

INVESTOR PRESENTATION

Half Year Results - 31 December 2019

MARCH 2020



Disclaimer

No responsibility for contents of Presentation

To the maximum extent permitted by law, Eureka Group Holdings Limited (ABN 15 097 241 159), its officers, advisers and representatives:

- make no representation, warranty or undertaking, and accept no responsibility or liability, express or implied, as to the adequacy, accuracy, completeness or reasonableness of this Presentation or any other written or verbal communication transmitted or made available to any recipient; and
- accept no responsibility for any errors in, or omissions from, this Presentation whether arising out of negligence or otherwise.

Accuracy of projections and forecast

This Presentation includes certain statements, opinions, estimates, projections and forward looking statements with respect to the expected future performance of Eureka Group Holdings Limited. These statements are based on, and are made subject to, certain assumptions which may not prove to be correct or appropriate. Actual results may be materially affected by changes in economic and other circumstances which may be beyond the control of Eureka Group Holdings Limited. Except to the extent implied by law, no representations or warranties are made by Eureka Group Holdings Limited, its officers, advisers or representatives as to the validity, certainty or completeness of any of the assumptions or the accuracy or completeness of the forward looking statements or that any such statement should or will be achieved. The forward looking statements should not be relied on as an indication of future value or for any other purpose.

No offer to sell or invitation to buy

This Presentation does not, and should not be considered to, constitute or form part of any offer to sell or solicitation of an offer to buy any shares in Eureka Group Holdings Limited, and no part of this presentation forms the basis of any contract or commitment whatsoever with any person. This presentation does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not permitted under applicable law. Distribution of this Presentation in or from certain jurisdictions may be restricted or prohibited by law. Recipients must inform themselves of and comply with all restrictions or prohibitions in such jurisdictions. Neither Eureka Group Holdings Limited, its officers, advisers or representatives accept any liability to any person in relation to the distribution or possession of this Presentation from or in any jurisdiction.

Any advice in this Presentation is general advice. This advice has been prepared without taking into account the objectives, financial situation and needs of the recipients of this Presentation. For that reason, recipients should consider the appropriateness of the advice having regard to their own objectives, financial situation and needs and, if necessary, seek appropriate independent legal, financial and other professional advice.

CONTENTS



	Page
Eureka Highlights.....	3
Market Position.....	4
The Eureka House.....	5
Key Industry Statistics.....	6
Portfolio Growth.....	7
Progress Against Key Priorities.....	8
FY20 Outlook.....	11
Appendix - Key Financial Information.....	12



FINANCIAL PERFORMANCE

EBITDA core operations¹

\$4.12m, up 12% on PY

EPS

2.26c, up 84% on PY

Cash flow from operating activities

\$3.49m, up 61% on PY

¹ EBITDA core operations refer to page 12



CAPITAL MANAGEMENT

Net Debt

\$42.42m down 8% from 30 June

NTA

34.23c per share, up 9% on PY

Finance Facility

Increased to \$60m in Feb 2020

Interim Dividend

0.55c per share



PORTFOLIO

Villages

30 Owned, 9 Managed

Occupancy

94%, up 2% on PY

Recycling of non-core assets

\$6.29m of disposals

Acquisitions

\$13.13m Bundaberg village
settled 28 Feb 2020

EUREKA - MARKET POSITION



Our competitive advantage:

Eureka is a specialist owner and manager of rental villages for independent seniors



Strategy:

Rental villages for independent seniors

Economically stable market underpinned by the government pension

Population shift with increasing proportion of seniors demographic

Fragmented village ownership provides the opportunity for acquisition from private and corporate owners

Multi-faceted growth of the core business with

- Disciplined acquisitions, brownfield and greenfield development
- Optimisation of the core business with sustainable occupancy, rental growth, cost control and low cost value add refurbishments, with a focus on safety and comfort

Customer proposition:

Independent living in a community environment

Comfortable village lifestyle

Safe environment with like-minded neighbours

Rental model with simple agreement and no upfront capital or exit fees

Investor proposition:

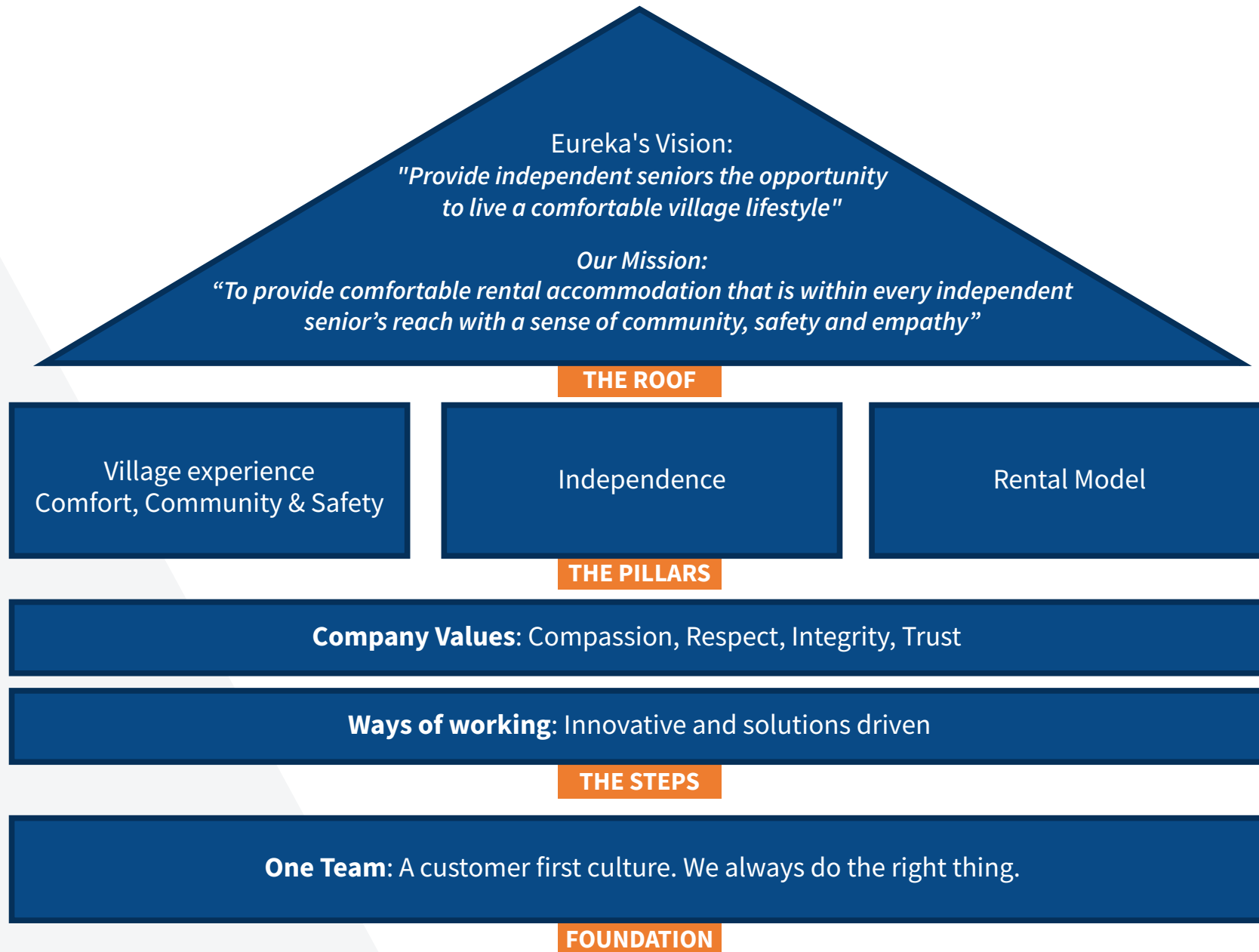
Capital re-cycling underway

Growth opportunities exist to scale the business

Dividends backed by consistent earnings

Social infrastructure asset class

THE EUREKA HOUSE



Key Industry Statistics

Aging Population

- In 1977 1.3M Australians were aged +65 years (9% of the population)
- In 2017 3.8M Australians were aged +65 years (15% of the population)
- In 2057 8.8M Australians forecast +65 years (22% of the population)

(source: Australian Institute of Health and Welfare 10 September 2018)

Superannuation

Superannuation balance at retirement (age 60-64) in 2015-2016,

- For men superannuation balance \$270,710 (79% with superannuation)
- For women superannuation balance \$157,050 (60% with superannuation)
- A balance of \$545K is regarded as a comfortable balance (for single person)

(source: ASFA Statistics August 2019)

Retirement Funding (Aged+45 years)

- Fully self funded - 21%
- Partially self funded - 27%
- Government pension only - 52%

(source: ASFA Statistics August 2019)

Home Ownership

660,000 people on the aged pension do not own a home

(source: Department of Social Services (2018) DSS Payment Demographics Dataset)

PORTFOLIO GROWTH

Fragmented village ownership provides the opportunity for acquisition.

Eureka has an opportunity to consolidate this fragmented segment by utilising its specialist management capability and industry knowledge to source and execute acquisition opportunities from private and corporate owners.

Liberty Villas, Bundaberg is a significant core village acquisition. Settled in February 2020.

Acquisition opportunities exist in major Qld regional cities, throughout NSW, Victoria and into WA.

A village refurbishment program has been developed to commence in FY 21 with low cost value add initiatives with a focus on safety and comfort, to maintain high occupancy and grow rental income.



PROGRESS AGAINST KEY PRIORITIES

5 Pillars



☑ **Regain momentum + Build on the basics.**

Pillar 1:

Occupancy, Revenue and Cost initiatives



OCCUPANCY 94%

- Increased network connections and community contacts to enhance the brand reputation in the local communities



REVENUE GROWTH

- Revenue levers exist through sustainable rent increases and portfolio growth



COST CONTROL INITIATIVES

- Operating cost review including re-negotiated service agreements and investment in solar

PROGRESS AGAINST KEY PRIORITIES

5 Pillars



☑ Regain momentum + Build on the basics.

