

Eureka Group Holdings Limited

Investor Presentation

Year ended 30 June 2017

August 2017

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Index

1. 2017 Highlights
 2. Eureka Business Overview
 3. Key Financials
 4. Market Sector Overview
 5. Operations
 6. Summary
- Appendix A Board and Senior Executives profiles
- Appendix B Substantial Shareholders



1.0 2017 Highlights



- Marked improvement of occupancy levels following company wide strategy implemented in February 2017 that led to occupancy lifting to 89.6% from a base of 83-84% in the first half.
- Strong profitability with EBITDA of \$9.4m and Profit after tax of \$6.5m.
- Continued growth of portfolios with 4* additional villages acquired growing to 27 owned villages and 9 managed villages representing over 2,000 units.
- Significant progress in determining pathway to realise value over the next 1 to 2 years from complementary value creation opportunities at Couran Cove and Terranora

* Includes acquisition of Gympie secured in 2017 and settled in July 2017



1.0 2017 Highlights



- Recruitment of additional senior executives and separation of Board and Executive function to allow each to fulfil its responsibilities.

- Structural change to improve management structure, operations and governance of Eureka.

Strengthening of alliance between Eureka and Blue Care with the aim to improve quality of services to Eureka Residents, increased occupancy through extended resident stays and Blue Care referrals while capitalising on a pipeline of potential future village acquisitions.

- Fundamentals for the sector in which Eureka operates remain very strong and continue to improve. Opportunity for continued growth in portfolio.



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2.0 Eureka Business Overview

STRATEGY

- ✓ Primary focus to provide low cost rental accommodation and limited associated care with a focus on independent retirees who are completely or primarily supported by the Australian Government pension and location allowances
- ✓ Target market represents a significant portion of the growing retirement sector
- ✓ Sources majority of revenue indirectly from the Federal Government
- ✓ Also explore opportunities to extract value from complementary value creation opportunities

OPERATIONS

- ✓ 27 owned villages and 9 managed villages representing over 2,000 units
- ✓ Operating in 4 States of QLD, NSW, VIC and SA with most villages located in regional areas
- ✓ Low cost operating model

BOARD AND EXECUTIVE

- ✓ Experienced Board and recent addition of very experienced senior executives

FINANCIAL

- ✓ Strengthening balance sheet with \$128m of total assets
- ✓ recycling of capital underway including sales of Terranora apartments

3.0 Key Financials



The table below summarises the results for the year ended 30 June 2017

(\$'000)	30-Jun-17	30-Jun-16
Total revenue (excluding revaluation gain of Investment property)	25,427	20,114
Operating expenses	17,058	11,687
Underlying EBITDA*	8,369	8,427
Depreciation & amortisation	271	268
Underlying EBIT	8,098	8,159
Finance costs	2,606	1,733
Underlying profit before income tax	5,492	6,426
Add revaluation gain of investment property	1,046	4,041
Profit before tax	6,538	10,467
Income Tax expense	-	-
Net profit after income tax	6,538	10,467
Basic & Diluted earnings per share (cents)	2.84	5.19

- Revenue increased with larger portfolio.
- Operating expenses include payments to departing Directors and impact of poor trading at Adelaide care facilities.
- Finance costs reflect higher debt levels associated with larger portfolio.
- Revaluation gain lower in 2017 impacted by write down of \$2.52m of Adelaide care facility.
- Nil tax expense as Eureka continues to utilise carried forward tax losses.

*Note Statutory EBITDA FY17 is \$9,415,000 including \$1,046.00 of investment property evaluations.

3.0 Key Financials (cont.)

The table below summarises the balance sheet at 30 June 2017



(\$'000)	30-Jun-17	30-Jun-16
Assets		
Cash and cash equivalents	4,395	6,841
Trade and other receivables	2,632	3,434
Inventories	7,649	6,300
Other assets	5,200	1,424
Investment property	100,666	86,472
property, Plant and equipment	1,665	1,232
Intangible assets	6,327	5,620
Total assets	128,534	111,323
Liabilities		
Trade and other payables	2,660	3,688
Other financial liabilities	50,573	42,516
Provisions	434	185
Total Liabilities	53,667	\$46,389
Net Assets	74,867	64,934
Equity		
Share capital	94,255	90,860
Accumulated losses	(19,388)	(25,926)
	74,867	64,934

- Healthy balance sheet to pursue continued growth strategy.
- Significant increase in investment property including 4 village acquisitions during the year.
- Management rights carrying value on balance sheet at cost less amortisation.
- Tax losses not yet recognised on balance sheet.
- Increased debt levels consistent with increased portfolio size.
- Share capital increased through Share Purchase Plan.

