

# Ingenia Communities Group

## RBS Morgans Conference

12 October 2012

Jim Hazel  
Chairman



# Agenda



Ingenia Communities Group - overview

---

Australian seniors living state of play

---

Retirement sector opportunities

---

Our Australian business - overview

---

Strategy & outlook

---

Appendices

---

## Our focus is to build and operate an Australian Seniors Living Group that delivers yield and growth to its investors

### AUSTRALIAN PORTFOLIO



#### **Garden Villages Portfolio (A\$87.1m)**

- > Australian Rental portfolio
- > 26 assets across Australia



#### **DMF Conversion Villages (A\$22m)**

- > Assets undergoing conversion from rental model to DMF
- > 3 villages (QLD, NSW)



#### **Settlers Lifestyle Portfolio (A\$54m)**

- > Australian DMF portfolio
- > 4 assets, primarily located in WA

### OVERSEAS PORTFOLIO



#### **US Seniors New York Portfolio (A\$159.5m)**

- > Rental portfolio of 6 assets, JV with a leading seniors housing REIT
- > Sale announced in May 2012 with settlement likely in late 2012 (circa A\$49m net proceeds)

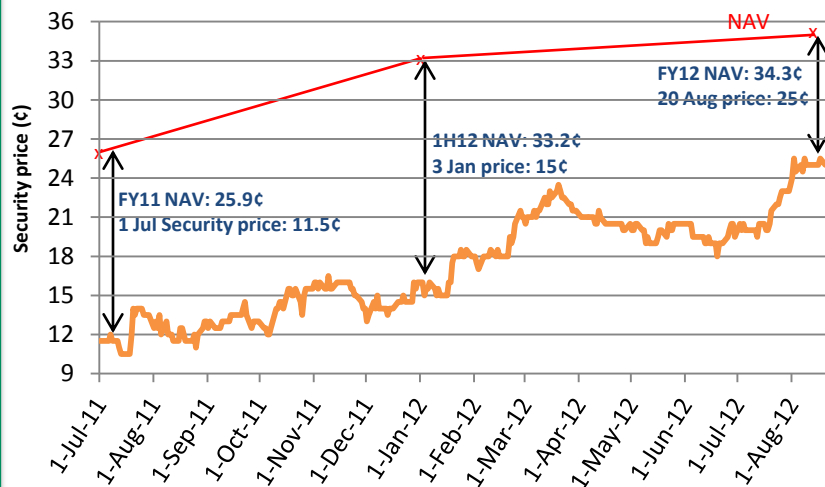


#### **NZ Students Portfolio (A\$19.5m)**

- > 3 assets based in Wellington
- > In advanced negotiations to sell the portfolio at premium to book value

# Group summary

## Security price / NAV



## Our registry

<b>ASX Code</b>	INA
<b>Securities on Issue</b>	441m
<b>Market cap as at 26 Sep 2012</b>	\$117m

### **Top Securityholders**

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

## Ingenia Board of Directors

- Jim Hazel – Chairman
- Amanda Heyworth – Non-Executive Director
- Philip Clark AM – 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)
- > Internalisation implementation complete and Ingenia Communities Group was admitted to the ASX on 4 June 2012
- > NAV stabilisation - with the repositioning of underperforming assets, sale of several non-core portfolios and improved operating metrics in core portfolios, the Fund's net assets offer a stable base for future growth
- > Earnings reposition – the asset sales and the launch of DMF Conversion strategy has repositioned the Group's earnings mix to offer blended rental and development returns



