

Eureka Group Holdings Limited



ASX Spotlight Series Presentation

24th & 26th May 2016



Eureka Group Philosophy – Shared Value

- Eureka’s goal is to provide the highest level of rental accommodation and associated care to independent retirees who are either completely or primarily reliant on the Australian Government Pension and Rent Assistance.
- Eureka aims to combine the best of capitalism and social activism by creating business value while addressing social problems.
- Eureka is a “**shared value**” enterprise which is generating a profit for shareholders and is making a measurable impact on the significant social issue of affordable housing in Australia.

Our Values

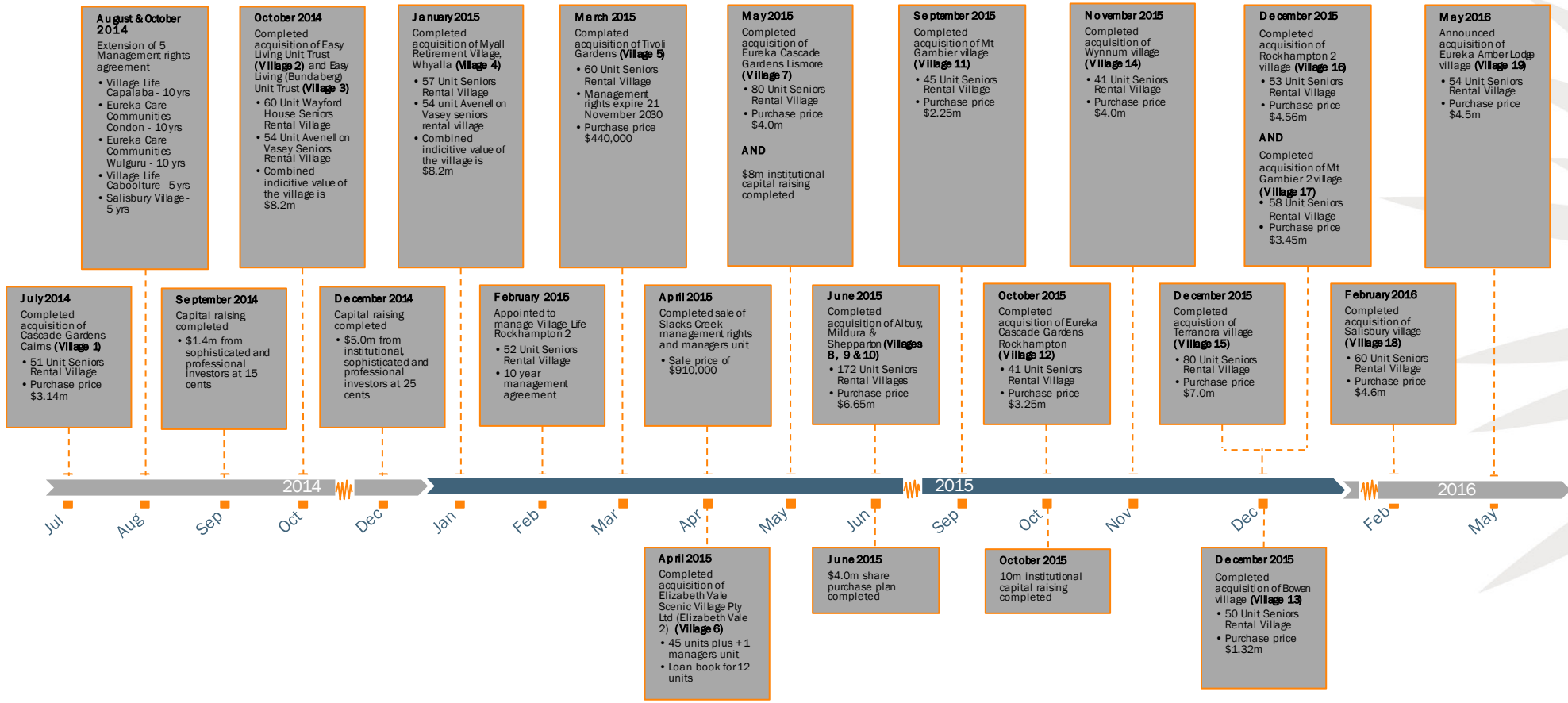
Empathy Understanding Respect Experience Kindness Affordability

