



JAPARA

FY18 Half Year Results Presentation

Andrew Sudholz
Managing Director & CEO

Chris Price
Chief Financial Officer

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Section One: Business Performance

H1 FY18 – Financial overview

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Revenue and profit negatively impacted by government funding cuts and temporary fall in occupancy



Total Revenue
\$182.5m

Up 2.2%

Government funding cuts
offset by capacity
expansion

Growth from brownfield
developments completed
in FY17



EBITDA \$24.3m

Down 16.5% and in line
with previous guidance

No ACFI indexation in FY18
and ACFI scoring changes
offset rising acuity

Abnormally severe influenza
outbreaks caused temporary
fall in occupancy (currently
back to 93.5%)

Wages growth of circa 5%
from final year of former
Victorian EBA (circa 2.5%
going forward)



NPAT

\$10.3m

Down 29.5% due to lower
EBITDA

Lower tax offset
higher depreciation

Interim dividend
4.0 cents per share
(franked to 65%)

H1 FY18 – Financial overview

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Strong cash flows and capital structure support future growth



Superior Capital Structure

Net bank debt \$24.4m

Funding in place for growth



Strong Balance Sheet

Supported by circa \$560m of property assets at cost



Net RAD Inflows

\$25.9m

Supporting strong cash flows & exceeding expectations

H1 FY18 – Operational overview

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Excellence in care maintained



Care

100% accreditation record maintained in increasingly regulated environment

High quality care remains fundamental to our model



Bed Prices

Consistent with previous half at circa \$351k

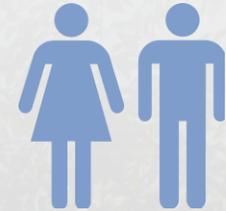
Expected to increase with developments program



Operational Beds

Bed numbers grow to 3,906 as developments complete

Delivering on growth strategy



Occupancy

Average underlying occupancy of 92.3% for H1 FY18 but now normalising

Recovering as expected and now at 93.5%

H1 FY18 – Development progress

Excellent progress in line with strategy

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Greenfield Developments

Riverside Views (Tas) opened in October 2017 and ramping up as expected

10 greenfield projects underway providing 1,055 new places and 965 net new places

Cornerstone of organic growth strategy



Brownfield Developments

Noosa (Qld) completed in August 2017

- Now 177 bed fully refurbished home

5 developments underway providing 182 new places, 156 net new places and refurbished homes

Excellent returns from extending current homes



Significant Refurbishment Program

Upgrading 14 homes by H2 FY19:

- 2 completed
- 2 under construction
- 4 in tender

Reinvigorating existing homes



Capital Expenditure

\$51m spent primarily on land and developments in H1 FY18

Strong cash flows underpin development program

H1 FY18 – Profit & loss summary

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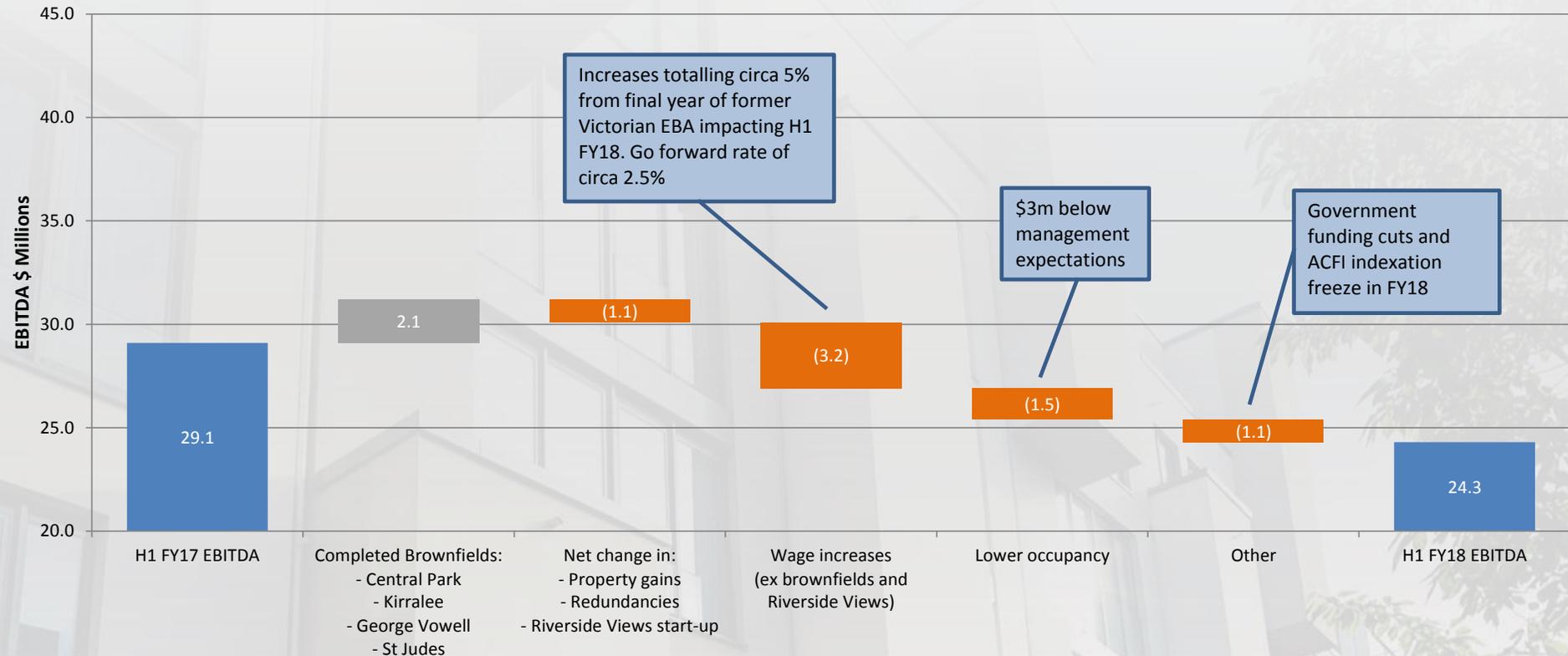
EBITDA in line with updated guidance

