



## UBS Australasia Conference 14 November 2017

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# Section One: Business Performance

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# FY17 – Financial highlights

Capital structure and funding sources support growth

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**Total  
Revenue**  
**\$362.2m**  
Up 10.7%



**EBITDA**  
**\$60.2m**  
Up 7.3% &  
in line with  
guidance



**NPAT**  
**\$29.7m**  
Down 2.3%  
due to prior  
year tax  
benefits



**Full Year  
Dividend**  
**11.25 cents**  
Interim: 5.5 cents  
(fully franked)  
Final: 5.75 cents  
(franked to 70%)



**Superior  
Capital  
Structure**  
Net bank debt  
\$19.6m



**RAD  
Cash Inflows**  
**Strong**  
\$55.7m



# FY17 – Operational highlights

Strong operating performance maintained while growth foundation established

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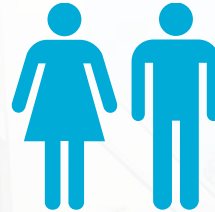
## Bed Prices

Up 8% on pcp as  
portfolio continually  
enhanced



## ACAR

266 additional  
bed licence  
approvals  
received in FY17  
(1,050 licenses  
available)



## Occupancy

Average  
underlying  
occupancy of  
94.6%



## Care

100%  
accreditation  
record  
maintained

# FY17 – Development highlights

Excellent progress on developments program

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## Greenfields Developments

Land now secured for all 11 greenfield projects (5 in FY17) with 1,166 new beds being built



## Brownfields Developments

124 premium rooms delivered & 179 in progress



## Capital Expenditure

\$50m spent on land and developments



## Portfolio Management

- Sizeable \$550m portfolio
- Sale of surplus assets for profit
- Real estate value added



## Section Two: Sector Dynamics

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# Sector dynamics

Strong fundamentals ~ 82,000 new places required by 2025 ~ \$33bn of investment

## 1. Growing demand for residential aged care

- Population 85+ projected to double by 2032
- Residents will need more care as average entry into residential aged care increases
- Current supply below demand requirements

## 2. Favourable regulatory environment

- Regulatory framework (including license allocation) create high barriers to entry
- Government reform has provided increased consumer choice and resident pay structure

## 3. Government support

- Government provides ~70% of direct operating funding to the sector
- Operating funding to grow to circa \$14 billion by 2021
- More cost efficient for Government to fund aged care than hospital beds
- Tune Review sets framework for next phase of industry review

**Sources:** Japara research; Aged Care Financing Authority – Third report on the Funding and Financing of the Aged Care Sector, July 2015; IBISWorld Industry Report – Aged Care Residential Services in Australia, July 2015



# Sector dynamics

Strong fundamentals ~ 82,000 new places required by 2025 ~ \$33bn of investment

## 4. Access to capital

- RAD's provide access to low cost capital as they are interest free
- Equity markets now invested in sector
- Super funds and main stream banks also now invested in sector

