

JAPARA

UBS Australasia Conference

12 November 2018

Andrew Sudholz
CEO & Managing Director

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

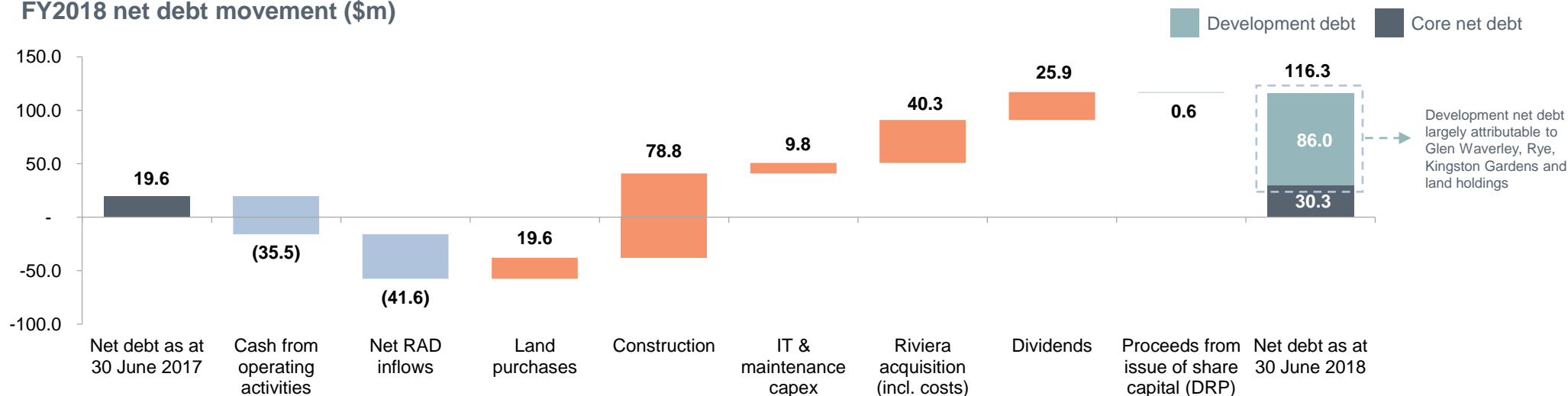
- Riviera Health portfolio acquired and integrated (210 places plus 297 surplus licenses)
- Significantly increases presence in Sydney market
- \$3.5m+ EBITDA contribution in FY2019



Financial position

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

FY2018 net debt movement (\$m)



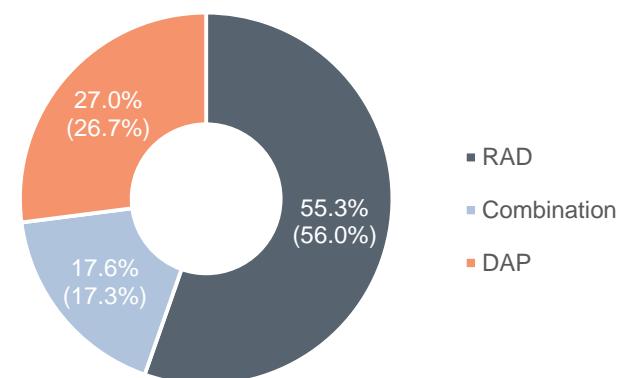
- Net debt increased due to investment in growing and enhancing the portfolio via the acquisition of the Riviera Health portfolio, development and significant refurbishment
 - Core net debt of \$30.3m (0.6x EBITDA)
 - Development debt of \$86.0m to be reduced by net RAD cash inflows of \$70m expected 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)

