

Lifestyle

COMMUNITIES

Growing Through Evolution

Morgan Stanley Aged Care Forum

26 May 2016

BUSINESS OVERVIEW

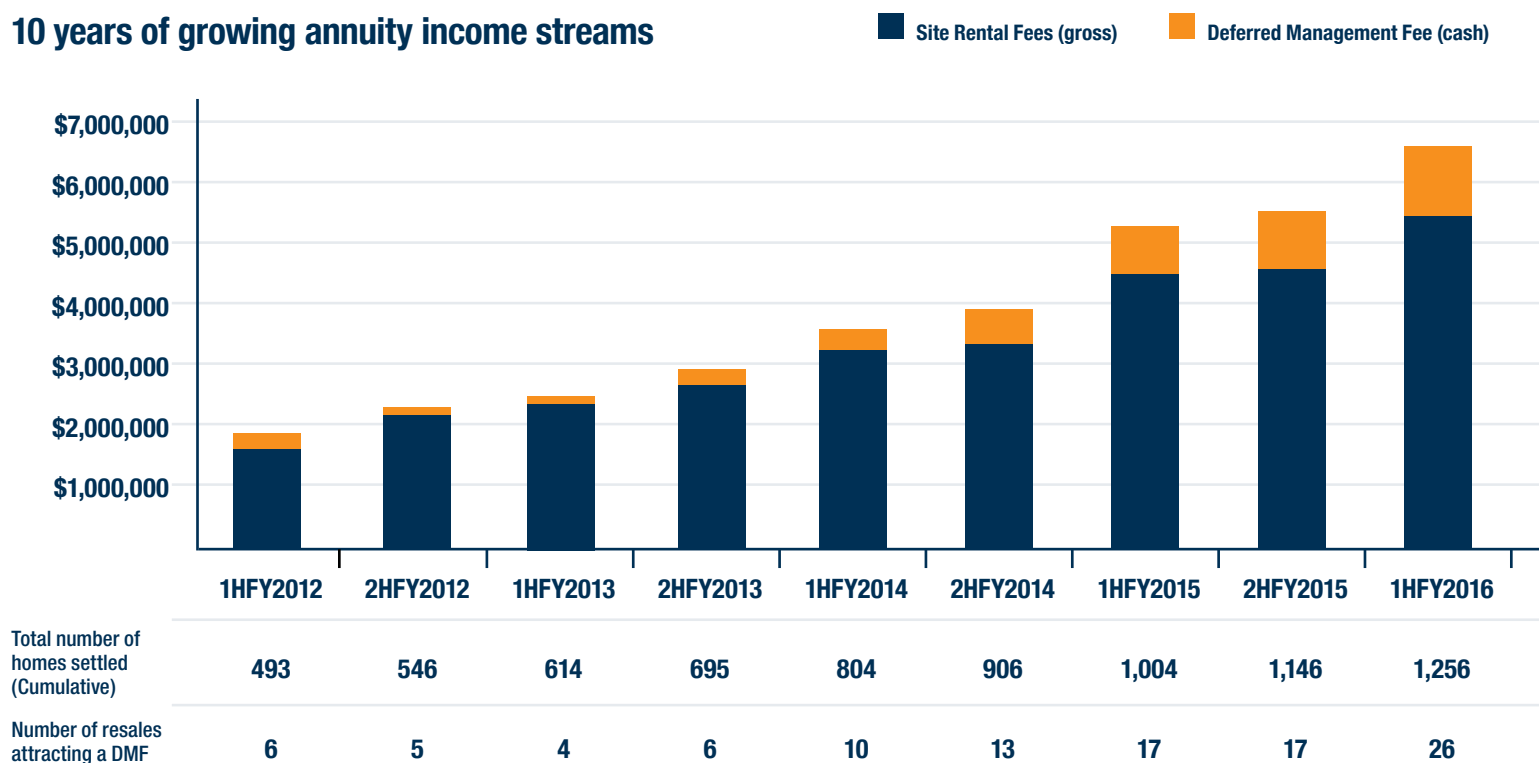
Business Snapshot

- Founded in 2003
- Develop and manage land lease communities which generate long-term sustainable revenue streams
- Focused on affordable housing for the over 55s market
- 2,445 sites either under development or management
- Residents own their home and lease the land upon which their home is located

