



Regis East Malvern, Victoria



**OUR  
PURPOSE**

Personalised  
and respectful care  
that embraces the  
experience of  
ageing

**FY23 Half-Year  
Results Presentation**

**27 February 2023**

# Contents

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- Strategy Overview
- Aged Care Sector Reform
- Financial Performance
- Other Matters
- Strategic Update
- Outlook
- Questions
- Appendices

# Strategy Overview

*Our purpose is to provide personalised and respectful care that embraces the experience of ageing*

## OUR VALUES

- Optimism
- Passion
- Integrity
- Respect

## OUR BEHAVIOURS

- We have a relentless customer focus
- We are transparent and accountable
- We are collaborative
- We all own quality and safety
- We continuously improve



## WHO WE SERVE

- Our Residents
- Our Clients
- Our People
- Our Care Partners
- Our Community
- Our Shareholders

## OUR PRIORITIES & GOALS



### THE REGIS CULTURE OF CARE

*Our goals:*

- We deliver Personal Care
- We deliver Safe Care
- We deliver Effective Care
- We deliver Integrated Care



### POSITIVE PEOPLE AND PRACTICE

*Our goals:*

- We empower, support and enable our people
- We ensure the right people are in the right roles
- We keep people physically safe and psychologically well
- We provide an inclusive and flexible workplace



### ENSURING OUR FUTURE

*Our goals:*

- We transform our living, care, services and work through digital enablers
- We expand and develop our property and service portfolio
- We lead in operational excellence
- We build positive partnerships
- We embrace environmental sustainability

# Industry Reform and Sector Performance

## Industry Reforms

- AN-ACC funding model ▶ Funding to providers with a starting price of \$216.80 prpd (from 1 October 2022)
- Mandated average care minutes requirement ▶ 200 care minutes and 40 minutes (registered nurses) requirements are an 'average' target across the sector commencing 1 October 2023
- Impact of new Independent Health and Aged Care Pricing Authority (IHACPA) ▶ IHACPA determining the cost of care under new funding model
- Bed licence deregulation ▶ Deregulation from 1 July 2024 is expected to be an advantage for larger providers

## Mandated Care Minutes

- ▶ Regis believes the Government's narrow definition of mandated care minutes which only includes actual worked hours of registered nurses, enrolled nurses and personal care workers does not value the significant contribution of other care types including allied health and lifestyle activities
- ▶ This is inconsistent with the Resource Utilisation and Classification Study (RUCS) produced by the University of Wollongong, which included allied health and lifestyle activities as direct care<sup>1</sup>
- ▶ Enrolled nurse direct care activities are included in care minutes rather than nursing minutes, even though enrolled nurses carry a higher qualification and scope of practice

<sup>1</sup>The Australian Government commissioned the University of Wollongong to undertake the RUCS in 2017-18. Various reports were produced which defined residential care including allied health and lifestyle activities

<sup>2</sup>StewartBrown Aged Care Sector Report - 3 months ended 30 September 2022

## Additional Funding Reform Required

- ▶ Funding to increase staff remuneration, on-costs and benefits. The Australian Government has committed to funding the increase in pay and conditions determined by the Fair Work Commission's Work Value Case. This increase in pay and benefits is required to recognise the challenging and essential work provided by our workforce
- ▶ Deregulation of the residential Basic Daily Fee would allow for more choice for residents through increased competition and improved service offerings and amenities
- ▶ Increased capital grants for rebuilding and refurbishment of existing residential aged care facilities especially to help cater for more specialist needs
- ▶ Changes to the means-testing thresholds

## Sector Performance

- ▶ 70% of aged care homes operated at a loss (56% at Sep-21)<sup>2</sup>
- ▶ Insufficient AN-ACC starting price due to increased Enterprise Agreements and Award staff costs and higher inflation, which were not known when the funding costing was formulated<sup>2</sup>
- ▶ MPIR increase to 7.06% at 1 January 2023 should drive increased revenue and RADs

# Regulatory Changes

*The introduction of the new resident care funding model and star ratings are the most recent regulatory changes*

## AN-ACC<sup>1</sup> Overview

- ▶ AN-ACC model designed to provide a distribution of funding according to resident needs
- ▶ Residents undergo independent assessments for funding purposes. There are 13 classes of funding with reassessment available should resident needs change
- ▶ New methodology for annual changes in prices/indexation, informed by independent costing

## Transition to AN-ACC

- ▶ Sector transitioned to new AN-ACC funding model on 1 October 2022
- ▶ As expected, Regis' Aged Care Government Revenue per occupied bed day has increased modestly under new AN-ACC funding
- ▶ Regis' average AN-ACC for Q2 FY22 was \$220.70<sup>2</sup> per resident per day
- ▶ Regis continues to work proactively with the industry peak (Aged & Community Care Providers Association) to support the development of an effective funding and care model including addressing challenges relating to systemic underfunding and workforce shortages

<sup>1</sup>AN-ACC is the Australian National Aged Care Classification

<sup>2</sup>Average AN-ACC per resident per day calculated from 1 October 2022 - 31 December 2022

<sup>3</sup>As submitted to DHAC on 4 November 2022 (reporting period 1 July 2022 - 30 September 2022)

<sup>4</sup>As submitted to DHAC on 14 February 2023 (reporting period 1 October 2022 - 31 December 2022)

## Star Ratings

- ▶ Star ratings were a recommendation of the Royal Commission into Aged Care Quality and Safety
- ▶ Introduced in December 2022
- ▶ Designed to support consumer choice and comparison of aged care homes
- ▶ Each home is assigned an overall star rating evaluating four sub-categories: resident experience, compliance, staffing and quality measures
- ▶ Regis' homes are rated 3 stars on average which is considered an acceptable quality of care. The Company rated an average of 4 stars for Compliance

## Care Minutes (Mandated from 1 October 2023)

- ▶ Staffing care minutes are reported to the Department of Health & Aged Care (DHAC) each quarter
  - Regis has a long history of investment in non-direct care roles in its homes as well as regional and national support structures, that are meaningful to the care and experience of residents
  - Regis has commenced an organisational redesign to refocus resources towards more direct care

## Regis Direct Care minutes

|                                       | Q1 FY23 <sup>3</sup> | Q2 FY23 <sup>4</sup> |
|---------------------------------------|----------------------|----------------------|
| Registered Nurses                     | 29.9                 | 30.4                 |
| Enrolled Nurses/Personal Care Workers | 135.4                | 139.6                |
| <b>Total</b>                          | <b>165.3</b>         | <b>170.0</b>         |



