



Strategic Review on Track

Results for the half year ended 31 December 2018

13 February 2019





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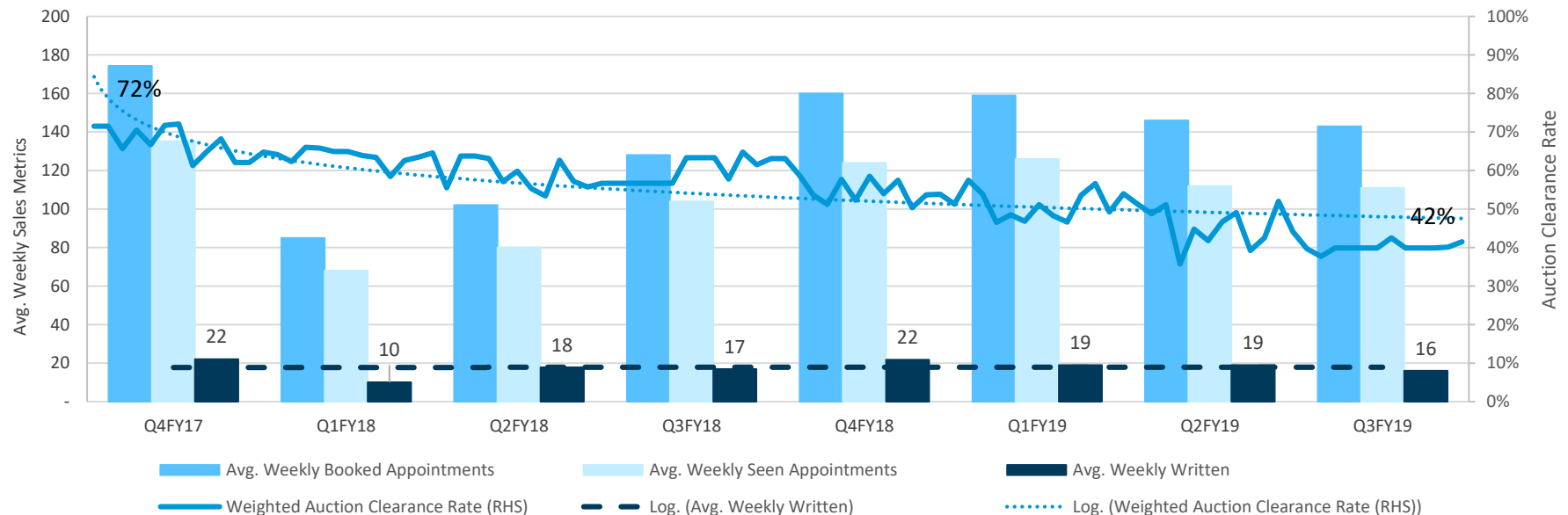
Overview

- Interest in our retirement product remains very strong. Written sales in HY19 were well up on the same period last year and despite much lower opening deposits were in total broadly consistent with HY18
- The residential property market remains extremely challenging in terms of converting our written contracts into settlements, placing total settlement outcomes at risk for the full year
- Settlements are taking longer to occur as incoming residents are experiencing increased difficulty in selling their homes. This has led to a substantial increase in the number of deposits on hand as at the end of December 2018 – almost double the same time last year
- A focus for the second half of FY19 will be on the settlement of these sales
- The additional Aveo Way Contracts, particularly the Aveo Certainty contract introduced in September last year, have been well received and continue to generate interest in Aveo product. Aveo Certainty has been very popular due to the inclusion of care based “transfer” options in the contract and highlights our ongoing focus on incorporating consistent and comprehensive care into our consumer offering
- Though settlement volumes for HY19 were down, pricing levels were improved with both average transaction values and average DMF/CG margin per transaction higher
- However in order to account for the slowdown in the residential market, more conservative property price growth assumptions have been adopted for our portfolio valuation
- 80 Major and 32 Minor Development units were delivered in the first half. Our development delivery target for FY19 of 419 major units will be achieved

Retirement Sales Update



- The residential property market, as measured by auction clearance rates, has continued to soften for the past seven quarters and over that period our average weighted auction clearance rate has declined from 72% to 42% as at last week (Week 32). Over the first half of FY19 the rate fell from circa 50% in August to 42%
- Nevertheless, leads and booked and seen appointments remain relatively strong and Aveo sales in the first half were written at an average of 19 sales per week consistently in both the first and the second quarters. Unit pricing has not been a major obstacle to sales
- In Q3 for the first six weeks, leads are at recent record highs and bookings remain relatively strong. Leads for the first six weeks of Q3 are up 31% on the same period last year and booked appointments for the same period are up 19%. Average weekly sales are at 16



Note: No auction clearance reporting for weeks 24-30 inclusive. Q3 data is for 6 weeks (week 27-32 inclusive).

