



# Merger with IOR Group

**Steve Mann**  
Managing Director

November 2009

## ▪ Transaction Overview

- IOR Group
- Strategic Rationale
- Financial Impact
- Conclusion
- Appendices

For personal use only

## Transaction

- Merger Implementation Agreement - Aevum proposes to merge with IOR Group Limited ('IOR Group')
- All scrip offer by Aevum, subject to various conditions, including IOR Shareholder approval
- Implemented by way of IOR Group Scheme of Arrangement
- It is proposed that IOR Group Chairman, Margaret Campbell, will join the Aevum board as a non-Executive Director
- Transaction includes a share sale facility for IOR Group shareholders

## Consideration

- 8 Aevum shares for every 9 IOR shares held <sup>1</sup>
- Equates to a maximum of 48,275,000 Aevum shares for IOR – based on 30 October 2009 closing price, this values the equity in IOR Group at \$73.9m
- Equity split of 72.7% to 27.3% in favour of Aevum

## Process and timing

- Scheme booklet expected to be despatched late November 2009
- As part of the demutualisation process IOR Group will undertake an ASX compliance listing currently scheduled for mid December 2009
- IOR Group shareholder vote expected to be held late December 2009
- Completion expected by late January 2010

1. This ratio may vary slightly depending on the outcome of resolutions to be considered at IOR's AGM in November 2009, but no more than 48,275,000 new Aevum shares will be issued.

## Overview of IOR Group

- 8 Retirement Living Villages across VIC, SA and QLD
- 943 Independent Living Units (ILUs) and Serviced Apartments (SAs)
- 165 Aged Care Beds in VIC

## IOR Group Board support

- Directors of IOR Group unanimously recommend the scheme - subject to Independent Expert (Deloitte) concluding the merger is in the best interests of IOR Group shareholders and in the absence of a superior proposal
- Directors of IOR Group intend to vote all of the shares they hold directly and indirectly in favour of the scheme

## Key conditions

- The Scheme is conditional upon
  - IOR Group Shareholder approval
  - Court Approval
  - ASX compliance listing of IOR Group
  - Regulatory approval
- Other terms and conditions of the scheme are set out in the announcement to the ASX

- **Transaction Overview**

- **IOR Group**

- **Strategic Rationale**

- **Financial Impact**

- **Conclusion**

- **Appendices**

For personal use only

- 148 years of history – beginnings go back to the Independent Order of Rechabites.
- In 2007, IOR Friendly Society Limited demutualised to establish IOR Group.
- More than 27 years experience in owning and operating retirement villages and aged care facilities in Australia.
- Owns 8 Retirement Villages across VIC, SA and Qld
  - 3 villages in Victoria
  - 3 villages in South Australia
  - 2 villages in Queensland
- Portfolio consists of 800 ILUs, 143 serviced apartments, 135 low care beds and 30 high care beds.
- Established villages and communities, with 6 operating for at least 10 years.
- Average occupancy rates across the portfolio of  $\approx 96\%^*$  as at 30 June 2009.
- Average resident age across the portfolio is 80 years old.

\* Of previously occupied (i.e. non-development) units

# IOR Group Portfolio



For personal use only



## Regional Queensland

Bellcarra Retirement Resort – Caloundra  
(113 ILUs)

## Brisbane

Salford Waters Retirement Estate – Victoria Point  
(133 ILUs & 48 SAs)

## Melbourne

Salford Park Retirement Community – Wantirna  
(171 ILUs & 120 Aged Care Beds)  
Tarneit Skies Retirement Village – Tarneit  
(92 ILUs and 30 SAs)

## Regional Victoria

Gillin Park Retirement Community – Warrnambool  
(71 ILUs, 24 SAs & 45 Aged Care Beds)

## Adelaide

Unity Retirement Village – Aberfoyle Park (89 ILUs & 41 SAs)  
Salford Retirement Estate – Aberfoyle Park (74 ILUs)  
Grange Retirement Estate – Grange (57 ILUs)

