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21 October 2016

2016 Annual General Meeting

Chairman's Address
Linda Bardo Nicholls AO

Good morning ladies and gentleman. My name is Linda Nicholls and I am your Chairman at Japara Healthcare. On behalf of the Board of Directors of Japara, I would like to welcome you to our 2016 Annual General Meeting. This includes our listeners joining us via the audio webcast.

Before we begin the formal business of the meeting, could everyone present please ensure that your mobile phone is turned off or switched to silent. I also ask you to note that the exit is located at the rear of the room should we need to evacuate. In the unlikely event of an emergency, an alarm will sound and a member of the venue staff will provide you with directions.

Meeting opening

It is 2pm, the appointed time for holding the meeting. I have been advised that the necessary quorum is present, so I have much pleasure in declaring the meeting open. No apologies have been received for today's meeting and note that minutes from last year's meeting are available in the foyer for your inspection.

I would now like to explain the procedure to participate in today's meeting. For those attendees holding a yellow admission card, you are entitled to vote. For those attendees holding either a yellow or blue admission card, you may ask questions or make comments. For those attendees holding a red admission card, you are attending as a visitor and cannot vote or ask questions or make comments. If you don't have a yellow admission card and think you should have one, please now go to the registration desk outside the room and an officer of Link Market Services will help you.

I ask that attendees wishing to ask a question or make a comment during the meeting to raise their hand for an attendant. Please give the attendant your name, and if you are a proxy or corporate representative, the name of the shareholder you represent. The attendant will introduce you and make a microphone available to you. Please limit your questions to two questions at a time so that others have a chance to speak.

I have been advised that proxies have been received from 296 shareholders with approximately 125 million ordinary shares, being around half of the shares in the Company. To ensure the voting results at today's meeting reflect the votes of all shareholders who are voting, including by proxy, we will be holding a poll on all the resolutions to be considered at this meeting. I now open the poll. Any attendees who need to leave early may place their completed yellow admission Voting Cards in the ballot box which is near the exit door. I will explain the voting procedures later in the meeting.

Introductions

I would now like to introduce you to your Board of Directors.

Andrew Sudholz, our Chief Executive Officer and Managing Director, who will present to you after my address;

David Blight, Non-Executive Director and Chairman of the Remuneration and Nomination Committee, who will present the Company's 2016 Remuneration Report;

JoAnne Stephenson, Non Executive Director and Chairman of the Zero Harm Committee, which is a new committee established last financial year which I will shortly talk about; and

Richard England, Non-Executive Director and Chairman of the Audit, Risk and Compliance Committee.

Also on the podium is Chris Price, our Chief Financial Officer; and

Bruce Paterson, our Company Secretary who joined Japara in November last year.

Present today is Darren Scammell from KPMG. Darren is the Lead Audit Partner responsible the Company's independent audit and will be available during the meeting to take questions. Thank you Darren for your attendance.

Also joining us today are other members of Japara's senior executive team who are seated in the audience.

Industry

Since we spoke at last year's AGM, the fundamentals underpinning strong demand for residential aged care have not changed.

Our population is continuing to age. There are currently around 473,000 people aged 85 or older in Australia. That is expected to increase to over 2 million people in the next 40 years.

As people are living longer, and healthcare continues to improve, people are increasingly dealing with chronic and complex health conditions:

- 40 per cent of people over 45 have two or more chronic diseases.
- In addition to this, there are around 350,000 people currently living with dementia, including 3 in 10 people aged 85 and over. This figure is expected to jump to 400,000 in the next 5 years alone, and without a medical breakthrough, is forecast to more than double to almost 900,000 by 2050.

These dynamics are expected to drive strong demand for the round-the-clock clinical care, specialised dementia care, and assisted living services that residential aged care provides.

It's estimated that we'll need to build approximately 76,000 additional places, costing in the order of $33 billion, over the next decade alone – and that's before the bulk of the baby boomer generation have hit their mid-80's. Private sector operators, including Japara, will have the opportunity to play an important role in delivering those new beds.

