

Fiscal 2015 FULL YEAR RESULTS

24 August 2015

Andrew Sudholz

Managing Director and CEO

Chris Price

Chief Financial Officer



Solid trading result; platform for growth

Earnings ahead of guidance

- Total revenue of \$281.3m up 14.8% on pro forma FY14
- EBITDA of \$50.6m up 26.5% on pro forma FY14 and ahead of guidance of \$50.3m
- NPAT of \$28.8m, resulting in Earnings Per Share of 11.0 cents

Dividend payout ratio of 100% of NPAT

- 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
- The company's policy of paying out up to 100% of NPAT remains in place

Strong balance sheet underpins growth

- Net Refundable Accommodation Deposit cash inflows of \$77.3m significantly up on pro forma FY14 of \$24.3m primarily due to capital received from pre-reform un-bonded beds and brownfield/greenfield expansion program
- Cash held at 30 June 2015 of \$53.9m
- Nil bank debt; undrawn bank facilities of \$95m

Management team strengthened

- Appointment of Chris Price, CA, as Chief Financial Officer

Selective acquisitions and developments enhance strong underlying business

Existing business performing well

- Average occupancy of 94.6%, 0.7% ahead of pro forma FY14
- Average ACFI revenue of \$175.10 per resident per day up on FY14 of \$166.30 reflecting the increase in acuity of residents and high level of care provided
- All 39 facilities are fully accredited including the 22 facilities re-accredited during the year
- Staff costs to revenue at 66.4%
- Successful business initiatives have recovered the loss of revenue from the cessation of the payroll tax and dementia supplements
- Additional services take up is good despite roll out being slower than initially planned

Higher revenue from acquisitions and brownfield/greenfield developments completed

- Whelan Care Business acquisition successfully integrated – 258 additional beds and increased market presence in Adelaide
- 465 bed licenses awarded in Aged Care Approvals Round, consistent with long term growth strategy
- 3 brownfield developments completed in FY15. A further 6 brownfield/greenfield developments underway which will deliver a net 220 new beds by FY17
- Development pipeline to add 805 new beds by end of FY19

