

Lifestyle

COMMUNITIES

A Business Making a Difference

UBS Australasia Conference 2016

7th & 8th November 2016

MAKING A DIFFERENCE

Lifestyle Communities aims to enrich people's lives

- Lifestyle Communities' model balances:
 - A long-term sustainable lifestyle for our homeowners with affordable rent and home prices; and
 - A long-term sustainable return for shareholders, with a focus on growing dividends
- Provides affordable homes in resort-style communities with a high level of amenity and facilities
- Creates communities where homeowners can live and prosper with increased financial freedom in a vibrant and active environment



MAKING A DIFFERENCE

13 years later - how do we know if we are achieving this?

- Over 2,100 homeowners call a Lifestyle Community home
- 94% of homeowners would recommend us to friends and family⁽¹⁾
- Approximately one in three new home sales come from referrals
- Pre-sales on new communities are increasing
- We have wait lists on all existing communities

Notes: (1) 2016 Lifestyle Communities homeowner survey



"We lived in our house for 37 years and don't miss it. Before we used to spend hours maintaining the yard, but now it's stress free. It's the best thing we've ever done."

- Trevor & Vivian



"We've got a gym, tennis court, cinema, library, computers - we've got everything. We didn't have all that at home - we had to go looking for it! It's an amazing lifestyle. We're really happy here."

- Lesley & Peter

FINANCIAL MODEL

Creates a win-win for homeowners and shareholders

Creating Communities



- Organic growth through recycling capital not raising capital
- Pricing homes at 80% of average surrounding home values which:
 - ✓ Increases sales rates
 - ✓ Helps mitigate property cycle risk
- Conservatively geared to mitigate financial risk

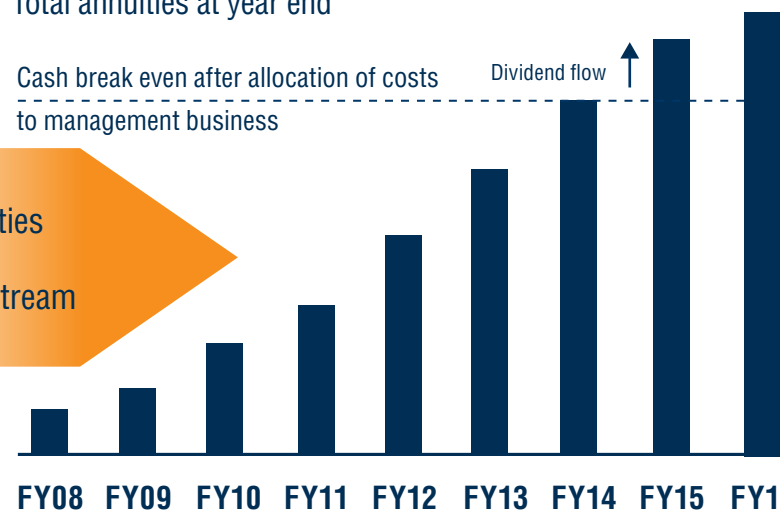
Managing Communities

Total annuities at year end

Cash break even after allocation of costs to management business

Dividend flow ↑

Completed communities building a long-term sustainable income stream



Note: Not to scale

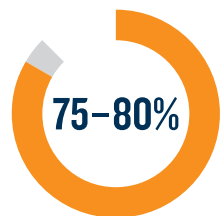
- Rentals increase at CPI or 3.5% whichever is the greater
- DMF of 20% after 5 years on the resale price of the home

As at 31 October 2016 the gross rental annualised at \$13.2 million per annum

COMMUNITY OVERVIEW

How does the Lifestyle Communities model of living work?

Homeowners at Lifestyle Communities own their own home and lease the land upon which their homes are located, via a weekly site fee.



Homes typically priced at 75-80% of the median house price.



Homeowners at Lifestyle Communities are fully protected by the Residential Tenancies Act.



On average, release of \$110,000 on the sale of old home

90 YEAR LEASE

A 90 year lease provides security of tenure.

