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Ingenia Communities 2015 Annual General Meeting

CEO Update

Good afternoon ladies and gentlemen, and welcome to the 2015 Annual General Meeting for the Ingenia Communities Group.

Thank you for your attendance today.

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, provide an update on several of our recent acquisitions and finally outline the Group's outlook for the next 12 months and our future business strategy to create superior and sustainable securityholder value. I will also provide a sales update for our key Lifestyle Parks business which I am sure you will find pleasing.

I will also be asking our Chief Financial Officer, Tania Betts, to provide a brief update on the Group's 2015 financial performance and our capital management strategy.

The past 12 months has been one of many achievements for the Group including record occupancy in our Garden Villages rental portfolio, growing development and sales in our manufactured home business and further quality acquisitions to build both our asset base and development pipeline.

With the support and commitment of a very capable and dedicated team, Ingenia is recognised as a market leader with first mover advantage in the most exciting space in the seniors living market. There are now many new entrants assessing the manufactured home sector but Ingenia in less than three years has built a high quality portfolio with considerable embedded growth.

More importantly, we now have strong momentum within the business which, to be fair, has taken some time to achieve.

Our strategy is to own, build and operate a highly profitable Australian seniors living portfolio that offers investors sustainable distributions, strong capital growth and a pipeline of profitable acquisition and development opportunities. For our residents it is about creating empowering and enriching communities.

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.

You could say we were a disruptor to long established seniors living models.

Our cash rent collection businesses of Garden Villages and Active Lifestyle Estates now comprise 87% of the Group's asset base including the largest portfolio of lifestyle parks in Sydney.

Our customer base is growing faster than any other segment of the population. Our business is scalable, has significant barriers to entry, limited new supply coming on line and we have a market leading position in both Rental Villages and Lifestyle Parks.

From a standing start the Group now has nine communities in expansion mode and this year we are on track to deliver and sell over 120 new manufactured homes.

Underlying Profit for the year to 30 June 2015 was up 51% and securityholder distributions up 17%.

It is relatively easy to buy things but the real challenge is in successful integration and operation. Our Garden Villages business achieved record occupancy in June and there has been significant momentum in the sell down of new manufactured homes. In FY15 we achieved 100 new sales and 56 settlements.

The Group's balance sheet remains in a very strong and stable position and over the year we executed a new \$175 million debt facility on improved terms and at a lower margin.

Notwithstanding all of the positive and continuing developments over the past 12 months there remain some areas of the business where improvement is required. The return on equity of the Group is yet to achieve threshold requirements – reflecting the repositioning of key assets and our Garden Villages occupancy growth continues to trend backwards during the winter months.

The Board and management are also acutely aware that the last 12 months has seen the stock track sideways. Having demonstrated our ability to develop and sell homes in volume the market is looking for confirmation of yield from recent acquisitions and our ability to recycle capital from our non-core Deferred Management Fee retirement business which we have been looking to exit at value.

It is the Group's intention to provide that confidence in the current financial year and hopefully by the end of my presentation you will be as confident as I am that we have the strategy, assets and team to deliver.

On a proforma basis, including recent acquisitions such as Lakeside Lara and Soldiers Point, 87% of the Group's capital is deployed into cash yielding, rent collection businesses and adjacent land for capital light, low risk expansion.

Longer term, whilst the Group will continue to look at accretive acquisition opportunities in the rental village space, it is likely that all growth capital and proceeds from asset recycling will be deployed into our Lifestyle Parks business.

The Group's target earnings allocation mix is 75% rental income, including tourism, and 25% from development – i.e. the expansion and reconfiguration of existing communities.

Whilst there is a lot of commentary in the market about the end of the residential property cycle, as a Group we are yet to see any meaningful change in sentiment.

Notwithstanding this I do think there are three reasons why the impact of a downturn in residential property prices will have a relatively muted impact on Ingenia's earnings:

1. Ingenia has close to 2,900 residents from which we collect fortnightly rent, most of it funded through Government pension and rent assistance. Each fortnight we collect approximately \$1.5 million in rent. This income is not impacted by the residential property cycle;
2. Ingenia has expansion communities across Sydney, Brisbane, Geelong and coastal NSW. The likelihood of all markets moving simultaneously is low;
3. Ingenia has almost 1,900 tourism, short term and annual accommodation sites. The outlook for this complementary business is very positive based on a depreciating AUD (i.e. overseas holidays more expensive), an ageing population (and hence more grey nomads travelling) and high return visitations in our coastal parks.