FY15 RESULTS SUMMARY

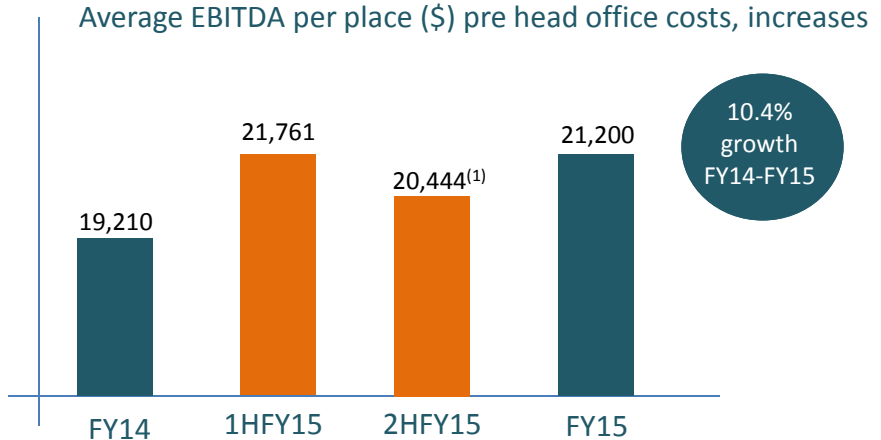
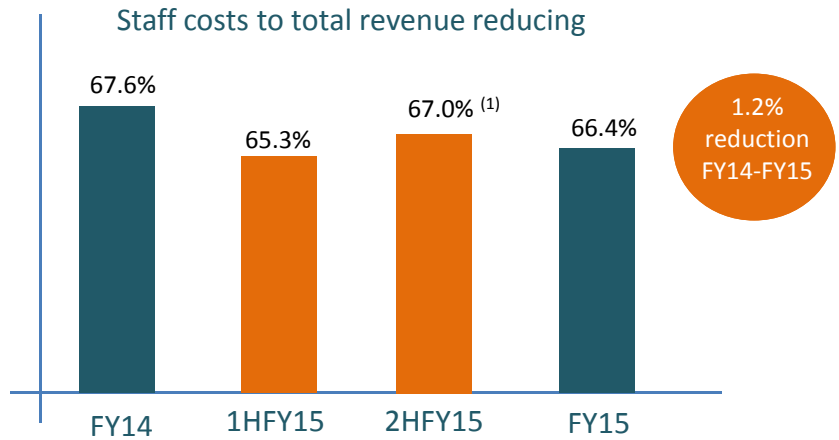
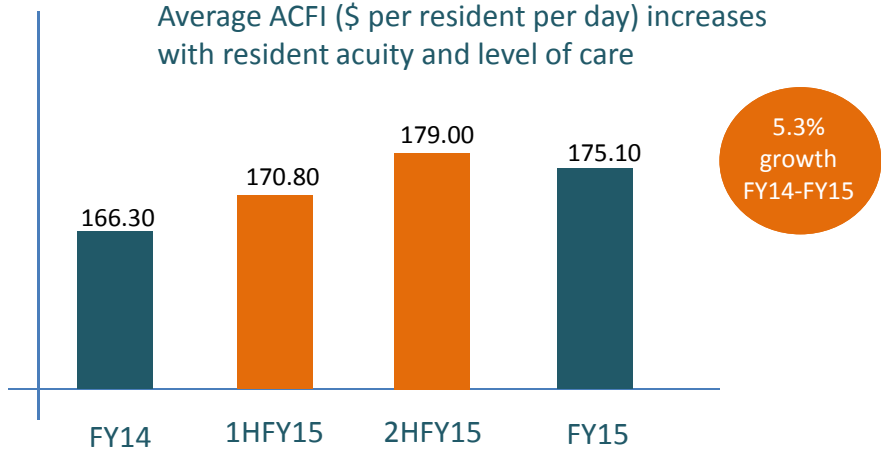
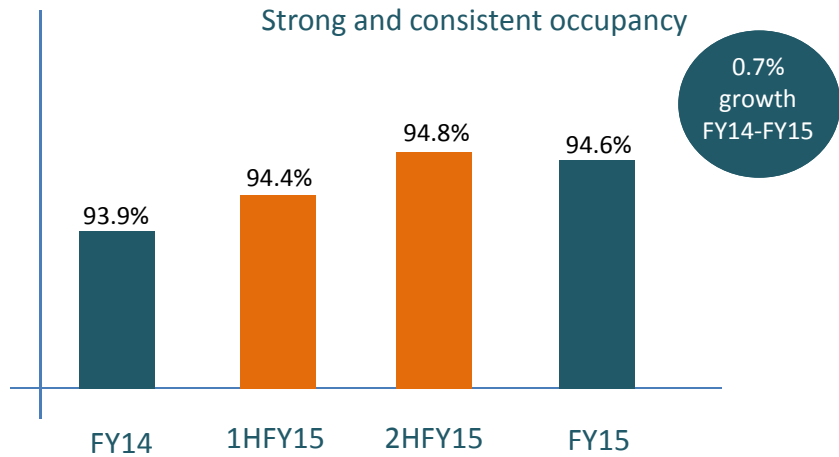
Strong FY15 growth versus pro forma FY14

	FY15 Actual	FY14 Pro Forma	Change
	(\$ million)	(\$ million)	FY14-FY15
Total revenue ⁽¹⁾	281.3	245.0	14.8%
Total costs	230.7	205.0	12.5%
EBITDA	50.6	40.0	26.5%
EBITDA Margin	18.0%	16.3%	1.7%
EBIT	40.9	N/A	
NPAT	28.8	N/A	
EPS	11.0 cps	N/A	
Final dividend ⁽²⁾	5.5 cps	N/A	
Full year dividend	11.0 cps	N/A	
Net cash position	53.9	N/A	
Net RAD/Bond inflow	77.3	24.3	218.1%

(1) Includes \$0.7m net gain on Whelan Care Business acquisition in FY15

(2) Final dividend is 100% franked and will be paid on 30 October 2015 with a record date of 9 October 2015

