



2 November 2005

The Manager  
Company Announcements Platform  
Australian Stock Exchange Limited

Dear Sir/Madam,

**Analyst Presentation (amended)**

Primelife today announces that it will commence making presentations to analysts and institutional investors to assist them in the development of their own financial models of Primelife. An amended copy of the presentation is attached (earlier version had some minor formatting issues).

The information in the presentation expands upon the presentation made by Primelife to institutional investors and disclosed to the market on 17 December 2004.

Today's presentation to analysts will include detailed spreadsheets of Primelife's business and its components. These spreadsheets will be available to analysts and other interested parties on request. The presentation does not purport to provide a value for Primelife, forecast the future income or earnings of the company, or list all the assumptions or risks that may influence the valuation of assets of the business.

Yours faithfully,

**Gregor Dixon**  
**Company Secretary**

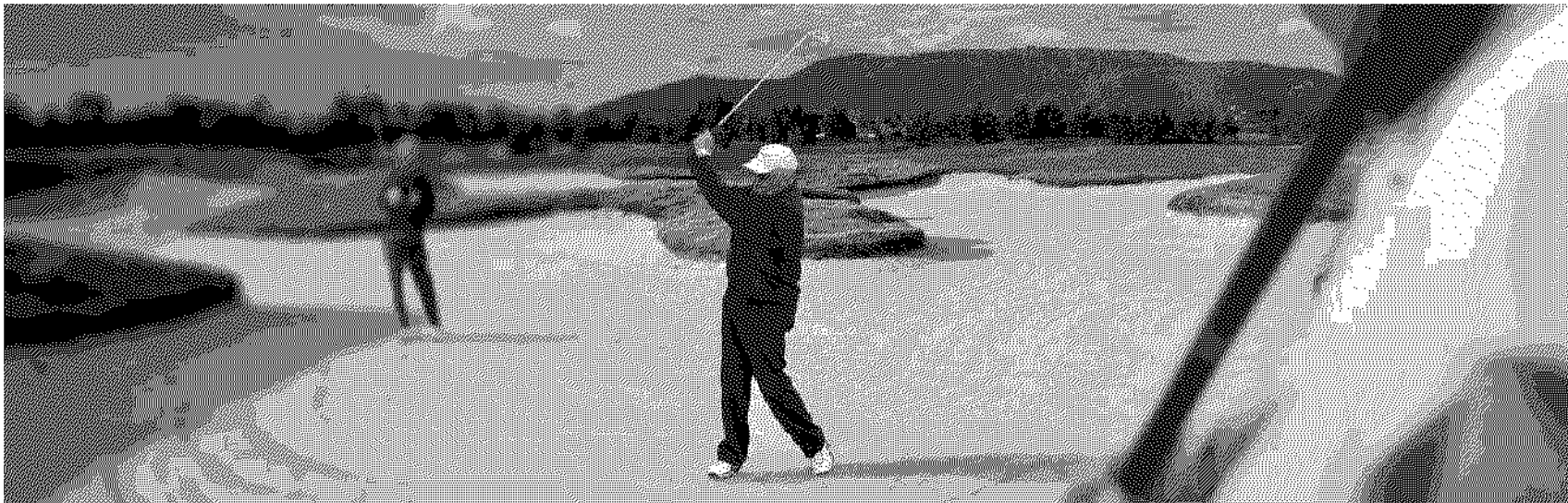
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## **ANALYST PRESENTATION**

**2 November 2005**

**Presented by Craig Thompson  
Chief Financial Officer**



# Disclaimer

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*This presentation including the accompanying spreadsheet (Package) has been prepared by Primelife Corporation Limited (Primelife) in good faith to assist the investment community in the development of their own financial models of Primelife. The information in the presentation expands upon the presentation made by Primelife to institutional investors and disclosed to the market on 17 December 2004. The spreadsheet will be made available to analysts and interested parties on request.*

*The Package does not purport to:*

- provide a value for Primelife;*
- forecast the future income and earnings for Primelife; or*
- list all the assumptions or risks that may influence the valuation of assets of Primelife*

*While all care has been taken in the preparation of this Package, Primelife does not accept responsibility for the accuracy or statement in the Package. Any assumptions or forecasts are intended as a guide to analysts only. They do not represent forecasts of Primelife and are not intended to be a representation that the assumptions will occur. The recipient should do their own research and form their own judgment in relation to any assumption, forecast or estimate contained in the Package and not rely on any information in the Package as being an absolute or likely outcome.*

