JAPARA HEALTHCARE

MORGANS AGED CARE & RETIREMENT CONFERENCE
30 NOVEMBER 2016

Andrew Sudholz - Managing Director & CEO

Japara Healthcare's Residential Aged Care Portfolio

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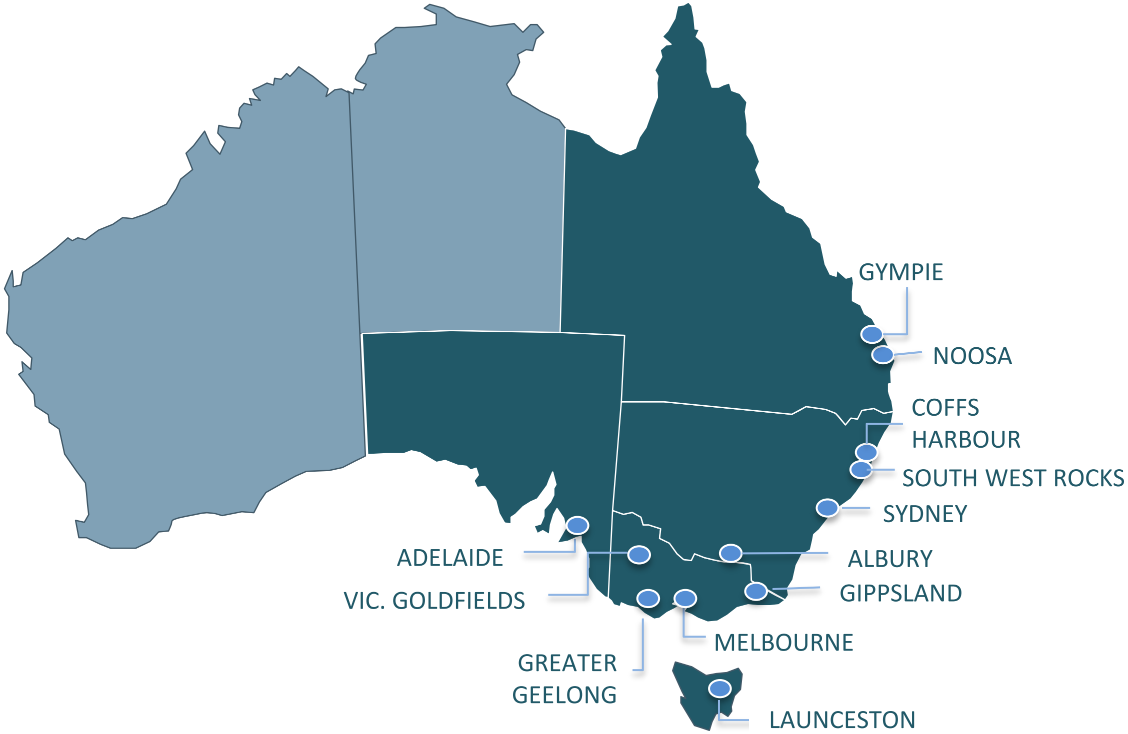
Leading market position with a growing national footprint



43
residential aged care facilities across 5 States

Diversified portfolio of high quality assets

Over
3,950
operational beds

94%
of portfolio is Freehold

100%
accreditation record

Over
4,400
employees

FY16 Overview

FY16 Solid result, in line with 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

Strong balance sheet, well positioned for growth

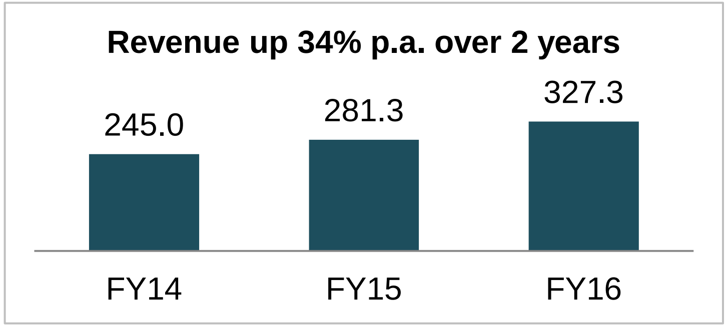
- Net bank debt of $34.9 million
- $160.5 million of undrawn debt facilities

