JAPARA
HEALTHCARE

JAPARA HEALTHCARE LIMITED
MACQUARIE SECURITIES CONFERENCE PRESENTATION
MAY 2014

STRICTLY CONFIDENTIAL

JAPARA HEALTHCARE LIMITED

JAPARA HEALTHCARE

Japara Healthcare Limited listed on ASX on 17 April 2014

Business overview

- Japara Healthcare is one of the largest residential aged care operators in Australia
  - Operates approximately **3,000 aged care places** across **35 facilities**
  - Employs more than **3,500 staff** (full time, part time and casual)

Key IPO highlights

- IPO in a **sector not currently represented on the ASX**
- Complex transaction involving a restructure combining an operating business and property trust
- Pre-lodgement cornerstone bookbuild was **multiple times oversubscribed**

Key offer statistics	At IPO	Current price
Issue price	\$2.00	\$2.54[1]
Market capitalisation	\$525 million	\$662 million
FY15 PER	19.0x[2]	24.0x[2]
FY15 EV/EBIT	12.7x[2]	16.1x[2]
Estimate dividend yield	5.4%[2]	4.2%[2]

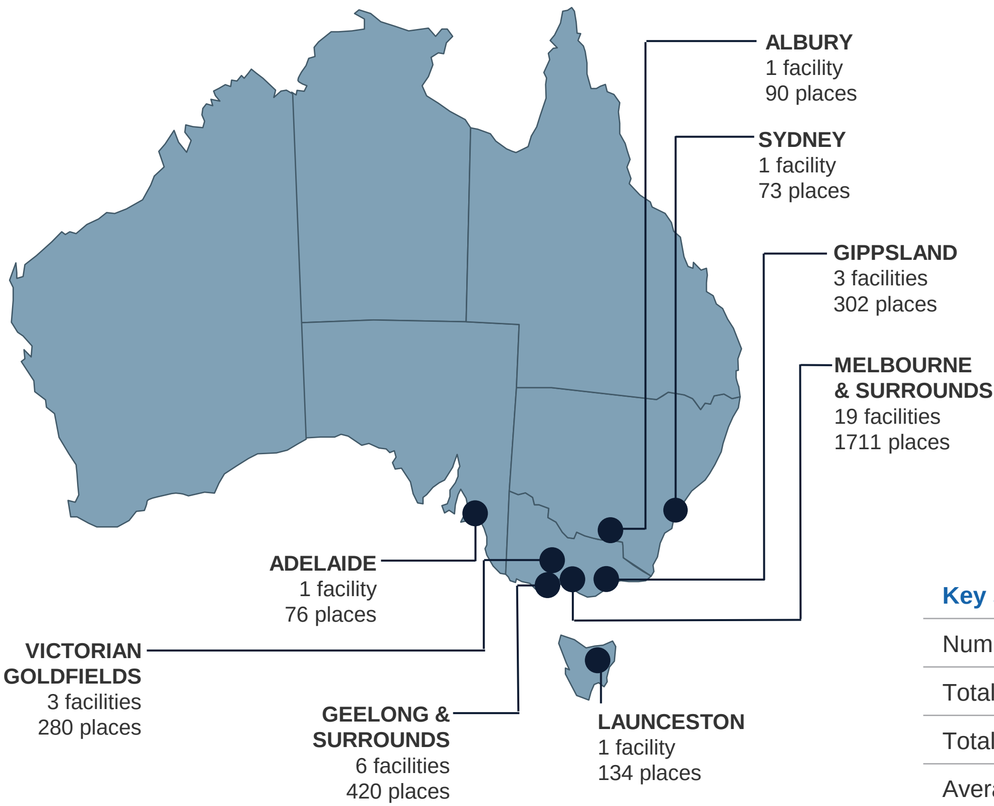
Elanora, Brighton

1. As at 5 May 2014
2. Based on prospectus forecasts

OVERVIEW OF JAPARA PORTFOLIO

JAPARA HEALTHCARE

Japara has a diversified portfolio of 35 facilities concentrated primarily within Victoria



George Vowell, Mt Eliza

Key statistics

Number of facilities	35
Total FY2014 places[1,2]	3,131
Total FY2014 operational places	2,994
Average occupancy per facility[1]	95.3%
Average FY2013 EBITDA/place[3] (excl. corporate costs)	$21,408
Average FY2013 bond value/bond paying resident	$236,491

1. As at 28 February 2014
2. Includes 45 non-operational places held by Tamar Park which was discontinued in December 2013
3. Calculated per operational place.

