



FY17 Half Year Results Presentation

27 February 2017

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H1 FY17 – Financial highlights	3	Appendices	16
H1 FY17 – Operational highlights	4	Appendix 1: Indicative greenfield development	17
H1 FY17 – Financial overview	5	Appendix 2: Japara's residential aged care portfolio	18
Key operational metrics	6	Appendix 3: Portfolio metrics	19
Profke update	7	Appendix 4: Detailed profit and loss	20
RAD:DAP mix – trend and projection	8	Appendix 5: Detailed statutory cash flow statement	21
Balance sheet summary H1 FY17	9	Appendix 6: Balance sheet	22
Brownfields update	10	Disclaimer	23
Land acquisition & greenfields update	11		
Significant refurbishment program	12		
Industry drivers	13		
Integrated strategy	14		
Conclusion and outlook	15		



H1 FY17 – Financial highlights

- Strong Balance Sheet Underpins Growth Strategy
- Operating Model Consistently Generates Cash Flows From Both Operating And Capital Funding Sources



**Total
Revenue**
\$178.5m
Up 14.5%



EBITDA
\$29.1m
Up 3.6%



**Interim
Dividend**
5.50 cents
**Fully
Franked**



EPS
5.50 cents



**Conservative
Capital
Structure**
Net bank debt \$7.8m



**RAD
Cash Flows**
Strong
\$29.0m

H1 FY17 – Operational highlights

- Track Record Of Strong Operating Performance Maintained



Brownfields developments

124 premium rooms delivered



Four new land purchases in FY17

445 new greenfield beds to be built



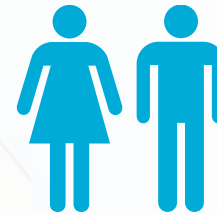
Significant refurbishments

13 facilities over next 2 years to provide in excess of \$4.0m EBITDA uplift



Care

100% accreditation record maintained



Occupancy

averaging 94.4%



Profit Acquisition

H1 FY17 EBITDA of \$3.1m

Expect recovery to FY16 level of earnings

H1 FY17 – Financial overview

Growth achieved in revenue and EBITDA

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\$ Millions	H1 FY17	H1 FY16	Change %
Total revenue	178.5	155.9	14.5
Total costs <i>Includes restructuring costs of \$0.8m and brownfield development start-up costs of \$0.5m</i>	149.4	127.8	16.9
EBITDA	29.1	28.1	3.6
EBIT	22.3	22.6	(1.3)
NPAT <i>Effective tax rate increased from 26% to 29%</i>	14.6	16.2	(9.9)
EPS	5.5 cps	6.2 cps	(11.3)
Interim dividend	5.5 cps	5.75 cps	(4.3)

