



# Metlifecare Limited

## Investor Presentation

27 September 2010



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# 2010 Results

- **Summary**
- **Market conditions**
- **Initiatives**
- **Operational performance**
- **Financial performance**
- **New Funding**
- **Outlook**



# Summary

- Metlifecare operates 17 lifestyle retirement villages incorporating 10 care facilities
- In all, Metlifecare operates 2,531 villas and apartments and 466 care beds providing a continuum of care for more than 3,300 residents
- The Serviced Apartments (15) at Metlifecare The Poynton were opened in December 2009 followed by Stage 2, buildings 3 & 4 (47), in April 2010 bringing total apartments to 140
- Occupancy levels improved from 88.2% to 90.2% (excluding The Poynton which is 30% occupied) across villages and remains at 96.7% across all care facilities
- FY10 was a record year for settlement numbers and cashflows from licensing and relicensing were \$42.1m, up from \$27.2m last year
- Reported Profit of \$67.5m for year driven by non-cash, non-operating items including the revaluation of investment properties of \$73.2m
- Investment properties now \$1.268 billion from \$1.129 billion



# Market conditions

## → Impact of global environment

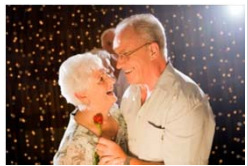
- Early FY10 receding of global concerns stimulated the market
- FY10 benefited from good opening stock levels across the entire portfolio

## → New Zealand finance market

- Bank credit terms remained restrained, 35% housing lending approval rates
- Lack of credit restrained supply of new builds, credit loosening in late FY10
- Consenting applications followed this trend, increasing in late FY10

## → Demographics

- Over 20,000 pa growth in + 65 age group in New Zealanders  
(source : Treasury)



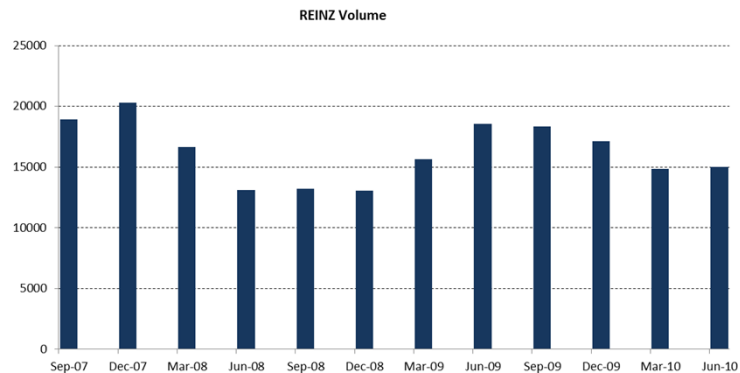
# Market conditions

## → Residential property market volumes

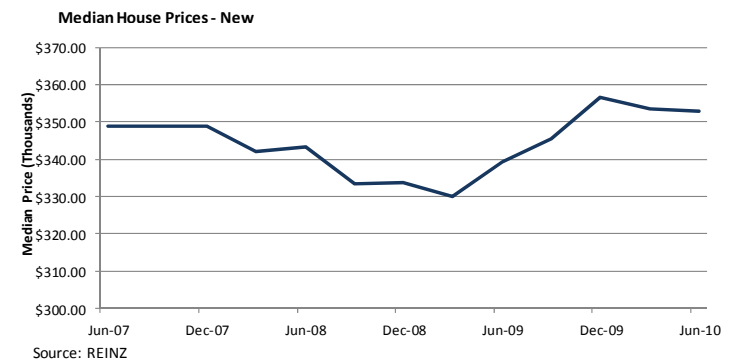
- The ability to enter a retirement village almost always requires the sale of the family home
- Low sales volumes negatively impact the saleability of principal residences – volumes only marginally higher than 2008

## → Residential property market pricing

- Pricing in the residential property market has not been as significant an issue as volume during the last 12 months
- If prospective residents cannot sell their houses due to insufficient buyers they have generally deferred sale rather than discounting



