



# HALF YEAR RESULTS PRESENTATION

SIX MONTHS ENDED 30 JUNE 2014

SUMMERSET GROUP HOLDINGS LIMITED

12 August 2014





# AGENDA

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# 1H14 RESULT HIGHLIGHTS



**Summerset**



# 1H14 RESULT HIGHLIGHTS

## STRONG SUMMERSET GROWTH CONTINUES

		1H14 Actual	1H13 Actual	1H14 Actual vs. 1H13 Actual *	FY13 Actual
Operational	New sales of occupation rights	105	116	-9.5%	228
	Resales of occupation rights	90	73	23.3%	174
	Total sales	195	189	3.2%	402
	New retirement units delivered	136	102	33.3%	209
Financial (NZ\$m)	Net operating cash flow	36.5	43.4	-15.8%	88.6
	Total assets	921.3	764.2	20.6%	844.9
	Underlying profit **	9.4	10.0	-6.1%	22.2
	Net profit before tax (IFRS)	15.1	10.5	43.3%	31.8
	Net profit after tax (IFRS)	15.3	10.8	41.9%	34.2

\* Percentage movements based on unrounded amounts

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



# 1H14 RESULT HIGHLIGHTS

## ON TRACK FOR 250 RETIREMENT UNITS IN FY14

- 136 new retirement units delivered, up 33% on 1H13 – on track for delivery of 250 retirement units in FY14
- New sales 9% lower than 1H13, due to timing of delivery
- Expect higher new sales in 2H14 driven by new villages – Karaka, Hobsonville, Trentham extension and New Plymouth
- Resale volumes up 23% - stock levels remain in line with 1H13
- Resales revenue has a lower tenure, higher mix of apartments, and a higher mix of developing villages
- Total revenue up 19% on 1H13, driven by increased occupancy of newer villages
- 1H14 net profit after tax (NZ IFRS) of \$15.3m up 42% on 1H13:
  - Fair value gain of \$14.2m includes \$6.2m related to development land in Auckland
- 1H14 underlying profit of \$9.4m
- Total assets of \$921m, up 21% on 1H13
- Interim dividend of 1.4 cents per share declared, amounting to \$3.0m

