

Eureka Group Holdings Limited

AGM Presentation

November 2016



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Overview of Eureka Group

- Eureka aims to provide the highest level of low cost rental accommodation and associated care to independent retirees who are either completely or primarily reliant on the Australian Government Pension and Rent Assistance
 - In Australia 77% of single people (over age 65) rely on pensions as their primary source of income
- Through 2014 to 2015, retirement villages accounted for 18% of the A\$17bn revenue spent on aged care accommodation
- Eureka sources almost all of its revenue indirectly from the Federal Government with rent and associated weekly costs coinciding with the social security and rental assistance payments
- As of October 2016, Eureka has 35 villages under management with a total of 2,073 units owned and/or managed



Source: Third party source

Company Snapshot

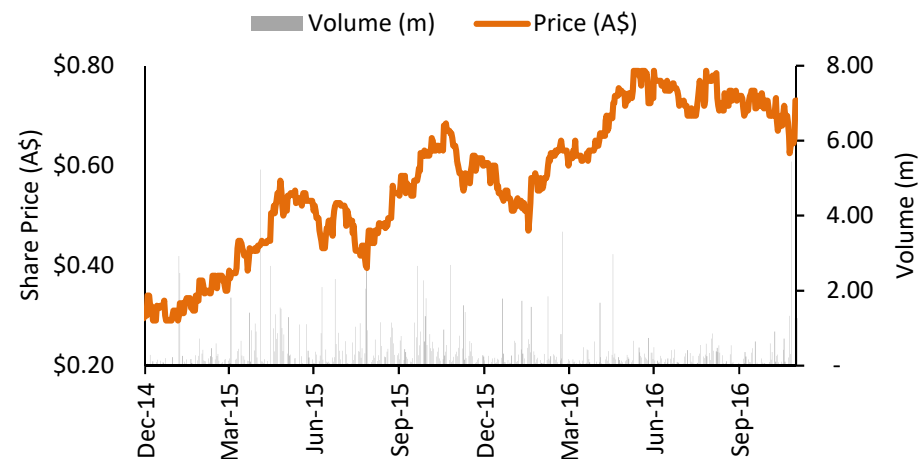
Capital Structure¹

Share Price	A\$0.73
Shares Outstanding (m)	231.0
Market Capitalisation	A\$168.7M
Cash (30-Jun-16)	A\$6.8M
Debt (30-Jun-16)	A\$42.5M

Directors & Senior Management

Robin Levison	Executive Chairman
Lachlan McIntosh	Non-Executive Director
Nirmal Hansra	Non-Executive Director
Greg Rekers	Executive Director / Head of Real Estate
Kerry Potter	Executive Director / Chief Operating Officer
Oliver Schweizer	Company Secretary
Ryan Maddock	Chief Financial Officer

Share Price Performance



Major Shareholders

Tribeca Investment Partners Pty Ltd.	5.92%
Robin Levison ¹	5.48%
Hunter Hall Investment Mgmt	5.39%
Lachlan McIntosh ¹	5.16%
Cooper Investors Pty Ltd.	5.03%
Pie Funds Management Ltd.	4.62%
Glenn Molloy	3.43%
22 Resolution Pty Ltd.	2.26%
Mews, Richard Ewan Bromley	2.11%