3.0 Key Financials (cont.)



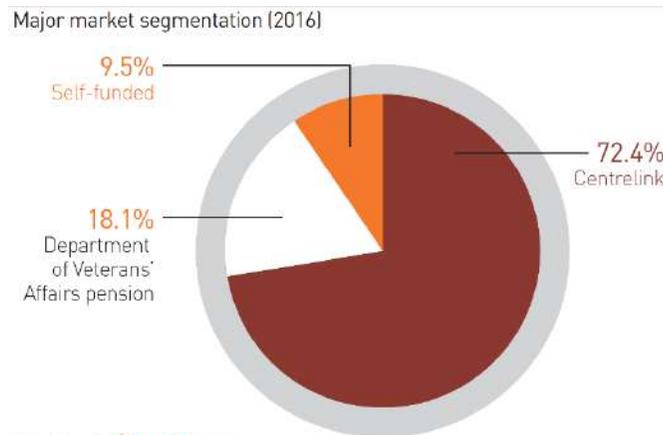
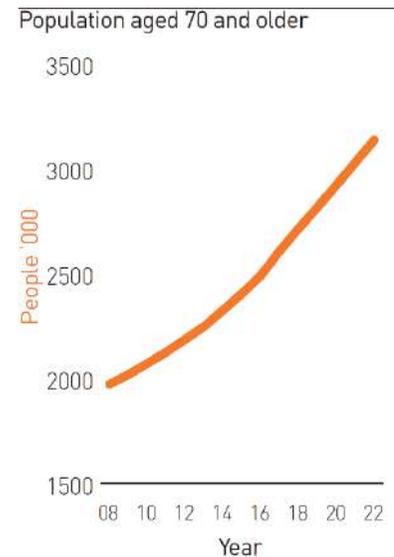
- The table below summarises the Statements of Cash Flows for the year ended 30 June 2017

	30-Jun-17	30-Jun-16
CashFlows from Operating Activities		
Receipts from Customers	24,277	17,030
Payments to suppliers and employees	(17,987)	(11,247)
Net interest paid	(2,217)	(1,543)
Net cash provided by Operating Activities	4,073	4,240
Cash flows from Investing Activities		
Payments for additions to investment properties	(15,719)	(40,154)
Other payments for investing Activity	(1,730)	(1,395)
	(17,449)	(41,909)
Cash Flows from Financing Activities		
Net proceeds of borrowings	7,741	17,560
Net proceeds from Share Issue	3,189	21,796
Net cash provided by Financing Activities	10,930	39,356
Net increase /(decrease) in cash and cash equivalents	(2,446)	1,687
Cash and cash equivalents at the beginning of the financial year	6,841	5,154
Cash and cash equivalents at the end of the financial year	4,395	6,841

- Positive operating cashflow largely consistent with profit results.
- Operating cashflow reflects investment in inventory at Terranora during the year which will improve cash flow in 2018.
- Investing cashflow reflects growth in portfolio of villages.
- Funding sourced from increased debt and some equity.

4.0 Market Sector overview

- Continuing ageing population provides strong platform for continued growth.
- IBIS reports industry revenue to grow at compound annual rate of 10.1% over next 5 years
- There is a significant majority of retirement village customers who fund their retirement through Centrelink (pension) 72% and Department of Veteran Affairs (18%)

