



INFRATIL LIMITED
Proposed acquisition of RetireAustralia
Investor briefing pack

INFRATIL!

24 December 2014



Why invest in RetireAustralia?

Strong platform in an attractive sector with favourable trends

- High quality access point into an attractive sector
 - Strong management team with capability and strategy to deliver growth
 - Platform of scale with the opportunity to become the market leader in integrated retirement living and aged care in Australia
 - Existing assets to be acquired at 1.0x NTA
- Growth potential through brownfield and greenfield development and extension of services and continuum of care model
- Favourable returns available for operators that can:
 - Develop to meet the increasing demand for retirement units in key locations
 - Provide high levels of service to meet the increasing needs of residents
- The proposed acquisition of RetireAustralia is scheduled to complete on 31 December 2014





Investment rationale

Opportunity for market leadership in Australia

1

Favourable demographic tail winds and low industry penetration

- Australia's 85+ population forecast to grow at 4.7% pa to 2044 vs total population at ~1%
- Equates to an extra 20,000 - 65,000 85+ year olds per annum over that period
- Australian retirement village penetration ~5% vs ~10% in the US
- Australian market is ~6x larger than New Zealand
- Retirement villages provide real benefits to an ageing population - addressing concerns such as isolation, mobility and cost of living

2

High quality access point to an attractive market

- Extensive review of the Australian market identified RetireAustralia as the preferred access point due to its scale, geographic coverage, management capability and asset quality
- Fourth largest retirement operator in Australia with 3,700 units and apartments; largest privately owned
- 28 quality village assets, well presented and maintained, spread across NSW, SA and QLD
- Mature portfolio - average village age is ~19 years

3

Strong management with capability to deliver growth

- Highly engaged and capable executive team
- CEO and CFO have been with the company since inception
- Robust brownfield pipeline - over 500 units
- Greenfield opportunities identified



Investment rationale

Opportunity for market leadership in Australia

4

Attractive returns with downside protection

- Potential for strong equity IRRs with modest leverage on investment case
- Upside delivered via development and expansion of services
- Returns are relatively robust to Australian house pricing movements - Australian operators are generally less exposed than NZ operators who take a greater portion of capital gains
- Base case assumptions more conservative than listed Australian peers

5

Continuum of care growth opportunity

- Opportunity to add continuum of care in line with the NZ retirement model
 - RetireAustralia currently has no care beds; Metlifecare has approximately 8% and Ryman 37%
- Continuum of care will increase RetireAustralia's value by:
 - enhancing village appeal to potential residents
 - attracting an older age cohort thereby positively impacting operating metrics
 - providing revenue diversification (service based)

6

IFT and NZSF are natural owners

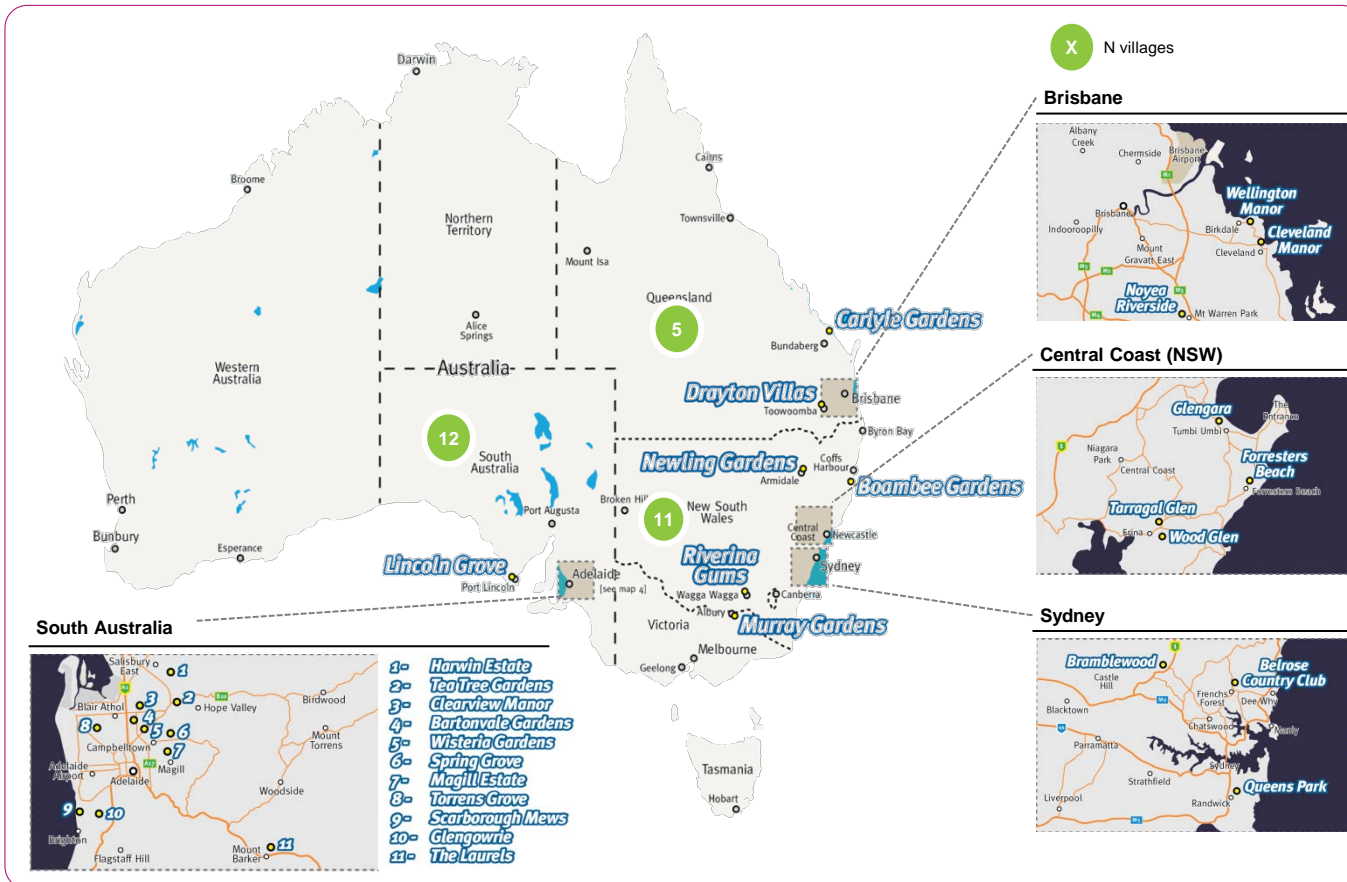
- Long term, patient capital with a total return focus
- Significant reinvestment and capital deployment opportunity
 - brownfield and greenfield development
 - expansion of service and care offerings
 - opportunistic and attractively priced acquisitions (due to highly fragmented market)