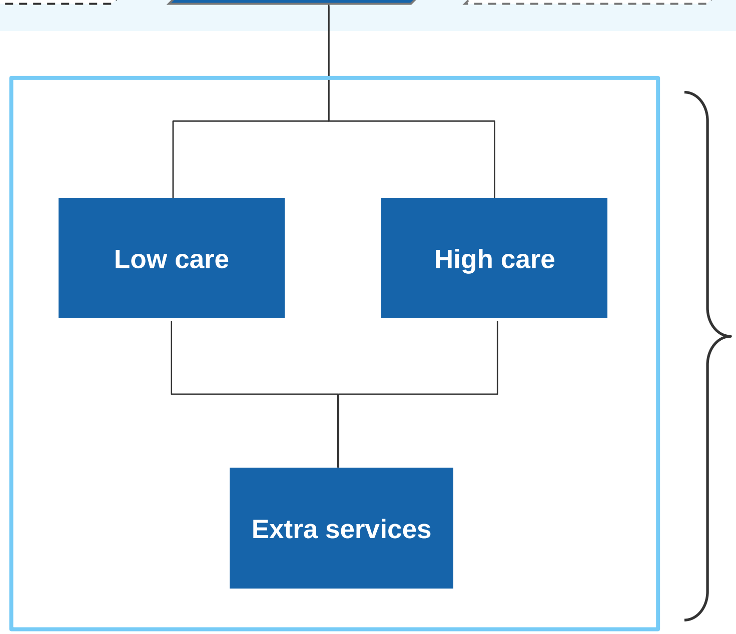
RESIDENTIAL AGED CARE SECTOR OVERVIEW

JAPARA HEALTHCARE

Aged care is a services industry and a significant sector in Australia

Continuum of care services

- **$11.6 billion** industry size (annual revenue to the residential aged care sector)[1]
- **$9.2 billion** of government funding per annum[2]
- **2,716 facilities** operated by a range of private, not for profit and government entities[3]
- Approximately **186,000**[4] **places, increasing to 260,000** places by 2022 to meet required demand[5]
- More than **double the size of the hospital sector** which has 87,000 beds[6]
- Similar to the hospital industry, it is **regulated** and **primarily government-funded** on a cash flow basis



The government will remove the distinction between high care and low care from 1 July 2014 under a revised regulatory framework.

1. "Nursing Homes In Australia," IBISWorld 2013; "Accommodation For The Aged In Australia," IBISWorld 2013.
2. "2012-13 Report on the Operation of the Aged Care Act 1997," Australian Government – Department of Health.
3. "Inaugural Report on the Funding and Financing of the Aged Care Sector," Aged Care Financing Authority 2013.
4. "2012-13 Report on the Operation of the Aged Care Act 1997," Australian Government – Department of Health.
5. "Inaugural Report on The Aged Care Sector," Aged Care Financing Authority 2012.
6. "Australian Hospital Statistics 2011/12," Australian Institute of Health & Welfare 2013.

LEADING MARKET POSITION IN RESIDENTIAL AGED CARE

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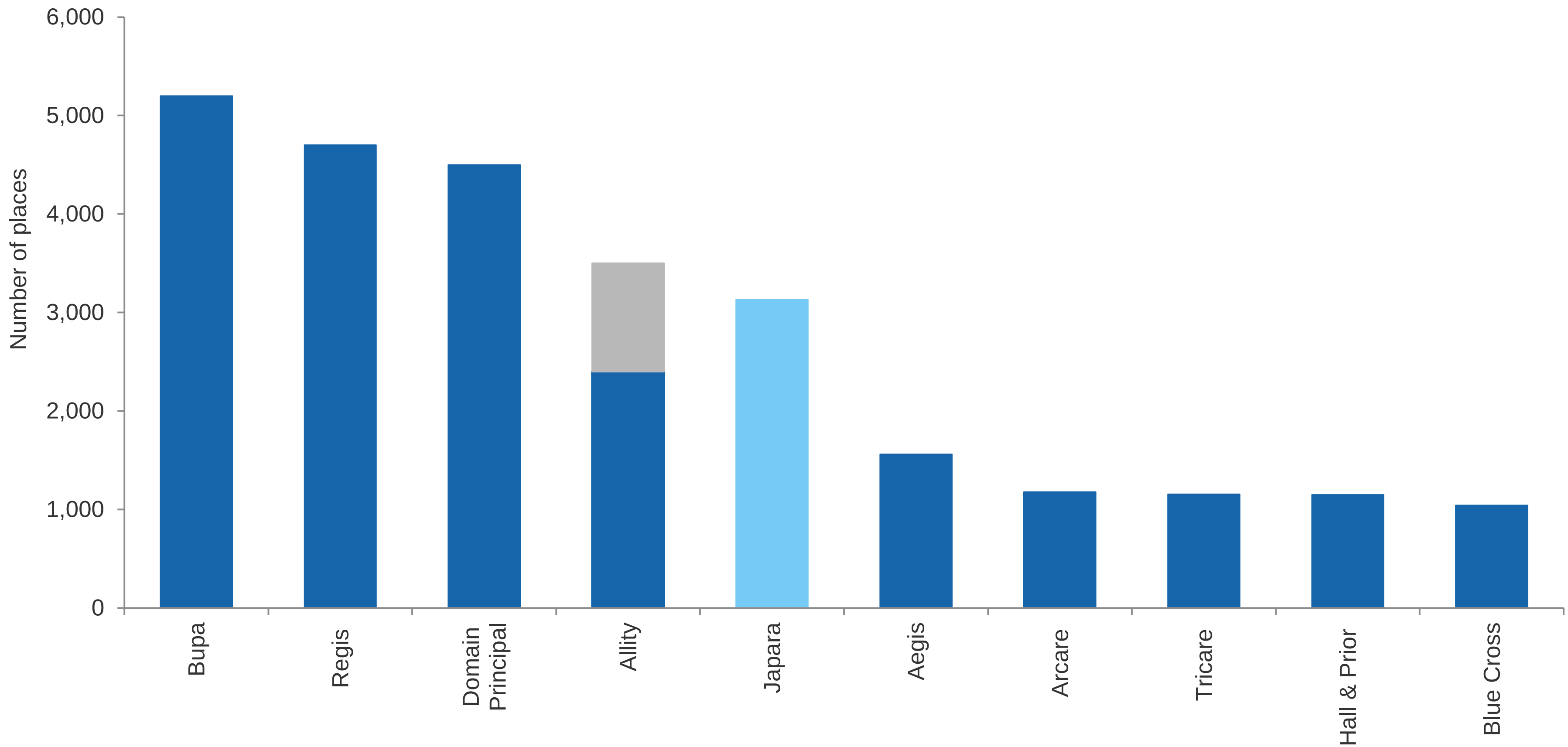
Japara is one of the largest private sector residential aged care operators in Australia

