



Annual General Meeting

14 November 2018





1. Chairman's Address
2. Chief Executive Officer's Address
3. Resolutions



Chairman's Address

Seng Huang Lee



Financial Outcomes



- Underlying profit after tax increased by 17%
- Statutory profit and EPS were up over 40% on FY17
- Performance driven by 40% increase in the Group's retirement profit - mainly by delivery of 506 new units and Newstead achieving higher than expected development margins
- Increase in statutory profit driven by fair value uplifts in the retirement portfolio and the sale of Gasworks
- Underlying earnings per stapled security (EPS) were up 16% to 22.0 cents. Over the FY14-FY18 period underlying earnings have grown at a CAGR of 23%
- FFO result in line with FY18 settlements
- NTA per security increased to \$3.92. Over the FY14-FY18 period NTA per security has grown at a CAGR of 9%

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.

- Aveo has achieved all its strategic goals and achieved strong positive earnings growth over the period FY14-FY18 and has a demonstrated track record of innovation and understanding and addressing consumer expectations
- 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, and perceived further regulatory risk) are outweighed by the strong medium to long term growth prospects for the sector
- Aveo announced a strategic review of its retirement business on 15 August 2018 and has appointed Merrill Lynch Markets (Australia) Pty Limited (“Merrill Lynch”) as its financial adviser
- The strategic review is focusing on closing the value gap between the price of Aveo’s listed securities and the underlying value of Aveo’s retirement properties
- The Board views that the market is significantly undervaluing Aveo’s market leading retirement business as Aveo currently trades at a 52% discount to net asset value¹
- The review includes the possibility of the introduction of capital partners (Australian or overseas) into the retirement business

¹ Based on 13 November 2018 closing share price.

- In 2017, the Group reviewed and refreshed the organisation's values which focus on innovation, accountability and serving the needs of our residents and communities
- Aveo understands that a socially responsible company is accountable for its impact on and has an obligation to protect and sustain the environment and communities in which it operates
- Aveo's approach to sustainability is founded on six key sustainability pillars: Communities, Residents, People, Environment, Economic and Governance
- Aveo has established a Sustainability Committee who is responsible for assisting the Board and Management in formulating the strategy, policy and actions required to achieve the Group's sustainability objectives
- During FY19, the Committee will focus on these pillars and work towards defining measurable metrics and goals for each pillar
- We are committed to having our first sustainability report from FY19 onwards
- Current initiatives underway within the Group with respect to sustainability pillars include a focus on diversity and inclusion in our workforce, environmentally sound power usage and raising awareness on diseases that impact our residents' quality of life such as breast cancer and dementia

2018 Australia Timber Award for Sustainability



Aveo Bella Vista



- Aveo has transformed over the past five years to not only evolve as a leading, innovative retirement group but also as a substantive healthcare organisation
- The Group's ongoing contribution and achievements in Retirement Living have also been recognised by our peers through the National Retirement Living Awards to be announced in Canberra on 29 November 2018
- We occupy a strong position in Australia and we are a well-established and capitalised company
- Our retirement communities continue to evolve by providing residents with increasing levels of care
- The wellbeing of our residents remains our highest priority
- The high levels of satisfaction that they express for the retirement communities that we are creating for them – especially with innovative healthcare services enabling them to age in their own homes – means we are well positioned to evolve to the next stage of our development
- Your Board remains committed and confident about our future. We have a strong, dedicated and energised management team focused on meeting and exceeding the changing needs of our residents and their families



