



# *Summerset*

## Retail Bond Presentation

Summerset Group Holdings Limited  
7 September 2020

Joint Lead Managers



**CRAIGS**  
INVESTMENT PARTNERS



**FORSYTH BARR**



Co-Manager

**HOBSON  
WEALTH  
PARTNERS**

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Certain financial information contained in this presentation is prepared on a non-GAAP basis. "Underlying profit" is a non-GAAP measure and differs from NZ IFRS profit. Underlying profit does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. The underlying profit measure is intended to assist readers in determining the realised and non-realised components of fair value movement of investment property and tax expense in the Summerset Group's income statement. The measure is used internally in conjunction with other measures to monitor performance and make investment decisions. Underlying profit is a measure which the Summerset Group uses consistently across reporting periods.

**Refer to slide 26 for a reconciliation of non-GAAP underlying profit to GAAP net profit after tax.**

# Agenda

- 1 Business overview
- 2 Funding and security structure
- 3 Financial performance
- 4 Offer terms and timetable
- 5 Appendices

# Offer highlights



## Bond offer further diversifies funding sources and provides tenor

- Total bank debt facilities of approximately \$750m and total retail bonds of \$225m before the offer
- Net debt of \$622m as at 30 June 2020
- This bond will be used to repay a portion of existing drawn bank debt and for general corporate purposes, and provide further diversification of funding sources and tenor
- The existing bank debt facilities will remain in place providing funding headroom to continue our strong, well-managed development growth

Retail bond offer	Details
Issuer	Summerset Group Holdings Limited (listed on the NZX and ASX)
Bonds	Unsubordinated, guaranteed, secured, fixed rate bonds of the Issuer
Guarantee and Security	Provided by the Issuer and each of the other Guarantors Equal ranking with Summerset's bank lenders and existing bondholders
Issue Size	Up to \$100m with up to \$50m oversubscriptions
Maturity	7 year bonds maturing Tuesday 21 September 2027
Rating	Not rated
Quotation	Application to quote the bonds on the NZX Debt Market (NZDX) has been made
Joint Lead Managers	ANZ, Craigs Investment Partners, Forsyth Barr, and Jarden
Co-Manager	Hobson Wealth Partners



A high-angle photograph of a modern, multi-story building with a white facade and large glass windows. The building features a rooftop terrace with a white pergola structure. The terrace is furnished with outdoor seating, including a large grey sectional sofa, several round tables with chairs, and various potted plants. The terrace overlooks a suburban neighborhood with many houses and a winding road. In the background, a hill with a building on top is visible under a blue sky with scattered clouds.

# Business overview

# Summerset snapshot



Diversified portfolio throughout New Zealand and Australia

More than  
**5,700**  
residents

More than  
**1,700**  
staff members

**31**  
Villages completed or  
under development

**10**  
Greenfield sites

**4,225**  
Retirement units in portfolio

**901**  
Care beds in portfolio

Land bank of  
**5,241**  
retirement units

Land bank of  
**783**  
care beds



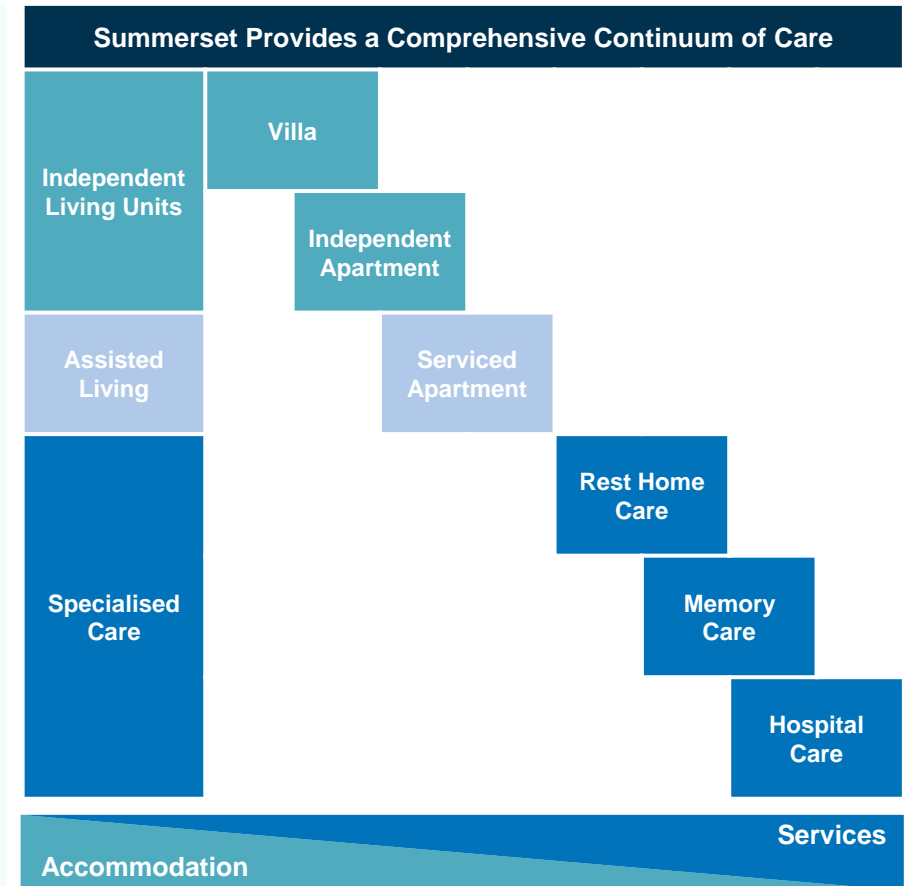
Information as at 30 June 2020 unless otherwise stated

# Summerset background



## Second largest retirement village developer in New Zealand

- Nationwide provider
- Focus on continuum of care model
- High quality care and facilities across all our villages
- Memory care to be rolled out to all our new villages
- Awarded Dementia Friendly accreditation by Alzheimers New Zealand in April 2020 - reflecting 18 months work to make our villages more accessible for those living with dementia
- Villages designed to integrate into local communities
- Customer centric philosophy – bringing the best of life
- Internal development and construction model
- Renewed our carbonzero certification with Toitū Envirocare in January 2020 and are a member of the Climate Leaders Coalition
- In 2018, we became the first retirement village and aged care operator in New Zealand to be accredited by Certified Emissions Measurement and Reduction Scheme (CEMARS)



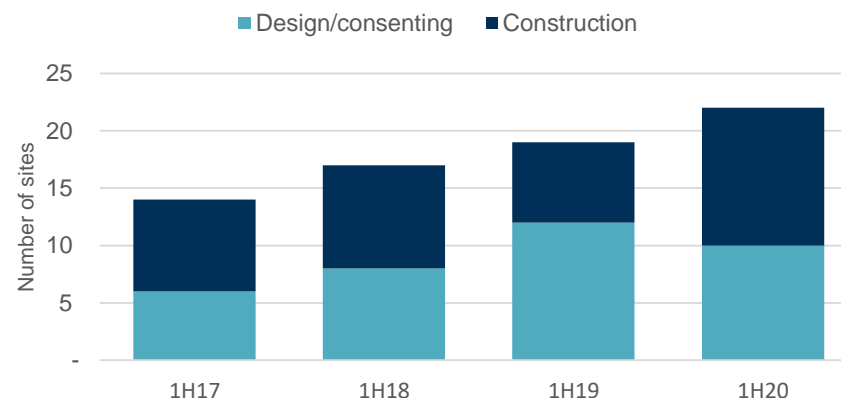
# Positioned for growth



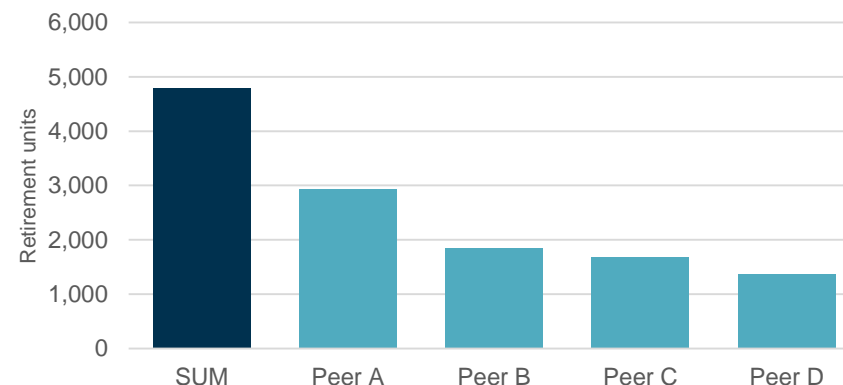
## Largest New Zealand land bank for a retirement village operator

- Land bank of 5,241 retirement units positions us well for further delivery growth beyond FY20
- A large and geographically diverse land bank allows delivery over a greater number of sites, providing flexibility to capitalise on positive market opportunities
- Eight greenfield sites in New Zealand at Blenheim, Cambridge, Lower Hutt, Milldale, Parnell, Prebbleton, Rangiora, and Waikanae
- Two greenfield sites in Australia at Cranbourne North (Melbourne), and Torquay (Victoria)
- Have lodged development approval application for Cranbourne North and hope to receive approval and start preliminary earthworks later this year
- Secured “approved provider” status from the Department of Health in Australia to deliver residential aged care and home care services

Summerset development pipeline



New Zealand land bank comparison\*



\* Based on most recent results presentations



# Operational overview



	Operations	Cash flows
1. Aged care services	<b>Provision of care in serviced apartments, memory care apartments, rest home, hospital and memory care facilities</b> <ul style="list-style-type: none"> <li>■ Provide a high standard of quality aged care services</li> </ul>	<ul style="list-style-type: none"> <li>■ Rest home, hospital and memory care fees</li> <li>■ Stable cash flows</li> <li>■ Includes government funding for specified contracted services</li> </ul>
2. Asset management	<b>Daily operation of integrated retirement and aged care communities</b> <ul style="list-style-type: none"> <li>■ Manage a portfolio of retirement village and aged care assets</li> <li>■ Manage ongoing sales of Occupation Rights</li> <li>■ Refurbish periodically to maintain economic value</li> </ul>	<ul style="list-style-type: none"> <li>■ Deferred management fees (DMF) – primary source of income for established villages</li> <li>■ Gains on resale of Occupation Rights</li> <li>■ Weekly resident levies and village service fees – stable cash flows, contribute to operational costs</li> </ul>
3. Retirement village development	<b>Design and construction of integrated retirement and aged care communities</b> <ul style="list-style-type: none"> <li>■ Cost efficient quality construction of villages specifically designed for older residents</li> <li>■ Build villages that integrate into the local environment, providing residents with warm, welcome and vibrant communities</li> </ul>	<ul style="list-style-type: none"> <li>■ Occupation Right sales</li> <li>■ Development margin</li> </ul>