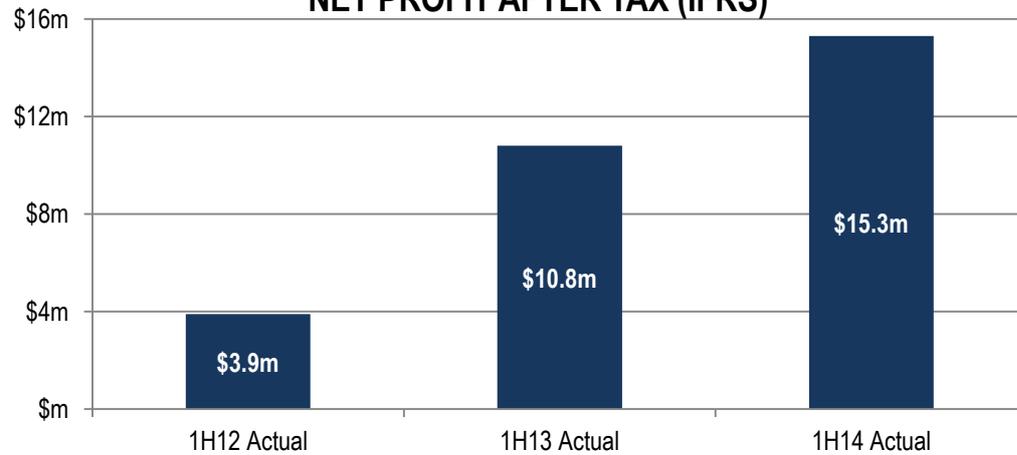




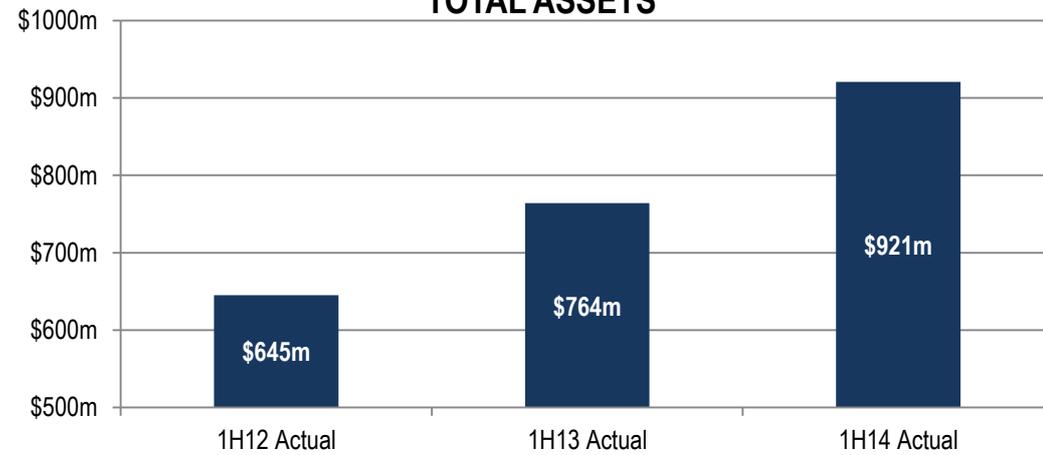
# 1H14 RESULT HIGHLIGHTS

## POSITIVE TRENDS CONTINUE

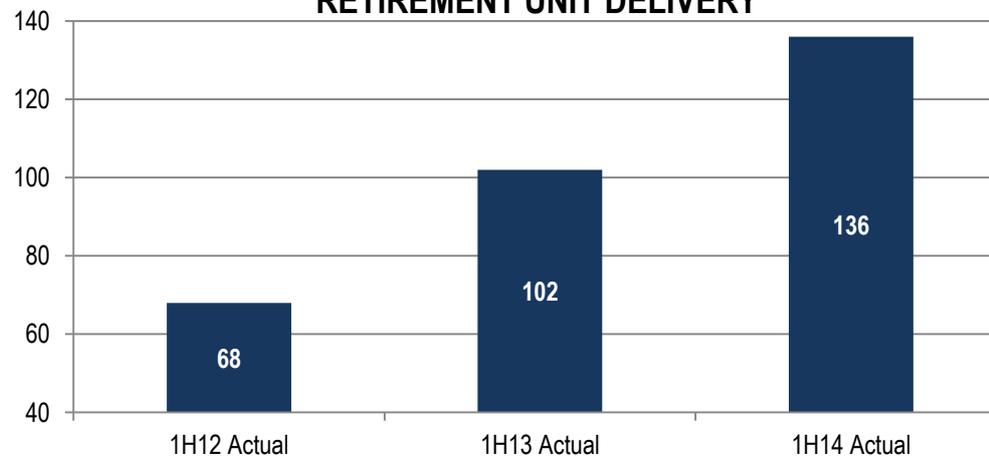
NET PROFIT AFTER TAX (IFRS)



TOTAL ASSETS



RETIREMENT UNIT DELIVERY





# BUSINESS OVERVIEW





# 1H14 REVIEW

## CONTINUED FOCUS ON GROWTH AND DELIVERY OF BUILD PROGRAMME

- Delivered 136 retirement units in 1H14, a record for Summerset, and 33% more than 1H13
- On track for delivery of 250 retirement units in FY14
- Karaka and Hobsonville villages opened in 1H14
- Two new village centres opened in Nelson and Dunedin
- Three care facilities opened in the last 12 months – Nelson, Hamilton and Dunedin
- Dunedin village now completed
- Commenced construction on the New Plymouth village as well as the Trentham village extension – these will open in 2H14
- Announced extension of existing Karaka site

