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Eureka Group Holdings Limited Morgans Business Breakfast

22 July 2015



Snapshot

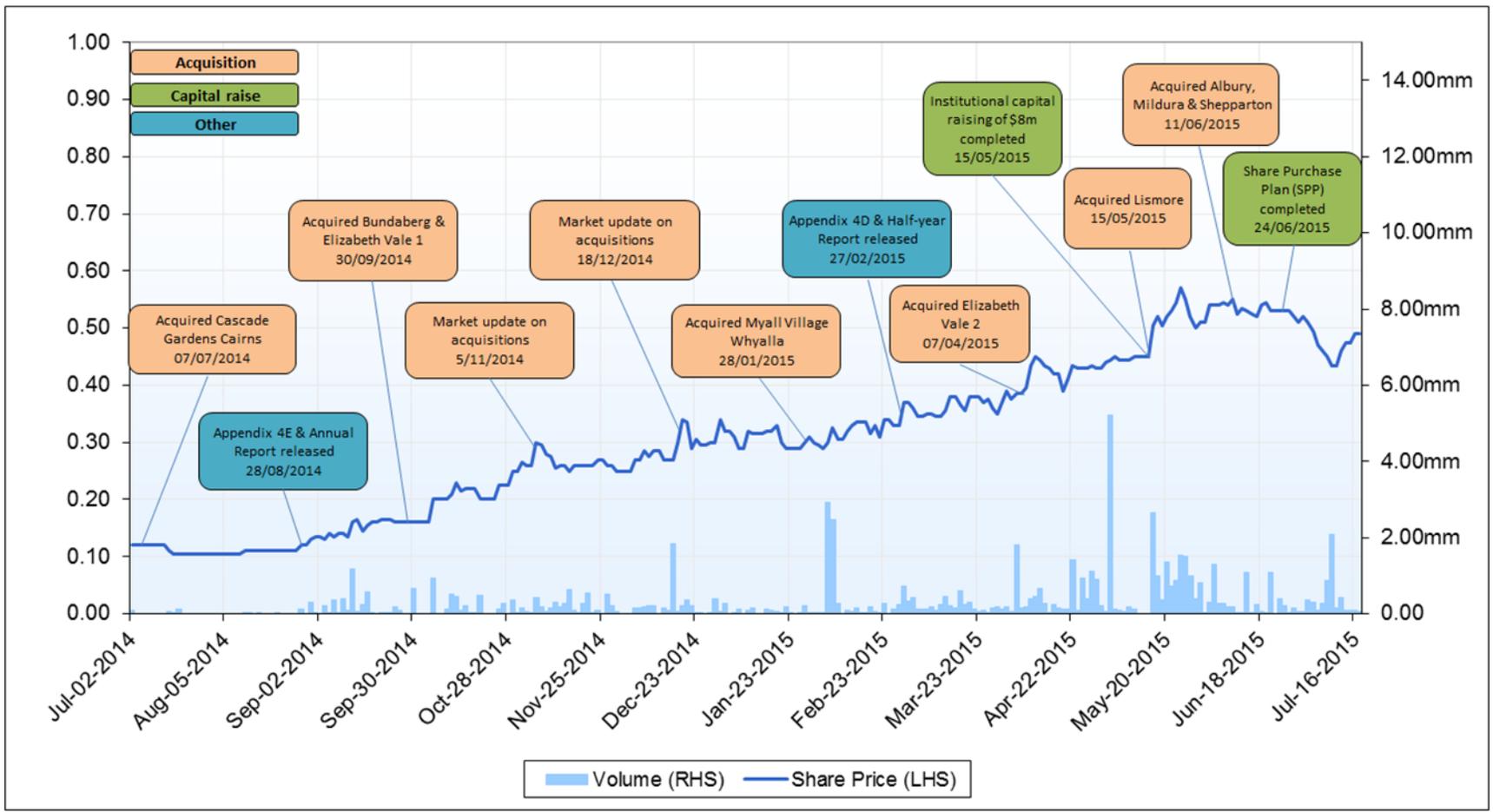
Eureka Group Holdings Limited (“Eureka”) is an ASX listed company (ASX: EGH) focused on the following:

- 1) Providing quality and affordable **rental accommodation** for seniors and disability pensioners living independently in a friendly, safe and well managed environment.
- 2) All communities owned or managed by Eureka are located in **close proximity** to public transport, shopping areas and other amenities such as hospitals and allied medical support.
- 3) Governed by a **highly experienced** board of directors, Eureka is implementing an ambitious growth strategy, with a target of consolidating a position as Australia’s largest specialist affordable seniors living community operator.
- 4) **Strong capable** management team with a combined industry experience of greater than 60 years.
- 5) The company owns a rapidly expanding portfolio of accommodation villages, and is a property asset manager of 23 villages nationally **with 1,440** units managed at the date of this report. Eureka now **owns 627** units following the acquisition of Albury, Mildura & Shepparton.
- 6) Eureka is **accelerating** it’s village acquisition strategy, given positive debt and equity market conditions.
- 7) The move to village ownership creates very strong revenue cash conversion.
- 8) Eureka’s goal to be largest owner/operator of regional seniors rental villages in Australia.