\$ Millions	H1 FY18	H1 FY17	Change %
EBITDA from recurring operations	24.9	28.6	(12.9)
EBITDA from property-related gains	1.7	1.3	30.8
Redundancy costs	(1.6)	(0.8)	(100.0)
Riverside Views start-up costs	(0.7)	n/a	n/a
EBITDA	24.3	29.1	(16.5)

Total revenue (limited by occupancy pressure & current year ACFI freeze)	182.5	178.5	2.2
Total costs	158.2	149.4	5.9
EBITDA	24.3	29.1	(16.5)
Depreciation (increased by new developments coming online)	7.8	6.7	16.4
EBIT	16.5	22.3	(26.0)
NPAT	10.3	14.6	(29.5)
EPS	3.9 cps	5.5 cps	(29.1)
Interim dividend	4.0 cps	5.5 cps	(27.3)

H1 FY17 – H1 FY18 Significant movements

EBITDA



Key operational metrics

Completed developments coming online

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	H1 FY18	H2 FY17	H1 FY17
Number of homes	44	43	43
Operational places	3,906	3,841	3,840
Average underlying occupancy ¹	92.3%	94.7%	94.4%
Average revenue per occupied bed day (\$) ²	276.9	275.3	276.1
Average Government revenue per occupied bed day (\$)	197.7	196.6	198.4
Staff costs to revenue ²	70.2%	70.2%	68.4%
Non-wage costs to revenue ²	16.5%	15.3%	15.9%
Average concessional residents ³	38.2%	39.0%	37.9%
Average incoming bed contract price (\$'000)	350.6	351.7	339.7
Net RAD/Bond & ILU loan inflow (\$'m)	25.9	26.7	29.0

Notes:

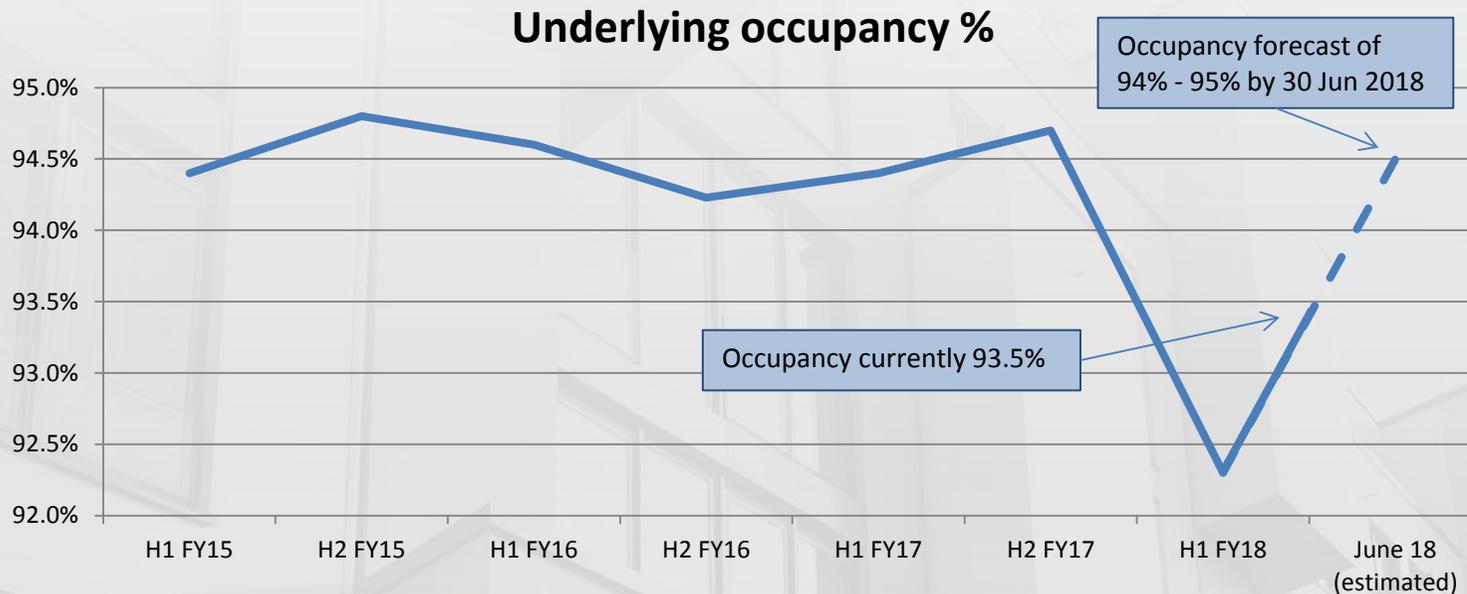
1. Average underlying occupancy excluded homes undergoing development in the FY17 year. Homes undergoing development in H1 FY18 have not materially impacted occupancy and have been included for the purposes of calculating occupancy
2. Metrics shown exclude property related gains and redundancy costs
3. Calculated as the number of concessional residents: operational places

