



# FY21 Results Presentation

*Rental Retirement Living*



**eureka**  
GROUP HOLDINGS



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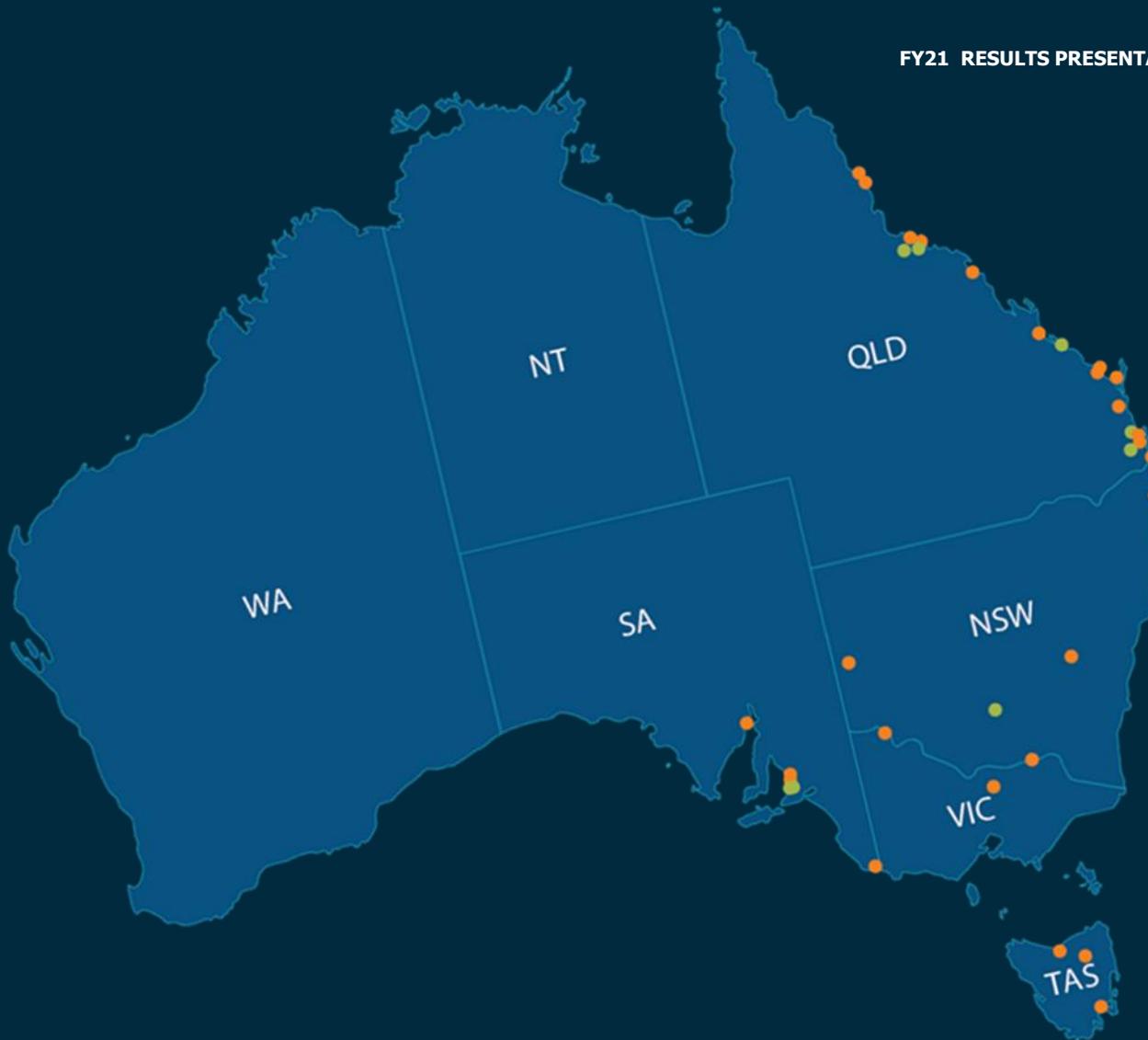
## Snapshot of Eureka

