JAPARA HEALTHCARE

FY2021
Full year results presentation

30 August 2021

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Contents

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Overview

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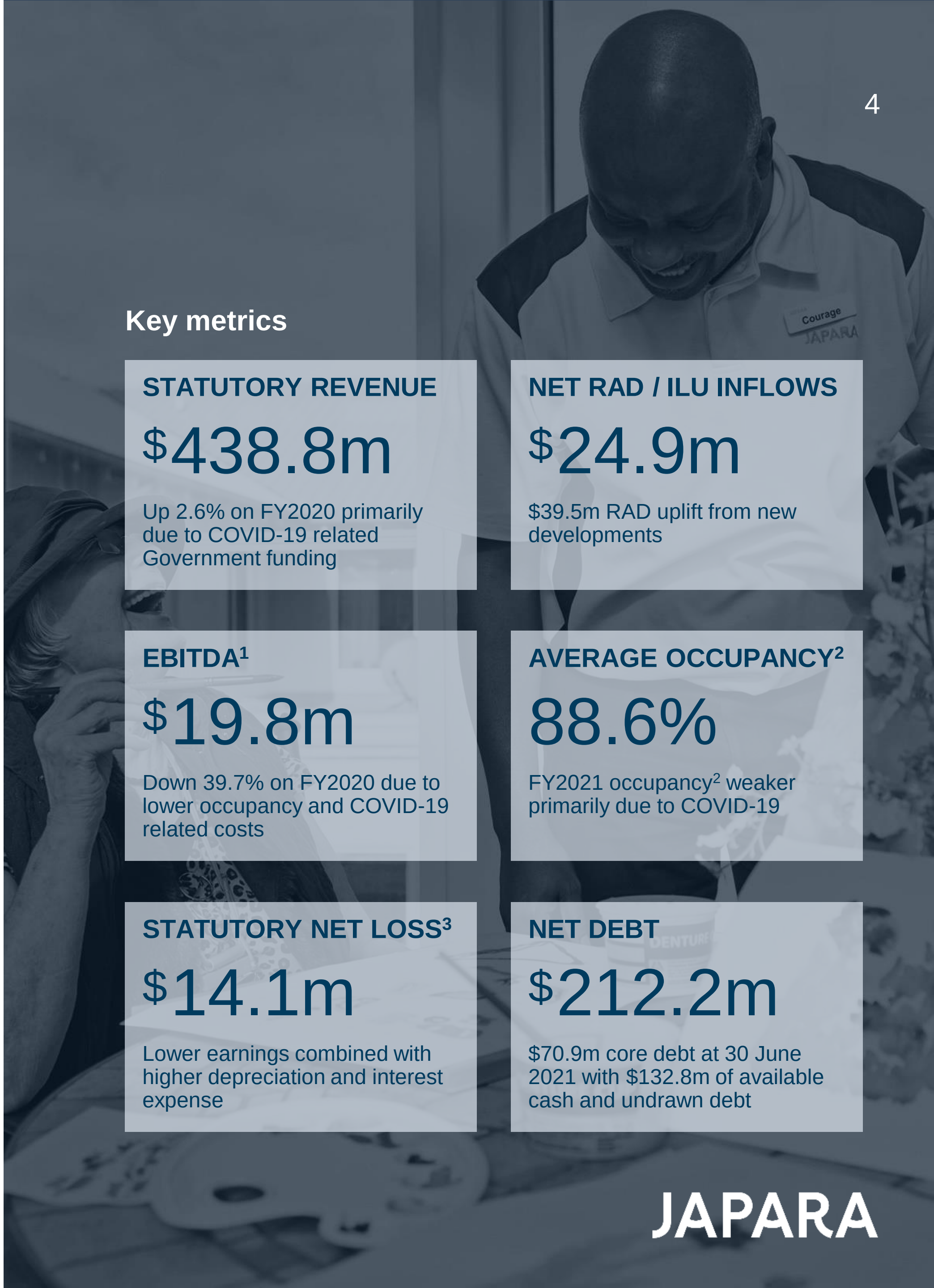
FY2021 overview

Japara's priority has been to keep residents and staff safe in a COVID-19 impacted year

Summary

- The COVID-19 pandemic, the Aged Care Royal Commission and the Federal Government's response were key elements in a challenging year
- Operating performance reflects these factors and measures undertaken to protect residents and staff
- Earnings declined but net RAD inflows remained positive
- Federal Government responses to COVID-19 and the Royal Commission provided additional financial support (no Jobkeeper payments or rent relief received)
- Two new Homes and one Home extension were successfully completed and opened
  - Further development activity currently on hold
- Improvements to key ICT systems were implemented to benefit residents, with further enhancements ongoing
- Debt levels increased marginally reflecting funds deployed in growth and improvement initiatives
- No dividend has been declared
- Focus remains on positioning the business for long term sustainable growth