Average room price and resident mix trends

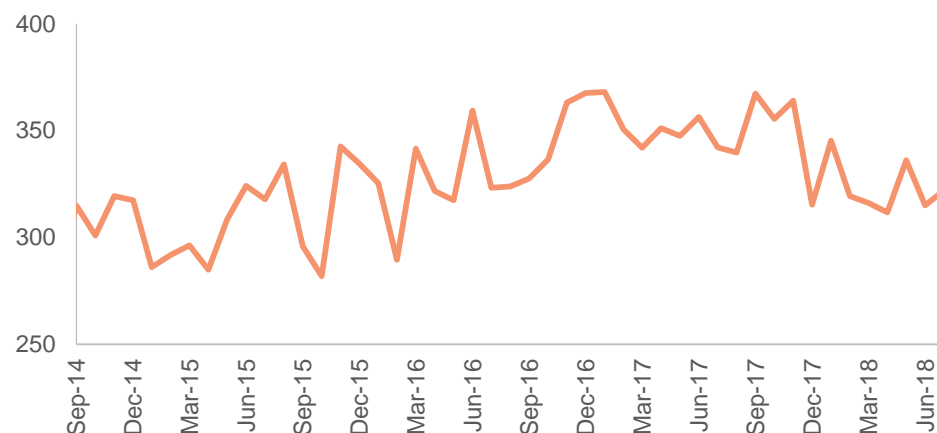
Increased resident preference for RADs underpinned solid net RAD cash inflows notwithstanding lower average bed contract prices

- 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

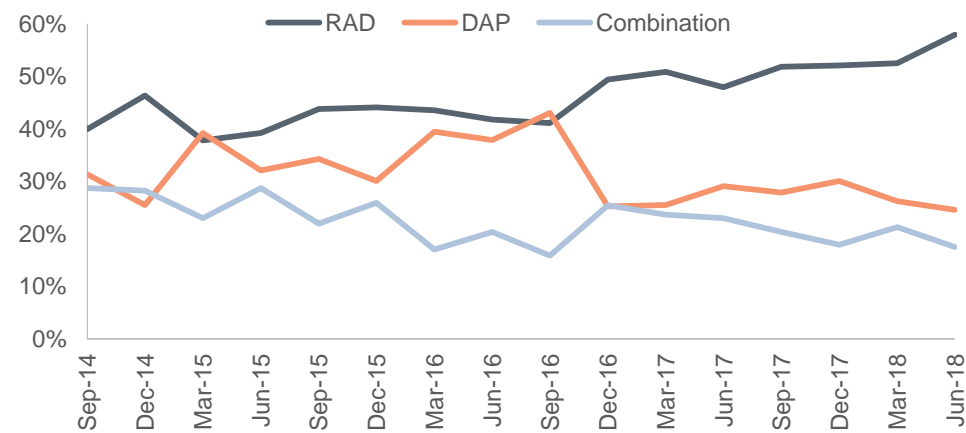
Total portfolio mix as at 30 June 2018 (pcp in brackets)



Average incoming bed contract price (\$'000)



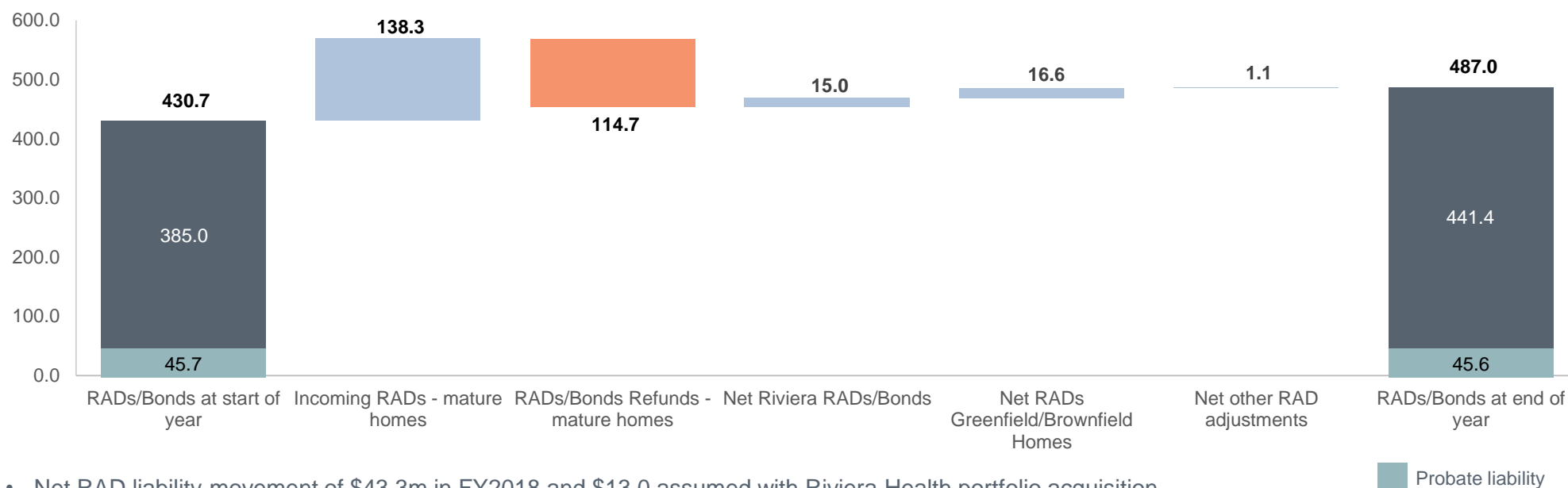
Payment preference of incoming non-concessional residents



