

Eureka Group Holdings Limited



Year End Investor Update

September 2016



Overview

Capital Structure

Share Price	\$0.75
Fully Paid Ordinary Shares (m)	231.7
Market Capitalisation (m)	\$173.3m

Major Shareholders

National Nominees Limited	14.14%
J P Morgan Nominees Australia Limited	11.63%
Robin Levison (through controlled entities)	5.54%
Citicorp Nominees Pty Limited	5.43%
Lachlan McIntosh (through controlled entities)	5.16%
Other directors and staff	2.82%

Share Price: September 2014 to September 2016



Directors & Senior Management

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

Results - Highlights

- Revenue of \$24.2m up 98%
- EBITDA of \$12.7m up 202%
- Statutory NPAT of \$10.5m up 237%
- EPS of 5.19 cps up 132%
- Strong balance sheet – net assets of \$64.9m up 104%
- Investment property book value of \$86.5m up 118%
- \$43m invested for 13 village acquisitions settled during the year
- Value of tax losses not recognised on the balance sheet
- Focus on cost control has flowed through to margins and bottom line results
- Significant shared back office services creating economies of scale

Eureka Group – Three distinct TEAMS or BUSINESS UNITS

- Eureka's goal is 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.
- The Eureka “real estate acquisition team” searches regional Australia for existing low cost retirement villages or assets suitable for re-purposing to low cost rental retirement accommodation.
- The Eureka “infrastructure and asset management team” concentrates on filling those assets with suitable residents and providing food and associated support services including those from the Blue Care partnership.
- The Eureka “property management, finance and compliance team” ensure 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 service economies of scale.
- Eureka continues to be 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.

Growth Drivers

Eureka has 4 growth drivers available to it:

- 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 from a very fragmented market.
- Organic growth – Brownfield or further in-fill development on existing owned village sites including Couran Cove will allow Eureka to develop >295 extra units (5 equivalent villages). There is also the opportunity to develop another 125-150 purpose built retirement units (3 equivalent villages) at the Terranora village site at Tweed Heads – an initial trial 22 unit in-fill development is to be undertaken at Eureka Wynnum Gardens village, Brisbane in early 2017.
- Margin growth – increased rental rates, occupancy and back office economies of scale occurring.
- Services/Care growth – in partnership with Blue Care Eureka now offers government funded in home care packages to residents that will make the villages initially more attractive, keep residents in our villages longer, and accordingly increase profitability.

Income Statement – 12 months ending 30 June 2016

The table below summarises the results for the year ended 30 June 2016 compared with the results from the prior financial year:

(\$'000)	FY2015	FY2016	\$ change	% change
Total revenue	12,212	24,155	11,943	98%
Operating expenses	(8,083)	(11,687)	(3,604)	45%
EBITDA	4,129	12,468	8,339	202%
Depreciation & amortisation	(166)	(268)	(102)	61%
EBIT	3,963	12,200	8,237	208%
Finance costs	(858)	(1,733)	(875)	102%
Profit before income tax	3,105	10,467	7,362	237%
Income tax expense	-	-	-	n/a
Net profit after income tax	3,105	10,467	7,362	237%
Basic earnings per share (cents)	2.24	5.19	2.95	132%
Diluted earnings per share (cents)	2.24	5.19	2.95	132%

Key Points

- 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 increasing from \$19.3m at 30 June 2015 to \$42.5m at 30 June 2016 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 – 30 June 2016

The table below summarises the balance sheet at 30 June 2016 compared with the balance sheet at 30 June 2015:

(\$'000)	30 June 2015	30 June 2016
Assets		
Cash and cash 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 - non-current	541	539
Investment property	39,689	86,472
Property, plant and equipment	878	1,232
Intangible assets	5,003	5,620
	51,834	111,323
Liabilities		
Trade and other payables	608	3,688
Other financial liabilities - current	394	5,123
Other financial liabilities - non-current	18,913	37,393
Provisions	64	185
	19,979	46,389
Net Assets	31,855	64,934
Equity		
Share capital	68,248	90,860
Accumulated losses	(36,393)	(25,926)
	31,855	64,934