Financial Summary

	1HFY2016	FY2015
Net profit after tax attributable to shareholders	\$8.9m	\$16.7m
Total assets	\$204.3m	\$179.6m
Equity	\$123.0m	\$113.8m
Dividends	1.0 cent per share (interim)	1.5 cents per share (final)
Net debt	\$43.3m	\$23.6m
Net debt to equity ratio	24%	17%

10 years of growing annuity income streams



BUSINESS OVERVIEW COMMUNITY LOCATIONS

12 communities in planning, development or under management

Community	Homes	Settled
Melton	228	100%
Tarneit	136	100%
Cranbourne	217	100%
Chelsea Heights	186	100%
Warragul ⁽¹⁾	182	99%
Hastings ⁽¹⁾	141	100%
Shepparton	268	53%
Wollert	154	24%
Geelong	164	17%
Officer	151	7%
Berwick Waters	220	-
Bittern ⁽²⁾	208	-
Ocean Grove ⁽²⁾	190	-
	2,445⁽³⁾	53%

Correct as at 24 May 2016

Notes: (1) Warragul and Hastings are expected to be fully settled by 30 June 2016
 (2) Commencement of construction subject to planning approval and the contract becoming unconditional
 (3) Represents gross numbers not adjusted for joint venture interests at Cranbourne and Chelsea Heights



Focus remains in Victoria

Victoria provides:

- Favourable planning legislation
- Better access to zoned, flat land for development
- Lowest saturation of land lease communities of any state
- Balanced state legislation for the management of communities

OCEAN GROVE ACQUISITION

Adding 190 home sites to the pipeline

- Ocean Grove is in the Bellarine Peninsula 15 minutes from Geelong
- The site is located next door to a future shopping centre scheduled to be completed in December 2017
- 57,000 people in the primary catchment and a further 184,000 people in the broader Geelong catchment
- Benefit of being able to sell Ocean Grove off our new community in Geelong

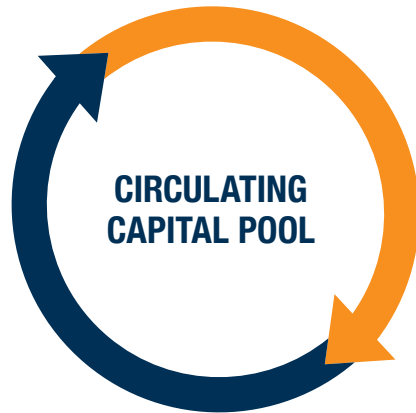


BUSINESS OVERVIEW BUSINESS MODEL

Lifestyle Communities aims to recover 100% of its project related costs from home sales

The growing level of free cash flow from the community management business provides the basis for future dividends

