



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



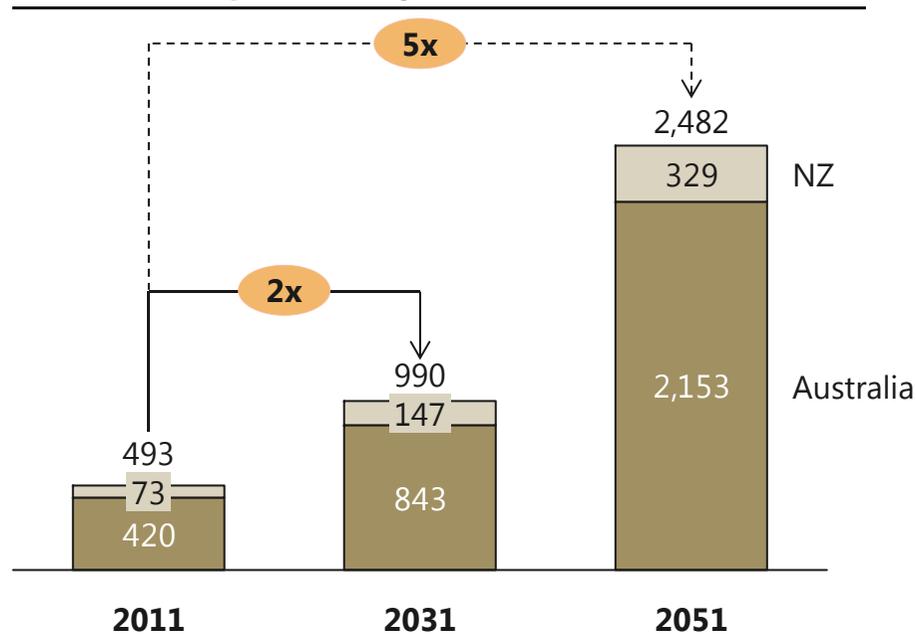
Nov 2013

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



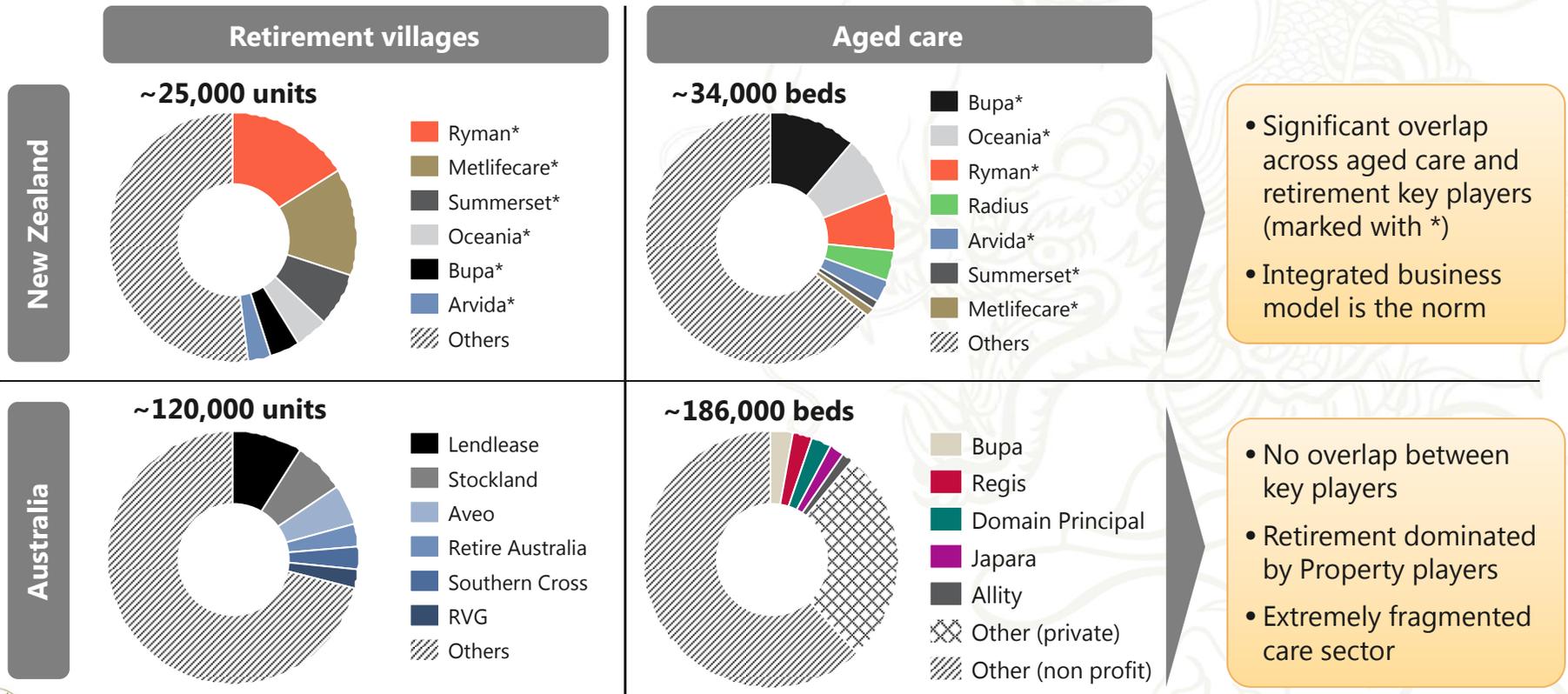
Infratil asset positioning (simplified)



