

ASX Announcement

2 May 2023

Completion of Mount Clear Acquisition and Trading Update

Estia Health Limited (ASX: EHE, “Estia Health” or “the Group”) provides the following update.

- **Completed the acquisition of the 120-place Mount Clear home in Ballarat, Victoria**
- **Continued earnings and cash flow momentum in line with 2nd Quarter run rate**
- **Impact of COVID-19 on operating costs continues to decline**
- **COVID-19 grant processing by Government has increased with \$13.1 million of grants approved since 1 January 2023**
- **Net debt as at 30 April 2023 of \$72.2 million, after Mount Clear completion**
- **Limited, non-exclusive engagement with Bain Capital has commenced in relation to its non-binding indicative proposal to acquire 100% of Estia Health**

Completion of Mount Clear, Ballarat acquisition

On 1 May 2023 the Group completed the previously announced purchase of a 120-place fully-operational home in Ballarat, Victoria for a net cash outlay of \$15.9 million and the assumption of Refundable Accommodation Deposit (“RAD”) liabilities of \$12.9 million.

The home was built in 2019, comprises all single ensuite rooms and spot occupancy at 30 April 2023 was 95.8%. As previously announced, the home is expected to deliver EBITDA¹ in the first full year of ownership of approximately \$3.0 million.

The acquisition of Mount Clear continues the Group’s strategy to sustainably grow its portfolio, including purchasing high quality homes that are aligned to its existing successful operating clusters.

Group CEO Sean Bilton said “I welcome the staff and residents of the newly acquired Mount Clear home to the Estia Health family. When added to our recent acquisition of four Premier Health Care homes and the planned completion towards the end of this calendar year of our newly built homes in St Ives and Aberglasslyn, both in New South Wales, we will have added 789 places, or 13%, to the Group’s capacity since June 2022.”

¹ EBITDA is categorised as non-IFRS financial information prepared per 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, specified non-recurring items and imputed DAP revenue on RAD/bond balances resulting from the adoption of AASB 16. The measure has been adjusted from the reported information to assist readers in better understanding the financial performance of the business in each financial period.

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Trading performance update

The Group provides the following unaudited information on recent trading performance.

Premier Health Care homes acquired 1 December 2022

Occupancy has increased since acquisition by 9.7% to 88.6%, reflecting an increase of 40 residents. Net RAD inflows over the five months to 30 April 2023 have been \$7.3 million. Financial performance has been in line with expectations.

Group occupancy

Mature Homes² occupancy, which excludes the former Premier Health Care homes, has continued to improve:

	Q1FY23	Q2FY23	Q3FY23	30 April 2023
	Average	Average	Average	Spot
Mature homes occupancy	91.7%	92.1%	92.4%	93.0%

The Group's Mature Homes (6,187 beds) delivered 514,714 Occupied Bed Days during Q3FY23.

Unaudited financial performance

EBITDA per occupied bed during Q3FY23, excluding COVID-19 incremental costs and grant income, was in line with Q2FY23 performance.

The Group's average ANACC rate for its permanent residents during Q3FY23 was \$227.6 per day, compared to \$223.7 in Q2FY23. The average ANACC rate at 30 April 2023 had increased further to \$228.9 per day.

COVID-19 costs

The impact of COVID-19 response and prevention has continued to decline in Q3FY23 in line with lower community impacts in terms of duration, frequency and severity of infections.

Incremental COVID-19 Related Costs - \$'million	Q1FY23	Q2FY23	Q3FY23
Staff Related	\$5.9	\$5.2	\$1.8
Non-Staff Related	\$3.1	\$2.1	\$2.4
Total	\$9.0	\$7.3	\$4.2

² Mature Homes (which excludes homes from the date of closure) are homes that have been opened for more than 12 months or if open for less than 12 months have greater than 85% occupancy at the commencement of the financial year

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COVID-19 costs grants

The processing of grant submissions by Government has improved with \$13.1 million confirmed in the four month period to 30 April 2023.

The current status of grant applications is shown below.

\$'million	FY23 Costs Claimed	FY22 Costs Claimed	Total Costs Claimed
Confirmed and Received FY22	-	7.1	7.1
Confirmed and Received H1FY23	-	13.7	13.7
Confirmations from 1 Jan 2023 to 30 Apr 2023	2.0	11.1	13.1
Total confirmed to 30 April 2023	2.0	31.9	33.9
Claims rejected	-	1.1	1.1
Applied for and still under assessment	12.9	8.8	21.7
Total Applied for	14.9	41.8	56.7
Confirmed to date as a percentage of submitted	13%	76%	60%

RAD inflows

Net RAD inflows were \$33.6 million in the four months to 30 April 2023, of which \$6.7 million was received at the former Premier Health Care homes. Net RAD inflows across the Group for FY23, up until 30 April 2023, have totalled \$61.2 million.

Net debt

Net bank debt³ at 30 April 2023, after adjusting for the completion of the Mount Clear acquisition, was \$72.2 million.

In addition to operating cash and RAD flows, the key drivers of the movement in net debt from 31 December 2022 include:

- unwind of approximately \$43.5 million in prepaid Government subsidies received prior to 31 December 2022;
- \$10.6 million of COVID-19 grants received;
- Approximately \$21.0 million of capital investments, predominantly associated with the St Ives and Aberglasslyn greenfield developments; and
- \$15.9 million to acquire the home at Mount Clear.

³ Net bank debt is defined as bank borrowings and overdrafts less cash and cash equivalents.

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Bain Capital non-binding indicative proposal

As announced on 24 March 2023, Estia Health received an unsolicited, non-binding indicative proposal from Bain Capital (“Bain”) to acquire all of the shares in Estia Health by way of a scheme of arrangement (“Indicative Proposal”) at a price of A\$3.00 cash per share (adjusted for any dividends paid or payable after the date of the Indicative Proposal).

As announced on 4 April 2023, the Board of Estia Health does not regard the Indicative Proposal as compelling, having regard to price and conditionality.

To determine whether Bain is able to put forward an improved proposal, Estia Health has provided Bain with limited non-public information on a non-exclusive basis, subject to the terms of a confidentiality and standstill agreement.

This process has not yet concluded and Estia Health will keep shareholders updated in accordance with its continuous disclosure obligations. There is no certainty that Bain will provide a revised proposal, or that any revised proposal will be recommended by the Board or result in a transaction being put forward to Estia Health shareholders for consideration.

Estia Health shareholders do not need to take any action at this time in relation to the Indicative Proposal.

Approved for release by the Board of Estia Health Limited.

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