JAPARA HEALTHCARE

FY2016 FULL YEAR RESULTS PRESENTATION

22 AUGUST 2016

Andrew Sudholz - Managing Director and CEO
Chris Price - Chief Financial Officer

FY2016 Results Highlights

FY2016 results in line with guidance

Strategy underpinned by care-centric business model, supporting residents with high care 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 16.4% to $327.3 million
- EBITDA up 10.9% to $56.1 million
- NPAT up 5.6% to $30.4 million
- Final dividend of 5.75 cents per share, fully franked (FY2015: 5.5 cps)
- Full year dividend of 11.5 cents per share, fully franked (FY2015: 11.0 cps)

Excellent progress on executing on diversified growth strategy

- Development program delivering new places to meet market demand, focused on high quality metropolitan locations with favourable demand dynamics
- Delivering on acquisitions, Profke portfolio being successfully integrated, strong earnings performance - operating EBITDA contribution of $4.4 million
- Sites secured to deliver all of Phase I and the majority of Phase II greenfield and brownfield development pipeline

Strong and conservative balance sheet to support growth strategy, well placed to capitalise on opportunities

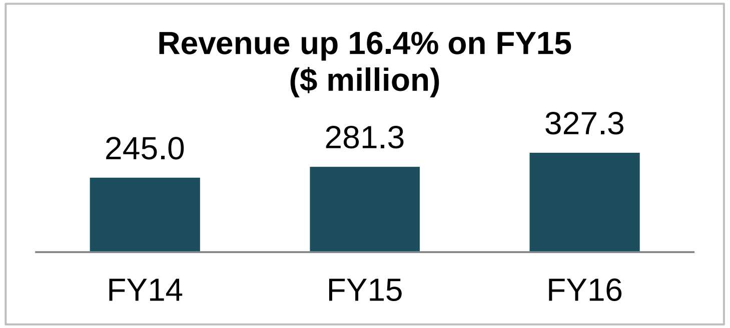
- Net bank debt of $34.9 million and $160.5 million of undrawn debt facilities
- Net RAD inflow of $54.9 million
- Strong and sustainable cash flow generation, supported by greater than 10% EBITDA uplift

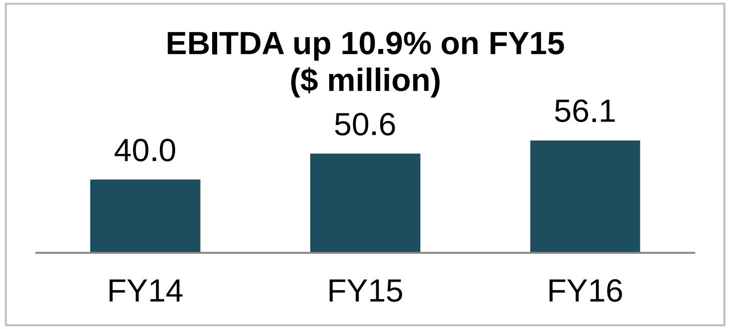
FY2016 – Financial Overview

Strong revenue and earnings growth vs. FY2015

$ million	FY16	FY15	Change
Total revenue	327.3	281.3	+16.4 %
Total costs	271.2	230.7	+17.6%
EBITDA	56.1	50.6	+10.9%
EBITDA Margin	17.1%	18.0%	(0.9%)
EBIT	44.1	40.9	+7.8%
NPAT	30.4	28.8	+5.6%
EPS	11.5 cps	11.0 cps	+4.5%
Full year dividend	11.5 cps	11.0 cps	+4.5%

- Revenue growth reflects:
  - Moderate year-on-year uplift in income from care and accommodation
  - Contribution from acquisitions
- FY2016 EBITDA margin reflects:
  - The impact of the removal of the Payroll Tax and Dementia supplements in FY2015 - total contribution from these supplements was $5.2m in FY2015
- Dividend payout ratio maintained at 100% of NPAT





FY2016 – Key Operating and Financial Metrics

Key metrics in line with expectations

	FY16	FY15	Change
Number of facilities	43	39	10.3%
Operational places	3,717	3,207	15.9%
Average underlying occupancy [1]	94.4%	94.8%	(0.4%)
Average ACFI ($ per resident per day)	$184.44	$175.10	5.3%
Staff costs to revenue	67.1%	66.4%	0.7%

