# Full year results presentation

Year ended 31 December 2018

Summerset Group Holdings Limited

22 February 2019

# Agenda

1 FY18 result highlights

2 Business overview

3 Financial results

4 Final dividend

5 Appendix

# FY18 result highlights

# FY18 result highlights

## Underlying profit up 21%, driven by strong development and resale margins

| | | FY18 | FY17 | *Variance* | FY16 |
|---|---|---|---|---|---|
| **Financial (NZ$m)** | Net profit before tax (IFRS) | 216.2 | 240.2 | *-10%* | 145.6 |
| | Net profit after tax (IFRS) | 214.5 | 239.9 | *-11%* | 145.5 |
| | Underlying profit* | 98.6 | 81.7 | *21%* | 56.6 |
| | Total assets | 2,766 | 2,233 | *24%* | 1,707 |
| | Net operating cash flow | 217.8 | 207.7 | *5%* | 192.6 |
| **Operational** | New sales of occupation rights | 339 | 382 | *-11%* | 414 |
| | Resales of occupation rights | 301 | 300 | *0%* | 244 |
| | **Total sales of occupation rights** | **640** | **682** | ***-6%*** | **658** |
| | New retirement units delivered | 454 | 450 | *1%* | 409 |

** Underlying profit differs from NZ IFRS reported profit after tax. The measure has been audited 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*

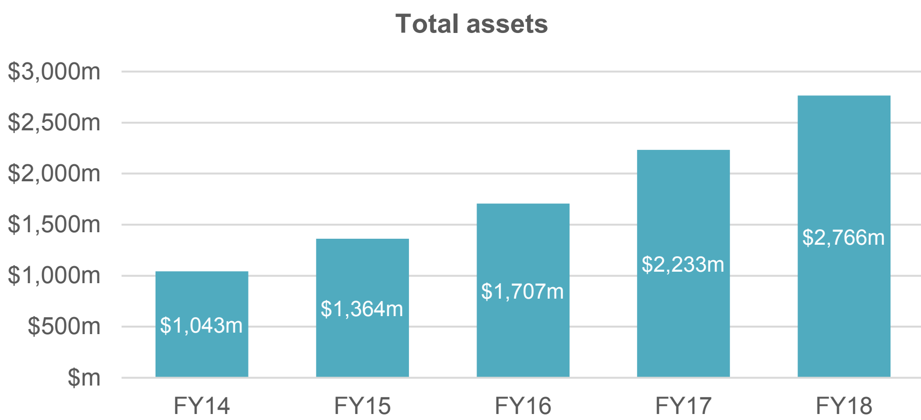
# FY18 result highlights

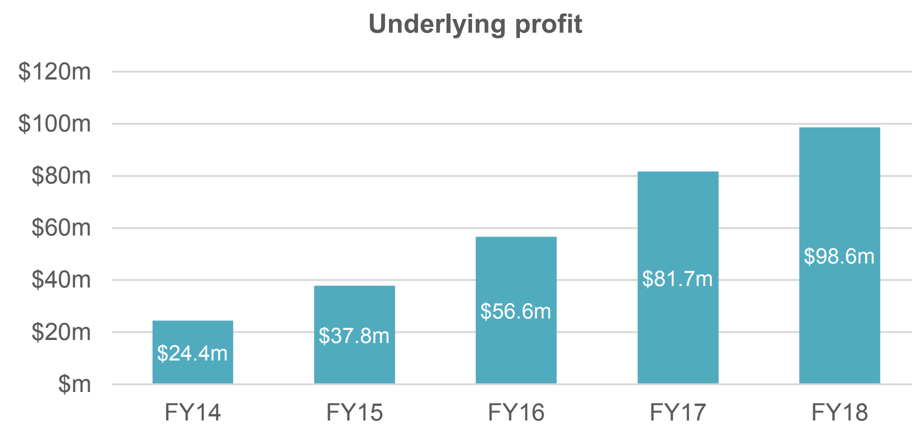
## 454 retirement units delivered in FY18, underlying profit of $98.6m

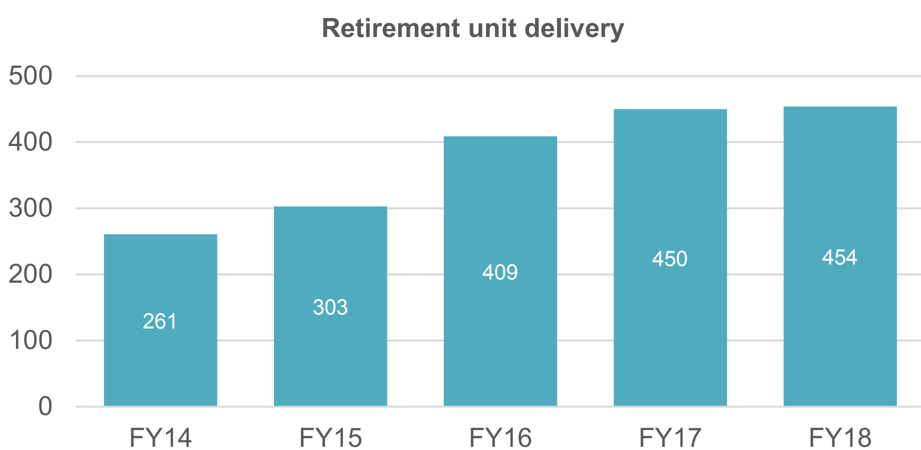
- IFRS profit of $214.5m after tax compared to FY17 of $239.9m
- Record underlying profit of $98.6m, up 21% on FY17
- Delivered 454 retirement units in FY18, in line with previous guidance
- Record development margin of 33.2%, up from 27.3% in FY17
- Record resale gain of 23.5%, up from 21.7% in FY17
- Final dividend of 7.2 cents per share declared
- Total dividends for the 2018 year (interim and final) of 13.2 cents per share, amounting to $29.7m, 30% of underlying profit
- Operating cash flow of $217.8m, and gearing ratio of 31.2%
- Total assets now $2.8b, up 24% on FY17 at $2.2b
- Land bank of 3,910 retirement units to support a lift in average build rate to 600 retirement units, over the next two to three years

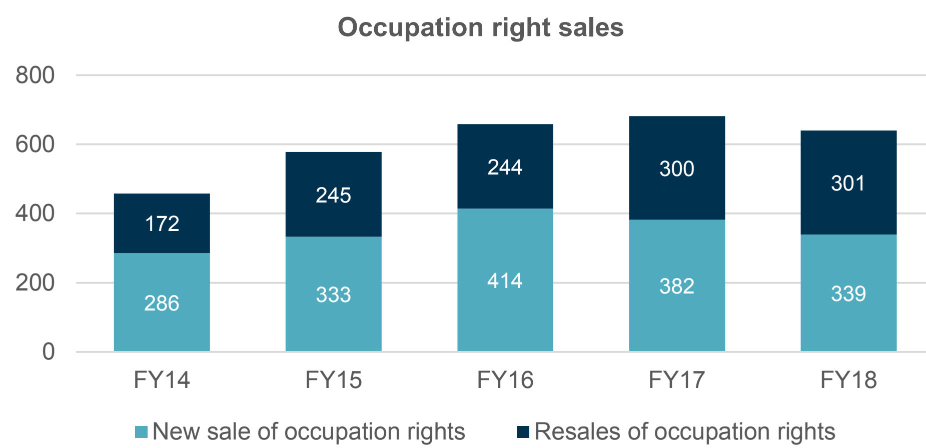

# FY18 result highlights

## Record full year underlying profit result



# Business overview

# Summerset snapshot

## Developed most retirement village units in the New Zealand industry in FY18

- 21 years of consistent delivery and growth
- Balance sheet growth of 348% since listing on the NZX in 2011
- Portfolio of 3,732 retirement units (villas, apartments, serviced apartments and memory care apartments) and 858 care beds
- More than 5,000 residents
- 25 villages completed or under development
- Seven greenfield sites at Kenepuru, Lower Hutt, Parnell, St Johns, and recent acquisitions in Te Awa (Napier), Pohutukawa Place (New Plymouth), and Papamoa (Tauranga)
- In addition two newly acquired sites announced today:
  - Milldale – 6.0 hectare site in a new suburb on the Hibiscus Coast
  - Waikanae – 25.5 hectare site close to Waikanae Beach and golf club (estimated village size of 8.0 hectares)
- Land bank of 3,910 retirement units as at 31 December 2018 or around six to seven years of development at the expected average build rate of 600
- Silver award winner in the Reader's Digest Quality Service Awards 2019


*Sub heading - based on deliveries of retirement units within New Zealand. Based on information from full year financial results of Summerset and competitors*

# FY18 review

## 454 retirement units delivered, record underlying profit of $98.6m

- Delivered new design standards, which have been used in our Casebrook and Rototuna villages
- Delivery of Ellerslie's first apartment block, adjacent to the main building
- Completed villages in Trentham, Karaka, Katikati, and Wigram
- Obtained resource consents and started civil works on Avonhead and Richmond sites. Also gained resource consent for our Te Awa village (in record time) and our Kenepuru village
- Announced five new land acquisitions in Te Awa (Napier), Pohutukawa Place (New Plymouth), Papamoa (Tauranga), Milldale (Auckland) and Waikanae (Kapiti Coast)
- Delivered 454 retirement units, in line with our FY18 build rate guidance of 450
- St Johns resource consent declined, have appealed and in mediation shortly
- Became the first retirement village operator in New Zealand to achieve CEMARS certification, achieved Lifemark certification throughout all villages and obtained the Group's first Dementia Friendly accreditation at our Levin retirement village
- Following preparation and diligence work during 2018, we are now actively seeking land in the greater Melbourne area, Australia

*Underlying profit differs from NZ IFRS reported profit after tax. The measure has been audited 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.*

