

Forest Place Group

Half Year Results

For the period ended 31 December 2012

26 February 2013



Agenda



1. Overview
2. Operational Results
3. Capital Management
4. Strategy and Outlook
5. Appendices

Overview



'Back-to-basics' approach working

- Met the market as required on pricing levels across the portfolio
- Still achieving solid profit margins and continued cash generation

Continued cash focus

- Focus on selling down company-owned retirement unit stock levels achieving strong results
- Reduced headline operating profit relative to previous periods due to the exclusion of the non-cash retirement revaluation, which although still included in statutory profit, is now considered non-operating

Leverage position in the market

- Continuing to explore expansion opportunities and leverage position in the market as the only listed pure retirement business in Australia
- Low gearing will enable the roll out of the development pipeline

Key Outcomes

Outcome	HY13	HY12	Comment
Underlying profit after tax	\$1.6m	\$2.2m	<ul style="list-style-type: none"> Largely driven by focus on lower margin company-owned stock sales
Statutory (loss)/profit after tax	(\$4.6m)	\$13.9m	<ul style="list-style-type: none"> Impacted by adjustment to retirement investment property
Underlying EPS	1.9cps	2.7cps	<ul style="list-style-type: none"> Decrease in line with underlying profit reduction
NTA per unit	\$2.34	\$2.43	<ul style="list-style-type: none"> Decrease due to revaluation decrement
Gearing	10%	8%	<ul style="list-style-type: none"> Maintaining conservative gearing levels

Underlying Profit

	HY13	HY12	Change
	\$m	\$m	
Deferred Management Fees	4.0	5.2	(23%)
Care services income	1.4	1.6	(13%)
Other income	1.1	-	-
Total Revenue	6.5	6.8	(4%)
Operating costs	(3.7)	(3.6)	(3%)
EBITDA	2.8	3.2	(13%)
Depreciation and amortisation	0.0	0.0	-
EBIT	2.8	3.2	(13%)
Interest and borrowing expense	(0.9)	(0.3)	200%
Profit before tax	1.9	2.9	(34%)
Income tax refund/(expense)	(0.6)	(0.6)	-
Profit after tax	1.3	2.3	(43%)
Non-controlling interest (NCI)	0.3	(0.1)	(400%)
Underlying profit after tax	1.6	2.2	(27%)
Retirement valuation adjustment (net of tax and NCI)	(6.2)	11.7	(153%)
Statutory (Loss)/Profit After Tax Attributable to Owners of Forest Place Group	(4.6)	13.9	(133%)