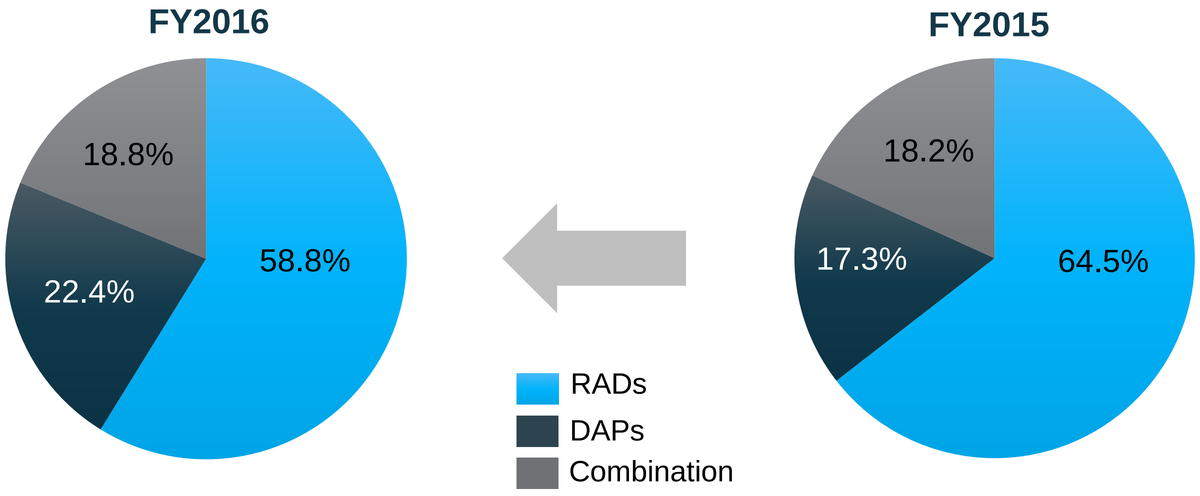
1. Excludes Brownfield developments which temporarily reduce occupancy while under construction

- Growth in operational places delivered through development and acquisitions
- Staff costs to revenue ratio reflects care-centric operating model
- Underlying increase in ACFI from July 2015 to June 2016 was circa $3.50 (2.0%), excluding COPE indexation (1.3%) and dilution from Profke (circa -0.5%)

FY2016 – Resident Accommodation Payment Mix

Combination and DAP arrangements balance capital requirements and revenue

Payment preference of non-concessional residents
(As at 30 June)



	FY2016	FY2015
Average incoming bed contract price	$320,000	$304,000
Average concessional residents [1]	36.8%	34.7%
Net RAD / bond inflow	$54.9m	$77.3m

1. Calculated as number of concessional residents : operational places

- DAPs and combinations now represent 41.2% of non-concessional residents (pcp 35.5%), supporting stronger operating cashflow
- Uplift in concessional ratio primarily reflects an increase at 10 facilities where refurbishments have not yet commenced – Significant Refurbishment opportunity exists
- Movement in net RAD inflows in FY2016 relates primarily to:
  - Lower brownfield inflows in FY2016 vs. FY2015 (down $15 million) – 138 net new places from developments in FY2015, vs. 84 in FY2016
  - Net RAD outflows linked to reduced occupancy at Central Park during redevelopment (outflows of circa $7 million)
- Expect ongoing increase in average incoming place contract prices
- Anticipate uplift in net RAD inflows in FY2017 as developments progressively come online

