



Summerset Group Holdings Limited  
Level 27 Majestic Centre, 100 Willis St, Wellington  
PO Box 5187, Wellington 6140  
Phone: 04 894 7320 | Fax: 04 894 7319  
Website: [www.summerset.co.nz](http://www.summerset.co.nz)

## **NZX & ASX RELEASE**

**24 April 2024**

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

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

##### **Introduction**

It is my pleasure to address you today at my third annual general meeting as Summerset's Board Chair.

Over the past year Summerset has proudly continued to deliver value for our residents and shareholders during one of the most challenging periods we've experienced as a company.

We achieved record sales of Occupation Rights, delivered our forecasted new homes, including our first Australian homes, and continued to strengthen our development pipeline.

We also continued to experience strong demand for our offering. This was assisted by a growing population aged 75+, along with the desire for improved lifestyle, health, and a greater sense of community. Summerset is now home to more than 8,000 residents.

Another key achievement was releasing our first Sustainability Review FY18-22 document around the time of last year's AGM. The report documented the first five years of our sustainability work and the significant progress we've made to date. It was our first step into ESG (environmental, social and governance) reporting and shows how we are contributing and working to have an impact beyond just the environmental aspects of our operations.

We've since released our first Sustainability Review and Climate-Related disclosures document alongside our FY23 Annual Report.

We're proud of our sustainability record and to be one of the first companies in the country to release our climate-related disclosures. A copy of this report is available on the Summerset website or on the Climate-related Disclosures Register held by the New Zealand Companies Office.

I will now provide a brief outline of our progress in the 2023 financial year, and of course these are fully detailed in our Annual Report released in February.

##### **New Zealand growth**

Summerset has been participating in growth in the sector, with people over the age of 75 years projected to almost triple in the next 50 years. We currently reinvest significant operating cash flows back into the business to finance future growth. In 2023 we invested \$668.5 million in the business, primarily in relation to new and existing retirement villages and care centres.

The last year proved the value of our flexible build programme and how it can support business performance and what is being experienced in the economy. After taking a cautious approach to the first half of the year, deliveries were weighted to the second half of 2023 in line with improving market conditions. While we had budgeted to deliver at the lower end of our 2023 guidance, we still managed to close out the year having delivered a record 682 units in New Zealand.



Summerset's total unit portfolio reached 7,371 and at year end there were only 408 new units and 156 resale units available for sale.

After purchasing two further sites in New Zealand in 2023, at Rolleston and Mosgiel we will look to bolster our land bank further in 2024 – with a number of good opportunities already progressing well.

Across both Australia and New Zealand we have the potential to build a further 6,909 units and care beds, roughly double the size we currently are. We have the ability to scale up or down as a result of focusing on the building of broadacre villages. Summerset holds New Zealand's largest retirement village land bank and has been the top listed retirement village builder in New Zealand for several years. Again in 2023 our build rate meant we were also one of the top residential builders in the country.

## **Australia**

We are very pleased with the progress of our Australian business.

Our first site to be consented and commence construction in Australia, Cranbourne North, has reached a significant milestone welcoming its first residents last month. The second stage of the development is progressing well, and work will commence on the village's main building this year.

Enablement works are underway and construction will begin shortly at our second village, Chirnside Park. We have two further sites consented to proceed, and three others progressing well through their planning processes as we build a strong land bank and have a high percentage of our sites consented to provide our build programme with the flexibility required as demand and supply necessitates.

## **Operations**

Summerset's purpose is "bringing the best of life" and the business is continually looking for opportunities to innovate and improve on the experience provided to residents in all our villages.

We continue to invest in technology to enhance the lives and experiences of our residents around the country. In our care centres we have commenced the installation of ceiling hoists above beds, giving staff the ability to assist residents with more comfortable and safe access to their bed.

The roll out of our resident experience services platform Lumin is progressing well and is now installed at seven of our villages with a further eight to follow over the next 12 months. Summerset remains one of the few village operators in the country to offer similar technology to residents.

Our emergency preparedness and responsiveness was tested in 2023 with Cyclone Gabrielle. Following the event, we completed a comprehensive review of our actions and preparedness and have made changes including purchasing more generators, installing Starlink wireless broadband, and updating our Emergency Response and Business Continuity plans based on lessons learned from the event.

Overall, we were very pleased firstly that our residents and staff were unharmed during the cyclone and that our villages all went without serious damage. It was a testament to the village teams in the Hawkes Bay in particular how they supported and cared for our residents during a scary and uncertain time.

## **Sector challenges**

Our care offering, and our continuum of care model, is a very important part of why residents choose to live at Summerset. As a large company Summerset can, and will, continue to keep providing care. While we continue to be committed to providing the very best care possible for our residents and we are investing

in care, we are rationalising our care offering. Our future care centres will be smaller and will be targeted primarily at providing a continuum of care to our village residents.

Summerset, and many other aged care sector operators, continue to be very concerned about government underfunding in the wider aged care sector. The population of New Zealanders over 85 is set to triple over the next 25 years, and estimates indicate at least another 40,000 aged residential care beds will be needed.

