

Eureka Group Holdings Limited

Year End Investor Update

8 September 2015

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Company Overview

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) 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.
- 3) **Strong capable** management team with a combined industry experience of greater than 60 years.
- 4) The company owns a rapidly expanding portfolio of accommodation villages, and is a property asset manager of 25 villages nationally **with 1,535** units managed following completion of the acquisitions at Mt Gambier, Rockhampton & Bowen.
- 5) Eureka will **own 674** units following the acquisition of Mt Gambier, Rockhampton & Bowen.
- 6) Eureka is **accelerating** its 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 is to be largest owner/operator of regional seniors rental villages in Australia.

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Income Statement

Year ended 30 June 2015

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

(\$'000)	FY2014	FY2015	\$ Change	% Change
Total revenue	10,662	12,212	1,550	15%
Operating expenses	(9,150)	(8,083)	1,067	-12%
EBITDA	1,512	4,129	2,617	173%
Depreciation & amortisation	(282)	(166)	116	-41%
EBIT	1,230	3,963	2,733	222%
Finance costs	(569)	(858)	(289)	51%
Profit before income tax	661	3,105	2,444	370%
Income tax expense	-	-	-	n/a
Net profit after income tax	661	3,105	2,444	370%
Basic earnings per share (cents)	0.80	2.24	1.44	180%
Diluted earnings per share (cents)	0.80	2.24	1.44	180%

Key Points

- Revenue and EBITDA has increased as a result of village acquisitions completed during the year
- Finance costs have increased as a result of total borrowings increasing from \$8.4m to \$19.3m which have been used to fund village acquisitions
- Nil tax expense as Eureka continues to utilise carried forward tax losses

Balance Sheet

Year ended 30 June 2015

The table below is the summary of the balance sheet at 30 June 2015 compared with the comparative financial year:

(\$'000)	30 June 2014	30 June 2015
Assets		
Cash and cash equivalents	1,285	5,154
Trade and other receivables	368	306
Inventories	10	20
Assets classified as held for sale	1,047	-
Other assets	229	159
Loans receivable	-	84
Available for sale financial assets	235	-
Loans receivable	295	541
Investment property	6,658	39,689
Property, plant and equipment	770	878
Intangible assets	4,808	5,003
	15,705	51,834
Liabilities		
Trade and other payables	720	608
Other financial liabilities	8,410	19,307
Provisions	38	64
	9,168	19,979
Net Assets	6,537	31,855
Equity		
Share capital	46,035	68,248
Accumulated losses	(39,498)	(36,393)
	6,537	31,855

Key Points

- Healthy balance sheet to pursue an aggressive growth strategy.
- Improved working capital from \$0.9m at 30 June 2014 to \$4.7m at 30 June 2015.
- Significant increase in Investment Property as a result of village acquisitions completed during the year.
- Share capital has increased as a result of capital raisings completed during the year which have been used to fund village acquisitions.
- Management Rights carrying value on Balance Sheet at cost less amortisation.

Village Acquisitions

During the 30 June 2015 financial year the **Group acquired 9 seniors rental villages**, 5 manager's units, a communal village hall and 2 management rights. This is consistent with Eureka's growth strategy to acquire high performing villages and associated management rights. The villages acquired include:

- Cascade Gardens Cairns for \$3.1m in July 2014 – 53 units
- Avenell Village on Vasey Bundaberg and Elizabeth Vale Scenic Village 1 for \$7.7m in October 2014– 116 units
- Myall Retirement Village in Whyalla South Australia for \$3.3m in January 2015 – 58 units
- Elizabeth Vale Scenic Village 2 for \$4.4m in April 2015 – 45 units
- Lismore Rental Village for \$4.0m in May 2015 – 80 units
- Albury Village for \$2.6m in June 2015 – 52 units
- Mildura Village for \$2.3m in June 2015 – 51 units
- Shepparton Village for \$1.8m in June 2015 – 69 units

