



## FY17 Full Year Results Presentation

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# Section One: Business Performance

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# FY17 – Financial highlights

Capital structure and funding sources support growth

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**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

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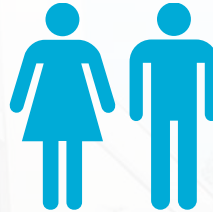
## Bed Prices

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**

	<b>FY17</b>	<b>FY16</b>	<b>Change %</b>
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

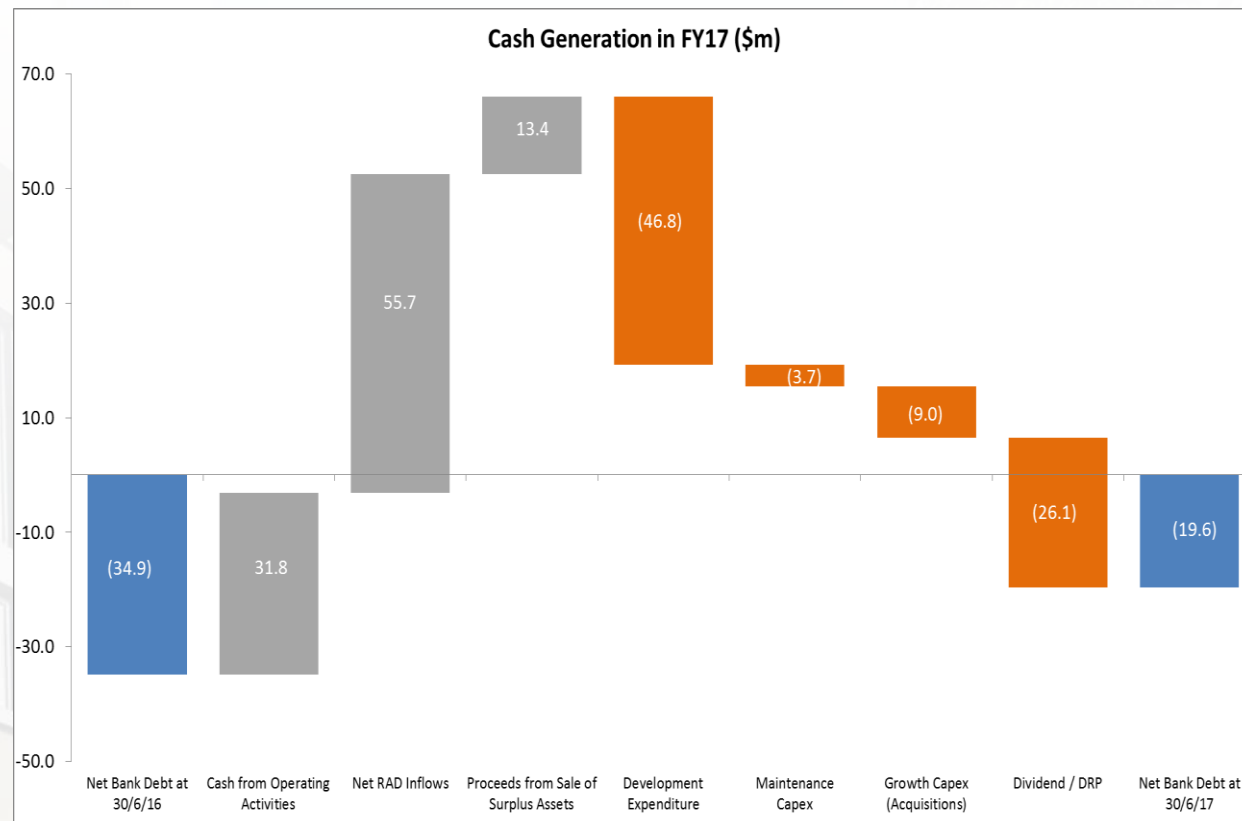
Provides funding flexibility; Supports ongoing investment in expanding and enhancing operations

## Balance sheet as at 30 June 17

\$m

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

- 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 <sup>1</sup>	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 <sup>2</sup>	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:

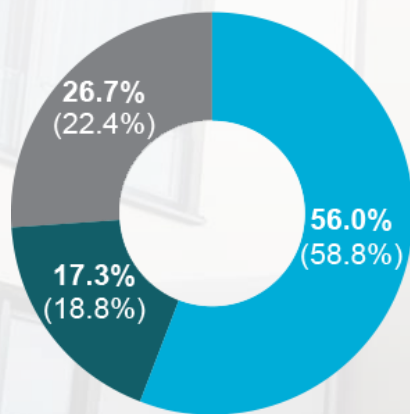
1. Average underlying occupancy excludes facilities undergoing development.
2. Calculated as the number of concessional residents: operational places.

