

Eureka Group Holdings Limited

Morgan Stanley Micro-Cap Conference

14 October 2015



Company Overview

- Provides quality and affordable **rental accommodation** for seniors and disability pensioners living independently in a friendly, safe and well managed environment.
- The company owns a rapidly expanding portfolio of rental accommodation villages, and is a property asset manager of 27 villages nationally **with 1,656** units managed following completion of the acquisitions at Bowen, Wynnum & Terranora. Eureka will **own a total of 885** units following the acquisition of the above villages.
- Eureka is implementing an ambitious growth strategy, with the target of becoming Australia's largest specialist affordable **seniors rental accommodation** operator.
- Eureka is **accelerating** it's village acquisition strategy, given positive debt and equity market conditions.
- The company has a clear and identifiable **acquisition pipeline**.
- The move to village ownership creates very strong **revenue to cash conversion**.
- Governed by a **highly experienced** board of directors and capable management team with a combined industry experience of greater than 60 years.
- Board and management interests **fully aligned** with shareholders.

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 increased due to impact of village acquisitions.
- Operating costs decreased owing to tight cost management and improved operational effectiveness.
- Above factors contributed towards increased EBITDA – up 173%.
- Finance costs increased as a result of total borrowings increasing from \$8.4m to \$19.3m to fund village acquisitions.
- Nil tax expense as Eureka continues to utilise carried forward tax losses.
- Significant improvement in EPS – up 180%.

