



## **NZX AND ASX RELEASE**

**29 APRIL 2016**

### **SUMMERSET ANNUAL MEETING – CHAIRMAN AND CEO ADDRESSES**

#### **Chairman's Address**

Welcome and thank you for joining us at Summerset's Annual Meeting.

2015 was a year where Summerset continued to build momentum and deliver strong results across the board. This put us in good standing as we move towards our 20<sup>th</sup> year of operating and fifth year as a listed company.

We officially opened our first village in Christchurch and received consent for our second. Our Wigram village, south-west of the Christchurch CBD is the first of two villages that will provide the full range of services - from independent living up to rest-home and hospital-level care. We are proud to have joined New Zealand's second largest city and be a part of its ongoing rebuild.

We also opened three village centres in our Hobsonville, Katikati and New Plymouth villages, as well as a new Care Centre for Katikati.

When Summerset listed in 2011 we made a number of statements around our forecast performance five years hence, that is in 2016. We said we would deliver 250 retirement units and have a development margin of around 17%. This year we will deliver 400 retirement units, an increase in 60% above our forecast at the time of listing. Last year we achieved a development margin of 20% and expect around the same this year.

These results reflect a combination of good demand for the type of villages which Summerset builds, high customer satisfaction, increasing brand awareness and good operational performance.

We are not interested in growth for its own sake. We intend to be a leading provider in this sector for the long term known for the quality of the living environment and care which we provide. So there is still a range of initiatives which we continue to work on designed to enhance our customer proposition and position the business for continued growth in size and quality.

The demand for our villages last year was reflected in sales of occupation rights 26 per cent higher than 2014 with a total of 578 sales. New sales of 333 were sixteen per cent higher than 2014 and resales nearly doubled with 245. This is the fifth consecutive year that sales have grown.

Summerset delivered an underlying profit of NZ\$37.8 million - an increase of 55 percent compared to 2014. This gave us a net profit of NZ\$84.2 million after tax which was up 56



percent on the previous year. This figure includes unrealised valuation gains in the fair value of investment properties, land and buildings.

These results enabled a final dividend of 3.4 cents per share at the end of 2015. Shareholders received a total dividend payment for the year of 5.25 cents representing 30.5% of underlying profit. Our policy is to pay 30% - 50% of underlying profit in dividends. For the time being we intend to keep our dividend payment at the bottom end of this range due to the rapid growth of the business and the returns available to shareholders from reinvestment in growth.

In 2015 we also saw a sizeable lift in the value of Summerset's total assets. This increased to NZ\$1.36 billion from NZ\$1.04 billion in 2014, an increase of 31%.

As well as the openings of the village and care centres I mentioned earlier, we acquired two new sites in the Auckland suburbs of St John's and Parnell, along with a piece of land neighbouring our Warkworth village. The additional land in Warkworth will enable the expansion of the Village's recreation centre and provide an additional 77 villas or townhouses, as there is limited supply of retirement living in this area.

These acquisitions along with the current construction of our Ellerslie site reflect the demand for independent living and care services for older people in the Auckland region. The Auckland property market continues to perform strongly but we are well aware that this will not continue for ever and we continually monitor the property market for any changes. We believe that Summerset's development model and how we scale and plan our construction work are well placed to sustain any downturn if this occurs.

All of this activity saw Summerset's total land bank increase to about 2,414 retirement units and 406 care beds as at 31 December 2015. This will provide approximately six years' worth of growth under our new target of building 400 retirement units per year. Since then we have announced a further acquisition of a site in Rototuna, Hamilton.

So far I've spoken about the development and financial aspects of the villages, and now I'll move onto the most important part of Summerset – its people.

Without our residents to create the vibrant communities that our villages are well-known for, and the dedicated staff who support them, we cannot be a successful organisation. So the Board is happy to see that feedback on our performance from our residents continues to lead the sector. This was broken down with 95 percent satisfaction for residents who are living in retirement units and 92 percent satisfaction for people living in our care centres. Of course there are always ways to improve our services, and the feedback from this survey and regular meetings with residents provides valuable insights we take action on.

