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JAPARA HEALTHCARE ACCELERATES GROWTH STRATEGY, ACQUIRES 587 BED PROFKE RESIDENTIAL AGED CARE PORTFOLIO, EXPANDS INTO QUEENSLAND MARKET

Japara Healthcare Limited (“Japara Healthcare” or “the Company”) has executed contracts for the acquisition of the Profke residential aged care portfolio for a net acquisition price of \$79.5 million.

Highlights

- The Profke portfolio is comprised of four aged care facilities and 587 beds in Queensland and New South Wales, as follows:
 - Noosa Nursing Centre (QLD) – 230 beds
 - Gympie Nursing Home (QLD) – 130 beds
 - Coffs Harbour Nursing Centre (NSW) – 147 beds
 - South West Rocks Nursing Home (NSW) – 80 beds
- The acquisition provides Japara Healthcare with a strategic presence in the Queensland market and a platform for greenfield expansion in the region
- A number of immediate and longer-term initiatives, including the reconfiguration and refurbishment of two facilities, are expected to drive an uplift in the earnings contribution from the portfolio
- The acquisition is expected to be earnings per share accretive from FY16
- Including the Profke portfolio, the Company has added 845 beds to its portfolio through acquisitions since listing in April 2014
- At completion, the Company’s portfolio will consist of 43 residential aged care facilities, comprising 3,976 beds and 180 independent living units. The Company will also hold 465 bed places to support its brownfield and greenfield development strategies

Japara Healthcare Chief Executive Officer, Mr Andrew Sudholz, said:

“The acquisition of the Profke aged care portfolio marks our entrance into the Queensland market, and is consistent with our strategy to expand our national footprint through selective acquisitions that meet our strict investment requirements.

“The Profke portfolio comprises good quality assets in locations with attractive demand characteristics. We see a number of immediate and longer-term opportunities in this portfolio, including the implementation of Japara Healthcare’s operating model, and a reconfiguration and refurbishment of both the Noosa and Coffs Harbour facilities, to provide higher standards of accommodation to better meet resident demand. Once implemented, we expect these initiatives to deliver an uplift in the earnings contribution of the Profke portfolio.

“The acquisition is consistent with our multi-pillared growth strategy, which is focused on organic growth opportunities in our existing portfolio, as well as capacity expansion to meet growing demand through brownfield and greenfield developments, and selective mergers and acquisitions. Since listing in April 2014, we have increased our portfolio by an additional 845 beds from acquisitions, and we see further opportunities as the industry continues to consolidate. Our greenfield and brownfield programmes have strong momentum, and are expected to deliver an additional 805 beds by FY19.”

Financials

The Profke portfolio generated revenue of \$42.5 million and EBITDA of \$8.7 million for the 12 months to 30 June 2015. The acquisition is expected to be earnings per share accretive for Japara Healthcare in FY16, with the operating EBITDA contribution for the seven months post-acquisition estimated at approximately \$3.5 million to \$4.0 million.

Commenting on Japara Healthcare’s plans for the business, Mr Andrew Sudholz said, “Japara Healthcare plans to integrate the Profke portfolio into the Company’s operating model and reconfigure and refurbish the Noosa and Coffs Harbour facilities. This is expected to deliver higher quality resident care and improved average occupancy across the portfolio. As a result of these initiatives, we expect that the annualised EBITDA contribution from the Profke portfolio will increase to approximately \$9.5 million within 18 months, reflecting higher average occupancy along with an uplift in the value of Daily Accommodation Payments (DAPs). The Company also anticipates an increase in Refundable Accommodation Deposits (RADs) of over \$10 million, emanating from a higher proportion of RAD-paying residents.”

Planned refurbishment of the Noosa and Coffs Harbour facilities

The refurbishments of Noosa and Coffs Harbour will increase the proportion of single rooms in those facilities, which will bring the average proportion of single rooms across the Profke portfolio to over 85%. There will be a resultant circa 62 bed reduction in the number of operational places across those two facilities, which will provide bed licences to support Japara Healthcare’s greenfield development programme in the region.

Key transaction terms and funding

The net acquisition price for the Profke portfolio is \$79.5 million, net of \$23 million of Refundable Accommodation Deposits (RADs) and accommodation bonds, with settlement expected on or around 1 December 2015. \$9 million of the acquisition consideration is to be deferred for 18 months following initial settlement.

Completion is subject to a number of conditions, including the transfer of operational licences and reaccreditation of some facilities, all of which are expected to be met prior to settlement.

The acquisition will be funded through a combination of existing cash reserves and existing debt facilities.

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