- Eureka is a specialist owner, operator and manager of rental retirement villages
- We provide essential social infrastructure, services and community for a growing cohort of residents
- Our revenue streams are economically stable and highly resilient, with government pensions underpinning around 95% of revenue
- Our contracts are simple rental agreements for the provision of accommodation and food to independent seniors (not aged care)
- Our operating platform is transitioning effectively and our goal is to become a scale player in a fragmented industry
- The market in which we operate has favourable long term industry trends
- We have reliable cash flows, a strong balance sheet and capital management options to accelerate our growth momentum and sustain dividends to shareholders

# 2,191

UNITS UNDER MANAGEMENT

## Eureka Village Locations



# 40 VILLAGES

32 OWNED 8 UNDER MANAGEMENT



## FINANCIAL

Underlying EBITDA  
Up 21% to \$10.57m

Underlying Profit before Tax  
Up 31% to \$7.36m

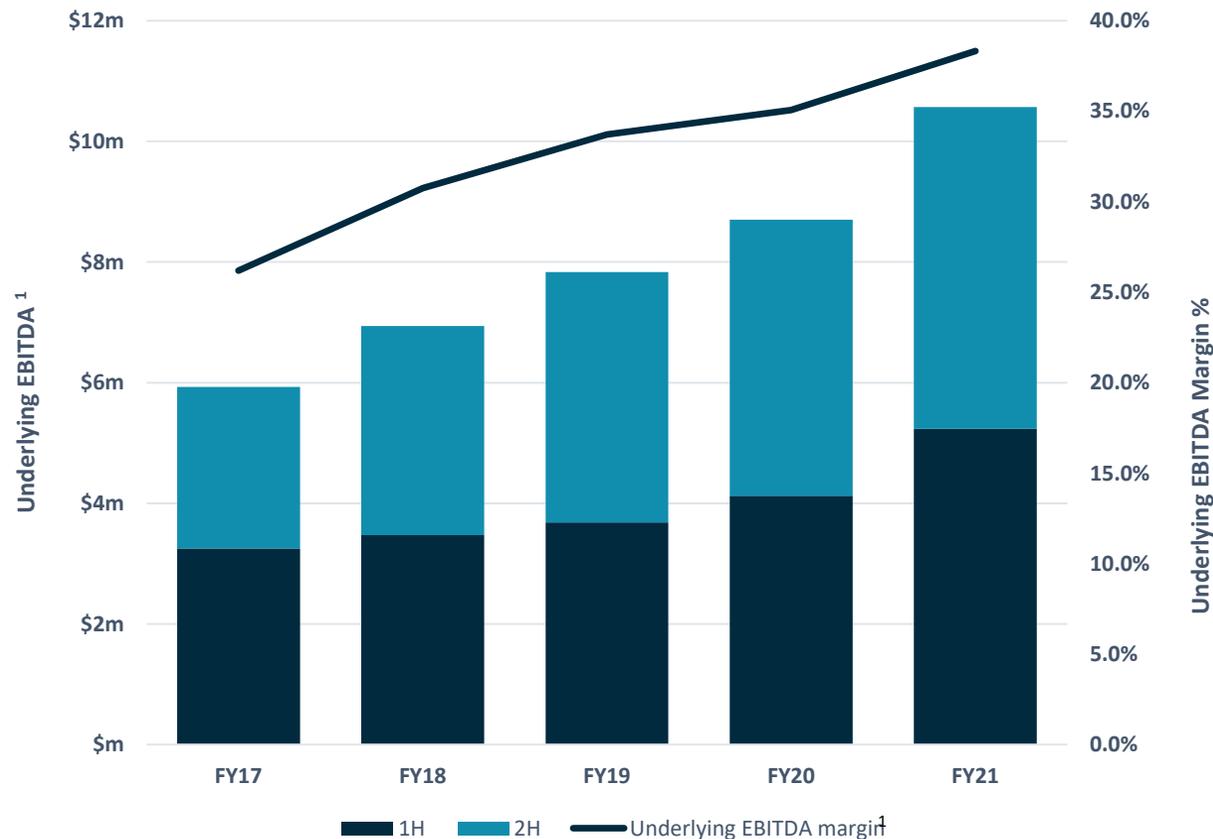
Net Operating Cash Flow  
Up 3% to \$7.85m