Demographic shifts are underpinning strong demand, but as the population ages and there are fewer taxpayers to support each non-working Australian, it is inevitable the funding model for aged care will need to evolve.

Over time, the system will need to transition so that consumers who can afford to do so contribute more toward the cost of their care.

The Government has acknowledged this. The Living Longer Living Better reforms in 2014 made a good start, however further regulatory changes will be needed. Japara is supportive of reforms that help to achieve a high quality and sustainable residential aged care sector over the longer term.

At Japara we are very confident in the fundamentals and outlook for our industry.

It would be unrealistic to expect the deregulation of a highly regulated industry like aged care to be all smooth sailing.

However, I would like to assure you that managing reform is not new for us. It's an on-going part of operating in a regulated sector, and we have a strong and demonstrated track record in managing this significant regulatory change.

There are a number of reviews underway that are considering what the future shape of the sector should look like and how it should be funded, and we look forward to participating in these discussions where we have the opportunity to do so.

One of the areas of particular focus at the moment is the Aged Care Funding Instrument (or ACFI). The ACFI is the assessment tool the Government uses to determine how much funding it will provide to meet each resident's care needs.

The Government has recently proposed some changes to ACFI that would change the criteria used to assess residents particularly in the area of high care.

These changes will only apply to new or reassessed residents, so would take a number of years to fully work their way through the system.

One consequence of the changes may be that more, lower-acuity individuals are cared for in their homes, and residential aged care becomes even more focused on the highest acuity residents. High care is, of course, the area where Japara specialises.

Our residents are generally at the highest-acuity end of the spectrum, so we expect many of them will continue to meet the requirements to be classified as 'high' if these changes are, in fact, implemented.

The consultation process is still underway and discussions between the industry and the Government are on-going.

Japara is supportive of reform that underpins the long-term sustainability of a high quality residential aged care sector.

The underlying fundamentals of the aged care industry remain strong and we are confident we have the right strategy in place to respond to and capitalise on the opportunities that change will bring in the coming years.

Strategy

Japara's operating model, focused on high care, sits at the very core of our strategy.

We have a strong qualified nursing presence across all of our homes, including registered nurses on duty on every shift in every facility every day. Our qualified clinical staff ensure we are well positioned to deliver the highest levels of clinical care for high acuity residents with complex healthcare needs.

Our high-acuity focus ensures we are well positioned to maintain high levels of occupancy as the industry continues to evolve and well positioned to grow with resident demand.

Japara has a diversified growth strategy based on five key pillars—refurbishment of existing facilities, brownfield expansions on current sites, greenfield developments in attractive underserved geographies, acquisitions of aged care businesses, and strategic relationships including new products and services.

Refurbishments are important for maintaining high quality facilities that meet resident demands for amenity and comfort, delivering an effective community living experience and improving operating efficiency and environmental standards. The Government positively encourages aged care operators like Japara to undertake refurbishments.

Brownfield expansions and redevelopments not only modernise and expand capacity, but show a positive return on invested capital relatively quickly. The typical brownfield expansion takes about 1-2 years to complete, and new RAD inflows are expected to exceed construction costs for all developments. Our brownfield works in 2016 added 54 beds, with a further 167 beds to be delivered this year

Greenfield developments take longer than brownfield expansions — usually 4-5 years because suitable sites for aged care developments are not easily obtained, and there is a longer process for planning and development approvals. In attractive under-served geographies the economics of developments are strong, and in over the next 3 years Japara expects to open 775 beds in wholly new completed greenfield developments.

Japara has become known for being highly selective in acquisitions. Put simply, we are not prepared to pay high prices for sub-standard stock and we are committed to preserving and improving returns on invested capital. We have acquired two businesses since listing in 2014 — Whelan in South Australia and more recently Profke in Queensland and New South Wales. Both had a history of delivering high quality care and following integration into Japara, both have performed ahead of expectations.

Looking ahead, we will remain active with regard to assessing acquisition opportunities in the market, but will remain disciplined with regard to what we pursue.

Strategic relationships and future products and services are designed to ensure that Japara is well positioned to capitalise on new opportunities that arise as the industry continues to evolve.

