LISTED AGED CARE PROVIDERS FINANCIAL PERFORMANCE ANALYSIS

For the 12 month period to 30 June 2021

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Introduction

This listed aged care providers financial performance for the 12 month period ended 30 June 2021 focuses solely on the three listed providers in order to provide a timely snapshot and commentary on their financial and operational results.

The StewartBrown *Aged Care Financial Performance Survey (Survey)* results for June 2021 including the sector analysis will be made available in a forthcoming report. Although the main focus of the StewartBrown Survey is financial performance at the *aged care home level*, we also include the *provider* (organisation) *level* financial performance and related trend analyse. This allows for a better comparison to the listed entity results (which are also at a provider level). If you would like to be added to our email list to be notified when this report is available please contact benchmark@stewartbrown.com.au.

Disclaimer

This Listed Provider Analysis ("Analysis") has been prepared by StewartBrown. The sole purpose of this Analysis is to compare the financial performance of the listed aged care providers for the 12 month period ended 30 June 2021.

This Analysis is based on public disclosure information made available by the listed aged care providers. For the purposes of this Analysis, StewartBrown has not performed an audit on the financial data and accordingly has solely relied on the public disclosure information and certain other external documentation as appropriate. This Analysis should not be relied upon by any party for any purpose other than for which it has been written.

In preparing this Analysis, StewartBrown relied upon and assumed, without independent verification, the accuracy, completeness and reasonableness of all information available from public disclosure statements or which was provided by or on behalf of the listed aged care providers or which was otherwise reviewed by StewartBrown. While we make every effort to ensure that material in this analysis is accurate and up to date, such material does not in any way constitute the provision of professional advice.

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Headline observations, trends and comments

Item	Observations and background	Page
Occupancy	• Consistent with the wider industry, the three listed providers experienced occupancy challenges although the effects of COVID in 2H FY21 were significantly less than 1H FY21 • Across the broader industry, all providers faced occupancy challenges, which were exacerbated by COVID, particularly those providers with operations in Victoria – Occupancy trends (both averages for the period, and spot rates across the last 12 months) have been presented on pages 8-9. • The three listed Providers reported occupancy declines until c. Oct/Nov 2020, and have seen occupancy partially recover toward the pre-COVID levels, however, Victorian occupancy continues to be impacted – Both Regis and Japara have occupancy below 90% – This is very similar to industry occupancy which was 88.25% in Aug 21, according to Mirus • In order to manage occupancy a number of Providers resorted to: – Offering discounted daily fees and/or room price discounting; – Increasing the admission of Respite residents in order to fill empty beds. • Occupancy will face further additional headwinds in FY22 in light Recommendation 74 from the Aged Care Royal Commission which recommends that no person under 65 years is to be admitted to residential aged care after 1 Jan 2022 and no person under 65 years should be living in residential aged care by 1 Jan 2025. As at 31 March 2021 there were 4,106 persons under 65 years in RAC[a], representing c. 1.9% of total operational places.	8-9

Note a: https://www.gen-agedcaredata.gov.au/Resources/Younger-people-in-residential-aged-care
Note b: Based on 219,105 Operational Places at 30 June 2021

Headline observations, trends and comments

Item	Observations and background	Page
Trading performance and earnings	• Although providers reported a general improvement in trading performance in 2H FY21 vs the COVID impacted 1H FY21, the industry continues to face a number of headwinds which will impact future trading performance. These include: – Ongoing occupancy pressure with the continued increase in Home Care packages – Margin pressure as revenue indexation is outstripped by expense increases • Results for four of the last five half years have been boosted by temporary funding boosts. • One positive from the 2021-22 Federal Budget is the basic daily fee supplement ($10prpd) that is payable from 1 July 2021[a] and is to be spent on better care/services, particularly on food/nutrition. This must be reported to the Dept quarterly. – It is understood that where a provider is already spending $10prpd the additional funding may be used at the discretion of providers (i.e. may translate directly to improved earnings) – Refer to link for comments from StewartBrown (https://hellocare.com.au/how-will-aged-care-providers-spend-the-governments-10-basic-daily-fee-supplement) • While the industry had high hopes for funding reform (providing certainty and sustainability) from the ACRC the detail on how this will be achieved is yet to be revealed. – Of the 148 ACRC recommendations only seven were not accepted by the Government. Tellingly, all seven related to funding. • Annualised EBITDA per bed trends are shown on page 15	11-15
Resident profile	• FY21 was impacted by declining occupancy trends across the industry. Closures increased and developments slowed however the home care expansion continued to apply downward occupancy pressure on residential aged care. This was exacerbated by COVID, especially in Victoria. • Within the non supported resident cohort the trend away from paying for accommodation via a lump sum (ie RAD) to DAPs continued. lump sum paying) continued. This will continue to create cash flow pressures. – Regis remained flat and Estia lump sum payers reduced slightly however Japara showed a significant decline. • In light of COVID challenges and the impact on occupancy, resident profile was also impacted by Providers admitting a higher number of shorter-term Respite residents to assist occupancy • Resident profile trends are shown on pages 17-19	17-19

Note a: https://www.health.gov.au/health-topics/aged-care/providing-aged-care-services/funding-for-aged-care-service-providers/basic-daily-fee-supplements-for-aged-care

Headline observations, trends and comments

Item	Observations and background	Page
2020 Aged Care Allocation Round ("ACAR")	• Results for the 2020 ACAR was announced on 31 July 2021, with 4,098 Provisionally Allocated ("PA") Places, $150m of capital grants and 1,028 Short Term Restorative Care Places • Regis and Estia secured 120 and 61 PA Places respectively for future developments • The Department of Health also revealed that the ACAR will be discontinued from 1 July 2024[a] – Aged care places will be allocated directly to residents (similar to the Home Care environment) – Although no further ACARs will be undertaken, providers may request an allocation of places up to 1 July 2024 from the Dept through a direct application or source existing places from another provider • See below for likely impact of accounting for bed licences	n/a
Accounting treatment of bed licences	• At 30 June 2021, bed licences acquired as part of an acquisition were held as intangible assets as follows: – Regis: $223.8m (equates to $31,400 per bed[b]) – Estia: $221.3m (equates to $35,200 per bed[b]) – Japara: $234.0m (equates to $51,900 per bed[b]) • Due to future plans for deregulation there is an expectation that bed licence assets will be required to be derecognised in future periods • Japara has a greater exposure than Regis and Estia in terms of per bed impact should the bed licence assets be impaired • While any write down will be non cash and unlikely to have an impact on valuations it will impact on statutory profit and accounting net asset positions	24

Note a: https://www.health.gov.au/sites/default/files/documents/2021/07/discontinuation-of-the-acar-what-s-next_0.pdf
Note b: Based on total places

Headline financial information

	FY21		
	Regis	Estia	Japara
Financial performance ($m)			
Operating revenue	705.5	613.6	429.1
Non-operating revenue (incl. AASB 16)	78.9	51.8	9.7
Total revenue (incl. AASB 16)	**784.4**	**665.4**	**438.8**
Reported Underlying EBITDA (incl. COVID)	40.8	19.2	7.9
NPBT/EBT (incl. impairment)	29.2	9.1	(19.1)
NPBT/EBT (excl. impairment)	29.2	10.0	(18.6)
Key balance sheet items ($m)			
Total assets	1,750.9	1,866.4	1,277.5
Net Tangible Assets/(Deficiency)	(321.8)	(292.9)	(54.9)
Net assets/equity	142.0	615.7	210.8
RAD liabilities	1,188.3	863.9	610.7
ILU Entry Contribution liabilities	39.6	0.5	23.1
Total RAD and ILU liabilities (non-interest bearing)	**1,227.9**	**864.4**	**633.8**
Other external debt (interest bearing)	131.4	113.8	255.8
Operating metrics (%)			
Occupancy rate (average for FY21)	88.9%	91.2%	88.6%
Staff costs as a % of operating revenue	74.3%	69.5%	79.0%
Funded bed days	2,318,647	2,057,794	1,423,597
Avg beds for period (based on occupied bed days)	6,352	5,638	3,900
Profitability metrics (%)			
EBITDA per bed (reported) - Annualised	11,376	6,156	3,519
EBITDA as a % of operating revenue	5.8%	3.1%	1.8%
Return on Assets (annualised)	4.7%	2.1%	1.2%

See Appendices 2 & 3 for details

See Appendices 2 & 3 for details

Note 1: Refer to appendix for reconciliation of NPBT and Reported Underlying EBITDA
Note 2: Avg beds for period = Occupied bed days for period, divided by number of calendar days in the period
Source: FY21 financial statements and Investor Presentations for each Provider

Financial performance

- All Providers reported an increase in operating revenue in FY21 vs FY20, which was largely attributable to:
  - temporary funding received for COVID, particularly in 1H FY21
  - A marginal increase in occupied bed days for Regis and Estia
- Refer to page 11-12 for further details
- The key factors underpinning both revenue and expenses have been outlined throughout this report.

Key balance sheet items

- Notwithstanding the significant total assets reported by each Provider (ranging between $1.3bn and c.$1.9bn in assets), all Providers report a net tangible asset deficiency at 30 June 2021. This is impacted by the significant proportion of intangible assets held on their respective balance sheets
  - Accounting treatment of bed licence intangibles will become an increasingly important consideration for providers in light of the proposed deregulation of licences. Refer to page 24 for further details
- The detailed balance sheets as at 30 June 2021 are presented in Appendix 4.

Operating metrics

- Consistent with general sector trends, Providers' occupancy was significantly impacted in 1H FY21 as a result of COVID, and partly recovered in 2H FY21 as a result of lower case numbers and the rollout of the vaccination program nationally. Refer to pages 8-9 for further details of occupancy.

Profitability metrics

- In addition to COVID impacts over the last 18 months, underlying EBITDA has displayed a declining trend over the last two years for all providers, as a result of 'negative jaws' (i.e. expense growth exceeds the rate of revenue growth), and these trends are likely to continue.
- Detailed analysis of these impacts and trends are shown on pages 11-15.

