

Morgan Stanley Conference

6th June 2018

Estia 
Health

Mudgeeraba Queensland

Delivering high quality residential aged care services to everyday Australians



One of
Australia's
largest
aged care
providers



68
operational
homes



Care delivered
to 8,000+
older
Australians
annually



Employing
over 7,000
staff

Estia Timeline

OCT 2013 JUL 2014 DEC 2014 JUL 2015 DEC 2015 FEB 2016 JUL 2016 OCT 2016 DEC 2016 JUN 2017 SEP 2017 MAR 2018

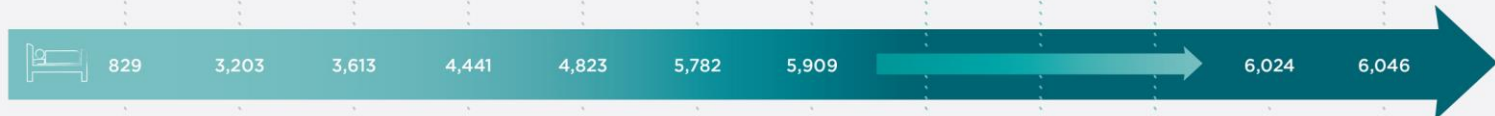
OCTOBER 2016
 • Norah Barlow appointed CEO
 • FY17 Guidance revised
 • Short interest peaks at 15%
 • Strategic Review

DECEMBER 2016
 • \$136m Capital Raise
 • Gary Weiss appointed Chairman

JUNE 2017
 • FY17 Guidance achieved
 • Occupance and key metrics improved
 • 15 homes commence significant refurbishment

AUGUST 2017
 • Banking facilities renewed in full with existing lenders

NOVEMBER 2017
 • Board approved 3 new greenfield developments - 345 new beds
 • Executive Leadership Team recruitment and structure completed



Estia Formed Padman & Cook Acquisitions IPO Multiple Acquisitions Kennedy Acquisition Focus on business improvement and operational excellence - people, systems, services, optimisation Twin Waters Opens Kogarah Opens



1H FY18 FINANCIAL OVERVIEW

\$271.7m

OPERATING REVENUE

Up 3.3% on 1H FY17

\$45.4m

EBITDA¹

Up 5.6% on 1H FY17

\$20.3m

NPAT

Up 2.5% on 1H FY17

\$51.1m

OPERATIONAL CASHFLOW²

113% EBITDA/Cash conversion

\$42.3m

NET DEBT³

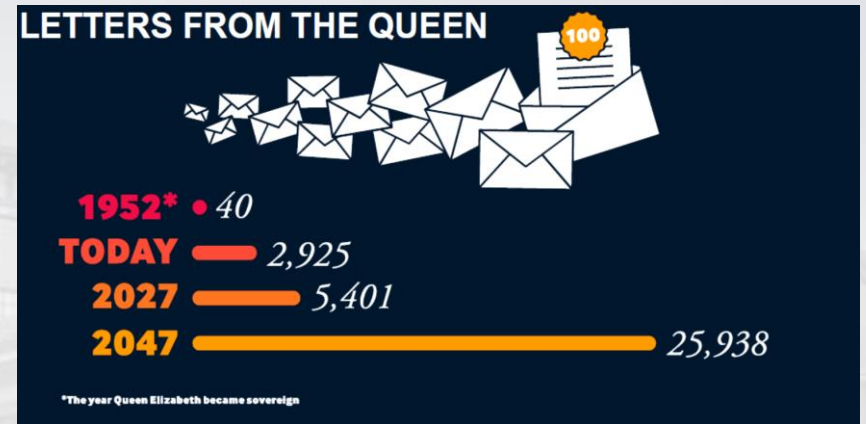
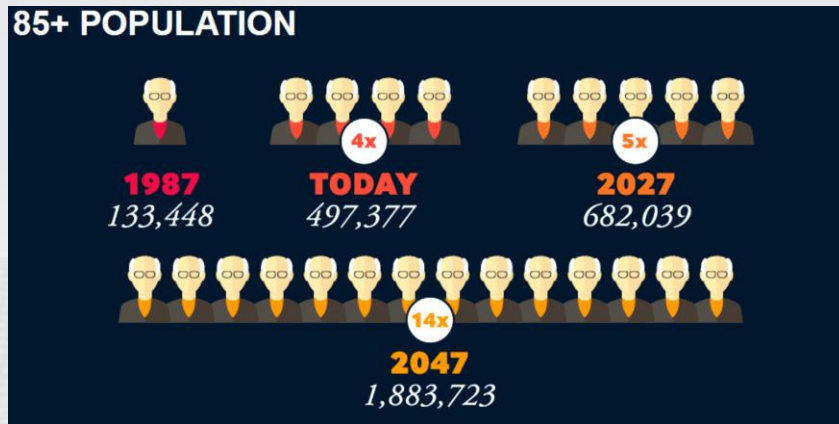
7.78 cents

