



**JAPARA**  
HEALTHCARE

**RESULTS ROADSHOW**  
PERIOD ENDED 30 JUNE 2014  
SEPTEMBER 2014

# AGENDA

- Japara Healthcare highlights
- Financial and Operational Results
- FY15 Outlook
- Conclusion

# JAPARA HEALTHCARE HIGHLIGHTS

Mirridong

# JAPARA HEALTHCARE PERFORMING IN LINE WITH STATUTORY FORECAST

Japara Healthcare FY14 highlights for period 22/4/14 – 30/6/14 (Prospectus period 1/5/14 to 30/6/14)

## Financial Results

- Statutory Revenue of \$49.0m (Prospectus forecast \$42m)
- Statutory NPAT of (\$2.9m) (Prospectus forecast (\$13.8m))
- Underlying EBITDA of \$8.6m (Prospectus forecast \$7.6m)
- Underlying NPAT of \$6.9m (Prospectus forecast \$6.2m)

## Developments

- Millward, Doncaster – 63 new places
- Mirridong, Bendigo – 30 new places
- Albury – 90 places (59 replacement and 31 new)

## Group Operations

- Occupancy – 95.2%
- Average EBITDA per bed \$21,755
- Average bond value of \$268,000 (3 year portfolio average \$247,000)
- Net bond inflows of \$13.9m

## GROWTH CONTINUES POST 30 JUNE

### **Business Development**

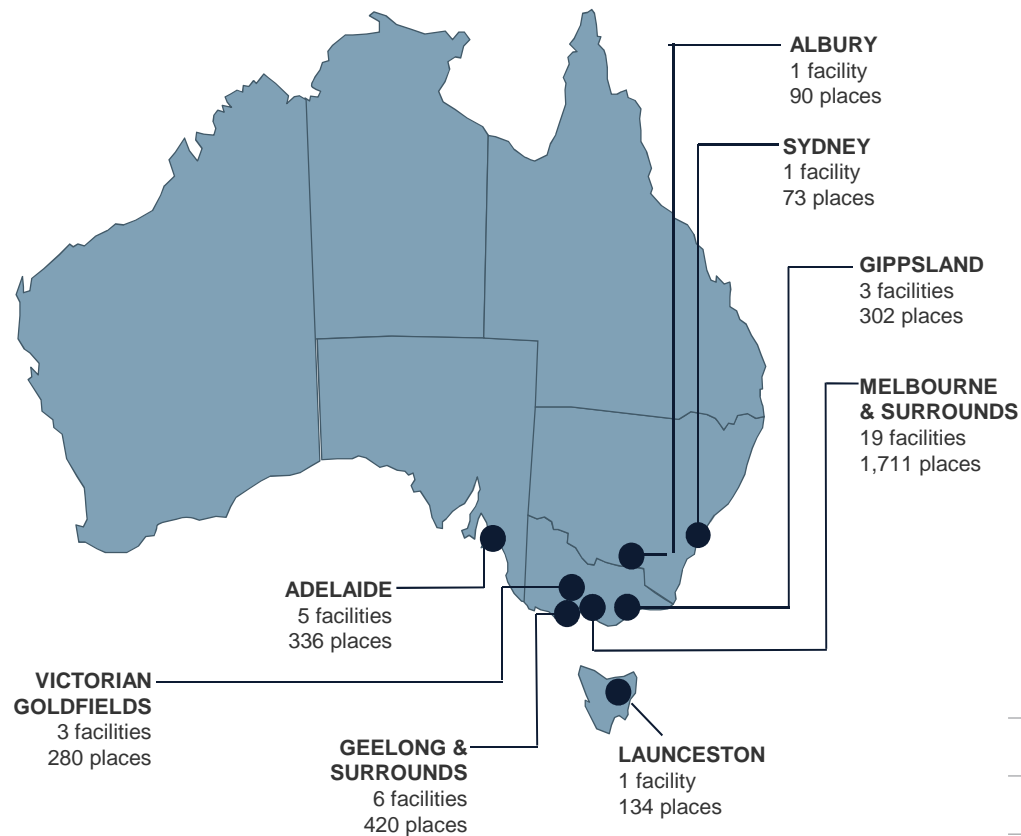
- Whelan Care portfolio under contract in August 2014, expanding Japara Healthcare portfolio to 3,391 places
  - Addition of 258 new places plus 41 Independent Living Apartments ('ILA's')
  - Japara Healthcare to assume operations during December 2014 quarter
  - Net acquisition price of \$39.5m
  - Funded through debt and cash reserves
  