- **Transaction Overview**
- **IOR Group**
- **Strategic Rationale**
- **Financial Impact**
- **Conclusion**
- **Appendices**

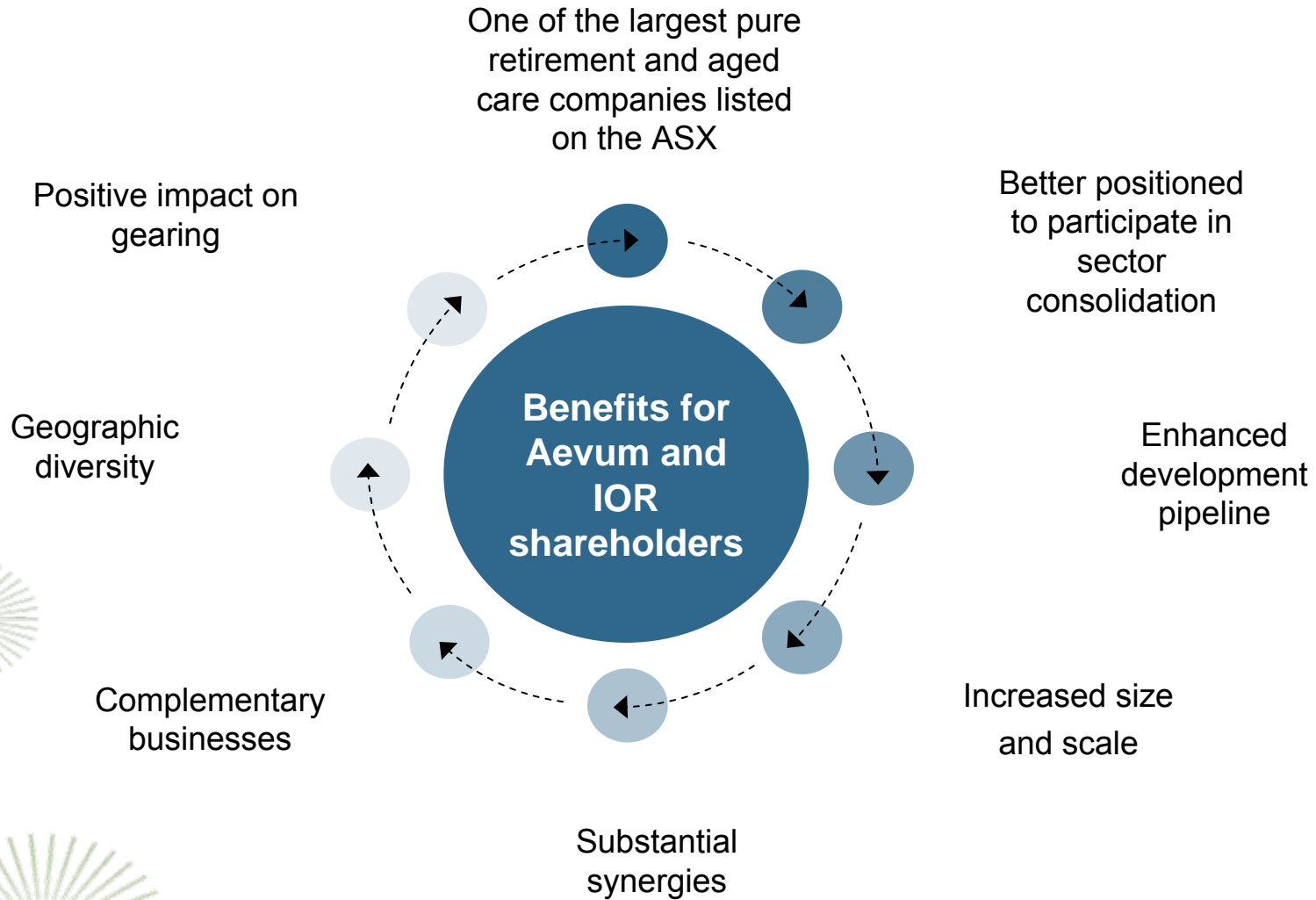
For personal use only



# Benefits for Aevum and IOR Shareholders



For personal use only

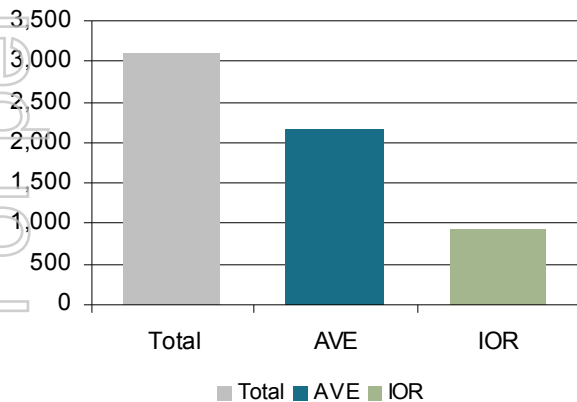


# Significant increase in size and scale

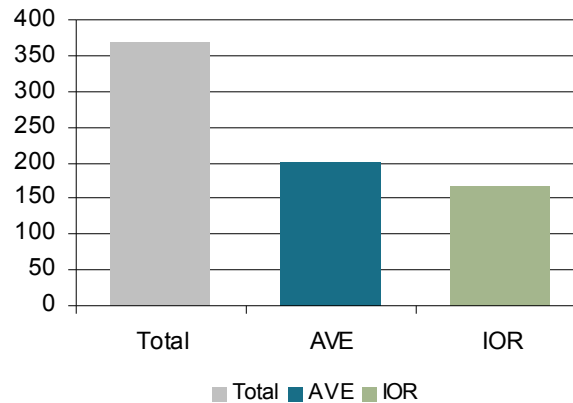


- The merger increases the size and scale of Aevum's business with the merged entity consisting of:
  - No. of Villages ~ Increase from 21 to 29 (or 38%)
  - No. of ILUs/ SAs ~ Increase from 2,165 to 3,108 (or 44%)
  - No. of Aged Care Beds ~ Increase from 202 to 367 (or 83%)
- Combined Proforma FY2009 Net Assets increase of 30% to \$345.3m

