

REGIS HEALTHCARE LIMITED

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27 October 2020

Chairman and MD Addresses to Annual General Meeting

In accordance with Listing Rule 3.13.3, we attach the Chairman and MD addresses to the Regis Healthcare AGM on 27 October 2020.

Webcast facilities are available to listen to the Annual General Meeting. Details are provided on the following webpage:

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

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CHAIRMAN'S ADDRESS

I'd now like to turn to my address to the Meeting.

First, I want to express my sympathies to the families and friends of the twelve Regis residents who died with COVID while in our care. They were all valued members of the Regis community and their deaths were deeply upsetting for all, including our staff and their fellow residents. Linda will have more to say about this, but the Board has nothing but praise and admiration for the courage, dedication and the care our staff have shown through this extraordinarily stressful period.

While many front-line health care workers have rightly been praised for their handling of COVID, at times the aged care workforce has been subject to unfair criticism. While there have been instances of poor management, planning and decisions on the part of some operators with tragic consequences, going forward, it is important to recognise that successful management of the virus must involve providers, health officials and Governments working effectively together.

Despite the challenges the pandemic has created, our priority was, and continues to be to keep our residents and staff safe. Consequently, significant funds have been invested in Personal Protective Equipment, infection control, staff training and technology to ensure our residents stay connected with their loved ones.

While Regis has done well in managing our clinical and care responsibilities to our residents and their families, there is no doubt COVID has been detrimental to our business performance.

COVID has driven up operating costs, created economy and sector-wide uncertainty, reduced occupancy and damaged public confidence. It has magnified sector risks and delayed the findings of the Royal Commission into Aged Care, thereby delaying its likely recommendations for major structural change and the critical decisions necessary to restore sustainable funding for the sector.

Your Board has sought to manage these myriad issues while keeping our business focussed on our primary task - caring for older Australians with compassion and dignity in an environment they deserve having contributed their whole lives to our communities.

The appointment of Dr Linda Mellors as our CEO and Managing Director in September 2019 was timely. We have greatly benefited from her strong leadership skills and significant experience in hospital, sub-acute, aged care and outpatient health settings. Recognising that residential aged care has moved more into a sub-acute care environment, Linda recruited, pre-pandemic, further clinical and infection control expertise. The Board Clinical Governance and Care Committee, which was established in 2018, and is chaired by our board colleague, Professor Christine Bennett convened weekly meetings with the management team in the three months from mid-March to mid-June to monitor the impact of the pandemic and help guide key business decisions.

Our facilities in Victoria, unsurprisingly, have experienced tougher operating conditions as a result of the second wave with lower occupancy, resulting in lower income and significantly higher costs.

It is clear that Regis' FY 20 financial performance weakened further largely in response to the on-going Government funding pressures and in the June quarter, the impact of COVID. Underlying EBITDA of \$85.1m was 23.6% down on the prior year and was mainly impacted by lower occupancy across our mature homes, particularly in the last quarter of the financial year.

In this uncertain environment, the Board made several key decisions to protect the business in the short term and prepare it for the change we face in a post Royal Commission world.

1. We postponed the half year dividend of 4 cents in April, which was subsequently paid in September, and decided not to declare a full year dividend to preserve cash in an uncertain health and economic environment. The Board sees the reinstatement of dividends as a priority once conditions improve.

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2. We proactively cancelled the FY20 incentive awards for executives and managers.
 3. We have reviewed/delayed new property developments until we have greater clarity they will achieve our return on capital objective.
 4. We paid our debt down by \$66m in FY20 and extended the term of a major tranche of our committed bank debt facilities and with the support of our banking syndicate we intend to term out our full facilities in the period ahead.

In the first quarter of FY21 we announced the \$21m sale of a Gold Coast block of land for settlement prior to Christmas, with proceeds to be applied to debt reduction. As flagged in our FY20 Annual Results, the Board has further options regarding material non-income producing assets that can be realised, in full or part, which the Board would also direct towards debt reduction in preparedness for the industry change expected to come post the Royal Commission recommendations and anticipated Government policy announcements.