EARNINGS PER SHARE

Decrease of 24.5% on 1H FY17 due to dilution impact of FY17 capital raise



AGED CARE DEMAND

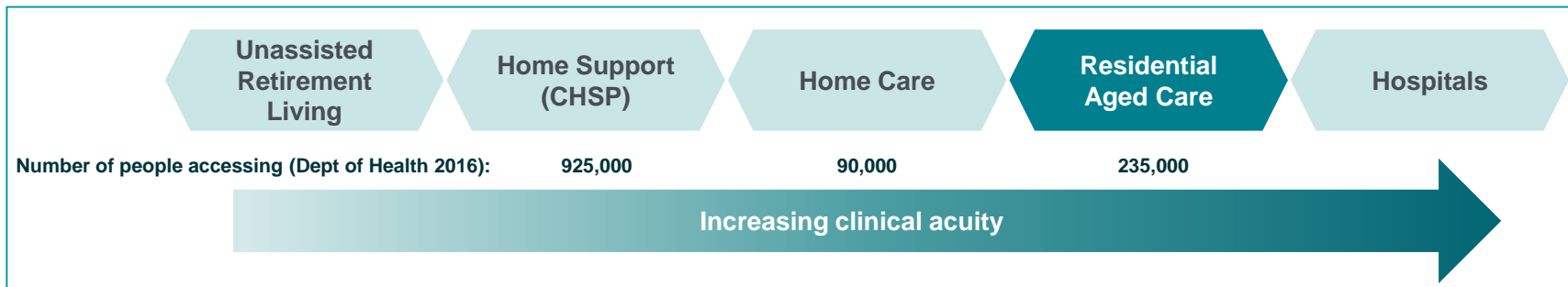


1. Source © McCrindle, Source ABS

CARING FOR OLDER AUSTRALIANS

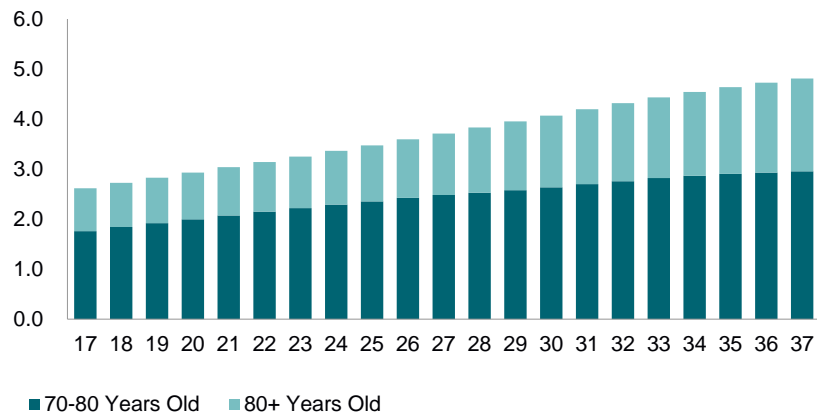
Residential Aged Care is not a choice; it is a critical necessity for the many older Australians who become unable to live unassisted at some stage in their life.

The continuum of care for older Australians



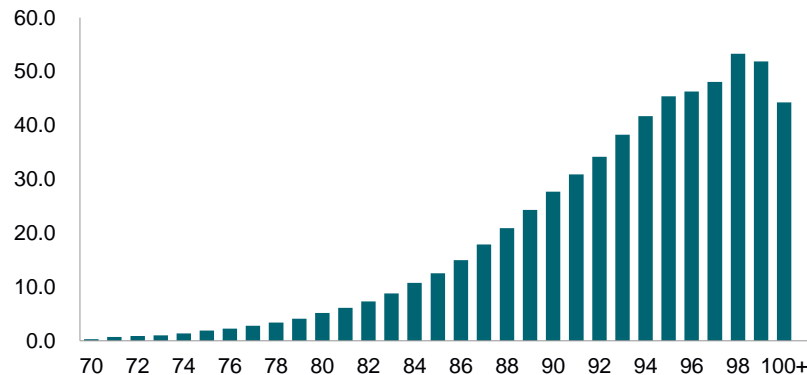
Population Aged Over 80 Expected to More than Double in the Next 20 Years

