JAPARA


Sandhill (TAS)

Fiscal 2018 Full Year Results Presentation

27 August 2018

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CEO & Managing Director

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Chief Financial Officer

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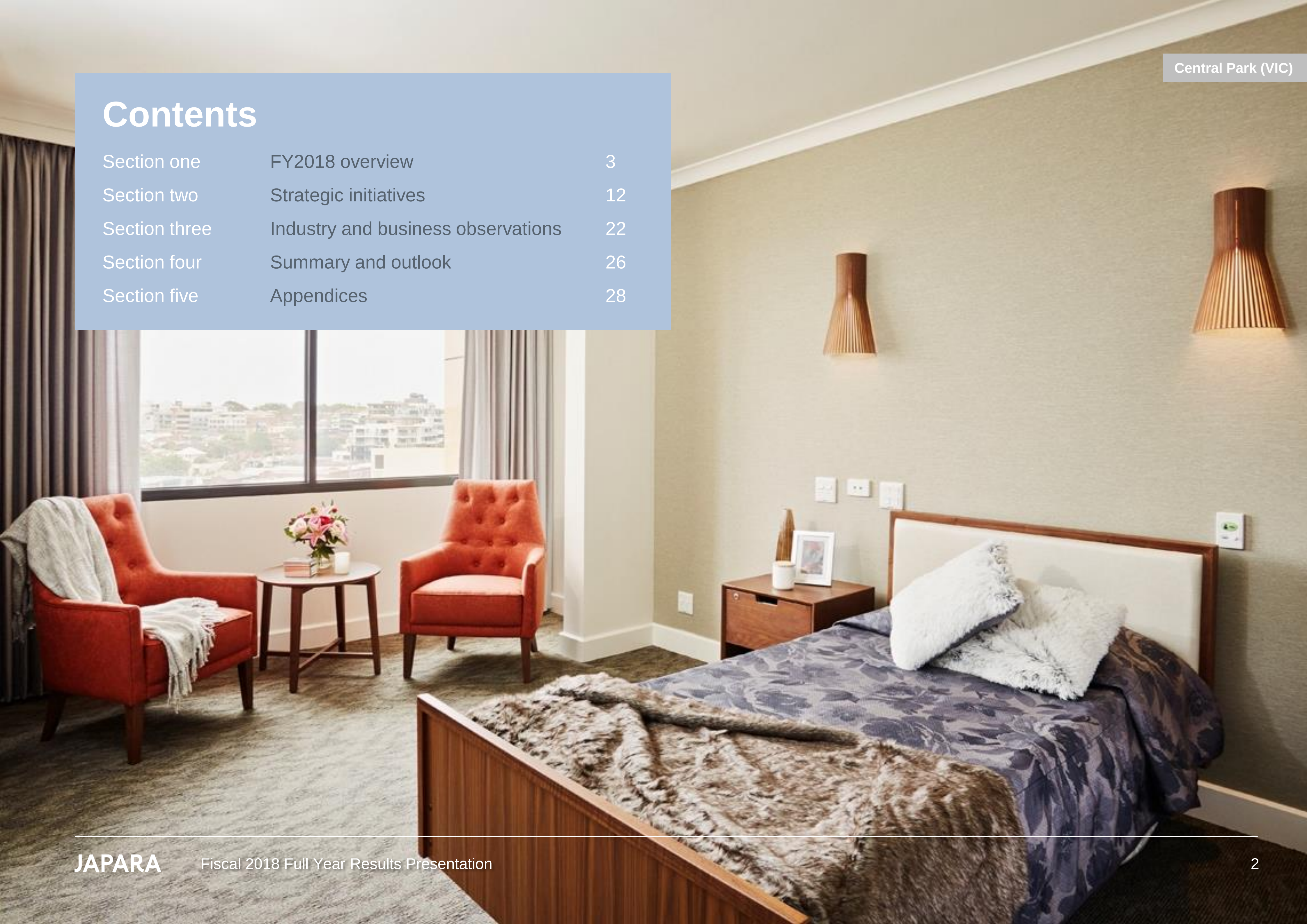

Central Park (VIC)

Section one

FY2018 overview

FY2018 highlights

Good progress on strategy in a challenging operating environment

Total revenue
$373.2m
Up 3.0% on FY2017

Care
100% accreditation record maintained 19 re-accreditations during FY2018

Capital expenditure
$108.2m spent on land and improvements

EBITDA
$50.7m
Down 15.8% on FY2017 due to occupancy pressure and the absence of ACFI indexation

Occupancy
Underlying occupancy of 94.4% as at 30 June 2018

Net RAD inflows
$41.6m

NPAT
$23.3m
Down 21.5% on FY2017

Full year dividends
7.75cps
Interim: 4.0cps (franked to 65%)
Final: 3.75cps (franked to 50%)

Net debt
$116.3m
$30.3m core debt
$86.0m development debt

FY2018 growth highlights

Significant development and acquisition activity in line with strategy, with operational places increasing by 6%

Greenfield developments

- Riverside Views completed (88 places) and another 220 new places (3 homes) to open in the next three months

Brownfields developments

- 136 premium rooms delivered in the last 18 months and 101 in progress

Significant refurbishment

- Six homes significantly refurbished in FY2018 with a further eight to complete in FY2019
- 21 homes currently qualifying for the maximum accommodation supplement

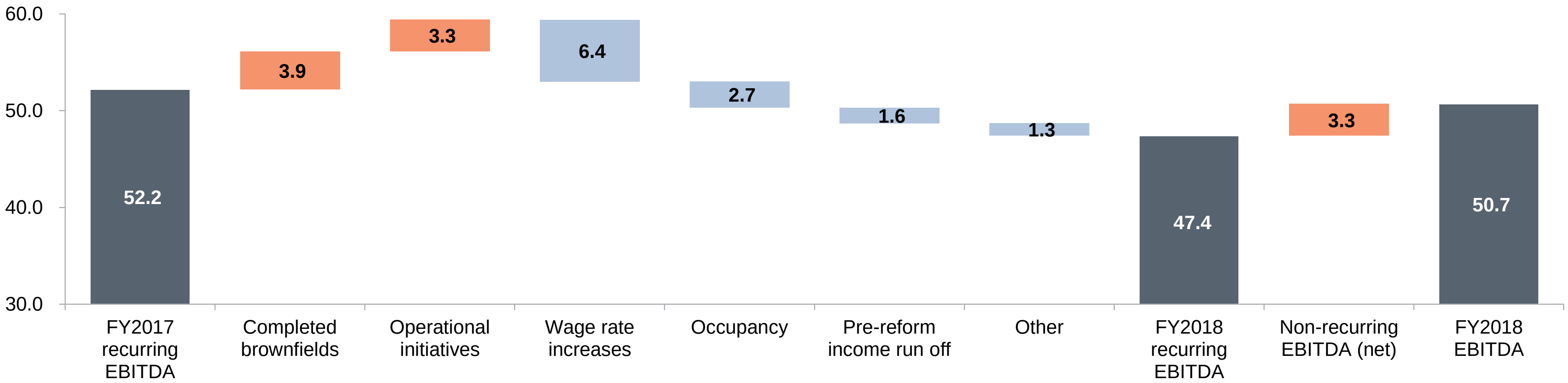
Acquisitions

- Riviera Health portfolio acquired and integrated (210 places plus 297 surplus licenses)
- Significantly increases presence in Sydney market
- $3.5m+ EBITDA contribution in FY2019

FY2018 earnings

Brownfield developments and operational initiatives offset wage rate increases during a period of Government revenue indexation freeze

FY2018 EBITDA bridge ($m)



