JAPARA

Shaw and Partners
Emerging Leaders Conference
30 May 2018

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Contents

Section One: Sector Dynamics

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Sector dynamics

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Strong fundamentals ~ 82,000 new places required by 2025
~ Circa $30bn of investment required

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. Funding dynamics
- Circa $11.3 billion of government funding in FY16 projected to grow to circa $14.6 billion in FY21 (5.2% CAGR)
- Industry annual revenue circa $17.0 billion
- Requirement for longer term funding solution to provide more certainty to sector

3. Favourable regulatory environment
- Regulatory framework create high barriers to entry
- Government reform has provided increased consumer choice and resident pay structure

4. Government support
- Government provides ~70% of direct operating funding to the sector
- 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

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5. Access to capital

- RAD's provide access to low cost capital that supports development
- Equity markets now invested in sector
- Super funds and main stream banks also now invested in sector

6. Consolidation opportunity

- Sector is still highly fragmented – circa 2,700 facilities operated by range of Providers
- Private ownership is still relatively low
- Cost of compliance and rising consumer service demands making it increasingly difficult for smaller players

7. A Changing Industry

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

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

Section Two: Business Performance

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H1 FY18 Financial Highlights

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Total Revenue
$182.5m
Up 2.2%

Government funding cuts offset by capacity expansion

Growth from brownfield developments completed in FY17

EBITDA $24.3m
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 in late 2017

NPAT
$10.3m

Lower tax offset higher depreciation

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

H1 FY18 Financial Highlights

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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 Highlights

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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 once developments fully occupied

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 over 94%

H1 FY18 – Development progress

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Excellent progress in line with strategy

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

The funding model

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

Funding model

Care and Services (Revenue)

- Government funding (care) is approx. 67% of total revenue:
  - Basic residential care subsidies (ACFI)
  - Supplements
- Resident contributions (care):
  - Basic daily care fees
  - Additional Services fees
- Daily Accommodation Payments (DAP's) – interest received on agreed Bed Contract Value in lieu of paying cash lump sum

Accommodation (Capital)

- Bed Contract Values set for rooms in the aged care facility
- Bed contract value paid by as a Refundable Accommodation Deposit (RAD) or Daily Accommodation Payment (DAP) or a combination
- RAD cash payment made by an incoming resident and received by the operator in respect of the resident's occupied place is effectively an interest free loan
- Refundable to the resident when they leave the aged care facility and normally replaced with another RAD from an incoming resident (typically of a higher amount)
- Can be utilised for developing/refurbishing facilities, facility acquisitions and retiring debt associated with the former two

Sources: Japara research; Aged Care Financing Authority – Third report on the Funding and Financing of the Aged Care Sector, July 2015; Australian Institute of Health and Wellbeing data sets

Targeted reform outcomes

Key focus areas for Japara and the Aged Care Guild

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- Progressive change to supply arrangements to allow operators to build or enhance facilities in line with market demand
- Increase scope to charge consumers with means for value added services
- 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
- Aged Care Guild has presented to Government

  (i) Short term requirement to uncap daily care fee

  (ii) A consumer driven funding model that provides long term sustainability

Section Three: Japara Strategy

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Japara's integrated value creation strategy

