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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 2020 and our first virtual AGM.

Coronavirus

I don't need to tell you that this year's meeting is taking place amidst the most extraordinary circumstances with the global response to COVID-19 coronavirus dominating our lives and, of course, the operation of our retirement villages and care facilities.

Firstly I would like to acknowledge the anxiety and challenges COVID-19 has placed on our residents and their families, who are of course unable to visit their loved ones during the lockdown, and also on our 1,500 staff who are working very hard behind the scenes to keep our business running smoothly. Many people are making sacrifices currently and on behalf of the Board I would like to thank the efforts of our staff and the understanding and assistance of our residents and families.

My comments this year will be focused on our response to the pandemic as that has become the centre of our operation and will be for the foreseeable future.

Like so many other businesses around the world, COVID-19 has a significant impact on Summerset.

Our priority through this time is keeping our residents and staff safe. We have been preparing for COVID-19 since January and we have taken a series of successive actions as the crisis developed. Measures which we have in place now include staff manning entrance gates to restrict visitor flows with gates being closed at all other times, provision of a grocery ordering service so residents do not need to leave the village, delivery of parcels dropped off for residents at our gates, extra staffing levels in our care centres, health, travel and contact status declarations for all visitors, temperature scanning for staff, admissions to care centres require a negative COVID-19 test, 14 day isolation for all admissions into care centres, including the use of full PPE by staff caring for these residents, face masks being worn by all staff in our care centres as a preventative measure, social distancing protocols, requiring staff take paid sick leave for any sign of illness and COVID-19 testing for any staff showing signs of illness.

We have gone over and above Ministry of Health guidelines in many areas but believe these measures are justified, evidence based and provide an important extra layer of protection for residents and staff.

At this point in time none of our residents or staff have tested positive for COVID-19.

The Board has been pleased with the effort and diligence of the Summerset response to date.

Supporting our staff through this time is very important. In addition to increasing staffing levels we have also increased weekend allowances and provided an increase to wages through the level four alert period and part of the level three alert period.

The pandemic is having a significant impact on the business. There is additional cost being incurred in our villages, much of which I have outlined above, and sales of retirement units through the level four alert period have practically ceased.

However, the business has sufficient reserves and will survive through this crisis. In particular we have access to \$400 million of unutilised debt facilities and we have substantial headroom within our banking and bond financial covenants.

We have also reduced costs in our corporate office and development and construction teams. Around 260 staff are now on a 4 day week which sees our wage costs in this area reduce. Following a consultation period with staff, this commenced on Monday 20th April. This extends to the CEO and Executive Leadership Team. The Board has also agreed to reduce its fees by 20% as long as this lasts.

We have just moved into a level three alert across the country. We do not know how business conditions will evolve but I stress that we are in a good position to weather a prolonged downturn and, when the time comes, we will be ready to take advantage of the opportunities that will arise.

As we emerge from the current restrictions we will be watching business conditions closely, particularly we will be watching progress on sales of retirement units. There is a general expectation that the property market will slow and prices may drop. We have been through these times before and we will get through the coming challenges. The needs based nature of demand for our villages will assist this.

We will also be modifying our investment programme in response to conditions. We have indicated that we will now build in the order of 300 to 350 retirement units for 2020. This is down from 400 prior to the pandemic. Over the level four alert period our construction sites were shutdown. These sites are now remobilising. Due to protections being put in place to provide for safe social distancing, less workers are able to be on site at any one time and therefore the timeframe for completing construction projects will increase.

Looking further into 2021 and beyond the majority of our investment programme has not been committed to. Through the year we will be making decisions on the level of investment we will make. We have the benefit of a large number of sites across the country which we are either building on or plan to build on. We also benefit in that nearly all of our investment programme involves broadacre villages. These consist of a main building and then a series of stages of single level villas. Each stage of investment is

relatively small and we can start and stop them quickly. As such we have a good degree of flexibility as to our investment level in the future.

In terms of our financial performance over 2020 and beyond we are not in a position to give any guidance at this stage. Also you will have seen many companies cancel or defer their dividends this year. We paid a dividend in March relating to our 2019 year. The Board will consider the issue of dividend payments through the year but I do wish to signal that there is a potential that we do not pay a dividend for 2020.

Last year now seems like an eternity ago, but I will briefly run through our progress in this year.

General

Summerset is now in its 22nd year of operation with 31 villages completed or under development and a further 10 earmarked for development. This includes two sites in Australia.

We have more than 5,500 residents and 1,500 staff.

Business and financial performance

For the 2019 year we achieved:

- an underlying profit after tax of \$106 million, up 8% on 2018.
- A net profit after tax of \$175 million, down 18% on the previous year.

We sold 329 new occupation rights and made 323 resales.

Our operating cash flow for 2019 was \$238 million.

Total assets reached \$3.3 billion.

We made a total dividend payment for 2019 of 14.1 cents per share.

In 2019 we built 354 retirement units and opened three new retirement villages in Christchurch, Nelson/Tasman and Wellington.

We opened three new sites in 2019 and were planning to open three new villages in 2020. However, I note that given the COVID-19 situation, we will be re-visiting our build programme and it is possible one of these site openings will be delayed.

