

Eureka Group Holdings Limited

# AGM Presentation

November 2016



## Overview of Eureka Group

- Eureka aims to provide the highest level of low cost rental accommodation and associated care to independent retirees who are either completely or primarily reliant on the Australian Government Pension and Rent Assistance
  - In Australia 77% of single people (over age 65) rely on pensions as their primary source of income
- Through 2014 to 2015, retirement villages accounted for 18% of the A\$17bn revenue spent on aged care accommodation
- Eureka sources almost all of its revenue indirectly from the Federal Government with rent and associated weekly costs coinciding with the social security and rental assistance payments
- As of October 2016, Eureka has 35 villages under management with a total of 2,073 units owned and/or managed



Source: Third party source

# Company Snapshot

## Capital Structure<sup>1</sup>

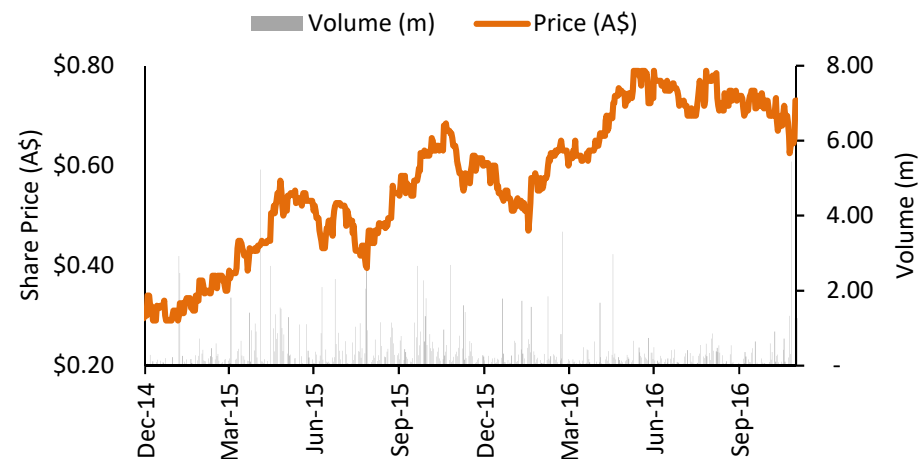
Share Price	A\$0.73
Shares Outstanding (m)	231.0
Market Capitalisation	A\$168.7M
Cash (30-Jun-16)	A\$6.8M
Debt (30-Jun-16)	A\$42.5M

## Directors & Senior Management

Robin Levison	Executive Chairman
Lachlan McIntosh	Non-Executive Director
Nirmal Hansra	Non-Executive Director
Greg Rekers	Executive Director / Head of Real Estate
Kerry Potter	Executive Director / Chief Operating Officer
Oliver Schweizer	Company Secretary
Ryan Maddock	Chief Financial Officer

1. Market data as of 29 November 2016

## Share Price Performance



## Major Shareholders

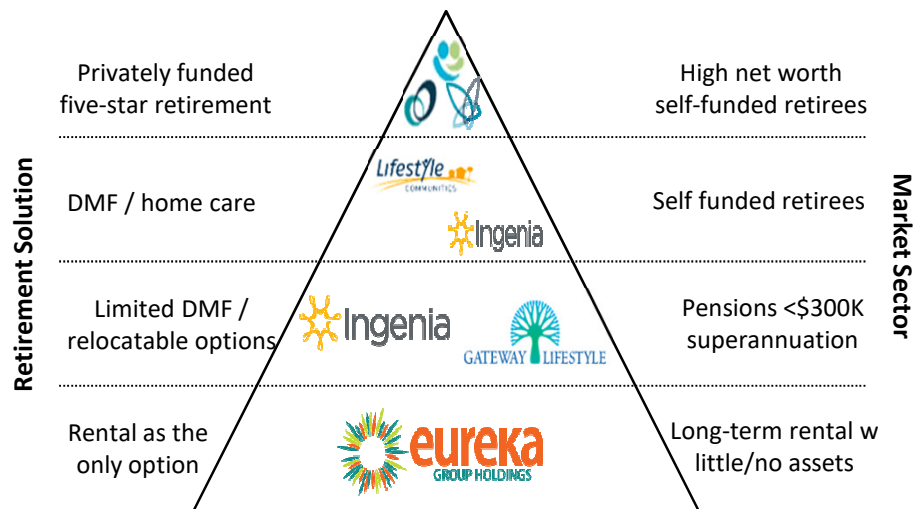
Tribeca Investment Partners Pty Ltd.	5.92%
Robin Levison <sup>1</sup>	5.48%
Hunter Hall Investment Mgmt	5.39%
Lachlan McIntosh <sup>1</sup>	5.16%
Cooper Investors Pty Ltd.	5.03%
Pie Funds Management Ltd.	4.62%
Glenn Molloy	3.43%
22 Resolution Pty Ltd.	2.26%
Mews, Richard Ewan Bromley	2.11%

