

# INVESTOR UPDATE 2018



## Chairman's Letter

This year represented a step change for the Group, with EBIT and operating cash flow up more than 50%.

### SUMMARY

#### Revenue

✓ **\$189.5m** ↑ 26%

#### EBIT

✓ **\$48.8m** ↑ 52%

#### Statutory Profit

✓ **\$34.2m** ↑ 30%

#### Underlying Profit

✓ **\$36.8m** ↑ 56%

#### Underlying Profit EPS

✓ **17.7c** ↑ 36%

#### Distribution per Security

✓ **10.75c** ↑ +5%

#### Operating Cash Flow

✓ **\$47.2m** ↑ 56%

#### Net Asset Value per Security

✓ **\$2.57**

#### Ingenia Gardens Occupancy

✓ **+92.4%**

#### Development Sites Secured

✓ **3,240+** (92% in metro and coastal locations)

#### Record New Home Settlements

✓ **287** ↑ 36%

### Dear Security holders

The past financial year has seen Ingenia capitalise on the Group's platform and capability in a growing market segment to deliver significant growth, exceeding the guidance we set at the beginning of this year.

The growing acceptance of lifestyle communities as an affordable and valued seniors housing choice, and increasing interest by some of the world's largest real estate businesses, supports the Group's decision to focus capital and management efforts on expanding in this sector and has underpinned the strong growth in returns over the past year.

Ingenia now owns 35 communities located largely in eastern seaboard coastal and metropolitan locations and a rapidly expanding development business. With margins in our operating business improving as the addition of new assets to the portfolio and increased revenue from the development and sale of new homes contributed, the 2018 financial year saw Ingenia deliver record profit growth.

Underlying profit increased by 56% and revenue grew by 26% (to \$189.5 million). The full year distribution, of 10.75 cents per security, represented an increase of 5.4% on the prior year, and was the fifth year of growth. Both Earnings Before Interest and Tax (EBIT) and new home settlements were above market guidance, which we prudently increased over the course of the year.

The security price increased from \$2.60 on 30 June 2017 to close the year at \$3.08, reflecting corporate activity in the sector, growing offshore interest and the Group's strong performance. Ingenia's returns outperformed those of the S&P/ASX 300 Accumulation Index over a one, three and five year period to 30 June 2018 and were in line with (over three years) or exceeded (over one and five years) the S&P/ASX Property 300 Accumulation Index to 30 June 2018.

Over the year we maintained a focus on strong capital management, selling a number of non-core assets and increasing our funding capacity to ensure the Group's new developments could be funded without reliance on the equity capital markets. This capacity, combined with the active Distribution Reinvestment Plan and growing cash flows, will provide funding for future growth as we continue to accelerate development.

In addition to successfully launching our first greenfield development we continued to improve operating performance of our existing assets, adding new rental cabins and tourism cabins to existing communities.

The year represented a step change for the Group with our EBIT growing by over 50% to \$48.8 million and operating cash flow also up more than 50%. We saw the benefit of the investment in people and systems made over the last few years as we integrated over \$100 million of assets in 18 months and increased new home settlements by more than 30%.

From this significantly higher base we are forecasting EBIT growth of 10-15%, underlying earnings per security growth of 5-10% and settlement of over 350 new homes in the 2019 financial year. As the development business further matures and we continue to grow our rental contracts, we are again forecasting EBIT growth in the 2020 financial year.

I would like to thank Ingenia's dedicated directors and management team for their hard work and ongoing commitment to Ingenia's performance and strategic goals.

As your Chairman I would like to thank all security holders for your continued support and I look forward to meeting with you and providing a further update on the business at our upcoming Annual General Meeting to be held in Sydney on 13 November 2018.

Jim Hazel  
Chairman

# CEO Update

Ingenia's growth has continued in FY18, with increasing rents, a full year contribution from recent acquisitions and expanding development margins and volumes resulting in a break out year for the Group.