# COVID-19 response

Prevention of COVID-19 in our villages and care centres remains our priority

## Our residents



- Remaining vigilant in response to the ongoing COVID-19 pandemic
- Focused on security and safety to ensure our villages remain a safe environment for residents
- Maintaining strict entry conditions during lockdowns
- Providing initiatives to keep residents connected, informed and happy throughout lockdowns

## Our staff



- Planned early to ensure systems and supplies were in place ahead of time
- Our response includes extra staffing, separated team rosters, temperature scanning, the use of face masks and PPE plus additional cleaning protocols
- Implemented pay increases in April-May lockdown period for care staff
- Continue to support staff to safely work from home

## Care



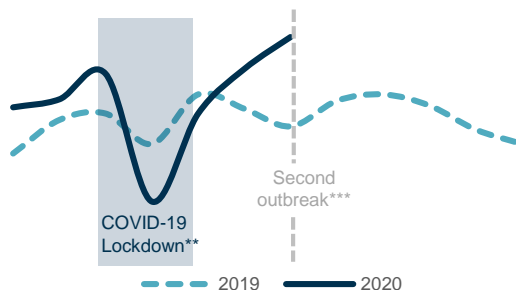
- Focus continues to be on our residents and COVID-19 prevention
- Care facility occupancy remains strong at over 96%
- Maintaining good PPE stocks to respond effectively to outbreaks
- Overwhelming support from families and residents to our COVID-19 plan

# COVID-19 response

## Prevention of COVID-19 in our villages and care centres remains our priority

### Sales

Total sales contracts per month 2019 vs 2020\*



- Sales and settlements rebounded well following the April-May 2020 lockdown
- Increased enquiry seen at our sites
- The appeal of our villages has been enhanced as residents see the protections and support they provide
- Customer experience tools improved to assist current and future residents to navigate outbreaks, including virtual tours and Moving Made Easy package

### Debt management



- Strong financial disciplines upheld
- Bank debt headroom of around 45% before this bond issue
- Bank and bond LVR remains appropriate at 37.9% (35.9% at FY19)
- Flexibility within our diversified and low capital intensive broad acre sites to adjust to market conditions quickly

### Financial management



- 1H20 underlying profit of \$45.1m despite impacts of COVID-19
- Net operating cash flows of \$92.8m in 1H20, in line with 1H19
- Total assets of \$3.4b at 1H20, up 13% on 1H19
- Embedded value of \$765.7m at 1H20, up 10% on 1H19

\* January to July 2020 \*\* Between 23rd March 2020 to 8th June 2020 \*\*\* Auckland region moves back into lockdown alert level three, 12th August 2020

# Resident and family feedback



## Overwhelming appreciation from residents, family and friends

**“ She feels safe and knows that all is OK in her world at Summerset.**

That is all thanks to you and your awesome team - who have created that safe bubble. Please will you pass on our thanks to your whole team - who are leaving their own bubble to support and care for Mum and all of your village...”

**Family member, Casebrook**



**“ Thank you, Summerset, for the grocery system.** That has taken a real weight off my mind, as Dad will now have a way of getting his shopping that does not involve me breaking isolation to deliver to him...”

**Family member, Casebrook**

**“ Thank you for the information you have sent us and for all the precautions you are taking to protect us all. I personally feel very safe in my Summerset Village...”**

**Wigram resident**

**“ We would like to say a very big thank you to you and all the staff in our lovely village for the wonderful care, attention and thoughtfulness that you have all shown us during this very unusual period...”**

**Levin resident**



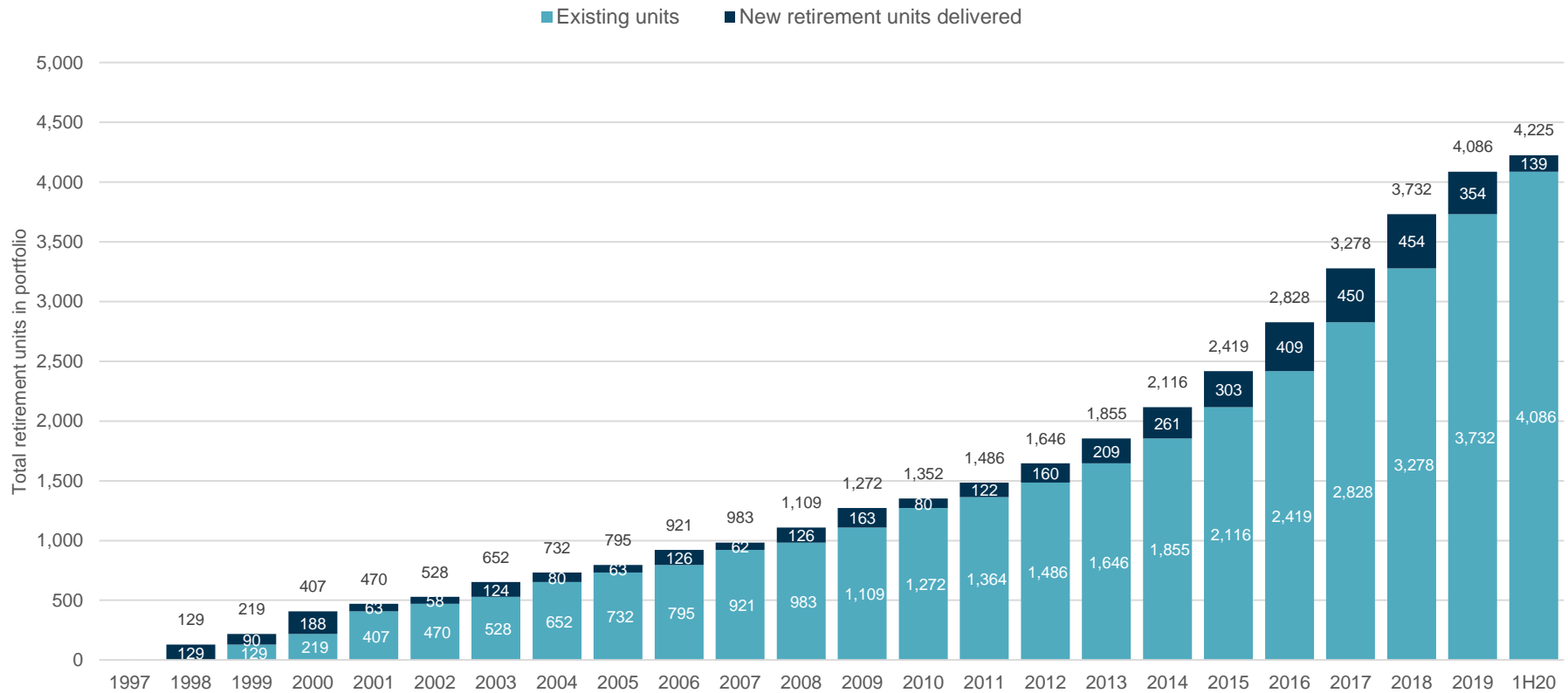


# Summerset growth



23 years of consistent delivery and growth

Summerset build rate



2011 existing stock included 12 units acquired as part of the Nelson site purchase

# Our product





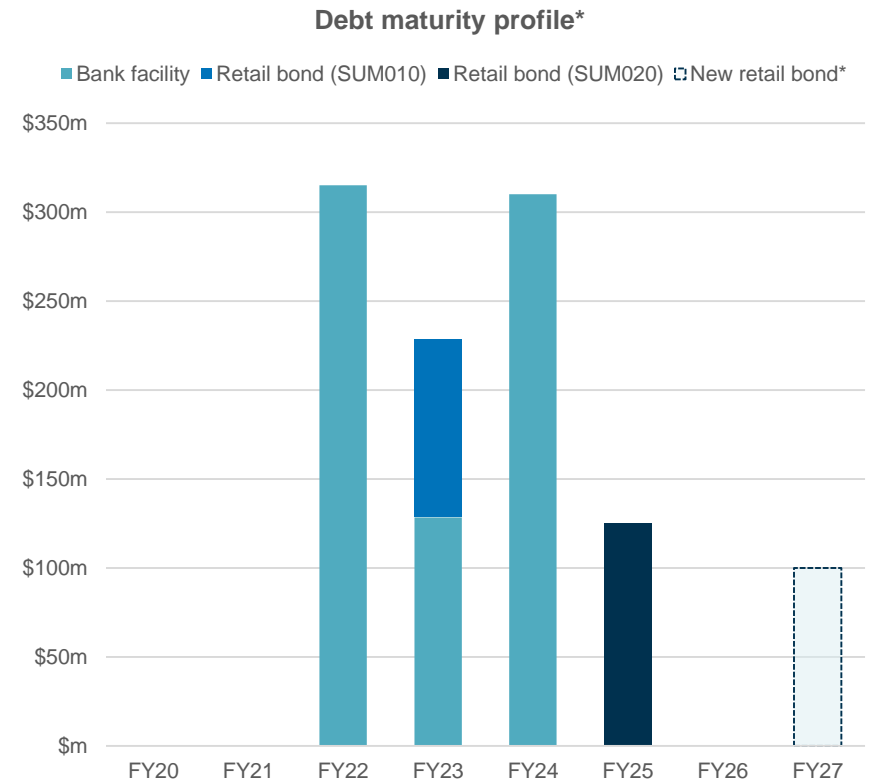
# Funding and security structure



# Purpose of debt

Debt is principally used to develop Summerset villages across New Zealand and Australia

- Summerset uses debt to fund the acquisition of land for future development, and the development of land into villages
- Debt is recycled out of completed village developments, into new developments, as Occupation Right sales occur
- The proposed bond issue will provide further diversification of funding sources and tenor
- Summerset has a bank facility limit of approximately \$750.0m and \$225.0m of existing retail bonds
- The current weighted average debt maturity profile of 3.2 years will lift to 3.5 years on issuance of the proposed bond\*
- If Summerset stops development activities, debt could typically be repaid over a short period of time



