

# FY2015 HALF YEAR RESULTS PRESENTATION

26 February 2015

**Andrew Sudholz**

Managing Director and CEO

Solid first half result, FY2015 guidance reconfirmed, interim dividend declared

### 1HFY15 highlights

- Total revenue of \$137.5 million up 13.8% on pro forma 1HFY14
- EBITDA of \$25.5 million up 28.1% on pro forma 1HFY14
- NPAT of \$15.8 million, EPS of 6.0 cents per share
- Interim dividend of 5.5 cents per share (unfranked)
- Net RAD cash inflows of \$45.0 million, exceeding expectations
- Net cash as at 31 December 2014 of \$48.7 million (cash held of \$74.0 million)
- Occupancy of 94.4%, 1.3% ahead of 1HFY14
- 100% re-accreditation of seven facilities reviewed
- 465 additional places awarded in 2014 Aged Care Allocation Round (ACAR), supporting future developments

### FY2015 guidance reconfirmed

- Remain on target to deliver EBITDA of \$50.3 million
- Expected FY15 total dividend of at least 10.5 cents per share
- Net cash inflows from RADs expected to exceed \$77.3 million prospectus forecast

## RESULTS SUMMARY

Strong 1HFY15 growth versus pro forma 1HFY14; consistent with prospectus forecasts

	<b>1HFY15 Actual</b>	<b>1HFY14 Pro Forma</b>	<b>Change</b>
	(\$ million)	(\$ million)	
Total revenue <sup>(1)</sup>	137.5	120.8	+13.8%
Total costs	112.0	100.9	+11.0%
EBITDA	25.5	19.9	+28.1%
EBIT	20.8	15.4	+35.1%
NPAT	15.8		
EPS	6.0 cps		
Interim dividend <sup>(2)</sup>	5.5 cps		
Net cash position	48.7		

(1) Includes \$0.7 million net gain on Whelan acquisition

(2) Interim dividend is unfranked and will be paid on 30 April 2015 with a record date of 9 April 2015

