



Retirement FY18 Strategic Goals – Delivered

Results for the year ended 30 June 2018

15 August 2018





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2. Financial Results and Capital Management
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Overview

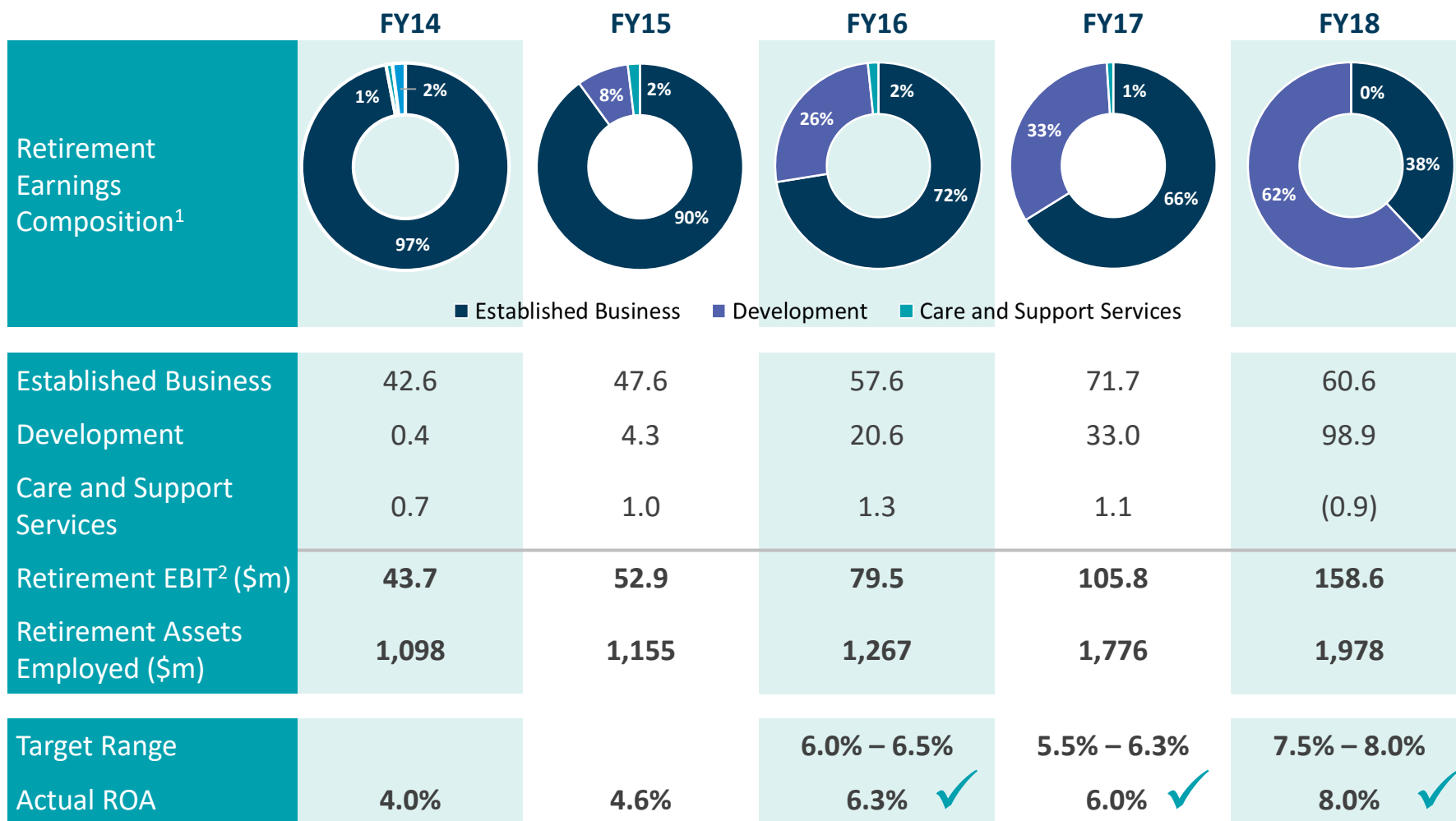


- In 2013, Aveo announced its vision to become Australia’s leading and most innovative senior living provider
- Targeted FY18 as the year to complete the transition from diversified property to retirement and to achieve defined strategic plan targets
- Aveo has achieved or exceeded all financial and non-financial strategic plan objectives in its transition to retirement
 - Return on Assets targets in FY16 and FY18
 - Delivery of 500 plus new product by FY18
 - Sell-down of non-retirement assets at or above book value
 - Consistently high resident satisfaction with a resident satisfaction rating of 84% in 2018
- Retirement assets now comprise 97% of Aveo’s asset base
- Aveo has also transformed over the past five years to become a substantive healthcare organisation and continues to be Australia's most innovative retirement operator
- While achieving all its financial targets, and despite achieving record profit levels, Aveo is currently trading well under NTA due to concerns around sustainable sales levels and perceived further industry regulatory risk
- A strategic review of the business is currently under way to examine a number of key options including potential capital partners

Retirement Asset Returns Targets Achieved



Retirement business achieved its long term ROA targets set out back in FY14



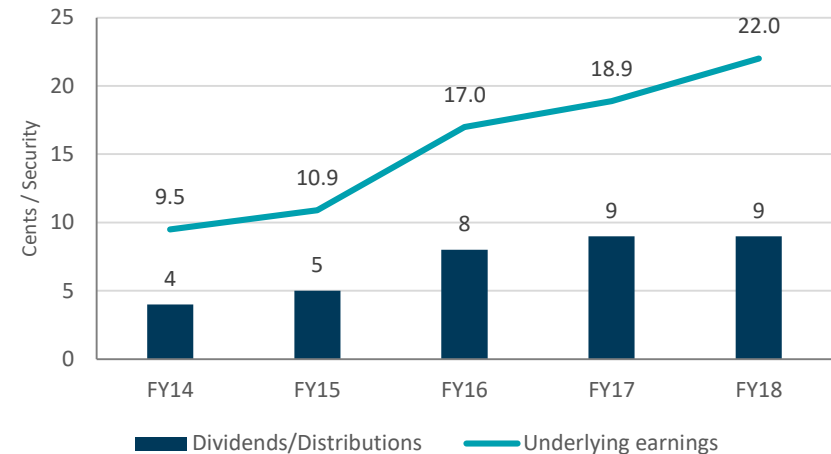
¹ Long term retirement earnings mix (based on EBIT) will likely be 70%-80% recurring (Established Business and Care and Support Services) and 20%-30% active (Development).

² Excludes capitalised interest in cost of goods sold.