\* Assuming issuance of a 7 year \$100m retail bond



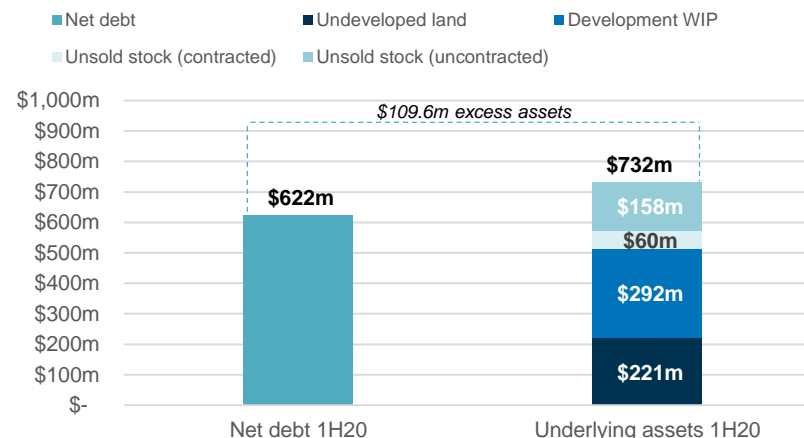
# Composition of drawn debt

## Development assets exceed the value of net debt

- Development projects are debt funded. Development assets exceeded the value of net debt by \$109.6m as at 30 June 2020
- Debt is principally associated with development activities
- Development assets could be realised to reduce debt over a short period of time
- Debt will fluctuate depending upon the level of acquisition and development activities
- Internal property development team allows Summerset to exercise control over the development and construction phase

**Debt holders have benefit of core earnings generation from the business in addition to development asset backing**

Net debt to underlying assets - 1H20



Net debt reconciliation (NZ\$m)	1H20*
Net debt	621.9
Cash and cash equivalents	13.0
Capitalised & amortised bond issue costs and fair value movement on hedged borrowings	19.9
<b>Interest-bearing loans and borrowings (per financial statements)</b>	<b>654.8</b>
Reverse out capitalised & amortised bond issue costs and fair value movement on hedged borrowings	(19.9)
Other unsubordinated liabilities**	15.1
<b>Total bank and bond debt</b>	<b>650.0</b>

\* Amounts rounded to nearest \$100k

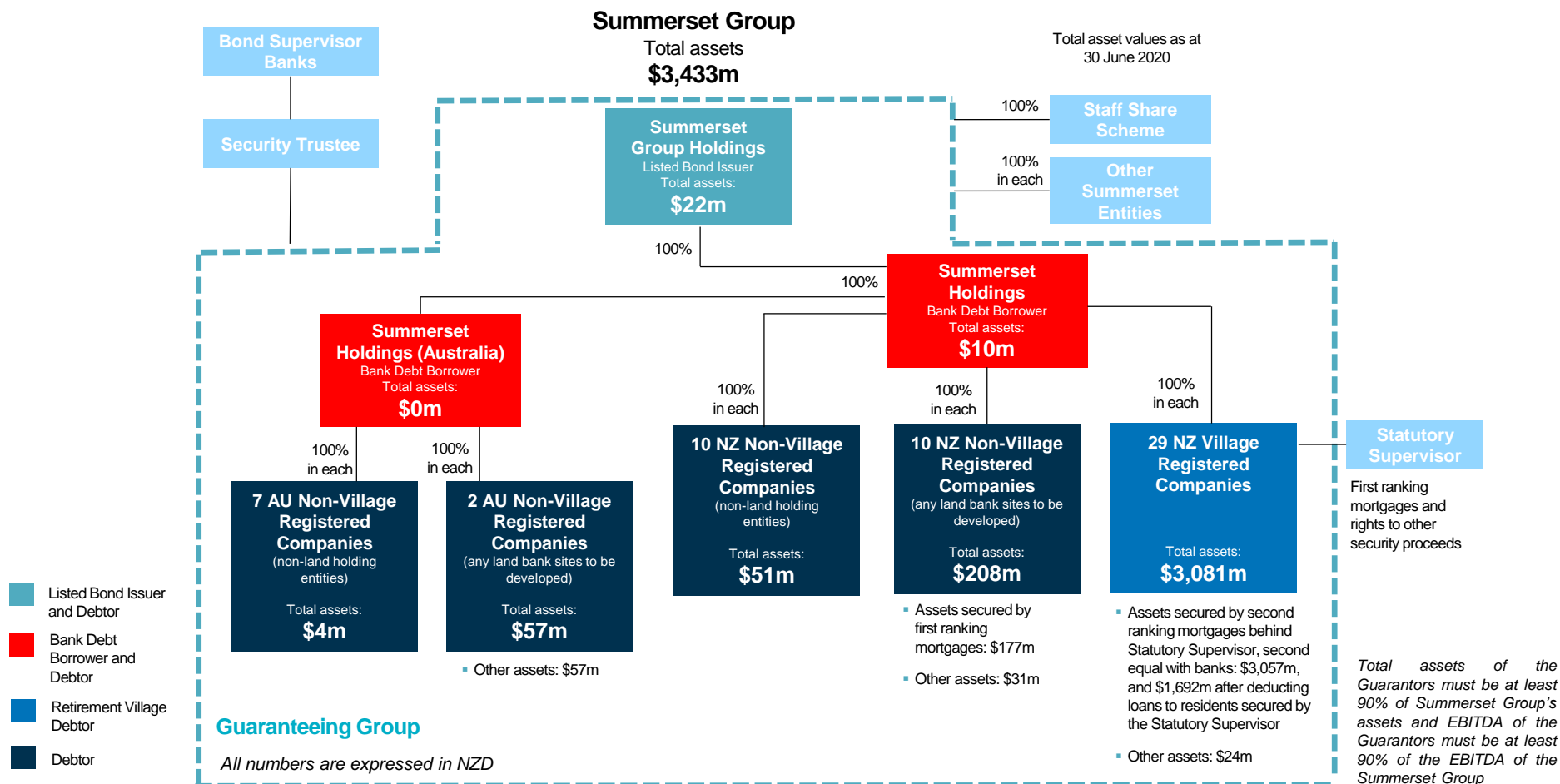
\*\* Includes interest rate swaps and accrued interest

# The Issuer and Guaranteeing Group



Listed entity Summerset Group Holdings Limited is the Issuer

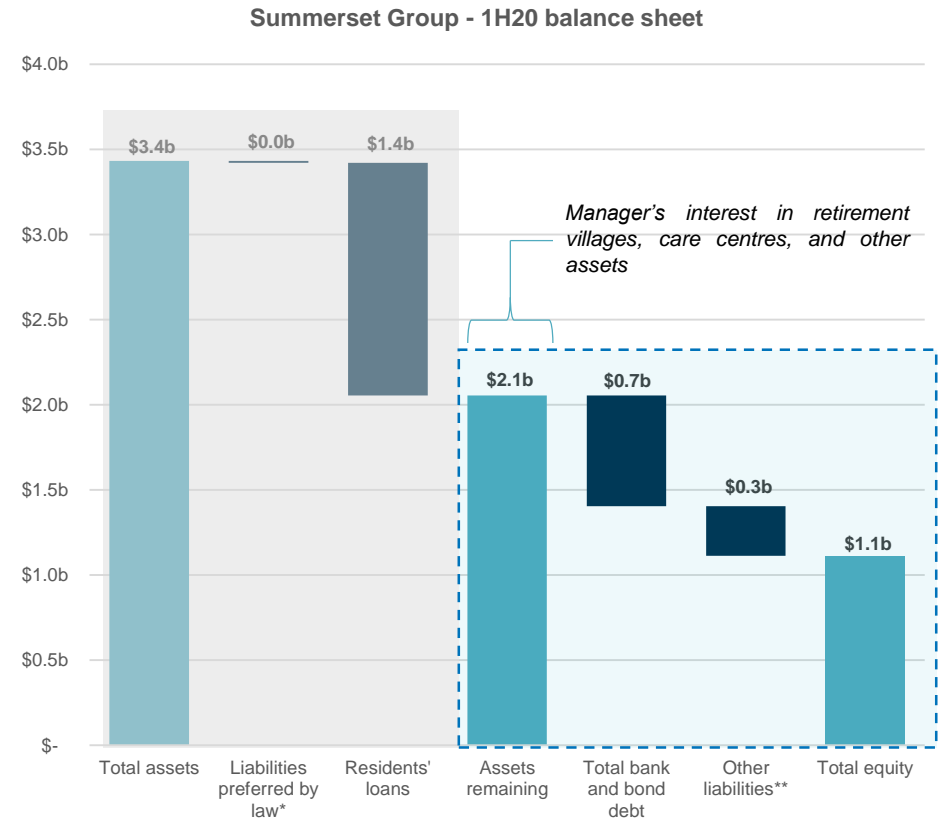
Summerset Group Syndicated Lending Structure Simplified – as at 7 September 2020



# Security

## Assets of \$2.1b available as security as at 30 June 2020 excluding residents' loans

- Total assets as at 30 June 2020 of \$3.4b
- Assets of \$2.1b, net of residents' loans, supporting net debt of \$621.9m as at 30 June 2020
- Investment property value of \$3.2b across Auckland (37%), regional North Island (28%), the Wellington region (13%), the South Island (20%), and Australia (2%)\*\*\*
- ANZ is Security Trustee for both the bonds and the bank debt
- The New Zealand Guardian Trust Company Limited is the Bond Supervisor



\* Liabilities preferred by law include employee entitlements, Inland Revenue, and rights of creditors preferred by law

\*\* Other liabilities include items such as trade and other payables, revenue received in advance, and deferred tax liabilities

\*\*\* Percentages rounded and based on investment property value excluding the value of non-land capital work in progress

## Bondholders on an equal ranking security basis with bank lenders

- The bonds share the security provided by the Guaranteeing Group on an equal ranking basis with Summerset's bank lenders as per the Security Trust Deed
- The Statutory Supervisor's mortgage is for the protection of residents' rights and does not give the Statutory Supervisor discretion to demand repayment of residents' loans
- The security ranking of the bonds and bank lenders is outlined in the table below

