JAPARA HEALTHCARE

2016 ANNUAL GENERAL MEETING

21 OCTOBER 2016

MANAGING DIRECTOR AND CEO’S PRESENTATION
ANDREW SUDHOLZ

FY2016 result summary

Solid result, in line with FY2016 EBITDA guidance

Double-digit revenue and EBITDA growth

- Revenue up 16.4% to $327.3 million
- EBITDA up 10.9% to $56.1 million
- NPAT up 5.6% to $30.4 million

Strong cash generation and dividend

- Net RAD inflow of $54.9 million
- Final dividend of 5.75 cents per share, fully franked
- Full year dividend of 11.5 cents per share, fully franked

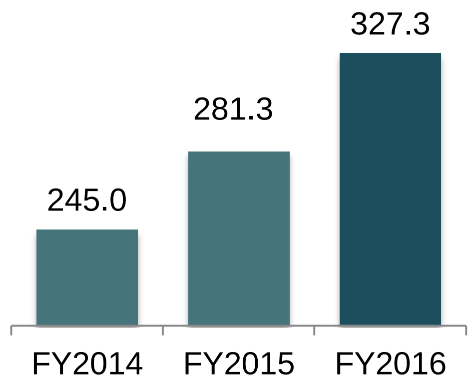
Conservative balance sheet, well positioned for growth

- Net bank debt of $34.9 million
- $160.5 million of undrawn debt facilities

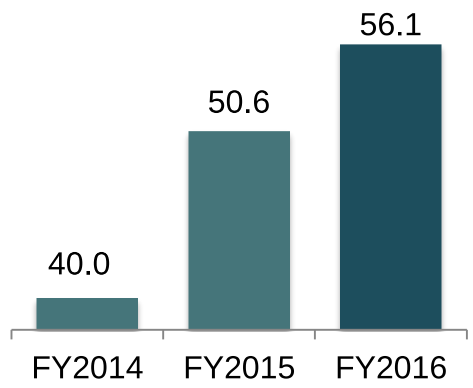
Excellent progress on diversified growth strategy

- Developing new capacity in strategic markets
- Profke portfolio performing well

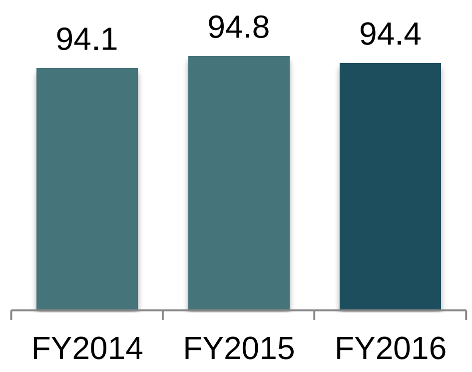
Revenue ($m)



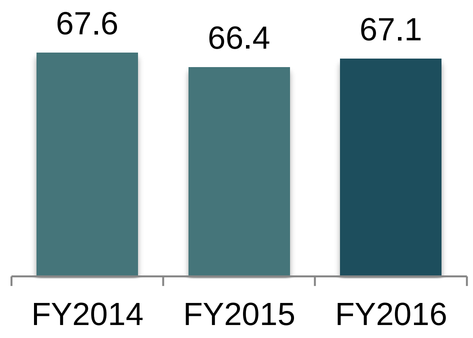
EBITDA ($m)



Average Occupancy (%)[1]



Staff cost : revenue (%)



1. Excludes facilities undergoing refurbishment

Residential Aged Care Sector

A significant component of the healthcare sector with strong demographic growth underpinning demand

76,000 additional beds required in the next decade

- Approx. $33 billion in investment needed to meet forecast demand

Solid revenue platform

- $15.8 billion in annual revenue
- $10.4 billion of this is Government funding
- ACFI growth rate circa 5.1% p.a.
- Additional services increasing to consumer choice

Industry expected to shift toward consumer directed and funded care

- Opportunity for providers to expand service offering

Market remains highly fragmented

- 2,600 facilities operated by more than 1,000 providers nationally
- Opportunities for consolidation

Growth strategy aligned to future market environment

To deliver the highest quality of clinical aged care for our residents, and profitably increase our capacity to meet the growing community need for residential aged care

