Ingenia Communities Group

Capital Raising - Entitlement Issue

Wednesday 11 September 2013

Consolidating market leadership in Manufactured Home Estates

Overview of the capital raising

Overview	> Non-Renounceable Rights Issue to raise $61.7 million at an offer price of $0.365 per security > Fully underwritten by RBS Morgans Corporate Limited and Petra Capital Pty Limited
Use of Proceeds	> Funds raised from the Rights Issue will be fully allocated to fund existing identified opportunities > Advanced discussions with Australian bank for significant increase in Australian debt facility to further enhance acquisition capacity
Offer	> Ratio of 1 for 3 to issue 169.1 million securities > Record date 20 September 2013
Pricing	> Offer price of $0.365 per security > 12.0% discount to the last traded price of $0.415 on Tuesday 10 September 2013 > 9.3% discount to the Theoretical Ex-Rights Price[1] of $0.403
Top Up Facility	> Eligible securityholders will have the opportunity to apply for additional new securities that are not subscribed for under the Rights Issue > Allocations will be at the discretion of the Board and Underwriters
Acquisitions	> Conditional contract exchanged to acquire 182 site Drifters Holiday Village in Kingscliff, NSW > Significant and growing pipeline of acquisitions under assessment > Transactions are expected to be announced in the short term > Accretive opportunities with target trailing yields of 10% and unlevered IRRs > 15%
Other	> New securities issued pursuant to the Rights Issue will be fully paid and rank equally with Ingenia's existing securities > All Ingenia Directors intend to participate in the Rights Issue > Institutional Placement (June 2013) capital fully allocated – conditional contract exchanged on fifth acquisition (to be announced shortly)

1. The Theoretical Ex-Rights Price is the theoretical price at which Ingenia securities should trade after the ex-entitlement date for the Rights Issue.

Executive summary

Ingenia well placed to accelerate 'first mover' advantage in Manufactured Home Estates (MHE) market

> First mover advantage well established - more than 2 years research, six recent acquisitions

> Competitors assessing opportunities but capital constrained – Ingenia has access to capital with strong investor support for MHE strategy

> Successful initial investments with strategies in place to enhance returns

> Well researched pipeline of immediately earnings accretive, cash yielding assets, with forecast unlevered IRRs >15% - significant deal flow under active assessment

Significant deal pipeline in place, new acquisition announced

> First MHE investment in Tweed Coast cluster contracted - 10% initial yield, unlevered IRR >15% with 114 permanent homes, 68 tourism sites and significant upside

> Well advanced on acquisition of a further seven assets in identified clusters with significant repositioning and development upside

> Industry leading research – every MHE and tourist park on east coast and in WA mapped - in excess of 200 investment grade opportunities identified

> Accretive opportunities with target trailing yields of 10% and unlevered IRRs >15%

Executive summary

MHE acquisitions to be funded via 1 for 3 Non-Renounceable Rights Issue

- Rights Issue at $0.365 per security to raise $61.7 million
- In advanced discussions with Australian bank to significantly increase debt facility limit, providing additional funding capacity

Enhances capacity for growth and returns to securityholders

- Maximises scale benefits and significant competitor advantage to consolidate leading market position
- Increases portfolio of cash yielding assets, providing substantial leverage to existing operating platform
- Expands development pipeline, securing future low risk, capital light growth at high margins
- Advances development target of 240 new manufactured homes per annum

Use of funds - Drifters Holiday Village

> Conditional contract (subject to due diligence) to acquire Drifters Holiday Village, Kingscliff (NSW) - settlement anticipated mid November 2013

- 114 permanent homes and 68 tourism sites (ability to increase to 206 homes/sites)
- Immediately accretive – initial yield 10% (stabilised yield 12%), with forecast unlevered IRR >15%