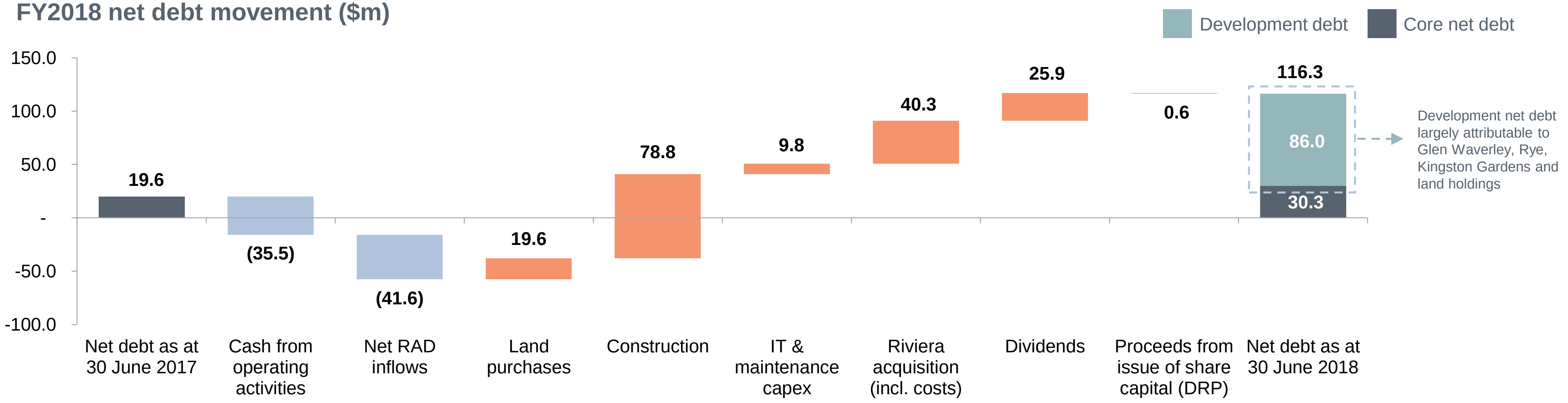
- Strong earnings contribution from recently completed brownfield developments and operational initiatives
- Impact of wage rate increases material particularly due to the absence of ACFI indexation (to recommence in FY2019)
- Occupancy during the period impacted by unusually severe influenza outbreaks and has recovered to 94.4%[1]
- Impact of pre-reform income run off will reduce going forward
- Net non-recurring items of $3.3m comprises net gain on Riviera Health portfolio acquisition, revaluation gains, capital refurbishment deduction (CRD) adjustments, redundancies and other items (refer to page 32 for a detailed reconciliation)
- 2H FY2018 recurring EBITDA is $23.9m. 1H FY2018 recurring EBITDA was $23.5m after normalising for $1.4m in refunded CRDs
- FY2018 effective tax rate of 21% lower than FY2017 (30%) primarily due to the Riviera Health portfolio acquisition

Notes:
1. Average underlying occupancy as at 30 June 2018 includes all homes but excludes 71 places offline for significant refurbishment.

Financial position

Strong financial position with capital invested in expanding and enhancing Japara's portfolio

FY2018 net debt movement ($m)



- Net debt increased due to investment in growing and enhancing the portfolio via the acquisition of the Riviera Health portfolio, development and significant refurbishment
  - Core net debt of $30.3m (0.6x EBITDA)
  - Development debt of $86.0m to be reduced by net RAD cash inflows of $70m expected from new homes at Rye, Glen Waverley and Brighton-Le-Sands and a brownfield extension at Kingston Gardens all opening in the next three months. New debt on other developments to be incurred.
- Japara remains well within its lending covenants
- Cash and undrawn bank facilities were $94m as at 30 June 2018
- Total assets of $1,268.6m supported by $533.8m of shareholder funds
- Cash from operating activities impacted by redundancies, capital refurbishment deduction adjustments, home start up losses and other items (refer to page 32 for a detailed reconciliation)

Key operational metrics

Proactive strategies on occupancy and staff costs led to improved results in 2H FY2018

	2H FY2018	1H FY2018	2H FY2017	1H FY2017
Number of homes	48	44	43	43
Operational places	4,069	3,906	3,841	3,840
Average underlying occupancy[1]	94.0%	92.3%	94.7%	94.4%
Average revenue per occupied bed day ($)[2,3]	276.7	275.0	273.4	274.9
Average Government revenue per occupied bed day ($)[2]	199.8	198.1	196.6	198.4
Staff costs to revenue[2,3]	69.5%	70.3%	70.7%	68.7%
Non-wage costs to revenue[2,3]	16.6%	16.5%	15.4%	16.0%
Average concessional residents[4]	38.7%	38.2%	39.0%	37.9%
Average incoming bed contract price ($'000)	323.9	350.6	351.7	339.7
Net RAD/Bond & ILU loan inflow ($m)	15.7	25.9	26.7	29.0

Operational places movement	
30 June 2017	3,841
Riverside Views	+28
Central Park	+25
Kirralee	+12
31 December 2017	3,906
Riverside Views	+24
Riviera Health	+210
Significant refurbishment	-71
30 June 2018	4,069

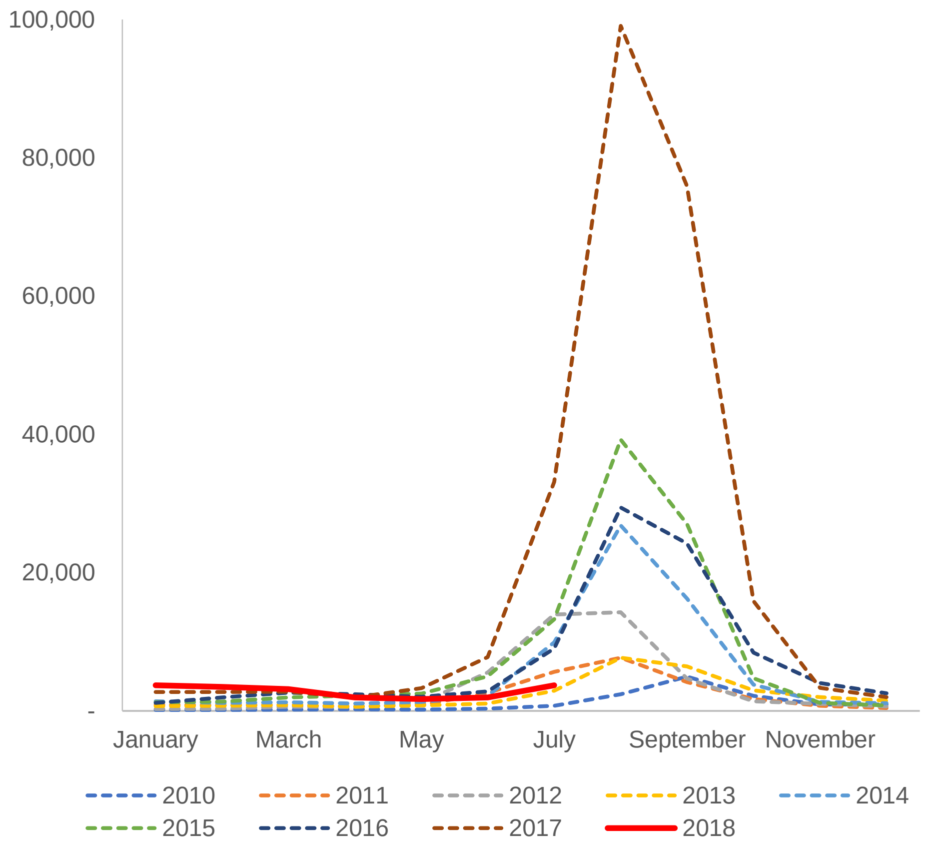
Notes:
1. Average underlying occupancy in FY2017 excluded homes undergoing development in the FY2017 year. In FY2018 all homes are included. 71 places in H2 were offline for significant refurbishment.
2. Metrics shown exclude the impact of all non recurring items.
3. Prior period comparatives have been adjusted to exclude CRD revenue in those periods.
4. Calculated as the number of concessional residents: operational places.

