REGIS HEALTHCARE LIMITED
ABN 11 125 203 054
Level 2, 293 Camberwell Road
Camberwell, VIC 3124
T: 03 8573 0444
regis.com.au

ASX Announcement

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The Manager
Company Announcements Office
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20 Bridge Street
Sydney NSW 2000

Regis reports FY24 half-year results delivering strong growth

Regis Healthcare Limited (ASX: REG) (Regis), a leading residential aged care provider, is pleased to present its FY24 half-year results.

Results Overview

- Statutory net loss after tax of $12.1 million impacted by $28.5 million of non-cash bed licence amortisation net of tax
- Revenue of $480.1 million, up 26% on pcp
- Underlying EBITDA[1] of $52.1 million, up 16% on pcp
- NPATA[2] of $16.3 million, up 527% on pcp
- Net operating cash flow of $151.9 million, up 145% on pcp including refundable accommodation deposits (RADs) net cash inflow of $42.9 million
- Net cash of $16.9 million at 31 December 2023[3]
- Board of Directors resolved to pay an interim dividend of 6.28 cents per ordinary share (50% franked) payable 11 April 2024

Operational Highlights

- Average occupancy of 93.6%[4], significantly up on 91.1% in pcp resulting in an increase in occupied bed days from 1.173m to 1.217m
- Acquisition of CPSM Pty Ltd (CPSM), a premium aged care business in South-East Queensland comprising 5 homes with 644 beds
- Improvement in average overall star rating from 3.11 (Q1 FY23) to 3.32 (Q1 FY24)
- Average total care minutes increased to 210.3 minutes including 38.5 minutes from registered nurses (Q2 FY24)

Regis' Managing Director and CEO Dr Linda Mellors said, "Regis has delivered very strong growth across key metrics including occupancy, revenue, underlying earnings and cashflow during a more stable aged care environment, notwithstanding the complex reform program. Pleasingly, the Company continued to increase direct care minutes each quarter and completed the organisational redesign ahead of the Government's mandated minimum care minutes requirement from 1 October 2023."

"The Government's aged care reform agenda continues to challenge the sector with additional reporting, regulation and compliance requirements being placed on providers. Importantly, funding has improved with increases to AN-ACC on 1 July 2023 and 1 December 2023. The Government's Aged Care Taskforce reviewed sector funding arrangements during the second-half of 2023 and we anticipate the release of their recommendations will address critically needed long-term funding."

"We were very pleased to complete the acquisition of CPSM on 1 December 2023 and have welcomed employees, residents and families into Regis. We will continue to focus on clinical care, quality and safety to drive occupancy and financial performance. With a strong balance sheet, net cash at the end of the half-year and a substantial debt facility, Regis is well positioned to expand its residential aged care footprint through greenfield developments and further material strategic acquisitions."

Financial and Operating Results

$ millions	H1 FY24	H1 FY23	Change %
Revenue from services	480.1	380.4	26%
Other income[5]	49.1	33.3	47%
Staff expenses	366.5	289.4	27%
Underlying EBITDA	52.1	45.1	16%
NPATA	16.3	2.6	527%
Net operating cash flow	151.9	62.0	145%
Net RAD cash inflow	42.9	8.7	393%
Capital expenditure	30.5	18.8	62%
Net cash / (debt)	16.9	(67.6)	125%
Average occupancy %	93.6%	91.1%	2.5 pts
Staff expenses / revenue from services %	76.3%	76.1%	0.2 pts
Basic EPS (cents per share)	(4.03)	(8.61)	

Trading Performance
Revenue from services increased 26% to $480.1 million benefitting from improved AN-ACC, occupancy uplift, additional resident funding and the CPSM acquisition.

The AN-ACC industry starting price increased by 12.1% from $216.80 to $243.10 prpd on 1 July 2023 and increased a further 4.4% to $253.82 prpd on 1 December 2023.

Average occupancy was 93.6% (H1 FY23: 91.1%, H2 FY23: 92.0%) with the spot rate at 22 February 2024 of 94.5% (31 December 2023: 93.6%).

Staff expenses increased by 27% to $366.5 million largely as a result of the Fair Work Commission's (FWC) Work Value Case increasing modern awards wage rates by 15% and the 5.75% Annual Wage Review from 1 July 2023. The recruitment of frontline staff to address the Government care minute mandate and continued workforce shortages led to high agency and overtime.

Underlying EBITDA which excludes one-off items (refer below) was $52.1 million, up 16% on pcp.

Cash Flow and Net Debt
Net operating cashflow was $151.9 million (H1 FY23: $62.0 million) up 145% including RAD and accommodation bond net cash inflow of $42.9 million (H1 FY23: $8.7 million).

Capital expenditure was $30.5 million (H1 FY23: $18.8 million) including the Camberwell development, a 112-bed greenfield residential aged care home which is well progressed and expected to open in H2 FY25.

The Company ended the half-year with net cash of $16.9 million, including Government funding (for January 2024) received in advance of $60.8 million. This was a result of improved business performance, higher occupancy levels, strong net RAD cash inflows and increased Government funding.

