



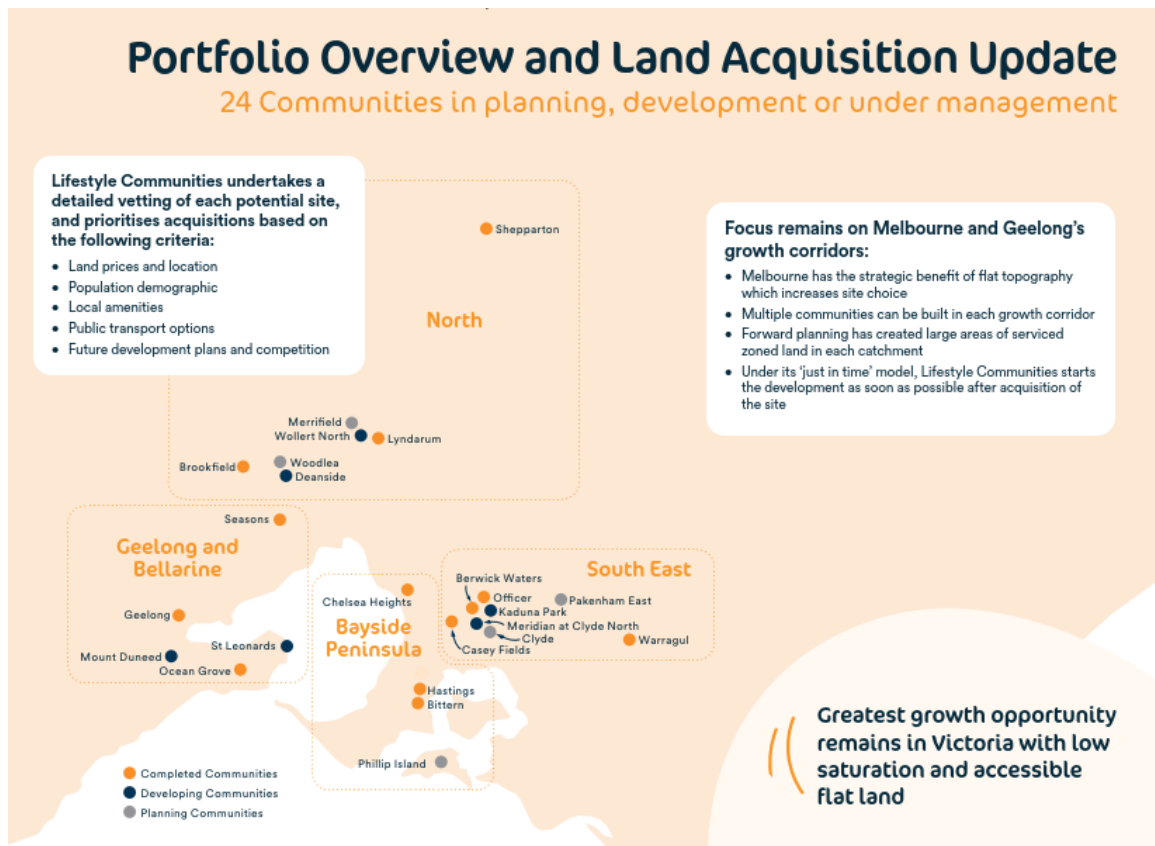
Lifestyle Communities 2021 AGM Report

ASX Code	LIC
Meeting Time/Date	9am, Tuesday 16 November 2021
Type of Meeting	Virtual using Lumi technology
Monitor	John Whittington (proxy collector)
Pre AGM Meeting?	No, but some email discussions with CFO Darren Rowland

Another Good Year, Another Disappointing AGM

What the Company Does

Lifestyle Communities is a provider of affordable residential communities for the over 50s in and around Melbourne (see graphic below). Residents at Lifestyle Communities own their own home and have a 90-year lease on the land for which they are charged a weekly site rental of approx. 20% of the Age Pension (after receipt of the Commonwealth Rental Assistance). On sale of a home, the company also receives a deferred management fee (DMF) of up to 20% (increases by 4% for each of the first five years) of the resale value.



