



**JAPARA**



# **LISTED AGED CARE PROVIDERS FINANCIAL PERFORMANCE ANALYSIS**

## **For the six months ended 31 December 2017**

This listed aged care providers financial performance update focuses solely on the three listed providers in order to provide a timely snapshot and commentary on their results. Comparison to the StewartBrown *Aged Care Financial Performance Survey* (ACFPS) results for the six months ended 31 December 2017 will be made available in the forthcoming report on the Aged Care Financial Performance Survey results.

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# 1. Headline Financial Results

The three listed providers reported their financial results for the six months to 31 December 2017 recently. The following provides a snapshot analysis as at 31 December 2017 for the three listed companies.

**Table 1: Snapshot analysis of the aged care listed providers as at 31 December 2017 and 30 June 2017**

	ESTIA	ESTIA	JAPARA	JAPARA	REGIS	REGIS
	Dec-17	Jun-17	Dec-17	Jun-17	Dec-17	Jun-17
<b>Financial performance</b>						
Earnings before tax (EBT)	\$28.1m	\$59.1m	\$14.8m	\$42.6m	\$39.6m	\$87.1m
Normalised revenue*	\$271.7m	\$524.6m	\$182.5m	\$354.3m	\$297.0m	\$565.5m
Normalised EBITDA*	\$45.4m	\$86.5m	\$24.3m	\$52.3m	\$61.0m	\$124.0m
<b>Balance sheet</b>						
Total assets	\$1,803.4m	\$1,798.5m	\$1,177.3m	\$1,115.6m	\$1,719.1m	\$1,524.7m
Equity**	\$760.8m	\$761.1m	\$531.1m	\$535.7m	\$182.0m	\$183.9m
Net tangible assets (liabilities)	(\$275.0m)	(\$274.9m)	\$67.7m	\$72.3m	(\$296.4m)	(\$262.2m)
Cash and financial assets (liquid)	\$17.7m	\$19.2m	\$61.6m	\$41.4m	\$45.9m	\$21.7m
Resident debt	\$762.8m	\$730.2m	\$478.5m	\$453.1m	\$953.9m	\$916.7m
External debt	\$60.0m	\$121.5m	\$86.0m	\$61.0m	\$361.5m	\$255.0m
<b>Key ratios</b>						
Occupancy rate	94.0%	93.5%	92.3%	94.6%	93.1%	94.9%
Staff costs (% operating revenue)	65.6%	64.7%	71.1%	69.7%	67.4%	64.5%
Liquid cash assets as % of debt	2.2%	2.3%	10.9%	8.0%	3.5%	1.8%
<b>EBT (annualised)</b>						
- % of operating revenue	10.3%	11.3%	8.2%	12.0%	13.6%	15.7%
- return on equity (ROE)	7.4%	8.7%	5.5%	8.0%	43.3%	49.1%
- return on total assets (ROA)	3.1%	3.4%	2.6%	3.9%	4.9%	6.0%
- return on tangible assets	(20.4%)	(19.1%)	42.3%	61.3%	(28.4%)	(32.7%)
<b>Normalised EBITDA (annualised)</b>						
- % of normalised revenue	16.7%	16.5%	13.3%	14.8%	20.5%	21.9%
- as % of operating revenue	16.7%	16.5%	13.4%	14.8%	21.0%	22.3%
- return on equity (ROE)	11.9%	12.8%	9.1%	9.8%	66.7%	69.9%
- return on total assets (ROA)	5.0%	4.9%	4.2%	4.8%	7.5%	8.5%
- return on tangible assets	(33.0%)	(28.0%)	69.4%	2.1%	(43.7%)	(46.5%)

\*Normalised revenue & EBITDA excludes acquisitions and other one-off items as per Investor presentation

\*\*Equity includes goodwill and other intangibles

Overall, the financial results reflect the sector trends of pressure on revenue due to the FY18 freeze on ACFI indexation and ACFI scoring changes; occupancy pressures; and increases in staff costs.

Brief commentary by listed provider on the financial performance is summarised below.

◆ **Estia Health**

- EBT annualised (\$56.2m) is 4.7% reduction compared to FY17
- EBITDA of \$45.4m achieved and annualised is an increase since FY17 of 5%
- Slightly higher average occupancy at 94% compared to FY17 (93.5%)
- EBT return on assets employed (ROA) decreased from 3.4% to 3.1%
- EBT margin on operating revenue decreased from 11.3% to 10.3%
- EBITDA margin slight increase to 16.7% of revenue
- Staff costs increase “resulted from consolidating EBA agreements, increased costs with flu season, commencement of Twin Waters and executive restructuring”
- Net tangible liabilities has remained steady at \$275million