# 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 CEMARS certified

## Increasing focus on sustainability

- Summerset has become the first retirement village operator to become CEMARS (Certified Emissions Measurement and Reduction Scheme) certified
- Provides third party certification to ensure accurate and consistent carbon measurement, reduction and neutrality claims. This will be independently verified annually to maintain certification
- A range of initiatives to reduce the intensity of our carbon emissions across the business are being introduced

certified organisation

- **Energy** – reducing our electricity and gas usage
- **Waste** – minimising our waste to landfill
- **Travel** – being more efficient in the way we travel
- **Paper** – reducing our paper consumption through paperless systems
- **Fertilisers** – selecting fertilisers with less greenhouse gases for our village gardens

# Lifemark certification

## First retirement group to receive full Lifemark village certification

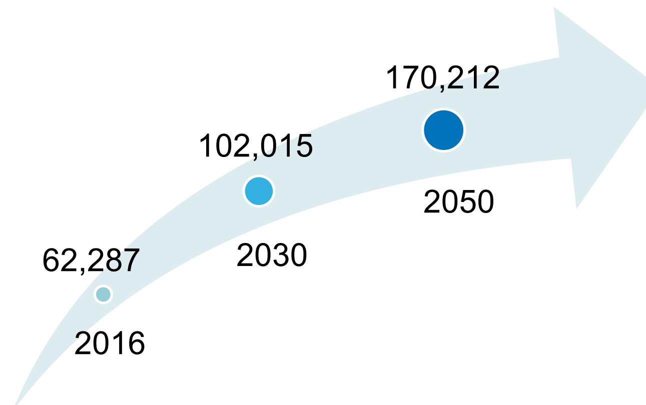
- First New Zealand retirement village group to receive Lifemark Village Certification. This certification signals to potential and current residents that Summerset's products and services meet the needs of any New Zealand occupant, for age, stage and ability – an assurance that Summerset villages will be right for your stage of life
- This certification covers the overall village precinct and access throughout, including communal grounds and wider facilities
- Performance is independently validated through a comprehensive on-site audit process
- Every new village hereafter will be independently audited by Lifemark

# Levin village Dementia Friendly accredited

## Further focus on continuum of care

- We have increased awareness of dementia throughout Summerset by upskilling staff at our retirement villages and head office to provide further support to our residents
- Summerset's Levin village has achieved Dementia Friendly accreditation from Alzheimers NZ
- Aiming to have all villages certified as Dementia Friendly by 2020
- Levin won the New Zealand Aged Care Association's Best Built Environment award for its innovative memory care centre

**Estimated number of people in New Zealand with Dementia from 2016 to 2050 ***




Dementia Friends

NGĀ POU WHIRINAKI MATE WAREWARE

ALZHEIMERS NEW ZEALAND

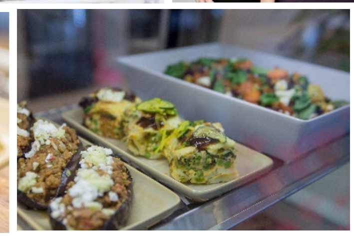
** Source: Alzheimers New Zealand data*

# Operations and staff

## Improvements from introduction of new systems

- 97% care customer satisfaction rating and 95% village customer satisfaction rating for 2018 survey
- Successfully completed the rollout of VCare resident management system across all villages, accompanied with the introduction of iPads to provide staff with up to date resident information. This largely removes paper processes from care centres and provides greatly improved access and visibility of information
- Introduced a new payroll system across Summerset
- Continued focus on staff with the introduction of staff hardship assistance, staff charity fundraising and a day off on employees' birthdays
- Introduction of new uniform design across all Summerset villages throughout the second half of the year
- Refreshed food offering with regionally focused menus in our villages, featuring locally grown food. All food is prepared on site by local chefs



# FY18 development activity

## Delivery of 454 retirement units in FY18 across nine sites

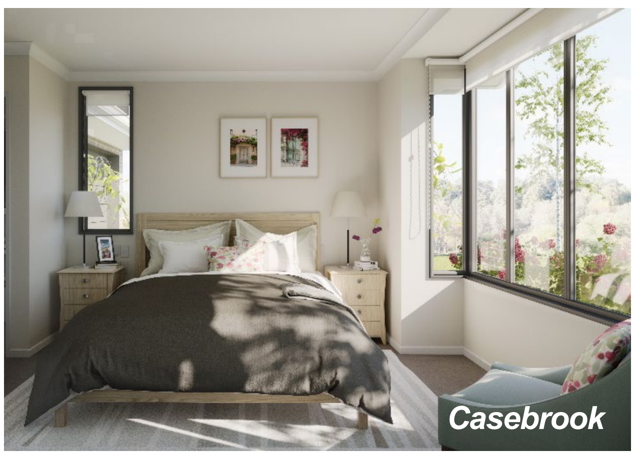
| Location | Villas | Apartments | Serviced apartments | Total retirement units | Total care beds |
|---|---|---|---|---|---|
| Casebrook | 69 | - | - | 69 | - |
| Ellerslie | - | 54 | - | 54 | - |
| Hobsonville | 2 | 28 | 37 | 67 | 52 |
| Karaka | 71 | - | - | 71 | - |
| Katikati | 38 | - | - | 38 | - |
| Rototuna | 56 | - | - | 56 | - |
| Trentham | - | - | 20 | 20 | - |
| Warkworth | 31 | - | - | 31 | - |
| Wigram | 48 | - | - | 48 | - |
| **Total** | **315** | **82** | **57** | **454** | **52** |

- 454 retirement units and 52 care beds delivered across nine villages
- Delivered first apartment block in Ellerslie, adjacent to the main building
- Completion of Trentham, Karaka, Katikati and Wigram villages
- First residents moved into Casebrook and Rototuna villages

# FY18 development activity

## Delivery of 454 retirement units in FY18 across nine sites




# FY18 development activity

## Delivery of 454 retirement units in FY18 across nine sites





# New land sites acquired

## Five new land sites acquired since the beginning of 2018

Milldale (Auckland)

Te Awa (Napier)

Waikanae (Kapiti Coast)

Papamoa (Tauranga)

Pohutukawa Place (New Plymouth)

# Future development

## Land bank of 3,910 retirement units and 540 care beds

**Land bank - as at 31 December 2018**

| Village | Villas | Apartments | Serviced & memory care apartments | Total retirement units | Total care beds |
|---|---|---|---|---|---|
| Ellerslie | 8 | 142 | - | 150 | - |
| Hobsonville | 8 | 8 | 4 | 20 | - |
| Milldale | 99 | 117 | 76 | 292 | 43 |
| Parnell | - | 264 | 76 | 340 | 48 |
| St Johns | - | 236 | 76 | 312 | 32 |
| Warkworth | 23 | - | - | 23 | - |
| **Auckland** | **138** | **767** | **232** | **1,137** | **123** |
| Papamoa | 211 | - | 76 | 287 | 43 |
| **Bay of Plenty** | **211** | **-** | **76** | **287** | **43** |
| Rototuna | 132 | - | 76 | 208 | 43 |
| **Waikato** | **132** | **-** | **76** | **208** | **43** |
| 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 | 102 | 93 | 106 | 301 | 43 |
| Lower Hutt | 42 | 109 | 66 | 217 | 30 |
| Waikanae | 214 | - | 76 | 290 | 43 |
| **Wellington** | **144** | **202** | **172** | **808** | **116** |
| Richmond | 234 | - | 76 | 310 | 43 |
| **Nelson** | **234** | **-** | **76** | **310** | **43** |
| Avonhead | 156 | 12 | 98 | 266 | 43 |
| Casebrook | 191 | 12 | 76 | 279 | 43 |
| **Christchurch** | **347** | **24** | **174** | **545** | **86** |
| **Total** | **1,669** | **993** | **958** | **3,910** | **540** |

# Development pipeline

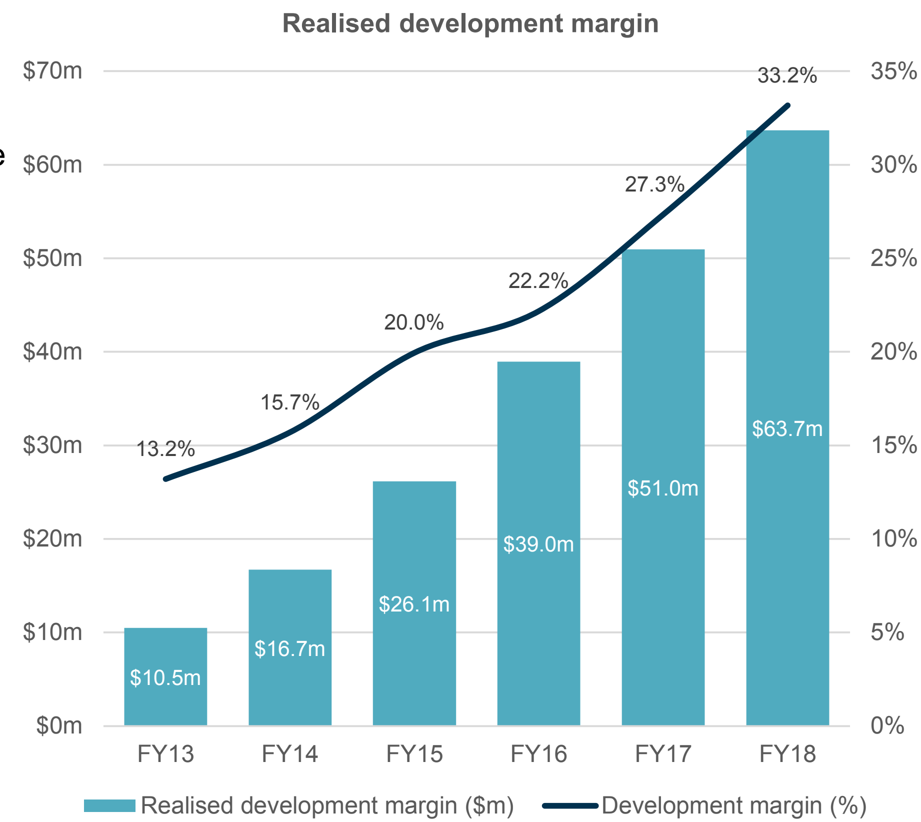
| Villages | Design | Consenting | Construction | Village open | Final stages |
|---|---|---|---|---|---|
| Warkworth, Auckland | ● | ● | ● | ● | ● |
| Hobsonville, Auckland | ● | ● | ● | ● | ● |
| Ellerslie, Auckland | ● | ● | ● | ● | |
| Rototuna, Hamilton | ● | ● | ● | ● | |
| Casebrook, Christchurch | ● | ● | ● | ● | |
| Richmond, Tasman | ● | ● | ● | | |
| Avonhead, Christchurch | ● | ● | ● | | |
| Kenepuru, Wellington | ● | ● | | | |
| Te Awa, Napier* | ● | ● | | | |
| St John's, Auckland | ● | ● | | | |
| Lower Hutt, Wellington | ● | ● | | | |
| Parnell, Auckland | ● | | | | |
| Papamoa, Tauranga* | ● | | | | |
| Pohutukawa Place, New Plymouth* | ● | | | | |
| Waikanae, Kapiti* | ● | | | | |
| Milldale, Auckland* | ● | | | | |

* New sites purchased.

