

Half year results presentation

Six months ended 30 June 2019

Summerset Group Holdings Limited

13 August 2019



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1H19 result highlights

1H19 result highlights

Underlying profit up 6% from 1H18

		1H19	1H18	Variance	FY18
Financial (NZ\$m)	Net profit before tax (IFRS)	92.1	97.2	-5%	216.2
	Net profit after tax (IFRS)	92.6	96.4	-4%	214.5
	Underlying profit*	47.8	45.2	6%	98.6
	Total assets	3,028	2,451	24%	2,766
	Net operating cash flow	93.3	92.8	1%	217.8
Operational	New sales of occupation rights	136	145	-6%	339
	Resales of occupation rights	142	154	-8%	301
	Total sales of occupation rights	278	299	-7%	640
	New retirement units delivered	139	165	-16%	454

* Underlying profit differs from NZ IFRS reported profit after tax. The measure has been reviewed by Ernst & Young. Refer to the appendix for a reconciliation between the two measures, and note 2 of the financial statements for detail on the components of underlying profit

1H19 result highlights

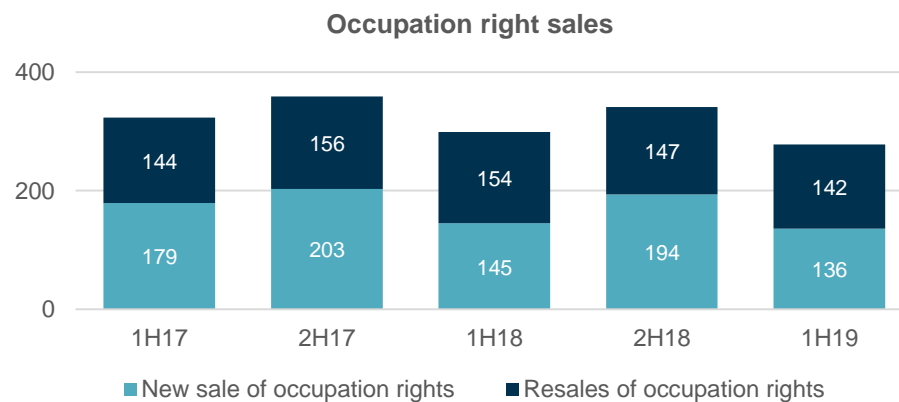
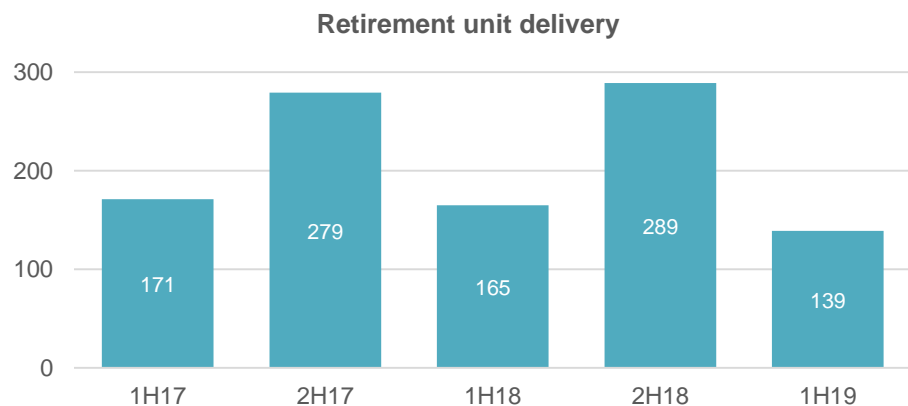
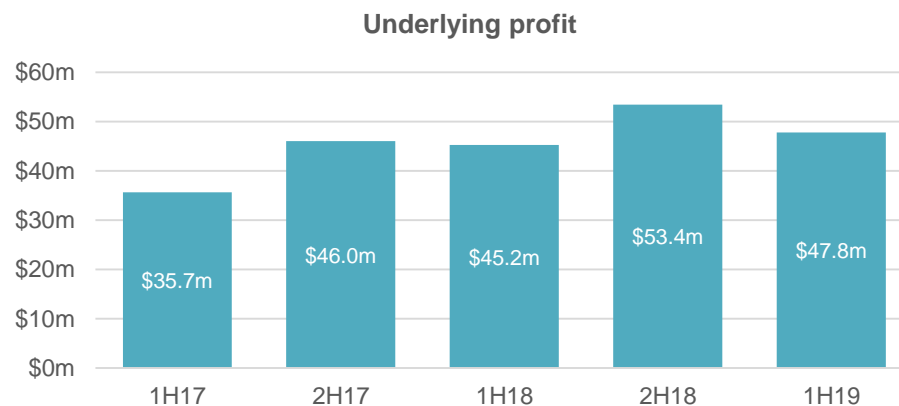
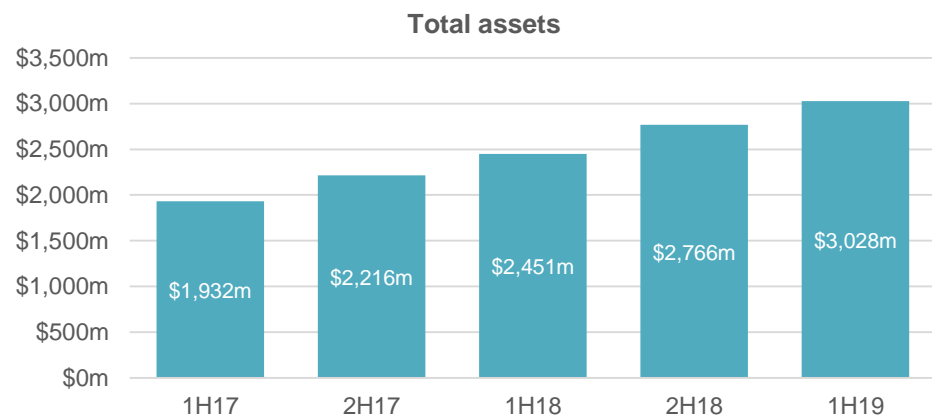
139 retirement units delivered in 1H19, total assets \$3.0b

- IFRS profit after tax of \$92.6m
- Underlying profit of \$47.8m, up 6% on 1H18
- Delivered 139 retirement units in 1H19
- First half development margin of 28.4%
- Resale gain of 23.4% consistent with 1H18
- Operating cash flow of \$93.3m
- Gearing ratio of 31.3%
- Total assets now \$3.0b, up 24% on 1H18 at \$2.5b
- Interim dividend of 6.4 cents per share declared
- Land bank of 4,883 retirement units to support a lift in average build rate of 600 retirement units in the next two to three years



1H19 result highlights

Strong first half underlying profit result of \$47.8m



Business overview

Summerset snapshot

Diversified portfolio throughout New Zealand

- 22 years of consistent delivery and growth
- Total assets have grown almost five times since listing on the NZX in 2011
- Portfolio of 3,871 retirement units (villas, apartments, serviced apartments and memory care apartments) and 858 care beds
- More than 5,300 residents
- 28 villages completed or under development
- Six new greenfield sites at Blenheim (Marlborough), Cambridge (Waikato), Rangiora (Canterbury), Whangarei (Northland), Milldale (Auckland) and Waikanae (Kapiti Coast)
- An additional 1.3 hectares of land in Hobsonville purchased to expand our existing site
- Largest New Zealand land bank for a retirement village operator of 4,883 retirement units as at 30 June 2019



1H19 review

139 retirement units delivered, underlying profit of \$47.8m*

- Completed Warkworth village
- Obtained resource consent for Papamoa Beach (Tauranga), which was also blessed by local iwi
- Announced six new land acquisitions in Blenheim (Marlborough), Cambridge (Waikato), Rangiora (Canterbury), Whangarei (Northland), Milldale (Auckland), Waikanae (Kapiti Coast) and purchased additional land to expand our Hobsonville village
- Delivered 139 retirement units and on track to deliver our planned 350 retirement units in FY19. We have also progressed our new concept main buildings at Casebrook and Rototuna totalling 152 deliveries in early 2020
- Became the first retirement village operator in New Zealand to achieve CarboNZero certification
- Scott Scoullar named 2019 NZ CFO of the Year
- Summerset Scene was awarded merit in the publications category of the International Association of Business Communicators' Gold Quill Awards
- Our appeal to the Environment Court on the St John's resource consent is to be heard in September 2019 and currently awaiting Environment Court hearing result for our proposed Lower Hutt village

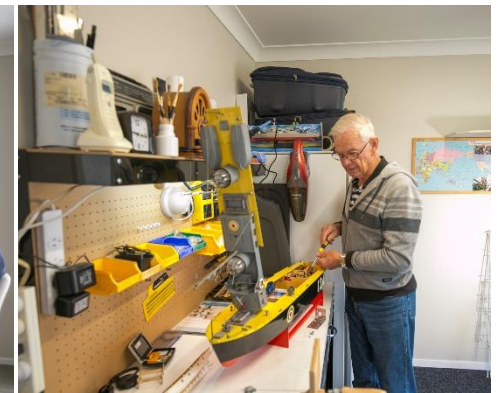


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Summerset strategy

Summerset builds, owns and operates retirement villages

- Focus on continuum of care model
- High quality care and facilities across all villages
- Villages designed to integrate into local communities
- Internal development and construction model
- Nationwide brand offering
- Customer centric philosophy – bringing the best of life
- Currently seeking land in the greater Melbourne area, Australia



