

GATHERING



**Annual Shareholders Meeting
24 October 2017**

Chair and Chief Executive Officer Speeches

CHAIR ADDRESS: Kim Ellis

At last year's annual meeting I described the 2016 financial year as one in which Metlifecare changed gear. We had redefined our strategic priorities and established a strong platform to support our growth ambitions. We also committed to some challenging targets that would enable our investors and other stakeholders to measure our rate of progress.

One year on, I am pleased to report that all targets were achieved and we are now firmly established on our growth path. The Board is particularly pleased with the advancements in our development capability; the way we have outperformed market pricing growth, and the progress made on our resident care proposition and food and dining experience.

We are now on the way to transforming our organisation into one that not only satisfies today's customers, but also anticipates and meets the much higher expectations of the wave of baby boomers coming at us over the next couple of decades.

Financial Summary

We were pleased to report another record financial result for the year to 30 June 2017. Reported net profit after tax was \$251.5 million, 10% higher than last year's.

This performance was driven primarily by:

- excellent sales which saw us achieve strong price growth;
- continued high occupancy levels across all our villages; and
- significantly improved development execution.

Accordingly, Metlifecare's net tangible assets per share increased by 21% to \$6.43, and earnings per share increased by 10% to \$1.18 per share; both of these measures demonstrating the shareholder value that was added over the past year.

Despite lower unit sales due to less stock coming available, net operating cash flows remained strong over the year at \$133.8 million, driven by the higher margins and resale gains. Our underlying operating cash flows improved 2% to \$51.3 million. This is a new measure which includes the cash deferred management fees, cash realised resale gains and cash tax paid (and excludes development sales).

The strength of Metlifecare's balance sheet leaves it well-positioned to continue to fund future land acquisition and development as well as managing risk in the event of softening market conditions. We reduced our bank debt by 10% to \$72.6 million at 30 June 2017.

As a result of the recent acquisition of Scott Point and the Company's ambition to continue to acquire prime Greenfield sites, we are currently negotiating increased bank facilities.

Dividend

The Board paid a final dividend of 5.8 cents per share in September 2017, bringing the total dividend for the year to 8.05 cents - 40% higher than last year. We are aiming to maintain a dividend payout ratio of between 30% and 50% of underlying operating cash flows, being the operating cash flows of the business excluding development sales, which will enable the Company to balance shareholder returns with the need to invest in its existing portfolio and fund future growth.

Lifting our disclosure

We acknowledge the need to provide investors with a greater level of clarity and detail around performance. While the sector has a number of acknowledged performance measures, they are not calculated consistently and have therefore provided limited value to investors.

For our part we have undertaken to lift our game. We believe Metlifecare has already led the sector in the level of disclosure we provide to the market, however we have taken further steps to provide greater transparency in key areas, including:

- the independent valuation of our villages and their embedded value, with detail provided at village level;
- our corporate costs and how they are capitalised; and
- capital management, in particular how our debt is matched to existing assets, as well as how much of our existing debt capacity is required to cover the estimated costs to complete works in progress.

Our new measure of underlying operating cash flow reflects our true cash operating performance for the year, as well as providing the basis for determining dividends. We have also decided to reduce the significance placed upon the non-GAAP measure, underlying profit, in future periods due to the high level of judgment applied and difficulties with inconsistent reporting across the industry. This includes:

- judgments applied to the allocation of development costs to determine the construction cost of a unit. There are likely differences in the way realised development margin is calculated between operators;
- differences in the recognition of resales and development sales (Metlifecare recognises on a cash basis when settlement occurs, some operators measure on an accrued basis);
- timing differences between accrued DMF (as reported in underlying profit) and cash DMF (as included in operating cash flows); and
- differences between realised development gains and the full impact on future cash flows.

We believe this greater level of disclosure will enable investors to better understand the sector's key drivers as well as being better able to evaluate Metlifecare on its merits.

Diversified shareholder base

Just over six months ago, one of our two cornerstone shareholders, Infratil Limited, sold its 19.9% stake in Metlifecare to a range of investors. Infratil had held its stake since 2013. The sale has provided the opportunity for other investors to obtain shares and we believe that over the long term, the greater liquidity and breadth in the shareholder base will be of real benefit to the Company.