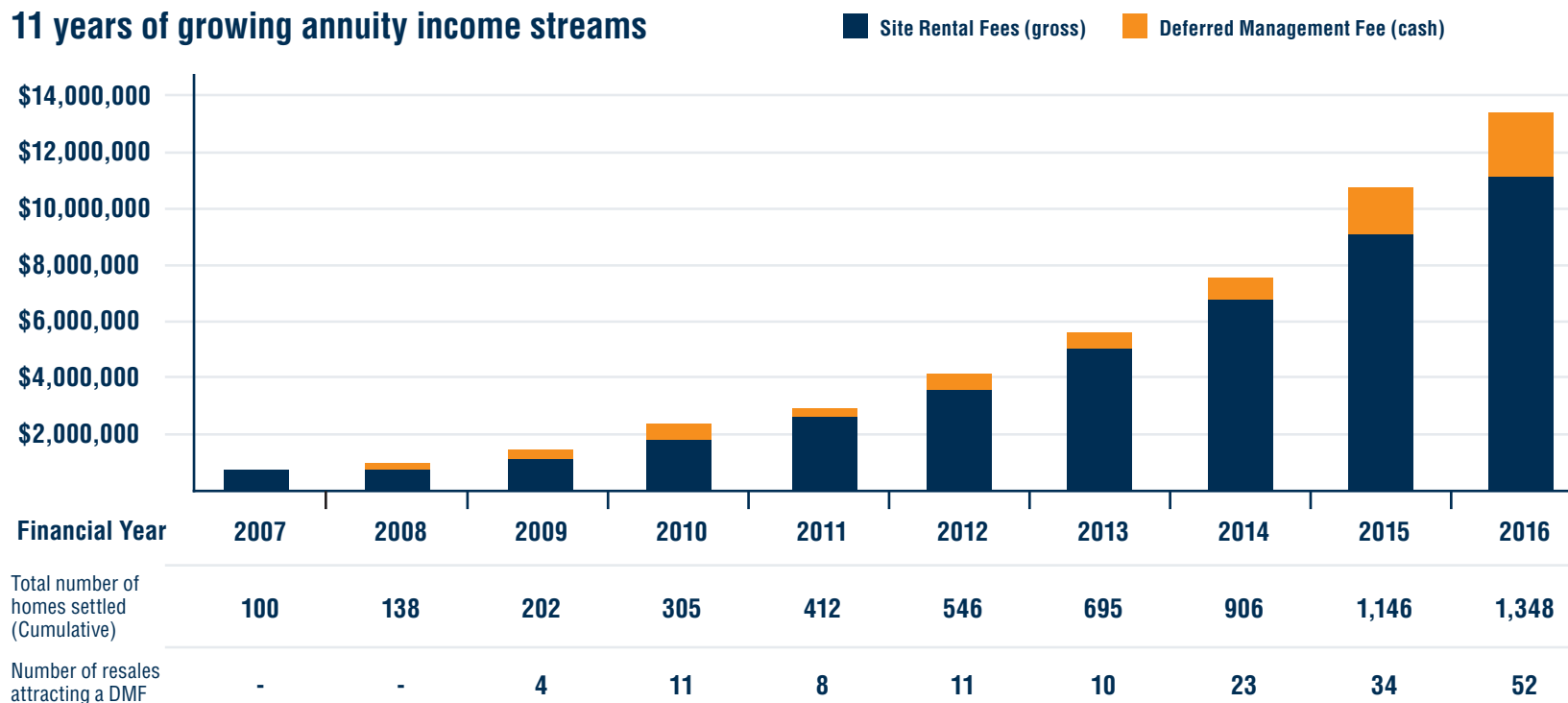
AFFORDABLE LIVING

The weekly site fee is approx. 20% of the aged pension for couples and 23% for singles after receipt of the Commonwealth Rental Assistance.

Growing annuity income streams

Financial Summary	FY2016 (\$ Million)	FY2015 (\$ Million)
Net profit after tax attributable to shareholders	\$19.3	\$16.7
Underlying net profit after tax attributable to shareholders	\$16.9	\$16.7
Total assets	\$222.5	\$179.6
Equity	\$131.3	\$113.8
Dividends (interim and final)	2.5 cents per share	1.5 cents per share
Net debt	\$45.2	\$23.6
Net debt to equity ratio	25.6%	17.2%