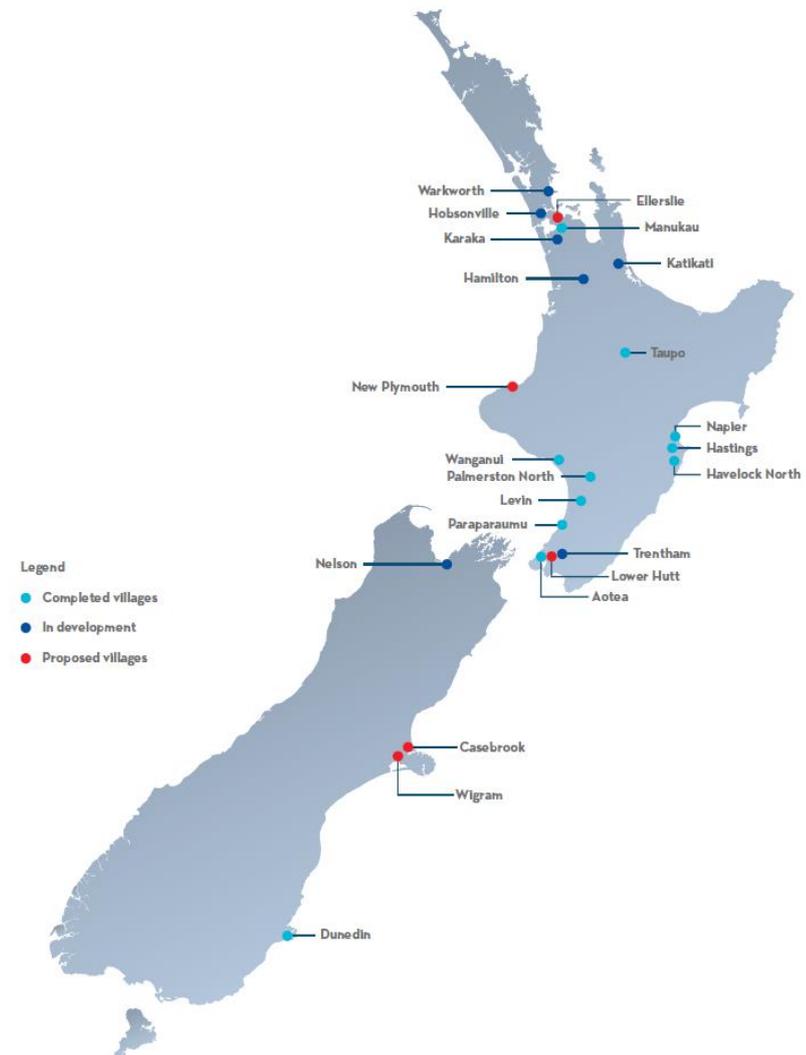




# SUMMERSET SNAPSHOT

## THIRD LARGEST OPERATOR, SECOND LARGEST DEVELOPER

- 1,991 retirement units (villas, apartments and care apartments)
- 483 care beds
- More than 2,900 residents
- 136 retirement units delivered in 1H14
- Build rate of around 250 retirement units in FY14
- Build rate guidance of 300 retirement units per annum by FY15





# SUMMERSET STRATEGY

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

- Focus on continuum of care model
- Internal development model
- Nationwide brand offering
- Customer centric philosophy – “we love the life you bring to us”
- Respect for everyday New Zealanders

