



FY17 Full Year Results Presentation

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Section One: Business Performance

JAPARA
HEALTHCARE



FY17 – Financial highlights

Capital structure and funding sources support growth



Total Revenue
\$362.2m
Up 10.7%



EBITDA
\$60.2m
Up 7.3% &
in line with
guidance



NPAT
\$29.7m
Down 2.3%
due to prior
year tax
benefits



Full Year Dividend
11.25 cents
Interim: 5.5 cents
(fully franked)
Final: 5.75 cents
(franked to 70%)



Superior Capital Structure
Net bank debt
\$19.6m



RAD Cash Inflows
Strong
\$55.7m

FY17 – Operational highlights

Strong operating performance maintained while growth foundation established



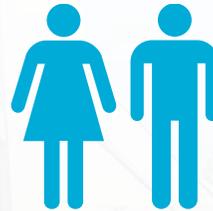
Bed Prices

Up 8% on pcp as portfolio continually enhanced



ACAR

266 additional bed licence approvals received in FY17 (1,050 licences available)



Occupancy

Average underlying occupancy of 94.6%



Care

100% accreditation record maintained

FY17 – Development highlights

Excellent progress on developments program



Greenfields Developments

Land now secured for all 11 greenfield projects (5 in FY17) with 1,166 new beds being built



Brownfields Developments

124 premium rooms delivered & 179 in progress



Capital Expenditure

\$50m spent on land and developments



Active Real Estate Management

- Sizeable \$550m portfolio
- Sale of surplus assets
- Real estate value added

FY17 – Financial overview

Growth achieved in revenue and EBITDA

\$ Millions	FY17	FY16	Change %
Total revenue	362.2	327.3	10.7
Total costs	302.0	271.2	11.4
EBITDA	60.2	56.1	7.3
Depreciation and amortisation	14.3	12.0	19.2
EBIT	45.9	44.1	4.1
NPAT	29.7	30.4	(2.3)
<i>Effective tax rate increased from 27% to 30%</i>			
EPS	11.22 cps	11.54 cps	(2.8)
Full Year dividend	11.25 cps	11.50 cps	(2.2)

- FY17 Interim dividend: 5.50 cps fully franked
- FY17 Final dividend: 5.75 cps franked to 70%

Balance sheet summary and cash generation

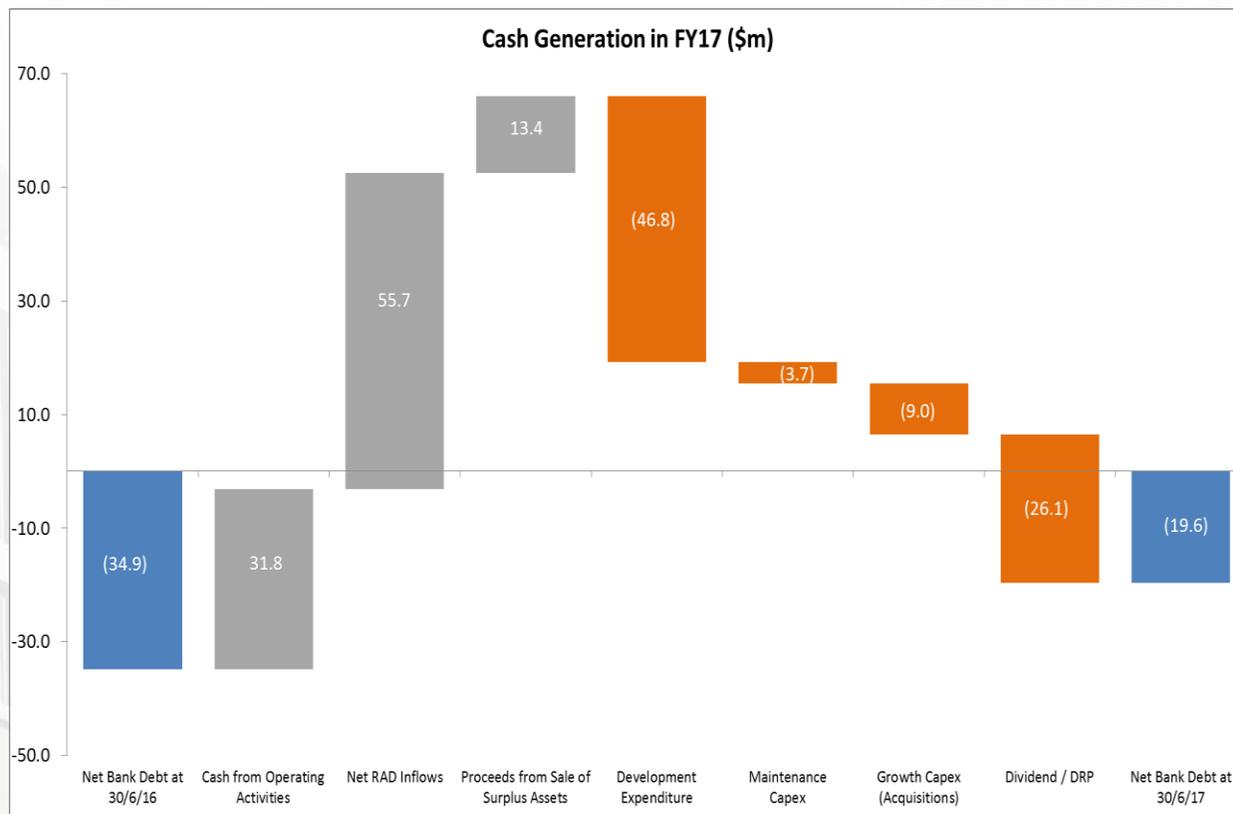
Provides funding flexibility; Supports ongoing investment in expanding and enhancing operations

