

# Ingenia Communities Group



## Investor Presentation

6 February 2013

Simon Owen

Chief Executive Officer



# Agenda

Group summary

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Market overview

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Retirement sector opportunities

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Our business models

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Capital management

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Strategy and outlook

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The past two years has seen Ingenia transform from a passive landlord to an **active owner, operator and developer of seniors living communities in Australia**



## Largest

owner of rental  
villages in  
Australia

## Differentiated

business model  
offering both  
recurrent cash yield  
and development  
returns



Portfolio of **35**  
seniors living  
communities in  
Australia and  
growing

- Garden Villages
- Settlers Lifestyle
- DMF Conversions



**26 Rental Villages**  
1,404 units



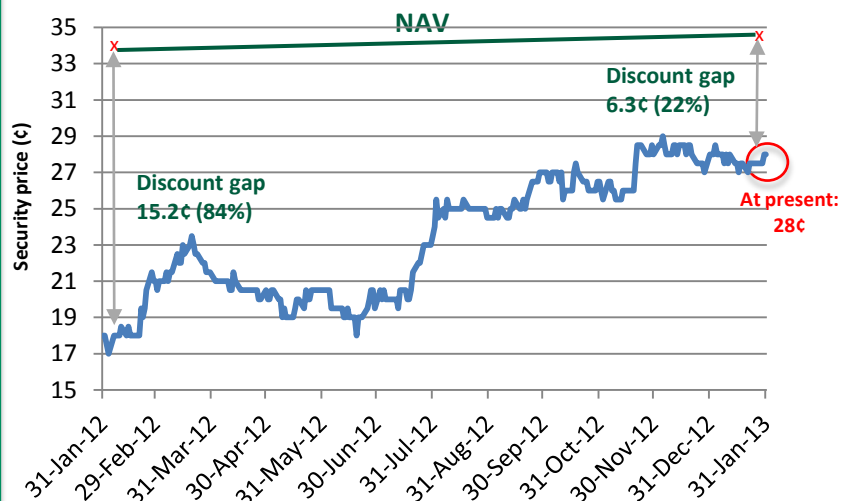
**5 DMF Villages**  
693 units



**4 DMF Conversions Villages**  
228 units

# Group summary

## Security price / NAV



## Our registry

<b>ASX Code</b>	INA
<b>Securities on Issue</b>	441m
<b>Market cap as at 31 Jan 2013</b>	\$123m

### **Top Securityholders**

Allan Gray Investments
Mercantile Investments
First Samuel
Intelligent Investor Funds
Renaissance
Tyndall Investments
Wilson Asset Management

Top holders account for 47% of INA register

## Ingenia Board of Directors

- Jim Hazel – Non-Executive Chairman
- Amanda Heyworth – Non-Executive Director
- Philip Clark – Non-Executive Director
- Simon Owen – Managing Director and CEO

## INA history

- > Fund listed on the ASX in 2004 as ING Real Estate Community Living Group (ILF)
- > Exited ING Group in June 2012, internalises management and renamed Ingenia Communities
- > Resumption of distributions in FY12
- > Announced three acquisitions since June 2012, with a further six under exclusivity

## **Demand from residents remains steady particularly at the affordable end of the market**

- > Noticeable pick-up in enquiries and sales in key Ingenia markets of WA and QLD (but not Brisbane)

## **Supply remains well below long term requirements**

- > Few new DMF villages being built due to inability to secure funding and cautious consumer sentiment
- > No new rental villages being built as they are not commercially viable