Very best care in very best environment

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

Strategy aligned to real choice for ageing Australians

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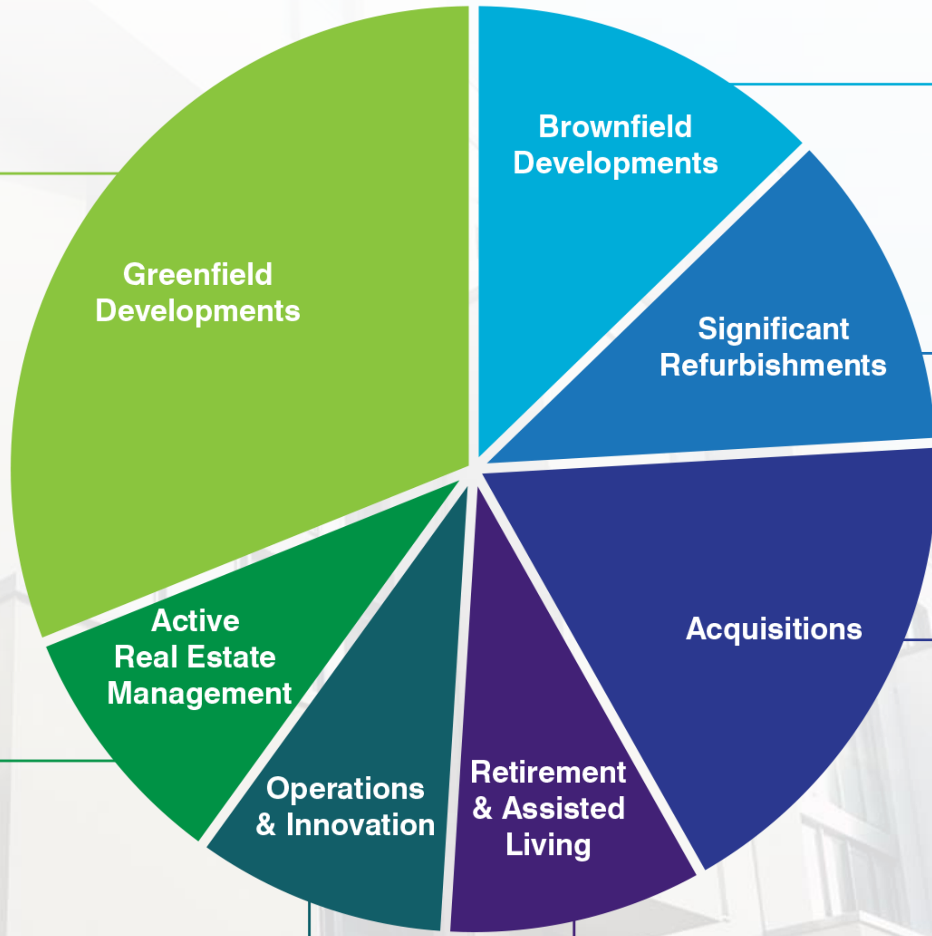
Diversified strategy with a focus on growth

- Land secured for all 11 new facilities
- Self funding through RAD regime post completion
- 1,050 licences already secured
- Innovation in design

- Real estate value add opportunities
- Highest and best use outcomes

- Japara Signature
- Specialised dementia services
- Cost management



- Improving value of existing assets
- Enhancing resident experience

- Maintaining asset lifecycle and quality of accommodation
- Growing higher Accommodation Supplement income