Key metrics

STATUTORY REVENUE **$438.8m** Up 2.6% on FY2020 primarily due to COVID-19 related Government funding	**NET RAD / ILU INFLOWS** **$24.9m** $39.5m RAD uplift from new developments
EBITDA[1] **$19.8m** Down 39.7% on FY2020 due to lower occupancy and COVID-19 related costs	**AVERAGE OCCUPANCY[2]** **88.6%** FY2021 occupancy[2] weaker primarily due to COVID-19
STATUTORY NET LOSS[3] **$14.1m** Lower earnings combined with higher depreciation and interest expense	**NET DEBT** **$212.2m** $70.9m core debt at 30 June 2021 with $132.8m of available cash and undrawn debt

1. EBITDA is a measure consisting of earnings before interest, tax, depreciation, amortisation and impairment of non-current assets
2. Average occupancy adjusts for places ramping up at new developments and places offline for refurbishment
3. Loss attributable to members of the Group

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FY2021 operating environment

Events in FY2021 signal future fundamental industry changes

Industry Changes

- FY2021 was a year of significant reform in the Residential Aged Care industry, with the events of the last 12 months fundamentally changing the approach to aged care in Australia
- The COVID-19 pandemic has been particularly challenging and we acknowledge the deeply concerning outbreaks, the ongoing lockdowns and the tremendous impact these have had on residents, families and staff
  - Our highest priority has been to keep our residents and our staff safe, supported and well
- Japara managed five Home outbreaks and through multiple lockdowns across the business during the year
- Infection control initiatives to combat COVID-19 look to be part of business as usual for the foreseeable future
- The Royal Commission into Aged Care Quality and Safety issued its final report in late February 2021 making 148 recommendations covering quality, funding and sustainability reforms
- The Federal Government responded in May 2021 with a five year reform plan to address services and sustainability, quality and safety, workforce, governance and home care
- Key proposed changes include:
  - a new basic daily fee supplement of $10 per resident from July 2021, subject to providers reporting on certain daily living services to residents
  - a new residential care funding model (AN-ACC[1]), to replace the current ACFI[2] model, from October 2022
  - measures to improve transparency, including star ratings for quality of aged care services, by the end of 2022
  - a new, values based Aged Care Act by July 2023
  - minimum average care time for residents by October 2023 (200 minutes per resident per day, including 40 minutes of registered nurse time)
  - discontinuing the ACAR[3] from July 2024, and abolishing current bed license arrangements
  - alterations to the operation of the RAD funding scheme
- Japara supports aged care sector reforms that benefit the elderly and provide long-term financial sustainability

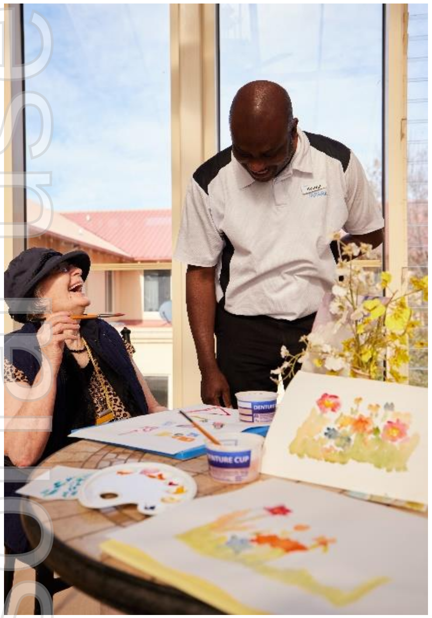
1. Australian National Aged Care Classification
2. Aged Care Funding Instrument
3. Aged Care Approvals Round

FY2021 business focus

Home developments, extension and refurbishments completed. Acquisition approaches received and progressed

Business Growth and Improvement

- Japara completed and opened two new Homes during the year; Trugo Place in Newport, Victoria in February 2021 and Corymbia in Belrose, NSW in June 2021
- A further brownfield development at Albury, New South Wales opened in September 2020
- Significant refurbishments of three Homes were also completed at Anglesea, Torquay and Balmoral Grove
- ICT systems improvement continued, with digital clinical and medication management applications implemented and upgrades to workforce management and payroll systems undertaken



Response to Acquisition Approaches

- On 30 April 2021, Japara announced an unsolicited, conditional and non-binding proposal from Little Company of Mary Health Care Ltd (Calvary) to acquire all of the shares in Japara for $1.04 per share
  - On 7 June 2021, Japara announced an improved proposal from Calvary of $1.20 per share
- On 15 June 2021, Japara announced a conditional and non-binding proposal from RSL Care RDNS Limited, part of the Bolton Clarke Group, to acquire all the shares in Japara for $1.22 per share
- The Japara Board granted access to information to both groups to allow them to undertake due diligence
- Following a six week diligence period, on 27 July 2021, a Scheme Implementation Deed was entered into with Calvary for the acquisition of all the shares in Japara, by way of Scheme of Arrangement (Scheme)
- Japara shareholders will receive $1.40 cash per share under the Scheme, representing a premium of 75% to the last undisturbed closing price of Japara shares on 29 April 2021[1] of $0.80
- Japara's Board of Directors unanimously recommends the Scheme, in the absence of a superior proposal
- A Scheme Booklet, containing information relating to the Scheme, the reasons for the Japara Board recommendation and an Independent Expert's Report, is to be sent to shareholders in mid-September 2021
- The Scheme is to be voted on at a shareholder meeting in October 2021 and, if approved, will be implemented in early November 2021

