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# RETAIL BOND PRESENTATION

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*Summerset Group Holdings Limited*

*6 JUNE 2017*

JOINT LEAD MANAGERS



Deutsche**CRAIGS**

**FNZC**

 **FORSYTH BARR**

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Certain financial information contained in this presentation is prepared on a non-GAAP basis. "Underlying profit" differs from IFRS net profit after tax. The unaudited underlying profit measure is intended to assist readers in determining the realised and non-realised components of fair value movement of investment property and tax expense in the Summerset Group's income statement. 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 Summerset Group uses consistently across reporting periods.

**Refer to slide 19 for a reconciliation of non-GAAP underlying profit to GAAP net profit after tax.**



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# OFFER HIGHLIGHTS

## BOND OFFER FURTHER DIVERSIFIES FUNDING SOURCES AND TENOR

- Total bank debt facilities of \$600m
- Net debt of \$265m as at 31 December 2016
- This bond will be used to partially repay bank debt facilities and provide diversification of funding sources and tenor

RETAIL BOND OFFER	DETAILS
Issuer	Summerset Group Holdings Limited (listed on the NZX and ASX)
Bonds	Unsubordinated, guaranteed, secured, fixed rate bonds of the Issuer
Guarantee and security	Provided by the Summerset Group Equal ranking with Summerset's banks
Issue size	Up to \$75m with up to \$25m oversubscriptions
Maturity	6 year bonds maturing Tuesday 11 July 2023
Rating	Not rated
Quotation	Application to quote the bonds on NZX Debt Market (NZDX) has been made
Joint Lead Managers	ANZ, Deutsche Craigs, First NZ Capital Securities and Forsyth Barr





## BUSINESS OVERVIEW



# SUMMERSET 2016 SNAPSHOT

## THIRD LARGEST RETIREMENT VILLAGE OPERATOR

MORE THAN  
**4,200**  
RESIDENTS

**748**  
CARE BEDS  
IN PORTFOLIO

MORE THAN  
**1,000**  
STAFF MEMBERS

**2,828**  
RETIREMENT UNITS  
IN PORTFOLIO

**409**  
RETIREMENT UNITS  
BUILT IN 2016

**6**  
GREENFIELD  
SITES

LAND BANK OF  
**366**  
CARE BEDS

LAND BANK OF  
**2,609**  
RETIREMENT UNITS

**21**  
OPERATING VILLAGES  
COMPLETED OR UNDER  
DEVELOPMENT

**450**  
RETIREMENT  
UNITS: BUILD  
RATE FOR 2017



\* Information as at 31 December 2016



# SUMMERSET BACKGROUND

## SECOND LARGEST RETIREMENT VILLAGE DEVELOPER IN NEW ZEALAND

- Summerset will turn 20 years old this year
- Listed on the NZX in 2011, and the ASX in 2013
- Nationwide provider
- 21 operating villages completed or under development
- 99% occupancy rate within established care centres for 2016
- Only 29 retirement units available for resale at 31 December 2016
- Six greenfield sites at Casebrook, Lower Hutt, Parnell, Richmond, Rototuna, and St Johns not yet started



# SUMMERSET AWARDS

## FOUR-TIME WINNER OF RETIREMENT VILLAGE OF THE YEAR

- Four-time winner of Best Retirement Village Operator at the Australasian Over 50s Housing Awards
- Received a Highly Commended in the Reader's Digest Trusted Brands Survey three years running, from 2015 - 2017
- 94% care customer satisfaction rating in 2016
- 94% village customer satisfaction rating in 2016
- Summerset finance team awarded the Finance Team of the Year award at the 2017 CFO Awards

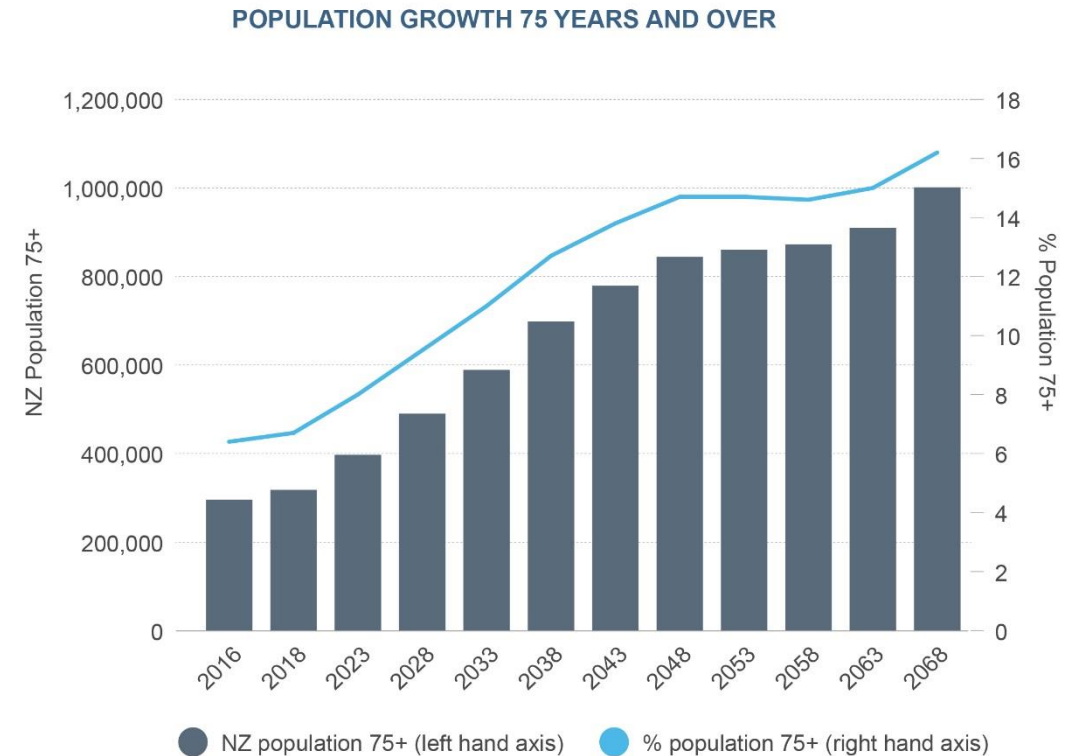




# DEMOGRAPHICS

## UNPRECEDENTED GROWTH FORECAST IN POPULATION 75 YEARS AND OLDER

- The New Zealand population 75 years of age or older is forecast to increase from around 300,000 currently to around 1,000,000 by 2068
- The current penetration rate across New Zealand for people 75 years or older living in a retirement village is around 13%\*
- Continuing growth and ageing of the New Zealand population is expected to significantly increase demand for aged care and retirement village facilities

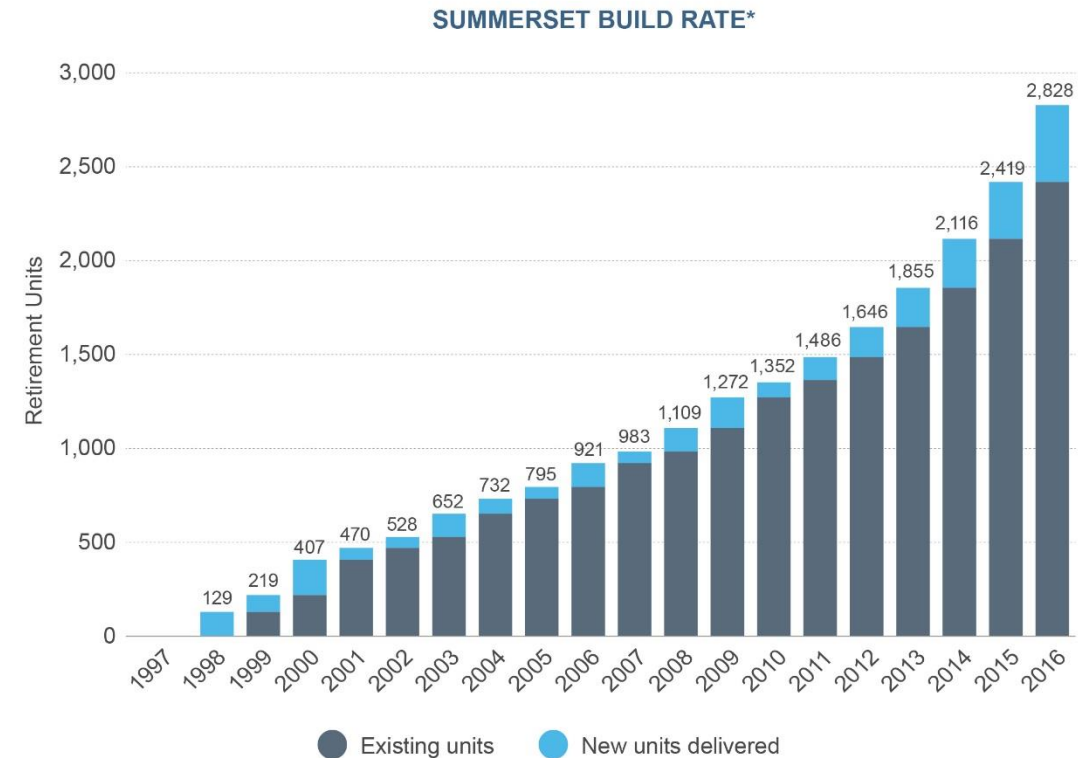


Source: Statistics New Zealand

# SUMMERSET TRACK RECORD

## 19 YEAR TRACK RECORD OF DEVELOPING AND OPERATING VILLAGES

- Consistent year-on-year growth in our portfolio over the last 19 years
- Delivered 409 retirement units in 2016 and targeting a delivery of 450 retirement units in 2017 to meet strong demand