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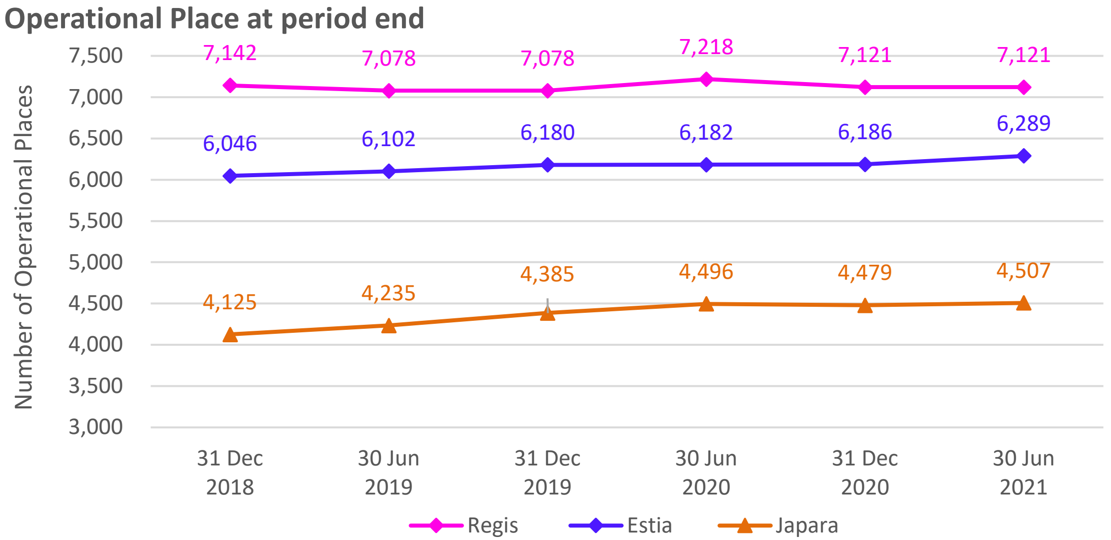
Operational Places – Total



Note 1: Regis places at 30 Jun 2021 (7,121) calculated from other disclosures.
Source: Historical investor presentations

	Regis[1]	Estia	Japara
Operational Places movement			
Places at 30 June 2020	7,218	6,182	4,496
Places acquired	-	-	-
Greenfield development beds (net)	-	105	265
Homes closed during period	(86)	-	(96)
Beds closed	-	(2)	(158)
Other movements	(11)	4	-
Places at 30 June 2021	**7,121**	**6,289**	**4,507**
Net movement post year end	n/a	(65)	n/a
Places at Aug 2021	**n/a**	**6,224**	**n/a**

Note 1: Regis places at year end (7,121) is back calculated based on historical places quoted within ASX Announcements
Note : Other movements relate to beds subject to brownfield developments or refurbished homes, homes that have been closed or beds made inactive
Source: Historical Investor Presentations

Overview

- None of the listed Providers completed any acquisitions in FY21 and also placed development pipelines on hold.
- Whilst Japara opened two new homes and Estia opened one; at reporting date the Listed Providers had closed four homes (Regis: 1, Estia: 1, Japara: 2) and also made beds inactive meaning that they are smaller as a group now than they were at 30 June 2020.
- Notwithstanding the ACAR eligibility criteria, Regis received 120 new places in the last ACAR when they had two sanctioned sites across the ACAR period.

Regis

- Although Operational Places at 30 June 2021 were not disclosed, we have calculated Places to be 7,121 based on other disclosures.
  - This has been used to determine the per bed metrics (particularly for the balance sheet analysis) within this report
- The existing development pipeline remains on hold ‘pending more certainty surrounding future funding of industry’.
- Regis sold a site with a development approval and 150 PA’ on the Gold Coast in December 2020 and recently acquired one at Belrose, NSW in August 2021.

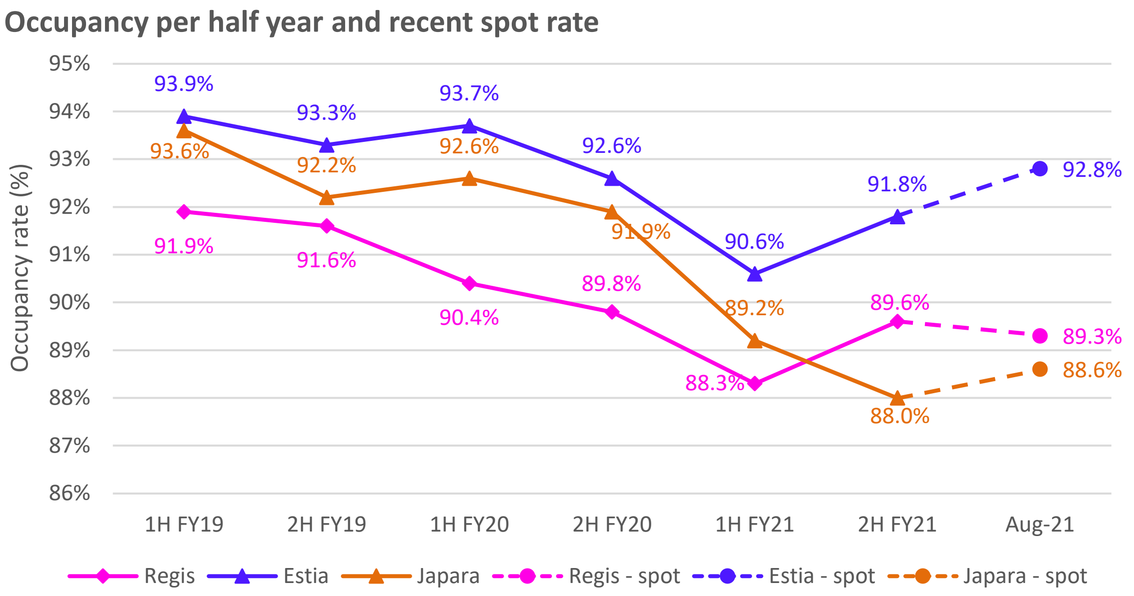
Estia

- Increase in Places during FY21 was due to the opening of the Blakehurst home in Feb-21, which was partly offset post 30 June 2021 by the closure of a 46 bed site at Keilor (Victoria) and other operational beds being made inactive.

Japara

- Net Operational Places increased by 11 during FY21 as a result of:
  - 265 additional places primarily due to the opening of two new homes in Newport, Vic (120 Places) and Belrose, NSW (100 Places)
  - Closure of two homes in NSW totalling 96 beds
  - Places taken offline due to rooms being refurbished (102) and converted from multi-bed rooms to single rooms (56)

Occupancy



Note 1: Occupancy above for half year periods represents the average occupancy for the period
Note 2: Spot occupancy relates to Aug-21 (FY21 results release)
Note 3: Dashed line represents the change in average occupancy for half year to spot occupancy at mid-Aug 2021
Source: Historical Investor Presentations for each Provider and analyst calls

Overview

- Occupancy improved slightly for Regis and Estia in 2H FY21 consistent with industry trends however Japara occupancy continued to decline.
- As noted previously occupancy trend lines are improved by closing older homes and making beds in shared rooms inactive.
- Changes in occupancy are a critical lead indicator for the sector as it has:
  - a direct and immediate impact on profitability
    - volume impact
    - leveraged margin impact due to fixed cost bases and inability to flex theoretical variable cost bases (rostered staff) in a timely fashion to match occupancy changes.
  - an impact on RAD cashflows (albeit slightly delayed due to collection / probate timeframes).

Regis

- A 3.3% improvement in Victoria from the COVID impacted 1H underpinned the 1.3% overall improvement in average portfolio occupancy for the 2H.
- Spot occupancy decreased post year-end to 89.3% due to further COVID related challenges.
- Average occupancy was 89.4% at 30 Sep 2021.

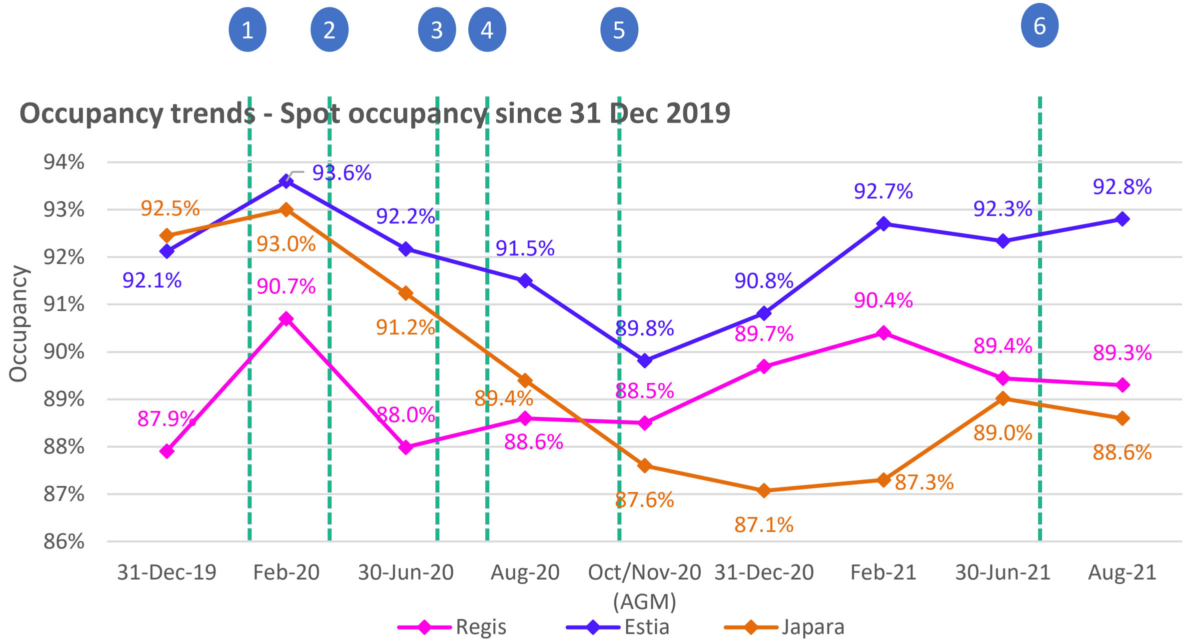
Estia

- Occupancy has followed the sector wide COVID trends however they have bounced back better than Regis and Japara post period end.

Japara

- Japara occupancy continues to decline and was 88% on average for the 2H. This is very similar to industry occupancy (88.25% - Aug 21, Mirus).

Occupancy (cont.) – Trend in spot occupancy for last year (COVID)



Note 1: Period end occupancy = # residents divided by Operational Places at period end (where not quoted)
Note 2: Feb-20, Aug-20 , Feb-21 and Aug-21 spot occupancy as per investor presentations
Note 3: Estia AGM occupancy represents weighted average at 31 Oct based on split of beds between VIC (2,093) and non-VIC (4,089)
Source: Historical Investor Presentations for each Provider, Analyst Calls and ASX announcements

Important dates

1	25 Jan 2020	First COVID case in Australia
2	1 Mar 2020	First COVID death in Australia
3	8 Jul 2020	Stage 3 restrictions imposed in Victoria[a]
4	2 Aug 2020	Stage 4 restrictions imposed in Victoria (incl. curfew)[b]
5	5 Nov 2020	Seven-day average cases reaches zero in Victoria[c]
6	30 Jul 2021	NSW outbreak daily cases (212) exceeded 200

Background

- Illustrated in the chart opposite is the spot occupancy rates for each Provider since 31 Dec 2019.
- It unmasks the occupancy variations hidden within the average occupancy data for each half on the previous page
  - There was a strong recovery post December until February but occupancy has plateaued since then even though Australia was largely COVID free until post year end.
- These trends are largely consistent with industry trends published by Mirus.

Key observations

- Regis occupancy is 1.1% lower than Feb-21 and 0.4% lower than 31 Dec 20.
  - Possibly impacted by the Sanctions at Regis Nedlands (Perth) and Regis Tiwi (Darwin) that occurred in 2H FY21.
- Estia had an impressive increase of almost 2% from 31 Dec 20 to Feb-21 but has plateaued since.
- Japara is showing a steady increase although outcomes have been improved by places being closed / taken offline. A small dip has occurred since year end as COVID impacts have been felt.