Source: REINZ



Source: REINZ

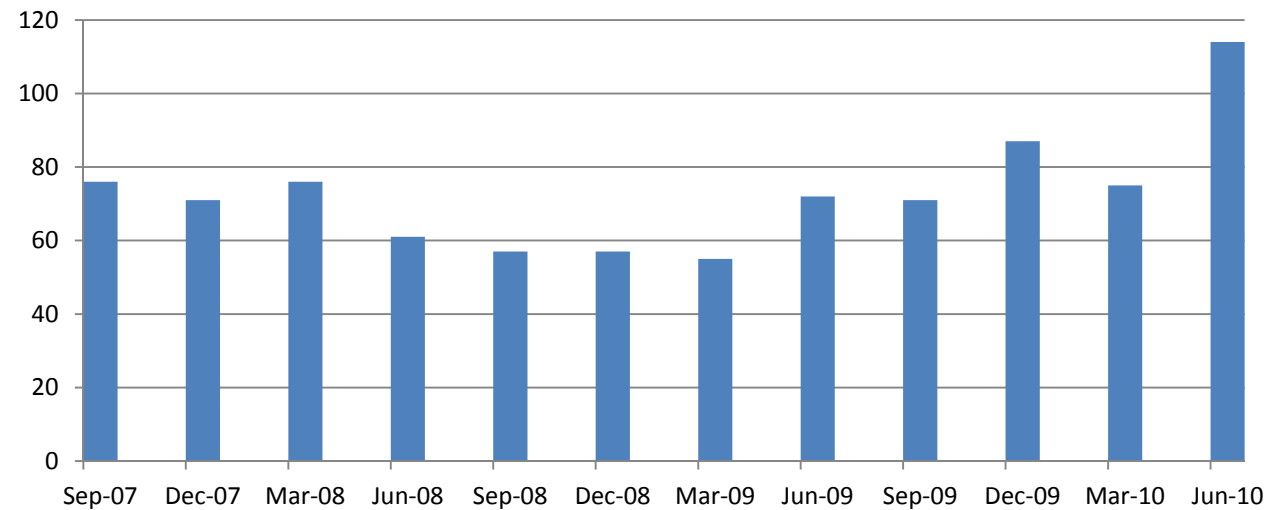


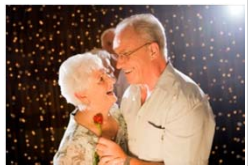
# Market conditions

## → Demand

- Leads and enquiries remained strong through the 12 month period
- The number of settlements for the 12 months to 30 June 2010 was 44% above FY09 levels and 22% above FY08 numbers
- Long term demographics remain compelling for the industry

## Settlements per Quarter





# Initiatives

## → Incentives to attract new residents

- Aid with the costs of moving into a retirement village including legal costs, marketing costs in relation to sale of own home or moving costs

## → Expenditure reviews

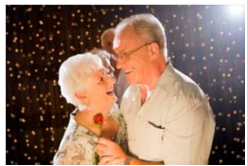
- 2010 budget focussed on challenging the business to maintain quality and achieve more with less
- Flatter management structures improved accountability and outcomes
- Capital expenditure projects were approved on their merits
- Maintenance programs were closely managed to ensure on-going compliance with regulations





# Operational performance

- **New Sales (Licensing)**
- **Resales (Relicensing)**
- **Occupancy**
- **Developments**



# Operational performance

## → New Sales

- Stock levels were reduced over the course of the year
- Non Poynton sales stock now 17 (7 ILU's and 10 SA's), including 6 Wairarapa ILU's
- Poynton sales stock at 84 ILU and 14 SA. The village is currently 30% occupied

