

25 February 2019

## JAPARA 1H FY2019 RESULTS RESILIENT PERFORMANCE IN A CHALLENGING MARKET

Japara Healthcare Limited (“Japara” or “the Company”) (ASX: JHC) today announced its results for the half-year ended 31 December 2018 (“1H FY2019”).

During the half, Japara opened three new homes, had strong net RAD<sup>1</sup> cash inflows and maintained its 100% accreditation record. Net profit after tax was down on the prior comparative period.

### Financial outcomes:

- Total revenue up 6.8% to \$193.5 million (1H FY2018: \$181.1 million)<sup>2</sup>
- EBITDA down 3.5% to \$22.1 million (1H FY2018: \$22.9 million)<sup>2</sup>
- Net profit after tax down 18.3% to \$7.6 million (1H FY2018: \$9.3 million)<sup>2</sup>
- Interim dividend of 2.80 cents per share, unfranked (1H FY2018: 4.0 cents per share franked to 65%)
- Net bank debt of \$131.9 million at 31 December 2018 (\$36.4 million core net debt and \$95.5 million development debt)
  - Available liquidity of circa \$213 million
- Net RAD<sup>1</sup> cash inflows in 1H FY2019 of \$28.9 million (1H FY2018: \$25.9 million)
- New five year, \$345 million syndicated loan facility secured providing funding for Japara’s extensive brownfield and greenfield developments program as well as for acquisition and other general purposes

### Operating highlights:

- Ongoing 100% accreditation record maintained with 10 re-accreditations during 1H FY2019
- Average occupancy of 93.6% (1H FY2018: 92.3%)
- Total operational places up 1.4% since 30 June 2018 to 4,125
- Three new greenfield developments recently completed and opened in Glen Waverley (Vic), Rye (Vic) and Brighton-Le-Sands (NSW) adding 220 new places to the Company’s portfolio
- An additional two brownfield extensions at Kingston Gardens and Mirridong homes (Vic) were recently opened providing 84 new places
- Completion of the significant refurbishment of four homes during 1H FY2019 with 31 homes now refurbished providing improved amenity for residents
- Planning approval recently received for proposed greenfield developments at Belrose (NSW), with 104 places planned, and at Highton (Vic), where 122 places are planned

Japara’s Chief Executive Officer, Andrew Sudholz, said:

“The first half of FY2019 was a challenging period across the sector and also included the commencement of the Royal Commission into Aged Care Quality and Safety. Whilst occupancy was a little lower than we had wanted, underlying earnings were resilient and net RAD cash inflows met expectations.

“It was pleasing to see our investment in the organic growth of the business become more tangible with the opening of our new Glen Waverley, Rye and Brighton-Le-Sands homes along with the completion of the brownfield extensions at Kingston Gardens and Mirridong. These developments will provide earnings growth as occupancy increases over the next twelve months.

“Our significant refurbishment program has also continued, with four homes substantially refurbished during the period where residents now enjoy enhanced amenity and asset quality. We also continue to invest in our IT infrastructure to enhance resident experience, provide additional clinical insights and improve business efficiency.

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1. Refundable Accommodation Deposit (RAD)

2. Normalised for a \$1.4 million capital refurbishment deduction revenue adjustment in 1H FY2018

“It was also pleasing to see the ongoing support of our relationship lenders with a new \$345 million debt facility being secured shortly before Christmas.

“We have maintained a solid financial position and our one thousand place national development pipeline provides us with an excellent foundation for growth and positions us well for the medium term in an industry with a strong growth outlook.

“I would like to again acknowledge the efforts of our fantastic staff over the last six months and their dedicated focus on caring for our residents.”

## **Outlook**

Japara expects full year FY2019 EBITDA to be in line with its FY2018 results subject to no material changes in market or regulatory conditions. The outlook reflects:

- the Government subsidy boost for residential aged care providers intended to benefit senior Australians receiving aged care services;
- additional investment in our workforce and information technology to both support transition to the new aged care standards and the broader business during a challenging period; and
- a more conservative position than previously anticipated on occupancy.

## **Interim Dividend and Dividend Reinvestment Plan (“DRP”)**

The Board has determined an interim dividend of 2.80 cents per share which will be paid on 30 April 2019 (1H FY2018: 4.0 cents per share). The dividend is unfranked (1H FY2018: 65% franked) with the record date for entitlement purposes being 28 March 2019.

The Company’s DRP will operate in respect of the interim dividend and no discount will be applied when determining the price at which shares will be issued. The last date for receipt of DRP application forms in respect of the interim dividend is 29 March 2019.

The Company’s intention remains to pay full year dividends of up to 100% of net profit after tax, franked to the maximum extent possible having regard to available franking credits.

## **Investor and analyst briefing**

As previously advised, at 10.30am (AEDT) today, Japara will conduct an investor and analyst briefing on the 1H FY2019 results. The investor presentation has today been lodged with the ASX and is also available on Japara’s Investor Centre website at (<https://investor.japara.com.au/investor-centre/>).

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