Major private operators



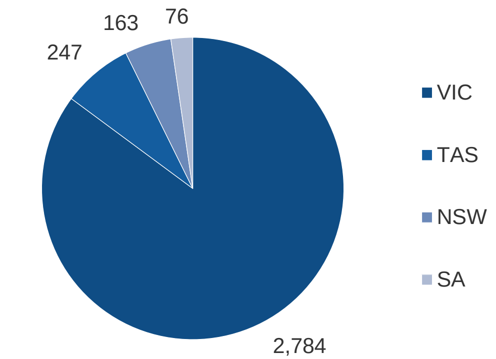
Source: "Accommodation for the Aged in Australia," IBISWorld 2013, "Aged Care Services List," 2012, Japara Places FY2014.
Note: Allity figures include acquisition of ECH portfolio as announced on 1 April 2014

DIVERSIFIED HIGH QUALITY PORTFOLIO OF AGED CARE ASSETS

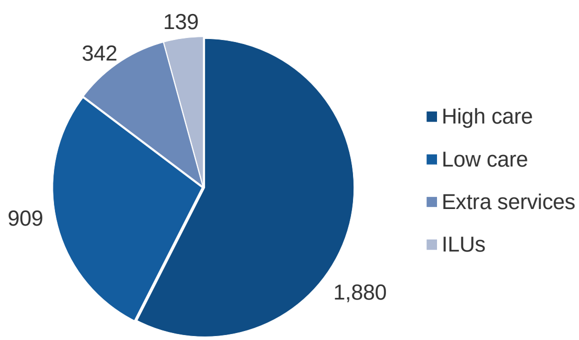
Japara owns the freehold title to 32 of its facilities and has implemented a strong asset management and development program to ensure the long-term lifecycle of its assets are maintained

- ☑ **Well-established portfolio of residential aged care facilities diversified by location, size and place mix**

Geographic diversity (number of places)



Place mix (number of places)



- ☑ **Facilities are equipped to provide a full continuum of high quality care to residents, e.g. private ensuites, common rooms, courtyards, etc.**

Sandhill, Launceston

Scottvale, Dandenong

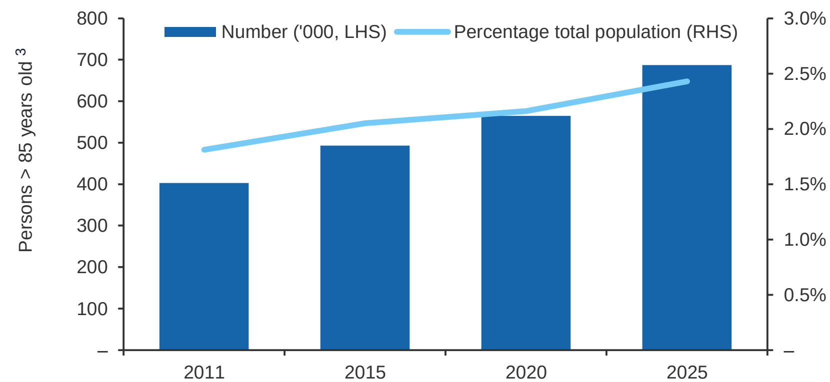
ATTRACTIVE SECTOR DEMOGRAPHICS WITH FUTURE POTENTIAL FOR GROWTH

JAPARA HEALTHCARE

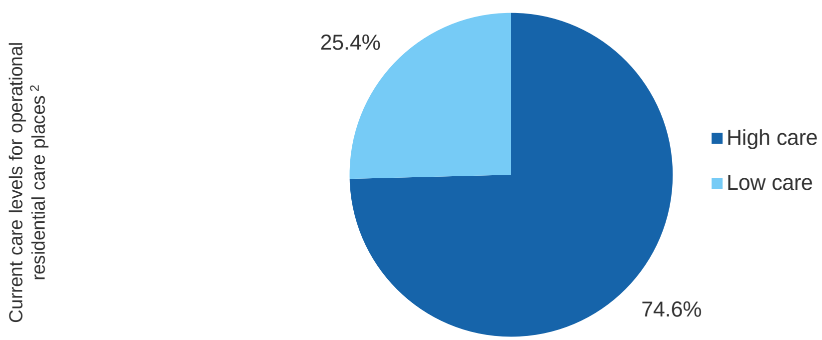
Favourable sector attributes will see demand for aged care services continue in the medium to long term and also present opportunities for market consolidation

Australian residential aged care is forecast to increase to 260,000 places by 2022, from 186,000 currently, representing a CAGR of 3.8%

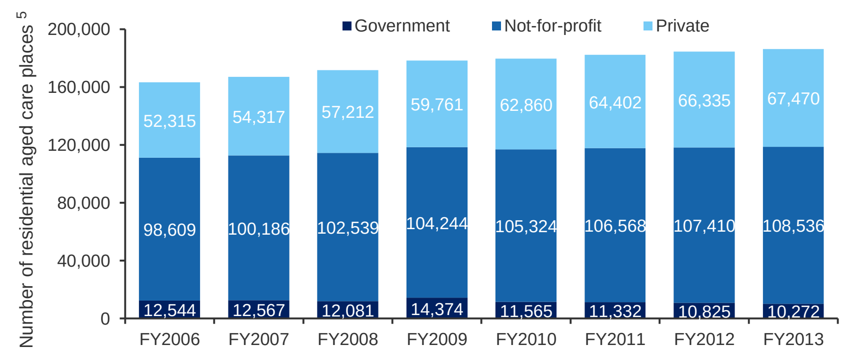
Australians over age 85 expected to double over the next 20 years,[3] and incidences of dementia expected to increase by one third in the next 10 years[4]



Trend toward later entry into residential aged care facilities and "ageing in place" complements Japara's focus on high care