11 years of growing annuity income streams



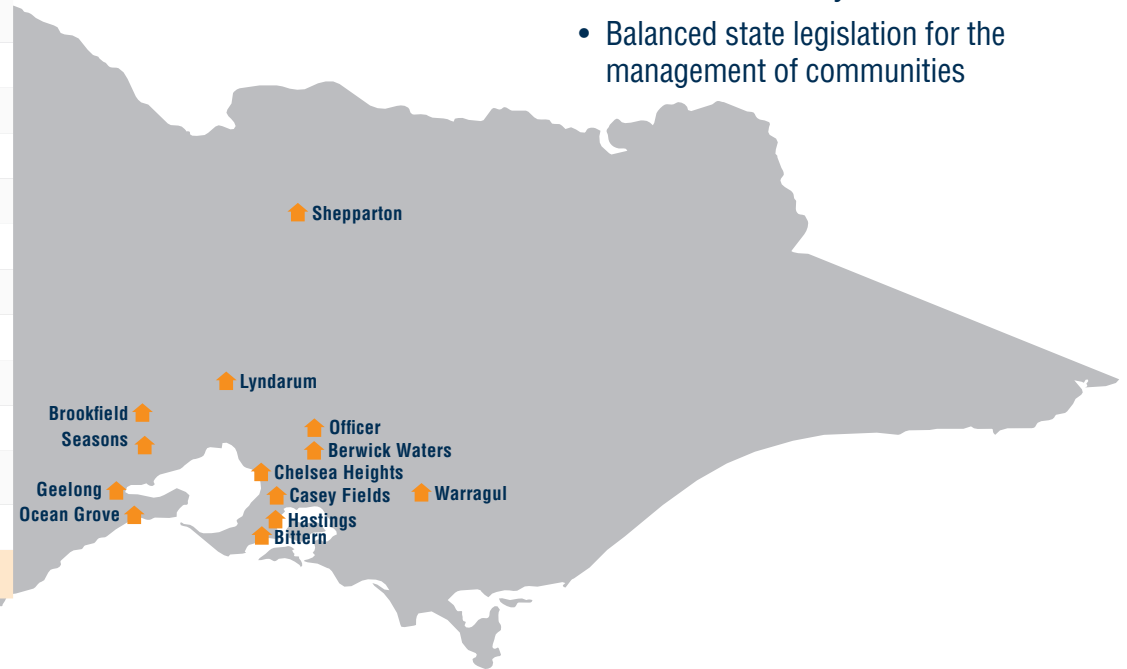
PORTFOLIO OVERVIEW

13 communities in planning, development or under management

Community	Homes	Settled
Brookfield at Melton	228	100%
Seasons at Tarneit	136	100%
Casey Fields at Cranbourne	217	100%
Chelsea Heights	186	100%
Warragul	182	100%
Hastings	141	100%
Shepparton	268	62%
Lyndarum at Wollert	154	41%
Geelong	164	31%
Officer	151	46%
Berwick Waters	220	-
Bittern ⁽¹⁾	208	-
Ocean Grove ⁽¹⁾	190	-
	2,445⁽²⁾	59%

Correct as at 31 October 2016

Notes: (1) Commencement of construction subject to planning approval and the contract becoming unconditional
 (2) Represents gross numbers not adjusted for joint venture interests at Cranbourne and Chelsea Heights