Occupancy

Occupancy was impacted by the severe 2017 influenza season but has recovered to historic average levels, with 2018 rates of illness lower than previous years

Portfolio underlying occupancy[1]

Notifications of laboratory confirmed influenza, Australia[2]



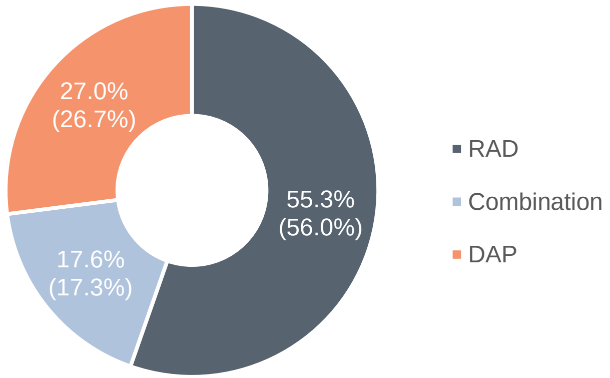
Notes:
1. Portfolio underlying occupancy includes all homes but excludes 71 places offline for significant refurbishment.
2. Source: Department of Health, Monthly notifications of laboratory confirmed influenza, Australia.

Average room price and resident mix trends

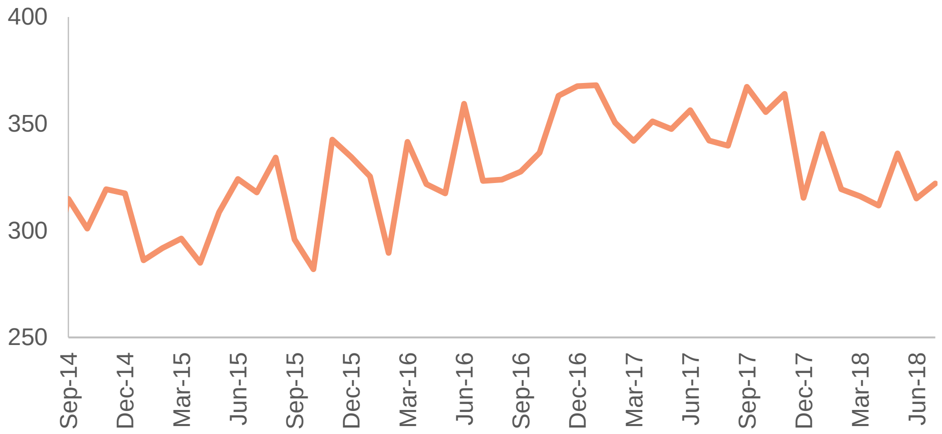
Increased resident preference for RADs underpinned solid net RAD cash inflows notwithstanding lower average bed contract prices

- Recent trend up in residents preference to pay RADs
- Average incoming bed prices over FY2018 lower due to proactive temporary reduction of bed prices in 2H FY2018 at selected homes to address occupancy pressures created by the 2017 influenza season
- Average incoming bed price expected to grow going forward as high quality, metro located developments are delivered

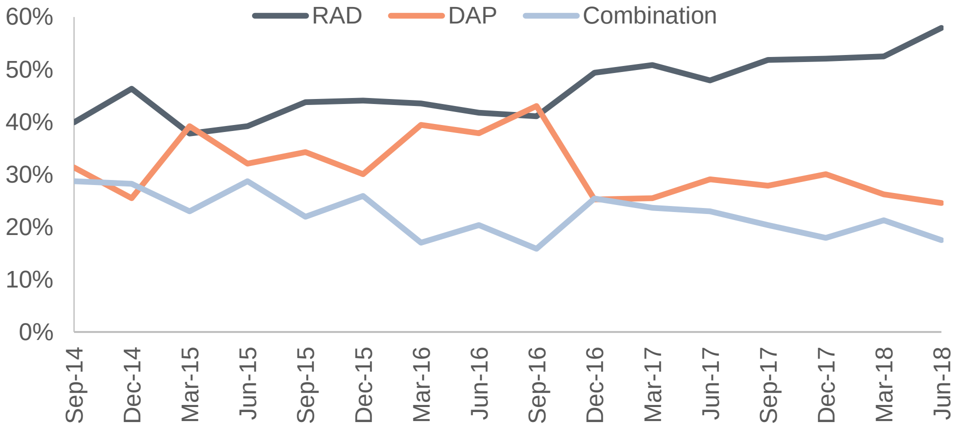
Total portfolio mix as at 30 June 2018 (pcp in brackets)



Average incoming bed contract price ($’000)



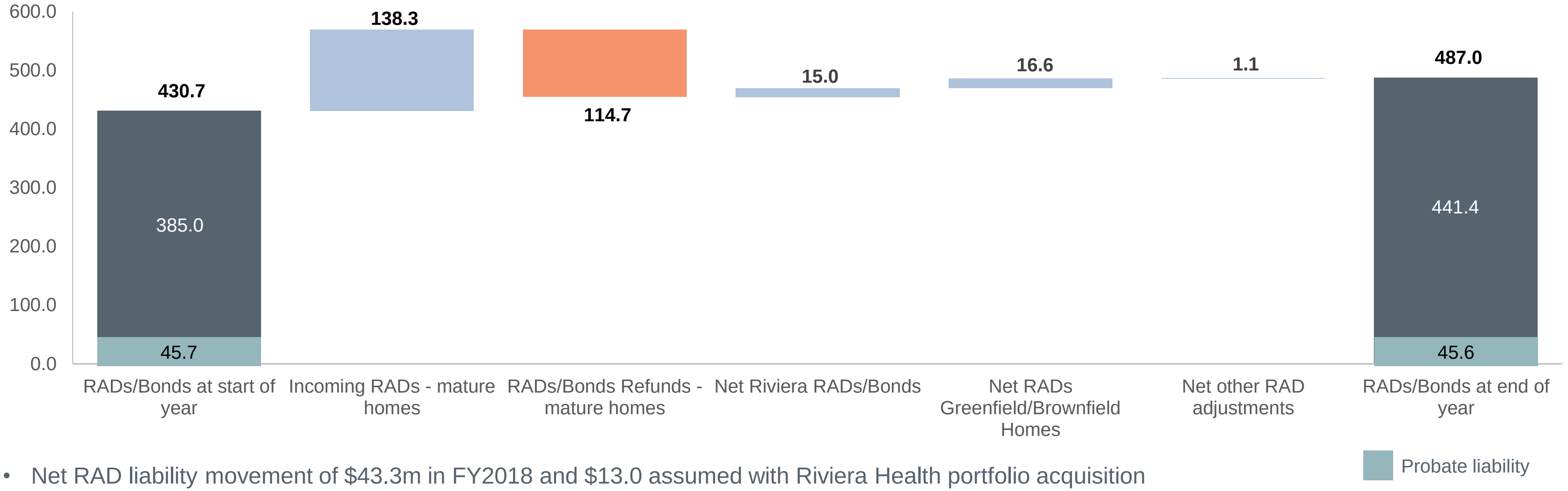
Payment preference of incoming non-concessional residents



FY2018 RAD liability movement

Both mature homes and developments contributed to FY2018 net RAD cash flow

Net RAD cash flow ($m)



- Net RAD liability movement of $43.3m in FY2018 and $13.0 assumed with Riviera Health portfolio acquisition
  - $23.6m from mature homes
  - $16.6m from completed greenfields and brownfields
  - $2.0m from Riviera Health since acquisition
  - $1.1m of net other RAD adjustments
- FY2019 RAD uplift expected as new homes come online


Robina render (QLD)

