

# *Lifestyle*

## COMMUNITIES

Growing Through Evolution

Investor Day Presentation

27 April 2016

# AGENDA

## Business Overview

## Growth Strategy

## Management Team

- Marketing
- Sales
- Construction
- Community Management
- Land Acquisition
- Finance

## Looking Ahead



# BUSINESS OVERVIEW

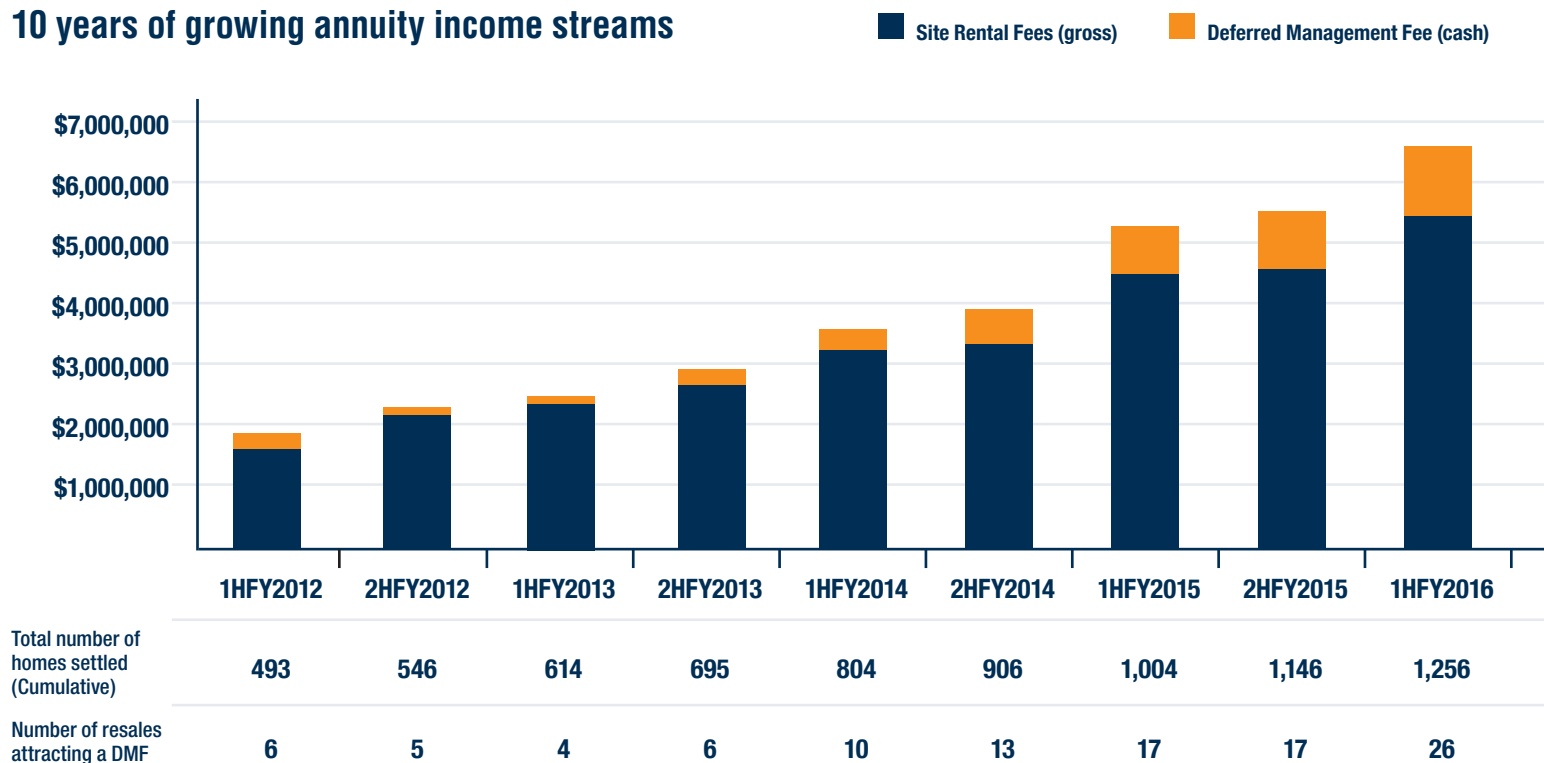
## Business Snapshot

- Founded in 2003
- Develop and manage land lease communities which generate long-term sustainable revenue streams
- Focused on affordable housing for the over 55s market
- 2,255 sites either under development or management
- Residents own their home and lease the land upon which their home is located

## Financial Summary

	1HFY2016	FY2015
Net profit after tax attributable to shareholders	\$8.9m	\$16.7m
Total assets	\$204.3m	\$179.6m
Equity	\$123.0m	\$113.8m
Dividends	1.0 cent per share (interim)	1.5 cents per share (final)
Net debt	\$43.3m	\$23.6m
Net debt to equity ratio	24%	17%

## 10 years of growing annuity income streams



## BUSINESS OVERVIEW COMMUNITY LOCATIONS

### 12 communities in planning, development or under management

Community	Homes	Settled
Melton	228	100%