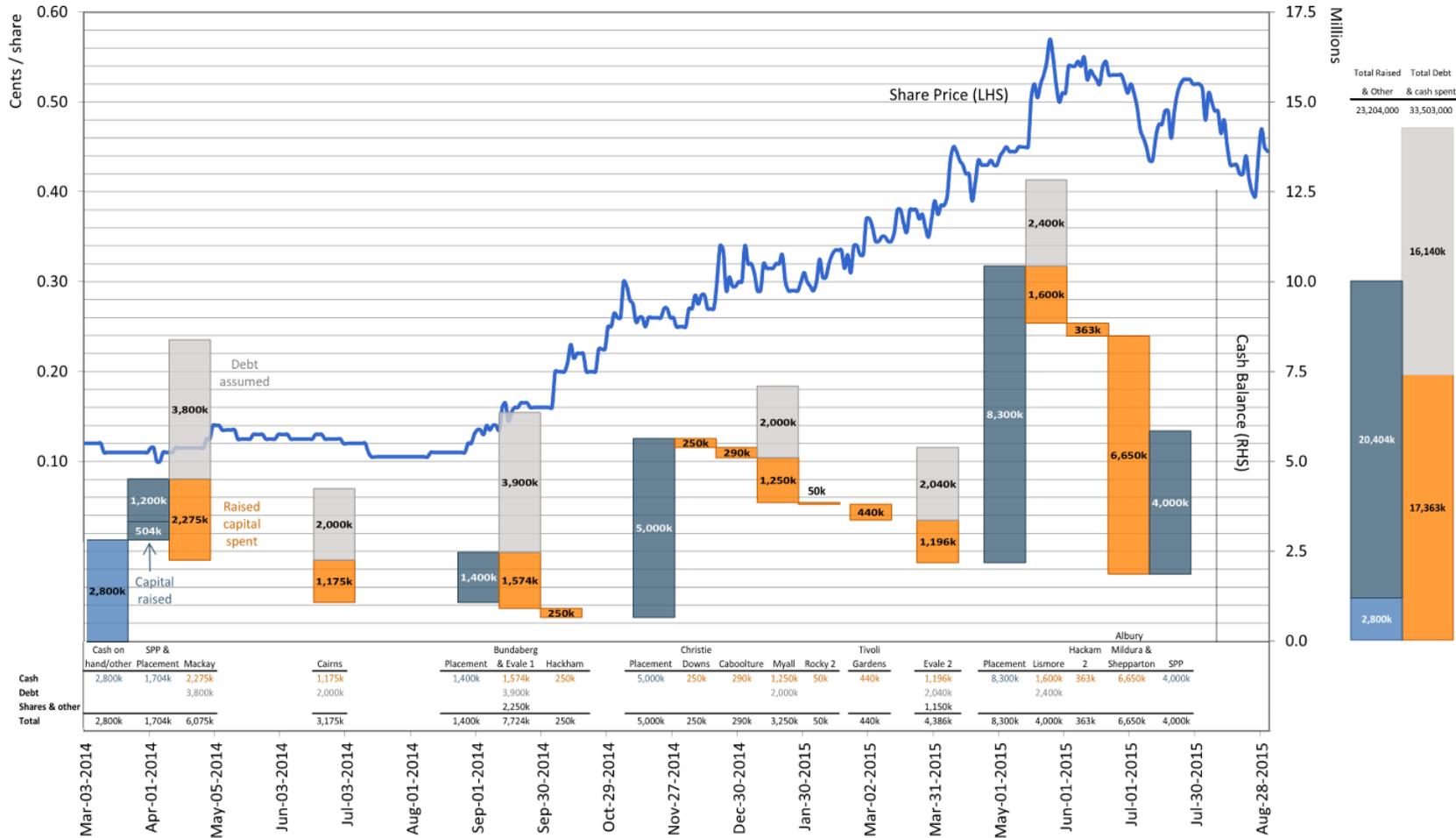
Subsequent to year-end, Eureka has announced the **3 acquisitions**:

- Mt Gambier Village for \$2.25m in September 2015 – 45 units (settled)
- Rockhampton Village for \$3.25m – 42 units (settlement to be completed, subject to minor condition precedent)
- Bowen Village for \$1.32m – 50 units (settlement to be completed)



Share Price & Capital Raising Utilisation

The graphs below outlines the improvement in the share price along with the utilisation of capital raisings to fund village acquisitions:



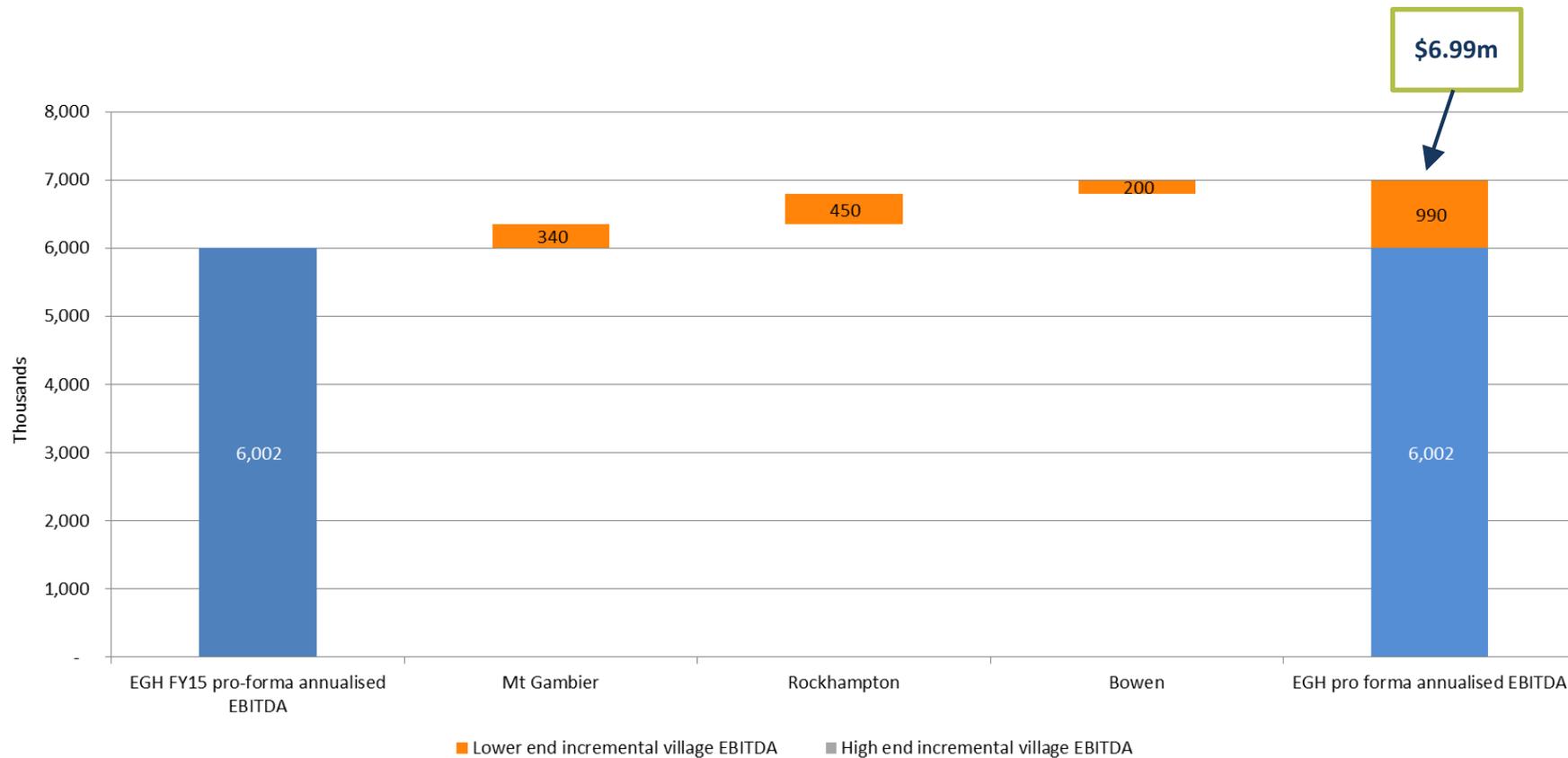
Category	Value (Millions)
Total Raised & Other	23,204,000
Total Debt & cash spent	33,501,000
Total	10,297,000

