

4 May 2016

Aveo presentation at Macquarie Securities Conference Australia

Australia's leading owner, operator and manager of retirement communities, Aveo Group Limited (ASX: AOG) today presented at the Macquarie Securities Australia Conference, held at the Sheraton on the Park, Sydney.

Please find attached a copy of the presentation given at this Conference. A copy of this presentation has also been uploaded to the Group's website at (www.aveo.com.au).

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About Aveo

"We will grow with older Australians by inspiring greater living choices."

Aveo is a leading and trusted owner, operator and manager of retirement communities across Australia. Aveo's philosophy is underpinned by a commitment to grow with older Australians by inspiring greater living choices. We currently do so for 13,000 residents in 89 retirement villages across Australia. Aveo also manages and develops a diversified \$456 million property portfolio. Over 30 years, Aveo's portfolio has grown to one that encompasses retirement, residential, commercial, industrial and mixed-use property assets. Together these communities define how hundreds of thousands of people in Australia live, work, retire and invest.

Issued by Aveo Group (ASX:AOG) comprising Aveo Group Limited ABN 28 010 729 950 and Aveo Funds Management Limited ABN 17 089 800 082, AFSL No. 222273 as Responsible Entity for the Aveo Group Trust ARSN 099 648 754.
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Macquarie Australia Conference

Presented by Geoff Grady, Chief Executive Officer

4 May 2016



Agenda



1. Aveo Update
2. Aveo Transition
3. Confirming FY16 Guidance



Aveo Update



First Half Results Show are on Track for FY16 Targets



Financial

- Statutory profit after tax increased by 121% to \$66.5m
- Underlying profit after tax increased by 89% to \$45.6m
- Boosted by a first half skew in non-retirement profit contribution including the delivery of the Milton residential apartment development
- Retirement EBITDA contribution increased by 12% to \$29.1m

Operational

- Significant increase achieved in pricing of retirement units transacted
- Active portfolio management reflected in higher numbers of both buyback purchases and buyback sales
- Delivery of 29 new retirement units across three different villages

Strategic

- Acquisition of Freedom retirement villages boosts the development pipeline and enhances Aveo's care services capability
- Strong sales rates continued at land estates as these are sold down with proceeds recycled into retirement village developments

Our Portfolio



- Aveo Group manages 89 villages across the east coast of Australia
- Villages predominantly located in prime metropolitan locations
- Portfolio characterised by mature villages with 60 villages more than 20 years old, with established resident communities and a demonstrated resident turnover transaction history

Portfolio Snapshot

Units	Villages	ILUs	SAs	Existing Total	Pipeline ⁴ – Units	Total Units	Aged Care Beds	Pipeline – Beds	Total Units and Beds
Aveo	41	4,185	874	5,059	4,331	9,390	184	509	10,083
Freedom	15	-	1,004	1,004	533	1,537	-	-	1,537
Aveo Healthcare ²	5	1,085	252	1,337	185	1,522	-	229	1,751
RVG ³	28	2,813	601	3,414	77	3,491	-	-	3,491
Total	89	8,083	2,731	10,814	5,126	15,940	184	738	16,862

¹ Includes 16 units not offered for accommodation purposes e.g. managers' units.

² Includes 10 units not offered for accommodation purposes e.g. managers' units. AEH is 86% owned by Aveo.

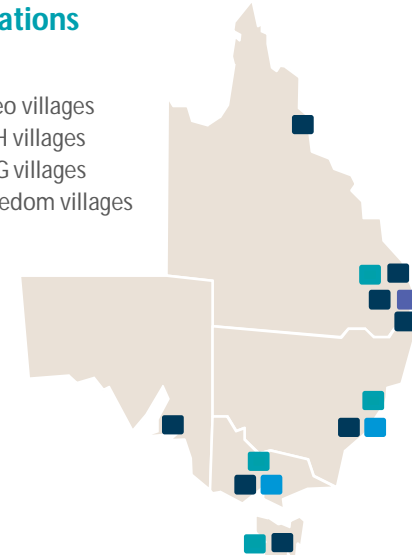
³ Includes 22 units not offered for accommodation purposes e.g. managers' units. RVG is 73% owned by Aveo and Aveo is the fund and asset manager for RVG.

⁴ Development pipeline net of 345 units to be redeveloped.