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



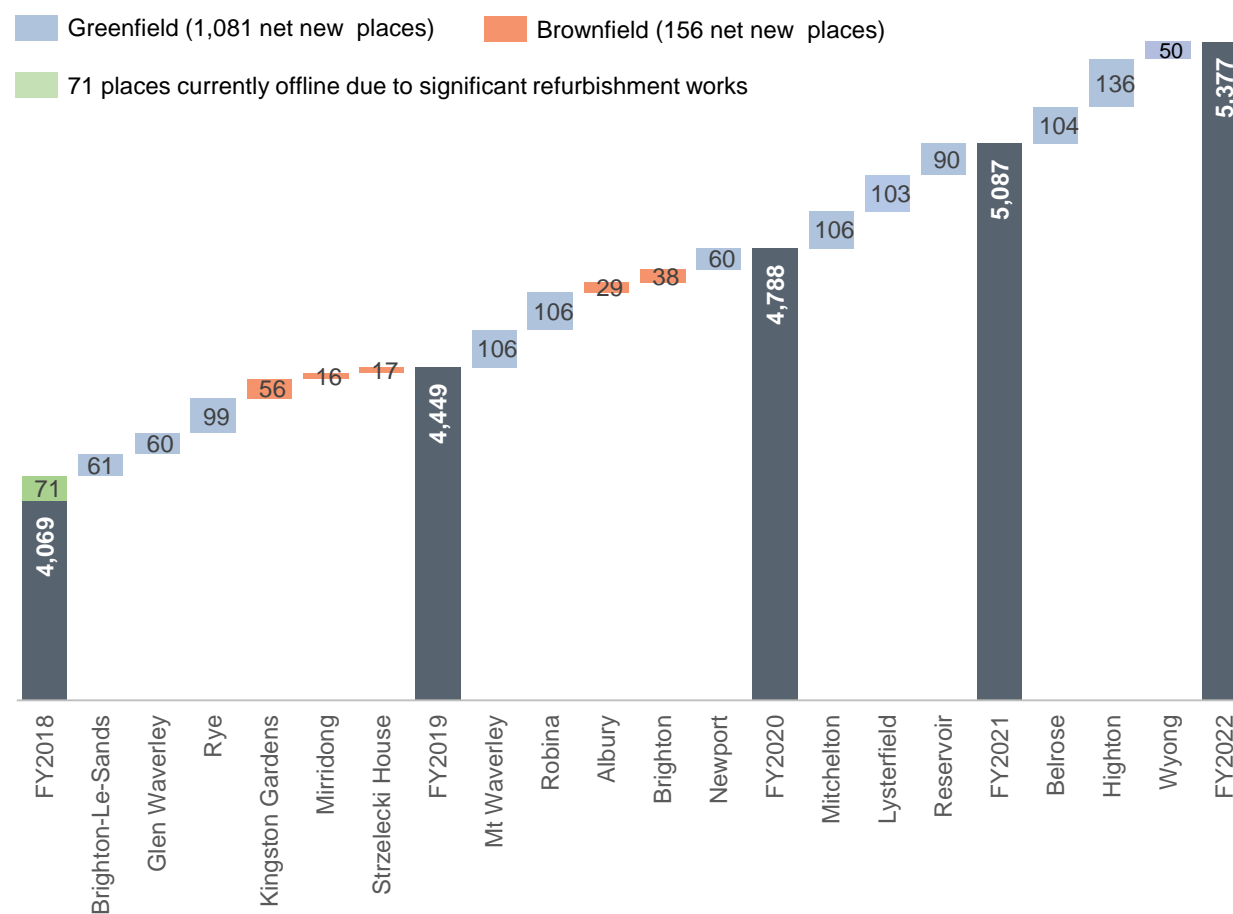
Strategic initiatives

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)