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

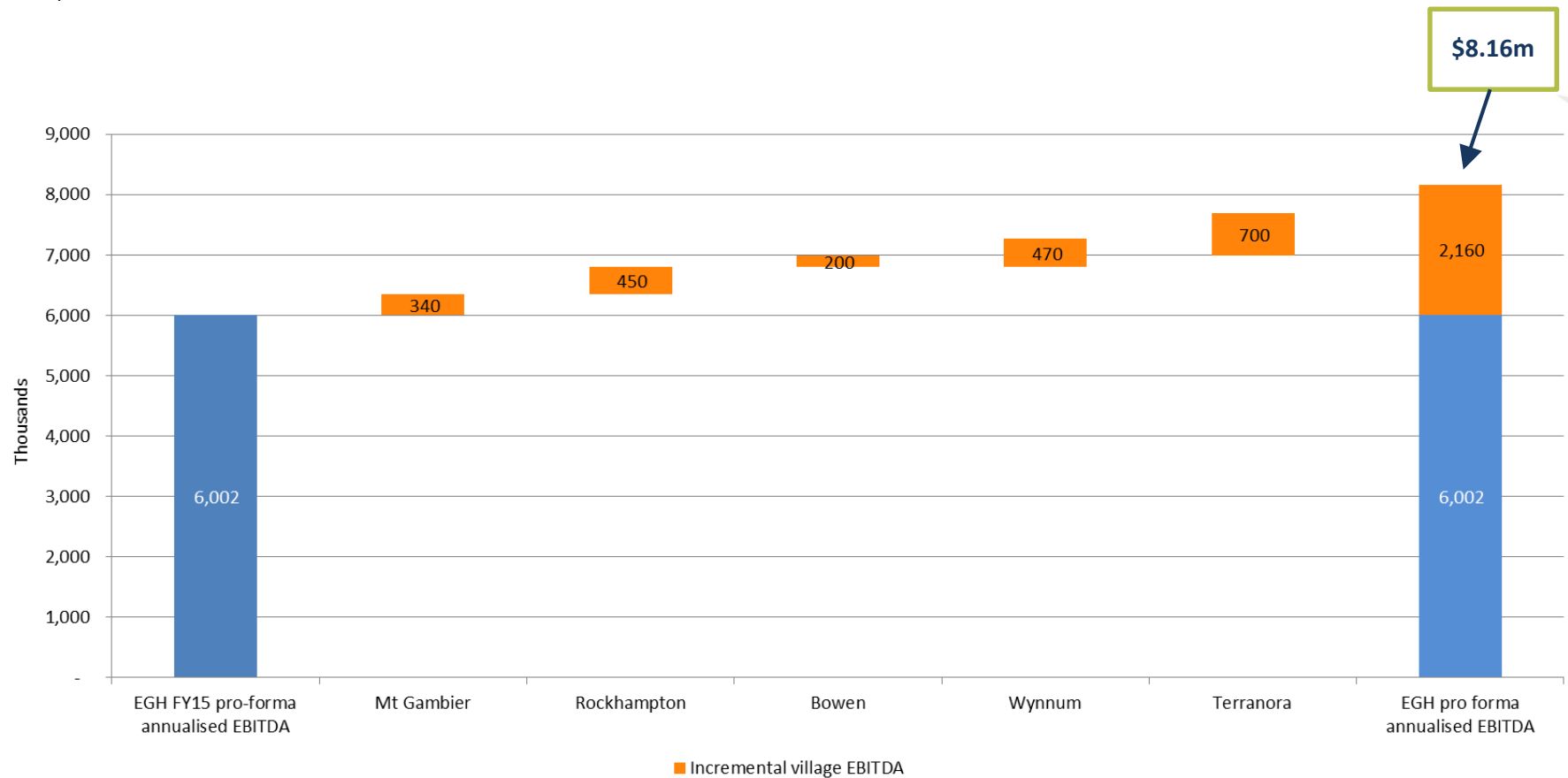
Key Points

- 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.
- Management Rights carrying value on balance sheet at cost less amortisation.
- Share capital has increased as a result of successful capital raisings to fund village acquisitions.

EBITDA

Pro Forma Annualised Basis

The five village acquisitions announced since 1 July 2015 (Mt Gambier, Rockhampton, Bowen, Wynnum & Terranora) are expected to contribute an additional \$2.16m to Eureka's EBITDA on an annualised basis.



Share Price & Liquidity

The graph below outlines the improvement in the share price and liquidity over the last 12 months:



Shareholders – Top 20

The table below is a snapshot of the top 20 shareholders as at 5 October 2015:

Rank	Name	Shares held	% Held
1	Lachlan McIntosh (through controlled entities)	12,646,166	6.72%
2	Robin Levison (through controlled entities)	12,449,608	6.62%
3	BNP Paribas Noms Pty Ltd <DRP>	9,622,301	5.12%
4	J P Morgan Nominees Australia Limited	8,240,347	4.38%
5	Wavet Fund No 2 Pty Ltd	8,083,334	4.30%
6	PPK Investment Holdings Pty Ltd	6,450,000	3.43%
7	National Nominees Limited	5,807,072	3.09%
8	Sandhurst Trustees Ltd <TBF Small Cap Val Grwth A/C>	5,659,472	3.01%
9	Citicorp Nominees Pty Ltd	4,502,038	2.39%
10	UBS Nominees Pty Ltd	3,941,603	2.10%
11	Brazil Farming Pty Ltd	3,854,980	2.05%
12	HSBC Custody Nominees (Australia) Limited	3,304,230	1.76%
13	MOAT Investments Pty Ltd <Moat Investment A/C>	3,144,158	1.67%
14	Mrs Leora Shamgar	2,950,397	1.57%
15	Greg Rekers (through controlled entities)	2,870,608	1.53%
16	Kerry Potter (through controlled entities)	2,866,442	1.52%
17	Truwind Pty Ltd <Superwind S/F A/C>	2,842,263	1.51%
18	Sandhurst Trustees Ltd <Endeavor Asset Mgmt MDA A/C>	2,733,058	1.45%
19	QFM Nominees Pty Ltd	2,659,641	1.41%
20	Mr Alister Wright	2,542,334	1.35%

Alignment of shareholders interests with Directors & management holding >16% of shares on issue.

Village Acquisitions & Brown Field Development Opportunities

During the 30 June 2015 financial year the **Group acquired 9 seniors rental villages**, 5 manager's units, a communal village hall and 2 x management rights. The 9 rental villages contained 524 units and were purchased for a consideration of \$29.2m. This is consistent with Eureka's growth strategy to acquire high performing villages and associated management rights.

Since 1 July 2015, Eureka has announced **5 acquisitions**:

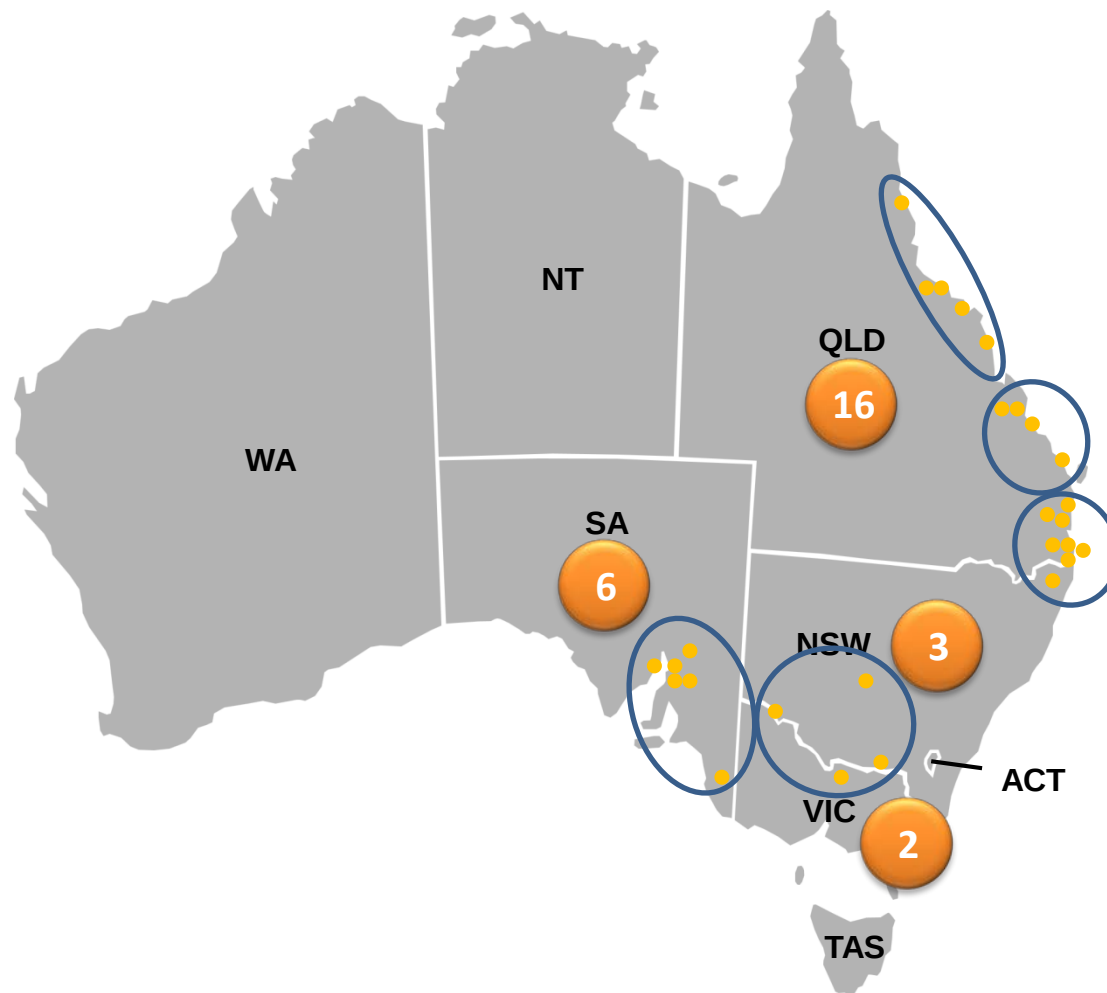
- Mt Gambier Village for \$2.25m in September 2015 – 45 units (settled)
- Rockhampton Village for \$3.25m – 42 units (settled)
- Bowen Village for \$1.32m – 50 units (settlement to be completed)
- Wynnum Village for \$4.0m – 41 units (settlement to be completed)
- Terranora Village for \$7.0m – 80 units (subject to due diligence)

Eureka has 2 more villages under Due Diligence and a clear line of sight on a further 7 villages that have completed preliminary demographic due diligence.

Existing owned villages excluding Terranora offer the opportunity to generate internal/organic growth of > 250 new units taking advantage of the existing land and community infrastructure. Terranora village has a balance land component of 5 hectares subject to development approval.



