

ASX Announcement

29 August 2023

EUREKA GROUP HOLDINGS LIMITED (ASX: EGH) FY23 RESULTS

Strong FY23 Operating Result Further Growth Expected in FY24

Highlights

- **Revenue up 22% to \$36.4 million** (FY22 \$29.7 million) driven by organic village growth and acquisitions
- **Underlying EBITDA up 19% to \$12.6 million** (FY22 \$10.6 million) exceeding initial FY23 Underlying EBITDA guidance of \$12.2 - \$12.5 million
- **Statutory net profit after tax of \$19.2 million** (FY22 \$8.2 million)
- **Portfolio growth of \$56.9 million**, which included a \$25.3 million valuation uplift from independent valuations undertaken across the portfolio
- **Completed the acquisition of three villages comprising 151 units, as well as 37 individual unit acquisitions, increasing the total number of owned units by 13%.** The total portfolio comprises 2,551 units
- **Successful completion of \$28.2 million Entitlement Offer**, with proceeds deployed to acquire villages in Tamworth (NSW) and Horsham (VIC), commence development at Brassall (QLD) and reduce gearing
- **Capital management plan in place**, backed by a strong balance sheet, providing optionality for future funding requirements
- **Management team strengthened** with key senior appointments in real estate, operations and technology to deliver on growth objectives. Search underway for a new CEO
- **Basic EPS of 6.97 cents per share** (FY22 3.48 EPS)
- **Final dividend of 0.67 cents per share taking total FY23 dividends to 1.34 cps** (FY22 1.26cps)
- **Village occupancy of 99% as at 30 June 2023**

Eureka Group Holdings Limited (ASX: EGH) (Eureka) today announced its results for the full year ended 30 June 2023 (FY23), delivering Underlying EBITDA of \$12.6 million, an increase of 19% on the prior corresponding period (pcp). This included like-for-like village growth in Underlying EBITDA of 13%.

Eureka operates a core portfolio of 1,576 owned units valued at \$213 million and 254 units held in a joint venture valued at \$16 million (Eureka's 50% share). Eureka also manages 721 units which generated \$2.4 million in EBITDA through management rights with a carrying value of \$6m.

Capital recycling resulted in the disposal of 91 lower yielding managed units. The acquisition of 37 of individual units in managed villages improves the quality of Eureka’s revenue stream.

The “whole of portfolio” valuation in the second half of the year, combined with acquisitions, development works and capital improvements, took the total value of the portfolio, including the assets held in joint venture, to \$229 million, an increase of 33%.

In a further sign of building long-term value for shareholders and residents, an increase in village earnings and a firming of capitalisation rates underpinned a \$25.3 million valuation uplift to the portfolio, reflecting the quality of the Group’s cash flows and properties. Acquisitions, development works and capital improvements during the year contributed \$32 million to the portfolio growth.

Eureka continued with capital management initiatives during the year, including a successful \$28.2 million Entitlement Offer in the first half. The proceeds of the capital raising were deployed to acquire villages in Tamworth (NSW) and Horsham (VIC), commence development at Brassall (QLD) and reduce gearing.

Gearing was reduced from 40.8% at FY22 to 32.1% at 30 June 2023.

The Board has determined a final dividend of 0.67 cents per share (unfranked), taking the total dividend for FY23 to 1.34cps, compared to 1.26cps in FY22. The payment date is 12 October 2023.

Commenting on the results, Eureka executive chairman, Mr Murray Boyte, said the significant restructuring of the past 18 months has helped underpin a strong financial performance which positions the Group for further growth, both organically and through targeted acquisitions and developments.

“The like-for-like revenue and EBITDA growth of 10% and 13% respectively demonstrates the annuity nature of our income stream. Eureka’s occupancy rates consistently average 98% across the village portfolio and at least 95% of the rent is underpinned by government pension and rent assistance,” Mr Boyte said.

“The significant uplift in the value of the portfolio added 4.4 cents to Eureka’s net tangible assets. This substantiates the favourable locations of Eureka’s properties and the recognition of the specialised affordable build-to-rent sector serving the large cohort of retirees seeking quality rental accommodation.

“We will continue to grow the portfolio through acquisitions and developments as we aim to achieve institutional scale for our portfolio to generate improved returns and value enhancement for shareholders.

“Excellent progress is being made at our Brassall development in Ipswich, Qld, with the 10 units in stage one being completed and leased in August 2023. 70% of the project is now leased and remains on target for completion by January 2024.

During FY23, Eureka established a four-year Environment, Social and Governance (ESG) Action Plan to build upon and extend the programs that have been achieved over the past 2 years. The plan establishes a formal framework to guide investment, drive performance and to engage with all stakeholders.

Commenting on the impact of inflation across the Group, Mr Boyte said Eureka's revenues had embedded inflation protection because of the CPI-linked indexing of Australian pension payments.

"We are a nationally important provider of social infrastructure with a resident first philosophy, and we are well placed to provide ongoing facilities that enhance resident experience.

"The Company remains positive about the future given that the sector in which we operate will continue to demand new accommodation given Australia's ageing population and the housing affordability needs for seniors particularly in regional areas.

"While we are focused on securing scalability in a sustainable way, we are mindful of our operating cost structure. The implementation of preferred technology systems across the business in the coming financial year is a key priority and will underpin efficiency gains in the growth platform.

"These important initiatives will help ensure that we continue to deliver excellent services to our residents and long-term value to our shareholders."

Further details are provided in the Appendix 4E and FY23 results presentation.

This announcement was approved and authorised for release by Eureka's Board of Directors.

For further information, contact Murray Boyte, Executive Chairman on 07 5568 0205.

Important Information and Disclaimer

This announcement may contain forward-looking statements, which include all matters that are not historical facts. Without limitation, indications of, and guidance on, future earnings and financial position and performance are examples of forward-looking statements.

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