Source: Lifestyle Communities 2021 AGM presentation slides

Developments in the Financial Year

Both the Annual Report and AGM presentation focussed primarily on activities (eg sales, construction, land acquisitions) rather than financial results. The company achieved a net profit after tax (NPAT) of \$91.1m, of which \$108.6m was based on property revaluations during the year (last year NPAT of \$42.8m, of which \$38.9m was based on property revaluations).

The following summary of recent year's performance from the Annual Report shows that shareholders have done very well over the past five years.

Performance measure	Unit	FY21	FY20	FY19	FY18	FY17
Statutory profit after tax	\$m	91.1	42.8	55.1	52.7	27.7
Dividends declared and paid (fully franked) (cents)	cps	8.0	5.5	5.5	4.5	3.5
Closing share price (30 June)	\$	15.6	9.5	6.6	5.9	4.1
Share price increase / (decrease)	%	64.2%	43.9%	11.9%	43.9%	41.4%
Employee share scheme expense	\$m	1.4	0.3	0.9	0.5	0.3
New home settlements in the Year	Homes	255	253	337	321	278
Total Homes Settled	Homes	2,792	2,537	2,284	1,947	1,626
Total Portfolio (Settled and Unsettled)	Homes	4,834	4,494	3,563	2,995	2,667

Summary of Historical ASA Issues with the Company

The ASA has attended Lifestyle Community AGMs since 2019 in a proxy collecting role. In the past we have asked about the annual property revaluations as the company would not be profitable without them. We have also asked them to include a table of actual remuneration in their (brief) remuneration report.

Debate and Voting at the AGM

At face value, the meeting came across a lot better than last year with video of the [Chair and CEO presentations](#) rather than last year's audio only affair. Both were upbeat, although the infectious enthusiasm of the CEO which you find face-to-face was somewhat muted by the remoteness of the technology. The video allowed you to see the presenters and also watch a video about the company.

When we got to the formal part of the meeting however, we experienced problems. The Lumi system that was used for this meeting is usually very reliable but, for some unknown reason, your ASA representative could not get the "Virtual Microphone" part (which enables you to ask oral/audio questions) working, something he has used in a number of meetings in the past with no problems. This highlights another of the problems of virtual meetings – even if you log in early, experiencing a problem means that you can be busy fault finding throughout parts of the meeting so cannot pay as much attention to is as you would like. Even with a helpful CFO we were unable to get the Virtual Microphone working so ended up back with text-based questions read out by the CFO.

We first noted that that the reported profit of \$91m included \$109m in fair value adjustment of property valuations and asked how the company is handling the risk of an extended period of little or no increase in property valuations. The Chair indicated that the underlying profit was down this year due to lower sales during lockdown. She also highlighted that half the property portfolio was independently valued each year and that some of the value was due to the future value of rental payments and not just real estate value. She didn't however answer the question about how the

company would handle the risk of a downturn in the property market and, being restricted to text based questions whilst in ~30 second delay, we were unable to point this out.

We then asked why the company was using zero priced options rather than the more common performance rights used by most other companies. The Chair gave an answer that didn't make sense, but we were unable to follow up due to the issues mentioned above. We also requested the company include a full table of actual remuneration in next year's report rather than the single column of take home pay in this year's report – the Chair indicated that such a table would have had a lot of zeros as only base pay was received during the year, but that they will look into it for future years).

When it came to the election of directors, for some reason, unlike last year when the directors spoke well to their re-elections, the directors did not do the same this year. They were given a glowing reference by one of the other directors but remained silent themselves. Once we realised this, we asked a question of both directors which were eventually answered (out of sequence for the reasons highlighted above). The CEO also then chimed in with words of support for both of them.