GROWING PORTFOLIO OF RENTAL COMMUNITIES

Ingenia today is a portfolio of 63 communities across Australia and growing.

Our strategy is to be the market leader in the communities in which we operate, providing quality yet affordable independent living homes for seniors. We are the largest owner and operator of senior's rental communities in Australia and one of the largest owners and operators of Lifestyle Parks in NSW.

Whilst we are an acquisitive and expanding business, we are certainly not chasing growth for growth's sake. All acquisitions are subject to stringent return thresholds, exacting due diligence and are made in select and researched market clusters where we can leverage our existing operational capabilities to drive optimal performance and financial returns.

FINANCIAL

As mentioned by the Chairman, Ingenia exhibited strong financial growth during the 2015 financial year with Underlying Profit up 51%, reflecting strong earnings growth across all business segments. Our statutory profit rose 123% with strong valuation uplifts from our yield generating assets, reflecting the value of the stable, government supported cashflows being derived.

Garden Villages continues to be a strong cash generating business with earnings up 11% to \$11.0m driven by occupancy rising to 90.7%, rent increases and margin enhancements.

Active Lifestyle Estates has significantly grown earnings to \$8.4m, up 115%, due to continued portfolio expansion and a material uplift in development profits from new home settlements. Settlers also delivered higher earnings of \$6.3m due to a strong uplift in Accrued DMF income from underlying house prices.

Valuation uplifts within Garden Villages reflect improved operational efficiencies on recently acquired assets as well as a growing market demand for these assets which has driven cap rate compression. Active Lifestyle Estates valuation growth comes from emerging cap rate compression in the sector and off market acquisitions delivering significant value.

Our debt position is strong with our new multibank facility of \$175m in place on improved terms and margins and longer tenure. Our current all in cost of bank debt is 3.8% and LVR is within our target range of 30-35%. We are also continuing to see significant interest from offshore and REIT investors. Our strategy for funding growth is continued capital recycling through divestment of our Settlers business and we remain committed to further distribution growth.

PORTFOLIO UPDATE

This is the lovely outlook from the lagoon at the White Albatross Holiday Park in Nambucca Heads on the NSW mid north Coast which the Group acquired in December 2014. White Albatross is one of the premier mixed use parks in NSW and my three young boys love holidaying there which we have done twice to date since acquisition.

GARDEN VILLAGES (RENTAL)

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.

Pleasingly we are now beginning to see some significant improvement in valuations for this often overlooked seniors living asset class driven by a combination of improved performance, investors chase for yield and new capital entering the sector.

Whilst there are a few further acquisition opportunities in the market, our near term growth is largely organic with a focus on growing village occupancies, pushing through above CPI rental growth in select markets and expanding operating margins. Whilst demand for rental communities remains strong, it is simply not economical to build a new community due to the relative cost of land and buildings and allowing a two year period for “rent-up”.

INGENIA CARE ASSIST

Ingenia Care Assist is a facilitated ageing-in-place strategy that the Group launched in October 2013. Since then it has been rolled out across all 31 of our rental villages and has been a primary catalyst in improving resident retention and occupancy levels and attracting new residents into our communities.

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; for the accredited care provider it provides a constant referral system and improved productivity and for Ingenia over time, improved occupancy levels. Ingenia does not charge its residents for this service – it is part of an improved value proposition.

In early 2015 the Group commenced the introduction of Ingenia Care Assist into select Lifestyle Parks.

SETTLERS (DMF)

The Deferred Management Fee model is the traditional retirement village business in Australia and Ingenia is the owner of eight communities comprising 838 homes across Queensland, New South Wales and Western Australia and a development pipeline of over 100 new homes.

As part of our strategy to focus on the yield focussed more affordable segments of the seniors living market the Group is presently advancing a number of opportunities to exit this segment and recycle the capital into our growing parks business.

In the meantime we are certainly running the business as if we are a long term owner and pleasingly we have had a strong start to the current financial year with 6 new settlements, 10 resales and a further 21 homes under contract or deposit.

ACTIVE LIFESTYLE ESTATES

After over 12 months of market research Ingenia entered the Lifestyle Parks sector in February 2013 with our acquisition of The Grange community in Morisset in NSW. What attracted Ingenia to this high growth sector opportunity back then remains equally valid today:

- Communities offering a combination of high relative yield and low risk capital light development and expansion opportunities;
- Limited supply of new land providing barriers to entry and defensive investment characteristics;
- A fragmented ownership model providing considerable acquisition opportunities – noting that acquisitions typically need to be done individually and off market; and
- The ability to deliver quality independent seniors living at a price point well below competing models.

