

## Aveo Statement

21 June 2017

Aveo Group Limited (Aveo) is an ASX200 listed company focussing solely on retirement living products and services. It is a leading owner, operator and manager of retirement communities, committed to enhancing the lives of older Australians by improving living choices. Following the acquisitions of Freedom Aged Care (February 2016) and full ownership of Retirement Villages Group (August 2016), Aveo now owns and operates 89 retirement villages across Australia with a total of 11,014 units and more than 13,000 residents. It is planning to deliver over 5,600 newly developed/redeveloped units and over 1,000 aged care beds in coming years.

Since adopting its retirement only strategy in 2014, Aveo has led the retirement industry through its commitment to residents and their families by;

- developing new state of the art retirement communities and retirement product; and
- investing in care businesses and services - including aged care, physiotherapy, occupational therapy and podiatry and by improving the delivery of other 'in demand' services for our residents including food and telecommunications.

Aveo is investing over \$700m in retirement products and services to ensure residents are provided with increasingly high service levels and quality at Aveo.

In 2015, in an industry first, Aveo completely restructured its standard purchaser contract that residents sign when moving into an Aveo retirement community. This was done following extensive consumer research. The Aveo Way contract provides customers with clarity on the costs of living in, and subsequently moving out of, an Aveo retirement community.

**“Our industry is very supportive of attempts to make contracts as simple and easy to understand as possible, so residents have certainty about what they pay, when they pay it, and how much they (or their next of kin) get back when resold. In 2016, we released a guide for industry, the ‘National Guide for Creating Simple and Effective Retirement Living Contracts’, which features practical tips on contract structure and language.”**

**“The Aveo Way contract is a prominent and leading example of a contract that fulfils this simplification promise, with straightforward fees and clauses. It allows residents to have much more certainty about their financial circumstances, to enable them to spend more time enjoying their retirement lifestyle.”**

**Ben Myers, Executive Director, Retirement Living Council**

A significant benefit of the Aveo Way contract occurs when a resident leaves their retirement community, with a buy-back guarantee and the removal of many of the variable unit resale costs that have caused some residents stress in the past. None of these changes impact existing residents adversely. They are designed to appeal to all new buyers with a simple clarity that residents have long wanted. During the past two years since the Aveo Way contract roll-out commenced, more than 2000 buyers have bought into the benefits of the Aveo Way contract. The roll-out of this contract to new residents is continuing across the remaining Aveo retirement communities where it is not already in place, because of the appeal of the certainties it offers our incoming residents.

### **The main benefits of the Aveo Way – each one an industry leading position:**

- A 'guaranteed buyback' promise for units that remain unsold for 12 months (and a lesser period of six months in NSW and Tasmania) i.e. Aveo buys back the unit for the entry price paid less the accrued deferred management fee (DMF). DMF is capped at 35 per cent of the entry price after three years. Any resident can therefore calculate with absolute certainty both the amount they will receive on exit (65% of their entry price) and the latest they will receive it (6-12 months).
- Aveo offers an extended cooling off period of 21 days, and a 120 day settling in assurance (recently extended from an original 90 day settling in period), for peace of mind i.e. if you don't like community life after having moved in you can exit in 120 days and receive your entry price back.
- There is no charge to the resident on exit for reinstatement or refurbishment costs associated with improving their property and no charge for commissions, or costs of sale or marketing fees.
- Aveo supports all residents with a care offering that is tailored specific to their individual care needs.
- Aveo offers our residents the freedom to transfer within accommodation types in meeting their care needs, within the village, or to any other Aveo community nationally. Under the contract, a resident is given a financial discount when purchasing the second unit. In communities with aged care facilities, residents can transfer to that facility and receive an immediate credit of the equity in their unit towards their Refundable Accommodation Deposit on the day they transfer to higher care i.e. they do not have to wait for the unit to be sold.
- No exposure to the real estate market where Aveo controls and facilitates the sale process. As a result, there is no capital loss or gain for the resident, taking away uncertainty associated with fluctuating property prices and providing certainty of the sale price, before the need to sell.

### **Resident Surveys**

Aveo also conducts regular customer satisfaction surveys within its own villages to gather feedback and provide improvements to the service being provided to residents. Our latest national survey results showed that:

- 89% of residents agreed that they feel safe and secure in their village;
- 87% agreed that, in an emergency, they are confident that they will receive prompt attention via the emergency button;
- 92% agreed that the staff of their retirement community are respectful in their day-to-day interactions with residents; and
- 91% agreed that village management and staff are willing to help.

We enclose our detailed responses to the 29 questions forwarded to us last week.

In terms of understanding Aveo's approach to care in our communities, we encourage you to view my presentation to the Leaders' Summit in March this year via the attached link:

<https://www.theweeklysource.com.au/geoff-grady-rated-good-excellent-89-summit-audience-learn/>

Yours faithfully



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