- Acquisition of greenfield site in Launceston, Tasmania, to develop a new 75 place facility

### **Capital Structure**

- \$95m syndicated debt facility agreed for acquisitions and brownfield expansion



# JAPARA HEALTHCARE PORTFOLIO TODAY – 39 FACILITIES IN 4 STATES



George Vowell, Mt Eliza

## Key statistics

Number of facilities including Whelan	39
Total places including Whelan	3,391
Current portfolio occupancy	95.2%

## FINANCIAL AND OPERATIONAL RESULTS

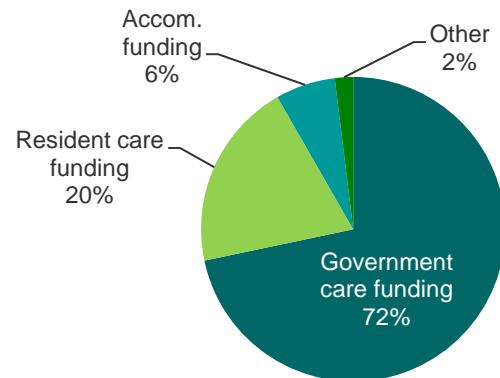
## FINANCIAL RESULTS MEET PROSPECTUS STATUTORY FORECAST

	<b>Actual FY2014 Statutory 22/4/14 – 30/6/14 \$m</b>	<b>Prospectus Forecast FY2014 1/5/14 – 30/6/14 \$m</b>	<b>Actual FY2014 Like for like 1/5/14 – 30/6/14 \$m</b>
Revenue	49.0	42.0	42.7
EBITDA (before IPO costs)	8.6	7.6	7.6
NPAT (before IPO costs)	6.9	6.2	6.2
Statutory NPAT (after IPO costs)	(2.9)	(13.8)	(2.7)
Net Bond/RAD inflow	13.9	3.6	11.1
Bond/RAD balance	205.3	N/A	205.3
Net Cash	12.3	N/A	12.3

