

For personal use only

A Business for Purpose

Results Presentation

Year ended 30 June 2019

14 August 2019



Lifestyle
COMMUNITIES

Contents

1. Overview	5
2. Financial and operations results	9
3. Outlook	19
4. Summary	23

Appendix

A.1 Model of living	24
A.2 Growing recurring revenue	25
A.3 Likely home settlement program	26
A.4 Dividend policy	27
A.5 Sales and Settlements	28
A.6 Investment Property Analysis	29
A.7 Investment Valuation Metrics	30
A.8 Deferred management fees	31
A.9 Cash flow analysis FY19	32
A.10 Cash flow analysis FY18	33
A.11 Fair value breakdown	34

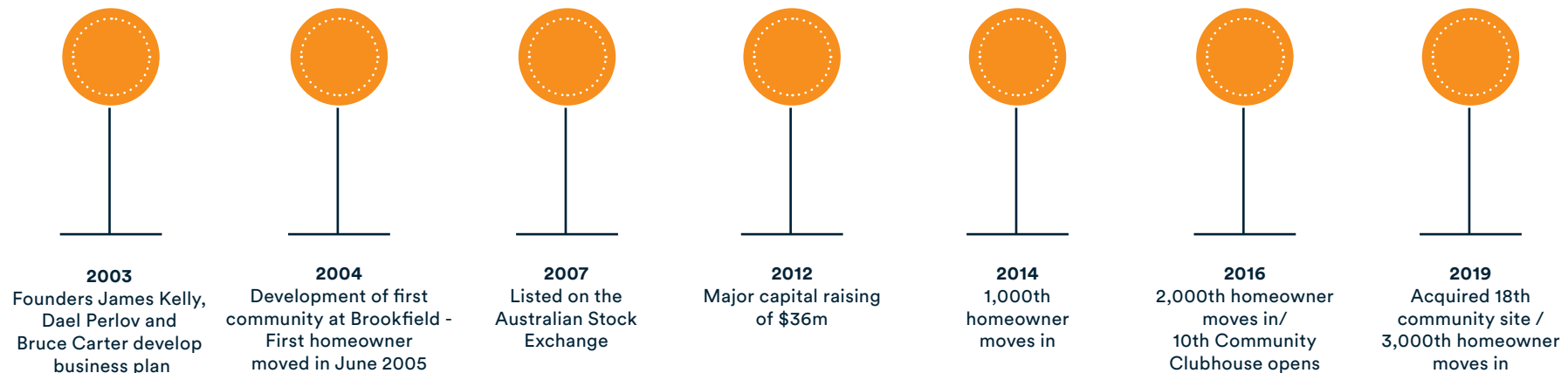
For personal use only



This document should be read with the Disclaimer on page 35

Render of the Lifestyle Mount Duneed Clubhouse

Our Story



“It's been a consistent strategy of delivering an amazing lifestyle to our homeowners and sustainable returns to our shareholders.”

Executive Team - Lifestyle Communities

A Business for Purpose



Photo of Aqua Club, taken at Lifestyle Ocean Grove



An affordable housing option for 50% of Australians aged over 50 who have less than \$620,000 in total equity



An empowering and engaging customer service strategy that completely reimagines traditional retirement



A sustainable financial model which provides an aspirational lifestyle for our homeowners



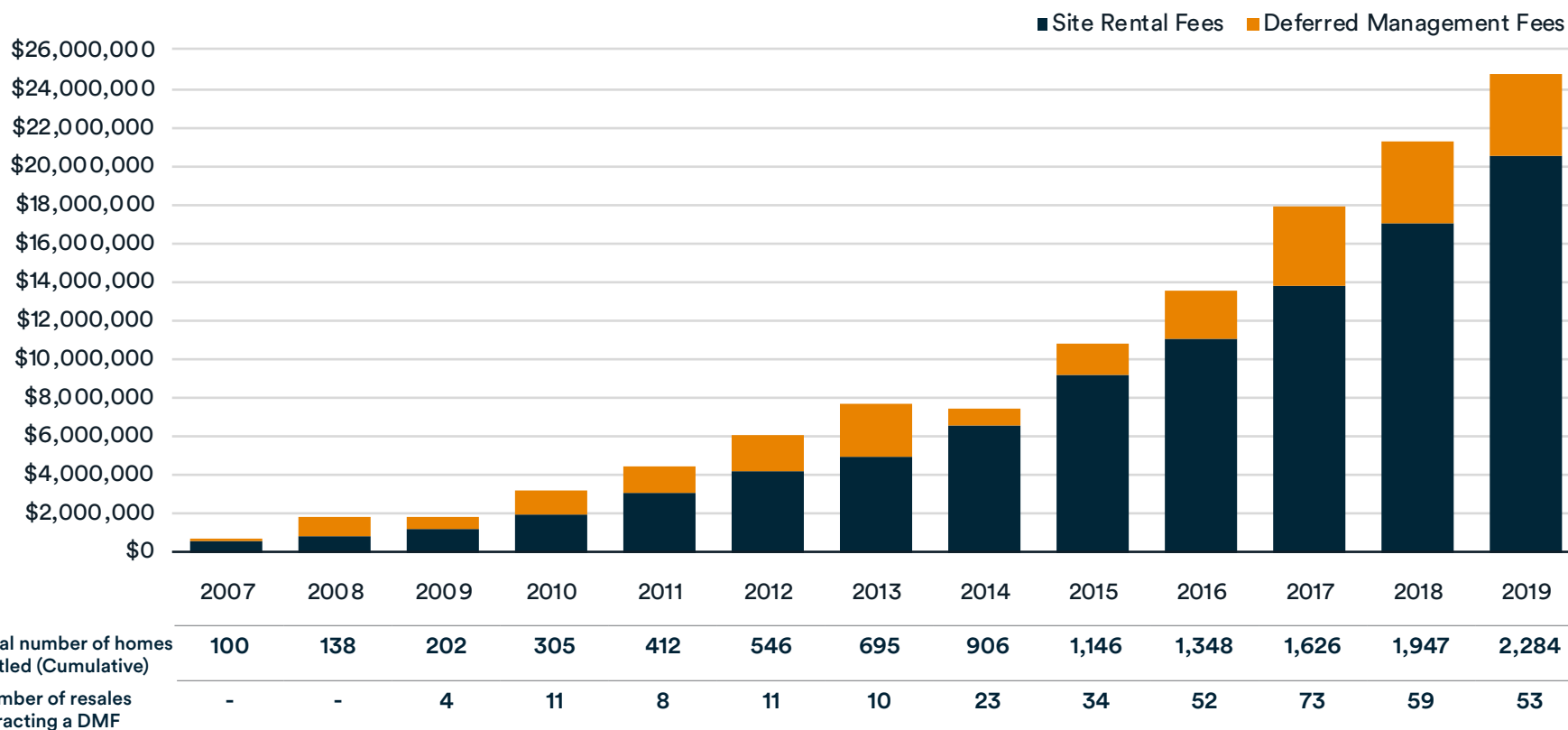
High quality resort style facilities that exceed expectation and are actively maintained and refurbished

Overview

FY19 results snapshot

Financial Summary	FY19 (\$ million)	FY18 (\$ million)
Net profit after tax attributable to shareholders	\$55.1	\$52.7
Underlying net profit after tax attributable to shareholders	\$41.1	\$33.8
Total assets	\$463.5	\$358.2
Equity	\$254.7	\$204.6
Dividends (interim and final)	5.5 cents per share	4.5 cents per share
Net debt	\$95.0	\$31.4
Net debt to net debt plus equity	27.1%	13.3%

Growing annuity income streams



Overview (cont.)

