Japara Healthcare - Overview

One of Australia’s largest residential aged care providers, with a growing national footprint

- **43** residential aged care facilities
- **5** states & territories
- **Over 4,750** total places
- **100%** accreditation record
- **Over 4,900** employees
- **Strong average occupancy 94%**

“*It’s not aged care, it’s caring for the aged*”

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(1) Excludes 180 Independent Living Units (ILUs)
(2) H1 FY2016
H1 FY2016 Result Highlights

Solid result underpinned by strong operational performance, tailored care model and strategy execution

Ongoing focus on high quality care and service delivery that meets residents’ needs
• Registered nurses at every facility, every day, on every shift
• 100% accreditation record maintained, supported by comprehensive quality assurance program

Double-digit revenue and EBITDA growth vs. the pcp
• Revenue up 13.4% to $155.9 million
• EBITDA up 10.6% to $28.2 million
• NPAT up 2.5% to $16.2 million
• Interim dividend of 5.75 cents per share, fully franked (H1 FY2015: 5.50 cps, unfranked)

Strategic investment in new capacity continues, demand underpinned by ageing population
• Good progress on greenfield and brownfield development programs – over 900 new beds in pipeline
• Delivering on our selective acquisition strategy – 845 beds acquired since listing in April 2014

Strong and conservative balance sheet to support growth strategy
• Net RAD inflow of $30.1 million
• Net bank debt of $1 million and significant undrawn debt facilities
Industry Context

Demographic shifts underpin strong forecast demand for residential aged care

- Residential aged care is a significant and growing sector, revenues of $18 billion\(^1\)
- 82,000 additional places required over the next decade, requiring over $33 billion investment\(^2\)
- Highly regulated market – both supply and quality
- Significant government support, with confirmed commitment to sustainable aged care funding in the 2016-17 Budget (~5% pa growth)
- Funding regime (RADs/DAPs) supports growth
- Market is highly fragmented – opportunities for sector consolidation
- Focus on coordination across continuum of care services

\(^1\) IBIS World: Aged Care Residential Services in Australia, February 2016
Current government focus on long-term sustainability of aged care

Aged Care Sector Committee, a government advisory committee, provided a roadmap to help guide future reforms in April 2016

Key focus areas:

- **Supply**: decoupling of supply and quality regulation, and the removal of supply limitations for approved providers
- **Quality**: transparent performance standards with accountability for service delivery
- **Greater proportion of consumer funding**: where consumers have the means to do so, supported by new financial products to support consumer choice
- **More provider flexibility around service offering**: ability to provide additional services to respond to consumer needs / preferences
- **Continuum of care**: seamless transition between home and residential care
- **Dementia care focus**: to meet growing prevalence

Likely outcomes:

- Increased incentive for providers to **innovate** and differentiate to attract residents
- Greater requirement to meet health care needs across the care continuum
To deliver the highest quality of clinical aged care for our residents, and profitably increase our capacity to meet the growing community need for residential aged care.

<table>
<thead>
<tr>
<th>Four pillars of growth underpinned by commitment to delivering high quality care</th>
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</thead>
<tbody>
<tr>
<td><strong>Enhance the existing portfolio</strong></td>
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<tr>
<td><strong>Brownfield and greenfield developments</strong></td>
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<tr>
<td><strong>Selective acquisitions</strong></td>
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<td><strong>Strategic relationships</strong></td>
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</tbody>
</table>
### Strategic Priorities

#### 1. Enhance existing portfolio

<table>
<thead>
<tr>
<th>Industry context</th>
<th>Current position</th>
<th>Medium-term priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Removal of supply limitations for approved providers</td>
<td>• Strong focus on clinical care</td>
<td>• Maintain excellent service delivery</td>
</tr>
<tr>
<td>• Regulatory focus on quality</td>
<td>• Commenced roll-out of additional services (Japara Signature)</td>
<td>• Continue implementation and evolution of additional services</td>
</tr>
<tr>
<td>• Flexibility for operators to offer additional services</td>
<td>• Strong compliance record of 100% accreditation</td>
<td>• Innovation in care and facilities</td>
</tr>
<tr>
<td>• Brand, innovation, quality becoming more important</td>
<td>• Specialised dementia care capability</td>
<td>• Continue specialisation in dementia care</td>
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<tr>
<td></td>
<td></td>
<td>• Build and support corporate brand</td>
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</table>
Strategic Priorities