Balance Sheet Gearing: 37.8%  
Interest Cover Ratio: 4.5 times

Final Dividend: 0.59 cps  
Payment Date: 28 September 2021

Dividend Reinvestment Plan  
Operative

# FY21 Results Summary



<sup>1</sup> Refer to Definitions on page 19



## BUSINESS

Total Units  
2,191 units, up 2% on PY

Occupancy  
98%, up from 95% in PY

Capitalisation Rate  
9.9%, firmed from 10.1% in PY

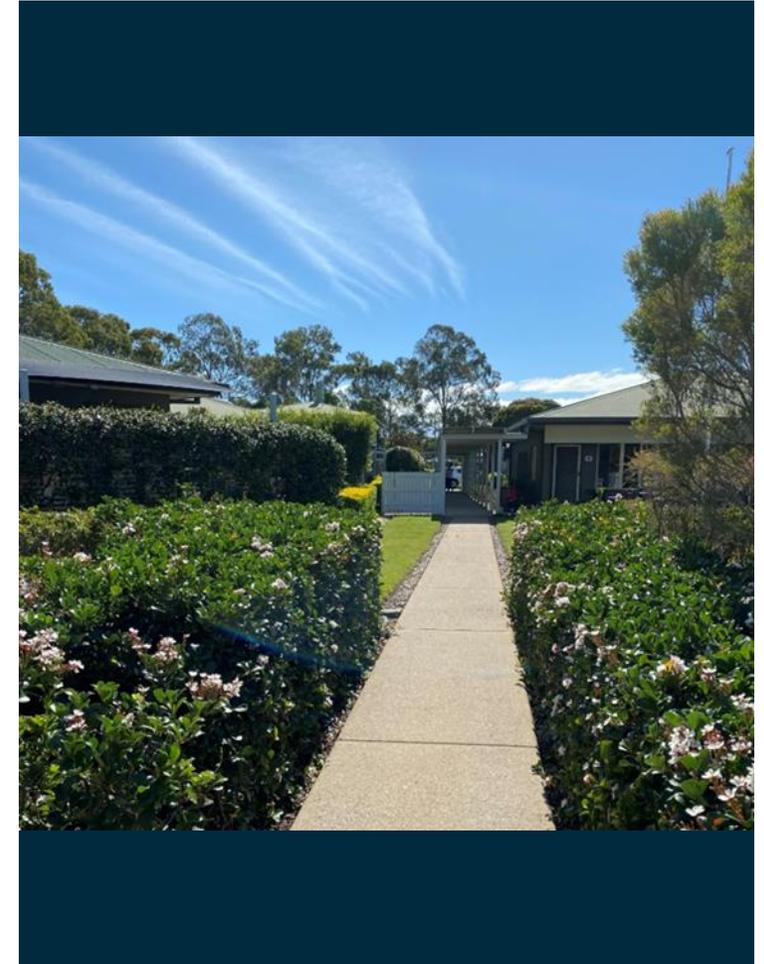
Capital Recycling  
\$6.0m from Terranora disposals

Acquisitions  
Earlville QLD: +70 units  
Hervey Bay QLD: +53 units

Village Expansion  
Wynnum QLD: +22 units

## Strategic Objectives

- Expand the **quality asset base** with resilient cash flows
- Upscale and **grow core business** through:
  - Disciplined acquisitions and greenfield “build-to-rent” developments
  - Maintaining occupancy, rental growth and cost control to increase profitability
- Maintain **strong cashflow** for payment of dividends and growth
- Deliver sustainable growth in **shareholder returns**



## Operations Overview

- **Established ‘resident-first’ philosophy:** Providing social connections and a caring and safe environment for residents to “age in place”
- **Occupancy success:** Investment in resident experience and digital marketing initiatives have strengthened maintainable occupancy, enquiry generation, relationship building with community networks and organic rental growth
- **Increased people capability:** Empowered leadership in Village Manager and kitchen teams with support from professional and experienced support office staff
- **Proactive portfolio management:** Capital investment in resident units and common area facilities to improve village product and maximise returns
- **Ongoing COVID-19 vigilance and risk management:** Strongly recommend all residents receive COVID-19 vaccinations and developing policy to mandate for village and support office staff. More than 75% of staff have received the first vaccination



