



## ASX / Media Release

26 August 2014

### Ingenia 2014 Full Year Results

#### Active management delivering results with focus on Lifestyle Parks

##### Key highlights:

- Underlying profit up 97% to \$11.6 million
- Operating cash flow up 27% to \$14.2 million, driven by recurrent cash rental yields and emerging development profits
- Final distribution up 30% (on prior period) to 0.65 cents per security
- Record like for like occupancy achieved in Garden Villages rental portfolio as Ingenia Care Assist gains traction
- Strong start to 1H15 development sales with 18 Lifestyle and 41 Deferred Management Fee sales or reservations in place
- Terms agreed for the sale of NZ Student portfolio in line with book value

Ingenia Communities Group (ASX: INA) today announced its full year results for the year ended 30 June 2014. Overall, the Group reported a substantial increase in Statutory Profit to \$11.5 million (\$10.3 million loss in FY13), principally attributable to the successful deployment of capital into Australian rental assets and initial development profits from the Lifestyle Parks business. Underlying profit of \$11.6 million was up 97% on the prior comparative period.

Operating cashflow for the year was \$14.2 million, up 27% on the previous year's result.

Ingenia has declared a final distribution of 0.65 cents per stapled security, with payment to be made on 17 September 2014. The full year distribution of 1.15 cents per security represents an increase of 15% on the prior year and is consistent with the Group's commitment to grow distributions and securityholder returns.

A total return of 55.8% for the year to 30 June 2014 was delivered to securityholders, demonstrating significant outperformance against the A-REIT sector (benchmark Index return 11.1%).<sup>1</sup>

Ingenia Communities Chief Executive Officer Simon Owen said, "Our strategy over the past two years has been to build a market leading position in the emerging Lifestyle Parks sector, which provides rental based affordable seniors living. The strength of our business model in Lifestyle Parks will be the key driver of earnings and cashflow growth moving forward."

<sup>1</sup> Source: UBS S&P/ASX Property 300 Accumulation Index.

“Since February 2013 Ingenia has acquired 15 Lifestyle Parks and is the largest owner, operator and developer of Parks in New South Wales. Our brownfields development pipeline comprises over 917 home sites across existing parks and we have a very strong acquisition deal flow in place, supported by an established operating platform positioned for further scale.

“The outlook for FY15 is very positive, based on existing reservations and deposits in place across the portfolio and the first full year earnings contribution from our portfolio of 15 Lifestyle Parks and five additional rental villages.”

“Efficient capital management remains a key focus of the Group in FY15 as we look to recycle the capital from low yielding or non core assets into the acquisition of higher yielding lifestyle park assets, subject to stringent threshold acquisition metrics”.

## Financial Highlights

Consistent with the Group’s strategy, the FY14 results demonstrate significant growth in the Australian business and strengthening underlying operating cashflows.

Key Metrics		30 June 2014		30 June 2013
Segment revenue	\$m	48.7	▲ 49%	32.6
Statutory profit / (loss)	\$m	11.5	▲ nm	(10.3)
Underlying profit	\$m	11.6	▲ 97%	5.9
Operating cashflow	\$m	14.2	▲ 27%	11.2
Underlying profit EPS	Cents	1.8	▲ 50%	1.2
Distribution per security	Cents	1.15	▲ 15%	1.0
Loan to value ratio (LVR)	%	33.9	▼ 11%	37.9
Net asset value (NAV) per security	Cents	35.5	▲ 3%	34.4

## Portfolio Update

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

### Active Lifestyle Estates

- EBIT contribution of \$3.9 million (full year contribution from two and partial contribution from 13 assets)
- Rental income of \$9.6 million
- Development income of \$1.3 million, with a development pipeline of over 917 sites
- Deposits now in place for 18 new homes with 42 homes now being built or installed across seven parks and the portfolio's development profits continuing to expand
- Agreements with two home suppliers have been negotiated to underpin delivery of 100 new manufactured homes in FY15

In its first full year of operation the Lifestyle Parks portfolio has successfully expanded to 15 assets, with a pipeline of more than 917 development sites making Ingenia the largest owner, operator and developer of Lifestyle Parks in NSW.

The Portfolio, which has a value of \$119.3 million, is rapidly emerging as the key driver of earnings and cashflow growth across the Group.

Operationally the portfolio is now well established with recruitment, rebranding, systems implementation and compliance integration well progressed. Initial supply constraints have been addressed with supply agreements negotiated with two preferred suppliers, Parkwood Modular Buildings and Glendale Homes, committed to provide 100 homes in FY15.

Residential sales are gaining momentum and demand has met management expectations, with strong enquiries evident and a growing list of interested parties generated from village based marketing and community engagement across key clusters.

