METLIFECARE ANNUAL MEETING
25 October 2016

Chair and Chief Executive Officer Speeches

Metlifecare
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CHAIR ADDRESS

Looking back, the 2016 financial year can be characterised as a period in which Metlifecare changed gear.

In the previous four years, the Company had consolidated through a merger to become a market leader in the upper North Island, and had started a development programme to drive future growth. Through this time, we grew steadily but we also recognised the need to build a strong organisational platform to support our expansion ambitions. Over the past two years, a number of initiatives have been put in place to create this capability, and in the year to June 2016 we have begun to reap the benefits.

Your Board was pleased to report a record financial result for the year to 30 June 2016. A buoyant property market meant that Metlifecare was able to play to the strengths of its high quality portfolio and excellent customer proposition. As a result, we achieved record sales, high occupancy rates and a substantial gain in the fair value of our assets.

These outcomes contributed to a record profit performance, with a reported net profit after tax up 86% to $228.7 million; and underlying profit increasing by 26% to $66.1 million.

Net operating cash flow increased by 56% to $130.0 million and net operating cash flow excluding development sales increased by 47% to $50.5 million. Our balance sheet is in excellent shape, with a gearing of 7% providing ample financial capacity to fund future growth initiatives. At the close of the 2016 financial year our Net Tangible Assets per share was $5.32, up from $4.29 which represents a 24% improvement.

The Board paid a final dividend of four cents per share on 23 September 2016, which brought the total dividend for the year to 5.75 cents, 28% higher than last year.

When I spoke to you last year we considered the question of why Metlifecare trades at a material discount to its competitors and I shared our determination to bridge the share price credibility gap over the next few years.

It has been gratifying to see some improvement in Metlifecare's share price in the past couple of months, as the market has started to better understand the quality of our business and show confidence in our future delivery. At 11 October 2016, our annualised total shareholder return was 41.8% against an average of 26.3% for the S&P/NZX50 Gross Index and an average for our listed competitors of 37.0%.

Your Board is justifiably satisfied with Metlifecare's 2016 financial year performance; however we also know there is more to come.

Over the past six months, with new leadership in place, Metlifecare has redefined its strategic priorities, and has also initiated or continued a range of underpinning strategic initiatives. Our organisational and leadership capability has strengthened considerably over the past year. Glen and his team have instituted increased commercial rigour to our existing operations, which has already started to generate improved returns.

In summary, we now have an excellent organisational platform, with the necessary capacity and capability to drive future growth. This, combined with the strong fundamentals of our sector and the quality of our portfolio, gives the Board confidence for further performance improvements.

At this point I will briefly touch on the change in leadership, which occurred in April 2016. I would firstly like to acknowledge our former Chief Executive Officer Alan Edwards - not only for his significant contribution over nearly seven years at Metlifecare, but also for allowing sufficient time to enable the Board to find an outstanding replacement and oversee a smooth transition.

I would also like to formally welcome Glen Sowry to his first Annual Meeting as our Chief Executive Officer. The Board was delighted to recruit Glen to head up the Company – his track record both in the sporting arena and through his commercial experience demonstrate his energy, commitment and ambition to succeed. Glen's achievements in driving innovation and customer-focused performance as well as his proven capabilities in delivering substantial property development oversight and growth provide an excellent fit with the Board's ambitions for Metlifecare. Glen has established himself at the helm remarkably quickly, and together with his Executive Team has brought about a renewed focus and momentum to the business.

At a Board level, we have had a very productive year highlighted by the successful leadership transition and excellent Company performance. We have a well-calibrated Board with a good mix of skills, experience and diversity of thought. Committees have been well-attended and have worked effectively throughout the year.

At this meeting two of our directors, Kevin Baker and Carolyn Steele, are retiring by rotation. Both are standing for re-election with the unanimous endorsement of the Board, and you will have the opportunity to hear from both Kevin and Carolyn later in the meeting.

Over the coming year the Board is looking forward to building on the momentum achieved in 2016, and creating further value for our shareholders. Metlifecare's fundamentals remain strong – we have a high-quality portfolio, a strong balance sheet and solid sector prospects. The Company is clear about its goals - which were communicated to the market by Glen and his team at the Business Update in September and were published online - and we are well positioned to achieve them.

Before handing over to Glen, I want to thank you again for your continued support of Metlifecare. The outstanding 2016 performance resulted from the combined efforts of the Board, our leaders and every person in the Company. Our 5,000 residents tell us one of the key reasons they love living in a Metlifecare village is the quality of our people, and on behalf of the Board I would like to recognise and thank all our employees for their commitment and contribution to our success in 2016.

Thank you. I will now hand you over to our Chief Executive Officer, Glen Sowry.

CEO ADDRESS

Thank you Kim and good afternoon, ladies and gentlemen. I am pleased to be addressing you, the shareholders of Metlifecare, for the first time, and want to thank you for taking the time to join us here today.