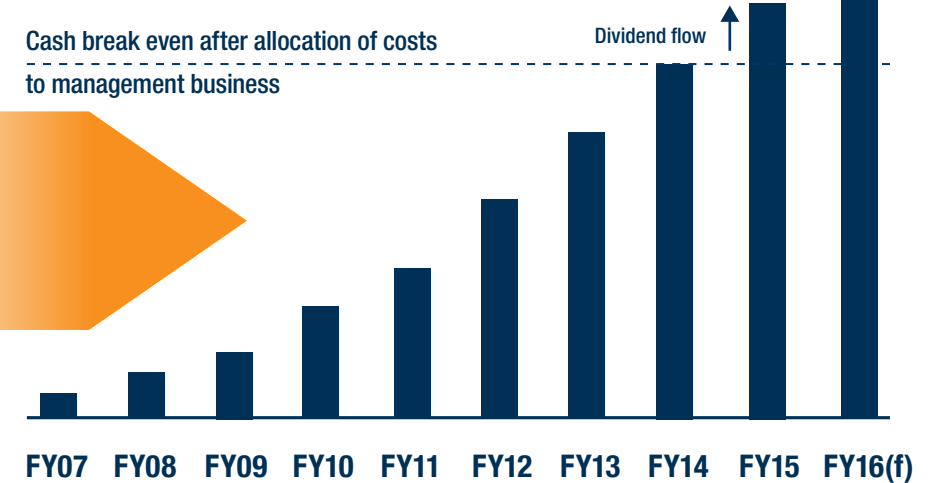
Development Business



Settled homes are transferred to the Community Management Business

Community Management Business

Total annuities at year end



Note: Not to scale and not indicative of performance

As at 24 May 2016

 Total home sites in portfolio^{(1) (2)}
2,445

 Total occupied home sites⁽²⁾
1,307

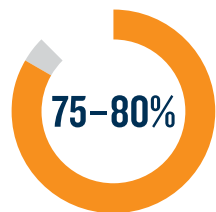
As at 24 May 2016 the gross rental annualised at \$11.7 million per annum

Source: (1) Settled, under development or subject to planning
(2) Represents gross numbers not adjusted for joint venture interests at Cranbourne and Chelsea Heights

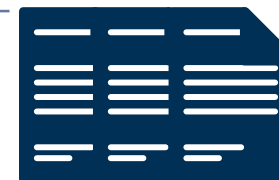
BUSINESS OVERVIEW

How does the Lifestyle Communities model of living work?

Homeowners at Lifestyle Communities own their own home and lease the land upon which their homes are located, via a weekly site fee.



Homes typically priced at 75-80% of the median house price.



Homeowners at Lifestyle Communities are fully protected by the Residential Tenancies Act.



On average, release of \$110,000 sale of your old home

90 YEAR LEASE

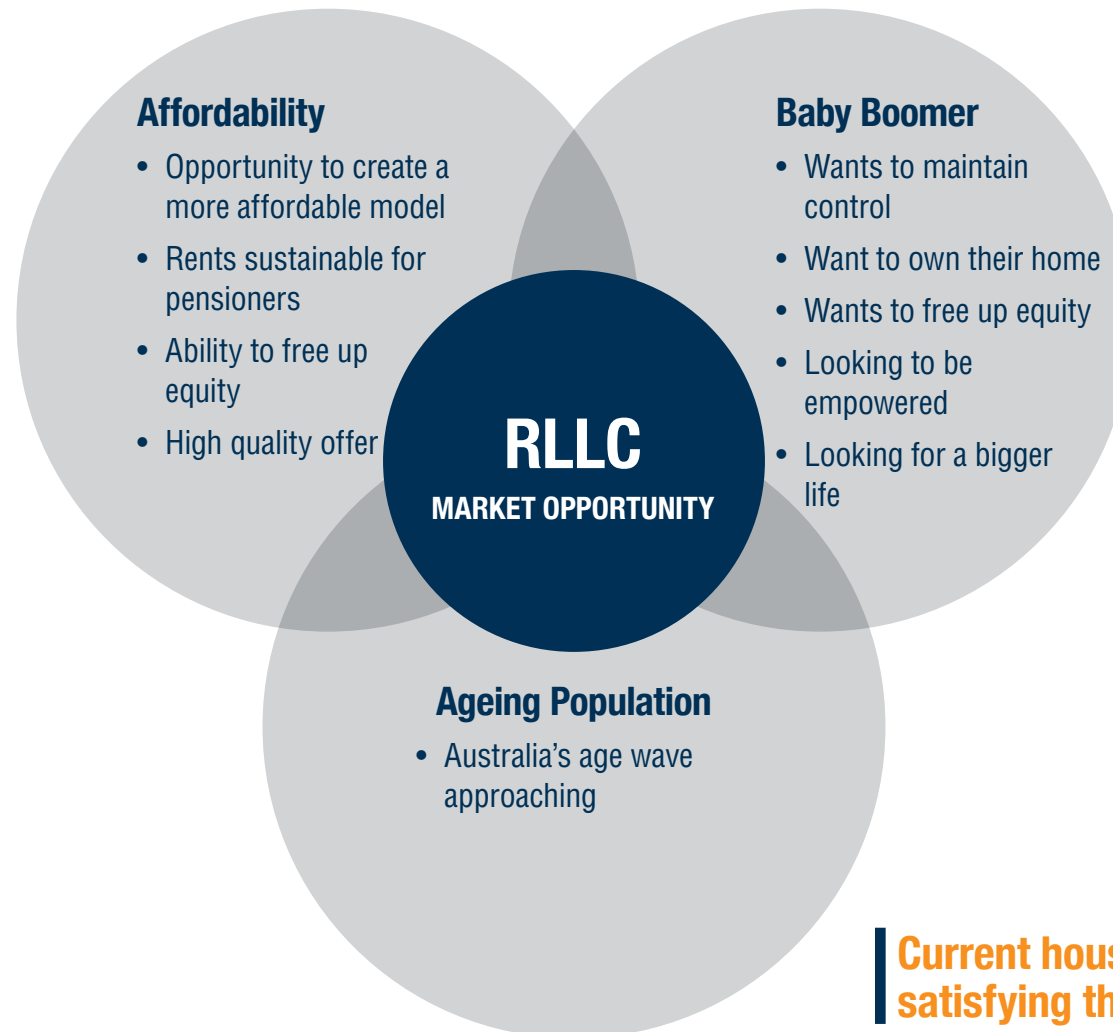
A 90 year lease provides security of tenure.