Section two

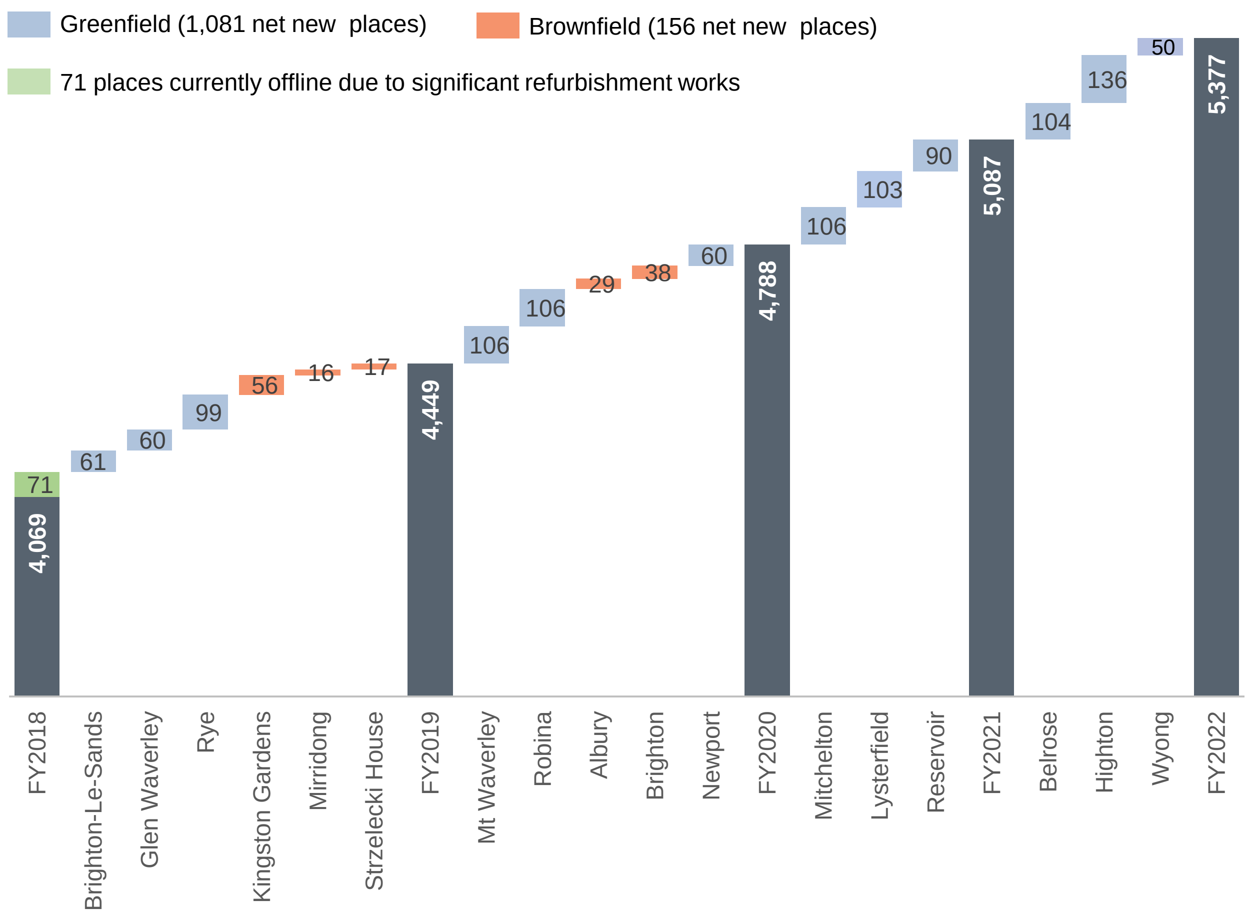
Strategic initiatives

Development summary

Development pipeline comprises over 1,200 net new places, expected to be delivered by the end of FY2022

- Japara's current development pipeline comprises:
  - Brownfield developments: 5 homes
  - Greenfield developments: 12 homes
  - Significant refurbishment: 8 homes
- Japara's development pipeline is managed to:
  - Deliver around 300 places per annum on a consistent basis
  - Ensure home commissioning can be effectively managed with internal resources
  - Ensure peak development debt is managed conservatively with regard to RAD capital inflows and construction capital requirements
- Japara continually evaluates its development pipeline with regard to a number of considerations including financial, operational and development capacity
  - Some development timeframes have recently been extended on this basis

Development pipeline (net new places)



Our Sydney portfolio

As a result of the Riviera Health portfolio acquisition and other assets owned, we have a strong platform for establishing a superior portfolio of new aged care homes in the Sydney market

Sydney portfolio

Home	Places	Comment
Existing		
Bayview Gardens	62	• Existing home
Riviera Health portfolio acquisition		
Chatswood	50	• Open and fully accredited • To be significantly refurbished in FY2019
Brighton-Le-Sands	61	• Greenfield due to open in October 2018
	27	• Open and fully accredited (Jenny-Lynn home) • To be closed for a rebuild once greenfield is completed
Doonside	60	• Open and fully accredited
Wyong	70	• Open and fully accredited • Includes 4.3 Ha of land available for a 120 bed development to replace existing home
Developments		
Belrose	105	• Greenfield development (FY2022)
Total	**435**	

Home locations

Recent and near term developments

- Noosa (completed October 2017)
  - — Brownfield extension and full refurbishment of existing home including a 10 room specialist dementia house adopting international best practice design
- Riverside Views (opened October 2017)
  - — New 88 single room home overlooking the Tamar Valley
- Glen Waverley (opens September 2018)
  - — New 60 single room home with a four star ‘Green Star’ environmental rating
- Brighton-Le-Sands (opens October 2018)
  - — New 61 bed home acquired as part of the Riviera Health portfolio acquisition with Japara completing the fitout
- Rye (opens November 2018)
  - — New 99 single bed room home located in a coastal town approximately 1 hour from Melbourne
- Kingston Gardens (opens September 2018)
  - — 68 bed extension to existing Springvale home
  - — Existing home to be subsequently fully refurbished
- Mirridong (opens October 2018)
  - — 16 single bed room extension to existing Bendigo home


Riverside Views (photo)


Riverside Views (photo)


Glen Waverley (render)


Glen Waverley (render)


Rye (photo)


Rye (render)


Kingston Gardens (photo)


Newport (render)

Development case studies

Developments provide strong RAD inflows and earnings uplift

Kirralee (VIC)

- Brownfield development completed in September 2016 with 24 places added (13 net new places)
- Objective of providing more single rooms with en suites and refurbishing all communal areas including dining rooms and lounges, resulting in a modernised home throughout
- Net RAD cash inflows exceeded development costs
- Average room price uplift of $36,000
- EBITDA uplift in FY2018 of $1.2m
- Occupancy improvement – currently 96.5%

George Vowell (VIC)

- Brownfield development completed in October 2016 with 35 places added (34 net new places)
- Objective of adding premium rooms to a high quality existing home
- Net RAD cash inflows exceeded development costs
- Average room price uplift of $45,000
- EBITDA uplift in FY2018 of $0.8m
- Strong occupancy maintained - currently 96.0%

Development update

Significant greenfield development program comprising over 1,000 net new places

Greenfield developments

	Program status	Total new places	Net new places	Estimated resident admission
Brighton-Le-Sands (Sydney)	Construction	61	61	1H FY2019
Glen Waverley (Melbourne)	Construction	60	60	1H FY2019
Rye (Melbourne)	Construction	99	99	1H FY2019
Mt Waverley (Melbourne)	Construction	106	106	1H FY2020
Robina (Gold Coast)	Construction	106	106	1H FY2020
Newport (Melbourne)	Tendering	120	60	2H FY2020
Mitchelton (Brisbane)	Detailed design	106	106	1H FY2021
Lysterfield (Melbourne)	Town planning	103	103	1H FY2021
Reservoir (Melbourne)	Town planning	90	90	2H FY2021
Belrose (Sydney)	Town planning[1]	104	104	1H FY2022
Highton (Geelong)	Town planning[1]	136	136	1H FY2022
Wyong (regional NSW)	Concept design	120	50	1H FY2022
Total		**1,211**	**1,081**	

- Circa 1,200 bed licenses owned or secured to support developments program
- Estimated resident admission dates can alter due to changes in economic conditions and town planning approval process

Notes:
1. Additional planning approval risk associated with these projects.

Development update (cont.)

