LISTED AGED CARE PROVIDERS FINANCIAL PERFORMANCE ANALYSIS

For the six months ended 31 December 2018

Integrity + Quality + Clarity

Introduction

This listed aged care providers financial performance for the six months ended 31 December 2018 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* (ACFPS) results for December 2018 including the sector analysis will be made available in a forthcoming report. Although the main focus of the StewartBrown ACFPS is financial performance at the *facility 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") been prepared by StewartBrown. The sole purpose of the Analysis is to review the financial performance of the listed aged care providers for the six months ended 31 December 2018.

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 no way constitute the provision of professional advice.

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Headline Financial Results

The three listed providers recently reported their financial results for the six months to 31 December 2018. The following table provides a snapshot analysis as at 31 December 2018.

Table 1: Snapshot analysis of the aged care listed providers as at 31 December 2018 and 31 December 2017

	ESTIA	ESTIA	JAPARA	JAPARA	REGIS	REGIS
	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17
Financial Performance	$'000,000	$'000,000	$'000,000	$'000,000	$'000,000	$'000,000
Earnings before tax (EBT)	29.0	28.1	10.7	14.8	34.0	39.8
Normalised revenue*	289.7	271.7	193.3	180.6	318.1	291.1
Normalised EBITDA**	45.9	45.4	22.1	24.3	53.0	61.0
Balance Sheet						
Total assets	1,861.9	1,803.4	1,344.4	1,177.3	1,890.8	1,719,1
Equity***	761.8	760.8	532.9	531.1	176.6	182.0
Net tangible assets (liabilities)	(277.7)	(274.2)	41.6	42.4	(296.4)	(262.2)
Cash and financial assets (liquid)	15.2	17.7	45.6	61.6	35.6	45.8
Resident liabilities	791.3	762.8	538.3	478.5	1,058.4	953.9
External borrowings	80.0	60.0	177.5	86.0	362.8	361.5
Key Ratios						
Occupancy percentage	93.9%	94.0%	93.6%	92.3%	92.8%	93.1%
Staff costs (% operating revenue)	66.2%	65.6%	70.4%	71.1%	68.5%	67.4%
Liquid cash assets as % of borrowings (resident + external)	1.7%	2.2%	6.6%	11.2%	2.5%	3.5%
EBT (annualised)						
- % of operating revenue	10.0%	11.4%	5.5%	8.2%	9.7%	14.8%
- return of equity (ROE)	7.6%	8.6%	4.0%	5.5%	34.3%	46.6%
- return on total assets (ROA)	3.2%	3.4%	1.7%	2.6%	3.5%	5.5%
- Return on net tangible assets	(10.5%)	(11.2%)	25.7%	21.8%	(10.2%)	(14.5%)
Normalised EBITDA (annualised)						
- % of normalised revenue	15.9%	16.7%	11.4%	13.4%	16.7%	21.0%
- as % of operating revenue	15.9%	16.7%	11.4%	13.3%	16.7%	20.5%
- return on equity (ROE)	12.1%	12.7%	8.3%	9.1%	59.1%	65.9%
- return on total assets (ROA)	5.0%	5.1%	3.5%	4.2%	6.0%	7.7%
- return on net tangible assets	(11.8%)	(12.6%)	31.3%	24.4%	(12.1%)	(15.9%)

**Normalised revenue excludes increase in fair value of investment property, and other one-off items such as net gain/discount on acquisition and on disposal of non-current assets*
*** Normalised EBITDA includes same adjustments as well as excluding any acquisition related costs or any other one-off costs (interest revenue is offset against finance costs)*
**** Equity includes goodwill and other intangibles*

- *Revenues have increased by an average of 7.8% compared to the same period in 2017. This is a reflection of both the increase in subsidy rates (COPE indexation) as well as growth the overall number of aged care beds in each of the entities portfolio. However, the return on revenues have declined in line with sector trends due to increases in costs, including compliance costs, that are higher than the underlying growth in revenues*
- *As in prior periods, Estia and Regis continue to have net tangible liabilities, and there may be an increased focus being on the ongoing value of bed licences*
- *Equity has remained neutral over the 12 month period for each of the entities*
- *Liquid cash assets as a proportion of borrowings has decreased further for all three providers meaning a potential reliance on RAD uplifts or further utilising credit facilities may be required for capital refurbishment, new development and repayment of resident liabilities*

Estia

- EBT $29.0m (Dec-18) is 3.0% improvement compared to Dec-17
- Normalised EBITDA of $45.9m (Dec-18) - an increase of 1.1% compared to the same period last year.
- Average occupancy unchanged at 93.9% (Dec-18) compared to 94.0% (Dec-17)
- EBT return on assets employed (ROA) decreased from 3.4% to 3.2% for Dec-18 compared on a year-on-year basis
- EBT as percentage of operating revenue decreased to 10.0% (Dec-18) from 11.4% (Dec-17)
- EBITDA margins as percentage of operating revenue decrease to 15.9% (Dec-18) from 16.7% (Dec-17)
- Dividend declared 8.0 cents resulting in a payout of $20.8m compared to a NPAT of $21.1m
- Net tangible <u>liabilities</u> has remained fairly steady $277.7million (Dec-18) compared to $274.2m (Dec-17)