# Australian seniors living state of play

## > **Abundance of distressed opportunities**

- > Sector lenders exert forced sales, but few buyers

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

- > Few new villages are built due to tight access to capital

## > **Not economic to develop new rental villages**

- > Inadequate return on capital, high development costs and low rental yields

## > **Significant majority of rental villages are targeted at affordable end of the market**

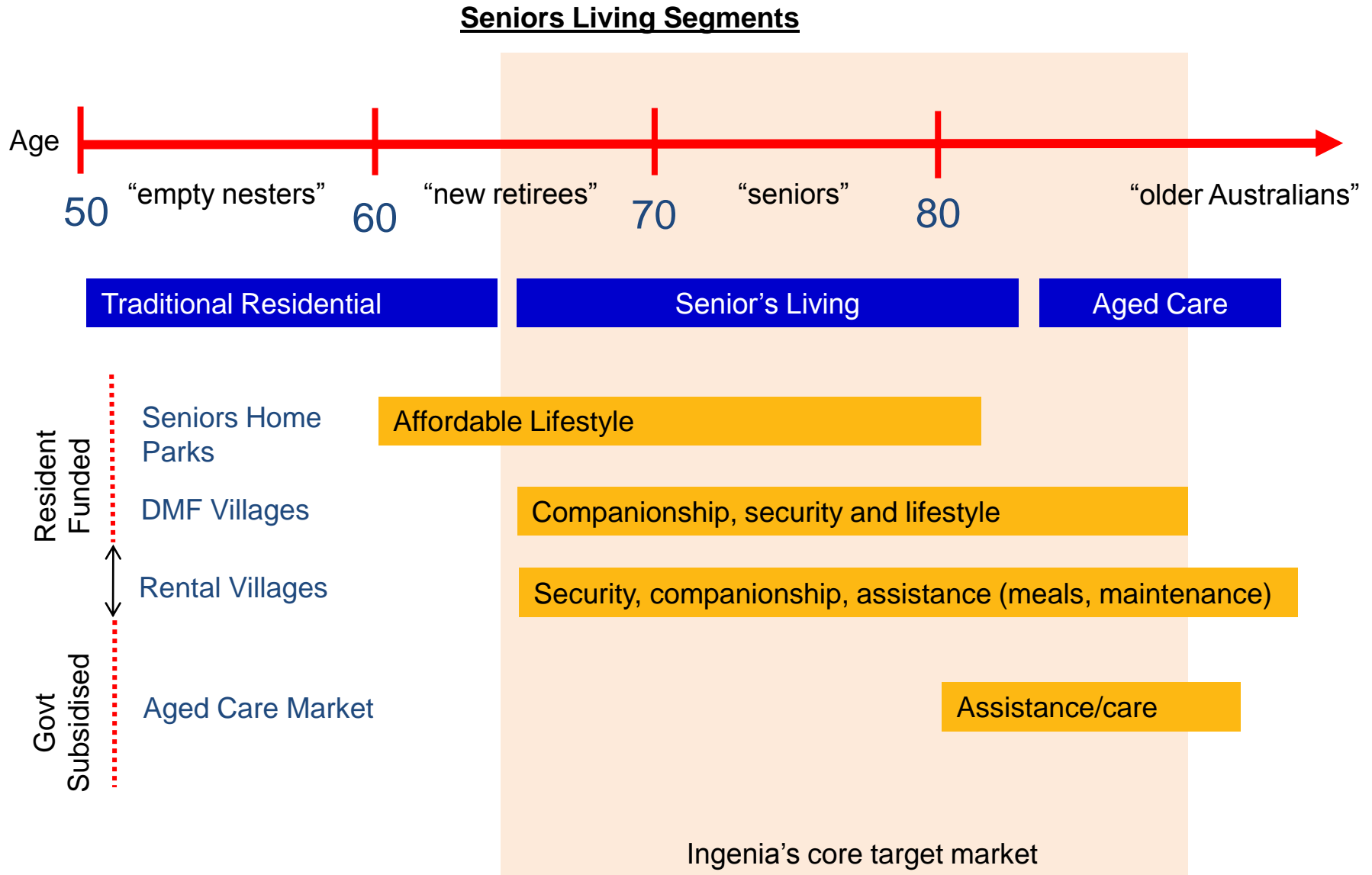
- > Limited opportunity for price growth beyond pension increases