## 5. Consolidation opportunity

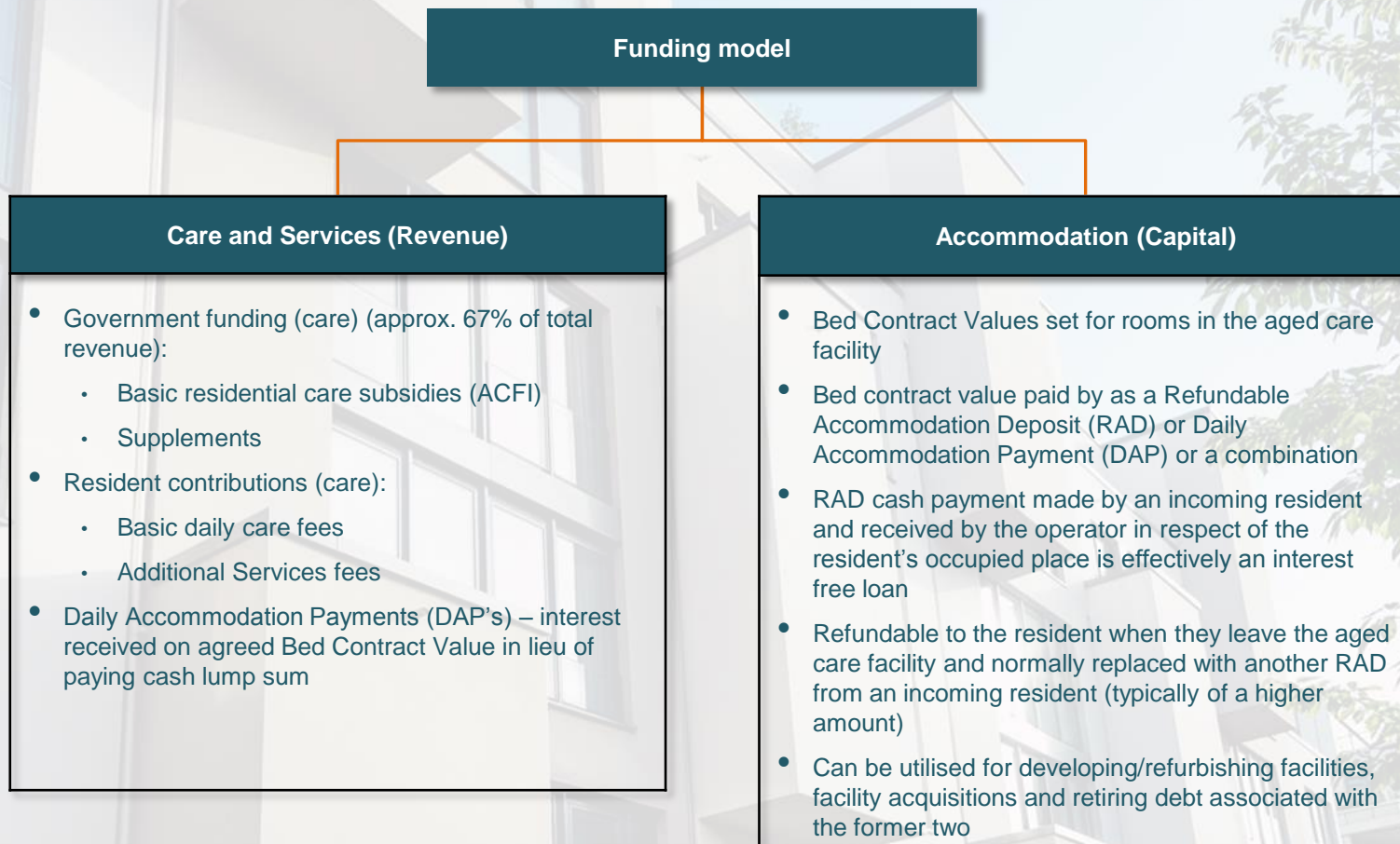
- Sector is still highly fragmented
- Private ownership is still relatively low
- Cost of compliance and rising consumer service demands making it increasingly difficult for smaller players

## 6. A Changing Industry

- Changing consumer expectations causing a rethink on business models and customers experiences
- Integrated business models emerging
- Home & Community Care sector growing

# The funding model

Aged care providers receive their funding from two main sources, care funding and accommodation funding





# Targeted reform outcomes

## Key focus areas for Japara and the Aged Care Guild

- Progressive change to supply arrangements to allow operators to build or enhance facilities in line with market demand
- Increased scope to charge consumers with means for value added services
- Tighter means testing arrangements to ensure sustainability and provision of services to those most in need
- More consistency in means testing across home and residential care
- Continuation of the Bond / RAD Guarantee Scheme
- Supportive workforce policies in the areas of training, immigration and competitiveness of aged care
- Tune Review now completed and presented to Federal Government. Implementation of key recommendations on long term sustainability is critical



# Section Three: Japara Strategy

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# Strategy aligned to real choice for ageing Australians