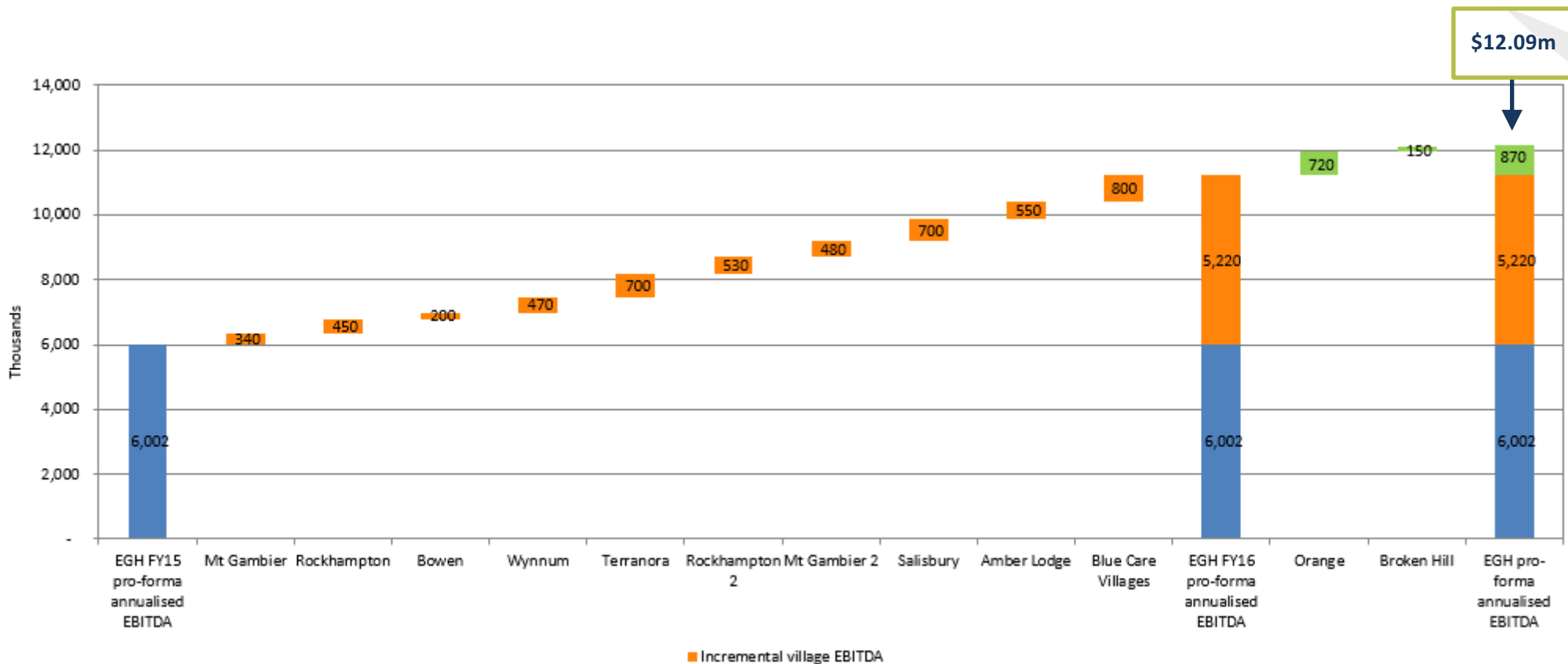
Key Points

- Healthy balance sheet to pursue an 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.