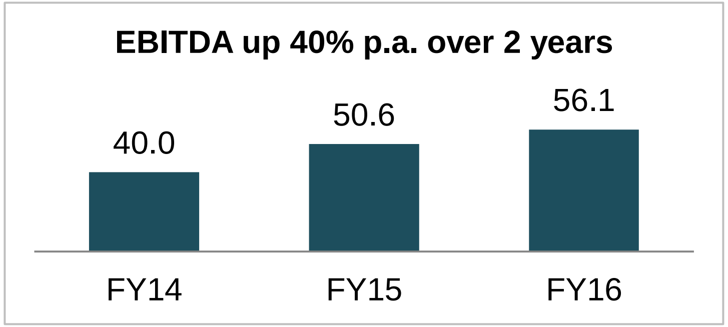
FY16 Overview (Continued)

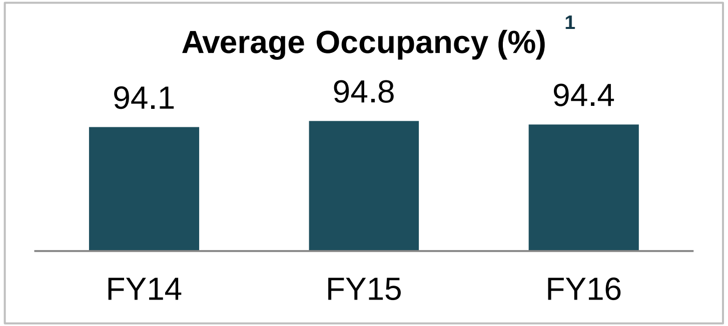
Excellent progress on diversified growth strategy

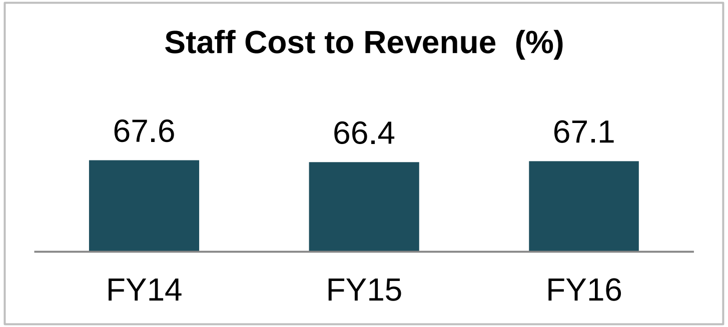
- Developing new capacity in strategic markets
- Majority of revenue growth via:
  - Additional services
  - Daily Accommodation Payments (DAPs)
  - Developments and significant refurbishment
  - Acquisitions
- Strong and Sustainable cash flow
  - Cash flow generation supports double digit EBITDA growth

A History of Outstanding Performance









1. Excludes facilities undergoing refurbishment

History of Outstanding Performance – 10 Year Growth Summary

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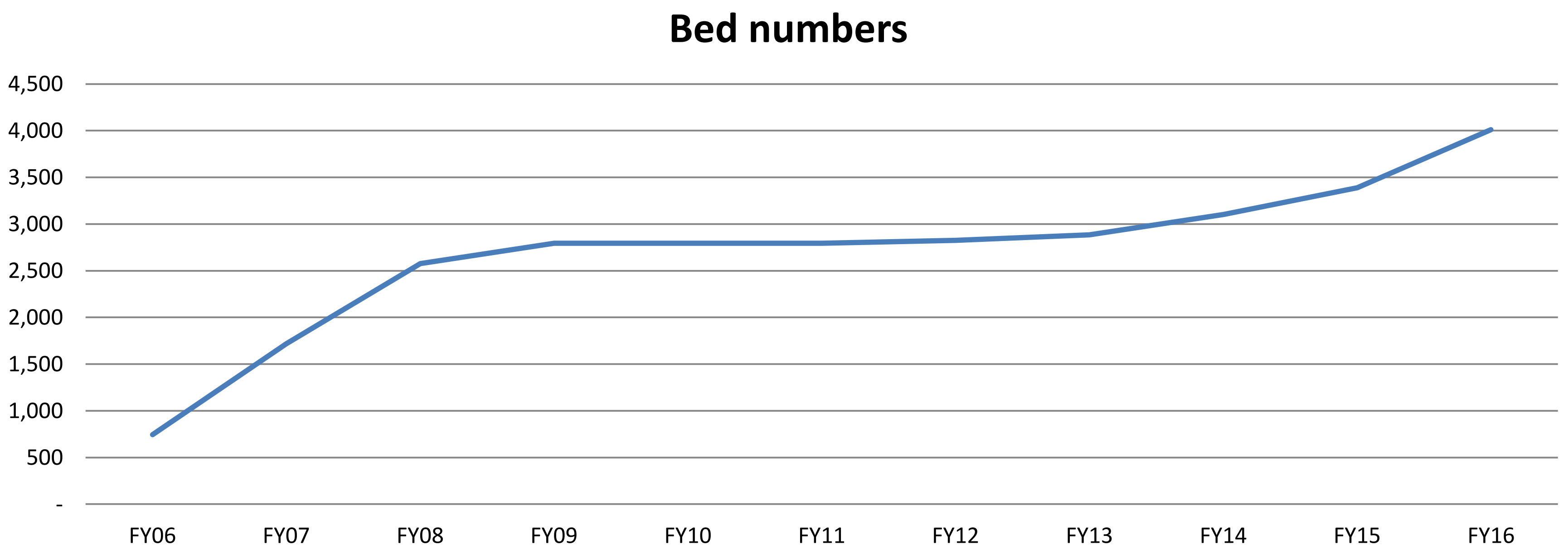