The combination of an ageing population and more chronic disease will mean that health services across the broader continuum of care will need to become more integrated across home and community care, retirement living, residential aged care and acute hospital care.

We will be exploring a range of opportunities with complementary providers to develop our capability to deliver strong and integrated clinical healthcare services for our residents.

Business performance

The strength of Japara's business is predicated on strong strategy, strong management and a strong balance sheet. Under our management's leadership and in a year of considerable regulatory change, Japara's business performance in 2016 was in line with the guidance provided at last year's AGM.

The business delivered strong EBITDA growth of 10.9%, which enabled the Board to declare total fully franked dividends for the year of 11.5 cents per share, up 4.5% on last year.

This represented a total dividend payout ratio of 100% of net profit after tax, which is consistent with our dividend policy of paying out up to 100% of profit to our shareholders.

It's important that we maintain the balance sheet flexibility to support our strategy and help fund our growth. Our debt levels remain conservative, and we have continued to adopt a prudent approach to the way we manage the Refundable Accommodation Deposits, or RADs, that we receive from residents with this balance sheet strength in mind.

Corporate social responsibility

The Board is focused on ensuring that Japara is conducting its business in a sustainable and responsible manner.

Our Environmental, Social and Environmental governance statement is published in this year's Annual Report.

As a major provider of residential aged care services in Australia, we are mindful of:

- Our contribution to the sustainability of the environment in which we operate;
- Our responsibility in caring for the aged, and ensuring that we have policies and procedures in place to protect the safety and wellbeing of all of our residents and staff across all of our homes; and
- Our responsibility to the communities in which we operate.

The Board takes our responsibilities each of these areas very seriously.

Details of some of the initiatives that we have implemented are outlined in the Annual Report, however, I will touch on a couple of items that are of particular importance.

This year we established a Zero Harm Committee, as a sub-committee of the Board, chaired by JoAnne Stephenson.

The Committee's responsibilities include overseeing the environmental, safety and community activities to ensure that:

- Policies and practices relating to resident safety and the delivery of high quality clinical care are embedded across the Group;
- We are conducting our business in an environmentally sustainable manner; and

- Workplace health and safety practices are in place to protect the wellbeing of our staff, particularly the over 5,000 nurses and carers who are directly involved in caring for our residents.

As one of the largest residential aged care operators in Australia, Japara also believes it has a responsibility to contribute on matters affecting the industry, such as proposed government reforms.

We participate regularly in sector-related matters, both directly, through serving on regulatory committees, and as an active member of the Aged Care Guild, an association of the nine largest residential aged care operators in Australia. This is particularly important with the next phase of reforms likely to take place over the next few years.

I invite you to read the ESG statement in the Annual Report for further details on our activities in FY16 and our priorities for the year ahead.

Conclusion

Before I hand over to Andrew, I would like to thank my fellow directors and the Japara senior management team for their support and dedication over the course of the year.

Most importantly, I would like to acknowledge the hard work of all of our staff who care for the 3,500 residents that live in our homes. They are central to our ability to be able to provide high quality care to our residents, and their effort and commitment to our residents deserves recognition today.

Finally, I would like to thank you our shareholders, for your support and your attendance at this meeting today.

It is now my pleasure to introduce Japara's Managing Director, Andrew Sudholz, for his operating and financial review. There will be time for questions during the formal proceedings of the meeting.

Thank you.

Managing Director and CEO’s Address
Andrew Sudholz

Thanks Linda and good afternoon everyone.

I am going to start by providing a review of our FY16 result. I will then provide an overview of our strategy that is underpinned by strong industry dynamics, as well as providing an update of our excellent progress over the past twelve months.

FY2016 result summary

I am pleased to report that Japara delivered a solid financial performance in FY16. Total revenue was up 16.4% to $327.3 million, and EBITDA increased by 10.9% to $56.1 million.

This reflected a moderate increase in income from care and accommodation over the year and contributions from our recent acquisitions.