## **Considerable distressed opportunities**

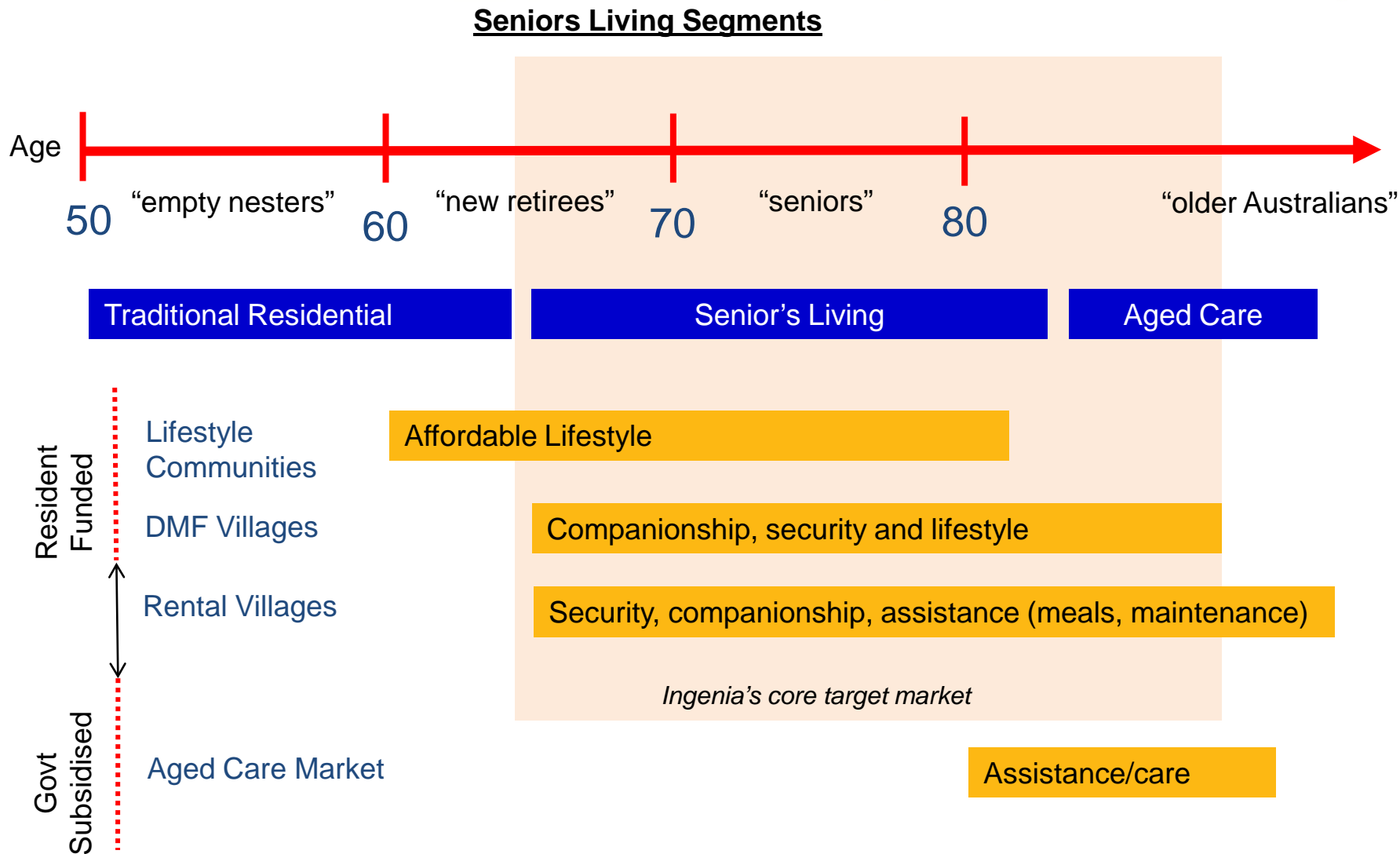
- > Pressure from sector lenders creating forced sales opportunities
- > Few buyers as major corporates cease acquisition activities

## **Valuations holding firm (dependent on location and quality)**

- > Discount rates for DMF villages remain around 13-14% although portfolio de-consolidation may put discount rates under pressure
- > Rental village cap rates remain around 10% but limited transactions
- > Greenfield sites remain significantly discounted

**Ingenia well positioned to take advantage of current market opportunities**

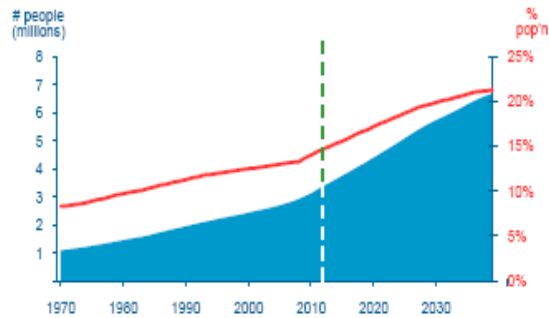
# The Australian seniors living market consists of an increasing number of sub-markets



# Retirement sector opportunities

The growth rate of the 65 year old plus demographic is compelling . . .