## > **Valuations holding firm (dependent on location and pricing)**

- > Discount rates for DMF villages remain around 13-14% with increasing demand for villages with development upside
- > Cap rates for rental villages remain around 9-10% with increasing demand from investors
- > Greenfield sites remain significantly discounted

**Ingenia is well positioned with good access to capital at the bottom of the cycle**

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

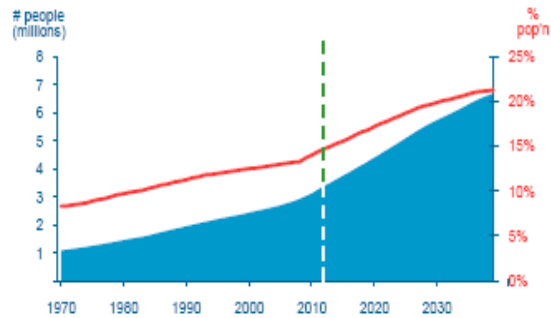




# Retirement sector opportunities

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

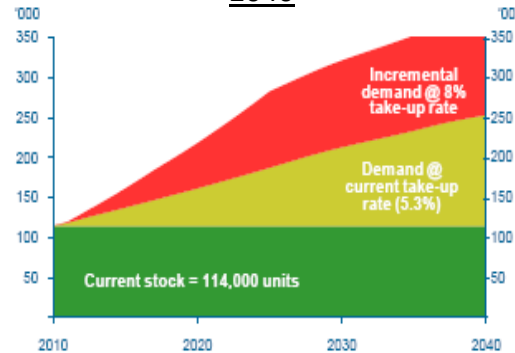
Population aged 65+ years  
In Australia 1971 - 2040



Source: Stockland Retirement Living Presentation, Nov 2010

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

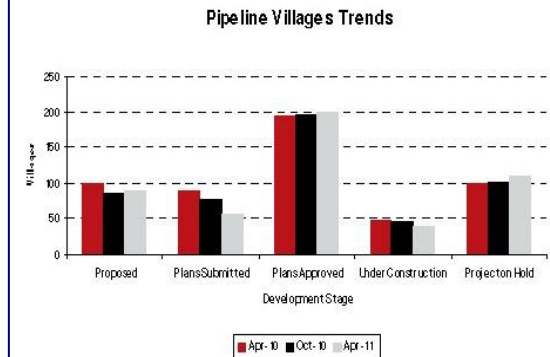
Demand for new units at  
different Penetration Rates 2010-  
2040



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

# Our Australian business - overview

## The Ingenia difference from our peers

- ✓ Core competencies in owning and managing seniors communities
- ✓ Development expertise currently focused on expanding existing high occupancy villages
- ✓ Rental portfolio accounts for 45% of total Australian Seniors property values, providing a high quality consistent cashflow stream