As Kim has outlined to you, the year to 30 June 2016 was a good one for Metlifecare:

- Our record financial performance has not only emphasised the strength of our portfolio and the demand for our villages, but also the importance of our resales engine in its ability to generate cash.
- We continued to establish momentum and leadership in our stronghold areas of Auckland and the Bay of Plenty, with the opening of new stages and the commencement of new improvement projects to extend our offering in existing villages.
- We have geared up for accelerated growth, which I will elaborate on shortly. Our balance sheet is strong, with relatively low debt and plenty of headroom to fund our expansion; and
- The investment in our people across the organisation is paying off. More than one third of our staff are currently enrolled in career-based training, and around one hundred leaders are in a personalised leadership development programme. We are proud to have led the industry in introducing a new remuneration structure for our care staff, and have seen increased retention and engagement in the year since it was introduced.

Since 1 July 2016 we have continued to see excellent results in our development sales and resales on the back of continued real estate market buoyancy. We were privileged to have our Prime Minister open our brand new village at Greenwich Gardens – an event which was a fitting celebration of this great environment.

While this has been an excellent performance, I'd also like to think it is simply the baseline for a new and exciting chapter of Metlifecare's evolution. Ever since I started at Metlifecare seven months ago, I have been incredibly impressed with the commitment and determination of our people to make this Company continually better for its residents, its people and its shareholders.

As the new leader I have taken the opportunity to work with the Executive Team to thoroughly examine and redefine our strategic goals, and understand which opportunities we wish to prioritise. The growth projections for our market are self-evident, however we are not a one-size-fits-all operator, and we need to be disciplined about where we focus our efforts.

The team has carried out some excellent work in this regard, and I was pleased to be able to share some of our thinking with the investment community last month, and would also like to take the opportunity to share this with you today.

In summary, we will deliver increased shareholder value through three strategic priorities:

1. We will increase our commercial intensity in order to maximise the value of our existing assets
2. We will accelerate our development programme in targeted high-growth, strong-yield locations; and
3. We will drive our competitive positioning, and over time will be increasingly valued for the ways in which we differentiate ourselves from our competitors.

I will now briefly take you through each of these areas:

Commercial Intensity

This strategic priority focuses on optimising the value generated by our existing portfolio.

This chart (slide 14) shows a breakdown of our underlying profit for FY16. As you can see, the bulk of our underlying profit is driven by the resales of units in our existing villages which account for 70% of the total.

This area has performed strongly in the 2016 financial year and has been driven by the strength of the property market and an increased focus on sales value optimisation. This is a testament to the quality of our portfolio and recognises the strength of our existing positioning in high-growth, strong-yield locations.

We firmly believe there is capacity to improve our performance further. We are initiating a number of commercially focused initiatives, including building local market knowledge, better managing our customer mix, introducing a fit-for-purpose refurbishment programme and reducing our refurbishment delivery times. Improvements in these areas will further improve the management of our assets and the value they generate in the years to come.

Accelerated Development Programme

The second strategic priority for the business centres on accelerating the development programme. When it comes to value growth in our sector, developing new assets is top of mind. Compared to its competitors, Metlifecare has been relatively late in building its development capability, and this has not only impacted our ability to capture historic growth opportunities, but has also affected the way the market has valued our growth potential.

Consequently, increasing our development capability has been a high priority. Last year, Charlie Anderson joined the Metlifecare team as our new General Manager Property & Development, and since then has reshaped and strengthened all aspects of the development function. We have brought a number of functions in-house to enable greater influence on development activities, and have introduced market leading systems and procedures for tighter control of the development process.

I believe this slide (17) is an excellent representation of where the value lies in the development project lifecycle. There is clear evidence that once construction begins on a project the course is already set and there is little that can be done to influence or improve the outcome. Getting the big decisions right at the beginning not only mitigates risk but also has the greatest impact on delivering good margins and an excellent development outcome. Focusing on this part of the development lifecycle has been a priority for our development team and underpins their project performance.

Our development planning has focused on three key areas:

- First, our development land bank. We now own a land bank enabling development for the next three years. These numbers reflect opportunities in new and existing villages which are now locked into our development programme, and we are targeting to more than double the number of units delivered in this financial year. Our existing land bank will also support development beyond this three year horizon.

This next slide (19) shows our expectation to bring new sites and opportunities into the programme, with a target of at least 300 units per year by 2019.

- Second, we have also developed a new framework to ensure we acquire the best sites for our future villages, some of which could look quite different to the villages you see today. Potential opportunities are identified through enhanced mapping, and then evaluated against rigorous criteria. We are currently exploring five opportunities and are working to complete at least one land purchase in the current financial year. While we consider Auckland and the Bay of Plenty to be Metlifecare’s stronghold areas, we are not solely targeting these regions, and we believe there are a number of other areas of interest that will meet our investment criteria of strong-growth, strong-yield locations.

