Australian Shareholders' Association

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Company	Japara Healthcare
Code	JHC
Meeting	AGM
Date	25 October 2019
Venue	RACV Club, 501 Bourke St Melbourne
Proxy Collector	Peter Aird

Number attendees at meeting	Approximately 30
Number of holdings represented by ASA	20
Value of proxies	$180k
Number of shares represented by ASA	157,633
Market capitalisation	$304m
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	No

Continuing difficult trading but a positive outlook

The aged care sector has continued to suffer with Federal funding not keeping pace with operating costs for all providers, the costs associated with the Royal Commission and average occupancy declining. For Japara, this resulted in another year of lower net profit after tax ($16.4m), a lower dividend (6.15 cents) and a lower share price ($1.13).

The Chair Linda Nicholls and the CEO Andrew Sudholz both spoke positively of the difficulties and challenges to the business, noting that occupancy had fallen across the sector (to 92.5% in Japara's case) and the impact of this on costs and efficiency. Against this, Japara continues to require each facility be staffed by at least one qualified nurse on each shift and has a clear focus on quality of care for all residents.

On a positive note, Japara are continuing to add new beds by building new facilities, adding to existing residence and upgrading older facilities. They believe that underlying demand will grow strongly over the next 3+ years and are well placed to continue to add around 300 new beds for each of those years. In addition, the CEO spoke of a new accommodation model adjacent to critical care facilities that would provide alternative accommodation to those needing support but not necessarily critical care.

Questions were limited around staffing levels and the strength of the business case for continuing expansion. It was noted that funds for building were obtained through bank loans, these were repaid as the new facility was occupied using Refundable Accommodation Deposits (RADs).

In view of the 23.7% vote against the Remuneration Report in 2018 and that the Executive Incentives did not vest in 2019 (or the previous 2 years), a revised incentive plan has been developed. This was outlined by the Chair of the Remuneration Committee, JoAnne Stephenson. It includes a reduction in the CEO's fixed remuneration to $800,000 pa (compensated by a pro-rata grant of equity for 2019/20 only) and a return to Short- and Long- Term Incentives (STI and LTI). Features include reductions in the maximum Opportunity compared to the existing Plan, a 4 year term for the LTI component and deferral of 50% of the STI, which will be delivered as equity after 12 months. Further details of the Plan were provided in Resolution 5.

All Resolutions were carried with substantial majorities (>98%), including the re-election of Directors Linda Nicholls and Leanne Rowe.