JAPARA HEALTHCARE

# MORGANS ANNUAL CONFERENCE

OCTOBER 2014

# JAPARA HEALTHCARE - INTRODUCTION

JAPARA HEALTHCARE

## Our Journey

- Beginnings
- Australia's first publicly listed Aged Care Provider

## Delivering Growth

- Acquisitions, Brownfields & Greenfields  Strategy
- Financial flexibility

## Outlook

- Future success

# JAPARA HEALTHCARE HIGHLIGHTS

*Mirridong*

# JAPARA HEALTHCARE PERFORMING IN LINE WITH STATUTORY FORECAST

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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

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**Business Development**

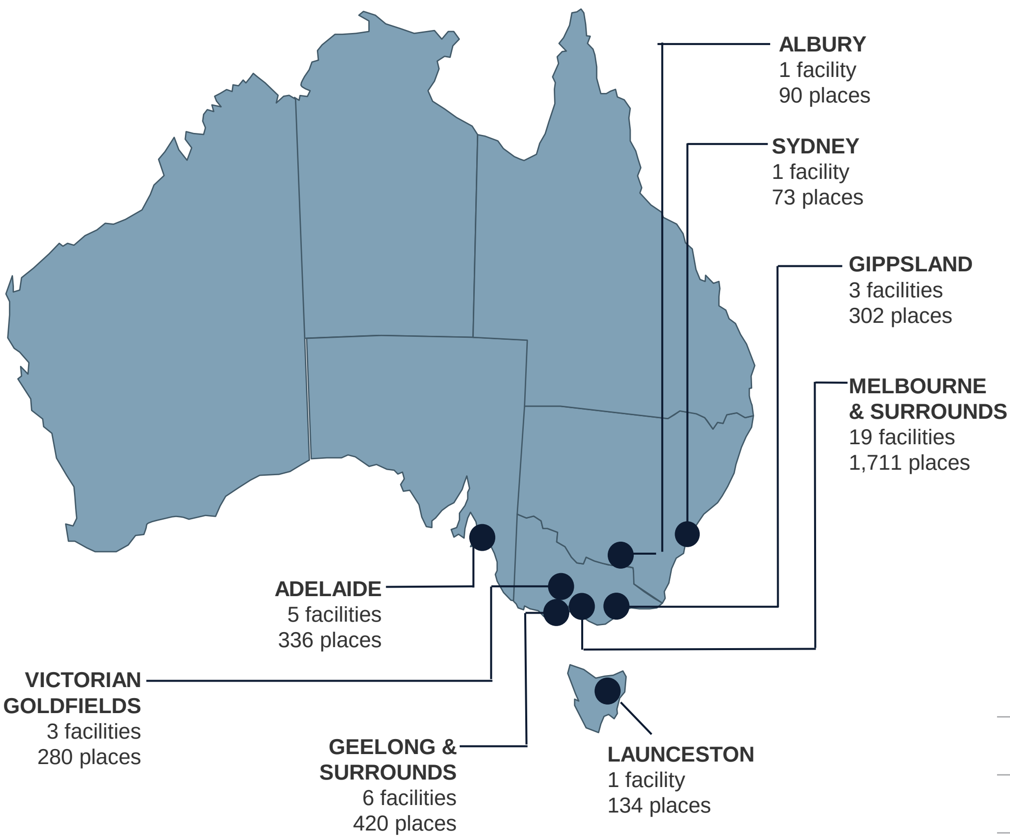
- Whelan Care portfolio under contract in August 2014, expanding Japara Healthcare portfolio to 3,391 places
  - Addition of 258 new places plus 41 Independent Living Apartments ('ILA's')
  - Japara Healthcare to assume operations during December 2014 quarter
  - Net acquisition price of $39.5m
  - Funded 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% |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FY15 OUTLOOK
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# AGED CARE SECTOR LANDSCAPE- ROOM FOR GROWTH

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### Demographics

- Ageing population
- Rising need for specialised care services
- Demand supply gap – 70,000 new places by 2022

### Strong fundamentals

- Predominantly Government funded
- New reforms provided new opportunities for growth
- Sector consolidating
- Strong barriers to new entrants

### Access to capital

- Strong value proposition for investors
- New capital from reforms
- Effective de-regulation of fees

### Innovation

- Increased specialisation of care
- Shift in design methodology – person centric care
- Increased consumer choice

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

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| 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

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## 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

# DEVELOPMENT CASE STUDIES

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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

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- 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 |
| **TOTAL** | **41** | **258** | | |

# 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

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