

24 February 2021

JAPARA 1H FY2021 RESULTS

Japara Healthcare Limited (“Japara”) (ASX: JHC) today announced its results for the half-year ended 31 December 2020 (“1H FY2021”).

The impact of the COVID-19 pandemic was extreme throughout the Aged Care sector. With a significant presence in Victoria, Japara was affected by both the Melbourne COVID-19 outbreaks and the extended Victorian lockdown. During this period, the Company’s key focus was the care, wellbeing and safety of its residents and staff. As a result of the continued challenging industry conditions, a net loss after tax¹ of \$9.5 million was reported for the period.

Financial outcomes:

- Statutory net loss after tax¹ down \$14.9 million to \$9.5 million (1H FY2020: Net profit after tax of \$5.4 million)
- Total revenue up 3.6% to \$220.3 million (1H FY2020: \$212.6 million) due to increased Government revenues and additional places
- EBITDA² down 67% to \$8.0 million (1H FY2020: \$24.3 million) impacted by COVID-19 costs with Recurring EBITDA³ down 29% to \$15.0 million (1H FY2020: \$21.1 million)
- \$7.0 million of non-recurring COVID-19 outbreak specific expenses incurred, partially offset with \$1.6 million recognised for reimbursement via Government Grant program. Applications have been lodged to be reimbursed for the full expense incurred
- No interim dividend to be paid
- Net cash provided by operating activities of \$24.7 million (1H FY2020: \$59.7 million) includes Net RAD⁴ and ILU⁵ inflows of \$2.4 million (1H FY2020: \$33.4 million)
- Capital Expenditure of \$41.4 million invested in new homes, extensions and improvements
- Net bank debt of \$208.0 million at 31 December 2020 (\$48.0 million core net debt and \$160.0 million development debt)
- Available liquidity of \$137.0 million

Operating highlights:

- Proactive response to the COVID-19 pandemic with a range of specific measures undertaken for the safety and health of Japara’s residents and staff
- Dedicated workforce of ~5,700 staff provided 4,000+ residents with personalised care 24 hours a day, 7 days a week
- Average occupancy for the period was 89.2% (occupancy was 87.3% at 19 February 2021: 85.5% in Victoria and 90.9% at other Homes)

¹ Loss attributable to members of this Group

² EBITDA is a non-statutory measure consisting of earnings before interest, tax, depreciation and amortisation

³ Recurring EBITDA is a non-statutory measure consisting of EBITDA excluding net non-recurring items

⁴ Refundable Accommodation Deposit (RAD)

⁵ Independent Living Unit (ILU)

- New places delivered via the opening of the brownfield extension at Albury (25 places) with places reduced as a result of the previously announced closure of Japara Wyong, significant refurbishment activity and some Home configuration changes to meet market preference for single occupancy rooms
- Progress continued on the development program with an identified pipeline of 628 net new aged care places and three co-located seniors living development projects
- Japara's latest aged care developments, Trugo Place (Newport, VIC, 120 places) and Corymbia (Belrose, NSW, 102 places) to open during 2H FY2021

Japara's Chief Executive Officer, Chris Price, said:

"The first half of the 2021 financial year has been the most challenging yet with the impact of COVID-19 being extreme throughout the sector and on the business. Japara's focus on care and resident and staff wellbeing has underpinned our approach during this period.

"Appropriate decisions to limit infection spread were required and significant investment in infection control and other measures were undertaken prior to the Victorian 'second wave'. Programs to ensure continued communication and interaction with families and community groups were implemented and lifestyle and wellbeing programs changed to meet the new environment.

"Understandably, occupancy declined and the cost of operating increased as a result of COVID-19 and the response measures required but both are stabilising. We expect the COVID-19 vaccine rollout to be a catalyst for improved operating conditions.

"Notwithstanding the tough conditions, ongoing growth activities provided incremental earnings and improved environments for our residents.

"Lenders have continued to be supportive and balance sheet strength and liquidity have been maintained with \$137 million of cash and undrawn debt available.

"We would like to acknowledge and thank our team of over 5,700 nurses, carers and other home and support office staff and the commitment they demonstrated during this tough period."

Outlook

The cost and revenue implications from the COVID-19 pandemic remain uncertain, the funding environment continues to present challenges and occupancy remains weakened. In this environment, with the lack of clarity, it is difficult to provide reliable earnings guidance.

Japara's balance sheet remains robust with core net debt of \$48 million, development debt of \$160m, available liquidity of \$137 million and net RAD inflows expected from new Homes ramping up in 2H FY2021.

Recently completed developments are expected to contribute to earnings and the two latest greenfield developments are expected to open in 2H FY2021 adding ~220 new places. Decisions on future development commencements have been deferred until the COVID-19 pandemic and economic outlook become more certain.

Japara looks forward to the Government response to the Final Report from the Royal Commission into Aged Care Quality and Safety.

Dividend

The Board has determined that, due to the net loss recorded for 1H FY2021, no interim dividend will be paid in relation to this period.

Investor and analyst briefing

As previously advised, at 10.30am (AEDT) today, Japara will conduct an investor and analyst briefing on the 1H FY2021 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.