### TWO PRIMARY BRANDS



**SETTLERS**

Friends | Freedom | Fulfillment

#### Rental



**25 Rental Villages**  
**1,333 units**

#### DMF Conversion



**4 DMF Conversion Villages**  
**255 units**

#### DMF



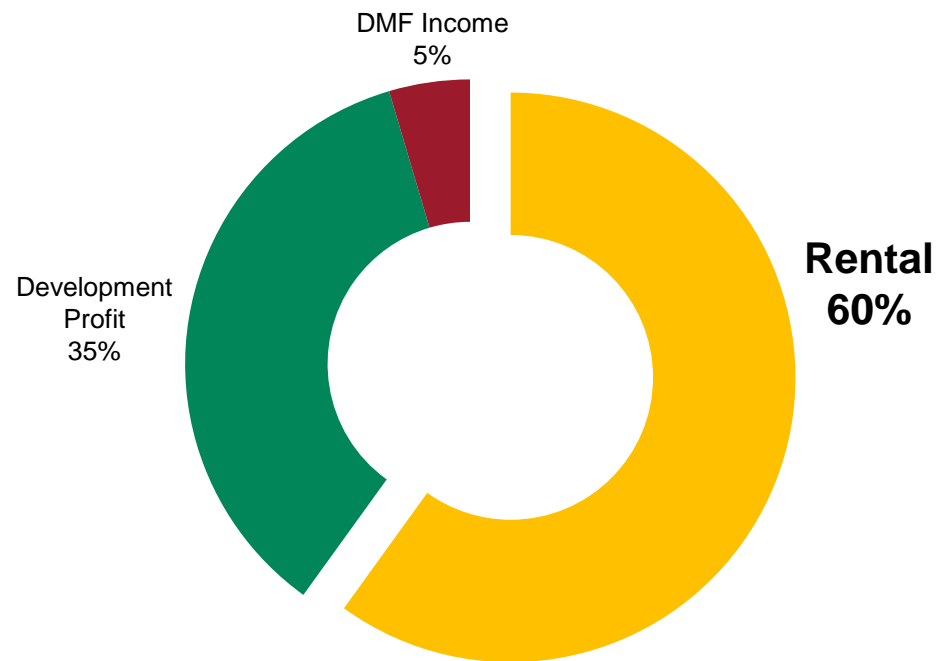
**5 DMF Communities**  
**693 units**





# Rental model is a key focus

Ingenia Communities' sizable rental portfolio provides clear differentiation from other A-REIT seniors living players



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

- > 60% of total income is currently derived from rent providing consistent cashflow streams
- > Driving occupancy to grow recurrent rental income is key

# 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 and not asset sales
- Group forecasts 0.5¢ interim and final for FY13

## 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 20% on new developments
- Focus on cash earnings and increasing development pipeline
- Currently no shortage of accretive growth opportunities in the Australian market

### Exploring alternate capital management initiatives

- Investigating up to \$10 million buyback upon settlement of NY portfolio sale
- NAV gap has narrowed significantly over past 12 months from 54% to 27% as at 27 August 2012

## Reduction in values primarily due to asset sales and monetisation of inventory

Valuations	30 Jun 2012 Valuation	30 Jun 2011 Valuation	Movement (\$m)	Movement (%)	30 Jun 2012 Cap rate/ Discount rate <sup>3</sup> (%)	30 Jun 2011 Cap rate / Discount rate <sup>3</sup> (%)	Key drivers of valuation movement
<b>Garden Villages (Rental)</b>	87.1	89.7	(2.6)	(2.9)	10.1	10.1	• Reduction due to delays in occupancy growth in select villages
<b>Settlers (DMF)</b>	54.0	56.5	(2.5)	(4.4)	13.2	13.5	• Reduction primarily due to monetisation of stock on hand
<b>DMF Conversion</b>	22.0	26.4	(4.4)	(16.7)	14.9 <sup>4</sup>	17.6 <sup>4</sup>	• Reduction primarily due to monetisation of stock on hand
<b>US Seniors NY<sup>1</sup> (US\$m)</b>	162.4	132.2 <sup>2</sup>	30.2	22.8	7.1	7.3	• Principally driven by investor demand for quality, yield driven seniors housing assets
<b>NZ Students (NZ\$m)</b>	24.9	22.5	2.4	10.7	10.0	9.5	• Reduction primarily due to short WALE pending renegotiations of new occupancy guarantees

1. ILF interest only

2. Tax leakage associated with transaction estimate at \$1.4m AUD

3. Weighted average capitalisation rate for all portfolios except Australian Seniors Settlers DMF and conversion assets which uses weighted average discount rate

4. Valuation discount rates for DMF Conversion assets represent a blended discount rate applied to the cashflows.

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



Settlers Ridgewood Rise, Ridgewood WA



# Strategy for growth to deliver value

## Closing the NAV gap

- > Security price has risen more than 70% in past 12 months
- > Consider the merits of an on-market buyback of up to \$10 million pending settlement of NY sale

## Strengthening the balance sheet

- > Lower gearing and improving liquidity has improved our balance sheet
- > Target gearing level of 25% - 35%
- > Longer term funding secured with refinance of Australian and NZ debt facilities for three years and seven months respectively