Over the 2018 financial year Ingenia's strategy continued to deliver improving performance, with strong increases across key metrics. Margin expansion was achieved as scale efficiencies were delivered from an operating platform that has been put in place over the past few years to facilitate growth.

Guidance was exceeded, with EBIT, new home settlements and underlying profit earnings per security demonstrating strong increases and record returns. Substantial increases in revenue and cash flows supported a 5.4% increase in distributions.

## Financial Performance

Revenue grew 26% to \$189.5 million and operating cash flow of \$47.2 million was up 56% as a larger rental base and significant increase in home settlements contributed.

Statutory Profit of \$34.2 million was up 30% on the 2017 result. Underlying Profit of \$36.8 million increased 56% on the prior year.

Net Asset Value per security (NAV) increased to \$2.57 (from \$2.50 at 30 June 2017).

## Capital management

Over the year, capital recycling provided proceeds to accelerate development activity and further acquisitions were completed, growing the lifestyle and holidays portfolio and securing future development sites.

The Group successfully increased total debt facilities to \$350 million with extended terms. The Group had more than \$100 million in unutilised debt facilities available at 30 June 2018.

At 30 June 2018, Ingenia's LVR of 32.6% was within the Group's policy range of 30-40% and well below the banking covenant of 50%.

The Group has an active Distribution Reinvestment Plan, growing cash inflows and is exploring capital partnerships to fund future investment and accelerate development.

## Recycling non-core assets and portfolio remixing

Ingenia made significant progress on the planned divestment of approximately \$100 million in non-core assets. To date, \$60 million of this target has been completed or contracted.

These divestments not only provided funding for increased development activity but improved the quality and efficiency of the portfolio.

Ingenia continued to grow exposure to the lifestyle and holidays market with increasing development activity a key avenue for growth.

Ingenia also continued to identify new opportunities for investment, with recent acquisitions including:

- The Durack Gardens rental community located in close proximity to Brisbane
- Land adjacent to Latitude One (NSW) and Chambers Pines (QLD)
- Development land with approvals in place at Woolgoolga (NSW) and Hervey Bay (QLD)
- A significant land parcel at Upper Coomera (QLD) which provides an opportunity to develop a new lifestyle community (subject to approvals).

## Portfolio performance

Over the year Ingenia's 26-village Ingenia Gardens portfolio maintained high occupancy and rent increases were also achieved across the portfolio. Income was relatively flat, reflecting the sale of five communities in April 2018.

Ingenia Gardens communities generate a high quality recurrent stream of cash earnings, which underpin the Group's balance sheet and cash flows.

The Ingenia lifestyle and holidays portfolio continued to expand with acquisitions in Queensland and NSW extending our presence in key markets. Tourism revenue increased, reflecting operating improvements and the benefit of new acquisitions which increased the number of nights available across the portfolio.

## Development

Ingenia welcomed the very first residents to new developments, Latitude One and Lake Conjola over the year, with both projects attracting strong interest and meeting key milestones.

Development approval for further homes was received and there are now nine communities being expanded or created. As acquisitions have become more competitive, development has become an important contributor to growth. New home sales of 287 were up 36% on the prior year and demonstrated the strong demand across communities in Victoria, NSW and Queensland.

Ingenia is now demonstrating the benefit of the investment made in this business, as margins grow with increasing scale.

## Outlook

We continue to seek growth in the Group's lifestyle and holidays business as the market for seniors housing matures.

With the sale of non-core assets continuing as a key focus and development providing growth, our portfolio will continue to evolve over the coming year.

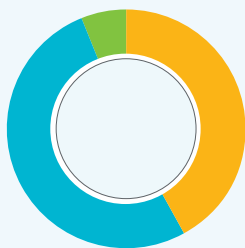
We are forecasting 350+ new home settlements for the 2019 financial year, EBIT growth of 10-15% and underlying EPS growth of 5-10% as we see the benefit of multi-year, large scale projects and growing margins across the Group.

In closing, I would like to thank the Board for their support and guidance, the management team and all employees for their continuing commitment and engagement and our residents and guests for supporting our business.