Operational places movement

30 June 2017	3,841
- Riverside Views	28
- Central Park	25
- Kirralee	12
31 December 2017	3,906

Occupancy

The fall in occupancy as a result of the influenza outbreaks is recovering



- As previously highlighted, occupancy during the first half of FY18 has been impacted by unusually severe influenza outbreaks, both in terms of duration and number of residents affected
- Occupancy has started to recover in the second half of FY18 and is anticipated to return to historic average levels of around 94% to 95% over the balance of FY18

Balance sheet and cash generation

Balance sheet strength and funding flexibility maintained

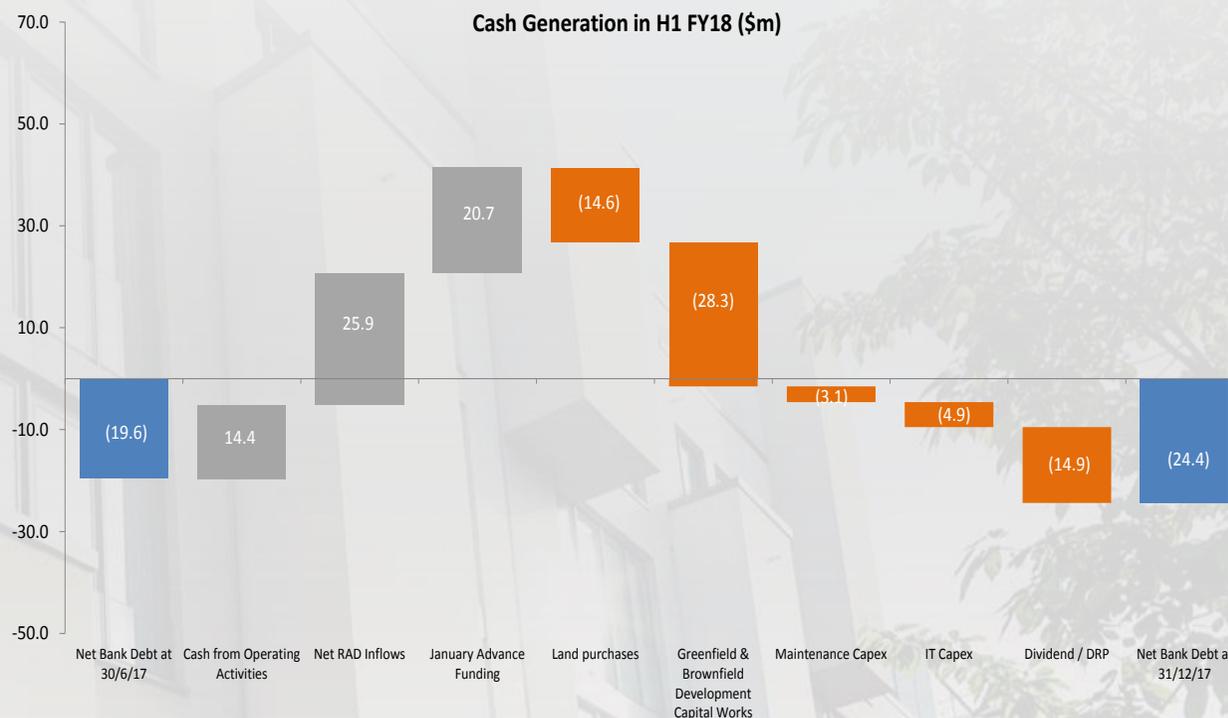
Balance sheet as at
31 December 2017

\$m

Property, plant and equipment	624.3
Intangibles	463.5
Other assets	27.9
RAD liabilities	(457.9)
Other liabilities	(102.3)
Net bank debt	(24.4)
Net assets	531.1