# Market Primer: The Australian Retirement Industry

- Eureka's model caters to the 65+ year olds whose primary source of income is the full aged pension and requires no upfront capital
  - 77% of single people (over age 65) rely on pensions as their primary source of income

## High Demand for Affordable Rental Solutions

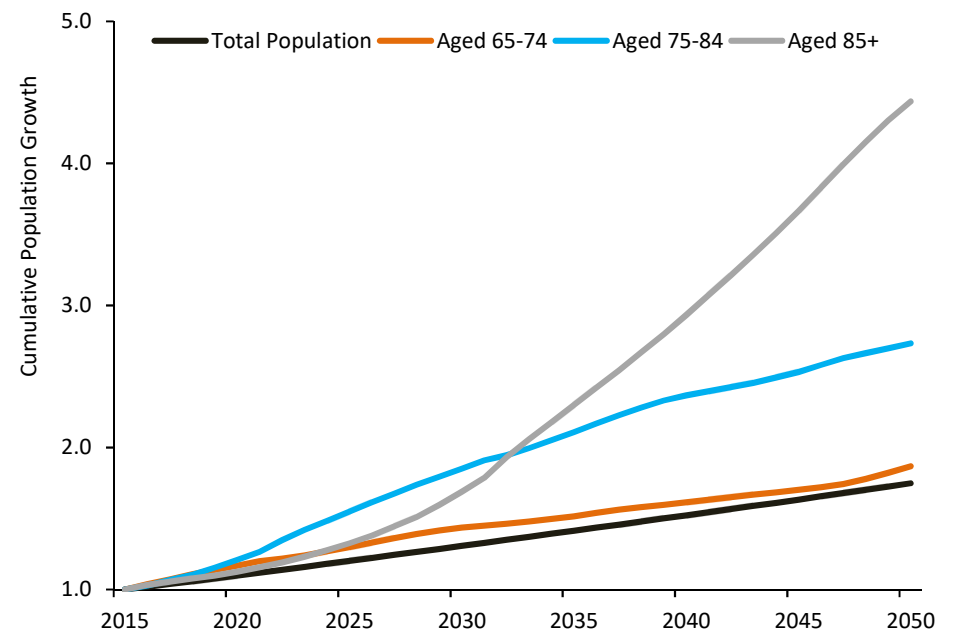
- Recent trends have seen service providers move to the DMF and MHE models, significantly reducing the amount of affordable housing available in the market
- Has driven high demand and placed greater importance on Eureka to continue providing affordable rental solutions



Source: Third party research

## Ageing Australian Population

- The ABS forecasts the number of Australians aged over 65 will increase from 3.6 million today to 4.2 million in 2020
- Will increase to 8.8 million by 2050



# Market Primer: The Australian Retirement Industry (cont'd)

- Through 2014 to 2015, retirement villages accounted for 18% of the A\$17bn revenue spent on aged care accommodation