FY2016 – Strong and Conservative Balance Sheet

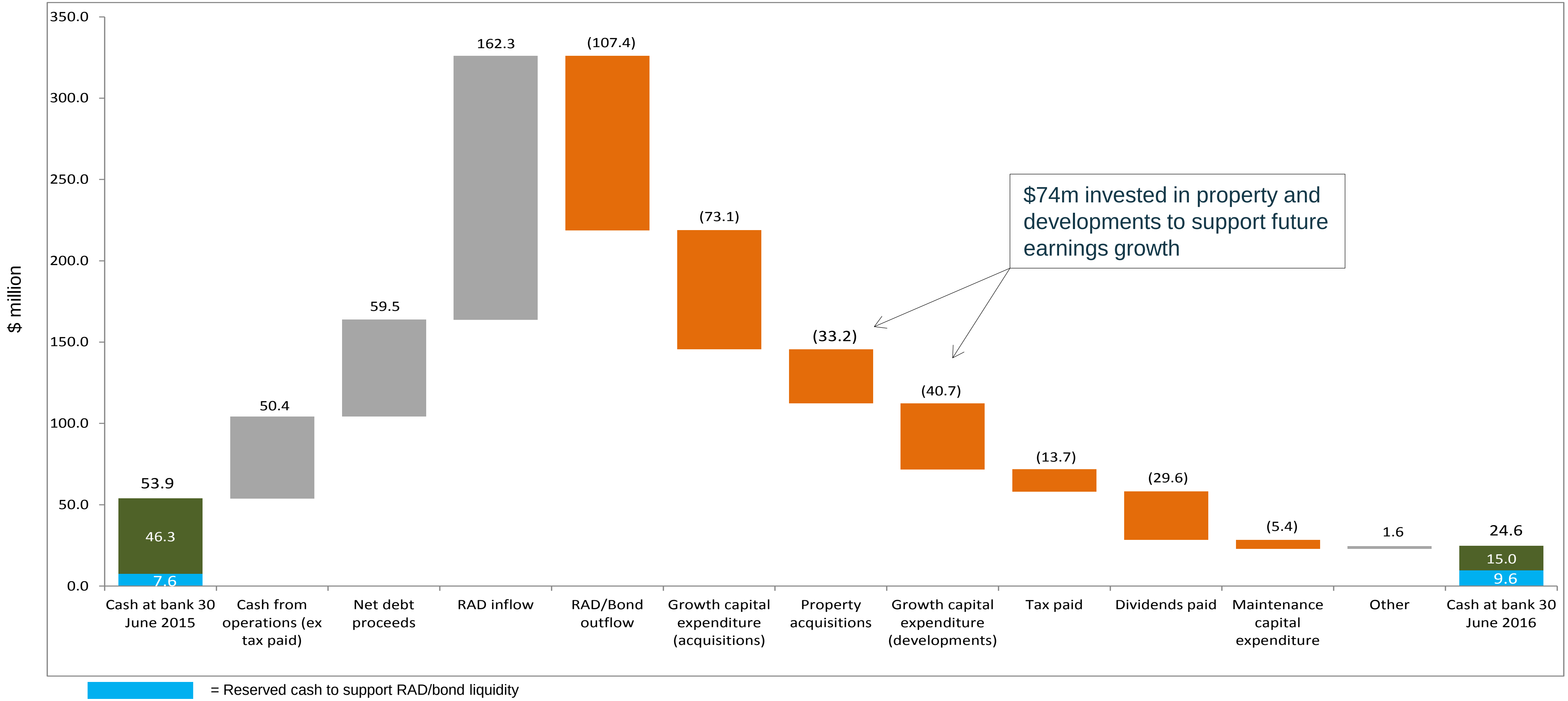
Strong balance sheet; prudent management of RADs; clear fiscal management parameters

$ million	30-Jun-16	30-Jun-15
Cash	24.6	53.9
Property, plant and equipment	513.1	383.8
Intangibles	465.6	415.2
Other assets	66.7	62.9
Total assets	**1,070.0**	**915.8**
Loans and borrowings	59.5	-
RAD liabilities	383.5	302.9
Other liabilities	94.7	82.9
Total liabilities	**537.7**	**385.8**
Net assets	**532.3**	**530.0**

- Profke acquisition funded primarily through existing cash reserves
- Diversified sources of capital to fund future growth
  - $160.5m of committed undrawn debt facilities
  - Strong operating cash generation
  - Brownfield and greenfield construction costs initially debt funded, then largely repaid through RADs
- Fiscal management strategy under-pinned by:
  - Inclusion of RAD liabilities in gearing and target acquisition return on invested capital calculations
  - Strong management of RADs – noting median house price of Local Government Area
  - Primary purpose of bank facilities is to fund construction phase of developments