Key operational metrics

Brownfield developments coming online

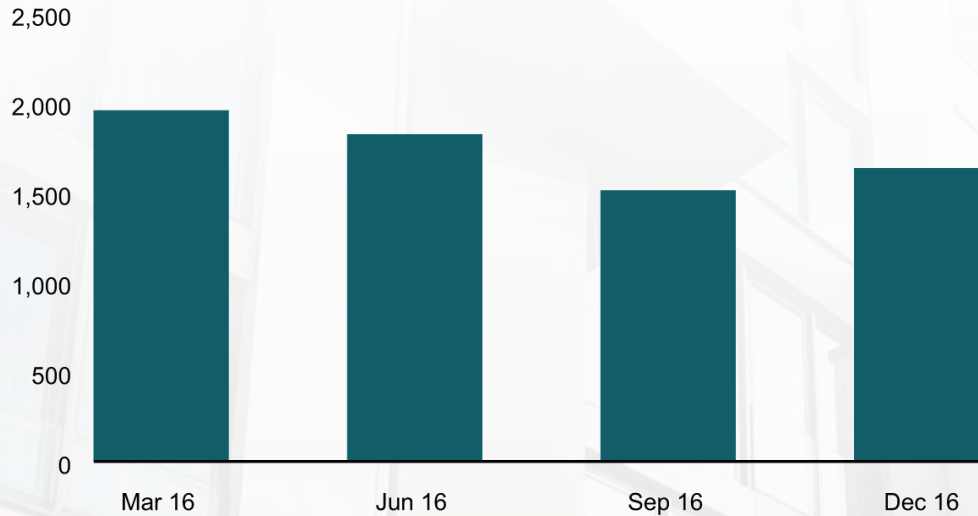
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	H1 FY17	H1 FY16	Change %
Number of facilities	43	43	-
Operational places	3,840	3,772	1.8
Average underlying occupancy ¹	94.4%	94.6%	(0.2)
Average ACFI (\$ per resident per day)	188.20	184.39	2.1
Staff costs to revenue	67.9%	66.1%	1.8
Average concessional residents ²	37.9%	37.6%	0.3
Average incoming bed contract price (\$'000) <i>Steady increase in bed contract values as prime metropolitan developments come on line</i>	339.7	315.1	7.8
Net RAD/Bond & ILU loan inflow (\$m)	29.0	30.1	(3.7)
Funded bed days	641,849	568,761	12.9

Notes:

1. Average underlying occupancy excludes facilities undergoing brownfield developments & Profke.
2. Calculated as the number of concessional residents: operational places.

Profke Group – EBITDA per qtr \$'000



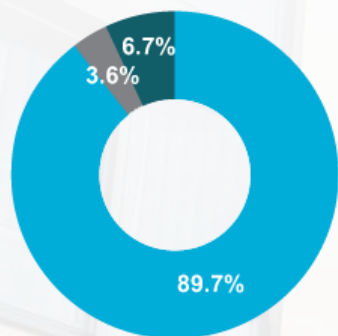
- Earnings were on target for all 4 facilities for the 7 months to June 16
- Coffs Harbour and Gympie facilities maintained good earnings performance throughout H1 FY17
- Noosa facility undergoing major renovation (\$5m capex). Occupancy fell from 90% to 85% and has recently increased to 91%
- South West Rocks facility occupancy fell from 77% to 71%. Steps to improve include:
 - Recent change of management
 - Planned significant refurbishment
 - Implement Japara's dementia support focussed strategy

RAD:DAP mix – trend and projection

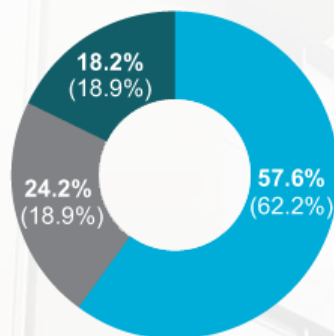
Resident accommodation payment trend provides appropriate balance between capital and income

- Preference of incoming residents post reform is relatively consistent
- Japara's bank facilities, development returns and gearing policy determined cognisant of this trend

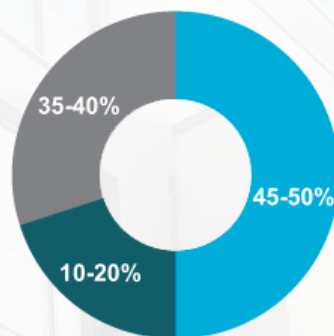
**Total Portfolio
Pre Reform June 2014**