18.5%

Compound Annual Growth Rate

History of Outstanding Performance - 10 Year Growth Summary

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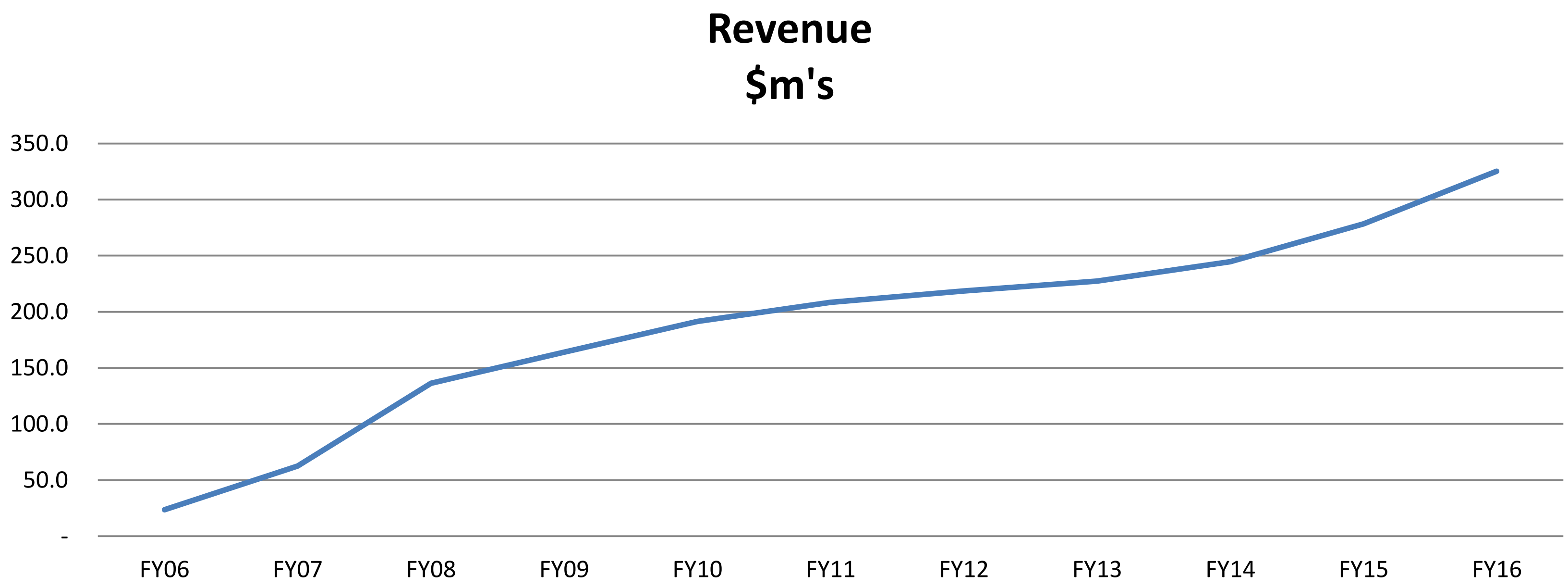

29%

Compound Annual Growth Rate

Residential Aged Care Sector – Attractive Sector Demographics

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

76,000 additional beds required in the next decade

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

Solid revenue platform backed by Government funding

- $15.8 billion in annual revenue
- $10.4 billion of this is Government funding in FY16
- ACFI growth rate circa 5.1% p.a. projected
- Additional services increasing due 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

Business Growth 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	Substantially expand by delivering high quality additional capacity through brownfield and greenfield developments
Selective acquisitions	Increase 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

