

## **ASX Announcement**

5 November 2021

### **2021 Annual General Meeting – Chairman’s Address**

Eureka Group Holdings Limited (ASX: EGH) releases the attached Chairman’s address and accompanying presentation which will be presented at this morning’s Annual General Meeting, commencing at 11am Brisbane time.

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

**For further information**, contact Murray Boyte, Executive Chair on 07 5568 0205.



## **Chairman's Address**

### **2021 Annual General Meeting of Eureka Group Holdings Limited (ACN 097 241 159)**

5 November 2021

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Good morning, Ladies and Gentlemen.

My name is Murray Boyte. I am the Executive Chairman of Eureka Group Holdings Limited (Eureka). It is my pleasure to welcome you to Eureka's virtual Annual General Meeting (AGM) for the year ended 30 June 2021.

### **Financial Review**

Eureka reported a profit after tax of \$6.28 million for the year ended 30 June 2021. This is lower than the profit before and after tax of \$8.10 million for the 2020 year. Eureka achieved improved returns from its core asset base during the year, however, earnings per share growth stalled. The reduction in profit after tax and earnings per share compared to the prior year was caused by provisions of \$1.57 million against legacy assets and a higher effective tax rate of 28% (2020: 11%). Earnings per share was 2.73 cents, down from 3.52 cents.

Key financial metrics which demonstrate an improving trend for the year were:

- Underlying earnings before interest, tax and depreciation (EBITDA) was \$10.57 million, up 21%;
- Net Operating Cash Flow was \$7.85 million, up 13% after adjusting for a one-off prior year GST refund of \$0.64 million in 2020;
- Net tangible assets per share was 37.5 cents, up 6% from 35.5 cents in 2020;
- Net debt increased by \$3.26 million to \$55.28 million and the gearing ratio, calculated as net debt to net debt plus equity, was stable at 37.8% (2020: 37.7%); and
- Total assets increased by 9.5% to \$158.97 million.

During the year, National Australia Bank increased Eureka's debt facility to \$77.5 million to facilitate acquisitions and the expiry date was extended to 31 March 2024.

### **Dividends**

Eureka has paid the following unfranked dividends to shareholders for the 2021 year:

- An interim dividend of 0.59 cents per share on 21 April 2021; and
- A final dividend of 0.59 cents per share on 28 September 2021.

Dividends paid for the year equated to 43% of the profit after tax.



Eureka's Dividend Reinvestment Plan (DRP) was established during the year as a capital management initiative and was active for both of the above dividends. The DRP participation rate was very strong. The issue of shares under the DRP was also fully underwritten by Taylor Collison Limited stockbrokers with the support of new and existing institutional and sophisticated investors.

### **Portfolio Highlights and FY22 Update**

Eureka currently has 41 villages in its portfolio consisting of 33 owned villages and 8 managed villages.

#### ***Occupancy***

A year-end occupancy rate of 98% was achieved compared to a rate of 95% in 2020. Occupancy remains strong and we believe the higher rate is sustainable. Digital marketing initiatives along with relationship building in local communities are proving effective in strengthening Eureka's empathetic reputation and building resident leads.

#### ***Acquisitions***

The two villages acquired in Hervey Bay and Cairns comprising 123 units have been successfully integrated into the Group and are trading in accordance with acquisition forecasts.

The acquisition of a rental village at Brassall, a suburb in the city of Ipswich, South-East Qld, was completed in July 2021. The village comprising 59 relocatable homes and surplus land for a further 47 relocatable homes was acquired for \$6.1 million. Development planning is underway with construction on the 47 lots expected to commence in the first quarter of 2022 and will be progressively completed through to October 2022.

On 5 November 2021, Eureka entered into conditional contracts to acquire the Management and Letting Rights (MLRs) and related properties (manager's units) for 6 villages in South-East Queensland that provide affordable rental accommodation for seniors. These villages are currently operated by Oxford Crest and comprise 414 units of which approximately 330 units will be managed by Eureka. Settlement is scheduled for 1 February 2022. Eureka will continue to identify strategic opportunities to grow its managed portfolio in the senior's independent living sector alongside its ownership model. Following this acquisition the total number of units under management will be 2,580, up 18% from 2,191 at 30 June 2021.

