



# Metlifecare Strategy Update and Equity Raising

May/June 2013

The Poynton. Takapuna, Auckland

PART OF THE  
  
METLIFECARE  
FAMILY OF VILLAGES



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THERE'S NO  
PLACE LIKE IT





Dannemora Gardens. Botany Downs, Auckland

# 1. Executive Summary



# Equity Raising of \$70m plus SPP

## Metlifecare capital management initiative

### ❑ Value created since the merger in 2012

- ❑ Share price increased by 45% since the merger
- ❑ Integration of Private Life Care and Vision Senior Living substantially completed
- ❑ On track to exceed our 26 June 2012 Prospectus stated operating cash flow objective of \$60.7m<sup>1</sup>
- ❑ Sale of two assets realising \$38m in cash (Oakwoods in Nelson and the Ilam development site in Christchurch)

### ❑ The Board and management have also continued to focus on further value creation through

- ❑ An equity raising and portfolio management to substantially eliminate non-development debt
- ❑ Target sustainable development rate of 200+ units per annum by FY15
- ❑ Expand care on our greenfield sites and where possible on our brownfield site

### ❑ In order to provide a robust and flexible capital structure to support this longer term strategic direction, Metlifecare is undertaking an

- ❑ Institutional placement to raise \$70m and a
- ❑ Share Purchase Plan (SPP) offer to allow all shareholders to participate in the offer

<sup>1</sup> The operating cash flow target includes sales, resales, repurchases and operational expenses but is exclusive of one-off merger costs, integration costs and interest cost.



7 Saint Vincent. Remuera, Auckland

## 2. Business Update

# Achievements to Date

■ Metlifecare has delivered on the following commitments as set out in its June 2012 Prospectus:



\$60.7m<sup>1</sup> cash flow for FY13 – forecast to be exceeded



Planning to introduce full continuum of care, including care facilities, into its new villages at Glenfield and Unsworth Heights and strengthening the continuum of care offering at existing villages



Asset sales to reduce debt. \$38m receipted from two South Island divestments



LVR below 25%



Key merger assumptions:

- assumed 120 resales at \$320K each: achieved 102 resales at \$325K per settlement, as at 30 April 2013.
- assumed combined Deferred Management Fee (DMF) and capital gain was \$119K per settlement; achieved \$120K for VSL and \$128K for PLC as at 30 April 2013.

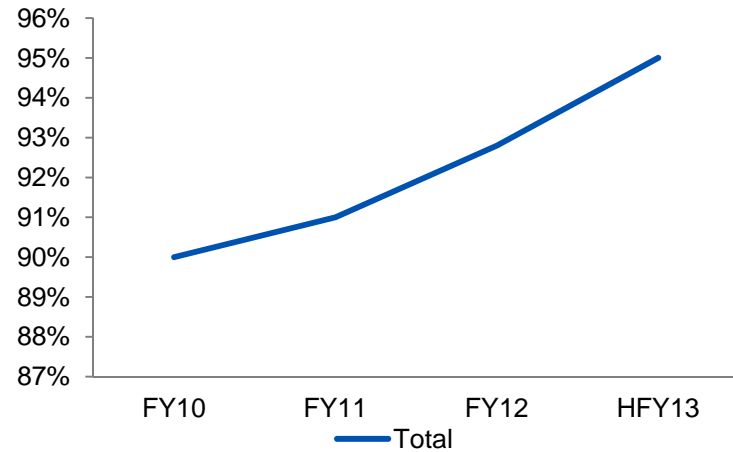
<sup>1</sup> The operating cash flow target includes sales, resales, repurchases and operational expenses but is exclusive of one-off merger costs, integration costs and interest cost.