- Low net bank debt
- Available liquidity circa \$196m (undrawn credit lines plus cash)

Investing in expanding and enhancing operations

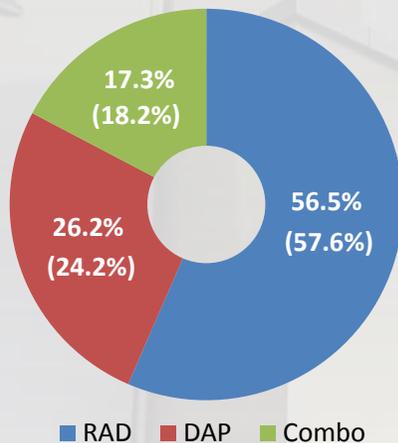


Room prices & RAD:DAP mix trends

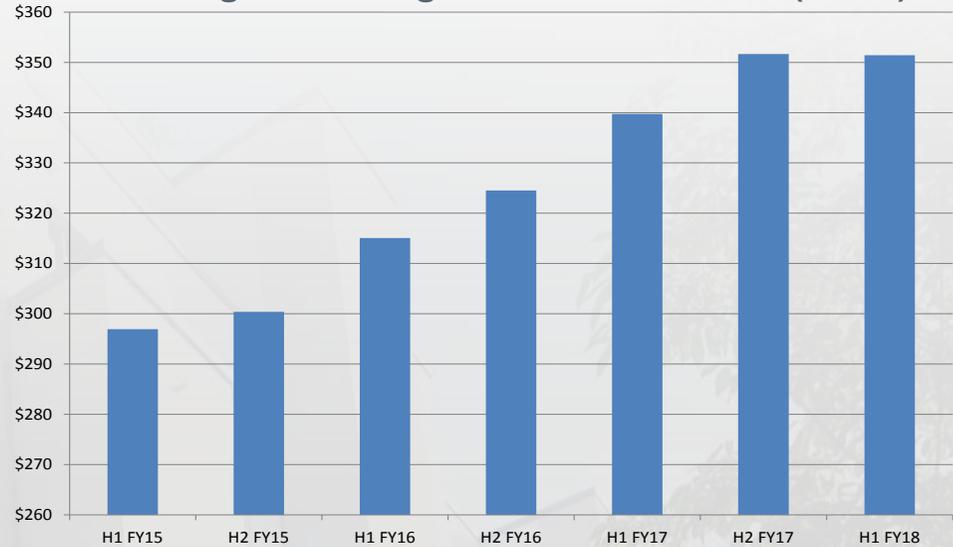
Slight trend up in RAD proportion in H1 FY18

- The RAD:DAP:Combination profile provides an appropriate balance between capital and income
- Average bed price constant in H1 primarily due to mix of rooms turned over
- Increase in average bed price expected as development program progresses in optimal metropolitan locations

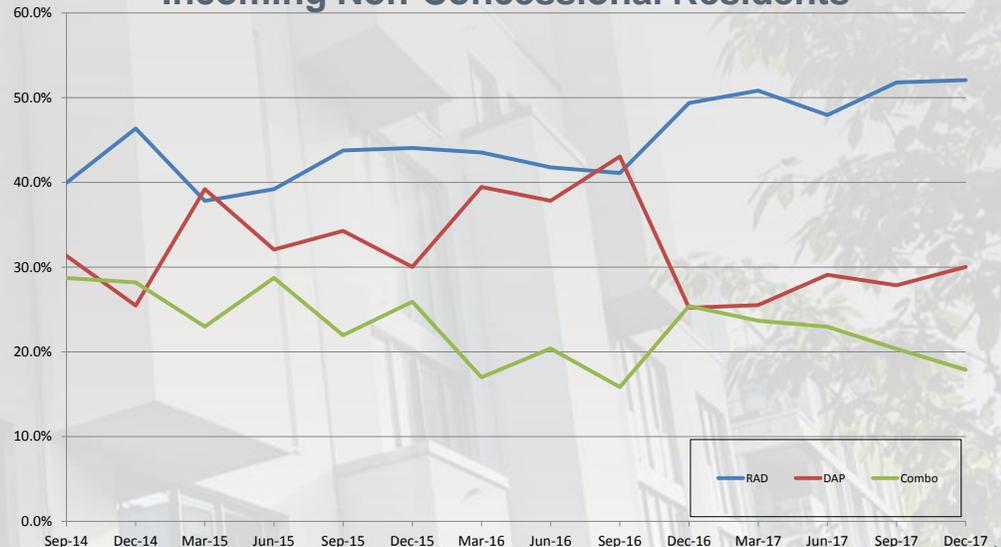
Total Portfolio H1 FY18
(PCP in brackets)



Average Incoming Bed Contract Price (\$'000)