We purchased seven sites in 2019 in Whangarei, Cambridge, Blenheim, Prebbleton and Rangiora, and our first two Australian sites in Cranbourne North and Torquay, both in Victoria.

Australia

With regards to our Australian expansion, we still see this as an attractive path for us. We have lodged our consent application for Cranbourne North and are working on planning for Torquay.

We will be continuing on the path of planning and consenting these two sites. We are fortunate that when the COVID-19 crisis started we had not started to build up our Australian teams. This was planned for later in the year. We will be assessing market conditions through the year and making a decision on commencing construction on these sites as appropriate.

Operations

In late 2019 we agreed to considerable wage and allowance increases for our nursing and caregiving staff to position us as 'top equal' in the sector. We also flagged this investment in our annual results released in early 2020

We expect this investment in our people will translate into lower staff turnover, higher staff engagement and improvements in the level of care and service provided to residents over time.

In April, we also added an extra allowance for all village staff working during the level four alert to recognise the unique circumstances they are operating in. This will continue for around two weeks into level three and then will cease.

Looking ahead

This year we welcomed Venasio-Lorenzo Crawley to the board. Venasio-Lorenzo is the Chief Customer Officer at Contact Energy and an Advisory Board Member at the Auckland University of Technology. Venasio-Lorenzo adds a new set of expertise to our board with his background in strategy, IT, data analytics, digital technology and culture and brand. Venasio-Lorenzo is standing for formal election to the board in this meeting.

I am also standing for re-election to the board in this meeting. Having been Chairman of the company since its IPO in 2011 and in accordance with standard practice this coming term will be my last. The board is working through the appropriate succession planning.

Looking ahead is a tricky business right now as you will appreciate.

But while there is much uncertainty and rapid change in the world right now, we believe the business is well placed in the long run. We will face challenges over the coming months but the Board is focussed on ensuring that we take the appropriate actions to protect our residents and staff, ensure our villages are secure refuges for residents during these times, and that we prudently manage the business.

As this crisis passes there will be significant opportunities in our market and we want to be well placed to take advantage of them.

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 online with us today.

Coronavirus

Firstly, I'd like to add to Rob's update on our COVID-19 response.

As of today we have seen 19 deaths in New Zealand from COVID-19. These deaths are tragic and we all extend our sympathies to those involved. However, it is also clear that as a country we have avoided the worst of the pandemic. We have seen what has happened in places such as Italy, Spain, New York, Britain. Hospitals have been overwhelmed and the rates of death have seen hundreds dying each day. Many of the deaths overseas have been in aged care facilities which by their nature care for society's most frail.

New Zealand has benefited by its remoteness, lower density living arrangements, more integrated health system and by the early move by the government to impose severe restrictions on the country to stop the spread of the virus.

In New Zealand COVID-19 has made its way into around seven aged care facilities and a number of the deaths relate to these facilities. Our priority has been to keep our residents and staff safe. This is quite simple in these times: keeping COVID-19 out and being prepared to manage it very carefully if it does get in.

I am pleased to say that today we will still do not have any residents or staff who have tested positive for COVID-19. As the level of infection reduces in this country the chances of it getting into one of our villages or aged care facilities reduces also.

However, as has been seen in countries such as Singapore and China, the virus can re-emerge quickly and it is likely we will face dealing with this virus for some time. How long we cannot tell.

Rob has covered a number of the measures which we have in place to keep residents and staff in our villages safe. Our pandemic response has been evolving since January with a Covid-19 Response Team comprising myself and a number of key executives in the business meeting regularly since then.

The rapid spread of the virus saw us make a number of moves to protect our villages. This has involved a large amount of work from many people throughout the business. In many areas we have reallocated staff from other workstreams to focus on our COVID-19 response. Our business plan for 2020 is now: respond to COVID-19 in a way that protects our residents' and staff health and wellbeing, and ensure Summerset as a business gets through in good health too.

We restricted access to visitors who had travelled early, we extended these travel bans early, we restricted visitors to care centres before Ministry of Health guidance, we instituted 14 day self-isolation for new residents in care centres before guidance. Currently we are insisting on new admissions to care having a negative COVID-19 test. This is counter to the Ministry of Health policy but we believe this is necessary for the protection of our residents. We also bought additional supplies of protective personal

equipment early. Today we have all staff in our care centres wearing face masks as a preventative measure.

As well as health, the welfare of our residents is important. Across our sites staff have been checking in and engaging with residents, with the appropriate social distancing. Centrally we have provided an online wellness centre on our website for residents, we have provided weekly fitness videos, regular communications to residents and families and also set up a grocery ordering service through our own food suppliers. In the early days of the lockdown most supermarket delivery services were overwhelmed. This service ensured residents had access to food and supplies without having to leave the village. Many families have also come to sites to drop off food parcels for residents which our staff have then delivered.

On each site staff have also organised various activities, quizzes, virtual happy hours, Easter Egg drops, ANZAC gifts and many other things.

Many of our residents have commented that they feel very secure and supported being inside a Summerset village through this crisis.

