

22 August 2016

Japara Healthcare FY16 results announcement

Japara Healthcare Limited (“**Japara Healthcare**” or “**the Company**”) today announced its results for the year ended 30 June 2016 (“**FY16**”). All figures below are compared with FY15 performance.

Financial highlights:

- Revenue up 16.4% to \$327.3 million
- EBITDA up 10.9% to \$56.1 million
- Net profit after tax up 5.6% to \$30.4 million
- Final dividend of 5.75 cents per share, taking total dividend for FY16 to 11.5 cents per share
- Strong cash generation and conservative balance sheet to support diversified growth strategy

Operating highlights:

- Ongoing commitment to delivering high quality resident care
- Strong operating performance despite the impact of the removal of the Payroll Tax and Dementia supplements in FY15
 - Underlying occupancy strong at 94.4%, excluding impact of brownfields
 - Total operating places up 15.9% to 3,717
- Profke acquisition being successfully integrated
 - FY16 financial performance ahead of expectations
- Greenfield and brownfield development pipeline has strong momentum
 - On track to deliver over 900 additional places by the end of FY19
 - 2 brownfield projects completed in FY16, adding 54 places
 - 4 new greenfield sites secured
 - 5 projects currently under construction for completion in FY17

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

“This is a pleasing result, reflecting solid operational execution and a strong contribution from the newly acquired Profke business that provides us with an entry into the Queensland market and expansion into New South Wales.

“We are continuing to add capacity to our portfolio to meet the growing demands from Australia’s ageing population by delivering new and refurbished facilities to meet contemporary resident expectations around amenity and care.

“We have remained focused on delivering our development pipeline, with the acquisition of a number of attractive new sites in under-serviced metropolitan locations. Japara Healthcare has now secured most sites and licences to deliver over 900 additional places in its current development pipeline.

“Japara Healthcare is well placed to continue to deliver sustainable earnings growth with a sound, diversified growth strategy underpinned by a focus on high quality resident care. With a strong balance sheet and a prudent approach to fiscal management, we remain well positioned to deliver on this growth strategy.”

FY16 results overview

Japara Healthcare reported revenue of \$327.3 million, up 16.4% on FY15, reflecting a moderate increase in income from care and accommodation and an uplift from its recent acquisitions. This was a pleasing result particularly given the impact of the removal of the Payroll Tax and Dementia supplements in FY15, which contributed \$5.2 million in revenue in the prior year.

Occupancy remained steady on an underlying basis at 94.4%, excluding the impact of facilities undergoing refurbishment.

EBITDA increased by 10.9% to \$56.1 million, including a \$4.4 million contribution from Profke, ahead of the guidance provided at the time of acquisition. Staff costs as a percentage of revenue increased marginally to 67% (FY15: 66%), reflecting a high care focus and the increasing acuity profile of the Company's residents. Group net profit after tax increased to \$30.4 million, equating to earnings per share of 11.5 cents.

Japara Healthcare continues to maintain a conservative balance sheet, with diversified funding sources to support its growth strategy. In FY16, the Company generated net operating cash flow of \$36.7 million and net RAD inflows of \$54.9 million. Net bank debt was \$34.9 million at 30 June 2016, with \$160.5 million of committed, undrawn debt facilities to support its greenfield and brownfield development program.

Outlook

FY17 EBITDA is expected to grow at a similar rate to FY16. Considerations include:

- Full year contribution from acquisitions
- Partial FY17 contribution from brownfield and greenfield developments, increasing in FY18 and beyond
- Transition to post-reform income (e.g. Daily Accommodation Payments, Additional Services, Significant Refurbishment) from pre-reform income (e.g. bond retention and accommodation charges)
- Low single-digit ACFI growth expected in FY17
- Further investment in capability to support the business' development and growth strategy

Dividend and Dividend Reinvestment Plan ("DRP")

The Board has determined a fully franked final dividend of 5.75 cents per share to be paid on 31 October 2016 (FY15: 5.5 cents per share, fully franked). The record date for entitlement purposes is 28 September 2016. This brings the total dividends for the year to 11.5 cents per share (FY15: 11.0 cents per share), reflecting a dividend payout ratio of 100%, in line with the Company's stated policy.

The Company's DRP will operate in respect of the final dividend and no discount will be applied when determining the price at which shares will be issued. The last date for receipt of DRP application forms in respect of the final dividend is 29 September 2016.

Investor and analyst briefing

As previously advised, at 10.30am (AEST) today, Japara Healthcare will conduct an investor and analyst briefing on the 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/>).

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