FY22 Results Presentation

August 2022

Eureka Group is a specialist owner and manager of rental retirement villages.

Creating communities.

Contents

About Eureka

Eureka overview

Eureka Group is a specialist owner and manager of rental retirement villages, focused on creating communities and empowering independence

We provide essential social infrastructure, services and a sense of community for a growing cohort of residents

Our goal is to be the most trusted, scaled provider of rental retirement communities

Our revenue streams are highly resilient, with government pensions underpinning around 95% of revenue

The market in which we operate has favourable long term industry trends – an aging population and a shift from home ownership to long term rental accommodation in Australia

Our contracts are simple residential tenancy rental agreements (not aged care)

We have reliable cash flows and significant opportunities to deliver growth, with capital management options to enhance shareholder value

Industry overview

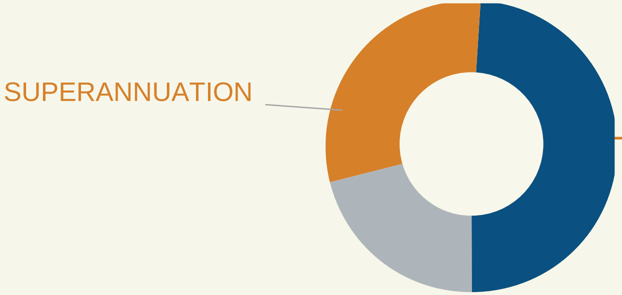
Key trends

- Aging population with increasing proportion of retirees reliant on Government pension
- Increasing demand for low-cost quality rental accommodation
- Seniors seeking to have an independent lifestyle with social engagement, quality nutrition and security in a caring community

3.9 million Australians are retirees, with a further 0.5 million people intending to retire within five years[1]

2.15m

Australians aged 70 and over receive the Age Pension[2]



49% AGE PENSION IS MAIN INCOME SOURCE

A government pension is the main source of income for 49% of retirees, compared with superannuation at only 30%[1]

1 Australian Bureau of Statistics
2 https://data.gov.au/data/dataset/dss-payment-demographic-data

Strategic objectives

Deliver sustainable growth in shareholder returns within a robust ESG framework

Expand the business through:

- disciplined acquisitions, brownfield value-add and greenfield ‘build-to-rent’ developments
- organic growth from maintaining occupancy, rental growth and cost control to increase profitability

Enhance village life with Resident First philosophy

Our mission

To be the most trusted provider of rental retirement communities

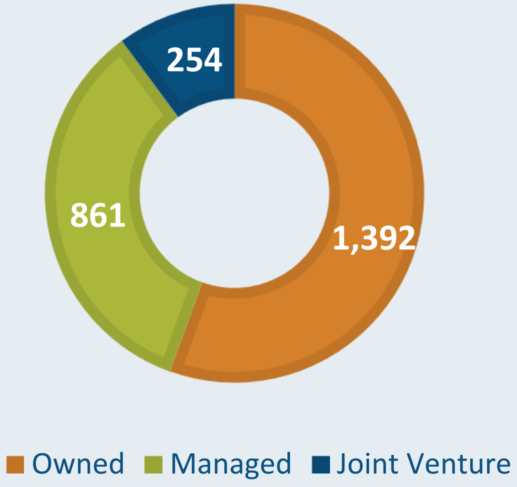
Our values

Resident First culture
We have pride in our villages
We are passionate about results
We have a growth mindset
We do the right thing