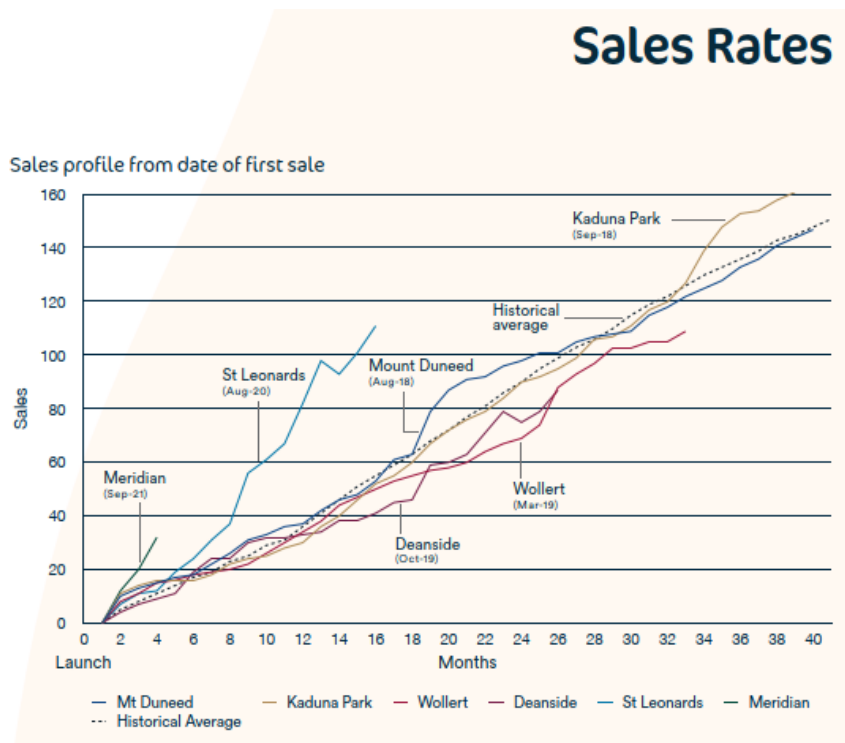
Only two questions were asked by others – one on the risks of a post-pandemic hike in interest rates (wait and see), and the other about the how dependent Lifestyle's "land lease" business model was dependent on government subsidies (believe it would be difficult for governments to change them).

The meeting closed in 49 minutes with all items passing easily with over 99% support.

Outlook Statements from the Company

The CEO outlined the FY22 performance to date as outlined below.

- Sales rates holding up well despite sales offices being closed and onsite inspections banned for much of the period
- 141 sales achieved to end of October
- 245 homes sold but not yet settled
- Enquiry levels did not drop. Large number of appointment bookings in November as face to face inspections return
- New website launched in late October will assist to drive enquiry



FY22 Update

- 114 settlements achieved to date – Bookings impacted by lockdowns but we have seen recovery as restrictions have eased
- 53 resale settlements achieved to date – 49 of these have attracted a deferred management fee
- Acquired new sites in Phillip Island and Mickleham
- Tyabb planning permit application refused – Land contracts were conditional on receiving a planning permit and have been allowed to lapse
- First homes under construction at Lifestyle Meridian
- Debt facility extended by \$100m to a total of \$375m. Next refinancing due June 2025
- Rolling out our first fully integrated micro-grid at Meridian
- Continue to evolve our clubhouse and home designs in line with customer expectations
- IT Transformation - New website launched in October, SAP will go-live in January, and Salesforce on track for go-live in Q4

Source: Lifestyle Communities 2021 AGM presentation slides

He is bullish on outlook and provided the following key points:

Summary and Outlook

- Lifestyle Communities has a focused strategy to service a niche - providing high quality affordable housing to downsizers
- Focused on Melbourne's growth corridors as well as key Victorian regional centres and coastal locations
- With the current pipeline of projects, we anticipate settlements to be in the range of 1,100 to 1,300 over the next 3 years
- Resale settlements attracting a DMF are anticipated to be in the range of 450 to 550 over the next 3 years
- Currently funded and resourced to acquire at least two new sites per year, subject to identification of appropriate sites
- Operating cash flow is underpinned by the ongoing rental annuities from over 2,890 homes under management
- Lifestyle Meridian will see the next evolution of housing and clubhouse design, plus a first of its kind solar + battery micro grid
- Implementation of Salesforce and SAPByDesign will transform our systems and processes to underpin future growth
- Welcoming new competitors into Victoria which will help grow awareness of the and lease model

Source: Lifestyle Communities 2021 AGM presentation slides

Meeting Statistics

Number of Holdings Represented by ASA	9
Number of Shares represented by ASA	10,384
Value of Shares represented by ASA	\$0.223m
Number Attending Meeting	Unknown
Market capitalisation	\$2.2bn
Were proxies voted?	Yes, on a poll

Monitor Shareholding

The individual(s) (or their associates) involved in the preparation of this voting intention has no shareholding in this company.

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