The Profke business acquired in December 2015 is performing well under Japara’s ownership. Profke contributed $4.4 million in EBITDA in FY16, which was ahead of the guidance provided at the time of acquisition.

Excluding Profke, EBITDA for the rest of the business grew year-on-year, which was in line with our FY16 earnings guidance.

This was a very pleasing outcome and the result reflected continued strength in our key operating drivers. Underlying occupancy remained steady at 94.4%, which remains above historical industry average occupancy of around 92 to 93%.

The ratio of staff costs to revenue increased marginally year-on-year to 67.1%. This reflects Japara’s commitment to our high-care operating model and the healthcare needs of our residents, as people continue to enter aged care at a later age with more complex health conditions.

The business continues to be highly cash-generative, which has been driven by strong, double-digit EBITDA growth primarily as a result of implementing our capacity expansion strategy. This has enabled us to pay total dividends to shareholders of 11.5 cents per share, a 100% dividend payout ratio, in FY16.

Japara has continued to maintain a strong and conservative balance sheet with diversified funding sources to support our growth.

Our net bank debt at 30 June 2016 was $34.9 million and we have over $150 million in available capacity under our existing facilities to fund growth.

During the year we received net cash inflows from Refundable Accommodation Deposits (RADs) of $54.9 million. We expect net RAD inflows to increase in FY17 to around $78 million from RAD uplift and as new bed places are opened from developments which are completed over the course of the year. These RADs will also help fund the construction of the next phase of our development pipeline over the coming years.

Overall, we were pleased with the business’ performance in FY16 and, with a well defined strategy and a strong Balance Sheet, we believe that we are well positioned to deliver sustainable growth in the coming years.

Industry context

Before I move on to our strategy, it is worth revisiting some of the dynamics that are underpinning how we are thinking about positioning ourselves for growth.

As Linda mentioned, demand dynamics for residential aged care remain very strong, predominantly driven by our ageing population and it is anticipated that circa 76,000 new bed places will need to be provided over the next 10 years. Japara will play an important role in developing new capacity to meet this demand profile. We are also seeing an increasing prevalence of chronic healthcare conditions.

With this in mind, we expect that there will need to be greater integration between residential aged care providers and other healthcare providers across the continuum of care. We are looking at a range of ways we can participate in that, which I will touch on in a moment.

The industry is continuing to evolve to offer consumers more choice and control over the services that they receive. We expect this will provide opportunities for a greater degree of product and service innovation as this change takes place over the next decade.

Finally, the aged care sector remains highly fragmented, with a high number of smaller operators which could present further industry consolidation opportunities – but, as always, we will remain disciplined on the opportunities that we pursue.

I'll now move on to provide an overview and update on our strategic priorities.

Strategic priorities

Japara has a diversified growth strategy that is based on five strategic pillars.

These pillars are underpinned by our commitment to delivering high quality care for our residents. It's our number one priority - our licence to operate - and is absolutely central to everything we do.

The first pillar of our strategy is enhancing our existing portfolio. That is, making sure that we're offering great care, services and accommodation choices for our residents, and that we are operating both efficiently and sustainably.

The second pillar of our strategy is to build and maintain high quality additional aged care facilities through our brownfield and greenfield developments to help meet the growing demands from our ageing population.

The third is selective acquisitions that align with our strategy and investment criteria.

The next two pillars are medium-term priorities to ensure that we are well positioned as the aged care industry continues to grow and evolve.

Firstly, we will be looking to expand our alliances and partnerships with organisations providing complementary services across the broader continuum of care, for example, businesses like retirement village operators for co-location and hospitals for transitional care and post-surgery rehabilitation. We currently have existing arrangements in this space which enable us to help deliver more integrated health care services to our older population.

Finally, as I mentioned, the shift toward consumer directed and funded care will give providers an opportunity to create more specialised and tailored products and services, which will be a firm focus area for us over the coming years.

We believe our diversified growth strategy ensures that we are well positioned to capitalise on the opportunities that exist in the market, and deliver sustainable growth over the longer term.

I will now move on to provide an update on the progress we have made over the past 12 months.