Village locations as at 30 June 2022

2,507

Units under management



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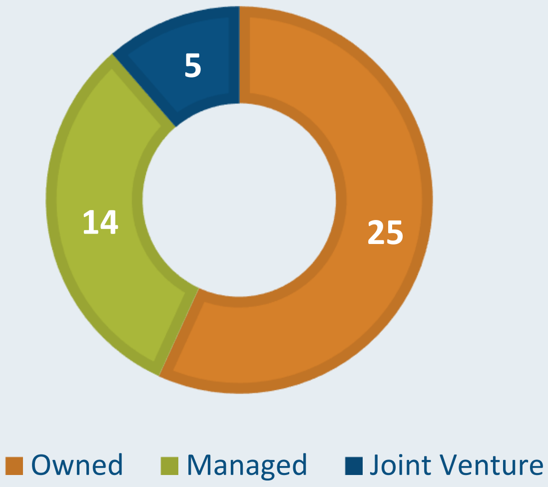
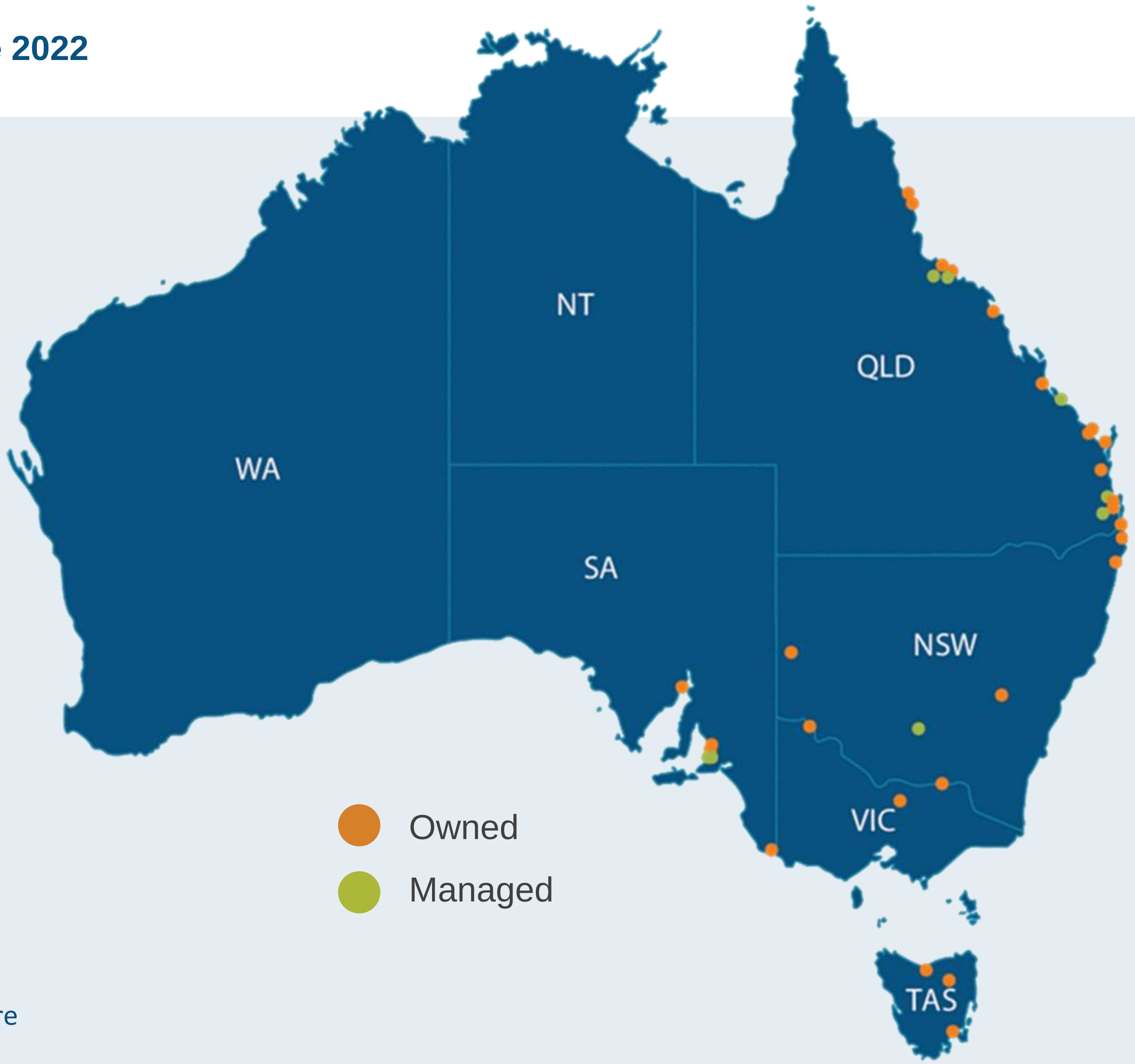
Villages





Results Summary

FY22 overview

Growing maintainable earnings and asset values while enhancing the operating platform

Profit after tax [1]

$8.2m

↑ *+ 30%*

$6.3m [FY21]

Revenue from operations

$29.7m

↑ *+ 8%*

Earnings per share

3.48c

↑ *+ 27%*

2.73c [FY21]

Total dividends per share

1.26c

+ 7%

1.18c per share [FY21]

Underlying EBITDA [1]

$10.51m

$10.57m [FY21]

Valuation uplift [1]

$9.9m

Before a **$7.15m loss** on change in fair value of Lismore, NSW village. Reported net valuation uplift including assets in joint venture: $2.8m

Occupancy

98%

Stable

Capitalisation rate

9.4%

9.9% [FY21]

1 Refer to Definitions page.
Further, the FY22 result was significantly impacted by a severe flood event in Lismore, NSW. Refer to page 11 for further details

FY22 Overview

Total assets

$183m

↑ 15%

Borrowings

$70m

↑ 23%

Net operating cash flow

$8.3m

↑ 5.5% *including net insurance proceeds[1] of $0.7m*

Net tangible assets per share

38.2c

↑ 2%

Balance sheet gearing[1]

40.8%

37.8% [FY21]

1 Refer to Definitions page

Flood in Lismore, NSW

Eureka's Board and Management were saddened by the devastating floods in NSW and Qld during 2022.