◆ **Japara Healthcare**

- EBT annualised (\$29.5m) is 30.7% reduction compared to FY17
- EBITDA of \$24.3m is reduction in annualised terms of 7.9% from FY17
- Lower average occupancy due to “abnormally severe influenza outbreaks”
- EBT return on assets employed (ROA) decreased from 3.9% to 2.6%
- EBT margin on operating revenue decreased from 12.0% to 8.2%
- EBITDA margin decrease from 14.8% for FY17 to 13.3% as at 31 December 2017
- Staff costs increase due to “wages growth of circa 5% from final year of former Victorian EBA”
- Net tangible assets has decreased by 6.3% to \$67.7million
- Following the decision of the Federal Court, it is likely that Japara will be required to discontinue the policy of charging Capital Refurbishment Deductions (CRD’s). For the six months ended to December, revenue for CRD’s amounted to \$1.424,000

◆ **Regis Aged Care**

- EBT annualised (\$79.2m) is 9.2% reduction compared to FY17
- EBITDA of \$61.0m annualised is similar to FY17
- Lower average occupancy due to “more virulent influenza and gastroenteritis than usual”
- EBT return on assets employed (ROA) decreased from 6.0% to 4.9%
- EBT margin on operating revenue decreased from 15.7% to 13.6%
- EBITDA margin decrease from 21.9% as at June 2017 to 20.5% as at 31 December 2017
- Staff costs increase comprised of EBA increases, costs associated with ramping up, ramping down and acquired Facilities, cleaning services now included under labour (previously outsourced)
- Net tangible liabilities increased by 13% to \$296.4million
- Following the decision by the Federal Court, it is likely that Regis will be required to discontinue the policy of levying the Asset Replacement Charge (ARC). The amounts levied have been fully provided for by Regis, so there is no profit effect

As in prior periods, Estia and Regis both have a net tangible liability which is due to the fact the intangible assets are greater than the net tangible assets.

The ratio of liquid cash assets as a percentage of debt has increased for Japara and Regis due to the higher levels of cash and cash equivalents held

## 2. Key Financial Performance Indicators

As discussed in StewartBrown's September 2017 ACFPS reports, the ongoing use and measurement of agreed Key Financial Performance or Financial indicators is paramount in any business, however of equal importance is the accountability of these indicators. StewartBrown recommends that the facility managers play a key role in the below metrics.

<b>Occupancy</b>	<ul style="list-style-type: none"> <li>• Number of occupied days divided by total number of available days</li> </ul>
<b>Care cost ratio</b>	<ul style="list-style-type: none"> <li>• Cost of care divided by care income</li> </ul>
<b>ACFI</b>	<ul style="list-style-type: none"> <li>• Average ACFI per bed day</li> <li>• Care staff wages as % of ACFI income</li> </ul>
<b>EBT &amp; EBITDA</b>	<ul style="list-style-type: none"> <li>• Earnings before tax</li> <li>• Earnings before interest, tax and depreciation</li> </ul>

Not all of these KPIs can be determined from the financial statements and investor presentations. However, those that can are set out in the table below and further discussed.

**Table 2: Headline KPI's**

KPI	ESTIA			JAPARA			REGIS		
	Dec-17	Jun-17		Dec-17	Jun-17		Dec-17	Jun-17	
<b>Occupancy</b>	94.00%	93.50%	↑	92.30%	94.60%	↓	93.10%	94.90%	↓
<b>Average ACFI per bed day*</b>	\$196.00	\$192.30	↑	\$197.70	\$196.60	↑	\$197.00	\$197.00	-
<b>Staff costs as % of operating revenue</b>	65.55%	64.72%	↑	71.13%	69.70%	↑	67.38%	64.51%	↑
<b>EBT per resident per annum</b>	\$9,263	\$9,994	↓	\$7,495	\$11,091	↓	\$12,198	\$14,453	↓
<b>EBITDA per resident per annum</b>	\$14,960	\$14,639	↑	\$12,323	\$13,611	↓	\$18,801	\$20,567	↓

\* ACFI per bed day is all government revenue per occupied bed day as stated in investor presentations