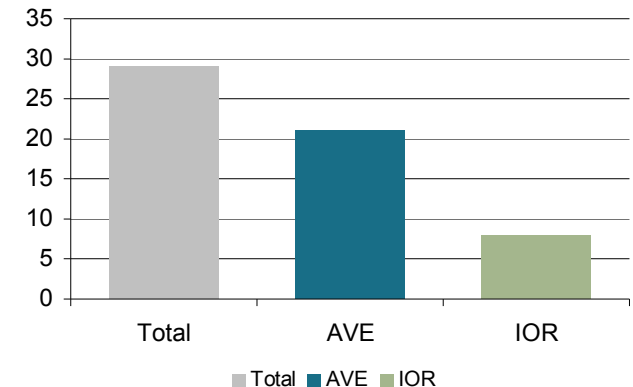
## No. ILUs/ SAs



## No. Aged Care Beds



## No. Villages

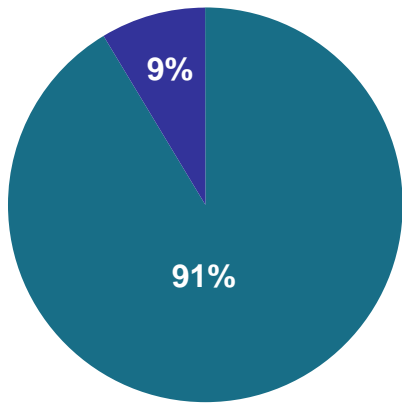


# Geographic diversity

For personal use only

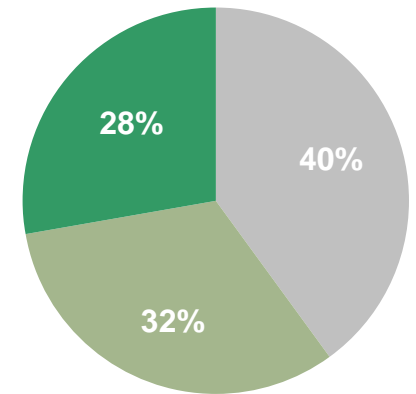
## Merged Entity Portfolio

### Aevum Portfolio

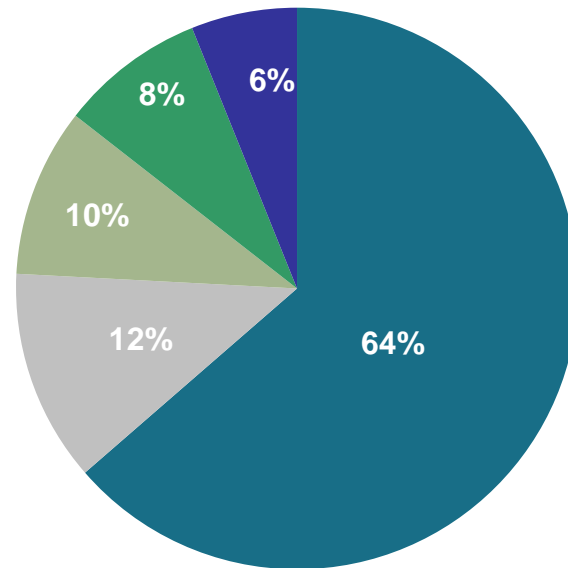


■ NSW ■ WA

### IOR Group Portfolio



■ VIC ■ QLD ■ SA



■ NSW ■ VIC ■ QLD ■ SA ■ WA

Note: Analysis prepared by No. of ILUs and SAs (excludes Aged Care)

Combined group has a broad national footprint

# Enhanced Development Pipeline



For personal use only

|                           |                   | ILUs       | Aged Care Beds | FY10 | FY11 | FY12 | FY13 | FY14 | → |
|---------------------------|-------------------|------------|----------------|------|------|------|------|------|---|
| <b>Southern Highlands</b> | Waratah Highlands | 75         | 35             | →    |      |      |      |      |   |
| <b>Sydney</b>             | Cardinal Freeman  | 233        | 120            | →    |      |      |      |      |   |
|                           | Willows           | 91         | 60             | →    |      |      |      |      |   |
|                           | Maybrook          | 19         |                |      | →    |      |      |      |   |
|                           | Lourdes           | 10         |                |      | →    |      |      |      |   |
| <b>Central Coast</b>      | The Cove          | 98         | →              |      |      |      |      |      |   |
| <b>Mid North Coast</b>    | Golden Ponds      | 34         |                |      | →    |      |      |      |   |
| <b>Incremental</b>        | 10 + Villages     | 50         |                | →    |      |      |      |      |   |
| <b>IOR Group</b>          | Gillin Park       | 58         |                | →    |      |      |      |      |   |
| <b>IOR Group</b>          | Tarneit Skies     | 36         |                | →    |      |      |      |      |   |
| <b>Total</b>              |                   | <b>704</b> | <b>215</b>     |      |      |      |      |      |   |

The Development pipeline has a forecast end value of over \$400 million

# Corporate Synergies



- Synergy benefits of  $\approx$  \$4m to be achieved primarily by removal of duplicated costs
- Year 1 costs, to be expensed, of  $\approx$  \$3m to realise synergies
- Upside exists to this number based on operational efficiencies and enhancements
- Integration of IOR Group operations onto the Aevum IT platform
- Standardization of village operating processes for best practice over time
- Total synergies are estimated to be fully realised 12 months after deal close

**Synergies will create value for both Aevum and IOR Group Shareholders**

# Substantial capital markets benefits



## ▪ Increase Market Presence

- Higher Market Capitalisation ≈ \$270m\*
- Potential to attract greater investor interest