# Achievements to Date

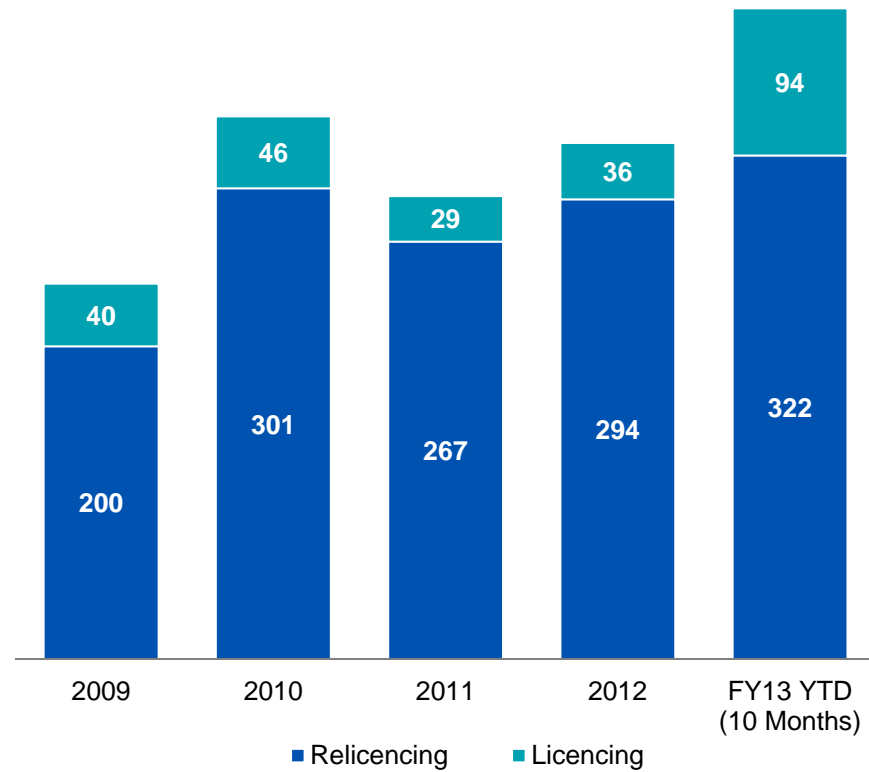
## Overview of YTD Sales (10 month period ended 30 April 2013)

- ☐ Settled 416 units
  - ☐ 322 Resales settlements
  - ☐ 94 Sales settlements
- ☐ Occupancy as at 30 April 2013, 95% across all villages

### Occupancy



## Sales & Resales Performance (Number of Units Settled)





The Avenues. 10<sup>th</sup> Avenue, Tauranga

### 3. Strategy Update



# Strategic Focus – Going forward

## #1 Capital structure

- Non-development debt will be substantially eliminated through the placement of \$70m and other initiatives
- Positioning for growth

## #2 Portfolio management

- Metlifecare villages are located in premium locations i.e. Auckland, Hamilton and Bay of Plenty
- Two asset sales over the past 12 months with a continuing focus on strategic portfolio management

## #3 Cashflow optimisation

- Driving improvement in operating cashflows
- Targeting further cost reductions

## #4 Continuum of care

- Developing full continuum of care in new and where possible, on existing sites
- Providing consistent cashflows and improving synergies with existing business operations through expansion

## #5 Growth opportunities

- Targeting 200+ units per annum from FY15
- Continuing to develop brownfield/greenfield sites and seeking new sites which fit investment criteria

