



**APOLLO CARE**  
ALLIANCE

Introducing the Apollo Care Model  
for Residential Aged Care

*Embracing deregulation to strengthen and extend community impact*

November, 2016

For Benevolent Aged Care, Rockhampton

## Background: the Residential Aged Care industry today

- As a nation, we are facing the competing forces of ageing and sustainability (meaning government affordability)
- The government's solution is deregulation, to allow RAC providers to merge for scale and compete via product innovation (so users don't mind paying)
- The For-profits and larger NFPs, with ready access to capital, are responding with expansion and aggressive investment in product
- As government constrains spending, it will start to squeeze providers' economics
- Smaller NFPs are facing a conundrum: how can they best sustain their community mission?

## Options available to NFPs going forward

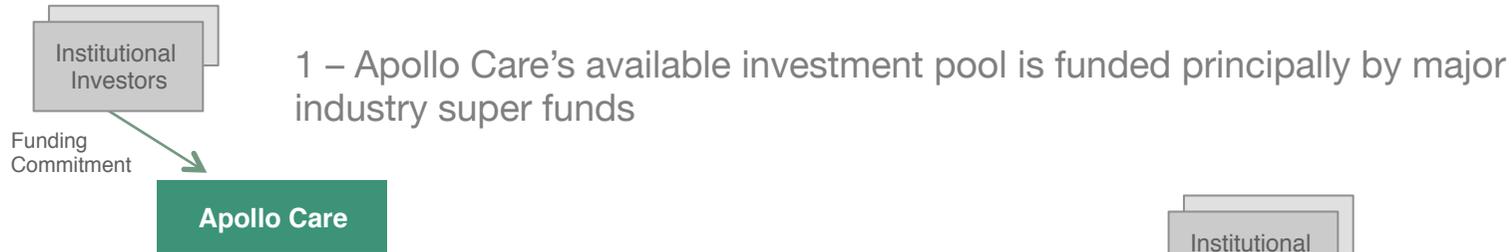
1. **Continue as today.** This risks marginalisation, through lack of investment as operating surpluses are squeezed and competitors improve their offering, or
2. **Exit RAC, either by selling to for-profit operator or merging with a larger NFP.** This reduces your community profile and possibly risks your social mission

**Apollo Care presents a third option:** outsource RAC operational management and funding to a specialist group of likeminded investors and providers, so that your RAC offering continues for your community. You, as the local NFP, can refocus your own activity on greatest areas of community need.

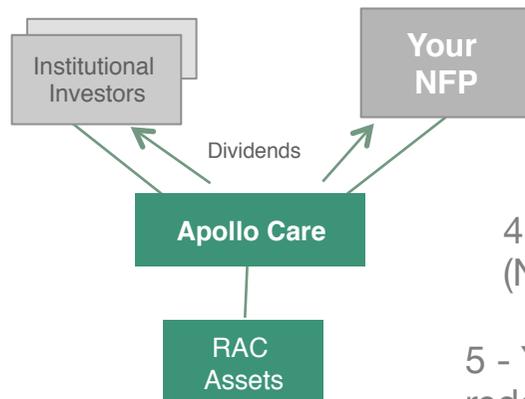
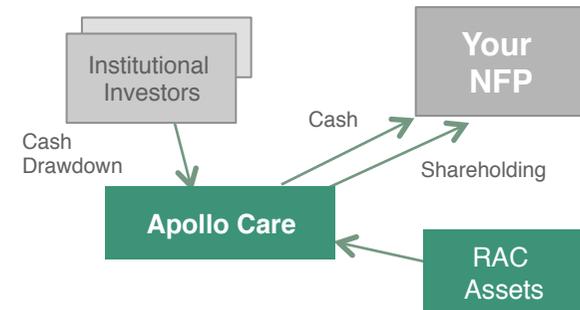
**Apollo Care is designed to provide you a means of embracing deregulation to expand your community impact. For your RAC assets, Apollo Care:**

- Captures scale economies and contracting out the compliance, regulatory change and administration costs/risks;
- Attracts institutional investor funding for any needed expansions and refurbishments;
- Turns your RAC assets into a valuable endowment;
- Allows your Board to focus financial resources on other areas (e.g. RVs, ILUs, community housing and other charitable activity) to build on your legacy and extend your community impact.