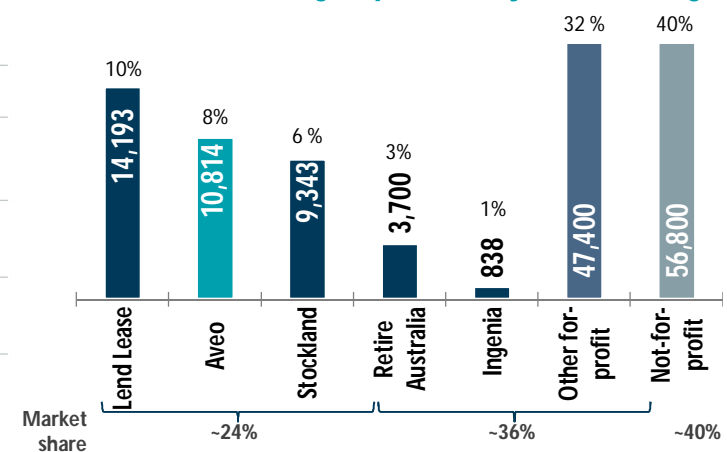
AOG Village Locations

Legend

- Aveo villages
- AEH villages
- RVG villages
- Freedom villages

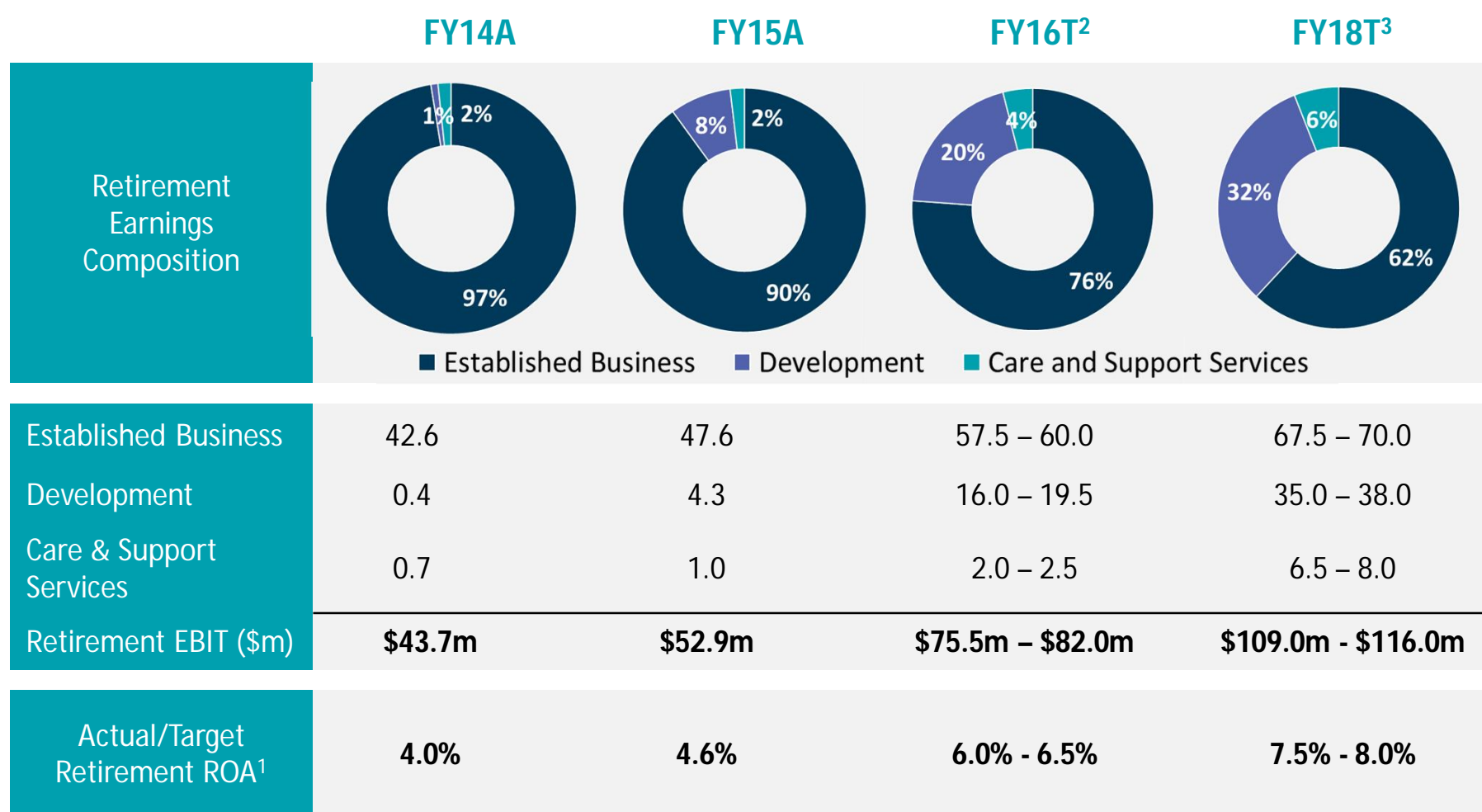


Retirement Village Operators by Units Managed



Source: Retirement Living Council, Grant Thornton, 2014, National Overview of the Retirement Village Sector, Company Announcements 2015.

Focus on Retirement Asset Returns



- Targeting a long term target retirement earnings mix (based on EBIT¹) of 70%-80% recurring (Established Business and Care and Support Services) and 20%-30% active (Development)

¹ Excludes capitalised interest in cost of goods sold.

² Impact of Freedom acquisition will be excluded from FY16 target.

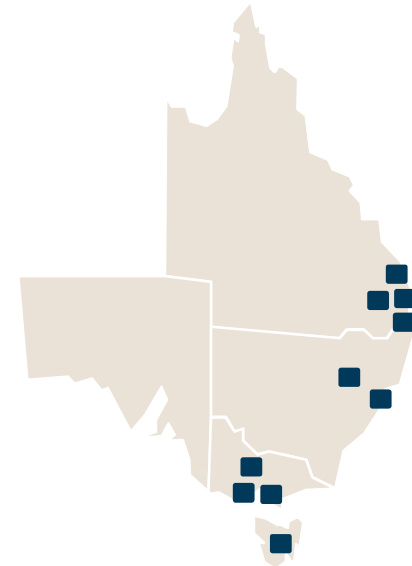
³ Before impact of Freedom and RVG recent acquisitions, with updated FY18 targets to be provided in August at the 30 June 2016 results presentation.

Freedom Acquisition



- Freedom owns and operates 1,004 units in 15 retirement village communities across Australia
- Development pipeline of 533 units including 387 units across five existing villages and a 146 unit site on the Sunshine Coast
- Freedom villages operate as unique private care communities
- Villages are regulated by the relevant state retirement villages legislation rather than operating under the federal Aged Care Act
- Positioned as a care business offering accommodation, targeting residents with low to moderate care needs upon entry