Tarneit	136	100%
Cranbourne	217	100%
Chelsea Heights	186	100%
Warragul <sup>(1)</sup>	182	99%
Hastings <sup>(1)</sup>	141	99%
Shepparton	268	51%
Wollert	154	21%
Geelong	164	14%
Officer	151	2%
Berwick Waters	220	-
Bittern <sup>(2)</sup>	208	-
	<b>2,255<sup>(3)</sup></b>	<b>57%</b>

Correct as at 22 April 2016

- Notes:
- (1) Warragul and Hastings are expected to be fully settled by 30 June 2016
  - (2) Commencement of construction subject to planning approval and the contract becoming unconditional
  - (3) Represents gross numbers not adjusted for joint venture interests at Cranbourne and Chelsea Heights



### Focus remains in Victoria

#### Victoria provides:

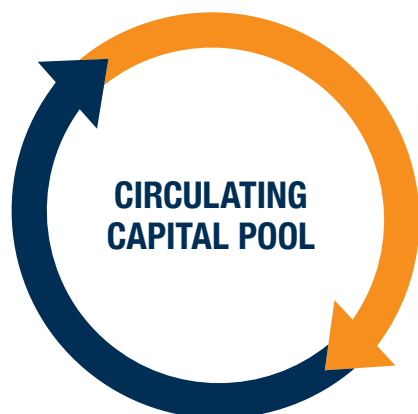
- Favourable planning legislation
- Better access to zoned, flat land for development
- Lowest saturation of land lease communities of any state
- Balanced state legislation for the management of communities

# BUSINESS OVERVIEW BUSINESS MODEL

Lifestyle Communities aims to recover 100% of its project related costs from home sales

The growing level of free cash flow from the community management business provides the basis for future dividends