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*No part of the Package is construed as an invitation or offer or recommendation to buy or sell any securities of Primelife. The Package does not take into account the investment objectives, financial circumstances and particular needs of the recipient. Before making an investment in Primelife, the prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary*

## Who is Primelife?

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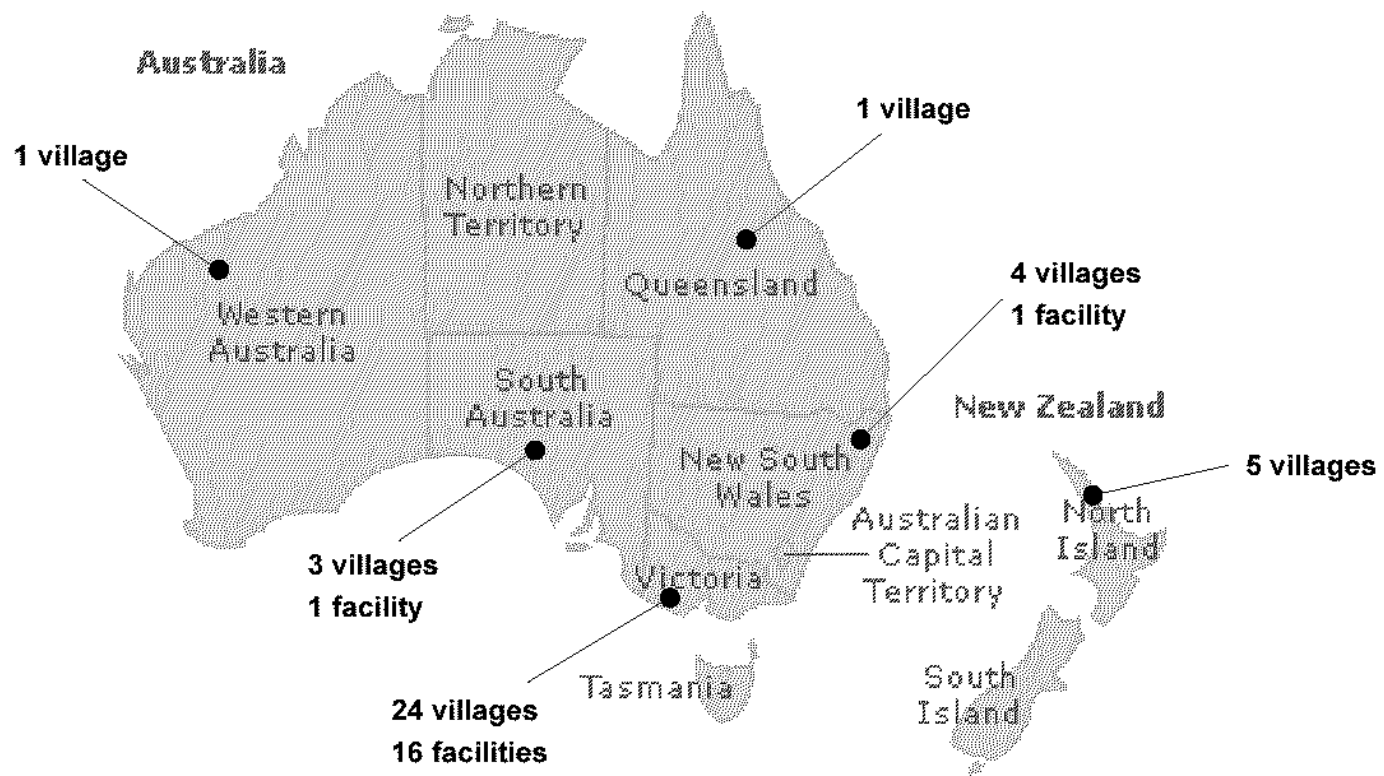


- Primelife is Australia's leading specialist developer and manager of over 55's residential lifestyle and care products and services
- Primelife is the only ASX listed pure player with coverage across all the major states in Australia and a position in New Zealand
  - owns and/or manages 56 operating retirement villages and aged care facilities, caring for over 7.500 residents
  - 14 projects under construction and others in planning and development
- Primelife adopts a caring yet commercial approach to our corporate evolution, with the focus on quality of lifestyle, community facilities and supportive care services
- Primelife aims to be:
  - Australia's leading developer, owner and manager of senior communities;
  - a significant player in industry consolidation; and
  - a major home care provider