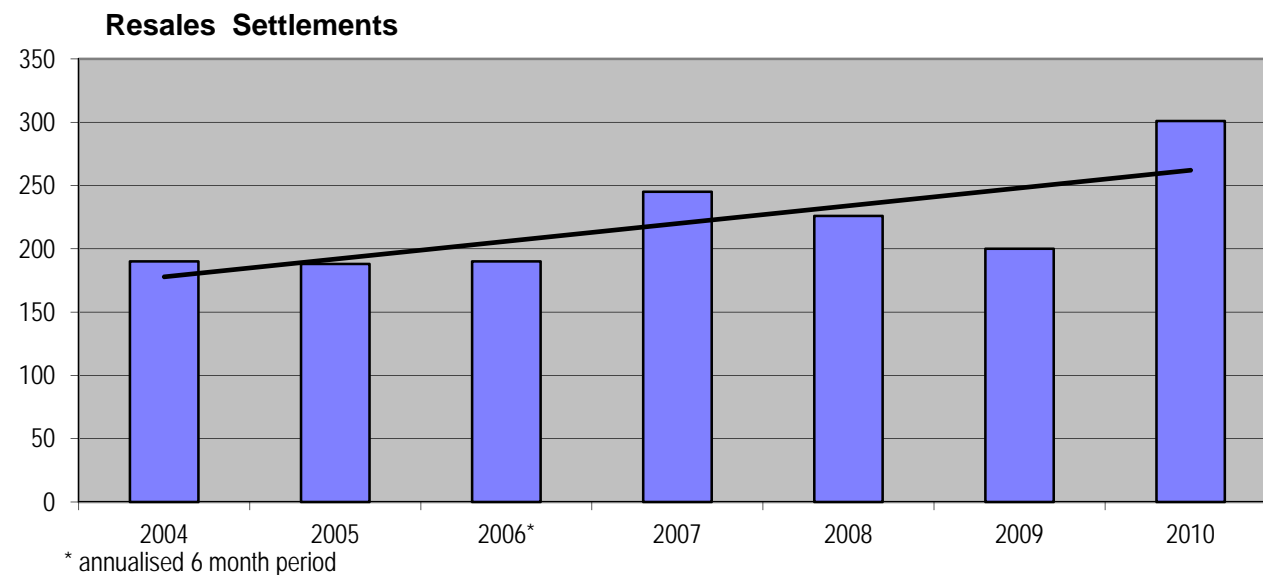
Settlements	FY10		FY09		FY08	
	No.	\$'000	No.	\$'000	No.	\$'000
ILU	39	22,656	29	13,397	39	16,203
SA	7	1,372	11	1,152	20	3,051
Total	46	24,028	40	14,549	59	19,254



# Operational performance

## → Resales

→ FY10 resales volumes up 50% on FY09



→ Deferred buying activity during FY08 and FY09 turned around in FY10

→ Indicative of long run increasing demand for product

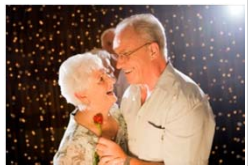


# Operational performance

## → Resales

Settlements	FY10		FY09		FY08	
	No.	\$'000	No.	\$'000	No.	\$'000
ILU	199	14,974	135	10,596	140	15,349
SA	102	3,100	65	2,016	86	4,257
Total	301	18,074	200	12,612	226	19,606

→ 50% increase by volume and 43% by value due to rise of resales



# Operational performance

## → Occupancy

- Average occupancy across the portfolio is 90.2% (excl. POY)
- Average occupancy for care facilities is 96.7%
- Some facilities are experiencing greater challenges than others, the metropolitan areas are performing better than provincial areas



# Operational performance

## → Developments

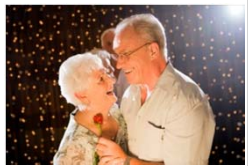
- The Poynton Serviced apartments (15) were handed over December 2009 and Stage 2 apartments (47) were completed in April 2010
- Stage 2 also delivered additional community facilities including the swimming pool, spa, gymnasium and croquet green.



View of Metlifecare The Poynton Buildings 3 and 4 with croquet green



Swimming pool at Metlifecare The Poynton



# Operational performance

## → Developments

- The table below represents the available future developments in existing villages
- The focus remains on The Poynton, however as demand grows outstanding development projects will be completed
- Redesign of Coastal Villas development has increased the potential yield from 19 to 32 units

<b>Development Pipeline</b>	<b>ILU</b>	<b>ILA</b>	<b>Total</b>
The Avenues		27	27
Crestwood		36	36
Coastal Villas	32		32
Greenwood Park	24		24
Merivale		38	38
The Poynton		121	121
<b>Total</b>	<b>56</b>	<b>222</b>	<b>278</b>



# Financial performance

- Trading Performance
- Cashflow
- Valuation





# Financial performance

## → Trading Performance

- After tax result attributable to shareholders was a profit of \$67.5m
- After tax result assisted by \$73.2m fair value movement in investment properties
- Trading performance reflects underlying core activities of care facilities, village operations, management fees, sales and marketing and support costs at the village level