Share Price, Liquidity & Timeline

The graphs below show the recent improvement in both share price and liquidity:

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Summary Forecast – Year ending 30 June 2015

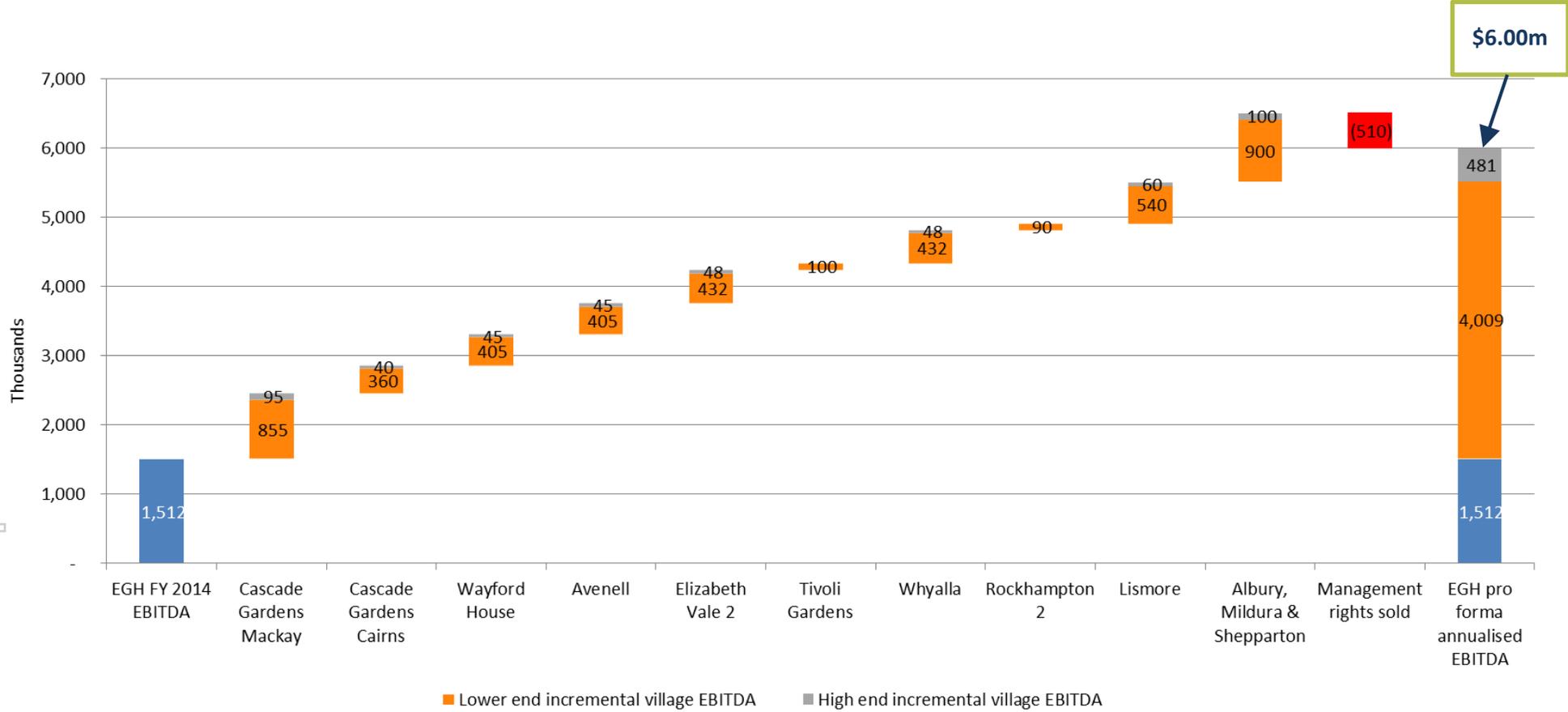
The table below is the summary forecast results for the year ending 30 June 2015 compared with the results from the comparative financial year:

Year ending 30 June 2015					
	Actual	Summary Forecast			
(\$millions)	10 months to 30 Apr 2015	1 May to 30 Jun 2015	Year ended 30 Jun 2015	Year ended 30 Jun 2014	Movement
Total revenue	9.47	1.98	11.45	10.66	7%
EBITDA	2.51	0.74	3.25	1.51	115%
NPAT	1.72	0.54	2.26	0.66	241%
Basic earnings per share*			1.58 cents	0.80 cents	98%
Diluted earnings per share			1.58 cents	0.80 cents	98%

*Basic EPS is calculated based on the number of shares outstanding as at 30 June 2015.

