



Eureka Group Holdings Ltd

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For immediate release to the market
Eureka Group Holdings Limited
ASX Code: EGH
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Retirement village owner and operator Eureka Group Holdings Limited (ASX:EGH) is pleased to provide an update on a number of group initiatives underway.

Transition Year

The 2018 financial year is a year of transition for Eureka with a main focus of recycling capital from non-core or underperforming assets towards our long term strategy of funding ongoing growth of the core portfolio of quality, affordable rental accommodation for independent seniors. In addition, 2018 will include an emphasis of embedding best practice into the day to day operations of our villages. This action will enhance the resident and community interactions, improve occupancy levels and achieve cost efficiencies.

The outcome of this transition process is for Eureka to deliver a more predictable and recurring earnings stream generated from affordable rental accommodation provided to independent seniors.

Profit Guidance

Eureka's expected EBITDA for the year ending 30 June 2018 is between the range of \$9.5m to \$11.5m. This includes EBITDA contribution from sales of apartments at the Terranora project of between \$2m and \$3m for the 2018 financial year. The above forecast does not include profit contributions from any future acquisitions yet to be settled. Such profit contributions for the year ending 30 June 2018 will be advised when these acquisitions are announced.

The second half of the financial year is expected to be stronger than the first half reflecting improving occupancy and cost management initiatives as well as contribution from Terranora settlements.

Capital Recycling

Consistent with recent announcements, Eureka is actively progressing capital recycling of selected assets. We have identified between \$20M and \$30M of potential assets involved in this process to be delivered over varying timeframes to optimise value for the group. The majority of the recycling is expected to be achieved within the next 12 months.



To illustrate the benefits available, at the completion of the recycling program and when the funds are redeployed in conjunction with appropriate debt levels the run rate EBITDA from the recurring rental operations will increase by up to 50% from the current levels.

During the short time since announcing the year end results, significant traction has been achieved on multiple fronts as shown below

Terranora

As announced on 16 October 2017, approval from Tweed Shire Council of the Development Application has been obtained. Eureka is now progressively satisfying the approval conditions including commencement of the required works to construct an internal driveway which will allow the issue of titles and cash flow to begin to flow from apartment sales and settlements.

SRF Village

The most challenging of the SRF villages, Amber Lodge, has now been closed with all residents successfully relocated. A sales agent has been appointed to manage the sale of Amber Lodge with a marketing campaign underway with an expected closing date of early December 2017 followed by settlement in due course.

Couran Cove

Eureka has decided to sell the 29 Eco Cabins at Couran Cove. A sales agent has been appointed with a display suite established and marketing campaign underway.

An evaluation project has also commenced on how best to extract the optimal value from the 60 vacant land sites at Couran Cove. Pleasingly, the value of property at Couran Cove has improved with real estate sales at the development reflecting increased prices and number of transactions.

Occupancy Levels

Occupancy levels have continued to strengthen across the portfolio with current occupancy of owned villages at 90%. Recent marketing activities and promotion of residential care services by Bluecare have been very well received including new residents having been secured to move in shortly. These targeted activities will continue on a regular basis.

Staffing Update

Eureka is pleased to announce that Craig Hamilton commenced as Operations Manager to fill a recently vacated position. Craig brings diverse skill set having most recently managed multiple accommodation villages in remote locations, extensive compliance experience while also being a qualified chef.



Cost Management

A variety of cost management initiatives are underway including the installation of solar panels to reduce ongoing energy costs. Preparation for the installation of solar panels at the first 3 villages is well advanced with benefits expected to commence later in the year.

Acquisitions

A number of acquisition opportunities continue to be progressed which will be timed to match cashflows received from Terranora settlements and other capital recycling initiatives. Future acquisitions will focus on core complimentary operations of quality, affordable rental accommodation for seniors. The funds generated from capital recycling and ongoing operations is expected to enable a strong pipeline of acquisitions to be delivered.

Outlook

Embedding best practice in the ongoing operations and recycling capital from non-core or underperforming assets into additional core rental villages and available brown field in-fill opportunities will enable Eureka to deliver stronger profit growth in coming years.

For further information, contact Jeff Weigh (CEO) on 07 3054 4531.