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EBITDA

Pro Forma Annualised Basis

The three village acquisitions announced since 1 July 2015 (Mt Gambier, Rockhampton & Bowen) are expected to contribute an additional \$0.99m to Eureka's EBITDA on an annualised basis.



July 2015 Summary & Outlook

Eureka is on track to deliver strong growth in FY2016 and accelerate its “buy and build” growth strategy and become the largest owner/operator of regional seniors rental villages in Australia within the next 12 months.

Trading update for July 2015:

- Total revenue of \$1.27m
- EBITDA of \$0.55m meets Eureka’s guidance as at 30 June 2015

Eureka has a strong pipeline of active village targets:

- Acquisitions of Mt Gambier, Rockhampton and Bowen announced
- Actively engaged in due diligence on 2 acquisition opportunities
- Clear line of sight for another 7 acquisition opportunities

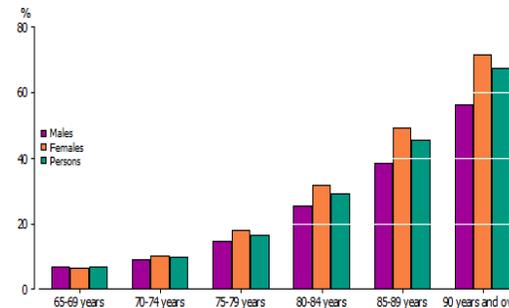
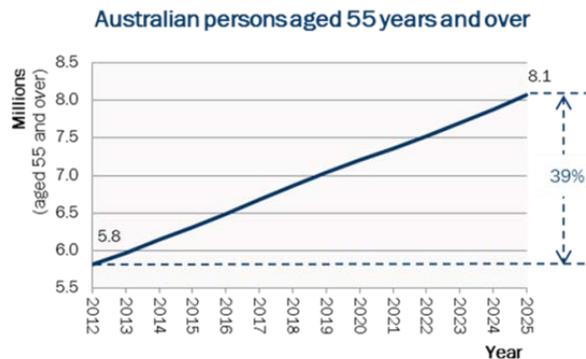
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Rental Villages

About The Industry

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- There are over 2,270 facilities catering for aged accommodation across Australia, with approximately 184,000 residents.
- The number of residents is expected to increase to around 382,000 by 2025 which is more than double the number of residents today.
- 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.
- 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 below models Australian population projection for persons aged 55 years and over.
- The flexibility of a rental solution offers greater access for the delivery of in home aged and disability care services.
- 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.

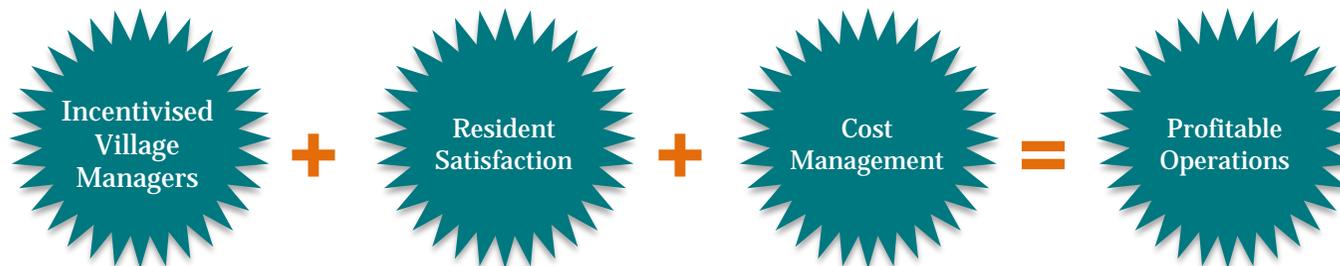


Source: http://guidesacts.fahcsia.gov.au/guides_acts/ssg/ssguide-5/ssguide-5.2/ssguide-5.2.2.05.html

Rental Villages

The Eureka Way Of Operating

- 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.