Highly fragmented market presents consolidation opportunities for private operators to increase scale and improve operational economies



1. "Residential Aged Care in Australia 2004-05 a Statistical Overview," Australian Institute of Health and Welfare 2006. "Residential Aged Care in Australia 2010-11 a Statistical Overview," Australian Institute of Health and Welfare 2012; "ACAR 2012 – An Initial Analysis From Ideal Group," The Ideal Group 2013; "2012-13 Report On The Operation Of The Aged Care Act 1997," Australian Government – Department of Health and Ageing 2013;
2. "2012-2013 Report on the Operation of The Aged Care Act 1997," Australian Government – Department of Health 2013; 3. "Population Projections Australia 2006 to 2101," Australian Bureau of Statistics 2013;
4. "Key Facts and Statistics 2013," Fight Dementia Organisation 2013; 5. "Report on Government Services 2013 – Steering Committee Report," Productivity Commission 2013; "2012-13 Report On The Operation Of The Aged Care Act 1997," Australian Government – Department of Health and Ageing 2013.

HIGHLY DEFENSIVE UNDERLYING EARNINGS BACKED BY GOVERNMENT FUNDING

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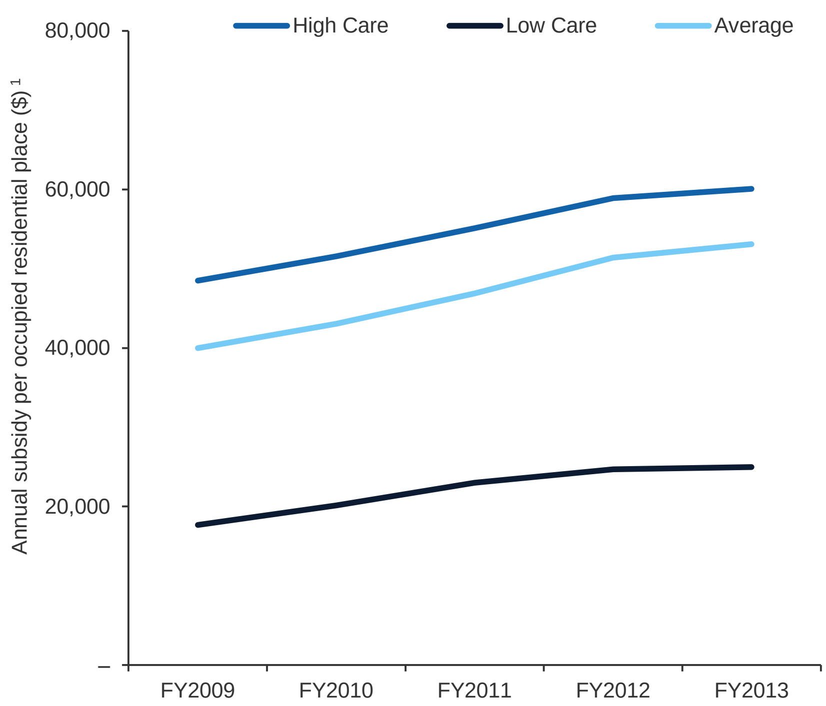
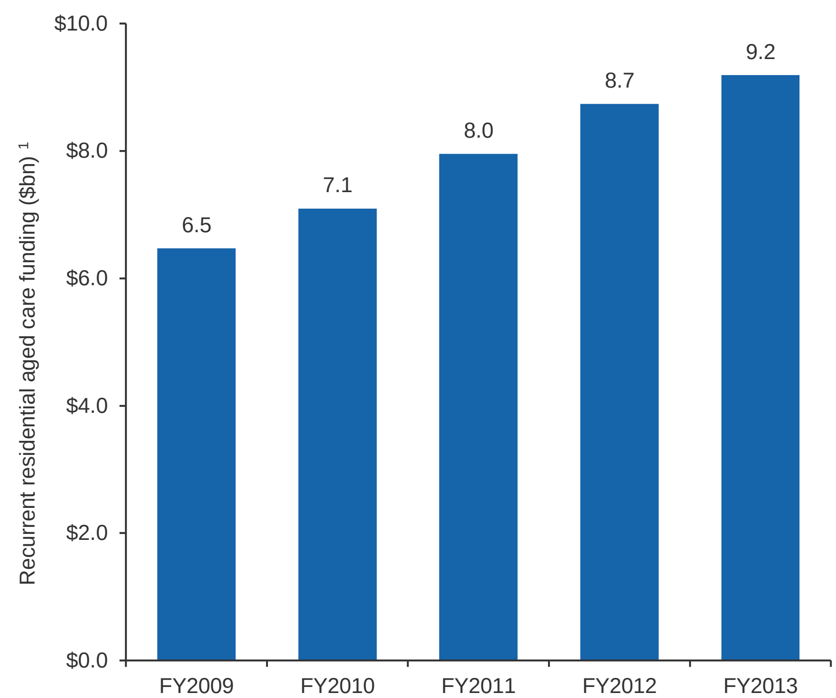
Japara's long-term sustainable cash flows are underpinned by its ability to optimise all entitled government funding

Government provides ~70% of total funding to residential aged care operators



Government funding to the industry as a whole has increased at an average of 6.4% per annum over the last six years



1. "2012-13 Report on the Operation of the Aged Care Act 1997," Australian Government – Department of Health and Ageing 2013.