## Disciplined approach to capital management

- > Capital return to securityholders where financially prudent; importance of recurrent and growing distributions where possible

## Building a platform for growth

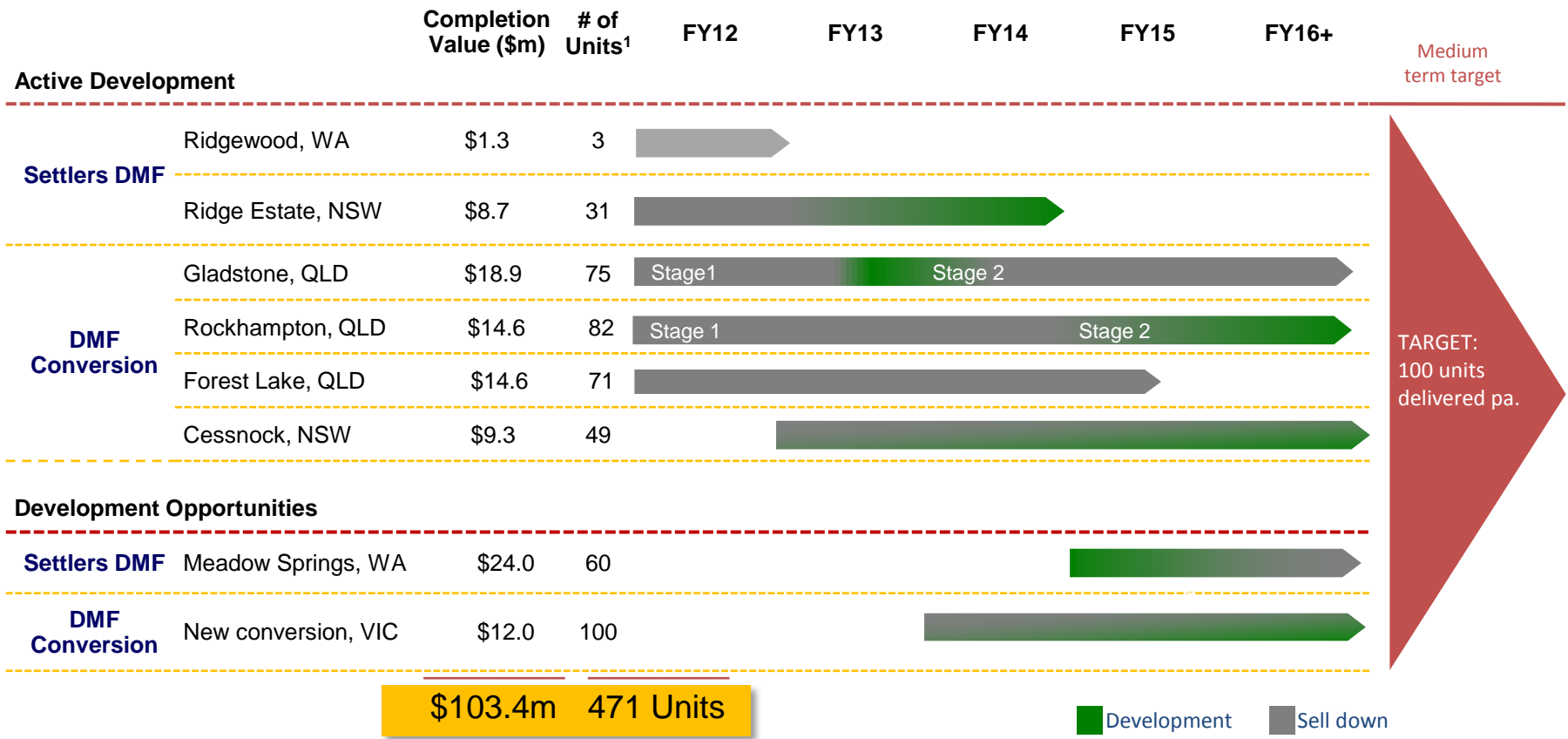
- > Continue to refine the asset base and patiently monetise non-core overseas investments
- > Drive occupancy growth in rental villages and steadily build DMF sales momentum
- > Focus on organic pipeline of 471 units with an end value of \$104 million
- > Balanced with stringently assessed highly accretive acquisitions



