**ASX ANNOUNCEMENT**

31 August 2018

The Manager
Company Announcements Office
Australian Securities Exchange Limited
Level 4, Exchange Centre
20 Bridge Street
Sydney NSW 2000

# REGIS HEALTHCARE REPORTS NORMALISED NPAT OF $56.9 MILLION FOR FY18 AND DECLARES A FINAL DIVIDEND OF 8.65 CENTS PER SHARE, FULLY FRANKED

**Full Year Results:**

- Reported NPAT[1] of $53.9m and EPS of 8.65 cents
- Normalised EBITDA of $117.1m and normalised NPAT of $56.9m from revenue of $594.4m
- Net operating cashflow[2] of $133.8m
- Average occupancy of 93.4%, increasing to 94% at the end of the period
- Growth in operational places of 724 to 6,753, following the opening of four new Facilities and the acquisition of Presbyterian Care Tasmania
- Continued investment in growth opportunities of $245.7m
- Net debt of $403.8m as at 30 June 2018
- Fully franked final dividend declared of 8.65 cents per share, bringing the full year dividend to 17.93 cents per share, 100% of reported NPAT

Regis Healthcare Limited (ASX: **REG**), one of the largest Aged Care providers in Australia, is pleased to announce a statutory NPAT attributable to equity holders of $53.9m for the year ended 30 June 2018. This result corresponds to a normalised NPAT for the period of $56.9m in line with the guidance provided with the first half results.

Commenting on the results, Regis' Managing Director, Mr Ross Johnston, said "Improvements in earnings from greenfield developments in the later stages of ramp up, income initiatives and strong cost controls were offset by mobilisation costs associated with new Facilities still ramping up, occupancy pressures in the first half of the year and the increased effect of the Federal Government funding cuts to residential aged care.

The revenue increase is a result of growth initiatives, including the Presbyterian Care Tasmania acquisition and the new Facilities.

Net RAD cashflow of $63m was broadly in line with expectations and considerably higher in the second half than the first. It is anticipated that a further $220m-$270m of net RAD cashflow will come from the completion of the ramp up of the total 1,247 new places which will have been delivered by the end of the 1HFY19. This will be used to pay down debt".

**Financial Results**

The FY2018 financial results include:

| | $ million FY18 Normalised[1] | $ million FY17 Reported[1] | % variance FY18 to FY17 |
|---|---|---|---|
| Revenue | 594.4 | 565.5 | 5% |
| EBITDA | 117.1 | 123.6 | (5%) |
| NPAT | 56.9 | 61.1 | (7%) |
| Net operating cashflow | 133.8 | 151.1 | (11%) |

Notwithstanding the industry wide residential aged care Federal Government funding cuts and indexation freeze, revenue per occupied bed day of $283 was achieved compared with $281 in FY17. Overall revenue also increased due to the contribution from the new Facilities still ramping up and the Presbyterian Care Tasmania acquisition.

EBITDA reflected the usual increase in staff costs from EBA escalations, increase in expenses associated with the changes to the ACFI funding instrument and the mobilisation expenses associated with new Facilities still ramping up. This was partially offset by cost management initiatives, including the insourcing of cleaning.

Net RAD cashflow of $63m was achieved, with the majority of new non-supported residents still choosing to pay a RAD over a DAP[3] or a combination RAD/DAP payment. The average incoming RAD increased to $467.9k compared with $455.6k for FY17.

A final dividend of 8.65 cents per share has been declared by Directors. This represents 100% of reported NPAT, is fully franked and is payable on 26 September 2018.

**Market Position and Growth Strategy**

Regis is nearing a significant milestone with four new Facilities opened as part of its Greenfield Development Program in FY18. With a further three Facilities to open before the end of 2018, the program will have delivered 10 new Facilities with a total of 1,247 new places. No further investment is required to deliver these remaining three Facilities.

The portfolio is one of the most diversified in Australia comprising 60 Facilities and 6,753 Operational Places. By the end of 2018 when the three remaining Facilities in the current program are delivered, Regis will have 77% of places in Metropolitan locations, 33% of places in Club Services Assets and with 25% of the portfolio built by the company during the last 10 years. 47 of Regis' Facilities have been approved as being Significantly Refurbished.

Regis's focus will now be on retiring debt through the ramping up of the new Facilities, progressing greenfield aged care developments and extensions, which includes 655 new places across 6 projects.

The Company has also further progressed its strategy with regard to its Retirement Living Developments. Civil works have commenced in preparation for the commencement of the construction of stage 1 of the program for the Blackburn South site in Melbourne, Vic. This program will involve construction of more than 350 Retirement Living units to be undertaken in 9 stages over a 10 year period. The Nedlands redevelopment in Perth, WA has also progressed with the completion of the master planning process resulting in the recent lodgement for planning approval in August.

The integration program for the Presbyterian Care Tasmania portfolio, which was acquired by Regis on 1 August 2017, is progressing with the three Facilities, located in Hobart and Launceston, on track to be EPS accretive in FY19, as was previously indicated. The Company anticipates further acquisition opportunities to arise over the next 18-24 months, which will be assessed according to our usual criteria.

**Outlook**

FY19 EBITDA is anticipated to be broadly in line with normalised FY18.

This is a result of:

- increased contribution from Facilities delivered through the development program still ramping up of circa $5.5m and the Presbyterian Care Tasmania Facilities becoming earnings accretive
- increased income from COPE[4], Additional Services and the ongoing Significant Refurbishment program
- headwinds from the further effect of the Federal Government funding cuts and higher expenses resulting from changes to the ACFI tool. It is anticipated that these will be substantially grandfathered into the portfolio by the end of FY19

**FY19 and beyond**

It is anticipated that Facilities still ramping up will contribute EBITDA of circa $25m when all new developments reach their steady state in FY21, growing from the $5.5m anticipated to be delivered in FY19.

A further $220m - $270m of net RAD cashflow is anticipated to come between FY19 and FY21 from completion of the ramp up of the development sites, for which a total of 1,247 new places will have been delivered by the end of 1H FY19. This will be used to pay down debt.

A teleconference and webcast will be held by Regis' Managing Director Mr Ross Johnston and CFO Mr David Noonan at 11am AEST on this day, Friday 31st August 2018.

Dial in or login details are provided at the end of this document.

For further information, contact:

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By pre-registering for the conference, which will give you a unique pin and avoid needing to wait for the operator when you dial in, use the registration button via the following link:

https://investors.regis.com.au/forward-calendar/

Alternatively, the teleconference details are:
**Australia:** 1800 908 299, **Conference ID:** 603598

To participate via webcast: https://edge.media-server.com/m6/go/regis-fyr-2018

For teleconference details for those dialling in from outside Australia, go to the following link for the details for your country:

http://investors.regis.com.au/forward-calendar/

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[1] The use of the terms 'reported' refers to IFRS financial information and 'normalised' to non-IFRS financial information. Normalised results are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information. Normalisations have been made to the reported information to assist readers to better understand the financial performance of the underlying business in each financial year. The normalisations during the period relate solely to the one off costs associated with the acquisition of Presbyterian Care Tasmania. Note that in the previous FY17 year there were no activities requiring normalisations

[2] Net cashflow before investment and financing activities

[3] Daily Accommodation Payment

[4] Commonwealth Own Purpose Expenses Indexation