- Not traditional nursing homes or aged care communities
- Comprehensive care services are available to residents with 24 hour nursing provided, while still offering the levels of personal freedom and lifestyle associated with retirement village living
- Similar to the existing Aveo retirement villages, Freedom villages operate under a deferred management fee model
- Average resident entry age is 85, reflective of a resident profile seeking access to higher levels of care services in their accommodation

Freedom Village Locations

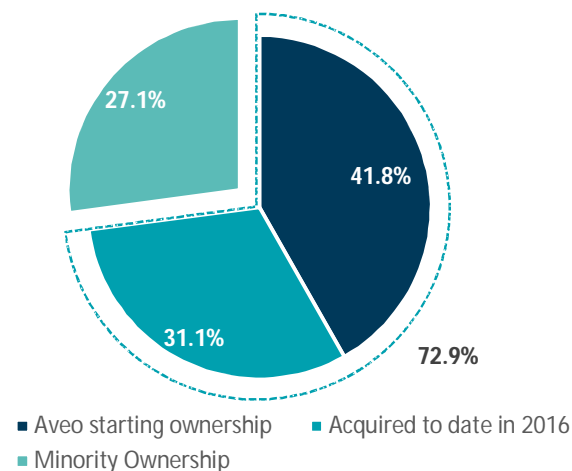


RVG Acquisitions



- RVG is a wholesale investment fund managed by Aveo
- Aveo acquired a further 31% of Retirement Villages Group (RVG) bringing Aveo’s total interest to 73%
- One other investor remains in RVG, holding the balance of 27%
- Part of broader strategy of acquiring all outstanding fractional interests across its retirement portfolio where it is EPS accretive
- Acquired in March / April 2016 at 22 cents per security (21% discount to current security value)
- The portfolio is located in well-established suburbs in Sydney and Melbourne
- Increased interest will allow Aveo to have greater influence on the strategic direction of the fund and to further enhance its value through a fuller application of the Aveo strategy which has been limited by its current structure

