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Retirement Living & Aged Care

December 2008

Half Year Results

Investor Presentation

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Agenda

Market Conditions

- Response to Global Financial Crisis
- Housing Market Conditions
- Retirement Sector Fundamentals

1H09 Review

Financial Performance

Divisional Review

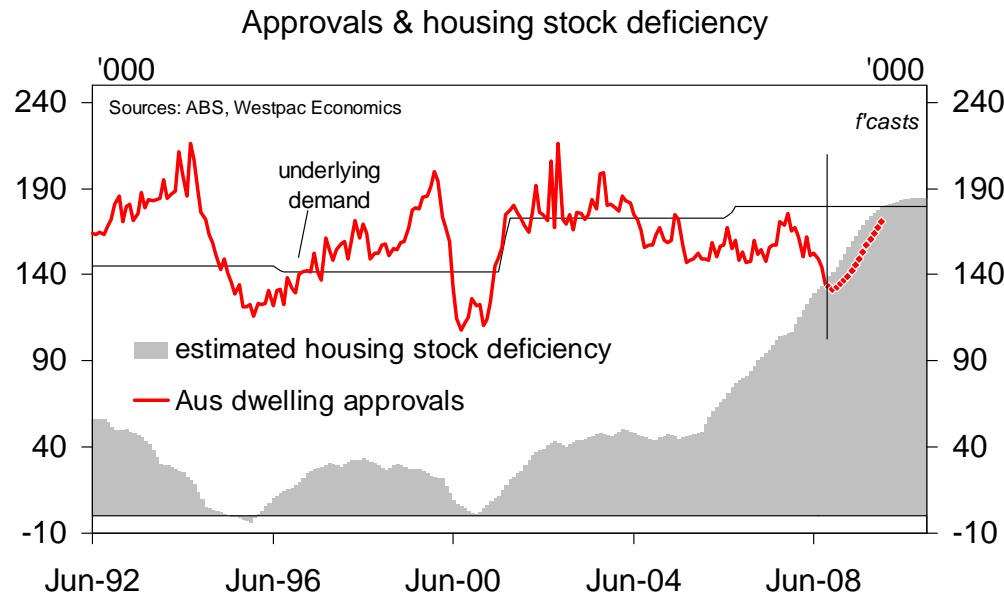
Strategy & Outlook

- Maintain low gearing (Dec-08 – 23%)
- Development cash out flow reduced by \$14m over the next 18 months
- Realistic approach to asset valuations
- Stock Management - focus on net return for cash flow
- Cost containment - target 10% saving for Head Office

Continue conservative management approach

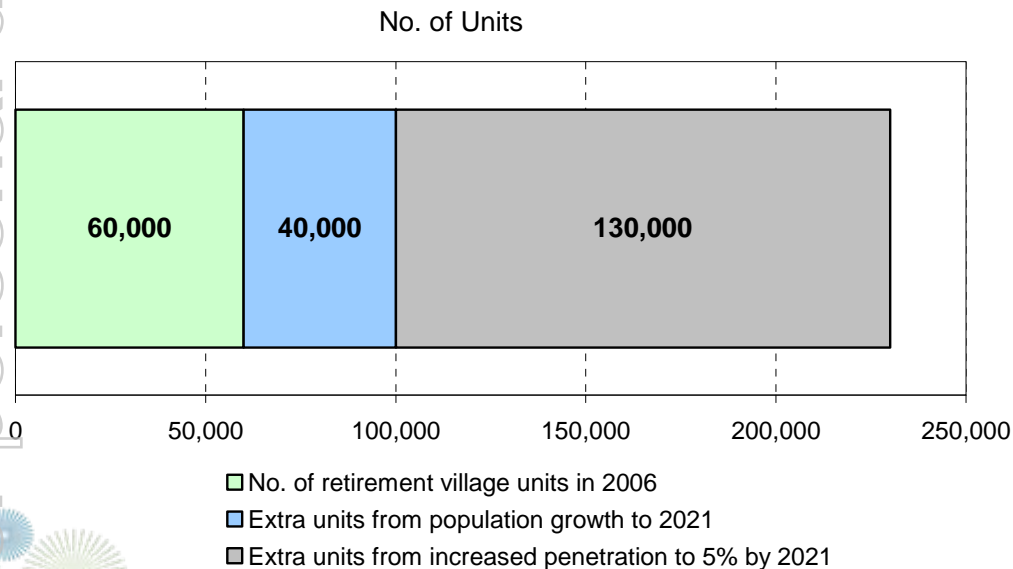
Housing Market Conditions

- House prices ↓ in all capital cities during 2008 as credit becomes scarce
- However, strong population growth and limited development has the market under supplied
- Housing affordability ↑ from mid year, particularly due to lower interest rates
- First home buyers grant is stimulating the affordable end of the market, at the price range where Aevum has a majority of our Retirement Living products.