Incoming Non-Concessional Residents



Section Two: Japara Strategy

Executing strategy

Operations & innovation

Roster optimisation

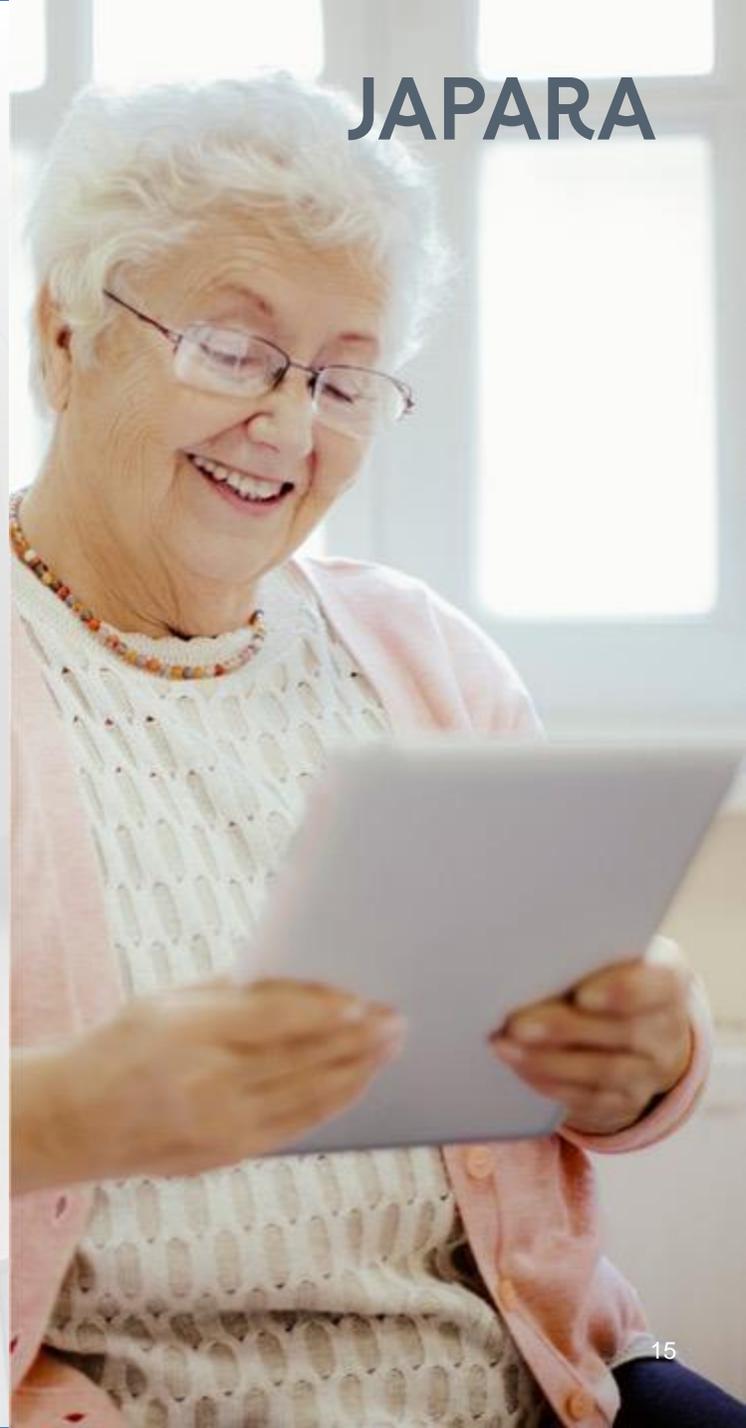
- A review of rosters is underway to ensure the highest standard of care in the current environment
- Workforce management tool implemented in H2 FY17 is supporting improved efficiencies
- Roster reviews were completed at 14 homes in H1 FY18 and 15 are scheduled for H2 FY18

Information technology

- Workforce management system – Vic, NSW and Tas complete
- Wi-Fi to every room – underway; complete by August 2018
- Finance / Resident / Customer Management system – underway; implemented by July 2018
- Clinical and Medication management system – FY19

Specialised dementia services

- Trialling new technologies
- Enhanced design in new development projects
- Specialist skills employed



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Executing strategy

Development pipeline

Comprises over 1,120 net new places, expected to be delivered by the end of FY20

- Japara's significant pipeline comprises brownfield developments, greenfield developments and significant refurbishment of selected homes:
 - Brownfield developments: 5 homes (156 net new places)
 - Greenfield developments: 10 homes (965 net new places)
 - Significant refurbishment: 14 homes (all brownfield developments will meet significant refurbishment requirements)
- Development pipeline largely metro weighted
- EBITDA per place in line with our best performing homes is expected across the development pipeline post ramp up period
- Ramp up profiles dependent on the size of the development and range between 6 – 12 months
- Development pipeline to be primarily debt funded with subsequent RAD cash flow used to pay down debt

