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Japara Healthcare Builds on Growth

Japara Healthcare Limited ("Japara Healthcare" or "the Company") today announced its results for the half year ended 31 December 2016 (H1 FY17).

Japara Healthcare has continued to implement and deliver on its growth strategy.

Financial outcomes:

- Total revenue up 14.5% to $178.5 million (H1 FY16: $155.9 million)
- EBITDA up 3.6% to $29.1 million (H1 FY16: $28.1 million)
- Net profit after tax down 9.9% to $14.6 million (H1 FY16: $16.2 million)
- Interim dividend of 5.5 cents per share, fully franked (H1 FY16: 5.75 cents per share)
- Strong balance sheet underpins growth strategy
  - Net bank debt of $7.8 million at 31 December 2016
  - Available liquidity of circa $200 million
  - Net RAD[1] inflows of $29.0 million

Operating highlights:

- Ongoing focus on high quality resident care and innovation in service delivery
- Solid average occupancy at 94.4%
- Performance of Profke portfolio below H2 FY16 levels has impacted H1 FY17 result, but now improving with increase in occupancy
- Continued investment in new and existing capacity
  - Long term demand underpinned by ageing population
  - Very good progress on greenfield and brownfield developments during H1 FY17
    - 4 brownfield facilities delivered and 3 greenfield projects underway
    - 4 additional land sites secured thus far in FY17 in optimal metropolitan locations
    - Land now secured for 10 of 11 greenfield projects
    - On track to deliver over 1,100 new greenfield places by FY20
  - Commencement of a $15 million significant refurbishment program upgrading 13 facilities over the next 2 years

FY17 outlook:

- EBITDA is expected to grow at 7% - 10% on FY16

Commenting on the announcement, Japara Healthcare's Chief Executive Officer, Andrew Sudholz, said;

"During FY17, we have further strengthened our business to grow earnings over the medium term with an increased focus on greenfield developments.

"We have continued to deliver high quality care to our residents, whilst making very good progress with land acquisitions to enhance our development program.

"We have successfully completed 4 brownfield developments and secured 4 additional land sites in optimal metropolitan locations with strong demand profiles, targeted to deliver 445 new places.

"Land has now been secured for 10 of our 11 greenfield projects which are targeted to provide over 1,100 places by FY20 to cater to the growing demand from Australia's ageing population. This is a key element of our growth strategy which will deliver significant revenue and EBITDA growth for the Company.

[1] Refundable Accommodation Deposit (RAD)

"We are also continuing with our significant refurbishment program to upgrade 13 facilities over the next 2 years which is expected to provide progressive EBITDA uplift in excess of $4 million over this period.

"We have maintained our conservative capital management strategy which is important in the current environment and we have a strong balance sheet with net bank debt of $7.8 million and available liquidity of circa $200 million. This supports our growth agenda and provides funding flexibility going forward.

"The H1 FY17 EBITDA reflected moderate growth, however we experienced a temporary fall off in the performance of the Profke portfolio after these facilities had performed very well in the first 6 months of our ownership. This fall off was mainly due to occupancy issues which have now been addressed. We expect this portfolio's earnings will recover to the stronger levels achieved in FY16."

H1 FY17 results overview

Japara Healthcare reported total revenue of $178.5 million, up 14.5% on H1 FY16. Average underlying occupancy remained strong at 94.4%. Revenue benefited from new brownfield developments coming online and a full period contribution from the Profke portfolio acquired in December 2015. An increase in average ACFI per resident per day attributable to an increase in average resident acuity and indexation, also contributed to the revenue uplift.

EBITDA increased to $29.1 million, up 3.6% on H1 FY16. The Company continued to actively manage staff costs having regard to increasing resident needs, facility ramp-ups and acquisition integration.

Net profit after tax decreased to $14.6 million, down 9.9% on H1 FY16, due to an increase in growth related depreciation and financing costs and a one-off tax benefit received in the prior period.

The Company continued its good record of strong cash generation, delivering net operating cash flows of $37.4 million plus net cash inflows from RADs of $29.0 million. The Company's balance sheet is strong and well positioned to support future growth, with net bank debt of $7.8 million at 31 December 2016.

Outlook

Japara Healthcare has slightly revised its FY17 outlook, with EBITDA expected to grow at 7% - 10% on FY16.

Dividend and Dividend Reinvestment Plan

The Board has determined to pay a fully franked interim dividend of 5.5 cents per share on 28 April 2017 (H1 FY16: 5.75 cents per share).

The Company's Dividend Reinvestment Plan (DRP) will operate in respect of the interim dividend. No discount will be applied when determining the price at which shares will be issued under the DRP for this dividend.

The Company's intention remains to pay full year dividends of up to 100% of net profit after tax, franked to the maximum extent possible.

Investor and analyst briefing

As previously advised, at 10.30am (AEDT) today, Japara Healthcare will conduct an investor and analyst briefing on the H1 FY17 results. The investor presentation has today been lodged with the ASX.

The briefing will be recorded and an archived version will be available within the Investor Centre on Japara Healthcare's website later in the day (http://investor.japarahealthcare.com.au/Investor-Centre/).

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