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Ingenia Communities 2016 Annual General Meeting

CEO Update

Good afternoon everyone. It's great to be here. Today I'm pleased to say that the results we recently reported for the year to 30 June 2016 validate our strategy of building a market-leading position in the lifestyle communities sector, a space we only entered three years ago. Even more exciting is that with the portfolio of communities we have assembled in key metro and coastal markets, combined with the pipeline of over 2,280 development sites secured, Ingenia's outlook is very positive.

This afternoon I will present you with a brief overview of the Group's operational performance over the last 12 months, update you on the markets within which we operate and outline the Group's outlook for the next 12 months and our future business strategy to create superior and sustainable securityholder value. I am also pleased to announce several new acquisitions as well as an upgrade to our new home settlements target for the current year.

I would now like to review a number of highlights that have happened in the past 12 months.

Several years ago Ingenia announced its intention to focus on the cash yielding affordable segment of the Australian seniors living market and that our traditional DMF village model was no longer core. After a long process it was pleasing to announce in September that the Group had divested a 90% interest in five of its eight DMF communities to Forum Partners which released \$41 million for reinvestment in our rapidly growing lifestyle communities business.

From a standing start in 2013 the Group now has 13 communities in expansion and development mode and in 2016 we settled 107 new manufactured homes, up over 100% on the 52 new homes settled in the prior year.

The Group's balance sheet remains in a very strong and stable position and in June we raised a further \$68 million in new equity via a placement and Security Purchase Plan, both of which received strong investor support.

Notwithstanding all of the green ticks and positive news there remain some areas of the business where further improvement is required. The return on equity of the Group is yet to achieve threshold requirements – reflecting vacant land and the repositioning of key assets. The Group's security price has again largely tracked sideways over the last 12 months which is particularly frustrating as I do think the business has ticked a lot of boxes over the past 12 months. We have demonstrated our ability to develop and sell homes in volume and at attractive margins, divested a majority interest in our non-core DMF business, improved the operational performance of our key businesses and been able to originate, acquire and integrate high quality lifestyle communities and development sites.

As you can appreciate it is not possible to control the security price but if we can execute well on our longer term strategy then I am sure the market will appropriately value the Group's business.

Today Ingenia provides a quality and affordable home to 4,000 Australian seniors. In our growing holiday and short-term accommodation business we own 1,800 cabins and sites representing over 655,000 room nights per annum.

Each week we collect \$1 million in rent, much of it underpinned by Government pension and rent assistance payments and in the 2016 financial year, for the first time, Group revenues exceeded \$100 million.

Ingenia exhibited continuing strong financial growth during the 2016 financial year with Revenue up 41% to \$107 million and Underlying Profit from continuing operations up 20% to \$20 million. Operating cashflow was up 133% to \$21 million.

The Group's capital position is very robust with our Loan to Valuation Ratio closing out the year at 25%, pending the settlement of several contracted acquisitions.

A key focus internally over the past year has been defining our purpose, vision and values not only for our own team but for a growing resident and guest base. We now have a very clear vision 'to create Australia's best lifestyle communities'. This vision will be delivered by four clear values:

1. Integrity
2. Community
3. Respect
4. Improvement.

These guide the way our team interacts with each other and our residents and guests every day.

This is the lovely outlook from our Chain Valley Bay community on the shores of Lake Macquarie on the NSW Central Coast where we recently added a new Club House. In the current financial year we remain on track to sell 16 new homes in this boutique waterfront lifestyle community.

In October 2016 the Group divested a 90% interest in five of our eight DMF communities to Forum Partners for a net \$41 million.

While it has been important strategically to divest non-core assets, I think it is important to call out that there will be a short term dilutive impact from the sale of the DMF business, pending reinvestment in new projects. Whilst \$25 million has been pencilled in for the acquisition of an existing lifestyle community in Brisbane, the balance of the capital is being invested into our new Latitude One development site and accelerating other development projects which will not contribute to current year earnings.

We believe that investing in our development pipeline will provide the best medium term returns for securityholders.