AFFORDABLE LIVING

The weekly site fee is approx. 20% of the aged pension after receipt of the Commonwealth Rental Assistance.

BUSINESS OVERVIEW SURGE OF INTEREST IN RLLC'S

The three key emerging trends
come together to create the
RLLC market opportunity



Current housing solutions are not
satisfying the new emerging customer

**BUSINESS
OVERVIEW**
**TWO MODELS FOR
INVESTMENT**

Greenfield	Brownfield
<ul style="list-style-type: none"> • Infill sites or urban fringe 	<ul style="list-style-type: none"> • Existing RLLC's and mixed use parks
<ul style="list-style-type: none"> • Built from scratch - new homes and facilities 	<ul style="list-style-type: none"> • Conversion of old dwellings to new dwellings and development of additional land
<ul style="list-style-type: none"> • Look to recycle 100% of capital through sale of homes 	<ul style="list-style-type: none"> • Repatriate portion of capital through sale of dwellings
<ul style="list-style-type: none"> • Target IRRs of 18% plus, ungeared (pre-tax) 	<ul style="list-style-type: none"> • Target IRRs of 12% plus, ungeared (pre-tax)
<ul style="list-style-type: none"> • Development risk on obtaining permits but lower market risk 	<ul style="list-style-type: none"> • Lower development risk but higher market risk to sell units

BUSINESS OVERVIEW RLLA

Industry advocacy to promote land lease communities

- Member of the Residential Land Lease Alliance (RLLA)
(James Kelly is RLLAs inaugural chair)
- Represents the land lease industry
- Funded through contributions from ten major players
- Lobbying in Canberra over last six months to:
 - provide better understanding of the industry
 - promote the role of land lease communities in the provision of affordable housing
 - introduce the concept of a last home buyers incentive to down size
 - increase involvement in the broader debate on affordable housing