EBITDA

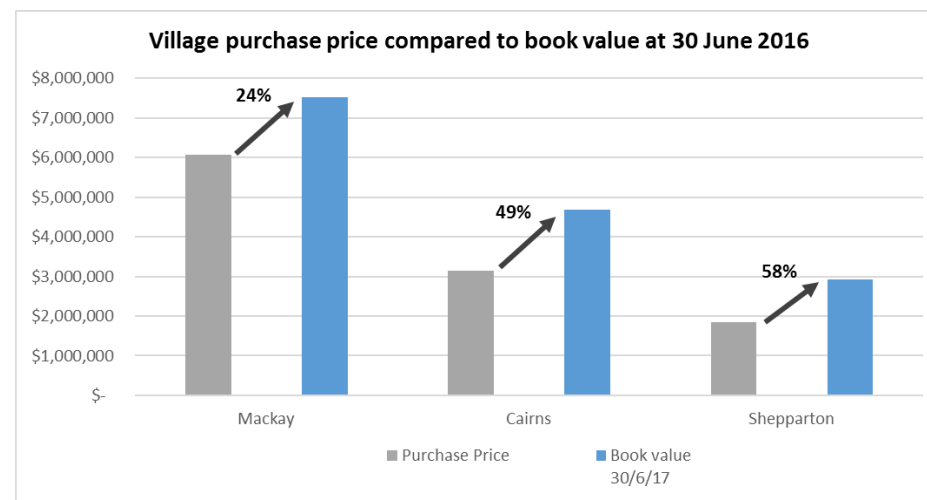
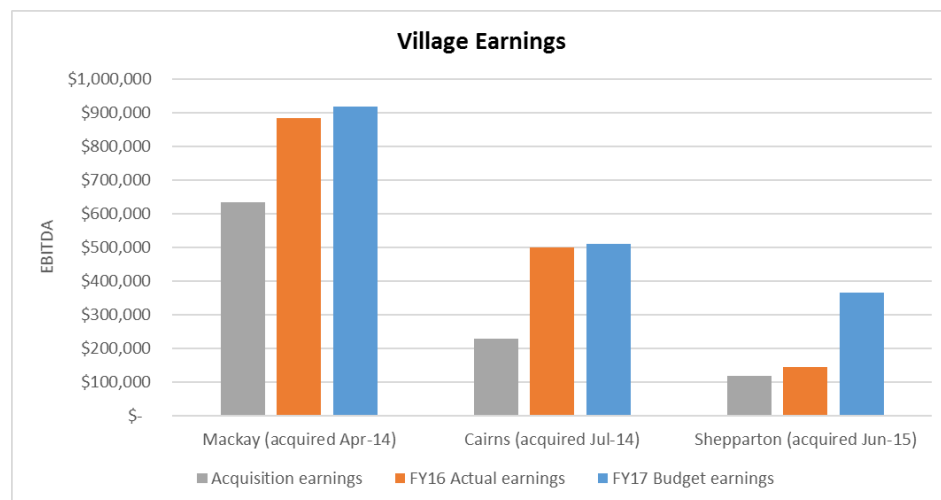
Pro Forma Annualised Basis

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



Improvement in village performance

The tables below summarise the improvement of certain villages since acquisition by Eureka:



Key Points

- Earnings for all villages have grown since acquisition.
- Operating efficiencies and economy of scale benefits continue to drive improved earnings.
- These 3 properties have been revalued upwards (independent valuations undertaken) to reflect their improved trading performance.

