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ASX Announcement

11 October 2023

Scheme and Acquisition Update

Estia Health Limited (**ASX: EHE**) (**"Estia Health", or the "Group"**) refers to its announcement of 7 August 2023, in relation to the proposed acquisition by Firebird BidCo Pty Ltd (an entity controlled by Bain Capital, LP) of all of the ordinary shares in Estia Health (**Shares**) for $3.08 per Share in cash, by way of a court approved scheme of arrangement under Part 5.1 of the *Corporations Act 2001* (Cth) (**Scheme**).

Court orders convening Scheme Meeting

Earlier today, the Supreme Court of New South Wales made the following orders in relation to the Scheme:

- that Estia Health convenes and holds a meeting of Estia Health shareholders to consider and vote on the Scheme (**Scheme Meeting**); and
- that the explanatory statement providing information about the Scheme, including the notice convening the Scheme Meeting (**Scheme Booklet**), be approved for distribution to Estia Health shareholders.

Details of Scheme Meeting

The Scheme Meeting will be held at 9.00am (AEDT) on Wednesday, 15 November 2023 in person at the offices of Thomson Geer Lawyers, Level 14, 60 Martin Place, Sydney NSW 2000.

Estia Health shareholders who wish to submit questions in advance of the Scheme Meeting may do so online at www.linkmarketservices.com.au by 9.00am (AEDT) on Monday, 13 November 2023.

All registered holders of Shares as at 7.00pm (AEDT) on Monday, 13 November 2023, will be eligible to vote at the Scheme Meeting.

All Estia Health shareholders are encouraged to vote by attending the Scheme Meeting in person (or by attorney or corporate representative), or alternatively by completing and ensuring the proxy form accompanying the Scheme Booklet is received by 9.00am (AEDT) on Monday, 13 November 2023.

Scheme Booklet

Estia Health confirms that the Scheme Booklet has today been registered with the Australian Securities and Investments Commission (**ASIC**). A copy of the Scheme Booklet is **attached** as Annexure A to this announcement and will be made available online at https://investors.estiahealth.com.au/investor-centre/. A copy of the proxy form that will be sent to Estia Health shareholders is **attached** as Annexure B to this announcement.

The Scheme Booklet will be sent to Estia Health shareholders who have requested a hard copy on or before Monday, 16 October 2023.

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Estia Health shareholders who have elected to receive shareholder communications electronically will receive an email containing a link to an online portal where they can access the Scheme Booklet and a personalised proxy form. Estia Health shareholders who have elected to receive hard copy shareholder communications will receive (by post) a printed copy of the Scheme Booklet and a personalised proxy form. Estia Health shareholders who have **not** elected to receive shareholder communications electronically or in hard copy will receive (by post) a letter containing details of how they can view and download the Scheme Booklet and a personalised proxy form.

Estia Health shareholders should read the Scheme Booklet in its entirety before making a decision on whether or not to vote in favour of the Scheme.

Independent Expert's Report

The Scheme Booklet includes a copy of the independent expert's report prepared by Kroll Australia Pty Ltd (**Independent Expert**).

The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Estia Health shareholders, in the absence of a superior proposal. The Independent Expert has assessed the value of a Share on a controlling interest basis to be in the range of $2.83 to $3.21 per Share. The Scheme Consideration of $3.08 per share falls within this range.

The Independent Expert's conclusion should be read in context with the full Independent Expert's report and the Scheme Booklet.

Estia Health Board recommendation

The Estia Health Board continues to unanimously recommend that Estia Health shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Estia Health shareholders. Subject to those same qualifications, each Estia Health director intends to vote, or procure the voting of, all Shares held or controlled by them in favour of the Scheme.

Notice regarding Second Court Hearing to approve the Scheme

On the basis that the resolution to approve the Scheme is passed by Estia Health Shareholders at the Scheme Meeting, the date of the hearing of the application to the Court to approve the Scheme is scheduled for Friday, 17 November 2023 at 4.15pm (Australian Eastern Daylight Time) (**Second Court Hearing**).

The Second Court Hearing will be held in the Supreme Court of New South Wales at Queens Square, 184 Phillip Street, Sydney, New South Wales, 2000. For further information about how to attend the hearing please refer to the Court's website at https://www.supremecourt.nsw.gov.au/.

An Estia Health Shareholder has the right to appear and be heard at the Second Court Hearing and may oppose the approval of the Scheme at the Second Court Hearing.

If you wish to oppose approval of the Scheme by the Court at the Second Court Hearing, you must file with the Court, and serve on Estia Health, a notice of appearance, in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Estia Health at its address for service at least one day before the Second Court Date.

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The address for service is: c/o MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000, Attention: Anthony Sommer, MinterEllison, Tel: (02) 9921 4182. The notice of appearance and affidavit must also be sent by email to anthony.sommer@minterellison.com.

Further information

If you have any questions in relation to the Scheme or the Scheme Booklet, please contact the Estia Health Shareholder Information Line on 1300 038 212 (within Australia) or +61 2 9066 4052 (outside Australia) Monday to Friday between 8.30am and 5.30pm (AEDT) (excluding public holidays).

Royal Freemasons Bendigo and Benalla Acquisition update

The Group is also pleased to announce the completion on 3 October 2023 of the previously announced acquisition of the Royal Freemasons residential aged care homes in Kangaroo Flats – Bendigo (144 operating places) and Benalla (120 operating places).

Approved for release by the Board of Directors of Estia Health Limited.

--- ENDS ---

Further enquiries:

Media Julie Connolly John Connolly & Partners jlc@jcp.com.au 0418 470 203	**Investors** Anthony Rice Chief Financial Officer investor@estiahealth.com.au

About Estia Health

Estia Health Limited is one of Australia's leading aged care providers, operating 73 homes across Victoria, South Australia, New South Wales and Queensland. Estia Health cares for over 8,000 residents annually and supports them and their families at an important time in their lives.

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ASX Announcement

Annexure A – Scheme Booklet

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Estia Health

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YOUR VOTE IS IMPORTANT IN DETERMINING WHETHER THE SCHEME PROCEEDS

ESTIA HEALTH DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU

VOTE IN FAVOUR

OF THE SCHEME, IN THE ABSENCE OF A SUPERIOR PROPOSAL AND SUBJECT TO THE INDEPENDENT EXPERT CONTINUING TO CONCLUDE THAT THE SCHEME IS IN THE BEST INTEREST OF ESTIA HEALTH SHAREHOLDERS

Estia Health Limited ACN 160 986 201

Scheme Booklet

For the scheme of arrangement between Estia Health Limited ACN 160 986 201 (**Estia Health**) and its shareholders, in relation to the proposed acquisition of your Estia Health Shares by Firebird BidCo Pty Ltd ACN 669 884 824 (**Bidder**)

The notice convening the Scheme Meeting is included in this Scheme Booklet. A proxy form for the Scheme Meeting accompanies this Scheme Booklet. The Scheme Meeting will be conducted as a physical meeting at 9.00am (Australian Eastern time) on Wednesday, 15 November 2023. Full details of how to participate in the Scheme Meeting is set out in this Scheme Booklet.

FINANCIAL ADVISER

UBS

LEGAL ADVISER

MinterEllison.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR URGENT ATTENTION.

You should read it in its entirety, and consider its contents carefully, before deciding whether or not to vote in favour of the Scheme. If you are in any doubt as to how to deal with this Scheme Booklet, please consult your legal, financial, taxation or other professional adviser immediately. If after reading this Scheme Booklet you have any questions about the Scheme, please contact the Shareholder Information Line on 1300 038 212 (within Australia) or +61 2 9066 4052 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Australian Eastern time).

This Scheme Booklet has been sent to you because you are shown in the Share Register as holding Estia Health Shares. If you have recently sold all of your Estia Health Shares, please disregard this Scheme Booklet and all enclosed documents.

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Overview of this Scheme Booklet

What is this Scheme Booklet for?

This Scheme Booklet is important and requires your immediate attention. If you have sold all of your Estia Health Shares, please disregard this Scheme Booklet. If you are a Estia Health Shareholder, you should read this Scheme Booklet and its Appendices in full, and consider its contents carefully, before deciding how to vote on the Scheme.

This Scheme Booklet has been sent to you to help you understand the terms of the scheme of arrangement between Estia Health and its shareholders (**Scheme**), and the manner in which the Scheme will be implemented (if approved). If the Scheme proceeds to be implemented, it would result in the Bidder acquiring all of your Estia Health Shares for cash consideration of $3.08 per Estia Health Share (**Scheme Consideration**). The Scheme Consideration is calculated based on the initial scheme consideration of $3.20 per Estia Health Share contemplated in the Scheme Implementation Agreement announced to ASX on Monday, 7 August 2023 (**Initial Scheme Consideration**), less the amount of the final fully franked ordinary dividend of $0.12 per Estia Health Share, paid by Estia Health on 15 September 2023 (**September 2023 Dividend**). The September 2023 Dividend also included the additional benefit to eligible Estia Health Shareholders of approximately $0.05 per Estia Health Share in franking credits.

This Scheme Booklet includes the explanatory statement for the Scheme required by section 412(1) of the Corporations Act.

The Scheme can only proceed if it is approved by the requisite majorities of Estia Health Shareholders and by the Court. This Scheme Booklet includes information relevant to your decision as an Estia Health Shareholder on whether to approve the Scheme.

Why should you vote?

As an Estia Health Shareholder, you have a say in whether or not the Scheme proceeds. The Scheme cannot proceed unless (among other things) the Scheme is approved by the requisite majorities of Estia Health Shareholders at the Scheme Meeting.

This is your opportunity to play a role in deciding the future of your investment in Estia Health.

What should you do next?

As an Estia Health Shareholder, you have a number of decisions to make in relation to the Scheme. The key decisions for you to make are outlined in the steps below.

Estia Health Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Estia Health Shareholders.

Step 1: Read this Scheme Booklet

You should carefully read this Scheme Booklet in its entirety before making a decision on whether and how to vote on the Scheme.

If after reading this Scheme Booklet you have any questions about the Scheme, please contact the Shareholder Information Line on 1300 038 212 (within Australia) or +61 2 9066 4052 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Australian Eastern time).

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If you are in any doubt as to how to deal with this Scheme Booklet, please consult your legal, financial, taxation or other professional adviser immediately.

Step 2: Vote on the Scheme

(a) **Your vote is important**

For the Scheme to proceed, the requisite majorities of Estia Health Shareholders must vote in favour of the Scheme Resolution. Please refer to Sections 4.1 to 4.3 inclusive of this Scheme Booklet for further information on the Scheme Meeting and how to vote on the Scheme.

(b) **Who is entitled to vote?**

If you are registered as an Estia Health Shareholder on the Share Register at the Voting Entitlement Time (being 7.00pm (Australian Eastern time) on Monday, 13 November 2023), you will be entitled to vote at the Scheme Meeting.

(c) **How to vote?**

For full information on how to vote on the Scheme, please refer to Section 4 of this Scheme Booklet.

Is the Scheme in the best interest of Estia Health Shareholders?

✓ The Independent Expert has concluded that, in the absence of a Superior Proposal, the Scheme is **FAIR AND REASONABLE** and therefore in the **BEST INTERESTS** of Estia Health Shareholders.

The Independent Expert's Report is included in Appendix 1 to this Scheme Booklet.

What do the Estia Health Directors recommend?

✓ Estia Health Directors **UNANIMOUSLY RECOMMEND** that you vote **IN FAVOUR OF** the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Estia Health Shareholders.

✓ Estia Health Directors intend to vote all Estia Health Shares they hold or control **IN FAVOUR OF** the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Estia Health Shareholders.

What if you have questions in relation to the Scheme?

If you have questions in relation to the Scheme, you should refer to the Frequently Asked Questions in Section 3 of this Scheme Booklet or contact the Shareholder Information Line on 1300 038 212 (within Australia) or +61 2 9066 4052 (if outside Australia) Monday to Friday between 8.30am and 5.30pm (Australian Eastern time). Alternatively, you should consult your legal, financial, taxation or other professional adviser.

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Important dates and times

All references to time in this Scheme Booklet are references to Australian Eastern time unless otherwise stated.

Event	Date (and time (Australian Eastern time))
Date of this Scheme Booklet	Wednesday, 11 October 2023
First Court Hearing First Court Hearing at which the Court made orders convening the Scheme Meeting	9.15am on Wednesday, 11 October 2023
Scheme Meeting Proxy Forms and powers of attorney Last time and date by which the proxy form or power of attorney for the Scheme Meeting must be received by the Share Registry (whether by mail, by fax or by online lodgement) (**Proxy Cut Off Date**)	9.00am on Monday, 13 November 2023
Scheme Meeting Voting Entitlement Time Time and date for determining eligibility to vote at the Scheme Meeting (**Voting Entitlement Time**)	7.00pm on Monday, 13 November 2023
Scheme Meeting Scheme Meeting to be held at Thomson Geer, Level 14, 60 Martin Place, Sydney NSW 2000 to vote on the Scheme Resolution (to be conducted as a physical meeting)	9.00am on Wednesday, 15 November 2023

The remainder of this timetable assumes that the Scheme Resolution is passed by Estia Health Shareholders. All dates and times in the remainder of this timetable are indicative only and, among other things, are subject to all necessary approvals from the Court and Governmental Agencies and satisfaction or, where applicable, waiver of the Conditions Precedent. Any changes to the remainder of this timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through the ASX and notified on Estia Health's website at https://investors.estiahealth.com.au/investor-centre/

Event	Date (and time (Australian Eastern time))
Second Court Hearing Second Court Hearing to obtain orders approving the Scheme	4.15pm on Friday, 17 November 2023
Effective Date The date on which the Scheme becomes Effective and is binding on Estia Health Shareholders Lodgment by Estia Health with ASIC of the Court orders approving the Scheme (**Effective Date**) Last day of trading in Estia Health Shares – Estia Health Shareholders suspended from trading on the ASX from close of trading	Monday, 20 November 2023
If the Scheme is approved by the Court and becomes Effective	
Suspension of trading Suspension of trading in Estia Health Shares on the ASX	Close of trading on Monday, 20 November 2023
Scheme Record Date Time and date for determining entitlements to the Scheme Consideration (**Scheme Record Date**) All Estia Health Shareholders who hold Estia Health Shares on the Scheme Record Date will be entitled to receive the Scheme Consideration in return for the transfer of their Estia Health Shares to the Bidder	7.00pm on Thursday, 23 November 2023
Implementation Date All Scheme Shareholders will be paid the Scheme Consideration in accordance with the Scheme	Thursday, 30 November 2023

Estia Health Shareholders who have elected to receive communications electronically will receive an email that contains instructions about how to download a copy of the Scheme Booklet, and to lodge their proxy online. The Scheme Booklet will also be available for viewing and downloading on Estia Health's Website.

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Important notices

General

You should read this Scheme Booklet including all Appendices in full before making a decision on how to vote on the resolution to be considered at the Scheme Meeting. The notice convening the Scheme Meeting (**Notice of Meeting**) is contained in Appendix 4 to this Scheme Booklet. A Proxy Form for the Scheme Meeting accompanies this Scheme Booklet.

Defined terms

Capitalised terms in this Scheme Booklet are defined either in the Glossary in Section 12 or where the relevant term is first used.

Purposes of this Scheme Booklet

The purposes of this Scheme Booklet are to:

- provide Estia Health Shareholders with information about the Proposed Transaction;
- explain the terms and effect of the Scheme to Estia Health Shareholders;
- explain the manner in which the Scheme will be considered and, if approved, implemented;
- state any material interests of the Estia Health Directors, whether as directors, members or creditors of Estia Health or otherwise, and the effect on those interests of the Scheme as far as that effect is different from the effect on the similar interests of other persons; and
- provide the information as is prescribed by the Corporations Act and the Corporations Regulations or as is otherwise material to the decision of Estia Health Shareholders to vote in favour of, or against, the applicable Scheme Resolution detailed in the Notice of Meeting included as Appendix 4.

This Scheme Booklet (excluding the Appendices) constitutes the explanatory statement for the Scheme as required by section 412(1) of the Corporations Act.

No financial product advice

The information contained in this Scheme Booklet is not financial product or investment advice. This Scheme Booklet has been prepared without taking into account your investment objectives, financial situation, taxation position or other particular needs. Before deciding how to vote or act, Estia Health Shareholders and others should consider the appropriateness of the information having regard to their own investment objectives, financial situation, taxation position and other particular needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances. Estia Health is not licensed to provide financial product advice in respect of Estia Health Shares or any other financial products.

To the extent (if at all) any part of this Scheme Booklet includes financial product advice given by the Bidder or Estia Health, the advice has been prepared without taking into account anyone's (whether a recipient of the Scheme Booklet or otherwise) objectives, financial situation or needs. Accordingly, before acting on any such advice, you should consider the appropriateness of the advice having regard to your objectives, financial situation and needs.

Responsibility for information

The Estia Health Information contained in this Scheme Booklet has been solely prepared by, and is the responsibility of, Estia Health. The Bidder has not independently verified any of the Estia Health Information and does not make any representation or warranty (express or implied) as to, and does not assume any responsibility for, the accuracy, relevance or completeness of, the Estia Health Information.

Kroll Australia Pty Ltd has prepared the Independent Expert's Report in relation to the Scheme in Appendix 1 to this Scheme Booklet and takes responsibility for that report.

The Bidder Information contained in this Scheme Booklet has solely been prepared by, and is the responsibility of, the Bidder. Estia Health has not independently verified any of the Bidder Information and does not make any representation or warranty (express or implied) as to, and does not assume any responsibility for, the accuracy, relevance or completeness of, the Bidder Information.

Not an offer

This Scheme Booklet and the Scheme do not in any way constitute or contain an offer to Estia Health Shareholders, or a solicitation of an offer from Estia Health Shareholders to buy securities in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

Estia Health Shareholders outside Australia

This Scheme Booklet has been prepared having regard to Australian disclosure requirements. These requirements may be different from those in other jurisdictions. Accordingly, the release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in those other jurisdictions and persons outside Australia who come into possession of this Scheme Booklet should seek advice on and observe any applicable restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

Estia Health Shareholders resident outside Australia for taxation purposes should also seek specific taxation advice in relation to the Australian and overseas taxation implications of their participation in the Scheme.

ASIC and ASX

A draft of this Scheme Booklet was provided to ASIC for the purpose of section 411(2) of the Corporations Act and a copy of this Scheme Booklet has been registered by ASIC for the purpose of section 412(6) of the Corporations Act.

ASIC has examined a copy of this Scheme Booklet. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Scheme.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A draft of this Scheme Booklet has also been provided to the ASX for its review in accordance with the ASX Listing Rules. Neither the ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDERS UNDER SECTION 411(1) OF THE CORPORATIONS ACT

A copy of this Scheme Booklet was submitted to the Court to obtain orders of the Court under section 411(1) of the Corporations Act directing Estia Health to convene the Scheme Meeting. Those orders were obtained at the First Court Hearing on Wednesday, 11 October 2023.

The fact that, under section 411(1) of the Corporations Act, the Court has ordered that a separate meeting of Estia Health Shareholders be convened by Estia Health to consider and vote on the Scheme and has directed that this Scheme Booklet accompany the Notice of Scheme Meeting does not mean that the Court:

(a) has formed any view as to the merits of the Scheme or how Estia Health Shareholders should vote on the Scheme (on this matter Estia Health Shareholders must reach their own decision);

(b) has prepared, or is responsible for, the content of this Scheme Booklet; or

(c) has approved or will approve the terms of the Scheme.

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The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

NOTICE REGARDING SECOND COURT HEARING AND IF ANY ESTIA HEALTH SHAREHOLDER WISHES TO OPPOSE THE SCHEME

The date of the Second Court Hearing to approve the Scheme is scheduled for Friday, 17 November 2023.

The hearing will be at 4.15pm (Australian Eastern time) in the Supreme Court of New South Wales.

An Estia Health Shareholder has the right to appear and be heard at the Second Court Hearing and may oppose the approval of the Scheme at the Second Court Hearing. It is possible that the Second Court Hearing will be held either virtually (online only) or by telephone conference. Details on how to attend the Second Court Hearing will be released by Estia Health to the ASX if the Scheme has been approved by Estia Health Shareholders at the Scheme Meeting.

If you wish to oppose approval of the Scheme by the Court at the Second Court Hearing, you must file with the Court, and serve on Estia Health, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Estia Health at its address for service at least one day before the Second Court Date.

The address for service is: c/o MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000, Attention: Anthony Sommer, MinterEllison, Tel: (02) 9921 4182. The notice of appearance and affidavit must also be sent by email to anthony.sommer@minterellison.com.

Forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements and information, including statements and information relating to Estia Health and the transactions contemplated by the Scheme Implementation Agreement, are not based solely on historical facts, but rather reflect the current expectations of:

(a) Estia Health, in relation to the Estia Health Information; or

(b) the Bidder, in relation to the Bidder Information,

concerning future results, events or other matters. These forward-looking statements may sometimes be identified by the use of forward-looking words or phrases such as *if, when, believe, aim, will, expect, anticipate, intend, foresee, likely, should, could, plan, may, estimate, budget, forecast, envisage, target, potential* or other similar words or phrases. Similarly, statements that describe Estia Health's or the Bidder's objectives, plans, goals or expectations, estimates of future costs, and expenditure are or may be forward-looking statements.

Those risks and uncertainties include the risks set out in Section 7, factors and risks specific to the industry in which Estia Health operates as well as general economic conditions and conditions in the financial markets. As a result, the actual results of operations and earnings of Estia Health following implementation of the Scheme, as well as the actual advantages of the Scheme, may differ significantly from those that are anticipated in respect of timing, amount or nature and may never be achieved.

The statements contained in this Scheme Booklet about the impact that the Scheme may have on the results of Estia Health's performance, the expected advantages and potential disadvantages of the Scheme are also forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results of Estia Health to be materially different from future results, performance or achievements expressed or implied by such statements. These statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which Estia Health will operate in the future, including anticipated costs and ability to achieve goals. Therefore, forward-looking statements and information should be construed in light of those limitations and undue reliance should not be placed on them.

Although Estia Health and the Bidder believe that the views reflected in any forward-looking statements they respectively make

in the Estia Health Information or the Bidder Information sections of this Scheme Booklet (as applicable) have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

None of Estia Health, the Bidder, their respective related entities, their respective directors, nor any other person gives any representation, assurance or guarantee that the occurrence of the results or events expressed or implied in any forward-looking statements and information in this Scheme Booklet will actually occur. The forward-looking statements and information in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. You are cautioned not to place undue reliance on any forward-looking statement.

Subject to any continuing obligations under law, Estia Health, the Bidder, their respective related entities, and their respective directors disclaim any obligation or undertaking to disseminate after the date of this Scheme Booklet any updates or revisions to any forward-looking statements and information to reflect any change in expectations in relation to them or any change in the events, conditions or circumstances on which they are based.

Rounding of numerical information

Any discrepancies between totals in tables and sums of components contained in this Scheme Booklet and between those figures and figures referred to in other parts of this Scheme Booklet may be due to rounding. Except as otherwise stated, all rounded numbers have been rounded either to one decimal place or to the nearest whole number.

Privacy and personal information

Estia Health, the Bidder and the Share Registry will need to collect personal information to conduct the Scheme Meeting and to implement the Scheme. This information may include the name, contact details and shareholding of Estia Health Shareholders, and the name of persons appointed by Estia Health Shareholders to act as a proxy, attorney, or in the case of an Estia Health Shareholder who is a corporation, corporate representative at any Scheme Meeting.

The primary purpose of collecting this personal information is to assist Estia Health in the conduct of the Scheme Meeting and to enable the Scheme to be approved by Estia Health Shareholders and the Court and to enable the Scheme to be implemented by Estia Health in the manner described in this Scheme Booklet. Without this information, Estia Health may be impeded in its ability to carry out these purposes to full effect. The collection of certain personal information is authorised by the Corporations Act.

Personal information may be disclosed to the Share Registry, print and mail service providers, authorised securities brokers and to related entities of Estia Health and to the parties to the Scheme Implementation Agreement.

Estia Health Shareholders have certain rights to access their personal information that has been collected. Estia Health Shareholders should contact Estia Health's company secretary at leanne.ralph@bellev.com.au in the first instance if they wish to request access to their personal information. Further information about how Estia Health collects, uses and discloses personal information is contained in the Estia Health Privacy Policy which can be found on the Estia Health website at https://www.estiahealth.com.au/privacy-policy/.

Estia Health Shareholders who appoint a named person to act as their proxy, attorney, or in the case of an Estia Health Shareholder who is a corporation, a corporate representative, at the Scheme Meeting should ensure that they inform that person of the matters outlined above.

External websites

Unless expressly stated otherwise, the content of Estia Health's website does not form part of this Scheme Booklet and Estia Health Shareholders should not rely on any such content.

Entitlement to inspect Share Register

All persons are entitled to inspect and obtain a copy of Estia Health's Share Register under section 173 of the Corporations Act. If you are an Estia Health Shareholder, this Register will contain personal information about you.

References to time

All references to time in the Scheme Booklet are to Australian Eastern time unless otherwise stated.

Date of Scheme Booklet

This Scheme Booklet is dated 11 October 2023.

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Letter from the Chairman of Estia Health

Dear Estia Health Shareholder

On behalf of the Board of Directors of Estia Health Limited (**Estia Health** or **the Company**), I am pleased to provide you with this Scheme Booklet, which contains important information for your consideration about the proposed acquisition by Firebird BidCo Pty Ltd (**Bidder**) of Estia Health (**Proposed Transaction**). The Bidder is a wholly-owned subsidiary of Firebird HoldCo Pty Ltd, which itself is indirectly wholly-owned by Bain Capital Asia Fund V, LP, a Cayman Islands limited partnership (**Fund V**), which is managed by Bain Capital Investors, LLC, an entity advised by US-based private equity firm Bain Capital Private Equity, LP (**BCPE**).

If the Proposed Transaction proceeds, it will result in the Bidder acquiring Estia Health and Estia Health being delisted from the Australian Securities Exchange (**ASX**).

The purpose of this Scheme Booklet is to provide you with information about the Proposed Transaction to assist you in making your determination as to how to vote at the Scheme Meeting. I encourage you to read this Scheme Booklet carefully and to participate in this significant transaction for Estia Health by voting on the Scheme.

Proposed Transaction

On 24 March 2023, Estia Health previously announced the receipt of a conditional, non-binding indicative proposal to acquire 100% of the Estia Health Shares from BCPE for $3.00 per Estia Health Share, less the amount of any dividend paid. The Estia Health Board did not regard the proposal as compelling having regard to its price and conditionality. In order to allow BCPE to formulate an improved proposal, Estia Health provided a limited period of access to certain non-public financial and other information on a non-exclusive basis.

Following this period and, as announced on 7 June 2023, Estia Health subsequently received a revised non-binding and conditional proposal from BCPE at $3.20 cash per Estia Health share (adjusted for permitted dividends paid or payable after the date of the proposal). On the basis of this, Estia Health's Board of Directors agreed to provide BCPE the opportunity to conduct due diligence on an exclusive basis to enable it to provide a binding proposal and on Monday, 7 August 2023, Estia Health announced that it had entered into a Scheme Implementation Agreement (**SIA**) with the Bidder (an entity controlled by BCPE) under which it is proposed that the Bidder will acquire all of the issued capital of Estia Health via a scheme of arrangement, subject to Court and Shareholder approvals for $3.20 cash per ordinary share in Estia Health (**Estia Health Share**) (**Initial Scheme Consideration**), reduced by the amount of any permitted dividends paid after the date of the SIA, and excluding the additional benefit to eligible Estia Health Shareholders of approximately $0.05 per Estia Health Share in franking credits attached to the September 2023 Dividend.

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Scheme Consideration

Subsequent to the date of announcement of entry into the SIA, Estia Health paid a final fully franked ordinary dividend of $0.12 per Estia Health Share in relation to the financial year ended 30 June 2023. This dividend was paid on 15 September 2023 to those Estia Health Shareholders on the Register on 28 August 2023, and included the additional benefit to eligible Shareholders of approximately $0.05 per Estia Health Share in franking credits. The September 2023 Dividend was not conditional on the Scheme and was paid irrespective of the Proposed Transaction.

Accordingly, if the Scheme is approved and implemented, Estia Health Shareholders will receive cash consideration of $3.08 per Estia Health Share (**Scheme Consideration**).

The Scheme is subject to various conditions, including:

- the Independent Expert continuing to conclude that the Proposed Transaction is in the best interests of Estia Health Shareholders;
- approval of the Foreign Investment Review Board;
- approval of Estia Health Shareholders (by the requisite majorities);
- approval of the Supreme Court of New South Wales or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing;
- no Material Adverse Changes to Estia Health including limits on consolidated net assets and consolidated annual EBITDA movements, maintenance of a minimum refundable accommodation deposit balance and no occurrence of a material regulatory event (see Section 2.5 for more detail); and
- certain other customary conditions.

The Scheme is not subject to any financing condition.

The Initial Scheme Consideration represented a 50% premium to the undisturbed closing price of Estia Health Shares on the ASX of $2.14 on Tuesday, 21 March 2023 (being the last trading day prior to market speculation around the existence of a potential change of control proposal). The Scheme Consideration of $3.08 per Estia Health Share represents a 44% premium to the undisturbed closing price of Estia Health Shares on the ASX on that date.

Estia Health Directors' voting recommendation and intentions

The Estia Health Board unanimously recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Estia Health Shareholders.

Subject to those same qualifications, each of the Estia Health Directors intends to vote all Estia Health Shares held or controlled by them, in favour of the Scheme. As at the date of this Scheme Booklet, the Estia Health Directors hold approximately 878,309 Estia Health Shares, representing approximately 0.34% of Estia Health Shares on issue. The interests of the Estia Health Directors (including Mr Sean Bilton, Chief Executive Officer and Managing Director) in Estia Health Shares are disclosed in Section 11.2. Estia Health Shareholders should have regard to these interests when considering the Estia Health Directors' unanimous recommendation in respect of the Scheme, which appears throughout this Scheme Booklet.[1]

1 If the Scheme becomes Effective, Mr Sean Bilton will receive Scheme Consideration of $1,819,029.52 in respect of the 590,594 Estia Health Shares to be issued to Mr Bilton following the vesting and exercise of his 590,594 Estia Health Performance Rights shortly before the Scheme Record Date (based on the Scheme Consideration of $3.08 per Estia Health Share).

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In forming their recommendation, the Estia Health Directors have carefully considered the adequacy of the Scheme Consideration, the conditions of the Scheme, its expected advantages, potential disadvantages and risks. The Estia Health Directors have compared these considerations against the other options available to Estia Health including standalone value creation from the execution of Estia Health's existing strategy. These matters are discussed further in Section 2.3. In summary, the reasons for Estia Health Directors' unanimous recommendation that you vote in favour of the Scheme include the following:

- the Scheme Consideration represents an attractive premium over recent trading prices of Estia Health Shares;
- the Scheme provides Estia Health Shareholders with the opportunity to achieve cash certain value for their investment in Estia Health;
- if the Scheme does not proceed, Estia Health Shareholders will continue to be exposed to risks and uncertainties associated with Estia Health's Business and the sector in which it operates;
- the Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Estia Health Shareholders, in the absence of a Superior Proposal;
- no Superior Proposal has emerged as at the date of this Scheme Booklet;
- if the Scheme does not proceed and no other proposal emerges, the price of Estia Health Shares is expected to fall; and
- no brokerage will be payable by Estia Health Shareholders on the transfer of Estia Health shares under the Scheme.

There are also reasons why you may choose to vote against the Scheme which are set out in Section 2.4 In particular:

- you may disagree with the Estia Health Directors' recommendation and the Independent Expert's conclusion and believe that the Scheme is not in the best interests of Estia Health Shareholders;
- you may wish to maintain your investment profile;
- you may prefer to realise the potential value of your Estia Health investment over the long-term, and you may consider that the Scheme does not capture Estia Health's long term potential;
- you may believe there is potential for a Superior Proposal to be received in the foreseeable future (noting that no Superior Proposal has been received as at the date of this Scheme Booklet);
- the taxation implications of the Scheme may not suit your financial position; and
- if the Scheme proceeds, this precludes the possibility of receiving the benefit of any future, potentially more favourable, outcome from maintaining a holding of Estia Health Shares.

Certain risks related to holding Estia Health Shares, and the Scheme are set out in Section 7. The Estia Health Directors unanimously believe that the benefits of the Scheme outweigh its potential disadvantages and risks.

Independent Expert

The Estia Health Directors' unanimous recommendation is also supported by the conclusion of the Independent Expert, who was engaged by the Board to opine on whether the Scheme is in the best interests of the Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Estia Health Shareholders, in the absence of a Superior Proposal.

Scheme Meeting

The Scheme Meeting will be held at 9.00am (Australian Eastern time) on Wednesday, 15 November 2023 at Thomson Geer, Level 14, 60 Martin Place, Sydney NSW 2000 (Australian Eastern time). Estia Health Shareholders and their authorised proxies, attorneys and corporate representatives can attend the Scheme Meeting in person at Thomson Geer, Level 14, 60 Martin Place, Sydney NSW 2000.

If you are registered as an Estia Health Shareholder on Estia Health's Share Register at 7.00pm (Australian Eastern time) on Monday, 13 November 2023, you will be entitled to vote at the Scheme Meeting. Further information on how to participate, ask questions and vote at the Scheme Meeting is set out in the Notice of Meeting attached as Appendix 4 to this Scheme Booklet.

Further information

The Scheme Booklet sets out important information relating to the Scheme, the reasons why the Estia Health Board has recommended that the Estia Health Shareholders vote in favour of the Scheme together with the Independent Expert's Report. The Scheme Booklet also sets out some of the reasons why you may wish to vote against the Scheme.

Please read the Scheme booklet carefully and in its entirety. It will assist you in making an informed decision on how to vote. We also recommend that you seek independent financial, legal and taxation advice before making any decision in relation to your Estia Health Shares.

I encourage you to read this Scheme Booklet. If you have any questions in relation to the Scheme, please call the Estia Health Shareholder Information Line on 1300 038 212 (within Australia) or +61 2 9066 4052 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Australian Eastern time) or contact your legal, financial, taxation or other professional adviser.

On behalf of the Estia Health Board, I commend the Scheme to you and would like to take this opportunity once again to thank you for your support of Estia Health.

Yours sincerely

Dr. Gary Weiss, AM
Independent Non-Executive Chairman
Estia Health Limited

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Key reasons to vote in favour of the Scheme

The Estia Health Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Estia Health Shareholders. The reasons for Estia Health's Directors' unanimous recommendation are summarised below and are set out in further detail in Section 2.3:

- ✓ The Scheme Consideration represents an attractive premium over recent trading prices of Estia Health Shares
- ✓ The Scheme provides Estia Health Shareholders with the opportunity to achieve cash certain value for their investment in Estia Health
- ✓ If the Scheme does not proceed, Estia Health Shareholders will continue to be exposed to risks and uncertainties associated with Estia Health's Business and the sector in which it operates
- ✓ The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Estia Health Shareholders in the absence of a Superior Proposal
- ✓ No Superior Proposal has emerged as at the date of this Scheme Booklet
- ✓ If the Scheme does not proceed and no other proposal emerges, the price of Estia Health Shares is expected to fall
- ✓ No brokerage will be payable by Estia Health Shareholders for the transfer of Estia Health Shares under the Scheme

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Potential reasons to vote against the Scheme

The Estia Health Directors' have identified potential reasons to vote against the Scheme. These are summarised below and are set out in further detail in Section 2.4:

- ✗ You may disagree with the Estia Health Directors' recommendation and the Independent Expert's conclusion and believe that the Scheme is not in the best interests of Estia Health Shareholders
- ✗ The Scheme carries risks that you may consider unacceptable
- ✗ You may believe there is potential for a Superior Proposal to be received in the foreseeable future (noting that no Superior Proposal has been received as at the date of this Scheme Booklet)
- ✗ The taxation implications of the Scheme may not suit your financial position
- ✗ If the Scheme proceeds, this precludes the possibility of receiving the benefit of any future, potentially more favourable, outcome from maintaining a holding of Estia Health Shares

THE ESTIA HEALTH DIRECTORS **UNANIMOUSLY RECOMMEND** THAT YOU VOTE **IN FAVOUR OF THE SCHEME**, IN THE ABSENCE OF A SUPERIOR PROPOSAL AND SUBJECT TO THE INDEPENDENT EXPERT CONTINUING TO CONCLUDE THAT THE SCHEME IS IN THE BEST INTERESTS OF ESTIA HEALTH SHAREHOLDERS

You should read this Scheme Booklet and the Independent Expert's Report in full before making any decision on the Scheme. In particular, you should refer to Section 2 for guidance on the expected advantages, potential disadvantages and risks of the Scheme. This Scheme Booklet does not take into account the financial situation, investment objectives and particular needs of any Estia Health Shareholder. You should consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your own circumstances.

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1 Overview of the Scheme

1.1 The Scheme at a glance

On Monday, 7 August 2023, Estia Health announced that it had entered into the Scheme Implementation Agreement with the Bidder under which it is proposed that the Bidder would acquire 100% of the issued capital of Estia Health by way of scheme of arrangement.

For the Scheme to proceed, the Scheme Resolution must be passed by:

- a majority in number (more than 50%) of eligible Estia Health Shareholders present and voting at the Scheme Meeting (personally or by proxy, attorney, or in the case of an Estia Health Shareholder or proxy who is a corporation, by corporate representative) (**Headcount Test**); and
- at least 75% of the total number of votes which are cast at the Scheme Meeting by eligible Estia Health Shareholders (personally or by proxy, attorney, or in the case of an Estia Health Shareholder or proxy who is a corporation, by corporate representative).

If the Scheme is approved and implemented, the Bidder will own 100% of Estia Health Shares and Estia Health will be delisted from the ASX shortly after the Implementation Date.

If the Scheme is not approved:

- Estia Health Shareholders will not receive the Scheme Consideration; and
- Estia Health Shareholders will retain their Estia Health Shares.

In these circumstances, Estia Health will, in the absence of another proposal, continue to operate as a stand-alone entity listed on the ASX and Estia Health Shareholders will continue to be exposed to the benefits, opportunities and risks associated with their investment in Estia Health.

1.2 Scheme Consideration

If the Scheme proceeds, all holders of Estia Health Shares, as at the Scheme Record Date, (currently proposed to be 7.00pm (Australian Eastern time) on Thursday, 23 November 2023) will transfer all of their Scheme Shares to the Bidder on the Implementation Date (currently proposed to be Thursday, 30 November 2023), in exchange for payment of the Scheme Consideration by the Bidder.

The Scheme Consideration to be paid by the Bidder is $3.08 for each Estia Health Share you hold on the Scheme Record Date. The Scheme Consideration does not include the September 2023 Dividend of $0.12 per Estia Health Share paid by Estia Health on 15 September 2023, which related to the financial year ended 30 June 2023. The September 2023 Dividend was paid on 15 September 2023 to those Estia Health Shareholders on the Register on 28 August 2023, and included the additional benefit to eligible Estia Health Shareholders of approximately $0.05 per Estia Health Share in franking credits.

The Scheme Consideration will generally be paid to Scheme Shareholders by cheque mailed to the registered address of the Scheme Shareholder or by electronic funds transfer to the bank account nominated by the Scheme Shareholder (as applicable).

1.3 Estia Health Directors' recommendation and intentions

The table below sets out the Estia Health Directors' views on key matters:

Voting recommendation	The Estia Health Directors **unanimously** recommend that Estia Health Shareholders **vote in favour** of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Estia Health Shareholders.
Estia Health Directors' personal voting intention	Subject to those same qualifications, each Estia Health Director intends to vote all Estia Health Shares held or controlled by them in favour of the Scheme. As at the date of this Scheme Booklet, the Estia Health Directors hold or control in aggregate approximately 0.34% of all Estia Health Shares on issue. The interests of the Estia Health Directors (including Mr Sean Bilton, Chief Executive Officer and Managing Director) in Estia Health Shares are disclosed in Section 11.2. Estia Health Shareholders should have regard to these interests when considering the Estia Health Directors' unanimous recommendation in respect of the Scheme, which appears throughout this Scheme Booklet.[2]
Basis for voting recommendation	The Estia Health Directors' voting recommendation is based predominantly on their view of the adequacy of the Scheme Consideration of $3.08 per Estia Health Share. The Scheme Consideration of $3.08 cash per Estia Health Share is payable by the Bidder if the Scheme proceeds to be implemented (excluding the September 2023 Dividend of $0.12 per Estia Health Share and the additional benefit to eligible Estia Health Shareholders of approximately $0.05 per Estia Health Share in franking credits attached to the September 2023 Dividend). In addition, the Estia Health Directors have carefully considered the conditions, expected advantages, potential disadvantages and risks of the Scheme and the alternatives open to Estia Health. These matters are described in more detail in Section 2 and in the Independent Expert's Report in Appendix 1. The Estia Health Directors consider that the expected advantages of the Scheme outweigh the potential disadvantages and risks and represent the best option open to Estia Health, in the absence of a Superior Proposal.

2 If the Scheme becomes Effective, Mr Sean Bilton will receive Scheme Consideration of $1,819,029.52 in respect of the 590,594 Estia Health Shares to be issued to Mr Bilton following the vesting and exercise of his 590,594 Estia Health Performance Rights shortly before the Scheme Record Date (based on the Scheme Consideration of $3.08 per Estia Health Share).

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1.4 Independent Expert's conclusion

The Board has engaged the Independent Expert, Kroll Australia Pty Ltd, to prepare a report expressing an opinion on whether the Scheme is fair and reasonable and in the best interests of Estia Health Shareholders.

The Independent Expert has valued Estia Health Shares in the range of $2.83 to $3.21 per Estia Health Share on a controlling interest basis. The Scheme Consideration of $3.08 per Estia Health Share falls within the Independent Expert's assessed range and, on that basis, the Independent Expert has concluded that in the absence of a superior proposal, the Scheme is 'fair' to Estia Health Shareholders.

In assessing the 'reasonableness' of the Proposed Transaction, the Independent Expert has stated that as the Scheme is 'fair' to Estia Health Shareholders, in the absence of a superior proposal, the Scheme is also 'reasonable' to Estia Health Shareholders and therefore in the best interests of Estia Health Shareholders.

The Independent Expert's Report is included in Appendix 1. You should read that report as part of your assessment of the Scheme. Section 2.3(d) contains a summary of the key conclusions of the Independent Expert in relation to the Scheme.

1.5 Taxation implications

A general overview of certain tax considerations (including CGT, GST and stamp duty) that may be applicable to Scheme Shareholders on implementation of the Scheme is provided in Section 8.

1.6 Current status and next steps

For the Scheme to proceed, the Scheme Resolution must be approved by the requisite majorities of Estia Health Shareholders at the Scheme Meeting and approved by the Court. There are also other Conditions that need to be satisfied or waived before the Scheme proceeds. The key remaining Conditions are summarised in Section 2.5. The Conditions are set out in full in clause 3.1 of the Scheme Implementation Agreement.

As at the date of this Scheme Booklet, neither the Bidder, Estia Health, nor any of the Estia Health Directors is aware of any circumstances that would cause any of the Conditions to the Scheme not to be satisfied or which could result in termination of the Scheme Implementation Agreement.

If all of the Conditions to the Scheme are satisfied or waived (as applicable), the Scheme will constitute a binding arrangement between Estia Health and all holders of Estia Health Shares as at the Scheme Record Date (currently proposed to be 7.00pm (Australian Eastern time) on Thursday, 23 November 2023) (referred to in the Scheme and in this Scheme Booklet as Scheme Shareholders) to undertake the steps required to give effect to the Scheme.

If all of the Conditions to the Scheme are satisfied or waived (as applicable), Scheme Shareholders will be bound by the Scheme whether or not they:

- participated in the Scheme Meeting;
- voted at the Scheme Meeting; or
- voted against the Scheme at the Scheme Meeting.

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1.7 Implementation

If all necessary approvals and other Conditions for the Scheme are satisfied or waived (as applicable), it is proposed that the Scheme will be implemented on the Implementation Date (currently proposed to be Thursday, 30 November 2023). The Scheme will apply to and bind all Scheme Shareholders. Importantly, no transfer of Scheme Shares under the Scheme will occur unless:

- on the Business Day prior to the Implementation Date (currently proposed to be Wednesday, 29 November 2023) the Bidder has deposited an amount equal to the aggregate Scheme Consideration payable in connection with the Scheme in cleared funds into the Trust Account operated by Estia Health as trustee for the benefit of the Scheme Shareholders; and
- on the Implementation Date (currently proposed to be Thursday, 30 November 2023), and subject to the Bidder having deposited the Scheme Consideration into the Trust Account, Estia Health has paid or procured the payment of the Scheme Consideration to each relevant Scheme Shareholder by mailed cheque or funds transfer to the bank account nominated by the Scheme Shareholder. If a Scheme Shareholder has not nominated an Australian dollar bank account, payment will be made by an Australian dollar cheque sent by post to the Scheme Shareholder's registered address as shown on the Register unless: (i) the Scheme Shareholder's registered address is in New Zealand or (ii) Estia Health believes that you are not known at your registered address, which will result in your Scheme Consideration being retained in the Trust Account, to be held until the Scheme Shareholder nominates an Australian dollar bank account into which a payment may be made, subject to relevant laws dealing with unclaimed money.

Only once these steps have occurred will the Scheme Shares be transferred to the Bidder.

In addition, the Bidder has executed the Deed Poll in favour of the Scheme Shareholders, under which, subject to the Scheme becoming Effective, the Bidder undertakes to provide the Scheme Consideration in accordance with the Scheme. A copy of the Deed Poll is contained in Appendix 2 to this Scheme Booklet.

Having regard to the above matters, the Estia Health Directors consider that Scheme Shareholders are not exposed to any risk under the Scheme that any transfer of ownership of their Shares will occur without the Scheme Consideration first having been provided to them.

Section 9 describes in further detail the procedural aspects of the Scheme and Section 10 describes how the Scheme will be implemented

1.8 Warranties provided by Estia Health Shareholders

The Scheme provides that Scheme Shareholders are taken to have warranted to Estia Health that:

- all of their Estia Health Shares (including any rights and entitlements attaching to those shares) transferred to the Bidder under the Scheme will, at the time of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any *security interests* within the meaning of section 12 of the *Personal Property Securities Act 2009 (Cth))* and interests of third parties of any kind, whether legal or otherwise, and restrictions of transfer of any kind;
- they have full power and capacity to sell and transfer their Estia Health Shares (together with any rights attaching to those shares) to the Bidder under the Scheme; and
- they have no existing right to be issued any Estia Health Shares, options or rights exercisable into Estia Health Shares, Estia Health convertible notes or any other Estia Health securities.

Scheme Shareholders should ensure that these warranties can be given prior to, and remain correct as at, the Implementation Date.

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1.9 Exclusivity arrangements, competing proposals and break fee arrangements

(a) Exclusivity arrangements

Under the Scheme Implementation Agreement, Estia Health has agreed to certain exclusivity arrangements in favour of the Bidder. Please refer to Section 2.5(d) for further information on these exclusivity arrangements, and to clause 17 of the Scheme Implementation Agreement for the complete terms of these arrangements.

(b) Competing proposals

The Estia Health's Directors' recommendation of the Scheme is qualified as applying in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Estia Health Shareholders. As at the date of this Scheme Booklet, no Superior Proposal has been received and the Estia Health Directors are not aware of any approach that may result in a Superior Proposal emerging. As part of the exclusivity arrangements described in Section 2.5(d), Estia Health has agreed not to solicit, invite, encourage or initiate any Competing Proposal. However, these restrictions do not prevent Estia Health from considering an unsolicited Competing Proposal. The Bidder has the right (but not the obligation) to match any unsolicited Superior Proposal.

If a Competing Proposal for Estia Health emerges prior to the Scheme Meeting, the Estia Health Directors will carefully consider the proposal to determine whether it is a Superior Proposal and will inform Estia Health Shareholders of any material developments which may affect the Estia Health Directors' view that the Scheme is presently the most favourable proposal for Estia Health Shares.

Please see Section 2.5(d) for further discussion about the implications of any Competing Proposal that may emerge.

(c) Break fee arrangements

Under the Scheme Implementation Agreement:

- Estia Health has agreed in certain circumstances to pay the Bidder a break fee of $8,267,533 (exclusive of GST) (**Target Break Fee**); and
- the Bidder has agreed in certain circumstances to pay Estia Health a break fee of $8,267,533 (inclusive of GST) (**Bidder Break Fee**).

In the context of the Target Break Fee, these circumstances broadly relate to where there is a change of recommendation by the Board, a Competing Proposal succeeds, the Estia Health Directors withdraw their recommendation of the Scheme (except in certain limited circumstances) or the Scheme Implementation Agreement has been terminated by the Bidder. In the context of the Bidder Break Fee, the relevant circumstance is if the Scheme Implementation Agreement has been terminated by Estia Health as a result of a material breach by the Bidder or the Scheme becomes Effective, but the Bidder fails to provide the Scheme Consideration.

Please refer to Section 2.5(e) for further information on these break fee arrangements and to clauses 15 and 16 of the Scheme Implementation Agreement for the complete terms of these arrangements.

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2 Relevant considerations for Estia Health Shareholders

2.1 Introduction

The purpose of this Section is to identify material elements for Estia Health Shareholders to consider in relation to the Scheme.

Before deciding how to vote at the Scheme Meeting, Estia Health Shareholders should carefully consider the factors discussed below, as well as the other information contained in this Scheme Booklet.

The Estia Health Directors recommend that Estia Health Shareholders consult their legal, financial, taxation or other professional adviser concerning the impact their decision may have on their individual circumstances.

2.2 Estia Health Directors' recommendation and intentions

The Estia Health Directors as at the date of this Scheme Booklet are:

- Dr. Gary Weiss, AM (Independent Non-Executive Chairman);
- Mr Sean Bilton (Chief Executive Officer and Managing Director);
- Ms Norah Barlow, ONZM (Independent Non-Executive Director);
- Ms Karen Penrose (Independent Non-Executive Director);
- Mr Paul Foster (Independent Non-Executive Director);
- Ms Helen Kurincic (Independent Non-Executive Director); and
- Professor Simon Willcock, AM (Independent Non-Executive Director).

Profiles of each member of the Estia Health Board are set out in Section 5.5.

The interests of the Estia Health Directors in the Scheme are disclosed in Section 11.2.

For the reasons set out in Section 2.3, the Estia Health Directors unanimously believe that:

- the expected advantages of the Scheme outweigh the potential disadvantages and risks and represent the best option open to Estia Health; and
- the Scheme is otherwise in the best interest of Estia Health Shareholders,

in each case, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Estia Health Shareholders.

Accordingly, the Estia Health Directors unanimously recommend that Estia Health Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Estia Health Shareholders.

Subject to those same qualifications, the Estia Health Directors intend to vote all Estia Health Shares held or controlled by them, in favour of the Scheme. As at the date of this Scheme Booklet, the Estia Health Directors hold or control in aggregate approximately 0.34% of all Estia Health Shares on issue. The interests of the Estia Health Directors (including Mr Sean Bilton, Chief Executive Officer and Managing Director) in Estia Health Shares are disclosed in Section 11.2. Estia Health Shareholders should have regard to these interests when considering the Estia Health Directors' unanimous recommendation

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in respect of the Scheme, which appears throughout this Scheme Booklet.[3]

No Superior Proposal from another party has been received as at the date of this Scheme Booklet. You are not obliged to accept the Estia Health Directors' recommendation. Some of the reasons why you may decide to vote against the Scheme are set out in Section 2.4.

You should note that if you decide to vote against the Scheme, the Scheme will nevertheless proceed if it is approved by the requisite majority of Estia Health Shareholders, approved by the Court and if the other Conditions are satisfied or waived (see Sections 2.5(a), 2.5(b) and 9).

2.3 Key reasons for Estia Health Directors' recommendation

(a) **The Initial Scheme Consideration and Scheme Consideration represent an attractive premium over recent trading prices of Estia Health Shares**

The Initial Scheme Consideration of $3.20 per Estia Health Share, as contemplated in the Scheme Implementation Agreement announced to ASX on Monday, 7 August 2023, represented:

- a 50% premium to Estia Health's undisturbed closing share price on Tuesday, 21 March 2023 of $2.14 per Estia Health Share, being the last trading day prior to market speculation around the existence of a possible change of control proposal;
- a 52% premium to the one-month VWAP to 21 March 2023 of $2.10 per Estia Health Share; and
- a 59% premium to the three-month VWAP to 21 March 2023 of $2.01 per Estia Health Share.

The Initial Scheme Consideration comprises:

- the Scheme Consideration of $3.08 per Estia Health Share; and
- the September 2023 Dividend of $0.12 per Estia Health Share paid by Estia Health on 15 September 2023.

As it relates to the September 2023 Dividend, those Estia Health Shareholders who are entitled to the franking credits attached to the September 2023 Dividend may be entitled to an Australian tax offset of up to a maximum of $0.05 of additional value per Estia Health Share.

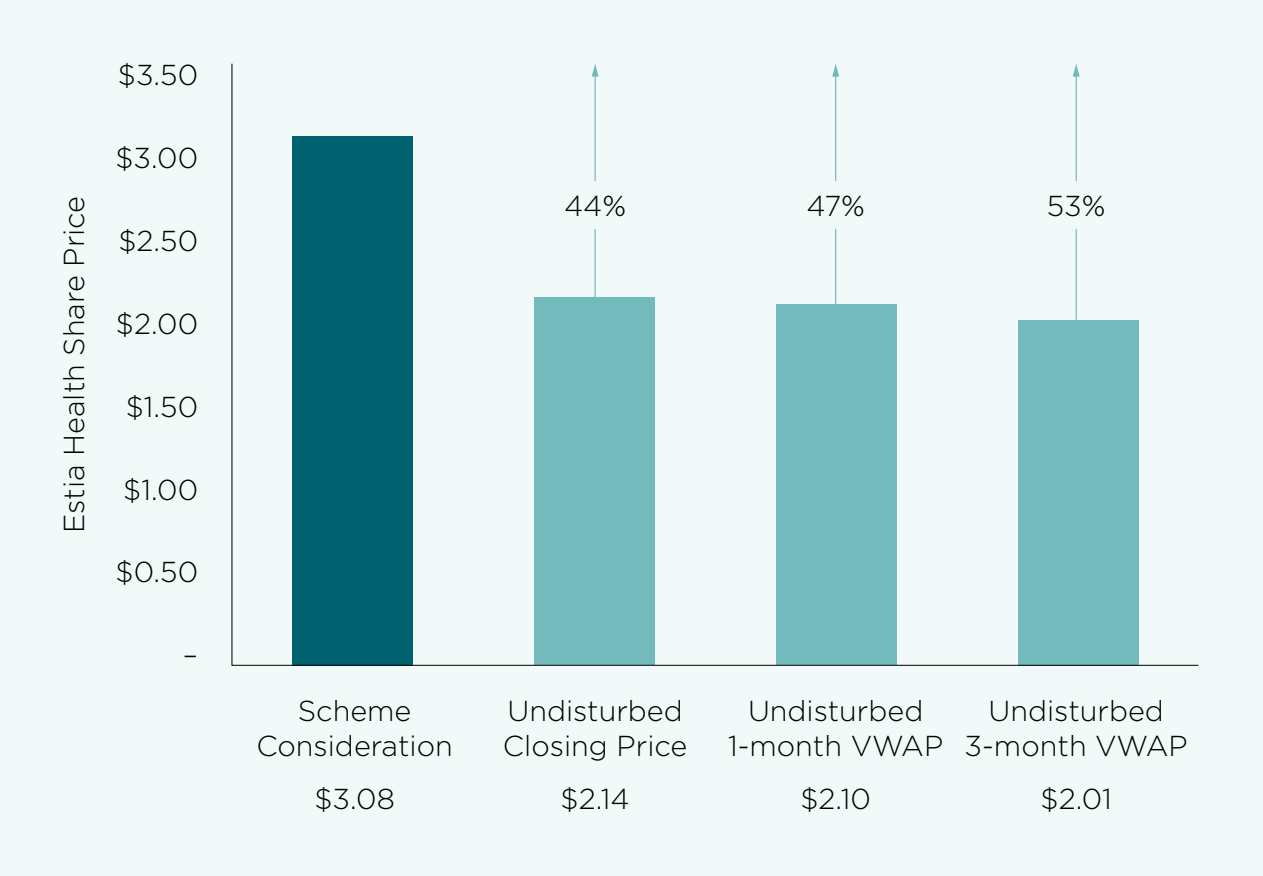
The Scheme Consideration of $3.08 per Estia Health Share represents:

- a 44% premium to Estia Health's undisturbed closing share price on Tuesday, 21 March 2023 of $2.14 per Estia Health Share, being the last trading day prior to market speculation around the existence of a possible change of control proposal;
- a 47% premium to the one-month VWAP to 21 March 2023 of $2.10 per Estia Health Share; and
- a 53% premium to the three-month VWAP to 21 March 2023 of $2.01 per Estia Health Share.

The graph below shows the premium to the Estia Health Share price before the existence of market speculation regarding a possible change of control proposal.

3 If the Scheme becomes Effective, Mr Sean Bilton will receive Scheme Consideration of $1,819,029.52 in respect of the 590,594 Estia Health Shares to be issued to Mr Bilton following the vesting and exercise of his 590,594 Estia Health Performance Rights shortly before the Scheme Record Date (based on the Scheme Consideration of $3.08 per Estia Health Share).

Figure 1. Scheme Consideration vs. Estia Health share price trading benchmarks



(b) **The Scheme provides Estia Health Shareholders with the opportunity to achieve cash certain value for their investment in Estia Health**

While the fundamentals of the sector and of Estia Health are strong, regulatory uncertainty persists.

The Scheme Consideration of $3.08 cash per Estia Health Share, in conjunction with the September 2023 Dividend of $0.12 per Estia Health Share paid by Estia Health on 15 September 2023, provides Shareholders with certainty of value for their investment in Estia Health (subject to the Scheme becoming Effective) in the near term, which may not be achieved if the Scheme does not proceed. Furthermore, the Bidder's offer for Estia Health is an all-cash offer, providing a high level of certainty in terms of value and timing, particularly in the context of current volatile market conditions.

The certainty of this cash payment should be compared with the risks and uncertainties of remaining an Estia Health Shareholder which include, but are not limited to, the risks relating to Estia Health as set out in Section 7.

The graph below shows the closing price of Estia Health Shares for the 24 months prior to 21 March 2023, being the last trading day prior to market speculation around the existence of a possible change of control proposal, compared to the Initial Scheme Consideration and Scheme Consideration. The Estia Health Directors note the Scheme Consideration is higher than Estia Health's Share price low and high over the last 24 months.

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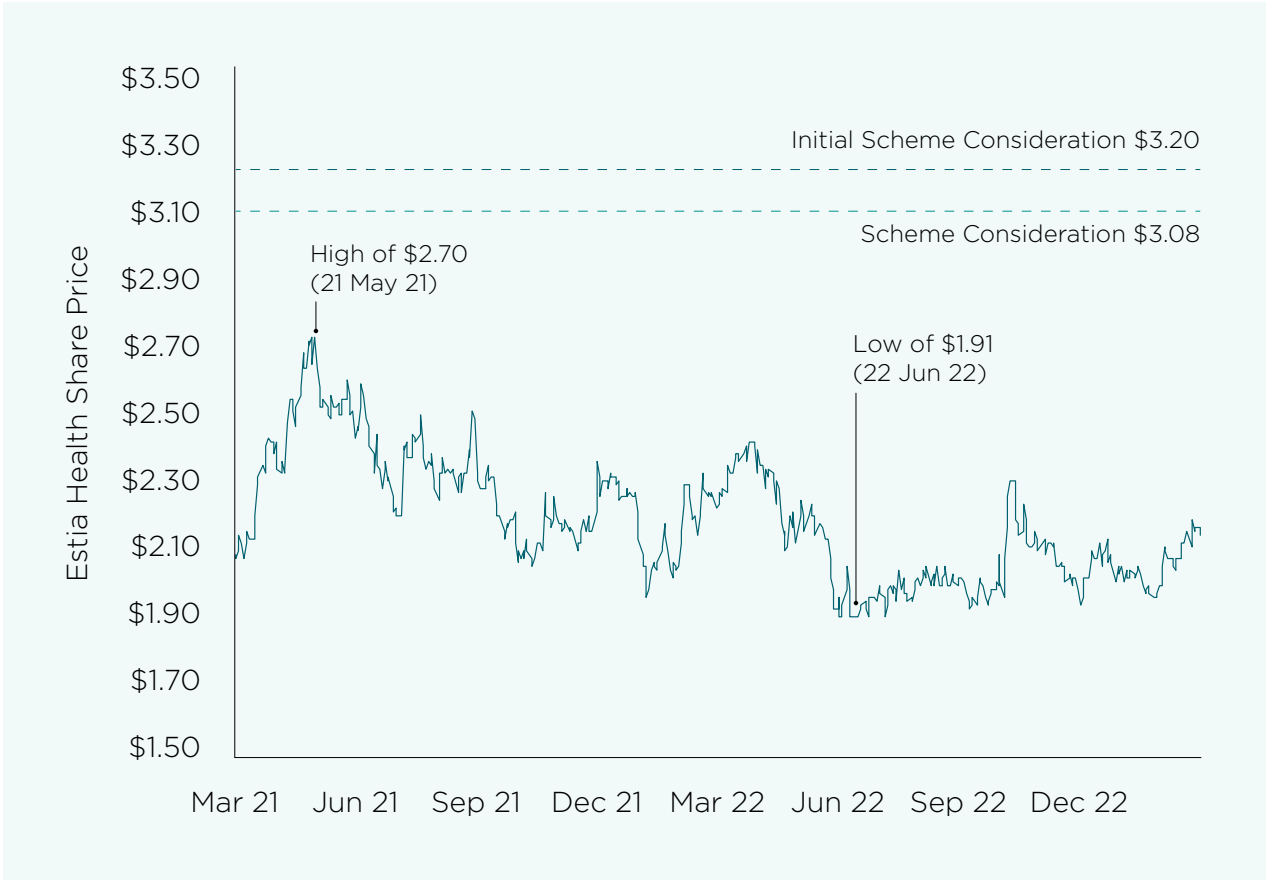
Figure 2. Estia Health last 24 months share price trading



(c) **If the Scheme does not proceed, Estia Health Shareholders will continue to be exposed to risks and uncertainties associated with Estia Health's Business and the sector in which it operates**

The Estia Health Directors also considered the prospects of Estia Health in pursuing its current strategy, including an assessment of standalone value creation opportunities, with Estia Health Shareholders continuing to participate in ongoing ownership of Estia Health as a listed entity. Despite the strong fundamentals of the sector and the Company, the Directors believe that the challenges and uncertainties presented by the residential aged care sector at present, in conjunction with strategy execution risk, result in this alternative being inferior to the BCPE proposal. The risks and uncertainties are discussed further in Section 7, including risks relating, but not limited to:

- changes in the regulatory framework applicable to the Estia Health Business;
- changes in the Government funding applicable to the Estia Health Business;
- retaining a skilled workforce, staff availability and wage increases due to growing demand for care workers and mandated staffing requirements;
- decline in the refundable accommodation deposits pool available to Estia Health;
- reduction in occupancy levels due to increased competition, changing consumer trends, disrupted resident referral patterns, consumer preference for home care services, pandemic or epidemic, and capacity constraints;
- cyber security and privacy breaches;
- loss of approvals or accreditations; and
- damage to brand and reputation if it, or the aged care sector generally, suffers from any adverse publicity.

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(d) The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Estia Health Shareholders, in the absence of a Superior Proposal

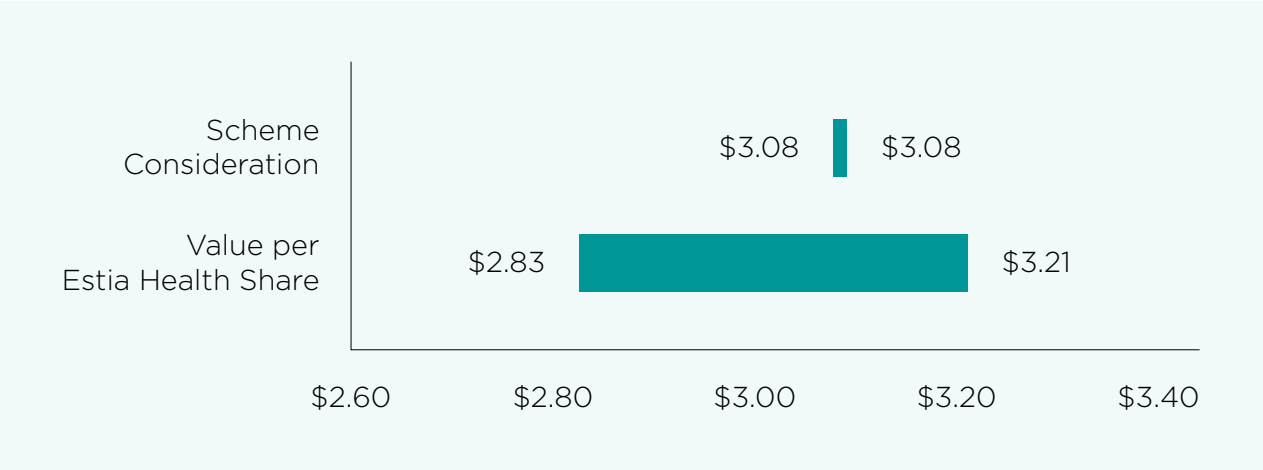
The Board appointed the Independent Expert to prepare an Independent Expert's Report, including an opinion as to whether the Scheme is in the best interests of Estia Health Shareholders.

The Independent Expert has stated the following:

"We have assessed the Scheme to be fair and reasonable. Consequently, consistent with RG 111, we have concluded that the Scheme is in the best interests of Estia Health Shareholders, in the absence of a superior proposal.

We have assessed the value of an Estia Health Share on a controlling interest basis to be in the range $2.83 to $3.21. As the Scheme Consideration of $3.08 falls within our assessed value range for an Estia Health Share, the Scheme is fair.[4]

Fairness Assessment[1]



5

Source: Kroll analysis.

Note 1: Both the Scheme Consideration and Value per Estia Health Share exclude the value of the September 2023 Dividend.

As the Scheme Consideration falls within the range of values for an Estia Health Share, the Scheme is fair.

*In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Scheme to be fair, it is also reasonable.*6"

A complete copy of the Independent Expert's Report is contained in Appendix 1 of this Scheme Booklet and the Estia Health Directors encourage you to read this report in full.

(e) No Superior Proposal has emerged as at the date of this Scheme Booklet

Since Estia Health's announcement on 7 August 2023 that it had entered a Scheme Implementation Agreement with the Bidder, no Superior Proposal has been received and the Estia Health Board is not otherwise aware of any Superior Proposal. The Scheme Implementation Agreement prohibits Estia Health from soliciting a Competing Proposal. However, the Board is permitted to respond to any Competing Proposal should the Board determine that the Competing Proposal could reasonably be expected to become a Superior Proposal, and that failing to respond would likely constitute a breach of their fiduciary or statutory duties.

4 Section 3.2 of the Independent Expert's Report.

5 Section 3.3.2 of the Independent Expert's Report.

6 Section 3.4 of the Independent Expert's Report.

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BCPE's original proposal

On 24 March 2023, Estia Health previously announced the receipt of a conditional, non-binding indicative proposal to acquire 100% of the Estia Health Shares from BCPE for $3.00 per Estia Health Share, less the amount of any dividend paid (**Original Proposal**). The Estia Health Board did not regard the proposal as compelling having regard to its price and conditionality. In order to allow BCPE to formulate an improved proposal, Estia Health provided a limited period of access to certain non-public financial and other information on a non-exclusive basis.

Following this period and, as announced on 7 June 2023, Estia Health subsequently received a revised non-binding and conditional proposal from BCPE at $3.20 cash per Estia Health share (adjusted for permitted dividends paid or payable after the date of the proposal) (**Second BCPE Proposal**). On the basis of this, Estia Health's Board of Directors agreed to provide BCPE the opportunity to conduct due diligence on an exclusive basis to enable it to provide a binding proposal. This period of exclusivity ended on 27 July 2023 and, on 7 August 2023, Estia Health announced that it had entered into a Scheme Implementation Agreement with the Bidder (an entity affiliated with BCPE), under which the Bidder would acquire 100% of the issued share capital in Estia Health, offering more value to Estia Health Shareholders than under the Original Proposal.

Estia Health's Directors have no reasonable basis for believing that a further acquisition proposal will be received which will be superior to the Second BCPE proposal. Estia Health's Directors will notify Estia Health Shareholders if a Superior Proposal is received before the Scheme Meeting.

(f) **If the Scheme does not proceed and no other proposal emerges, the price of Estia Health Shares is expected to fall**

Over the 24 months prior to 21 March 2023, being the last trading day prior to market speculation around the existence of a possible change of control proposal, the closing prices of Estia Health Shares on the ASX were between a low of $1.91 and a high of $2.70. The highest closing price of Estia Health Shares on the ASX since 21 March 2023 was $3.13.

If the Scheme is not implemented, Estia Health's Shares will continue to remain quoted on the ASX and will continue to be subject to market volatility, including general stock market movements, the impact of ongoing regulatory uncertainty and the general economic conditions and the demand for listed securities. As such, if the Scheme is not implemented, Estia Health Directors believe that there is a real risk that the price of Estia Health Shares is likely to fall materially, at least in the short term, if no Superior Proposal emerges.

(g) **No brokerage will be payable by Estia Health Shareholders for the transfer of Estia Health Shares under the Scheme**

Estia Health Shareholders will not incur any brokerage on the transfer of Estia Health Shares to the Bidder under the Scheme. It is possible that brokerage may be incurred (and potentially GST on those charges) if Estia Health Shareholders transfer Estia Health Shares other than under the Scheme.

2.4 Potential disadvantages of the Scheme

There are some potential reasons to vote against the Scheme that Estia Health Shareholders should consider in deciding how they should vote at the Scheme Meeting.

(a) **You may disagree with the Estia Health Directors' recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interest**

Despite the unanimous recommendation of the Estia Health Directors to vote in favour of the Scheme and the conclusion of the Independent Expert that the Scheme is fair and reasonable and therefore in the best interest of Estia Health Shareholders, you may believe that the Scheme is not in your best interest.

(b) **You may wish to maintain your investment profile**

You may wish to maintain your investment in Estia Health in order to have an investment in a publicly listed company with the specific characteristics of Estia Health in terms of industry, operational profile, size, capital structure and potential dividend stream.

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Implementation of the Scheme may result in a disadvantage to those who wish to maintain their investment profile. Estia Health Shareholders who wish to maintain their investment profile may find it difficult to find an investment with a similar profile to that of Estia Health and they may incur transaction costs in undertaking any new investment.

