



**JAPARA**  
HEALTHCARE

**ANNUAL GENERAL MEETING**

**5 NOVEMBER 2014**

# JAPARA HEALTHCARE

## AGENDA

1. Operational Overview
2. FY2014 financial review
3. Strategy & outlook
4. Conclusion



**Narracan Gardens, Moe**  
167 places



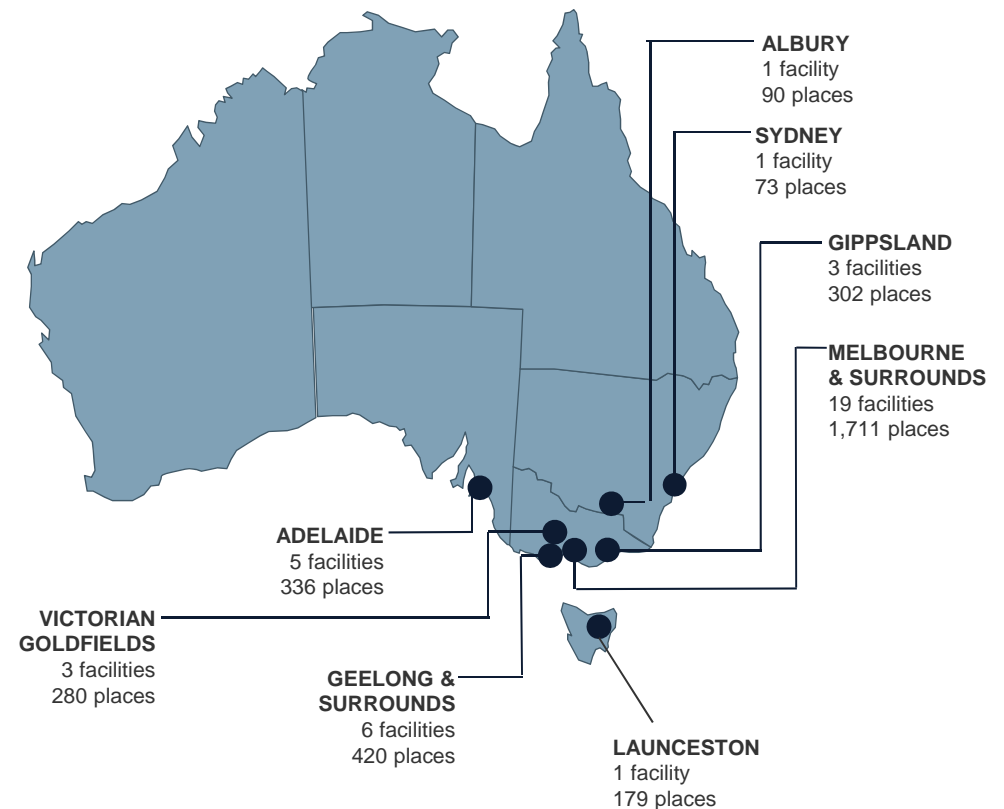
# OPERATIONAL OVERVIEW

Mirridong

# JAPARA HEALTHCARE

## BUSINESS OVERVIEW

- Japara Healthcare is one of the largest residential aged care operators in Australia:
  - We employ more than 3,500 highly qualified staff (full time, part time, and casual)
  - We own and operate 39 facilities with 3,391 places (total operational places 3,172)
  - We help to maintain the independence and dignity of our residents and aim to provide the best care, lifestyle and service options



## CARE, SAFETY & PEOPLE

FOCUS ON CONTINUOUS IMPROVEMENT IN DELIVERY OF CARE

### FOCUS ON HIGH STANDARDS OF CARE AND SAFETY

- Continuous improvement in care services and safety of residents and staff
- Launch of improved Dementia Care program
- 75% reduction in the impact of occupational injuries for our staff (LTIFR)

### EMPLOYEE MANAGEMENT AND TRAINING

- Investment in staff with continuous training and development programmes in place e.g. Diploma of Dementia Care
- Investment in IT-based workforce management systems underway

### STRONG COMPLIANCE RECORD MAINTAINED

- 8 facilities were reassessed during FY14
- All of our facilities accredited on a rolling 3 year basis with 44/44 outcomes

## AGED CARE INDUSTRY REFORM

### CREATES OPPORTUNITIES FOR JAPARA HEALTHCARE

- Track record of managing regulatory change over many years

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



## FY14 FINANCIAL REVIEW

## DELIVERED STATUTORY PROSPECTUS FORECAST

FOR THE PERIOD OF 1 MAY – 30 JUNE 2014 INCLUSIVE

- Statutory Prospectus forecast period: 1 May 2014 to 30 June 2014
- Reported Statutory results: 22 April 2014 to 30 June 2014 (includes nine more operating days)
- Statutory NPAT excludes \$13.1m of IPO related costs assumed to have been expensed in the Prospectus forecast

\$ millions	Statutory Result	Guidance Basis	
	Reported 22 Apr – 30 Jun 2014	Actual Result 1 May – 30 Jun 2014	Prospectus Forecast 1 May – 30 Jun 2014
Revenue	49.0	42.7	42.0
EBITDA (before IPO costs)	8.6	7.6	7.6
NPAT (before IPO costs)	6.9	6.2	6.2
NPAT	(2.9)	(2.7)	(13.8)



## FY14 PRO FORMA FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2014

\$ millions	FY2014 (Actual)	FY2014 (Prospectus)
<b>Total revenue</b>	<b>245.0</b>	<b>244.9</b>
Total staff costs	(164.8)	(163.3)
<b>Total operating expenses</b>	<b>(205.0)</b>	<b>(203.4)</b>
EBITDA	40.0	41.5
<b>Average bond value per bond-paying resident (\$)</b>	<b>\$268,000</b>	<b>\$264,000</b>