First NZ retirement group carboNZero certified

Providing sustainability to the environment and community

- Summerset became the first New Zealand CarboNZero certified retirement village group and received the first CEMARS (Certified Emissions Measurement and Reduction Scheme) certification for a retirement village group in 2018 in New Zealand
- Summerset has also signed up to the Climate Leaders Coalition, joining more than 100 of New Zealand's business leaders to tackle climate change and reduce carbon emissions in New Zealand
- Our newest sponsorship is The Brook Waimarama Sanctuary in Nelson, the South Island's largest pest-free sanctuary and Summerset is proud to play a role in supporting this amazing space. The sanctuary is home to the Nelson green gecko, crayfish, bellbirds, fantails, tomtits and many more native species



CLIMATE
LEADERS
COALITION

ON A MISSION TO REDUCE
EMISSIONS IN NEW ZEALAND



ISO 14064-1 • certified organisation



Business update

Residents engage with technology and the local community

- We have launched the Community Connect pilot, an initiative to help our residents solve their tech problems with the help of local school students. As well as supporting our residents with their IT needs, the initiative also hopes to foster local community and intergenerational connections
- Our new care centre in Hobsonville gained a four year certification. Wanganui also achieved four year certification, joining an ever increasing number of certified facilities as we continually improve our quality systems
- First Summerset Graduate Nurse Scholarship awarded, to support Massey University students with their clinical placements
- Summerset Connect was launched, with events attended by over 1,200 residents and members of the public to hear guest speakers talk within Summerset villages
- We have partnered with Dementia NZ to host public talks in many of our villages to build awareness and reduce stigma associated with the disease
- Held the inaugural Clinical Nurse Leader forum, for our Clinical Nurse Leaders to network, share ideas and experiences from their roles



1H19 development activity

Delivery of 139 retirement units in 1H19 across six sites



1H19 development activity

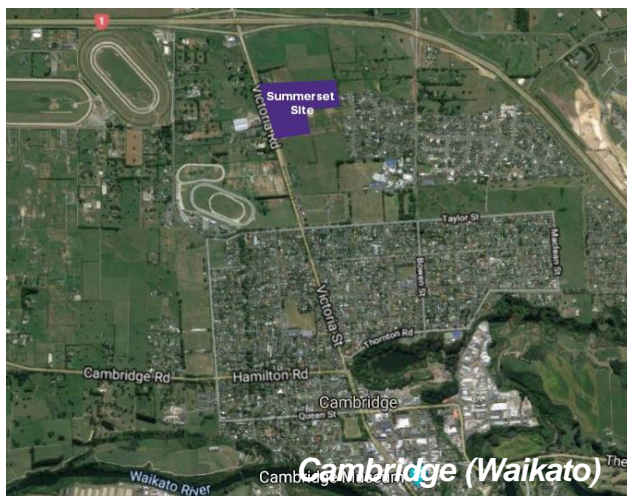
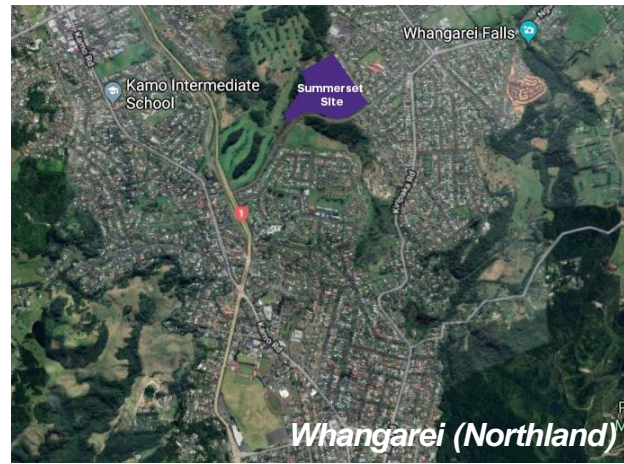
Delivery of 139 retirement units in 1H19 across six sites

Unit delivery 1H19	Villas	Apartments	Serviced apartments	Total retirement units	Total care beds
Avonhead	29	-	-	29	-
Casebrook	31	-	-	31	-
Ellerslie	-	2	-	2	-
Hobsonville	8	8	4	20	-
Rototuna	34	-	-	34	-
Warkworth	23	-	-	23	-
Total	125	10	4	139	-

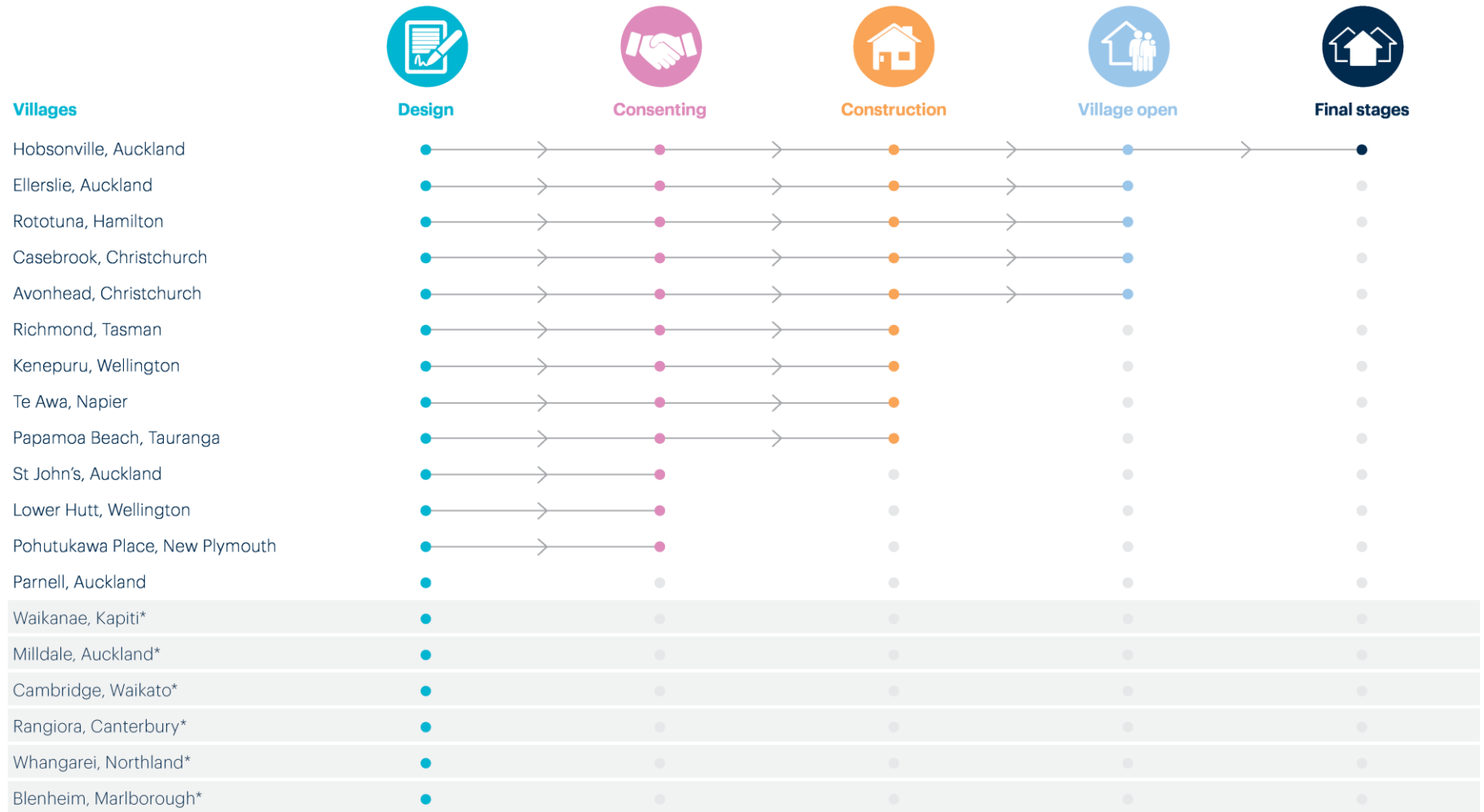
- 139 retirement units were delivered across six villages and on track to deliver 350 retirement units in FY19
- Completion of Warkworth village
- Hobsonville in final stages of existing site with continued development on the newly acquired 1.3 hectares to expand the site
- Started construction on villages in Kenepuru (Wellington), Papamoa Beach (Tauranga) and Te Awa (Napier)
- Well progressed on new concept main buildings in Rototuna and Casebrook for delivery of 152 retirement units in early 2020