FY19 Highlights

- 337 new home settlements
- 2,284¹ occupied home sites
- 3,346 homeowners living in our communities
- Portfolio of 3,563² homes and home sites
- 53 resale settlements during the year³
- Acquired new sites at Plumpton and Tyabb⁴ and an additional 4ha at Wollert
- Underlying profit after tax attributable to shareholders increased to \$41.1 million compared to \$33.8 million in the prior year
- Dividend of 5.5 cents per share fully franked (2.5 cents per share interim paid and 3.0 cents per share final declared).

A thoughtful and repeatable business model structured for sustainable growth

Notes:

1. Represents gross numbers not adjusted for joint ventures
2. Settled, under development or subject to planning
3. Total resales were 71, of which 53 attracted a DMF
4. Settlement of purchase subject to planning approval



Watch 'A day in the life of Bella at Lifestyle Lyndarum' <http://bit.ly/2TqCBcm>

Overview (cont.)

Portfolio snapshot—30 June 2019

Lifestyle Communities' portfolio continues to grow organically through recycling capital

Communities	Total homes in communities	Homes sold and occupied	Homes sold and awaiting settlement	Homes occupied or sold and awaiting settlement	
				#	%
Existing Communities – sold out					
Brookfield at Melton	228	228	-	228	100%
Seasons at Tarneit	136	136	-	136	100%
Warragul	182	182	-	182	100%
Casey Fields at Cranbourne ¹	217	217	-	217	100%
Chelsea Heights ¹	186	186	-	186	100%
Hastings	141	141	-	141	100%
Lyndarum at Wollert	154	154	-	154	100%
Officer	151	151	-	151	100%
Existing Communities – Under development					
Shepparton	300	272	16	288	96%
Geelong	164	163	1	164	100%
Berwick Waters	216	209	3	212	98%
Bittern	209	177	26	203	97%
Ocean Grove	220	68	87	155	71%
Mount Duneed	191	-	41	41	22%
New Communities – Awaiting commencement					
Kaduna Park at Officer South ²	172	-	47	47	27%
Wollert ²	246	-	18	18	7%
Plumpton ²	265	-	-	0	0%
Tyabb ³	185	-	-	0	0%
Total Home Sites ⁴	3,563	2,284	239	2,523	71%

Notes:

1. Represents 100% of the development of which Lifestyle Communities shares 50%
2. Commencement of construction subject to planning approval
3. Commencement of construction subject to planning approval and contract becoming unconditional.
4. Lifestyle Communities will have an economic interest in 3,363 home sites

Portfolio Overview and Land Acquisition Strategy

18 Communities in planning, development or under management

Lifestyle undertakes a detailed vetting of each potential site, and prioritises acquisitions based on the following criteria

- Land prices and location
- Population demographic
- Local amenities
- Public transport options
- Future development plans and competition

Focus remains on Melbourne and Geelong's growth corridors

- Melbourne has the strategic benefit of flat topography which increases site choice
- Multiple communities can be built in each growth corridor
- Forward planning has created large areas of serviced zoned land in each catchment
- Under its 'just in time' model, Lifestyle starts the development as soon as possible after acquisition of the site



Greatest growth opportunity remains in Victoria with low saturation and accessible land

Lifestyle COMMUNITIES

Section 2 Financial and operational results



FY19 Sales and Settlements

Community	No. of homes	Sold	% Sold
Shepparton	300	288	96%
Geelong	164	164	100%
Berwick Waters ¹	216	212	98%
Bittern ²	209	203	97%
Ocean Grove	220	155	71%
Mount Duneed	191	41	22%
Kaduna Park	172	47	27%
Wollert	246	18	7%

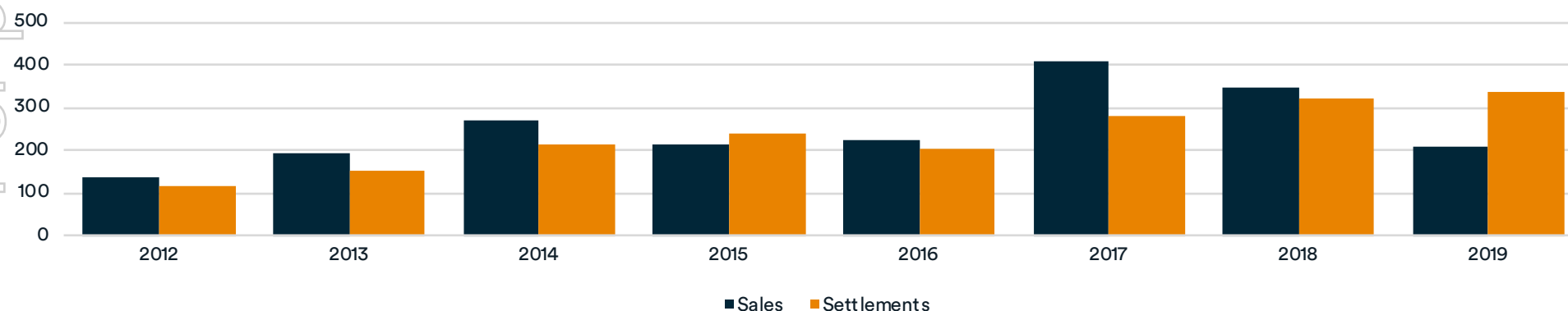
Notes:

1. Berwick Waters display homes have been retained for marketing of Kaduna Park
2. Bittern display homes have been retained for marketing of Tyabb

FY19 Highlights

- Due to project phasing, the Company had limited new homes available for sale in the first half. The Company commenced actively selling Kaduna Park and Wollert during the second half
- The Mount Duneed on-site sales suite opened in December 2018
- The Kaduna Park and Wollert on-site sales suites opened in July 2019