Operational Results



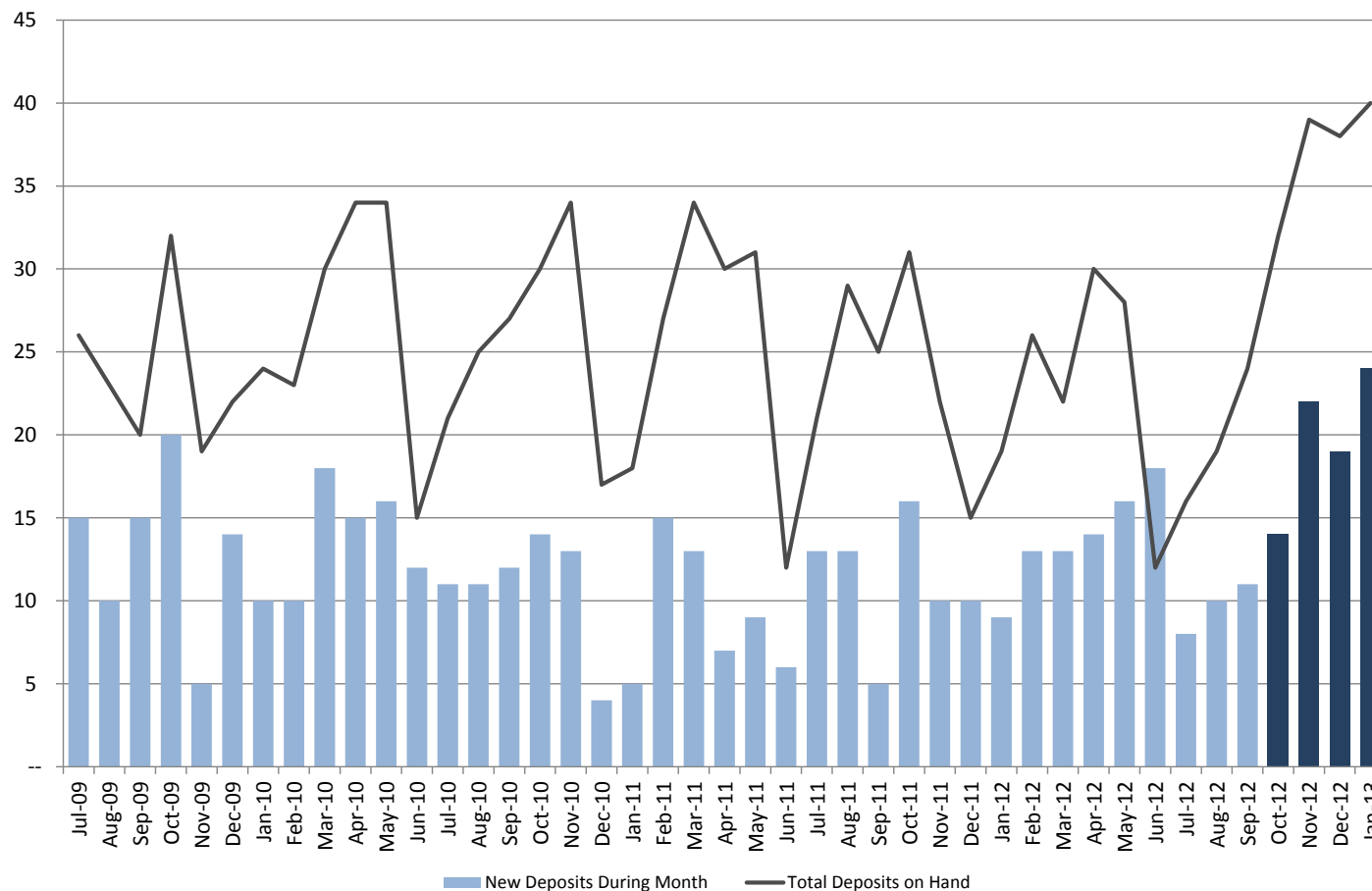
Operational Results: Analysis

- Focus on selling down company-owned stock generating cash flow
- New sales and buyback sales have more than doubled relative to prior period
- Lower DMF / CG generated due to lower resales
- Average DMF / CG transaction point and average DMF / CG per transaction remained relatively constant

Key Performance Indicators	HY13	HY12	Change
Gross DMF / CG generated	\$4.0m	\$5.9m	(32%)
Resales	16	34	(53%)
New and buyback sales	34	15	127%
Total sales	50	49	2%
Portfolio turnover (based on sales)	8%	8%	-
Occupancy	92%	91%	1%
Net buyback purchases/(sales)	(12)	(4)	200%
Avg DMF / CG transaction price point	\$298k	\$292k	2%
Avg DMG / CG per transaction	\$133k	\$134k	(1%)
Avg DMF rate of existing contracts	26%	26%	-
Avg CG share of existing contracts	80%	78%	2%
Avg age of residents	83.0	83.0	-
Underlying property value	\$0.4b	\$0.4b	-