Looking ahead

Over the past 12 months we have significantly increased both our pace of change and our organisational capability.

In the year ahead, we are aiming to leverage this momentum and continue to drive shareholder value. Our future performance will be well supported by the high embedded value of our existing portfolio, as well as a strong balance sheet and operating cash flows. We are well positioned to comfortably fund future growth opportunities and withstand potential challenges of the property cycle.

The Board is feeling positive about the year ahead; we are investing in our strategy and are well prepared for the opportunities and the challenges that will present themselves over the next 12 months and beyond. We therefore expect to be reporting solid progress towards our goals during this period.

Acknowledgements

The improvements we have achieved at Metlifecare over the past year would not have been possible without the efforts of the wider team, consisting of over one thousand staff and several hundred contractors. It has been their passion for their work and commitment to delivering a quality experience for over five thousand residents that has enabled us to raise the bar in our business.

I would like to recognise the leadership of Glen and his Executive Team who are progressively transforming the business, bringing our strategy to life, and galvanising the entire organisation in the delivery of the strategic initiatives that are under way.

In the current financial year we note the recent departure of two long serving Executives - Chief Financial Officer Tristram van der Meijden, and General Manager Marketing Blanka Ros, who both left in September to pursue new interests.

In her eight years with the Company Blanka developed a deep understanding of our customers' existing and future needs, and has been responsible for the recent transformation of our brand and marketing approach. We thank Blanka for her valuable contribution and wish her well in her future endeavours overseas.

Tristram is highly respected by the investment community for his financial leadership and expertise, and we thank him for his significant and valuable contribution to Metlifecare over many years. I would like to acknowledge Tristram for providing us with six months' notice of his intentions which has enabled a seamless transition for our incoming CFO.

It is also my pleasure to formally welcome Richard Thomson as our new Chief Financial Officer. Richard brings a unique blend of corporate finance, investment and commercial skills to the role and we look forward to working with him over the coming year. Julie Garlick, who recently joined us as the General Manager Marketing, is unable to be here today. Julie brings a wealth of marketing experience from blue-chip organisations and we welcome her to the Company.

At Board level, we have also seen changes. Following Infratil's sale in April the Board's two Infratil director representatives, Kevin Baker and William Smales, resigned. I would like to acknowledge the expertise Kevin and Will brought to the Board and the considerable contribution they made to the Company on behalf of all shareholders.

However, Kevin and Will's departure provided the opportunity to refresh the Board and ensure we have the appropriate skillset to guide the Company in the pursuit of its strategic goals. In appointing Mark Binns and Rod Snodgrass as new independent directors, we have strengthened our development, construction and asset management capability as well as bringing in new customer experience and digital expertise. Mark and Rod are now standing for election at this meeting.

In addition, Alistair Ryan and I are also retiring by rotation, and are standing for re-election. You will have the opportunity to hear from Mark, Rod, Alistair and myself later in the meeting.

Before handing over to Glen, I would finally like to thank you, our shareholders, for your continued support of Metlifecare. The outstanding 2017 performance resulted from the combined efforts of the Board, our leaders and every person in the Company, and we are pleased to have rewarded you with improved returns.

Thank you. I will now hand you over to Glen.

CEO ADDRESS: Glen Sowry

Thank you Kim, and good afternoon, ladies and gentlemen. I am pleased to be addressing you, the shareholders of Metlifecare, to report solid progress over the past year and to share with you some of the exciting things we have in store this year.

I would first like to run through our operating highlights for the 2017 financial year. This was a year in which we lifted our game considerably across all parts of the organisation. I'm particularly proud of some of the things most people will never see but are critical to building a high-performing, agile and customer focused organisation. We have invested in our people; in new systems, processes and external relationships; and also in our brand and the proposition we bring to the market.

Gathering Pace

Last year I described our performance as setting a new baseline for Metlifecare as it moves into the next chapter of its evolution. In the year since, we have raised the baseline further - in what we are delivering to our customers; in the quality and delivery of our development activity; and equally importantly, in the value we have created for our shareholders.

