asx / media release

17 February 2016

Aveo Group On Track for FY16 Targets

- Underlying net profit for HY16 of $45.6 million, up 89% on HY15
- On track to meet FY16 strategic plan targets and underlying net profit guidance of over $80 million

Australia's leading owner, operator and manager of retirement communities, Aveo Group (ASX: AOG), continues to generate increased financial returns for securityholders.

Aveo delivered an underlying net profit after tax in HY16[1] of $45.6 million, an increase of 89% on the HY15[2] result. The result was boosted by the delivery of The Milton residential apartment development. The Group's Retirement EBITDA contribution increased by 12% in HY16 to $29.1 million.

Aveo Group Chief Executive Officer Geoff Grady said: "We are on track to achieve our stated FY16 targets of a return on retirement assets of 6.0% - 6.5%, underlying profit after tax of over $80 million and a full year distribution of 8 cents per security.

"In the first half we achieved a significant increase in the pricing of retirement units, and our active portfolio management is reflected in the higher numbers of both buyback purchases and buyback sales. Strong sales rates continued at the residential land estates with cash proceeds being recycled into retirement development."

"We have strong momentum across the Group and total sales volumes in the second half are expected to exceed the first half. We are in a strong position financially and strategically to achieve our objectives in FY16 and beyond", he said.

Key financial highlights for HY16 were:

- Statutory profit after tax of $66.5 million, up 121%
- Underlying earnings per security of 8.9 cents, up 85%;
- Funds from operations up 204% to $89.5 million and per security, up 195% to 17.4 cents;
- Net assets of $1.57 billion, up 4%;
- Net tangible assets per security of $2.98, up 5%; and
- Reported gearing of 8.8%, versus 13.8% at 30 June 2015 and below Aveo's target range of 10% to 20%.

1 The six months to 31 December 2015.

2 The six months to 31 December 2014.

Retirement Established Business produces record returns

Revenues from Aveo's Retirement Established Business increased 15% in HY16 and profit contribution increased 18% to $28.1 million.

Total sales volumes were in line with volumes achieved in HY15, when adjusted for villages under redevelopment where buyback purchases would otherwise have been resales.

Higher buyback sales and operating buyback purchases reflect the Group's active ongoing portfolio management program, which refurbishes and upgrades the quality and pricing of units where opportune.

Aveo had deposits on hand of 78 units at 31 December, and the Group is well positioned to achieve full year transaction margins of over $85,000.

For the second half of FY16, total Retirement sales volumes are expected to exceed those recorded in HY16. Aveo will continue to focus on price growth at villages with low stock levels.

Retirement Development

Aveo delivered 29 new units across three different villages in HY16, an increase on the prior corresponding period. The FY16 Retirement Development result will see a skew in development profits to the second half, with projects with an end value of $90 million being delivered in the second half, at margins expected to be in the range of 16% - 20% (before funding costs). Construction is on schedule at the five projects that will deliver 153 new units in the second half:

- Clayfield, Queensland (66 units);
- Peregian Springs, Queensland (30 units);
- Durack, Queensland (27 units);
- Island Point, New South Wales (16 units); and
- Mingarra, Victoria (14 units).

Aveo's retirement unit development pipeline has increased to 5,423 units (inclusive of 29 units delivered in HY16), and includes the 2,384 units to be developed at Springfield, Queensland. Aveo continues to actively pursue other acquisition opportunities for new development sites.

Retirement Care and Support Services

Aveo appointed a new General Manager Care in the first half who is focused on overseeing the repositioning of Aveo's overall care offering, initially being trialled at a number of villages.

The small aged care facility at Durack was closed during the period to enable construction of a new 121 bed facility at the village, which is expected to commence in the final quarter of FY16.

Aveo has an aged care facility development pipeline of 922 beds. The Group is targeting the delivery of at least one 100 bed aged care facility every year from FY17 onwards.

Non-Retirement

Aveo's Non-Retirement activities in HY16 achieved a substantial lift in profit contribution, up 220% on pcp to $37.1 million. This was driven by the performance of the three major land estates and the settlement of The Milton apartments.

The Group recorded a strong lift in volumes with land lot sales up 139% to 380 lots while still maintaining margin levels of 24%.

There are currently only 15 units left to sell at The Milton. The sell down of The Milton will complete Aveo's exit from the residential apartment market.

Aveo had 611 contracts on hand as at 31 December 2015, which significantly de-risks its forward settlement profile.

Capital management

Aveo continued to simplify its capital structure during HY16, with the $65 million Gasometer 1 debt facility refinanced into the Group's syndicated facility, while the $108.5 million Milton project finance facility was repaid in full from The Milton settlements. The Group's weighted average borrowing cost has further reduced by 0.3% to 3.7% per annum. Aveo will continue to be opportunistic in buying back securities where the trading price of securities falls below net tangible assets.

Outlook

Aveo expects Retirement earnings for FY16 to skew to the second half , due to the timing of delivery of Retirement Development projects and sales levels in the Retirement Established Business.

The delivery of FY16 Retirement Development volumes is on track to meet its target level of 182 units, with planning and operational works well advanced for the development projects that will be delivered in FY17.

Strong pre-sales levels and ongoing sales rates for Aveo's Non-Retirement assets continue to support cash generation for recycling into Retirement growth projects.

Aveo remains on track to achieve its stated return on retirement assets target of 6.0% to 6.5% for FY16.

The Group reaffirms its FY16 guidance:

- Full year underlying profit after tax of over $80 million; and
- Full year distribution of 8 cents per security

END

Investor Contact:
David Hunt, Chief Financial Officer
T +61 2 9239 5526 | E david.hunt@aveo.com.au

Media Contact:
Justin Kirkwood,
T +61 2 9231 5600 | M +61 411 251 324 | E Justin@kirkwoods.com.au