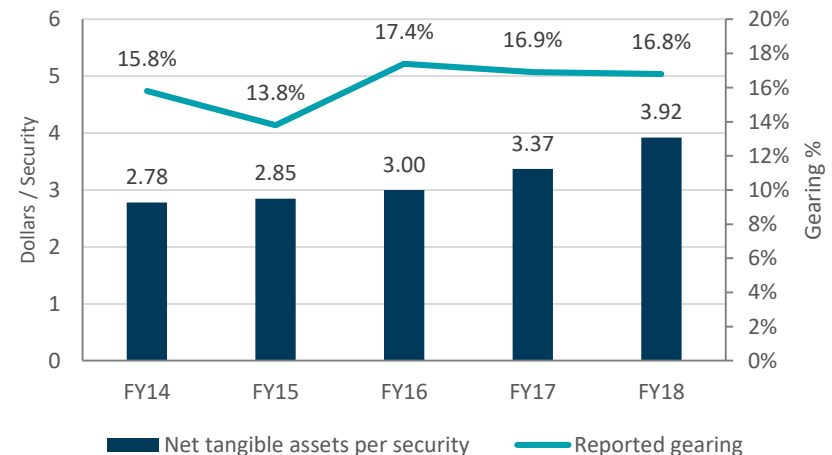
Transition Years in Review

- Underlying earnings and distributions have grown consistently over the five year strategic plan period and have more than doubled since FY14
 - Underlying earnings - CAGR of 23%
 - Distributions - CAGR of 22%
 - Focus remains on growing EPS
-
- Gearing has remained stable and within the targeted 10%-20% range
 - Sell down of non-retirement assets has largely funded the retirement development pipeline as intended in the five year strategic plan
 - NTA has increased to \$3.92 - CAGR of 9%

Underlying Earnings and Dividends/Distributions per Security



Net Tangible Assets and Reported Gearing

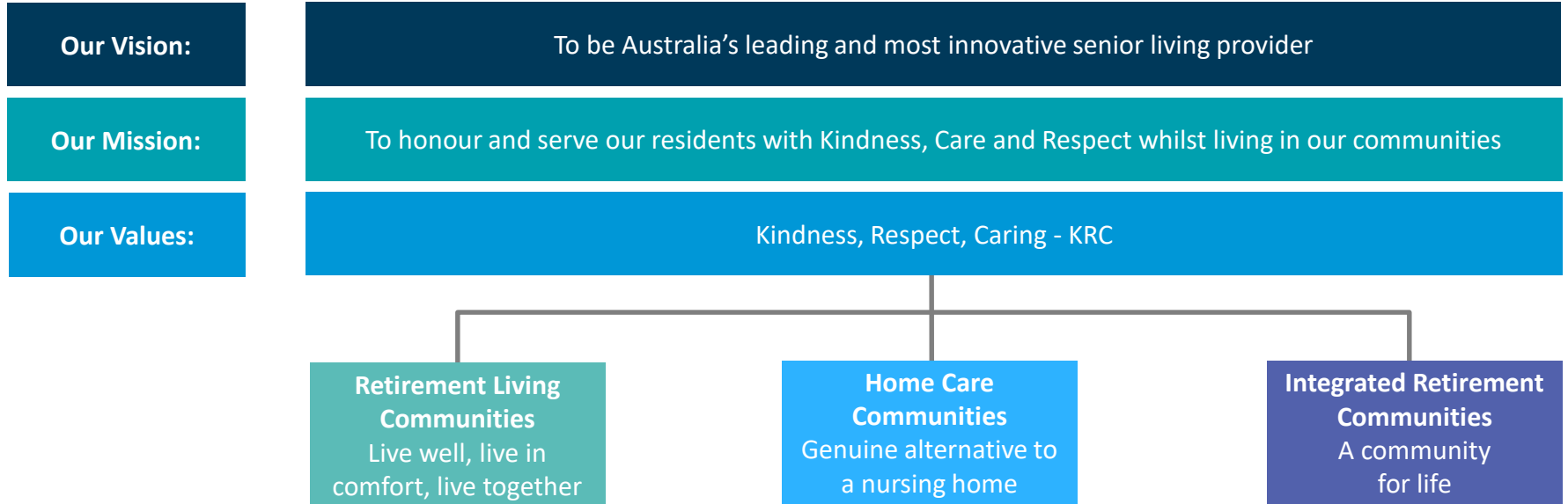


A Substantive Healthcare Organisation



- Aveo's commitment to ageing healthcare has driven:
 - Acquisition of Freedom Aged Care
 - Acquisition of Allied Health businesses
 - Launch of Aveo Care at Home
- Since the acquisition of Freedom Aged Care, Aveo has rolled out the Freedom care model to 12 existing communities with strong resident acceptance
- Aveo has developed and launched two leading and innovative residential aged care facilities at Durack and Newstead adding a further 222 beds
- Over 500,000 hours of care is expected to be delivered in FY19 across our dedicated care facilities
- Aveo has continued to develop a strong care governance framework to maintain high service standards and control risk
- Strong advances have also been made in resident service lines such as food and packaged communications with Select Dining and Aveo Connect
- Aveo Newstead represents the future of retirement living in Australia – the best in market integrated retirement offering combining all Aveo's initiatives over the five year strategic plan period including multiple care offerings

Innovative Operator Focused on the Consumer



- Aveo's defined community offerings provide intending residents with a choice of community types and a platform for integration of comprehensive care and other services delivering on consumer requirements
- Leadership participation in Retirement Living Council's eight point plan and the imminent new Code of Conduct which will lead to a significant improvement in industry standards

Continued Improvement in Customer Offering



- Aveo is continually refining its product offering to provide additional choice to new residents
- A suite of further contract options will be rolled out from 1 September building on Aveo Way
- Further options under consideration will potentially allow flexibility around payment of DMF – upfront at a discount, in instalments at a discount or upon exit in full.

	Aveo Essentials ⁵	Aveo Way	Aveo Certainty
DMF Rate	▪ 35%	▪ 35%	▪ 35%
DMF Accrual Period	▪ Five years	▪ Three years	▪ Three years
Money Back Guarantee	▪ Within three months of entry	▪ Within six months of entry	▪ Within six months of entry
Buyback Guarantee	▪ 12 months from departure	▪ Six months from departure	▪ Six months from departure
Additional Membership Transfer Benefits¹	▪ NA	▪ NA	<ul style="list-style-type: none"> ▪ Transfer to Freedom units with no extra DMF³ ▪ Transfer to nearest RACF² ▪ Transfer to any similar unit in Australian portfolio with no extra DMF³
Membership Cost	▪ No cost	▪ No cost	▪ \$2,000 p.a. paid upon exit

Three contracts allow residents to access increased levels of flexibility and care

¹ All three contracts include a number of retail and other benefits e.g. no refurbishment or sale costs on exit.