EBITDA | Pro Forma Annualised Basis

The ten villages (Mackay, Cairns, Wayford House, Avenell, Elizabeth Vale 2, Whyalla, Lismore, Albury, Mildura and Shepparton) and two management rights (Tivoli Gardens and Rockhampton 2) acquired between April 2014 and June 2015 are expected to contribute an additional \$4.09m - \$4.49m to Eureka's EBITDA on an annualised basis.



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Rental Villages | About The Industry

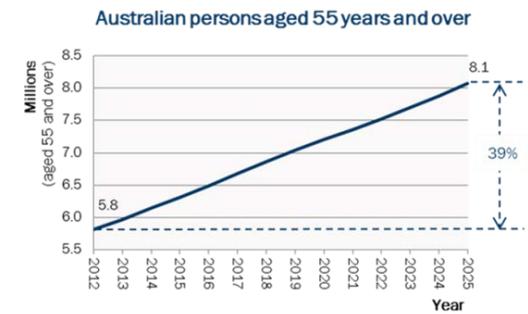
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Industry Overview

- There are over 1,750 facilities catering for aged accommodation across Australia, with approximately 150,000 residents.
- Research has indicated satisfaction levels of approximately 95% with residents' decision to reside in a village.
- All Eureka villages have strong enquiry driven by demand from an increasing aging population. Rental is the most affordable and often the only option for residents that rely on the pension as their only source of income.
- Research indicates that 15,000 new retirement dwellings are required per year over the coming decades.
- Historically, seniors rental villages have been a favored sector for investors but during the GFC, the market collapsed as prices fell alongside tightening credit. The sector is starting to gain favor again due to the characteristics of the industry projections and of its assets.

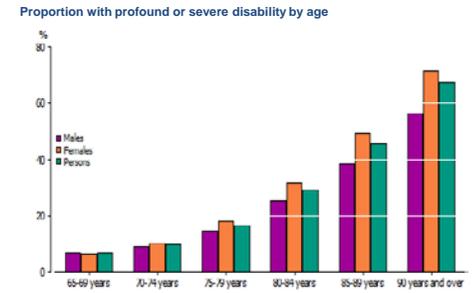
Demographic Growth

- The Australian Bureau of Statistics forecasts a consistent increase in population of the over 55 demographic in the coming years which will drive demand.
- In 2012 home ownership in Australia dropped to 67% and the number of people renting rose to 25%.
- Not only has the proportion of renters increased by 2012 but the proportion of households that have paid off their mortgage by retirement age slumped from 42% to 31%.
- The graph to the right models Australian population projection for persons aged 55 years and over.



Rentals

- The flexibility of a rental solution offers greater access for the delivery of in home aged and disability care services.
- Beyond the cost benefits, the Eureka floor plan provides disability access not found in traditional rental housing or NRAS options.
- There is increasing demand for accommodation that is able to provide for the affects of disabilities that over time impacts our ageing population.
- Government policy dictates that more and more people will be assisted to age while remaining in their home. This is having a significant impact on public housing where a family once lived that now accommodates only one aged resident. This is blocks the flow of new families into public housing until the aged resident is relocated.

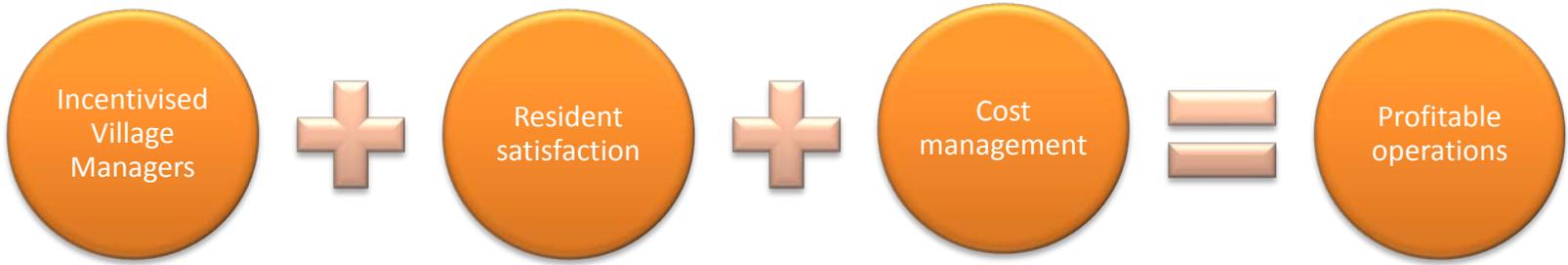


Source: http://guidesacts.fahcsia.gov.au/guides_acts/ssg/ssguide-5/ssguide-5.2/ssguide-5.2.2.05.html