## Portfolio Review

- **Village portfolio growth** in complementary locations and ideal demographic catchments:
  - Acquired villages in Earlville (Cairns) and Hervey Bay, Qld in November 2020, comprising 123 units for \$13.0m in total
  - Acquired a village in Brassall, Southeast Qld in July 2021 for \$6.5m, comprising 59 units and land for development of a further 47 lots
- **Expansion of the Wynnum village** into 62 units in a prime Brisbane metropolitan location is well progressed, with target completion in December 2021
- **Development application** lodged for a 110-unit greenfield development in Kingaroy, Qld and feasibility is underway
- Building an **acquisition pipeline** with network synergies and incremental growth
- **Capital recycling** generated proceeds of \$6.0m from the disposal of the final 31 units at Terranora, NSW
- Total proceeds from capital recycling of \$23.1m since 2018

# Environment Social Governance

## SOCIAL FOCUS

- 'Resident-first' philosophy underpinned by compassion, respect and trust
- Empowering the well-being and independence of residents in a safe, secure and active village to create communities
- Listen to and improve resident experience
- Established *The Kitchen Club* to inspire village chefs to create quality and nutritious food
- Develop community connections through links to local and national charities

## ENVIRONMENTAL INITIATIVES

- Developing an environmental sustainability program through conserving energy, waste management, recycling and water storage
- Committed to energy conservation through a village solar program
- Solar energy program completed in 13 villages

# Environment Social Governance

## GOVERNANCE PRACTICES

- Ethical business principles and embedded governance practices
- Effective risk management through a risk management framework, policies, legislative and regulatory compliance and reporting
- Diverse and inclusive workplace

## ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) COMMITTEE

- Recently established an ESG Committee reflecting the Group's commitment to ESG matters
- Responsibilities include overseeing the implementation of ESG programs, measuring outcomes and monitoring emerging ESG principles for application to Eureka



## GROWTH

- Deliver further acquisition and development opportunities to scale the business

## TECHNOLOGY

- Implement technology systems across all business units

## PEOPLE

- Establish corporate office in Brisbane
- Continue to develop a professional team of village managers, chefs and support office staff with strong capability and experience

## RESIDENT EXPERIENCE INITIATIVES

- Gain a deeper understanding of residents through a Voice of the Resident survey being conducted by a third party which commenced in July 2021