Japara

- EBT $10.7m (Dec-18) is 27.7% reduction compared to Dec-17
- Normalised EBITDA of $22.1m (Dec-18) is reduction of 8.9% from Dec-17
- Average occupancy of 93.6% is higher than Dec-17's 92.3% possibly due to "unusually severe influenza outbreaks" affecting occupancy in Dec-17
- EBT return on assets employed (ROA) decreased from 2.6% (Dec-17) to 1.7% (Dec-18)
- EBT as percentage of operating revenue decreased from 8.2% (Dec-17) to 5.5% (Dec-18)
- EBITDA margin as percentage of operating revenue decreased from 13.4% (Dec-17) to 11.4% (Dec-18)
- Staff costs have reduced as a percentage revenues when compared to Dec-17
- Net tangible <u>assets</u> has decreased by 2.0% to $41.6m compared to the same period last year

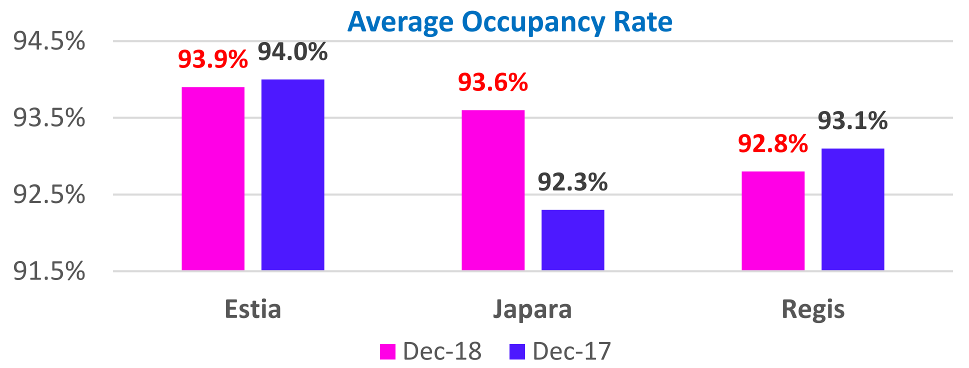
Regis

- EBT $34.0m (Dec-18) is a 14.6% reduction compared to Dec-17
- Normalised EBITDA of $53.0m (Dec-18) is a reduction of 13.1% compared to Dec-17
- Average occupancy of 92.8% (Dec-18) is lower compared to93.1% (Dec-17)
- EBT return on assets employed (ROA) decreased from 5.5% (Dec-17 to 3.5% in Dec-18
- EBT as percentage of operating revenue decreased from 14.8% (Dec-17) to 9.7% (Dec-18)
- EBITDA margin as a percentage of operating revenue decreased from 21.0% (Dec-17) compared to 16.7% (Dec-18)
- Staff costs increase reflects EBA increases for the year which are higher than the COPE increase on ACFI revenues and higher staff costs to revenue % in the ramping up of new facilities
- Net tangible <u>liabilities</u> increased by 13.0% to $296.4m compared to Dec-17

Occupancy

- *Estia* occupancy remined stable at 93.9%. This is in line with average occupancy levels seen over a number of reporting periods
- *Japara* average occupancy improved to 93.6% from 92.3% for the same period in 2017. This is due to a lower base seen in Dec-17 as a result of "unusually severe influenza outbreaks" in the Dec-17 six months period
- *Regis* average occupancy fell from 93.1% to 92.8% due to ramping up of new facilities and "facilities impacted by industry wide occupancy headwinds"

Figure 1: Average occupancy rates for the period ending Dec-18 and Dec-17



Operational Places

Estia

- Investment of $26.3m in new homes at Southport (Qld) and Maroochydore (Qld) due to open in May and August 2019
- $7.2m spent on significant refurbishment in the period (18 additional refurbishments commenced/completed in 2H FY19)
- St Ives (NSW), Blakehurst (NSW) and Wollongong (NSW) expected to be completed in 2021