## How Apollo Care works: it is an outsourced funder and operator of RAC, under contract back to you



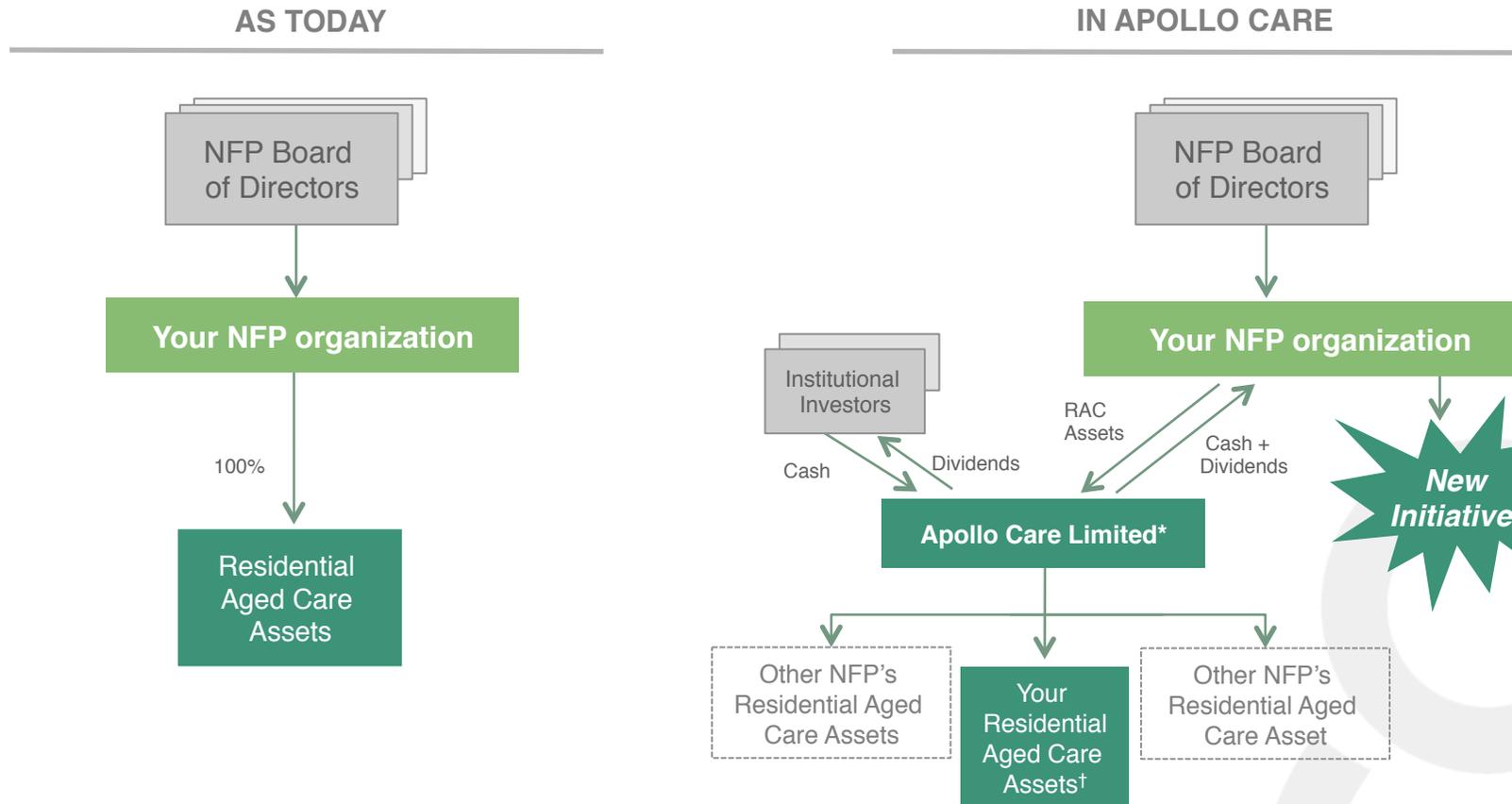
2 - You (as NFP) vend-in RAC assets into Apollo Care, so that RAC assets are jointly owned by yourselves and the investors (as shareholders) (often 50/50, but can be greater)



