD of \$460k-\$500k, less RADs collected to date

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# QUESTIONS



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# APPENDICES



# APPENDIX A - GLOSSARY

ACFI	Aged Care Funding Instrument
COPE	Commonwealth Own-Purpose Expense
DAP	A 'Daily Accommodation Payment', being the RAD converted to a daily amount and paid periodically (e.g. monthly) by a resident to an Approved Provider for the cost of accommodation. The DAP is calculated by multiplying the RAD by the government determined interest rate and divided by the number of days in the year.
Operational Place	A residential aged care place that is allocated to an approved provider under the Aged Care Act 1997, is available for a person to receive care and attracts Government funding.
RAD	A 'Refundable Accommodation Deposit', being an amount of money that does not accrue daily and is paid or payable to an Approved Provider by a resident for the resident's accommodation in an aged care facility. A RAD is repayable when the care recipient dies; the care recipient ceases to be provided with care by the Approved Provider, or the service ceases to be certified.
Reported	Agrees to or is derived from the results contained in Regis' annual or half year statutory financial reports.
Underlying	Underlying results are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information. In 1H FY20 and FY19 adjustments were made to the Reported information to assist readers to better understand the financial performance of the underlying business and these Underlying results have been used as the basis for comparison, ie Revenue, EBITDA and NPAT comparisons are to Underlying results – refer to Appendix H for the reconciliation of Reported to Underlying results.

# APPENDIX B - PORTFOLIO

As at 31 December 2019

No. of homes	63
Total operational places	7,078
Total bedrooms	6,432
Club Service homes	21
Significantly refurbished	59



- Acquisition of 2 Homes in Regional Qld will add 173 new places, settlement due 1 March 2020

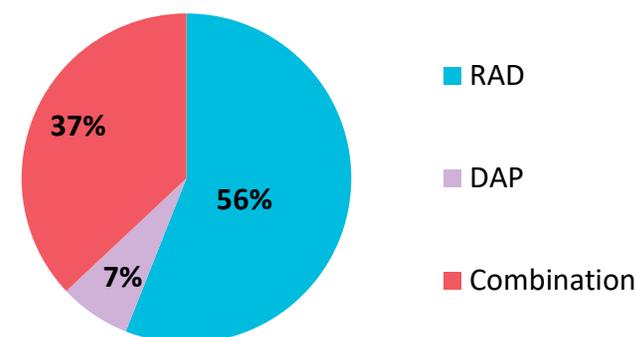
# APPENDIX C - RESIDENT PROFILE

- No significant changes in resident profile during 1H FY20
- Number of incoming residents electing to pay a full RAD remained steady at ~56-58% for the last 2 years
- Resident tenure is 2.6 years<sup>1</sup> and average length of stay is 2.9 years<sup>2</sup>
- 98% of supported residents are in Significantly Refurbished homes

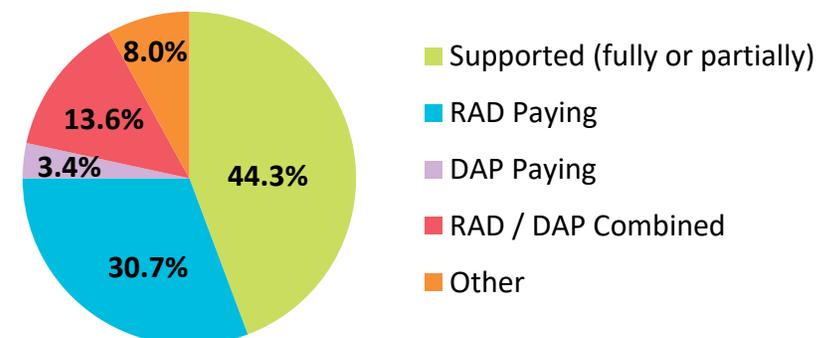


## Incoming Residents<sup>3</sup> 1H FY20

Accommodation payment profile (576 residents)