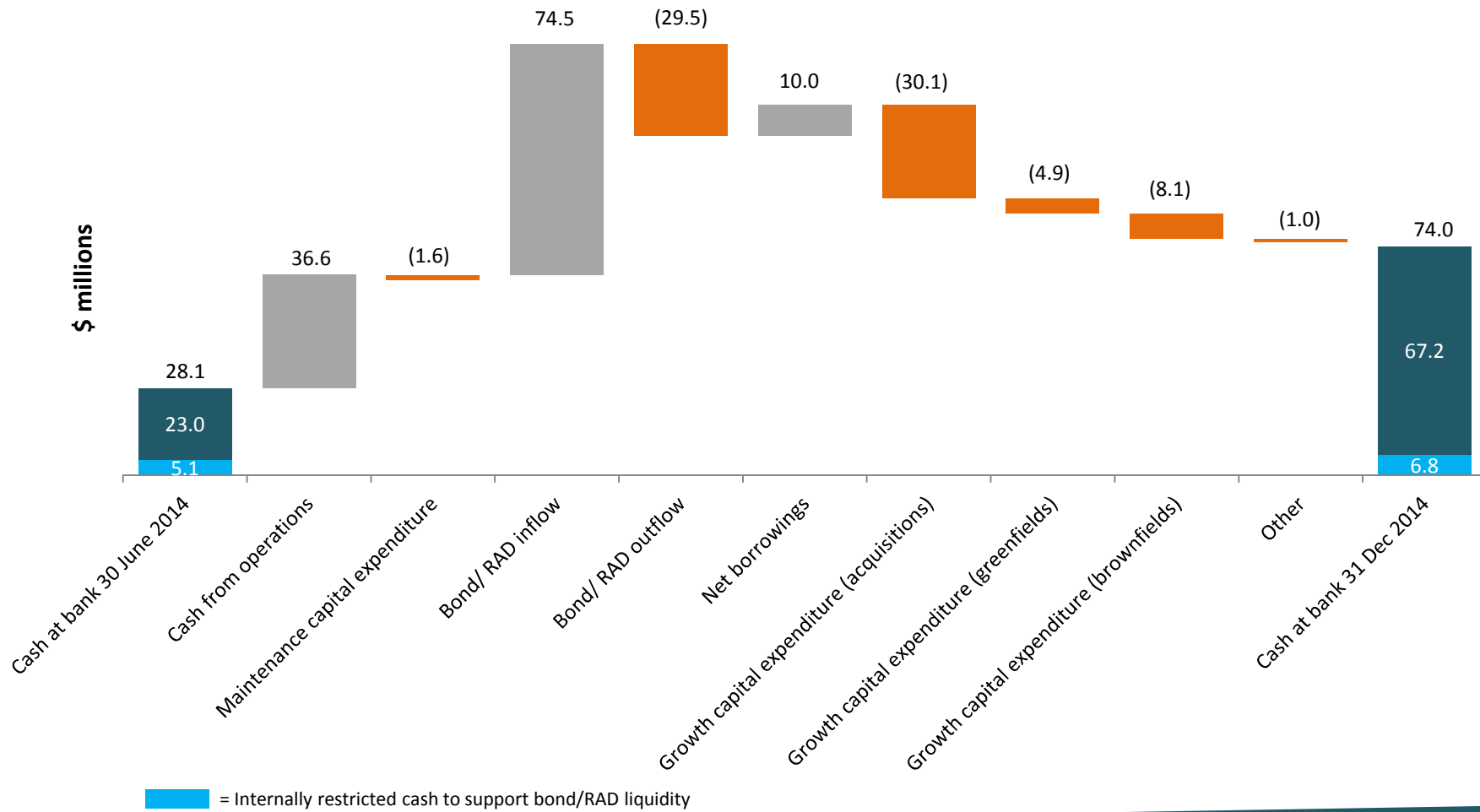
## OPERATIONAL AND FINANCIAL METRICS

### Key performance indicators tracking in line with expectations

	1HFY15 Actual	1HFY14 Pro Forma	Change
Number of facilities (as at 31 December)	39	35	+11.4%
Operational places (as at 31 December)	3,171	2,857	+11.0%
Average occupancy	94.4%	93.2%	+1.3%
Average ACFI (per resident per day)	\$170.81	\$166.84 <sup>(1)</sup>	+2.4%
Average annualised EBITDA per occupied place (before head office costs)	\$21,761	\$18,906	+15.1%
Average staff costs to total revenue	65.4%	67.4%	(3.0%)
Average RAD received (cash)	\$309,000	\$267,000	+15.7%
Payment preference of non concessional residents as at 31 December:			
• RAD	79.2%		
• DAP	17.7%		
• Combination of RAD and DAP	3.1%		

(1) 1HFY14 ACFI of \$147.09 adjusted for; 8.75% CAP (Conditional Adjustment Payment), 1.86% of COPE (Commonwealth Own Purpose Expense Indexation) and the Workforce Supplement redirection of 2.4% to show like for like FY15 funding comparative

Strong cash generation to fund further investment in growth and dividends



Japara has three priorities to build strong and sustainable returns to shareholders

1. Maintain a high level of resident care and a safe workplace
2. Maximise the value in our current portfolio – organic growth
3. Maintain our track record of delivering profitable expansion – developments and selective acquisitions

# 1. MAINTAIN A HIGH LEVEL OF RESIDENT CARE AND A SAFE WORKPLACE

Commitment to quality care; strong compliance record

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## First half FY2015 progress

### Accreditation

- Seven facilities were reassessed during 1HFY15
- Each facility accredited on a rolling 3 year basis with 44/44 outcomes (full compliance)
- Entire portfolio remains fully compliant and accredited
- Consistent positive feedback from government assessment teams on our care model and systems

