



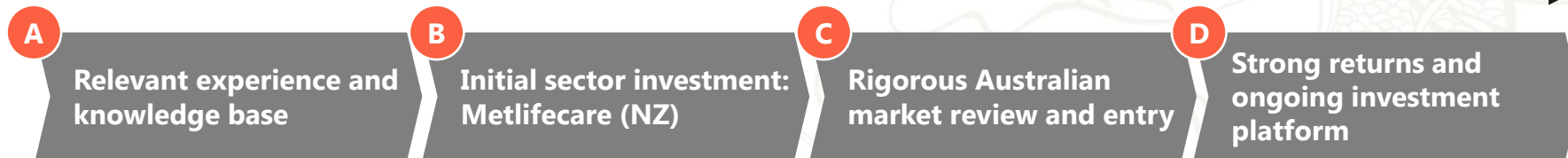
## Retirement Villages & Aged Care

A new investment platform for Infratil



# Infratil's journey into the Retirement Living sector creates strong foundations for a future investment platform

## Infratil journey into Retirement Living



- Social infrastructure & services
- Property development & asset management
- Macro trend analysis
- Capital markets

- "First time caller, long time listener"
- Metlifecare 19.9% stake acquired Nov 2013
- Listed block trade
- Strong governance rights

- Detailed review of Australian market fundamentals
- Sector risks & opportunities identified
- Key players and targets screened; preferred access points identified
- RetireAustralia 50/50 investment with NZSF December 2014

- Attractive fundamentals
- Quality assets with upside
- Ongoing opportunities for capital deployment

20+ year track record



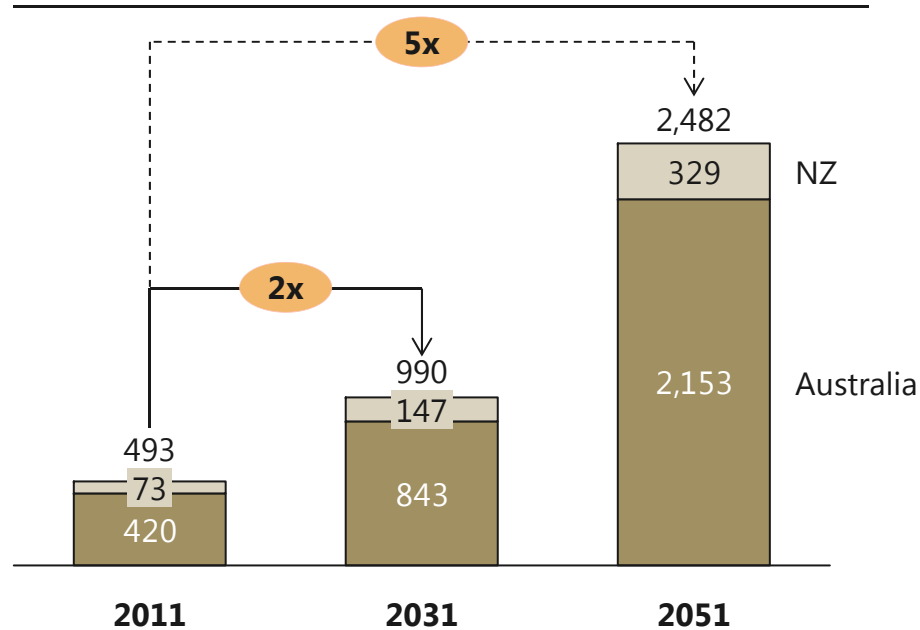
Nov 2013

Dec 2014

# The favourable demographic shifts are well known and will create growing demand for retirement & aged care services

Impending demographic shifts are well known and generally understood

Thousands of persons 85 yrs+



However the story is much bigger than just "more older people"

- ✓ New customer segments and new needs
- ✓ Unprecedented demand for healthcare and living support
- ✓ Genuine market need and essential service
- ✓ Time poor Gen X and Y diaspora
- ✓ Financially savvy and well resourced retirees
- ✓ Governments grappling with ballooning costs and inefficient spending