Strong operational metrics underpin solid performance



(1) Primarily impacted by lost payroll tax supplement

FY15 OPERATIONAL AND FINANCIAL METRICS

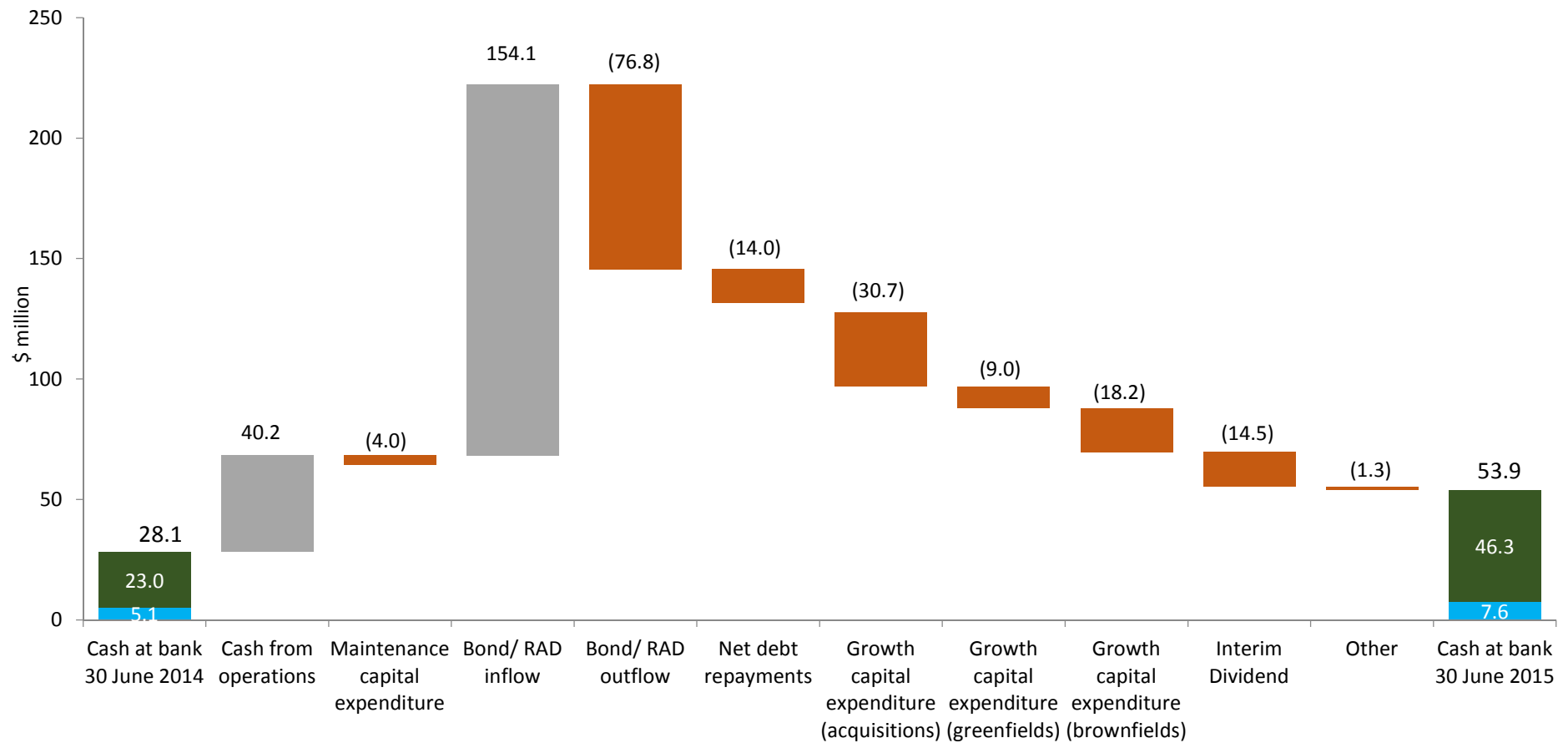
Key performance indicators in line with expectations