Note a: https://www.dhhs.vic.gov.au/updates/coronavirus-covid-19/statement-premier
Note b: https://www.dhhs.vic.gov.au/updates/coronavirus-covid-19/premiers-statement-changes-melbournes-restrictions-2-august-2020
Note c: https://news.google.com/covid19/map?hl=en-AU&mid=%2Fm%2F0chgr2&gl=AU&ceid=AU%3Aen

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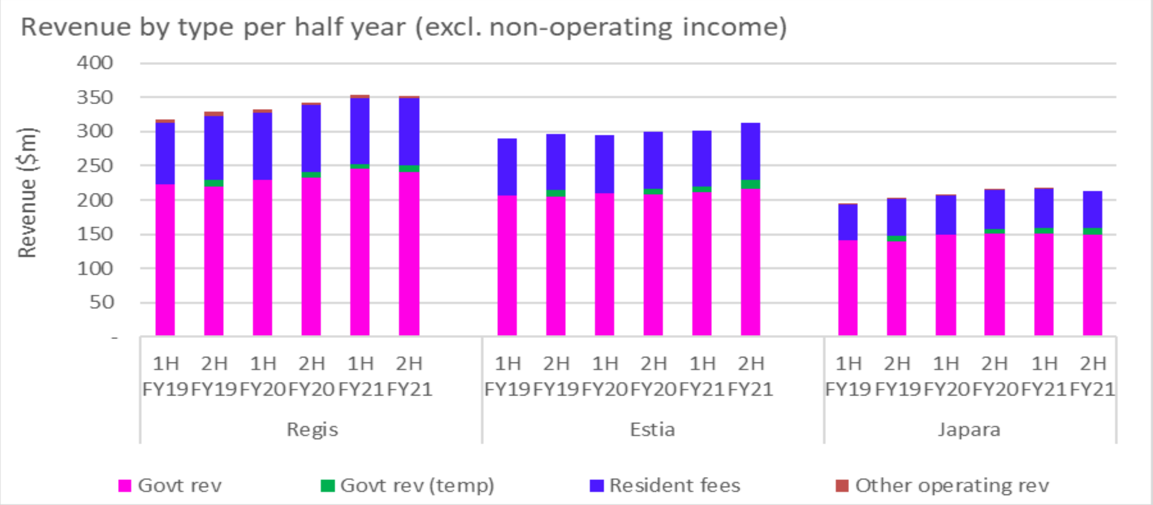
Revenue (total)

$000s	FY21 Regis	FY21 Estia	FY21 Japara
Income			
Govt revenue	486,738	428,033	299,848
Govt revenue (temp funding)	17,282	22,209	17,843
Total Govt revenue	**504,020**	**450,242**	**317,691**
Resident revenue	193,729	163,347	111,150
Other revenue	7,772	-	212
Total operating income (pre-AASB 16)	**705,521**	**613,589**	**429,053**
Non-operating revenue			
Interest on RADs/Bonds (AASB 16)	64,389	42,316	-
Other non-operating revenue	14,492	9,487	9,740
Total non-operating income	**78,881**	**51,803**	**9,740**
Total revenue	**784,402**	**665,392**	**438,793**

Note 1: Estia record the Means Tested Care Fee ("MTCF") within Govt Revenue, however this has been reallocated from Govt revenue to Resident revenue for consistency with Regis and Japara (who do not disclose the quantum of MTCF)

Note 2: Japara recorded $15.974m in other income, which for the purposes of this analysis, we have allocated between temporary government funding (COVID grant claims $9.3m) and the workforce retention bonus ($6.673m).

Source: FY21 financial statements and Investor Presentations for each Provider



Source: FY21 financial statements and Investor Presentations for each Provider

Government revenue

- Government revenue Per Occupied Bed Day ("POBD") is analysed further on the following page.
- Each Provider received significant additional temporary government funding during FY21 relating to COVID and the Royal Commission. This has been shown as a separate line within Government revenue for consistency.
- In order to better understand underlying government funding trends, temporary revenue/grants have been excluded from revenue POBD analysis.

Resident revenue

- Resident revenue POBD is detailed further on the following page.

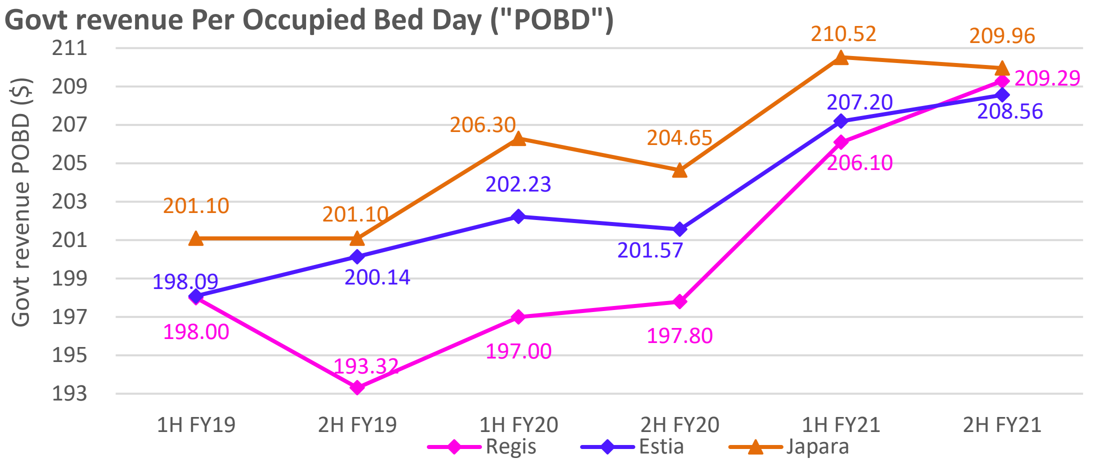
Other revenue (operating)

- Mostly only relevant for Regis and includes deferred management fee revenue, rental income (including at Retirement Living sites where applicable).

Non-operating revenue

- Interest on RADs relates to imputed interest that was recognised under the adoption of AASB 16. Japara (and their auditor) have adopted a different interpretation of AASB 16 to Regis and Estia
  - For the first time Regis included this in their EBITDA which created confusion when media compared it to the other Listed Provider results.
  - It improves the optics of the EBITDA result but also inflates the finance cost line.
  - We exclude from underlying EBITDA analysis.
- Other non-operating income largely relates to gains on sale of fixed assets and fair value movements on asset revaluations and are generally non recurring. These items have also been excluded from underlying EBITDA analysis.
- While Regis and Estia treated the Workforce Retention Bonus amount as a 'pass through', Japara ($6.673m) grossed their revenues and expenses up by this amount. It is shown here as 'Other non-operating revenue' and it has been removed from revenue and staff expense metrics for comparability.

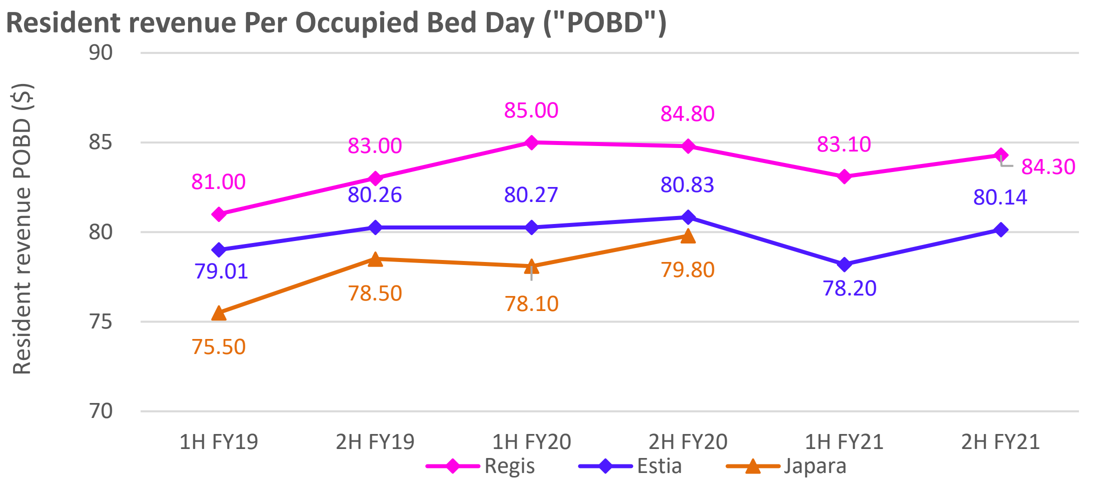
Revenue per occupied bed day ("POBD")



Note 1: Govt revenue POBD shown above excludes both the temporary govt funding and COVID funding/grants
Note 2: We assume this represents residential aged care only (i.e. excludes Home Care, CHSP and other Govt funding)
Note 3: Regis 2H FY21 revenue POBD = Back calculated based on Govt Revenue for half (excluding all temporary funding and excluding the $5.4m received in Apr-21 (Temporary Support Payment) divided by bed days in the 2H
Note 4: Regis' 2H FY20 data estimated as Regis only provided 1H and full year data
Note 5: For Estia, MTCF reallocated from Govt to Resident, for purposes of consistency with Regis/Japara
Note 6: 2H FY21 Japara Govt revenue POBD day based on StewartBrown's interpretation of Japara's revenue disclosures
Source: Historical Investor Presentations

Key observations

- The chart above presents half yearly govt revenue POBD excluding all forms of temporary funding.
- Variations in Govt revenue POBD (after COPE) is impacted by changes in:
  - resident profile with Supported residents impacting Accommodation Supplements (a subset of Government funding)
  - Increase in Homes that qualified for Significant Refurbishment funding
  - Acuity will be increasing at ramp up homes that have reached full occupancy.



Note 1: Regis 2H revenue POBD = Estimated in light of 1H and full year revenue (assumed even weighting between 1H and 2H), on the basis that occupied bed days is not materially different between 1H and 2H
Note 2: Estia resident revenue POBD has been adjusted to recognise the MTCF on a basis comparable with Regis & Japara
Note 3: Japara resident revenue POBD has been excluded for 1H & 2H FY21 as not explicitly disclosed and comparison with historical trends was limited given the extent/nature of adjustments from temporary funding & grants received
Source: Historical Investor Presentations

Key observations

- The maximum Basic Daily Fee increased to $52.71 on 1 March 2021; previously $52.25 (from 1 March 2020), which partly contributes towards the uplift in resident revenue in 2H FY21 vs 1H FY21.
- Furthermore, there was a decline in the MPIR over the period from 4.89% (Mar-20) to 4.01% (Mar-21) which would adversely impact resident revenue from DAP payers over time assuming RAD pricing is not adjusted.