Providing specialised care services is a growing focus for our organisation as more and more people are seeking reassurance that when they move into Summerset we can support them in their own home, no matter how their circumstances may change.



Last year we appointed a Head of Clinical Services to oversee our care services. She is supported by a new team of clinical nurse leads to support Nurse Managers and staff in the villages. Providing high quality care is a key focus for us and we have a number of ongoing initiatives in this area.

One of the key initiatives this new group developed was benchmarks for clinical indicators across each care centre. These are tools to measure our services, to maintain high quality care, and identify areas we can improve.

We remain focused on being a first choice for retirement living by creating communities that enable people to live the lives they choose. We do this by continuing to balance our drive for providing new homes to meet growing demand while strengthening the overall care and services we provide.

This along with our solid base of experience in the sector stands us in good stead to continue exceeding our targets and delivering results that benefit our residents, staff and investors.

We wouldn't be able to achieve the growth and success we have enjoyed without the ongoing support from investors like you. So on behalf of the Board, I would like to thank you for coming along today and for your ongoing support of Summerset which is how we can continue being New Zealand's leading retirement operator.

I would now like to mention Norah Barlow's contribution to this business. Earlier when I was introducing the Board members I mentioned that Norah Barlow has decided to not stand for re-election. The Board is currently searching for someone to step into Norah's role on the board.

Norah's contribution to Summerset, the aged care sector and business is immense which is reflected in the many successful organisations Norah has been involved in. This was acknowledged two years ago when she received the New Zealand Order of Merit for her services to business.

Norah, on behalf of the Board and the staff across Summerset, I would like to sincerely thank you for your dedication and expertise that has helped shape Summerset and the successes we see today.

### **CEO's Address**

As Rob said earlier, 2015 represented a year of firsts for Summerset. But it also was a year of further cementing ourselves as one of New Zealand's largest and fastest growing retirement operators in the aged care sector.

Our core purpose is to be people's number one choice for retirement living. To do this we need to deliver exceptional service and make a real and positive difference in the lives of our residents and their families. This business is at its heart all about people. Whilst we own a lot of property and development and construction is very important to us, we are firmly a people



centred business. This is what has brought us to where we are now as a business and this is something we must hold to as we continue to grow.

When you look over last year's results you'll see we're continuing to build momentum towards our purpose.

As of today we have 21 villages nationwide, spanning from Warkworth to Dunedin to our village network. These vibrant communities are currently home to more than 3,500 people.

We also have a strong land bank of five greenfield sites that will be developed over the coming years, including our acquisition this year of the Rototuna, Hamilton site. Our current land bank will enable Summerset to double the number of retirement units in the coming years.

The first baby boomers are now just turning 70 and this demographic will dramatically increase the demand for the communities which we provide. Over the last 15 years the over 75 population in New Zealand has grown at around 5,000 per annum. Over the period 2021 to 2041 this rate of growth increases to 19,000 per annum.

Focussing on our customers is the key to our continued growth and being able to service this growing market. Our current resident and care satisfaction results of ninety-five and ninety-two percent respectively show we're sector-leading in the service and care we provide. This is something our Summerset staff are incredibly proud of and it is a reflection of the dedication they give to our residents and their families and friends every day.

The satisfaction surveys are just one way we measure our success and gather feedback on how we can improve our services. I and many of our senior staff regularly visit staff and residents and our door is always open for people to discuss their questions, concerns and ideas.

It is this culture of respect for our residents and focus on continually improving our services and village environments that I believe makes Summerset the success it is.

We now have more than 800 people working in a diverse range of roles around the country so understanding ways for working together and building our reputation as a great employer is becoming increasingly important.

We held our first ever staff engagement survey in late 2015. From the feedback from this survey we are implementing a range of initiatives to improve our processes, technology, induction, communication and culture. These will help improve the service we provide to residents and position us as an employer of choice.