Government is increasing their understanding of the land lease industry

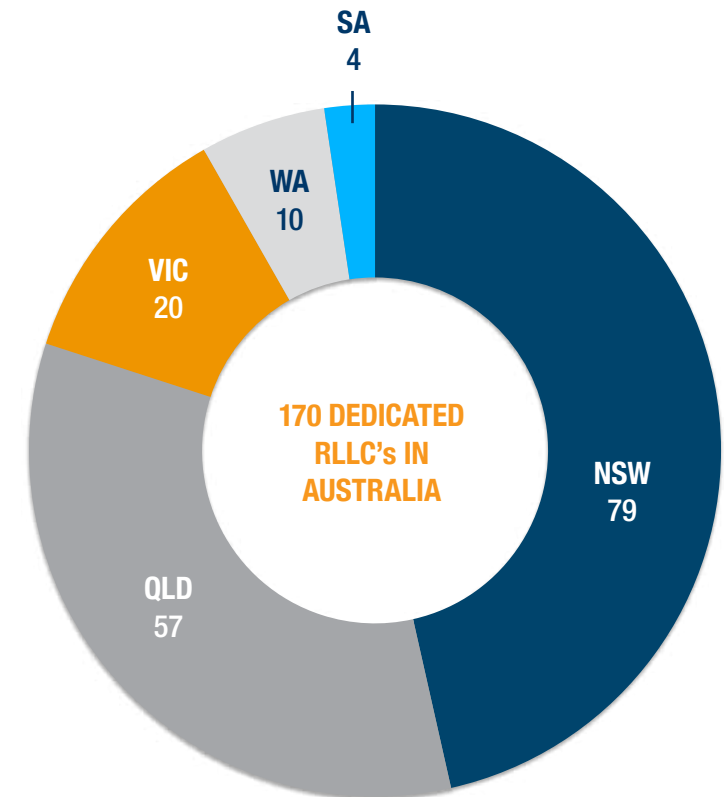


BUSINESS OVERVIEW

THE LAND LEASE INDUSTRY

Our focus remains in Victoria

- There are 2,500 Residential Land Lease Communities (RLLCs) and caravan parks around Australia
- Of those:
 - 1,650 are pure tourist parks
 - 750 are mixed use parks with tourists and permanents
 - 170 are dedicated RLLCs
- NSW and QLD represent 82% of the industry
- Victoria has the lowest saturation of RLLCs per head of population
- Estimate that 70,000 people in Australia live in RLLCs and mixed use parks (compared to 190,000 people in retirement villages)