# Strategy for growth to deliver value

Strong organic growth opportunities embedded within existing assets

Development forecast within existing portfolios as at 30 June 2012



1. Includes built stock and units yet to be developed

- > Repatriation of US sale proceeds anticipated in late 2012 will likely be used to invest in accretive acquisitions and development, a buyback and debt reduction
- > Assess various accretive acquisitions and development opportunities to expand Ingenia's operational and earnings base
- > New investment will likely be in existing market clusters to leverage development, operational and sales capabilities
- > Continually assess opportunities to divest poorly performing assets at value and recycle capital into projects earning minimum 15% unlevered IRR
- > Retain a pool of high performing rental villages that generates consistent cashflow and income
- > Conversion of additional rental villages where appropriate if highest and best use as DMF villages
- > Ingenia is actively assessing alternative yield based seniors living business models

# Appendices





# Internalised group Board profile

## 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 retirement and village operations 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 Chief Executive Officer 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 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 Managing Partner and CEO of Minter Ellison and worked with that firm from 1995 until June 2005. 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.

# Ingenia Communities Key Management



## 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 retirement village sector and is currently the 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 retirement 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**

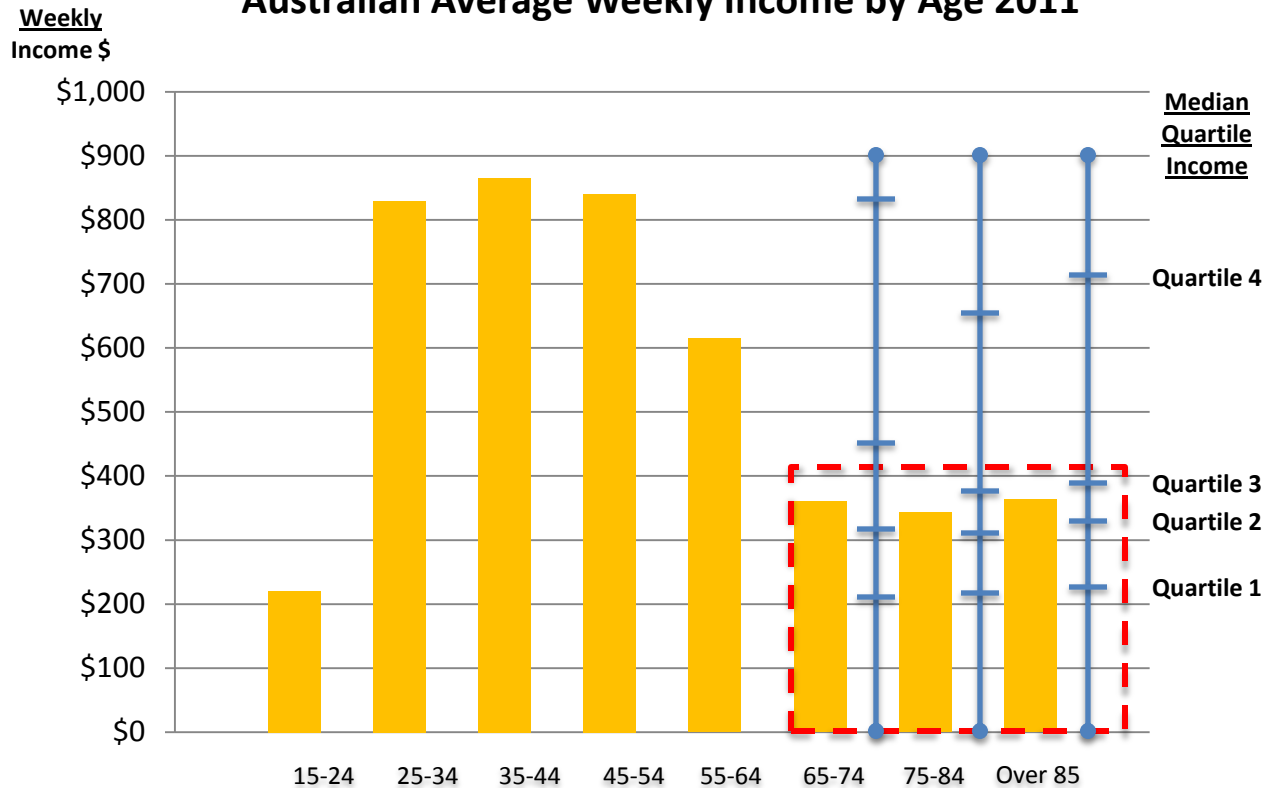
Chief Operating Officer

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

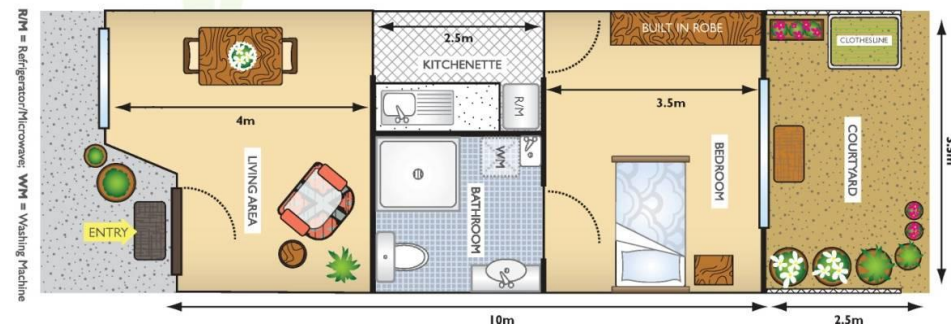
## General Pricing

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



← Typical 2 Bedroom

Typical 3 Bedroom →