Retirement Sales Update



- Nevertheless given the elevated interest in our product and extrapolating for the full year, the previously indicated sales level of 1,150 written sales is regarded as achievable if at some risk
- The Aveo Way Contracts have been well received since introduction in September 2018 as illustrated below

	Aveo Essentials ⁵	Aveo Way	Aveo Certainty
% of Contracts Written	■ 3%	■ 65%	■ 23%
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 Benefits ^{1, 3, 4}	■ NA	■ NA	<ul style="list-style-type: none"> ■ Transfer to nearest Freedom units with no extra DMF ■ Transfer to nearest RACF² ■ Transfer to any similar unit in Australian portfolio with no extra DMF
Membership Cost	■ No cost	■ No cost	■ \$2,000 p.a paid upon exit

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 announced a strategic review on 15 August 2018 and appointed Merrill Lynch Markets (Australia) Pty Limited (“Merrill Lynch”) as its financial adviser
- Consistent with the process timetable previously disclosed, the first stage of the process was launched in late November and in late January 2019 a number of indicative non-binding bids were received from bidders interested in a whole of company transaction
- The Independent Board Committee (IBC), together with its advisors, is currently assessing these bids and aims to shortlist preferred bidders to take into the second stage of the process which will commence in late February 2019
- The full Board remains supportive of the strategic review process and is committed to maximising value for all Aveo securityholders
- Securityholders do not need to take any action at this time and there is no certainty that a transaction will eventuate on terms acceptable to the IBC
- Aveo will keep securityholders updated in accordance with its continuous disclosure obligations

- Depending upon the results of the ongoing strategic review process, the Board and management continue to explore alternative strategies for improving value for securityholders
- The non-core asset divestment process remains ongoing
- Free cash flow generation is expected to be weighted to Q4 FY19 due to:
 - The planned slowdown in the delivery of development units in FY20
 - The timing of the settlement of Non-Retirement lots
 - Settlement of sales achieved in HY19 throughout the second half of FY19
- The Board is considering the use of surplus cash flow which will become available from May 2019 onwards to be allocated to the buyback of Aveo securities which would have otherwise been utilised primarily for the development of further new units in FY20
- To illustrate the value-increasing impact of a security buyback, it is estimated for every \$20m of Aveo securities bought back at a 20% premium to an assumed market price of \$1.70, the NTA per share could grow by approximately 4c (approximately 1% of NTA per share)
- Further details will be provided in the FY19 results



Financial Results and Capital Management



Key Financial Outcomes for the First Half



- Underlying profit after tax is \$12.0m driven by number of unit settlements
- Written sales continued to be steady despite softening in the residential property market. Settlement timing has lengthened leading to lower settlements and higher deposits on hand
- New unit deliveries of 80 exceeded forecast of 64 in HY19
- Underlying result affected by a weighting to second half for the delivery profile of Retirement Development and Non-Retirement asset settlements
- NTA per security decreased to \$3.83 from \$3.92 as at FY18 due primarily to adoption of more conservative DMF valuation property price growth assumptions

Outcome	HY19	HY18	Change
Statutory profit/(loss) after tax ¹	(\$44.7m)	\$149.3m	(130%)
Statutory EPS	(7.7 cps)	26.1 cps	(130%)
Underlying profit after tax ²	\$12.0m	\$36.3m	(67%)
Underlying EPS	2.1 cps	6.4 cps	(68%)
Retirement Established Business settlements	270	299	(10%)
Retirement Development settlements	94	164	(43%)
Total Retirement settlements	364	463	(21%)
Non-Retirement settlements	79	231	(66%)
Net receipts and payments disclosed in Cash Flow Statement	\$74.5m	\$70.8m	5%
Net cash flows from operating activities	\$64.5m	\$59.2m	9%
FFO ³	\$1.3m	\$50.9m	(98%)
AFFO ³	(\$4.5m)	\$40.9m	(111%)
Outcome	HY19	FY18	Change
Total assets	\$6,715.7m	\$6,715.6m	0%
Net assets	\$2,251.5m	\$2,298.1m	(2%)
NTA per security	\$3.83	\$3.92	(2%)

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

² Reconciliation of statutory profit to underlying profit shown on A30.

³ FFO and AFFO reflect Property Council of Australia guidelines.

Profit and Loss



- Sales leads levels are high and written sales have improved compared to HY18, however contracts are taking longer to settle impacting the profit contribution from Established Business
- Development profit contribution affected by weighting of delivery profile to the second half of FY19
- Non-Retirement sales volumes in line with sell down strategy, sales volumes weighted towards second half of FY19
- Corporate brand marketing campaign is largely complete
- Change in fair value of investment properties reflects more conservative property price growth assumptions being adopted

Profit and Loss	HY19 (\$m)	HY18 (\$m)	Change
Retirement			
Established Business	24.4	26.6	(8%)
Development ¹	(9.7)	2.1	NM
Care and Support Services	-	-	NM
Total Retirement	14.7	28.7	(49%)
Non-Retirement ¹	7.9	28.7	(73%)
Divisional contribution¹	22.5	57.4	(61%)
Group marketing costs	-	(3.0)	NM
Group overheads and incentive scheme	(7.0)	(8.0)	(13%)
EBITDA	15.5	46.4	(67%)
Depreciation and amortisation	(2.1)	(1.4)	50%
EBIT	13.4	45.0	(70%)
Interest and borrowing expense	(8.6)	(3.3)	161%
Profit before tax	4.8	41.7	(89%)
Income tax	7.1	(5.3)	(234%)
Profit after tax	11.9	36.4	(67%)
Non-controlling interests	0.1	(0.1)	NM
Underlying profit after tax²	12.0	36.3	(67%)
Change in fair value of investment properties ³	(63.2)	69.4	NM
Sale of Gasworks	6.6	50.4	(87%)
Other	-	(6.8)	NM
Statutory profit after tax	(44.7)	149.3	(130%)

¹ Includes capitalised interest in cost of goods sold.

