



# HALF YEAR RESULTS PRESENTATION

SIX MONTHS ENDED 30 JUNE 2015

SUMMERSET GROUP HOLDINGS LIMITED

11 August 2015 | 2





# AGENDA

---

1H15 Result Highlights

2

Business Overview

6

Financial Results

19

Interim Dividend

24

Appendix

28



# 1H15 RESULT HIGHLIGHTS





# 1H15 RESULT HIGHLIGHTS

**STRONG SALES AND MARGINS RESULT IN 1H15 UNDERLYING PROFIT OF \$17.1M**

		1H15 Actual	1H14 Actual	1H15 Actual vs. 1H14 Actual*	FY14 Actual
Operational	New sales of occupation rights	160	105	52%	286
	Resales of occupation rights	110	90	22%	172
	Total sales	270	195	38%	458
	New retirement units delivered	141	136	4%	261
Financial (NZ\$m)	Net operating cash flow	66.5	36.5	82%	110.4
	Total assets	1,161	921	26%	1,043
	Underlying profit **	17.1	9.4	81%	24.4
	Net profit before tax (IFRS)	34.7	15.1	129%	54.0
	Net profit after tax (IFRS)	35.7	15.3	134%	54.2

\* Percentage movements based on unrounded amounts

\*\* Underlying profit differs from net profit after tax (IFRS). Underlying profit is unaudited. Refer to slide 21 for the definition of underlying profit



# 1H15 RESULT HIGHLIGHTS

## UNDERLYING PROFIT GROWTH OF 81% ON 1H14

- 1H15 underlying profit of \$17.1m, up 81% on 1H14
- 1H15 net profit after tax (NZ IFRS) of \$35.7m, up 134% on 1H14
- New sales 52% higher than 1H14 – strong sales across NZ
- Resales 22% higher than 1H14 – record number in a six month period
- Total assets of \$1.2b, up 26% on 1H14
- Interim dividend of 1.85 cents per share declared, amounting to \$4.1m
- Operating cash flow up 82% on 1H14
- Development margin of 18.4%, exceeding the 17% IPO “medium term” target