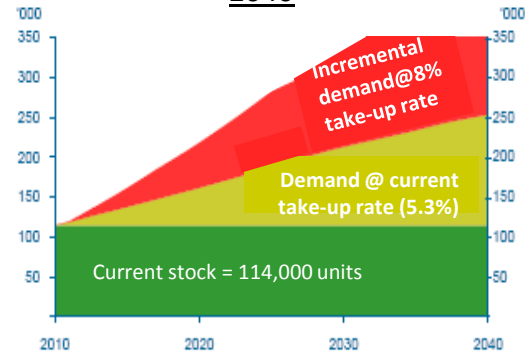
Population aged 65+ years  
In Australia 1971 - 2040



Source: Stockland Retirement Living Presentation, Nov 2010

. . . and will drive a large expected increase in demand. . .

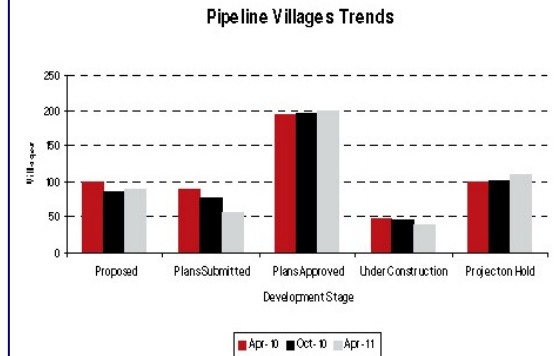
Demand for new units at  
different Penetration Rates 2010-  
2040



Source: Stockland Retirement Living Presentation, Nov 2010

. . . yet the rate at which villages are being built represents a 45 village shortfall per year . . .

Pipeline Village Trends  
Apr 10 – Apr 11



Source: JLL Market Overview On-point, April 2011



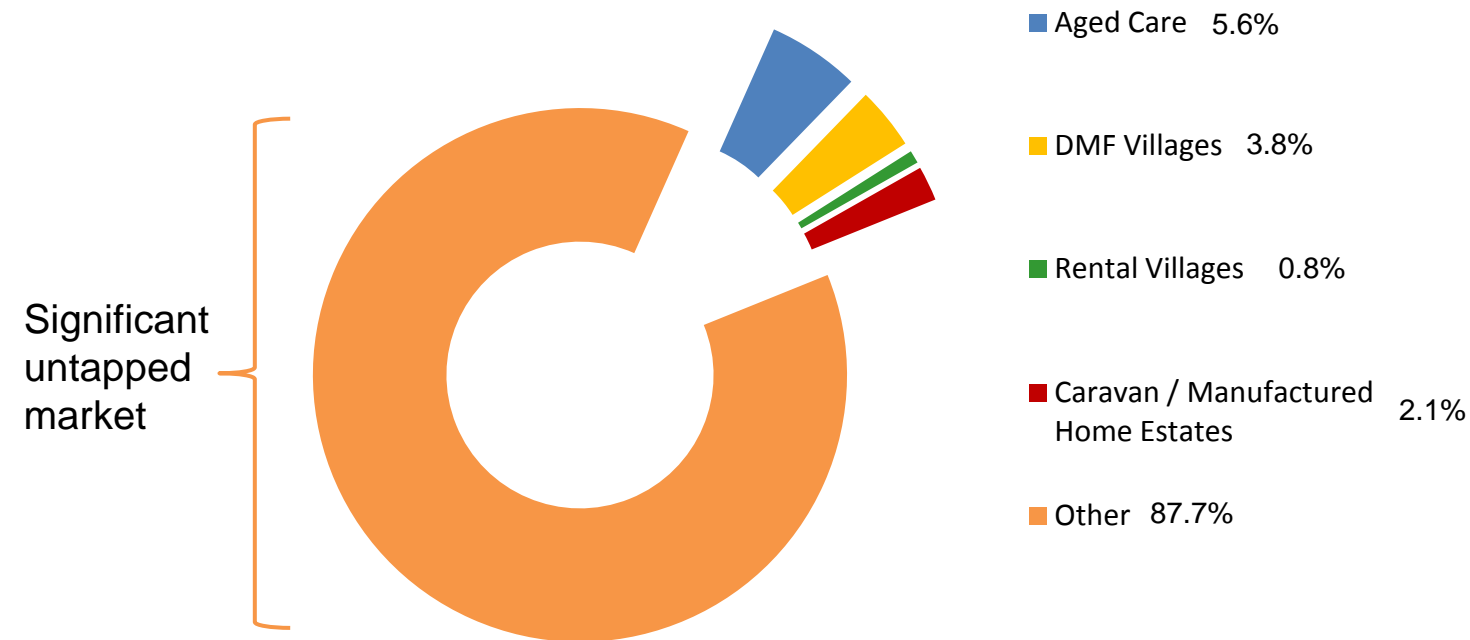
. . . Which presents Ingenia with an opportunity to fill the supply / demand gap