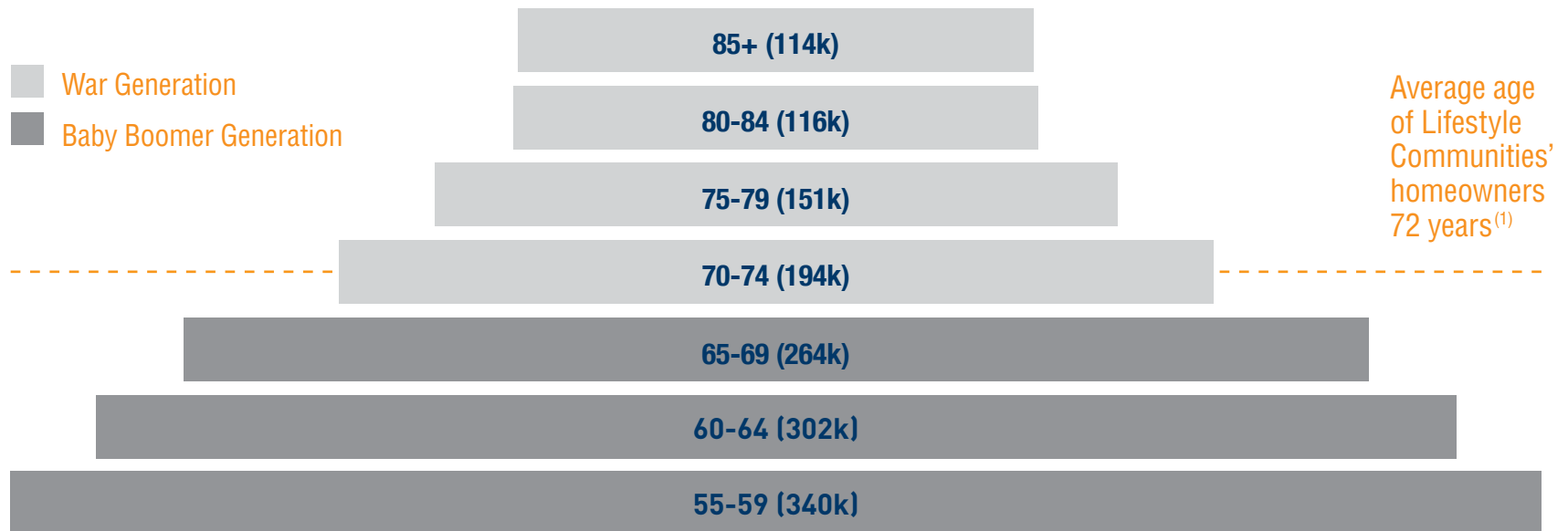


Victoria has the lowest saturation of RLLCs in Australia

Source: Manufactured Home Estates, Australian Market Overview, Colliers International, November 2014
Residential Land Lease Alliance estimates

**BUSINESS
OVERVIEW
VICTORIAN
POPULATION
GROWTH**

**As at 30 June 2013 there were
over 574,000 Victorians aged
over 70 and over 906,000 aged
between 55 and 69**



Source: ABS 2014 Catalogue 3235.0

Notes: (1) As at 30 June 2015

BUSINESS OVERVIEW GROWTH STRATEGY

Shifting the paradigm to grow sales and referrals

- Business has been undergoing a paradigm shift on meeting and exceeding the expectations of our target customer
- Our customer is getting younger with better knowledge of our brand
- The baby boomer generation have different expectations of our product offering and service delivery
- Focus of the Lifestyle Communities team to drive sales and increase referral through evolving every facet of our business



**BUSINESS
EVOLUTION
CUSTOMER
REFERRAL**

**Every touch-point
drives customer referral**



Notes: (1) For FY2016 settlements up to 22 April 2016

**1,000 MORE
REASONS TO
RECOMMEND
LIFESTYLE
COMMUNITIES!**

**Set organisational goal
of 50% referral rate**

BUSINESS OVERVIEW MARKETING CHANNELS

ABOVE THE LINE

BELOW THE LINE

-  Press
-  Radio
-  Outdoor
-  Website
-  Industry Expos
-  Mass Direct Mail

Evolved to

-  TV
-  Press
-  Digital
-  Events
-  Referral
-  Digital
-  CRM
-  PR
-  Sponsorship

Evolved from mass marketing
to targeted communications

BUSINESS OVERVIEW HOUSING

Over the past 13 years Lifestyle Communities has continued to evolve the business to meet the emerging customer base