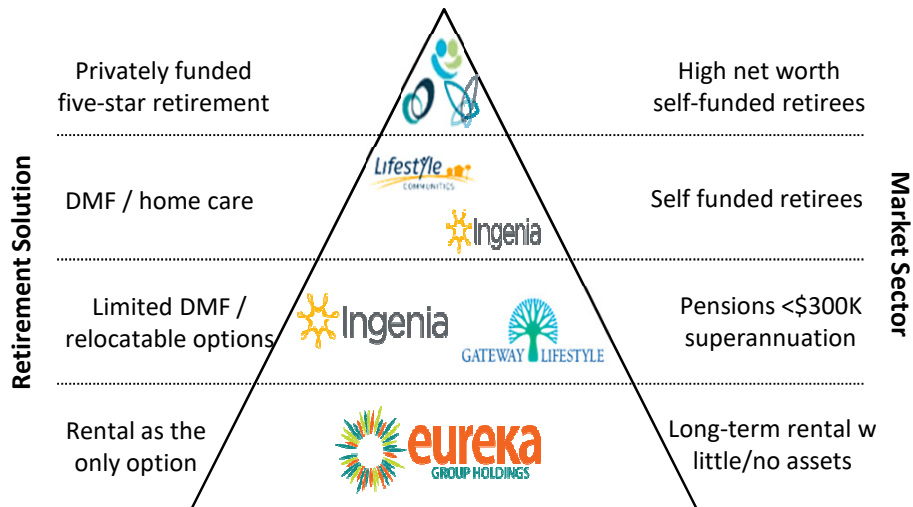
1. Market data as of 29 November 2016

Market Primer: The Australian Retirement Industry

- Eureka's model caters to the 65+ year olds whose primary source of income is the full aged pension and requires no upfront capital
 - 77% of single people (over age 65) rely on pensions as their primary source of income

High Demand for Affordable Rental Solutions

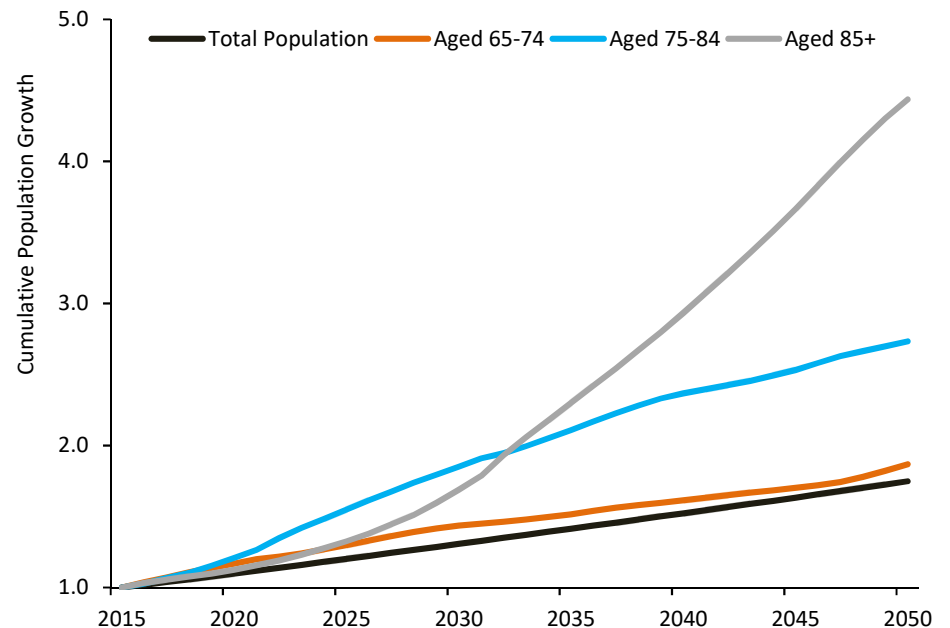
- Recent trends have seen service providers move to the DMF and MHE models, significantly reducing the amount of affordable housing available in the market
- Has driven high demand and placed greater importance on Eureka to continue providing affordable rental solutions



Source: Third party research

Ageing Australian Population

- The ABS forecasts the number of Australians aged over 65 will increase from 3.6 million today to 4.2 million in 2020
- Will increase to 8.8 million by 2050



Market Primer: The Australian Retirement Industry (cont'd)

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- Through 2014 to 2015, retirement villages accounted for 18% of the A\$17bn revenue spent on aged care accommodation