RVG Current Ownership Structure



RVG Portfolio	
Villages	28
Units	3,414
ILUs / SAs	2,813 ILUs; 601 SAs
Development Pipeline	77
Average Unit Value ¹	\$419k
Average resident age	83
Village Occupancy	96%

¹ Based on 2015 independent valuation

Platform Set for the Second Half



Established Business

- Overall trading in the Aveo, RVG and Freedom villages for the second half is in line with expectations
- Integration of Freedom acquisition is on track

Development

- Construction schedule remains on track for delivery of 153 additional new units across five different villages by FY16 year end
- Sell down of stock delivered in first half will assist cash flow generation

Care and Support Services

- New General Manager of Care is overseeing the repositioning of the care offering available at a number of trial villages
- Commencement of construction of the new 121 bed aged care facility at Durack is imminent

Financial

- On track to meet FY16 retirement ROA target range of 6.0%-6.5%
- Maintaining FY16 guidance of full year underlying profit after tax of over \$80m and full year distribution of 8 cents per security
- Forward earnings guidance recently upgraded to 7.5% underlying EPS growth for FY17 and FY18 post the additional RVG stake acquisitions



Aveo Transition



Beginning of Aveo's Transition



- New Aveo management outlined a strategy to create value for securityholders in the FY13 results presentation
- This focused on a number of key strategic and operational steps to reduce the major discount to NTA that the security price was trading at
- Since then, leverage has been successfully reduced, and significant progress has been made in achieving the other steps outlined
- These steps to create value continue to guide the execution of strategy and management overview of operations today

FY13 Results Presentation Extract

Aveo Group – Creating Value

- Steps to create value
 - Reduce complexity of business, focusing on a single sector in which the Group has a strong competitive advantage
 - Increase exposure to retirement development, both brownfield and greenfield sites
 - Focus on additional revenue streams like care services
 - Reduce leverage to a level comparable to or below trading peers
- FKP trades at a 60% discount to NTA with a significant upside as the above initiatives are executed and we re-rate in line with our market peers
- Pure play listed retirement peers in New Zealand are trading at or above NTA

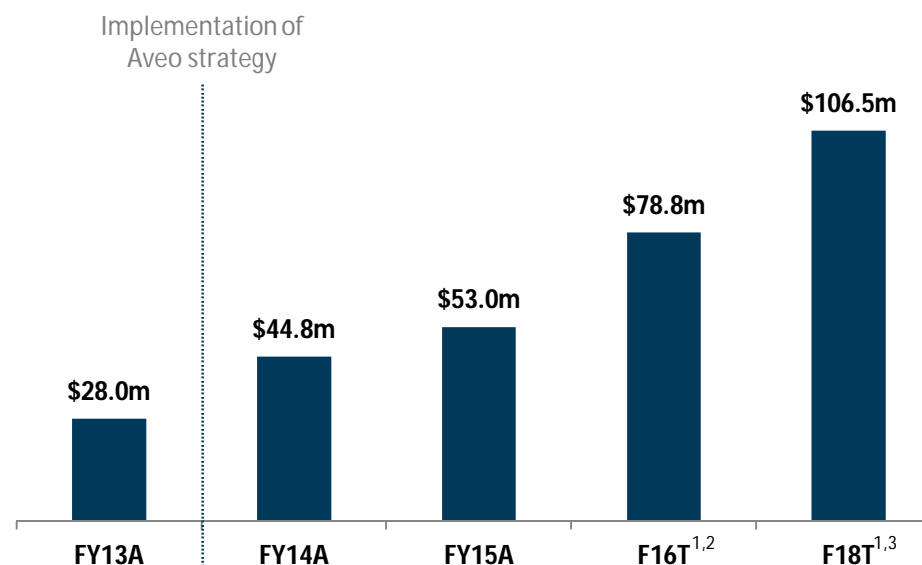
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Financial Impact of Aveo's Transition



- Successful execution of the strategic steps has resulted in a significant improvement in the operating performance of the entire retirement business
- Overall retirement profit levels have correspondingly increased relative to the FY13 baseline
- In line with the increasing profitability levels, the NTA discount evident at the end of FY13 has now been eliminated
- Aveo is currently trading at a circa 15% premium to December NTA level, as market attention shifts to its operational earnings profile rather than its underlying property asset base

Retirement Profit Contribution FY13 – FY18T⁴



¹ FY16 and FY18 forecast retirement profit contributions based on the midpoints of the forecast profit contribution ranges of \$75.0m to \$82.5m for FY16 and \$101.5m to \$111.5m for FY18.