Balance sheet as at 30 June 17

\$m

Property, plant and equipment	574.7
Intangibles	463.5
Other assets	36.0
RAD liabilities	(430.7)
Other liabilities	(88.2)
Net bank debt	(19.6)
Net assets	535.7

- Low net bank debt
- Available liquidity circa \$190m (undrawn credit lines plus cash)



Key operational metrics

Brownfield developments coming online

	FY17	FY16	Change %
Number of facilities	43	43	-
Operational places	3,841	3,717	3.3
Average underlying occupancy ¹	94.6%	94.4%	0.2
Average revenue per occupied bed day (\$'s)	281.9	272.8	3.3
Average Government revenue per occupied bed day (\$'s)	197.5	196.4	0.6
Staff costs to revenue	68.1%	67.1%	1.0
Non-wage costs to revenue	15.3%	15.7%	(0.4)
Average concessional residents ²	38.5%	36.8%	1.7
Average incoming bed contract price (\$'000)	345.5	320.0	8.0
Net RAD/Bond & ILU loan inflow (\$'m)	55.7	54.9	1.5

Notes:

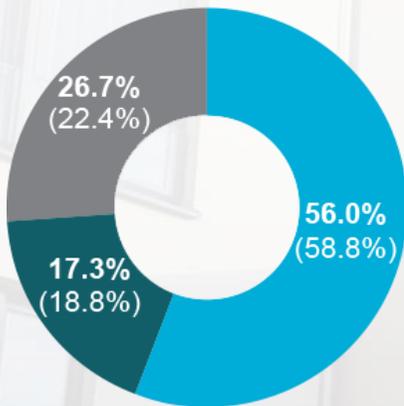
1. Average underlying occupancy excludes facilities undergoing development.
2. Calculated as the number of concessional residents: operational places.

Room prices & RAD:DAP mix trends

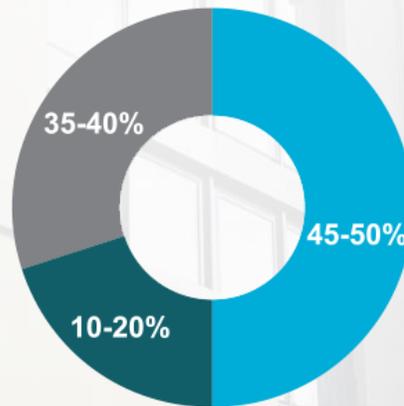
Average room prices continue to grow

- The RAD:DAP:Combination profile provides an appropriate balance between capital and income
- Japara's bank facilities and fiscal management parameters were set recognising the trend to an increased DAP proportion
- Bed contract prices expected to continue to increase as the majority of developments are in optimal metropolitan locations

