

## NZX, ASX AND MEDIA RELEASE

11 AUGUST 2015

### UNDERLYING PROFIT UP 81% AND INCREASED BUILD RATE FOR FY16

- Underlying profit for 1H15 NZ\$17.1m, up 81% on 1H14
- Net profit after tax of NZ\$35.7m, up 134% on 1H14
- Total assets of NZ\$1.2b, up 26% on 1H14
- 270 total sales of occupation rights, up 38% on 1H14
- 141 new retirement units delivered
- Interim dividend of NZ 1.85 cents per share announced
- Development margin of 18.4%, up from 15.7% for FY14
- FY16 build rate target increased to 400 retirement units, up from 300 for FY15

Retirement village operator Summerset Group Holdings Limited has announced underlying profit of NZ\$17.1 million for the half year to 30 June, up 81% on the same period last year.

Net profit after tax for the first half of 2015 was NZ\$35.7 million, an increase of 134% on the same period last year. This figure includes unrealised valuation gains of NZ\$17.6 million in the fair value of investment properties, land and buildings.

Summerset's operating cashflow has grown to NZ\$66.5 million for the half year, up from NZ\$36.5 million for the six months to June 2014. The total value of assets also grew to NZ\$1.2 billion, 26% higher than 1H14.

"The trading period for the six months to June 2015 has been positive. We have seen record sales of occupation rights and profit, as well as an increased number of retirement units delivered," said Summerset chief executive officer, Julian Cook.

"Summerset is experiencing good demand across the country for our living and care options. We are delighted to see more people are choosing us and that what we provide is highly regarded by our residents, with Summerset receiving a 97% customer satisfaction rating from retirement village residents and an industry-leading 93% rating from care centre residents and their families. We are firmly committed to being a high quality operator providing great service to our residents.

"A large contributor to the growth seen in this period relates to the four new villages opened in the second half of 2014. We are very much focussed on continuing to expand our offering around the country and to continue to find ways to improve in service delivery for residents. The company is well funded, has a good land bank in place for future growth and is well positioned to continue to meet the living, community and care needs of the growing number of older New Zealanders," Mr Cook says.

New sales of occupation rights increased 52% on the first half of 2014. Resales of occupation rights were also high, with a 22% increase on the same period last year.

The company built 141 retirement units in the first six months of 2015 across six sites. In the second half of this year Summerset will open its Wigram village, its first in Christchurch and the 20<sup>th</sup> village for the Group. Construction has commenced in Ellerslie, which will become the Group's 21<sup>st</sup> village. It will also open a village centre and a care centre in its Karaka and New Plymouth villages, as well as a care centre in its Katikati village.

A development margin of 18.4% was achieved in this six-month period, up from 15.7% over the 2014 year. This exceeds the company's target development margin of 17% which was indicated when Summerset listed on the NZX in November 2011. This target has been achieved one year earlier than expected.

"This result is especially pleasing as we have been able to achieve it while maintaining the highest standards and level of quality for our retirement units. Based on the gains we have made to date and further gains which we expect to be realised, we believe there is potential for the development margin to further increase to around 20% over time," Mr Cook said.

Summerset's recent acquisitions of three Auckland land sites in St Johns, Parnell and adjacent to the existing village in Warkworth also put the company in a strong position to meet increasing demand across the Auckland region.

"Our strong sales of occupation rights, the range of new sites and increased efficiency through the in-house management of the development and construction process has increased the rate at which we can expand," said Mr Cook.

Summerset has also announced updated guidance to its build rate, raising its target for FY16 and beyond to 400 retirement units per annum, up from 300 in FY2015. This represents an increase of 60% on the FY16 build rate guidance of 250 units given at time of IPO in November 2011.

To fund this increased growth rate, Summerset has secured additional bank funding lines, increasing these from NZ\$255 million to NZ\$450 million.

"Our debt at 30 June was NZ\$160 million. We do not expect to draw the full amount but believe it is prudent for the business to have additional funding lines over and above what we expect to utilise. We are confident that the business will remain prudently geared as we are seeing strong growth in earnings and the business' equity position," Mr Cook said.

"Looking ahead to the second half of 2015 we anticipate trading conditions broadly in line with the first half of this year and are on track to deliver our target of 300 retirement units in 2015.

"With the opening of our Wigram village and three new care centres, we will also see some additional costs associated with the start-up stage of these facilities falling in the second half of 2015."

Last month Summerset provided earnings guidance for the 2015 year, advising that underlying profit is forecast to be in the range of NZ\$32 million to NZ\$34 million. The Board of Directors reaffirms this guidance at this time.

The Board has declared an interim dividend of NZ 1.85 cents per share, to be paid on 7 September. The dividend policy remains 30% to 50% of underlying profit for the full year period. As previously indicated, dividend payments are likely to continue to be at the bottom end of this range given the growth opportunities present for the business at this time.

**ENDS**

*Underlying profit differs from IFRS net profit after tax. The directors have provided an underlying profit measure to assist readers in determining the realised and non-realised components of fair value movement of investment property and tax expense in the Group's income statement. Underlying profit is reconciled to IFRS profit in the results presentation attached to this announcement. The measure is used internally in conjunction with other measures to monitor performance and make investment decisions. Underlying profit is an industry-wide measure which the Group uses consistently across reporting periods.*

**For investor relations enquiries:**

Scott Scoullar  
Chief Financial Officer

[scott.scoullar@summerset.co.nz](mailto:scott.scoullar@summerset.co.nz)

04 894 7320 or 029 894 7317

**For media enquiries:**

Katy Sweetman  
Senior Communications and Marketing  
Advisor

[katy.sweetman@summerset.co.nz](mailto:katy.sweetman@summerset.co.nz)

04 894 6993 or 027 601 2001

**ABOUT SUMMERSET**

- Summerset is one of the leading operators and developers of retirement villages in New Zealand, with 21 villages across the country. In addition, Summerset has four sites for development in Casebrook, Lower Hutt, St Johns and Parnell, bringing the total number of sites to 25.
- It provides a range of living options and care services to 3,200 residents.
- Summerset's senior management team is led by CEO Julian Cook.
- Four-time winner of Retirement Village of the Year and recognised by the Reader's Digest Quality Service Awards 2015.
- The Summerset Group has villages in Aotea, Dunedin, Ellerslie, Hamilton, Hastings, Havelock North, Hobsonville, Karaka, Katikati, Levin, Manukau, Napier, Nelson, New Plymouth, Palmerston North, Paraparaumu, Taupo, Trentham, Wanganui, Warkworth and Wigram.