



JAPARA

HEALTHCARE

FY2016 HALF YEAR RESULTS PRESENTATION

17 FEBRUARY 2016

Andrew Sudholz - Managing Director and CEO

Chris Price - Chief Financial Officer



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 previous corresponding period (pcp)

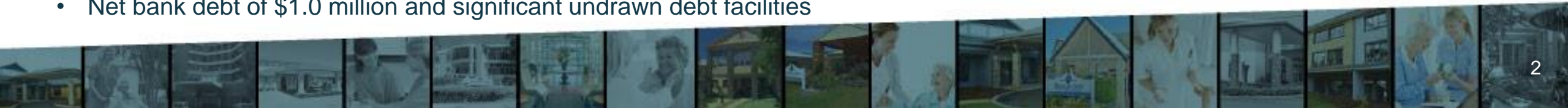
- Revenue up 13.4% to \$155.9 million
- EBITDA up 10.2% to \$28.1 million
- NPAT up 2.5% to \$16.2 million
- Interim dividend of 5.75 cents per share, fully franked (H1 FY2015: 5.50 cps, unfranked)

Strategic investment in new capacity continues, demand underpinned by ageing population

- Good progress on greenfield and brownfield development programs – over 900 new places in pipeline
- Delivering on our selective acquisition strategy – 845 places acquired since listing in April 2014

Strong and conservative balance sheet to support growth strategy

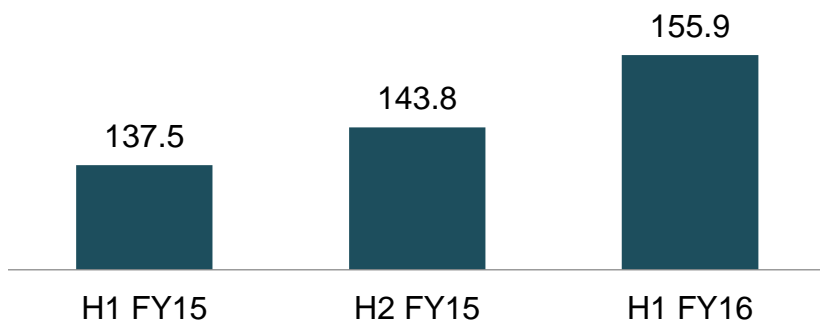
- Net RAD inflow of \$30.1 million
- Net bank debt of \$1.0 million and significant undrawn debt facilities



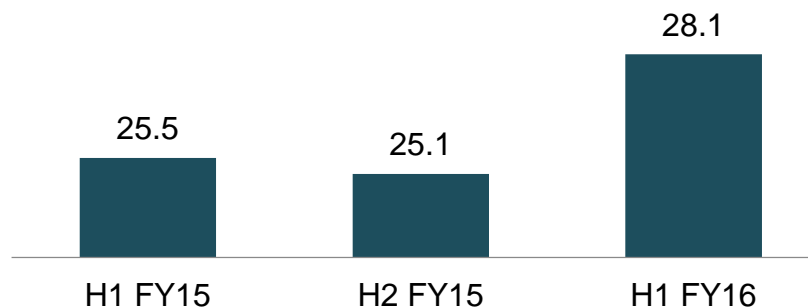
H1 FY2016 Result Highlights

H1 FY2016 result continues track record of strong financial performance

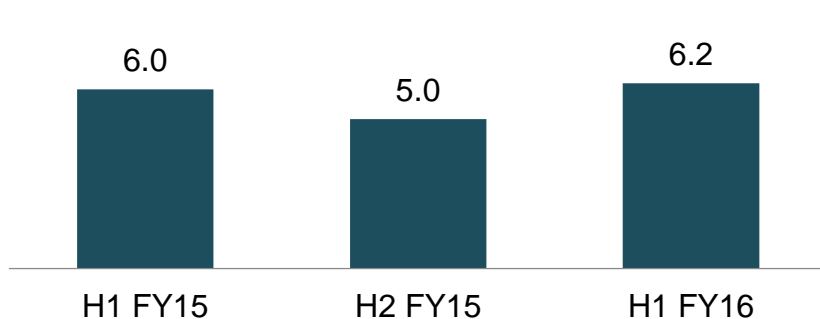
Revenue up 13.4% on H1 FY15 (\$ million)