² For Newstead, Durack and Mingarra and transfers from Clayfield to Newstead; Springfield and Robertson Park to Durack, the net equity in the resident's product will be treated as the RAD price.

³ Only available for transfers to a unit/apartment with a list price equal to or less than the list price of the resident's existing unit/apartment.

⁴ All transfers are subject to availability and any one resident is limited to a maximum of two transfers.

⁵ Only available for ILUs.

- Aveo today announces a strategic review of its retirement business
- Aveo is the only ASX200 listed company focused solely on retirement living products and services
- It is a leading owner, operator and manager of retirement communities in Australia and routinely attracts interest from parties interested in the growth potential of the sector in Australia and overseas
- Aveo has achieved all its strategic goals over the period FY14-FY18 and has a demonstrated track record of innovation and understanding and addressing consumer expectations
- Aveo has experienced strong positive earnings growth over a five year period as demonstrated in today's result
- The Board views that the market is significantly undervaluing Aveo's market leading retirement business
 - Aveo currently trades at a 44% discount to net asset value¹
 - Aveo trades on a FY19 earnings yield of more than 9%¹
- Aveo's net asset value is based on an independent valuation undertaken by Deloitte and supported by underlying real estate valuations which take into account comparable recent transactions
- The Board also takes the view that the factors likely impacting the current discount to NTA (risks around sustainable sales levels including the current state of the residential market, further regulatory risk and the class action) are outweighed by the strong medium to long term growth prospects for the sector
- The strategic review will focus on closing the value gap between the price of Aveo's listed securities and the underlying value of Aveo's retirement properties
- The review will include the possibility of the introduction of capital partners (Australian or overseas) into the retirement business
- The Board is currently finalising mandate arrangements for the advisory role and it is expected an announcement will be made by next Friday, 24 August 2018

¹Based on 14 August 2018 closing share price.



Financial Results and Capital Management



Key Financial Outcomes for the Full Year



- Second half established business and development settlements were higher than in the first half of FY18
- 50% increase in development sales as development deliveries increase
- Increase in statutory profit driven by fair value uplifts in the retirement portfolio and the sale of Gasworks
- Underlying profit after tax increased by 17% driven mainly by delivery of 506 new units and Newstead achieving higher than expected development margins
- FFO result in line with FY18 settlements
- NTA per security increased to \$3.92

Outcome	FY18	FY17	Change
Statutory profit after tax ¹	\$365.1m	\$252.8m	44%
Statutory EPS	63.3 cps	44.2 cps	43%
Underlying profit after tax ²	\$127.2m	\$108.4m	17%
Underlying EPS	22.0 cps	18.9 cps	16%
Retirement Established Business settlements	622	1,008	(38%)
Retirement Development settlements	352	234	50%
Total Retirement settlements	974	1,242	(22%)
Non-Retirement settlements	469	745	(37%)
FFO ³	\$115.4m	\$163.9m	(30%)
AFFO ³	\$97.4m	\$136.2m	(28%)
Distribution	\$51.9m	\$52.0m	-
DPS	9 cps	9 cps	-
Total assets	\$6,715.6m	\$5,955.1m	13%
Net assets	\$2,298.1m	\$1,978.7m	16%
NTA per security	\$3.92	\$3.37	16%

¹ Net profit after tax attributable to stapled security holders of the Group.

² Reconciliation of statutory profit to underlying profit shown on A31.

³ FFO and AFFO reflect Property Council of Australia guidelines.

Profit and Loss



- Retirement business up 40% and reflects 74% of overall divisional contribution
- Established business profit contribution was impacted by lower resales which continue to show signs of improvement
- Growth in development contribution due to increase in units delivered as well as better than expected margins on the delivery of Newstead
- Revenue growth for Care and Support Services was offset by upfront costs of new Durack and Newstead RACFs
- Non-Retirement profit reduced with lower sales volumes in line with sell down strategy
- Marketing spend was invested in an extensive corporate brand campaign
- Significant gains from the change in fair value of investment properties and sale of Gasworks

Profit and Loss	FY18 (\$m)	FY17 (\$m)	Change
Retirement			
Established Business	61.1	73.8	(17%)
Development ¹	79.0	25.2	213%
Care and Support Services	0.8	1.7	(53%)
Total Retirement	140.9	100.7	40%
Non-Retirement ¹	50.5	62.7	(19%)
Divisional contribution¹	191.4	163.4	17%
Group marketing costs	(3.6)	-	NM
Group overheads and incentive scheme	(17.9)	(18.7)	(4%)
EBITDA	169.9	144.7	17%
Depreciation and amortisation	(3.0)	(3.4)	(12%)
EBIT	166.9	141.3	18%
Interest and borrowing expense	(4.3)	(1.9)	126%
Profit Before Tax	162.6	139.4	17%
Income tax	(35.1)	(30.7)	14%
Profit After Tax	127.5	108.7	17%
Non-controlling interests	(0.3)	(0.3)	-
Underlying profit after tax²	127.2	108.4	17%
Gain on acquisition of RVG	-	52.6	NM
Change in fair value of investment properties	177.0	93.8	89%
Sale of Gasworks	53.7	-	NM
Other	7.2	(2.0)	NM
Statutory profit after tax	365.1	252.8	44%

¹ Includes capitalised interest in cost of goods sold.

² The underlying profit has been calculated as per the AICD Underlying Profit Guidelines.

Modelling the Established Business Profit Contribution



- The established business is based on the on-sale of existing units in the portfolio to new incoming residents. These transactions generate DMF/CG income for Aveo
- DMF/CG generating transactions occur in the form of resales and buyback purchases (Aveo purchases the unit to on-sell to an incoming resident)
- $\text{Gross DMF/CG} = \text{Number of DMF/CG Generating Transactions} \times \text{Average Transaction Value} \times \text{Average DMF/CG Margin \%}$
- Buyback sales are on-sales of bought back units to incoming residents which generate profit when units are sold above cost
- $\text{Buyback Sales Profit} = \text{Buyback sales} \times \text{Average Transaction Value} \times \text{Average Margin \%}$
- Profit from DMF/CG and buyback sales is offset by the costs of reselling and operating the portfolio

Established Business		FY18	FY17	FY16
DMF/CG²				
DMF/CG generating transactions ¹		799	1,177	757
Average transaction value	x	\$381k	\$358k	\$287k
Average DMF/CG margin %	x	27.4%	27.3%	31.4%
Gross DMF/CG	=	\$83.5m	\$115.0m	\$68.2m
Reinstatement costs	-	(\$8.5m)	(\$9.3m)	(\$11.2m)
DMF/CG profit	=	\$75.0m	\$105.7m	\$57.0m
Buyback sales²				
Buyback sales		186	226	131
Average transaction value	x	\$324k	\$307k	\$331k
Average margin %	x	5.7%	10.2%	1.4%
Buyback sales profit	=	\$3.4m	\$7.3m	\$0.6m
Profit contribution				
DMF/CG profit		\$75.0m	\$105.7m	\$57.0m
Buyback sales profit	+	\$3.4m	\$7.3m	\$0.6m
Other income	+	\$20.6m	\$19.7m	\$24.9m
Marketing/commission expenses	-	(\$13.8m)	(\$19.4m)	(\$12.8m)
Other expenses	-	(\$24.1m)	(\$39.5m)	(\$20.1m)
Net RVG contribution		-	-	\$9.0m
Total profit contribution	=	\$61.1m	\$73.8m	\$58.6m

¹ Resales, operating buyback purchases and Freedom conversion (Refer to slide 21).