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

³ Includes DMF valuation and other fair value movements adjusted for tax and non-controlling interest.

UPAT to Group FFO and AFFO



- Underlying profit reflects Retirement Development deliveries, which is adjusted to reflect settlements in calculating FFO and AFFO
- \$6.8m (80 units) of profit recognised on delivery is deducted and \$4.7m (62 units settled) of profit on settlement is added to provide a result based on settlements
- Net capitalised interest consists of \$5.0m included in cost of goods sold (HY18: \$15.0m), offset by \$8.4m of interest capitalised to projects (HY18: \$9.2m)

Contribution to Group AFFO	HY19 (\$m)	HY18 (\$m)	Change
Underlying profit after tax¹	12.0	36.3	(67%)
Major Development			
Profit recognised on delivery	(6.8)	(7.5)	(8%)
Profit that would be recognised on settlement	4.7	9.0	(48%)
Profit adjustment on settled basis	(2.2)	1.6	NM
Tax impact	0.7	(0.5)	NM
Adjusted underlying profit after tax	10.5	37.5	(72%)
Profit from equity-accounted investments	(0.2)	(0.1)	63%
Depreciation	2.1	1.4	49%
Net capitalised interest ²	(3.4)	6.8	NM
Deferred income tax expense	(7.8)	5.3	NM
Funds from operations (FFO)³	1.3	50.9	(98%)
Capex	(5.8)	(9.9)	(42%)
Adjusted FFO (AFFO)³	(4.5)	40.9	(111%)

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

² Net adjustment consisting of capitalised interest, capitalised interest in cost of goods sold and other items. Refer to A45 for more detail.

³ FFO and AFFO reflect Property Council of Australia Guidelines.

Capital Management Metrics



- Sale of Gasworks 3 settled in September 2018
- Capacity through undrawn committed lines and cash at bank is expected to increase as further sales are settled and commencement of future development is delayed until residential market improves
- Excess capacity from May 2019 will be considered for share buybacks
- Weighted average AUD borrowing costs remain low but increased due to increased BBSY rates
- Reported gearing at top end of preferred range of 10%–20% but expected to be circa 17%-18% (depending on Aveo share buyback) by end of June 2019
- AUD debt remains unhedged
- All covenants have been met

Capital Management Metrics	HY19	FY18	Change
Reported gearing	19.7%	16.8%	2.9%
Group ICR (>2.0)	4.0x	5.8x	(1.8x)
Gross interest bearing liabilities	\$751.4m	\$691.1m	9%
Less: cash	\$43.5m	\$71.0m	(39%)
Net debt	\$707.9m	\$620.1m	15%
Undrawn committed lines and cash at bank ¹	\$74.5m	\$87.0m	(14%)
Weighted average AUD borrowing cost	4.1%	3.8%	0.3%
Weighted average total borrowing cost ²	4.6%	4.3%	0.3%
Weighted average debt maturity	2.5 years	2.1 years	0.4 years

¹ Undrawn facilities are dependent on having sufficient security.

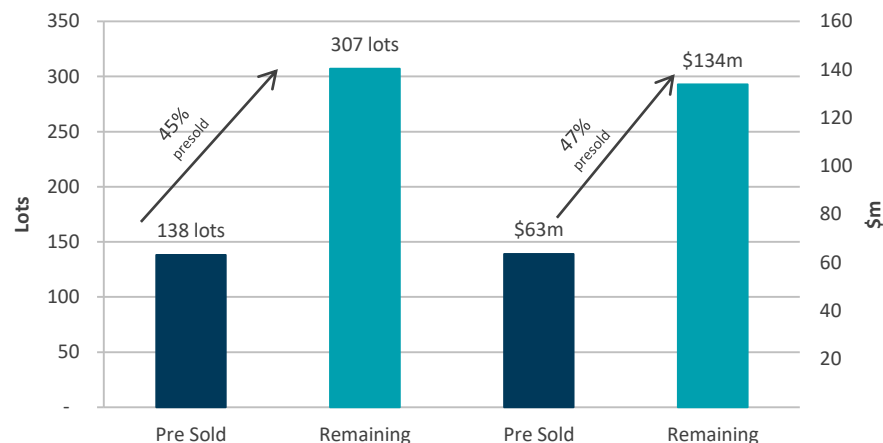
² Includes all AUD and USD debt.

Retirement Development Capital Requirements



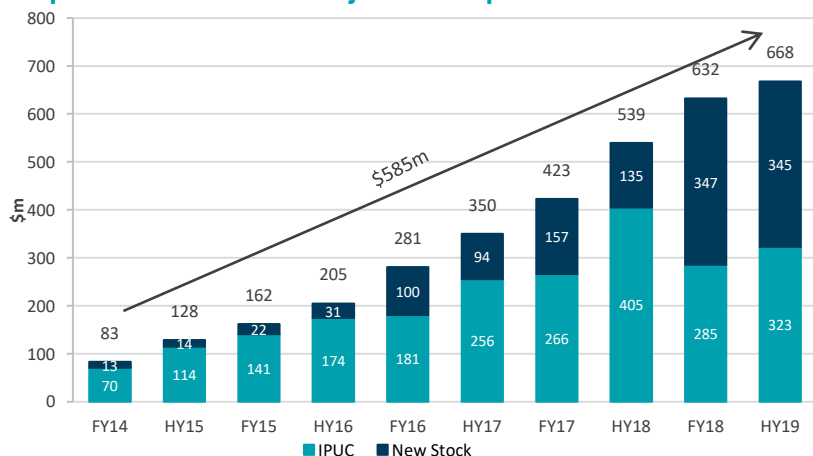
- Since FY14 \$585m has been invested into Retirement Development. \$668m is currently invested in completed new retirement units and the development pipeline
- The sale of the remaining \$97m in inventory and \$345m of retirement new stock will provide further required funding inflows
- In HY19 Non-Retirement projects generated a net cash inflow of \$7m and is expected to generate a further cash inflow of \$56m in the second half of FY19