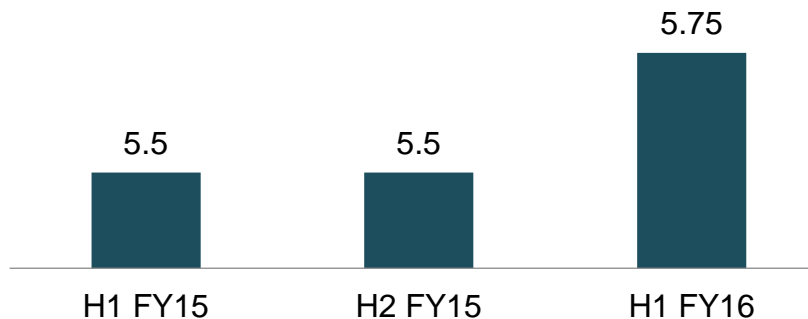
EBITDA up 10.2% on H1 FY15 (\$ million)



EPS up 2.5% on H1 FY15 (CPS)



Dividend up 4.5% on H1 FY15 (CPS)



- Growth supported by:
 - Operational performance
 - Strong operating cash flows and balance sheet
 - Value accretive acquisitions
- Dividend payout ratio of 93% of NPAT



H1 FY2016 – Financial Highlights

Strong revenue and earnings growth vs. H1 FY2015

\$ million	H1 FY2016	H1 FY2015	Change
Total revenue	155.9	137.5	+13.4%
Total costs	127.8	112.0	+14.1%
EBITDA	28.1	25.5	+10.2%
EBITDA Margin	18.0%	18.5%	(0.5%)
EBIT	22.6	20.8	+8.7%
NPAT	16.2	15.8	+2.5%
EPS	6.2 cps	6.0 cps	+2.5%
Interim dividend	5.75 cps	5.5 cps	+4.5%

- Revenue benefited from contribution from Whelan and Profke acquisitions and an increase in accommodation and care contributions
- H1 FY2016 EBITDA margin reflects:
 - Impact of the removal of the Payroll Tax Supplement from H2 FY2015
 - Two new brownfield facilities in 'ramp-up' phase during the half
 - Costs associated with evaluating potential acquisition opportunities
- NPAT growth vs. pcip impacted by one-off tax benefit received in the pcip



H1 FY2016 – Key Operating and Financial Metrics

Key metrics in line with expectations

For the six months ended	31 Dec 15	30 Jun 15	Change
Number of facilities	43	39	10.3%
Operational places	3,772	3,207	17.6%
Average occupancy (%)	94.2%	94.8%	(0.6%)
Average ACFI (\$ per resident per day)	\$184.39	\$179.00	3.0%
Average staff costs to revenue (%)	66.1%	67.0%	(0.9%)

- Negative temporary impact on occupancy from Central Park major reconfiguration and Profke portfolio integration
- Actively managing staff costs - ratio reflects increasing resident needs (acuity), facility ramp-ups and acquisition integration

Operational places movement

As at 30 Jun 2015	3,207
+ acquisitions	545
+ new developments	40
- reconfigured rooms	(20)
As at 31 Dec 2015	3,772