# Room prices & RAD:DAP mix trends

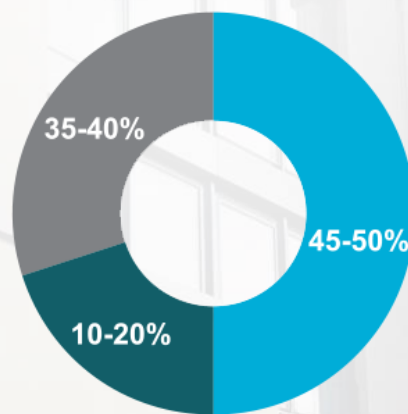
## Average room prices continue to grow

- 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)

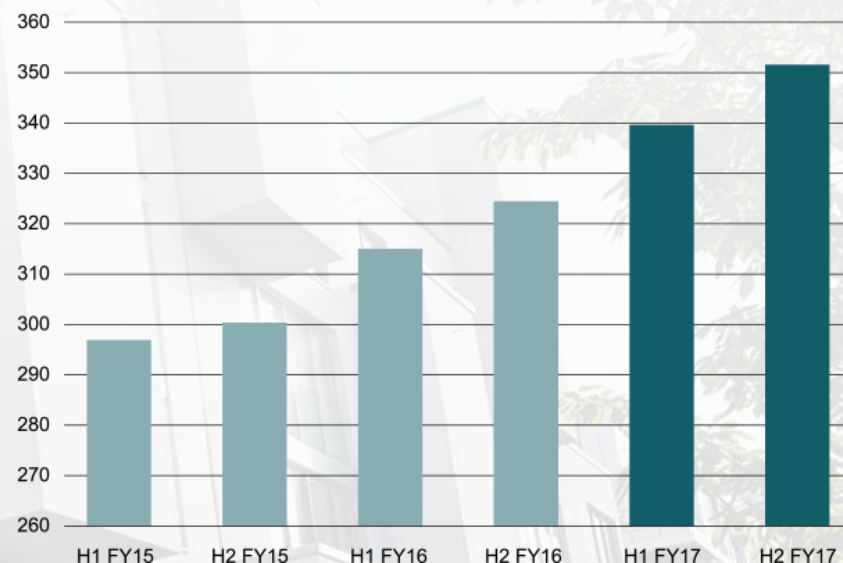


**Total Portfolio Indicative Future**



● 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

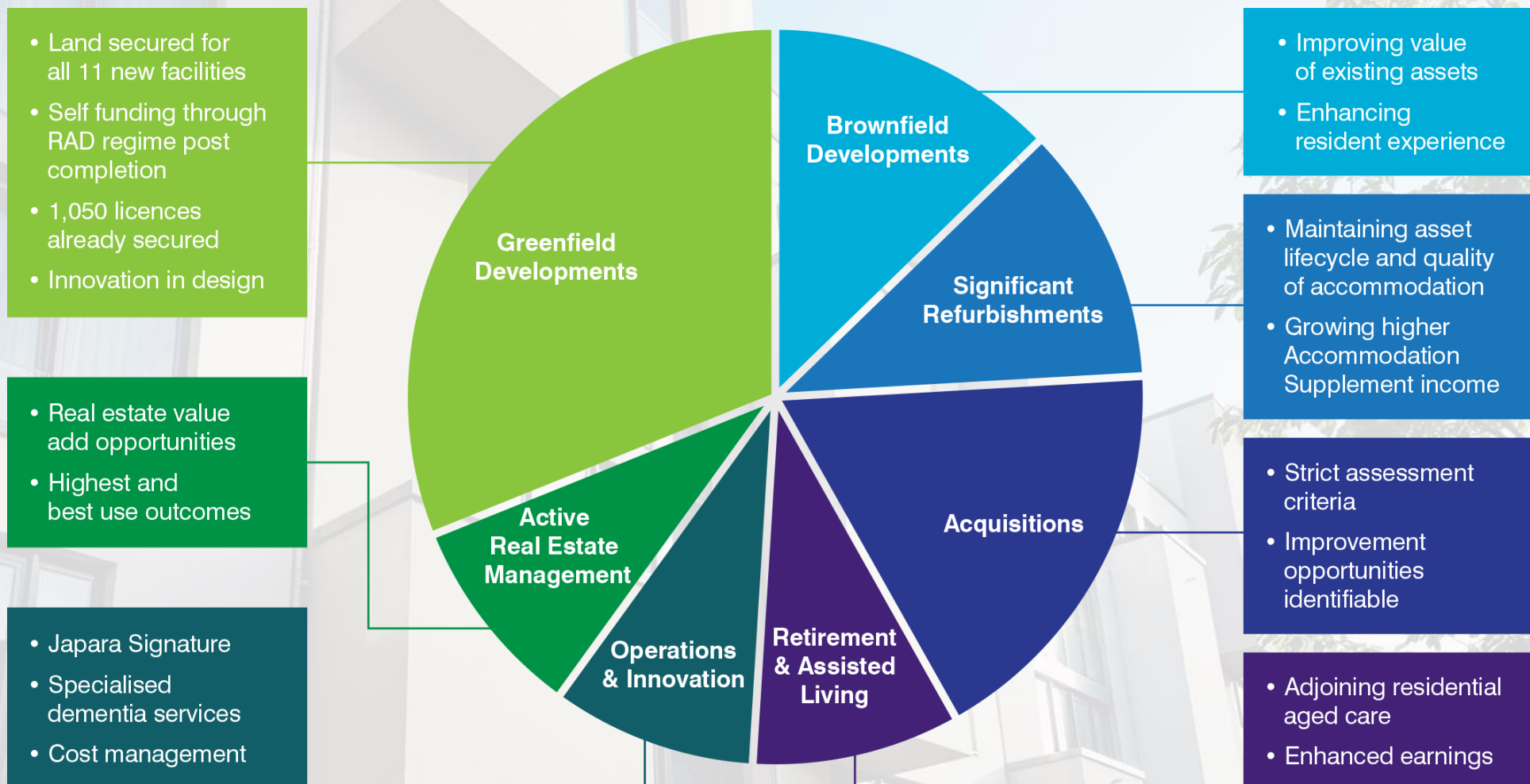
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- High quality care to residents needing to live in aged care homes
- Specialised dementia care to meet resident needs
- Assisted living to residents with lower care needs
- Senior living services and accommodation for retirees
- Home help and personal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

# Japara's integrated value creation strategy

Diversified strategy with a focus on developments