Entity type	Assets	New Zealand security*	Australia security*
Village Registered Companies	Land and permanent buildings	Second ranking mortgage (behind a first mortgage in favour of the Statutory Supervisor)	Second ranking mortgage (behind a Statutory Charge protecting amounts owing to village residents)**
	Other assets	General security deed*** (Statutory Supervisor has first rights to proceeds of enforcement)	First ranking rights to proceeds of enforcement***
Non-Village Registered Companies	All assets (including any land and permanent buildings, and other assets)	First ranking mortgage and general security deed***	First ranking mortgage and general security deed***

\* Subject to the rights of creditors preferred by law, as detailed on slide 19

\*\* Note that Summerset does not yet have any Village Registered Companies in Australia

\*\*\* The interests of certain other creditors (described as 'other liabilities' on slide 19) may also rank ahead of the bonds and Summerset's bank lenders



# Security

## Bondholders on an equal ranking security basis with bank lenders

- In the event of financial difficulties, Summerset can:
  - Reduce debt by slowing development
  - Rely on core earnings. The business currently carries no core debt\*
  - Sell undeveloped land
  - Sell villages as a going concern – debt holders have first ranking security over the shares of all Village Registered Companies (sale must be to a party with requisite management skills pursuant to Statutory Supervisor approval requirements)



\* Development assets exceeded the value of net debt by \$109.6m as at 30 June 2020 (see slide 17)

# Resident protections



## Resident rights protected by a Statutory Supervisor in New Zealand and by a Statutory Charge in Victoria, Australia

- Residents in both New Zealand and Australia purchase Occupation Rights in Summerset's villages by providing a non-demand repayable, interest free loan
- The contractual arrangements are documented under an Occupation Right Agreement in New Zealand and a Residence Contract in Victoria
- Residents' loans have no set term and are non-interest bearing. In New Zealand, they are repayable on resale of the Occupation Right Agreement (using proceeds received from the new resident). In Victoria, they are repayable within six months of the resident vacating the unit or on resale of the Residence Contract (whichever is earlier)

### New Zealand protections

- The rights of New Zealand retirement village residents under an Occupation Right Agreement are protected by the security held by the Statutory Supervisor
- This ensures that if a Registered Retirement Village in New Zealand has financial problems, the residents' rights to continue to occupy their retirement units are protected, and the residents' rights to receive their repayment sums are protected

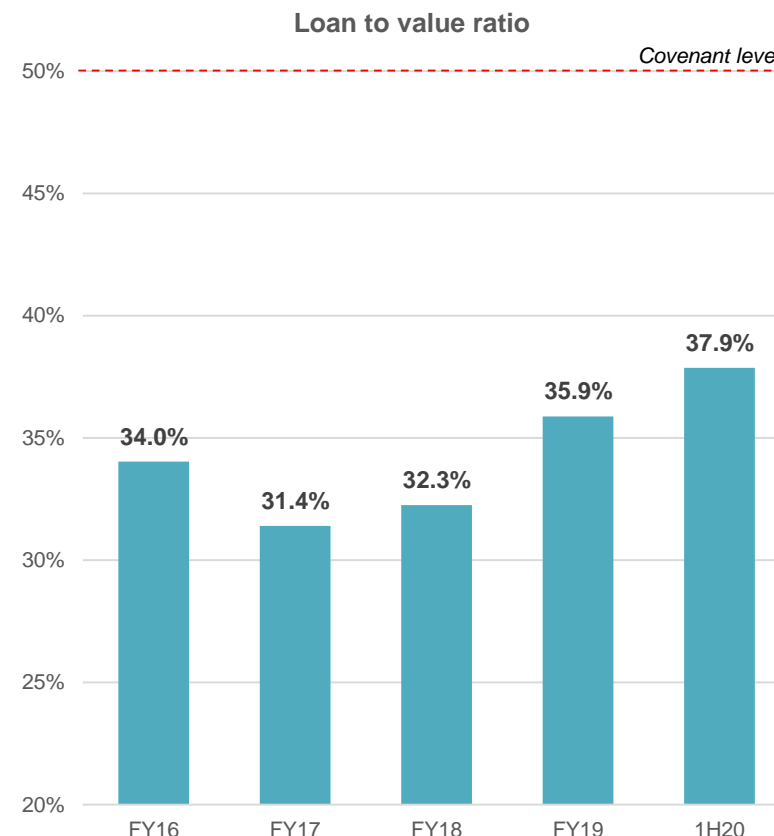
### Victorian protections

- There is no requirement to appoint a Statutory Supervisor or equivalent for retirement villages in Victoria
- The rights of Victorian retirement village residents under a Residence Contract are protected by a Statutory Charge under s29 of *the Retirement Villages Act 1986 (Vic)*. If Summerset fails to pay amounts owing to residents after they have obtained judgment against Summerset, the Statutory Charge can be enforced by residents on application to the Supreme Court

# Loan to value ratio covenant

## Significant headroom on loan to value ratio (LVR) covenant

- Key terms of bond LVR covenant:
  - LVR must not exceed 50%
  - Reported breach of LVR on a test date is an Event of Review
  - If an Event of Review occurs, Summerset will have 90 days to put a remediation plan in place, then a further 180 days to remedy the breach. If not remedied, this will result in an Event of Default
  - During any Event of Review or Event of Default, Guarantors are not permitted to make any distributions to non-Guarantors
- Bond LVR covenant is calculated in the same way and has the same limit as the bank LVR covenant. Banks have a more detailed covenant package including a minimum interest cover ratio
- Bondholders benefit from cross acceleration provisions
- All ratios are well within bank and bond covenant requirements





A photograph of three people in a hallway. On the left, a young woman with dark hair, wearing a purple top with a colorful floral pattern, is smiling and looking upwards. In the center, an older man with white hair, wearing a white button-down shirt over a grey t-shirt, is smiling and looking towards the right. On the right, a woman with dark hair, wearing a purple top with a colorful floral pattern and a name tag that says "MARA", is smiling and looking towards the center. The background shows a hallway with a grey wall and a ceiling with recessed lights.

# Financial performance

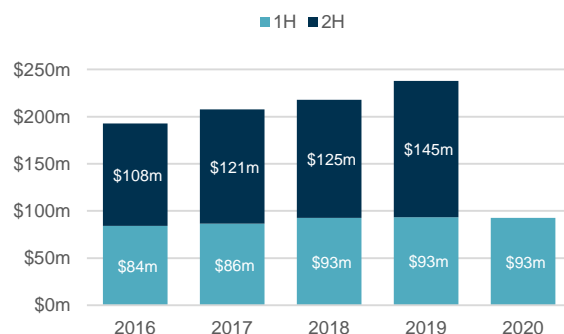


# Financial performance overview

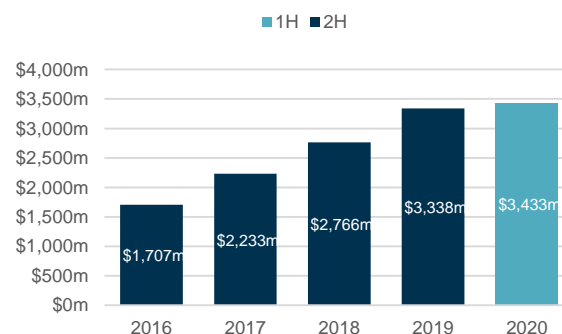


## Consistent asset growth over time

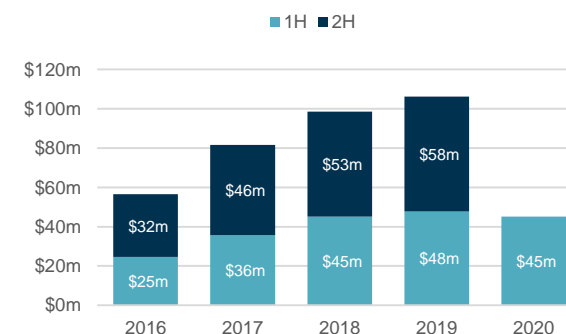
Net operating cash flow



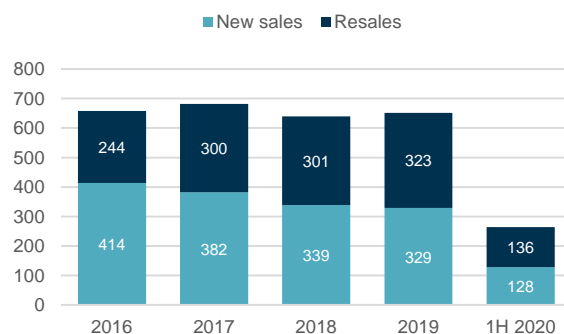
Total assets



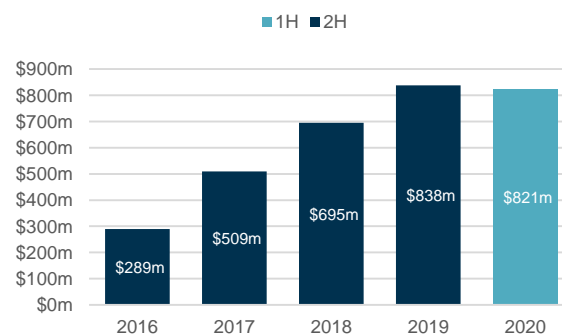
Underlying profit\*



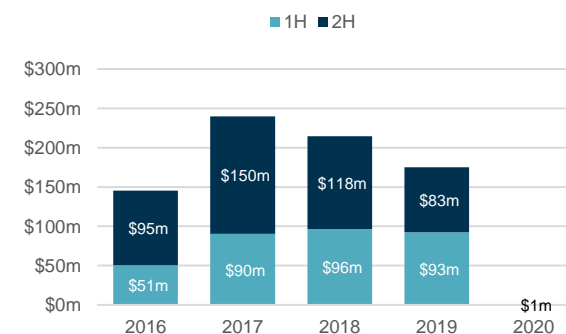
Sales of Occupation Rights



Retained earnings



IFRS profit



\* Underlying profit differs from NZ IFRS reported profit after tax. Refer to disclaimer on slide 2