Sell down of Non-Retirement Inventory¹

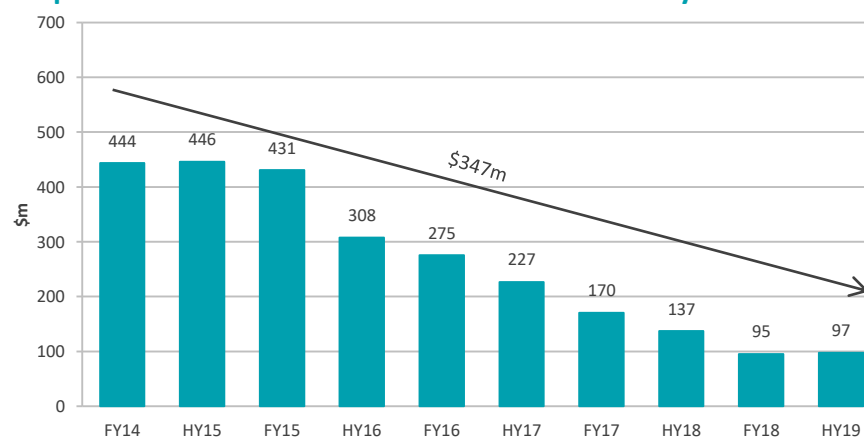


¹ Excluding Mackay and Currumbin.

Capital Investment in Major Developments



Capital Realised From Sale of Residential Inventory

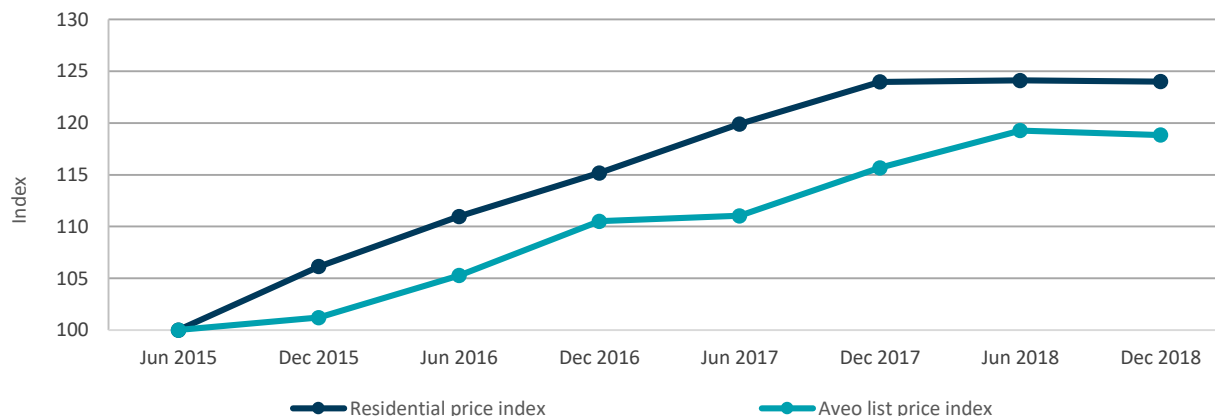


Net Retirement Portfolio Revaluation – Property Price Growth



- For the HY19 valuation, in order to take into account the current market environment, 0% property price growth was assumed in the first year (FY18 assumption of 3.5% p.a.)
- More conservative property price growth assumptions were adopted. Long term growth was reduced from 4.25% to 3.95% (assumed 20 year average growth rate in valuation is now 3.65% compared to 3.96% at FY18)
- Unit prices were reduced 0.4% after a community by community bottom-up review
- Demand or interest in general for the Aveo portfolio remains strong and pricing has not been the main impediment to sales
- Needs-based demand factors for Aveo's portfolio and Aveo's historical unit price growth being below that of the residential property market mitigates downward pressures on price
- The adjustment of property price growth and the reduction in unit prices had a negative impact of \$114m and \$9m respectively

Median House Price Index¹ v Aveo Unit Price Index² (June 2015 Base)



¹ Residential price index is weighted based on Aveo village portfolio value.

² Excludes Freedom portfolio before December 2016.

Note: Villages affected by redevelopments, conversions or suburbs with insufficient price points have been excluded from the analysis.

Sources: Deloitte analysis based on RP Data and Aveo data.