Sales and settlements

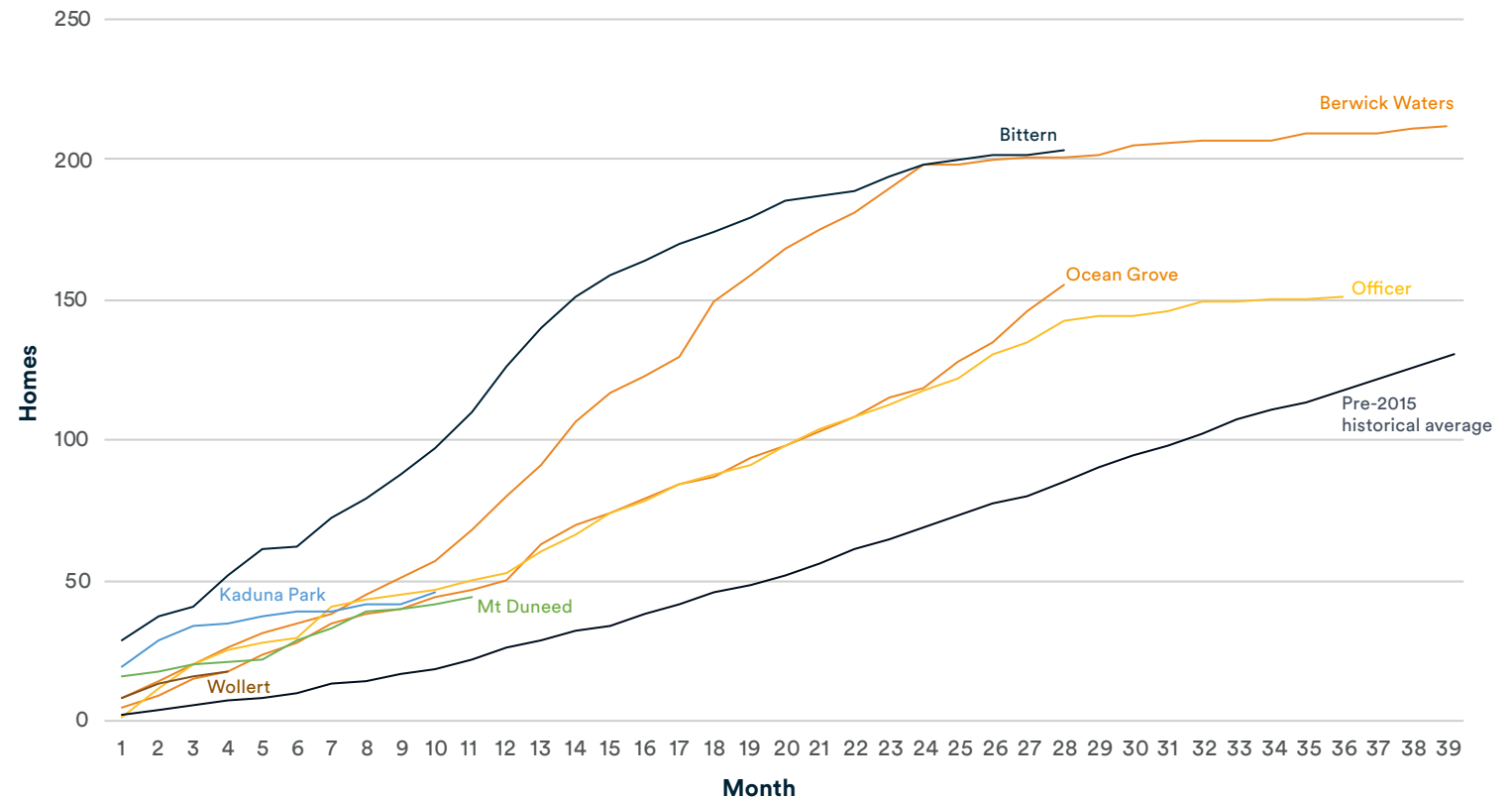


Sales rates

The higher the sales rate, the faster capital is recycled to undertake more communities

- Sales rates continue to be driven by homeowner referral, brand awareness and sales team training
- Market strategy focusing on the driver for downsizing and bringing the decision forward

Sales profile from date of first sale



Sales Milestones and Customer Buying Triggers



Sales Launch

- Major customer event
- Local press marketing
- Database engagement and EDM



Sales Suite opens onsite

- First Impression!
- Typically construction activity on site



First frames go up

- Houses taking shape on site
- Overcome first major "buying hurdle" to wanting to see program



Community opens - First Homeowners move in

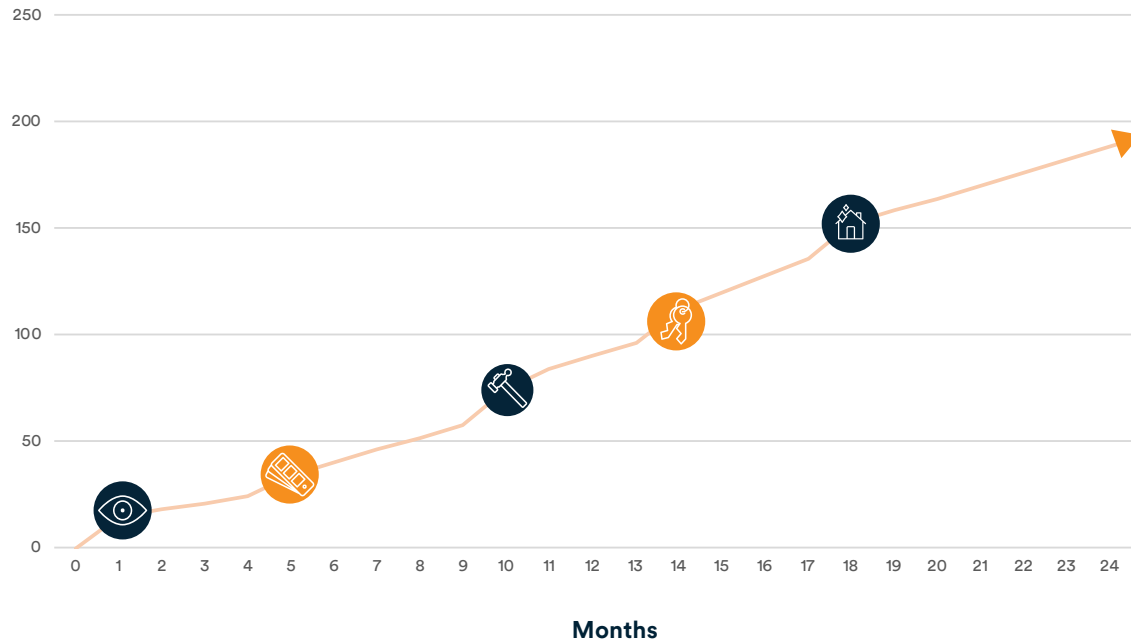
- Grand Opening Event
- Local press and database engagement
- Lived experience helps drives referral



Clubhouse opens

- Clubhouse launch
- Referral ramps up
- Last major "buying hurdle" of seeing the clubhouse delivered

Typical sales profile - Major sales milestones and customer buying triggers



Sales rates increase as Community milestones are achieved

For personal use only

- New clubhouse design
- Smart home options
- Electric town cars and fast charging stations
- Updated home specifications
- Pickleball courts

- Lifestyle has Talent
- The Simpson Arts Prize
- Spring and Autumn sporting carnivals
- Wellness programme
- Lifestyle Pets
- School holiday program for grandchildren

- Lifestyle Passport
- Onboarding and induction process
- Lifestyle team wellness
- The Lifestyle design committee
- The Lifestyle learning lounge
- Lifestyle training



Land Acquisitions & Development Update



- Clubhouse and aqua club opened in January 2019
- Achieved 152 settlements in FY19
- 32 Homes remaining to settle



- Land settled in February 2019
- Aqua club opened in December 2018
- Clubhouse opened in May 2019
- Achieved 155 sales and 68 settlements



- Land settled in September 2018
- Sales launched in August 2018
- Sales suite opened in December 2018
- First settlements expected in December 2019



- Land settled in May 2019
- Sales suite opened in July 2019
- Preliminary works commenced in July 2019
- First settlements expected in May 2020



- Additional 4 hectare parcel of adjacent land acquired in October 2018 increasing the size of the community from 135 to 246 homes
- Sales launched in March 2019
- Sales suite opened in July 2019
- Construction commencement remains subject to planning approvals



- Contract signed in December 2018
- Land settlement expected in September 2019
- Construction commencement remains subject to planning approvals but expected in February 2020
- Sales officially launched in August 2018
- First settlements expected in December 2019



- Land contracts signed in March 2019
- Contracts are conditional on obtaining a planning permit
- Settlement is expected to occur at the end of 2020
- Planning Permit Lodged in August 2019

Recurring revenue streams

Annuity income will continue to increase through new home settlements, rental increases and resales of existing homes

There are two components to the annuity stream:

1. Site Rental Fee

- \$179 per single and \$207 per couple per week per home in FY19
- Indexed at greater of CPI or 3.5% p.a.
- Gross rental income for FY19 was \$20.5 million