FY2016 – Cash Flow Bridge

Diverse sources of capital to fund investment in growth



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

Five 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
Future services and products	Establish new service offerings and revenue streams based on reform parameters and consumer directed care

Demographic shift underpins strong forecast demand for residential aged care. Approximately 82,000 additional places required in the next decade, requiring over $33 billion in investment[1]

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

Enhancing the Existing Portfolio

Business model underpinned by focus on delivering high quality care

- **Ongoing focus on clinical care**
  - Registered nursing presence in all facilities on every shift
  - New Facility Manager Development Program created
  - Person-centric care program directed by registered nurses
- **100% accreditation record maintained**
  - 9 facilities re-accredited with 44/44 outcomes in FY2016
- **Japara Signature Services roll-out progressing well**
  - Additional services aligned to resident needs, contributes to individual and community wellbeing
  - Repositioning additional services to expand service offerings in FY2017 and beyond
- **Focus on innovation in care and environment**
  - Continue to re-align our business to provide the very best care to our residents and access the necessary revenue to enable this
  - Examples include virtual reality therapy, new menu and dining experiences, staff education in Alzheimer's, emotional intelligence and coping skills
- **Investment in management capability to support next phase of growth**
- **Technology solutions being implemented**
  - Workforce Management System and real time Business Intelligence tool
- **Higher place contract pricing**
  - Increase in average place contract value anticipated – growth at or above FY2016 rate
  - Leads to increase in RAD capital and DAP revenue

Developments progressing well

Development program to deliver over 900 new places by the end of FY2019
Strategy to deliver over 2,500 new places by 2025/26

- **Greenfield pipeline - continuing to build our presence in metropolitan locations**
  - Four new greenfield development sites secured in FY2016: Newport (120 places), Rye (95 places), Mt Waverley (125 places), Belrose (110 places) to deliver total of 450 new operating places
  - Further strategic land acquisitions in metropolitan locations with strong demand dynamics to underpin occupancy and additional services revenue
  - Higher Place Contract Values will lead to higher RAD capital and increasing DAP revenue

- **Providing for residents' future needs with developments in attractive metropolitan locations with strong demand dynamics**
  - Diversifying our national footprint, focus on under-serviced regions determined by extensive research
  - We have been successful in ACAR – most of the required licenses for the current pipeline have been secured
  - Bank debt funds construction costs and on project completion RAD capital repays bank debt
  - Significant revenue uplift opportunities in new and upgraded facilities

Architectural Schematic - Mt Waverley (Greenfield)

Architectural Schematic – Riverside (Greenfield)

Developments progressing well (cont.)

Development program to deliver over 900 new places by the end of FY2019
Strategy to deliver over 2,500 new places by 2025/26

- **Significant Refurbishment**
  - Phase II commenced with expected EBITDA uplift of circa $4 million over FY2018 and FY2019
  - Capital expenditure funded by RADs and cash reserves
  - Continued investment to maintain quality of real estate assets

- **Brownfield developments on track - delivering modernised facilities and new capacity at existing homes**
  - Bayview and Trevu opened in FY2016 (54 additional places)
  - Four developments to be completed in FY2017: Central Park (Windsor), George Vowell (Mt Eliza), St Judes (Narre Warren), Kirralee (Ballarat)

- **All developments**
  - Deliver strong EPS accretion
  - Overall increase in RAD capital is expected to exceed construction costs

Architectural Schematic – Central Park (Brownfield)

Architectural Schematic – Rye (Greenfield)

Implementing Selective Acquisitions

Disciplined and selective approach, strong track record established

- Residential aged care market remains highly fragmented – approx. 2,000 service providers
- Selective approach to acquisitions
- Expanded national presence and additional places every year
  - FY2016: Profke, 587 places
  - FY2015: Whelan, 258 places
- Strict investment criteria, and conservative approach to RADs in return calculations
- Potential partnership opportunities
- Excellent integration capability