Growth Drivers

Eureka has 4 growth drivers available to it:

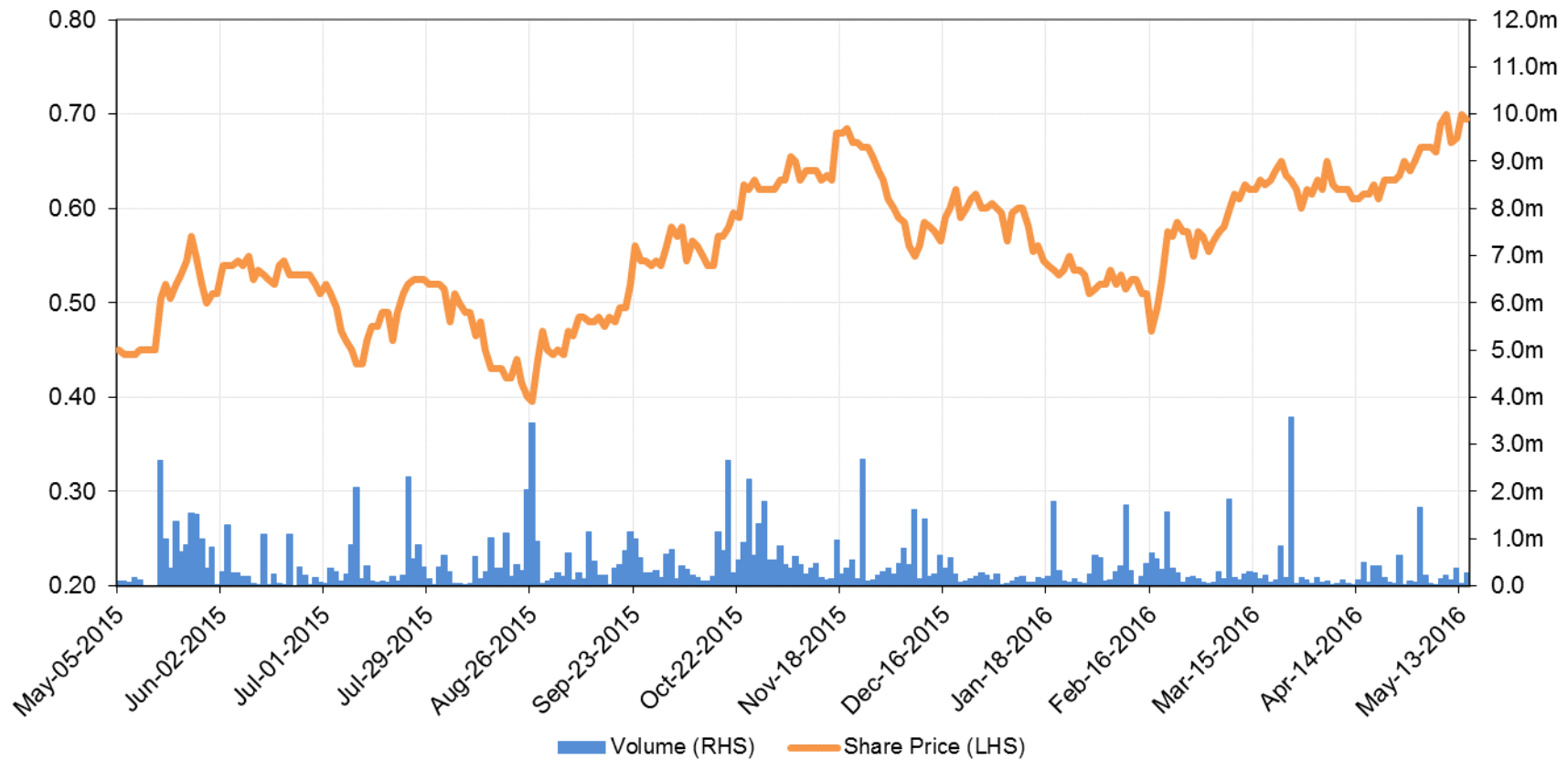
- Acquisition growth - acquired 18 villages in last 20 months and is targeting a further 8-10 village acquisitions in the next 12 months from a very fragmented market.
- Organic growth – Brownfield or further in-fill development on existing owned village sites will allow Eureka to develop >250 extra units (5 equivalent villages). There is also the opportunity to develop another 125-150 purpose built retirement units (3 equivalent villages) at the new Terranora village site at Tweed Heads.
- Margin growth – increased rental rates and occupancy.
- Services/Care growth – offer increased government funded services/care to residents that will both increase profitability and keep residents in our villages longer.