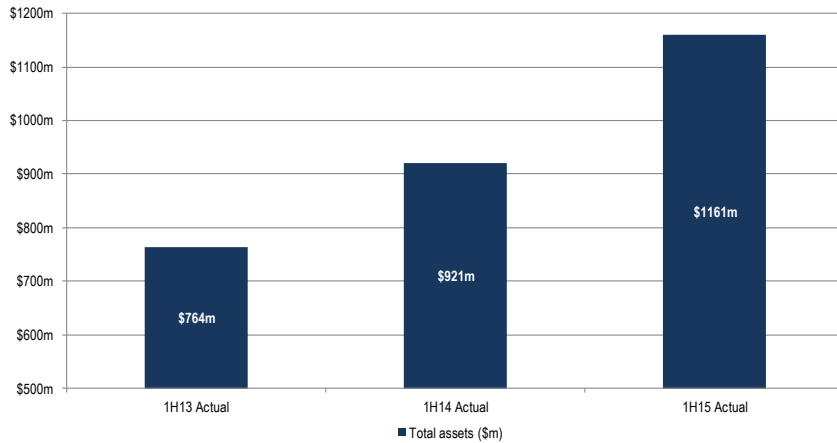




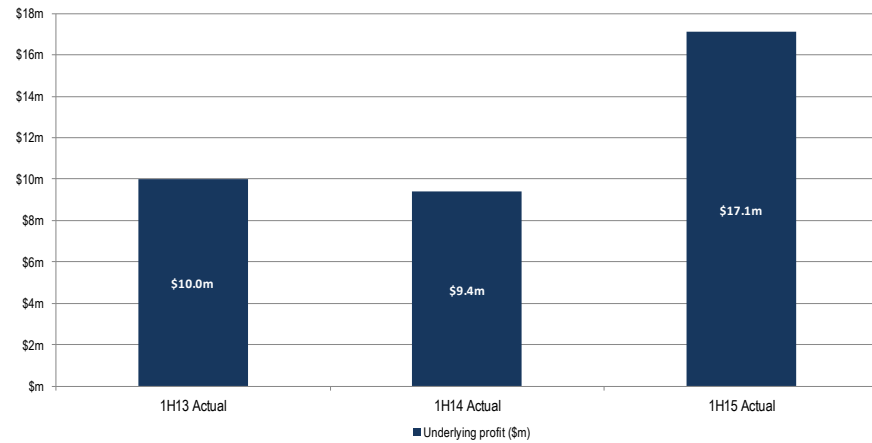
# 1H15 RESULT HIGHLIGHTS

## STRONG TRENDS CONTINUE ACROSS THE BUSINESS

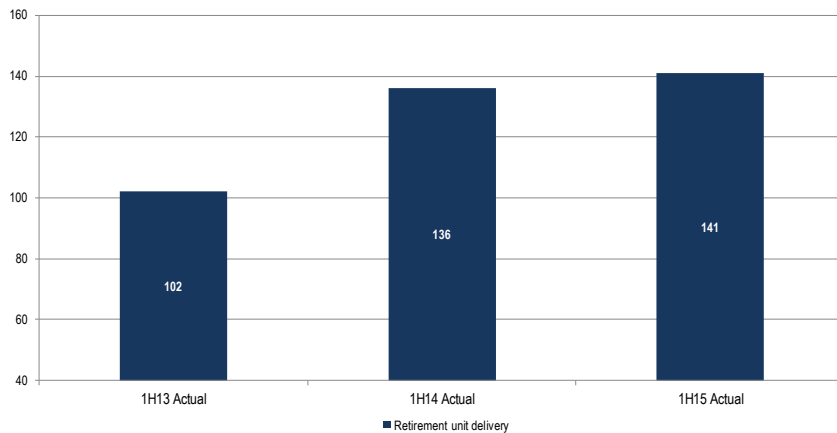
**TOTAL ASSETS**



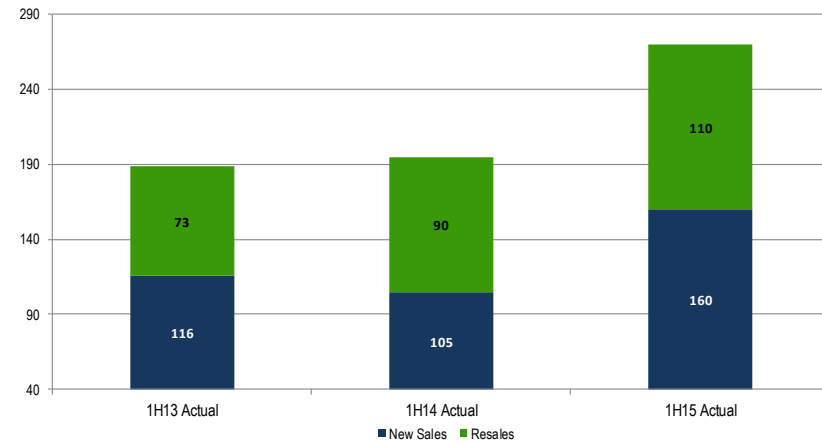
**UNDERLYING PROFIT**



**RETIREMENT UNIT DELIVERY**



**SALE OF OCCUPATION RIGHTS**





# BUSINESS OVERVIEW







# 1H15 REVIEW

## 1H15 UNDERLYING PROFIT OF \$17.1M

- Delivered 141 retirement units in 1H15
- On track for delivery of 300 retirement units in FY15
- Commenced construction on the Ellerslie village - this will open in FY16
- Wigram village progressing well, and due to open in the third quarter
- Record high levels of care occupancy
- High turnover of resale stock has resulted in strong sales, while only 25 units remain available for sale
- Announced land acquisitions in St Johns, Parnell and adjacent to our existing Warkworth village
- Completed main buildings in Hamilton and Nelson







# SUMMERSET SNAPSHOT

## 25 SITES ACROSS NEW ZEALAND

- 2,257 retirement units (villas, apartments and care apartments)
- 523 care beds
- More than 3,200 residents
- 21 villages completed or in development
- Four greenfield sites (including recent acquisitions in Auckland)





# SUMMERSET STRATEGY

---

## SUMMERSET BUILDS, OWNS AND OPERATES RETIREMENT VILLAGES IN NZ

- Focus on continuum of care model
- High quality care and facilities within every village
- Internal development model
- Nationwide brand offering
- Customer centric philosophy – “we love the life you bring to us”
- New Zealand focus
- Lift in build rate to 400 retirement units per annum in 2016 to meet strong demand