OCCUPANCY LEVELS ABOVE INDUSTRY AVERAGE

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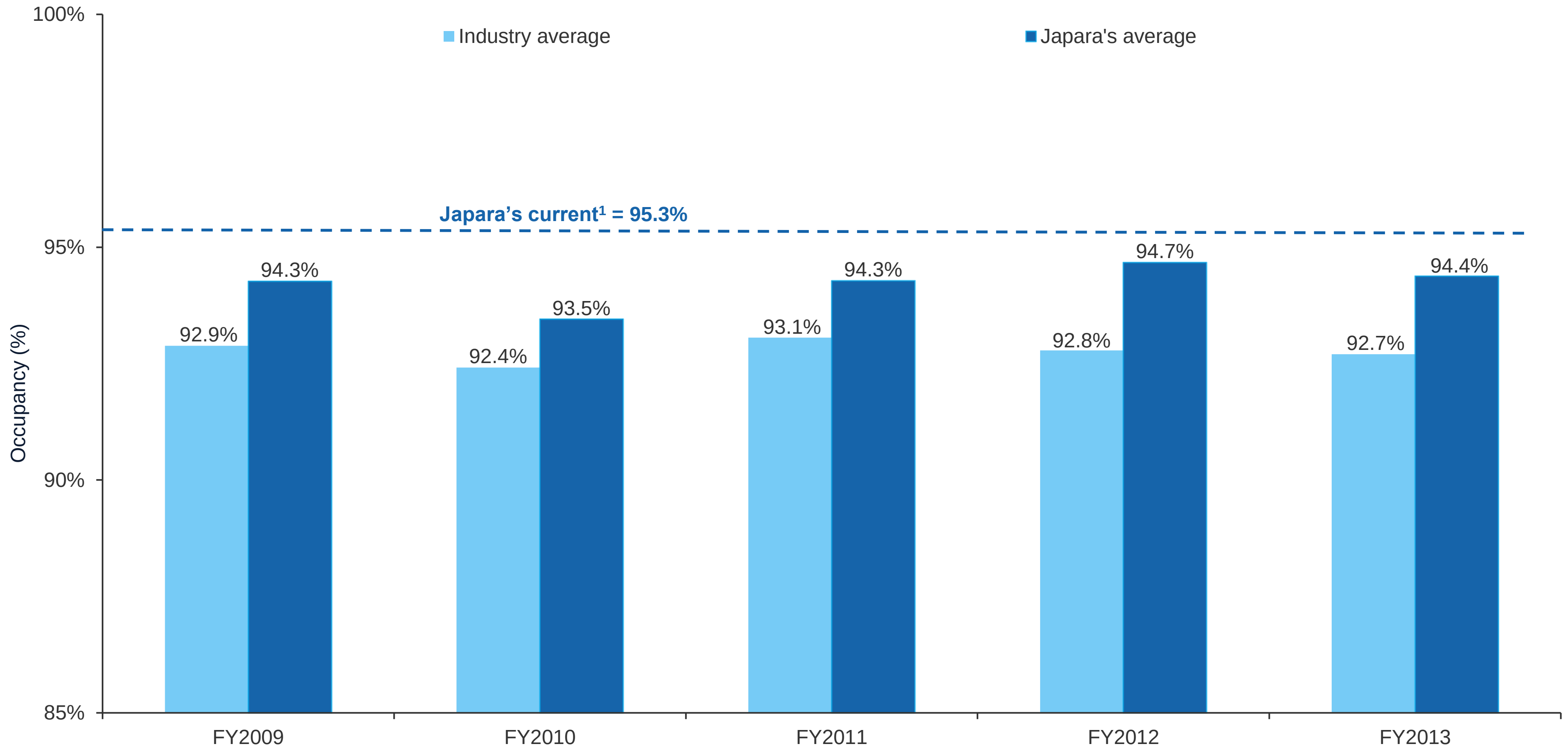
Japara's portfolio occupancy level is ~95%[1], which is above the industry average of ~93%, and in part reflects Japara's reputation for providing high quality aged care services to residents

Occupancy over time[2]



1. Occupancy level as at 28 February 2014.
2. "Report On Government Services 2011-12 – Steering Committee Report," Productivity Commission 2013; "2012-13 Report on the Operation of the Aged Care Act 1997", Australian Government – Department of Health and Ageing 2013.

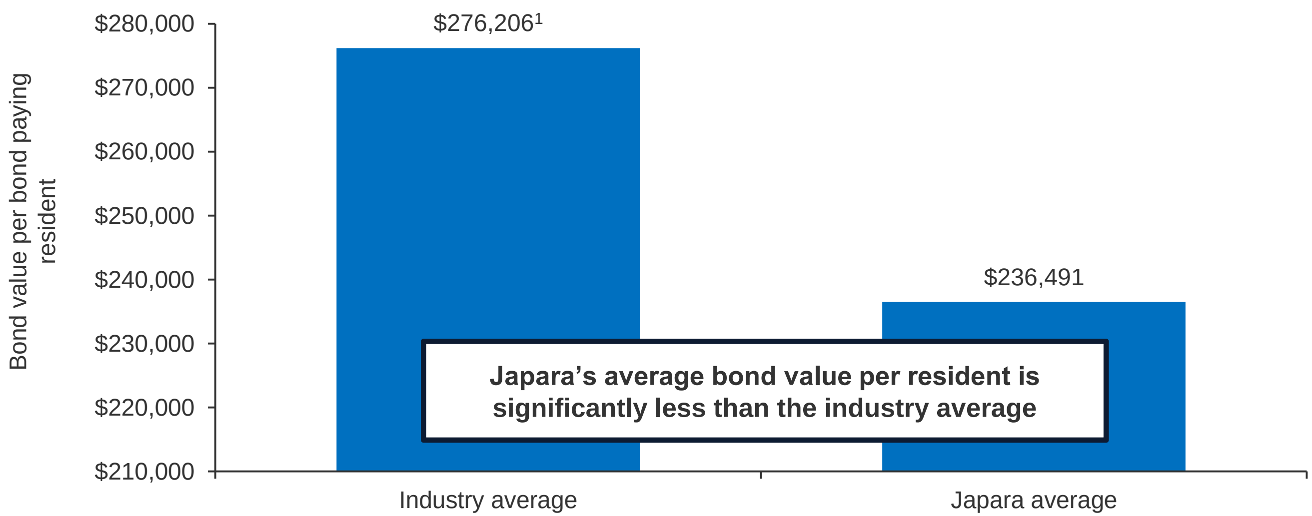
A CONSERVATIVE ACCOMMODATION BOND REGIME AND CAPITAL STRUCTURE

JAPARA HEALTHCARE

Japara's low reliance on accommodation bond funding results in a stable and sustainable cash flow position