Ageing Population

- Population >65 yrs growing at twice general population rate
- The 65 – 74 age group in Australia has one of the highest mean wealths of any age group



Source: ABS, University of Queensland

Fragmented Industry

- Top five operators control < 35% of the market
- Contracted supply resulting from market downturn
- Long term growth not likely to peak for 40 years

Low Penetration

- < 5% of people > 65 yrs live in retirement village
- Growing cultural acceptance of retirement living by Australians (higher penetration rates in the US, Australia forecast to follow suit)

Demand for both residential and community-based aged care will rise sharply over the next 10 to 15 years

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1H09 Review

- 1H09 Achievements
- 1H09 Financial Overview

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1H09 Achievements



- All four development projects were completed (68 ILUs) with sales and deposits for 44%
- DA lodged at The Willows Village (Winston Hills) for 74 ILU's and a 77 bed Aged Care facility
- Occupancy at 92.1% despite challenging market conditions, with 11 villages above our long term occupancy target of 95%¹
- Headline Sales price growth of 3.3%
- Aged Care valuations increased \$13.6m, booked to the revaluation reserve

1. Occupancy rates reflect vacant stock available for sale excluding newly developed units completed during 1H09

Transition to fully integrated owner, operator and developer of retirement communities is well underway

1H09 Financial Overview



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	<u>1H09</u>		<u>1H08</u>
NPAT	\$(15.0)m	↓	\$10.9m
Earnings per Share	(11.9)¢	↓	9.7¢
Distribution per Share	2.0¢	↓	4.5¢
Operating Cash Flow	\$6.8m	↓	\$9.3m
NTA per Share	\$2.07	↔	\$2.07
Gearing	23%	↑	14%

Resilient cash flow and low gearing in difficult market conditions

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Market Conditions

1H09 Review

Financial Performance

- Financial Analysis
- Valuation Analysis
- Capital Management
- Taxation

Divisional Review

Strategy & Outlook

Income Statement



	1H09	1H08	Change %
Revenue from operating activities	12,056	11,286	7
Income – Revaluation of properties	(18,819)	15,103	(225)
Total income	(6,763)	26,389	(126)
Employee benefit expenses	8,034	6,145	31
Professional service fees	976	743	31
Depreciation expense	480	390	23
Financing costs	3,990	2,632	52
Marketing expenses	1,144	1,031	11
Other operating expenses	3,072	3,595	(15)
Total expenses	17,696	14,536	22
NPBT	(24,459)	11,853	
Tax expense	(9,504)	901	
NPAT	(14,955)	10,952	
Basic earnings per Share	(11.9)	9.7	
Weighted Average Shares (millions)	125.3	112.4	

Underlying expenses impacted by continued growth in operational scale

Income Statement – 1H09 Analysis



- Revaluation decrement of \$18.8m which is equivalent to a 7% reduction in Shareholder equity (see Slides 15 - 17)
- Key revaluation components:
 - Discount rates 13.0% – 14.0% (Weighted average 13.4%)
 - CAGR 3.0% – 5.0% (3.0% for Years 1-2)
 - All other parameters have remained unchanged
- DMF accrual increased by 4% to \$4.9m (PcP \$4.7m)
- Underlying expense base consistent with evolving activities

*Softening of discount rates by 93 basis points
resulting in a valuation decrement*

Balance Sheet



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	31-Dec-08	30-Jun-08	Change %
Cash	12	17	29
Current Assets	2	1	100
Non Current Assets	804	791	2
Total Assets	818	809	1
Current Liabilities	8	7	14
Resident Loans and Bonds	435	428	2
Interest Bearing Debts	90	80	13
Non Current Liabilities	21	22	5
Total Liabilities	554	537	3
Net Assets	264	272	3
Net Debt	78	63	24

