

ASX Announcement

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

Regis reports strong underlying earnings growth and cash flow generation

Regis Healthcare Limited (ASX: REG) (Regis), a leading residential aged care provider, is pleased to present its FY24 results.

Results Overview

- Revenue of \$1,014.1 million, up 30% on pcp
- Underlying EBITDA¹ of \$107.2 million, up 29% on pcp
- Underlying EBITA² of \$61.5 million, up 55% on pcp
- NPATA³ of \$35.6 million, up 25% on pcp
- Statutory Net Loss after Tax of \$21.4 million impacted by non-cash bed licence amortisation
- Net operating cash flow of \$252.3 million, up 140% on pcp, including refundable accommodation deposits (RADs) net cash inflow of \$141.0 million
- Net cash of \$64.9 million at 30 June 2024 (FY23: Net debt of \$6.0 million)
- Board of Directors resolved to pay a final dividend of 6.64 cents per ordinary share (50% franked) payable 25 September 2024

Operational Highlights

- Average occupancy of 94.1%⁴, significantly up on 91.5% in pcp, resulting in an increase in occupied bed days from 2.332 million to 2.517 million
- Acquisition and integration of CPSM Pty Ltd (CPSM), a premium aged care business in South-East Queensland comprising 5 homes with 644 beds
- Improvement in average overall star rating from 3.32 (Q1 FY24) to 3.62 (Q3 FY24)
- Q4 FY24 average care minutes increased to 210.5 minutes, up from 187.9 in Q1 FY24⁵

Regis' Managing Director and CEO Dr Linda Mellors said, "Regis has delivered excellent growth in FY24 across key metrics including occupancy, revenue, underlying earnings and cashflow. Funding has improved under AN-ACC to meet the care minutes mandate, workforce pressures have moderated, and we have completed and integrated the CPSM acquisition of five homes in South-East Queensland. Regis finished the year with a strong balance sheet and active acquisition pipeline."

"The Aged Care Taskforce's final report was released in March 2024 including 23 recommendations. We look forward to the Government's response and support for these recommendations which are crucial to ensure the longer-term sustainability of the aged care sector. Improved funding is a necessary catalyst for providers to invest and build the high-quality aged care homes that Australians expect."

"The Company invested in a number of strategic growth initiatives across FY24. Construction of a new 112-bed residential aged care Home in Camberwell, Melbourne, remains on track to open to new residents by late 2024. We have progressed plans and a program of work for other greenfield developments and continue to invest in the refurbishment and redevelopment of our homes."

Financial and Operating Results

\$ millions	FY24	FY23	Change %
Revenue from services	1,014.1	780.6	29.9%
Other income ⁶	104.3	117.0	(10.9%)
Staff expenses	776.4	597.0	30.1%
Underlying EBITDA ¹	107.2	83.3	28.7%
Underlying EBITA ²	61.5	39.6	55.3%
NPATA ³	35.6	28.5	24.7%
Net operating cash flow	252.3	105.2	139.8%
Net RAD cash inflow	141.0	43.6	223.4%
Capital expenditure	66.9	53.5	25.0%
Net cash / (debt)	64.9	(6.0)	1,181.7%
Average occupancy %	94.1%	91.5%	2.6 pts
Staff expenses / revenue from services %	76.6%	76.5%	0.1 pts
Basic EPS (cents per share)	(7.11)	(9.46)	24.8%
NPATA per share (cents per share) ⁷	11.81	9.48	24.6%

Trading Performance

Revenue from services increased by 30% to \$1,014.1 million, benefitting from improved AN-ACC funding, occupancy uplift and seven months of the CPSM acquisition. The AN-ACC industry starting price increased by 12% on 1 July 2023 from \$216.80 to \$243.10 per resident per day, increasing again on 1 December 2023 to \$253.82. Average occupancy increased to 94.1% from 91.5% (pcp) with a spot rate of 95.3% at 30 June 2024.

Staff expenses increased by 30% to \$776.4 million largely as a result of the Fair Work Commission's (FWC) Work Value Case increasing modern awards wage rates by 15% for eligible direct care workers from 30 June 2023, and the 5.75% Annual Wage Review from 1 July 2023, funded by Government through increases in AN-ACC. Regis further invested in its direct care workforce to address the Government care minutes mandate.

Underlying EBITDA which excludes one-off items (refer below) was \$107.2 million, up 29% on pcp, including a \$7.5 million contribution from CPSM from 1 December 2023.

CPSM Acquisition

The CPSM acquisition which completed on 1 December 2023 added 5 residential aged care homes with 644 beds in South-East Queensland. The net cash consideration was \$75.2 million.

The homes have performed strongly since acquisition with average occupancy of 97%. Integration has been completed with all homes operating under Regis' management structures, systems and processes.