*Regis Blackburn, Victoria*

# Financial Performance

# H1 FY23 Financial Overview

- ▶ Revenue from services of \$380.4 million, up 4.4% on pcp
  - Average occupancy 91.1% (H1 FY22: 89.3%)
- ▶ Underlying EBITDA<sup>1</sup> of \$45.1 million (H1 FY22: \$44.1 million)
- ▶ Net loss after tax of \$25.9 million (H1 FY22: \$3.7 million)
  - Includes amortisation of operational places of \$28.5 million (net of tax)
- ▶ NPATA<sup>1</sup> of \$2.6 million (H1 FY22: \$10.6 million)
  - Includes COVID-19 outbreak costs (before tax) of \$13.0 million<sup>2</sup> (H1 FY22: \$4.5 million)
- ▶ Net operating cash flow of \$62.0 million includes net RAD receipts of \$8.7 million
- ▶ Net debt of \$67.6 million<sup>3</sup>, increase of \$6.8 million on pcp
  - Impacted by approximately \$32.4 million of COVID-19 outbreak costs claimed/to be claimed not yet received from Government
- ▶ Capital expenditure of \$18.8 million includes property development and refurbishment together with strategic technology investment
- ▶ Board of Directors resolved to pay an interim dividend of 2.00 cents per ordinary share (50% franked) payable 14 April 2023

## Revenue from Services

**\$380.4**million ▲

## Average Occupancy

**91.1%** ▲

## Underlying EBITDA<sup>1</sup>

**\$45.1**million ▲

## Net Loss After Tax

**\$25.9**million ▼

## COVID-19 Outbreak Costs

**\$13.0**million ▲

## NPATA<sup>1</sup>

**\$2.6**million ▼

## Net Operating Cash Flow

**\$62.0**million ▼

## Net RAD Receipts

**\$8.7**million ▼

## Net Debt

**\$67.6**million ▲

## Interim Dividend

**2.00**cents ▼

<sup>1</sup>Refer page 33 for definitions of Non-IFRS financial measures and reconciliation of statutory results to Non-IFRS financial measures on page 30

<sup>2</sup>Regis has been advised by the Department of Health and Aged Care of delays in processing COVID-19 outbreak claims. Regis has submitted, or is in the process of submitting claims of approximately \$32.4m in relation to H2 FY22 and H1 FY23 COVID-19 outbreak costs

<sup>3</sup>Includes Government funding received in advance for January 2023 of \$44.0 million (H1 FY22 \$40.1 million)

# Financial Summary

| \$ millions                              | H1 FY23 | H1 FY22 | Δ H1 FY22 to H1 FY23 |
|--|---------|---------|----------------------|
| Revenue from services                    | 380.4   | 364.2   | 4.4%                 |
| Other income <sup>1</sup>                | 33.3    | 31.4    | 6.1%                 |
| Staff expenses                           | 286.4   | 263.7   | 8.6%                 |
| Underlying EBITDA <sup>2</sup>           | 45.1    | 44.1    | 2.3%                 |
| NPATA <sup>2</sup>                       | 2.6     | 10.6    | (75.5%)              |
| Capital expenditure                      | 18.8    | 30.7    | (38.8%)              |
| Net RAD cash inflow                      | 8.7     | 47.1    | (81.5%)              |
| Net operating cash flow                  | 62.0    | 126.7   | (51.1%)              |
| Net debt                                 | 67.6    | 60.8    | (11.2%)              |
| Average occupancy % <sup>3</sup>         | 91.1%   | 89.3%   | 1.8 pts              |
| Staff expenses / revenue from services % | 75.3%   | 72.4%   | (2.9 pts)            |
| Basic EPS (cents per share)              | (8.61)  | (1.22)  |                      |

- ▶ H1 FY23 revenue from services of \$380.4 million includes:
  - COPE indexation of 1.7%<sup>4</sup>
  - Average AN-ACC from 1 October 2022 of \$220.70<sup>5</sup> per resident per day (uplift of \$9.40 per resident per day)
- ▶ Increase in staff expenses includes:
  - Impact of workforce shortages leading to significant additional overtime and use of agency contractors
  - EA and Award wage increases only partially offset by 1 July 2022 COPE indexation of 1.7%<sup>4</sup> and introduction of AN-ACC funding
  - COVID-19 outbreak staff costs

- ▶ H1 FY23 reported EBITDA impacted by a number of one-off items including COVID-19 outbreak costs - refer page 9
- ▶ Capital expenditure of \$18.8 million (H1 FY22: \$30.7 million)
  - Prior corresponding period included Belrose, New South Wales land acquisition of \$15.2 million
- ▶ Net debt 31 December 2022 of \$67.6 million - \$6.8 million increase on pcp
  - Net RAD cash inflow of \$8.7 million
  - Approximately \$32.4 million of COVID-19 outbreak costs claimed/to be claimed not yet received from Government

<sup>1</sup>Includes \$30.6 million of imputed income on RADs and Bonds (H1 FY22: \$31.4 million)

<sup>2</sup>Refer page 33 for definitions of Non-IFRS financial measures

<sup>3</sup>Based on H1 FY23 average available operational places of 7,000 (H1 FY22: 7,104)

<sup>4</sup>COPE indexation of 1.7% applicable under ACFI funding from 1 July 2022 - 30 September 2022

<sup>5</sup>Average AN-ACC per resident per day calculated from 1 October 2022 - 31 December 2022