### Health and safety

- Lost Time Injury Frequency Rate consistently below national average

### Systems

- Workforce management system vendor selected and capital approved

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## 2HFY15 actions

### Accreditation

- Additional six re-accreditations in 2HFY15

### Health and safety

- Continuous program of initiatives to maintain high workplace health and safety standards

### Systems

- Workforce management system implementation commenced
- Continued focus on operational efficiencies via systems

## 2. MAXIMISE THE VALUE IN OUR CURRENT PORTFOLIO

Good progress in 1HFY15 with further improvements still to be delivered

### First half FY2015 progress

#### ACFI

- Average ACFI for 1HFY15 of \$170.81; average ACFI for pro forma 1HFY14 \$147.09 (\$166.84 for comparison)
- Dedicated team reassessed acuity levels resulting in 2.7% increase in funding reflecting resident care requirements

#### Occupancy

- Average occupancy for 1HFY15 of 94.4% showed improvement versus 93.2% for pro forma 1HFY14

#### Additional Service

- Wellbeing services offer introduced into 10 facilities during 1HFY15; ramp-up to date slower than expected

#### Staff Costs

- Agency reduced by 12% compared with pro forma 1HFY14
- Overtime loading liability continues to be approximately \$5 million in total; FY15 impact of approximately \$0.25 million; payments commenced

#### RADs

- Average RAD value improved to \$309k versus pro forma 1HFY14 of \$267k

### 2HFY15 actions

#### ACFI

- Resident assessment program continues to ensure funding commensurate with acuity and care needs

#### Occupancy

- Opportunity for improvement; current focus on maintaining all facilities at or above target occupancy

#### Additional Service

- Introduction of further additional services underway
- Will continue to refine and enhance offer in response to resident demand and preferences
- Opportunity significant as market adjusts to new environment

#### Staff Costs

- Final overtime loading payments
- Enhancements to master roster

#### RADs

- Complete review of RAD/DAP pricing and incentives to maximise value



### 3. MAINTAIN OUR RECORD OF PROFITABLE EXPANSION

#### Accelerating internally generated growth opportunities

##### First half FY2015 progress

###### Brownfields

- Construction commenced at Kelaston, Bayview and Central Park; significant refurbishment and net increase of 60 new places
- 465 new places allocated in December as part of 2014 ACAR process; will support brownfields and greenfield strategies
- Acquired site adjacent to Kingston Gardens for \$3.2 million; will support expansion and net increase of 30 new places

##### 2HFY15 actions

###### Brownfields

- Construction to commence at George Vowell, St Judes and Kirralee during 2HFY15 all in metropolitan locations; significant refurbishment and a net increase of 64 places



Artist impression of brownfield development at Bayview, Victoria

### 3. MAINTAIN OUR RECORD OF PROFITABLE EXPANSION

#### Accelerating internally generated growth opportunities

##### First half FY2015 progress

###### Greenfields

- Acquired site in Glen Waverley for \$3.35 million for a planned 65 place facility

###### Acquisitions

- Completed Whelan Care acquisition on 31 October which added 258 places; performance to date in accordance with acquisition case

##### 2HFY15 actions

###### Greenfields

- Construction of a new 75+ bed facility (Riverside) in Launceston to commence during 2HFY15

###### Acquisitions

- Actively reviewing several new opportunities but vendor expectations have increased; expect regulatory/ funding changes will increase opportunities
- Disciplined and selective approach



Artist impression of greenfield development at Riverside, Tasmania

### Portfolio improvements and developments provide platform for future growth

#### **Current aged care portfolio performing well**

- 1H FY15 total revenue and EBITDA increased 13.8% and 28.1% on pro forma 1H FY14
- Strong focus on delivery of high quality care, and resident and staff safety
- Opportunities to add further value:
  - Continuing program to ensure ACFI entitlements reflect resident acuity/care requirements
  - Management of occupancy levels; maintaining all facilities at or above target occupancy
  - Refining and accelerating additional service offering
  - Cost reduction through further prudent expense management