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# 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
			<b>1,166</b>	<b>1,071</b>		

- 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
			<b>124</b>	<b>77</b>		

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
			<b>179</b>	<b>139</b>		

# Significant refurbishment program

Investment to upgrade assets to highest quality

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- 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:

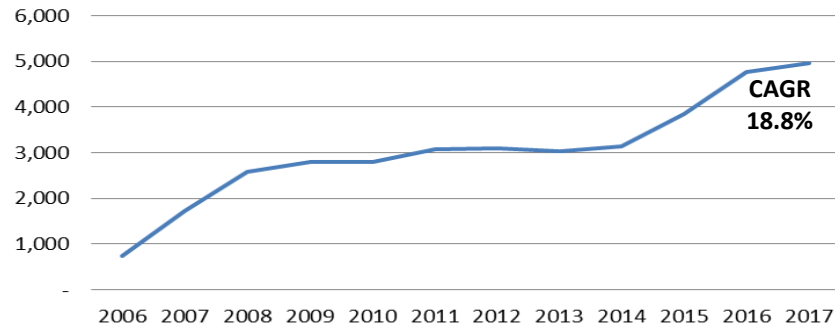
- Further 200+ ILUs & ILAs across 3 locations adjoining existing residential aged care facilities in our portfolio
- Increasing Group earnings through development profit and Deferred Management Fee (DMF) income
- Japara DMF structure provides competitive advantage at 2.5% p.a. and capped at maximum of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