Two recently completed developments with an additional five in progress

Completed developments

Home	Total new places built	Net new places	Completed
Noosa (Sunshine Coast)	12	0	1H FY2018
Launceston (Tasmania)	88	88	1H FY2018
Total	**100**	**88**	

Brownfield developments

Home	Program status	Total new places	Net new places	Estimated resident admission
Kingston Gardens, Springvale	Construction	68	56	1H FY2019
Mirridong, Bendigo	Construction	16	16	1H FY2019
Strzelecki House, Mirboo North	Construction	17	17	2H FY2019
Albury, NSW	Tender	29	29	2H FY2020
Brighton, SA	Tender	52	38	2H FY2020
Total		**182**	**156**	

Significant refurbishment

Significant refurbishment program to enhance asset quality and resident experience

- Significant refurbishment program improves asset quality, maintains asset lifecycle and enhances resident experience
- Generates incremental earnings via accommodation supplements and ability to attract higher RADs and DAPs
  - Currently 21 homes qualify for the maximum accommodation supplement
  - 35 homes expected to qualify for the maximum accommodation supplement by the end of FY2019 following the delivery of the remaining eight homes and near term developments[1]
- Four homes Significantly Refurbished in H2 FY2018
- Remaining homes identified to be significantly refurbished to be completed in FY2019

Home	Expected completion
South West Rocks (NSW)	Completed (1H FY2018)
The Homestead (SA)	Completed (1H FY2018)
Bonbeach (VIC)	Completed (2H FY2018)
Sandhurst (VIC)	Completed (2H FY2018)
Viewhills Manor (VIC)	Completed (2H FY2018)
Narracan Gardens (VIC)	Completed (2H FY2018)
Scottvale (VIC)	1H FY2019
Goonawarra (VIC)	1H FY2019
Roccoco (VIC)	1H FY2019
Springvale (VIC)	1H FY2019
Coffs Harbour (NSW)	2H FY2019
Gympie (QLD)	2H FY2019
Lakes Entrance (VIC)	2H FY2019
Hallam (VIC)	2H FY2019

Notes:
1. Near term developments includes both brownfield and greenfield developments (Glen Waverly, Rye, Brighton-Le-Sands and Kingston Gardens).

Riviera Health update

Japara completed the acquisition of the Riviera Health portfolio in April 2018

Strategy

- Riviera Health strategically and immediately increases Japara's presence in the Sydney and broader NSW market and provides bed licenses and sites for future growth

Integration

- Transfer of 507 bed licenses undertaken in four days with Riviera Health homes fully accredited under Japara ownership within three weeks working closely with the Department of Health
- Japara's care model has been implemented and current occupancy of the operating homes is 98%

Value

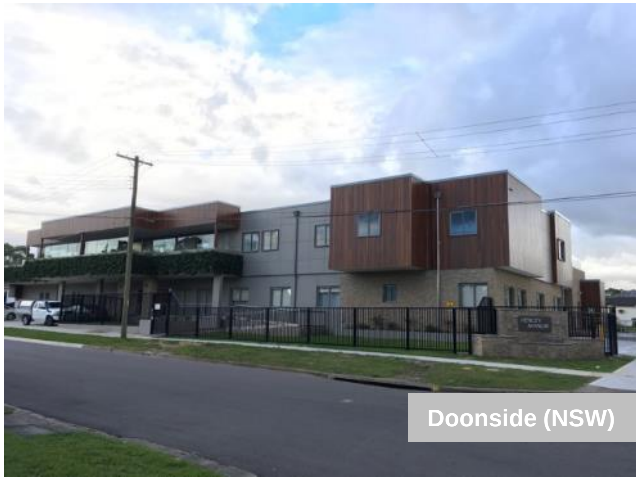
- Net purchase price of $38m (excl. transaction costs)
  - New RADs of $20m+ expected from the new Brighton-Le-Sands home reducing effective net purchase price of Riviera Health portfolio to approximately $18m net of RADs, which includes a value of circa $7m for vacant land and circa $10m for surplus bed licenses
- EBITDA contribution of between $3.5m–$4m expected in FY2019
- Independently assessed value of real estate ($45.5m) and licenses ($27.9m) in excess of gross purchase price with a $9.6m net gain on purchase required in FY2018 accounts

Location	Asset type	Places existing (future)	Status / proposed use
Chatswood	Aged care home	50	Open and fully accredited
Doonside	Aged care home	60	Open and fully accredited
Brighton-Le-Sands	Aged care home (existing)	30 (27)	Open and fully accredited. To be closed for a rebuild once the new home (below) is completed. 27 places proposed in rebuilt home
	Aged care home (new)	0 (61)	Due to open in October 2018. Residents in existing home (above) to relocate to new home
Wyong	Aged care home	70	Open and fully accredited
	Vacant land	4.3 Ha.	Available for future 120 bed development to replace existing home
Toukley	Development site	0	Aged care home closed and proposed for development or sale
Total		**210 (268)**	
Surplus licenses		297 (239)	

Riviera Health update (cont.)


Jenny-Lynn (NSW)

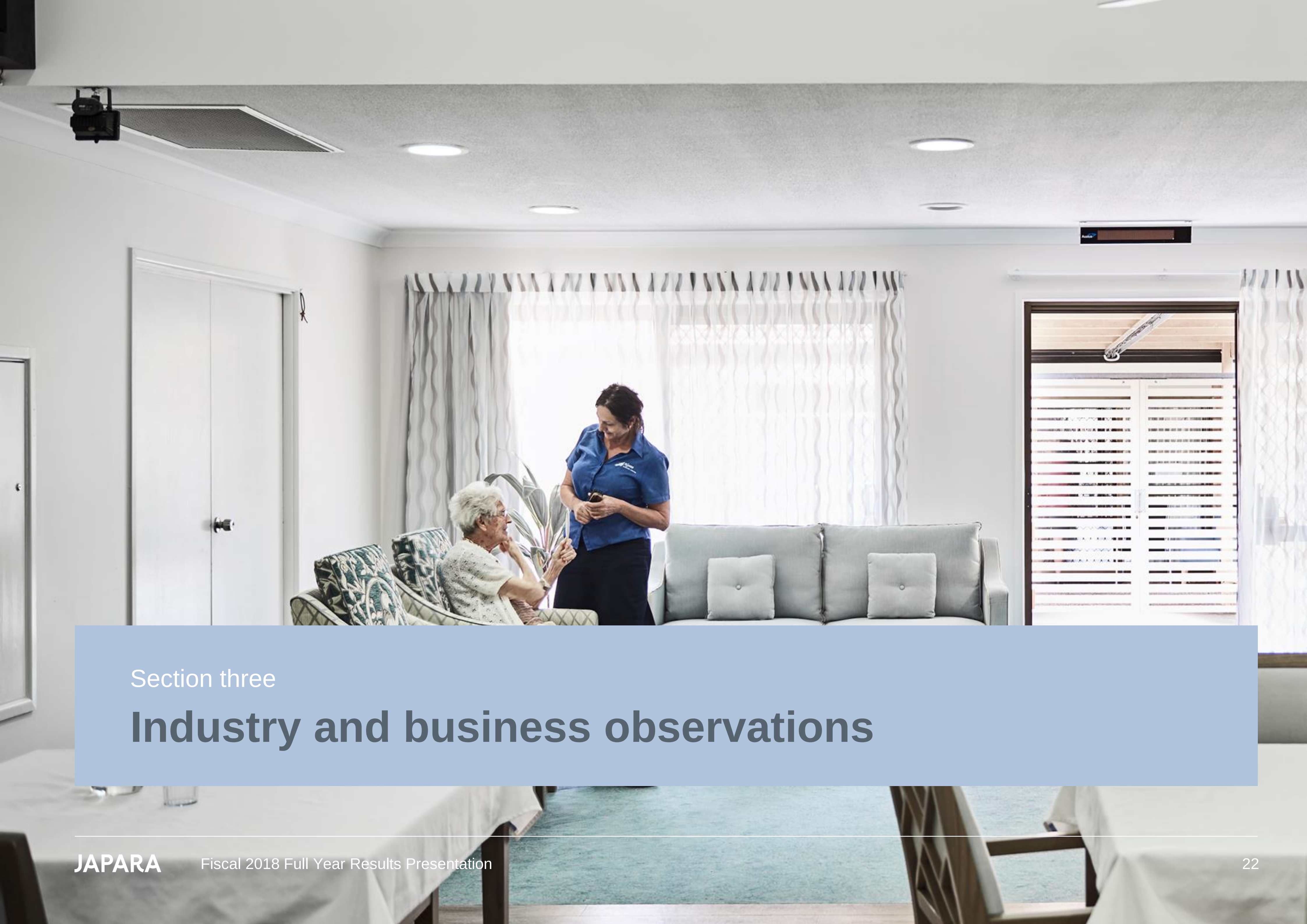

Wyong (NSW)