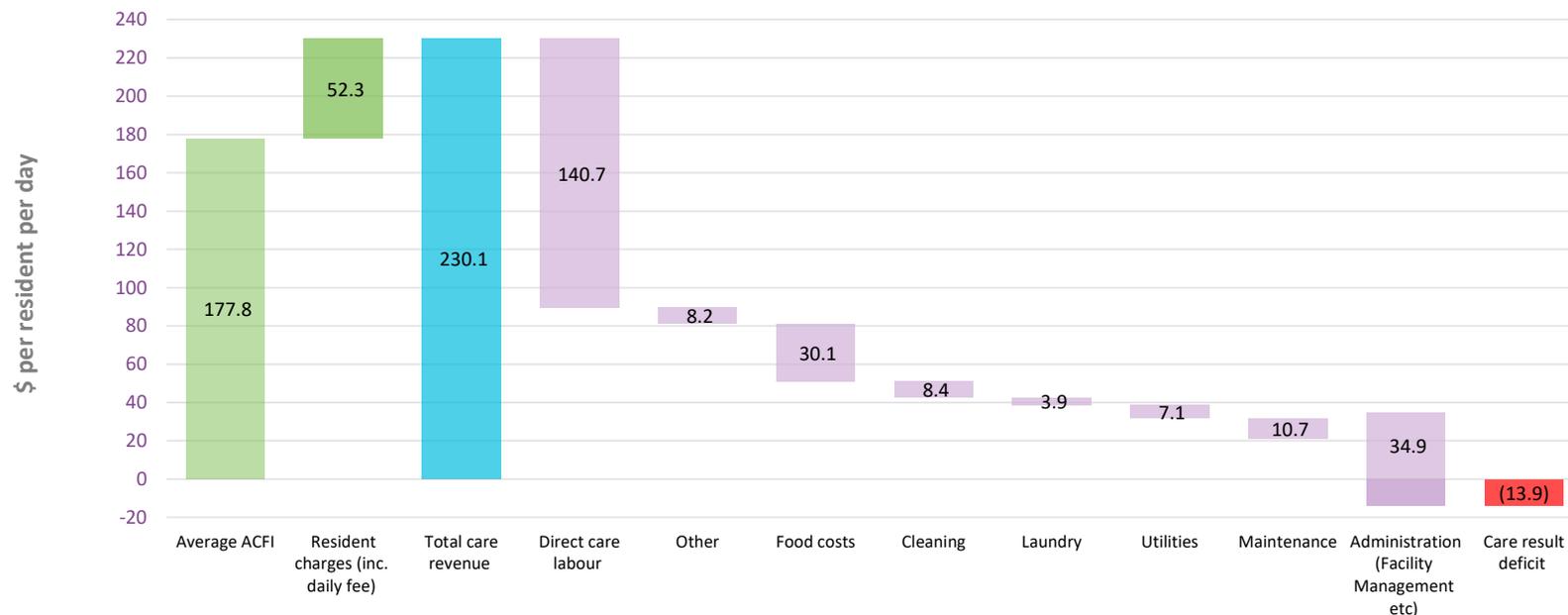
## Resident Profile as at 31 December



1. Average length of stay of residents who departed during that 12 month period
2. Average length of stay of all permanent residents as at the end of the period
3. Permanent, non supported residents

# APPENDIX D - FUNDING VS CARE COSTS

## COST OF CARE ANALYSIS – STEWART BROWN SURVEY 2019 AGED CARE PERFORMANCE SUMMARY



- Survey shows on average, total operating costs of \$243.98 now exceed total care revenue of \$230.11
- Results for 1,102 Facilities
- Indirect care costs (Food, Cleaning, Laundry, Maintenance and Administration) also include labour costs

# APPENDIX E – FINANCIALS

## INCOME STATEMENT



\$m	1H FY19 Underlying	2H FY19 Underlying	FY19 Underlying	1H FY20 Reported	1H FY20 Underlying <sup>1</sup>	AASB 16 impact <sup>2</sup>	1H FY20 Underlying Pre AASB 16	Variance 1H FY19 to 1H FY20 Underlying Pre AASB 16
<b>Revenue</b>								
Government revenue	222.6	229.7	452.3	229.5	229.5		229.5	3%
Resident revenue	89.9	93.2	183.1	98.0	98.0		98.0	9%
Other revenue	5.6	6.0	11.6	4.8	4.8		4.8	(14%)
Income on RADs and Bonds	0.0	0.0	0.0	29.3	29.3	(29.3)	0.0	
<b>Revenue</b>	<b>318.2</b>	<b>328.9</b>	<b>647.1</b>	<b>361.5</b>	<b>361.5</b>	<b>(29.3)</b>	<b>332.2</b>	<b>4%</b>
Other income	1.7	0.2	1.9	0.1	0.1		0.1	(95%)
Less interest revenue <sup>3</sup>	(0.1)	(0.1)	(0.2)	(0.0)	(0.0)		(0.0)	(65%)
<b>Total income excluding interest revenue</b>	<b>319.8</b>	<b>329.0</b>	<b>648.8</b>	<b>361.5</b>	<b>361.5</b>	<b>(29.3)</b>	<b>332.3</b>	<b>4%</b>
<b>Operating Expenses</b>								
Staff expenses	(217.7)	(229.3)	(446.9)	(238.9)	(238.2)		(238.2)	9%
Resident care expenses	(18.6)	(19.0)	(37.7)	(21.0)	(21.0)		(21.0)	12%
Administration & fixed facility expenses	(16.6)	(15.5)	(32.1)	(17.9)	(17.5)		(17.5)	6%
Occupancy expenses	(10.2)	(10.5)	(20.7)	(10.7)	(10.6)	(0.6)	(11.2)	10%
<b>Total operating expenses</b>	<b>(263.1)</b>	<b>(274.3)</b>	<b>(537.3)</b>	<b>(288.5)</b>	<b>(287.3)</b>	<b>(0.6)</b>	<b>(287.9)</b>	<b>9%</b>
<b>EBITDA</b>	<b>56.7</b>	<b>54.7</b>	<b>111.4</b>	<b>73.0</b>	<b>74.3</b>	<b>(29.9)</b>	<b>44.4</b>	<b>(22%)</b>
Depreciation and amortisation	(16.3)	(17.6)	(33.9)	(20.2)	(20.2)	0.5	(19.7)	21%
<b>EBIT</b>	<b>40.4</b>	<b>37.1</b>	<b>77.5</b>	<b>52.9</b>	<b>54.2</b>	<b>(29.4)</b>	<b>24.7</b>	<b>(39%)</b>
Net interest expense <sup>3</sup>	(5.9)	(7.2)	(13.2)	(35.6)	(35.6)	29.5	(6.2)	5%
<b>Net profit before tax</b>	<b>34.4</b>	<b>29.9</b>	<b>64.3</b>	<b>17.3</b>	<b>18.5</b>	<b>0.0</b>	<b>18.6</b>	<b>(46%)</b>
Income tax expense	(9.8)	(7.4)	(17.1)	(5.2)	(5.6)	0.0	(5.6)	(43%)
<b>Net profit after tax (NPAT)</b>	<b>24.7</b>	<b>22.5</b>	<b>47.2</b>	<b>12.1</b>	<b>13.0</b>	<b>0.0</b>	<b>13.0</b>	<b>(47%)</b>