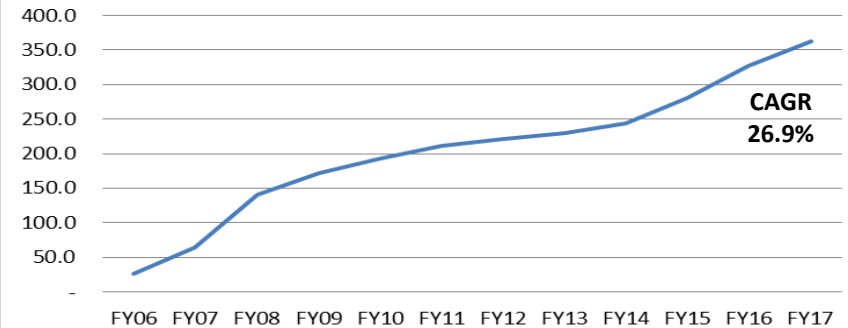
# A decade of growth

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

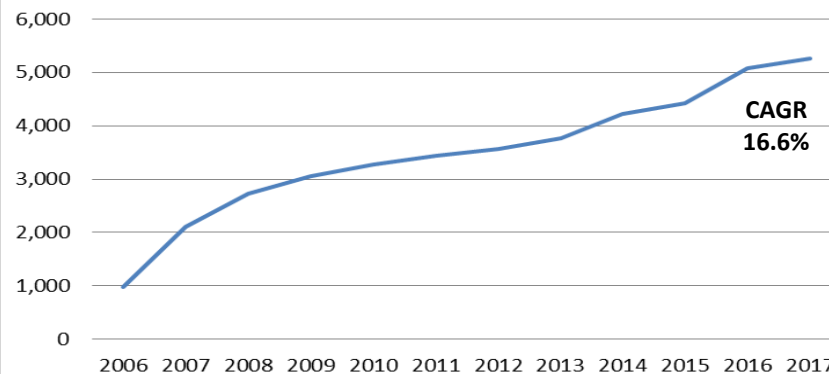
**Bed growth including ACAR  
allocations at 30 June**