Net Retirement Portfolio Revaluation – Portfolio Enhancements



- As Aveo continues to roll out its Aveo Way Contracts, transition selected Serviced Apartment (SA) communities to Freedom Aged Care and deliver its development pipeline, portfolio value continues to be enhanced
- \$16m uplift from an additional five Independent Living Unit (ILU) communities¹ now being valued as using Aveo Way as the standard contract
- \$15m uplift from one additional community (Freedom Burwood) now valued assuming Freedom unit pricing and contract
- \$17m uplift from the delivery of 80 new units leading to new DMF streams
- It is expected that further value increases will be captured in the short to medium term with the continual roll-out of these initiatives and through development activity

Portfolio Enhancements	HY19	FY18	Comment
Retirement Portfolio Valuation (\$m)	1,931	1,992	Refer to A24 for further information
Aveo Way Contracts ² rollout (units)	2,596	2,462	Aveo Way adopted as standard contract
Valued with Aveo Way as standard contract (ILU communities) ³	41	36	Out of total 72 ILU communities
Valued with Aveo Way as standard contract (SA communities) ^{3, 5}	24	22	Out of total 32 SA communities
Valued as converted Freedom communities ⁴	4	3	12 communities being converted
New units delivered	80	506	On track to deliver 419 units for FY19

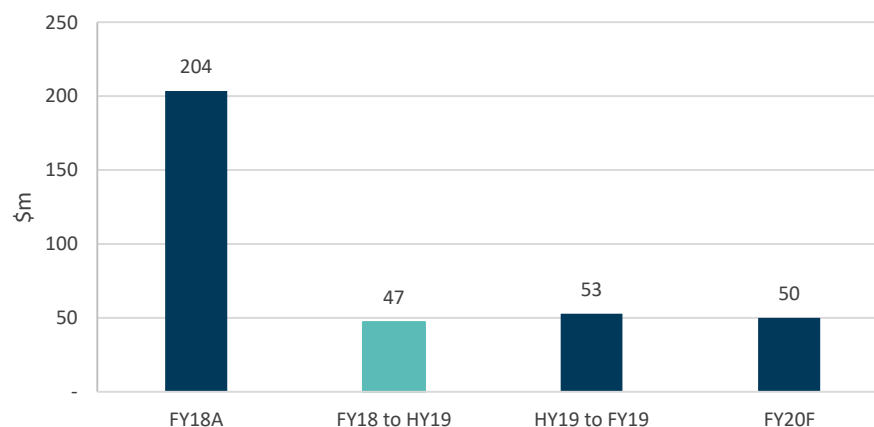
² Includes Aveo Essentials, Aveo Certainty and Aveo Way.

³ Aveo Way assumed as standard contract at communities with over 20% of residents on Aveo Way.

⁴ Communities with over 20% of residents adopting the Freedom product are valued as Freedom communities.

⁵ New SA communities selling the Aveo Way Contracts as the standard contract were added.

Expected net valuation movement from continued roll out of Aveo Way contracts, Freedom transitions and new unit deliveries⁶



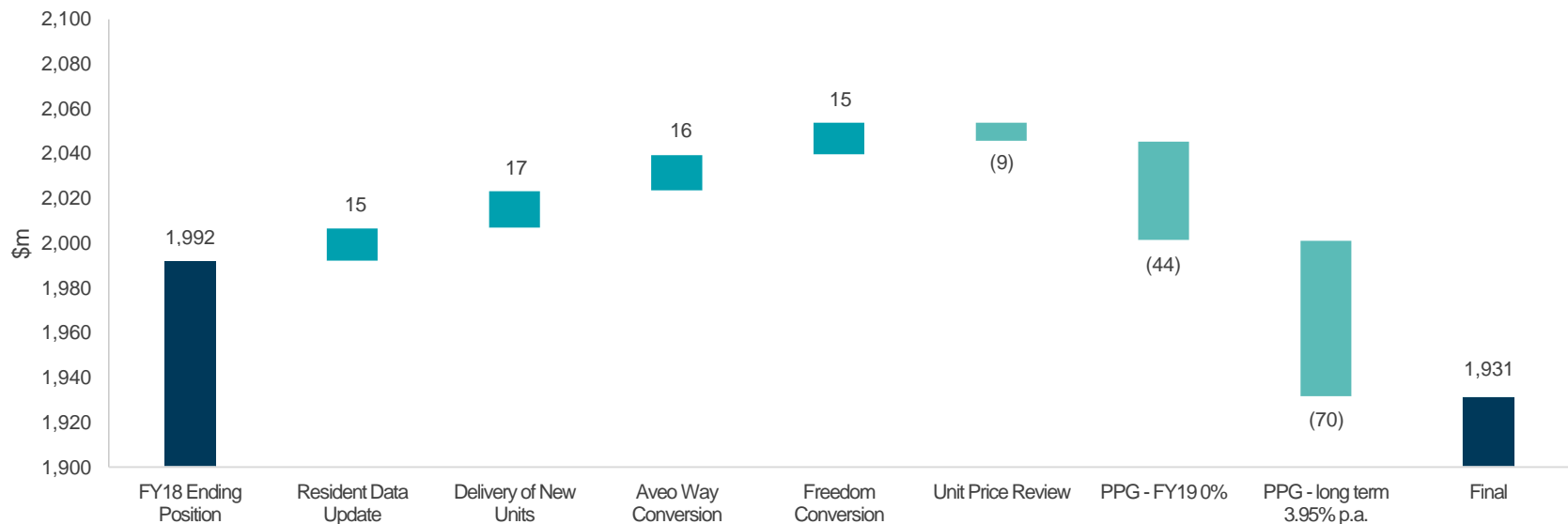
¹ Aveo Amity Gardens, Aveo Mingarra, Aveo Robertson Park, Aveo Sunnybank Green and Aveo Camden Downs.

⁶ Assumes no further change to reported discount rates, current and future property price growth and resident tenure.