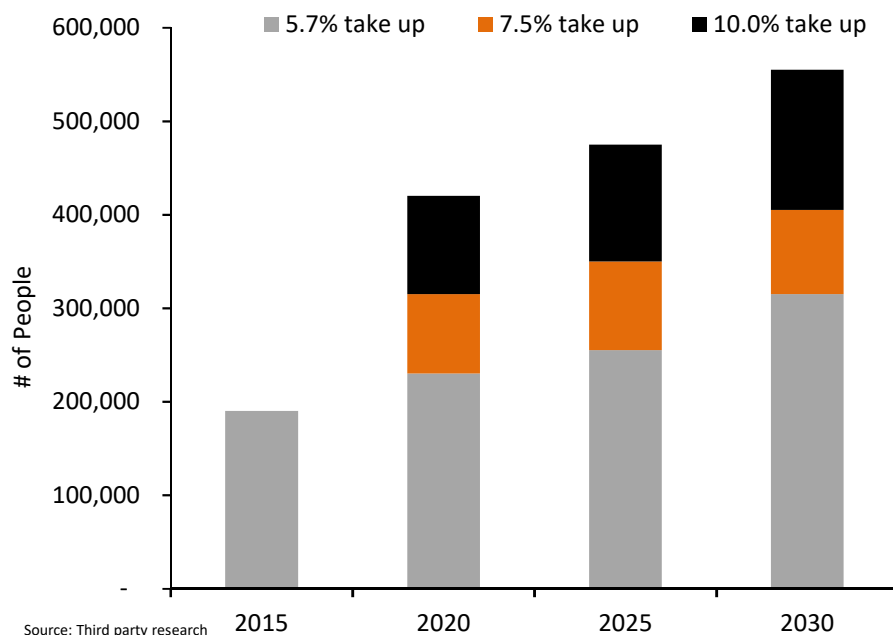
## Low Penetration of Retirement Living in Australia

- According to the ABS, less than 6% of Australians reside in retirement villages, compared to 12% of seniors in the U.S.

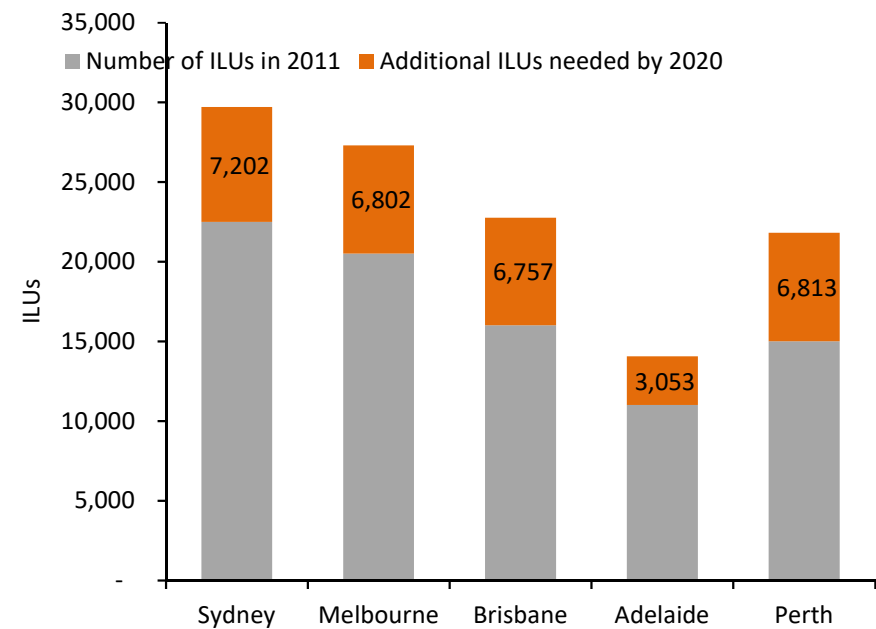
## Growth in Demand Anticipated Across Cities

- Knight Frank estimates 31,035 new independent living units will be required across Australia's cities by 2020 in order to meet expected consumer demand