(c) **You may prefer to realise the potential value of Estia Health over the long term, and may consider that the Scheme does not capture Estia Health's long term potential**

You may consider that Estia Health's long-term potential is not captured by the consideration payable under the Scheme which, if implemented, will result in you no longer being an Estia Health Shareholder. This will mean that you will not participate in the future performance of Estia Health, including any benefits that may result from being an Estia Health Shareholder. If the Scheme is implemented, Estia Health Shareholders will not retain any exposure to Estia Health's assets or have the potential to share in the value that could be generated by Estia Health in the future.

(d) **You may believe there is potential for a Superior Proposal to be received in the foreseeable future (noting that no Superior Proposal has been received as at the date of this Scheme Booklet)**

You may consider that a Superior Proposal could emerge in the future. As at the date of this Scheme Booklet, the Estia Health Directors have not received or otherwise been made aware of any Superior Proposal.

(e) **The taxation implications of the Scheme may not suit your financial position**

If the Scheme proceeds, it will potentially result in Australian taxation consequences (including Australian income tax consequences) for Estia Health Shareholders, which may arise earlier than may otherwise be the case.

You should read the general outline of the taxation implications for Estia Health Shareholders in relation to the Scheme in Section 8. Estia Health Shareholders should seek their own professional advice regarding the taxation implications relevant to them.

You should also note that even if the Scheme does not proceed, Australian taxation consequences (including Australian income tax consequences) may arise at any future time that you sell or otherwise dispose of your Estia Health Shares.

While the Estia Health Directors acknowledge the potential disadvantages of the Scheme, they believe the potential advantages outweigh the potential disadvantages of the Scheme.

2.5 Other relevant considerations

(a) **The Scheme is subject to conditions**

In addition to the need to obtain Shareholder approval and Court approval, the Scheme is subject to other Conditions. The Conditions are summarised below. The Conditions for the Scheme are set out in full in the Scheme Implementation Agreement, which was released to ASX on Monday, 7 August 2023. A copy of which is available at https://investors.estiahealth.com.au/investor-centre/.

All Conditions need to be satisfied (or alternatively waived, in the case of certain Conditions that are capable of being waived) in order for the Scheme to proceed.

Conditions applicable to the Scheme

- **ASIC and ASX consents or approvals as are necessary or desirable** – these need to be obtained and remain in place as at two hours before the commencement of the hearing on the Second Court Date.
- **FIRB approval** – the Bidder receives FIRB approval to acquire Estia Health two hours before the commencement of the hearing on the Second Court Date.
- **Aged care industry approvals** – the Bidder has not received any notices or correspondence from the ACQSC, Department of Health and Aged Care or the Minister for Health and Aged Care advising that they intend to take regulatory action to address Estia Health's suitability as an Approved Provider as a result of the Proposed Transaction, as at 2.15pm (Australian Eastern time) on the Second Court Date.

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- **No restraints** – no legal or regulatory restraint by or from a Governmental Agency is in place that prevents, prohibits or materially restricts the implementation of the Scheme, as at 2.15pm (Australian Eastern time) on the Second Court Date.
- **No Estia Health Prescribed Occurrences occur between 6 August 2023 and two hours before the commencement of the hearing on the Second Court Date** – the prescribed occurrence events mainly relate to changes to Estia Health's capital structure, payment of dividends, material acquisitions or disposals, commencing or threatening legal proceedings, incurring financial indebtedness, incurring material capital expenditure, entering into material business contracts and insolvency type events. These prescribed occurrence events are subject to exclusions, including for matters required to be done under the Scheme Implementation Agreement and the Scheme, required by law, previously disclosed to the Bidder or done with the Bidder's prior approval.
- **Estia Health Shareholders approval of the Scheme Resolution** – this Condition requires that the Scheme be approved by at least a simple majority in number of eligible Estia Health Shareholders, present and voting at the Scheme Meeting, and at least 75% of the total number of votes cast at the Scheme Meeting.
- **Court approval of the Scheme** – this Condition requires the Scheme to be approved by the Court.
- **Independent Expert** – the Independent Expert concluding in the Independent Expert's Report that in its opinion the Scheme is in the best interest of Estia Health Shareholders and the Independent Expert maintaining that opinion (including by not withdrawing, qualifying or changing that opinion) at all times up to 2.15pm (Australian Eastern time) on the Second Court Date.
- **No material adverse change in relation to Estia Health occurs between 6 August 2023 and two hours before the commencement of the hearing on the Second Court Date** – a 'material adverse change' is defined by reference to specific, objectively ascertainable events, including a material reduction in RADs held by the Estia Health Group, a material regulatory event in relation to 5 or more homes operated by the Estia Health Group or a material reduction in net assets or EBITDA of the Estia Health Group and embodies a number of exclusions similar to those applying to an Estia Health Prescribed Occurrence. For further details, please refer to the definition of 'material adverse change' in the Scheme Implementation Agreement.
- **Estia Health Performance Rights** – as at 2.15pm (Australian Eastern time) on the Second Court Date, Estia Health has complied with its obligations under clause 5 of the Scheme Implementation Agreement to ensure that there will be no Performance Rights on issue on the Implementation Date.

The Estia Health Directors have reviewed the Conditions of the Scheme and do not consider them to be unduly onerous or inconsistent with market practice for a transaction of this nature. As at the date of this Scheme Booklet, the Estia Health Directors are not aware of any matter that would result in a breach or non-fulfilment of any of the Conditions of the Scheme.

(b) **The Scheme delivers an 'all or nothing' outcome**

If all of the Scheme Conditions are satisfied or waived (as applicable):

- it will bind all persons registered as Estia Health Shareholders as at the Scheme Record Date for the Scheme (being Scheme Shareholders), including those who were not present at the Scheme Meeting, those who did not vote on the Scheme and those who voted against the Scheme. This means that all persons who are Scheme Shareholders will relinquish ownership of their Estia Health Shares and will be entitled to receive the Scheme Consideration; and
- Estia Health will become wholly owned by the Bidder and Estia Health will be delisted from the ASX.

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Conversely, if all of the Scheme Conditions are not satisfied or waived (as applicable), the status quo will be preserved, meaning:

- Estia Health Shareholders will retain all of their Estia Health Shares;
- the existing Board will continue to operate the Estia Health Business;
- the expected advantages of the Scheme, as outlined in Section 2.3, will not be realised and equally some of the potential disadvantages, as outlined in Section 2.4, will no longer be relevant; and
- Estia Health Shareholders will retain their current investment in Estia Health Shares and in doing so will continue to retain the benefits of that investment and continue to be exposed to the risks associated with that investment. Those risks include ones that are specific to the Business (see Section 7.2).

(c) Transaction costs

Estia Health Shareholders

If the Scheme proceeds, Estia Health Shareholders will not be required to pay any brokerage charges on the disposal of their Estia Health Shares under the Scheme.

Estia Health

As at the date of this Scheme Booklet, Estia Health has incurred (or expects to incur) costs of approximately $2.2 million (excluding GST) in developing the Scheme to the point that it is capable of being submitted to Estia Health Shareholders as a formal proposal for their consideration. If the Scheme is implemented, Estia Health expects to pay an aggregate of approximately $14.7 million (excluding GST) in external transaction costs in connection with the Scheme, excluding an amount in respect of directors' and officers' run-off insurance cover for the period post-implementation of the Scheme (the amount in respect of which is yet to be determined). The external transaction costs primarily relate to (i) fees payable to Estia Health's external advisers in connection with the Proposed Transaction, including its financial, legal, tax advisors and the Share Registry; (ii) fees payable to the Independent Expert for provision of the Independent Expert's Report; and (iii) engagement with ASIC, ASX and the Court.

If the Scheme does not proceed, and no Superior Proposal is implemented, Estia Health's financial performance will be negatively impacted by the transaction costs incurred in proposing the Scheme.

These transaction costs do not include any Target Break Fee that may be payable by Estia Health (see Section 2.5(e) for information on the circumstances in which a Break Fee may be payable by Estia Health).

(d) Exclusivity arrangements

The following is a summary of the exclusivity arrangements agreed to by Estia Health and the Bidder in the Scheme Implementation Agreement. The full terms of these exclusivity arrangements are set out in clause 17 of the Scheme Implementation Agreement.

No shop and no talk

During the Exclusivity Period, Estia Health must not:

- (**no shop**) solicit, invite, encourage or initiate any Competing Proposal or any enquiries, proposals, negotiations or discussions with a third party that may reasonably be expected to lead to a Competing Proposal or communicate any intention to do those things; or
- (**no talk**): negotiate or enter into or participate in negotiations or discussions with any person or communicate an intention to do so in relation to, or that may reasonably be expected to lead to, a Competing Proposal, even if the Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by Estia Health or any of its Related Bodies Corporate.

No due diligence

During the Exclusivity Period, Estia Health must not, directly or indirectly:

- solicit, invite, initiate, encourage, facilitate or permit, a third party to undertake due diligence investigations in respect of the Estia Health Group or its Business and operations in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal; or

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- make available to a third party any non-public information relating to the Estia Health Group, its Related Bodies Corporate or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal.

Fiduciary exceptions to exclusivity provisions

The no talk and no due diligence provisions do not apply if the Estia Health Board determines, where there is a Competing Proposal, that:

- after consultation with its financial advisers, the Competing Proposal is a Superior Proposal or could reasonably be expected to become a Superior Proposal; and
- after receiving written legal advice from its external legal advisers, that failing to respond to the Competing Proposal would, or would be reasonably likely to, constitute a breach of its fiduciary or statutory duties,

provided that the Competing Proposal was not solicited, invited, encouraged or initiated in contravention of the No Shop provision.

Notice of Competing Proposal

During the Exclusivity Period, Estia Health must promptly (and in any event, within 24 hours) notify the Bidder in writing if Estia Health becomes aware of any:

- approach, inquiry or proposal made by any person to Estia Health, any of its Related Bodies Corporate or any of their respective Authorised Persons that could reasonably be expected to lead to a Competing Proposal; and
- request made by any person to Estia Health, any of its Related Bodies Corporate or any of their respective Authorised Persons for any information relating to the Estia Health Group or its Business or operations in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of a Competing Proposal.

During the Exclusivity Period, if Estia Health becomes aware that any material details in the Competing Proposal Notice are inaccurate or require updating, Estia Health must promptly provide the Bidder with a new Competing Proposal Notice setting out the correct and updated information.

Matching right

Under the Scheme Implementation Agreement, if Estia Health receives a Competing Proposal during the Exclusivity Period, Estia Health:

- must not enter into any agreement, commitment or arrangement or understanding relating to the Competing Proposal; and
- ensure that none of the Estia Health Directors change, withdraw or modify his or her recommendation in favour of the Scheme,

unless and until:

- the Estia Health Directors, acting in good faith determine that the Competing Proposal is bona fide;
- the Estia Health Directors, acting in good faith and in order to satisfy their statutory or fiduciary duties, determine that the Competing Proposal is, or would be or would be reasonably likely to be a Superior Proposal; and
- until each of the following has occurred:
  - Estia Health has provided the Bidder with written notice of the Estia Health Directors' intention to enter into an agreement, commitment, arrangement or understanding relating to the Competing Proposal or to change, withdraw or modify their recommendation in favour of the Scheme;
  - Estia Health has given the Bidder at least five Business Days after the provision of the notice described above to provide a written matching or superior proposal to the Competing Proposal; and
  - the Bidder has not announced or otherwise proposed to Estia Health a matching or superior proposal to the Competing Proposal by the expiry of the five Business Days.

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(e) **Break fee arrangements**

The following is a summary of the break fee arrangements agreed to in the Scheme Implementation Agreement. The full terms of these arrangements are set out in clauses 15 and 16 of the Scheme Implementation Agreement. Under the Scheme Implementation Agreement:

- Estia Health has agreed in certain circumstances to pay the Bidder a break fee of $8,267,553 (exclusive of GST) (**Target Break Fee**); and
- the Bidder has agreed in certain circumstances to pay Estia Health a break fee of $8,267,553 (inclusive of GST) (**Bidder Break Fee**).

These break fee arrangements are summarised below.

Target Break Fee

The Target Break Fee is payable by Estia Health to the Bidder in any of the following circumstances:

- (**Competing Proposal succeeds**) during the Exclusivity Period, a Competing Proposal is publicly announced and within nine months from that announcement, either (i) the Competing Proposal is implemented or completed substantially in the terms described in the public announcement; or (ii) a person acquires a Relevant Interest or voting power in at least 50% of Estia Health Shares;
- (**Change of recommendation**) during the Exclusivity Period, any Estia Health Director:
  - withdraws or adversely modifies or changes his or her recommendation of the Scheme or supports a Competing Proposal;
  - does not state his or her recommendation or voting intention in the Scheme Booklet; or
  - makes any public statement or recommendation to the effect that the Scheme is not, or is no longer, recommended or makes any public statement or recommendation that is inconsistent with his or her recommendation,

  except where a court, ASIC or the Takeovers Panel requests that an Estia Health Director change, withdraw, qualify or modify, or abstain from making, his or her recommendation, as a result of the Independent Expert opining that the Scheme is not in the best interest of Estia Health Shareholders or as a result of any matter or thing giving Estia Health the right to terminate the Scheme implementation Agreement; or
- (**Termination by the Bidder**) the Bidder has terminated the Scheme Implementation Agreement as a result of a material breach of Estia Health's obligations under the Scheme Implementation Agreement or a material breach of an Estia Health representation or warranty.

The Target Break Fee is not payable merely because Estia Health Shareholders do not approve the Scheme.

Bidder Break Fee

The Bidder Break Fee is payable by the Bidder to Estia Health if Estia Health terminates the Scheme Implementation Agreement as a result of a material breach of that agreement by the Bidder or the Scheme becomes Effective but the Bidder fails to provide the Scheme Consideration in accordance with the terms and conditions of the Scheme Implementation Agreement and the Deed Poll.

Estia Health's right to receive the Bidder Break Fee will not limit or affect Estia Health's right to seek specific performance or other remedies that would be available in equity or law as a remedy for a breach or threatened breach of the Scheme Implementation Agreement by the Bidder, provided that in no event will Estia Health be entitled to receive both specific performance and payment of the Bidder Break Fee.

2.6 What are your options?

The following principal options are available to Estia Health Shareholders. The Estia Health Directors encourage you to consider your personal risk profile, portfolio strategy, tax position and financial circumstances and seek professional advice before making any decision in relation to your Estia Health Shares.

Vote in favour of the Scheme	**This is the course of action unanimously recommended by the Estia Health Directors, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Estia Health Shareholders.** To follow the Estia Health Directors' unanimous recommendation, you should vote in favour of the Scheme Resolution at the Scheme Meeting. For the Scheme to proceed, the Scheme must be approved by the requisite majorities of Estia Health Shareholders. For a summary of how to vote on the Scheme, please refer to Section 4.
Vote against the Scheme	If, despite Estia Health Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Scheme, you may vote against the Scheme Resolution at the Scheme Meeting. However, if all of the Scheme Conditions are satisfied or waived (as applicable), the Scheme will bind all Estia Health Shareholders on the Scheme Record Date, including those who were not present at the Scheme Meeting, those who voted against the Scheme Resolution and those who did not vote.
Seek to sell some or all Estia Health Shares held	The existence of the Scheme does not preclude you from selling some or all of your Estia Health Shares on market or otherwise for cash, if you wish, provided if you sell your Estia Health Shares on market you do so before close of trading in Estia Health Shares on the ASX on the Effective Date (currently proposed to be Monday, 20 November 2023). You will not be able to sell your Estia Health Shares on market after the Effective Date, as this will be the last day of trading in Estia Health Shares on the ASX before trading in Estia Health Shares on the ASX is suspended. You may however seek to sell your Estia Health Shares off market after the Effective Date but before the Scheme Record Date (currently proposed to be 7.00pm (Australian Eastern time) on Thursday, 23 November 2023). If you are considering selling your Estia Health Shares, you should have regard to the prevailing trading prices of Estia Health Shares and compare those to the Scheme Consideration under the Scheme. You may ascertain current trading prices of Estia Health Shares through the ASX's website (www.asx.com.au) or by contacting your stockbroker.

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Seek to sell some or all Estia Health Shares held *(continued)*	Estia Health Shareholders who sell some or all of their Estia Health Shares: • will receive payment for the sale of their Estia Health Shares sooner than they would receive their Scheme Consideration; • may incur a brokerage charge if the Estia Health Shares are sold on market; • will not be able to receive the Scheme Consideration or be entitled to the benefits of any Superior Proposal, if one emerges (but only for those Estia Health Shares they have sold, if they have chosen to sell some but not all of their Estia Health Shares); and • may be liable for CGT on the disposal of their Estia Health Shares (as may also be the case for Scheme Shareholders, for further details see Section 8).
Do nothing	Eligible Estia Health Shareholders who do not vote at the Scheme Meeting will: • if the Scheme is implemented – have their Estia Health Shares compulsorily transferred to the Bidder by operation of the Scheme, and, if they are registered as Shareholders on the Scheme Record Date, be entitled to receive the Scheme Consideration under the Scheme; or • if the Scheme is not implemented – retain their Estia Health Shares.

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3 Frequently asked questions

Set out below are summary answers to some frequently asked questions about the Proposed Transaction. This information is a summary only and is not intended to address all relevant issues for Estia Health Shareholders. This Section 3 should be read subject to, and in conjunction with, the remainder of this Scheme Booklet.

A GENERAL

Question	Answer	Further information
What are Estia Health Shareholders being asked to consider?	Estia Health Shareholders are being asked to consider and vote on the Scheme, which, if approved, will result in the Bidder acquiring all of the Scheme Shares in exchange for the Scheme Consideration paid by the Bidder. The Scheme will only proceed if the Scheme is approved by the requisite majorities of Estia Health Shareholders and by the Court.	Sections 1 and 2.
What is the Scheme?	The Scheme is a proposal under which Estia Health Shareholders will transfer all of their Estia Health Shares to the Bidder in exchange for the Scheme Consideration, if it is approved by the requisite majorities of Estia Health Shareholders and by the Court. If the Scheme proceeds, the Bidder will own 100% of the Estia Health Shares and Estia Health will be delisted from the ASX shortly after the Implementation Date.	Sections 1, 2, and 9.
What is a members' scheme of arrangement?	A members' scheme of arrangement is a procedure under the Corporations Act that can be used to (among other things) enable one company to acquire or merge with another company. The Scheme is between Estia Health and the Scheme Shareholders and will affect the acquisition of Estia Health by the Bidder.	Sections 1, 2, and 9 and the Scheme included at Appendix 3.

Question	Answer	Further information
What are the key Conditions that need to be satisfied before the Scheme can proceed?	The key remaining Conditions that must be satisfied or waived (as applicable) for the Scheme to proceed are: • ASIC and the ASX consents or approvals as necessary are obtained and remain in place as at two hours before the commencement of the hearing on the Second Court Date; • FIRB approval is received by the Bidder before two hours before the commencement of the hearing on the Second Court Date; • the Bidder has not received any notices or correspondence from the ACQSC, Department of Health and Aged Care or the Minister for Health and Aged Care regarding Estia Health's suitability as an Approved Provider as at two hours before the commencement of the hearing on the Second Court Date; • no legal or regulatory restraints are in place that prevent the implementation of the Scheme as at two hours before the commencement of the hearing on the Second Court Date; • no Estia Health Prescribed Occurrences occur between 6 August 2023 and two hours before the commencement of the hearing on the Second Court Date; • passing of the Scheme Resolution by the requisite majorities of Estia Health Shareholders at the Scheme Meeting; • approval of the Scheme by the Court; • the Independent Expert maintaining its opinion that the Scheme is in the best interest of Estia Health Shareholders up to two hours before the commencement of the hearing on the Second Court Date; • no material adverse change in relation to Estia Health occurs between 6 August 2023 and two hours before the commencement of the hearing on the Second Court Date; and • as at two hours before the commencement of the hearing on the Second Court Date, Estia Health has ensured that there will be no Estia Health Performance Rights on issue on the Implementation Date. Estia Health will make a statement at the commencement of the Scheme Meeting regarding the status of these conditions.	Section 2.5(a).

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Question	Answer	Further information
Are there any other circumstances that may result in the Scheme not proceeding?	Estia Health and the Bidder have entered into a Scheme Implementation Agreement which provides a contractual framework for proposing and implementing the Scheme. The Scheme Implementation Agreement sets out circumstances where that agreement may be terminated, in which case the Scheme will not proceed. In summary: (**Mutual termination rights**) the Bidder and Estia Health each have a mutual right to terminate the Scheme Implementation Agreement in the following circumstances: • if there is a material breach of the Scheme Implementation Agreement by the other party that is not remedied within 5 Business Days; • if the Court refuses to make any order directing Estia Health to convene the Scheme Meeting; • if a Condition is not satisfied or waived before the End Date and the parties are unable to agree in accordance with the Scheme Implementation Agreement to amend the Proposed Transaction or extend the End Date; or • if the Scheme does not become Effective before the End Date. (**Bidder termination rights**) the Bidder is also entitled to terminate the Scheme Implementation Agreement in writing any time before two hours before the commencement of the hearing on the Second Court Date: • if (subject to certain exceptions) any Estia Health Director: - fails to recommend the Scheme; - withdraws or adversely revises or adversely modifies his or her recommendation of the Scheme; or - makes a public statement where he or she adversely revises or adversely modifies his or her or recommendation of the Scheme or supports a Competing Proposal; or • if there is a material breach of a representation or warranty by Estia Health that is not remedied within 10 Business Days.	Section 9.4 and Scheme Implementation Agreement, clause 13.

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Question	Answer	Further information
Are there any other circumstances that may result in the Scheme not proceeding? *(continued)*	(**Estia Health termination rights**) Estia Health is also entitled to terminate the Scheme Implementation Agreement in writing any time before two hours before the commencement of the hearing on the Second Court Date: • if there is a material breach of a representation or warranty by the Bidder that is not remedied within 10 Business Days; or • if a majority of the Estia Health Board publicly recommend a Superior Proposal where expressly permitted to do so under the Scheme Implementation Agreement. (**Automatic termination**) the Scheme Implementation Agreement will terminate automatically if the Scheme is not approved by the necessary majorities at the Scheme Meeting.	Section 9.4 and Scheme Implementation Agreement, clause 13.
If the Scheme proceeds, what will be the effect?	If the Scheme proceeds, the Bidder will acquire Estia Health and Estia Health will become a wholly owned subsidiary of the Bidder. Estia Health will be delisted from the ASX shortly after the Implementation Date, being Thursday, 30 November 2023. On the Implementation Date (currently expected to be Thursday, 30 November 2023), Estia Health Shareholders will receive the Scheme Consideration applicable to them under the terms of the Scheme.	Sections 1, 2, and 9.
What happens if the Scheme does not proceed?	If the Scheme is not approved by Estia Health Shareholders or if the Scheme is not approved by the Court: • the Bidder will not acquire control of Estia Health; • you will not receive the Scheme Consideration under the Scheme; • Estia Health will remain listed on the ASX; • you will retain your current investment in Estia Health Shares and in doing so will continue to retain the benefits of an investment in Estia Health Shares and continue to be exposed to the risks presently associated with this investment. These include general risks of holding the Shares and risks that are specific to Estia Health and the Business as described in Section 7.2; • the advantages of the Scheme, as outlined in Section 2.3, will not be realised; • equally, the disadvantages of the Scheme identified in Section 2.4 will no longer be relevant; • Estia Health will have incurred substantial costs and expended management time and resources for a proposed change of control transaction that does not proceed; and • the Estia Health Directors believe there is a real risk that the price of Estia Health Shares may fall, at least in the short term, if the Scheme is not implemented and no Superior Proposal emerges.	Sections 1 and 2.

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Question	Answer	Further information
Are there any risks I should be aware of?	Yes. There are both generic and specific risks associated with the Scheme. A summary of the risks is outlined in section 7. The listed risk factors do not take into account your individual investment objectives, financial situation or positional particular needs. You should seek professional guidance when considering these risk factors against your Estia Health investment.	Section 7.
What are my options?	As an Estia Health Shareholder, your principal options are as follows: • vote in favour of the Scheme Resolution, as unanimously recommended by the Board; • vote against the Scheme Resolution; • seek to sell some or all your Estia Health Shares on or before the Effective Date; or • do nothing.	Section 2.6
Can I sell my Estia Health Shares now?	Yes. Estia Health Shareholders may sell all or some of their Estia Health Shares on the ASX or otherwise at the prevailing market price at any time before the close of trading on the ASX on the Effective Date (which is currently expected to be Monday, 20 November 2023). You will not be able to sell your Estia Health Shares on market after the Effective Date, as this will be the last day of trading in Estia Health Shares on the ASX before trading in Estia Health Shares on the ASX is suspended. You may however seek to sell your Estia Health Shares off-market after the Effective Date but before the Scheme Record Date (currently proposed to be Thursday, 23 November 2023). If you sell your Estia Health Shares before the Scheme Record Date you: • will receive the proceeds from the sale of your Estia Health Shares sooner than you would receive payment under the Scheme (noting that your sale proceeds may vary from the Scheme Consideration); • may incur a brokerage charge if you sell your Estia Health Shares on market; • will not be entitled to any Scheme Consideration; and • will not be able to participate in the Scheme or a Superior Proposal, if one emerges.	Sections 1 and 9.

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Question	Answer	Further information
Will I be giving any warranties in respect of my Estia Health Shares?	Yes. Under the Scheme, each Estia Health Shareholder will be taken to have warranted to Estia Health, in its own right and for the benefit of the Bidder, that: • all of their Estia Health Shares (including any rights and entitlements attaching to their Estia Health Shares) which are transferred to the Bidder under the Scheme will, at the time of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; • all of their Scheme Shares which are transferred to the Bidder under this Scheme will, on the date on which they are transferred to the Bidder, be fully paid; and • they have full power and capacity to transfer their Estia Health Shares under the Scheme, together with any rights attaching to the Scheme Shares and that they have no existing right to be issued any Estia Health Shares, options or rights exercisable into Estia Health Shares or any other Estia Health securities. You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.	Appendix 3

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B BIDDER

Question	Answer	Further information
Who is the Bidder?	Firebird BidCo Pty Ltd (ACN 669 884 824) is the company that will be acquiring your Estia Health Shares under the Scheme, in consideration for the Scheme Consideration.	Section 6
How is the Bidder funding the Scheme Consideration under the Scheme?	The Bidder intends to fund the aggregate Scheme Consideration of approximately $805 million using a combination of equity and debt funding. The Bidder has entered into a legally binding equity commitment letter with Bain Capital Asia Fund V, LP and Estia Health, under which Fund V commits to cause the Bidder to receive the aggregate amount equal to the Scheme Consideration and, separately, an amount equal to the quantum of the Bidder Break Fee in circumstances where the Bidder Break Fee becomes payable by the Bidder (the **Equity Funding**). The Bidder has entered into a binding debt commitment letter with, among others, the Arrangers, dated 27 July 2023 (**Debt Commitment Letter**). The Arrangers under the Debt Commitment Letter along with the other Lenders have agreed to provide senior secured syndicated facilities to Bidder (**Syndicated Acquisition Facilities**). The proceeds that will be available to the Bidder under the Syndicated Acquisition Facilities, together with the Equity Funding, are in excess of the amount that is required to fund the Scheme Consideration.	Section 6.4

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C SCHEME CONSIDERATION

Question	Answer	Further Information
What will I receive if the Scheme is implemented?	If the Scheme is approved and implemented, Estia Health Shareholders will receive the Scheme Consideration of $3.08 per Estia Health Share. Those Scheme Shareholders who received the September 2023 Dividend will, in aggregate, if the Scheme is approved and implemented, receive $3.20 per Estia Health Share (an amount equal to the Initial Scheme Consideration contemplated in the Scheme Implementation Agreement announced to the ASX on Monday, 7 August 2023), comprising: • the Scheme Consideration of $3.08 per Estia Health Share; and • the September 2023 Dividend of $0.12 per Estia Health Share paid by Estia Health on 15 September 2023. As it relates to the September 2023 Dividend, those Estia Health Shareholders who are entitled to the franking credits attached to the September 2023 Dividend may be entitled to an Australian tax offset of up to a maximum of $0.05 of additional value per Estia Health Share.	Sections 1, 2, and 9.
When and how will I receive my Scheme Consideration?	If the Scheme is implemented, the Scheme Consideration will be paid to all Estia Health Shareholders on the Implementation Date (currently proposed to be Thursday, 30 November 2023). If you have validly registered your bank account details with the Share Registry (by the Scheme Record Date), you will have your Scheme Consideration credited directly to your bank account. If a Scheme Shareholder has not nominated an Australian dollar bank account, payment will be made by an Australian dollar cheque sent by post to the Scheme Shareholder's registered address as shown on the Register unless: (i) the Scheme Shareholder's registered address is in New Zealand or (ii) Estia Health believes that you are not known at your registered address, which will result in your Scheme Consideration being retained in the Trust Account, to be held until the Scheme Shareholder nominates an Australian dollar bank account into which a payment may be made, subject to relevant laws dealing with unclaimed money. Estia Health Shareholders can update their banking instructions by visiting the Link Market Services Limited website, www.linkmarketservices.com.au.	Sections 1, 9 and Appendix 3.

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Question	Answer	Further Information
What are the Australian taxation implications of the Scheme?	If the Scheme becomes Effective, there will be tax consequences for Scheme Shareholders which may include tax being payable on any gain on disposal of Estia Health Shares. The tax consequences of the Scheme will depend on your personal situation. A general outline of the main Australian taxation implications of the Scheme for certain Estia Health Shareholders is set out in Section 8 of this Scheme Booklet. As this outline is general in nature, you should consult with your own taxation advisers for detailed tax advice regarding the Australian, and, if applicable, other foreign taxation implications for participating in the Scheme in light of the particular circumstances which apply to you, before making a decision as to how to vote on the Scheme.	Section 8.
Will I have to pay brokerage fees or stamp duty?	No, you will not have to pay brokerage or stamp duty on the transfer of your Estia Health Shares under the Scheme. If you dispose of your Estia Health Shares before the Scheme Record Date, brokerage fees may be payable.	Section 8

D ESTIA HEALTH DIRECTORS' RECOMMENDATIONS AND INTENTIONS

Question	Answer	Further Information
Who are the Estia Health Directors?	The Estia Health Directors as at the date of this Scheme Booklet are: • Dr. Gary Weiss, AM (Independent Non-Executive Chairman); • Mr Sean Bilton (Chief Executive Officer and Managing Director); • Ms Norah Barlow, ONZM (Independent Non-Executive Director); • Ms Karen Penrose (Independent Non-Executive Director); • Mr Paul Foster (Independent Non-Executive Director); • Ms Helen Kurincic (Independent Non-Executive Director); and • Professor Simon Willcock, AM (Independent Non-Executive Director).	Sections 1 and 2.
What do the Estia Health Directors recommend?	The Estia Health Directors unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Estia Health Shareholders.	Sections 1 and 2.

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Question	Answer	Further Information
How are the Estia Health Directors going to vote?	Each Estia Health Director intends to vote all Estia Health Shares they hold or control in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interest of Estia Health Shareholders. As at the date of this Scheme Booklet, The Estia Health Directors hold or control in aggregate approximately 0.34% of all Estia Health Shares on issue. The interests of the Estia Health Directors (including Mr Sean Bilton, Chief Executive Officer and Managing Director) in Estia Health Shares are disclosed in Section 11.2. Estia Health Shareholders should have regard to these interests when considering the Estia Health Directors' unanimous recommendation in respect of the Scheme, which appears throughout this Scheme Booklet.[7]	Sections 1, 2 and 11.2.
What happens if a Superior Proposal emerges?	Estia Health announced on Monday, 7 August 2023 that it had entered into a definitive Scheme Implementation Agreement with the Bidder in relation to the Scheme. No Superior Proposal has emerged as at the date of this Scheme Booklet. Under the Scheme Implementation Agreement, Estia Health is bound by certain exclusivity obligations, including in relation to Competing Proposals. None of those exclusivity obligations preclude Estia Health from responding to any unsolicited Competing Proposal that may emerge.	Sections 1 and 2.
What happens if a Competing Proposal for Estia Health emerges?	If an unsolicited Competing Proposal for Estia Health is received before the Scheme Meeting, the Estia Health Directors will carefully consider it to determine whether it is a Superior Proposal and will inform you of any material developments which may affect the Estia Health's Directors' view that the Scheme is presently the most favourable proposal for all of your Estia Health Shares. The Bidder has a right to match any unsolicited Superior Proposal if one is received by Estia Health. Any change of the Estia Health's Directors' current recommendation in response to a Competing Proposal may result in Estia Health being obliged to pay the Bidder Break Fee of $8,267,533 (exclusive of GST).	Sections 1 and 2.
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Estia Health Shareholders, in the absence of a Superior Proposal.	Appendix 1.

7 If the Scheme becomes Effective, Mr Sean Bilton will receive Scheme Consideration of $1,819,029.52 in respect of the 590,594 Estia Health Shares to be issued to Mr Bilton following the vesting and exercise of his 590,594 Estia Health Performance Rights shortly before the Scheme Record Date (based on the Scheme Consideration of $3.08 per Estia Health Share).

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E VOTING

Question	Answer	Further Information
What am I being asked to vote on?	As an Estia Health Shareholder, you are being asked to vote at the Scheme Meeting on whether the Scheme should proceed.	Section 4.
When and where will the Scheme Meeting be held?	The Scheme Meeting will be conducted as a physical meeting at Thomson Geer, Level 14, 60 Martin Place, Sydney NSW 2000, commencing at 9.00am (Australian Eastern time) on Wednesday, 15 November 2023.	Section 4.
What voting majority is required to approve the Scheme Resolution?	For the Scheme to proceed, the Scheme Resolution must be passed by: • a majority in number (more than 50%) of eligible Estia Health Shareholders present and voting at the relevant Scheme Meeting (personally or by proxy, attorney, or in the case of an Estia Health Shareholder or proxy who is a corporation, by corporate representative) (**Headcount Test**); and • at least 75% of the total number of votes which are cast at the relevant Scheme Meeting by eligible Estia Health Shareholders (personally or by proxy, attorney, or in the case of an Estia Health Shareholder or proxy who is a corporation, by corporate representative). The Scheme must also be approved by the Court before it can become Effective. The Court has a statutory discretion to disregard the Headcount Test for the purpose of the Scheme Meeting.	Section 4.1.
Am I entitled to vote?	If you are registered as an Estia Health Shareholder on the Share Register at 7.00pm (Australian Eastern time) on Monday, 13 November 2023, you will be entitled to attend and vote at the Scheme Meeting.	Section 4.
Is voting compulsory?	No, voting is not compulsory. However, the Scheme can only proceed if the Scheme Resolution is passed by the requisite majorities of Estia Health Shareholders. Therefore, voting is important and the Estia Health Directors strongly encourage you to vote. If the Scheme is implemented, you will be bound by the Scheme whether or not you were present at the Scheme Meeting, whether or not you voted and whether or not you voted in favour of the Scheme Resolution or against the Scheme Resolution.	Sections 4 and 9.

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Question	Answer	Further Information
How do I vote?	You can vote: • in person by attending the Scheme Meeting; or • if you are unable to attend the Scheme Meeting or if you do not wish to do so, you may vote by completing and lodging the Proxy Form for the Scheme Meeting. The Proxy Form can be lodged in person, online, by mail or by fax. You can appoint a proxy by completing the Proxy Form accompanying this Scheme Booklet and returning the form to Estia Health or the Share Registry by 9.00am (Australian Eastern time) on Monday, 13 November 2023. **In Person:** Link Market Services Limited Parramatta Square, Level 22, Tower 6, 10 Darcy Street Parramatta NSW 2150 Australia **Online:** by visiting www.linkmarketservices.com.au **By mail:** Estia Health Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia **By fax:** +61 2 9287 0309 You can also vote by appointing a corporate representative (if you are a corporate shareholder) or an attorney.	Section 4.
When will the result of the Scheme Meeting be known?	The result of the Scheme Meeting will be announced on Estia Health's website and to the ASX after the conclusion of the Scheme Meeting. Even if the Scheme Resolution is passed at the Scheme Meeting, the Scheme will only proceed if Court approval of the Scheme is obtained and all of the other conditions to the Scheme are satisfied or, if applicable, waived.	Section 4.
What should I do if I wish to support the Scheme?	If you support the Scheme you should attend the Scheme Meeting in person or by proxy and vote in favour of the Scheme Resolution. Alternatively, you may lodge proxy votes in favour of the Scheme Resolution by completing and returning the Proxy Form accompanying this Scheme Booklet or lodging your proxy online.	Section 4.

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Question	Answer	Further Information
What should I do if I wish to oppose the Scheme?	If you do not support the Scheme: • you should attend the Scheme Meeting in person or by proxy, and vote against the Scheme Resolution; and/or • if Shareholders pass the Scheme Resolution at the Scheme Meeting, you may wish to oppose the approval of the Scheme by filing and serving a notice of opposition and any other supporting documents on Estia Health by at least one day before the Second Court Date and attending the Second Court Hearing.	Sections 4.3 and 10.3.
Can I be bound by the Scheme if I do not vote or if I vote against its approval?	Yes. If you do not vote the Scheme becomes Effective and you hold any Estia Health Shares on the Scheme Record Date (currently expected to be Thursday, 23 November 2023), you will be bound by the Scheme, even if you were not present at the Scheme Meeting, you did not vote or you voted against the Scheme.	Sections 10.5 and 10.6.
What are my options?	As an Estia Health Shareholder, you have the option of voting on the Scheme, selling your securities prior to the Scheme Record Date and/or not voting on the Scheme.	Section 2.6.

F OTHER QUESTIONS

Question	Answer	Further Information
Do I have to sign anything in relation to the Scheme?	If you wish to appoint a proxy to vote on your behalf, you are required to sign and return to the Share Registry your Proxy Form for the Scheme Meeting by the date specified in the Important Dates and Times section at page 5 of this Scheme Booklet. If the Scheme is implemented, Estia Health will automatically have authority to sign a master share transfer document on behalf of all Estia Health Shareholders in favour of the Bidder.	Sections 4 and 9.
What will happen if the Scheme is approved by the Court?	If the Court makes orders approving the Scheme under section 411(4)(b) of the Corporations Act, Estia Health will lodge with ASIC an office copy of the orders. It is expected that this will occur on the Business Day immediately following the Second Court Hearing. The Scheme will then become Effective and it will proceed to be implemented. Estia Health Shares are expected to cease trading on the ASX from the close of trading on the Effective Date (currently expected to be Monday, 20 November 2023).	Section 9.

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Question	Answer	Further Information
What happens on the Implementation Date?	On the Implementation Date (currently expected to be Thursday, 30 November 2023), the Scheme will be implemented and you will be sent your Scheme Consideration, following which the Bidder will acquire all of the Scheme Shares. It is intended that Estia Health will be delisted shortly after the Implementation Date. You are not required to do anything in relation these implementation matters.	Sections 9 and 10.
What if I have further questions?	If you have any further questions about the Proposed Transaction, please contact the Shareholder Information Line on 1300 038 212 (within Australia) or +61 2 9066 4052 (outside Australia) Monday to Friday between 8:30am and 5:00pm (Australian Eastern time). For information about your individual circumstances, please consult your financial, legal, taxation or other professional adviser.	N/A

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4 How to vote

4.1 Scheme Meeting

(a) **Location and details of Scheme Meeting**

The Scheme Meeting will be conducted in person as a physical meeting with the details as follows:

- Location: in person at Thomson Geer, Level 14, 60 Martin Place, Sydney NSW 2000
- Date: **Wednesday, 15 November 2023**
- Time: 9.00am (Australian Eastern time)

Please refer to Section 4.3 below for further details on how to attend the Scheme Meeting.

(b) **Notice of Scheme Meeting**

The Notice of Scheme Meeting is set out in Appendix 4 to this Scheme Booklet.

A personalised Proxy Form for the Scheme Meeting accompanies this Scheme Booklet.

4.2 Your vote is important

The Estia Health Directors urge all Estia Health Shareholders to vote on the Scheme Resolution at the Scheme Meeting. The Scheme affects your shareholding in Estia Health and your votes at the Scheme Meeting are important in determining whether the Scheme proceeds.

The Estia Health Directors encourage all Estia Health Shareholders to vote in favour of the Scheme either by personally participating in the Scheme Meeting, or by appointing a proxy, an attorney or, in the case of an Estia Health Shareholder or proxy who is a corporation, a corporate representative to participate in the Scheme Meeting and vote on your behalf.

4.3 How to vote

(a) **Voting entitlement**

If you are registered as an Estia Health Shareholder on the Share Register at the Voting Entitlement Time (7.00pm (Australian Eastern time) on Monday, 13 November 2023), you will be entitled to vote at the Scheme Meeting.

All voting at the Scheme Meeting will be conducted by poll.

(b) **Voting in person**

If you wish to vote in person, you must attend the Scheme Meeting held at Thomson Geer, Level 14, 60 Martin Place, Sydney NSW 2000.

If you cannot attend the Scheme Meeting in person, you may vote by proxy.

(c) **Voting by attorney**

You may appoint an attorney to attend and vote at the Scheme Meeting on your behalf and such attorney can attend in person at the Scheme Meeting. You may do so by providing a duly executed power of attorney to the Share Registry. Powers of attorney must be received by no later than 9.00am (Australian Eastern time) on Monday, 13 November 2023.

A validly appointed attorney wishing to attend and vote at the Scheme Meeting in person will need to register their attendance and identify themselves as an attorney on the day of the Scheme Meeting in person at the registration desk. Your appointment of an attorney does not

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preclude you from attending in person and voting at the Scheme Meeting.

Any power of attorney granted by a Estia Health Shareholder will, as between Estia Health and that Estia Health Shareholder, continue in force and may be acted on, unless express notice in writing of its revocation or the death of the relevant Estia Health Shareholder is lodged with Estia Health.

(d) Voting by corporate representative

To vote at the Scheme Meeting, an Estia Health Shareholder or proxy which is a corporation may appoint an individual to act as its representative.

To vote by corporate representative at the Scheme Meeting, an Estia Health Shareholder or proxy which is a corporation should obtain a Certificate of Appointment of Corporate Representative from the Share Register, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged with the Share Registry by no later than 9.00am (Australian Eastern time) on Monday, 13 November 2023.

The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

(e) Voting by proxy

Estia Health Shareholders wishing to appoint a proxy to vote on their behalf at the Scheme Meeting must either complete and sign or validly authenticate the personalised Proxy Form for the Scheme Meeting, which accompanies this Scheme Booklet.

Alternatively, Estia Health Shareholders may lodge their proxies for the Scheme Meeting online by following the instructions on the relevant Proxy Form. A person appointed as a proxy may be an individual or a body corporate.

Your completed Proxy Form for the Scheme Meeting (and an original or certified copy of any power of attorney under which it is signed, unless already provided) must be delivered to the Share Registry by 9.00am (Australian Eastern time) on Monday, 13 November 2023 in any of the following ways:

By post in the enclosed reply-paid envelope (or the self-addressed envelope, for Estia Health Shareholders whose registered address is outside Australia) provided to the Share Registry:

Estia Health Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

By hand to the Share Registry located at:

Link Market Services Limited
Parramatta Square, Level 22, Tower 6,
10 Darcy Street
Parramatta NSW 2150 Australia

By fax to the Share Registry on +61 2 9287 0309 within Australia.

Alternatively, you may choose to appoint a proxy online as follows:

Online if you wish to appoint your proxy online, you should do so by visiting www.linkmarketservices.com.au and by following the instructions on that website. Online appointments of proxies for the Scheme Meeting must be done by 9.00am (Australian Eastern time) on Monday, 13 November 2023.

Your appointment of a proxy does not preclude you from attending the Scheme Meeting personally. The appointment of your proxy is not suspended merely by attending the Scheme Meeting, but if you vote on the Resolution, the proxy is not entitled to vote, and must not vote, as your proxy on the Resolution.

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Chairperson as proxy

If an Estia Health Shareholder nominates the Chairperson of the Scheme Meeting as that Estia Health Shareholder's proxy, the person acting as Chairperson of the Scheme Meeting must act as proxy under the appointment in respect of any or all items of business to be considered at that Scheme Meeting.

If a proxy appointment is signed or validly authenticated by that Estia Health Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairperson of the Scheme Meeting may at its election act as proxy in respect of any or all items of business to be considered at the Scheme Meeting.

A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:

- if the proxy is the Chairperson of the Scheme Meeting – the proxy must vote on the poll and must vote in the way directed; and
- if the proxy is not the Chairperson of the Scheme Meeting – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed. In circumstances where the proxy does not vote on the poll or does not attend the meeting, the Chairperson of the Scheme Meeting will act in place of the nominated proxy and will vote in accordance with any directions on the proxy form.

Scheme Meeting

Proxy appointments in favour of or which default to the Chairperson of the Scheme Meeting, the company secretary or any Estia Health Director which do not contain a direction as to how to vote will be voted in support of the Scheme Resolutions (in the absence of a Superior Proposal from another party prior to the date of the Scheme Meetings).

4.4 Further information

Please refer to the Notice of Scheme Meeting, set out in Appendix 4 to this Scheme Booklet for further information on voting procedures and details of the resolution to be voted on at the Scheme Meeting.

The results of the Scheme Meeting will be announced to the ASX shortly after the conclusion of the Scheme Meeting.

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5 Profile of Estia Health

5.1 Background

Estia Health is a leading residential aged care provider in Australia, operating a diversified geographic and demographic portfolio of 73 Residential Aged Care Facilities (**RACFs**) in Queensland, New South Wales, Victoria and South Australia[8]. Estia Health's team of approximately 8,000[9] employees provide care to approximately 6,239[10] residents.

For the year ended 30 June 2023, Estia Health reported total revenue and other income of $806 million, EBITDA[11] for its Mature Homes[12] of $116 million, a profit after tax and before exceptional items of $38 million[13] and a loss after tax and exceptional items of $34 million.

As at the date of this Scheme Booklet, Estia Health has on issue 259,858,039 Estia Health Shares and 1,682,072 Estia Health Performance Rights (see Section 5.7 for more information).

5.2 Corporate History

Estia Health was established via the merger of three residential aged care providers on 31 July 2014. The merger combined leading aged care providers in Victoria (Lasting Changes), South Australia (Padman Health Care) and New South Wales and Queensland (Cook Care) to create one of Australia's largest and most geographically diverse private aged care providers, by number of Allocated Places.

Estia Health was admitted to the official list of the ASX on 5 December 2014 (ASX: EHE), following which Estia Health has experienced steady and sustained growth, expanding its portfolio from 44 RACFs comprising 3,613 available beds at the time of its initial public offering to 73 RACFs and 6,720 available beds[14].

5.3 Overview of operations

Estia Health's core business is providing residential aged care services via a portfolio of 73 RACFs in Queensland (10 homes), New South Wales (18 homes), Victoria (26 homes) and South Australia (19 homes)[15]. Estia Health's

8 As at 30 June 2023.

9 As at 30 June 2023.

10 As at 30 June 2023.

11 EBITDA is defined as earnings before interest, tax, depreciation, amortisation, specified non-recurring items and imputed DAP revenue on RAD/bond balances resulting from the adoption of AASB 16.

12 Mature Homes (which excludes homes from the date of closure) are homes that have been opened and owned by the Group for more than 12 months, or if open for less than 12 months, have greater than 85% occupancy at the commencement of the financial year.

13 Profit after tax and before exceptional items is a non-IFRS measure prepared per *ASIC Regulatory Guide 230 – Disclosing non-IFRS Financial Information*, which has been used to assist readers in better understanding the financial performance of the Group in the relevant financial period. It presents the results of the Group adjusting for acquisition costs, legislated changes on leave provisions and non-cash bed licence amortisation resulting from the legislated change in ownership of bed licences from providers to consumers.

14 As at 30 June 2023. This figure excludes the Royal Freemasons homes acquisition, which is expected to complete on 3 October 2023 (see section 5.11 for more information in relation to the Royal Freemasons homes acquisition).

15 As at April 2023.

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portfolio comprises 6,720 available beds, with 93.5% Mature Home occupancy as at 18 August 2023.

Since the inception of the current Estia Health Group in 2014, Estia Health has successfully expanded its business by redeveloping its existing homes, as well as through brownfield and greenfield developments and selective acquisitions.

Estia Health derives funding from the Commonwealth Government, as well as from direct contributions from residents.

Estia Health's key costs relate to staffing and other care related expenses including medical supplies, catering, cleaning, consumables, repairs and maintenance, energy, utilities and support office costs.

5.4 Estia Health's strategy

Estia Health's overarching goal is to maximise sustainable value creation, a goal which it pursues through its five-pillar value creation strategy described in Sections 5.4(a) and 5.4(b).

(a) Value creation strategy

Estia Health's value creation strategy focuses on five strategic pillars:

- **Care:** to be considered a leader in the provision of quality residential aged care services in Australia. Estia Health delivers value with its person-centred approach and strong clinical governance, which drives all aspects of resident care.
- **Customer:** Estia Health delivers value by embedding a process of continuous improvement based on customer insights and actions identified through market research, including by measuring customer satisfaction and advocacy.
- **People:** Estia Health delivers value by attracting, developing and retaining its team members through a culture of collaboration and continuous learning where success is recognised. Estia Health invests in developing individuals and capabilities to drive its success.
- **Community:** to have a positive social impact in the communities in which Estia Health operates, including via the implementation of environmental programs in accordance with its sustainability strategy.
- **Growth:** to optimise shareholder returns by disciplined capital investment in the growth and enhancement of its portfolio in order to provide trusted aged care services.

(b) Growth strategy

Estia Health's growth strategy focuses on continuing to invest in and grow its property portfolio in line with ongoing growth in market demand and to facilitate broader 'capital light' revenue diversification. This strategy involves continually identifying, evaluating and opportunistically executing on brownfield and greenfield developments, individual and portfolio acquisitions and other adjacent growth opportunities.

- Development

  Estia Health undertakes brownfield and greenfield developments to increase its portfolio size, which involves targeted expansions, reconfigurations and divestments.

  Due to current pressures affecting the construction industry (including escalation in construction costs and issues with trade and sub-contractor availability), the near-term focus of Estia Health's development activities is on brownfield expansion opportunities, though Estia Health continues to explore a reduced quantity of greenfield development opportunities in its existing markets.

  Estia Health generally considers brownfield developments to be an attractive growth lever and has a track record of successful brownfield developments. Estia Health seeks to ensure that brownfield developments have the potential to increase earnings from existing homes, increase the overall level of RAD funding and provide attractive returns on capital.

  Estia Health has identified a pipeline of brownfield development opportunities predominantly involving expansion of its existing RACFs but also including redevelopments (knockdowns and rebuilds of existing RACFs in its portfolio) which Estia Health intends

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to fund, at least in part, through its existing credit facilities.

Although macroeconomic and industry pressures in the short-term limit the feasibility of construction projects, Estia Health also evaluates greenfield development opportunities which can provide larger scale growth and presence to existing markets, ensuring strong competitive advantage.

- Acquisitions

  Estia Health regularly assesses and participates in sales processes for a wide range of acquisition opportunities. These opportunities include both targeted individual and sub-scale acquisitions to add immediate scale to existing markets where greenfield development opportunities may not be available or feasible, and portfolio acquisitions adding to competitive advantage in existing markets or providing a means for scale entry into new markets.

  Estia Health has an ongoing screening process to identify, execute and integrate potential acquisitions.

- Adjacent growth opportunities

  Estia Health has identified adjacent growth opportunities within its existing RACFs to facilitate growth across the portfolio and access to broader 'capital light' revenue diversification, such as through allied health.

  Estia Health closely scrutinises these opportunities for strategic fit with its existing Business and may look to leverage these opportunities through the acquisition of existing scale provider(s) or through the organic growth of Estia Health's own offering.

5.5 The Board and senior management team

(a) The Board

The Estia Health Directors as at the date of this Scheme Booklet are:

- Dr. Gary Weiss, AM (Independent Non-Executive Chairman);
- Mr Sean Bilton (Chief Executive Officer and Managing Director);
- Ms Norah Barlow, ONZM (Independent Non-Executive Director);
- Ms Karen Penrose (Independent Non-Executive Director);
- Mr Paul Foster (Independent Non-Executive Director);
- Ms Helen Kurincic (Independent Non-Executive Director); and
- Professor Simon Willcock, AM (Independent Non-Executive Director).

The biographies of the Estia Board as at the date of this Scheme Booklet are as follows.

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Dr. Gary Weiss, AM
Independent Non-Executive Chairman

Gary holds the degrees of LL.B (Hons) and LL.M (with dist.) from Victoria University of Wellington, as well as a Doctor of Juridical Science (JSD) from Cornell University, New York.

Gary has extensive international business experience and has been involved in numerous cross-border mergers and acquisitions.

Gary is Chairman of Cromwell Property Group Limited and Ardent Leisure Group Limited, Executive Director of Ariadne Australia Limited, and a Director of Thorney Opportunities Limited and Hearts and Minds Investments Limited. Gary is also a Commissioner of the Australian Rugby League Commission and a Director of the Victor Chang Cardiac Research Institute.

Gary was Chairman of Coats Group plc from May 2004 to April 2012, Chairman of Clearview Wealth Ltd from 2013 to May 2016, Chairman of Ridley Corporation from June 2015 to June 2020, Executive Director of Guinness Peat Group plc from 1990 to April 2011 and has held directorships of numerous companies, including The Straits Trading Co Limited, Tag Pacific Limited, Pro-Pac Packaging Limited, Premier Investments Ltd, Westfield Group, Tower Australia Limited, Australian Wealth Management Limited, Tyndall Australia Limited (Deputy Chairman), Joe White Maltings Limited (Chairman), CIC Limited, Whitlam Turnbull & Co Limited and Industrial Equity Limited.

Gary has authored numerous articles on a variety of legal and commercial topics.

Gary was awarded a Member of the Order of Australia (AM) in recognition of his significant services to business and to the community.

Mr Sean Bilton
Chief Executive Officer and Managing Director

Appointed as the Chief Executive Officer and Managing Director at Estia Health in July 2022, Sean was previously in the roles of Chief Operating Officer and Deputy CEO since October 2018.

In his COO role, Sean led the Workforce, Funding and Procurement Teams, together with P&L responsibility for Estia Health's portfolio of homes. Sean has also overseen the successful commissioning of three new homes and consideration of future growth opportunities. His success in leading the company through an unprecedented and complex period of change during the COVID-19 pandemic and the Aged Care Royal Commission ensured Estia Health's continued standing in the sector.

During his tenure, Sean has worked closely with the Chief People Officer on the development and operationalisation of Estia Health's employee attraction and retention strategy.

Sean has worked for more than 15 years in the sector, his involvement commencing as an Asset Manager at AMP Capital where he managed the integration of multiple acquisitions, which were the genesis of the Opal Healthcare business.

When joining Opal as the Head of Commercial in 2010, Sean was responsible for overseeing the acquisition and development led growth of the business, as well as customer acquisition, communications, and marketing.

He holds a Bachelor of Economics from UNSW, is a Fellow of the Financial Services Institute of Australia and a graduate of the Advanced Management Program at INSEAD.

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Ms Norah Barlow, ONZM **Independent Non-Executive Director**	Norah holds a Bachelor of Commerce and Administration from Victoria University and is a Chartered Accountant. Norah is amongst Australasia's most experienced and respected executives and directors, with an in-depth knowledge of the aged and health care sector. Norah also holds extensive experience as the highly respected former CEO and former Director of Summerset Group, an NZX and ASX-listed company named Australasia's best retirement village operator for four years running. Norah has a strong background across business leadership and management, strategy, corporate finance, governance, tax and accounting. Norah was President of the Retirement Villages Association (NZ) for seven years and made an Officer of the New Zealand Order of Merit for services to business in 2014. Norah was also a Non-executive Director of Ingenia Communities Group, Evolve Education Group Limited, and chair of the Audit Committee for Methven Limited. Norah stepped down as CEO of Estia Health in November 2018 and remains on the board as a Non-executive Director. Norah is currently Chief Executive of Heritage Lifecare Limited.
Ms Karen Penrose **Independent Non-Executive Director**	Karen is an experienced Company Director who has served as a full-time Non-executive Director since 2014 on the boards of ASX listed companies across the financial services, aged care, healthcare, resources and infrastructure sectors. Karen's executive career was in leadership and CFO roles, mainly in financial services. Karen worked with CBA and HSBC for over 20 years. She is passionate about consumer outcomes, financial management and well-versed in operating in a rapidly changing regulatory environment. Karen is a Director and Chair of the Audit Committee of Bank of Queensland, Ramsay Health Care and Cochlear. She is also Director of Marshall Investments Pty Ltd and Rugby Australia Limited. Karen was formally a director of Vicinity Centres, Future Generation Global Investment Company Limited, AWE Limited and Spark Infrastructure Group Limited. Karen is a member of Chief Executive Women.
Mr Paul Foster **Independent Non-Executive Director**	Paul holds a Bachelor of Commerce (with Merit) from the University of Wollongong and a Master of Arts from UNSW Australia. Paul is an experienced Financial Services professional and Company Director, with more than 20 years of investment experience in the infrastructure, private equity and real estate asset classes, including substantial investments in the healthcare sector. Paul is a Managing Director at Pacific Equity Partners, one of Australia's largest alternative investment management firms. He is also a Director of PEP Services Pty Ltd and PEP Advisory Services Pty Ltd. Paul was a Director of the Opal Aged Care Group (formerly Domain Principal Group) between 2010 and 2015 and was Chairman of the Group in 2011. Paul was head of AMP Capital's Infrastructure investment business in Australia and New Zealand until 2015. Before AMP Capital, he was an investment professional at Macquarie Group and Perpetual Investments.

Ms Helen Kurincic **Independent Non-Executive Director**	Helen holds a Master of Business Administration from Victoria University. Helen has extensive executive and Non-executive experience across the healthcare sector. Helen is Chairman of Integral Diagnostics Limited and McMillan Shakespeare Limited, and a Non-executive Director of HBF Health Limited. Helen was previously the Chief Operating Officer and Director of Genesis Care for seven years from early inception in 2007, creating Australia's largest radiation oncology and cardiology service business. Previous roles also include Non-executive Director of Sirtex Medical Limited, Non-executive Director of DCA Group Limited which included residential aged care in Australia and New Zealand, Non-executive Director of AMP Capital Investor's aged care business Domain Principal Group, CEO and Executive Director of residential aged care provider Benetas and Board member of Melbourne Health and Orygen Research Centre. Helen has also been actively involved in government policy reform across various areas of the healthcare sector.
Professor Simon Willcock, AM **Independent Non-Executive Director**	Simon is a General Practitioner and the Director of Primary Care and wellbeing at MQ Health (A Macquarie University health entity). He was previously Head of the Discipline of General Practice in the University of Sydney Medical Program. His education and research interests include the health of doctors, generational change in the medical workforce, aged care, men's health and musculoskeletal medicine. Simon trained as a rural procedural GP and practiced in Inverell, NSW for seven years. For the past thirty years he has worked in academic and clinical practice in Sydney and has had a number of educational leadership roles. Simon was until recently an elected board member and Chair of the Avant Mutual Group and is currently an elected board member and Deputy Chair of the Sydney North Health Network.

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(b) Estia Health senior management

Brief profiles of the key members of Estia Health's management team as at the date of this Scheme Booklet are as follows.

Mr Sean Bilton **Chief Executive Officer and Managing Director**	See biography above at Section 5.5(a).
Mr Damian Hiser **Chief Operating Officer**	Appointed as Chief Operating Officer of Estia Health in July 2022, Damian is a senior healthcare executive with more than three decades experience in the private health care sector, both overseas and in Australia, and most recently over ten years in aged care in Australia. Prior to his appointment as the COO, Damian was the Chief Customer Officer from October 2017. Damian brings a wealth of experience, financial acumen, and understanding of the complexities of both health and aged care systems. As Chief Operating Officer, Damian is responsible for leading Estia Health's operations teams, initiating improvements to ensure the highest level of care is delivered to residents in our homes annually. Damian ensures that every one of our 70+ homes engage with their local communities and delivers exceptional and compassionate care for all our residents and their families. Damian holds a Bachelor of Optometry (UNSW) and a Master of Business Administration (UTS).
Ms Leanne Laidler **Chief Quality and Risk Officer**	Appointed in May 2019 as the Chief Quality and Risk Officer, Leanne is a senior healthcare executive with over 40 years' experience in the hospital sector in Australia and overseas. Prior to her appointment with Estia Health, Leanne was National Deputy Clinical Governance Manager for Ramsay Health Care and previously Group Vice President Nursing, Learning and Operational Excellence with Parkway Health based in Singapore. Leanne is responsible for leading Estia Health's delivery of high quality care to residents in safe and supportive environments. This involves the development and implementation of a person-centred care framework that combines quality and risk management strategies. Leanne's role is focused on embedding a continuous improvement culture, using quality indicator measurement and a risk management framework that enables transparent incident reporting, data analysis, trending and benchmarking with validation of compliance via audit. Leanne is a Registered Nurse with a post registration Bachelor of Nursing awarded from Deakin University and a Master of Business from Monash University.

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Mr Anthony Rice **Chief Financial Officer**	Joining Estia Health in July 2023 as Chief Financial Officer, Anthony holds 25 years' experience in senior finance roles across a range of aged care, healthcare and finance sector businesses. Prior to joining Estia Health, Anthony was Chief Financial Officer and Chief Investment Officer of Japara Healthcare, an ASX listed aged care provider. Prior to joining Japara Healthcare, Anthony's background was as a specialist aged care, real estate and healthcare sector corporate adviser with over 20 years' experience in investment banking, at JPMorgan and most recently at Macquarie Group, where as a Managing Director he advised clients on corporate strategy, debt and equity raising and mergers and acquisitions. Anthony is a Chartered Accountant and holds a Masters in Applied Finance from the University of Melbourne.
Ms Fiona Caldwell **Chief Information Officer**	With over 25 years' experience in various IT strategic and operational leadership capacities, Fiona brings to Estia Health a wealth of practised knowledge and a sound background in managing IT solutions and projects. Appointed to the role of Chief Information Officer in October 2017, Fiona leads Estia Health's IT team in the delivery of modern and innovative technologies and services and seeks to advance the level of assistance and amenities available at Estia Health. Fiona is a recognised leader in optimising the IT user experience. She has extensive experience in the Government and Commercial sectors, including Village Roadshow, Cenitex and the Tatts Group. Fiona holds a Bachelor of Computing and Master of Business Administration from Monash University.
Ms Cath Gillard **Chief People Officer**	Cath's professional career spans over 25 years in human resources and employee relations. Prior to joining Estia Health in May 2022 as Chief People Officer, Cath was the Executive Director People & Culture at Australian Red Cross Lifeblood, a role she held for five years. Cath has also held senior human resources positions within the General Electric group of companies, Linfox and the Toll Group. Earlier in her career, Cath practiced as an employment and industrial relations lawyer for over a decade with law firms Minter Ellison and Lander & Rogers. At the time, she provided legal advice across multiple industry sectors including health, state government, financial services, manufacturing and construction. Cath holds a Bachelor of Laws (Honours) and a Bachelor of Arts from The University of Melbourne and a Masters of Management (Human Resources) from Monash University. She is a Graduate of the Australian Institute of Company Directors and is a Certified Human Resources Practitioner (Australian Human Resources Institute).

Mr Michael Lockwood **Chief Development and Property Officer**	Michael has worked in the property and construction industry for over 20 years, with more than half this time directly involved in the aged care and retirement living sectors. He has held roles working closely with developers, builders and not-for-profit operators. Michael is responsible for executing Estia Health's property growth and renewal strategy, as well as asset management across the portfolio. Prior to joining Estia Health, Michael was the General Manager, Property & Housing for Catholic Healthcare and previously Construction Manager for Anglican Retirement Villages where he led the strategy, new developments and property services. Michael holds a Bachelor of Engineering (Civil) from the University of Technology, Sydney as well as a Master of Commerce (Property Investment & Development) from the University of Western Sydney.
Ms Suzy Watson **General Counsel and Chief Privacy Officer**	Suzy was appointed to the role of General Counsel in October 2014 and in this role provides comprehensive advice on a full spectrum of legal and compliance matters to support corporate activity, operations and strategic growth. Prior to this appointment, she served as the in-house counsel for the Bupa Group both in Sydney and internationally. Suzy holds over 15 years of experience in both private practice and in house roles spanning healthcare, commercial and corporate law. She is a dual qualified lawyer in both Australia and in the United Kingdom. Suzy holds an LLM (Applied Law) majoring in In-House Legal Practice (Distinction), an LLM in International Economic Law (Distinction) and a Bachelor of Arts (Hons) in Law and Government from the University of Manchester. Suzy was awarded the 2016 Leonard Watson Chant Legacy scholarship (Governance Institute of Australia) and the National Industry Scholarship for Women in Leadership Suzy is a Fellow of the Governance Institute of Australia, a member of the Law Institute of Victoria and the Association of Corporate Counsel.

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5.6 Capital structure

As at the Last Practicable Date, the total securities of Estia Health on issue are as follows:

Security	Number
Estia Health Shares	259,858,039
Estia Health Performance Rights	1,682,072

5.7 Proposed treatment of Estia Health Performance Rights

A number of current and former Estia Health employees hold unvested Estia Health Performance Rights under the Estia Health Performance Rights Plan, which relate to their participation in the FY22 and FY23 long term incentives.

Under the Scheme Implementation Agreement, Estia Health must ensure that there are no outstanding Estia Health Performance Rights on issue at the Scheme Record Date and has sole discretion to vest any or all on foot Estia Health Performance Rights to allow the holders to participate in the Scheme.

The Estia Health Board has resolved that, subject to the Scheme becoming Effective, all of the Estia Health Performance Rights on issue will vest and be automatically exercised shortly before the Scheme Record Date. Participants may nevertheless cease to hold Estia Health Performance Rights in the ordinary course prior to the Scheme becoming Effective (for example, if they cease to be employed by Estia Health in certain circumstances).

The maximum number of Estia Health Shares that will be issued in accordance with the accelerated vesting of Estia Health Performance Rights is 1,682,072, having an aggregate value of $5,180,781.76 (based on the Scheme Consideration of $3.08 per Estia Health Share), such that the diluted number of Estia Health Shares for the Scheme will be 261,540,111.

Participants who receive Estia Health Shares following vesting of their on foot Estia Health Performance Rights will participate in the Scheme in the same way as other Estia Health Shareholders.

Estia Health has not issued any Estia Health Performance Rights in respect of its FY24 incentive arrangements. In accordance with the Scheme Implementation Agreement, Estia Health has determined that any on foot FY24 incentive arrangements will, subject to the Scheme becoming Effective and the participant's ongoing employment, be satisfied in cash and paid on a pro-rata basis to reflect the portion of the performance period served until shortly before the Scheme Record Date.

5.8 Substantial holders

The details of Estia Health's substantial holders as at Last Practicable Date are set out below:

Shareholder	Number of Estia Health Shares	% of Estia Health Shares
UBS Group AG and its related bodies corporate	23,390,553	9.00%
Milford Asset Management Limited	16,799,727	6.46%

The holdings listed in this Section 5.8 are as disclosed to Estia Health by the relevant substantial shareholders in substantial holding notices. Information in regard to substantial holdings arising, changing or ceasing after this time or in respect of which the relevant announcement is not available on the ASX's website (www.asx.com.au) is not included above.

5.9 Historical financial information

This Section 5.9 sets out a summary of historical financial information for the purposes of this Scheme Booklet.

Consolidated statement of profit and loss

	FY2023 12 months $'000	FY2022 12 months $'000
Revenue	754,298	671,067
Other income excluding Government grants	102	913
Government grants	51,628	8,053
Expenses		
Employee benefits and agency staff expense	(522,491)	(488,773)
Increase in leave liabilities arising from 15% legislated increases to Aged Care Award	(9,054)	-
Administrative expenses	(29,870)	(27,729)
Occupancy expenses	(25,637)	(21,087)
Resident expenses	(66,431)	(64,233)
Amortisation of bed licenses	(80,466)	(60,349)
Depreciation, impairment and amortisation of other assets	(57,470)	(45,122)
Business acquisition costs	(9,112)	-
Operating profit / (loss) for the period	**5,497**	**(27,260)**
Net finance costs	(48,870)	(46,298)
Loss before income tax	**(43,373)**	**(73,558)**
Income tax benefit	9,475	21,196
Loss for the year	**(33,898)**	**(52,362)**
Net gain / (loss) on cash flow hedges, net of tax	801	-
Other comprehensive income for the year, net of tax	801	-
Total comprehensive loss for the year, net of tax	(33,097)	(52,362)
	Cents per share	Cents per share
(Loss) / earnings per share		
Basic	(13.13)	(20.10)
Diluted	(13.13)	(20.10)

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Consolidated statement of financial position

	30 June 2023 $'000	30 June 2022 $'000
Current assets		
Cash and cash equivalents	26,200	20,411
Trade and other receivables	27,073	10,261
Prepayments and other assets	4,645	5,031
Consumable supplies	2,190	4,714
Income tax receivable	-	11,960
Derivative financial instruments	485	-
Total current assets	**60,593**	**52,377**
Non-current assets		
Property, plant and equipment	951,309	840,343
Investment properties	850	750
Goodwill	717,614	681,014
Bed licences and other intangible assets	82,959	164,209
Right of use assets	54,446	56,367
Prepayments	881	1,426
Derivative financial instruments	659	-
Total non-current assets	**1,808,718**	**1,744,109**
Total assets	**1,869,311**	**1,796,486**
Current liabilities		
Trade and other payables	55,946	52,135
Other financial liabilities	596	466
Provisions	73,425	63,126
Income tax payable	12,422	-
Lease liabilities	3,724	3,686
Refundable accommodation deposits and bonds	1,027,537	884,069
Total current liabilities	**1,173,650**	**1,003,482**
Non-current liabilities		
Lease liabilities	57,336	58,766
Provisions	9,320	8,542
Loans and borrowings	70,000	100,000
Deferred tax liabilities	58,449	83,959
Total non-current liabilities	**195,105**	**251,267**
Total liabilities	**1,368,755**	**1,254,749**
Net assets	**500,556**	**541,737**
Equity		
Issued capital	796,473	795,748
Share-based payments reserve	4,234	3,483
Hedging reserve	801	-
Accumulated losses	(300,952)	(257,494)
Total equity	**500,556**	**541,737**

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Consolidated statement of cash flows

	FY2023 12 months $'000	FY2022 12 months $'000
Cash flows from operating activities		
Receipts from residents	166,029	145,005
Receipts from government excluding Government grants received	523,447	470,806
Government grants received	31,528	7,049
Payments to suppliers and employees	(621,192)	(575,983)
Net operating cash flows before interest, income tax, RAD, accommodation bond and ILU entry contributions	**99,812**	**46,877**
Interest received	644	18
Income taxes refunded / (paid)	8,100	(7,584)
Finance costs paid	(4,925)	(4,669)
Interest expense on lease liabilities	(1,812)	(1,911)
Net cash flows from operating activities before RADs, bonds and ILU entry contributions	**101,819**	**32,731**
RAD, accommodation bon and ILU entry contribution received	363,684	268,430
RAD, accommodation bon and ILU entry contribution refunded	(278,010)	(245,629)
Net cash flows from / (used) in operating activities	**187,493**	**55,532**
Cash flows from investing activities		
Payments for intangible assets	(210)	(1,676)
Proceeds from sale of property, plant and equipment	-	64
Proceeds from sale of assets held for sale	-	3,550
Purchase of property, plant and equipment	(61,777)	(31,780)
Business combinations, net of cash acquired	(76,400)	-
Net cash flows used in investing activities	**(138,387)**	**(29,842)**
Cash flows from financing activities		
Proceeds from repayment of MEP loans	51	1
Proceeds from borrowings	80,000	125,000
Repayment of borrowings	(110,000)	(139,500)
Payments for shares repurchased on-market and incremental costs	-	(7,956)
Dividends paid	(9,560)	(12,137)
Repayment of lease liabilities	(3,808)	(4,115)
Net cash flows used in financing activities	**(43,317)**	**(38,707)**
Net increase / (decrease) in cash and cash equivalents	5,789	(13,017)
Cash and cash equivalents at the beginning of the period	20,411	33,428
Cash and cash equivalents at the end of the period	**26,200**	**20,411**

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The financial statements of Estia Health for the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023, including all notes to those accounts, can be found in full in:

- 2021 Estia Health Annual Financial Report (released to ASX on 24 August 2021)
- 2022 Estia Health Annual Financial Report (released to ASX on 23 August 2022)
- 2023 Estia Health Annual Financial Report (released to ASX on 22 August 2023)

These documents can be found on Estia Health's website at: https://investors.estiahealth.com.au/investor-centre/?page=results-centre.