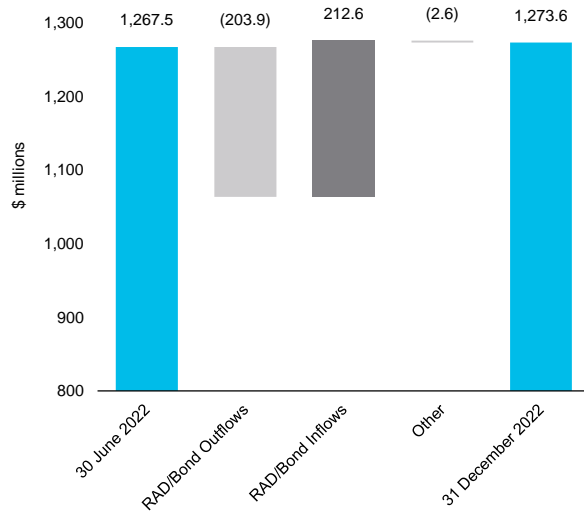


# Key Operational Statistics

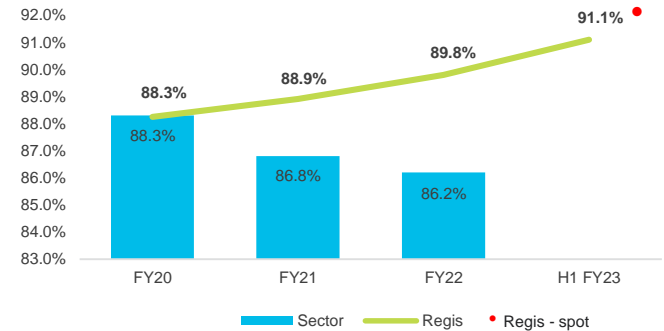
| Operational Statistics  | H1 FY23   | H1 FY22   | Δ H1 FY22 to H1 FY23 |
|---|-----------|-----------|----------------------|
| Average available operational places (#) <sup>1</sup>               | 7,000     | 7,104     | (1.5%)               |
| Total occupied bed days   | 1,172,917 | 1,167,834 | 0.4%                 |
| Average occupancy (%)   | 91.1      | 89.3      | 1.8 pts              |
| Aged care revenue per occupied bed day (\$)                         | 317.7     | 304.7     | 4.3%                 |
| Aged care Government revenue per occupied bed day (\$) <sup>2</sup> | 224.5     | 219.1     | 2.5%                 |
| Aged care resident revenue per occupied bed day (\$)                | 93.2      | 85.6      | 8.9%                 |
| Aged care staff expenses per occupied bed day (\$) <sup>3</sup>     | 218.0     | 207.1     | 5.3%                 |
| RADs held (#)   | 2,835     | 2,826     | 0.3%                 |
| RADs held (\$m)   | 1,273.6   | 1,232.3   | 3.4%                 |
| Average RAD held (\$000's)  | 449.2     | 436.1     | 3.0%                 |
| Average incoming RAD (\$000's)                                      | 483.9     | 479.9     | 0.8%                 |

- ▶ Movement in average available operational places mainly attributable to permanent removal of multi-bed room capacity and wind-down of Belmore, New South Wales facility
- ▶ Notwithstanding impact of COVID-19, average occupancy improved due to management initiatives. Spot occupancy at 24 February 2023 was 92.3%
- ▶ Government revenue per occupied bed day increased due to AN-ACC and COPE indexation (1.7%)<sup>4</sup>
- ▶ Average AN-ACC of \$220.70<sup>5</sup> per resident per day from 1 October 2022 (Q2 FY23 uplift \$9.40 per resident per day)
- ▶ Staff expenses per occupied bed day primarily increased due to impact of EA and Award wage increases, and ongoing sector-wide workforce shortages resulting in increased agency usage and additional overtime
- ▶ Increase in RADs held included net RAD cash inflow \$8.7 million
- ▶ Probate liabilities of \$188.2 million included in RAD balance (H1 FY22: \$147.9 million)

## Net RAD/Bond Movements



## Occupancy<sup>6</sup>



<sup>1</sup>Across portfolio of homes as at 31 December 2022

<sup>2</sup>Excludes COVID-19 grants

<sup>3</sup>Excludes COVID-19 outbreak staff expenses

<sup>4</sup>COPE indexation of 1.7% applicable under ACFI funding from 1 July 2022 - 30 September 2022

<sup>5</sup>Average AN-ACC per resident per day calculated from October 2022 - 31 December 2022

<sup>6</sup>Productivity Commission (2023) Report on Government Services - 2022

# One-Off / Non-Recurring Items

The following one-off / non-recurring items are included in Profit and Loss:

| \$ millions (before tax)   | H1 FY23       | H1 FY22      |
|--|---------------|--------------|
| COVID-19 outbreak expenses   | (13.0)        | (4.5)        |
| COVID-19 single-site worker grants   | 0.5           | -            |
| Professional services costs incurred in relation to potential employee underpayments program | (1.8)         | -            |
| Other net gains  | 0.7           | -            |
| <b>Total</b>   | <b>(13.6)</b> | <b>(4.5)</b> |

► COVID-19 outbreak expenses include:

- \$11.2 million of staff costs
- \$1.8 million of PPE and other related costs

► DHAC has advised the industry of delays in processing COVID-19 outbreak claims. Regis has submitted claims / in process of submitting claims of approximately \$32.4 million (including \$20.1 million submitted in relation to H2 FY22 COVID-19 outbreak costs). No cash grants have been received as yet

The following normalisation item is included in Profit and Loss:

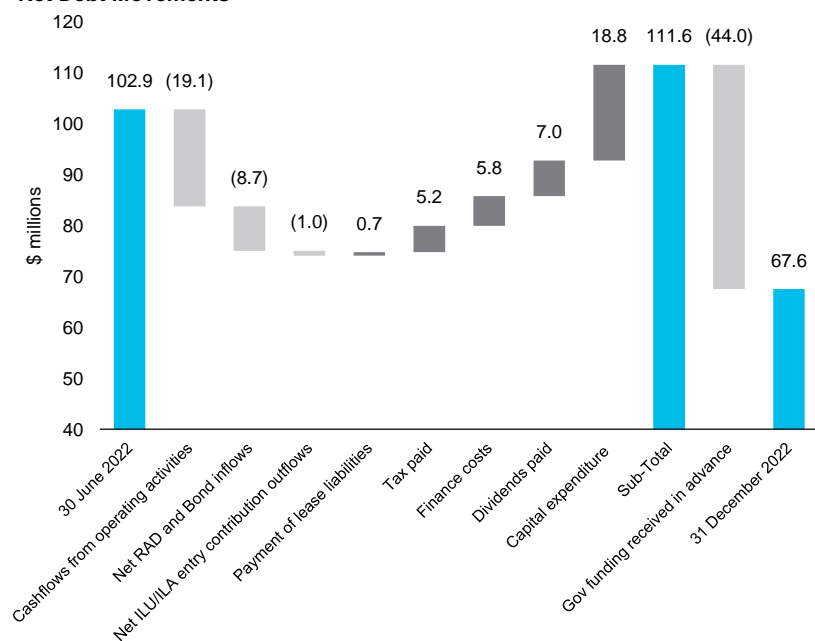
| \$ millions                                | H1 FY23       | H1 FY22       |
|--|---------------|---------------|
| Amortisation of operational places         | (40.7)        | (20.3)        |
| Reversal of related deferred tax liability | 12.2          | 6.0           |
| <b>Total (net after tax)</b>               | <b>(28.5)</b> | <b>(14.3)</b> |

