

26 February 2015

Japara Healthcare announces 1H FY15 result, confirms FY15 guidance and declares interim dividend

Japara Healthcare Limited (“Japara Healthcare”) today announced its results for the six months ended 31 December 2014 (1H FY15).

Financial highlights:

- Revenue up 13.8% to \$137.5 million (1H FY14 pro forma¹: \$120.8 million)
- EBITDA up 28.1% to \$25.5 million (1H FY14 pro forma¹: \$19.9 million)
- Net profit after tax of \$15.8 million
- Interim unfranked dividend of 5.5 cents per share
- Net RAD² inflows of \$45.0 million

Operating highlights:

- Strong operational performance
 - Average occupancy of 94.4% (1H FY14 pro forma: 93.2%)
 - Average ACFI³ (per resident per day) of \$170.81 (1H FY14 pro forma: \$166.84⁴)
- 100% re-accreditation of seven facilities reviewed in 1H FY15
- Strong ACAR allocation – 465 new places supporting brownfield and greenfield expansion
- Whelan integration successfully completed and performing in line with expectations

Outlook:

- FY15 guidance confirmed: 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

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

“Japara Healthcare has reported a solid half year result, underpinned by strong revenue growth combined with disciplined cost management.

“We continue to focus on providing high standards of care and safety to our residents which underpins our business and the revenue we generate.

“Revenue growth was driven by an improvement in average occupancy, and an increase in revenue per resident per day, due to the increase in the average acuity profile of our residents. This translated into strong EBITDA growth, as our continued focus on cost management delivered efficiencies, including a 12% reduction in staff agency costs compared to 1H FY14 as a result of rostering improvements.

“The business continues to make good progress on our key growth initiatives. The acquisition and integration of Whelan was completed during the half, providing a strong platform for growth in South Australia and

1. 1H FY14 pro forma information prepared on the basis outlined in Japara Healthcare’s prospectus dated 11 April 2014

2. Refundable Accommodation Deposit (RAD)

3. Aged Care Funding Instrument (ACFI)

4. Adjusted for comparison to the prior period. 1H FY14 ACFI of \$147.09 adjusted for 8.75% Conditional Adjustment Payment, 1.86% of Commonwealth Own Purpose Expense Indexation, and the Workforce Supplement redirection of 2.4%

adding 258 places. We were also pleased to receive a significant allocation of 465 new places in the 2014 ACAR, which will support Japara Healthcare's brownfield and greenfield expansion initiatives.

"The Company is well positioned with a strong balance sheet to implement on this growth strategy and expand the business further into the additional services regime.

"With a strong 1H performance, and key growth initiatives on track, Japara Healthcare is pleased to confirm its previously advised FY15 EBITDA guidance of \$50.3 million and to pay our first dividend to our shareholders."

1H FY15 results overview

Japara Healthcare reported total revenue of \$137.5 million, up 13.8% on 1H FY14 pro forma⁵ revenue. Revenue growth was driven by an increase in key operating drivers, including an increase in average occupancy and average revenue per resident per day.

EBITDA increased to \$25.5 million, up 28.1% on 1H FY14 pro forma⁵ EBITDA, driven by a combination of revenue growth and benefits from prudent cost management.

Japara Healthcare reported net profit after tax of \$15.8 million and earnings per share of 6.0 cents per share.

The Company continued its track record of strong cash generation, with net cash inflows from RADs of \$45.0 million. Subsequent to balance date, in January 2015, Japara Healthcare repaid all outstanding bank debt and is now bank debt free. The Company has \$95 million headroom in its syndicated bank loan facilities, providing funding flexibility for future growth.

Payroll review update

Further to the announcement on 2 December 2014, Japara confirms that the payroll review relating to unpaid overtime loading entitlements is now well progressed. The audit process is now largely complete, and the Company's estimation of the overtime loading liability continues to be approximately \$5 million.

As previously highlighted, the significant majority of the overtime liability related to the period prior to listing on the ASX. The 1H FY15 accounts include a balance sheet adjustment relating to the liability from the period prior to listing.

Outlook and FY15 dividend guidance

Japara Healthcare is pleased to confirm that it is on track to deliver its previously advised EBITDA guidance of \$50.3 million for FY15.

The Company has today declared an interim dividend of 5.5 cents per share, and anticipates the FY15 total dividend will be in excess of 10.5 cents per share.

Aged care industry fundamentals remain favourable, with an estimated 80,000 additional residential aged care places required by 2022, requiring up to \$25 billion of investment into the sector. These dynamics are likely to support Japara Healthcare's growth strategy, which is focused on the delivery of new aged care capacity through greenfield and brownfield projects.

5. 1H FY14 pro forma information prepared on the basis outlined in Japara Healthcare's prospectus dated 11 April 2014

Investor and Analyst Briefing

As previously advised, at 11.30am (AEDT) today, Japara Healthcare will conduct an investor and analyst briefing on the 1H FY15 results. The investor presentation has today been lodged with the ASX. The briefing will be recorded and an archived version will be made available in the Investor Centre on Japara Healthcare's website later in the day (<http://investor.japarahealthcare.com.au/Investor-Centre/?page=Presentations---Webcasts>).

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