- Third, looking further ahead, we are also working across the organisation to develop a picture of what our future villages will look like. Our market research - both in New Zealand and overseas - tells us that not all residents want to live in a gated village, separated from the wider community. They want to connect with other locals as and when they want to, and to feel like their village is integrated into the local neighbourhood. This slide (21) reflects how we think villages will evolve - one size will not fit all, particularly in areas with increasingly dense housing and scarce land. Charlie Anderson and his team have been doing some interesting work in this area, and I look forward to updating you further as we develop our thinking.

Before we move on, you may be interested in having a quick look at our next new village planned on a fantastic site at Red Beach, just north of Auckland.

As well as offering the full continuum of care, from independent villas through to a care home, the village will also offer a wide range of amenities that aim to welcome and encourage community use.

The overwhelming level of interest in this village was highlighted recently when, at a resource consent open day, it turned out that many of the people attending wanted promotional material and accommodation pricing for the new village!

Competitive Positioning

We'll turn now to looking at Metlifecare's third strategic priority area which is competitive positioning. As we have considered how best to focus our energy, we have invested heavily in market research to help us define who our future residents are and what their needs and expectations are.

Not all older people want to live in a village, and those who do will have carefully selected a village that suits their personal requirements. Interestingly, potential residents consider many of the benefits promoted by retirement villages - such as safety, security, freedom from maintenance and great facilities - to be simply baseline requirements that every village should have, rather than differentiating factors.

The differentiators are far more emotional – in other words how the village will make them feel. We have used this slide (25) to articulate our approach about how we need to achieve the emotional connection with our residents.

So what sets Metlifecare apart from the others?

First, we have unique and diverse villages which are designed to reflect the characteristics of their local communities and neighbourhoods. Some of our villages are actually quite close to each other, but as they are completely different, they attract different types of residents. As we develop our next generation villages, this level of differentiation will become even more pronounced.

Another factor is the way our villages empower our residents to remain connected to their families, friends and local neighbourhoods, by inviting them in to share in activities and use village facilities. This maintains independence and enhances wellbeing through continued social involvement. We have also recognised the importance of the food and dining experience for our residents, and we are currently working with leaders in the hospitality field to significantly elevate Metlifecare's offering across our villages.

As our focus has historically been on independent living, not all villages have traditional care home facilities. Continuum of care – from independent living through to hospital level care, is increasingly becoming a requirement, and this is now being offered in all our new villages.

Like our independent living village facilities, we are also offering differentiated care facilities to reflect the changing needs of residents. Our premium care suites are in strong demand and customers are prepared to pay for the additional comforts. Within the next few years we are expecting to double the number of care beds on offer, and this will be heavily weighted towards a premium offering.

Last but definitely not least, is the care our residents receive from our highly engaged and qualified staff. Consistently high resident satisfaction ratings confirm to us that our people are a real point of difference. As previously described, we have invested heavily in development opportunities and career pathways for our employees, and we are seeing the benefits of this initiative in the high levels of care they are providing to our residents. This has been a win-win for our staff, our residents and for the organisation as a whole.

So how does this differentiation translate to shareholder value? It's simple – strong customer satisfaction drives preference and customer referrals, and this in turn drives customer demand and ultimately occupancy. It is the level of occupancy that drives revenue and the level of return on our assets.

To summarise these strategic initiatives, I can truly say **there's more to come at Metlifecare.** This phrase is primarily used in a promotional context to show residents they are entering a new and exciting phase when they move into a Metlifecare village. We also believe it applies equally to Metlifecare itself, as we work towards achieving our strategic goals and delivering enhanced value for all of our stakeholders.

I'm sure you can tell that I've enjoyed my first seven months at Metlifecare and have fully immersed myself in the organisation. I was very fortunate to inherit an excellent Executive Team who are equally passionate about the business and have embraced the challenge to increase our momentum and lift our game. I have been similarly impressed with the quality and commitment of our people across the Company - they are tremendously customer-focused and really care about enhancing the lives of our residents. I'd also like to endorse Kim's thanks for their contribution in making 2016 such a successful year.

Finally, I want to acknowledge our investors, some of whom have provided their honest feedback and engagement as we have redefined our strategy. Improving our investment performance is a key goal for both Board and management, and your feedback has enabled us to refocus our thinking. We have worked hard to connect with investors and improve the market's understanding of our goals, our drivers and what differentiates us from our competitors. We intend to continue engaging with investors and the wider market to ensure the strengths, opportunities and value in our business are ultimately recognised.

Summary

In summing up, our 2016 results have demonstrated the quality of our portfolio, and the strength of our resales engine. We have built an excellent foundation for future growth and have also worked hard to develop the capability and capacity to deliver.

We are excited about the year ahead. We have set and communicated clear targets, which we are committed to achieving. Our redefined strategic priorities have enabled us to focus on what is important and to map out how we will achieve our longer term goals. We will keep the market informed of our progress, and look forward to updating you at our half-year results in February.

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