\*Build rate and portfolio as at 31 December



# SUMMERSET STRATEGY

## SUMMERSET BUILDS, OWNS AND OPERATES RETIREMENT VILLAGES IN NZ

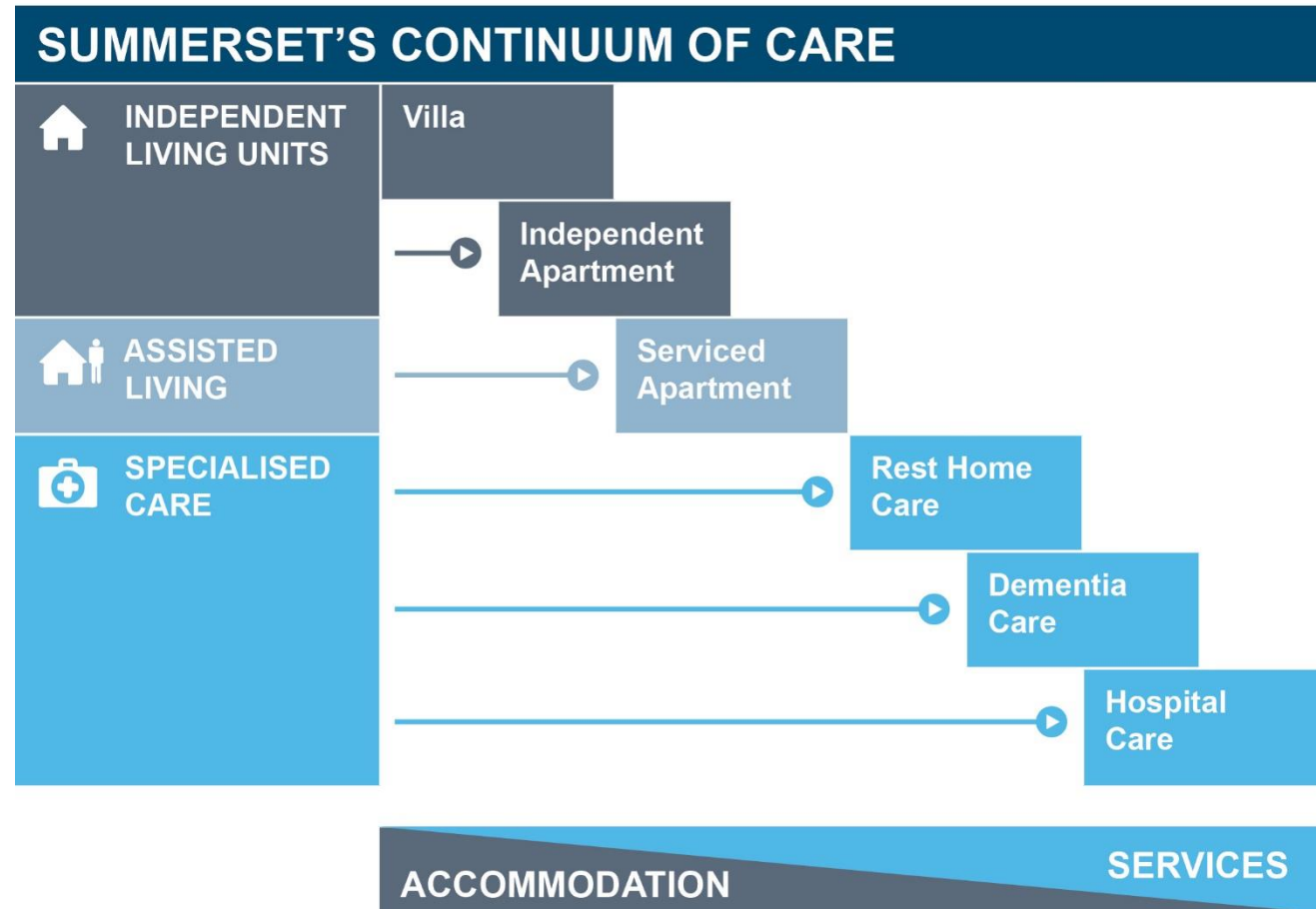
- Focus on continuum of care model
- High quality care available across all villages
- Village designed to integrate into local communities
- Internal development and construction model
- Nationwide brand offering
- Customer centric philosophy – “we love the life you bring to us”
- New Zealand focus



# INTEGRATED BUSINESS MODEL

## FULL CONTINUUM OF CARE OFFERING IS KEY TO VILLAGE SUCCESS

- Integration of independent and assisted living with the provision of aged care is a key reason why residents choose a village
- Aged care available at all villages to ensure residents receive full support (can move through the village) should their needs change
- High barriers to entry due to capital costs and complexity of care
- Villages offering a continuum of care are more likely to have a waiting list and higher entry and average ages
- Full continuum of care with dementia care introduced in 2016, and to be included in new village developments





# OPERATIONAL OVERVIEW

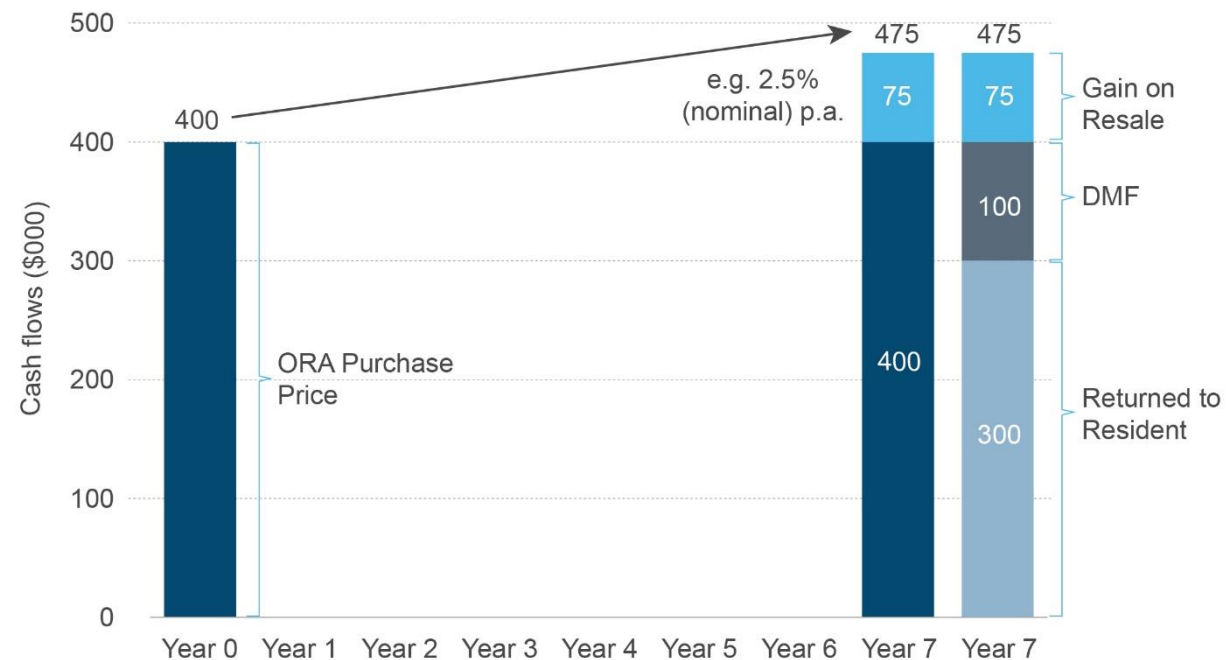
	OPERATIONS	CASH FLOWS
<b>1.</b> Aged care services	<b>Provision of care in serviced apartments, care suites, rest home, hospital and dementia care facilities</b> <ul style="list-style-type: none"> <li>■ Provide a high standard of quality aged care services</li> </ul>	<ul style="list-style-type: none"> <li>■ Rest home, hospital and dementia care fees</li> <li>■ Stable cash flows</li> <li>■ Includes Government funding for specified contracted services</li> </ul>
<b>2.</b> Asset management	<b>Daily operation of integrated retirement and aged care communities</b> <ul style="list-style-type: none"> <li>■ Manage a portfolio of tenanted assets</li> <li>■ Manage ongoing sales of Occupation Rights</li> <li>■ Refurbish periodically to maintain economic value</li> </ul>	<ul style="list-style-type: none"> <li>■ Deferred Management Fees (DMF) – primary source of income for established villages</li> <li>■ Gains on resale of Occupation Rights</li> <li>■ Weekly resident levies and village service fees – stable cash flows, contribute to operational costs</li> </ul>
<b>3.</b> Retirement village development	<b>Design and construction of integrated retirement and aged care communities</b> <ul style="list-style-type: none"> <li>■ Cost efficient quality construction of villages designed for older New Zealanders</li> <li>■ Build villages that integrate into the local environment, providing residents with warm, welcome and vibrant communities</li> </ul>	<ul style="list-style-type: none"> <li>■ Occupation Right sales</li> <li>■ Development margin</li> </ul>