Millions of People Aged 70 Years and Over, 2017 to 2037



Residential Aged Care Utilisation Increases Significantly for Persons Aged Over 80

% of Females of Each Age Using Residential Aged Care, 2016



Graph sources: ACFA Funding Report July 2017, ABS 3222.0

RESIDENTIAL AGED CARE SECTOR OVERVIEW

Regulatory environment

- Strongly regulated operational framework, creating high barriers to entry
- Increasing sector advocacy leads to stronger Government focus
- Multiple committees looking at quality of care in the sector

Opportunities

- Fast growing ageing population
- Continued Government support - CAGR of above 5% expected over next 3 years
- A necessary part of the health of older persons continuum will continue to be supported
- Demand will be circa 76,000 additional beds over the next 10 years

Consolidation opportunities

- Sector relatively fragmented with circa 60% of operators still operating a single home.
- Increased costs to operate in sector will speed consolidation
- Increased focus on quality will lead those less resourced to opt out
- Ageing stock in sector with multiple bed sizes, not suitable for future market

Consumer Driven changes

- Increased demand for home support will see focus on quality operations at higher acuity
- Increased consumer expectations will see demand for single rooms and better quality
- Quality of care is the expectation, not able to be compromised

Well governed, quality-focused operators with scale and capital have the ability to respond to regulatory change, continue to invest in their portfolios and services as well as consider potential consolidation opportunities

ESTIA'S COMPETITIVE ADVANTAGES

- Established and experienced leadership team
- Strong balance sheet, low gearing
- Sustainable profitability driven by robust operational metrics
- Established, scalable centralised processes delivered through regional model of network clusters
- High quality portfolio
- Proven ability to develop and commission new homes – with pipeline in hand
- Our people and care focus

PEOPLE: CULTURE, QUALITY & CARE



IAN THORLEY

Dalmeny, New South Wales

PEOPLE AND CULTURE

- Staff Engagement Survey September 2017
- Organisational Development – Leadership series building management capacity
- Clinical Development – Underpinning our service standards
- Graduate Nurse Program
- Electronic learning platform – ELMO supports mandatory training and compliance requirements
- Registered Nurse led acuity based staffing model

Underpinning standards, supporting attraction and retention of staff



COMMITMENT TO QUALITY

- Legislative change
 - Aged Care Quality and Safety Commission - January 2019
 - New Aged Care Quality Standards
- Increasing advocacy
- Governance
 - Clinical risk monitored by Board Risk Committee
 - Directly reports to the Chief Executive Officer
 - Independent external reviews
- Systems and Processes
 - Uniform Clinical Standards
 - Quality and education functions are independent of operations
 - Clinical Indicator benchmarking – informs potential risk
 - Group wide clinical standards and compliance
- All homes fully compliant with AACQA Standards
- Independent whistle blower hotline



CUSTOMER EXPERIENCE

- Increasing consumer expectations
- Care model supports resident independence and choice
- Specialised care for residents living with dementia
- More complex care required for those residents delaying their entry to residential care
- Network model provides care and accommodation options for local communities
- Additional Services enhance the resident experience:
 - Technologies
 - Lifestyle and activities
 - The dining experience



PROPERTY GROWTH & DEVELOPMENT



RITA SHERIDAN

Twin Waters, Queensland

PROPERTY PORTFOLIO

Key Portfolio Statistics (as at 1 June 2018)

