

ASX / Media Release

28 September 2020

Ingenia Communities Group (INA) provides its Investor Update newsletter which is authorised for release by the Ingenia Communities Group Board.

ENDS

For further information please contact:

Donna Byrne
General Manager Investor Relations
P 02 8263 0507
M 0401 711 542

Ingenia Communities Holdings Limited (ACN 154 444 925), Ingenia Communities Fund (ASRN 107 459 576) and Ingenia Communities Management Trust (ARSN 122 928 410). The Responsible Entity for each scheme is Ingenia Communities RE Limited (ACN 154 464 990) (AFSL415862).



Investor Update 2020



SUMMARY

Revenue

\$244.2m ↑ 7%

EBIT

\$71.9m ↑ 17%

Statutory Profit

\$31.5m ↑ 7%

Underlying Profit

\$59.1m ↑ 25%

Underlying Profit EPS

22.1c ↑ 5%

Operating Cash Flow

\$67.2m ↑ 13%

Net Asset Value per Security

\$2.90 ↑ 9%

Distribution per Security

10.0c ↓ 11%

Development Sites Secured

3,000+

**Strong balance sheet,
with capacity for growth**

**Stable returns from
growing resident rent base**

Chairman's Letter

Growing our rental platform is fundamental to our strategy. Over the last year this platform has proven resilient, and the foundation for delivering stable cash flows in challenging conditions.

Dear Security holders

The 2020 financial year began well for the Group and at our half year results announced in February we expected to deliver another record year of growth, with strong settlements across our development business and increased forward bookings at our holiday parks. However, this momentum was disrupted by the COVID-19 pandemic and growth moderated as areas of our operations were impacted.

Nevertheless, we were pleased with the Group's results which were underpinned by recurring rents from a resident rental base which has been built over the past eight years and is largely supported by Commonwealth Government pension payments.

We were fortunate to enter this crisis in a strong position and responded quickly and decisively to manage the impact on the business. Our priority was, and remains, the health and safety of our residents, guests and staff and it is pleasing to note that to date we have had no recorded cases of COVID-19 in our communities or offices. We also sought to actively manage our cost base, with the Board, head office and support staff taking temporary pay reductions and close monitoring of capital expenditure. In addition, casual staff were stood down for a period to reduce costs as holiday parks were subject to mandatory closures. Where possible, we used this period to undertake park maintenance.

In May we successfully raised \$178 million in equity through a Security Purchase Plan and Placement. I thank security holders for their support of this raising, which allowed us to further strengthen the balance sheet and, importantly, to position for future growth as we deploy the equity raised into acquisitions and our development pipeline.

With restrictions in response to COVID-19 resulting in the loss of holiday park revenue and reduced home settlements as residents sought additional time to sell their current home, the FY20 result was supported by stable rents from the lifestyle and gardens communities, growth in rental sites via development and acquisition and cost management.

The Group delivered increases in revenue (up 7%), EBIT (up 17% to \$71.9 million) and underlying profit per security (up 5%). The full year distribution of 10.0 cents per stapled security represented a decrease of 11% on FY19, following six years of consecutive growth. Underlying profit and distribution on a per security basis were impacted by the significant increase in securities on issue over the period.

Chairman's Letter

continued



Ingenia Lifestyle Plantations, NSW

The security price grew over the year, from \$3.25 on 1 July 2019 to close the year at \$4.49 and has performed well since the 2020 financial year results were released, closing at \$4.71 at the end of August. The Group was included in the S&P/ASX 200 Index in December 2019 and substantially outperformed both the S&P/ASX 200 Accumulation Index and the S&P/ASX 200 Property Accumulation Index over the one, three and ten-year period to 30 June 2020.

Over the year a focus on strong capital management was maintained, with the sale of non-core assets, the active Distribution Reinvestment Plan and equity raisings providing capital to position the Group for growth. At year end, the Group had \$370 million in cash and available undrawn debt to fund further investment.