## MARKETING

- Enhance brand position and reputation in the rental retirement living sector

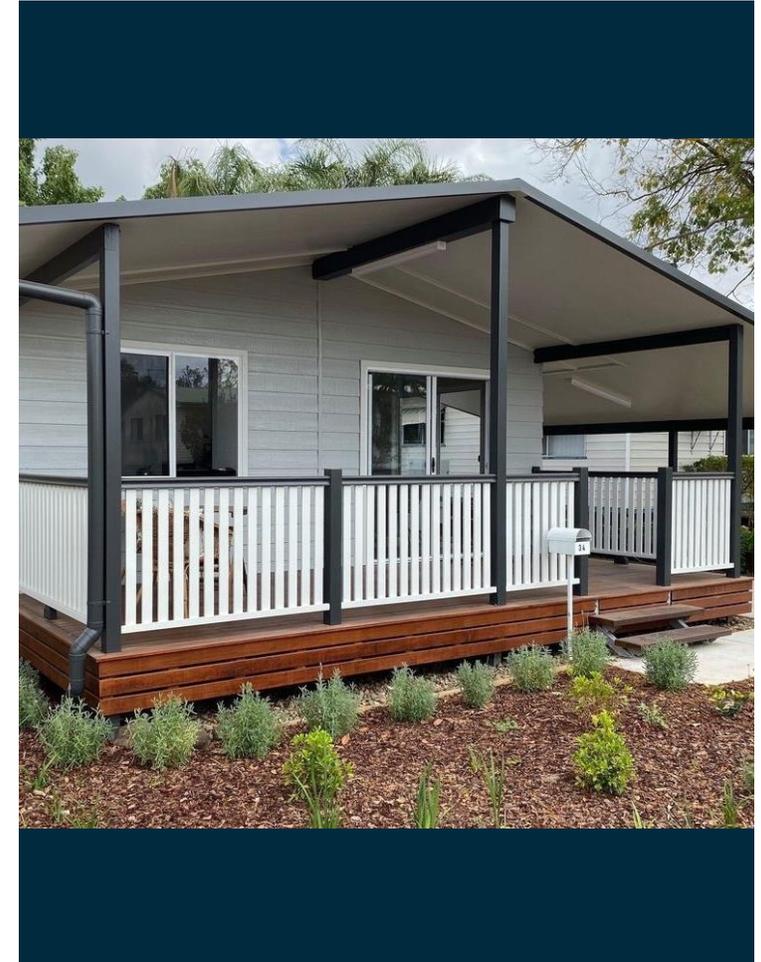
## CAPITAL

- Ongoing capital recycling program and capital management planning

# FY22 Priorities

# Outlook

- **The Board expects further growth in underlying EBITDA and underlying Net profit before tax in FY22, generated by:**
  - Earnings accretive acquisitions
  - Development opportunities
  - Further economies of scale
- We remain cautious of, and vigilant to, the threat of COVID-19
- Long term industry trends remain favorable:
  - Ageing population is creating an increasing number of seniors, both in total and as a proportion of the population
  - A fundamental shift from home ownership to long term rental accommodation in Australia





# FY21 Results in Detail

# Profit & Loss

Profit and Loss Summary		
Year ended	30-Jun-21	30-Jun-20
(\$ '000)		
Rental income	18,831	16,874
Catering income	4,544	4,223
Service and caretaking income	4,207	3,712
<b>Total revenue</b>	<b>27,582</b>	<b>24,809</b>
<b>Reconciliation of Profit after tax to Underlying EBITDA<sup>1</sup></b>		
Profit after tax	6,283	8,095
Income tax expense	2,459	980
Depreciation and amortisation	587	591
Finance costs	2,626	2,508
<b>EBITDA<sup>1</sup></b>	<b>11,956</b>	<b>12,174</b>
Net gain on revaluation of investment properties including joint venture	(2,942)	(2,471)
Net loss on revaluation of assets held for sale	525	53
Impairment of intangible and other assets	1,050	619
Profit on sale of non-core assets	(741)	(1,031)
Refund of prior periods GST	-	(644)
Transaction costs - acquisitions, disposals, asset realisations	316	-
Property expenses - non-recurring	279	-
Other	127	-
<b>Underlying EBITDA<sup>1</sup></b>	<b>10,569</b>	<b>8,700</b>
<b>Underlying Profit before tax<sup>1</sup></b>	<b>7,356</b>	<b>5,601</b>
Basic earnings per share (cents)	2.73	3.52
Dividends per share (cents)	1.18	1.10
Underlying EBITDA margin <sup>1</sup>	38.3%	35.1%

- **Strong growth in underlying profit before tax of 31% to \$7.36m**
- Underlying EBITDA margin increased to 38.3% compared with 35.1% pcp
- Improved underlying profit result driven by portfolio expansion generating economies of scale and improved occupancy
- Net gain on revaluations of \$2.94m, including Eureka's \$0.58m share of the revaluation uplift from Tasmanian village portfolio held in joint venture
- Gain on sale of Terranora units of \$0.74m
- The statutory profit after tax movement includes non-cash valuation adjustments on non-core assets (Couran Cove loan and land at Terranora), non-recurring items and the significantly higher tax expense
- No cash tax will be payable due to carry forward revenue tax losses

<sup>1</sup> Refer to Definitions on page 19

# Balance Sheet

Balance Sheet Summary		
As at	30-Jun-21	30-Jun-20
(\$ '000)		
<b>Assets</b>		
Cash and cash equivalents	1,890	2,451
Trade, other and loans receivable	974	1,065
Inventory	-	4,880
Joint venture investment	6,846	5,955
Investment property	139,037	121,443
Other property assets	2,763	1,077
Intangible assets	3,827	4,177
Other assets	3,631	4,157
<b>Total assets</b>	<b>158,969</b>	<b>145,205</b>
<b>Liabilities</b>		
Trade and other payables	3,422	2,125
Provisions	618	596
Bank debt	57,175	54,472
Other financial liabilities	3,434	1,164
Deferred tax liabilities	3,439	980
<b>Total liabilities</b>	<b>68,089</b>	<b>59,337</b>
<b>Net assets</b>	<b>90,880</b>	<b>85,868</b>
Net debt <sup>1</sup>	55,285	52,020
Balance sheet gearing <sup>1</sup>	37.8%	37.7%
Net tangible assets per share (cents)	37.5	35.5