New land sites acquired

Six new land sites acquired in 1H19



Development pipeline

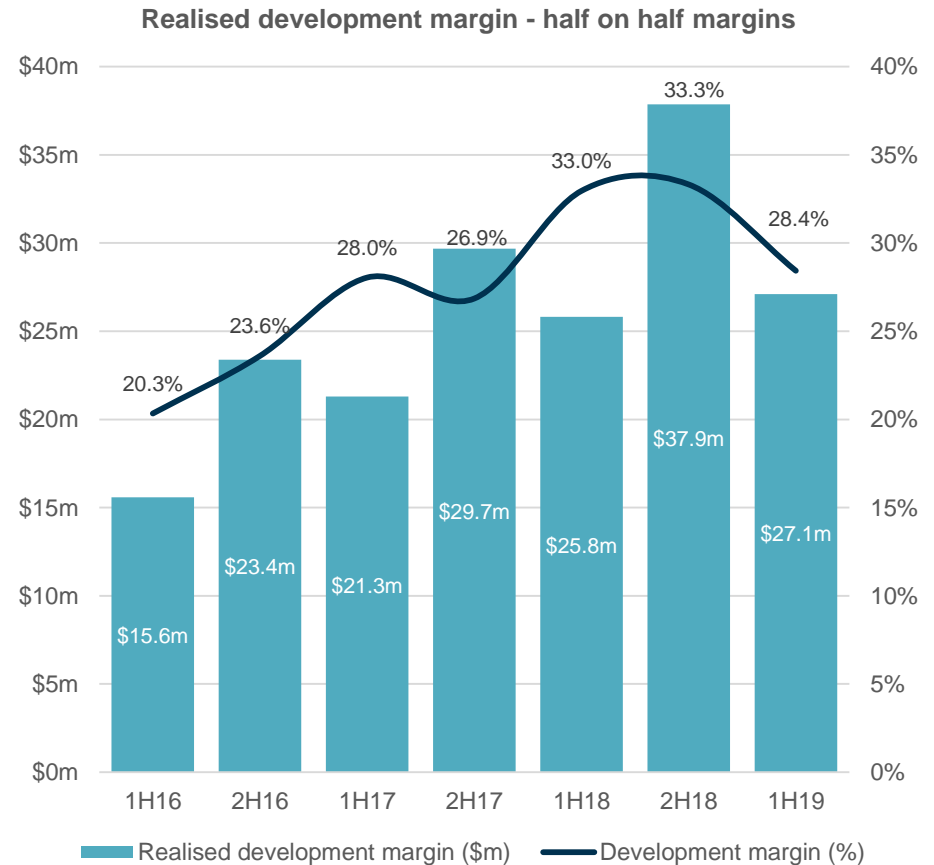


* New sites purchased.

Development margin

First half realised margin of \$27.1m with a 28.4% development margin

- First half realised margin of \$27.1m up 5% from \$25.8m in 1H18
- Development margin of 28.4% achieved in 1H19
- Sales of new occupation rights were split 60% in the Auckland region villages and 40% across the rest of our developing villages
- Each developing village maintained consistent development margins by product type
- Over the medium to long term we expect development margins to be approximately 20% to 25%

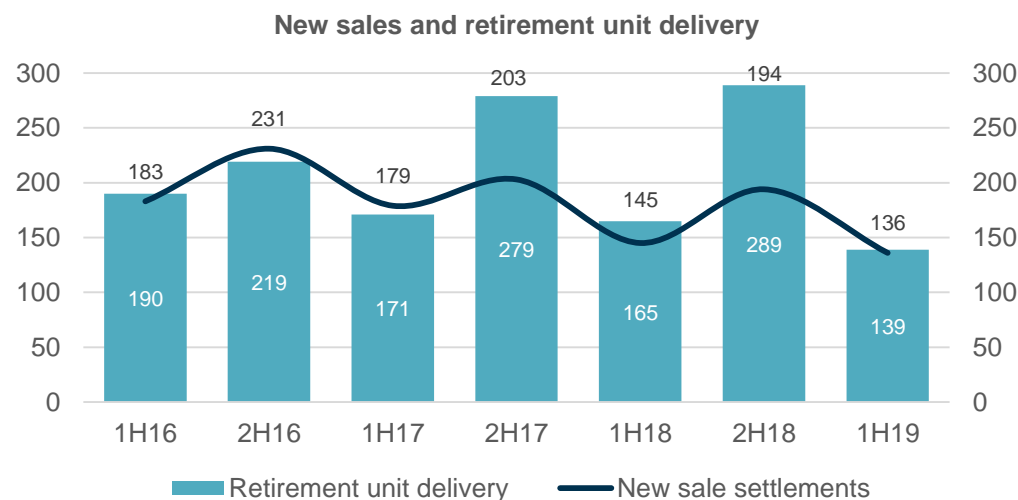


New sales of occupation rights

Gross proceeds of \$95.3m, up 22%

- 136 new sales of occupation rights in 1H19
- Gross proceeds were up 22% from 1H18
- Average gross proceeds per new sale settlement of \$701k, up from \$540k in 1H18
- Serviced apartments and apartments new sales increased 38% in total from 1H18
- We continue to see strong demand for our product with consistent waitlist numbers across our villages over the past year

New sales	1H19	1H18	Variance	FY18
Gross proceeds (\$m)	95.3	78.3	22%	192.0
Villas	71	97	-27%	235
Apartments	37	7	429%	16
Serviced apartments	28	40	-30%	87
Memory care apartments	0	1	-100%	1
Total occupation rights	136	145	-6%	339

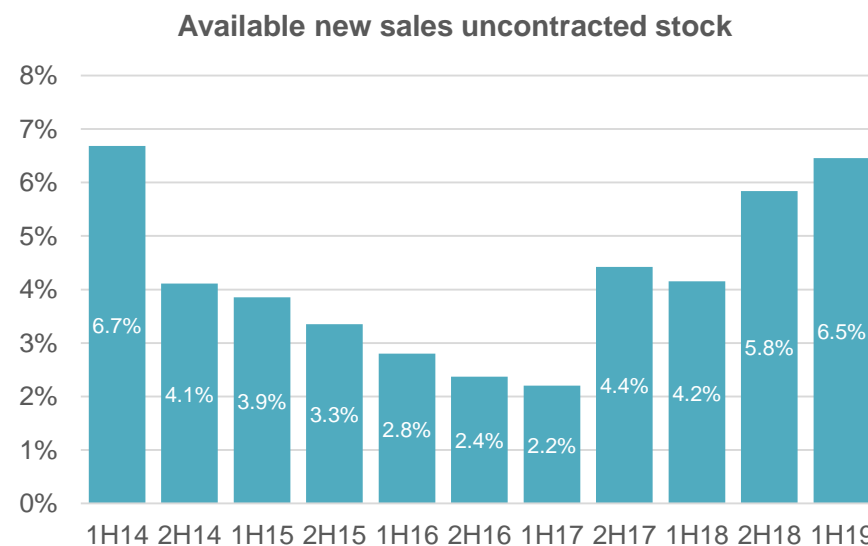


New sales stock

New sales stock remains historically low on a relative basis

- Total new sales stock is consistent with FY18, with 322 in stock compared to 319 six months ago
- 30% reduction on serviced and memory care apartments uncontracted stock from FY18
- Significant amount of villa deliveries in May and June have increased uncontracted villa stock in 1H19

New sales stock	1H19	FY18	1H18
Contracted	72	101	81
Uncontracted	250	218	143
Total new sales stock	322	319	224
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Contracted	43	45	55
Uncontracted	158	102	62
Villas	201	147	117
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Contracted	14	38	5
Uncontracted	44	47	7
Apartments	58	85	12
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Contracted	15	18	21
Uncontracted	48	69	74
Serviced & memory care apartments	63	87	95



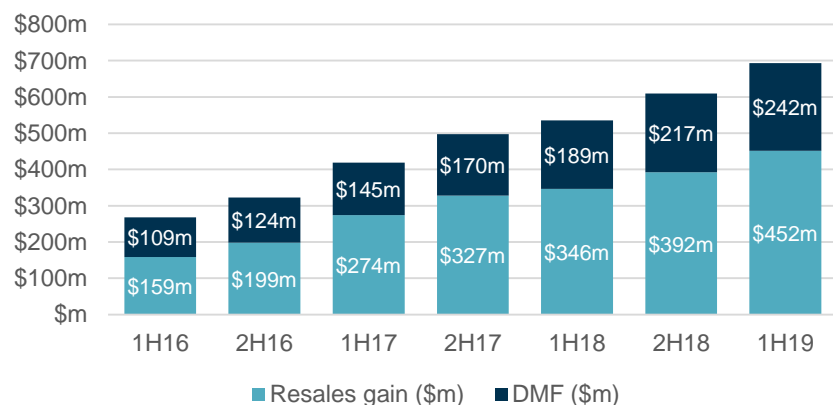
Resales of occupation rights

Record embedded value

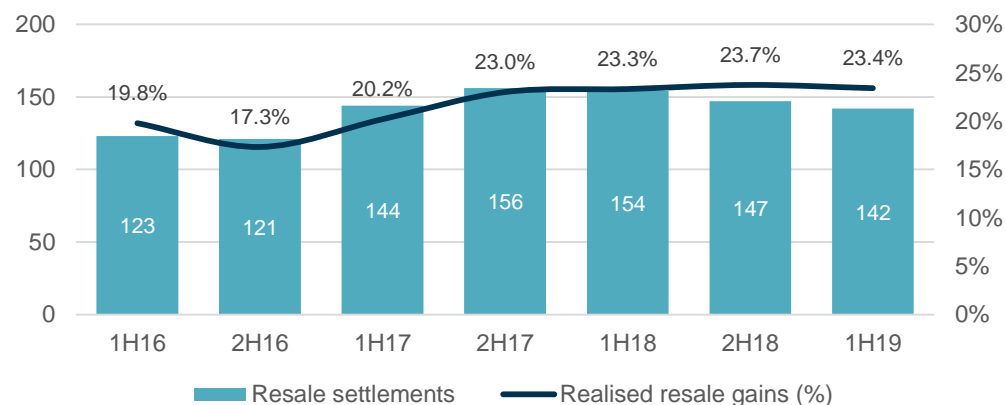
- Realised resale gain remains consistent across at 23.4% compared to 23.3% 1H18
- Resales of 142 occupation rights in 1H19
- Average gross proceeds per resale settlement of \$430k, up from \$415k in 1H18
- Embedded value of \$179k per retirement unit, as at 30 June 2019, up from \$156k as at 30 June 2018
- Embedded resale gain of \$117k per retirement unit, up from \$101k as at 30 June 2018