Funds management business Eighth Gate Capital Management (acquired in August 2019) and the development Joint Venture with US based Sun Communities (NYSE: SU) provided additional revenue streams as Ingenia generated fees for management and development services. These businesses leverage our established platform, diversify the Group's capital partnerships, and extend Ingenia's footprint in key markets. Both are expected to make a greater contribution to revenue in FY21.

We released our first sustainability disclosures in July 2020, an important step in communicating with our security holders our progress and aspirations. The report focusses on the important role social, governance and environment (ESG) issues play in delivering sustainable value for our stakeholders.

While we remain cautious about the outlook given the unprecedented conditions we are operating in, uncertainty around future restrictions and the longer-term impacts of the pandemic, the business is well placed.

The resilience of the Group's resident rental streams and the attractiveness of Ingenia's communities to a growing number of seniors is clear. The long-term fundamental drivers of an ageing population that is increasingly viewing community living as an affordable and attractive housing choice remains unchanged.

Whilst our Holidays business continues to be impacted by border closures, forward bookings have increased as restrictions eased, and we are well positioned to benefit as Australians seek domestic holidays.

Importantly, we have maintained a focus on the future as we navigate the current environment - with recently announced acquisitions, a strong balance sheet, new projects underway and an ongoing commitment to the health and safety of our residents, guests and staff we are well positioned to continue to grow.

As your Chairman I would like to thank all security holders for your continued support, and I look forward to providing an update on the business at our Annual General Meeting which will be held via a virtual format on 10 November 2020.

Jim Hazel
Chairman

CEO Update



Ingenia Lifestyle Freshwater, QLD

Ingenia's performance in FY20 highlighted the resilience of a business model that has strong underlying rental cash flows, combined with a focus on continual improvement and growth.

The FY20 result demonstrated the strength of a business model and operating platform which continued to deliver performance despite the impact of COVID-19. A focus on the health and safety of residents and guests, growing rents, increasing occupancy, building and selling quality homes, integrating acquisitions and being vigilant on costs were key to delivering growth in FY20.

Financial performance

Like many businesses in Australia, Ingenia was adversely impacted by COVID-19. Despite operating restrictions impacting the Lifestyle Development and Holidays segments, an increase in the Group's rental base, growth in above ground margin per new home settlement, cost management and access to JobKeeper mitigated the impact of mandated closures of the Group's holiday parks and lower settlements on the result.

In challenging conditions, revenue grew 7% to \$244.2 million and operating cash flow of \$67.2 million was up 13% as an increase in rental sites through development and acquisition contributed.

Statutory Profit of \$31.5 million was up 7% on the 2019 result. Underlying Profit of \$59.1 million increased 25% on the prior year and Net Asset Value per security (NAV) increased to \$2.90 (from \$2.65 at 30 June 2019).

Capital management

Over the year, \$328.3 million in equity was raised to fund growth through acceleration of the development program and the acquisition of established communities and future development sites.

The May 2020 equity raising of \$178 million positions the Group to capitalise on opportunities for growth arising due to potential market dislocation caused by COVID-19.

At 30 June 2020, Ingenia's loan to value ratio (LVR) was 8.4%, below the Group's target range of 30-40%, providing significant capacity to grow the Group's asset base as existing and new acquisition opportunities progress.

The Group's capital position has been further enhanced through the development Joint Venture with Sun Communities and the funds management platform.

Building the rental base

A core focus over the past eight years has been growing exposure to the lifestyle and holidays market via acquisitions and increased development.

This focus continued over FY20, with settlement of 325 new homes and acquisitions including:

- Colonial Village (now Taigum), located in Brisbane CBD
- Lake Munmorah lifestyle community on the NSW Central Coast
- Bevington Shores lifestyle community on the NSW Central Coast
- Land adjacent to Avina (NSW), Hervey Bay (QLD) and Rivershore Resort (QLD).

Since year end this growth has continued with the acquisition of Sunnyside Shores (an established lifestyle community on the NSW Central Coast) and a greenfield development site at Ballarat in Victoria complete in July 2020.

