



## ASX / Media Release

25 August 2015

### Ingenia delivers strong FY15 Result

#### Highlights

- Underlying profit of \$17.5 million, up 51% on FY14
- Statutory profit of \$25.7 million, up 123% on FY14, reflecting significant increase in valuations across core rental portfolios
- Sales momentum building – a total of 100 sales, including 56 settlements, in FY15 (up 273% on FY14)
- Current development pipeline of 1,500 potential home sites, with estimated end sales value exceeding \$350 million
- Final distribution of 0.70 cents, up 7.7% on prior year
- Significant progress on sale of DMF villages with conditional contracts exchanged for three Queensland villages and offers received on a further two villages

Ingenia Communities Group (ASX: INA) today announced its full year result for the year to 30 June 2015. The Group reported a 51% increase in underlying profit, to \$17.5 million.

The Statutory Profit of \$25.7 million (up 123% on the prior year), reflected a combination of improved operational performance and strong increases in valuations across the Garden Villages and Active Lifestyle Estates rental portfolio.

Operating cash flow for the year of \$9.0 million, reflects the establishment of new home inventory throughout the Group's increasing number of parks under development. At 30 June 2015 the Group had new manufactured home inventory of \$7.3 million comprising 45 completed homes. A further 44 homes were under construction. As of 25 August, 37 of these homes have either been deposited or settled.

Ingenia has declared a final distribution of 0.70 cents per stapled security, with payment to be made on 16 September 2015. This represents a full year distribution increase of 17% on the prior financial year, and is consistent with the Group's commitment to grow distributions and securityholder returns.

Ingenia Communities Chief Executive Officer, Simon Owen, said, "In a very short period of time we have successfully transitioned our business into an emerging high growth asset class with strong long-term industry fundamentals underpinned by convergence of an ageing population and the demand for high quality affordable housing."

“From a standing start just over two years ago we have secured a portfolio of 22 lifestyle parks and are delivering new communities with a complementary blend of steady rental income and development upside. We have people and systems in place to execute on strategy, a substantial development pipeline and deal flow and a Board with significant industry experience.”

“Our Lifestyle Parks business is rapidly becoming the key driver of earnings within the Group with 56 settlements delivering strong development profits and an expanding rental base.”

“Sales momentum continues to build with 100 sales, including 56 settlements, achieved in FY15. We now have developments underway across nine communities and our first project, Ettalong Beach has sold out. Following recent acquisitions, Ingenia now has a pipeline of 1,500 potential home sites with a forecast end value of over \$350 million.”

“Our recent purchase of a premium coastal park at Lake Conjola, establishes a new Southern NSW cluster and adds to the Group’s development inventory. Our strategy of seeking quality assets in prime coastal and metro locations, underpinned by stable rental cashflows, has not changed and our acquisition pipeline remains strong.”

“We have also successfully recycled capital back into our Lifestyle Parks business, from the sale of our NZ Students portfolio, and other non core assets in the Settlers and Garden Villages portfolios.

“Significant progress has been made on releasing capital from our non core Settlers DMF portfolio. Conditional contracts have been exchanged with a national group for the sale of our three Queensland villages and offers are in place for two NSW communities, all in line with book value,” Mr Owen said.

## Results Overview

Consistent with the Group's focus on cash yielding assets, the FY15 result demonstrates significant growth in the rental cash flows generated from the core Garden Villages and Lifestyle Parks assets.

Key Metrics		30 June 15	30 June 14		
Revenue	\$m	76.0	45.8	▲	66%
Statutory profit <sup>1</sup>	\$m	25.7	11.5	▲	123%
Underlying profit <sup>2</sup>	\$m	17.5	11.6	▲	51%
Operating cash flow	\$m	9.0	14.2	▼	37%
Underlying profit per security	Cents	2.1	1.8	▲	17%
Distribution per security	Cents	1.35	1.15	▲	17%
		<b>At 31 Dec 14</b>	<b>At 30 Jun 14</b>		
Loan to value ratio (LVR)	%	22.6	33.9	▼	33%
Net asset value (NAV) per security	Cents	38.9	35.5	▲	10%

1. FY15 statutory profit includes \$13.3m fair value write off of acquisition transaction costs.
2. Underlying profit is a non-IFRS measure designed to present, in the opinion of the Directors, the results from the ongoing 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

Over the year Ingenia invested an additional \$71.1 million in Lifestyle Parks, acquiring a further five assets. There were a further two acquisitions following year end. Bethania, a partially developed manufactured home community outside Brisbane, settled in July 2015. Conjola Lakeside, a prime waterfront coastal park, which will seed a new Southern NSW cluster, is due to settle in September 2015. Ingenia has also entered into a conditional contract to acquire a 7.1 hectare parcel of land adjoining Bethania, providing the potential for over 100 new manufactured homes sites, subject to Council approval.

The Group's acquisition strategy has seen Lifestyle Parks rapidly becoming the key earnings driver across the Group. Since June 2014, the Group has added close to 1,400 income generating sites and almost 190 approved development sites to support future sales growth.

Further acquisitions are well advanced and the deal pipeline is strong with over 20 assets either under exclusivity, due diligence or advanced price discovery.