## Development Business



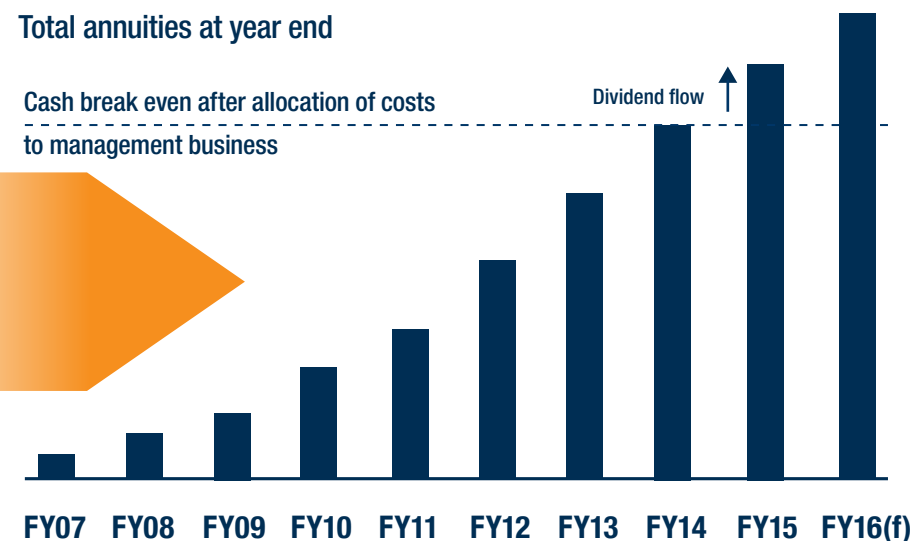
Settled homes are transferred to the Community Management Business

## Community Management Business

Total annuities at year end

Cash break even after allocation of costs to management business

Dividend flow ↑



Note: Not to scale and not indicative of performance

As at 22 April 2016

 Total home sites in portfolio<sup>(1) (2)</sup>  
**2,255**

 Total occupied home sites<sup>(2)</sup>  
**1,284**

As at 22 April 2016 the gross rental annualised at \$11.4 million per annum

Source: (1) Settled, under development or subject to planning  
(2) Represents gross numbers not adjusted for joint venture interests at Cranbourne and Chelsea Heights

## BUSINESS OVERVIEW RLLA

### Industry advocacy to promote land lease communities

- Member of the Residential Land Lease Alliance (RLLA)  
(James Kelly is RLLA's inaugural chair)
- Represents the land lease industry
- Funded through contributions from ten major players
- Lobbying in Canberra over last six months to:
  - provide better understanding of the industry
  - promote the role of land lease communities in the provision of affordable housing
  - introduce a last home buyers incentive to down size
  - increase involvement in the broader debate on affordable housing

### Government is increasing their understanding of the land lease industry

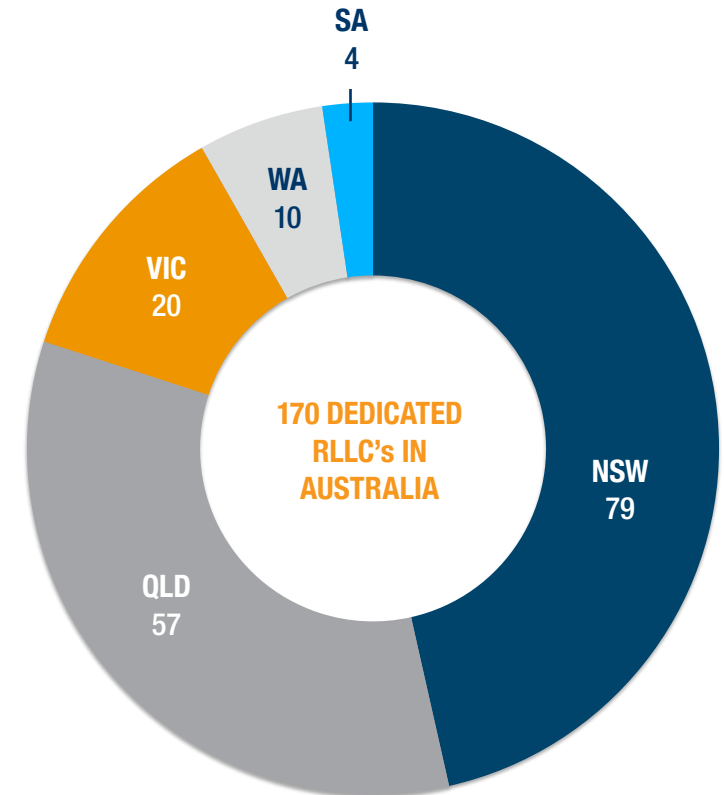


# BUSINESS OVERVIEW

## THE LAND LEASE INDUSTRY

### Our focus remains in Victoria

- There are 2,500 Residential Land Lease Communities (RLLC's) and caravan parks around Australia
- Of those:
  - 1,650 are pure tourist parks
  - 750 are mixed use parks with tourists and permanents
  - 170 are dedicated RLLC's
- NSW and QLD represent 82% of the industry
- Victoria has the lowest saturation of RLLC's per head of population
- Estimate that 70,000 people in Australia live in RLLC's and mixed use parks (compared to 190,000 people in retirement villages)