Operating platform delivering growing returns

Over the year, the 26-village Ingenia Gardens portfolio reached an all-time high occupancy, with strong rent collections and no increase in defaults.

The Ingenia lifestyle and holidays portfolio continued to expand and grow returns. Lifestyle rental revenue increased by 27%, with tourism revenue down only 6% despite holiday park closures due to bushfires and COVID-19. The addition of tourism cabins and rental homes to existing communities, new acquisitions and development continue to be a focus to drive enhanced returns and leverage the Group's established platform.

CEO Update

continued



Ingenia Holidays Lake Macquarie, NSW

Moving into FY21, forward holiday bookings have responded positively to the easing of restrictions and home settlements have been strong compared to prior year.

The funds management business (Eighth Gate Capital Management), was successfully integrated following acquisition in August 2019 and delivered initial management fees and returns from the Group's co-investment in the nine established communities owned by the funds in FY20. Growth in this business is anticipated over the 2021 calendar year.

Development

Development was progressed at ten communities over FY20 with new communities expected to be launched in FY21. New home sales achieved a near record result with 325 homes settled, despite disruption due to COVID-19. An increase in above ground margin per home offset lower volumes, to generate an increase in EBIT of 19%. The new rental contracts created will contribute \$3 million in rental revenue annually. Home prices and rents for new homes also continued to increase.

Greenfield communities, Latitude One (Anna Bay, NSW) and Plantations (Coffs Harbour, NSW), again displayed strong demand, contributing 149 new settlements.

The development Joint Venture with Sun Communities completed its first home settlements, at Ingenia Lifestyle Freshwater (QLD), with further projects expected to commence in FY21.

Ingenia provides only half of the required funding, while receiving fees for services and preserving the right to fully own the completed community.

Ingenia is now capitalising on the significant investment made in the development business, as margins grow with increasing scale.

Outlook

The Group's acquisition pipeline remains strong. Ingenia is well capitalised and ideally positioned to utilise any market dislocation to become a clear sector leader.

With two acquisitions settled in July 2020, a dedicated acquisitions team and due diligence underway on several established and development projects, growth in the asset base remains a priority.

Continuing to build market scale and sector leadership, while managing near term pandemic related challenges remains the Group's strategic focus.

In light of current market uncertainties, guidance for FY21 has not been provided, however the underlying demand fundamentals for the business remain strong – an ageing population, housing affordability and the appeal of community living are expected to drive ongoing demand for Ingenia's communities.

In closing, I would like to thank the Board for their support and guidance and the management team and all employees for their unwavering commitment particularly in these unprecedented times – it is testament to their efforts that we have managed to maintain momentum across the business despite continuing headwinds and are well placed for the future. Finally, I would like to thank our residents, guests, and security holders for their ongoing trust and support of Ingenia's business.

Simon Owen
**Chief Executive Officer
and Managing Director**

With a growing focus on acquisitions and ongoing development, Ingenia is expanding this portfolio and delivering growth.

Ingenia Lifestyle 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 \$72.2 million in FY20 (up 6% on the prior year). The strong growth (27%) in permanent rental income was partially offset by the temporary closure of holiday parks which reduced tourism income (down 6% on the prior year).

The EBIT contribution of \$29.8 million was up 9% on the prior year, driven by a growing rental base as \$76 million in acquisitions contributed and new home settlements and additional rental cabins were added to existing communities.



New home at Ingenia Lifestyle Plantations, NSW

The core of this portfolio is rental revenue generated from residents who generally fund their rental payments via government pension and rental assistance. Through COVID-19, this revenue has remained consistent with no loss of rent or increase in bad debts.