# OPERATIONS AND STAFF

## FOCUS ON CLINICAL QUALITY AND STAFF TRAINING

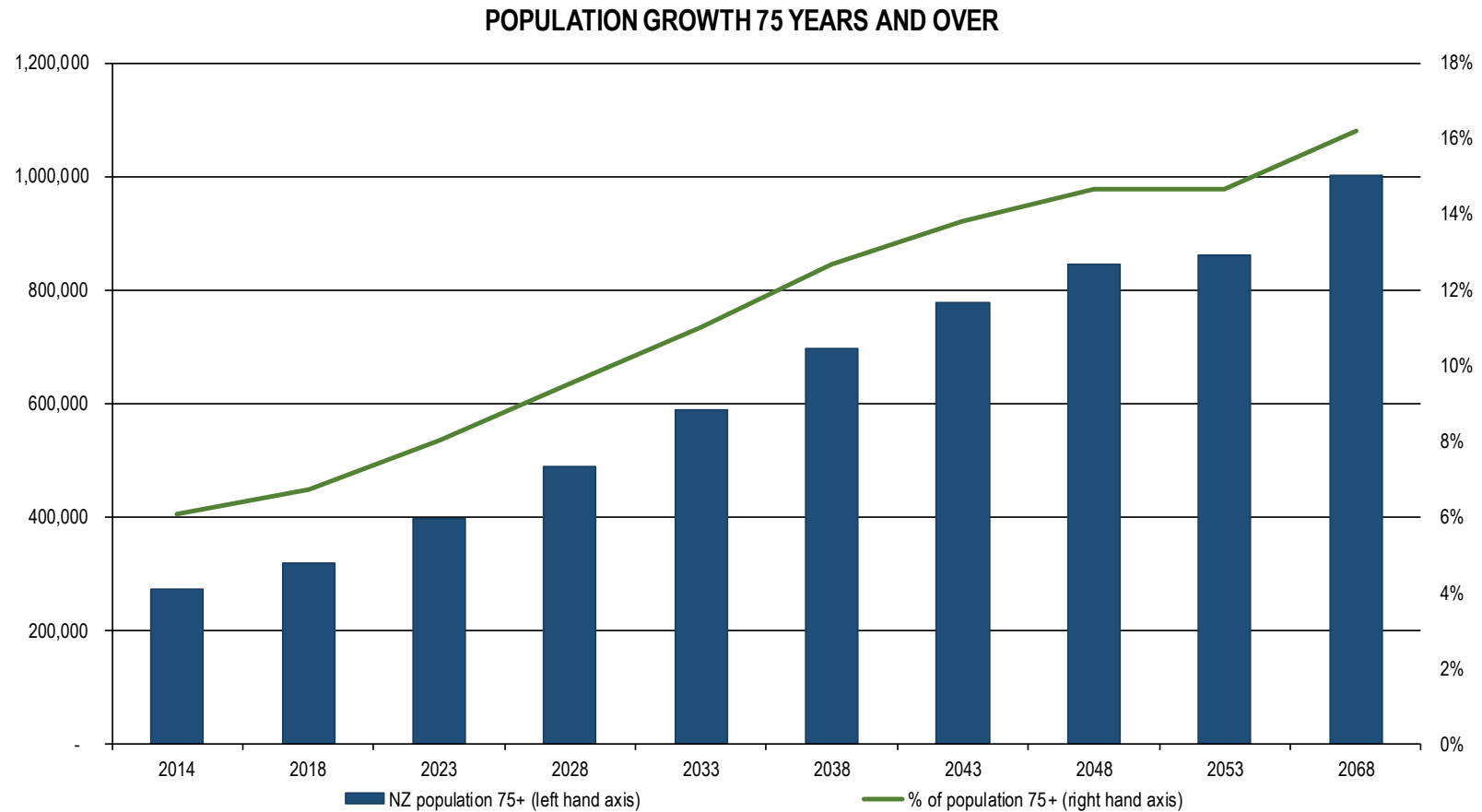
- Continued Careerforce training programme participation, and qualification attainment
- 93% industry leading care customer satisfaction rating
- 97% village customer satisfaction rating
- Benchmarking of key clinical indicators a focus
- Continued focus on quality of care





# DEMOGRAPHICS

## POPULATION OVER 75 YEARS FORECAST TO TRIPLE FROM 2014 TO 2068



Source: Statistics New Zealand  
50th percentile (median)