4 - Your RAC assets, in Apollo Care, remain under your collective control (NFPs + investors)

5 - You (as NFP) enjoy the cash from the vend-in, plus ongoing dividends, to redeploy into other areas of community need

## In the Apollo Care framework, you own the RAC assets in conjunction with like-minded investors and other RAC alliance partners



\* A stapled structure. Later quoted on the ASX, and tradeable  
 † Generally includes RAC buildings. May (or may not) include land

## **Apollo Care outsources both the funding and operation of RAC, under contract to you. It is designed to:**

- ***Free up cash for you.*** By selling a proportion of your RAC assets to Apollo Care, you are able to fund other community initiatives, e.g. expansion of RV/ILU offering, community housing, etc. In turn, Apollo Care is responsible for all the future RAC investment
- ***Reduce your risks in RAC.*** In the Apollo Care model, your operational and financial risk profile is greatly enhanced:
  - All the compliance and regulatory responsibility is delegated to Apollo Care
  - Your product offering is upgraded, more contemporary, more competitive
  - You share in the economies of scale of the provision of RAC across all the alliance partners (administration, IT)
  - You strengthen your financial position through diversification and association with the Apollo Care investors
- ***Convert your RAC into a liquid endowment.*** As other providers join the structure, Apollo Care grows to become a pool of RAC assets that can be quoted on the ASX\*

\* Subject to ASX criteria and market conditions

## **Apollo Care operates the RAC assets, contracted to you and under your control**

### **BENEFITS OF THE APOLLO CARE OPERATIONAL MODEL**

**Focused RAC Management Expertise** – Culture management, compliance and customer service at best practice standards. Your more senior staff have a peer-group across other alliance members

**Staff Continuity** – All staff in resident-facing roles continue. Maintains an unwavering “strategic focus on culture”. NFP governance structure remains

**Best IT/Administrative Systems** – Obtains large-scale provider efficiencies in back office, support systems, funding, training, education and compliance

**Branding Continuity** – Preserves your branding, organisational mission, values and community identity

**Assured Continuity of Community Values** – Community Advisory Board for NFP shareholders to track and oversee Apollo Care’s performance on key community impacts

## Frequently asked questions

***Will Apollo Care affect our PBI status?*** No.

***What equity split does Apollo Care want?*** Our suggestion is a 50/50 split, but the model can support a wide range (even full selldown if desired).

***Our land is leased (or otherwise, difficult to separate).*** Can we still participate? Yes, Apollo Care can work with building assets on long-term tenure arrangements.

***How is the vend-in asset value determined?*** Normally, this is at market value as assessed by an independent valuer mutually agreeable to you and Apollo Care.