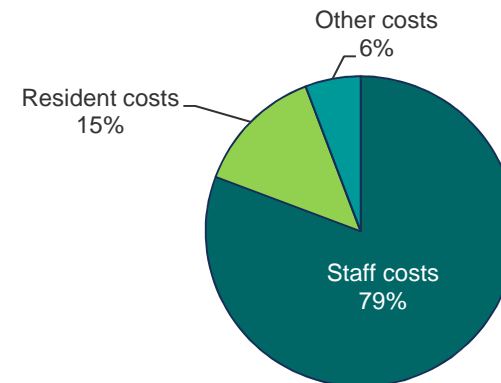


## GROUP OPERATIONS ARE STEADY

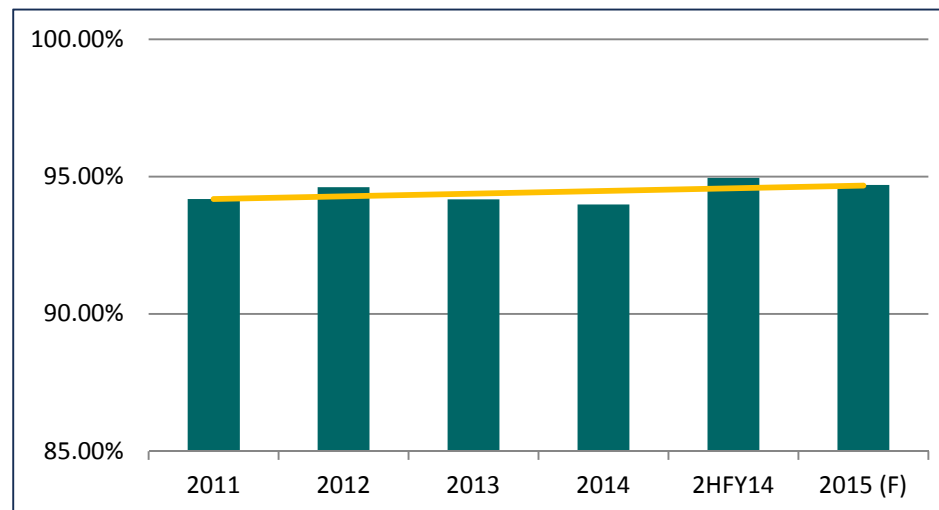
Revenue continued to be primarily funded via Government



Cost composition remained within normal operational parameters



Occupancy remains stable



# MANAGING KEY RISKS

## Accreditation

- 8 facilities assessed during FY14 and accredited for a further 3 years with 44/44 outcomes
- All other facilities are accredited on a rolling 3 year basis with 44/44 outcomes
- No reportable incidents

## Employee Costs

- Victorian EBA is in place to 2017
- Tasmanian EBA negotiated to 2018, subject to registration
- NSW and SA currently being renegotiated for a further 3 years

## Liquidity

- Appropriate cash reserves
- Increase in average bond/RADs received
- Banking facilities in place



# FY15 OUTLOOK

Elanora



## AGED CARE INDUSTRY REFORM – CREATES OPPORTUNITIES FOR JAPARA HEALTHCARE

Change	Comment	Industry Impact
Payroll tax supplement	Removal of payroll tax supplement scheduled from 1 January 2015, subject to Parliamentary approval	▼
Dementia Supplement	Ceased from 1 August 2014	▼
Significant Refurbishment	Increase in the maximum accommodation supplement for new or refurbished aged care facilities from April 2014 for concessional residents	▲
Flexibility to set resident fees	Operator flexibility to set resident fees for accommodation and “hotel type” specialised services from 1 July 2014	▲
DAP/RAD regime	Increased inflow of revenue and capital from 1 July 2014	▲
Workforce Compact	\$1.5bn being returned via 2.4% increase in ACFI’s basic daily subsidy rate from 1 July 2014	▲
Changes in ACFI Rates	Increase in base rates for indexation from 1 July 2014	▲

# INITIATIVES UNDERWAY TO DELIVER FY15 FORECAST EBITDA

## ACFI & Other Revenue

- Resident reassessment to better align ACFI funding with resident acuity levels
- Increased occupancy
- 2.4% increase in basic daily subsidy replacing Workforce Compact
- Indexation