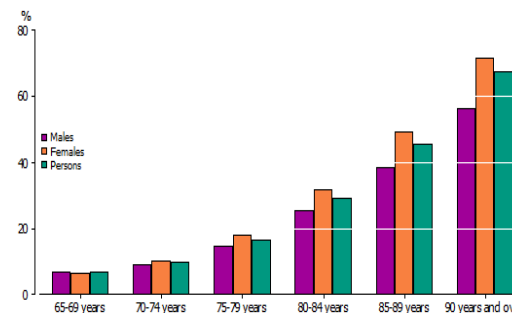
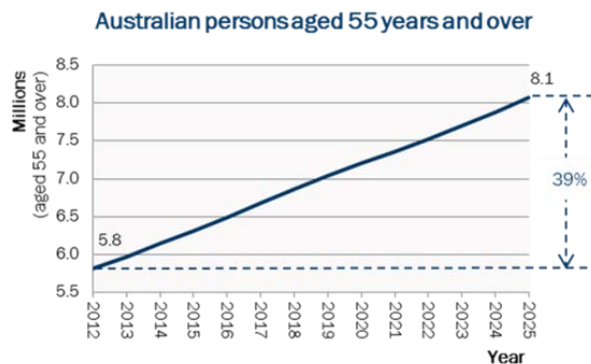
Village Location – Clusters By State Bring Scale & Scope Benefits



Our Market

About The Industry

- 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 rental 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 have slumped from 42% to 31%.
- The graph 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.

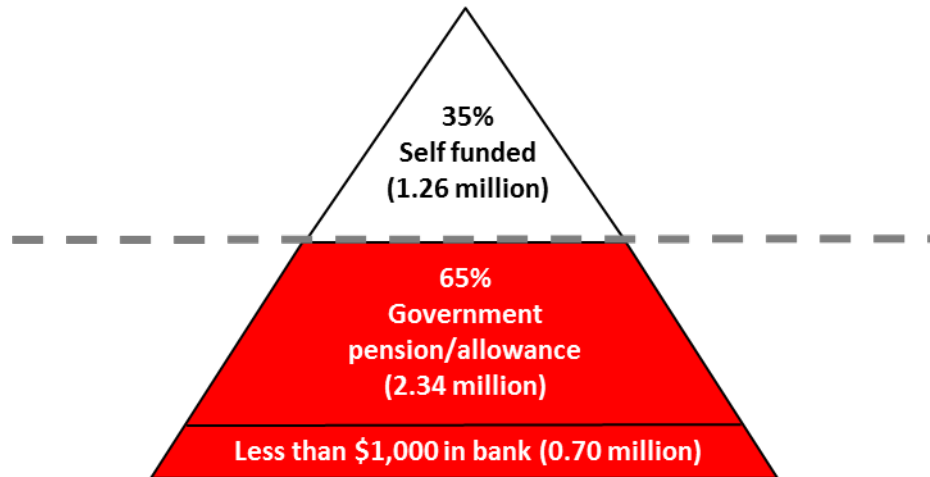


Source: http://guidesacts.fahcsia.gov.au/guides_acts/ssg/ssguide-5/ssguide-5.2/ssguide-5.2.2/ssguide-5.2.2.05.html

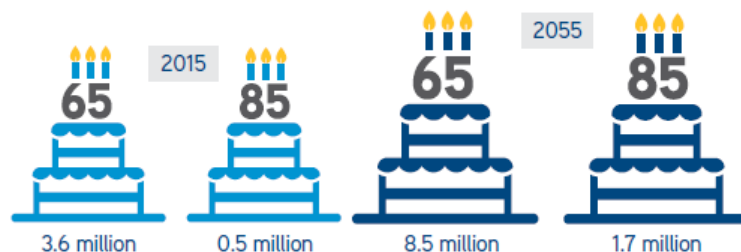
Our Market

Market Size - Population

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



GROWING OLDER POPULATION

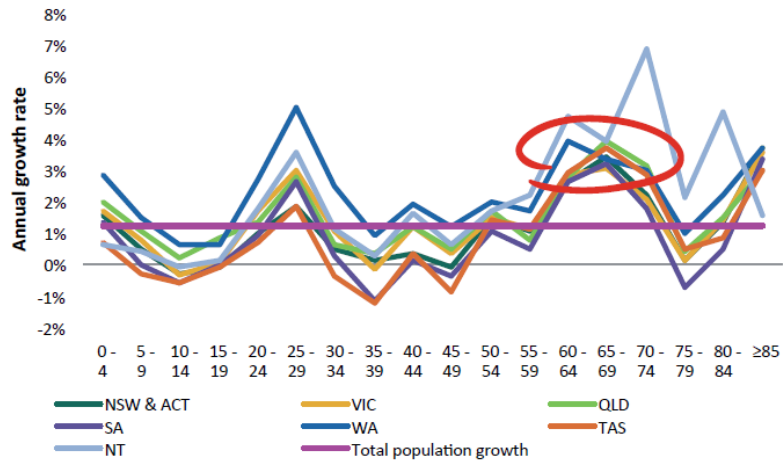


- Of the 2.34m people receiving a pension, 2m people receive a full government pension.
- All Eureka villages have strong enquiry driven by demand from an increasing aging population. Rental is the most affordable and often the only option for residents that rely on the pension as their only source of income.
- There is also increasing demand for accommodation from those with 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)