Development pipeline (operational places)



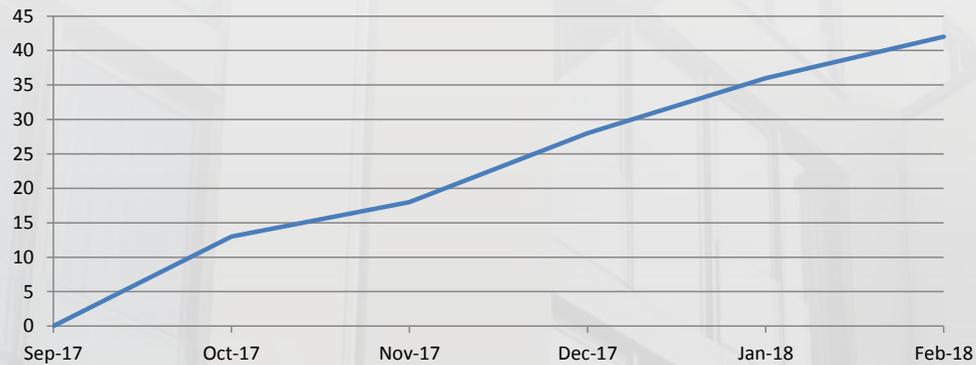
Executing strategy

Riverside Views update

88 bed greenfield development in Launceston, Tasmania

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Beds occupied by month



- Admissions commenced October 2017 and currently has 40 residents
- Ramp-up on target with 94% occupancy expected by June 2018
- Break-even expected in Q3 FY18



Executing strategy

Completed developments & brownfield update

2 projects successfully delivered during H1 FY18; 5 Brownfields in progress

Completed developments

Home	Program status	Total new places	Net new places	Single bed profile	Resident admission
Noosa (Qld) - Brownfield	Completed	12	0	93%	FY18 H1
Riverside Views (Tas) - Greenfield	Completed	88	88	100%	FY18 H1
		100	88		

Brownfield update

Home	Program status	Total new places	Net new places	Single bed profile	Estimated resident admission
Kingston Gardens (Springvale)	Construction	68	56	100%	FY19 H1
Mirridong (Bendigo)	Pre-construction	16	16	100%	FY19 H1
Strzelecki House (Mirboo North)	Tender	17	17	92%	FY19 H2
Albury (NSW)	Town Planning	29	29	100%	FY20 H1
Brighton (SA)	Concept Design	52	38	93%	FY20 H1
		182	156		

Executing strategy

Greenfields program

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In optimal metropolitan locations

Optimal locations	Program status	Total new places	Net new places	Single bed profile	Estimated resident admission
Glen Waverley (Melbourne)	Construction	60	60	90%	FY19 H1 ²
Rye (Melbourne)	Construction	99	99	100%	FY19 H1 ²
Mount Waverley (Melbourne)	Detailed Design	107	77	100%	FY20 H1
Robina (Gold Coast)	Tender	106	106	100%	FY20 H1
Mitchelton (Brisbane)	Town Planning	106	106	100%	FY20 H1
Lysterfield (Melbourne)	Town Planning	92	92	100%	FY20 H1
Belrose (Sydney)	Town Planning ¹	110	110	94%	FY20 H2
Highton (Geelong)	Town Planning	135	135	100%	FY20 H2
Newport (Melbourne)	Detailed Design	120	60	100%	FY20 H2
Reservoir (Melbourne)	Concept Design	120	120	100%	FY20 H2
		1,055	965		

Note 1: Additional planning approval risk associated with this project

Note 2: Construction completion expected June 2018

- *Over 1,000 bed licenses owned or secured to support developments program*
- *8 land parcels settled*
- *2 land parcels with deposit paid*

Executing strategy

Significant refurbishment program

Home Expected Completion

South West Rocks (NSW) Complete

The Homestead (SA) Complete

Bonbeach (VIC) FY18 H2

Sandhurst (VIC) FY18 H2

Goonawarra (VIC) FY19 H1

Roccoco (VIC) FY19 H1

Coffs Harbour (NSW) FY19 H1

Gympie (QLD) FY19 H1

Scottvale (VIC) FY19 H1

Springvale (VIC) FY19 H1

Viewhills Manor (VIC) FY19 H1

Lakes Entrance (VIC) FY19 H2

Narracan Gardens (VIC) FY19 H2

Hallam (VIC) FY19 H2

- Enhances resident experience
- Improves room values and accommodation supplements
- Maintains asset lifecycle and quality of accommodation



Executing strategy

Community living in continuum of care

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Co-located homes providing continuum of care – the future environment

Existing projects:

- 180 Independent Living Units and Apartments (ILUs & ILAs) across 5 locations adjoining residential aged care homes
- Have owned and 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 homes in our portfolio
 - Launceston
 - Springvale
 - Reservoir