We have a strong focus on the levers we can control to lift business performance, including restoring occupancy to pre-COVID levels or better, lifting RAD inflows, and strong cost control while ensuring care is at the highest level. Linda will provide a brief update on our Q1 performance and these initiatives shortly.

And while we execute against these objectives, Regis will continue discussions with the Federal Government on the future of the sector. Regis has prepared and lodged nine submissions to the Royal Commission, appeared at hearings and liaised with the Commission's Counsel Assisting. We support sector reform and while it is still four months until the Commission recommendations are delivered and a further period for the Government's response, I believe public and political imperatives point to early action and announcements.

Last week's submissions from Counsel Assisting the Commission included several key recommendations which are expected to be at the forefront of the Commission's consideration of its final recommendations. These include:

- The establishment of an independent pricing authority to ensure funding adequately reflects costs of care delivery and prevents systemic underfunding by Government
- Mandated minimum numbers of care staff or hours - Regis is well placed here on the basis of what we know today
- A shift to make aged care provision more demand driven rather than supply constrained
- Stronger regulatory and financial scrutiny of providers' spending and their balance sheet strength
- Improved governance arrangements for Boards – again Regis is already well placed in this regard
- Greater user pays for services by those with means, while maintaining a strong safety net for those with low means
- Home care will continue to receive funding priority to shrink wait lists, and
- Counsel Assisting explicitly called out the deliberate underfunding of residential care by the Government in the last 3-4 years with several recommendations for funding relief from mid next year. We have been clear that it is unsustainable to expect operators (and by default in Regis' case, shareholders) to continue to subsidise what should and must be funded by Government.

In our submissions and testimony at the Commission, Regis also called for a clearer definition of what 'high quality' care is. It's the precursor to establishing the true cost of delivering and funding that care. We are pleased this important step is being considered as part of the likely recommendations.

It's too early for me or others to forecast which, if any, of these outcomes will be recommended by the Commission or accepted by Government; - it is for this reason, and the ongoing COVID risks, that we chose not to provide any forward earnings guidance at our

full year results. Suffice to say, our focus will remain on running our core business as well as we can while we ready for change.

Regis remains fundamentally strong, with high quality and well-located facilities, qualified and dedicated staff, experienced leadership, and an excellent track record for resident care.

In closing, I would like to give my heartfelt thanks to our committed employees who have not only worked tirelessly, but at times putting their own lives at risk caring for our residents and each other during the pandemic. Thank you to my board colleagues and the executive team, under Linda's leadership, for your support and contribution throughout this difficult year.

Finally, I would like to thank you, our shareholders for standing by us. I acknowledge it has been a very challenging year, with earnings and the share price down to their lowest levels since listing. The Board and management will continue to make every endeavour to improve our business performance in the period ahead.

Managing Director and CEO Address

Thank you Graham.

I would like to start by acknowledging the traditional owners of the land upon which we meet today, the Boon Wurrung and Wurundjeri peoples of the Kulin Nation, and pay my respects to Elders past and present, and any indigenous people joining us today.

Today, I will provide shareholders with an overview of Regis' performance over the past year, against financial, clinical care and strategic metrics.

It is appropriate to commence by providing you with a COVID-19 update including its impact on Regis.

COVID-19

The COVID-19 pandemic has had a significant effect on all Regis residents, clients, families and staff. This has been a time of fear and uncertainty for older people as the virus proved quickly to be more dangerous to people of advanced age and those with comorbidities.

The fear and uncertainty were compounded by the frequent negative commentary about the preparedness and response of aged care providers, and the language of blame used by public figures and especially in Victoria following the second wave. This blame was harmful to residents, clients, families and aged care workers and failed for an extended period to address the underlying issues that increased the vulnerability of aged care homes, particularly in Victoria.

Regis had no outbreaks in the first wave of the pandemic in Australia.

Several of our Melbourne homes suffered a COVID-19 outbreak in the second wave of the pandemic in Victoria. Note that an outbreak in aged care is defined as any home that has one or more residents or staff members with a positive diagnosis. Regis had a number of homes where a staff member was diagnosed with COVID-19 resulting from community

transmission. These homes were classified as outbreak homes despite no transmission within the home.

