

26 February 2018

JAPARA H1 FY18 EBITDA RESULT IN LINE WITH GUIDANCE

Japara Healthcare Limited (“Japara” or “the Company”) (ASX: JHC) today announced its results for the half year ended 31 December 2017 (“H1 FY18”), which are in line with the business update provided in December 2017.

Half year highlights

- Total revenue of \$182.5 million
- EBITDA of \$24.3 million
- Net profit after tax of \$10.3 million
- Average underlying occupancy at 92.3% (and currently 93.5%)
- Superior capital structure maintained
- Net RAD¹ inflows of \$25.9 million
- Interim dividend of 4.0 cents per share, franked to 65%

Development highlights

- Riverside Views greenfield project opened in October 2017 adding 88 new places
- 10 other greenfield projects providing 965 net new places in progress - Glen Waverley and Rye homes on track for completion in June 2018
- Noosa brownfield project completed in August 2017
- 5 other brownfield projects underway to deliver 156 net new places
- 14 homes undergoing significant refurbishment for completion by May 2019

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

“We have continued to provide excellent care and services to our many residents and execute our growth strategy to provide new and improved homes for Australia’s ageing population.

“Revenue and profit has been negatively impacted by Federal Government funding cuts and a temporary fall in occupancy due to the severe influenza outbreak experienced in our community during the first half of the financial year. Occupancy is now improving after this abnormal event and has recovered to 93.5%. We are confident occupancy will return to our historic levels of around 94% to 95% as fundamental sector drivers remain favourable. All other aspects of our business continue to perform well including improved efficiencies being achieved through technology and roster optimisation.

“Excellent progress continues to be made on our developments program with 2 projects successfully delivered during the first half. We currently have 5 brownfield and 10 greenfield projects in progress which are scheduled to deliver in excess of 1,100 net new places by the end of FY20. This will add substantial earnings to the Company as we enhance the size of our portfolio and provide high quality accommodation and care to our residents.

“Japara has continued its good record of strong cash generation during the year and with a strong balance sheet and available liquidity of circa \$196 million, we are well positioned to deliver our future growth strategy.”

H1 FY18 results overview

Japara reported total revenue of \$182.5 million, up 2.2% on H1 FY17. Average underlying occupancy was weaker at 92.3% being affected by the severe influenza outbreaks experienced across Australia. Revenue was negatively impacted by this occupancy pressure and the Federal Government’s funding cuts and

1. Refundable Accommodation Deposit (RAD)

freeze on ACFI indexation. Overall revenue growth was achieved from an increase in operational places through our developments program.

EBITDA was \$24.3 million, down 16.5% on H1 FY17 due primarily to the aforementioned factors combined with higher wage costs, greenfield start up costs at the newly opened Riverside Views home and redundancy costs associated with the roster optimisation program.

Net profit after tax was \$10.3 million (H1 FY17 \$14.6 million).

Japara continued its good record of strong cash generation, including net cash inflows from RADs of \$25.9 million. The Company's balance sheet is strong and well positioned to support future growth, with net bank debt of \$24.4 million at 31 December 2017.

Outlook

As reported in December 2017, Management expects second half EBITDA to exceed the first half and confirms the FY18 EBITDA outlook is in line with previous guidance.

The expected improvement in second half performance is based on:

- recovering occupancy levels (93.5% currently);
- increasing contribution from completed greenfield and brownfield developments;
- increasing cost efficiencies achieved through the workforce management system and roster optimisation programs;
- partially offset by 3 additional public holidays.

EBITDA is expected to increase further in FY19 as the abovementioned initiatives gain further traction, occupancy normalises and ACFI indexation recommences.

Japara has a sound, diversified growth strategy underpinned by a focus on high quality resident care and services. Its extensive developments program is supported by a strong balance sheet and cash flows. These provide an excellent foundation for the Company's medium term growth.

Interim dividend and Dividend Reinvestment Plan ("DRP")

The Board has determined an interim dividend of 4.0 cents per share to be paid on 30 April 2018 (H1 FY17: 5.5 cents per share). The dividend is franked to 65% (H1 FY17: fully franked) with the record date for entitlement purposes being 28 March 2018.

The Company's DRP will operate 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 having regard to available franking credits.

Investor and analyst briefing

As previously advised, at 10.30am (AEST) today, Japara will conduct an investor and analyst briefing on the H1 FY18 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's website later in the day (<http://investor.japara.com.au/Investor-Centre/>).

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