# Development margin

## Record FY18 development margin of 33.2% with a realised margin of $63.7m

- Record development margin of 33.2% achieved in FY18, with strong margins across all villages that settled new retirement units within the year
- Investment in our design and construction teams to increase in-house experience and quality has attributed to our increased development margin, through careful cost control without reducing quality
- Maintained a consistent development margin between 1H18 and 2H18
- Auckland village new sales are performing well, with a 32.5% development margin across the Auckland portfolio
- Sales of new occupation rights were split 39% in the Auckland region villages and 61% across the rest of our developing villages
- Over the medium to long term we continue to expect development margins to be approximately 20% to 25%



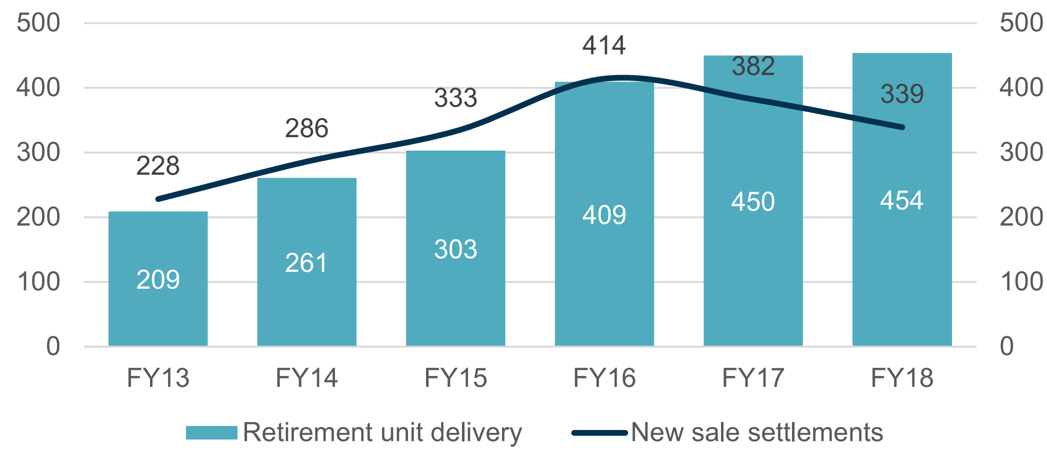
# New sales of occupation rights

## Record gross proceeds of $192.0m

- New sales of occupation rights of 339 in FY18, down from 382 in FY17
- Despite lower new sales volumes, gross proceeds were up 3% from FY17
- Lower new sales driven by timing differences. 133 retirement units were delivered in December, with very limited ability to settle these prior to year end
- Average gross proceeds per new sale settlement of $566k, up from $488k in FY17

| New sales | FY18 | FY17 | *Variance* | FY16 |
|---|---|---|---|---|
| Gross proceeds ($m) | 192.0 | 186.4 | 3% | 175.6 |
| Villas | 235 | 235 | 0% | 293 |
| Apartments | 16 | 29 | -45% | 15 |
| Serviced apartments | 87 | 111 | -22% | 104 |
| Memory care apartments | 1 | 7 | -86% | 2 |
| **Total occupation rights** | **339** | **382** | **-11%** | **414** |

**New sales and retirement unit delivery**

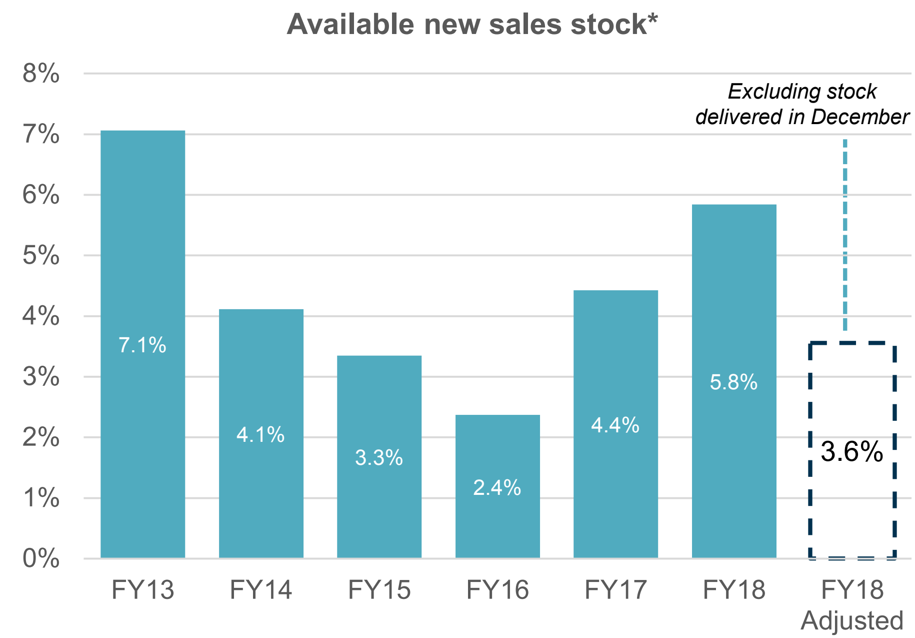


# New sales stock

## New sales stock remains historically low on a relative basis

- Contracted stock as a proportion of total new sales stock was consistent at 32% in FY18, versus 29% in FY17 with good sales still being seen. 133 retirement unit deliveries in late December reducing the ability to settle prior to year end
- Serviced and memory care apartments are selling down steadily with stock decreasing from 118 at FY17 compared to 87 at FY18. The average days available to settle for uncontracted villa and apartment new sales stock is 3 months and 1 month, respectively

| New sales stock | FY18 | FY17 | FY16 |
|---|---|---|---|
| Contracted | 101 | 59 | 69 |
| Uncontracted | 218 | 145 | 67 |
| **Total new sales stock** | **319** | **204** | **136** |
| Contracted | 45 | 26 | 44 |
| Uncontracted | 102 | 41 | 12 |
| **Villas** | **147** | **67** | **56** |
| Contracted | 38 | 5 | 0 |
| Uncontracted | 47 | 14 | 1 |
| **Apartments** | **85** | **19** | **1** |
| Contracted | 18 | 28 | 25 |
| Uncontracted | 69 | 90 | 54 |
| **Serviced & memory care apartments** | **87** | **118** | **79** |



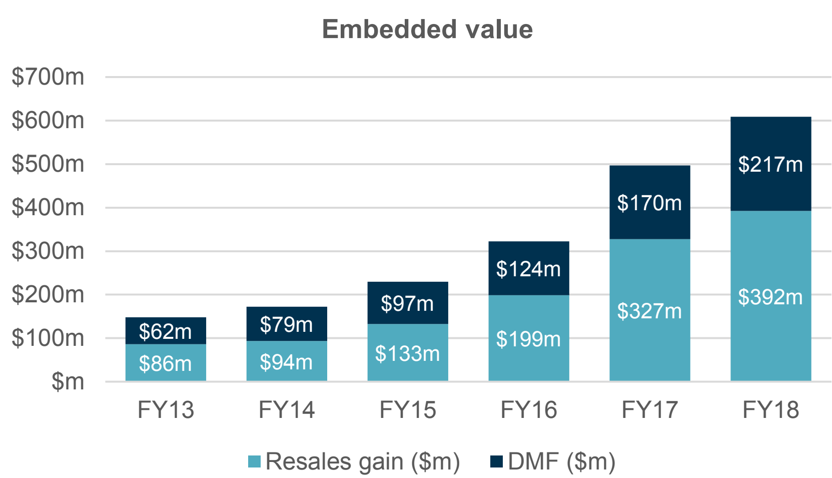

** Uncontracted new sales stock as a proportion of the total retirement unit portfolio at balance date*

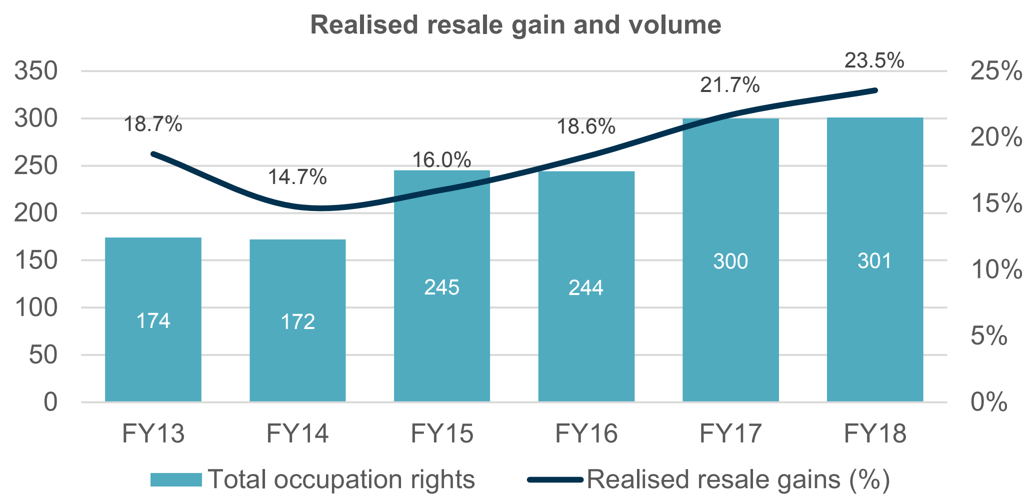
# Resales of occupation rights

## Record realised gain and embedded value

- Record realised resale gain of 23.5%, up 9% on FY17
- Resales of 301 occupation rights in FY18 (FY17 resales of 300)
- Gross proceeds of $122.2m, up 6% on FY17
- Embedded value of $163k per retirement unit, as at 31 December 2018, up from $152k as at 31 December 2017
- Embedded resale gain of $105k per retirement unit, up from $100k as at 31 December 2017