Instead of the necessary growth, underfunding contributed to 1,000 aged care beds being permanently closed across New Zealand last year. Successive governments have failed to invest in aged care, and the sector has become unsustainable.

We continue to support the New Zealand Aged Care Association's work to highlight the underfunding of aged care. Without aged care beds, more elderly New Zealanders will end up in hospital beds which will impact all New Zealanders who need hospital care.

In 2023 the Ministry of Housing and Urban Development commenced a review of the Retirement Villages Act. I can confirm that most of Summerset's practices already align with proposals in the review, for instance we stop weekly fees after someone vacates their home, there are no charges for maintenance and repairs and we have worked hard to create plain English documentation.

## **Board matters**

As signalled in our half year report the Board undertook a review of our dividend policy to ensure it remains appropriate for the business moving forward.

Our review involved benchmarking against comparable NZX and ASX companies, testing alternatives and seeking feedback from a range of investors. Having examined a number of options we determined to stay with our current policy subject to adjusting the payout range.

During the review it was also highlighted to us that it was important to investors that our dividend policy be free from technical adjustments, so it can be forecast by the investment community and easily understood by retail investors.

With this information in mind, the Board decided to leave the dividend measure of underlying profit unchanged for now. However, the policy range of paying 30–50% of underlying profit was slightly narrower than it needed to be, so in order to be more flexible and prudent in our approach we have opted to move to 20–50% of underlying profit.

This change gives us more scope to reinvest profits when needed or desirable, and provides the business with flexibility to pursue the significant growth opportunities in New Zealand and Australia. Our focus remains on participating in the ongoing investment growth in the sector, whilst maintaining appropriate capital and funding settings. To the extent that our settings allow and assuming excess cash continues to be available, our policy will look to continue dividend distributions to shareholders to maximise returns.

## **Looking ahead**

The economic outlook remains uncertain and we continue to see broader tough property market conditions.



We remain on track to deliver the 675-725 new homes in 2024, including significant deliveries in the second half of the year, with the planned openings of our St Johns Village, and the main building at our Boulcott Village.

Key to our 2024 financial performance will be executing new sales at these villages, as well as broader sales and resales elsewhere.

We will be providing our next sales updates after the end of the first half of this year, in July.

I'd like to thank my fellow Board directors for their work and support over the last year and to thank the Summerset team for all that they do in supporting our purpose and vision.

Thanks also to our shareholders for their support and trust in us as we work to continue to grow and build excellent retirement villages.

I will now hand over to Summerset's Chief Executive, Scott Scoullar.

### **CEO's Address**

Thank you, Mark.

Tena koutou katoa, good afternoon everyone.

As Mark mentioned, we experienced another very challenging year in 2023, having to adapt to rapidly increasing inflation, recruitment shortages, a falling residential property market and the devastating effects of Cyclone Gabrielle. This was on the back of managing the impact of COVID-19 in our villages for the last 3 years.

However, through it all, our almost 11,000 residents and staff have yet again shown what a great place Summerset is to live and work. It was a highlight for me to see resident satisfaction in our villages was 96% for those living independently and 95% for those in care, and that our staff engagement increased to 8.1 out of 10.

We were named the Best Provider Nationwide' in the Aged Advisors annual People's Choice Awards – an award that is voted on directly by residents and their families, and we also won gold for the 2024 Readers Digest Quality Service Awards.

These are all really pleasing endorsements of our work that show what Summerset offers really resonates.

There are also some other highlights in 2023 that I'd like to touch on:

- Our construction teams worked across 18 sites in New Zealand and Australia to deliver a record number of new homes;
- We opened 4 new villages in NZ which is typically only 2 each year;
- We continued to grow our development pipeline;
  - In New Zealand, achieving resource consent for our sites at Half Moon Bay in Auckland and Kelvin Grove in Palmerston North, and announcing the purchase of two new sites, both in the South Island, in Rolleston and Mosgiel;

- In Australia, delivery of our first homes.

These are just a few of the highlights in a very pleasing year, but I will now take the opportunity to focus on some of the key areas of our business performance during 2023.

### **The first thing I would like to talk more specifically to is Growth in our portfolio**

I earlier mentioned the delivery of our first homes at our first Australian village, Cranbourne North. This really is a major milestone for us, and soon we will commence construction at our second village in Victoria – Chirnside Park.

In New Zealand we completed our Kenepuru and Hobsonville villages, completed village centre buildings at Bell Block and Te Awa, handed over the first homes at our Cambridge, Boulcott, Waikanae, and Milldale villages, and we also commenced construction at a number of sites including Rangiora and Half Moon Bay.

Work is also progressing well at our other New Zealand sites under development, including our St Johns village in Auckland, with four of the seven multi-level buildings to be opened in a grand first stage later this year which will include the main building, care centre and 60% of the village's apartments.

Our planning and supplier relationships have meant that we've kept a tight lid on construction costs over the last year. This has led to a very healthy development margin through 2023 of 31.6%, well above the 20-25% guidance we gave last year.