1. The last trading date before Japara announced that it had received an indicative non-binding acquisition proposal from Calvary

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FY2021 Financial Summary

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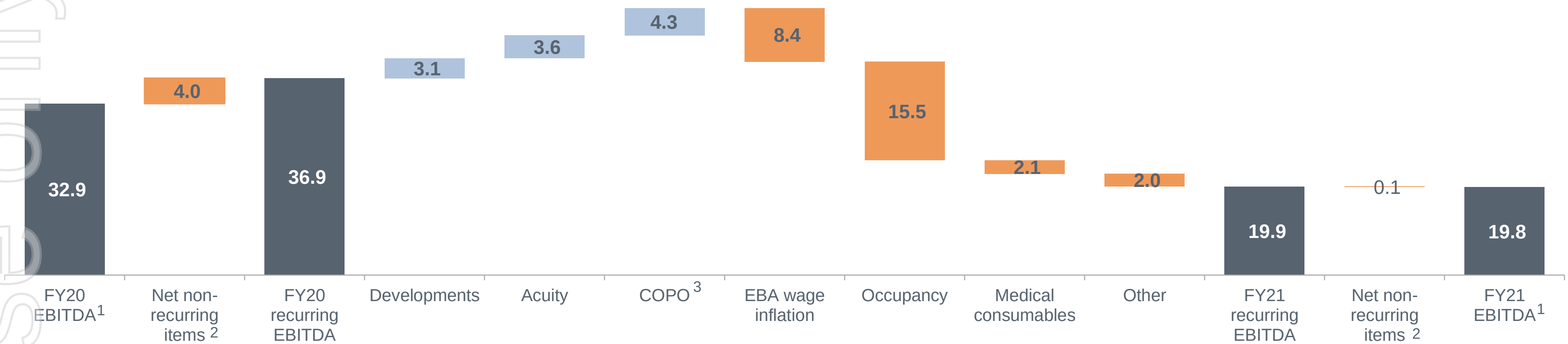
FY2021 earnings

COVID-19 impacting occupancy rates and earnings

FY2021 EBITDA bridge ($m)



Summary

- New developments and refurbished Homes continue to make an incremental positive contribution despite the impact of COVID-19
- Increased resident acuity is attracting higher funding
- Government funding growth via COPO indexation (of 1.6%) exceeded by wage rate increases (of ~2.7%)
- Average FY2021 occupancy of 88.6%[4] significantly impacted by COVID-19 and below FY2020 average occupancy of 92.2%[4]
- General medical consumable costs (primarily PPE) of $6.6m
  - $2.1m higher than FY2020 expense of $4.5m and $3.2m higher than FY2019 expense of $3.4m
- $7.4m of non-recurring COVID-19 outbreak specific expenses incurred in FY2021 at five COVID-19 outbreak Homes offset with $7.2m in Government Grants

1. EBITDA is a measure consisting of earnings before interest, tax, depreciation, amortisation and impairment of non-current assets
2. Refer to Appendices for a reconciliation of net non-recurring items
3. Commonwealth Own Purpose Outlays indexation
4. Average occupancy adjusted for places ramping up at new developments and places offline for refurbishment