| Resales | FY18 | FY17 | *Variance* | FY16 |
|---|---|---|---|---|
| Gross proceeds ($m) | 122.2 | 114.9 | *6%* | 83.1 |
| Realised resale gains ($m) | 28.7 | 24.9 | *15%* | 15.4 |
| Realised resale gains (%) | 23.5% | 21.7% | *9%* | 18.6% |
| DMF realisation ($m) | 15.0 | 13.8 | *8%* | 10.3 |
| Villas | 163 | 172 | *-5%* | 142 |
| Apartments | 48 | 46 | *4%* | 44 |
| Serviced apartments | 87 | 82 | *6%* | 58 |
| Memory care apartments | 3 | - | *N/A* | - |
| **Total occupation rights** | **301** | **300** | ***0%*** | **244** |



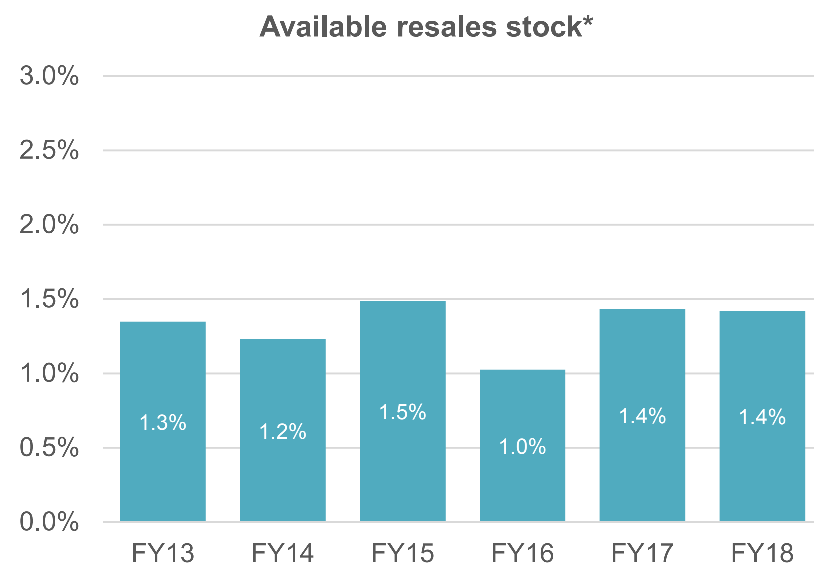



# Resales stock

## Resales stock levels remain low despite growing portfolio

- Resales stock remains low with 58 retirement units under contract and 53 retirement units uncontracted at FY18, maintaining similar contracted and uncontracted resales stock levels as FY17, despite the portfolio growing
- As a proportion of our total retirement unit stock, uncontracted resales stock makes up only 1.4%
- We continue to see good demand for resale retirement units across all villages.  On average only ~2 uncontracted retirement units per village

| Resales stock | FY18 | FY17 | FY16 |
|---|---|---|---|
| Contracted | 58 | 63 | 56 |
| Uncontracted | 53 | 47 | 29 |
| **Total resales stock** | **111** | **110** | **85** |
| | | | |
| Contracted | 27 | 37 | 29 |
| Uncontracted | 33 | 24 | 17 |
| **Villas** | **60** | **61** | **46** |
| | | | |
| Contracted | 6 | 9 | 9 |
| Uncontracted | 3 | 5 | 4 |
| **Apartments** | **9** | **14** | **13** |
| | | | |
| Contracted | 25 | 17 | 18 |
| Uncontracted | 17 | 18 | 8 |
| **Serviced & memory care apartments** | **42** | **35** | **26** |




** Uncontracted resales stock as a proportion of the total retirement unit portfolio at balance date*

# Financial results

# FY18 reported profit (IFRS)

## FY18 net profit after tax of $214.5m

- IFRS NPAT of $214.5m, down 11% relative to FY17 driven by lower fair value movement in investment property of $209.9m – refer to next slide for further details
- Total revenue of $137.0m, up 24% relative to FY17
- The increase in FY18 expenditure relative to the prior year is driven from a mix of:
    - Growth in new and developing villages as care centres and independent living units recently built fill
    - Costs associated with preparing for a lift in build rate to 600 retirement units per annum over the next two to three years
    - Project-specific costs including investigation into Australia, staff training costs for the new VCare customer management system, lift in quality of food offering and roll out of new uniform design
    - Staff-related costs such as pay-equity and increased staff benefits
- Net finance costs of $11.6m remain consistent with FY17, up 1%

| NZ$m | FY18 | FY17 * | *Variance* | FY16 |
|---|---|---|---|---|
| Total revenue | 137.0 | 110.5 | *24%* | 86.1 |
| Fair value movement of investment property | 209.9 | 234.5 | *-10%* | 143.5 |
| **Total income** | **346.9** | **345.0** | ***1%*** | **229.5** |
| Total expenses | 119.1 | 93.2 | *28%* | 74.8 |
| Net finance costs | 11.6 | 11.5 | *1%* | 9.1 |
| **Net profit before tax** | **216.2** | **240.2** | ***-10%*** | **145.6** |
| Tax expense | 1.7 | 0.3 | *476%* | 0.2 |
| **Net profit after tax** | **214.5** | **239.9** | ***-11%*** | **145.5** |

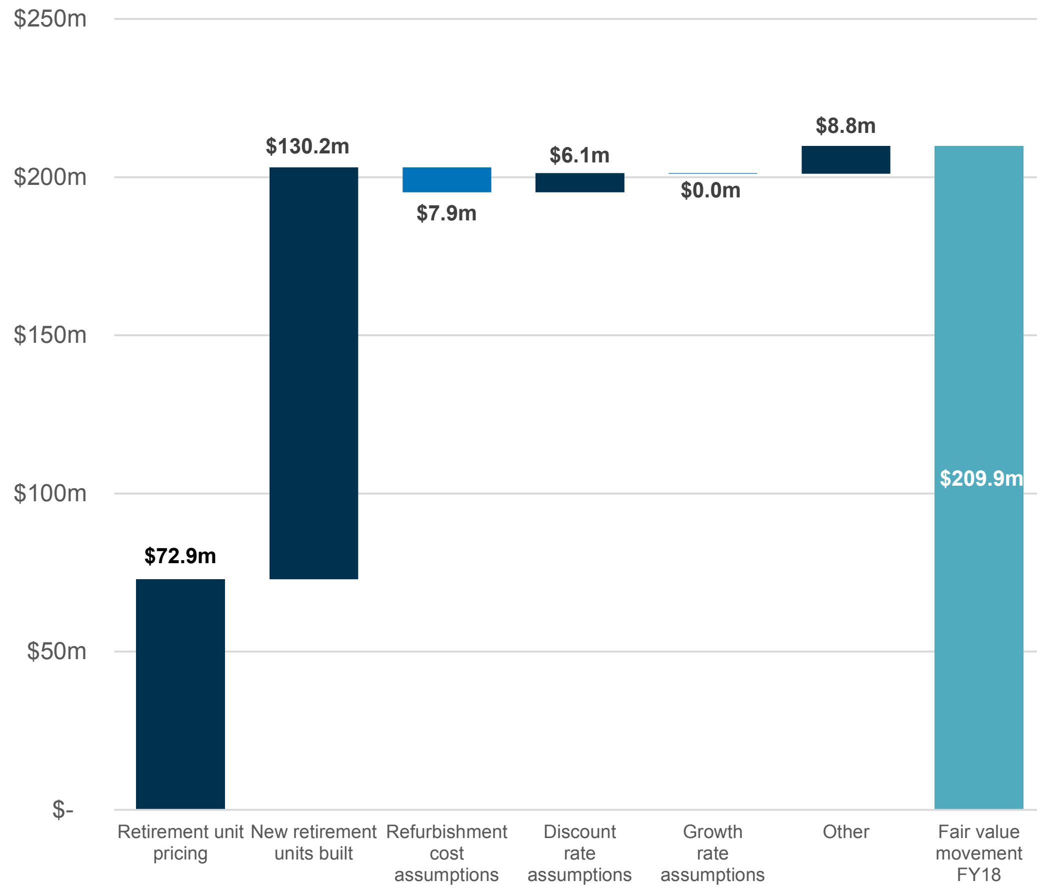
** Fair value movement of investment property has been restated for 2017. Refer to note 1 comparative information in the financial statements for further details.*