Proposed Launceston development



Section Three: Outlook

Outlook - in line with December 2017 guidance

FY18

- Second half EBITDA expected to exceed the first half due primarily to:
 - recovering occupancy levels;
 - increasing contribution from completed greenfield and brownfield developments;
 - increasing cost efficiencies achieved through the work force management system and roster optimisation programs;
 - partially offset by 3 additional public holidays

FY19

- EBITDA is expected to increase further in FY19 as the aforementioned initiatives gain further traction, occupancy normalises and ACFI indexation recommences
- Japara's strategy provides an excellent foundation for medium term growth and is supported by a strong balance sheet and cash flows



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Section Four: Appendices

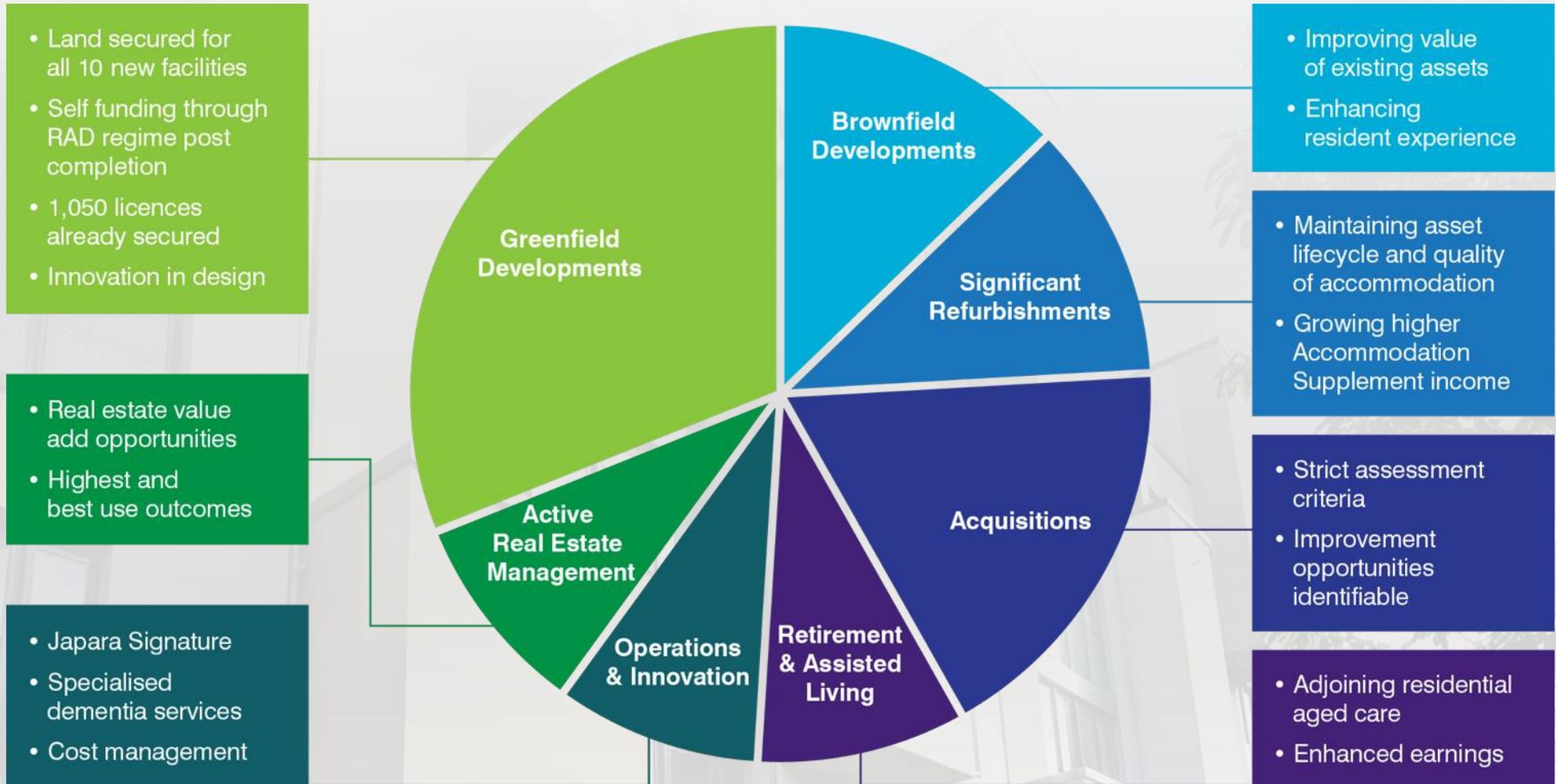
Appendix 1: Japara's residential aged care portfolio