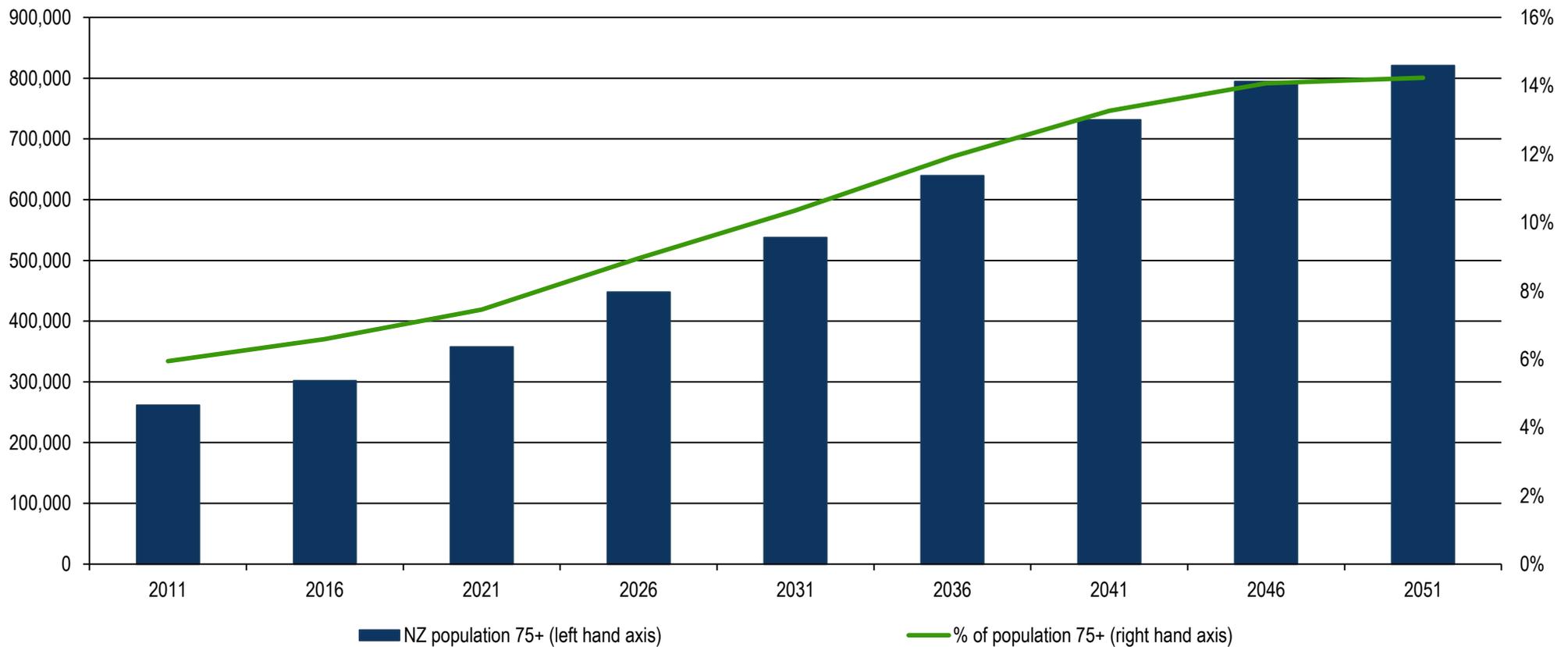




# DEMOGRAPHICS

## POPULATION OVER 75 YEARS FORECAST TO TRIPLE FROM 2011 TO 2051

POPULATION GROWTH 75 YEARS AND OVER

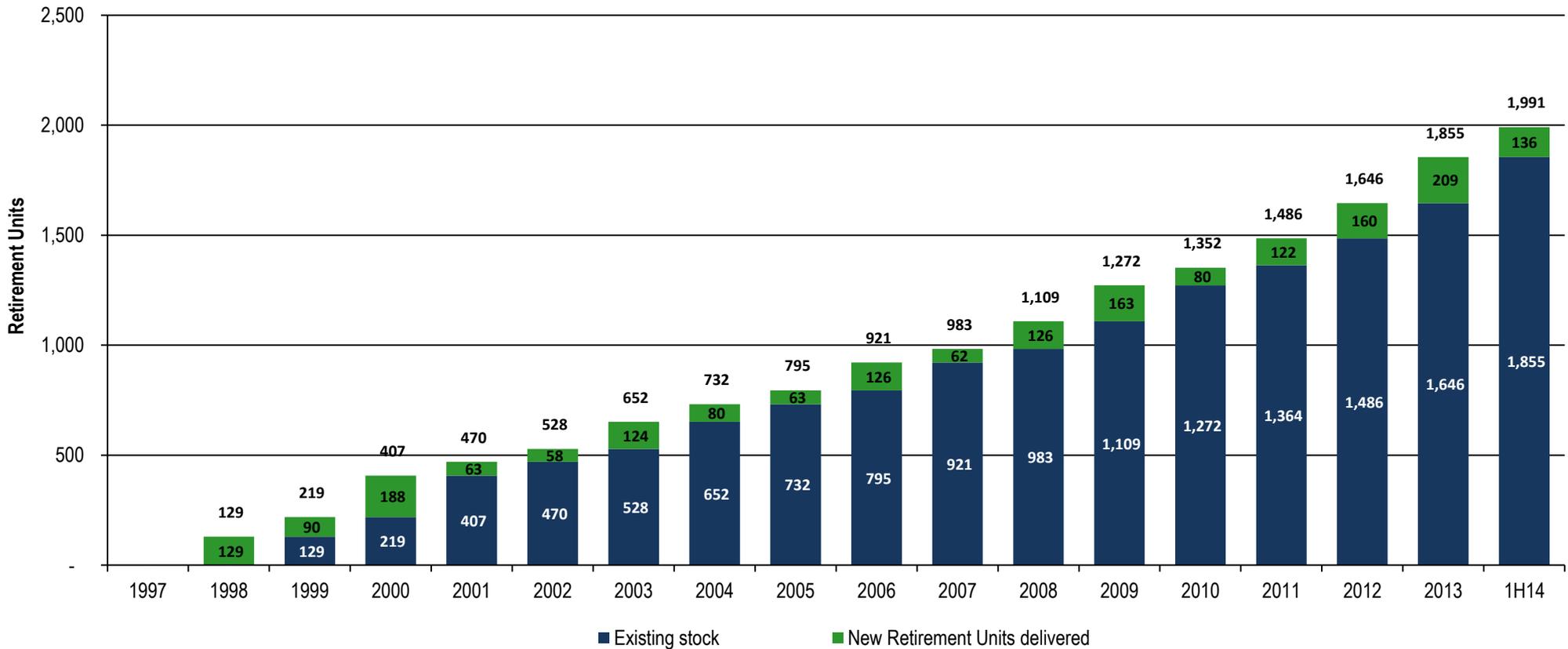




# SUMMERSET GROWTH

## 17 YEARS OF CONSISTENT DELIVERY AND GROWTH

SUMMERSET PORTFOLIO GROWTH





# 1H14 DEVELOPMENT ACTIVITY

## DELIVERY OF 136 RETIREMENT UNITS IN 1H14 ACROSS SIX SITES

- 136 retirement units delivered across six villages
- First retirement units in Karaka and Hobsonville delivered
- Dunedin village completed during 1H14
- Large main building programme underway:
  - Recently delivered main buildings in Nelson, Hamilton and Dunedin
  - Main building in Katikati currently underway, as well next stage extensions to the Nelson and Hamilton main buildings
  - Build of Hobsonville, Karaka and New Plymouth main buildings to commence shortly

Unit Delivery 1H14	Villas	Apartments	Care Apartments	Total	Care Beds
Dunedin	-	20	20	40	41
Hobsonville	11	-	-	11	-
Karaka	10	-	-	10	-
Katikati	20	-	-	20	-
Nelson	26	-	15	41	-
Warkworth	14	-	-	14	-