# Fair value movement

## $209.9m fair value movement of investment property

- Fair value movement of $209.9m, down 10% on FY17 *
- Reduction on prior year primarily driven by lower level of retirement unit pricing increase $72.9m of uplift FY18 compared to $99.7m uplift FY17
- Fair value movement for FY18 comprised of:
  - Increase in retirement unit pricing ($72.9m): retirement unit price inflation on existing retirement units within the portfolio resulting in uplift in operator's interest
  - New retirement units built ($130.2m): value of new retirement units delivered in FY18
  - Refurbishment cost assumptions (-$7.9m): uplift in refurbishment cost assumption used by valuer
  - Discount rates ($6.1m) and growth rates ($0.0m): change in assumptions used by valuer
  - Other movements ($8.8m): changes in all other valuation assumptions
- Refer to the appendices (slide 46) for key assumptions associated with the investment property valuation

**FY18 fair value movement of investment property**




** Fair value movement of investment property has been restated for 2017. Refer to note 1 comparative information in the financial statements for further details.*

# FY18 underlying profit

## Underlying profit up 21% on FY17, 43% CAGR over last seven years

- FY18 underlying profit of $98.6m, up 21% on FY17
- Uplift in underlying profit principally driven by the maturing nature of our operating business and strong margins on sales
- Realised development margin of $63.7m achieved in FY18, up from $51.0m in FY17, driven by a record development margin of 33.2% on retirement units built during the year
- Realised gain on resales of $28.7m achieved in FY18, increased from $24.9m in FY17, driven by strong sales price growth across our villages on consistent volumes
- Underlying profit has seen a compounded annual growth rate (CAGR) increase of 43% since listing on the NZX in 2011

| NZ$m | FY18 | FY17 | *Variance* | FY16 |
|---|---|---|---|---|
| Care fees and village services | 91.2 | 74.5 | *22%* | 57.8 |
| Deferred management fees | 45.6 | 35.8 | *27%* | 28.0 |
| Realised gain on resales | 28.7 | 24.9 | *15%* | 15.4 |
| Realised development margin | 63.7 | 51.0 | *25%* | 39.0 |
| Other income & interest received | 0.2 | 0.2 | *23%* | 0.2 |
| **Total income** | **229.4** | **186.4** | ***23%*** | **140.4** |
| Operating expenses | 112.4 | 88.6 | *27%* | 71.1 |
| Depreciation and amortisation | 6.7 | 4.6 | *44%* | 3.7 |
| Net finance costs | 11.6 | 11.5 | *1%* | 9.1 |
| **Total expenses** | **130.8** | **104.7** | ***25%*** | **83.9** |
| **Underlying profit** | **98.6** | **81.7** | ***21%*** | **56.6** |

*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 audited 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.*

# FY18 cash flows

## Net operating business cash flows up 17%

- Continuing to see benefits of maturing portfolio - net operating cash flows up 5% from $207.7m in FY17 to $217.8m in FY18. Have seen a consistent maturing operating cash flow since listing of 26% CAGR
- Net receipts from resales has increased $13.0m on FY17 with uplift in resale margin on consistent volumes
- Gross receipts from new sales was up $5.7m on FY17 despite lower sales volumes, 382 in FY17 compared to 339 in FY18
- Investing cash flows have increased 13% on FY17 driven by land acquisitions
- Refurbishment cost increase driven by programmed upgrade of a number of older village main centres and care centres

| NZ$m | FY18 | FY17 | *Variance* | FY16 |
|---|---|---|---|---|
| Net operating business cash flow | 30.5 | 26.1 | *17%* | 15.7 |
| Receipts for residents' loans - new sales | 187.3 | 181.6 | *3%* | 176.9 |
| **Net operating cash flow** | **217.8** | **207.7** | ***5%*** | **192.6** |
| Purchase of land | (54.7) | (27.8) | *96%* | (18.5) |
| Construction of new IP & care centres | (213.7) | (213.1) | *0%* | (168.1) |
| Refurb of existing IP & care centres | (6.4) | (4.7) | *37%* | (3.3) |
| Other investing cash flows | (6.2) | (6.1) | *1%* | (5.0) |
| Capitalised interest paid | (9.3) | (5.8) | *61%* | (5.0) |
| **Net investing cash flow** | **(290.4)** | **(257.5)** | ***13%*** | **(199.9)** |
| Net proceeds from borrowings | 103.7 | 73.9 | *40%* | 25.8 |
| Net dividends paid | (17.8) | (12.3) | *45%* | (8.9) |
| Other financing cash flows | (13.4) | (12.9) | *4%* | (7.6) |
| **Net financing cash flow** | **72.5** | **48.7** | ***49%*** | **9.2** |

# FY18 balance sheet

## Total assets of $2.8b, up 24% from $2.2b in FY17

- Total assets of $2.8b, up 24% on FY17
- Retained earnings have increased from $509.1m as at 31 December 2017 to $694.5m as at 31 December 2018. This continues to positively impact balance sheet strength and company gearing ratios
- Investment property valuation of $2.6b, up 25% on FY17
- 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
- Intangibles of $6.6m at FY18. Principally made up of the VCare customer management system, new payroll system, and asset management system
- Embedded value of $609.1m, $163k per retirement unit, as at 31 December 2018:
  - $392.5m resale gains
  - $216.6m deferred management fees

| NZ$m | FY18 | FY17 * | *Variance* | FY16 |
|---|---|---|---|---|
| Investment property | 2,585 | 2,070 | *25%* | 1,591 |
| Other assets | 181.3 | 163.2 | *11%* | 115.4 |
| **Total assets** | **2,766** | **2,233** | ***24%*** | **1,707** |
| Residents' loans | 1,137 | 966.6 | *18%* | 801.3 |
| Face value of bank loans & bonds** | 451.5 | 347.8 | *30%* | 274.0 |
| Other liabilities | 199.3 | 132.6 | *50%* | 85.9 |
| **Total liabilities** | **1,788** | **1,447** | ***24%*** | **1,161** |
| **Net assets*** ** | **978.8** | **785.8** | ***25%*** | **545.6** |
| | | | | |
| **Embedded value** | **609.1** | **497.1** | ***23%*** | **322.6** |
| **NTA (cents per share)** | **438.4** | **355.1** | ***23%*** | **249.9** |

** Investment property has been restated for 2017. 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.*

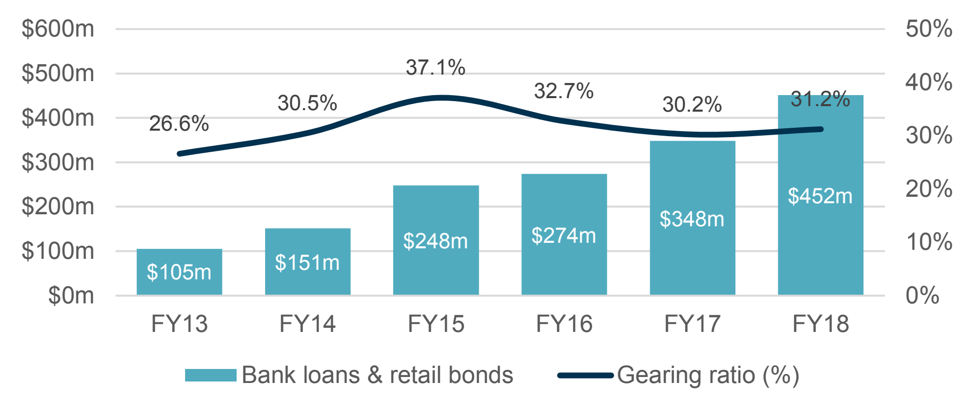
# Gearing ratio

## Gross debt of $451.5m* and gearing ratio of 31.2%

- Gross debt of $451.5m as at 31 December 2018, up $103.7m from 31 December 2017
- Uplift in gross debt includes construction spend for Ellerslie apartment block, Hobsonville final apartment block, Warkworth villas, first stages of Casebrook and Rototuna and final stages of Trentham, Karaka, Katikati and Wigram
- Land purchases in FY18 include Te Awa (Napier), Pohutukawa Place (New Plymouth), Papamoa (Tauranga), Milldale (Auckland) and Waikanae (Kapiti Coast)
- Bank facility of $500.0m with undrawn capacity of $273.5m at 31 December 2018
- Retail bonds of $125.0m successfully raised in FY18, bringing total bonds to $225.0m

| NZ$m | FY18 | FY17* | *Change* | FY16 |
|---|---|---|---|---|
| Face value of bank loans & retail bonds ** | 451.5 | 347.8 | *30%* | 274.0 |
| Cash and cash equivalents | (7.5) | (7.6) | *-1%* | (8.7) |
| **Net debt** | **444.0** | **340.3** | ***30%*** | **265.3** |
| **Net assets** | **978.8** | **785.8** | ***25%*** | **545.6** |
| **Gearing ratio (%)*** ** | **31.2%** | **30.2%** | ***3%*** | **32.7%** |
| **Bank & bond LVR (%) *** ** | **32.3%** | **31.4%** | ***3%*** | **34.0%** |

**Gross borrowings and gearing ratio**




** Net assets (through investment property) have been restated for 2017. Refer to note 1 comparative information in the financial statements for further details.*

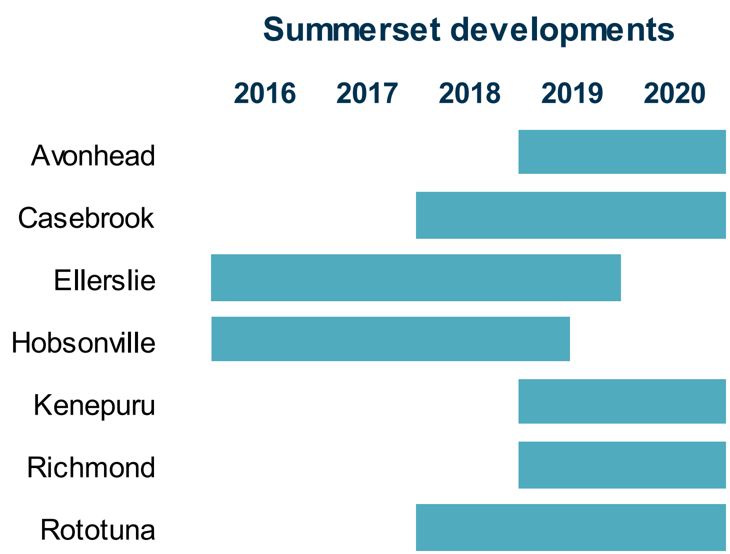
*** Face value of drawn bank debt and retail bonds. Excludes capitalised and amortised bond issue costs, and fair value movement on hedged borrowings*