- Since inception, Japara has employed a conservative bond regime whereby the average value of accommodation bonds received has represented only ~50% of the median house price in the relevant LGA
- Regulatory changes, to take effect from 1 July 2014, will allow operators to charge accommodation bonds in respect of high care places
  - This will result in significant latent cash flow potential due to the increased number of bond eligible places within Japara's portfolio
- Japara's ability to leverage capital inflow from accommodation bonds allows it to incorporate a conservative capital structure
  - Nil debt balance at IPO and no borrowing assumed for the entire forecast period
  - Provides Japara with flexibility to implement its future growth strategy and carry prudent accommodation bond reserves

FY13 average bond value per bond paying resident



1. "2012-13 Report on the Operation of the Aged Care Act 1997" – Australian Government Department of Health.

POSITIVE IMPACT OF THE PROPOSED REGULATORY ENVIRONMENT

JAPARA HEALTHCARE

Regulatory changes to the aged care industry, which commence on 1 July 2014, are expected to provide a number of positive benefits for larger, well-capitalised operators, such as Japara

Increased occupancy flexibility	▪ As a result of the removal of the high care/low care categories, Japara will be able to allocate places to any resident based on demand irrespective of the level of care they require
Ability to charge bonds on high care places	▪ Potential for Japara to strengthen its long-term cash flow position by charging accommodation bonds on places currently categorised as high care
Flexibility to charge additional fees on "user-pays" basis	▪ Operators will have more flexibility to set resident fees for accommodation and provide "hotel type" services to meet individual resident demands, subject to government approval ▪ Japara will be entitled to charge fees, in addition to those legislated, by agreeing those fees directly with the resident
Increased government funding for refurbished facilities	▪ Given Japara's existing focus on the development of brownfields, there is potential for Japara to receive increased government funding, pertaining to concession residents, at any refurbished facilities

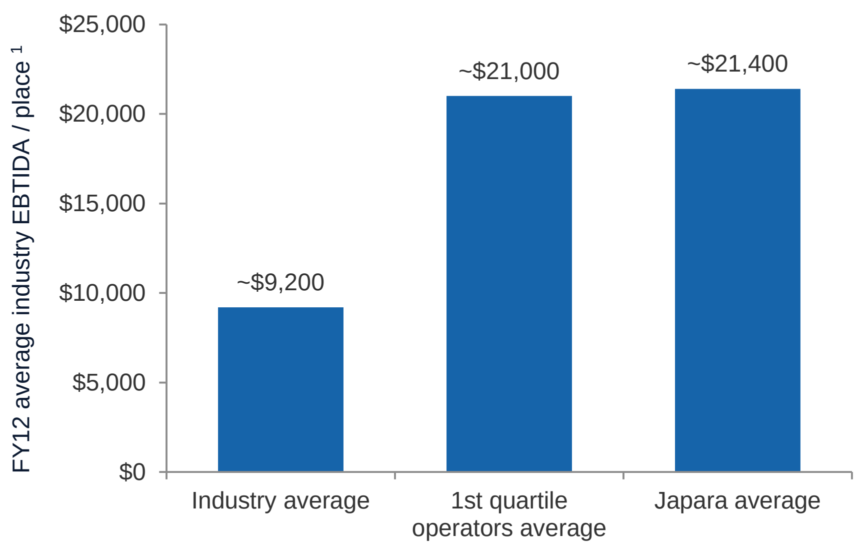
TRACK RECORD OF STRONG OPERATING PERFORMANCE

JAPARA HEALTHCARE

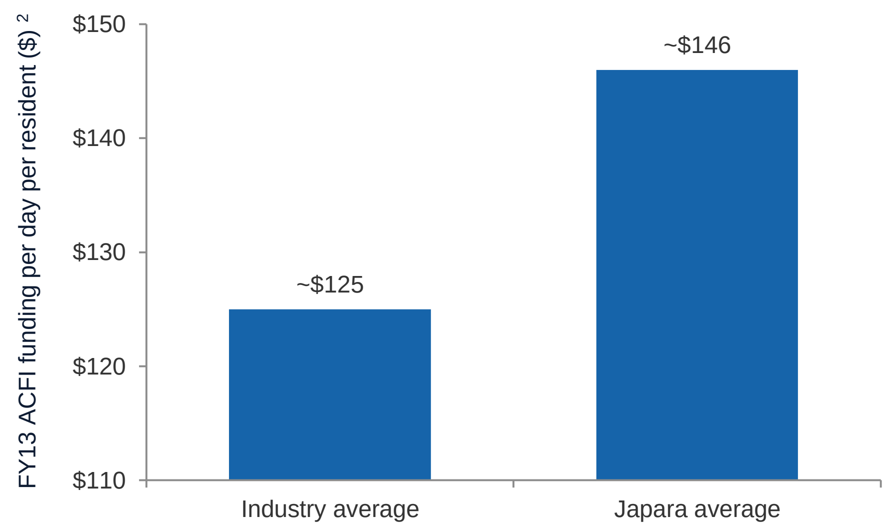
Japara's operating model is designed to facilitate "ageing-in-place" by servicing the full spectrum of resident care needs

- This operating model is aimed at achieving:
  - Above industry average occupancy levels through the provision of a high standard of resident care across a full spectrum of aged care services;
  - EBITDA per place levels significantly in excess of the industry average;
  - Internal processes to ensure receipt of all entitled government funding; and
  - Sustainable cash flow levels to meet working capital requirements and facilitate future growth.