Timeline of Village Acquisitions



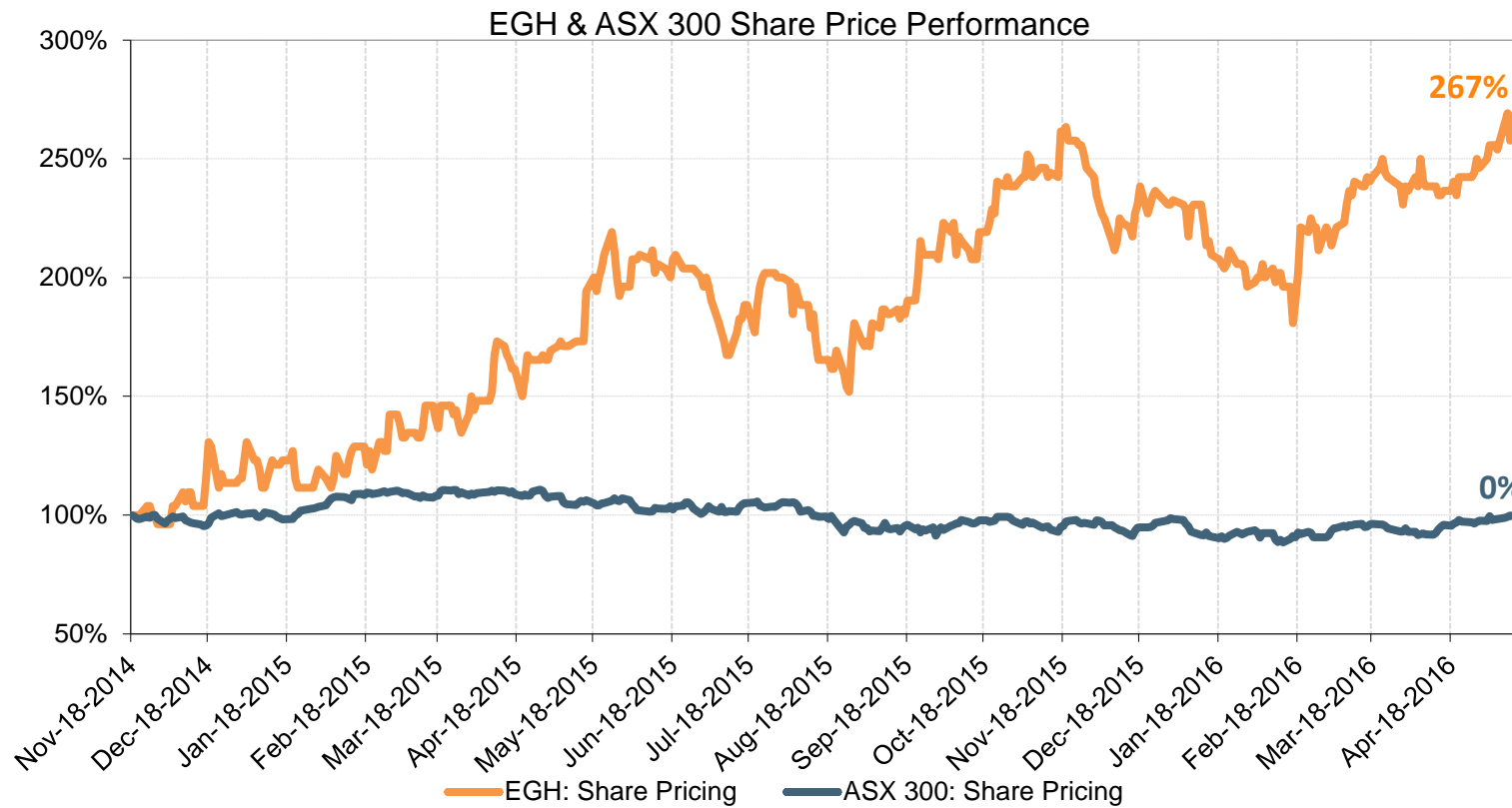
Share Price & Liquidity

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



Share Price v ASX 300 index

The graph below outlines the improvement in the share price relative to the ASX 300:



Income Statement – 6 months ending 31 December 2015

The table below summarises the results for the half year ended 31 December 2015 compared with the results from the prior comparative half year period:

(\$'000)	6 months to 31 Dec 2014	6 months to 31 Dec 2015	\$ change	% change
Total revenue	5,616	9,466	3,850	69%
Operating expenses	(4,398)	(4,989)	(591)	13%
EBITDA	1,218	4,477	3,259	268%
Depreciation & amortisation	(59)	(128)	(69)	117%
EBIT	1,159	4,349	3,190	275%
Finance costs	(435)	(697)	(262)	60%
Profit before income tax	724	3,652	2,928	404%
Income tax expense	-	-	-	n/a
Net profit after income tax	724	3,652	2,928	404%
Basic earnings per share (cents)	0.63	1.89	1.26	200%
Diluted earnings per share (cents)	0.63	1.89	1.26	200%

Key Points

- Revenue, EBITDA and NPAT have increased as a result of village acquisitions completed during the period.
- Cost control focus has flowed through to margins and bottom line results.
- Finance costs have increased as a result of total borrowings increasing from \$12.5m at 31 Dec 2014 to \$38.0m at 31 Dec 2015 which have been used to fund village acquisitions.
- Nil tax expense as Eureka continues to utilise carried forward tax losses.
- Strong revenue to cash conversion rate.

Balance Sheet – 6 months ending 31 December 2015

The table below summarises the balance sheet at 31 December 2015 compared with the balance sheet at 30 June 2015:

(\$'000)	30 June 2015	31-Dec-15
Assets		
Cash and cash equivalents	5,154	7,014
Trade and other receivables	306	2,540
Inventories	20	76
Assets classified as held for sale	-	-
Other assets	159	357
Loans receivable - current	84	32
Loans receivable - non-current	541	584
Investment property	39,689	68,161
Property, plant and equipment	878	1,123
Intangible assets	5,003	5,722
	51,834	85,609
Liabilities		
Trade and other payables	608	1,109
Other financial liabilities - current	394	3,507
Other financial liabilities - non-current	18,913	34,457
Provisions	64	126
	19,979	39,199
Net Assets	31,855	46,410
Equity		
Share capital	68,248	79,151
Accumulated losses	(36,393)	(32,741)
	31,855	46,410

