

27 August 2018

JAPARA DELIVERS FY2018 EBITDA OF \$50.7MILLION AND MAKES STRONG PROGRESS ON STRATEGIC INITIATIVES IN A CHALLENGING OPERATING ENVIRONMENT

Japara Healthcare Limited (“Japara” or “the Company”) (ASX: JHC) today announced its results for the year ended 30 June 2018 (“FY2018”).

Japara achieved EBITDA of \$50.7 million (down 15.8% on FY2017), in line with guidance provided in March 2018.

Financial outcomes:

- Total revenue up 3.0% to \$373.2 million (FY2017: \$362.2 million)
- EBITDA down 15.8% to \$50.7 million (FY2017: \$60.2 million)
- Net profit after tax down 21.5% to \$23.3 million (FY2017: \$29.7 million)
- Final dividend of 3.75 cents per share, franked to 50%, taking total dividends for FY2018 to 7.75 cents per share (FY2017: 11.25 cents per share)
- Net bank debt of \$116.3 million at 30 June 2018 (\$30.3 million core net debt and \$86.0 million development debt)
 - Available liquidity of circa \$94.0 million
- Net RAD¹ cash inflows in FY2018 of \$41.6 million (FY2017: \$55.7 million)

Operating highlights:

- Ongoing 100% accreditation record maintained with 19 new re-accreditations during FY2018
- Average occupancy of 93.2% with a stronger second half averaging 94.0%
- Total operational places up 6% to 4,069
- Excellent progress on the development program with a pipeline of over 1,200 net new places now established
- Opening of both our new Launceston home (88 places) and Noosa brownfields development (12 new places) during the year
- Completion of the significant refurbishment of six homes during FY2018 with 21 homes now qualifying for the maximum accommodation supplement and providing enhanced asset quality and resident amenity
- A substantial increase in geographic diversity with our Sydney and broader NSW presence expanded via the acquisition of the Riviera Health portfolio at exceptional value
 - Added four homes with 210 existing places plus an additional 297 surplus licenses and several development sites for future growth in our NSW operations

Commenting on the announcement, Japara’s Chief Executive Officer, Andrew Sudholz, said:

“We found FY2018 a challenging year with earnings impacted by occupancy pressures and Government funding cuts which included the absence of ACFI indexation. However, proactive management strategies, operational initiatives and robust contributions from recently completed developments offset wage rate increases and we feel we are positioned well in an industry with a strong growth outlook.

“We have continued to heavily invest in the growth of the business, particularly with the Riviera Health portfolio acquisition and the extensive development activity undertaken during the year and also through the significant refurbishment of a number of existing homes. All of these will provide earnings growth for the Company over the forthcoming years.

“We have also successfully implemented on our strategy to further expand in the Sydney region and our position in that market will be underpinned by new homes in Belrose, Brighton-Le-Sands and Doonside as well as a significant refurbishment of the Chatswood home.

“I would like to acknowledge the efforts of our staff during the year and the work they do in providing excellence in care to our residents. Their achievement in gaining 100% re-accreditation of 19 homes and integrating the Riviera Health portfolio during the year was exceptional.

“We have a strong financial position and exemplary care record and our increased presence in the Sydney market and the 1,200+ place national development pipeline underpins our growth for the medium term.”

Outlook

Japara expects FY2019 EBITDA to be 5% to 10% up on FY2018, subject to no material changes in market or regulatory conditions, as operational initiatives gain further traction, occupancy continues to normalise, the Riviera Health portfolio acquisition and recently completed developments contribute a full year of earnings and ACFI indexation recommences.

Earnings are projected to be stronger in the second half of FY2019 due to the timing of completed developments and operational initiatives.

Japara will also focus on the continued delivery of its greenfield and brownfield development program (comprising over 300 net new places to be opened in FY2019) and its significant refurbishment program (with the completion of eight additional refurbished homes in FY2019).

Final Dividend and Dividend Reinvestment Plan (“DRP”)

The Board has determined a final dividend of 3.75 cents per share to be paid on 30 October 2018 (FY2017: 5.75 cents per share). The dividend is franked to 50% (FY2017: 70% franked) with the record date for entitlement purposes being 28 September 2018. This brings the total dividends for the year to 7.75 cents per share (FY2017: 11.25 cents per share).

The Company’s stated dividend policy is to pay full year dividends of up to 100% of net profit after tax, franked to the maximum extent possible having regard to available franking credits. The dividend payout for FY2018 is 88% and was determined having regard to retaining non-recurring (non-cash) gains and the Company’s current significant investment in growth of the business.

The Company’s DRP will operate in respect of the final dividend and no discount will be applied when determining the price at which shares will be issued. The last date for receipt of DRP application forms in respect of the final dividend is 1 October 2018.

Investor and analyst briefing

As previously advised, at 10.30am (AEST) today, Japara will conduct an investor and analyst briefing on the FY2018 results. The investor presentation has today been lodged with the ASX.

A recording of this call along with the results and an investor briefing document will be available on Japara’s Investor Centre website at (<https://investor.japara.com.au/investor-centre/>).

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