Number of homes

Metro 52

Regional 16

Total number of operational homes 68

Freehold sites 61

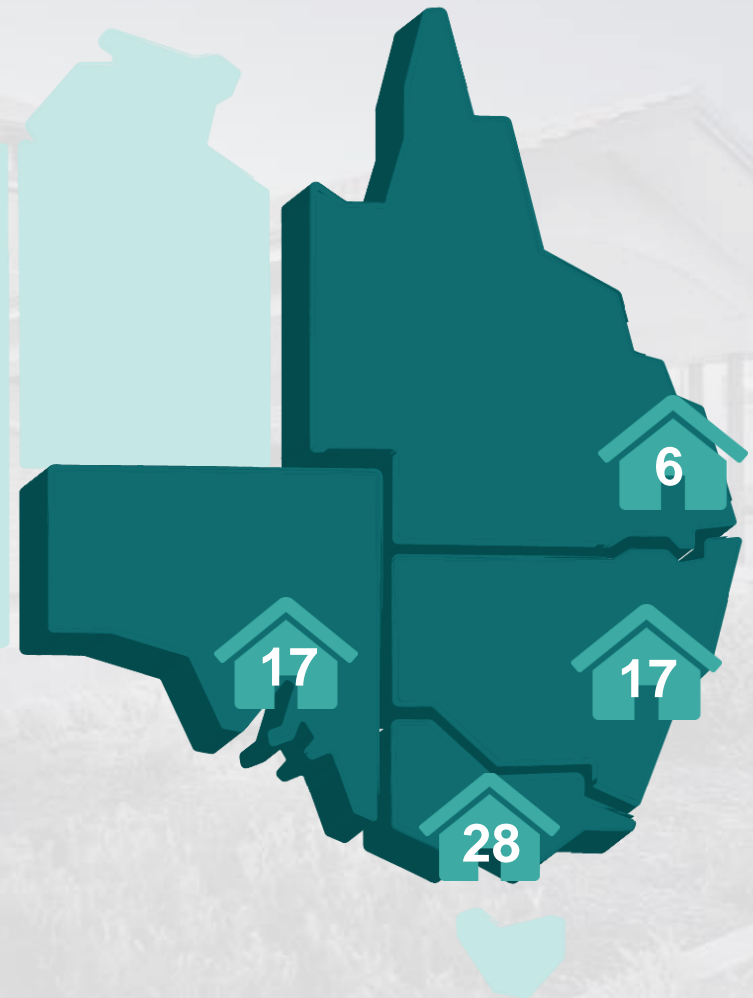
Total operational places 6,045

Number of single rooms 4,875

Single rooms as percentage of total rooms 90%

Average number of places per home 89

Number of homes receiving significant refurbishment supplement 16



GROWTH STRATEGY OVERVIEW

Delivering solid and sustainable growth to create value for our shareholders



PORTFOLIO ENHANCEMENT

- Utilisation of land adjacent to operational homes
- Optimisation of the portfolio building stock through significant and strategic refurbishments
 - 16 homes currently receiving higher accommodation supplement (1,631 beds)
 - 15 homes approved and underway (1,301 beds)
- Stage 1 sustainability projects of \$5m nearing completion
- Enhanced resident experience
- EBITDA uplift through supplement
- Room value uplift
- Protection of asset lifecycle
- Improved market appeal

PORTFOLIO EXPANSION

Completed

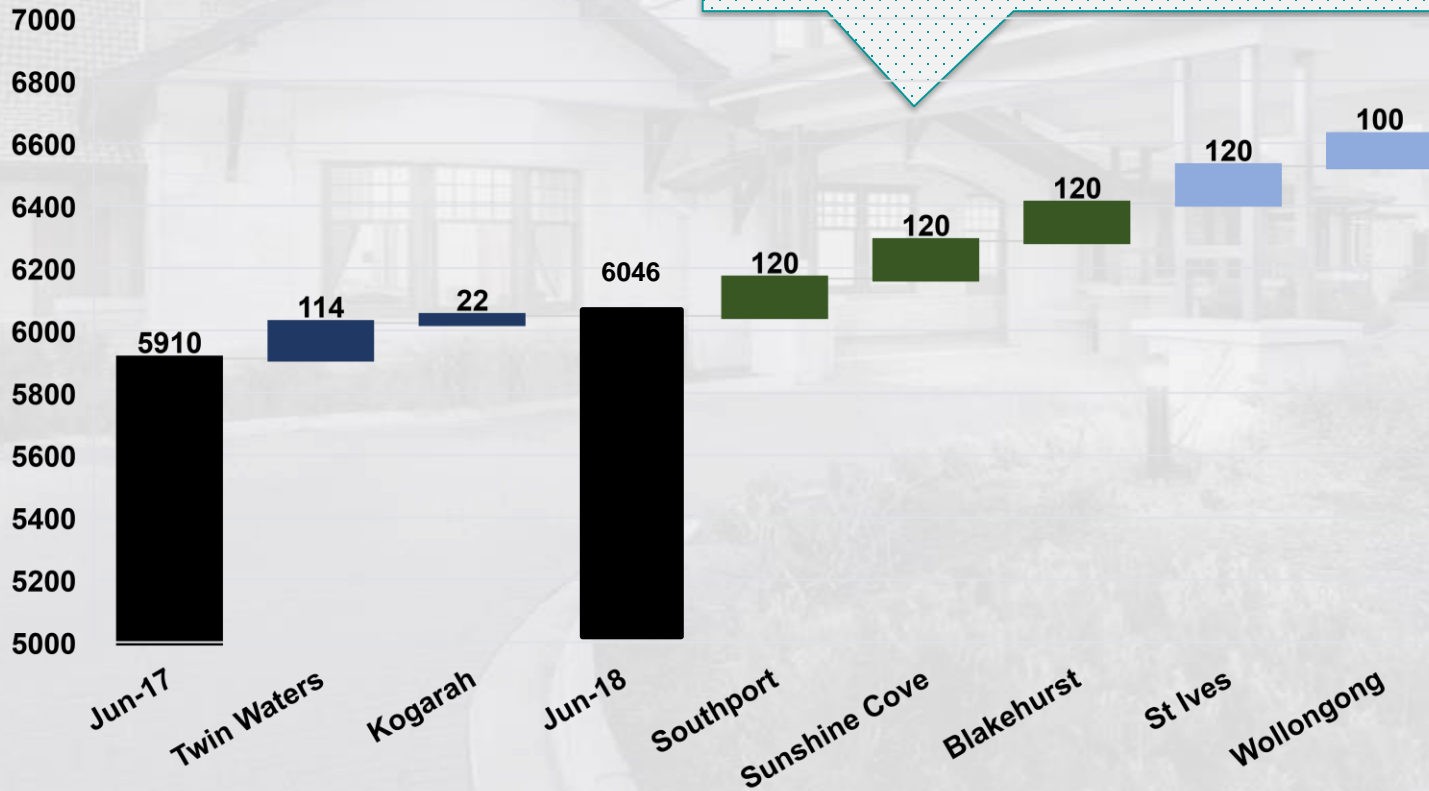
- Twin Waters – September 2017 (114 New Beds)
- Kogarah – March 2018 72 Beds (additional 22 beds)