Operating expenses

$000s	Regis FY20	Regis FY21	Estia FY20	Estia FY21	Japara FY20	Japara FY21
Operating rev	675,160	705,521	593,501	613,589	422,555	429,053
Expenses						
Staff expenses	492,257	521,068	416,000	443,421	315,064	339,551
Resident care expenses	42,544	53,370	51,276	64,381	39,074	41,087
Admin expenses	38,275	39,551	18,866	23,009	18,897	15,295
Occupancy expenses	21,574	23,377	24,186	21,054	21,622	23,038
Operating expenses	**594,650**	**637,366**	**510,328**	**551,865**	**394,657**	**418,971**
Depreciation	44,066	43,893	39,119	42,263	26,441	29,615
Key expenses as % of Op Revenue						
Staff exp	*72.9%*	*73.9%*	*70.1%*	*72.3%*	*74.6%*	*79.1%*
Resident care	*6.3%*	*7.6%*	*8.6%*	*10.5%*	*9.2%*	*9.6%*
Admin exp	*5.7%*	*5.6%*	*3.2%*	*3.7%*	*4.5%*	*3.6%*
Occupancy exp	*3.2%*	*3.3%*	*4.1%*	*3.4%*	*5.1%*	*5.4%*
Op exp as % of op. rev	***88.1%***	***90.3%***	***86.0%***	***89.9%***	***93.4%***	***97.7%***

Note 1: Expenses as a % of Operating revenue = expense category divided by adjusted operating revenue
Note 2: Operating revenue has been presented for illustrative purposes only, for the purposes of calculating the key metrics in the table above
Note 3: Adjustments to operating revenue (inclusion of govt grants for Estia/Japara as well as the removal of workforce retention payment in staff expenses for Japara) have been made to ensure operating revenue (and therefore operating metrics) are comparable across providers)
Note 4: Regis' FY21 operating revenue was impacted by the full year impact of the Lower Burdekin Home for the Aged Society acquisition which occurred in March 2020
Source: Historical financial reports

	Regis FY20	Regis FY21	Estia FY20	Estia FY21	Japara FY20	Japara FY21
Funded bed days	2,296,371	2,318,647	2,026,915	2,057,794	1,466,831	1,423,597
Expense per funded bed day						
Staff expenses	214	221	205	215	215	239
Resident care expenses	19	21	25	31	27	29
Sub-total	**233**	**243**	**231**	**247**	**241**	**267**
Admin expenses	17	17	9	11	13	11
Occupancy expenses	9	10	12	10	15	16
Op expenses per bed day	**259**	**270**	**252**	**268**	**269**	**294**
% change in Expense POBD						
Staff exp	*n/a*	*3.3%*	*n/a*	*5.0%*	*n/a*	*11.0%*
Resident care	*n/a*	*14.7%*	*n/a*	*23.7%*	*n/a*	*8.3%*
Sub-total Staff & Resident	***n/a***	***4.2%***	***n/a***	***7.0%***	***n/a***	***10.7%***
Admin exp	*n/a*	*2.3%*	*n/a*	*20.1%*	*n/a*	*(16.6%)*
Occupancy exp	*n/a*	*7.3%*	*n/a*	*(14.3%)*	*n/a*	*9.8%*
Op exp per bed day growth	***n/a***	***4.2%***	***n/a***	***6.5%***	***n/a***	***9.4%***

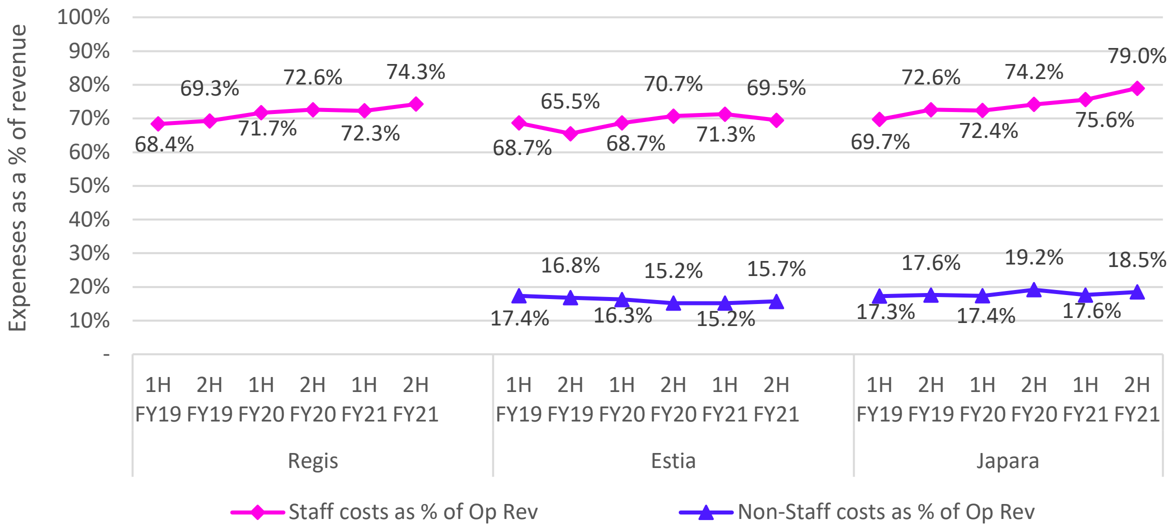
Note 1: Expense per funded bed day = $value of expense as noted in the table opposite, divided by bed days for the period
Source: Historical financial reports

Overview

- FY21 operating expenses Per Occupied Bed Day (POBD) continued to increase at rates that exceed CPI or Enterprise Agreement increases, versus FY20.
- The increase in FY21 is a result of but not limited to:
  - Additional costs required to manage COVID outbreaks, including additional staffing and infection control measures
  - Limitations around rostering flexibility and amendments to reflect short term occupancy changes.

Operating expenses / margin pressure

Expenses as a % of Revenue



Note 1: Regis does not quote non-staff costs as a percentage of revenue within their Investor Presentations
Source: Historical Investor Presentations

Overview

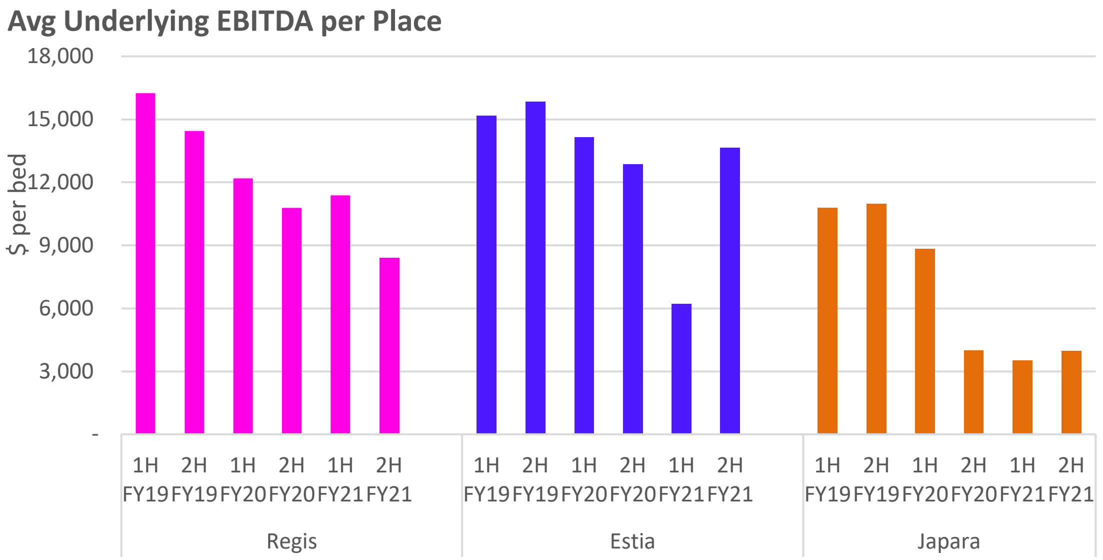
- Given the varying degree on which Providers reported expenses, particularly COVID related expenses, as well as the lessened impact of COVID management in 2H FY21 vs 1H FY21, expenses analysis and impact on POBD has been presented in aggregate.
- The impact of 'negative jaws' where revenue indexation increases are lower than the increase in expenses.
  - Resident care costs increased significantly mainly due to additional PPE costs.
- As previously noted, variations exist across the Providers in regard to how they classify their expense lines (i.e. physio costs, functions outsourced, R&M etc.) so what is more relevant are individual provider trends over time rather than direct POBD comparisons across the Providers.
- Subject to final funding model outcomes, the additional costs related to Royal Commission recommendations (e.g. cost to provide additional care time, increased regulation costs) could result in further pressure on margins.

P&L per funded bed day

			Change vs prior year	
	FY20	FY21	$mvmt	%mvmt
Regis POBD metrics				
Govt revenue (excl. temp)	201.59	209.92	8.33	4.1%
Resident fees	84.92	83.55	(1.37)	(1.6%)
Sub-total revenue	**286.51**	**293.48**	**6.96**	**2.4%**
Expenses				
Staff expense	214.36	221.41	7.05	3.3%
Resident care expense	18.53	21.25	2.72	14.7%
Sub-total expenses	**232.89**	**242.66**	**9.77**	**4.2%**
Estia POBD metrics				
Govt revenue (excl. temp)	206.72	208.01	1.29	0.6%
Resident fees	82.45	79.38	(3.07)	(3.7%)
Sub-total revenue	**289.17**	**287.39**	**(1.78)**	**(0.6%)**
Expenses				
Staff expense	205.24	215.48	10.25	5.0%
Resident care expense	25.30	31.29	5.99	23.7%
Sub-total expenses	**230.54**	**246.77**	**16.23**	**7.0%**
Japara POBD metrics				
Govt revenue (excl. temp)	205.43	210.24	4.81	2.3%
Resident fees	78.68	78.08	(0.60)	(0.8%)
Sub-total revenue	**284.11**	**288.32**	**4.21**	**1.5%**
Expenses				
Staff expense	214.79	238.52	23.72	11.0%
Resident care expense	26.64	28.86	2.22	8.3%
Sub-total expenses	**241.43**	**267.38**	**25.95**	**10.7%**

Note 1: POBD metrics above are calculated based on reported results per category, divided by funded bed days
Note 2: Reported results include the impact of COVID related expenses
Note 3: Govt revenue POBD differs from earlier page as we assume reported Govt revenue includes non-residential aged care revenue (e.g. Home Care, CHSP and other Govt funding)
Note 4: Workforce retention bonus amount for Japara has been excluded from revenue and staff expense
Note 5: Japara's FY21 Govt revenue (excl. temp) represents simple average of Govt Revenue POBD for 1H and 2H (as quoted on the Revenue POBD slide)
Source: FY21 financial reports and Investor Presentations

EBITDA per bed (annualised)



Note 1: Per bed data above = Average Reported Underlying EBITDA divided by average number of beds, annualised
Note 2: Average Reported Underlying EBITDA = Reported Underlying EBITDA for six month period, adjusted for non-operating, non-recurring items (see Appendix for further details), multiplied by two to represent annualised EBITDA
Note 3: Average beds (or places) = Simple average of opening and closing operational places for each half year
Source: FY21 financial reports and historical investor presentations

Additional comments

- The impacts of COVID were significant in FY21 and the Government response with additional funding has been meaningful.
- Ignoring the negative impacts of occupancy declines on profitability, additional temporary Government funding in FY21 matched or exceeded COVID costs for many Providers.
- However the ongoing impact of an unsustainable funding model with revenue indexation being less than expense escalation means that margins and profitability continue to erode.
- The results for four of the last five half year periods have been underpinned by temporary additional funding by the Government. The temporary Government COVID / ACRC funding provided in recent periods has not been budgeted to continue in the Federal budget. Some of the additional costs however will continue.
- Looking forward to FY22 the $10 per day Basic Daily Fee supplement will improve EBITDA per place by up to $3,650 per annum. This however is before another year of costs increasing at a greater rate than revenue which will erode this increase.
- The sector is waiting on further detail regarding some of the key reforms flagged in the ACRC. Additional costs are a given and it is hoped that these additional costs will be more than covered by additional funding to encourage future investment.