Aligning the Existing Portfolio to Future Market

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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

- **Deliver 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

Aligning the Existing Portfolio to Future Market (Continued)

- **"New World" service delivery and revenue**
  - Specified care and services
    - ACFI funded
  - Additional services
    - Resident funded
  - Daily Accommodation payment
    - Resident funded
  - Significant Refurbishment supplement
    - Government funded
  - Sub Acute / Transitional care
    - Hospital funded
  - Capital Refurbishment Deduction
    - Resident funded
  - Specialised Dementia care
    - Resident funded beyond specified care and services

Developments Provide Substantial Growth

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, increase additional services revenue, and higher Bed Contract Values
  - 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
  - Central Park comes on line in December 2016. Expected to deliver an additional circa $20 million in RAD capital and $2.0 million in increased EBITDA in FY18

Architectural Schematic – Mt Waverley, VIC (Greenfield)

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

Developments Provide Substantial Growth (Continued)

- **Significant Refurbishment to enhance resident's living environment**
  - Capital investment circa $15 million over next 2.5 years
  - Increase in EBITDA in excess of $4.0 million by FY19

- **Improving financial returns**
  - RAD capital used to repay development debt
  - Higher Bed Contract Values from optimal metropolitan locations delivers higher DAPs and Japara Signature Services revenue

A History of Value Adding Acquisitions

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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
- **Proven integration capability**
- **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 to meet demand – focus on optimal metropolitan locations**
  - Circa 1,000 bed places by 2020 – land owned or secured and bed licences held
  - More than 2,500 bed places by 2025 – Build, own and operate
  - Continued investment in portfolio to maintain high quality accommodation and significant refurbishment revenue
- **Acquisition program continuing**
  - 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 $75 million to $80 million in FY17 (increased penetration, RAD uplift and new RADs)

Conclusion (Continued)

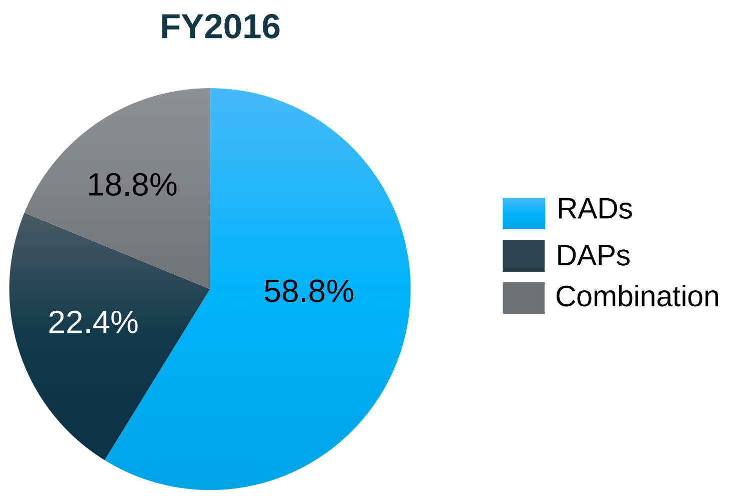
- **Appropriate portfolio and asset management strategy**
  - Continued investment to maintain high quality facilities and lifecycle of physical asset
  - Portfolio management practice – reinvestment into top 15%

- **Optimal capital structure in place**
  - Strong Balance Sheet
  - Net core debt circa 1 times EBITDA

- **Managing RAD Liability in Perpetuity**
  - Bed Contract Values set at circa 50% of medium house price in LGA
  - Cash Reserve held in Bank
  - Relationship of EBITDA to RAD/Bond liability held at around 6 times

Conclusion (Continued)

- **Optimise the balance between RAD and DAP**
  - Minimising risk to RAD debt
  - Accessing RAD capital to fund developments via repayment of construction debt
  - Increased revenue from DAP and combination payers



Conclusion (Continued)

- **Excellent integration capability to imbed acquisitions and developments**
- **Highly defensive underlying earnings backed by Government funding**
  - ACFI growth rate – circa 5.1% p.a. projected
- **Greater revenue contribution in future from:**
  - Additional services (Japara Signature)
  - Daily Accommodation Payments (DAPs)
  - Significant refurbishment
  - Sub acute services
  - Capital refurbishment deduction
- **Business is highly capable of managing change – experienced management**
  - Continued investment in human resources and technology
  - Repositioned business model and high care program to mitigate impact of recent Federal Government changes to Complex Health Care funding and indexation

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