Ingenia Garden Villages is our seniors' rental business comprising 31 communities located across Australia and is very much a core component of the Group's operations.

Over the past year we have been able to continue to improve financial performance – off a smaller asset base - through growing occupancy, increasing rents and expanding margins.

The continuing growth in our Ingenia Care, ageing in place strategy, has also been a key driver in occupancy and earnings growth. For our existing residents and their families the clear value proposition is the ease of arranging government funded care into their home enabling them to live more independently for longer, delaying the need to consider residential care. Ingenia does not charge its residents for this service – it is part of an improved value proposition.

Ingenia Lifestyle and Holidays is our rapidly growing portfolio of communities on the East Coast of Australia. Today the Group owns 29 communities, has an additional six under contract or option and another 20 under active assessment.

Lifestyle communities are an attractive asset class as they have multiple opportunities to create value for securityholders as well as providing quality and vibrant communities for our residents and guests.

Over the course of the 2016 financial the Group was again able to grow site rentals to an average weekly rent of \$149.

During this period the Group has made considerable changes to the geographical weighing of our lifestyle portfolio which now has an 89% weighting to key metro and coastal markets.

As a complementary market opportunity to our rent based senior living businesses, Ingenia is now one of the largest owners of tourism parks across Sydney and coastal NSW with a rapidly growing portfolio in coastal Queensland.

Ingenia identified this significant market opportunity several years ago and there are many reasons we remain excited by tourism parks:

1. Attractive cashflows underpinned by high repeat visitations;
2. Strongly aligned with the ageing of the population as demonstrated by steadily increasing caravan and campervan registrations;
3. Growing proportion of annuals – families and seniors who have their holiday home on Ingenia’s land and pay a quarterly site rental;
4. Preserves long term development optionality – i.e. conversion into medium density residential apartments or new permanent homes; and
5. Is often a first touch point with prospective residents and their families.

In addition, there is presently no clear leader in this exciting, growing and profitable market sector and Ingenia now owns some of the most iconic holiday parks on the East Coast.

Following recent acquisitions and site options, the Group has now assembled a development pipeline of over 2,280 sites with an expected end sales value of over \$650 million.

Over the past 12 months the Group’s development strategy has deliberately been transitioned from profitable but “small-run” conversion and expansion communities into large scale, long-life and high margin projects such as Lara, Bethania and Chambers Pines which are each capable of supporting sales velocities of 3-4 homes per month over many years. This rapidly expanding development pipeline will be a significant and growing contributor to future earnings.

Last financial year, the Group settled 107 new homes. Today I am pleased to advise that we are raising our current year settlement target to over 170 new homes. This will represent a 60% uplift in sales on 2016 – a remarkable achievement for the team. Furthermore, today we are targeting over 260 home settlements in the 2018 financial year.

Today the Group is also pleased to announce that it has secured an option over a 10.1 hectare former golf course in Hervey Bay which is capable of supporting the development of 180 new homes in a purpose built lifestyle community – subject to Council approval.

As at 14 November the Group had settled 55 new homes, with a further 58 new homes under contract and 55 homes deposited. The average price of homes settled (of over \$296,000) resulted in an average above the ground profit of more than \$105,000 (at 31 October 2016).

At our AGM last year the Group had settled 36 homes and had a further 59 homes under contract or deposit.

Sales momentum is clearly building across the business and we now have much better and larger projects either in or soon to come to market.

Over the next few slides I thought it would be good to take you through a few of our new projects which will hopefully give you a sense of the large, high quality and long-life projects that the Group has or will shortly be bringing to market.

In October 2016, Ingenia acquired the last remaining institutional grade freehold Caravan Park in Sydney, Avina Van Village for \$33 million. Representing an existing community of 180 income generating permanent homes and holiday cabins and sites and over 10 hectares of vacant land capable of supporting the development of 150 new homes, Avina is Ingenia's largest acquisition to date. As part of the acquisition the Group has also secured an option exercisable in three years to acquire an additional 4 hectares of land capable of supporting the development of a further 95 homes – subject to council approval.