Net Retirement Portfolio Revaluation



- The net valuation of the retirement portfolio decreased by \$61m to \$1,931m for HY19
- The movement in the retirement portfolio valuation was primarily driven by:
 - Update of resident data
 - New DMF income stream created on the delivery of new units
 - Aveo Way Contracts or Freedom transition villages reaching 20% of total units adopting Aveo Way Contracts or Freedom contracts which are assumed to have Aveo Way or Freedom as their rollover contract
 - Overall unit prices adjusted downwards by 0.4%
 - More conservative property price growth assumptions adopted; 0% in 2019 and long term property price growth adjusted from 4.25% p.a. to 3.95% p.a.





Retirement

Established Business Sales



- Established Business generates its profits through the resales of existing units to new residents, the buyback and sale of units and the buyback of Freedom conversion units
- Written sales rate of 7.9% outperformed HY18 indicating a recovery in sales rate
- Settlement rates have decreased leading to an increase of deposits on hand by 120%
- Company owned stock levels are steady despite a decrease in occupancy
- The higher proportion of mandatory buybacks is a function of the Aveo Way Contracts buyback guarantee
- 27 units were bought back under the Aveo Way Contracts money back guarantee in HY19 (on entry)
- 23 units were bought back under the Aveo Way Contracts buyback guarantee (from departure)
- The modelling of the Established Business profit contribution is included in the Annexure

Sales	HY19	HY18	Change
DMF / CG generating transactions			
Resales	186	209	(11%)
Operating buyback purchases	120	150	(20%)
Freedom conversion ¹	17	36	(53%)
Total DMF/CG generating transactions	323	395	(18%)
Operating buyback purchases			
Discretionary	37	80	(54%)
Internal transfers	13	14	(7%)
Mandatory ²	70	56	25%
Total operating buyback purchases (DMF/CG generating)	120	150	(20%)
Money back guarantee buybacks	27	3	NM
Total operating buyback purchases	147	153	(4%)
Sales settlements			
Resales	186	209	(11%)
Buyback sales	84	90	(7%)
Total sales settlements	270	299	(10%)
Net buybacks³	63	63	-
Other metrics			
Deposits on hand	134	61	120%
Written sales rate (net deposits taken) ⁴	7.9%	6.6%	1.3%
Settlement sales rate ⁴	5.4%	7.5%	(2.1%)
Occupancy (excluding unsold company stock)	95%	96%	(1%)
Occupancy (total portfolio)	87%	92%	(5%)

¹ Sale of Freedom conversion units shown in Minor Developments.

² Includes statutory and contractual buybacks (including buyback guarantee).

³ Operating buyback purchases less buyback sales.

⁴ Excludes new units sold within the last five years and includes Freedom Minor Development sales.

Established Business Sales Margins



- Realised average resales transaction value increased substantially with higher value ILU resales and higher ILU to SA mix
- Realised average transaction value continued to grow which resulted in higher average DMF/CG margin per transaction increasing from \$94k in HY18 to \$103k in HY19
- Overall DMF/CG margin percentage flat compared to HY18
- The Aveo Way Contracts continue to be adopted throughout the portfolio which will contribute to margin growth as those residents sell their units
- Average margin on buyback sales eroded by longer settlement period leading to higher holding costs

Sales Margins	HY19	HY18	Change
Resales			
Avg DMF/CG transaction value	\$472k	\$409k	15%
Avg DMF/CG margin per transaction	\$121k	\$115k	5%
DMF/CG margin per transaction	26%	28%	(2%)
Operating buyback purchases and Freedom conversion			
Avg DMF/CG transaction value	\$307k	\$306k	0%
Avg DMF/CG margin per transaction	\$78k	\$72k	8%
DMF/CG margin per transaction	25%	23%	2%
Overall DMF/CG generating transactions			
Avg DMF/CG transaction value	\$402k	\$361k	11%
Avg DMF/CG margin per transaction	\$103k	\$94k	9%
DMF/CG margin per transaction	26%	26%	-
Operating buyback sales			
Avg transaction value	\$332k	\$288k	15%
Avg margin per transaction	\$1k	\$27k	(96%)
Avg margin % per transaction	0%	9%	(9%)

Established Business Results



- Total Established Business revenue up 3%
- DMF/CG and profit contribution in line with settlement volumes
- Due to decreased settlements, Freedom conversion buybacks have been reduced in line with sales to manage working capital
- Buyback sales proceeds increased due to increase in average sale value
- Cost management schemes employed in prior periods taking effect

Established Business	HY19	HY18	Change
Revenue			
DMF/CG revenue			
Resales	\$22.6m	\$24.0m	(6%)
Operating buyback purchases	\$10.3m	\$11.6m	(11%)
Freedom conversion	\$0.3m	\$1.8m	(83%)
Gross DMF/CG	\$33.2m	\$37.3m	(11%)
Other revenue			
Buyback sales	\$27.9m	\$25.9m	8%
Other ¹	\$13.1m	\$9.1m	44%
Total other revenue	\$41.0m	\$35.0m	17%
Total revenue	\$74.2m	\$72.3m	3%
Profit contribution			
Net DMF/CG ²	\$28.4m	\$34.6m	(18%)
Net buyback sales	\$0.1m	\$2.4m	(97%)
Other income ¹	\$13.1m	\$9.1m	44%
Marketing expenses	(\$5.6m)	(\$6.1m)	(8%)
Commission expenses	(\$1.6m)	(\$0.4m)	300%
Other expenses ³	(\$10.1m)	(\$13.0m)	(22%)
Total profit contribution	\$24.4m	\$26.6m	(9%)
Depreciation and amortisation	(\$0.2m)	(\$0.2m)	-
EBIT	\$24.1m	\$26.4m	(9%)