Enhancing the existing portfolio

This year we have maintained high levels of clinical care and governance, as well as maintaining our 100% accreditation record, with nine facilities receiving full re-accreditation during the year.

We remain committed to our high care model. We continue to have strong presence of qualified medical staff, including Registered and Enrolled nurses, across all of our homes, 24 hours a day, seven days a week.

Clinical care is obviously a very important part of what we do, but we work very hard to ensure our residents' lifestyle, wellbeing and social needs are also well taken care of.

We have also continued to roll out our additional services product, Japara Signature, this year, which provides our residents with even more choices around lifestyle and wellbeing services they can access in our homes.

Japara has grown significantly since our IPO in April 2014. Over the past two and a half years, we have:

- Acquired eight aged care facilities adding 845 places to our portfolio;
- Delivered 208 new places through developments; plus
- We have more than 900 new places scheduled to come online over the next three years.

We continue to invest in our internal capabilities to support the growing scale of our business. We have recently appointed a Chief Operating Officer and a Chief Information Officer, and reorganised our Developments Group into a full service Real Estate Group. We are also investing in our systems to provide an enhanced platform to manage our business effectively as we continue to grow.

As you are likely aware, the Federal Government recently announced changes to its aged care funding as a result of ACFI growing at 6.8% against a budget of around 5.2% over the forward estimates period. Specifically these changes were in the complex healthcare domain with the most significant changes being in FY18 and FY19. For Japara, there will be little impact to our business from the changes in FY17. We have developed and are implementing a range of strategies and additional revenue sources to mitigate the impact of these changes in FY18 and FY19.

Now, moving on to our developments.

Developments progressing well

Japara continues to position itself for substantial growth from both greenfield and brownfield developments and we are making excellent progress in this regard. In FY16, we invested over $74 million in land and current developments.

We are on track to deliver our previous target of over 900 new places by end of FY19 and now have plans for over 2,500 new places by 2025/26.

We already own or have secured the required licences to deliver the over 900 places planned in the next three to four years.

We expect attractive financial returns from the developments program which should deliver uplift in revenue and RADs as new or refurbished places are opened to residents.

Greenfields

Our greenfield strategy is to build new, high quality and innovative facilities in metropolitan areas with strong projected demand for aged care. We have a specialist team to identify sites in attractive, under-bedded locations. We believe this approach will underpin strong occupancy and pricing as and when we open new facilities. Additionally, we build to an operational model of 90 to 120 beds per facility which provides an optimal workforce roster, quality of service and enhanced returns.

We secured a further four new greenfield sites in FY16, including Newport, Rye and Mt Waverley in Victoria and Belrose in Sydney’s Northern Beaches at a total land cost of around $25 million. We expect these projects will deliver a total of 450 new operating places as they’re completed over the next few years.

The greenfield developments that we are building in optimal urban locations will deliver superior cash flow returns through Daily Accommodation Deposits (DAPs), additional services and higher RAD capital inflows.

Brownfields and Significant Refurbishment

Our brownfield program continues to add incremental capacity and progressively update our existing portfolio to ensure we’re maintaining high quality accommodation for all of our residents.

We completed two major extensions and refurbishments in FY16, at Bayview in Carrum Downs and Trevu in South Australia, which delivered 54 new operating places.

We currently have five more projects underway, four of which will be completed in FY17, including:

- Kirralee in Ballarat, VIC, where we are building a new 24 bed wing, including a new beauty salon and theatre room, as well as refurbishing and upgrading other rooms and communal areas.

- Central Park in Windsor, VIC, which is a multi-level facility in inner Melbourne where we are in the process of building a whole new sixth floor of “platinum” accommodation and refurbishing all other floors to premium accommodation standard.

- George Vowell in Mt Eliza, VIC, where we have built 34 new bedrooms in two new sections, and a new communal area for all residents and their families, which includes a beauty salon, library space, and an al fresco dining area.

- St Judes in Narre Warren, VIC, where we are extending the current building, adding 30 new beds, and significantly refurbishing other areas, including the in-house café.