# Income statement



## 1H20 net profit after tax of \$1.0m

- 1H20 IFRS NPAT of \$1.0m a result of fair value movement in investment property of -\$14.7m
- Fair value movement impacted by material adjustments in short term house price inflation growth rates and discount rates applied by our independent valuers, CBRE
- Summerset achieved a fair value gain in 1H20 of \$37.3m from retirement unit pricing and the delivery of 139 new units. The assumption changes by CBRE had a negative impact on fair value of -\$51.9m
- Underlying profit\*\* of \$45.1m in 1H20 – highlights the strength of Summerset's core business
- Total sales volume for the half was down only 5% on 1H19 despite COVID-19 restrictions being in place for around 35% of 1H20

\* Amounts rounded to nearest \$100k

\*\* The Directors have provided an underlying profit measure to assist readers in determining the realised and non-realised components of fair value movement of investment property and tax expense. EY reviews half year results and audits full year results. Refer to slide 2 for further information on underlying profit

IFRS profit (NZ\$m)	1H20*	FY19*	FY18*
Total revenue	82.0	153.9	137.0
Fair value movement of investment property	(14.7)	165.3	209.9
<b>Total income</b>	<b>67.4</b>	<b>319.2</b>	<b>346.9</b>
<b>Operating expenses</b>	<b>(57.8)</b>	<b>(122.4)</b>	<b>(112.4)</b>
Depreciation & amortisation	(3.9)	(7.8)	(6.7)
Net finance costs	(8.3)	(15.4)	(11.6)
<b>Net profit/(loss) before tax</b>	<b>(2.7)</b>	<b>173.6</b>	<b>216.2</b>
Income tax credit/(expense)	3.7	1.7	(1.7)
<b>Net profit after tax</b>	<b>1.0</b>	<b>175.3</b>	<b>214.5</b>
Reconciliation of underlying profit (NZ\$m)	1H20*	FY19*	FY18*
Net profit after tax	1.0	175.3	214.5
Add/(less) fair value movement of investment property	14.7	(165.3)	(209.9)
Add realised gain on resales	15.7	36.9	28.7
Add realised development margin	17.4	61.0	63.7
Add income tax (credit)/expense	(3.7)	(1.7)	1.7
<b>Underlying profit</b>	<b>45.1</b>	<b>106.2</b>	<b>98.6</b>

# Cash flows



## Net operating cash flow in line with 1H19

- Significant net operating cash flows of \$92.8m for 1H20 and \$237.9m for FY19
- Net operating business cash flow of \$16.5m, up \$12.3m or 297% on 1H19 highlighting strong growth in our core business functions
- Net operating cash flows are up 17% on a cumulative average growth rate over the last nine years\*\*
- Investing cash flows of \$123.5m at 1H20 relative to debt of \$634.9m\*\*\*
- Dividend policy is to pay 30% to 50% of underlying profit. This has typically been paid at the lower end of the range

Cash flows (NZ\$m)	1H20*	FY19*	FY18*
Net operating business cash flow****	16.5	28.5	30.5
Receipts for residents' loans - new sales	76.3	209.4	187.3
<b>Net operating cash flow</b>	<b>92.8</b>	<b>237.9</b>	<b>217.8</b>
Purchase of land	(10.9)	(57.3)	(54.7)
Construction of new IP & care facilities	(100.9)	(248.2)	(213.7)
Refurb of existing IP & care facilities	(3.9)	(7.3)	(6.4)
Other investing cash flow	(2.7)	(3.7)	(6.2)
Capitalised interest paid	(5.1)	(10.8)	(9.3)
<b>Net investing cash flow</b>	<b>(123.5)</b>	<b>(327.4)</b>	<b>(290.4)</b>
Net proceeds from borrowings	41.6	135.6	103.7
Dividends paid	(11.1)	(19.5)	(19.7)
Other financing cash flow	(8.3)	(12.6)	(11.5)
<b>Net financing cash flow</b>	<b>22.2</b>	<b>103.5</b>	<b>72.5</b>

\* Amounts rounded to nearest \$100k

\*\* Compound annual growth rate. Annualised 1H20 result compared to FY11

\*\*\* Face value of drawn bank debt and retail bonds. Excludes capitalised and amortised bond issue costs, and fair value adjustment on hedged borrowings

\*\*\*\* Net operating business cash flow is equal to net operating cash flow less receipts for residents' loans – new sales

# Balance sheet



## Total assets of \$3.4b with \$2.1b assets available as security excluding residents' loans

- Total assets of \$3.4b, principally from 31 villages Summerset has completed or has under development
- Net assets of \$1.1b and retained earnings of \$821.4m as at 30 June 2020
- Net debt of \$621.9m as at 30 June 2020
- Total bank facility of approximately \$750.0m with staged maturities over the next four years - \$315.0m matures in March 2022, approximately \$125.0m in November 2023, and \$310.0m in November 2024
- Total retail bonds of \$225.0m with \$100.0m (SUM010) maturing in July 2023 and \$125.0m (SUM020) maturing in September 2025
- Residents' loans reflect net payments by residents to occupy the residences they live in while living in a Summerset village. Once residents terminate their occupancy the receipts from a new resident are used to repay the outgoing resident
- Investment property is revalued on a semi-annual basis, and care assets every three years (unless there is an indication of a significant change in fair value)

Balance sheet (NZ\$m)	1H20*	FY19*	FY18*
Investment property	3,206	3,107	2,585
Other assets	227.1	230.9	181.3
<b>Total assets</b>	<b>3,433</b>	<b>3,338</b>	<b>2,766</b>
Residents' loans	1,365	1,328	1,137
Loans & bonds at face value**	634.9	587.1	451.5
Other liabilities	319.3	291.3	199.3
<b>Total liabilities</b>	<b>2,319</b>	<b>2,206</b>	<b>1,788</b>
<b>Net assets***</b>	<b>1,113</b>	<b>1,132</b>	<b>978.8</b>
<b>Embedded value****</b>	<b>765.7</b>	<b>752.7</b>	<b>609.1</b>
<b>NTA (cents per share)</b>	<b>491.3</b>	<b>502.0</b>	<b>438.4</b>

\* Amounts rounded to nearest \$100k

\*\* Face value of drawn bank debt and retail bonds. Excludes capitalised and amortised bond issue costs, and fair value adjustment on hedged borrowings

\*\*\* Net assets includes share capital, reserves, and retained earnings

\*\*\*\* Embedded value is the quantum of contractually accrued deferred management fees and other unrealised gains that would be received in cash if all Summerset's Occupation Rights were terminated, resold and settled

A young woman with dark skin and braided hair, wearing a purple top with a floral pattern, leans over a table, smiling at an elderly woman. The elderly woman, with short blonde hair and wearing a red top and a patterned scarf, is seated at the table and smiling back. On the table, there is a white teapot, a white cup and saucer, a plate with a slice of cake, and several dominoes. The background shows a large window with a view of a city building. A semi-transparent grey box with the text "Offer terms and timetable" is overlaid on the left side of the image.

Offer terms and  
timetable



# Key terms of the offer



Summary	Detail
<b>Issuer</b>	Summerset Group Holdings Limited
<b>Instrument</b>	Guaranteed, secured, unsubordinated, fixed rate bonds
<b>Security</b>	<p>Bondholders share the benefit of the same security package as bank lenders. In New Zealand, the Statutory Supervisor has first rights to the proceeds of security enforcement against all assets of the Village Registered Companies in New Zealand, and the bank lenders and bondholders share the remaining proceeds to which the Security Trustee is entitled on a pro rata basis</p> <p>In Australia, a Statutory Charge against the land and permanent buildings of any Village Registered Companies in Victoria secures the rights of village residents and ranks ahead of the Security Trustee's mortgage. The Security Trustee holds first ranking security over all other assets of any Village Registered Companies in Victoria</p> <p>Bank lenders and bondholders have first rights to the proceeds of security enforcement against all assets of Guarantors that are Non-Village Registered Companies, in both Australia and New Zealand. The proceeds of enforcement available to the Security Trustee may be reduced by the claims of certain creditors (described as 'other liabilities' on slide 19)</p>
<b>Guarantee</b>	Guaranteed by the Guaranteeing Group, consistent with bank lenders and existing bonds. Total assets of the Guarantors must be at least 90% of Summerset Group's assets and EBITDA of the Guarantors must be at least 90% of the EBITDA of the Summerset Group
<b>Tenor and Maturity Date</b>	7 years, maturing 21 September 2027
<b>Offer Amount</b>	Up to \$100,000,000, with the ability to accept oversubscriptions of up to \$50,000,000 at the discretion of the Issuer
<b>Credit Rating</b>	Unrated
<b>Interest Rate</b>	Sum of the Issue Margin and the Base Rate, but in any case will be no less than the minimum Interest Rate. The Interest Rate will be announced by the Issuer via NZX on or shortly after the Rate Set Date
<b>Interest Payment</b>	Quarterly in arrear in four equal payments
<b>Early Redemption</b>	Neither Holders nor the Issuer are able to redeem the Bonds before the Maturity Date. However, the Issuer may be required to repay the Bonds early if there is an Event of Default
<b>Financial Covenant</b>	<p>The Issuer to ensure the LVR* covenant: Total Debt / Property Value <math>\leq</math> 50%</p> <p>A reported breach of the LVR covenant on a test date is an Event of Review, which if not remedied will result in an Event of Default</p>
<b>Dividend Stopper</b>	Guarantors are not permitted to make a distribution to non-Guarantors if an Event of Review or Event of Default is continuing
<b>Brokerage</b>	0.50% of the amount issued plus 0.25% on firm allocations, paid by the Issuer
<b>Issue Price &amp; Minimum Denominations</b>	Issue price of par \$1.00. The minimum denomination is \$5,000 and in multiples of \$1,000 thereafter
<b>Listing</b>	Application has been made to NZX to quote the Bonds on the NZX Debt Market under the ticker code SUM030

\* LVR = Loan to Value Ratio

# Key dates of the offer



Offer open 7 September to 11 September 2020

Retail bond offer	Date
Opening Date	7 September 2020
Firm Bids Due	Friday, 11 September 2020, 12pm
Closing Date and Rate Set Date	11 September 2020
Issue Date and Allotment Date	21 September 2020
Expected Date of Initial Quotation on the NZX Debt Market	22 September 2020
Interest Payment Dates	21 March, 21 June, 21 September, 21 December
First Interest Payment Date	21 December 2020
Maturity Date	21 September 2027

# Investment highlights



1. **Compelling fundamentals** in the retirement village and aged care sector, driven by an ageing population and increasing market penetration
2. **Well positioned for growth** with largest New Zealand land bank for a retirement village operator, two greenfield sites in Australia, and a successful track record of delivering new retirement units and care beds
3. **Strong cash flow, financial performance, and earnings growth** potential from a maturing village profile, growing aged care contribution, development pipeline and development efficiencies
4. **Strong balance sheet** with quality assets and a prudent capital structure
5. **Funding is primarily used as working capital** to fund developments through their lifecycle, with debt recycled out of villages into new developments as they are built and sold down
6. **Strong corporate governance and experienced management team**, with a commitment to following best-practice governance structures and principles

# Questions?







# Appendices



# Board of directors



## **Rob Campbell (CNZM) – Chair, Independent**

Rob is the Chair of the Board. He has over 40 years' experience as a director and an investor. He is currently the Chair of SKYCITY Entertainment Group, WEL Group, Tourism Holdings and a director of Precinct Properties NZ. Rob has been Chair of Summerset since 2011, when he was appointed to Summerset to lead its listing on the NZX. In 2019, Rob was awarded the Companion of the New Zealand Order of Merit (CNZM).