Residents and staff were evacuated safely when the Lismore Village was inundated by record flood waters.

The flood had a material financial impact in FY22:

	$m
Insurance proceeds	1.02
Costs incurred due to flood	(0.36)
Loss of earnings (estimate)	(0.30)
Loss on change in fair value	(7.15)
Loss due to flood (before tax)	**(6.79)**

There are opportunities to restore value which are being explored in collaboration with the Northern Rivers Reconstruction Corporation

Review of Operations

Operating platform

Occupancy and Revenue Initiatives

- Resident First culture driving sustainable occupancy and organic revenue growth
- *Independent Voice of the Resident* survey results confirm village priorities:
  - supportive village team
  - sense of security and safety
  - activities to enhance connection
  - food quality
- Resident value proposition supports national rental pricing strategy
- Revenue growth inflation-hedged to Government pension

Team Culture and Engagement

- Continued investment in support office functions to enhance growth capability
- Upskilling and training to develop specialist skills

Safety, Risk and Compliance

- Regular review of risk management systems
- Policies and procedures ensure ongoing safety and compliance
- Periodic review of policies and training to maintain awareness

Technology and Brand

- Analysis of key processes and system requirements completed
- Implementation of enhanced technology systems during FY23
- Commenced revitalizing and positioning Eureka's brand in the affordable rental retirement market

ESG

- Implementation of a fit for purpose ESG framework

ESG overview

Social

Resident First

One team

Social connections

Village activity programs

Community engagement

Environmental

Solar energy

Waste management and recycling

Community gardens

Governance

Ethical business practices

Risk mitigation systems

Safety and compliance

Board governance

COVID-19 response

ESG Committee established to:

- oversee the implementation of ESG programs and measurement of outcomes
- monitor emerging ESG principles to understand their applications to Eureka and the long-term value proposition
- ESG Charter adopted for the ESG issues relevant to the company

Actions:

ERIAS Group, an environmental and social impact management consultancy, appointed to assist Eureka to establish an integrated ESG framework and action plan

First phase to be completed by 31 December 2022, with measurements and outputs to be completed by 30 June 2023

ESG targets introduced to executives' Short Term Incentive program

ESG activity

Social focus

- Empowering the wellbeing and independence of residents in a safe, secure and active village to create communities
- Resident First philosophy underpinned by compassion, respect and trust in village and support office teams
- Village activity programs to enhance resident experience and social connections
- Connections to local communities contribute to village life

Environmental initiatives

- Committed to energy conservation through a continuation of our village solar program
- Solar installations have enhanced Eureka’s affordability proposition for residents. Embedded networks have resulted in more than 85% of residents having a material reduction in power expenses
- Trialing re-usable and biodegradable containers for food service. Target replacement of plastic containers by end FY23
- Storm and cyclone risk mitigation (Resilience Plans) in place for North Queensland Villages
- Brassall (Qld) expansion project incorporates NABERS 6-Star Energy Rating
- Investigating water saving devices and waste/recycling initiatives

Governance practices

- Ethical business principles and embedded governance practices
- Effective risk mitigation through a risk management framework, policies, legislative and regulatory compliance and reporting
- Diverse and inclusive workplace