- Strict assessment criteria
- Improvement opportunities identifiable

- Adjoining residential aged care
- Enhanced earnings

Greenfield developments

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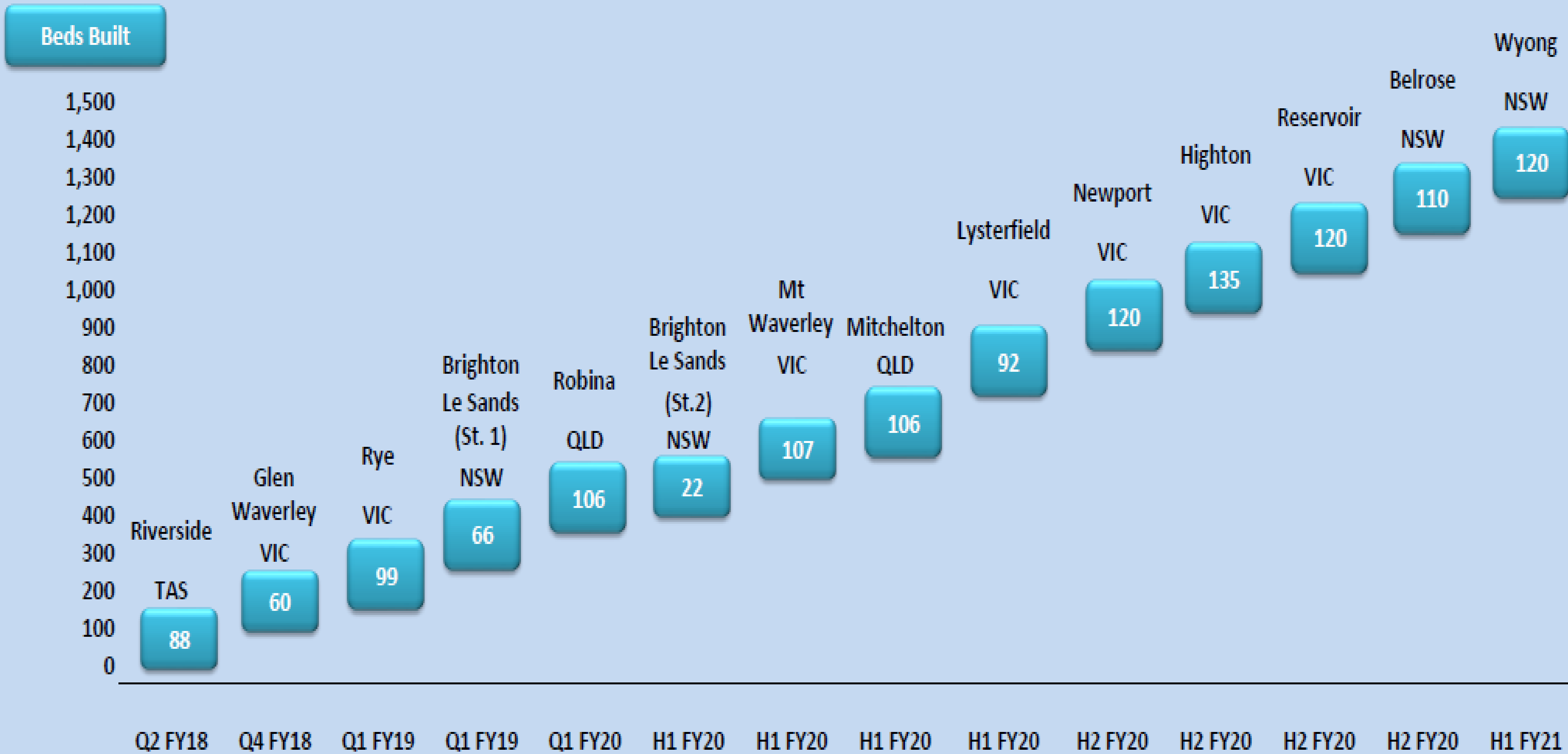
Our greenfield development program is expected to deliver circa 1,350 new beds by the end of 2021, comprising circa 1,200 new operational places



Greenfield developments

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Our greenfield development program is expected to deliver circa 1,350 new beds by the end of 2021, comprising circa 1,200 new operational places

The net RAD cash flow from new facilities completed is in line with expectations

- RAD payers represent a large % of our resident profile for newly completed facilities
- We anticipate $200 million - $250 million of net RAD cash flow to come from new developments. This will be used to pay down construction debt
- Circa 1,200 licences are owned or secured to support development program
- This program is expected to be self funded and deliver circa $25 million in additional EBITDA.