# #1

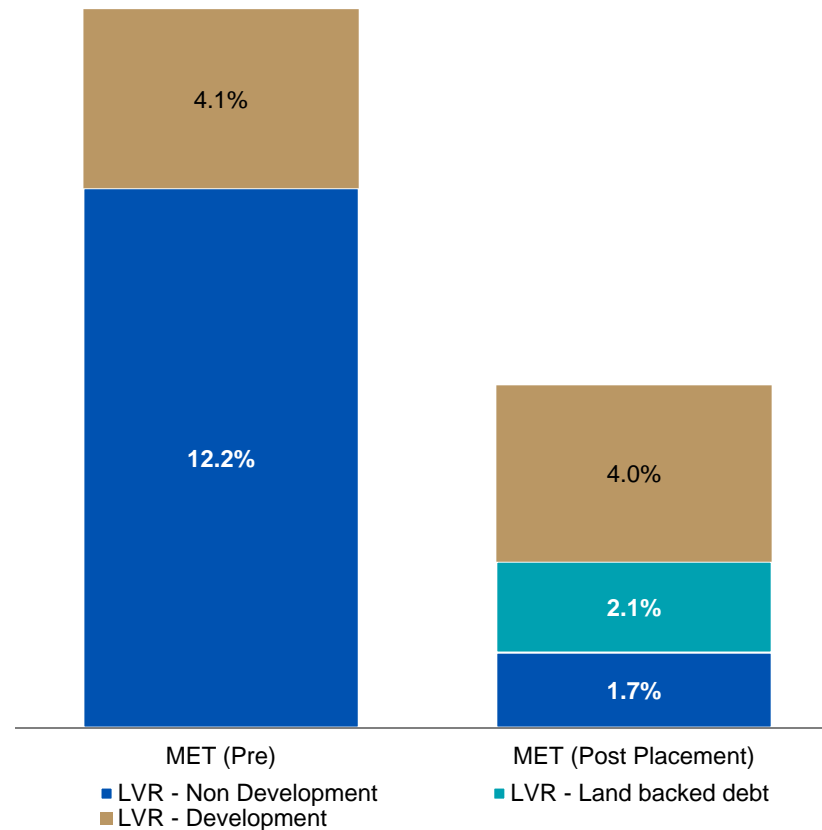
# Capital Structure

**Metlifecare is conducting an equity placement to substantially eliminate non-development debt and provide more financial flexibility to undertake growth**

## Overview of Current Debt

- Metlifecare's LVR<sup>1</sup> post placement will significantly reduce to less than 8%
- Non-development debt LVR<sup>1</sup> post placement, after removing land bank and development related costs (\$17m), will be less than 2%
- The substantial elimination of non-development debt will strengthen the Metlifecare balance sheet to enable growth based investment
- Metlifecare will seek a dual ASX/NZX listing

## Metlifecare Comparison



<sup>1</sup> The LVR is calculated on the basis of the valuation by CBRE of all investment properties and bare land is as at 31 December 2012, care facilities valued by CBRE as at 30 June 2012 and excludes the value of work in progress and 50% of the Palmerston North Village.