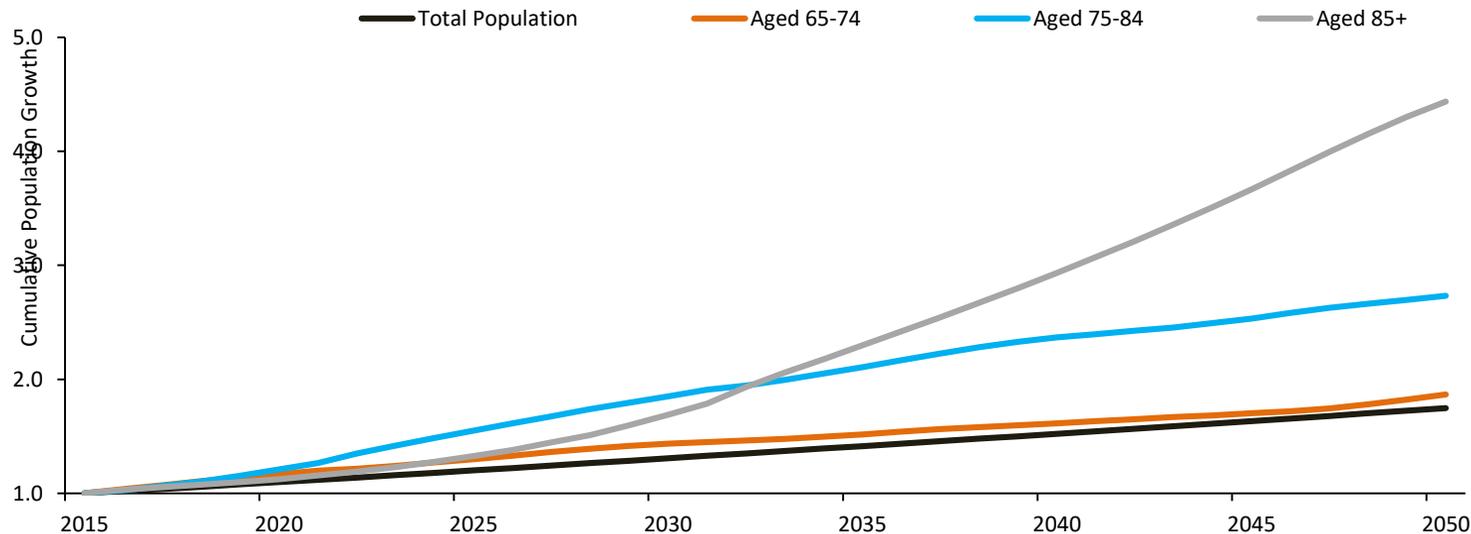


Total \$3.9bn

4.0 Market sector overview (cont.)



- The ABS forecast the number of Australians ages over 65 years will increase from 3.6 million today to 4.2 million in 2020 and will increase the 8.8 million by 2050



Source : Third Party

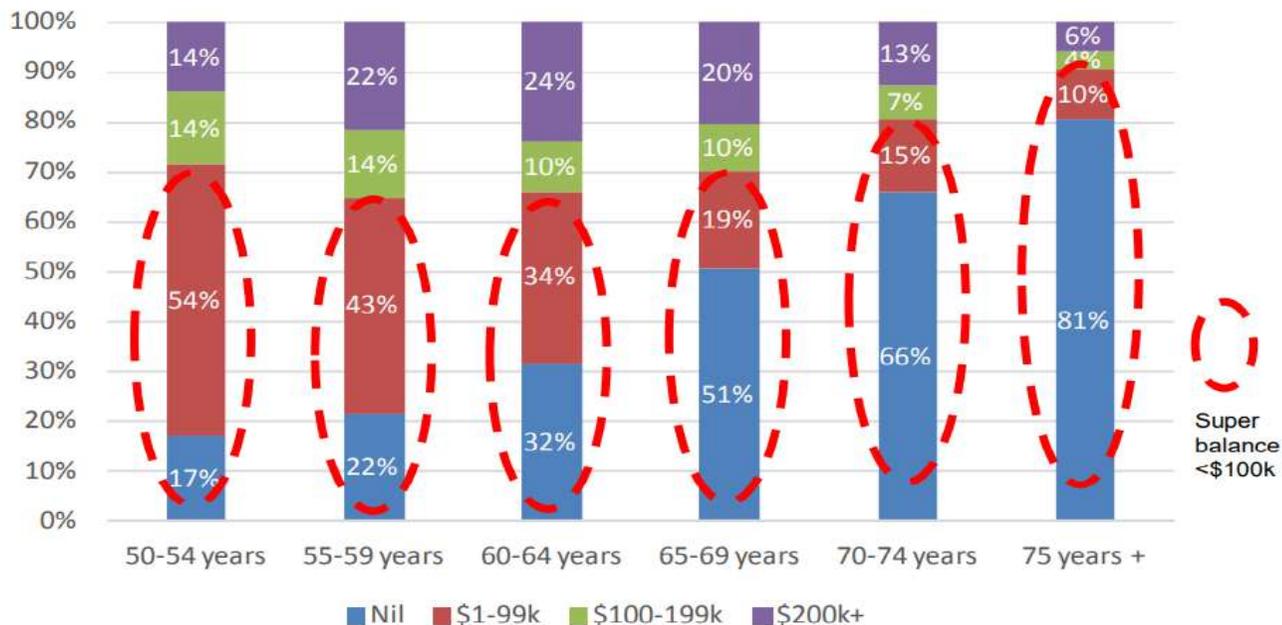
- Eureka's model caters to the 65 + year old residents whose primary source of income is the full aged pension and requires no upfront capital.