**Total Portfolio
H1 FY17
(PCP in brackets)**

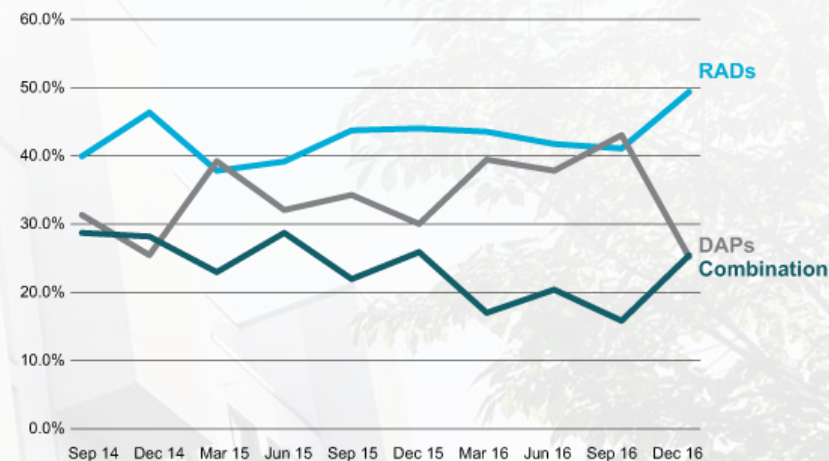


**Total Portfolio
Indicative Future**



● RADs ● DAPs ● Combination

**Post Reform – profile of incoming
residents by quarter**



RADs typically represent a greater proportion on higher priced development beds

Balance sheet summary H1 FY17

Strong balance sheet supports growth and provides funding flexibility

Balance sheet as at 31 Dec 16 \$m's

Property, plant and equipment	533.2
Intangibles	465.6
Other assets	68.9
RAD liabilities	(409.5)
Other liabilities	(116.0)
Net bank debt	(7.8)
Net assets	534.4

- Low net bank debt
- Available liquidity circa \$200m (undrawn credit lines plus cash)

Cash Generation in H1 FY17 \$m's



Brownfields update

4 projects successfully delivered during H1 FY17

Facility completed	Land owned	Development approval	Total new places built	Net new places	Single bed profile	Completed
Kirralee, Ballarat	✓	✓	24	13	100%	Sep 16
George Vowell, Mt Eliza	✓	✓	35	34	100%	Oct 16
St Judes, Narre Warren	✓	✓	40	30	100%	Nov 16
Central Park, Windsor	✓	✓	25	0	100%	Dec 16
			124	77		

Facility commenced	Land owned	Development approval	Total new places	Net new places	Single bed profile	Estimated completion
Kingston Gardens, Springvale	✓	✓	68	56	100%	FY18
Mirridong, Bendigo	✓	Underway	16	16	100%	FY18
Strzelecki House, Mirboo North	✓	Underway	26	17	100%	FY19
			110	89		

Land acquisition & greenfields update

4 new land purchase contracts in optimal metropolitan locations finalised in FY17

Optimal locations	Land secured	Development approval	Total new places	Net new places	Single bed profile	Estimated completion
Launceston (Tasmania)	✓	✓	90	90	100%	FY17
Glen Waverley (Melbourne)	✓	✓	60	60	100%	FY18
Rye (Melbourne)	✓	✓	99	99	100%	FY18
Newport/Williamstown (Melbourne)	✓	Underway	120	120	100%	FY19
Belrose (Sydney)	✓	Underway	120	50	100%	FY19
Mount Waverley (Melbourne)	✓	Underway	120	95	100%	FY19
Highton (Geelong)	✓ (FY17)	Underway	120	120	100%	FY19
Reservoir (Melbourne)	✓ (FY17)	Underway	120	120	100%	FY20
Robina (Gold Coast)	✓ (FY17)	Underway	105	105	100%	FY20
Mitchelton (Brisbane)	✓ (FY17)	Underway	100	100	100%	FY20
Southern Metro	Final negotiation	X	90	90	100%	FY20
Circa 900 bed licenses owned or secured to support developments program			1,144	1,049		

Significant refurbishment program

Continued investments to upgrade assets to highest quality

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Facility	Operational places
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Roccoco	71
Narracan Gardens	167
Viewhills Manor	120
Lakes Entrance	66
Bonbeach	65
Sandhurst	30
Springvale	73
Scottvale	107
The Homestead	63
Gympie	130
Goonawarra	120
Coffs Harbour	120
South West Rocks	80