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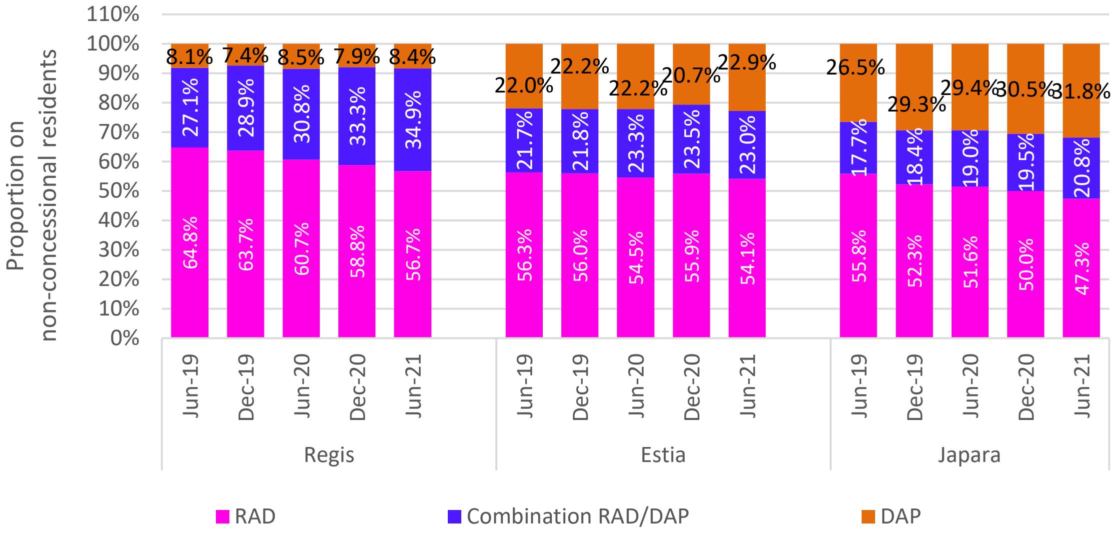
Resident profile

	As at 30 June 2021		
	Regis	Estia	Japara
Resident profile			
RAD	1,790	1,498	968
Combination RAD/DAP	1,100	638	426
DAP	265	634	651
Concessional	2,823	2,583	1,738
Other	64	11	41
Respite	303	383	188
Total residents	**6,345**	**5,747**	**4,012**

Source: FY21 investor presentations

Split of non-concessional residents at period end



Note 1: Given the varying disclosure between providers regarding incoming resident profile, the chart above presents the portfolio mix of non-concessional residents by RAD, Combination RAD/DAP and DAP residents

Source: Historical investor presentations

Resident profiles (total)

- The resident profile as at 30 June 2021 is presented in the table opposite with the payment preferences of non-concessional residents in the graph below.
- Resident profile changes over FY21 for each Provider are outlined on the next page.

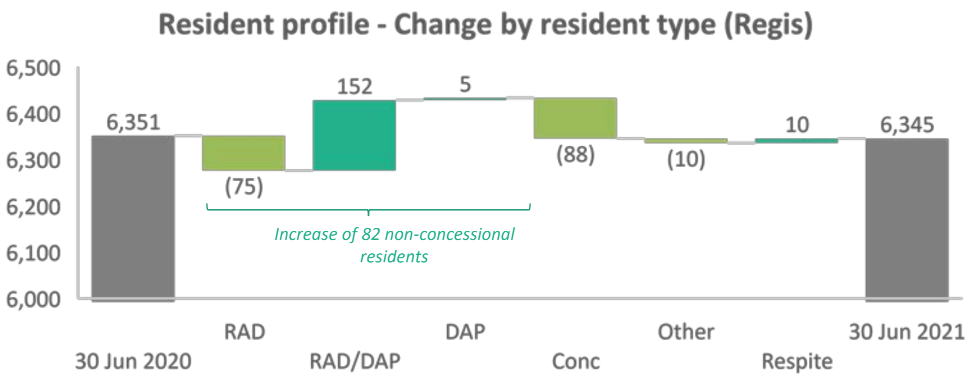
Resident profiles (non-concessional residents)

- Different resident profiles produce different outcomes in terms of revenue, EBITDA and cashflow. The most critical impact is the number of lump sum equivalent accommodation payers (ie RAD and RAD component of Combinations) as cash inflows are traded for revenue / EBITDA. This is analysed in more detail on page 19.
- The trend from lump sum accommodation payers (RAD and partial RAD) to daily (DAP) continues. This is an industry trend however variations exist based on location (full RAD payers less common in lower median house price areas) and sales and marketing approaches.
- There are variations in how residents are recorded on entry and only Estia provide detail on profile 'switches'. The more relevant thing to focus on is trends for individual providers over time.
- Both Regis and Japara have seen their portfolio RAD resident profile decline by c4% over 12 months when only c37% of residents have changed indicating the incoming profile is much lower. Regis has been able to limit the impact with a corresponding increase in Combos which pay approximately 50% as a RAD still.

Potential implications

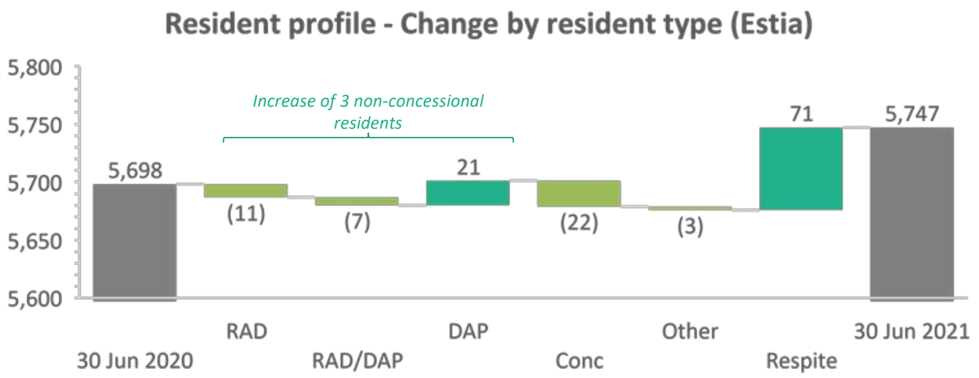
- While there is an incremental revenue and EBITDA benefit, the resultant RAD cash outflows from a changing resident profile will put pressure on balance sheets. There are covenant limitations that will restrict how much of a Provider's RAD pool can be debt financed.

Resident profile – FY21



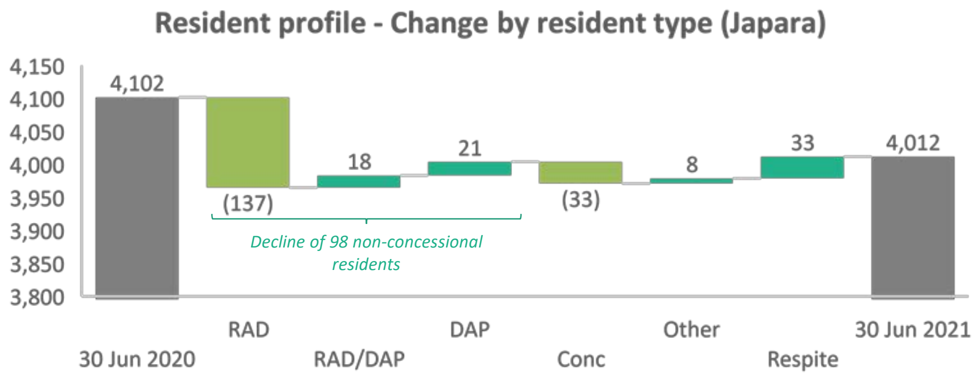
Regis

- Marginal decrease of six residents during FY21, although the 2H was significantly worse (decline of 42 residents) compared to the COVID impacted 1H when residents increased by 36.
- There was significant change in resident profile from Concessional residents to non-concessional which would normally indicate a positive RAD cashflow outcome. This has been largely mitigated however by the shift from full RAD payers (which actually reduced by 75 residents) to RAD/DAP combination payers.
- Assuming the Combo payers pay approximately 50:50 RAD:DAP then on a weighted basis they have the same number of lump sum accommodation payers.



Estia

- Resident numbers increased by 49 (0.9%) during FY21 however this can be largely attributable to the opening of Blakehurst in Feb-21 which had 67 residents at 30 June 21.
- The most significant movement for Estia's resident profile was the increase in Respite residents
- This improves occupancy and will be more pronounced when a new site is opened as it is a key marketing tool, however it is important to note the temporary effect of respite residents and lower government funding in contrast with permanent residents
- As noted on the previous page Estia's lump sum paying resident profile is more stable than Regis and Japara however it is still trending in the same direction (as is the industry) which places pressure on RAD cashflows.



Japara

- Japara operate 67% of their portfolio in Victoria so COVID outbreaks in 1H FY21 had a greater occupancy impact. This resulted in a decrease of 90 residents over the FY21 year.
- Three homes where closed, however the majority of residents at these sites were moved to the two homes opened. They also opened and filled a 25 bed extension in Albury.
- Of particular concern is the ongoing trend away from RAD payers with an reduction of 137 across the period which were only offset slightly by a minor increase in Combination RAD/DAP payers.
  - The $24.9m of RAD cashflows included $39.5m from new developments and $19.6m positive Probate liability movement meaning that BAU cashflows were negative reflecting this trend.

Source: Historical investor presentations

Resident profile – Lump Sum equivalent payers

	Lump sum equivalent payers per half, by Provider					
	31 Dec 2018	30 Jun 2019	31 Dec 2019	30 Jun 2020	31 Dec 2020	30 Jun 2021
Regis						
RAD payers	n/a	1,898	1,905	1,865	1,797	1,790
Combination RAD/DAP	n/a	793	864	948	1,018	1,100
Lump Sum equivalent payers[(1)(2)]	**n/a**	**2,295**	**2,337**	**2,339**	**2,306**	**2,340**
Resident profile - Lump sum equivalent						
At period end	n/a	39.4%	39.7%	38.6%	38.3%	38.7%
Incoming for the period	n/a	n/a	40.9%	27.4%	30.5%	n/a
Estia						
RAD payers	1,670	1,560	1,559	1,509	1,517	1,498
Combination RAD/DAP	613	601	608	645	637	638
Lump Sum equivalent payers[(1)(2)]	**1,977**	**1,861**	**1,863**	**1,832**	**1,836**	**1,817**
Resident profile - Lump sum equivalent						
At period end	36.6%	35.2%	34.4%	34.0%	34.9%	33.9%
Incoming for the period	21.5%	21.7%	23.2%	22.8%	26.4%	24.7%
Japara						
RAD payers	1,139	1,170	1,116	1,105	1,004	968
Combination RAD/DAP	395	370	392	408	392	426
Lump Sum equivalent payers[(1)(2)]	**1,337**	**1,355**	**1,312**	**1,309**	**1,200**	**1,181**
Resident profile - Lump sum equivalent						
At period end	35.9%	35.9%	33.6%	33.2%	31.8%	30.9%
Incoming for the period	n/a	36.3%	25.1%	31.2%	24.1%	27.0%

Note 1: Lump Sum equivalents represent RAD payers plus the RAD component of Combination RAD/DAP payers
Note 2: Assume Combination RAD/DAPs comprise 50% RAD, and 50% DAPs
Note 3: Incoming resident profile for Japara represents the implied resident profile, based on resident profile as period end and assuming turnover of 37% per annum (i.e. 2.7 years average tenure)
Note 4: Incoming resident profile for Regis in 1H FY20 and 2H FY21 represents the implied resident profile, based on resident profile as period end and assuming turnover of 37% per annum (i.e. 2.7 years average tenure)
Note 5: Resident profile at period end and incoming for the half relates to permanent residents only (i.e. excludes Respite)
Source: Historical investor presentations

Background

- Analysis opposite seeks to convert RAD, Combination RAD/DAP and DAP payers into the weighted average up front lump sum payer versus daily payers (i.e. convert and allocate the Combination RAD/DAP between lump sum RAD and recurring DAP).
- Across the industry, there has been an ongoing trend in consumer preferences toward a daily accommodation payment rather than the upfront lump sum (in the form or a RAD or partial RAD). That is, on a weighted average, the lump sum payers are declining as a percentage of all permanent residents.
  - There are multiple factors impacting the change in preference, including the impact of property market trends, financial planning considerations, impact of MPIR etc.