# Australia wide and presence in New Zealand



**38 retirement villages; 18 aged care facilities**

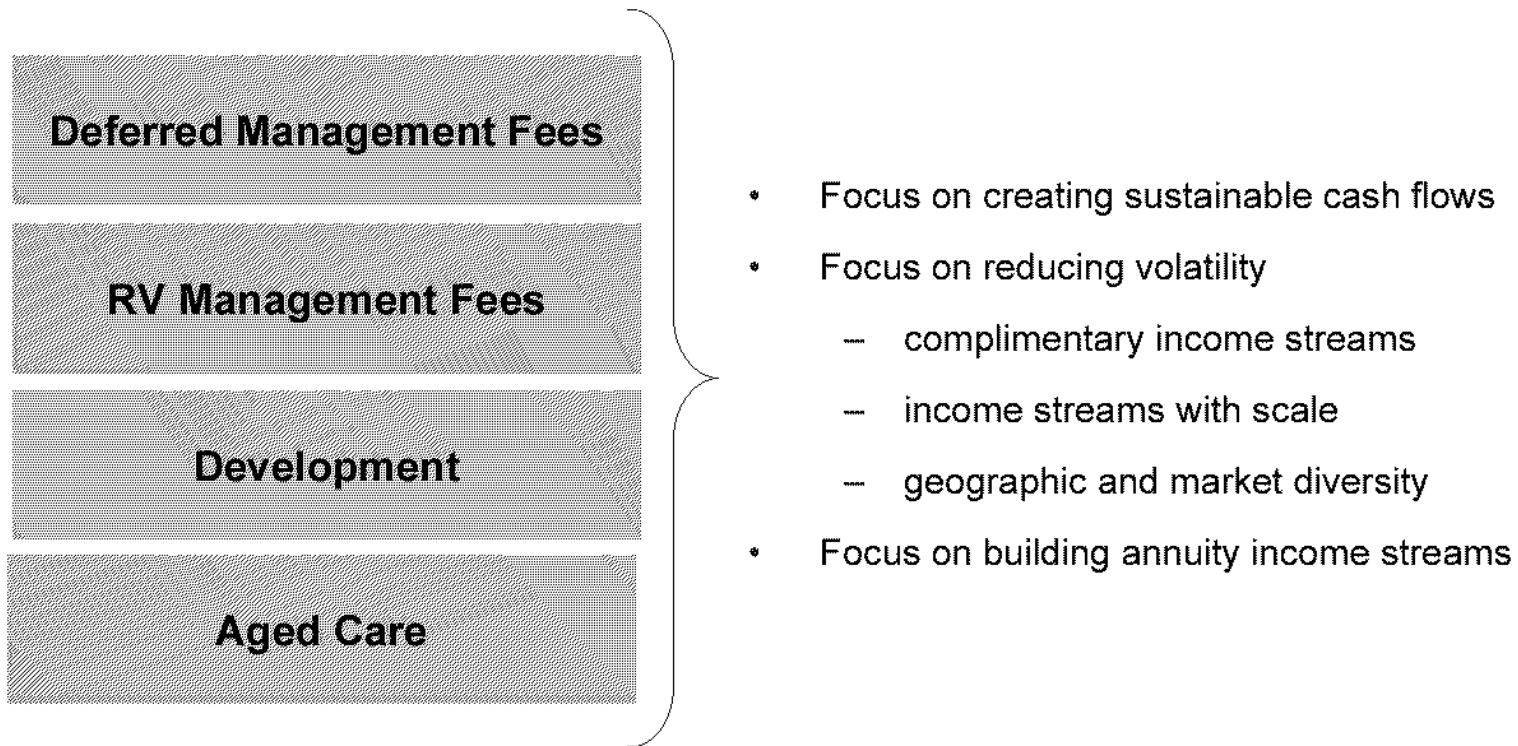


# Valuing Primelife

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- Primelife is continuing to develop its revenue streams



- Primelife's long term cash flow model will form the basis of all future business decisions

# Primelife – Valuation Methodology

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- Primelife considers that the value of its business is best determined by discounting the forecast cash flows generated by its individual business components (Discounted Cash Flow (DCF) approach)
- A DCF is appropriate due to attributes of the various revenue streams of the business
  - Traditional P&L based valuation methods considered less appropriate because of complications associated with applying appropriate accounting policies for IFRS accounting of DMFs, syndicates on development projects and IFRS accounting of accommodation bonds