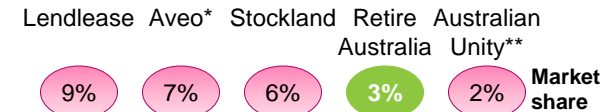
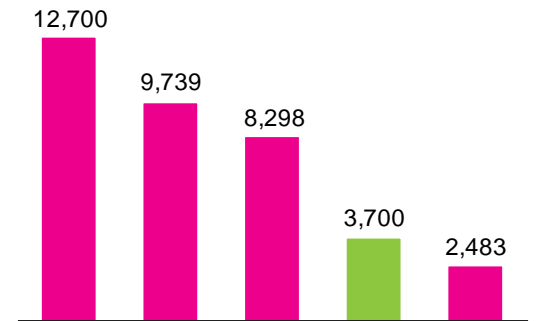
RetireAustralia is the 4th largest retirement village operator in Australia

~3,700 independent living units and apartments

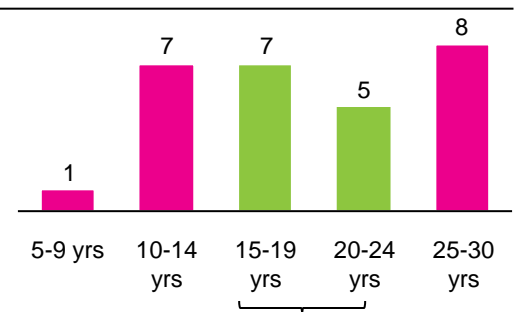
28 villages across SA, NSW and QLD



Fourth largest player in the AU market
Top 5 retirement operators, by number of units



Mature village portfolio
Count of RA villages



Average = 19 yrs

* Aveo total includes 5,028 100% owned units, 3,421 RVG managed units and 1,280 Aveo Healthcare units