Total Portfolio FY17
(PCP in brackets)

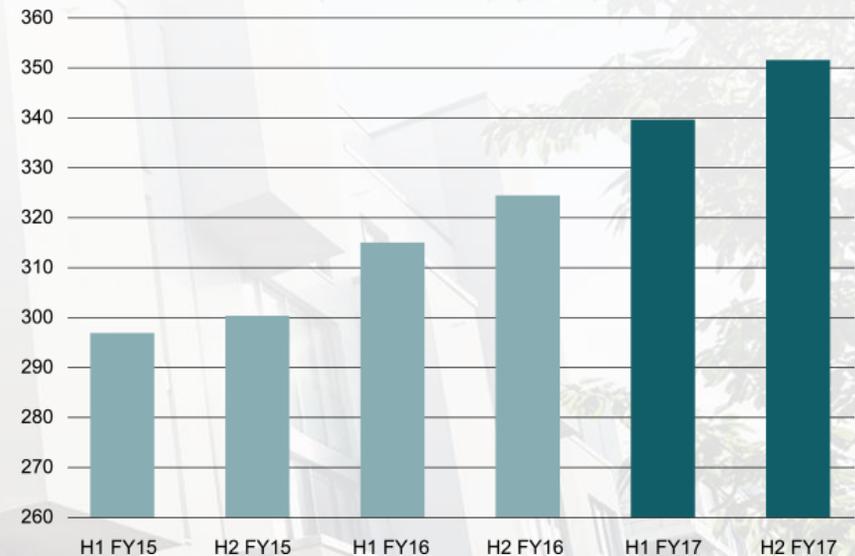


Total Portfolio Indicative Future



● RADs ● DAPs ● Combination

Average Incoming Bed Contract Price (\$'000)



Section Two: Sector Dynamics

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- Government funding forecast to grow at nearly 6% per annum

Federal Budget Aged Care Funding Estimates, \$Billions					
	FY17	FY18	FY19	FY20	FY21
Residential Aged Care Services	10.9	11.4	12.1	12.9	13.6

Source: FY17/18 Budget Statements – Department of Health (May 2017)

- Funding growth required to allow for:
 - Increased resident acuity as the average age of entry rises
 - Increased number of beds required as demand grows
 - Inflationary effect on wage costs, utilities and other expenses
- Reform opens up other revenue sources for Providers
- Sector reviews
 - University of Wollongong review focussed on deeper understanding of cost drivers (and a revenue model reflecting this)
 - Tune Review submitted to Government on 1 August 2017 – is expected to provide insight on demand outlook and other key “Living Longer Living Better” objectives
 - Aged Care Guild in active discussion with Government
- Continuum of care – the future environment

Targeted reform outcomes

Key focus areas for Japara and the Aged Care Guild

- Progressive change to supply arrangements to allow operators to build or enhance facilities in line with market demand
- Increased scope to charge consumers with means for value added services
- Tighter means testing arrangements to ensure sustainability and provision of services to those most in need
- More consistency in means testing across home and residential care
- Continuation of the Bond Guarantee Scheme
- Supportive workforce policies in the areas of training, immigration and competitiveness of aged care

Section Three: Japara Strategy

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Strategy aligned to real choice for ageing Australians

Very best care in very best environment

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- High quality care to residents needing to live in aged care homes
- Specialised dementia care to meet resident needs
- Assisted living to residents with lower care needs
- Senior living services and accommodation for retirees
- Home help and personal care services into Japara independent living

Japara's integrated value creation strategy

Diversified strategy with a focus on developments



Greenfields program

Implementing on strategy

Optimal locations	Land secured	Development approval	Total new places	Net new places	Single bed profile	Estimated completion
Launceston (Tasmania)	✓	✓	88	88	100%	✓
Glen Waverley (Melbourne)	✓	✓	60	60	100%	2HFY18
Rye (Melbourne)	✓	✓	99	99	100%	2HFY18
Newport/Williamstown (Melbourne)	✓	Lodged	120	120	100%	FY19
Belrose (Sydney)	✓	Lodged	120	50	100%	FY19
Mount Waverley (Melbourne)	✓	✓	120	95	100%	FY19
Reservoir (Melbourne)	✓	Underway	120	120	100%	FY20
Highton (Geelong)	✓	Lodged	135	135	100%	FY19
Robina (Gold Coast)	✓	Lodged	106	106	100%	FY20
Mitchelton (Brisbane)	✓	Lodged	106	106	100%	FY20
Lysterfield (Melbourne)	✓	Underway	92	92	100%	FY20
			1,166	1,071		