Implied Demand, Retirement Living Community Residents



Demand for Retirement Living By City



## Business Units Overview

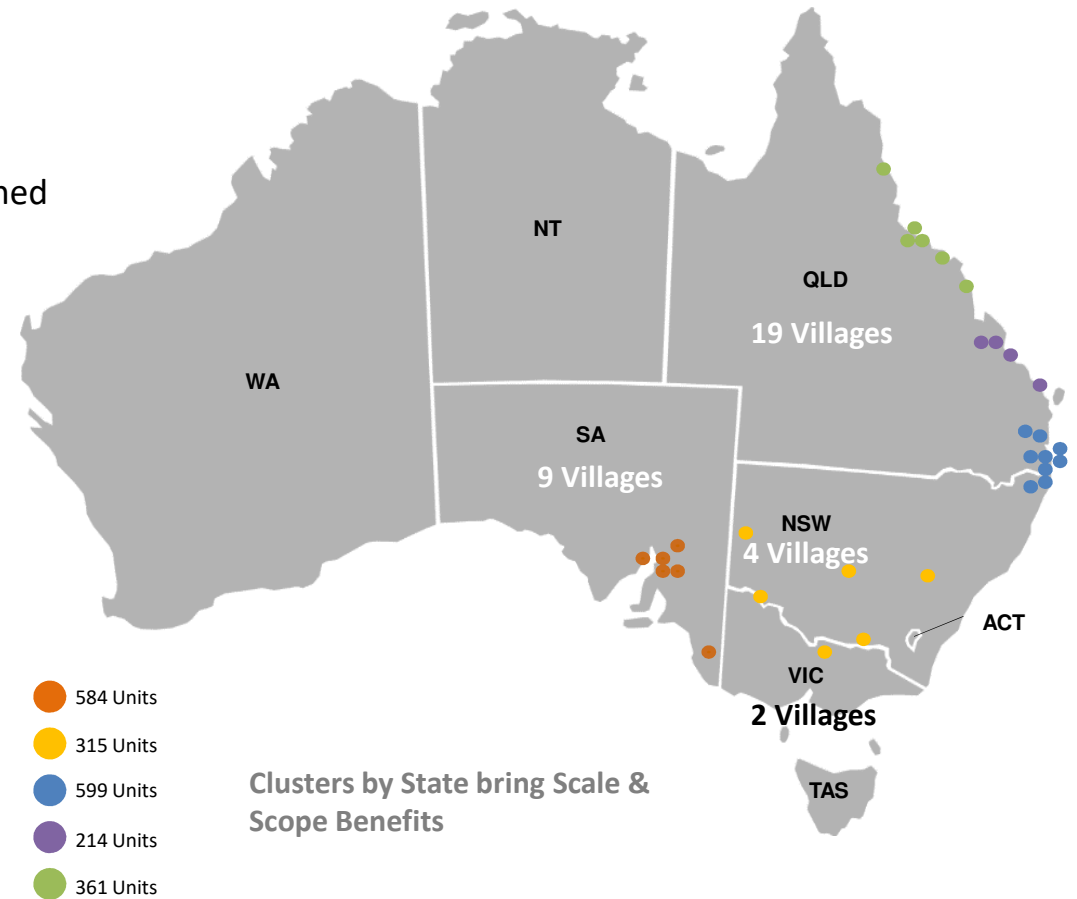
The key to Eureka's success is the discipline and coordination of the three key business units:

- **Real Estate Acquisition Team** – The key to our Growth Strategy  
Searches regional Australia for low cost retirement villages or assets suitable for re-purposing to low cost rental retirement accommodation
- **Infrastructure and Asset Management Team** – The key to our Financial Strategy  
Concentrates on filling those assets with suitable residents and providing food and associated support services including those from the Blue Care partnership
- **Property Management, Finance and Compliance Team** – The key to our Cost Savings and Performance Strategy  
Ensures all rents and other associated payments are collected, all local, state and federal regulations are complied with and all ASX, ATO and other report requirements are met and are creating significant shared back office services economies of scale

# Key Operational Highlights

## Geographical Distribution of Villages

- 35** villages under management
- 26** villages with freehold land and buildings owned
- 1,334** units owned
- 2,073** units owned and/or managed
- 8-12** villages to be acquired in next 12 months



Eureka's "Buy & Build" strategy succeeding with a further 200 low-cost rental accommodation assets identified and preliminary due diligence completed