Future growth will be generated as the portfolio benefits from the addition of 850 income producing sites in FY20, acquisitions are completed, and new homes are added to existing communities.

| Key data | 30 June 2020 | 30 June 2019 |
|--|--------------|--------------|
| Properties (Lifestyle and Holidays) ¹ | 37 | 35 |
| Permanent sites | 4,034 | 3,252 |
| Annual sites | 739 | 764 |
| Holiday sites | 2,465 | 2,383 |
| Potential development sites ² | 3,015 | 3,713 |
| Portfolio value ³ | \$672.8m | \$565.3m |

1. Includes assets held for sale. Excludes Joint Venture and fund assets.
2. Includes all potential sites (on balance sheet or via Joint Venture - under option or secured).
3. Excludes value attributed to development (30 Jun 20: \$131.3m; 30 Jun 19: \$149.4 million).

Development

Ingenia's development program supports further rental growth as new home settlements add to the Group's rental base.

The development business achieved a near record for new home settlements, with 325 homes settled, despite restrictions which slowed sales inspections and settlements in the fourth quarter. An increase in the average home sales price grew gross new home development profit to \$59.0 million (up 15%).

In addition to four established greenfield projects, including the first development for the Joint Venture with Sun Communities, expansion has continued at several communities.

New home product was also developed to expand the appeal of the Group's communities, with homes now for sale from \$199,000 to over \$900,000.

Additional scale is generating efficiencies, with the EBIT margin for the development business growing to 31.5% (from 28.1% in FY19).

New projects to commence in FY21 include the expansion of Lara and a greenfield development at Ballarat in Victoria (Ingenia) and a 427-home greenfield development at Morisset on the NSW Central Coast via the Group's Joint Venture.

Additional sites are actively being assessed and further opportunities have been identified via the Group's dedicated acquisitions team.

The 205 deposits and contracts already in place at 16 August 2020, combined with the ability to leverage the Group's scale and generate fees through delivery of development projects for the Joint Venture is expected to support development returns and the creation of new rental contracts in FY21.



Construction of new homes at Ingenia Lifestyle Hervey Bay, QLD

| Key data | FY20 | FY19 |
|--|----------|----------|
| New home settlements | 325 | 336 |
| Gross above ground new home development profit | \$59.0m | \$51.4m |
| Average new home price (\$'000) ¹ | \$430 | \$384 |
| Deposited/contracted (at 30 June) | 187 | 223 |
| Investment value (30 June) | \$131.3m | \$149.4m |

1. Inclusive of GST.

Tourism is a complementary strong cash flow business which caters to Australian seniors and families.

Ingenia Holidays provides tourism accommodation including villas, cabins, caravan and camping sites which are attractive to 'grey nomads' and families alike and is heavily leveraged to domestic travel.

Over the 2020 financial year, performance was impacted by the closure of some parks on the NSW South Coast over December/January and of all parks from late March to June because of COVID-19. Despite closures during the traditional peak Christmas and Easter trading periods, revenue was down only 6% on the prior year. Cost management, access to JobKeeper and the transition of some sites to short-term rental partially offset lower earnings, and the cost of re-employing park staff.

While operating conditions remain uncertain, forward bookings have increased in



Ingenia Holidays Rivershore, QLD

FY21 and the business should benefit as demand for domestic travel is anticipated to grow.

Ingenia Holidays is well positioned for intrastate travel and a desire for 'low rise' drive holidays as people seek domestic travel alternatives.

| Key data | 30 June 2020 | 30 June 2019 |
|----------------------------|--------------|--------------|
| Total self-contained units | 830 | 804 |
| Caravan and camping sites | 1,568 | 1,579 |
| Annual sites | 739 | 764 |

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

Over the year the Ingenia Gardens portfolio reached a new record high occupancy, of 94.4% and maintained average weekly rents of \$342, with no increase in defaults.

Residents were attracted to the supported environment Ingenia Gardens offers, with a reduction in move-outs contributing to occupancy growth.

'Ingenia Care', a 'concierge' style service offered to residents for no charge, has continued to grow, assisting residents to age in place and supporting their health and wellbeing.

Average resident tenure for care clients in Ingenia Gardens communities (at 4 years) is well above the portfolio average.

The Group's popular Activate program, which provides activities and outings for residents, also supports community engagement and resident wellbeing. The program was adjusted through COVID-19 restrictions to maintain resident health, engagement, and wellbeing while socially distancing.