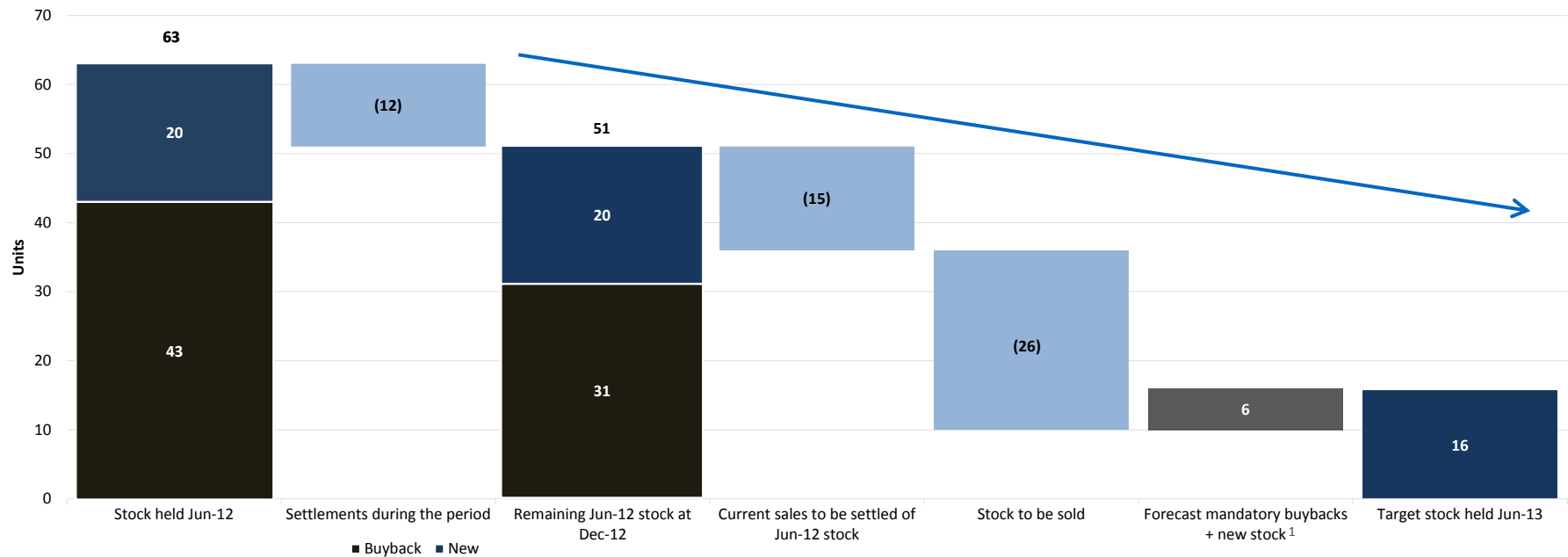
Sales Levels Improving

- Unit pricing adjustments made at the beginning of FY13 have resulted in a strong increase in sales activity
- November 2012 and January 2013 recorded the highest sales over the past 3 years
- As a result, the level of sales on hand is at the highest level since the commencement of the GFC
- The focus for management is to continue the strong sales levels and to convert sales into settlements



Reducing Company-owned Stock

- Significant progress made during period in selling down levels of company-owned new and buyback stock
- Sizeable portion of the remaining company-owned units are targeted for sale prior to financial year end
- On track to reduce company-held stock levels further



¹ Only includes buyback and new stock delivered in 2HY13

- Levels of resident enquiry and subsequent sales expected to remain strong as general residential market recovers
- Sell down of company-owned stock to continue to provide strong cash flow generation
- Expected financial performance underpinned by high existing levels of sales on hand
- Roll out of new development units at selected villages to continue with developments staged in small increments to allow realisation of value in development pipeline without increasing company stock levels unnecessarily
- Refurbishment program will continue on a smaller scale until company stock levels are back at more appropriate levels

Units	Existing	Pipeline	Total
Total units managed by Forest Place Group ¹	1,280	341	1,621

¹ Includes 10 units not offered for accommodation purposes, e.g., managers units

Capital Management



- All covenants have been satisfied with material headroom
- Covenant gearing at 16% relative to limit of 40%
- Interest coverage ratio at 5.8 times against a covenant of ≥ 2.0 times
- Unsold new and buyback stock of \$16.3m together with other debtors owed would enable FPG to repay debt if required upon sale
- The debt facilities expire at 30 March 2017
- BOQ facility sufficient to meet rollout of development pipeline

Metrics	HY13	FY12	Change
Reported gearing	10%	8%	2%
Covenant gearing (limit 40%)	16%	14%	2%
ICR (minimum 2.0x)	5.8x	10.3x	(44%)
Total interest bearing liabilities	\$32.1m	\$29.2m	10%
Undrawn committed lines ¹	\$17.9m	\$20.8m	(14%)
Available facilities	\$17.9m	\$20.8m	(14%)
Total debt facilities ²	\$50.0m	\$50.0m	-
Borrowing cost ³	6.4%	8.0%	(2%)

¹ Undrawn facilities are dependent upon having sufficient security

² Plus another \$30m tranche available subject to bank approval

³ Includes variable margins and line fees

Strategy and Outlook



Focus on improving cash flow

- Cash flows should be underpinned by sizeable sales base converting to settlements
- Achieving operating efficiencies through the roll out of strategic procurement initiatives
- Explore options to provide higher care services which complement current offerings

Continue a stringent capital management policy

- Continue to manage gearing levels by using debt facilities primarily for developments
- Have access to increased equity placement capacity to investigate expansion opportunities if required
- Remain focused on proactively managing working capital by selectively rolling out the development pipeline
- Dividends continue to be paid out of operating cash flows and maintain returns to investors

Continuing to examine strategic expansion opportunities

- Capital position provides a strong base from which to pursue growth strategies
- Quality of existing assets attractive to potential capital providers



Reconciliation of Statutory Profit to Underlying Profit

	HY13			HY12		
	Gross (\$m)	Tax (\$m)	Net (\$m)	Gross (\$m)	Tax (\$m)	Net (\$m)
Statutory Profit After Tax			(4.6)			13.9
Change in Fair Value of IP	8.5	(2.6)	5.9	(17.8)	5.3	(12.5)
Share of net gain/(loss) from fair value adjustment of equity accounted investments	0.4	(0.1)	0.3	1.2	(0.4)	0.8
Underlying Profit After Tax			1.6			2.2