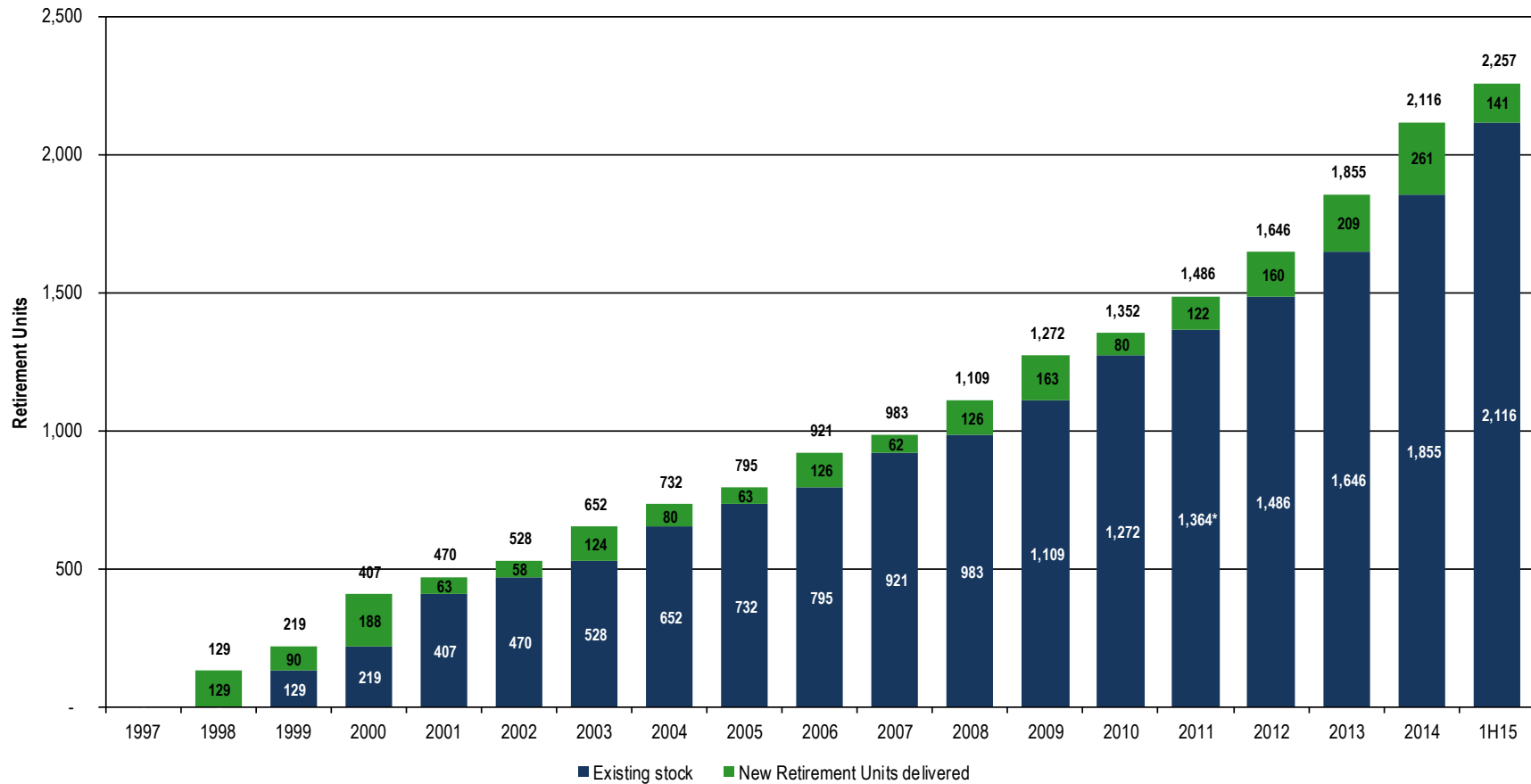




# SUMMERSET GROWTH

## 18 YEARS OF CONSISTENT DELIVERY AND GROWTH

SUMMERSET BUILD RATE





# 1H15 DEVELOPMENT ACTIVITY

## DELIVERY OF 141 RETIREMENT UNITS IN 1H15 ACROSS SIX SITES

Unit Delivery 1H15	Villas	Apartments	Care Apartments	Total	Care Beds
Hamilton	12	-	10	22	19
Hobsonville	22	-	-	22	-
Karaka	14	-	-	14	-
Nelson	18	-	10	28	19
New Plymouth	25	-	-	25	-
Trentham	30	-	-	30	-
<b>Total</b>	<b>121</b>	<b>-</b>	<b>20</b>	<b>141</b>	<b>38</b>

- 141 retirement units delivered across six villages, and on track to deliver 300 retirement units in FY15
- Care apartment delivery continues to gain momentum with units delivered in Hamilton and Nelson in the first half, while the second half will see units delivered from Katikati, Karaka and New Plymouth
- Nelson and Hamilton main buildings completed
- Villages with main buildings currently under development include Wigram, Katikati, Karaka, New Plymouth, and Hobsonville
- First retirement units in Wigram due to be delivered in Q3 2015, with development on track





# 1H15 DEVELOPMENT ACTIVITY

DELIVERY OF 141 RETIREMENT UNITS IN 1H15 ACROSS SIX SITES

Hamilton



Karaka



Trentham



Hobsonville



Nelson



New Plymouth





# FUTURE DEVELOPMENT

## LAND BANK OF 1,856 RETIREMENT UNITS AND 404 CARE BEDS

- Land bank of 1,856 retirement units spread across brownfield and greenfield sites
- Additional pipeline of 404 care beds. The delivery of these care beds will increase our portfolio by around 77%
- We have a strong land bank of 491 care apartments to come
- Acquisitions of land in St Johns and Parnell collectively add 630 retirement units
- Build rate guidance of 400 retirement units for 2016
- When taking into account the new land purchased, the land bank provides in excess of six years of supply at the future 2016 build rate of 400 retirement units