Ingenia is currently assessing options for expansion through repurposing of vacant premises into new Ingenia Gardens communities.



Internal view of an Ingenia Gardens home

| Key data | 30 June 2020 | 30 June 2019 |
|------------------|--------------|--------------|
| Total properties | 26 | 26 |
| Total units | 1,376 | 1,376 |
| Occupancy | 94.4% | 90.8% |
| Portfolio value | \$139.9m | \$132.1m |

Funds Management

The Funds Management platform provides an opportunity to co-invest alongside fund investors while enhancing returns through additional fee streams.

Ingenia acquired Eighth Gate Capital Management in August 2019, in conjunction with the acquisition of a stake in each of the six managed funds.

Following Ingenia's acquisition of an approved development site in Ballarat, Victoria in July 2020 the funds are now focussed on stabilised yield.

The nine established communities operate under the Allswell Communities brand and are located on the east coast of Australia, expanding Ingenia's presence in the key markets of Victoria, NSW, and QLD.

In FY20 Ingenia derived \$1.8 million in income from the funds business.

The funds have a defined term and in addition to earning fees for services to the funds, Ingenia retains the right to acquire the fund assets on wind-up.



| Key data | 30 June 2020 |
|------------------|--------------|
| Total properties | 9 |
| Permanent sites | 801 |
| Annual sites | 521 |
| Holiday sites | 264 |
| Portfolio value | \$136m |

Sustainability

As one of the largest owners, operators and developers of quality land lease communities and holiday parks, thousands of people every day are impacted by Ingenia's business.

The Group's first sustainability report, which can be found on the Group's website, is an important step in Ingenia's sustainability journey and is focussed on the importance social, governance and environment (ESG) issues play in delivering sustainable value for the Group's stakeholders. It contains more detail on the Group's progress, objectives, and current initiatives.

Over FY20, key initiatives included:

- Proactively engaging with key stakeholders as the COVID-19 pandemic evolved, to ensure that community operations were adapted to deal with health advice, staff were appropriately supported to work from home and residents remained engaged and supported
- Investing in our communities through local volunteering and support and through our Group-wide initiative, Ingenia Aspire
- Introducing additional platforms to support our people to deliver performance and advance their careers with the Group

- Consolidating our waste, energy and water suppliers and working with suppliers to access consistent data
- Evolving the building methodology for new homes within our communities to provide more sustainable homes for incoming residents
- Engaging with the Green Building Council of Australia (GBCA) to consider potential industry standards and ratings tools applicable to lifestyle communities.