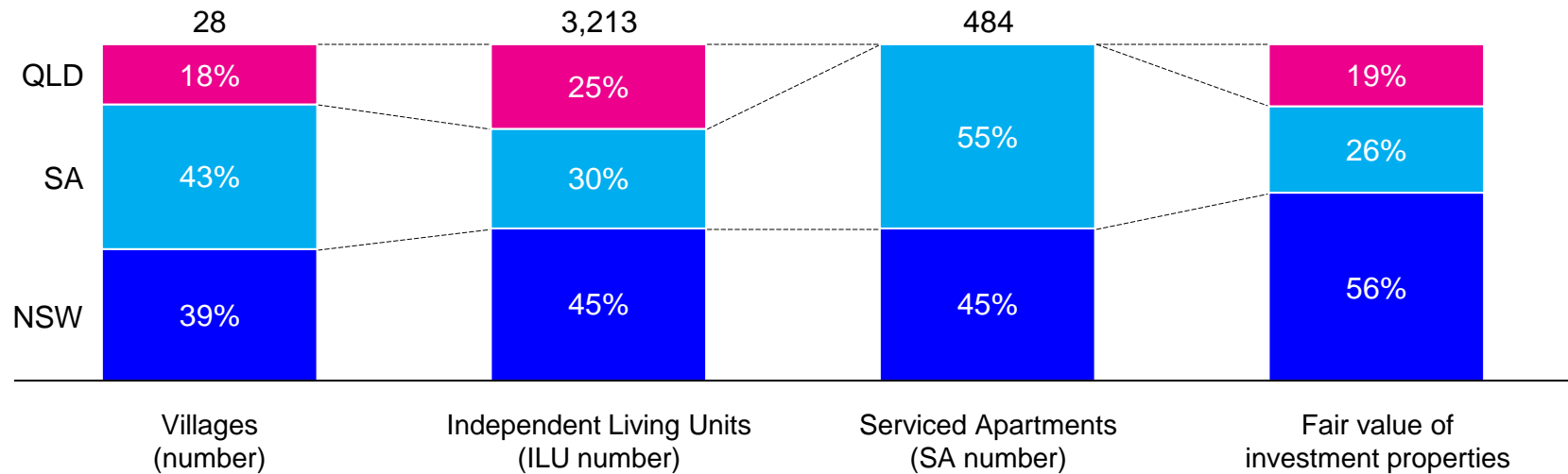
** Excludes aged care beds

Source: Management Information

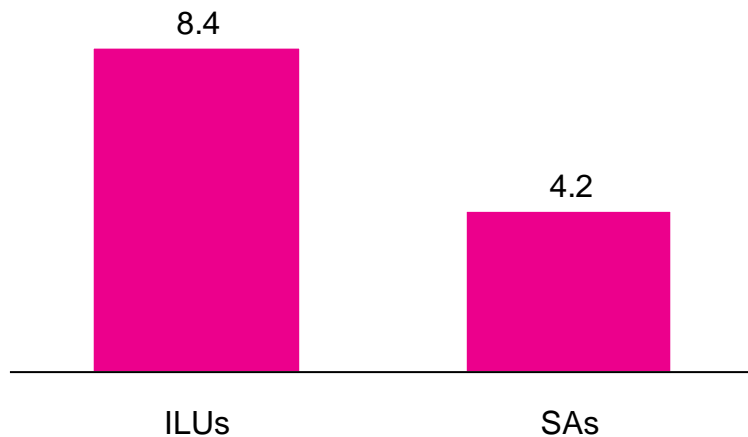


Strong presence in metro hubs with robust metrics

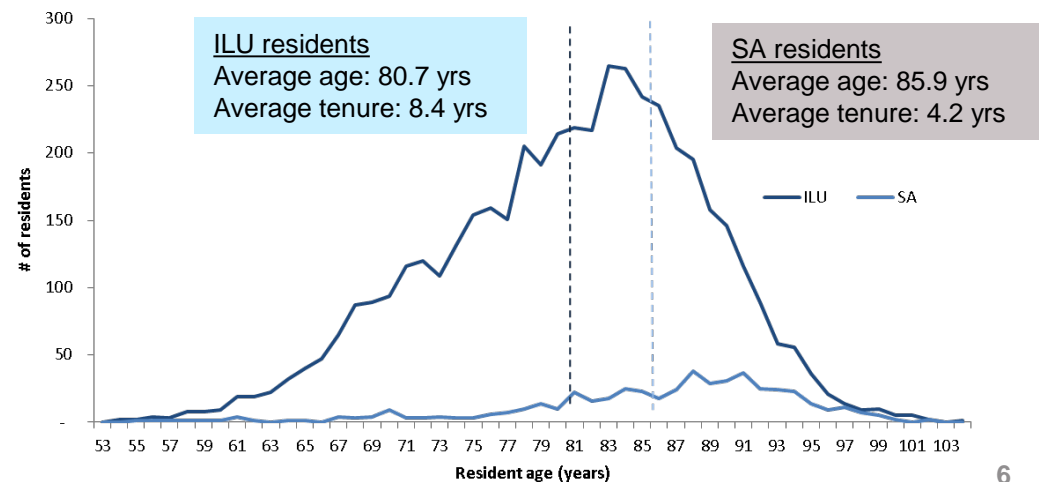
Properties by location



Average tenure of existing residents



Age profile of existing residents

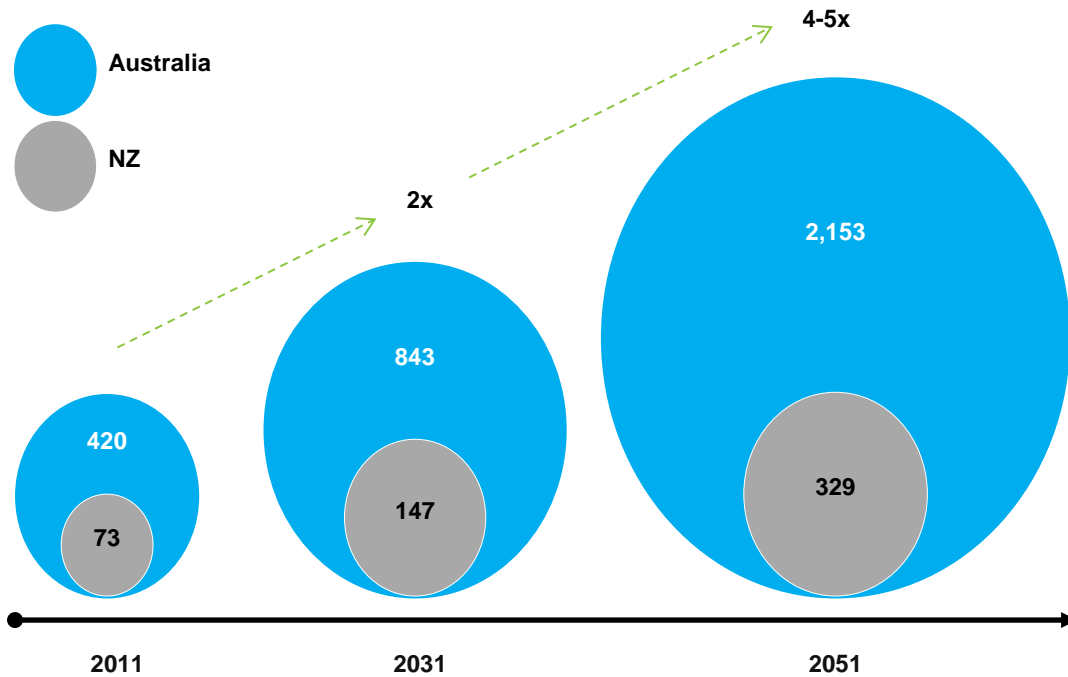




Ageing population - an Australasian megatrend

Very strong growth in target demographic

Number of persons 85 yrs +





The Australian and NZ markets are highly fragmented

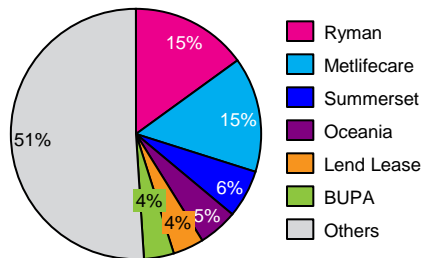
Comparisons between Australian and NZ retirement living

Similarities

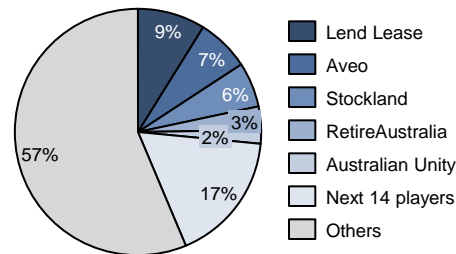
- Both markets are highly fragmented with a long tail of small operators and not-for-profit players
 - In NZ, top 3 players = 36% (top 6 = 49%)
 - In AU, top 3 players = 22% (top 6 = 29%)
- Both markets employ the Deferred Management Fee (DMF) loan-lease model
- Relatively limited regulatory intervention
- Returns linked to residential house price inflation through capital gain sharing mechanisms (although stronger link in NZ)

Market fragmentation

NZ (100% = ~25k units)



AU (100% = ~140k units)



Contrasts

- RetireAustralia (4th largest in AU) is comparable in size to Metlifecare (2nd largest in NZ)
- In NZ, the DMF contract terms are relatively standardised (operator takes 100% of capital gain)
- AU market lacks contract standardisation. Key points of contract variance include:
 - Total DMF % (0% to 50%)
 - Rate at which DMF accrues (2% pa to 10% pa)
 - Whether DMF is calculated on entry or exit price
 - How capital gains are shared (0% to 100% to operator)
- AU industry has been driven by property developers - consequently more focus on the hard facilities of villages, and less on service and care elements (e.g. continuum of care)
- NZ industry has been driven more by pure-play retirement players - consequently a greater emphasis on care elements and the continuum of care model
- At present, Australia does not have any pure-play listed retirement operators (although Aveo are working towards this)
- RV penetration for people over 65 is lower in Australia than New Zealand

