

17 February 2016

Japara Healthcare FY16 half-year results

Japara Healthcare Limited (“Japara Healthcare” or “the Company”) today announced its results for the half year ended 31 December 2015 (H1 FY16).

Japara Healthcare achieved a solid result for H1 FY16 underpinned by strong operational performance, a tailored care model and strategy execution.

Financial highlights:

- Revenue up 13.4% to \$155.9 million (H1 FY15: \$137.5 million)
- EBITDA up 10.2% to \$28.1 million (H1 FY15: \$25.5 million)
- Net profit after tax up 2.5% to \$16.2 million (H1 FY15: \$15.8 million)
- Interim dividend of 5.75 cents per share, fully franked (H1 FY15: 5.5 cents per share, unfranked)
- Strong balance sheet and cash generation to support growth
 - Net operating cash flow of \$36.2 million
 - Net RAD¹ inflows of \$30.1 million
 - Net bank debt of \$1.0 million and significant undrawn debt facilities
- FY16 outlook reaffirmed: FY16 earnings anticipated to exceed FY15, with the Profke acquisition expected to contribute EBITDA of over \$4.0 million this financial year. A solid second half performance is expected

Operating highlights:

- Ongoing focus on high quality resident care and innovation in service delivery
- Operational performance: strong average occupancy and ongoing discipline on costs
- Continued investment in new capacity
 - Long term demand underpinned by ageing population
 - Approximately 82,000 additional residential aged care places required over the next decade²
 - Good progress on greenfield and brownfield developments
 - Strong development pipeline, including 5 facilities currently under construction
 - On track to deliver over 900 new places by the end of FY19 (previously 805 places)
 - Delivering on selective acquisition strategy, 845 places added since IPO bringing the total number of places to 4,448
 - Whelan integration completed FY15, performance exceeding initial expectations
 - Profke acquisition completed 1 December 2015, integration underway
 - Strategic acquisition opportunities continue to be assessed

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

“The result reflects strong operational performance as we continued to deliver on our primary objective of providing high quality care for our residents.

“We are continuing to deliver on our capacity expansion strategy through both developments and acquisitions, which will provide a significant uplift in new places to cater to the growing demand from Australia’s ageing population.

“Our greenfield and brownfield developments program has good momentum with two brownfield developments recently completed and a strong development pipeline. Our developments program is well placed to deliver over 900 additional places over the next four years.

¹ Refundable Accommodation Deposit (RAD)

² Aged Care Financing Authority, “Third Report on the Funding and Financing of the Aged Care Sector, July 2015”

“The acquisition of the Profke business added 587 places to our portfolio and expanded our footprint in new and attractive markets. We continue to assess strategic acquisition opportunities as they arise, while maintaining our disciplined approach to investment.”

H1 FY16 results overview

Japara Healthcare reported revenue of \$155.9 million, up 13.4% on H1 FY15. Average occupancy remained strong at 94.2%, a good result given the impact of a major reconfiguration of our Central Park facility and the integration of the Profke portfolio during the half year. Revenue benefited from two completed brownfield developments, a full period contribution from the Whelan business, and a one-month contribution from the newly acquired Profke portfolio. An increase in average ACFI per resident per day, aligned with an increase in average resident acuity, also contributed to the revenue uplift.

EBITDA increased to \$28.1 million, up 10.2% on H1 FY15. Net profit after tax increased to \$16.2 million, up 2.5% on H1 FY15.

The Company continued its track record of strong cash generation, generating net operating cash flow of \$36.2 million and net cash inflows from RADs of \$30.1 million. The Company’s balance sheet is well positioned to support future growth, with net bank debt of \$1.0 million at 31 December 2015. Subsequent to this date, the Company’s bank facilities have been renegotiated to extend their term by three years and increase the level of funding available by \$115 million to \$220 million. These facilities will support the Company’s brownfield and greenfield developments program.

Outlook

Japara Healthcare is pleased to reaffirm the earnings guidance provided at its Annual General Meeting in November 2015.

As previously stated, FY16 earnings are anticipated to exceed FY15, and in addition, the Profke acquisition is expected to contribute operating EBITDA of over \$4.0 million this financial year.

A solid second half performance is expected in FY16.

Dividend and Dividend Reinvestment Plan

The Board has determined to pay a fully franked interim dividend of 5.75 cents per share on 16 May 2016 (H1 FY15: 5.5 cents per share, unfranked).

The Board has also announced the activation of the Company’s Dividend Reinvestment Plan (DRP) in respect of the interim dividend. No discount will be applied when determining the price at which shares will be issued under the DRP for this dividend.

The Company’s intention remains to pay full year dividends of up to 100% of net profit after tax, franked to the maximum extent possible.

Investor and analyst briefing

As previously advised, at 10.30am (AEDT) today, Japara Healthcare will conduct an investor and analyst briefing on the H1 FY16 results. The investor presentation has today been lodged with the 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=Results>).

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