JAPARA HEALTHCARE

MACQUARIE AUSTRALIA CONFERENCE

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Japara Healthcare - Overview

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

43
residential aged care facilities

Growing presence in
5
states & territories

Over
4,750
total places(1)

100%
accreditation record

Over
4,900
employees

Strong average occupancy
94%(2)

"It's not aged care, it's caring for the aged"

(1) Excludes 180 Independent Living Units (ILUs)
(2) H1 FY2016

H1 FY2016 Result Highlights

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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 pcp

- Revenue up 13.4% to $155.9 million
- EBITDA up 10.6% to $28.2 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 beds in pipeline
- Delivering on our selective acquisition strategy – 845 beds 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 million and significant undrawn debt facilities

Industry Context

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Demographic shifts underpin strong forecast demand for residential aged care

Continuum of care services

- Residential aged care is a significant and growing sector, revenues of $18 billion[1]
- 82,000 additional places required over the next decade, requiring over $33 billion investment[2]
- Highly regulated market – both supply and quality
- Significant government support, with confirmed commitment to sustainable aged care funding in the 2016-17 Budget (~5% pa growth)
- Funding regime (RADs/DAPs) supports growth
- Market is highly fragmented – opportunities for sector consolidation
- Focus on coordination across continuum of care services

(1) IBIS World: Aged Care Residential Services in Australia, February 2016
(2) Aged Care Financing Authority: “Third Report on the Funding and Financing of the Aged Care Sector”, July 2015

Regulatory Context

Current government focus on long-term sustainability of aged care

Aged Care Sector Committee, a government advisory committee, provided a roadmap to help guide future reforms in April 2016

Key focus areas:

- **Supply:** decoupling of supply and quality regulation, and the removal of supply limitations for approved providers
- **Quality:** transparent performance standards with accountability for service delivery
- **Greater proportion of consumer funding:** where consumers have the means to do so, supported by new financial products to support consumer choice
- **More provider flexibility around service offering:** ability to provide additional services to respond to consumer needs / preferences
- **Continuum of care:** seamless transition between home and residential care
- **Dementia care focus:** to meet growing prevalence

Likely outcomes

Increased incentive for providers to **innovate and differentiate** to attract residents

Greater requirement to **meet health care needs across the care continuum**

Strategic Priorities

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

Strategic Priorities

1. Enhance existing portfolio

Industry context	Current position	Medium-term priorities
• Removal of supply limitations for approved providers • Regulatory focus on quality • Flexibility for operators to offer additional services • Brand, innovation, quality becoming more important	• Strong focus on clinical care • Commenced roll-out of additional services (Japara Signature) • Strong compliance record of 100% accreditation • Specialised dementia care capability	• Maintain excellent service delivery • Continue implementation and evolution of additional services • Innovation in care and facilities • Continue specialisation in dementia care • Build and support corporate brand

Strategic Priorities

2. Greenfield and brownfield developments

Brownfields and greenfield programs have strong momentum

- Development programs focused on under-bedded regions, determined by extensive research
- Dedicated internal developments team delivering results
- RADs provide funding for construction costs
- Success in 2015 ACAR resulted in all licenses / provisional allocations for current pipeline

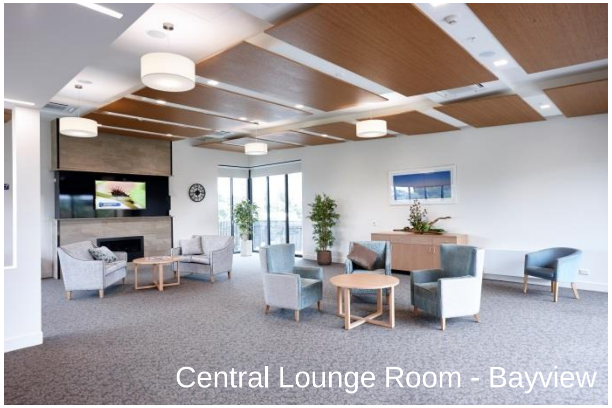
Brownfield developments

- Significant value-add from investment in portfolio lifecycle (income and RAD uplift)
- Four developments currently under construction

Greenfield developments – focus on metro locations

- Strong pipeline underpinned by existing landbank
- Four sites in various stages of development
- Potential to benefit from Japara Signature Services rollout
- Innovations in design to provide better outcomes

Architectural Schematic - Glen Waverley



Central Lounge Room - Bayview

Strategic Priorities

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2. Greenfield and brownfield developments

Industry context

- 82,000 additional places required over next decade
- Innovation in facilities increasingly important
- Growing requirement to deliver on community healthcare needs

Current position

- Established development pipeline – over 900 places scheduled for completion by end of FY19
- Variety of room sizes and designs to provide resident choice
- Landbank strengthened following recent successful site acquisitions
- RADs provide funding for construction costs

Medium-term priorities

- Further investment in development and analytics capability
- Maintain focus on strong execution
- Focus on innovation in facility design (e.g. for dementia)


Riverside, Tasmania

Strategic Priorities

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3. Selective acquisitions

Disciplined and selective approach, strong track record established

- Expanded national presence and added 845 places since IPO
- Key acquisition criteria:
  - Strong care fundamentals / accreditation history
  - Attractive / strategic enhancement to national portfolio
  - Potential for business improvement and earnings uplift under Japara ownership
  - Value-accretive for Japara shareholders

Profke acquisition

- 4 facilities, 587 places in QLD and NSW
- Net purchase price of $77 million
- Expect annualised EBITDA contribution of $9.5 million within 18 months
- Reconfiguration and refurbishment provides an opportunity for RAD and Significant Refurbishment uplift

Noosa, part of the Profke portfolio

Strategic Priorities

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3. Selective acquisitions

Industry context

- Fragmented market, large number of small players including single-facility operators
- Strong demand fundamentals
- Consolidation will continue with government reform

Current position

- Track record established – Whelan and Profke
- Assess opportunities that meet investment criteria

Medium-term priorities

- Pursue selective M&A opportunities
- Remain disciplined and adhere to investment criteria and return metrics
- Continued focus on single-site acquisitions and portfolios

Trevu House, part of the Whelan portfolio

Strategic Priorities

4. Strategic relationships

Industry context

- Roadmap contemplates seamless integration across continuum of care

Current position

- Early stage trials / partnerships with complementary providers
- Existing relationships with hospitals in provision of sub-acute care

Medium-term priorities

- Develop opportunities across the care continuum e.g. post-acute care, home and community care and adjacencies

Retirement village living | **Home and community care** | **Residential aged care** | **Acute hospital care**

Summary

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Solid platform for growth established

- Well positioned to capitalise on sector opportunities – four pillared strategy being implemented
- Strong development pipeline, focus on execution
- Acquisition track record established, continue to assess opportunities
- Strong and conservative Balance Sheet to support growth
- Continued focus on delivery of high quality care for our residents
- Migrating to higher service and product delivery aligned to customer choice and needs
- Growing revenue received directly from consumers
- Agile company with experienced management team, well placed to embrace and respond proactively to ongoing industry reform

FY2016 Outlook

FY2016 outlook confirmed

- 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
- Confirm intention to pay full year dividends up to 100% of NPAT, franked to the maximum extent possible

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