Development plans are progressing with approvals in place for 435 sites and submissions have been lodged to procure final approvals on a further 116 sites. New homes are under construction and are anticipated to be delivered in the coming months at seven communities.

Tourism accommodation, which accounts for 1,038 sites across the portfolio, has gained significant scale over the year. Partnerships with online travel agents have been established, and marketing and promotional strategies are in place at each village to drive future performance.

Momentum is expected to build over FY15, with full year contributions from all assets and development profit growing each half.

### Garden Villages - Rental

- EBIT contribution up 29% to \$9.9 million
- Occupancy of 90.1% as at 30 June (on a like for like basis)
- **Ingenia Care Assist** now established in 31 assets
- Portfolio expanded with the acquisition of five villages acquired from receivers

The portfolio grew during the year with the addition of five 'distressed' villages in January 2014. While occupancy was impacted by the addition of these assets, they have now been successfully integrated into the portfolio and their occupancy is beginning to grow. These five assets, which had 54.5% occupancy at 30 June, have contributed to an overall lower occupancy (84.6%) across the portfolio, whilst excluding these assets, occupancy closed the year at 90.1% – a record high for the portfolio.

'Ingenia Care Assist' which was launched in October 2013, has continued its initial success with 190 residents now accessing the program across 31 villages.

A focus on operational efficiencies during the year, combined with the final rollout of Ingenia Care Assist, positions the portfolio well to improve occupancy and earnings in FY15.

### Settlers Lifestyle – Deferred Management Fee (DMF)

- EBIT \$4.5 million (down from \$5.6 million in the prior comparable period)
- Occupancy of 92.1% as at 30 June 2014
- Ridge Estate Stage 2 expansion complete
- Very strong start for FY15 with 41 homes under contract or reserved

Reduced settlement volumes impacted performance for the year, with some development projects nearing completion and new product under construction at Cessnock and Ridge Estate Villages not available for sale in FY14. Despite this, gross sales proceeds increased, and there remains a strong contracted stock pipeline to support future sales.

Stage 2 of Ridge Estate is now complete, with 15 of the 17 homes sold or under contract. Marketing for the soon to complete 11-home Stage 3 development has commenced.

The sale of Settlers Lifestyle Noyea Park village 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 reduce its net capital investment in these assets over time.

### New Zealand Students

The formal sales campaign for the upgraded New Zealand student accommodation business has resulted in Ingenia agreeing terms for a sale of the Portfolio in one line, at book value. The sale will conclude the Group's exit from international investments and provide additional capital for expansion of the Lifestyle Parks portfolio.

## Capital Management

The Group remains committed to maintaining a disciplined approach to capital management and to the diversification of funding sources.

At 30 June 2014, Ingenia's LVR of 33.9% remains within the Group's policy range of 30-35% and well below the Group's covenant of 50%.

Management has agreed indicative terms for a multibank refinance. The new finance arrangement is expected to deliver lender diversity, increased capacity, and improved pricing with greater operating, acquisition and development flexibility, supporting the Group's continuing growth strategy.

Group tax consolidation contributed to a \$7.3 million tax benefit, with further benefit in future periods.

## Outlook

The Group will continue to focus on the growth of its 57 asset portfolio of affordable, cash yielding seniors living accommodation.

Ingenia's platform has 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 of Ingenia's growth in Group earnings and returns to securityholders. This presently comprises over 2,000 homes and short term sites.

Mr Owen said: "We are well placed to continue to grow and to build the return profile of Ingenia as we capitalise on the demand for affordable seniors housing and our leading position in the Lifestyle Parks sector."

"We retain a significant pipeline of highly accretive acquisitions and development opportunities, and with supply arrangements in place with two high quality home builders, we will see the rate of delivery of new manufactured homes quickly increase."

Ingenia is confident of delivering further improved performance for securityholders during FY15 (assuming no material change in market conditions). The Group expects returns to build over the course of the year as Ingenia continues to sustain its growth profile and deliver value to securityholders.

## About Ingenia Communities Group

Ingenia Communities Group (ASX: INA) is a leading operator, owner and developer committed to providing quality affordable seniors housing to older Australians. The Group owns 57 villages across Australia, comprising over 3,700 homes. In September 2013, the Group was included in the S&P/ASX 300.

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Ingenia Communities Holdings Limited (ACN 154 444 925), Ingenia Communities Fund (ASRN 107 459 576) and Ingenia Communities Management Trust (ARSN 122 928 410). The Responsible Entity for each scheme is Ingenia Communities RE Limited (ACN 154 464 990) (AFSL415862).

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