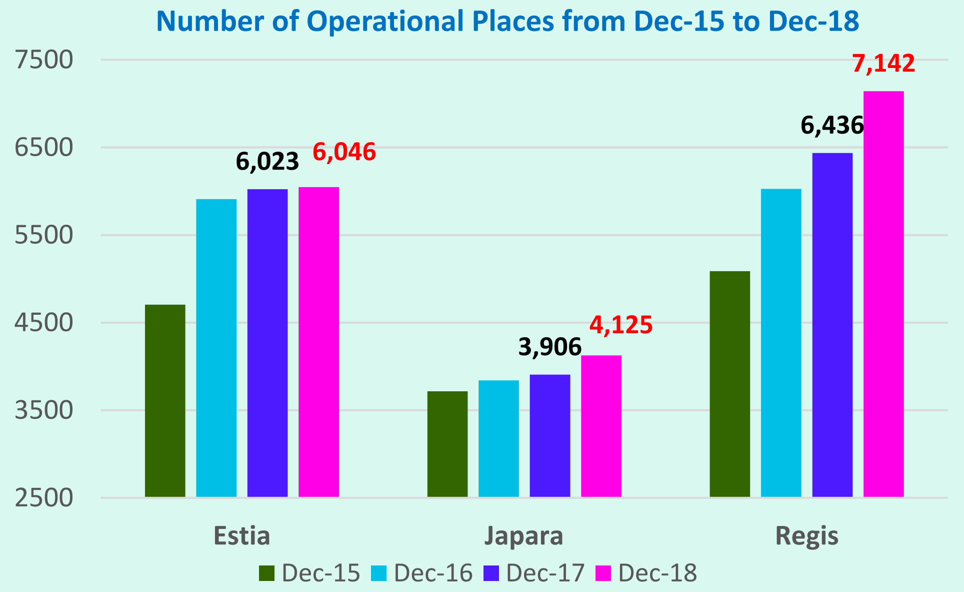
Japara

- Opening of new homes, Glen Waverly (Vic), Brighton-Le-Sands (NSW) and Rye (Vic) added a total of 220 beds in 1H FY19)
- Extensions completed in two homes
- 4 homes significantly refurbished and further five in progress
- Development pipeline include five brownfield and 9 greenfield projects in progress which are scheduled to deliver more than 1,000 net new places by FY22

Regis

- Reflects delivery of three new greenfield sites at Port Coogee (WA), Elmore Vale (NSW) and Lutwyche (QLD)
- 2 greenfield sites nearing construction with development pipeline to deliver approximately 600 new places
- 7 homes significantly refurbished in 1H FY2019

Figure 2: Operational places trend



ACFI and Staff Costs

KPI	ESTIA				JAPARA				REGIS			
	Dec-18	Jun-18	Dec-18 vs Jun -18	Dec-17	Dec-18	Jun-18	Dec-18 vs Jun -18	Dec-17	Dec-18	Jun-18	Dec-18 vs Jun -18	Dec-17
Average government revenue per occupied bed day (pbd)	$205.80	$197.30	↑	$196.00	$197.98	$198.45	↓	$197.70	$201.00	$198.00	↑	$197.00
Staff costs as % of operating revenue	66.19%	65.86%	↑	65.55%	70.43%	71.63%	↓	71.13%	68.52%	66.91%	↑	67.38%

Government revenue comprising ACFI (the level of government funding received as determined by the funding instrument), accommodation and other supplements contributes between 70% and 74% of operating revenues. Each provider presents summary financial data on government revenue and significant expenditure categories, such as staff costs, on an occupied bed day basis.

Estia and Regis have seen an increase in government revenue per occupied bed day. Estia has seen a 4.3% growth in government revenue for the six month period, while Regis has seen an improvement of 1.5% which is slightly higher than the net ACFI indexation of 1.17%. Japara on the other hand has seen a marginal decline of 0.2% in government revenue per occupied bed per day.

- ***Estia*** experienced an increase of $8.50 pbd in government revenue. This is likely due to increases in the number of supported residents (accommodation supplements) and increases in the care needs of residents (higher ACFI)
- ***Japara*** experienced a $0.47 pbd decrease in government revenue. This is despite an average 1.17% increase in ACFI subsidy rates. This may be as a result of a change in the resident's assessed needs or due to the longer term affect of the changes to the ACFI instrument itself
- ***Regis*** experienced an increase in government revenues slightly in excess of the AFCI indexation of 1.17% to achieve a net increase of $3 pbd

Staff costs are the most significant of all expenses that aged care operators incur. Estia and Regis experienced an increase in staff costs as a percentage of operating revenue, while Japara's staff costs have fallen as a percentage of operating revenue.

- ***Estia*** staff costs as a percentage of operating revenue have increased by 0.33%. This reflects the costs of the commissioning two new homes, increased occupied bed days, EBA increase, higher staff and investments in Human Resources
- ***Japara's*** staff costs as a percentage of operating revenue have fallen 1.20% from June-18. This may be a result of the care needs of the residents declining as well as spreading some of the fixed staff costs across a larger number of operational places
- ***Regis*** experienced an increase of 1.6% in staff costs as a percentage of operating revenue. This is in line with sector trends due to EBA increases for the year which are higher than the index levels of revenue, as well as the higher staff costs attributable to the commissioning and ramp-up periods for new facilities

EBT and EBITDA

KPI	ESTIA			JAPARA			REGIS		
	Dec-18	**Dec-17**		**Dec-18**	**Dec-17**		**Dec-18**	**Dec-17**	
EBT per resident per annum	$10,761	$11,437	↓	$6,264	$8,381	↓	$10,181	$14,490	↓
EBITDA per resident per annum	$15,072	$14,960	↑	$10,630	$12,323	↓	$14,720	$18,801	↓

The sector primarily uses EBITDA as a measure of an organisation's operating performance. EBITDA is defined as earnings before interest, tax, depreciation and amortisation. Essentially, it's a way to evaluate an organisation's performance without having to factor in financing decisions, accounting decisions or tax environments.

However, this measure doesn't consider depreciation and as this is a significant expense for residential aged care facilities, we consider that EBT (earnings before tax) should also be given equal consideration when assessing overall financial performance.