Very best care in very best environment

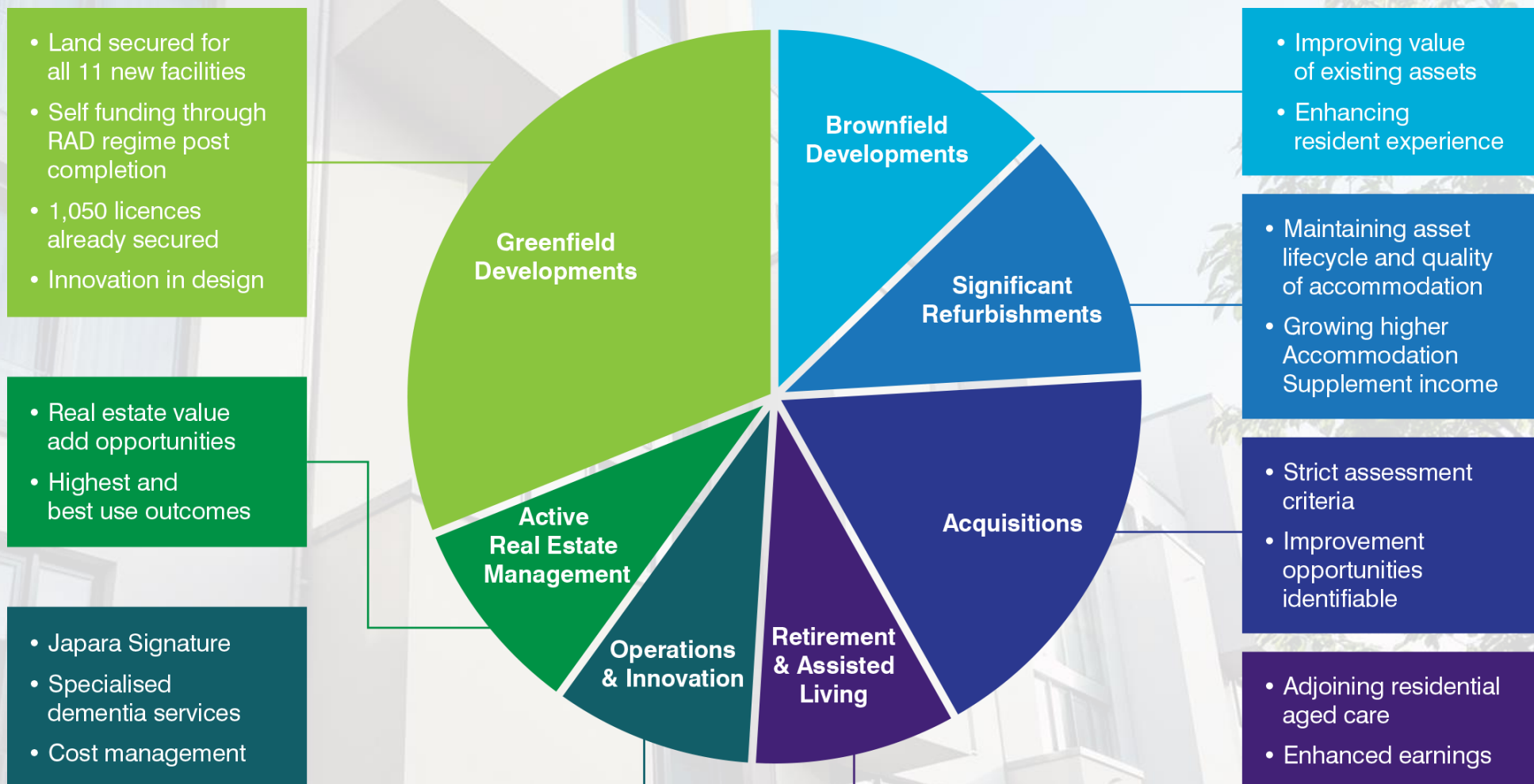
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- High quality care to residents needing to live in aged care homes
- Additional services that enhance resident's experience
- Specialised dementia care to meet resident needs
- Assisted living to residents with lower care needs
- Senior living services and accommodation for retirees
- Home help and personal care services into Japara independent living communities