► In response to the Australian Government's decision to deregulate operational places from 1 July 2024, Regis has reassessed the useful life of its operational places and commenced amortising the value of operational places from 1 October 2021 on a straight line basis over their remaining economic life to 30 June 2024 including the partial reversal of related deferred tax liability (refer page 31)

# Net Debt and Cash Flow

| \$ millions                      | Purpose                          | Limit        | Maturity   |
|----------------------------------|----------------------------------|--------------|------------|
| Facility A                       | Working capital                  | 150.0        | March 2026 |
| Facility B                       | Working capital                  | 175.0        | March 2027 |
| Facility C                       | Residential village developments | 70.0         | March 2027 |
| Facility D                       | LC/bank guarantees               | 10.0         | March 2027 |
| <b>Total Syndicated Facility</b> |                                  | <b>405.0</b> |            |

## Net Debt Movements



## Debt Refinancing

- ▶ Facilities B, C and D refinanced through to March 2027
- ▶ Regis has elected to reduce the total facility from \$515 million to \$405 million in recognition of working capital and investment requirements

## Cash Flows

- ▶ Net cash inflows from operating activities of \$62.0 million<sup>1</sup> (H1 FY22: \$126.7 million)
- ▶ Net RAD cash inflows of \$8.7 million (H1 FY22: \$47.1 million)

## Net Debt

- ▶ \$11.1 million increase in bank borrowings (H1 FY22: \$42.5 million net repayment of bank borrowings)
  - Net debt impacted by non-receipt of COVID-19 outbreak grants

## Dividends

- ▶ H2 FY22 final dividend of 2.32 cents per ordinary share (50% franked) paid 30 September 2022
- ▶ H1 FY23 interim dividend of 2.00 cents per ordinary share (50% franked) payable 14 April 2023

## Capex

- ▶ Capital expenditure of \$18.8 million (H1 FY22: \$30.7 million) mainly relating to property development, replacement and refurbishment capital expenditure, and strategic technology investment

<sup>1</sup>Includes Government funding received in advance for January 2023 of \$44.0 million (H1 FY22 \$40.1 million)

# Capital Expenditure

| \$ millions   | H1 FY23     |
|---|-------------|
| <b>Property</b>   |             |
| Replacement Capital Expenditure - Residential Aged Care Homes   | 8.3         |
| Replacement Capital Expenditure - Retirement Villages           | 0.2         |
| Refurbishment Capital Expenditure - Residential Aged Care Homes | 1.9         |
| Development - Camberwell  | 2.7         |
| Development - Toowong   | 0.4         |
| Development - Belrose   | 0.3         |
| Other   | 0.5         |
| <b>Technology</b>   |             |
| Strategic technology investment                                 | 4.5         |
| <b>Total</b>  | <b>18.8</b> |

## Replacement Capital Expenditure

- ▶ Regular and ongoing refurbishment / replacement capital expenditure undertaken across residential aged care homes and retirement villages

## Residential Aged Care Developments

- ▶ Camberwell - Greenfield development commenced Q1 FY23
- ▶ On 31 January 2023, Regis acquired a parcel of land in Carlingford, New South Wales, for approximately \$15.0 million<sup>1</sup>

## Technology Investment

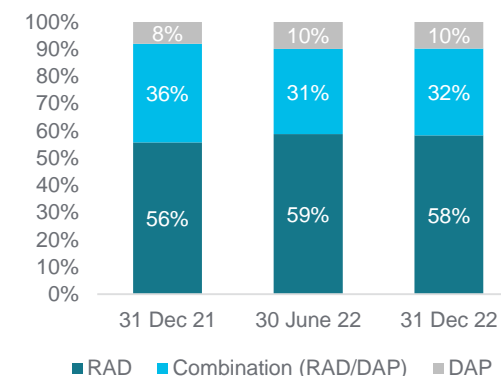
- ▶ Strategic projects undertaken include:
  - Continuation of WiFi enabled technology investment
  - Clinical care system optimisation
  - Electronic medication management system roll-out

<sup>1</sup>Development Approval in place for 110 beds

# Resident Profile

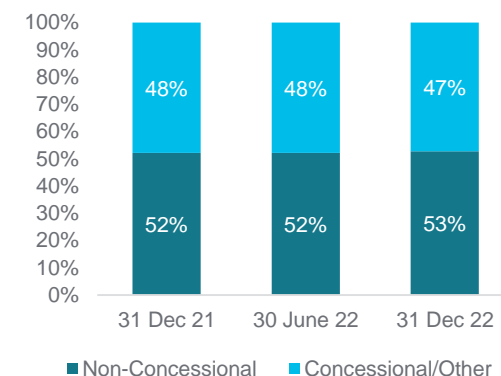
| Number of Residents              | 31 December 2021 | 30 June 2022 | 31 December 2022 |
|----------------------------------|------------------|--------------|------------------|
| RAD                              | 1,753            | 1,849        | 1,858            |
| Combination (RAD/DAP)            | 1,135            | 980          | 1,015            |
| DAP                              | 269              | 290          | 311              |
| <b>Total Non-Concessional</b>    | <b>3,157</b>     | <b>3,119</b> | <b>3,184</b>     |
| Concessional                     | 2,807            | 2,727        | 2,716            |
| Other                            | 92               | 135          | 132              |
| <b>Total Permanent Residents</b> | <b>6,056</b>     | <b>5,981</b> | <b>6,032</b>     |
| Respite                          | 348              | 404          | 341              |
| <b>Total Residents</b>           | <b>6,404</b>     | <b>6,385</b> | <b>6,373</b>     |

Payment Preference (Non-Concessional)



| Resident Profile as % of Permanent Residents | 31 December 2021 | 30 June 2022 | 31 December 2022 |
|--|------------------|--------------|------------------|
| RAD  | 29%              | 31%          | 31%              |
| Combination (RAD/DAP)                        | 19%              | 16%          | 17%              |
| DAP  | 4%               | 5%           | 5%               |
| <b>Total Non-Concessional</b>                | <b>52%</b>       | <b>52%</b>   | <b>53%</b>       |
| Concessional                                 | 46%              | 46%          | 45%              |
| Other  | 2%               | 2%           | 2%               |
| <b>Total Permanent Residents</b>             | <b>100%</b>      | <b>100%</b>  | <b>100%</b>      |

Resident Mix (Permanent Residents)



- ▶ Continued high level of RAD paying residents across various residential aged care homes
- ▶ MPIR has increased from 6.31% at 1 October 2022 to 7.06% at 1 January 2023
  - From low of 4.01% (Q2 FY22)



Regis Sandringham, Victoria

## Other Matters

## Other Matters

### Potential Employee Entitlement 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 the underpayments. Based on additional analysis undertaken during the period, Regis has maintained a provision of \$37.7 million at 31 December 2022.

