

# ASX Announcement

31 January 2022

## Bed licence accounting implications and trading update

Estia Health Ltd (**ASX:EHE**) (the “Company”, “Estia Health”, the “Group”) provides the following updates in relation to the accounting (non-cash) implications for carrying value of bed licences, COVID-19 and operations.

### **Accounting (non-cash) implications of the abolition of Bed Licences**

Following the Company’s announcement on 25 November 2021, the directors have determined that in order to comply with Accounting Standards and the Group’s accounting policy in relation to Goodwill and Intangible Assets, bed licences will now be regarded as finite life intangible assets to be amortised on a straight-line basis over the period 1 October 2021 to 30 June 2024.

This treatment remains dependent on no future change to Government policy or intended legislation. As a result, the Group expects its future Financial Statements to incorporate the following charges relating to bed licence amortisation:

		\$'million (after tax)
6 months Ended	31 December 2021	14.1
Year Ended	30 June 2022	42.2
Year Ended	30 June 2023	56.3
Year Ended	30 June 2024	56.3

These expected charges do not impact bank covenants, the cash flows of the Group, taxation payable nor is it expected that the treatment will impact or restrain the ability to pay dividends in line with the Group’s expectations prior to the non-cash amortisation charges.

As previously advised, Estia Health supports the Federal Government’s decision to remove bed licences and considers this reform will be beneficial for aged care residents and the sector and positive for the Group’s growth prospects. Importantly, the Government has stated that transitional arrangements will apply prior to June 2024 to allow Approved Providers the ability to secure access to subsidised fees under the Aged Care Act if they have beds ready to operate but do not have existing licences.

### **COVID-19**

The rapid and widespread national escalation of the Omicron variant from December 2021 has been reflected across the aged care sector, with the Government reporting that 1,952 homes, more than 70% of the sector, have experienced outbreaks as at 28 January 2022.<sup>1</sup> The Group’s homes have been similarly impacted with multiple homes experiencing outbreaks despite high levels of vaccination in residents and staff and the application of the Group’s COVID-19 prevention and response plans in line with Public Health requirements.

As seen in the wider community, it is extremely difficult to detect and prevent asymptomatic transmission of the Omicron variant. However, resident and staff vaccination has resulted in significantly lower levels of acute illness and deaths following a positive COVID-19 test compared to earlier variants of COVID-19. In addition, the majority of residents and staff are recovering more quickly within 5-7 days.

All Estia Health homes are expected to have undertaken booster vaccination clinics for residents and staff shortly with follow-ups in February 2022.

1. <https://www.health.gov.au/resources/publications/covid-19-outbreaks-in-australian-residential-aged-care-facilities-28-january-2022>

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After almost two years of the pandemic, the Group's frontline staff continue to demonstrate extraordinary support and care for residents and families at a time when many are also experiencing the consequences of COVID-19 within their own families and communities. Their dedication and commitment to supporting residents in such difficult circumstances is greatly appreciated.

## Operational update

Occupancy during 1HFY22 continued to be affected by the pandemic. The impact of the rapid national spread of the Omicron variant from December 2021 onwards has continued into January 2022.

Occupancy	H1FY22 Average	31 December 2021 Spot	27 January 2022 Spot
NSW & VIC	89.0%	87.7%	85.6%
Other States	97.1%	96.8%	95.7%
<b>Total Group</b>	<b>92.6%</b>	<b>91.7%</b>	<b>90.0%</b>

While direct incremental costs associated with the management of COVID-19 outbreaks at homes continue to be eligible for recovery under extended Federal Government grant schemes, the Group also incurs COVID-19 related costs across its homes, including those without outbreaks. These latter costs are not presently recoverable under Federal Government grant schemes. Overall, the COVID-19 situation remains volatile and unpredictable and the potential financial impact of future outbreaks in the community on Estia Health's earnings in the short-term therefore remains uncertain.

## RADs & Net Debt

Notwithstanding the decline in occupancy during the 1HFY22 period, total RAD balances increased to \$886.2m with inflows of \$23.9 million (of which \$9.0 million came from Estia's new home at Blakehurst) during the period. Net Bank debt as at 31 December 2021 was \$6.7 million.

The Group has undrawn liquidity and credit lines of \$318.7 million as at 31 December 2021.

## Interim Results

The Group will release its interim FY22 results on 22 February 2022 and will provide a full update at that time.

An analyst and investor conference call will commence at 9.30am (AEDT) on Tuesday 22 February 2022 following the lodgement of the Company's interim results with the ASX. Registration details for the conference call are available on the Company's website (<https://investors.estiahealth.com.au/>).

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Approved for release by the Board of Directors of Estia Health Limited

## Further enquiries:

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