Metrics for full year	FY15 Actual	FY14 Pro Forma	Change
Number of facilities (as at 30 June)	39	35	+11.4%
Operational beds (as at 30 June)	3,207	2,994	+7.1%
Average occupancy	94.6%	93.9%	+0.7%
Average ACFI (per resident per day)	\$175.10	\$166.30 ⁽¹⁾	+5.3%
Average EBITDA per operational bed (before head office costs)	\$21,200	\$19,210	+10.4%
Total staff costs to total revenue	66.4%	67.6%	-1.2%
Average RAD received	\$304,000	\$272,000	+11.8%
Average non concessional: concessional resident ratio	65.3 : 34.7	60.6 : 39.4	
Payment preference of non-concessional residents at 30 June:			
• Refundable Accommodation Deposit (RAD)	64.5%	<i>Pre-reform Period</i>	
• Daily Accommodation Payment (DAP)	17.3%		
• Combination of RAD and DAP	18.2%		

(1) FY14 ACFI of \$146.70 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

CASHFLOW BRIDGE

Strong cash generation underpins growth



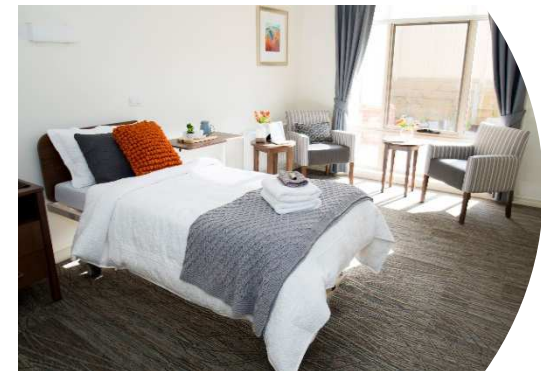
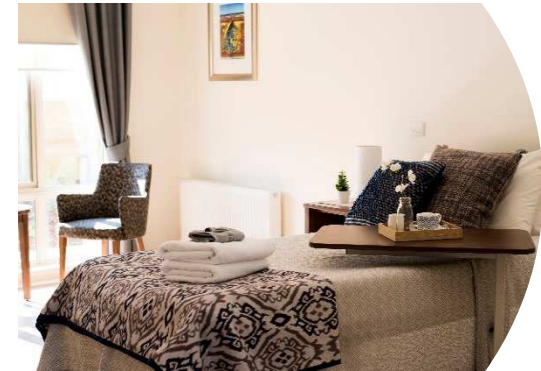
■ = Reserved cash to support bond/RAD liquidity

STRATEGIC PRIORITIES FOR FY16 & BEYOND

Business well positioned for continued growth delivering strong cash flow and sustainability

- Industry fundamentals remain strong – additional 74,000 ⁽¹⁾ beds forecast to be needed by 2022

Strategy	Business Implementation
1	Maintain our position of top quartile industry performance and deliver a high level of resident care
2	Maximise the value in our current portfolio – organic growth
3	Increase the size of our portfolio significantly to meet growing market demand and industry consolidation
4	Maintain our track record of successful brownfield and greenfield developments – 805 new beds by end of FY19
5	Expand our national portfolio via value accretive acquisitions



(1) "Inaugural Report on The Aged Care Sector", Aged Care Financing Authority 2012

1. MAINTAIN A HIGH LEVEL OF RESIDENT CARE

Commitment to quality care; strong compliance record

- Registered and Enrolled Nurses in key roles in every facility ensures a high quality of clinical governance and quality care to all residents
- Quality of care and compliance continue to be at a high standard
- 22 facility audits conducted in FY15 with all achieving a further 3 year accreditation at 44/44 outcomes
- Care for residents with dementia
 - Specialised dementia programme put in place to address specific needs of residents and provide support to families
 - Introduction of Dementia Leadership Diploma for nurses
 - Partnering with Alzheimer's Australia
- Additional services provided based on residents' requirements

2. MAXIMISE THE VALUE IN OUR CURRENT PORTFOLIO

Business performance continues to improve

New revenue opportunities

Additional Services

- Introduced full suite of additional services – Japara Signature priced from \$25 per day up to \$65 per day
- Applies to select existing beds and new beds from brownfield/greenfield developments

Significant Refurbishment

- Higher funding from Significant Refurbishment at around \$20 per day per concessional resident will apply to approximately 490 beds

RADs / DAPs to fund growth

- RAD funding from a further circa 400 previously un-bonded beds expected to be received over the next 2-3 years
- Increasing DAP revenue to support long term operational cash flow