## Operational Update

### Active Lifestyle Estates (book value \$204.2 million)

- Rental income of \$19.9 million reflects significant growth in sites through acquisition and development
- Development profit of \$5.7 million
- Growing EBIT contribution of \$8.4 million, up over 110% on FY14, driven by a growing rental revenue base and increasing development profits
- A total of 100 sales at June 2015, including 56 settlements totalling \$16.4 million of revenue
- Over 40 homes now being built or installed
- Momentum in sales established with 44 homes contracted or reserved at 30 June 2015 generating future revenue of \$11.7 million
- Sales to launch at Macquarie Lakeside, Bethania and Hunter Valley in the second half of FY16
- Continued investment in development and sales capabilities to support accelerated growth in new and existing community development

The Lifestyle Parks portfolio provides exposure to a growing demand from Australia's ageing population through the provision of affordable age-appropriate housing. The portfolio is dominated by stable cash flows from short and long term rental income. Community expansion and redevelopment provides additional capital light, low risk development earnings.

The Lifestyle Parks portfolio has continued to expand and now consists of 22 assets located across NSW and South East Queensland (including two post year end acquisitions, Bethania and Conjola Lakeside).

The Portfolio value of \$204.2 million at 30 June 2015, reflected additional acquisitions and the impact of a compression in capitalisation rates on values.

The Portfolio's growing revenue base is underpinned by government supported cash flows. Returns are improving as marketing strategies and the benefits of the Group's digital platform and presence are beginning to emerge.

The Group continued to invest in internal capability across asset integration, the digital platform, asset and portfolio branding and the development and sales platform over the year. These costs have supported the rapid growth in sales achieved in FY15 and those forecast for FY16.

The development program is progressing rapidly with civil and infrastructure works undertaken at six sites over the year and growth secured through acquisitions and development consents. In addition to build ready development sites acquired over the year, approvals and consents for over 100 sites (new and recycled) were received.

Ingenia completed and sold down its first development, Ettalong Beach, during the year. Strong sales at Lake Macquarie and ongoing demand at Stoney Creek will contribute to sales in FY16 supplemented by the launch of Ingenia's first Queensland projects (Bethania and Chambers Pines).

An expanded sales team is now in place to support these projects as well as sales launches in the second half at Macquarie Lakeside and Hunter Valley in NSW. Customer research and efficiencies are contributing to product evolution targeting increased market penetration and sales growth.

Based on current contracts in place and the level of interest in new projects to be launched, 120 sales (either reserved, contracted or settled) are forecast for the current financial year. Ingenia currently has reservations and contracts worth over \$11.3 million in place.

Stronger results are expected into FY16, reflecting income growth from the expanding rental base and continuing sales momentum.

#### Garden Villages – Rental (book value \$125.7m)

- EBIT contribution up 11% to \$11.0 million
- Record occupancy of 90.7% as at 30 June 2015
- *Ingenia Care Assist* established across the portfolio
- Three non core villages sold at a premium to book value
- Valuation uplift of \$15.9 million

Ingenia is the largest owner/operator of seniors rental accommodation in Australia. Stable recurring cash flows are underpinned by Government payments (pension and rent assistance). Growth is being achieved through occupancy improvement and rent increases.

The portfolio continued to grow occupancy with like for like occupancy up 2.8% over the year. A significant valuation uplift was achieved, recognising strong portfolio management, rent growth and capitalisation rate compression (based on government supported rental income and increasing corporate activity).

'Ingenia Care Assist', launched in October 2013, has continued its success with the program emerging as a driver of resident satisfaction and increasingly a source of referrals to the Villages.

#### Settlers Lifestyle – Deferred Management Fee (DMF) (book value \$62.9m)

- EBIT \$6.3 million (up from \$4.5 million in FY14)
- New unit settlements totalling \$9.4 million, down 25% on FY14
- Solid start to FY16 with 27 contracts worth \$5.4 million in place at 30 June 2015

Settlers Villages are traditional retirement villages providing accommodation to self funded retirees.

Across this division a strong uplift in DMF accruals driven by rising prices in Western Australian assets was offset by moderating development income as the development and conversion program, which has delivered significant value since commencement, nears completion.

## Capital Management

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

At 30 June 2015, Ingenia's loan to value ratio (LVR) was 22.6%. Following completion of the acquisitions of Bethania and Conjola Lakeside, Ingenia's LVR is expected to move towards the lower end of the Group's policy range of 30-35%.

A multi-bank funding facility finalised in February 2015 enhanced the Group's funding position, providing lender diversity, increased capacity, and improved pricing with greater operating, acquisition and development flexibility. The new facility reduced the blended cost of debt, resulting in a current all in cost of funds of 4.6%.

Expansionary investment has been funded through new capital sourced from equity raisings in the first half of the year and the Group's active distribution reinvestment plan. This was supplemented by the proceeds from non core asset sales.

## Outlook

The Lifestyle Parks market remains the dominant focus for expansion, with additional assets being assessed in line with Ingenia's focus on quality parks in key metropolitan and coastal markets.

Mr Owen said: "Over the last year we have continued to build our platform to position the business for growth and we are now beginning to see the benefits of the changes we have made in our development approach through demonstrated sales momentum. With supply secured and sales strategies in place, we expect the rate of home delivery and sales to continue to build in FY16."

"Corporate activity in the rental village and lifestyle parks sector is clearly intensifying and Ingenia intends to remain a market leader," Mr Owen said.

The Group expects to grow returns in FY16 through an expanded rental base and increasing contribution from development earnings.

**END**

---

**For more information please contact**

Simon Owen  
Chief Executive Officer  
P 02 8263 0501  
M 0412 389 339

Donna Byrne  
Group Investor Relations Manager  
P 02 8263 0507  
M 0401 711 542

[sowen@ingeniacommunities.com.au](mailto:sowen@ingeniacommunities.com.au)

[dbyrne@ingeniacommunities.com.au](mailto:dbyrne@ingeniacommunities.com.au)

---

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).