Resales	1H19	1H18	Variance	FY18
Gross proceeds (\$m)	61.1	64.0	-4%	122.2
Realised resale gains (\$m)	14.3	14.9	-4%	28.7
Realised resale gains (%)	23.4%	23.3%	0%	23.5%
DMF realisation (\$m)	8.0	7.7	4%	15.0
Villas	72	86	-16%	163
Apartments	10	22	-55%	48
Serviced apartments	59	45	31%	87
Memory care apartments	1	1	-	3
Total occupation rights	142	154	-8%	301

Embedded value



Realised resale gain and volume

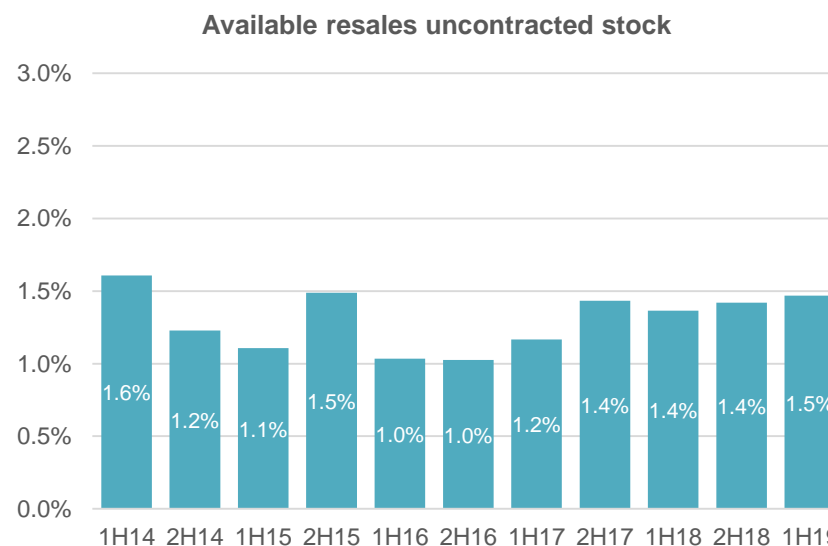


Resales stock

Resales stock levels remain low despite growing portfolio

- Resales stock remains low with 66 retirement units under contract and 59 retirement units uncontracted at 1H19
- Uncontracted resales stock as a percentage of the portfolio has remained stable over the last five years
- We continue to see good demand for resale retirement units across all villages. On average only ~2 uncontracted retirement units per village

Resales stock	1H19	1H18	FY18
Contracted	66	56	58
Uncontracted	59	47	53
Total resales stock	125	103	111
Contracted	42	28	27
Uncontracted	28	25	33
Villas	70	53	60
Contracted	5	8	6
Uncontracted	11	2	3
Apartments	16	10	9
Contracted	19	20	25
Uncontracted	20	20	17
Serviced & memory care apartments	39	40	42



Financial results

1H19 reported profit (IFRS)

1H19 net profit after tax of \$92.6m

- IFRS NPAT of \$92.6m for 1H19, driven by fair value movement in investment property of \$85.7m
- Total revenue of \$74.0m, up 13% relative to 1H18
- Total expense growth for the period is 9%, significantly lower than the average growth over the last three years of 25%
- Total expenses relative to 2H18 have fallen by \$2.5m
- Total expenses were up \$5.0m with the two largest drivers being:
 - Growing occupancy at Ellerslie and Hobsonville care centres along with a growing portfolio
 - Pay increases of \$2.5m, largely driven by increases to Caregivers and Registered Nurses, which is partially funded by Government
- Expenses have benefited from \$2.0m of savings being delivered through prudent cost management and completing projects
- Net finance costs of \$6.8m are up \$1.4m on 1H18 in line with increase in debt levels

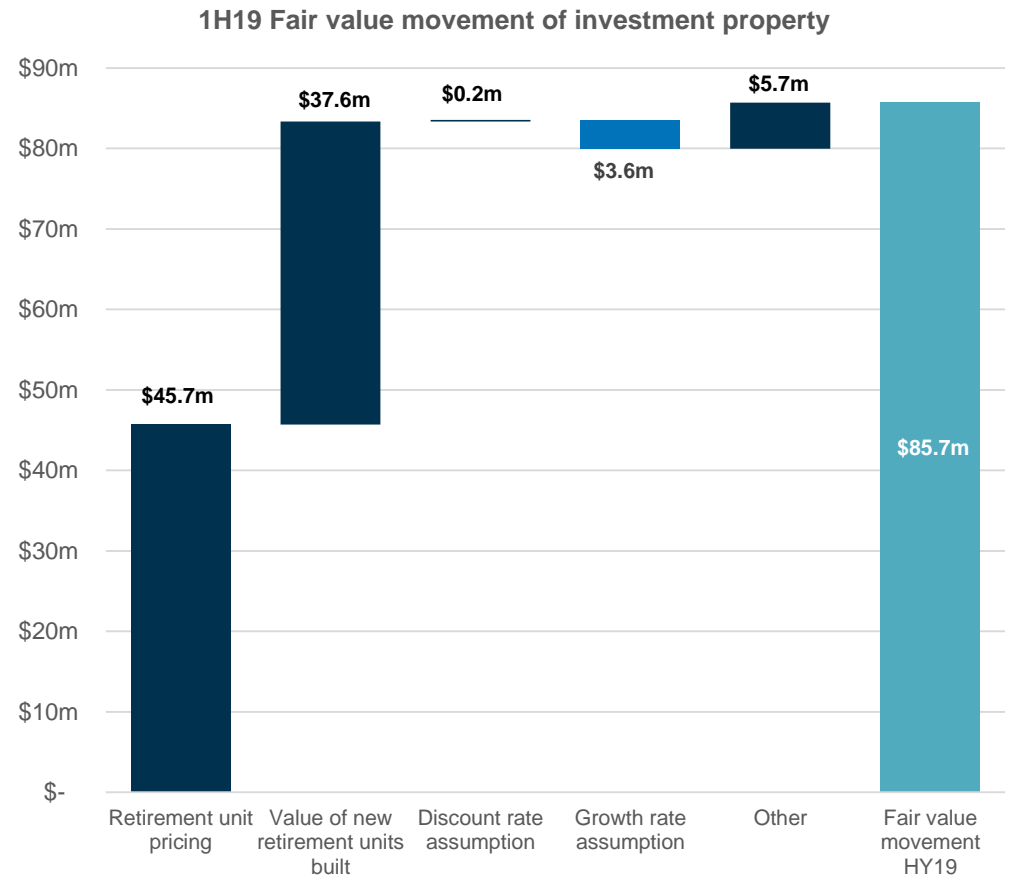
NZ\$m	1H19	1H18	Variance	FY18
Total revenue	74.0	65.7	13%	137.0
Fair value movement of investment property	85.7	92.8	-8%	209.9
Total income	159.7	158.4	1%	346.9
Total expenses	60.8	55.8	9%	119.1
Net finance costs	6.8	5.4	27%	11.6
Net profit before tax	92.1	97.2	-5%	216.2
Tax expense / (credit)	(0.5)	0.8	-162%	1.7
Net profit after tax	92.6	96.4	-4%	214.5

* Fair value movement of investment property has been restated for 2018. Refer to note 1 comparative information in the financial statements for further details.

Fair value movement

\$85.7m fair value movement of investment property

- Fair value movement of \$85.7m, down 8% on 1H18 primarily driven by a reduction of 26 retirement unit deliveries, approximately \$7m impact
- Fair value movement for 1H19 comprised of:
 - Increase in retirement unit pricing (\$45.7m): retirement unit price inflation on existing retirement units within the portfolio resulting in uplift in operator's interest
 - New retirement units built (\$37.6m): value of new retirement units delivered in 1H19
 - Discount rates (\$0.2m) and growth rates (\$3.6m): change in assumptions used by valuer
 - Other movements (\$5.7m): changes in all other valuation assumptions
- Refer to the appendices (slide 37 and 38) for key assumptions associated with the investment property valuation



* Fair value movement of investment property has been restated for 2018. Refer to note 1 comparative information in the financial statements for further details.

1H19 underlying profit

Underlying profit up 6% on 1H18, 36% CAGR over last eight years

- 1H19 underlying profit of \$47.8m, up 6% on 1H18
- Uplift in underlying profit principally driven by the maturing nature of our operating business and strong margins on sales
- Realised development margin of \$27.1m achieved in 1H19, up from \$25.8m in 1H18
- Realised gain on resales of \$14.3m achieved in 1H19, driven by Summerset's diversified portfolio across regions with good price appreciation
- Underlying profit has seen a compounded annual growth rate (CAGR) increase of 36% since listing on the NZX in 2011

NZ\$m	1H19	1H18	Variance	FY18
Care fees and village services	48.8	43.3	13%	91.2
Deferred management fees	25.1	22.3	12%	45.6
Realised gain on resales	14.3	14.9	-4%	28.7
Realised development margin	27.1	25.8	5%	63.7
Other income & interest received	0.2	0.1	165%	0.2
Total income	115.4	106.4	8%	229.4
Operating expenses	56.9	52.9	8%	112.4
Depreciation and amortisation	3.9	2.9	35%	6.7
Net finance costs	6.8	5.4	27%	11.6
Total expenses	67.6	61.2	11%	130.8
Underlying profit	47.8	45.2	6%	98.6

Underlying profit is a non-GAAP measure and differs from NZ IFRS profit for the period. 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 Directors have provided an underlying profit measure in addition to IFRS profit to assist readers in determining the realised and unrealised components of fair value movement of investment property and tax expense in the Group's income statement. The measure is used internally in conjunction with other measures to monitor performance and make investment decisions and has been reviewed by Ernst & Young. Underlying profit is a measure which the Group uses consistently across reporting periods. Underlying profit is used to determine the dividend pay-out to shareholders.