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



Appendix 2: Japara's integrated value creation strategy **JAPARA**



Appendix 3: Portfolio metrics

	As at 31-Dec-17		As at 31-Dec-16		Change
Resident mix					
Concessional	1,442	40%	1,434	40%	0.6%
RAD	1,141	32%	1,144	32%	(0.2%)
DAP	530	15%	481	14%	10.1%
Combination	349	10%	361	10%	(3.3%)
Pre-reform high-care places	34	1%	50	1%	(32.0%)
Respite	69	2%	61	2%	13.1%
TCP / Other	32	1%	30	1%	6.7%
Total residents	3,597	100%	3,561	100%	1.0%
Staffing					
Number of staff (including part time and casuals)	5,254		5,275		(0.4%)
Places					
Operational places	3,906		3,840		1.7%
Non-operational places	115		200		(42.5%)
Provisional ACAR allocations	929		721		28.8%
Total places	4,950		4,761		4.0%
Places (metro/regional split)					
Metro	3,008	61%	2,755	58%	9.2%
Regional	1,942	39%	2,006	42%	(3.2%)
Total places	4,950	100%	4,761	100%	4.0%
Funded bed days	653,024		641,849		1.7%
Geographic spread (homes)					
VIC	70%		72%		
SA	11%		12%		
NSW	9%		9%		
QLD	5%		5%		
TAS	5%		2%		
	100%		100%		

Appendix 4: Detailed profit and loss

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	H1 FY18	H1 FY17	Change	
	\$'000	\$'000	%	\$'000
Revenue				
Government care funding	129,122	127,364	1.4%	1,758
Resident care funding	51,473	49,729	3.5%	1,744
Other revenue	1,912	1,408	35.8%	504
Total revenue	182,507	178,501	2.2%	4,006
Expenses				
Staff costs	(128,457)	(121,262)	5.9%	(7,195)
Resident costs	(15,123)	(14,069)	7.5%	(1,054)
Other costs	(14,663)	(14,115)	3.9%	(548)
Total expenses	(158,243)	(149,446)	5.9%	(8,797)
EBITDA	24,264	29,055	(16.5%)	(4,791)
Depreciation and amortisation	(7,761)	(6,720)	15.5%	(1,041)
EBIT	16,503	22,335	(26.1%)	(5,832)
Net interest expense	(1,745)	(1,589)	9.8%	(156)
Income tax expense	(4,479)	(6,113)	(26.7%)	1,634
NPAT	10,279	14,633	(29.8%)	(4,354)

Appendix 5: Detailed statutory cash flow statement

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	H1 FY18 \$'000	H1 FY17 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	200,294	194,175
Payments to suppliers and employees	(158,706)	(150,365)
Income taxes paid	(4,900)	(5,720)
Interest received	361	309
Finance costs paid	(1,971)	(1,006)
Net cash provided by operating activities	35,078	37,393
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land & buildings	(14,828)	(5,053)
Proceeds from sale of land & buildings	207	82
Purchase of plant and equipment	(4,659)	(3,878)
Capital works in progress	(31,536)	(17,957)
Net cash used in investing activities	(50,816)	(26,806)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of share capital under DRP	394	2,770
Dividends paid	(15,268)	(15,161)
Net proceeds from bank borrowings	25,000	11,500
Proceeds from RADs/accommodation bonds & ILU resident loans	101,690	90,329
Repayment of RADs/accommodation bonds & ILU resident loans	(75,838)	(61,366)
Net cash provided by financing activities	35,978	28,072
Net increase in cash and cash equivalents held	20,240	38,659
Cash and cash equivalents at beginning of the half year	41,376	24,568
Cash and cash equivalents at end of the year	61,616	63,227

Appendix 6: Balance sheet

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	31-Dec-17 \$'000	30-Jun-17 \$'000
ASSETS		
CURRENT ASSETS		
Cash	61,616	41,376
Trade and other receivables	8,421	15,838
Current tax receivable	3,828	1,162
Other assets	8,614	6,081
TOTAL CURRENT ASSETS	82,479	64,457
NON-CURRENT ASSETS		
Trade and other receivables	1,857	2,222
Inventories	-	3,045
Non-current assets held for sale	1,313	1,477
Property, plant and equipment	585,881	541,776
Investment property	38,372	32,972
Deferred tax assets	3,914	6,161
Intangible assets and goodwill	463,458	463,458
TOTAL NON-CURRENT ASSETS	1,094,795	1,051,111
TOTAL ASSETS	1,177,274	1,115,568
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	38,803	18,876
Other liabilities	7,667	11,541
Loans and borrowings	12,000	4,600
Other financial liabilities	478,461	453,103
Short-term provisions	31,237	31,338
TOTAL CURRENT LIABILITIES	568,168	519,458
NON-CURRENT LIABILITIES		
Loans and borrowings	74,000	56,400
Long-term provisions	3,990	3,996
TOTAL NON-CURRENT LIABILITIES	77,990	60,396
TOTAL LIABILITIES	646,158	579,854
NET ASSETS	531,116	535,714
EQUITY		
Issued capital	522,719	522,328
Retained earnings	8,397	13,386
TOTAL EQUITY	531,116	535,714

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