Simon Owen  
Chief Executive Officer  
and Managing Director



### Portfolio Location (by value)\*



Coastal	52%
Metropolitan	42%
Regional	6%

\* Includes Rouse Hill

**With a growing focus on development and the contribution from recent acquisitions, Ingenia is expanding this portfolio and delivering margin growth.**

The Ingenia Lifestyle portfolio provides exposure to a growing demand from Australia's ageing population for affordable age-appropriate housing.

Reflecting ongoing growth in the portfolio, which is dominated by communities in coastal and metropolitan locations, rental revenue increased to \$61.8 million in the 2018 financial year (up 37% on the prior year). The EBIT contribution of \$25.3 million was up over 50% on the prior year, driven by a growing rental base as acquisitions contributed.

The core of this portfolio is permanent site revenue generated from residents who generally fund their rental payments via government pension and rental assistance. Residents own their home, and pay a land lease rent to locate it on Ingenia's land. This stable cash flow is now generated from over 2,700 homes.

In addition to growing rental cash flows from permanent homes, revenue from tourism increased over the period.



Ingenia Lifestyle Chambers Pines, QLD

Key data	30 June 2018	30 June 2017
Total properties	35	33
Total permanent sites	2,702	2,323
Total annual sites	908	909
Total tourism sites	2,186	2,139
Portfolio value <sup>1</sup>	\$472.2m	\$407.8m

<sup>1</sup> Excludes value attributed to development (30 Jun 18: \$142.9m; 30 June 17: \$107.1m).

## Development

**Ingenia's development activity has expanded over the year, providing improved returns through the sale of new homes, and importantly delivering new rent contracts.**

Assisted by proceeds from non-core asset sales, development expenditure increased over the 2018 financial year, as three major projects began contributing new home settlements in the last quarter.

A record 287 new home settlements increased gross new home development profit to \$34.8 million (up over 75%).

With a focus on continuing to maintain a future pipeline for development, new sites were secured in key metropolitan and coastal markets, and development approvals were progressed across a number of potential projects.

Significant progress has been made on major expansion and greenfield projects, with Latitude One (270 home greenfield project on the NSW Central Coast) and Ingenia Holidays Conjola (114 site new home precinct on the NSW South Coast) welcoming their first residents and generating pleasing demand. Latitude One is utilising new designs and building methods to create unique, quality homes which set a new benchmark for Ingenia.

As settlements increase, additional scale is generating efficiencies with the EBIT margin for the development business growing to 24.4% (from 17.1% in the 2017 financial year).

While the residential market is slowing, the diversity, quality and scale of Ingenia's developments and the 166 deposits and contracts already in place at 30 June 2018 are expected to support an increase in settlements to the targeted 350+ in financial year 2019.



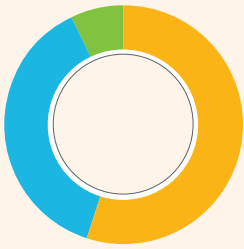
Ingenia Lifestyle Plantations, NSW

Key data	FY18	FY17
New home settlements	287	211
Gross above ground new home development profit	\$34.8m	\$19.7m
Average new home price (\$'000) <sup>1</sup>	\$324	\$309
Deposited/contracted (at 30 June)	166	135
Investment value (at 30 June)	\$142.9m	\$107.1m
Potential development sites <sup>2</sup>	3,244	2,473

<sup>1</sup> Inclusive of GST.

<sup>2</sup> Includes new and recycled permanent and tourism sites.

### Portfolio Location (by site numbers)



Coastal	38%
Metropolitan	55%
Regional	7%

**Tourism is a complementary strong cash flow business which caters to the key markets of seniors and families.**

Ingenia Holidays assets provide tourism accommodation including villas, cabins and caravan and camping sites which target the affordable tourism market and are attractive to 'grey nomads' and families alike.

The \$50 million acquisition of one of Australia's most awarded tourist parks (Cairns Coconut) in March 2017 extended Ingenia's footprint and brand, increasing 'room nights' across the holidays business to 785,000 per annum.