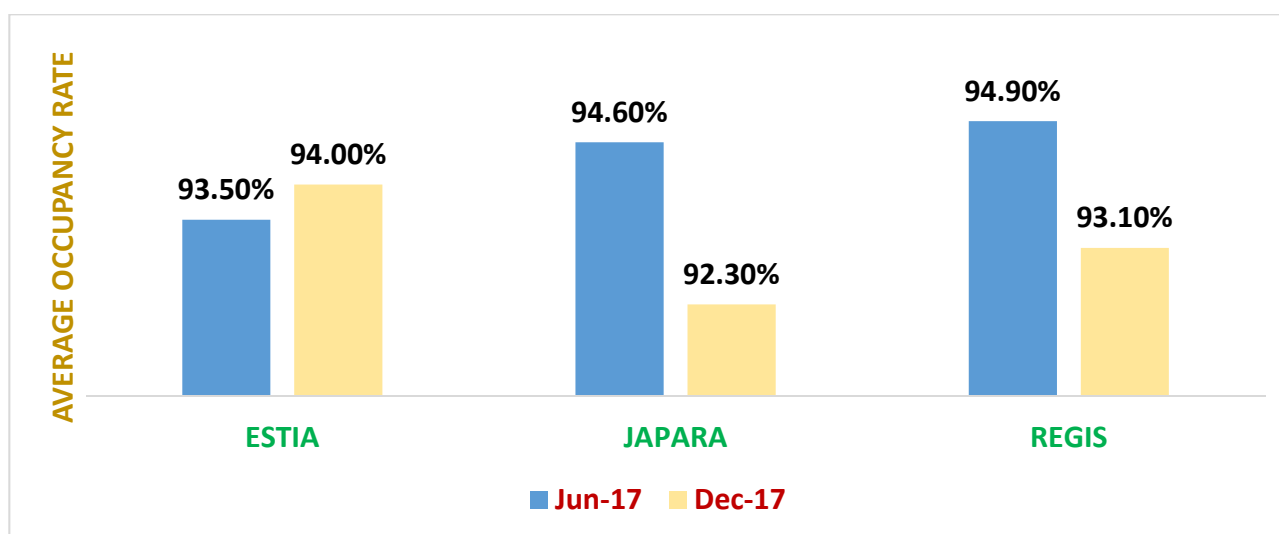
## Occupancy and Number of Operational Places

### Occupancy

	ESTIA			JAPARA			REGIS		
	Dec-17	Jun-17		Dec-17	Jun-17		Dec-17	Jun-17	
<b>Occupancy</b>	94.00%	93.50%	↑	92.30%	94.60%	↓	93.10%	94.90%	↓

Estia experienced a slight increase in average occupancy however Japara’s average occupancy decreased from 94.6% to 92.3% due to “abnormally severe influenza outbreaks” whilst Regis average occupancy fell from 94.9% to 93.1% due to “more virulent influenza and gastroenteritis than usual”.

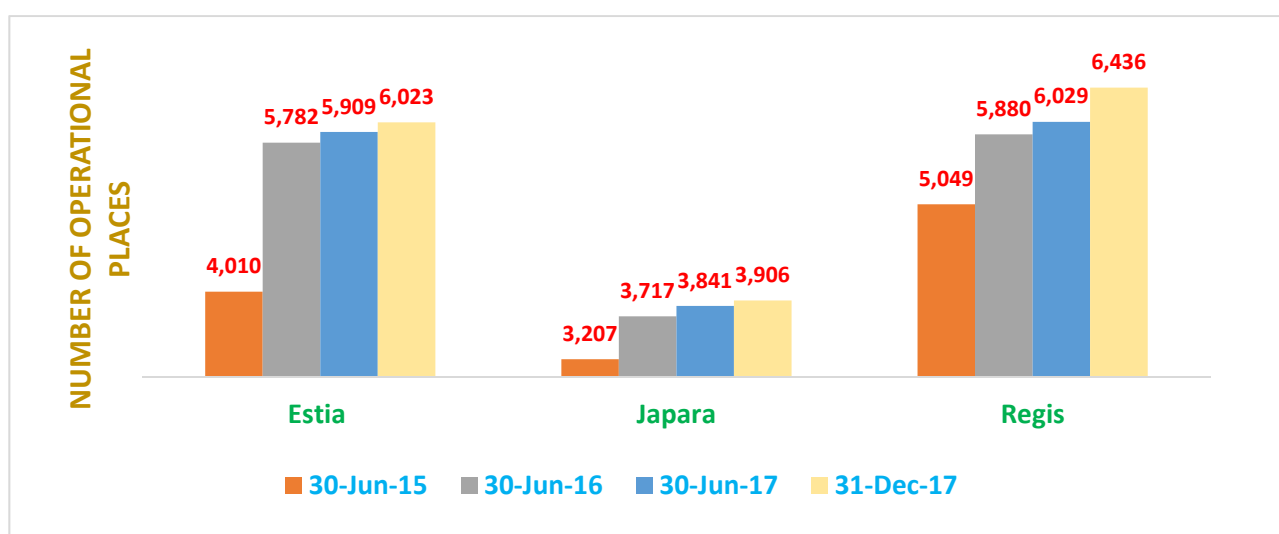
*Figure 1: Average occupancy rates for the listed period ending 31 December 2017 and 30 June 2017*



### Operational places

Across the three listed companies, the number of operational places increased slightly in FY17 mostly due to operational places being released as new facilities were opened or existing ones upgraded.

*Figure 2: Number of operational places across listed providers from 30 June 2015 to December 2017*



## ACFI and Staff Costs

ACFI (the level of government funding received as determined by the funding instrument) is an important financial KPI for facility managers and aged care providers. Whilst we are unable to tell the ACFI or care staff costs of the listed providers, they do provide their results for government revenue per occupied bed day and from the financials we can calculate total staff costs as a percentage of operating revenue.