One-Off and Non-Recurring Items

The following income and expense items (net expense of \$2.3 million before tax) are one-off/non-recurring in nature:

- Government grants - \$13.7 million
- Net gain on disposal of non-current assets - \$5.1 million
- COVID-19 outbreak related expenses - \$4.6 million
- CPSM acquisition and integration costs - \$7.6 million
- Strategic investment in human resources systems - \$6.6 million
- Professional services costs incurred in relation to employee entitlements underpayments program of work - \$2.1 million
- Other net losses - \$0.2 million

Cash and Capital Management

Net operating cashflow increased 140% to \$252.3 million (FY23: \$105.2 million), including net RAD cash inflow of \$141.0 million (FY23: \$43.6 million). Capital expenditure of \$66.9 million (FY23: \$53.5 million) included the Camberwell greenfield residential aged care development, refurbishment of existing homes, and strategic technology investments.

Net cash of \$64.9 million at 30 June 2024 was driven by increased occupancy, additional Government funding, strong net RAD cash inflow, and the acquisition of CPSM.

Property Developments

Construction of the new 112-bed Camberwell, Melbourne, residential aged care home is nearing completion with opening planned for late 2024. Construction is soon to commence on a 123-bed residential aged care development project in Toowong, Brisbane.

Employee Entitlements Underpayments

As previously disclosed, Regis announced to the ASX on 9 August 2021 that it had identified potential underpayments of employee entitlements to certain current and former employees under its enterprise agreements.

During FY24, Regis commenced its remediation payment process and made payments of \$28.6 million. Due to the complexity involved in determining the amount and timing of final remediation costs, Regis continues to engage with its external advisors and regulatory authorities, including the Fair Work Ombudsman. The remediation payment process is ongoing and will continue through FY25. A provision of \$16.2 million, including \$5.0 million for ongoing matters is recorded within other provisions (current) as at 30 June 2024 (FY23: \$37.7 million).

Industry Reform and Sector Changes

The aged care industry continues to experience a period of substantial reform and change including:

- Aged Care Taskforce final report was released in March 2024 containing 23 recommendations to support a more sustainable and viable sector - awaiting Government response;
- Mandated care minutes to increase to an average of 215 care minutes per resident per day, including 44 minutes from a registered nurse, from 1 October 2024;
- Subject to parliamentary processes, a new Aged Care Act will commence from 1 July 2025, having been delayed by 12 months;
- Aged Care Quality Standards to be implemented under the new Aged Care Act; and
- Fair Work Commission finalised its Stage 3 decision on aged care wages in March 2024 with eligible care and support workers to receive an additional pay increase of up to 13.5%, to be phased-in from 1 January 2025 and 1 October 2025.

Dividends

The Board of Directors resolved to pay a final dividend of 6.64 cents per ordinary share totalling \$20.0 million (50% franked) for the year-ended 30 June 2024, payable on 25 September 2024 (record date 11 September 2024). The full-year dividend pay-out represents 100% of NPATA excluding one-off items.

Outlook

Regis continues to adapt to a rapidly changing regulatory environment and expects to benefit over time from the ageing population, improved workforce availability, additional Government funding and strategic growth initiatives. Regis will use its strong balance sheet, substantial debt facility and disciplined management of the business, to support the active pursuit of further material strategic acquisitions and greenfield developments to drive increased shareholder value.

For further information, contact:

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A teleconference and webcast will be held by Regis' Managing Director and CEO Dr Linda Mellors and CFO Mr Rick Rostolis at 10am AEST. Registration details are as follows:

<https://www.regis.com.au/investor-information/forward-calendar/>

This document was authorised for release to the ASX by the Board of Directors.

About Regis

Regis is one of the largest aged care operators in Australia. Founded over 30 years ago, Regis provides services to more than 9,000 older Australians through residential aged care homes, home care service hubs, day therapy and respite centres, and retirement villages. Regis prides itself on providing high quality care and services through its team of over 11,000 dedicated nurses, carers, and support professionals. To learn more about Regis [click here](#).

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1. Non-IFRS financial information, while not subject to an audit or review, has been extracted from the Financial Report, which has been subject to audit by the Group's external auditors. Underlying earnings before interest, tax, depreciation and amortisation ('Underlying EBITDA'), which excludes imputed income on RADs and Bonds of \$81.5 million and one-off items, and includes operating lease expense of \$1.1 million, is reported in order to provide shareholders with a greater understanding of financial performance. A reconciliation of loss before income tax to Underlying EBITDA is provided in the FY24 Full-Year Results Investor Presentation
 2. EBITA refers to earnings before interest, tax and amortisation, which excludes imputed income on RADs and Bonds of \$81.5 million, depreciation relating to right-of-use assets in accordance with AASB 16 *Leases* of \$1.0 million and one-off items, and includes operating lease expense of \$1.1 million
 3. NPATA refers to net profit after tax before amortisation of operational places
 4. Based on FY24 average available operational places of 7,313 (FY23: 6,980)
 5. Q4 FY24 (1 April 2024 - 30 June 2024) as submitted to DHAC
 6. Includes \$81.5 million of imputed income on RADs and Bonds (FY23: \$62.9 million)
 7. Net profit after tax before amortisation of operational places divided by FY24 weighted average number of shares on issue