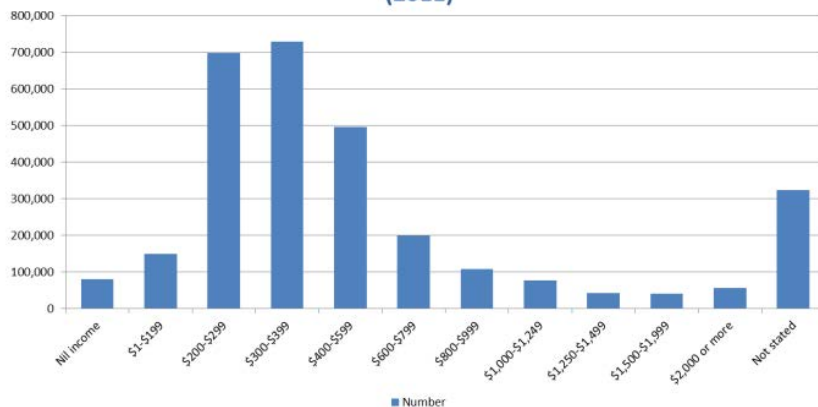
Our Market

Market Size - Population



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 has 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 villages managed by corporatised entities; Balance owned & managed by owner operators/single strata title structures.
- Strong demand trend driven by significant growth in seniors population.
- Existing inventory insufficient to meet growing demands.
- 200 - 250 villages are directly comparable to the villages Eureka has purchased.
- Potential to acquire 50+ villages in the future.
- Ability to reposition existing assets into affordable seniors rental solutions.
- Revenues shown to be largely immune to economic cycles; eg escaped impact of GFC.
- Positive rental growth and cash flow generation 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.

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 with 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.

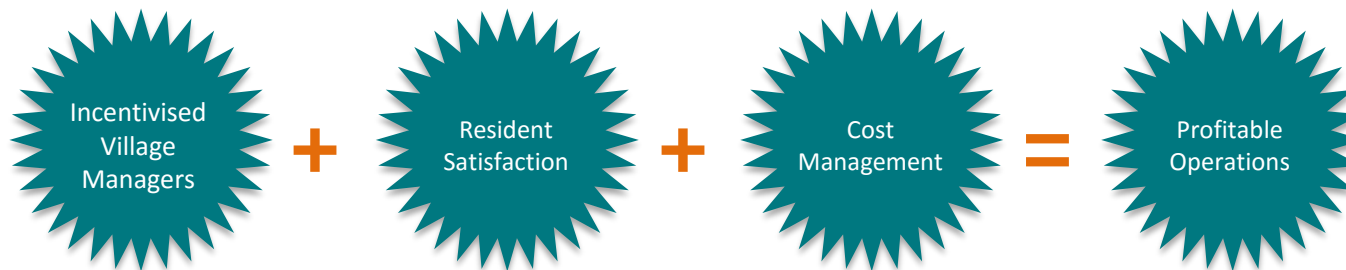
Acquisition Strategy

- 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.
- Brown Field organic growth opportunities available on excess land.

Rental Villages

The Eureka Way Of Operating

- Eureka recognises 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 on their role and higher rewards for success.
- Its 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 our success.
- Stringent cost management is 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.



Summary

- Eureka is focused on providing affordable rental accommodation for seniors living independently in Australia.
- Eureka's goal to be the 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.
- Assets being acquired are high quality, asset backed income earning assets.
- 150 acquisition opportunities identified in a highly fragmented industry.
- Further organic Brown Field development opportunities available on existing village land bank >140,000m² of land (excluding Terranora).
- 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 with Village Managers provide greater remuneration clarity and improved occupancy and village returns.
- Alignment of shareholders interests with Directors & Executive Management holding >16% of shares on issue.
- Dedicated and experienced team with demonstrated performance in seniors living.

Contact Details

Robin Levison

Executive Chairman

Phone: (07) 5568 0205

Email: robin.levison@eurekagroupholdings.com.au

www.eurekagroupholdings.com.au

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