### Workforce Challenge

- ▶ Workforce shortages are a major issue facing aged care providers and the health sector more broadly. The continued presence of COVID-19 has placed additional strain on a workforce that had already been experiencing significant pressure.

### Regulatory Penalty

- ▶ On 11 August 2022, the Aged Care Quality and Safety Commission (ACQSC) applied regulatory penalties to Regis Port Coogee in the form of Sanction and Notice to Agree (NTA). Regis has complied with all actions and requirements stipulated by the ACQSC. The Company incurred a one-off negative impact of \$1.3 million (including external advisor fees and additional staff costs) for the period 11 August 2022 to 31 December 2022. The sanction expired on 10 February 2023.

### Subsequent Event

- ▶ In January 2023, Regis' Belmore, New South Wales 60-bed residential aged care home was closed. There is no material impact on the ongoing profitability of the Company as a result of the closure.
- ▶ On 31 January 2023, Regis acquired a parcel of land in Carlingford, New South Wales, for approximately \$15.0 million. The land is to be used for the purposes of residential aged care development.



*Regis Greenmount, Western Australia*

# Strategic Update

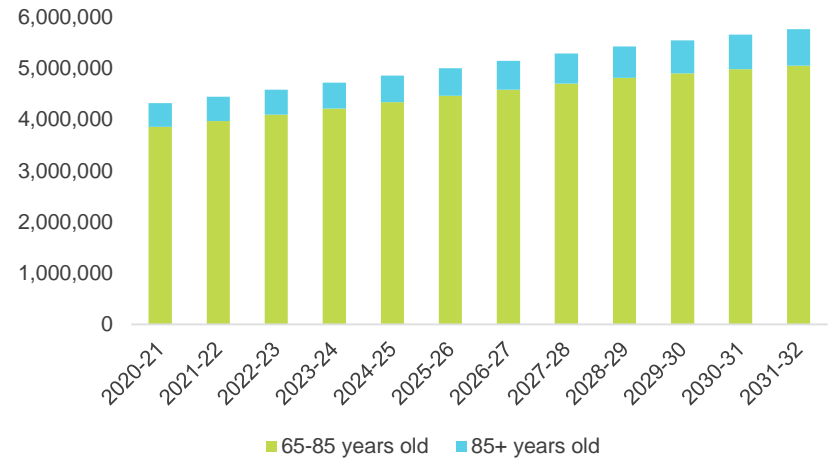


# Australian Aged Care Market Dynamics

## Ageing population driving increased demand for aged care services

- ▶ Between 1980-82 and 2015-17, life expectancy at birth increased by 8.1% for women and 13.0% for men and remaining life expectancy at age 65 increased by 24.1% for women and 42.5% for men<sup>1</sup>
- ▶ Less than one in 10 Australians (9.2%) were aged 65+ in 1978, which increased to one in six (15.7%) by 2018 and projected to be one in five (19.9%) by 2058<sup>1</sup>
- ▶ Over the past two decades, the population aged 85 years and older increased by 110% compared with the total population growth of 35%<sup>2</sup>
- ▶ Number of Australians aged 85+ years is projected to increase from ~2.0% of the population 2018-19 to ~3.7% of the population by 2058<sup>1</sup>
- ▶ Younger population cohorts are having fewer children, which among other things, means they will have fewer voluntary carers to draw on as an older person<sup>3</sup>

Australia's Ageing Population<sup>4</sup>



<sup>1</sup>Royal Commission into Aged Care Quality and Safety: Background Paper 2. Medium and long-term pressures on the system: the changing demographics and dynamics of aged care

<sup>2</sup>ABS: Twenty years of population change (17 December 2020)

<sup>3</sup>Older person is defined by the ABS as people over the age of 65 years

<sup>4</sup>Older Australian Government Centre for Population - National age and sex structure 2020-21 to 2031-32

# Aged Care Environment Requires Adaptive Strategic Response

Year 2 strategic plan initiatives on track to keep Regis at the forefront of the best industry providers

- Major focus on addressing workforce shortages
- Organisational redesign to refocus resources towards more direct care
- Realisation of non-income producing assets

Regis' transformational change journey has supported the agility necessary for the aged care reforms

- Reform agenda impact areas include service delivery model, funding model, reporting and transparency, workforce design, quality and compliance, and regulation
- Strong governance and clinical governance systems already in place
- System integration and automation critical to establishing sustainable solutions for various elements of the reform agenda, e.g. reporting, quality indicators, monthly care statements
- Supporting ACCPA and the key advocacy role it plays across the sector to help shape policy

Significant uplift in business continuity capability including pandemic preparedness and outbreak response embedded into BAU, allowing management to focus on strategic priorities

# Strategic Priorities

## Year 2 Priorities

### Regis Culture of Care

*Regis continues to deliver care that is safe, effective, integrated and personal*

#### FY23 Initiatives

- ▶ Major upgrade to Clinical Management System complete to support enhanced care planning
- ▶ Electronic Medication Management System (EMMS) implementation underway, with completion by April 2023
- ▶ Wound management improvement program commenced
- ▶ Regis partnership with the Digital Health CRC to implement a data standards and interoperability solution for quality of care benchmarking
- ▶ Expansion of Consumer Advisory Committees, including consumer representatives at clinical governance meetings
- ▶ Pilot of wearables and nearables technology to support falls prevention
- ▶ Continued focus on pandemic responsiveness, including vaccination program

### Positive People and Practice

*Regis People - attracting, developing, empowering and retaining the best talent*