- *Circa 1,050 licences owned or secured to support developments program*
- *Additional 266 in latest ACAR*
- *5 new land purchase contracts in optimal metro locations finalised in FY17*
- *2 more land purchases in final negotiations at Brisbane and Melbourne (Inner Northern)*

Brownfields update

4 projects successfully delivered during H1 FY17 and 6 more in progress

Facility completed	Land owned	Development approval	Total new places built	Net new places	Single bed profile	Completed
Kirralee, Ballarat	✓	✓	24	13	100%	Sep 16
George Vowell, Mt Eliza	✓	✓	35	34	100%	Oct 16
St Judes, Narre Warren	✓	✓	40	30	100%	Nov 16
Central Park, Windsor	✓	✓	25	0	100%	Dec 16
			124	77		

Facility commenced	Land owned	Development approval	Total new places	Net new places	Single bed profile	Estimated completion
Noosa, Qld	✓	✓	12	0	100%	1HFY18
Kingston Gardens, Springvale	✓	✓	68	56	100%	2HFY18
Mirridong, Bendigo	✓	✓	16	16	100%	2HFY18
Strzelecki House, Mirboo North	✓	✓	26	17	100%	1HFY19
Albury, NSW	✓	Underway	27	27	100%	FY19
Brighton, SA	✓	Underway	30	23	100%	FY19
			179	139		

Significant refurbishment program

Investment to upgrade assets to highest quality

- Upgrade of 14 existing facilities completing over the next 2 years
- EBITDA uplift in excess of \$4.25m occurring progressively over FY18 and FY19
- Enhances resident experience
- Improves room values
- Maintains asset lifecycle and quality of accommodation
- Currently 10 facilities qualify for the maximum accommodation supplement, increasing to 28 facilities once upgrade program and Brownfield developments have completed
- All Greenfield developments will also qualify

Retirement living & co-location

Continuum of care – the future environment

Existing:

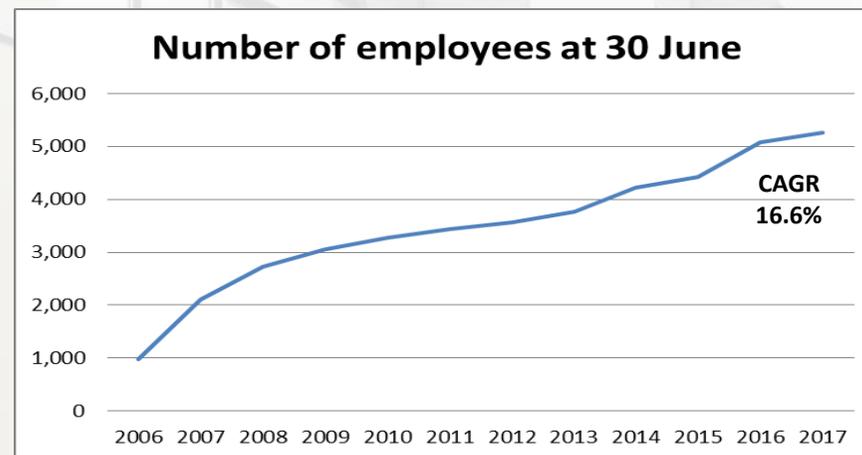
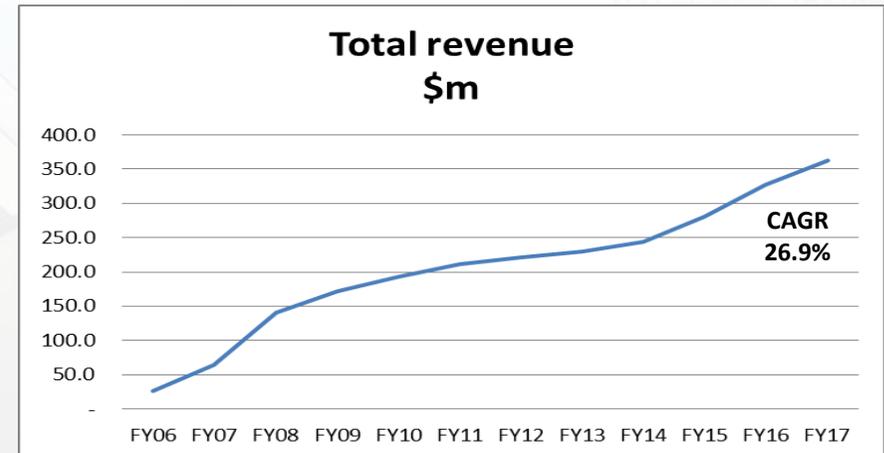
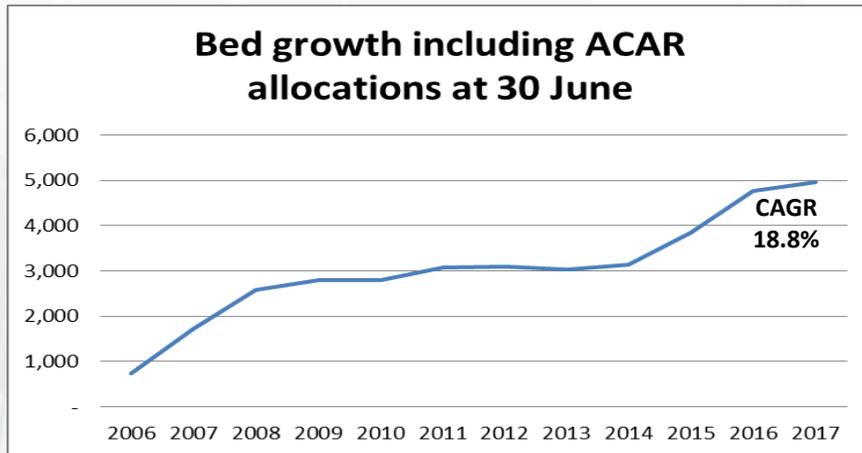
- 180 Independent Living Units and Apartments (ILUs & ILAs) across 5 locations adjoining residential aged care facilities
- Have operated these for 5+ years
- Provide attractive growth opportunity in particular circumstances

Proposed developments:

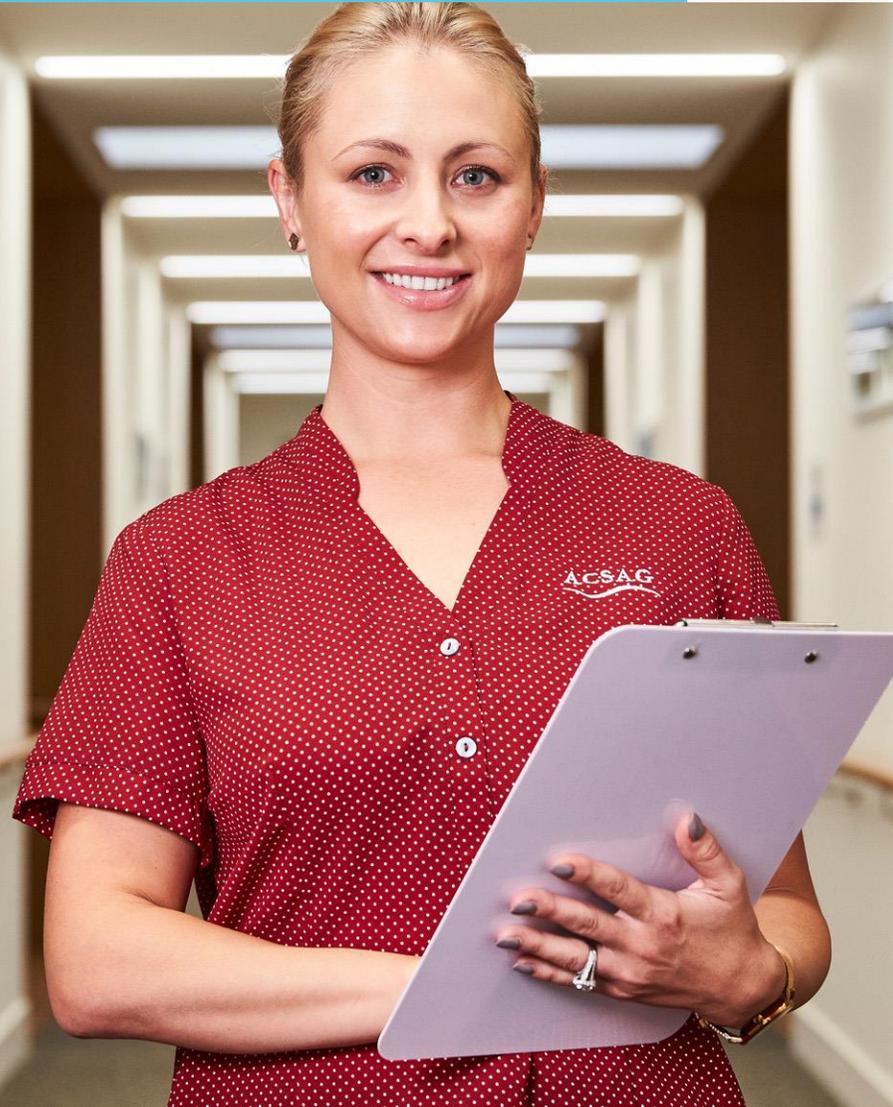
- Further 200+ ILUs & ILAs across 3 locations adjoining existing residential aged care facilities in our portfolio
- Increasing Group earnings through development profit and Deferred Management Fee (DMF) income
- Japara DMF structure provides competitive advantage at 2.5% p.a. and capped at maximum of 25% for new projects