3. EXPANSION PIPELINE – DEVELOPMENT PROJECTS

Proven track record of profitable expansion

- 16 projects to provide approximately 1,000 new beds built, of which 805 will be operational by end of FY19
- Dedicated development team delivering high quality buildings designed to meet future resident choice and care needs
- Development pipeline underwritten by 158 existing bed licenses owned and 465 awarded in 2014 ACAR
- Overall development pipeline is forecast to be self funding – RAD receipts from completed projects to fully fund development costs



4. EXPAND NATIONAL PORTFOLIO VIA VALUE ACCRETIVE ACQUISITIONS

Whelan portfolio acquisition on track to deliver better than plan

- Acquisition of 4 facilities in South Australia comprising 258 beds and 41 ILUs
- Integration of facilities completed; EBITDA on target for \$5m plus in FY16
- New RADs and RAD uplift expected to be circa \$15m over next 2 years
- New Trevu 69 bed facility completed and operational
- Implementation of Japara's care and business model has resulted in increasing EBITDA per bed



Oaklands, South Australia

4. EXPAND NATIONAL PORTFOLIO VIA VALUE ACCRETIVE ACQUISITIONS

Successful integration; selective acquisitions being pursued

Further acquisitions as industry consolidates

- Measured and disciplined approach with focus on quality of care, business improvement and increasing shareholder value
- Proven track record of delivering acquisitions of more than 300 beds per year on average for past 10 years
- Continued focus on growing national footprint
 - single facility acquisitions where Japara can enhance operations and returns
 - portfolios where appropriate to expand national footprint
- Industry consolidation is continuing, so selective M&A opportunities exist



The Homestead, South Australia

5. FY16 OUTLOOK

Solid platform for future growth

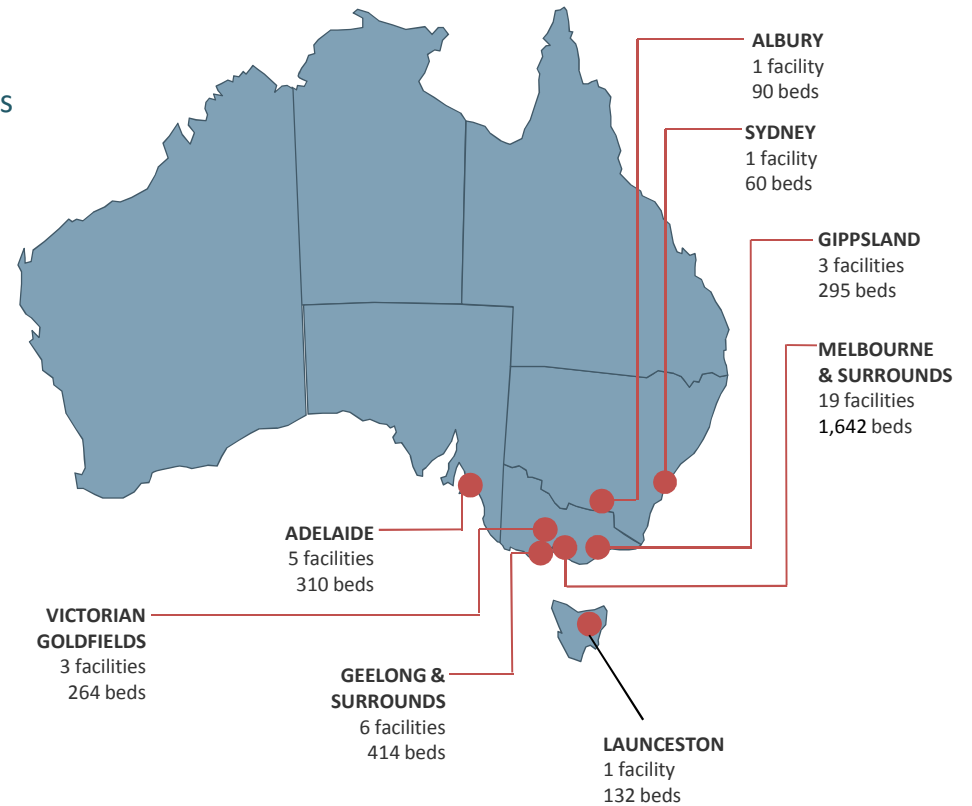
FY16 Outlook

- FY16 earnings are anticipated to exceed FY15 underpinned by:
 - increases in average ACFI per resident from higher care delivery
 - brownfield/greenfield developments providing an increase in operational bed days and higher revenue from significantly refurbished facilities
 - a full year contribution from the 31 October 2014 Whelan Care Business acquisition
 - further take-up of Japara Signature services
 - partially offset by the full year impact of the removal of the payroll tax supplement from 1 January 2015
- Selective acquisition opportunities are under active consideration