5.10 Material changes in the financial position of Estia Health

Other than:

- the accumulation of revenue and trading losses in the ordinary course of trading; and
- as disclosed in this Scheme Booklet or as otherwise disclosed to the ASX by Estia Health,

within the knowledge of the Estia Board, the financial position of Estia Health has not materially changed since 30 June 2023, being the date of Estia Health audited financial statements for the financial year ended 30 June 2023 (released to the ASX on 22 August 2023).

5.11 Recent Estia Health Shares performance

Estia Health Shares are listed on the ASX under trading symbol EHE.

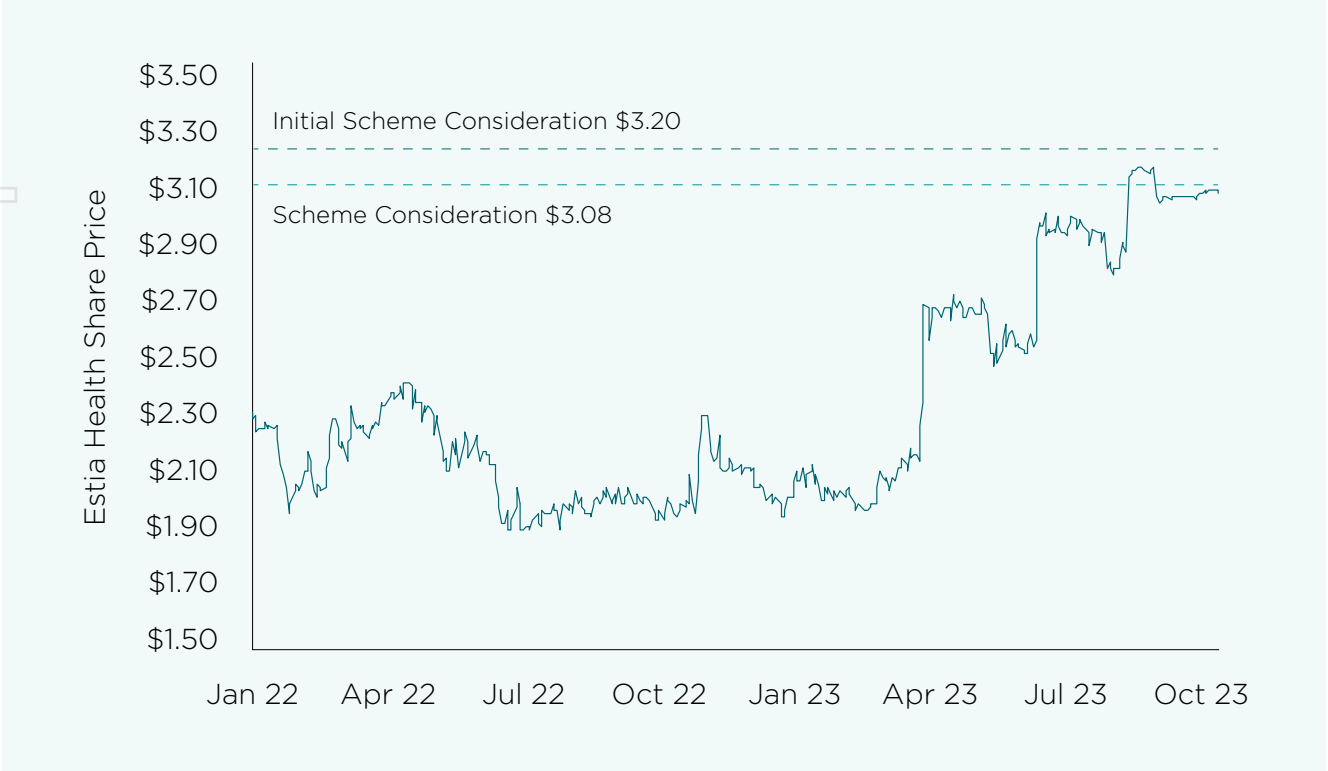
Estia Health's undisturbed closing share price on Tuesday, 21 March 2023, being the last trading day prior to market speculation around the existence of a possible change of control proposal, was $2.14 per Estia Health Share. The closing price of Estia Health Shares on the Last Practicable Date was $3.04

During the three months up to the Last Practicable Date:

- the highest recorded daily closing price of Estia Health Shares was $3.13, most recently on 23 August 2023; and
- the lowest recorded daily closing price of Estia Health Shares was $2.76 on 27 July 2023.

The share price graph below refers to the performance of Estia Health Shares from 1 January 2022 to the Last Practicable Date.

Figure 3. Estia Health Share price performance from 1 January 2022 to the Last Practicable Date



5.12 Key priorities for FY24

Estia Health's key priorities for FY24 include:

- **Mandatory care minutes**: A major focus for Estia Health and the aged care sector more broadly will be recruiting and training the workforce required to meet mandatory minimum care minutes commencing 1 October 2023 and due to increase again 1 October 2024. The targeted minutes vary by location based on the acuity of residents and will be a challenge to achieve in regional areas.
- **Greenfield developments**: Estia Health's new homes at St Ives and Aberglasslyn are due for completion in late 2023, for which it Estia Health has developed detailed commissioning plans based on its successful track record for new homes.
- **Acquisition integration**: Following the Royal Freemasons homes acquisition announced in August 2023 (expected to complete on 3 October 2023), a key priority for Estia Health is integrating the homes into the Estia Health portfolio and consolidating the operations of the existing smaller and older Estia Health homes in these locations. In addition, Estia Health continues to optimise and complete the integration of its Premier Health Care and Mt Clear acquisitions.

5.13 Summary of risks

In considering the Scheme, Estia Health Shareholders should be aware of a number of risks which could materially and adversely affect the future operating and financial performance, and value, of Estia Health.

This Section 5.13 outlines some general investment risks relating to an investment in Estia Health, as well as some specific risks relating to investing in Estia Health. These risks are set out in greater detail in Section 7. These risks currently apply to your investment in Estia Health and will continue to apply if the Scheme does not proceed. If the Scheme proceeds, you will cease to be an Estia Health Shareholder and will no longer be exposed to the risks set out below. If the Scheme does not proceed, you will continue to hold your Estia Health Shares and continue to be exposed to risks associated with that investment (as set out below).

You should carefully consider the risks outlined in this Section 5.13 (and as more fully set out in Section 7), as well as the other information contained in this Scheme Booklet, before voting on the Scheme. Sections 5.13 and 7 are general in nature only and do not take into account your individual objectives, financial situation, tax position or particular needs.

(a) General risks associated with your investment in Estia Health

Like many listed companies, the market price of Estia Health Shares is influenced by a number of factors. The following are some general risks associated with your investment in Estia Health:

- changes in investor sentiment and the overall performance of the global and Australian securities market;
- changes in general business and industry cycles as well as economic conditions including inflation, interest rates, exchange rates, employment, credit markets, consumer confidence and demand, housing prices and turnover and other industry specific factors;
- changes in government, fiscal, monetary, taxation, employment and regulatory policies, including foreign investment policies;
- weather conditions, natural disasters, pandemics generally including any resurgence of COVID-19, terrorism and international conflicts, whether on a global, regional or local scale; and
- changes in laws and regulations including accounting and financial reporting standards.

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(b) **Specific risks associated with your investment in Estia Health**

There are a number of specific risks associated with an investment in Estia Health, including the following:

- changes in the regulatory framework;
- changes to Government funding applicable to the Business;
- retaining a skilled workforce, staff availability and wage increases;
- repayment and value of RADs;
- reduction in occupancy levels;
- changes to clinical care and quality;
- cyber security and privacy breaches;
- pandemic or epidemic risk;
- climate-related risk;
- health and safety;
- key personnel risk;
- loss of approvals or accreditation;
- acquisition risk;
- damage to brand and reputation;
- a decline in the value of Estia Health's portfolio;
- Estia Health's portfolio is illiquid; and
- litigation and legal disputes.

5.14 Public information available for inspection

Estia Health is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on the ASX, Estia Health is subject to the ASX Listing Rules which require (subject to some exceptions) continuous disclosure of any information that Estia Health has that a reasonable person would expect to have a material effect on the price or value of Estia Health Shares.

The ASX maintains files containing publicly disclosed information about all entities listed on the ASX. Information disclosed to the ASX by Estia Health is available on the ASX's website at www.asx.com.au.

In addition, Estia Health is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Estia Health may be obtained from an ASIC office.

Estia Health Shareholders may obtain a copy of Estia Health's 2023 Full Year Results (including its audited financial statements as at and for the financial year ended 30 June 2023) from the ASX's website (www.asx.com.au), from Estia Health's website (https://investors.estiahealth.com.au/investor-centre/?page=results-centre)) or Estia Health will provide, free of charge, copies of these documents to anyone who requests them prior to the Scheme being approved by the Court.

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6 Profile of the Bidder

6.1 Introduction

This section 6 forms part of the Bidder Information and has been prepared by the Bidder Group. The information concerning the Bidder Group and any Bidder Group Member and the intentions, views and opinions contained in this section 6 are the responsibility of the Bidder. Estia Health and its officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

6.2 Overview of Bain Capital Private Equity

BCPE is part of Bain Capital, one of the world's leading private investment firms. Bain Capital invests in private equity, credit, special situations, real estate, venture capital, life sciences, insurance and public equities. Across its asset classes, Bain Capital has significant experience investing in residential aged care and other regulated, care-based industries in Australia and globally.

Bain Capital is headquartered in the United States and has offices in 24 countries globally. Bain Capital's Australian offices are in Sydney, New South Wales and Melbourne, Victoria. Further information on Bain Capital is available from its website at www.baincapital.com.

6.3 Overview of the Bidder Group

(a) **Introduction**

The Bidder is a new Australian proprietary company that was incorporated for the purpose of acquiring all of the Scheme Shares and has not conducted any other business. The Bidder is a wholly-owned subsidiary of Firebird HoldCo, which itself is indirectly wholly-owned by Fund V which is managed by an entity advised by BCPE.

Funds advised by BCPE have incorporated the following Australian entities in connection with the Scheme:

- Firebird Topco Pty Ltd (ACN 669 884 244) (**Firebird TopCo**);
- Firebird Midco Pty Ltd (ACN 669 884 557) (**Firebird MidCo**);
- Firebird Holdco; and
- the Bidder.

Except as described in this section, none of the Bidder, Firebird HoldCo, Firebird MidCo and Firebird TopCo have commenced trading or conducted business, and none of them have any assets or liabilities, other than in connection with their incorporation, the entry into transaction documents in connection with the Scheme and the taking of such other actions as are necessary to facilitate the Scheme (including actions in relation to the incurrence of costs, fees and expenses in connection with the Scheme and arranging of finance in connection with the Scheme).

If the Scheme is implemented, the Bidder will acquire all of the Scheme Shares on the Implementation Date.

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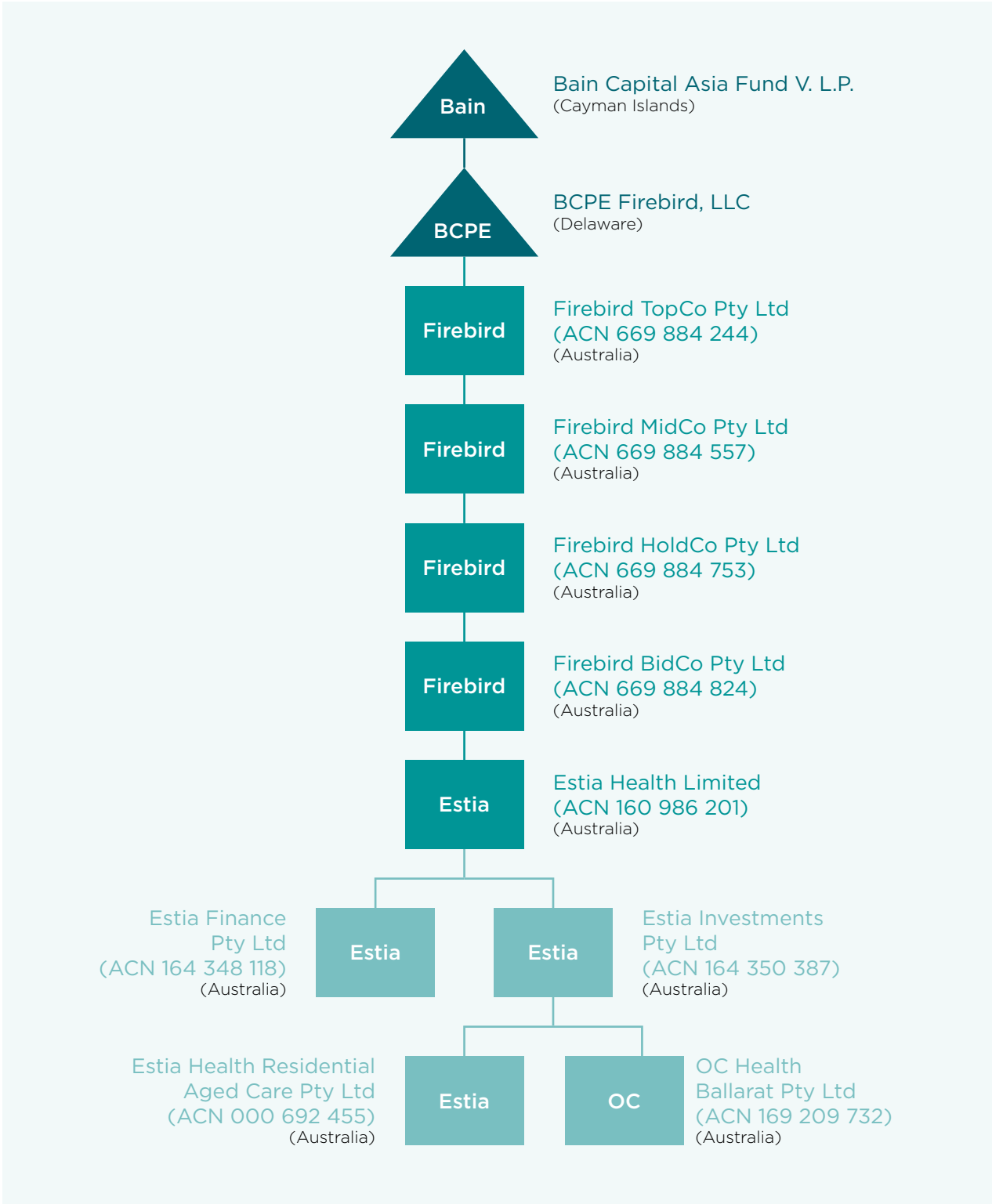
(b) **Ownership structure**

As at the date of this Scheme Booklet:

- the Bidder is a wholly-owned subsidiary of Firebird HoldCo;
- Firebird HoldCo is a wholly-owned subsidiary of Firebird MidCo;
- Firebird MidCo is a wholly-owned subsidiary of Firebird TopCo;
- Firebird TopCo is a wholly-owned subsidiary of BCPE Firebird, LLC; and
- BCPE Firebird, LLC is a wholly-owned subsidiary of Fund V.



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(c) Bidder Director Profile Overview

As at the Date of this Scheme Booklet, the directors of the Bidder are Michael Murphy and Charles Lawson.

(i) Michael Murphy

Mr. Murphy joined Bain Capital in 2015 and is a Partner on the Asian Pacific Private Equity team, having worked in both the Sydney and Hong Kong offices. He has played a leading role in opening the Australian office, building up the Australian team and increasing local market presence. Prior to joining Bain Capital, he spent six years as an investment professional at Wolseley Private Equity, a Sydney based mid-market firm, and several years as a management consultant with Bain & Company where he advised clients in a broad range of industries.

Mr. Murphy received his MBA from Harvard Business School. He also holds a Bachelor of Laws (Honours) and Bachelor of Commerce from Bond University.

(ii) Charles Lawson

Mr. Lawson joined Bain Capital in 2016. He is a Managing Director and member of the Asian Pacific Private Equity team.

Prior to joining Bain Capital, he worked at Advent International in New York where he focused on investments in technology, media and telecommunications sectors. Before Advent, Mr. Lawson spent several years as a management consultant with Bain & Company in Sydney and New York where he advised clients in a broad range of industries. He began his career as a lawyer, working as a Judge's Associate at the Federal Court of Australia.

Mr. Lawson received his MBA from The Wharton School and holds a Bachelor of Law and Bachelor of Commerce from the University of Sydney.

6.4 Funding arrangements

(a) Overview

If the Scheme is implemented, Scheme Shareholders will be entitled to receive the Scheme Consideration in accordance with the terms of the Scheme and Deed Poll, being total cash value of $3.20 per Estia Health Share, less the cash amount of permitted dividends declared and paid after the date of entry into the SIA for each Scheme Share they hold as at the Scheme Record Date. The maximum aggregate amount of cash payable on implementation of the Scheme by the Bidder to Scheme Shareholders will be approximately $805 million, following the payment of the September 2023 Dividend.[16]

The Bidder intends to fund the payment of the aggregate Scheme Consideration using a combination of debt and equity. These funding arrangements are described in sections 6.4(b) and 6.4(c). The proceeds available to the Bidder under the debt and equity commitment letters (detailed below) are in excess of the maximum aggregate amount of cash payable on implementation of the Scheme.

(b) Equity Funding

The Bidder has received a legally binding Equity Commitment Letter from Fund V, under which Fund V has committed to cause the Bidder to receive the amount equal to the aggregate Scheme Consideration payable to Scheme Shareholders if the Scheme is implemented, for the purpose of funding the Scheme Consideration (the **Equity Funding**). The provision of the Equity Funding is conditional only on the Scheme becoming Effective.

The Equity Commitment Letter separately includes a funding commitment totalling $8,267,553 in circumstances where the Bidder Break Fee becomes payable by the Bidder (the **Break Fee Funding**). The provision of the Break Fee Funding is conditional only on the Bidder being required to pay the Bidder Break Fee in accordance with clause 16 of the SIA.

16 Based on 259,858,039 Estia Health Shares outstanding and 1,682,072 Estia Health Performance Rights.

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(c) **Debt Funding**

The Bidder has entered into a binding debt commitment letter with, among others, the Arrangers, dated 27 July 2023 (**Debt Commitment Letter**). Under the Debt Commitment Letter, the Arrangers, along with the other Lenders, have agreed to provide senior secured syndicated facilities to the Bidder (**Syndicated Acquisition Facilities**).

The proceeds that will be available to the Bidder under the Syndicated Acquisition Facilities, together with the Equity Funding, are in excess of the amount that is required to fund the Scheme Consideration.

The proceeds under the Syndicated Acquisition Facilities will be available to the Bidder for the purpose of (among other things):

- funding part of the purchase price for the acquisition of the Scheme Shares;
- refinancing of certain existing debt facilities of the Estia Health Group; and
- paying certain costs and expenses incurred in connection with the Scheme and associated transactions.

The funding of the Syndicated Acquisition Facilities will be subject to the satisfaction of certain conditions precedent, which are customary for facilities of this kind and include (among other matters) confirmation that:

- completion of the acquisition of the Scheme Shares has occurred or will occur in accordance with the SIA;
- all material authorisations required to complete the acquisition of the Scheme Shares have been obtained and all conditions precedent to implementation of the Scheme have been satisfied or waived;
- there has been no amendment, variation, waiver or termination under the SIA which is, or is reasonably likely, to be materially prejudicial to the interests of the Lenders; and
- execution of definitive long-form syndicated facilities documentation (and related definitive financing documentation) as described below.

It is expected that prior to the Second Court Date, the Debt Commitment Letter will be superseded by a definitive long-form syndicated facilities agreement (**Syndicated Facilities Agreement**) and related definitive financing documentation between the parties to the Debt Commitment Letter and others. The material terms and conditions of such financing documents are specified in the Debt Commitment Letter.

It is also expected that the abovementioned conditions precedent will be satisfied before the Second Court Date (other than certain conditions which are intended to be satisfied concurrently with, or prior to, the first drawdown under the Syndicated Acquisition Facilities on the Implementation Date, including the payment of fees and expenses).

If all of the conditions precedent are satisfied or waived, then subject to the provisions set out in the paragraph below and provided that it is not unlawful for the Lenders to do so, the Lenders must provide the funds for their portion of the commitments under the Syndicated Acquisition Facilities. As at the Last Practicable Date, the Bidder is not aware of any reason why any of the conditions precedent will not be satisfied, and is confident they will be satisfied in time to allow payment in full of the aggregate Scheme Consideration for the Scheme Shares as and when due under the terms of the Scheme.

The availability of the Syndicated Acquisition Facilities is subject to the correctness of certain representations, that certain events of default are not continuing or would result from the drawing of the applicable facilities (in each case, as are customary for facilities of this kind) and that a change of control of the Bidder and/or Firebird HoldCo has not occurred and is subsisting. As at the Last Practicable Date, the Bidder is not aware of the occurrence of any misrepresentation, event of default or change of control, or any circumstance that would lead to any misrepresentation, event of default or change of control which would then give rise to a right to the Lenders to terminate the applicable facilities.

The representations and warranties to be given by the Bidder in relation to the Syndicated Acquisition Facilities are customary for a facility of this nature. As at the date of this Scheme Booklet, the Bidder is not aware of any breach of a representation or warranty, or any circumstance that would lead to a breach of representation or warranty.

As at the Last Practicable Date, the Bidder is not aware of any reason why the Syndicated Acquisition Facilities will not be available to be drawn down for the purposes of acquiring the Scheme Shares as contemplated by the Scheme.

(d) **Provision of Scheme Consideration**

On the basis of the funding arrangement described above, the Bidder is of the opinion that it has a reasonable basis for holding the view, and holds the view, that it will be able to satisfy its obligations to provide the Scheme Consideration as an when it is due under the terms of the Scheme.

6.5 Intentions if the Scheme is implemented

This section 6.5 sets out the Bidder's present intention only with respect to Estia Health if the Scheme is implemented and is based on information concerning Estia Health (including certain non-public information made available by Estia Health to the Bidder prior to the entry into the SIA) and the general business environment which is known to the Bidder at the time of preparation of this Scheme Booklet.

The Bidder does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess all of the operational, regulatory, commercial, taxation and financial implications of its present intentions. The intentions of Firebird HoldCo, Firebird MidCo, Firebird TopCo, BCPE Firebird, LLC and Fund V, are the same as the intentions of The Bidder.

The Bidder intends to actively support Estia Health and its management team to pursue strategies based on furthering Estia Health's position as one of Australia's leading aged care operators. If the Scheme is implemented, the Bidder intends to undertake a detailed review of Estia Health's assets and operations. The Bidder will only make final decisions following the completion of this review and based on the facts and circumstances at the relevant time.

Accordingly, the statements set out in this section are statements of present intention and may change as new information becomes available or as circumstances change.

(a) **Delisting from the ASX**

If the Scheme is implemented, it is intended that the quotation of Estia Health Shares on the ASX will be terminated and Estia Health will be removed from the official list of the ASX on or around the Business Day immediately following the Implementation Date.

(b) **Head office**

If the Scheme is implemented, The Bidder presently intends for Estia Health to maintain its head office in Sydney, NSW.

(c) **Board of directors**

At the date of this Scheme Booklet, the final composition of the Estia Health Board has not been confirmed.

(d) **Change to Estia Health's constituent documents**

The Bidder intends to replace Estia Health's constitution following the implementation of the Scheme with a constitution on terms which are typical for a proprietary company limited by shares. This is consistent with the intention that Estia Health Shares will no longer be publicly listed and Estia Health will be converted into a proprietary company limited by shares following implementation of the Scheme.

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(e) **Employees, business operations and vision**

Following implementation of the Scheme, the Bidder will review Estia Health's business operations and organisational structure to ensure Estia Health has the relevant mix and level of employees and skills that is appropriate for an unlisted entity to enhance the business going forward and to enable the business to pursue growth opportunities.

(f) **Shares being acquired**

The Bidder proposes to acquire 100% of the Estia Health Shares. As at the date of this Scheme Booklet, that amounts to 259,858,039 Estia Health Shares.

Please refer to Section 5.7 for information regarding the proposed treatment of the 1,682,072 Estia Health Performance Rights on issue as at the date of this Scheme Booklet so as to ensure that no Estia Health Performance Rights are on issue at the time the Scheme is implemented.

6.6 Bidder Group's interests in Estia Health Shares

As at the date of this Scheme Booklet, neither the Bidder nor any member of the Bidder Group is the registered holder of, has the power to control voting rights attached to, or the power to dispose of, any Estia Health Shares.

(a) **No dealing in Estia Health Shares in previous four months**

Neither the Bidder nor any member of the Bidder Group has provided, or agreed to provide, consideration for Estia Health Shares under any purchase or agreement during the four months before the date of this Scheme Booklet.

(b) **No inducing benefits during the previous four months**

During the period of four months before the date of this Scheme Booklet, neither the Bidder nor any member of the Bidder Group gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person to vote in favour of the Scheme or dispose of Estia Health Shares, where the benefit was not offered to all Estia Health Shareholders.

(c) **Benefits to current Estia Health officers**

Other than as disclosed in this Scheme Booklet, neither the Bidder nor any member of the Bidder Group has given or agreed to give any payment or benefit to any current officers of Estia Health or any of its Related Bodies Corporate as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices dependent on the Scheme being implemented.

(d) **No other material information**

Unless otherwise disclosed in this Section 6, there is no material information regarding the Bidder or its intentions regarding Estia Health, which is material to the making of a decision by an Estia Health Shareholder on whether or not to vote in favour of the Scheme that is within the knowledge of the directors of the Bidder as at the date of this Scheme Booklet that has not been disclosed to Estia Health Shareholders.

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7 Risk factors

7.1 Introduction

In considering the Scheme, you should be aware that there are a number of general and specific risk factors associated with your current investment in Estia Health Shares and with the Scheme. This Section 7 outlines:

- general and specific risk factors relating to the Business and operations of Estia Health and which in turn affect the value of your current investment in Estia Health Shares (see Section 7.2); and
- risk factors which may prevent the Scheme from becoming Effective or being implemented (see Section 7.3).

The outline of risks in this Section 7 is a summary only and should not be considered exhaustive. This Section 7 does not purport to list every risk that may be associated with an investment in Estia Health now or in the future which may prevent the Scheme from becoming Effective or being implemented. The occurrence or consequences of some of the risks described in this Section 7 may be partially or completely outside the control of Estia Health, the Bidder or their respective directors and senior management teams.

These risk factors do not take into account the individual investment objectives, financial situation or positional particular needs of Estia Health Shareholders. If you do not understand any part of this Scheme Booklet or are in any doubt as to how to vote in relation to the Scheme, you should seek professional guidance from your stockbroker, solicitor, accountant, tax advisor or other independent and qualified professional adviser before deciding how to vote.

You should consider carefully the risk factors discussed in this Section 7, as well as the other information contained in this Scheme Booklet before voting on the Scheme.

7.2 Risk factors relating to the Business and operations of Estia Health

This Section outlines some general and specific investment risks relating to your current investment in Estia Health. These risk factors will continue to apply to Estia Health Shareholders if the Scheme is not implemented.

In considering the Scheme, Estia Health Shareholders should be aware of these general and specific risks as they could materially and adversely affect the future operating and financial performance, and value, of Estia Health.

The future operating performance of Estia Health and the value of an investment in Estia Health Shares may be affected by risks relating to Estia Health's business. Some of these risks are specific to Estia Health while others relate to economic conditions and the general industry and markets in which Estia Health operates.

Where practicable, Estia Health seeks to implement risk mitigation strategies to minimise its exposure to some of the risks outlined below. However, there can be no assurance that such strategies will protect Estia Health from these risks. Other risks are beyond Estia Health's control and cannot be mitigated. The occurrence of any such risks could adversely affect Estia Health's financial position and performance and the value of Estia Health Shares. The risks listed below are summaries, do not purport to be exhaustive and are not presented in any order of importance. Further, there is no assurance that the

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importance of different risks will not change, or other risks will not emerge.

You should carefully consider the risks outlined in this Section as well as the other information contained in this Scheme Booklet before voting on the Scheme.

(a) **General risks associated with your investment in Estia Health**

Like many listed companies, the market price of Estia Health Shares is influenced by a number of factors. The following are some general risks associated with your investment in Estia Health:

- changes in investor sentiment and the overall performance of the global and Australian securities market;
- changes in general business and industry cycles as well as economic conditions including inflation, interest rates, exchange rates, employment, credit markets, consumer confidence and demand, housing prices and turnover and other industry specific factors;
- changes in government, fiscal, monetary, taxation, employment and regulatory policies, including foreign investment policies;
- weather conditions, natural disasters, pandemics generally including any resurgence of COVID-19, terrorism and international conflicts, whether global, regional or local scale; and
- changes in laws and regulations including accounting and financial reporting standards.

(b) **Specific risks associated with your investment in Estia Health**

There are a number of specific risks associated with an investment in Estia Health including the following:

Changes in the regulatory framework applicable to the Estia Health Business

Estia Health operates in a highly regulated environment. Estia Health is exposed to failures to anticipate, respond to and manage material changes in regulation. The way that the industry is regulated by the Federal Government has a fundamental influence on Estia Health's business model.

The Royal Commission into Aged Care Quality and Safety (**Royal Commission**) released its final report on 26 February 2021 making 148 recommendations covering quality, funding and sustainability reforms. The Federal Government responded to these recommendations in May 2021 with a five-year aged care reform plan, and many of the significant elements of the reform package were implemented in July 2022. Amendments to (including the possible replacement of) the Aged Care Act is expected in the short term.

Any further regulatory change for the industry, or any change in the level of government funding or the funding model, may result in:

- changes in Estia Health's financial profitability and/or viability;
- increased cost of compliance;
- an inability to adequately deliver the required volume of operational change;
- instances of non-compliance such as meeting accreditation requirements for its homes;
- costs associated with remediating lack of compliance and/or penalties; and
- changes in the competitive position of Estia Health's services.

There is also a risk that regulatory restrictions may become more burdensome in the future. If this were to happen, Estia Health may be required to dedicate more time and expenditure to ensuring that it complies with these regulations, which could also adversely affect its financial performance and position and future prospects.

Changes in the Government funding applicable to the Estia Health Business	Estia Health relies on funding regulated by the Aged Care Act, of which approximately 72% (2022: 71%) is paid directly from the Federal Government. The Federal Government has also provided significant direct financial support to the sector during the COVID-19 pandemic. Any regulatory change or changes in Government policies in relation to existing funding legislation for the industry may have an adverse impact on the way Estia Health manages and operates its homes, its resultant financial performance and the carrying value of its tangible and intangible assets.
Introduction of mandated care minutes	From 1 October 2023, residential aged care homes will be required to deliver an average of at least 200 care minutes per resident per day, including 40 minutes from a Registered Nurse (**RN**). This requirement will increase to an average of 215 minutes (including 44 minutes of RN time) from 1 October 2024. The actual target for each aged care home will depend on the assessed acuity of its residents and may be higher or lower than the average sector target. Increased care minutes will require Estia Health to restructure its rosters and attract additional workforce to meet these requirements in a majority of its homes, at a time when workforce availability remains difficult, and the use of agency labour and overtime is above historical levels. Meeting the mandated care minute requirement will increase the operating costs of Estia Health and it remains uncertain if the level of government funding will be suitable to ensure the overall impact to Estia Health's operating performance is neutral. There is a risk that Estia may not be able to meet certain mandated minimum care minute requirements or that the cost of meeting these requirements may be higher than expected. Should Estia not meet the mandated minimum care minute requirements it may face regulator actions including non-compliance decisions and lower ratings under the Aged Care Quality and Safety Commission Star Ratings System.

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Retaining a skilled workforce, staff availability and wage increases

Estia Health's staff are critical in the delivery of quality care and services. A growing demand for care workers along with mandated staffing requirements is presenting significant challenges across the sector in identifying, recruiting and retaining sufficient personnel with the suitable skills and capabilities to carry out operations. There is also a high level of external competition for senior leadership and management expertise across the broader health sector.

If Estia Health is unable to maintain a sufficient workforce for any reason, this may result in:

- operational disruption and/or reduced business resilience;
- technical, operational or business knowledge loss due to resignation or departure of key employees;
- increased fatigue amongst staff and the potential for errors;
- reduced productivity and lower quality of care;
- non-compliance with regulatory requirements, including meeting mandatory staffing requirements;
- reduced occupancy of homes;
- an inability to deliver on strategic objectives;
- lower star ratings of homes; and/or
- brand and reputational damage.

Accordingly, there is a risk that Estia Health may not be able to retain or expand a workforce that is appropriately skilled and trained to meet the existing or future demands of residents at its RACFs and/or a risk that a shortage of employees leads to upward wage pressure which may adversely affect Estia Health's Business, financial performance and position and future prospects. This risk is higher following the COVID-19 pandemic, in an environment where labour supply issues, including in the aged care sector, persist.

In addition, many of Estia Health's employees are covered by collective enterprise bargaining agreements. Disputes may arise in the course of the periodic renegotiation and replacement of such agreements, or in connection with issues arising at certain homes, which may lead to strikes and other forms of industrial action that could disrupt Estia Health's operations.

Estia Health's employee benefits and agency staff costs as a percentage of revenue (excluding in both cases the impact of COVID-19) for the financial year ended 30 June 2023 was approximately 69.3%. Increasing staff costs in excess of the increases in Federal Government funding may adversely affect Estia Health's financial performance.

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Repayment and value of refundable accommodation deposits (RADs)

Residents with the financial means may choose to pay RADs when coming into a RACF. Estia Health may use RADs to assist in funding the development and refurbishment of its portfolio, to repay other RADs and for limited other purposes as prescribed by law. A decline in the RAD pool available to Estia Health may have a materially adverse impact on Estia Health's cash flows and financial position.

A number of factors can lead to a decline in RADs creating risk for Estia Health, including:

- where a larger than expected number of RAD paying residents depart leading to a substantial and immediate outflow of funds;
- a reduction in the value of RADs paid by new residents compared with departing residents;
- a shift away from new residents choosing to pay RADs; and
- declining occupancy where RADs are repaid and not replaced.

Estia Health has $1,027.5 million (2022: $884.1 million) of funding provided in the form of RADs, which have been deployed in accordance with the Aged Care Act in the acquisition, building or redevelopment of residential aged care homes and assets which are illiquid.

RADs are repayable within legislated timeframes after the departure of a resident. Overall RAD balances are maintained by the replacement of outgoing RADs with incoming RADs from new residents. Reductions in occupancy (which may arise for many reasons), changes in accommodation payment preferences by new residents, or legislated changes may lead to declining RAD balances which will require replacing with alternative funding sources.

At the present time there is no proposed legislation or indication from the Government that RAD regulations will be amended. Nevertheless, it is possible that future regulatory change may be made resulting in the need to replace RADs with alternative sources of capital.

If many departing RAD payers are subsequently replaced by non-RAD paying residents, or not replaced at all, Estia Health may need to draw down higher levels of bank or other debt, reduce capital investment, reduce dividend payments or seek additional capital.

Extreme events resulting in very large net outflows may cause severe liquidity or solvency issues.

If the Government replaces the RAD scheme, Estia Health will need to replace RAD balances with alternative funding sources consistent with any transitional arrangements as existing residents depart.

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Reduction in occupancy levels	Estia Health's occupancy levels may fall below expectations as a result of factors such as increased competition, changing consumer trends, disrupted resident referral patterns, consumer preference for home care services, pandemic or epidemic, and capacity constraints from a shortage of skilled workers and other referral sources. The resident turnover rates in Estia Health's RACFs are difficult to predict and multiple residents may leave Estia Health's homes at or around the same time. Government subsidies, and resident contributions, constitute substantially all of Estia Health's revenue. Reduced occupancy levels may adversely affect Estia Health's financial performance leading to reduced revenues, and costs may not be able to be reduced in line with the lower occupancy. Reduced occupancy levels may also result in lower RAD balances requiring replacement by alternative financing sources. To the extent a decrease in occupancy levels resulted in a reduction in the level of Estia Health's Entry Contributions, Estia Health's financing costs could increase. Any of these occurrences could adversely affect Estia Health's financial performance, financial position and future prospects.
Clinical care and quality	A system of clinical governance and a person-centred care framework is maintained to promote and support the health, safety and quality of care to residents. Failure to provide person-centred care and to keep residents safe from potentially preventable risk of injury or harm has the potential impact of: • losing trust from residents and their families; • reputational damage; • non-compliance with accreditations; • adding costs associated with remediating lack of compliance and/or penalties; • financial loss from potential medical malpractice and public liability claims; • a lower star rating of homes; and • lower occupancy of homes.
Cyber security and privacy breaches	Estia Health collects, handles and stores personal and health information of residents and employees. Estia Health is exposed to an increase in the prevalence and severity of cyber security incidents and/or privacy breaches. Such information is typically in electronic format and therefore subject to risk of loss or breach resulting from incidents such as system failures, data theft and cyber-attacks. The aged care sector is a known target area for ransomware cyber-attacks given the nature of the information that providers hold. A data breach may result in: • operational disruption; • significant brand and reputational damage; • adverse regulatory outcomes; • financial impacts from potential incidents, remediation and penalties; and • a loss of trust.

Force majeure event risk, including pandemic or epidemic risk	Events may occur within or outside Australia that could impact upon the Australian economy, the operations of Estia Health and the price or value of Estia Health securities. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Estia Health's services and its ability to conduct business, and on Estia Health's Business and earnings. Estia Health has only a limited ability to insure against some of these risks. Such events may include large scale infectious outbreaks, which may significantly impact the health and safety of Estia Health's residents and staff and its Business operations. Other material business risks may also eventuate as a result of such infectious outbreaks, including: • reduced occupancy; • reduced ability to secure sufficient suitably trained staff; • a change in work practices; • operational disruption, including supply chains which may impact the provisions of medical supplies, including PPE; • increased operating costs; and • brand and reputational damage.
Climate-related risk	Climate change and global warming have been attributed to harmful effects world-wide on the environment, society and economic activity. Accordingly, these effects may potentially impact Estia Health as countries, including Australia, seek to decrease greenhouse gas emissions and move to lower-carbon economies and conserve natural resources. Additionally, physical effects from increased frequency in severe weather and other events pose risk for Estia Health's physical assets, human safety, and business operations. This includes from storms, heat waves, floods and bushfires to which some of Estia Health's homes are more exposed due to their geographical locations. Physical effects of climate change could also increase chronic illness levels of incoming residents, with associated additional care requirements. Transitioning to a lower-carbon economy and more conservative use of natural resources may require or result in changes in policy, regulation, technology and markets. This may impact the availability and cost of resources (including water, energy, food and other consumables), supply and distribution chains and lead to reputational risk where socially demanded practices are not embraced.
Health and safety	The health, safety and wellbeing of residents, staff and visitors are critical to Estia Health for its ongoing Business operations. A poor or unsafe home and workplace can lead to injuries and discontentment amongst residents, relatives and staff, resulting in adverse financial performance, litigation and reputational issues for Estia Health.

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Key personnel risk	Estia Health relies on a high-quality management team with significant aged care industry experience. The loss of key personnel could undermine Estia Health's ability to operate its RACFs and its Business to the current standard, and to effectively comply with regulations. This may, in turn, result in a reduction in demand for Estia Health's aged care services from new and existing residents and could adversely impact Estia Health's financial performance and position and future prospects. The loss of key personnel could also jeopardise the Approved Provider status of Estia Health if they were not replaced promptly with other approved individuals. There is a risk that Estia Health may not be able to attract and retain key staff or be able to find suitable staff in a timely manner and this could impact Estia Health's ability to operate its Business and achieve its growth strategies, including those described in Section 5.4(b).
Loss of approvals or accreditation	Aged care homes need to be accredited by the ACQSC and are subject to regular audits. These audits include an assessment of the home's clinical care requirements and outcomes. A home's accreditation may be revoked in certain circumstances. Estia Health is also required to maintain its Approved Provider status to operate as an aged care provider and must hold licences for its Allocated Places. In addition, aged care homes are required to hold other permits and licences, such as controlled substance licences, food licences and fire safety approvals. If Estia Health does not comply with regulations, maintain its Approved Provider status or accreditations, or comply with the terms of its licences, this could result in the following: • Estia Health's existing approvals or accreditations may be adversely amended or revoked and Estia Health may be unable to continue to operate its RACFs; • Estia Health's RACFs could become subject to regulatory action, including Sanctions; • Estia Health may be unable to secure approvals or accreditation for the operation of any new additional aged care homes; and • Estia Health may not be able to obtain approval from the Australian Government to transfer Allocated Places obtained via acquisition, each of which could adversely impact Estia Health's ability to operate its homes and Estia Health's financial performance and position and future prospects.
Acquisition risk	Estia Health may pursue acquisitions or joint ventures that could present integration obstacles or costs. Estia Health may not realise any of the benefits it anticipates and Estia Health may be exposed to additional liabilities of any acquired business, which could have a material adverse impact on Estia Health's revenue and results of operations. In addition, future acquisitions or joint ventures may result in the issue of additional Estia Health Shares and other securities, which would dilute the ownership of the existing shareholders immediately prior to the time of acquisition.

Damage to brand and reputation	Estia Health's reputation could be adversely impacted if it, or the aged care sector generally, suffers from any adverse publicity. Examples of adverse publicity may include reports of inappropriate care of residents, inquiries or investigations relating to the operation of aged care homes or incidents at aged care homes, health and safety issues affecting residents or poor maintenance of, or delivery of services at, aged care homes. Any such adverse publicity could result in existing residents transferring away from Estia Health's homes to competitor aged care homes or reduce Estia Health's ability to attract new residents to its homes, both of which could adversely impact Estia Health's financial performance and position and future prospects.
The value of Estia Health's portfolio may decline	The value of Estia Health's portfolio, including any other homes held by Estia Health in the future, may be impacted by a number of risks affecting Estia Health and the property market generally, including: • changes in property yields; • fluctuating occupancy levels; • a downturn in the property markets in general; • changes in prices of comparable homes; and • increased competition from new or existing homes. A reduction in the value of Estia Health's portfolio may adversely impact on Estia Health's ability to procure debt financing arrangements, which could, in turn, adversely impact on Estia Health's financial performance and position and future prospects.
Estia Health's portfolio is illiquid	Estia Health's portfolio is, by its nature, comprised of illiquid assets. Estia Health may not be able to realise the value of the homes within its portfolio within a short period of time or at valuation. In particular, the risks generally associated with acquiring property assets can be greater for special purpose assets such as aged care homes. If a home cannot be sold as an aged care home, any purchaser may need to incur extensive capital expenditure (for example to rezone the land) in order for a home to be suitable for other commercial purposes. This may affect Estia Health's ability to sell its homes to third parties who intend to use the land for an alternative use, and this could have an adverse impact on Estia Health's future financial performance and position.
Litigation and legal disputes	From time to time, Estia may be involved in disputes and/or litigation claims, industrial action or disputes. If Estia Health is involved in such litigation, disputes or protracted settlement negotiations, this may disrupt its Business operations, cause Estia Health to incur significant legal costs and may divert management's attention away from the day-to-day operations of the Business. The outcome of any such litigation cannot be predicted with certainty and adverse litigation outcomes could negatively impact Estia Health's Business, financial condition and/or reputation.

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7.3 Factors that may prevent the Scheme from becoming Effective or being implemented

This Section sets out the factors that may prevent the Scheme from becoming Effective or being implemented.

(a) **Conditions**

The Scheme is subject to various Conditions. These Conditions are outlined in Section 2.5(a). As at the date of this Scheme Booklet, the Estia Directors are not aware of any circumstances which would cause the Conditions to not be satisfied or (if applicable) waived. Despite this, there is a possibility that one or more of the Conditions will not be satisfied or waived and that the Schemes will not proceed.

(b) **Termination rights**

Estia Health and the Bidder each have the right to terminate the Scheme Implementation Agreement in certain circumstances (refer to Section 9.4 for a summary of the circumstances which may give rise to termination rights). Accordingly, there is no certainty that the Scheme Implementation Agreement will not be terminated by either party before the Scheme is implemented. If the Scheme Implementation Agreement is terminated, the Scheme will not proceed.

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8 Taxation implications for Estia Health Shareholders

8.1 Introduction

This Section 8 provides a general overview of certain tax considerations (including CGT, GST and stamp duty) that may be applicable to Scheme Shareholders on implementation of the Scheme. This general overview has been prepared for informational purposes only. It is not intended to provide tax advice in relation to individual circumstances and should not be relied on for tax advice. You should consult your own professional tax advisor in relation to your personal circumstances.

The comments below do not address any taxation implications which may arise in countries other than Australia and as such, Estia Health Shareholders who may be subject to tax consequences outside of Australia are advised to consider the taxation implications with their own professional tax advisor.

8.2 Overview

These comments assume that the Scheme will be implemented in accordance with the terms described in the Scheme Implementation Agreement.

This general outline is based upon Australian taxation law currently in force as at the date of this Scheme Booklet and does not anticipate changes in the current law either by way of legislative action or Court decision.

This outline is relevant to Estia Health Shareholders who are individuals, companies (other than life insurance companies), trusts and complying superannuation funds that hold their Estia Health Shares on capital account for Australian tax purposes. This description does not apply to all Estia Health Shareholders, for example it does not apply to Estia Health Shareholders who:

- hold their Scheme Shares as a revenue asset or as trading stock (such as share trading entities);
- hold or are entitled to acquire, either alone or together with associates, 10% or more of the Scheme Shares;
- are partnerships or individuals who are partners of such partnerships;
- hold their shares as an asset in a business that is carried on through a permanent establishment in Australia;
- hold their shares under an arrangement which is classified as an employee share or rights plan for Australian tax purposes;
- are under a legal disability;
- are exempt from Australian income tax;
- are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to gains and losses on their Scheme Shares;
- may be subject to special tax rules, such as banks, insurance companies, tax exempt organisations, certain trusts, superannuation funds (unless otherwise stated) or dealers in shares;
- are 'temporary residents' as that term is defined in section 995-1(1) of the ITAA 1997; or
- change their tax residence whilst holding Scheme Shares.

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8.3 Australian taxation implications of the payment of the September 2023 Dividend

(a) Implications for Australian resident individuals, companies and complying superannuation entities

The September 2023 Dividend should be included in the assessable income of an Australian resident Estia Health Shareholder that is an individual, a company (including a trust that is a corporate tax entity) or a complying superannuation entity. Australian Estia Health Shareholders should include the September 2023 Dividend in their assessable income in the year that the September 2023 Dividend was paid.

Subject to certain conditions which are outlined below, for eligible Estia Health Shareholders the franking credits attached to the September 2023 Dividend should also be included in the assessable income of the Estia Health Shareholder and a corresponding tax offset equal to the amount of those franking credits which may be applied to reduce any income tax liability ('gross up and offset').

Australian resident Estia Health Shareholders that are individuals or complying superannuation entities may be entitled to a refund of excess franking credits where the tax offset exceeds their tax liability for the income year.

In order for the 'gross up and offset' approach to apply, an Estia Health Shareholder must satisfy the 'qualified person' provisions. To be considered a qualified person, they must hold their Estia Health Shares 'at risk' for a continuous 45-day period within the qualification period (excluding the dates of acquisition and disposal of their Estia Health Shares).

Estia Health Shareholders should have regard to their own circumstances in seeking independent tax advice.

(b) Implications for Australian resident trusts

Subject to the above franking credit rules, Estia Health Shareholders who are trustees of a trust (other than a trust that is a corporate tax entity or a trustee of a complying superannuation entity) should include the amount of any September 2023 Dividend, together with any franking credits received on the September 2023 Dividend, in determining the net income of the trust for the income year in which the September 2023 Dividend is paid.

The applicable laws relating to the treatment of dividends, and in particular franked dividends, for trusts are complex but, provided that certain conditions are satisfied, both the liability to pay tax on the September 2023 Dividend and the tax offset provided by any franking credits should be able to flow through to eligible beneficiaries of the trust.

(c) Implications for non-resident Estia Health Shareholders

Non-resident Estia Health Shareholders should not be subject to Australian income tax on, including by way of having tax withheld from, the September 2023 Dividend that is fully franked.

8.4 Australian taxation implications of the Scheme

(a) Capital Gains Tax (CGT) Event

Under the proposed Scheme, Estia Health Shareholders will transfer their Estia Health Shares to the Bidder. The transfer of the Estia health Shares to the Bidder will cause a disposal of the Estia Health Shares and should trigger the occurrence of CGT event A1 for Australian tax purposes.

The CGT event should occur on the date on which the transfer of Estia Health Shares occurs, that is, the Implementation Date. The disposal of Estia Health Shares could result in either of the following outcomes for the Estia Health Shareholders:

- capital gain – a capital gain should arise to the extent that the capital proceeds received on the disposal of the Estia Health Shares exceeds their cost base; or
- capital loss – a capital loss should arise to the extent that the capital proceeds received on the disposal of the Estia Health shares are less than their reduced cost base.

(b) Capital proceeds

The capital proceeds from a CGT event are the total of the monies and the market value of any other property a taxpayer received, or is entitled to receive, in respect of the event happening.

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The capital proceeds received by the Estia Health Shareholders for the disposal of their Estia Health Shares to Bidder under the Scheme should be the Scheme Consideration, being $3.08 per Estia Health Share (which for the avoidance of doubt, will be reduced by the amount of any September 2023 Dividend in respect of each Estia Health Share).

If paid, the September 2023 Dividend should not form part of the capital proceeds for the disposal of the Estia Health Shares.

(c) Cost base and reduced cost base

The cost base of Estia Health Shares will generally include the amount of money paid, or the value of any property given, in order to acquire the Estia Health Shares, plus certain non-deductible incidental costs of acquisition.

The reduced cost base of the Estia Health Shares is determined in a similar manner, but requires certain adjustments to be made.

The cost base and reduced cost base of an Estia Health Shareholder's shares will depend on their own specific circumstances. Estia Health Shareholders should consult their own independent tax advisors.

(d) CGT discount

If an Estia Health Shareholder is an individual, complying superannuation fund or trust and acquired their Estia Health Shares at least 12 months before the Implementation Date (not counting the day of acquisition or the day of disposal), the amount of the capital gain (after being reduced for current year capital losses and prior year capital losses, if any) should generally be eligible for reduction by the applicable CGT discount.

The applicable CGT discount percentage for individuals and trusts is 50% and for complying superannuation entities is one-third.

There is no CGT discount available for Estia Health Shareholders that are taxed as companies or Estia Health Shareholders who have held their Estia Health Shares for less than 12 months.

Where a trust has utilised the CGT discount, the availability of the discount ultimately depends on the tax profile of the entity to whom the income of the trust estate is distributed.

The rules relating to the CGT discount are complex and the outcomes can vary depending on the circumstances of the individual. As such, Estia Health Shareholders should ensure they obtain their own independent tax advice.

(e) CGT implications for Australian Estia Health Shareholders

Australian resident Estia Health Shareholders who make a capital gain on disposal of their Estia Health Shares will be required to aggregate the capital gain with any other capital gains that the Estia Health Shareholders may have in that income year. Any resulting net capital gain (after offsetting any available capital losses from the current income year or brought forward from previous income years) should be reduced by any applicable CGT discount and any remaining discounted net capital gain for the income year should be included in the Estia Health Shareholder's assessable income and should be subject to tax at the Estia Health Shareholder's applicable rate of tax.

Australian resident Estia Health Shareholders who make a capital loss on the disposal of their Estia Health Shares can only offset the capital loss against capital gains realised in the same or future (subject to comments below) income year, however the capital gain cannot be reduced below zero.

In the event that a net capital loss arises in the income tax year of disposal, the net capital loss cannot be deducted from other assessable income of the Estia Health Shareholder. However, the net capital loss may be carried forward to offset capital gains made by Estia Health Shareholders in future income years, subject to satisfaction of the loss recoupment tests.

Specific loss recoupment rules apply to companies to restrict their ability to utilise capital losses in future years in some circumstances. Estia Health Shareholders should obtain their own tax advice in relation to the operation of these rules.

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(f) **CGT implications for non-resident Estia Health Shareholders**

Generally, for Australian income tax purposes, non-Australian tax resident Estia Health Shareholders who have not used their Estia Health Shares at any time in carrying on a business through a permanent establishment in Australia should only be subject to Australian CGT, if, broadly:

- the Estia Health Shareholder (together with their associates) holds an interest of at least 10% of the shares in Estia Health at the time of the disposal, or for a 12-month period in the 24 months preceding the disposal (referred to as the 'non-portfolio interest test'); and
- more than 50% of the market value of the Estia Health Group's assets is comprised of Australian 'real property' interests i.e. land. Broadly, real property includes direct and indirect interests in Australian land, including leases (referred to as the 'principal asset test').

Where the above applies, the Scheme Shares will be referred to as an 'indirect Australian real property interest' under the ITAA 1997. In this case, Scheme Shareholders will need to determine the capital gains tax implications applicable to them. Foreign residents are generally only entitled to the CGT discount in limited circumstances. Where the above applies, the non-resident Estia Health Shareholder should obtain independent taxation advice.

Where you are a Scheme Shareholder who was previously an Australian resident for tax purposes and chose to disregard a capital gain/loss on ceasing to be a resident, you may be subject to Australian CGT consequences. You should also seek advice from your taxation advisor as to the tax implications of the Scheme being implemented in your country of residence and Australia.

(g) **Foreign resident CGT withholding tax**

In certain circumstances, under the foreign resident CGT withholding regime, the Bidder could be required to withhold and pay to the ATO 12.5% of the Scheme Consideration (**FRCGW Amount**). This could be required if the Scheme Shares are an 'indirect Australian real property interest' (discussed above).

Withholding should generally only apply where a non-Australian tax resident Scheme Shareholder (and their associates as defined in section 318 of the *Income Tax Assessment Act 1936*) satisfy the 'non-portfolio interest test' and the 'principal asset test' which are referred to above.

Based on the Estia Health Share Register for the preceding 24 months, it is not anticipated that any FRCGW Amounts will be withheld from the total Scheme Consideration. The Bidder has agreed an approach to determine this with the ATO.

The Bidder may need to clarify the status of particular Scheme Shareholders by issuing a Foreign Resident Declaration Form (**Declaration Form**). To prevent the FRCGW Amount being deducted from the Scheme Consideration, Scheme Shareholders who are asked to complete the Declaration Form must return their signed Declaration Form by the date specified in the correspondence provided with the Declaration Form.

The FRCGW Amount is not a final tax and can be credited against the actual tax liability of a Scheme Shareholder, with any excess refunded. The amount the Scheme Shareholder will receive will be the net proceeds only, which will not be increased by any amount that is withheld.

8.5 Stamp duty

No stamp duty should be payable in any Australian jurisdiction by Estia Health Shareholders on the disposal of their Estia Health Shares.

8.6 GST

Estia Health Shareholders should not be liable for Australian Goods and Services Tax (**GST**) in respect of the disposal of the Estia Health Shares. Estia Heath Shareholders that are registered (or required to be registered) for GST may not be entitled to claim full input tax credits in relation to GST included in the price of acquisitions that relates to the disposal of Estia Health Shares. Estia Health Shareholders should seek their own independent tax advice on the impact of GST having regard to their own particular circumstances.

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9 The Scheme in further detail

9.1 Introduction

This Section:

- discusses the purpose and effect of the Scheme;
- provides a summary of the conditions and approvals required for the Scheme to proceed; and
- provides a summary of the rights of Estia Health and the Bidder to withdraw from the Scheme.

If the Conditions for the Scheme are satisfied or waived (as applicable), the manner in which the Scheme will be implemented is described in Section 10.

9.2 Elements of the Scheme

(a) Purpose

The purpose of the Scheme is to give effect to a proposed arrangement between Estia Health and Scheme Shareholders. That arrangement in turn contemplates that the Bidder will acquire 100% of the shares in Estia Health, being all of the Estia Health Shares held by the Scheme Shareholders, in exchange for payment of the Scheme Consideration to the Scheme Shareholders. If the Scheme becomes Effective, Estia Health will become a wholly-owned and controlled subsidiary of the Bidder and Estia Health will be delisted from the ASX.

The terms of the Scheme are set out in Appendix 3 to this Scheme Booklet.

(b) Scheme Consideration

The Scheme Consideration is $3.08 per Estia Health Share.

The Scheme Consideration does not include the September 2023 Dividend of $0.12 per Estia Health Share paid by Estia Health on 15 September 2023, which related to the financial year ended 30 June 2023. The September 2023 Dividend was paid to those Estia Health Shareholders on the Register on 28 August 2023, and included the additional benefit to eligible Shareholders of approximately $0.05 per Estia Health Share in franking credits.

Those Scheme Shareholders who received the September 2023 Dividend will, in aggregate, if the Scheme is approved and implemented, receive $3.20 per Estia Health Share (an amount equal to the Initial Scheme Consideration contemplated in the Scheme Implementation Agreement announced to ASX on Monday, 7 August 2023), comprising:

- the Scheme Consideration of $3.08 per Estia Health Share; and
- the September 2023 Dividend of $0.12 per Estia Health Share paid by Estia Health on 15 September 2023.

As it relates to the September 2023 Dividend, those Estia Health Shareholders who are entitled to the franking credits attached to the September 2023 Dividend may be entitled to an Australian tax offset of up to a maximum of $0.05 of additional value per Estia Health Share.

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(c) Legal effect

If the Scheme becomes Effective, it will constitute a binding arrangement between Estia Health and each Scheme Shareholder under which:

- all Scheme Shares held by each Scheme Shareholder (including those who were not present at the Scheme Meeting, those who did not vote on the Scheme and those who voted against them) will be transferred to the Bidder, free of any security interest (in accordance with, without limitation, section 32(1) of the PPSA and Regulation 7.1 of the *Personal Property Securities Act Regulations 2010* (Cth)), without the need for any action on the part of the Scheme Shareholders; and
- each Scheme Shareholder (including those who were not present at the Scheme Meeting, those who did not vote on the Scheme and those who voted against them) will receive the Scheme Consideration, subject to any security interest which attaches to the Scheme Consideration in accordance with section 32(1) of the *Personal Property Securities Act Regulations 2010* (Cth), as consideration in full for the transfer of all of their Estia Health Shares to the Bidder.

(d) Scheme Meeting

At the First Court Hearing on Wednesday, 11 October 2023, the Court ordered Estia Health to convene a meeting of Estia Health Shareholders to consider and vote on the Scheme.

The resolution to be considered at the Scheme Meeting is contained in the Notice of Scheme Meeting in Appendix 4 to this Scheme Booklet.

(e) Eligibility to vote at the Scheme Meeting

Each person who is registered on the Share Register as an Estia Health Shareholder as at the Voting Entitlement Time (7.00pm (Australian Eastern time) on Monday, 13 November 2023) is entitled to attend and vote at the Scheme Meeting, either in person, by proxy or attorney or, in the case of an Estia Health Shareholder who is a corporation, by a corporate representative.

Section 4 provides full details of how to vote at the Scheme Meeting. The Proxy Form for the Scheme Meeting accompanies this Scheme Booklet.

(f) Voting majority required

The Scheme will only become Effective and be implemented if it is:

- approved by the requisite majorities of Estia Health Shareholders at the Scheme Meeting; and
- approved by the Court at the Second Court Hearing.

Approval of the Scheme by Estia Health Shareholders requires the resolution at the Scheme Meeting to be passed by:

- a majority in number (more than 50%) of Estia Health Shareholders present and voting at the Scheme Meeting (in person or by proxy, attorney, or in the case of an Estia Health Shareholders who is a corporation, by corporate representative) (**Headcount Test**); and
- at least 75% of the total number of votes which are cast at the Scheme Meeting (in person or by proxy, attorney, or in the case of an Estia Health Shareholders who is a corporation, by corporate representative).

The Court has the power to approve the Scheme even if the Headcount Test has not been satisfied. For example, the Court may do so if there is evidence that the result of the vote has been unfairly influenced by activities such as share splitting.

(g) Your warranties under the Scheme

The Scheme provides that Estia Health Shareholders who hold Estia Health Shares as at the Scheme Record Date (currently proposed to be 7.00pm (Australian Eastern time) on Thursday, 23 November 2023) are taken to have warranted to Estia Health that:

- all their Estia Health Shares (including any rights and entitlements attaching to those shares) transferred to the Bidder under the Scheme will, at the time of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any security interests within the meaning of section 12 of the PPSA and interests of third parties of any kind, whether legal or otherwise, and restrictions of transfer of any kind; and

- they have full power and capacity to sell and transfer their Estia Health Shares (together with any rights attaching to those shares) to the Bidder under the Scheme; and
- they have no existing right to be issued any Estia Health Shares, options or rights exercisable into Estia Health Shares or any other Estia Health securities.

Estia Health Shareholders should ensure that these warranties can be given prior to, and remain correct as at, the Implementation Date.

(h) **Deed Poll**

The Bidder has executed a Deed Poll in favour of the Scheme Shareholders in which it covenants in favour of Scheme Shareholders to perform the actions attributed to it under the Scheme and to provide the Scheme Consideration in accordance with the Scheme. A copy of the Deed Poll is set out in Appendix 2 to this Scheme Booklet.

9.3 Conditions to the Scheme

Implementation of the Scheme is subject to the Conditions outlined in Section 2.5. The Scheme will not proceed unless all of the Conditions to the Scheme are satisfied or waived (as applicable) in accordance with the Scheme Implementation Agreement.

9.4 Termination rights

Estia Health and the Bidder are entitled to terminate the Scheme Implementation Agreement in certain circumstances, as summarised below (and set out in full in clause 13 of the Scheme Implementation Agreement):

(a) **Mutual termination rights**

The Bidder or Estia Health may, by notice in writing to the other, terminate the Scheme Implementation Agreement at any time prior to the Second Court Date:

- if the other party is in material breach of any of its obligations under the Scheme Implementation Agreement (other than the breaching of a party's respective representations and warranties), and the relevant breach is material in the context of the Scheme taken as a whole, and the other party has failed to remedy that breach within five Business Days (or two hours before the commencement of the hearing on the Second Court Date if earlier) of receipt by it of a notice in writing from the terminating party setting out details of the relevant circumstance and requesting the other party to remedy the breach;
- if a Condition Precedent is not satisfied or waived before the End Date and the parties are unable to agree in accordance with the Scheme Implementation Agreement to amend the Proposed Transaction or extend the End Date;
- if the Court refuses to make any order directing Estia Health to convene the Scheme Meeting, provided that both Estia Health and the Bidder have met and consulted in good faith and agreed that they do not wish to proceed with the Scheme; or
- if the Scheme does not become Effective on or before the End Date.

(b) **Bidder termination rights**

The Bidder may, by notice in writing to Estia Health, terminate the Scheme Implementation Agreement at any time prior to two hours before the commencement of the hearing on the Second Court Date:

- if any Estia Health Director:
  - fails to recommend the Scheme;
  - withdraws or adversely revises or adversely modifies his or her recommendation of the Scheme (unless a court, ASIC or the Takeovers Panel requests that an Estia Health Director change, withdraw, qualify or modify, or abstain from making, his or her recommendation of the Scheme); or
  - makes a public statement where he or she adversely revises or adversely modifies his or her or recommendation of the Scheme or supports a Competing Proposal; or
- if there is a material breach of a representation or warranty by Estia Health that is not remedied within 10 Business Days (or two hours

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before the commencement of the hearing on the Second Court Date if earlier) of receipt by it of a notice in writing from the Bidder setting out details of the relevant circumstance and requesting Estia Health to remedy the breach.

(c) **Estia Health termination rights**

Estia Health may, by notice in writing to the Bidder, terminate the Scheme Implementation Agreement at any time prior to two hours before the commencement of the hearing on the Second Court Date:

- if there is a material breach of a representation or warranty by the Bidder that is not remedied within 10 Business Days (or two hours before the commencement of the hearing on the Second Court Date if earlier) of receipt by it of a notice in writing from Estia Health setting out details of the relevant circumstance and requesting the Bidder to remedy the breach; or
- if at any time before then each of that number of Estia Health Directors (as constitutes a majority of the Estia Health Board) publicly recommend a Superior Proposal where expressly permitted to do so under the Scheme Implementation Agreement.

(d) **Automatic termination**

The Scheme Implementation Agreement will terminate automatically if the Scheme is not approved by the necessary majorities at the Scheme Meeting.

9.5 Status of Conditions and termination rights

As at the date of this Scheme Booklet, the Estia Health Directors are not aware of any circumstances which would cause any conditions not to be satisfied or any termination right to be enlivened.

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10 Implementation

10.1 Introduction

If:

- the Scheme Resolution is passed by Estia Health Shareholders at the Scheme Meeting; and
- all other Scheme Conditions for the Scheme as described in Section 2.5(a) (other than Court approval of the Scheme) have been satisfied or waived (as applicable),

the further general steps required to implement the Scheme are as described in the remainder of this Section 10.

The description of these general steps is based on the obligations that Estia Health and the Bidder have under the Scheme Implementation Agreement (in relation to the Scheme).

The Bidder has executed a Deed Poll in favour of the Estia Health Shareholders in which it covenants in favour of Estia Health Shareholders to perform the actions attributed to it under the Scheme and to provide the Scheme Consideration in accordance with the Scheme. A copy of the Deed Poll is set out in Appendix 2 to this Scheme Booklet.

10.2 Apply to Court for approval of the Scheme

At the Second Court Hearing, Estia Health will apply to the Court for orders approving the Scheme. It is proposed that the Second Court Date will be at 4.15pm (Australian Eastern time) on Friday, 17 November 2023. Any change to this date will be announced through the ASX and will be available on the ASX website, www.asx.com.au.

The Court has a wide, overriding discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act. If the Scheme is approved by the requisite majorities of Estia Health Shareholders at the Scheme Meeting, but is not subsequently approved by the Court, the Scheme will not proceed to be implemented.

10.3 Opposing the Scheme

The Second Court Date to approve the Scheme is currently scheduled to be Friday, 17 November 2023.

The hearing will be at 4.15pm (Australian Eastern time) in the Supreme Court of New South Wales. Further details on how to attend the Second Court Hearing will be released on the ASX if the Scheme are approved by Estia Health Shareholders at the Scheme Meeting.

If you wish to oppose approval of the Scheme by the Court at the Second Court Hearing you must file with the Court, and serve on Estia Health, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Estia Health at its address for service at least one day before the Second Court Date.

The address for service is: c/o MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000, Attention: Anthony Sommer Tel: (02) 9921 4182. The notice of appearance and affidavit must also be sent by email to anthony.sommer@minterellison.com.

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10.4 Receipt of Court orders

If the Court approves the Scheme:

- Estia Health will make an announcement to the ASX notifying the market of receipt of Court approval, with that announcement proposed to be made on the day on which the Court approves the Scheme;
- that announcement will specify the Scheme Record Date; and
- as soon as possible and in any event by 5.00pm on the first Business Day after the day on which the Court approves the Scheme, Estia Health will lodge an office copy of the Court's orders with ASIC under section 411(10) of the Corporations Act. On that date (currently proposed to be Monday, 20 November 2023, the Scheme will become Effective.

If the Scheme becomes Effective, Estia Health will become bound to implement the Scheme in accordance with the terms of the Scheme Implementation Agreement, the Scheme and the Deed Poll. Only those persons who are registered as the holders of Estia Health Shares on the Scheme Record Date will be Scheme Shareholders, being the only persons who will be bound by, and have the benefit, of the Scheme.

If the Scheme does not become Effective before the End Date, the Scheme will lapse.

10.5 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders under the Scheme, dealings in Estia Health Shares or other alterations to the Share Register will only be recognised if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Estia Health Shares on or before the Scheme Record Date; and
- in all other cases, registrable transmission applications or transfers are received on or before the Scheme Record Date occurs at the place where the Share Register is kept.

Estia Health will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Estia Health Shares received after the Scheme Record Date occurs (or if received prior to that time but not in registrable or actionable form, as appropriate), other than to the Bidder and any subsequent transfer by its successors in title under the Scheme.

Under the terms of the Scheme, from the Scheme Record Date until registration of the Bidder as the holder of the Estia Health Shares:

- Estia Health Shareholders may not dispose of, or otherwise deal with, any Scheme Shares or any interest in them after the Scheme Record Date; and
- any disposals or dealings in Scheme Shares after the Scheme Record Date will not be recognised by the Share Registry.

For the purposes of determining entitlements to the Scheme Consideration under the Scheme, Estia Health must maintain the Share Register in accordance with the provisions set out above until the Scheme Consideration has been delivered to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.

All statements of holding for Scheme Shares will cease to have effect from the Scheme Record Date as documents of title in respect of those shares. As from the Scheme Record Date, each entry current at that date on the Share Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Shares relating to that entry.

As soon as practicable after the Scheme Record Date and in any event within one Business Day after the Scheme Record Date, Estia Health will ensure that details of the names, Registered Addresses and holdings of Estia Health Shares for each Scheme Shareholder are available to the Bidder in the form they reasonably require.

10.6 Implementation of the Scheme

(a) **Suspension of trading of Estia Health Shares**

It is expected that suspension of trading on the ASX in Estia Health Shares will occur from close of trading on the Effective Date. On the current timetable, the Effective Date is proposed to be Monday, 20 November 2023.

(b) **Scheme Record Date**

Estia Health Shareholders will be entitled to receive the Scheme Consideration if they are registered as the holders of Estia Health Shares on the Scheme Record Date. The Scheme Record Date

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for the Scheme is currently proposed to be 7.00pm (Australian Eastern time) on Thursday, 23 November 2023. In this Scheme Booklet, Estia Health Shareholders, and the Estia Health Shares that they hold, on the Scheme Record Date (if the Scheme becomes Effective) are referred to as 'Scheme Shareholders' and 'Scheme Shares', respectively.