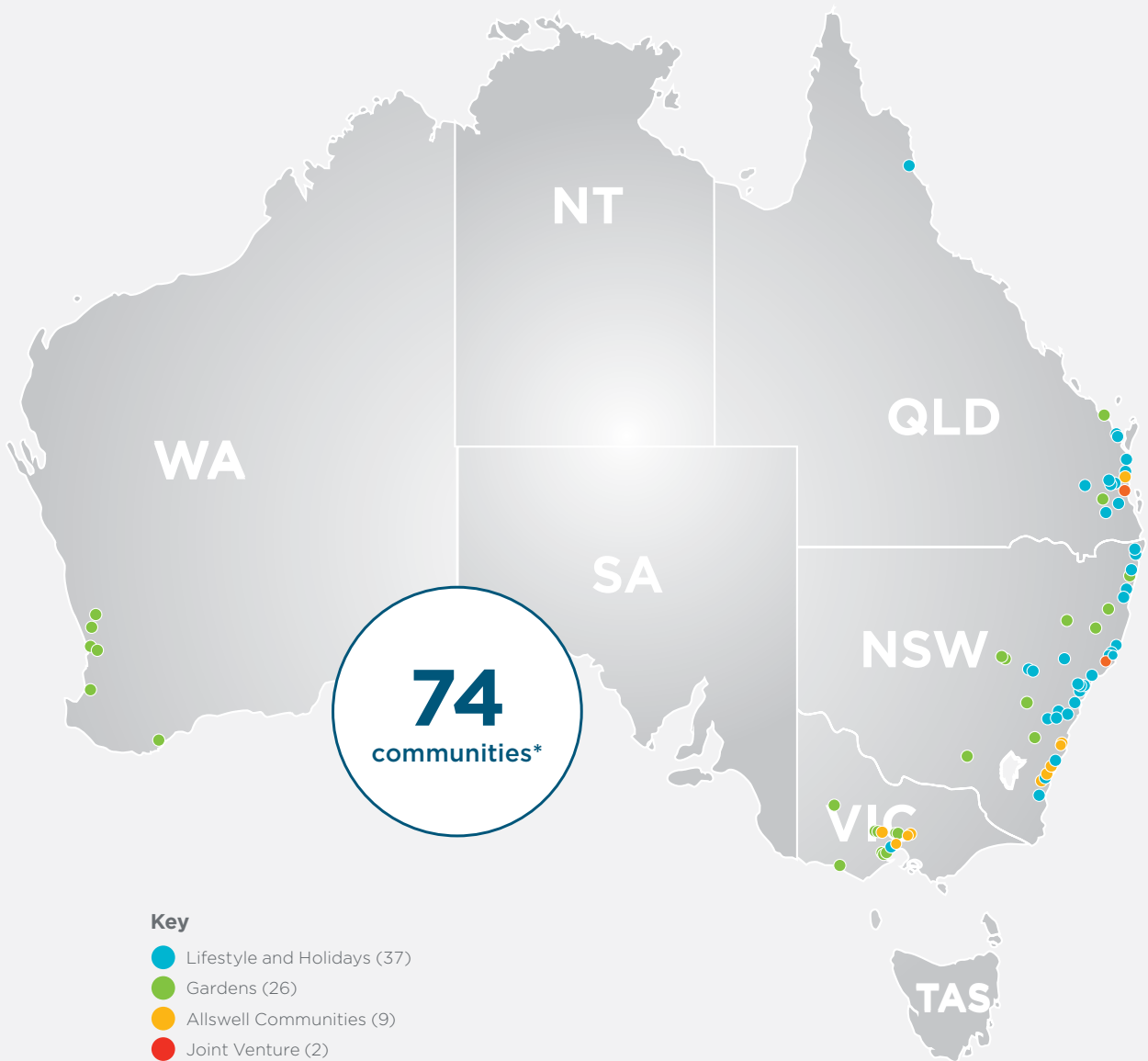
Over the next twelve months we plan to work with our suppliers, industry bodies and relevant subject experts to understand our environmental impacts and extend our initiatives and report more fully.

Key initiatives in FY21 include:

- Participating in the Green Building Council of Australia (GBCA) Green Star for Homes Early Access Program
- Identifying appropriate measurements and goals for reductions in energy use, water use and waste recycling
- Continuing to invest in solar across 50 communities to reduce non-renewable energy consumption
- Installing LED lighting across the Group's holiday parks
- Further refining our objectives to foster the creation of more resilient and sustainable communities through future development and reduce the environmental impact of the Group's operations.



We are in the early stages of this journey and are committed to evolving our approach as the business grows and with it our sustainability initiatives. For the latest news and further information on the Group's sustainability journey visit <https://www.ingeniacommunities.com.au/sustainability/>



* Property portfolio includes balance sheet assets, post 30 June acquisitions, communities owned by managed funds and the Group's Joint Venture with Sun Communities. Excludes assets held for sale.



Ingenia Communities Group

Level 9, 115 Pitt Street, Sydney, NSW 2000
T. 1300 132 946
E. investor@ingeniacommunities.com.au
W. www.ingeniacommunities.com.au

+ Note:

This Newsletter provides a summary of the Group's 2020 financial year results. Further information can be found on the Group's website (www.ingeniacommunities.com.au) in the Full Year Results Presentation, Financial Statements and Property Portfolio.