Focus remains in Victoria

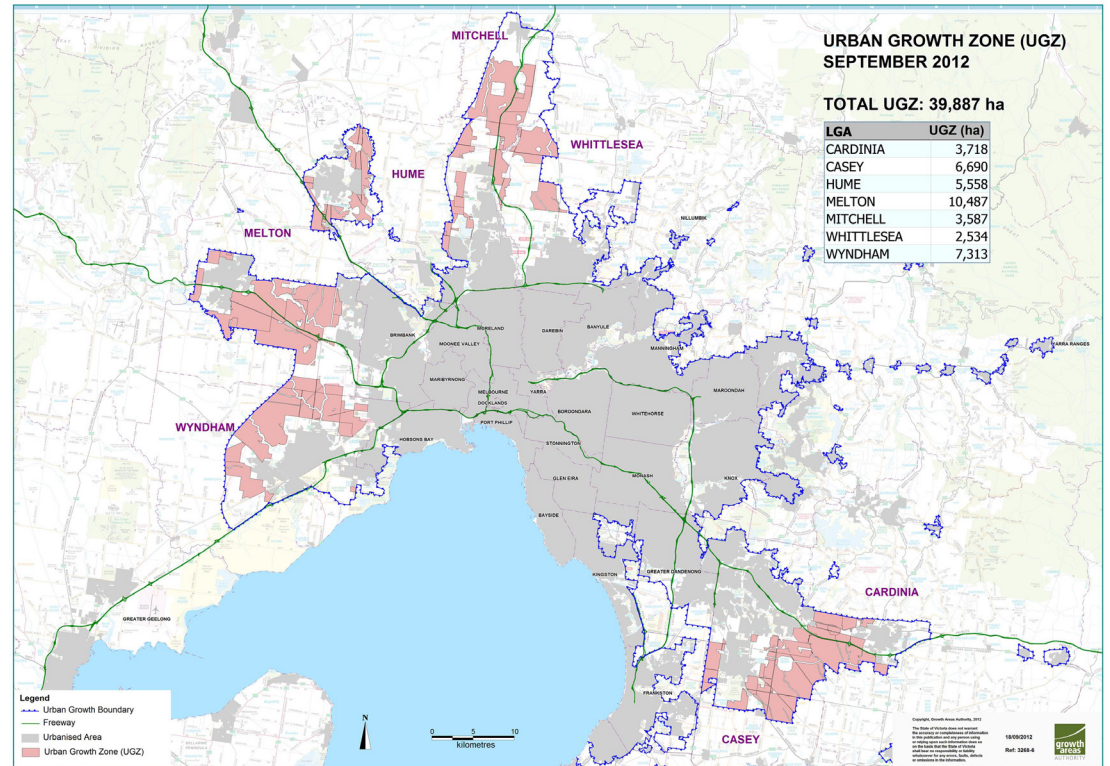
Victoria provides:

- 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

ACQUISITION STRATEGY

Focused on Melbourne and Geelong's growth corridors

- Looking for zoned land in Melbourne and Geelong's growth corridors
- Increasing opportunities to buy superlots from land developers
- Melbourne has strategic benefits of flat topography increasing site choice
- Multiple communities can be built in each growth corridor