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

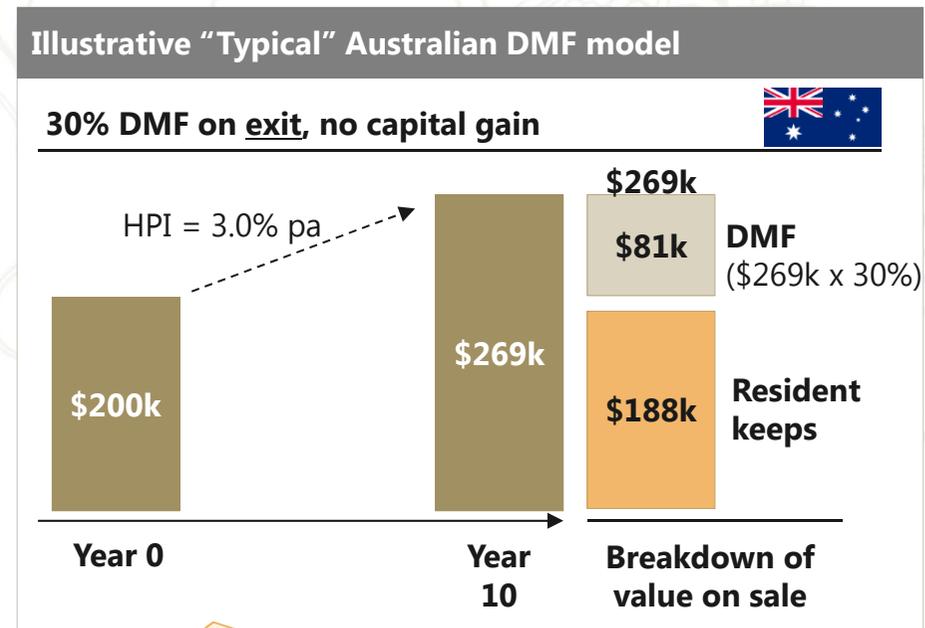
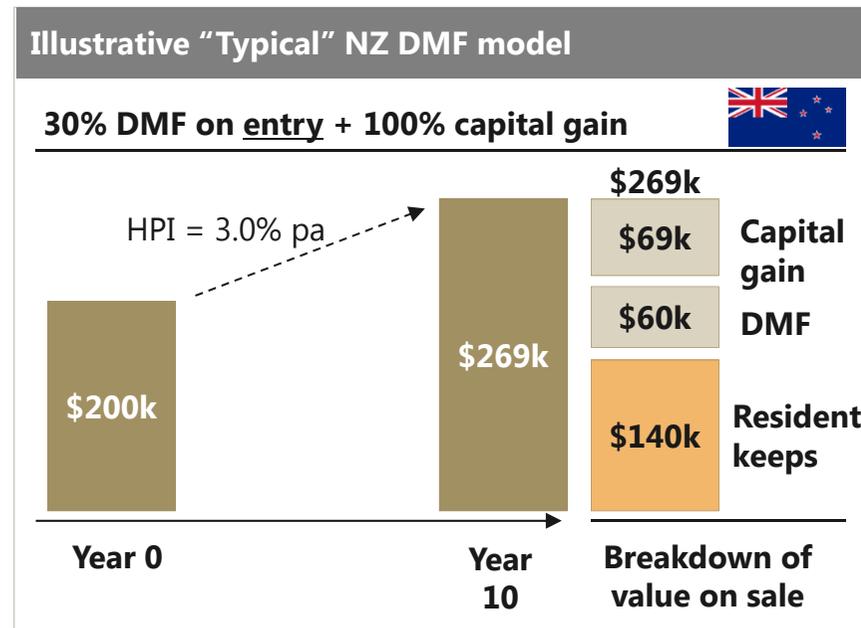
The Australian and NZ markets are structurally similar, but Australia much larger while NZ operators more integrated



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?