1H19 cash flows

New sale receipts up 18%

- Net operating business cash flows of \$4.2m impacted by
 - One-off change in policy to repay outgoing residents when residents internal to the village transfer into their retirement units. These previously were not repaid until transferring residents' retirement units were on-sold. Typically 15-20 retirement units across the portfolio in this situation at any point in time
 - Resales volumes being 12 retirement units lower half on half, impacting net operating business cashflows by a further \$2m
- Have seen a consistent maturing net operating cash flow since listing with a 20% CAGR
- Gross receipts from new sales were up 18% on 1H18 despite lower sales volumes, 136 in 1H19 compared to 145 in 1H18
- Investing cash flows have increased 11% on 1H18 driven by construction of new villages
- Refurbishment cost increase driven by programmed upgrade of a number of older village main centres and care centres

NZ\$m	1H19	1H18	Variance	FY18
Net operating business cash flow	4.2	17.1	-76%	30.5
Receipts for residents' loans - new sales	89.2	75.7	18%	187.3
Net operating cash flow	93.3	92.8	1%	217.8
Sale / (purchase) of land	1.4	(2.0)	-171%	(54.7)
Construction of new IP & care facilities	(102.5)	(89.1)	15%	(213.7)
Refurb of existing IP & care facilities	(4.1)	(2.6)	58%	(6.4)
Other investing cash flows	(1.9)	(4.1)	-54%	(6.2)
Capitalised interest paid	(5.4)	(4.0)	37%	(9.3)
Net investing cash flow	(112.5)	(101.8)	11%	(290.4)
Net proceeds from borrowings	37.8	31.4	20%	103.7
Net dividends paid	(10.0)	(9.9)	1%	(17.8)
Other financing cash flows	(7.0)	(5.4)	30%	(13.4)
Net financing cash flow	20.8	16.2	29%	72.5

1H19 balance sheet

Total assets of \$3.0b, up 24% from \$2.5b in 1H18

- Total assets of \$3.0b, up 24% on 1H18
- Retained earnings have increased from \$590m as at 1H18 to \$770m as at 1H19. This continues to positively impact balance sheet strength and company gearing ratios
- Investment property valuation of \$2.8b, up 24% on 1H18
- Other assets include land and buildings (primarily care centres). Care centres were valued as at 31 December 2017 (three yearly cycle), with the new Hobsonville care centre recorded at cost and tested for impairment in FY18
- Record NTA of 470.5 cents per share
- Embedded value of \$693.5m, \$179k per retirement unit, as at 30 June 2019:
 - \$451.7m resale gains
 - \$241.8m deferred management fees

NZ\$m	1H19	1H18	Variance	FY18
Investment property *	2,824	2,269	24%	2,585
Other assets	204.0	181.4	12%	181.3
Total assets	3,028	2,451	24%	2,766
Residents' loans	1,206	1,037	16%	1,136.8
Face value of bank loans & bonds**	489.3	379.3	29%	451.5
Other liabilities	278.3	162.5	71%	199.3
Total liabilities	1,974	1,579	25%	1,788
Net assets***	1,054	871.4	21%	978.8
Embedded value	693.5	535.4	23%	609.1
NTA (cents per share)	470.5	391.9	20%	438.4

* Investment property has been restated for 2018. Refer to note 1 comparative information in the financial statements for further details.

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

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

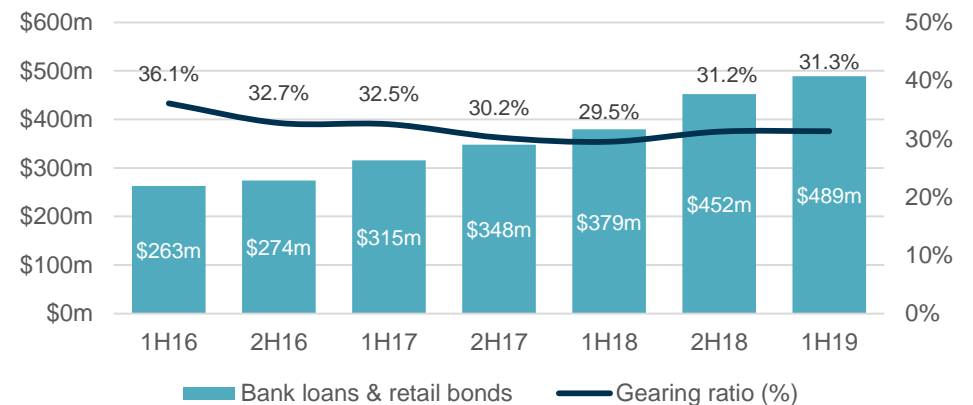
Gearing ratio

Gross debt of \$489.3m** and gearing ratio of 31.3%

- Gross debt of \$489.3m as at 30 June 2019, up \$110.1m from 30 June 2018
- Uplift in gross debt driven by construction spend and land acquired in 2H18
- Bank facility of \$500.0m with undrawn capacity of \$235.7m at 30 June 2019
- Retail bonds total \$225.0m at as 30 June 2019

NZ\$m	1H19	1H18	Variance	FY18
Face value of bank loans & retail bonds **	489.3	379.3	0.3	451.5
Cash and cash equivalents	(9.1)	(14.7)	(0.4)	(7.5)
Net debt	480.2	364.5	32%	444.0
Net assets*	1,054	871.4	21%	978.8
Gearing ratio (%)***	31.3%	29.5%	6.1%	31.2%
Bank & bond LVR (%)***	32.8%	31.4%	-0.4%	32.3%

Gross borrowings and gearing ratio



* Net assets (through investment property) have been restated for 2018. Refer to note 1 comparative information in the financial statements for further details.

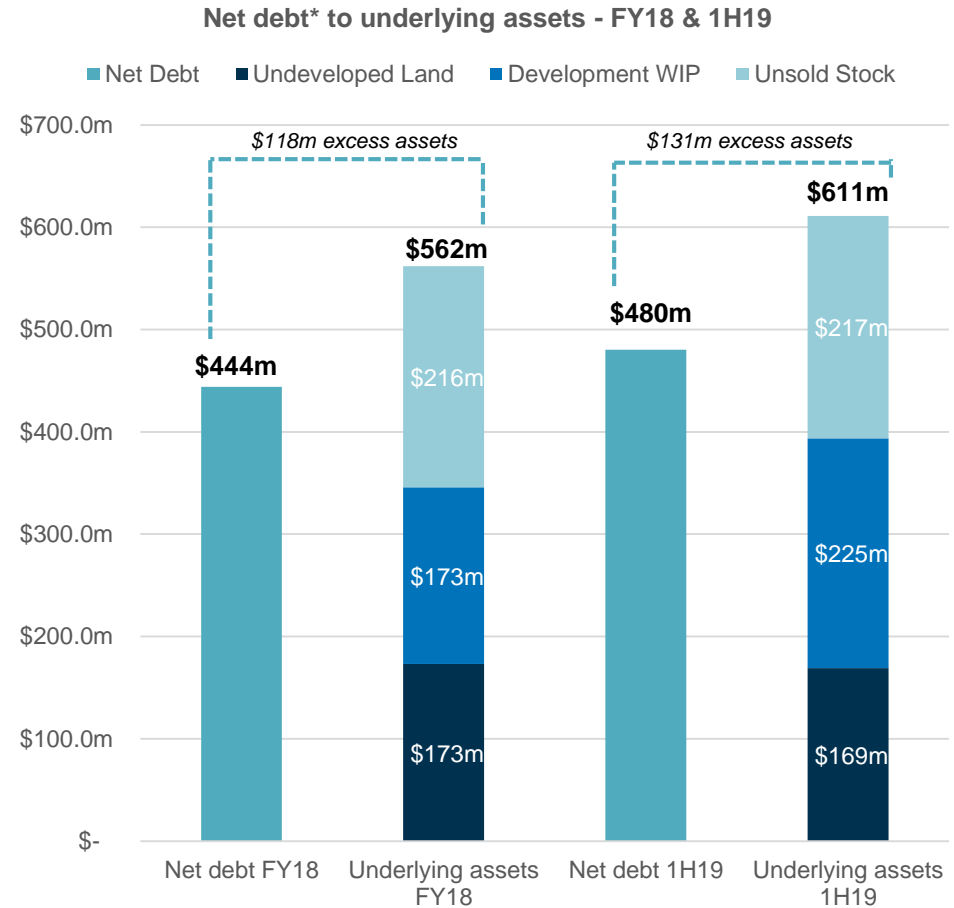
** Face value of drawn bank debt and retail bonds. Excludes capitalised and amortised bond issue costs, and fair value movement on hedged borrowings