² Impact of Freedom acquisition will be excluded from FY16 target.

³ Before impact of Freedom and RVG recent acquisitions, with updated FY18 targets to be provided in August at the 30 June 2016 results presentation.

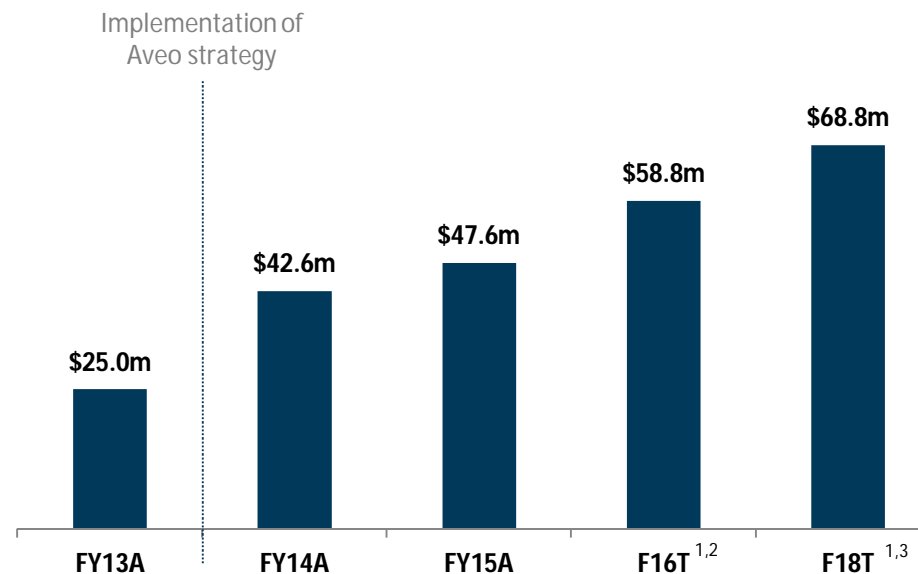
⁴ After deducting interest on cost of goods sold

Growth in Established Business



- Materially increased average DMF/CG margin percentage through continued roll out of Aveo Way contract
- Average price point of independent living units (ILU) to materially increase from ~\$300k per unit as future new development stock is completed with higher average price points of over \$500k from FY17 and \$600k from FY18 onwards. This will also increase the average DMF/CG margin.
- Conversion of Aveo serviced apartments (SA) to Freedom SAs will increase average SA value. Current average value of Aveo SA is \$170k compared to Freedom SA average value of \$330k
- Increase in average resident age as retirement offering moves from lifestyle to care focus. This will lead to higher long term turnover.
- Fuller application of Aveo strategy in RVG

Retirement Established Business EBIT Contribution FY13 – FY18T



¹ FY16 and FY18 forecast retirement established business EBIT contributions based on the midpoints of the forecast EBIT ranges of \$57.5m to \$60.0m for FY16 and \$67.5m to \$70.0m for FY18.

² Impact of Freedom acquisition will be excluded from FY16 target.

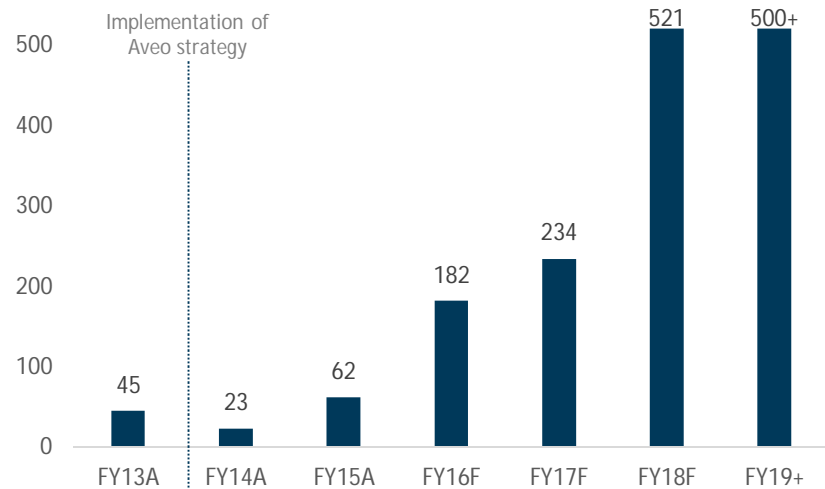
³ Before impact of Freedom and RVG recent acquisitions, with updated FY18 targets to be provided in August at the 30 June 2016 results presentation.