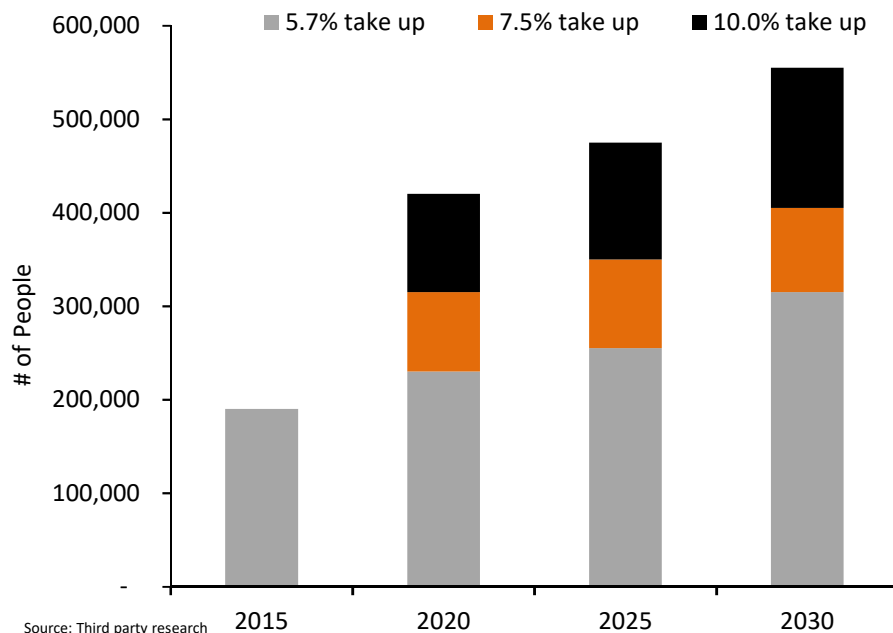
Low Penetration of Retirement Living in Australia

- According to the ABS, less than 6% of Australians reside in retirement villages, compared to 12% of seniors in the U.S.

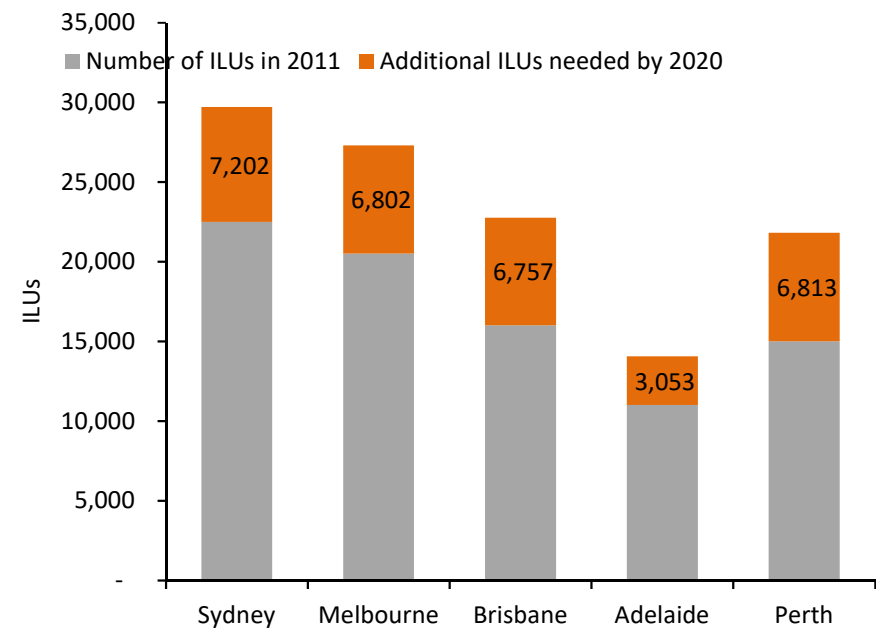
Growth in Demand Anticipated Across Cities

- Knight Frank estimates 31,035 new independent living units will be required across Australia's cities by 2020 in order to meet expected consumer demand

Implied Demand, Retirement Living Community Residents



Demand for Retirement Living By City



Business Units Overview

The key to Eureka's success is the discipline and coordination of the three key business units:

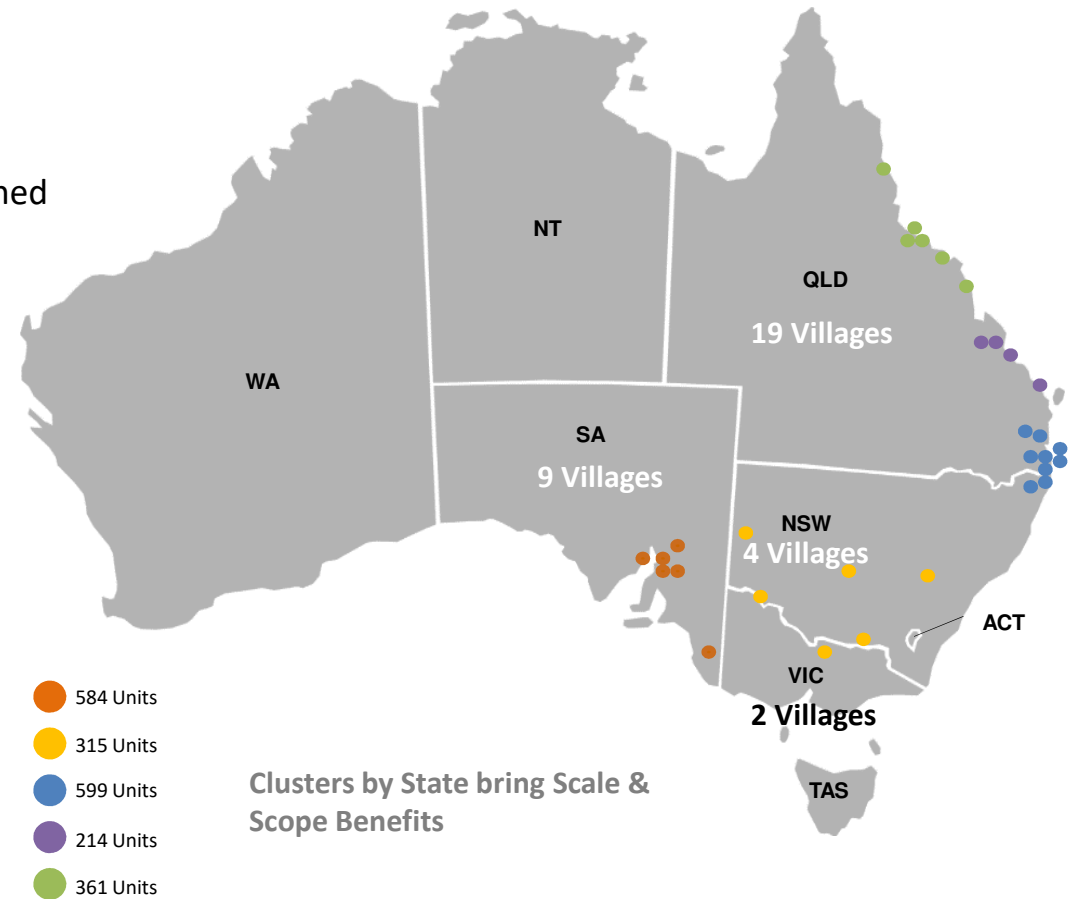
- **Real Estate Acquisition Team** – The key to our Growth Strategy
Searches regional Australia for low cost retirement villages or assets suitable for re-purposing to low cost rental retirement accommodation
- **Infrastructure and Asset Management Team** – The key to our Financial Strategy
Concentrates on filling those assets with suitable residents and providing food and associated support services including those from the Blue Care partnership
- **Property Management, Finance and Compliance Team** – The key to our Cost Savings and Performance Strategy
Ensures all rents and other associated payments are collected, all local, state and federal regulations are complied with and all ASX, ATO and other report requirements are met and are creating significant shared back office services economies of scale

Key Operational Highlights

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Geographical Distribution of Villages

- 35** villages under management
- 26** villages with freehold land and buildings owned
- 1,334** units owned
- 2,073** units owned and/or managed
- 8-12** villages to be acquired in next 12 months



Eureka's "Buy & Build" strategy succeeding with a further 200 low-cost rental accommodation assets identified and preliminary due diligence completed