- > ASX listed platform (only 'pure' seniors living vehicle on ASX)
- > Credible management team (strong industry networks and well regarded by investors)
- > Scalable existing portfolio (quality systems, people and existing national footprint)



# Seniors living sector opportunities

Population over 65 (%) - Where they reside



- > According to the 2011 Census, there are 3 million persons over 65 in Australia
- > Penetration rate in the seniors living sector remains low as a significant majority of seniors live at home or with family

# Our business models

Ingenia has three distinct portfolios with complimentary financial models

- **Deferred Management Fee (DMF) Portfolio**

DMF refers to the amount of money payable to the retirement village operator on the departure of a resident from the village. The amount is usually calculated on a sliding scale basis, the longer the occupation the higher the percentage deducted, usually capped at around 30% over 8-10 years of the ongoing contribution. Contracts typically have a capital gains sharing arrangement (generally 30% to Ingenia) in addition to the DMF. Ingenia also undertakes development works which will generate development profits.

- **Rental Portfolio**

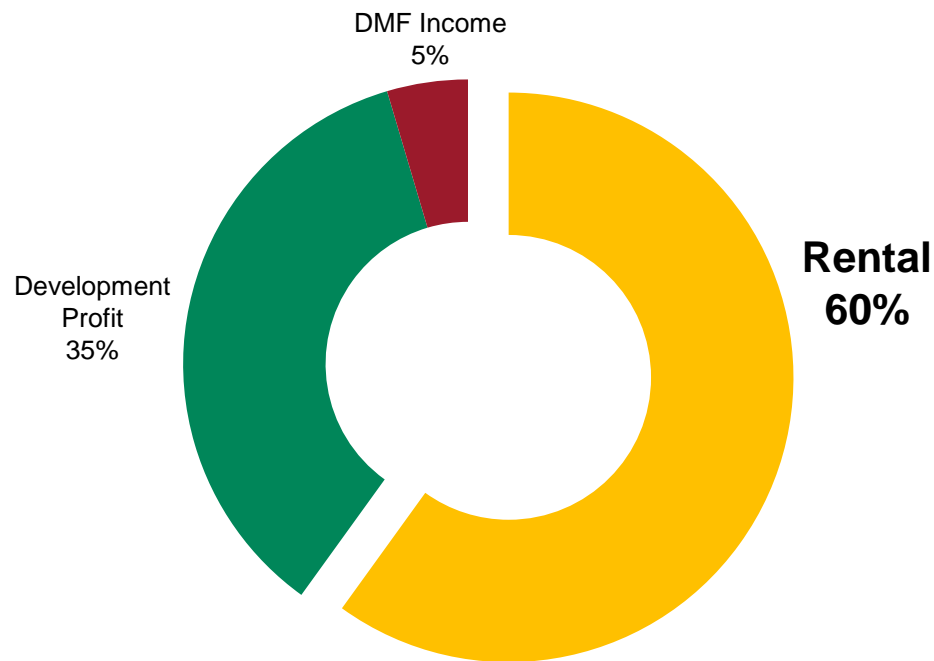
Rental tenants in a retirement village will enter into a fixed term contract (six monthly or annual, akin to a typical residential rental agreement) and pay a weekly rental fee (circa \$300/week) for the unit they occupy. This model provides Ingenia with a consistent good quality cashflow stream to supplement the irregularity of DMF cashflow.

- **DMF Conversion Portfolio**

The conversion of select rental villages to the DMF model allows Ingenia to realise first time development profit (net asset uplift and cashflow) by entering into a DMF arrangement on individual homes. This also creates the opportunity to receive a DMF upon a residents' exit.

# Rental model is a key focus

Ingenia Communities' sizable earnings provide clear differentiation from listed peers



Ingenia to focus on market segments where it can increase cash yields and undertake low risk developments

> Driving occupancy and rate growth key to increasing cash yields

# Capital management

A disciplined approach to capital allocation remains at the forefront of group strategy

## Recurrent earnings

### Resumption of distribution

- Payment of 0.5¢ per stapled security for the six months to 30 June 2012
- Funded from recurrent earnings
- Group forecasts 0.5¢ interim and final distribution for FY13
- Look to grow distributions over time targeting > 5% yield (subject to operational performance)