*** Gearing ratio calculation (net debt / net debt plus book equity) differs from the Summerset Group's bank and bond LVR covenant (Total Debt of the Summerset Group / Property Value of the Summerset Group)

Composition of drawn debt

Strong asset backing to net debt

- Development projects are debt funded. Development assets exceed the value of net debt by \$211m and 44%. This has lifted by \$93m or 79% from December 2018
- All debt is associated with development activities
- Development assets could be realised to reduce debt
- Total underlying assets of \$611m are made up of:
 - Undeveloped land of \$169m
 - Development WIP of \$225m
 - Vacant new sale stock of \$217m



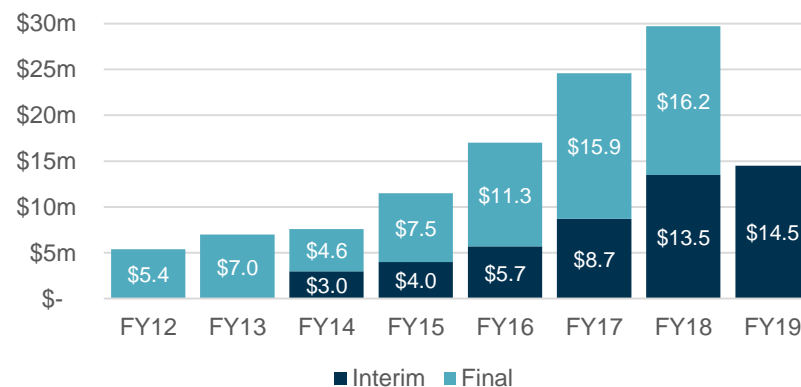
Interim dividend

1H19 interim dividend

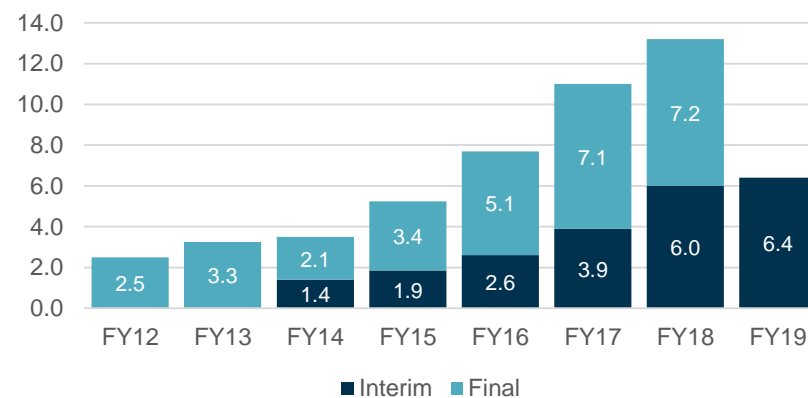
Declared 1H19 interim dividend of 6.4 cents per share

- The Board has declared an interim dividend of 6.4 cents per share, unimputed. This compares to a 2018 interim dividend of 6.0 cents per share
- This represents a pay-out for the first half of 2019 of approximately \$14.5 million and is 30% of 1H19 underlying profit
- The dividend reinvestment plan (DRP) will apply to this dividend enabling shareholders to take shares in lieu of the cash dividend
- A discount of 2% will be applied when determining the price per share of shares issued under the DRP
- Eligible investors wishing to take up the DRP must register by 5pm NZT on Wednesday 28 August 2019. Any applications received on or after this time will be applied to subsequent dividends
- The interim dividend will be paid on Monday 9 September 2019. The record date for final determination of entitlements to the interim dividend is Tuesday 27 August 2019
- The dividend policy remains 30% to 50% of underlying profit for the full year period. As previously indicated, dividend payments are likely to continue to be at the bottom end of this range given the growth opportunities present for the business at this time

Dividend payout per year



Dividend per share by year



Questions?



Disclaimer

- This presentation may contain projections or forward looking statements regarding a variety of items. Such forward looking statements are based upon current expectations and involve risks and uncertainties
- Actual results may differ materially from those stated in any forward looking statement based on a number of important factors and risks
- Although management may indicate and believe the assumptions underlying the forward looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward looking statements will be realised
- Furthermore, while all reasonable care has been taken in compiling this presentation, Summerset accepts no responsibility for any errors or omissions
- This presentation does not constitute investment advice

Appendix

9 year metrics summary

Underlying profit 8 year CAGR of 36%

	Half Year Results	8 Year CAGR*	1H19	2H18	1H18	2H17	1H17	2H16	1H16	FY11
Operational	New sales of occupation rights	12%	136	194	145	203	179	231	183	108
	Resales of occupation rights	11%	142	147	154	156	144	121	123	123
	Total sales	12%	278	341	299	359	323	352	306	231
	New retirement units delivered	11%	139	289	165	279	171	219	190	122
	Retirement units in portfolio	13%	3,871	3,732	3,443	3,278	2,999	2,828	2,609	1,486
	Care beds in portfolio	13%	858	858	858	806	748	748	621	327
Financial	Total revenue (\$m)	20%	74.0	71.3	65.7	59.8	50.7	46.0	40.0	33.7
	Net profit after tax (\$m)	60%	92.6	118.1	96.4	133.2	90.3	94.9	50.6	4.3
	Underlying profit** (\$m)	36%	47.8	53.4	45.2	46.0	35.7	31.9	24.7	8.1
	Net operating cash flow (\$m)	20%	93.3	217.8	92.8	121.3	86.4	108.2	84.4	43.7
	Total assets (\$m)	22%	3,028	2,766	2,451	2,216	1,932	1,707	1,521	616.9
	Total equity (\$m)	21%	1,054	978.8	871.4	785.8	627.6	545.6	448.7	233.4
	Interest bearing loans and borrowings (\$m)	28%	499.8	452.8	379.7	347.2	315.3	274.0	262.7	69.1
	Cash and cash equivalents (\$m)	0%	9.1	7.5	14.7	7.6	13.1	8.7	9.4	9.0
	Gearing ratio (Net D/ Net D+E)	5%	31.3%	31.2%	29.5%	30.2%	32.5%	32.7%	36.1%	20.5%
	EPS (cents) (IFRS profit)	56%	41.66	53.48	43.76	60.86	41.37	43.6	23.3	2.39
NTA (cents)	20%	470.47	438.44	391.86	347.56	285.72	249.9	206.1	109.3	
Development margin (%)	21%	28.4%	33.3%	33.0%	26.9%	28.0%	23.6%	20.3%	6.2%	

* Compound annual growth rate

** Underlying profit differs from NZ IFRS reported profit after tax. The measure has been reviewed by Ernst & Young. Refer to the appendix for a reconciliation between the two measures, and note 2 of the financial statements for detail on the components of underlying profit

1H19 underlying profit reconciliation

Reconciliation of underlying profit to reported net profit after tax

NZ\$m	1H19	1H18	Variance	FY18
Reported net profit after tax	92.6	96.4	-4%	214.5
Less fair value movement of investment property	(85.7)	(92.8)	-8%	(209.9)
Add realised gain on resales	14.3	14.9	-4%	28.7
Add realised development margin	27.1	25.8	5%	63.7
Add/(less) deferred tax expense/credit	(0.5)	0.8	-162%	1.7
Underlying profit	47.8	45.2	6%	98.6

Underlying profit is a non-GAAP measure and differs from NZ IFRS profit for the period. 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 Directors have provided an underlying profit measure in addition to IFRS profit to assist readers in determining the realised and unrealised components of fair value movement of investment property and tax expense in the Group's income statement. The measure is used internally in conjunction with other measures to monitor performance and make investment decisions and has been reviewed by Ernst & Young. Underlying profit is a measure which the Group uses consistently across reporting periods. Underlying profit is used to determine the dividend pay-out to shareholders.

Fair value movement

Fair value movement of investment property – key assumptions

Fair value movement of investment property		Value of investment property*	Fair value gain/(loss)	Key valuation assumptions					
Village	Location	NZ\$m	NZ\$m	Discount rate	Growth rate Yr 1	Growth rate Yr 2	Growth rate Yr 3	Growth rate Yr 4	Growth rate Yr 5+
Summerset by the Park	Manukau	143.5	1.1	13.50%	0.0%	1.0%	2.5%	3.0%	3.5%
Summerset by the Lake	Taupo	59.4	3.6	15.75%	0.0%	0.5%	1.5%	2.5%	3.5%
Summerset in the Bay	Napier	69.3	1.2	14.00%	0.0%	1.0%	2.0%	2.5%	3.5%
Summerset in the Orchard	Hastings	78.2	4.9	15.00%	0.0%	0.5%	1.0%	2.5%	3.5%
Summerset in the Vines	Havelock North	61.0	2.3	14.75%	0.0%	1.0%	2.0%	2.5%	3.5%
Summerset in the River City	Wanganui	29.8	1.4	16.00%	0.5%	1.0%	1.5%	2.0%	2.5%
Summerset on Summerhill	Palmerston North	47.7	2.4	14.75%	0.5%	1.0%	2.0%	2.5%	3.0%
Summerset by the Ranges	Levin	27.7	0.8	15.75%	0.5%	1.0%	1.5%	2.0%	3.0%
Summerset on the Coast	Paraparaumu	54.8	3.8	14.50%	0.5%	1.0%	2.0%	2.5%	3.5%
Summerset at Aotea	Aotea	99.3	5.0	14.25%	0.5%	1.0%	2.0%	2.5%	3.5%
Summerset in the Sun	Nelson	147.4	4.3	14.00%	0.0%	1.0%	1.0%	2.5%	3.5%
Summerset at Bishopscourt	Dunedin	47.7	0.9	14.75%	0.5%	1.0%	1.5%	2.5%	3.0%
Summerset down the Lane	Hamilton	128.7	1.2	14.00%	0.5%	1.0%	2.0%	2.5%	3.5%
Summerset Mountain View	New Plymouth	71.8	2.0	14.75%	0.0%	0.5%	1.5%	2.5%	3.0%
Summerset Falls	Warkworth	179.5	8.3	14.00%	0.5%	1.5%	2.0%	3.0%	3.5%
Summerset at Karaka	Karaka	182.1	2.4	14.25%	0.5%	1.0%	2.0%	2.5%	3.5%
Summerset at Wigram	Wigram	119.9	0.2	14.50%	0.0%	1.5%	2.0%	3.0%	3.5%
Summerset at the Course	Trentham	161.1	5.8	14.00%	0.0%	0.5%	2.0%	2.5%	3.5%
Summerset by the Sea	Katikati	94.9	0.1	15.00%	0.0%	0.5%	1.5%	2.5%	3.5%
Total for completed villages		1,803.8	51.6						