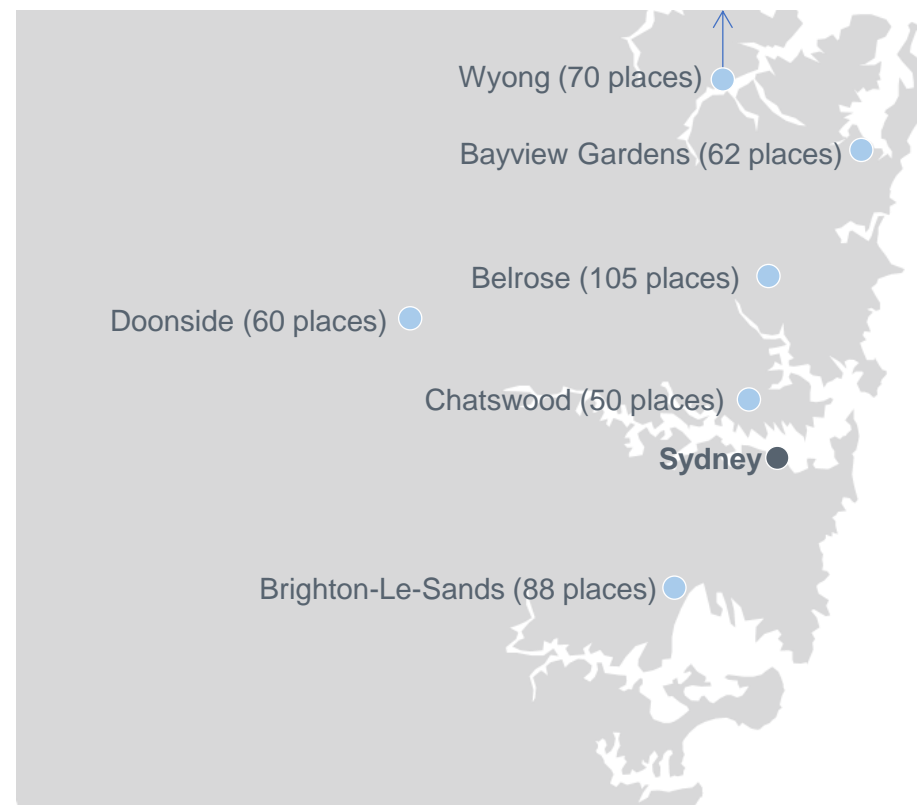
Our Sydney portfolio

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 27	• Greenfield due to open in October 2018 • 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 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.

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 developments¹
- 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