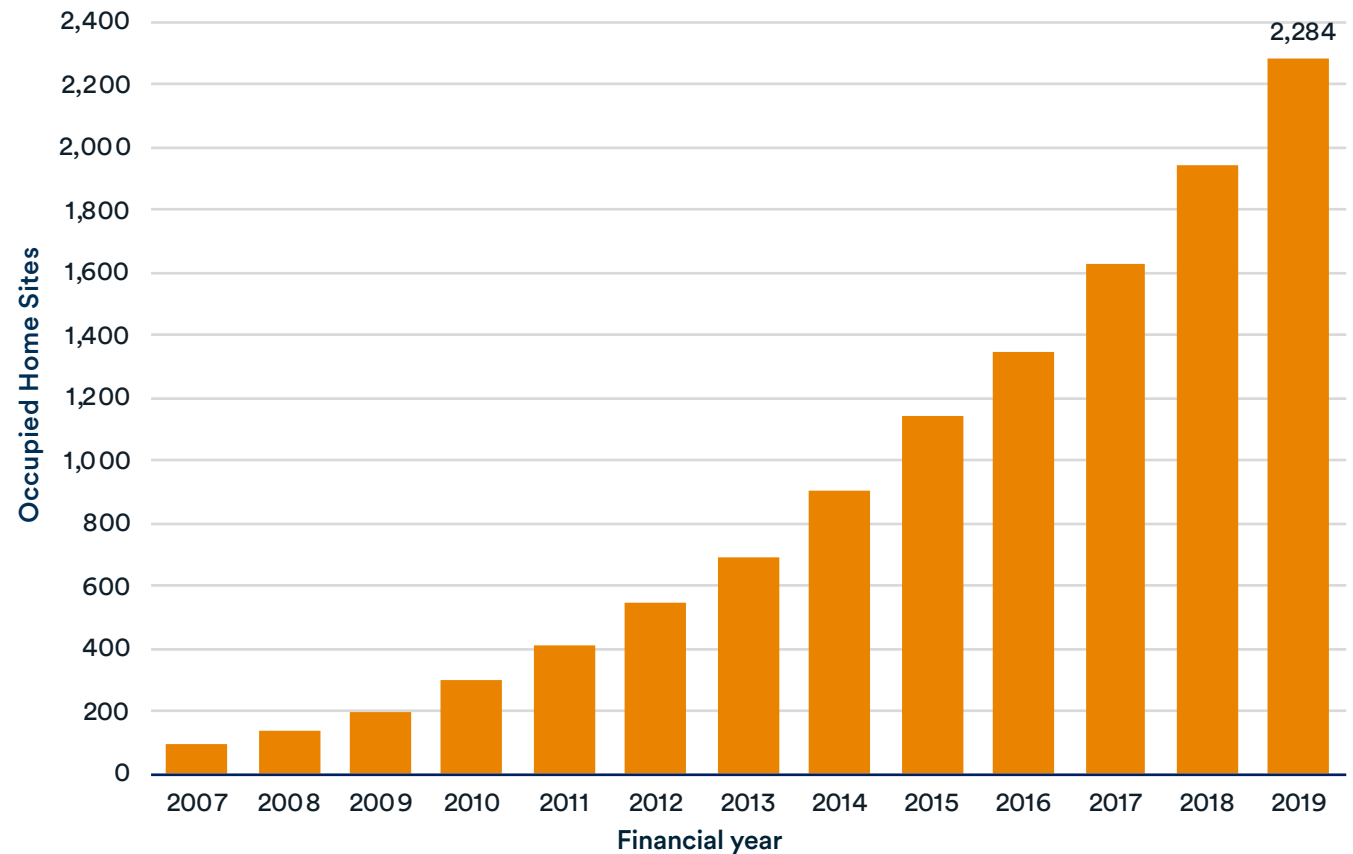
2. Deferred Management Fee

- Calculated as a scaled percentage of the re-sale price
- Scaling is a function of tenure and is capped at 20% of the re-sale price after five years of ownership
- In established communities, approximately 10% - 12% of homes are estimated to re-sell in any given year as the age profile of residents matures
- 53 resales provided DMF income of \$4.2 million in FY19¹

Notes:

1. Inclusive of selling and administration fees
2. Represents gross numbers not adjusted for joint venture interests.

Growing number of homes under management



Income statement

- Net profit attributable to shareholders up 4.1% to \$55.1 million (or on an underlying basis up 21.7% to \$41.1 million)
- Gross profit from home settlements increased to \$29.6 million due to a 19.1% increase in settlements revenue and receiving better margins from a change in project mix and the sale of bigger homes
- Cost of sales includes \$28.0 million for a share of the community infrastructure sold with each home (FY18: \$26.8m)
- Rental income up 21.1% to \$20.5 million and cash deferred management fees down 3.5% to \$4.2 million (inclusive of \$0.8 million selling and administration fees)
- Management rental expenses increased predominantly due to more homes under management
- Corporate overheads and DMF expenses have increased due to additional staff resources required to provide additional organisational capabilities for medium term growth.
- Other expenses includes utilities, the cost of refinancing and relocation of the support office

Income statement	FY19 (\$'000)	FY18 (\$'000)	% Movement
Home settlement revenue	119,270	100,115	▲ 19.1%
Cost of sales	(89,716)	(79,816)	▲ 12.4%
Gross profit	29,554	20,299	▲ 45.6%
Home settlement margin	24.8%	20.3%	
Management and other revenue			
Site rental	20,539	16,964	▲ 21.1%
Deferred management fees	4,193	4,347	▼ (3.5%)
Other revenue	2,839	2,183	▲ 30.1%
Total management and other revenue	27,571	23,494	▲ 17.4%
Fair value adjustments	55,732	57,397	▼ (2.9%)
Development expenses (sales & marketing)	(6,212)	(5,836)	▲ 9.1%
Management rental expenses	(9,170)	(7,753)	▲ 18.3%
DMF expenses	(2,615)	(1,677)	▲ 55.9%
Corporate overheads	(9,844)	(7,772)	▲ 26.7%
Finance costs	(1,422)	(307)	▲ >100%
Other expenses	(3,944)	(2,365)	▲ 66.8%
Net profit before tax	79,651	75,480	▲ 5.5%
Net profit after tax	55,063	52,903	▲ 4.1%
Profit is attributable to:			
Non-controlling interests	-	221	▼ 100%
Members of the parent	55,063	52,682	▲ 4.5%
Underlying net profit after tax	41,121	33,785	▲ 21.7%

Balance sheet

- Inventories increased due to the civils program at Ocean Grove and Mount Duneed as well as housing stock to support forward sales at Bittern, Ocean Grove and Shepparton
- Gearing increased due to:
 1. land settlements at Bittern, Ocean Grove, Mount Duneed, Kaduna Park and one of the two parcels of land at Wollert; and
 2. significant development activity at Bittern and Ocean Grove
- Total bank facility of \$225 million of which \$100 million was utilised as at 30 June 2019. The increased utilisation was used to fund the land settlements and construction activity noted above
- Trade and Other Payables includes \$29.3 million payable on two parcels of land for unconditional contracts entered into prior to 30 June 2019 which are expected to settle during FY20
- Deferred tax liabilities increased in line with the increased fair value adjustment. This tax liability will only be realised should an investment property be disposed of on an individual basis; which the Company views as unlikely

Notes:

1. Calculated as a ratio of net debt to net debt plus equity (net debt includes cash, cash on deposit and bank overdraft)