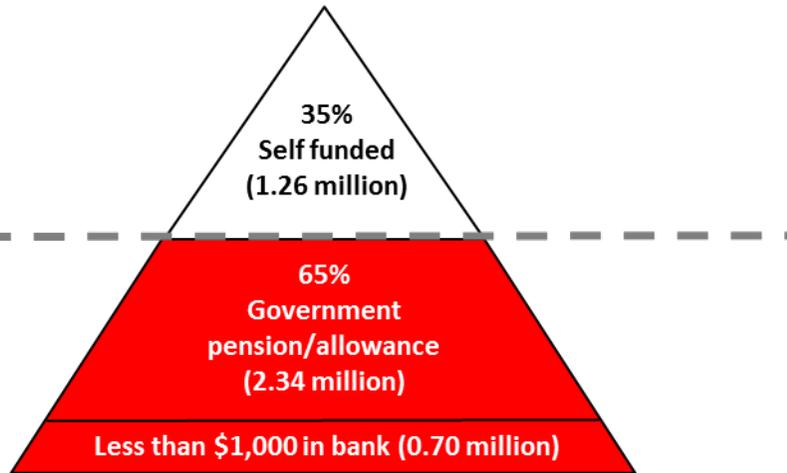


Our Market

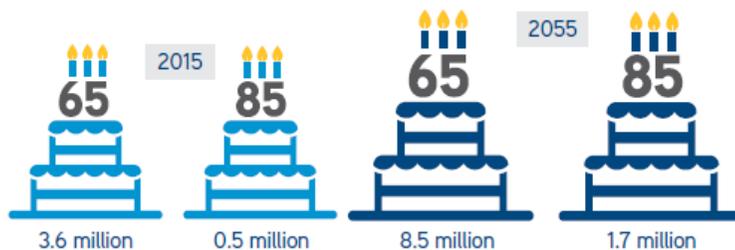
Market Size - Population

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3.6 million Australian's over 65 years old (2015)



GROWING OLDER POPULATION



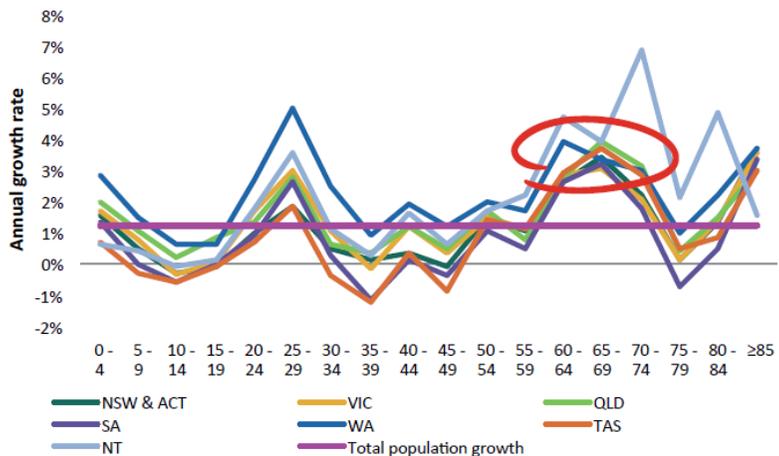
- Of the 2.34m people receiving a pension, 2.01m people receive a full government pension.
- All Eureka villages have strong enquiry driven by demand from an increasing aging population. Rental is the most affordable and often the only option for residents that rely on the pension as their only source 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.