Victoria has the lowest saturation of RLLC's in Australia

## BUSINESS OVERVIEW GROWTH STRATEGY

### Shifting the paradigm to grow sales and referrals

- Business has been undergoing a paradigm shift on meeting and exceeding the expectations of our target customer
- Our customer is getting younger with better knowledge of our brand
- The baby boomer generation have different expectations of our product offering and service delivery
- Focus of the Lifestyle Communities team to drive sales and increase referral through evolving every facet of our business





# KATRINA STEEL

## Marketing Manager



# BUSINESS EVOLUTION

## WHO IS OUR CUSTOMER?

Straddling two segments but focusing on the ageing baby boomer

Lifestyle Communities' business model is well placed to capitalise on this emerging customer

### War Generation (1925-1945)

- Aged 69-89
- Negative trigger buyers
- Characterised by:
  - Conservative/status quo
  - Frugal
  - 'Bear the burden'
  - Experienced in hardship

### Key Message

Health and security

### Key Channels

Traditional media



### Baby Boomer Generation (1946-1964)

- Aged 52-70
- Anti retirement village living
- Drained by the kids
- Positive trigger buyers
- Characterised by wanting to:
  - Maintain control
  - Free up equity to enjoy life
  - Own their home
- Greater expectation of service

### Key Message

Downsize to a bigger life

### Key Channels

Mixture of above and below-the-line channels

# BUSINESS EVOLUTION MARKETING CHANNELS

ABOVE THE LINE

-  Press
-  Radio
-  Outdoor
-  Website

BELOW THE LINE

-  Industry Expos
-  Mass Direct Mail

Evolved to

-  TV
-  Press
-  Digital

-  Events
-  Referral
-  Digital
-  CRM
-  PR
-  Sponsorship

Evolved from mass marketing  
to targeted communications

**BUSINESS  
EVOLUTION**  
**CASE STUDY:  
LIFESTYLE  
BERWICK  
WATERS**

**Paradigm shift resulting in  
increased pre-sales**

**OLD PARADIGM**

- Create collateral
- Launch/Open the door
- Above the line communication

**NEW PARADIGM**

- Integrated VIP registration campaign
- Visualisation packs
- Exclusive launch with genuine benefits
- Priority week
- General public launch
- Retail



# RICHARD PARKER

## Sales Manager



## BUSINESS EVOLUTION SALES APPROACH

### Arming the sales team with the skill, tools and knowledge to increase sales

- Recruited and trained a highly empowered and motivated sales team
- Armed with collateral and new skills to help our customer make an informed choice
- Implementation of new CRM system that will provide data and information to increase sales as well as evolving our interaction with customers
- New initiatives with events and VIP launches to drive interest
- Surprise and delight strategy for every touch point with customer



# BUSINESS EVOLUTION CULTURAL SHIFT

## Nurturing a cultural shift to drive sales

- Nurturing a culture to increase employee engagement
- Creating high respect for our customer
- Changing our resourcing to match customer needs and traffic flows
- Incentives to drive sales and broader business outcomes
- Dedicated resource to deliver monthly sales training
- Unit 123 Warragul - a great story