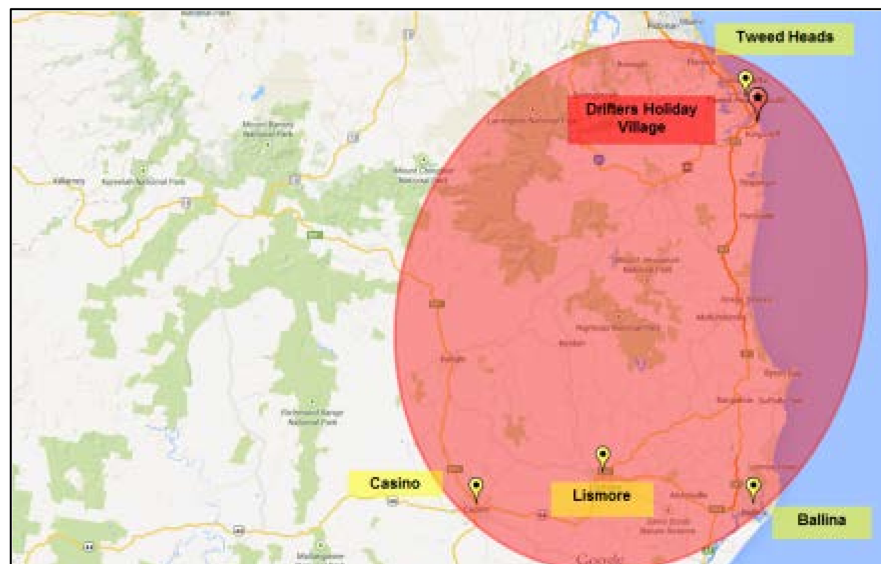
The village

Permanent home on-site

Use of funds - Drifters Holiday Village

- Accelerates MHE expansion into new cluster (Tweed Coast), accessing a future growth corridor
  - Strong retiree and tourism market with a large and growing over 50s population
  - Approx. 100 kilometres to Brisbane
  - Median house price in Kingscliff of ~$573,000 will support affordability-based seniors living value proposition
- High quality village with significant potential to improve returns through site upgrades and repositioning

Tourist cabin



Use of funds
Further acquisitions progressing

> Significant pipeline of 'on-strategy' MHE acquisitions under due diligence or in active assessment

> Acquisition of additional seven assets with combined value of approx. $82 million (including transaction costs) anticipated to be announced in the short term

- Over 1,200 homes/sites in identified NSW clusters
- Acquisitions ranging from $6 million to $20 million
- Villages ranging from 100 to 440 homes/sites
- Initial yield target 10%, with forecast unlevered IRRs >15%
- Each asset has significant repositioning and/or development upside with staged construction and sell down of new homes

Use of funds
Further acquisitions progressing

- Targeted acquisitions build presence in identified clusters, expand MHE portfolio to 2,667 sites
- Acquisitions will be funded via the Rights Issue and a mixture of debt and cash

Target Acquisitions – Indicative Village Composition

	Existing homes	Tourism sites	Development upside sites	Total homes/sites
Current Portfolio[1]	541	321	334	**1,196**
Drifters Holiday Village	114	68	24	**206**
Additional seven assets	556	88[2]	621	**1,265**
Total	1,211	477	979	**2,667**

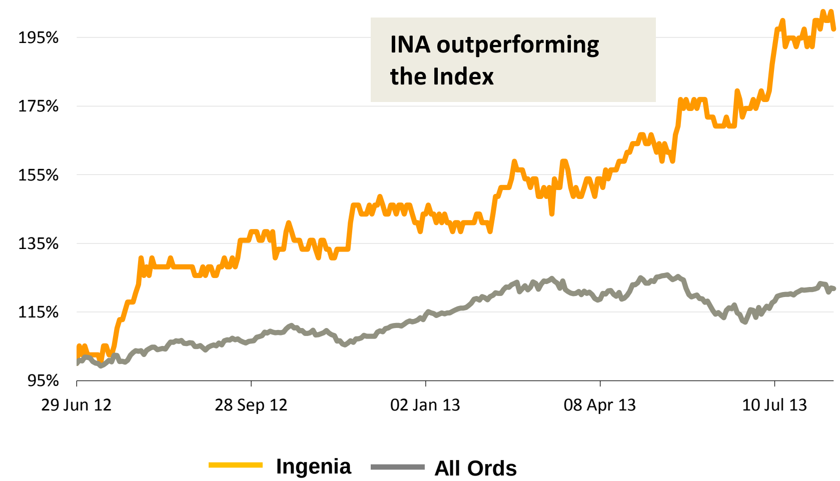
1. Includes acquisitions announced to date and yet to be announced acquisition to be funded by the June 2013 Placement.
2. Represents tourism sites post site development and conversion.