4.0 Market sector overview (cont.)



- Australia's growing pool of retirees is living longer – for people aged 65-69 years some 70% have <\$100k in accumulated superannuation growing to 80% (70-74 years) and 90% (75 years +)

**Superannuation account balances
(by age group)**



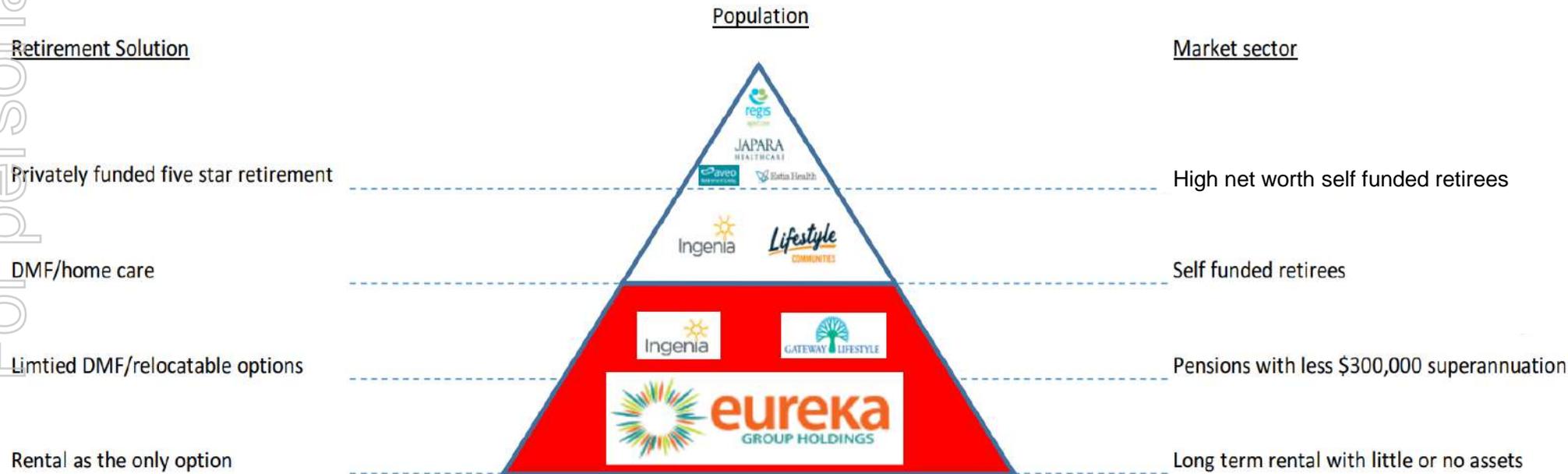
Source: ASFA Research and Resource Centre.

4.0 Market sector overview (cont.)



- Expanding gap in the market as other service providers move their product up in the market price and away from the rental option.
- Recent trends of villages and also low cost alternatives including caravan parks move to the DMF and MHE models, significantly reducing the amount of affordable housing available in the market. ABS figures suggest a significant percentage of our population will never own their own property and will always rent. As this market sector approach retirement age they will have little or no option but to rent.
- The Eureka rental model avoids complex contracts involving deferred management fees or other entry/ exit fees.