	Year to 30 June 2010	Year to 30 June 2009	Year to 30 June 2008
	(\$'m)	(\$'m)	(\$'m)
Profit /(Loss) after tax attributable to shareholders	67.5	(115.7)	(53.1)
Add back:			
Change in fair value of investment properties	(73.2)	106.9	44.4
Amortisation, depreciation and impairment	5.6	4.4	1.9
Finance costs	8.2	13.2	10.0
<b>Trading performance</b>	<b>8.1</b>	<b>8.8</b>	<b>3.2</b>
Net relicensing cashflows	42.1	27.2	38.9
<b>Trading and relicensing performance</b>	<b>50.2</b>	<b>36.0</b>	<b>42.1</b>



# Financial performance

## → Cashflow

- Resales cashflow up 43% on FY09 due to 50% increase in volume
- 46 Sales in FY10 compared with 40 sales in FY09 and 59 in FY08
- The sales margin per unit has been positively impacted by the sale of premium Takapuna apartments in FY09
- Development activity in FY09 relates to construction of Takapuna stages 1 and 2

	Year to 30 June 2010 (\$'000)	Year to 30 June 2009 (\$'000)	Year to 30 June 2008 (\$'000)
Resales	18,074	12,612	19,606
Operations	3,145	(2,359)	(5,476)
Sales	24,028	14,549	19,254
	<b>45,247</b>	<b>24,802</b>	<b>33,384</b>
<i>Use of Funds</i>			
Development	(25,019)	(48,288)	(35,917)
Acquisition	-	-	(44,271)
Finance	(13,731)	(15,674)	(13,057)
Debt flows	(4,517)	8,121	81,571
Equity flows	-	29,766	(20,613)
<b>Movement in cash</b>	<b>1,980</b>	<b>(1,273)</b>	<b>1,097</b>



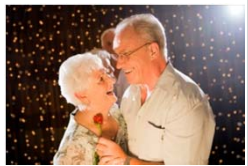
# Financial Performance

## → Valuation

	Group	
	30 June 2010 \$000	30 June 2009 \$000
Investment Properties under Development at fair value	19,397	-
Completed Investment Properties at fair value	627,033	534,873
<b>Total Valuation</b>	<b>646,430</b>	<b>534,873</b>
Plus: Refundable occupation right agreement amounts	687,297	647,819
Plus: Residents' share of capital gains	34,711	34,820
Plus: Deferred membership fee	39,535	38,297
Less: Membership fee receivables	(121,305)	(111,624)
Less: Occupation right agreement receivables	(18,492)	(22,847)
Plus: First time occupation right agreement receivables	-	7,430
<b>Total investment properties</b>	<b>1,268,176</b>	<b>1,128,768</b>

→ New valuer Darroch (DTZ) appointed for 2010.

→ Major assumptions: - selling price PPG (long run approx. 4%), Discount Rate (12.5%), Resident Rollovers (ILU 8 years/SA 4 years).



# New Funding

## → CURRENT BANK DEBT FACILITY

- Established May 2010 and expires 31 March 2013
- Aggregate Facility Limit currently \$180 million
  - Core Debt Facility \$95 million
  - The Poynton Facility \$85 million

## → The Poynton

- Facility subject to semi-annual limit reductions each June and December
- Debt reduction is via sales proceeds at The Poynton

## → Principal Financial Covenants

- Interest Cover Ratio
- Loan to Value Ratio
- Core facility Limit to Cash Flow Available for Debt Service



# Outlook

## → NZ economy expected to improve slowly in calendar 2011

- There is currently greater uncertainty than what we were expecting
- Sales and deposit taking are currently soft
- Provincial portfolio is considerably slower than normal
- Good sales still being achieved in Bay of Plenty

## → Metlifecare positioned for recovery with the NZ economy

- DMF and capital gain receipts not achieved during FY10 are held in the form of available stock (including balance sheet stock) and will crystallise as resale volumes improve

## → Earthquake

- We are happy to report that our Merivale residents are safe after the earthquake in Christchurch and there has been minimal damage to the RV properties and care facility.