ASX / Media Release

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Ingenia Communities Group FY15 Interim Result

Core seniors rental business delivering significant revenue and profit growth

Results Overview

- Underlying profit up 85% to $6.7 million
- Operating cash flow up 50% to $4.6 million, underpinned by strong growth in rent based cash flows
- Statutory loss of $1.0 million, reflecting the write-off of acquisitions costs associated with significant acquisitions as the business grows
- Underlying profit per security up 50% to 0.9 cents per security
- Interim distribution up 30% (on prior corresponding period) to 0.65 cents per security
- New debt facility in place, further strengthening balance sheet
- Well advanced with deployment of funds from September capital raising
- Development momentum building – a total of 8 homes settled to December 2014 with reservations and contracts in place with a value of close to $9 million

Ingenia Communities Group (ASX: INA) today announced its FY15 interim result for the six months to December 2014. The Group reported a substantial increase in underlying profit to $6.7 million, up 85% on the prior comparative period.

Operating cash flow for the year was $4.6 million, up 50% on the previous year's result.

The Statutory Loss of $1.0 million is principally due to the write-off of transactions costs (including stamp duty) associated with nine Lifestyle Park acquisitions. Under Ingenia's valuation policy, these acquisitions were valued for the first time in this period.

Ingenia has declared an interim distribution of 0.65 cents per stapled security, with payment to be made on 18 March 2015. This represents an increase of 30% on the previous corresponding period and is consistent with the Group's commitment to grow distributions and securityholder returns.

Ingenia Communities Chief Executive Officer Simon Owen said, "Over the past six months we have continued to build on our market leading position in the Lifestyle Parks sector, which has resulted in increased stable rent flows across the business. We have also scaled the business for growth, making significant investment in our sales and development platform to support stronger future sales. Continued growth in our Lifestyle Parks business and further income growth in our large Garden Villages rental business will see improved returns over the remainder of this financial year."

"We have continued to build our Lifestyle Parks presence in NSW with terms agreed for the acquisition of BIG4 Lake Macquarie Tourist Park. As we work through our strong acquisition pipeline we anticipate announcing further acquisitions which will deploy the remainder of the investment capacity generated through our September capital raising.

"The capacity to invest in future growth is further enhanced with the completion of a new lower cost $175 million debt facility and the sale of the NZ Students portfolio (Ingenia's last offshore investment). Opportunities need to meet our stringent threshold acquisition metrics".

Result Overview

Consistent with the Group's focus on cash yielding assets, the FY15 interim result demonstrates significant growth in the Australian business and strengthening underlying operating cash flows.

Key Metrics		1H15		1H14
Revenue	$m	28.7	▲ 48%	19.3
Statutory profit / (loss)[1,2]	$m	(1.0)	▼ nm	4.3
Underlying profit[3]	$m	6.7	▲ 85%	3.6
Operating cash flow	$m	4.6	▲ 50%	3.1
Underlying profit per security	Cents	0.9	▲ 50%	0.6
Distribution per security	Cents	0.65	▲ 30%	0.50
		At 31 Dec 14		**At 30 Jun 14**
Loan to value ratio (LVR)	%	14.4	▼ 58%	33.9
Net asset value (NAV) per security	Cents	36.5	▲ 3%	35.5

1. 1H15 normalised statutory loss is $1.4m after adjusting for $1.9m loss on sale of discontinued operations and release of foreign currency translation reserve gain of $2.3m.
2. 1H15 statutory loss includes $6.2m fair value write off of acquisition transaction costs on nine assets.
3. Underlying profit is a non-IFRS measure designed to present, in the opinion of the Directors, the results from the on-going operating activities in a way that reflects underlying performance. Underlying profit excludes items such as unrealised fair value gains/(losses), and adjustments arising from the effect of revaluing assets/liabilities (such as derivatives and investment properties). These items are required to be included in Statutory Profit in accordance with Australian Accounting Standards. Underlying profit has not been audited or reviewed by EY.

Acquisitions

Ingenia has continued to progress the Group's acquisition pipeline with an additional acquisition in NSW. Ingenia has agreed terms for the acquisition of the BIG4 Lake Macquarie Tourist Park on the shores of Lake Macquarie. The Park expands Ingenia's growing Hunter/Newcastle cluster.

Ingenia is continuing to advance due diligence on the $12 million Sydney Hills Holiday Park at Dural, NSW and a $17 million park in Brisbane. Further acquisitions are well advanced.

Portfolio Update

Ingenia's strategy is to support and grow recurrent cash yields from the portfolio, which will underpin future acquisitions and development activities.

<u>Active Lifestyle Estates</u>

- Rental income of $8.4 million reflects significant growth in permanent and short term sites
- Development profit of $0.8 million
- EBIT contribution of $2 million impacted by increasing costs as development and sales platform expands
- A total of 41 sales at December 2014, including 8 settlements totalling $1.9 million of revenue
- 67 homes now being built or installed
- Settlements expected to increase as contracted homes are delivered
- Sales to launch at Lake Macquarie Lifestyle Village and Stoney Creek Estate in the second half
- Investment in sales platform to support growth in development and future sales

The Lifestyle Parks portfolio has continued to expand and now consists of 17 assets located across NSW and South East Queensland with a further three acquisitions announced.