# ORA OVERVIEW

## HOW AN OCCUPATION RIGHT AGREEMENT (ORA) WORKS

- Residents moving into a retirement village enter into an ORA
- An ORA grants the resident the right to occupy a retirement unit in exchange for a lump sum payment to the operator (residents' loans on the balance sheet)
- Legal ownership of the retirement unit remains with the retirement village operator
- A deferred management fee (DMF) is accrued over a resident's tenure and realised on the resale of their ORA. For Summerset, this is typically a maximum of 25% of the ORA price
- When Summerset sells an ORA on a retirement unit previously occupied, the lump sum payment from the previous resident, less the DMF, is repaid to the previous resident using proceeds from the incoming resident

HOW AN OCCUPATION RIGHT AGREEMENT WORKS:  
EXAMPLE OF A SINGLE RETIREMENT UNIT OVER ONE OWNERSHIP CYCLE\*



\* This is an illustrative example of a \$400k ORA with a 25% deferred management fee charge and a duration of 7 years. The example assumes 2.5% nominal growth per annum in the market price of the ORA and is shown for illustrative purposes only

# UNDERSTANDING THE ORA

## ORA'S ARE PURCHASED WITH A NON-DEMAND REPAYABLE "RESIDENT LOAN"

- Resident purchases an Occupation Right Agreement (ORA) by providing a non-demand repayable, interest free loan
- Key features of residents' loans are:
  - They have no set term
  - Repayable on the resale of an ORA, using the proceeds received from the new resident
  - They are non-interest bearing
- Current accounting standards require residents' loans to be recorded on the balance sheet as debt
- The ORA grants the resident the right to live in the retirement unit for as long as they choose
- Upon termination of the ORA for the retirement unit, the ORA provides that Summerset resells the ORA and repayment to the outgoing resident occurs when the new funds are received





# RESIDENT PROTECTIONS

## RESIDENT RIGHTS PROTECTED BY A STATUTORY SUPERVISOR

- The right of the retirement village resident under an ORA is protected by the Statutory Supervisor who has a first ranking mortgage over the land and permanent buildings owned by the Summerset company that operates the Registered Retirement Village
- This ensures that if a Registered Retirement Village had financial problems:
  - The residents' right to continue to occupy their retirement unit is protected
  - The residents' right to receive their repayment sum on receipt of funds from a new resident is protected



# OUR PRODUCT







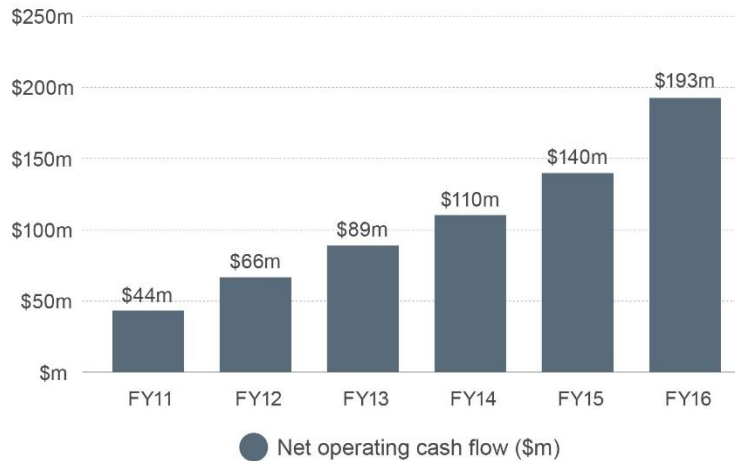
## FINANCIAL PERFORMANCE



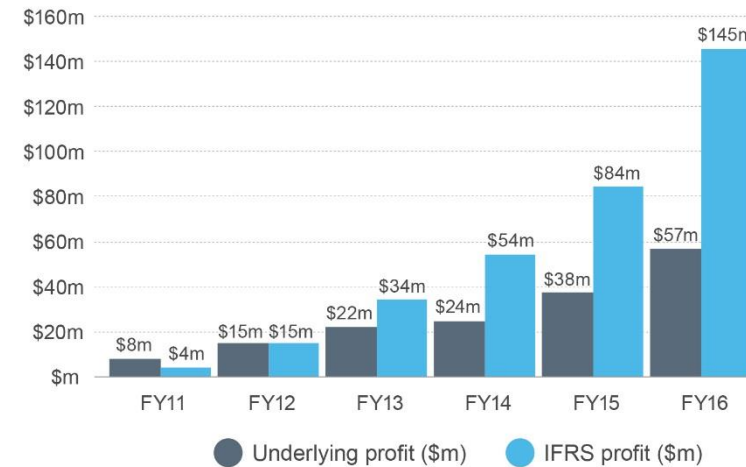
# FINANCIAL PERFORMANCE OVERVIEW

## STRONG FINANCIAL PERFORMANCE OVER LAST FIVE YEARS

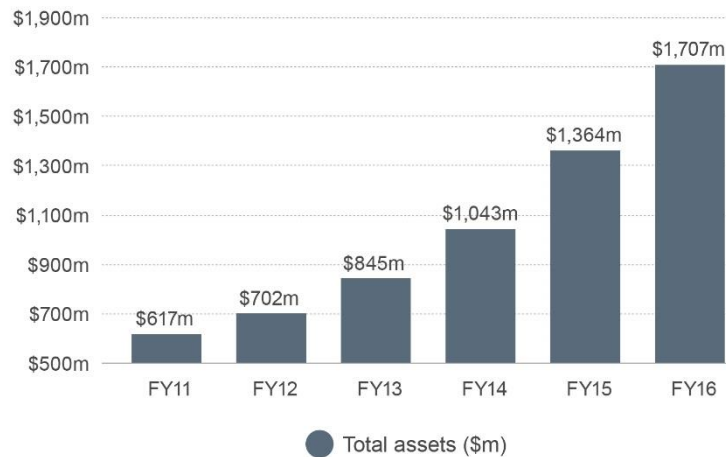
NET OPERATING CASH FLOW



IFRS PROFIT & UNDERLYING PROFIT\*



TOTAL ASSETS



SALE OF OCCUPATION RIGHTS



\*Underlying profit differs from IFRS net profit after tax. Refer to disclaimer on slide 1

# INCOME STATEMENT

## PROFIT GROWTH DRIVEN VIA INCREASING PORTFOLIO

- IFRS profit of \$145m and underlying profit of \$57m continues to grow rapidly since listing on the NZX in 2011
- IFRS profit is up 102% and underlying profit is up 48% on a cumulative average growth rate over the last five years
- Underlying profit differs from IFRS net profit after tax as it is an unaudited profit measure to assist readers in determining the realised and non-realised components of fair value movement of investment property and tax expense\*\*

UNDERLYING PROFIT NZ\$M	FY16 ACTUAL*	FY15 ACTUAL*	CHANGE %*
Total revenue	86.1	68.8	25%
Realised gain on resales	15.4	12.3	25%
Realised development margin	39.0	26.1	49%
Total income	140.4	107.2	31%
Total expenses	71.1	57.3	24%
Depreciation and amortisation	3.7	3.7	0%
Finance costs	9.1	8.4	8%
<b>Underlying profit</b>	<b>56.6</b>	<b>37.8</b>	<b>50%</b>
RECONCILIATION OF IFRS PROFIT NZ\$M	FY16 ACTUAL*	FY15 ACTUAL*	CHANGE %*
<b>Underlying profit</b>	<b>56.6</b>	<b>37.8</b>	<b>50%</b>
Add fair value movement of investment property	143.5	83.5	72%
Less realised gain on resales	15.4	12.3	25%
Less realised development margin	39.0	26.1	49%
(Less)/add income tax (expense)/credit	(0.2)	1.5	N/A
<b>Net profit after tax</b>	<b>145.5</b>	<b>84.2</b>	<b>73%</b>

\* Amounts rounded to nearest \$100k. Percentage movements based on unrounded amounts

\*\* Refer to slide 1 for further information on underlying profit

# CASH FLOWS

## STRONG OPERATING CASH FLOWS

- Significant annual net operating cash flows of \$193m to 31 December 2016
- Investing cashflows of \$200m are high relative to net debt of \$265m. If investment was halted then debt levels could be paid down within a short period of time
- Dividend policy is to pay 30% to 50% of underlying profit. This has typically been paid at the lower end of the range

CASH FLOWS NZ\$M	FY16 ACTUAL*	FY15 ACTUAL*	CHANGE %*
Care fees and village services	57.2	46.4	23%
Interest received	0.2	0.5	-52%
Payments to suppliers and employees	-68.6	-57.0	20%
Net receipts for resident loans	203.7	150.3	36%
<b>Net operating cash flow</b>	<b>192.6</b>	<b>140.3</b>	<b>37%</b>
Acquisition of PPE & IP	-193.8	-220.7	-12%
Other investing cash flows	-6.0	-2.1	187%
<b>Net investing cash flow</b>	<b>-199.9</b>	<b>-222.8</b>	<b>-10%</b>
Proceeds from bank loans	25.8	97.4	-74%
Dividends paid	-13.1	-8.6	53%
Proceeds from issue of shares	4.2	3.0	39%
Other financing cash flows	-7.6	-7.6	1%
<b>Net financing cash flows</b>	<b>9.2</b>	<b>84.3</b>	<b>-89%</b>
Net increase in cash	2.0	1.8	10%

