

27 May 2020

MARKET UPDATE

Japara Healthcare Limited ("Japara") (ASX: JHC) provides the following market update regarding the impact of COVID-19 ("COVID") on its business.

Non-cash Impairment

Japara advises that, as a result of a review of the carrying value of its assets in light of the impact of the COVID pandemic, its financial results for the year ending 30 June 2020 are expected to include a non-cash impairment charge, primarily to goodwill, in the range of \$270 million to \$300 million.

The final impairment charge is subject to Board review and approval of the audited financial statements for the full year ending 30 June 2020, scheduled to be released in late August 2020. This impairment charge is expected to be disclosed separately as a significant item.

In determining the expected impairment charge, Japara considered a range of assumptions including discount rates, business and industry operating performance, the economic environment and regulatory conditions.

The expected adjustment arising from this non-cash impairment will have no impact on Japara's debt facilities or covenants, future cash flows, ability to undertake capital management initiatives or normalised earnings.

Operational Update

Japara continues to manage its business with high regard to COVID risks with a dedicated committee actively planning and overseeing its COVID response. No residents have tested positive for COVID. A staff member at a home was confirmed COVID positive in early April 2020, was immediately isolated and has since recovered.

Operational conditions in the aged care sector continue to be challenging with a moderate weakening in occupancy experienced from Easter onwards as a result of a reduction in demand, particularly from the hospital sector. Japara currently has 4,060 occupied places (as at 26 May 2020), an increase of five occupied places since 31 December 2019, and which reflects a reduced occupancy rate of 91.7% as a result of an increase in operational places by 44 since 31 December 2019.

Net Refundable Accommodation Deposit ("RAD") and Independent Living Unit resident loan inflows of \$18 million have been received from 1 January 2020 to 30 April 2020. Resident RAD and Daily Accommodation Payment preferences are consistent with those experienced in 1H FY2020.

Japara's net debt totalled \$201 million as at 30 April 2020 with available liquidity in cash and undrawn debt of \$144 million. The previously announced sales of properties have proceeded with 297-307 Roslyn Road, Highton, Victoria settling in April 2020 as planned and 340-344 Springvale Road, Springvale, Victoria scheduled to settle in mid-June 2020 with net sale proceeds of \$13.3 million expected.

Japara's newest home, The Regent in Mount Waverley, Victoria, opened on 20 April 2020 and is currently home to 16 residents. Two further greenfield developments at Belrose, NSW and Newport, Victoria and a brownfield extension at Albury, NSW are under construction. In light of the uncertain economic outlook, all other greenfield and brownfield development projects have been placed on hold with a decision to proceed into construction to be made when it is deemed prudent to do so.

For further information:

Anthony Rice

Chief Financial Officer and Chief Investment Officer

Japara Healthcare Limited

T: (03) 9649 2100

This document was authorised for release by the Board of Japara