KPI	ESTIA			JAPARA			REGIS		
	Dec-17	Jun-17		Dec-17	Jun-17		Dec-17	Jun-17	
Average ACFI per bed day*	\$196.00	\$192.30	↑	\$197.70	\$196.60	↑	\$197.00	\$197.00	-
Staff costs as % of operating revenue	65.55%	64.72%	↑	71.13%	69.70%	↑	67.38%	64.51%	↑

\* ACFI per bed day is all government revenue per occupied bed day as stated in investor presentations

Estia has \$3.70 increase in ACFI per bed day with no material contribution from new significant refurbishments. Japara experienced a \$1.10 increase in ACFI due to growth from brownfield developments completed in FY17 and the expansion of capacity to offset Government funding cuts. Regis ACFI per bed day has remained at the same level.

Staff costs are the most significant of all expenses aged care operators face. All three listed providers experienced an increase in staff costs as a percentage of operating revenue. The increase in staff costs of Estia resulted from consolidating EBA agreements, increased costs associated with flu season, commencement of Twin Waters, and executive restructuring. Japara experience wages growth of circa 5% from the final year of its former Victorian EBA.

Similar to Estia and Japara, Regis had EBA increases during this period. Furthermore, Regis has \$11.5m staff cost paid for ramping up, ramping down and acquired facilities, and \$3.3m for cleaning services which was moved from its prior classification of resident care expenses when outsourced.

## EBT and EBITDA

The sector primarily uses EBITDA<sup>1</sup> as a measure of financial performance. EBITDA is defined as earnings before interest, tax, depreciation and amortisation. However, this measure doesn't consider depreciation and as this is a significant expense for residential aged care facilities, and we consider that EBT (earnings before tax) should also be given equal consideration when assessing overall financial performance.

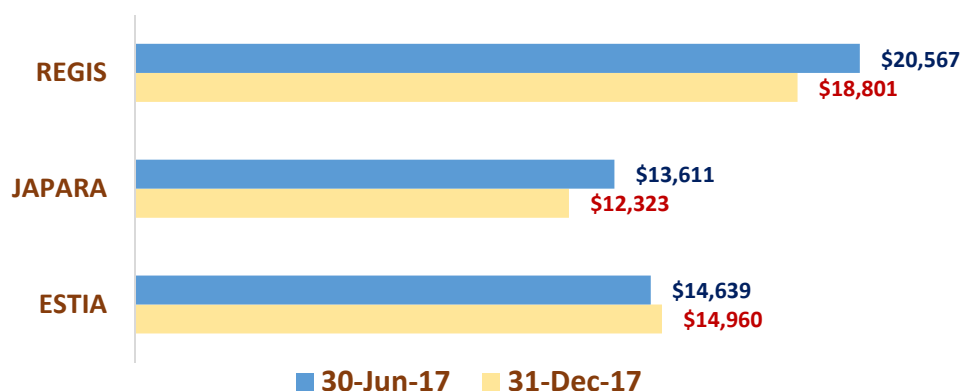
Normalised EBITDA excludes acquisition-related costs and one-off costs. EBT is net profit before tax as reported by the listed entities. Calculation of EBITDA per bed per annum is based on the normalised EBITDA divided by the number of operational places (figures obtained for this calculation are sourced from the listed entities' presentations to the market).

<sup>1</sup> Earnings before interest, tax, depreciation and amortisation (EBITDA) is a measure of an organisation's operating performance. Essentially, it's a way to evaluate an organisation's performance without having to factor in financing decisions, accounting decisions or tax environments.

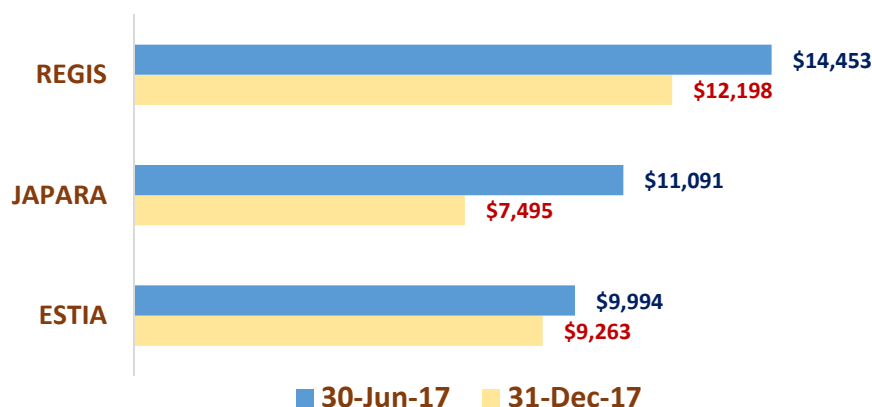
**Table 3: EBITDA per bed per annum calculation**

