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SUMMERSET FULL YEAR UNDERLYING PROFIT UP 8% – ANNOUNCES SECOND AUSTRALIAN PROPERTY

- Underlying profit for FY19 of NZ\$106.2 million, up 8% on FY18
- Net profit after tax of NZ\$175.3 million, down 18% on FY18
- Total assets of NZ\$3.3 billion, up 21% on FY18
- 652 total sales of occupation rights
- 354 new retirement units delivered
- Land bank total of 5,380 retirement units and 826 care beds
- Final dividend of NZ 7.7 cents per share
- Development margin of 28%
- Seven new pieces of land acquired, including two Australian properties

Retirement village operator Summerset Group Holdings Limited has announced an underlying profit after tax for the year ending 31 December 2019 of NZ\$106.2 million, up 8% on FY18.

Net profit, which includes the impact of unrealised movements in the fair value of investment property, was down 18% on FY2018 at NZ\$175.3 million. The lower fair value movement versus the corresponding period in 2018 largely reflected fewer retirement unit deliveries in the financial year. Annual growth in underlying profit has averaged 38% since the company listed on the NZX in November 2011.

Summerset CEO Julian Cook said 2019 had been a good year for the company.

“We started 2019 with Auckland and Christchurch’s residential property markets pulling back but through the second half of the year there has been a noticeable lift in activity and Q4 new sales were our second highest ever.”

Through 2019 Summerset delivered 354 new homes, down from 454 in 2018. Significant progress was made on two new main buildings that will deliver another 152 retirement units in Christchurch and Hamilton, starting from March 2020.

“We are satisfied with our delivery progress through 2019. We built 354 new homes, made substantial progress on another 152 units, and opened three new retirement villages,” Mr Cook said. “We have another three villages which will open in 2020.”

Summerset today announced the acquisition of a second Australian property in Torquay, on the Bellarine Peninsula southwest of Melbourne. The 8.3-hectare property is situated near shopping centres and amenities in the coastal surf town. The announcement follows Summerset’s purchase of 8.0-hectares in Cranbourne North, Melbourne, in September 2019 for its first Australian retirement village. The Cranbourne North village is expected to open to residents in late 2021/early 2022.

Mr Cook said the company was delighted to be setting up across the Tasman.

“We’ve spent 18 months familiarising ourselves in the Australian market. Our growth strategy in Australia is to take the best elements of our integrated-village model from New Zealand and adjust it for the Australian market.”

“Our research shows there’s an unmet demand for retirement villages in Australia which offer a continuum of care model. This means accommodation from independent living through to fully supported rest home or hospital care.”

Summerset acquired a total of seven sites in 2019 to further strengthen its development pipeline.

They were Blenheim (Marlborough), Rangiora (Canterbury), Whangarei (Northland), Cambridge (Waikato), Prebbleton (Canterbury) and the two sites in Australia.

“Our land bank is now the largest in the New Zealand retirement sector. Importantly it is diversified across New Zealand and now in Victoria, Australia as well.

“We hold enough land across New Zealand and Australia to build another 5,380 retirement units and 826 care beds, providing us with the flexibility to double the size of our business over time,” Mr Cook said.

Mr Cook said a highlight of 2019 was Summerset’s investment in the recruitment and retention of registered nurses and caregivers, lifting wages for nurses from 1 October 2019, nursing allowances from 1 January 2020, and caregiver’s wages from July 2020.

“We have increased our nurse’s wages between 2.5% - 5.7% to ensure we retain and attract high-quality nursing staff. We have also introduced additional penal rates for weekend work and will meet the company objective of matching the top payers in the sector.”

Looking ahead, Mr Cook said the business was not expecting underlying profit growth in 2020, largely due to the investment in care wages and development margins returning to the medium-term guidance of 20% to 25%.

He said the business expects to return to profit growth in FY2021 and beyond.

Mr Cook said taking a leading position in accommodation for people living with dementia was an important theme for 2020.

“We will open our next-generation Memory Care Centre in Christchurch in March. It’s been designed from the ground up using specialist dementia design research from around the world along with what we’ve learnt from our first award winning memory care centre in Levin. We’re very excited to be offering a modern comfortable home specifically designed for people with dementia, and the Christchurch centre will be a blueprint for the 19 memory care centres we intend to build.”

The number of New Zealanders living with dementia was forecast to treble in the next 30 years due to people living longer.

Summerset opened three new villages in 2019: Avonhead (Christchurch), Kenepuru (Wellington), Richmond (Nelson-Tasman). In 2020 another three villages will open in Te Awa (Napier), Papamoa Beach (Tauranga) and Bell Block (New Plymouth). Main buildings – housing the care centre and serviced apartments – would open in existing Christchurch and Hamilton villages in March and September respectively.



Summerset now has 19 villages completed, 12 in development, and 10 pieces of land to be developed, making a total of 41.

The board has declared an unimputed final 2019 dividend of NZ 7.7 cents per share. The record date will be Tuesday 10 March 2020 and the payment date Monday 23 March 2020. This brings the total dividend payment for 2019 to NZ 14.1 cents per share, up 6.8% on 2018. The dividend reinvestment plan will apply to the dividend, with a discount of 2% applicable to those shareholders participating in the plan.

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ABOUT SUMMERSET

- Summerset is one of the leading operators and developers of retirement villages in New Zealand, with 31 villages completed or in development across the country. In addition, Summerset has eight sites for development in Milldale (Auckland), Parnell (Auckland), Prebbleton (Canterbury), Rangiora (Canterbury), Waikanae (Kapiti Coast), Blenheim (Marlborough), Cambridge (Waikato) and Lower Hutt (Wellington), plus two properties in Victoria, Australia, bringing the total number of sites to 41.
- It provides a range of living options and care services to more than 5,500 residents.
- The Summerset Group has villages in Aotea, Avonhead, Bell Block, Casebrook, Dunedin, Ellerslie, Hamilton, Hastings, Havelock North, Hobsonville, Karaka, Katikati, Kenepuru, Levin, Manukau, Napier, Nelson, New Plymouth, Palmerston North, Papamoa Beach, Paraparaumu, Richmond, Rototuna, St Johns, Taupo, Te Awa, Trentham, Wanganui, Warkworth, Whangarei and Wigram.