	Land Bank - as at 30 June 2015*				
	Villas	Apartments	Care Apartments	Total Retirement Units	Care Beds
Casebrook	179	-	53	232	49
Ellerslie	60	145	57	262	58
Hamilton	73	0	30	103	-
Hobsonville	67	70	50	187	52
Karaka	138	-	59	197	49
Katikati	107	-	20	127	49
Lower Hutt	36	96	43	175	49
Nelson	8	-	30	38	-
New Plymouth	69	-	40	109	49
Trentham	84	-	20	104	-
Warkworth	77	-	36	113	-
Wigram	156	-	53	209	49
<b>Total</b>	<b>1,054</b>	<b>311</b>	<b>491</b>	<b>1,856</b>	<b>404</b>

\* Land bank reflects current intentions as at 30 June 2015

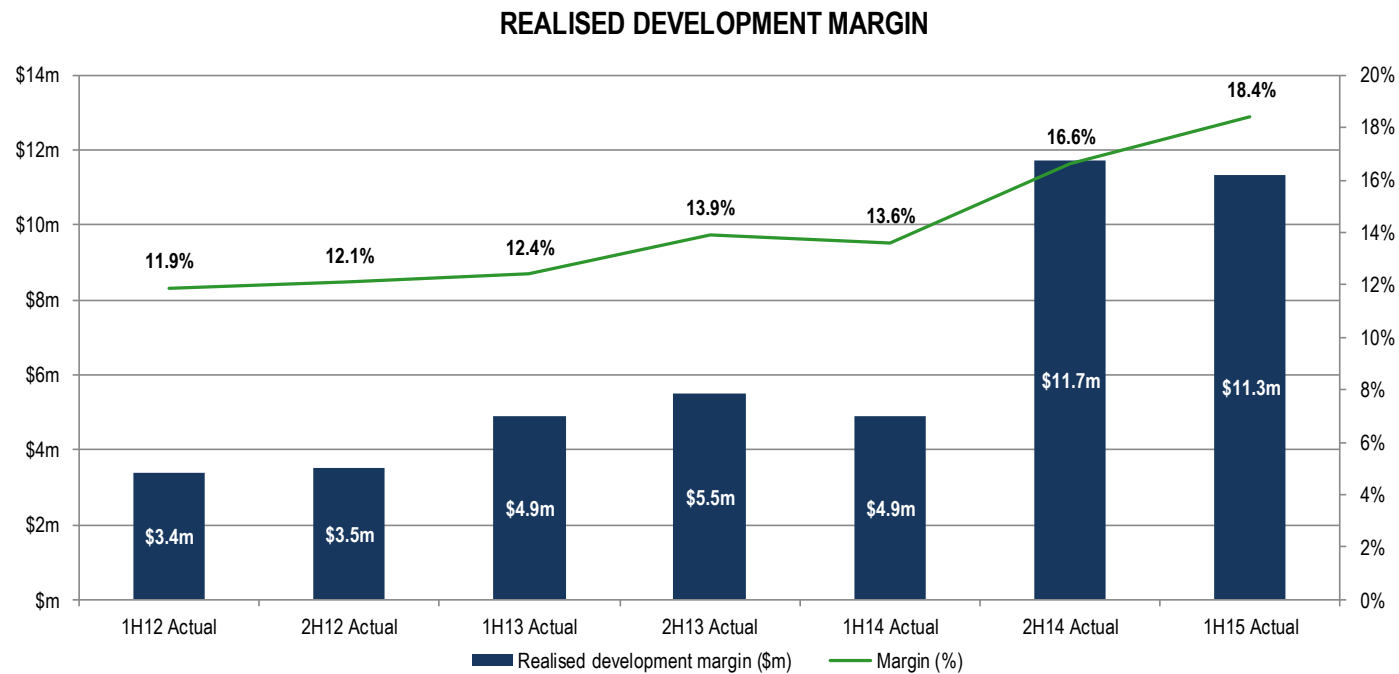
\* Excludes acquisitions of land in St Johns and Parnell. Collectively these two sites add 630 retirement units



# DEVELOPMENT MARGIN

## REALISED DEVELOPMENT MARGIN OF \$11.3M

- Development margin of \$11.3m, over double that achieved in 1H14
- 18.4% development margin for 1H15, relative to 13.6% a year ago, exceeding the 17% IPO “medium term” guidance provided
- Successful increase of margin while continuing to lift the quality of build