# BUSINESS EVOLUTION SALES UPDATE

	New homes - net sales commitments					Resale homes - net sales commitments		
	1HFY2016	2HFY2016 to date <sup>(1)</sup>	Total FY2016 to date	Total FY2015	% sold	FY2016 YTD <sup>(1)</sup>	FY2015	Homes for sale <sup>(1)</sup>
Brookfield	-	-	-	-	100%	2	20	-
Tarneit	-	-	-	-	100%	5	4	-
Warragul	-	-	-	1	100%	7	10	2
Cranbourne	-	-	-	20	100%	6	5	1
Shepparton	32	15	47	54	71%	1	1	1
Chelsea Heights	-	-	-	13	100%	3	2	-
Hastings	-	-	-	31	100%	3	1	1
Wollert	12	19	31	22	48%	-	-	-
Geelong	18	24	42	28	42%	-	-	-
Officer	20	25	45	42	58%	-	-	-
Berwick Waters	-	19	19	-	9%	-	-	-
Bittern	-	-	-	-	-	-	-	-
<b>Total</b>	<b>82</b>	<b>102</b>	<b>184</b>	<b>211</b>	<b>68%</b>	<b>37</b>	<b>43</b>	<b>5</b>

- New home sales of 102 for 2HFY2016 to date (22 April 2016) compared to 80 sales in 1HFY2016
- Officer 60% sold, clubhouse expected to open in August 2016
- Berwick Waters launched on 7 April 2016 with 19 new sales commitments in the first two weeks
- Resales continue to sell well, only five available for sale as at 22 April 2016

Notes: (1) Current as of 22 April 2016



**MICHAEL IMBESI**  
**Construction Manager**



# BUSINESS EVOLUTION CONSTRUCTION APPROACH

## Finding better ways to build and exceed customer expectations

- Evolved and trained the project management team to deliver a high quality product and customer service
- Evolved our single builder strategy with Todd Devine
- Evolved systems and processes that deliver certainty to homeowners in relation to timeliness and quality
- Ongoing training focusing around service delivery and exceeding customer expectations



### CONSTRUCTION SNAPSHOT

- Typical home size: 80-120m<sup>2</sup>
- 12 different designs
- Built on site
- Strategic partnership with Todd Devine Homes
- 75-85 days build time

## BUSINESS EVOLUTION HOUSING

Over the past 13 years Lifestyle Communities has continued to evolve the business to meet the emerging customer base

House designs have been simplified with improved finishes



# BUSINESS EVOLUTION COMMUNAL FACILITIES

Clubhouse designs have progressively modernised

Urban design has focused on connectivity and landscaping



# BUSINESS EVOLUTION COMMUNITY DESIGNS

Every facet of our product  
has evolved

## Urban Layout



Ensure that the homes work together by varying setbacks and facades

## Entry



Create a sense of arrival and security

## Landscaping



Significant investment in landscaping to add colour and texture

## Clubhouse



Ongoing evolution with design becoming more contemporary

## House Designs



Evolving to meet the needs of the baby boomer

# SAM COHEN

## Operations Manager



# BUSINESS EVOLUTION COMMUNITY MANAGEMENT

## Homeowners empowered to treat the community as their own

- Team trained and empowered to deliver high level of customer service
- Help seed the culture in every community through new services and activities
- Shifted management style to one of empowerment and ownership
- Driving homeowner engagement to build brand advocacy
- Strong support for homeowner committees



## BUSINESS EVOLUTION FACILITIES MANAGEMENT

### Maintaining and contemporising our communities for the longer-term

- Ensuring our older clubhouses are progressively contemporised to keep pace with newer communities
- Introduction of Facilities Management software to shift from reactive maintenance to preventative maintenance and asset lifecycle management
- Recruitment of an Asset Manager to work with on-site teams at established communities on facilities
- Close alignment on budgets and resource allocation against updates and maintenance requirements