Key acquisition criteria:

- Strong care fundamentals, accreditation history, ACFI governance
- Strategic enhancement to national portfolio, strong geographic fit, attractive demand dynamics
- Potential for business improvement under Japara Healthcare's ownership
- Value-accretive for Japara Healthcare shareholders

Successful acquisition and integration of Profke portfolio

- Acquired December 2015
- 520 places in operation
- Entry into QLD, expansion in NSW
- Integration progressing to plan
- Annualised EBITDA contribution of $9.5 million within 18 months of acquisition
- Reconfiguration and refurbishment process underway
  - Provides additional earnings growth through increased occupancy, additional services and DAP revenue

Noosa Residential Care

FY2017 Outlook

FY2017 EBITDA is expected to grow at a similar rate to FY2016

- Full year contribution from acquisitions
- Partial FY2017 contribution from brownfield and greenfield developments, increasing in FY2018 and beyond
- Transition to post-reform income (e.g. DAPs, Additional Services, Significant Refurbishment) from pre-reform income (e.g. bond retention and accommodation charges)
- Low single-digit ACFI growth expected in FY2017
- Further investment in capability to support the business' development and growth strategy

Japara Healthcare is well placed to continue to deliver sustainable earnings growth with a sound, diversified growth strategy underpinned by a focus on high quality resident care

APPENDICES

Appendix 1: Japara Healthcare's Residential Aged Care Portfolio

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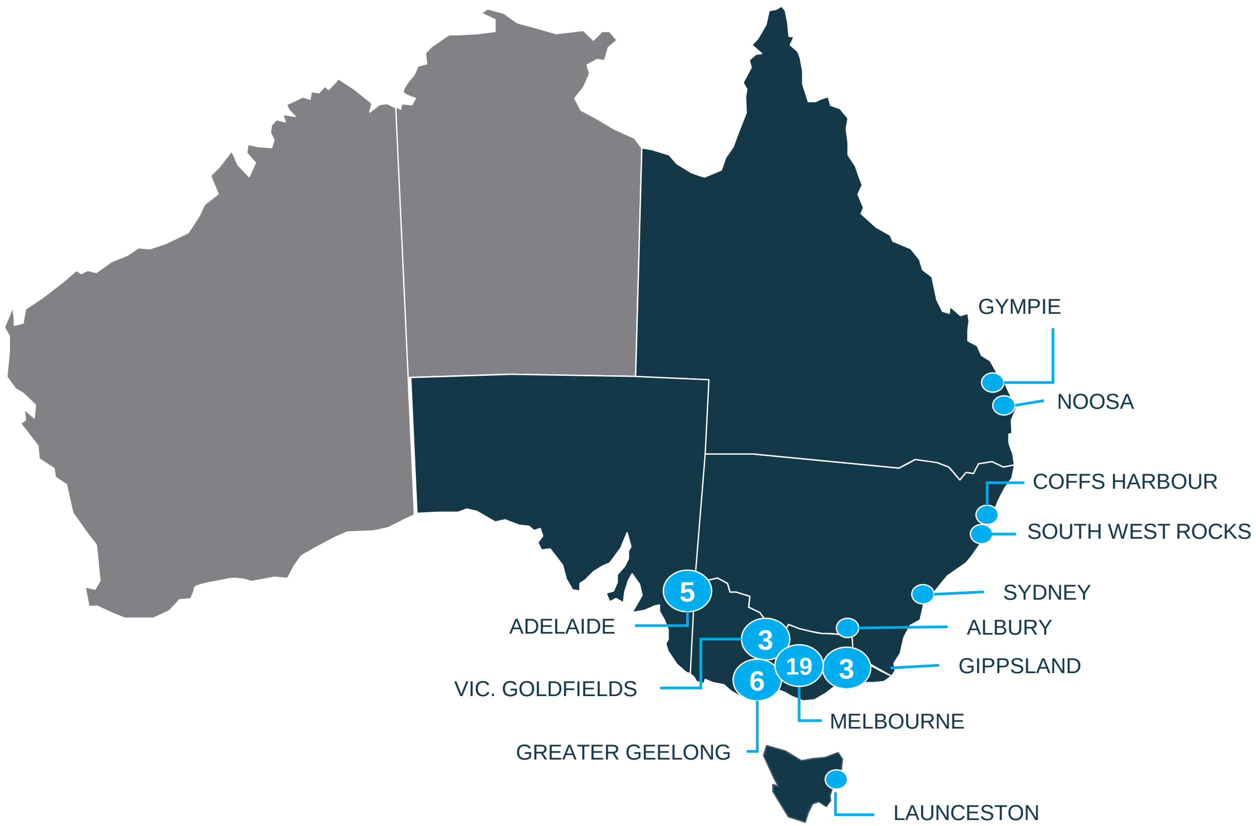
One of Australia's largest residential aged care providers, with a growing national footprint