* Value of non-land capital work in progress not represented in the above table

Fair value movement

Fair value movement of investment property – key assumptions

Fair value movement of investment property		Value of investment property*	Fair value gain/(loss)	Key valuation assumptions					
Village	Location	NZ\$m	NZ\$m	Discount rate	Growth rate Yr 1	Growth rate Yr 2	Growth rate Yr 3	Growth rate Yr 4	Growth rate Yr 5+
Summerset at Monterey Park	Hobsonville	250.8	9.0	14.00%	0.5%	1.0%	2.0%	2.5%	3.5%
Summerset at Heritage Park	Ellerslie	170.9	1.9	15.00%	0.0%	1.0%	2.0%	2.5%	3.5%
Summerset Rototuna	Rototuna	61.6	5.0	16.50%	0.0%	1.0%	2.0%	2.5%	3.5%
Summerset on Cavendish	Casebrook	73.1	10.2	16.25%	0.0%	1.0%	2.0%	3.0%	3.5%
Summerset Richmond	Richmond	9.8	0.1	n/a	n/a	n/a	n/a	n/a	n/a
Summerset Avonhead	Avonhead	29.0	5.5	n/a	n/a	n/a	n/a	n/a	n/a
Summerset on the Landing	Kenepuru	14.3	0.4	n/a	n/a	n/a	n/a	n/a	n/a
Summerset Te Awa	Te Awa	10.3	0.9	n/a	n/a	n/a	n/a	n/a	n/a
Summerset by the Dunes	Papamoa	22.3	0.9	n/a	n/a	n/a	n/a	n/a	n/a
Total for villages in development		642.1	33.8						
Total for proposed villages		163.3	0.2						
Total for all villages		2,609.2	85.7						

* Value of non-land capital work in progress not represented in the above table

Portfolio as at 30 June 2019

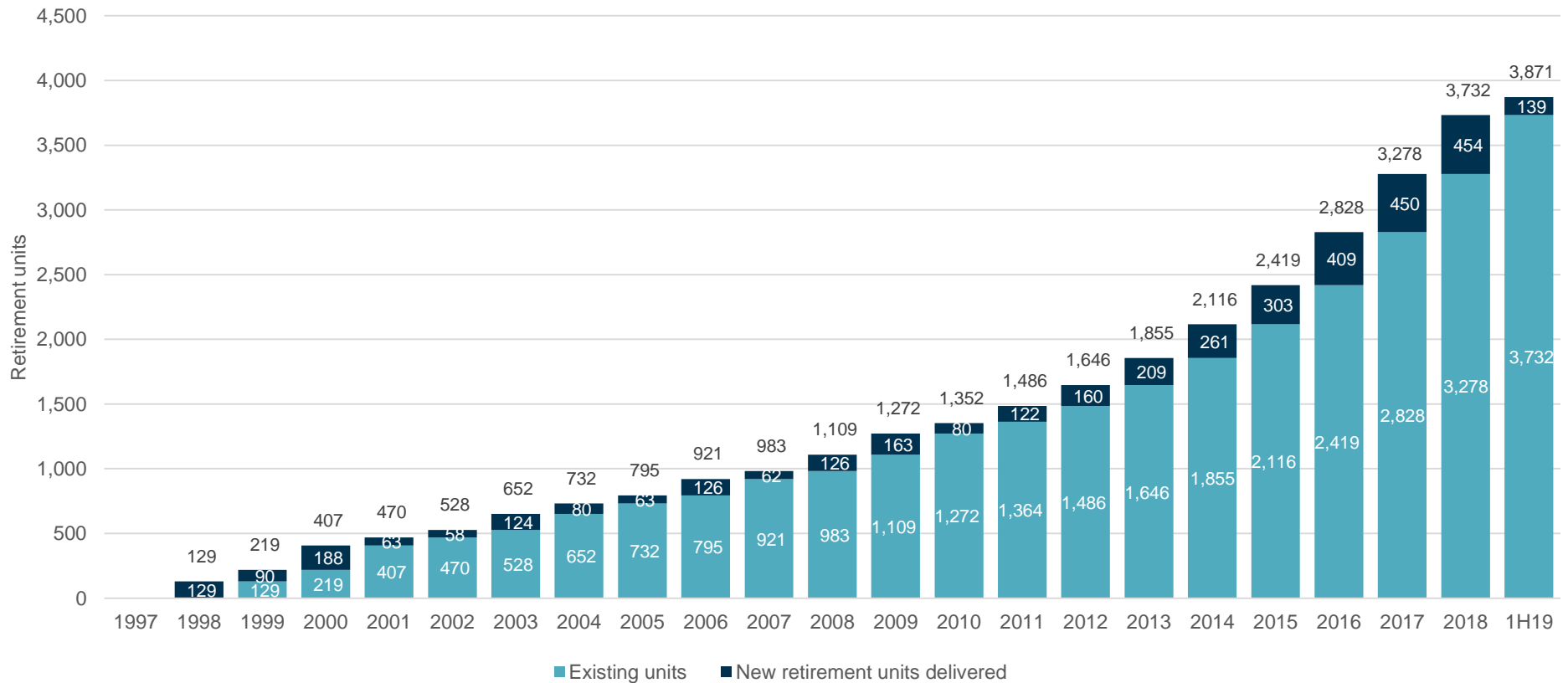
3,871 retirement units and 858 care beds

Existing portfolio - as at 30 June 2019					
Village	Villas	Apartments	Serviced & memory care apartments	Total retirement units	Total care beds
Ellerslie	34	79	57	170	58
Hobsonville	125	73	52	250	52
Karaka	182	-	59	241	50
Manukau	89	67	27	183	54
Warkworth	202	2	44	248	41
Auckland	632	221	239	1,092	255
Hamilton	183	-	50	233	49
Rototuna	90	-	-	90	-
Taupo	94	34	18	146	-
Waikato	367	34	68	469	49
Katikati	156	-	20	176	49
Bay of Plenty	156	-	20	176	49
Hastings	146	5	-	151	-
Havelock North	94	28	-	122	45
Napier	94	26	20	140	48
Hawke's Bay	334	59	20	413	93
New Plymouth	108	-	40	148	52
Taranaki	108	-	40	148	52
Levin	64	22	10	96	41
Palmerston North	90	12	-	102	44
Wanganui	70	18	12	100	37
Manawatu-Wanganui	224	52	22	298	122
Aotea	96	33	38	167	-
Paraparaumu	92	22	-	114	44
Trentham	231	12	40	283	44
Wellington	419	67	78	564	88
Nelson	214	-	55	269	59
Nelson-Tasman	214	-	55	269	59
Avonhead	29	-	-	29	-
Casebrook	100	-	-	100	-
Wigram	159	-	53	212	49
Canterbury	288	-	53	341	49
Dunedin	61	20	20	101	42
Otago	61	20	20	101	42
Total	2,803	453	615	3,871	858

Summerset growth

22 years of consistent delivery and growth

Summerset build rate



Future development

Largest NZ land bank for retirement village operator

Landbank – as at 30 June 2019					
Village	Villas	Apartments	Serviced apartments	Total retirement units	Total care beds
Whangarei	214	-	76	290	43
Northland	214	-	76	290	43
Ellerslie	8	140	-	148	-
Hobsonville	32	-	-	32	-
Milldale	99	117	76	292	43
Parnell	-	264	76	340	48
St Johns	-	236	76	312	32
Auckland	139	757	228	1,124	123
Papamoa	211	-	76	287	43
Bay of Plenty	211	-	76	287	43
Cambridge	214	-	76	290	43
Rototuna	98	-	76	174	43
Waikato	312	-	152	464	86
Pohutukawa Place	222	-	76	298	43
Taranaki	222	-	76	298	43
Te Awa	241	-	76	317	43
Hawke's Bay	241	-	76	317	43
Kenepuru	114	48	106	268	43
Lower Hutt	42	109	66	217	30
Waikanae	214	-	76	290	43
Wellington	370	157	248	775	116
Richmond	234	-	76	310	43
Blenheim	140	-	76	216	43
Nelson	374	-	152	526	86
Avonhead	136	-	99	235	43
Casebrook	170	-	76	246	43
Rangiora	245	-	76	321	43
Canterbury	551	-	251	802	129
Total	2,634	914	1,335	4,883	712