Listed entity	Period	Normalised EBITDA (as published)	No. of operational places (as published)	EBITDA per bed per annum (calculated)
ESTIA	HY18	\$45.4m	6,023	\$14,960
ESTIA	FY17	\$86.5m	5,909	\$14,639
JAPARA	HY18	\$24.3m	3,906	\$12,323
JAPARA	FY17	\$52.3m	3,841	\$13,611
REGIS	HY18	\$61.0m	6,436	\$18,801
REGIS	FY17	\$124.0m	6,029	\$20,501

**Figure 3: Normalised EBITDA per bed per annum**



**Figure 4: EBT per bed per annum**



**Brief Commentary**

- The EBITDA per bed per annum has decreased for both Regis and Japara due to impacted by lower occupancy from influenza outbreaks, the effect of the cuts to residential aged care funding, and staff costs increasing at a greater rate than revenue
- The EBITDA per bed per annum has increased for Estia due to growing occupancy rate and higher government revenues
- EBT per bed per annum varies considerably between the three listed entities, with a decrease occurring for each of them
- There are various opinions on what level of EBT may be considered desirable. If the total cost (purchased or acquired) of a bed is (say) \$275,000 (excluding land) an EBT of \$10,000 per bed per annum only represents a return of 3.6%



## Cash Flows

**Table 4: Summary of cash flows for periods ended 31 December 2017 and 31 December 2016**

	ESTIA	ESTIA	JAPARA	JAPARA	REGIS	REGIS
	Dec-17	Dec-16	Dec-17	Dec-16	Dec-17	Dec-16
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating Cash Flows</b>						
Receipts	302.4	298.4	200.3	194.1	327.8	312.6
Payments	(220.0)	(212.3)	(158.7)	(150.4)	(239.7)	(220.5)
Finance costs (net)	(3.8)	(5.8)	(1.6)	(0.7)	(6.4)	(5.3)
Income tax paid	(13.8)	(20.3)	(4.9)	(5.7)	(13.6)	(15.3)
<i>Net operating cash flows</i>	<i>\$64.8m</i>	<i>\$60.0m</i>	<i>\$35.1m</i>	<i>\$37.4m</i>	<i>\$68.1m</i>	<i>\$71.5m</i>
<b>Investing Cash Flows</b>						
PP&E movement (net)	(0.6)	(1.7)	(19.3)	(8.8)	(50.6)	(3.2)
Capital work in progress	(16.2)	(23.1)	(31.5)	(18.0)	(64.4)	(58.9)
Acquisitions	-	(93.1)	-	-	(28.3)	-
<i>Net investing cash flows</i>	<i>(\$17.5m)</i>	<i>(\$117.9m)</i>	<i>(\$50.8m)</i>	<i>(\$26.8m)</i>	<i>(\$143.3m)</i>	<i>(\$62.1m)</i>
<b>Financing Cash Flows</b>						
RAD movement (net)	33.6	38.7	25.8	28.9	23.2	46.8
Borrowings (net)	(61.5)	13.0	25.0	11.5	106.5	(10.0)
Dividends paid	(20.8)	(19.2)	(15.2)	(15.1)	(30.0)	(17.8)
Share issue	-	81.9	0.4	2.8	-	-
<i>Net financing cash flows</i>	<i>(\$48.7m)</i>	<i>\$114.4m</i>	<i>\$36.0m</i>	<i>\$28.1m</i>	<i>\$99.6m</i>	<i>\$19.0m</i>

### Brief Commentary

- Operating cash flows exclude proceeds and repayment of RAD's in line with the Aged Care Financial Report disclosures. StewartBrown also consider such cash flows to be of a financing rather than operating nature
- Operating cash flows have reduced for the comparable periods in line with the reduction in EBITDA and overall profitability of the three listed entities
- Net RAD movement has declined for each of the listed entities, and substantially in relation to Regis
- Estia repaid external borrowings by \$61.5m due in part as a flow-on from the to the \$81.9m share issue from the previous period
- Regis increased external borrowings during the period by \$106.5m and Japara increased external borrowings by \$11.5m

## Depreciation

The listed entities' 2017 Annual Financial Reports include their respective building depreciation policies and there has been no change in accounting policy for the six months to December 2017. These are summarised below.

	ESTIA	JAPARA	REGIS
<i>Buildings</i>	50 years	50 years	55 years
<i>Plant and equipment, furniture and fixtures</i>	4 to 15 years	4 to 25 years	3 to 30 years
<i>Property improvements</i>	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.

