

28 February 2020

1H FY2020 RESULTS REFLECT GROWTH IN AGED CARE PLACES MITIGATING WEAKER OCCUPANCY

Japara Healthcare Limited (“Japara”) (ASX: JHC) today announced its results for the half-year ended 31 December 2019 (“1H FY2020”).

During the half, Japara opened one new home and three home extensions, had strong net RAD¹ and ILU² cash inflows and maintained its 100% accreditation record. Net profit⁴ after tax was down on the prior comparative period.

Financial outcomes:

- Total revenue up 9.9% to \$212.6 million (1H FY2019: \$193.5 million)
- EBITDA³ up 10% to \$24.3 million (1H FY2019: \$22.1 million)
- Net profit⁴ after tax down 28% to \$5.4 million (1H FY2019: \$7.6 million)
- Interim dividend of 2.0 cents per share, franked to 50% (1H FY2019: 2.8 cents per share unfranked)
- Net bank debt of \$185.3 million at 31 December 2019 (\$31.5 million core net debt and \$153.8 million development debt)
- Available liquidity of circa \$160 million
- Net RAD¹ and ILU² cash inflow of \$33.4 million (1H FY2019: \$28.9 million)

Operating highlights:

- Dedicated workforce of 5,800+ staff provided 4,000+ residents with personalised care 24 hours a day, 7 days a week
- Ongoing 100% accreditation record maintained with 20 Aged Care Quality and Safety Commission visits over 1H FY2020
- Average occupancy for the half-year of 92.6% (93.0% as at 27 February 2020)
- Total operational places up 3.5% to 4,385
- Meaningful progress made on the development program with an identified, near-term pipeline of 844 net new aged care places and three co-located senior living development projects
- Opening of our new home at Robina (106 places) and extensions at Kingston Gardens (60 places), Brighton-Le-Sands (25 places) and Mirboo North (18 places)
- Increased focus on hiring, retaining and training the best people underpinned by investment in a digital learning platform and human capital management system

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

“The first half of FY2020 was a difficult period across the aged care sector with ongoing margin compression combining with declining occupancy as elevated levels of supply continue.

“Notwithstanding industry pressures, the business performed well with core earnings supplemented by active asset management and net RAD cash inflows meeting expectations.

“Our new homes and extensions are attracting strong occupancy with their incremental income offsetting cost growth which is increasing at rates above revenue on a like for like basis.

“We have maintained a solid financial position with \$160m of available funding.

1. Refundable Accommodation Deposit (RAD)
 2. Independent Living Unit (ILU)
 3. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)
 4. Profit attributable to members of the Group

“We continue to focus our business across the continuum of care environment and are expanding further into selective senior living opportunities on a co-located basis with our residential aged care homes.

“I would like to acknowledge and thank our team of over 5,800 nurses, carers and other home and support office staff and the work they do in providing excellence in care to our residents.

“Recently some of our homes were impacted by both bushfires and floods. I would like to specifically acknowledge and thank our staff and the various state emergency services for their efforts to ensure all of our residents and staff were kept safe throughout these events.”

Outlook

Japara expects FY2020 EBITDA³ to be 10% lower than FY2019 as the funding environment continues to present challenges and occupancy remains below historic levels. This outlook is subject to no material changes in market or regulatory conditions.

Recently completed developments are expected to help mitigate industry headwinds as they increasingly contribute to EBITDA³. Interest and depreciation costs are also expected to increase slightly in 2H FY2020 due to recently completed developments.

Japara continues to focus on the delivery of its developments with over 300 net new places expected to be opened in FY2020.

Dividend and Dividend Reinvestment Plan

The Board has determined an interim dividend of 2.0 cents per share which will be paid on 30 April 2020 (1H FY2019: 2.8 cents per share). The dividend is franked to 50% (1H FY2019: unfranked) with the record date for entitlement purposes being 27 March 2020. The Dividend Reinvestment Plan remains suspended.

Japara’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 (AEDT) today, Japara will conduct an investor and analyst briefing on the 1H FY2020 results. The investor presentation has today been lodged with the ASX and is also available on Japara’s Investor Centre website at (<https://investor.japara.com.au/investor-centre/>).

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This document was authorised for release by the Board of Japara.