## **Venasio-Lorenzo Crawley – Independent**

Venasio-Lorenzo was appointed a director of Summerset in 2020. He is currently the Chief Customer Officer at Contact Energy covering a diverse range of areas including strategy, pricing, finance, digital, call centres and health and safety. He is also an Advisory Board Member at Auckland University of Technology and was a Future Director for The Warehouse Group during 2017-2018. He holds an MBA and BA from Steinbeis University in Germany and has studied at the Darden School of Business via Virginia State University.



## **Anne Urlwin – Independent**

Anne is the Chair of Summerset's Development and Construction Committee. She is a professional director with experience in a diverse range of sectors including construction, health, telecommunications, infrastructure, regulation and financial services. She is the Deputy Chair of Southern Response Earthquake Services, and a director of Precinct Properties New Zealand, Tilt Renewables and Steel & Tube Holdings. Other directorships include City Rail Link and Cigna Life Insurance New Zealand. Anne is a Chartered Accountant with experience in senior finance management roles in addition to her governance roles. Anne has been a director of Summerset since 2014.



## **Dr Andrew Wong – Independent**

Andrew is the Managing Director of Mercy Ascot Hospitals and HealthCare Holdings, having held these positions since 2009. He holds a medical degree and has previously practised as a Public Health Medicine specialist. Andrew is also a director of a number of medical organisations. These cover a diverse range of areas such as surgical hospitals, day surgeries, diagnostic radiology and cancer care. Andrew has been a director of Summerset since 2017.



## **Dr Marie Bismark – Independent**

Marie is the Chair of Summerset's Clinical Governance Committee. She holds degrees in law, medicine, bioethics and public health, and has completed a Harkness Fellowship in Healthcare Policy at Harvard University. Marie works as a psychiatry registrar with Melbourne Health, and as an Associate Professor at Melbourne University. Marie is an experienced company director, serving on the board of GMHBA Health Insurance and on the Veterans' Health Advisory Panel. Marie has been a director of Summerset since 2013.



## **James Ogden – Independent**

James is the Chair of Summerset's Audit Committee. He is a director of Vista Group International and Foundation Life (NZ). James is the Chair of the Investment Committee of Pencarrow Private Equity. James has had a career as an investment banker, including six years as Country Manager for Macquarie Bank and five years as a director of Credit Suisse First Boston. He also worked in the New Zealand dairy industry for eight years in chief executive and finance roles. He holds a Bachelor of Commerce and Administration with First Class Honours, and is a Chartered Fellow of the Institute of Directors and a Fellow of CAANZ. James has been a director of Summerset since 2011.



## **Gráinne Troute – Independent**

Gráinne is the Chair of Summerset's People and Culture Committee. She is a Chartered Member of the Institute of Directors and is also Chair of Tourism Industry Aotearoa and a director of Tourism Holdings and Investore Property. Gráinne is a professional director with many years' experience in senior executive roles. She was General Manager, Corporate Services at SKYCITY Entertainment Group and Managing Director of McDonald's Restaurants (NZ). She also held senior management roles with Coopers and Lybrand (now PwC) and HR Consultancy Right Management. She has also spent many years as a trustee and Chair in the not-for-profit sector, including having been the Chair of Ronald McDonald House Charities New Zealand for five years. Gráinne has been a director of Summerset since 2016.

# Highly experienced management



**Julian Cook – Chief Executive Officer**

Julian has overall responsibility for Summerset and is focused on developing and operating vibrant villages, and ensuring that respect for our customers is always at the core of everything we do. Prior to becoming CEO in 2014, Julian was Summerset's Chief Financial Officer after joining Summerset in 2010. He oversaw Summerset's transition to become a publicly listed company on the New Zealand Stock Exchange and the Australian Securities Exchange. Julian is a member of the Executive Committee for the New Zealand Retirement Villages Association.



**Scott Scoullar – Deputy Chief Executive Officer and Chief Financial Officer**

Scott has overall responsibility for the financial management of the company and corporate services functions. Before joining Summerset in 2014, Scott held CFO roles at Housing New Zealand and Inland Revenue. Scott was named CFO of the Year at the New Zealand CFO Summit Awards in 2019 and was NZICA's Public Sector CFO of the Year in 2011. Scott is also a Fellow of CPA Australia and a member of CAANZ.



**Dave Clegg – General Manager Human Resources**

Dave is responsible for leading Summerset's Human Resources and Health and Safety teams to build and grow Summerset's people capability, wellbeing and engagement. Before joining Summerset in 2018, Dave was the General Manager of People and Culture at Steel & Tube. Dave has over 25 years' experience in human resources leadership roles in New Zealand and overseas. Dave holds an MBA from Southern Cross University in Australia.



**Fay French – General Manager Sales**

Fay leads our national sales team and can be found at Summerset's Wellington office or at one of our many New Zealand villages. Fay has a breadth of experience across sales, hospitality and the health sector. Prior to joining Summerset in 2015, she held a sales leadership role at a New Zealand e-commerce platform, where she was responsible for leading a team of business development managers. Trained as a registered nurse, Fay has worked in various nursing roles and medical sales for Roche Pharmaceuticals.



**Paul Morris – General Manager Development Australia**

Paul leads Summerset's investigation of development opportunities in the Australian market. Paul has been with Summerset since early 2000. He commenced in the GM Development Australia role in 2018, having previously been GM Development New Zealand since 2003.



**Aaron Smail – General Manager Development**

Aaron leads Summerset's development team in New Zealand, which covers identifying and purchasing new sites, project feasibilities, consents, design concepts, master planning and design standards for villages. Previous roles in his 25 plus years of property and development experience include senior positions at Todd Property Group and Kiwi Property. Aaron has been with Summerset since 2015.



**Dean Tallentire – General Manager Construction**

Dean leads our construction group covering design management, building consents, procurement, cost management, construction management, and administration support teams. Dean joined Summerset in January 2015 following extensive construction and development experience with Fletcher Building and overseas companies. He has led teams in the public and private sectors within both developer and main contractor environments, and is currently a general director on the Site Safe Board.



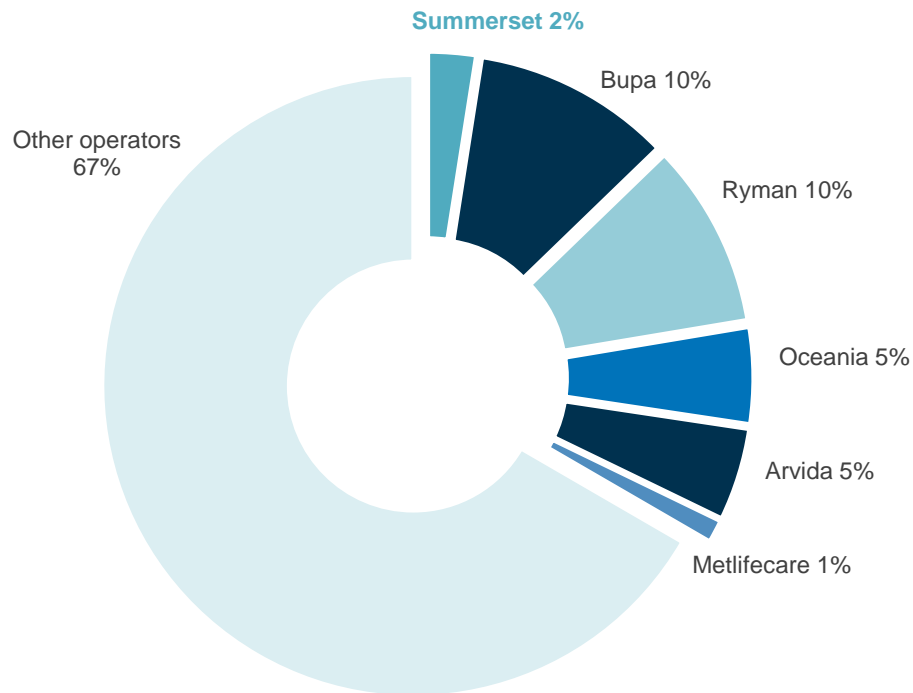
**Eleanor Young – General Manager Operations and Customer Experience**

Eleanor oversees the operational performance across all Summerset villages. Her focus on service experience and delivery ensures Summerset's residents receive the highest quality facilities and care. Before joining Summerset in 2016, Eleanor held senior roles at Inland Revenue. This included four years as the Group Manager of Customer Services. Eleanor has a background in human resources within both the public and private sectors, having worked in managerial roles for the Ministry of Social Development, Mighty River Power and Air New Zealand.