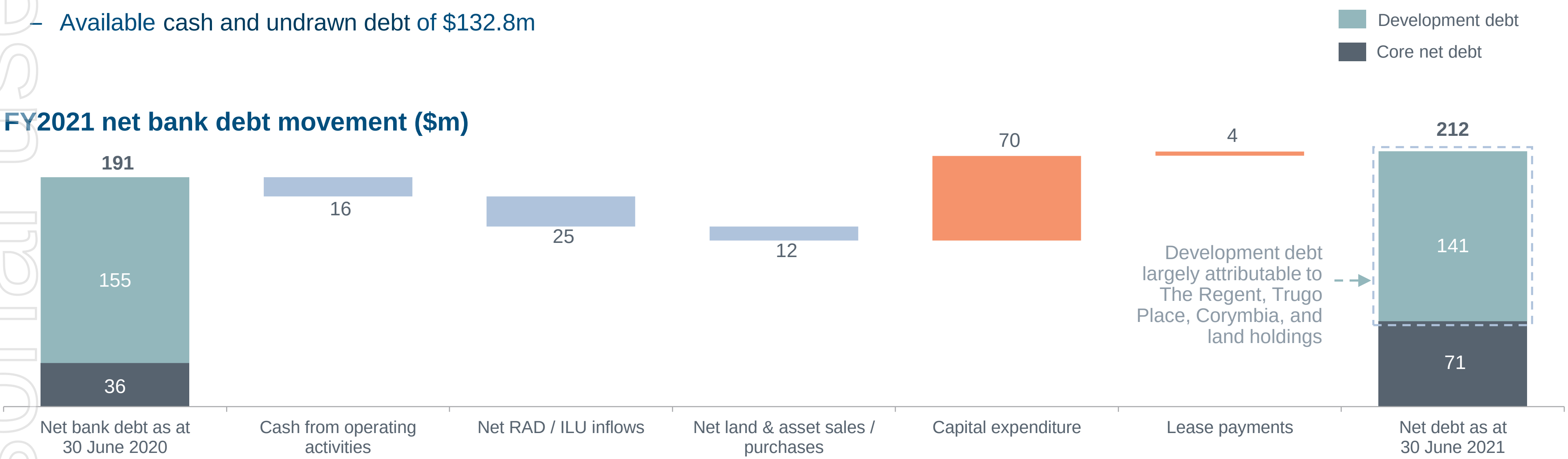
FY2021 financial result and position

$70m invested in developments and portfolio improvement, funded through RAD inflows, operating cashflows, asset sales and further debt drawdown

Summary

- FY2021 statutory net loss[1] of $14.1m (FY2020 net loss[1] of $292.1m)
- No dividends declared for FY2021
- Financial result impacted by lower operational earnings and increased depreciation and interest costs
- Tax expense impacted by provision of $2.7m to address franking account deficit created by prior year tax losses
- ~$70m capital invested in new Homes, Home extensions and refurbishments and general portfolio improvement
- $345m loan facilities drawn to a net $212.2m
  - Core net debt of $70.9m (3.6x FY2021 EBITDA)
  - Available cash and undrawn debt of $132.8m

FY2021 net bank debt movement ($m)



1. Loss attributable to members of the Group

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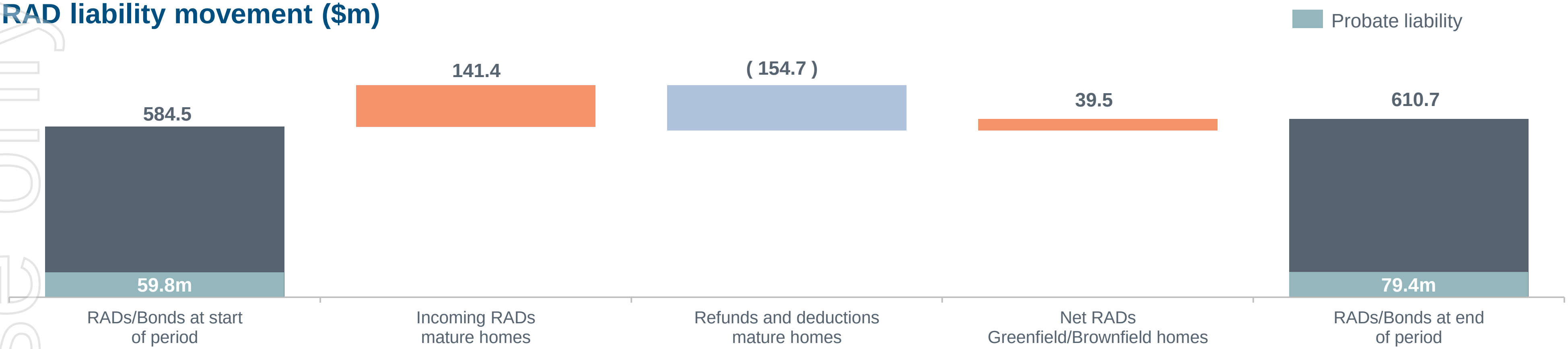
FY2021 RAD liability movement

Net RAD and ILU inflows remain positive with new developments contributing as expected

RAD liability movement ($m)



Highlights

- Net RAD liability movement of $26.2m in FY2021 (excludes $1.9m of net ILU liability decrease)
  - $11.7m net RAD liability reduction from mature homes
  - $39.5m net RAD liability increase from greenfield and brownfield developments recently completed
  - $1.6m in RAD deductions
  - Increase in probate liability of $19.6m
- A further ~$120m RAD inflows[1] is expected from recently completed greenfield and brownfield developments
  - Robina Rise opened in July 2019, The Regent in April 2020, Trugo Place in February 2021 and Corymbia in June 2021
  - Brownfield extensions at Brighton-Le-Sands, Kingston Gardens and Albury & District are also maturing

1. Expected RAD inflows from 803 places ramping up assume a 'look through' ~60% RAD preference for non-supported residents and a weighted average RAD to local house price ratio of 53%