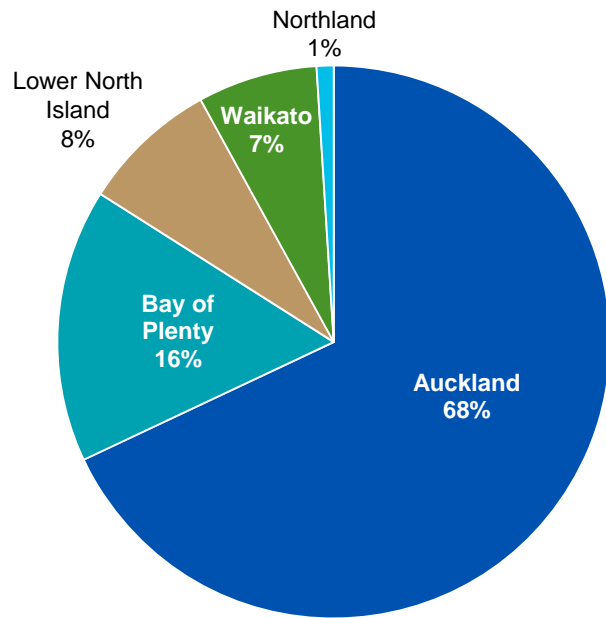


# #2

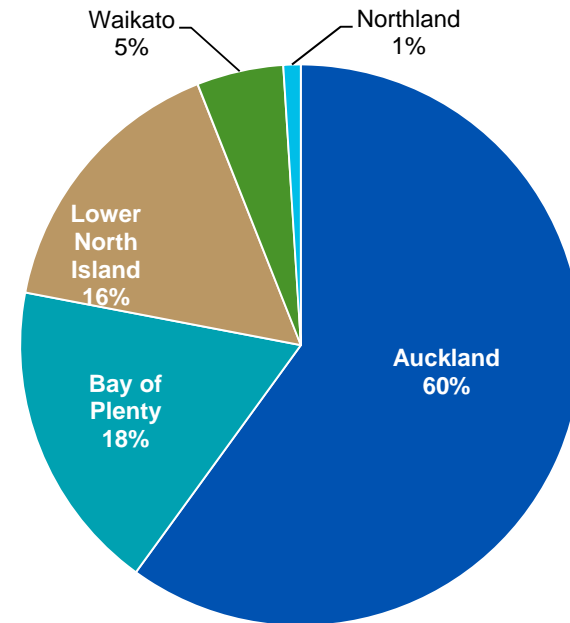
# Portfolio Management

Metlifecare will continue to focus on the premium Auckland, Hamilton and Bay of Plenty regions. Two sales over the past 12 months and we will continue to focus on strategic portfolio management.

Metlifecare Comparison  
Exposure by Value



Metlifecare Comparison  
Exposure by Units



The pie charts show that the bulk of Metlifecare's value lies in the key markets of Auckland, Bay of Plenty (Tauranga and Mount Maunganui) and Hamilton.





# Cashflow Optimisation

Metlifecare is on track to exceed the \$60.7m<sup>1</sup> operating cash flow target for this financial year, as per the June 2012 Prospectus.

■ Metlifecare has improved operating cash flow through the following initiatives



Growth in resales margins



Growth in sales revenue



Synergy benefits from rationalisation of marketing costs across the group



Procurement initiatives across the group to reduce maintenance, consumables and IT



Focus on all operational areas to improve overall performance

<sup>1</sup> The operating cash flow target includes sales, resales, repurchases and operational expenses but is exclusive of one-off merger costs, integration costs and interest cost.



# #4

## Continuum of Care

**Metlifecare is seeking to increase the proportion of care within the organisation by offering care in new developments as well as increasing care where possible on brownfield sites**

- Metlifecare will seek to establish new villages with a minimum of 20% of the new built stock being care related beds or apartments
- Greenfield sites Unsworth Heights and Glenfield will be developed as follows:
  - Glenfield: 36 Care Facility Beds and 94 Apartments (27% Care)
  - Unsworth Heights: 70 Care Facility beds and apartments and 280 independent living units (20% Care)