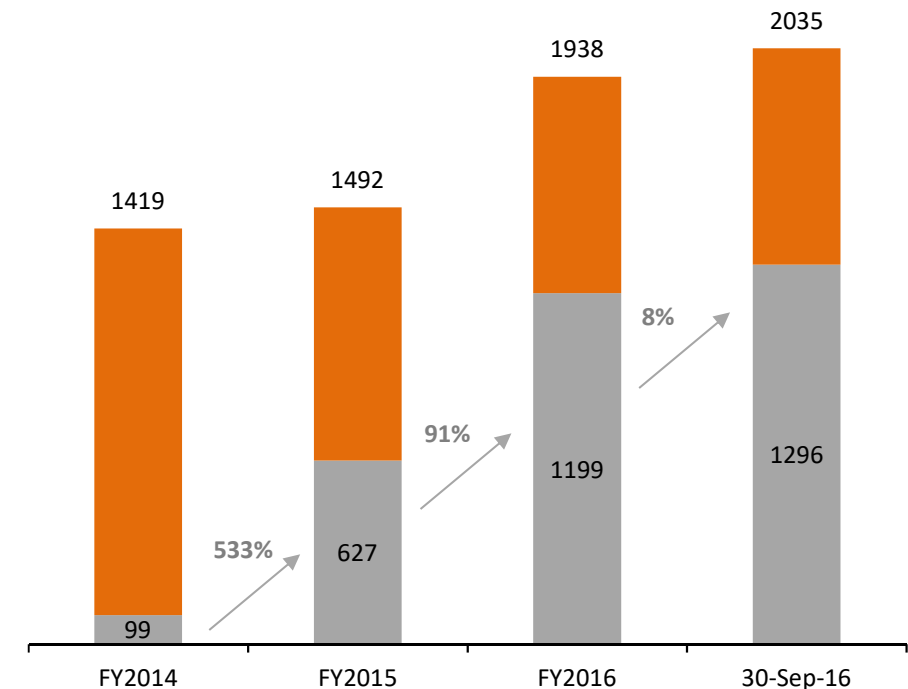
# Eureka's Steady Growth Trajectory

- Eureka has grown over significantly the last three years, with owned properties increasing 91% year-over-year in FY2016
- 200 low-cost rental accommodation assets identified and preliminary due diligence completed
- Targeting a further 8-12 acquisitions in the next 12 months, with 6 villages under current due diligence or in clear line of sight

## Units Owned/Managed

(in units)

- Owned
- Managed



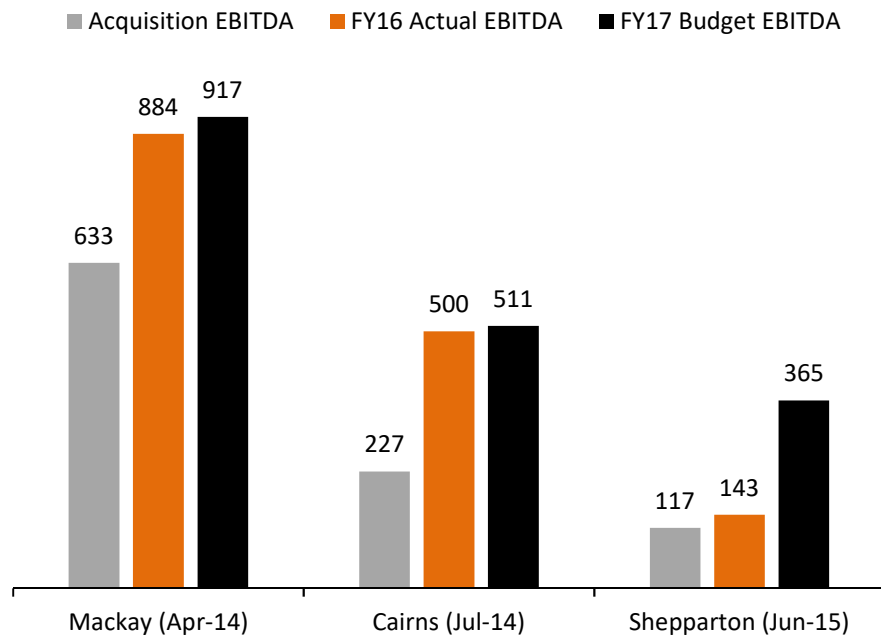


# Eureka's Ability to Improve Village Performance Post-Acquisition

- Earnings for all villages have increased since acquisition by Eureka
- Operating efficiencies and economies of scale benefits continue to drive improved earnings
  - Focus on increased rental rates, occupancy and back office consolidation creating cost savings and margin growth