Five pillars of growth underpinned by commitment to delivering high quality care

Enhance the existing portfolio	Maximise the value of our current portfolio, maintain top-quartile industry performance
Brownfield and greenfield developments	Deliver high quality additional capacity through brownfield and greenfield developments, including significant refurbishment
Selective acquisitions	Expand our national portfolio via value-accretive acquisitions that meet our investment criteria
Strategic relationships	Leverage partnerships with organisations with complementary businesses or specialties
Future services and products	Establish new service offerings and revenue streams based on reform parameters and consumer directed care

Enhancing the existing portfolio

Business model underpinned by focus on delivering high quality care

- **Continued focus on clinical care and governance**
  - Strong Registered and Enrolled Nurse presence
  - Specialised dementia care capability
  - All facilities fully accredited with 44/44 outcomes

- **High quality accommodation and amenities**
  - Social and community spaces
  - Expanded wellbeing and lifestyle options

- **Continued investment in capability to support growth**
  - COO and CIO appointed
  - Investment in digitisation and business intelligence

Developments progressing well

Development program to deliver 900+ new places by the end of FY2019
Strategy to deliver over 2,500 new places by 2025/26

- **Greenfields: building presence in optimal metropolitan locations**
  - Targeting sites in under-bedded metropolitan locations to underpin future occupancy, additional services revenue, and contract pricing
  - 4 new sites secured in FY2016 to deliver 450 new operational places
- **Brownfields: delivering modernised facilities and new capacity at existing homes**
  - Bayview and Trevu delivered 54 new places in FY2016
  - 4 developments to be completed in FY2017 – 124 new bed places
- **Attractive financial returns**
  - Revenue uplift opportunities in new/upgraded facilities
  - RAD capital supports developments

Architectural Schematic – Mt Waverley, VIC (Greenfield)

Architectural Schematic – Central Park, Windsor, VIC (Brownfield)

Implementing selective acquisitions

Disciplined and selective approach

- **Successful acquisition and integration of Profke portfolio**
  - 520 places in operation
  - Entry into QLD, expansion in NSW
  - Integration progressing to plan, reconfiguration and refurbishment underway
- **Strong acquisition track record established**
  - FY2016: Profke, 587 places
  - FY2015: Whelan, 258 places
- **Strict investment criteria**
  - Strong care fundamentals, accreditation history, ACFI governance
  - Strategic enhancement to national portfolio, strong geographic fit, attractive demand dynamics
  - Potential for business improvement under Japara Healthcare's ownership
  - Value accretive for Japara Healthcare shareholders

Noosa Residential Care – part of the acquired Profke portfolio

Conclusion

Japara Healthcare implements on strategy – continue to deliver sustainable earnings growth over the medium term

- Majority of revenue and EBITDA growth will come from capacity expansion
- Development program
  - Circa 1,000 bed places by 2020
  - More than 2,500 bed places by 2025
  - Continued investment in portfolio to maintain high quality accommodation and significant refurbishment revenue
- Acquisition program
  - Selective acquisitions that meet investment criteria
  - Proven track record of value accretive acquisitions
  - Opportunities may present as Government funding cuts impact smaller providers
- Strong net RAD inflows to support growth
  - Circa $78 million in FY17
- Optimal capital structure
  - Strong Balance Sheet
  - Net core debt circa 1 times EBITDA

Conclusion (continued)

- Capable and experience management
  - Continued investment in human resources and technology
  - Excellence in integration of acquisitions and developments
- Funding components remain strong
  - ACFI growth rate – circa 5.1% p.a.
- Greater revenue contribution
  - Additional services
  - Daily Accommodation Payments (DAPs)
  - Significant refurbishment
  - Higher bed contract values in optimal urban locations
  - Sub acute services
  - Capital refurbishment deduction
- Repositioned business model / care program to mitigate impact of recent Federal Government changes to Complex Health Care funding and indexation

Conclusion (continued)

FY17 outlook

- As advised in August 2016, FY17 EBITDA is expected to grow at a similar rate to FY16. Considerations include:
  - Full year contribution from acquisitions
  - Partial FY17 contribution from brownfield and greenfield developments, increasing in FY18 and beyond
  - Transition to post-reform income (e.g. Daily Accommodation Payments, Additional Services, Significant Refurbishment) from pre-reform income (e.g. bond retention and accommodation charges)
  - Low single-digit ACFI growth expected in FY17 in line with Government funding
  - Further investment in capability to support the business' development and growth strategy
- FY17 outlook remains unchanged

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