

NZX & ASX RELEASE

23 February 2017

SUMMERSET ACHIEVES 50% GROWTH IN UNDERLYING PROFIT

- Underlying profit for FY16 of NZ\$56.6 million, up 50% on FY15
- Net profit after tax of NZ\$145.5 million, up 73% on FY15
- NZ\$200 million invested into new and existing villages
- Total assets of NZ\$1.7 billion, up 25% on FY15
- 658 total sales of occupation rights, up 14% on FY15
- 414 new sales of occupation rights, up 24% on FY15
- 409 new retirement units delivered, up 35% on FY15
- Final dividend of NZ 5.1 cents per share
- Development margin of 22.2%, up from 20.0% for FY15
- FY17 build rate target increased to 450 retirement units, up from 400 for FY16

Summerset Group Holdings Limited has announced an underlying profit of \$56.6 million for the year ending 31 December 2016, up 50% on the previous year. Annual growth in underlying profit has averaged 48% in the five years since listing in November 2011.

The result indicates the continued growth being experienced by the retirement village developer and operator as it expands its offering throughout New Zealand.

Net profit after tax, which includes unrealised valuation gains in the fair value of investment properties, was up 73% for FY16 at NZ\$145.5 million, driven by new retirement units built and good demand across all of Summerset's villages. Summerset's total asset value increased by 25% to NZ\$1.7 billion. The development margin on new retirement units also increased to 22.2%, up from 20% for FY15.

Summerset CEO Julian Cook said the company now has more than 4,200 residents living at its 21 villages, 700 more than a year ago. "During 2016 we accomplished a number of milestones, including 658 new sales and resales of occupation rights, a 14% increase on the year before, and it is the sixth year in a row that we have increased our occupation rights sales. We also now have more than 1,000 staff across the country, up 200 on the same time last year.

"The delivery of a record 409 retirement units across the country was in line with our FY16 build rate target of 400. We have increased our target build rate to around 450 new units in 2017. We also delivered 121 care beds in 2016, bringing the number of care beds across our villages to 748."

At the end of 2016, Summerset's total land bank represented 2,609 retirement units and 366 care beds – a total of around six years' supply.

The company reinvested NZ\$200 million into new and existing villages in 2016, which included extending the recreation areas at Wanganui and Hastings and starting construction on a new recreation centre at Levin and village centre at Trentham.

In May, the company opened the village centre at Summerset at Monterey Park in Hobsonville, while the opening of the care centre and village centre at its first Christchurch retirement village in Wigram was celebrated in September.

“Christchurch was a visible gap in our development portfolio. It is great to be able to ease the pressure for quality affordable housing in Canterbury,” said Mr Cook.

“A significant milestone for us in 2016 was the opening of our first dementia centre at Summerset by the Ranges in Levin. It provides rest home level dementia care in a safe, homely environment, modelled on international design standards. It is the first New Zealand dementia centre to offer one bedroom apartments, giving residents the option to have a larger home instead of a care room if they prefer. We intend to incorporate dementia care into our new villages, with the next centre likely to be at our Casebrook village in Christchurch.”

The first residents moved into their homes at Summerset’s fourth Auckland village in Ellerslie during October. This village will feature a lake with an island and apartments with views to central Auckland.

“Like all our villages, the development of our latest Auckland offering is focused on good urban design to create an attractive environment and community that people are proud to be part of. We are on track to complete the Ellerslie village centre and care centre in mid-2017.”

Planning for Summerset’s other Auckland villages in St Johns and Parnell, and Boulcott in Lower Hutt continue to progress. The company also purchased two new development sites in Richmond, Nelson and the Hamilton suburb of Rototuna in 2016, bringing the total number of Summerset sites to 27. Summerset already has existing villages in these areas, which have strong demand for retirement village living.

Summerset’s annual resident and care satisfaction surveys are a key test of how residents living both independently and in rest home level care perceive the service they receive. This year, performance was rated at 94% by both care and independent living residents. Mr Cook said the company is proud of these results. “But we continue to focus on doing even better this year.” Summerset was also delighted to receive a Highly Commended award in the *Aged Care and Retirement Villages* category of the annual Reader’s Digest Trust Brand awards.

Some changes were made to the Board of Directors in 2016. Following the retirement of director Norah Barlow early in the year, Gráinne Troute was appointed to the Board in September. Dr Andrew Wong will also join the Board from 1 March 2017.

Andrew and Gráinne’s appointments bring the Board of Directors to six members. Both Gráinne and Andrew bring to the Board a strong mix of experience and skills. Gráinne has held senior management roles at SKYCITY Entertainment Group, McDonalds and Coopers & Lybrand and has experience in operating customer-focused businesses in highly competitive sectors. Andrew is currently Managing Director of MercyAscot Hospital Group and HealthCare Holdings Limited, and is a director of a number of medical organisations.

Mr Cook said Summerset’s robust sales and profit during FY16 can largely be attributed to strong demand for its existing and new villages.

“As one of the country’s largest retirement village developers and operators, we have established an offering that sees us develop new villages efficiently and operate them well. Our

focus for FY17 will be on continuing to grow Summerset as well as continuing to refine and improve our customer offering. This should mean continued earnings growth for shareholders.

“Our sales and settlement rates are strong across the country, including Auckland, and we are seeing no slow down. However, we are well aware that the property market does move in cycles. Ultimately, demand for our villages is driven by the increased number of older New Zealanders and what we offer them. Since 1997, when we opened our first retirement village, Summerset has seen two property market downturns and during each, demand in our villages remained consistent.

“We also guard ourselves against a downturn by adopting a prudent approach to debt levels. All our debt relates to development projects and we carry no debt that must be serviced from our core earnings. At the end of FY16, the value of our development working capital, being land, work in progress and completed homes awaiting settlement, totalled NZ\$307 million, compared to net outstanding debt of NZ\$265 million. Additionally, over the year our gearing reduced to 32.7% from 37.1% at December 2015. This conservative approach to how much debt we take on and the demand for retirement village living puts us in good shape in the event of a property downturn.”

Summerset announced a final 2016 dividend of NZ 5.1 cents per share, a total dividend payment of NZ 7.7 cents per share for the year. This is an increase of NZ 2.45 cents per share on the total dividend paid in the previous year. The dividend reinvestment plan will apply to the dividend, with a discount of 2% applicable to those shareholders participating in the plan.

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For investor relations enquiries:

Scott Scoullar
Chief Financial Officer
scott.scoullar@summerset.co.nz
04 894 7320 or 029 894 7317

For media enquiries:

Michelle Brooker
Senior Communications Advisor
michelle.brooker@summerset.co.nz
04 830 1106 or 021 225 9624

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 six sites for development in Richmond, Rototuna, Casebrook, Lower Hutt, St Johns and Parnell, bringing the total number of sites to 27.
- It provides a range of living options and care services to more than 4,200 residents.
- Four-time winner of Retirement Village of the Year and Silver Award winner in the Reader's Digest Quality Service Awards 2016.
- 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.