2. Greenfield and brownfield developments

Brownfields and greenfield programs have strong momentum

- Development programs focused on under-bedded regions, determined by extensive research
- Dedicated internal developments team delivering results
- RADs provide funding for construction costs
- Success in 2015 ACAR resulted in all licenses / provisional allocations for current pipeline

Brownfield developments

- Significant value-add from investment in portfolio lifecycle (income and RAD uplift)
- Four developments currently under construction

Greenfield developments – focus on metro locations

- Strong pipeline underpinned by existing landbank
- Four sites in various stages of development
- Potential to benefit from Japara Signature Services rollout
- Innovations in design to provide better outcomes
## Strategic Priorities

### 2. Greenfield and brownfield developments

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<tr>
<td>• 82,000 additional places required over next decade</td>
<td>• Established development pipeline – over 900 places scheduled for completion by end of FY19</td>
<td>• Further investment in development and analytics capability</td>
</tr>
<tr>
<td>• Innovation in facilities increasingly important</td>
<td>• Variety of room sizes and designs to provide resident choice</td>
<td>• Maintain focus on strong execution</td>
</tr>
<tr>
<td>• Growing requirement to deliver on community healthcare needs</td>
<td>• Landbank strengthened following recent successful site acquisitions</td>
<td>• Focus on innovation in facility design (e.g. for dementia)</td>
</tr>
<tr>
<td></td>
<td>• RADs provide funding for construction costs</td>
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</table>

Riverside, Tasmania
3. Selective acquisitions

Disciplined and selective approach, strong track record established

• Expanded national presence and added 845 places since IPO

• Key acquisition criteria:
  • Strong care fundamentals / accreditation history
  • Attractive / strategic enhancement to national portfolio
  • Potential for business improvement and earnings uplift under Japara ownership
  • Value-accretive for Japara shareholders

Profke acquisition

• 4 facilities, 587 places in QLD and NSW
• Net purchase price of $77 million
• Expect annualised EBITDA contribution of $9.5 million within 18 months
• Reconfiguration and refurbishment provides an opportunity for RAD and Significant Refurbishment uplift
### Strategic Priorities

#### 3. Selective acquisitions

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<tr>
<td>• Fragmented market, large number of small players including single-facility operators</td>
<td>• Track record established – Whelan and Profke</td>
<td>• Pursue selective M&amp;A opportunities</td>
</tr>
<tr>
<td>• Strong demand fundamentals</td>
<td>• Assess opportunities that meet investment criteria</td>
<td>• Remain disciplined and adhere to investment criteria and return metrics</td>
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<tr>
<td>• Consolidation will continue with government reform</td>
<td></td>
<td>• Continued focus on single-site acquisitions and portfolios</td>
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</tbody>
</table>

Trevu House, part of the Whelan portfolio
## Strategic Priorities

### 4. Strategic relationships

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<tr>
<td>Roadmap contemplates seamless integration across continuum of care</td>
<td>Early stage trials / partnerships with complementary providers</td>
<td>Develop opportunities across the care continuum e.g. post-acute care, home and community care and adjacencies</td>
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<tr>
<td>Early stage trials / partnerships with complementary providers</td>
<td>Existing relationships with hospitals in provision of sub-acute care</td>
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![Diagram](image1)

- Retirement village living
- Home and community care
- Residential aged care
- Acute hospital care
Summary

Solid platform for growth established

- Well positioned to capitalise on sector opportunities – four pillared strategy being implemented
- Strong development pipeline, focus on execution
- Acquisition track record established, continue to assess opportunities
- Strong and conservative Balance Sheet to support growth
- Continued focus on delivery of high quality care for our residents
- Migrating to higher service and product delivery aligned to customer choice and needs
- Growing revenue received directly from consumers
- Agile company with experienced management team, well placed to embrace and respond proactively to ongoing industry reform
FY2016 outlook confirmed

- FY2016 earnings are anticipated to exceed FY2015, and in addition, the Profke acquisition is expected to contribute operating EBITDA of over $4.0 million this financial year
- Japara expects a solid second half performance
- Confirm intention to pay full year dividends up to 100% of NPAT, franked to the maximum extent possible
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