Growth in revenue and unit numbers

Increased revenue

- Organic growth and acquisition

Dedicated occupancy focus

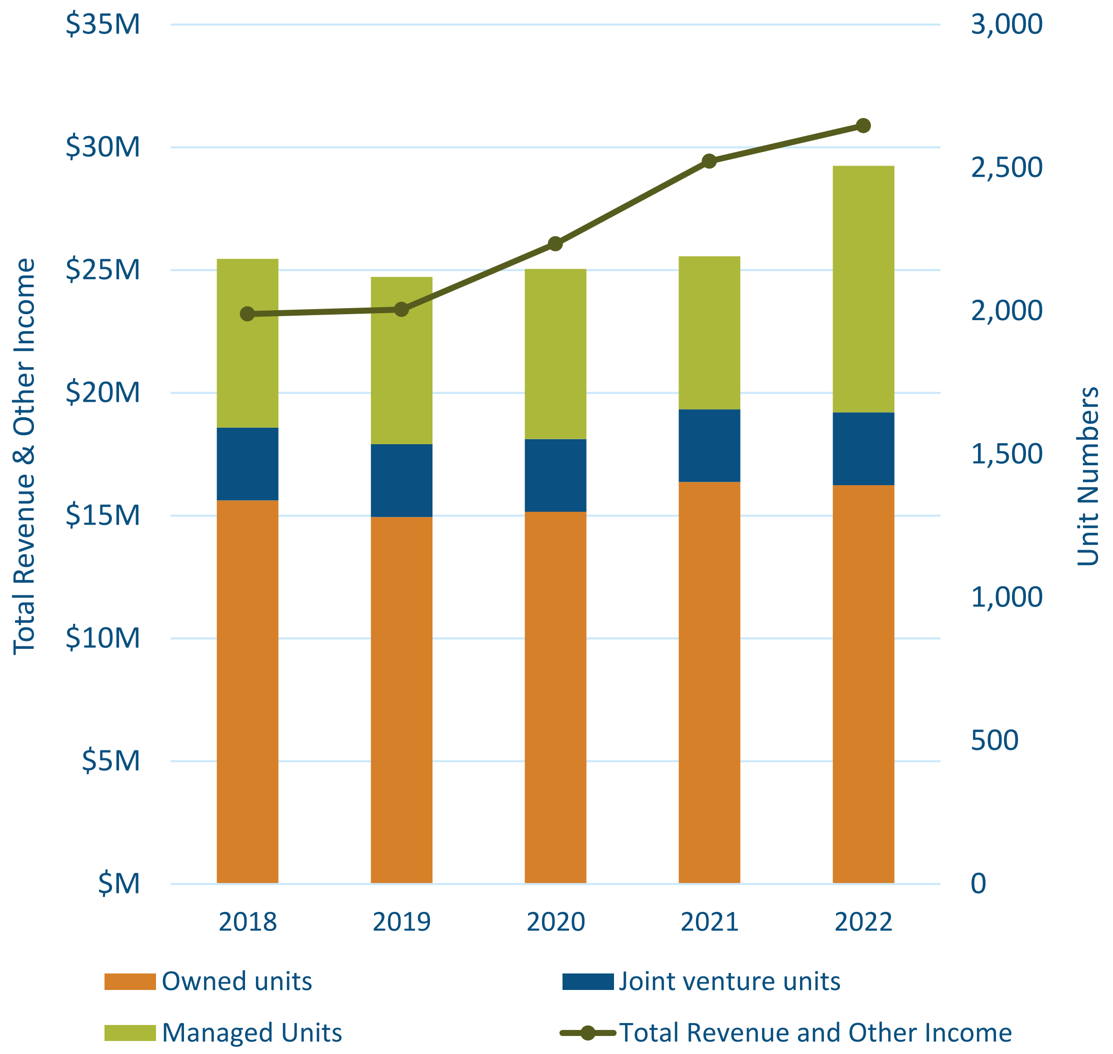
- Local networking and village reputation in communities

Portfolio rationalisation

- Since FY17 ~360 units disposed and 955 units acquired

FY22 growth in unit numbers to 2,507 (+14%)

- Net of Lismore units lost in flood (- 91 units)