Eureka's Steady Growth Trajectory

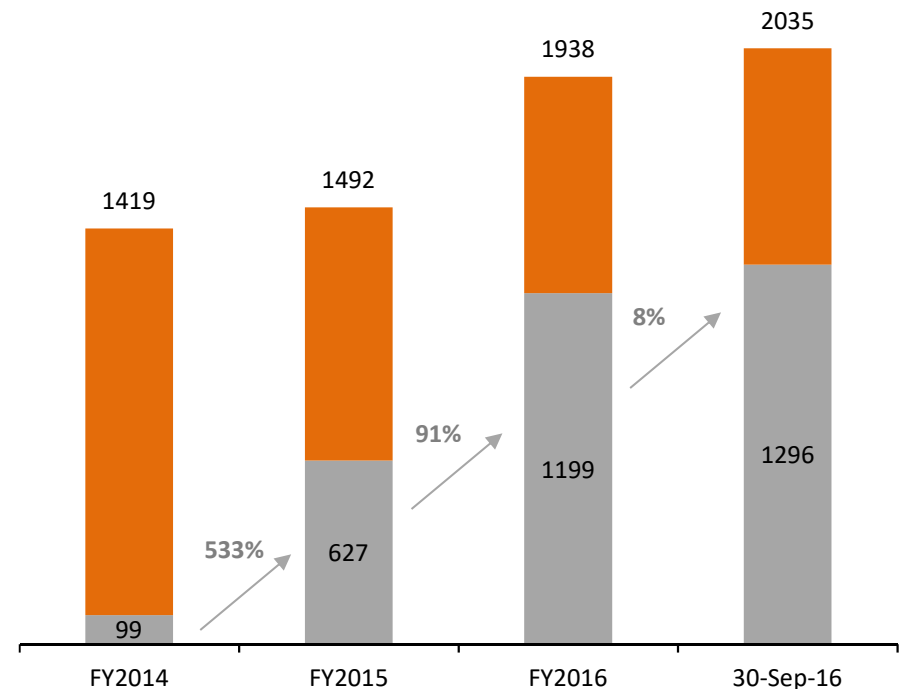
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- Eureka has grown over significantly the last three years, with owned properties increasing 91% year-over-year in FY2016
- 200 low-cost rental accommodation assets identified and preliminary due diligence completed
- Targeting a further 8-12 acquisitions in the next 12 months, with 6 villages under current due diligence or in clear line of sight

Units Owned/Managed

(in units)

- Owned
- Managed

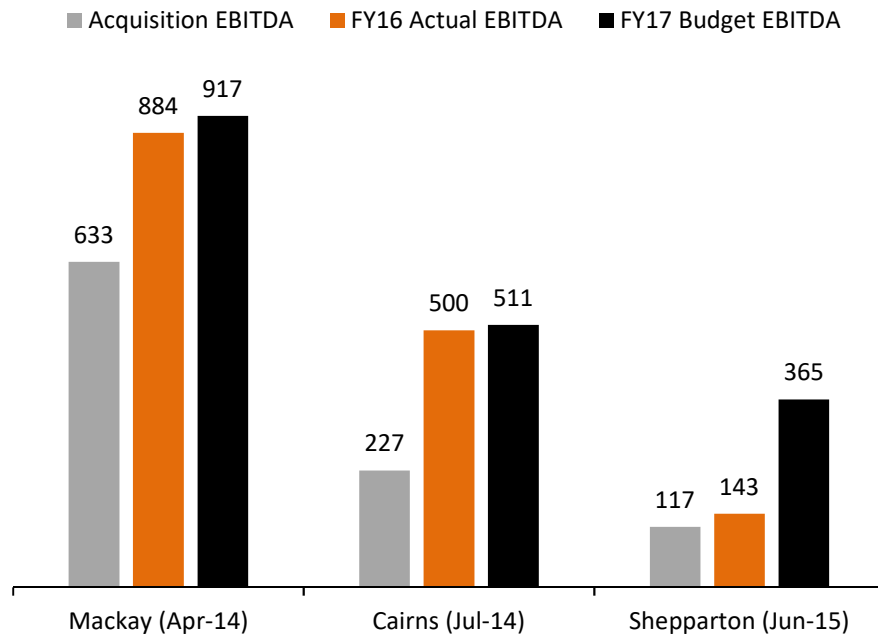


Eureka's Ability to Improve Village Performance Post-Acquisition

- Earnings for all villages have increased since acquisition by Eureka
- Operating efficiencies and economies of scale benefits continue to drive improved earnings
 - Focus on increased rental rates, occupancy and back office consolidation creating cost savings and margin growth