In our care centres the lack of contact with loved ones has been difficult. We have put iPads and mobile phones into all of our care centres to provide for video and normal phone communications with families. This has proved very popular. We have also set up a system to provide for remote General Practitioner consultants to speed up their work and further reduce the requirement for onsite visits.

The country has just moved into alert level three. For us there is not a lot of change. All of the protections present in level four in our care centres will continue. For our village residents we will start to permit each resident to have a visitor who is able to come to visit. This is in-line with Prime Minister's guidance that people's bubbles can be expanded, but only every-so slightly.

Throughout level three we will keep all of our recreation areas, cafes and pools closed. We will not run any Summerset organised activities either in the village or outside of it. As we move to level two we expect to be able to start to bring these things back.

In level three we will commence sales of retirement units again. We have been taking admissions to care centres through level four subject to strict criteria. We have developed careful and safe protocols to allow viewings of units by appointment only. We will be providing virtual tours of our facilities and homes to again reduce the amount of contact required.

At the end of the first quarter of this year we had a total of 98 new sales contracts in hand and 73 resales contracts. These are still in place and we will be working with these people over the coming weeks and months.

Challenges ahead for incoming residents will include how to sell their home in a weaker property market and how does their real estate agent conduct viewings of their home. We have developed a series of tools to assist residents to move quickly into a Summerset retirement unit. This will allow them to not be present in their home while it is shown to prospective buyers and will provide them additional time to sell their home.

You can see there have been huge changes to way we do business in the last two months. I would like to acknowledge our staff and our board in this. From my Executive Leadership Team down to our frontline housekeepers, caregivers, nurses and gardeners I have seen a huge amount of dedication and effort. People have worked tirelessly to put these new systems in place and then operate them to keep our residents and staff safe. To all of our staff, my sincere thanks and gratitude. Also to our board, I would like to say thank you. The business has moved very quickly and our board has guided and enabled us to make the changes we have made. This has required very quick turn arounds on decisions and a willingness to invest in important parts of the business, ie our front-line staff and systems.

Business and financial performance

I will now turn to other matters. Our strong underlying profits and cashflows from prior years puts us in a good position to navigate this current crisis. Importantly our debt funders are very supportive and we have a diversified range of debt funding with two bond issues as a strong banking syndicate.

Rob has talked about some of the measures to control our costs such as moving many corporate staff to a four day week. This includes myself and the Executive Leadership team. As Rob has noted, the board has also volunteered a 20% reduction in director fees.

We have a range of other cost control measures in place. These primarily relate to new hiring and projects within our corporate teams.

We are also considering our investment in new villages carefully. We expect continued good demand for our villages, particularly the new sites we have acquired, but will take a cautious approach to investment through the coming downturn.

Late last year we received resource consent for our St Johns project. We had previously been declined a consent by the Auckland City Council. On appeal to the Environment Court, and with some modifications to the design, we have been able to secure a consent. We are in the early stages of site preparation and earthworks on this site.

Another long-standing consent process has been our Lower Hutt village. Earlier this month we received a draft decision providing consent for our plans subject to meeting some specific concerns. We are confident we will meet these whilst retaining a viable project. We expect a final approval later this year. After this we will move into earthworks.

Both of these projects will be substantial undertakings. Both villages have very good waiting lists for prospective residents already. By the time we are ready for construction on these villages we should have a good picture of how the country is coping with COVID-19. In a worst case scenario, we could delay construction if required.

One of our big points of difference in our new villages is our award-winning dementia memory care centres. As New Zealand's population ages, the incidence of dementia is set to triple. Late last month we opened a next generation memory care centre at our Casebrook village in Christchurch. The purpose-built centre has 20 large one-bedroom apartments within a secure and homely environment for people living with dementia.

We will be opening these memory care centres in our new villages – including those in Australia. The next memory care centre will open at Rototuna in Hamilton later this year.

We were also very proud to be accredited this month as a Dementia Friendly Organisation early this month. This is the outcome of two years' work to meet the seven international Dementia Friendly Recognition Standards across all our villages and corporate offices.

Looking forward

While Summerset is in a difficult and challenging period alongside the rest of the business community, we are well placed to come out on the other side.

Our business is essential, it is resilient, our staff are professional and resourceful, and the plans we have in place stand us in very good stead.

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 31 villages completed or in development across the country. In addition, Summerset has eight sites for development in Milldale (Auckland), Parnell (Auckland), Prebbleton (Canterbury), Rangiora (Canterbury), Waikanae (Kapiti Coast), Blenheim (Marlborough), Cambridge (Waikato) and Lower Hutt (Wellington), plus two properties in Victoria, Australia, bringing the total number of sites to 41.
- It provides a range of living options and care services to more than 5,500 residents. The Summerset Group has villages in Aotea, Avonhead, Bell Block, Casebrook, Dunedin, Ellerslie, Hamilton, Hastings, Havelock North, Hobsonville, Karaka, Katikati, Kenepuru, Levin, Manukau, Napier, Nelson, New Plymouth, Palmerston North, Papamoa Beach, Paraparaumu, Richmond, Rototuna, St Johns, Taupo, Te Awa, Trentham, Wanganui, Warkworth, Whangarei and Wigram.