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ASX Announcement

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

Regis reports FY23 results with solid growth in key financial metrics

Regis Healthcare Limited (ASX: REG) (Regis), a leading residential aged care provider is pleased to present its FY23 full-year results.

Results Overview

- Revenue of $780.6 million, up 8% on FY22
- Underlying EBITDA of $83.3 million, up 7% on FY22
- NPATA of $28.5 million, up 631% on FY22
- Statutory net loss after tax of $28.5 million impacted by $57.0m of non-cash bed licence amortisation net of tax
- Net operating cash flow of $105.2 million including net refundable accommodation deposits (RADs) cash inflow of $43.6 million
- Net debt of $6.0 million, down 94% or $96.9 million on FY22
- Board of Directors resolved to pay a final dividend of 7.48 cents per ordinary share (50% franked) payable 27 September 2023

Operational Highlights

- Average occupancy of 91.5%, significantly up on 89.8% in prior year
- Achieved all-time high of 6,521 occupied beds or 93.7% occupancy in June 2023
- Improvement in average overall star rating from 3.11 (Q1 FY23) to 3.14 (Q3 FY23)
- Average care minutes increased to 178.8 minutes (Q4 FY23)
- Received net proceeds of $60 million from sale of non-income producing assets

Regis' Managing Director and CEO Dr Linda Mellors said, "Regis has delivered solid growth across key metrics including occupancy, revenue and underlying earnings, as well as generating strong cashflow despite a rapidly changing aged care environment. General staff shortages due to record low unemployment, visa delays and border closures, together with a global shortage of registered nurses, have impacted the pace at which the Company has increased care minutes and added significantly to staff expenses in FY23 through additional agency costs and overtime. The aged care reform agenda and additional compliance and reporting requirements have continued to challenge the industry. Regis remains focused on providing safe, effective and personal care to its residents together with improving its operational, clinical and financial performance."

Dr Mellors said, “We are pleased that the Federal Government has funded a 15% increase to modern award wage rates for many aged care workers which is critical for our industry to attract and retain staff. Government funding has improved through the introduction of AN-ACC and we eagerly await the recommendations of the Aged Care Taskforce to address long-term funding and ensure older Australians have access to a high quality, equitable and innovative aged care system. Having recently invested in core operational, financial and clinical systems and hardware to drive efficiencies, Regis is well placed to operate at a greater scale and seek strategic acquisition opportunities in the period ahead. We believe the sector and Regis are now past the financial trough experienced in recent years caused by inadequate Government funding, and the cost and revenue impacts of COVID-19.”

Financial and Operating Results[1]

$ millions	FY23	FY22	Change %
Revenue from services	780.6	725.4	8%
Other income[2]	117.0	71.6	63%
Staff expenses	(591.2)	(550.4)	7%
Underlying EBITDA	83.3	78.1	7%
NPATA	28.5	3.9	631%
Statutory net loss after tax	(28.5)	(38.8)	27%
Net operating cash flow	105.2	114.8	(8%)
Net RAD cash inflow	43.6	83.9	(48%)
Capital expenditure	53.5	48.6	10%
Net debt	6.0	102.9	(94%)
Average occupancy %[3]	91.5%	89.8%	1.7 pts
Staff expenses / revenue from services %	75.7%	75.9%	(0.2 pts)
Basic EPS (cents per share)	(9.5)	(12.9)	

Trading Performance

Revenue from services of $780.6 million benefitted from improved occupancy, new AN-ACC funding model from 1 October 2022, and additional resident funding.

Average occupancy was 91.5% (H1 FY23: 91.1%, H2 FY23: 92.0%) with the spot rate at 18 August 2023 of 93.5% (30 June 2023: 93.7%).

Staff expenses rose 7% to $591.2 million impacted by higher rates under Award and Enterprise agreements, additional overtime and use of agency contractors due to continued workforce shortages across the sector.

Underlying EBITDA which excludes one-off items (refer below) was $83.3 million, up 7% on pcp.

COVID-19 Outbreak Grants and One-Off Items

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

- COVID-19 and other Government grant income - $32.5 million
- COVID-19 outbreak related expenses - $16.5 million
- Gain on disposal of non-current assets - $11.7 million
- Fair value gain on investment property - $7.2 million
- Write-off of capital work in progress and other one-off write-downs - $12.8 million
- Professional services costs incurred in relation to potential employee underpayments program - $3.1 million
- Increased employee entitlements due to Fair Work Commission decision[4] - $7.3 million
- Other net losses[5] - $0.1 million

Regis has recognised $32.5 million of Government grant income of which $31.4 million relates to grants received or expected to be received under the Australian Government's COVID-19 grant programs. Of this amount, $22.2 million has yet to be received due to Government processes to manage the significant volume of claims across the aged care sector. Regis expects these outstanding claims to be settled during FY24.