Source: ABS; Stats NZ

# Infratil is investing in social infrastructure to meet the needs of older Kiwis and Australians as they age

## Lifetime accommodation cycle



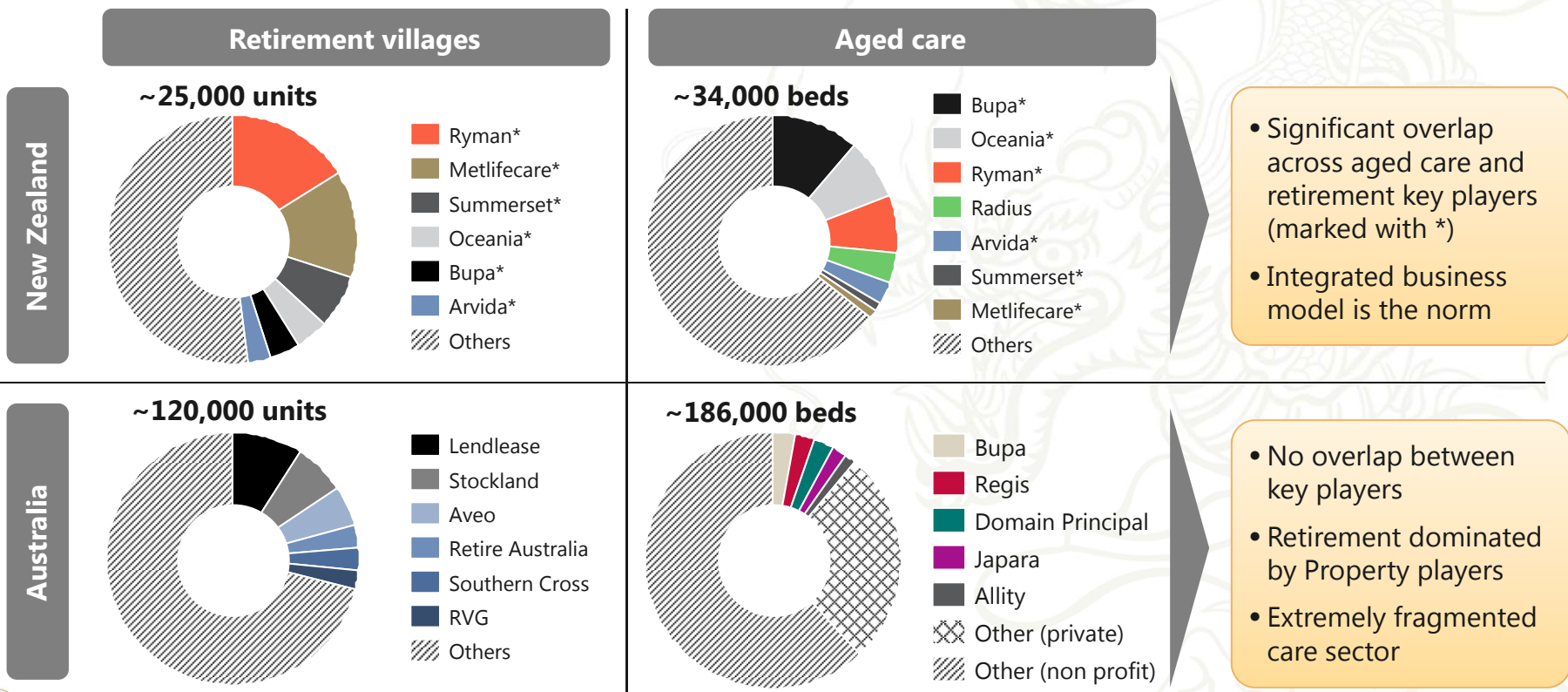
## Infratil asset positioning (simplified)



Targeting the "continuum of care" in retirement living for a range of reasons:

- ✓ Own the relationship
- ✓ Revenue diversification
- ✓ Cash cycle acceleration
- ✓ Barriers to entry
- ✓ Meet the changing needs of customers