(c) Transfer and registration of Scheme Shares

Under the Scheme, each Scheme Shareholder, without the need for any further act, irrevocably appoints Estia Health and each of its directors, officers and secretaries, jointly and severally, as that Scheme Shareholder's attorney and agent for the purpose of executing any document necessary to give effect to the Scheme, including (without limitation) a master transfer of all or part of the Scheme Shares.

On the Implementation Date, the Scheme Shares held by the Scheme Shareholders, together with all rights and entitlements attaching to those securities as at the Implementation Date, will be transferred to the Bidder without the need for any further act by any Scheme Shareholder, by Estia Health executing and delivering a valid transfer or transfers of the Scheme Shares to the Bidder under the Corporations Act.

(d) Provision of Scheme Consideration

On the Implementation Date, Estia Health will, subject to the Bidder transferring the Scheme Consideration into the Trust Account, either:

- send (or procure the Share Registry to send) the Scheme Consideration due to each Scheme Shareholder to their Registered Address by cheque in Australian currency drawn out of the Trust Account; or
- deposit (or procure the Share Registry to deposit) the Scheme Consideration due to each Scheme Shareholder by electronic fund transfer to a bank account nominated by the Scheme Shareholder notified to Estia Health (or the Share Registry) by an appropriate authority from the Scheme Shareholders.

If a Scheme Shareholder has not nominated an Australian dollar bank account, payment will be made by an Australian dollar cheque sent by post to the Scheme Shareholder's registered address as shown on the Register unless: (i) the Scheme Shareholder's registered address is in New Zealand or (ii) Estia Health believes that you are not known at your registered address, which will result in your Scheme Consideration being retained in the Trust Account, to be held until the Scheme Shareholder nominates an Australian dollar bank account into which a payment may be made, subject to relevant laws dealing with unclaimed money.

In the case of Scheme Shares, any Scheme Consideration payable in respect of those Scheme Shares is payable to the joint holders and any cheque required to be sent under the Scheme will be made payable to the joint holders and sent, at the sole discretion of Estia Health, to either the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

Where the calculation of the Scheme Consideration would result in a Scheme Shareholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

(e) Delisting of Estia Health

At a time determined by the Bidder following the implementation of the Scheme, the Bidder will cause Estia Health to apply for the termination of the official quotation of Estia Health Shares on the ASX and to have itself removed from the official list of the ASX. It is expected that this will occur shortly after the Implementation Date.

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11 Additional information

11.1 Introduction

This Section 11 sets out the statutory information required by section 412(1)(a) of the Corporations Act and Part 3 of Schedule 8 to the Corporations Regulations to be included in this Scheme Booklet, but only to the extent that this information is not otherwise disclosed in other Sections. This Section also includes additional information that the Estia Health Directors consider material to a decision on how to vote on the resolution for the Scheme to be considered at the Scheme Meeting.

In this Section, the terms 'associate', 'marketable securities', 'related body corporate' and 'subsidiary' have the meanings given to them in the Corporations Act. The term 'executive officer' is used to mean 'senior manager' as defined in the Corporations Act, including the company secretary.

11.2 Estia Health Directors' interests and dealings in Estia Health Shares

The table below sets out the Estia Health Shares held by or on behalf of the Estia Health Directors as at Last Practicable Date.

Name	Position	Estia Health Shares held by or on behalf of the Estia Health Director	Percentage shareholding (total Estia Health Shares 259,858,039)
Dr. Gary Weiss, AM	Non-Executive Chairman	103,312 Estia Health Shares	0.04%
Mr Sean Bilton	Chief Executive Officer and Managing Director	527,452 Estia Health Shares plus 590,594 Estia Health Performance Rights that will convert into an additional 590,594 Estia Health Shares shortly before the Scheme Record Date	0.20% 0.43% including the Estia Health Performance Rights on an 'as-converted' basis
Ms Norah Barlow, ONZM	Non-Executive Director	129,474 Estia Health Shares	0.05%

Name	Position	Estia Health Shares held by or on behalf of the Estia Health Director	Percentage shareholding (total Estia Health Shares 259,858,039)
Ms Karen Penrose	Non-Executive Director	44,071 Estia Health Shares	0.02%
Mr Paul Foster	Non-Executive Director	24,000 Estia Health Shares	0.01%
Ms Helen Kurincic	Non-Executive Director	50,000 Estia Health Shares	0.02%
Professor Simon Willcock, AM	Non-Executive Director	Nil	Nil

11.3 Estia Health Directors' interest and dealings in the Bidder

No shares of the Bidder are currently held by or on behalf of any Estia Health Director.

11.4 Estia Health Directors' interests in any contracts with the Bidder

No Estia Director has any interest in any contract with the Bidder.

11.5 Retirement benefits

No payment or other benefit is proposed to be made or given in connection with the Scheme to any Estia Health Director or employee of Estia Health as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office in Estia Health or in any Related Body Corporate of Estia Health.

11.6 Estia Health Directors' intentions regarding the business, assets and employees of Estia Health

If the Scheme is approved and implemented, the existing Board will be reconstituted.

Accordingly, it is not possible for the Estia Health Directors to provide a statement of the intentions of the directors of the reconstituted Board regarding:

- the continuation of the business of Estia Health or how the Estia Health's existing business will be conducted after the Scheme is implemented;
- any major changes to be made to the Estia Health business; or
- the future employment of the present employees of Estia Health,

in each case, after the Scheme is implemented.

If the Scheme is approved and implemented, the Bidder will ultimately control Estia Health. For more information regarding the Bidder's intentions if the Scheme is implemented, please see Section 6.5.

11.7 Estia Health Directors' interests in agreements connected with or conditional on the Scheme

No Estia Health Director or any of their associates has entered into, or otherwise has any interest in, any contract that is conditional on the Scheme.

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11.8 Summary of Scheme Implementation Agreement

Overview	On Monday, 7 August 2023, Estia Health announced that it had entered into the Scheme Implementation Agreement with the Bidder. The Scheme Implementation Agreement provides a contractual framework for proposing and implementing the Scheme. A summary of the key elements of the Scheme Implementation Agreement is set out below. This summary does not cover procedural obligations of the parties with respect to the Scheme.
Conditions	The Scheme Implementation Agreement contains Conditions for the implementation of the Scheme. The Conditions are summarised in Section 2.5(a) and are set out in full in clause 3.1 of the Scheme Implementation Agreement.
Exclusivity	The Scheme Implementation Agreement contains certain exclusivity arrangements in favour of the Bidder. These arrangements are consistent with Australian market practice. They are summarised in Section 2.5(d) and are set out in full in clause 17 of the Scheme Implementation Agreement.
Break fees	Under the Scheme Implementation Agreement, the parties have agreed to reciprocal break fee arrangements. These arrangements are consistent with Australian market practice. They are summarised in Section 2.5(e) and are set out in full in clauses 15 and 16 of the Scheme Implementation Agreement.
Representations and warranties	Under the Scheme Implementation Agreement, each of Estia Health and the Bidder has given representations and warranties to the other party which are customary for an agreement of this kind. These representations and warranties are set out in clause 10.1 of the Scheme Implementation Agreement (in the case of the Bidder) and in clause 10.4 of the Scheme Implementation Agreement (in the case of Estia Health).
Termination rights	The right of each of Estia Health and the Bidder to terminate the Scheme Implementation Agreement is summarised in Section 9.4 and is set out in full in clause 13 of the Scheme Implementation Agreement.
Other	The Scheme Implementation Agreement contains a number of procedural related obligations and other market standard provisions including conduct of business restrictions that apply to Estia Health between the date of signing and the Implementation Date (or the date the Scheme Implementation Agreement is validly terminated), access and information rights for the Bidder during this period, a process for Estia Health and the Bidder engaging with counterparties to contracts entered into by Estia Health, mutual releases and director and officer insurance arrangements.

A copy of the Scheme Implementation Agreement (redacted to exclude certain personal information) is available from the announcements page on the ASX website using the code 'EHE'.

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11.9 Potential effect of the Scheme on Estia Health's material contracts

If the Scheme is implemented, a change of control of Estia Health will occur. It is possible that material contracts to which Estia Health is a party may be subject to pre-emptive rights, review or termination on a change of control due to the implementation of the Scheme.

As at the Last Practicable Date, Estia Health is not aware of any counterparty that may wish to review or terminate a material contract or that has indicated an intention to do so if the Scheme is implemented. If any such contracts are terminated following the Implementation of the Scheme, Estia Health would lose the benefit of the contract and may be unable to obtain similar terms on entry into replacement contracts (if such replacement contracts are available).

11.10 Disclosure of fees and other benefits

No person has paid or agreed to pay any amount, or provided or agreed to provide any benefit to a director or proposed director of Estia Health:

- to induce them to become or to qualify as a director of Estia Health; or
- for services provided by that person in connection with the formation or promotion of Estia Health.

Each of the persons named in this Section 11.10 as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet will be entitled to receive professional fees charged in accordance with their normal basis of charging.

If the Scheme is implemented, Estia Health expects to pay an aggregate of approximately $14.7 million (excluding GST) in transaction costs. These consist of fees and expenses for professional services paid or payable to:

- MinterEllison for acting as legal adviser to Estia Health;
- UBS Securities Australia Limited (**UBS**) for acting as financial adviser to Estia Health;
- EY for acting as tax adviser to Estia Health;
- Kroll Australia Pty Ltd for acting as the Independent Expert; and
- other adviser fees and transactional costs including general administrative fees, Scheme Booklet printing and distribution costs, expenses associated with convening and holding the Scheme Meetings, and Share Registry and other expenses.

None of these transaction costs include amounts to be paid to any Estia Health Director, officer or employee of Estia Health.

If the Scheme is not implemented, Estia Health expects to pay an aggregate of approximately $2.2 million (excluding GST) in transaction costs, being costs that have already been incurred as at the date of this Scheme Booklet or will be incurred even if the Scheme is not implemented.

11.11 Regulatory relief

Estia Health has determined that no technical relief from ASIC or ASX Listing Rule waivers are required in connection with the Proposed Transaction.

11.12 Consents and disclaimers

The following parties have given and have not, before the time of registration of this Scheme Booklet by ASIC, withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- MinterEllison as legal adviser to Estia Health;
- UBS as financial adviser to Estia Health;
- EY as tax adviser to Estia Health;
- Kroll Australia Pty Ltd as the Independent Expert; and
- Link Market Services Limited as the Share Registry.

The Bidder has given, and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its consent, to the inclusion of the Bidder Information in this Scheme Booklet.

The Independent Expert has given, and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its consent, to the inclusion of statements attributed to it in this Scheme Booklet in the form and context in which they are included and to the inclusion of the Independent Expert's Report set out in Appendix 1 to this Scheme Booklet.

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Each of the above persons:

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than a statement or report included in this Scheme Booklet with the consent of that party;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than as described in this Scheme Booklet with the consent of that party; and
- except for the Bidder, does not assume any responsibility for the accuracy, relevance or completeness of the Bidder Information. The Bidder Information has been prepared by, and is the sole responsibility of, the Bidder.

11.13 Independent advice

Estia Health Shareholders should consult their financial, legal or other professional adviser if they have any queries regarding:

- the Scheme;
- the taxation implications for them if the Scheme is implemented;
- Estia Health's Directors' recommendations and intentions in relation to the Scheme, as set out in Section 2.2; or
- any other aspects of this Scheme Booklet.

11.14 No unacceptable circumstances

The Board believes that the Scheme does not involve any circumstances in relation to the affairs of Estia Health that could reasonably be characterised as constituting unacceptable circumstances for the purposes of section 657A of the Corporations Act.

11.15 Other material information

Except as set out in this Scheme Booklet, including the Independent Expert's Report and the information contained in the Appendices to this Scheme Booklet, in the opinion of the Board, there is no other information material to the making of a voting decision in relation to the Scheme being information that is within the knowledge of any Estia Health Director or of any related company of Estia Health, which has not been previously disclosed to Estia Health Shareholders.

Estia Health will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- a material statement in this Scheme Booklet that is false or misleading in a material respect;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter that has arisen and that would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Estia Health may circulate and publish any supplementary document by any one or more of the following methods:

- making an announcement to the ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to Estia Health Shareholders at their registered address as shown in the Share Register; and/or
- posting a statement on Estia Health's corporate website,

as Estia Health in its absolute discretion considers appropriate, subject to any approval that may be required from the Court. In particular, where the matter is not materially adverse to Estia Health Shareholders such circulation and publication may be only by an announcement to the ASX.

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12 Glossary

The following terms used in this Scheme Booklet have the meanings given to them below, unless the context otherwise requires.

Note: a number of terms defined in this Section have the meaning given to them in the Scheme Implementation Agreement which may be accessed electronically at https://investors.estiahealth.com.au/investor-centre/ or received in hard copy free of charge on request made any time before the Scheme Meeting by calling the Shareholder Information Line on 1300 038 212 within Australia or +61 2 9066 4052 if outside Australia Monday to Friday between 8.30am and 5.30pm (Australian Eastern time).

$	Australian dollar
ACQSC	the Aged Care Quality and Safety Commission formed under the ACQSC Act
ACQSC Act	the *Aged Care Quality and Safety Commission Act 2018* (Cth)
Adviser	in relation to an entity: (a) a financier to the entity in connection with the Proposed Transaction; or (b) a financial, corporate, legal, accounting, technical or other expert adviser or consultant, who provides advisory or consultancy services in a professional capacity in the ordinary course of its business and has been engaged in that capacity in connection with the Proposed Transaction by the entity
Aged Care Act	the *Aged Care Act 1997* (Cth)
Allocated Place	a place allocated under Part 2.2 of the Aged Care Act
Appendix	an Appendix to this Scheme Booklet
Approved Provider	an approved provider of aged care under section 63D of the ACQSC Act
Arrangers	each of Australian and New Zealand Banking Group Limited, Macquarie Bank Limited and Westpac Banking Corporation
ASIC	the Australian Securities and Investments Commission

Associate	has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this Scheme Booklet and Estia Health was the designated body
ASX	ASX Limited (ABN 98 008 624 691) or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it
ASX Listing Rules	the official listing rules of ASX from time to time as modified by any express written waiver or exemption given by ASX
ATO	the Australian Taxation Office
Authorised Person	has the meaning given to that term in clause 1.1 of the Scheme Implementation Agreement
BCPE	Bain Capital Private Equity, LP
Bain Capital Fund Entities	any fund, limited partnership, special purpose vehicle or other collective or pooled investment vehicle or other person which is managed or advised by Bain Capital or any of its Related Bodies Corporate
Bain Entities	the Bidder Group, Bain Capital and each of the Bain Capital Fund Entities
Bain Parties	has the meaning given to that term in clause 21.12 of the Scheme Implementation Agreement
Business	the business carried on by the Estia Health Group as at the date of this Scheme Booklet
Business Day	a day that is not a Saturday, Sunday or a public holiday or bank holiday in New South Wales, Australia
Bidder	Firebird BidCo Pty Ltd ACN 669 884 824
Bidder Break Fee	has the meaning given to that term in clause 16.1(a) of the Scheme Implementation Agreement
Bidder Group	the Bidder and each of its Related Bodies Corporate (excluding, at any time, Estia Health and its Subsidiaries to the extent that Estia Health and its Subsidiaries are Subsidiaries of the Bidder at that time). A reference to a member of the **Bidder Group** or a **Bidder Group Member** is a reference to the Bidder or any of its Subsidiaries and, for the avoidance of doubt, excludes any Bain Capital Fund Entities, any portfolio company or investment of the Bain Capital Fund Entities (as such term is commonly understood in the private equity industry) or any equity holders or investors of BCPE or any Bain Capital Fund Entities

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Bidder Information	such information regarding the Bidder or the Bidder Group that is provided by or on behalf of the Bidder or any of its Advisers, to Estia Health or the Independent Expert for inclusion in this Scheme Booklet and, for the avoidance of doubt includes: (a) Section 3 at the following "Frequently Asked Questions": (i) "Part B – the Bidder"; and (b) Section 6 being the profile of the Bidder, but does not include the Estia Health Information and the Independent Expert's Report
Bidder Parties	each member of the Bidder Group and their respective Related Bodies Corporate and Authorised Persons
Board	the board of directors for the time being of Estia Health
CGT	Capital Gains Tax
CHESS	the Clearing House Electronic Subregister System, the system established and operated by ASX Settlement Pty Ltd ABN 49 008 504 532
Competing Proposal	any actual, potential or proposed offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement) under which, if ultimately completed substantially in accordance with its terms: (a) a person or two or more persons who are Associates (other than the Bidder, the Bain Entities or an Associate of the Bidder or the Bain Entities) would directly or indirectly: (i) acquire (whether directly or indirectly) or become the holder of a legal, beneficial and/or economic interest in, all or a substantial part of the business or assets of the Estia Health Group taken as a whole; (ii) acquire a Relevant Interest in, or otherwise acquire or have a right to acquire a legal, beneficial and/or economic interest in, 20% or more of the shares or other securities of Estia Health or any other member of the Estia Health Group; or (iii) acquire control of Estia Health or any other member of the Estia Health Group within the meaning of section 50AA of the Corporations Act or otherwise acquire or merge with any member of the Estia Health Group; or (b) which would cause Estia Health or its Related Body Corporates not to proceed with the Proposed Transaction or as a result of which the Proposed Transaction otherwise would not proceed, whether by way of takeover bid, scheme of arrangement, shareholder approved transaction, capital reduction or buy-back, sale or purchase of shares or assets, joint venture, dual-listed company structure (or other synthetic merger), or other transaction or arrangement

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Conditions or **Conditions Precedent**	the conditions set out in clause 3.1 of the Scheme Implementation Agreement in respect of the Scheme, and **Condition** or **Condition Precedent** means any one of them
Corporations Act	the *Corporations Act 2001* (Cth)
Corporations Regulations	the *Corporations Regulations 2001* (Cth)
Court	the Supreme Court of New South Wales
Deed Poll	the deed poll executed by the Bidder on 8 October 2023 in relation to the Scheme in which the Bidder covenants in favour of the Scheme Shareholders to perform the actions attributed to it in accordance with the Scheme. A copy of the executed deed poll is reproduced in Appendix 2 to this Scheme Booklet
Delivery Time	in relation to the Second Court Date, 2 hours before the commencement of the hearing or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the Court to approve the Scheme in accordance with section 411(4)(b) of the Corporations Act
Effective	when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme
Effective Date	the date on which the Scheme becomes Effective. The Effective Date is currently expected to be Monday, 20 November 2023
End Date	29 February 2024; or such other date and time agreed in writing between Estia Health and the Bidder
Entry Contributions	an Accommodation Bond, a Refundable Accommodation Contribution or a Refundable Accommodation Deposit (as each of those terms is defined in the Aged Care Act) provided to a member of the Estia Health Group by or on behalf of a resident in relation to a RACF
Estia Health	Estia Health Limited ACN 160 986 201
Estia Health Directors	the directors of Estia Health for the time being
Estia Health Group	Estia Health and each the Related Bodies Corporate of Estia Health. A reference to a member of the **Estia Health Consolidated Group** or an **Estia Health Consolidated Group Member** is a reference to Estia Health or any such Related Bodies Corporate
Estia Health Information	all information in this Scheme Booklet other than: (a) the Bidder Information; and (b) the information contained in the Independent Expert's Report
Estia Health Performance Rights or **Performance Rights**	a right granted under the Performance Rights Plan to acquire a Share subject to the terms of such plan

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Estia Health Prescribed Occurrence	has the meaning given to the term Target Prescribed Occurrences in clause 1.1 of the Scheme Implementation Agreement
Estia Health Register or **Share Register**	the register of members of Estia Health maintained by or on behalf of Estia Health in accordance with the Corporations Act
Estia Health Share	a fully paid ordinary share issued in the capital of Estia Health
Estia Health Shareholder	a person who is registered in the Estia Health Register as a holder of one or more Estia Health Shares
Exclusivity Period	the period commencing on 6 August 2023 and ending on the earliest of the: (a) End Date; (b) Effective Date of the Scheme; and (c) date the Scheme Implementation Agreement is terminated in accordance with its terms
Firebird HoldCo	Firebird HoldCo Pty Ltd ACN 669 884 753
Firebird MidCo	Firebird MidCo Pty Ltd ACN 669 884 557
Firebird TopCo	Firebird Topco Pty Ltd ACN 669 884 244
First Court Date	the Court hearing on Wednesday, 11 October 2023, at which the Court made orders under section 411(1) of the Corporations Act convening the Scheme Meeting
Fund V	Bain Capital Asia Fund V, LP
Fund V GP	Bain Capital Asia V General Partner, LLC
Fund V Manager	Bain Capital Investors, LLC
Governmental Agency	has the meaning given to that term in clause 1.1 of the Scheme Implementation Agreement
GST	Goods and Services Tax
Headcount Test	the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of Estia Health Shareholders present and voting, either in person or by proxy
Implementation Date	the later of: (a) the fifth Business Day following the Scheme Record Date; and (b) such other Business Day as the relevant parties agree in writing
Independent Expert	Kroll Australia Pty Ltd
Independent Expert's Report	the report from the Independent Expert (a full copy of which is set out in Appendix 1 to this Scheme Booklet), and any update to such report that the Independent Expert issues

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Initial Scheme Consideration	$3.20 per Estia Health Share as contemplated in the Scheme Implementation Agreement
Insolvency Event	has the meaning given to that term in clause 1.1 of the Scheme Implementation Agreement
ITAA 1997	*Income Tax Assessment Act 1997* (Cth)
Last Practicable Date	Friday, 6 October 2023, being the last practicable day before finalising the information to which this definition relates
Lenders	the Arrangers and each of the other lenders under the Syndicated Facilities Agreement
Link Market Services	Link Market Services Limited of Level 12, 680 George Street, Sydney NSW 2000
Material Adverse Change	has the meaning given to that term in clause 1.1 of the Scheme Implementation Agreement
Performance Rights Plan	Estia Health's Equity Incentive Plan adopted by the Board on 6 October 2020
PPSA	the *Personal Property Securities Act 2009* (Cth)
Proposed Transaction	the proposed acquisition by the Bidder of all of the Estia Health Shares through implementation of the Scheme, together with all associated transactions and steps contemplated by the Scheme Implementation Agreement
Proxy Cut-Off Date	the last day on which proxies must be lodged for the Scheme Meeting being (9.00am (Australian Eastern time) on Monday, 13 November 2023)
Proxy Form	the Proxy Form for the Scheme Meeting accompanying this Scheme Booklet or, as the context requires, any replacement or substitute Proxy Form provided by or on behalf of Estia Health
RACF	a residential aged care home operated by the Estia Health Group
RAD	a refundable accommodation deposit, within the meaning of the Aged Care Act
Registered Address	in relation to an Estia Health Shareholder, the address shown in the Estia Health Register as at the Record Date
Related Body Corporate	of a person means a related body corporate of that person under section 50 of the Corporations Act and includes any body corporate that would be a related body corporate if section 48(2) of the Corporations Act was omitted
Relevant Interest	has the meaning given in the Corporations Act
RG 60	Regulatory Guide 60 issued by ASIC
RG 76	Regulatory Guide 76 issued by ASIC

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Sanction	any sanction imposed by the ACQSC that has been issued under section 63N of the ACQSC Act or imposed by any other Governmental Agency, on a member of the Estia Health Group
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between Estia Health and Scheme Shareholders substantially in the form set out in Appendix 3, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by Estia Health and the Bidder
Scheme Booklet	this Scheme Booklet dated 11 October 2023 in relation to the Scheme
Scheme Consideration	in respect of each Scheme Share held by a Scheme Shareholder, $3.08 cash
Scheme Implementation Agreement	the agreement dated 6 August 2023 between Estia Health and the Bidder and released to ASX on 7 August 2023, available at: https://investors.estiahealth.com.au/investor-centre/
Scheme Meeting	the meeting of Estia Health Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting. The notice convening the Scheme Meeting is contained in Appendix 4 to this Scheme Booklet
Scheme Record Date	means 7.00pm on the fifth Business Day (or such other Business Day as Estia Health and the Bidder agree in writing) following the Effective Date. The Scheme Record Date is currently expected to be Thursday, 23 November 2023
Scheme Resolution	the resolution to be considered and (if thought fit) approved by Estia Health Shareholders at the Scheme Meeting
Scheme Share	a Share held on the Scheme Record Date
Scheme Shareholder	a person who holds one or more Scheme Shares
Second Court Date	the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, the date on which the adjourned application is heard or scheduled to be heard. This day is currently proposed to be on Friday, 17 November 2023
Section	a section of this Scheme Booklet
September 2023 Dividend	the final fully franked ordinary dividend of $0.12 per Estia Health Share paid by Estia Health on 15 September 2023 to those Estia Health Shareholders on the Register on 28 August 2023
Share Registry	Link Market Services Limited or any replacement provider of share registry services to Estia Health
Share Splitting	the splitting by a holder of Estia Health Shares into two or more parcels of Estia Health Shares whether or not it results in any change in beneficial ownership of the Estia Health Shares

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Subsidiary	has the meaning given to that term in section 46 of the Corporations Act
Superior Proposal	has the meaning given to that term in clause 1.1 of the Scheme Implementation Agreement
Target Break Fee	has the meaning given to the term in clause 15.1(a) of the Scheme Implementation Agreement
Trust Account	the Australian dollar denominated trust accounts operated by Estia Health as trustee for the benefit of the Scheme Shareholders (in respect of the Scheme Consideration)
Voting Entitlement Time	the date for determining voting eligibility at the Meeting, being (7.00pm (Australian Eastern time) on Monday, 13 November 2023)
Voting Power	has the meaning given in section 610 of the Corporations Act
VWAP	in respect of a specified period means the volume weighted average market price (as defined in the ASX Listing Rules) of Estia Health Shares over that period

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Appendix 1 Independent Expert's Report

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Kroll Australia Pty Ltd
Level 32, 85 Castlereagh St
Sydney NSW 2000
www.kroll.com

Ph: (02) 8286 7200
PO Box: Q113, Queen Victoria Building 1230
ABN: 73 116 738 535

The Directors
Estia Health Limited
Level 9
227 Elizabeth Street
Sydney NSW 2000

9 October 2023

Dear Directors

Part One – Independent Expert's Report

1 Introduction

On 7 August 2023, Estia Health Limited (**Estia Health**) announced that it had entered into a scheme implementation agreement (**SIA**) with Firebird BidCo Pty Ltd (**Bidder**), under which it is proposed that the Bidder would acquire 100% of the issued share capital of Estia Health (**Estia Health Shares**) by way of a scheme of arrangement (**Scheme**) (**Proposed Transaction**). The Bidder is a wholly-owned subsidiary of Firebird HoldCo Pty Ltd, which itself is indirectly wholly-owned by Bain Capital Asia Fund V, LP, a Cayman Islands limited partnership, which is managed by Bain Capital Investors, LLC, an entity advised by US-based private equity firm, Bain Capital Private Equity, LP (**BCPE**).

Under the Scheme, registered holders of Estia Health Shares (**Estia Health Shareholders**) who hold Estia Health Shares on the record date for the Scheme (**Scheme Record Date**)[1] (**Scheme Shareholders**) will receive cash consideration of $3.20 for each Estia Health Share held less the amount of the final fully franked ordinary dividend of $0.12 per Estia Health Share, paid by Estia Health on 15 September 2023 (**September 2023 Dividend**) (**Scheme Consideration**).

The Scheme is subject to a number of conditions as set out in Section 5.2 of this report. The status of these conditions precedent as at the date of this report is set out in Section 2.5 of the Scheme Booklet.

Estia Health is one of Australia's largest residential aged care operators, caring for over 8,000 residents each year across 73 homes in New South Wales, Queensland, South Australia and Victoria. Estia Health owns and operates a portfolio of high quality, modern residential aged care facilities, primarily located in major metropolitan markets that provides accommodation and care for around 3% of Australia's residential aged care market.[2] As at 21 March 2023, the last undisturbed trading day prior to market speculation around the existence of a possible change of control proposal, Estia Health had a market capitalisation on the Australian Stock Exchange (**ASX**) of $552.9 million.[3]

BCPE is part of Bain Capital, one of the world's leading private investment firms. Bain Capital invests in private equity, credit, special situations, real estate, venture capital, life sciences, insurance and public equities. Across its asset classes, Bain Capital has significant experience investing in residential aged care and other regulated, care-based industries in Australia and globally.

[1] 7.00pm (Australian Eastern time) on the fifth Business Day (or such other Business Day as Estia Health and the Bidder agree in writing) following the Effective Date. The Scheme Record Date is Thursday, 23 November 2023.
[2] IBISWorld Industry Report Q8601, 'Aged Care Residential Services in Australia', April 2023.
[3] Calculated as the closing share price on 21 March 2023 of $2.14 multiplied by 258,361,034 shares outstanding.

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Bain Capital is headquartered in the United States and has offices in 24 countries globally. Bain Capital's Australian offices are in Sydney, New South Wales and Melbourne, Victoria. Further information on Bain Capital is available from its website at www.baincapital.com.

The Scheme is subject to approval by Estia Health Shareholders at a meeting (the **Scheme Meeting**) to be held at 9.00 am (Australian Eastern time) on Wednesday, 15 November 2023. For the Scheme to proceed, the Scheme Resolution must be approved by at least 75% of all votes cast at the Scheme Meeting by eligible Estia Health Shareholders and by more than 50% of all the eligible Estia Health Shareholders present and voting (in person or by proxy, attorney or, in the case of a corporation, its duly appointed corporate representative) at the Scheme Meeting.

In order to assist Estia Health Shareholders in assessing the Scheme, the directors of Estia Health (**Estia Health Directors**) have appointed Kroll Australia Pty Ltd (**Kroll**) to prepare an independent expert's report setting out whether, in our opinion, the Scheme is in the best interests of Estia Health Shareholders, in the absence of a superior proposal.

This report sets out Kroll's opinion as to whether the Scheme is in the best interests of Estia Health Shareholders and will be included in the Scheme Booklet (**Scheme Booklet**) to be sent to Estia Health Shareholders.

Further information regarding Kroll, as it pertains to the preparation of this report, is set out in Appendix 1.

Kroll's Financial Services Guide is contained in Part Two of this report.

2 Scope of report

The Proposed Transaction is to be implemented by way of a scheme of arrangement under Part 5.1 of the Corporations Act 2001 (Cth) (**Corporations Act**) and requires approval of Estia Health Shareholders. Section 412(1) of the Corporations Act requires, among other requirements, that an explanatory statement issued by a company in relation to a proposed members' scheme of arrangement includes information that is material to the making of a decision by a member as to whether or not to agree to the scheme resolution.

Even where an independent expert's report is not strictly required by the law or Australian Securities & Investments Commission (**ASIC**) policy, it is not uncommon for directors of a company to commission one to ensure that they are providing the information that is material to the making of a decision by a member. It is a condition precedent to the Scheme becoming Effective that an independent expert concludes, and continues to conclude, that the Scheme is in the best interests of Estia Health Shareholders.

In undertaking our work, we have referred to guidance provided by ASIC in its Regulatory Guides in particular, Regulatory Guide 111 'Content of expert reports' (**RG 111**) which outlines the principles and matters which it expects a person preparing an independent expert report to consider.

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 6 of this report.

3 Opinion

3.1 Background

Estia Health is a provider of residential aged care with homes across four Australian states in metropolitan and regional areas. Since Estia Health was listed on the ASX in 2014, the company has doubled the number of residential places and its workforce. Estia Health's portfolio of homes currently provides accommodation and care for around 3% of Australia's residential aged care market,[4] and continues to grow through the development of new homes and through acquisitions.

The aged care sector was significantly impacted by the COVID-19 pandemic. Aged care residents' health was disproportionately affected by the virus resulting in increased infection control and quarantine requirements to manage outbreaks in aged care homes. Aged care providers were impacted in multiple ways including reduced occupancy, labour shortages, increased costs as well as significantly greater compliance and reporting obligations.

Following several high-profile aged care incidents involving neglect of residents and non-compliance, the Australian Government announced the Royal Commission into Aged Care Quality and Safety in September

[4] IBISWorld Industry Report Q8601, 'Aged Care Residential Services in Australia', April 2023.

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2018. Whilst recommendations for sector reform were released in February 2021 it has taken a significant period for progress on these reforms with resulting uncertainty in the sector.

Since early 2023, key areas of regulatory reform have substantially progressed. Key outcomes include:

- mandated care minutes effective 1 October 2023;
- a funding model based on pricing recommendations from the Independent Health and Aged Care Pricing Authority (**IHACPA**) to ensure that providers are adequately funded to meet the increase in mandated care minutes;
- the introduction of a Star Ratings system in December 2022; and
- abolition of bed licensing to remove significant barriers which prevent new aged care providers from entering the market.

These reforms are accompanied by increased Government funding allocations, with a budget of $17.7 billion in funding for the residential aged care segment over the next five years (2021 to 2022 Federal budget).

The above factors have had a significant impact on Estia Health's financial and share price performance. Estia Health's EBITDA margins deteriorated in FY21 and FY22 as average annual occupancy levels for the portfolio of Mature Homes[5] fell from a high of 94.2% in FY18 to a low of 91.2% in FY21, and cost escalation, particularly labour costs, outstripped Government funding received. Estia Health's share price also underperformed the broader sharemarket since May 2021, impacted by the financial performance and as regulatory uncertainty continued to impact investor sentiment. The exit of two substantial shareholders in January and March of 2023 at prices of around $2.00 per Estia Health Share likely reflected the lingering uncertainty regarding the recoverability of the financial performance of Estia Health, regulatory uncertainty and broader sector issues such as an industry-wide oversupply of beds.

It was in this context that on 23 March 2023, Estia Health received an unsolicited approach from BCPE at $3.00 per Estia Health Share, less the amount of any dividend paid. Following a limited period of due diligence, on 7 June 2023, Estia Health subsequently received a revised non-binding and conditional proposal from BCPE at $3.20 cash per Estia Health share (adjusted for permitted dividends paid or payable after the date of the proposal) (**Second BCPE Proposal**). On the basis of this, Estia Health's Board of Directors agreed to provide BCPE the opportunity to conduct due diligence on an exclusive basis to enable it to provide a binding proposal. This period of exclusivity ended on 27 July 2023 and, on 7 August 2023, Estia Health announced that it had entered into the SIA with the Bidder

Estia Health subsequently announced improved financial performance, with an increase in Mature Homes EBITDA margin from 6.0% in FY22 to 15.7% in FY23, driven by continued recovery in occupancy rates to pre-pandemic levels and funding increases ahead of the minimum care minute requirements being mandated.

In evaluating the Scheme, we have considered the current operating environment including the continued uncertainties relating to the impact of regulatory reform and the industry-wide oversupply of beds. Our assessment of the Scheme considers the potential outcomes for Estia Health as to occupancy, labour costs and Government funding within this environment.

3.2 Summary of opinion

In our opinion, the Scheme is in the best interests of Estia Health Shareholders, in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the Scheme is:

- **fair**, by comparing the Scheme Consideration to our assessed value of an Estia Health Share on a controlling interest basis. This approach is in accordance with the guidance set out in RG 111; and
- **reasonable**, by assessing the implications of the Scheme for Estia Health Shareholders, the alternatives to the Scheme that are available to Estia Health, and the consequences for Estia Health Shareholders of not approving the Scheme Resolution.

[5] Mature Homes (which exclude homes from the date of closure) are homes that have been opened and owned by Estia Health for more than 12 months, or if open for less than 12 months, have greater than 85% occupancy at the commencement of the financial year.

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We have assessed the Scheme to be fair and reasonable. Consequently, consistent with RG 111, we have concluded that the Scheme is in the best interests of Estia Health Shareholders, in the absence of a superior proposal.

We have assessed the value of an Estia Health Share on a controlling interest basis to be in the range $2.83 to $3.21. As the Scheme Consideration of $3.08 falls within our assessed value range for an Estia Health Share, the Scheme is fair.

In forming our view as to the value of Estia Health, we have considered a range of factors including Estia Health's anticipated return to pre-pandemic occupancy levels across the four states and improvement in earnings margins as independent pricing authorities allow for greater funding of labour costs. Our valuation also recognises continuing challenges within the segment such as oversupply of residential aged care places and uncertainty regarding the implementation of regulatory reform including the transition to mandated care minutes. As required under ASIC's RG 111, we have considered the synergies available to a pool of potential acquirers. Our analysis of the fairness of the Scheme is detailed further in Section 3.3 of this report.

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Scheme to be fair, it is also reasonable. Regardless of this requirement, we have considered a range of other factors that are relevant to an assessment of the reasonableness of the Scheme, including:

- the Scheme Consideration represents a substantial premium to undisturbed trading prices of Estia Health Shares;
- the Scheme Consideration is in cash and provides certainty of the pre-tax amount that Estia Health Shareholders will receive;
- Estia Health Shareholders will not participate in any future increases in value of Estia Health, however, they will no longer be exposed to the risks facing the business;
- in the event that the Scheme is not approved or any other conditions precedent prevent the Scheme from being implemented, Estia Health will continue to operate in its current form and its share price is likely to fall to levels consistent with the undisturbed trading price of Estia Health Shares, subject to any future financial achievements in the subsequent period, industry developments and the impact of broader trends in equity markets; and
- no alternative bidder has emerged since media speculation regarding a control transaction arose in March 2023.

Other matters which Estia Health Shareholders should consider in assessing the Scheme include:

- Estia Health will incur transaction costs if the Scheme does not proceed;
- the outstanding conditions precedent which, if not satisfied, will result in the Scheme not being implemented; and
- the tax implications of the Scheme.

Our analysis of the reasonableness of the Scheme is detailed further in Section 3.4 of this report. The decision to approve the Scheme Resolution is a matter for individual Estia Health Shareholders based on their views as to value, expectations about future market conditions and their particular circumstances, including investment strategy and portfolio, risk profile and tax position. If in doubt, Estia Health Shareholders should consult their own professional adviser regarding the action they should take in relation to the Scheme.

3.3 The Scheme is fair

3.3.1 Valuation of Estia Health

Kroll has assessed the value of Estia Health's equity to be in the range of $875.0 million to $975.0 million, which corresponds with a value of $2.83 to $3.21 per Estia Health Share on a fully diluted basis.[6] Our range of assessed values reflects 100% ownership of Estia Health and, therefore, incorporates a control premium. As our valuation includes a control premium, our range of assessed values per share exceeds the price at which we expect Estia Health Shares would trade on the ASX in the absence of the Scheme.

[6] Based on 259,858,039 Estia Health Shares on issue and the issue of 1,682,072 shares to settle outstanding Performance Rights (refer to Section 8.7.2 of this report).

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The value of Estia Health's equity has been determined by estimating the fair value of Estia Health's operating business, together with consideration of non-operating assets and liabilities, the September 2023 Dividend, and adjusted net borrowings. The valuation is summarised as follows.

Estia Health Summary of Value ($ Millions)

	Section reference	Valuation range Low	High
Value of Estia Health's operating business (100% control basis)	9.3 & 9.4	**875.0**	**975.0**
Non-operating assets / (liabilities)	9.5	nil	nil
Enterprise value (100% control basis)		**875.0**	**975.0**
Adjusted net borrowings	9.7	(136.0)	(136.0)
Value of Estia Health's equity (100% control basis)		**739.0**	**839.0**
Number of Estia Health Shares outstanding – diluted (millions)[1]	8.7.2	261.5	261.5
Value per Estia Health Share – diluted (control basis)		**$2.83**	**$3.21**

Source: Kroll analysis.
Note 1: Based on 259,858,039 Estia Health Shares on issue and the issue of 1,682,072 shares to settle outstanding Performance Rights (refer to Section 8.7.2 of this report).

In assessing the value of Estia Health's operating business, Kroll has adopted a discounted cash flow (**DCF**) analysis as the primary methodology (refer to Section 9.3 of this report). The value derived from the DCF analysis has been cross-checked using a market approach (refer to Section 9.4 of this report).

Our valuation range of $2.83 to $3.21 per Estia Health Share reflects a premium over the closing price of Estia Health Shares on 21 March 2023, the last undisturbed trading day prior to market speculation around the existence of a possible change of control proposal, of between 32.2% and 50.0%, and a premium to the one-month VWAP in the range of 34.6% to 52.6%. This level of premium is within and above the range of premiums observed in completed transactions, which are broadly in the range of 25% to 40% depending on the individual circumstances[7] and reflects:

- that our valuation of Estia Health includes a control premium, rather than a valuation of a minority interest in the company as traded on the ASX. We note that synergies available to a pool of potential acquirers of Estia Health are expected to be limited as we consider that an acquirer is likely to be a financial buyer (refer to Section 9.2.3 of this report);
- that our value range attributes significant value to growth in occupancy to pre-pandemic levels and the recovery in earnings margins through the anticipated alignment of Government funding to staff costs; and
- factors impacting the Estia Health share price as at 21 March 2023, including the significant uncertainty in relation to the impact of regulatory changes and weaker institutional support, with the sell down by two major shareholders of Estia Health in January and March 2023.

In forming our view as to the value of Estia Health Shares, we have considered a range of factors including:

- Estia Health's position as one of the four largest for-profit operators in the Australian aged care sector with a diversified geographical footprint across metro and regional areas;
- the ageing demographic in Australia;
- segment trends of oversupply, and increasing demand and Government support for home care;
- Estia Health's opportunities for occupancy growth through contracted/committed acquisitions and developments and a return of the Mature Homes business to pre-pandemic occupancy levels;
- the complexity associated with the transition to mandated care minutes, given labour shortages and growth in wages;
- Estia Health's opportunities for margin expansion through the anticipated alignment of Government funding to staff costs as a result of IHACPA recommendations;
- the risk of reduced RAD balances;

[7] Source: 2022 Mergerstat Review. Range represents median premium from 2012 to 2021. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

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- the risk of further changes to segment regulations and Government funding, and the associated regulatory burden;
- the impact of the COVID-19 pandemic upon the aged care sector and Estia Health's operations is expected to reduce and have negligible impact on financial performance from FY24 onwards; and
- synergies available to a pool of potential acquirers.

Our valuation does not consider further acquisitions or further developments (beyond those that are committed). Whilst there may be an opportunity for Estia Health to undertake further acquisitions and developments, we consider that it is unlikely that an acquirer would pay for something that they had to execute themselves and bear all associated risks.

September 2023 Dividend

Subsequent to the date of announcement of entry into the SIA, Estia Health paid a final fully franked ordinary dividend of $0.12 per Estia Health Share in relation to the financial year ended 30 June 2023. The dividend was paid on 15 September 2023 to those Estia Health Shareholders on the share register on 28 August 2023, and included an additional benefit to eligible Shareholders of approximately $0.05 per Estia Health Share in franking credits.

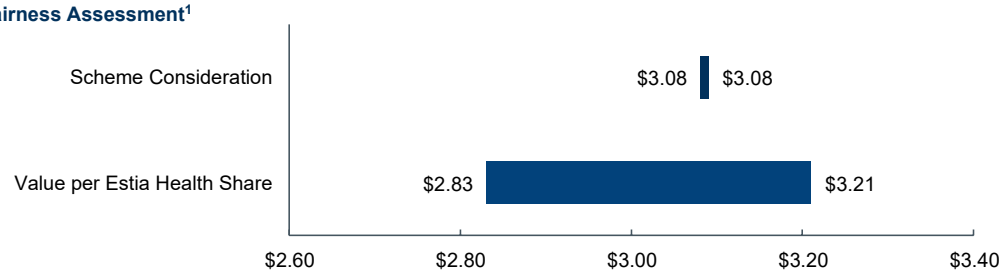
The Scheme Consideration of $3.08 in cash to be paid by the Bidder for each Estia Health Share excludes the September 2023 Dividend and, therefore, our valuation excludes the total dividend payment of the $31.1 million from the 30 June 2023 cash balance.

In Kroll's opinion, it is not appropriate in assessing the Scheme to either factor into the value of Estia Health the value of accumulated franking credits or include in the value of the consideration the value of the credits attached to the September 2023 Dividend since the value of those credits to each shareholder varies depending on their individual circumstances. Nevertheless, it needs to be recognised that, where part of a takeover offer comprises a franked dividend, some shareholders may realise additional value from the franking credits (i.e. they are better off in after tax terms than they would have been had the same amount been paid as part of the acquisition price and been received as a capital gain).

3.3.2 Assessment of fairness

A comparison of our assessed value per Estia Health Share, on a control basis, to the Scheme Consideration is illustrated as follows.

Fairness Assessment[1]



Source: Kroll analysis.
Note 1: Both the Scheme Consideration and Value per Estia Health Share exclude the value of the September 2023 Dividend.

As the Scheme Consideration falls within the range of values for an Estia Health Share, **the Scheme is fair**.

3.4 The Scheme is reasonable

In accordance with RG 111, an offer is reasonable if it is fair. **As we have assessed the Scheme to be fair, it is also reasonable**. However, irrespective of the requirement to conclude the Scheme is reasonable, we have also considered a range of other factors that are relevant to an assessment of the reasonableness of the Scheme.

3.4.1 The Scheme Consideration represents a substantial premium to the undisturbed trading prices of Estia Health Shares

The Scheme Consideration of $3.08 represents a substantial premium to Estia Health's closing share price and VWAP calculated over a range of periods up until 21 March 2023, the last undisturbed trading day prior to market speculation around the existence of a possible change of control proposal.

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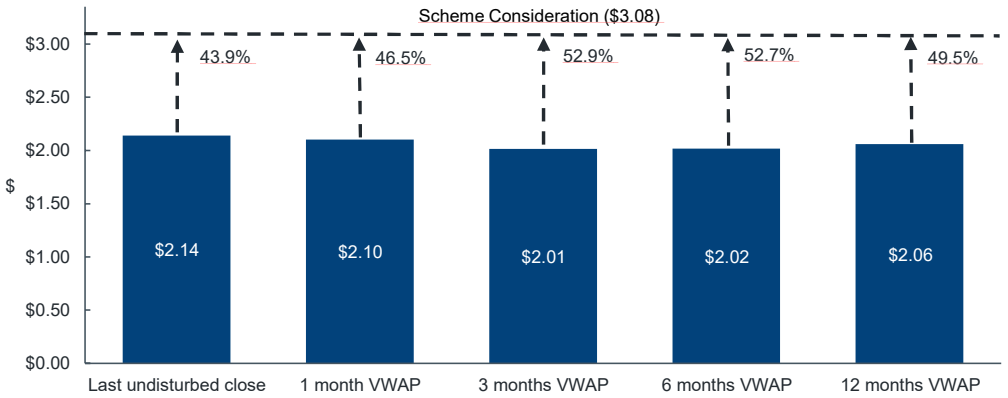
The following chart presents the premium of the Scheme Consideration relative to Estia Health share price trading benchmarks.

Premium of Scheme Consideration over the Estia Health Share Price



Source: Kroll analysis.
Note: The premiums illustrated above have been calculated based on Estia Health's closing share price and VWAP up until close on 21 March 2023, the last undisturbed trading day prior to market speculation around the existence of a possible change of control proposal.

The Scheme Consideration represents substantial premiums over recent Estia Health Share prices that are above the range of premiums typically observed. As discussed in Section 3.3.1 of this report, observations from transaction evidence indicate that control premiums are broadly in the range of 25% to 40% for completed transactions depending on the individual circumstances.[8] However, in transactions where it was estimated the combined entity would be able to achieve significant synergies, the premium was frequently estimated to be in excess of this range.

The relatively high premium potentially also reflects the aforementioned significant uncertainty in relation to the impact of regulatory changes and weaker institutional support during this period, with the sell down by two major shareholders of Estia Health in January and March 2023.

3.4.2 Certainty of value

The Proposed Transaction offers Estia Health Shareholders an opportunity to exit their investment in Estia Health at a cash value that is certain and which, as noted above, incorporates a substantial premium to Estia Health's undisturbed trading prices. Whilst trading of Estia Health Shares is sufficient to give Estia Health Shareholders confidence that they would be able to exit their investment at a time of their choosing, there is no certainty as to the price at which Estia Health Shareholders would realise their investment at that time, particularly given the risks associated with the business in the short to medium term as set out in Section 3.3.1 of this report and Sections 5.13, and 7.2 of the Scheme Booklet, including:

- further changes in segment regulation;
- changes in Government funding;
- Estia Health's ability to recruit and train the workforce required to meet mandated care minutes across its portfolio of metro and regional facilities, given labour shortages across the sector;
- reduction in occupancy levels due to increased competition, changing consumer trends, disrupted resident referral patterns, consumer preference for home care services, pandemic or epidemic, and capacity constraints;
- repayment and value of RADs;
- longer term impact of COVID-19 and any Government response;

[8] Source: 2022 Mergerstat Review. Range represents median premium from 2012 to 2021. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

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- the relative illiquidity of the aged care homes within Estia Health's portfolio, as special purpose assets; and
- damage to brand and reputation if it, or the aged care sector generally, suffers from any adverse publicity.

General investment risks that may also impact certainty of value include changes in the overall performance of the global and Australian securities market, and general business and economic conditions including rising inflation and interest rates.

Furthermore, any future on-market sale by Estia Health's Shareholders would likely incur brokerage costs, which would be avoided if the Scheme is implemented.

3.4.3 By exiting their investment, Estia Health Shareholders will not participate in any future growth in the value of Estia Health

By exiting their investment, Estia Health shareholders will not participate in any future growth in the value of Estia Health, over and above that already reflected in the Scheme Consideration. In this regard, Kroll's valuation of Estia Health, which overlaps with the Scheme Consideration, already attributes value to growth in occupancy levels to pre-pandemic levels and the recovery of earnings margins through anticipated alignment of Government funding to staff costs. The Estia Health Directors have formed the view that despite the strong fundamentals of the sector and the company, continuing to operate as a standalone entity with the challenges and uncertainties presented by the residential aged care segment at present, in conjunction with strategy execution risk, result in this alternative being inferior to the Proposed Transaction.

3.4.4 Estia Health's share price will likely fall in the absence of the Scheme

The current share price of Estia Health reflects the terms of the Scheme and, therefore, includes a substantial control premium. As such, in the absence of the Scheme, a superior proposal or speculation concerning a superior proposal, the Estia Health Share price is likely to fall to levels consistent with Estia Health's undisturbed trading prices (up until 21 March 2023), with an allowance for:

- earnings generated since 21 March 2023, less the September 2023 Dividend;
- subsequent announcements in relation to company specific initiatives or financial performance (including progress meeting the mandated care minutes and announcement of the financial results for the year ended 30 June 2023 which included a 209.3% increase in EBITDA[9]) which the market may assess as value enhancing or diminishing;
- any sector developments (e.g. concerning regulation, funding or award wage rates) including the potential for greater regulatory certainty over time; and
- trends in broader equity markets. In this regard, from 21 March 2023 (the last undisturbed trading day) until 6 October 2023, the S&P/ASX All Ordinaries Index remained materially unchanged and the S&P/ASX 300 Health Care Sector Index declined by 11.4%.

3.4.5 Likelihood of a superior proposal

No superior proposal has emerged since market speculation around the existence of a possible change of control proposal. Whilst there will continue to be an opportunity for a superior proposal, we consider the likelihood of a superior proposal to be impacted by the following:

- it is open for Estia Health Shareholders to vote against the Scheme in the hope that the Estia Health Board will be able to extract a higher offer from BCPE. However, the Proposed Transaction is a consequence of a protracted period of due diligence and negotiations between the Estia Health Board and BCPE, whereby BCPE increased the offer price from $3.00 to $3.20, supported by reducing regulatory and COVID-19 related uncertainty, however, in an environment where higher interest rates impact funding costs. The Estia Health Board is also supporting the Proposed Transaction in its current form (in the absence of a superior proposal). It is therefore unlikely that Estia Health would be able to obtain a higher offer from BCPE;
- the Scheme Consideration represents a substantial premium to Estia Health's undisturbed trading prices. This is likely to limit the range of potential acquirers, given the need for a competing bid to exceed this offer price; and

[9] Mature Homes EBITDA of $116.1 million (2022: $37.5 million). Refer to section 8.4.1 of this report.

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- the SIA contains customary exclusivity provisions on Estia Health that apply during the Exclusivity Period. In certain circumstances, Estia Health may be required to pay a break fee of $8.3 million. Although these provisions may be influential, we do not consider that they would prevent a superior proposal being made.

3.4.6 Other considerations

In forming our opinion, we have also considered a number of other factors. Whilst we do not necessarily consider these factors to impact our assessment of the reasonableness of the Scheme, we have addressed them as follows.

One-off transaction costs

If the Scheme is implemented, Estia Health expects to pay an aggregate of approximately $14.7 million (excluding GST) in external transaction costs in connection with the Scheme, which will be to the Bidder's account given the Bidder will hold 100% of the issued share capital of Estia Health. If the Scheme is not implemented, Estia Health expects to pay an aggregate of approximately $2.2 million (excluding GST) in transaction costs, being costs that have already been incurred or will be incurred even if the Scheme is not implemented.

The Scheme is subject to the satisfaction of a number of conditions

There are a number of conditions which, if not satisfied, will result in the Scheme not being implemented including Australian Foreign Investment Review Board (**FIRB**) approval. If any conditions precedent prevent the Scheme from being implemented, Estia Health Shareholders will continue to hold their existing Estia Health Shares. As at the date of the Scheme Booklet, the Estia Health Board is not aware of any reason why any condition precedent will not be satisfied or waived (if capable of waiver).

Taxation implications for Estia Health Shareholders

General tax implications for certain Estia Health Shareholders in relation to the Scheme who are individuals, companies (other than life insurance companies), trusts and complying superannuation entities that hold their Estia Health Shares on capital account for Australian income tax purposes are outlined in Section 8 of the Scheme Booklet. The summary does not apply to all Estia Health Shareholders.

Section 8.3 of the Scheme Booklet considers the Australian taxation implications of the payment of the September 2023 Dividend. In particular, that the September 2023 Dividend, and subject to certain conditions also the franking credits and tax offset attached to the September 2023 Dividend, should be included in the assessable income of the Estia Health Shareholder in the year that the September 2023 Dividend is paid.

Section 8.4 of the Scheme Booklet considers the Australian taxation implications of the Scheme. In particular, this section indicates that the disposal of Estia Health Shares under the proposed Scheme to Bidder will trigger a capital gains tax event for Australian tax purposes. This means that Australian resident Estia Health Shareholders will need to determine whether a capital gain or capital loss arises in respect of their disposal of Estia Health Shares. The September 2023 Dividend should not form part of the capital proceeds for the disposal of Estia Health Shares.

Section 8.4(c)(d) and (e) consider the cost base, applicable capital gains tax discount and implications for Australian Estia Health Shareholders. Section 8.4(f) and(g) of the Scheme Booklet considers the tax implications for non-Australian tax resident Estia Health Shareholders.

We note that Estia Health Shareholders should consider their individual taxation circumstances and review Section 8 of the Scheme Booklet for further information where it applies to their circumstances. Estia Health Shareholders should obtain their own independent professional advice on the tax consequences of disposing of their Estia Health Shares under the Scheme.

3.4.7 Consequences if the Scheme does not proceed

In the event that the Scheme Resolution is not approved or any conditions precedent prevent the Scheme from being implemented:

- Estia Health will continue to operate in its current form and remain listed on the ASX;
- Estia Health Shareholders will continue to be exposed to the risks and opportunities associated with an investment in Estia Health;
- the Estia Health share price is likely to fall. The current price of Estia Health Shares reflects the terms of the Proposed Transaction (including the benefit of the Scheme Consideration offered by the Bidder) and includes a substantial control premium. As such, in the absence of the Proposed Transaction, a

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superior proposal or speculation concerning a superior proposal, the Estia Health Share price is likely to fall (refer to Section 3.4.4 of this report);

- a break fee of $8.3 million (excluding GST) may be payable by Estia Health to the Bidder in certain circumstances; and
- Estia Health will incur an estimated $2.2 million (excluding GST) of one-off transaction costs in relation to the Scheme.

4 Other matters

Our report has also been prepared in accordance with the relevant provisions of the Corporations Act and other applicable Australian regulatory requirements and has been prepared solely for the purpose of assisting Estia Health Shareholders in considering whether to vote in favour of the Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

This report constitutes general financial product advice and has been prepared without taking into consideration the individual circumstances of Estia Health Shareholders. This advice, therefore, does not consider the financial situation, objectives or needs of individual Estia Health Shareholders.

The decision of Estia Health Shareholders as to whether or not to vote in favour of the Scheme Resolution at the Scheme Meeting is a matter for individual Estia Health Shareholders who should, therefore, consider the appropriateness of our opinion to their specific circumstances. As an individual's decision to vote for or against the Scheme Resolution may be influenced by their particular circumstances, we recommend that individual Estia Health Shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

Our opinion is based solely on information available as at the date of this report. This information, and our limitations and reliance on information section, are set out in Appendix 2. We have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

References to financial years have been abbreviated to 'FY' and references to half years have been abbreviated to 'H'. For Estia Health, the financial year is the 12 months to 30 June and half years are the six months to 31 December. All currencies are Australian dollars unless otherwise specified.

Kroll has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included at the end of this report.

The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this report, including the appendices.

Yours faithfully

Ian Jedlin
Authorised Representative

Celeste Oakley
Managing Director

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Independent Expert's Report
and
Financial Services Guide

in relation to the proposed acquisition of Estia Health Limited by Firebird BidCo Pty Ltd, a wholly-owned subsidiary of Firebird HoldCo Pty Ltd, which itself is indirectly wholly-owned by Bain Capital Asia Fund V, LP, a Cayman Islands limited partnership, which is managed by Bain Capital Investors, LLC, an entity advised by US-based private equity firm Bain Capital Private Equity, LP

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5 The Scheme

5.1 Overview

On 24 March 2023, Estia Health announced the receipt of a conditional, non-binding indicative proposal to acquire 100% of the Estia Health Shares from BCPE for $3.00 per Estia Health Share, less the amount of any dividend paid (**Original Proposal**). The Estia Health Board did not regard the proposal as compelling having regard to its price and conditionality. In order to allow BCPE to formulate an improved proposal, Estia Health provided a limited period of access to certain non-public financial and other information on a non-exclusive basis.

Following this period and, as announced on 7 June 2023, Estia Health subsequently received a revised non-binding and conditional proposal from BCPE at $3.20 cash per Estia Health share (adjusted for permitted dividends paid or payable after the date of the proposal) (**Second BCPE Proposal**). On the basis of this, Estia Health's Board of Directors agreed to provide BCPE the opportunity to conduct due diligence on an exclusive basis to enable it to provide a binding proposal. This period of exclusivity ended on 27 July 2023 and, on 7 August 2023, Estia Health announced that it had entered into the SIA with the Bidder (an entity affiliated with BCPE), under which the Bidder would acquire 100% of the issued share capital in Estia Health on terms consistent with the Second BCPE Proposal, as it offered more value to Estia Health Shareholders than under the Original Proposal.

Under the Scheme, Scheme Shareholders will receive the Scheme Consideration of $3.08 in cash for each Estia Health Share held at the Scheme Record Date, calculated as the $3.20 per Estia Health Share contemplated in the SIA, less the amount of the September 2023 Dividend (being $0.12 per Estia Health Share).

The September 2023 Dividend was paid on 15 September 2023 to those Estia Health Shareholders on the Register on 28 August 2023, and included the additional benefit to eligible Estia Health Shareholders of approximately $0.05 per Estia Health Share in franking credits.

The Scheme is subject to a number of conditions which are summarised in Section 5.2 of this report.

The Estia Health Board unanimously recommends that Estia Health Shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the independent expert continuing to conclude that the Scheme is in the best interests of Estia Health Shareholders. Subject to the same conditions, each Estia Health Director intends to vote all Estia Health Shares held or controlled by them in favour of the Scheme.

5.2 Conditions precedent

Implementation of the Scheme is subject to customary conditions precedent as set out in Clause 3.1 of the SIA, including:

- ASIC and the ASX issue or provide all consents or approvals as are necessary or desirable to implement the Scheme, and such consents, approval, or other act has not been withdrawn or revoked;
- approval of the FIRB;
- the Bidder not having received a written notice or correspondence from ACQSC, Department of Health and Aged Care or the Minister for Health and Aged Care advising that they intend to take regulatory action to address the Target's suitability as an Approved Provider (as defined in the Aged Care Act) as a result of the Proposed Transaction;
- approval of the Scheme Resolution by Estia Health Shareholders at the Scheme Meeting by the requisite majorities;
- the independent expert continuing to conclude that the Proposed Transaction is in the best interests of Estia Health Shareholders;
- approval of the Supreme Court of New South Wales;
- no material regulatory events or material adverse changes (each as defined in the SIA) including limits on consolidated net assets and consolidated annual EBITDA movements, maintenance of a minimum RAD balance; and

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- execution of all relevant documents and otherwise on terms acceptable to the Bidder, such that there will be no Estia Health Performance Rights on issue on the Implementation Date, Thursday, 30 November 2023).

5.3 Exclusivity provisions

The SIA contains customary exclusivity provisions that apply during the Exclusivity Period,[10] including 'no shop', 'no talk' and 'no due diligence' ('no talk' and 'no due diligence' are subject to a fiduciary carve out), notification obligations and a matching right. A break fee of approximately $8.3 million (exclusive of GST) will be payable by Estia Health to the Bidder in certain circumstances and a reverse break fee of approximately $8.3 million (inclusive of GST) will be payable by the Bidder to Estia Health in certain circumstances.

5.4 Transaction costs

If the Scheme is implemented, Estia Health expects to pay an aggregate of approximately $14.7 million (excluding GST) in external transaction costs in connection with the Scheme, which will be to the Bidder's account given the Bidder will hold 100% of the issued share capital of Estia Health. If the Scheme is not implemented, Estia Health expects to pay an aggregate of approximately $2.2 million (excluding GST) in transaction costs, being costs that have already been incurred or will be incurred even if the Scheme is not implemented.

6 Scope of the report

6.1 Purpose

The Proposed Transaction is to be implemented by way of a scheme of arrangement under Part 5.1 of the Corporations Act and requires approval of Estia Health Shareholders. Section 412(1) of the Corporations Act requires, among other requirements, that an explanatory statement issued by a company in relation to a proposed members' scheme of arrangement includes information that is material to the making of a decision by a member as to whether or not to agree to the scheme resolution.

Even where an independent expert's report is not strictly required by the law or ASIC policy, it is not uncommon for directors of a company to commission one to ensure that they are providing the information that is material to the making of a decision by a member. It is a condition to the Scheme becoming Effective that an independent expert concludes, and continues to conclude, that the Scheme is in the best interests of Estia Health Shareholders.

6.2 Basis of assessment

We have referred to guidance provided by ASIC in its Regulatory Guides in particular, RG 111, which outlines the principles and matters which it expects a person preparing an independent expert's report to consider when providing an opinion on whether a scheme of arrangement is in the best interests of shareholders.

RG 111 distinguishes between the analysis required for control transactions and other transactions. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid to give effect to a control transaction, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is 'fair and reasonable' and, as such, incorporates issues as to value. In relation to control transactions. RG 111.10 to 12 states:

- 'fair and reasonable' is not regarded as a compound phrase;
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer;
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash;

[10] The Exclusivity Period is the period commencing on 6 August 2023 and ending on the earlier of 29 February 2024 (or such other date and time agreed in writing between the Bidder and Estia Health), the date on which the Scheme becomes Effective under section 411 (10) of the Corporations Act, or the date the SIA is terminated in accordance with its terms.

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- the expert should not consider the percentage holding of the bidder or its associates in the target when making this comparison; and
- an offer is 'reasonable' if it is 'fair'. An offer might be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111.13 sets out the factors an expert might consider in assessing whether an offer is reasonable:

- the bidder's pre-existing voting power in securities in the target;
- other significant shareholding blocks in the target;
- the liquidity of the market in the target's securities;
- taxation losses, cash flow or other benefits through achieving 100% ownership of the target;
- any special value of the target to the bidder, such as particular technology, etc;
- the likely market price if the offer is unsuccessful; and
- the value to an alternative bidder and likelihood of an alternative offer being made.

RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is 'in the best interests' of members of the company.

RG 111.21 states that if an expert would conclude that a proposal was 'not fair but reasonable' if it was in the form of a takeover bid, it is still open to the expert to also conclude that the scheme is 'in the best interests' of the members of the company.

RG 111.11 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made assuming 100% ownership of the target and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target entity. That is, RG 111.11 provides that the value of the target should be assessed as if the bidder was acquiring 100% of the issued equity in the target (i.e. on a controlling interest basis). In addition, any special value of the target to a particular bidder (e.g. synergies that are not available to other bidders) should not be taken into account under the comparison.

Accordingly, when assessing the full underlying value of Estia Health, we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of Estia Health. As such, we have not included the value of special benefits that may be unique to the Bidder.

7 Industry

7.1 Overview

The demand for aged care services is expected to increase as a consequence of Australia's ageing population and their associated need for more medical support and disability assistance. These needs are both publicly and privately funded, and primarily fulfilled by informal carers (family and friends), or the aged care industry. The Australian publicly funded aged care industry comprises the following types of care:

- **home support** (Commonwealth Home Support Programme (**CHSP**)): entry-level services focused on supporting individuals to undertake tasks of daily living to enable them to be more independent at home and in the community;
- **home care** (Home Care Packages Program (**HCPP**)): home care services allow elderly consumers to remain living independently in their community by having the care come to their current living situation directly. Four 'levels' of HCPPs are available which provide differing levels of support depending on the acuity of the care recipient's needs;
- **residential aged care**: support and accommodation for people who have been assessed as needing higher levels of care than can be provided in the home. This includes options for 24-hour nursing care. Residential aged care is provided on either a permanent, or a temporary (respite) basis; and

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- **other care programs**: includes programs such as the Innovative Care Programme, National Aboriginal and Torres Strait Flexible Aged Care Program, Department of Veterans Affairs community nursing and Veterans' Home Care Services which all provide their own specific services.

The aged care services industry has faced several challenges in recent times, with high profile cases of regulatory non-compliance by some aged care providers which has resulted in strict regulatory responses from the aged care regulator. Additionally, the COVID-19 pandemic, labour shortages and inflation have all increased operating costs across the sector. Despite these challenges, the care demands of an ageing demographic means the aged care sector is expected to continue to be supported by the Australian Government.

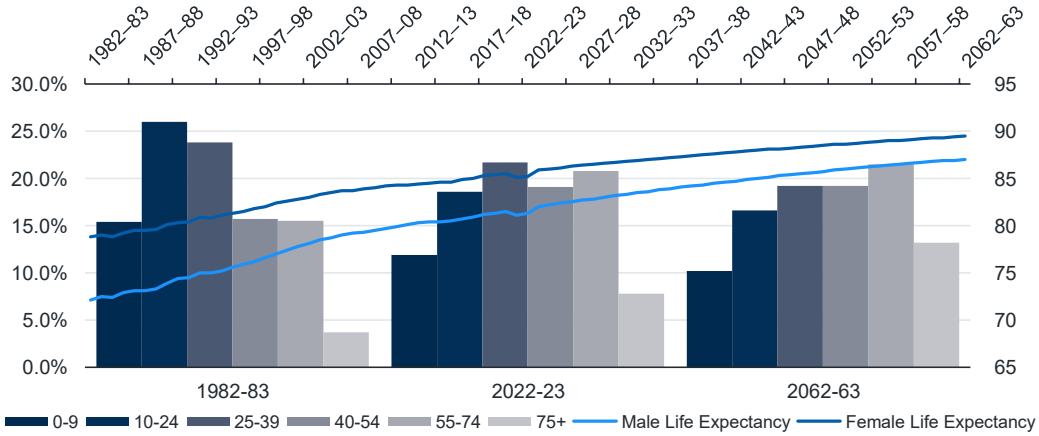
Estia Health focuses solely on providing services within the residential aged care segment. However, the residential aged care segment is part of a wider aged care sector, meaning trends and movements within the sector can impact on residential aged care providers.

7.2 Demand for aged care services

The Australian Bureau of Statistics (**ABS**) collects various information regarding the Australian population, including life expectancy, and shows current and projected Australian life expectancies, revealing an increase from 72.1 years for men and 78.8 years for women in 1983, to 81.3 years for men and 85.2 years for women in FY23. By 2063 this is projected to increase further to 87.0 years for men and 89.5 for women.[11]

The national Census, last conducted by the ABS in 2021, demonstrates the impact that this increasing life expectancy has had, and will continue to have, on the age profile of the Australian population. This profile has shifted from a predominantly younger population in 1983 into one that is more middle aged in FY23. By 2063, it is projected that this trend will have continued, with the largest proportion of the population being over 40 years of age.[12]

Current Australian Population Composition by Generation and Life Expectancy at Birth Chart (1982-2063)



Source: Australian Bureau of Statistics, 2023 Intergenerational Report.

The proportion of people that use aged care increases dramatically with age, with the people who use home or residential aged care roughly doubling with every 5 years of age, from 13.0% of 80-year-old females and 8.5% of 80-year-old-males to 26.0% of 85-year-old females and 17.0% of 85-year-old males.[13]

People aged 85 years and above represented 49.0% of residents in residential aged care in 2021 to 2022.[14] As people live longer, society is experiencing higher instances of age-related diseases and conditions which is increasing the demand for high levels of care.

[11] https://www.abs.gov.au/statistics/people/population/life-tables/2019-2021
[12] 2021 Australian Bureau of Statistics Census data.
[13] Financial Report on the Australian Aged Care Sector 2021-2022.
[14] Aged Care Residential Services in Australia, IBISWorld, April 2023.

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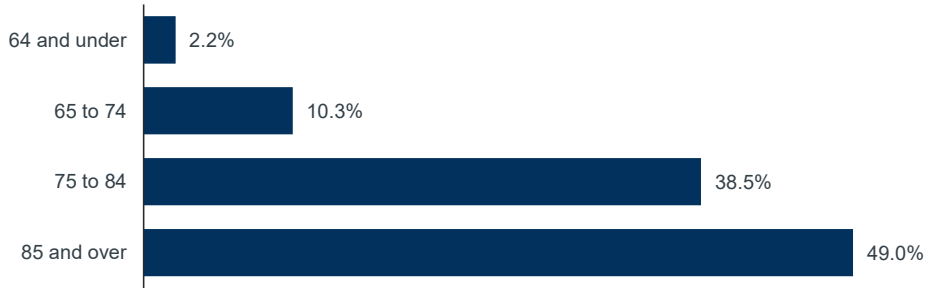
Residential Aged Care Market Age Segmentation (2021)



Source: Aged Care Residential Services in Australia, IBISWorld, April 2023.

7.3 Aged care sector

7.3.1 Overview

The aged care sector is highly fragmented, with thousands of providers spread across the different types of care services. Most aged care providers are approved providers within the meaning of the *Aged Care Act 1997* (Cth) and are therefore entitled to receive public funding to provide care and services to their care recipients.