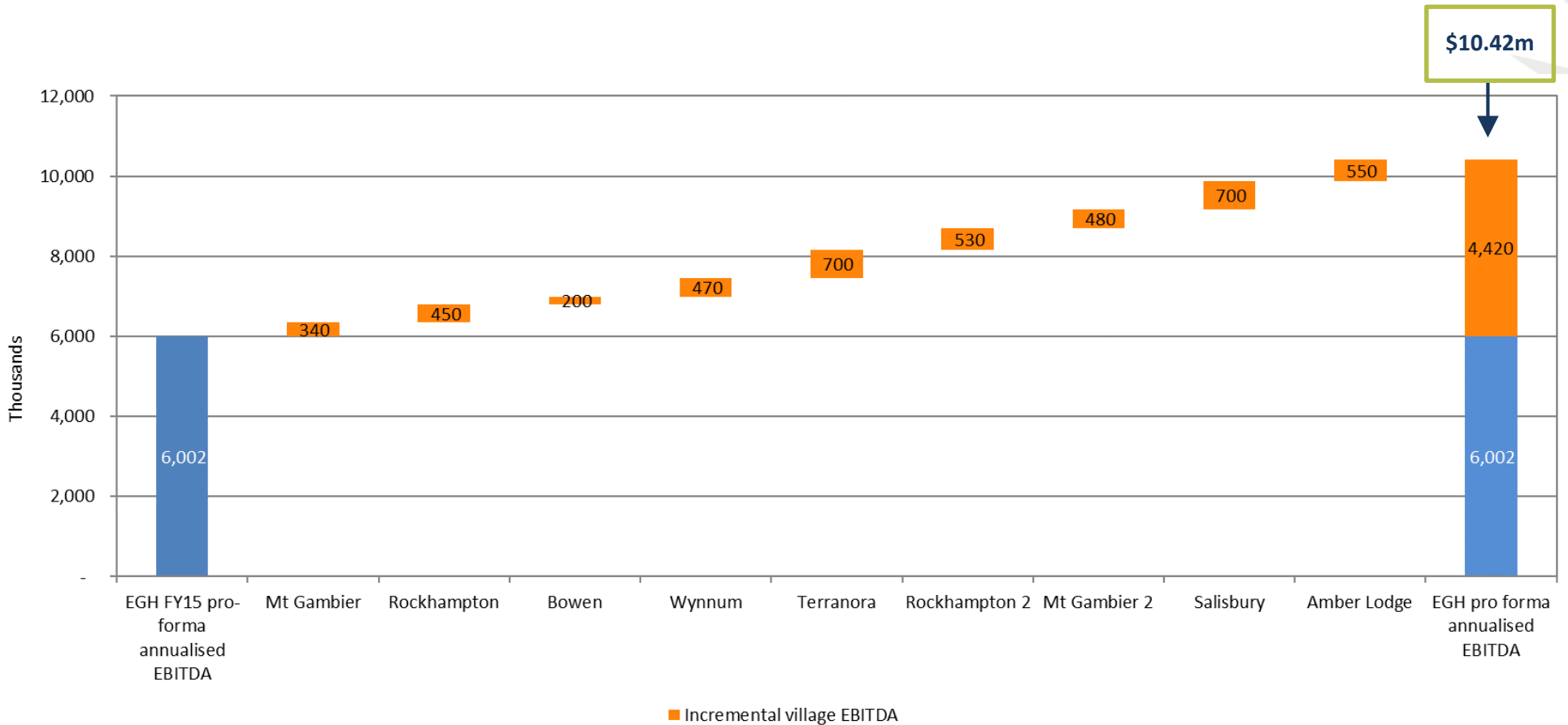
Key Points

- Healthy balance sheet to pursue an continued growth strategy.
- Improved working capital from \$4.9m at 30 June 2015 to \$8.5m at 31 December 2015.
- Significant increase in Investment Property as a result of seven village acquisitions settled during the period.
- Management Rights carrying value on Balance Sheet at cost less amortisation.
- Value of tax losses not yet recognised on Balance Sheet.

EBITDA

Pro Forma Annualised Basis

The nine village acquisitions announced since 1 July 2015 are expected to contribute an additional \$4.42m to Eureka's EBITDA on an annualised basis.