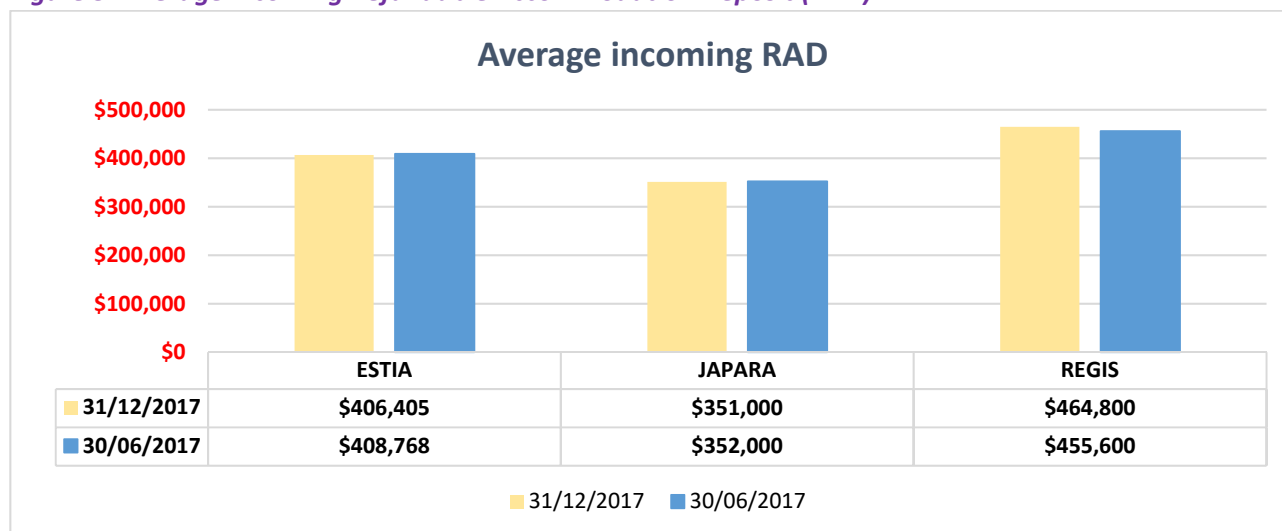
The depreciation policy of the listed entities (and others in the sector) does not appear to match their policy on refurbishment. Generally, a residential aged facility requires a major refurbishment of a facility on average every 12 years in order to maintain attractiveness and be competitive. Therefore, 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.

### 3. Accommodation Analysis

#### Accommodation Pricing

Figure 5: Average Incoming Refundable Accommodation Deposit (RAD)

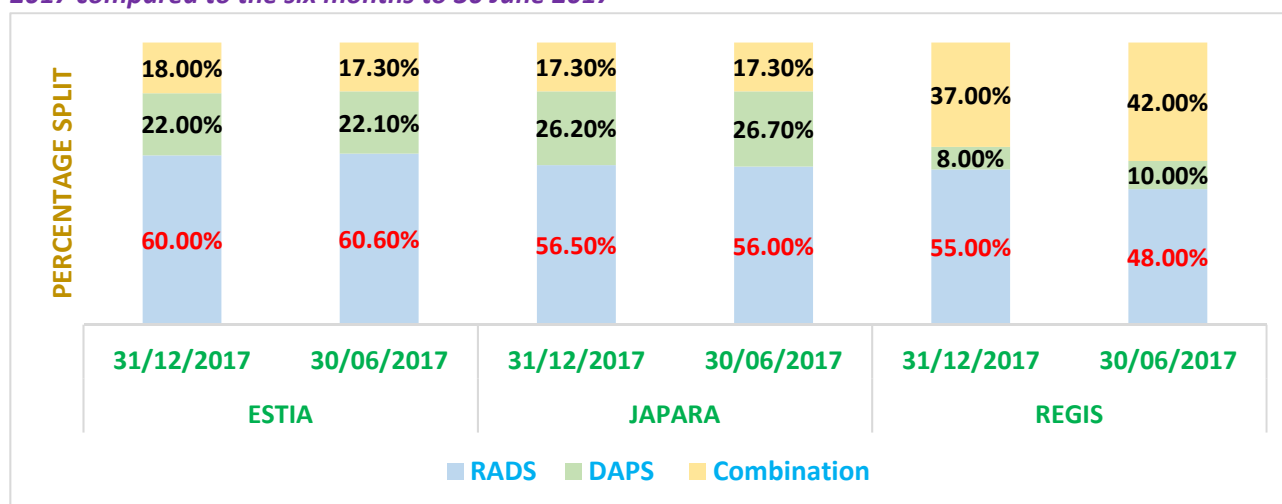


- Estia average incoming RAD decreased due to slight shift towards concessional residents
- Japara has consistent incoming RAD compared to June 2017 but this is expected to increase with its developments program
- Regis increased incoming average RAD reflects the higher levels of room pricing of its new facilities
- The average RAD's for the listed entities are higher than for the overall sector average (approximately \$340,000)

#### Incoming Resident Payment Preference

There is a continuing trend of residents moving away from the payment of a full Refundable Accommodation Deposit (RAD). Estia's report is showing a slight shift to combination payments from RAD. Regis has an increased rate of full RAD payment due to the greater number of residents entering care in the new facilities.