Key observations

- Despite new beds being added (or filled) over this period, overall the number of lump sum payers is declining. Partly due to home closures and occupancy challenges but predominantly due to changing consumer payment preferences.
- Whilst RAD cash flows will most likely be positively impacted by increased room pricing and increased bed numbers (both nominal beds and any positive occupancy movement), a continued, prolonged shift away from Lump Sum payers will continue to provide headwinds for future RAD cash inflows noting:
  - Ramp up of the majority of new developments are approaching a mature/steady state level
  - Exceptions in 2H FY21 were two Japara sites and one Estia site which completes their announced committed development pipelines. Regis has not opened a new site for more than three years.
- DAP pricing is fixed on entry, but for new residents, the DAP pricing has been reduced by declining MPIRs and limited RAD price increases.

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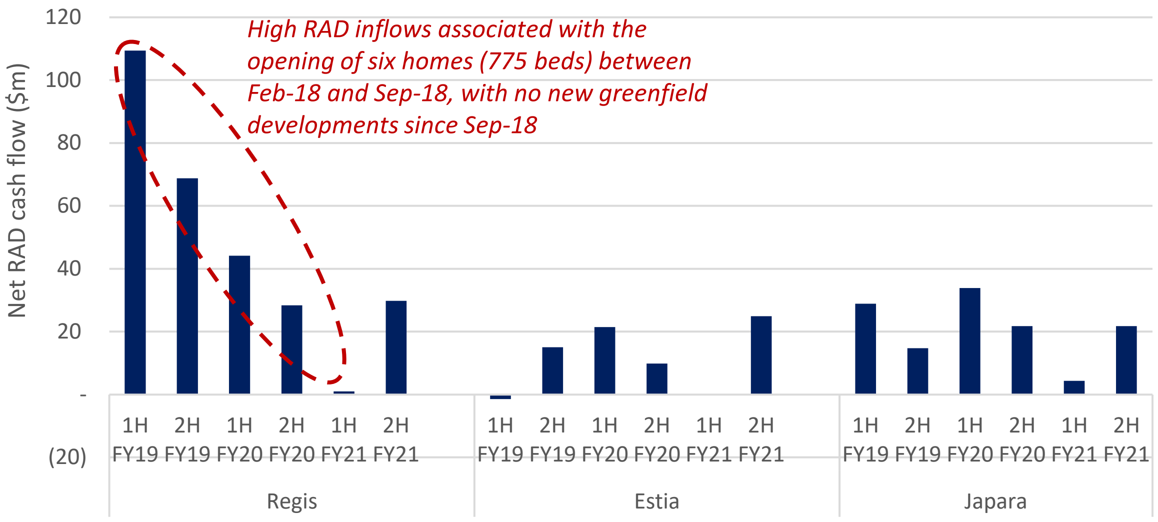
RAD liabilities

		As at 30 June 2021		
		Regis	Estia	Japara
RAD liabilities				
RAD liability	[$m]	1,052.3	761.1	531.3
Probate	[$m]	136.0	102.8	79.4
Total RAD liability	[$m]	**1,188.3**	**863.9**	**610.7**
# RADs held	[#]	2,751	2,643	n/a
Avg RAD held	[$000]	**432**	**327**	**n/a**

Source: FY21 financial reports and investor presentations

Net RAD cash flow - six monthly intervals



Source: FY21 financial reports and investor presentations

Regis

- As noted in previous reports, Regis has seen a decline in net RAD cash inflows following the cessation of its development program since Sep-18
- Regis net cash inflow in 2H FY21 however was positively impacted by a significant increase in lump sum equivalent accommodation payers (as set out on page 19).
  - Positive RAD cashflows have continued into Q1 of FY22 (per AGM disclosures)

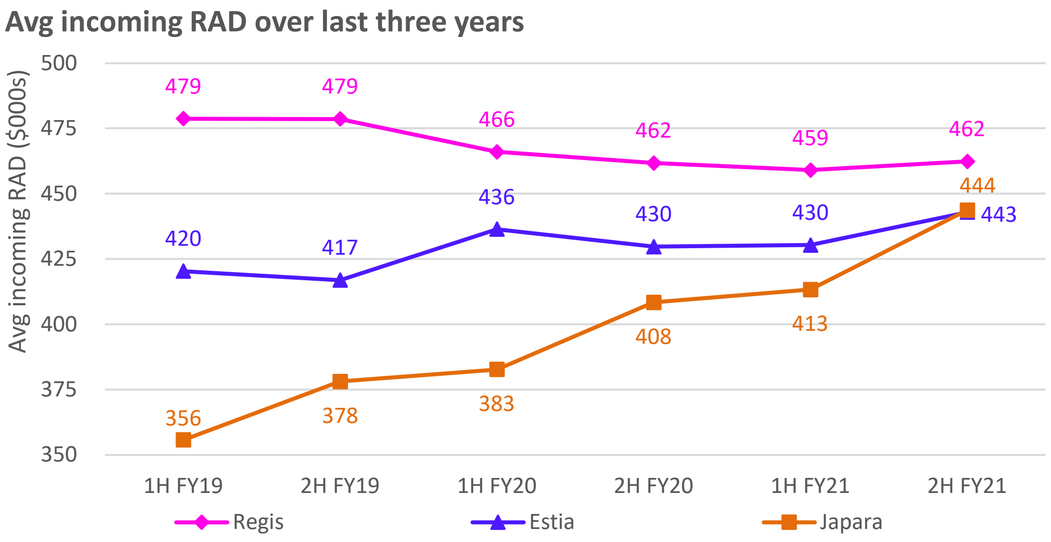
Estia

- Estia's RAD liability at 30 June 2021 ($863.9m) was $27.6m (3.3%) higher than 30 June 2020 ($836.3m)
- Net RAD cashflow over FY21 was primarily impacted by:
  - 3% increase in average RAD price (see next page)
  - Opening of the new home at Blakehurst (NSW) in 2H FY21
  - Offset by a reduction in lump sum accommodation payers

Japara

- Japara reported the largest percentage increase in RADs, with a 4.5% increase in FY21 to $610.7m at 30 June 2021 (30 June 2020: $584.5m).
- However the majority of the $26.2m increase was attributable to a $19.6m increase in probate liabilities during FY21
- The remaining movement of $6.6m in RAD liabilities was the net result of RAD inflows at new homes and brownfield developments and outflows at mature homes
  - Japara opened new homes in Newport (VIC) in Feb-21 and Belrose (NSW) in Jun-21 and extended Albury (NSW) by 25 beds
  - While average RAD pricing increased, this has been more than offset by a significant reduction (page 19) of 128 lump sum equivalent accommodation payers over the period (notwithstanding the new sites being opened). This reduction (partly occupancy and partly resident profile change) was the driver of outflows at mature homes.

RAD liabilities – Pricing



Note 1: Avg portfolio RAD = RAD liability divided by number of RADs held (Regis and Estia)
Source: Historical investor presentations

Regis

- Regis reported a marginal increase (i.e. < 1%) in average RADs in 2H FY21 ($462k) vs 1H FY21 ($459k), however this was c. 2.9% lower than 1H FY19. 1H FY19 would have included a higher proportion of new rooms flowing from its previous development programme.
- RAD pricing has not closely correlated property price growth (one of the myths of aged care) as other factors such as occupancy pressure have come into play.
- Regis reported a net cash inflow ($37.7m) from RADs during FY21, noting that Victoria reported a negative result due to the COVID impact across the period[a]

Estia

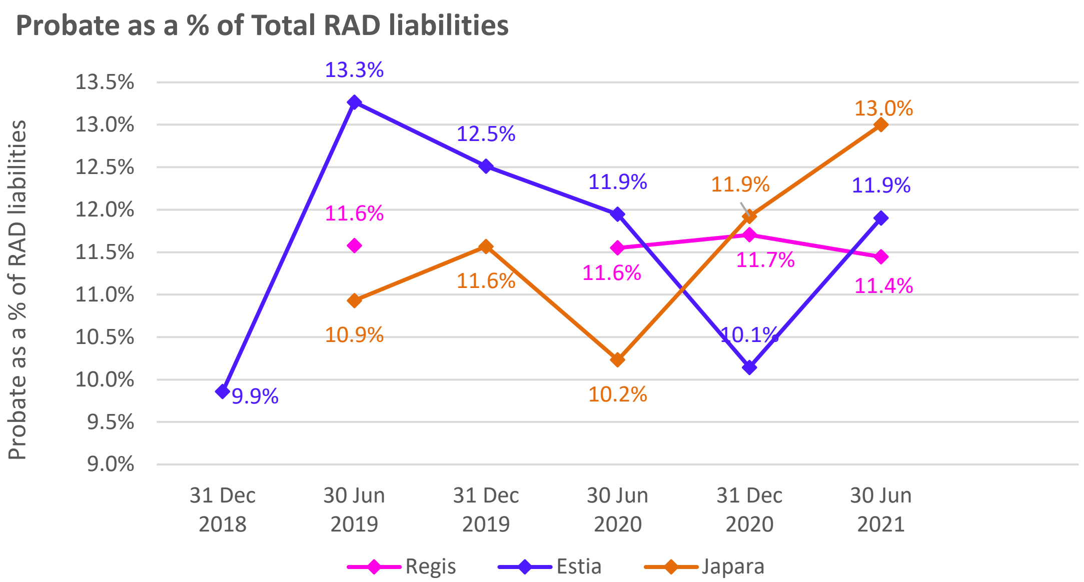
- Estia reported a 3% increase in average RADs during 2H FY21 ($443k) vs 1H FY21 ($430k). The opening of the Blakehurst (NSW) home and closure of older homes during FY21 would have helped contribute towards the increase

Japara

- Japara reported an 8% increase in the incoming RAD price between 1H FY21 ($413k) and 2H FY21 ($444k)
- While it is tempting to apply this increase across the full portfolio, this outcome has been influenced by a high proportion of beds in newer facilities relative to Regis/Estia, with 211 and 265 net greenfield beds being brought online in FY20 and FY21 (still ramping up) which generally command higher prices being single rooms with private ensuites relative to their existing portfolio.