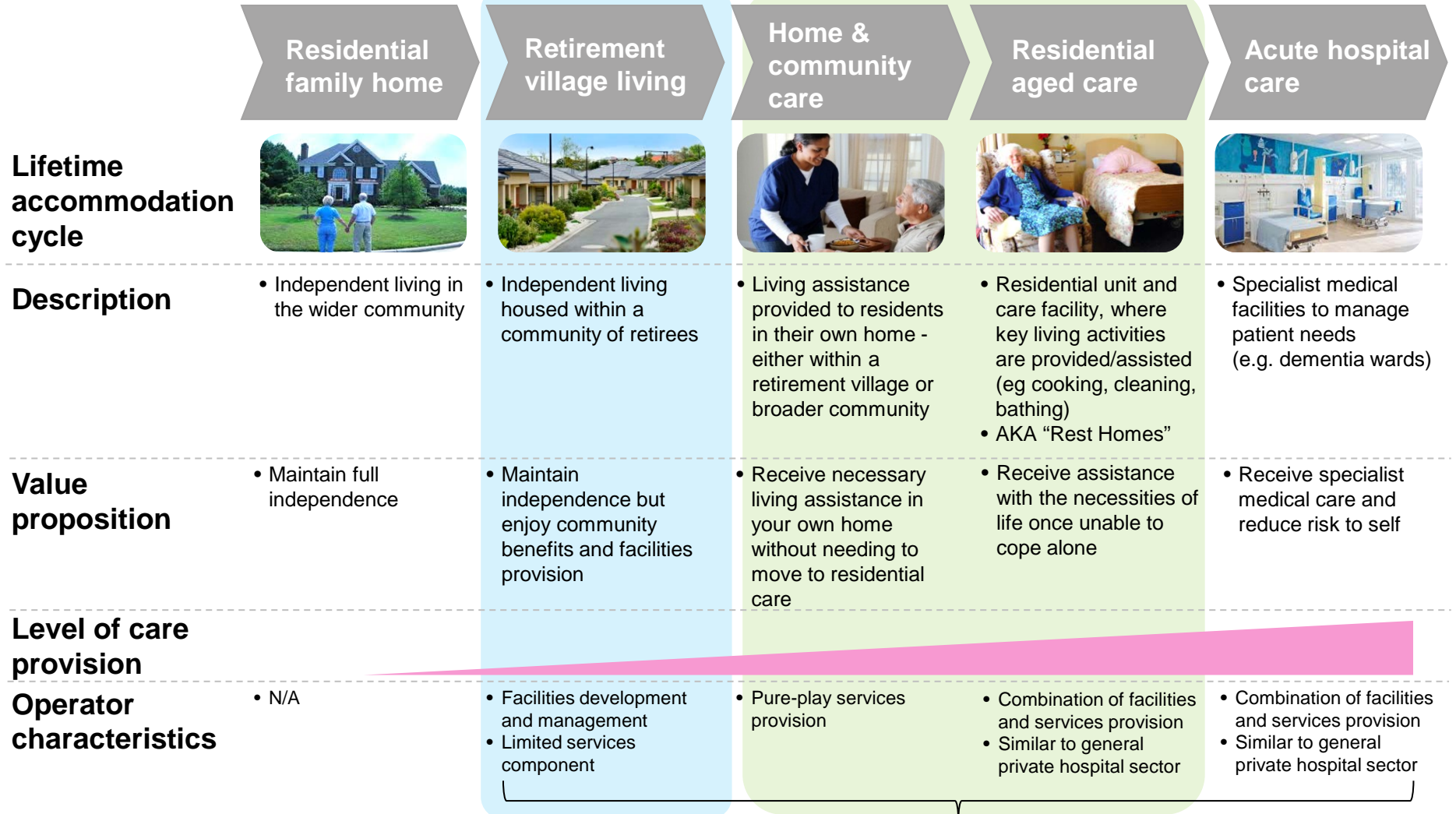
The lifetime accommodation cycle



RETIREAUSTRALIA

Current focus

Expansion opportunity



"Continuum of care" means providing some or all of these elements in the same facility



Key drivers of investor returns in retirement living

Four key determinants of future returns and risk

Driver	How it impacts value	Key risks
1 House Price Inflation (HPI)	<ul style="list-style-type: none">• HPI is a major variable in the capital value of investment properties• Recognised via fair value movements and converted to cash via DMF and share of capital gains/losses upon resale of units	<ul style="list-style-type: none">• Extended correction in house prices will flow through fair value adjustments and ultimately impact resale value of new and refurbished units
2 Rollover rates	<ul style="list-style-type: none">• Higher or lower resident occupancy periods affect realisation of the DMF and potential for additional cash cycles	<ul style="list-style-type: none">• Longer average occupancy slows the realisation of DMF and cash cycles
3 Contract structure	<ul style="list-style-type: none">• The mix of contract types will determine RA's economics - key variables being<ul style="list-style-type: none">- DMF %- DMF accrual rate- Entry or exit based DMF- RA share of capital gain (over and above DMF)	<ul style="list-style-type: none">• Potential for competitive pressure to reduce DMF %, lengthen accrual rates, or reduce RA's share of capital gain on exit
4 Development rate	<ul style="list-style-type: none">• Opportunity to earn development margins - but also to "manufacture" future DMF revenue streams for the business• Brownfield development generally attracts higher development margins	<ul style="list-style-type: none">• Development margins decline due to oversupply of ILUs or SAs• Development margin from brownfield or greenfield activity is insufficient to service construction risk and debt



Management team

Experienced and capable team



Tim Russell – Managing Director

- Founded RetireAustralia (formerly Meridien Retirement Living) in 2005
- Has remained as MD through various ownership structures to present
- Previous professional experience includes investment banking, funds management and corporate M&A at FKP, Bankers Trust, and Graham & Company
- Founding member of the Retirement Living Council (industry body), and a Chartered Accountant