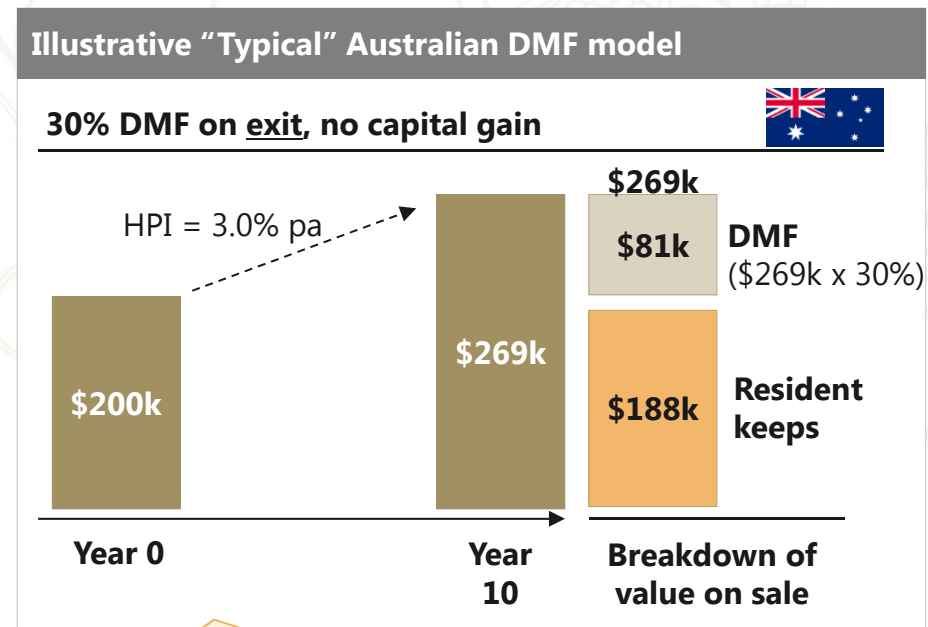
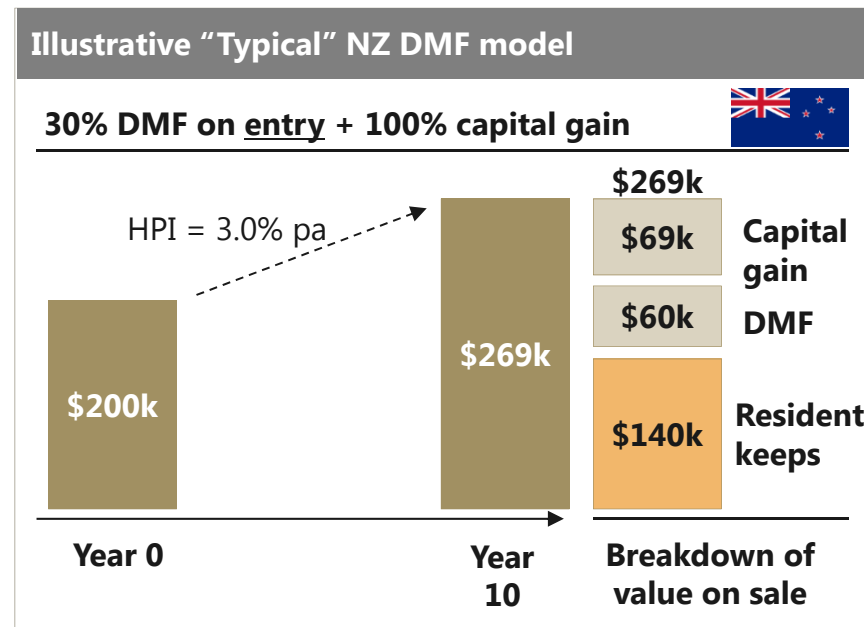
# The Australian and NZ markets are structurally similar, but Australia much larger while NZ operators more integrated



Source: Morrison & Co analysis

# Both retirement markets operate on the Deferred Management Fee (DMF) model, although the terms differ

Australian market typically shares some capital gain with resident, however complete lack of standardisation



30% DMF calculated on exit is effectively the same as 30% share of capital gain + 30% DMF on entry price



# A disciplined approach to identify and execute on the RetireAustralia investment opportunity

## Detailed Australian market assessment

- Retirement vs Aged Care
- Sector fundamentals
- Risks and opportunities
- NZ/AU similarities and differences
- Lessons learned
- Market intelligence and networks

Identification of key players and potential entry points

Infratil entry filters

Preferred entry point

Due diligence



### Infratil entry filters

- Control/influence?
- Sufficient scale?
- Management capability?
- Embedded development options?
- Pure-play vs diversified?
- Profit vs non-profit?