All in all a compelling investment opportunity.

Ingenia is now one of the largest owners of lifestyle and tourism parks across NSW, has a quality portfolio in South East Queensland and has recently entered the Victorian market with our purchase last month of the Lakeside Lara community located between Melbourne and Geelong.

Across the 24 communities that the Group now owns our business comprises:

- 1,620 permanent sites
- 593 annual sites
- 1,300 short term and tourist sites; and
- 1,637 development sites

We also have some 20 communities presently under conditional contract, exclusivity or advanced price discovery.

Over the past 12 months we have also refined our acquisition criteria with a clear focus on metro and coastal communities which now represent 87% of the portfolio by value.

There has also been a concerted focus on creating vibrant and empowering communities for our residents and their friends and families. Over time this is an area where we feel Ingenia, with a long history in the seniors living market, can deliver a compelling competitive advantage when compared to more recent market entrants.

CONJOLA LAKESIDE

In September 2015, Ingenia acquired the premier mixed use park on the NSW South Coast, Conjola Lakeside, for \$24 million. Underpinned by 287 annuals each paying rent of \$130 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 75 sites as well as considerable further vacant land for over 100 new manufactured homes – subject to council approval.

The Group presently has four new tourism villas under construction and scheduled to be ready for the peak summer trading period where holiday homes rent out for over \$1,900 per week, offering strong returns on investment.

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

BETHANIA

Ingenia acquired Bethania, a partially developed pure manufactured home community in one of the key urban growth corridors in Brisbane, for \$8.2 million in July 2015. Comprising 54 completed homes and 76 DA approved development sites as well as a new community club house, Bethania represents one of Ingenia's key growth projects for 2016 and beyond.

More recently Ingenia has executed contracts to acquire 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.

CHAMBERS PINES

Chambers Pines is a partially built manufactured home and rental village in one of the key urban growth corridors in Brisbane. Acquired in March 2015 for \$17.6 million, Chambers Pines delivers an immediately accretive cash yield of approximately 8% with considerable operational and development upside. In the months following acquisition the Group lodged a Development Application for over 250 new manufactured homes on the nine hole golf course which forms part of the acquisition.

Since acquisition Ingenia has sold or settled 10 homes and now has a database of over 1,000 prospective residents pending release of the golf course redevelopment.

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

LAKESIDE LARA

Lakeside Lara is the Group's first acquisition of a purpose built manufactured home community in Victoria, approximately 60 kilometres south west of Melbourne.

Lakeside Lara comprises 56 occupied homes, 13 built and unsold homes and 164 fully approved future home sites. In addition a \$3.5 million state of the art community facility was completed in January of this year.

Commencing with the prioritised sell down of the existing 13 built but unsold homes Lakeside Lara represents another of the Group's key growth projects for 2016 and beyond.

TOURISM

The tourism and short term accommodation market has compelling industry fundamentals, is complementary to Ingenia's core seniors living business, generates significant free cashflows and provides an attractive and accretive land bank pending future redevelopment.

It is significantly leveraged to the economy but also the ageing of the population as borne out by both rising caravan and recreational vehicle registrations and growing tourist park income off a declining asset base.

Across Australia there are approximately 2,500 tourism and caravan parks of which only 150 are pure manufactured home communities. These tend to be tightly held, often owned by larger groups and typically expensive to acquire. Conversely tourist and mixed use parks are more plentiful, usually owned by single owners-operators and consequently typically offer better value. With a few notable exceptions this is where Ingenia tends to focus its acquisition efforts.

In late 2013 Ingenia acquired its first predominantly tourism park, the iconic One Mile Beach property at Anna Bay north of Newcastle. Since then we have acquired and established probably the leading coastal portfolio in NSW including White Albatross at Nambucca Heads and Conjola Lakeside on the South Coast.

Today the Group has a tourism and short term (i.e. rental) accommodation portfolio comprising over 1,300 sites. Our key business focus in tourism and short term accommodation is to grow occupancy and increase revenue, maximising returns for our securityholders.