On 15 July 2020, we experienced our first and most serious outbreak at our Regis Brighton home after an employee returned a positive COVID-19 test. This employee followed all requirements but unfortunately transmitted the virus during the pre-symptomatic phase of their illness. The outbreak was contained to one wing of the home.

We subsequently had a small outbreak at our Regis Fawkner home, which was contained very quickly.

Both of these outbreaks occurred in the context of increased community transmission in Victoria. Given our preparation, we were able to immediately implement our Outbreak Management Plan and I am proud of the way our team rose to the challenge to provide compassionate care and support to residents at the homes and their loved ones.

Sadly, twelve residents died following a diagnosis of COVID-19 and my sincere sympathies go to their families and friends. Our residents, families and employees have felt deeply the loss of these valued members of our Regis Brighton and Regis Fawkner communities. The importance of ongoing vigilance was highlighted by 2 Regis Macleod staff members linked to the cluster in the northern suburbs of Melbourne testing positive in the last few days. Again, our Outbreak Management Plan was swiftly implemented.

I would also like to acknowledge the broader impact of the illness, recovery and isolation on other residents, families and staff and the ongoing support the Company is providing to address their physical, mental and emotional needs.

The pandemic has again highlighted the need for increased prioritisation of older people in our communities, regardless of where they live.

I would like to express my thanks to all of our employees who willingly continued to work and prioritise care, kindness and compassion.

Our communications with residents, families and staff of impacted Homes was at least daily, and this was well received.

There were numerous challenges faced by the business, particularly early in the second wave in Melbourne, including:

- The well publicised limitations of the public health response, including delays in access to testing, result notification and contact tracing;
- The expectations on aged care Homes to function as hospital wards with hospital level equipment and in an environment that is not designed to care for acutely unwell patients; and
- The unfair public criticism of aged care providers and workers regarding COVID-19 outbreaks, and the stark differences in public commentary and reporting of similar outbreaks between aged care and other care settings, for example hospitals or disability homes.

Our Regis Outbreak Management Team, comprising an Executive, Infection Control and Clinical Support nurses, provided exceptional leadership and direction to our impacted homes. They liaised with all authorities, arranged testing, conducted in house and timely contact tracing, and provided up to date and accurate information and advice. Their leadership and actions helped to counter the detriments in the system and compounded by constant negativity in the public space.

Regis also benefitted from the specialist expertise of a number of residential in-reach units provided by Victorian hospitals.

The Company invested heavily in preparing for COVID-19. We were able to build on our existing clinical governance systems and processes, and dedicate specialists in nursing and infection control to our COVID-19 response.

Our Directors and Executives met weekly during the intensive preparation phase, with the Executives meeting daily. You can read more about our preparations in our Annual Report.

Our frontline workers and leadership teams demonstrated their strong commitment to our residents, clients and families by rapidly undertaking all required training, adhering to temporary and ongoing new requirements, learning new technologies and, most importantly, providing care and services with kindness and compassion at a time of high stress. All these efforts were overwhelmingly appreciated by our residents and families with internal surveying showing more than 90% of surveyed residents and families supported the measures we had taken. Survey responses from our employees told us they felt safe and supported at work.

Before the COVID-19 travel restrictions came into effect this year, I had the opportunity to visit 55 of our homes, 3 retirement villages and 5 home care hubs and was able to meet our residents, clients, families and employees and hear first-hand what is important to them. These visits were extremely rewarding and gave me a strong sense of our aged care homes as communities within communities. There is no doubt that caring for older people is a partnership between the older person, families, friends and our skilled and caring employees.

I am very much looking forward to visiting our remaining homes when travel restrictions are lifted.

I will now summarise our FY20 financial performance.

Financial Results

For the year ended 30 June 2020, Regis reported a statutory net profit after tax of \$3.8 million, including a non-cash goodwill impairment charge of \$20.6 million. Underlying net profit after tax was \$21.5 million, down 54% compared to the prior corresponding period of \$47.2 million.

Underlying EBITDA of \$85.1 million was 23.6% down on the prior year. This excluded a gain of \$4.6 million on the acquisition of the business and assets of Lower Burdekin Homes for the Aged and the non-cash goodwill impairment charge.