House designs have been simplified with improved finishes



**BUSINESS
OVERVIEW
COMMUNAL
FACILITIES**

Clubhouse designs have progressively modernised



Urban design has focused on connectivity and landscaping



**BUSINESS
OVERVIEW
COMMUNITY
DESIGNS**

Every facet of our product has evolved

Urban Layout



Ensure that the homes work together by varying setbacks and facades

Entry



Create a sense of arrival and security

Landscaping



Significant investment in landscaping to add colour and texture

Clubhouse



Ongoing evolution with design becoming more contemporary

House Designs



Evolving to meet the needs of the baby boomer

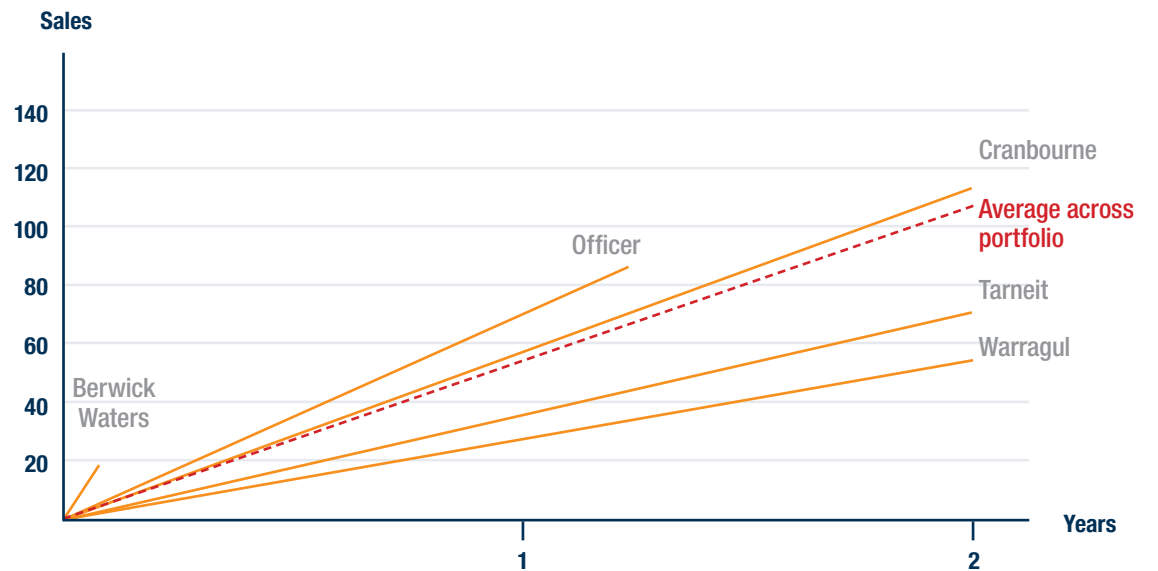
BUSINESS OVERVIEW

SALES RATES

“Proof is in the pudding” Increasing the sales rate

- Lifestyle Communities’ focus has shifted to improve pre-sales. This reduces risk by supporting a more aggressive construction program which enables a quicker recycling of capital
- Evolution in the sales launch of communities has provided improved pre-sale rates at Officer and Berwick Waters
- Officer achieved 62 sales in the first year from launch compared to an average across all projects of 42 sales
- Berwick Waters recently launched on 7 April 2016 and has achieved 22 pre-sales in the first six weeks

SALES PROFILE FROM DATE OF FIRST SALE (TREND LINES)



**BUSINESS
EVOLUTION
SETTLEMENT
GOALS -
NEW SALES**

Settlements growing with increased sales rates and new projects

	FY2016 settlement range	FY2017 settlement range	FY2018 settlement range
TOTAL	195-210	250-270	260-290
Warragul	1	-	-
Cranbourne ⁽¹⁾	2	-	-
Shepparton	48-52	40-55	40-55
Chelsea Heights ⁽¹⁾	27	-	-
Hastings	14	-	-
Wollert	40-44	45-55	45-55
Geelong	36-40	45-55	45-55
Officer	26-30	85-100	20-30
Berwick Waters ⁽²⁾	-	10-25	60-80
Bittern ⁽²⁾⁽³⁾	-	-	20-40
Ocean Grove ⁽²⁾⁽³⁾	-	-	-

The settlement ranges above do not constitute a forecast and are indicative only. They are dependent on construction commencement dates for sites not yet commenced at Berwick Waters and Bittern, planning approval for Bittern and market conditions.

- Notes: (1) Gross numbers not adjusted for joint venture interests
 (2) Settlement goals dependent on construction commencement date
 (3) Subject to planning approval

BUSINESS EVOLUTION SUMMARY

Lifestyle Communities is well-placed for future growth

- Business is continually evolving to get match fit for the baby boomer
- Forecast between 195-210 settlements for FY2016
- Consistent with previous guidance profit after tax attributable to shareholders in FY2016 will be largely similar to FY2015 - the reduction due to lower settlements will be approximately offset by increased contributions from rental and deferred management fees and a reduction in profit attributable to non-controlling interests
- In addition to the interim dividend of 1.0 cent per share (declared in request of 1HFY2016), the Company expects to pay a final dividend in respect of FY2016. The company expects the combined dividend in FY2016 to be greater than the FY2015 amount of 1.5 cents per share



Lifestyle

COMMUNITIES

DOWNSIZE TO A BIGGER LIFE

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