## Brownfields

- Delivery of additional places
- Acceleration of development program

## Reform Impact

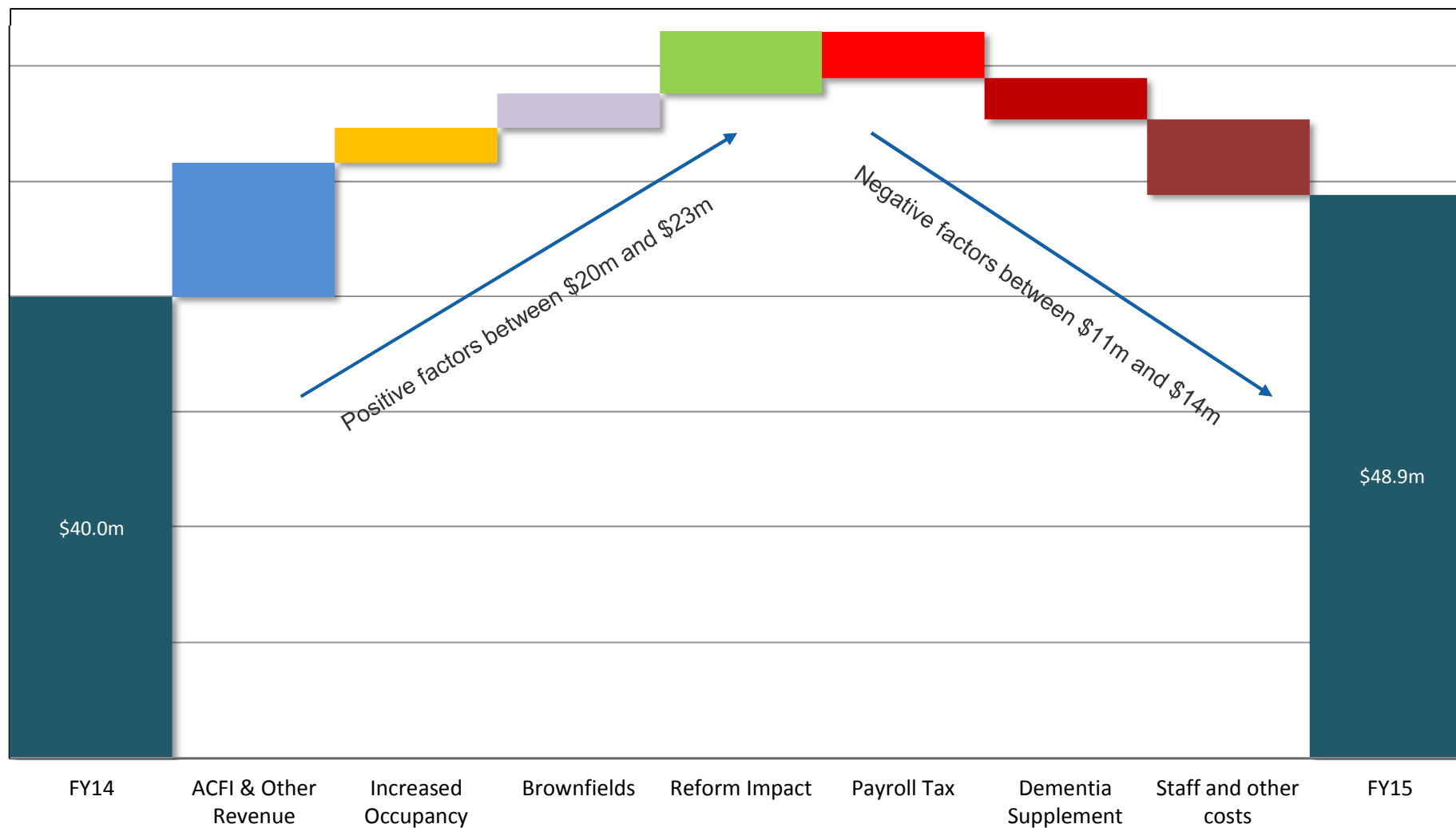
- Business plan in place for resident choice ('My Choices') commencing from September 2014
- DAP/RAD pricing in place for all facilities; trends being monitored
- Accessing funding from the Significant Refurbishment supplement

## Staff and Other Costs

- Active management of direct controllable costs



## INDICATIVE FULL YEAR EBITDA BRIDGE TO FY15



## DEVELOPMENT CASE STUDIES

### Millward - Doncaster

- Opening of 63 bed extension and general facility refurbishment in May 2014
- Occupancy since opening is in line with plan. Expected to be 95% by December 2014
- \$16.0m in committed RAD's to date (ahead of plan)
- Capital cost of development of \$13.2m



## DEVELOPMENT CASE STUDIES – CONTINUED

### Mirridong - Bendigo

- Opening of 30 bed extension and general facility refurbishment in June 2014
- Occupancy since opening is ahead of plan. Expected to be 95% by November 2014
- \$4.3m in committed RAD's since opening (ahead of plan)
- Capital cost of development of \$8.9m.