We are also commencing the next phase of our significant refurbishment program at a number of our facilities which is expected to be completed by the end of FY19. This program has a capital cost of circa $15 million and should provide an increase in ongoing EBITDA of more than $4 million, being circa $2 million in FY18 and circa $2 million in FY19.

Implementing strategic acquisitions

Japara has continued its strong track record of value accretive acquisitions in FY16.

At last year's AGM we had already announced the acquisition of the Profke portfolio, which completed in December 2015.

As we talked about last year, the acquisition was consistent with our investment criteria, expanding our presence in attractive geographic markets and providing opportunities for improvement in operating and financial performance under our ownership.

As I mentioned, integration of the Profke portfolio is now well progressed, and the business is performing ahead of our expectations at the time of the acquisition.

As previously announced, we are upgrading and reconfiguring two of the facilities which will result in higher Bed Contract Values and increasing revenue through Daily Accommodation Payments, additional services and significant refurbishment.

This year we have continued to look at acquisitions, however the majority have not met our investment criteria or price point. We will continue to assess opportunities as they arise, but will remain strategic and disciplined in our approach to ensure that we're delivering value for our shareholders.

Conclusion

In conclusion, Japara is well placed to continue to deliver sustainable earnings growth though our diversified growth strategy. We will maintain our position as one of the largest providers of residential aged care with a diversified portfolio of facilities that are primarily located in metropolitan areas.

We continue to deliver attractive earnings to our shareholders in an industry environment that will involve greater consumer choice and a tailwind of strong demand.

I believe our Company has significant upside in its enterprise value for the following reasons:

- The majority of our growth over the medium term will emanate from capacity expansion with increasing revenue and EBITDA coming from bed expansion. Our medium term projections for ACFI funding to our business are in alignment with the Federal Government announced circa 5.1% p.a. growth.

- We have in place a development program that will deliver circa 1,000 bed places by 2020 and a strategy to build, own and operate more than 2,500 beds by 2025. We own the majority of the land and have either secured or own the bed licenses for the initial program of circa 1,000 beds. This program is expected to cost around $195 million which is initially debt funded and anticipated to return in excess of $200 million in capital through RADs, and provide an estimated increase in EBITDA of more than $20 million.

- We continue to acquire individual or smaller portfolios of aged care facilities which meet our investment criteria and we have had a successful track record of acquiring circa 300 beds per year on average. These acquisitions have historically delivered EBITDA of around $20,000 per bed after full integration into Japara's care system and operation model. Our strategy is to continue to consider attractive acquisitions on a selective basis and to implement this acquisition program over the medium term. Indeed, some operators are likely to be materially impacted by the recent Federal Government cuts in funding and subsequently may no longer have the same access to capital. This may present opportunities to us.

- Net RAD inflows for FY17 are anticipated to be circa $78 million. These funds will support our growth initiatives.

- We have an appropriate approach to the management of RAD capital which is being maintained at a mix of 65% RADs and 35% DAPs from our private paying residents.

- We have an optimal capital structure and will continue to manage the business with a strong balance sheet and low core net debt. Net core debt should remain at around 1 times EBITDA in FY17 and we have much lower debt compared to our listed peers. This de-risks our Balance Sheet and provides capital flexibility to fund our growth initiatives.

- I would also reiterate my previous comment that we have re-positioned our business model and care delivery program to mitigate the impact of the changes in funding recently announced by the Federal Government on our business. Therefore the revenue growth in our future business from developments, acquisitions and additional services will not be impinged by these changes in Government funding and will be additional revenue for the Company over the medium term.

- And lastly, we have a capable and experienced executive management team and continue to invest in our resources to underpin future growth, with a proven integration capability. We have a stable executive leadership team and high calibre Board members who have directed the Company very well since the IPO.

Before I hand back to Linda, I would like to reaffirm our outlook for FY17. At the time our FY16 results were announced in August 2016, we provided guidance that we expected FY17 EBITDA to grow at a similar rate to FY16, which was circa 11%. I am pleased to advise that year to date performance has been in line with our expectations. Accordingly, the FY17 outlook remains unchanged.