- PLF has four main revenue streams

1. Deferred Management Fees (DMFs);
2. Asset Management / Services Fees;
3. Aged Care; and
4. Development.

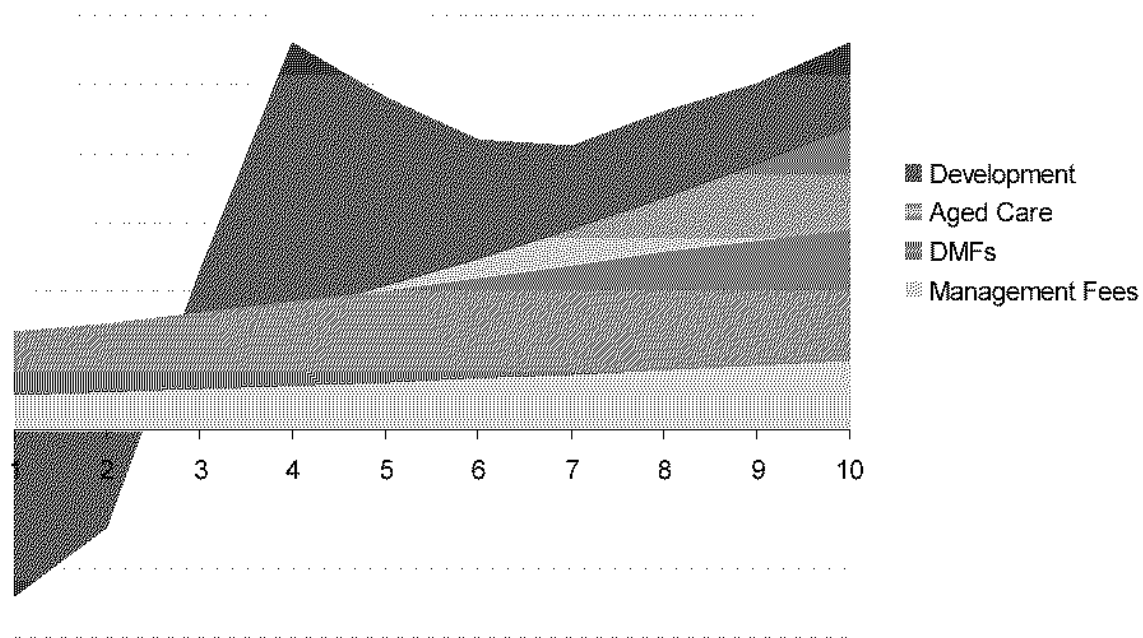


- The Analyst Model is structured to reflect these revenue streams and the associated assumptions. Worked examples are contained in Appendices 2, 3 and 4

# Primelife – Valuation Methodology



- These cash flows provide complementary short term (development profits), stable (management fees and aged care) and long term annuity (DMF) cash flows



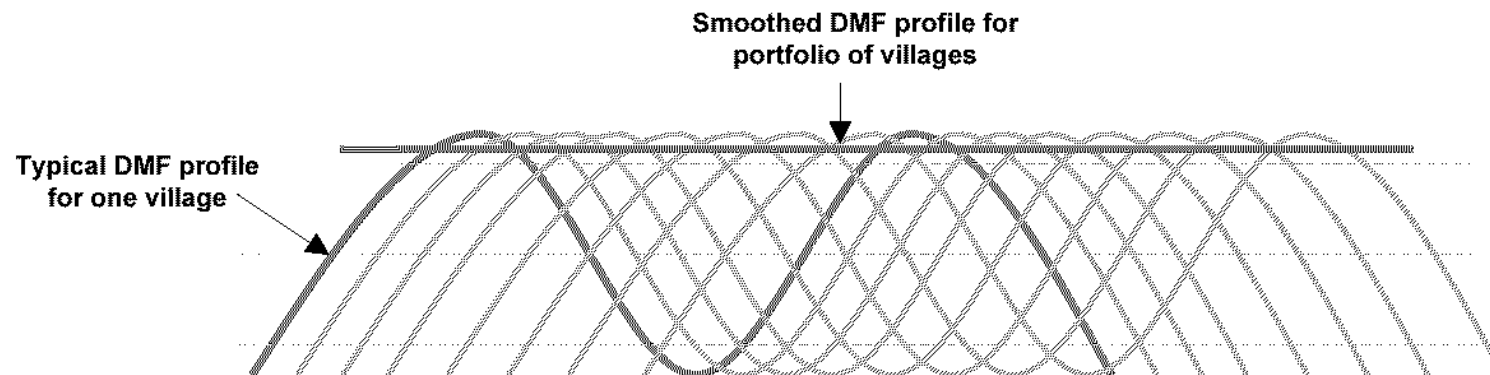


# 1. Deferred Management Fees (DMFs)

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- Unique to the retirement village industry
- Operators' return on capital investment in village infrastructure/common property
- Annuity income stream as Primelife's entitlement arises on initial occupation
- Lumpy cash flows as accrued obligation is paid on departure
  - In a single village, residents tend to have a similar departure profiles
  - Critical mass provide smoothing effect through diversity of departure profiles