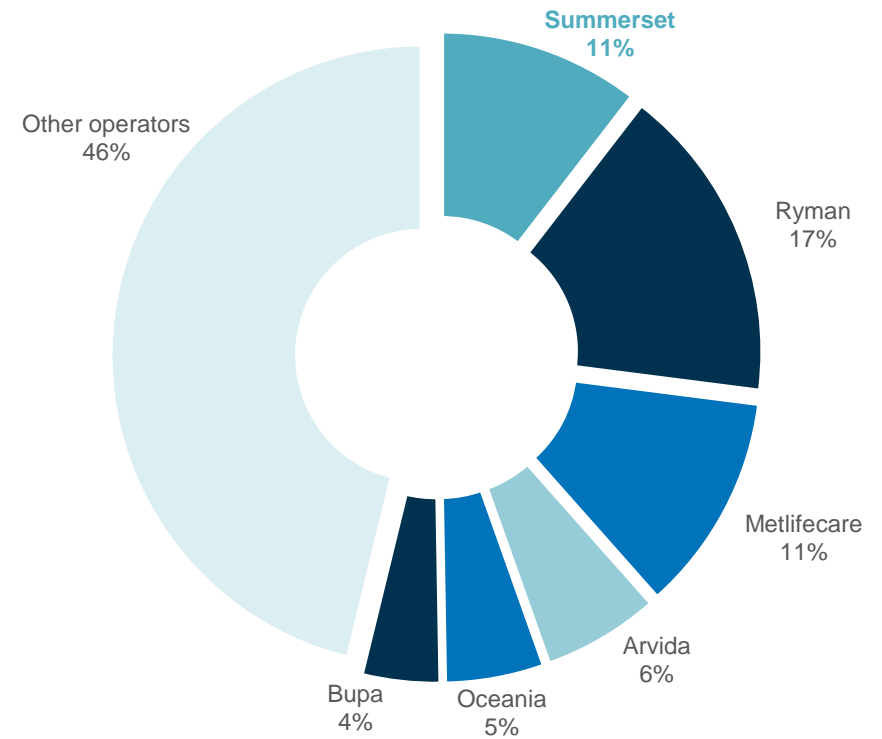
# Demographics

## Aged care and retirement village market share

Market share - care beds



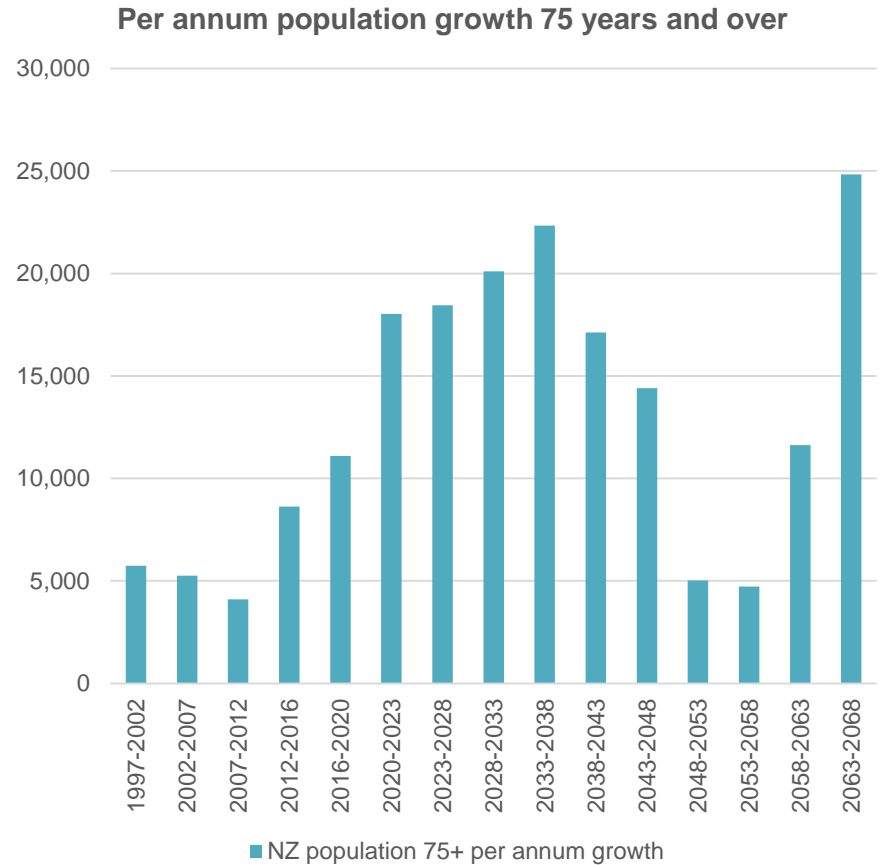
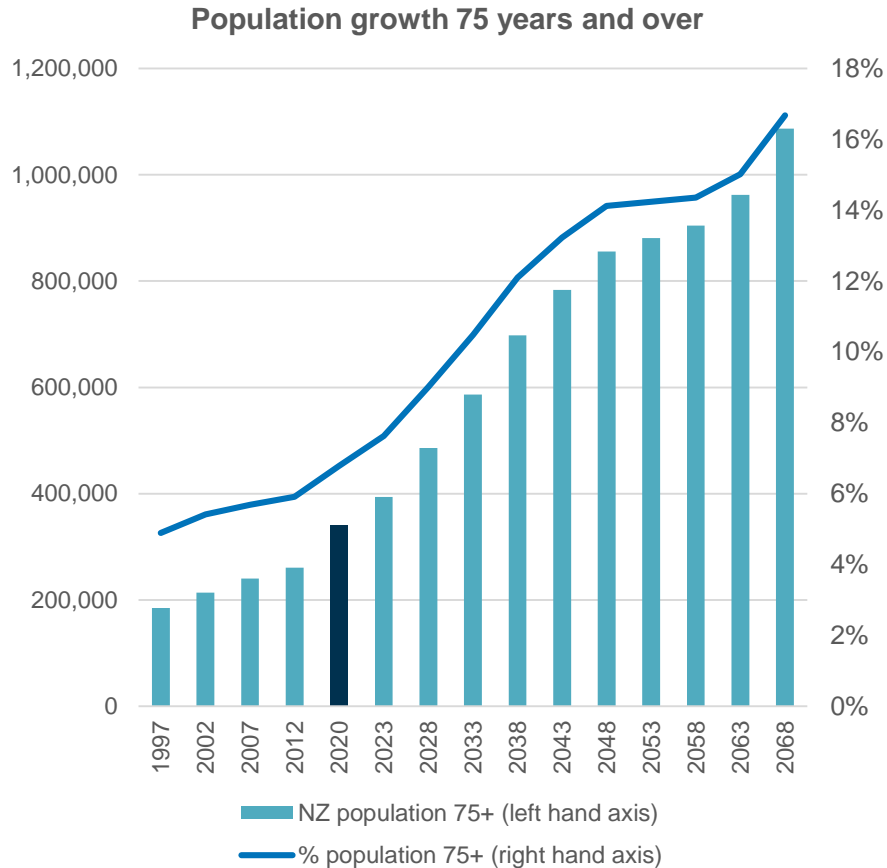
Market share - retirement units



Source: CBRE as at August 2020, %'s rounded

# Demographics - population

Population over 75 years forecast to grow 220% from 2020 to 2068



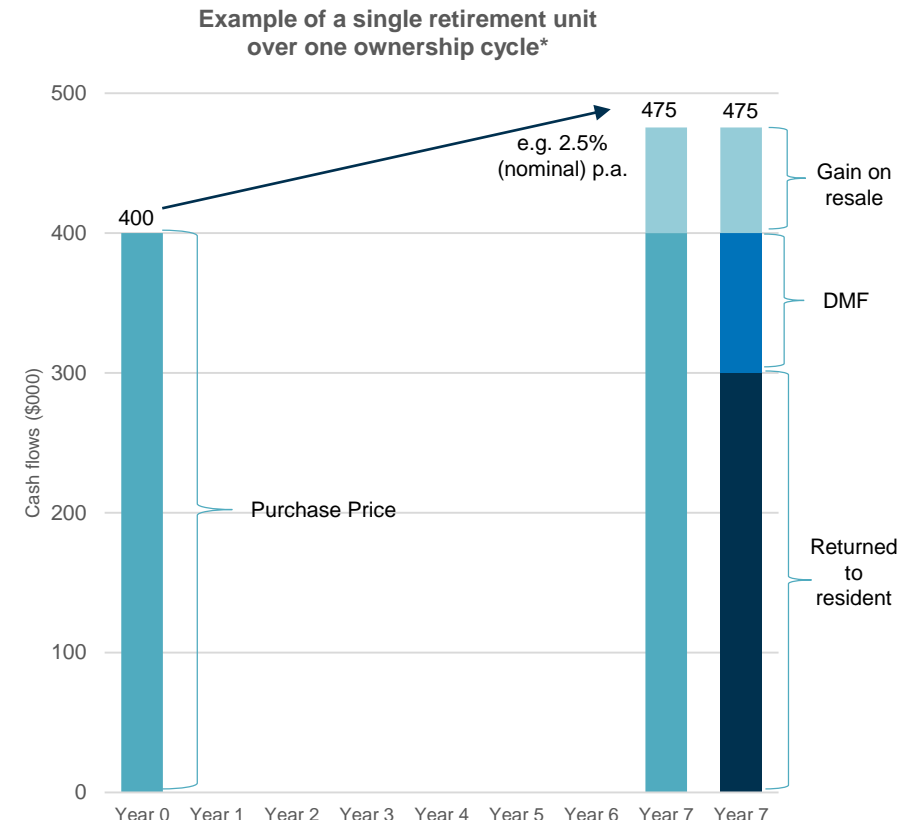
Source: Statistics New Zealand – National Population Projections



# Contractual arrangements

## How Occupation Right Agreements and Residence Contracts work

- Residents moving into a retirement village in New Zealand enter into an Occupation Right Agreement and in Victoria enter into a Residence Contract
- Both an Occupation Right Agreement and a Residence Contract grant the resident the right to occupy a retirement unit in exchange for a lump sum payment (**Purchase Price**) to the operator (residents' loans on the balance sheet). Legal ownership of the retirement unit remains with the retirement village operator
- A deferred management fee (**DMF**) is accrued over a resident's tenure and realised on the resale of the Occupation Right. For Summerset, this is typically a maximum of 25% of the Purchase Price
- When a resident vacates their unit, they are entitled to be repaid the Purchase Price less the DMF. This payment is required to be paid to the resident:
  - In New Zealand, when Summerset resells the Occupation Right for that unit
  - In Victoria, within six months of the resident vacating the unit or when Summerset resells the Occupation Right for that unit (whichever is earlier)



\* This is an illustrative example of a \$400k Occupation Right with a 25% deferred management fee charge and a duration of 7 years. The example assumes 2.5% nominal growth per annum in the market price of the Occupation Right and is shown for illustrative purposes only