**** 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)*

# Project cash profits

## Delivering significant positive cash flow across new villages

- High density metropolitan sites require significant investment, but yield significant returns upon sell down of the village
- Positive net cash flows from village development allows us to recycle capital for new projects or repay debt
- An increased land bank allows us to build on multiple sites, spreading and diversifying sales across many regions
- On average it takes between four and six years from the time village construction starts to the last retirement unit being delivered



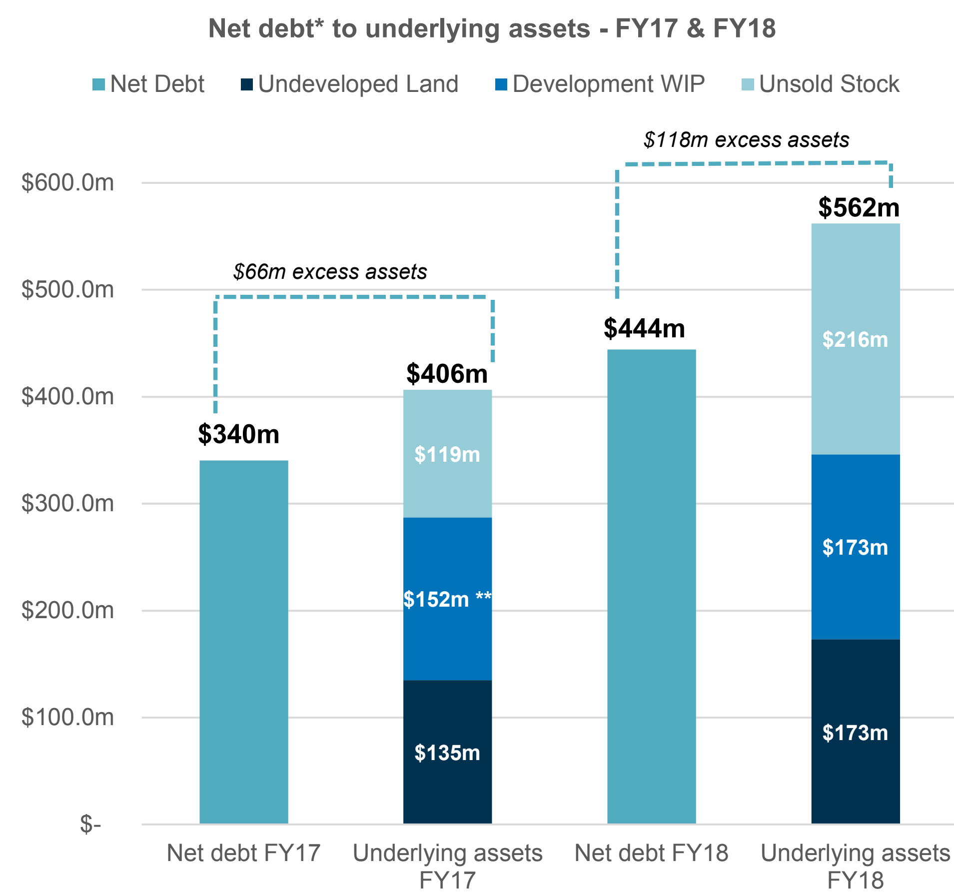

| Village | Forecast Capital Investment ($m) | Forecast Net Cash Position* ($m) |
|---|---|---|
| Ellerslie | $200m + | $40m + |
| Casebrook<br>Hobsonville<br>Kenepuru<br>Richmond<br>Rototuna | $100m + | $15m + |
| Avonhead | $100m + | $5m - $15m |

**Forecast net position represents cash profits post land cost, retirement unit development costs, recreation and administration facility costs, care facility costs, management fees and interest costs*

# Composition of drawn debt

## Strong asset backing to net debt

- Development projects are debt funded. Development assets exceed the value of net debt by $118m and 27%. This has lifted from $66.0m and 19% from December 2017
- All debt is associated with development activities
- Development assets could be realised to reduce debt
- Total underlying assets of $562m are made up of:
  - Undeveloped land of $173m
  - Development WIP of $173m
  - Vacant new sale stock of $216m




** Face value of drawn bank debt and retail bonds*

*** Development WIP has been restated for 2017. Refer to note 1 comparative information in the financial statements for further details*

# Final dividend

# FY18 final dividend

## Summerset board declares FY18 final dividend

- The Summerset Board has declared a final dividend of 7.2 cents per share, unimputed
- This bring total dividends for the 2018 year (interim and final) to 13.2 cents per share, being approximately $29.7m, and representing 30% of underlying profit. This total dividend payment is an increase of 21% on FY17
- 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 Monday 11th March 2019. Any applications received on or after this time will be applied to subsequent dividends
- The final dividend will be paid on Thursday 21st March 2019. The record date for final determination of entitlements to the final dividend is Friday 8th March 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

# Questions?



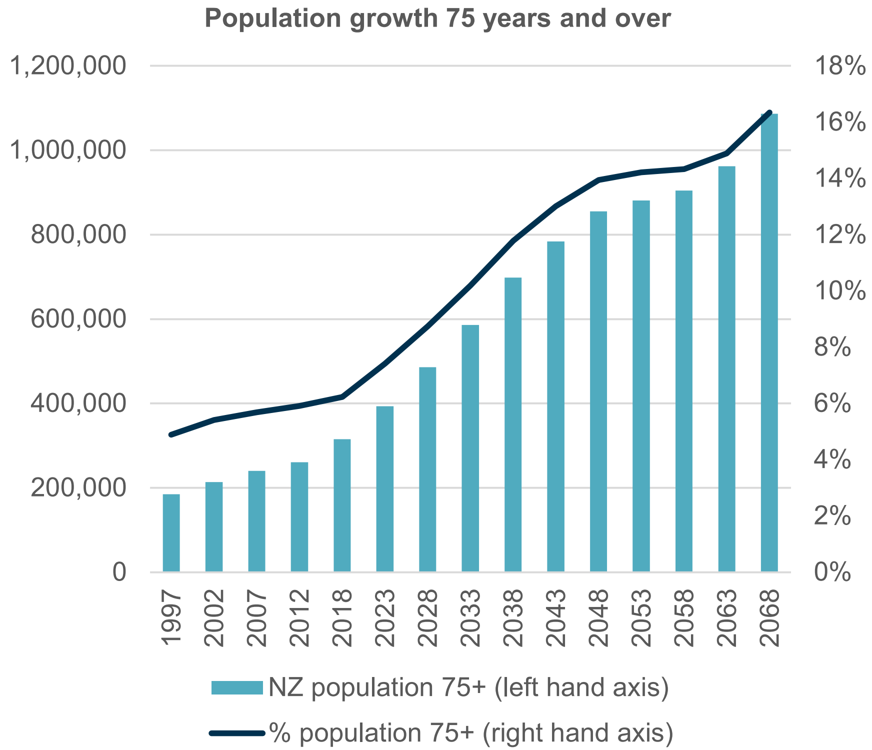
# Disclaimer

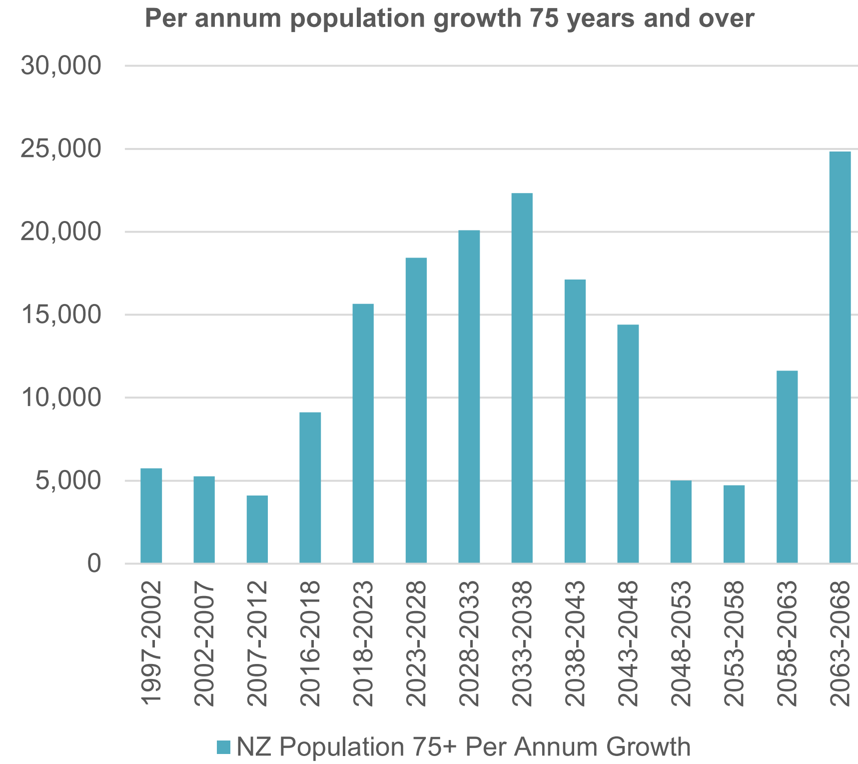
- This presentation may contain projections or forward looking statements regarding a variety of items. Such forward looking statements are based upon current expectations and involve risks and uncertainties
- Actual results may differ materially from those stated in any forward looking statement based 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