Existing gearing of 23% ~ no debt maturing until June 2011

Cash Flow Statement



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A\$M	31-Dec-08	30-Jun-08	Change %
Cash Flow from Operating Activities	7	20	(65)
Cash Flow from Investing Activities	(15)	(75)	80
Cash Flow from Financing Activities	2	34	(94)
Net increase/ (decrease) in cash held	(6)	(21)	71

Resident Liability Cash Flow	31-Dec-08	30-Jun-08	Change %
Receipts of turnovers	23	43	(47)
Gross Cash Outflows *	12	19	(37)
Ratio %	52	44	8

* Excluding strata title buybacks

Reductions in asset values not directly impacting operating cash flow

Cash Flow – 1H09 Analysis

- Driving Operating Cash Flow remains the key area of focus
- Cash settled turnovers lower than budget and 1H08
- Collection times under pressure as incoming residents take longer to sell their homes
- Deposits secured against 43 'resale' units worth \$14.4m and 9 'new' units worth \$4.6m – cash to be collected in 2H09
- Aged Care bonds to be a key contributor in 2H09

Stock management will be a key driver of 2H09 cash flow

Components of Gross Valuation

Retirement Living

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Valuation Component \$M	Dec-08	Jun-08	Dec-07
MCI (ex Stock)	203	210	195
MCI - Terminal Value	37	45	43
MCI - Stock *	51	37	32
Resident Gain on Turnover	53	54	52
Net Resident Liability	359	351	323
WIP & Development land	31	42	22
Total Investment Property - per Balance Sheet	734	739	667

* The Stock value has been impacted by the completion of four development projects within the period

The future value (Years 18-20) represents only 5% of the Total Investment Property value

- Movements in key valuation variables resulting in a valuation decrement of \$18.8m or 7%
- 7 Retirement villages, 4 Aged Care Facilities and land held for development externally revalued at Dec 2008
- Internal average discount rate softened by 93 basis points to 13.44% (reflects external valuation rates)
- Short term CAGR (Years 1-2) reduced by 130 basis point to 3% (reflects external valuation rates)
- Internal market values have been kept flat and are generally in-line with external figures (SPG achieved YTD of 3.3%)
- \$1.8m (17%) of development land written off at Dec 08

Management will continue to take a realistic approach to property valuations

Observations on External Valuations



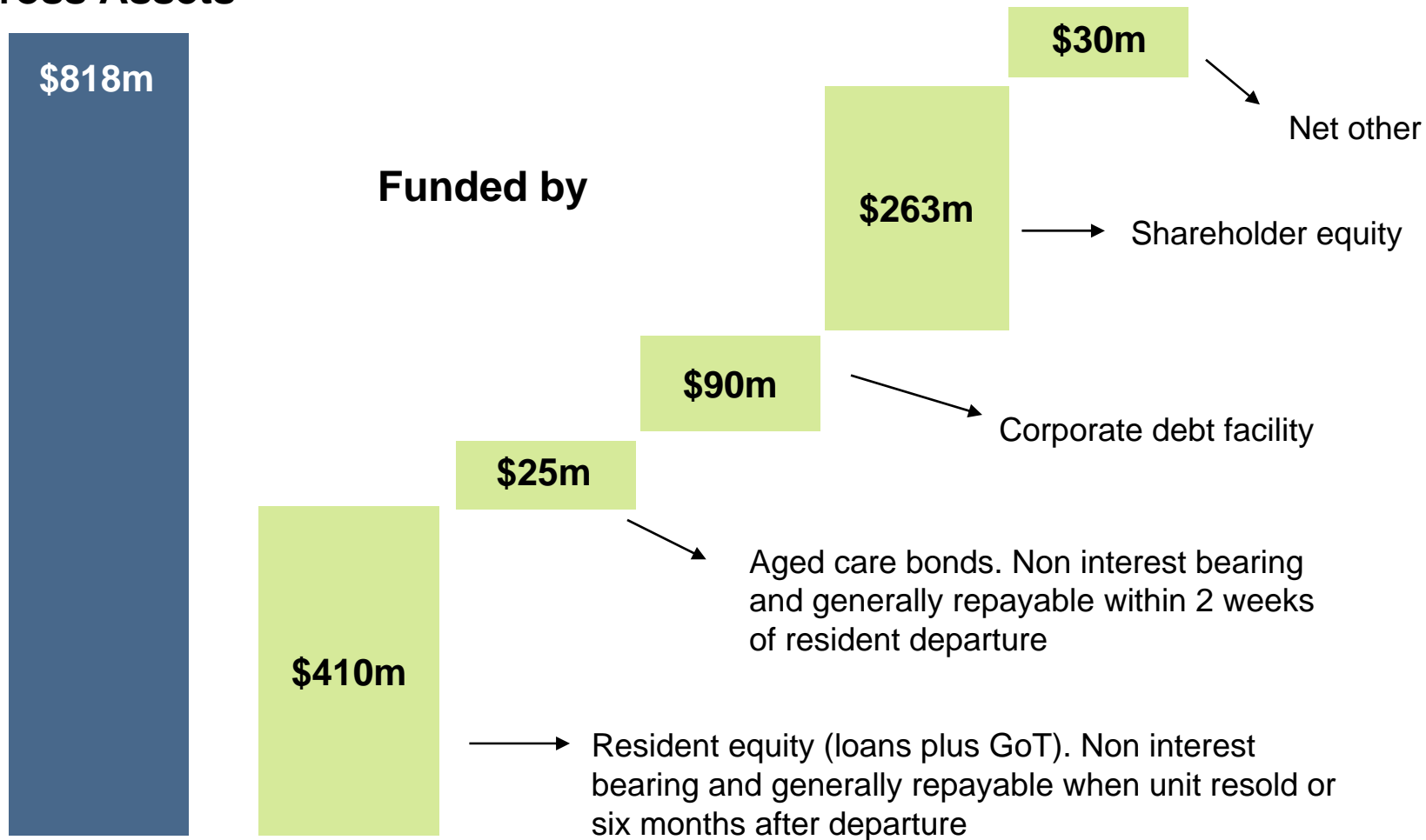
- Few recent transactions to provide indicative pricing and value
- Second tier villages will be most affected
- Discount rates softened by 75 to 150 basis points
- Short term (Years 1 to 2) CAGR also impacted (differs by location)
- Development sites also heavily impacted as risk is repriced