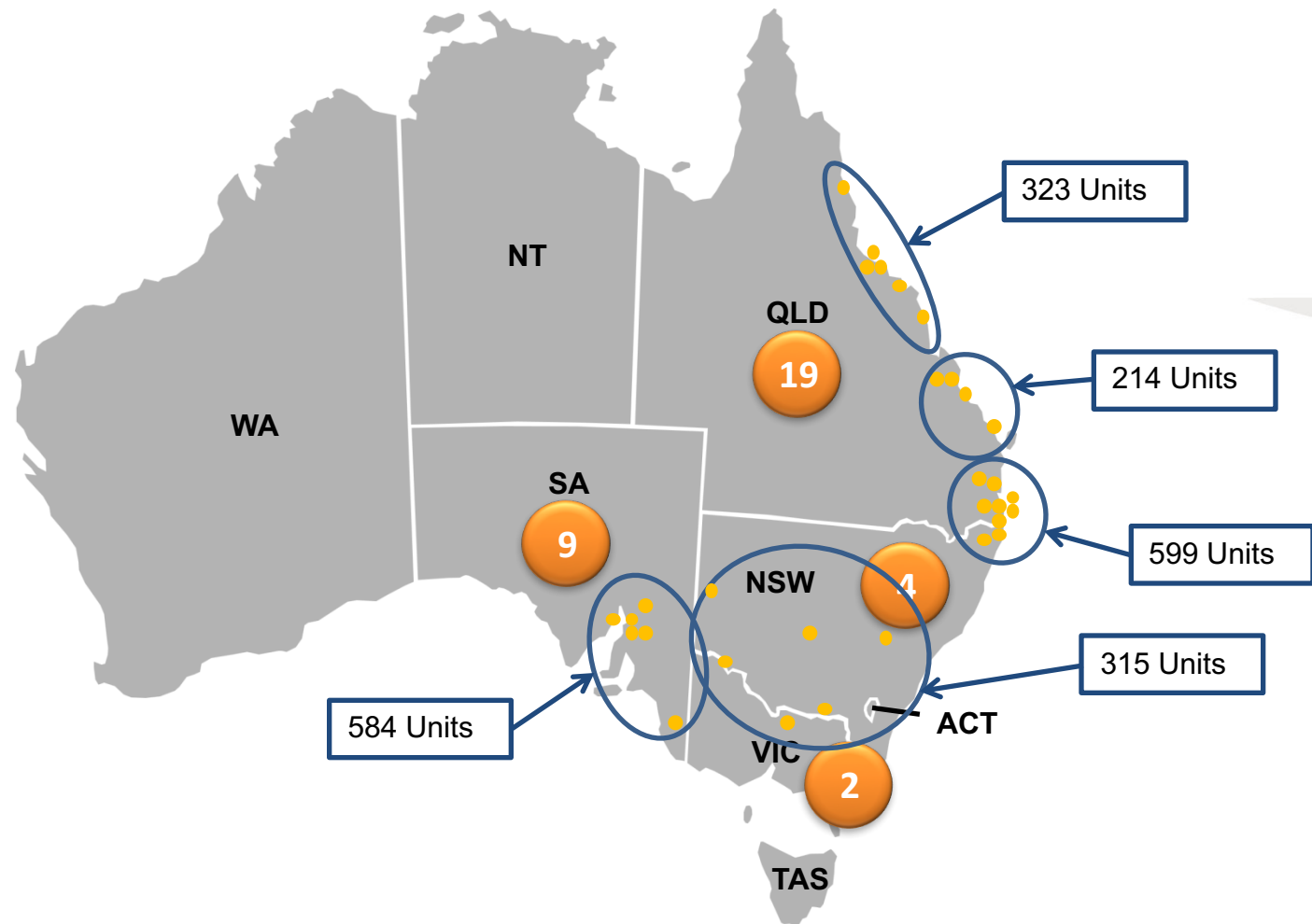
Size & Scale Benefits

Eureka has created the following economies of scale and scope:

- Eureka “Buy & Build” strategy succeeding with a further 200 low cost rental accommodation assets identified and preliminary due diligence completed.
- 34 villages under management.
- 25 villages with freehold land and buildings owned.
- 1,296 units owned.
- 2,035 total units owned and/or managed.
- Regional clusters now creating cost reduction opportunities (see next slide).
- 8-12 more villages to be acquired in the next 12 months.
- 6 villages under current due diligence or in clear line of sight.