## Balancing growth funding and capital return to securityholders

### Funding growth

- Stringent assessment of accretive growth projects with targeted minimum unlevered IRR of 15% on acquisitions and new developments
- Focus on cash earnings and increasing development pipeline
- Significant deal flow of accretive growth opportunities now in place

### Exploring alternate capital management initiatives

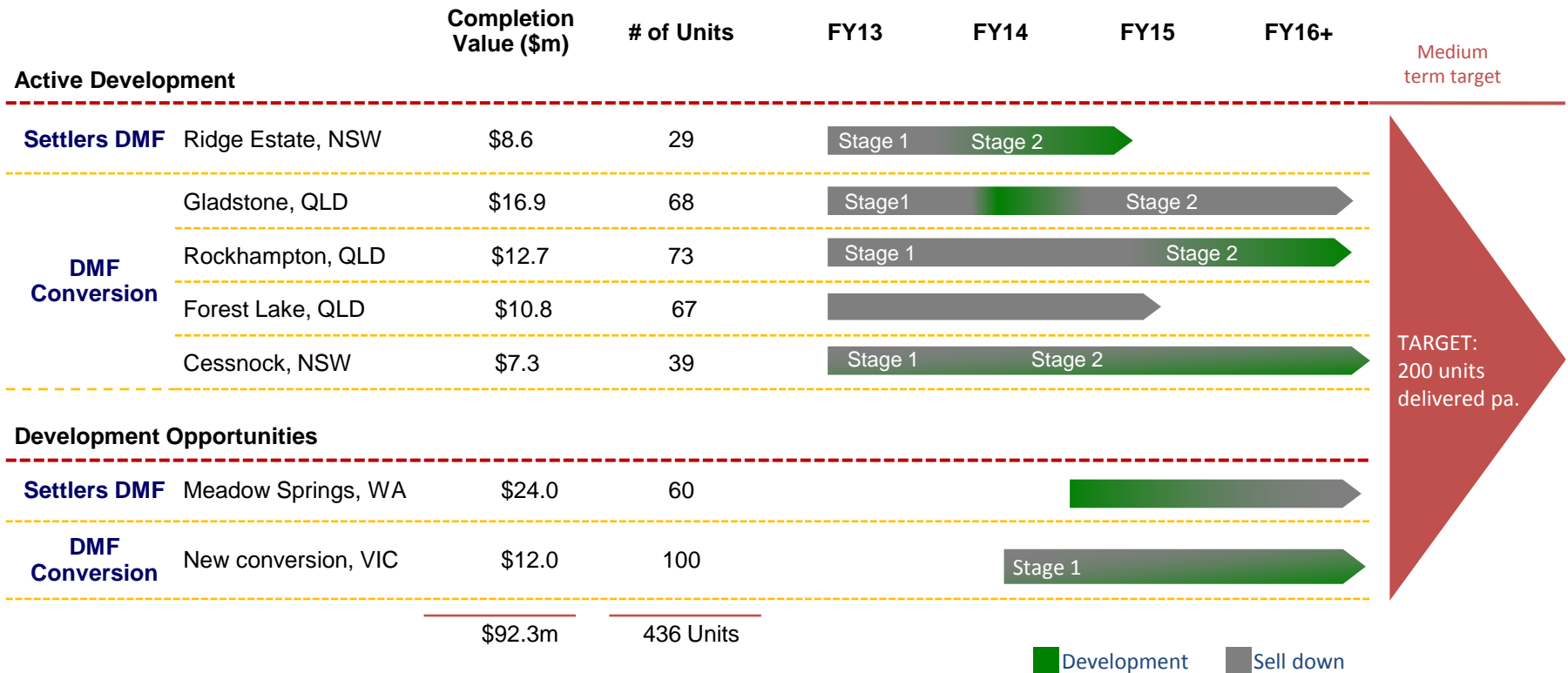
- Assessing modest buyback of up to \$10 million or reinvesting in acquisitions and development
- NAV gap has narrowed significantly over past 12 months from 84% to 22% as at 31 January 2013
- Significant securityholder support to invest in accretive growth opportunities

## Ingenia is committed to operating and building a highly profitable Australian Seniors living portfolio

- > Strict discipline to capital allocation will underpin all investment decisions
- > Focus acquisitions on cash yielding communities with development or repositioning upside, traditional DMF villages opportunities with development upside and land adjacent to existing high occupancy communities
- > New acquisitions will be in “clusters” to leverage Ingenia’s on-the-ground operations, sales and development capabilities
- > Investigate alternate Independent Living seniors living models that presently exist in Australia and overseas with a focus on cash yield
- > Growing the business while maintaining a lean operating cost base