#### FY23 Initiatives

- ▶ Early intervention program showing positive impact on lost time injuries and return to work
- ▶ Operating model and organisational design project underway to optimise structure for delivery of care minutes
- ▶ Investment in learning and development framework
- ▶ Expansion of talent acquisition capability
- ▶ New business resilience framework implemented, inclusive of emergency management, business continuity and scenario planning exercises
- ▶ New Aged Care Code of Conduct and key personnel suitability requirements implemented
- ▶ Prevention of occupational violence and aggression taskforce in place

### Enhancing our Future

*Transformational change through digital enablers, operational excellence and growth*

#### FY23 Initiatives

- ▶ New systems and processes to support activity based funding model implemented
- ▶ Rationalisation of non-income producing assets
- ▶ Construction of Regis Camberwell on target
- ▶ Continuation of digital transformation program
- ▶ Focus on data and predictive analytics including upgrade to business intelligence portal
- ▶ Lean/six sigma improvement training program commenced
- ▶ Review of ESG indicators and performance
- ▶ Home care strategy review

# Regis is the Industry Partner in a Flagship Aged Care Project



- Partnership with Digital Health CRC and University of Queensland in the flagship Aged Care Data Compare (ACDC) Plus Project
- Develop and trial a prototype aged care quality indicator app
- Will provide real-time evidence based quality indicators
- Quality indicator data will be generated automatically, relieving administrative burden on clinical staff
- Registered Nurses will have accurate and real-time information on care outcomes and can use this data to guide care delivery for individual residents
- Potential to extend application to quality indicator benchmarking across the sector

# Environmental, Social and Governance (ESG)

## Regis' environmental, social and governance commitments

### Circle of Care

- 30-year history of caring for older people
- Health, safety and wellbeing at work, at home and in the community
- Work, health and safety improvements leading to fewer lost time injuries and better claims experience
- COVID-19 management
- Supported workforce; EAP support; Behaviours of Concern taskforce to reduce avoidable injuries; NDIS training; early intervention program
- Consumer reference groups, consumer advisory committee

### Shared Value Creation

- Return to shareholders
- Employ >8,000 people across Australia
- Engagement Survey action plans in place; long standing development pathways, talent identification and career planning
- Support and trade fairly with local and national food, consumables and other providers; local construction and maintenance industries
- Work with partners who share our values and aspirations
- Collaboration with the Shared Value Project to identify high impact priority areas

### Governance

- Diverse Board with Independent Chairman and Directors, Founders with 30-years experience and commitment and MD/CEO;
- Formal Board Committees, Charters and Policies with regular review
- Gender balanced Board (50%/50%)
- Mature Risk Management Framework including risk appetite
- Independent whistle-blower and complaints provider
- Regis Safety Index implemented to ensure focus on lead indicators
- Payroll remediation project underway

### Environment and Climate Change Resilience

- Reviewed current sustainability performance to identify areas of focus and develop new Key Performance Indicators
- Continued energy reduction in line with Regis' commitment to a 10% reduction target from 2019 to 2024<sup>1</sup>
- Regis' 3.6 megawatts of solar panels offset electricity consumption with a total of 4,951,219 kilowatt hours of electricity generated through this renewable source in FY22
- Reviewed design standards for new facilities and refurbishments
- Recycling programs; waste reduction; edible gardens; worm farms
- Partnership with Turtle Tribe to procure biodegradable toothbrushes for our residents (circa 30,000 p.a.)

<sup>1</sup>FY22 energy consumption of 232,999 GJ down from 260,485 GJ in FY20. Source: Bid Energy

# Aged Care Developments

*Regis has sites for greenfield developments and extension program for existing homes*

| Development                | State | Net Additional Places | Club Services | Development Approval | Provisional Allocation & Licences in Hand <sup>1</sup> | Update                                       |
|----------------------------|-------|-----------------------|---------------|----------------------|--|--|
| Regis Camberwell           | VIC   | 112                   | ✓             | ✓                    | Partial  | ▶ Commenced Q1 FY23                          |
| Regis Toowong              | QLD   | 120                   | ✓             | ✓                    | ✓  | ▶ To be tendered Q3 FY23                     |
| Regis Belrose              | NSW   | 105                   | ✓             | ✓                    | ✓  | ▶ To be tendered Q1 FY24                     |
| <b>Total greenfield</b>    |       | <b>337</b>            |               |                      |  |  |
| Regis Gatton (Extension)   | QLD   | 30                    | -             | ✓                    | ✓  | ▶ Received development approval<br>▶ On hold |
| Regis Playford (Extension) | SA    | 33                    | -             | ✓                    | ✓  | ▶ Received development approval<br>▶ On hold |
| Regis Inala (Stage 1)      | VIC   | 126                   | ✓             | ✓                    | Partial  | ▶ On hold                                    |
| Regis Greenmount (Stage 2) | WA    | 111                   | ✓             | ✓                    | Partial  | ▶ On hold                                    |
| <b>Total brownfield</b>    |       | <b>300</b>            |               |                      |  |  |

- ▶ On 31 January 2023, Regis acquired a parcel of land in Carlingford<sup>2</sup>, New South Wales, for approximately \$15.0 million. The land is to be used for the purposes of residential aged care development.

<sup>1</sup>Bed licences not required from 1 July 2024 - refer page 31

<sup>2</sup>Development Approval in place for 110 beds

# Growth Program - Camberwell (VIC)

*New Camberwell RAC estimated to open in 1H FY25*

## Specifications:

- ▶ 112 beds
- ▶ 4-level residence
- ▶ Land area ~4,300 sqm
- ▶ ~\$40 million investment estimate (excl. land)
- ▶ Various room types: standard and large single ensuite rooms



*Artist's impression of Regis Camberwell (VIC)*



Regis Sandringham, Victoria

Outlook



# Outlook

## Performance

- ▶ Workforce strategy
- ▶ Organisational redesign to refocus resources towards more direct care
- ▶ Realisation of non-income producing assets
- ▶ Quality care, service and accommodation support occupancy
- ▶ Upgrade of key business and clinical systems
- ▶ Clarity required regarding sector reforms and impact
- ▶ Government will be forced to lift funding to prevent sector collapse

## Business Growth and Development

- ▶ Ageing demographic will continue to support growth
- ▶ Greenfield development program commenced at Camberwell
- ▶ Development site purchased in Carlingford, NSW
- ▶ Strong balance sheet position to pursue quality M&A opportunities when they arise
- ▶ Continue to purchase land in target suburbs for future developments, as bed licences not required from July 2024
- ▶ Review Home Care expansion strategy against reforms

## Outlook

Given the uncertainty over the financial impact of the reform program roll-out, the Board does not believe it prudent to put forward any earnings guidance at this stage.