Doonside (NSW)


Chatswood (NSW)


Wyong (NSW)


Brighton-Le-Sands render (NSW)



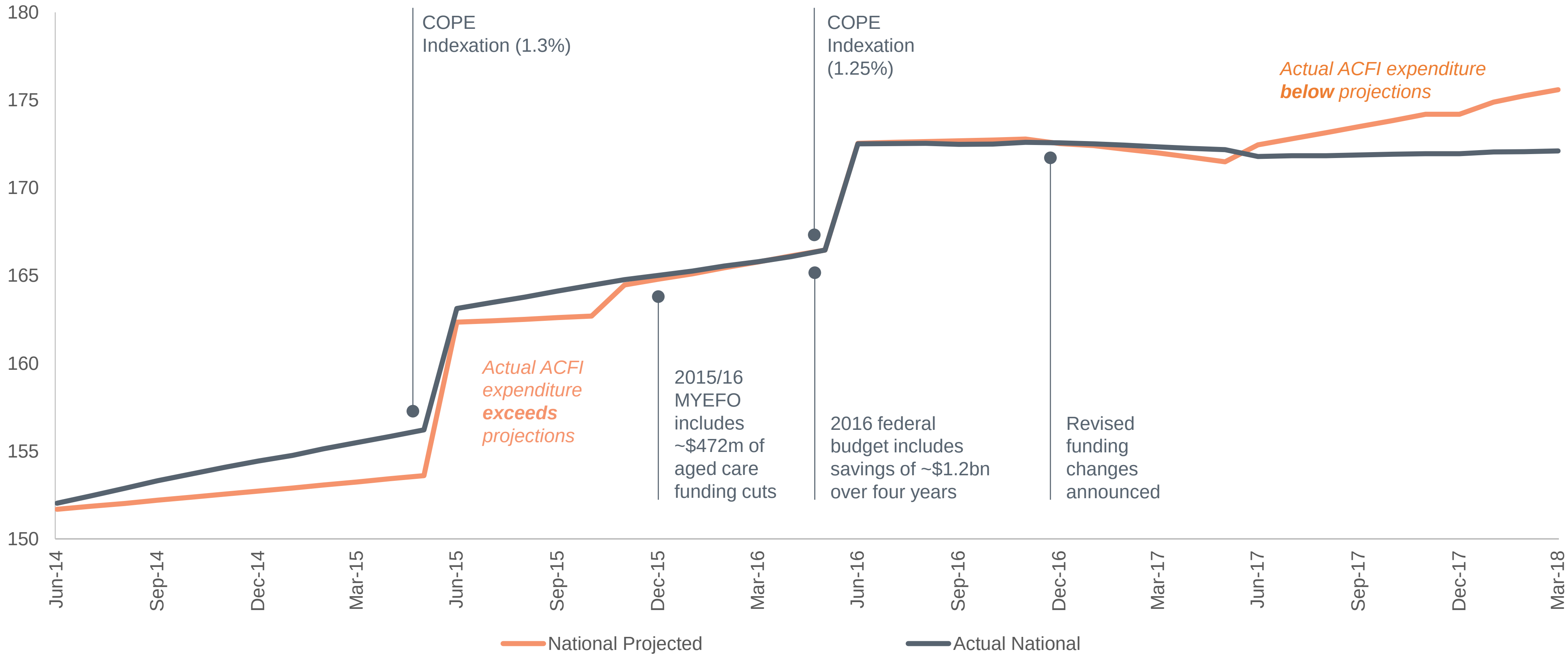
Section three

Industry and business observations

Industry trends

The broader aged care industry has faced a challenging two years with ACFI rates static and currently running below Government projections . . .

Industry ACFI per occupied bed day ($)[1]



Notes:
1. ACFI Monitoring Reports, Australian Government, Department of Health.

Japara care

… however, Japara's superior care model has continued its record of 100% compliance to the Accreditation Standards across the full portfolio . . .

Care

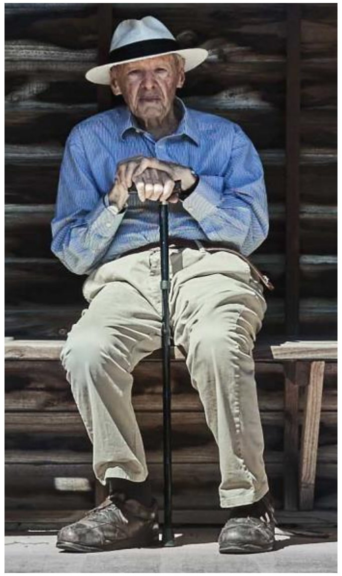
- 19 re-accreditations during FY2018
- Acquisition of the Riviera Health portfolio and turnaround to full compliance was achieved within three weeks, working closely with the Department of Health
- Registered nurses on every shift, every day at all Japara homes

Our resident focus

- Late stage and complex care of elderly residents staying for shorter periods of time
- Longer term residents increasing primarily with dementia and other neuro-degenerative conditions

Specialised dementia care

- Japara is a leader in dementia specific care with smaller, home like living environments which improve quality outcomes
- The Hub at Noosa – specifically designed for residents living with dementia, opened in April 2018 and had full occupancy within a week:
  - The Hub continues to have a waiting list
  - Implementing the Hub concept in some of our other homes



Notes:
1. Dementia Australia: Key Facts and Statistics, 2018.

Japara real estate portfolio

… and combined with a well located real estate portfolio, providing residents with high levels of amenity and premium accommodation, positions Japara well to enhance its performance

44
owned residential aged care homes

$532m
book value of stabilised real estate

14
years average age of homes[1]

4
leased residential aged care homes

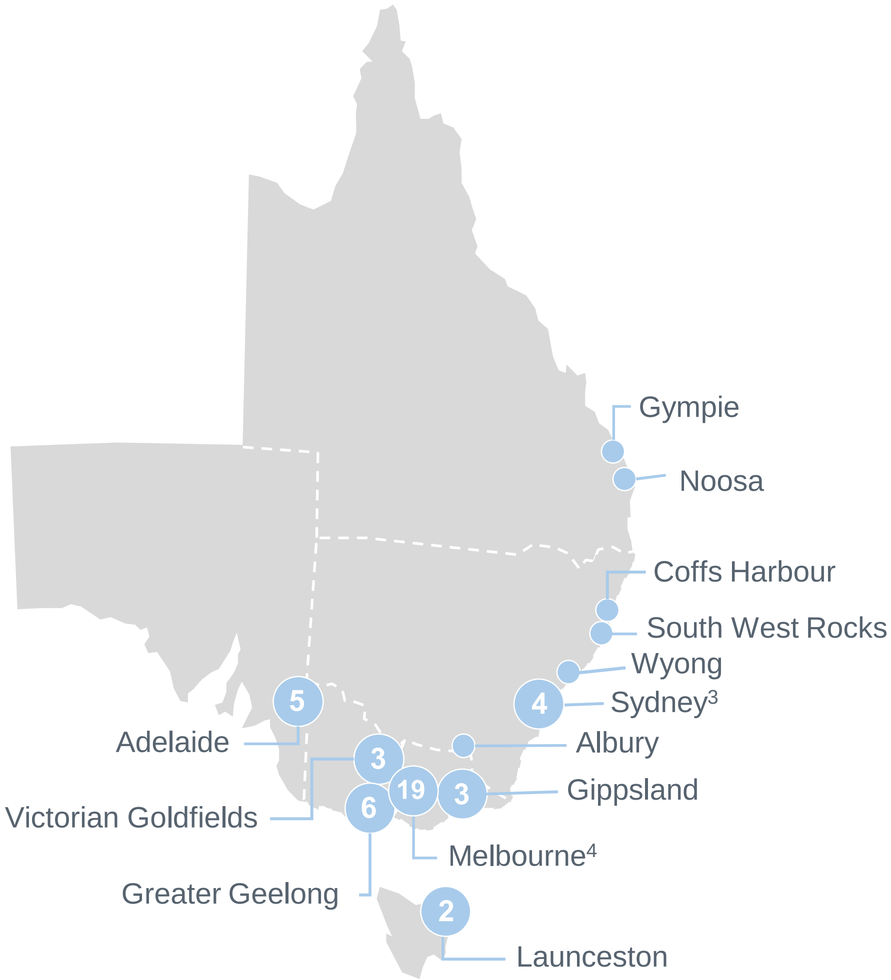
$156m
book value of developments

$33m
of accommodation related payments[2]

