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ASX ANNOUNCEMENT

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

REGIS HEALTHCARE REPORTS Normalised NPAT[i] OF $47.2 MILLION FOR FY19 AND DECLARES A FINAL DIVIDEND OF 7.11 CENTS PER SHARE

Full Year Highlights

- Normalised NPAT[1] of $47.2m
- Reported NPAT of $50.9m and EPS of 16.9 cents
- Normalised EBITDA of $111.4m from revenue of $647.1m
- Net operating cashflow of $220.1m from EBITDA and net RAD receipts of $142.9m
- Average occupancy of 92.7% for the period
- Growth in operational places to 7,078 compared with 6,753 at the end of FY18
- Net debt of $303.2m as at 30 June 2019, reduced by $101m since 30 June 2018
- Fully franked final dividend declared of 7.11[ii] cents per share

Regis Healthcare Limited (ASX: **REG**) is pleased to announce a statutory NPAT attributable to equity holders of $50.9 million for the year ended 30 June 2019. This result corresponds to a normalised NPAT for the period of $47.2 million. The result has been normalised for the Royal Commission costs incurred during the period and a non cash fair value gain on two non operating retirement living sites which is a result of the usual independent revaluation process for accounting purposes.

Commenting on the results, Regis' Managing Director, Mr Ross Johnston, said "The highlight of this result was the net RAD receipts[iii] of $142.9 million which was more than double the FY18 result of $62.6m. This was as a result of the strong performance from the Facilities ramping up. The average incoming RAD levels also increased, both as a result of the Facilities ramping up but also from a modest increase in the steady state business.

The 10 Facilities ramping up continue to deliver a solid performance against key metrics – Care, Quality, Compliance, EBITDA, Occupancy and RADs.

However the EBITDA contributions from growth were more than offset by headwinds from a number of factors, including the gap between the annual indexation (COPE) of 1.2% in FY19 compared with wages growth resulting from Enterprise Agreement (EA) increases in the aged care business of circa 3%. The headwinds also included the continued impact of Federal Government cutbacks to residential Aged Care funding, which were implemented in FY17 and FY18 and have been grandfathering in. This was despite the $10.8m received in the second half of the period as a result of the Federal Government additional funding boost.

The Residential Aged Care Industry is also experiencing occupancy headwinds due to:

- public sentiment towards Aged Care
- negativity due to the Aged Care Royal Commission
- the number of new Facilities in the market
- increase in the number of new home care places

Overall, when factoring in market conditions, the Company delivered a solid result with normalised EBITDA and NPAT that were within the guidance ranges in the trading update announced on 6 June 2019."

Financial Results

A summary of the FY19 financial results is as follows:

	$ million FY19 Normalised[1]	**$ million FY18 Normalised[1]**	**% variance FY19 to FY18**
Revenue	647.1	594.4	9%
EBITDA	111.4	117.1	(5%)
NPAT	47.2	56.9	(17%)
Net operating cashflow	220.1	133.8	

Key contributors to the earnings result for the period are:

- Earnings reduction from COPE indexation of 1.2% versus expense increases of circa 3%
- The continued impact of Federal Government cutbacks to residential Aged Care funding, which were implemented in FY17 and FY18 and have been grandfathering in. This was partially offset by the additional government funding boost received of $10.8m
- Decline in occupancy over the period
- Improved contributions from the Facilities ramping up.

The $86 million increase in operating cashflow was driven by RAD inflows:

- the number of RADs held increased as a result of the Facilities ramping up
- the average incoming RAD has grown to $478.6k for FY19 compared with $467.9k for FY18
- the profile of residents' choice in terms of RAD/DAP mix remains consistent with 57% of new residents[iv] entering Regis Facilities during FY19 choosing to pay a RAD, 6% choosing a DAP[v] and 37% choosing a combination RAD/DAP payment during the twelve month period

The Board has declared a final dividend of 7.11 cents per share. This represents 100% of reported NPAT (excluding the non cash fair value gain on the two retirement living sites), is fully franked and is payable on 26 September 2019.