# NEW SALES OF OCCUPATION RIGHTS

## NEW SALES GROSS PROCEEDS UP 69% ON 1H14, TO \$61.8M

- Level of sales associated with continued build programme, strong across all sites
- The four new villages opening in FY14 assisted 1H15 sales as sell down continues
- New sales of occupation rights up versus 1H14:
  - Villas: 130, up 53% on 1H14
  - Apartments: 3, down 70% on 1H14
  - Care apartments: 27, up 170% on 1H14
- Average gross proceeds per unit settled up 11% from \$348k in 1H14 to \$386k in 1H15
- Settlements in our Wigram village are due to commence in Q3 2015

New Sales	1H15 Actual	1H14 Actual	1H15 Actual vs. 1H14 Actual*	FY14 Actual
Gross proceeds (\$m)	61.8	36.5	69.3%	106.3
Villas	130	85	52.9%	237
Apartments	3	10	-70.0%	20
Care apartments	27	10	170.0%	29
<b>Total occupation rights</b>	<b>160</b>	<b>105</b>	<b>52.4%</b>	<b>286</b>

\* Percentage movements based on unrounded amounts



# RESALES OF OCCUPATION RIGHTS

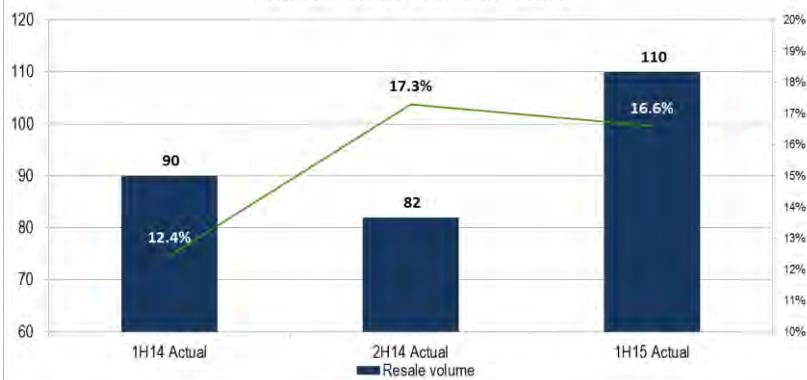
## RESALES OF 110 OCCUPATION RIGHTS IN 1H15

- Gross proceeds of \$33.5m, up 16% on 1H14
- Occupation rights resold: 110, up 22% on 1H14
- Higher proportion of care apartments sold 1H15 relative to 1H14
- Higher average resale gains per unit, up 27% on 1H14, driven by lower new village mix and longer average tenure
- Only 25 resale occupation rights available for sale at 30 June 2015, despite higher levels of stock turnover

Resales	1H15 Actual	1H14 Actual	1H15 Actual vs. 1H14 Actual*	FY14 Actual
Gross proceeds (\$m)	33.5	28.9	16.0%	54.9
Realised resale gains (\$m)	5.6	3.6	55.3%	8.1
Realised resale gains (%) *	16.6%	12.4%	-	14.7%
DMF realisation (\$m)	4.2	3.1	36.2%	6.2
Villas	60	46	30.4%	99
Apartments	31	33	-6.1%	51
Care apartments	19	11	72.7%	22
<b>Total occupation rights</b>	<b>110</b>	<b>90</b>	<b>22.2%</b>	<b>172</b>

\* Percentage movements based on unrounded amounts

REALISED RESALE GAINS AND VOLUME





# FINANCIAL RESULTS







# 1H15 REPORTED PROFIT (IFRS)

## NET PROFIT AFTER TAX UP 134% VERSUS 1H14

- NPAT up \$20.4m relative to 1H15
- 1H15 total income up 70% versus 1H14
- 1H15 total expenses up 34% versus 1H14
- 2015 expenses include higher operating costs associated with both new villages and opening of care facilities
  - New care facilities in Hamilton and Nelson continue to fill, and additional beds added
  - A number of new villages still filling - including New Plymouth, Karaka, Katikati, and Hobsonville
  - Higher sales and marketing costs associated with the additional 1H15 sales achieved

NZ\$m	1H15 Actual	1H14 Actual	1H15 Actual vs. 1H14 Actual*	FY14 Actual
Total revenue	32.6	25.2	29.2%	54.3
Reversal of impairment on land and buildings	-	-	-	1.9
Fair value movement of investment property	34.5	14.2	142%	52.5
Total income	67.1	39.5	69.9%	108.6
Total expenses	28.7	21.4	33.9%	47.8
Net finance costs	3.7	2.9	26.0%	6.8
<b>Net profit before tax</b>	<b>34.7</b>	<b>15.1</b>	<b>129%</b>	<b>54.0</b>
Tax (credit)/ expense	(1.0)	(0.2)	512%	(0.2)
<b>Net profit after tax</b>	<b>35.7</b>	<b>15.3</b>	<b>134%</b>	<b>54.2</b>

