

ASX Announcement

20 September 2024

Acquisition of two quality homes on Melbourne's Mornington Peninsula and update on recent aged care reforms

Key points:

- **Regis has executed binding agreements to acquire two high-quality residential aged care homes for net consideration of \$35.5 million¹**
- **Homes based in Capel Sound (170 beds) and Mornington (92 beds)**
- **Consistent with Regis' strategy to broaden its residential aged care footprint through acquisition of premium homes**
- **Acquisition is expected to be EPS accretive in FY25**
- **Transaction funded from existing cash**
- **Completion expected 2 December 2024**

Regis Healthcare Limited (ASX: REG) (**Regis**) is pleased to announce that it has entered into binding agreements to acquire two residential aged care homes from Ti Tree Operations Pty Ltd (Ti Tree), a privately-owned residential aged care provider, for net consideration of \$35.5 million¹.

Ti Tree operates two Melbourne-based premium residential aged care homes in Capel Sound and Mornington with a combined 262 beds under the Village Glen trading name. Village Glen Mornington was opened in 2018, while Village Glen Capel Sound was opened in 2014, and is located next door to the largest retirement village in Victoria with over 600 villas and apartments. Both homes are fully accredited and have a strong reputation in the market with average occupancy of 96% in Q4 FY24.

Regis' CEO Dr Linda Mellors said, "We are excited to add these quality homes to our portfolio and broaden our footprint in Melbourne. We look forward to welcoming the residents, families, employees and communities to Regis and ensuring a seamless transition of services."

Village Glen Founder and Managing Director Chas Jacobsen said, "We are delighted that Regis will be the new owner and custodian of the Capel Sound and Mornington facilities. We look forward to an ongoing and productive relationship between the parties into the future via our co-located retirement village."

¹ Excludes transaction costs and stamp duty and subject to customary adjustments including final RAD balances. Consideration calculated on a cash free / interest-bearing debt free basis.

Key benefits of the acquisition include:

- Addition of two quality residential aged care homes including the freehold sites and operations;
- Strong accreditation history with an average portfolio star rating of 4.5 for compliance;
- Potential cost savings including procurement and reduced corporate costs; and
- Expected to be EPS accretive in FY25.

As part of the transaction, the RAD liability assumed at settlement is expected to be approximately \$68 million. The net consideration represents a high single digit multiple of pro-forma annualised EBITDA or approximately \$135,000 per bed.

The transaction, which is subject to regulatory approvals in relation to the transfer of allocated places and other customary conditions, is expected to settle on 2 December 2024. The acquisition will be funded by Regis' existing cash.

Regis' aged care portfolio will increase to 68 homes with approximately 7,660 beds following completion of this acquisition and the September closure of the Weston home in Western Australia. In addition, the new 112-bed greenfield residential aged care home in Camberwell, Victoria will open to new residents by late 2024.

Aged Care Reform Update

Regis welcomes the bipartisan agreement on historic funding reforms to make the aged care system fair, equitable and sustainable. These changes were considered essential to meet the current and growing needs of older Australians and to restore the sector's viability. The reforms have been informed by the recommendations of the Aged Care Taskforce.

The key proposed changes announced as part of the introduction of the Bill include:

- Reintroduction of RAD/RAC retentions for new admissions post 1 July 2025, set at 2% per annum for a maximum of five years. The retention would be deducted monthly.
- Increase in the maximum room price from \$550,000 to \$750,000 (from 1 January 2025) before approval is required from the Independent Health and Aged Care Pricing Authority (IHACPA), as well as indexation (CPI) going forward on 1 July each year.
- Introduction of DAP indexation, twice per year.
- Increases to the hotelling supplement.
- Higher everyday living fee from 1 July 2025, replacing additional service and extra service fees.
- Review of the accommodation supplement within the next two years.
- Consideration of phasing out of RADs by 2035, dependent on sector readiness. An independent review will be conducted in 2029-30.
- Expansion of the home care program to provide services to more people and across additional funding classifications.
- Changes to consumer contributions and a lifetime cap on non-clinical care contributions.

The Bill has been tabled in Parliament and is expected to be reviewed by a Senate Committee. The Government continues to communicate a proposed start date of 1 July 2025 for the new Aged Care Act.

The expected changes will improve returns for the aged care sector and enable providers like Regis to invest in further greenfield aged care developments. Regis has three pipeline developments in Toowong, Queensland and Belrose and Carlingford, New South Wales.

Regis' CEO Dr Linda Mellors said, "After many years of chronic underfunding with a significant portion of the sector operating at a loss, we are now expecting more predictable and sustainable funding to invest in high-quality services and aged care homes that Australians expect. Regis is pleased that the Government and Opposition have cooperated to progress critical aged care reforms. As a result, Regis will now commence three greenfield developments in FY25, which will add 323 high quality beds to the portfolio."

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

About Regis

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