A decade of growth

- Japara has a history of strong performance which should continue over the medium term



Section Four: Summary and Outlook



FY17

- EBITDA of \$60.2m up 7% on pcp and in line with guidance
- Balance sheet strength maintained – net bank debt of \$19.6m at 30 June 2017
- Excellent progress was made on land acquisitions in optimal metropolitan locations (5 during FY17) and in securing bed licences (266 in latest ACAR)
- 11 new development sites and 1,050 available licences now secured to underpin medium-term growth outlook
- 4 extensive brownfield developments were completed with 124 new places built

Outlook

- FY18 EBITDA expected to be in line with or slightly above FY17
- EBITDA is expected to increase from FY19 as more greenfield developments complete and ACFI indexation increases recommence
- Strong balance sheet provides capital management flexibility
- Strategy provides an excellent foundation for medium term growth

Section Five: Appendices

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Appendix 1: Japara's residential aged care portfolio

One of Australia's largest residential aged care providers, with a growing national footprint



43
residential aged care facilities

Over **3,800**
operational places

100%
accreditation record

Growing portfolio across **5** states

180
Independent Living Units

Over **5,250**
employees

Appendix 2: Portfolio metrics

	As at 30-Jun-17		As at 30-Jun-16		Change
Resident mix					
Concessional	1,471	41%	1,441	41%	2.1%
RAD	1,130	31%	1,111	32%	1.7%
DAP	539	15%	423	12%	27.4%
Combination	349	10%	355	10%	(1.7%)
Pre-reform high-care places	40	1%	61	2%	(34.4%)
Respite	60	2%	86	2%	(30.2%)
TCP / Other	30	1%	27	1%	11.1%
Total residents	3,619	100%	3,504	100%	3.3%
Staffing					
Number of staff (including part time and casuals)	5,255		5,081		3.4%
Places					
Operational places	3,841		3,717		3.3%
Non-operational places	135		293		(53.9%)
Provisional ACAR allocations	974		751		29.7%
Total places	4,950		4,761		4.0%
Places (metro/regional split)					
Metro	3,008	61%	2,755	58%	9.2%
Regional	1,942	39%	2,006	42%	(3.2%)
Total places	4,950	100%	4,761	100%	4.0%
Funded bed days¹	1,284,827		1,199,872		7.1%
Geographic spread (facilities)					
VIC	72%		72%		
SA	12%		12%		
NSW	9%		9%		
QLD	5%		5%		
TAS	2%		2%		
	100%		100%		