Japara's average EBITDA / place exceeds the industry's average top quartile operators



Japara's average resident ACFI funding per day exceeds the industry average



1. Refers to EBITDA per resident place for all providers (pre-corporate costs). "Report on the residential aged care sector", KPMG.
2. "ACFI Annual Report 2012 – 2013," Department of Health.

ROBUST GROWTH STRATEGY WITH A HISTORY OF VALUE ADDING ACQUISITIONS & DEVELOPMENTS

JAPARA HEALTHCARE

Japara has successfully completed five acquisitions and three brownfield developments over the past five years, increasing its portfolio by over 400 places

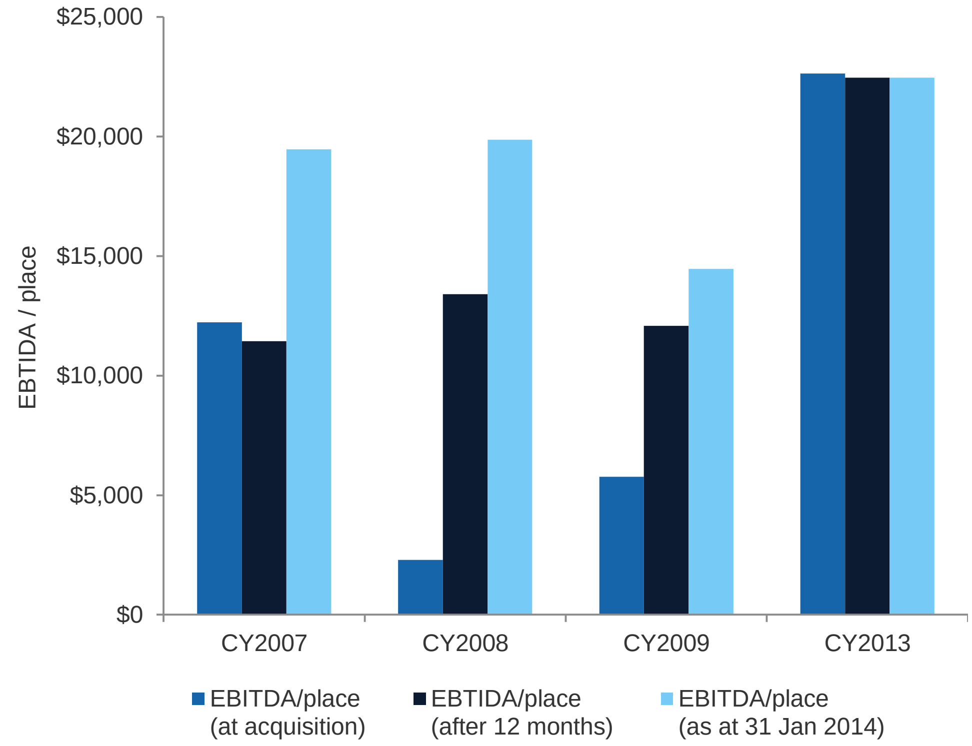
Acquisitions

- Industry consolidation and regulatory changes present acquisition opportunities for established, corporate operators of substantial scale
- Japara has established policies and procedures for the acquisition of aged care facilities
- Japara targets underperforming facilities with low accommodation bond balances and/or sub optimal charging structures, where expertise can grow EBITDA to over $15,000 per place in the short term
- Key investment criteria include:
  - **Lifecycle**: new or near new facilities with over 15 year life
  - **Demand**: locations that have unmet demand
  - **Growth**: potential for long term growth from income and bonds
  - **Cash flow**: high operational income flow
  - **Value creation**: strategic value enhancement/asset management opportunities

Brownfields

- Japara targets brownfields which involve extending existing facilities where Japara owns the land and has obtained allocations for all necessary places