Caregiver wage levels is a subject that we continue to work on. Currently discussions are underway between the government, unions and the New Zealand Aged Care Association of which we are a member. These discussions are designed at finding a solution to the ongoing issue of under payment of caregiver wages brought about by under-funding of the care sector. We have previously increased wages well above the level of our funding increases but still believe a lasting solution needs to be found to bring wages to appropriate levels. We are hopeful that a solution will be reached this year whereby additional funding will be put into the sector. Our commitment is that any additional funding arising from these discussions would be passed through dollar for dollar to caregivers.

It is also important that caregivers have opportunities for training and career progression, with a pay scale that reflects the important work they do. We encourage all caregivers to



achieve the various levels of the New Zealand Qualifications Authority training programme and pay increases are directly linked to their qualifications.

This year we launched a new initiative which will enable all staff to be a part of Summerset's ongoing success. The Summerset staff share plan will see each permanent employee receive \$780 worth of Summerset shares funded by the company each year they are with us. The shares are held in trust for three years after which if the employee is still with us, the shares will transfer to them. This scheme recognises the importance of our staff in our business, allows them to be part of Summerset's ongoing success and will help in our efforts to motivate and retain quality staff.

Summerset also holds an annual staff awards called the Applause Awards where staff nominate team mates who go above and beyond for our residents and colleagues. This is a celebration of the fantastic work and commitment our staff put in across the business and you can see some of the winners in the pictures overhead.

Keeping people safe is crucial for Summerset and 2015 was a big year in this area. We reviewed our processes and created a new plan for improving our health and safety culture to continually improve safety for residents, staff and visitors. This included setting up guidance and training for staff and employing a full time Health and Safety Manager to oversee our strategy. We're also currently rolling out an online system to manage and monitor our health and safety incidents and risks.

This year sees good progress in two of our flagship Auckland projects. The village centre in our Hobsonville village has opened and is a great addition to this village. Also our Ellerslie village launches this year with the first retirement units being completed towards the end of the year and the village centre well under construction and completing in the second quarter of next year.

Summerset is committed to ensuring our care services grow to meet the needs of our residents. 2016 will see us deliver a first in this area with the opening of our first dementia wing. This specialised, modern wing is currently being built as part of our existing village in Levin. We will start to incorporate dementia into all of our future village developments.

Before I complete my speech, I would like to take this opportunity to personally acknowledge the contribution Norah Barlow has made to this business and to this sector. Only 19 years ago, Norah and John O'Sullivan, our founder, set upon building a retirement village on the site of the Wanganui East Tennis Club and Summerset was born. She has been with Summerset providing guidance and direction ever since and I can only imagine what this ride has been like. Her lasting legacy is not only this business as it exists today but Summerset's philosophy of respect and empathy for our residents. Norah was also the President of the Retirement Villages Association for many years and played a central role in the establishment of the regulatory environment for retirement villages in New Zealand. This is well known as one of the leading regulatory environments globally and we have frequent visitors to New Zealand to learn about this. Norah, thank you for everything you have contributed to Summerset over the years.

I would like to finish by thanking you, our residents and staff. Our residents and staff continue to build Summerset's reputation as fun, welcoming, supportive communities where people can choose how they want to enjoy their retirement years. Our investors provide us the resources to be able to build new homes and develop our existing villages. All of this combined continues to build Summerset's reputation as one of New Zealand's leading retirement operators.



## **ENDS**

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## **ABOUT SUMMERSET**

- Summerset is one of the leading operators and developers of retirement villages in New Zealand, with 21 villages across the country. In addition, Summerset has five sites for development in Casebrook, Lower Hutt, Parnell, Rototuna and St Johns, bringing the total number of sites to 26.
- It provides a range of living options and care services to more than 3,500 residents.
- Summerset's senior management team is led by CEO Julian Cook.
- Four-time winner of Retirement Village of the Year.
- The Summerset Group has villages in Aotea, Dunedin, Ellerslie, Hamilton, Hastings, Havelock North, Hobsonville, Karaka, Katikati, Levin, Manukau, Napier, Nelson, New Plymouth, Palmerston North, Paraparaumu, Taupo, Trentham, Wanganui, Warkworth and Wigram.