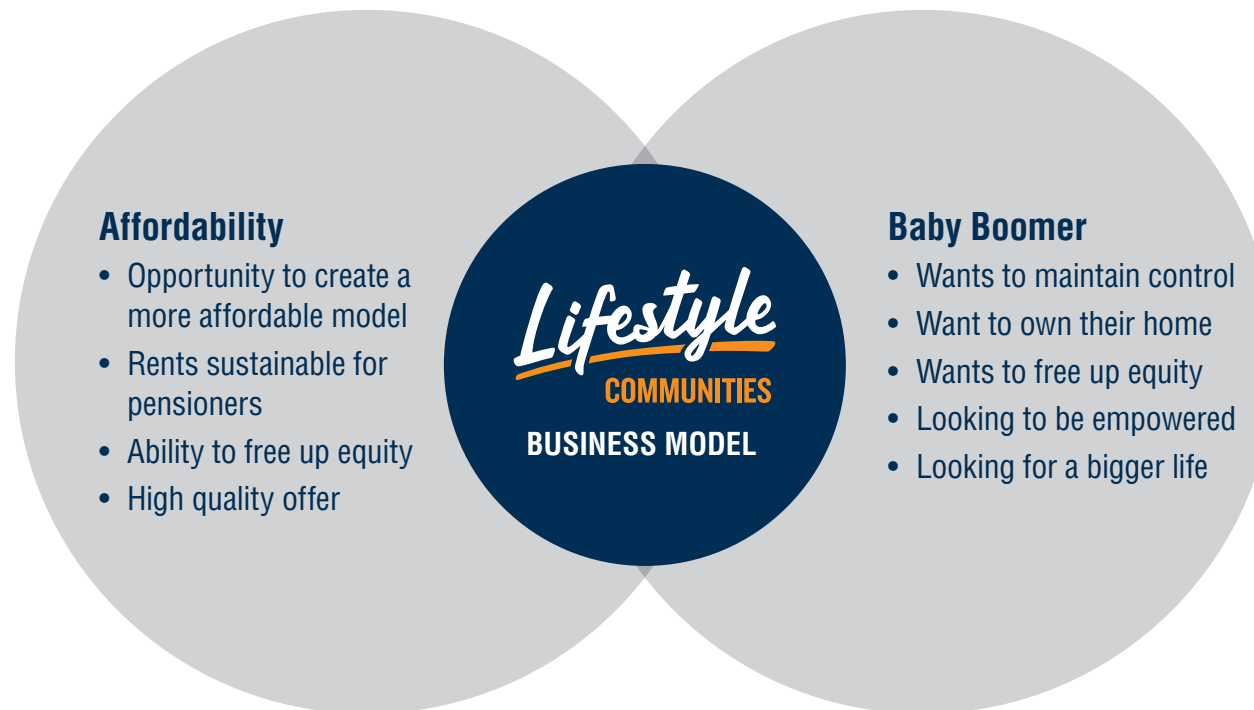


Melbourne's Growth Corridors

Looking to acquire at least one new site every 12 months

KEY THEMATICS

Two key emerging trends come together to create the Lifestyle business model

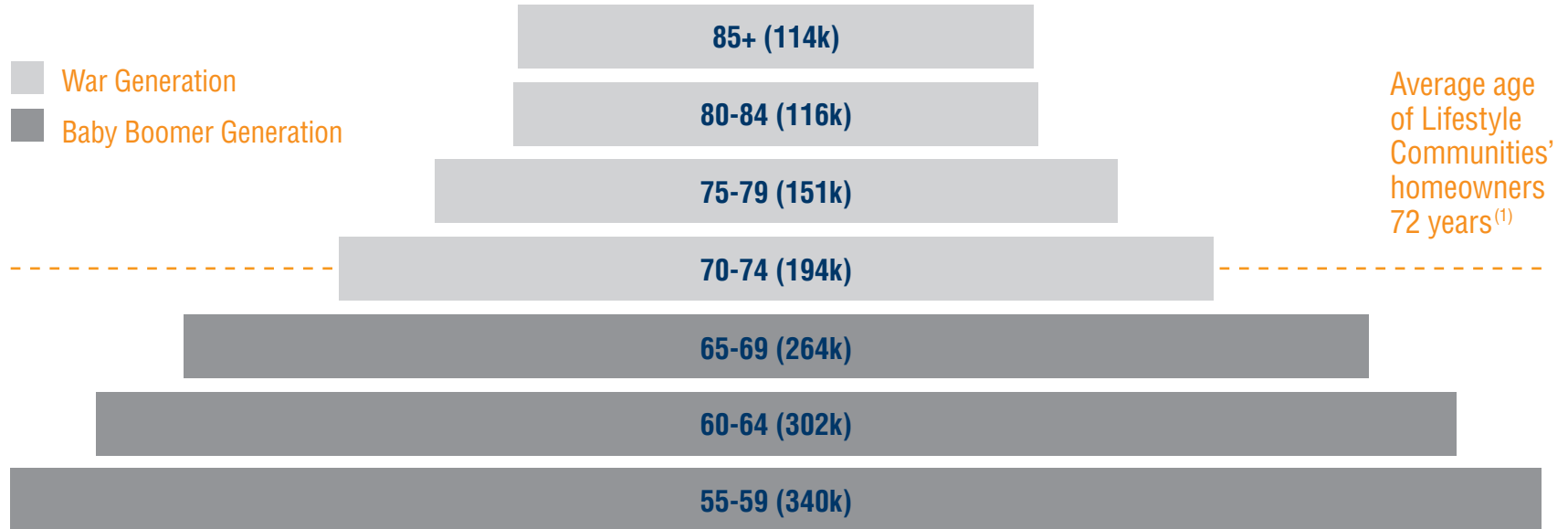


Current housing solutions are not satisfying the new emerging customer

MARKET OVERVIEW

As at 30 June 2013 there were over 574,000 Victorians aged over 70 and over 906,000 aged between 55 and 69

Lifestyle Communities is well positioned to meet the needs of the baby boomer age wave



Source: ABS 2014 Catalogue 3235.0

Notes: (1) As at 30 June 2016

CUSTOMER TOUCHPOINTS

Every touchpoint drives customer referral

- Implemented a focused strategy to try and lift the number of homeowner referrals for new sales
- Have developed an action plan for each of the 32 touchpoints we have with our homeowners
- Want to ensure that we surprise and delight the homeowner at every touchpoint