Continued execution of growth strategy

Key portfolio statistics (as at 30 June)

Number of facilities	39, across 4 states
Total beds	3,389
Total operational beds	3,207
Total Independent Living Units (ILUs)	180
Total number of employees	4,419



APPENDIX 2 – DEVELOPMENT PIPELINE

Accelerating internally generated growth opportunities

Phase 1 Development projects

Projects	Project type	Land owned	Development approval	Bed licenses held	Total new beds	Net new beds	Single bed profile	Estimated completion
Bayview, Carrum Downs	Brownfield	✓	✓	✓	40	30	100%	FY16
Central Park, Windsor	Brownfield	✓	✓	✓	25	0	100%	FY17
George Vowell, Mt Eliza	Brownfield	✓	✓	✓	35	34	100%	FY17
Riverside, Launceston	Greenfield	✓	✓	✓	75	75	100%	FY17
St Judes, Narre Warren	Brownfield	✓	✓	✓	40	30	100%	FY17
Kirralee, Ballarat	Brownfield	✓	✓	✓	36	0	100%	FY17
Kingston Gardens, Springvale	Brownfield	✓	Underway	X	63	51	100%	FY17
Total phase 1 – FY16 & FY17					314	220		
Beds built but only operational in FY16					0	30		
Total Phase 1					314	250		

APPENDIX 2 – DEVELOPMENT PIPELINE

Site acquisitions underway

Phase 2 Development projects

Projects	Project type	Land owned	Development approval	Bed licenses held	Total new beds	Net new beds	Single bed profile	Estimated completion
Glen Waverley	Greenfield	✓	Underway	X	60	60	100%	FY18
Northern Metro	Greenfield	X	Site under neg.	✓	90	90	100%	FY18
Southern Metro	Greenfield	X	Site under neg.	X	90	90	100%	FY18
Altona/Williamstown	Greenfield	X	Site being selected	✓	90	30	100%	FY18
Southern Metro Two	Greenfield	X	Site being selected	X	90	90	100%	FY18
Western Metro	Greenfield	X	Site under neg.	✓	90	90	100%	FY19
Mona Vale/Sydney	Greenfield	X	Site being selected	X	110	45	100%	FY19
Mt Waverley	Greenfield	X	Site being selected	X	90	60	100%	FY19
Total phase 2 – FY18 & FY19					710	555		
Total Phase 1 & 2					1,024	805		

APPENDIX 3: PORTFOLIO METRICS (AS AT 30 JUNE)

	As at 30 June 15	As at 30 June 14	Change
RAD/DAP			
Proportion of portfolio bonded/ RAD	43.4%	39.9%	3.5%
Staffing			
Number of staff as at 30 June (including part time and casuals)	4,419	4,228	4.5%
Beds			
Operational beds	3,207	2,994	7.1%
Non-operational beds	182	137	32.8%
Allocated in ACAR	465	-	N/A
Total beds	3,854	3,131	23.1%
Average age of facilities (years)	13	12	8.3%
Geographic spread (facilities)			
Victoria	79.5%	88.5%	
NSW	5.1%	5.7%	
SA	12.8%	2.9%	
TAS	2.6%	2.9%	