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FY2021 Operational Summary

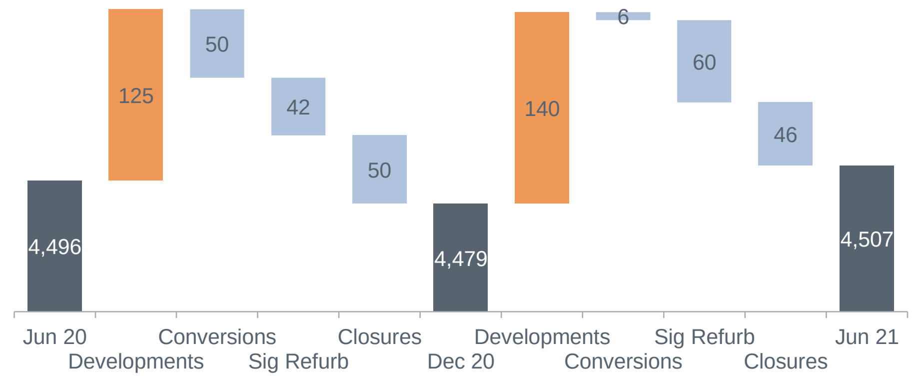
Key operational metrics

COVID-19 impacting occupancy and revenue and cost ratios

Summary

- Average FY2021 occupancy of 88.6%[1] well below FY2020 average
  - Occupancy at 30 June 2021 was 89.0%[1] and at 27 August 2021 was 88.6%[1]
  - Victorian Homes occupancy at 27 August 2021 was 87.7%[1] with remaining portfolio occupancy 90.4%
- Cost to revenue ratios impacted by lower revenues from lower occupancy and higher COVID-19 related costs offset by Government support
- Net RAD cash inflows in FY2021 lower than expected due to COVID-19 related occupancy declines but still positive
- Place numbers reduced by closure of Japara Wyong and Japara Forest View (96 places), significant refurbishment activity (102 places) and conversion of some double rooms to single occupancy (56 places)

Operational place movement



Operational metrics	2H FY2021	1H FY2021	2H FY2020	1H FY2020
Number of homes	50	50	51	50
Operational places (end of period)	4,507	4,479	4,496	4,385
Average occupancy[1]	88.0%	89.2%	91.9%	92.6%
Average revenue Per Operating Bed Day[2]	$300.7	$303.6	$291.9	$284.4
Average Government revenue Per Operating Bed Day[2]	$214.6	$216.7	$212.1	$206.3
Staff cost to revenue[2]	79.0%	75.6%	74.2%	72.4%
Non-wage costs to revenue[2]	18.5%	17.6%	18.1%	17.4%
Average concessional residents[3]	38.5%	39.1%	38.9%	38.4%
Average incoming contract price ('000)	$443.7	$413.3	$408.4	$382.7
Net RAD & ILU loan inflow (m)	$22.5	$2.4	$22.4	$33.4

1. Occupancy adjusts for places ramping up at new developments and places offline for refurbishment
2. Metrics shown exclude the impact of non recurring items, Government temporary subsidies and COVID-19 outbreak Grants, developments in ramp up and discontinued operations but include Government funded aged care worker retention bonuses and single site worker payments
3. Calculated as the number of concessional residents / operational places

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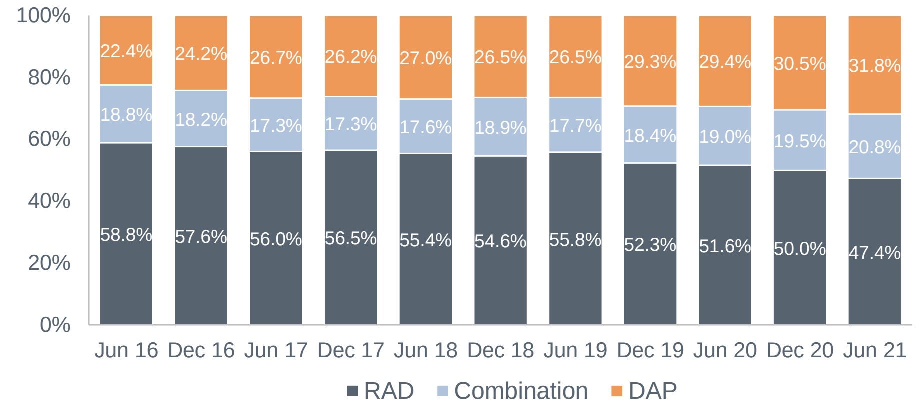
Resident trends

Occupancy recovery evident in 2H FY2021, with average contract prices increasing as portfolio is grown and improved and with associated RAD inflows offsetting continuing trend to payment by DAP

Summary

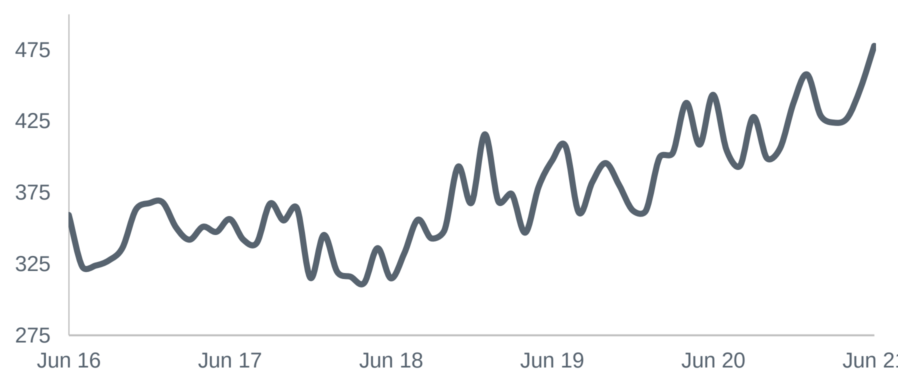
- 4,012 residents as at 30 June 2021
  - Resident numbers declined by 90 during FY2021
  - Overall resident numbers have improved since January 2021
  - Drop in residents from August 2020 due to COVID-19 outbreaks in Victoria
- Continuing slow trend in non-concessional resident preference towards DAPs
- Average incoming place contract values increased mainly due to new premium rooms opening at new and redeveloped Homes