## ▪ Broadens share register

- Merged Entity ≈ 16,000 Shareholders

## ▪ Enhances liquidity

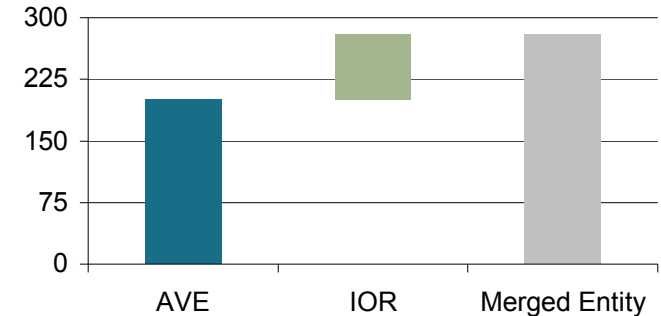
- Larger shareholder base may enhance liquidity
- Potential inclusion in S&P / ASX 300 index

## ▪ Potential lower cost of capital going forward

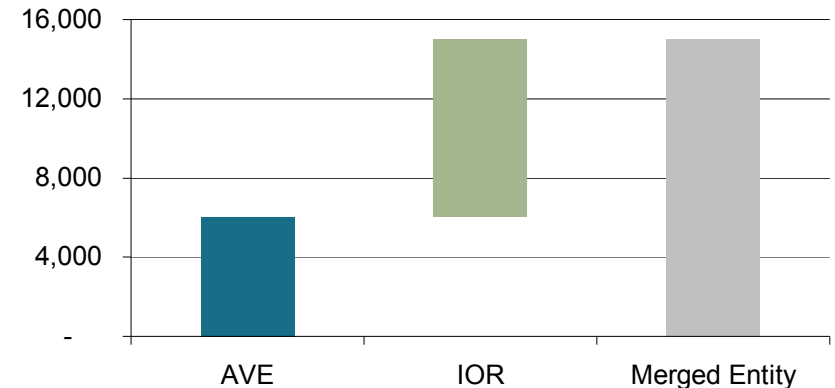
## ▪ Strengthens capital base for future opportunities

\*Based on closing price of \$1.53 on 30 October 2009

## Market Capitalisation \$m



## No. of Shareholders



There are a range of substantial benefits to this transaction

- **Transaction Overview**
- **IOR Group**
- **Strategic Rationale**
- **Financial Impact**
- **Conclusion**
- **Appendices**

For personal use only

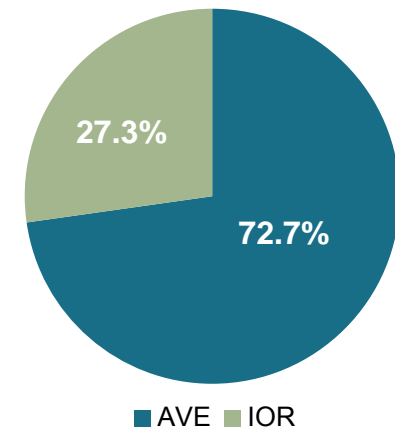
# Valuation Analysis

- The merger ratio implies an Aevum to IOR equity split of 72.7% : 27.3%
- Equity split was agreed to having regard to Aevum's internal assessment of IOR value which Aevum considers conservative
- IOR's villages have been valued using an average discount rate of 14.7% versus Aevum's 13.5% and assumed medium / long term growth rates of 3.1% versus Aevum's 4.3%
- Other key criteria considered by Aevum include turnover rates, average age of residents, development potential and the synergy benefits brought about by the merger

## Purchase Price

|                               |          |
|-------------------------------|----------|
| 48.275m Aevum shares @ \$1.53 | \$73.9m  |
| IOR net assets (at 30.6.09)   | \$79.7m  |
| Discount on acquisition       | \$(5.8)m |