\* Percentage movements based on unrounded amounts



# 1H15 UNDERLYING PROFIT

## UNDERLYING PROFIT UP 81% ON 1H14

- Underlying profit of \$17.1m, up 81% on 1H14
- Realised development margin of \$11.3m driven by both increased volume and the margin made on retirement units sold
- Realised gain on resales increase largely volume driven, relating to 20 more retirement units sold relative to 1H14

NZ\$m	1H15 Actual	1H14 Actual	1H15 Actual vs. 1H14 Actual*	FY14 Actual
Reported profit after tax	35.7	15.3	134%	54.2
Less fair value movement of investment property	(34.5)	(14.2)	142%	(52.5)
Reversal of impairment on land and buildings	-	-	-	(1.9)
Add realised gain on resales	5.6	3.6	55.3%	8.1
Add realised development margin	11.3	4.9	127%	16.7
Less/add deferred tax credit/expense	(1.0)	(0.2)	512%	(0.2)
<b>Underlying profit</b>	<b>17.1</b>	<b>9.4</b>	<b>81.4%</b>	<b>24.4</b>

\* Percentage movements based on unrounded amounts

Underlying profit differs from IFRS net profit after tax. The directors have provided an unaudited underlying profit measure to assist readers in determining the realised and non-realised 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. Underlying profit is an industry wide measure which the group uses consistently across reporting periods.



# 1H15 CASH FLOWS

## CONTINUED INVESTMENT IN NEW VILLAGE BUILDS

- Net operating cash flow of \$66.5m for 1H15, up 82% on 1H14
- Positive cash flow increases in both care and village revenue, and receipts associated with sales
- Net investing cash flow of \$68.6m for 1H15 with continued investment in new village builds

NZ\$m	1H15 Actual	1H14 Actual	1H15 Actual vs. 1H14 Actual*	FY14 Actual
Care fees and village services	21.7	16.7	30.1%	36.2
Interest received	0.2	0.1	58.4%	0.3
Payments to suppliers and employees	(23.3)	(19.6)	14.6%	(42.0)
Net receipts for resident loans	67.9	39.4	70.5%	115.9
<b>Net operating cash flow</b>	<b>66.5</b>	<b>36.5</b>	<b>82.2%</b>	<b>110.4</b>
Acquisition of PPE & IP	(67.8)	(54.9)	23.7%	(139.8)
Other investing cash flows	(0.8)	(1.2)	-37.3%	(2.2)
<b>Net investing cash flow</b>	<b>(68.6)</b>	<b>(56.1)</b>	<b>22.4%</b>	<b>(142.1)</b>
Proceeds from / (repayment of) bank loans	10.1	27.2	-62.9%	45.6
Dividends paid	(4.5)	(7.0)	-35.1%	(10.0)
Proceeds from issue of shares	1.5	2.9	-49.4%	4.4
Other financing cash flows	(3.4)	(1.9)	71%	(6.5)
<b>Net financing cash flows</b>	<b>3.7</b>	<b>21.1</b>	<b>-82.3%</b>	<b>33.5</b>
Net increase in cash	1.6	1.5	4.7%	1.8

\* Percentage movements based on unrounded amounts



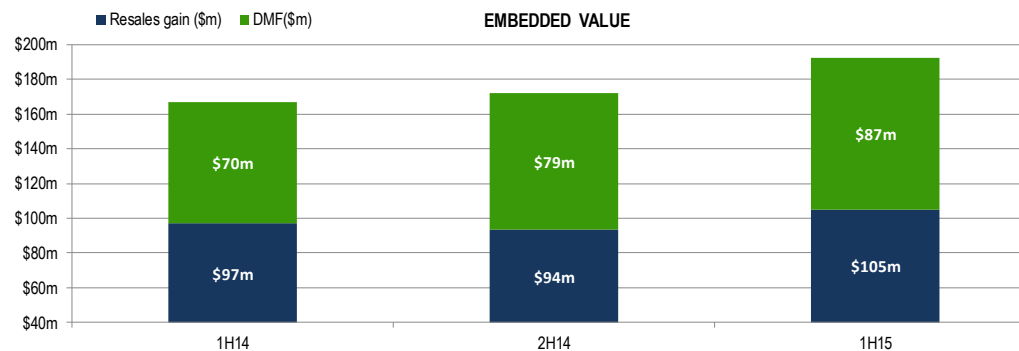


# 1H15 BALANCE SHEET

## TOTAL ASSETS OF \$1.2B, UP 26% FROM \$0.9B IN 1H14

- Total assets of \$1.2b, up 26% on 1H14
- Investment property valuation of \$1.1b, up 26% on 1H14
- Other assets include land and buildings (primarily care facilities)
- Embedded value of \$193m, \$85k per retirement unit, as at 30 June 2015:
  - \$105m resales gain
  - \$87m deferred management fee
- Bank facility increased from a \$255m facility to a \$450m facility to support the lift to a build of 400 retirement units from 2016. Do not expect to draw the full amount but it is prudent to have these funding lines available
- We are confident that the business will remain prudently geared as we are seeing strong growth in earnings