Discount rates and growth assumptions impacted by current market conditions

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Funding the Aevum Business

Gross Assets



Unique interest-free leverage provided by resident equity

- Net debt as at 31 December 2008 was \$78m (PcP \$64m)
- Gearing (net debt/net debt plus equity) is 23% (PcP 14%) driven by investments in development WIP and stock
- Committed debt facility in place with Westpac and ANZ for \$150m – currently drawn to \$90m
- No debt repayable until June 2011
- Sufficient capital in place through committed debt and forecast operating cash flow to meet organic pipeline

Current gearing of 23% with sizeable available cash and debt funding capacity

- Tax expense is net movement in Deferred Tax Asset (“DTA”) and Deferred Tax Liability (“DTL”) – no cash component
- DTL largely driven by unrealised (i.e. deferred) gains (\$17.3m, Jun-08 \$22.1m)
- DTA driven by net taxable income (i.e. tax losses b/f) (\$16.9m, Jun-08 \$12.7m)
- Taxable income much lower than accounting income because of unrealised gains (i.e. add backs) and capital allowances (e.g. depreciation) (\$14.0m taxable loss, Jun-08 taxable loss \$11.8m)

Payments of tax (i.e. cash) remain close to nil for the foreseeable future



Agenda

Market Conditions

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- Retirement Living
- Aged Care
- Developments

Strategy & Outlook

Retirement Living - Turnovers

- 1H09 turnover settlements for 52 units inclusive of 9 strata title and 17 internal transfers is 20% below 1H08
- Second half traditionally stronger, driven by summer open days

Settlements		1H09	2H08	1H08
No.	Turnover	52	96	65
	Development	19	2	-
	Total	71	98	65
Value \$M	Turnover	\$16	\$28	\$19
	Development	\$8	\$1	-
	Total	\$24	\$29	\$19

Turnover activity will be a key focal point for 2H09

Retirement Living - SPG

- 1H09 Sales Price Growth (“SPG”) of 3.3% on settled transactions
- 7 villages exceeded long term sales price growth of 4.5%
- December 2008 settlements produced a high SPG of 7%
- SPG indirectly linked to valuations – waiting on full year sales price evidence
- On track to achieve our target SPG of 3.5%