**Total revenue  
\$m**

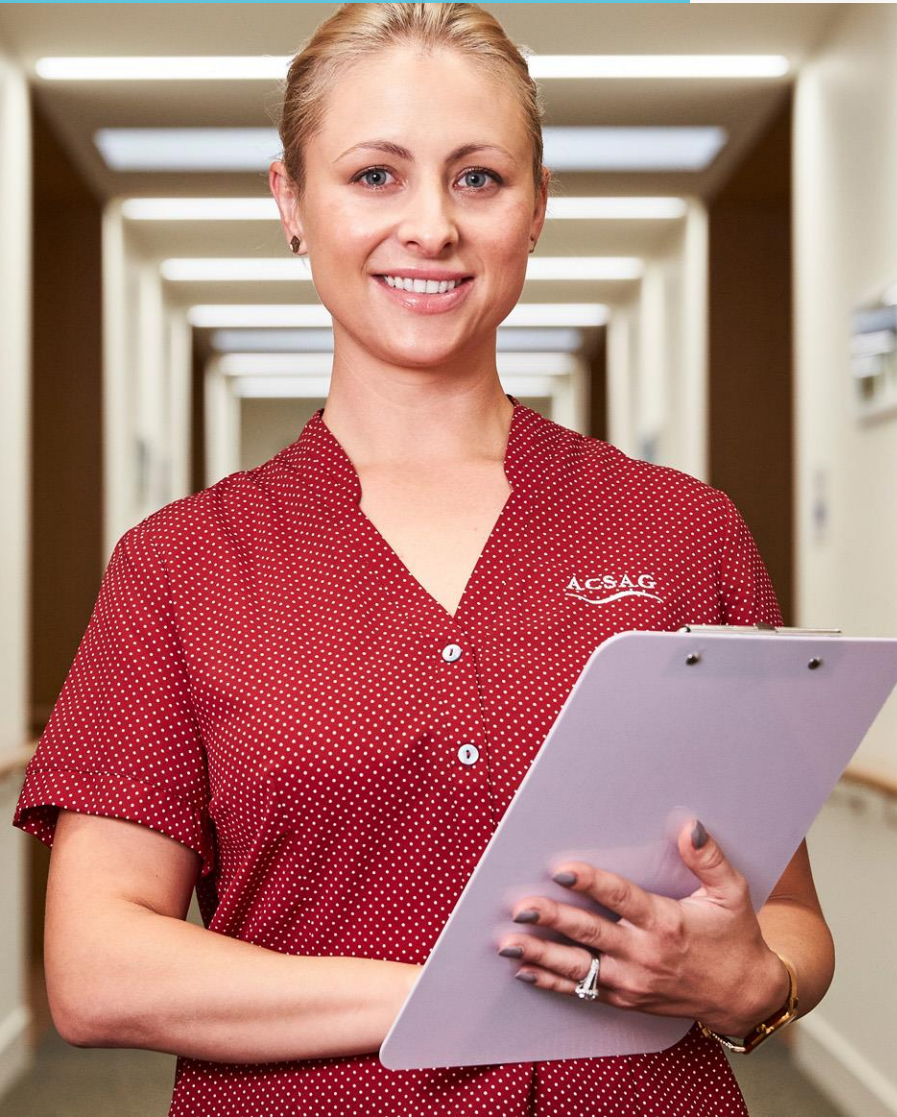


**Number of employees at 30 June**



# Section Four: Summary and Outlook

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## FY17

- EBITDA of \$60.2m up 7% on pcg 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

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**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
<b>Resident mix</b>					
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%
<b>Staffing</b>					
Number of staff (including part time and casuals)	5,255		5,081		3.4%
<b>Places</b>					
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%
<b>Places (metro/regional split)</b>					
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%
<b>Funded bed days<sup>1</sup></b>	1,284,827		1,199,872		7.1%
<b>Geographic spread (facilities)</b>					
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
<b>Revenue</b>				
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
<b>Total revenue</b>	<b>362,193</b>	<b>327,266</b>	<b>10.7%</b>	<b>34,927</b>
<b>Expenses</b>				
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)
<b>Total expenses</b>	<b>(302,033)</b>	<b>(271,164)</b>	<b>11.4%</b>	<b>(30,869)</b>
<b>EBITDA</b>	<b>60,160</b>	<b>56,102</b>	<b>7.2%</b>	<b>4,058</b>
Depreciation and amortisation	(14,255)	(11,959)	19.2%	(2,296)
<b>EBIT</b>	<b>45,905</b>	<b>44,143</b>	<b>4.0%</b>	<b>1,762</b>
Net interest expense	(3,304)	(2,355)	40.3%	(949)
Income tax expense	(12,889)	(11,413)	12.9%	(1,476)
<b>NPAT</b>	<b>29,712</b>	<b>30,375</b>	<b>-2.2%</b>	<b>(663)</b>



# Appendix 4: Detailed statutory cash flow statement

	FY17 \$'000	FY16 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
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)
<b>Net cash provided by operating activities</b>	<b>31,800</b>	<b>36,659</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
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)
<b>Net cash used in investing activities</b>	<b>(46,065)</b>	<b>(152,345)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
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
<b>Net cash provided by financing activities</b>	<b>31,073</b>	<b>86,376</b>
<b>Net increase / (decrease) in cash and cash equivalents held</b>	<b>16,808</b>	<b>(29,310)</b>
Cash and cash equivalents at beginning of the year	24,568	53,878
<b>Cash and cash equivalents at end of the year</b>	<b>41,376</b>	<b>24,568</b>

# Appendix 5: Balance sheet

	30-Jun-17 \$'000	30-Jun-16 \$'000
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
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
<b>TOTAL CURRENT ASSETS</b>	<b>64,457</b>	<b>44,744</b>
<b>NON-CURRENT ASSETS</b>		
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
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,051,111</b>	<b>1,025,250</b>
<b>TOTAL ASSETS</b>	<b>1,115,568</b>	<b>1,069,994</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
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
<b>TOTAL CURRENT LIABILITIES</b>	<b>519,458</b>	<b>475,767</b>
<b>NON-CURRENT LIABILITIES</b>		
Loans and borrowings	56,400	58,150
Long-term provisions	3,996	3,772
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>60,396</b>	<b>61,922</b>
<b>TOTAL LIABILITIES</b>	<b>579,854</b>	<b>537,689</b>
<b>NET ASSETS</b>	<b>535,714</b>	<b>532,305</b>
<b>EQUITY</b>		
Issued capital	522,328	518,732
Retained earnings	13,386	13,573
<b>TOTAL EQUITY</b>	<b>535,714</b>	<b>532,305</b>



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