In closing, I would like to thank the Japara management team and all of our hardworking people who work in each of our 43 homes for their dedication and tireless work to deliver terrific care for our residents over the course of the year.

Finally, I would like to thank you for your support and attention today. I will now open the floor for any questions. Thank you.

2016 ANNUAL GENERAL MEETING

21 OCTOBER 2016

MANAGING DIRECTOR AND CEO'S PRESENTATION
ANDREW SUDHOLZ

FY2016 result summary

Solid result, in line with FY2016 EBITDA guidance

Double-digit revenue and EBITDA growth

- Revenue up 16.4% to $327.3 million
- EBITDA up 10.9% to $56.1 million
- NPAT up 5.6% to $30.4 million

Strong cash generation and dividend

- Net RAD inflow of $54.9 million
- Final dividend of 5.75 cents per share, fully franked
- Full year dividend of 11.5 cents per share, fully franked

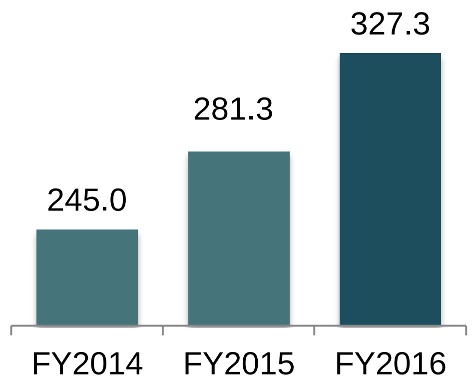
Conservative balance sheet, well positioned for growth

- Net bank debt of $34.9 million
- $160.5 million of undrawn debt facilities

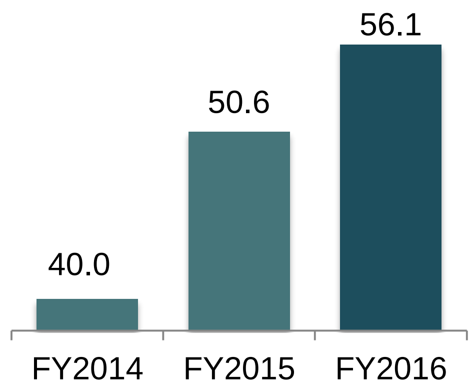
Excellent progress on diversified growth strategy

- Developing new capacity in strategic markets
- Profke portfolio performing well

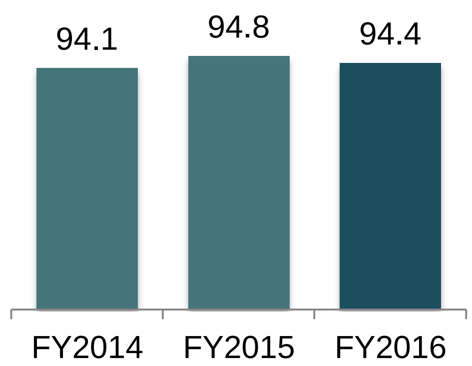
Revenue ($m)



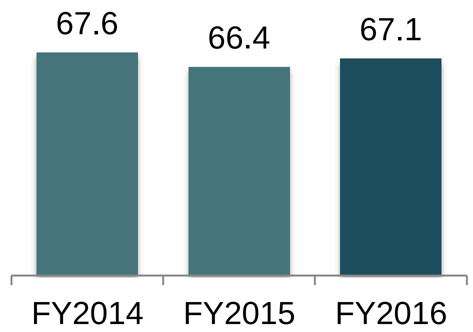
EBITDA ($m)



Average Occupancy (%)[1]



Staff cost : revenue (%)



1. Excludes facilities undergoing refurbishment

Residential Aged Care Sector

A significant component of the healthcare sector with strong demographic growth underpinning demand

76,000 additional beds required in the next decade

- Approx. $33 billion in investment needed to meet forecast demand

Solid revenue platform

- $15.8 billion in annual revenue
- $10.4 billion of this is Government funding
- ACFI growth rate circa 5.1% p.a.
- Additional services increasing to consumer choice