Acquisition of CPSM
The CPSM acquisition which completed on 1 December 2023 added 5 high quality aged care homes with 644 beds in South-East Queensland. The homes are performing in line with expectations with occupancy of 96% in December 2023. The net cash outlay was $75.1 million ($117,000 net per bed), with $150.3 million of RADs assumed.

One-Off and Non-Recurring Items

The following income and expense items (before tax) are one-off/non-recurring in nature:

- Government grants - $11.3 million
- COVID-19 outbreak related expenses - $1.8 million
- CPSM acquisition and integration costs - $7.0 million
- Strategic investment in Human Resources systems - $2.6 million
- Professional services costs incurred in relation to potential employee underpayments program - $1.1 million

Regis recognised $11.3 million of Government grant income including $6.8 million of COVID-19 Government grants and $4.5 million under the Historical Leave Liability Grant Opportunity announced by the Government in December, to provide funding for 50% of the cost of increased leave entitlements attributable to the FWC 15% wage increase.

COVID-19 one-off outbreak related expenses, consisting mainly of incremental staff agency costs, totalled $1.8 million in H1 FY24, down from $3.5m in H2 FY23 and considerably lower than $13.0 million in the pcp.

Regis incurred $7.0 million of transaction and integration costs relating to the acquisition of CPSM. The majority of this comprised $5.6 million of landholder duty (not tax deductible) payable to the Queensland State Revenue Office.

Employee Entitlement Underpayments

As previously disclosed, Regis announced to the ASX on 9 August 2021 that it had identified potential underpayments of employee entitlements to certain current and former employees under its enterprise agreements. At 30 June 2023, Regis had recognised a provision of $37.7 million in relation to these potential underpayments.

During H1 FY24, Regis commenced its remediation payment process and paid $21.5 million to current and former employees, inclusive of on-costs and interest payments. Due to the complexity involved in determining the amount and timing of final remediation costs, Regis continues to engage with its external advisors and regulatory authorities, including the Fair Work Ombudsman.

Remediation payments are ongoing and will continue through the second half of FY24. Regis has recognised a provision of $21.2 million at 31 December 2023.

Industry Reform and Changes
The aged care sector continues to undergo a period of significant reform and changes including:

- IHACPA[6] commissioned PWC/Scyne Advisory to undertake a Residential Aged Care Costing Study, published in January 2024
- Aged Care Taskforce reviewed sector funding arrangements, to support a more sustainable and viable sector - awaiting release of recommendations and Government response
- Mandated care minutes requirement commenced 1 October 2023 and will increase to an average of 215 care minutes, including 44 minutes from a registered nurse from 1 October 2024
- New Aged Care Act exposure draft released in December 2023 for consultation, with the new Act expected to come into effect 1 July 2024
- Final draft of the Aged Care Quality Standards released, to be implemented under the New Aged Care Act
- Bed licence deregulation on 1 July 2024.

The last 12 months have delivered some meaningful action in relation to the Government's reform agenda. There is still more work to be done to stabilise and support the sector into the future.

Dividends
The Board of Directors resolved to pay an interim dividend of 6.28 cents per ordinary share totalling $18.9 million (50% franked) for the half-year ended 31 December 2023, payable on 11 April 2024 (record date 15 March 2024).

Outlook
Regis continues to adapt to a rapidly changing regulatory environment and expects to benefit in the second half of FY24 from the recent CPSM acquisition and additional Government funding.

Regis' strong balance sheet and substantial debt facility, together with the disciplined management of the business, supports the active pursuit of further material strategic acquisitions and greenfield developments to drive shareholder value. The Company is seeking potential acquisition targets to expand its residential aged care footprint.

For further information, contact:
Rick Rostolis, Chief Financial Officer
+ 61 3 8573 0444 rrostolis@regis.com.au

A teleconference and webcast will be held by Regis' Managing Director and CEO Dr Linda Mellors and CFO Mr Rick Rostolis at 10am AEDT. Registration details are as follows: https://www.regis.com.au/investor-information/forward-calendar/

This document was authorised for release to the ASX by the Board of Directors.

About Regis

Regis is one of the largest aged care operators in Australia. Founded over 30 years ago, Regis currently provides services to 7,600 older Australians through residential aged care homes, home care service hubs, day therapy and day respite centres and retirement villages. Regis prides itself on providing high quality care and services through its 10,000 dedicated employees. To learn more about Regis click here.

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1. Non-IFRS financial information, while not subject to an audit or review, has been extracted from the Financial Report, which has been subject to review by the Group's external auditors. Underlying earnings before interest, tax, depreciation and amortisation ('Underlying EBITDA'), which excludes imputed income on RADs and Bonds of $36.5 million and one-off items, and includes operating lease expense of $0.5 million, is reported in order to provide shareholders with a greater understanding of the financial performance of the Group. A reconciliation of loss before income tax to Underlying EBITDA is provided in the H1 FY24 Half-Year Results Investor Presentation
2. NPATA refers to net profit after tax before amortisation of operational places
3. Includes Government funding received in advance of $60.8 million
4. Based on H1 FY24 average available operational places of 7,067 (H1 FY23: 7,000)
5. Includes $36.5 million of imputed income on RADs and Bonds (H1 FY23: $30.6 million)
6. IHACPA refers to Independent Health and Aged Care Pricing Authority