Rental Villages | Innovation in Operation

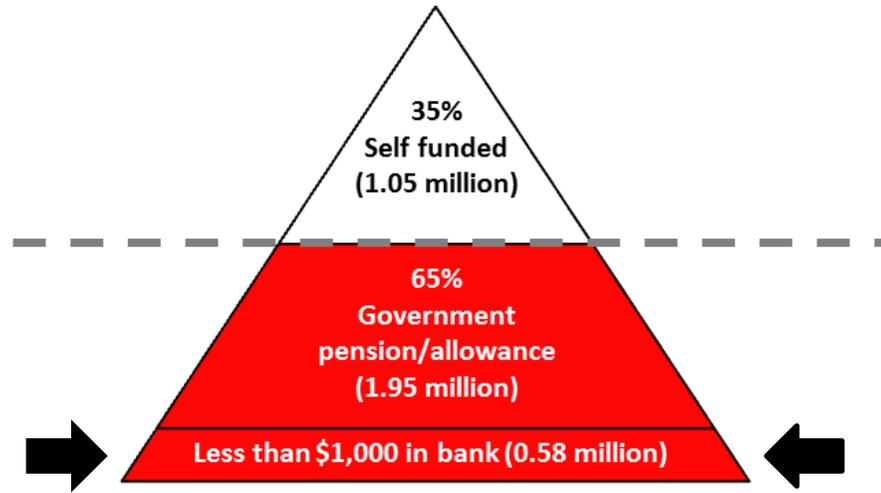
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- Eureka has recognised that our Village Managers on the ground are our greatest asset for ensuring customer satisfaction and high occupancy.
- Caring for and living with residents and their constant need for moral support is a situation that only few have the skills and strength to provide.
- Eureka introduced an incentive based contractor agreement for Village Managers which provides greater clarity in their role and higher rewards for success.
- Focus on village presentation and a strong supportive community atmosphere is the foundation of our wellbeing plan.
- Our Village Managers have lifted our customer satisfaction and occupancy and now share in the rewards of success.
- Stringent cost management is a critical at all levels in line with the strict cost management lifestyle of our residents.
- Constant vigilance seeking affordable options to improve the lifestyle of our residents.

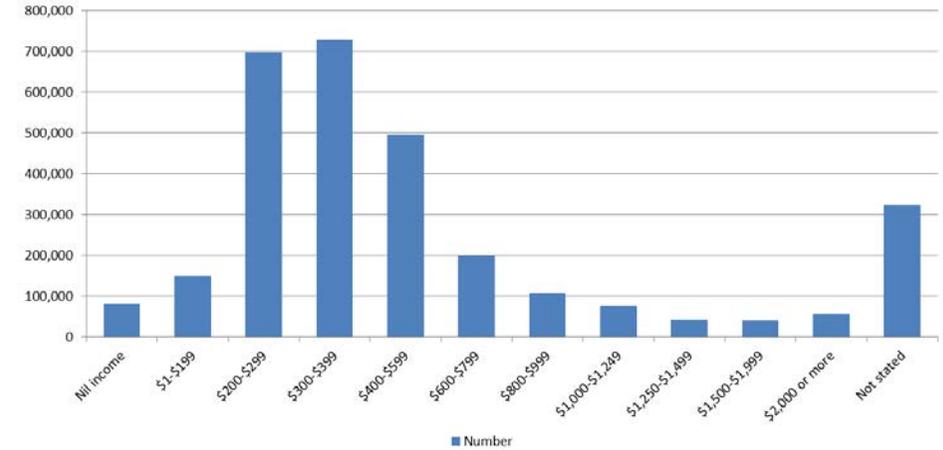


Our Market | Market Size - Population

3 million Australian's over 65 years old (2012)



Australian residents aged over 65 years old weekly earnings (2011)



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- Over the next 20 years the number of Australian's aged 75 and above will more than double.
- All Eureka villages have strong enquiry driven by demand from an increasing aging population. Rental is the most affordable and often the only option for residents that rely on the pension as their only source of income.
- There is increasing demand for accommodation that is able to provide for the affects of disabilities that over time impacts our ageing population.
- Government policy dictates that more and more people will be assisted to age while remaining in their home. This is having a significant impact on public housing where a family once lived that now accommodates only one aged resident. This blocks the flow of new families into public housing until the aged resident is relocated.