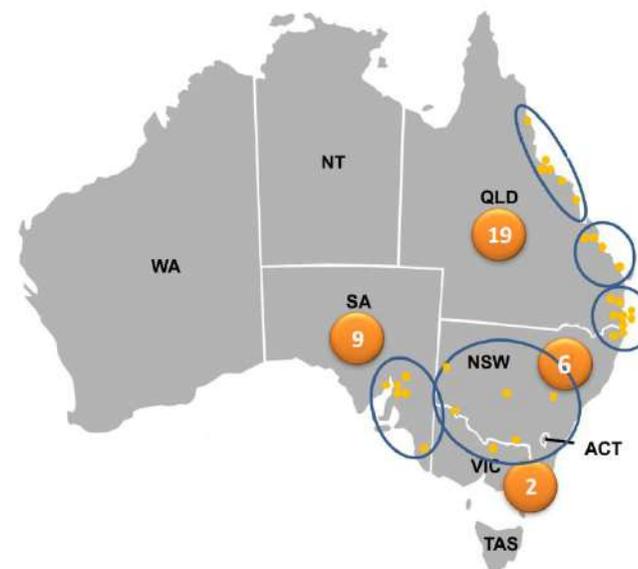
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5.0 Operations

Eureka has created a strong operating base to enable economies of scale and scope to leverage further.

- 36 villages under management (including owned villages) – over 2,000 units.
- 27 of those villages with freehold land and building ownership.
- Regional cluster creating cost reduction opportunities.
- Continued portfolio growth through acquisition of more villages or expansion of existing villages.



5.0 Operations (cont.)

Earnings Growth can be delivered through multiple channels

Acquisition Growth

- Track record of successful acquisitions.
- Pipeline of opportunities being managed.

Organic Growth

- Scope to expand existing sites with additional units.
- Leverage local knowledge and strong reputation.

Service/Care Growth

- Alliance with Blue Care provides government funded in-home care packages to residents.
- Improves quality offering and resident duration resulting in higher occupancy.

Margin Growth

- Scope for increased rental rates.
- Improving occupancy on targeted villages and across portfolio.
- Leverage economy of scale of back office.

5.0 Operations (cont.)

Complementary value creation opportunities have been pursued over recent years. Focus to extract value from these investments over short to medium term.

- | | |
|------------------------------|--|
| Terranora | <ul style="list-style-type: none"> • Existing units currently earning rental income pending Council approval for individual sale. • Surplus land suitable for on sale or creation of affordable rental villages. • Council approval which unlocks value creation is expected shortly. |
| Couran Cove | <ul style="list-style-type: none"> • Eureka earned fees while enhancing operations at Resort. • Currently owns 29 Cabins earning rental income . • Option over land is suitable for building 120 affordable cabins or on sale. • If management rights of the resort are transacted during the next 3 years, Eureka to receive revenue. • Considerable work completed by the Owner of the Couran Cove Resort to improve the presentation and market for Couran Cove real estate. |
| Supported Care Villages SRFs | <ul style="list-style-type: none"> • These villages provide a higher level of care and hence greater staffing levels than typical Eureka Village. • Recent trading performance has been lower than expectations. • Improvements have been implemented over last 6 months. • Management exploring strategic options of operating in profitable locations, repositioning for retirement village or exit. • Impairment of \$2.52m recorded in June 2017. |

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6.0 Summary

Only ASX listed company solely focused on providing affordable rental accommodation for seniors living independently. Demographic trends of ageing population and housing affordability strongly supports growth in Eureka target market.

Strong financial performance in 2017 with Balance sheet recycling and portfolio scale to facilitate further growth. Significant progress in value creation at Couran Cove and Terranorra.

Additional senior executives recruited and separation of Board and Executive. Structural change to improve management structure, operations and governance.

Strengthening of alliance between Eureka and Blue Care. Marked improvement in occupancy levels in second half of the year.



Appendix A

Board and Senior Executive profiles



Robin Levison – Non Executive Chairman

Robin Levison holds a Masters of Business Administration from the University of Queensland and is a Member of Chartered Accountants Australia and New Zealand. Robin has 15 years of Public Company Management experience. During this time he served as managing Director at Industrea Limited and Spectrum Resources and has held senior roles at KPMG, Barclays Bank and Merrill Lynch. Robin is also a Deputy Chair of the University of Queensland Business, Economics and Law Alumni Ambassador Council, and is a Graduate and Fellow of Australian Institute of Company Directors.