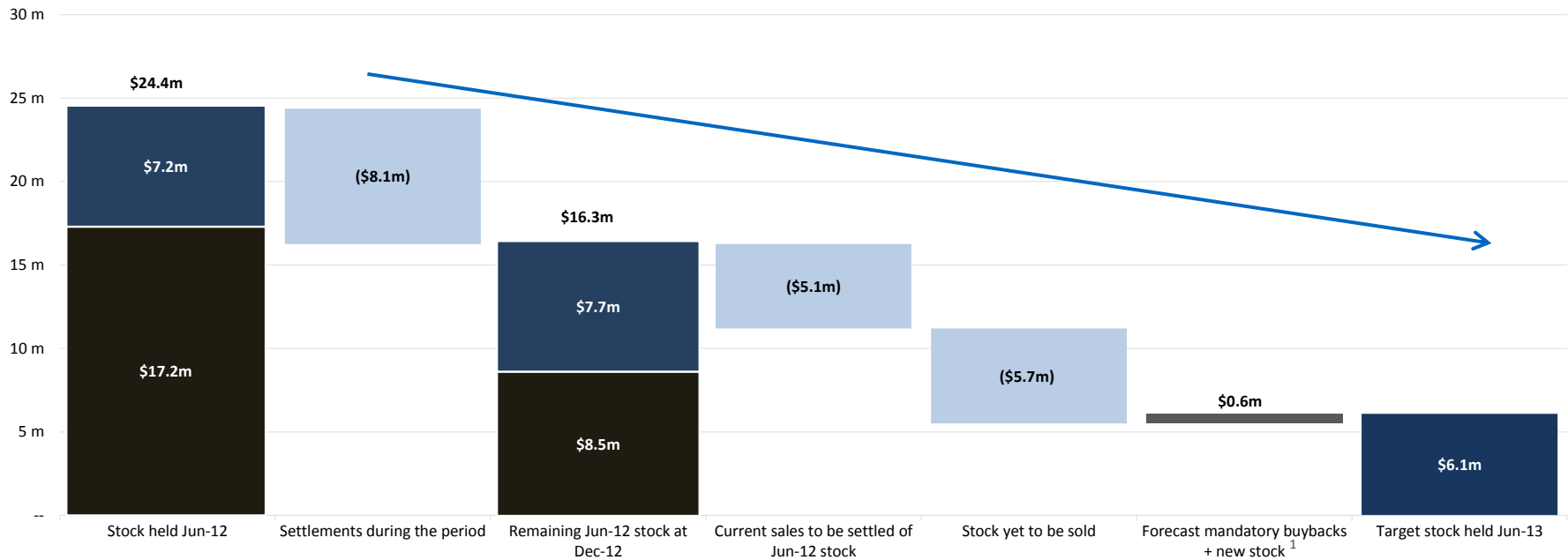
Summary Statutory Balance Sheet

	HY13 (\$m)	FY12 (\$m)	Change
Assets			
Cash / receivables / other	18.5	19.7	(6%)
Investment properties (refer slide 19)	599.5	607.2	(1%)
Property, plant and equipment	0.7	0.7	-
Intangibles	0.3	0.3	-
Total Assets	618.9	627.9	(1%)
Liabilities			
Payables / provisions / deferred revenue / other	36.1	37.2	(3%)
Resident loans	260.3	260.8	-
Bank debt	32.1	29.2	10%
Deferred tax	84.1	86.1	(2%)
Total Liabilities	412.6	413.4	-
Net Assets	206.3	214.5	(4%)
NTA per unit	\$2.34	\$2.43	(4%)

Investment Property Summary

	HY13 (\$m)	FY12 (\$m)	Change
Retirement			
NPV of annuity streams (refer slide 21)	264.4	270.7	(2%)
Resident obligations	260.3	260.8	-
Deferred income net of Accrued DMF	24.3	24.8	(2%)
Investment properties under construction – Retirement	34.2	26.6	29%
New units available for first occupancy	7.7	7.2	7%
Buyback units available for occupancy	8.5	17.2	(51%)
Total Investment Properties per Balance Sheet	599.5	607.2	(1%)

Company-owned Stock Movement



¹ Only includes buyback and new stock delivered in 2HY13

- Major valuation assumptions were reviewed in detail with external advisers at 30 June 2012
- No changes to major valuation assumptions made at 31 December 2012
- Adjustments made to existing unit prices across the portfolio in the valuation model to reflect lower transaction price points experienced at some villages
- Unit price adjustments ranged across villages and types (ILUs vs. SAs) but averaged a decrease of 2.8% relative to the unit prices used at 30 June 2012

Key Valuation Assumptions / Outcomes		HY13	FY12
Discount Rate		12.5%	12.5%
Medium term property price growth ¹		3.5%	3.5%
Long term future property price growth ²		4.5%	4.5%
Existing resident tenure ³	Independent Living Units	Life	Life
	Serviced Apartments	Tables	Tables
Subsequent resident tenure (years)	Independent Living Units	10	10
	Serviced Apartments	4	4
NPV of annuity streams		\$264.4m	\$270.7m

- Medium term growth averages 3.5% but increases from 3.0% in year one to 4.0% in year five
- From year 6 onwards
- Life tables are adjusted for a 3 year "x-factor" to reflect the adjusted expected resident departure date

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