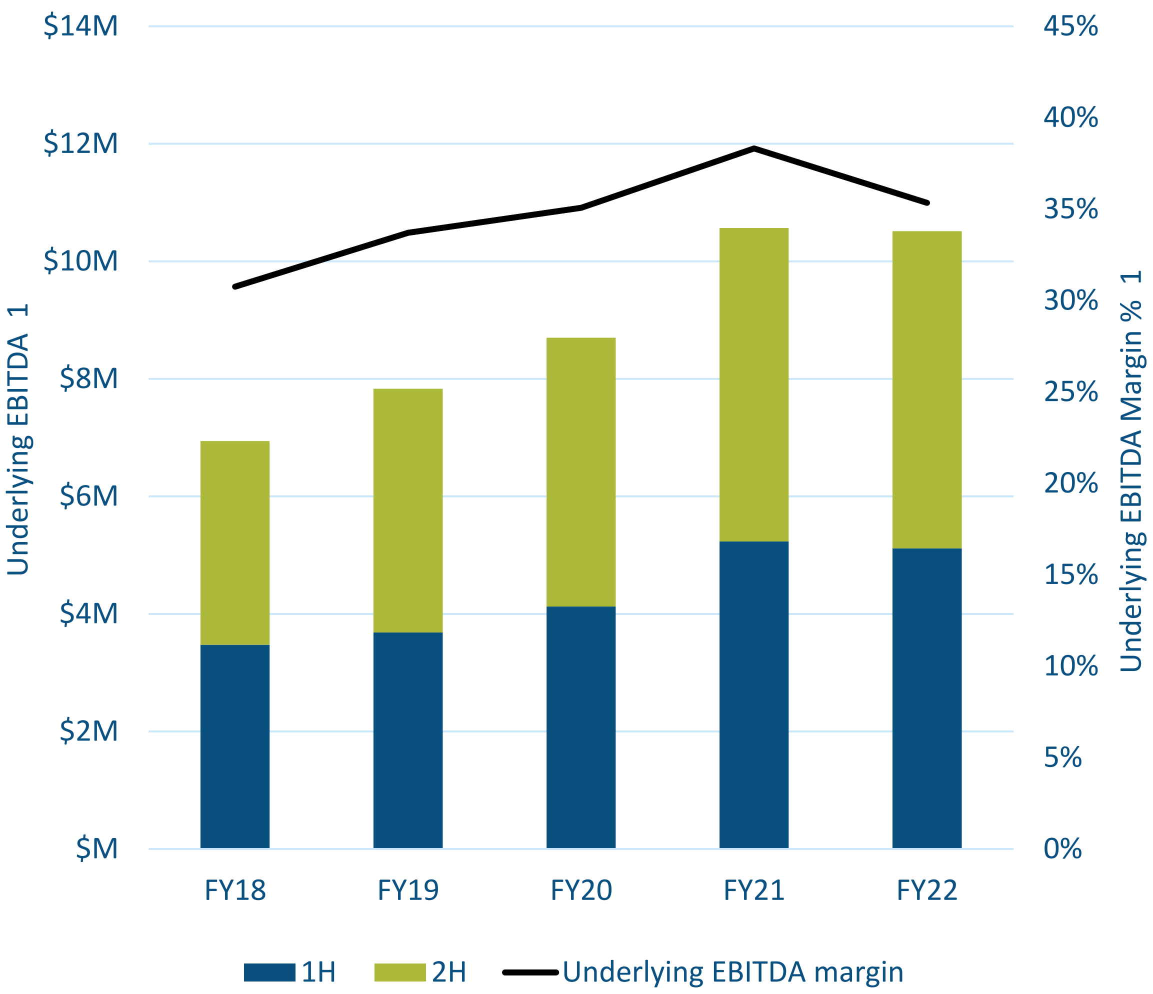
Maintaining Underlying EBITDA[1] while investing in people to scale operations

Underlying EBITDA[1]

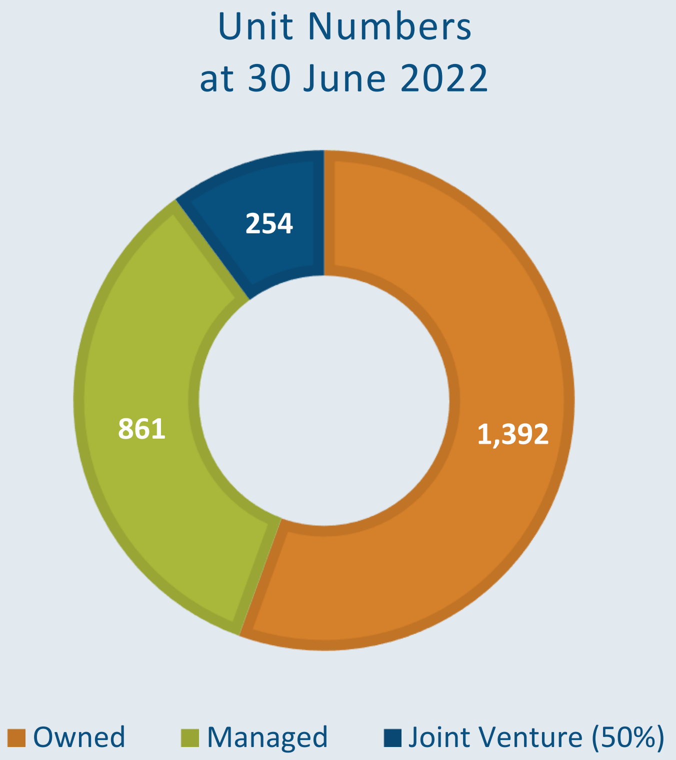
- FY22 in line with FY21 despite $0.3m impact of the Lismore flood
- Essential investment in people and resources has reduced the underlying EBITDA margin to 35.3%.