² Excludes transactions in RVG for FY16.

Note: Refer to A7 for group targets

Modelling the Development Profit Contribution



- The development business is based on the delivery of new units (major development) and the sale of units undergoing substantial refurbishment and/or conversion to Freedom (minor development)
- Major development gross profit is generated when new units are delivered at values above the cost
- Major Development Gross Profit = New Stock Delivered x Average Transaction Value x Average Margin %
- Minor development gross profit is generated when units are sold at values above the cost
- Minor Development Gross Profit = Settlements x Average Transaction Value x Average Margin %
- Gross development profit is offset by the costs associated with selling development stock and overhead

Development		FY18	FY17	FY16
Major Development				
Delivery of new stock		506	266	182
Average transaction value	x	\$652k	\$520k	\$566k
Average margin %	x	28.0%	19.0%	22.0%
Major Development gross profit	=	\$92.3m	\$26.3m	\$22.3m
Minor Development				
Minor Development settlements		127	80	-
Average transaction value	x	\$508k	\$343k	-
Average margin %	x	43.3%	47.0%	-
Minor Development gross profit	=	\$27.8m	\$12.9m	-
Profit contribution				
Major Development gross profit		\$92.3m	\$26.3m	\$22.3m
Minor Development gross profit	+	\$27.8m	\$12.9m	-
Marketing expenses	-	(\$16.3m)	(\$8.4m)	(\$2.0m)
Other expenses ¹	-	(\$24.8m)	(\$5.7m)	(\$1.0m)
Total profit contribution	=	\$79.0m	\$25.2m	\$19.3m

¹ Relates to overhead and other expenses.
Note: Refer to A7 for group targets

UPAT to Group FFO and AFFO



- Underlying profit reflects retirement development deliveries, which is adjusted to reflect settlements in calculating FFO and AFFO
- \$92m (506 units) of profit recognised on delivery is deducted and \$34m (225 units sold) of profit on settlement is added to provide a result based on settlements
- Capitalised interest and amortisation adjustment decrease driven mainly by a reduction in non-retirement sales (lower capitalised interest in COGS) and increased development activity (increase in capitalised interest)

Contribution to Group AFFO	FY18 (\$m)	FY17 (\$m)	Change
Underlying profit after tax¹	127.2	108.4	17%
Major Development			
Profit recognised on delivery	(92.3)	(26.3)	251%
Profit that would be recognised on settlement	33.7	8.6	292%
Profit adjustment on settled basis	(58.6)	(17.7)	231%
Tax impact	16.6	5.3	213%
Adjusted underlying profit after tax	85.2	96.0	(11%)
Profit from equity-accounted investments	(0.6)	0.4	NM
Depreciation	3.0	3.4	(12%)
Capitalised interest and amortisation ³	9.3	38.6	(76%)
Deferred income tax expense	18.5	25.4	(27%)
Funds from operations (FFO)²	115.4	163.9	(30%)
Capex	(18.0)	(27.7)	(35%)
Adjusted FFO (AFFO)²	97.4	136.2	(28%)

1. The underlying profit has been calculated as per the AICD Underlying Profit Guidelines.

2. FFO and AFFO reflect Property Council of Australia Guidelines.

3. Net adjustment consisting of capitalised interest, capitalised interest in COGS and other. Refer to A47 for more detail.

Capital Management Metrics



- Sale of Gasworks 3 is on track to settle in September 2018
- Aveo Group syndicated facility limits were increased by \$77.5m to \$630m and the facility maturity was extended to July 2021
- Aveo Healthcare facility maturity was extended to March 2020
- Weighted average AUD borrowing costs increase due to increased BBSY rates
- AUD debt remains unhedged
- USD debt are fixed rate loans

Capital Management Metrics	FY18	FY17	Change
Reported gearing ¹	16.8%	16.9%	0.1%
Group ICR (>1.5)	5.8x	7.2x	(1.4x)
Gross interest bearing liabilities	\$691.1m	\$573.1m	21%
Less: cash	\$71.0m	\$47.6m	51%
Net debt	\$620.1m	\$525.5m	18%
Undrawn committed lines and cash at bank ^{1,2}	\$87.0m	\$195.9m	(56%)
Proforma undrawn committed lines and cash at bank ^{1,3,4}	\$165.7m	NA	NA
Weighted average AUD borrowing cost	3.8%	3.4%	0.4%
Weighted average total borrowing cost ⁴	4.3%	NA	NA
Weighted average debt maturity	2.1 years	2.8 years	(0.7 years)
Proforma weighted average debt maturity ^{3,4}	3.0 years	NA	NA

¹ Adjusted for The Milton 50% cash at bank.

² Undrawn facilities are dependent on having sufficient security.

³ Adjusted for changes to the Aveo Group Syndicated Facility and Aveo Healthcare facility post 30 June 2018.

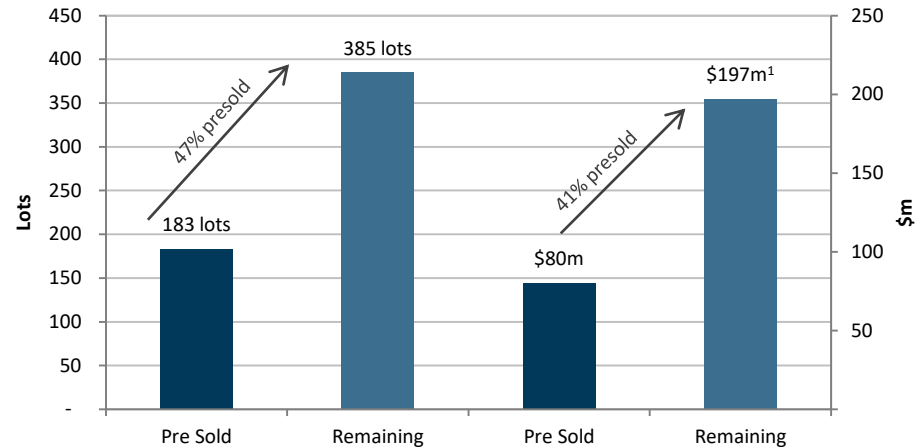
⁴ Includes all AUD and USD debt.