# CHRIS PARANTHOIENE

## Acquisition & Development Manager



# BUSINESS EVOLUTION LAND CHANNELS

## Creating new channels for the acquisition of sites

### On-Market

- Land for sale through expression of interest campaigns

### Off-Market

- Developer relationships to buy super lots
- Agent partnerships to source land
- Direct approaches with land owners to buy land

To date only two sites have been bought on-market with the rest being acquired through a mix of off-market approaches

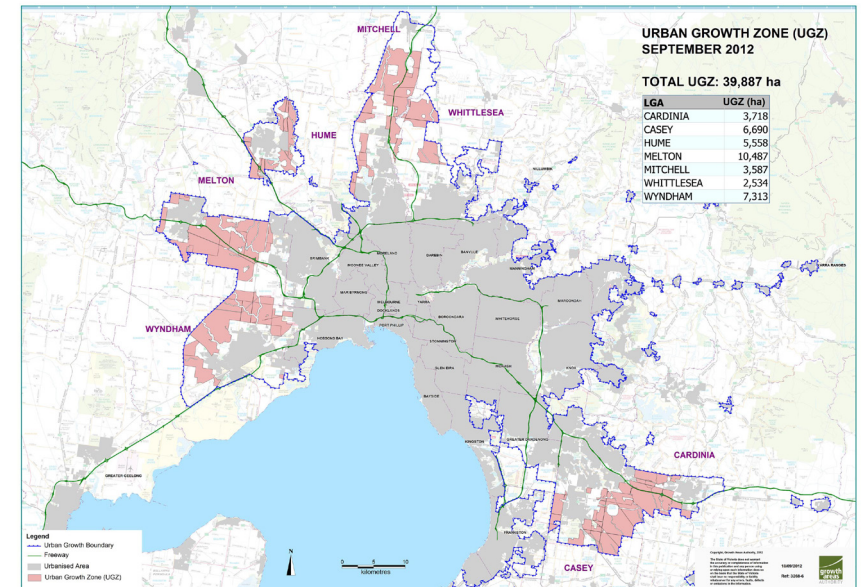


# BUSINESS EVOLUTION FUTURE LAND SUPPLY

## Lifestyle Communities continually performs detailed due diligence on Victoria's growth corridors to source sites

- Focusing on opportunities in Victoria to capitalise on the lack of supply of affordable housing, forecast population growth and brand equity
- Target sites in Melbourne's key growth corridors and major regional centres which are assessed against the following criteria:
  - Demographics of immediate catchment including number of over 55s
  - The forecast rate of population growth in the area
  - Proposed house prices within the community relative to the local median house price
  - Competition and alternative affordable housing solutions
- Undertake assessment of multiple sites within each growth corridor to ensure the most suitable location
- Securing sites in a premium location results in optimum sales rate with achievable realisations

## A rigorous acquisition strategy de-risks community roll-outs



Melbourne's Growth Corridors

# BUSINESS EVOLUTION WHY GEELONG?

## Geelong meets all the criteria to accommodate further communities

- Large population fitting our demographics with a wider population of 210,874 and 48,219 (or 23%) aged over 60
- Median house price of \$430,000 (December 2015) up 5.6% from 2014
- First site in Geelong located in the suburb of Bell Park which is 7km from the city centre and close to amenities valued by our homeowners
- Multiple opportunities in Geelong and the broader catchment for further communities



# GEOFF HOLLIS

## CFO



# BUSINESS EVOLUTION FINANCE APPROACH

## Finance team has a service mentality

- Evolution of financial modelling and reporting systems to meet the needs of stakeholders
- Efficiency gains to meet the growing transactional volume whilst ensuring staffing levels are appropriate
- Transition of the business from a tightly-held ASX listed microcap
- Continued refinement of banking facilities leading to a five year global facility in August 2015



# BUSINESS EVOLUTION DEBT RE-FINANCING

## New corporate facility provides greater flexibility to plan the construction of new communities

- In August 2015 the Company entered into a five year, \$80 million facility with Westpac to replace existing core and development facilities
- New facility provides greater flexibility, ease of use and is resulting in lower finance costs
- Long-term nature and flexibility of new facility provides scope to opportunistically increase gearing for short periods if land opportunities become available
- As at 22 April 2016 total utilisation was \$52.1 million