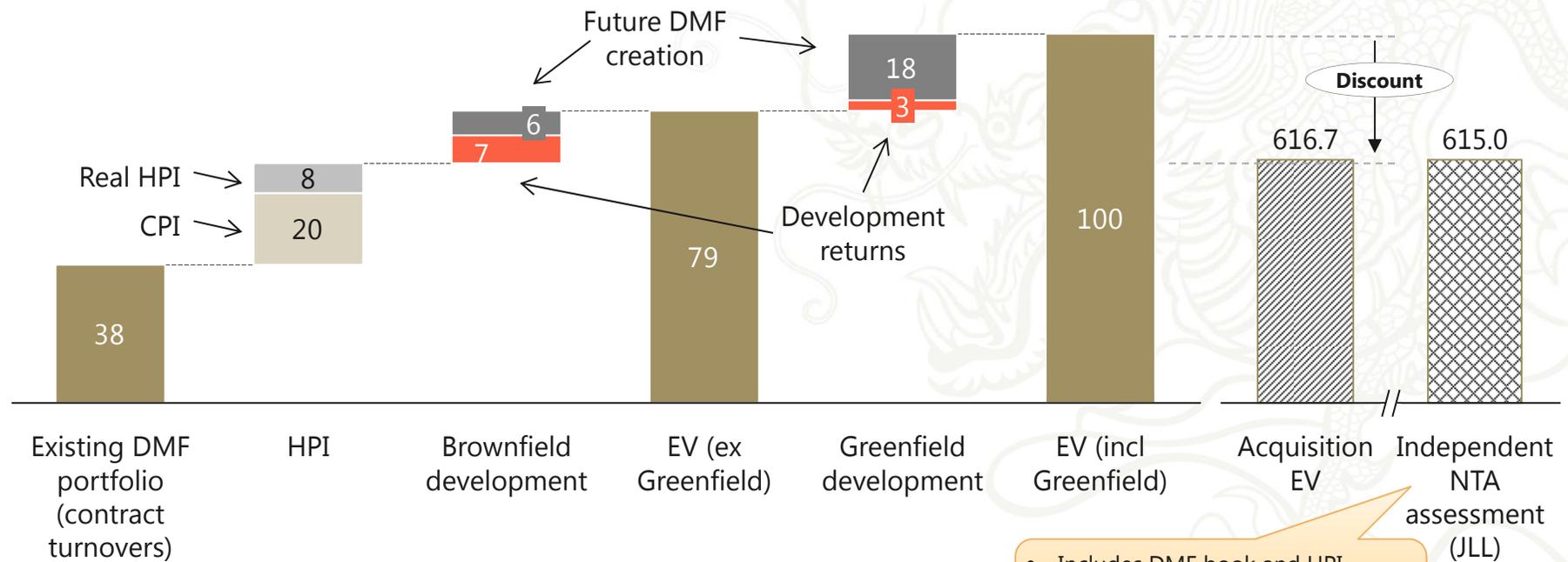


Three key components of value in RetireAustralia

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)

1

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

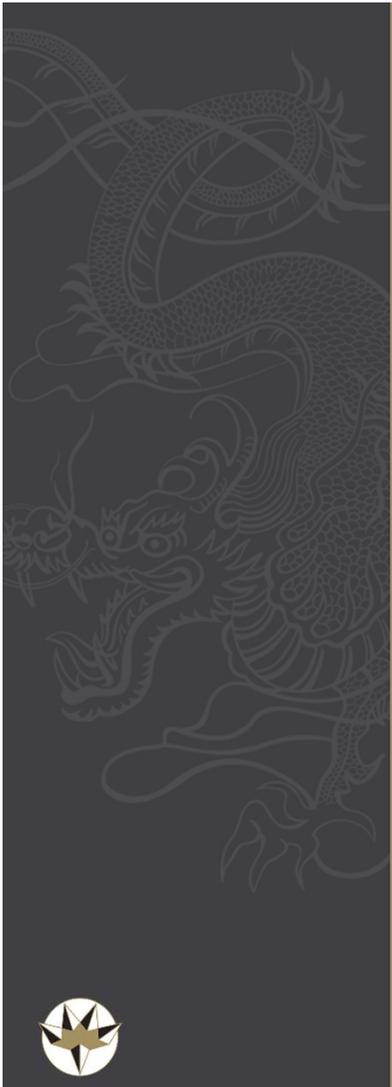
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Care and services



- 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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