

26 August 2020

## JAPARA FY2020 RESULTS

Japara Healthcare Limited ("Japara") (ASX: JHC) today announced its results for the year ended 30 June 2020 ("FY2020").

During a year that saw the business significantly impacted by the COVID-19 pandemic and ongoing sector pressures, Japara opened two new Homes and three extensions and delivered solid net RAD<sup>1</sup> and ILU<sup>2</sup> cash inflows. A net loss after tax<sup>3</sup> was reported mainly attributed to a non-cash impairment charge of \$291.9 million.

### Financial outcomes:

- Total revenue up 6.9% to \$427.5 million (FY2019: \$399.8 million)
- EBITDA<sup>4</sup> down 33.6% to \$32.9 million (FY2019: \$49.6 million)
- Statutory net loss after tax<sup>3</sup> of \$292.1 million includes a non-cash impairment charge of \$291.9 million
- Impairment comprises goodwill (\$289.5 million) and Japara Wyong property, plant and equipment (\$2.4 million)
- No final dividend to be paid
- Net bank debt of \$190.7 million at 30 June 2020 (\$36.2 million core net debt and \$154.5 million development debt)
- Available liquidity of \$154 million
- Net RAD<sup>1</sup> and ILU<sup>2</sup> cash inflow of \$55.8 million (FY2019: \$44.7 million)

### Operating highlights:

- Dedicated workforce of 6,000+ staff provided 4,000+ residents with personalised care 24 hours a day, 7 days a week
- Proactive response to the COVID-19 pandemic with a range of specific measures undertaken for the safety and health of Japara's residents and staff
- Chris Price appointed as CEO in March 2020 with new Chief Operations Officer, Chief Financial Officer and Chief Clinical Governance and Risk Officer appointments also made
- Average occupancy for the year of 92.2% (89.4% as at 21 August 2020)
- Total operational places up 6.2% to 4,496
- Meaningful progress made on the development program with an identified pipeline of 656 net new aged care places and three co-located senior living development projects
- Opening of new homes at Robina (106 places) and Mount Waverley (105 places) and extensions at Kingston Gardens (60 places), Brighton-Le-Sands (25 places) and Mirboo North (18 places)

1. Refundable Accommodation Deposit (RAD)

2. Independent Living Unit (ILU)

3. Loss attributable to members of the Group

4. EBITDA is a measure consisting of earnings before interest, tax, depreciation, amortisation and impairment of non-current assets

Japara's Chief Executive Officer, Chris Price, said:

"The 2020 financial year was a difficult period across the aged care sector with the COVID-19 pandemic significantly impacting the final quarter and compounding the earlier disruption caused by the summer bushfires.

"We acknowledge the deeply concerning outbreaks and the tremendous impact this has had and is having on residents, families and staff, particularly in Melbourne where community transmission of the virus increased in July and four of our homes have residents and staff greatly affected. Our top priority remains ensuring the safety and wellbeing of our residents and staff.

"Throughout the pandemic, Japara's response has been informed by expert advice and strict with early application of biosecurity measures and initial outbreak planning helping minimise the impact of COVID-19 in our homes.

"In addition to the COVID-19 pandemic, the sector continues to face ongoing margin compression combined with declining occupancy due to elevated levels of supply.

"Notwithstanding these industry pressures the business continues to demonstrate resilience with strong cash flows, above industry average occupancy and with our new homes and extensions attracting strong interest. We also maintain a solid financial position with \$154 million of available liquidity.

"I would like to acknowledge and thank our team of over 6,000 nurses, carers and other home and support office staff and the work they do in providing excellence in care to our residents."

### **Non-cash impairment**

A review of the carrying value of Japara's assets, taking into account the impact of the COVID pandemic, the ongoing Royal Commission into Aged Care Quality and Safety and ongoing occupancy pressures, resulted in the financial results including a non-cash impairment charge, primarily to goodwill, of \$291.9 million.

This non-cash impairment has no impact on Japara's debt facilities or covenants, future cash flows, ability to undertake capital management initiatives or normalised earnings.

### **Outlook**

The cost and revenue implications from the COVID-19 pandemic remain unclear, the funding environment continues to present challenges and occupancy remains below historic levels. In this environment, with numerous uncertainties, it is difficult to provide reliable earnings guidance.

Japara's balance sheet remains robust with net bank debt of \$190.7 million, available liquidity of \$154 million and net RAD inflows expected from new Homes ramping up in FY2021.

Recently completed developments are expected to contribute to earnings, with interest and depreciation expenses also expected to increase in FY2021 due to these developments.

The two greenfield and one brownfield developments currently in construction are expected to be complete in FY2021 adding ~250 new places, with decisions on future development commencements deferred until the COVID-19 pandemic and economic outlook become more certain.

### **Dividend**

The Board has determined that, due to the net loss recorded for FY2020, no final dividend will be paid in relation to FY2020. An interim dividend of 2.0 cents per share was paid on 30 April 2020 and was franked to 50%.

### **Non-Executive Director retirement**

Richard England, a long-serving non-executive director of Japara, will be retiring from the Board effective from 1 September 2020. The Board acknowledges and thanks Richard for his dedicated service and the significant contribution he has made to Japara, including as Chairman of the Audit, Risk and Compliance Committee.

### **Investor and analyst briefing**

As previously advised, at 10.30am (AEDT) today, Japara will conduct an investor and analyst briefing on the FY2020 results. The investor presentation has today been lodged with the ASX and is also available on Japara's Investor Centre website at (<https://investor.japara.com.au/investor-centre/>).

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This document was authorised for release by the Board of Japara.