APPENDIX 4: DETAILED PROFIT & LOSS

	FY15 Actual (\$ million)	FY14 Pro Forma (\$ million)	Change	Change (\$ million)
Revenue				
Government care funding	200.4	178.9	12.0%	21.5
Resident care funding	77.9	65.7	18.6%	12.2
Other revenue ⁽¹⁾	3.0	0.4	650.0%	2.6
Total revenue	281.3	245.0	14.8%	36.3
Expenses				
Staff costs	(186.7)	(165.5)	12.8%	21.2
Resident costs	(22.9)	(19.0)	20.5%	3.9
Other costs	(21.1)	(20.5)	2.9%	0.6
Total expenses	(230.7)	(205.0)	12.5%	25.7
EBITDA	50.6	40.0	26.5%	10.6
Depreciation and amortisation	(9.7)			
EBIT	40.9			
Net interest expense	(1.6)			
Income tax expense	(10.5)			
NPAT	28.8			

(1) Includes \$0.7m net gain on Whelan Care Business acquisition in FY15

APPENDIX 5: DETAILED STATUTORY CASHFLOW STATEMENT

	FY15 Actual \$'000	FY14 Actual \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	275,995	48,569
Payments to suppliers and employees	(234,918)	(45,636)
Income taxes refunded / (paid)	684	(1,326)
Interest received	1,204	143
Finance costs paid	(2,782)	(325)
Net cash provided by operating activities	40,183	1,425
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land and buildings	(9,796)	-
Proceeds from sale of surplus land	758	-
Purchase of plant and equipment	(4,040)	(2,013)
Proceeds from sale of plant and equipment	-	43
Capital works in progress	(18,224)	(2,711)
Purchase of resident beds licenses	(493)	-
Acquisition of aged care business, net of cash	(23,879)	(181,411)
Other acquisitions and acquisition related costs	(6,326)	-
Net cash used in investing activities	(62,000)	(186,092)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of share capital	-	350,919
Equity raising costs	(1,291)	(18,803)
Dividends paid by parent entity	(14,468)	-
Proceeds / (repayment) of bank borrowings	(14,000)	14,000
Proceeds from RADs/accommodation bonds & ILU resident loans	154,111	25,645
Repayment of RADs/accommodation bonds & ILU resident loans	(76,779)	(11,210)
Proceeds from other financial assets	15	-
Settlement of pre-acquisition receivables / (payables) of the Japara Group	-	(147,777)
Net cash provided by financing activities	47,588	212,774
Net increase in cash and cash equivalents held	25,771	28,107
Cash and cash equivalents at beginning of year (30 June 2014)	28,107	-
Cash and cash equivalents at 30 June 2015	53,878	28,107

APPENDIX 6: BALANCE SHEET AS AT 30 JUNE

	2015	2014
	\$'000	\$'000
ASSETS		
CURRENT ASSETS		
Cash	53,878	28,107
Trade and other receivables	10,168	7,073
Current tax receivable	-	2,702
Other assets	3,237	3,585
TOTAL CURRENT ASSETS	67,283	41,467
NON-CURRENT ASSETS		
Trade and other receivables	2,607	1,210
Financial assets	1,078	-
Non-current assets held for sale	1,997	-
Property, plant and equipment	383,797	340,799
Investment property	31,549	23,312
Deferred tax assets	12,300	15,684
Intangible assets	415,188	384,786
TOTAL NON-CURRENT ASSETS	848,516	765,791
TOTAL ASSETS	915,799	807,258
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	16,657	22,180
Other liabilities	9,498	9,331
Loans and borrowings	-	15,817
Income tax payable	4,432	-
Other financial liabilities	325,251	220,904
Short-term provisions	27,217	23,045
TOTAL CURRENT LIABILITIES	383,055	291,277
NON-CURRENT LIABILITIES		
Long-term provisions	2,705	1,994
TOTAL NON-CURRENT LIABILITIES	2,705	1,994
TOTAL LIABILITIES	385,760	293,271
NET ASSETS	530,039	513,987

KEY TERMS

ACFI	Aged Care Funding Instrument; - Government funding instrument for resident care
COPE	Commonwealth Own Purpose Expense; - Indexation rate applied to ACFI as at 1 July each year
RAD	Refundable Accommodation Deposit; - Lump sums paid by residents for accommodation
DAP	Daily Accommodation Payment; - Daily equivalent of lump sums agreed for accommodation
ACAR	Aged Care Approvals Round; - Annual application process for the allocation of resident beds
ILU	Independent Living Unit, also referred to as Retirement Villages; - Accommodation for above 55's (usually retirees) who may require low to moderate levels of care

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