\* Amounts rounded to nearest \$100k. Percentage movements based on unrounded amounts



# BALANCE SHEET

## TOTAL ASSETS OF \$1.7B WITH \$0.9B ASSETS AVAILABLE AS SECURITY EXCLUDING RESIDENTS' LOANS

- Total assets of \$1.7b, are principally made up from investment property spread across the 21 villages Summerset has built or is continuing to build
- Summerset's net assets of \$546m are growing fast as the profitability and scale of the business continues to mature. Net assets increased 33% over the last 12 months
- Total net debt was \$265m as at 31 December 2016
- Total current bank debt facilities of \$600m
- \$225m of bank facilities mature in August 2020 and \$375m in March 2022
- Residents' loans reflect net payments by residents to occupy the residences they live in while living in a Summerset village. Once residents terminate their occupancy the receipts from a new resident are used to repay the outgoing resident
- Investment property is revalued on a semi-annual basis

BALANCE SHEET NZ\$M	FY16 ACTUAL*	FY15 ACTUAL*	CHANGE %*
Investment property	1,591.4	1,261.2	26%
Other assets	115.4	102.4	13%
<b>Total assets</b>	<b>1,706.8</b>	<b>1,363.5</b>	<b>25%</b>
Residents' loans	801.3	637.2	26%
Bank loans	274.0	248.2	10%
Other liabilities	85.9	68.3	26%
<b>Total liabilities</b>	<b>1,161.2</b>	<b>953.8</b>	<b>22%</b>
<b>Net assets</b>	<b>545.6</b>	<b>409.8</b>	<b>33%</b>
Cash and cash equivalents	8.7	6.7	30%
Net debt	265.3	241.5	10%
<b>Embedded value</b>	<b>322.6</b>	<b>229.7</b>	<b>41%</b>
<b>NTA (cents per share)</b>	<b>249.9</b>	<b>188.5</b>	<b>33%</b>

\* Amounts rounded to nearest \$100k. Percentage movements based on unrounded amounts

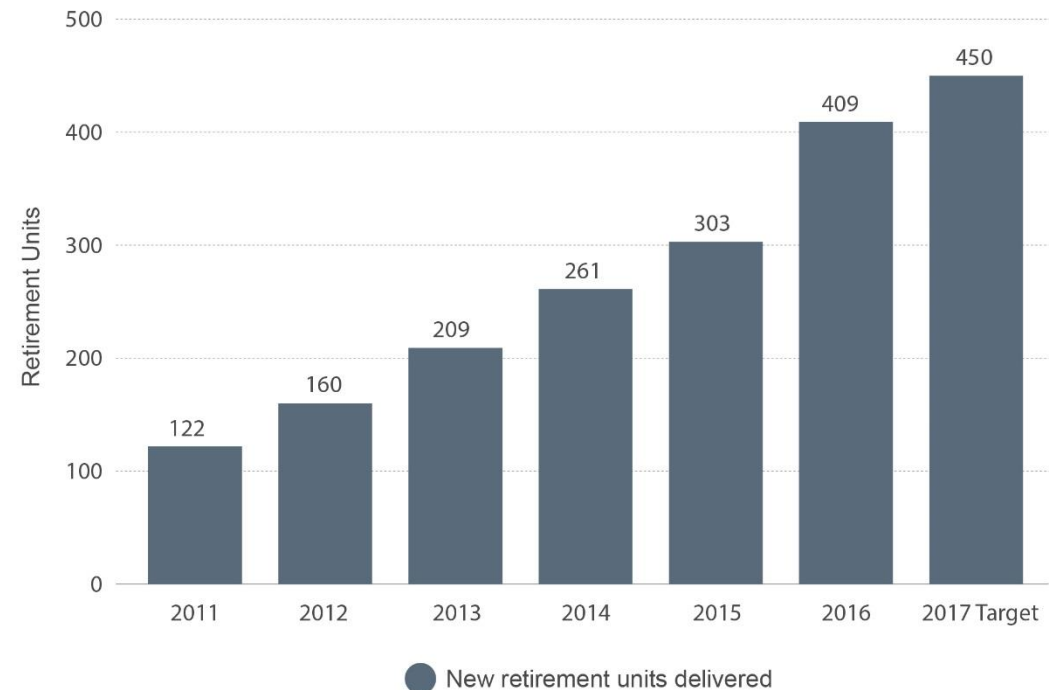
\*\* Embedded value is the quantum of contractually accrued deferred management fees and other unrealised gains that would be received in cash if all Summerset's ORAs were terminated, resold and settled

# DEVELOPMENT TRACK RECORD

## LAND BANK OF 2,609 RETIREMENT UNITS AS AT 31 DECEMBER 2016

- Experienced internal property development team allows Summerset to exercise a greater degree of control over the development and construction process
- Significant amount of due diligence is undertaken before purchasing a new site with the internal property development team engaging with a range of consultants to ensure best outcomes
- Summerset has a robust process in place for tendering projects and selecting skilled and qualified contractors, to mitigate construction and development risk
- Typically the development of a village, from commencement of construction of the first stage to completion of build of the last stage, has taken around four to six years

SUMMERSET BUILD RATE

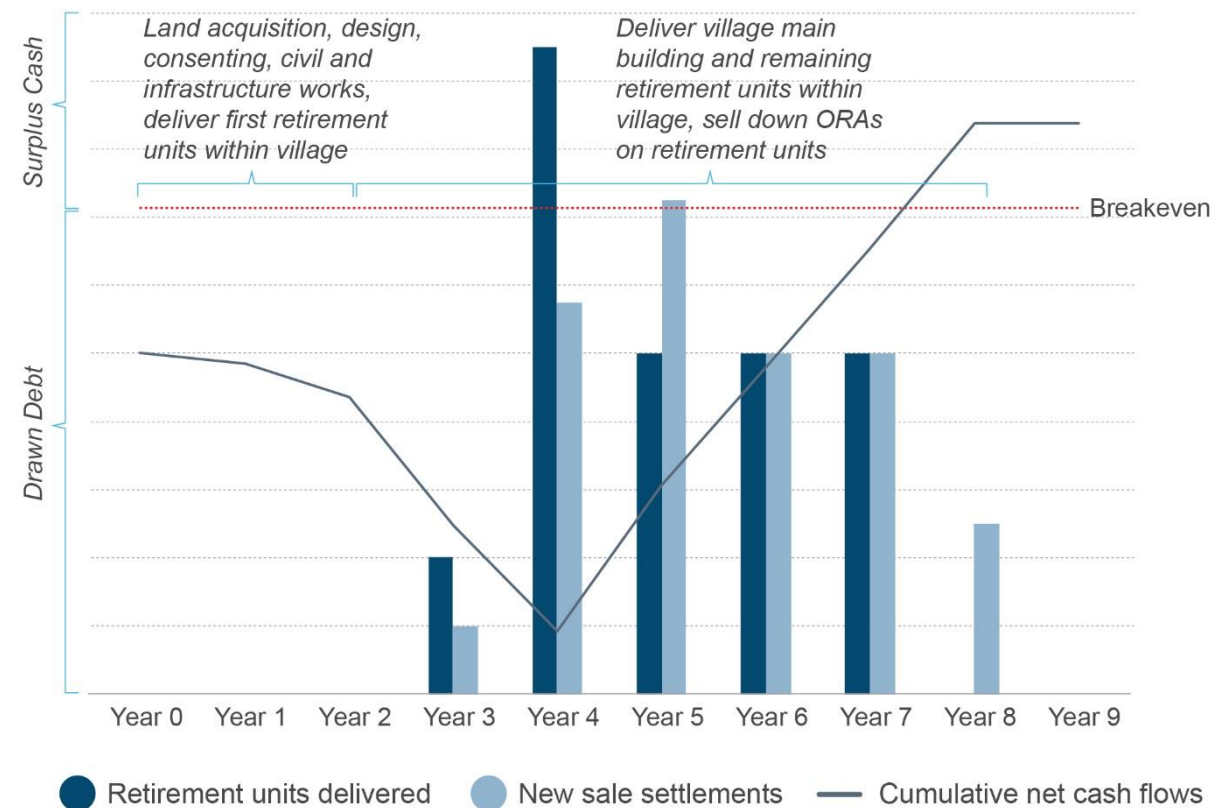


# VILLAGE DEVELOPMENT CASHFLOW

## VILLAGE DEVELOPMENTS ARE CASHFLOW POSITIVE

- As debt is repaid for a village build (retirement village and care centre), it is redrawn for new retirement village builds
- Each village project is expected to be cash flow positive
- From the time construction of a village starts through to the last retirement unit being delivered takes, on average, around four to six years