Non-concessional portfolio mix[1] slowly trending to DAPs



Total resident count improving

Incoming place contract price[2] ($'000) increasing



1. By number of residents
2. Monthly average

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Business growth and improvement

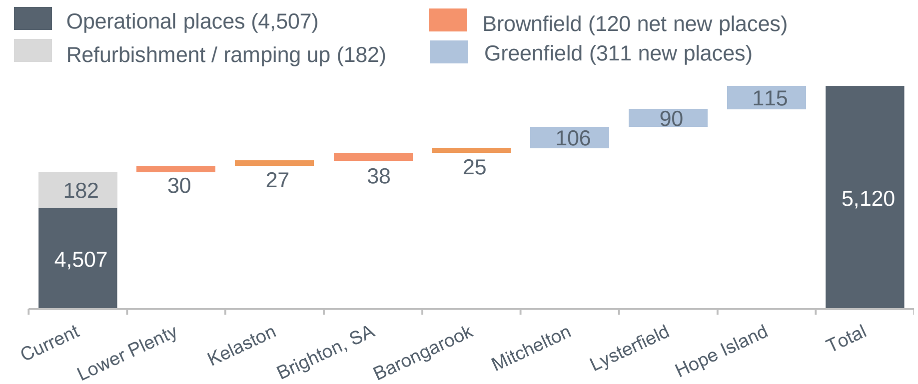
Ongoing focus on real estate portfolio and systems improvement despite COVID-19 disruptions

Growth and improvement summary

- Key developments completed at:
  - Trugo Place in Newport, Victoria in February 2021 comprising 120 places and currently 71% occupied
  - Corymbia in Belrose, NSW in June 2021 comprising 100 places and currently 45% occupied
  - Japara Albury & District in Albury, NSW in September 2020 comprising a 25 place extension to the existing home, currently 97% occupied
- Significant improvements and enhancements were made to Japara's key ICT systems including in clinical care, workforce management, payroll and cybersecurity (outlined bottom right)
- Progress was made on Japara's future development pipeline:
  - A planning permit was received for the development of an owned site in Hope Island, Queensland to comprise a 115 place Home
  - A planning permit was received for a 30 place extension at Lower Plenty Garden Views, Lower Plenty, Victoria
  - Development applications were lodged for the further development of sites in Brighton, Victoria, and Mt Eliza, Victoria for senior living accommodation
- An acquisition of adjacent land at Barongarook Gardens in Colac, Victoria was completed in July 2021 to facilitate the expansion of the Home by 25 places
- Japara's Wyong, NSW Home was closed in August 2020 and Chatswood, NSW Home closed in June 2021, with residents transferred to the newly opening Corymbia. The vacant sites have been subsequently sold
- Significant refurbishment projects were completed at Anglesea, Torquay and Grovedale with places now ramping up

1. Refer Appendix for development pipeline details

Owned aged care development pipeline[1] (net new places)



Key ICT systems improvements

System	Comment
leecare	• Digital clinical care record rolled out at all 50 Homes
	• Digital medication management rollout progressing with 15 homes live and all homes to be complete by June 2022
KRONOS	• Upgrade of rostering platform, including cloud hosting completed. Employee Self Service project commenced and to be completed by March 2022
AIM	• Payroll system upgraded
	• A number of cyber security enhancement projects have completed to keep Japara's data safe

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Development assets and funding

$120m in future RAD inflows expected from completed developments ramping up

Debt and development capital summary

- Japara had $345m in committed debt facilities with cash and undrawn debt of $132.8m at 30 June 2021
- Japara was in full compliance with all lender covenants during FY2021
- $120m in RAD inflows[1] expected from 803 recently completed places across eight Homes
  - $39.5m in RAD inflows on recently completed places was received during FY2021
- Ongoing portfolio management resulted in sales of closed Homes at Japara Wyong (for net proceeds of $1.6m) and Japara Forest View (for net proceeds of $4.5m to be received in FY2022)
- A sale and leaseback for six years of Japara Capel Sands was undertaken in June 2021 for net proceeds of $7.9m

June 2021 debt facility summary	Drawn	Undrawn	Total
General Purpose	$113.0m	$52.0m	$165.0m
Development	$141.3m	$23.7m	$165.0m
Multi-Option	$1.5m	$13.5m	$15.0m
Sub-Total	**$255.8m**	**$89.2m**	**$345.0m**
Cash	$(43.6)m	$43.6m	-
Net debt / available	**$212.2m**	**$132.8m**	**$345.0m**