Growth in Development

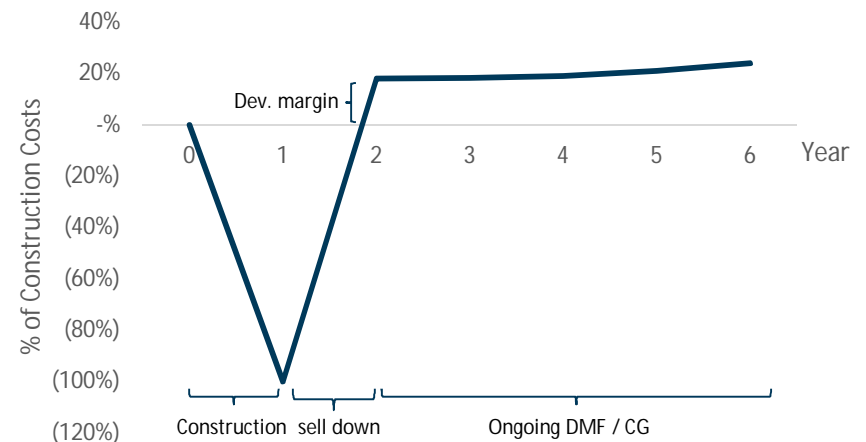


- Development delivery set to increase to at least 500 units a year by FY18
- A minimum of 500 units per year required to maintain Aveo's market share given current market penetration rates
- Target average development margin 16%-20% before funding costs (i.e. interest)
- Efficient capital model
 - Typical construction period of 1 year
 - Sell down period of 6-12 months
 - Ongoing DMF/CG receipts
- Require circa \$500m of working capital to develop 500 units p.a.
 - Already invested circa \$200m
 - Balance of required capital to be funded from non-retirement sell down

Development Units



Typical Capital Model for Development



Growth in Development (continued)



Development Delivery Forecast - Units

Village	Category	State	Portfolio ¹	Units ²	FY16	FY17	FY18	FY19+ ³
Cleveland	Brownfield	QLD	AEH	12				
Durack ⁴	Brownfield	QLD	AEH	74				
Island Point	Brownfield	NSW	AOG	130				
Mingarra	Brownfield	VIC	AOG	38				
Peregian Springs	Brownfield	QLD	AOG	62				
Clayfield	Brownfield	QLD	AEH	124				
Southern Gateway	Greenfield	NSW	AOG	446				
Springfield ⁵	Greenfield	QLD	AOG	2,384				
Gasworks	Greenfield	QLD	AOG	169				
Newmarket	Redevelopment	QLD	AOG	300				
Carindale	Redevelopment	QLD	AOG	406				
Sanctuary Cove	Greenfield	QLD	AOG	163				
Robertson Park	Redevelopment	QLD	AOG	217				
Southport Gardens	Redevelopment	QLD	AOG	215				
The Rochedale Estates	Greenfield	QLD	AOG	150				
Tamworth	Brownfield	NSW	FRE	66				
Morayfield	Brownfield	QLD	FRE	44				
Launceston	Brownfield	TAS	FRE	53				
Tanah Merah	Brownfield	QLD	FRE	114				
Redland Bay	Brownfield	QLD	FRE	110				
Brightwater	Greenfield	QLD	FRE	146				
Total Retirement Village Product⁶				5,423	182	234	521	4,486

¹ Excludes RVG development pipeline.

² New units delivered for redevelopment projects is a gross figure which includes existing units that are subsequently redeveloped.

³ Includes potential to substitute identified units for aged care beds.

⁴ Durack balance stages has been assessed and reduced from 134 to 74 to accommodate a larger aged care facility.