SUMMERSET CASHFLOW EXAMPLE







**SECURITY STRUCTURE**

# PURPOSE OF DEBT

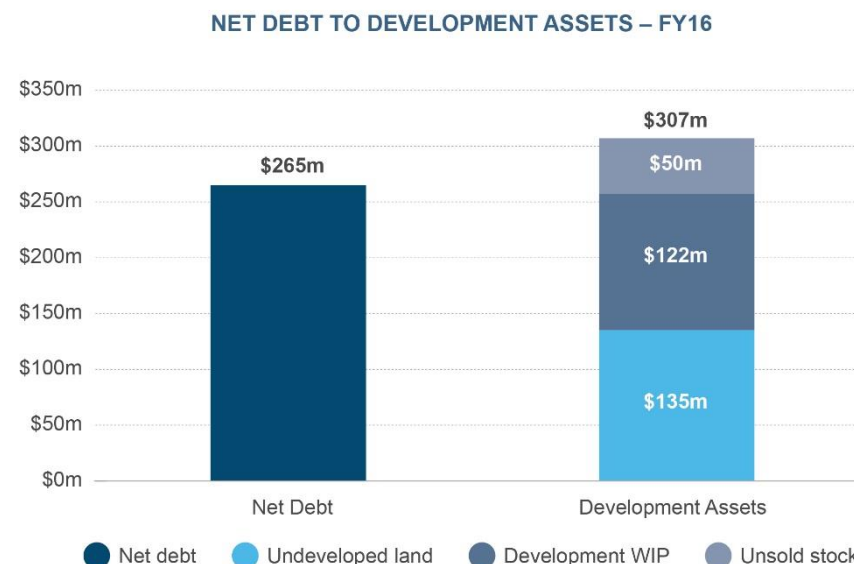
## DEBT IS USED TO DEVELOP SUMMERSET VILLAGES ACROSS NEW ZEALAND

- Summerset uses debt to fund the acquisition of land for future development, and the development of land into villages
- Debt will fluctuate depending upon the level of acquisition and development activities
- Debt is typically 100% recycled out of completed village developments, into new developments, as Occupation Right Agreement (ORA) sales occur. Development debt is progressively repaid as ORA sales occur and typically fully repaid by the time all ORAs in the village have been sold for the first time
- If Summerset stops development activities, based on current cash flows and debt levels, debt could be repaid over a short period of time
- Summerset has a development pipeline of around six years at the 2017 target build rate, and therefore an ongoing need for bank and bond debt exists
- Summerset works closely with its banking syndicate on the development of new villages. The bank's covenant package provides some checks and balances around development activity
- Summerset has a \$600m bank facility limit available. The proposed bond issue will provide diversification of funding sources and tenor

# COMPOSITION OF DRAWN DEBT

## \$307M DEVELOPMENT ASSETS INCLUDED WITHIN \$0.9B ASSETS AVAILABLE AS SECURITY EXCLUDING RESIDENTS' LOANS

- Development projects are debt funded. Development assets exceed the value of net debt by \$42m
- All debt is associated with development activities
- Debt holders have benefit of core earning generation by the business in addition to development asset backing
- Development assets could be realised to reduce debt over a short period of time



NET DEBT RECONCILIATION NZ\$m	FY16 ACTUAL*
<b>Net debt</b>	<b>265.3</b>
Cash and cash equivalents	8.7
<b>Bank loans (per financial statements)</b>	<b>274.0</b>
Other unsubordinated liabilities**	6.5
<b>Total bank debt</b>	<b>280.5</b>

\* Amounts rounded to nearest \$100k

\*\* Includes interest rate swaps and accrued interest

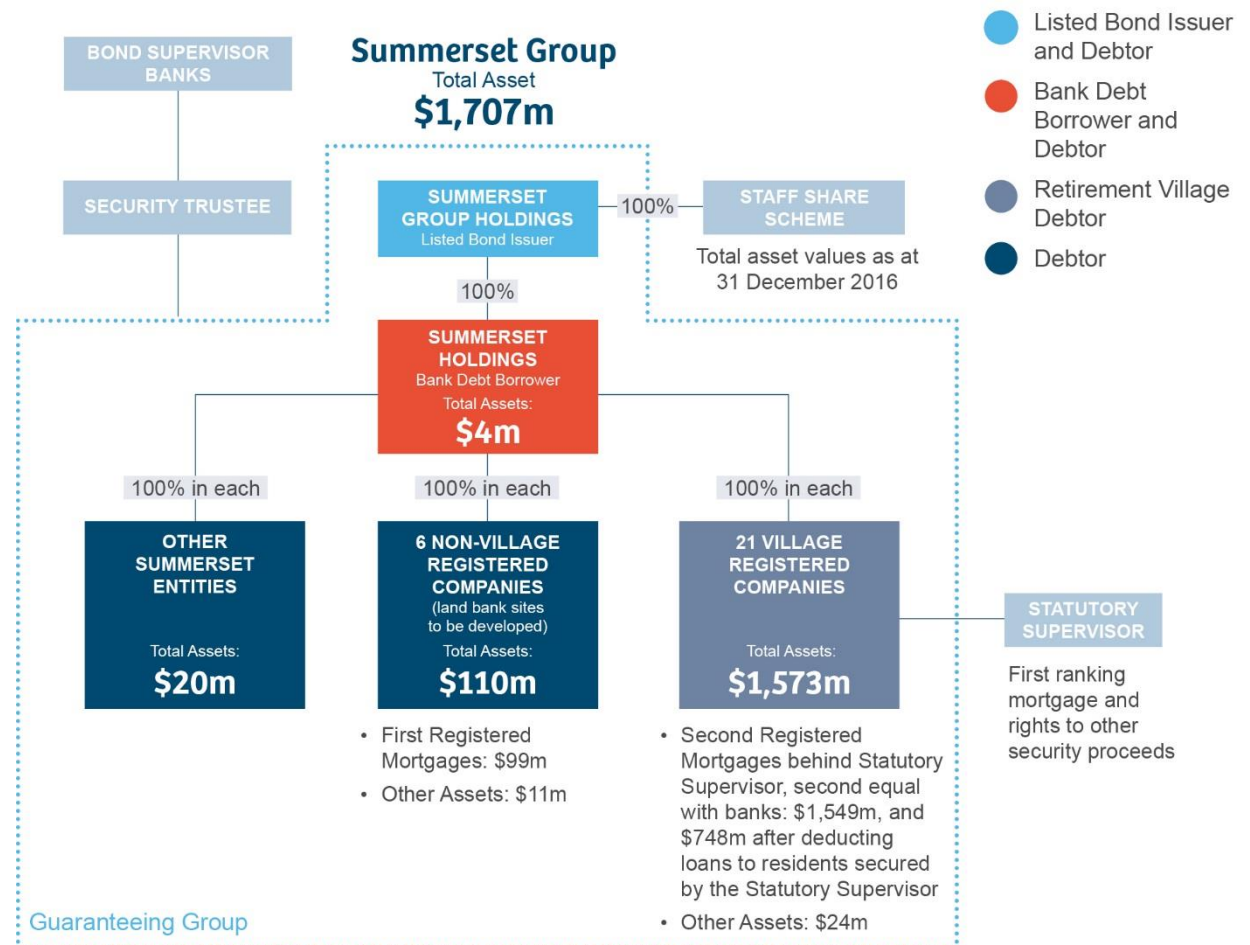


# THE ISSUER & GUARANTEEING GROUP

## LISTED ENTITY SUMMERSET GROUP HOLDINGS LIMITED WILL BE THE ISSUER

- Summerset Group Holdings Limited (SGHL) currently owns all companies within the Summerset Group
- Summerset Holdings Limited (SHL), which is a 100% owned subsidiary of SGHL, is the bank debt borrower
- SGHL is listed on the NZX and ASX, and is the company issuing these bonds
- The equity and debt issued by SGHL will be overseen by the same Board of Directors