43
residential aged care facilities

Growing portfolio across **5** states

Over **4,700** licenses and AIPs

180
Independent Living Units

100%
accreditation record

Over **5,000** employees

Appendix 2: Indicative Development Pipeline - Phase I

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Delivering on internally generated growth opportunities

Projects	Project type	Land owned	Development approval	Licenses held	Total new places built	Net new places	Single bed profile	Estimated completion
Kirralee, Ballarat	Brownfield	√	√	√	24	13	100%	Sep ’16
George Vowell, Mt Eliza	Brownfield	√	√	√	35	34	100%	Oct ’16
St Judes, Narre Warren	Brownfield	√	√	√	40	30	100%	Nov ’16
Central Park, Windsor	Brownfield	√	√	√	25	0	100%	Dec ’16
Riverside, Launceston	Greenfield	√	√	√	90	90	100%	May ’17
Kingston Gardens, Springvale	Brownfield	√	Underway	√	68	56	100%	FY18
Total Phase I					**282**	**223**		

Appendix 2: Indicative Development Pipeline - Phase II

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Site acquisitions progressing strongly

Projects	Project type	Land owned or secured	Development approval	Licenses held	Total new places built	Net new places	Single bed profile	Estimated completion
Glen Waverley	Greenfield	√	√	√	60	60	100%	FY18
Northern Metro - One	Greenfield	X	Site identified	√	90	90	100%	FY18
Southern Metro – One (Rye)	Greenfield	√	Underway	√	95	95	100%	FY18
Newport	Greenfield	√	Underway	√	120	120	100%	FY18
Southern Metro -Two	Greenfield	X	Site identified	√	90	90	100%	FY18
Northern Metro - Two	Greenfield	X	Site identified	X	90	90	100%	FY19
Sydney (Belrose)	Greenfield	√	Underway	√	110	45	100%	FY19
Mt Waverley	Greenfield	√	Underway	√	125	95	100%	FY19
Total Phase II					**780**	**685**		
Total Phase I & II					**1,062**	**908**		

Appendix 3: Portfolio Metrics

	As at 30-Jun-16		As at 30-Jun-15		Change
Resident mix					
Concessional	1,441	*41%*	1,186	*39%*	21.5%
RAD	1,111	*32%*	1,055	*35%*	5.3%
DAP	423	*12%*	283	*9%*	49.6%
Combination	355	*10%*	298	*10%*	19.3%
Pre-reform high-care places	61	*2%*	96	*3%*	(36.5%)
Respite	86	*2%*	86	*3%*	0.0%
TCP / Other	27	*1%*	45	*1%*	(40.0%)
Total residents	3,504	*100%*	3,048	*100%*	15.0%
Staffing					
Number of staff (including part time and casuals)	5,081		4,419		15.0%
Places					
Operational places	3,717		3,207		15.9%
Non-operational places	293		182		61.0%
Allocated in ACAR 2014	438		465		(5.8%)
Allocated in ACAR 2015	313		-		n/a
Total places	4,761		3,854		23.5%
Places (metro/regional split)					
Metro	2,755	*58%*	2,538	*66%*	8.6%
Regional	2,006	*42%*	1,316	*34%*	52.4%
Total places	4,761	*100%*	3,854	*100%*	23.5%
Average age of facilities (years)	13		13		
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