Note a: ASX announcement dated 26 Oct 2021

RAD liabilities – Probate liability



Source: Historical investor presentations

Background

- It is common across the industry for RAD amounts not to be paid out until a copy of Probate has been received
  - This protects the Provider from the risk of inadvertently paying the RAD to the wrong person
  - In addition however there is a positive cashflow impact due to the deferral of the payment (which does come at a cost as interest is payable on deferred amounts).
  - A 1% movement will result in RAD cashflow swings of between A$12m (Regis) and $6m (Japara) based on RAD pool balance.

Key observations

- Over recent times the three listed providers have tended to maintain Probate balances between 10-12% of their total RAD liability.

- Given the current low interest rate environment, unless there is a need for the RAD cash, many families are happy to leave these amounts with Providers and earn a relatively generous rate of return knowing also that it is 100% guaranteed (even safer than amounts in a bank above $250k)
  - Consequently the probate amounts as a percentage of RAD liabilities have trended up over the longer term.

- It is evident however that there can be fluctuations over single reporting periods so to understand underlying trends it is important that cashflow movements due to Probate are understood and adjusted for.

- Regis' percentage has been very consistent however both Estia and Japara cashflows benefited significantly in 2H FY21 by movements in probate amounts. The Estia movement offset the outflows in 1H FY21 whereas Japara benefited by $19.6m across FY21 as it's probate percentage increased from 10.2% to 13.0%.

PP&E and Intangible assets

	As at 30 June 2021		
$000s	Regis	Estia	Japara
PP&E and intangibles			
Property, plant & equipment	1,056.4	833.0	829.4
WIP	45.2	12.5	28.7
Investment properties	158.6	0.8	50.5
Intangible assets - Goodwill	239.9	681.0	31.8
Intangible assets - Bed licences	223.8	221.3	234.0
Intangible assets - Software	-	6.3	-
Total	**1,724.0**	**1,754.8**	**1,174.4**

Value per Operating Place ($000s)						
Property, plant & equipment		148		132		184
WIP	*$177k*	6	*$134k*	2	*$201k*	6
Investment Properties		22		0		11
Intangible assets - Goodwill		34		108		7
Intangible assets - Bed licences	*$65k*	31	*$144k*	35	*$59*	52
Intangible assets - Software		0		1		0
Total PP&E and Intangible per bed		**242**		**279**		**261**

Note 1: Value per Operating Place = Intangible Asset category ($) divided by Operational Places at 30 June 2021
Source: FY21 financial reports and Investor Presentations

Overview

- As seen by the table above, the tangible asset component is valued between $130-$201k per bed
  - well below replacement value, but perhaps appropriate given average portfolio ages and noting not every operating place is in a single room format.
- As noted in the last report residential aged care is backed by real tangible assets in the form of land & buildings and combined with future demand based on demographics, this assists in underpinning valuations.

Overview (cont.)

- Enterprise value as a going concern however is dependent upon forecast future cashflows which in recent times have reduced.
- In a going concern scenario the asset allocation is less important and is sometimes driven by ongoing accounting outcomes (i.e. what gets depreciated) however in times of valuation pressure it becomes relevant to look through at underlying asset values.
- For an operator though there are also RAD liabilities to consider. To extract underlying asset value (specifically the land and building value) you first need to pay out RAD liabilities and incur close down costs.
- The tension between replacement value (in a sector that will require new places over time due to demographic demand) and a valuation based on current operational / RAD cashflows continues to play out on the ASX.
- The main share price catalyst over the last six months has been Calvary's takeover offer for Japara which has underpinned sector valuations, building on WHSP's takeover offer for Regis (now withdrawn) in November 2020. See Market Capitalisation and Enterprise Valuation metrics on pages 26-27.

Property, plant & equipment ("PP&E ")

- PP&E is comprised of land & buildings, plant & equipment/machinery, and furniture & fittings for aged care homes.
- Estia and Japara values increased slightly as capex was spent on new developments more than offsetting existing asset depreciation.

Work in progress ("WIP")

- Relates largely to WIP capital expenditure in respect of development sites that are not yet operational.

Investment properties

- Mostly relates to Retirement Village properties valued on a 'fair value' basis. This may also include vacant land on RV sites and miscellaneous land holdings.
- Regis increased the valuation on their Retirement Villages by $11.7m ($9.2m net after writing off some Capital Works in Progress.

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Market capitalisation and Enterprise Value

Implied value analysis - Gross & Net EV per bed

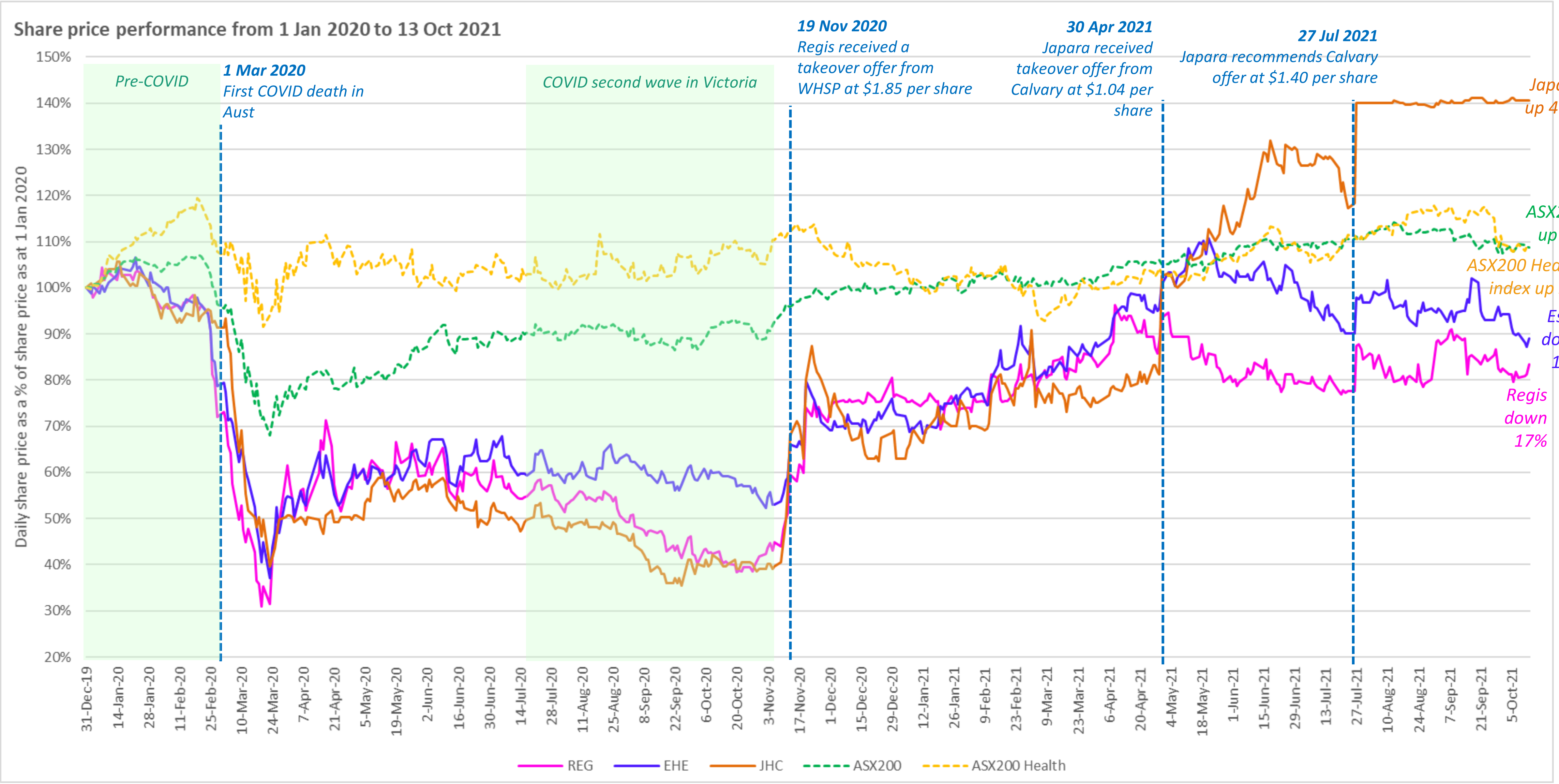
		Regis	Estia	Japara
Enterprise Value (EV) calculation				
Share price	($)	$2.19	$2.26	$1.38
Shares	(#)	300,833,765	261,294,969	267,222,818
Market capitalisation	($000s)	**658,826**	**590,527**	**368,767**
Add: Net debt	($000s)	142,462	80,409	212,199
Add: RADs	($000s)	1,188,278	863,929	610,700
Enterprise Value (total)	($000s)	**1,989,566**	**1,534,865**	**1,191,666**
Operational Places at year end	(#)	7,121	6,224	4,507
EV per Place (total)	($000s)	**279**	**247**	**264**
EV per Place (excl. RADs)	($000s)	**113**	**108**	**129**

Note 1: Closing share price as at 14 Oct 2021
Note 2: Market capitalisation = Share price multiplied by # shares
Note 3: Enterprise Value (total) = Market capitalisation plus Net Debt plus outstanding RAD liabilities
Note 4: Enterprise Value per Place (total) = Market capitalisation plus Net Debt plus outstanding RAD liabilities, divided by the number of Operational Places at year end
Note 5: EV per Place (excl. RADs) = EV per Place, minus the impact of outstanding RADs per Operational Place
Note 6: Estia places adjusted for home closed and beds made inactive on 1 July 2021.
Source: FY21 financial reports, Investor Presentations and ASX information

Overview

- Based on the recent share prices, all three Providers are trading with an implied 'net' Enterprise Value of greater than $100,000 per Operational Place, excluding the impact of RAD liabilities, with c. 16% difference in valuation across all three.
- Share prices have recovered from their low during the depths of the COVID pandemic, however per bed Enterprise Valuations remain below historical levels.
- Regis and Estia continue to underperform relative to the ASX 200 and ASX 200 Health indices.
- Japara has outperformed these indices but only due to the takeover offer from Calvary that was accepted.
- Regis and Estia had an initial boost to share prices after the Calvary offer for Japara however they have since drifted back in valuation terms.
- Notwithstanding the conclusion of the Aged Care Royal Commission and initial Federal Government response, both Regis and Estia valuations are less than they were at the time of the Federal Budget.