Balance sheet highlights	FY19 (\$'000)	FY18 (\$'000)	% Movement	
Cash and cash on deposit	4,982	8,585		
Inventories	48,659	39,439		
Investment properties	399,750	303,573		
Other assets	10,072	6,619		
Total assets	463,463	358,216	▲	29.4%
Bank overdraft	-	-		
Trade and other payables	37,406	59,808		
Current tax payable	974	1,132		
Interest-bearing loans and borrowings	100,000	40,000		
Deferred tax liabilities	69,371	51,889		
Other liabilities	1,020	833		
Total liabilities	208,771	153,662	▲	35.9%
Net assets	254,692	204,554	▲	24.4%
Gearing ¹	27.2%	13.3%		

Cash flow

- Cash flows from operations decreased to \$5.8 million due to significant development activity at Bittern and Ocean Grove
- Receipts from customers increased by \$11.6 million to \$146.4 million due to increased home settlements and management revenue
- Purchase of investment properties includes settlements of land at Bittern, Ocean Grove, Mount Duneed, Kaduna Park and one of the two parcels of land at Wollert

Cash Flow highlights	FY19 (\$'000)	FY18 (\$'000)
Receipts from customers	146,374	134,791
Payments to suppliers and employees ¹	(130,280)	(107,247)
Income taxes paid	(7,029)	(5,068)
Net interest payments	(3,282)	(1,925)
Cash flows from operations	5,783	20,551
Purchase of PP&E	(2,760)	(1,530)
Purchase of investment properties	(60,616)	(2,430)
Cash flows from investing activities	(63,377)	(3,960)
Net movement in borrowings	60,000	(7,000)
Proceeds from exercise of options		604
Purchase of Treasury shares	(783)	(1,069)
Dividends paid	(5,227)	(4,182)
Cash flows from financing activities	53,990	(11,647)
Net cash flows	(3,603)	4,944
Cash at the beginning of the year	8,585	3,641
Cash at the end of the year	4,982	8,585

Notes:

1. Due to Lifestyle Communities' accounting policies and legal structure, payments to suppliers and employees includes all gross costs of infrastructure construction (i.e. civil works, clubhouse and other facilities). Under some other structures these costs may be classified as investing cash flows. Therefore cash flows from operations will be negatively impacted when Lifestyle Communities is in the cash intensive development phase of a community. To assist with further understanding of cash flows, please refer to Appendix 9 and 10 for a detailed break-down of development and management cash flows per community for FY19 and FY18

Section 3
Outlook



Outlook

- Settlements in FY20 expected to be in the range of 270 to 310 settlements
- The settlement ranges constitute a forecast for FY20 and a projection for FY21 which is indicative only. They are both dependent on having approvals and/or construction commencement dates for Wollert, Kaduna Park, Plumpton and Tyabb, and market conditions
- Established home resale settlements attracting a DMF expected to be in the range of 60-80. This will be subject to the availability of homes to sell
- Increasing DMF and rental annuities means the dividend is expected to increase in FY20

Settlement Projection	FY19 settlements (actual)	FY20 settlement range	FY21 settlement range
Shepparton	25	21 - 27	
Geelong	20	1	
Berwick Waters	72	3	4
Bittern	152	27	6
Ocean Grove	68	125 - 137	30 - 40
Mount Duneed		70 - 85	90 - 100
Kaduna Park ¹		20 - 30	100 - 110
Wollert ¹		-	85 - 95
Plumpton ¹		-	55 - 65
Tyabb ²		-	-
Total settlements	337	270 - 310	370 - 420

Notes:

1. Commencement of construction is subject to planning approval
2. Commencement of construction is subject to planning approval and the contracts becoming unconditional

Lifestyle COMMUNITIES

Section 4 Summary



Homeowners performing at Lifestyle Has Talent

Summary

- FY19 delivered 337 new home settlements
- Lifestyle welcomed our 3,000th homeowner
- Acquisitions at Plumpton and Tyabb and an extension of our Wollert Community have increased the total portfolio of homes to 3,563¹
- Annuity income from site rental fees grew by \$3.6m to \$20.5m
- Underlying net profit attributable to shareholders up 21.7% to \$41.1m
- Funded and resourced to acquire two new community sites at least every 12 months subject to identification of appropriate sites

"A long term business that is focused on the balance between a sustainable lifestyle for our homeowners and a growing return to our shareholders."

Notes:

1. Settled, under development or subject to planning



*Matt, Jess and Chris, Development Team at Lifestyle Ocean Grove



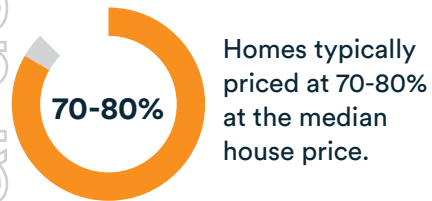
APPENDIX



A.1 Model of Living

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.



90 YEAR LEASE

A 90 year lease provides security of tenure.



AFFORDABLE LIVING

The weekly site fee is approximately 20-25% of the Age Pension after receipt of Commonwealth Rental Assistance.



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



On average, release of approximately \$215,000 equity upon sale of old home.

A.2 Growing Recurring Revenue

Lifestyle's business has two core elements

The speed at which Lifestyle can create new communities is limited by the size of the capital pool and the speed at which it can recover its capital through new home settlements.

1. Creating communities

A mix of equity and debt capital is used to develop greenfield sites to create new communities.

Capital is recovered from one community and is recycled into the next project.



Recycling capital pool



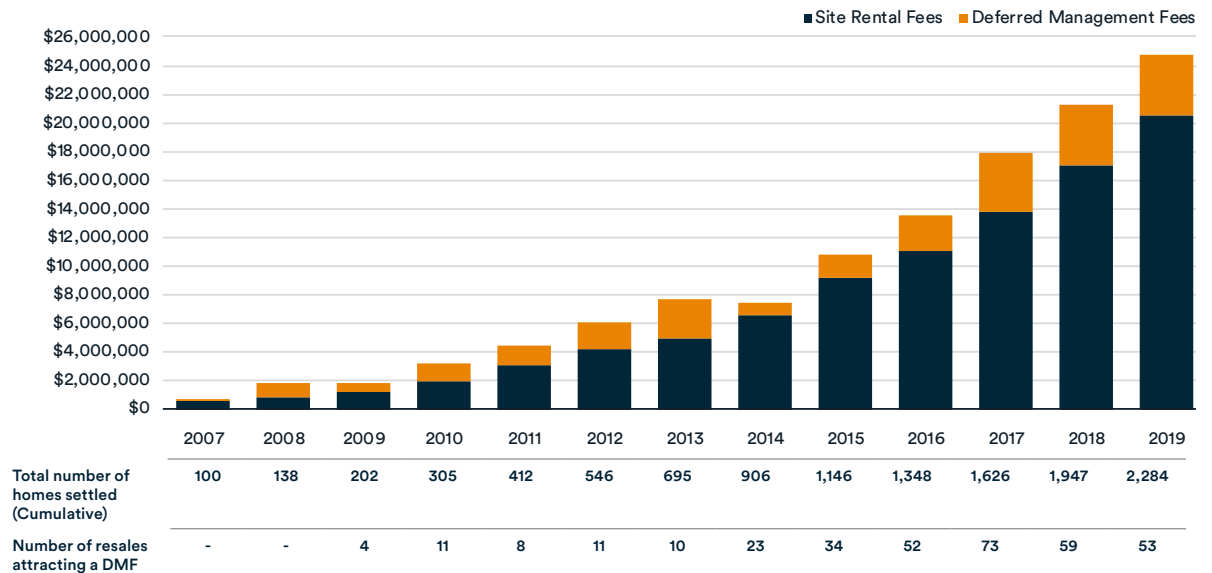
Current speed of recycling allows the acquisition of two new communities each year



Completed communities building a long term sustainable income and future dividends

2. Managing communities

Completed communities generate recurring revenue streams which are growing as new communities are added to the portfolio.