*Regis East Malvern, Victoria*

# Questions



*Regis Elermore Vale, New South Wales*

# Appendices

# Appendix A: Income Statement

| \$ millions                     | H1 FY23        | H1 FY22        |
|---------------------------------|----------------|----------------|
| <b>Revenue from Services</b>    |                |                |
| Government revenue              | 267.9          | 260.2          |
| Resident revenue                | 108.8          | 100.1          |
| Other revenue                   | 3.7            | 3.9            |
| <b>Revenue from Services</b>    | <b>380.4</b>   | <b>364.2</b>   |
| Other income <sup>1</sup>       | 33.3           | 31.4           |
| <b>Total Revenue</b>            | <b>413.7</b>   | <b>395.6</b>   |
| <b>Operating Expenses</b>       |                |                |
| Staff expenses                  | (286.4)        | (263.7)        |
| Resident care expenses          | (28.0)         | (26.4)         |
| Administration expenses         | (24.7)         | (21.7)         |
| Occupancy expenses <sup>2</sup> | (11.6)         | (12.0)         |
| <b>Total Operating Expenses</b> | <b>(350.7)</b> | <b>(323.9)</b> |
| Depreciation <sup>3</sup>       | (22.7)         | (20.8)         |
| Amortisation <sup>4</sup>       | (40.7)         | (20.3)         |
| Finance costs <sup>5</sup>      | (36.1)         | (35.7)         |
| <b>Loss Before Tax</b>          | <b>(36.5)</b>  | <b>(5.1)</b>   |
| Income tax benefit              | 10.6           | 1.4            |
| <b>Net Loss After Tax</b>       | <b>(25.9)</b>  | <b>(3.7)</b>   |

<sup>1</sup>Other income includes imputed income on RADs and Bonds of \$30.6 million (H1 FY22: \$31.4 million) in accordance with AASB 16 Leases

<sup>2</sup>Occupancy expenses no longer includes the cost of operating leases as a result of the adoption of AASB 16 Leases

<sup>3</sup>Depreciation includes \$0.5 million (H1 FY22: \$0.5 million) relating to right-of-use assets in accordance with AASB 16 Leases

<sup>4</sup>Amortisation of operational places from 1 October 2021 to 30 June 2024 on a straight-line basis in accordance with Accounting Standards - refer page 31

<sup>5</sup>Finance costs include \$30.6 million (H1 FY22: \$31.4 million) of imputed interest charge on RADs and Bonds and \$0.2 million (H1 FY22: \$0.2 million) of interest expense on leases payable in accordance with AASB 16 Leases

# Appendix B: Statement of Financial Position

| \$ millions                           | 31 December<br>2022 | 30 June<br>2022 |
|---------------------------------------|---------------------|-----------------|
| Cash and cash equivalents             | 39.4                | 4.1             |
| Trade and other receivables           | 17.2                | 17.9            |
| Other current assets                  | 18.8                | 11.5            |
| Income tax receivables                | 13.2                | 7.2             |
| <b>Total Current Assets</b>           | <b>88.6</b>         | <b>40.7</b>     |
| Property, plant and equipment         | 1,106.6             | 1,109.2         |
| Right-of-use assets                   | 4.3                 | 4.3             |
| Operational places and goodwill       | 362.0               | 402.7           |
| Investment property                   | 163.3               | 163.1           |
| <b>Total Non-Current Assets</b>       | <b>1,636.2</b>      | <b>1,679.3</b>  |
| <b>Total Assets</b>                   | <b>1,724.8</b>      | <b>1,720.0</b>  |
| Bank overdraft                        | -                   | 11.4            |
| Trade payables and other liabilities  | 105.5               | 62.1            |
| Lease liabilities                     | 0.9                 | 1.1             |
| Provisions                            | 111.0               | 111.1           |
| Other financial liabilities           | 1,318.8             | 1,312.3         |
| <b>Total Current Liabilities</b>      | <b>1,536.2</b>      | <b>1,498.0</b>  |
| Interest-bearing loans and borrowings | 107.0               | 95.7            |
| Lease liabilities                     | 3.2                 | 5.2             |
| Provisions                            | 5.6                 | 5.8             |
| Deferred tax liabilities              | 26.6                | 36.3            |
| <b>Total Non-Current Liabilities</b>  | <b>142.4</b>        | <b>143.0</b>    |
| <b>Total Liabilities</b>              | <b>1,678.6</b>      | <b>1,641.0</b>  |
| <b>Net Assets</b>                     | <b>46.2</b>         | <b>79.0</b>     |
| Issued capital                        | 273.8               | 273.6           |
| Reserves                              | (97.1)              | (97.0)          |
| Accumulated losses                    | (130.5)             | (97.6)          |
| <b>Total Equity</b>                   | <b>46.2</b>         | <b>79.0</b>     |

# Appendix C: Cash Flow Statement

| \$ millions   | H1 FY23       | H1 FY22       |
|---|---------------|---------------|
| <b>Cash Flows from Operating Activities</b>                         |               |               |
| Receipts from customers and Government subsidies                    | 421.3         | 396.2         |
| Payments to suppliers and employees                                 | (358.2)       | (309.8)       |
| <b>Operational Cash Flows Before Interest, Income Tax, and RADs</b> | <b>63.1</b>   | <b>86.4</b>   |
| Net finance costs paid  | (5.5)         | (3.9)         |
| Income tax paid   | (5.2)         | (5.4)         |
| <b>Net Cash Flows from Operating Activities before RADs</b>         | <b>52.4</b>   | <b>77.1</b>   |
| RAD and accommodation bond cash inflows                             | 212.6         | 215.2         |
| RAD and accommodation bond cash outflows                            | (203.9)       | (168.1)       |
| Entry contribution inflows  | 2.4           | 6.4           |
| Entry contribution outflows   | (1.5)         | (3.9)         |
| <b>Net Cash Flows from Operating Activities</b>                     | <b>62.0</b>   | <b>126.7</b>  |
| <b>Cash Flows from Investing Activities</b>                         |               |               |
| Purchase of property, plant and equipment                           | (18.6)        | (29.4)        |
| Capital expenditure in relation to investment property              | (0.2)         | (1.3)         |
| <b>Net Cash Flows used in Investing Activities</b>                  | <b>(18.8)</b> | <b>(30.7)</b> |
| <b>Cash Flows from Financing Activities</b>                         |               |               |
| Proceeds from / (repayments of) bank borrowings                     | 11.1          | (42.4)        |
| Dividends paid  | (7.0)         | (13.9)        |
| Payment of lease liabilities  | (0.7)         | (0.5)         |
| <b>Net Cash Flows from/(used in) Financing Activities</b>           | <b>3.4</b>    | <b>(56.8)</b> |
| Net increase in cash and cash equivalents                           | 46.6          | 39.2          |
| Cash and cash equivalents at the beginning of the period            | (7.2)         | (11.1)        |
| <b>Cash and Cash Equivalents at the End of the Period</b>           | <b>39.4</b>   | <b>28.1</b>   |