(Robin owns more than 5% of the Group)



Lachlan McIntosh – Non-Executive Director

Lachlan McIntosh has a Bachelor of Commerce degree and is a Member of Chartered Accountants Australia and New Zealand. He specialises in corporate finance and mergers and acquisitions. He has had substantial experience in the real estate and retirement accommodation industry along with significant experience in the franchising industries and mining services industries.

Other listed company directorships in the last 3 years: New Guinea Gold Corporation (April 2013 to April 2014) and Onterran Limited (from 11 October 2014).

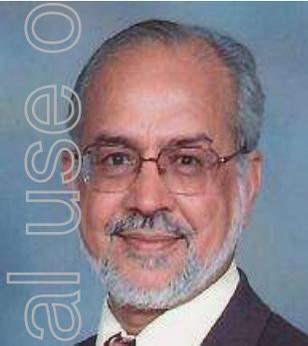
Special responsibilities: Member of Audit & Risk Committee, Member of Nomination & Remuneration Committee.

(Lachlan owns more than 5% of the Group)

Appendix A (cont.)

Board and Senior Executive profiles

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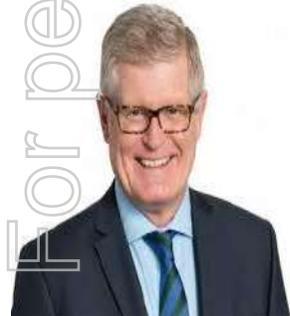


Nirmal Hansra – Non-Executive Director

Nirmal holds a Master of Commerce (Business Management) degree from University of NSW and is a Fellow of the Australian Institute of Company Directors, fellow of Chartered Accountants Australia and New Zealand and fellow of Australian Society of Certified Practicing Accountants.

He has 35 years of senior executive management and 11 years of board and corporate advisory experience. During this time Nirmal had roles as CFO / Finance Director of listed companies such as Industrea Limited, ISoft Group Limited, Australian Pharmaceutical Industries Limited and Ruralco Holdings Limited.

Nirmal is Chair of Campbell Page Limited, non-executive director and chair of the finance, audit and risk committee of Kuringai Financial Services Limited, Council of the Ageing (COTA) in New South Wales and Children's Tumour Foundation. He is also a non-executive director of Have A Voice Pty Ltd.



Jeff Weigh – Chief Executive Officer (Appointed 7 February 2017)

Jeff Weigh holds a Master of Economic Studies from the University of Queensland and completed the Executive Hotel Management course from Cornell University, USA. He is a highly experienced executive whose immediate previous role was CEO of South Bank Corporation for 4 years until September 2016. Jeff was Queensland Manager of I-Med, a member company of DCA Group Ltd that became an ASX top 200 public company specialised in medical imaging and aged care. He also co-founded Fortland Hotels & Resorts in 1990 and was Managing Director.

Jeff Weigh is a Non-Executive Director of The Port of Brisbane Pty Ltd.

Appendix A (cont.)

Board and Senior Executive profiles

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Paul Cochrane – Chief Financial Officer (Appointed 28 June 2017)



Paul Cochrane holds a Bachelor of Commerce from University of Queensland, is a Member of Chartered Accountants Australia and New Zealand and holds an REIQ Real Estate License. He spent three years as CFO and Company Secretary at Ariadne Australia Ltd, followed by 7 years in a variety of senior roles at Lend Lease Ltd, including 3 years as Project Director of Springfield Lakes. Paul was also General Manager – Finance at Aveo Ltd, a full service property group with a principal focus on retirement living. He was also CFO for Devine Ltd for 5 years, ultimately assuming the role of Company Secretary as well. He began his career with Price Waterhouse serving in the audit Division in Brisbane, followed by tenure in Hong Kong and London.

Appendix B

Substantial Shareholders



The substantial shareholders as notified to the ASX include:

- Cooper Investors 10.695%
- Tribeca Investment Partners 8.900%
- Robin Levison (Non Executive chair) 5.620%
- Lachlan McIntosh (Non Executive Director) 5.190%



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