

30 October 2020

## MARKET UPDATE

Ahead of its Annual General Meeting, to be held virtually (online) by audio webcast today, Japara Healthcare Limited ("Japara") (ASX: JHC) provides the following market update.

### COVID-19

Japara currently has no active cases of COVID-19 amongst its residents or staff. Five of its Victorian homes were impacted by COVID-19 outbreaks during the first months of FY2021. These Homes have now been cleared of COVID-19 following a period of enhanced surveillance.

The health, wellbeing and safety of residents and staff is paramount to Japara. We continue to liaise with authorities including the Australian Government and State Departments of Health regarding COVID-19 and are committed to supporting Government and community efforts to limit the spread of the virus.

### Operations

The second wave of COVID-19 infections in Victoria, where Japara has 33 of its 50 homes, has had a noticeable impact on occupancy and operations during the first months of FY2021. Portfolio occupancy as at 25 October was 87.6% reflecting 3,902 occupied places. Occupancy at Japara's Victorian homes was 85.4% with occupancy in other states averaging 92.5%.

Revenue per resident during the first quarter of FY2021 was broadly as expected but the lower occupancy levels have impacted overall revenues. Net RAD<sup>1</sup> and ILU<sup>2</sup> inflows of \$2.3 million were received from 1 July 2020 to 30 September 2020 and include \$2.6 million of net outflows resulting from the closure of Japara Wyong. Resident RAD and DAP<sup>3</sup> payments continue to reflect a slow change in preference towards payment via DAP.

The Federal Government's lump sum COVID-19 supplement to assist providers with additional costs and workforce supply pressures during the pandemic was received during October 2020. This payment totalled \$4.5 million (comprising \$975 per resident in major metropolitan areas and \$1,435 per resident in all other areas) and was based on residents at June 2020.

Incremental expenses have been incurred in preventing and managing the COVID-19 outbreaks. Additional expenses of approximately \$6 million have been incurred at the five outbreak homes with further incremental expenditure of approximately \$2 million incurred across the remainder of the portfolio during the first quarter of FY2021, primarily relating to the use of personal protective equipment and other infection control measures.

Government Grants are available to help aged care providers manage the financial impact of COVID-19. Japara has applied for assistance under these Grant programs.

### Portfolio Management

Japara opened a 25 place extension to its Albury Home in September 2020 and the ramp up is proceeding as expected with 10 residents moving in over the past month. Two further greenfield developments at Newport, Victoria and Belrose, NSW are under construction and due to open in February 2021 and May 2021 respectively. As previously advised, and in light of the uncertain outlook, all other greenfield and brownfield construction projects remain on hold.

1. Refundable Accommodation Deposit  
 2. Independent Living Unit  
 3. Daily Accommodation Payment

Japara's Wyong home was closed at the end of August 2020 with all residents placed either in other Japara Homes or with other aged care providers in the local area. This site is now surplus to requirements with divestment expected in the near term.

## **Outlook**

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

Japara looks forward to the release of the Final Report from the Royal Commission into Aged Care Quality and Safety in February 2021 which we hope will provide much needed direction, confidence and support for the sector, including recommendations as to appropriate funding to provide high quality care.

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This document was authorised for release by the Board of Japara