## Appendix D: Non-IFRS Reconciliation

| \$ millions   | H1 FY23       | H1 FY22      |
|---|---------------|--------------|
| <b>Profit/(Loss) Before Tax</b>   | <b>(36.5)</b> | <b>(5.1)</b> |
| Depreciation  | 22.7          | 20.8         |
| Amortisation <sup>1</sup>   | 40.7          | 20.3         |
| Finance costs   | 36.1          | 35.7         |
| Finance income  | (0.2)         | -            |
| <b>Reported EBITDA (post-AASB 16)</b>   | <b>62.8</b>   | <b>71.7</b>  |
| <b>Add/(deduct) one-off items:</b>  |               |              |
| COVID-19 outbreak grants  | (0.5)         | -            |
| COVID-19 outbreak expenses  | 13.0          | 4.5          |
| Professional services costs incurred in relation to potential underpayments program of work | 1.8           | -            |
| Other (Gains) / Losses  | (0.7)         | -            |
| <b>Underlying EBITDA<sup>2</sup> (post-AASB 16) excluding one-off/non-recurring items</b>   | <b>76.4</b>   | <b>76.2</b>  |
| RAD/Bond imputed income (AASB 16 impact)  | (30.6)        | (31.4)       |
| Operating lease expense (AASB 16 impact)  | (0.7)         | (0.7)        |
| <b>Underlying EBITDA<sup>2</sup> (pre-AASB 16) excluding one-off/non-recurring items</b>    | <b>45.1</b>   | <b>44.1</b>  |

<sup>1</sup>Amortisation of operational places on a straight-line basis in accordance with Accounting Standards. Refer page 31

<sup>2</sup>Refer page 33 for definition of Underlying EBITDA

## Appendix E: Deregulation of Operational Places

- ▶ As a result of the Australian Government's decision to discontinue operational places from 1 July 2024, and in accordance with Accounting Standards and the guidelines issued by the Australian Securities and Investments Commission ("ASIC"), Regis has reassessed and commenced amortising the value of operational places from 1 October 2021 on a straight-line basis over their remaining economic life to 1 July 2024. This has resulted in a before tax amortisation expense in the profit and loss for the half-year ended 31 December 2022 of \$40.7 million with no impact to the cash flows of the Group

| Consolidated Statement of Profit or Loss - For the half-year ended 31 December 2022<br>\$ millions | H1 FY23       | H1 FY22       |
|--|---------------|---------------|
| Amortisation of operational places   | (40.7)        | (20.3)        |
| Reversal of related deferred tax liability   | 12.2          | 6.0           |
| <b>Impact on Profit/(Loss) after tax for the Period</b>  | <b>(28.5)</b> | <b>(14.3)</b> |



# Appendix F: Regis is a Leading Residential Aged Care Provider

*Operates a network of 63 residential homes located across Australia*

## Key statistics

**One of the largest** providers in Australia<sup>1</sup>

**~7,000** available operational places

**63** residential aged care homes (63 freehold sites)<sup>2</sup>

**~6,000** number of single rooms

**111** average number of places per home

**92%** single rooms as a percentage of total rooms

**~8,500** employees

## Regis home network



<sup>1</sup>Based on number of operational places

<sup>2</sup>Residential Aged Care Home in Belmore, New South Wales, closed in January 2023 (reducing number of homes from 64 to 63)

# Appendix G: Definitions of Non-IFRS Financial Measures

**H1 FY22** means half-year ended 31 December 2021

**H2 FY22** means half-year ended 30 June 2022

**FY22** means full-year ended 30 June 2022

**H1 FY23** means half-year ended 31 December 2022

**Capital expenditure** represents payments for property, plant and equipment

**Reported EBITDA** refers to earnings before interest, tax, depreciation and amortisation

**Underlying EBITDA** refers to earnings before interest, tax, depreciation and amortisation, excluding imputed income on RADs and Bonds, COVID-19 outbreak expenses and other one-off items, and including operating lease expense

**Net Debt** is calculated as interest-bearing liabilities, less cash and cash equivalents

**NPATA** refers to NPAT before amortisation of operational places

**NPAT** refers to net profit after income tax

**ROI** refers to return on investment

**PPE** refers to personal protective equipment

**PP&E** refers to property, plant & equipment

**ACFI** means Aged Care Funding Instrument

**AN-ACC** means Australian National Aged Care Classification

**COPE** means Commonwealth Own-Purpose Expense

**PCP** means prior corresponding period

**Operational Places** means a residential aged care place that is allocated to an Approved Provider under the Aged Care Act 1997 and is available for a person to receive care, and attracts Government funding

**RAD** means a refundable accommodation deposit, being an amount of money that does not accrue daily and is paid or payable to an Approved Provider by a resident for the resident's accommodation in an aged care facility. A RAD is repayable when the care recipient discharges; the care recipient ceases to be provided with care by the Approved Provider; or the service ceases to be certified

**DAP** means a daily accommodation payment, being a rental-style, non-refundable daily payment to pay for accommodation. The DAP is calculated based on the refundable deposit multiplied by the maximum permissible interest rate and divided by 365 days

**MPIR** means the maximum permissible interest rate calculated in accordance with Section 6 of the Fees and Payments Principles 2014 (No. 2) (Aged Care Act)

**DHAC** Department of Health and Aged Care

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This presentation uses Non-IFRS financial information including capital expenditure, reported EBITDA, underlying EBITDA, NPATA, operating cash flow and net debt. These terms are Non-IFRS measures used by the Group, the investment community and Regis Healthcare's Australian peers with similar business portfolios. Regis Healthcare uses these measures for its internal management reporting as it better reflects what Regis Healthcare considers to be the underlying performance of the Group.