NZ\$m	1H15 Actual	1H14 Actual	1H15 Actual vs. 1H14 Actual*	FY14 Actual
Investment property	1,066.9	844.6	26.3%	958.2
Other assets	94.4	76.7	23.2%	85.0
<b>Total assets</b>	<b>1,161.3</b>	<b>921.3</b>	<b>26.1%</b>	<b>1,043.2</b>
Residents' loans	570.1	447.2	27.5%	513.7
Bank loans	160.9	132.4	21.5%	150.8
Other liabilities	66.6	48.8	36.6%	46.4
<b>Total liabilities</b>	<b>797.6</b>	<b>628.4</b>	<b>26.9%</b>	<b>710.9</b>
<b>Net assets</b>	<b>363.7</b>	<b>292.9</b>	<b>24.2%</b>	<b>332.3</b>
<b>Embedded value</b>	<b>192.6</b>	<b>167.3</b>	<b>15.2%</b>	<b>172.1</b>
<b>NTA (cents per share)</b>	<b>168</b>	<b>135</b>	<b>23.7%</b>	<b>153</b>



\* Percentage movements based on unrounded amounts

# INTERIM DIVIDEND





# FY15 INTERIM DIVIDEND

---

## SUMMERSET BOARD DECLARES FY15 INTERIM DIVIDEND

- The Summerset Board have declared an interim dividend of 1.85 cents per share, unimputed
- This represents a total pay-out for the first half of 2015 of approximately \$4.1m
- 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 the 26<sup>th</sup> of August 2015. Any applications received on or after this time will be applied to subsequent dividends
- The interim dividend will be paid on Monday the 7<sup>th</sup> of September 2015. The record date for final determination of entitlements to the interim dividend is Tuesday the 25<sup>th</sup> of August 2015
- 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





# PORTFOLIO AS AT 30 JUNE 2015

## 2,257 RETIREMENT UNITS AND 523 CARE BEDS

	Existing Portfolio – as at 30 June 2015				
	Villas	Apartments	Care Apartments	Total Retirement Units	Care Beds
Aotea	96	33	38	167	-
Dunedin	61	20	20	101	41
Hamilton	110	0	20	130	49
Hastings	146	5	0	151	-
Havelock North	94	28	0	122	41
Hobsonville	58	0	0	58	-
Karaka	41	0	0	41	-
Katikati	47	0	0	47	-
Levin	64	22	0	86	30
Manukau	89	67	27	183	52
Napier	94	26	20	140	48
Nelson	194	0	25	219	59
New Plymouth	39	0	0	39	-
Palmerston North	90	12	0	102	43
Paraparaumu	92	22	0	114	41
Taupo	94	34	18	146	-
Trentham	146	12	20	178	41
Wanganui	70	18	12	100	37
Warkworth	123	2	8	133	41
<b>Total</b>	<b>1,748</b>	<b>301</b>	<b>208</b>	<b>2,257</b>	<b>523</b>



# LAND BANK AS AT 30 JUNE 2015

## LAND BANK OF 1,856 RETIREMENT UNITS AND 404 CARE BEDS

	Land Bank - as at 30 June 2015*				
	Villas	Apartments	Care Apartments	Total Retirement Units	Care Beds
Casebrook	179	-	53	232	49
Ellerslie	60	145	57	262	58
Hamilton	73	0	30	103	-
Hobsonville	67	70	50	187	52
Karaka	138	-	59	197	49
Katikati	107	-	20	127	49
Lower Hutt	36	96	43	175	49
Nelson	8	-	30	38	0
New Plymouth	69	-	40	109	49
Trentham	84	-	20	104	-
Warkworth	77	-	36	113	-
Wigram	156	-	53	209	49
<b>Total</b>	<b>1,054</b>	<b>311</b>	<b>491</b>	<b>1,856</b>	<b>404</b>

\* Land bank reflects current intentions as at 30 June 2015

\* Excludes acquisitions of land in St Johns and Parnell. Collectively these two sites add 630 retirement units