## PREVIOUS POSITION



COMBINED FACILITIES OF \$48 MILLION AT 30 JUNE 2015

## NEW POSITION



NEW CAPACITY OF \$80 MILLION AS OF AUGUST 2015

# JAMES KELLY

## Managing Director

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## Looking Ahead





## BUSINESS EVOLUTION LOOKING AHEAD

### Business focused on increasing sales and customer experience

- Management team recently visited Queensland to hold workshops with leading operators
- The new CRM system will create a paradigm shift on market data and customer interaction
- Our focus is on increasing sales and increasing customer referral
- Continually working on improving every touch point with the customer

### Total team alignment with these outcomes



**BUSINESS  
EVOLUTION  
CUSTOMER  
REFERRAL**

**Every touch-point  
drives customer referral**



Notes: (1) For FY2016 settlements up to 22 April 2016

**1,000 MORE  
REASONS TO  
RECOMMEND  
LIFESTYLE  
COMMUNITIES!**

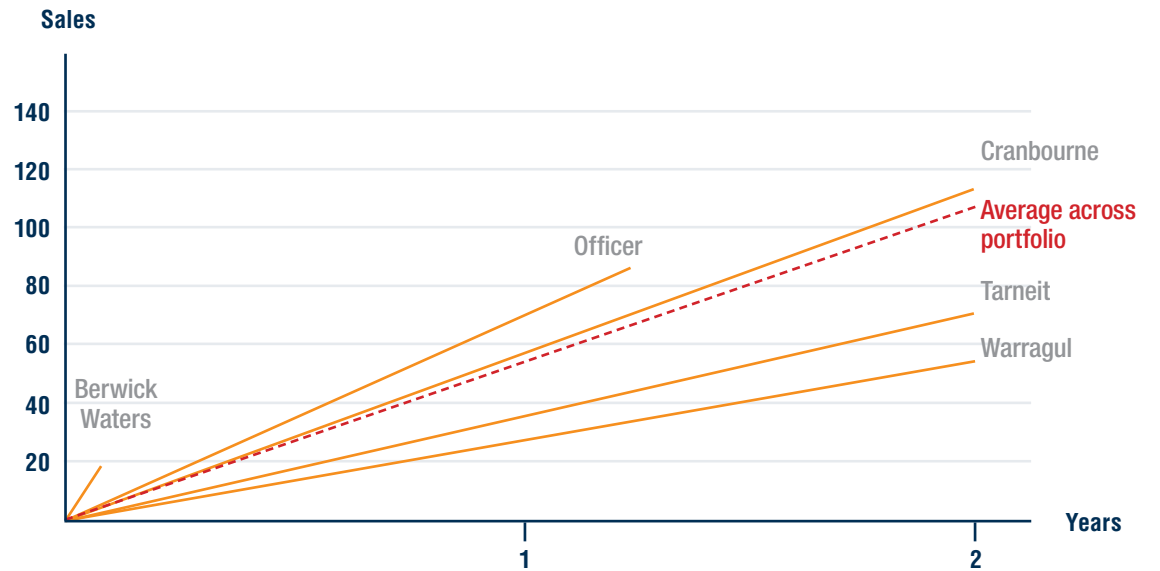
**Set organisational goal  
of 50% referral rate**

# BUSINESS EVOLUTION SALES RATES

## “Proof is in the pudding” Increasing the sales rate

- Lifestyle Communities’ focus has shifted to improve pre-sales. This reduces risk by supporting a more aggressive construction program which enables a quicker recycling of capital
- Evolution in the sales launch of communities has provided improved pre-sale rates at Officer and Berwick Waters
- Officer achieved 62 sales in the first year from launch compared to an average across all projects of 42 sales
- Berwick Waters recently launched on 7 April 2016 and has achieved 19 pre-sales in the first two weeks