Over the 2018 financial year new cabins were added to a number of tourism communities, generating incremental returns. Across the portfolio there is the potential to build an additional 150 tourist cabins as demand grows, providing further potential to enhance returns from existing parks.

Occupancy increased across cabins and sites and active marketing to Ingenia's 160,000 customer database assisted in increasing the average length of stay across the holidays business in the 2018 financial year.



Key data	30 June 2018	30 June 2017
Total properties	22	22
Self-contained units	784	763
Caravan and camping sites	1,402	1,367
Annual sites	908	909

Key data	30 June 2018	30 June 2017
Total properties	26	31
Total units	1,374	1,628
Occupancy <sup>1</sup>	92.4%	92.6%
Portfolio value	\$127.3m	\$141.3m

<sup>1</sup> Like for like basis.

**The Ingenia Gardens portfolio provides stable recurring cash flows underpinned by Government payments (pension and rent assistance).**

Over the year the Ingenia Gardens portfolio maintained high occupancy and average weekly rent across the portfolio increased to \$338 (from \$333 in the prior year).

With the sale of five Ingenia Gardens communities in Tasmania in April 2018, total revenue of \$28.0 million and EBIT of \$11.4 million were both down slightly on the prior year.

This portfolio remains core to Ingenia's strategy and Ingenia is currently reviewing the opportunity to develop a new modular two-storey rental community as a way to meet demand for affordable rental homes. This innovative concept capitalises on the skills and experience developed in the lifestyle and holidays business and if viable will create the opportunity to expand this portfolio.



'Ingenia Care', a free service that acts as a 'care concierge' to assist residents find appropriate care, has continued to grow, assisting residents to age in place and supporting their health and wellbeing. Resident tenure (which averages 3.1 years) and resident satisfaction are supported by this important program which works in conjunction with Ingenia's

Activate program to support community engagement and resident wellbeing.

The portfolio is positioned well to continue to improve occupancy and grow earnings in the 2019 financial year.



# Community Highlights

It has been a big year for Ingenia and our communities. We accelerated into the year by breaking ground at our first Ingenia Lifestyle greenfield site in Port Stephens and were also busy in the Holidays business where a new dual waterslide at Cairns Coconut resort added to the joy of many guests.

## Ingenia Lifestyle Latitude One, Port Stephens NSW

Nestled in the heart of Port Stephens just two and a half hours north of Sydney sits Ingenia Lifestyle's first Star Collection community, Latitude One. This master-planned community combines the best of a sea and tree change with outstanding onsite facilities and luxury architect-designed relocatable homes in a gold class resort setting and sets an exciting new benchmark for lifestyle communities.

With state of the art facilities seamlessly integrated into beautifully landscaped subtropical gardens, facilities are designed to be welcoming spaces to chat with friends, host visitors or enjoy in solitude. The gold class clubhouse, framed by a stunning Porte Cochere, will soon take pride of place as the social centrepiece and hub of vibrant community life.

Home to unspoiled waterways and bushland, resident dolphins and some of the best fishing spots and surf breaks on the east coast, Port Stephens offers a myriad of ways to get in touch with nature.