## Development forecast within existing portfolios as at 25 January 2013



**Significant organic growth opportunities embedded within existing assets**

# Recent acquisitions

Ingenia expands its reach in growing markets with a cluster style strategy

## Key selection criteria for acquisitions:

- > Situated in areas with strong employment and housing market
- > Ideal demographics and limited competition
- > Available adjacent land for development

Recent acquisitions		Acquisition Metrics			Operational Metrics (in steady state)	
Village	Price	Yield	Occupancy	Unlevered IRR	Yield	Occupancy
Ridge Estate (Maitland, NSW)	\$2.0m	-	-	>50%	-	100%
Dubbo Gardens (NSW)	\$2.4m	5.7%	57%	>17%	13.0%	92%
Ocean Grove Gardens (Mandurah, WA)	\$2.8m	11.0%	90%	>20%	14.1%	97%

- > Market conditions in Australia remain challenging however demand for affordable seniors accommodation remains firm with few alternatives available
- > Exit from remaining overseas portfolios near complete, with proceeds to be reinvested in accretive and profitable seniors housing in Australia, and capital management initiatives such as a possible buyback being explored
- > Continually assess opportunities to divest poorly performing assets at value and recycle capital into projects earning a minimum 15% unlevered IRR
- > Seeking to maintain and grow assets under management that generate recurrent cash yield as well as increasing development pipeline and delivery
- > Reaffirm intention to pay FY13 interim and final distributions
- > Exploring multiple acquisition and development opportunities while maintaining a disciplined capital allocation strategy



# Appendices



## Directors bring strong industry expertise and professional experience to the Board



### **Jim Hazel**

Independent Non-Executive Chairman

Mr Hazel has had an extensive corporate career in both the banking and retirement sectors. His seniors living experience includes being Managing Director with Primelife Corporation Limited (now part of Lend Lease). Jim is currently a Non-Executive Director of Bendigo and Adelaide Bank Limited, and also serves as a Director on the boards of Impedimed Limited, Motor Accident Commission, Coopers Brewery Limited and Centrex Metals Limited. He sits on a number of other boards, including the Council on the Ageing (SA) Inc.



### **Amanda Heyworth**

Independent Non-Executive Director

Ms Heyworth is the Executive Director of Playford Capital. She has a wealth of experience in the finance, technology and government sectors. Ms Heyworth brings a finance and growth focus to the Group, having worked on many product launches and geographic expansions and over 40 capital raisings and M&A transactions. She sits on a number of public sector and private boards including Australian Centre for Renewable Energy and Commonwealth IT Industry Innovation Council.



### **Philip Clark AM**

Independent Non-Executive Director

Mr Clark is the Chairman of SCA Property Group. He is previously a Director of ING Management Limited, a member of the J P Morgan Advisory Council, and also chairs a number of government and private company boards. He was a former Managing Partner and CEO of Minter Ellison. Prior to joining Minter Ellison, Mr Clark was Director and Head of Corporate with ABN Amro Australia and prior to that he was Managing Partner with Mallesons Stephen Jaques for 16 years.

## Highly experienced Management team



### **Simon Owen**

Managing Director and Chief Executive Officer

Simon joined the Group in November 2009 and brings significant experience in the seniors living sector and is the immediate past National President of the Retirement Villages Association (RVA), the peak industry advocacy group for the owners, operators, developers and managers of retirement communities in Australia. Prior to Ingenia, Simon was the CEO of Aevum, a formerly listed seniors living company which under his leadership, grew from four to 21 villages across New South Wales and Western Australia. Simon is a qualified accountant (CPA) with post graduate diplomas in finance and investment, and advanced accounting.



### **Tania Betts**

Chief Financial Officer

Tania joined the Group in May 2012, after a 6 year career at Stockland Group where she held various positions including National Finance Manager within their Retirement Living Division. Tania's previous experience includes several years within the chartered accounting profession as well as working for a leading health care provider. She holds a Bachelor of Business in Accounting and Finance, is a member of both the Institute of Chartered Accountants and the Institute of Chartered Secretaries, and was the winner of the 2011 Urban Development Institute of Australia Young Developer Leadership Award.