# Japara's integrated value creation strategy

Diversified strategy with a focus on growth

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# Greenfields program

## Implementing on strategy

Optimal locations	Land secured	Development approval	Total new places	Net new places	Single bed profile	Estimated completion
Launceston (Tasmania)	✓	✓	88	88	100%	✓
Glen Waverley (Melbourne)	✓	✓	60	60	100%	2HFY18
Rye (Melbourne)	✓	✓	99	99	100%	2HFY18
Newport/Williamstown (Melbourne)	✓	Lodged	120	120	100%	FY19
Belrose (Sydney)	✓	Lodged	120	50	100%	FY19
Mount Waverley (Melbourne)	✓	✓	120	95	100%	FY19
Reservoir (Melbourne)	✓	Underway	120	120	100%	FY20
Highton (Geelong)	✓	Lodged	135	135	100%	FY19
Robina (Gold Coast)	✓	Lodged	106	106	100%	FY20
Mitchelton (Brisbane)	✓	Lodged	106	106	100%	FY20
Lysterfield (Melbourne)	✓	Underway	92	92	100%	FY20
			<b>1,166</b>	<b>1,071</b>		

- Circa 1,050 licences owned or secured to support developments program
- Additional 266 in latest ACAR
- 5 new land purchase contracts in optimal metro locations finalised in FY17
- 2 more land purchases in final negotiations at Brisbane and Melbourne (Inner Northern)

# Brownfields update

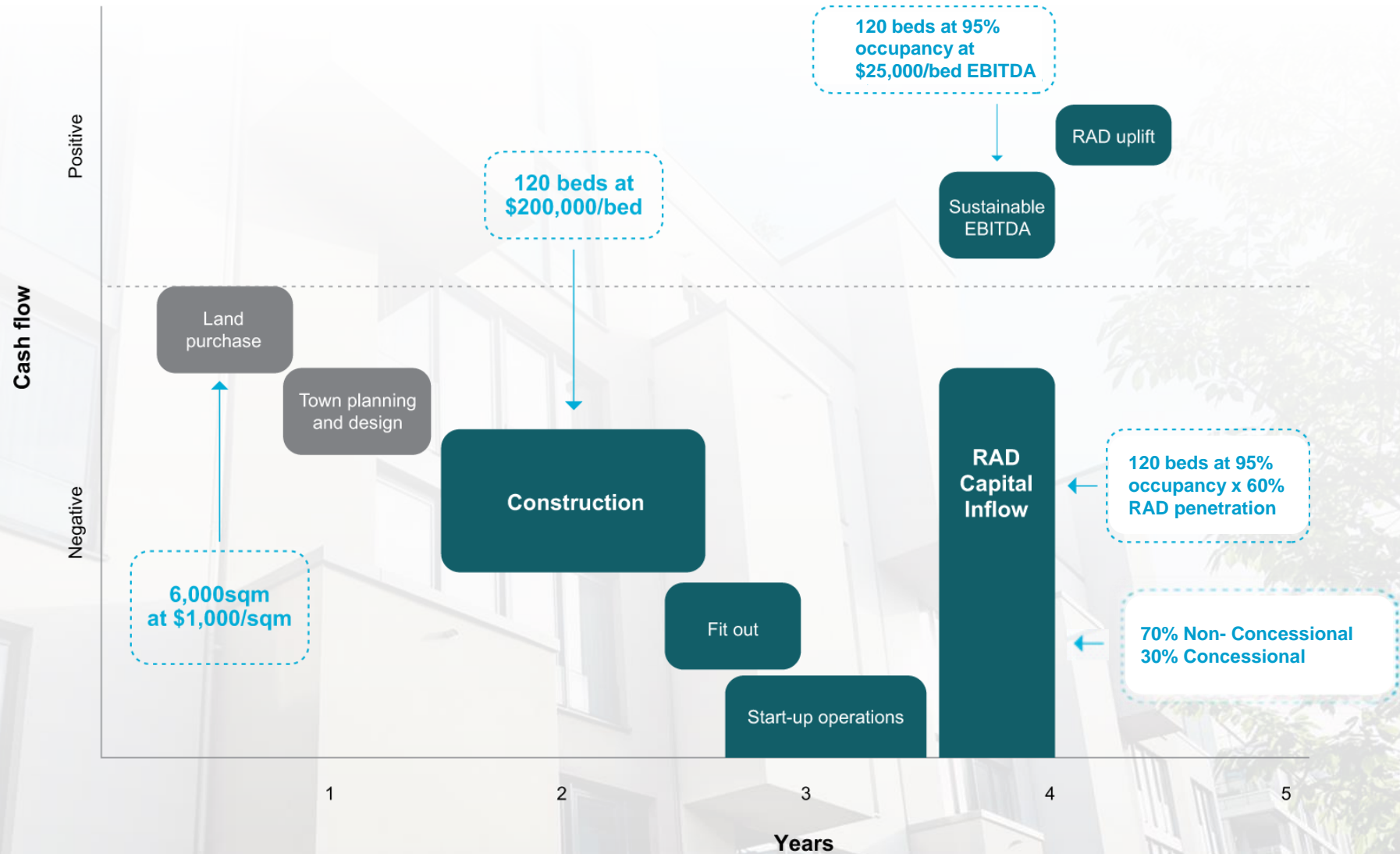
4 projects successfully delivered during H1 FY17 and 6 more in progress