Our Market | Cottage Industry

Industry Potential

- Around 1,750 villages in Australia.
- Approximately 60 only villages managed by corporatised entities.
- Balance owned - managed by owner operators/single strata title structures.
- Powerful demand trend driven by significant growth in seniors population.
- Existing inventory insufficient to meet demands.
- 200-250 are directly comparable to the ten Eureka has purchased.
- Potential to acquire 50+ villages in the future.
- Ability to repurpose existing assets into affordable seniors rental solutions.
- Revenues shown to be largely immune to economic cycles, even through the serious challenges of the GFC.
- Positive rental growth year-on-year.
- Expanding gap in the market as other service providers move their product up in market price and away from a rental option.
- Recent trends have seen many villages move to the DMF model, significantly reducing the amount of affordable housing available in the market.

Eureka strongly believes providing low cost accommodation for retirees reliant on pension and/or rent assistance is the largest and quickest growing retirement sector in Australia.

Empathy **U**nderstanding **R**espect **E**xperience **K**indness **A**ffordability

Our Market | Buy & Build Potential

Attractive Market

- Highly fragmented market.
- Consolidation opportunities.
- Limited competition offering affordable solutions.
- Demographic trends underpin long term demand.
- Stable earnings, positive rental growth year-on-year.
- Recurring predictable free cash flow provides capital management flexibility.
- Self funded care only available to those who can afford.
- More stable than other real estate asset classes.
- Low working capital requirements.

Acquisition Strategy

- Village acquisition strategy to be accelerated.
- Disciplined acquisition approach.
- Strong pipeline of acquisition opportunities.
- Top down analysis of macro trends.
- Ability to apply understanding of individual micro-markets to evaluate.
- Systems in place to identify new opportunities.
- Acquisitions must meet specific ROI criteria.

Our Market | Our Resident Experience

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Eureka strives to make our resident's experience comfortable, friendly supportive and independent.

- 49sqm self contained units.
- Freshly prepared meals each day.
- Live in onsite manager.
- Emergency monitoring.
- Social and wellbeing programs.
- Village atmosphere promoting self care and community support.
- Independent Care providers offer services to our residents through the ageing at home initiatives of the Federal Government Department of Ageing.
- Eureka will build relations with care providers to create easier access for our residents in need and standardise services throughout our locations.



Summary

- Eureka is focused on providing affordable rental accommodation for seniors living independently in Australia.
- Eureka's goal to be largest owner/operator of regional seniors rental villages in Australia.
- Clear strategy in place to grow the number of properties Eureka owns and/or manages in its portfolio and increase its share of this market.
- 150 acquisition opportunities identified in a highly fragmented industry.
- Eureka is a company in an industry with growing demand. Future market demand is supported by the growing number of Australian's aged over 65 who rely on the Aged or Disability Pension.
- Recurring reliable cash flow from operations is driven by high demand for affordable accommodation.
- High cash conversion unaffected by movements in either global or Australian economies.
- Eureka's move to an owner/operator has been well supported by investors through recent capital raisings.
- Incentive based agreements for Village Managers provides greater remuneration clarity and improved occupancy and village returns.
- Alignment of shareholders interests with Directors & management holding >16% of shares on issue.
- Eureka has experienced recent improvements to both share price and liquidity.
- Dedicated and experience team with demonstrated performance in seniors living.
- Recent \$8.0m institutional raising with \$4.0m Share Holder Purchase Plan (SPP) along with Bank lending facilities gives Eureka the ability to accelerate growth by way multi-village acquisitions.

Contact Details

Robin Levison
Chairman

Phone: (07) 5568 0205

Email: robin.levison@eurekagroupholdings.com.au

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Appendix

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- **Appendix 1:** The Rental Model
- **Appendix 2:** Top 20 Shareholders
- **Appendix 3:** Village Locations
- **Appendix 4:** Pro Forma Balance Sheet and Income Statement
- **Appendix 5:** Federal Budget Changes to Pensions

Appendix 1

Our Model | Why Rental?

The table below is a comparison of the Eureka model against other models in the market from the perspective of a typical resident:

Case Study 1 Deferred Management Fee Model

- Use their savings/superannuation of \$300,000 to move into a DMF village.
- Repay the DMF on average 30% of the \$300,000 purchase price upon exit.
- Pay ongoing owner contributions of \$300 per fortnight as well as paying for their food and social activities, assuming \$350 per fortnight this leaves around \$204 per fortnight for the resident. There is no government subsidy for rent assistance.

Under this model the resident's savings are significantly diminished when they move to higher care. In addition they pay ongoing amounts each week to contribute to the maintenance of the village and need to purchase their own food. In the case of a couple, there is a critical risk in the event one person needs to obtain higher care as there is no personal finance available to pay an entry bond to the Aged Care Provider.