1. As per definition, Glossary (Appendix A) - refer to Appendix H for reconciliation between reported and underlying results

2. Refers to the impact of the adoption of AASB 16 Lease which was effective from 1 July 2019

3. Net interest includes interest expense less interest revenue. For financial reporting purposes, revenue includes interest revenue. In the table above, interest revenue has been reclassified to the 'Net interest expense' line.

# APPENDIX F – FINANCIALS

## CASH FLOW STATEMENT

\$m	1H FY19 Underlying <sup>1</sup>	2H FY19 Underlying <sup>1</sup>	FY19 Reported	1H FY20 Reported	Funding received in advance <sup>2</sup>	1H FY20 Underlying
<b>Reported EBITDA</b>	<b>56.3</b>	<b>60.4</b>	<b>116.7</b>	<b>73.0</b>		<b>73.0</b>
Change in net working capital	(1.4)	7.0	5.6	(5.4)		(5.4)
Government funding received in advance				37.0	(37.0)	0.0
Non-cash item - Income on RAD & Bonds				(29.3)		(29.3)
Other non-cash itmes	(1.7)	(7.5)	(9.2)	(1.9)		(1.9)
Net receipts from RADs and ILU entry contributions	72.1	70.8	142.9	46.1		46.1
Net interest paid	(8.4)	(7.8)	(16.2)	(7.3)		(7.3)
Income tax paid	(7.8)	(11.8)	(19.6)	(1.3)		(1.3)
<b>Net operating cash flow before investment and financing activities</b>	<b>109.1</b>	<b>111.1</b>	<b>220.1</b>	<b>111.0</b>	<b>(37.0)</b>	<b>74.0</b>
Proceeds of sale of property, plant and equipment	0.0	0.0	0.0	0.7		0.7
Purchase of property, plant and equipment & other non-current assets	(42.6)	(26.1)	(68.7)	(28.1)		(28.1)
Purchase of investment property	0.0	0.0	0.0	(2.4)		(2.4)
<b>Cash used in investing activities</b>	<b>(42.6)</b>	<b>(26.1)</b>	<b>(68.7)</b>	<b>(29.9)</b>		<b>(29.9)</b>
<b>Net cash flow before financing activities</b>	<b>66.4</b>	<b>85.0</b>	<b>151.4</b>	<b>81.2</b>	<b>(37.0)</b>	<b>44.1</b>
Debt drawdown/(repayment)	(49.0)	(60.0)	(109.0)	(32.0)		(32.0)
Dividends paid	(26.0)	(24.4)	(50.4)	(21.4)		(21.4)
Payment of lease liabilities	0.0	0.0	0.0	(0.6)		(0.6)
<b>Net cash flow</b>	<b>(8.6)</b>	<b>0.7</b>	<b>(7.9)</b>	<b>27.1</b>	<b>(37.0)</b>	<b>(9.9)</b>

1. Government funding received in advance in Dec 2018 is excluded from the underlying net operating cash flow (pre-paid in December 2018 for January 2019 income)