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 cost
- Similarly to FY18, FY19 has a second half skew with 339 to be delivered in the next six months
- Successfully delivered 80 new major units
 - Springfield (48 units)
 - Island Point (16 units)
 - Newcastle (9 units)
 - Mowbray Links (7 units)
- Major Development margins (pre-interest) exceeded the target range of 16%-20%
- Decrease in the average transaction value is due the delivery of lower value SAs
- The modelling of the Retirement Development profit contribution is included in the Annexure

Major Development	HY19	HY18	Change
Deliveries and sales			
Units delivered	80	50	60%
Units sold	62	89	(30%)
Revenue and margin			
Average transaction value	\$448k	\$492k	(9%)
Revenue	\$35.9m	\$24.6m	46%
Average margin (including interest) ¹	19%	18%	1%
Average margin (excluding interest) ¹	21%	20%	1%
Gross profit (including interest) ²	\$6.8m	\$7.5m	(9%)
Gross profit (excluding interest) ²	\$7.8m	\$7.8m	-
Other metrics			
Deposits on hand	66	44	50%
Redevelopment buyback purchases	7	24	(71%)

¹ Average project margin.

² Includes profit adjustments from FY18 deliveries where actual sales price were higher/lower than expected and/or actual expenses were higher/lower than expected.

Major Development	HY19	FY18	Change
Units available for sale			
Closing units	588	570	3%
Average price of units	\$586k	\$608k	(4%)
Total value of units	\$344.7m	\$346.8m	(1%)

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) within target range of 35%-40%
- Further improvement in transaction price to \$577k per unit, together with higher deposits on hand shows demand for Aveo's Freedom care services

Minor Development	HY19	HY18	Change
Deliveries and sales			
Units sold	32	75	(57%)
Revenue and margin			
Average transaction value	\$577k	\$506k	14%
Revenue	\$18.5m	\$37.9m	(51%)
Average margin (including interest)	36%	38%	(2%)
Average margin (excluding interest)	36%	38%	(2%)
Gross profit (including interest)	\$6.6m	\$14.5m	(55%)
Gross profit (excluding interest)	\$6.6m	\$14.5m	(55%)
Other metrics			
Deposits on hand	12	9	33%

Minor Development	HY19	FY18	Change
Units available for sale			
Closing units	315	329	(4%)
Average carrying value of units ¹	\$254k	\$234k	9%
Carrying value of units ¹	\$80.1m	\$76.9m	4%

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

Development Results



- Gross profit skewed towards the second half for both Major and Minor Developments
- Holding costs consisting of mainly vacant unit levies increased due to longer time to settlement
- Additional overhead allocated to development for the rollout of the Freedom conversion program
- Other expenses expected to reduce with deferral of commencement of future development until residential market improves

Development	HY19	HY18	Change
Revenue	\$54.3m	\$62.5m	(13%)
COGS	(\$40.9m)	(\$40.5m)	1%
Gross profit	\$13.4m	\$22.0m	(39%)
Marketing expenses	(\$7.2m)	(\$8.5m)	(15%)
Holding costs	(\$3.3m)	(\$0.6m)	NM
Other expenses ¹	(\$12.7m)	(\$10.8m)	17%
Profit contribution	(\$9.7m)	\$2.1m	NM
Depreciation	(\$0.1m)	(\$0.1m)	-
EBIT	(\$9.8m)	\$2.0m	NM

¹ Relates to overhead and other expenses.

Completed FY19 Development Projects



Springfield, QLD – 48 units delivered



Island Point, NSW – 16 units delivered



Newcastle, NSW – 9 units delivered



Mowbray Links, TAS – 7 units delivered



Development Projects Update



- Construction is on schedule for the remaining 339 major unit deliveries for FY19

Community	H1 Delivery	H2 Delivery	Total FY19 Units	Development Status
Hunters Green	-	49	49	Civil works and framing have been completed. Roofing, brickwork and plastering are all at various stages of progress. Practical completion expected by June 2019.
Island Point	16	-	16	FY19 units already delivered.
Newcastle	9	36	45	First 9 units reached practical completion in December. The remaining 36 units are well advanced with the structures complete and painting, electrical fit outs, flooring and landscaping all progressing well. Progressively being delivered – will be completed by March 2019.
Robertson Park	-	32	32	All external slabs and services rough-in have been completed. Plasterboard linings, rendering, aluminium windows and doors are nearing completion. All other works are progressing well. Practical completion expected in April 2019.
Mowbray Links	7	9	16	First 7 units already delivered. The balance of units are under construction and on schedule for delivery in FY19. Progressively being delivered – will be completed by June 2019.
Springfield	48	-	48	FY19 units already delivered.
Morayfield	-	40	40	All wall, roof framing and roof sheeting is complete. Aluminium windows and door installs are well advanced. Service rough-in and external cladding install has commenced. Practical completion expected in June 2019.
Carindale	-	97	97	Floor slabs including plant decks have been completed for both buildings. Structural steel for roofing and glazing have commenced. Services rough-ins are progressing well with display units scheduled for completion in March 2019. Practical completion expected in June 2019.
Redland Bay	-	38	38	Dwellings are 90% completed, with landscaping works ongoing. The acoustic panelling is currently being installed in the Leisure Centre and all other works are progressing well. Practical completion expected in March 2019.
Palmview	-	38	38	The last slabs of the units have been poured with wall framing to commence shortly. The frame for the community centre is complete with the roof being installed on one wing. Services rough-in have started. The display units (including fences and landscaping) are on target to be completed by March 2019. Practical completion expected in May 2019.
Total Major Development	80	339	419	
Total Minor Development	32	93	125	
Total	112	432	544	