Underway

- Southport, Sunshine Cove, Blakehurst (345 New Beds)

Pending Final Approvals

- St Ives, Wollongong (~220 New Beds)



PORTFOLIO EXPANSION - ACQUISITIONS

Criteria will include an assessment and weighting of multiple factors:

- Network proximity
- Age of Home, future capital needs and life
- Quality, size and layout of home
- Demographics, need, competitive environment
- Existing resident population
- Barriers to implementing Estia's operational and care model
- RAD balance and future outlook for RAD residents
- Commissioning considerations – staff, residents, timescales

Acquisitions will be existing operational homes or turnkey new homes, and will be earnings accretive, either on stand-alone basis or as part of a capital recycling plan.

LOOKING FORWARD



NORAH BARLOW

Dalmeny, New South Wales

SECTOR REFORM

- Uncap bed supply
- Greater prudential requirements given amount of RADs invested in sector
- User pays extended to all who can afford to pay
- Tune Review recommendations could provide clarity for staff, residents, families and investors
- Introduce nationwide standards for training of care workers
- Register all aged care workers, including those in home support work, to remove those who should not be in the sector

LOOKING FORWARD

Sector

- Robust future demand
- Future demographics are certain
- Necessary part of society caring for older people
- Will remain key to government policy
- No ability to replace people with technology, only to enhance productivity
- Regulatory change, such as tighter prudential management, providing a further barrier to entry
- User pays will increase

Estia

- Leadership depth
- Financial resources to continue to invest in people, systems and property
- Steady growth able to be built upon now stabilised
- Solid balance sheet with good liquidity
- Opportunities to increase revenue through adding capacity, further significant refurbishment to our existing homes, and increased additional service offering

Estia, as a well-governed, quality-focused operator with scale and capital, has the ability to respond to regulatory change, to invest in its portfolio and services, as well as grow capacity through development and acquisitions.