Expenditure on aged care by the Australian Government increased from $23.6 billion in the year ending 30 June 2021 to $24.8 billion in the year ending 30 June 2022,[15] with three main programs receiving the majority of this funding.

Aged Care Federal Funding

Aged care segment	Funding provided ($ billion)[1]	Number of providers			Number of recipients		
		FY20	FY21	FY22	FY20	FY21	FY22
CHSP	2.9	1,452	1,432	1,407	839,373	825,383	818,228
Home care	4.4	920	939	915	174,992	236,554	262,351
Residential care	15.0	845	830	805	311,236	310,892	316,455
Other	2.5	na	na	na	24,775	23,802	21,469
Total	**24.8**	**na**	**na**	**na**	**1,327,309**	**1,396,631**	**1,418,503**

Source: Financial Report on the Australian Aged Care Sector, 2021-2022 & The Australian Government Productivity Commission 2017-2022.
na means not available.
Note 1: Funding provided in year ending 30 June 2023.

7.3.2 Commonwealth Home Support Programme

The number of CHSP providers decreased 1.8% to 1,407 providers in FY22 despite Australian Government funding increases from $2.8 billion to $2.9 billion in 2021.[16] Similarly, in the financial year ending 30 June 2022 there were 818,228 recipients of the CHSP, a 0.9% decrease compared to the previous year.[17] The CHSP will be discontinued on 30 June 2025 with the new Support at Home program due to commence on 1 July 2025.

7.3.3 Home care

The Government funds four levels of home care packages, all coordinated to provide the level of support suitable to each individual recipient. Recipients are classified between levels (1-4), with level 1 representing the most basic needs through to level 4 supporting people with high care needs.

[15] Financial Report on the Australian Aged Care Sector, 2021-2022.
[16] Financial Report on the Australian Aged Care Sector, 2021-2022.
[17] The Australian Government Productivity Commission, 2017-2022.

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In the financial year ending 30 June 2022 there were 262,351 home care recipients, a 10.9% increase on the previous financial year[18] and corresponding with an increase in Australian funding from $3.4 billion to $4.4 billion in 2021.[19] The Home Care segment generated a profit result of $2.8 per care recipient per day in 2021, down from $4.3 in 2020.

7.3.4 Residential aged care

In a highly fragmented segment, the four largest for-profit market operators, Opal Healthcare, Regis Healthcare, Bupa ANZ Healthcare, and Estia Health, account for under 15% of the total residential aged care market.[20] With $15.0 billion in funding in the year ending 30 June 2022 from the Australian Government, residential aged care providers received 59.6% of all aged care service Government funding. However, the proportion residential aged care providers received declined from 63.3% the previous year, reflecting the increased investment in, and consumer preference for, home care.[21] The overall profitability of this segment has also been declining since 2017, with residential aged care providers reporting an average daily loss of $33.0 per resident in 2022,[22] as federal funding has not kept pace with rises in operating costs.

7.4 Residential aged care segment

Residential aged care services

The residential aged care segment provides a range of options to meet the different care needs of each resident. The Aged Care Quality and Safety Commission ensures that residential aged care facilities meet the Aged Care Standards. Residential aged care services include:

- **short-term respite care**: provides short term relief for primary caregivers. Care can be provided at home, in an aged care home, or at an adult day centre. Eligible residents can access up to 63 days of subsidised respite care in a financial year, which includes both planned and emergency residential respite care;
- **long-term care**: providing around-the-clock nursing, personal care and social support when residents can no longer live safely or independently at home;
- **dementia care**: a number of residential aged care homes have dedicated memory support units. These homes are designed or adapted to provide a safe and secure environment for people living with dementia;
- **palliative care**: includes end-of-life care and assesses the care and treatment required where a cure or reversal of the disease and its progress are no longer possible; and
- **emergency care**: may be needed in instances where a carer may be unwell and unable to provide care, or after an unplanned hospital stay following a fall or event which cannot be cared for at home.

Residential aged care costs of care

Residential aged care costs are dependent on each person's circumstances and can be broken down into three areas:

- **care costs**: which relate to clinical care received by residents while living in an aged care home;
- **accommodation costs**: which depend on the specific aged care home and room chosen; and
- **living costs**: for a range of services provided in the aged care home, including day-to-day services such as meals, laundry, cleaning and lifestyle and other services. Each resident pays the basic daily care fee which is set at 85% of the single person rate of the basic aged pension and any other fees the home charges.

[18] The Australian Government Productivity Commission, 2017-2022.
[19] Financial Report on the Australian Aged Care Sector, 2021-2022.
[20] KPMG aged care market analysis 2022.
[21] Financial Report on the Australian Aged Care Sector, 2021-2022.
[22] Financial Report on the Australian Aged Care Sector, 2021-2022.

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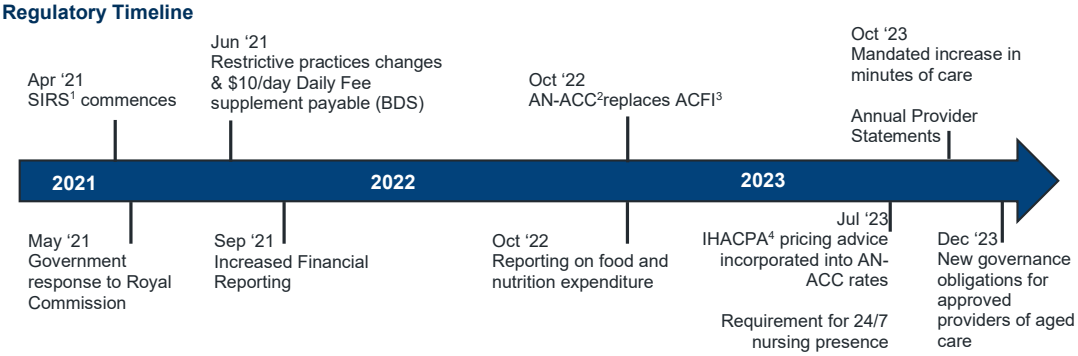
7.5 Regulatory Environment

7.5.1 Overview

The aged care sector is regulated by the *Aged Care Act 1997,* and the *Aged Care Quality and Safety Commission Act 2018* which has a series of subsidiary legislations and principles. The Department of Health and Aged Care is responsible for policy and the Aged Care Quality and Safety Commission provides national regulation.

On 2 August 2022, the Aged Care and Other Legislation Amendment (Royal Commission Response) Act 2022 was passed, introducing a number of recent reforms.

Regulatory Timeline



Defined terms in the regulatory timeline are outlined below:
1. Serious Incident Response Scheme (**SIRS**)
2. Australian National Aged Care Classification (**AN-ACC**).
3. The Aged Care Funding Instrument (**ACFI**)
4. The Independent Health and Aged Care Pricing Authority (**IHACPA**)
5. Aged Care Approvals Round (**ACAR**)

Future changes

A number of reforms will be introduced in 2024, including:

- new regulatory framework and Aged Care Act – July 2024;
- national worker screening – July 2024;
- abolition of ACAR/cessation of bed licensing – July 2024; and
- further increase in mandated care minutes – October 2024.

7.5.2 Recent reform

Following several high-profile incidents involving neglect of residents and non-compliance, the Australian Government announced the Royal Commission into Aged Care Quality and Safety in September of 2018.

The Royal Commission's final report had a number of findings and 148 recommendations, including:

- workforce planning was identified as vital to the quality of care that older people received;
- recommended introducing minimum care minutes responsibility to increase care time for people living in aged care homes across Australia;
- recommended linking care minutes responsibility to a case mix-adjusted funding model like the AN-ACC; and
- abolishing bed licensing which aims to remove significant barriers which prevent new aged care providers from entering the market.

Reforms are designed to increase transparency and improve outcomes for residential aged care residents while being a more effective use of Government subsidies. These reforms are accompanied by increased Government funding allocations for all forms of aged care, with a $17.7 billion funding package announced in the 2021 to 2022 federal budget.

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7.5.3 Mandated care minutes

Care minutes refer to the care time residential aged care residents receive from registered nurses, enrolled nurses and personal care workers.

Minimum care minute requirements will become mandatory with effect from 1 October 2023. This includes the responsibility to deliver an average of 200 minutes per resident per day, including 40 registered nurse minutes, increasing to 215 minutes including 44 registered nurse minutes from 1 October 2024.

In order to fund residential aged care services to meet their care minute responsibilities, the Australian Government has committed an additional $11.1 billion in AN-ACC funding over four years from 2023 to 2024, which includes:[23]

- $7.6 billion to fund the Fair Work Commission interim wage decision (at 200 mandated care minutes);[24] and
- additional funding of $743.0 million over three years from (2024 to 2025) to account for the cost impact of the interim wage decision on the move to the increased care minute requirements commencing on 1 October 2024.[25]

7.5.4 Star ratings

The Star Ratings system was introduced in December 2022 as a rating system to provide information on the quality of residential aged care homes across Australia. This system aims to assist potential residents and their families/carers in quickly making informed decisions about the relative performance of residential aged care homes.

Star Ratings are from one to five and are based on staffing, compliance, resident experience and quality measures.

7.6 Impact of the COVID-19 pandemic

In Australia the COVID-19 pandemic began to impact the aged care sector on 18 March 2020 when the federal Government implemented the first visitor restrictions, limiting residents to just two visitors a day. After this, the various States and Territories across Australia experienced different series of waves, with differing levels of restrictions unique to each State and Territory.

7.6.1 Impact on residential aged care residents

Aged care residents are among the most vulnerable groups in society, and the COVID-19 pandemic saw residential aged care residents disproportionately affected, accounting for three quarters of all COVID-19 deaths in the 12 months to 5 March 2021 in Australia. Through to the end of June 2022 there were over 56,000 resident cases and almost 2,200 resident deaths in aged care, representing 29.0% of all COVID-19 related deaths in Australia.[26] To address the increase in care requirements resulting from the COVID-19 pandemic, temporary funding was made available to residential aged care providers to cover related care costs.

Between lockdowns restricting visitations, constant pandemic related news coverage, and the virus itself, the COVID-19 pandemic directly and indirectly negatively impacted residents' physical, mental and emotional wellbeing. In February 2023, the Council of the Ageing Australia released a report into the mental health impacts of COVID-19 on Australians aged over 75. This report showed that 18% of the population reported either experiencing a worsened mental health state or their first ever instance of mental ill health, whilst another 15% reported that their mental health fluctuated regularly. Within this data, it was also found that those who were living in residential aged care were among the most affected.[27]

[23] Australian Government, Department of Health and Aged Care.
[24] Ibid.
[25] Ibid.
[26] Australian Institute of Health and Welfare (2023) Older Australians, AIHWS, Australian Government, accessed 12 August 2023. Older Australians, Aged care - Australian Institute of Health and Welfare (aihw.gov.au)
[27] COTA Australia – Mental health and wellbeing during the COVID-19 Pandemic: the lived experience of Australians aged 75 and over.

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7.6.2 Impact on residential aged care providers

The COVID-19 pandemic impacted residential aged care providers as follows:

- **occupancy**: the number of residents dropped during the first 24 months of the pandemic, and can be seen in the slight drop in cumulative number of residents across the whole 2021 financial year outlined in Section 7.7.2 of this report;
- **staff costs**: increases in labour costs were contributed to by the international border closures reducing the supply of qualified staff and quarantine requirements for staff who tested positive putting further staffing constraints on the market. COVID-19 labour costs increased by 30.7%, from $368.0 million in 2021 to $481.0 million in 2022 as Australian cases increased and borders were reopened;[28]
- **non-staff costs**: typical operating costs increased due to the introduction of pandemic related costs, such as the increased use of personal protective equipment;
- **additional compliance and regulatory measures**: safety measures, such as infection, prevention and control nurses, and mandatory staff, resident and visitor testing, placed additional compliance burdens on market operators; and
- **additional reporting requirements**: aged care facilities were required to divert resources to comply with new reporting requirements, such as the frequent COVID-19 case reporting.

To assist with the increased burden, the Government has made temporary COVID-19 grants available until 31 December 2023. COVID-19 continues to circulate throughout Australian communities and poses considerable risk to the elderly.

7.7 Key drivers of profitability for residential aged care

7.7.1 Overview

Within the residential aged care segment, profitability is driven by three primary drivers which operators have variable levels of control over. These drivers are:

- occupancy rate;
- labour costs; and
- funding.

7.7.2 Occupancy

Occupancy is a key determinant of revenue and facility costs and as such, it is an important driver of profitability in the residential aged care segment. It is a function of the supply of places and demand from the population. Providers can improve occupancy through marketing efforts, home reputation, active management of the sales cycle, and home refurbishments, acquisitions and sales. Occupancy rates across Australia as at 30 June 2023 were 86.2%, however with five of the eight States and Territories above this average, New South Wales (**NSW**), Australian Capital Territory (**ACT**) and Victoria were responsible for bringing the average down. NSW and ACT were roughly equivalent at 85.2% and 85.3% respectively, whilst Victoria had the lowest occupancy rate out of all states and territories with 83.3%.[29]

As the 55 to 74-year-old population, as shown in Section 7.2 of this report, transitions into the predominant residential aged care age range, 85 years and older, there may be an increase in residential aged care demand, which may impact occupancy subject to the level of supply of new places going forward. In recent years the segment has seen a substantial increase in the construction and development of facilities, increasing the number of available residential places and contributing to the decreasing average industry occupancy rate.

[28] Financial Report on the Australian Aged Care Sector 2021-2022.
[29] The Australian Government Productivity Commission 2017-2022.

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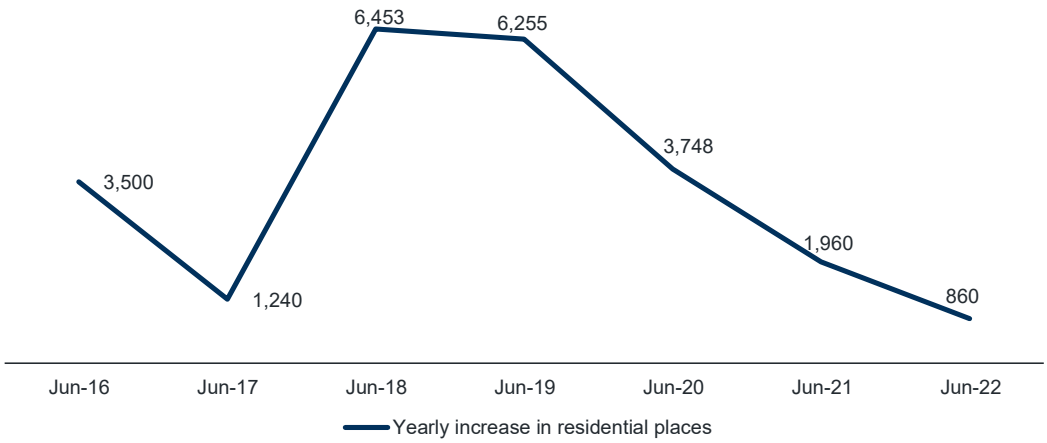
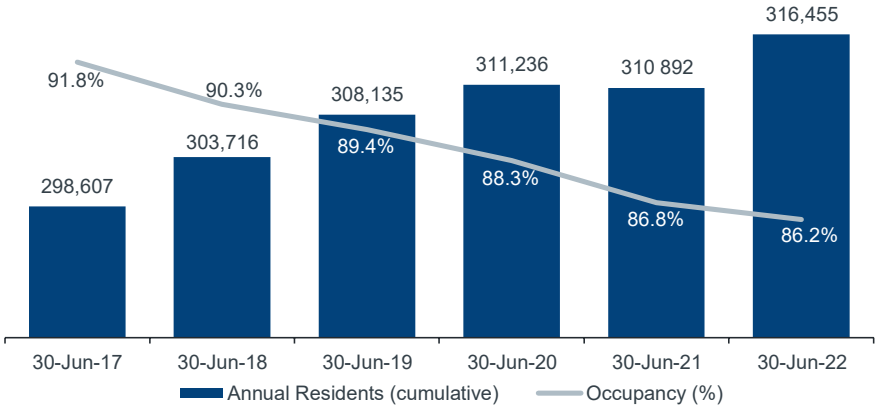
Annual Change in Number of Residential Places



Source: Australian Government Productivity Commission Report on Government Services 2023.

Between 30 June 2017 and 30 June 2022 there was a compound annual growth rate (**CAGR**) in the number of individuals accessing residential aged care of 1.2%. However, the average occupancy rate across the residential aged care segment has been decreasing. As discussed above this is partially due to the recent increase in construction and development of residential places as operators build capacity for the future. Additionally, a more recent increase in usage of home care has also impacted occupancy.[30]

Cumulative Annual Residential Aged Care Residents and Occupancy Rates



Source: The Australian Government Productivity Commission 2017-2022.

7.7.3 Labour costs

Labour costs are the largest single expenditure for aged care operators. They are a function of hours worked and hourly rates, both of which have been increasing and which are expected to increase further.

In anticipation of the mandated increase in care minutes on 1 October 2023 (refer to Section 7.5.3 of this report), market operators, have in preparation, been increasing their rostered hours.

Hourly rates have also increased, driven by:

- Fair Work Commission (**FWC**) awarding an interim increase of 15.0% to Aged Care Award and Nurse Award rates effective from 30 June 2023;

[30] The Australian Government Productivity Commission 2017-2022.

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- award minimum wages increases of 5.75% from 1 July 2023; and
- labour shortages, which have had the following impacts:
  - the increased usage of overtime at a higher average cost; and
  - the increased use of agency workers at a higher average cost due to wage premiums and agency margins.

There is potential that the FWC increases delivered to date will be considered insufficient and that further increases may occur and that the increases may be applied to workers beyond just direct care workers (e.g. kitchen and cleaning workers).

7.7.4 Residential aged care funding and fees

Government funding

Government funding represents the largest share of revenue for aged care providers.

The AN-ACC funding model, introduced in October 2022, is aimed at providing independent, equitable funding across providers, and is dependent upon each resident's need. With the upcoming increases in mandated care minutes, this funding model has been designed to ensure that providers are adequately funded to meet the increase in mandated care minutes.

The AN-ACC provides funding through three components:

- **case care tariff subsidy** – fixed funding for services predominantly based on location;
- **AN-ACC classification subsidy** – variable funding based on individual care needs; and
- **initial entry adjustment payment** – for transitioning a permanent resident into a service.

Independent assessors conduct assessments to determine where to distribute funding based on aged care residents' needs and the cost of care.

The IHACPA aims to ensure funding outcomes remain aligned with relevant input costs for residential aged care. As of 1 July 2023, IHACPA provided the first annual AN-ACC price recommendations to ensure the AN-ACC is directly informed of the costs of delivering care. The annual pricing advice is provided by adopting a combination of best practice and cost-based approach. A range of ABS Indices have been used to separately index each labour and non-labour cost. The future state of the pricing advice will also take into consideration aspects such as stakeholder feedback, and relevant information from the Aged Care Financial Report and Quarterly Financial Report.[31]

Resident fees

Upon entering residential aged care, residents will typically have their means assessed to determine whether they are eligible for Australian Government financial assistance. This involves assessments of residents' assets and income, and determining what they are financially capable of paying. Depending on the result of the means testing, a resident can be asked to pay various additional fees:

- **basic daily care fee (BDCF)**: paid by all residents, this fee is set at 85.0% of the single basic age pension;
- **accommodation funding**: these are paid by all residents in one of the following methods:
  - **Refundable Accommodation Contribution** (**RAC**) when partially or fully supported by the Government, or Refundable Accommodation Deposits (**RAD**) when self-funded: paid up front in one lump sum, guaranteed by the Australian Government, ensuring full repayment if the aged care provider becomes bankrupt, insolvent, or cannot themselves fund the lump sum balance. The RAC or RAD is fully refunded when the resident leaves;
  - **Daily Accommodation Contribution** (**DAC**) when partially or fully supported by the Government, or Daily Accommodation Payment (**DAP**) when self-funded: charged as a monthly amount calculated using the Maximum Permissible Interest Rate (**MPIR**) set by the Australian Government, reviewed four times a year;
  - **combination payment**: a payment option consisting of a part RAC/RAD payment supplemented with a DAC/DAP; or

[31] Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2024-25.

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- **drawdown payment**: a payment option that may be available where the DAC/DAP payment is deducted from the lump-sum RAD payment;

- **additional services fees**: fees for hotel style services such as in-room Foxtel, or additional menu options; and/or
- **means tested care fees**: paid in addition to the basic daily care fee, this fee is the resident's contribution towards their cost of care and differs between individuals.

Additional funding sources

In addition to the above Government funding and resident fees, there are three main alternative sources of funding:

- loans from financial or other institutions;
- temporary COVID-19 funding; and
- Government grants for eligible projects.

7.8 Residential aged care outlook

7.8.1 Supply and demand

The residential aged care segment has been increasing the number of available residential places in excess of increased demand, as outlined in Sections 7.2 and 7.7.2 of this report which continues to impact on average occupancy levels.

There is also increasing competition within the aged care sector, with home care seeing increased popularity and greater levels of Government funding.

Higher building costs and uncertainty as the reform agenda is implemented, have likely been key factors in the recent reduction in new supply from 2021.

7.8.2 Profitability

Profitability for residential aged care participants is driven primarily by occupancy, labour costs and Government funding. As outlined in Section 7.7.2, occupancy rates have been declining due to the oversupply of residential places and a preference for aged care recipients to receive home care. For occupancy rates to rise the industry will need to see annual new residential places to be more aligned with the increase in demand. Increased occupancy rates will drive increased profitability through operational efficiencies and increased Government funding.

The ongoing labour shortage for aged care services poses operational, regulatory and reputational risks to market participants, particularly given the mandated care minute requirements. The most recent available modelling done by Australia's Future Health Workforce in 2014 projected that demand for labour in the sector would significantly exceed supply, with a projected shortfall of 85,000 nurses by 2025 or 123,000 by 2030.[32] In addition, CEDA forecast a 110,000 direct aged care worker shortage within a decade of 2021. If labour shortages continue, overtime and agency costs will continue to impact the aged care segments and reduce profitability.

Government funding provides a majority of funding for the residential aged care segment. Any significant changes in the funding structures or models may adversely impact margins for market operators. Additionally, increased utilisation of other forms of aged care, such as home care, risks decreased funding for residential aged care.

7.8.3 Regulation

As outlined in Section 7.5 of this report, in recent years there have been many changes and adaptations to aged care regulations, with more planned changes through 2024. Additional regulation has been increasing costs for residential aged care providers and will continue to do so through reforms such as the increased mandated care minutes effective in October 2023 and the further increase planned for 2024. Overall, market participants are facing an increasing regulatory burden, which will continue to compress margins.

[32] Australia Future Health Workforce – Nurses Overview Report, August 2014.

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7.8.4 Industry structure

The residential aged care segment is highly fragmented and is comprised of both for- profit and not-for-profit operators. To increase capacity, providers have the option of either building additional capacity, or seeking mergers and acquisitions. With building costs at elevated levels following global inflation, mergers and acquisitions, rather than development, are being seen by analysts as a viable alternative to increase the capacity of individual providers. Such acquisition opportunities have been realised in recent times, evidenced by the growing market share of private for-profit providers, from 36.2% in 2013 to 41.7% in 2022, and growth in the average size of residential aged care facilities.[33] It is also worth noting that reduced and loss-making margins, as outlined in Section 7.3.4 of this report, has reduced the viability of smaller operators.

8 Profile of Estia Health

8.1 Background

Estia Health (previously known as Lasting Changes) was incorporated in 2005 in Victoria. Private equity firm Quadrant acquired Estia Health in 2013 for approximately $175 million.[34] In July 2014 Estia Health merged with Padman Health Care in South Australia, and Cook Care in NSW and Queensland, creating one of Australia's largest and most geographically diverse private residential aged care providers, by number of residential places. As at 1 October 2014, Estia Health had 3,203 residential places at 39 aged care facilities across the four Australian states, with a workforce of approximately 3,700 staff.[35]

Estia Health was admitted to the official list of the ASX in December 2014 after a sell-down by Quadrant, floating at an issue price of $5.75 per Estia Health Share. The market capitalisation at the close of the first day of listing, 5 December 2014, was $857.4 million.[36]

In 2015, Estia Health announced an ambition to achieve 10,000 residential places by 2020. Between 2015 and 2016, Estia Health spent over $500 million on acquisitions, acquiring an additional 12 facilities in FY15 after the acquisition of Padman Health Care and Cook Care, and 13 single site facilities and the Kennedy Healthcare Group in FY16.[37] After earnings fell below FY16 guidance and a large capital raising was undertaken, Estia Health pivoted to an organic/development-led growth strategy.

Estia Health commenced a strategic review of operations as the share price fell from a high close of $7.81 in November 2015 to a low close of $2.62 in October 2016 amidst concerns over its aggressive growth strategy. A subsequent shareholder class action relating to market disclosures made between August 2015 and October 2016 commenced in July 2019 and was settled in February 2021 for $37.8 million.

Similar to other residential aged care providers, Estia Health's staffing, capital management and operating and financial performance were significantly impacted by the COVID-19 pandemic, and by regulatory reform and uncertainty concerning implementation of recommendations from the Royal Commission for the sector since 2021. Whilst Estia Health continued to invest in a number of refurbishment and asset life-cycle improvement outcomes, several capital projects were paused.

Development activity recommenced in FY22 and in December 2022, Estia Health acquired four high quality residential aged care homes from Premier Health Care Group and a further single home from another vendor in May 2023.

As at 21 March 2023, the last undisturbed trading day prior to Estia Health announcing it had received the Original Proposal from BCPE, Estia Health had a market capitalisation of $552.9 million.[38]

8.1.1 Strategy

Estia Health's strategy is to be a market leader in owning and developing high quality residential aged care homes in Australia, providing residents with the highest standards of aged care services in innovative, supportive and caring environments, and delivering earnings growth.

Estia Health's value creation strategy focuses on five strategic pillars:

[33] Aged Care Residential Services in Australia, IBISWorld, April 2023.
[34] https://www.nabtrade.com.au/insights/news/2017/06/lessons_for_particip
[35] Estia Health Prospectus, 24 November 2014, p.4.
[36] Calculated as the closing share price on 5 December 2014 of $4.74 multiplied by 180,885,580 shares outstanding.
[37] Estia Health 2015 Annual Report, p.4, p.79; Estia Health 2016 Annual Report, p.14, p.77.
[38] Calculated as the closing share price on 21 March 2023 of $2.14 multiplied by 258,361,034 shares outstanding.

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- **Care**: to be considered a leader in the provision of quality residential aged care services in Australia;
- **Customer**: to be a leader in the provision of customer-centric residential aged care services in the sector;
- **People**: to be an employer of choice, attracting and retaining skilled and engaged employees;
- **Community**: to have a positive social impact in the communities in which it operates; and
- **Growth**: to optimise shareholder returns by disciplined capital investment to provide access to trusted aged care services.

Estia Health's growth strategy aims to provide services to meet growing demand as Australia's ageing population increases in coming years. Growth is to be delivered through:

- sustained high occupancy rates;
- the development and commissioning of new homes;
- the enhancement of existing homes;
- complementary acquisitions; and
- the development of earnings from related services within the continuum of aged care.[39]

8.2 Operations

8.2.1 Overview

Estia Health offers short-term respite care, long-term care, dementia care, palliative care and emergency care. Over 90% of Estia Health's residents are permanent residents with nearly 50% of residents in Estia Health's care living with a diagnosis of dementia. A number of Estia Health's homes have dedicated Memory Support Units, which are specifically designed or adapted to provide a safe and secure environment for people living with dementia. Some Estia Health homes offer additional services such as pay-TV, phone/internet, onsite hairdressers and beauticians, special therapies, gym and other facilities plus a wider choice of meals and inclusions (**Additional Services**).

Estia Health receives combinations of RADs/RACs and DAPs/DACs subject to each resident's personal circumstances and payment preferences. The majority of funding is received from the Government via the AN-ACC instrument and further funding is received from residents via the BDCF. Of the 5,805 permanent residents as at 30 June 2023, 53.7% resided on a non-concessional basis (i.e. without Government subsidies and supplements for accommodation).

Estia Health's portfolio of homes currently provides accommodation and care for around 3% of Australia's residential aged care market,[40] and continues to grow through the opening of new homes, enhancement of current homes, and acquisitions. Of the 6,720 residential places as at 30 June 2023, 5,671 or 84.4% are in single rooms and 100% have undergone a Significant Refurbishment.[41] [42] 66 of the 73 operational homes are freehold sites.

8.2.2 Portfolio as at 30 June 2023

As at 30 June 2023, Estia Health operated 6,720 residential places at 73 aged care facilities across four states, with a workforce of approximately 8,112 staff. The allocation of Estia Health's portfolio and staff across the four states is shown in the following table.

[39] The overview of growth strategy is as per the FY23 Annual Financial Report, p.6. Further detail is provided in the Scheme Booklet section 5.4.
[40] IBISWorld Industry Report Q8601, 'Aged Care Residential Services in Australia', April 2023.
[41] Estia Health company website.
[42] 'Significant Refurbishment' is a specific term as per the Department of Social Services entitling approved aged care providers to additional funding subject to meeting certain criteria.

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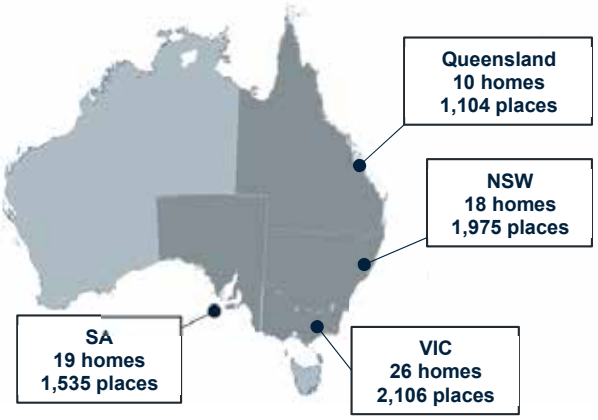
Estia Health Portfolio as at 30 June 2023

	Number of homes	Number of residential places	Average home size	Significantly refurbished homes	Number of residential places in single rooms	Approximate number of staff
New South Wales	18	1,975	110	18	1,303	2,218
Queensland	10	1,104	110	10	1,035	1,828
South Australia	19	1,535	81	19	1,491	1,833
Victoria	26	2,106	81	26	1,842	2,750
Group	**73**	**6,720**	**92**	**73**	**5,671**	**8,112**

Source: Estia Health management.

The allocation of Estia Health's homes and residential places across NSW, Queensland, South Australia and Victoria is illustrated in the following chart.

Location of Operational Homes and Residential Places as at 30 June 2023



Source: Estia Health FY23 Annual Financial Report.

Estia Health's portfolio has expanded through strategic acquisitions and developments. Residential places have grown at a CAGR of 2.0% since 30 June 2016, exceeding resident growth at a CAGR of 1.9%. Key movements in Estia Health's residential places in recent years include:

- opening of the new Blakehurst home in NSW in February 2021 adding 105 operational places;
- the closure of the Keilor Downs and Prahran homes in Victoria in FY22, removing 107 operational places; and
- the addition of 557 new places in FY23 from the acquisition of Premier Health Care and Mount Clear (as discussed in Section 8.2.3 of this report), and completion of a brownfield expansion of 24 incremental places at Burton in South Australia.

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8.2.3 Recent acquisitions and current developments

Recent acquisitions and current developments are summarised in the following tables.

Recent Acquisitions

Acquisition date	Previous Operator	Home	Location	Year opened	Number of residential places	Net cash consideration
October 2023	Royal Freemasons (**RFL**)	RFL Kangaroo Flat RFL Benalla	Bendigo, Victoria Benalla, Victoria	2017 2019	144 120	$17.3 million
May 2023	Mount Clear	Mount Clear	Ballarat, Victoria	2019	120	$15.9 million
December 2022	Premier Health Care	Carlyle on Cross	Myrtle Bank, Adelaide	2020	76	$60.5 million
		The Claridge	Valley View, Adelaide	2019 to 2021	80	
		The Menzies	Pacific Paradise, Sunshine Coast, Queensland	2019	108	
		The Waterford	Hervey Bay, Queensland	2017	145	

Source: Estia Health ASX announcements; 1H23 Financial Report.

Current Development Projects

Opportunity	Nature of development	Current residential places	Estimated additional residential places	Estimated project capital ($ million)	Estimated opening date
In progress					
Aberglasslyn, NSW	Greenfield	-	118	$35.3	2H24
St Ives, NSW	Greenfield	-	118	$46.9	2H24
Total		**-**	**236**	**$82.2**	
Planning subject to Estia Health Board Approval					
Toorak Gardens, South Australia	Brownfield	36	85	na	na
Lockleys, South Australia	Expansion	90	29	na	na
Bentleigh, Victoria	Brownfield	45	63	na	na
Findon, South Australia	Greenfield		120	na	na
Contracted subject to settlement					
Myrtle Bank, South Australia	Brownfield	76	42	na	na
Total			**575**		

Source: Estia Health management.
na means not available.

In FY20 and FY21, Estia Health closed homes in Mona Vale (NSW), Keilor Downs and Prahran (Victoria) following reviews and decisions that these homes did not meet community expectations.

8.2.4 Impact of the COVID-19 pandemic

Key impacts of the COVID-19 pandemic upon Estia Health included:

- residents were particularly vulnerable to the serious effects of infection. Estia Health's homes at Ardeer and Heidelberg West in Victoria (amongst others) experienced high COVID-19 positive test rates amongst residents and staff in the early stages of FY21;
- occupancy levels declined due to lockdowns resulting in the inability to admit new residents, resident deaths, the cancellation of travel and heightened visitor restrictions (refer to Section 8.3.1 of this report);

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- revenues were impacted by Estia Health's decision to cease resident billings at several homes in Victoria for three months during the State-wide lockdown in FY21, and to temporarily suspend Additional Services billings at some homes during COVID-19 outbreaks when Estia Health was unable to deliver its full program of services;
- reduced ability to secure sufficient suitably trained staff resulting in higher usage of agency staff increasing workforce costs;
- changes in work practices;
- operational disruption, including supply chains impacting provision of medical supplies such as PPE;
- an increase in staff costs, personal protective equipment and other medical supply costs associated with the management and response to the COVID-19 pandemic;
- increased operating costs were not fully reimbursed through funding claims submitted under the Australian Government Aged Care Support Program. Estia Health has reported total incremental costs relating to the COVID-19 pandemic of $101.0 million since FY20 and recognised $88.0 million in COVID-19 grant recoveries and temporary funding;
- increased waste disposal volumes and costs impacting profits and sustainability initiatives;
- brand and reputational damage. Estia Health, like other providers at the time, experienced some negative publicity in 2020 regarding some aspects of COVID-19 management;[43]
- impact on asset valuations, with recognition of non-cash impairments; and
- reduced free cash flows. Whilst Estia Health continued to pay dividends, the amount declared fell from 15.8 cents per share for FY18 to 2.3 cents per share for FY21. The Board of Estia Health decided to suspend the short-term incentive plan in FY21 for executive Key Management Personnel.

Estia Health has established controls to manage further outbreaks including training staff in infection prevention control processes and protocols, COVID-19 response plans at each home and central monitoring of PPE inventory and buffer stocks. Estia Health has a vaccination program for residents and staff in accordance with the requirements of the Aged Care Act 1997 and relevant state health directives, and where possible, anti-viral treatment is provided for residents infected with COVID-19.

As at 30 June 2023, the direct operational and financial impacts of the COVID-19 pandemic continue to reduce, supported by the extension of Government grant schemes to recover the majority of costs associated with managing outbreaks through to December 2023.

8.2.5 Accreditation, compliance and quality

As at 18 August 2023, all of Estia Health's homes are fully accredited, with 42 of the group's homes undergoing a full reaccreditation during FY23. External complaints to the Aged Care Quality and Safety Commission (**ACQSC**) were 55% below industry levels reported in the most recent ACQSC published data, and 35% of Estia Health's homes did not receive an external complaint during the year.[44]

As discussed in Section 7.5.4 of this report, in December 2022, the Australian Government introduced Star Ratings for all aged care homes. Estia Health's homes are rated in line with segment averages, with 97% of Estia Health's homes rated equal to or above a three star rating and 2 homes currently rated two stars.

[43] For example: AFR, J. Aston, 'Estia Health bungles COVID headcount', 13 July 2020; The Guardian, L. Henriques-Gomes, 'Families at Melbourne nursing home say staff testing was delayed after coronavirus case', 8 August 2020; The New Daily, S. Dick, 'Eight infected in Melbourne aged-care home outbreak after man was not isolated', 16 September 2020.

[44] Estia Health FY23 Annual Financial Report, Director's Report, p.11.

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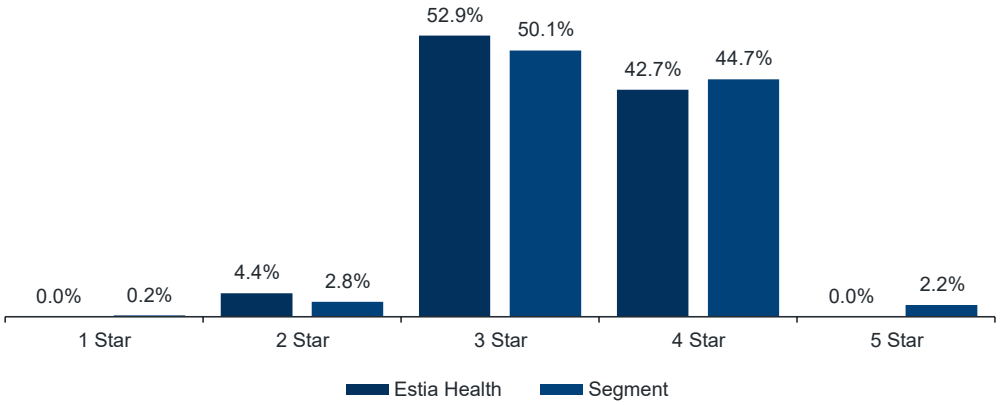
The rating distribution relative to segment averages is shown in the following chart.

Estia Health and Segment Star Ratings as at 30 June 2023



Source: Estia Health FY23 Annual Financial Report.

8.2.6 Sustainability

Estia Health has a sustainability strategy with three key focus areas and associated targets (to achieve by 2024) to help reduce any potential negative impacts to the sustainability of the organisation and enhance Estia Health's ability to deliver trusted, high-quality care to older Australians. The three key focus areas are:

- **supporting our people**, through health and safety programs, well-being initiatives, professional development, and gender diversity and inclusion. During FY23, there was a reduction in Estia Health's lost time injury frequency rate;
- **respecting our environment**. Estia Health has key targets to reduce its environmental impact, including the reduction of carbon emissions (Scope 1 and 2), and reporting greenhouse gas emissions. Waste reduction initiatives were, however, restricted during the COVID-19 pandemic due to the significant increase in PPE. A waste reduction pilot was undertaken in FY23; and
- **enhancing our communities**, by offering a continuum of care and supporting community causes.

In FY22, Estia Health continued to progress key projects and initiatives to move towards achieving priority targets set within the sustainability strategy, including a $330 million sustainability linked financing facility. The financing agreement has embedded independently assessed targets aligned to Estia Health's existing sustainability and organisation strategy and is linked to goals including reduced greenhouse gas emissions, improving resident engagement and satisfaction, supporting employee wellbeing and improving overall environmental performance.

In FY23, Estia Health established a cross-functional management led Sustainability Committee with explicit ownership and oversight of climate-related risks and opportunities and commenced integration of climate-related risk assessments with established targets and metrics into the Risk Committee, and Development Committee decisions on investments and capital spending.

8.3 Key drivers of profitability

Estia Health's earnings margins are predominantly driven by occupancy levels, labour costs and funding.

8.3.1 Occupancy

Occupancy is a key driver of residential aged care revenue and earnings given the fixed costs associated with establishing and maintaining aged care facilities services and staff. Occupancy can also influence RAD balances and consequently company financing. Estia Health has a dedicated occupancy team focused on attracting new residents to the group's homes supported by home-specific customer service resources and marketing.

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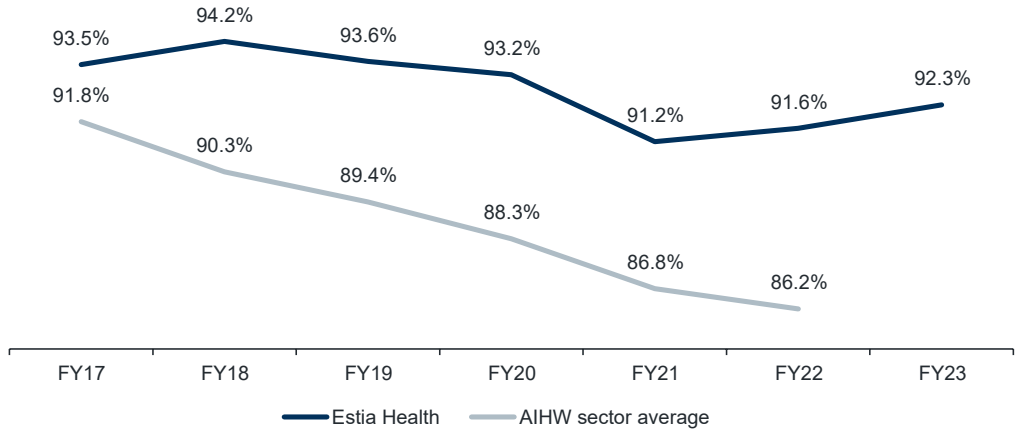
Estia Health's average annual Mature Home occupancy has remained above the segment average as reported by the Australian Institute of Health and Welfare (**AIHW**) and is shown in the following chart.

Estia Health Occupancy Relative to Segment Average

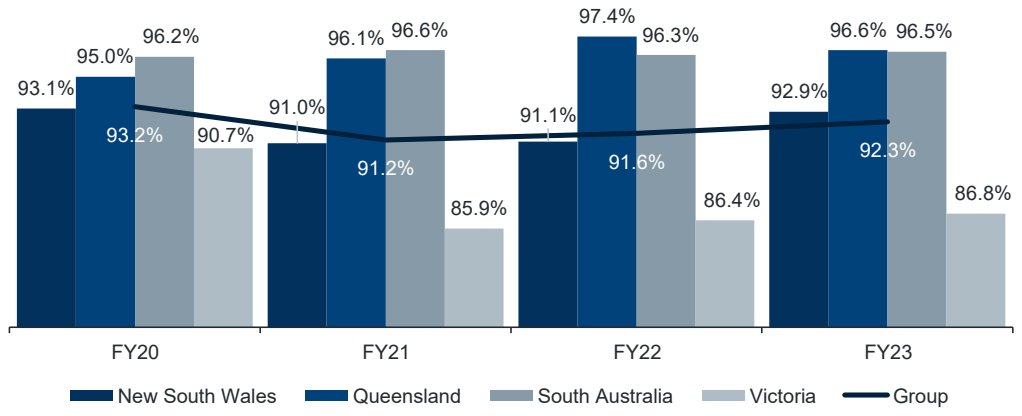


Source: Estia Health Investor and Analyst Information Packs; Australian Government Productivity Commission Report on Government Services 2023, Part F, Section 14: Aged Care Services.

Whilst average segment occupancy rates across Australia have been in decline since 2014, Estia Health maintained occupancy over 93.5% prior to the onset of the COVID-19 pandemic. The cancellation of travel, elective surgery and a slowdown in regular hospital activity during the COVID-19 pandemic, combined with Estia Health's implementation of the Australian Health Protection Principal Committee guidelines and State Directions for admission of permanent and respite residents, plus lockdowns resulting in the inability to admit new residents, heightened visitor restrictions and resident deaths, were major contributing factors to the fall in occupancy from 93.6% in FY19 to 91.2% in FY21.

The pandemic affected occupancy rates across Estia Health's portfolio to varying degrees depending on the location. NSW and Victoria were most affected during the early waves, showing a steeper decline and slower recovery. The extent of the outbreak, long lockdowns, and restrictions in Victoria in particular had a far greater impact than in other states, as shown in the following chart.

Estia Health Occupancy by State



Source: Estia Health FY23 and FY21 Annual Financial Reports

Occupancy levels in FY23 reflect a continuing recovery from the low levels during the COVID-19 pandemic and as at 30 June 2023, NSW, Queensland and South Australia are operating at pre-pandemic levels.

In terms of occupied bed days, in FY23 Estia Health's Mature Homes had a total of 2,081,216 occupied bed days, a 51,000 increase from FY22.

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Increasing occupancy levels to pre-COVID-19 pandemic levels, in excess of 94%, remains a key objective.[45] As at 18 August 2023, Estia Health's Mature Home occupancy was 93.5%.

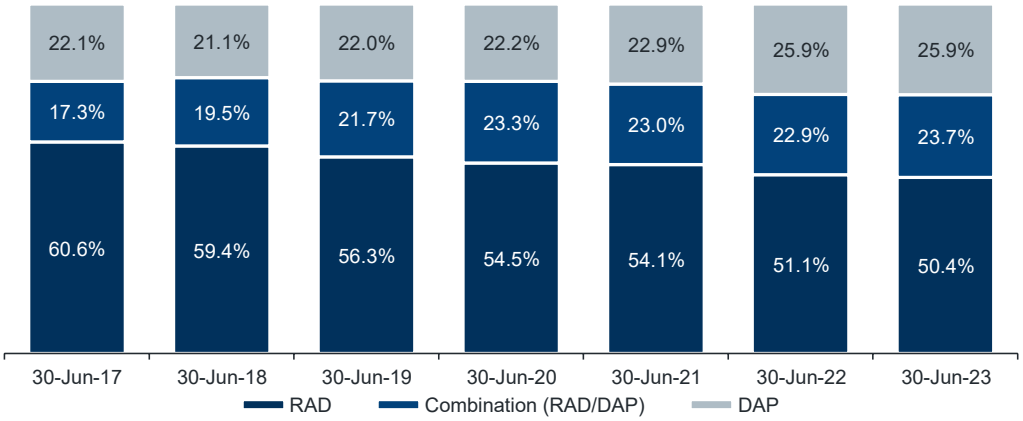
8.3.2 Funding

Funding for Estia Health and the aged care industry overall consists of operating funding and lump sum payments such as RADs and accommodation bonds. The sources of funds are impacted by resident mix, in particular, the proportion of concessional and non-concessional residents and the payment preferences of non-concessional residents.

As at 30 June 2023, Estia Health had 5,805 permanent residents of which over half (53.7%) resided on a non-concessional basis (i.e., with lower levels of Government subsidies and supplements).

RADs are the preferred payment alternative of Estia Health's non-concessional permanent residents, however preferences have shifted slightly over the last decade with the proportion of DAPs and combinations increasing slightly. The historic trend in payment preferences for non-concessional permanent residents is shown in the following chart.

Non-Concessional Resident Payment Preferences



Source: Estia Health Investor and Analyst Information Packs.

Operating funding

Operating funding relates primarily to care and comprises Government subsidies, resident fees and periodic payments in lieu of upfront resident contributions.

[45] Estia Health FY23 Annual Financial Report, Director's Report, p.22.

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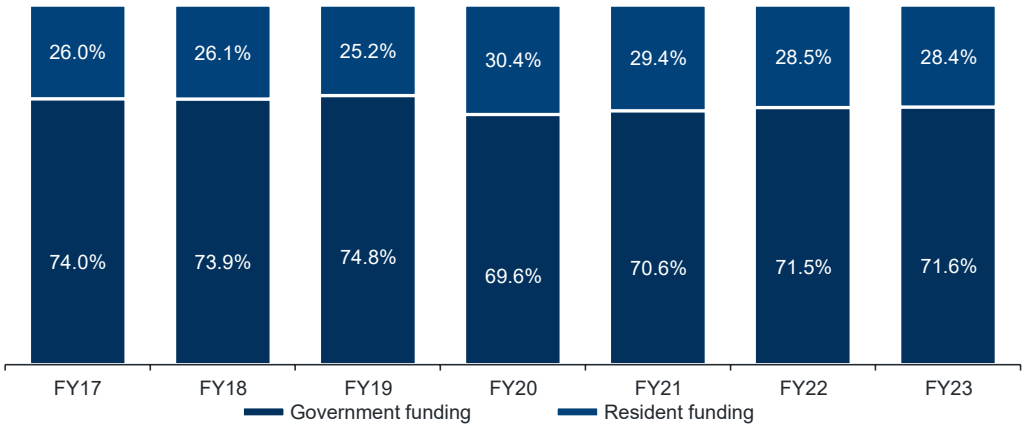
The Government provides approximately 70% of total operating funding to Estia Health, as shown in the following chart.

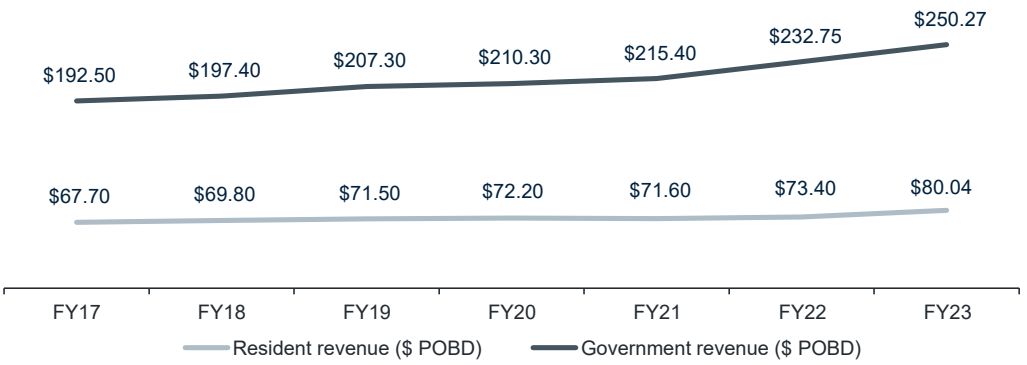
Estia Health Operating Revenue Sources[1]



Source: Estia Health Annual Reports.
Note 1: Government revenue includes funding from subsidies and supplements: primarily the AN-ACC subsidy. Resident funding includes BDCF, other resident fees, and following the introduction of accounting standard AASB 16 Leases, imputed DAP revenue on RAD/ bond balances.

The trend in Government revenue and resident revenue per occupied bed day (**POBD**) is shown in the following chart.

Estia Health Revenue POBD



Source: Estia Health Annual Reports.

The rollout of the AN-ACC system in October 2022 delivered $36.5 million in additional funding and higher indexation of Government subsidies, lifting Government revenue POBD (excluding temporary funding and grants) by 7.7% in FY23.

Resident revenue POBD increased by 9.3% in FY23 due to increased DAP revenue from a higher MPIR, higher indexation of care fees combined with an increase in non-concessional residents with an increased utilisation of Additional Services.

Funding increases ahead of the minimum care minute requirements have contributed to improved earnings in FY23.

Refundable Accommodation Deposits

As at 30 June 2023, Estia Health had a total RAD/bond balance of $1,027.5 million (including the probate liability refund to former residents), made up of 2,894 paid RADs/bonds. The following chart summarises the historic growth in Estia Health's closing RAD/bond balance relative to the number of RADs/bonds held.

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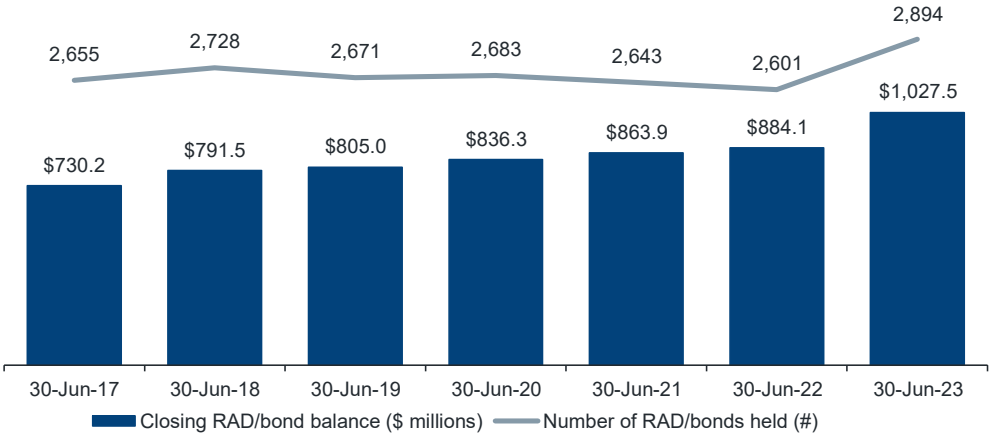
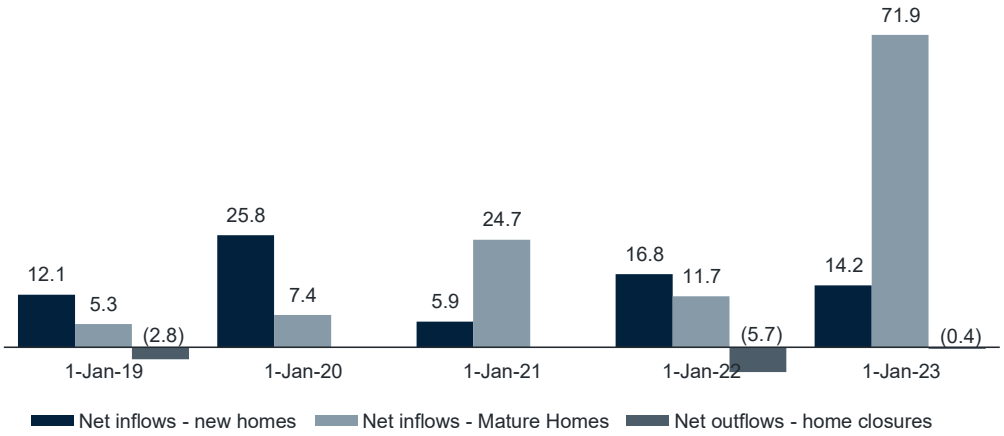
Closing RAD Balance and Bonds Held



Source: Estia Health Investor and Analyst Information Packs.

The RAD/bond balance as at 30 June 2023 included $60.2 million in assumed RADs from Premier Health Care and Mount Clear. The annual net movement in the RAD/bond balance (excluding acquisitions) is driven by net inflows from Mature Homes and new homes, and outflows due to home closures. Net inflows for Mature Homes include inflows from new residents net of refunds paid to departing residents.

Annual Net RAD Inflows ($ Millions)



Source: Estia Health Investor and Analyst Information Packs.

Net inflows from Mature Homes in FY23 were impacted by an additional 129 new home beds reclassified to Mature Home beds, an increase in occupancy, and average incoming RAD prices continuing to increase and remaining higher than the average outgoing RAD/bond value.

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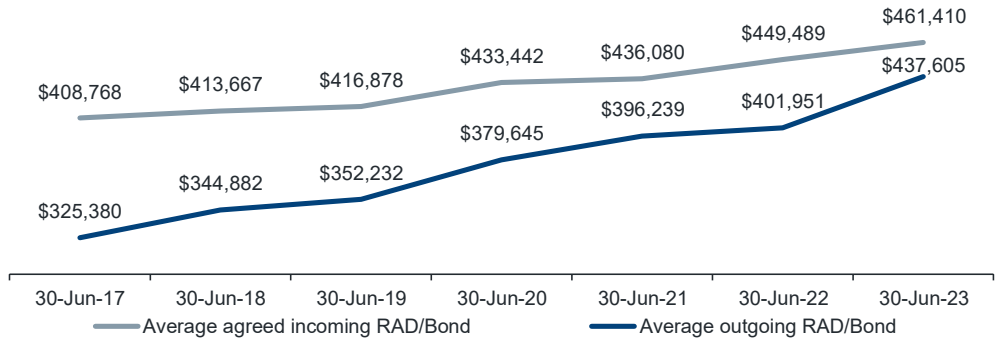
All residents negotiate and agree to a room price prior to entering an aged care home, which has historically exceeded the prices agreed for outgoing RADs each year, as shown in the following chart.

Average Agreed Incoming vs. Outgoing RAD/bond



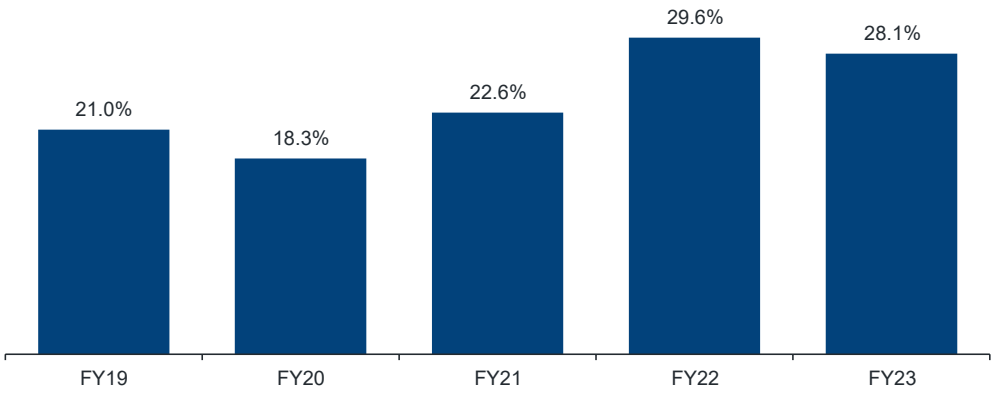
Source: Estia Health Investor and Analyst Information Packs.

8.3.3 Labour costs

Estia Health has placed a strong emphasis on staff engagement and retention initiatives, investing in the training and development of employees to compete with other providers, and address the staffing gaps exacerbated by the impact of the COVID-19 pandemic and as the segment progresses towards Mandated Care Minute targets. All of Estia Health's home-based employees (except the Residential Aged Care Manager of each home) are covered by Enterprise Bargaining Agreements (**EBA**s). The intersection of the reform agenda and the Work Value Case (**WVC**) decision by the FWC has resulted in difficult bargaining circumstances for both providers and unions.[46] Staff costs are a key operating cost representing approximately 70% of annual revenue (as discussed in Section 8.4.1 of this report).

Estia Health's historic 12 month rolling average employee turnover is summarised in the following chart.

12 Month Average Employee Turnover



Source: Estia Health Investor and Analyst Information Packs

Employee turnover has stabilised since peaking in August 2022, averaging 28.1% for FY23. Aged care employees experienced significant wage increase as a result of the changes to award wages that came into effect on 30 June 2023, with further increases due under enterprise agreements. The increased wage levels are expected to increase employee satisfaction and reduce turnover.

[46] Estia Health 1H23 Investor and Analyst Information Pack, p.21.

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Together with the broader sector, a major focus for Estia Health will be recruiting and training the workforce required to meet mandatory minimum care minutes commencing 1 October 2023. Recruitment efforts are likely to vary across geographies with significant challenges expected in regional areas.

8.4 Financial performance

8.4.1 Historical financial performance

The following table summarises the financial performance of Estia Health for FY20, FY21, FY22 and FY23.

Estia Health Financial Performance ($ Millions)

	FY20 audited	FY21 restated[1]	FY22 audited	FY23 audited
Mature Homes[2] operating segment:				
Government revenue	426.2	443.2	472.5	520.9
COVID-19 funding[3]	7.4	21.4	7.9	51.3
Resident and other revenue	146.3	147.4	149.0	166.6
Operating Revenue	**579.9**	**612.1**	**629.4**	**738.7**
Mature Homes operating expenses:				
Employee expenses	(404.3)	(431.4)	(444.0)	(490.1)
Non-wage expenses	(90.4)	(95.0)	(98.0)	(108.2)
COVID-19 incremental costs[4]	(2.5)	(24.3)	(49.8)	(24.4)
Mature Homes EBITDA[5]	**82.7**	**61.4**	**37.5**	**116.1**
Mature Homes EBITDA ex. COVID-19 costs/funding	**77.8**	**64.2**	**79.5**	**89.1**
Other operating revenue	13.6	1.5	10.4	26.0
Other operating costs	(12.3)	(2.4)	(9.9)	(30.8)
Estia Health group EBITDA	**84.0**	**61.5**	**38.0**	**111.2**
Estia Health group EBITDA ex. COVID-19 costs/funding	**79.2**	**64.4**	**79.9**	**84.3**
Depreciation and impairment	(39.1)	(41.8)	(45.1)	(57.5)
Amortisation of bed licences	-	-	(60.3)	(80.5)
Interest costs	(51.9)	(48.8)	(46.3)	(48.9)
DAP revenue[6]	43.4	42.3	39.3	41.2
Other income	0.2	9.5	0.9	0.1
Profit / (loss) before tax and significant items	**36.6**	**22.3**	**(73.6)**	**(34.3)**
Income tax benefit / (expense)	(8.1)	(2.9)	21.2	9.5
Significant items	(145.5)	(13.2)	-	(9.1)
NPAT	**(116.9)**	**5.6**	**(52.4)**	**(33.9)**
NPATA[7]	**25.2**	**14.7**	**(9.6)**	**38.4**
Total occupied bed days (millions)	*2.1*	*2.1*	*2.0*	*2.1*
Mature Homes occupancy (%)	*93.2*	*91.2*	*91.6*	*92.3*
Growth				
Mature Homes Government revenue growth	*na*	*4.0%*	*6.6%*	*10.2%*
Mature Homes resident and other revenue growth	*na*	*0.7%*	*1.1%*	*11.8%*
Mature Homes employee expense growth	*na*	*6.7%*	*2.9%*	*10.4%*
Mature Homes EBITDA growth	*na*	*(25.8%)*	*(38.9%)*	*209.3%*
Mature Homes EBITDA growth ex. COVID-19 costs/funding	*na*	*(17.5%)*	*23.7%*	*12.2%*
Estia Health EBITDA growth	*na*	*(26.8%)*	*(38.3%)*	*192.9%*
Estia Health EBITDA growth ex. COVID-19 costs/funding	*na*	*(18.6%)*	*24.1%*	*5.5%*
Profitability				
Mature Homes EBITDA margin	*14.3%*	*10.0%*	*6.0%*	*15.7%*
Mature Homes EBITDA margin ex. COVID-19 costs/funding	*13.6%*	*10.9%*	*12.8%*	*13.0%*
Estia Health EBITDA margin	*14.2%*	*10.0%*	*5.9%*	*14.5%*
Estia Health EBITDA margin ex. COVID-19 costs/funding	*13.5%*	*10.9%*	*12.6%*	*11.8%*
Net interest cover (times)[8]	*9.9*	*9.5*	*5.4*	*14.6*

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Estia Health Financial Performance ($ Millions) (continued)

	FY20 audited	FY21 restated[1]	FY22 audited	FY23 audited
Other Metrics				
Mature Homes resident and other revenue ($ POBD)	*70.4*	*71.5*	*73.4*	*80.0*
Mature Homes Government revenue ex. COVID-19 ($ POBD)	*205.2*	*214.8*	*232.8*	*250.3*
Mature Homes employee expenses ($ POBD)	*194.7*	*209.1*	*218.7*	*235.5*
Mature Homes EBITDA ($ POBD)	*39.8*	*29.7*	*18.5*	*55.8*
Mature Homes EBITDA ex. COVID-19 ($ POBD)	*37.5*	*31.1*	*39.1*	*42.8*
Estia Health EBITDA ($ POBD)	*40.4*	*29.8*	*18.7*	*53.4*
Estia Health EBITDA ex. COVID-19 ($ POBD)	*38.1*	*31.2*	*39.4*	*40.5*

Source: Estia Health Annual Reports and Results Presentations; Kroll analysis.
na means not available. Minor variances to reported figures may be due to rounding.
Notes:
1. FY21 information was restated for changes in IFRS treatments of software as a service arrangements.
2. Mature Homes are homes that have been opened for more than 12 months or, if open for less than 12 months, have greater than 85% occupancy at the commencement of the financial year (homes that have been opened for more than 12 months or if open for less than 12 months have greater than 85% occupancy at the commencement of the financial year.
3. COVID-19 Funding relates to temporary Government funding and grants provided to meet COVID-19 related healthcare mandates.
4. Costs associated with the COVID-19 related healthcare mandates.
5. EBITDA refers to underlying EBITDA.
6. DAP revenue relates to the imputed interest on RADs.
7. NPATA is defined as net profit after tax before bed licence amortisation and other exceptional items;
8. Calculated as Estia Health EBITDA / (Interest Costs plus DAP revenue).

In relation to the financial performance of Estia Health, we note:

- Government revenue, excluding temporary COVID-19 funding, increased by 6.6% in FY22 and 10.2% in FY23, partly due to the implementation of AN-ACC funding and higher Government indexation. It is also noted that there is a timing mismatch between the implementation of the AN-ACC funding and the implementation of the mandated increase in care minutes which might have inflated revenue relative to employee expenses in FY23;
- resident and other revenue growth of 11.8% in FY23 was primarily driven by increased occupancy rates, increased care fees and a higher MPIR increasing the annual cost for new residents electing to pay a DAP on RADs;
- employee expenses are the primary expense for Estia Health and increased by 10.4% in FY23 driven by higher occupied bed days and increased agency and overtime usage. FY22 saw a lower 2.9% increase, however this was due to reductions caused by the closure of two homes;
- on a POBD basis, employee expenses increased by 4.8% in FY22 and 7.7% in FY23 to $235.50. Non-wage expenses POBD, comprised of food, medical supplies and other consumables but excluding COVID-19 costs, have increased due to inflation to $52.00 in FY23;

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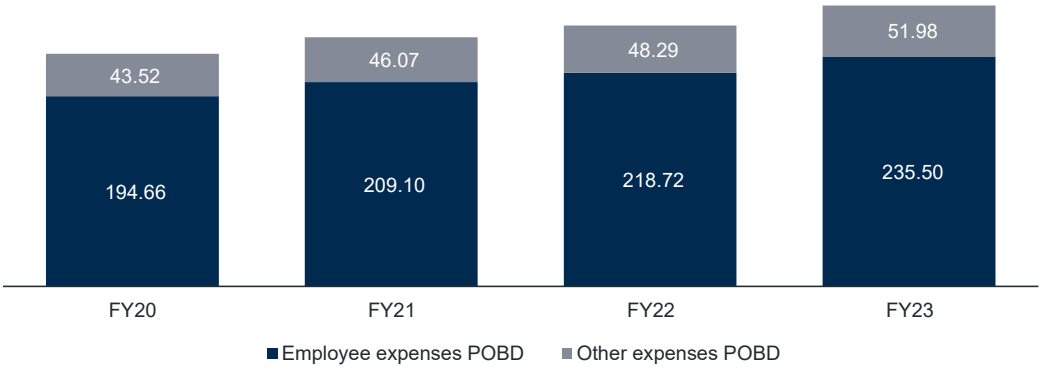
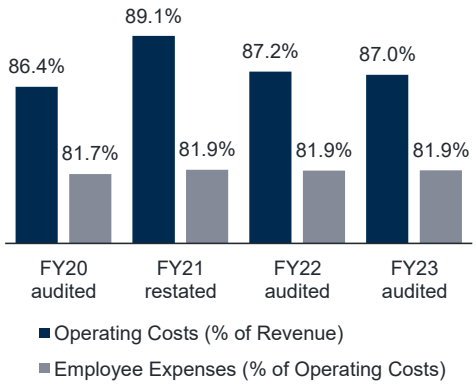
Mature Homes Operating Expense ($ POBD)



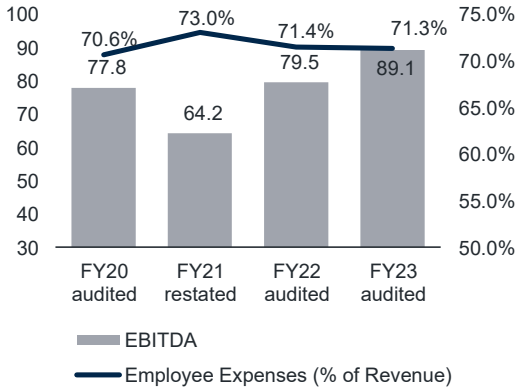
Source: Estia Health Annual Reports and Results Presentations; Kroll analysis.

- mature homes operating expenses, both employee expenses and non-wage costs, excluding COVID-19 costs and funding, as a percentage of revenue, have been relatively stable over the four years to FY23 ranging between 86.4% in FY20 to 87.2% in FY22, except for FY21 when operating costs reached 89.1% due to the indexation of Government funding failing to keep pace with cost inflation. Within operating costs, the employee expense composition was also stable, ranging from a low of 81.7% of operating costs to a high of 81.9%. With this high correlation between operating costs and employee expenses, the relationship between employee expenses and revenue is a significant driver of EBITDA;

Mature Homes Operating Expenses as % of Revenue and Employee Expenses as % of Operating Costs



Employee Expenses as % of Revenue and EBITDA



Source: Estia Health Annual Reports and Results Presentations; Kroll analysis.

- COVID-19 expenses and revenues have resulted in EBITDA volatility due to the time lag between expenses being incurred and reimbursements provided;
- excluding COVID-19 costs and funding, EBITDA has shown stable growth over the recent years with a CAGR of 4.6% for Mature Homes and 1.6% for Estia Health from FY20 to FY23. Changes were primarily driven by the net changes in Government funding and employee expenses;
- excluding COVID-19 costs and funding, the Mature Homes EBITDA margin was 13.0% in FY23, which has risen from a low of 10.9% in FY21 but is still down from a peak of 13.6% in FY20. However, Estia Health as a whole has seen its EBITDA margins experience a downwards trend from a peak of 13.6% in FY20 to 11.8% in FY23;

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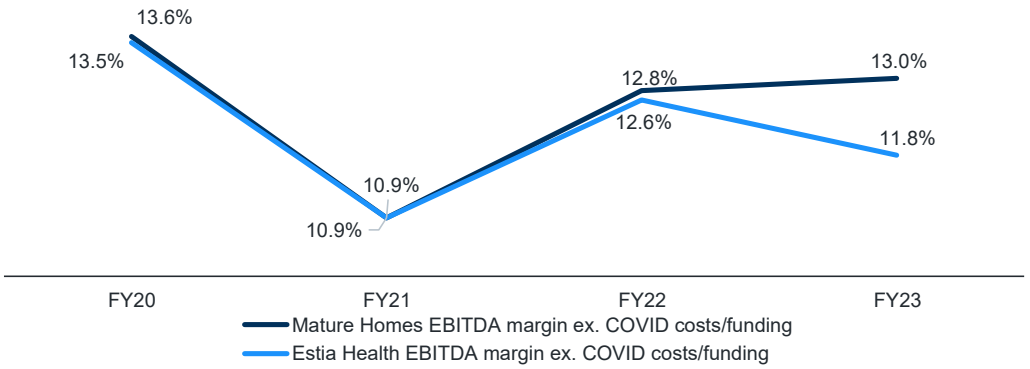
EBITDA Margins ex. COVID-19 Costs/ Funding



Source: Estia Health Annual Reports and Results Presentations; Kroll analysis.