# Portfolio as at 30 June 2020



Existing portfolio - as at 30 June 2020					
Village	Villas	Apartments	Serviced & memory care apartments	Total retirement units	Total care beds
Ellerslie	34	144	57	235	58
Hobsonville	125	73	52	250	52
Karaka	182	-	59	241	50
Manukau	89	67	27	183	54
Warkworth	202	2	44	248	41
<b>Auckland</b>	<b>632</b>	<b>286</b>	<b>239</b>	<b>1,157</b>	<b>255</b>
Hamilton	183	-	50	233	49
Rototuna	128	-	-	128	-
Taupo	94	34	18	146	-
<b>Waikato</b>	<b>405</b>	<b>34</b>	<b>68</b>	<b>507</b>	<b>49</b>
Katikati	156	-	20	176	49
<b>Bay of Plenty</b>	<b>156</b>	<b>-</b>	<b>20</b>	<b>176</b>	<b>49</b>
Hastings	146	5	-	151	-
Havelock North	94	28	-	122	45
Napier	94	26	20	140	48
<b>Hawke's Bay</b>	<b>334</b>	<b>59</b>	<b>20</b>	<b>413</b>	<b>93</b>
New Plymouth	108	-	40	148	52
<b>Taranaki</b>	<b>108</b>	<b>-</b>	<b>40</b>	<b>148</b>	<b>52</b>
Levin	64	22	10	96	41
Palmerston North	90	12	-	102	44
Wanganui	70	18	12	100	37
<b>Manawatu-Wanganui</b>	<b>224</b>	<b>52</b>	<b>22</b>	<b>298</b>	<b>122</b>

# Portfolio as at 30 June 2020 (cont'd)



Village	Existing portfolio - as at 30 June 2020			Total retirement units	Total care beds
	Villas	Apartments	Serviced & memory care apartments		
Aotea	96	33	38	167	-
Kenepuru	29	-	-	29	-
Paraparaumu	92	22	-	114	44
Trentham	231	12	40	283	44
<b>Wellington</b>	<b>448</b>	<b>67</b>	<b>78</b>	<b>593</b>	<b>88</b>
Nelson	214	-	55	269	59
Richmond	51	-	-	51	-
<b>Nelson-Tasman</b>	<b>265</b>	<b>-</b>	<b>55</b>	<b>320</b>	<b>59</b>
Avonhead	73	-	-	73	-
Casebrook	151	-	76	227	43
Wigram	159	-	53	212	49
<b>Christchurch</b>	<b>383</b>	<b>-</b>	<b>129</b>	<b>512</b>	<b>92</b>
Dunedin	61	20	20	101	42
<b>Otago</b>	<b>61</b>	<b>20</b>	<b>20</b>	<b>101</b>	<b>42</b>
<b>Total</b>	<b>3,016</b>	<b>518</b>	<b>691</b>	<b>4,225</b>	<b>901</b>

# Future development\*

Land bank – as at 30 June 2020					
Village	Villas	Apartments	Serviced & memory care apartments	Total retirement units	Total care beds
Whangarei	214	-	76	290	43
<b>Northland</b>	<b>214</b>	<b>-</b>	<b>76</b>	<b>290</b>	<b>43</b>
Ellerslie	4	75	-	79	-
Hobsonville	38	-	-	38	-
Milldale	105	117	76	298	43
Parnell	-	216	100	316	-
St Johns	-	225	73	298	30
<b>Auckland</b>	<b>147</b>	<b>633</b>	<b>249</b>	<b>1,029</b>	<b>73</b>
Papamoa	211	-	76	287	43
<b>Bay of Plenty</b>	<b>211</b>	<b>-</b>	<b>76</b>	<b>287</b>	<b>43</b>
Cambridge	207	-	76	283	43
Rototuna	60	-	76	136	43
<b>Waikato</b>	<b>267</b>	<b>-</b>	<b>152</b>	<b>419</b>	<b>86</b>
Bell Block	222	-	76	298	43
<b>Taranaki</b>	<b>222</b>	<b>-</b>	<b>76</b>	<b>298</b>	<b>43</b>
Te Awa	241	-	76	317	43
<b>Hawke's Bay</b>	<b>241</b>	<b>-</b>	<b>76</b>	<b>317</b>	<b>43</b>
Kenepuru	85	48	106	239	43
Lower Hutt	46	109	66	221	30
Waikanae	213	-	76	289	43
<b>Wellington</b>	<b>344</b>	<b>157</b>	<b>248</b>	<b>749</b>	<b>116</b>

\* Land bank reflects current intentions as at June 2020



# Future development\* (cont'd)



Land bank – as at 30 June 2020					
Village	Villas	Apartments	Serviced & memory care apartments	Total retirement units	Total care beds
Richmond	183	-	76	259	43
<b>Nelson-Tasman</b>	<b>183</b>	<b>-</b>	<b>76</b>	<b>259</b>	<b>43</b>
Blenheim	136	-	80	216	20
<b>Marlborough</b>	<b>136</b>	<b>-</b>	<b>80</b>	<b>216</b>	<b>20</b>
Avonhead	92	-	99	191	43
Casebrook	119	-	-	119	-
Rangiora	261	-	76	337	43
Prebbleton	214	-	76	290	43
<b>Canterbury</b>	<b>686</b>	<b>-</b>	<b>251</b>	<b>937</b>	<b>129</b>
<b>Total NZ</b>	<b>2,651</b>	<b>790</b>	<b>1,360</b>	<b>4,801</b>	<b>639</b>
Cranbourne North	145	-	50	195	72
Torquay	195	-	50	245	72
<b>Total Australia</b>	<b>340</b>	<b>-</b>	<b>100</b>	<b>440</b>	<b>144</b>
<b>Total Combined</b>	<b>2,991</b>	<b>790</b>	<b>1,460</b>	<b>5,241</b>	<b>783</b>

\* Land bank reflects current intentions as at June 2020

# Historical trends



Results Summary	9 Year CAGR*	1H20	FY19	FY18	FY17	FY16	FY11
New sales of Occupation Rights	10%	128	329	339	382	414	108
Resales of Occupation Rights	9%	136	323	301	300	244	123
<b>Total sales</b>	<b>10%</b>	<b>264</b>	<b>652</b>	<b>640</b>	<b>682</b>	<b>658</b>	<b>231</b>
New retirement units delivered	10%	139	354	454	450	409	122
Retirement units in portfolio	13%	4,225	4,086	3,732	3,278	2,828	1,486
Care beds in portfolio	13%	901	858	858	806	748	327
Total revenue (\$m)	19%	82.0	153.9	137.0	110.5	86.1	33.7
Net profit after tax (\$m)	-8%	1.0	175.3	214.5	239.9	145.5	4.3
Underlying profit** (\$m)	31%	45.1	106.2	98.6	81.7	56.6	8.1
Net operating cash flow (\$m)	17%	92.8	237.9	217.8	207.7	192.6	43.7
Total assets (\$m)	21%	3,433	3,338	2,766	2,233	1,707	616.9
Total equity (\$m)	19%	1,113	1,132	978.8	785.8	545.6	233.4
Interest bearing loans and borrowings (\$m)	28%	654.8	597.1	452.8	347.2	274.0	69.1
Cash and cash equivalents (\$m)	-	13.0	21.5	7.5	7.6	8.7	9.0
Gearing ratio (Net D/ Net D+E)	-	35.8%	33.3%	31.2%	30.2%	32.7%	20.5%
EPS (cents) (IFRS profit)	-11%	0.4	78.6	97.1	109.8	66.9	2.4
NTA (cents)	18%	491.3	502.0	438.4	355.1	249.9	109.3
Development margin (%)	-	22.3%	27.9%	33.2%	27.3%	22.2%	6.2%

\* Compound annual growth rate. Annualised 1H20 result compared to FY11

\*\* Refer to slide 2 for further information on underlying profit

# Glossary



<b>EBITDA</b>	Has the meaning given to that term in the Trust Deed.
<b>Event of Default</b>	Has the meaning given to that term in the Trust Deed.
<b>Event of Review</b>	Has the meaning given to that term in the Trust Deed.
<b>Guaranteeing Group</b>	The Issuer and each of the other Guarantors.
<b>Guarantors</b>	Each person who is or becomes party to the Security Trust Deed as a “Debtor”.
<b>Non-Village Registered Companies</b>	Any Guarantor that is not a Village Registered Company.
<b>Occupation Right</b>	The right of a resident conferred under an Occupation Right Agreement (in New Zealand) or a Residence Contract (in Victoria) to occupy a unit within a Registered Retirement Village.
<b>Occupation Right Agreement</b>	The written agreement which confers an Occupation Right on the resident of a Registered Retirement Village in New Zealand.
<b>Property Value</b>	Has the meaning given to that term in the Trust Deed.
<b>Registered Retirement Village</b>	Any retirement village that is registered as a retirement village in New Zealand under the <i>Retirement Villages Act 2003 (NZ)</i> or in Victoria under the <i>Retirement Villages Act 1986 (Vic)</i> .
<b>Residence Contract</b>	A residence & management contract which confers an Occupation Right on the resident of a Registered Retirement Village in Victoria.
<b>Statutory Charge</b>	A statutory charge created under s29 of the <i>Retirement Villages Act 1986 (Vic)</i> against the land of any Registered Retirement Village in Victoria, securing amounts owing to village residents.
<b>Statutory Supervisor</b>	Public Trust or such other statutory supervisor as may be appointed from time to time in respect of the Summerset's Registered Retirement Villages in New Zealand pursuant to the <i>Retirement Villages Act 2003 (NZ)</i> .
<b>Security Trust Deed</b>	The Security Trust Deed dated 27 January 2011 between the Guarantors and the Security Trustee (as amended and restated from time to time).

# Glossary



<b>Subsidiaries</b>	Has the meaning given to that term in the <i>Financial Markets Conduct Regulations 2014 (NZ)</i> .
<b>Summerset / Summerset Group</b>	Summerset Group Holdings Limited and all of its Subsidiaries.
<b>Total Debt</b>	Has the meaning given to that term in the Trust Deed.
<b>Trust Deed</b>	The Master Trust Deed dated 30 May 2017 between the Issuer and the Bond Supervisor pursuant to which bonds may be issued (as amended or supplemented from time to time).
<b>Village Registered Companies</b>	Any Guarantor which is the owner and operator of a Registered Retirement Village.