### SUMMERSET GROUP SYNDICATED LENDING STRUCTURE SIMPLIFIED – AS AT 31 MARCH 2017

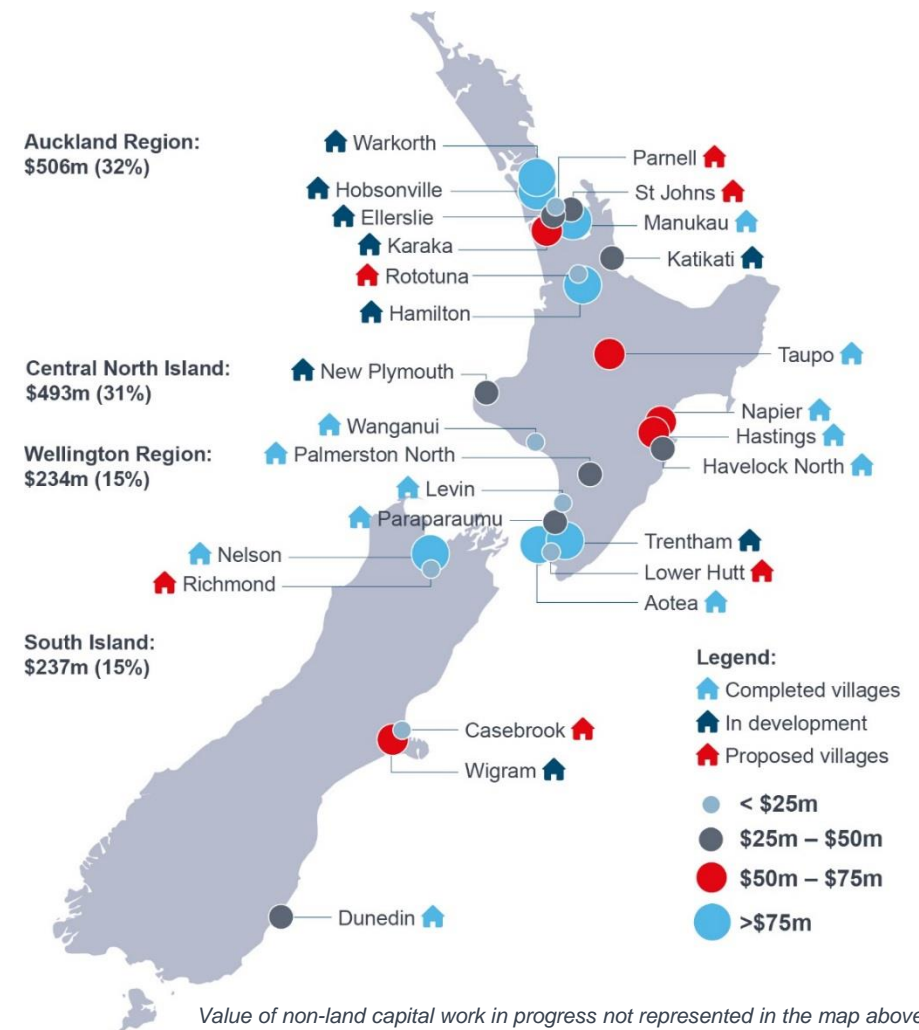


# SECURITY

## TOTAL ASSETS OF \$1.7B WITH \$0.9B ASSETS AVAILABLE AS SECURITY EXCLUDING RESIDENTS' LOANS

- All of the debt of Summerset Group relates to development projects, with net debt of \$265m at 31 December 2016 primarily funding undeveloped land, vacant new sale stock and work in progress
- The bank and bond debt rank equally in relation to the \$1.7b of assets collectively held within the group (\$0.9b after the Statutory Supervisor's rights in relation to each Registered Retirement Village)
- ANZ is Security Trustee for both the bonds and the bank debt
- The New Zealand Guardian Trust Company Limited is the Bond Supervisor

### VALUE OF INVESTMENT PROPERTY AS AT 31 DECEMBER 2016

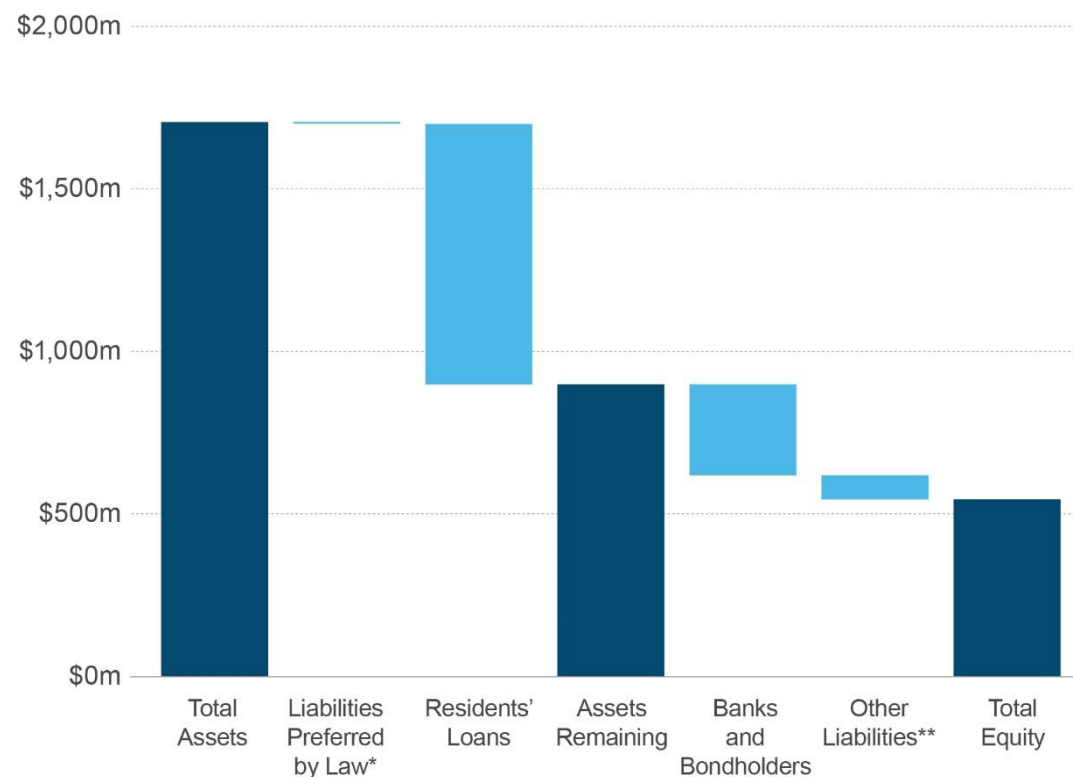


# SECURITY

## ASSETS OF \$0.9B AVAILABLE AS SECURITY AS AT 31 DECEMBER 2016 EXCLUDING RESIDENTS' LOANS

- Total assets as at 31 December 2016 of \$1.7b
- Assets of \$900m after payments made to the residents of a Registered Retirement Village supporting net debt of \$265m as at 31 December 2016

SUMMERSET GROUP – FY16 BALANCE SHEET



\* Liabilities preferred by law include employee entitlements and Inland Revenue

\*\* Other liabilities include trade and other payables, revenue received in advance, deferred tax liabilities

# SECURITY

## BONDHOLDERS ON AN EQUAL RANKING SECURITY BASIS WITH BANK LENDERS

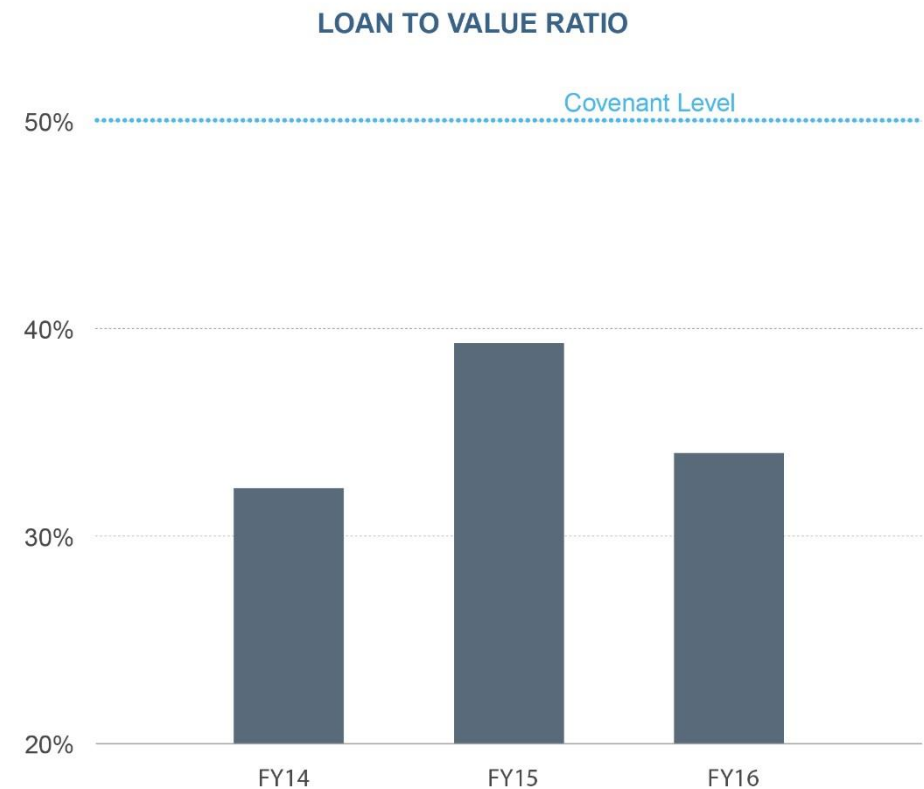
- The bonds share the security provided by the guaranteeing group on an equal ranking basis with Summerset's bank lenders as per the Security Trust Deed
- The bonds and bank lenders have a first ranking mortgage over undeveloped land and land under development owned by Non-Village Registered Companies. The bonds and bank lenders are second ranking security holders on land and permanent buildings held by Village Registered Companies, and have second rights to security proceeds from other assets of Village Registered Companies to which the Security Trustee is entitled
- In the event of financial difficulties, Summerset can:
  - Reduce debt by slowing development
  - Rely on core earnings. The business currently carries no core debt
  - Sell undeveloped land
  - Sell villages as a going concern - debt holders have first ranking security over the shares of all Village Registered Companies (sale must be to a party with requisite management skills pursuant to Statutory Supervisor approval requirements)
- The Statutory Supervisor has first ranking security over each Village Registered Company's land and permanent buildings. This is for the protection of residents' rights and does not give the Statutory Supervisor discretion to demand repayment of residents' loans at any time



# LOAN TO VALUE RATIO COVENANT

## SIGNIFICANT HEADROOM ON LOAN TO VALUE RATIO (LVR) COVENANT

- All covenants are well within bank requirements
- Key terms of bond LVR covenant:
  - LVR must not exceed 50%
  - Reported breach of LVR on a Test Date is an Event of Review
  - If the Event of Review occurs, Summerset will have 90 days to put a remediation plan in place then a further 180 days to remedy the breach. If not remedied this will result in an Event of Default
  - During any Event of Review or Event of Default, Guarantors are not permitted to make any distributions to non-Guarantors
  - There are cross acceleration provisions with any debt acceleration >\$10m triggering a bond Event of Default
- This ratio as at 31 December 2016 was 34.0%
- This ratio has reduced from 39.3% at 31 December 2015 as the company matures. Property value has increased by \$173m to \$805m between 31 December 2015 and 31 December 2016