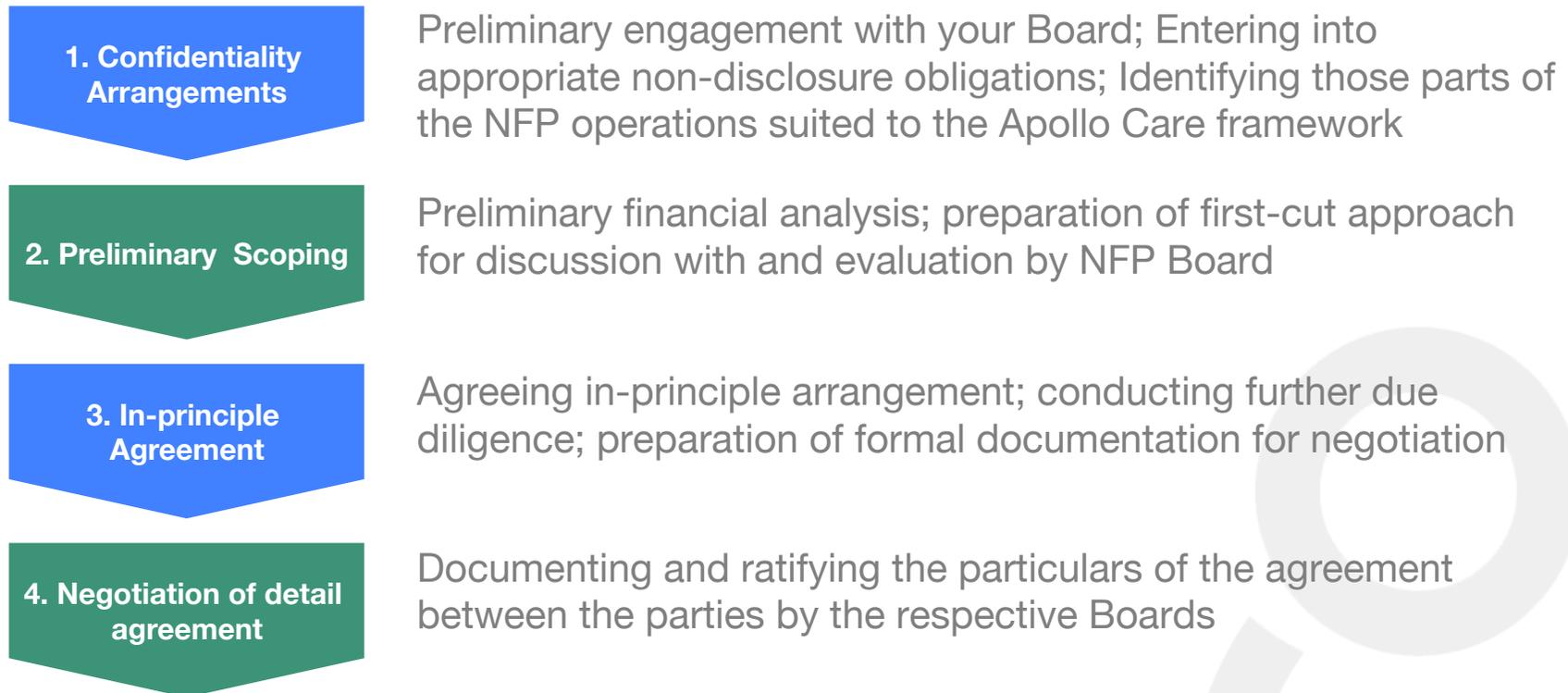
***What happens to staff and residents?*** Staff continue to work for your organisation, but they are managed by Apollo Care under the operating contract. Residents still deal with your NFP on essentially the same arrangements as before (minor technical changes may apply to new residents).

***How do we ensure that care is provided according to our mission?*** Apollo Care is under contractual obligation to you as vending entity. You participate as a full shareholder (and so with other participants can exercise collective control over Apollo Care). You participate with other NFPs on the Community Advisory Board.

***You speak of “liquidity” in our Apollo Care shares. How is this obtained?*** Once a sufficient number of participant providers is attained, Apollo Care will obtain a quotation on the ASX. From this point forward, you will be able to buy/sell Apollo Care securities freely.

**Now that we have an NDA in place, if you would like to continue the dialogue the next step would be to begin stage 2 (preliminary scoping)**

### **APOLLO CARE'S PROPOSED ENGAGEMENT PROCESS**



## Apollo Care vs funding alternatives

	Bank borrowing	Sale & leaseback	Merge with larger NFP	Apollo Care
<b>Nature of transaction</b>	Borrow funds from bank, repayable	Sell property to investor/funder and pay rent	Merger	Part vend-in to entity jointly owned with investors
<b>Control of RAC asset</b>	NFP, if within lending criteria	Investor/funder is landlord	Acquirer	Joint NFP/Investors (as shareholders)
<b>Branding</b>	NFP	NFP	Normally acquirer	NFP (normally retain brand)
<b>Operational risks</b>	NFP	NFP	Acquirer	Apollo Care
<b>Scale efficiencies?</b>	No	No	Yes	Yes
<b>Interest rate risk</b>	Yes	Rent is reviewed periodically	None	None (no interest payable)
<b>Amount of funding to NFP</b>	Amount borrowed	Capitalisation rate on rent	(?)	Share of market value of asset(s) transferred
<b>Financial return to NFP</b>	Reported profit after interest	Reported Profit (after paying rent)	None	Dividends (most of reported profit)
<b>Value of RAC as endowment</b>	Difference between asset value and borrowings. Not tradeable	Low. Principal asset is with funder	None	High. Your shareholding in Apollo Care, tradeable

## Apollo Care principals



**John C Young, Executive Chair**      [john.young@apollocare.com.au](mailto:john.young@apollocare.com.au)    +61 2 9235 9937

John has over 30 years' corporate experience including principal roles in private equity, public market capital raising, corporate strategy and acquisitions, corporate governance, and management consulting.