Figure 6: Proportion of RADs, DAPS and combination payments received for six months to 31 December 2017 compared to the six months to 30 June 2017



## 4. Market Capitalisation

Market capitalisation is measured as number of ordinary shares multiplied by the share price as at 31 December 2017. 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 December 2017 and 30 June 2017 for the listed entities**

	ESTIA		JAPARA		REGIS	
	Dec-17	Jun-17	Dec-17	Jun-17	Dec-17	Jun-17
Ordinary shares (as at reporting date)	260,602,749	260,602,749	265,545,992	265,545,992	300,534,519	300,358,466
Share price (as at reporting date)	\$3.48	\$3.05	\$1.96	\$2.10	\$3.52	\$3.93
Market capitalisation (\$m)	\$906.9m	\$794.8m	\$520.5m	\$557.6m	\$1,057.9m	\$1,180.4m
Annualised Normalised EBITDA (\$m)	\$90.8m	\$86.5m	\$48.5m	\$52.3m	\$122.0m	\$124.0m
Annualised Normalised EBT (\$m)	\$56.2m	\$59.1m	\$29.5m	\$42.6m	\$79.2m	\$87.1m
Annualised EBITDA (as % of market capitalisation)	10.02%	10.88%	9.32%	9.38%	11.53%	10.50%
Annualised EBT (as % of market capitalisation)	6.20%	7.43%	5.67%	7.64%	7.48%	7.38%

The EBT as a percentage of market capitalisation is the most interesting measure as this metric represents the potential return on investment for shareholders. Across the listed entities this result does varies from 5.67% (Japara) to 7.48% (Regis) for the six months to Dec-17. Notably, the EBITDA% and EBT% of market capitalisation of each entity has decreased when compared to the Jun-17 results.

## 5. Summary Tables

	ESTIA		JAPARA		REGIS	
	Dec-17	Jun-17	Dec-17	Jun-17	Dec-17	Jun-17
<b><i>Balance Sheet</i></b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	17,706	19,215	61,616	41,376	45,764	21,476
PPE	730,579	723,549	585,881	541,776	1,053,932	927,315
Investment property	1,500	1,500	38,372	32,972	126,587	115,034
Intangibles	1,035,740	1,035,990	463,458	463,458	478,415	446,132
Other assets	17,826	18,273	27,947	35,986	14,233	14,606
<b><i>Total assets</i></b>	<b>1,803,351</b>	<b>1,798,527</b>	<b>1,177,274</b>	<b>1,115,568</b>	<b>1,719,089</b>	<b>1,524,743</b>
Resident liabilities	762,823	730,222	478,461	453,103	953,929	916,699
Borrowings	60,000	121,514	86,000	61,000	361,467	255,000
Employee entitlements	44,818	42,396	35,227	35,334	54,693	51,315
Creditors & other liabilities	174,920	143,279	46,470	30,417	166,996	117,792
<b><i>Total liabilities</i></b>	<b>1,042,561</b>	<b>1,037,411</b>	<b>646,158</b>	<b>579,854</b>	<b>1,537,085</b>	<b>1,340,806</b>
<b><i>Net Assets</i></b>	<b>760,790</b>	<b>761,116</b>	<b>531,116</b>	<b>535,714</b>	<b>182,004</b>	<b>183,937</b>
<b><i>Income Statement</i></b>						
Operating	271,744	524,630	180,595	353,998	291,143	554,819
Investment	-	-	-	-	239	582
Other	387	1,037	1,912	8,195	5,618	10,082
<b><i>Total revenue</i></b>	<b>272,131</b>	<b>525,667</b>	<b>182,507</b>	<b>362,193</b>	<b>297,000</b>	<b>565,483</b>
Staff costs	178,139	339,515	128,457	246,734	196,173	357,896
Depreciation	10,695	18,860	7,761	14,255	13,987	29,505
Net Finance Costs	3,803	9,623	1,745	3,304	4,129	7,009
Other	51,369	98,615	29,786	55,299	42,897	83,355
<b><i>Total expenses</i></b>	<b>244,006</b>	<b>466,613</b>	<b>167,749</b>	<b>319,592</b>	<b>257,186</b>	<b>477,765</b>
<b><i>EBT</i></b>	<b>28,125</b>	<b>59,054</b>	<b>14,758</b>	<b>42,601</b>	<b>39,814</b>	<b>87,718</b>
Tax	7,867	18,356	4,479	12,889	11,939	26,617
<b><i>Result after tax</i></b>	<b>20,258</b>	<b>40,698</b>	<b>10,279</b>	<b>29,712</b>	<b>27,875</b>	<b>61,101</b>
Other items - one off	-	-	-	-	15	336
<b><i>Total comprehensive income for the year</i></b>	<b>20,258</b>	<b>40,698</b>	<b>10,279</b>	<b>29,712</b>	<b>27,860</b>	<b>61,437</b>

## 6. Adjustments for Normalised Revenue and EBITDA

EBITDA is calculated as total revenue less total expenses before interest, finance costs and depreciation. Normalised EBITDA is from the results disclosed on the ASX.