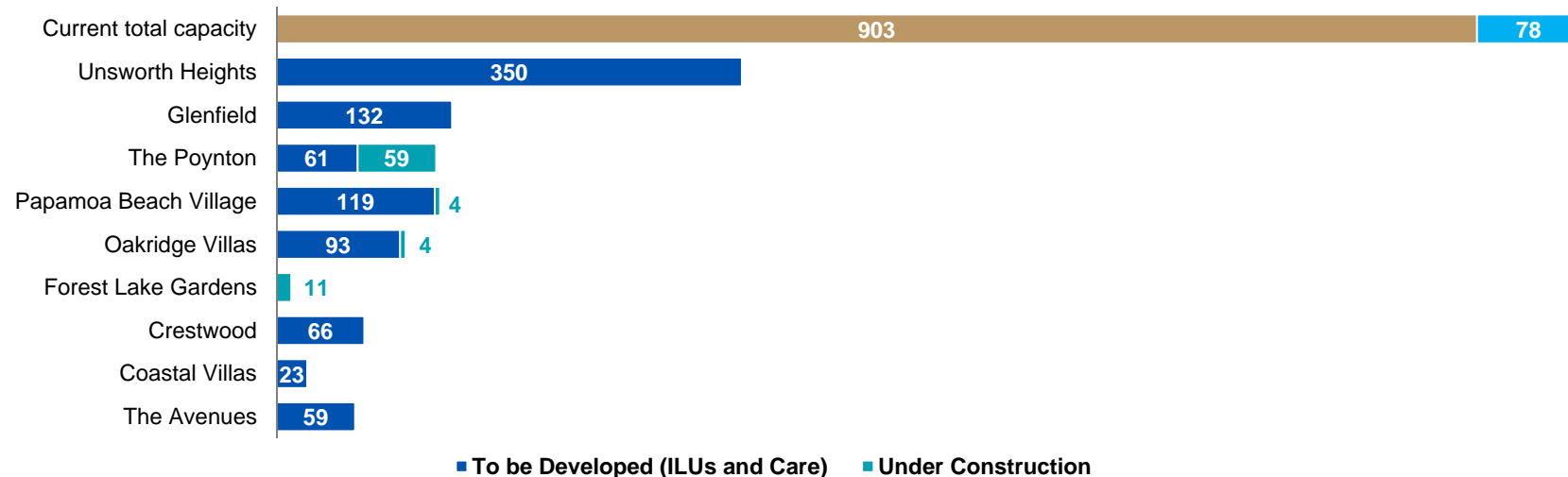


#5

# Growth Opportunities

Metlifecare’s development rate targeted to increase to 200+ units and beds per annum by FY15

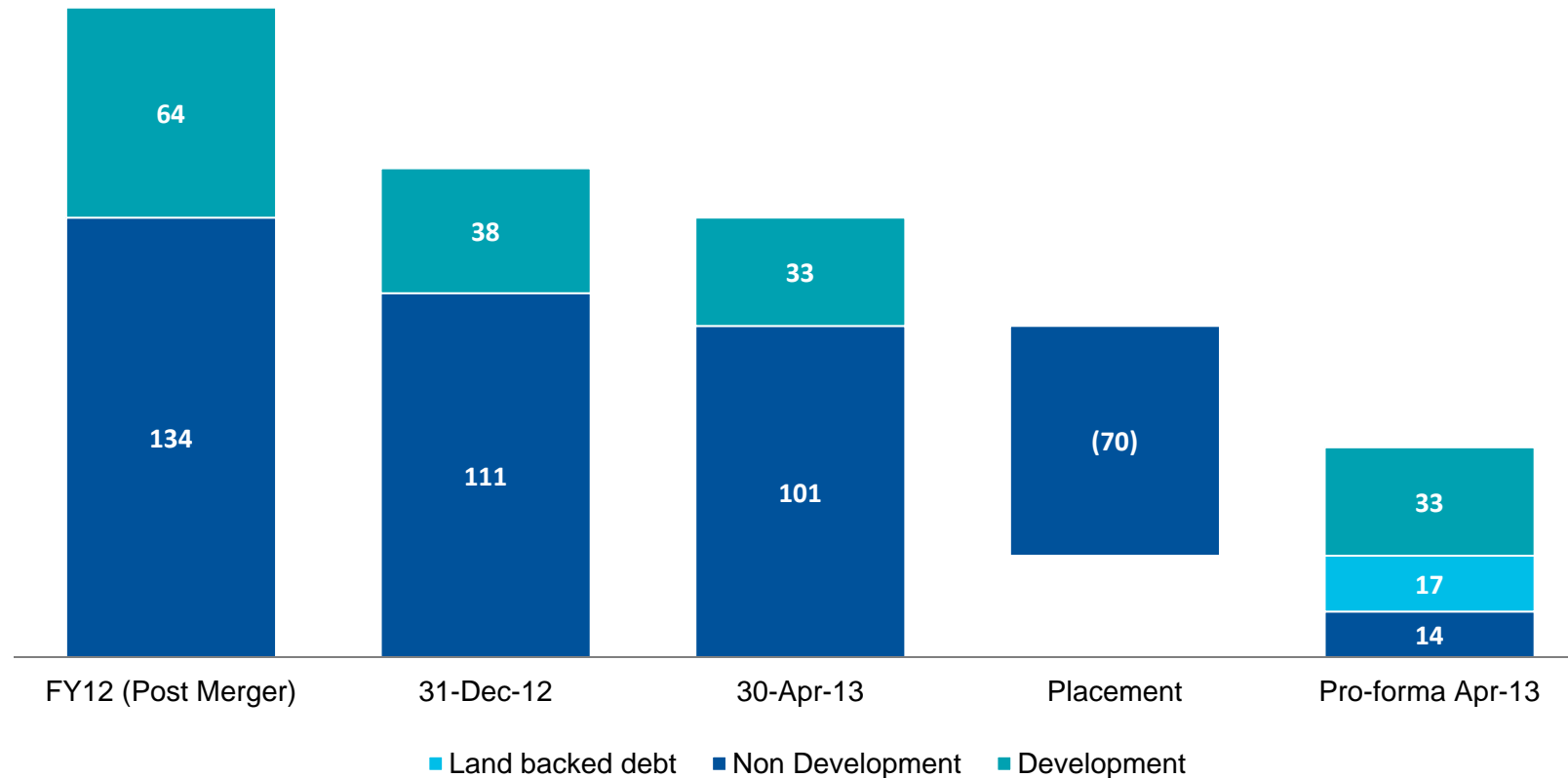
## Brownfield & Greenfield Development – 4 year development capacity



