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SUMMERSET ANNUAL MEETING – CHAIRMAN AND CEO ADDRESSES

Chairman's Address

Welcome and thank you for joining us at Summerset's Annual Meeting for 2021 and our second virtual meeting.

Post-lockdown

A year ago, at our last AGM, we had just exited the Covid-19 nationwide lockdown and were facing an unknown period of time in our individual bubbles.

Our staff were going to extraordinary lengths to keep our residents connected and calm, and sales of retirement units had largely dried up.

We had just received a government wage subsidy to help us protect jobs.

Back then, I said we would be watching business conditions closely, particularly progress on sales of retirement units. Most people were at that time expecting the property market to slow and prices to drop.

From the vantage point of today, I am pleased to say Summerset has weathered the storm far better than predicted and has, in fact, had a very strong second half in 2020, and a good start to 2021.

Feedback from residents and their families on our handling of the pandemic has been overwhelmingly positive, with particular regard to keeping residents in touch with their families through use of devices, and regular communications to families on what was happening.

I would like to thank our dedicated staff and leadership team for this result, and acknowledge the part played by the New Zealand Government and its handling of the coronavirus pandemic and its public health measures.

In the last quarter of 2020, Summerset had its highest quarterly sales numbers on record with 296 settlements. In the quarter to March this year we achieved 275 settlements, our highest ever for a first quarter. The pandemic has highlighted both the safety and security but also the companionship retirement villages offer.

We repaid the wage subsidy in full in December 2020 and also paid a dividend of 7cps in March, bringing our total dividend for the 2020 year to 13 cps.

I will briefly run through our progress in this year.

General

Summerset is now in its 23rd year of operation with 33 villages completed or under development and a further 10 earmarked for development. This includes three sites in Australia.

We have more than 6200 residents and 1800 staff.

Business and financial performance

For the 2020 year we achieved:

- an underlying profit of \$98 million, down slightly on 2019 (-7 percent);
- a net profit after tax of \$231 million, up 32 percent on the previous year.

We sold 404 new occupation rights and made 381 resales.

Our operating cash flow for 2020 was \$267 million.

Total assets are now \$3.9 billion.

We made a total dividend payment for 2020 of 13.0 cents per share.

In 2020 we built 356 units and 79 care beds. This included opening three new retirement villages in Bell Block (New Plymouth), Papamoa Beach (Tauranga) and Te Awa (Napier)

We also opened two new main buildings at our Casebrook and Rototuna villages. These main buildings form the heart of our villages, providing a vibrant community hub for residents, staff, families, and friends.

We purchased one new site in 2020 in Half Moon Bay, east Auckland, and a property in Melbourne's Chirnside Park in 2021.

These purchases follow three years of heightened investment in our land bank. We have bought 14 properties during the past three years, including three in Australia.

We now hold enough land to double our current retirement unit portfolio.

Australia

With regard to our Australian expansion, we are expecting consent for our first Australian village soon. We will immediately start earthworks on the site and will start pre-sales in the second half of this year. We expect to have our first residents move in at the start of 2022.

Australia is an important area of growth for us. We are looking to build our land bank there during the next two to three years. This will enable us to deliver a sustained delivery programme into the future alongside our New Zealand sites.

We are continuing to work on planning for Torquay and our new Chirnside Park site.

Operations

Occupancy in our developed care centres continues to be strong at 96 percent.

Our Casebrook care centre and memory care centre opened in March, just prior to lockdown, and was over 70 percent occupied within six months.

The Board has been pleased to see lower staff turnover in 2020. No doubt this is partly attributable to Covid-19 but also the introduction of higher wages and allowances for our nursing and caregiver staff in 2020, placing us 'top equal' in the sector.

A significant investment has also been made during the past year into learning and development, particularly for frontline leaders, and we expect this will translate into improvements in the level of care and service provided to residents over time.

Summerset's place in the community

Summerset's focus on environmental sustainability has grown year-on-year, and we have now been carbon neutral since 2018.

We continued to make positive progress on our carbon reduction targets this year.

Looking ahead

This is my final AGM as Chair. I have been Chairman of the company since its IPO in 2011.

I will be handing over to the new Chair, Mark Verbiest, over the coming months. I leave Summerset in good hands and will watch its progress with interest.

As always thank you to our residents for choosing Summerset, our staff for their professionalism and the high standard of care they provide, and to our shareholders for your continued support.

CEO's Address

Good afternoon everyone, and thank you for being with us today.

Firstly, I would like to acknowledge Rob's tenure as Summerset Chair, and to thank him for his genuine passion for the people at Summerset during the past decade.

I still recall Rob volunteering to staff the front gates at our Manukau village during the Covid-19 lockdown in order to help keep our residents safe – something that is well beyond the expectations of a Board Chair, but equally something that characterises what an amazing contribution Rob has made to Summerset.

I have now been in the role of Chief Executive Officer for just over a month. As many of you will know, Summerset is not new to me. I have been its Chief Financial Officer for seven years, with three years as Deputy CEO.

My background is in accounting and finance, and my interest in retirement villages stems in part from my nana having a less-than-optimal experience in an aged care facility in the past.

It's an exciting time to take the helm at Summerset. We are heading into a new phase, taking our first steps into the Australian retirement sector and continuing to not only grow in New Zealand but to keep improving our offering to residents and staff.

We are optimistic about growth this year and beyond. The core drivers behind why people enter our villages remain unaffected by Covid-19 and in a lot of respects have continued to strengthen.