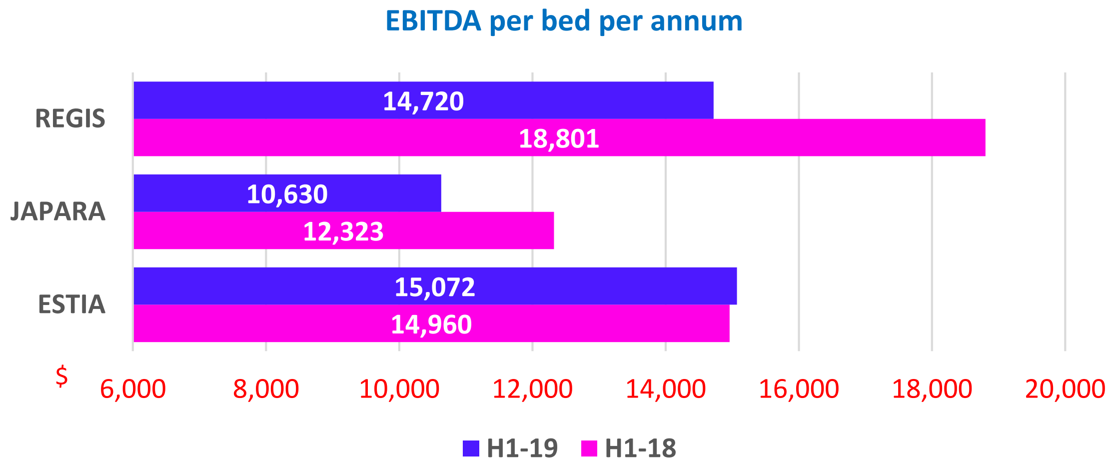
Normalised EBITDA excludes acquisition related costs, increase in fair value of investment property, and other one-off items such as net gain/discount on acquisition and on disposal of non-current assets. EBT is net profit before tax as reported by the listed entities. Calculation of EBITDA per bed per annum is based on the normalised EBITDA divided by the number of operational places *(figures obtained for this calculation are sourced from the listed entities presentations to the market)*.

Table 2: EBITDA per bed per annum calculation

Listed Entity	Period	Normalised EBITDA ($m)	No. of operational places *(as published)*	EBITDA per bed per annum *(calculated)*
ESTIA	Dec-19	45.9	6,046	15,072
ESTIA	Dec-18	45.4	6,023	14,960
JAPARA	Dec-19	22.1	4,125	10,630
JAPARA	Dec-18	24.3	3,906	12,323
REGIS	Dec-19	53.0	7,142	14,720
REGIS	Dec-18	61.0	6,436	18,801

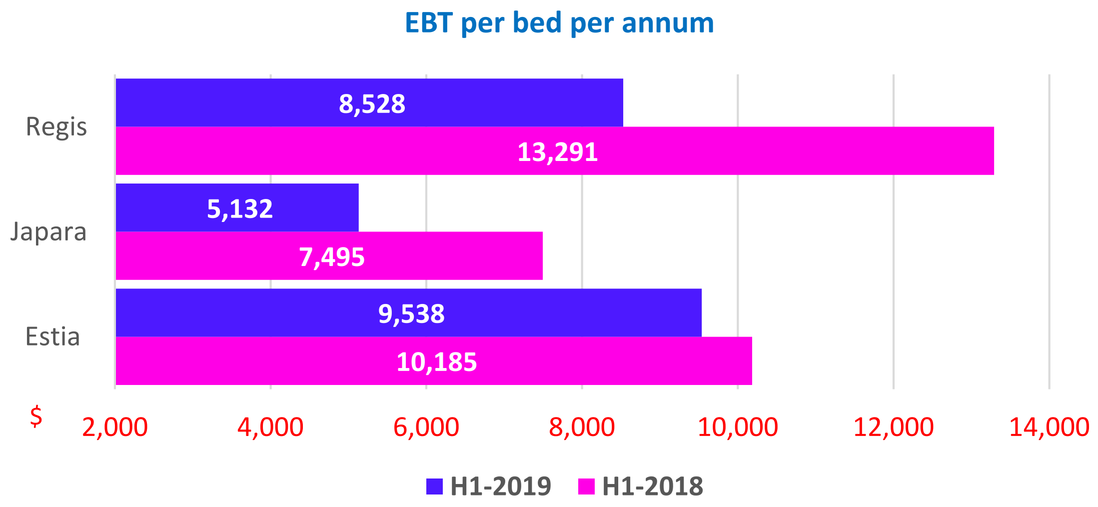
EBT and EBITDA

Figure 3: Normalised EBITDA per bed per annum



- The EBITDA per bed per annum has decreased for both Regis and Japara in line with lower profitability as costs outpaced revenues. Additionally, finance costs as a % of revenues is higher and impacted EBITDA.
- The EBITDA per bed per annum has increased slightly for Estia due to the improvement in profitability and the effect of the addition of increased depreciation expense (4.5% of revenues in Dec-18 compared to 3.9% of revenues in Dec-17)

Figure 4: EBT per bed per annum



- EBT per bed per annum has fallen considerably across all the three listed entities
- There are various opinions on what level of EBT may be considered sufficient. If the total cost (built or acquired) of a bed is (say) $275,000 (excluding land) an EBT of $8,000 per bed per annum only represents a return of less than 3.0%