#### ***Wynnum Expansion***

The 22-unit expansion of the Wynnum village is nearing completion and will increase the village to 62 units. 10 units will be completed and occupied by 30 November 2021. The remaining 12 units are expected to be completed in December 2021 and fully leased in January 2022. Rental rates for the new units are above forecasts.

#### ***Kingaroy Greenfield***

A 2 hectare site has been acquired in Kingaroy for a greenfield development. The South Burnett Shire Council has approved a Development Application for a 110-unit independent living seniors' rental village. A design and construction program and feasibility are being finalised. Development is expected to commence in mid 2022.

#### ***Portfolio Enhancements***

Solar energy enhancement has been completed at 13 villages and a further 8 villages will be converted to solar energy in 2022.



### ***Capital recycling***

The final 31 units at Terranora, New South Wales were disposed of during the year for \$6.02 million. This completed the sale of the 60 strata titled units of this legacy asset generating gross proceeds of \$12.9 million.

The 4.8 hectare parcel of land adjacent to the site is listed for sale with various parties undertaking due diligence. The 500 square metre central facility situated on the unit site is to be redeveloped into 4 units this financial year.

### **Managing COVID-19**

During the year, Eureka has continued to assiduously manage COVID-19 risks through a range of best practice and preventative measures to protect the well-being and health of all concerned and to minimise the risk of infection and transmission among residents and employees. Eureka acknowledges that many of its residents have a higher risk of serious illness if they were to contract COVID-19 due to their age and propensity for underlying health issues.

Currently, over 90% of Eureka's employees are fully vaccinated which will increase to 97% by the end of November 2021. We are working with the remaining staff members to achieve 100% vaccination rates.

### **Environmental, Social and Corporate Governance (ESG)**

Eureka has set out its approach to ESG in its 2021 Annual Report. We are committed to creating sustainable communities, promoting greater environmental responsibility and resource efficient processes across Eureka's operations and driving positive change in our sector within a framework of strong corporate governance.

The board continues to develop Eureka's investment and environmental sustainability strategy to ensure the Group delivers on its broader environmental, social, governance and economic goals.

### **Outlook**

Operating results for the first quarter have been encouraging with occupancy being maintained at June 2021 levels. Eureka's underlying EBITDA forecast for the 2022 financial year is in the range of \$11.5 to \$11.8 million prior to asset revaluations, further acquisition opportunities and non-recurring items.

While the forecast reflects a modest 9% to 11% increase over 2021, Eureka is at an advanced stage of negotiations on potential acquisitions. It has undertaken additional investment in upskilling its management team in the areas of finance, operations, people & culture and risk. Eureka has a management team appropriately skilled and capable of managing a larger business and a significant increase in the number of villages under management. We are preparing for the future. The office relocation to Brisbane in September 2021 has enabled Eureka to access a deeper talent pool for staff recruitment, facilitated a more efficient approach to intra and interstate travel and enabled the business to be closer to its key support services.

Considerable progress has been made in improving resident experience, embedded in the Resident First culture. Eureka will continue to build on this ethos as it expands its business. In 2021, Eureka further developed its operating platform based on the Five Pillar program first implemented in 2019. The Five Pillar program will continue to evolve as the operational framework to facilitate the scalability of the Eureka business model. Overlaying the operational framework is the strategic plan and capital management model. Implementation of an enhanced integrated technology system is a priority in 2022.



Further assets have been identified for recycling and a pipeline of acquisitions and greenfield development opportunities have been identified to underpin an earnings accretive scaling of the business.

### **Directors and Staff**

Eureka's board and management have undertaken a comprehensive review of human resource requirements and as a consequence, key roles have been reset and upskilled to ensure that Eureka has the necessary capabilities in place for execution of its strategic plan. Eureka has transitioned a successful cultural shift to empowering employees with a higher level of accountability and purpose while maintaining a philosophy of empathy, care, and safety which is fundamental to the services we provide in the social infrastructure sector.

I would like to thank my fellow directors for their commitment, leadership and contribution to Eureka's development as a leading company in the affordable rental market for senior independent living. To our staff, thank you for your contribution and effort during a period of challenging social and economic conditions and, at our company level, a period of significant change.

To our shareholders, we thank you for your continued support.

Thank you.