Appendices

APPENDIX A: DETAILED FINANCIAL METRICS AND TRENDS

| | 1H FY17 \$'000 | 2H FY17 \$'000 | 1H FY18 \$'000 |
|---|-------------------|-------------------|-------------------|
| Government Revenue | 194,722 | 193,377 | 200,883 |
| Resident Revenue | 68,391 | 68,140 | 70,861 |
| Total Operating Revenues | 263,113 | 261,517 | 271,744 |
| Employee benefits expenses | 168,476 | 171,039 | 178,138 |
| Non Wage Costs | 51,675 | 46,940 | 48,185 |
| EBITDA | 42,962 | 43,538 | 45,421 |
| Profit on Asset Disposals | - | 1,037 | 387 |
| Depreciation, amortisation and impairment | 8,471 | 10,389 | 13,880 |
| Operating profit for the period | 34,491 | 34,186 | 31,928 |
| Net finance costs | 5,854 | 3,769 | 3,803 |
| Profit before income tax | 28,637 | 30,417 | 28,125 |
| Income tax expense | 8,879 | 9,477 | 7,867 |
| Profit for the period | 19,758 | 20,940 | 20,258 |
| <i>Government Revenue POBD</i> | <i>\$192.6</i> | <i>\$192.3</i> | <i>\$196.0</i> |
| <i>Resident Revenue POBD</i> | <i>\$67.6</i> | <i>\$67.8</i> | <i>\$69.1</i> |
| <i>Total Revenue POBD</i> | <i>\$260.2</i> | <i>\$260.1</i> | <i>\$265.1</i> |
| <i>Staff Costs POBD</i> | <i>\$166.6</i> | <i>\$170.1</i> | <i>\$173.8</i> |
| <i>Non-Wage Costs POBD</i> | <i>\$51.1</i> | <i>\$46.7</i> | <i>\$47.0</i> |
| <i>Non-Wage Costs excl facility rentals POBD</i> | <i>\$48.5</i> | <i>\$44.2</i> | <i>\$44.6</i> |
| <i>EBITDA Per Occupied Bed Per Year</i> | <i>\$15,509</i> | <i>\$15,804</i> | <i>\$16,222</i> |
| <i>Total Staff Cost % of Revenue</i> | <i>64.0%</i> | <i>65.4%</i> | <i>65.6%</i> |
| <i>Total Non-Wage Costs % of Revenue</i> | <i>19.6%</i> | <i>17.9%</i> | <i>17.7%</i> |
| <i>Non-Wage Costs excl facility rentals % Revenue</i> | <i>18.6%</i> | <i>17.0%</i> | <i>16.8%</i> |
| <i>EBITDA % of Revenue</i> | <i>16.3%</i> | <i>16.6%</i> | <i>16.7%</i> |
| <i>Net RAD Receipts \$m</i> | <i>\$38.7</i> | <i>\$41.4</i> | <i>\$33.6</i> |
| <i>Average RAD/Bond held</i> | <i>\$263,208</i> | <i>\$275,037</i> | <i>\$283,999</i> |
| <i>Average Incoming Agreed RAD</i> | <i>\$376,854</i> | <i>\$408,768</i> | <i>\$406,405</i> |
| <i>Average Outgoing RAD/Bond</i> | <i>\$292,334</i> | <i>\$325,380</i> | <i>\$332,715</i> |
| <i>Total RADs/Bonds Held \$m</i> | <i>\$690.4</i> | <i>\$730.2</i> | <i>\$762.8</i> |

APPENDIX B: STATUTORY BALANCE SHEET

| | 31 Dec 17 \$'000 | 30 Jun 17 \$'000 |
|---|---------------------|---------------------|
| Current assets | | |
| Cash and cash equivalents | 17,706 | 19,215 |
| Trade and other receivables | 9,571 | 10,359 |
| Prepayments and other assets | 8,182 | 5,353 |
| Assets held for sale | - | 2,561 |
| Income tax receivable | 73 | |
| Total current assets | 35,532 | 37,488 |
| Non-current assets | | |
| Property, plant and equipment | 730,579 | 723,549 |
| Investment properties | 1,500 | 1,500 |
| Goodwill | 817,074 | 817,074 |
| Other intangible assets | 218,666 | 218,916 |
| Total non-current assets | 1,767,819 | 1,761,039 |
| Total assets | 1,803,351 | 1,798,527 |
| Current liabilities | | |
| Trade and other payables | 35,059 | 28,855 |
| Loans and borrowings | - | 264 |
| Income received in advance | 31,348 | 24 |
| Refundable accommodation deposits and bonds | 762,823 | 730,222 |
| Other financial liabilities | 1,261 | 1,293 |
| Income tax payable | | 4,227 |
| Provisions | 40,407 | 38,955 |
| Total current liabilities | 870,898 | 803,840 |
| Non-current liabilities | | |
| Deferred tax liabilities | 107,164 | 108,765 |
| Loans and borrowings | 60,000 | 121,250 |
| Provisions | 4,411 | 3,441 |
| Other payables | 88 | 115 |
| Total non-current liabilities | 171,663 | 233,571 |
| Total liabilities | 1,042,561 | 1,037,411 |
| Net assets | 760,790 | 761,116 |
| Equity | | |
| Issued capital | 801,833 | 801,830 |
| Share-based payments reserve | 934 | 673 |
| Accumulated losses | (41,977) | (41,387) |
| Total equity | 760,790 | 761,116 |

Extract from Estia Health Consolidated Interim Financial Report for the half-year ended 31 December 2017.