Cash Flows

Table 3: Summary of cash flows for periods ended 31 Dec 2018 and 31 Dec 2017

	ESTIA	ESTIA	JAPARA	JAPARA	REGIS	REGIS
	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17
Operating Cash Flows	$'000,000	$'000,000	$'000,000	$'000,000	$'000,000	$'000,000
Receipts	324.7	302.4	215.5	200.3	351.8	327.7
Payments	(244.0)	(220.1)	(178.5)	(158.7)	(262.2)	(239.7)
Finance costs (net)	(3.9)	(3.9)	(3.1)	(2.0)	(8.4)	(6.4)
Income tax paid	(9.2)	(13.8)	(3.5)	(4.5)	(7.8)	(13.6)
Net operating cash flows	**67.6**	**64.8**	**30.5**	**35.1**	**73.4**	**68.1**
Investing Cash Flows						
PP&E movement (net)	(43.4)	(17.1)	(5.7)	(4.5)	(42.6)	(115.0)
Capital work in progress	0.0	0.0	(53.5)	(31.5)	0.0	0.0
Acquisitions	(3.1)	(0.3)	(7.3)	(14.8)	0.0	(28.3)
Net investing cash flows (outflows)	**(46.5)**	**(17.5)**	**(66.5)**	**(50.8)**	**(42.6)**	**(143.3)**
Financing Cash Flows						
RAD movement (net)	(1.2)	33.6	28.9	25.9	72.1	23.2
Borrowings (net)	5.0	(61.5)	32.0	25.0	(49.0)	106.5
Dividends paid	(20.8)	(20.8)	(10.0)	(15.3)	(26.0)	(30.2)
Share issue	0.0	0.0	1.6	0.4	0.0	0.0
Net financing cash flows (outflows)	**(17.1)**	**(48.8)**	**52.6**	**36.0**	**(3.0)**	**99.5**

Commentary

- Operating cash flows exclude proceeds from and repayment of RAD's in line with the Aged Care Financial Report disclosures. *StewartBrown also considers such cash flows to be of a financing rather than operating nature*
- Net RAD movement has increased for Japara and Regis in Dec-18 compared to same period last year
- Regis repaid net external borrowings of $49.0m
- Estia and Japara increased external borrowings during the period by $5.0m and $32.0m respectively
- Dividend paid % for the 3 listed entitles have on average been close to or over 90% of NPAT which means that there are low retained earnings. While this is a legitimate strategy (and also to maintain shareholder dividends), an alternate consideration is to set aside a greater proportion of these profits to build reserves for growth and refurbishment of facilities. The continuing shift from RADs to DAPs (RADs being at zero cost of financing) is likely to have cash flow implications, with capital refurbishment and repayment of RADs potentially to be replaced by the higher cost of external borrowings or the requirement for equity injection. This could impact future development considerations.

Depreciation

While there are no accompanying notes on depreciation policies in the 1H FY19 financial reporting, the listed entities FY18 Annual Financial Reports include the respective building depreciation policies. There had been no change in accounting policy for the twelve months to June 2018.

The policies are summarised below.

	ESTIA	JAPARA	REGIS
Buildings	50 years	50 years	55 years
Plant and equipment, furniture and fixtures	4 to 15 years	4 to 25 years	3 to 30 years
Property improvements	50 years	4 to 50 years	n/a

As discussed in our previous listed entity reports, StewartBrown has a contrary view on the above depreciation policies. Depreciation is an accounting method of allocating the cost of a tangible asset, such as a building, over its useful life. Organisations depreciate long-term assets for both tax and accounting purposes and to ensure that they have allocated sufficient funds to prepare for refurbishment or re-build. As a non-cash expense, its importance is often underappreciated or in some cases underreported as a means of improving profitability.

The depreciation policy of the listed entities (and others in the sector) does not appear to match their policy on refurbishment. Generally, a residential aged facility requires a major refurbishment of a facility on average every 12 years in order to maintain attractiveness and be competitive. Therefore, if the average depreciation rate were to reflect this, it would be closer to **20 or 30 years**.

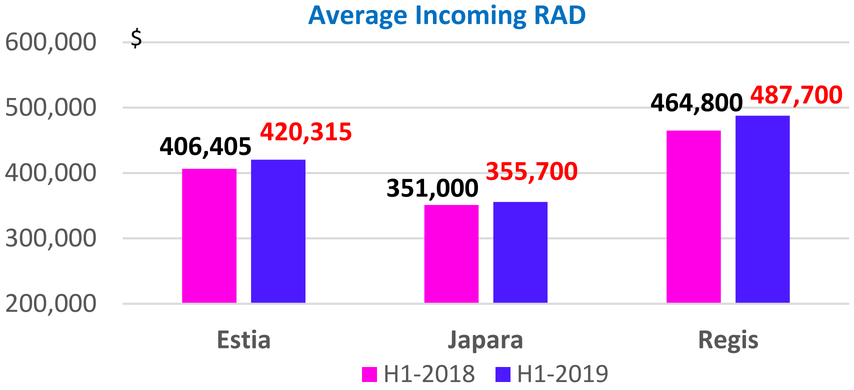
There is no separate disclosure in the listed entities financial statements in relation to the amount spent on facility refurbishment and it may therefore be assumed that such expenditure is capitalised. If this were the case, it raises further concerns as to the depreciation policy of the listed entities.