## DEVELOPMENT CASE STUDIES – CONTINUED

### Albury

- Opening of new facility in June 2014 of 90 places
- Occupancy since opening is in line with plan. Expected to be 95% by January 2015
- \$2.0m in committed RAD's since opening (in line with plan)
- Capital cost of development of \$12.8m



## WHELAN CARE ACQUISITION UPDATE

- Whelan Care portfolio contracts signed in August 2014, with Japara Healthcare to assume operations during December 2014 quarter
- Net purchase price of \$39.5m (including Trevu) comprising:
  - \$34.2m for residential aged care
  - \$1.3m for Independent Living Apartments
  - \$4.0m for vacant land and other minor assets
- EBITDA at settlement of \$2.85m
  - expected to grow to \$4.0m plus in FY16 with Trevu completed and operational
  - further growth in EBITDA anticipated in line with Japara Healthcare portfolio average over time
- Bond/RAD liability of \$22.5m and resident loans (applicable to ILA's) of \$7m. Potential uplift of circa \$15m in RAD's over three years, with \$6m from Trevu post completion.

Facility Name	ILA's	Places	Historical bed composition	Location
Oaklands	-	88 places	High Care Extra Service	Oaklands Park - Adelaide
Mitcham	-	38 places	High Care Extra Service	Kingswood – Adelaide
The Homestead	41	63 places	50 High Care, 13 Low Care	Walkley Heights – Adelaide
Trevu (operational in FY16)	-	69 places		Gawler
<b>TOTAL</b>	<b>41</b>	<b>258</b>		



# CONCLUSION

Lower Plenty



## SUMMARY AND OUTLOOK

- Japara Healthcare performing in line with statutory forecasts
- Initiatives underway to realise opportunities from regulatory reform
- Japara Healthcare accelerates growth strategy
  - Whelan Care portfolio under contract and Japara Healthcare to assume operations during December 2014 quarter
  - Further acquisitions being selectively pursued
  - 3 brownfields completed and 2 brownfields commenced
  - Bringing forward development program
- New DAP/RAD regime delivering capital and revenue to support growth
- **Japara Healthcare confirms FY15 earnings guidance**

# APPENDICIES

*Naracan Gardens*



## APPENDIX A - INCOME STATEMENT

For period 22/4/2014 to 30/6/2014	2014
	\$000's
Revenue	48,261
Other income	713
<b>Total income</b>	<b>48,974</b>
<b>Details of expenditure:</b>	
Employee benefits expense	(31,299)
Resident costs	(5,245)
Occupancy costs	(475)
Depreciation and amortisation	(1,582)
Administrative expenses	(3,402)
Other expenses (including IPO costs)	(9,839)
Finance income	143
Finance costs	(325)
<b>Total expenses from ordinary activities</b>	<b>(52,024)</b>
<b>Loss before income tax</b>	<b>(3,050)</b>
Income tax benefit	112
<b>Loss for the period</b>	<b>(2,938)</b>
Other comprehensive income, net of tax	-
<b>Total comprehensive income/(loss) for the period</b>	<b>(2,938)</b>
Loss attributable to members of the group	(2,938)
Total comprehensive income/(loss) attributable to members of the group	(2,938)

## APPENDIX B - BALANCE SHEET & CASHFLOW

As at 30/6/2014	2014
	\$'000
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	28,107
Trade and other receivables	7,073
Current tax receivable	2,702
Prepayments and other assets	3,585
<b>Total current assets</b>	<b>41,467</b>
<b>Non-current assets</b>	
Trade and other receivables	1,210
Property, plant and equipment	340,799
Investment property	23,312
Net deferred tax assets	8,631
Intangible assets and goodwill	384,541
<b>Total non-current assets</b>	<b>758,493</b>
<b>TOTAL ASSETS</b>	<b>799,960</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Trade and other payables	15,400
Other liabilities	9,331
Loans and borrowings	15,817
Other financial liabilities	220,904
Provisions	22,527
<b>Total current liabilities</b>	<b>283,979</b>
<b>Non-current liabilities</b>	
Provisions	1,994
<b>Total non-current liabilities</b>	<b>1,994</b>
<b>TOTAL LIABILITIES</b>	<b>285,973</b>
<b>NET ASSETS</b>	<b>513,987</b>
<b>EQUITY</b>	
Issued capital	516,755
Retained earnings	(2,768)
<b>TOTAL EQUITY</b>	<b>513,987</b>