JAPARA HEALTHCARE

	FY2016	FY2015	Change	
	($ million)	($ million)	%	($ million)
Revenue				
Government care funding	235.7	200.4	17.6%	35.3
Resident care funding	89.6	77.9	15.0%	11.7
Other revenue	2.0	3.0	(33.3%)	(1.0)
Total revenue	**327.3**	**281.3**	**16.4%**	**46.0**
Expenses				
Staff costs	(219.7)	(186.7)	17.7%	(33.0)
Resident costs	(25.8)	(22.9)	12.7%	(2.9)
Other costs	(25.7)	(21.1)	21.8%	(4.6)
Total expenses	**(271.2)**	**(230.7)**	**17.6%**	**(40.5)**
EBITDA	**56.1**	**50.6**	**10.9%**	**5.5**
Depreciation and amortisation	(12.0)	(9.7)	23.7%	(2.3)
EBIT	**44.1**	**40.9**	**7.8%**	**3.2**
Net interest expense	(2.3)	(1.6)	43.8%	(0.7)
Income tax expense	(11.4)	(10.5)	8.6%	(0.9)
NPAT	**30.4**	**28.8**	**5.6%**	**1.6**

Appendix 5: Detailed Statutory Cash Flow Statement

JAPARA HEALTHCARE

	FY2016 $'000	FY2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	318,019	275,995
Payments to suppliers and employees	(265,786)	(234,918)
Income taxes paid	(13,688)	684
Interest received	864	1,204
Finance costs paid	(2,750)	(2,782)
Net cash provided by operating activities	**36,659**	**40,183**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land & buildings	(34,259)	(9,796)
Proceeds from sale of land and buildings	1,089	758
Purchase of plant and equipment	(5,387)	(4,040)
Capital works in progress	(40,719)	(18,224)
Purchase of resident places	(2,313)	(493)
Acquisition of aged care business, net of cash	(64,158)	(23,879)
Other acquisitions and acquisition related costs	(6,598)	(6,326)
Net cash used in investing activities	**(152,345)**	**(62,000)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of share capital	1,852	-
Equity raising costs	-	(1,291)
Shares bought back during the year	(1,383)	-
Dividends paid	(29,592)	(14,468)
Net proceeds/(repayments) of bank borrowings	59,500	(14,000)
Proceeds from RADs & ILU resident loans	162,347	154,111
Repayment of RADs/accommodation bonds & ILU resident loans	(107,420)	(76,779)
Proceeds from other financial assets	1,072	15
Net cash provided by financing activities	**86,376**	**47,588**
Net (decrease) / increase in cash and cash equivalents held	(29,310)	25,771
Cash and cash equivalents at beginning of the year	53,878	28,107
Cash and cash equivalents at end of the year	**24,568**	**53,878**

Appendix 6: Balance Sheet

	30 June 2016 $'000	30 June 2015 $'000
ASSETS		
CURRENT ASSETS		
Cash	24,568	53,878
Trade and other receivables	13,744	10,168
Current tax receivable	787	-
Other assets	5,645	3,237
TOTAL CURRENT ASSETS	**44,744**	**67,283**
NON-CURRENT ASSETS		
Trade and other receivables	2,804	2,607
Other financial assets	-	1,078
Non-current assets held for sale	1,697	1,997
Property, plant and equipment	513,059	383,797
Investment property	31,669	31,549
Deferred tax assets	10,469	12,300
Intangible assets	465,552	415,188
TOTAL NON-CURRENT ASSETS	**1,025,250**	**848,516**
TOTAL ASSETS	**1,069,994**	**915,799**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	19,855	16,657
Other liabilities	10,879	9,498
Borrowings	1,350	-
Current tax payable	-	4,432
Other financial liabilities	413,582	325,251
Employee provisions	30,101	27,217
TOTAL CURRENT LIABILITIES	**475,767**	**383,055**
NON-CURRENT LIABILITIES		
Borrowings	58,150	-
Employee provisions	3,772	2,705
TOTAL NON-CURRENT LIABILITIES	**61,922**	**2,705**
TOTAL LIABILITIES	**537,689**	**385,760**
NET ASSETS	**532,305**	**530,039**

GLOSSARY

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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