John is a Principal at KTM Capital, an equity capital markets firm serving services and tech sector clients. Prior to this, John was Director of Corporate Development at Boral Limited. Prior to this, John worked as an executive director at Patrick Corporation. Previously, John worked with the management consultants McKinsey & Company, serving clients in a variety of industries in Australia, Europe, and the USA.

John holds a Bachelor of Engineering and a Master in Business Administration. He is a GAICD.



**Stephen Becsi OAM, Chief Executive Officer**      [stephen.becsi@apollocare.com.au](mailto:stephen.becsi@apollocare.com.au)    +61 417 183 864

Stephen is currently the CEO of Pulse Australasia, a key partner of Apollo Care.

Previously, Stephen was CEO of the Bethanie Group, one of WA's largest NFP providers of aged care services, including residential aged care. Under his leadership Bethanie achieved top-tier standards of performance.

Stephen also served as the Director of the Navy's Strategic Reform Program, and also previously as Deputy CEO and Group CFO at Bethanie, and CEO of Bethanie Housing. He has a Bachelor of Commerce and a Master in Science (Logistics) and is a FAIM.

Stephen was winner of the Aged Care Industry most Influential Business Leader of the year 2013 and numerous other awards. He served as President of Leading Aged Services Australia in Western Australia. In 2015, Stephen was awarded an OAM for Services to the Aged Care Industry.



**Barry G Ashcroft, Chief Operating Officer**      [barry.ashcroft@apollocare.com.au](mailto:barry.ashcroft@apollocare.com.au)    +61 418 689 599

Barry Ashcroft has worked 30 years in the aged care industry in a variety of leadership, operational, government and consulting roles and is a recognized authority in the field. He has extensive networks within both the industry and government.

Barry currently serves as the MD of Linkage Care, an innovative care assessment and referral business oriented to the needs of the elderly. Recently, Barry was CEO of Leading Age Services Australia in Queensland, a peak body for residential aged care operators. Prior to that, he was an Exec Director of RSL Care and CEO/Director of Domain Aged Care (now Opal) where he aggregated a number of prime acquisitions.

Barry has a diploma in engineering and graduated a Master in Business Administration and Master of Technology Management from Griffith University. He is a Fellow of the Australian Institute of Management and a Member of the AICD with Graduate qualifications.

## Apollo Care key governance designates



**Terry Williamson, designate Director of Apollo Care and Audit Committee Chair** +61 418 970 120

Terry recently retired from the board of Stockland Limited, where he served since 2003. Mr Williamson served as Chair of the Audit Committee, Stockland Capital Partners Audit and Risk Committee and several Financial Services Compliance Committees.

He served as a member of the Audit Committee of the Reserve Bank of Australia, a Director of Avant Insurance Limited, and the Doctors Health Fund, Chairman of OnePath Life Limited, Chairman of OnePath General Insurance Pty Limited, and Chairman of the University of Sydney School of Business Advisory Board. He has also served on numerous not-for profit and charity Boards.

He was previously the Chief Financial Officer of Bankers Trust Australia Limited from 1997 to 2002 and prior to that was a partner of PriceWaterhouse for 17 years.

Terry has a B.Ec. and M.B.A. from the University of Sydney and is a FCA, FCPA and FAICD.



**Rodney Young, designate Chair of Community Advisory Board** +61 419 624 178

Rod is the recently retired national CEO of Aged Care Association Australia, which represents some 800 aged care providers across Australia.

Prior to this role, Rod spent many years working in the health and associated fields including managing acute sector hospitals.

For three years Rod worked for Australian Business as their Industry Liaison Manager, which involved the creation of a nationally coordinated umbrella organisation covering the Chambers of Commerce and Industry in Australia.

After completing a Law Degree he worked with the Uniting Church and the Federal Attorney Generals Department to prove the veracity of adjunct dispute resolution services outside of the litigation mainstream in Family Law related matters.

Rod holds two degrees both from the University of New South Wales in Law and Health Services Management.