Mark Taylor – Chief Financial Officer

- Joined RetireAustralia as CFO in 2006 (formerly Meridien)
- 20 years experience in finance, tax, and commercial matters with KPMG, FKP, and Lend Lease



Matt Row – Chief Operating Officer

- Joined RetireAustralia in 2011
- 15 years corporate management experience in property, construction and vocational training industries



Glen Brown - Head of Development Acquisitions

- Joined RetireAustralia in 2006 (formerly Meridien)
- 26 years experience in finance, commercial and retirement, including KPMG, FKP, Perpetual Trustees Australia



Chris Webb – General Manager, Finance

- Joined RetireAustralia in 2014
- 16 years experience includes investment banking, funds management and corporate strategy



Mick Tanna - Senior Development Manager

- Joined RetireAustralia in 2014 to lead development projects
- 26 years experience on major project delivery in Australia, Middle East, and South East Asia



Tammie Carter – General Manager – Sales & Marketing

- Joined RetireAustralia upon acquisition of the Gannon Group in 2006
- 15 years of direct sales and sales management experience in the retirement village sector



Transaction overview

50% equity ownership in consortium with NZ Super

- 50/50 JV between Infratil and New Zealand Super Fund
 - Acquired from J.P. Morgan Global Special Opportunities Group and Morgan Stanley Real Estate Investing
- **A\$616.7m** base enterprise value
 - Plus transaction costs estimated at **A\$23.5m**¹ (primarily stamp duty; also includes Warrant and Indemnity insurance and due diligence costs)
 - Less **A\$210.7m** net debt (existing bank facility to remain in place)
 - Results in base equity value of **A\$406.0m** and total purchase price of **A\$429.5m** including costs
 - IFT/NZSF to each fund **A\$214.8m** cash
- Transaction is subject to normal completion account adjustments and scheduled to complete on 31 December 2014

\$A	June 2014 ACTUAL	June 2015 FORECAST
Underlying EBIT ²	\$34.3m	\$35.0m - \$40m
Price/Underlying EBIT (incl costs)	18.6x	18.3x – 16.0x
Price/NTA ³ (incl costs)	1.0x	

¹ Current estimate of transaction costs – stamp duty costs to be confirmed post transaction

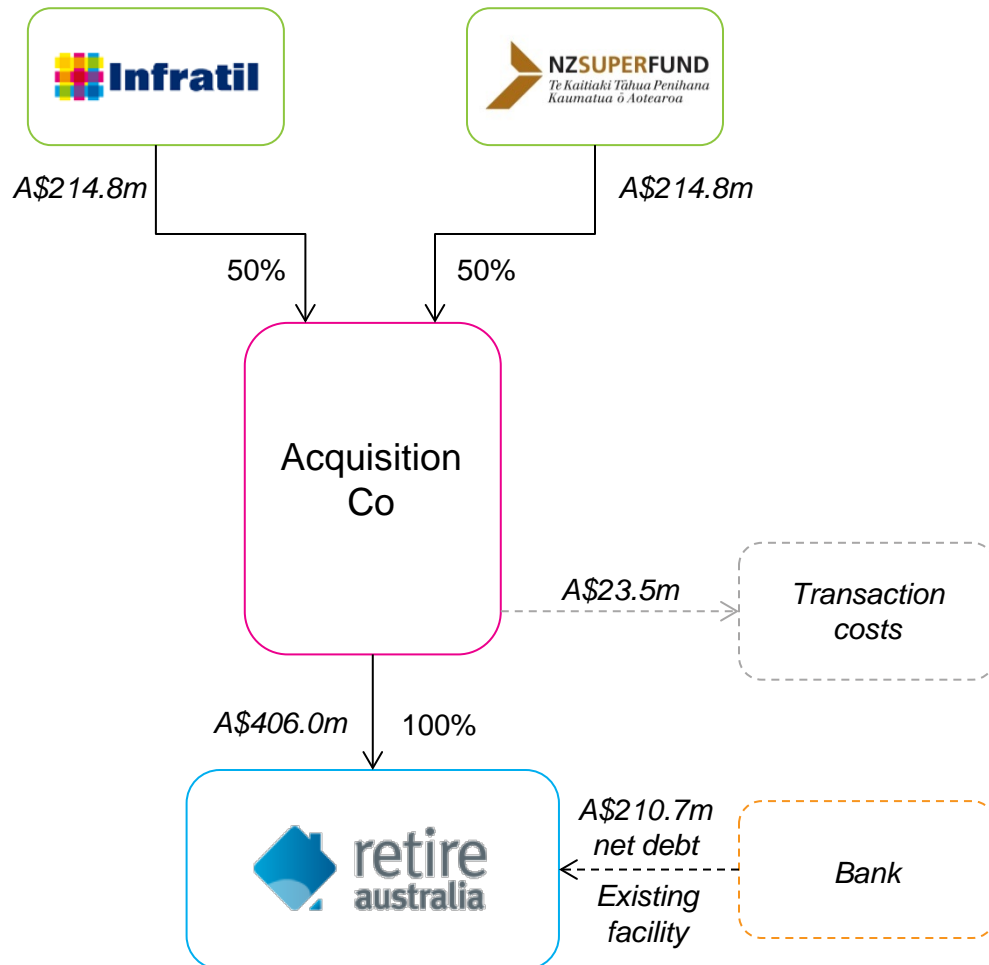
² Underlying EBIT is a non-GAAP measure that removes the impact of non-cash items and deferred taxation. It is provided to assist readers in understanding the operating performance of the business and comparing with other retirement village living operators