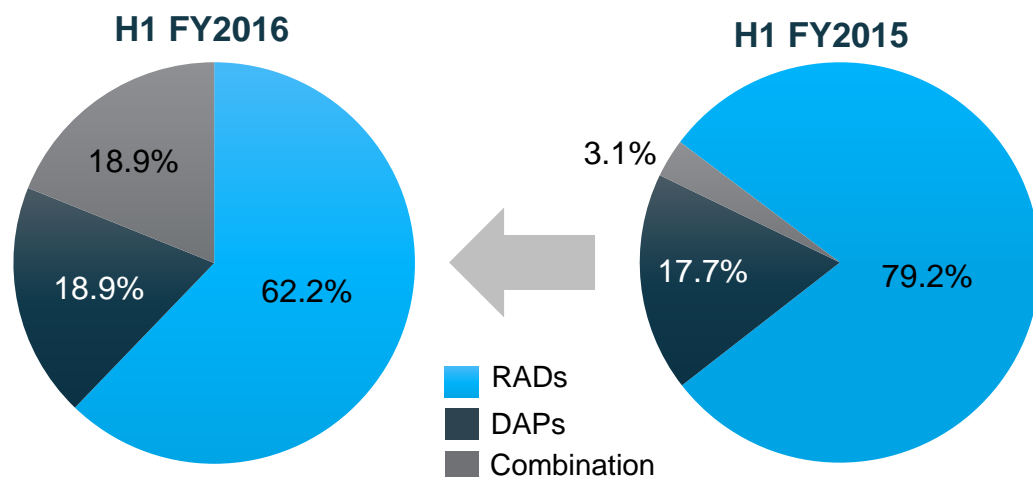
Total places at 31 December 2015

Operational places	3,772
Non-operational places	204
Allocated in ACAR 2014	472
Total places	4,448



Combination and DAP arrangements balance capital requirements and revenue uplift

Payment preference of non-concessional residents
(As at 31 December)

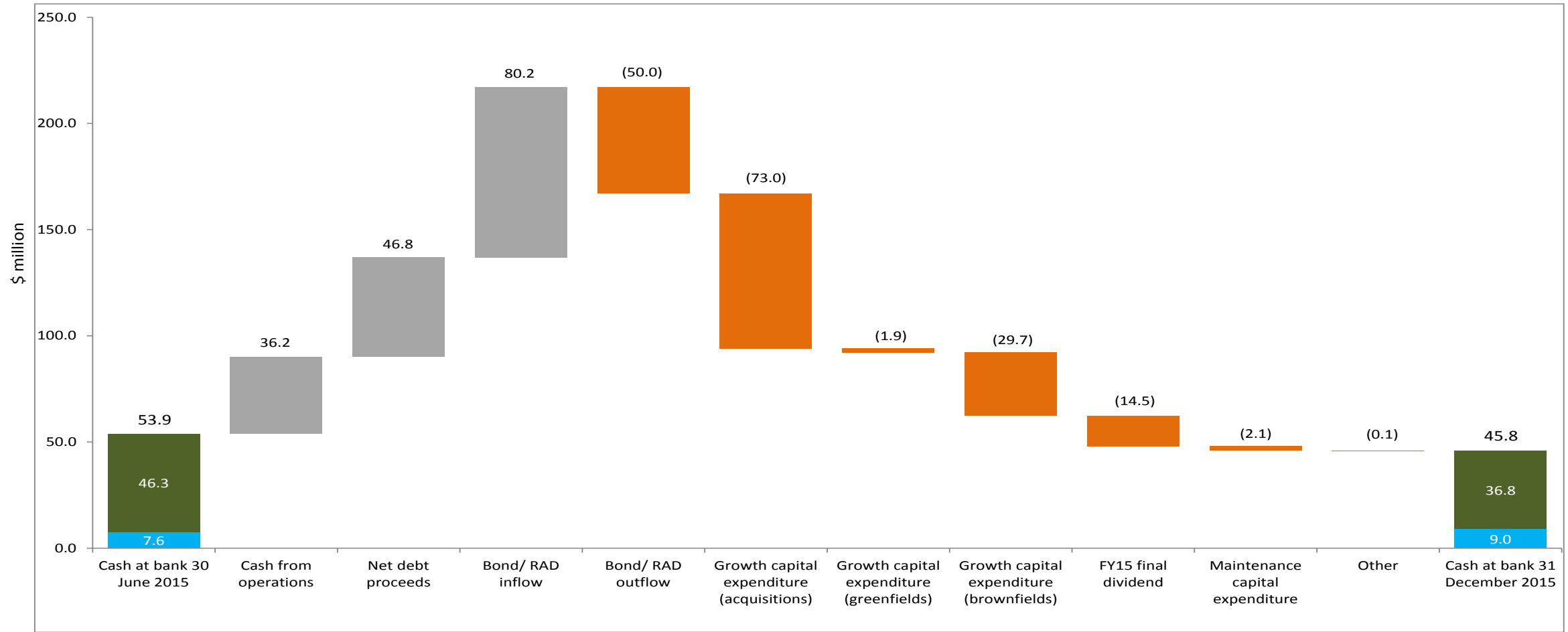


- DAPs and combinations now represent 37.8% of non-concessional residents (pcp 20.8%)
- Movement in net RAD / bond inflows relate to:
 - Lower brownfield inflows in H1 FY2016 vs. H1 FY2015 (down \$10.6 million)
 - Greater DAP and combination proportion
 - Impact of reducing average resident tenure
- Further opportunity to benefit from RADs on former 'high care' places