Pillar 2: Team culture and Engagement

Pillar 3: Safety, Risk & Compliance



Increase operating intensity & accountability

- Re-structure the support team
- Increased village field trips and village manager contact
- Formulated a village by village performance plan



Village training & development

- Village manager engagement and retention underpins the village stability as front line ambassadors
- Priority of putting the right manager into the right village
- Ongoing training and development



Improved safety & risk

- Appointed industry specialist as our preferred supplier for all building & infrastructure compliance across the portfolio
- Introduced a 'Safety Culture' across the business through WH&S management, preparedness for weather events, hygiene mitigation, trips and falls management

PROGRESS AGAINST KEY PRIORITIES

5 Pillars

✓ **Regain momentum + Build on the basics.**

Pillar 4:

Information systems & Technology



I.T. Improvements

- Expanded scope to include fully integrated network across all business units and villages

Pillar 5:

Marketing & Applications



Invest in Marketing & digital channels

- Appointment of a dedicated Marketing Manager
- Conducted resident focus groups to understand our customer
- Investing in digital marketing to connect with new networks and customers

FY20 Initiatives and Outlook

- Maintain momentum of the 5 operating pillars
- Focus on delivering acquisition opportunities
- Fully integrate I.T. platform across all business units and villages (FY20/21)
- Village refurbishments to continually improve and maintain occupancy rates
- Village Manager training and development as frontline ambassadors
- FY20 core operating EBITDA guidance forecast in a range of \$8.0M to \$8.2M (Excludes asset revaluations, Terranora sales and refund of prior period GST.)



APPENDIX - Key Financial Information



Results summary for the half-year ended 31 December 2019

(\$'000)	31-Dec-19	31-Dec-18
Rental income	8,528	8,170
Catering income	2,104	2,173
Service and caretaking income	1,844	1,459
Revenue from asset sales - inventory	4,224	2,010
Revenue from ordinary activities	16,700	13,812
Profit before and after tax	5,223	2,833
Depreciation and amortisation	270	113
Finance costs	1,278	1,435
EBITDA¹	6,771	4,381
Net gain on asset revaluations and impairments	(1,163)	(696)
Profit on sale of Terranora units	(839)	-
Refund of prior period GST	(644)	-
EBITDA¹ from core operations	4,125	3,685
Basic & diluted earnings per share (cents)	2.26	1.23

- EBITDA¹ from core operations up 12% due to improved occupancy, additional service fees and cost savings
- Revaluation net gain of \$1.16M, including a \$0.46M revaluation uplift from Tasmanian village portfolio
- Profit on sale of Terranora units \$0.84M

¹EBITDA (Earnings before interest, tax, depreciation and amortisation) is an unaudited non-IFRS measure however, 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 presented has been calculated from amounts disclosed in the financial statements.

APPENDIX - Key Financial Information (cont)



Balance sheet summary at 31 December 2019

(\$'000)	31-Dec-19	31-Dec-18
Assets		
Cash and cash equivalents	2,549	3,060
Trade and other receivables	1,095	1,503
Inventory	6,535	9,215
Joint Venture Investment	5,192	4,661
Assets held for sale	534	519
Investment property	106,732	105,406
Property, plant and equipment	631	659
Intangible assets	4,750	5,348
Other assets	4,678	2,701
Total Assets	132,696	133,072
Liabilities		
Trade and Other Payables	1,442	1,672
Other financial liabilities	46,474	49,490
Provisions	524	428
Total Liabilities	48,440	51,590
Net Assets	84,256	81,482

- Terranora sales underway with 16 units sold during period
- Joint venture investment uplift with underlying revaluation of Tasmanian villages
- Debt repayments from proceeds received from realising non-core and under-performing assets
- Debt facility increased to \$60M from Feb 2020
- Net debt \$42.42M down 8% from 30 June 2019

APPENDIX - Key Financial Information (cont)



Cash flows summary for the half-year ended 31 December 2019

(\$'000)	31-Dec-19	31-Dec-18
Cash Flows from Operating Activities		
Receipts from customers	12,753	12,271
Payments to suppliers and employees	(8,088)	(9,304)
Net interest paid	(1,172)	(793)
Net Cash provided by Operating Activities	3,493	2,174
Cash Flows from Investing Activities		
Payments for additions to investment property	(2,347)	(946)
Payments for additions to inventory	(323)	(810)
Payments for property, plant & equipment	(12)	(43)
Proceeds from sale of assets	5,640	2,716
Proceeds from repayment of loans provided	155	1,625
Other payments for investing activities	(366)	(177)
Net Cash provided by Investing Activities	2,747	2,428
Cash Flows from Financing Activities		
Net repayment of borrowings	(4,263)	(5,121)
Payment of dividends	(2,300)	-
Other payments for financing activities	(188)	(50)
Net Cash used in Financing Activities	(6,751)	(5,171)
Net decrease in cash and cash equivalents	(511)	(569)
Cash and cash equivalents at the beginning of period	3,060	1,986
Cash and cash equivalents at end of the period	2,549	1,417

- Cash recycled from sale of non-core assets into core portfolio
- Debt reduction achieved during the period from proceeds from sale of Terranora units and other non-core assets
- Cash dividend of \$2.3M paid during period