- Kim has taken you through our record financial performance. I'd now like to emphasise what has been happening to drive this performance: being the quality of our portfolio and the high levels of demand for our villages. These factors have enabled Metlifecare to perform strongly in the market, maintain high levels of occupancy, and also continued to generate strong and positive cash flows.
- We exceeded our development targets – in the new units and beds delivered, in our development margin and in enhancing our land bank.
- We have developed a new, future-focused approach to design, as exemplified by our new Red Beach village, and our homestead-model care homes at Greenwich Gardens and Somervale.
- We have embedded our new philosophy of care across the organisation, resulting in a significant increase in the satisfaction of our care residents and their families.
- We have reviewed and completed long term maintenance plans and have subsequently developed some exciting plans to invest in the refreshment and regeneration of a number of sites.
- We have also lifted the food and dining experience - much to the delight of our residents - with the assistance of Simon Gault as our consulting chef.
- Most importantly, we have invested in - and increased the capability of – our people.

In summary, this year has been about building the momentum for change, and establishing new benchmarks for the experience we deliver our customers and the quality of our product. I have been delighted with the way our staff, contractors, suppliers and other partners have all embraced the challenge and are contributing to this momentum.

Our \$3.0 billion portfolio

Our 24 existing villages and four planned villages are located in high-growth, high-value parts of New Zealand, with many villages on sites that would be impossible to acquire today. We are positioned in the upper-quartile of our market, and with this comes understandably high expectations from our existing and future residents. Our aim is to take a leading market position in this segment and, as you will see, our village assets and the customer experiences we offer are continuing to evolve too as we find new ways to meet these expectations.

Strategic Goals

Last year I shared with you our refreshed strategy, in which we identified the three pillars that we believe will underpin the Company's future success and value growth. These are: the customer experience; accelerated growth; and commercial intensity.

I'd now like to briefly share with you some of the progress we have made in these areas and where we're heading.

Customer Experience

Our ambition is for the quality of Metlifecare's customer experience to become recognised as a key point of difference in the sector. We have identified some clear expectations and priorities to achieve this ambition:

Change is coming – understanding our customers

Over the past 18 months we have comprehensively researched our target customers, their families and decision makers to better understand their needs and expectations. Today's residents have different needs to those of ten years ago, and this will continue to change as the wave of baby boomers enters our market.

Our future residents want more. While they will still want the same baseline benefits from a retirement village - such as safety, security, freedom from maintenance and social connection available through village life - they will also want to maintain or improve on the quality of life they enjoyed in their own home. They will expect quality and choice. They want to maintain their external social hubs and connections with family and friends.

We are applying these learnings to customer experience, and this includes the way we design our villages; our care homes; independent living and care units; and common areas. Whether it's a new build or a refurbishment, we are putting careful thought into ensuring we're well positioned to meet the needs of our future customers as well as those of our existing residents.

Raising the bar

In redefining our strategy, we identified two areas where we wanted to clearly differentiate ourselves in respect of the customer experience we provide. These are Care and Food & Dining.

In May this year we publicly announced our new resident-directed care philosophy. The essence of our approach has been to empower residents to make their own choices, and to live as closely as possible to how they would in their own homes. Our teams have undertaken a significant amount of training as this approach is adopted across all of our care homes. We've been delighted with the increased levels of satisfaction from our residents and their families.

We have also incorporated the resident-directed philosophy into our care home design, and this is exemplified in our new homestead-style care home at Greenwich Gardens on Auckland's North Shore. The new facility is designed around a number of self-contained 'pods', with smaller, more intimate spaces for residents to relax or entertain family and friends. The new care home has been very well received by residents, and we are now looking forward to the opening of our second homestead-model care home at Somervale in Mt Maunganui and building several additional, similar, care homes.

On the food front, we all know how important good food is to our quality of life, and acknowledged there was room for improvement. So we sought advice from the best, and approached Simon Gault to partner with us in lifting the food experience for our residents. Simon has thrown himself into this initiative with total commitment and as a result, we have exciting menus which include Simon's own signature dishes; Simon has personally trained our kitchen teams; and our food offering has become a real focal point with our residents. This has in turn lifted demand and has been a key factor in driving the refurbishment of a number of our cafés and dining areas.

Investing in our people

To deliver on our ambitious goals and targets, we need to lift our capability as an organisation, and to do this, we need to support and empower our people and equip them to reach their potential.