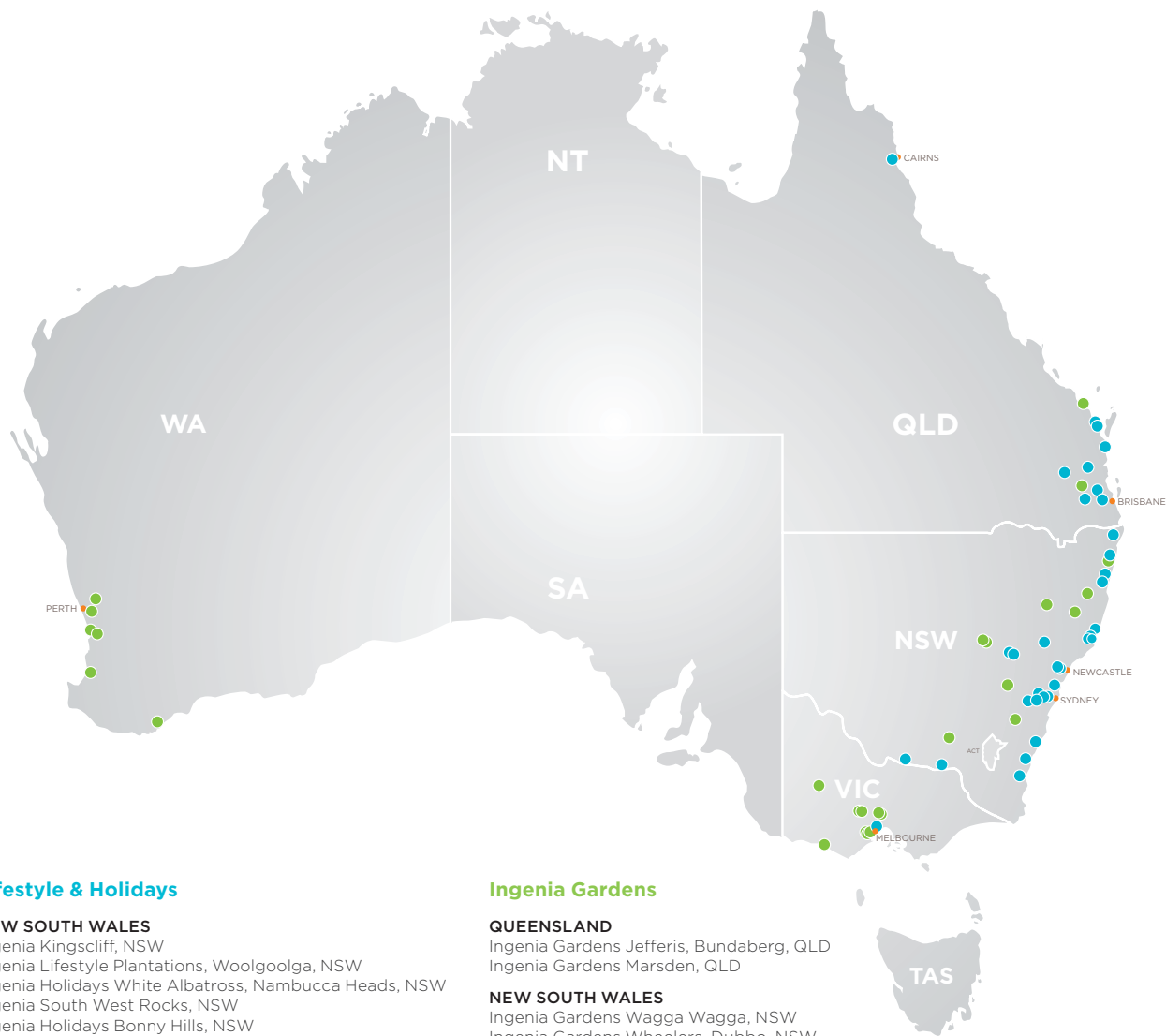
# Ingenia Holidays Cairns Coconut

In the first full year of ownership by Ingenia, Ingenia Holidays Cairns Coconut has unveiled two new water slides and added six new cabins ahead of what is expected to be another great tourism season for Tropical North Queensland.

A favourite for family holidays in far North Queensland, Ingenia Holidays Cairns Coconut is the only holiday park in Cairns with a splash park and waterslides and offers families a range of activities from kids' clubs to outdoor cinemas, breakfasts, snorkeling lessons, pools and water entertainment.

It is easy to see why the park received a 2018 Trip Advisors Travellers Choice Award! Ingenia investors are entitled to discounts (subject to certain terms and conditions) at Ingenia's holiday parks, including Cairns Coconut.