- Pro forma revenue in line with prospectus forecast
- Pro forma EBITDA below forecast due to operating cost growth being higher than revenue growth
  - Occupancy uplift was slower than expectations in 2H FY14 due to influenza outbreak
  - Underlying ACFI rate for new residents was marginally below expectations
  - Staff also impacted by influenza resulting in higher agency usage
  - Additional staff hired for care programme during 2HFY14, anticipated to be offset by higher revenue



# STRATEGY AND FY15 OUTLOOK

*Elanora*

## POISED FOR FUTURE GROWTH

STRONG PLATFORM IN PLACE, CLEAR STRATEGY FOR GROWTH

- First listed aged care operator in Australia
- Admitted to the S&P ASX 200 index in July 2014
- **Delivering on growth strategy:**
  - **Organic** – Additional services (eg. Wellbeing and lifestyle), and DAP/ RAD regime
  - **Brownfield** - 690 additional places currently underway or planned
  - **Greenfield developments** – 500 additional places planned over next 5 years
  - **Selective acquisitions**



## FUTURE GROWTH

### BROWNFIELD DEVELOPMENTS

- Three projects completed in FY14, 128 new places
  - New resident intake above initial expectations
  - DAPs and RADs above initial expectations
- Two sites under construction – Kelaston and Bayview adding 60 additional places



**Millward, Doncaster**  
63 new places



## FUTURE GROWTH

### GREENFIELD DEVELOPMENTS

- Launceston, Tasmania for proposed development of 75 places
- Glen Waverley, Victoria for proposed development of a minimum of 65 places
- Greenfield program accelerated



Riverside, Tasmania

## FUTURE GROWTH ACQUISITIONS

- Whelan Care portfolio acquisition completed on 31 October 2014 (excluding the new Trevu facility, expected in 2H FY2015)
  - Addition of 258 new aged care places and 41 Independent Living Apartments (ILAs)
- Opportunities under consideration
  - Committed to selective acquisition strategy



**Oaklands, Oaklands Park SA**  
88 places

## WHELAN CARE ACQUISITION

### UPDATE AND EXPECTED FY15 CONTRIBUTION

- Whelan Care operations assumed on 1 November 2014
- 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
- Annualised EBITDA at settlement was circa \$2.85m
  - FY15 contribution anticipated to be circa \$1.4m post integration costs
  - Expected to grow to \$4.0m plus in FY16 with the new Trevu facility 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

## OPERATIONAL INITIATIVES

### TO DELIVER FY15 FORECAST EBITDA

#### ACFI & Other Revenue

- Ongoing resident reassessments better aligning ACFI funding with resident acuity levels
- 2.4% increase in basic daily subsidy replacing Workforce Compact introduced 1 July 2014
- ACFI indexation of 1.86% from 1 July 2014
- Occupancy remaining stable

#### Brownfield developments

- Brownfields performing ahead of initial forecasts

#### Reform Impact

- 'Wellbeing' programme rollout commenced with take up in line with expectations
- Accessing funding from the Significant Refurbishment supplement

#### Staff and Other Costs

- Focus on cost discipline
- Planned implementation of a new IT-based workforce management system



## CONCLUSION

### FY14 RESULT PROVIDES PLATFORM FOR FUTURE GROWTH

- Delivery of consistently high standards of care, health and safety of staff and residents a key priority
  - Solid business performance in FY14 provides platform for growth in FY15 and beyond
  - Track record of managing regulatory changes.
  - Acceleration of growth strategy underway, to be executed by experienced management team:
    - 3 brownfields completed and 2 brownfields commenced and 2 greenfield sites acquired
    - Acceleration of development programme to bring forward capacity expansion
    - Whelan Care portfolio acquisition completed (ex. the new Trevu facility)
    - Further acquisitions being selectively pursued
- 
- **Japara Healthcare expects FY15 EBITDA of approximately \$50.3 million, including Whelan Care. Excluding Whelan, Japara reaffirms its prospectus FY15 pro forma EBITDA guidance of \$48.9 million**
    - Intention to pay out 100% of FY15 NPAT as dividends, commencing with an interim dividend post half year results.

## DISCLAIMER

This presentation was prepared by Japara Healthcare Limited (ABN 54 168 631 052), the Company. Information contained in this presentation is current as at 5 November 2014. This presentation is provided for information purposes only and has been prepared without taking account of any particular reader's financial situation, objectives or needs. Nothing contained in this presentation constitutes investment, legal, tax or other advice. Accordingly, readers should, before acting on any information in this presentation, consider its appropriateness, having regard to their objectives, financial situation and needs, and seek the assistance of their financial or other licensed professional adviser before making any investment decision. This presentation does not constitute an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security, nor does it form the basis of any contract or commitment.

Except as required by law, no representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information, opinions and conclusions, or as to the reasonableness of any assumption, contained in this presentation. By reading this presentation and to the extent permitted by law, the reader releases the Company and its affiliates, and any of their respective directors, officers, employees, representatives or advisers from any liability (including, without limitation, in respect of direct, indirect or consequential loss or damage or loss or damage arising by negligence) arising in relation to any reader relying on anything contained in or omitted from this presentation.

The forward looking statements included in this presentation involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, the Company. In particular, they speak only as of the date of these materials, they assume the success of Japara Healthcare Limited's business strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties and risks. Actual future events may vary materially from forward looking statements and the assumptions on which those statements are based. Given these uncertainties, readers are cautioned not to place reliance on such forward looking statements. Past performance is not a reliable indicator of future performance.

## CONTACT

**Andrew Sudholz**

Chief Executive Officer

Ph: (03) 9649 2104

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

**John McKenna**

Chief Financial Officer

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)