# 1. Deferred Management Fees (DMFs)

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## Key Value Determinants

- DMF structure
  - most common structure within Primelife is 3% per annum for maximum of 12 years with minimum entitlement of 10%
  - calculated on resale price (including capital gain)
- Property Growth Rate
  - long term property growth rates between 3.5% – 5.0% per annum
- Average Length of Stay
  - industry average for ILUs ~ 12 years
  - Industry average for SAs ~ 6 years
- Discount Rate
  - market rate currently 13% – 15% for individual villages
  - market rate currently 10% – 12% for portfolio of villages (recent evidence shows further tightening)

# 1. Deferred Management Fees (DMFs)

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- There are 3 ownership structures which determine the DMF entitlements to Primelife

Ownership Structure	DMF Entitlement	Comments
Primelife Owned Villages	✓	full entitlement
Sale & Leaseback Villages	✓	entitlement through contractual assignment
Managed Villages (JV)	✓	entitlement through profit share

- In addition Primelife is entitled to receive selling fees equivalent to 2.5% of the resale value
- In some instances Primelife undertakes capital maintenance within the villages. The model includes \$50,000 per village per annum (inflated by CPI) to account for this

## 2. RV Management / Services Fees

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- Services provided predominantly to PrimeLiving Trust (PLT) villages
- Key features:
  - Primelife enters into long term management arrangements with PLT
  - Primelife is responsible for:
    - all management activities including managing resident accounts, day-to-day operations, accounting and reporting
    - all project management and development activities (where applicable)
  - Fees
    - Primelife reimbursed for head office cost e.g. sales & marketing
    - 1% annual management fee based on gross asset valuation of the Trust
- Steady income stream
- Ability to leverage and extend Primelife's solid operating platform, build brand awareness and obtain national foot print

## 2. Management / Services Fees

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### Key Value Determinants

- % management fee
  - 1% on all management villages within PLT
- discount rate in model
  - 10% – 12% to reflect stable cash flows

### Analyst Model: Example Management Fee Calculation

PLT Gross Asset Valuation	A	\$250,000,000
% management fee pa	B	1%
<b>Management fee</b>	<b>A x B</b>	<b>\$2,500,000</b>

### 3. Aged Care

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- Stable cash flow – largely government funded with capital costs funded through accommodation bonds
  
- Primecarers – extending Primelife’s brand into home care
  - Not modelled (not expected to be cash flow contributor in the short term)
  
- Target growth of 80 beds per annum achievable through
  - organic growth – formal application rounds
  - acquisition – opportunities for Primelife to acquire quality aged care assets from resolution of investment schemes and from market
  
- Similar ownership structures as per retirement villages
  - Primelife Owned Facilities
  - Sale & Leaseback Facilities
  - Managed Facilities under Profit Share

### 3. Aged Care

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#### Key Value Determinants

- Occupancy Rates
  - Average 98% occupancy for mature facilities
- \$7,000 EBIT per bed
- Average bond growth rate pa
  - long term average bond growth rate estimated at 5% per annum
- Average Length of Stay
  - industry average for aged care facilities ~ 4 years
- Discount Rate
  - 10% - 12% for aged care facilities

## 4. Development



- Primelife develops 'broad acre' retirement villages which are held on balance sheet and operated by the Group
- Sales value of Primelife's existing development pipeline is ~\$500m over the next 8 years

Project	Location	Expected Completion Date	Total Units	Average price per unit <sup>(1)</sup>
Berwick	Vic	June 2012	253	424
Tannoch Brae	Vic	June 2008	52	213
Griffith	Vic	June 2011	137	257
Waterford Park	Vic	June 2010	168	490
Mt Evelyn	Vic	June 2011	120	395
Point Cook <sup>(2)</sup>	Vic	June 2013	250	425
Meadowvale	Vic	June 2008	38	287
Waterford 3 (Sub-div)	Vic	June 2007	46	217
Koorootang Court (Sub-div)	Vic	June 2006	20	210
Glendale (Aged Care)	Vic	June 2010	105	n/a
Princeton View (Aged Care)	Vic	June 2009	127	n/a