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
			<b>124</b>	<b>77</b>		

Facility commenced	Land owned	Development approval	Total new places	Net new places	Single bed profile	Estimated completion
Noosa, Qld	✓	✓	12	0	100%	1HFY18
Kingston Gardens, Springvale	✓	✓	68	56	100%	2HFY18
Mirridong, Bendigo	✓	✓	16	16	100%	2HFY18
Strzelecki House, Mirboo North	✓	✓	26	17	100%	1HFY19
Albury, NSW	✓	Underway	27	27	100%	FY19
Brighton, SA	✓	Underway	30	23	100%	FY19
			<b>179</b>	<b>139</b>		



# Indicative greenfield development



# Significant refurbishment program

Investment to upgrade assets to highest quality

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- Enhancement of 14 existing facilities over the next 2 years
- EBITDA uplift in excess of \$4.25m occurring progressively over FY18 and FY19
- Improves resident experience
- Improves room values
- Maintains asset lifecycle and quality of accommodation
- Currently 10 facilities qualify for the maximum accommodation supplement, increasing to 28 facilities once upgrade program and Brownfield developments have completed
- All Greenfield developments will also qualify

### **Existing:**

- 180 Independent Living Units and Apartments (ILUs & ILAs) across 5 locations adjoining residential aged care facilities
- Have operated these for 5+ years
- Provide attractive growth opportunity in particular circumstances

### **Proposed developments:**

- Further 200+ ILUs & ILAs across 3 locations adjoining existing residential aged care facilities in our portfolio
- Increasing Group earnings through development profit and annuity income
- Japara DMF structure provides competitive advantage at 2.5% p.a. and capped at maximum of 25% for new projects
- Home and community care services provided to residents living in Japara communities
- Include Allied Health services where appropriate



- Quality dining upgrade
- Hospitality experiences
- Technology and entertainment
- Pampering and aromatherapy
- Wellness
  - Massage
  - Braining training
  - Physical exercise programmes
- Communication programmes with family