- Capital expenditure of circa \$15m and EBITDA uplift in excess of \$4m occurring progressively over FY18 and FY19



Industry drivers

Attractive sector demographics

Attractive sector demographics with strong demand

- 76,000 additional beds required over next decade¹ (cumulative annual growth rate of 3.4%)

Underlying earnings backed by Government funding

- Government funding long term growth of 5.1% per annum
- \$11 billion per annum

Development funding

- Refundable Accommodation Deposits (RAD) regime supports new facility developments

Consumer directed

- Shift to consumer directed and funded care
 - Additional services increasing
 - Differentiation of increasing importance

Entry barriers

- Entry barriers a combination of accreditation, funding, regulatory knowledge requirements and management capability

Reform review

- Legislated 3 year post reform review due August 2017

Note:

1. Aged Care Financing Authority : Annual Report on the Funding and Financing of the Aged Care Sector – July 2016.

Growth Strategy

Deep Research

- Land Acquired
- Licences Held
- Developments
- Significant Refurbishment
- Acquisitions

Return Requirements

Adjacencies Assessed

Capital Management

Integrated

- Dividend & Gearing Policies
- RAD:DAP Composition
- Long Term Bank Facilities Aligned with Developments
- Low Core Bank Debt

Support Growth Strategy

Operational Excellence

Change Management

- Care Leadership Balanced by Cost Discipline
- Service Innovation
- Technology Progression
- Human Resource Development
- Procurement Leverage

Value Proposition

**Clear path to more than
1,100 new greenfield places**

**Delivering value whether
RADs or DAPs**

Conclusion and outlook

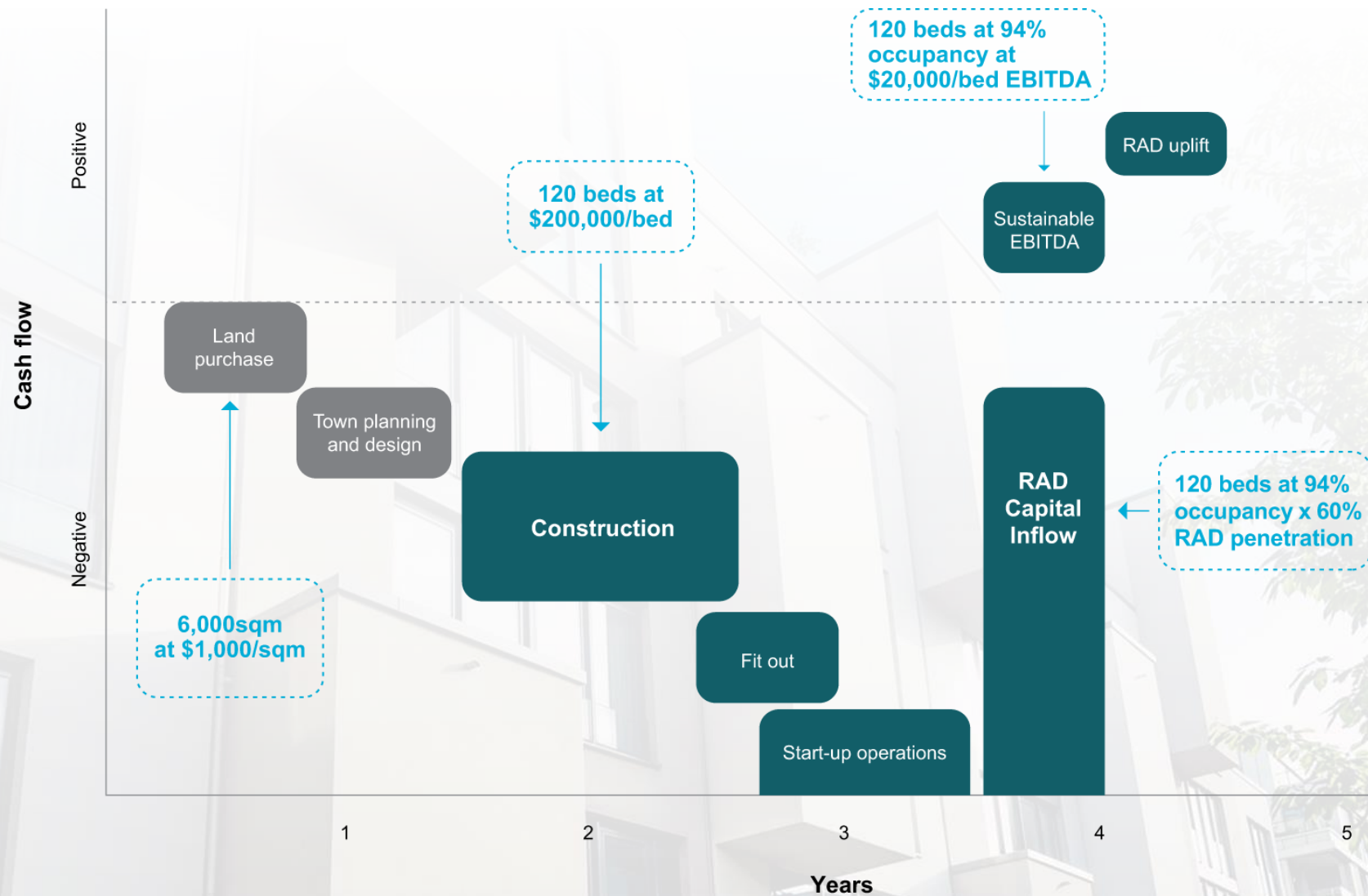
- Balance sheet strength supports growth strategy and provides diversified funding sources
- Land acquisitions and developments program have progressed very well in H1 FY17 and underpin medium term growth
- FY17 EBITDA is expected to grow at 7% to 10% on FY16
- Stronger second half is expected with brownfield developments admitting more residents, Profke facilities' earnings recovery and significantly lower restructuring and development start-up advertising costs