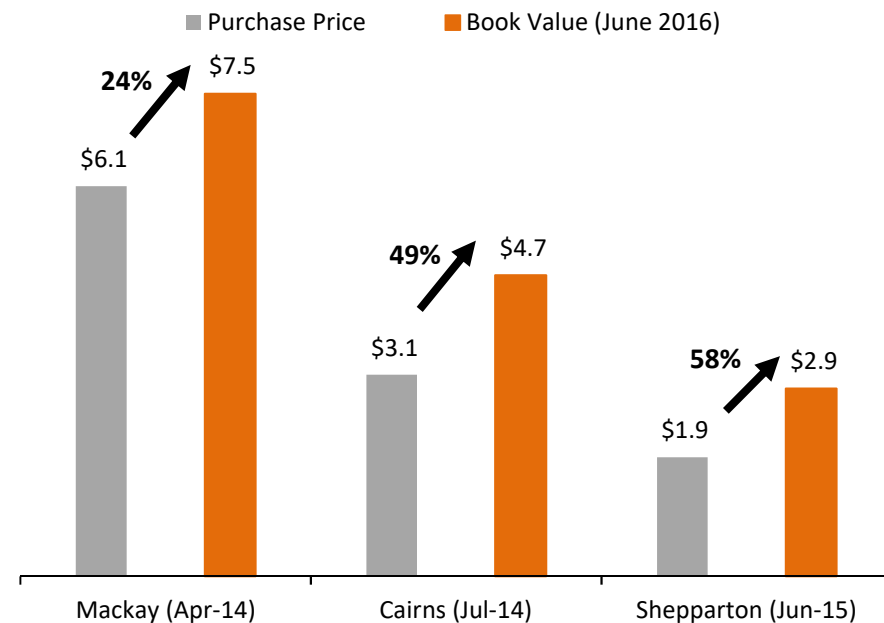
Village EBITDA

(in \$000's)



Purchase Price v. Book Value

(in \$ millions)



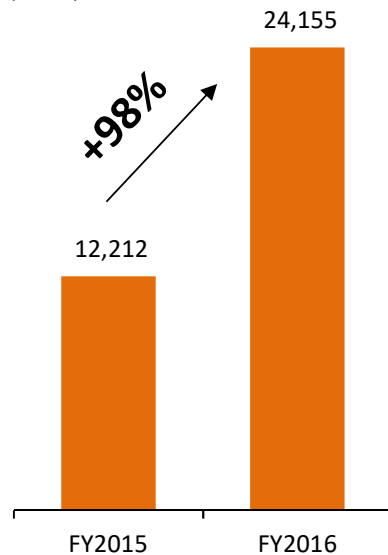
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Key Financial Highlights

- Revenue, EBITDA and NPAT have continued to increase as a result of village acquisitions completed during the year
- Cost control focus and scale benefits have flowed through to margins and bottom line results
- Strong balance sheet – net assets of \$64.9 million, up 104%
- Investment property book value of \$86.5 million, up 118%
 - \$43 million invested for 13 village acquisitions settled during the year

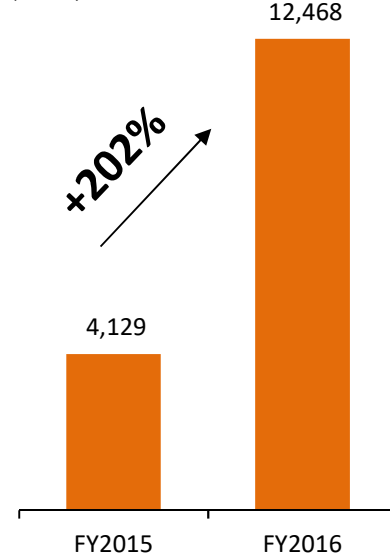
Revenue

(\$000's)



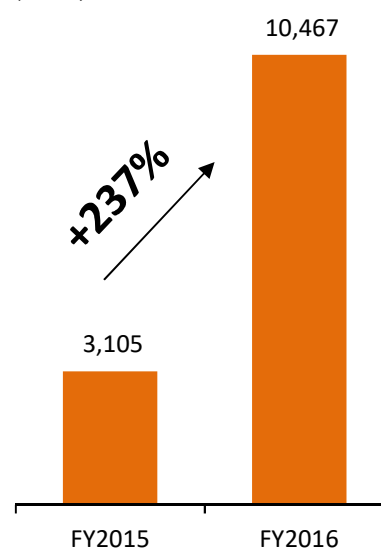
EBITDA

(\$000's)