### **Nikki Fisher**

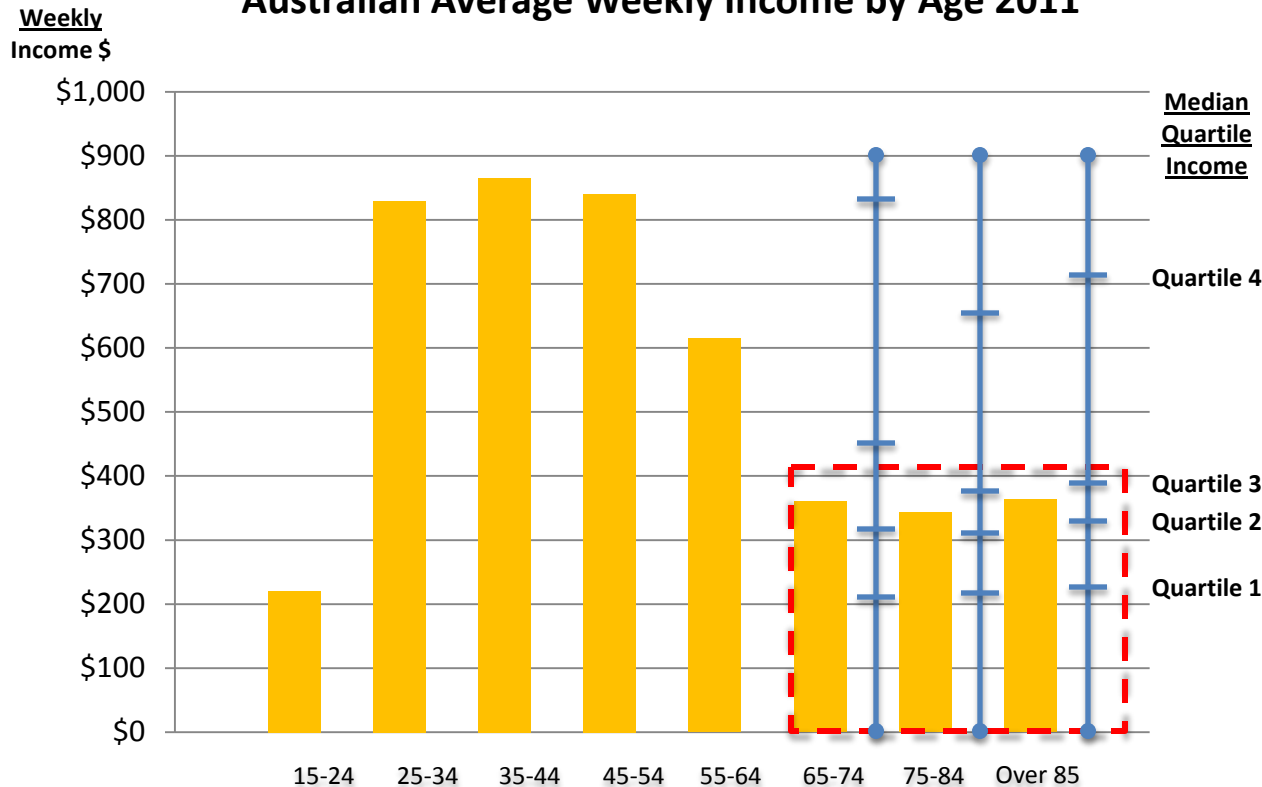
Chief Operating Officer

Nikki is responsible for the day to day operation of the Australian portfolio. She joined the Group in June 2010. Nikki has 16 years' experience in the property and asset management industry. Her career spans across multiple asset classes including industrial, commercial and retail. Prior to Ingenia, Nikki spent her last 10 years at Westfield Group where she held the position of Regional Manager QLD North, overseeing a portfolio in excess of \$2 billion. She holds a Bachelor of Business in Accounting and Industry Economics.



# Increasing demand in affordable housing

## Australian Average Weekly Income by Age 2011



> 77% of single people over the age of 65 rely on the pension as their primary source of income

- > Strongest part of the market remains affordable seniors accommodation, which will be Ingenia's focus
- > Majority of peers focused on middle to middle/upper markets

# Typical Garden Villages (Rental)

## Village Features

- > Rental accommodation for over 55s
- > Independent living options available in a gated community, coupled with services and activities
- > Community center with modest facilities such as reception and office, resident lounge, modern kitchen, library, pool table, bbq area in some villages
- > Single level one-bedroom villas for singles or couples
- > 24-hour emergency call system available in each unit