The results reflect ongoing funding challenges, the impact of the extended Royal Commission and the COVID-19 pandemic. Revenue from services of \$677.9 million was 4.8% up on the prior year. This includes \$6.4 million of additional Government funding received in June; \$1.8 million of temporary ACFI funding for the period March to June; and a \$4.9 million contribution from the 1st of March acquisition of the Lower Burdekin business and assets.

It is worth noting that the two additional amounts of Government funding received during the FY20 year totalling \$8.2 million, while welcome, was \$2.6 million down on the additional funding received in the prior year.

Government revenue of \$471.1 million was up 4.2% on the prior year and contributed 69% of revenue from services, while resident revenue of \$195 million was up 6.4% year on year.

Lower average occupancy of 90.3% was representative of the on-going industry trend. In the main, we observed an occupancy decline in Victoria, with Queensland, New South Wales and the Northern Territory relatively flat year on year.

Staff expenses of \$492.3 million accounted for over 72% of revenue from services. This was up from 69.3% on the prior year and was driven by annual increases in Enterprise Agreements, which averaged circa 2.5% whereas the indexation increase applied to Government revenue was only 1.4%.

In April 2020, the company restructured its back-office functions resulting in approximately 50 roles being made redundant. The redundancy cost of \$1.6 million was expensed in the second half of the financial year and we will get an on-going cost benefit as a result of this process.

During the year we grew our available operational places to 7,218, and pleasingly, we reduced our net debt by \$66.5 million to \$236.7 million.

Now, turning to care.

Care and Services

Providing care and services to older Australians is an essential part of the health and social care system. Regis enjoys a reputation as a provider and employer of choice for good reason.

A significant event during the period was the introduction of a new Single Aged Care Quality Framework, which took effect from 1 July 2019. Regis invested resources into education and communicating the new framework to employees, residents, clients and families. One of the key platforms of the Regis implementation is “knowing is caring” – a reminder to our staff to really know our residents in terms of their interests, past professions and hobbies, and goals. This knowledge supports our staff to work with our residents to allow them to realise their wellbeing goals.

All 8 Regis homes that were subject to accreditation under the new standards were successfully re-accredited.

Demands on the sector continue to increase with new regulatory standards and additional community expectations. I strongly support the increased standards and expectations for the sector and note there will need to be substantial additional funding to support these. Building on our strong base of clinical care and governance, we are currently focused on preparation of our Company and workforce for large scale sector reform post the Royal Commission.

Aged care is a relationship business. Regis is committed to investing in our employees and their skills and abilities to ensure they bring their best to the people in our care and accessing our services. Regis has a mature range of selection, training and professional development programs for care, clinical, support and management staff. Our size and reputation as one of Australia’s largest aged care providers means we are uniquely placed to offer career opportunities and pathways to our team members.

I would now like to provide a quick update on our industry.

Aged Care Industry Update

The Company remains supportive of the Royal Commission and the critical importance of its work.

We share with the community the concern, anger and disappointment about those cases of poor and negligent care highlighted through the Royal Commission. We also know that Regis and others share a strong and sustained commitment to a high standard of care and service, notwithstanding the current constraints of the funding and policy arrangements.

The Company is hopeful of a clear and strong response from Government that sets out a policy and funding platform that supports the provision of consistently high-quality care that is sustainable over the long term. This will require a substantial increase to the budget allocated to aged care as well as other changes. The community needs to support Government committing greater resources to the care of older Australians, along with higher contributions from those with the means to do so. The community should hold the sector and Government to account.

Now, turning to business strategy.

Strategy

The Regis philosophy is that by consistently providing excellent care in high standard homes, we deliver great outcomes for residents and their families, have more engaged and capable staff and therefore create an environment where the business is able to innovate, invest and grow.

Regis' aim to deliver long-term sustainable growth has not changed, noting that the short-term is impacted by COVID-19, the extension to the Royal Commission and the ongoing uncertainty regarding Government policy and funding direction.

During the year, the Company decided to place most of its residential aged care growth projects on hold pending greater certainty of investment returns. This follows a period of solid organic growth but with investment returns substantially lower than anticipated or considered acceptable.