Retirement Development Capital Requirements



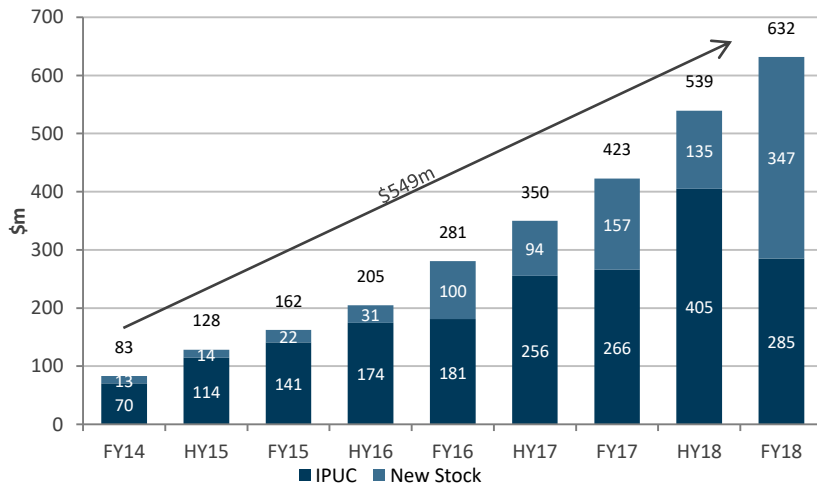
- Since FY14 \$549m has been invested in the development of new retirement units
- \$632m is currently invested in completed new units and development activity
- The ongoing sell down of the remaining \$95m in residential inventory and \$347m of retirement new stock will provide further required funding

Sell down of Non-Retirement Inventory

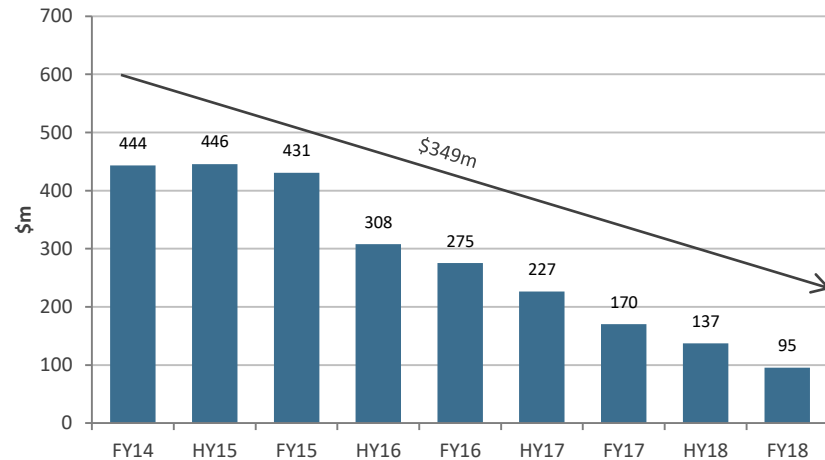


¹ Estimated end value excluding Mackay and Currumbin.

Capital Investment in Major Developments



Capital Realised From Sale of Residential Inventory



Net Retirement Portfolio Revaluation



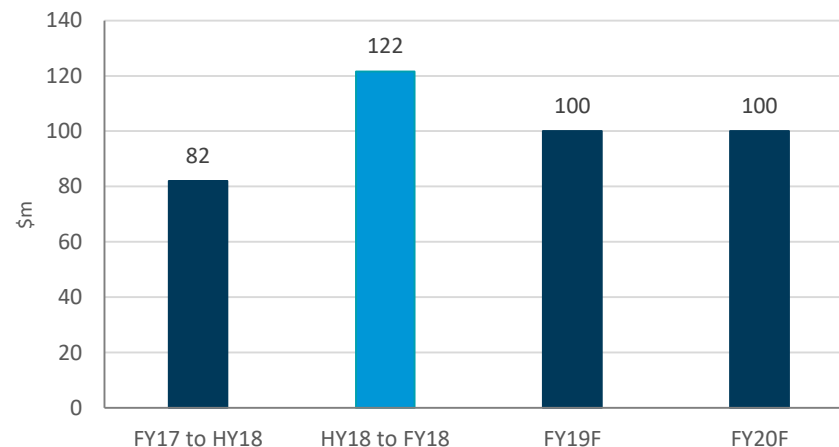
- Net valuation movement from HY18 to FY18 of \$122m (including the cost of new community facilities developed and portfolio capital expenditure):
 - Delivery of 456 new units in second half led to new DMF stream valued at \$55m
 - \$33m uplift from an additional nine ILU and four SA communities now being valued as using Aveo Way as the standard contract
 - \$15m uplift from one additional community (Freedom Berwick) now valued assuming Freedom unit pricing and contract assumptions
 - Discount rates were reviewed to provide a better allocation of value across different communities within the portfolio. Overall impact was negligible.
 - Remaining \$20m uplift resulted as a combination of:
 - Unit price increases
 - Updated resident profile and mix
 - Updating of various cost assumptions

Portfolio Enhancements	FY18	FY17	Comment
Retirement Portfolio Valuation (\$m)	1,992	1,695	Refer to A24 for further information
Aveo Way rollout (units)	2,462	1,870	Aveo Way adopted as standard contract
Valued with Aveo Way as standard contract (ILU communities) ¹	36	19	Out of total 72 ILU communities
Valued with Aveo Way as standard contract (SA communities) ¹	22	17	Out of total 30 SA communities
Valued as converted Freedom communities ²	3	1	12 communities being converted
New units delivered	506	266	Target of 500 units p.a.

¹ Aveo Way assumed as standard contract at communities with over 20% of residents on Aveo Way.

² Communities with over 20% of residents adopting the Freedom product are valued as Freedom communities.

Expected net valuation movement from continued roll out of Aveo Way contracts, Freedom transitions and new unit deliveries³



³ Assumes no change to reported discount rates, current and future property price growth and current and subsequent resident tenure.