SALES PROFILE FROM DATE OF FIRST SALE (TREND LINES)



**BUSINESS  
EVOLUTION  
SETTLEMENT  
GOALS -  
NEW SALES**

**Settlements growing with increased sales rates and new projects**

	FY2016 settlement range	FY2017 settlement range	FY2018 settlement range
<b>TOTAL</b>	<b>195-210</b>	<b>250-270</b>	<b>260-290</b>
Warragul	1	-	-
Cranbourne <sup>(1)</sup>	2	-	-
Shepparton	48-52	40-55	40-55
Chelsea Heights <sup>(1)</sup>	27	-	-
Hastings	14	-	-
Wollert	40-44	45-55	45-55
Geelong	36-40	45-55	45-55
Officer	26-30	85-100	20-30
Berwick Waters <sup>(2)</sup>	-	10-25	60-80
Bittern <sup>(2)(3)</sup>	-	-	20-40

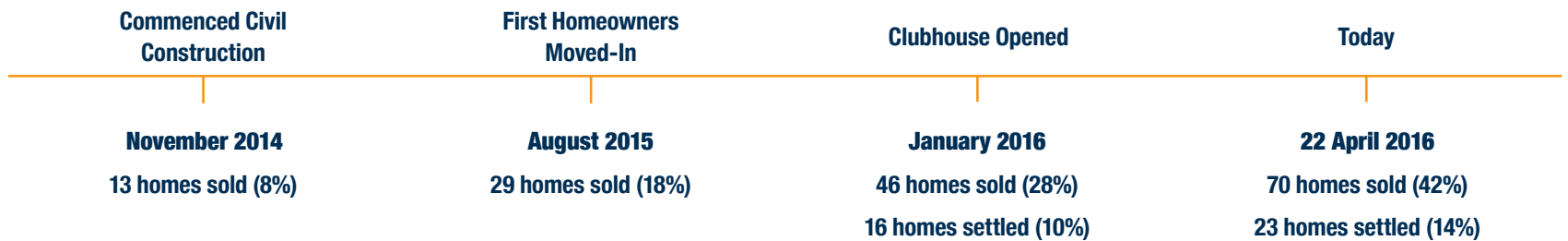
The settlement ranges above do not constitute a forecast and are indicative only. They are dependent on construction commencement dates for sites not yet commenced at Berwick Waters and Bittern, planning approval for Bittern and market conditions.

- Notes: (1) Gross numbers not adjusted for joint venture interests  
 (2) Settlement goals dependent on construction commencement date  
 (3) Subject to planning approval

# BUSINESS EVOLUTION LIFESTYLE GEELONG

## Lifestyle Geelong over 42% sold

- Community over 42% sold and 14% settled as at 22 April 2016
- Average home sale price: \$306,444 (GST incl.)
- Over 78% of sales have come from the local Geelong catchment
- Average age of first 23 homeowners is 69 years. Our customer is becoming younger



## BUSINESS EVOLUTION SUMMARY

### Lifestyle Communities is well-placed for future growth

- Business is continually evolving to get match fit for the baby boomer
- Forecast between 195-210 settlements for FY2016
- Consistent with previous guidance profit after tax attributable to shareholders in FY2016 will be largely similar to FY2015 - the reduction due to lower settlements will be approximately offset by increased contributions from rental and deferred management fees and a reduction in profit attributable to non-controlling interests
- In addition to the interim dividend of 1.0 cent per share (declared in request of 1HFY2016), the Company expects to pay a final dividend in respect of FY2016. The company expects the combined dividend in FY2016 to be greater than the FY2015 amount of 1.5 cents per share



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# Lifestyle

## COMMUNITIES

**DOWNSIZE TO A BIGGER LIFE**

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