Case Study 2 Relocatable Home

- Using a large portion of the \$300,000 savings/superannuation, say \$200,000 to purchase a relocatable home. The balance of savings, say \$100,000 is invested for a small return \$5,000 or \$200 per fortnight (assuming a rate of 5% p.a.).
- Pay ongoing site fee of \$200 per fortnight after rent assistance and be responsible for their own building maintenance.
- Pay for their own food and social activities (assuming \$350 per fortnight), the resident is left with \$500 per fortnight (including the return on investment).

Under this model the residents are required to use their savings to purchase the property and pay ongoing site fees as well as maintenance costs. At the time the resident needs to move to higher care, they face the task of selling their asset to fund adequate aged care.

Case Study 3 Rental Model

- Invest entire savings of \$300,000 for a return of \$15,000 per year or \$577 per fortnight (assuming rate of 5% p.a.).
- Pay a rent and service fee to live in an Eureka unit of \$534 per fortnight after rent assistance and receive freshly prepared meals each day, community activities and programs and have the support of an on-site manager. The resident is left with \$897 per fortnight (including the return on investment).

Under the Eureka model the resident can retain their savings and earn a return, while using the money they receive from the Government to manage all of their other costs. Each fortnight they have around \$897 without diminishing their savings.

The rental option is the only solution for residents that have little or no savings or superannuation. They have no ability to own a residence.

Appendix 2

Shareholders | Top 20

The table below is a snapshot of the top 20 shareholders as at 17 July 2015:

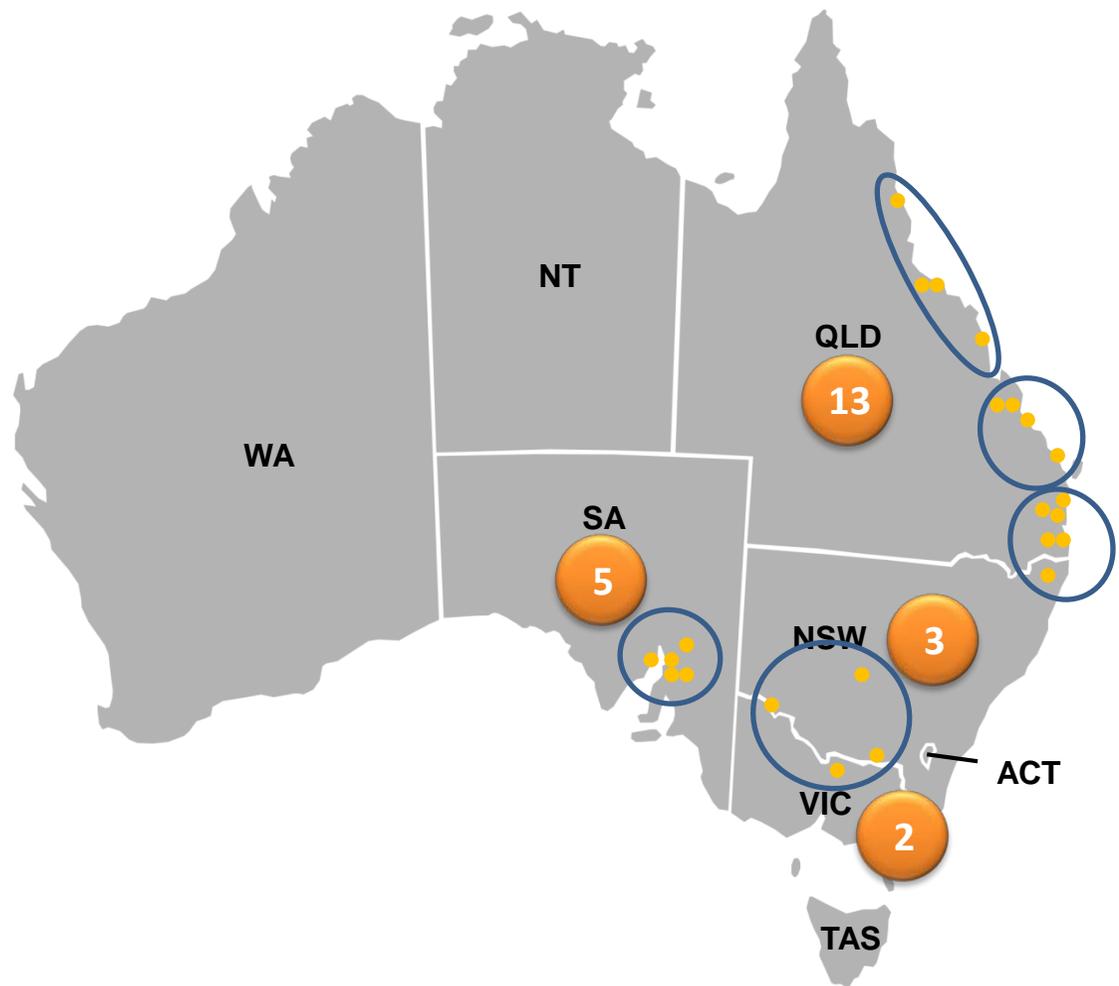
Rank	Name	Shares held	% Held
1	Lachlan McIntosh (through controlled entities)	12,646,166	6.72%
2	National Nominees Limited	12,526,011	6.66%
3	Sandhurst Trustees Ltd <Tbf Small Cap Val Grwth A/C>	12,389,590	6.59%
4	Robin Levison (through controlled entities)	12,349,608	6.57%
5	Wavet Fund No 2 Pty Ltd	8,083,334	4.30%
6	J P Morgan Nominees Australia Limited	7,314,530	3.89%
7	PPK Investment Holdings Pty Ltd	6,450,000	3.43%
8	Citicorp Nominees Pty Limited	6,414,758	3.41%
9	Richard Mew s (through controlled entities)	5,392,058	2.87%
10	UBS Nominees Pty Ltd	4,104,146	2.18%
11	HSBC Custody Nominees (Australia) Limited	3,460,077	1.84%
12	Moat Investments Pty Ltd	3,144,158	1.67%
13	Mrs Leora Shamgar	2,960,000	1.57%
14	Greg Rekers (through controlled entities)	2,870,608	1.53%
15	Kerry Potter (through controlled entities)	2,866,442	1.52%
16	QFM Nominees Pty Ltd	2,659,641	1.41%
17	Mr Alister Charles Wright	2,592,334	1.38%
18	Sandhurst Trustees Ltd <Endeavor Asset Mgmt Mda A/C>	2,498,333	1.33%
19	Truwind Pty Ltd	2,428,288	1.29%
20	G & P Investments (Nsw) Pty Limited	2,169,413	1.15%