#### **FY15 guidance reconfirmed**

- Remain on target to deliver EBITDA of \$50.3 million
- Expected full year dividend of at least 10.5 cents per share

#### **Growth opportunities remain in place for FY16+**

- Greater focus on internally generated brownfield and metropolitan greenfield developments
- Acquisitions continue to be pursued selectively
- Supported by strong cash generation and balance sheet

## APPENDIX 1: OCCUPANCY AND OPERATIONAL ANALYSIS

Metrics for full half	1HFY15	1HFY14	Change
<b>Average occupancy rate</b>	94.4%	93.2%	1.3%
<b>Resident mix</b>			
Concessional	33.9%	39.1%	(13.3%)
RAD	52.4%		
DAP	11.7%		
Combination	2.0%		
<b>Average length of stay (months)</b>	29	29	-
<b>Revenue and profitability</b>			
Average ACFI per resident per day (\$)	170.8	166.8 <sup>(1)</sup>	2.4%
Average EBITDA per resident before head office costs (\$)	21,761	18,906	15.10%
EBITDA margin	18.5%	16.3%	13.5%
<b>Staffing</b>			
Staff costs as a % of total costs	80.3%	80.7%	(0.5%)
Staff costs as a % of total revenue	65.4%	67.4%	(3.0%)
Number of staff as at 31 December (including part time and casuals)	4,379	4,075	7.5%
<b>DAP/RAD</b>			
Proportion of portfolio bonded	43.4%	35.2%	23.3%
Average RAD value received (cash) (\$)	309,000	267,000	15.7%
Net RAD inflow/ (outflow) (\$ million)	45.0	9.2	489.1%

(1) 1HFY14 ACFI of \$147.09 adjusted for; 8.75% CAP (Conditional Adjustment Payment), 1.86% of COPE (Commonwealth Own Purpose Expense indexation) and the Workforce Supplement redirection of 2.4% to show like for like FY15 funding comparative

## APPENDIX 2: PORTFOLIO METRICS (AS AT 31 DECEMBER)

	As at 31 Dec 15	As at 31 Dec 14	Change
<b>Number of facilities</b>	39	35	11.4%
<b>Average ACFI (per resident per day)</b>	\$177.2	\$166.3 <sup>(1)</sup>	6.5%
<b>Average RAD received in December (cash)</b>	317,000	272,000	16.5%
<b>Places</b>			
Operational places	3,171	2,857	11.0%
Non-operational places	164	139	18.0%
Allocated in ACAR	465	-	100%
Total places	3,800	2,996	26.8%
<b>Average facility size (number of places)</b>	84	84	-
<b>Average age of facilities (years)</b>	13	12	8.3%
<b>Geographic spread (facilities)</b>			
Victoria	79.5%	88.5%	-10.2%
NSW	5.1%	5.7%	-0.6%
SA	12.8%	2.9%	9.9%
TAS	2.6%	2.9%	-10.3%

(1) Average portfolio ACFI for December 2014 of \$146.65 adjusted for; 8.75% CAP (Conditional Adjustment Payment), 1.86% of COPE (Commonwealth Own Purpose Expense indexation) and the Workforce Supplement redirection of 2.4% to show like for like FY15 funding comparative

## APPENDIX 3: DETAILED PROFIT & LOSS

	1HFY15 Actual (\$ million)	1HFY14 Pro Forma (\$ million)	Change	Change (\$ million)
<b>Revenue</b>				
Government	102.3	91.4	11.9%	10.9
Resident	24.3	21.7	12.0%	2.6
Accommodation	9.0	7.5	20.0%	1.5
Other <sup>(1)</sup>	1.9	0.2	950.0%	1.7
<b>Total revenue</b>	<b>137.5</b>	<b>120.8</b>	<b>13.8%</b>	<b>16.7</b>
<b>Expenses</b>				
Staff	(89.9)	(81.4)	10.4%	(8.5)
Resident	(9.5)	(7.9)	20.2%	(1.6)
Other	(12.6)	(11.6)	8.6%	(1.0)
<b>Total expenses</b>	<b>(112.0)</b>	<b>(100.9)</b>	<b>11.0%</b>	<b>(11.1)</b>
<b>EBITDA</b>	<b>25.5</b>	<b>19.9</b>	<b>28.1%</b>	<b>5.6</b>
Depreciation and amortisation	(4.7)	(4.5)	4.4%	(0.2)
<b>EBIT</b>	<b>20.8</b>	<b>15.4</b>	<b>35.1%</b>	<b>5.4</b>
Net interest expense	(0.5)			
Income tax expense	(4.5)			
<b>NPAT</b>	<b>15.8</b>			