Repositioned business delivering results

FY13 results demonstrate improved performance

- Profit from continuing operations up 95%
- Continuing growth in rental occupancy, strong 2H13 settlements
- Rental and MHE portfolios increased to 55% of portfolio (by value)
- Low risk expansion of existing villages progressed
- Successful Institutional Placement (June 2013)
- LVR of 35% (post settlement of MHE acquisitions announced August 2013)
- Recent inclusion in ASX 300 Index

Security price performance versus Index



Corporate

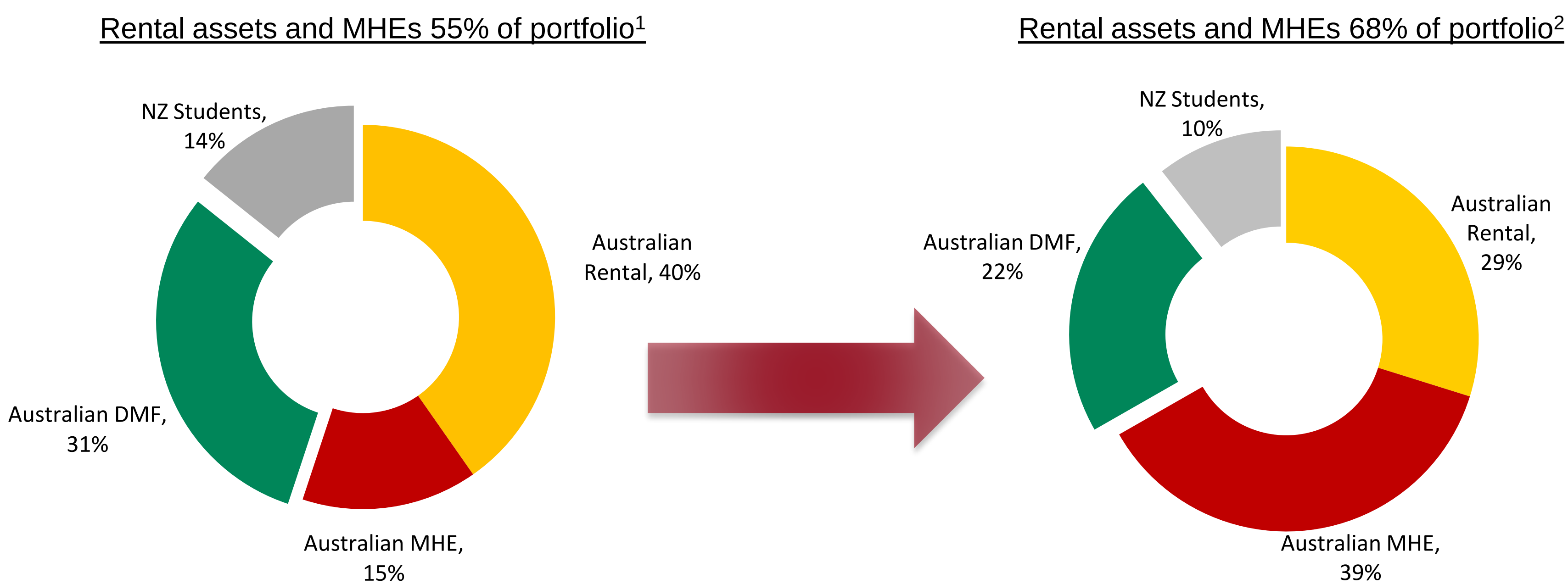
ASX Code	INA
Market cap (20 Aug 2013)	$200m
Securities on Issue	507m

BDO INGENIA RANKED #1 A-REIT SURVEY 2012

Board of Directors

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

Clearly differentiated strategy
Growing cash yielding asset base



Strategy

> A large rental portfolio, with consistent, stable cashflows and attractive yields

> A focus on the affordable segment of the seniors living market

> Established presence in Manufactured Home Estates, a sector offering significant potential, access to consistent stable cashflows and the ability to attain a market leading position

1. Represents portfolio by value. Accounts for settlement of MHE acquisitions post FY13 – Nepean and Albury Citygate (settled Aug 2013), Mudgee Valley and Mudgee Tourist (announced on 27 Aug).
2. Represents portfolio by value. Includes yet to be announced acquisition to be funded by the June 2013 Placement and additional acquisitions to be funded by the Rights Issue.

Portfolio dominated by rental assets

Six MHE assets

Today, Ingenia has **44** Australian communities and growing

Asset clusters in familiar markets drive capital allocation

GARDEN VILLAGES

Rental ●

29 villages

- 1,520 units
- In all States except ACT and SA

SETTLERS
Friends | Freedom | Fulfillment

Deferred Management Fee ○

9 villages

- 950 units
- WA, QLD and NSW
- Five villages with development upside

Active Lifestyle ESTATES

Manufactured Home Estates ●

6 Estates

- 472 permanent sites
- 315 tourist sites
- 332 development sites
- NSW only (QLD and WA to follow)

+

1 acquisition (to be funded by Placement)

- 69 permanent sites
- 6 tourist sites
- 2 development sites

8 proposed acquisitions (to be funded by Rights Issue)

- 670 permanent sites
- 156 tourist sites
- 645 development sites

Note: Portfolio position as at 11 September 2013.