- Rentals increase at CPI or 3.5% whichever is the greater
- DMF of 20% after 5 years on the resale price of the home

A.3 Likely home settlement program

Community	FY20				FY21				FY22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Shepparton												
Geelong												
Berwick Waters												
Bittern												
Ocean Grove												
Mount Duneed												
Kaduna Park ¹												
Wollert ¹												
Plumpton ¹												
Tyabb ²												



Represents tail of development which is often a slower settlement rate

Notes:

1. Commencement of construction is subject to planning approval
2. Commencement of construction is subject to planning approval and the contracts becoming unconditional

A.4 Dividend policy

As a general principle, the Board of Lifestyle Communities intends to pay dividends out of post tax, operating cashflow generated from community management including:

- Operating cash flow generated from community management (net rental and DMF)
- Apportionment of corporate overheads attributable to management of the communities (currently 50%)
- Interest on average pre-development debt
- Tax attributed to the above

Dividend

- A final fully franked dividend of 3.0 cents per share was declared in respect of FY19. The dividend has a record date of 5 September 2019 and a payment date of 8 October 2019

Surplus franking credits

- As at 30 June 2019 the franking account balance was \$17.5 million (after allowing for the final dividend and tax payable for FY19)

The growing level of annuities provides the basis for increasing dividends over time



Homeowners at Lifestyle Lyndarum

A.5 Sales and Settlements

	New home settlements		Net sales commitments		Resale home settlements		Resale homes net sales commitments	
	FY19	FY18	FY19	FY18	FY19	FY18	FY19	FY18
Mature Communities								
Brookfield at Melton	-	-	-	-	11	15	10	14
Seasons at Tarneit	-	-	-	-	3	4	1	4
Warragul	-	-	-	-	9	14	10	10
Casey Fields at Cranbourne ¹	-	-	-	-	11	11	9	9
Chelsea Heights ¹	-	-	-	-	9	9	10	6
Hastings	-	-	-	-	5	9	6	7
Lyndarum at Wollert	-	40	-	1	7	1	2	1
Officer	-	26	-	5	7	12	5	4
Communities under development								
Shepparton	25	48	20	41	2	12	6	4
Geelong	20	57	4	37	5	-	5	-
Berwick Waters	72	125	3	74	2	-	1	-
Bittern	152	25	17	116	-	-	1	-
Ocean Grove	68	-	59	70	-	-	-	-
Mount Duneed	-	-	41	-	-	-	-	-
Kaduna Park	-	-	47	-	-	-	-	-
Wollert	-	-	18	-	-	-	-	-
Plumpton	-	-	-	-	-	-	-	-
Tyabb	-	-	-	-	-	-	-	-
Total	337	321	209	344	71 ²	87	66	59

Notes:

1. Represents gross numbers not adjusted for joint venture interests
2. Total resales were 71, of which 53 attracted a DMF

A.6 Investment Property Analysis

Community Valuation Summary				Investment properties per financials 30 June 2019	
	Total Homes	Homes Occupied	Investment properties at cost ¹ (\$m)	At fair value (\$m)	
Mature Communities					
Brookfield at Melton	228	228	6.8	34.3	
Seasons at Tarneit	136	136	3.7	18.6	
Warragul	182	182	2.5	27.0	
Casey Fields at Cranbourne ¹	217	217	3.4	21.0	
Chelsea Heights ¹	186	186	6.2	21.7	
Hastings	141	141	7.4	22.6	
Lyndarum at Wollert	154	154	7.1	22.4	
Officer	151	151	5.5	22.3	
Communities under development					
Shepparton	300	272	3.2	38.5	
Geelong	164	163	7.0	23.1	
Berwick Waters	216	209	12.1	30.3	
Bittern	209	177	7.4	26.8	
Ocean Grove	220	68	17.3	22.5	
Mount Duneed	191	-	11.6	11.6	
Kaduna Park ²	172	-	15.1	15.1	
Wollert ²	246	-	15.4	15.4	
Plumpton ²	265		26.3	26.3	
Tyabb ³	185		0.2	0.2	
Total	3,563	2,284	158.0	399.8	

Notes:

1. Represents LIC's share in the on-completion assets
2. Commencement of construction subject to planning approval
3. Commencement of construction subject to planning approval and the contract becoming unconditional

A.7 Investment Valuation Metrics

Community Valuation Summary (On completion)						
Rental Metrics				DMF metrics (extracts from valuations)		
	Last valuation date	Rental cap. rate ¹	Net rental per home (from valuation adjusted) ³	DMF discount rate	DMF terminal cap. rate ⁴	Average sale value (GST incl.)
Existing Communities - sold out						
Brookfield at Melton	Jun-18	7%	6,981	13.00%	10%	335,197
Seasons at Tarneit	Jun-18	7%	5,931	13.00%	10%	339,522
Warragul	Jun-18	7%	7,085	13.00%	10%	310,522
Casey Fields at Cranbourne ²	Jun-18	7%	7,223	13.00%	10%	391,682
Chelsea Heights ²	Jun-18	7%	6,754	13.00%	10%	591,935
Hastings	Jun-19	7%	6,664	13.00%	10%	445,390
Lyndarum at Wollert	Jun-18	7%	6,619	13.00%	10%	384,610
Officer	Jun-19	7%	6,684	13.00%	10%	406,325
Existing Communities - selling and settling						
Shepparton	Jun-19	7%	7,584	13.00%	10%	257,309
Geelong	Jun-18	7%	6,756	13.00%	10%	336,768
Berwick Waters	Jun-19	7%	7,175	13.25%	n/a	391,509
Bittern	Jun-19	7%	7,175	13.25%	n/a	403,019
Ocean Grove	Jun-19	7%	7,175	13.25%	n/a	405,527

Notes:

1. Rental capitalisation rates are derived from independent valuations
2. Represents 100% of the development of which LIC will share 50%
3. Valuer's Rental calculation methodology: capitalisation rate on annual rental income
4. Valuer's DMF calculation methodology: NPV of 20 year cash flows with terminal value at year 21 or NPV of 40 year cash flows with no terminal value