2. Refers to the Government funding received in advance in Dec 2019 which is excluded from the underlying net operating cash flow (pre-paid in December 2019 for January 2020 income)

# APPENDIX G – FINANCIALS

## BALANCE SHEET

As at, \$m	31-Dec-2019 Reported	AASB 16 impact <sup>1</sup>	31- Dec 2019 Reported Pre AASB 16	Funding received in advance <sup>2</sup>	31-Dec-2019 Underlying Pre AASB 16	30-Jun-2019 Reported
Cash and cash equivalents	27.0		27.0	(27.0)	0.0	0.0
Trade and other receivables	8.6		8.6		8.6	10.5
Assets held for sale	1.6		1.6		1.6	0.0
Other current assets	8.2		8.2		8.2	5.3
Income tax receivable	4.9		4.9		4.9	6.4
<b>Total current assets</b>	<b>50.3</b>	<b>0.0</b>	<b>50.3</b>	<b>(27.0)</b>	<b>23.3</b>	<b>22.2</b>
Property, plant and equipment	1,154.4	(6.5)	1,147.9		1,147.9	1,147.7
Right of use asset	6.5		6.5		6.5	0.0
Investment Property	145.9		145.9		145.9	143.4
Intangible assets	479.6		479.6		479.6	479.6
<b>Total non-current assets</b>	<b>1,786.4</b>	<b>(6.5)</b>	<b>1,779.9</b>	<b>0.0</b>	<b>1,779.9</b>	<b>1,770.7</b>
<b>Total assets</b>	<b>1,836.6</b>	<b>(6.5)</b>	<b>1,830.2</b>	<b>(27.0)</b>	<b>1,803.2</b>	<b>1,792.9</b>
Cash and cash equivalents	0.0		0.0	10.1	10.1	0.2
Trade and other payables	89.2		89.2	(37.0)	52.2	55.6
Lease Liabilities	1.0	(1.0)	0.0		0.0	0.0
Provisions	59.6		59.6		59.6	60.2
Other financial liabilities <sup>3</sup>	1,169.5		1,169.5		1,169.5	1,126.9
<b>Total current liabilities</b>	<b>1,319.4</b>	<b>(1.0)</b>	<b>1,318.3</b>	<b>(27.0)</b>	<b>1,291.4</b>	<b>1,242.8</b>
Interest-bearing loans and borrowings	271.4		271.4		271.4	303.1
Provisions	6.6		6.6		6.6	6.0
Deferred tax liabilities	64.0	0.6	64.6		64.6	62.3
Other liabilities	7.5	(7.5)	0.0		0.0	0.0
<b>Total non-current liabilities</b>	<b>349.5</b>	<b>(6.9)</b>	<b>342.6</b>	<b>0.0</b>	<b>342.6</b>	<b>371.4</b>
<b>Total liabilities</b>	<b>1,668.9</b>	<b>(7.8)</b>	<b>1,661.0</b>	<b>(27.0)</b>	<b>1,634.1</b>	<b>1,614.3</b>
<b>Net assets</b>	<b>167.8</b>	<b>1.4</b>	<b>169.2</b>	<b>0.0</b>	<b>169.1</b>	<b>178.6</b>
<b>Equity</b>						
Issued Capital	273.5		273.5		273.5	273.2
Retained earnings/(accumulated losses)	(8.3)	1.4	(6.9)		(6.9)	2.5
Reserves	(97.4)		(97.4)		(97.4)	(97.1)
<b>Total Equity</b>	<b>167.8</b>	<b>1.4</b>	<b>169.2</b>	<b>0.0</b>	<b>169.2</b>	<b>178.6</b>

1. Refers to the impact of the adoption of AASB 16 *Leases*, which was effective from 1 July 2019

2. Excludes Government funding received in advance in December 2019 (prepaid in December 2019 for January 2020 income)

3. Other financial liabilities as at 31 December 2019 include RAD liabilities of \$1,129.0m and ILU entry contribution of \$40.5m

# APPENDIX H – FINANCIALS

## REPORTED TO UNDERLYING RECONCILIATION

\$'m

Half Year ended 31 December 2019	Revenue	EBITDA	NPBT	NPAT
<b>1H FY20 Reported results</b>	<b>361.5</b>	<b>73.0</b>	<b>17.3</b>	<b>12.1</b>
Royal Commission Costs	0.0	1.3	1.3	0.9
<b>1H FY20 Underlying results</b>	<b>361.5</b>	<b>74.3</b>	<b>18.5</b>	<b>13.0</b>
AASB 16 transition impact	(29.3)	(29.9)	0.1	0.0
<b>1H FY20 Underlying results (Pre AASB 16)</b>	<b>332.2</b>	<b>44.4</b>	<b>18.6</b>	<b>13.0</b>

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For example, '1HFY20' refers to the half year ended 31 December 2019.