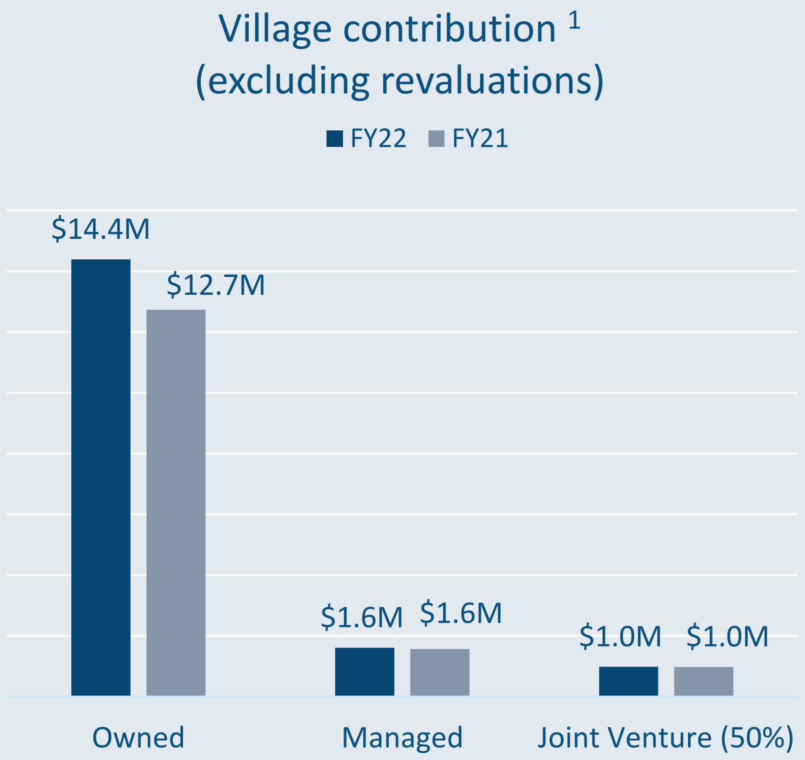
  Further key appointments are being made in FY23 as a prerequisite to delivering growth
- Underlying EBITDA margin expected to improve from late FY23 through organic growth, acquisitions and economies of scale
- Completion of, and full year contribution from, FY22 acquisitions underpin solid growth profile going into FY23

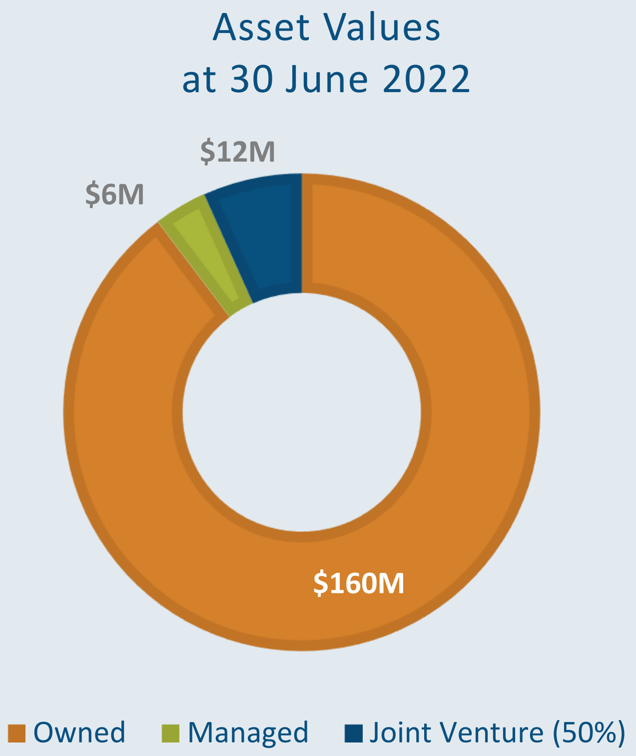
1 Refer to Definitions page



Portfolio summary







- Village contributions include contributions from acquisitions and disposals which have not been annualised
- The Oxford Crest, QLD acquisition comprising 330 managed villages occurred in late FY22

1 Refer to Definitions

A disciplined approach to portfolio acquisitions

Acquisitions

Villages

Brassall QLD $6.5m
+59 units plus development land
Settled July 2021

Bowen QLD $5.1m
+46 units with potential for 45-unit expansion
Settled May 2022

Eagleby QLD $7.3m
+55 units plus management rights
FY23 conditional contract
Settlement September 2022

Management & letting rights

Oxford Crest QLD $6.1m
Portfolio +330 managed units across 6 villages
Settled March/April 2022

Developments

Village expansion

Wynnum QLD
+22 units
Complete. Fully leased from January 2022

Brassall QLD
+55 units
Commencing first half FY23

Greenfield development

Kingaroy QLD $0.7m
Site settled October 2021
DA approved for +110 units
Commencing development first half FY23

Ongoing portfolio enhancements

Capital recycling & disposals

Villages

Townsville, QLD $3.0m
Sale of two villages comprising
32 units
Settled March 2022

Terranora NSW $1.8m (net of GST)
Sale of vacant land
Settled June 2022

Units in managed villages

Sale of 14 units, **QLD $1.1m**
Majority settled August 2021

Village improvements

Orange, NSW
Repositioned resident profile

Unit & Common area refurbishments
Ongoing upgrades

Village management model
Improved calibre of village teams

Acquisition outlook

Widely-held ownership and high demand markets provide acquisition and greenfield opportunities