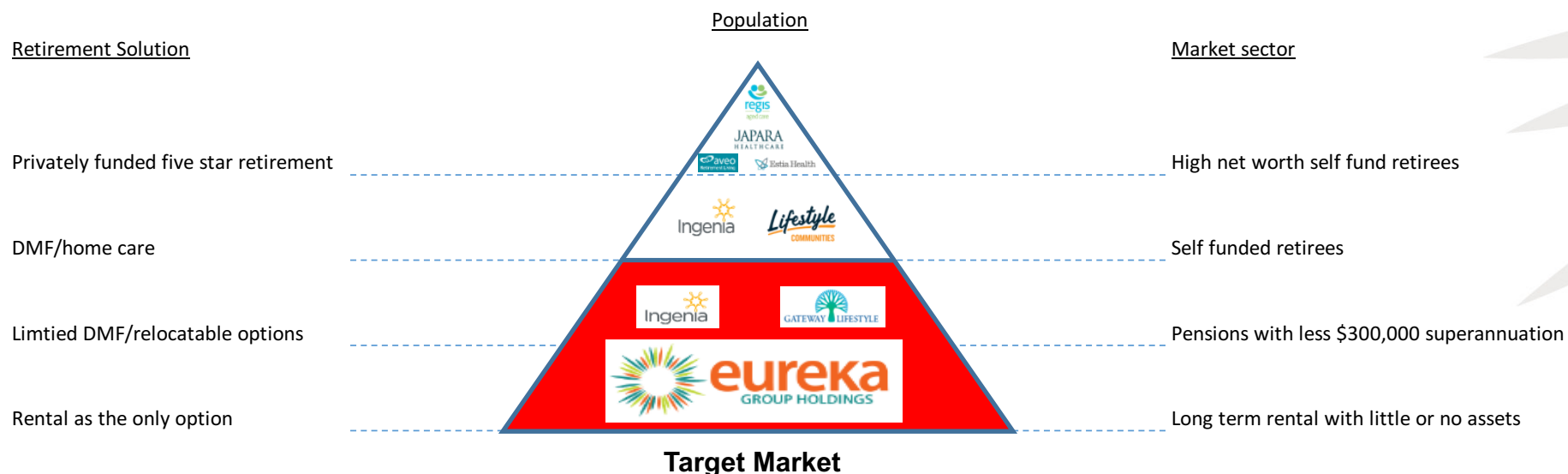
Village Location

Clusters By State Bring Scale & Scope Benefits



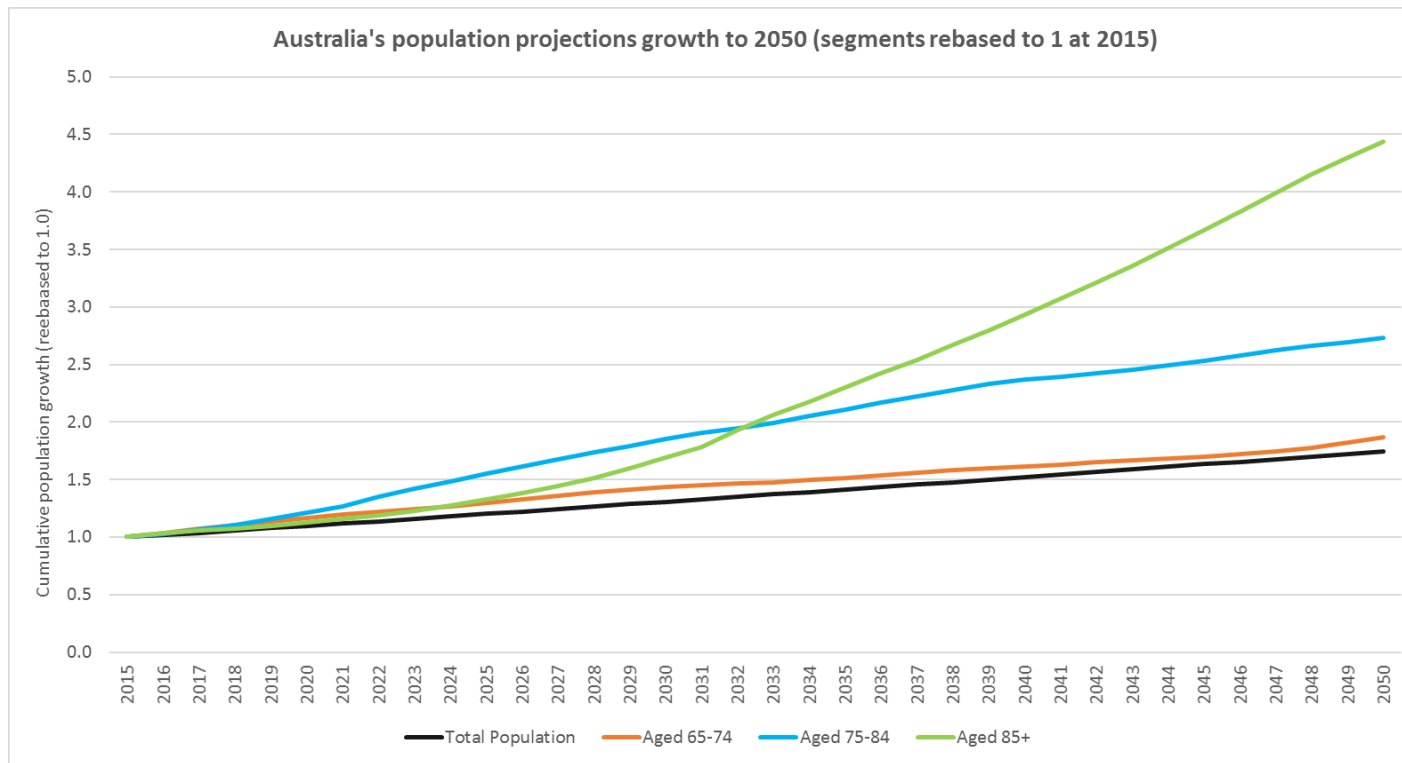
Potential Opportunities | Ethical Investment