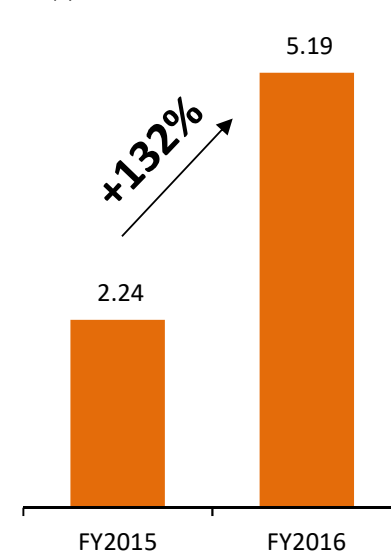
NPAT

(\$000's)



EPS

(\$)

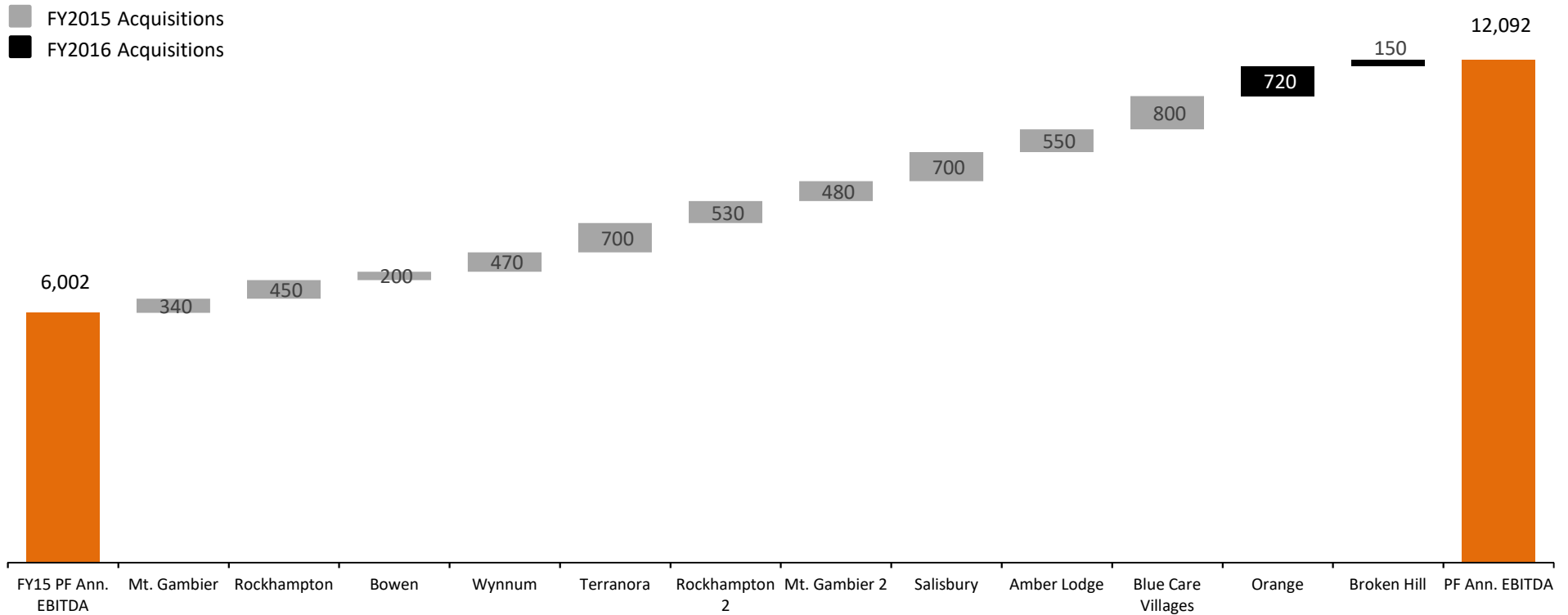


Pro Forma Annualised EBITDA

- The nine village acquisitions announced since 1 July 2015 are expected to contribute an additional \$6.09 million to Eureka's EBITDA on an annualised basis

Pro Forma Annualised EBITDA

(\$000's)