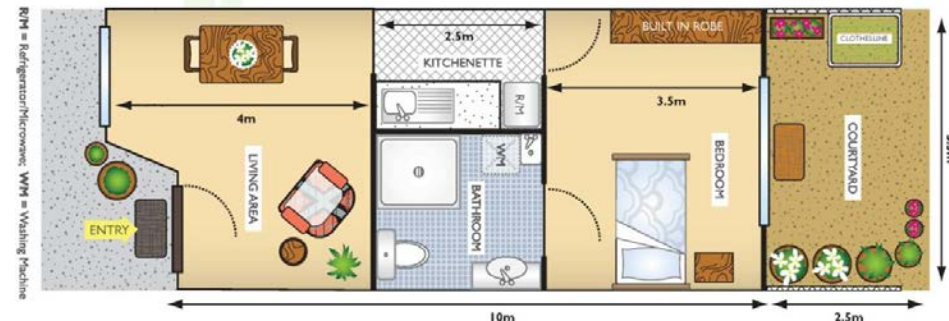
## General Pricing

- > Residents are charged a rent of ~\$300/ week (covers rates, maintenance, gardening, white goods, security, water)
- > Option to include meals and service package if required (\$60/ week for meals)
- > Rental rates are reviewed six monthly
- > Rental rate increases benchmarked to Government pension increases

Site plan for Marsden Village, QLD



Typical Single unit



# Typical DMF Conversion Village

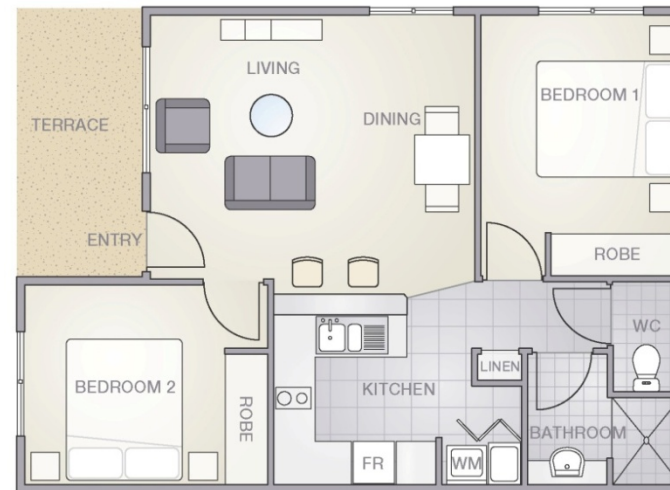
## Village Features

- > Independent living retirement village for over 55s in a gated community, coupled with communal services and facilities
- > Community center with recently upgraded facilities
- > Typically also include outdoor facilities such as a bbq area and residents vegetable gardens
- > Single level villas ranging from studio, one bedroom to two bedroom
- > 24-hour emergency call system available in each unit

## General Pricing

- > Freehold villas available for sale
- > Typical studio range from \$110k - \$130k
- > Typical 1 Bedroom range from \$135k - \$180k
- > Typical 2 Bedroom range from \$180k - \$270k
- > Residents pay a maintenance fee \$75 - \$96/week which covers insurance, pest control, lawns and maintenance, security and village staff.

Site plan for Settlers Gladstone Village, QLD



Typical 2-Bedroom unit

Total area 55m<sup>2</sup>  
Excludes terrace. Measured to inside face of walls.

Living/Dining Area	17.7m <sup>2</sup>	4.6m x 3.7m
Kitchen/Laundry	9.4m <sup>2</sup>	3.5m x 2.7m
Bedroom 1	10.5m <sup>2</sup>	3.7m x 2.8m
Bedroom 2	9.7m <sup>2</sup>	3.4m x 2.8m

# Typical DMF Village

## Village Features

- > Independent living retirement village for over 55s in a gated community, with resort style facilities
- > Community center includes residents lounge with bar and modern kitchen, games room, hairdressing salon, library, gymnasium, hobby workshop
- > Outdoor facilities may include a swimming pool, tennis courts, bowling, putting and croquet greens, caravan/boat storage
- > Villas ranging from one bedroom to three bedroom, mostly with detached garages
- > 24-hour emergency call system available in each villa

## General Pricing

- > Freehold or strata titled villas available for sale
- > Typical 1 Bedroom range from \$143k - \$178k
- > Typical 2 Bedroom range from \$210k - \$289k
- > Typical 3 Bedroom range from \$270k - \$454k
- > Residents pay a maintenance fee of \$67 - \$100/week which covers insurance, pest control, lawns and maintenance, security and village staff

Aerial view of Settlers Noyea, QLD



1000mm  
Scale 1m\*

← Typical 2  
Bedroom

→ Typical 3  
Bedroom



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