

ASX / Media Release

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Ingenia Communities 2018 Annual General Meeting

Chairman's Address

The 2018 financial year demonstrated the returns that would flow from taking the opportunities emerging from our strategy to focus on our lifestyle and holidays business.

I am very pleased with our results, particularly as we have established Ingenia as a leader in this sector. Our market has become increasingly attractive over the past year to both domestic and offshore players. Ingenia has benefitted from this interest and recently announced a Strategic Partnership with Sun Communities, one of North America's leading operators in what we call lifestyle and holiday communities.

The context in which this transaction arose is important.

Here in Australia we have an aging population. Providing seniors friendly accommodation to this growing cohort is an opportunity that we recognised and sought to meet with our move into lifestyle communities.

At the same time as our population is aging, there are major changes occurring in the aged care system, with more expected as a result of the Royal Commission into aged care which is now underway. Increasingly, we see Government funded aged care being provided at the acute needs level in residential environments and other care needs addressed in the home.

At the same time, the retirement village sector is seeing a marked increase in the average age of its residents. This is reinforced by the fact that the Government's home care strategy does not meet all needs of older Australians, many of whom have a preference or need for a residential setting.

This changing environment has opened up a new opportunity for the land lease model in providing active lifestyle options for senior Australians. The advances in build quality and design, the innovative thinking in leisure offerings and in my view a superior financial model for home owners in lifestyle communities, make a compelling package.

We believe all this has created an immense opportunity to provide quality housing choices to a growing aging demographic through lifestyle or land lease communities. This opportunity has also been recognised and executed upon by Sun Communities (Sun), who see in our market similarities to the US land lease market 20 or more years ago. Today, Sun operates 370 communities in North America, catering to holidaymakers, seniors and the general housing market.

We are very excited to work with Sun to create new communities and we welcome their investment in the Group.

We look forward to drawing on their experience as we leverage our platform and capability to deliver growth for security holders.

Simon will speak more about our partnership with Sun in his address – I will now briefly turn to the current position and future strategy of the Group.

The key driver of the strong growth in the 2018 financial year was development.

For Ingenia development is a means to increase our rental contracts – or annuity revenue stream. Our partnership with Sun will ensure we are less development heavy while accelerating our access to completed communities characterised by annuity style cash flows.

We have three sources of rental cash flow from the business - tourism, lifestyle and senior's rental.

Growth in lifestyle communities and tourism seems clear, but we also see rapid developments in light weight construction which may provide the potential to grow our Ingenia Gardens business. To date, it has not been viable to build new Ingenia Gardens communities using traditional brick and tile solutions.

We see a massive opportunity when we look at the way retirement and aged care are moving to generate growth across our key market segments.

With that context I would like to briefly address our recent performance.

The 2018 financial year was a year of strong growth:

- Underlying profit was up 56%, and revenue grew by 26%
- Earnings Before Interest and Tax was above market guidance with growth of over 50%
- We settled 287 new homes, creating new rental contracts and increasing gross above ground new home development profit by over 75%.

Importantly for many of our investors, we continued to increase distributions, with the distribution per security growing for the fifth consecutive year. Investors received a distribution of 10.75 cents per security, an increase of 5.4% on the 2017 financial year.

These results were principally driven by the growth in our lifestyle and holidays business.

This growth was also accompanied by security price growth. With the security price currently at \$3.01, Ingenia continues to trade above the Group's Net Asset Value per security of \$2.57 cents at 30 June 2018.

Reflecting this performance, and the ongoing growth in distributions, our returns for the 1, 3 and 5 years compared to relevant indices were also positive.

We have demonstrated our ability to fund our development program internally and are forecasting another year of growth in FY19 as recent acquisitions and our new Strategic Partnership provide additional revenue and new opportunities to acquire quality assets.

While our recent transaction with Sun is marginally accretive in FY19, higher growth is expected in the medium term as our Strategic Partnership builds scale. We expect an ongoing positive impact on returns as we benefit from a strategically and economically aligned partner and greater diversity of capital sources.

Recognising that development activities take time to deliver earnings to investors, we have moderated exposure to development while increasing our access to new rental contracts through our partnership with Sun.

While we will undertake development through our partnership with Sun, we also retain opportunities in our existing development pipeline. Combined with debt and growing cash flows, ongoing divestment of non-core assets will fund the continued rollout of our own development program.

The business is well positioned, with a solid capital base and a range of opportunities for growth.

Last week we increased our forecast for Earnings Before Interest and Tax for the 2019 financial year to growth of 15 to 20% on last financial year. We maintain our outlook for growth in underlying profit per security of 5-10%. We are on track to again deliver an increase in new home settlements this year, with guidance of 350+ new home settlements.

As part of the Board's ongoing process of renewal and reflecting the need to maintain relevant skills and expertise as the business expands, we appointed Andrew McEvoy to the Board on 1 December 2017. Andrew replaced Phil Clark who announced his intention to step down from the Board at last year's Annual General Meeting.

Andrew brings to the Group over twenty years' experience in executive and non-executive roles focused on tourism, digital marketing and e-commerce – areas which are increasingly relevant to Ingenia's business as we expand our holidays business and leverage digital channels. Andrew's prior roles include Managing Director, Tourism Australia and CEO, Life Media and Events for Fairfax Media.

You will have the chance to hear from Andrew and vote on his election later in the meeting.

I too am standing for re-election and look forward to addressing you in that respect later in the meeting.

We recently announced that Gary Shiffman, Chairman and CEO of the US based Sun Communities, will join the Board. Gary has a wealth of experience gained in the world's largest and most mature lifestyle and holidays market. As a director and executive officer of Sun since its inception in 1993 he has been instrumental in the success and growth of that entity to the US\$12 billion business it is today.

My fellow directors, the management team and I look forward to continuing to grow returns as we capitalise on the market opportunity before us and leverage the investment we have made in people and systems to enhance returns.

Before I move to Simon's address I would like to thank my fellow directors for their dedication and commitment to the business over the past year – a year which has seen significant transformation in the returns and future profile of the Group.

I will now hand over to Simon Owen for his update.

ENDS