Industry expected to shift toward consumer directed and funded care

- Opportunity for providers to expand service offering

Market remains highly fragmented

- 2,600 facilities operated by more than 1,000 providers nationally
- Opportunities for consolidation

Growth strategy aligned to future market environment

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, including significant refurbishment
Selective acquisitions	Expand our national portfolio via value-accretive acquisitions that meet our investment criteria
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

Enhancing the existing portfolio

Business model underpinned by focus on delivering high quality care

- **Continued focus on clinical care and governance**
  - Strong Registered and Enrolled Nurse presence
  - Specialised dementia care capability
  - All facilities fully accredited with 44/44 outcomes

- **High quality accommodation and amenities**
  - Social and community spaces
  - Expanded wellbeing and lifestyle options

- **Continued investment in capability to support growth**
  - COO and CIO appointed
  - Investment in digitisation and business intelligence

Developments progressing well

Development program to deliver 900+ new places by the end of FY2019

Strategy to deliver over 2,500 new places by 2025/26

- **Greenfields: building presence in optimal metropolitan locations**
  - Targeting sites in under-bedded metropolitan locations to underpin future occupancy, additional services revenue, and contract pricing
  - 4 new sites secured in FY2016 to deliver 450 new operational places
- **Brownfields: delivering modernised facilities and new capacity at existing homes**
  - Bayview and Trevu delivered 54 new places in FY2016
  - 4 developments to be completed in FY2017 – 124 new bed places
- **Attractive financial returns**
  - Revenue uplift opportunities in new/upgraded facilities
  - RAD capital supports developments

Architectural Schematic – Mt Waverley, VIC (Greenfield)

Architectural Schematic – Central Park, Windsor, VIC (Brownfield)

Implementing selective acquisitions

Disciplined and selective approach

- **Successful acquisition and integration of Profke portfolio**
  - 520 places in operation
  - Entry into QLD, expansion in NSW
  - Integration progressing to plan, reconfiguration and refurbishment underway
- **Strong acquisition track record established**
  - FY2016: Profke, 587 places
  - FY2015: Whelan, 258 places
- **Strict investment 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

Noosa Residential Care – part of the acquired Profke portfolio

Conclusion

Japara Healthcare implements on strategy – continue to deliver sustainable earnings growth over the medium term

- Majority of revenue and EBITDA growth will come from capacity expansion
- Development program
  - Circa 1,000 bed places by 2020
  - More than 2,500 bed places by 2025
  - Continued investment in portfolio to maintain high quality accommodation and significant refurbishment revenue
- Acquisition program
  - Selective acquisitions that meet investment criteria
  - Proven track record of value accretive acquisitions
  - Opportunities may present as Government funding cuts impact smaller providers
- Strong net RAD inflows to support growth
  - Circa $78 million in FY17
- Optimal capital structure
  - Strong Balance Sheet
  - Net core debt circa 1 times EBITDA

Conclusion (continued)

- Capable and experience management
  - Continued investment in human resources and technology
  - Excellence in integration of acquisitions and developments
- Funding components remain strong
  - ACFI growth rate – circa 5.1% p.a.
- Greater revenue contribution
  - Additional services
  - Daily Accommodation Payments (DAPs)
  - Significant refurbishment
  - Higher bed contract values in optimal urban locations
  - Sub acute services
  - Capital refurbishment deduction
- Repositioned business model / care program to mitigate impact of recent Federal Government changes to Complex Health Care funding and indexation

Conclusion (continued)

FY17 outlook

- As advised in August 2016, FY17 EBITDA is expected to grow at a similar rate to FY16. Considerations include:
  - Full year contribution from acquisitions
  - Partial FY17 contribution from brownfield and greenfield developments, increasing in FY18 and beyond
  - Transition to post-reform income (e.g. Daily Accommodation Payments, Additional Services, Significant Refurbishment) from pre-reform income (e.g. bond retention and accommodation charges)
  - Low single-digit ACFI growth expected in FY17 in line with Government funding
  - Further investment in capability to support the business' development and growth strategy
- FY17 outlook remains unchanged

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