<b>Total</b>	<b>81</b>	<b>20</b>	<b>35</b>	<b>136</b>	<b>41</b>



# 1H14 DEVELOPMENT ACTIVITY

DELIVERY OF 136 RETIREMENT UNITS IN 1H14 ACROSS SIX SITES

Nelson



Dunedin



Hobsonville



Katikati



Warkworth



Karaka



# FUTURE DEVELOPMENT

## LAND BANK OF 2,001 RETIREMENT UNITS AND 587 CARE BEDS

- Land bank of 2,001 retirement units spread across brownfield and greenfield sites
- Additional pipeline of 587 care beds across existing sites
- Build target remains 300 retirement units by 2015
- Land bank provides in excess of six years of supply at build rate target
- Care bed build is additional to this target

	Land Bank - as at 30 June 2014 *				
	Villas	Apartments	Care Apartments	Total Retirement Units	Care Beds
Casebrook	195	-	38	233	80
Ellerslie	50	150	50	250	80
Hamilton	113	-	25	138	46
Hobsonville	114	70	30	214	90
Karaka	184	24	20	228	49
Katikati	113	20	-	133	49
Lower Hutt	40	96	42	178	49
Nelson	54	-	25	79	46
New Plymouth	108	-	40	148	49
Trentham	134	-	20	154	-
Warkworth	1	-	36	37	-
Wigram	156	-	53	209	49
<b>Total</b>	<b>1,262</b>	<b>360</b>	<b>379</b>	<b>2,001</b>	<b>587</b>