We noted that for both Regis and Japara they disclose Land and Buildings as the same asset class, whilst Japara treat them as separate asset classes.

Accommodation Analysis

Average incoming RAD

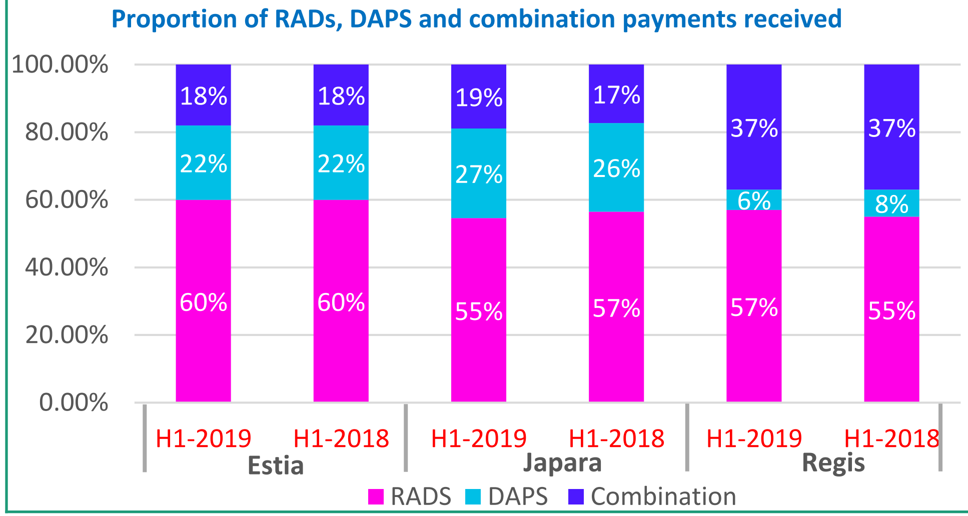
Figure 5: Average Incoming Refundable Accommodation Deposit (RAD)



- ***Estia*** average incoming RAD increased, due to the higher levels of accommodation pricing on average
- ***Japara's*** average incoming RAD improvement is in line with expectation with the completion of 3 new homes and higher RADs due to significant refurbishments completed at 4 homes
- ***Regis*** increased incoming average RAD reflects the higher levels of accommodation pricing of its new facilities

Incoming Resident Payment Preference

Figure 6: Proportion of RADs, DAPS and Combinations received



- RAD preferences have reduced in mid-high socio-economic areas due to falling prices of housing
- ***Estia's*** split has remained unchanged
- ***Japara's*** indicates a slight shift away from RADs
- ***Regis*** has an increased rate of full RAD payments with a lower number of DAPS. The percentage of DAPs is very low by sector standards and potentially this will rise at the expense of RAD receipts

The sector is seeing a continuing shift from RADs to either DAPs or Combinations. This is partly due to increased acuity meaning the length of stay is declining which influenced consumer decisions. The effect of this changing mix could likely impact on the cash flow and equity structure of the listed entities

Market Capitalisation

Market capitalisation is measured as number of ordinary shares multiplied by the share price as at 31 Dec 2018. Normalised EBITDA, EBT (net profit after tax) are shown as a percentage of market capitalisation.

Table 5: Results as a percentage of market capitalisation as at 31 Dec 2018, 31 Dec 2017 and 30 Jun 2018 for the listed entities

	Estia			Japara			Regis		
	Dec-18	Dec-17	Jun-18	Dec-18	Dec-17	Jun-18	Dec-18	Dec-17	Jun-18
Ordinary shares	260,602,749	260,602,749	260,580,283	266,581,868	265,850,485	265,887,509	300,653,689	300,534,519	300,491,000
Share price	$2.29	$3.49	$3.29	$1.12	$1.96	$1.81	$2.64	$3.52	$3.28
As at close of:	31/12/2018	29/12/2017	29/06/2018	31/12/2018	29/12/2017	29/06/2018	31/12/2018	29/12/2017	29/06/2018
Market capitalisation ($m)	$596.8	$909.5	$857.3	$ 298.6	$ 521.1	$ 481.3	$ 793.7	$ 1,057.9	$ 985.6
Normalised EBITDA (annualised) ($m)	$ 91.9	$ 90.8	$ 90.0	$ 44.2	$ 48.5	$ 39.3	$ 106.0	$ 232.0	$ 116.0
Normalised EBT (annualised) ($m)	$ 58.1	$ 61.8	$ 56.7	$ 21.3	$ 29.5	$ 18.3	$ 61.4	$ 86.2	$ 79.6
EBITDA (as % of market capitalisation)	15.39%	9.99%	10.49%	14.81%	9.31%	8.17%	13.35%	21.93%	11.77%
EBT (as % of market capitalisation)	**9.74%**	**6.80%**	**6.61%**	**7.15%**	**5.66%**	**3.81%**	**7.74%**	**8.15%**	**8.08%**

The EBT as a percentage of market capitalisation is the most interesting measure as this metric represents the potential return on investment for shareholders. With the large decreases in share prices, EBT as a % of market capitalisation has improved across the listed entities. This result does varies from 7.15% (Japara) to 9.74% (Estia) for the annualised 6 months to Dec-18.