In the nearer term, the Company intends to invest in a growth strategy for our Home Care business.

The Company will continue its conservative approach to management of our balance sheet and debt. We have retained significant debt capacity in the event conditions improve and market opportunities are attractive. To this end, the Company continues to review acquisition and development opportunities against our existing criteria – primarily quality of location, land and buildings.

Regis' focus on continuous improvement and our scale of operations means we are able to provide a range of on-site and off-site care and support services that contribute to quality and safety of care and services for our residents and clients. Some examples include:

- every Regis aged care home has nurses on site 24/7. This includes an in-charge registered or senior enrolled nurse on every shift;
- Regis provides additional 24/7 senior registered nurse support to all of our homes across the country through an in-house nurse on call service;
- our dementia liaison specialists in our Club Services sites provide extended support to our residents living with dementia and their families;
- our Clinical Support Team is a national Regis support service providing clinical support and coaching across all residential aged care homes;
- centralised Infection Control Consultant and emergency management team to support every home and setting across the country; and
- centralised catering and housekeeping functions, which plan and monitor the Regis standards across all our homes.

Of critical importance is preparing our business for the sector reform that we anticipate post the Government's response to the final report of the Royal Commission, including the likely sector consolidation. The Government has foreshadowed a funding response in the May 2021 budget announcement.

Now, turning to the FY21 first quarter business update.

Business Update

Regis advised the ASX on the third of August that it had been the subject of a cyber security attack. The Company promptly implemented back up and business continuity systems and the incident did not affect the delivery of care or services, nor did it materially impact our day to day operations.

Following the Board's review of passive assets, the Company entered into a contract of sale of a parcel of land in Palm Beach with settlement to occur by 31 December. The sale will provide the Company with 21 million dollars less costs of sale, which will be used to pay down debt.

Given the current macro-economic environment, including the ongoing impact of the COVID-19 pandemic and the extended Royal Commission, the Company does not believe it to be prudent to put forward any earnings guidance at this stage.

What I can say is that average occupancy across the 65 residential aged care homes (including those previously classed as ramp-ups) was 87.9% for the first quarter of FY21. This compares to an average occupancy of 88.3% in Q4 of FY20. This was almost entirely due to the impact of Victoria. Pleasingly, all States and territories, with the exclusion of Victoria, averaged 89.6% occupancy across the first quarter of this financial year up from an average of 89.0% in Q4 of FY20. In Victoria, occupancy fell through July, August and in to September during the second wave of COVID-19 but has since stabilised.

We have in place detailed plans for each of our residential aged care homes to drive improved occupancy and we are seeing the benefits of this through the first quarter

occupancy rates, outside of Victoria. With the worst of the second wave of the COVID-19 pandemic now well behind us, we remain confident that occupancy levels across our 18 Victorian homes and the overall portfolio will improve over the coming months. I note that as at 23 October, spot occupancy across all homes is 88.5%, an improvement on the first quarter.

Plans are in place to drive RAD cashflows up with occupancy and the Company is keeping tight controls on costs and capex.

The Company has just experienced an extremely difficult 12 months between a global pandemic, Royal Commission, bushfires, floods and sustained negative commentary about the industry. I am proud of the continued focus across our Company on maintaining excellent care standards and experience, and the extraordinary focus and resilience of our workforce.

The challenge of COVID-19 is likely to be with us for some time. I anticipate another year of significant competing external pressures, but Regis is a resilient Company, has led from the front for nearly 30 years and will continue to do so.

The Executive team's focus on executing business performance improvements including improved occupancy and revenue generation, and disciplined cost management, will keep the business in a state of readiness and strength ahead of the pending sector reform. We are engaging in a range of Government and industry forums to contribute to a positive future for aged care in Australia.

I would like to extend my thanks to the Regis Board of Directors for their expert guidance and wisdom, our Executive team and all of our employees for their individual and collective contributions to care, services, and stewardship of the company.

Finally, I would like to thank our residents, clients and families for choosing Regis. We recognise and respect the trust you place in us to care for you and your loved ones.

Thank you. I will now hand back to Graham.