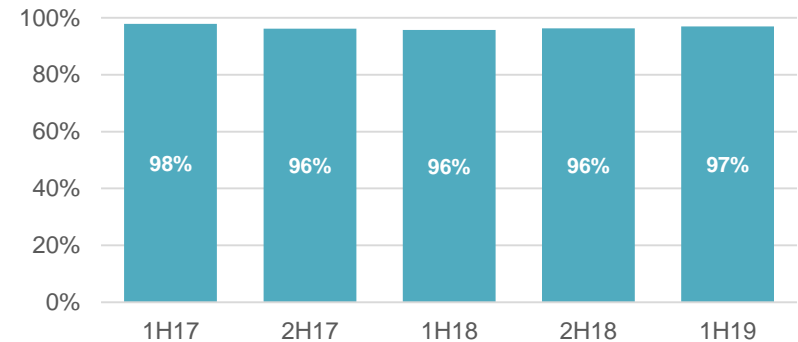
* Land bank reflects current intentions as at 30 June 2019

Customer profile & occupancy

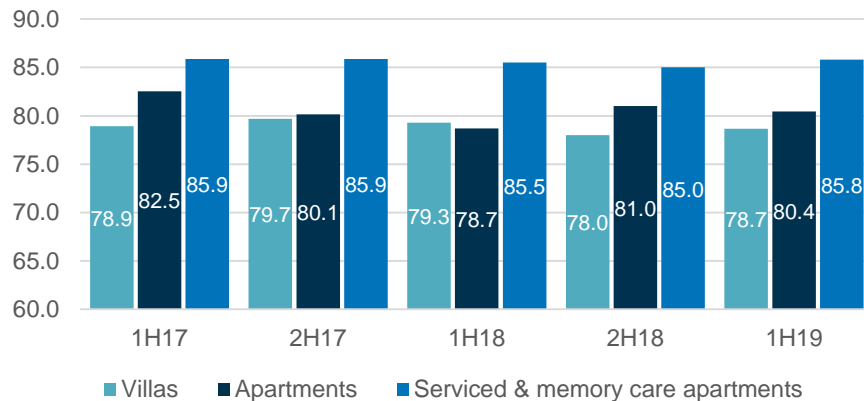
Occupancy, tenure and resident demographic statistics

- Occupancy within our established care centres is stable, with an average occupancy of 97% for 1H19
- Average tenure on 1H19 resale retirement units was 5.8 years for villas, 7.1 years for independent apartments, and 2.0 years for serviced and memory care apartments. This is aligned with previous years' resale tenure results, with apartments being skewed by a small sample size of 10 resale settlements
- Average entry age on 1H19 new and resale retirement units was 79, 80 and 86 years for villas, independent apartments and serviced and memory care apartments, respectively

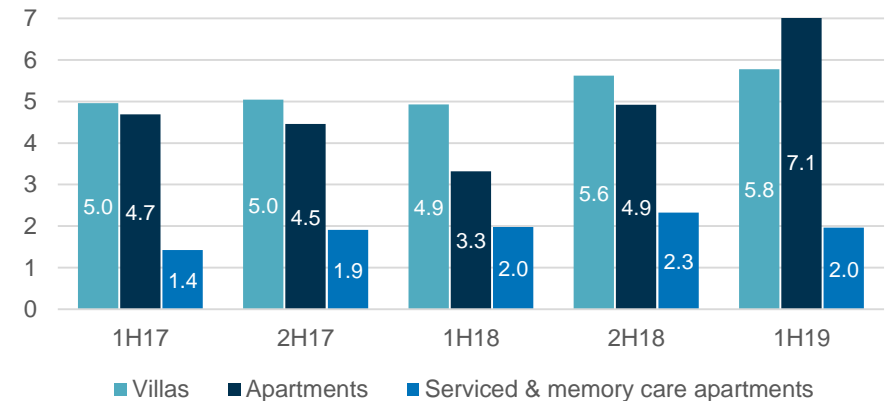
Occupancy - established care centres



Average entry age of residents (years)



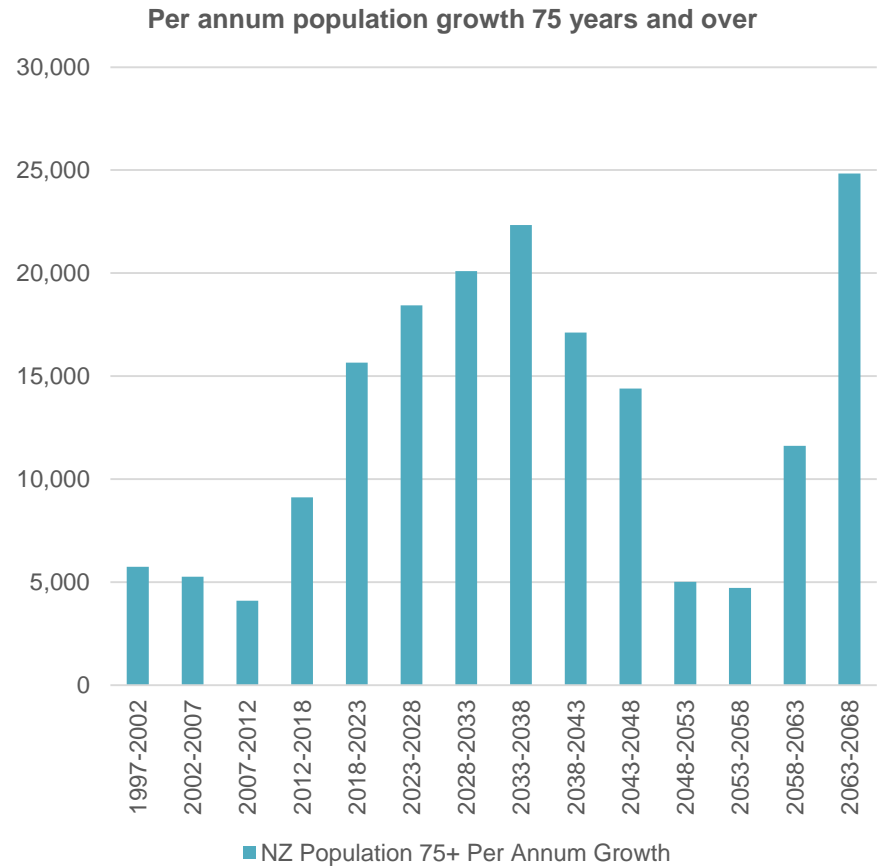
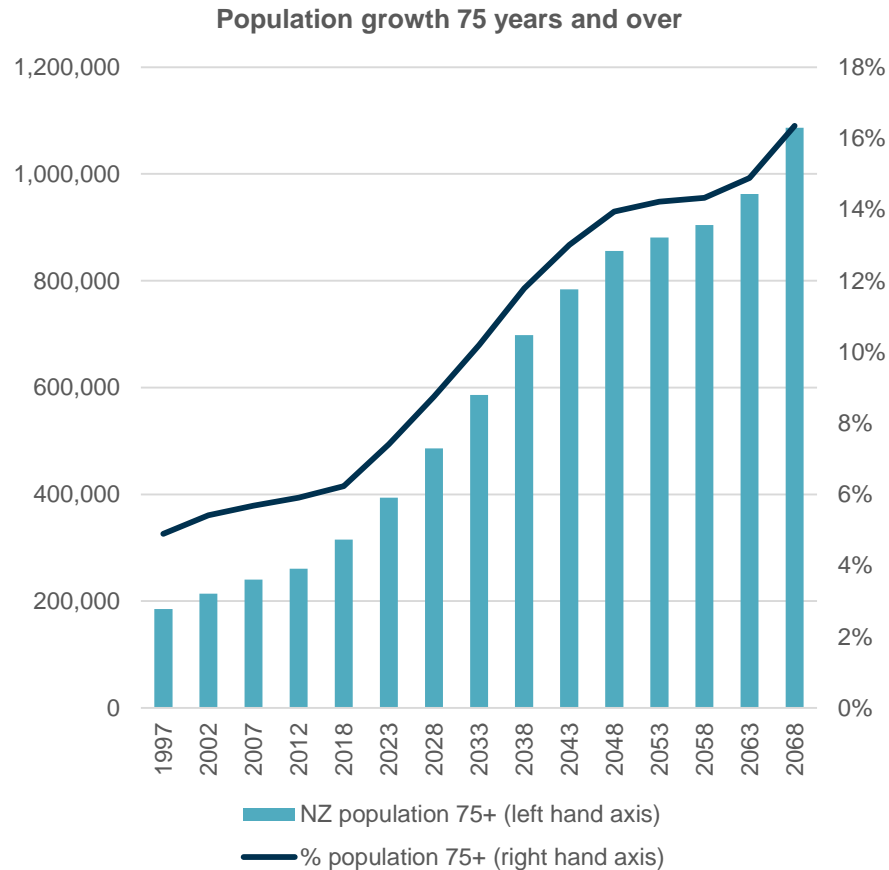
Average tenure (years) on resales*



* Average tenure has been calculated using the previous resident's occupancy on resales within the reporting period

Demographics

Population over 75 years forecast to grow 245% from 2018 to 2068



Source: Statistics New Zealand – National Population Projections