# Demographics

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

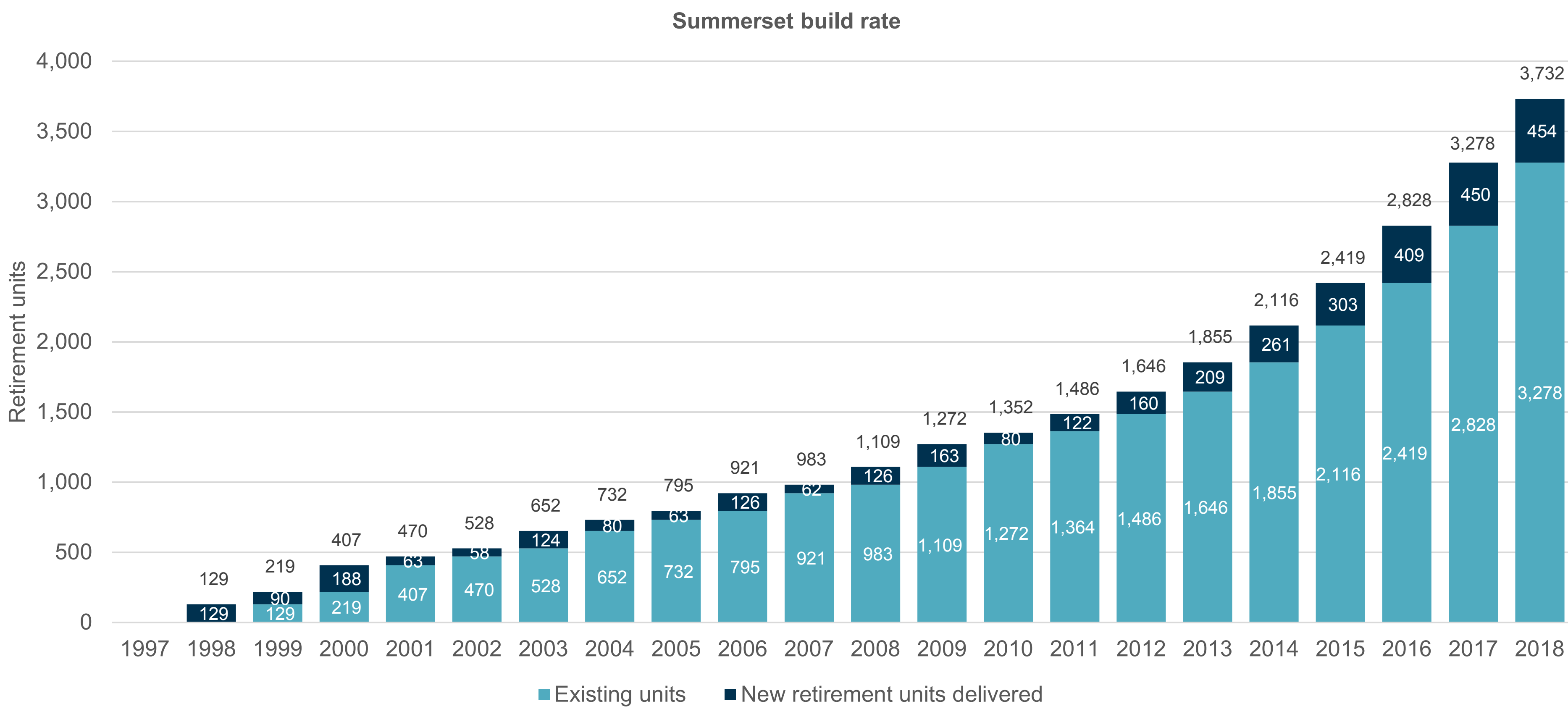



*Source: Statistics New Zealand – National Population Projections*

# Summerset growth

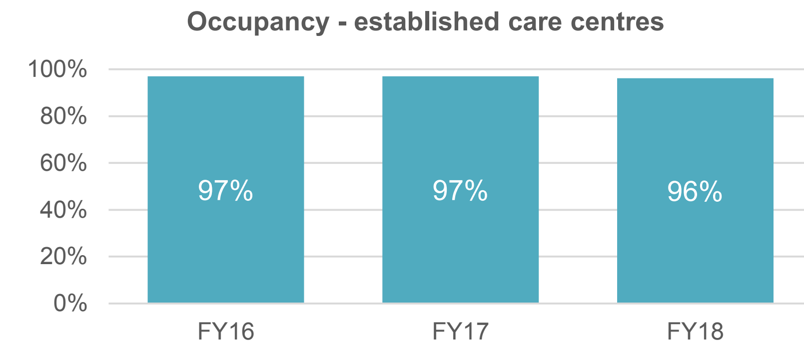
## 21 years of consistent delivery and growth

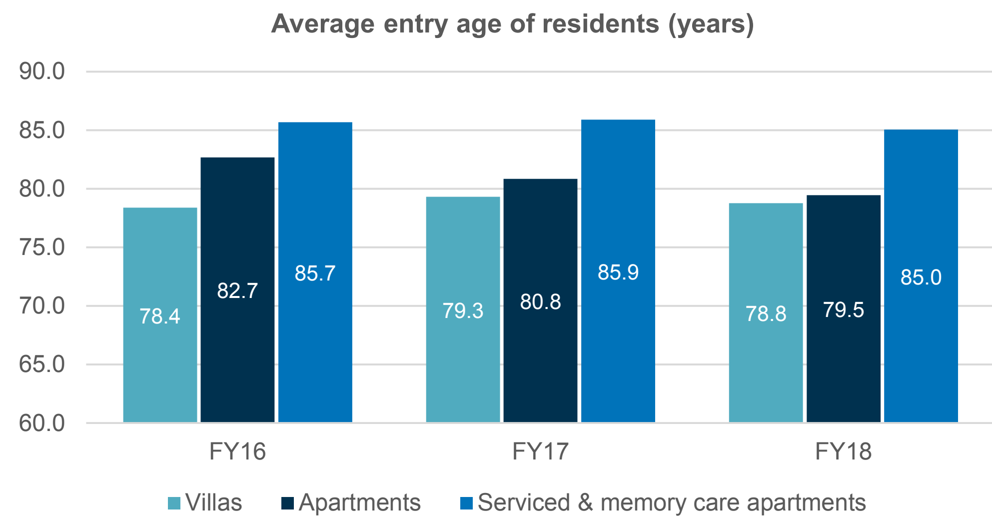


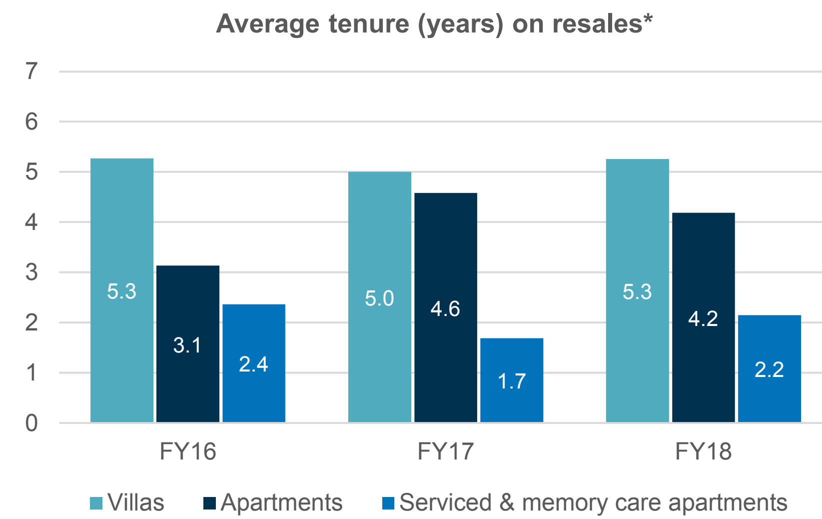
# Customer profile & occupancy

## Occupancy, tenure and resident demographic statistics

- Occupancy within our established care centres is stable, with an average occupancy of 96% for FY18
- Average tenure on FY18 resale retirement units was 5.3 years for villas, 4.2 years for independent apartments, and 2.2 years for serviced and memory care apartments. This is aligned with previous years resale tenure results
- Average entry age on FY18 new and resale retirement units was 79, 80 and 85 years for villas, independent apartments and serviced and memory care apartments, respectively




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

# Portfolio as at 31 December 2018

## 3,732 retirement units and 858 care beds

Existing portfolio - as at 31 December 2018

| Village | Villas | Apartments | Serviced & memory care apartments | Total retirement units | Total care beds |
|---|---|---|---|---|---|
| Ellerslie | 34 | 77 | 57 | 168 | 58 |
| Hobsonville | 117 | 65 | 48 | 230 | 52 |
| Karaka | 182 | - | 59 | 241 | 50 |
| Manukau | 89 | 67 | 27 | 183 | 54 |
| Warkworth | 179 | 2 | 44 | 225 | 41 |
| **Auckland** | **601** | **211** | **235** | **1,047** | **255** |
| Hamilton | 183 | - | 50 | 233 | 49 |
| Rototuna | 56 | - | - | 56 | - |
| Taupo | 94 | 34 | 18 | 146 | - |
| **Waikato** | **333** | **34** | **68** | **435** | **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** |
| Casebrook | 69 | - | - | 69 | - |
| Wigram | 159 | - | 53 | 212 | 49 |
| **Christchurch** | **228** | **-** | **53** | **281** | **49** |
| Dunedin | 61 | 20 | 20 | 101 | 42 |
| **Otago** | **61** | **20** | **20** | **101** | **42** |
| **Total** | **2,678** | **443** | **611** | **3,732** | **858** |