Retirement



Established Business Sales



- Established business generates its profits through the resales of existing units to new residents, the buyback and sale of units to new residents and the buyback of Freedom conversion units
- Units bought back under the Freedom conversion process undergo major refurbishment and are sold as part of minor development sales
- The long term portfolio sales rate is expected to be 10%-12%
- Occupancy dropped marginally in line with FY18 portfolio sales rate
- 14 units were bought back under Aveo Way six month money back guarantee in FY18 (within six months of settlement)
- 33 units were bought back under the Aveo Way six month buyback guarantee

Sales	FY18	FY17	Change
DMF / CG generating transactions			
Resales	436	782	(44%)
Operating buyback purchases	298	309	(4%)
Freedom conversion ¹	65	86	(24%)
Total DMF/CG generating transactions	799	1,177	(32%)
Operating buyback purchases composition			
Discretionary	120	214	(44%)
Internal transfers	24	22	9%
Mandatory	154	73	111%
Total operating buyback purchases composition	298	309	(4%)
Sales settlements			
Resales	436	782	(44%)
Buyback sales	186	226	(18%)
Total sales settlements	622	1,008	(38%)
Net buybacks²	112	83	35%
Other metrics			
Deposits on hand	67	107	(37%)
Portfolio sales rate ³	7.5%	10.9%	(3.4%)
Occupancy	90%	93%	(3%)

¹ Sale of Freedom conversion units shown in Minor Developments.

² Operating buyback purchases less buyback sales.

³ Excludes new units sold within the last five years and includes Freedom minor development sales.

Established Business Sales Margins



- Realised average transaction value continued to grow which resulted in higher average DMF/CG amount per transaction
- Overall DMF/CG margin across DMF/CG generating transactions remained steady
- The Aveo suite of contracts continues to be adopted throughout the portfolio which will contribute to margin growth as those residents sell their units
- Additional 592 units are now on Aveo Way contracts compared to FY17

Sales Margins	FY18	FY17	Change
Resales			
Avg DMF/CG transaction value	\$442k	\$394k	12%
Avg DMF/CG margin per transaction	\$127k	\$109k	17%
DMF/CG margin per transaction	29%	28%	1%
Operating buyback purchases and Freedom conversion			
Avg DMF/CG transaction value	\$308k	\$288k	7%
Avg DMF/CG margin per transaction	\$78k	\$76k	3%
DMF/CG margin per transaction	25%	26%	(1%)
Overall DMF/CG generating transactions			
Avg DMF/CG transaction value	\$381k	\$358k	6%
Avg DMF/CG margin per transaction	\$104k	\$98k	6%
DMF/CG margin per transaction	27%	27%	-
Operating buyback sales			
Avg transaction value	\$324k	\$307k	5%
Avg margin per transaction	\$18k	\$31k	(42%)
Avg margin % per transaction	6%	10%	(4%)

Established Business Results



- DMF/CG and profit contribution in line with sales volumes
- Lower expenses were partly due to lower commission costs in line with sales volumes
- Management has continued to focus on general cost control leading to lower FY18 costs

Established Business	FY18	FY17	Change
Revenue			
DMF/CG revenue			
Resales	\$55.3m	\$85.1m	(35%)
Operating buyback purchases	\$25.2m	\$25.0m	1%
Freedom conversion	\$3.0m	\$4.9m	(39%)
Gross DMF/CG	\$83.5m	\$115.0m	(27%)
Other revenue			
Buyback sales	\$60.2m	\$69.5m	(13%)
Other ¹	\$20.6m	\$19.7m	5%
Total other revenue	\$80.8m	\$89.1m	(9%)
Total revenue	\$164.3m	\$204.1m	(20%)
Profit contribution			
Net DMF/CG ²	\$75.0m	\$105.7m	(29%)
Net buyback sales	\$3.4m	\$7.3m	(53%)
Other income ¹	\$20.6m	\$19.7m	5%
Marketing expenses	(\$9.1m)	(\$14.0m)	(35%)
Commission expenses	(\$4.7m)	(\$5.4m)	(13%)
Other expenses ³	(\$24.1m)	(\$39.5m)	(39%)
Total profit contribution	\$61.1m	\$73.8m	(17%)
Depreciation and amortisation	(\$0.5m)	(\$2.1m)	(76%)
EBIT	\$60.6m	\$71.7m	(15%)

¹ Includes resident commissions, community administration fees and US seniors.

² Relates to resales, operating buyback purchases and Freedom conversion.

³ Relates to overhead and other expenses.

Major Development Sales and Margins



- Major development generates its profits through the recognition of new units which are delivered at values above the cost
- Successfully delivered 506 new major units, with 456 deliveries in the second half across
 - Newstead (199 units)
 - Bella Vista (64 units)
 - Tanah Merah (62 units)
 - Springfield (38 units)
 - Robertson Park (34 units)
 - Hunters Green (25 units)
 - Mingarra (19 units)
 - Island Point (15 units)
- Major development margins (pre-interest) exceeded the target range of 16%-20%
- Major development average transaction values were driven by premium priced product at Newstead and Bella Vista

Major Development	FY18	FY17	Change
Deliveries and sales			
Units delivered	506	266	90%
Units sold	225	154	46%
Revenue and margin			
Average transaction value	\$652k	\$520k	25%
Revenue	\$329.8m	\$138.2m	139%
Average margin (including interest)	28%	19%	9%
Average margin (excluding interest)	29%	20%	9%
Gross profit (including interest) ¹	\$92.3m	\$26.3m	251%
Gross profit (excluding interest) ¹	\$94.7m	\$28.2m	236%
Units available for sale			
Closing units	570	289	97%
Average price of units	\$608k	\$542k	12%
Total value of units	\$346.8m	\$156.6m	121%
Other metrics			
Deposits on hand	17	29	(41%)
Redevelopment buyback purchases	45	85	(47%)

¹ Includes profit adjustments from FY17 deliveries where actual sales price were higher/lower than expected and/or actual expenses were higher/lower than expected.

Minor Development Sales and Margins



- Minor development sales consists of the sale of Freedom units undergoing substantial refurbishment and the sale of units being converted to Freedom
- Average margin achieved represents the value added through the inclusion of Freedom services and refurbishment works undertaken
- Minor development margins (pre-interest) exceeded the target range of 35%-40%
- Sales increased by 59% from 80 in FY17 to 127 in FY18
- Significant improvement in transaction price to \$508k per unit, indicative of the pricing premium attached to units with comprehensive care services

Minor Development	FY18	FY17	Change
Deliveries and sales			
Units sold	127	80	59%
Revenue and margin			
Average transaction value	\$508k	\$343k	48%
Revenue	\$64.6m	\$27.5m	135%
Average margin (including interest)	43%	47%	(4%)
Average margin (excluding interest)	43%	47%	(4%)
Gross profit (including interest)	\$27.8m	\$12.9m	116%
Gross profit (excluding interest)	\$27.8m	\$12.9m	116%
Units available for sale			
Closing units	329	392	(16%)
Average carrying value of units ¹	\$107k	\$79k	35%
Carrying value of units ¹	\$76.9m	\$66.4m	16%
Other metrics			
Deposits on hand	5	59	(92%)

¹ Includes units to be converted which are not yet available – please see A22 for further information.