Historical share price – change in share price since 31 Dec 2019



Note 1:	Closing share price at 31 Dec 2019 represents starting point for share price movement
Note 2:	Share price data between 31 Dec 2019 and 13 Oct 2021
Note 3:	WHSP = Washington H. Soul Pattinson and Company Limited
Source:	Historical share price information and ASX announcements

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Appendix 1: Glossary

	Definition
AASB	Australian Accounting Standards Board
AASB 16	Australian accounting standard titled, *Leases*
ACAR	Aged Care Approvals Round
ASX	Australian Securities Exchange
Cash	Cash and cash equivalents
CGU	Cash Generating Unit
DAP	Daily Accommodation Payment
Debt	Loans and borrowings excluding resident loans (RADS, accommodation bonds and ILU resident loans)
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBITDAR	EBITDA and rent expense
EBT	Earnings before taxation
EV	Enterprise Value
FYxx	Financial year ended 30 June 20xx (e.g. FY20, represents the financial year ended 30 June 2020)
ILU	Independent Living Unit
MTCF	Means Tested Care Fee
NPBT	Net Profit Before Tax

	Definition
RAD	Refundable Accommodation Deposit
PA	Provisionally Allocated
POBD	Per occupied bed day
PPE	Personal protective equipment
PP&E	Property, plant & equipment
prpd	Per resident, per day
RC	Royal Commission
ROA	Return on Assets
RV	Retirement Village
Underlying EBITDA	EBITDA excluding the impact of non-recurring items and transactions that do not directly influence the underlying operations and delivery of residential aged care services This definition represents StewartBrown's view, as set out in the Reconciliation of NPBT to Underlying EBITDA within the Appendix
WHSP	Washington H. Soup Pattinson and Company Limited
WIP	Work in progress
1H	Six month period, 1 July to 31 December, inclusive
2H	Six month period, 1 January to 30 June, inclusive

Appendix 2: Reconciliation of NPBT to Reported Underlying EBITDA

- Outlined opposite is a reconciliation of NPBT to Reported Underlying EBITDA, noting earnings adjustments identified by each respective Provider.
- See Appendix 5 for further explanation regarding the nature of earnings adjustments

Notes / considerations for analysis

- Underlying earnings in the current environment is somewhat subjective due to the considerable impact of COVID 19 . There are significant variations in expenses and revenues across Providers due to:
  - Relative geographic exposures
  - Percentage of homes that incurred a COVID-19 outbreak
- While additional COVID 19 related Government revenue is easily identified the assessment of additional costs is more subjective in nature. The EBITDA impact associated with reduced occupancy due to COVID is also difficult to accurately quantify.
- For these reasons no COVID adjustments have been made to EBITDA (revenue or expenses) in determining 'underlying EBITDA' in the table opposite.
- It is noted however that:
  - Significant additional temporary funding was provided to the industry (including c$1,000 per bed in response to the Royal Commission) which will not occur in FY22
  - While the pandemic is far from over it is expected that the vaccine will assist in containing the additional costs relative to FY21 although costs will not revert to pre pandemic levels
  - Any post pandemic occupancy recovery will also assist
- In StewartBrown's view, for the first time all three listed Providers have reported underlying EBITDA below $10,000 per bed.
- All three have declined from FY20 EBITDA per bed levels

Note 1: Management identified adjustments as noted in each Provider's respective Investor Presentations
Note 2: Avg places represent the simple average for the period
Source: FY20 Financial Report and historical investor presentations

	FY21		
$000s	Regis	Estia	Japara
NPBT	**29,150**	**9,063**	**(19,111)**
Add: Net finance cost	73,997	48,812	8,799
Add: Depreciation	43,893	42,263	29,615
Impairment	-	980	519
Imputed interest on RADs (AASB 16)	(64,389)	(42,316)	-
EBITDA (pre impairment and AASB 16)	**82,651**	**58,802**	**19,822**
Mgmt adjustments (excl. impairment)			
Royal Commission	-	105	400
Net loss from homes in ramp up	-	625	1,900
FV gain/loss on inv property	(9,200)	-	100
Redundancies/restructuring	-	-	800
Reval of land	-	-	(1,600)
Other gains/losses	(2,818)	(9,487)	(1,500)
Class action settlement	-	12,409	-
COVID-19 Govt Funding	-	-	-
COVID-19 expenses	-	-	-
Cyber security incident	700	-	-
Regulatory penalties - Cost of sanctions x 2	2,200	-	-
Total mgmt adjustments (excl. impairment)	**(9,118)**	**3,652**	**100**
EBITDA (Underlying per mgmt, excl. AASB 16)	**73,533**	**62,454**	**19,922**
Our adjustments			
less: Variations to management adjustments	(2,900)	(730)	(3,100)
Underlying EBITDA	**70,633**	**61,724**	**16,822**

Opening Places	7,218	6,182	4,496
Closing Places	7,121	6,289	4,507
Avg for period	**7,170**	**6,236**	**4,502**

Average Underlying Reported EBITDA per Operational Place ($ per Place)			
Avg Underlying reported EBITDA (mgmt) - annualised	10,256	10,016	4,426
Avg Underlying reported EBITDA (our view) - annualised	9,852	9,899	3,737

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Appendix 3: Detailed P&L and Balance Sheet

	FY21		
$000s	Regis	Estia	Japara
Income			
Govt revenue	486,738	428,816	308,390
Govt revenue (temp funding)	17,282	21,426	9,301
Total Govt revenue	**504,020**	**450,242**	**317,691**
Resident revenue	193,729	163,347	111,150
Other revenue	7,772	-	212
Total operating income (pre-AASB 16)	**705,521**	**613,589**	**429,053**
Non-operating revenue			
Interest on RADs/Bonds (AASB 16)	64,389	42,316	-
Other non-operating revenue	14,492	9,487	9,740
Total non-operating income	**78,881**	**51,803**	**9,740**
Total revenue	**784,402**	**665,392**	**438,793**
Expenses			
Staff expenses	(513,368)	(443,421)	(339,551)
Resident care expenses	(49,266)	(64,381)	(41,087)
Admin expenses	(39,551)	(23,009)	(15,295)
Occupancy expenses	(23,377)	(21,054)	(23,038)
Depreciation	(43,893)	(42,263)	(29,615)
Impairment loss	-	(980)	(519)
COVID expenses	(11,800)	-	-
Class action	-	(12,409)	-
Total operating expenses	**(681,255)**	**(607,517)**	**(449,105)**
EBIT	**103,147**	**57,875**	**(10,312)**
Net finance costs (AASB 16)	(64,389)	(42,316)	-
Net finance costs (excl. AASB 16)	(9,608)	(6,496)	(8,799)
NPBT - Reported	**29,150**	**9,063**	**(19,111)**
Tax expense	(9,201)	(3,065)	5,005
NPAT - Reported	**19,949**	**5,998**	**(14,106)**

Source: FY21 Financial Reports

	As at 30 June 2021		
$000s	Regis	Estia	Japara
Balance sheet summary			
Cash and financial assets	3,889	33,428	43,551
Trade receivable & other current assets	18,046	18,546	27,531
Property assets	1,265,225	905,436	938,201
Goodwill	239,938	681,014	31,764
Bed licences	223,799	221,281	233,997
Other intangible assets	-	6,303	-
Other non-current assets	-	351	2,458
Total assets	**1,750,897**	**1,866,359**	**1,277,502**
Liabilities			
Resident liabilities - RADs	(1,188,278)	(863,929)	(610,689)
Resident liabilities - ILU contributions	(39,574)	(508)	(23,145)
Bank overdraft	(14,920)	-	-
Borrowings	(131,431)	(113,833)	(255,750)
Deferred Tax Liabilities	(53,440)	(100,747)	(55,514)
Provisions	(119,425)	(66,021)	(51,370)
Trade payables & current liabs	(54,809)	(40,467)	(34,771)
Lease liabilities	(7,055)	(65,122)	(32,109)
Other Non-Current Liabilities	-	-	(3,337)
Total liabilities	**(1,608,932)**	**(1,250,627)**	**(1,066,685)**
Net Assets	**141,965**	**615,732**	**210,817**
less: intangible assets	(463,737)	(908,598)	(265,761)
Net Tangible Assets/(deficiency)	**(321,772)**	**(292,866)**	**(54,944)**

Source: FY21 Financial Reports

Appendix 4: Cash flow statement

	FY21		
	Regis	Estia	Japara
Cash flows from Operating Activities			
Receipts from Residents and Govt Grants	696,501	608,136	432,414
Payments to suppliers & employees	(620,291)	(568,772)	(413,864)
Interest received	14	520	-
Interest and other finance costs paid	(9,166)	(8,096)	(5,731)
Income tax paid	(1,724)	(6,065)	3,196
Net cash flows from Op. Activities (excl. RADs/ECs)	**65,334**	**25,723**	**16,015**
RAD/Bond inflow	370,448	256,599	205,825
RAD/Bond outflows	(332,716)	(226,007)	(180,905)
ILU/ILA Entry Contribution inflows	5,852	-	-
ILU/ILA Entry Contributions outflows	(3,888)	-	-
Net cash flows from Op. Activities (incl. RADs/ECs)	**105,030**	**56,315**	**40,935**
Cash flows from Investing Activities			
Purchase of PP&E	(17,277)	(46,997)	(70,614)
Proceeds from disposal of PP&E	26,134	15,426	11,790
Purchase of intangible assets	-	(2,036)	-
Purchase of investment property	(1,359)	-	-
Net cash flows from Investing Activities	**7,498**	**(33,607)**	**(58,824)**
Cash flows from Financing Activities			
Net repayment of bank borrowings	(100,367)	(15,500)	16,750
Dividends paid on ordinary shares	(18,100)	-	-
Payment of lease liabilities	(1,008)	(4,380)	(3,596)
Net cash flows from Financing Activities	**(119,475)**	**(19,880)**	**13,154**
Net movement in cash flows	**(6,947)**	**2,828**	**(4,735)**
Cash & cash equivalents at 30 June 2020	(4,084)	30,600	48,286
Cash & cash equivalents at 30 June 2021	**(11,031)**	**33,428**	**43,551**

Source: FY21 Financial Reports

Appendix 5: EBITDA adjustments

Item	P&L impact	Analytical treatment
AASB16 imputed interest	✓ Adjust	• Not a traditional reflection of revenue or finance costs • Variable treatments across Providers including benchmark participants
Profit / loss on asset sales	✓ Adjust	• Not ongoing part of normal operations • Distorts benchmarking data and largely irrelevant for valuation purposes • Accounting concept, may be very different to cash
Fair value movements	✓ Adjust	• Distorts benchmarking data; can be lumpy and often unrelated to aged care operations • Accounting concept, may be very different to cash
Gain / loss ramp up homes	× Do not adjust	• Not disclosed by all • Over time part of normal operations for most larger Providers • Generally, should not be material • Assessment of quantum is subjective and greater risk of variation
Home closure expenses	× Do not adjust	• Not disclosed by all Providers • Over time part of normal operations for most larger Providers • Generally, should not be material • Assessment of quantum is subjective and greater risk of variation
Royal Commission costs	× Do not adjust	• Not disclosed by all Providers (although all listed Providers do disclose) • Costs have been over three financial years, likely to be other similar costs over time. • While interesting, not material • Assessment of quantum is subjective and greater risk of variation (note recent divergence across listed Providers)
Redundancies / restructuring	× Do not adjust	• Not disclosed by all Providers • Over time part of normal operations for most larger Providers • Generally, should not be material. • Assessment of quantum is subjective and greater risk of variation
Cost of sanctions	× Do not adjust	• Compliance management should be 'business as usual' • Assessment of quantum is subjective and greater risk of variation • In the instance this reporting period, there were two separate sanctions which is at odds with the description of 'one off / non recurring

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