# 2021 Annual General Meeting



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# Meeting Overview

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## Agenda

- Chairman's address
- Formal items of business

## Procedural Matters

- **Questions:** You can ask questions via telephone or online.  
We encourage shareholders to submit online questions early in the meeting.
- **Voting:** Once shareholders have registered to vote you can vote at any time during the meeting.

# Chairman's Address

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Murray Boyte – Executive Chairman



# FY2021 Financial Results

**"Growth in core operations."**

PROFIT AFTER TAX

**\$6.28M**

\$8.10M [FY20]

EARNINGS  
PER SHARE

**2.73** cents

3.52 cents [FY20]

DIVIDENDS  
PER SHARE

**1.18** cents

▲ 7%

Fully underwritten DRP

UNDERLYING EBITDA <sup>1</sup>

**\$10.57M**

▲ 21%

NET OPERATING CASH FLOW

**\$7.85M**

▲ 13% ADJUSTED FOR FY20 GST REFUND

NET TANGIBLE ASSETS  
PER SHARE

**37.5** cents

▲ from 35.5 cents [FY20]

NET DEBT <sup>1</sup>

**\$55.28M**

▲ \$3.26M

BALANCE SHEET GEARING <sup>1</sup>

**37.8%**

37.7% [FY20]

TOTAL ASSETS

**\$158.9M**

▲ 9.5%

<sup>1</sup> Refer to Definitions page

# Village Locations

2,250

UNITS UNDER MANAGEMENT

41 VILLAGES

33

OWNED

8

UNDER  
MANAGEMENT



at 5 November 2021

# Portfolio Highlights & Update

## ACQUISITIONS

### VILLAGES

- Earlville QLD: +70 units
- Hervey Bay QLD: +53 units
- Brassall QLD: +59 units

### MANAGEMENT & LETTING RIGHTS

- Oxford Crest QLD: +330 units  
Conditional contract  
Settlement February 2022

## ENHANCEMENTS

- Solar energy program:  
13 villages complete  
Installation in 8 villages in 2022

**“Active portfolio  
management.”**

## DEVELOPMENTS

### VILLAGE EXPANSION

- Wynnum QLD: +22 units  
Leasing by January 2022
- Brassall QLD: +47 units  
Progressive completion by October 2022

### GREENFIELD DEVELOPMENT

- Kingaroy QLD: +110 units  
Commence in mid 2022

## SUSTAINABLE OCCUPANCY

**98%**  
▲ FROM 95%

## CAPITAL RECYCLING

- \$6.0m from Terranora NSW unit disposals in FY21.
- Terranora NSW vacant land and central facility to be sold
- Other assets identified for recycling

# Environmental, Social & Governance

# ESG

## Environmental



Solar energy

Water recycling

Waste management

Community gardens

## Corporate Social Responsibility



Resident First

One team

Community engagement

Dedicated dog parks

The Kitchen Club

## Governance



Ethical business practices

Risk management systems

Safety & compliance

Board governance

COVID-19 response



# FY2022 Outlook & Priorities

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## FY22 UNDERLYING EBITDA<sup>1</sup> FORECAST

- **\$11.5M - \$11.8M**  
Prior to asset revaluations, further acquisition opportunities and non-recurring items
- **Investment in people** for future growth
- Established corporate office in **Brisbane**

## FY22 PRIORITIES

- **Growth** – pursue and deliver further acquisition and development opportunities to continue to scale the business
- **Technology** – implement enhanced technology systems across all business units
- **Resident experience** initiatives – introduce strategies in response to Voice of the Resident survey, now complete
- **Marketing** – enhance brand position and reputation in the rental retirement living sector
- **Capital** – ongoing capital recycling program and capital management planning

<sup>1</sup> Refer to Definitions page

# Operating Platform

## Five Pillar Operating Platform - FY2021 Update



### Occupancy, Revenue & Cost Initiatives

- Resident First culture is driving occupancy and revenue
- Voice of the Resident survey underway
- Cost reduction initiatives enhance profitability



### Team Culture + Engagement

- Redefined roles
- Upskilling and training
- Productivity improvement



### Safety, Risk & Engagement

- Regular review of risk management systems
- Policies & procedures ensure ongoing safety and compliance



### Information Systems & Technology

- Improve and standardise



### Applications

- Digital marketing initiatives
- Enhanced community engagement
- Improved enquiry levels



# Definitions

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## 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

## 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

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