A.8 Deferred management fees

	Brookfield	Seasons	Warragul	Casey Fields	Shepparton	Chelsea Heights	Hastings	Lyndarum	Officer	Geelong	Total
Historical resales	123	27	60	43	12	34	28	4	8	3	342
Average tenure (years)	6.1	5.4	4.4	3.6	3.3	3.2	2.7	2.6	1.9	2.3	4.6
Average price growth p.a	5.1%	3.6%	3.7%	5.9%	3.5%	18.7%	14.2%	12.4%	12.3%	10.3%	7.2%
Average purchase price (move in)	192,253	232,022	244,100	293,489	219,501	324,341	285,187	335,331	324,243	321,070	244,804
Average sales price (move out)	244,541	276,574	280,700	358,058	242,417	511,647	388,518	438,750	397,625	396,667	313,140
Average DMF	39,310	48,188	44,826	54,062	36,443	74,465	49,239	47,800	40,748	42,267	47,199
Average DMF rate	16.1%	17.4%	15.9%	14.8%	15.3%	14.1%	12.4%	11.0%	10.3%	10.7%	15.2%
FY19 resales (including DMF)	10	3	8	8	1	9	4	3	4	3	53
Average of Tenure (Yrs)	9.5	7.8	4.8	4.5	5.7	4.5	4.5	2.6	2.2	2.3	5.3
Average of %pa price increase	7.2%	4.8%	4.1%	6.2%	2.3%	17.7%	11.2%	13.2%	12.0%	10.3%	9.3%
Average of Last purchase price	188,077	233,500	267,039	306,306	185,715	333,797	291,503	322,858	308,343	321,070	277,152
Average of Resale Sales Price (GST incl)	305,500	320,000	314,875	387,813	210,000	593,889	431,875	430,000	380,000	396,667	394,698
Average of DMF (GST INC)	53,910	74,667	46,396	65,908	42,000	110,169	77,775	45,133	44,175	42,267	65,001
Average of DMF %	17.5%	23.3%	14.9%	17.1%	20.0%	18.7%	18.0%	10.7%	11.5%	10.7%	16.4%
Total DMF received	539,100	224,000	371,170	527,260	42,000	991,520	311,100	135,400	176,700	126,800	3,445,050
FY18 resales (including DMF)	14	4	10	9	4	6	7	1	4	-	59
Average of Tenure (Yrs)	8.7	5.4	6.4	4.6	4.1	3.7	3.0	2.5	1.7	-	5.4
Average of %pa price increase	6.1%	7.1%	4.1%	7.6%	2.7%	21.3%	15.8%	9.8%	12.5%	-	9.0%
Average of Last purchase price	196,348	264,867	256,745	301,611	235,535	310,798	286,534	372,750	340,144	-	265,021
Average of Resale Sales Price (GST incl)	293,464	351,500	322,400	402,167	260,500	548,667	420,357	465,000	415,250	-	368,822
Average of DMF (GST INC)	53,431	52,263	57,995	71,118	47,000	92,667	57,100	55,800	37,320	-	59,761
Average of DMF %	18.3%	14.8%	17.8%	17.8%	18.0%	16.7%	13.7%	12.0%	9.0%	-	16.4%
Total DMF received	748,030	209,050	579,950	640,060	188,000	556,000	399,700	55,800	149,280	-	3,525,870

Notes:

1. Only includes resales that attracted a DMF
2. Excludes selling and administration fees

A.9 Cash flow analysis FY19

Supplementary Cash Flow Analysis for FY19	Brookfield	Seasons	Warragul	Casey Fields ³	Shepparton	Chelsea Heights ³	Hastings	Lyndarum	Geelong	Officer	Berwick Waters	Bittern	Ocean Grove	Mount Duneed	Kaduna Park	Wollert	Plumpton	Tyabb	Total
Total Number of Homes	228	136	182	217	300	186	141	154	164	151	216	209	220	191	172	246	265	185	3,563
Settled FY19	-	-	-	-	25	-	-	-	20	-	72	152	68	-	-	-			337
Remaining homes available to settle	-	-	-	-	28	-	-	-	1	-	7	32	152	191	172	246	265	185	1,279
Development Cash Flows (\$million)																			
Land	-	-	-	-	-	-	-	-	-	-	-	(7.14)	(17.05)	(10.61)	(13.79)	(9.57)	(2.27)	(0.19)	(60.62)
Development Expenditure (development and sales)	-	-	-	-	(2.28)	-	-	(0.07)	(0.69)	(0.07)	(1.93)	(7.69)	(14.27)	(5.94)	(0.85)	(3.35)			(37.14)
Home Construction	-	-	-	-	(5.57)	-	-	-	(0.91)	-	(7.98)	(28.61)	(24.90)	(0.18)	(0.01)	(0.35)			(68.51)
Home Settlements	-	-	-	-	6.21	-	-	-	6.38	0.04	26.41	55.00	25.23	-	-	-			119.27
Net Development Cash Flows	-	-	-	-	(1.64)	-	-	(0.06)	4.78	(0.03)	16.5	11.56	(30.99)	(16.73)	(14.65)	(13.27)	(2.27)	(0.19)	(47.00)
Annuity Cash Flows (\$million)																			
Site Rentals	2.15	1.32	1.82	2.16	2.64	1.85	1.43	1.53	1.58	1.52	1.85	0.62	0.08	-	-	-	-	-	20.55
DMF Received (net) ¹	0.31	0.14	0.18	(0.11)	(0.02)	0.36	0.15	0.10	0.13	0.06	(0.01)	(0.03)	(0.02)	-	-	-	-	-	1.24
Community Operating Costs	(0.72)	(0.62)	(0.72)	(0.33)	(1.00)	(0.19)	(0.62)	(0.63)	(0.54)	(0.63)	(0.59)	(0.52)	(0.44)	-	-	-	-	-	(7.55)
Net result from utilities	(0.05)	(0.02)	0.01	(0.01)	(0.15)	(0.02)	(0.01)	(0.06)	(0.04)	(0.01)	(0.01)	(0.04)	(0.04)	-	-	-	-	-	(0.45)
Share to non-controlling interests ²	-	-	-	(0.79)	-	(0.80)	-	-	-	-	-	-	-	-	-	-	-	-	(1.59)
Net Annuity Cash Flows	1.69	0.82	1.29	0.92	1.47	1.20	0.95	0.94	1.13	0.94	1.24	0.03	(0.42)	-	-	-	-	-	12.20
Head Office Costs																			(8.67)
Net Operating Cash Flows																			(43.46)
Reconciliation to statutory cash flows																			
Less – Interest																			(3.30)
Less – Income taxes paid																			(7.03)
Add – Land (investing cash flow)																			60.62
Add – Movement in working capital																			(1.04)
Statutory Cash Flows from Operations (\$million)																			5.78

Notes:

- Deferred management fees received are inclusive of selling and administration fees as well as wages and marketing costs
- Lifestyle Communities record 100% rental income and pay out 50% (after management fees) to non-controlling interests