History of value-adding acquisitions

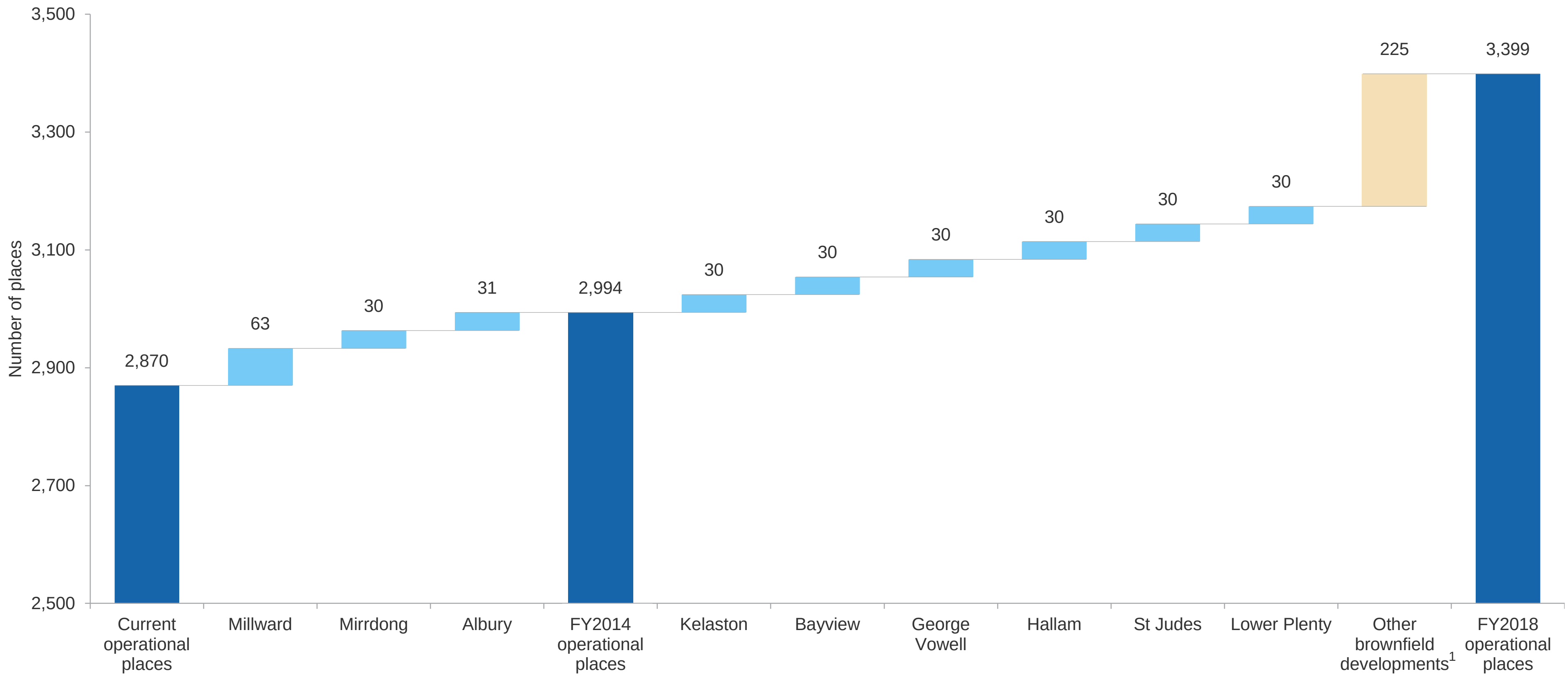


ROBUST GROWTH STRATEGY WITH A HISTORY OF VALUE ADDING ACQUISITIONS & DEVELOPMENTS

JAPARA HEALTHCARE

Brownfields development plans alone will increase Japara's portfolio by more than 500 places over the next four years

Japara's brownfield development programme



1. Includes brownfield developments subject to site acquisition.

LONG-STANDING ACCREDITATION HISTORY

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Over the last five years Japara has maintained 100% accreditation across all of its facilities

- ☑ Strong focus on corporate governance
- ☑ Robust policies and procedures
- ☑ Effective regulatory compliance systems
- ☑ Effective management of accreditation assessments

***Viewhills Manor*, Chadstone**

***Central Park*, Windsor**

***George Vowell*, Mt Eliza**

***Elanora*, Brighton**

EXPERIENCED SENIOR MANAGEMENT TEAM AND DIRECTORS SUPPORTED BY A SKILLED WORKFORCE

JAPARA HEALTHCARE

Linda Bardo Nicholls AO
Non-Executive Chairman

- Over 30 years of experience as a senior executive and company director in Australia, New Zealand and the US
- Currently the chairman of Yarra Trams and a director of Fairfax Media and Pacific Brands
- Holds a Masters of Business Administration from Harvard Business School and a Bachelor of Arts in Economics from Cornell University

Richard England
Non-Executive Director

- More than 18 years of experience as a non-executive director and chairman of companies operating across the financial services, banking, healthcare and insurance industries
- Currently the chairman of Chandler Macleod Group and of Ruralco Holdings and a non-executive director of Allianz Australia, Nanosonics and Macquarie Atlas Roads
- Qualified Chartered Accountant and a member of the Australian Institute of Company Directors

Tim Poole
Non-Executive Director

- More than 15 years of experience as a director and chairman of ASX listed and unlisted companies across the financial services, infrastructure and natural resources industries
- Currently a non-executive director of AustralianSuper and Newcrest Mining
- Qualified Chartered Accountant and holds a Bachelor of Commerce from the University of Melbourne

David Blight
Non-Executive Director

- More than 30 years of experience in the real estate industry, across all major global markets and property sectors
- Former group managing director of APN Property Group and vice chairman of ING Real Estate Investment
- Holds a Bachelor of Applied Science in Property Resource Management (Valuation) from the University of South Australia

Andrew Sudholz
Chief Executive Officer & Executive Director

- Founding shareholder of Japara Holdings Pty Ltd
- 30 years of experience in real estate, healthcare and professional services industries
- Previously a global partner of the Arthur Anderson Group president of Property Council's Victorian Division Council
- Holds an Associate Diploma of Valuations from the Royal Melbourne Institution of Technology

John McKenna
Chief Financial Officer

- Over 30 years of experience in financial services and related sectors
- Previously an executive director and Chief Operating Officer at BBY
- Held various senior finance roles with the National Australia Bank, including head of finance (global business segment) and UK financial controller
- Holds Bachelor of Commerce degree from the University of Melbourne and a Post Graduate Diploma in Applied Finance with the Securities Institute of Australia

Jerome Jordan
Executive Director of Operations

- Over 20 years of experience in the aged care industry
- Previously an executive director at Glenvoir Holdings
- Holds a Masters in Business Management, a Post Graduate Diploma in Business Management from Monash University, a Post Graduate Diploma in Gerontology and a Bachelor of Health Science (Nursing) from Victoria University

Julie Reed
Executive Director of Aged Care Services

- Extensive executive aged care experience spanning over 30 years
- Registered Nurse, RCS coordinator at Australian Residential Care and founding member of NURSAC Victoria
- Graduate of the Alfred Hospital, School of Nursing

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JAPARA HEALTHCARE

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