³ Refer slide 18 and appendix



Proposed transaction structure

Structure to hold RetireAustralia equity and debt



- Each investor to fund A\$214.8m into Acquisition Co
- Estimated A\$23.5m transaction costs (majority stamp duty and W&I insurance)
- Net proceeds to vendors of A\$406.0m
- Existing debt facility to remain in place
- Net debt level at 31 Dec 2014 estimated A\$210.7m (includes ~\$5m operating cash)



RetireAustralia valuation metrics

High-teen post-tax equity returns available from base case

- Existing assets to be acquired at ~1.0x NTA:
 - NTA assessed as DCF of existing assets and brownfield development pipeline
 - Incorporates conservative assumptions on discount rates, house price inflation, and turnover levels
- High-teen after-tax equity returns available under base case assumptions:
 - Development of >500 existing brownfield units across 6 villages
 - Emerging pipeline of greenfield opportunities will allow development rates to lift over the longer term
 - Stable DMF over the long-term
 - Average 0.5% per annum real house price inflation (HPI) assumed over the long-term
- Accelerated development case available once core elements of base case are on-track:
 - Pace of greenfield development programme
 - Inorganic options



Infratil portfolio in transition

RetireAustralia would increase allocation to growth infrastructure



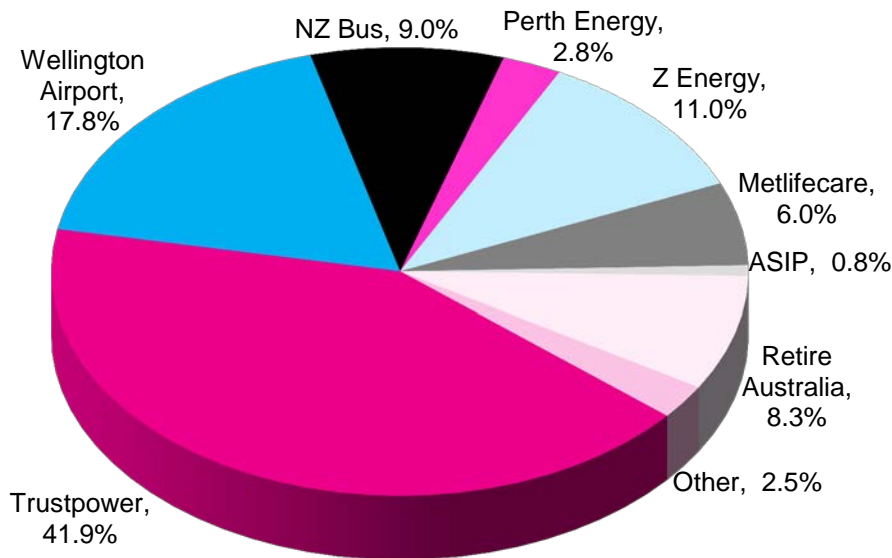
- Infratil portfolio is being re-set for the next generation of long-term returns:
 - IPO of Z Energy and sale of IEA/Lumo capitalised on investor appetite for high quality, lower-risk assets with predictable cash yields
 - Recent investments in Australian renewable energy and social infrastructure represent shift towards development opportunities and early-stage risk
 - Investment in Metlifecare established initial position in retirement living and aged care
- Retirement sector is developing as an emerging line of business for Infratil with significant opportunities to deploy capital in the future
- Current and future origination activity is still biased towards early stage investments that could form the basis for investment growth



Infratil asset mix and capital structure post RetireAustralia

Retirement living sector will comprise 14.3% of total assets

IFT Asset Mix



IFT Parent Capital Structure

NZ\$m	30 Sep 2014	Pro-forma 31 Dec 2014
Net (cash)/debt 100% subsidiaries ¹	(640.4)	(243.8)
Dated bonds	754.3	754.3
Perpetual bonds	234.9	234.9
Market value equity	1,589.4	1,668.0
Total capital	1,938.2	2,413.4

¹The funding of Infratil's share of the acquisition price will be from cash balances held



