

Japara Healthcare announces FY15 result, EBITDA ahead of guidance

Japara Healthcare Limited (“Japara Healthcare” or “the Company”) today announced its results for the year ended 30 June 2015 (“FY15”). All figures below are compared with pro forma FY14 performance¹.

Financial Highlights:

- Revenue of \$281.3 million, up 14.8%
- EBITDA of \$50.6m up 26.5% and ahead of guidance of \$50.3m
- EBITDA margin of 18.0%, up from 16.3%
- Net profit after tax of \$28.8 million
- Final dividend of 5.5 cents per share, 100% franked
- Full year dividend of 11.0 cents per share, up on guidance of at least 10.5 cents per share
- Net RAD² inflows of \$77.3 million, significantly ahead of FY14 of \$24.3 million

Operating highlights:

- Strong execution underpinned the delivery of FY15 guidance, despite headwinds from the removal of the Payroll Tax and Dementia Supplements
 - Average occupancy remained strong at 94.6%, up 0.7%
 - Average ACFI³ per resident per day up to \$175.10 from \$166.30⁴
 - Continued focus on cost management; improvement in staff cost to revenue ratio to 66.4%
 - Whelan Care successfully integrated and performing ahead of expectations
 - Brownfield developments delivered on schedule
 - RAD inflows up following the introduction of the Living Longer Living Better reforms
- 100% re-accreditation of all 22 facilities reviewed in FY15
- 465 new bed places awarded in the 2014 Aged Care Approvals Round, supporting medium-term development pipeline

Commenting on the result, Japara Healthcare’s Managing Director and Chief Executive Officer, Andrew Sudholz, said:

“Japara Healthcare has reported a pleasing result, delivering EBITDA ahead of guidance and the prospectus forecast. Solid operating performance, including a strong contribution from the Whelan Care Business acquired during the year, offset the significant headwinds presented by the removal of the Payroll Tax and Dementia Supplements in FY15.”

¹ 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. FY14 ACFI of \$146.70 adjusted for the 8.75% Conditional Adjustment Payment, 1.86% of Commonwealth Own Purpose Expense Indexation, and the Workforce Supplement redirection of 2.4%

Our strong operating performance was supported by an improvement in key revenue drivers, combined with a continued focus on cost discipline. The business also benefited from the full year impact of the 124 new brownfield places delivered in the last quarter of FY14.

Delivering high quality care to our residents remains at the core of everything we do, underpinning our business model and providing a strong platform for sustainable growth. Japara Healthcare's strong balance sheet, funding from Refundable Accommodation Deposits and cash generation, position the business well to grow capacity and deliver strong and sustainable returns to shareholders over the long term.

Japara Healthcare continues to make good progress on its key growth initiatives. On the developments side, the business has secured over 75% of the bed places required to deliver our targeted 805 additional beds by the end of FY19. Additionally, Japara Healthcare continues to assess further opportunities to make value-accretive acquisitions, following the successful acquisition and integration of the Whelan Care Business from 31 October 2014, in addition to its organic growth initiatives."

FY15 results overview

Japara Healthcare reported total revenue of \$281.3 million, up 14.8% on FY14 pro forma revenue. Revenue growth was driven by an increase in key operating drivers, including an increase in average occupancy and average ACFI revenue per resident per day, the full year impact of the brownfield places delivered in FY14, as well as a strong contribution from the Whelan Care Business.

EBITDA increased to \$50.6 million, up 26.5% on FY14 pro forma EBITDA and ahead of guidance of \$50.3 million, driven by a combination of revenue growth and the benefits from prudent cost management. Strong operational execution, including proactive management of key revenue and cost drivers, as well as the rollout of the business' additional services product offset the impact of the removal of the Dementia and Payroll Tax Supplements during the year.

Net profit after tax was \$28.8 million, delivering earnings of 11.0 cents per share.

The business continued to deliver strong cash generation, with net cash inflows from RADs of \$77.3 million. The Company remains in a solid financial position, with \$53.9 million cash on hand, no bank debt and \$95.0 million in undrawn bank facilities at 30 June 2015, providing funding flexibility to support the Group's growth agenda.

Dividends

The Company has today declared a final dividend of 5.5 cents per share, which will be 100% franked. This brings the total dividend for FY15 to 11.0 cents per share, representing a 100% dividend payout ratio for FY15, consistent with the dividend policy outlined in the prospectus.

Outlook

Aged care industry fundamentals remain favourable, with an estimated 74,000¹ additional places required by 2022. These dynamics provide a positive backdrop to Japara Healthcare's growth strategy, which is focused on the delivery of new places through brownfield and greenfield developments, and disciplined growth through selective acquisitions.

¹ "Inaugural Report on the Aged Care Sector", Aged Care Financing Authority 2012

In FY16, Japara Healthcare will continue to focus on executing its growth agenda to establish a solid platform for sustainable, long-term growth. The business will benefit from:

- Income from increases in ACFI per resident from higher care delivery
- income from Daily Accommodation Payments (DAPs), the continued rollout of additional services (Japara Signature) and funding from Significant Refurbishment flowing from the Living Longer Living Better reforms, which became effective on 1 July 2014
- continued delivery of the brownfield development program
- contribution from the Group's established acquisition strategy, including a full year contribution from the Whelan Care acquisition

While there will be some headwinds from the full year impact of the removal of the Payroll Tax Supplement, earnings in FY16 are anticipated to exceed FY15.

Japara Healthcare has a strong track record in making disciplined acquisitions and integrating businesses, and will continue to assess value-accretive acquisition opportunities.

The business remains well placed to fund future growth, with strong cash generation from the existing business and newly delivered brownfield and greenfield developments expected to fund the future development and acquisition pipeline.

Investor and Analyst Briefing

As previously advised, at 11.30am AEST today, Japara Healthcare will conduct an investor and analyst briefing on the FY15 results. The investor presentation has today been lodged with ASX. The briefing will be recorded and an archived version will be made available on 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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