On track to achieve our FY09 SPG target of 3.5%

Retirement Living – Stock Management

- Occupancy at 92.1% despite challenging market conditions, with 11 villages above our long term occupancy target of 95%¹
- Focus on refurbishment and marketing during 2H09 to improve Serviced Apartment occupancy
- Reduction of > 6 months aged stock by 34% to 38 units
- Reduction in units withheld for development by 47%, to 25 units
- Turnover period stable at 12 months however contract periods have increased 3.5 months (FY08 was 3 months)

Category	ILUs	SA	Total
Dec-08	92.5%	89.0%	92.1%
Jun-08	93.8%	87.8%	93.2%

1. Occupancy rates reflect vacant stock available for sale excluding newly developed units completed during 1H09

Focus on stock management to deliver cash flow

Retirement Living – Stock Management

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- Deposits secured against 43 ‘resale’ units worth \$14.4m
- Key priority remains to convert “Reserved” stock into cash settled transactions
- Demand for higher quality living recognised with refurbishments underway to deliver superior units

Pipeline No.	Dec-08	Jun-08	Dec-07
Deposits (Reserved)	43	41	53
Available	63	47	40
Under Refurbishment	62	62	43
Total	168	150	136
Net Stock \$M	\$34	\$29	\$32

Note: December 2008 value excludes \$17m of unsold development stock.

Management of strong pipeline will release cash flow

- 202 Aged Care beds with average occupancy rates of 97% (PcP 96%)
- Aged Care revenue achieves budget of \$5.8m (PcP \$5.9m)*
- EBITDA per bed has increased 8%, to >\$10,000 (annualised)*
- Accommodation Bonds increased 9% 1H09, to \$25m
- Focus on operational efficiencies and increasing Bonds has improved returns
- Introduction of ACFI subsidy payment will improve revenue in FY10

* Excluding notional interest on Accommodation Bonds

Aged Care assets are delivering strong yield with growth

Development – Completions 1H09

- All four development projects under construction were completed (68 ILUs)
- Sales have been achieved for 31% and deposits taken for a further 13%
- Based on sales achieved to date forecast development profits are 8% (20%+ including MCI)
- Conservative valuation approach – profits effectively recognised on cash settlement

Development			Settled		Deposits	
Village	No. of units	Gross Value (\$M)	No. of units	Gross Value (\$M)	No. of units	Gross Value (\$M)
Cardinal Freeman	36	18.8	14	6.7	7	4.0
Waratah Highlands	16	5.0	5	1.6	2	0.6
Golden Ponds	8	3.8	1	0.5	-	-
The Village Swansea	8	2.7	1	0.3	-	-
Total	68	30.3	21	9.1	9	4.6

Sales of development units will be a key driver of 2H09 cash flow

Development – Major Projects

Cardinal Freeman, Ashfield

- Buildings A&B complete with sales and deposits taken for 65%
- The NSW Minister for Planning has declared Cardinal Freeman a Major Project of regional significance
- Masterplanning now progressing for 140 ILUs and a 120 bed Aged Care facility to be developed over 5-6 stages generating sales revenue > \$120m

The Willows Village, Winston Hills

- DA submitted for 74 ILUs plus a 77 bed Aged Care facility. No major planning issues have arisen to date
- Construction to commence early FY10 with the development staged over 4-5 years generating sales revenue >\$50m

Cardinal Freeman – Building A&B



Cardinal Freeman – Masterplan



Development – Timetable

		Incremental Units/Beds	Completion Value \$m	FY09	FY10	FY11	FY12	→
Southern Highlands	Waratah Highlands *	75	24	[Bar from FY09 to FY12]				
Sydney	Cardinal Freeman	140	84	[Bar from FY10 to FY12]				
	Willows	164	65	[Bar from FY09 to FY12]				
	Maybrook *	19	11	[Bar from FY11 to FY12]				
	Lourdes	10	7	[Bar from FY10 to FY11]				
Central Coast	The Cove	90	45	[Bar from FY10 to FY12]				
Mid North Coast	Golden Ponds *	34	15	[Bar from FY10 to FY12]				
Incremental	Ten + Villages	50	20	[Bar from FY11 to FY12]				
		582	271					

* DA approved

Significant future value to be realised from the development pipeline

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Financial Crisis & Aevum

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Strategy and Outlook

- Strategy
- Outlook

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- Continuum of Care
- Regulation
- Funding Model
- Economies of scale
- Participating across asset life cycle