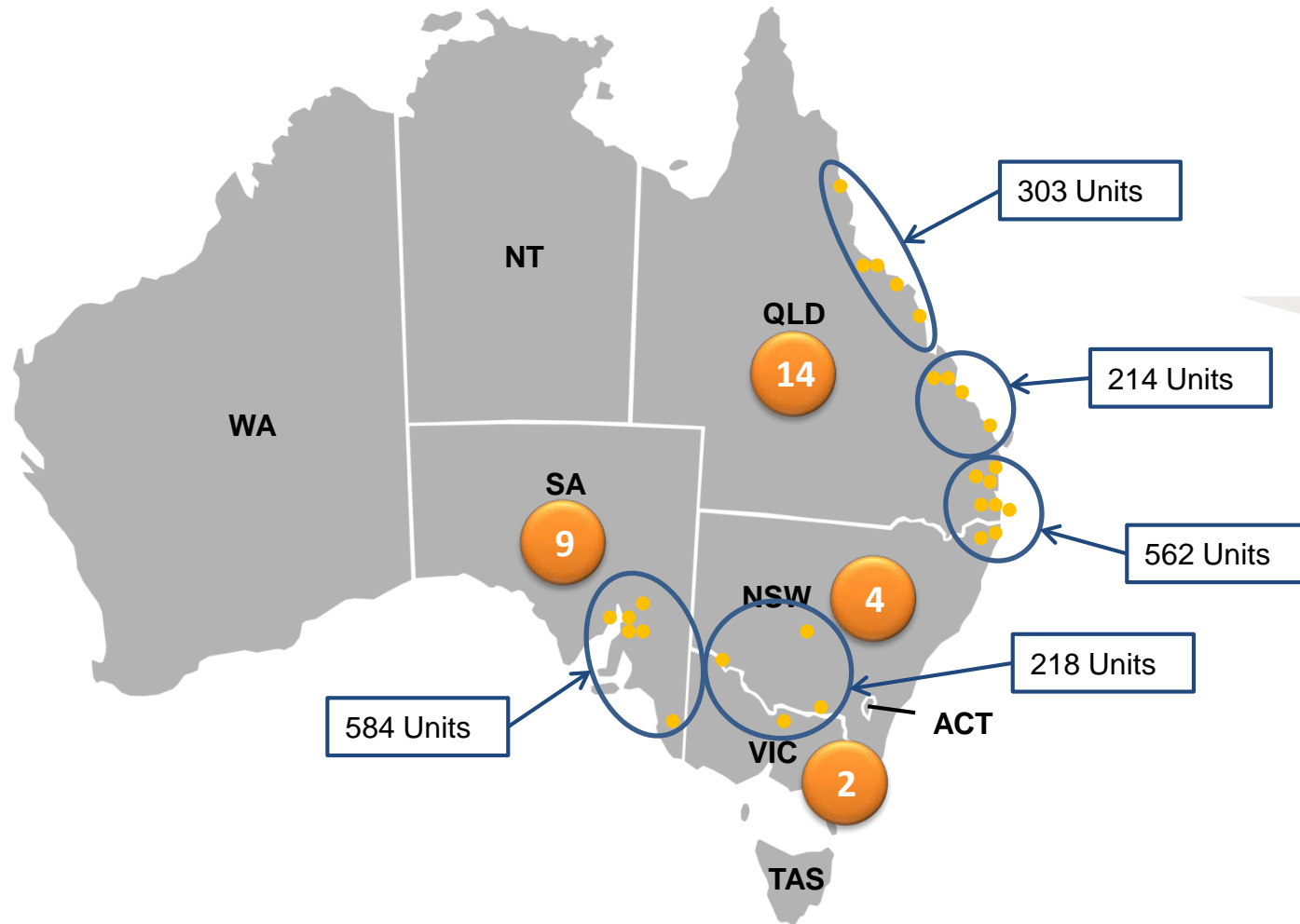
Size & Scale Benefits

Eureka as of May 2016 has created the following economies of scale and scope:

- Eureka “Buy & Build” strategy succeeding with a further 200 villages identified and preliminary due diligence completed.
- 28 villages under management.
- 19 villages with freehold land and buildings owned.
- 1,100 units owned.
- 1,881 total units owned and/or managed.
- Regional clusters now creating cost reduction opportunities (see next slide).
- 8-10 more villages to be acquired in the next 12 months.
- 10 villages under current due diligence or in clear line of sight.