Stringent MHE acquisition criteria

Stringent Acquisition Criteria Considered

Area Metrics

- ✓ Appropriate land size (minimum 2.5 ha)
- ✓ Proximity to population hubs, particularly to the over 50s'
- ✓ Forecast population growth over next 20 years
- ✓ Strong levels of employment
- ✓ Attractive growth areas supported by sustainable industries
- ✓ Robust median house prices in the local area relative to MHE pricing
- ✓ Barriers to entry - nearby MHEs and other retirement offerings

Asset Metrics

- ✓ Availability of adjacent land for development upside
- ✓ Under-capitalised villages with repositioning potential
- ✓ Existing capital infrastructure (water, sewage, power)
- ✓ Quality of existing homes on-site
- ✓ Market demand for new homes
- ✓ Target forecast unlevered IRR: minimum 15%
- ✓ Target cash yield: average 10%

Pipeline generating value

Delivering on-strategy acquisitions at attractive returns

Ingenia COMMUNITIES

Funds provided by recent placement quickly deployed on accretive MHE acquisitions

$30 million
institutional placement and Group debt and cash

Nepean

Location: Penrith NSW
Market cluster: Sydney Basin

No. of sites:
Permanent: 101
Tourist: 63
Development: ~26

Price: $10.0 m
Unlevered IRR: >15%
Trailing yield: 10.5%

Settled: Aug 2013

Albury Citygate

Location: Albury NSW
Market cluster: SW NSW

No. of sites:
Permanent: 26
Tourist: 56
Development: ~148

Price: $2.2 m
Unlevered IRR: >20%
Trailing yield: 7.2%

Settled: Aug 2013

Mudgee Valley

Location: Mudgee NSW
Market cluster: CW NSW

No. of sites:
Permanent: 37
Tourist: 77
Development: ~50

Price: $4.0 m
Unlevered IRR: >20%
Trailing yield: 8.8%

Settlement: Sept 2013

Mudgee Tourist

Location: Mudgee NSW
Market cluster: CW NSW

No. of sites:
Permanent: 78
Tourist: 89
Development: ~41

Price: $7.2 m
Unlevered IRR: >15%
Trailing yield: 9.3%

Settlement: Oct 2013

Further acquisition will be announced shortly

Adhere to stringent targets: forecast unlevered IRR >15%, average 10% cash yield and significant development upside

MHE acquisitions and developments
Value enhancement strategies commenced

Recent MHE acquisitions performing to plan

- ✓ **The Grange** (settled March 2013)
  - 2 new homes sold at target pricing
  - 2 additional homes ordered
  - Removed and replaced one home
  - 3 refurbishments complete and sold
  - DA submitted
- ✓ **Ettalong Village** (settled April 2013)
  - Quick turnover of resale stock (3 homes)
  - Masterplan underway
  - Site rentals increased on turnover homes
- ✓ **Nepean** (settled August 2013)
  - 2 new homes ordered with significant interest in place
  - DA documentation underway

MHE acquisitions

Albury Citygate

Mudgee Tourist Park

Mudgee Valley

Value enhancement strategies

Pre-loved home being removed

New home on-site at The Grange

MHE development
Investment cycle

Low-risk, capital light development cycle




- Ingenia orders 1-2 homes

- Off-site construction
- Commence marketing
- Home typically reserved prior to delivery

5 – 6 weeks

- Install home, add landscaping
- Ingenia invoiced for home

1 – 2 weeks

- Home sold
- Settlement funds received

Frequently recycling a small amount of development capital

MHE developments
Compelling returns

- ✓ MHE development represents a compelling use of capital
- ✓ Returns superior to ‘traditional’ retirement village development, with lower risk
- ✓ Build out of existing MHE pipeline has end sales value of $73 million - will contribute to future recurrent earnings
- ✓ Medium term target to deliver two homes per month across each of 10 villages