Indicative greenfield development

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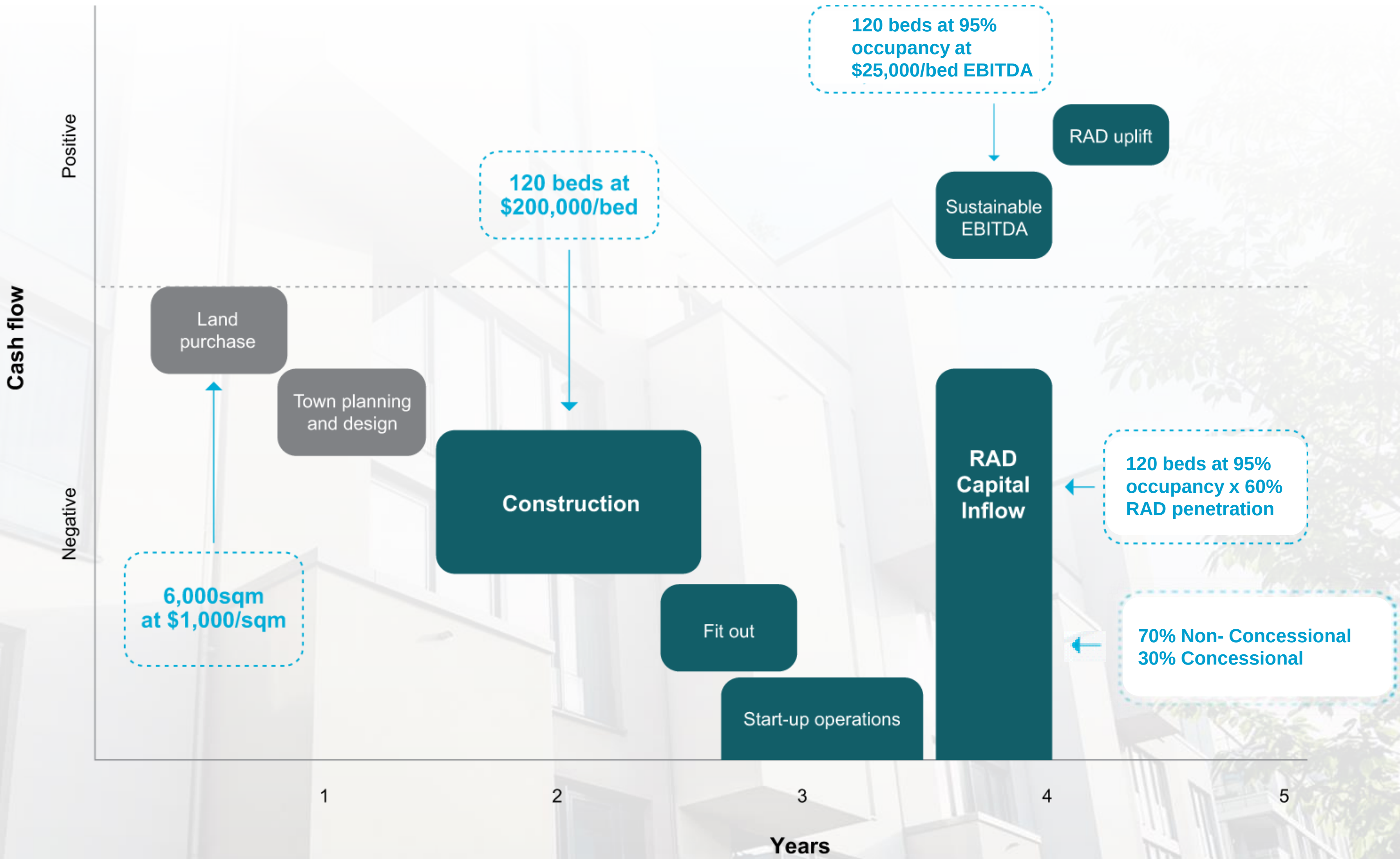

Significant refurbishment program

Investment to upgrade assets to highest quality

- Enhancement of 14 existing facilities over the next 2 years
- EBITDA uplift in excess of $4.25m occurring progressively over FY18 to FY20
- Improves resident experience
- Improves room values
- Maintains asset lifecycle and quality of accommodation

Co-location

Continuum of care – the future environment

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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

Japara Signature

Additional Services to enhance resident’s lifestyle

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

Acquisitions / Consolidation

Growth by increasing bed numbers

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- Portfolio acquisitions
- Single facility acquisitions
- Strict financial and non-financial investment criteria
- Opportunity for improvement by Japara
  - Capital allocation
  - Care model
  - Cost synergies
- Current market conditions – opportunities becoming more prevalent