Summerset

# Land bank as at 31 December 2018

## Land bank of 3,910 retirement units and 540 care beds

**Land bank - as at 31 December 2018**

| Village | Villas | Apartments | Serviced & memory care apartments | Total retirement units | Total care beds |
|---|---|---|---|---|---|
| Ellerslie | 8 | 142 | - | 150 | - |
| Hobsonville | 8 | 8 | 4 | 20 | - |
| Milldale | 99 | 117 | 76 | 292 | 43 |
| Parnell | - | 264 | 76 | 340 | 48 |
| St Johns | - | 236 | 76 | 312 | 32 |
| Warkworth | 23 | - | - | 23 | - |
| **Auckland** | **138** | **767** | **232** | **1,137** | **123** |
| Papamoa | 211 | - | 76 | 287 | 43 |
| **Bay of Plenty** | **211** | **-** | **76** | **287** | **43** |
| Rototuna | 132 | - | 76 | 208 | 43 |
| **Waikato** | **132** | **-** | **76** | **208** | **43** |
| 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 | 102 | 93 | 106 | 301 | 43 |
| Lower Hutt | 42 | 109 | 66 | 217 | 30 |
| Waikanae | 214 | - | 76 | 290 | 43 |
| **Wellington** | **144** | **202** | **172** | **808** | **116** |
| Richmond | 234 | - | 76 | 310 | 43 |
| **Nelson** | **234** | **-** | **76** | **310** | **43** |
| Avonhead | 156 | 12 | 98 | 266 | 43 |
| Casebrook | 191 | 12 | 76 | 279 | 43 |
| **Christchurch** | **347** | **24** | **174** | **545** | **86** |
| **Total** | **1,669** | **993** | **958** | **3,910** | **540** |

** Land bank reflects current intentions as at December 2018.*

# FY18 underlying profit reconciliation

## Reconciliation of underlying profit to reported net profit after tax

| NZ$m | FY18 | FY17 | *Variance* | FY16 |
|---|---|---|---|---|
| **Reported net profit after tax** | **214.5** | **239.9** | ***-11%*** | **145.5** |
| Less fair value movement of investment property | (209.9) | (234.5) | *-10%* | (143.5) |
| Add realised gain on resales | 28.7 | 24.9 | *15%* | 15.4 |
| Add realised development margin | 63.7 | 51.0 | *25%* | 39.0 |
| Add deferred tax expense | 1.7 | 0.3 | *476%* | 0.2 |
| **Underlying profit** | **98.6** | **81.7** | ***21%*** | **56.6** |

*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 audited 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 | 142.2 | 3.0 | 13.50% | 0.5% | 1.5% | 2.5% | 3.0% | 3.5% |
| Summerset by the Lake | Taupo | 55.6 | 1.5 | 15.75% | 0.0% | 0.5% | 1.5% | 2.5% | 3.5% |
| Summerset in the Bay | Napier | 68.0 | 4.3 | 14.00% | 0.0% | 1.0% | 2.0% | 2.5% | 3.5% |
| Summerset in the Orchard | Hastings | 73.2 | 9.3 | 15.00% | 0.0% | 0.5% | 1.0% | 2.5% | 3.5% |
| Summerset in the Vines | Havelock North | 58.4 | 5.3 | 14.75% | 0.0% | 1.0% | 2.0% | 2.5% | 3.5% |
| Summerset in the River City | Wanganui | 28.3 | 2.2 | 16.00% | 0.5% | 1.0% | 1.5% | 2.0% | 2.5% |
| Summerset on Summerhill | Palmerston North | 45.1 | 3.2 | 14.75% | 0.5% | 1.0% | 2.0% | 2.5% | 3.0% |
| Summerset by the Ranges | Levin | 26.8 | 2.5 | 15.75% | 0.5% | 1.0% | 1.5% | 2.0% | 3.0% |
| Summerset on the Coast | Paraparaumu | 50.9 | 2.0 | 14.50% | 0.5% | 1.0% | 2.0% | 2.5% | 3.5% |
| Summerset at Aotea | Aotea | 94.2 | 7.1 | 14.25% | 0.5% | 1.0% | 2.0% | 2.5% | 3.5% |
| Summerset in the Sun | Nelson | 143.1 | 9.2 | 14.00% | 0.0% | 1.0% | 1.0% | 2.5% | 3.5% |
| Summerset at Bishopscourt | Dunedin | 46.7 | 3.0 | 14.75% | 0.5% | 1.0% | 1.5% | 2.5% | 3.0% |
| Summerset down the Lane | Hamilton | 127.5 | 8.5 | 14.00% | 0.5% | 1.0% | 2.0% | 2.5% | 3.5% |
| Summerset Mountain View | New Plymouth | 69.7 | 1.1 | 14.75% | 0.0% | 0.5% | 1.5% | 2.5% | 3.0% |
| Summerset Falls | Warkworth | 159.6 | 17.9 | 14.00% | 0.5% | 1.5% | 2.0% | 3.0% | 3.5% |
| Summerset at Karaka | Karaka | 180.0 | 25.1 | 14.25% | 0.5% | 1.0% | 2.0% | 2.5% | 3.5% |
| Summerset at Wigram | Wigram | 119.7 | 20.3 | 14.50% | 0.0% | 1.5% | 2.0% | 3.0% | 3.5% |
| Summerset at the Course | Trentham | 153.2 | 13.7 | 14.00% | 0.5% | 1.0% | 2.0% | 2.5% | 3.5% |
| **Total for completed villages** | | **1,642.4** | **139.2** | | | | | | |
| Summerset at Monterey Park | Hobsonville | 227.9 | 15.1 | 14.00% | 1.0% | 1.0% | 2.0% | 2.5% | 3.5% |
| Summerset at Heritage Park | Ellerslie | 164.4 | 15.0 | 15.00% | 1.0% | 1.0% | 2.0% | 2.5% | 3.5% |
| Summerset Rototuna | Rototuna | 44.7 | 13.4 | 16.50% | 0.0% | 1.0% | 2.0% | 2.5% | 3.5% |
| Summerset by the Sea | Katikati | 94.8 | 13.7 | 15.00% | 0.0% | 0.5% | 1.5% | 2.5% | 3.5% |
| Summerset on Cavendish | Casebrook | 53.1 | 13.7 | 16.50% | 0.0% | 1.0% | 2.0% | 3.0% | 3.5% |
| Summerset Richmond | Richmond | 9.8 | 1.8 | n/a | n/a | n/a | n/a | n/a | n/a |
| Summerset Avonhead | Avonhead | 12.3 | (0.8) | n/a | n/a | n/a | n/a | n/a | n/a |
| **Total for villages in development** | | **607.1** | **71.9** | | | | | | |
| **Total for proposed villages** | | **167.8** | **(1.1)** | | | | | | |
| **Total for all villages** | | **2,417.3** | **209.9** | | | | | | |

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

# 8 year metrics summary

## Underlying profit 7 year CAGR of 43%

| | Full Year Results | 7 Year CAGR* | FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|---|---|---|
| Operational | New sales of occupation rights | 18% | 339 | 382 | 414 | 333 | 286 | 228 | 167 | 108 |
| | Resales of occupation rights | 14% | 301 | 300 | 244 | 245 | 172 | 174 | 164 | 123 |
| | **Total sales** | **16%** | **640** | **682** | **658** | **578** | **458** | **402** | **331** | **231** |
| | New retirement units delivered | 21% | 454 | 450 | 409 | 303 | 261 | 209 | 160 | 122 |
| | Retirement units in portfolio | 14% | 3,732 | 3,278 | 2,828 | 2,419 | 2,116 | 1,855 | 1,646 | 1,486 |
| | Care beds in portfolio | 15% | 858 | 806 | 748 | 616 | 485 | 442 | 327 | 327 |
| Financial (NZ$m) | Total revenue ($m) | 22% | 137.0 | 110.5 | 86.1 | 68.8 | 54.3 | 45.2 | 38.1 | 33.7 |
| | Net profit after tax ($m) | 75% | 214.5 | 239.9 | 145.5 | 84.2 | 54.2 | 34.2 | 14.8 | 4.3 |
| | Underlying profit** ($m) | 43% | 98.6 | 81.7 | 56.6 | 37.8 | 24.4 | 22.2 | 15.2 | 8.1 |
| | Net operating cash flow ($m) | 26% | 217.8 | 207.7 | 192.6 | 140.3 | 110.4 | 88.6 | 66.3 | 43.7 |
| | Total assets ($m) | 24% | 2,766 | 2,233 | 1,707 | 1,364 | 1,043 | 844.9 | 702.3 | 616.9 |
| | Total equity ($m) | 23% | 978.8 | 785.8 | 545.6 | 409.8 | 332.3 | 281.9 | 248.8 | 233.4 |
| | Interest bearing loans and borrowings ($m) | 31% | 452.8 | 347.2 | 274.0 | 248.2 | 150.8 | 105.3 | 78.2 | 69.1 |
| | Cash and cash equivalents ($m) | -3% | 7.5 | 7.6 | 8.7 | 6.7 | 4.9 | 3.0 | 2.8 | 9.0 |
| | Gearing ratio (Net D/ Net D+E) | 6% | 31.2% | 30.2% | 32.7% | 37.1% | 30.5% | 26.6% | 23.3% | 20.5% |
| | EPS (cents) (IFRS profit) | 70% | 97.13 | 109.78 | 66.93 | 38.94 | 25.16 | 15.99 | 6.96 | 2.39 |
| | NTA (cents) | 22% | 438.44 | 355.07 | 249.90 | 188.52 | 153.33 | 131.24 | 116.49 | 109.33 |
| | Development margin (%) | 27% | 33.2% | 27.3% | 22.2% | 20.0% | 15.7% | 13.2% | 12.0% | 6.2% |

** Compound annual growth rate*

*** Underlying profit differs from NZ IFRS reported profit after tax. The measure has been audited 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*