- other operating revenue and costs relate to Government and non-Government funding, and employee and non-wage costs originating from homes which are not classified as Mature Homes. The net impact of this was elevated in FY23 due to the five new homes from the Premier Health Care and Mount Clear acquisitions, which provided $4.2m in EBITDA for the period of ownership;
- depreciation has been stable over FY20 to FY23, however in FY23 there was a $11.4 million non-cash impairment from the consolidation of the Benalla and Bendigo operations following the Royal Freemasons acquisition in August 2023 inflating the figure as compared to the prior year;
- amortisation of bed licences began in FY22 with the Government affirming the decision to abolish the ACAR in September 2021. A straight-line amortisation schedule is being used to amortise these licences from 1 October 2021 to 30 June 2024. This has had a significant impact on the net profits;
- interest expenses declined slightly from FY20 to FY23, despite large decreases in borrowings. Refer to Section 8.5.2 of this report for more details;
- DAP revenue has been relatively stable over the FY20 to FY23 period despite the increased MPIR, as the higher rate only applies to new residents electing to pay some or all of their accommodation payments via a DAP; and
- reported one-off items include impairment, class action costs, Royal Commission costs, credit loss allowances and acquisition expenses, as summarised in the following table.

Significant Items ($ Millions)

	FY20 audited	FY21 restated	FY22 audited	FY23 audited
Impairment Expense	(144.6)	(1.0)	-	-
Class Action costs	-	(12.4)	-	-
Royal Commission expenses	(0.1)	(0.1)	-	-
Credit loss allowance	(0.7)	0.3	-	-
Business acquisition costs	-	-	-	(9.1)
Total Significant items	**(145.5)**	**(13.2)**	**-**	**(9.1)**

Source: Estia Health Annual Reports and Results Presentations; Kroll analysis.

The business acquisition costs in FY23 were cash expenses incurred for the purchase the Premier Health Care and Mount Clear businesses, primarily stamp duty and advisor costs.

Estia Health's per share metrics are presented in the following table.

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Per Share Metrics

	FY20 audited	FY21 restated	FY22 restated	FY23 audited
Weighted average number of Estia Shares (million)	261.3	261.3	259.5	258.1
DPS (cents)	5.4	2.3	2.35	15.7
Basic EPS (cents)	(44.8)	2.2	(20.1)	(13.1)
NPATA per share (cents)[1]	9.64	5.64	(3.71)	14.87
Dividend payout as % of NPATA[2]	56%	100%	-64%	106%

Source: Estia Health Annual Reports and Results Presentations; Kroll analysis.
Notes:
1. Calculated by NPATA divided by the average weighted number of shares on issue during a financial year.
2. Dividend payout as % of NPATA has been calculated as the amount of the dividends announced or paid relating to a financial year amount against the NPATA reported for that financial year.

With regard to the Estia Health per share metrics summarised above, we note:

- NPATA per share, fluctuated significantly over the period of FY20 to FY23. This is partly due to COVID-19 related costs and funding lag. FY23 saw the highest NPATA per share primarily due to the improved funding and the recognition of COVID-19 grants from prior periods, which increased the EBITDA margin;
- Estia Health targets a distribution payout ratio of 70% to 100% of NPATA, which was met in FY21;
- dividends were declared in respect of each of the periods presented, however, in some years, these were only interim or only final dividends, depending on performance during the year. In FY21 there were no dividends paid during the financial year due to dividend timings; and
- fully franked dividends of 15.7 cents per share were declared with respect to FY23, which includes the September 2023 Dividend (being $0.12 per Estia Health Share).

8.4.2 Outlook

As Estia Health has not provided earnings guidance for FY24 or beyond, Kroll has considered broker consensus forecasts in order to provide an indication of Estia Health's expected future performance.

As far as Kroll is aware, Estia Health is followed by five brokers, each of whom has published a report following the release of Estia Health's FY23 results. As such, Kroll has included all broker forecasts in the calculation of the broker consensus. Kroll has presented FY23 historical earnings excluding COVID-19 costs and funding. Brokers forecast a minimal net impact of the COVID-19 pandemic in FY24 and nil effect longer term.

Estia Health's broker consensus for FY23 to FY26 is summarised as follows.

Estia Health Broker Consensus ($ Millions)

	FY23 historical[1]	FY24 forecast	FY25 forecast	FY26 forecast
Estia Health Group Revenue[1]	**713.4**	**885.0**	**939.0**	**980.0**
Estia Health Group EBITDA	**84.3**	**114.0**	**124.0**	**129.5**
Estia Health Group EBIT	**26.82[2]**	**60.0**	**67.0**	**75.0**
Growth				
Revenue growth	*12.9%*	*24.1%*	*6.1%*	*4.4%*
EBITDA growth	*5.5%*	*35.3%*	*8.8%*	*4.4%*
Profitability				
DPS	*15.7*	*11.0*	*12.0*	*15.0*
EPS	*(13.1)*	*14.8*	*17.6*	*19.3*
Payout ratio	*(119.8%)*	*74.3%*	*68.2%*	*77.7%*

Source: Broker reports.
Notes:
1. Historical FY23 figures presented exclude COVID-19 related costs and funding, consistent with the brokers long-term expectation of a net nil impact.
2. Excludes Bed Licence Amortisation for comparison purposes.

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With regard to the Estia Health's broker consensus summarised above, we note:

- four of the five brokers provided forecasts for FY26, whilst one broker did not. The FY26 forecast therefore only includes four of the five brokers;
- Estia Health's FY23 financial results were broadly in line with broker expectations;
- broker consensus revenue for FY24 is 24.1% higher than in FY23, mainly driven by the new AN-ACC funding model that was introduced on 1 October 2022 and the increases in mandated care minutes effective from 1 October 2023. Revenue growth is expected to slow to 6.1% in FY25 and 4.4% in FY26 showing the industry new norms of the mandated care minutes;
- broker consensus EBITDA for FY24 is 35.3% higher than in FY23, followed by comparatively modest growth of 8.8% in FY25 and 4.4% in FY26. This growth is based on the efficiencies from the forecast occupancy increases;
- brokers cited the increased mandated care minutes and the ongoing labour shortage as potential causes of strain on EBITDA margins moving into FY24. There were mixed comments from brokers on the impact of the increased care minutes and the AN-ACC funding. Forecasts ranged from a net neutral outlook to positive EBITDA margin impacts;
- brokers varied between including and excluding the FY24 bed licence amortisation, and for comparability between periods this has been removed from the FY23 results and the broker forecasts for FY24; and
- all brokers forecast occupancy rates to rise, stating that this will help improve EBITDA margins, offsetting the impact of the increased mandated care minutes. However, an inability to meet this forecast could cause results to underperform expectations.

Further details of the broker estimates are included in Appendix 3.

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8.5 Financial position

The following table summarises the financial position of Estia Health as at 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023.

Estia Health Financial Position ($ Millions)

	As at 30 June			
	2020	2021	2022	2023
	Audited	Restated[1]	Restated[2]	Audited
Trade and other receivables	8.1	7.1	10.3	27.1
Inventories	-	3.0	4.7	2.2
Trade and other payables	(59.5)	(39.3)	(52.1)	(55.9)
Net working capital	**(51.4)**	**(29.2)**	**(37.2)**	**(26.7)**
Property, plant and equipment	842.5	845.5	840.3	951.3
Investment properties	1.5	0.8	0.8	0.9
Assets held for sale[3]	5.4	2.6	-	-
Goodwill	681.0	681.0	681.0	717.6
Bed licences and other intangibles	227.0	223.8	164.2	83.0
Right-of-use assets	67.1	59.2	56.4	54.4
RADs & Bonds	(836.3)	(863.9)	(884.1)	(1,027.5)
Net tax items[4]	(104.9)	(100.8)	(72.0)	(70.9)
Provisions	(57.8)	(66.0)	(71.7)	(82.7)
Other items[5]	5.8	5.7	6.0	6.1
Total funds employed	**780.0**	**758.6**	**683.8**	**605.4**
Cash	30.6	33.4	20.4	26.2
Borrowings	(128.8)	(113.8)	(100.0)	(70.0)
Right-of-use lease liabilities	(73.0)	(65.1)	(62.5)	(61.1)
Net cash/(debt) (including leases)	**(171.2)**	**(145.5)**	**(142.0)**	**(104.9)**
Net assets	**608.7**	**613.1**	**541.7**	**500.6**
Contributed equity	803.4	803.5	795.7	796.5
Reserves	1.7	2.6	3.5	5.0
Retained earnings	(196.4)	(193.0)	(257.5)	(301.0)
Equity attributable to Estia Health Shareholders	**608.7**	**613.1**	**541.7**	**500.6**
Statistics				
Net Working Capital as a percentage of operating revenue[6]	*(8.9%)*	*(4.8%)*	*(5.9%)*	*(3.6%)*
RADs & Bonds as a percentage of operating revenue[7]	*144.2%*	*141.2%*	*140.5%*	*139.1%*
Number of shares at period end (millions)	*261.3*	*261.3*	*257.8*	*258.4*
Net assets per ordinary share ($)[8]	*$ 2.33*	*$ 2.35*	*$ 2.10*	*$ 1.94*
Net bank debt/ EBITDA (Mature Homes excl. COVID-19)[9]	*1.3x*	*1.3x*	*1.0x*	*0.5x*

Source: Estia Health Annual Reports and Presentations; Kroll analysis.
na means not available.
Notes:

1. The financial position as at 30 June 2021 was restated for changes in IFRS treatments of software as a service arrangement.
2. The financial position as at 30 June 2022 was restated to present the capitalised debt facility costs as prepayments.
3. Assets held for sale as at 30 June 2020 and 30 June 2021 related to land sites in Wombarra, Wollongong and Mona Vale in NSW and Grovedale in Victoria.
4. Includes current income tax (payable)/ receivable and net deferred tax liabilities. Estia Health offsets deferred tax assets and liabilities where they relate to the same taxable entity and same taxation authority.
5. Includes prepayments, derivative financial instruments, other assets and other financial liabilities.
6. Calculated as net working capital divided by the corresponding period operating revenue.
7. Calculated as the total balance of RADs and Bonds divided by the corresponding period operating revenue.
8. Calculated as total net assets divided by the number of ordinary shares on issue at period end.
9. Calculated as net debt excluding finance lease liabilities divided by Mature Homes EBITDA excluding the impact of COVID-19 costs/funding.

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With regard to the financial position, we note the following:

- As the majority of residential place funding is received in cash in advance of services through the Government AN-ACC funding instrument and DAPs from residents, rather than being paid in credit, Estia Health's working capital requirements are negative. Medical supplies, PPE and other inventory consumables are consumed at a relatively consistent rate, keeping inventory levels low. The small growth in inventories reflects the maintenance of adequate levels of PPE inventory to support COVID-19 response plans in the event of outbreaks. Payables are primarily comprised of sundry creditors and accruals, followed by payroll and trade creditors. Net working capital in FY23 was impacted by an additional $19.1 million in COVID-19 funding to be received from the Australian Government in relation to the COVID-19 costs reimbursement claims submitted under the Aged Care Support Programs;
- Estia Health's asset base is predominantly comprised of property, plant and equipment. The total net book value of $951.3 million as at 30 June 2023 included $522.5 million in buildings, $217.6 million in land, $78.8 million in property improvements, $73.4 million in furniture and fixtures, $58.7 million in construction in progress, and the remainder in motor vehicles;
- the balance for investment properties represents the fair value of Independent Living Units (**ILU**) which are occupied by residents who have contributed a non-interest bearing loan to occupy the ILU. The resident vacates the property based on the applicable State-based Retirement Village Acts;[47]
- the net book value of goodwill increased by $36.6 million to $717.6 million as at 30 June 2023 following the acquisition of Premier Health and Mount Clear during FY23;
- as noted in Section 8.4.1 of this report, the Government abolished ACAR in September 2021. The bed licences are now regarded as finite lived intangible assets with the carrying value being amortised on a straight-line basis over the period from 1 October 2021 to 30 June 2024. Other intangible assets include software costs representing approximately $2.5 million in intangible asset value as at 30 June 2023;
- right of use assets and lease liabilities relate to leases held by Estia Health for various residential aged care homes, office space and office equipment;
- the total RAD and bond liability represents the sum of separate payments from a significant number of individual residents in separate locations with differing circumstances and frequently a departing RAD- or Bond-paying resident is replaced shortly afterwards with a new RAD-paying resident. The repayment of individual balances that make up the total current balance will be dependent upon the actual tenure of individual residents, which can be more than 10 years but averages approximately two to three years. The total balance at 30 June 2023 of $1,027.5 million included $890.3 million for current residents and $137.2 million for departed residents. The $143.5 million increase in the year to 30 June 2023 included $85.7 million in net inflows from Estia Health's Mature Homes and new homes, as shown in Section 8.6 of this report, plus $60.2 million in acquired RADs and bonds;
- provisions include workcover, annual leave and long service leave provisions. Provisions have increased following the FWC's decision to increase the Aged Care Award by 15% for certain aged care workers, as discussed in Section 7.7.3 of this report;
- a description of Estia Health's borrowings is provided in Section 8.5.2 of this report; and
- after subtracting cash, Estia Health's net debt position was $104.9 million ($43.8 million excluding lease liabilities) as at 30 June 2023. Estia Health's net debt/ EBITDA decreased to 1.0 times as at 30 June 2022 and 0.5 times as at 30 June 2023, falling below Estia Health's target bank debt gearing ratio of 1.4 to 1.9 times EBITDA. The decline reflected disciplined capital management with capital investments not exceeding annual cash flows and net RAD/bond inflows.

8.5.1 Taxation

No deferred tax assets have been separately recognised in Estia Health's financial statements, but instead offset against deferred tax liabilities.

It is anticipated that the abolition of bed licences should result in a capital loss of up to $200 million on 30 June 2024, available to be carried forward from that date which could be utilised against future capital gains

[47] Estia Health FY23 Annual Financial Report for the year ended 30 June 2023, p. 97

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of Estia Health, subject to prevailing tax legislation and tax loss recoupment tests.[48] Management note that it is unlikely that the criteria to recognise an associated deferred tax asset in the financial statements will be met until such time as future capital gains become probable.

Estia Health's franking credit balance as at 30 June 2023 was $14.0 million.

8.5.2 Borrowings

Estia Health has a $330 million Sustainability Linked Syndicated Financing Agreement (**SLSFA**) as discussed in Section 8.2.6 of this report. The SLSFA has an accordion feature which allows for the facility limit to be increased (subject to lender consent and approval) by an additional $170 million.

Of the total debt facility available, 50% will mature in March 2025 and the remaining 50% in March 2026.

Estia Health's borrowings as at 30 June 2023 are summarised in the following table.

Estia Health Borrowings as at 30 June 2023 ($ Million)

	Drawn	Undrawn	Limit	Maturity
Secured bank loans – Syndicated debt facility	70.0	260.0	330.0	50% March 2025 50% March 2026
Total loans and borrowings	**70.0**	**260.0**	**330.0**	

Source: Estia Health Annual Financial Report 30 June 2023.

Whilst Estia Health undertakes interest rate hedging activities, interest rates on Estia Health's borrowings have increased compared to prior periods. Higher interest rates have however also resulted in an increase in the MPIR used to calculated DAPs, which was 7.90% at 1 July 2023, compared to 4.07% in April 2022, and 5.00% on 1 July 2022. This leads to higher DAP payments for incoming residents.

Under the SLSFA, Estia Health is eligible for an interest rate margin reduction of up to five basis points per annum dependent on the level of achievement of sustainability targets embedded in the agreement. Targets include:

- improving resident engagement and satisfaction;
- supporting employee well-being;
- reducing greenhouse gas emissions; and
- property portfolio energy efficiency.

During FY23, Estia Health achieved an interest rate margin reduction of three basis points. Estia Health has advised that it is within covenants for the SLSFA.

RAD and bond refunds are guaranteed by the Government under the Accommodation Payment Guarantee Scheme in the event that a provider is unable to refund the amounts. Providers, including Estia Health, are however required to maintain sufficient liquidity to ensure that they can refund all amounts as they fall due. To ensure that funds are readily available when required by Estia Health, liquidity requirements are met by undrawn lines of credit under the SLSFA.

[48] Estia Health FY23 Appendix 4E and Annual Financial Report, p12.

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8.6 Cash flows

The following table summarises the cash flow statement of Estia Health for FY20, FY21, FY22 and FY23.

Estia Health Cash Flows ($ Millions)

	FY20 audited	FY21 restated	FY22 audited	FY23 audited
Estia Health EBITDA	**84.0**	**61.5**	**38.0**	**111.2**
Significant cash items	(0.1)	(12.5)	-	(9.1)
EBITDA	**83.9**	**49.0**	**38.0**	**102.1**
Decrease/(increase) in working capital and other items[1]	27.3	(10.6)	8.9	(2.3)
Net RAD/bond receipts / (refunds)	33.2	30.6	22.8	85.7
Net interest paid	(7.0)	(5.6)	(4.7)	(4.3)
Lease payments (interest component)	(2.2)	(1.9)	(1.9)	(1.8)
Tax refunded / (paid)	(9.1)	(6.1)	(7.6)	8.1
Net operating cash flow	**126.1**	**55.3**	**55.5**	**187.5**
Capital developments	(74.7)	(47.1)	(31.7)	(61.8)
Business acquisitions	-	-	-	(76.4)
Purchase of Intangibles	(5.9)	(0.9)	(1.7)	(0.2)
Proceeds from sale of assets held for sale	2.3	15.4	3.6	-
Cash flow after investing activities	**48.8**	**22.7**	**25.7**	**49.1**
Dividends paid	(32.9)	-	(12.1)	(9.6)
Share repurchases	-	-	(8.0)	-
Net proceeds from borrowings	5.0	(15.5)	(14.5)	(29.9)
Lease payments (principal component)	(3.9)	(4.4)	(4.1)	(3.8)
Net cash generated/(used)	**16.0**	**2.8**	**(13.0)**	**5.8**
Opening cash and cash equivalents	***14.6***	***30.6***	***33.4***	***20.4***
Net cash generated/(used)	*16.0*	*2.8*	*(13.0)*	*5.8*
Closing cash and cash equivalents	***30.6***	***33.4***	***20.4***	***26.2***
Statistics				
Capital Expenditure - PPE acquisition as % of EBITDA	89.0%	*96.0%*	*83.5%*	*60.5%*
Capital Expenditure - business acquisition as % of EBITDA	0%	*0%*	*0%*	*74.8%*

Source: Estia Health Annual Reports and Presentations; Kroll analysis.
Note 1: Reflects the change in working capital as reported by Estia Health in its Annual and Half Yearly Results Presentations and includes movements in derivative mark to market, prepayments, and other financial liabilities to reconcile statutory EBITDA.

In relation to Estia Health's cash flows, we note the following:

- a net increase in working capital and other items was seen in FY23, partly due to outstanding $19.1 million COVID-19 costs reimbursement claims as outlined in Section 8.5 of this report;
- in FY20 and FY21 net cash flows from RAD/bond receipts were relatively stable at $33.2 million and $30.6 million;
- RAD/bond receipts decreased in FY22 to $22.8 million net inflows, however net inflows increased significantly in FY23 to $85.7 million. This was due to a combination of average new RAD/bond prices being greater than older ones being repaid, increased occupancy, a higher MPIR resulting in a slight increase in the number of residents electing to pay a RAD and new RADs and Bonds received from the Premier Health Care and Mount Clear acquisitions;
- capital outflows for developments, refurbishments and improvements were lower in FY21 and FY22 due to the decision to pause large scale developments as noted in Section 8.2 of this report. Developments resumed in FY23;
- in FY23 there was a net $29.9 million decrease in non-current loans and borrowings, with $110 million of repayments offsetting against $80 million of new loan inflows;

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- no dividend was paid in FY21. This reflects that in FY20 only an interim dividend was declared and no final dividend, whilst in FY21, a final dividend was declared and no interim dividend;
- in FY22 Estia Health conducted an on-market share repurchase for $8.0 million, and another one was announced to the market in March 2023 however it was further announced that the FY23 buy-back was on hold due to engagement with BCPE;
- net cash generated in FY23 of $5.8 million, after experiencing a net cash used of $13.0 million in FY22, was mainly attributable to the following:
  - increased EBITDA resulting from higher Government funding ahead of mandated care minutes and temporary COVID-19 grants;
  - increased net RAD/bond receipts; and
  - net tax refund.

8.7 Capital structure and ownership

As at 6 October 2023, Estia Health had the following securities on issue:

- 259,858,039 Ordinary Shares; and
- 1,682,072 Performance Rights.

8.7.1 Estia Health Shareholders

As at 6 October 2023, Estia Health had 4,988 registered Estia Health Shareholders, of which 375 held unmarketable parcels (being a parcel of Estia Health Shares with a market value of less than $500). The top 20 registered Estia Health Shareholders are primarily institutional nominees and accounted for 86.1% of Estia Health Shares on issue. Retail investors (investors holding 10,000 shares or less) accounted for 85.8% of total Estia Health Shareholders and 4.4% of Estia Health Shares on issue.[49]

Estia Health has received substantial holding notices from the following Estia Health Shareholders as at 6 October 2023:

Estia Health Substantial Shareholders as at 6 October 2023[1]

Substantial Shareholder	Date of notice	Number of shares	Percentage
Milford Asset Management Limited	11 September 2023	16,799,727	6.46%
UBS Group AG	21 August 2023	14,488,136	5.61%

Source: ASX Announcements.
Note 1: The number of share and percentage are as per the date of initial substantial holder notice.

8.7.2 Estia Health Performance Rights

Estia Health operates the following share-based payment arrangements:

- Long-Term Incentive Plan (**LTIP**), under which performance rights are awarded to executives subject to the satisfaction of performance conditions relating to Total Shareholder Return and Earnings Per Share hurdles;
- Short-Term Incentive Plan (**STIP**), under which a mix of cash (75%) and performance rights (25%) are awarded to key managers and executives subject to a combination of group-wide financial and operational targets and other role specific measures;
- Retention Plan (**RP**), under which awards in the form of performance rights were made to key managers and executives to encourage retention of their employment with Estia Health. No performance rights have been granted under the RP since FY21; and
- Management Equity Plan (**MEP**). The MEP is a legacy plan which was approved by the Board of Estia Health and implemented prior to listing and other than for existing holders, it is no longer offered. Most MEP participants were offered a 10-year limited recourse loan to subscribe for MEP shares.

[49] Source: Estia Health management.

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The SIA stipulates that Estia Health must ensure that, by no later than the Scheme Record Date, there are no Estia Health Performance Rights on issue. In order to comply with the SIA, Estia Health may (in its sole discretion):

- cause some or all of the outstanding Estia Health Performance Rights to vest, and following such vesting, cause the relevant number of Estia Health Shares to be transferred or issued to allow the relevant former Estia Health Performance Rights Holders to participate in the Scheme;
- apply to the ASX for any necessary waivers under the Listing Rules;
- with respect to any Estia Health Performance Rights that have vested as at the date of the SIA, cause the relevant number of Estia Health Shares to be transferred or issued to the relevant Estia Health Performance Rights Holders to participate in the Scheme; and
- take such action as may be necessary to cancel any outstanding Estia Health Performance Rights which it does not cause to vest, including arranging for cash settlement of the Estia Health Performance Rights.

The Estia Health Board has, exercising its discretion under the Estia Health Performance Rights Plan, resolved that, subject to the Scheme becoming Effective, all of the Estia Health Performance Rights on issue will vest in full (other than those issued to former executives of Estia Health which will vest on a pro rata basis with the balance automatically lapsing upon the Scheme becoming Effective in accordance with the Estia Health Performance Rights Plan) and be automatically exercised on a cashless basis in time for the holders of the Estia Health Performance Rights to acquire Estia Health Shares shortly before the Scheme Record Date.

Estia Health Performance Rights Immediately Prior to Scheme Implementation

Tranche	Total
FY22 LTIP	694,736
FY23 LTIP	987,336
Total	**1,682,072**

Source: Estia Health management.

The Bidder will acquire the Estia Health Shares issued to holders of the Estia Health Performance Rights on the Implementation Date and the holders of the Estia Health Performance Rights will receive Scheme Consideration in respect of those Estia Health Shares. The maximum number of Estia Health Shares that will be issued in accordance with the accelerated vesting of Estia Health Performance Rights is 1,682,072, such that the diluted number of Estia Health Shares for the Scheme will be 261,540,111.

8.8 Share price performance

In assessing Estia Health's share price performance, we have:

- analysed price and volume performance since 2 January 2020;
- compared Estia Health's share price movement to the S&P/ASX All Ordinaries Index (**ASX All Ordinaries Index**), S&P/ASX 300 Health Care Sector Index (**ASX 300 Health Care**) and Regis Healthcare; and
- assessed the VWAP and trading liquidity of Estia Health shares for the period up to the announcement of the Original Proposal on 23 March 2023.

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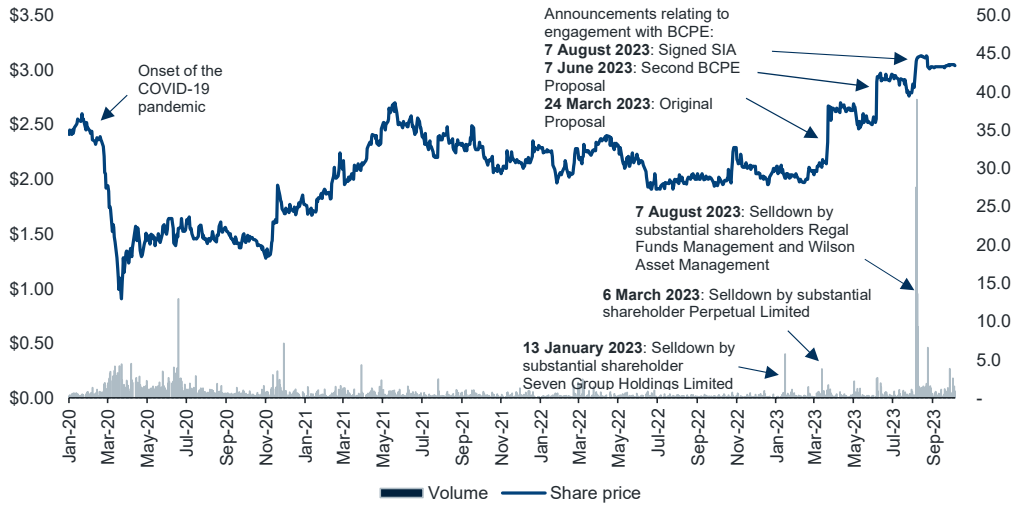
8.8.1 Recent share market trading

Estia Health's share price performance and the volume of shares traded over the period from 2 January 2020 to 6 October 2023, is illustrated as follows.

Estia Health Share Price and Volume from 2 January 2020 to 6 October 2023



Source: S&P Capital IQ; Kroll analysis.

Since January 2020, Estia Health's share price performance has predominantly been driven by external factors, particularly the COVID-19 pandemic and takeover interest from BCPE.

The share price closed at a low of $0.91 on 23 March 2020 amidst a broader sharemarket sell off at the onset of the COVID-19 pandemic. Estia Health announced on 17 March 2020 that it had suspended its FY20 guidance following heightened uncertainty surrounding the potential future impact of the COVID-19 pandemic. Estia Health's share price rebounded from this low together with the broader ASX from 30 March 2020 when the Australian Government announced its "JobKeeper" wage subsidy program to support the economy.

Subsequent announcements that led to downward price movements included:

- Estia Health's removal from the S&P/ ASX 200 Index and S&P/ASX All Australian 200 Index, announced on 12 June 2020;
- COVID-19 outbreaks at Estia Health's Heidelberg West and Ardeer homes, and the subsequent issue of Notices to Agree from the ACQSC in July 2020; and
- the announcement of Estia Health's financial performance for the first quarter of FY21 in November 2020, reflecting the negative impact of the COVID-19 pandemic on Estia Health's earnings. Estia Health advised that there were no Government grants available for lost revenues arising from reduced occupancy as a result of COVID-19 pandemic related events and that at that stage Estia Health did not anticipate recovering any revenue losses under the terms of its business interruption insurance policies.

Estia Health's share price performance was subsequently buoyed by Washington H. Soul Pattinson (**WHSP**)'s interest in acquiring competitor Regis Healthcare in November 2020, settlement of the shareholder class action on 15 February 2021, and release of the Royal Commissions Final Report calling for fundamental reform of the aged care system on 26 February 2021. The share price closed at a high of $2.70 on 21 May 2021.

Estia Health's share price performance remained relatively subdued as occupancy levels continued to be adversely impacted relative to historical performance and likely also reflecting continued regulatory uncertainty, then lifted by 9.9% to close at $2.16 on 26 October 2022 at the announcement of the acquisition of four Premier Health Care homes.

On 31 January 2023 and 6 March 2023, respectively, Seven Group Holdings and Perpetual Limited ceased to be substantial shareholders of Estia Health, selling down at around $2.00 per Estia Health Share.

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On 20 March 2023, Estia Health announced an on-market share buyback of up to 10% of its issued capital over the following 12 months. In light of the engagement with BCPE, Estia Health announced on 4 April 2023 that the buyback would be postponed until further notice.

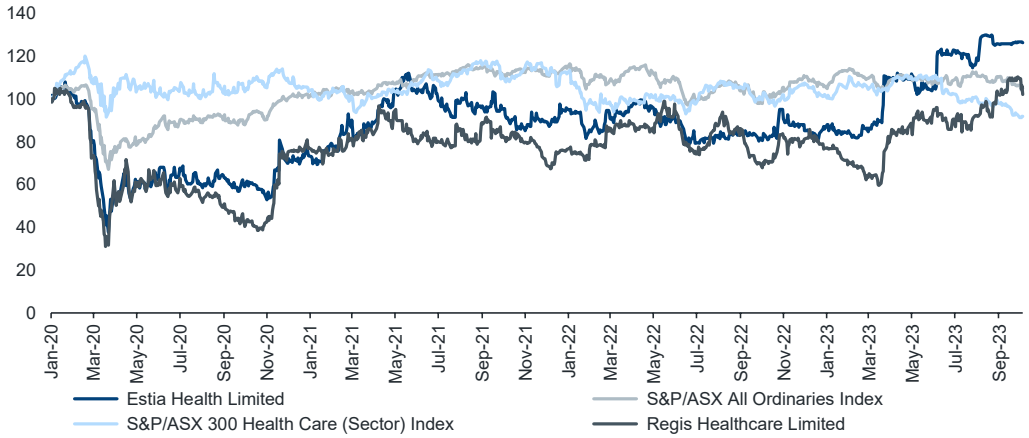
In the month prior to the Original Proposal, Estia Health Shares traded in the range of $2.04 to $2.18, at a VWAP of $2.10, and closed at $2.14 on 21 March 2023, the last undisturbed trading day.

Following the announcement that the Proposed Transaction had progressed and SIA signed on 7 August 2023, Regal Funds Management Pty Ltd and Wilson Asset Management Group both ceased being substantial shareholders selling their Estia Health Shares at approximately $3.09 per Estia Health Share.

8.8.2 Relative performance

Estia Health is a member of a number of indices including the S&P/ASX All Ordinaries Index (0.03% weighting), the S&P/ASX 300 Health Care Sector Index (0.33% weighting), S&P/ASX 300 Index (0.03% weighting) and the S&P/ASX Small Ordinaries Index (0.23% weighting). The performance of Estia Health shares, relative to the ASX All Ordinaries Index and the S&P/ASX 300 Health Care Sector Index (**the indices**), and the share price of Regis Healthcare since 2 January 2020 is illustrated as follows.

Estia Health Share Price Performance Relative to Indices and Regis Healthcare



Source: S&P Capital IQ; Kroll analysis.

Estia Health and Regis Healthcare were more heavily impacted by the onset of the COVID-19 pandemic than the overall sharemarket, declining 62.4% and 69.0% respectively due to the pandemic. Over the same period, the Heath Care Sector Index fell 8.6% and the All Ordinaries Index fell 33.0%.

The Health Care Sector Index is heavily weighted towards healthcare technology, products and equipment which benefited during periods of the COVID-19 pandemic as demonstrated by the outperformance of the sector index relative to Estia Health, Regis Healthcare and the All Ordinaries Index.

Estia Health has traded broadly in line with Regis Healthcare, except for periods of takeover interest. As noted in Section 8.8.1 of this report, Regis Healthcare was approached by WHSP on 19 November 2020. Regis Healthcare rejected the offer, however, the share price remained in line with the $1.85 per share offer which reflected a 59% premium to the 1-month VWAP of Regis Healthcare shares on 19 November 2020.

In May 2021, Estia Health outperformed Regis Healthcare and the indices, likely influenced by the announcement of the 2021 Federal Budget which included $17.7 billion for the aged care sector over five years in response to the findings of the Royal Commission as discussed in Section 7.5.2 of this report.

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8.8.3 Liquidity

An analysis of the volume of trading in Estia Health shares, including the VWAP for various periods up to 21 March 2023, the last undisturbed trading day before the announcement of the Original Proposal, is set out as follows. Low and high prices refer to prices at the close of trading.

Estia Health Liquidity up to 21 March 2023

Period	Low	High	Price ($) VWAP	Cumulative value ($ million)[1]	Cumulative volume ($ million)	Percentage of issued capital
1 day	2.14	2.14	2.15	0.4	0.2	0.1%
1 week	2.11	2.18	2.13	19.3	9.1	3.5%
1 month	2.04	2.18	2.10	43.0	20.4	7.9%
3 months	1.95	2.18	2.01	135.9	67.5	26.1%
6 months	1.94	2.29	2.02	174.1	86.3	33.4%
12 months	1.91	2.40	2.06	283.7	137.7	53.3%

Source: IRESS; Kroll analysis.
Note 1: Adjusted to remove the value of the 1H23 interim dividend of 3.70 cents which was announced on 21 September 2022.

In the 12 months to 21 March 2023, 53.3% of Estia Health shares were traded. This level of trading indicates that Estia Health shares are relatively liquid.

9 Valuation of Estia Health

9.1 Summary

Kroll has assessed the value of Estia Health's equity to be in the range of $875.0 million to $975.0 million, which corresponds with a value per Estia Health Share in the range of $2.83 to $3.21 on a fully diluted basis.[50] Our range of assessed values reflects 100% ownership of Estia Health and, therefore, incorporates a control premium. As our valuation includes a control premium, our range of assessed values per share exceeds the price at which we expect Estia Health Shares would trade on the ASX in the absence of the Proposed Transaction, a Competing Proposal,[51] or speculation regarding a Competing Proposal.

The value of a Estia Health Share has been determined by estimating the market value of Estia Health's operating business, together with consideration of non-operating assets and liabilities, and adjusted net borrowings to determine the value of equity. The valuation is summarised as follows.

Estia Health Summary of Value ($ Millions)

	Section Reference	Valuation Range Low	Valuation Range High
Value of Estia Health's operating business (100% control basis)	9.3	**875.0**	**975.0**
Other assets / (liabilities) (net)	9.5	nil	Nil
Enterprise value (100% control basis)		**875.0**	**975.0**
Adjusted net borrowings	9.7	(136.0)	(136.0)
Value of Estia Health's equity (100% control basis)		**739.0**	**839.0**
Number of shares outstanding – diluted (millions)[1]	8.7.2	261.5	261.5
Value per Estia Health Share – diluted (control basis) ($)		**$2.83**	**$3.21**

Source: Kroll analysis.
Note 1: Includes all of the 259,858,039 ordinary shares on issue, and the issue of 1,682,072 shares to settle vesting Estia Health Performance Rights.

Our valuation range of $2.83 to $3.21 per Estia Health Share reflects a premium over the closing price of Estia Health Shares on 21 March 2023, the last undisturbed trading day prior to market speculation around the existence of a possible change of control proposal, of between 32.2% and 50.0%, and a premium to the one-month VWAP in the range of 34.6% to 52.6%. A portion of this premium reflects that our valuation of

[50] This includes all of the 259,858,039 ordinary shares on issue, and the issue of 1,682,072 shares to settle vesting Estia Health Performance Rights.
[51] As defined in the Scheme Booklet.

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Estia Health includes a control premium, rather than a valuation of a minority interest in the company as traded on the ASX. This level of premium is within and above the range of premiums observed in completed transactions, which are broadly in the range of 25% to 40% depending on the individual circumstances[52] and reflects:

- that our valuation of Estia Health includes a control premium, rather than a valuation of a minority interest in the company as traded on the ASX. We note that synergies available to a pool of potential acquirers of Estia Health are expected to be limited as we consider that an acquirer is likely to be a financial buyer (refer to Section 9.2.3 of this report);
- that our value range attributes significant value to growth in occupancy to pre-pandemic levels and the recovery in earnings margins through the anticipated alignment of Government funding to staff costs; and
- factors impacting the Estia Health share price as at 21 March 2023, including the significant uncertainty in relation to the impact of regulatory changes and weaker institutional support, with the sell down by two major shareholders of Estia Health in January and March 2023.

In forming our view as to the value of Estia Health Shares, we have considered a range of factors including:

- Estia Health's position as one of the four largest full service operators in the Australian aged care sector with a diversified geographical footprint across metro and regional areas;
- the ageing demographic in Australia;
- segment trends of oversupply, and increasing demand and Government support for home care;
- Estia Health's opportunities for occupancy growth through contracted/committed acquisitions and developments and a return of the Mature Homes business to pre-pandemic occupancy levels;
- The complexity associated with the transition to mandated care minutes, given labour shortages and growth in wages;
- Estia Health's opportunities for margin expansion through the anticipated alignment of Government funding to staff costs as a result of IHACPA recommendations;
- the risk of reduced RAD balances;
- the risk of further changes to segment regulations and Government funding, and associated regulatory burden;
- the impact of the COVID-19 pandemic upon the aged care sector and Estia Health's operations is expected to reduce and have negligible impact on financial performance from FY24 onwards; and
- synergies available to a pool of potential acquirers.

Our valuation does not consider further acquisitions or further developments (beyond those that are committed). Whilst there may be an opportunity for Estia Health to undertake further acquisitions and developments, we consider that it is unlikely that an acquirer would pay for something that they had to execute themselves and bear all associated risks.

9.2 Approach

9.2.1 Overview

Our valuation of Estia Health has been prepared on the basis of 'fair value'. The generally accepted definition of fair value (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length. Fair value excludes 'special value', which is the value over and above the value that a particular buyer, which can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

In the absence of direct market evidence, fair value is commonly derived by applying one or more of the following valuation approaches:

[52] 2022 Mergerstat Review. Range represents median premium from 2012 to 2021. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

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- income approach;
- the market approach; or
- cost approach.

These approaches are discussed in further detail in Appendix 4. The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the business and the actual practice adopted by purchasers of the type of asset or business involved. A secondary methodology is often adopted as a cross-check to ensure the reasonableness of the outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, the market approach and income approach are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich (e.g. real estate investment trusts), a cost approach is often adopted as there tends to be minimal goodwill, if any.

9.2.2 Selection of methodology

A discussion of the rationale for the selection of the valuation methodologies is set out as follows.

Income approach

Under an income approach, the value of an asset is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history, there is a variable pattern of cash flow, or the asset has a finite life.

The most common application of the income approach is the DCF methodology. A DCF methodology has been adopted as our primary methodology for valuing Estia Health's operating business. This methodology allows for cash flows to reflect the stabilisation of funding receipts and facility staff costs as Estia Health transitions operations to meet the mandated care minutes, and allows for a range of scenarios to be modelled (e.g. to reflect the impact of movement in key value drivers such as occupancy, labour costs, Government funding and movements in RADs).

A DCF methodology can be applied to cash flows to the whole asset or cash flows to equity. Cash flow to the whole asset is most commonly used because an asset should theoretically have a single value that is independent of how it is financed or whether income is paid as dividends or reinvested.

The DCF analysis was based on a long-term financial model developed by Kroll on the basis of the Five-Year Projection Model provided by Estia Health (**Projection Model**). Kroll has undertaken various enquiries in relation to the Projection Model, including holding discussions with Estia Health management in regard to the key assumptions underlying the Projection Model and reviewing the key assumptions in the context of current economic and industry forecasts, financial and regulatory conditions.

Kroll is of the view that the forward looking information has been prepared on a reasonable basis and is, therefore, suitable as a basis for our valuation. In making this assessment, we have taken the following into account:

- the Projection Model has been prepared on the basis of a detailed forecast for Estia Health's portfolio of Mature Homes, being the steady-state portfolio of homes for the first financial year of the projection period;
- forecasts for the first financial year of the Projection Model, FY24, are based upon Estia Health's baseline forecast (**FY24 Baseline**). Baseline figures are provisional draft figures built up from inputs on a facility by facility basis using a detailed internal planning platform. The FY24 Baseline has been internally reviewed by the Estia Health Board;
- the ramp-up and wind-down of new acquisitions, committed developments and exits are separately modelled. The Projection Model does not consider the potential impact and growth from further acquisitions, uncommitted greenfield or brownfield developments, adjacencies or the divestment of lower quartile performing assets;

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- the Projection Model is used in the day-to-day operations of Estia Health for strategic oversight, business and capital planning purposes, and is periodically provided to auditors and investment banks for impairment testing and analytical purposes;
- it is updated on a quarterly basis as the baseline is refreshed for actual results, budgets and changes in outlook. The current Projection Model was last updated in August 2023;
- the five-year period captures Estia Health's transition to meeting the mandated care minutes with key assumptions around the transition to steady state Government funding and daily staff rates; and
- the industry is highly regulated, which makes certain assumptions more predictable (e.g. as a result of mandated care minutes).

There are, however, uncertainties in relation to certain assumptions underlying the Projection Model which are outside management's control, including occupancy, labour costs and Government funding and inflation, each of which can have a material impact on value. Consequently, Kroll has considered various scenarios to reflect the impact on value outcomes of these uncertainties.

We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, or tested the mathematical integrity of the Projection Model, however, we have made sufficient enquires and, where considered necessary, have made adjustments to reflect our judgement.

Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. Application of this approach involves the capitalisation of the cash flows or earnings (or revenue) of a business at a multiple that reflects both the risks of the business and the future growth prospects of the income it generates. It is commonly adopted where:

- the asset or business or similar assets or businesses are actively publicly traded (**market comparable methodology**);
- there are frequent and/or observable transactions in comparable assets or businesses (**comparable transactions methodology**); and
- there is substantial operating history and a consistent earnings trend.

Estia Health has a substantial operating history although its earnings have been significantly impacted by the COVID-19 pandemic and regulatory reform. There is only one primarily comparable company that is publicly traded, and whilst there are a number of transactions involving aged care providers, there is only one that is of sufficient scale and from which to calculate meaningful multiples. Nevertheless, a market approach has been used as a cross-check.

We note that due to differing regulatory regimes and funding between countries, the trading and transaction multiples observed for foreign companies are less relevant. Only Australian and New Zealand comparable companies and transactions have been considered in the market comparable methodology.

Application of this approach involves the capitalisation of the cash flows or earnings of a business at a multiple that reflects both the risks of the business and the future growth prospects of the income it generates. This methodology requires an element of professional judgement as to:

- the level of earnings or cash flows that are expected to be maintainable indefinitely, adjusted for non-recurring items and other known factors likely to impact on future operating performance; and
- an appropriate capitalisation multiple that reflects the risk and growth prospects associated with the level of earnings being capitalised. The capitalisation multiple is usually determined having regard to market evidence derived from comparable transactions and share market prices for comparable companies, whilst also considering the specific characteristics of the business being valued.

The earnings base to which a multiple is commonly applied include revenue, EBITDA, EBIT and net profit after tax. The choice will typically depend on the industry and characteristics of the subject asset. We note that EBITDA or an equivalent measure reflecting the underlying EBITDA of the company is commonly used in valuing aged care companies. Consequently, we have utilised historical and forecast EBITDA (adjusted to exclude exceptional items) as the basis of EBITDA multiples for our market approach.

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In considering the appropriate earnings of the business being valued from which to calculate multiples, factors taken into account include whether the historical performance of the business reflects the expected level of future operating performance, such as when significant changes occur in the operating environment such as the COVID-19 pandemic and material regulatory change. Consequently, Kroll has focused on multiples in FY24 when the impacts of the COVID-19 pandemic and regulatory reform are expected to have substantially normalised.

Estia Health has not provided earnings guidance. Accordingly, the implied forward multiples used in our market approach cross-check have been calculated based on broker consensus forecasts. Kroll has compared the broker consensus forecast EBITDA for Estia Health in FY24 to FY26 with the forecasts in the Projection Model and concluded that broker consensus forecasts are sufficiently close in order to be useful for analytical purposes.

Rule-of-thumb valuation benchmarks are sometimes considered to be an application of the market approach. They generally should not be given substantial weight unless market participants place particular reliance on them. A common rule-of-thumb in the residential aged care segment is the implied enterprise value (**EV**) to bed multiple. As such we have used the implied EV/bed multiple as a cross-check.

Cost approach

A cost-based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). This approach does not capture growth potential or internally generated intangible value associated with a company such as Estia Health.

9.2.3 Control premium

Consistent with the requirements of RG 111, we have assumed 100% ownership of Estia Health and, therefore, our valuation includes a control premium.

Successful transactions are commonly completed with an implied acquisition premium to the pre-trading equity price of the target in the order of 25% to 40% depending on the individual circumstances.[53] In considering the evidence provided by actual transactions, it is important to recognise that the observed premium for control is an outcome of the valuation process, not a determinant of value, and that each transaction will reflect to varying degrees the outcome of a unique combination of factors, including:

- the acquirer's capacity to realise full control over the strategy and cash flows of the target entity;
- the magnitude of synergies available to all acquirers, for example, the rationalisation of costs related to duplicated functions, or the removal of costs associated with the target being a listed entity;
- uncertainties related to the timing of full realisation of target synergies;
- the expected costs to migrate and integrate the business;
- the nature of the bidder (i.e. whether the acquirer is a financial investor or a trade participant);
- synergistic or special value that may be unique to a particular acquirer;
- the interest acquired in the transaction with consideration to the bidder's pre-existing shareholding in the target;
- the prevailing conditions of the economy and capital markets at the time of the transaction with consideration to the position in the overall market cycle;
- desire (or anxiety) for the acquirer to complete the transaction;
- whether the acquisition is competitive; and
- the extent the target company's share price already reflects a degree of takeover speculation.

The premium that is ultimately applied must have regard to the circumstances of each case. In some situations, it may be appropriate to apply no premium for control, for example, there are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through

[53] 2022 Mergerstat Review. Range represents median premium from 2012 to 2021. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

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an initial public offering. Accordingly, an assessment as to an appropriate control premium, if any, is essentially a matter of judgement.

The multiples derived for listed comparable companies generally reflect prices at which portfolio interests (i.e. minority interests) are traded and consequently, do not include a control premium. They may also be impacted by the level of liquidity in trading of the particular security. Accordingly, when valuing a business as a whole (i.e. Estia Health on a 100% basis), or when valuing the main undertaking of a business, it is appropriate to reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected.

The number of potential strategic acquirers for Estia Health is limited, as Estia Health is one of the largest operators in the Australian aged care sector, and foreign acquirers are unlikely to be able to achieve significant synergies given the differences in local regulations. Any acquirer of Estia Health, including a financial buyer, could, however, save all of Estia Health's public company costs. Consequently, we consider that a limited control premium could reasonably be expected to be paid by a hypothetical acquirer.

In valuing Estia Health utilising a DCF analysis, in order to reflect the valuation on a controlling interest basis, synergies are reflected directly in the cash flow forecasts. It is assumed that all public company costs of approximately $4.4 million are saved.

In performing the market approach as a cross-check, potential synergy benefits have been included by incorporating a multiple that is based on recent transaction evidence and includes a control premium. Adding both an adjustment to earnings to reflect synergies and a control multiple in the valuation would result in an overstatement of the benefits of a transaction.

9.3 Discounted cash flow analysis

As discussed, the DCF analysis was based on a long-term financial model developed by Kroll on the basis of a Projection Model provided by Estia Health. The DCF analysis uses as a starting point the FY24 Baseline and projects nominal, unlevered, after tax cash flows to 30 June 2028, a period of five years. Unlevered, after tax cash flows are discounted at a weighted average cost of capital (**WACC**) in the range of 10.7% to 11.2% (refer to Appendix 5). A terminal value is calculated based on a Gordon Growth Model and a perpetual growth rate of 2.5%, taking into consideration the long term IHS Markit inflation forecasts, the Reserve Bank of Australia (**RBA**) inflation target of 2% to 3%, the mature stage of the industry and the oversupply of beds within the industry. The resulting terminal value is equivalent to a multiple range of 6.0 to 6.4 times FY28 EBITDA.

9.3.1 Base case assumptions

Kroll has developed a base case scenario (**Scenario A**). Under Scenario A, FY24 reflects the announced AN-ACC funding rates, wage increases and adjustments to staffing levels as Estia Health transitions to the mandated care minute regime from 1 October 2023. Steady-state growth is projected from FY25 once the committed developments reach full occupancy and contracted acquisitions are fully integrated. No further acquisitions or developments are assumed. Occupancy for Mature Homes returns to pre-pandemic levels by the end of FY24. Key indexation assumptions from FY25 onward have been held relatively consistent at between 3.0% to 3.25%, and applied to revenue and costs at an equal level so that wage increases are predominantly fully funded and margins are maintained. No major movements are modelled for resident mix or payment preferences at the portfolio level.

The key assumptions underlying Scenario A are:

- **revenue** is a function of occupied bed days and revenue POBD:
  - **occupied bed days** is a function of occupancy and available beds, multiplied by 365 days per annum. Estia Health group occupied bed days is the aggregate of bed days for Mature Homes and developments/acquisitions:
    - **Mature Homes**: available beds is held flat at 6,720. Occupancy recovers to pre-pandemic levels with an average occupancy of 93.6% for FY24 (consistent with FY19 average occupancy) and increases to 94.1% (slightly below FY18 average occupancy of 94.2%) from June 2024 onwards;
    - **Developments/acquisitions**: provide additional beds, increasing total available beds to 7,106 by the end of FY24 as a result of the inclusion of additional residential places from current developments (St Ives and Aberglasslyn), and acquired RFL homes in Benalla and Bendigo,

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as discussed in Section 8.2.3 of this report, less the residential places in Estia Health's existing homes to be closed in Benalla and Bendigo. Occupancy for the developments post ramp up is higher than for Mature Homes;

Higher occupancy rates for developments/acquisitions results in Estia Health group occupancy increasing to slightly above historical levels by FY28;

- **revenue POBD**:
  - **AN-ACC funding POBD**: increases by 15.0% in FY24. Base level indexation is 3.25% per annum from FY25 so that increases in staff facility costs are fully funded by increases in AN-ACC funding. Further AN-ACC rate increases are, however, expected as re-assessments are performed based on each resident's acuity;
  - **other Government revenue POBD**: increases by nearly 50% in FY24, impacted by an increase in respite subsidies, a new hotelling supplement implemented on 1 July 2023 and COVID-19 grants which remain available until 31 December 2023. Further increases thereafter reduce to 3.0% per annum. Net COVID-19 costs/grants from FY24 onwards are negligible and form part of steady-state operations;
  - **BDCF POBD**: increases in line with pension indexation of 5.0% from October 2023 and 3.0% from April 2024. Further fee growth is 3.0% per annum from FY26 onwards; and
  - **other resident revenue POBD**: increases by over 10% in FY24 and FY25, impacted by increases in the MPIR on DAP payments and increases in Additional Services for recently acquired homes. The MPIR rate for all new residents paying a DAP was increased to 7.9% from 1 July 2023. The rate increases to 8.15% from 1 October 2023 and is then flat for the remainder of FY24. Other resident revenue grows at 3.0% annually from FY26 onwards;
- **labour and other costs**: include staff and non-staff facility costs POBD and central costs:
  - **staff facility costs POBD**: for Mature Homes increase by nearly 20% in FY24 as a result of increases in FWC and EBA wages and superannuation, and rostering to meet mandated care minutes and registered nurse time. A further increase in FY25 of over 7% in facility staff costs POBD includes escalation of 3.25% and a further uplift to the POBD rate to reflect the full year effect of the transition to mandated care minutes. Indexation of 3.25% per annum applies from FY26 onwards in line with AN-ACC funding POBD. Facility staff costs for development properties are modelled separately on an asset-by-asset basis, however also reflect indexation of 3.25% once mature;
  - **non-staff facility costs POBD**: increase by approximately 7% in FY24, influenced by region-by-region run rates and specific contract requirements. FY25 costs POBD increase at a reduced rate of 2%, reflecting decreases in allied health cost which will be offset by the increase in care minutes, and cost savings following review of current fixed rate utility costs. Subsequent year non-staff facility costs POBD escalate at approximately 3.0%;
  - **central costs**: increase by over 8% in FY24, reflecting additional central staff to manage and support the steady-state portfolio and increases in licencing costs, followed by 3.25% in FY25 and 3.0% per annum thereafter;
- **capital expenditure**: increases by over 50% in FY24 including an extra $30 million to support strategic improvements. Total capital expenditure reduces to $30 million per annum from FY25 onwards to support maintenance and strategic improvements as the portfolio reaches a steady-state operating phase;
- **depreciation and amortisation (excluding bed licences)**: increases in FY24 due to the commissioning of two new development projects and planned refurbishment/asset lifecycle improvement projects. Depreciation and amortisation charges are held constant from July 2024;
- bed licence amortisation arising from the abolition of ACAR is complete by 30 June 2024;
- lease payments for right of use leases are excluded from the cash flows and right of use lease liabilities are included in net debt;
- **RAD flows**: RAD inflows in FY24 and FY25 reflect new RADs from committed greenfield developments and an uplift in room prices. Net RAD inflows for Mature Homes assumes average

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resident turnover every three years and indexation of incoming RAD prices in the range of 3.1% to 4.0%; and

- **working capital**: increases in FY24 and is held at a constant proportion of revenue thereafter.

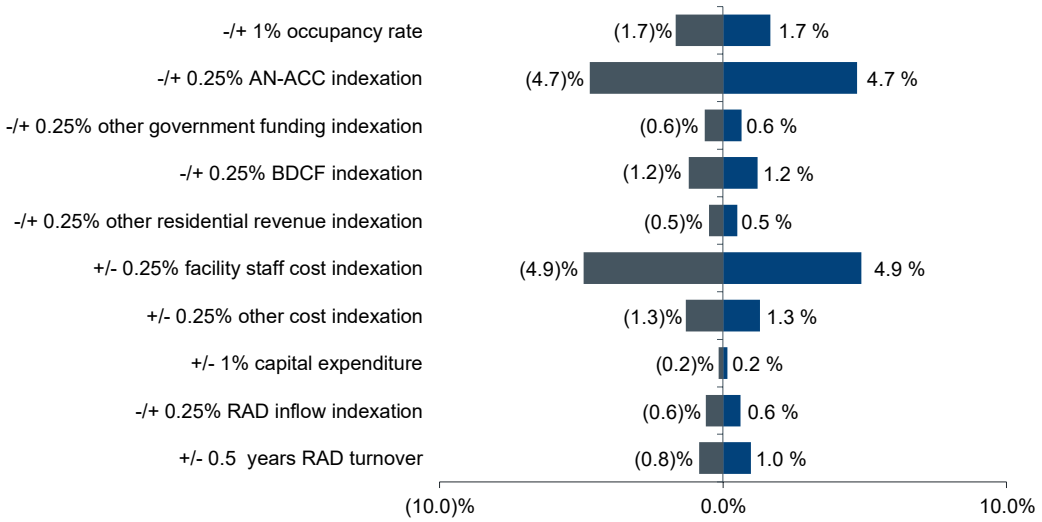
9.3.2 Sensitivity analysis

Scenario A produces a net present value (**value outcome**) range for Estia Health's operating business of $916.9 million to $1,009.4 million. Kroll has analysed Scenario A to assess the sensitivity of the value outcomes (based on the midpoint) to changes in the following variables:

- occupancy (%): +/- 1% per annum;
- AN-ACC funding indexation (%): +/- 0.25% per annum;
- other Government funding indexation (%): +/- 0.25% per annum;
- BDCF indexation (%): +/- 0.25% per annum;
- other resident revenue indexation (%): +/- 0.25% per annum;
- facility staff cost indexation (%): -/+ 0.25% per annum;
- other costs indexation (%): -/+ 0.25% per annum;
- capital expenditure ($ million): -/+ 1% per annum;
- RAD price indexation (%): -/+ 0.25% per annum; and
- RAD turnover (number of years): +/-0.5 year.

The output of the sensitivity analysis is summarised as follows.

Estia Health Sensitivity Analysis



Source: Kroll analysis.

The chart above highlights the sensitivity of value outcomes to selected movements in a range of assumptions when they are moved individually and is, therefore, useful to understand the sensitivity in value outcomes but is not necessarily representative of the range of potential value outcomes for Estia Health. Furthermore, the sensitivity analysis does not take into consideration the interrelationship between key variables (e.g. AN-ACC funding and facility staff costs are not directly linked) or relationships are simplified (e.g. facility staff costs are directly linked to occupancy, however, in reality, adjustments to staff numbers will take time). The analysis indicates that:

- values are highly sensitive to AN-ACC funding and facility staff costs, as these items comprise a majority of revenue and costs. The value impacts of changes in AN-ACC funding and facility staff cost escalation will offset each other while their rate of escalation is aligned;

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- values are moderately sensitive to occupancy. Occupancy impacts all revenue items as well as variable costs, including facility staff costs and facility non-staff costs;
- values are moderately sensitive to RAD inflow indexation and RAD turnover; and
- values are not particularly sensitive to minor movements in any other assumptions.

The sensitivity analysis does not consider Estia Health management's ability to react to changes in external factors. In this regard, Estia Health management's ability to react to market changes is limited as the industry is highly regulated (in particular, a majority of costs relate to facility staff costs, which are subject to compulsory care minutes) and quality of care and brand reputation are important.

9.3.3 Scenario analysis

There is considerable uncertainty regarding AN-ACC funding and facility staff costs as Estia Health transitions to meet mandatory care minutes and, as demonstrated in the sensitivity analysis, changes in these assumptions have a significant impact on value. Furthermore, there are a range of factors impacting occupancy, which is also influential on value. While small movements in RAD balances do not have a substantial impact on value, there is a risk that another shock (similar to the COVID-19 pandemic) will result in a substantial outflow in RAD balances. This results in there being a wide range of potential outcomes for Estia Health. Kroll has developed a number of scenarios which reflect the risks to and relationships between Government funding and labour costs, occupancy and labour costs, as well as other opportunities and risks to which Estia Health is exposed. We have, however, limited our scenarios to those we consider to be plausible based on the evidence available, as set out in the following:

- **indexation of AN-ACC funding and facility staff costs**: Scenario A assumes that both AN-ACC funding and facility staff costs escalate at 3.25% from FY25 to FY28. As discussed in Section 7.7.4 of this report, indexation of AN-ACC funding is recommended to the Government by an independent pricing authority, IHACPA, based on a combination of best practice and cost-based approaches, and has reference to a range of ABS Indices, stakeholder feedback and relevant information from the Aged Care Financial Report and Quarterly Financial Report. It takes into consideration the performance of a range of industry participants, including not for profit providers. It us up to the Government whether to fund the recommendation or not. Scenario A assumes that escalation of both AN-ACC funding and facility staff costs is identical such that increases in facility staff costs are fully funded. There is a risk that indexation of AN-ACC funding and Estia Health's actual facility staff costs are not equal, such that Estia Health is either over or under funded. These risks are reflected in the following scenarios:
  - Scenario B ("lower facility staff costs escalation"): facility staff cost indexation is 0.25% lower than AN-ACC funding indexation; and
  - Scenario C ("lower funding escalation"): AN-ACC funding indexation is 0.25% lower than facility staff cost funding indexation;
- **occupancy and facility staff costs**: Scenario A assumes Mature Homes occupancy reaches its 94% occupancy target by the end of FY24. Potentially, Estia Health could increase occupancy to above this level (e.g. as a result of a reduction in competition as small participants leave the industry). Conversely, Estia Health's ability to increase occupancy above 94% may be limited by resident demand, segment oversupply of residential places and Estia Health's ability to increase facility staff numbers sufficiently to meet the mandated care minutes. As discussed in Section 9.3.2, adjustments to staff numbers as a result of movements in occupancy would likely take time and consequently, a fall in occupancy is likely to result in a temporary increase in facility staff costs POBD, while an increase in occupancy is likely to result in a temporary decrease in facility staff costs POBD. The following scenarios have been modelled:
  - Scenario D ("higher occupancy") assumes a maximum Mature Homes occupancy of 95% from FY25. Facility staff costs POBD decrease temporarily by 0.5% in FY25 to reflect the transition of staffing to higher occupancy levels; and
  - Scenario E ("capped occupancy") assumes a maximum Mature Homes occupancy of 93.5% from FY25. Facility staff costs POBD increase temporarily by 0.5% in FY25 to reflect the transition of staffing to lower occupancy levels;
- **RAD outflows**: RAD prices are indexed at rates of between 3.1% of 4.0% under Scenario A. These rates exceed external inflation projections. There is a risk that RAD price indexation will be closer to

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inflation projections as lower RAD prices may be required to support occupancy targets. In addition, a large RAD outflow is also plausible (e.g. as a result of greater competition or another market shock similar to the COVID-19 pandemic). The following scenarios have been modelled:

- Scenario F ("RAD price growth at inflation") assumes that RAD price indexation aligns to general inflation projections of 2.84%, 2.59%, 2.50% and 2.50% from FY25 to FY28 respectively; and
- Scenario G ("large RAD outflow") assumes an additional $40 million outflow of RADs in FY25.

We also considered the impact of combining scenarios C with E (Scenario H or 'lower funding and capped occupancy') as well as combining scenarios C, E and G (Scenario I or "worst case" scenario).

The Base Case does not include further acquisitions or further developments (beyond those that are committed). Whilst there may be an opportunity for Estia Health to undertake further acquisitions and developments, Kroll has not developed a scenario to reflect these opportunities as we consider that it is unlikely that an acquirer would pay for something that they had to execute themselves and bear all associated risks.

These scenarios are summarised as follows.

Estia Health Scenario Summary

Scenario Summary		
Scenario A	Base case	Base Case. Indexation of AN-ACC funding and facility staff costs of 3.5% from FY25 onwards such that facility staff cost growth is fully funded. Mature Homes occupancy increases to 94.1% by FY28.
Scenario B	Lower facility staff costs escalation	Scenario A except AN-ACC funding indexation is 0.25% higher than facility staff cost indexation.
Scenario C	Lower funding escalation	Scenario A except AN-ACC funding indexation is 0.25% lower than facility staff cost indexation.
Scenario D	Higher occupancy	Scenario A except that Mature Homes occupancy increases to 95% from FY25 and facility staff costs POBD are temporarily 0.5% lower in FY25.
Scenario E	Capped occupancy	Scenario A except that Mature Homes occupancy is capped at 93.5% and facility staff costs POBD are temporarily 0.5% higher in FY25.
Scenario F	RAD price growth at inflation	Scenario A except RAD price indexation aligns to general CPI projections.
Scenario G	Large RAD outflow	Scenario A except there is an additional $40 million RAD outflows in FY25
Scenario H	Lower funding and capped occupancy	Scenario C except that Mature Homes occupancy is capped at 93.5% and facility staff costs POBD are temporarily 0.5% higher in FY25 (Scenario E).
Scenario I	Worst case	Scenario H except that there is an additional $40 million in RAD outflows (Scenario G). This is Kroll's 'worst case' scenario.

Source: Kroll Analysis.

The output of the DCF analysis for a range of discount rates is summarised as follows.

Estia Health Value of Operating Business - Scenario Analysis ($ Millions)

Scenario		Discount rate				
		11.5%	11.2%	11.0%	10.7%	10.5%
Scenario A	Base case	912.8	**933.8**	955.9	**979.4**	1,004.3
Scenario B	Lower facility staff costs escalation	956.5	**979.0**	1,002.6	**1,027.7**	1,054.3
Scenario C	Lower funding escalation	870.7	**890.3**	911.0	**932.9**	956.1
Scenario D	Higher occupancy	928.5	**949.8**	972.3	**996.2**	1,021.5
Scenario E	Capped occupancy	901.7	**922.4**	944.3	**967.4**	992.0
Scenario F	RAD price growth at inflation	895.8	**916.7**	938.7	**962.1**	986.8
Scenario G	Large RAD outflow	878.8	**899.7**	921.7	**945.0**	969.8
Scenario H	Lower funding and capped occupancy	859.8	**879.2**	899.6	**921.2**	944.1
Scenario I	Worst case	827.7	**847.0**	867.3	**888.8**	911.6

Source: Kroll analysis.

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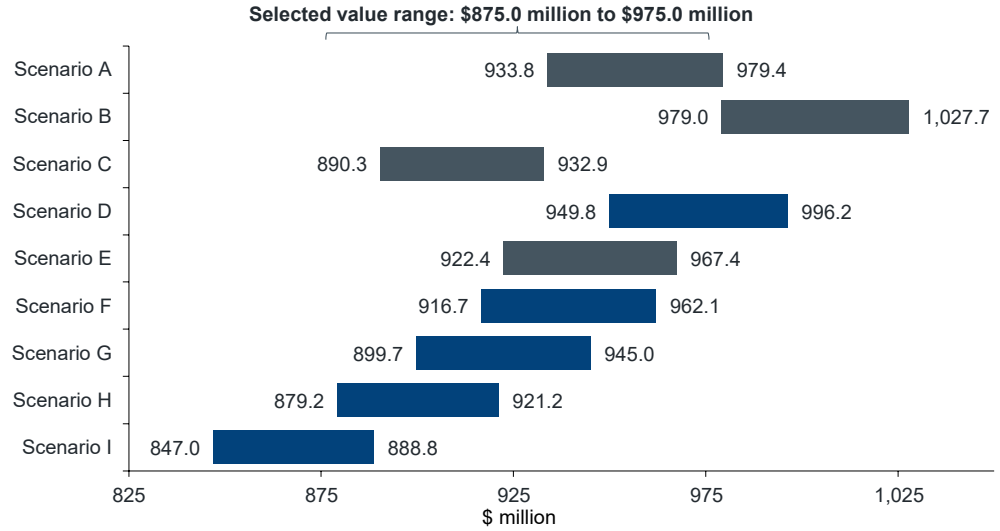
The range of values for each scenario (based on our selected discount rate range of 10.7% to 11.2%) is illustrated in the following chart.

Estia Health Value of Operating Business - Scenario Analysis



Source: Kroll analysis.

Kroll has selected a value of Estia Health's operating business in the range of $875.0 million to $975.0 million. We have had particular regard to the outcomes of Scenarios A C, E, F, G and H as we consider that Estia Health faces greater downside risks than opportunities. In forming our value range we note the following:

- Scenario A assumes that increases in facility staff costs are fully funded. This has not historically been the case and there is uncertainty as to whether future funding will align with staff costs. Furthermore, in recommending AN-ACC indexation, the independent pricing authority takes into consideration wages costs for not-for-profit participants, which are exempt from payroll and fringe benefits tax and, therefore, can potentially incur lower wages costs than taxable entities such as Estia Health. Consequently, it would seem more likely than not that facility staff cost growth is not fully funded (Scenario C). For the same reasons, an extended period of overfunding (Scenario B) appears unlikely;
- there is risk that Mature Homes occupancy will not achieve a level that is greater than that achieved immediately prior to the onset of the COVID-19 pandemic (93.6% in FY19) (Scenario E), given the current market oversupply of residential places and increased demand and government support for alternatives such as home care. For the same reasons, as well as the potential for there to be a natural ceiling on occupancy due to potential logistical and administrative challenges related to resident turnover and facility specific factors across metropolitan and regional homes, an increase in occupancy above pre-pandemic levels (Scenario D) is less likely;
- it is also conceivable that Scenario C (there is insufficient funding) and Scenario E (that occupancy returns to no more than pre-pandemic levels) could occur in combination (Scenario H);
- whilst Estia Health has discretion to escalate RAD prices by up to 4.0% (Scenario A), it is also possible that market pressures may force Estia Health to limit RAD price escalation to general inflation in order to achieve the assumed occupancy levels (Scenario F); and
- a large RAD outflow (Scenario G) is also plausible. This could occur as a result of greater competition, a loss of reputation for Estia Health or the segment generally, further shifts towards home care or another market shock similar to the COVID-19 pandemic, a marked shift in payment preferences towards DAP payments or further Government regulation impacting RADs. Although plausible, we consider the combination of Scenario G and Scenario H (worst case scenario or Scenario I) to be overly pessimistic.

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9.4 Market approach cross-check

9.4.1 Overview

The multiples implied by our selected value range have been compared to multiples of EBITDA and residential places for comparable listed aged care operators and transactions involving aged care operators. These multiples and company descriptions are set out in detail in Appendix 6.

Regis Healthcare is the only listed aged care operator. Kroll has also considered healthcare operators, however, it is difficult to compare healthcare and aged care operators as the differences in operations create significant differences between the nature of the revenue streams and the interactions between competitors, all of which influence key valuation metrics. Given these factors, little reliance has been placed upon health care operators.

Kroll has also considered transactions within the aged care sector in Australia and New Zealand. However, even within the sector it is difficult to compare transactions due to the timing of the transactions (e.g. at the height of the COVID-19 pandemic), significantly varying size of market operators, and the presence of not-for-profit operators. Kroll reviewed 31 transactions within the Australian market, with only one comparable transaction identified as being relatively recent and of sufficient scale – Japara Healthcare Limited (**Japara**), which was bought by Calvary Bruce Private Hospital.

None of the transactions, however, occurred in the current environment when the impact of the COVID-19 pandemic is controlled under the new regulatory regime where there is a greater prospect that costs will be fully funded. Other transactions involving aged care operators also tend to be substantially smaller than Estia. Other factors that reduce comparability are the development status of additional residential place capacity, not-for-profit status of participants and volume of vacant land which can be developed.

9.4.2 Estia Health implied EBITDA multiples

The value of Estia Health's operating business of $875.0 to $975.0 million implies the following multiples of operating EBITDA:

Estia Health Implied EBITDA Multiples (Times)

	Parameter	Low	High
Value of Estia Health's operating business ($ millions)		**875.0**	**975.0**
FY23 Estia Health EBITDA – actual excluding COVID-19 impact	84.3	10.4	11.6
FY23 Estia Health EBITDA – actual including COVID-19 impact	111.2	7.9	8.8
FY24 Estia Health EBITDA – broker consensus	114.0	7.7	8.6
FY25 Estia Health EBITDA – broker consensus	124.0	7.1	7.9
FY26 Estia Health EBITDA – broker consensus	129.5	6.8	7.5

Source: Kroll analysis.

We have included the FY23 EBITDA both including and excluding COVID-19 impacts for multiple comparisons, however, given the broker expectation of a long-term nil impact and the newly introduced regulatory funding framework, FY24 multiples are considered more representative of future earnings potential.