\* Land bank reflects current intentions as at 30 June 2014



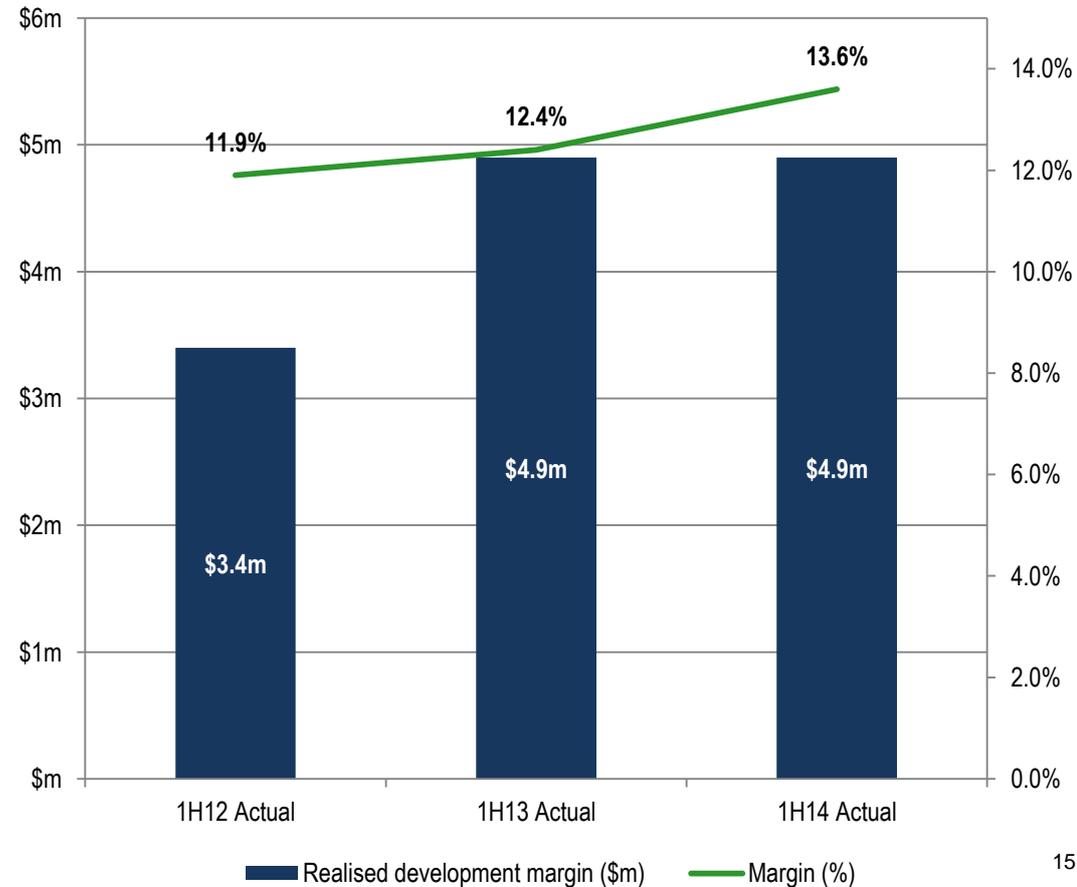
# DEVELOPMENT MARGIN

## REALISED DEVELOPMENT MARGIN \$4.9M

- Development margin continues to trend up
- Development margins on sites with internal construction management in line with medium term target of 17%+
- Construction on all sites managed by Summerset in FY14



REALISED DEVELOPMENT MARGIN





# NEW SALES OF OCCUPATION RIGHTS

## 105 NEW SALES FOR 1H14

- 2H14 lift in sales expected associated with continued build programme and new villages opening
- New sales of occupation rights down versus 1H13:
  - Apartments: 10, up 100% on 1H13
  - Care Apartments: 10, up 100% on 1H13
- Settlements in four new villages due to commence in 2H14 – expect a corresponding lift in new sales

	1H14 Actual	1H13 Actual	1H14 Actual vs. 1H13 Actual *	FY13 Actual
Gross proceeds (\$m)	36.5	39.9	-8.4%	79.3
Villas	85	106	-19.8%	204
Apartments	10	5	100%	18
Care apartments	10	5	100%	6
<b>Total occupation rights</b>	<b>105</b>	<b>116</b>	<b>-9.5%</b>	<b>228</b>

\* Percentage movements based on unrounded amounts



# RESALES OF OCCUPATION RIGHTS

## RESALES OF 90 OCCUPATION RIGHTS VERSUS 1H13 OF 73

- Realised resale gains up on 1H13:
  - Gross proceeds: \$28.9m, up 36% on 1H13
  - DMF realisation: \$3.1m, up 29% on 1H13
  - Occupation rights resold: 90, up 23% on 1H13
- Higher proportion of apartments sold 1H14 relative to 1H13
- Lower average resale gains per unit associated with higher mix of both newer villages and shorter tenure
- 32 resale occupation rights available for sale at 30 June 2014

	1H14 Actual	1H13 Actual	1H14 Actual vs. 1H13 Actual *	FY13 Actual
Gross proceeds (\$m)	28.9	21.2	36.4%	51.6
Realised resale gains (\$m)	3.6	4.6	-22.6%	9.7
DMF realisation (\$m)	3.1	2.4	29.3%	6.2
Villas	46	42	9.5%	105
Apartments	33	17	94.1%	34
Care apartments	11	14	-21.4%	35
<b>Total occupation rights</b>	<b>90</b>	<b>73</b>	<b>23.3%</b>	<b>174</b>