Market Position and Growth Strategy

The Company delivered three new Facilities during FY19:

- Lutwyche, Brisbane (delivered August 2018, 130 operational places)
- Elermore Vale, Newcastle (delivered September 2018, 120 operational places)
- Port Coogee, Perth (delivered September 2018, 139 operational places)

The Company has now delivered 1,247 new places since May 2016. These developments have delivered high quality Facilities and are ramping up their operations with a focus on Care, Quality and Compliance, EBITDA, RAD and Occupancy.

As at 30 June 2019, 850 or 68%, of the 1,247 places were occupied and $240m of net RAD cashflow had been collected. It is anticipated that a further $90m-$140m of net RAD cashflow will come from the remaining new places.

The future development program includes two new Facilities and two extension projects for which construction is planned to commence in FY20 and FY21, and a further two development projects planned for the periods beyond this. In total these would deliver circa 655 new places. It is anticipated that circa $70m capex will be invested in these developments in FY20.

Integration activities associated with the Presbyterian Care Tasmania acquisition, which completed on 1 August 2017 and comprised 287 places, continued to progress well, with this portfolio of three Facilities becoming EPS accretive in FY19 and continuing to progress towards the Company proforma run rate.

Acquisition opportunities continue to be assessed against the Company's criteria as they arise.

FY20 Outlook

With regard to FY20, as per the 6 June trading update, the Company anticipates normalised EBITDA to be circa $105m.

This reflects the increase in EBITDA in FY20 from the ramping up Facilities being partially offset by the difference between the annual indexation (COPE) increase to Government care income and the annual expense increases, including EA and other expense increases. These are anticipated to be circa 1.4% and 3% respectively.

It is expected that FY20 will incur some non recurrent expenses including those relating to the implementation of regulatory changes (which include the adoption of the Single Aged Care Quality Framework, the introduction of the Quality Indicators reporting requirements and the implementation of the Charter of Aged Care Rights) coming into effect from 1 July 2019. The total of these expenses is estimated to be circa $3m.

Normalised NPAT for FY20 is expected to be circa $38m, principally as a result of higher depreciation expense due to the continued ramp up of the Facilities delivered from the development program.

Full year Aged Care capex spend is anticipated to be circa $70m which includes the commencement of construction for the next 3 Aged Care developments.

The company will continue to be disciplined with its balance sheet management whilst remaining focused on value enhancing growth opportunities. This will include a strategy to unlock the value of the Retirement Living assets.

It is anticipated that Facilities ramping up will contribute EBITDA of circa $22m per annum when all new developments reach their steady state in FY21, growing from $6.3m in FY19.

In FY20 and FY21, a further $90m - $140m of net RAD cashflow is anticipated to come from the completion of the ramp up of the new Facilities which comprised 1,247 new places.

For the FY20 year, it is anticipated that the Company's Franking % will be in the range of 50% to 70%. The board intends to continue with the approach of paying out up to 100% of NPAT as a dividend.

For further information, contact:

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A teleconference and webcast will be held by Regis' Managing Director Mr Ross Johnston and CFO Mr David Noonan at 11am AEDT. Dial in or login details are provided on the following webpage:

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

i 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 to the one off impact of the direct costs associated with the Royal Commission process, of $2.0m EBITDA and $1.4m of NPAT, and the non cash fair value gain on the non operating retirement living sites of $7.3m EBITDA and $5.1m NPAT. Refer to the Glossary in Appendix A of the presentation for definitions and Appendix F for the reconciliation of reported to normalised results. Note that in the previous FY18 year the normalisations related to the Presbyterian Care Tasmania acquisition

ii The final dividend for 2019 represents 100% of reported NPAT for the six month period to 30 June 2019 less the $5.1m non cash fair value gain on two retirement living sites at Blackburn South in Melbourne and Nedlands in Perth

iii Refundable Accommodation Deposits, includes contributions from Independent Living Units (ILUs)

iv Permanent, non supported residents entering aged care after 1 July 2014

v Daily Accommodation Payment