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ASX/MEDIA RELEASE

Estia maintains profit, continues expansion and investment plans.

Estia Health Limited (ASX: EHE), one of Australia's largest aged care providers, today reported Full Year FY19 EBITDA* of $94.0m, during a challenging 12 months for residential aged care. Estia countered difficult industry trends to deliver NPAT of $41.3 million and maintain its fully franked full year dividend at 15.8 cents per share.

Highlights:

- FY19 NPAT of $41.3 million, in line with FY18
- FY19 EBITDA* of $94.0 million, up 4.3% on FY18
- FY19 Revenue of $586.0 million up 7.1% on FY18
- Average occupancy rate of 93.6% for the year, with an increase in spot occupancy to 94.1% at 16th August 2019.
- Fully franked full year dividend maintained at 15.8 cents per share
- Net bank debt of $110.4 million with $201.0 million in undrawn facilities
- Capital investment of $93.8 million in expanding and enhancing the home portfolio
- Well prepared for new quality standards, with investment in increasing resident amenity and improvements in quality and safety systems

Chief Executive Officer, Mr Ian Thorley said "There is no doubt that this has been one of the most challenging periods for the aged care sector. Continuing to lift quality of care and amenity for residents, while maintaining our financial results, reflects the hard work and dedication of our 7,500 team members, our resident-centred operating model and our disciplined approach to managing costs and capital."

"While funding is not keeping pace with rising operating costs and the need to continually improve resident care, we continue to increase revenue through ongoing refurbishments and measured, well-executed growth in response to growing community demand. Despite occupancy declines in the sector we were pleased to deliver average occupancy during the year of 93.6%, with an up-tick post year-end seeing spot occupancy at 16th August being 94.1%."

"We continue to refine our strategy and focus in relation to occupancy which will become increasingly important in an environment of heightened competition, and increased customer expectations." Mr Thorley said.

Investing in quality and growth

Estia invested $93.8 million of capital in expanding and enhancing the home portfolio during the year. This is the highest level of capital investment since listing in 2014, and includes a new 110-bed home at Southport (Qld) which opened in May, and a 126-bed home at Maroochydore (Qld) which opens on 26 August 2019. Further investment was made across the portfolio of homes to enhance resident amenity and generate incremental earnings through Higher Accommodation Supplements and the improved marketability of the homes.

Estia's strategy of continually enhancing resident care and services and expanding and improving its portfolio of homes has the company currently on schedule to have 42 of 69 homes qualifying for the Higher Accommodation Supplement by September 2019.

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*EBITDA is categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 - Disclosing non-IFRS financial information, issued in December 2011. EBITDA is a measure consisting of earnings before interest, tax, depreciation, amortisation and impairment expenses and gain/loss on sale of assets held for sale and has been adjusted from the reported information to assist readers to better understand the financial performance of the business in each financial period. This non-IFRS financial information, while not subject to audit, has been extracted from the financial report, which has been subject to an audit by the external auditors.

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Capital Management

Strong operating cash flow conversion of approximately 100% of EBITDA to cash kept bank debt levels well within the target range and enabled the funding of dividends and capital investment.

Net bank debt at 30 June was $110.4 million, resulting in a bank debt gearing ratio of 1.3x EBITDA. Estia has total debt facilities of $330.0 million of which more than $201.0 million were undrawn. The facilities were renewed and extended on 16th August 2019 with a maturity date of 16th November 2022.

Estia's net RAD inflows in the period were $14.6m and have been influenced by the continuation of trends emerging in FY18, with lower sector-wide RAD preferences and a higher level of concessional residents.

"The strength of our balance sheet allows us to invest in the future to secure sustainable growth through, construction of new homes and redevelopment of existing homes to contemporary standards to meet the growing demand for residential aged care generated by Australia's ageing population while also ensuring we have the capacity to manage changing resident payment preferences," Mr Thorley said.

Dividend

Estia has declared a final dividend of 7.8 cents per share, fully franked, to bring the full year dividend to 15.8 cents per share, fully franked, representing a payout ratio of approximately 100% of Net Profit After Tax for the period. The record date for the dividend is 5th September 2019 with payment to be made on 2nd October 2019. The Company's re-activated Dividend Reinvestment Plan ("DRP") will apply to the final dividend.

Royal Commission into Aged Care Quality and Safety

As well as facing a challenging funding environment, the sector has been responding to the Royal Commission into Aged Care Quality and Safety and preparing for the introduction of the new Aged Care Quality Standards on 1 July 2019.

"We are well prepared for the introduction of the new quality standards, with additional investment in quality management and resident care systems including staff education, technology development, customer engagement and service," Mr Thorley said.

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Sector Reform

Estia strongly supports the recommendations in the Aged Care Financing Authority ("ACFA") submission to the Royal Commission in April 2019 which highlights the need for significant structural reform in residential aged care funding to ensure a sustainable sector to meet Australia's changing demographics and aged care needs. ACFA has identified the following characteristics of a sustainable aged care system:

- Confidence and trust
- Stable, predictable, efficient, equitable and effective arrangements for allocating government funding
- Appropriate overall funding
- Funding that is flexible and adaptable to changing demographics and demands
- Equitable contribution to costs by consumers
- Effective prudential oversight
- Sound management and governance arrangements

"Estia is strongly supportive of further reform and implementation of key recommendations from multiple recent reviews in the sector designed to deliver a sustainable, high quality aged care sector which meets society's expectations of care with what it is willing and able to pay. The timeliness of reform becomes more pressing as sector financial performance continues to decline." Mr Thorley said.

Mr Thorley said, "The future of residential aged care in Australia will be driven by well-governed, quality-focused providers like Estia, with capacity to meet the demands for choice in how we care for our elderly people as Australia's population ages. We will continue to focus on delivering high quality care and services within each of our homes, while maintaining financial discipline and executing our expansion and refurbishment plans for existing homes."

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Further inquiries:

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Investor and Analyst Teleconference Details:

Estia Health's CEO Ian Thorley and CFO Steve Lemlin will host an analyst and investor conference call commencing at 9:30am (AEST) today, which will also be webcast.

Dial in details: Australia 1800 558 698 or 02 9007 3187

Conference call: 10000931

Webcast can be viewed at: http://webcast.openbriefing.com/5294/