Our design and consenting programme positions us well for growth in both New Zealand and Australia. In New Zealand we have a very well diversified portfolio with approximately 75% of our land bank consented, and in Australia we plan to mirror that to have a high percentage of sites consented to allow us to flex our build programme as demand and supply dictates.

Australia continues to offer good growth opportunities for us. Melbourne's Oakleigh South and Craigieburn sites are now consented, and this month the Surf Coast Council approved our Development Plan allowing us to proceed with our new village in the iconic coastal community of Torquay.

Our other two sites of Mernda and Drysdale are progressing through their processes, and we are now looking at Queensland as the logical next step in our strategic growth there. This move will provide us with more diversity in our portfolio and allow us to manage market movements with greater flexibility.

### **The 2nd thing I would like to talk more specifically to is Life in our villages**

For more than 25 years, we have been dedicated to creating retirement villages that go beyond providing homes and evolve into thriving communities.

We introduced a suite of holiday homes offering short term accommodation for residents and their friends and family. This was across three villages and due to its success we plan to roll it out wider in 2024.

We also increased the range of events offered to residents to include a Best Garden competition, a nationwide Summerset Challenge Quiz, and retained our successful "Summerset Sessions" entertainment series.

In the design space we continue to review how our village greenspaces look and feel – things like children's playgrounds, wider streets, community parks and new activities including indoor and outdoor golf ranges are all being looked into to see how they can be integrated into future designs.



We're also investing in our older villages, the care centres at our Levin, Havelock North and Trentham villages are all currently being updated to ensure that each village has a modern facility that meets the needs and demands of our current and future residents.

### **The 3rd thing I would like to talk more specifically to is Our ESG Reporting**

Summerset's ambition is to develop, build and manage more sustainable retirement villages.

We've been measuring, managing and reporting on our carbon footprint since 2017. We take our commitment to sustainability very seriously and we've worked hard to embed sustainable practices right across our business.

Our Sustainability Review and Climate-Related Disclosures FY23 Report released in February this year is the first time the company has reported its climate-related disclosures.

I'm also proud to add that Summerset was the first company to register the mandated Climate-related Disclosures with the New Zealand Companies Office.

Summerset won a 2023 Construction Sector Beacon Award alongside our Think Green programme winning the 'Best Operator led initiative' at the 2023 RVA Sustainability Awards.

We were also proud to be again recognised by Forsyth Barr in their second Carbon and ESG Ratings for NZX listed companies. We were again 11th of all NZX listed companies and the top-rated listed retirement village operator.

### **Last but importantly I will talk about Our people**

We are a people centred business with almost 3,000 staff coming to work each day. Without great people supporting our residents we wouldn't come close to achieving our purpose of bringing the best of life.

Our current staff engagement stat of 8.1 out of 10 puts us in the top 25 per cent of global healthcare providers using our engagement survey. This is a testament to the environment we foster at our offices, villages and construction sites.

One of the many aspects we improved this year for our people was our employee benefits. We introduced an improved parental leave offering, migrated our employee assistance programme to Telus Health and are preparing to launch our new staff wellbeing platform.

We also recognised that the cost of living was impacting our teams. To assist this we provided a one-off payment of \$250 to over 1,600 staff. Nearly 2,000 staff also received \$1,000 free Summerset shares as part of our annual staff share scheme.

To help staff looking to advance their careers we established a joint partnership with Careerforce that supports work-based learning and enables staff to achieve nationally recognised qualifications.

What's really pleasing is that we are also seeing these efforts pay off in our staff retention numbers, something that is a key focus in the aged care sector. By the end of the year, Summerset's staff retention had increased to almost 80%. For context, the wider aged care sector sees retention at less than 70%.

## **Closing**

In closing, I'd like to echo Mark's note of thanks to our investors and residents, and also to our Summerset team, their families and support networks for delivering us another very successful year.

Thank you, I will now hand back to Mark.

## **ENDS**

### **For investor relations enquiries:**

Will Wright

Chief Financial Officer

[will.wright@summerset.co.nz](mailto:will.wright@summerset.co.nz)

### **For media enquiries:**

Louise McDonald

Senior Communications Advisor

[louise.mcdonald@summerset.co.nz](mailto:louise.mcdonald@summerset.co.nz)

021 246 3793

## **ABOUT SUMMERSET**

- Summerset is one of the leading operators and developers of retirement villages in New Zealand, with 38 villages completed or in development nationwide
- In addition, Summerset has six proposed sites at Half Moon Bay (Auckland), Rotorua (Bay of Plenty), Palmerston North (Manawatu), Masterton (Wairarapa), Rolleston (Christchurch), and Mosgiel (Dunedin)
- Summerset also has two villages in development (Cranbourne North and Chirnside Park) and five other properties in Victoria, Australia (Craigieburn, Drysdale, Mernda, Oakleigh South and Torquay)
- Summerset provides a range of living options and care services to more than 8,000 residents