Appendix 3

Village Locations | By State



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Appendix 4

Pro Forma Balance Sheet and Income Statement

The pro forma balance sheet shows the increase in assets and liabilities from the village acquisitions, the internal / independent valuation of management rights, as well as the inclusion of 1-year pro forma NPAT for Eureka on an annualised basis:

Proforma balance sheet														
(\$millions)	Eureka FYE 2014	Cascade Gardens Cairns	Wayford House	Elizabeth Avenell	Vale 2	Tivoli Gardens	Whyalla	Lismore	Albury, Mildura & Shepparton	Revaluation of management rights ¹	Sale of management rights	Capital raised and debt repayment ⁴	1 year NPAT	Proforma balance sheet
Assets														
Cash	1.29	(1.14)	(1.10)	(0.90)	(1.35)	(0.44)	(1.30)	(1.60)	(2.99)	-	1.00	18.15	4.56	14.19
Assets classified as held for sale	1.05	-	-	-	-	-	-	-	-	-	(0.78)	-	-	0.27
Other current assets	0.61	-	-	-	-	-	-	-	-	-	-	-	-	0.61
Total current assets	2.94	(1.14)	(1.10)	(0.90)	(1.35)	(0.44)	(1.30)	(1.60)	(2.99)	-	0.22	18.15	4.56	15.06
Investment Property	6.66	3.14	4.17	3.97	4.39	0.08	3.25	4.00	6.65	-	-	-	-	36.31
PP&E	0.77	-	-	-	-	-	-	-	-	-	-	-	-	0.77
Intangible assets	4.81	-	-	-	-	0.36	-	-	-	7.63	(0.22)	-	-	12.57
Other non-current assets	0.53	-	-	-	-	-	-	-	-	-	-	-	-	0.53
Total non-current assets	12.77	3.14	4.17	3.97	4.39	0.44	3.25	4.00	6.65	7.63	(0.22)	-	-	50.19
Total assets	15.71	2.00	3.08	3.08	3.04	-	1.95	2.40	3.66	7.63	-	18.15	4.56	65.25
Liabilities														
Total current liabilities	2.01	-	-	-	-	-	-	-	-	-	-	(0.68)	-	1.33
Non-current financial liabilities	7.16	2.00	1.95	1.95	2.04	-	1.95	2.40	3.66	-	-	(0.45)	-	22.66
Total non-current liabilities	7.16	2.00	1.95	1.95	2.04	-	1.95	2.40	3.66	-	-	(0.45)	-	22.66
Total liabilities	9.17	2.00	1.95	1.95	2.04	-	1.95	2.40	3.66	-	-	(1.13)	-	23.99
Net assets	6.54	-	1.13	1.13	1.00	-	-	-	-	7.63	-	19.28	4.56	41.26
Equity														
Share capital	46.04	-	1.13	1.13	1.00	-	-	-	-	-	-	19.28	-	68.56
Accumulated losses/reserves	(39.50)	-	-	-	-	-	-	-	-	7.63	-	-	4.56	(27.30)
Total equity	6.54	-	1.13	1.13	1.00	-	-	-	-	7.63	-	19.28	4.56	41.26
Total liabilities and equity	15.71	2.00	3.08	3.08	3.04	-	1.95	2.40	3.66	7.63	-	18.15	4.56	65.25

