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SUMMERSET REPORTS UNDERLYING PROFIT GROWTH OF 27% FOR 1H18

- Net profit after tax of NZ$82.0 million, down 9% on 1H17
- Underlying profit for 1H18 of NZ$45.2 million, up 27% on 1H17
- Total assets of NZ$2.4 billion, up 25% on 1H17
- 299 total sales of occupation rights, down 7% on 1H17
- 165 new retirement units delivered, on track for delivery of 450 for FY18
- Interim dividend of NZ 6.0 cents per share
- Development margin of 33%, up from 28% in 1H17

Retirement village operator Summerset Group Holdings Limited has announced an underlying profit of $45.2m, an increase of 27%, in line with the profit guidance provided in early July.

Summerset CEO Julian Cook said the underlying profit result was driven primarily by strong margins on both new and resales settled during the period.

“We are pleased with our underlying profit result, which reflects strong development and resales margins in the period. While sales volumes were lower than the same period of 2017, we are seeing good levels of contracts on homes – both on resales and homes to be completed before the end of 2018 – many of which will settle in the second half of the year.”

Summerset’s net profit for the first half of 2018, which includes unrealised valuation gains in the fair value of investment property, is $82.0m, down 9% on the same period last year.

“IFRS profit includes fair value movement on investment property of $78.3m relative to $87.1m in the first half of 2017. The lower fair value movement versus the corresponding period in 2017 reflects lower levels of retirement unit price increases across our portfolio in response to the flattening property market being seen in some areas of the country,” said Mr Cook.

In the first six months of 2018 Summerset reported a record development margin of 33%, up from 28% for the same period last year. Mr Cook noted that “the development margin result is pleasing but reflects the particular mix of retirement units settled in this period and our long run expectations for development margin are less than this.”

The total value of assets for the Group grew to NZ$2.4b at 30 June 2018, up 25% on the same period last year.

Assets include Summerset’s recent purchase of 9.4 hectares of land in Te Awa, Napier. The proposed village will be Summerset’s fourth in Hawke’s Bay and will provide around 320 homes. The company has also bought 8.1 hectares near Ngamotu Golf Course in New Plymouth, with plans to build a retirement village offering around 300 homes. This will be Summerset's second New Plymouth village.

"We delivered 165 new homes this half year and we are on target to meet our build rate of 450 homes for the year. This is despite continuing pressure from the Auckland construction market. Our key construction activity in Auckland is to complete our Hobsonville village, main apartment buildings at Ellerslie, and new villa builds at Karaka and Warkworth," said Mr Cook.

Residents have also moved into the first homes at Summerset's Casebrook (Christchurch) and Rototuna (Hamilton) villages over the first half of 2018.

Summerset recently received resource consent for its proposed Avonhead village in Christchurch, and is awaiting the outcome of consent applications for proposed villages in Boulcott (Lower Hutt) and Kenepuru (Wellington). Resource consent for our proposed village in St Johns (Auckland) has recently been declined.

"We are currently working through this decision but remain confident we will be able to progress a successful village on this site.

"There is strong demand for all of these villages and we are keen to progress them as soon as possible", Mr Cook said.

In May, Summerset announced additional staff benefits including a day of leave for staff birthdays, travel voucher prizes each quarter and paid sick leave from the first day of employment. These complement the staff benefits announced in 2017.

"Pleasingly we've seen the staff attrition rate at our villages drop by 8% in the last 12 months, and the company-wide attrition rate has reduced almost 7% over the same period. We believe this is a result of both the investment we are making in our staff and the Government's equal pay settlement," said Mr Cook.

"However we are seeing the shortages in care staff increase due to the changes introduced to immigration last year by the previous Government. We believe it is important the current Government recognises the importance of immigration alongside local training and development to ensure there are sufficient qualified and competent people in the aged care sector."

Summerset continues to investigate the feasibility of an Australian expansion. It has opened an office in Melbourne with a dedicated team who are working through the appropriate diligence process. The company noted that good progress was being made and further updates will be made when appropriate.

The board has declared an unimputed interim dividend of NZ 6.0 cents per share. The record date will be Tuesday 28 August 2018 and payment date Monday 10 September 2018.

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ABOUT SUMMERSET

- Summerset is one of the leading operators and developers of retirement villages in New Zealand, with 23 villages completed or in development across the country. In addition, Summerset has eight sites for development in Parnell (Auckland), St Johns (Auckland), Avonhead (Christchurch), Te Awa (Napier), Pohutukawa Place (New Plymouth), Richmond (Tasman), Kenepuru (Wellington) and Lower Hutt (Wellington), bringing the total number of sites to 31.
- It provides a range of living options and care services to more than 5,000 residents.
- Four-time winner of Retirement Village of the Year and Silver Award winner in the Reader's Digest Quality Service Awards 2017.
- The Summerset Group has villages in Aotea, Casebrook, Dunedin, Ellerslie, Hamilton, Hastings, Havelock North, Hobsonville, Karaka, Katikati, Levin, Manukau, Napier, Nelson, New Plymouth, Palmerston North, Paraparaumu, Rototuna, Taupo, Trentham, Wanganui, Warkworth and Wigram.