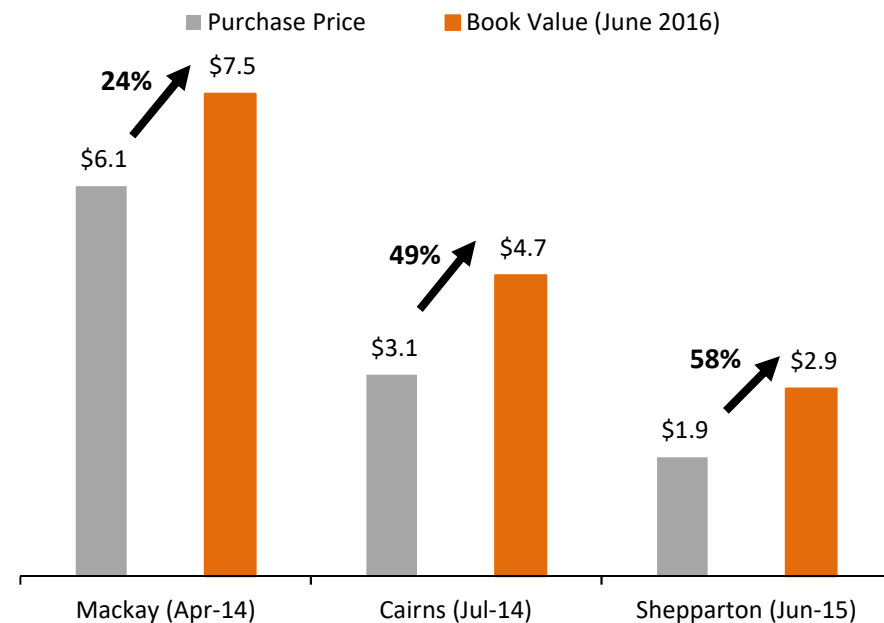
## Village EBITDA

(in \$000's)



## Purchase Price v. Book Value

(in \$ millions)

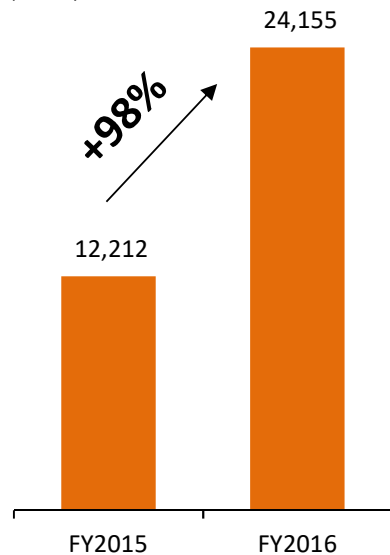


## Key Financial Highlights

- Revenue, EBITDA and NPAT have continued to increase as a result of village acquisitions completed during the year
- Cost control focus and scale benefits have flowed through to margins and bottom line results
- Strong balance sheet – net assets of \$64.9 million, up 104%
- Investment property book value of \$86.5 million, up 118%
  - \$43 million invested for 13 village acquisitions settled during the year

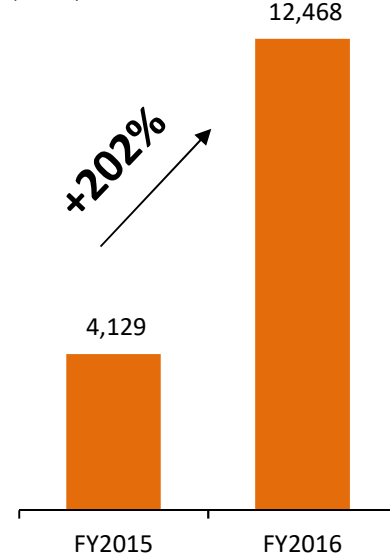
### Revenue

(\$000's)



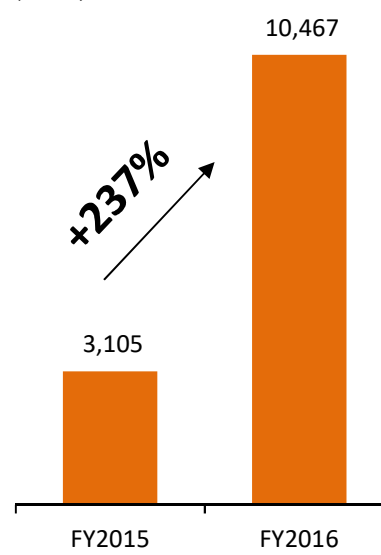
### EBITDA

(\$000's)



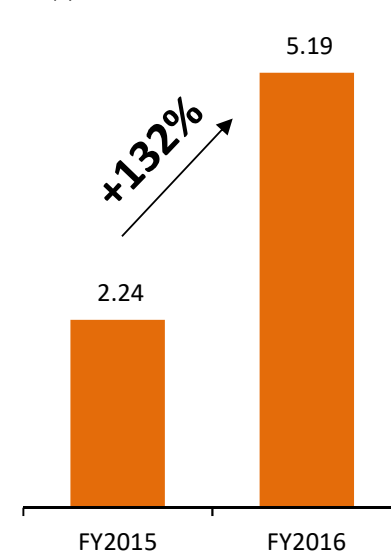
### NPAT

(\$000's)