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Growth Strategy

1

Acquisition Growth

Acquired 24 villages in last 28 months and is targeting a further 8-12 low-cost accommodation asset acquisitions in the next 12 months

2

Organic Growth

Development on existing owned village sites will allow Eureka to develop more than 295 additional units (5 villages equivalent); also opportunity to develop 125-150 purpose-built retirement units

3

Margin Growth

Increased rental rates, occupancy and back office economies of scale

4

Services/Care Growth

Now offers government funded in-home care packages to residents that will make the villages initially more attractive, keep residents longer, and accordingly increase profitability

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Improving Performance – Select Case Studies

Terranora Village Redevelopment



Acquired in December 2015 for \$7M, the planned redevelopment will include:

- Sale of 3.5 hectares of vacant land, generating \$4M net cash
- Sale of 80 existing rental units, delivering \$14M in net cash
- Retention of management rights for the 80 units sold, adding an expected \$250,000 annually to EBITDA
- Future reinvestment of \$10M from excess cash to build a 'next generation' village on remaining 2.5 hectares of vacant land – expected for 2018

Shorty O'Neil Village



Acquired the 42-unit village in August 2016 for \$1.05 million

- Includes a community centre, separate office building and large commercial kitchen
- At 65% occupancy Eureka expects to achieve its targeted 15% unlevered EBITDA return
- Since acquisition, Eureka has had 7 tenants moved in, with 37 tenancy agreements signed
- By settlement (December), Eureka expects full occupation of the village

Income Statement

Income Statement

(in \$000's, except per share amounts)

	FY2015	FY2016	Change	
			\$	%
Total Revenue	12,212	24,155	11,943	98%
Operating Expenses	(8,083)	(11,687)	(3,604)	45%
EBITDA	4,129	12,468	8,339	202%
Depreciation & Amortization	(166)	(268)	(102)	61%
EBIT	3,963	12,200	8,237	208%
Finance Costs	(858)	(1,733)	(875)	102%
Profits before Income Tax	3,105	10,467	7,362	237%
Income Tax	-	-	-	na
Net Profit	3,105	10,467	7,362	237%
Basic EPS	2.24	5.19	2.95	132%
Diluted EPS	2.24	5.19	2.95	132%

Revenue, EBITDA and NPAT have continued to increase as a result of village acquisitions completed during the year

Cost control focus and scale benefits have flowed through to margins and bottom line results

Finance costs have increased as a result of total borrowings which have been used to fund village acquisitions

Nil tax expense as Eureka continues to utilise carried forward tax losses

Strong revenue to cash flow conversion rate

Balance Sheet

Balance Sheet

(in \$000's, except per share amounts)

	30-Jun-15	30-Jun-16
Assets		
Cash and Equivalents	5,154	6,841
Trade and Other Receivables	306	3,434
Inventories	20	6,300
Other Assets	159	819
Loans Receivable - Current	84	66
Loans Receivable - Long-Term	541	539
Investment Property	39,689	86,472
PP&E	878	1,232
Intangible Assets	5,003	5,620
Total Assets	51,834	111,323
Liabilities		
Trade and Other Payables	608	3,688
Other Financial Liabilities	19,307	42,516
Provisions	64	185
Total Liabilities	19,979	46,389
Net Assets	31,855	64,934
Equity		
Share Capital	68,248	90,860
Accumulated Losses	(36,393)	(25,926)
Total Equity	31,855	64,934

- Healthy balance sheet to pursue a continued growth strategy.
- Improved working capital from \$4.7m at 30 June 2015 to \$8.5m at 30 June 2016.
- Significant increase in investment property as a result of 13 village acquisitions settled during the year.
- Management rights carrying value on balance sheet at cost less amortisation.
- Value of tax losses not yet recognised on balance sheet.

Recent Recognitions

- The Global Awards recognise the best exemplar in the world and/or the service provider who has most advanced service levels or innovation

**Most
Outstanding
Rental
Housing
Group**

Awarded **The Most Outstanding Over 50s Rental Housing Management Group in the World in 2016**

**Most
Outstanding
Rental
Housing
Leader**

Executive Chairman Mr. Robin Levison Awarded **The Most Outstanding Rental Housing Leader in the World in 2016**

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