	H1 FY2016	H1 FY2015
Average RAD Price	\$315,000	\$309,000
Average non-concessional : concessional resident ratio	64 : 36	66 : 34
Net RAD / bond inflow	\$30.1 million	\$45.0 million

H1 FY2016 – Cash flow Bridge

Strong cash generation underpins growth



H1 FY2016 – Summary Balance Sheet

Strong and conservative balance sheet to support growth agenda

\$ million	31-Dec-15	30-Jun-15
Cash	45.8	53.9
Trade and other receivables	15.3	12.8
Property, plant and equipment	470.0	383.8
Investment property	31.5	31.6
Intangibles	466.7	415.2
Other assets	25.2	18.5
Total assets	1,054.5	915.8
Trade and other payables	37.4	16.7
Loans and borrowings	46.8	-
Other financial liabilities	390.1	325.3
Provisions	33.6	29.9
Other liabilities	14.1	13.9
Total liabilities	522.0	385.8
Net assets	532.5	530.0

- Profke acquisition funded through debt and existing cash reserves
- Diversified sources of capital to fund future growth
 - \$182.7 million of committed debt facilities undrawn and available at 17 February 2016
 - Strong operating cash generation
 - Brownfield and greenfield construction costs largely self-funding through RADs
- Increased debt facility limit to support brownfield/greenfield development over next 5 years
 - Total facility limit of \$220m
 - Expiry date of September 2020



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

Four pillars of growth underpinned by commitment to delivering high quality care



Enhance the existing portfolio

Maximise the value of our current portfolio, maintain top-quartile industry performance



Brownfield and greenfield developments

Deliver high quality additional capacity through brownfield and greenfield developments



Selective acquisitions

Expand our national portfolio via value-accretive acquisitions



Strategic relationships

Leverage partnerships with organisations with complementary businesses or specialties

Demographic shift underpins strong forecast demand for residential aged care. Approximately 82,000 additional places required over the next decade, requiring in the order of \$33 billion in investment¹

1. Aged Care Financing Authority, "Third report on the Funding and Financing of the Aged Care Sector", July 2015



Enhance the Existing Portfolio

Business model underpinned by focus on delivering high quality care

Strong focus on clinical care

- Registered nurses at every facility, every day, on every shift
- New Facility Manager Development Program created
- Person-centric care program

100% accreditation record maintained

- 4 facilities re-accredited with 44/44 outcomes in H1 FY2016

Japara Signature Services roll-out progressing

- Additional services aligned to resident needs
- Progressive take-up, \$2.3 million revenue contribution in H1 FY2016
- Contribute to individual and community wellbeing

Focus on innovation in care and environment

- Dementia specific training in best practice dementia management
- Participating with a university and hospital regarding studies into ocular health and osteoporosis prevention



Development program to deliver 246 places by the end of FY2017 and over 900 new places by the end of FY2019

Brownfield and greenfield programs have strong momentum

- Developments program focused on under-bedded regions – underpinned by extensive research
- 49% of required licences to deliver 906 places already secured
- 2015 Aged Care Approvals Round (ACAR) pending
- Dedicated internal development team delivering results
- RADs provide funding for construction costs

Brownfield developments

- Bayview and Trevu opened in H1 FY2016 (54 additional places when fully operational)
- Four developments currently under construction
 - Central Park (Windsor), George Vowell (Mt Eliza), St Judes (Narre Warren), Kirralee (Ballarat)
- Kingston Gardens construction to commence in H2 FY2016

Greenfield developments

- Strong pipeline, including new development sites in Mt Waverley (105 places) and Newport (120 places)
- Four greenfield sites in various stages of development