### Estia

Estia	\$'000	\$'000
	Dec-17	Jun-17
Total revenue from statutory accounts	272,131	525,667
EBITDA calculated from statutory accounts	45,808	87,537
Add back: Acquisition related expenses	0	0
Less: Gains on bargain purchases and asset sales	(387)	(1,037)
<b>Normalised EBITDA</b>	<b>45,421</b>	<b>86,500</b>
<b>Normalised revenue</b>	<b>271,744</b>	<b>524,630</b>

### Japara

Japara	\$'000	\$'000
	Jun-17	Jun-17
Total revenue from statutory accounts	182,507	362,193
EBITDA calculated from statutory accounts	24,264	60,160
Add back: Acquisition related expenses	0	0
Less: Gains on bargain purchases and asset sales	0	(7,880)
<b>Normalised EBITDA</b>	<b>24,264</b>	<b>52,280</b>
<b>Normalised revenue</b>	<b>182,507</b>	<b>354,313</b>

### Regis

Regis	\$'000	\$'000
	Dec-17	Jun-17
Total revenue from statutory accounts	297,000	565,483
EBITDA calculated from statutory accounts	57,691	123,650
Add back: Acquisition related expenses	3,309	347
Less: Gains on bargain purchases and asset sales	0	0
<b>Normalised EBITDA</b>	<b>61,000</b>	<b>123,997</b>
<b>Normalised revenue</b>	<b>297,000</b>	<b>565,483</b>

## 7. GLOSSARY

<b>Cash</b>	Cash and cash equivalents
<b>DAP</b>	Daily Accommodation Payment
<b>Debt</b>	Resident loans (RADS, accommodation bonds), ILU resident loans, other loans and borrowings
<b>EBITDA</b>	<p>This measure represents earnings before interest (including investment income), taxation, depreciation and amortisation. The calculation <u>excludes</u> interest (and investment) revenue as well as interest expense on borrowings.</p> <p>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.</p>
<b>EBT</b>	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.
<b>Normalised EBITDA</b>	Earnings before interest, tax, depreciation and amortisation excluding acquisition-related costs and one-off costs
<b>RAD</b>	Refundable Accommodation Deposit
<b>Liquid financial assets</b>	Current assets that can be converted into cash such as shares
<b>Return on Assets (ROA)</b>	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



**Stuart Hutcheon** | Managing Partner

Stuart Hutcheon is the head of our Audit and Assurance Division, but also provides consulting services to a diverse client base. He has had considerable experience with both commercial and not-for-profit organisations. This experience covers all areas of professional services including auditing, management accounting, budgeting, salary packaging and FBT advice.

Prior to joining StewartBrown Stuart held positions in commerce and undertook various medium-term secondments in various financial accounting roles. He has been a partner since 2004.

Stuart holds a Bachelor of Commerce and is a Chartered Accountant, Registered Company Auditor and Registered SMSF Auditor.



**Grant Corderoy** | Senior Partner

Grant is the head of our expanded Consulting division. He 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. A partner in the firm since 1995, he has significant professional expertise within the not-for-profit sector and has a lengthy client list including many national aged care providers and community service providers.

Grant has tertiary business qualifications and is an Affiliate of Chartered Accountants Australia and New Zealand.



**David Sinclair** | Partner

David is Partner with StewartBrown specialising in providing services and advice to the aged care and community services businesses with a focus on the not-for-profit sector. Until recently, David managed the StewartBrown Aged Care Financial Performance Survey. David now leads the internal audit team and jointly leads the consulting team in conjunction with Senior Partner Grant Corderoy. David holds a Bachelor of Economics, is a Chartered Accountant, an Associate Member of the Institute of Internal Auditors and Member of the Australian Institute of Company Directors.



**Tracy Thomas**  
Senior Manager | Benchmark Services & Business Analysis

Tracy is a Chartered Accountant and Associate Actuary. Since joining StewartBrown in 2016, she has been involved with the Aged Care Financial Performance Survey and now heads the team undertaking the survey. She has worked with several providers of residential aged care and home care on consulting assignments and produced the Corporate Administration Reports and Listed Providers Analysis updates. She specialises in data analysis and financial modelling.



**Annette Gough**  
Senior Manager | Consulting

Annette is a CPA who has recently joined StewartBrown in the position of Senior Manager within our Consulting division. She has extensive experience in the NFP industry with her most recent role being responsible for budgets, forecasting and reporting for a large not for profit provider. She specialises in business partnering to align the financials and reporting with service delivery. Prior to this, she has held various senior positions within the Commercial sector with a key focus on driving performance.



## 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

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