Development Results



- Significant lift in gross profit associated with the delivery of 506 new major development units predominantly across Newcastle, Newstead and Bella Vista as well as an increased sales rate of minor development Freedom original and conversion units
- Development EBIT impacted by upfront investment in marketing and overhead costs related to future sales
- Additional overhead incurred to facilitate the accelerated rollout of the successful Freedom conversion program
- Development profit on aged care facilities added to EBIT for return on asset calculation purposes and was based on the market value of the Newstead RACF (prior year Durack RACF)

Development	FY18	FY17	Change
Revenue	\$394.4m	\$165.7m	138%
COGS	(\$274.3m)	(\$126.5m)	117%
Gross profit	\$120.1m	\$39.2m	206%
Marketing expenses	(\$16.3m)	(\$8.4m)	94%
Other expenses ²	(\$24.8m)	(\$5.7m)	335%
Profit contribution	\$79.0m	\$25.2m	213%
Interest in COGS	\$2.4m	\$1.9m	26%
Depreciation	(\$0.1m)	-	NM
EBIT	\$81.3m	\$27.1m	200%
Development profit on aged care facilities ¹	\$17.6m	\$5.9m	198%
EBIT for ROA purposes	\$98.9m	\$33.0m	200%

¹ Aged care carried at cost on balance sheet; notional development profit shown for ROA purposes only.

² Relates to overhead and other expenses.

FY18 Development Projects



Newstead – 199 units delivered



Bella Vista – 64 units delivered



Newcastle – 50 units delivered



Robertson Park – 34 units delivered



Development Projects Update



- Construction is on schedule for the 418 major unit deliveries for FY19, with a majority of projects underway or expected to commence shortly

Community	H1 Target Delivery	H2 Target Delivery	Total FY19 Units	Development Status
Hunters Green	-	49	49	Civil works well underway with completion due early August. Build works have been tendered and currently in the final stages of contract execution.
Island Point	16	-	16	All structural elements have been completed and internal plastering works are well advanced. Waterproofing works are scheduled to be completed shortly and tiling works to living and kitchen areas have commenced.
Newcastle	-	45	45	Civil works largely complete and home builder is on site with slabs poured to 20 units. Framing, roofing and brickworks are well underway.
Robertson Park	-	32	32	Bulk earthworks, shoring and civil hydraulic works are progressing well as is works on the basement slab, concrete columns and basement retaining walls.
Launceston	-	15	15	Contract now executed. Works expected to start once building permit is obtained.
Springfield	48	-	48	Communal areas are largely complete. Currently defecting of Bii units.
Morayfield	-	40	40	The site has been cleared and the building platform established ready to commence diversions of existing site services. Works will commence once final plumbing approval is received.
Carindale	-	97	97	Building 1 basement slab and ground floor decks poured, ground floor columns being formed up. Building 2 ground floor is poured and level 1 deck being formed up.
Redland Bay	-	38	38	All concrete works have been completed and framing and joinery are underway. Works on the display unit are progressing well.
Palmview	-	38	38	Civil contractor appointed, and on site with work due for completion in September 2018. Building construction has been tendered for Stage 1 (38 ILUs) and the community centre.
Total Major Development	64	354	418	
Total Minor Development	70	110	180	
Total	134	464	598	

FY19 Development Projects



Newcastle – 45 units



Robertson Park – 32 units



Island Point – 16 units



Carindale – 97 units



Major Development Delivery Forecast – Units



Community	Category	State	Density	Units ¹	FY19	FY20+
Hunters Green	Brownfield	VIC	Low	49	49	
Morayfield	Brownfield	QLD	Low	40	40	
Island Point	Brownfield	NSW	Low	70	16	54
Newcastle	Brownfield	NSW	Low	250	45	205
Robertson Park	Redevelopment/ Brownfield	QLD	Medium	170	32	138
Springfield	Brownfield	QLD	Medium	2,326	48	2,278
Carindale	Redevelopment	QLD	High	430	97	333
Redland Bay	Brownfield	QLD	Low	62	38	24
Palmview	Greenfield	QLD	Low	138	38	100
Launceston	Brownfield	TAS	Low	60	15	45
Bella Vista	Brownfield	NSW	High	400		400
Tanah Merah	Brownfield	QLD	Medium	20		20
Newmarket	Redevelopment	QLD	Medium	258		258
Tamworth	Brownfield	NSW	Low	20		20
Labrador	Greenfield	QLD	High	96		96
Mingarra	Redevelopment	VIC	Medium	144		144
Rochedale	Greenfield	QLD	Low	150		150
Sanctuary Cove	Greenfield	QLD	Low	163		163
Southport	Redevelopment	QLD	Medium	215		215
Major Development				5,061	418	4,643
Minor Development				721	180	541
Total Retirement Community Product				5,782	598	5,184

¹ New units delivered for redevelopment projects is a gross figure which includes existing units that are subsequently redeveloped.

Care and Support Services



- Aveo's aged care portfolio consists of five facilities with a total of 406 beds
- Currently, average occupancy across the mature facilities¹ is 97% (FY17 96%)
- Revenue per occupied bed day achieved across the mature facilities¹ has decreased from \$272 to \$261 due to lower acuity residents at Durack
- Staff cost as a percentage of revenue has increased from 60% to 63% due to the ramp up of occupancy at Durack during the year
- Durack's 123 bed Residential Aged Care Facility (RACF) opened in July 2017 and was fully occupied by 31 March 2018
- Newstead RACF opened in May 2018 and occupancy is increasing in line with expectation

Aged Care Development Pipeline				
Community	State	Total Beds ²	FY19	FY20+
Bella Vista	NSW	144	-	144
Carindale	QLD	100	-	100
Clayfield	QLD	105	-	105
Mingarra	VIC	110	-	110
Minkara / Bayview	NSW	124	-	124
Newcastle	NSW	123	-	123
Springfield	QLD	144	-	144
Total Aged Care Product		850	-	850

¹ Excluding Newstead RACF that opened May 2018.

² Inclusive of 184 existing beds at Mingarra and Minkarra/Bayview.