People are looking for support to continue to live their lives. They often want the security, too, of living in a retirement village.

The Covid-19 virus still looms, but the threat is receding slowly.

While four Auckland lockdowns have kept our staff on their toes, we have succeeded in keeping the virus out of our villages and aged care facilities to date. We remain vigilant and prepared for action.

Land bank

Summerset holds the largest land bank of units in New Zealand's retirement village sector, giving us a strong runway for future construction and sales teams. We have enough land secured to double the size of our current New Zealand business.

Our build rate this year will be between 500 and 550 homes, and we will be operating across 14 construction sites. This spread of sites gives us the flexibility to respond to varying regional market conditions if needed.

For broader context, during the next 40 years the number of people aged 75-plus in New Zealand will lift from about 350,000 people to more than one million.

In contrast, we only have about 35,000 retirement village units, so you can see there is a looming shortage of supply of villages in New Zealand.

The other factor is that the proportion of New Zealanders aged 75-plus living in retirement villages has been rising each year.

Australia is looking similar, with the same demographic as New Zealand. However, it's more than six times larger from a population perspective. Despite that, there are even fewer new retirement villages or care centres being built there than in New Zealand.

Our first village in Australia will be in Cranbourne North, which is in north-east Melbourne, Victoria.

We have spent a considerable amount of time talking to Victorians about what they want in their retirement. We are using the knowledge and expertise built up over 23 years in New Zealand and coupling that with a real sense of what Victorians want and need.

We will offer the same continuum of care model in Australia – allowing people to live independently in our retirement villages and then move into either an apartment with services or our care centre. This is a real point of difference for Australia, where there is a very limited number of operators who offer that full continuum of care.

Similarly, we will introduce our next generation memory care centre concept for people living with dementia at the Cranbourne North village.

Sustainability

Sustainability continues to be embedded into the way we do things at Summerset.

We've been working toward reducing our carbon emissions since 2017 and have to date reduced our emissions intensity by 31 percent using the Toitu carbonzero programme.

We achieved this by reviewing our energy, waste, paper and travel.

We have also committed to reducing carbon emissions by 62 percent in our design and building processes during the next decade.

In terms of other highlights, we were delighted to be accredited as a dementia-friendly organisation by Alzheimers New Zealand last year.

We were also very proud to win a New Zealand Aged Care Association excellence award for our diversional and recreational therapist training, which we offer in-house. Our therapists do a world of good for our care residents, and their passion for their jobs was recognised with this award.

Business and financial performance

I will now turn to other matters.

In 2020, we sold 785 occupation rights, with Q4 being our highest sales quarter, ever.

We also launched our Bell Block, Papamoa Beach and Te Awa villages last year.

We have had a good start to 2021, with Q1 sales results of 148 new sales and 127 resales. This is the highest number of sales for a first quarter in our history.

It is too early at this point to understand any impacts associated with last month's Government housing policy changes. That being said, we still firmly believe that the core drivers of why people come to live in our villages – the safety, support and companionship they offer - will stay the same.

2021 will be another busy year for our development and construction business units.

Our St Johns build in Auckland's eastern suburbs is progressing well. We started earthworks last year and are currently building the basement, which will provide parking and the foundations for the main building.

In Lower Hutt, we received final resource consent for our Boulcott site from the Environment Court in November and are now progressing with initial earthworks. Construction of buildings is due to start this year.

The resource consent hearing for our premium Parnell village was heard by independent commissioners earlier this month and a decision is expected in June or July this year.

Next month, Summerset by the Ranges in Richmond, Nelson, will open its new main building and in August we will be opening the main building at Summerset at Avonhead, in Christchurch.

We applied for a fast-tracked resource consent for our Waikanae village on the Kapiti Coast late in 2020. The village is near bushwalks and native forest, in a delightful part of Waikanae.

Meanwhile, we have started initial earthworks at our fourth Canterbury site at Prebbleton, just outside Christchurch.

One of our big points of difference in our new villages is our award-winning memory care centres. As New Zealand's population ages, the incidence of dementia is set to triple. Last year we opened two next generation memory care centres, and we'll open another two this year, at our Richmond and Avonhead villages.

The purpose-built centres each have 20 large, one-bedroom apartments within a secure and homely environment designed specifically for people living with dementia.

Looking forward

Overall, Summerset is in a strong position.

Our business is essential, our staff are professional and dedicated, and we have strong growth prospects for the future.

As always, thank you for your continued support.

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ABOUT SUMMERSET

- Summerset is one of the leading operators and developers of retirement villages in New Zealand, with 33 villages completed or in development across the country. In addition, Summerset has seven sites for development in Half Moon Bay (Auckland), Milldale (Auckland), Parnell (Auckland), Rangiora (Canterbury), Waikanae (Kapiti Coast), Blenheim (Marlborough), and Cambridge (Waikato) plus three properties in Victoria, Australia, bringing the total number of sites to 43.
- It provides a range of living options and care services to more than 6200 residents.
- The Summerset Group has villages in Aotea, Avonhead, Bell Block, Casebrook, Dunedin, Ellerslie, Hamilton, Hastings, Havelock North, Hobsonville, Karaka, Katikati, Kenepuru, Levin,



Lower Hutt, Manukau, Napier, Nelson, New Plymouth, Palmerston North, Papamoa Beach, Paraparaumu, Prebbleton, Richmond, Rototuna, St Johns, Taupo, Te Awa, Trentham, Wanganui, Warkworth, Whangarei and Wigram.