Land holdings	Net new places	Book value
Mitchelton (QLD)	106	$7.5m
Lysterfield (VIC)	90	$5.9m
Hope Island (QLD)	115	$5.2m
Brighton (VIC)	-	$10.6m
Reservoir (VIC)	-	$8.1m
Kingston Way Estate (VIC)	-	$7.1m
Mt Eliza (VIC)	-	$2.5m
Oaklands (SA)	-	$1.0m
Total	**311**	**$47.9m**

1. Expected RAD inflows from the above 803 total places assume a 'look through' ~60% RAD preference for non-supported residents and a weighted average RAD to local house price ratio of 53%

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04

Trading Update and Priorities

FY2022 update and priorities

Priorities include staff vaccinations and progressing the Scheme with Calvary

FY2022 trading update

- Occupancy has remained steady in FY2022 as the impact of lockdowns in several states is felt and disrupts the occupancy recovery experienced in 2H FY2021
- Additional Government funding of $10 per resident per day is being received
- Other Government revenues are tracking as expected
- Staff and infection control costs are marginally higher than expected due to the ongoing lockdowns, single site worker initiatives and general COVID-19 situation

FY2022 priorities

- Progressing the Scheme of Arrangement with Calvary is an immediate focus
- Strategies to improve occupancy in a challenging market are being pursued
- A focus remains on debt reduction with minimal growth capital expenditure underway
- Infection control measures are continuing, including a COVID-19 vaccination program with 82% of active staff vaccinated with at least one COVID-19 vaccination dose to date
- Ongoing ICT systems improvement is planned, especially in medication and incident management
- Developments are progressing to development approval stage but remain on hold thereafter with minimal further development capex projected in the short term

FY2022 earnings guidance

- Due to the continued uncertainty created by the COVID-19 pandemic no earnings guidance is provided at this time

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Appendices

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Appendix 1: Japara portfolio overview

Japara's portfolio comprises over 5,000 existing or to be constructed aged care places with several co-located senior living communities

Portfolio summary

- Japara's aged care portfolio comprises 50 operating homes across five states
  - 46 homes are owned freehold with the remaining four leased
- Japara has a further greenfield development portfolio comprising:
  - Four owned sites (all with Development Approval) offering the opportunity for new Home developments
  - Two further regions where licenses are held and sites are being sourced
- Japara also has a number of brownfield development opportunities
- Japara's senior living portfolio comprises a total of 180 independent living units and apartments co-located with five of our aged care homes
  - Three sites with land already owned are in planning for additional senior living developments

Appendix 2: Detailed Profit and Loss

	FY2021	FY2020	Change	
	$'000	$'000	%	$'000
Revenue				
Government care and accommodation funding	308,390	306,830	0.5%	1,560
Resident fees	111,150	115,412	(3.7)%	(4,262)
Other income	19,253	5,290	264.0%	13,963
Total revenue & other income	438,793	427,532	2.6%	11,261
Expenses				
Employee benefits expense	(339,551)	(315,064)	7.8%	(24,487)
Resident costs	(41,087)	(39,074)	5.2%	(2,013)
Other costs	(38,333)	(40,519)	(5.4)%	2,186
Total expenses	(418,971)	(394,657)	6.2%	(24,314)
EBITDA	19,822	32,875	(39.7)%	(13,053)
Impairment of non-current assets	(519)	(291,923)	(99.8)%	291,404
Depreciation and amortisation	(29,615)	(26,441)	12.0%	(3,174)
EBIT	(10,312)	(285,489)	(96.4)%	275,177
Net finance costs	(8,799)	(7,393)	19.0%	(1,406)
Income tax credit	5,005	795	529.6%	4,210
NPAT[1]	(14,106)	(292,087)	(95.2)%	277,981

1. Loss attributable to members of the Group

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Appendix 3: Detailed Cash Flow Statement

	FY2021 $'000	FY2020 $'000
Cash flows from operating activities:		
Receipts from customers	432,414	421,567
Payments to suppliers and employees	(413,864)	(390,603)
Income taxes refunded / (paid)	3,196	(3,316)
Interest received	-	231
Finance costs paid	(5,731)	(8,444)
Proceeds from RADs & ILU resident loans	205,825	232,302
Repayment of RADs/accommodation bonds & ILU resident loans	(180,905)	(176,539)
Net cash provided by operating activities	40,935	75,198
Cash flows from investing activities:		
Purchase of land & buildings	-	(15,407)
Proceeds from sale of land & buildings	11,790	19,009
Purchase of plant and equipment	(8,105)	(6,458)
Capital works in progress	(62,422)	(71,006)
Proceeds from sale of surplus resident places	-	4,690
Deposits paid under land contracts	(87)	-
Net cash used in investing activities	(58,824)	(69,172)
Cash flows from financing activities:		
Purchase of treasury shares	-	(617)
Dividends paid	-	(14,297)
Net proceeds from bank borrowings	16,750	28,500
Repayment of lease liabilities	(3,596)	(2,798)
Net cash provided by financing activities	13,154	10,788
Net increase in cash and cash equivalents held	(4,735)	16,814
Cash and cash equivalents at beginning of the year	48,286	31,472
Cash and cash equivalents at end of the year	43,551	48,286