COVID-19 one-off outbreak costs totalled $16.5 million in FY23, down from $27.8 million in the pcp. In the second half of FY23, COVID-19 outbreak expenses had reduced to $3.5 million from $13.0 million in the first half.

Cash Flow and Net Debt

Net operating cashflow was $105.2 million (FY22: $114.8 million) including RAD and accommodation bond net cash inflow of $43.6 million (FY22: $83.9 million).

The Company invested $53.5 million (FY22: $48.6 million) in capital expenditure including land acquisition and greenfield development, refurbishment and replacement expenditure.

The Regis Camberwell 112-bed greenfield residential aged care development is well underway and expected to open in H2 FY25. In January 2023, the Company acquired vacant land in Carlingford, NSW for $15 million which has a development approval for a new 110-bed residential aged care home.

Regis continues to focus on unlocking capital from non-income producing assets to reinvest in higher growth business opportunities. During the year, the Company received net proceeds of $60 million from the sale of non-income producing assets including the Hollywood retirement village and vacant land in WA.

The Company ended the financial year with net debt of $6.0 million, down 94% or $96.9 million on pcp with significant undrawn capacity to fund strategic growth opportunities.

Employee Underpayments

As previously reported, 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. These payment shortfalls had arisen because some employee entitlements due under various enterprise agreements were recorded inaccurately in the payroll system. This has led to incorrect payments to a number of employees.

Regis, with the assistance of external advisors, continues to determine the extent of underpayments. Based on additional analysis undertaken during the period, Regis has maintained a provision of $37.7 million at 30 June 2023. Regis expects remediation to occur in the first half of the financial year ending 30 June 2024.

Industry Reform and Changes

Significant industry reforms and changes were introduced during the year and include:

- Transition to AN-ACC funding model on 1 October 2022
- Independent Health and Aged Care Pricing Authority (IHACPA) provided advice to Government on the pricing of residential aged care services
- Aged Care Taskforce established to review and recommend options for aged care funding arrangements, to support a more sustainable and viable sector
- Largest ever wage increase to eligible aged care workforce (15% increase to modern award wage rates) from 30 June 2023
- Mandated care minutes requirement commences on 1 October 2023
- Capability review undertaken of the Aged Care Quality and Safety Commission (ACQSC) - final report and 32 recommendations provided to Government
- Enhanced Aged Care Quality Standards come into effect 1 July 2024

Dividends

The Board of Directors resolved to pay a final dividend of 7.48 cents per ordinary share totalling $22.5 million (50% franked) for the year ended 30 June 2023, payable on 27 September 2023.

With improved financial performance, the Board has declared total dividends amounting to 9.48 cents per share for the year-ended 30 June 2023 returning 100% of NPATA to shareholders.

Outlook

In the year ahead, Regis expects to benefit from improving occupancy, additional Government and resident funding while completing its organisational redesign and recruitment to meet care minute requirements.

Regis has a materially stronger balance sheet and will continue to focus on releasing capital from non-income producing assets to reinvest into higher returning core business opportunities. This strong balance sheet, including significantly reduced net debt, supports Regis' active pursuit of material strategic acquisitions to broaden its residential aged care footprint.

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A teleconference and webcast will be held by Regis' Managing Director and CEO Dr Linda Mellors and CFO Mr Rick Rostolis at 10am AEST. 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 7,000 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 9,000 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 $62.9 million, net COVID-19 outbreak related claims income of $14.8 million and other one-off items, and includes operating lease expense of $1.2 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 FY23 Full-Year Results Investor Presentation
2. Includes $62.9 million of imputed income on RADs and Bonds (FY22: $62.4 million)
3. Based on FY23 average available operational places of 6,980 (FY22: 7,056)
4. Represents increase to employee entitlements expense as at 30 June 2023 required to reflect the Fair Work Commission's decision to increase modern award wage rates by 15% from 30 June 2023
5. Other net losses includes $1.3 million incurred for regulatory penalties (including external advisors and additional costs) relating to the Sanction and Notice to Agree (NTA) applied to Port Coogee on 11 August 2022 by the Aged Care Quality and Safety Commission (ACQSC) and $0.8 million incurred in relation to other one-off items, offset by $2.0 million recognised as gain on lease modification due to the early termination of Regis' head office lease in Armadale, Victoria, which resulted in the re-measurement of the existing lease asset and liability as at 30 June 2023