Chief Executive Officer's Address

Geoff Grady

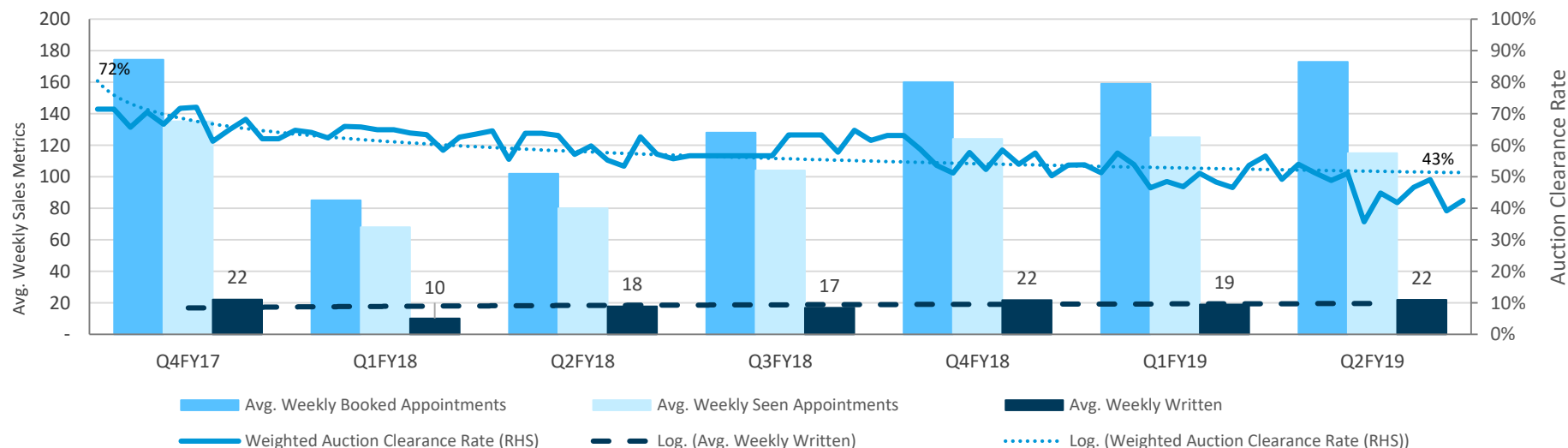


- In 2013, Aveo announced its vision to become Australia's leading and most innovative senior living provider
- Targeted FY18 as the year to complete the transition from diversified property to retirement and to achieve defined strategic plan targets
- Aveo has achieved or exceeded all financial and 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 the latest annual resident satisfaction survey returning a rating of 83%
- 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

Retirement Sales Update



- Sales outcomes for FY19 now at risk as residential markets continue to soften. Auction clearance rates in Q2 now at an average of 44% (Week 18 - 39%) vs average of 49% in Q1 and 54% in Q4FY17
- Bookings to inspect product and seen appointments continue to grow and are now running at all time highs (Week 18 - 203 bookings made)
- Negativity around residential markets will constrain the number of sales able to be written and the time to effect settlement
- Extrapolating the current run rate for Q2FY19, average weekly written sales of 22 for the remaining part of financial year implies an annualised sales rate of circa 1,150 which is up from the 974 reported in FY18 however it is lower than the minimum 1,500 target in August