FY19 Development Projects Under Construction



Redland Bay, QLD – 38 units under construction



Robertson Park, QLD – 32 units under construction



Carindale, QLD – 97 units under construction



Hunters Green, VIC – 49 units under construction



FY19 Development Projects Under Construction

Newcastle, NSW – 36 units under construction



Palmview, QLD – 38 units under construction



Morayfield, QLD – 40 units under construction



Mowbray Links, TAS – 9 units under construction



Major Development Delivery Forecast – Units



Community	Category	State	Density	Units ¹	FY19	FY20+ ²
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
Mowbray Links	Brownfield	TAS	Low	61	16	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
Broadwater	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				5,062	419	4,643
Minor Development				721	125	596
Total Retirement Community Product				5,783	544	5,239

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

² FY20 delivery forecast to be provided at FY19 results presentation in August 2019.

- Aveo's aged care portfolio consists of five facilities with a total of 406 beds
- Average occupancy remains above 95% across the mature facilities¹
- Newstead RACF opened in May 2018 and currently has 43 residents. Circa 85% of residents have elected to pay a RAD (full or combination)

Aged Care Development Pipeline			
Community	State	Total Beds ²	FY20+ ^{3,4}
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 Minkara/Bayview.

³ No RACF delivered in FY19.

⁴ FY20 delivery forecast to be provided at FY19 results presentation in August 2019.

Care and Support Services Results



- Total revenue increased due to the newly developed Newstead facility offset by associated depreciation and amortisation
- Occupancy at Newstead of 43% with full occupancy expected by June 2019
- Upfront costs associated with the ramp up of the new Newstead RACF impacted on total RACF contribution
- 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	HY19	HY18	Change
Revenue			
RACF	\$11.8m	\$7.6m	55%
Allied Health	\$0.6m	\$0.2m	180%
Food and Nutrition	\$11.4m	\$9.7m	17%
Other	\$1.8m	\$0.9m	97%
Total revenue	\$25.5m	\$18.4m	39%
Profit contribution			
RACF	\$1.0m	\$0.8m	20%
Allied Health	\$0.2m	(\$0.1m)	NM
Food and Nutrition	\$0.1m	\$0.1m	30%
Home Care	(\$0.1m)	-	NM
Other	\$0.3m	\$0.3m	(15%)
Other expenses ¹	(\$1.4m)	(\$1.1m)	24%
Total profit contribution	-	-	-
Depreciation and amortisation	(\$1.3m)	(\$0.7m)	82%
EBIT	(\$1.3m)	(\$0.7m)	82%

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
- Point Cook currently has less than 10 lots remaining to sell
- Presales of remaining lots as at 31 December 2018 in active projects are at 45% (140 out of 311 lots)
- Gasworks 3 settled in September 2018 with net proceeds of \$9.4m
- Net rental income decreased due to the sale of Gasworks in February 2018

Key Performance Indicators	HY19	FY18	Change
Contracts on hand	140	183	(23%)
Contracts on hand (\$m)	\$72.3m	\$80.3m	(10%)
Residential land lots held	659	738	(11%)
Inventories	\$97.2m	\$95.2m	2%
Investment properties	-	-	NM
Property, plant and equipment	\$3.3m	\$3.3m	(1%)
Total Non-Retirement assets	\$100.5m	\$98.5m	2%
Non-Retirement assets as percentage of divisional assets	3%	3%	-

Non-Retirement	HY19	HY18	Change
Sales revenue	\$33.4m	\$85.4m	(61%)
COGS	(\$20.6m)	(\$58.7m)	(65%)
Gross profit	\$12.8m	\$26.7m	(52%)
Marketing expenses	(\$1.0m)	(\$0.8m)	29%
Other expenses ¹	(\$4.4m)	(\$2.9m)	52%
Development profit contribution	\$7.3m	\$23.0m	(68%)
Net rental and other income	\$0.5m	\$5.7m	(91%)
Total profit contribution	\$7.9m	\$28.7m	(73%)
Non-Retirement settlements	79	231	(66%)
Average margin	37%	31%	6%

¹ Relates to overhead and other expenses.



Outlook

- Aveo remains focused on furthering its position as the leader in the retirement living market through innovation in the provision of accommodation and integration of care that residents are seeking
- Aveo remains committed to current initiatives to deliver further growth and value
- Despite the current challenges in the market environment, Aveo's product remains attractive and the market leader
- Management is focused on delivering value in FY19
 - Focused on achieving settlements from the increased level of deposits
 - On track to deliver 419 Major Development units in FY19
 - Progress the strategic review process to bridge the value gap for securityholders
 - Review free cash flow position and consider value add options such as buyback of securities
- Targeting full year distribution amount based on a payout range of 40%-60% of underlying profit



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