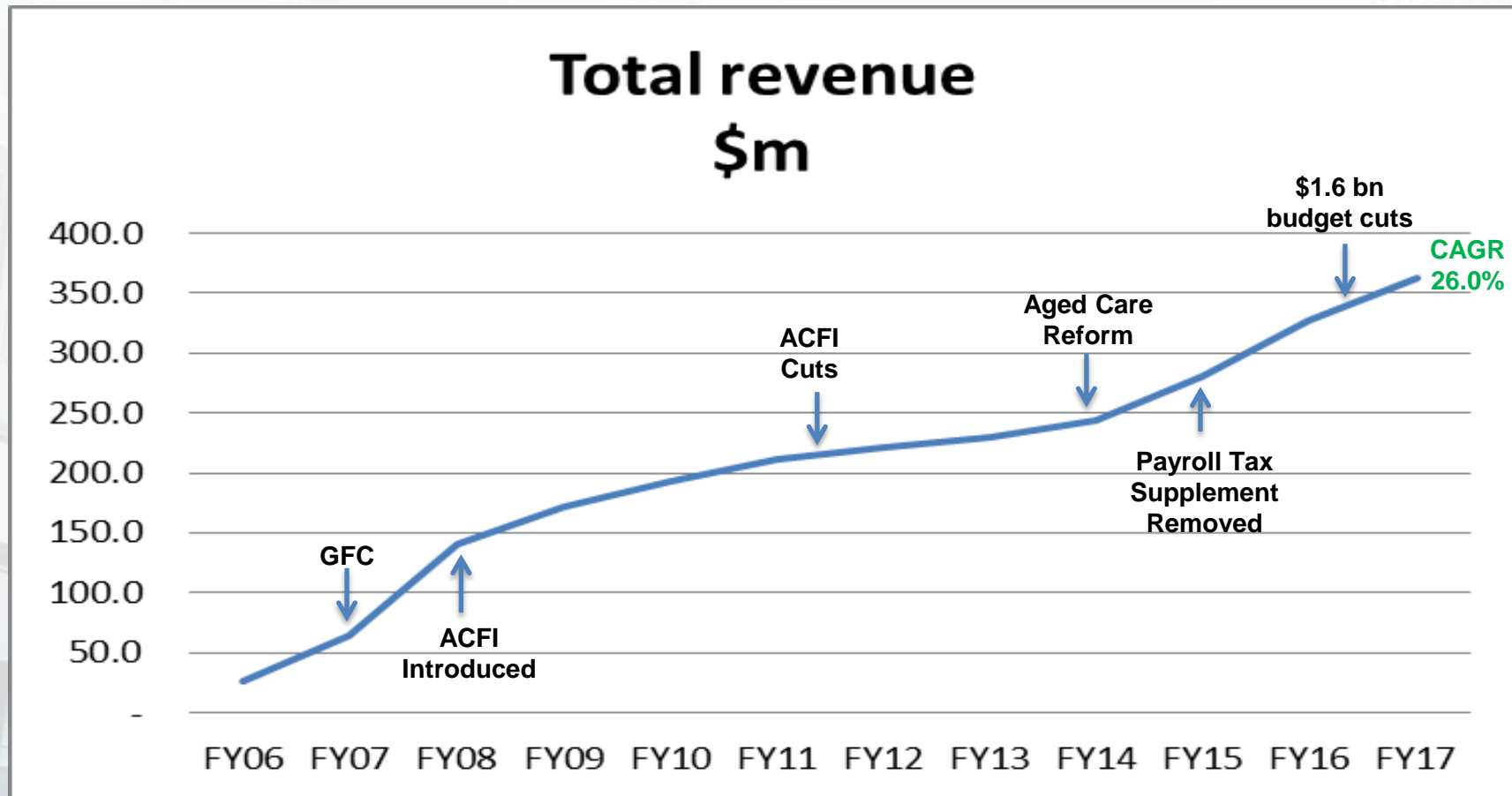
- Portfolio acquisitions
- Single facility acquisitions
- Strict financial and non-financial assessment parameters
- Opportunity for improvement
  - Capital
  - Care model
  - Cost synergies
- Current market conditions – opportunities becoming more prevalent