(1) Includes \$0.7 million net gain on Whelan acquisition

## APPENDIX 4: DETAILED CASHFLOW STATEMENT

	1HFY15 Actual \$'000	1HFY14 Pro forma \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	148,779	136,295
Payments to suppliers and employees	(111,550)	(104,573)
Income tax paid	-	(2,874)
Interest received	1,032	456
Finance costs	(1,666)	(5,298)
<b>Net cash provided by operating activities</b>	<b>36,595</b>	<b>24,006</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of land and buildings	(4,931)	-
Proceeds from sale of land	716	-
Purchase of plant and equipment	(1,553)	(1,249)
Capital works in progress	(8,074)	(16,651)
Purchase of resident places	(493)	-
Purchase of units in related parties	-	-
Acquisition of aged care business	(23,814)	(14,422)
Other acquisition related costs	(6,282)	-
<b>Net cash used in investing activities</b>	<b>(44,431)</b>	<b>(32,322)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loans repaid by other related parties	-	-
Proceeds from bank borrowings	25,000	8,253
Repayment of bank borrowings	(15,000)	(11,707)
Proceeds from vendor loans	-	1,817
Dividends paid	-	(7,301)
Proceeds from issue of unit capital	-	34,015
Equity raising costs	(1,265)	-
Proceeds from accommodation bonds/RADs and ILU resident loans	74,498	37,047
Repayment of accommodation bonds/RADs and ILU resident loans	(29,531)	(27,824)
<b>Net cash provided by financing activities</b>	<b>53,702</b>	<b>34,300</b>
<b>Net increase (decrease) in cash and cash equivalents held</b>	<b>45,866</b>	<b>25,984</b>
Cash and cash equivalents at beginning of year (30 June)	28,107	20,615
<b>Cash and cash equivalents at end of the half year (31 December)</b>	<b>73,973</b>	<b>46,599</b>

## APPENDIX 5: BALANCE SHEET AS AT 31 DECEMBER 2014

	31 December 2014 \$'000	30 June 2014 \$'000
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	73,973	28,107
Trade and other receivables	9,932	7,073
Current tax receivable	-	2,702
Other assets	5,387	3,585
<b>TOTAL CURRENT ASSETS</b>	<b>89,292</b>	<b>41,467</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	2,214	1,210
Financial assets	1,093	-
Property, plant and equipment	374,188	340,799
Investment property	30,702	23,312
Deferred tax assets	15,173	15,050
Intangible assets	411,793	383,042
<b>TOTAL NON-CURRENT ASSETS</b>	<b>835,163</b>	<b>763,413</b>
<b>TOTAL ASSETS</b>	<b>924,455</b>	<b>804,880</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	34,202	20,320
Other liabilities	9,471	9,331
Borrowings	25,255	15,817
Income tax payable	1,494	-
Other financial liabilities	294,303	220,904
Short-term provisions	26,071	22,527
<b>TOTAL CURRENT LIABILITIES</b>	<b>390,796</b>	<b>288,899</b>
<b>NON-CURRENT LIABILITIES</b>		
Long-term provisions	2,322	1,994
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,322</b>	<b>1,994</b>
<b>TOTAL LIABILITIES</b>	<b>393,118</b>	<b>290,893</b>
<b>NET ASSETS</b>	<b>531,337</b>	<b>513,987</b>



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