Architectural Schematic - Glen Waverley



Central Lounge Room - Bayview



Disciplined and selective approach, strong track record established

(Acquired 1 Dec 2015)

- 545 places in operation
- Entry into QLD, expanded presence in NSW
- Integration progressing to plan following acquisition completion on 1 December 2015
- Expect annualised EBITDA contribution of \$9.5 million within 18 months



Noosa Nursing Home – part of the Profke portfolio

Solid platform for future growth established

Strong H1 result, underpinned by strong operational and strategic execution

- Double-digit revenue and EBITDA growth
- Operating performance in line with expectations
- Delivering on strategy of business enhancement and capacity expansion

Sound strategy for future growth underpinned by focus on high quality resident care

- Strong commitment to high quality care and clinical governance
- Innovation in care, environment and services a key ongoing focus – essential for future competitive positioning
- Disciplined and strategic investment in new capacity via developments and acquisitions
- Strategic partnerships present further opportunities in the medium-term

FY2016 guidance provided at the November AGM reconfirmed

- 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
- The company's intention remains to pay full year dividends up to 100% of NPAT, franked to the maximum extent possible





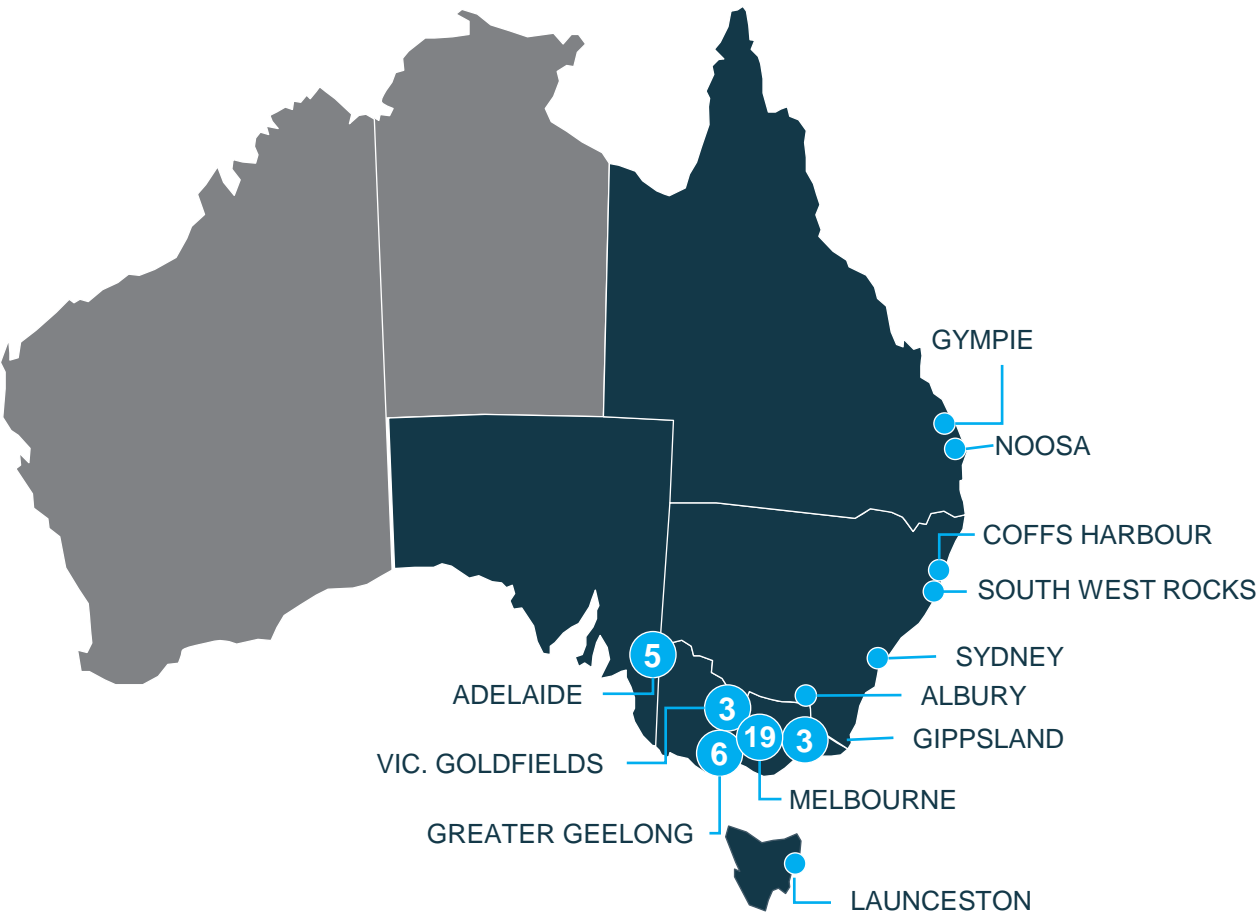
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APPENDICES