Appendices



Appendix 1: Indicative greenfield development



Appendix 2: Japara's residential aged care portfolio

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

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43
residential
aged care
facilities

Over
3,800
operational
places

100%
accreditation
record

Growing
portfolio
across
5
states

180
Independent
Living Units

Over
5,200
employees

Appendix 3: Portfolio metrics

	As at 31 Dec 16		As at 31 Dec 15		Change
Resident mix					
Concessional	1,434	40%	1,398	40%	2.6%
RAD	1,144	32%	1,219	34%	(6.2%)
DAP	481	14%	370	11%	30.0%
Combination	361	10%	370	11%	(2.4%)
Pre-reform high-care places	50	1%	80	2%	(37.5%)
Respite	61	2%	32	1%	90.6%
TCP / Other	30	1%	24	1%	25.0%
Total residents	3,561	100%	3,493	100%	1.9%
Staffing					
Number of staff (including part time and casuals)	5,275		4,972		6.1%
Places					
Operational places	3,840		3,772		1.8%
Non-operational places	200		204		(2.0%)
Allocated in ACAR 2014	408		472		(13.6%)
Allocated in ACAR 2015	313		-		n/a
Total places	4,761		4,448		7.0%
Places (metro/regional split)					
Metro	2,755	58%	2,574	58%	7.0%
Regional	2,006	42%	1,874	42%	7.0%
Total places	4,761	100%	4,448	100%	7.0%
Average age of facilities (years)					
	14		14		
Geographic spread (facilities)					
Victoria	72.1%		72.1%		
NSW	9.3%		9.3%		
SA	11.6%		11.6%		
TAS	2.3%		2.3%		
QLD	4.7%		4.7%		