A decade of growth, continuing

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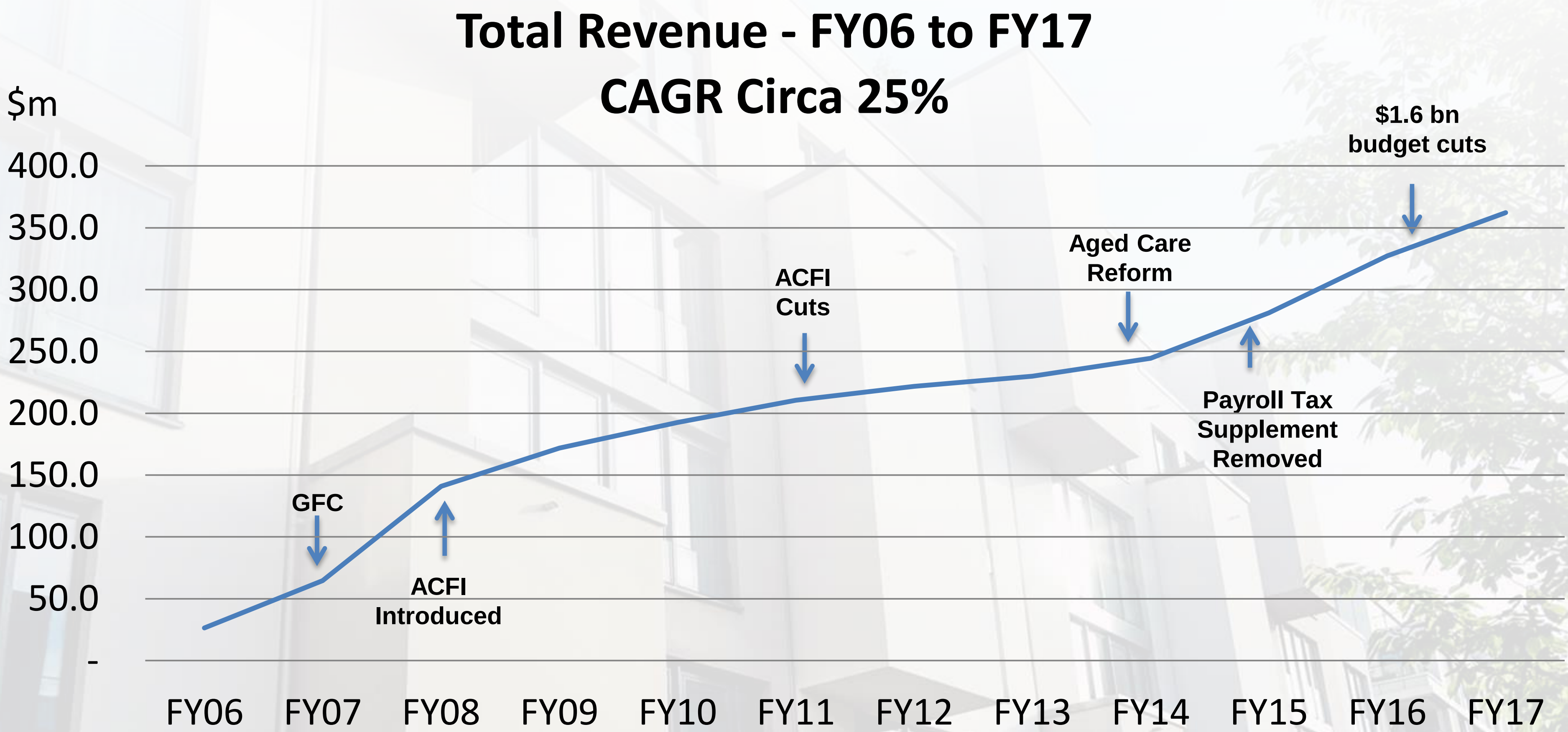
- Japara has a history of strong revenue growth which should continue over the medium term based on our value creation strategy