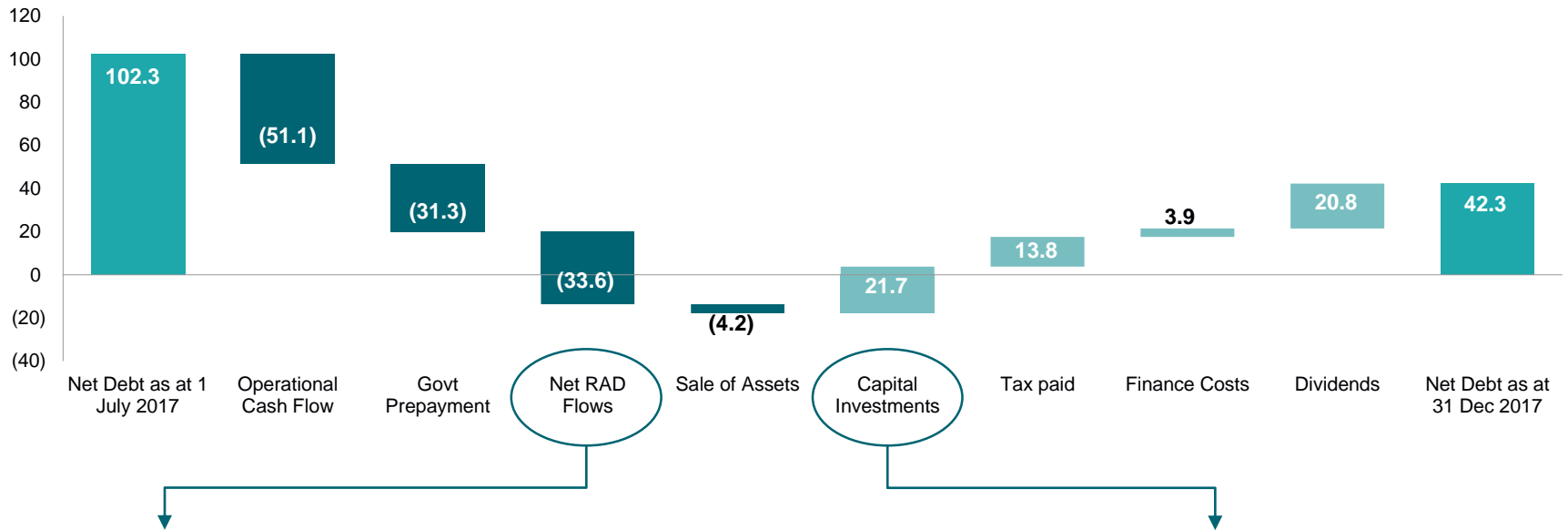
APPENDIX C: STATUTORY CASHFLOW

| | 1H FY18 \$'000 | 1H FY17 \$'000 |
|--|-------------------|-------------------|
| Cash flows from operating activities | | |
| Receipts from residents | 69,659 | 66,748 |
| Receipts from government | 232,785 | 231,732 |
| Payments to suppliers and employees | (220,054) | (212,348) |
| Operational cash flows before interest, income tax and RADs | 82,390 | 86,132 |
| Interest received | 125 | 319 |
| Finance costs paid | (3,979) | (6,096) |
| Income tax paid | (13,768) | (20,374) |
| Net cash flows from operating activities before net RADs | 64,768 | 59,981 |
| RAD, accommodation bond and ILU entry contribution received | 137,508 | 133,394 |
| RAD, accommodation bond and ILU entry contribution refunded | (103,958) | (94,662) |
| Net cash flows from operating activities | 98,318 | 98,713 |
| Cash flows from investing activities | | |
| Payments for business combinations, net of cash acquired | - | (86,364) |
| Payments for acquisition transaction costs | - | (6,764) |
| Payments for intangible assets | (322) | (822) |
| Proceeds from sale of property, plant and equipment | - | 46 |
| Proceeds from sale of assets held for sale | 4,193 | - |
| Purchase of property, plant and equipment | (21,339) | (24,006) |
| Net cash flows used in investing activities | (17,468) | (117,910) |
| Cash flows from financing activities | | |
| Proceeds from issue of share capital | 3 | 84,898 |
| Payments for share issue costs | - | (3,090) |
| Proceeds from repayment of MEP loans | - | 60 |
| Proceeds from borrowings | 20,000 | 76,500 |
| Repayment of borrowings | (81,514) | (63,500) |
| Dividends paid | (20,848) | (19,242) |
| Net cash flows (used in)/from financing activities | (82,359) | 75,626 |
| Net (decrease)/increase in cash and cash equivalents | (1,509) | 56,429 |
| Cash and cash equivalents at the beginning of the period | 19,215 | 29,810 |
| Cash and cash equivalents at the end of the period | 17,706 | 86,239 |