Additional Funding Support

Background

The Prime Minister announced on 10 February 2019 an additional funding package for residential aged care. The announcement stated "The $320 million residential aged care component equates to approximately $1,800 per permanent resident and will provide additional support to the sector over the next 18 months, to deliver quality aged care services while the Government considers longer-term reform funding options".

Application

The Department of Health have advised how the additional $320 million residential aged care general subsidy will be applied:-

- It will be an effective (non-discriminatory) 9.5% increase on the basic ACFI, RCS and respite subsidies for the period 20 March 2019 to 30 June 2019
- Providers will not be required to acquit the additional funding (ie justify additional expenditure in addition to their current expenditure levels)
- From 1 July 2019, ACFI will revert back to the pre 9.5% level (ie current ACFI level)
- The COPE increase (if approved) from 1 July 2019 will be based on the pre 9.5% level
- Whilst the announcement refers the additional subsidy support effectively covering an 18 month period, the fact that the subsidy will be fully paid up to 30 June 2019 with no requirement to acquit means that in accordance with Australian Accounting Standards *AASB 15 Revenue from Contracts with Customers* (new) or *AABS 118 Revenue* (existing) we are of the opinion the additional subsidy should be fully disclosed in the 2019 financial year (ie no future apportionment in FY20)

Impact

The additional subsidy will positively impact on the FY19 financial performance for residential aged care providers, however will not impact on FY20 forecasts due to it being a "one-off" subsidy that will be fully remitted by 30 June 2019.

From an trend analysis perspective, StewartBrown will show both the results <u>with</u> the additional subsidy and <u>without</u> the additional subsidy, with the latter trend being of greater importance for forecasting and analysis purposes.

Summary Tables

	ESTIA		JAPARA		REGIS	
	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17
Balance Sheet	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	15,233	17,706	45,645	61,616	35,605	45,764
Financial assets	-	-	-	-	86	158
PPE	787,151	730,579	741,201	585,881	1,142,396	1,053,932
Investment property	1,620	1,500	38,398	38,372	132,362	126,587
Intangibles	1,039,511	1,035,740	491,378	463,458	478,417	478,415
Other assets	18,351	17,826	27,788	27,947	20,908	14,233
Total assets	***1,861,866***	***1,803,351***	***1,344,410***	***1,177,274***	***1,809,774***	***1,719,089***
Resident liabilities	791,311	762,823	538,293	478,461	1,058,377	953,929
Borrowings	80,000	60,000	177,500	86,000	362,808	361,467
Employee entitlements	48,638	44,818	37,823	35,227	60,358	54,693
Creditors & other liabilities	180,122	174,920	57,859	46,470	151,656	166,996
Total liabilities	***1,100,071***	***1,042,561***	***811,475***	***646,158***	***1,633,199***	***1,537,085***
Net Assets	***761,795***	***760,790***	***532,935***	***531,116***	***176,575***	***182,004***
Income Statement						
Operating revenue	289,650	271,744	193,331	180,595	318,122	291,143
Investment and other non-operating income	(100)	387	153	1,912	1,692	5,618
Total revenue (excludes interest)	***289,550***	***272,131***	***193,484***	***182,507***	***319,814***	***296,761***
Staff costs	191,720	178,139	136,160	128,457	217,964	196,173
Depreciation	13,138	10,695	9,080	7,761	16,344	13,987
Net Finance Costs (offset with interest)	3,729	3,803	2,353	1,745	5,949	3,890
Other	51,994	51,369	35,219	29,786	45,539	42,897
Total expenses	***260,581***	***244,006***	***182,812***	***167,749***	***285,796***	***256,947***
EBT	***28,969***	***28,125***	***10,672***	***14,758***	***34,018***	***39,814***
Tax	7,889	7,867	3,121	4,479	9,619	11,939
Result after tax	***21,080***	***20,258***	***7,551***	***10,279***	***24,399***	***27,875***
Other items - one off	-	-	-	-	(43)	(15)
Total comprehensive income for the year	***21,080***	***20,258***	***7,551***	***10,279***	***24,356***	***27,860***

Adjustments for Normalised Revenue and EBITDA

Estia	**Dec-18**	**Dec-17**
	$'000	**$'000**
Total revenue from statutory accounts	289,550	272,131
EBITDA calculated from statutory accounts	45,836	42,623
Less: Gains on bargain purchases and asset sales	0	0
Less: Change in fair value of investment property	-100	387
Normalised EBITDA	45,936	42,236
Normalised revenue (excludes interest revenue)	289,550	272,131

Japara	**Dec-18**	**Dec-17**
	$'000	**$'000**
Total revenue from statutory accounts	193,484	182,507
EBITDA calculated from statutory accounts	22,105	24,264
Less: Other income	153	1,912
Normalised EBITDA	21,952	22,352
Normalised revenue (excludes interest revenue)	193,484	182,507

Regis	**Dec-18**	**Dec-17**
	$'000	**$'000**
Total revenue from statutory accounts	319,920	297,000
Interest revenue	106	239
EBITDA calculated from statutory accounts	56,311	57,691
Less: Other income	1,692	5,618
Normalised EBITDA	54,619	52,073
Normalised revenue (excludes interest revenue)	319,814	296,761