**OFFER TERMS AND TIMETABLE**

# KEY TERMS OF THE OFFER

SUMMARY	DETAIL
Issuer	Summerset Group Holdings Limited
Instrument	<p>Guaranteed, secured, unsubordinated, fixed rate bonds</p> <p>Bondholders will share the benefit of the same security package as bank lenders. The Statutory Supervisor has first rights to the proceeds of security enforcement against all assets of the Village Registered Companies, and the bank lenders and bondholders share the remaining proceeds of the Village Registered Companies to which the Security Trustee is entitled on a pro rata basis</p> <p>Bank lenders and bondholders have a first ranking mortgage over all land and permanent buildings owned (or leased under a registered lease) by Guarantors that are Non-Village Registered Companies</p>
Guarantee	Guaranteed by the guaranteeing group, consistent with bank lenders. Total assets of the Guarantors must be at least 90% of Summerset Group's assets and EBITDA of the Guarantors must be at least 90% of the EBITDA of the Group
Tenor and Maturity Date	6 years, maturing 11 July 2023
Offer Amount	Up to \$75,000,000, with the ability to accept oversubscriptions of up to \$25,000,000 at the discretion of the Issuer
Credit rating	Unrated
Interest rate	Sum of the applicable issue margin and the applicable Swap Rate, announced via the NZX on the Rate Set Date. The Interest Rate will be no less than 4.70% per annum
Interest payments	Quarterly in arrear in four equal payments
Financial Covenant	<p>Summerset to ensure the LVR* covenant: Total Debt of the Summerset Group / Property Value of the Summerset Group is <math>\leq 50\%</math></p> <p>A reported breach of the LVR covenant on a Test Date is an Event of Review, which if not remedied will result in an Event of Default</p>
Dividend stopper	Guarantors are not permitted to make a distribution to non-Guarantors if an Event of Review or Event of Default is continuing
Brokerage	0.50% of the amount issued plus 0.50% on firm allocations, paid by Summerset
Early bird interest	Payable at the Interest Rate on successful applications, paid within 5 business days after the Issue Date
Issue Price & minimum denominations	Issue price of par \$1.00. The minimum denomination is \$5,000 and in multiples of \$1,000 thereafter
Listing	Application has been made to NZX to quote the Bonds on the NZX Debt Market under the ticker code SUM010

More information on the above key terms is available in the Product Disclosure Statement. \* LVR = Loan to Value Ratio

# KEY DATES OF THE OFFER

OFFER OPEN 15 JUNE TO 6 JULY 2017

RETAIL BOND OFFER	DATE
PDS lodgement	30 May 2017
Firm bids due	14 June 2017, 12pm
Rate Set Date	14 June 2017
Opening Date	15 June 2017
Closing Date	6 July 2017
Issue Date	11 July 2017
Expected date of initial quotation on the NZX Debt Market	12 July 2017
Interest Payment Dates	11 January, 11 April, 11 July, 11 October
First Interest Payment Date	11 October 2017
Maturity Date	11 July 2023



# INVESTMENT HIGHLIGHTS

1.

**Compelling fundamentals** in the retirement village and aged care sector, driven by an ageing population and increasing market penetration

2.

**Significant projected demand** for retirement units and aged care beds

3.

**Strong cash flow and earnings growth** potential from a maturing village profile, growing aged care contribution, development pipeline and development efficiencies

4.

**Second largest developer** of new retirement units, with a successful track record of delivering new retirement units and care beds

5.

**Funding is used only as working capital** to fund developments through their lifecycle, with debt repaid in full as villages are built and sold down

6.

**Industry diversification for bond holders**, with Summerset being the only listed NZ retirement village operator with bonds available for retail investors

# QUESTIONS?

Ellerslie



Hobsonville



Karaka



Manukau



Wigram



Katikati







## APPENDICES



# BOARD OF DIRECTORS

## ROB CAMPBELL

Independent  
Chairman



- Over 30 years' experience as a director and investor
- Chair of Tourism Holdings Ltd
- Chair, G3 Group Ltd
- Director, Precinct Properties New Zealand Ltd
- Holds a Bachelor of Arts with First Class Honours in Economic History and Political Science and a Masters of Philosophy in Economics

## JAMES OGDEN

Non-executive  
Independent



- Director, The Warehouse Group
- Director, Vista Group International
- Director, Alliance Group Ltd
- Former Country Manager, Macquarie Bank and Former Director, Credit Suisse First Boston
- Holds a Bachelor of Commerce and Administration with First Class Honours and is a Chartered Fellow of the Institute of Directors and a Fellow of the NZ Institute of Chartered Accountants

## DR MARIE BISMARCK

Non-executive  
Independent



- Dually trained as a lawyer and doctor
- Divides her time between Australia and New Zealand
- Worked in the health sector for many years; her areas of expertise include patient safety and healthcare complaints resolution
- Associate Professor at the University of Melbourne
- Consultant on the Health Law Team at legal firm Buddle Findlay in Wellington
- Director, GMHBA Health Insurance

## ANNE URLWIN

Non-executive  
Independent



- Professional Director with experience in a diverse range of sectors including construction, health, infrastructure, financial services and telecommunications
- Chair, Naylor Love Enterprises Ltd
- Deputy Chair, Southern Response Earthquake Services Ltd
- Director, Steel and Tube Holdings Ltd
- Director, Chorus Ltd
- Director, One Path Life (NZ) Ltd
- Chartered Accountant with experience in senior finance management roles in addition to her governance roles.

## GRÁINNE TROUTE

Non-executive  
Independent



- Many years' experience in senior executive roles with Coopers and Lybrand (now PwC), McDonald's Restaurants NZ, HR Consultancy Right Management and most recently as General Manager Corporate Services at SKYCITY Entertainment Group
- Director, Tourism Holdings Limited
- Director, Evolve Education Group Limited
- Spent many years as a trustee and chair in the not-for-profit sector, including as Chair of Ronald McDonald House Charities NZ for five years

## DR ANDREW WONG

Non-executive  
Independent



- Currently Managing Director of MercyAscot Hospital Group and Healthcare Holdings Limited and director of a number of medical organisations. These organisations cover a diverse range of areas such as surgical hospitals, day surgeries, diagnostic radiology and cancer care
- With aged care an essential part of Summerset's customer offering, Andrew's mix of medical and commercial experience brings a unique skill set to the Summerset board

# HIGHLY EXPERIENCED MANAGEMENT

## JULIAN COOK

Chief Executive Officer



- Overall responsibility for the company, its operations and strategy
- In his previous role as Chief Financial Officer, Julian oversaw Summerset as it became a publicly listed company, first on the NZX in November 2011, and then the Australian Securities Exchange (ASX) in July 2013
- Prior to joining Summerset, Julian spent 11 years in the investment sector, which included a significant amount of work with retirement village and aged-care companies

## SCOTT SCOULLAR

Chief Financial Officer



- Overall responsibility for the financial management of the company
- Also leads the Corporate Services area at Summerset which includes the Finance, Legal, Human Resources, Property, Marketing and IT teams.
- Before joining the company in 2014, Scott held CFO roles at Housing New Zealand and Inland Revenue
- Recipient of NZICA's Public Sector CFO of the Year award 2011
- Special commendation at the 2012 New Zealand CFO Summit Awards
- Fellow of CPA Australia and a CPA New Zealand Council Board member

## PAUL MORRIS

General Manager, Development



- Leads Summerset's development division, which covers all aspects of the development process of our villages, from site identification and purchase, to consenting, concept and master plans and design standards
- Joined in 2000 after more than 20 years in banking, including 15 years in retirement village and aged-care sector business banking
- Held several senior roles at Summerset before taking up his current position, giving him a sound understanding of all aspects of the business

## ELEANOR YOUNG

General Manager, Operations and Customer Experience



- Oversees the operational performance across all Summerset villages ensuring Summerset residents receive the highest-quality service and care
- Joined Summerset in 2016
- Eleanor has held senior roles in Inland Revenue, including four years as the Group Manager of Customer Services, managing services to customers with around 2,000 staff
- Background in Human Resources within both the public and private sector working in managerial roles for the Ministry of Social Development, Mighty River Power, and Air New Zealand

## JARROD SMITH

General Manager, Sales



- Leads the national sales team, which is based in villages across the country and in Wellington
- Significant general management experience across a range of industries and has successfully led large national and international sales divisions across multiple countries and channels
- Prior to joining Summerset, Jarrod held senior sales and service leadership roles with IAG NZ, Bayleys Real Estate, and iSentia