The implied operating EBITDA multiples for Estia Health are reasonable, taking into account the following:

- the valuation of Estia Health includes a premium for control, whereas multiples based on sharemarket evidence do not;
- the only listed Australian aged care company, Regis Healthcare, is trading at a multiple of 7.0 times FY24 EBITDA. Regis Healthcare has a similar number of beds (6,969) compared to Estia Health (6,720) and slightly lower occupancy (91.5%) than Estia Health (92.3%). As expected, the multiple for Regis Healthcare is below the implied multiple for Estia Health of 7.7 to 8.6 times FY24 EBITDA which includes a control premium; and
- the Japara transaction occurred at a historical multiple of 14.4 times EBITDA, however, we note that this transaction was announced in April 2021 during the height of the COVID-19 pandemic and at a low point in Japara's earnings and when Government funding was insufficient to cover rising costs. Earnings were expected to recover in future years and FY22 and FY23 forecast year multiples were 12.6 and

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11.5 times, respectively. The Japara transaction also involved a competitive bidding process and was acquired by a not-for-profit group, Calvary Bruce Private Hospital. Furthermore, Japara had an additional 26.6% of residential places in development (compared to Estia Health's anticipated net increase of 5.7% from acquisitions and developments, net of closures). Each of these factors supports a higher multiple for Japara in 2021 than for Estia Health today.

9.4.3 Estia Health implied residential bed multiples

Multiples of residential beds is commonly used in the valuation of aged care businesses. It is important to note, however, that differences can arise not just as a result of different growth prospects, but that multiples will be influenced by factors impacting margins (e.g. industry related factors applicable at the date on which multiples are calculated such as the extent of Government funding and regulation as well as the existence of the COVID-19 pandemic, not-for-profit, age and condition of homes, configuration and number of beds per room in each home) as well as the existence of operations outside aged care and a significant development pipeline. As a result, we have placed less reliance on these multiples.

The value of Estia Health's operating business of $875.0 to $975.0 million implies the following multiples of operating beds:

Estia Health Implied Multiples of Residential Places ($)

	Parameter	Low	High
Value of Estia Health's operating business ($ millions)		**875.0**	**975.0**
FY23 resident places	6,720	130,208	145,089
FY24 resident places	6,956	125,791	140,167

Source: Estia Health investor presentations; Kroll analysis.

The implied multiples of operating beds for Estia Health are reasonable, taking into account the following:

- Japara had a multiple of residential places of $115,154, which is lower than the implied multiples for Estia Health. This is appropriate since despite the favourable growth trend for Japara and significant development pipeline (refer to Section 9.4.2 of this report), Japara's first forecast year EBITDA margin of 8.6% is below Estia Health's FY24 margin of 12.9%; and
- Regis has a multiple of residential places of $89,281, which is lower than the implied multiples for Estia Health. This is reasonable taking into account the factors described in Section 9.4.2 of this report, as well as Estia Health's relatively high EBITDA margins (12.9% in FY24 compared to 10.3% for Regis Healthcare in FY24). [54]

9.5 Other assets and liabilities

No assets were held for sale by Estia Health as at 30 June 2023, and management have advised there are no assets and liabilities that are not required to sustain the adopted level of maintainable earnings.

9.6 September 2023 Dividend

Subsequent to the date of announcement of entry into the SIA, Estia Health paid a final fully franked ordinary dividend of $0.12 per Estia Health Share in relation to FY23. The dividend was paid on 15 September 2023 to those Estia Health Shareholders on the share register on 28 August 2023, and included an additional benefit to eligible Shareholders of approximately $0.05 per Estia Health Share in franking credits.

The Scheme Consideration of $3.08 in cash to be paid by the Bidder for each Estia Health Share excludes the September 2023 Dividend and, therefore, our valuation excludes the total dividend payment of the $31.1 million from the 30 June 2023 cash balance.

In Kroll's opinion, it is not appropriate in assessing the Scheme to either factor into the value of Estia Health the value of accumulated franking credits or include in the value of the consideration the value of the credits attached to the September 2023 Dividend since the value of those credits to each shareholder varies depending on their individual circumstances. Nevertheless, it needs to be recognised that, where part of a takeover offer comprises a franked dividend, some shareholders may realise additional value from the

[54] Forward multiples are based on broker consensus forecasts sourced from Refinitiv.

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franking credits (i.e. they are better off in after tax terms than they would have been had the same amount been paid as part of the acquisition price and been received as a capital gain).

9.7 Net borrowings

In order to arrive at the value of equity, it is necessary to deduct the net borrowings from the unlevered value of Estia Health. Kroll has assessed Estia Health's net borrowings position for the purpose of this valuation to be $136.0 million. This amount is based on Estia Health's borrowings and right-of-use lease liabilities as at 30 June 2023 net of the cash balance as at 30 June 2023 less cash paid for the September 2023 Dividend.

Estia Health's Net Debt as at 30 June 2023 ($ Millions)

	Value
Cash and cash equivalents (as at 30 June 2023)	26.2
Cash to pay September 2023 Dividend	(31.1)
Borrowings (as at 30 June 2023)	(70.0)
Right-of-use lease liabilities (as at 30 June 2023)	(61.1)
Adjusted net borrowings	**(136.0)**

Source: Kroll analysis.

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Appendix 1 – Kroll disclosures

Qualifications

The individuals with overall responsibility for preparing this report on behalf of Kroll are Ian Jedlin and Celeste Oakley. Ian is an Associate and Accredited Business Valuation Specialist of the Institute of Chartered Accountants Australia and New Zealand and holds a Master of Commerce. He is also Vice Chair of the Standards Review Board of the International Valuation Standards Council. Celeste holds a Bachelor of Economics, a Bachelor of Laws and a CFA designation. Both Ian and Celeste have extensive experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Kroll's opinion as to whether the Scheme is in the best interests of Estia Health Shareholders, in the absence of a superior proposal. Kroll expressly disclaims any liability to any Estia Health Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, Kroll has had no involvement in the preparation of the Scheme Booklet or any other document prepared in respect of the Scheme. As such, Kroll takes no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Scheme (other than this report).

Independence

Kroll considers itself to be independent in accordance with the requirements of Regulatory Guide 112 issued by ASIC on 30 March 2011. In considering independence, it is noted that Kroll does not have, and has not had within the previous two years, any business or professional relationship with Estia Health, the Bidder or BCPE or any financial or other interest that could reasonably be regarded as capable of affecting our ability to provide an unbiased opinion in relation to Estia Health. Kroll's only role with respect to the Scheme has been the preparation of this report.

Kroll will receive a fixed fee of $290,000 (excluding GST and out of pocket expenses) for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Scheme Meetings. Kroll will receive no other benefit for the preparation of this report.

Declarations

Estia Health has provided an indemnity to us for any claims arising out of any misstatement or omission in any material or information provided to us in the preparation of this report.

During the course of this engagement, Kroll provided draft copies of this report to management of Estia Health for comment as to factual accuracy, as opposed to opinions, which are the responsibility of Kroll alone. Changes made to this report as a result of those reviews have not altered the methodology or opinions of Kroll as stated in this report.

The engagement has been conducted in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (**APESB**).

Kroll is authorised by Millinium Capital Managers Limited, Australian Financial Services Licence no. 284336, to provide the following financial services as their Corporate Authorised Representative:

- provide financial product advice in respect of the following classes of financial products:
- interests in managed investment schemes including investor directed portfolio services; and
- securities;

with respect to retail clients and wholesale clients.

Consents

Kroll consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet to be issued to Estia Health Shareholders. Neither the whole nor any part of this report or its attachments or any reference thereto may be included or attached to any other document without the prior written consent of Kroll as to the form and context in which it appears.

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Appendix 2 – Limitations and reliance on information

Limitations and reliance on information

Kroll's opinion is based on prevailing economic, market, business and other conditions at the date of this report. However, the factors impacting these conditions continue to evolve and can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the assets being valued specifically, could impact upon value in the future, either positively or negatively. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

Our report is also based on financial and other information provided by Estia Health and its advisers. Estia Health has been responsible for ensuring that information provided by it and its representatives is not false or misleading or incomplete. Estia Health has represented in writing to Kroll that to its knowledge, the information provided is complete and not incorrect or misleading in any material respect. Complete information is deemed to be information which at the time of completing this report should have been made available to Kroll and would have reasonably been expected to have been made available to Kroll to enable us to form our opinion. We have no reason to believe that any material facts have been withheld from us.

In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying such information. Nothing in this report should be taken to imply that Kroll has in any way carried out an audit of the books of account or other records of Estia Health, the Bidder or BCPE for the purposes of this report. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards, as applicable.

In addition, we have also had discussions with Estia Health in relation to the nature of the business operations, specific risks and opportunities, historical results of Estia Health and prospects for the foreseeable future of Estia Health. This type of information has been evaluated through analysis, inquiry and review to the extent considered necessary or practical as part of the information used in forming our opinion and is comprised of the opinions and judgements of management. Kroll does not warrant that its procedures and inquiries have identified all matters that a more extensive analysis might disclose as they did not include verification work nor an audit or review engagement in accordance with standards issued by the Auditing and Assurance Standards Board or equivalent body.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. Such information is often not capable of external verification or validation.

The statements and opinions included in this report are given in good faith and in the belief that such statements and opinions are not false or misleading.

Disclosure of information

In preparing this report, Kroll has had access to all financial information considered necessary in order to provide the required opinion. Estia Health has requested Kroll limit the disclosure of certain information relating to Estia Health. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Estia Health. As such the information in this report, unless otherwise indicated, has been limited to the type of information that is regularly placed into the public domain by Estia Health.

Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information

- Scheme Booklet;
- Scheme Implementation Agreement;
- results presentations and annual reports for Estia Health for FY21 to FY23;
- Estia Health Sustainability Report 2021 to 2022

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- ASX announcements, press releases, media and analyst presentations and other public filings by Estia Health including information available on its website;
- broker reports and press articles regarding Estia Health and the Aged Care industry;
- results presentations, annual reports, press releases and other public filings relating to comparable companies and comparable transactions;
- industry data from the Australian Bureau of Statistics Census data, Financial Report on the Australian Aged Care Sector 2021-2022, Australian Government Productivity Commission and Australian Government Department of Health and Aged Care;
- various industry reports; and
- information sourced from Refinitiv and S&P Capital IQ.

Non-public information

- Estia Health Board papers and other internal briefing papers prepared by Estia Health and advisors;
- Estia Health Strategic Plans;
- Estia Health Five-Year Projection Model; and
- other confidential documents, presentations and workpapers.

In addition, we have had discussions with, and obtained information from, senior management of Estia Health.

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Appendix 3 – Broker consensus

A summary of the most recent broker forecasts for Estia Health following the announcement of FY23 Results on 22 August 2023 is provided as follows:

	Date of report	Operating revenue			EBITDA			EBIT			DPS			Normalised EPS (cents)		
		FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Broker 1	22-Aug-23	862.0	909.0	964.0	114.0	124.0	131.0	60.0	67.0	71.0	12.1	14.0	15.2	14.8	17.6	19.0
Broker 2[1]	22-Aug-23	895.2	960.7	na	109.4	114.0	na	45.9	48.4	na	8.0	8.9	na	10.0	11.1	na
Broker 3[2]	22-Aug-23	885.0	903.0	924.0	118.0	130.0	128.0	71.0	82.0	79.0	15.8	19.6	na	17.8	20.3	19.6
Broker 4	22-Aug-23	785.0	939.0	1,007.0	103.0	106.0	119.0	52.0	53.0	65.0	11.0	12.0	15.0	11.0	13.0	16.0
Broker 5	22-Aug-23	914.0	959.0	996.0	132.0	135.0	138.0	77.0	80.0	81.0	10.0	12.0	15.0	19.0	21.0	21.0
Low		**785.0**	**903.0**	**924.0**	**103.0**	**106.0**	**119.0**	**45.9**	**48.4**	**65.0**	**8.0**	**8.9**	**15.0**	**10.0**	**11.1**	**16.0**
High		**914.0**	**960.7**	**1,007.0**	**132.0**	**135.0**	**138.0**	**77.0**	**82.0**	**81.0**	**15.8**	**19.6**	**15.2**	**19.0**	**21.0**	**21.0**
Median		**885.0**	**939.0**	**980.0**	**114.0**	**124.0**	**129.5**	**60.0**	**67.0**	**75.0**	**11.0**	**12.0**	**15.0**	**14.8**	**17.6**	**19.3**
Mean		**868.2**	**934.1**	**972.8**	**115.3**	**121.8**	**129.0**	**61.2**	**66.1**	**74.0**	**11.4**	**13.3**	**15.1**	**14.5**	**16.6**	**18.9**

Source: Broker reports; Kroll Analysis.
Notes:
1. Broker 2 did not provide FY26 forecasts.
2. Broker 3 did not provide interest or tax expense forecasts, meaning Net profit / (loss) before tax and significant items was unable to be calculated.

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Appendix 4 – Valuation methodologies

The purpose of the valuation methodology adopted is, in the absence of direct market evidence, to provide an estimate of value using methodologies that rely on other sources of evidence. Consistent with International Valuation Standards, valuation methodologies applicable to assets or businesses can be categorised under three approaches: market approach, income approach and cost approach.

These approaches have application in different circumstances. The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the business and the actual practice adopted by purchasers of the type of asset or business involved.

Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. It is commonly adopted where:

- the asset or business or similar assets or businesses are actively publicly traded (**market comparable methodology**);
- there are frequent and/or observable transactions in comparable assets or businesses (**comparable transactions methodology**); and
- there is substantial operating history and a consistent earnings trend.

The market comparable methodology indicates the value of a business by comparing it to publicly traded companies in similar lines of business. An analysis of the trading multiples of comparable companies yields insight into investor perceptions and, therefore, the value of the subject company. The multiples are evaluated and compared based on the relative growth potential and risk profile of the subject company vis-a-vis the publicly traded comparable companies. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands.

The comparable transaction methodology indicates value based on exchange prices in actual transactions. This process essentially involves the comparison and correlation of the subject company with other similar businesses recently sold or currently offered for sale. Considerations such as timeframe of transaction, premiums, and conditions of sale are analysed, and the observed transaction multiples are subjectively adjusted to indicate a value for the subject company.

A key step in both methods is determining the appropriate unit of comparison. In a business valuation common units of comparison include, revenue, EBITDA, EBIT, net profit after tax and book values. The choice will typically depend on the industry and characteristics of the subject asset.

Rule-of-thumb valuation benchmarks are sometimes considered to be an application of the market approach. They generally should not be given substantial weight unless market participants place particular reliance on them.

Income approach

Under an income approach the value of an asset is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history or there is a variable pattern of cash flow or the asset has a finite life.

The most common methodology adopted is the discounted cash flow (**DCF**) methodology. It has a strong theoretical basis and benefits by explicitly estimating future cash flows, allowing it to be used in a variety of circumstances, whether that be a start-up or an established business. It also allows for various scenarios and/or sensitivities to be modelled. Under a DCF methodology, forecast cash flows are discounted back to the valuation date resulting in a present value for the asset. Where there is an explicit forecast period a terminal value will typically be included, representing the value of the asset at the end of this period, which is also discounted back to the valuation date to give an overall value for the business. The rate at which the future cash flows are discounted (the discount rate) should reflect not only the time value of money, but also

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the risk associated with the asset or business' future operations. Whilst discount rates are generally determined from observable data, substantial judgement is required in their determination. Further, the cash flows themselves also require considerable judgement in their preparation, placing significant importance on the quality of the underlying cash flow forecasts and the determination of an appropriate discount rate in order for a DCF methodology to produce a sensible valuation figure.

DCF's can also be extremely sensitive to what may be considered small changes in various assumptions and the longer the forecast period the more difficult it is in general to forecast cash flows with sufficient reliability. As such, it is important to adequately understand the basis and risks associated with the various assumptions used to derive the cash flow forecasts and recognise the impact it can have on resulting values including the value range. Notwithstanding, DCF methodologies are widely used and benefit from the rigour associated with the preparation of future cash flows.

Cost approach

Under a cost approach the value of an asset is determined having regard to the cost to replace or reproduce the asset. The most common methodologies include:

- the replacement cost;
- the reproduction cost method; and
- the summation method.

A cost based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies).

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

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Appendix 5 – Discount rate

Kroll has selected a WACC in the range of 10.7% to 11.2% for Estia Health based on the selected parameters presented in the table below. To calculate the WACC for Estia Health, a cost of equity has been calculated using the capital asset pricing model (**CAPM**), and the cost of debt is based on long-term estimates based on market observations. The WACC is commonly employed as the basis for determining an appropriate discount rate where cash flow forecasts consist of free cash flows to both debt and equity holders. Whilst we have utilised the WACC, we recognise that market participants often use less precise methods for determining a discount rate, including target internal rates of return or hurdle rates. They often do not distinguish between investment types or regions.

To arrive at a concluded WACC for Estia Health, we have had regard to risk free rates, equity risk premiums, betas and costs of debt for Estia Health.

We have utilised the following parameters in deriving our discount rate for Estia Health.

Selected WACC Parameters for Estia Health

Parameter	Symbol	Low	High
Risk free rate	Rf	4.0%	4.0%
Equity risk premium	ERP	6.0%	6.0%
Unlevered Beta		1.10	1.20
Tax rate	t	30.0%	30.0%
Gearing (Net Debt / (Net Debt + Equity))	D/(D+E)	15.0%	15.0%
Debt/ Equity	D/E	17.6%	17.6%
Levered Beta	β	1.24	1.29
Cost of Equity (Post-Tax)	Ke	11.4%	12.1%
Pre-tax cost of debt	Kd	6.5%	6.5%
Estia Health WACC		**10.7%**	**11.2%**
Estia Health WACC (selected)		**10.7%**	**11.2%**

Source: Kroll analysis.

The objective of the discount rate is to appropriately reflect the expected return of a hypothetical prudent purchaser, based upon the perceived risks associated with Estia Health. In this respect, it is relevant to recognise that the selection of an appropriate discount rate to apply to the forecast cash flows of any asset or business operation is a matter of judgement and that the individual components should not be considered in isolation but rather as components of an overall discount rate. As a result of this subjectivity, the calculated discount rate should be treated as guidance rather than objective truth.

Furthermore, our discount rate reflects an assessment at a point in time as to both current market conditions and future expectations. To the extent that there are any changes in conditions and expectations over time, it is likely that an adjustment to the discount rate may be warranted.

Cost of equity

The cost of equity has been derived from the application of a CAPM. The CAPM has been empirically tested and is widely accepted for the purpose of estimating a company's required return on equity. In applying the CAPM, the rate of return on equity is estimated as the current risk-free rate of return on a long-term Government bond plus a market risk premium, multiplied by the "beta" for the shares. Beta is defined as a risk measure that reflects the sensitivity of a company's share price to the movements of the stock market as a whole and is a measure of systematic risk.

The CAPM formula rate of return on equity capital is calculated using the formula:

Ke = Rf + ß * (Rm - Rf)

Where:

Ke = Rate of return on equity capital;

Rf = Risk-free rate of return (normalised long-term Australian sovereign risk);

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β = Beta or systematic risk for this type of equity investment, re-levered to reflect the debt-to-equity profile of the Investment; and

Rm - **Rf** = Equity risk premium (**ERP**); the expected return on a broad portfolio of stocks in the market (**Rm**) less the risk-free rate (**Rf**).

Where:

Risk-free rate

The risk-free rate is a key input in the CAPM. It is the return available, as of a valuation date, on a security that the market generally regards as free of the risk of default. When valuing a going-concern business, the risk-free rate is typically measured over a long-term period. In practice, long-dated bonds issued by governments considered to be generally safe have traditionally been accepted as a proxy for a risk-free security. As Estia Health's forecast cash flows are denominated in Australian dollars, we have used the 10-year Australian Government Treasury yield as a proxy for the risk-free security. As at 6 October 2023, the spot 10-year yield was 4.54%.

Sovereign yields in many developed countries, including Australia, have been at or near historical lows in recent years. Periods of high uncertainty are often accompanied by flights to quality, which means investors shift significant capital to liquid assets considered "safe", such as government securities of major advanced economies, lowering yields on these securities. Australia is one of the very few countries in the world carrying a AAA sovereign debt rating and is therefore considered a safe haven by global investors.

In addition, to mitigate the impact of the COVID-19 pandemic the RBA, along with other major central banks, resorted to the use of unconventional monetary policies, including: large-scale purchases of government securities and, in some cases, other financial assets (e.g., corporate bonds), known as quantitative easing (QE); and yield curve targeting policies. The objective was generally the same - to drive long-term interest rates lower and provide ample liquidity to financial markets, thereby lowering the cost of capital and softening the impact of mandatory lockdown policies. The combination of investor flights to quality and central bank interventions contributed to the record low yields observed during 2020.

Inflation globally has continued to surprise to the upside, with supply chain disruptions and the recent escalation of the Russia-Ukraine conflict exacerbating inflationary pressures. This precipitated a significant shift in the RBA's monetary policy stance relative to December 2021. This stance entails: more and/or larger policy interest rate (cash rate) hikes, and an end to the RBA's QE policies under which the RBA acquired almost $224 billion of AGS and $57 billion of semi government securities (instead, the RBA will initiate a quantitative tightening (**QT**) process). The RBA's goal is to contain inflation and normalise the size of its balance sheet.

These recent developments have led to a significant increase and higher volatility in interest rates. For example, the spot 10-year Australian Commonwealth Government bond yield increased from 1.68% as at 31 December 2021 to 4.20% as at 21 October 2022. In 2023 we have seen the spot 10-year Australian Commonwealth Government bond yield fluctuate in a range from 3.3% to 4.3%. Similar movements in the yields of government securities can be seen globally.

During these periods of massive central bank interventions, where risk-free rates appear to be abnormally or artificially low, Kroll recommends the use of normalised risk-free rates. A normalised risk-free rate is an estimate of a risk-free security that would prevail in the absence of non-market factors affecting rates. A normalised risk-free can be accomplished in a number of ways, including:

(i) simple averaging

(ii) various "build-up" methods

The first method of estimating a normalised risk-free rate entails calculating averages of yields-to-maturity on long-term government securities over various periods. This method's implied assumption is that government bond yields will revert to the mean. As of October 2023, the 10-year trailing average of the 10-year Australian Commonwealth Government bond yield was 2.5%.

The second method is to normalise risk-free rates relied on build-up models based on the "Fisher equation", which consists of adding a country's projected real rate based on stabilised medium- to long-term economic

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conditions to the long-term expected inflation.[55] The long-term real rate cannot be observed directly in the market but there are academic papers that provide attempt to estimate such rate. In the case of Australia, we found that these estimates ranged between (0.3)% to 1.0%.[56] For the second component of the equation, we use a number of well-established surveys and economic forecasting providers, to arrive at consensus estimates for long-term expected inflation in Australia. As of October 2023, Kroll's analysis of the long-term Australian estimates of inflation produced estimates of 2.7% to 3.3%. As a result, utilisation of the Fisher equation as a build-up method would see the normalised long term risk-free rate existing within the range of 2.4% to 4.3%.

In arriving at a normalised risk-free rate, we considered the components of our normalised risk-free rate and the current 10-year yield of 4.54%. On balance, we consider that a normalised risk-free rate of 4.0% is appropriate for Australia.

Equity risk premium

The equity risk premium (**ERP**) represents the required return for bearing the incremental risk of investing in a diversified portfolio of equities rather than investing in a risk-free asset (such as a government bond of a government considered safe of default). A forward-looking ERP is not directly observable in the market. Accordingly, valuation practitioners typically utilise historical data to estimate ERP. However, it is important to understand the level of risk-free rates used to measure the historical ERP and whether the resulting combination of risk-free rate and ERP result in a reasonable proxy for a forward-looking base cost of equity.

To the extent that the realised (i.e., historical) ERP equates on average to expected premiums in prior periods, the historical average ERP may be a useful starting point in developing a current forward-looking ERP estimate. A reason one might look to the historical ERP is that the expectations of investors will be framed from their experiences, and the average historical ERP might be expected to have an influence on investors' expectations about the future. Hence there is usually at least some reliance on average historical ERPs when developing current forward-looking ERP estimates.

However, this does not mean that the ERP estimate should be static over time. Periods of market stability (low volatility) likely indicate that the current forward-looking ERP estimate is below the historical average, and periods of heightened volatility likely indicate that the current forward-looking ERP estimate is above the historical average.

The historical ERP has been estimated from an Australian investor perspective over different periods by various researchers and regulatory authorities. In forming our view we have had particular regard to the work of Dr Bishop,[57] as summarised and updated in "Appendix 3B: Additional Sources of Equity Risk Premium Data – Australia" in the *2021 Valuation Handbook – International Guide to the Cost of Capital*, published by Duff & Phelps (a Kroll business).[58] Dr. Bishop estimated the historical Australian ERP for the period of 1900–2020 under different investor perspectives: (i) an Australian investor (in Australian Dollars, or AUD) with access to (i.e., eligible to receive) imputation tax benefits; (ii) an investor in AUD without access to imputation tax benefits.

The geometric average and the arithmetic average realised ERP were both calculated relative to Australian long-term government bonds. Both the geometric and arithmetic average ERP indications were estimated directly from the underlying data. We consider the arithmetic average to be more relevant for the valuation of businesses. The analysis indicated an arithmetic average ERP of 6.8% for an investor with access to imputation benefits and 6.4% for an investor without access to imputation benefits.

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[55] This is a simplified version of the "Fisher equation", named after Irving Fisher. Fisher's "The Theory of Interest" was first published by Macmillan (New York), in 1930. To be more precise, nominal interest rates incorporate not just inflation expectations, but also compensation for bearing inflation risk. In other words, inflation compensation economically consists of two components: expected inflation (the rate of inflation over the term of the risk-free investment) plus an inflation risk premium (the risk that expected inflation will increase or decrease relative to expected inflation). In essence, the inflation risk premium is related to the dispersion of forecasts of market participants around the expected future inflation rate. The greater the dispersion, the greater the uncertainty, the higher the premium demanded by investors to compensate for this risk.

[56] Nugent, T., and Tapas Strickland, "What does monetary policy neutrality look like today?", Australia Markets Weekly, June 2021, National Australia Bank; Guttmann, R., D. Lawson, and P. Rickards, "The Economic Effects of Low Interest Rates and Unconventional Monetary Policy", RBA Bulletin–September 2020. Bulletin, (September); McCririck, Rachael, and Daniel Rees, 2017 "The Neutral Interest Rate", RBA Bulletin, September Quarter 2017.

[57] Bishop, S., T. Carlton and T. Pan, "Market Risk Premium; Australian Evidence" Research Paper for the CAANZ Business Valuation Specialist Conference, 13- 14 August 2018.

[58] The *2021 Valuation Handbook – International Guide to the Cost of Capital* is available in the Cost of Capital Navigator online platform.

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In order to be consistent with the approach we adopted to estimate the risk-free rate (based on a normalised estimate), we have applied a long-term view in determining the ERP. On this basis we consider an ERP of 6.0% as appropriate for the long-term investment climate in Australia. Furthermore, an ERP of 6.0% is also within the range determined in various other academic studies and adopted by independent experts in comparable independent expert reports.

Beta

In selecting an appropriate beta to apply to Estia Health, Kroll has considered betas for Australian aged care and Australian health services companies as at 31 December 2019 and 6 October 2023 so as to illustrate the impact of the COVID-19 pandemic. On the one hand, the 31 December 2019 betas are more relevant as they exclude the one-off impact of the pandemic on the industry. On the other hand, the current betas are more relevant as they include the impact of systematic changes within the industry such as changes in regulation. Our analysis has focused betas calculated based on local indices since each of the companies operates locally.

Pre-COVID-19 pandemic

Comparable company betas as at 31 December 2019 are presented as follows.

Comparable Company Betas as at 31 December 2019

Company	Market Cap ($ millions)	Capital IQ (Local Index)[1] 2 Year Weekly Levered	2 Year Weekly Unlevered	5 Year Monthly Levered	5 Year Monthly Unlevered
Australia Aged Care					
Estia Health Limited	**637.1**	**1.00**	**0.88**	**1.13**	**1.01**
Regis Healthcare Limited	739.8	0.73	0.58	1.35	1.16
Japara Healthcare Limited	263.2	0.71	0.49	1.33	1.12
Australia Aged Care - Median[3]		**0.72**	**0.58**	**1.33**	**1.12**
Australia Aged Care - Average[3]		**0.72**	**0.65**	**1.27**	**1.10**
Australia Health Services					
Sonic Healthcare Limited	13,656.7	0.81	0.70	0.53	0.44
Ramsay Health Care Limited	14,566.1	0.74	0.53	0.94	0.75
Healius Limited	1,718.8	1.12	0.70	0.54	0.36
Integral Diagnostics Limited[4]	743.2	na	na	na	na
Monash IVF Group Limited	244.0	na	na	1.76	1.44
Capitol Health Limited	172.9	na	na	na	na
Pacific Smiles Group Limited	270.2	na	na	na	na
Australia Health Services - Median		**0.81**	**0.70**	**0.74**	**0.60**
Australia Health Services - Average		**0.89**	**0.64**	**0.94**	**0.75**
All Companies - Median[3]		**0.74**	**0.58**	**1.14**	**0.93**
All Companies - Average[3]		**0.82**	**0.60**	**1.07**	**0.88**

Source: Barra, Capital IQ; Kroll analysis.
Notes:
1. Capital IQ (Local Index) two-year and five-year levered betas are based on each of the comparable companies' correlation with a relevant local index. Two-year and five-year unlevered betas are calculated using the respective company's average two and five-year debt to equity (**D/E**) ratio. D/E is defined as net debt divided by the summation of market capitalisation and minority interests.
2. The presented market capitalisations have been sourced from S&P Capital IQ using their recorded shares on issue.
3. Medians and averages exclude Estia Health.
4. Shaded values indicate statistically insignificant results. Values that are shaded have been excluded from analysis.

As at 31 December 2019:

- Estia Health's historical five-year monthly levered beta was 1.13 and its two-year weekly levered beta was 1.00; and
- Regis Healthcare and Japara had two-year weekly betas of 0.73 and 0.71 and five-year monthly betas of 1.35 and 1.33.

Post-COVID-19 pandemic

Comparable company betas as at 6 October 2023 are presented as follows.

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Comparable Company Betas as at 6 October 2023

Company	Market Cap ($ millions)	Capital IQ (Local Index)[1] 2 Year Weekly Levered	2 Year Weekly Unlevered	5 Year Monthly Levered	5 Year Monthly Unlevered
Australia Aged Care					
Estia Health Limited[1]	**552.9**	**na**	**na**	**1.29**	**1.09**
Regis Healthcare Limited	752.6	na	na	1.28	1.12
Australia Aged Care - Median[2]		**na**	**na**	**1.28**	**1.12**
Australia Aged Care - Average[2]		**na**	**na**	**1.28**	**1.12**
Australia Health Services					
Sonic Healthcare Limited	13,964.1	0.82	0.74	0.81	0.72
Ramsay Health Care Limited	11,609.1	0.87	0.54	0.89	0.59
Healius Limited[3]	1,583.3	0.85	0.54	1.12	0.73
Integral Diagnostics Limited	644.4	0.84	0.62	1.31	1.02
Australian Clinical Labs Limited	561.4	0.98	0.73	1.48	1.15
Monash IVF Group Limited	500.7	1.04	0.92	1.93	1.67
Capitol Health Limited	212.6	na	na	0.93	0.74
Pacific Smiles Group Limited	213.0	na	na	1.26	1.04
Australia Health Services - Median		**0.86**	**0.68**	**1.19**	**0.88**
Australia Health Services - Average		**0.90**	**0.68**	**1.22**	**0.96**
All Companies - Median[2]		**0.86**	**0.68**	**1.26**	**1.02**
All Companies - Average[2]		**0.90**	**0.68**	**1.22**	**0.98**

Source: Barra; Capital IQ; Kroll analysis.
Notes:
1. Estia Health market capitalisation and Capital IQ betas are calculated as at 21 March 2023, the last undisturbed trading day.
2. Medians and averages exclude Estia Health.
3. Healius Limited (**Healius**) market capitalisation and Capital IQ betas are calculated as at 17 March 2023, the last undisturbed trading day before the announcement by Australian Clinical Labs Limited (**ACL**) that it intended to make an off-market takeover to acquire all of the fully paid ordinary shares on issue of Healius. This offer was subsequently cancelled on 5 September 2023.

As at 6 October 2023:

- Estia Health and Regis Healthcare's five-year monthly levered betas are 1.29 and 1.28, respectively. Their two-year weekly levered betas are not statistically significant; and
- the median 2-year weekly and 5-year monthly betas for comparable Australian health services companies increased, which may reflect the impact of the COVID-19 pandemic which disproportionately impacted health services companies, as the inclusion of betas for ACL, which has a relatively high beta. Excluding ACL, the median 2-year weekly beta for comparable Australian health services companies is 0.85 and the 5-year monthly beta is 1.12.

We have focused on the betas of the listed Australian aged care companies as they are more comparable to Estia Health than the Australian health services companies. These betas have varied across time and differ between measurement sources (Barra and Capital IQ) and whether two-year weekly or five-year monthly betas are selected. Nonetheless, the data does indicate that companies operating in the aged care industry have historical betas (local index) of greater than 1.0 (indicating more risk than the overall market). Intuitively, Kroll would expect a beta of greater than 1.0 for Estia Health since although the aged care industry is underpinned by favourable demographic trends and a government funding model, there is considerable uncertainty regarding future funding. Furthermore, earnings are susceptible to shocks such as the COVID-19 pandemic and the existence of RADs means that it has significant obligations.

As described in Section 7.8, the Australia aged care sector has faced substantial challenges in recent times, including the COVID-19 pandemic and high-profile cases of negligence and non-compliance which has brought about stricter regulation and scrutiny. The sector has experienced challenges to margins and profitability as historically Government funding indexation has failed to keep pace with cost inflation. The establishment of the IHACPA and the AN-ACC funding model will likely help alleviate these problems by providing greater funding to deliver higher quality care and better linking funding to individual care needs. Nonetheless, uncertainty remains with respect to the future labour availability of nurses and the degree to

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which increases in total care minutes and labour cost inflation will be sufficiently offset by increases in Government funding.

Taking all these factors into account, we have selected an unlevered beta in the range of 1.10 to 1.20. Based on our selected market gearing of 15.0%, this results in a levered beta in the range of 1.24 to 1.35.

Gearing

In selecting an appropriate gearing ratio for Estia Health for the purpose of re-leveraging our selected asset beta, we have considered the gearing levels of comparable companies.

The gearing ratios for the selected comparable companies are set out as follows.

Comparable Companies Gearing

Company	Market Cap ($ millions)	Capital IQ (Local Index)[1] As at 31 December 2019 2 Year	5 Year	As at Current Date[2] 2 Year	5 Year
Australia Aged Care					
Estia Health Limited	**552.9**	**15.6%**	**13.8%**	**14.3%**	**19.3%**
Regis Healthcare Limited	752.6	27.3%	17.1%	6.8%	15.4%
Japara Healthcare Limited[3]	263.2	37.8%	16.3%	na	na
Australia Aged Care - Median[4]		**26.9%**	**15.7%**	**10.5%**	**17.4%**
Australia Aged Care - Average[4]		**27.3%**	**16.3%**	**10.5%**	**17.4%**
Australia Health Services					
Sonic Healthcare Limited	13,964.1	18.3%	20.6%	13.5%	15.0%
Ramsay Health Care Limited	11,609.1	36.4%	26.4%	46.9%	42.0%
Healius Limited	1,583.3	43.7%	38.4%	48.0%	44.7%
Integral Diagnostics Limited	644.4	22.4%	19.2%	33.7%	28.2%
Australian Clinical Labs Limited	561.4	na	na	31.9%	28.4%
Monash IVF Group Limited	500.7	29.4%	23.8%	16.3%	17.1%
Capitol Health Limited	212.6	23.5%	24.2%	30.7%	26.2%
Pacific Smiles Group Limited	213.0	13.3%	4.6%	26.9%	22.7%
Australia Health Services - Median		**26.7%**	**22.5%**	**31.0%**	**28.0%**
Australia Health Services - Average		**23.5%**	**23.8%**	**31.3%**	**27.2%**
All Companies - Median[4]		**28.8%**	**28.8%**	**28.8%**	**28.8%**
All Companies - Average[4]		**26.9%**	**26.9%**	**26.9%**	**26.9%**

Source: S&P Capital IQ; Kroll analysis.
Notes:
1. Gearing has been calculated as (total debt plus preference shares minus cash)/(total debt plus preference shares minus cash plus market capitalisation plus minority interests).
2. As at 6 October 2023, except for Estia Health which is calculated as at 21 March 2023, the last undisturbed trading day, and Healius which is calculated at 17 March 2023, the last undisturbed trading day before the announcement by ACL that it intended to make an off-market takeover to acquire all of the fully paid ordinary shares on issue of Healius. This offer was subsequently cancelled on 5 September 2023.
3. Japara's market capitalisation is as at 31 December 2019.
4. Medians and averages exclude Estia Health.

For any company, there is likely to be a level of gearing that represents the optimal capital structure for that company. In estimating a discount rate, the gearing assumption should reflect this optimal or target capital structure, however, "optimal" as opposed to "actual" capital structures are not readily observable. In practice, both the existing capital structure and those of comparable companies are used as a guide taking into account the specific circumstances of the relevant entity.

We have focused on the two-year and five-year gearing of Australian aged care companies. Australian aged care companies have median gearing levels significantly below the median for Australian health services companies, which reflects their significant RAD obligations as well as the susceptiblity of their margins to schocks and changes in Government funding. As at 21 March 2023, Estia Health's market gearing was 14.3% when measured over a two-year period and 19.3% when measured over a five-year period.

Having regard to these factors, we have selected a gearing ratio of 15.0% for Estia Health.

Pre-tax cost of debt

For the purposes of assessing fair value however, we estimated a cost of debt from the perspective of the likely debt rate that would apply to Estia Health if acquired by an external market participant. We have approximated the long term, pre-tax cost of debt for each business unit with the following methodology:

- using our long-term risk-free rate (4.0%) as a base;

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- adding the credit risk spread between the five-year BBB rated Australian corporate bonds and five-year Australian Government bonds (2.1%); and
- adding the yield differential between five- and 10-year bonds (0.4%).

Based on the above, a long-term pre-tax cost of debt of 6.5% is considered to be appropriate for a commercial business operating in a competitive market.

Tax rate

We have adopted an effective tax rate of 30%. We have not ascribed any value to accrued tax losses in the discount rate.

For each of the individual WACC calculations, we have used the prevailing corporate tax rate for each market.

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Appendix 6 – Market evidence

Comparable transactions

The following table sets out the key comparable transactions within the aged care industry.

Announcement Date	Target	Acquirer	% acquired	Implied EV (100%)[1] (A$ million)	EBITDA[2]	Residential Places	EV/LTM EBITDA	EV/Residential Places
20-Feb-23	Mount Clear Aged Care	Estia Health Limited	100.0	15.9	na	120	na	132,500
30-Mar-22	Four Aged Care Facilities	Radius Residential Care Limited	100.0	43.4	na	342	na	126,852
22-Dec-21	Heritage Lifecare Limited	Centuria Capital Group	100.0	275.0	na	2,400	na	114,588
17-Dec-21	Allity	RSL Care RDNS Limited	100.0	700.0	11.5	3,800	60.9	184,211
25-Oct-21	Premier Health Care Centres	Estia Health Limited	100.0	60.5	6.7	409	9.0	147,922
11-Oct-21	Clare House Retirement Village Limited	Radius Residential Care Limited	100.0	13.7	na	69	na	198,560
30-Apr-21	Japara Healthcare Limited	Calvary Bruce Private Hospital Limited	100.0	519.0	36.0[3]	4,507	14.4	115,154
26-Mar-20	Japara Springvale Residential Aged Care Home of Japara Healthcare Limited	YWC Pty Ltd	100.0	13.4	na	71	na	188,451
18-Dec-19	Three aged care facilities in New Zealand	Promisia Integrative Limited	100.0	30.0	na	280	na	107,247
26-Mar-18	Riviera Health Residential Aged Care Portfolio	Japara Healthcare Limited	100.0	37.7	na	265	na	142,434
19-Sep-17	Infinite Aged Care Pty Ltd.	Moelis Australia Limited	70.0	64.9	na	400	na	162,143
18-May-17	Presbyterian Care Tasmania Inc	Regis Aged Care Pty Ltd	100.0	32.5	na	287	na	113,240
6-Apr-17	Heritage Lifecare Limited	Adamantem Capital	84.0	126.4	na	969	na	130,468
16-Feb-17	Craigcare Group Pty Ltd	Bain Capital	100.0	50.0	4.1	900	12.2	55,556
25-May-16	Lansdowne Park in Masterton	Arvida Group Limited	100.0	19.5	na	50	na	389,108
7-Mar-16	Masonic Care Queensland	Regis Aged Care Pty Ltd	na	163.0	11.0	711	14.8	229,255
25-Feb-16	Four Australian Residential Aged Care Properties	Vital Healthcare Property Trust	100.0	41.0	na	275	na	149,091
7-Dec-15	Kennedy Healthcare	Estia Health Limited	100.0	209.6	na	959	na	218,580

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Announcement Date	Target	Acquirer	% acquired	Implied EV (100%)[1] (A$ million)	EBITDA[2]	Residential Places	EV/LTM EBITDA	EV/Residential Places
7-Dec-15	Tea Gardens Manor in Sydney	Estia Health Limited	100.0	28.0	na	106	na	264,151
1-Oct-15	Profke Aged Care Group Pty Ltd.	Japara Healthcare Limited	100.0	79.5	8.7	587	9.1	135,434
24-Jun-15	Aria Bay, Aria Park and Aria Gardens	Arvida Group Limited	100.0	55.4	na	295	na	187,952
28-Apr-15	Portfolio of Three Freehold Residential Aged Care Properties	Generation Healthcare REIT	100.0	45.8	na	311	na	147,267
22-Apr-15	St Martins Aged Care Facility	Regis Aged Care Pty Ltd	100.0	14.1	na	115	na	122,609
18-Dec-14	Aquarius Aged Care	DAC Finance Pty Ltd	100.0	50.0	na	551	na	90,744
23-Aug-14	Whelan Care	Japara Healthcare Limited	100.0	23.9	2.9	258	8.4	92,554
26-Jun-14	Aged Care Portfolio	DAC Finance Pty Ltd	100.0	25.6	na	366	na	69,945
21-Jun-14	Cook Care Group Pty Ltd	Estia Investments Pty Ltd	100.0	149.5	15.0	766	10.0	195,108
27-May-14	Padman Health Care Pty. Ltd.	Estia Investments Pty Ltd	100.0	167.8	21.1	1,076	8.0	155,948
22-Nov-13	Regis Healthcare	Ian Roberts and Bryan Dorman	44.0	550.0	47.1	4,581	11.7	120,061
1-Oct-13	Estia Health Pty Ltd.	Quadrant Private Equity	100.0	175.0	10.6	952	16.5	183,824
16-Aug-13	Domain Principal Group	Canistel Pte. Ltd.	47.6	290.0	na	1,646	9.1	176,187
28-Feb-13	Lend Lease Group	Archer Capital Pty Ltd.	100.0	270.0	na	2,416	na	111,755
Mean							**15.3**	**154,996**
Median							**10.8**	**144,850**

Source: S&P Capital IQ, Merger Market, Company financial statements; Kroll analysis.

Notes:

1. All the transactions exclude RAD.
2. EBITDA considered excludes imputed revenue on RAD balances and other income.
3. EBITDA considered is the average EBITDA from FY17 to FY21 which excludes impact of COVID-19 related funding and expenses.

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Mount Clear / Estia Health

On 1 May 2023, Estia Health acquired a 120-bed aged care home Mount Clear in Ballarat, Victoria for consideration of $15.9 million along with RAD of $12.9 million. Mount Clear built in 2019, comprises of all single ensuite rooms and is expected to deliver EBITDA of $3.0 million in the first full year after acquisition. The objective of the acquisition is sustainable growth of Estia Health's portfolio through purchase of high quality homes. The transaction implied consideration of $132,500 per residential places.

*Four aged care facilities / Radius Residential Care Ltd (**Radius**)*

In May 2022, Radius completed the purchase of the land and buildings of four aged care properties (Radius Arran Court, Radius Fulton, Radius Peppertree and Radius St Joans) with 342 care beds for an implied enterprise value of $43.4 million. These properties were previously leased by Radius from UCG Investments Limited. According to the Radius' management the acquisition was expected to be EBTIDA accretive and provided future development opportunities.

*Heritage Lifecare Ltd / Centuria Capital Group (**Centuria**)*

In December 2022, Centuria through its two unlisted funds (Centuria Healthcare Property Fund and Centuria New Zealand Healthcare Property Fund) acquired 38 aged care facilities of Heritage Lifecare located in New Zealand. The transaction was based on a 30-year sale and leaseback triple-net lease arrangement where the assets would be operated by Heritage Lifecare. The acquisition was intended to provide the two funds with a stable income stream due to sale and leaseback arrangement and high levels of aged care subsidies in New Zealand. The transaction implied consideration of $114,588 per residential places.

*Allity / RSL Care RDNS Limited (**RSL Care**)*

In February 2022, RSL Care completed the acquisition of residential aged care provider Allity for an implied enterprise value of $700 million. The transaction implied a high consideration of $184,211 per residential places and a multiple of 60.9 times LTM EBITDA as the acquisition was intended to support RSL Care's strategy to expand its reach nationally, increasing its presence in Queensland, New South Wales, Victoria and South Australia. At the time of the acquisition Allity was Australia's sixth largest residential aged care provider operating 43 homes with more than 3,800 residential places.

Premier Healthcare / Estia Health

Estia Health completed the acquisition of four residential aged care homes from Premier Healthcare in December 2022 at an implied enterprise value of $60.5 million. The acquired properties added 409 residential places to Estia Health's portfolio and were located in Adelaide, South Australia and South East Queensland. The acquisition implied a consideration of 147,922 per residential places reflecting the high quality of the acquired properties and the acquisition also included two development sites owned by Premier Healthcare which would add further 160 to 179 places to the acquirer's portfolio.

Clare House / Radius

Radius completed the acquisition of Clare House, an integrated care facility and retirement village in Waikiwi, Invercargill with 69 care beds and 25 Occupational Right Agreement (ORA) units in October 2021. The transaction implied a consideration of 198,560 per residential places as the acquisition included two residential properties at 71 and 83 Durham Street along with all the land, buildings and operations of Clare House.

Japara / Calvary Bruce

In July 2021, Japara announced that it had entered into a Scheme Implementation Deed with Calvary Bruce, with Calvary Bruce to acquire Japara for an implied enterprise value of $519 million. Japara owns, develops and operates residential aged care homes in Australia. It operated 4,507 resident places across 50 aged care homes and 180 independent living units in five retirements villages and had an average occupancy of 88.6% in FY21. The transaction implied consideration of $115,154 per residential places and a multiple of 14.4 times LTM EBITDA. The acquisition would help Calvary Bruce to expand in Australia including a presence in Victoria, Queensland and Tasmania for the first time.

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Japara Springvale / YWC Pty

Private investor YWC Pty Ltd had entered into a sell and leaseback agreement with Japara for its Springvale residential aged care home located in Springvale. Japara Springvale was a 71-bed residential aged care centre leased to aged care group Japara Healthcare. The transaction resulted in a yield of 5.6% and an implied consideration of $188,451 per residential places reflecting strong demand of the asset.

Three age care facilities / Promisia

In October 2020, Promisia completed acquisition of three aged care facilities from Brankin Family Trust. The acquisition would cover the business and assets of Ranfurly Manor and Nelson Residential Care Centre in Feilding and Eileen Mary Residential Care Centre in Dannevirke which included total of 280 residential places. The acquisition would be funded through debt and issue of new shares.

*Riviera Health Residential Aged Care (**Riviera**) Portfolio / Japara*

Japara acquired Riviera's portfolio of four facilities located at Brighton-Le-Sands, Chatswood, Doonside and Wyong. The transaction implied a consideration of $142,434 per residential places as the acquisition also included vacant possession of a closed aged care home in Toukley on freehold land and 4.3 hectares of development land in Wyong. The portfolio had 265 residential places out of 567 bed licenses at the time of the acquisition.

Infinite Aged Care / Moelis Australia

Moelis Australia acquired 70% of stake in Infinite Aged Care for a consideration of $45.4 million. Infinite Care's founders would keep their 30% stake and continue to head the business. The transaction implied a consideration of $162,143 per residential beds as Infinite had pipeline of 1,500 places under development across 13 facilities. Moelis Australia is engaged in providing corporate advisory, equities and asset management services, headquartered in Sydney.

Presbyterian Care / Regis Aged Care Pty Ltd

In August 2017, Regis Aged Care completed the acquisition of Presbyterian Care Tasmania's three aged care facilities with 287 residential places in Hobart and Launceston and few retirement village units and home care packages. Regis Aged Care provides health care services in Australia which includes occupational therapy, residential and personal care, retirement, respite, and physiology services.

Heritage Lifecare Ltd / Adamantem Capital

In April 2017, private equity firm Adamantem Capital acquired Heritage Lifecare, a provider of residential aged care and retirement services in New Zealand. Heritage Lifecare had 19 facilities with approximately 969 residential places and over 300 living units under management across the North and South islands of New Zealand. The acquisition was intended to get the exposure of New Zealand aged care sector through premium portfolio of properties.

Craigcare Group Pty Ltd / Bain Capital

In February 2017, Bain Capital acquired Craigcare Group, a residential care provider and retirement village operator in Western Australia. At the time of the acquisition Craigcare was operating six nursing homes and one retirement village in each of Western Australia and Victoria with around 800 staff. The acquisition occurred at a multiple of 12.2 times LTM EBITDA and implied consideration of 55,556 per residential places.

Lansdowne Park / Aravida Group

Aravida Group completed the acquisition of the Lansdowne Park retirement village for an implied enterprise value of $19.5 million. Lansdowne Park included a premium retirement village and aged care facilities situated in Lansdowne, Masterton. The Village had 93 retirement village units and 50 aged care beds, with over 170 residents.

Masonic Care / Regis Aged Care

In March 2016, Regis Aged Care agreed to buy Masonic Care Queensland portfolio from Freemasons Queensland Board of Benevolence at an implied enterprise value of $163.0 million. Masonic Care Queensland is an aged care provider with total of 711 residential places at six facilities and development holdings which was intended to be used for future age care. The transaction implied a high consideration

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of $229,255 per residential places as the acquisition also included 26,000 square meters of surplus land with development potential and 244 independent living units.

*Four Australian Residential Aged Care Properties / Vital Healthcare Property Trust (**Vital**)*

In March 2016, Vital acquired four residential aged care assets in Australia for $41 million. The properties would be leased for 20 years to the Hall & Prior Health and Aged Care Group, one of Australia's private residential aged care operators. The acquired properties included four retirement homes located in Australia.

Kennedy Healthcare / Estia Health

In December 2015, Estia Health acquired Kennedy Healthcare for $209.6 million, which also included $26.4 million of land for expansion. Kennedy Healthcare was a private aged care provider in Australia operating with eight facilities and 959 beds. The transaction implied a high consideration of $218,580 per residential places as the acquisition would be EPS accretive for Estia Health and also included surplus land providing expansion opportunities.

Tea Garden Manor / Estia Health

Estia acquired Tea Gardens Manor in Sydney for $28.0 million in December 2015. Tea Gardens Manor is an aged care home with 106 single bed rooms with ensuites on the central coast of New South Wales.

Profke Aged Care / Japara

In December 2015, Japara acquired Profke residential aged care portfolio for an implied enterprise value of $79.5 million. The Profke portfolio is comprised of four aged care facilities with 587 residential places located in Queensland and New South Wales. The acquisition occurred at a multiple of 9.1 times LTM EBITDA and implied consideration of 135,434 per residential places. The acquisition intended to provide Japara with a strategic presence in the Queensland market and a platform for greenfield expansion in the region.

Aria Bay, Aria Park and Aria Gardens / Arvida Group

In June 2015, Arvida Group announced acquisition of three Auckland retirement villages i.e. Aria Bay, Aria Park and Aria Gardens at an implied enterprise value of $55.4 million. The transaction implied a higher consideration of 187,952 per residential places as the acquisition provided Arvida Group with 295 places, 70 serviced apartments and nine new independent apartments. Arvida Group Limited headquartered in Auckland was a provider of aged care services.

*Three Freehold Residential Aged Care / Generation Healthcare REIT (**GHC**)*

In April 2015, GHC announced acquisition of portfolio of three freehold residential aged care properties from RSL Care Limited at an implied enterprise value of $45.8 million. Each property was leased to RSL Care Limited on an initial 20-year term plus options.

St Martins Aged Care / Regis Aged Care

Regis Aged Care acquired St Martins aged care home in July 2015 for $14.1 million. The home had 115 aged care places and was located in the Adelaide suburb of Marleston.

Aquarius Aged Care / Opal Aged Care

In December 2014, Opal Aged Care announced acquisition of Aquarius Aged Care at an implied enterprise value of $50.0 million. The acquisition was expected to add 551 residential places across nine homes in New South Wales and Queensland to the acquirer's portfolio. Post acquisition, Opal Aged Care would be operating 69 residential aged care homes across four states in Australia and have 23 brownfield and greenfield sites under development.

Whelan Care Portfolio / Japara

Japara completed acquisition of Whelan Care portfolio in November 2014. The acquisition of the portfolio which occurred at a multiple of 8.4 times LTM EBITDA and implied consideration of 92,554 per residential places included four aged care facilities in South Australia and would increase Japara's age care portfolio by 258 residential places and 41 serviced apartments.

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Aged Care Portfolio / Opal Aged Care

In July 2014, Opal Aged Care announced acquisition of Stockland's aged care portfolio at an implied enterprise value of $25.6 million. Opal Aged Care would acquire 366 residential places from Stockland across four sites in New South Wales and Victoria, and 92 offline licences assigned to the development of a potential new aged care home in Winston Hills, New South Wales. Opal Aged Care is engaged in specialist aged care services and also provides residential high care.

Cook Care Group / Estia Investments Pty Ltd

Estia Investments Pty Ltd completed the acquisition of Cook Care Group from family in June 2014 for an implied enterprise value of $149.5 million. The acquisition which occurred at a multiple of 10.0 times LTM EBITDA included 9 age care facilities with six located in New South Wales and three located in Queensland.

Padman Aged Care Group / Estia Investments Pty Ltd

Estia Investments Pty Ltd completed the acquisition of Padman Aged Care Group in July 2014 for an implied enterprise value of $167.8 million. The acquisition which occurred at a multiple of 8.0 times LTM EBITDA included 13 age care facilities with 12 located in South Australia and one located in Queensland.

Regis Healthcare / Ian Roberts and Bryan Dorman

Ian Roberts and Bryan Dorman, the founders of Regis Healthcare acquired a 44% stake in the company from Macquarie Group for an implied enterprise value of $550.0 million. The acquisition occurred at a multiple of 11.7 times LTM EBITDA and implied consideration of 120,061 per residential places. The acquisition would provide 100% control of the company to the founders. Regis Healthcare was one of the Australia's leading private aged care providers with more than 45 facilities in Australia at the time of the acquisition.

Estia Health / Quadrant Private Equity

In October 2013, a fund of Quadrant Private Equity and management of Estia Health agreed to acquire Estia Health in a management buyout transaction for an implied enterprise value of $175.0 million. Quadrant invested $90 million in the transaction. At the time of the acquisition, Estia Health had 12 facilities and 952 residential beds, all located in Victoria.

*Domain Principal Group (**DPG**) / Canistel Pte Ltd*

In October 2013, Singapore-based Canistel Pte. Ltd acquired 47.6% stake in DPG from Aged Care Investment Trust No. 1 and Aged Care Investment Trust No. 2, managed by AMP Capital Investors Limited, for an investment of approximately $140 million. Canistel and AMP Capital Investors will have equal 47.62% stakes in DPG after the acquisition. At the time of the acquisition, DPG was one of the largest providers of residential aged care services in Australia with operations of 55 facilities.

Lend Lease Group/ Archer Capital

Archer Capital, the Australian based private equity firm acquired the aged care business of Lend Lease Group in February 2013 for an implied enterprise value of $270 million. The acquisition was in line with Lend Lease's strategy of divesting its non-core assets. Lend Lease is a real estate specialist engaged in services including project management, consulting, construction, and investment management services.

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Comparable companies

The following table sets out trading multiples for the comparable companies to Estia Health. It presents the forecast EV to EBITDA multiples for the three financial years (FY+1, FY+2 and FY+3) following the last available full financial year (FY) for each comparable company. These forecast multiples are based on brokers consensus.

Comparable Companies Earnings Multiples

Company Name[1]	Market cap ($ millions)	Enterprise value ($ millions)	EV/EBITDA[2]				EBITDA CAGR (FY-FY+3)
			FY	FY+1	FY+2	FY+3	
Australia Aged Care[3]							
Regis Healthcare Limited	752.3	651.5	7.8	7.0	6.6	6.4	6.9%
Australia Health Services[3]							
Ramsay Health Care Limited	11,646.5	23,415.7	10.7	10.7	9.7	8.9	6.4%
Sonic Healthcare Limited	13,860.5	16,172.6	9.5	9.1	8.5	7.9	6.3%
Healius Limited	1,264.9	2,908.5	8.0	7.0	6.5	6.0	10.0%
Integral Diagnostics Limited	644.0	994.2	11.8	9.7	8.5	7.8	14.7%
Australian Clinical Labs Limited	565.1	868.6	4.6	4.5	4.3	4.1	4.4%
Monash IVF Group Limited	500.7	602.0	11.4	9.8	9.1	8.7	9.7%
Capitol Health Limited	213.2	333.2	8.3	7.0	6.4	5.8	12.4%
Pacific Smiles Group Limited	213.0	287.5	11.9	8.6	7.5	6.7	21.3%
Median	**644.0**	**868.6**	**9.5**	**8.6**	**7.5**	**6.7**	**9.7%**

Source: S&P Capital IQ, Bloomberg, Refinitiv, Company financial statements; Kroll analysis.
Notes:
1. All share price data is calculated as at 6 October 2023.
2. Forward multiples are based on broker consensus forecasts sourced from Refinitiv.
3. All company multiples are calculated based on EBITDA during 12 months ended 30 June 2023.

Australian Aged Care

Regis Healthcare Limited

Regis Healthcare is one of Australia's leading aged care service providers. Regis Healthcare provides residential care (FY23 average occupancy rate of 91.5%)[59], retirement living, home care and short-term care facilities. As at 30 June 2023, Regis Healthcare owned and operated 63 residential aged care homes and provided residential aged care services in six States and the Northern Territory with 6,960 residential places, similar to Estia who has 6,720.

Australian Healthcare

Ramsay Health Care Limited

Ramsay Health Care Limited (**Ramsay**) is an owner and operator of hospitals and other health care facilities providing services in acute care, mental health care, imaging & diagnostics, out-of-hospital, pharmacy and primary care. As at 30 June 2023, Ramsay operated over 530 locations across Australia, Asia, the United Kingdom and Europe under various brands including Elysium, Ramsay Australia, Ramsay UK, Ramsay Sante and Ramsay Sime Darby.

Sonic Healthcare Limited

Sonic Healthcare Limited (**Sonic Healthcare**) provides clinical laboratory or pathology services to medical practitioners, hospitals, community health services and patients across Australia, Europe, New Zealand, the United Kingdom and the United States. Sonic Healthcare also provides diagnostic imaging services in Australia with other business units including medical centre operations and occupational health services.

Healius Limited

Healius is a healthcare company based in Australia, primarily operating as a pathology and imaging provider. This includes specialty pathology and clinical trials and imagining and scanning services. Healius has a network of pathology laboratories, collection centres, and diagnostic imaging centres. It provides

[59] FY23 Regis Healthcare Annual Report

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specialty diagnostic services to consumers and their referring practitioners. The Company's brands include Laverty Pathology, QML Pathology, Dorevitch Pathology, Western Diagnostic Pathology, Genomic Diagnostics, Abbott Pathology, IQ Pathology, Vetnostics, TML Vetnostics, Agilex Biolabs, Lumus Imaging, and others. Healius' received an unsolicited conditional takeover offer from Australian Clinical Lab Ltd on 20 March 2023. This offer was subsequently cancelled on 5 September 2023.

Integral Diagnostics

Integral Diagnostics provides various diagnostic imaging services to general practitioners, medical specialists and patients in Australia and New Zealand. It provides its services through 67 radiology clinics. It operates brands in four Australian States: Lake Imaging in Victoria, the X-Ray Group in VIC/NSW, South Coast Radiology, Peloton Radiology and Imaging Queensland in Queensland and Apex Radiology in Western Australia. It also operates in New Zealand through the Astra Radiology, SRG Radiology, Horizon Radiology and Trinity MRI brands. Integral Diagnostics was listed on the ASX in 2015 and is headquartered in Melbourne.

Australian Clinical Labs Ltd

ACL provides pathology services in Australia. ACL has laboratories and pathology collection centres in all Australian States and Territories (except Tasmania) and is one of the largest private hospital pathology businesses nationally. The company offers their range of services to both private and public hospitals. ACL was incorporated in 2020 and is headquartered in Clayton, Australia. ACL provides health services to hospitals and therefore has a business model which is not similar to Estia Health outside of the overlap between aged care and health services.

Monash IVF Group Limited

Monash IVF Group Limited (**Monash Group**) is an Australia based prover of human fertility services and assisted Reproductive Services which is a significant part component of fertility care in Australia and Malaysia. The company offers diagnostic obstetric, gynaecological ultrasound, and fertility treatment services. It also provides tertiary level prenatal diagnostic and IVF treatment services. Monash IVF Group Limited was incorporated in 2014 and is based in Cremorne, Australia.

Capitol Health Limited

Capitol Health Limited (**Capitol Health**) is an Australia-based company that is principally engaged in the provision of diagnostic imaging services. The Company operates through diagnostic imaging facilities in Australia. The Company operates approximately 63 clinics throughout Victoria, Tasmania, Western Australia, and South Australia. Its businesses operate under the brands Capital Radiology, Imaging at Olympic Park, Radiology Tasmania, Fowler Simmons Radiology, Women's Imaging, and Direct Radiology. Capitol Health manages the needs of patients requiring the diagnostic imagining and interventional services, including general x rays, ultrasounds and magnetic resonance imaging and specialised services.

Pacific Smiles Group Limited

Pacific Smiles Group Limited (**Pacific Smiles**) owns and operates dental centres under the Pacific Smiles Dental Centres and nib Dental Care Centres names in Australia. It provides modern facilities and leading dental equipment, supported by trained staff that allows dental practitioners to retain clinical autonomy while enjoying the support of a network of experienced dental and professional peers.

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Part Two – Financial Services Guide

What is an FSG?

This Financial Services Guide ("FSG") is an important document that provides you with information to help you decide whether to use our financial services.

This FSG contains information on:

- who we are;
- who our authorised representatives are;
- how we can be contacted;
- certain financial services that we can offer you;
- how we, our authorised representatives and other parties involved in providing the financial services are paid in relation to the financial services we offer; and
- details of how you can make a complaint about us or the financial services we provide.

Who we are?

Kroll Australia Pty Ltd (ACN 116 738 535), ("We", "us" and "Kroll") is authorised to provide retail financial services on behalf of Millinium Capital Managers Limited (ACN 111 283 357) ("Millinium"), Australian Financial Services License ("AFSL") no. 284336, as a Corporate Authorised Representative ("CAR"). We have also appointed Mr. Ian Jedlin as an authorised representative to Millinium's AFSL (our "Authorised Representative"). All authorised representatives of Kroll are authorised representatives of Millinium. We aim to provide quality financial products and services to investors. Kroll acts on its own behalf when providing financial services.

Kroll has been engaged by Estia Health Group Limited ("Client") to prepare an independent expert report ("Report") in connection with the proposed acquisition by Firebird BidCo Pty Ltd of Client. Client will provide our Report to you.

Our details

Kroll Australia Pty Ltd
Level 32, 85 Castlereagh St
SYDNEY
NSW 2000
www.kroll.com
Ph: 02 8286 7200

Our Authorised Representative

Ian Jedlin
ASIC authorised representative: No. 000404117
Level 32, 85 Castlereagh St, SYDNEY, NSW 2000

Authorised Financial Services

Kroll is authorised by Millinium to provide the following financial services as their CAR:

- provide financial product advice in respect of the following classes of financial products:
  - interests in managed investment schemes including investor directed portfolio services; and
  - securities,
  - with respect to retail clients and wholesale clients.

This FSG only relates to the provision of general advice by Kroll.

Personal Advice

Neither we nor our authorised representatives can provide you with personal advice. Personal advice is advice that takes into account your objectives, financial situation and needs. Where you are referred to a financial planner for personal advice, they will make reasonable enquiries to understand your personal objectives, financial situation and needs. Their personal advice, and any relevant warnings, will be provided to you in their Statement of Advice ("SOA").

Remuneration

Kroll charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay Kroll $350,000 (excluding GST and out of pocket expenses) for preparing the Report. Kroll and its officers, representatives, related entities and associates ("Personnel") will not receive any other fee or benefit in connection with the provision of the Report. All Personnel that provide general advice on our behalf in providing services are on contract to us and receive a salary or payments in accordance with their respective contracts. They may also receive a bonus, but it is not related to the general advice provided in the Report.

Kroll may provide professional services, including consultancy, business intelligence, transfer pricing and financial advisory services, to the person who engaged us and receive fees for those services Kroll and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

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No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaint Redressal

If you have a complaint, please let either Kroll or the Authorised Representative know. Formal complaints should be sent in writing to Complaints Officer, Kroll, Level 32, 85 Castlereagh St, SYDNEY, NSW 2000. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 8286 7227 and they will assist you in documenting your complaint. If the complaint cannot be settled in the first instance by Kroll, you should contact Millinium via the contact details set out below:

In writing:

Dispute Resolution Officer
Millinium Capital Managers Limited
GPO Box 615
Sydney, NSW, 2000

When your complaint is received by Millinium it will be entered onto Millinium's complaints register. All details of the complaint will be sent to the Disputes Resolution Officer who will investigate the circumstances of the complaint. If the Disputes Resolution Officer is unable to reach a satisfactory resolution of the complaint within thirty (30) business days of receipt, you should contact Australian Financial Complaints Authority ("AFCA"). The details are:

In writing:
https://www.afca.org.au/make-a-complaint
Telephone
1300 56 55 62 (local call rate)
Email
info@afca.orga.au
Website
www.afca.org.au

Please note that AFCA can currently only deal with claims for compensation up to $1,085,000. Monetary limits and the AFCA terms of reference do change from time to time. Current details can be obtained from the AFCA website listed above.

Appendix 2 Deed Poll

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Deed Poll

—

Firebird BidCo Pty Ltd

—

Level 40 Governor Macquarie Tower 1 Farrer Place
Sydney NSW 2000 Australia DX 117 Sydney
T +61 2 9921 8888 F +61 2 9921 8123
minterellison.com

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Details

Date

8 October 2023

Deed poll made by

Name	Firebird BidCo Pty Ltd ACN 669 884 824
Short form name	**Bidder**
Notice details	Address: c/o Bain Capital Private Equity (Australia) Pty Limited, Level 28, 88 Phillip Street Sydney, NSW 2000 Attention: Michael Murphy / Charles Lawson / Samuel Payne Email: M.Murphy@baincapital.com / Clawson@baincapital.com / SPayne@baincapital.com With a copy to: Tom.Story@allens.com.au / Noah.Obradovic@allens.com.au

in favour of

each person registered in the Share Register as a holder of fully paid ordinary shares in Estia Health Limited ACN 160 986 201 as at the Scheme Record Date.

Background

A On or around 6 August 2023, Target and Bidder entered into the Scheme Implementation Agreement to provide for (among other matters) the implementation of the Scheme.

B The effect of the Scheme will be to transfer all Scheme Shares to Bidder in return for the Scheme Consideration.

C Bidder enters this deed poll to covenant in favour of Scheme Shareholders to:

(i) perform the actions attributed to it under the Scheme; and

(ii) provide the Scheme Consideration in accordance with the Scheme.

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Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this deed poll, unless the context otherwise requires, the following words and expressions have meanings as follows:

First Court Date means the date the Court first hears the application to order the convening of the Scheme Meeting under section 411(1) of the Corporations Act or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders, substantially in the form set out in Schedule 1, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Bidder and Target.

Scheme Consideration has the meaning given in the Scheme.

Scheme Implementation Agreement means the Scheme Implementation Agreement, dated on or around 6 August 2023, between Target and Bidder.

Scheme Share has the meaning given in the Scheme.

Scheme Shareholder has the meaning given in the Scheme.

Share Register has the meaning given in the Scheme.

Target means Estia Health Limited ACN 160 986 201.

Trust Account has the meaning given in the Scheme.

1.2 Terms defined in Scheme Implementation Agreement

Subject to clause 1.1, words and phrases defined in the Scheme Implementation Agreement have the same meaning in this deed poll unless they are otherwise defined in this deed poll or the context requires otherwise.

1.3 Incorporation by reference

The provisions of clauses 1.2, 1.3 and 1.4 of the Scheme Implementation Agreement form part of this deed poll as if set out at length in this deed poll but with *deed poll* substituted for *agreement* and with any reference to *party* being taken to include the Scheme Shareholders (as the context requires or permits).

2. Nature of this deed poll

Bidder agrees and acknowledges that:

(a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it; and

(b) under the Scheme, each Scheme Shareholder irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder.

3. Conditions

3.1 Conditions

Each of Bidder's obligations under this deed poll are subject to the Scheme becoming Effective.

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3.2 Termination

This deed poll and the obligations of Bidder under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

(a) the Scheme Implementation Agreement is terminated in accordance with its terms; or

(b) the Scheme is not Effective on or before the End Date or any later date as the Court, with the consent of Bidder and Target, may order; or

(c) the Scheme terminates and ceases to be of any further force or effect in accordance with its terms,

unless Bidder and Target otherwise agree in writing (and, if required, as approved by the Court).

3.3 Consequences of termination

If this deed poll terminates under clause 3.2, in addition and without prejudice to any other rights, powers or remedies available to them:

(a) Bidder is released from its obligations to further perform this deed poll; and

(b) each Scheme Shareholder retains the rights they have against Bidder in respect of any breach of this deed poll which occurred before it was terminated.

4. Performance of obligations

4.1 Generally

Subject to clause 3, Bidder covenants in favour of Scheme Shareholders to perform the actions attributed to it under, and otherwise comply with, the Scheme as if Bidder was a party to the Scheme, subject to and in accordance with the terms and conditions of the Scheme.

4.2 Provision of Scheme Consideration

(a) Subject to clause 3, Bidder undertakes in favour of each Scheme Shareholder to:

(i) provide or procure the provision of the Scheme Consideration to each Scheme Shareholder; and

(ii) undertake all other actions, and give each acknowledgement, representation and warranty (if any), attributed to it under the Scheme,

in each case, subject to and in accordance with the terms of the Scheme.

(b) The obligations of Bidder under clause 4.2(a) will be satisfied if, in respect of the Scheme Consideration, Bidder deposits, no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Scheme Consideration payable to Scheme Shareholders who are entitled to the Scheme Consideration under the Scheme in cleared funds to the Trust Account in accordance with, and subject to, the provisions of the Scheme.