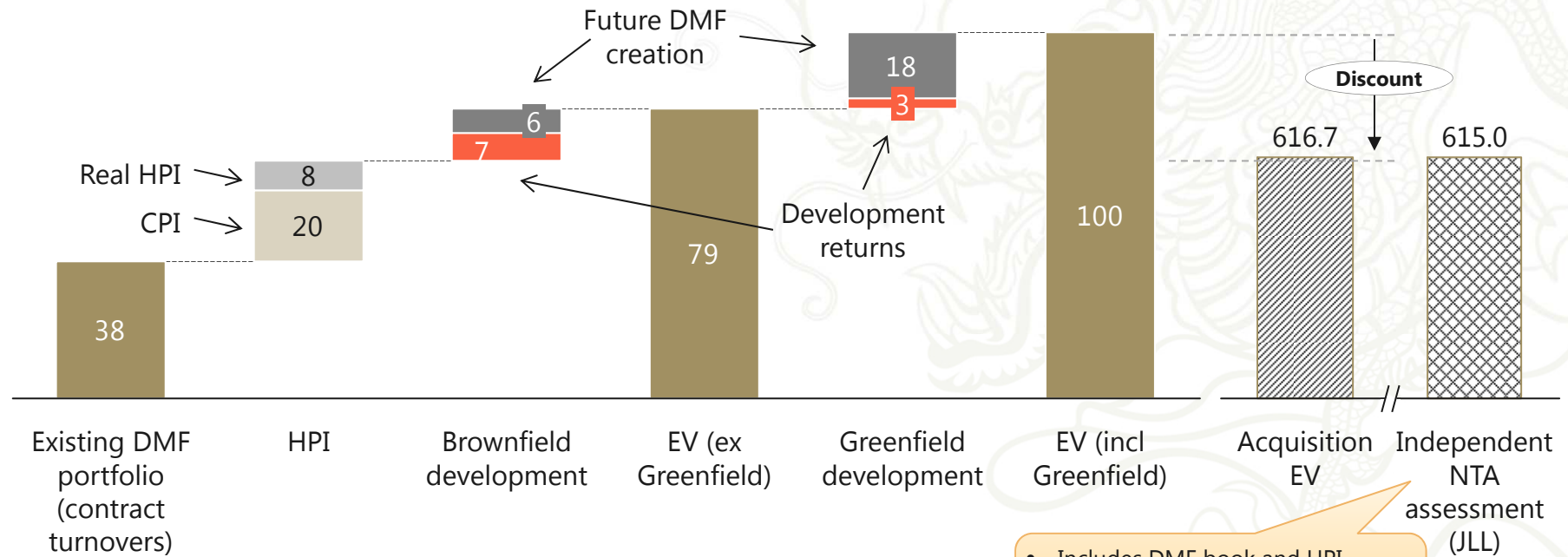


# Three key components of value in RetireAustralia

Acquisition price at a discount to Infratil's DCF of total business

**Retire Australia Investment case NPV composition**  
% of total IFT valuation

**Acquisition EV & NTA**  
AUD millions



- Includes DMF book and HPI
- Brownfield at land value only
- No greenfield



# Infratil adopted conservative valuation assumptions in its assessment of RetireAustralia (1/2)

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## House Price Inflation (HPI)



- Detailed evaluation of local HPI by village
- Assessment of past and future macro drivers of Australia's housing market
- Investment case assumption 0.5% - 1.0% real HPI capture (varies by village), portfolio weighted average ~0.65%

2

## Rollover rates



- Entire portfolio modelled on individual contract level
- Resident demographics, actuarial life tables and historic turnover data
- Portfolio rollovers trending to 8% pa for Independent Living and 20% pa for Serviced Apartments
- Newly developed villages assume very low turnover until maturity at 10-15yrs

3

## Contract structure



- Currently five "standard" contracts; transitioning portfolio to these however ~40% remain on legacy contracts
- All individual contracts modelled for valuation purposes, converging to standard over time
- Effective capital gain share 35% in 'standard' contract
  - However c.15% of ILUs on more attractive model delivering ~80% capital gain
  - This model already in place and accepted in these villages, so assumed to continue



# Infratil adopted conservative valuation assumptions in its assessment of RetireAustralia (2/2)

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## Development rate



- Current development rate of ~100 units pa lifts to 200 units pa by FY19
- Current brownfield pipeline circa 550 units
- Negotiations underway on greenfield sites for circa 1,000 units
- Brownfield development margins of circa 35% ex land cost
- Future DMF creation a larger driver than development margins over longer term

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## Bolt-on additions



- No M&A priced into Infratil investment case
- Further bolt-on opportunities may be possible – if DMF book acquired at the right price and embedded development options can be found

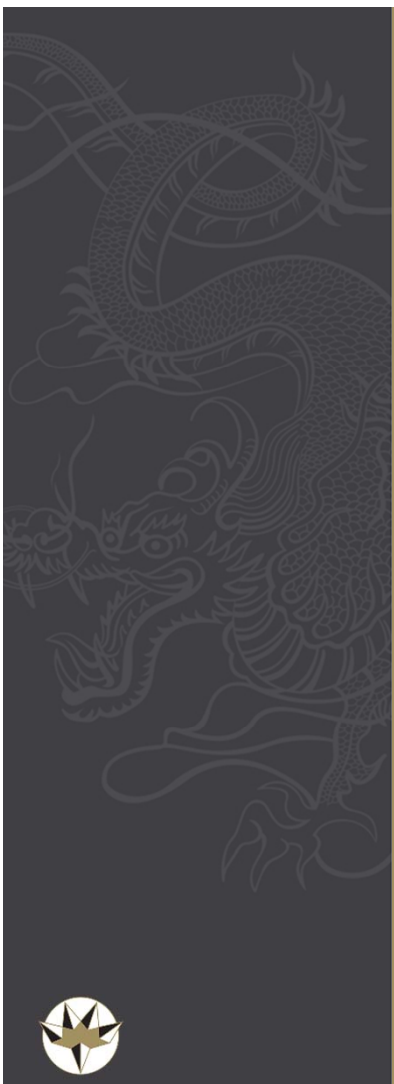
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## Care and services



- Care and services upsides not priced into Infratil investment case
- Clear experience from NZ operators that additional care in a village can:
  - Enhance typical resident profile (older resident, faster rollover rates)
  - Improve customer proposition (peace of mind, full service, meeting customer needs)





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