(1) in \$000's

(2) Subject to option



## 4. Development

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- Primelife will continue to source and develop new 'broad acre' retirement village opportunities through various alternatives
  - own balance sheet developments
  - Babcock & Brown development JV
  - other industry partners
  
- Retirement Village development target
  - maintainable development pipeline of 300 units per annum
  - Primelife to commence 2 new developments (average size 150 units) per annum
  - Primelife has previously developed in excess of 300 units per annum
  
- Aged Care development target
  - 80 new beds per annum
  - focus on low care or high care extra services where accommodation bonds are payable by incoming residents

## 4. Development

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### Key Value Determinants

- Number of units developed per annum
- Average selling price per unit
- Discount rate
  - 16% – 18% to reflect higher risk of development
  
- Completed developments build Primelife's existing DMF book
  - DMF book valued as discussed in Slide 9 except it is valued in two components:
    - Future Value
      - DMF book valued on same basis as existing DMFs once village is 75% occupied
    - Present Value
      - derived by discounting the future value of the village at higher development discount rate to reflect higher risk associated with the building of the DMF book (16% – 18% discount rate)

## 5. Corporate Head Office

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- Corporate head office provides corporate services for Primelife and its operations
- It comprises various functional units:
  - finance and accounting;
  - operations – Retirement Village & Aged Care;
  - sales & marketing;
  - construction & development;
  - legal;
  - company secretarial; and
  - information and technology
- Normalised total corporate cost of \$13m pa

## Future / Options

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- Continue to build Primelife's DMF book
  - buy-back of Primelife assets currently under sale and leaseback arrangements
  - bolt on acquisitions in Primelife
  - participation in off balance sheet financing vehicles such as PrimeLiving Trust
  - staple structure
- Development opportunities
  - focus on increasing interstate coverage
  - B&B / Primelife JV with potential to include a strategic partner
- Aged care opportunities
  - buy-back of Primelife assets currently under sale and leaseback arrangements
  - acquisition of facilities through resolution of Schemes
- Management fees
  - continued growth of PrimeLiving Trust
  - manage villages for other property owners

# Questions

# Appendices

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- Appendix 1 – List of Primelife facilities
- Appendix 2 – DMF worked examples
- Appendix 3 – Aged care worked examples
- Appendix 4 – Development worked examples

# Appendix 1 - List of Retirement Villages



Village	Location	Total Units	Average price per unit <sup>(1)</sup>	Age as at 2005
<b>Primelife Owned Villages</b>				
Waterford Lakes (1)	Vic	185	390	3
Griffith	Vic	34	250	2
<b>Sale &amp; Leaseback Villages</b>				
Port Philip	Vic	162	240	11
Tannoch Brae	Vic	73	170	9
Koorootang Court	Vic	121	183	21
Meadowvale	Vic	204	150	21
View Bank Gardens	Vic	52	290	13
Heathglen	Vic	114	210	15
Cumberland View	Vic	257	240	25
The Village Williamstown	Vic	140	320	7
Riverwood	NSW	130	200	20
Glen Woodley	SA	75	235	13
Vermont	SA	118	153	16

(1) in \$000's

## Appendix 1 - List of Retirement Villages con'td



Village	Location	Total Units	Average price per unit <sup>(1)</sup>	Age as at 2005
<b>Managed Villages under Profit Share</b>				
Goodwin Close	Vic	43	165	4
Camberwell Green	Vic	45	350	5
Greenview	Vic	72	200	5
Claremont Terrace	Vic	79	250	5
Lexington Gardens	Vic	336	184	5
The Beaumont	WA	34	150	5
<b>Managed Villages – PrimeLiving Trust</b>				
Henry Kendall Wyoming	NSW	655	-	20
Henry Kendall Bayside	NSW	235	-	8
Henry Kendall Coastal Waters	NSW	42	-	3
Mayfair	NZ	168	-	13
Parklane	NZ	156	-	16
Knightsbridge	NZ	245	-	5

(1) in \$000's



## Appendix 1 - List of Retirement Villages con'td



Village	Location	Total Units	Average price per unit <sup>(1)</sup>	Age as at 2005
Ocean Shores	NZ	208	-	10
Peninsula Club	NZ	164	-	18
<b>Managed Villages – Prime CRS</b>				
Fernleigh Gardens	SA	113	-	n/a
Comptons Caboolture	Qld	180	-	n/a