Appendix 4: Detailed profit and loss

	H1 FY17	H1 FY16	Change	
	\$'000	\$'000	%	\$'000
Revenue				
Government care funding	127,364	111,979	13.7%	15,385
Resident care funding	49,729	42,057	18.2%	7,672
Other revenue	1,408	1,821	(22.7%)	(413)
Total revenue	178,501	155,857	14.5%	22,644
Expenses				
Staff costs	(121,262)	(103,112)	17.6%	(18,150)
Resident costs	(14,069)	(12,256)	14.8%	(1,813)
Other costs	(14,115)	(12,366)	14.1%	(1,749)
Total expenses	(149,446)	(127,734)	17.0%	(21,712)
EBITDA	29,055	28,123	3.3%	932
Depreciation and amortisation	(6,720)	(5,530)	21.5%	(1,190)
EBIT	22,335	22,593	(1.1%)	(258)
Net interest expense	(1,589)	(688)	131.0%	(901)
Income tax expense	(6,113)	(5,694)	7.4%	(419)
NPAT	14,633	16,211	(9.7%)	(1,578)

Appendix 5: Detailed statutory cash flow statement

	H1 FY17 \$'000	H1 FY16 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	194,175	166,784
Payments to suppliers and employees	(150,365)	(123,604)
Income taxes paid	(5,720)	(6,512)
Interest received	309	546
Finance costs paid	(1,006)	(996)
Net cash provided by operating activities	37,393	36,218
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land & buildings	(5,053)	(14,937)
Proceeds from sale of land & buildings	82	1,081
Purchase of plant and equipment	(3,878)	(2,126)
Capital works in progress	(17,957)	(17,722)
Purchase of resident places	-	(2,265)
Acquisition of aged care business, net of cash	-	(64,692)
Other acquisitions and acquisition related costs	-	(6,088)
Net cash used in investing activities	(26,806)	(106,749)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of share capital	2,770	-
Dividends paid	(15,161)	(14,468)
Net proceeds from bank borrowings	11,500	46,800
Proceeds from RADs/accommodation bonds & ILU resident loans	90,329	80,156
Repayment of RADs/accommodation bonds & ILU resident loans	(61,366)	(50,046)
Proceeds from other financial assets	-	22
Net cash provided by financing activities	28,072	62,464
Net (decrease)/increase in cash and cash equivalents held	38,659	(8,067)
Cash and cash equivalents at beginning of the half year	24,568	53,878
Cash and cash equivalents at end of the half year	63,227	45,811

Appendix 6: Balance sheet

	31-Dec-16 \$'000	30-Jun-16 \$'000
ASSETS		
CURRENT ASSETS		
Cash	63,227	24,568
Trade and other receivables	13,684	13,744
Current tax receivable	2,450	787
Other assets	7,699	5,645
TOTAL CURRENT ASSETS	87,060	44,744
NON-CURRENT ASSETS		
Trade and other receivables	2,041	2,804
Non-current assets held for sale	1,634	1,697
Property, plant and equipment	533,229	513,059
Investment property	32,967	31,669
Deferred tax assets	8,417	10,469
Intangible assets and goodwill	465,552	465,552
TOTAL NON-CURRENT ASSETS	1,043,840	1,025,250
TOTAL ASSETS	1,130,900	1,069,994
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	38,876	19,855
Other liabilities	11,382	10,879
Borrowings	2,000	1,350
Other financial liabilities	440,370	413,582
Short-term provisions	30,862	30,101
TOTAL CURRENT LIABILITIES	523,490	475,767
NON-CURRENT LIABILITIES		
Loans and borrowings	69,000	58,150
Long-term provisions	3,982	3,772
TOTAL NON-CURRENT LIABILITIES	72,982	61,922
TOTAL LIABILITIES	596,472	537,689
NET ASSETS	534,428	532,305
EQUITY		
Issued capital	521,496	518,732
Retained earnings	12,932	13,573
TOTAL EQUITY	534,428	532,305

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