Notes: (1) For FY2016 settlements

Set organisational goal to increase referral rate



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

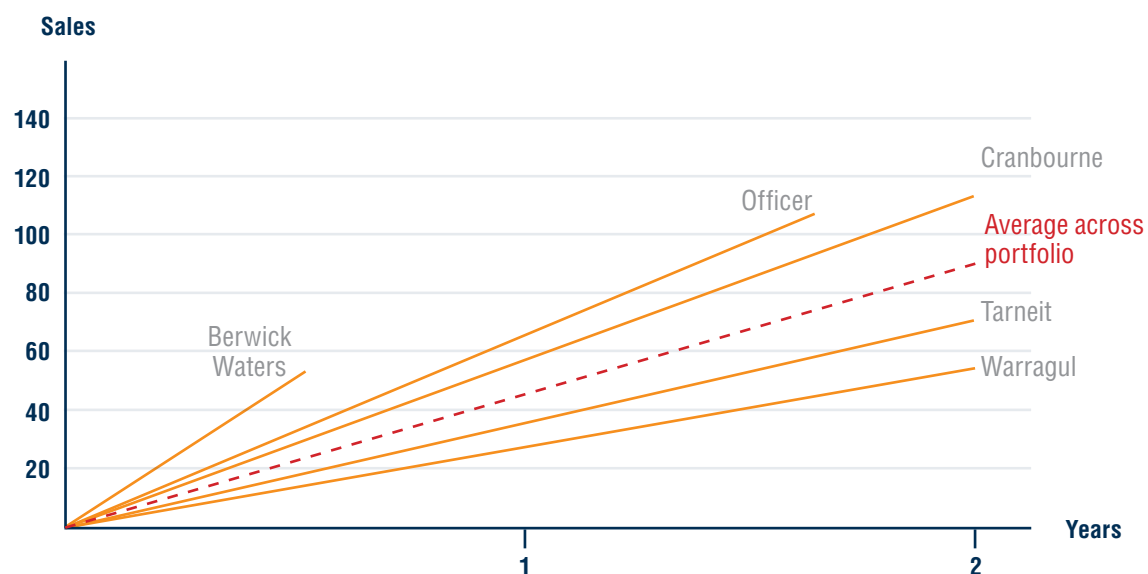
Never get a second chance
at a first impression

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 66 sales in the first year from launch compared to an average across all projects of 40 sales, 109 sales have been achieved in total to 31 October 2016
- Berwick Waters launched on 7 April 2016 and achieved 55 pre-sales to 31 October 2016

SALES PROFILE FROM DATE OF FIRST SALE (TREND LINES)



**The higher the sales rate,
the faster we recycle capital**

LATEST COMMUNITY

Lifestyle Berwick Waters: A promising start

- Civil works commenced in September 2016
- First homes targeted to be completed in May/June 2017
- 55 homes are already pre-sold
- 47% of sales to date from homeowner referrals
- Location and product has resonated with the target customer in the catchment



SETTLEMENT GOALS - NEW SALES

Settlements growing with increased sales rates and new projects

	FY2016 settlements (actual)	FY2017 settlement range	FY2018 settlement range
TOTAL	202	250-270	260-290
Warragul	1	-	-
Casey Fields ⁽¹⁾	2	-	-
Shepparton	51	40-55	40-55
Chelsea Heights ⁽¹⁾	27	-	-
Hastings	14	-	-
Lyndarum	43	45-55	45-55
Geelong	36	45-55	45-55
Officer	27	85-100	20-30
Berwick Waters ⁽²⁾	-	10-25	60-80
Bittern ⁽²⁾⁽³⁾	-	-	20-40

The settlement ranges above constitute a forecast for FY2017 and a projection for FY2018 which is 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

SUMMARY

Lifestyle Communities capitalises on the solid base established for future growth

- Emerging baby boomer driving increased customer interest
- Approximately one in three of sales are coming from customer referrals
- Settlements in FY2017 expected to be in the range of 250 to 270 settlements
- The increase in settlements, coupled with an expected increased contribution from community management, is expected to result in a material increase in profit in FY2017
- Expect that dividends in FY2017 will be higher than FY2016

Lifestyle Communities' model is driven by affordability, the aging population and the emerging baby boomer



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DOWNSIZE TO A BIGGER LIFE

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