5. Warranties

Bidder represents and warrants to each Scheme Shareholder that:

(a) (**status**) it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;

(b) (**power**) it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;

(c) (**corporate authorisations**) it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;

(d) (**documents binding**) this deed poll is its valid and binding obligation enforceable in accordance with its terms;

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(e) (**transactions permitted**) the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:

(i) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it; or

(ii) its constitution or other constituent documents; and

(f) (**solvency**) it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up, deregistration or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

6. Continuing obligations

6.1 Deed poll irrevocable

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

(a) Bidder having fully performed its obligations under this deed poll; and

(b) termination of this deed poll under clause 3.2.

6.2 Variation

A provision of this deed poll may not be varied unless:

(a) before the First Court Date, the variation is agreed to in writing by Target and Bidder; or

(b) on or after the First Court Date, the variation is agreed to in writing by Target and Bidder, and is approved by the Court (or the Court has otherwise indicated that the variation or amendment would not of itself preclude approval by the Court of the Scheme),

and the Bidder enters into a further deed poll in favour of each Scheme Shareholder giving effect to the amendment.

7. Notices

Any notice, demand or other communication (**Notice**) to Bidder in respect of this deed poll:

(a) must be in writing and signed by the sender or a person duly authorised by it;

(b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand, email or to the address or email address specified in the Details;

(c) will be conclusively taken to be duly given or made:

(i) (**in the case of delivery in hand**), when delivered at the address of the addressee as provided in the Details, unless that delivery is not made on a Business Day, or is made after 5.00pm on a Business Day, in which case that Notice will be deemed to be received at 9.00am on the next Business Day;

(ii) (**in the case of delivery by post**), on the third Business Days after the date of posting (if posted from an address within Australia) or the fifth Business Days after the date of posting (if posted from an address outside Australia); or

(iii) (**in the case of email**), on the earlier of:

(A) when the sending party's email system confirms delivery of the email by way of a delivery notification; or

(B) when the recipient party confirms receipt to the sending party via email or telephone.

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8. General provisions

8.1 Assignment

(a) The rights and obligations created by this deed poll are personal to Bidder, Target and each Scheme Shareholder. They cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of Bidder and Target.

(b) Any purported dealing in contravention of clause 8.1(a) is invalid.

8.2 Cumulative rights

The rights, powers and remedies of Bidder, Target and each Scheme Shareholder under this deed poll are cumulative with and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

8.3 No waiver

(a) Bidder may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.

(b) No failure to exercise nor any delay in exercising any right, power or remedy by the Bidder or any Scheme Shareholder under or in connection with this deed poll operates as a waiver.

(c) No Scheme Shareholder may rely on words or conduct of Bidder as a waiver of any right unless the waiver is in writing and signed by Bidder.

(d) The meanings of the terms used in this clause 8.4 are set out below.

conduct includes delay in the exercise of a right.

right means any right arising under or in connection with this deed poll and includes the right to rely on this clause.

waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

8.4 Stamp duty

Bidder must:

(a) pay or procure the payment of all stamp duty (if any), any related fines, penalties and interest payable in respect of the Scheme and this deed poll (including the acquisition or transfer of Scheme Shares pursuant to the Scheme), the performance of this deed poll and each transaction effected by or made under or pursuant to the Scheme and this deed poll; and

(b) indemnify each Scheme Shareholder against any liability arising from a failure to comply with clause 8.4(a).

8.5 Further assurances

Bidder will, at its own expense, do all things reasonably required of it to give full effect to this deed poll and the transactions contemplated by it.

8.6 Governing law and jurisdiction

This deed poll is governed by the laws of New South Wales, Australia. In relation to it and related non-contractual matters Bidder irrevocably:

(a) submit to the non-exclusive jurisdiction of courts with jurisdiction there; and

(b) waive any right to object to the venue on any ground.

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Schedule 1 – Scheme

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Scheme of Arrangement

—

Estia Health Limited
Scheme Shareholders

—

Level 40 Governor Macquarie Tower 1 Farrer Place
Sydney NSW 2000 Australia DX 117 Sydney
T +61 2 9921 8888 F +61 2 9921 8123
minterellison.com

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Scheme of Arrangement

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Details

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth).

Date

2023

Parties

Estia Health Limited ACN 160 986 201 (**Target**) of Level 9, 227 Elizabeth Street, Sydney, NSW 2000

and

Each Scheme Shareholder

Background

A Bidder and Target have entered into the Scheme Implementation Agreement, pursuant to which, among other things, Target agreed to propose this Scheme to Scheme Shareholders and each of Target and Bidder agreed to take certain steps to give effect to this Scheme and the Deed Poll.

B If the Scheme becomes Effective, Bidder will provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the provisions of this Scheme and the Deed Poll, Bidder will acquire all Scheme Shares and all of the rights and entitlements attaching to them as at the Implementation Date and Target will enter Bidder's name and address in the Target Register as the holder of the Scheme Shares.

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Agreed terms

1. Defined terms & interpretation

1.1 Definitions

In this Scheme, unless the context otherwise requires, the following words and expressions have meanings as follows:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, if the context requires, the financial market known as the Australian Securities Exchange, operated by it.

Bidder means Firebird BidCo Pty Ltd ACN 669 884 824.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in New South Wales, Australia.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited and ASX Clear Pty Limited.

CHESS Holding has the meaning given in the Settlement Rules.

Constitution means the constitution of Target.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act agreed in writing between Target and Bidder.

Deed Poll means the deed poll substantially in the form of Schedule under which Bidder covenants in favour of the Scheme Shareholders to perform the obligations attributed to Bidder under this Scheme.

Delivery Time means, in relation to the Second Court Date, 2 hours before the commencement of the hearing or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the Court to approve the Scheme in accordance with section 411(4)(b) of the Corporations Act.

Effective means, when used in relation to this Scheme the coming into effect under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act, in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date has the meaning given to it in the Scheme Implementation Agreement.

Governmental Agency has the meaning given to it in the Scheme Implementation Agreement.

Implementation Date means, with respect to the Scheme, the fifth Business Day, or such other Business Day as Target and Bidder agree in writing, after the Record Date. **Issuer Sponsored Holding** has the meaning given in the Settlement Rules.

Listing Rules means the official listing rules of ASX as amended from time to time.

Market Integrity Rules means any rules made by ASIC under section 798G of the Corporations Act that apply to ASX or any other prescribed financial market on which the Shares are quoted.

Performance Rights has the meaning given to it in the Scheme Implementation Agreement.

Permitted Dividend has the meaning given to it in the Scheme Implementation Agreement.

Record Date means 7.00pm (Sydney time) on the second Business Day after the Effective Date, or such other Business Day (after the Effective Date) agreed to in writing by Target and Bidder.

Registered Address means, in relation to a Scheme Shareholder, the address shown in Target Register as at the Record Date.

Relevant Amount has the meaning given to that term in clause 5.3(a).

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Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders, subject to any alterations or conditions that are:

(a) agreed to in writing by Target and Bidder, and approved by the Court; or

(b) made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by Target and Bidder.

Scheme Consideration means, in respect of each Scheme Share held by a Scheme Shareholder, $3.20 cash (as reduced by the amount of any Permitted Dividend declared in accordance with the Scheme Implementation Agreement).

Scheme Implementation Agreement means the Scheme Implementation Agreement, dated 6 August 2023, entered into between Target and Bidder.

Scheme Meeting means the meeting of shareholders of Target ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Share means a Share on issue at the Record Date.

Scheme Shareholder means a person who is registered in the Target Register as the holder of one or more Scheme Shares at the Record Date.

Scheme Transfer means a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Bidder as transferee, which may be a master transfer of the Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

Separate Account has the meaning given in clause 5.2(c).

Settlement Rules means the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.

Share means an issued fully paid ordinary share in the capital of Target.

Share Registry means Link Market Services Limited.

Target Register means the register of members of Target maintained by or on behalf of Target in accordance with the Corporations Act.

Trust Account means an Australian dollar denominated trust account operated by Target as trustee for the benefit of Scheme Shareholders.

Unclaimed Money Act has the meaning given to that term in clause 5.6(c).

Withholding Amount has the meaning given in clause 5.3(a).

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. In this Scheme, except where the context otherwise requires:

(a) the singular includes the plural, and the converse also applies;

(b) gender includes other genders;

(c) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(d) a reference to a clause or schedule is a reference to a clause of or schedule to this Scheme;

(e) a reference to an **agreement** or **document** (including a reference to this Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Scheme or that other agreement or document, and includes, except to the extent this Scheme expressly provides otherwise the recitals, schedules and annexures to that agreement or document;

(f) a reference to **A$**, **$A**, **dollar** or **$** is to Australian currency;

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(g) a reference to time is to Sydney, Australia time;

(h) a reference to a party to this Scheme, an agreement or document includes the party's executors, administrators, successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives);

(i) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;

(j) a reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it;

(k) a reference to conduct includes an omission, statement or undertaking, whether or not in writing;

(l) the meaning of general words is not limited by specific examples introduced by **including**, **for example** or similar expressions;

(m) a reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind; and

(n) a reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.

1.3 Business Day

Where the day on or by which any act, matter or thing under this Scheme is to be done is not a Business Day, that act, matter or thing must be done on or by the next Business Day.

1.4 Listing requirements included as law

A listing rule or operating rule of a financial market and a Market Integrity Rule will be regarded as a law and a reference to legislation (as appropriate), and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

2. Preliminary

2.1 Target

(a) Target is a public company limited by shares, registered in Victoria, Australia.

(b) Target is included in the official list of ASX. Each Share in Target is quoted on ASX.

(c) As at the date of the Scheme Implementation Agreement, Target had on issue or had granted:

(i) 258,361,034 Shares; and

(ii) 3,401,143 Performance Rights.

2.2 Bidder

Bidder is a proprietary company limited by shares registered in New South Wales.

2.3 General

(a) This Scheme attributes certain actions to Bidder but does not impose an obligation on Bidder to perform those actions.

(b) Bidder has agreed, by entering into the Deed Poll for the purpose of covenanting in favour of Scheme Shareholders to pay or procure payment of the Scheme Consideration to the Scheme Shareholders and otherwise performing the actions attributed to it under this Scheme.

2.4 Consequence of the Scheme

If this Scheme becomes Effective, then subject to the terms of the Scheme, on the Implementation Date:

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(a) Bidder will provide or procure the payment of the Scheme Consideration in accordance with this Scheme and the Deed Poll; and

(b) all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to Bidder, and Target will enter Bidder in the Target Register as the holder of the Scheme Shares.

3. Conditions

3.1 Conditions precedent

This Scheme is conditional on, and will have no force or effect (and will not become Effective) unless and until, the satisfaction of each of the following conditions precedent:

(a) all the conditions precedent in clause 3.1 of the Scheme Implementation Agreement (other than the condition in clause 3.1(e) (Court approval)) having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by no later than the Delivery Time;

(b) neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms by the Delivery Time;

(c) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any modifications made or required by the Court under section 411(6) of the Corporations Act and agreed or consented to in writing by Target and Bidder;

(d) such other conditions imposed by the Court under section 411(6) of the Corporations Act in relation to this Scheme, as are agreed or consented to in writing by Target and Bidder, having been satisfied; and

(e) the orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme coming into effect, under section 411(10) of the Corporations Act, on or before the End Date.

3.2 Certificates

(a) Bidder and Target will each provide to the Court on the Second Court Date a certificate signed by Bidder and Target (or such other evidence as the Court requests) confirming (in respect of matters within their knowledge) whether or not the conditions in clauses 3.1(a) and 3.1(b) of this Scheme have been satisfied or waived.

(b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

3.3 Effect of conditions precedent

(a) The satisfaction of the conditions referred to in clause 3.1 is a condition precedent to the operation of clauses 4.2 and 5, and the binding effect of this Scheme.

(b) Subject to clause 4.1, this Scheme takes effect for all purposes on and from the Effective Date.

(c) Without limiting any rights of Bidder and/or Target under the Scheme Implementation Deed, this Scheme will lapse and be of no further force or effect if:

(i) the Effective Date has not occurred on or before the End Date; or

(ii) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with its terms,

unless Bidder and Target otherwise agree in writing.

4. Implementation of this Scheme

4.1 Lodgement of Court orders

If the conditions set out in clause 3.1(a) to 3.1(e) (inclusive) are satisfied, Target must lodge with ASIC an office copy of the orders made by the Court under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme as soon as reasonably practicable after the Court approves this Scheme, and in any event no later than by 5.00pm (Sydney time) on

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the first Business Day after the Court approves this Scheme or such other Business Day as agreed to in writing by Target and Bidder.

4.2 Transfer of Scheme Shares

Subject to this Scheme becoming Effective, on the Implementation Date:

(a) subject to the payment of the Scheme Consideration in the manner contemplated by clause 5.2(b), the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by Target or its officers as agent and attorney of the Scheme Shareholders under clause 8.6 or otherwise), by:

(i) Target delivering a duly completed (and, if necessary, stamped) and executed Scheme Transfer to transfer all of the Scheme Shares to Bidder (which will take the form of a master transfer) to Bidder, executed on behalf of the Scheme Shareholders by Target (or any of its officers) as agent and attorney of the Scheme Shareholders; and

(ii) Bidder duly executing the Scheme Transfer and delivering it to Target for registration; and

(b) immediately after receipt of the Scheme Transfer in accordance with clause 4.2(a)(ii), Target must enter, or procure the entry of, the name of Bidder in the Target Register as holder of all Scheme Shares in accordance with this Scheme.

5. Scheme Consideration

5.1 Amount of Scheme Consideration

Subject to the terms of this Scheme, each Scheme Shareholder is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder in consideration for the transfer to Bidder of the Scheme Shares.

5.2 Payment of Scheme Consideration

(a) Subject to clauses 5.3(a) and 5.7, the obligation of Bidder to provide the Scheme Consideration under this Scheme and the Deed Poll will be satisfied by Bidder, by no later than the Business Day before the Implementation Date, depositing (or procuring the deposit of) in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to each Scheme Shareholder who is entitled to the Scheme Consideration under this Scheme, into the Trust Account, such amount to be held by Target on trust for the Scheme Shareholders and for the purpose of paying the aggregate amount of the Scheme Consideration to the Scheme Shareholders (except that any interest on the amount deposited will be for the account of Bidder).

(b) On the Implementation Date and subject to funds having been deposited into the Trust Account in accordance with clause 5.2(a), Target must pay (or procure the payment) from the Trust Account the Scheme Consideration to each Scheme Shareholder based on the number of Scheme Shares held by such Scheme Shareholder as set out in the Target Register on the Record Date, less any amounts retained by Target or Bidder under clauses 5.3 or 5.7, which obligation will be satisfied by:

(i) where a Scheme Shareholder has, before the Record Date, submitted a valid notification in accordance with the requirements of the Share Registry to receive payments from Target by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying (or procuring the payment) of the relevant amount in Australian currency by electronic means in accordance with that notification; and

(ii) subject to clause 5.2(c)(iii), otherwise, dispatching (or procuring the dispatch of) a cheque, drawn from the Trust Account in the name of the relevant Scheme Shareholder (or in the case of joint holders in accordance with the procedures set out in clause 5.4), for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to the Scheme Shareholder's Registered Address.

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(c) If either:

(i) a Scheme Shareholder does not have a Registered Address or the Target, as trustee for the Scheme Shareholders, believes that a Scheme Shareholder is not known at the Scheme Shareholder's Registered Address, and no account has been notified in accordance with clause 5.2(b)(i) or a deposit into such an account is rejected or refunded;

(ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.6(a); or

(iii) the Scheme Shareholder has a Registered Address in New Zealand,

Target as the trustee for the Scheme Shareholders may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Target (**Separate Account**) to be held until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with clause 5.6. To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with clause 5.6. Until such time as the amount is dealt with in accordance with clause 5.6, Target must hold the amount on trust for the relevant Scheme Shareholder, but any interest or other benefit accruing from the amount will be to the benefit of Bidder. Target must maintain records of the amounts paid, the people who are entitled to the amount and any transfers of the amount(s).

(d) To the extent that, following satisfaction of Target's obligations under clause 5.2(b), there is a surplus in the amount held by Target as trustee for the Scheme Shareholders in the Trust Account, that surplus must be paid by Target (or the Target Registry on Target's behalf) to Bidder.

(e) If this Scheme lapses after Bidder has provided some or all of the Scheme Consideration in accordance with clause 5.2(a), but prior to Bidder being entered into the Target Register as the holder of the Scheme Shares in accordance with clause 4.2(b), Target must refund (or procure the refund) to Bidder of the amount deposited into the Trust Account in accordance with 5.2(a), together with any interest thereon (less bank fees and charges).

5.3 Foreign resident capital gains withholdings

(a) If Bidder is required by law to withhold any amount from a payment to a Scheme Shareholder or is liable to pay an amount to the Commissioner of Taxation under Subdivision 14-D of Schedule 1 to the *Taxation Administration Act 1953* (Cth) in respect of the acquisition of Scheme Shares from a Scheme Shareholder (the **Relevant Amount**), then:

(i) Bidder shall be entitled to withhold an amount, in Australian dollars, equal to the amount of the Relevant Amount from the amount otherwise required to be paid into the Trust Account under clause 5.2(a) (**Withholding Amount**); or

(ii) if Bidder does not withhold the amount otherwise required to be paid into the Trust Account, Bidder by notice to Target may direct Target to withhold the Withholding Amount from the amount to be paid to the Scheme Shareholder under clause 5.2(b) and return the Withholding Amount to Bidder and Target must comply with the direction,

in which case payment of the reduced amount by Bidder into the Trust Account in accordance with clause 5.2(a) or by Target to the Scheme Shareholder in accordance with clause 5.2(b) as applicable, will constitute the full discharge of each of Bidder's and Target's obligations under clause 5.2(a) and 5.2(b) with respect to payment of Scheme Consideration to the relevant Scheme Shareholder, subject to Bidder paying the Withholding Amount to the relevant taxation authority.

(b) Bidder must pay any Withholding Amount so withheld to the relevant taxation authority, and, if requested in writing by the relevant Scheme Shareholder, provide a receipt or other appropriate evidence (or procure the provision of such receipt or other evidence) of such payment to the relevant Scheme Shareholder.

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5.4 Joint holders

In the case of Scheme Shares held in joint names:

(a) any Scheme Consideration payable in respect of those Scheme Shares is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent, at the sole discretion of Target, either to the holder whose name appears first in the Target Register as at the Record Date or to the joint holders; and

(b) any other document required to be sent under this Scheme, will be forwarded, at the sole discretion of Target, either to the holder whose name appears first in the Target Register as at the Record Date or to the joint holders.

5.5 Fractional entitlements

Where the calculation of the Scheme Consideration to be provided to a Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

5.6 Unclaimed monies

(a) Target may cancel (or procure the cancellation of) a cheque sent under this clause 5 if the cheque:

(i) is returned to Target (or the Share Registry); or

(ii) has not been presented for payment within six months after the date on which the cheque was sent.

(b) During the period of six months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target (or the Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Target must reissue a cheque that was previously cancelled under clause 5.6(a).

(c) The *Unclaimed Money Act 1995* (NSW) (**Unclaimed Money Act**) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the Unclaimed Money Act).

(d) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Bidder.

5.7 Order of a court or Governmental Agency

If written notice is given to Target, Bidder (or the Share Registry) of an order or direction made by a court of competent jurisdiction or by another Governmental Agency that:

(a) requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder in accordance with this clause 5, then:

(i) Bidder shall be entitled to retain an amount, in Australian dollars, equal to the amount of the relevant payment from the amount otherwise required to be paid into the Trust Account in accordance with clause 5.2(a) and pay (or procure the provision of) that amount in accordance with that order or direction; or

(ii) if Bidder does not retain an amount from the amount otherwise required to be paid into the Trust Account under clause 5.7(a)(i), Target must pay (procure that payment is made) in accordance with that order or direction from the amount paid into the Trust Account by Bidder; or

(b) prevents Bidder from making payment into the Trust Account in accordance with clause 5.2(a) or Target from making a payment to any particular Scheme Shareholder in accordance with clause 5.2(b), or such payment is otherwise prohibited by applicable law:

(i) Bidder may retain an amount, in Australian dollars, equal to the amount of the relevant payment from the amount otherwise required to be paid into the Trust Account in accordance with clause 5.2(a) until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law; or

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(ii) Target must retain an amount, in Australian dollars, equal to the amount of the relevant payment until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law,

and the payment or retention by either of Bidder or Target (or the Share Registry), as applicable, will constitute the full discharge of each of Bidder's and Target's (or the Share Registry's), as applicable, obligations under clauses 5.2(a) and 5.2(b) with respect of the amount so paid or retained until, in the case of clause 5.6(b), it is no longer required to be retained.

6. Dealings in Scheme Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Shares or other alterations to the Target Register will only be recognised if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Target Register as the holder of the relevant Shares before the Record Date; and

(b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received before 5.00pm (Sydney time) on the date on which the Record Date occurs at the place where the Target Register is kept,

and Target must not accept for registration, nor recognise for any purpose (except a transfer to Bidder under this Scheme and any subsequent transfer by Bidder or its successors in title), any transfer or transmission application or other request in respect of Scheme Shares received after the Record Date, or received prior to the Record Date but not in registrable or actionable form, as appropriate.

6.2 Register

(a) (**Registration of transfers**) Target must register, or cause to the be registered, registrable transmission applications or transfers of the kind referred to in clause 6.1(b) by or as soon as reasonably practicable after 5.00pm (Sydney time) on the Record Date.

(b) (**No registration after Record Date**) Target will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Shares received after 7.00pm (Sydney time) in the case of dealings of the type effected using CHESS) on the date on which the Record Date occurs, other than to Bidder in accordance with this Scheme and any subsequent transfer by Bidder or its successors in title.

(c) (**Maintenance of Target Register**) For the purpose of determining entitlements to the Scheme Consideration, Target must maintain the Target Register in accordance with the provisions of this clause until the Scheme Consideration has been delivered to the Scheme Shareholders and the name and address of Bidder have been entered into the Target Register as holder of all Scheme Shares. The Target Register in this form will solely determine entitlements to the Scheme Consideration and each entry on the Target Register as at the Record Date is the sole evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.

(d) (**No disposal after Record Date**) If the Scheme becomes Effective, then, from the Record Date until registration of Bidder in respect of all Scheme Shares under clause 4, no Scheme Shareholder may dispose or otherwise deal with Shares (or purport to do so) in any way except as set out in this Scheme (and other than any subsequent transfers by Bidder and its successors in title) and any attempt to do so will have no effect and Target will be entitled to disregard any such disposal or dealing.

(e) (**Statements of holding from Record Date**) All statements of holding for Scheme Shares will cease to have effect from the Record Date as documents of title in respect of those Scheme Shares. As from the Record Date, each entry current at that date on the Target Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.

(f) (**Provision of Scheme Shareholder details**) Within two Business Days after the Record Date, Target will ensure that details of the names, Registered Addresses and holdings of

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Shares for each Scheme Shareholder (as recorded in the Target Register) are available to Bidder.

7. Quotation

(a) Target will apply to ASX to suspend trading on ASX of the Shares with effect from the close of trading on the Effective Date.

(b) Target will apply:

(i) to ASX for termination of the official quotation of the Shares on ASX; and

(ii) to have itself removed from the official list of ASX,

in each case with effect on and from the close of the trading day immediately following the Implementation Date or on such other date after the Implementation Date as determined by Bidder.

8. General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions under section 411(6) of the Corporations Act:

(a) Target may, by its counsel or solicitors, consent on behalf of all persons concerned, including each Scheme Shareholder, to those alterations or conditions to which Bidder has agreed or consented to in writing; and

(b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for Target has consented.

8.2 Binding effect of Scheme

This Scheme binds Target and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides the Constitution.

8.3 Scheme Shareholders' agreements and acknowledgment

Each Scheme Shareholder (by operation of this Scheme and without the need for any further act by that Scheme Shareholder):

(a) irrevocably agrees to the transfer of their Scheme Shares together with all rights and entitlements attaching to those Scheme Shares to Bidder in accordance with this Scheme;

(b) who holds their Scheme Shares in a CHESS Holding, agrees to the conversion of those Scheme Shares to an Issuer Sponsored Holding and irrevocably authorises Target to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion;

(c) irrevocably agrees to any variation, cancellation or modification (if any) of the rights attached to their Scheme Shares constituted by or resulting from this Scheme;

(d) agrees to, on the direction of Bidder, destroy any holding statements or security certificates relating to their Scheme Shares; and

(e) irrevocably consents to Bidder and Target doing all other things and executing all other documents as may be necessary, incidental or expedient to the implementation or performance of this Scheme.

8.4 Warranties by Scheme Shareholder

(a) Each Scheme Shareholder is deemed to have warranted to Target, in its own right and for the benefit of Bidder, that as at the Implementation Date:

(i) all of its Scheme Shares which are transferred to Bidder under this Scheme, including any rights and entitlements attaching to those Scheme Shares, will, at the time of transfer, be free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of

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section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;

(ii) all of its Scheme Shares which are transferred to Bidder under this Scheme will, on the date on which they are transferred to Bidder, be fully paid;

(iii) it has full power and capacity to transfer its Scheme Shares to Bidder together with any rights and entitlements attaching to those Scheme Shares; and

(iv) it has no existing right to be issued any Shares, options or rights exercisable into Scheme Shares, Target convertible notes or any other Target securities.

(b) Target provides the warranties in clause 8.4(a) to Bidder as agent and attorney of each Scheme Shareholder.

8.5 Title to and rights in Scheme Shares

(a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attached to Scheme Shares) transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.

(b) On and from the Implementation Date, subject to the payment of the Scheme Consideration by Target to each Scheme Shareholder in the manner contemplated by clause 5.2(b), Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by Target (or the Share Registry) of Bidder in the Target Register as the holder of the Scheme Shares in accordance with clause 4.2(b).

8.6 Authority given to Target

(a) Each Scheme Shareholder, without the need for any further act, will be deemed to have authorised Target to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder required by law or otherwise necessary, desirable, expedient for, or incidental to, the implementation of this Scheme, including (without limitation) executing and delivering, as agent and attorney of each Scheme Shareholder one or more Scheme Transfers as contemplated by clause 4.2.

(b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney for the purpose of:

(i) enforcing the Deed Poll against Bidder, and Target accepts such appointment; and

(ii) executing any document necessary, and taking any other action, required by law or otherwise necessary, desirable or expedient, to give effect to this Scheme including (without limitation), executing and delivering to Bidder the Scheme Transfer under clause 4.2(a) and Target accepts such appointment.

8.7 Appointment of sole proxy

Immediately after the payment of the Scheme Consideration to each Scheme Shareholder by Target in the manner contemplated by clause 5.2(b) until Target registers (or procures the registration of) Bidder as the holder of all Scheme Shares in the Target Register, each Scheme Shareholder, without the need for any further act by that Scheme Shareholder:

(a) is deemed to have irrevocably appointed Bidder as its agent and attorney (and directed Bidder in such capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of Target, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders' resolution, whether in person, by proxy or by corporate representative;

(b) undertakes not to otherwise attend shareholders' meetings, whether in person, by proxy or by corporate representative, exercise the votes attaching to Scheme Shares registered in

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their names or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to clause 8.7(a);

(c) must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and

(d) acknowledges and agrees that in exercising the powers referred to in clause 8.7(a), Bidder and any director, officer, secretary or agent nominated by Bidder under clause 8.7(a) may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

8.8 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Governmental Agency), all instructions, notifications or elections by a Scheme Shareholder to Target (or Share Registry) binding or deemed binding between the Scheme Shareholder and Target relating to Target or Shares (including any email addresses, instructions relating to communications from Target, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from Target) will be deemed from the Implementation Date (except to the extent determined otherwise by Bidder and in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to Bidder, and will be accepted by Bidder until that instruction, notification or election is revoked or amended in writing addressed to Bidder at the Share Registry.

9. General

9.1 Stamp duty

Bidder must pay all stamp duty payable in connection with the transfer of the Scheme Shares to Bidder under this Scheme.

9.2 Notices

(a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Target (or Share Registry), it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Target's registered office or at the office of the Share Registry.

(b) An accidental omission to give notice of the Scheme Meeting to any Scheme Shareholder, or the non-receipt of such a notice by any Scheme Shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.3 Further assurances

(a) Target must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.

(b) Each Scheme Shareholder (by operation of this Scheme and without the need for any further act by the Scheme Shareholder) consents to Target doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it.

9.4 Governing law and jurisdiction

(a) This Scheme is governed by the laws of New South Wales, Australia.

(b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme.

9.5 No liability when acting in good faith

Each Scheme Shareholder agrees (by operation of this Scheme and without the need for any further act by the Scheme Shareholder), that neither Target or Bidder, nor any of their respective directors, officers, secretaries or employees, will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

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Schedule 1 – Deed Poll

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Signing page

EXECUTED and delivered as a deed poll.

Executed by **Firebird BidCo Pty Ltd** in accordance with Section 127 of the *Corporations Act 2001* (Cth)

DocuSigned by:
Charles Lawson
5E5BCB5B7E8246E...

Signature of director

Charles Lawson

Name of director (print)

DocuSigned by:
Michael Murphy
5A2B6DA2DDBA4FA...

Signature of director/company secretary

(Please delete as applicable)

Michael Murphy

Name of director/company secretary (print)

(Please delete as applicable)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

Appendix 3 Scheme

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Scheme of Arrangement

—

Estia Health Limited
Scheme Shareholders

—

Level 40 Governor Macquarie Tower 1 Farrer Place
Sydney NSW 2000 Australia DX 117 Sydney
T +61 2 9921 8888 F +61 2 9921 8123
minterellison.com

ME_210543885_7

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Scheme of Arrangement

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Details

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth).

Date

2023

Parties

Estia Health Limited ACN 160 986 201 (**Target**) of Level 9, 227 Elizabeth Street, Sydney, NSW 2000

and

Each Scheme Shareholder

Background

A Bidder and Target have entered into the Scheme Implementation Agreement, pursuant to which, among other things, Target agreed to propose this Scheme to Scheme Shareholders and each of Target and Bidder agreed to take certain steps to give effect to this Scheme and the Deed Poll.

B If the Scheme becomes Effective, Bidder will provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the provisions of this Scheme and the Deed Poll, Bidder will acquire all Scheme Shares and all of the rights and entitlements attaching to them as at the Implementation Date and Target will enter Bidder's name and address in the Target Register as the holder of the Scheme Shares.

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Agreed terms

1. Defined terms & interpretation

1.1 Definitions

In this Scheme, unless the context otherwise requires, the following words and expressions have meanings as follows:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, if the context requires, the financial market known as the Australian Securities Exchange, operated by it.

Bidder means Firebird BidCo Pty Ltd ACN 669 884 824.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in New South Wales, Australia.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited and ASX Clear Pty Limited.

CHESS Holding has the meaning given in the Settlement Rules.

Constitution means the constitution of Target.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act agreed in writing between Target and Bidder.

Deed Poll means the deed poll substantially in the form of Schedule under which Bidder covenants in favour of the Scheme Shareholders to perform the obligations attributed to Bidder under this Scheme.

Delivery Time means, in relation to the Second Court Date, 2 hours before the commencement of the hearing or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the Court to approve the Scheme in accordance with section 411(4)(b) of the Corporations Act.

Effective means, when used in relation to this Scheme the coming into effect under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act, in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date has the meaning given to it in the Scheme Implementation Agreement.

Governmental Agency has the meaning given to it in the Scheme Implementation Agreement.

Implementation Date means, with respect to the Scheme, the fifth Business Day, or such other Business Day as Target and Bidder agree in writing, after the Record Date. **Issuer Sponsored Holding** has the meaning given in the Settlement Rules.

Listing Rules means the official listing rules of ASX as amended from time to time.

Market Integrity Rules means any rules made by ASIC under section 798G of the Corporations Act that apply to ASX or any other prescribed financial market on which the Shares are quoted.

Performance Rights has the meaning given to it in the Scheme Implementation Agreement.

Permitted Dividend has the meaning given to it in the Scheme Implementation Agreement.

Record Date means 7.00pm (Sydney time) on the second Business Day after the Effective Date, or such other Business Day (after the Effective Date) agreed to in writing by Target and Bidder.

Registered Address means, in relation to a Scheme Shareholder, the address shown in Target Register as at the Record Date.

Relevant Amount has the meaning given to that term in clause 5.3(a).

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Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders, subject to any alterations or conditions that are:

(a) agreed to in writing by Target and Bidder, and approved by the Court; or

(b) made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by Target and Bidder.

Scheme Consideration means, in respect of each Scheme Share held by a Scheme Shareholder, $3.20 cash (as reduced by the amount of any Permitted Dividend declared in accordance with the Scheme Implementation Agreement).

Scheme Implementation Agreement means the Scheme Implementation Agreement, dated 6 August 2023, entered into between Target and Bidder.

Scheme Meeting means the meeting of shareholders of Target ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Share means a Share on issue at the Record Date.

Scheme Shareholder means a person who is registered in the Target Register as the holder of one or more Scheme Shares at the Record Date.

Scheme Transfer means a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Bidder as transferee, which may be a master transfer of the Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

Separate Account has the meaning given in clause 5.2(c).

Settlement Rules means the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.

Share means an issued fully paid ordinary share in the capital of Target.

Share Registry means Link Market Services Limited.

Target Register means the register of members of Target maintained by or on behalf of Target in accordance with the Corporations Act.

Trust Account means an Australian dollar denominated trust account operated by Target as trustee for the benefit of Scheme Shareholders.

Unclaimed Money Act has the meaning given to that term in clause 5.6(c).

Withholding Amount has the meaning given in clause 5.3(a).

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. In this Scheme, except where the context otherwise requires:

(a) the singular includes the plural, and the converse also applies;

(b) gender includes other genders;

(c) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(d) a reference to a clause or schedule is a reference to a clause of or schedule to this Scheme;

(e) a reference to an **agreement** or **document** (including a reference to this Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Scheme or that other agreement or document, and includes, except to the extent this Scheme expressly provides otherwise the recitals, schedules and annexures to that agreement or document;

(f) a reference to **A$**, **$A**, **dollar** or **$** is to Australian currency;

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(g) a reference to time is to Sydney, Australia time;

(h) a reference to a party to this Scheme, an agreement or document includes the party's executors, administrators, successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives);

(i) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;

(j) a reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it;

(k) a reference to conduct includes an omission, statement or undertaking, whether or not in writing;

(l) the meaning of general words is not limited by specific examples introduced by **including**, **for example** or similar expressions;

(m) a reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind; and

(n) a reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.

1.3 Business Day

Where the day on or by which any act, matter or thing under this Scheme is to be done is not a Business Day, that act, matter or thing must be done on or by the next Business Day.

1.4 Listing requirements included as law

A listing rule or operating rule of a financial market and a Market Integrity Rule will be regarded as a law and a reference to legislation (as appropriate), and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

2. Preliminary

2.1 Target

(a) Target is a public company limited by shares, registered in Victoria, Australia.

(b) Target is included in the official list of ASX. Each Share in Target is quoted on ASX.

(c) As at the date of the Scheme Implementation Agreement, Target had on issue or had granted:

(i) 258,361,034 Shares; and

(ii) 3,401,143 Performance Rights.

2.2 Bidder

Bidder is a proprietary company limited by shares registered in New South Wales.

2.3 General

(a) This Scheme attributes certain actions to Bidder but does not impose an obligation on Bidder to perform those actions.

(b) Bidder has agreed, by entering into the Deed Poll for the purpose of covenanting in favour of Scheme Shareholders to pay or procure payment of the Scheme Consideration to the Scheme Shareholders and otherwise performing the actions attributed to it under this Scheme.

2.4 Consequence of the Scheme

If this Scheme becomes Effective, then subject to the terms of the Scheme, on the Implementation Date:

(a) Bidder will provide or procure the payment of the Scheme Consideration in accordance with this Scheme and the Deed Poll; and

(b) all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to Bidder, and Target will enter Bidder in the Target Register as the holder of the Scheme Shares.

3. Conditions

3.1 Conditions precedent

This Scheme is conditional on, and will have no force or effect (and will not become Effective) unless and until, the satisfaction of each of the following conditions precedent:

(a) all the conditions precedent in clause 3.1 of the Scheme Implementation Agreement (other than the condition in clause 3.1(e) (Court approval)) having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by no later than the Delivery Time;

(b) neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms by the Delivery Time;

(c) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any modifications made or required by the Court under section 411(6) of the Corporations Act and agreed or consented to in writing by Target and Bidder;

(d) such other conditions imposed by the Court under section 411(6) of the Corporations Act in relation to this Scheme, as are agreed or consented to in writing by Target and Bidder, having been satisfied; and

(e) the orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme coming into effect, under section 411(10) of the Corporations Act, on or before the End Date.

3.2 Certificates

(a) Bidder and Target will each provide to the Court on the Second Court Date a certificate signed by Bidder and Target (or such other evidence as the Court requests) confirming (in respect of matters within their knowledge) whether or not the conditions in clauses 3.1(a) and 3.1(b) of this Scheme have been satisfied or waived.

(b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

3.3 Effect of conditions precedent

(a) The satisfaction of the conditions referred to in clause 3.1 is a condition precedent to the operation of clauses 4.2 and 5, and the binding effect of this Scheme.

(b) Subject to clause 4.1, this Scheme takes effect for all purposes on and from the Effective Date.

(c) Without limiting any rights of Bidder and/or Target under the Scheme Implementation Deed, this Scheme will lapse and be of no further force or effect if:

(i) the Effective Date has not occurred on or before the End Date; or

(ii) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with its terms,

unless Bidder and Target otherwise agree in writing.

4. Implementation of this Scheme

4.1 Lodgement of Court orders

If the conditions set out in clause 3.1(a) to 3.1(e) (inclusive) are satisfied, Target must lodge with ASIC an office copy of the orders made by the Court under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme as soon as reasonably practicable after the Court approves this Scheme, and in any event no later than by 5.00pm (Sydney time) on

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the first Business Day after the Court approves this Scheme or such other Business Day as agreed to in writing by Target and Bidder.

4.2 Transfer of Scheme Shares

Subject to this Scheme becoming Effective, on the Implementation Date:

(a) subject to the payment of the Scheme Consideration in the manner contemplated by clause 5.2(b), the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by Target or its officers as agent and attorney of the Scheme Shareholders under clause 8.6 or otherwise), by:

(i) Target delivering a duly completed (and, if necessary, stamped) and executed Scheme Transfer to transfer all of the Scheme Shares to Bidder (which will take the form of a master transfer) to Bidder, executed on behalf of the Scheme Shareholders by Target (or any of its officers) as agent and attorney of the Scheme Shareholders; and

(ii) Bidder duly executing the Scheme Transfer and delivering it to Target for registration; and

(b) immediately after receipt of the Scheme Transfer in accordance with clause 4.2(a)(ii), Target must enter, or procure the entry of, the name of Bidder in the Target Register as holder of all Scheme Shares in accordance with this Scheme.

5. Scheme Consideration

5.1 Amount of Scheme Consideration

Subject to the terms of this Scheme, each Scheme Shareholder is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder in consideration for the transfer to Bidder of the Scheme Shares.

5.2 Payment of Scheme Consideration

(a) Subject to clauses 5.3(a) and 5.7, the obligation of Bidder to provide the Scheme Consideration under this Scheme and the Deed Poll will be satisfied by Bidder, by no later than the Business Day before the Implementation Date, depositing (or procuring the deposit of) in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to each Scheme Shareholder who is entitled to the Scheme Consideration under this Scheme, into the Trust Account, such amount to be held by Target on trust for the Scheme Shareholders and for the purpose of paying the aggregate amount of the Scheme Consideration to the Scheme Shareholders (except that any interest on the amount deposited will be for the account of Bidder).

(b) On the Implementation Date and subject to funds having been deposited into the Trust Account in accordance with clause 5.2(a), Target must pay (or procure the payment) from the Trust Account the Scheme Consideration to each Scheme Shareholder based on the number of Scheme Shares held by such Scheme Shareholder as set out in the Target Register on the Record Date, less any amounts retained by Target or Bidder under clauses 5.3 or 5.7, which obligation will be satisfied by:

(i) where a Scheme Shareholder has, before the Record Date, submitted a valid notification in accordance with the requirements of the Share Registry to receive payments from Target by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying (or procuring the payment) of the relevant amount in Australian currency by electronic means in accordance with that notification; and

(ii) subject to clause 5.2(c)(iii), otherwise, dispatching (or procuring the dispatch of) a cheque, drawn from the Trust Account in the name of the relevant Scheme Shareholder (or in the case of joint holders in accordance with the procedures set out in clause 5.4), for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to the Scheme Shareholder's Registered Address.

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(c) If either:

(i) a Scheme Shareholder does not have a Registered Address or the Target, as trustee for the Scheme Shareholders, believes that a Scheme Shareholder is not known at the Scheme Shareholder's Registered Address, and no account has been notified in accordance with clause 5.2(b)(i) or a deposit into such an account is rejected or refunded;

(ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.6(a); or

(iii) the Scheme Shareholder has a Registered Address in New Zealand,

Target as the trustee for the Scheme Shareholders may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Target (**Separate Account**) to be held until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with clause 5.6. To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with clause 5.6. Until such time as the amount is dealt with in accordance with clause 5.6, Target must hold the amount on trust for the relevant Scheme Shareholder, but any interest or other benefit accruing from the amount will be to the benefit of Bidder. Target must maintain records of the amounts paid, the people who are entitled to the amount and any transfers of the amount(s).

(d) To the extent that, following satisfaction of Target's obligations under clause 5.2(b), there is a surplus in the amount held by Target as trustee for the Scheme Shareholders in the Trust Account, that surplus must be paid by Target (or the Target Registry on Target's behalf) to Bidder.

(e) If this Scheme lapses after Bidder has provided some or all of the Scheme Consideration in accordance with clause 5.2(a), but prior to Bidder being entered into the Target Register as the holder of the Scheme Shares in accordance with clause 4.2(b), Target must refund (or procure the refund) to Bidder of the amount deposited into the Trust Account in accordance with 5.2(a), together with any interest thereon (less bank fees and charges).

5.3 Foreign resident capital gains withholdings

(a) If Bidder is required by law to withhold any amount from a payment to a Scheme Shareholder or is liable to pay an amount to the Commissioner of Taxation under Subdivision 14-D of Schedule 1 to the *Taxation Administration Act 1953* (Cth) in respect of the acquisition of Scheme Shares from a Scheme Shareholder (the **Relevant Amount**), then:

(i) Bidder shall be entitled to withhold an amount, in Australian dollars, equal to the amount of the Relevant Amount from the amount otherwise required to be paid into the Trust Account under clause 5.2(a) (**Withholding Amount**); or

(ii) if Bidder does not withhold the amount otherwise required to be paid into the Trust Account, Bidder by notice to Target may direct Target to withhold the Withholding Amount from the amount to be paid to the Scheme Shareholder under clause 5.2(b) and return the Withholding Amount to Bidder and Target must comply with the direction,

in which case payment of the reduced amount by Bidder into the Trust Account in accordance with clause 5.2(a) or by Target to the Scheme Shareholder in accordance with clause 5.2(b) as applicable, will constitute the full discharge of each of Bidder's and Target's obligations under clause 5.2(a) and 5.2(b) with respect to payment of Scheme Consideration to the relevant Scheme Shareholder, subject to Bidder paying the Withholding Amount to the relevant taxation authority.

(b) Bidder must pay any Withholding Amount so withheld to the relevant taxation authority, and, if requested in writing by the relevant Scheme Shareholder, provide a receipt or other appropriate evidence (or procure the provision of such receipt or other evidence) of such payment to the relevant Scheme Shareholder.

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5.4 Joint holders

In the case of Scheme Shares held in joint names:

(a) any Scheme Consideration payable in respect of those Scheme Shares is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent, at the sole discretion of Target, either to the holder whose name appears first in the Target Register as at the Record Date or to the joint holders; and

(b) any other document required to be sent under this Scheme, will be forwarded, at the sole discretion of Target, either to the holder whose name appears first in the Target Register as at the Record Date or to the joint holders.

5.5 Fractional entitlements

Where the calculation of the Scheme Consideration to be provided to a Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

5.6 Unclaimed monies

(a) Target may cancel (or procure the cancellation of) a cheque sent under this clause 5 if the cheque:

(i) is returned to Target (or the Share Registry); or

(ii) has not been presented for payment within six months after the date on which the cheque was sent.

(b) During the period of six months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target (or the Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Target must reissue a cheque that was previously cancelled under clause 5.6(a).

(c) The *Unclaimed Money Act 1995* (NSW) (**Unclaimed Money Act**) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the Unclaimed Money Act).

(d) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Bidder.

5.7 Order of a court or Governmental Agency

If written notice is given to Target, Bidder (or the Share Registry) of an order or direction made by a court of competent jurisdiction or by another Governmental Agency that:

(a) requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder in accordance with this clause 5, then:

(i) Bidder shall be entitled to retain an amount, in Australian dollars, equal to the amount of the relevant payment from the amount otherwise required to be paid into the Trust Account in accordance with clause 5.2(a) and pay (or procure the provision of) that amount in accordance with that order or direction; or

(ii) if Bidder does not retain an amount from the amount otherwise required to be paid into the Trust Account under clause 5.7(a)(i), Target must pay (procure that payment is made) in accordance with that order or direction from the amount paid into the Trust Account by Bidder; or

(b) prevents Bidder from making payment into the Trust Account in accordance with clause 5.2(a) or Target from making a payment to any particular Scheme Shareholder in accordance with clause 5.2(b), or such payment is otherwise prohibited by applicable law:

(i) Bidder may retain an amount, in Australian dollars, equal to the amount of the relevant payment from the amount otherwise required to be paid into the Trust Account in accordance with clause 5.2(a) until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law; or

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(ii) Target must retain an amount, in Australian dollars, equal to the amount of the relevant payment until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law,

and the payment or retention by either of Bidder or Target (or the Share Registry), as applicable, will constitute the full discharge of each of Bidder's and Target's (or the Share Registry's), as applicable, obligations under clauses 5.2(a) and 5.2(b) with respect of the amount so paid or retained until, in the case of clause 5.6(b), it is no longer required to be retained.

6. Dealings in Scheme Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Shares or other alterations to the Target Register will only be recognised if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Target Register as the holder of the relevant Shares before the Record Date; and

(b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received before 5.00pm (Sydney time) on the date on which the Record Date occurs at the place where the Target Register is kept,

and Target must not accept for registration, nor recognise for any purpose (except a transfer to Bidder under this Scheme and any subsequent transfer by Bidder or its successors in title), any transfer or transmission application or other request in respect of Scheme Shares received after the Record Date, or received prior to the Record Date but not in registrable or actionable form, as appropriate.

6.2 Register

(a) (**Registration of transfers**) Target must register, or cause to the be registered, registrable transmission applications or transfers of the kind referred to in clause 6.1(b) by or as soon as reasonably practicable after 5.00pm (Sydney time) on the Record Date.

(b) (**No registration after Record Date**) Target will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Shares received after 7.00pm (Sydney time) in the case of dealings of the type effected using CHESS) on the date on which the Record Date occurs, other than to Bidder in accordance with this Scheme and any subsequent transfer by Bidder or its successors in title.

(c) (**Maintenance of Target Register**) For the purpose of determining entitlements to the Scheme Consideration, Target must maintain the Target Register in accordance with the provisions of this clause until the Scheme Consideration has been delivered to the Scheme Shareholders and the name and address of Bidder have been entered into the Target Register as holder of all Scheme Shares. The Target Register in this form will solely determine entitlements to the Scheme Consideration and each entry on the Target Register as at the Record Date is the sole evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.

(d) (**No disposal after Record Date**) If the Scheme becomes Effective, then, from the Record Date until registration of Bidder in respect of all Scheme Shares under clause 4, no Scheme Shareholder may dispose or otherwise deal with Shares (or purport to do so) in any way except as set out in this Scheme (and other than any subsequent transfers by Bidder and its successors in title) and any attempt to do so will have no effect and Target will be entitled to disregard any such disposal or dealing.

(e) (**Statements of holding from Record Date**) All statements of holding for Scheme Shares will cease to have effect from the Record Date as documents of title in respect of those Scheme Shares. As from the Record Date, each entry current at that date on the Target Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.

(f) (**Provision of Scheme Shareholder details**) Within two Business Days after the Record Date, Target will ensure that details of the names, Registered Addresses and holdings of

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Shares for each Scheme Shareholder (as recorded in the Target Register) are available to Bidder.

7. Quotation

(a) Target will apply to ASX to suspend trading on ASX of the Shares with effect from the close of trading on the Effective Date.

(b) Target will apply:

(i) to ASX for termination of the official quotation of the Shares on ASX; and

(ii) to have itself removed from the official list of ASX,

in each case with effect on and from the close of the trading day immediately following the Implementation Date or on such other date after the Implementation Date as determined by Bidder.

8. General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions under section 411(6) of the Corporations Act:

(a) Target may, by its counsel or solicitors, consent on behalf of all persons concerned, including each Scheme Shareholder, to those alterations or conditions to which Bidder has agreed or consented to in writing; and

(b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for Target has consented.

8.2 Binding effect of Scheme

This Scheme binds Target and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides the Constitution.

8.3 Scheme Shareholders' agreements and acknowledgment

Each Scheme Shareholder (by operation of this Scheme and without the need for any further act by that Scheme Shareholder):

(a) irrevocably agrees to the transfer of their Scheme Shares together with all rights and entitlements attaching to those Scheme Shares to Bidder in accordance with this Scheme;

(b) who holds their Scheme Shares in a CHESS Holding, agrees to the conversion of those Scheme Shares to an Issuer Sponsored Holding and irrevocably authorises Target to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion;

(c) irrevocably agrees to any variation, cancellation or modification (if any) of the rights attached to their Scheme Shares constituted by or resulting from this Scheme;

(d) agrees to, on the direction of Bidder, destroy any holding statements or security certificates relating to their Scheme Shares; and

(e) irrevocably consents to Bidder and Target doing all other things and executing all other documents as may be necessary, incidental or expedient to the implementation or performance of this Scheme.

8.4 Warranties by Scheme Shareholder

(a) Each Scheme Shareholder is deemed to have warranted to Target, in its own right and for the benefit of Bidder, that as at the Implementation Date:

(i) all of its Scheme Shares which are transferred to Bidder under this Scheme, including any rights and entitlements attaching to those Scheme Shares, will, at the time of transfer, be free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of

section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;

(ii) all of its Scheme Shares which are transferred to Bidder under this Scheme will, on the date on which they are transferred to Bidder, be fully paid;

(iii) it has full power and capacity to transfer its Scheme Shares to Bidder together with any rights and entitlements attaching to those Scheme Shares; and

(iv) it has no existing right to be issued any Shares, options or rights exercisable into Scheme Shares, Target convertible notes or any other Target securities.

(b) Target provides the warranties in clause 8.4(a) to Bidder as agent and attorney of each Scheme Shareholder.

8.5 Title to and rights in Scheme Shares

(a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attached to Scheme Shares) transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.

(b) On and from the Implementation Date, subject to the payment of the Scheme Consideration by Target to each Scheme Shareholder in the manner contemplated by clause 5.2(b), Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by Target (or the Share Registry) of Bidder in the Target Register as the holder of the Scheme Shares in accordance with clause 4.2(b).

8.6 Authority given to Target

(a) Each Scheme Shareholder, without the need for any further act, will be deemed to have authorised Target to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder required by law or otherwise necessary, desirable, expedient for, or incidental to, the implementation of this Scheme, including (without limitation) executing and delivering, as agent and attorney of each Scheme Shareholder one or more Scheme Transfers as contemplated by clause 4.2.

(b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney for the purpose of:

(i) enforcing the Deed Poll against Bidder, and Target accepts such appointment; and

(ii) executing any document necessary, and taking any other action, required by law or otherwise necessary, desirable or expedient, to give effect to this Scheme including (without limitation), executing and delivering to Bidder the Scheme Transfer under clause 4.2(a) and Target accepts such appointment.

8.7 Appointment of sole proxy

Immediately after the payment of the Scheme Consideration to each Scheme Shareholder by Target in the manner contemplated by clause 5.2(b) until Target registers (or procures the registration of) Bidder as the holder of all Scheme Shares in the Target Register, each Scheme Shareholder, without the need for any further act by that Scheme Shareholder:

(a) is deemed to have irrevocably appointed Bidder as its agent and attorney (and directed Bidder in such capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of Target, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders' resolution, whether in person, by proxy or by corporate representative;

(b) undertakes not to otherwise attend shareholders' meetings, whether in person, by proxy or by corporate representative, exercise the votes attaching to Scheme Shares registered in

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their names or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to clause 8.7(a);

(c) must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and

(d) acknowledges and agrees that in exercising the powers referred to in clause 8.7(a), Bidder and any director, officer, secretary or agent nominated by Bidder under clause 8.7(a) may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

8.8 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Governmental Agency), all instructions, notifications or elections by a Scheme Shareholder to Target (or Share Registry) binding or deemed binding between the Scheme Shareholder and Target relating to Target or Shares (including any email addresses, instructions relating to communications from Target, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from Target) will be deemed from the Implementation Date (except to the extent determined otherwise by Bidder and in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to Bidder, and will be accepted by Bidder until that instruction, notification or election is revoked or amended in writing addressed to Bidder at the Share Registry.

9. General

9.1 Stamp duty

Bidder must pay all stamp duty payable in connection with the transfer of the Scheme Shares to Bidder under this Scheme.

9.2 Notices

(a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Target (or Share Registry), it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Target's registered office or at the office of the Share Registry.

(b) An accidental omission to give notice of the Scheme Meeting to any Scheme Shareholder, or the non-receipt of such a notice by any Scheme Shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.3 Further assurances

(a) Target must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.

(b) Each Scheme Shareholder (by operation of this Scheme and without the need for any further act by the Scheme Shareholder) consents to Target doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it.

9.4 Governing law and jurisdiction

(a) This Scheme is governed by the laws of New South Wales, Australia.

(b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme.

9.5 No liability when acting in good faith

Each Scheme Shareholder agrees (by operation of this Scheme and without the need for any further act by the Scheme Shareholder), that neither Target or Bidder, nor any of their respective directors, officers, secretaries or employees, will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

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Schedule 1 – Deed Poll

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Appendix 4 Notice of Scheme Meeting

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ESTIA HEALTH LIMITED ACN 113 178 519

NOTICE OF COURT ORDERED SCHEME MEETING OF ESTIA HEALTH SHAREHOLDERS

Notice is hereby given that, by an order of the Court made on Wednesday, 11 October 2023 pursuant to sections 411(1) of the Corporations Act, the Court has directed that a meeting of Estia Health Shareholders be held at 9.00am (Australian Eastern time) on Wednesday, 15 November 2023 at Thomson Geer, Level 14, 60 Martin Place, Sydney NSW 2000.

The Court has also directed that Dr. Gary Weiss, AM, or, if he is unable or unwilling to participate in the meeting, Mr. Paul Foster, act as Chairperson of the meeting.

PURPOSE OF THE SCHEME MEETING

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree (with or without any alterations or conditions agreed to in writing between Estia Health and the Bidder or any alterations or conditions required by the Court to which Estia Health and the Bidder agree) to a scheme of arrangement proposed to be made between Estia Health and Estia Health Shareholders (**Scheme**).

A copy of the Scheme and a copy of the Explanatory Statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet of which this notice forms part.

BUSINESS OF THE SCHEME MEETING

to consider and, if thought fit, pass the following resolution:

"That, under and in accordance with section 411 of the Corporations Act 2001 (Cth), the members agree to the arrangement proposed between Estia Health Limited and Estia Health Shareholders, designated the "Scheme", as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting (with or without alterations or conditions required or approved by the Supreme Court of New South Wales to which Estia Health Limited and Firebird BidCo Pty Ltd agree) and the Board of Estia Health Limited is authorised to implement the Scheme with any such alterations or conditions."

DATED [16] October 2023

BY ORDER OF THE COURT

.....

Leanne Ralph
Company Secretary

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Explanatory notes for the Scheme Meeting

1 General

(a) Capitalised words and phrases contained in this Notice of Scheme Meeting (including the proposed resolution) have the same meaning as set out in the Glossary in Section 12 of the Scheme Booklet, of which this Notice of Scheme Meeting forms part.

(b) This Notice of Scheme Meeting should be read in conjunction with the entire Scheme Booklet of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the proposed resolution. The Scheme Booklet includes a copy of the Scheme (refer to Appendix 3) and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme (the explanatory statement being all sections of this Scheme Booklet, other than the Appendices).

2 Voting entitlements

For the purposes of the Scheme Meeting, only those persons registered in the Share Register as a holder of Estia Health Shares at 7.00pm (Australian Eastern time) on Monday, 13 November 2023 are entitled to participate and vote at the Scheme Meeting in respect of each Estia Health Share held by them at that time, either personally, by proxy or attorney or, in the case of an Estia Health Shareholder or proxy who is a corporation, by corporate representative.

3 Required voting majority

(a) The resolution to approve the Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the Corporations Act.

(b) The resolution to approve the Scheme must be passed by:

(i) unless the Court orders otherwise, a majority in number (more than 50%) of Estia Health Shareholders present and voting at the Scheme Meeting (whether personally, by proxy, attorney or, in the case of an Estia Health Shareholder or a proxy who is a corporation, by corporate representative); and

(ii) at least 75% of the total number of votes which are cast at the Scheme Meeting by Estia Health Shareholders (whether personally or by proxy, attorney, or in the case of an Estia Health Shareholder or a proxy who is a corporation, corporate representative).

(c) The vote at the Scheme Meeting will be conducted by poll.

4 Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the Scheme (with or without any alterations or conditions agreed between Estia Health and the Bidder or any alterations or conditions required by the Court to which Estia Health and the Bidder agree) must also be approved by an order of the Court and an office copy of the orders must be lodged with ASIC. If the Scheme is approved by the requisite majorities of Estia Health Shareholders at the Scheme Meeting, Estia Health intends to apply to the Court for orders approving the Scheme.

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5 How to vote

Estia Health Shareholders who are entitled to vote at the Scheme Meeting may vote:

(a) (**personally**) by participating in the Scheme Meeting and voting personally;

(b) (**by attorney**) by appointing an attorney to participate in the Scheme Meeting and vote on their behalf;

(c) (**by proxy**) by appointing a proxy to participate and vote on their behalf at the Scheme Meeting, using the Proxy Form accompanying this Notice of Scheme Meeting or by appointing a proxy online. A proxy may be an individual or a body corporate; or

(d) (**by corporate representative**) in the case of an Estia Health Shareholder or proxy who is a corporation, a corporate representative to attend the Scheme Meeting and vote on its behalf.

6 Jointly held Estia Health Shares

If you hold Estia Health Shares jointly with one or more other persons, only one of you may vote at the Scheme Meeting. If more than one of you attempts to vote in person at the Scheme Meeting, only the vote of the holder whose name appears first on the Share Register will be counted.

7 Voting in person (or by attorney or corporate representative)

(a) Estia Health Shareholders wishing to vote personally or their attorneys or, in the case of an Estia Health Shareholder or proxy who is a corporation, corporate representatives are strongly encouraged to attend the physical Scheme Meeting.

(b) Estia Health Shareholders and proxyholders wishing to attend the Scheme Meeting are asked to meet at Thomson Geer, Level 14, 60 Martin Place, Sydney NSW 2000 30 minutes prior to the time designated for the commencement of the Scheme Meeting, to register.

(c) In particular, Estia Health Shareholders and proxyholders should note that the protocols for attendance in person at the Scheme Meeting may change at short notice. Any change will be announced by Estia Health via the ASX. Estia Health Shareholders and proxyholders that wish to attend the Scheme Meeting in person are also strongly encouraged to contact the Shareholder Information Line no later than 7 days prior to the date of the Scheme Meeting to inform Estia Health of their intention to attend the physical meeting venue for the Scheme Meeting in person and to provide their contact details (email address or mobile telephone number or both) so that representatives of Estia Health can notify them of any changes to the protocols for attending the physical meeting venue for the Scheme Meeting in person.

(d) The power of attorney appointing your attorney to participate in and vote at the Scheme Meeting must be duly executed by you in the presence of at least one witness, and specify your name, the company (that is, Estia Health), and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.

(e) To vote by attorney at the Scheme Meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Share Registry before the Scheme Meeting in any of the following ways:

By post in the enclosed reply paid envelope (or the self-addressed envelope, for Estia Health Shareholders whose registered address is outside Australia) provided to the Share Registry:

Estia Health Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

By hand to the Share Registry located at:

Link Market Services Limited
Parramatta Square, Level 22, Tower 6,
10 Darcy Street
Parramatta NSW 2150 Australia

By fax to the Share Registry on +61 2 9287 0309 within Australia.

(f) Your appointment of an attorney does not preclude you from participating and voting at the Scheme Meeting. The appointment of your attorney is not revoked merely by your participation and taking part in the Scheme Meeting, but if you vote on a resolution, the attorney is not entitled to

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vote, and must not vote, as your attorney on that resolution.

(g) To vote at the Scheme Meeting, you or your attorney or, in the case of an Estia Health Shareholder or proxy who is a corporation, corporate representative are strongly encouraged to attend the physical Scheme Meeting.

(h) A vote cast in accordance with the appointment of a power of attorney is valid even if before the vote was cast the appointor:

(i) died;

(ii) became mentally incapacitated;

(iii) revoked the power; or

(iv) transferred the shares in respect of which the vote was cast,

unless Estia Health received written notification of the death, mental incapacity, revocation or transfer before the Scheme Meeting or, if applicable, the resumption of any adjourned Scheme meeting.

(i) To vote by corporate representative at the Scheme Meeting, an Estia Health Shareholder or proxy who is a corporation should obtain a *Certificate of Appointment of Corporate Representative* from the Share Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged with the Share Registry before the Scheme Meeting.

(j) The appointment of a representative may set out restrictions on the representative's powers.

(k) The original *Certificate of Appointment of Corporate Representative*, a certified copy of the *Certificate of Appointment of Corporate Representative*, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

8 Voting by proxy

Estia Health Shareholders wishing to appoint a proxy to vote on their behalf at the Scheme Meeting must:

(a) complete and sign or validly authenticate the Proxy Form accompanying the Scheme Booklet and deliver the signed and completed Proxy Form (and an original or certified copy of any power of attorney under which it is signed, unless already provided) to the Share Registry 9.00am (Australian Eastern time) on Monday, 13 November 2023; or

(b) appoint a proxy online by 9.00am (Australian Eastern time) on Monday, 13 November 2023,

in accordance with the instructions below.

9 Submitting proxies

Estia Health Shareholders wishing to appoint a proxy to participate and vote on their behalf at the Scheme Meeting must return the provided Proxy Form to the Share Registry in any of the following ways:

By post in the enclosed reply paid envelope (or the self-addressed envelope, for Estia Health Shareholders whose registered address is outside Australia) provided to the Share Registry:

Estia Health Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

By hand to the Share Registry located at:

Link Market Services Limited
Parramatta Square, Level 22, Tower 6,
10 Darcy Street
Parramatta NSW 2150 Australia

By fax to the Share Registry on +61 2 9287 0309 within Australia

Online by visiting www.linkmarketservices.com.au

As the cut-off date for receipt of proxies is 9.00am (Australian Eastern time) on Monday, 13 November 2023 you should ensure that it is posted, delivered or lodged online in sufficient time for it to be received by the Share Registry by that time.

10 Notes for proxy appointments

(a) An Estia Health Shareholder entitled to participate in and vote at the Scheme Meeting is entitled to appoint not more than two proxies to participate in and vote at the Scheme Meeting on behalf of that Estia Health Shareholder.

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(b) A proxy need not be an Estia Health Shareholder.

(c) You are entitled to appoint up to two proxies to participate in the Scheme Meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy you must specify the names of each proxy and the percentage of votes or number of securities for each proxy on the Proxy Form. Replacement Proxy Forms can also be obtained from the Share Registry.

(d) If you hold Estia Health Shares jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the Proxy Form.

(e) Your appointment of a proxy does not preclude you from attending the Scheme Meeting personally. The appointment of your proxy is not suspended merely by attending the Scheme Meeting, but if you vote on a resolution, the proxy is not entitled to vote, and must not vote, as your proxy on that resolution.

(f) A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:

(i) if the proxy is the Chairperson – the proxy must vote on the poll and must vote in the way directed; and

(ii) if the proxy is not the Chairperson – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed. In circumstances where the proxy does not vote on the poll or does not attend the meeting, the Chairperson will act in place of the nominated proxy and will vote in accordance with any directions on the proxy form.

(g) If a proxy appointment is signed or validly authenticated by an Estia Health Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairperson or any other director of Estia Health or the company secretary, as nominated by the Chairperson, will act as proxy in respect of the resolution to be considered at the Scheme Meeting.

(h) If:

(i) an Estia Health Shareholder nominates the Chairperson of the meeting as their proxy; or

(ii) the Chairperson is otherwise appointed to act as proxy,

then the person acting as Chairperson in respect of an item of business at the meeting must act as proxy in respect of the resolution to be considered at the Scheme Meeting.

(i) The Chairperson intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution to approve the Scheme (in the absence of a Superior Proposal from another party prior to the date of the Scheme Meeting and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Estia Health Shareholder). If the Chairperson of the Scheme Meeting changes his voting intention on the resolution, an ASX announcement will be made.

(j) A vote cast in accordance with the appointment of a proxy is valid even if before the vote was cast the appointor:

(i) died;

(ii) became mentally incapacitated;

(iii) revoked the proxy; or

(iv) transferred the shares in respect of which the vote was cast,

unless Estia Health received written notification of the death, mental incapacity, revocation or transfer before the Scheme Meeting or, if applicable, before the resumption of any adjourned Scheme Meeting.

11 Advertisement

Where this Notice of Scheme Meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to participate in the Scheme Meeting from Estia Health's website at https://investors.estiahealth.com.au/investor-centre/ or by contacting the Company Secretary of Estia Health or the Share Registry.

Corporate directory

Estia Health Limited
Level 9, 227 Elizabeth Street,
Sydney NSW 2000
Telephone: +61 2 9265 7900
Website: www.estiahealth.com.au

Directors

Dr. Gary Weiss, AM
(Non-Executive Chairman)

Mr. Sean Bilton
(Chief Executive Officer and Managing Director)

Ms. Norah Barlow, ONZM
(Non-Executive Director)

Ms. Karen Penrose
(Non-Executive Director)

Mr. Paul Foster
(Non-Executive Director)

Ms. Helen Kurincic
(Non-Executive Director)

Professor Simon Willcock, AM
(Non-Executive Director)

Company Secretary

Leanne Ralph

Auditor

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

Legal adviser

MinterEllison
Level 40, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000
Telephone: +61 2 9921 8888

Financial adviser

UBS Securities Australia Limited
Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000
Telephone: +61 2 9324 3100

Independent Expert

Kroll Australia Pty Ltd
Level 32, 85 Castlereagh Street
Sydney NSW 2000
Telephone: +61 2 8286 7200

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Telephone: 1300 554 474

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ESTIA HEALTH
NSW Office
Level 9, 227 Elizabeth Street
Sydney, New South Wales 2000
T 02 9265 7900
E investor@estiahealth.com.au
estiahealth.com.au

ASX Announcement

Annexure B – Proxy Form

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Estia Health

ABN 37 160 986 201

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Estia Health Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
Parramatta Square, Level 22, Tower 6,
10 Darcy Street, Parramatta NSW 2150

ALL ENQUIRIES TO
Telephone: 1300 038 212 Overseas: +61 2 9066 4052

X99999999999

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SCHEME MEETING

VOTING/PROXY FORM

I/We being a member(s) of Estia Health Limited and entitled to attend and vote hereby appoint:

STEP 1 Please mark either A or B

A VOTE DIRECTLY

☐ **elect to lodge my/our vote(s) directly (mark box)**

in relation to the Scheme Meeting of the Company to be held at **9:00am (AEDT) on Wednesday, 15 November 2023,** and at any adjournment or postponement of the Meeting.

You should mark either "for" or "against" for each item. Do not mark the "abstain" box.

OR

B APPOINT A PROXY

☐ **the Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chair of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **9:00am (AEDT) on Wednesday, 15 November 2023 at Thomson Geer, Level 14, 60 Martin Place** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chair of the Meeting intends to vote undirected proxies in favour of the Scheme Resolution.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Item	For	Against	Abstain*
1 To consider and, if thought fit, pass the following resolution: *"That, under and in accordance with section 411 of the Corporations Act 2001 (Cth), the members agree to the arrangement proposed between Estia Health Limited and Estia Health Shareholders, designated the "Scheme", as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting (with or without alterations or conditions required or approved by the Supreme Court of New South Wales to which Estia Health Limited and Firebird BidCo Pty Ltd agree) and the Board of Estia Health Limited is authorised to implement the Scheme with any such alterations or conditions."*	☐	☐	☐

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

EHE PRX2301E

HOW TO COMPLETE THIS SHAREHOLDER VOTING/PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

VOTING UNDER BOX A

If you ticked the box under Box A you are indicating that you wish to vote directly. Please only mark either **"for"** or **"against"** for each item. Do not mark the **"abstain"** box. If you mark the **"abstain"** box for an item, your vote for that item will be invalid.

If no direction is given on all of the Item, or if you complete both Box A and Box B, your vote may be passed to the Chair of the Meeting as your proxy.

Custodians and nominees may, with the Share Registrar's consent, identify on the Voting Form the total number of votes in each of the categories **"for"** and **"against"** and their votes will be valid.

If you have lodged a direct vote, and then you attend the Meeting, your attendance will cancel your direct vote.

The Chair's decision as to whether a direct vote is valid is conclusive.

VOTING UNDER BOX B – APPOINTMENT OF PROXY

If you wish to appoint the Chair of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name and of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Voting/Proxy Form.

VOTES ON ITEM OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the Item of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Voting/Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Voting Form and the second Voting/Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be received at registrars@linkmarketservices.com.au prior to admission in accordance with the Notice of Scheme Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A VOTING/PROXY FORM

This Voting/Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **9:00am (AEDT) on Monday, 13 November 2023,** being not later than 48 hours before the commencement of the Meeting. Any Voting/Proxy Form received after that time will not be valid for the scheduled Meeting.

Voting/Proxy Forms may be lodged using the reply paid envelope or:

ONLINE

vote.linkmarketservices.com

Login to the Link website using the holding details as shown on the Voting/Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Voting/Proxy Form).

BY MOBILE DEVICE

QR Code

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **vote.linkmarketservices.com** into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

BY MAIL

Estia Health Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX

+61 2 9287 0309

BY HAND

delivering it to Link Market Services Limited*
Parramatta Square
Level 22, Tower 6
10 Darcy Street
Parramatta NSW 2150

*during business hours Monday to Friday (9:00am - 5:00pm) and subject to public health orders and restrictions

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE SCHEME MEETING, PLEASE BRING THIS FORM WITH YOU. THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.

For personal use only