Appendix 4: Balance Sheet

	30 June 21 $'000	30 June 20 $'000
ASSETS		
Current assets		
Cash	43,551	48,286
Trade and other receivables	15,820	15,326
Non-current assets held for sale	4,466	2,261
Current tax receivable	-	1,860
Other assets	7,245	3,681
Total current assets	**71,082**	**71,414**
Non-current assets		
Trade and other receivables	2,458	2,574
Right-of-use assets	29,574	30,140
Property, plant and equipment	858,102	833,202
Investment property	50,525	48,925
Intangible assets	265,761	265,761
Total non-current assets	**1,206,420**	**1,180,602**
TOTAL ASSETS	**1,277,502**	**1,252,016**
LIABILITIES		
Current liabilities		
Trade payables and other liabilities	32,864	34,104
Loans and borrowings	32,500	58,250
Current tax payable	1,907	-
Other financial liabilities	633,834	609,526
Employee provisions	45,727	42,954
Lease liabilities	2,862	2,338
Total current liabilities	**749,694**	**747,172**
Non-current liabilities		
Loans and borrowings	223,250	180,750
Deferred tax liabilities	55,514	61,090
Employee provisions	5,643	5,608
Other financial liabilities	3,337	5,039
Lease liabilities	29,247	29,390
Total non-current liabilities	**316,991**	**281,877**
TOTAL LIABILITIES	**1,066,685**	**1,029,049**
NET ASSETS	210,817	222,967
EQUITY		
Issued capital	524,658	524,285
Share based payment reserve	185	304
Hedging reserve	(3,337)	(5,039)
Retained earnings	(310,689)	(296,583)
TOTAL EQUITY	**210,817**	**222,967**

Appendix 5: Non-recurring earnings reconciliation

	FY2021 $m	FY2020 $m
Non recurring items		
Profit on sale of land	1.5	3.0
Revaluation of land	1.6	(0.3)
Property revaluation gains / (losses)	(0.1)	(2.4)
Greenfields start-up losses	(1.9)	(1.8)
Redundancies / restructuring	(0.8)	(1.2)
Royal Commission costs	(0.4)	(1.8)
Profit on sale of surplus bed licences	-	4.6
LSL assumption changes	-	(2.2)
ECL adjustment	-	(1.9)
Total	**(0.1)**	**(4.0)**

Appendix 6: Portfolio Metrics

	As at 30 June 2021		As at 30 June 2020		Change
Resident mix					
Concessional	1,738	43%	1,771	43%	(1.9)%
RAD	968	24%	1,105	27%	(12.4)%
DAP	651	16%	630	15%	3.3%
Combination	426	11%	408	10%	4.4%
Pre-reform high-care places	10	0%	16	0%	(37.5)%
Respite	188	5%	155	4%	21.3%
TCP / Other	31	1%	17	0%	82.4%
Total residents	4,012	100%	4,102	99%	(2.2)%
Staffing					
Number of staff (including part time and casuals)	5,868		6,064		(3.2)%
Places					
Operational places	4,507		4,496		0.2%
Non-operational places	597		459		30.1%
Provisional ACAR allocations	601		750		(19.9)%
Total places	5,705		5,705		0.0%
Places (metro/major regional, regional split)					
Metro/major regional	4,568	80%	4,548	80%	0.4%
Regional	1,137	20%	1,157	20%	(0.4)%
Total places	5,705	100%	5,705	100%	0.0%
Geographic spread (places)					
VIC	67%		66%		
NSW	13%		13%		
QLD	8%		9%		
SA	7%		7%		
TAS	5%		5%		
Total	100%		100%		
Funded bed days	1,423,597		1,466,831		(2.9)%

Appendix 7: Developments update

Significant greenfield & brownfield development program comprising over 400 net new aged care places and additional seniors living development opportunities

Greenfield developments	Program status	Total new places	Net new places
Newport (Melbourne)	Complete	120	120
Belrose (Sydney)	Complete	100	100
Mitchelton (Brisbane)	Tendered (on hold)	106	106
Lysterfield (Melbourne)	Tendered (on hold)	90	90
Hope Island (Gold Coast)	Tender	115	115
Total		**531**	**531**

Brownfield developments	Program status	Total new places	Net new places
Lower Plenty Garden Views (Melbourne)	Tender	50	30
Kelaston (Ballarat)	Tendered (on hold)	27	27
Brighton (Adelaide)	Tendered (on hold)	54	38
Barongarook Gardens (Colac)	Town planning	25	25
Total		**156**	**120**

Seniors living / co-located developments	Program status	Total new Seniors units	Net new Aged Care places
Mt Eliza (Melbourne)	Town planning	95	0
Launceston	Concept design	120	0
Brighton (Melbourne)	Town planning	95	8
Total		**310**	**8**

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