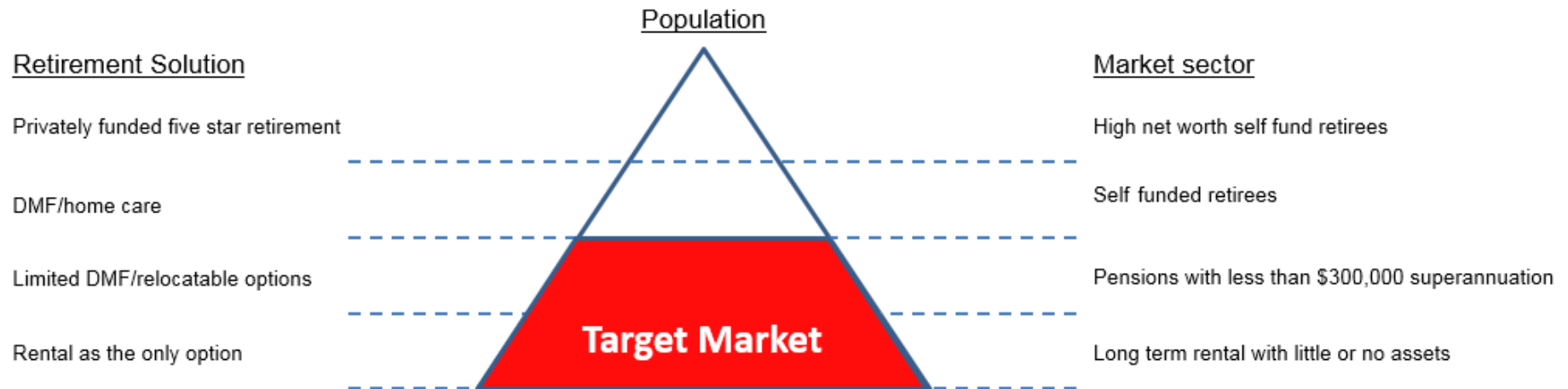
Village Location

Clusters By State Bring Scale & Scope Benefits



Potential Opportunities | Ethical Investment

- There is an expanding gap in the market as other service providers move their product up in market price and away from a rental option. They have lost sight of the ethical responsibility we have to the lower socio-economic sector of our community and the strength of this market. Eureka has taken specific interest in the needs of our vulnerable aging population. Eureka has strived to provide affordable accommodation to the financially challenged that if given the opportunity will neglect themselves and forgo critical nutrition.
- Recent trends have seen many of these villages move to the DMF model, significantly reducing the amount of affordable housing available in the market. This has driven the demand higher and placed greater importance on Eureka to continue striving to provide affordable rental solutions.
- The opportunity to provide affordable housing to people who are unable to afford other models is critical. ABS figures suggest a significant percentage of our population will never own their own property and will always rent. As this market sector approach retirement age they will have little or no option but to rent.



Terranora Village Redevelopment

The redevelopment of the 80 unit Terranora village that was acquired for \$7m in December 2015 is expected to reap a significant financial windfall and bolster the strength of Eureka's balance sheet. The redevelopment will involve:

- The sale of 3.5 hectares of the vacant land acquired as house and land packages, generating an estimated \$4.0m in net cash.
- The sale of 80 existing rental units acquired, which are materially larger than Eureka's existing rental retirement units, delivering an additional projected \$14m in net cash.
- The retention of management rights for the existing 80 units to be sold, adding an expected \$250,000 annually to group EBITDA.
- The future reinvestment of \$10m from excess cash generated from the land and existing unit sales to build a "next generation" Eureka village comprising 125 x 39m² seniors' rental units on the remaining 2.5 hectares of vacant land, generating approximately \$2m EBITDA annually.

Summary

- Eureka is the only ASX listed company solely focused on providing affordable rental accommodation for seniors living independently in Australia.
- Goal to be the largest owner/operator of regional seniors rental retirement villages in Australia.
- Clear strategy in place to grow the number of properties the company owns and/or manages in its portfolio and increase its share of this market – immediate goal is to own more than 5,000 units.
- Assets being acquired are high quality, asset backed income earning assets.
- 200 acquisition opportunities have been identified (preliminary due diligence undertaken) in a highly fragmented industry with greater than 2,000 opportunities.
- Further organic Brown Field or in-fill development opportunities available on existing village land bank >170,000m² of land (excluding Terranora).
- Recurring reliable cash flow from operations is driven by high demand for affordable accommodation from Australia's fast growing group of retirees.

Summary continued

- 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.
- Dedicated and experienced Board and management team with demonstrated performance in seniors living.
- Sufficient cash and bank funding is available for the next phase of growth.
- Alignment of shareholders interests with Directors & Executive Management holding >14% of shares on issue.