⁵ 116 bed aged care facility at Springfield substituted for previously disclosed retirement unit development.

⁶ Inclusive of 29 units delivered in HY16.

Growth in Care Services



- Supports the saleability of retirement ILUs increasing established business returns
- Continuum of care strategy including the co-location of care facilities with retirement villages
- Aveo was allocated 371 bed licences in the March 2016 Aged Care Approvals Round (ACAR)
- Integrate allied health acquisitions into retirement village operations

Village	State	Portfolio	Total Beds ¹	HY16	FY16	FY17	FY18	FY19+
Durack	QLD	AEH	121					
Gasworks	QLD	AOG	101					
Clayfield	QLD	AEH	108					
Carindale	QLD	AOG	100					
Springfield	QLD	AOG	116					
Minkara / Bayview	NSW	AOG	124					
Mingarra	VIC	AOG	108					
Southern Gateway	NSW	AOG	144					
Total Aged Care Product			922	-	-	121	101	700

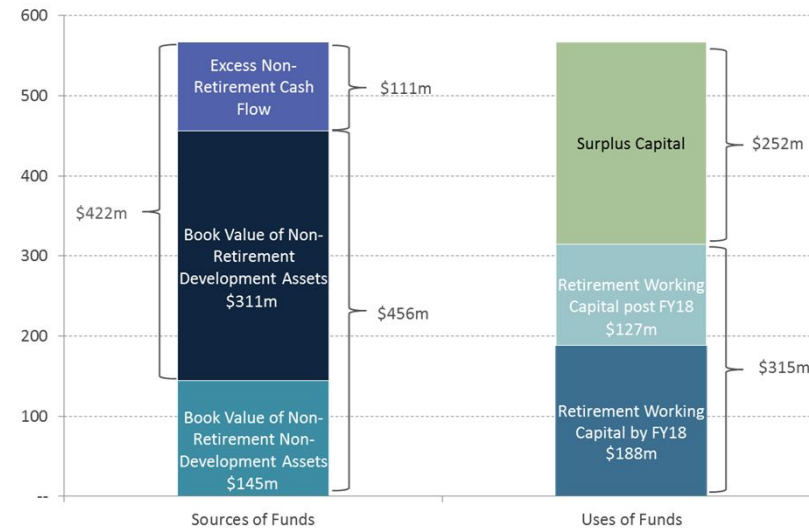
¹ Beds inclusive of 209 existing bed licences.

Non-Retirement, Capital Recycling

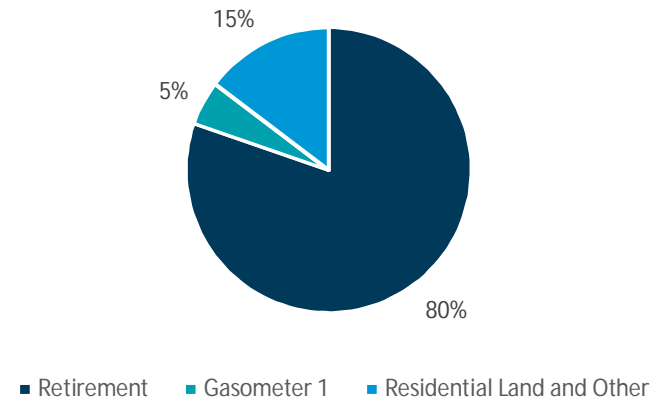


- Capital recycling of non-retirement assets on track with proceeds to fund retirement development and working capital requirements
- On track to have sold all residential land estates by 30 June 2018
- \$456m of non-retirement assets are carried on the balance sheet at 31 December 2015
- Selling the residential land estates will generate a further \$111m of cash flow
- Hold Gasometer 1, Newstead until 30 June 2018 while construction of retirement tower takes place

\$567m from Capital Recycling of Non-Retirement Assets



FY16 Forecast Asset Weighting





Confirming FY16 Guidance



On Track to Meet FY16 Guidance



- On track to meet FY16 retirement ROA target range of 6.0%-6.5%
- Maintaining FY16 guidance outlined at announcement of the FY15 results:
 - Full year underlying profit after tax of over \$80m
 - Full year distribution of 8 cents per security
- Targeting at least 7.5% underlying EPS growth for FY17 and FY18 post acquisition of Freedom and additional RVG stake



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