We have a great team of passionate and dedicated staff and contractors, and we are investing significantly in programmes and initiatives that will enable our people to successfully achieve in their roles, both today and in the future.

I have been delighted in how our people have risen to the challenge. In the past year, we have provided more than 20,000 hours of training and development, which is the equivalent of 19 hours per employee. We invested around \$700,000 in training and development last year, and will look to continue to invest in this area. Many of our employees are therefore achieving additional NZQA level qualifications, enabling them to progress their career through the organisation.

We were also delighted that, despite being in an environment of increasing change, our overall level of employee engagement rose this year to 80% in the highly respected IBM Best Workplaces employee survey which was an outstanding achievement and testament to the quality of our leaders and the commitment of our people. We were particularly pleased to see a nine percent improvement in “having a clear vision in where we’re going”; substantial increases in confidence in the Company’s senior leadership, teamwork and collaboration across the business.

We are also heavily focused on improving our health and safety performance, and were pleased to have achieved AS/NZS 4801 certification, which provides us with a clear framework and auditable criteria, and recognises the standard we’ve achieved in our Health and Safety systems and practices.

Accelerated growth

In this area, we are focused on significantly lifting our development programme, to capture the opportunities presented by our growing target demographic. We have developed a clear land acquisition strategy, and are making good progress in the development of a robust and scalable development strategy.

Nailing targets and increasing capacity

This slide identifies the key areas we have prioritised to achieve accelerated growth, and meet our targets. I will cover off our progress in the next slides.

Last year we set ourselves some challenging development growth targets that required a considerable step up to achieve. We were very pleased to report that we met or exceeded all our targets for the 2017 year, including the delivery of 235 new independent living units, care units and care beds, more than double last year’s level.

Our development margin at 23% is well in excess of our minimum target of 15%. This achievement was driven by improvements in our planning, project management and cost management; and in the quality of what we produced and the prices we were able to achieve.

We also added to the land bank through the purchase of the new Botany site, on the edge of the Pakuranga Golf Club in East Auckland, and have also recently announced the conditional purchase of a new waterfront site at Scott Point, on the Hobsonville peninsula.

While these achievements are obviously very satisfying, even more so is the capability we have developed behind the scenes. Our targeted land acquisition strategy is supported by a modelling tool to enable the feasibility of potential sites to be analysed quickly and accurately. We have embedded new systems and processes around project management and procurement; and we

have also developed outstanding in-house design capability and development IP. This lift in capability has significantly improved our decision-making and the consistency of our delivery.

Another important achievement over the past year was the completion of a review resulting in updated long term maintenance and regeneration plans for our villages. We now have real value creation opportunities at a number of villages, either through brownfields expansion or refurbishment.

I'd now like to briefly take you through some of the development projects we have under way, to give you an insight as to how we are raising the bar for our existing and future residents.

New Botany Village site

This is a quick look at our outstanding new site in an area which is currently underserved for the very strong projected growth in our target demographic. We believe the location, adjacent to the Pakuranga Golf Club, will make this a genuine 'destination' village, with its fantastic views, relaxing environment and excellent local amenities.

Interest in this village is already strong, and we have been receiving dozens of queries about our plans ever since we announced the purchase of the site.

Scott Point Hobsonville

We announced the conditional acquisition of a prime waters-edge location to the market last Friday. The proposed village, of approximately 300 units and beds, is likely to have strong demand from a wide catchment and provide a unique offering in a rapidly-growing community.

New Red Beach Village design

We have re-designed the village to make it an integral part of the local neighbourhood with social hubs and community touchpoints.

After working with local residents and Council, we have effectively developed a 'village within a village', which will enable our residents to enjoy all the fit-for-purpose benefits of a retirement village and care, with the social benefits of an urban community. The resource consent for this concept was granted by Council in July 2017, and we are now well into detailed design with civil works planned to commence in the next few weeks.

These artist impressions of the new design show how the communal spaces will be far more integrated and how social hubs have been created to enable residents and their families to treat the village amenities as they would their local neighbourhood services.

The village will comprise a mixture of residential options, including independent living villas, manor houses, as pictured, and apartments and care apartments as well as a 40-bed care home.