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



43
residential aged
care facilities

Growing portfolio
across 5 states

Over
4,400
total places

180
Independent
Living Units

100%
accreditation
record

Over
4,900
employees



Accelerating internally generated growth opportunities

Phase 1 Development projects

Projects	Project type	Land owned	Development approval	Bed licenses held	Total new beds built	Net new beds	Single bed profile	Estimated completion
Bayview, Carrum Downs	Brownfield	✓	✓	✓	40	30	100%	Completed
Central Park, Windsor	Brownfield	✓	✓	✓	25	0	100%	FY17
George Vowell, Mt Eliza	Brownfield	✓	✓	✓	35	34	100%	FY17
Riverside, Launceston	Greenfield	✓	✓	✓	90	90	100%	FY17
St Judes, Narre Warren	Brownfield	✓	✓	✓	40	30	100%	FY17
Kirralee, Ballarat	Brownfield	✓	✓	X	24	11	100%	FY17
Kingston Gardens, Springvale	Brownfield	✓	Underway	X	63	51	100%	FY17
Total Phase 1 – FY16 & FY17 completion					317	246		

Site acquisitions underway

Phase 2 Development projects

Projects	Project type	Land owned	Development approval	Bed licenses held	Total new beds built	Net new beds	Single bed profile	Estimated completion
Glen Waverley	Greenfield	✓	Underway	X	60	60	100%	FY18
Northern Metro - One	Greenfield	X	Site under neg.	✓	90	90	100%	FY18
Southern Metro - One	Greenfield	X	Site under neg.	✓	90	90	100%	FY18
Newport	Greenfield	✓ *	Underway	✓	120	120	100%	FY18
Southern Metro -Two	Greenfield	X	Site being selected	Part	90	90	100%	FY18
Northern Metro - Two	Greenfield	X	Site being selected	X	90	90	100%	FY19
Mona Vale/Sydney	Greenfield	X	Site under neg.	Part	110	45	100%	FY19
Mt Waverley	Greenfield	✓ *	Underway	Part	105	75	100%	FY19
Total Phase 2 – FY18 & FY19 completion					755	660		
Total Phase 1 & 2					1,072	906		

* Deposit paid, not yet settled

APPENDIX 3: PORTFOLIO METRICS

	As at 31-Dec-15	As at 31-Dec-14	Change
Payment Mix			
Proportion of portfolio bonded/ RAD	42.5%	43.4%	(0.9%)
Staffing			
Number of staff as at 31 December (including part time and casuals)	4,972	4,379	13.5%
Total places			
Operational places	3,772	3,171	19.0%
Non-operational places	204	164	24.4%
Places allocated in ACAR 2014	472	465	1.5%
Total places	4,448	3,800	17.1%
Average age of facilities (years)	14	13	7.7%
Geographic spread (facilities)			
Victoria	72.1%	79.5%	
NSW	9.3%	5.1%	
SA	11.6%	12.8%	
TAS	2.3%	2.6%	
QLD	4.7%	N/A	