\* Percentage movements based on unrounded amounts



# OPERATIONS AND STAFF

## FOCUS ON CLINICAL QUALITY AND STAFF TRAINING

- Further pay increases for care staff aligned to qualifications - enhancements to Stepping Up programme
- Continuing focus on a strong clinical quality framework, including additions to the clinical quality team
- New clinical quality sub-committee of the Board in line with our commitment to providing excellence in care
- Care beds recently added to portfolio in both Nelson and Dunedin





# FINANCIAL RESULTS





# 1H14 REPORTED PROFIT (IFRS)

## NET PROFIT AFTER TAX UP 42% VERSUS 1H13

- NPAT up \$4.5m relative to 1H13
- 1H14 total revenue up 19% versus 1H13
- 1H14 total expenses up 18% versus 1H13, which include higher operating costs associated with new villages and opening of care facilities
- Fair value movement of investment property up 41% versus 1H13 reflecting:
  - Positive property market movements over the last six months
  - Includes \$6.2m fair value gain on development land in Auckland

NZ (\$m)	1H14 Actual	1H13 Actual	1H14 Actual vs. 1H13 Actual *	FY13 Actual
Total revenue	25.2	21.2	19.3%	45.2
Fair value movement of investment property	14.2	10.1	40.7%	29.7
Total income	39.5	31.3	26.2%	74.9
Total expenses	21.4	18.1	18.1%	38.6
Net finance costs	2.9	2.6	13.6%	4.6
<b>Net profit before tax</b>	<b>15.1</b>	<b>10.5</b>	<b>43.3%</b>	<b>31.8</b>
Tax (credit)/ expense	(0.2)	(0.3)	-24.0%	(2.5)
<b>Net profit after tax</b>	<b>15.3</b>	<b>10.8</b>	<b>41.9%</b>	<b>34.2</b>

\* Percentage movements based on unrounded amounts



# 1H14 UNDERLYING PROFIT

## UNDERLYING PROFIT \$9.4M FOR 1H14

- Continuing strong underlying profit performance
- Underlying profit of \$9.4m includes costs related to new village starts and the start-up phase of new care facilities
- Higher development margin % achieved, resulting in similar realised development margin despite less new sales in the period

NZ (\$m)	1H14 Actual	1H13 Actual	1H14 Actual vs. 1H13 Actual *	FY13 Actual
Reported profit after tax	15.3	10.8	41.9%	34.2
Less fair value movement of investment property	(14.2)	(10.1)	40.7%	(29.7)
Add realised gain on resales	3.6	4.6	-22.6%	9.7
Add realised development margin	4.9	4.9	0.0%	10.5
Less deferred tax credit	(0.2)	(0.2)	-24.0%	(2.5)
<b>Underlying profit</b>	<b>9.4</b>	<b>10.0</b>	<b>-6.1%</b>	<b>22.2</b>

\* Percentage movements based on unrounded amounts

Underlying profit differs from IFRS net profit after tax. The directors have provided an 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.



# 1H14 CASH FLOWS

## STRONG INVESTMENT IN NEW VILLAGE BUILDS

- Net operating cash flow of \$36.5 million for 1H14
- Expect an increase in net operating cash flow in 2H14 in line with sales in new villages
- Strong investment in new villages, with a spend of \$54.9 million in new land and builds in 1H14
- Dividend paid in 1H14 for a total of \$7.0m

NZ (\$m)	1H14 Actual	1H13 Actual	1H14 Actual vs. 1H13 Actual *	FY13 Actual
Care fees and village services	16.7	14.2	17.2%	31.8
Interest received	0.1	0.1	25.0%	0.2
Payments to suppliers and employees	(19.6)	(16.3)	20.5%	(36.9)
Net receipts for resident loans	39.4	45.4	-13.2%	93.5
<b>Net operating cash flow</b>	<b>36.5</b>	<b>43.4</b>	<b>-15.8%</b>	<b>88.6</b>
Acquisition of PPE & IP	(54.9)	(38.8)	41.6%	(108.1)
Other investing cash flows	(1.2)	(0.3)	285%	(1.5)
<b>Net investing cash flow</b>	<b>(56.1)</b>	<b>(39.1)</b>	<b>43.5%</b>	<b>(109.5)</b>
Proceeds from / (repayment of) bank loans	27.2	0.5	4930%	27.1
Dividends paid	(7.0)	(5.3)	31.3%	(5.3)
Proceeds from issue of shares	2.9	3.2	-8.4%	3.7
Other financing cash flows	(1.9)	(1.9)	3.5%	(4.3)
<b>Net financing cash flows</b>	<b>21.1</b>	<b>(3.5)</b>	<b>N/A</b>	<b>21.2</b>
Net increase in cash	1.5	0.8	91.2%	0.3