Note:

1. Financial year ending 30 June

Appendix 3: Detailed profit and loss

	FY17	FY16	Change	
	\$'000	\$'000	%	\$'000
Revenue				
Government funding	253,796	235,682	7.7%	18,114
Resident fees	100,202	89,594	11.8%	10,608
Other revenue	8,195	1,990	311.8%	6,205
Total revenue	362,193	327,266	10.7%	34,927
Expenses				
Staff costs	(246,734)	(219,696)	12.3%	(27,038)
Resident costs	(27,775)	(25,776)	7.8%	(1,999)
Other costs	(27,524)	(25,692)	7.1%	(1,832)
Total expenses	(302,033)	(271,164)	11.4%	(30,869)
EBITDA	60,160	56,102	7.2%	4,058
Depreciation and amortisation	(14,255)	(11,959)	19.2%	(2,296)
EBIT	45,905	44,143	4.0%	1,762
Net interest expense	(3,304)	(2,355)	40.3%	(949)
Income tax expense	(12,889)	(11,413)	12.9%	(1,476)
NPAT	29,712	30,375	-2.2%	(663)

Appendix 4: Detailed statutory cash flow statement

	FY17 \$'000	FY16 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	350,544	318,019
Payments to suppliers and employees	(306,726)	(265,786)
Income taxes paid	(8,952)	(13,688)
Interest received	644	864
Finance costs paid	(3,710)	(2,750)
Net cash provided by operating activities	31,800	36,659
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land & buildings	(7,785)	(34,259)
Proceeds from sale of land & buildings	9,770	1,089
Purchase of plant and equipment	(6,386)	(5,387)
Capital works in progress	(36,250)	(40,719)
Net proceeds from sale / (purchase) of resident places	3,586	(2,313)
Acquisition of aged care business, net of cash	-	(64,158)
Deferred settlement payment for aged care business	(9,000)	-
Other acquisitions and acquisition related costs	-	(6,598)
Net cash used in investing activities	(46,065)	(152,345)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of share capital under DRP	3,596	1,852
Dividends paid	(29,743)	(29,592)
Shares bought back during the year	-	(1,383)
Net proceeds from bank borrowings	1,500	59,500
Proceeds from RADs/accommodation bonds & ILU resident loans	187,664	162,347
Repayment of RADs/accommodation bonds & ILU resident loans	(131,944)	(107,420)
Proceeds from other financial assets	-	1,072
Net cash provided by financing activities	31,073	86,376
Net increase / (decrease) in cash and cash equivalents held	16,808	(29,310)
Cash and cash equivalents at beginning of the year	24,568	53,878
Cash and cash equivalents at end of the year	41,376	24,568

Appendix 5: Balance sheet

	30-Jun-17 \$'000	30-Jun-16 \$'000
ASSETS		
CURRENT ASSETS		
Cash	41,376	24,568
Trade and other receivables	15,838	13,744
Current tax receivable	1,162	787
Other assets	6,081	5,645
TOTAL CURRENT ASSETS	64,457	44,744
NON-CURRENT ASSETS		
Trade and other receivables	2,222	2,804
Inventories	3,045	-
Non-current assets held for sale	1,477	1,697
Property, plant and equipment	541,776	513,059
Investment property	32,972	31,669
Deferred tax assets	6,161	10,469
Intangible assets and goodwill	463,458	465,552
TOTAL NON-CURRENT ASSETS	1,051,111	1,025,250
TOTAL ASSETS	1,115,568	1,069,994
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	18,876	19,855
Other liabilities	11,541	10,879
Borrowings	4,600	1,350
Other financial liabilities	453,103	413,582
Short-term provisions	31,338	30,101
TOTAL CURRENT LIABILITIES	519,458	475,767
NON-CURRENT LIABILITIES		
Loans and borrowings	56,400	58,150
Long-term provisions	3,996	3,772
TOTAL NON-CURRENT LIABILITIES	60,396	61,922
TOTAL LIABILITIES	579,854	537,689
NET ASSETS	535,714	532,305
EQUITY		
Issued capital	522,328	518,732
Retained earnings	13,386	13,573
TOTAL EQUITY	535,714	532,305

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