	Typical MHE	Typical DMF
DA period (indicative)	3-4 months	4-6 months
Architect	Masterplan only	Masterplan and individual homes
Home construction / civils (est.)	2-3 months	Approx. 10 months
Building efficiency	High – factory construction (not impacted by weather) and ‘off the plan’ home designs	Low – impacted by weather and subject to detailed design documentation
Design flexibility	Significant - purchaser able to influence design and finishes	Limited – homes subject to detailed design specifications
Council approvals	Less extensive	More extensive
Capital outlay	Small – can order 2 or 3 homes at a time	Homes must be built ‘in one line’ to generate construction efficiencies
Holding period	Short – homes are built as required – limited stock held	Longer period required as more stock created (e.g. 17 homes versus 2 or 3)
Development margin	>25%	15-20%

Quick, efficient building process

Manufactured home being constructed at Parkwood Homes

Financial impact on Ingenia

Summary Balance sheet	FY13(A)	Deployment of Placement[1]	Rights Issue[2]	Proforma[3]
Cash	38.5	(26.8)	(2.7)	9.0
Investment Property	370.9	29.8	93.3	494.0
Assets of Discontinued Operations	36.6	-	-	36.6
Other Assets	13.5	-	-	13.5
Total Assets	**459.6**	**3.0**	**90.6**	**553.2**
Borrowings	70.8	3.0	32.0	105. 8[4]
Liabilities of Discontinued Operations	21.5			21.5
Resident Loan Liabilities	175.7			175.7
Derivatives	0.2			0.2
Other Liabilities	16.7			16.7
Total Liabilities	**284.9**	**3.0**	**32.0**	**319.9**
Equity	**174.7**	**-**	**58.6**	**233.3**
Net Asset Value per Security	34.44			34.50
LVR (Australia)	37.9%			34.9%

- LVR of 34.9% (post deployment of capital raised)
  - Within target range 30 – 35%
  - Well within covenant of 50%
- Proforma net debt of $96.8m
- Proforma cash of $9.0m
- Advanced discussions to significantly increase existing debt facility

1. Reflects acquisition of 5 MHEs funded by the June 2013 Placement, cash on hand and debt.
2. Reflects the proposed acquisition of 8 MHEs funded by the Rights Issue, debt and cash on hand.
3. Proforma excludes benefit of operational earnings post 30 June 2013 and represents balance sheet position post deployment of all capital raised on acquisitions.
4. Proforma borrowings reflects amount drawn in excess of current facility limit. Amount drawn is within proposed facility increase.

The rights issue will allow Ingenia to execute its growth plans

Indicative timetable

Rights Issue Timetable[1]	
> Management presentation lodged with ASX	11 September 2013
> Submit Appendix 3B, cleansing notice and announcement with ASX	12 September 2013
> Ex Date	16 September 2013
> Record Date (7.00 pm AEST)	20 September 2013
> Dispatch of Offer Booklet and Entitlement and Acceptance Forms	23 September 2013
> Offer opens	23 September 2013
> Offer closes, last day for acceptance of application money (5.00 pm AEST)	8 October 2013
> Allotment and issue of Offer Securities	16 October 2013
> Dispatch of Securityholder statements	17 October 2013
> Trading expected to commence for Offer Securities on a normal trading basis	17 October 2013

1. All dates are indicative and are subject to change without notice.

Appendices

Drifters Holiday Village, Kingscliff NSW

Appendix 1: Disclaimer

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Appendix 2: Key risks

This section discusses some of the key risks associated with an investment in Ingenia. A number of risks and uncertainties may adversely affect the operating and financial performance or position of Ingenia and in turn affect the value of Ingenia securities. These include specific risks associated with an investment in Ingenia and general risks associated with any investment in listed securities. The risks and uncertainties described below are not an exhaustive list of the risks facing Ingenia. Potential investors should consider whether the new securities offered in the Rights Issue are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risks set out below.

General Risks

General investment risks	There are risks associated with any stock market investment including: > Securities may trade above or below the Issue Price on ASX; > If Ingenia issues new Securities, an existing Securityholder's proportional interest in Ingenia may be reduced; > If a Securityholder does not reinvest their distributions while a distribution reinvestment plan is operating, then their interest in Ingenia may be diluted; and > The market price of the Securities may be affected by factors unrelated to the operating performance of the Group such as share market fluctuations and volatility and other factors that affect the market as a whole.
Macro-economic risks	Changes to economic conditions in Australia and internationally, investor sentiment and stock market conditions, changes in fiscal, monetary and regulatory policies such as interest rates and inflation may impact on the performance of Ingenia.
Liquidity	Turnover of Ingenia securities can be limited and it may be difficult for investors to buy or sell large lines of stock at market prices.
Legislative and regulatory risks	Changes in laws, regulation and government policy may affect Ingenia's business and therefore the returns the Group is able to generate.
Tax implications	Future changes to the Australian taxation law including changes in interpretation or application of the law by the courts or taxation authorities in Australia may impact taxation treatment of an investment in Ingenia.
Litigation	Ingenia may, in the ordinary course of business, be involved in possible litigation disputes (such as environmental and occupational health and safety, industrial disputes and legal claims or third party claims). A material litigation may adversely affect the operational and financial results of the Group.