- **Strong balance sheet with financial capacity for expansion**
- Weighted capitalisation rate for investment properties firmed to 9.9% (FY20: 10.1%)
- Investment property - acquisition of 70 unit village in Earlville (Cairns) and 53 unit village in Hervey Bay (\$13.0m)
- Inventory - sold the final 31 units at Terranora during FY21
- Debt facility limit increased from \$60.0m to \$77.5m, increasing to \$80m
- Increase in net debt of \$3.27m
- Balance sheet gearing stable at 37.8%

<sup>1</sup> Refer to Definitions on page 19

# Cash Flow

Cash Flow Summary		
Period ended	30-Jun-21	30-Jun-20
(\$ '000)		
<b>Cash flows from operating activities</b>		
Receipts from customers	29,120	25,783
Payments to suppliers and employees	(19,039)	(15,884)
Interest received	64	43
Interest paid	(2,296)	(2,328)
<b>Net cash provided by operating activities</b>	<b>7,849</b>	<b>7,614</b>
<b>Cash flows from investing activities</b>		
Payments for investment property	(15,170)	(16,585)
Proceeds from sales of assets	6,033	7,314
Other net payments	(287)	(327)
<b>Net cash used in investing activities</b>	<b>(9,424)</b>	<b>(9,598)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from borrowings	2,704	5,238
Payment of dividends	(1,981)	(3,565)
Proceeds from share issue	713	-
Other payments for financing activities	(421)	(297)
<b>Net cash provided by financing activities</b>	<b>1,015</b>	<b>1,375</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(560)</b>	<b>(609)</b>
Cash and cash equivalents at the beginning of the period	2,451	3,060
<b>Cash and cash equivalents at the end of the period</b>	<b>1,891</b>	<b>2,451</b>

- **Strong and reliable operating cash flows**
- Statutory net cash from operating activities increased by 3%
- Net cash from operating activities increased by 13%, excluding the impact of the prior year GST refund
- Acquisition of new villages funded from debt and capital recycling (sale of Terranora units) and operations
- FY20 final dividend of 0.55cps and FY21 interim dividend of 0.59cps paid during the period
- Dividend reinvestment plan activated and fully underwritten for the FY21 interim dividend in February 2021

<sup>1</sup> Refer to Definitions on page 19

# Capital Management

## DIVIDENDS

- FY21 final dividend of 0.59 cps
- Total FY21 dividends of 1.18 cps
- Dividend reinvestment plan (DRP) operative for the final dividend
- DRP issue price of 5-day VWAP less 2.0% discount
- Payment date of 28 September 2021

## KEY DATES

Ex-dividend date	3 September 2021
Record date	6 September 2021
DRP election date	9 September 2021
Payment date	28 September 2021
DRP issue date	28 September 2021

## DEBT FACILITY

- Expiry: 31 March 2024
- Limit: Increased from \$60m to \$77.5m in November 2020 and increasing to \$80m upon settlement of the deferred consideration for the Hervey Bay acquisition
- Interest rate: 3.7% weighted average
- Interest cover ratio: 4.5 times in FY21

## CAPITAL

- Proactive portfolio management
- Ongoing capital recycling program
- Capital management planning to accelerate growth

# Acquisitions & Development

**EUREKA NEW HORIZONS  
VILLAS HERVEY BAY**



**Acquisition**

**EUREKA NEW HORIZONS  
VILLAS EARLVILLE**



**Acquisition**

**EUREKA GAINSBOROUGH  
LIFESTYLE VILLAGE BRASSALL**



**Acquisition**

**EUREKA WYNNUM  
EXPANSION**



**Development**

Press "Play" button to view video tour

# Definitions

## Balance sheet gearing

- Calculated as net debt (being interest-bearing drawn debt net of cash) divided by net debt plus equity

## EBITDA (Earnings before interest, tax, depreciation and amortisation)

- An unaudited non-IFRS measure. 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 is calculated from amounts disclosed in the financial statements

## Net debt

- Interest-bearing drawn debt net of cash

## Underlying EBITDA

- An unaudited non-IFRS measure that represents the operating performance of the Group and excludes valuation adjustments, asset disposals and certain non-core or non-recurring transactions

## Underlying EBITDA margin

- Underlying EBITDA divided by Total Revenue

## Underlying Profit before tax

- An unaudited non-IFRS measure and equals Underlying EBITDA less finance costs, depreciation and amortisation

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