Unlocking opportunities

Pakuranga village regeneration

The long-term maintenance review we conducted during the year uncovered some opportunities to capture better value from mature villages – particularly those located in high-value residential areas. Pakuranga Village is a case in point. On a great site, we have developed a regeneration plan including construction of a new homestead-model care home, enhancement of the communal space and adding new independent living units. We expect this development to significantly increase the village experience for our residents as well as the attractiveness and marketability of this village.

Pinesong regeneration

Our Pinesong regeneration project in Titirangi involves replacing the three level 19-unit Manukau apartment block that has been demolished with a six level 48-unit apartment block with stunning views over the Manukau harbour. This is an area with favourable demographics and this project is providing an excellent opportunity to capture added value. Construction is now well under way and the building is on track to be completed by June next year. We recently started marketing the new apartments and have been very pleased with the strong level of demand that has been shown, with seven apartments sold to date.

Commercial Intensity

The third pillar of our strategy relates to our operational performance and the way we manage our existing portfolio. The commercial returns we achieve are dependent on achieving strong resale pricing gains which are in turn influenced by the quality and desirability of our villages, the performance of the local housing market, the average age of resident entry into villages and the speed, cost and quality of our refurbishment programme.

Driving better commercial outcomes

Over the past year, our sales, village and refurbishment teams have worked hard to improve our commercial performance. Our sales team has a deep understanding of their local housing markets.

As reported in our year-end results, we improved in virtually every metric: outperforming the local housing market with our price growth; improving our customer mix; and significantly improving our refurbishment quality and delivery times, meaning fewer days on the market. We have maintained high occupancy levels at 98% and our village referrals have increased to 24%.

Village refurbishments enhancing the customer experience

At last year's meeting, a resident shareholder asked me what we were doing to maintain the competitiveness of our villages as well as investing in new ones. This has been top of mind as we have worked through our long-term maintenance plans for each village.

There is a strong commercial imperative, being the increases to sales prices, to delivering a quality village experience. With this in mind we have commenced a programme to refresh and refurbish some key parts of our villages - this slide provides a snapshot of a number of projects.

Hibiscus Coast Village

These are before and after images of a refurbishment we are about to undertake at Hibiscus Coast Village. This is an example of a functional social area. Our proposed upgrade will result in a more modern and appealing social and dining area.

Papamoa Beach Village

Entrances and reception areas play an important role in the impressions formed by prospective residents and visitors to a village, and we have a number of entry statement projects planned. The entrance area at Papamoa has been recently upgraded, providing an enhanced arrival and welcome experience for residents and visitors.

More to come

As I said at the beginning of this presentation, the pace of change is building. We are focused on further lifting our performance and will continue to invest in our people; in new systems, processes and relationships; as well as our brand and the customer experiences that will make us stand out from the market. Our focus on enhanced outcomes will remain – for our customers; in the quality and delivery of our villages; and equally importantly, in the commercial returns we achieve – both for our shareholders and to invest back into the business.

We are making good progress this year. We have set new targets and are continuing to drive the initiatives that will underpin the achievement of our strategic goals.

Development-wise, we're on track to meet our development planning, consenting and delivery targets, including the imminent commencement of civil works at Red Beach; and we have just conditionally acquired a prime, waters-edge, site at Hobsonville, a high-demand location. We continue to actively pursue new Greenfield development sites.

Our granular knowledge of our local housing markets means that we are in a strong position to monitor and respond to any market changes. We are looking forward to the opening of the new Somervale care home in the next few weeks, and the completion of the Pinesong Manukau apartments in the middle of next year.

In wrapping up I would like to echo Kim's thanks to our staff and our Executive Team, and acknowledge their contribution in the gains we have made and the outcomes we achieved in 2017.

I'd also like to personally thank our Board of Directors, whose passion for our business shines through at every meeting, and who I can assure you, do not hold back from asking the tough questions on behalf of shareholders.

Finally, I want to thank two key groups - our residents, who are the heart and soul of our villages and play such an important role in creating a great village experience; and our investors who have continued to support the Company. Improving our investment performance continues to be a key goal for both Board and management, and we will continue to engage with shareholders to improve the market's understanding of our strategy, our drivers and what differentiates us from our competitors.

Thank you again for your ongoing support and confidence in Metlifecare. I will now hand you back to the Chair.