- We take a disciplined approach to acquisitions and integration into the portfolio
- Eureka has the opportunity to consolidate the affordable rental retirement sector utilising its management capability and industry knowledge to source and execute acquisition opportunities from private, corporate and not-for-profit owners
- We are prioritising key regional cities where there is a significant demand for affordable rental retirement living
- We are building a pipeline with suitable opportunities

Capital management

Dividends

FY22 final dividend

0.63c per share

- Dividend reinvestment plan (DRP) operative
- DRP issue price of 5-day VWAP less 2.0% discount

Total FY22 dividends

1.26c per share

1.18c per share [FY21]

Key dates

Ex-dividend date

15 September 2022

Record date

16 September 2022

DRP election date

21 September 2022

Payment date

6 October 2022

DRP issue date

6 October 2022

Debt facility

Expiry

31 March 2024

Limit

$80.5m
Increases to $83m upon settlement of the deferred consideration for the Hervey Bay acquisition in November 2022

Interest rate

2.26% weighted average at 30 June 2022

Capital

- Proactive portfolio management
- Capital management planning to accelerate growth

Business Priorities

FY23 priorities

GROWTH

Deliver further earnings accretive acquisitions. Development opportunities have been identified in high demand regional markets

CAPITAL

Ongoing capital recycling program and capital management planning

BUSINESS FUNDAMENTALS

Business fundamentals and market drivers remain strong – village trading momentum and FY22 acquisitions provide a solid start to FY23

TECHNOLOGY

Implement preferred technology systems across all business units

RESIDENT EXPERIENCE INITIATIVES

Continue investment in key areas to enhance resident experience and resident value proposition

PEOPLE

Key appointments are being made in FY23 to accelerate growth and scale the business

BRAND

Revitalising and positioning Eureka's brand in the affordable rental retirement market

Results in Detail

Profit and loss

Year ended ($ '000)	30-Jun-22	30-Jun-21
Rental income	20,395	18,831
Catering income	4,842	4,544
Service and caretaking income	4,512	4,207
Total revenue	29,749	27,582
Reconciliation of profit after tax to underlying EBITDA[1]		
Profit after tax	8,173	6,283
Income tax expense	2,310	2,459
Depreciation and amortisation	737	587
Finance costs	2,106	2,626
EBITDA[1]	13,326	11,955
Net gain on revaluation of investment properties including joint venture	(9,961)	(2,942)
Loss on change in fair value of Lismore property	7,150	-
Net loss on revaluation of assets held for sale	(20)	525
Impairment of intangible and other assets	-	1,050
Profit on sale of non-core assets	136	(741)
Lismore flood event – insurance income less expenses	(655)	-
Transaction costs - acquisitions, disposals, asset realisations	40	271
Strategic projects including support office relocation, technology and brand	562	45
Property expenses - non recurring	(152)	279
Other	87	127
Underlying EBITDA[1]	10,513	10,569
Underlying profit before tax[1]	7,670	7,356
Basic earnings per share (cents)	3.48	2.73
Dividends per share (cents)	1.26	1.18
Underlying EBITDA margin[1]	35.3%	38.3%

- Profit after tax increased by 30% to $8.17m
- 7.9% increase in total revenue driven by acquisitions and organic rental growth
- Average village occupancy exceeded 98% across the portfolio. Period end occupancy of 98% due to active portfolio management
- Profit growth driven by net gain on property revaluations of $9.9m (including joint venture properties) prior to a $7.15m loss on the change in fair value of the Lismore property. The prior period included asset write-downs of $1.58m and a gain on sale of Terranora units of $0.74m
- Underlying EBITDA margin[1] decreased to 35.3% compared with 38.3% in FY21 due to essential investment in people and resources which commenced in 2H21
- Strategic project costs include establishing a corporate office in Brisbane and commencement of the technology upgrade and brand revitalization projects
- No cash tax is payable due to carry forward revenue tax losses

1 Refer to Definitions

Balance sheet

As at ($ '000)	30-Jun-22	30-Jun-21
Assets		
Cash and cash equivalents	1,837	1,890
Trade, other and loans receivable	1,138	974
Joint venture investment	7,196	6,846
Investment property	159,660	139,037
Other property assets	523	2,762
Intangible assets	8,471	3,827
Other assets	3,943	3,633
Total assets	182,768	158,969
Liabilities		
Trade and other payables	3,392	3,928
Provisions	712	618
Bank debt	70,018	57,039
Other financial liabilities	3,900	3,065
Deferred tax liabilities	5,713	3,439
Total liabilities	83,735	68,089
Net assets	99,033	90,880
Net debt[1]	68,181	55,149
Balance sheet gearing[1]	40.8%	37.8%
Net tangible assets per share (cents)	38.2	37.5