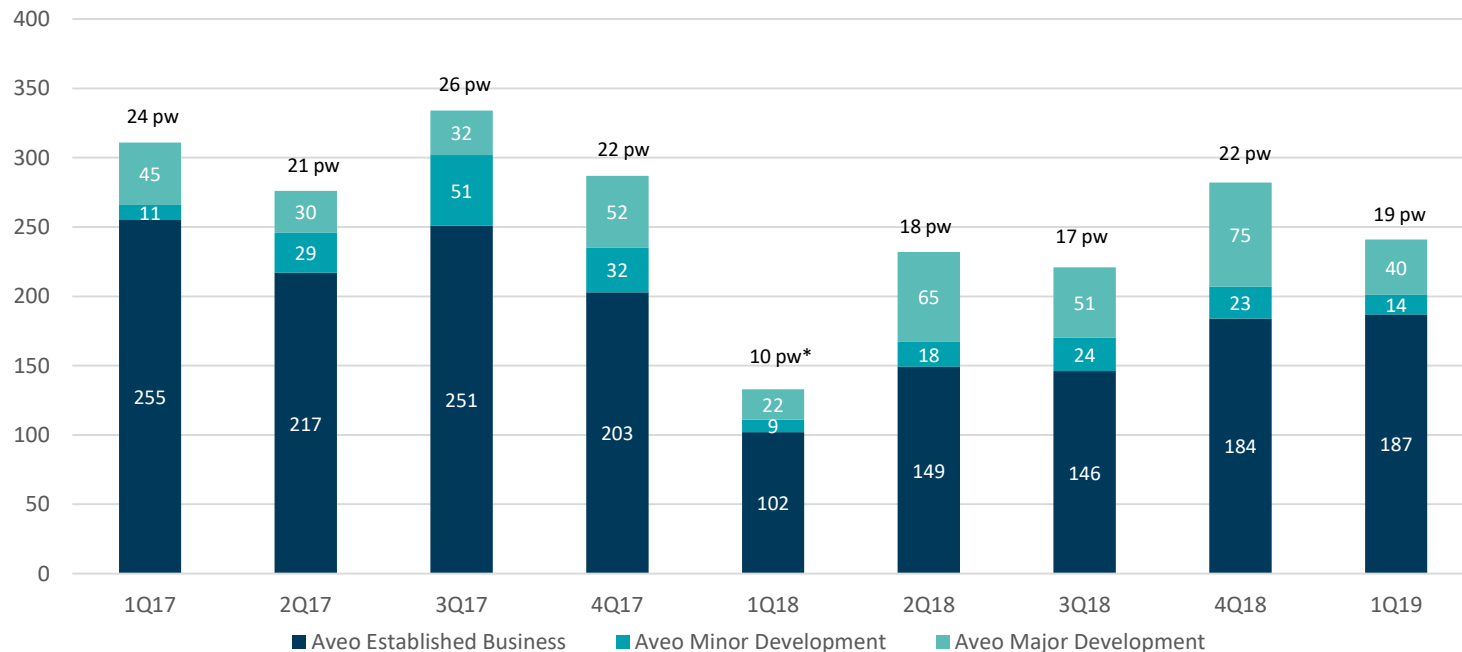


* Cancellations in Q1 processed against sales in Q1 rather than against opening deposits.

Net Deposits Quarterly



- Q1 FY19 sales written has recovered strongly (up 81% on same quarter last year) and is at 77% of the same quarter in FY17
- Demand for stock in the existing business (including minor development) is continuing to grow since Q1 FY18 and is currently running at an annualised rate of circa 875 units, up substantially on the 655 written in FY18
- Demand for new stock sales are now expected to be circa 275 units in FY19 up on the FY18 sales of 225 – FY20 production will be scaled back accordingly



Update on New Customer Offerings



- A suite of further contract options was rolled out from 1 September 2018 building on Aveo Way
- The introduction of our new customer offerings have been received well in the market with a total of **68% choosing Aveo Way, 27% of residents choosing Aveo Certainty and only 5% choosing Aveo Essentials**

	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 nearest 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.



FY18 Review



Established Business Results



- 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
- Because of adverse media impacts in the first quarter, sales were down by 38% for the year and the portfolio sales rate fell from 10.9% to 7.5%
- The long term portfolio sales rate is expected to return to 10%-12% in FY20
- Occupancy dropped marginally in line with FY18 portfolio sales rate

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.

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.

FY18 Development Projects



Newstead – 199 units delivered



Bella Vista – 64 units delivered



Newcastle – 50 units delivered



Robertson Park – 34 units delivered



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
Rosedale	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	125	596
Total Retirement Community Product				5,782	543	5,239

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

FY19 Development Projects

Newcastle – 45 units



Robertson Park – 32 units



Island Point – 16 units



Carindale – 97 units



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 remained 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.

- As part of the strategic review, the Directors are continuing a number of initiatives (e.g. divesting the US portfolio, the Currumbin land site, Albion residential apartment development site, and other smaller villages), as well as considering future development considerations for the portfolio, that would optimise value for all securityholders
- The strategic review also includes the possibility of the introduction of capital partners (Australian and/or overseas) into the retirement business
- Aveo Group and Merrill Lynch had significant reverse enquiry from a number of parties interested in transactions with Aveo Group as a whole or for partnerships at the asset level
- Following the distribution of an initial marketing document in late October, management undertook a roadshow for interested parties through Asia and Australia which has further generated strong interest
- Aveo Group intends to undertake a two-stage process
- An information memorandum will be provided to parties in a data room from late November. Non-binding indicative bids will be submitted by late January 2019
- A select number of preferred parties will be invited to participate in the second stage of the process from February 2019, to undertake confirmatory due diligence and finalise their proposals

- The Directors have established a committee and process to assess various structuring alternatives. This will ensure that any offers received are subject to consideration by the Directors within an appropriate period of time
- Securityholders will be advised as soon as is appropriate with all relevant information
- The Directors will ensure the potential outcomes are in the interest of all securityholders and whilst there is no certainty of a transaction, will keep the market informed of all material developments

- 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 in the medium term
 - On track to deliver 418 major development units in FY19
 - Focus on sale of new units and re-invest capital into development and growth but in line with underlying demand
 - Aveo expects to deliver circa 200 new stock in FY20, subject to any significant change in economic conditions, before returning to higher levels of production from FY21
 - Continuous improvement and innovation to provide better living options for older Australians
- Due to current market conditions and uncertainty around future sales levels, management will not be confirming FY19 EPS guidance today
- In addition, there will be a significant skew of profits to the second half due to the timing of new retirement development unit deliveries and settlement of non-retirement lots
- Targeting full year distribution amount based on a payout range of 40%-60% of underlying profit



Aveo
Level 5, 99 Macquarie Street,
Sydney NSW 2000
T +61 2 9270 6100
F +61 2 9270 6199
aveo.com.au

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