A.10 Cash flow analysis FY18

Supplementary Cash Flow Analysis for FY18	Brookfield	Seasons	Warragul	Casey Fields ³	Shepparton	Chelsea Heights ³	Hastings	Lyndarum	Geelong	Officer	Berwick Waters	Bittern	Ocean Grove	Mount Duneed	Kaduna Park	Wollert North	Total
Total Number of Homes	228	136	182	217	301	186	141	154	164	151	216	209	221	191	165	133	2,995
Settled FY18	-	-	-	-	48	-	-	40	57	26	125	25	-	-	-	-	321
Remaining homes available to settle					54				21		79	184	221	191	165	133	1,048
Development Cash Flows (\$ million)																	
Land	-	-	-	-	-	-	-	-	-	-	-	-	(0.63)	-	(1.30)	(0.50)	(2.43)
Development Expenditure (development and sales)	-	-	-	-	(4.49)	-	-	(0.30)	(2.89)	(0.93)	(11.11)	(10.68)	(5.49)	(0.018)	(0.08)	(0.03)	(36.18)
Home Construction	-	-	-	-	(6.03)	-	-	(1.72)	(6.59)	(0.53)	(23.53)	(8.85)	(0.77)	(0.04)	-	-	(48.06)
Home Settlements	-	-	-	-	10.97	-	-	12.60	17.08	8.59	42.59	8.29	-	-	-	-	100.12
Net Development Cash Flows	-	-	-	-	0.45	-	-	10.58	7.6	7.13	7.95	(11.24)	(6.89)	(0.22)	(1.38)	(0.53)	13.45
Annuity Cash Flows (\$ million)																	
Site Rentals (incl. Management Fees)	2.15	1.31	1.77	2.11	2.19	1.81	1.40	1.39	1.06	1.40	0.37	-	-	-	-	-	16.96
DMF Received (net) ¹	0.69	0.11	0.50	0.60	0.25	0.55	0.36	0.05	-	0.21	-	-	-	-	-	-	3.32
Community Operating Costs	(0.69)	(0.71)	(0.61)	(0.62)	(0.81)	(0.59)	(0.52)	(0.53)	(0.44)	(0.54)	(0.38)	(0.06)	-	-	-	-	(6.50)
Net result from utilities	-	-	0.02	0.01	0.01	0.01	(0.02)	0.01	(0.03)	(0.05)	(0.09)	-	-	-	-	-	(0.13)
Share to non-controlling interests ²	-	-	-	(0.92)	-	(0.70)	-	-	-	-	-	-	-	-	-	-	(1.62)
Net Annuity Cash Flows	2.15	0.71	1.68	1.18	1.64	1.08	1.22	0.92	0.59	1.02	(0.10)	(0.06)	-	-	-	-	12.03
Head Office Costs																	(7.16)
Net Operating Cash Flows																	18.32
Reconciliation to statutory cash flows																	
Less – Interest																	(1.93)
Less – Income taxes paid																	(5.07)
Add – Land (investing cash flow)																	2.43
Less – Movement in inventory and creditors																	6.80
Statutory Cash Flows from Operations (\$ million)																	20.55

Notes:

- Deferred management fees received are inclusive of selling and administration fees as well as wages and marketing costs
- Lifestyle Communities record 100% rental income and pay out 50% (after management fees) to non-controlling interests

A.11 Fair value breakdown

At Lifestyle Communities our homeowners purchase a proportionate share of the clubhouse, pool, recreational facilities and associated infrastructure when they purchase their home. This helps us build a sense of community, shared ownership and pride in where our homeowners live

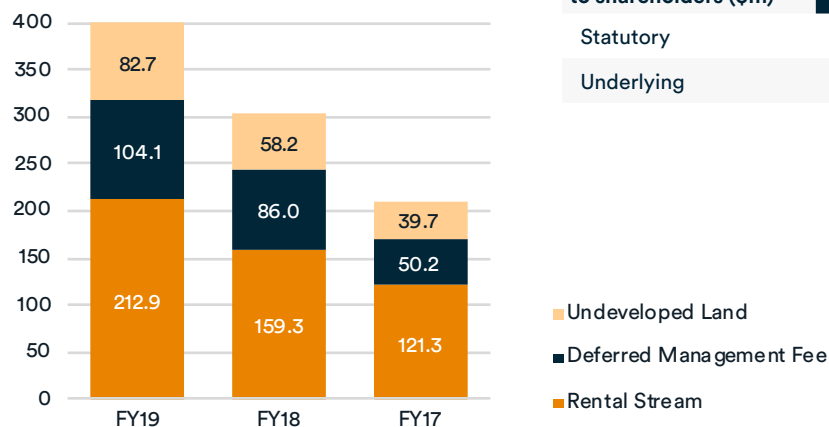
Underlying Fair Value has two components:

- The uplift created as a result of the contractual rent increase each year; and
- The conversion of undeveloped land into completed homes

Conversion of undeveloped land into completed homes:

- The worked example to the right shows how a typical transaction is recorded in the Profit and Loss, balance sheet and cash flow statement:
 - a) the cash flow demonstrates Lifestyle's "zero development surplus" cash target
 - b) The Profit and Loss and Balance Sheet demonstrates that the fair value of the rental and DMF annuity streams are recognised upon settlement of each home
- Any further uplift as a result of changes to assumptions used by independent valuers is shown as "Other Fair Value" adjustments and is recorded as part of statutory profit but excluded from underlying profit

Fair Value Movement (\$m)



Net profit attributable to shareholders (\$m)	FY19	FY18	FY17	FY16
Statutory	55.1	52.7	27.7	19.3
Underlying	41.1	33.8	25.0	16.9

Reconciliation of carrying values from FY2018 to FY2019	\$'000
Investment Properties Carrying Value at 30 June 2018	303,573
Land Acquisitions & Accruals for Contracted Land	40,439
Underlying Fair Value Adjustments	
3.5% increase on completed rental stream (contracted)	5,672
Conversion of Undeveloped Land into Completed Homes	30,150
337 Settlements (Value of Rent & DMF Annuities)	
Other Fair Value Adjustments	
Increase as a result of changes to valuation assumptions used by independent valuers	19,917
Investment Properties Carrying Value at 30 June 2019	399,750

Work Example (\$ Per House)	Cash flow	P&L
Sale Price (incl. GST)	421,850	
Sale Price (excl. GST)	383,500	383,500
Land	(75,000)	
Cost of sales		
Civils, Consultants & Authority Costs	(70,000)	(70,000)
Housing (Construction & Landscaping etc)	(195,000)	(195,000)
Clubhouse & Common Areas	(38,000)	(38,000)
Interest & Overheads	(5,500)	(5,500)
Total Costs	(383,500)	(308,500)
Development Surplus/(Deficit)	0	
Accounting Gross Profit / (Loss)		75,000
Gross Margin %		19.6%
Underlying Fair Value Uplift		80,000
Total Accounting P & L Profit / (Loss)		155,000

Balance Sheet	
Fair Value of Rental Annuity	100,000
Fair Value of DMF Annuity	55,000
Total Carrying Value	155,000

The numbers in the worked example above are for illustrative purposes only

Important notice and disclaimer

- This Presentation contains general background information about Lifestyle Communities Limited (LIC) and its activities current at 14 August 2019 unless otherwise stated.
- It is information in a summary form and does not purport to be complete. It should be read in conjunction with LICs other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au.
- This Presentation has been prepared by LIC on the information available. To the maximum extent permitted by law, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions in this presentation and LIC, its directors, officers, employees, agents and advisers disclaim all liability and responsibility (including for negligence) for any direct or indirect loss or damage which may be suffered by any recipient through use or reliance on anything contained in or omitted from this presentation.
- Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.
- This Presentation contains certain “forward-looking statements” and prospective financial information. These forward looking statements and information are based on the beliefs of LICs management as well as assumptions made by and information currently available to LICs management, and speak only as of the date of this presentation. All statements other than statements of historical facts included in this presentation, including without limitation, statements regarding LICs forecasts, business strategy, synergies, plans and objectives, are forward-looking statements. In addition, when used in

this presentation, the words “forecast”, “estimate”, “expect”, “anticipated” and similar expressions are intended to identify forward looking statements. Such statements are subject to significant assumptions, risks and uncertainties, many of which are outside the control of LIC and are not reliably predictable, which could cause actual results to differ materially, in terms of quantum and timing, from those described herein. Readers are cautioned not to place undue reliance on forward-looking statements and LIC assumes no obligation to update such information.

- The information in this Presentation remains subject to change without notice.
- In receiving this Presentation, you agree to the foregoing restrictions and limitations.
- This Presentation is not for distribution or release in the United States or to, or for the account or benefit of, US persons.

For personal use only



LIFESTYLE COMMUNITIES LIMITED

Level 1, 1-17 Raglan Street
South Melbourne VIC 3205
Ph: (03) 9682 2249

www.lifestylecommunities.com.au