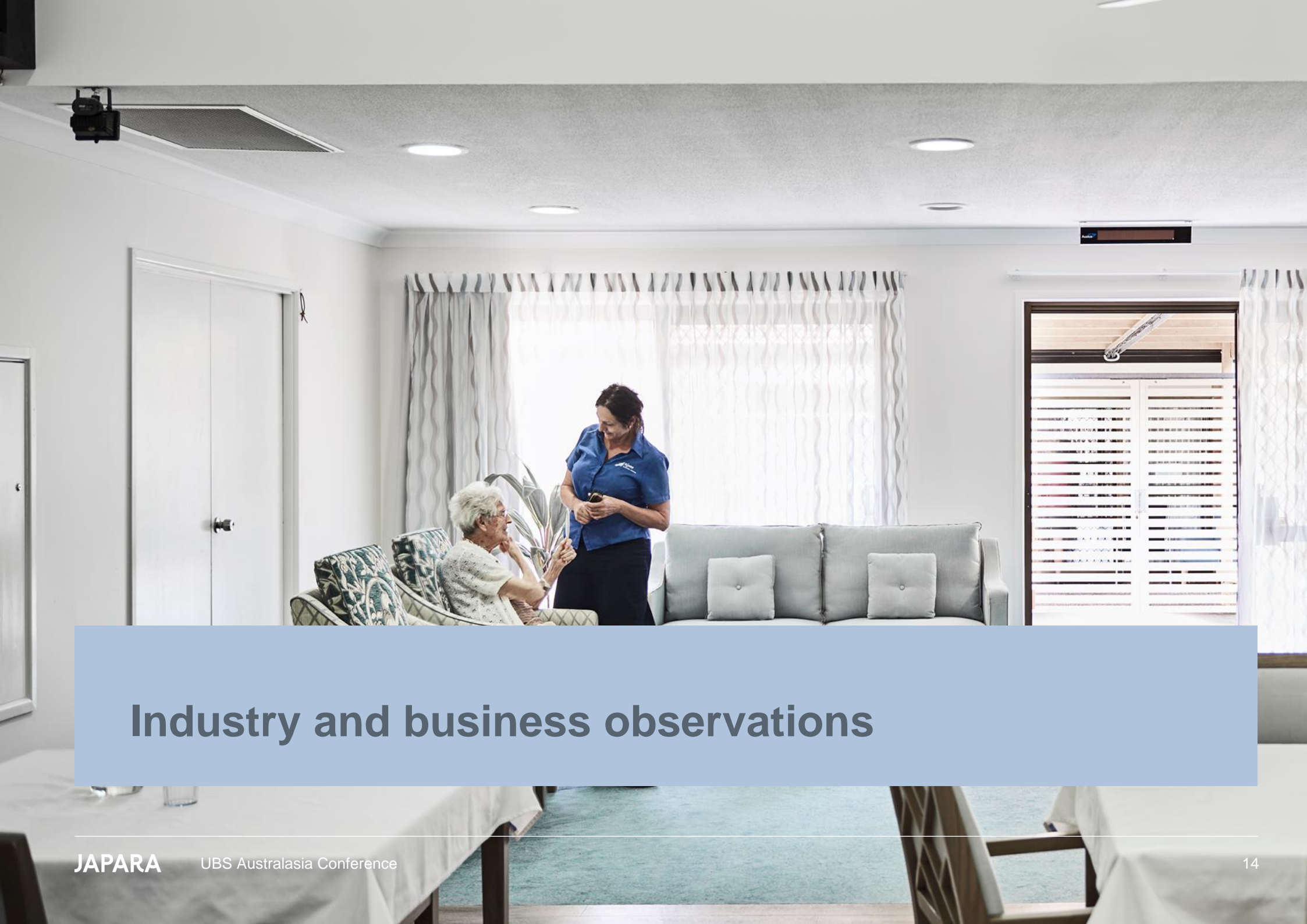
- Transfer of 507 bed licenses undertaken in four days with Riviera Health homes fully accredited under Japara ownership within three weeks working closely with the Department of Health
- Japara's care model has been implemented and current occupancy of the operating homes is 98%



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)	