## Agreed Equity Split



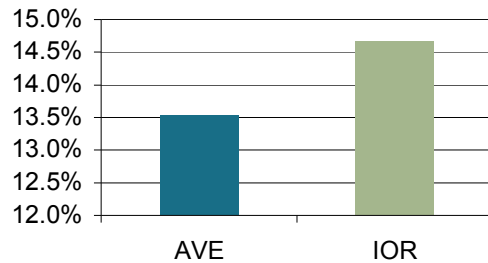
**Aevum considers the merger terms are fair and reasonable and will enhance value for Aevum shareholders**



# Valuations Analysis (cont)

- Valuation assumptions are generally well supported and are broadly consistent with market observations (see Appendices for further details on valuation parameters)

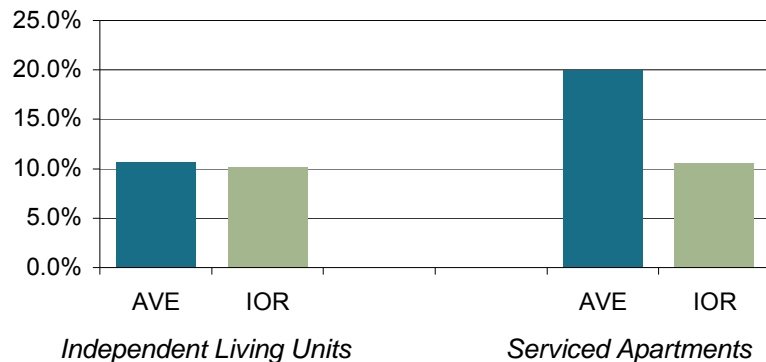
## Discount Rate \*



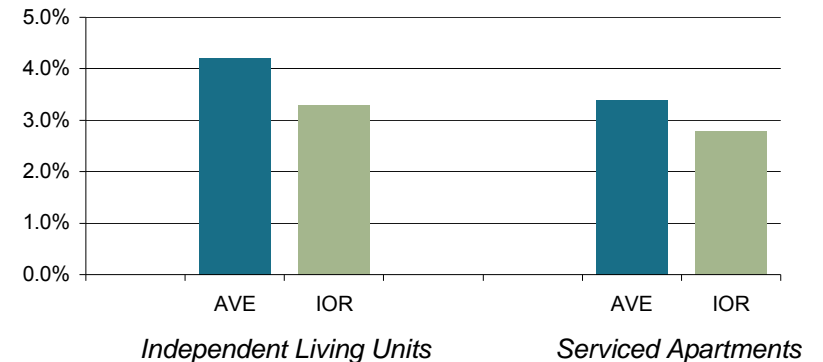
## Average Resident Age



## Unit Turnover Rates (p.a.) \*



## Property Growth Rates \*



\* Weighted Average

# EPS and Operating Cash Flow Forecasts



- The merger is expected to be accretive for EPS and Operating Cash Flow from FY11
- Total assets exceeding \$1bn, increase of 31%
- Decreases Aevum's gearing from 22% to 19%
- Improves portfolio occupancy rate due to high IOR occupancy of 96% at 30 June 2009
- Lower volatility of operating cash flows due to diversification and increased geographic spread

| As at 30 June 2009               | Aevum | IOR Group | Proforma       | Impact |
|----------------------------------|-------|-----------|----------------|--------|
| Earnings per Share (EPS) ¢       | (9.7) | 8.7       | <b>(4.5)</b>   | ✓      |
| Operating Cash Flow \$M          | 21.2  | 6.3       | <b>27.5</b>    | ✓      |
| Total Assets \$m                 | 828.3 | 257.4     | <b>1,085.7</b> | ✓      |
| Total Equity \$m                 | 265.6 | 79.7      | <b>345.3</b>   | ✓      |
| Net Tangible Assets per share \$ | 2.07  | 1.65      | <b>1.96</b>    | ✗      |
| Gearing %                        | 22%   | 6%        | <b>19%</b>     | ✓      |
| No. of Shares on Issue           | 128.0 | 48.3      | <b>176.3</b>   | ✓      |

Note: All figures are as per FY2009 Statutory Accounts. No transaction adjustments have been made.