### EPS

(\$)

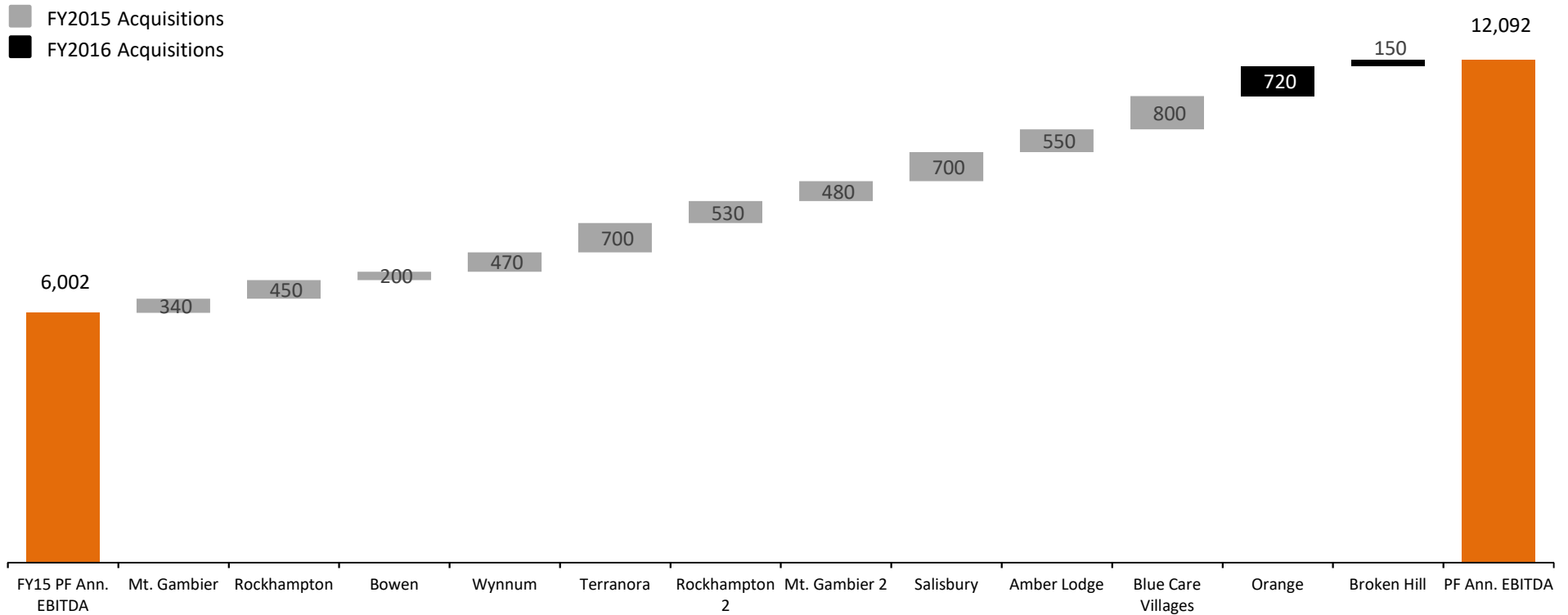


# Pro Forma Annualised EBITDA

- The nine village acquisitions announced since 1 July 2015 are expected to contribute an additional \$6.09 million to Eureka's EBITDA on an annualised basis

## Pro Forma Annualised EBITDA

(\$000's)



1

## Acquisition Growth

Acquired 24 villages in last 28 months and is targeting a further 8-12 low-cost accommodation asset acquisitions in the next 12 months

2

## Organic Growth

Development on existing owned village sites will allow Eureka to develop more than 295 additional units (5 villages equivalent); also opportunity to develop 125-150 purpose-built retirement units

3

## Margin Growth

Increased rental rates, occupancy and back office economies of scale

4

## Services/Care Growth

Now offers government funded in-home care packages to residents that will make the villages initially more attractive, keep residents longer, and accordingly increase profitability