(1) in \$000's

## Appendix 1 - List of Aged Care Facilities con'td



Facility	Location	Total Beds	Bonded Beds	Average bond per bed <sup>(1)</sup>
<b>Primelife Owned Facilities</b>				
Montclair	Vic	39	39	224
<b>Sale &amp; Leaseback Facilities</b>				
Trevi Court	Vic	53	41	171
Tannoch Brae	Vic	50	40	109
Lilydale	Vic	61	26	151
Bayside	Vic	42	33	162
Ridell Gardens	Vic	51	39	174
Glendale	Vic	120	90	125
Heathglen SRS	Vic	43	n/a	n/a
Cumberland View	Vic	161	109	154
Riverwood	NSW	29	23	115
Little Para	SA	62	44	118

(1) in \$000's

# Appendix 1 - List of Aged Care Facilities con'td



Facility	Location	Total Beds	Bonded Beds	Average bond per bed <sup>(1)</sup>
<b>Managed Facilities under Profit Share</b>				
Highwood Court	Vic	75	62	216
Villa del Sole AC	Vic	52	40	132
Claremont Terrace	Vic	56	47	219
Avonlea	Vic	70	57	192
Lexington Gardens	Vic	60	42	177
Medina Manor	Vic	45	34	148

(1) in \$000's

## Appendix 2 - Deferred Management Fees (DMFs)

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### Analyst Model: Example DMF Calculation

Total Number of Units		240
Average stay		12 years
<b>Average Turnover per annum</b>		<b>240/12 = 20 residents pa</b>
Age of Village		4 years
Village Ramp up %		33%
<b>Turnover per annum</b>	<b>A</b>	<b>20 x 33% = 6 residents</b>
Forecast Property Growth Rate		3.5%
Opening Average price per unit		\$100,000
<b>Closing Average price per unit</b>	<b>B</b>	<b>\$103,500</b>
Expected DMF %	<b>C</b>	4 years x 3% pa = 12%
<b>DMF</b>	<b>A x B x C</b>	<b>\$74,520</b>

## Appendix 2 - Deferred Management Fees (DMFs)

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### Primelife Owned Villages

- Expected cash flow comprise

DMF Cashflow	74,520	<i>as per calculation on slide 14</i>
+ Selling Fees	7,763	<i>2.5% x 3 residents x \$103,500</i>
(-) Capex allocation	(50,000)	<i>\$50,000 pa</i>
<b>Net cash flow to Primelife</b>	<b>32,238</b>	

### Sale and Leaseback Villages

- Expected cash flow comprise

DMF Cashflow	74,520	<i>as per calculation on slide 14</i>
+ Selling Fees	7,763	<i>2.5% x 3 residents x \$103,500</i>
(-) Capex allocation	(50,000)	<i>\$50,000 pa</i>
(-) Guaranteed Owner Payments	(25,000)	
<b>Net cash flow to Primelife</b>	<b>7,238</b>	

## Appendix 2 - Deferred Management Fees (DMFs)



### Managed Villages under Profit Share

- Typically 50% Profit Share arrangement; also entitled to management fees (\$1,400 per unit), accounting fees (\$26,000 per village) and selling fees (2.5% of resale value)
- Profit share is calculated as

DMF Cashflow	74,520	<i>as per calculation on slide 14</i>
(-) Capex allocation	(50,000)	<i>\$50,000 pa</i>
(-) Management Fees	(28,000)	<i>\$1,400 x 240 units</i>
(-) Accounting Fees	(26,000)	<i>\$26,000 per village</i>
<b>Cash Profit</b>	<b>(29,480)</b>	

- Expected cash flow to Primelife comprise

Profit Share	(14,740)	<i>50% x Cash Profit</i>
+ Selling Fees	7,763	<i>2.5% x 3 residents x \$103,500</i>
+ Management Fees	28,000	<i>as per above</i>
+ Accounting Fees	26,000	<i>as per above</i>
<b>Net cash flow to Primelife</b>	<b>47,023</b>	

## Appendix 3 - Aged Care

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### Analyst Model: Example Aged Care Calculation