- **Transaction Overview**
- **IOR Group**
- **Strategic Rationale**
- **Financial Impact**
- **Conclusion**
- **Appendices**

For personal use only

# Indicative timing



For personal use only

| Event   | Expected Timing    |
|---|--------------------|
| Merger Implementation Agreement signed        | 2 November 2009    |
| Scheme Booklet sent to IOR Group Shareholders | Late November 2009 |
| IOR Group Compliance Listing                  | Mid December 2009  |
| IOR Group Shareholder vote                    | Late December 2009 |
| Expected Merger Completion Date               | Late January 2010  |

- The merger represents a major milestone for both companies with the merged entity becoming one of the largest pure retirement and aged care companies listed on the ASX
- Aevum Board and management are very enthusiastic about the merger
- The merger is an excellent fit and will provide significant benefit to both Aevum and IOR Group shareholders
- The Board of IOR Group unanimously recommend IOR Group shareholders support and vote in favour of the merger proposal subject to the Independent Expert concluding that the Merger Proposal is in the best interests of IOR Group shareholders and in the absence of a superior proposal

- **Transaction Overview**
- **IOR Group**
- **Strategic Rationale**
- **Financial Impact**
- **Conclusion**
- **Appendices**

For personal use only

# SA and VIC Village Snapshot



**Salford Park Retirement Estate**  
Aberfoyle Park, SA

ILUs: 74



**Grange Retirement Estate**  
Grange, SA

ILUs: 57



**Unity Retirement Village**  
Aberfoyle Park, SA

ILUs: 89 and SA: 41



**Salford Park Retirement Community**

Wantirna, VIC

ILUs: 171 and AC Beds: 120



**Tarneit Skies Retirement Village**

Tarneit, VIC

ILUs: 92 and SA: 30



**Gillian Park Retirement Community**

Warnambool, VIC

ILU/ SA: 71/ 24 and AC beds: 45

# Queensland Village Snapshot



**Bellcarra Retirement Village**  
Caloundra, QLD  
ILUs: 113



**Salford Waters Retirement Estate**  
Victoria Point, QLD  
ILUs: 133 and SA: 48

For personal use only



# Summary of Key Valuation Parameters



|                               | Aevum                     | IOR Group                |
|-------------------------------|---------------------------|--------------------------|
| <b>Discount Rates:</b>        | 13.53%                    | 14.67%                   |
| <b>CAGR:</b>                  | ILU: 4.2%<br>SA: 3.4%     | ILU: 3.3%<br>SA: 2.8%    |
| <b>Capex/ Refurbishments:</b> | 8.9% of<br>Turnover value | 10% of<br>Turnover value |
| <b>Turnover Rates:</b>        | ILU: 10.7%<br>SA: 20.0%   | ILU: 10.2%<br>SA: 10.6%  |
| <b>Average Age:</b>           | ILU: 82<br>SA: 88         | ILU: 78<br>SA: 82        |
| <b>Average Age at Entry:</b>  | ILU: 74<br>SA: 84         | ILU: 71<br>SA: 80        |

Note: All parameters have been calculated based on weighted averages

Aevum Limited

ABN 80 087 648 691

Level 6, 23-25 O'Connell Street  
Sydney NSW 2000

**Web:** [www.aevum.com.au](http://www.aevum.com.au)

T: 02 8223 0900

F: 02 8223 0999



## DISCLAIMER OF LIABILITY

While every effort is made to provide accurate and complete information, Aevum does not warrant or represent that the information in this presentation is free from errors or omissions or is suitable for your intended use. Subject to any terms implied by law and which cannot be excluded, Aevum accepts no responsibility for any loss, damage, cost or expense (whether direct or indirect) incurred by you as a result of any error, omission or misrepresentation in information in this presentation. All information in this presentation is subject to change without notice.

For personal use only