Glossary

Cash	Cash and cash equivalents
DAP	Daily Accommodation Payment
Debt	Resident loans (RADS, accommodation bonds), ILU resident loans, other loans and borrowings
EBITDA	This measure represents earnings before interest (including investment income), taxation, depreciation and amortisation. The calculation excludes interest (and investment) revenue as well as interest expense on borrowings. The main reason for this is to achieve some consistency in the calculation. To ensure that the measure is consistent across all organisations we exclude this revenue stream.
EBT	Earnings before taxation. This is a measure that excludes those variables relating to the tax status of an entity but recognises the consumption of capital in the form of depreciation and amortisation.
Normalised EBITDA	Earnings before interest, tax, depreciation and amortisation excluding acquisition-related costs and one-off costs such as change in fair value of investment property, net gain/loss of asset disposals
RAD	Refundable Accommodation Deposit
Liquid financial assets	Current assets that can be converted into cash such as shares
Return on Assets (ROA)	The return (EBT and EBITA) on Total Assets Employed. This is measure of the real operating return (profit) based on the total value of assets employed (used) to generate the return.

StewartBrown Aged Care Executive Team

Grant Corderoy
Senior Partner

Grant is the Senior Partner at StewartBrown and would be regarded as being one of the foremost financial and policy authorities for aged and community services in Australia. He leads the Consulting team and specialises in a range of services for his clients including undertaking complex accounting assignments, system reviews, management consulting, specialised audits and general business advice. He also has considerable experience in advising clients on the sale and purchases of businesses, business valuations and due diligence. Grant has over 40 years' experience in the profession and was previously responsible for the Audit and Aged Care Division which he established in 1990.
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Stuart Hutcheon
Partner

Stuart is the head of our Audit & Assurance Division, but also provides consulting services to a diverse client base. He has had considerable experience covering all areas of professional services. Stuart specialises in the not-for-profit sector in the areas of audit, management accounting, budgeting, salary packaging, FBT advice and benchmarking services. Stuart has more than 20 years' experience in the profession, he is a member of Chartered Accountants Australia and New Zealand and is a Registered Company Auditor.
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Vicki Kearney
Director

Vicki is a Director in StewartBrown's consulting division specialising in the financial management of aged care, retirement living, home and community. Vicki's expertise as a professional resource is within the areas of financial and statutory reporting, management accounting, project management, property and service delivery reporting, team structure, staff management (including crisis management), compliance and risk.
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David Sinclair
Partner

David is Partner with StewartBrown specialising in providing professional services and advice to the aged care, disability and community services sectors, with a strong focus with not-for-profit providers. David heads the internal audit division and the Business Analyst team, and is also actively involved in our benchmark division. David has over 30 years' of experience in professional practice with a background in audit (internal and external), risk management, insolvency and a wide range of consulting assignments to a variety of industries. David is also past chairman and continuing Director of an aged care provider.
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StewartBrown - Our Knowledge is Your Success

StewartBrown, Chartered Accountants, was established in 1939 and is one of the leading boutique accountancy firms in Australia combining a full range of professional services with varied corporate assignments. Our professional mission statement is "*we deliver service beyond numbers*", which reflects the commitment to helping our extensive range of clients to achieve their financial goals.

We offer a depth of technical knowledge and varied professional experience, with many of our senior staff now having well over 10 years' of service with the firm, resulting in our clients benefitting from continuity and accountants who really understand their business.

What a boutique firm offers

Whilst StewartBrown provides a range of professional services, our "point of difference" is our ability to engage in assignments of a complex nature by providing a varied mix of experience and corporate skills. Examples of recent consulting assignments include:-

- Contract accounting
- Payroll processing and billing processing
- Financial modelling and unit costing analysis
- Strategic planning facilitation
- ITSC Project management
- Governance reviews
- Organisation restructures
- Risk management reviews
- Due diligence
- Work-flow building design
- FBT and GST reviews
- Detailed forecasting modelling

Audit and Assurance Services

Complementing our consulting services is our dynamic Audit division. StewartBrown adopts a risk based audit approach which is performed strictly in accordance with Australian Auditing Standards. Our engagements involve a detailed analysis of the client's business and systems of internal control to ensure we fully understand how the client operates and identify areas that pose the greatest risk of being materially misstated in the financial statements.
Our detailed testing procedures are then tailored to meet the risks identified and also ensure an efficient and effective audit is performed.
What we offer our audit clients are a mix of experience and knowledge well beyond that of most other firms. Our audit staff all have regular exposure to consulting and secondment assignments which significantly enhances the "value add" we bring to our audit clients.

Specialty in the aged care, community and disability sectors

StewartBrown is widely regarded as being a leading specialist within the aged care, community and disability sectors. Our client base includes many large national providers in addition to independent stand-alone providers, faith-based and community providers, culturally specific providers, as well as government and statutory bodies.
Our commitment to these important social sectors each year involve 30+ plus speaking engagements at Conferences, sector briefings, workshops, department briefings, organisation presentations and community consultations.

Integrity + Quality + Clarity

These terms which appear on our logo are more than aspirations, they appear for a very important reason they encapsulate the professional standards that we strive to continually maintain and ensure best practice

Celebrating 80 YEARS 1939 to 2019

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