I would now like to show you a brief video of the plans for Avina reflected in our Development Application which will hopefully see you equally as excited as the Board and management are about this truly unique opportunity.

Ingenia acquired Bethania, a partially developed pure lifestyle community in one of the key urban growth corridors in Brisbane in July 2015. On acquisition Bethania comprised 54 completed homes and 76 fully approved development sites as well as a new community club house. Bethania represents one of Ingenia's key growth projects for 2016 and beyond and is on track in the current year to settle over 25 new homes.

More recently Ingenia acquired a 7.1 hectare site immediately adjacent to Bethania which will add over 110 additional development sites – subject to Council approval – as well as increase the yield on the existing project.

As this slide shows the project has advanced considerably since acquisition. You can see here the new roads that have been added as well as 25 new homes, with homes contracted as high as \$395,000 for the river view lots.

Bethania is another key long-life development project – well located, offering attractive development returns and capable of supporting a sales rate of 3-4 homes per month over many years.

Chambers Pines is a partially built lifestyle community and rental village in one of the key urban growth corridors in Brisbane. Acquired in March 2015 for \$17.6 million, the Group subsequently received development approval to build an additional 256 new homes on the nine-hole golf course which formed part of the acquisition.

As you can see in recent months the Group has commenced the development and buildout of the golf course and is on track to sell approximately 20 homes at this community in the current year.

We have also maximised the return from the existing rental community with the addition of eight new rental units.

Chambers represents another of the Group's key long-term growth projects for 2016 and beyond.

In September 2015, Ingenia acquired the premier mixed-use park on the NSW South Coast, Conjola Lakeside. Underpinned by 277 annuals paying an average rent of \$126 per week, Conjola offered an immediate cash yield exceeding 8% and a clear pathway to significantly higher returns through existing Development Approvals for an additional 70+ short-term sites as well as considerable further vacant land.

Subsequent to acquisition the Group has built an additional six tourism villas, cantilevered over the water, which rent out for approximately \$2,000 per week over peak holiday periods, offering strong returns on investment.

In September the Group lodged a Development Application with Shoalhaven City Council for 119 new homes which, subject to approval, will be another long-life development project for the Group.

Conjola is a truly unique investment, cannot be replicated and has considerable operational and development upside.

Hopefully my presentation today leaves you as excited and positive for the future outlook for Ingenia as the team is here.

There are few markets in Australia at the moment that have as much promise as the provision of affordable seniors housing and lifestyle and holiday communities.

Looking forward:

- Our primary focus is to optimise the performance of our existing portfolio of communities, including growing occupancy and improving rents and room rates;
- We will continue to deliver on our lifestyle community development strategy, targeting 170+ new home settlements this year and 260+ in the 2018 financial year;
- We will look to divest the remaining three DMF communities we own and redeploy this capital into additional lifestyle communities and development opportunities;
- We will look to continue to make further targeted acquisitions in existing and new clusters with a primary focus on key metro and coastal locations; and
- We will continue to seek to improve returns to our securityholders.

I would like to thank all securityholders for your attendance today. There are many faces I recognise in the audience and I thank you for your patience and support over the past seven years.

I would also like to especially thank the Ingenia team for yet another year of tireless effort.

I greatly look forward to working with the team over the next year in what I am sure will be another busy, challenging and exciting year.

Equally I would also like to thank Amanda, Norah, Phil, Rob, Jim and our Company Secretary Leanne for their support and guidance over the past year. I would especially like to thank Norah for her unique insights over the past two years and wish her all the best in her new role as CEO of Estia Health.

The management team takes great confidence in having such a committed, inquisitive and supportive Board.

Ladies and Gentlemen, thank you for your time today and your continued support of Ingenia Communities.

I will now hand back to the Chairman for the formal business of the meeting.

ENDS

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About Ingenia Communities Group

Ingenia Communities Group (ASX Code: INA) is a stapled property group comprising 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).