RetireAustralia contribution to Infratil

Underlying EBIT is the key financial measure

- The 50/50 equity structure would result in a financial reporting outcome similar to the original Z Energy structure pre-IPO;
 - IFT will treat its investment as an investment in an associate and equity account its share of net after-tax earnings within its consolidated EBITDAF
- The contribution to the IFT Group EBITDAF will be 50% of RetireAustralia net profit after tax (including fair value movements)
- Underlying EBIT is the industry standard measure for measuring performance and assessing profitability:
 - Highlights cash earnings and removes non-cash fair value adjustments
 - Non-GAAP measure which will be reconciled back to share of reported earnings

UNDERLYING EBIT DEFINITION:

REPORTED EBIT

-/+ fair value gains/losses

+/- realised gains/losses on resale of units

+/- realised development margins/losses



RetireAustralia financials

Strong underlying historical financial performance

Underlying performance ¹			
Year ended 30 June (A\$m)	2012	2013	2014
DMF revenue	16.8	23.3	23.6
Realised gain on re-sales	8.3	11.4	11.7
Realised development margin	4.1	8.6	10.8
Revenue from village operations	24.6	25.5	26.5
Other revenue	2.2	2.4	2.7
Operating revenue²	56.1	71.1	75.3
Total expenses	(37.6)	(38.3)	(41.0)
Underlying EBIT	18.5	32.7	34.3

Balance sheet ¹			
As at 30 June (A\$m)	2012	2013	2014
Cash	30.9	25.4	6.2
Investment properties	1,603.9	1,659.1	1,655.8
Other assets	219.7	233.8	224.6
Total assets	1,854.5	1,918.3	1,886.7
Resident loans	(1,072.9)	(1,132.4)	(1,190.7)
Senior debt	(195.0)	(195.0)	(200.0)
Deferred tax liability	(119.3)	(126.1)	(9.4)
Other liabilities	(54.6)	(47.9)	(51.3)
Total liabilities	(1,441.8)	(1,501.4)	(1,451.4)
NTA	412.7	416.9	435.2

¹ Proforma extracted from FY12-FY14 RetireAustralia financial statements and unaudited financial information

² Operating revenue excludes non-cash items including accrued deferred management fees and fair value movements associated with investment property assets



Infratil group outlook for 31 March 2015

No material change to near-term guidance

NZ\$ Millions	PREVIOUS March 2015 Outlook	REVISED March 2015 Outlook ⁽¹⁾
EBITDAF – continuing operations ¹	475-500	475-500
Net interest	165-175	170-180
Operating cash flow	250-280	250-280
Depreciation and amortisation	155-165	155-165

¹ Continuing operations based on Z Energy replacement cost earnings

- Assumes completion of the RetireAustralia acquisition on 31 December 2014
- Share of reported net earnings for the 3 months through 31 March 2015 unlikely to exceed \$5m (absent material fair value (FV) gains or losses)
- March 2016 outlook will be confirmed at the FY result in May 2015
- Capital management update will be provided at the same time
- No change to previous dividend guidance
- Assumes no further changes to the Infratil portfolio through 31 March 2015
- Underlying EBIT for RetireAustralia for the 12 months ending 30 June 2015 forecast at A\$35-\$40m



RetireAustralia – high quality asset in an attractive industry

Summary of opportunity

- RetireAustralia provides a high quality access point into an attractive sector
 - Strong management team with capability and strategy to deliver growth
 - Opportunity to become the market leader in integrated retirement living and aged care in Australia
 - Existing assets to be acquired at 1.0x NTA
- Significant reinvestment and capital deployment opportunity through:
 - greenfield/brownfield development
 - an extension of the services and continuum of care model
- A highly fragmented industry can also make opportunistic acquisitions attractive
- Potential for high-teen equity IRRs with modest leverage on base case










Appendix



Comparable Company Analysis

Implied transaction multiples are comparable to Metlifecare on an NTA basis and represent a discount to peers on an earnings basis

\$M					
Last reporting date	30 Jun 2014 (A\$)	30 Sep 2014 (NZ\$)	30 Jun 2014 (NZ\$)	30 Jun 2014 (NZ\$)	30 Jun 2014 (A\$)
EV	1,368.8m	4,525.4m	748.5m	1,022.8m	616.7m
Market cap / equity value	1,014.1m	4,140.0m	620.7m	981.1m	406.0m
NTA	1,425.0m ²	1,000.6m	291.9m	791.5m	435.2m
LFY underlying EBIT ¹	58.7m	127.9m	26.8m	47.7m	34.3m
P / NTA (excl costs)	0.7x ²	4.1x	2.1x	1.2x	0.9x
EV / LFY underlying EBIT (excl costs)	23.3x	35.4x	28.0x	21.4x	18.0x

¹ Underlying EBIT is calculated based on reported underlying profit adding back net finance costs. For example MET's reported underlying profit and net finance costs to 30 June 2014 were \$46.0m and \$1.7m respectively resulting in underlying EBIT of \$47.7m

² Aveo's NTA is distorted due to a material portion of investment property assets being represented by a portfolio of non-core residential and commercial property assets that are available for sale