

ASX Announcement

29 February 2024

EUREKA GROUP HOLDINGS LIMITED (ASX: EGH) 1H24 RESULTS ANNOUNCEMENT

Highlights

- **Revenue up 16% to \$20.3 million** (1H23 \$17.6 million) reflecting strong resident demand, rental growth and asset acquisitions
- **Underlying EBITDA up 19% to \$7.1 million** (1H23 \$5.9 million), including like-for-like village growth of 11%
- **Underlying profit before tax of \$4.3 million** (1H23 \$3.7 million), up 16%
- **Portfolio value uplift of \$5.6 million**, driven by increased village earnings
- **Stable weighted average capitalisation rate of 8.25%** (30 June 2023: 8.32%)
- **Progressed acquisition and development growth strategy** with:
 - the investment in the Eureka Villages WA Fund which was established to acquire six villages comprising 321 units
 - 14 individual unit acquisitions
 - the purchase of land in Gladstone (Qld) for a greenfield development
- **Brassall development now completed and fully leased** with an as-if-complete valuation of \$21.5 million at balance date
- **Underlying EPS of 1.44 cents per share** (1H23 1.50 cps)
- **Interim dividend of 0.70 cents per share** (1H23 0.67 cps)
- **Village occupancy of 98%** as at 31 December 2023

Eureka Group Holdings Limited (ASX: EGH) (Eureka) today announced a 19% increase in Underlying EBITDA to \$7.1 million for the half year ended 31 December 2023 (1H24) over the previous corresponding period), driven by organic growth in existing villages, acquisitions completed in the prior period and improved maintainable earnings.

Occupancy remained stable across the portfolio at 98% as at 31 December 2023. The implementation of strategies to increase village revenue, while maintaining affordability for residents, contributed to the organic like-for-like village EBITDA growth of 11% over the prior corresponding period.

Reported profit after tax of \$6.3 million was down from \$7.8 million last year, reflecting a lower level of property revaluations and higher interest costs during the period. The Group has continued to improve maintainable earnings as reflected in the valuation uplifts recorded in in June 2023 and December 2023. Approximately 90% of the property portfolio has been independently valued on or since 30 June 2023.

Eureka also demonstrated its ability to access alternative sources of funding to grow its business with the investment in a new wholesale property fund, Eureka Villages WA Fund (the Fund). The Fund acquired six villages in Western Australia in December 2023 for \$44 million, with an average occupancy exceeding 99%. The Fund is managed by Eureka Asset Management Pty Ltd, a wholly owned subsidiary of Eureka. Eureka made a cornerstone investment in the Fund of \$9 million.

Eureka maintains a comfortable financial position, with net debt of \$88.8 million as at 31 December 2023 and headroom on interest cover and gearing ratios.

The Board has declared an interim dividend of 0.70 cents per share (unfranked). The dividend record date is 5 April 2024 and is payable to shareholders on 29 April 2024. Eureka's dividend reinvestment plan will be in place for this dividend.

Commenting on the results, Eureka executive chairman, Mr Murray Boyte, said: "Our interim result builds on the momentum that we established in the 2023 financial year, reflecting excellent progress towards achieving institutional scale in the specialised affordable seniors build-to-rent market that will generate improved returns and value enhancement for shareholders.

"The strategic acquisition of six villages in Western Australia by the Eureka Villages WA Fund is consistent with Eureka's growth strategy. The investment in the Fund, and management of this portfolio, establishes Eureka's position as the pure-play leader in the affordable build-to-rent sector for seniors.

"Eureka has an attractive future as an independent, pure-play affordable seniors accommodation provider and is well positioned to create long-term, sustainable value for shareholders," Mr Boyte concluded.

Update on Aspen Offer

On 23 January 2024, Aspen Group Limited (Aspen) announced an intention to make an off-market takeover bid to acquire all of the fully paid ordinary shares in Eureka (the Proposed Bid).

The all-scrip Proposed Bid proposes a merger ratio of 0.26 Aspen securities per Eureka share. This represents an implied price of \$0.441 per Eureka share (Implied Bid Price) or a **discount of 4.2%** to Eureka's current share price (based on Aspen and Eureka's closing share prices of \$1.695 and \$0.46 respectively as at 28 February 2024).

Aspen's current offer is considered inadequate by the Board and undervalues Eureka, as the Implied Bid Price represents either a discount or no meaningful premium over Eureka's share price at any time in the past 12 months.



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Based on Eureka's 1H24 earnings and outlook, the Board also believes the Proposed Bid undervalues the underlying strength of Eureka's business model and its future growth potential.

Eureka has appointed an independent expert to opine on whether the Proposed Bid is fair and reasonable, and this opinion will be included in the Target's Statement.

The Eureka Board advises shareholders to take NO ACTION until they receive that recommendation.

Eureka will keep shareholders informed about the Proposed Bid in accordance with its continuous disclosure obligations.

This announcement was approved and authorised for release by Eureka's Board of Directors.

For further information

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