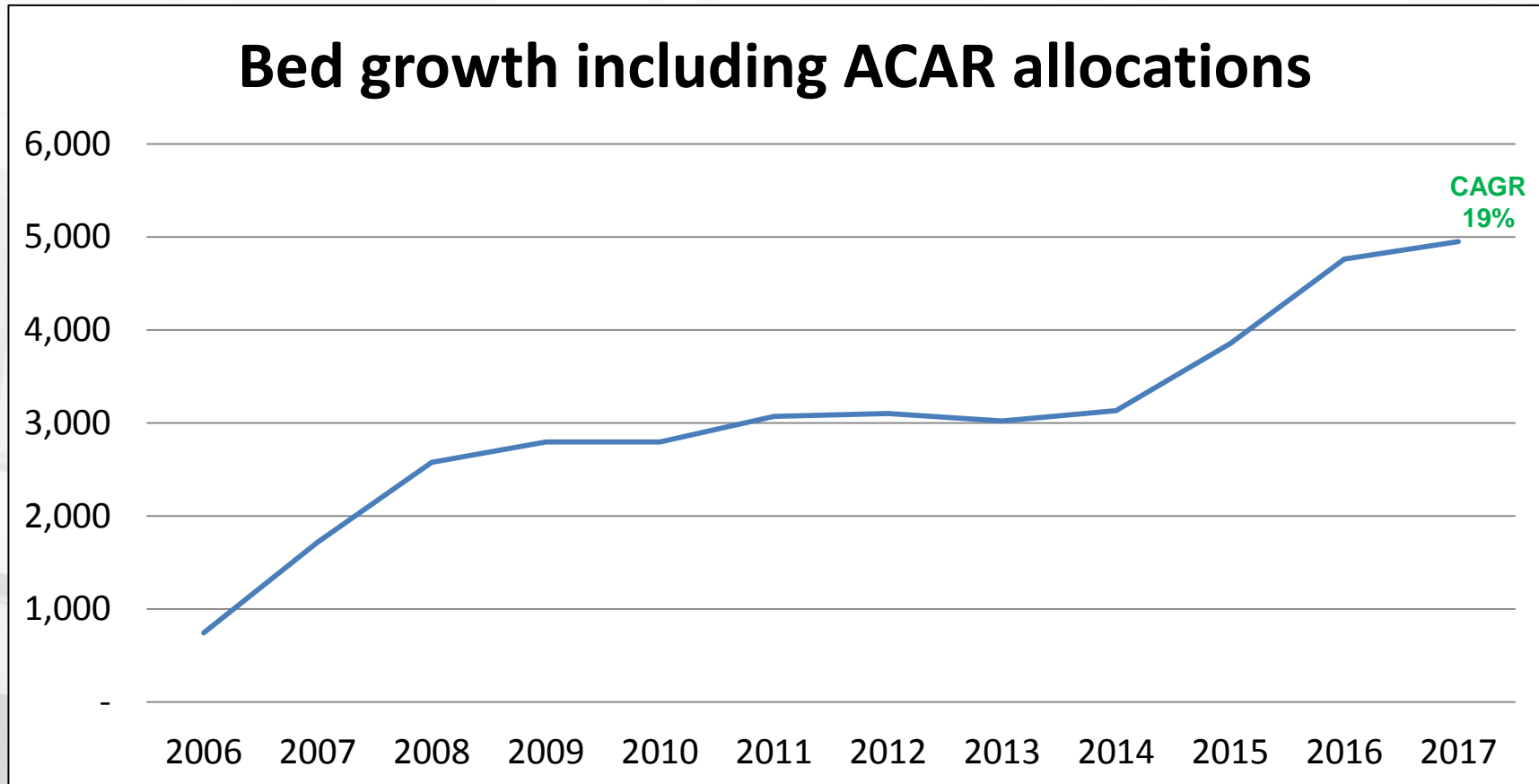


# A decade of growth

- Japara has a history of strong performance which should continue over the medium term



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