Shareholders – Top 20

The table below is a snapshot of the top 20 shareholders as at 16 May 2016:

Rank	Name	Shares held	% Held
1	NATIONAL NOMINEES LIMITED	28,884,221	13.81%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	18,016,179	8.62%
3	ROBIN LEVISON (THROUGH CONTROLLED ENTITIES)	12,549,608	6.00%
4	LACHLAN MCINTOSH (THROUGH CONTROLLED ENTITIES)	11,896,166	5.69%
5	CITICORP NOMINEES PTY LIMITED	11,629,223	5.56%
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,564,553	4.57%
7	BNP PARIBAS NOMS PTY LTD <DRP>	8,735,750	4.18%
8	WAVET FUND NO 2 PTY LTD	8,050,000	3.85%
9	RICHARD MEWS (THROUGH CONTROLLED ENTITIES)	5,193,598	2.48%
10	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	4,601,158	2.20%
11	BRAZIL FARMING PTY LTD	4,075,000	1.95%
12	KERRY POTTER (THROUGH CONTROLLED ENTITIES)	2,866,442	1.37%
13	PPK INVESTMENT HOLDINGS PTY LTD	2,750,000	1.32%
14	MR ALISTER CHARLES WRIGHT	2,400,000	1.15%
15	G & P INVESTMENTS (NSW) PTY LIMITED <G & P WEBB SUPER FUND	2,169,413	1.04%
16	GREG REKERS (THROUGH CONTROLLED ENTITIES)	2,120,608	1.01%
17	TRUWIND PTY LTD <SUPERWIND S/F A/C>	2,098,063	1.00%
18	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,094,002	1.00%
19	QFM NOMINEES PTY LTD	1,866,641	0.89%
20	MOAT INVESTMENTS PTY LTD	1,744,158	0.83%

Alignment of shareholders interests with Directors & management holding >14% of shares on issue.

Contact Details

Robin Levison

Executive Chairman

Phone: +617 5568 0205

Email: robin.levison@eurekagroupholdings.com.au

www.eurekagroupholdings.com.au

Disclaimer

NO responsibility for contents of Presentation

To the maximum extent permitted by law, Eureka Group Holdings Limited (ABN 15 097 241 159), its officers, advisers and representatives:

- make no representation, warranty or undertaking, and accept no responsibility or liability, express or implied, as to the adequacy, accuracy, completeness or reasonableness of this Presentation or any other written or verbal communication transmitted or made available to any recipient; and
- accept no responsibility for any errors in, or omissions from, this Presentation whether arising out of negligence or otherwise.

The information in this presentation is for use by recipients who are Australian Financial Services Licensees or persons to whom an offer of securities does not require disclosure under Part 6D.2 of the Corporations Act only.

Accuracy of projections and forecasts

- This Presentation includes certain statements, opinions, estimates, projections and forward looking statements with respect to the expected future performance of Eureka Group Holdings Limited. These statements are based on, and are made subject to, certain assumptions which may not prove to be correct or appropriate. Actual results may be materially affected by changes in economic and other circumstances which may be beyond the control of Eureka Group Holdings Limited. Except to the extent implied by law, no representations or warranties are made by Eureka Group Holdings Limited, its officers, advisers or representatives as to the validity, certainty or completeness of any of the assumptions or the accuracy or completeness of the forward looking statements or that any such statement should or will be achieved. The forward looking statements should not be relied on as an indication of future value or for any other purpose.

No offer to sell or invitation to buy

- This Presentation does not, and should not be considered to, constitute or form part of any offer to sell, or solicitation of an offer to buy any shares in Eureka Group Holdings Limited, and no part of this Presentation forms the basis of any contract or commitment whatsoever with any person. This Presentation does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not permitted under applicable law. Distribution of this Presentation in or from certain jurisdictions may be restricted or prohibited by law. Recipients must inform themselves of and comply with all restrictions or prohibitions in such jurisdictions. Neither Eureka Group Holdings Limited, its officers, advisers or representatives accept any liability to any person in relation to the distribution or possession of this Presentation from or in any jurisdiction.
- Any advice in this Presentation is general advice. This advice has been prepared without taking into account the objectives, financial situation and needs of the recipients of this Presentation. For that reason, recipients should consider the appropriateness of the advice having regard to their own objectives, financial situation and needs and, if necessary, seek appropriate independent legal, financial and other professional advice.