The Portfolio has a value of $138.5 million, providing a substantial revenue base of $8.4 million drawn from short term and permanent rental income. Costs have increased to support a growing revenue base with significant investment in the development and sales platform as key development projects prepare to launch.

Operationally, the portfolio is well established with people, branding and systems largely in place across existing parks.

Short term accommodation, which accounts for over 1,000 sites across the portfolio, gained significant scale over the year and returns are improving as marketing strategies and the benefits of the Group's online presence and market position emerge.

The development program is progressing rapidly with civil and infrastructure works undertaken at eight sites over the period. Approvals and consents for over 100 sites (new and recycled) have been received in the past two months. A total of 88 homes are due to be delivered from February to June 2015, including 27 homes that are already reserved or contracted.

Ettalong Beach Village has continued to demonstrate significant demand, with 28 of 31 homes now reserved, contracted or settled. Strong initial enquiry is evident at Lake Macquarie Village and Stoney Creek where public sales launches will occur in March 2015.

The sales team has been expanded to support a growing number of projects and their sales and development programs**.** Product is being refined as customer understanding builds and efficiencies are identified. Strategies have been put in place to grow sales at regional sites.

Based on current contracts in place and the level of interest in new projects to be launched, sales (either reserved, contracted or settled) are forecast to be in the range of 75-80 for the current financial year. Ingenia currently has reservations and contracts worth over $9 million in place which will underpin 2H15 and FY16 results.

Sales momentum is forecast to continue to grow throughout FY15, with stronger results expected into FY16 as the benefits of anticipated increasing sales rates and further income growth from the expanding rental base emerge.

Garden Villages – Rental

- EBIT contribution up 9.6% to $5.4 million
- Occupancy of 85.7% as at 31 December 2014
- *Ingenia Care Assist* established across the portfolio and delivering significant benefits
- Above CPI rent increases achieved at a number of high occupancy villages will contribute to further growth

The portfolio continued to grow occupancy in the first half of FY15 and delivered solid growth in rental income. Occupancy across the five low-occupancy assets acquired in January 2014 has increased by over 21% since acquisition and nine villages across the portfolio are now at full occupancy.

With the portfolio moving towards medium term targeted occupancy of 92%, rent increases above CPI have been achieved at a number of villages.

'Ingenia Care Assist' which was launched in October 2013, has continued its initial success with over 250 residents accessing the program. The program, which is emerging as a driver of resident satisfaction, is evolving to target key resident issues related to tenure.

Settlers Lifestyle – Deferred Management Fee (DMF)

- EBIT $2.7 million (up from $1.7 million in the prior comparable period)
- Occupancy of 93% as at 31 December 2014
- Ridge Estate Stage 2 expansion complete, majority of homes sold or contracted
- Sound start to FY15 with 24 homes under contract, 21 homes settled

The completion of Ridge Estate Stage 3 (11 homes) and ongoing sales across previous rental villages resulted in 21 new unit settlements in the half. As the development and conversion program nears completion, marketing costs have reduced, contributing to growth.

The disposal of Settlers Lifestyle Noyea Park village was settled in July 2014, providing net proceeds of $5.4 million for reinvestment in the higher yielding Lifestyle Parks portfolio. Ingenia continues to review the DMF portfolio and will seek to divest the remaining assets over time.

New Zealand Students

The disposal of the New Zealand Students accommodation business, settled in early December, concludes the Group's exit from international investments and provides additional capital for expansion of the Lifestyle Parks portfolio, after repayment of New Zealand bank facilities.

Capital Management

The Group maintains a disciplined approach to capital management and to the diversification of funding sources.

At 31 December 2014, Ingenia's loan to value ratio (LVR) of 14.4% reflected the application of the October 2014 equity raising against debt, pending deployment into acquisitions. Following deployment of this capital, Ingenia's LVR is expected to move to within the Group's policy range of 30-35%.

A multi-bank funding facility finalised in February 2015 enhances the Group's funding position, providing lender diversity, increased capacity, and improved pricing with greater operating, acquisition and development flexibility. The new facility will reduce the blended cost of debt by at least 40 basis points.

Outlook

The Group will continue to focus on the growth of its portfolio of affordable, cash yielding seniors living accommodation.

Ingenia's platform has the capacity for continued growth as the acquisition and development pipelines are progressed, and the benefit of operational improvements are realised. The Lifestyle Parks market remains the dominant focus for expansion, with additional assets being assessed and further acquisitions to be announced in coming months.

Mr Owen said: "We have resourced the business for growth and made progress in our significant development program. With supply secure and sales strategies in place, we expect the rate of home delivery and sales to increase over the remainder of FY15 and into the next financial year."

The Group expects to grow returns into FY16 as capital is deployed into accretive acquisitions, sales volumes increase and the benefit of occupancy and rent increases flow to performance.

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