Care and Support Services Results



- Occupancy at Durack is 100% and 16% at Newstead with full occupancy expected by March 2019
- Upfront costs associated with the ramp up of the new Durack and Newstead RACF impacted on total RACF contribution
- Increase in depreciation and amortisation due to charges associated with Durack and Newstead RACF
- Allied Health and Food and Nutrition services operate around break even levels, while improving the overall resident experience
- Care offering complemented by the start of the Aveo Care at Home business which will expand the availability of traditional home care services to all Aveo communities and provide a referral network/sales channel

Care and Support Services	FY18	FY17	Change
Revenue			
RACF	\$17.8m	\$11.0m	62%
Allied Health	\$0.7m	\$0.2m	250%
Food and Nutrition	\$21.0m	\$3.5m	500%
Other	\$2.5m	\$1.0m	150%
Total revenue	\$42.0m	\$15.7m	168%
Profit contribution			
RACF	\$2.2m	\$2.6m	(15%)
Allied Health	\$0.5m	\$0.2m	150%
Food and Nutrition	(\$0.3m)	\$0.9m	NM
Home Care	(\$0.5m)	\$0.2m	NM
Other	(\$0.2m)	-	NM
Other expenses ¹	(\$0.9m)	(\$2.2m)	59%
Total profit contribution	\$0.8m	\$1.7m	(53%)
Depreciation and amortisation	(\$1.7m)	(\$0.6m)	183%
EBIT	(\$0.9m)	\$1.1m	NM

¹ Relates to overhead and other expenses.



Non-Retirement



Non-Retirement Results



- Non-retirement assets continue to sell down in line with strategy
- Change in profit contribution primarily related to lower numbers of land lot sales
- Presales remains at 47% (183 presales out of 385 lots)
- The sale of Gasworks leaves the residential land estates as the last material non-retirement assets
- Three non-residential lots were sold during the year

Key Performance Indicators	FY18	FY17	Change
Contracts on hand	183	396	(54%)
Contracts on hand (\$m)	\$80.3m	\$160.0m	(50%)
Residential land lots held	738	1,265	(42%)
Inventories	\$95.2m	\$170.3m	(44%)
Investment properties	-	\$181.5m	NM
Property, plant and equipment	\$3.3m	\$3.8m	(13%)
Total non-retirement assets	\$98.5m	\$355.6m	(72%)
Non-retirement assets as percentage of divisional assets	3%	13%	(10%)

Non-Retirement	FY18	FY17	Change
Sales revenue	\$177.6m	\$255.7m	(31%)
COGS	(\$128.1m)	(\$189.7m)	(32%)
Gross profit	\$49.5m	\$66.0m	(25%)
Marketing expenses	(\$2.0m)	(\$3.4m)	(41%)
Other expenses ¹	(\$5.7m)	(\$8.7m)	(34%)
Development profit contribution	\$41.8m	\$53.9m	(22%)
Net rental income	\$8.7m	\$8.9m	(2%)
Total profit contribution	\$50.5m	\$62.7m	(20%)
Residential land lot sales	466	729	(36%)
Average margin	28%	26%	2%

¹ Relates to overhead and other expenses.



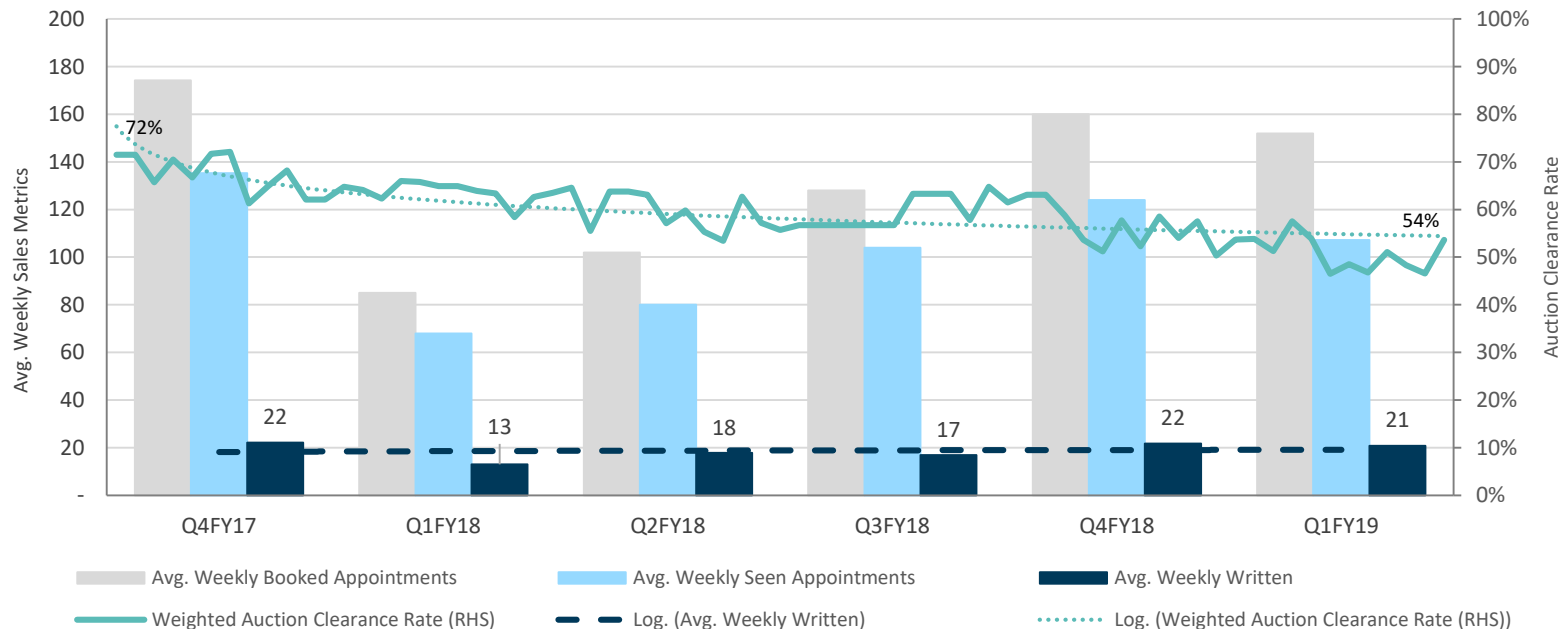
Outlook



Retirement Sales Update



- Aveo sales performance improved throughout FY18 and Q1FY19 weekly sales are now performing in line with Q4FY17, Q4FY18, based on higher conversions of more qualified enquiries
- Despite a slowdown in the residential property market, Aveo weekly sales rates post the FY18 recovery remain steady
- While the state of the residential market is a factor in total sales, other drivers such as the quality of the offer are more important
- A further update on FY19 trading will be provided at the Aveo AGM in November 2018



Note: Q1FY19 includes first 6 weeks of data only. Average auction clearance rate is weighted by the proportion of the portfolio in each state.

- Aveo has successfully delivered on its FY18 retirement strategy targets
- Aveo remains focused on furthering its position as the leader in the retirement living market to deliver further growth and value
 - Sales rate expected to return to normalised levels i.e. over 10%
 - On track to deliver 418 major development units in FY19
 - Focus on sale of new units and re-invest capital into development and growth
 - Continuous improvement and innovation to provide better living options for older Australians
- Based on current market conditions, management confirms FY19 EPS guidance of 20.4 cps
- Targeting full year distribution amount based on a payout range of 40%-60% of underlying profit



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