# Disclaimer



This presentation was prepared by Ingenia Communities Holdings Limited (ACN 154 444 925) and Ingenia Communities RE Limited (ACN 154 565 990) as responsible entity for Ingenia Communities Fund (ARSN 107 459 576) and Ingenia Communities Management Trust (ARSN 122 928 410) (together Ingenia Communities Group, INA or the Group). Information contained in this presentation is current as at 12 October 2012. This presentation is provided for information purposes only and has been prepared without taking account of any particular reader's financial situation, objectives or needs. Nothing contained in this presentation constitutes investment, legal, tax or other advice. Accordingly, readers should, before acting on any information in this presentation, consider its appropriateness, having regard to their objectives, financial situation and needs, and seek the assistance of their financial or other licensed professional adviser before making any investment decision. This presentation does not constitute an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security, nor does it form the basis of any contract or commitment.

Except as required by law, no representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information, opinions and conclusions, or as to the reasonableness of any assumption, contained in this presentation. By reading this presentation and to the extent permitted by law, the reader releases each entity in the Group and its affiliates, and any of their respective directors, officers, employees, representatives or advisers from any liability (including, without limitation, in respect of direct, indirect or consequential loss or damage or loss or damage arising by negligence) arising in relation to any reader relying on anything contained in or omitted from this presentation.

The forward looking statements included in this presentation involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, the Group. In particular, they speak only as of the date of these materials, they assume the success of the Group's business strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties and risks. Actual future events may vary materially from forward looking statements and the assumptions on which those statements are based. Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements.

The Group, or persons associated with it, may have an interest in the securities mentioned in this presentation, and may earn fees as a result of transactions described in this presentation or transactions in securities in INA.

This document is not an offer to sell or a solicitation of an offer to subscribe or purchase or a recommendation of any securities.