There is a very clear strategic intent about our expansion into affordable co-located tourism parks which bears many similarities to the provision of affordable senior living:

1. Tourism and short term accommodation provides very attractive cash flows underpinned by strong repeat visitation by loyal customers and increasing rental and annual residents. In FY16 our tourism and short term accommodation revenue is likely to exceed \$15 million;
2. Annuals represent families who have purchased their holiday home on our land and similar to permanents pay an ongoing site rental. Ingenia today has 590 annuals who pay us approximately \$5,000 per annum for the right to have their holiday home on our land. A very similar income profile to our core permanent residents and one we are keen to grow;
3. Tourism preserves long term optionality for key coastal and metro parks as we finalise our long term masterplans or wait for key land corridors to be rezoned for medium density residential housing.
4. Our tourism parks are often our first touch point with future and prospective residents with many sales leads generated from grey nomads who have stayed at an Ingenia tourism park.

Whilst affordable, rent based seniors living is absolutely our core business, we will have no hesitation to retain tourism or even invest further capital where it represents the highest and best use of the underlying land.

Having now operated some of the most iconic and profitable tourism and mixed use parks on the NSW coast for some two years we see there are five key pillars to maximising portfolio value and recurrent earnings:

- A. Converting low yielding camping and caravan sites across to affordable seniors accommodation offering attractive development returns and annuity income streams. This has now been completed or is underway at numerous communities including Ettalong Beach Holiday Village, Lake Macquarie Village and Stoney Creek in Sydney.

- B. The repositioning of iconic coastal parks where tourism and short term accommodation represents the highest and best use of the site. This is now underway at numerous communities including White Albatross, Noosa and One Mile Beach.
- C. Increasing recurrent and “sticky” income streams with rental and annual residents. This includes buying back older homes in existing communities such as Rouse Hill and converting into rental accommodation or creating new family-friendly annual accommodation as planned at One Mile Beach and Conjola.
- D. Leveraging our existing and prospective customer base to drive occupancy and returns in shoulder and off-peak periods. The Ingenia Gold Card has now been rolled out across 1,200 existing residents and families and is a core component in demonstrating the unique value proposition of an Ingenia community.
- E. Investing in our people, systems and technology, infrastructure and industry relationships to become the clear sector leader and drive recurrent earnings. Within 20 months Ingenia has now built a tourism data base of 80,000 customers who are a focal point of regular communications and product offerings.

To put it simply; tourism is a high touch, customer driven business; and our aim is to create customers for life, as regular repeat business underpins and guarantees revenue.

Undertaking appropriate reinvestment and improving our guest experience is key to creating a customer for life.

DEVELOPMENT AND SALES

Following recent acquisitions the Group has now assembled a development pipeline of over 1,600 sites with a forecast end sales value exceeding \$440 million.

Concentrated in key metro and coastal locations and with significant imbedded margins, Ingenia’s development pipeline will be a significant and growing contributor to future earnings.

In the 12 months to 30 June 2015 the Group achieved 100 sales including 56 settlements. It is very pleasing to announce that in the four and a half months to 16 November the Group has already achieved 63 new sales deposits and 36 settlements. At the same stage last year the Group had achieved 3 settlements showing how far we have come in the past 12 months.

In the coming months the Group will launch exciting new development projects including Chain Valley Bay on the NSW Central Coast, Bethania in Brisbane and Lakeside Lara just outside of Melbourne which provides confidence that our sales target of 120 sales for FY16 remains achievable.

OUTLOOK

Ingenia has a very exciting and rewarding outlook ahead. We have identified and built a leading position in an emerging market segment which addresses two of the key challenges (and opportunities) currently facing Australia - an ageing population and an escalating housing affordability crisis. Our customer base is growing faster than any other age group of the population. Our business is scalable and we have a great operating platform in place, our market has significant barriers to entry, there is limited new supply coming online and we have a strong and accretive development pipeline and acquisition deal flow in place.

There are few markets in Australia at the moment that have as much promise as the provision of affordable seniors living and short term accommodation.

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 manufactured home development strategy, targeting 120 home sales this year;
- Equally critical is to unlock the ~\$60 million of value presently tied up in our non-core DMF portfolio. This is a key catalyst to unlocking further securityholder value;

- 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 grow distributions to improve returns to our securityholders.

Subject to market conditions and internal capital requirements to build out our development pipeline which has a forecast end value of \$440 million, the Group anticipate distributions continuing to increase over time as demonstrated over the past three years.

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 six years.

I would also like to especially thank the Ingenia team for yet another year of tireless effort which has seen us exit our final overseas markets, acquire and integrate additional communities and achieve record sales and occupancy rates across the business. It is fair to say that we run very hard at Ingenia.

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. 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).