- Strong balance sheet with financial capacity for expansion
- Weighted capitalisation rate for investment properties firmed to 9.43% (FY21: 9.92%)
- Investment property – $20.6m net increase due to:
  - Acquisitions - Brassall, Kingaroy and Bowen (Qld)
  - Wynnum, Qld expansion
  - Net gain on change in fair value
  - Capital improvements
  - Offset by disposal of two villages in Townsville, Qld and loss on change in fair value of Lismore property due to flood
- Other property assets – decrease due to disposal of assets held for sale in prior year, including vacant land at Terranora
- Intangible assets – increase due to acquisition of Oxford Crest management letting rights
- Debt facility limit increased to $80.5m post balance date, increasing by a further $2.5m in November 2022
- Increase in net debt of $13.0m
- Balance sheet gearing increased to 40.8%

1 Refer to Definitions

Cash flow

Year ended ($ '000)	30-Jun-22	30-Jun-21
Cash flows from operating activities		
Receipts from customers	29,386	27,857
Payments to suppliers and employees	(21,073)	(19,040)
Distribution from Joint Venture	1,150	667
Insurance proceeds	1,027	595
Interest received	21	64
Interest paid	(2,228)	(2,295)
Net cash provided by operating activities	8,283	7,848
Cash flows from investing activities		
Payments for investment property and intangibles	(26,766)	(15,170)
Proceeds from sales of assets	6,142	6,033
Other net payments	(268)	(287)
Net cash used in investing activities	(20,892)	(9,424)
Cash flows from financing activities		
Net proceeds from borrowings	12,900	2,704
Payment of dividends	(2,246)	(1,981)
Proceeds from share issue	2,240	713
Other payments for financing activities	(338)	(421)
Net cash provided by financing activities	12,556	1,015
Net decrease in cash and cash equivalents	(53)	(561)
Cash and cash equivalents at the beginning of the period	1,890	2,451
Cash and cash equivalents at the end of the period	1,837	1,890

- Reliable operating cash flows
- Net cash from operating activities was $8.3m (+5.5% on FY21), noting the following items:
  - Net insurance proceeds[1] of $0.7m for the Lismore flood event (FY21 - $nil) exceed the estimated loss of earnings from the property in FY22 ($0.3m)
  - Joint venture distributions vary from year to year, subject to on the timing of capital improvements in the portfolio
  - GST of $0.2m was remitted on the sale of the vacant land at Terranora, NSW
  - After adjusting for the above items, net cash from operating activities was $6.9m, down from $7.2m in FY21 driven by investment in people, technology and brand revitalization projects. FY21 also includes Government support for COVID costs and favourable working capital adjustments
  - Completion of acquisitions and organic growth will increase operating cash flow
- Acquisition of new villages was funded from debt and operations
- Dividends paid during the year were funded by a fully underwritten dividend reinvestment plan

1 Refer to Definitions

Definitions

Balance sheet gearing
Calculated as net debt (being interest-bearing drawn debt net of cash) divided by net debt plus equity

EBITDA
(Earnings before interest, tax, depreciation and amortisation)
An unaudited non-IFRS measure. The Directors believe it is a readily calculated measure that has broad acceptance and is referred to by regular users of published financial statements as a proxy for overall operating performance. EBITDA is calculated from amounts disclosed in the financial statements

Net debt
Interest-bearing drawn debt net of cash

Net insurance proceeds
Insurance income less related expenses (excluding changes in fair value)

Underlying EBITDA
An unaudited non-IFRS measure that represents the operating performance of the Group and excludes valuation adjustments, asset disposals and certain non-core or non-recurring transactions

Underlying EBITDA margin
Underlying EBITDA divided by Total Revenue

Underlying Profit before tax
An unaudited non-IFRS measure and equals Underlying EBITDA less finance costs, depreciation and amortisation

Village contribution
An unaudited non-IFRS measure calculated from amounts disclosed in the operating segments note to the financial statements. Excludes changes in fair value, finance costs and depreciation and amortisation.

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Contact details

Eureka Group Holdings Limited
ABN 15 097 241 159

REGISTERED ADDRESS
Suite 2D, 7 Short Street
Southport QLD 4215

BRISBANE OFFICE
Level 5, 120 Edward Street
Brisbane QLD 4000

POSTAL
PO Box 10819
Southport BC QLD 4215

T: 07 5568 0205
E: info@eurekagroupholdings.com.au
www.eurekagroupholdings.com.au

ENQUIRIES
Murray Boyte, Executive Chair
Cameron Taylor, Chief Executive Officer
Laura Fanning, Chief Financial Officer

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