85%
of rooms are single bed

78%
of places in metro and major regional[5] locations

180
retirement independent living units / apartments



Notes
1. Since construction or significant refurbishment of home.
2. Accommodation payments include DAPs and Accommodation Supplements.
3. Sydney portfolio comprises three owned and one leased home.
4. Melbourne portfolio comprises 16 owned and three leased homes.
5. Major regional includes cities with more than 100,000 people.

Section four

Summary and outlook

Summary and outlook

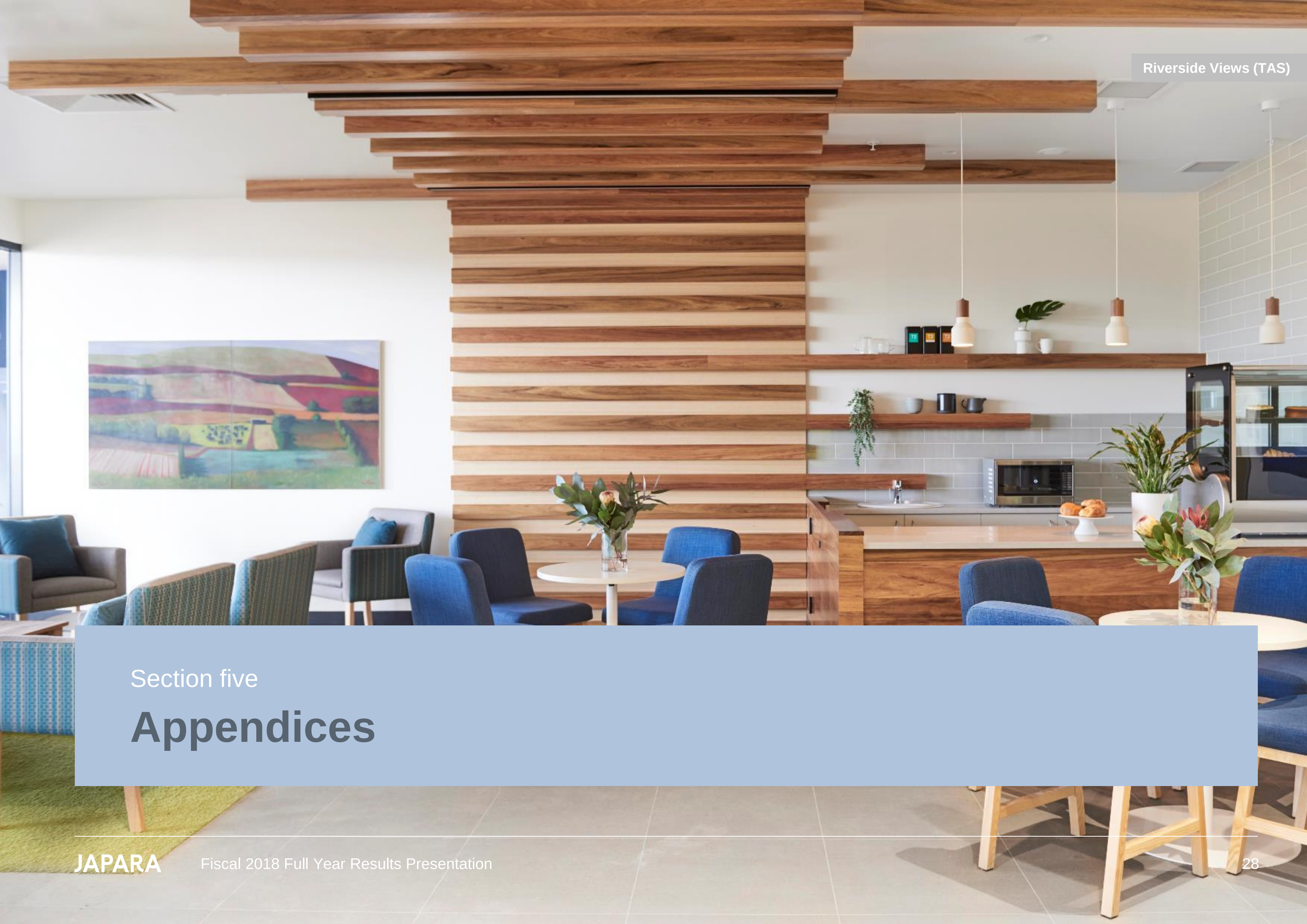
Business positioned for earnings growth in FY2019

FY2018 summary

- EBITDA of $50.7m down on FY2017 by 15.8% largely due to occupancy pressure as a result of severe influenza outbreaks during the period and the absence of ACFI indexation
- Strong earnings contribution from recently completed brownfield developments and operational initiatives
- Riviera Health portfolio acquisition strategically important with an excellent return on investment profile
- Balance sheet strength maintained with net bank debt of $116.3m at 30 June 2018 ($30.3m core net debt, $86.0 development debt)

FY2019 outlook

- FY2019 EBITDA is expected to be 5% to 10% up on FY2018, subject to no material changes in market or regulatory conditions, as:
  - — operational initiatives gain further traction
  - — occupancy continues to normalise
  - — ACFI indexation returns (1.2%) and partially offsets wage inflation
  - — significant refurbishment programs provide incremental EBITDA of circa $2.5m
  - — the Riviera Health portfolio is expected to deliver a circa $3.5m-$4m uplift in EBITDA
  - — developments opening are expected to increase EBITDA circa $1.5m
- Stronger earnings expected in second half due to timing of developments and operational initiatives
- Continued delivery of Japara's development pipeline (over 300 net new places) and significant refurbishment program (eight homes)



Riverside Views (TAS)

Section five

Appendices

Appendix 1: Detailed Profit and Loss

	FY2018	FY2017	Change	
	$'000	$'000	%	$'000
Revenue				
Government care and accommodation funding	262,981	253,796	3.6%	9,185
Resident fees	98,542	100,202	-1.7%	(1,660)
Other income	11,665	8,195	42.3%	3,470
Total revenue & other income	373,188	362,193	3.0%	10,995
Expenses				
Employee benefits expense	(258,967)	(246,734)	5.0%	(12,233)
Resident costs	(31,874)	(27,775)	14.8%	(4,099)
Other costs	(31,694)	(27,524)	15.2%	(4,170)
Total expenses	(322,535)	(302,033)	6.8%	(20,502)
EBITDA	50,653	60,160	-15.8%	(9,507)
Depreciation and amortisation	(17,150)	(14,255)	20.3%	(2,895)
EBIT	33,503	45,905	-27.0%	(12,402)
Net finance costs	(3,817)	(3,304)	15.5%	(513)
Income tax expense	(6,359)	(12,889)	-50.7%	6,530
NPAT	23,327	29,712	-21.5%	(6,385)