A decade of growth

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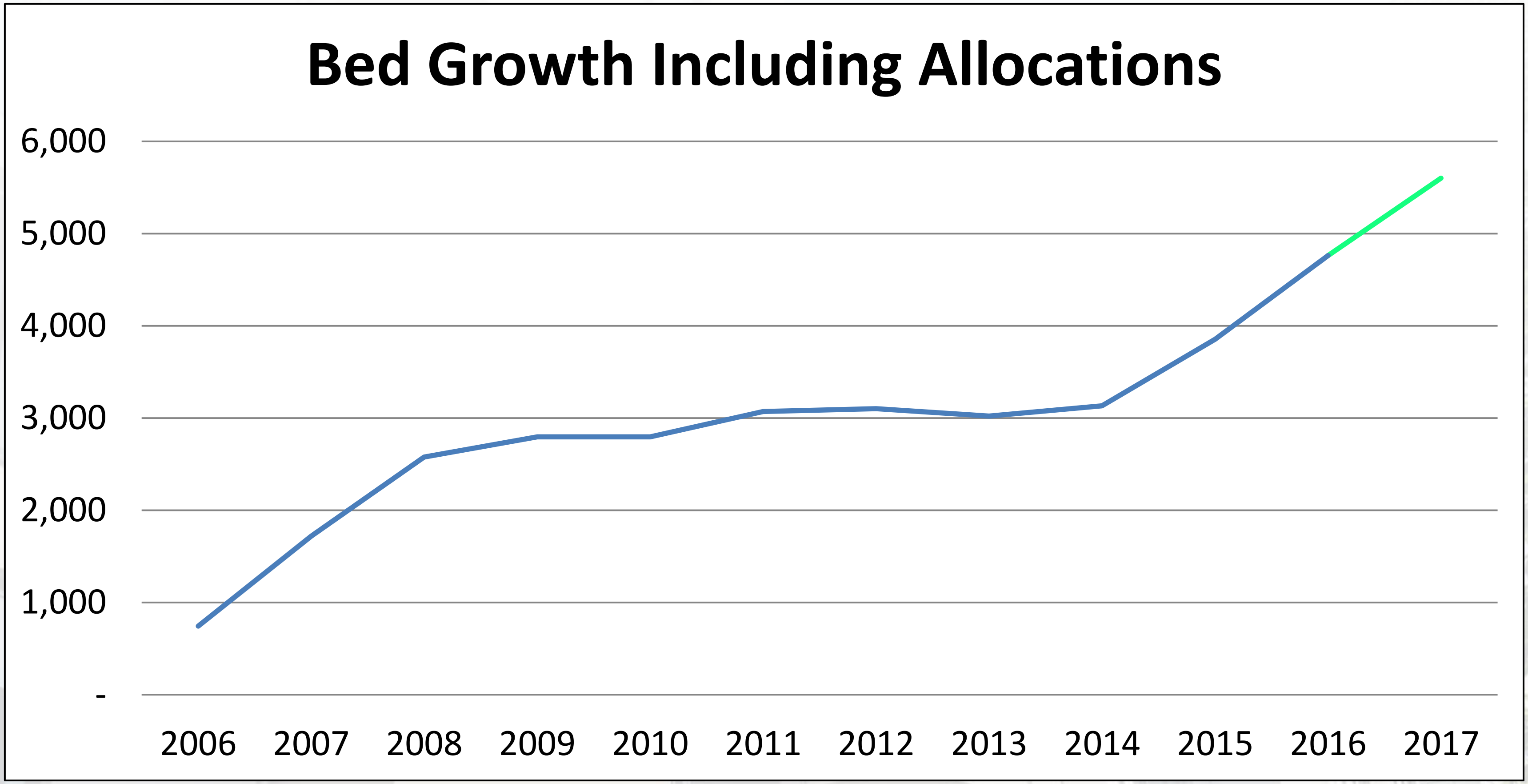
- Japara has a history of growing bed numbers through acquisition and development



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