Appendix 2: Key risks

Specific Risks

Business strategy risk	Ingenia's business strategy is focused on acquisitions across the portfolio and organic growth through increasing current occupancy levels in the rental business, conversion of some rental villages to the DMF model and development. Ingenia's future growth is dependent upon the successful execution of this strategy. Any change or barrier to implementing this strategy may adversely impact on the Group's operations and future financial performance.
Acquisition risks	Ingenia is well progressed with eight acquisitions that the Group expects to transact in coming months. Ingenia also has a significant acquisition pipeline that it is pursuing to drive future growth of the business. There is no guarantee that Ingenia will be able to complete all current or future acquisitions.
Funding risk	Ingenia's ability to successfully execute its current growth strategy is dependent on the Group's ability to secure funding at commercial rates, as required. There is no guarantee that Ingenia will be able to secure debt or equity at rates that make such growth strategy attractive, or at all.
Development risk	Ingenia has a large land and property development pipeline. Such projects have a number of risks including (but not limited to): delays or issues around planning, application and regulatory approvals; development cost overruns; project delays; issues with building contracts; expected sales prices, or timing of expected sales, or settlements not achieved.
Personnel risk	The ability of Ingenia to successfully deliver on its business strategy is dependent on retaining key employees of the Group. The loss of senior management, or other key personnel, could adversely impact on the Group's business and financial performance.
Overseas portfolio	Ingenia continues to re-focus the business on core assets through the sale of its overseas portfolio. Ingenia recently exited from the US Seniors market completely and intends to sell its NZ Students portfolio on completion of refurbishment works in early 2014. There is no guarantee that Ingenia will be able to sell this portfolio on terms favourable to the Group or at all, which could adversely impact on the Group's valuation.
Property valuations	Factors affecting property valuations include capitalisation and discount rates, the economic growth outlook, land resumptions and releases and major infrastructure projects. Such impacts on property valuations lead to variations in the valuation of the Group.
Home-owner turnover	The DMF model requires the new home owners to purchase existing homes in Ingenia's portfolio on the exit of existing home owners before Ingenia can realise its DMF receipts. This causes the cashflows of the DMF business to be volatile and any reduction to home-owner turnover will delay the collection of cash by Ingenia and, therefore, adversely impact operating cashflow.

Appendix 2: Key risks

Specific Risks

Inflation rates	Higher than expected inflation rates could lead to increased development costs and community operating costs. If such increased costs cannot be offset by increased selling prices or rent, this could impact Ingenia's future financial performance.
Rental Assistance	The Social Security Act 1991 (Cth) provides rental assistance for many MHE properties forming part of Ingenia Communities Group. Any change to this legislation could result in a reduction in demand for these products and therefore impact on Ingenia's business.
Asset impairment risk	Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes to the carrying amounts of assets could have an adverse impact on the reported financial performance of Ingenia.
Accounting standards	Changes to accounting standards may affect the reported earnings of Ingenia from time to time. Any changes to the valuation metrics used by property valuers may adversely impact Ingenia's reported earnings.
Financial leverage	Ingenia currently has bank debt which contains certain covenants in relation to the loan. Any breach to financial covenants could result in the early enforced repayment of debt. Such repayment could incur capital losses if assets need to be sold in a short period, or securityholders may be diluted if equity needs to be raised at large discounts.
Increased competition	Ingenia has done significant work in collating a comprehensive database of MHEs and caravan parks which is used to identify acquisitions. This provides Ingenia with a competitive advantage, however, any competition for targeted acquisitions could impact on its ability to achieve the returns required to transact. Future developments that compete with Ingenia's existing portfolio could impact on the Group's current business and financial performance.
Distributions	Future distributions and franking levels for Ingenia securities will be determined by the Directors having regard to the operating results, future capital requirements, bank debt covenants and the financial position of Ingenia. There can be no guarantee that Ingenia will continue to pay distributions, or distributions at the current level.

Ingenia is committed to operating and building a highly profitable, diversified Australian Seniors living portfolio focused on the cash yielding affordable segment of the market

Active Lifestyle Estates, The Grange, Morisset NSW