# Improving Performance – Select Case Studies

## Terranora Village Redevelopment



**Acquired in December 2015 for \$7M, the planned redevelopment will include:**

- Sale of 3.5 hectares of vacant land, generating \$4M net cash
- Sale of 80 existing rental units, delivering \$14M in net cash
- Retention of management rights for the 80 units sold, adding an expected \$250,000 annually to EBITDA
- Future reinvestment of \$10M from excess cash to build a 'next generation' village on remaining 2.5 hectares of vacant land – expected for 2018

## Shorty O'Neil Village



**Acquired the 42-unit village in August 2016 for \$1.05 million**

- Includes a community centre, separate office building and large commercial kitchen
- At 65% occupancy Eureka expects to achieve its targeted 15% unlevered EBITDA return
- Since acquisition, Eureka has had 7 tenants moved in, with 37 tenancy agreements signed
- By settlement (December), Eureka expects full occupation of the village

# Income Statement

## Income Statement

(in \$000's, except per share amounts)

	FY2015	FY2016	Change	
			\$	%
Total Revenue	12,212	24,155	11,943	98%
Operating Expenses	(8,083)	(11,687)	(3,604)	45%
<b>EBITDA</b>	<b>4,129</b>	<b>12,468</b>	<b>8,339</b>	<b>202%</b>
Depreciation & Amortization	(166)	(268)	(102)	61%
<b>EBIT</b>	<b>3,963</b>	<b>12,200</b>	<b>8,237</b>	<b>208%</b>
Finance Costs	(858)	(1,733)	(875)	102%
<b>Profits before Income Tax</b>	<b>3,105</b>	<b>10,467</b>	<b>7,362</b>	<b>237%</b>
Income Tax	-	-	-	na
<b>Net Profit</b>	<b>3,105</b>	<b>10,467</b>	<b>7,362</b>	<b>237%</b>
<b>Basic EPS</b>	<b>2.24</b>	<b>5.19</b>	<b>2.95</b>	<b>132%</b>
<b>Diluted EPS</b>	<b>2.24</b>	<b>5.19</b>	<b>2.95</b>	<b>132%</b>

Revenue, EBITDA and NPAT have continued to increase as a result of village acquisitions completed during the year

Cost control focus and scale benefits have flowed through to margins and bottom line results

Finance costs have increased as a result of total borrowings which have been used to fund village acquisitions

Nil tax expense as Eureka continues to utilise carried forward tax losses

Strong revenue to cash flow conversion rate

# Balance Sheet

## Balance Sheet

(in \$000's, except per share amounts)

	30-Jun-15	30-Jun-16
<b>Assets</b>		
Cash and Equivalents	5,154	6,841
Trade and Other Receivables	306	3,434
Inventories	20	6,300
Other Assets	159	819
Loans Receivable - Current	84	66
Loans Receivable - Long-Term	541	539
Investment Property	39,689	86,472
PP&E	878	1,232
Intangible Assets	5,003	5,620
<b>Total Assets</b>	<b>51,834</b>	<b>111,323</b>
<b>Liabilities</b>		
Trade and Other Payables	608	3,688
Other Financial Liabilities	19,307	42,516
Provisions	64	185
<b>Total Liabilities</b>	<b>19,979</b>	<b>46,389</b>
<b>Net Assets</b>	<b>31,855</b>	<b>64,934</b>
<b>Equity</b>		
Share Capital	68,248	90,860
Accumulated Losses	(36,393)	(25,926)
<b>Total Equity</b>	<b>31,855</b>	<b>64,934</b>

- Healthy balance sheet to pursue a continued growth strategy.
- Improved working capital from \$4.7m at 30 June 2015 to \$8.5m at 30 June 2016.
- Significant increase in investment property as a result of 13 village acquisitions settled during the year.
- Management rights carrying value on balance sheet at cost less amortisation.
- Value of tax losses not yet recognised on balance sheet.

## Recent Recognitions

- The Global Awards recognise the best exemplar in the world and/or the service provider who has most advanced service levels or innovation

**Most  
Outstanding  
Rental  
Housing  
Group**

Awarded **The Most Outstanding Over 50s Rental Housing Management Group in the World in 2016**

**Most  
Outstanding  
Rental  
Housing  
Leader**

Executive Chairman Mr. Robin Levison Awarded **The Most Outstanding Rental Housing Leader in the World in 2016**



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