## DEAN TALLENTIRE

General Manager, Construction

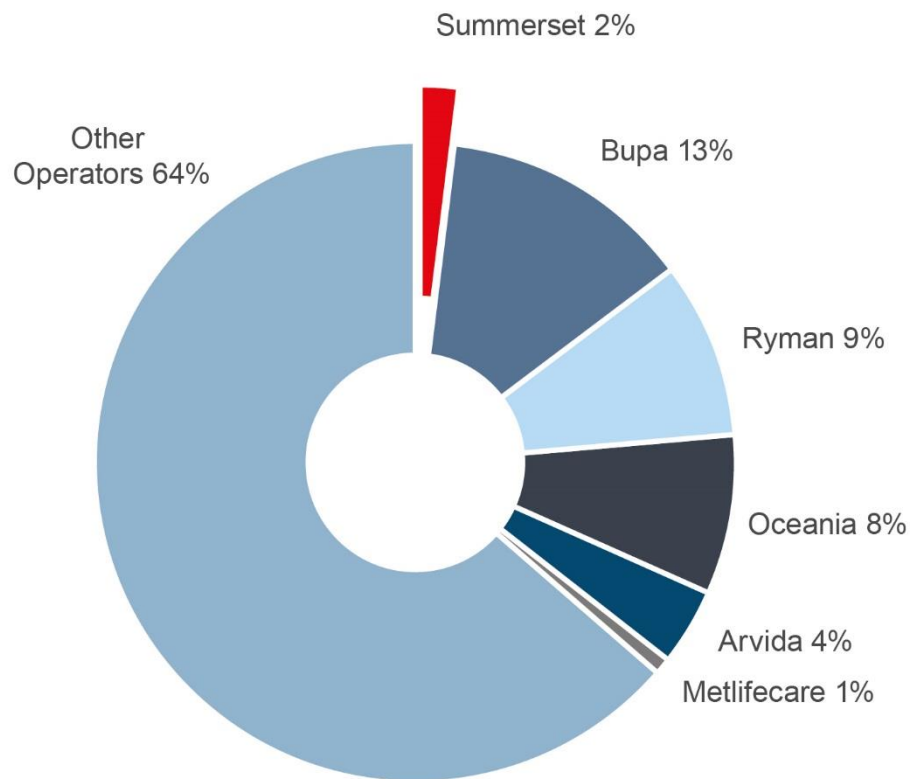


- Responsibility for the design and building consent process, cost management and tendering and construction of Summerset's projects
- Joined Summerset to lead the construction team in January 2015
- Extensive experience in all aspects of property development and construction
- Prior to joining Summerset, Dean spent over a decade with Fletcher Building in a variety of roles, gaining experience in both residential and commercial sectors

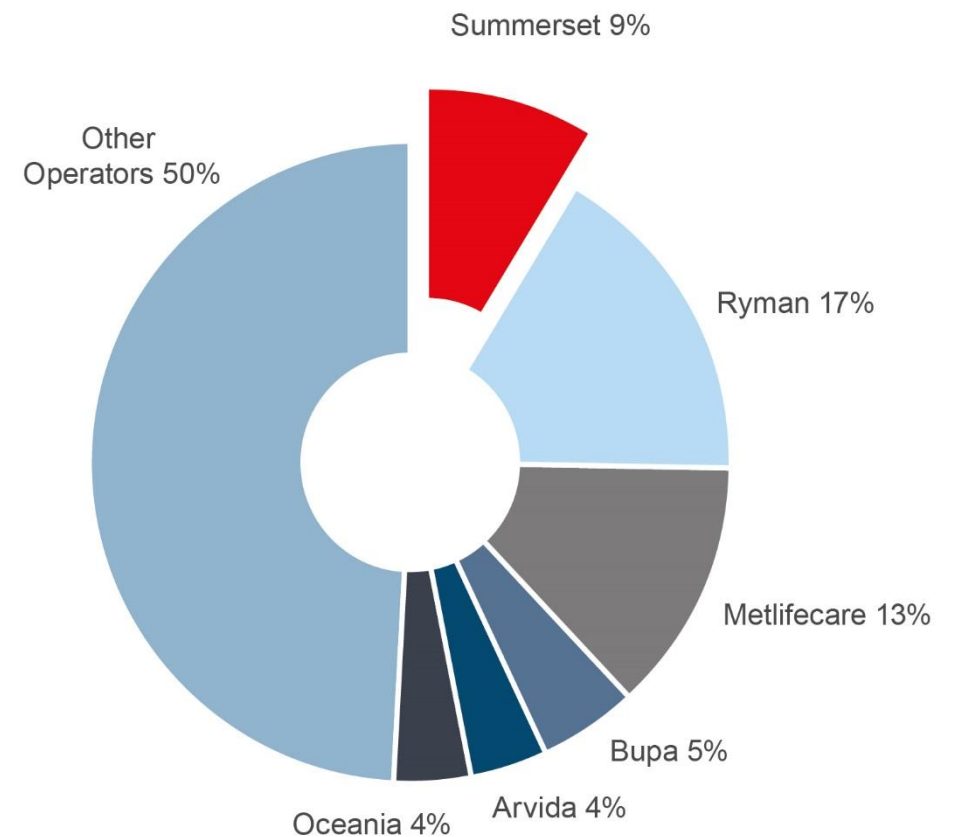
# DEMOGRAPHICS – MARKET SHARE

## AGED CARE AND RETIREMENT VILLAGE MARKET SHARE

MARKET SHARE – CARE BEDS



MARKET SHARE – INDEPENDENT LIVING UNITS





# PORTFOLIO AS AT 31 DECEMBER 2016

## 2,828 RETIREMENT UNITS AND 748 CARE BEDS

	EXISTING PORTFOLIO – AS AT 31 DECEMBER 2016					
VILLAGE	VILLAS	APARTMENTS	SERVICED APARTMENTS	CARE SUITES	TOTAL RETIREMENT UNITS	CARE BEDS
Aotea	96	33	38	0	167	0
Dunedin	61	20	20	0	101	42
Ellerslie	12	0	0	0	12	0
Hamilton	169	0	20	0	189	49
Hastings	146	5	0	0	151	0
Havelock North	94	28	0	0	122	45
Hobsonville	107	13	0	0	120	0
Karaka	78	0	20	0	98	50
Katikati	77	0	20	0	97	49
Levin	64	22	0	10	96	41
Manukau	89	67	27	0	183	54
Napier	94	26	20	0	140	48
Nelson	214	0	55	0	269	59
New Plymouth	76	0	20	0	96	52
Palmerston North	90	12	0	0	102	44
Paraparaumu	92	22	0	0	114	44
Taupo	94	34	18	0	146	0
Trentham	198	12	20	0	230	44
Wanganui	70	18	12	0	100	37
Warkworth	123	2	44	0	169	41
Wigram	73	0	53	0	126	49
<b>Total</b>	<b>2,117</b>	<b>314</b>	<b>387</b>	<b>10</b>	<b>2,828</b>	<b>748</b>

# LAND BANK AS AT 31 DECEMBER 2016

## LAND BANK OF 2,609 RETIREMENT UNITS AND 366 CARE BEDS

	EXISTING PORTFOLIO – AS AT 31 DECEMBER 2016				
VILLAGE	VILLAS	APARTMENTS	SERVICED AND DEMENTIA APARTMENTS	TOTAL RETIREMENT UNITS	CARE BEDS
Casebrook	197	0	76	273	43
Ellerslie	30	221	57	308	58
Hamilton	14	0	30	44	0
Hobsonville	18	60	52	130	52
Karaka	104	0	39	143	0
Katikati	79	0	0	79	0
Lower Hutt	42	96	43	181	49
New Plymouth	32	0	20	52	0
Parnell	3	261	76	340	48
Richmond	220	0	60	280	38
Rototuna	191	0	80	271	40
St Johns	0	220	70	290	38
Trentham	33	0	20	53	0
Warkworth	79	0	0	79	0
Wigram	86	0	0	86	0
<b>Total</b>	<b>1,128</b>	<b>858</b>	<b>623</b>	<b>2,609</b>	<b>366</b>

\* Land bank reflects current intentions as at 31 December 2016

# FIVE YEAR METRICS SUMMARY

		5 YEAR CAGR*	FY16	FY15	FY14	FY13	FY12
OPERATIONAL	New sales of occupation rights	31%	414	333	286	228	167
	Resales of occupation rights	15%	244	245	172	174	164
	Total sales of occupation rights	23%	658	578	458	402	331
	New retirement units delivered	27%	409	303	261	209	160
	Retirement units in portfolio	14%	2828	2419	2116	1855	1646
	Care beds in portfolio	18%	748	616	485	442	327
FINANCIAL (NZ\$m)	Total revenue (\$m)	21%	86.1	68.8	54.3	45.2	38.1
	Net profit after tax (\$m)	102%	145.5	84.2	54.2	34.2	14.8
	Underlying profit** (\$m)	48%	56.6	37.8	24.4	22.2	15.2
	Net operating cash flow (\$m)	35%	192.6	140.3	110.4	88.6	66.3
	Total assets (\$m)	23%	1,706.8	1,363.5	1,043.2	844.9	702.3
	Total equity (\$m)	19%	545.6	409.8	332.3	281.9	248.8
	Interest bearing loans and borrowings (\$m)	32%	274.0	248.2	150.8	105.3	78.2
	Cash and cash equivalents (\$m)	-1%	8.7	6.7	4.9	3.0	2.8
	Gearing ratio (Net D/ Net D+E)	10%	32.7%	37.1%	30.5%	26.6%	23.3%
	EPS (cents) (IFRS profit)	95%	66.93	38.94	25.16	15.99	6.96
	NTA (cents)	18%	249.90	188.52	153.33	131.24	116.49
	Development margin (%)	29%	22.2%	20.0%	15.7%	13.2%	12.0%

\* Compounded annual growth rate

\*\* Refer to slide 1 for further information on underlying profit