For Period 22/4/2014 to 30/6/2014	2014
	\$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Receipts from customers	48,569
Payments to suppliers and employees	(45,636)
Income tax paid	(1,327)
Interest received	143
Financing costs paid	(325)
<b>Net cash provided by / (used in) operating activities</b>	<b>1,425</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of plant and equipment	(2,013)
Proceeds from sale of plant and equipment	43
Capital works in progress	(2,711)
Acquisition of the Japara Group, net of cash	(181,411)
<b>Net cash provided by / (used in) investing activities</b>	<b>(186,092)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Proceeds from issue of share capital	350,919
Equity raising costs	(18,803)
Proceeds from bank borrowings	17,000
Repayment of bank borrowings	(3,000)
Proceeds from accommodation bonds & ILU resident loans	25,645
Repayment of accommodation bonds & ILU resident loans	(11,210)
Settlement of pre-acquisition receivables/(payables) of the Japara Group	(147,777)
<b>Net cash provided by / (used in) financing activities</b>	<b>212,774</b>
<b>Net increase in cash held</b>	<b>28,107</b>
Cash at beginning of reporting period	-
<b>Cash at end of reporting period</b>	<b>28,107</b>



## APPENDIX C - OVERVIEW OF RESULTS – FULL YEAR COMPARISON\*

	<b>FY2014 Pro Forma Actual (12mth Trading) Unaudited \$m's</b>	<b>FY2014 Pro Forma Prospectus (12mth Trading) \$m's</b>	<b>Variance</b>
<b>Revenue</b>			
Government care funding	176.9	178.2	(1.3)
Resident care funding	49.5	49.6	(0.1)
Accommodation funding	14.9	13.9	1.0
Other	3.7	3.2	0.5
<b>Total revenue</b>	<b>245.0</b>	<b>244.9</b>	<b>0.1</b>
<b>Operating costs</b>			
Staff costs	(159.9)	(159.2)	(0.7)
Agency	(4.9)	(4.1)	(0.8)
Resident costs	(27.0)	(27.4)	0.4
Other costs	(13.2)	(12.7)	(0.5)
<b>Total operating costs</b>	<b>(205.0)</b>	<b>(203.4)</b>	<b>(1.6)</b>
<b>EBITDA</b>	<b>40.0</b>	<b>41.5</b>	<b>(1.5)</b>