\* Percentage movements based on unrounded amounts



# 1H14 BALANCE SHEET

## TOTAL ASSETS OF \$921M, UP 21% FROM \$764M IN 1H13

- Net asset growth of 14% from 1H13
- Investment property valuation of \$845m
- Other assets include land and buildings (primarily care facilities)
- Uplift in bank lending reflects continued increase in build rates and infrastructure investment
- Embedded value of \$167m, \$84k per retirement unit, as at 30 June 2014:
  - \$97m capital gain
  - \$70m deferred management fee

NZ (\$m)	1H14 Actual	1H13 Actual	1H14 Actual vs. 1H13 Actual *	FY13 Actual
Investment property	844.6	706.2	19.6%	776.6
Other assets	76.7	58.0	32.2%	68.3
<b>Total assets</b>	<b>921.3</b>	<b>764.2</b>	<b>20.6%</b>	<b>844.9</b>
Residents' loans	447.2	374.0	19.6%	414.2
Bank loans	132.4	78.7	68.3%	105.3
Other liabilities	48.8	53.9	-9.5%	43.5
<b>Total liabilities</b>	<b>628.4</b>	<b>506.6</b>	<b>24.0%</b>	<b>563.0</b>
<b>Net assets</b>	<b>292.9</b>	<b>257.6</b>	<b>13.7%</b>	<b>281.9</b>
<b>Embedded value</b>	<b>167.3</b>	<b>143.4</b>	<b>16.6%</b>	<b>147.3</b>
<b>NTA (cents per share)</b>	<b>135</b>	<b>120</b>	<b>12.5%</b>	<b>131</b>

\* Percentage movements based on unrounded amounts



# INTERIM DIVIDEND





# 1H14 INTERIM DIVIDEND

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## SUMMERSET BOARD DECLARES 1H14 INTERIM DIVIDEND

- The Summerset Board have declared an interim dividend of 1.4 cents per share, unimputed
- This represents a total pay-out of approximately \$3.0m
- The board has announced Summerset will now pay an interim and final dividend. There is no change to the dividend policy whereby the total annual dividend will be between 30-50% of underlying profit in that year
- 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 the 27<sup>th</sup> of August 2014. Any applications received on or after this time will be applied to subsequent dividends
- The interim dividend will be paid on the 8<sup>th</sup> September 2014. The record date for final determination of entitlements to the interim dividend is the 26<sup>th</sup> August 2014



# QUESTIONS?

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# DISCLAIMER

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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 2014

## 1,991 RETIREMENT UNITS AND 483 CARE BEDS

	Existing Portfolio – as at 30 June 2014				
	Villas	Apartments	Care Apartments	Total Retirement Units	Care Beds
Aotea	96	33	38	167	-
Dunedin	61	20	20	101	41
Hamilton	74	-	10	84	30
Hastings	146	5	-	151	-
Havelock North	94	28	-	122	41
Hobsonville	11	-	-	11	-
Karaka	10	-	-	10	-
Katikati	43	-	-	43	-
Levin	64	22	-	86	28
Manukau	89	67	27	183	52
Napier	94	26	20	140	48
Nelson	160	-	15	175	42
Palmerston North	90	12	-	102	41
Paraparaumu	92	22	-	114	41
Taupo	94	34	18	146	-
Trentham	92	12	20	124	41
Wanganui	70	18	12	100	37
Warkworth	122	2	8	132	41
<b>Total</b>	<b>1,502</b>	<b>301</b>	<b>188</b>	<b>1,991</b>	<b>483</b>



# LAND BANK AS AT 30 JUNE 2014

## LAND BANK OF 2,001 RETIREMENT UNITS AND 587 CARE BEDS

	Land Bank - as at 30 June 2014 *				
	Villas	Apartments	Care Apartments	Total Retirement Units	Care Beds
Casebrook	195	-	38	233	80
Ellerslie	50	150	50	250	80
Hamilton	113	-	25	138	46
Hobsonville	114	70	30	214	90
Karaka	184	24	20	228	49
Katikati	113	20	-	133	49
Lower Hutt	40	96	42	178	49
Nelson	54	-	25	79	46
New Plymouth	108	-	40	148	49
Trentham	134	-	20	154	-
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\* Land bank reflects current intentions as at 30 June 2014