Source: Colliers International: Healthcare and Retirement Living – Research & Forecast Report (2015)

Our Market

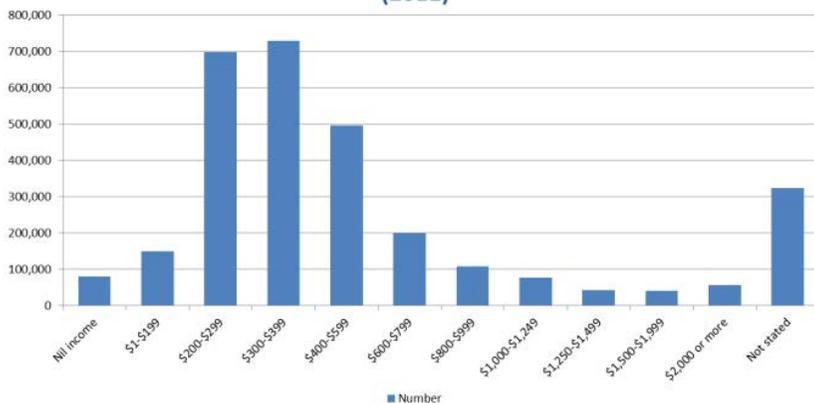
Market Size - Population

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Source: Property Council of Australia – National overview of the retirement village sector (October 2014)

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



- Property Council of Australia reports have identified a “tsunami” of Australian’s approaching retirement as highlighted in the graph to the left.
 - A significant portion of this population will be forced to seek rental accommodation in retirement as it will represent their only affordable option.
 - This is the most dominant and growing market segment of the Australian population which will drive demand for seniors accommodation.
-
- 71% of Australian’s aged over 65 have total earnings (from all sources including government pensions received) of less than \$600 per week.
 - Over the next 20 years the number of Australian’s aged 75 and above will more than double.
 - Average superannuation account balances were \$82,615 for males and \$44,866 for females in 2011-12.

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.

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

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

Our Market

Buy & Build Potential

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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.

Summary

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- 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 or share markets.
- 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.
- Dedicated and experience team with demonstrated performance in seniors living.
- Sufficient cash and bank funding is available for the next phase of growth.

Contact Details

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Appendix

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- **Appendix 1:** The Rental Model
- **Appendix 2:** Our Resident Experience
- **Appendix 3:** Top 20 Shareholders
- **Appendix 4:** Village Locations

Appendix 1

Our Model - Why Rental?

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

<h3>Case Study 1 Deferred Management Fee Model</h3>	<ul style="list-style-type: none"> - 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. <p>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.</p>
<h3>Case Study 2 Relocatable Home</h3>	<ul style="list-style-type: none"> - 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). <p>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.</p>
<h3>Case Study 3 Rental Model</h3>	<ul style="list-style-type: none"> - 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). <p>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.</p>

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

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.



Appendix 3

Shareholders – Top 20

The table below is a snapshot of the top 20 shareholders as at 24 August 2015:

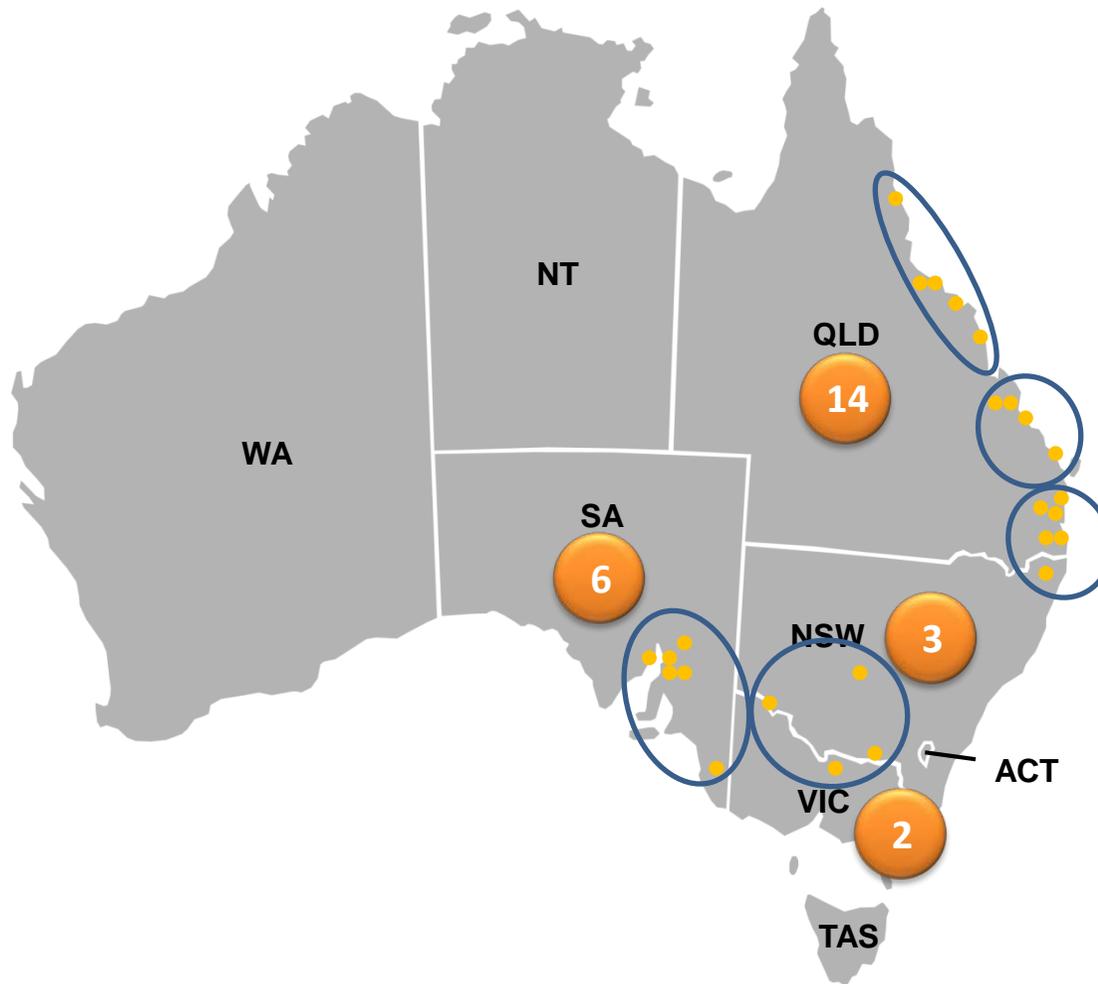
Rank	Name	Shares held	% Held
1	Lachlan McIntosh (through controlled entities)	12,646,166	6.72%
2	Robin Levison (through controlled entities)	12,349,608	6.57%
3	National Nominees Limited	12,114,613	6.44%
4	Sandhurst Trustees Ltd <Tbf Small Cap Val Grw th A/C>	10,587,831	5.63%
5	Wavet Fund No 2 Pty Ltd	8,083,334	4.30%
6	J P Morgan Nominees Australia Limited	7,769,531	4.13%
7	PPK Investment Holdings Pty Ltd	6,450,000	3.43%
8	Richard Mew s (through controlled entities)	5,392,058	2.87%
9	Citicorp Nominees Pty Limited	4,222,414	2.24%
10	UBS Nominees Pty Ltd	4,104,146	2.18%
11	HSBC Custody Nominees (Australia) Limited	3,252,054	1.73%
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	Brazil Farming Pty Ltd	2,748,890	1.46%
17	Truwind Pty Ltd	2,726,585	1.45%
18	QFM Nominees Pty Ltd	2,659,641	1.41%
19	Mr Alister Charles Wright	2,542,334	1.35%
20	Sandhurst Trustees Ltd <Endeavor Asset Mgmt Mda A/C>	2,466,686	1.31%

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Appendix 4

Village Location – By State

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