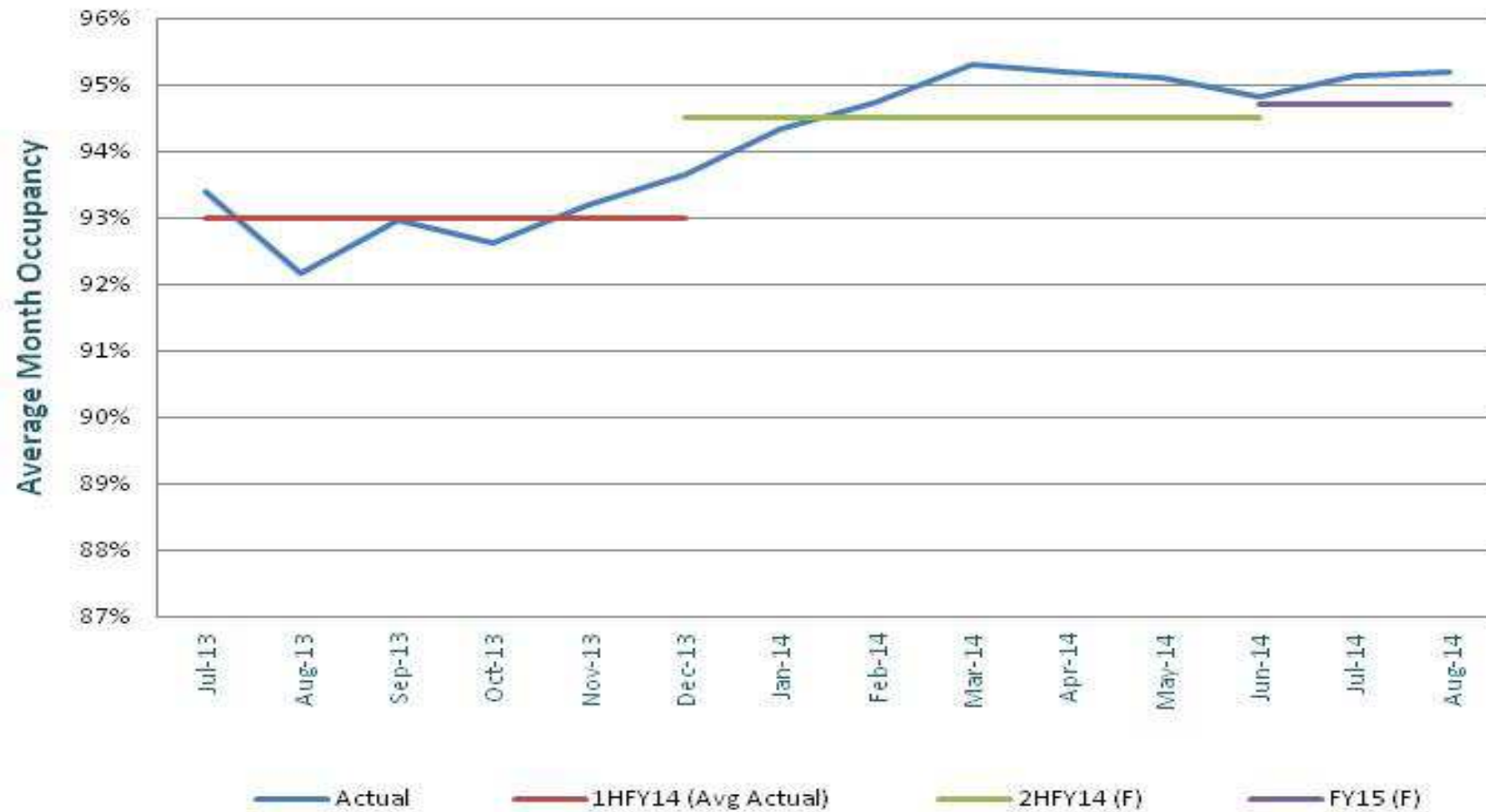
\* Prior to listing, Japara Healthcare comprised two separate entities. Japara Healthcare commenced operations on 22 April 2014

## APPENDIX D - KEY OPERATING METRICS

	<b>Sep-13</b> Quarterly Results \$m	<b>Dec-13</b> Quarterly Results \$m	<b>Mar-14</b> Quarterly Results \$m	<b>Jun-14</b> Quarterly Results \$m	<b>Full Year*</b> FY2014 Pro Forma Total \$m
Pro Forma Actuals - unaudited					
Total revenue	59.3	61.5	60.7	63.6	245.0
EBITDA	10.4	9.3	9.6	10.7	40.0
% of Agency Costs over Wages	2.8%	3.1%	3.5%	2.9%	3.1%
Average portfolio occupancy	92.8%	93.2%	94.8%	95.1%	93.9%

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## APPENDIX E - OCCUPANCY TRENDING UP



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## CONTACT

**Andrew Sudholz**

CEO

Ph: (03) 9649 2104

Email: [andrew.sudholz@japara.com.au](mailto:andrew.sudholz@japara.com.au)

**John McKenna**

CFO / Company Secretary

Ph: (03) 9649 2109

Email: [john.mckenna@japara.com.au](mailto:john.mckenna@japara.com.au)

**Shalain Singh**

GM – Strategy & Investor Relations

Ph: (03) 9649 2155

Email: [shalain.singh@japara.com.au](mailto:shalain.singh@japara.com.au)