Pro forma income statement				
(\$millions)	FY 2014	Net effect other	Incremental from villages	Pro forma
EBITDA	1.51	-	4.49	6.00
Less: depreciation	(0.10)	-	-	(0.10)
Less: amortisation	(0.18)	-	-	(0.18)
EBIT	1.23	-	4.49	5.72
Less: Interest	(0.57)	0.21	(0.80)	(1.16)
NPBT	0.66	0.21	3.69	4.56
Less: Tax expense	-	-	-	-
NPAT	0.66	0.21	3.69	4.56
Basic earnings per share ²				2.43 cents
Diluted earnings per share ³				2.43 cents

¹ The management rights have been valued internally based on historical sales information and independent broker data to present the pro forma balance sheet. Management rights cannot be revalued upwards under Australia Accounting Standards so the carrying amounts in the balance sheet represents the costs associated with acquiring the rights less accumulated amortisation.

² Basic EPS is calculated based on the number of shares outstanding as at 17 July 2015.

³ All convertible notes have now been converted into shares.

⁴ Other movements include cash raised through capital raising, conversion of convertible notes and repayment of borrowings.

Appendix 5

Our Market | Federal Budget Changes to Pensions

SINGLE NON-HOMEOWNER

Assessible assets	Current pension received	Proposed new pension	Change in pension	Assessible assets range	Number of people	%
\$100,000	\$23,166	\$23,166	\$0	\$0-\$99,999	900,730	89%
\$200,000	\$23,166	\$23,166	\$0	\$100,000-\$199,999	57,964	6%
\$300,000	\$23,166	\$23,166	\$0	\$200,000-\$299,999	24,615	2%
\$400,000	\$21,723	\$23,166	\$1,443	\$300,000-\$399,999	12,668	1%
\$500,000	\$17,823	\$19,266	\$1,443	\$400,000-\$499,999	6,383	1%
\$537,000	\$16,380	\$16,380	\$0	\$500,000-\$599,999	3,731	0%
\$600,000	\$13,923	\$11,466	-\$2,457	\$600,000-\$699,999	2,174	0%
\$700,000	\$10,023	\$3,666	-\$6,357	\$700,000-\$799,999	1,292	0%
\$747,000	\$9,180	\$0	-\$9,180	\$700,000-\$799,999	1,292	0%
\$800,000	\$6,123	\$0	-\$6,123	\$800,000-\$899,999	666	0%
\$900,000	\$2,223	\$0	-\$2,223	\$800,000-\$899,999	666	0%
\$1,000,000	\$0	\$0	\$0	\$900,000-\$999,999	67	0%
Total					1,010,290	

SINGLE HOMEOWNER

Assessible assets	Current pension received	Proposed new pension	Change in pension	Assessible assets range	Number of people	%
\$100,000	\$23,166	\$23,166	\$0	\$0-\$99,999	457,298	61%
\$200,000	\$23,166	\$23,166	\$0	\$100,000-\$199,999	142,763	19%
\$250,000	\$21,626	\$21,626	\$0	\$200,000-\$299,999	64,588	9%
\$289,000	\$20,085	\$20,085	\$0	\$200,000-\$299,999	64,588	9%
\$300,000	\$19,676	\$19,266	-\$410	\$300,000-\$399,999	36,732	5%
\$400,000	\$15,776	\$11,466	-\$4,310	\$400,000-\$499,999	23,517	3%
\$500,000	\$11,876	\$3,666	-\$8,210	\$500,000-\$599,999	15,463	2%
\$547,000	\$10,042	\$0	-\$10,042	\$500,000-\$599,999	15,463	2%
\$600,000	\$7,976	\$0	-\$7,976	\$600,000-\$699,999	9,731	1%
\$700,000	\$4,076	\$0	-\$4,076	\$700,000-\$799,999	3,403	0%
\$800,000	\$0	\$0	\$0	\$800,000-\$899,999	3	0%
Total					753,498	

Source: The Australian 8th May 2015

- The table above outlines the impact of the changes to the Age Pension as part of the 2016 Federal Budget which will result in a reduction to the part pension wealthier recipients presently receive.
- The changes will have no impact to Eureka's residents who receive the full age pension.
- The statistics reinforce Eureka's view of the size of the market for residents who will require affordable rental accommodation.

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