APPENDIX 4: DETAILED PROFIT & LOSS

	H1 FY2016 Actual (\$ million)	H1 FY2015 Actual (\$ million)	Change	
			%	(\$ million)
Revenue				
Government care funding	112.0	98.4	13.8%	13.6
Resident care funding	42.0	37.2	12.9%	4.8
Other revenue	1.9	1.9	0.0%	-
Total revenue	155.9	137.5	13.4%	18.4
Expenses				
Staff costs	(103.1)	(90.4)	14.0%	(12.7)
Resident costs	(12.3)	(11.2)	9.8%	(1.1)
Other costs	(12.4)	(10.4)	19.2%	(2.0)
Total expenses	(127.8)	(112.0)	14.1%	(15.8)
EBITDA	28.1	25.5	10.2%	2.6
Depreciation and amortisation	(5.5)	(4.7)	17.0%	(0.8)
EBIT	22.6	20.8	8.7%	1.8
Net interest expense	(0.7)	(0.5)	40.0%	(0.2)
Income tax expense	(5.7)	(4.5)	26.7%	(1.2)
NPAT	16.2	15.8	2.5%	0.4

APPENDIX 5: DETAILED STATUTORY CASH FLOW STATEMENT

	H1 FY2016 Actual \$'000	H1 FY2015 Actual \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	166,784	148,779
Payments to suppliers and employees	(123,604)	(111,550)
Income taxes paid	(6,512)	-
Interest received	546	1,032
Finance costs paid	(996)	(1,666)
Net cash provided by operating activities	36,218	36,595
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land & buildings	(14,937)	(4,931)
Proceeds from sale of land and buildings	1,081	716
Purchase of plant and equipment	(2,126)	(1,553)
Capital works in progress	(17,722)	(8,074)
Purchase of resident places	(2,265)	(493)
Acquisition of aged care business, net of cash	(64,692)	(23,814)
Other acquisitions and acquisition related costs	(6,088)	(6,282)
Net cash used in investing activities	(106,749)	(44,431)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank borrowings	46,800	25,000
Repayment of bank borrowings	-	(15,000)
Proceeds from RADs/accommodation bonds & ILU resident loans	80,156	74,498
Repayment of RADs/accommodation bonds & ILU resident loans	(50,046)	(29,531)
Equity raising costs	-	(1,265)
Dividends paid	(14,468)	-
Proceeds from other financial assets	22	-
Net cash provided by financing activities	62,464	53,702
Net (decrease) / increase in cash and cash equivalents held	(8,067)	45,866
Cash and cash equivalents at beginning of half year	53,878	28,107
Cash and cash equivalents at end of the half year	45,811	73,973

APPENDIX 6: BALANCE SHEET

	31 December 2015	30 June 2015
	Actual	Actual
	\$'000	\$'000
ASSETS		
CURRENT ASSETS		
Cash	45,811	53,878
Trade and other receivables	13,816	10,168
Other assets	7,937	3,237
TOTAL CURRENT ASSETS	67,564	67,283
NON-CURRENT ASSETS		
Trade and other receivables	1,480	2,607
Other financial assets	1,056	1,078
Non-current assets held for sale	3,725	1,997
Property, plant and equipment	470,037	383,797
Investment property	31,519	31,549
Deferred tax assets	12,353	12,300
Intangible assets and goodwill	466,726	415,188
TOTAL NON-CURRENT ASSETS	986,896	848,516
TOTAL ASSETS	1,054,460	915,799
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	37,355	16,657
Other liabilities	11,166	9,498
Current tax payable	2,936	4,432
Other financial liabilities	381,136	325,251
Short-term provisions	30,412	27,217
TOTAL CURRENT LIABILITIES	463,005	383,055
NON-CURRENT LIABILITIES		
Other financial liabilities	9,000	-
Loans and borrowings	46,800	-
Long-term provisions	3,146	2,705
TOTAL NON-CURRENT LIABILITIES	58,946	2,705
TOTAL LIABILITIES	521,951	385,760
NET ASSETS	532,509	530,039

KEY TERMS

ACFI	Aged Care Funding Instrument; - Government funding instrument for resident care
COPE	Commonwealth Own Purpose Expense; - Indexation rate applied to ACFI as at 1 July each year
RAD	Refundable Accommodation Deposit; - Lump sums paid by residents for accommodation
DAP	Daily Accommodation Payment; - Daily Rate Payment based off the equivalent lump sum amount agreed for accommodation
ACAR	Aged Care Approvals Round; - Annual application process for the allocation of resident places
ILU	Independent Living Unit, also referred to as Retirement Villages; - Accommodation for above 55's (usually retirees) who may require low to moderate levels of care



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