

26 August 2019

JAPARA DELIVERS STRONG CARE AND CASH FLOW RESULTS WITH ONGOING INVESTMENT FOR IMPROVED RESIDENT OUTCOMES AND FUTURE EARNINGS GROWTH

Japara Healthcare Limited (“Japara” or “the Company”) (ASX: JHC) today announced its results for the year ended 30 June 2019 (“FY2019”).

Japara achieved reported EBITDA of \$49.6 million (down 2.2% on FY2018) and recurring EBITDA of \$48.6 million (up 2.5% on FY2018).

Financial outcomes:

- Total revenue up 7.1% to \$399.8 million (FY2018: \$373.2 million)
- EBITDA down 2.2% to \$49.6 million (FY2018: \$50.7 million)
- Net profit after tax¹ down 29.6% to \$16.4 million (FY2018: \$23.3 million)
- Final dividend of 3.35 cents per share, franked to 50%, taking total dividends for FY2019 to 6.15 cents per share (FY2018: 7.75 cents per share)
- Net bank debt of \$179 million at 30 June 2019 (\$44.5 million core net debt and \$134.5 million development debt) with available liquidity of \$166 million
- Net RAD² and ILU³ cash inflows in FY2019 of \$44.7 million (FY2018: \$41.6 million)

Operating highlights:

- Ongoing 100% accreditation record maintained with 10 re-accreditations and a further 57 unannounced assessment contact audits during FY2019
- Average occupancy for the full year of 93.0%
- Total operational places up 4.1% to 4,235
- Excellent progress on the development program with an identified near-term pipeline of over 1,100 net new places established
- Opening of new homes in Glen Waverley (60 places), Rye (99 places) and Brighton-Le-Sands (60 places) during FY2019 and Robina in July 2019 (106 places)
- Planning approvals received for several new developments including at Belrose (102 places) and Lysterfield (90 places)
- 358 places allocated in the 2019 ACAR for greenfield developments
- Brownfield extensions totalling 84 places completed at Kingston Gardens and Mirridong
- 29 places allocated in the 2019 ACAR for brownfield developments
- Completion of the significant refurbishment of a further six homes during FY2019 with 33 homes now qualifying for the maximum accommodation supplement and providing enhanced asset quality and resident amenity

Commenting on the announcement, Japara’s Chief Executive Officer (“CEO”), Andrew Sudholz, said:

“Our vision at Japara is to enrich every life that we touch and we welcome the special opportunity we have to share in and nurture the lives of our almost four thousand valued residents.

“We have continued to heavily invest in the business over the year for the benefit of our residents, particularly in new technology to support our care and business operations. We also made excellent progress with our development and refurbishment programs with three new greenfield developments completed and opened in Glen Waverley, Rye and Brighton-Le-Sands adding 219 new places to our portfolio. Additionally, two brownfield extensions at our Kingston Gardens and Mirridong homes were opened, providing a further 84 new places, and six homes underwent significant refurbishment.

1. Profit attributable to members of the Group
2. Refundable Accommodation Deposit (RAD)
3. Independent Living Unit (ILU)

“2019 was capped off with the July opening of Japara’s 50th home in Robina, Queensland. This six-level home comprises 106 places and includes an area dedicated to specialised dementia care. We currently have seven brownfield and eight greenfield projects in progress which are scheduled to deliver over 1,100 net new places by the end of FY2022.

“Japara remains committed to delivering additional capacity to meet the expected future demand for residential aged care services.

“I would like to acknowledge the efforts of our team of over 5,600 nurses, carers and other home and support office 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 10 homes and preparing for the introduction of the new Aged Care Quality Standards which came into effect on 1 July 2019 was exceptional.”

Outlook

Japara expects FY2020 EBITDA to be 5% to 10% lower than FY2019 mainly as a result of the removal of the Federal Government’s temporary subsidy increase that applied from 20 March 2019 to 30 June 2019 and as the funding environment continues to present challenges and occupancy remains below historic levels. This outlook is subject to no further material changes in market or regulatory conditions.

Recently completed developments are expected to help mitigate industry headwinds as they contribute a full year of earnings and annual ACFI indexation, while modest, is expected to partially offset wage rate increases.

Japara continues to focus on the delivery of its development program with over 300 net new places expected to be opened in FY2020 following completion of existing greenfield and brownfield projects.

Final Dividend and Dividend Reinvestment Plan

The Board has determined a final dividend of 3.35 cents per share to be paid on 30 October 2019 (FY2018: 3.75 cents per share). The dividend is franked to 50% (FY2018: 50% franked) with the record date for entitlement purposes being 27 September 2019. This brings the total dividends for the year to 6.15 cents per share (FY2018: 7.75 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 FY2019 is 100% compared with 88% last year, that reflected a non-cash gain on the acquisition of the Riviera Health portfolio of \$9.6 million.

The Board has suspended the Company’s Dividend Reinvestment Plan due to the recent low take-up rate and weaker share price.

CEO Remuneration

In recognition of the difficult operating environment and Japara’s financial and current share price performance, Mr Sudholz has volunteered to reduce his ongoing fixed remuneration to \$800,000 from today. An accompanying one-off grant of equity equivalent to the pro-rata amount of the reduction for FY2020 will be made to Mr Sudholz.

Investor and analyst briefing

As previously advised, at 10.30am (AEST) today, Japara will conduct an investor and analyst briefing on the FY2019 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/>).

For further information:

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