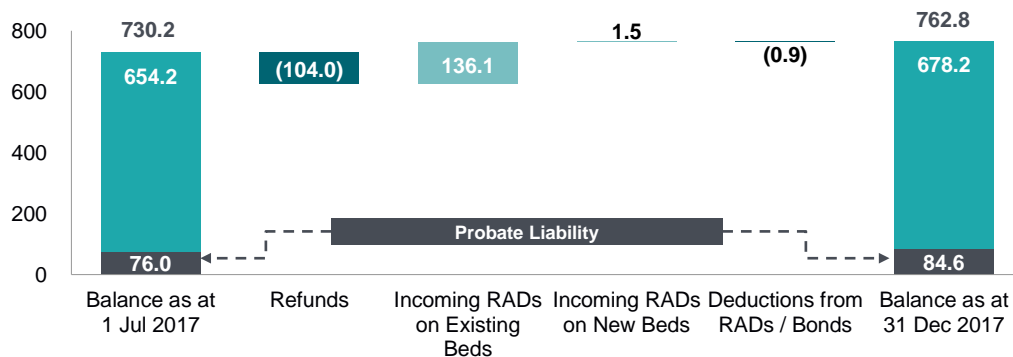
Extract from Estia Health Consolidated Interim Financial Report for the half-year ended 31 December 2017.

APPENDIX D :NET DEBT AND CASH FLOW 6 MONTHS ENDED 31 DECEMBER 2017

Net Debt Bridge (\$m)



Net RAD Inflow (\$m)



Capital Investments

| | \$m |
|----------------------------|-------------|
| Maintenance Capex | 6.5 |
| Significant Refurbishments | 6.4 |
| New Builds | 8.8 |
| Total | 21.7 |

1. Probate Liability refers to RADs and Bonds not yet refunded for departed residents, is included within the total RAD/Bond balance and increased from \$76.0m at 30 June 2017 to \$84.6m at 31 December 2017.

APPENDIX E: INDICATIVE NEW DEVELOPMENT CASHFLOW PROFILE



| | | |
|--|--|--------------|
| <u>Based on:</u> | | |
| Beds | | 100 |
| Land Cost | | \$2,500,000 |
| Construction, Planning, Design per bed | | \$260,000 |
| Residents: | | |
| Concessional | | 35% |
| RADs as % of Non-Concessional | | 60% |
| Average RAD Price | | \$500,000 |
| Eventual RAD Pool | | \$18,525,000 |
| Occupancy | | 95% |
| Optimised incremental EBITDA POB PA | | \$25,000 |
| | | |
| Gross Investment Cost | | \$28,500,000 |
| Net of RADs Investment Cost | | \$9,975,000 |

APPENDIX F: BOARD AND MANAGEMENT

Board of Directors

| Name | Title | Appointed |
|-------------------------------------|---|--|
| Dr Gary Weiss | Non-Executive Director and Chairman | NED Feb-16 Chairman Jan-17 |
| Norah Barlow OMNZ | Chief Executive Officer and Managing Director | NED Nov-14 Acting CEO Sep-16 CEO and MD Oct-16 |
| Paul Foster | Non-Executive Director | Feb-16 |
| Andrew Harrison | Non-Executive Director | Nov-14 |
| The Hon. Warwick L. Smith AM | Non-Executive Director | May-17 |
| Helen Kurincic | Non-Executive Director | Jul-17 |

Executive Leadership

| Name | Title | Appointed to Position |
|-----------------------|--|--|
| Norah Barlow | Chief Executive Officer and Managing Director | Acting CEO Sep-16 CEO and MD Oct-16 |
| Ian Thorley | Deputy Chief Executive Officer and Chief Operating Officer | Oct-16 |
| Steve Lemlin | Chief Financial Officer | Feb-17 |
| Maryann Curry | Chief Nursing Officer | Dec-16 |
| Mark Brandon | Chief Policy and Regulatory Officer | Dec-16 |
| Mary Burke | Quality Director | Jan-16 |
| Jane Murray | People and Culture Director | Jul-17 |
| Fiona Caldwell | Chief Information Officer | Oct-17 |
| Damian Hiser | Chief Customer Officer | Oct-17 |
| Rita Sheridan | GM, Property & Development | Mar-18 |

Refer to Estia Health website for further detail.

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