Total Number of Beds		100 (80 bonded beds)
Occupancy Rate		98%
<b>Total Beds in Operation</b>	<b>A</b>	<b>98 beds (78 bonded beds)</b>
Average length of stay		4 years
<b>Turnover per annum</b>	<b>B</b>	<b>24 beds (20 bonded beds)</b>
<b>EBIT per bed</b>	<b>C</b>	<b>\$7,000 per bed</b>
Average Bond per bed	<b>D</b>	\$350,000
Bond value growth rate		5%
<b>Average Bond on entry (4 years prior)</b>	<b>E</b>	<b>\$288,000</b>
Operating Cashflow	A x C	\$686,000
Bond Cashflow	B x (D - E)	\$1,240,000
<b>Total Cashflow</b>		<b>\$1,926,000</b>

## Appendix 3 - Aged Care

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### Primelife Owned Facilities

- Expected cash flow comprise

Operating Cash flow	686,000	<i>as per calculation on slide 27</i>
Bond Cash flow	1,240,000	<i>as per calculation on slide 27</i>
<b>Net cash flow to Primelife</b>	<b>1,926,000</b>	

### Sale and Leaseback Facilities

- Expected cash flow comprise

Operating Cash flow	686,000	<i>as per calculation on slide 27</i>
Bond Cash flow	1,240,000	<i>as per calculation on slide 27</i>
(-) Investor Lease Payments	(500,000)	
<b>Net cash flow to Primelife</b>	<b>1,426,000</b>	



## Appendix 3 - Aged Care

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### Managed Facilities under Profit Share

- Typically 50% Profit Share arrangement; also entitled to management fees (\$1,400 per unit), accounting fees (\$26,000 per village) and selling fees (2.5% of resale value)
- Profit share is calculated as

Operating Cash flow	686,000	<i>as per calculation on slide 27</i>
Bond Cash flow	1,240,000	<i>as per calculation on slide 27</i>
(-) Management Fees	(14,000)	<i>\$1,400 x 100 units</i>
(-) Accounting Fees	(26,000)	<i>\$26,000 per village</i>
<b>Cash Profit</b>	<b>1,886,000</b>	

- Expected cash flow to Primelife comprise

Profit Share	943,000	<i>50% x Cash Profit</i>
+ Selling Fees	175,000	<i>2.5% x 20 beds x \$350,000</i>
+ Management Fees	14,000	<i>as per above</i>
+ Accounting Fees	26,000	<i>as per above</i>
<b>Net cash flow to Primelife</b>	<b>1,158,000</b>	

## Appendix 4 - Development



- Generic feasibility for 150 unit retirement village development

Key Assumptions		
Sale Price per unit	425	
Sales/Build rate	25/year	
<b>SALES</b>	<b>63,750</b>	<b>\$425 x 150</b>
Expenses		
Land	7,500	
Infrastructure works	7,500	\$50 per unit
Unit construction	27,000	\$180 per unit
Community Facilities	3,000	\$20 per unit
Consultants	1,125	3% of total construction cost
Sales / marketing	1,913	3% of sales
Project management	1,159	3% of total expenditure
Interest expense	3,188	7.5% interest cost; 70% gearing
<b>TOTAL EXPENSES</b>	<b>52,384</b>	
<b>DEVELOPMENT PROFIT</b>	<b>11,366</b>	<b>18% margin on sales; 22% margin on cost</b>

All figures in AUD \$000's unless otherwise stated

## Appendix 4 - Development

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- Generic feasibility for 80 bed Aged Care development

Key Assumptions	
Development Period	18 months
Bonded Beds	80%
Average bond per bed	250
Concessional ratio	20%

Period	Year 1	Year 2
Beds filled	48	32
Concessional Beds	10	6
Bonded Beds	38	26
EBIT per/bed (\$)	(1,500)	3,500

*All figures in AUD \$000's unless otherwise stated*

## Appendix 4 - Development



- Generic feasibility for 80 bed Aged Care development (continued)

<b>Forecast Cash flow</b>			
<b>Bond Inflow</b>		<b>9,500</b>	<b>6,500</b>
Expenses			
Land	(1,125)		<i>\$5,000 per m<sup>2</sup></i>
Construction cost	(8,000)		<i>\$100k per bed</i>
Consultants	(400)		<i>5% of construction cost</i>
Project management	(240)		<i>3% of construction cost</i>
Interest	(1,245)	(936)	(214) <i>8.5% interest</i>
Debt due	(11,010)	(11,946)	(2,732)
Operational Income		(72)	280
Debt repayment	-	9,500	2,732
Debt balance	(11,010)	(2,518)	-
<b>NET BOND CASHFLOW</b>	-	-	<b>4,048 <sup>(1)</sup></b>

All figures in AUD \$000's unless otherwise stated

(1) Use subject to Aged Care Act