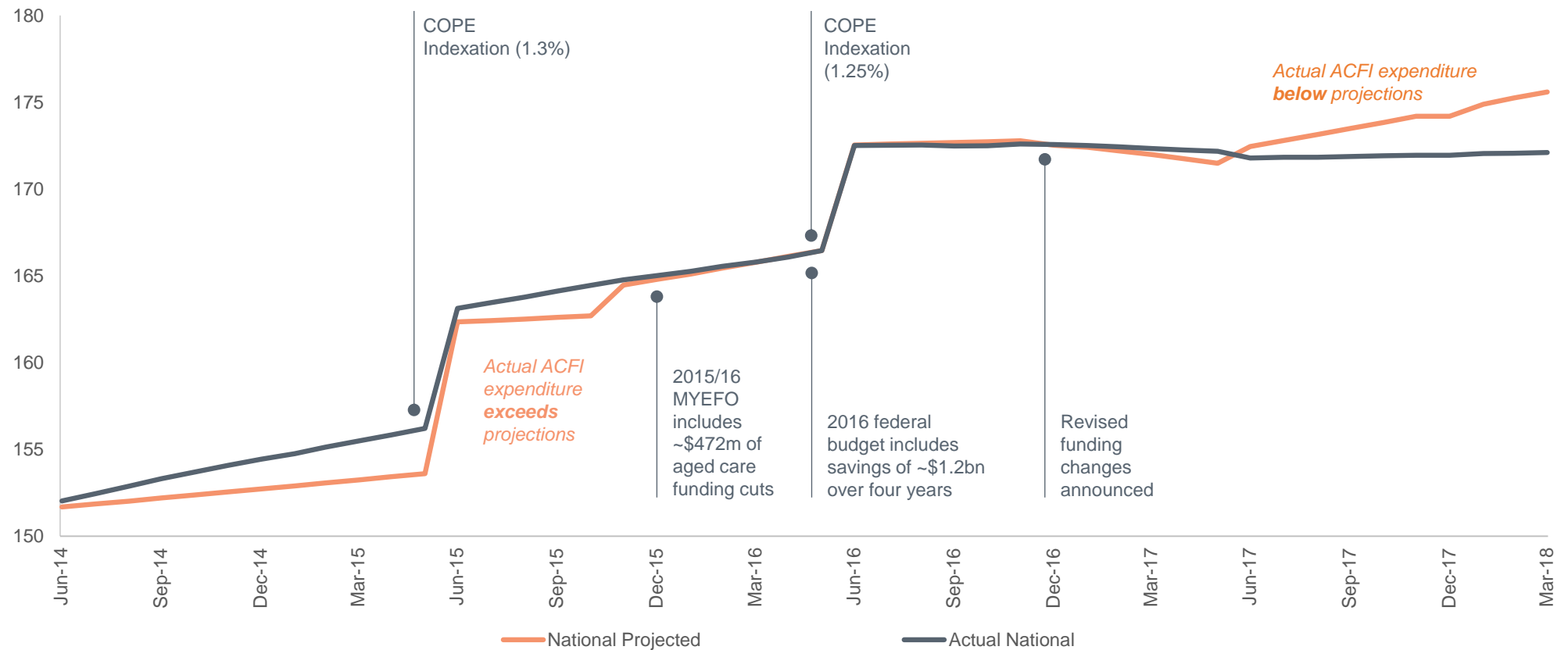


Industry and business observations

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

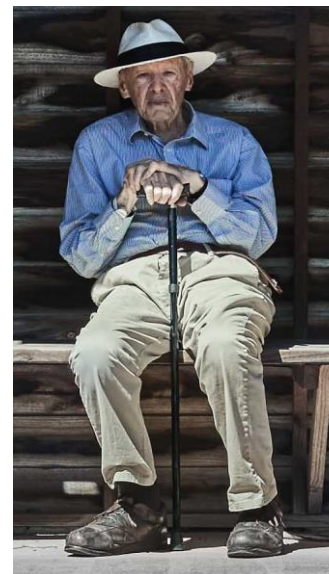
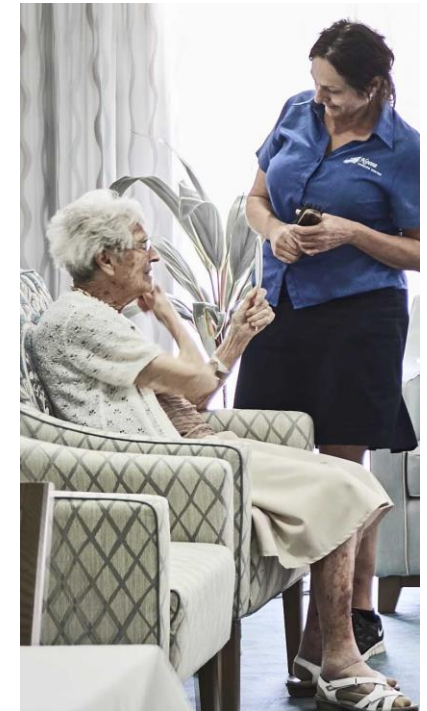
- Late stage and complex care of elderly residents staying for shorter periods of time
- Longer term residents increasing primarily with dementia and other neuro-degenerative conditions

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 homes¹

4

leased residential
aged care homes

\$156m

book value of
developments

\$33m

of accommodation
related payments²

85%

of rooms are
single bed

78%

of places in metro
and major regional⁵
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.



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