Competitive Advantage



- 2H09 profit guidance of \$3m to \$5m subject to no further market deterioration, with FY09 NPAT forecast to be a loss of \$10m to \$12m
- Reduction in net profit not directly impacting operating cash flow, which is largely driven by new residents entering into available accommodation
- Operational business continues to perform with our focus on stock management to drive cash flow
- Development profits to be realised during 2H09 will be a key contributor to earnings
- Aged Care division is performing well with revenue increases likely from introduction of ACFI
- Distressed assets likely to emerge as acquisition opportunities

***Strong balance sheet with Management
focus on delivering cash flow***



Residents at The Cove, Daleys Point



Appendices

- Corporate Snapshot
- Aevum Overview
- Key Retirement Valuation Parameters
- DCF – Largest sensitivities
- Key metrics by Cluster
- Aevum Footprint

Corporate Snapshot

As at 9 February 2009



ASX Code: AVE

Last share price: \$0.89

12 month high: \$2.87

12 month low: \$0.75

Shares on issue: 126.4m

Market cap: \$113m (@ \$0.89)

Major shareholders:

Stockland, Fisher Funds

(Based on substantial Shareholder notices)

Register:

Top 20: 54.5%

Top 40: 56.7%

Total = 6,165 shareholders

Aevum vs S&P/ASX 300 Index



Board of Directors:

Graham Lenzner (Chairman)

Steve Mann (Managing Director)

Melanie Willis, Phil Anderson, Richard Gould

Employees: 341

Aevum Overview



- 135 years of history – formerly the Hibernian Friendly Society
- Demutualised in 2002, listed on ASX in November 2004 at \$0.90
- More than 30 years of experienced as a Retirement Living Owner, Operator and Developer
- Key industry consolidator with strong organic growth pipeline
- Owns 21 retirement villages across NSW and WA
 - 6 villages in Sydney
 - 6 villages on NSW Mid North Coast
 - 2 villages in NSW Southern Highlands
 - 3 village on NSW Central Coast
 - 4 villages in WA
- Operates 2,156 retirement units and 202 aged care beds

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Key Retirement Valuation Parameters



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Discount rate	Range from 13.0% to 14.0%. Sydney villages average of 13.2%. Discount rate softened by 0.93% across the entire portfolio.
CAGR	All villages at 3.0% for Years 1-2 then ILUs at 4.0% to 5.0% and Serviced Apartments at 3.5% from Years 3-10.
Capex/ refurbishments	Ranging from 3.0% to 12.0% of turnover value, reflecting that older villages will need higher capex.
DMF %	Future ILU resident will pay 2.5% for 20 years, or 3.0% for 10 years, on entry price. Typically current residents range from 2.5% to 3.5% of entry prices.
GoT % (to Aevum)	Future residents minimum of 25% with some contracts up to 100% (Aevum share). Most current residents range from 50% to 100% (Aevum share).
Period of residency	ILUs – typically 11 years, up to 14 years. SAs – 5-6 years.
Resident subsidy (of village Opex)	Valuations assume minor levels of subsidy, although most villages are expected to break even.

Discount rate relaxed by weighted average of 0.93% across portfolio

DCF – Largest Sensitivities

Net impact to Income Statement

Key Variable	Current Range	Change	Impact (\$M)
Price of units	Mean = \$271k	Move by 5%	+/- 18
Discount rate	13.0 – 14.0%	Move by 1%	+/- 22
ILU period of residency	11.0 – 14.0 years	Move by 1 year	+/- 13
CAGR	3.0 – 5.0%	Move by 1%	+/- 31

Future earnings will be susceptible to market movements in valuation parameters

Key Metrics by Cluster

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Cluster	Valuation \$M			
	Gross Value	MCI	Residents interest	Development Land & WIP
Sydney	288	142	146	18.22
NSW Coast	283	112	171	8.9
NSW Highlands	35	10	25	3.7
WA	49	16	33	-
Total	655	279	376	30.8

No. Units	Average Mkt Value	Occupancy rates	Residents	
			Average Resident Age	Average Tenure
825	308	90.3	76	6.4
1,008	268	91.4	75	7.0
135	241	87.4	73	5.3
188	265	95.6	72	8.6
2,156	271	92.1	74	6.8

Mature portfolio with increasing embedded value

Aevum Footprint



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Asset cluster driving portfolio management



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