- Brownfield and greenfield potential of 903 development units and care beds
  - with 78 in construction
- We will remain focused on the Auckland, Waikato and Bay of Plenty markets for new development in the medium term
- Aged care facilities will become a higher proportion of Metlifecare portfolio

# Impact on MET Net Debt Position

Metlifecare has successfully reduced debt in line with strategic objectives



<sup>1</sup> Pro-forma calculations are on the basis of the impact to the actual debt balances as at 30 April 2013. Excludes SPP.

\* Land backed Debt is debt incurred in acquiring our land bank and some development costs incurred to progress consents.



## 4. Equity Initiative

Pinesong. Titirangi, Auckland



# Placement Timetable

- A \$70.0m placement to institutional investors, qualified habitual clients and other eligible persons in selected jurisdictions
  - Investors subscribe for new shares which rank equally with existing shares
- Placement underwritten by Goldman Sachs New Zealand Limited at a base price of \$3.00, with final price to be established in a bookbuild.

<b>Event</b>	<b>Timing</b>
Trading halt on NZX	Thursday 30 May
Commencement of book build process for institutional and eligible investors (conducted by Goldman Sachs <sup>1</sup> )	Thursday 30 May
Offer closes, allocations advised and trading halt lifted	To be advised during bookbuild
Settlement and allotment of placement	Thursday, 6 June

<sup>1</sup> Goldman Sachs New Zealand have a related party interest in Metlifecare. Related parties hold 3.6% as a result of the 2012 merger with Vision Senior Living.

# Share Purchase Plan (SPP): Timetable

- Subsequent to the placement, Metlifecare intends to make an SPP offer of up to \$10.0m to eligible shareholders. Further details on the SPP will be announced in due course
  - A maximum application of \$15,000 per shareholder
- Will be priced at the final placement price.
- The SPP gives all shareholders the opportunity to participate in the offer.

<b>Event</b>	<b>Timing</b>
SPP initiative announced	Thursday 30 May
Record date	5:00pm on Friday 14 June
SPP document mailed	Tuesday 18 June
Offer opens	10:00am Wednesday 19 June
Offer closes	5:00pm Friday 5 July
Allotment and trading of SPP shares	Friday 12 July



Hillsborough Heights. Dominion Road, Auckland

## 5. Appendix

# Portfolio Overview

## Metlifecare Portfolio Statistics

<b>23</b>	Villages (12 in Auckland)
<b>3,812</b>	Units (59% in Auckland)
<b>903</b>	Units available for development
<b>78</b>	Units under construction
<b>4,700 plus</b>	Residents
<b>90% plus</b>	Resident satisfaction within Villages

## Metlifecare Financial Statistics

<b>~\$1.82bn</b>	Value of investment properties
<b>~\$618m</b>	NTA
<b>184.7m</b>	Shares on issue