## Lifestyle & Holidays

### NEW SOUTH WALES

Ingenia Kingscliff, NSW  
 Ingenia Lifestyle Plantations, Woolgoolga, NSW  
 Ingenia Holidays White Albatross, Nambucca Heads, NSW  
 Ingenia South West Rocks, NSW  
 Ingenia Holidays Bonny Hills, NSW  
 Ingenia Holidays Blueys Beach, NSW  
 Ingenia Mudgee, NSW  
 Ingenia Mudgee Valley, NSW  
 Ingenia Holidays Soldiers Point, Port Stephens, NSW  
 Ingenia Holidays One Mile Beach, Anna Bay, NSW  
 Ingenia Lifestyle Latitude One, Anna Bay, NSW  
 Ingenia Hunter Valley, Cessnock, NSW  
 Ingenia Holidays Lake Macquarie, Mannering Park, NSW  
 Ingenia Lifestyle The Grange, Morisset, NSW  
 Ingenia Lifestyle Ettalong, NSW  
 Ingenia Holidays Avina, Vineyard, NSW  
 Ingenia Sydney Hills, Dural, NSW  
 Ingenia Nepean River, Emu Plains, NSW  
 Ingenia Lifestyle Rouse Hill, NSW  
 Ingenia Lifestyle Stoney Creek, Marsden Park, NSW  
 Ingenia Holidays Lake Conjola, NSW  
 Ingenia Holidays Broulee, NSW  
 Ingenia Holidays Ocean Lake, Wallaga Lake, NSW  
 Ingenia Albury, NSW  
 Ingenia Holidays Sun Country, Mulwala, NSW

### QUEENSLAND

Ingenia Holidays Hervey Bay, Torquay, QLD  
 Ingenia Holidays Cairns Coconut, Woree, QLD  
 Ingenia Holidays Noosa, Tewantin, QLD  
 Ingenia Lifestyle Chambers Pines, Chambers Flat, QLD  
 Ingenia Lifestyle Bethania, QLD  
 Ingenia Rental Durack Gardens, QLD  
 Ingenia Rental, Eight Mile Plains, QLD  
 Ingenia Lifestyle Hervey Bay, Torquay, QLD\*  
 Ingenia Lifestyle Upper Coomera, QLD\*

\*to be developed

### VICTORIA

Ingenia Lifestyle Lara, VIC

## Ingenia Gardens

### QUEENSLAND

Ingenia Gardens Jefferis, Bundaberg, QLD  
 Ingenia Gardens Marsden, QLD

### NEW SOUTH WALES

Ingenia Gardens Wagga Wagga, NSW  
 Ingenia Gardens Wheelers, Dubbo, NSW  
 Ingenia Gardens Taloumbi, Coffs Harbour, NSW  
 Ingenia Gardens Chatsbury, Goulburn, NSW  
 Ingenia Gardens Oxley, Port Macquarie, NSW  
 Ingenia Gardens Dubbo, NSW  
 Ingenia Gardens Taree, NSW  
 Ingenia Gardens Peel River, Tamworth, NSW  
 Ingenia Gardens Bathurst, NSW

### VICTORIA

Ingenia Gardens Grovedale, VIC  
 Ingenia Gardens St Albans Park, VIC  
 Ingenia Gardens Townsend, St Albans Park, VIC  
 Ingenia Gardens Sovereign, Ballarat, VIC  
 Ingenia Gardens Hertford, Sebastopol, VIC  
 Ingenia Gardens Coburns, Brookfield, VIC  
 Ingenia Gardens Horsham, VIC  
 Ingenia Gardens Brooklyn, Brookfield, VIC  
 Ingenia Gardens Warrnambool, VIC

### WESTERN AUSTRALIA

Ingenia Gardens Carey Park, WA  
 Ingenia Gardens Ocean Grove, WA  
 Ingenia Gardens Seascape, WA  
 Ingenia Gardens Seville Grove, WA  
 Ingenia Gardens Swan View, WA  
 Ingenia Gardens Yakamia, WA



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### + Note:

This Newsletter provides a summary of the Group's 2018 financial year results. Further information can be found on the Group's website in the Full Year Results Presentation, Financial Statements and Property Portfolio.