Appendix 2: Detailed Statutory Cash Flow Statement

	FY2018 $'000	FY2017 $'000
Cash flows from operating activities:		
Receipts from customers	361,250	350,544
Payments to suppliers and employees	(315,824)	(306,726)
Income taxes paid	(6,342)	(8,952)
Interest received	674	644
Finance costs paid	(4,263)	(3,710)
Net cash provided by operating activities	35,495	31,800
Cash flows from investing activities:		
Purchase of land & buildings	(19,626)	(7,785)
Proceeds from sale of land and buildings	313	9,770
Purchase of plant and equipment	(10,158)	(6,386)
Capital works in progress	(78,753)	(36,250)
Proceeds from sale of surplus resident places	-	3,586
Purchase of aged care business	(40,317)	-
Deferred settlement payment for aged care business	-	(9,000)
Net cash used in investing activities	(148,541)	(46,065)
Cash flows from financing activities:		
Proceeds from issue of share capital	634	3,596
Dividends paid	(25,897)	(29,743)
Net proceeds from bank borrowings	84,500	1,500
Proceeds from RADs and ILU resident loans	190,185	187,664
Repayment of RADs/accommodation bonds and ILU resident loans	(148,594)	(131,944)
Net cash provided by financing activities	100,828	31,073
Net increase/(decrease) in cash and cash equivalents held	(12,218)	16,808
Cash and cash equivalents at beginning of the year	41,376	24,568
Cash and cash equivalents at end of the year	29,158	41,376

Appendix 3: Balance Sheet

	30-Jun-18 $'000	30-Jun-17 $'000
Assets		
Current assets		
Cash	29,158	41,376
Trade and other receivables	9,356	15,838
Current tax receivable	2,629	1,162
Other assets	6,405	6,081
Total current assets	47,548	64,457
Non-current assets		
Trade and other receivables	1,834	2,222
Inventories	-	3,045
Non-current assets held for sale	1,728	1,477
Property, plant and equipment	687,720	541,776
Investment property	38,398	32,972
Deferred tax assets	-	6,161
Intangible assets	491,378	463,458
Total non-current assets	1,221,058	1,051,111
Total assets	1,268,606	1,115,568
Liabilities		
Current liabilities		
Trade and other payables	38,570	18,876
Other liabilities	3,650	11,541
Borrowings	21,000	4,600
Other financial liabilities	509,348	453,103
Employee provisions	33,456	31,338
Total current liabilities	606,024	519,458
Non-current liabilities		
Borrowings	124,500	56,400
Deferred tax liabilities	563	-
Employee provisions	3,741	3,996
Total non-current liabilities	128,804	60,396
Total liabilities	734,828	579,854
Net assets	533,778	535,714
Equity		
Issued capital	522,962	522,328
Retained earnings	10,816	13,386
Total equity	533,778	535,714

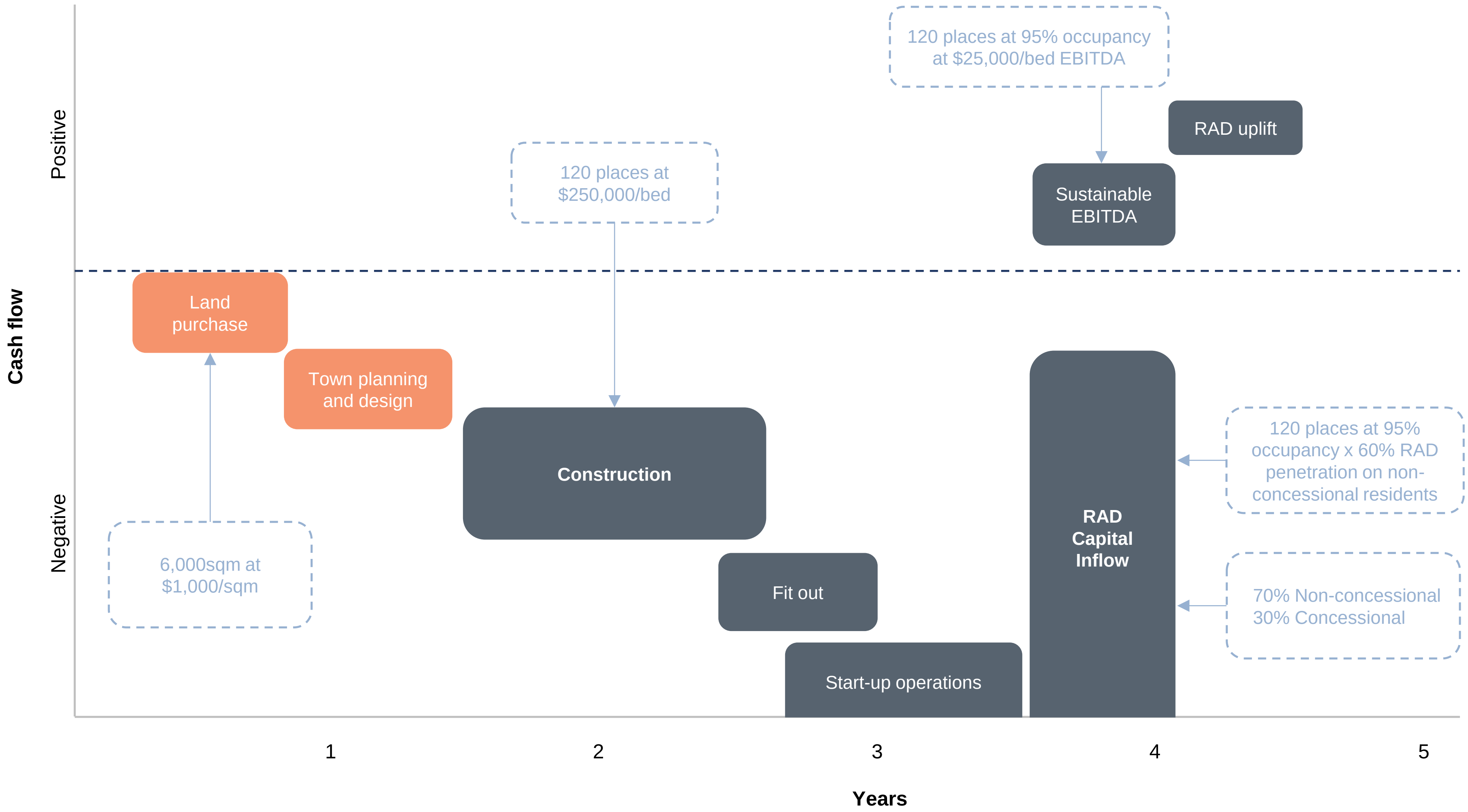
Appendix 4: Non-recurring earnings reconciliation

	FY2018 $m	FY2017 $m
Non recurring items		
Profit on sale of land		5.2
Profit on sale of surplus bed licences		1.5
Increase in fair value of investment properties		1.2
Redundancies / restructuring	(3.4)	(1.9)
Net gain on acquisition	9.6	
Property revaluation gains	1.7	
CRD adjustment – prior year	(2.9)	
Greenfield start-up losses	(0.8)	
Corporate office relocation provision and discontinued projects	(0.9)	
Total	**3.3**	**6.0**

Appendix 5: Portfolio Metrics

	As at 30 June 2018		As at 30 June 17		Change
Resident mix					
Concessional	1,627	42%	1,471	41%	10.6%
RAD	1,125	29%	1,130	31%	-0.4%
DAP	549	14%	539	15%	1.9%
Combination	360	10%	349	9%	3.2%
Pre-reform high-care places	35	1%	40	1%	(12.5%)
Respite	115	3%	60	2%	91.7%
TCP / Other	32	1%	30	1%	6.7%
Total residents	3,843	100%	3,619	100%	6.2%
Staffing					
Number of staff (including part time and casuals)	5,451		5,255		3.7%
Places					
Operational places	4,069		3,841		5.9%
Non-operational places	466		135		245.2%
Provisional ACAR allocations	922		974		(5.3%)
Total places	5,457		4,950		10.2%
Places (metro/major regional, regional split)					
Metro/major regional	4,231	78%	3,943	80%	7.3%
Regional	1,226	22%	1,007	20%	21.7%
Total places	5,457	100%	4,950	100%	10.2%
Geographic spread (homes)					
VIC	65%		72%		
SA	15%		12%		
NSW	8%		9%		
QLD	7%		5%		
TAS	5%		2%		
Total	100%		100%		
Funded bed days	1,323,563		1,284,827		3.0%

Appendix 6: Indicative greenfield development



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