- 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 and MHE models, 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.



Ageing Australian Population

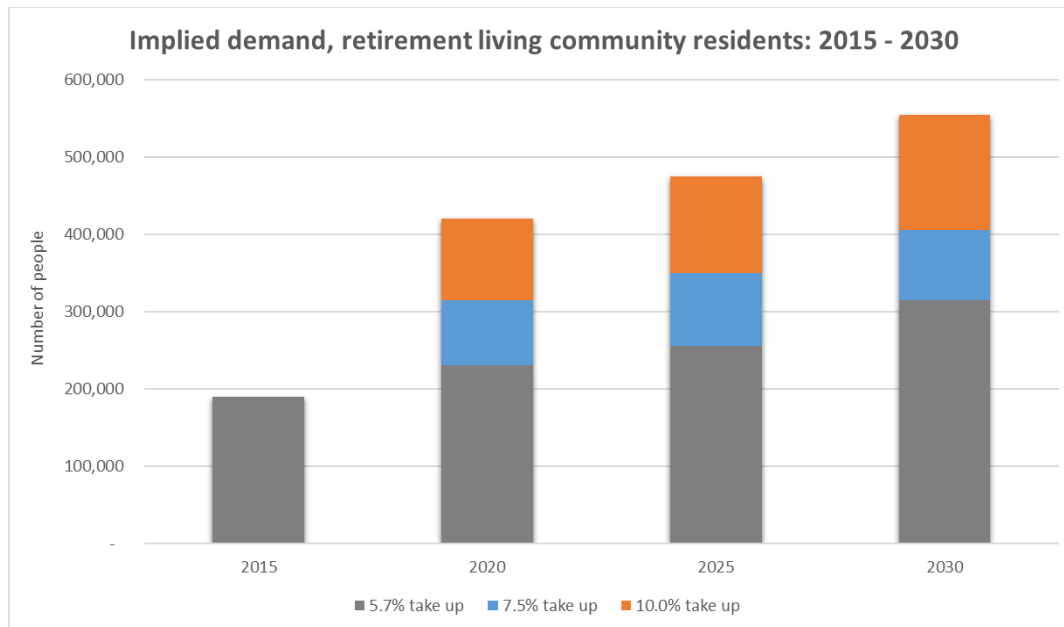
The ABS forecast the number of Australians aged over 65 will increase from 3.6 million today to 4.2 million in 2020 and will increase to 8.8 million by 2050



Source: ABS Dataset: 3222.0 Population Projections, Australia 2012-2101, Table A9, Population projections, By age and sex, Australia – Series A

Low Penetration of Retirement Living

The proportion of Australian's residing in retirement village is low compared to other countries. Around 12% of seniors reside in retirement villages in the US, compared to <6% in Australia.

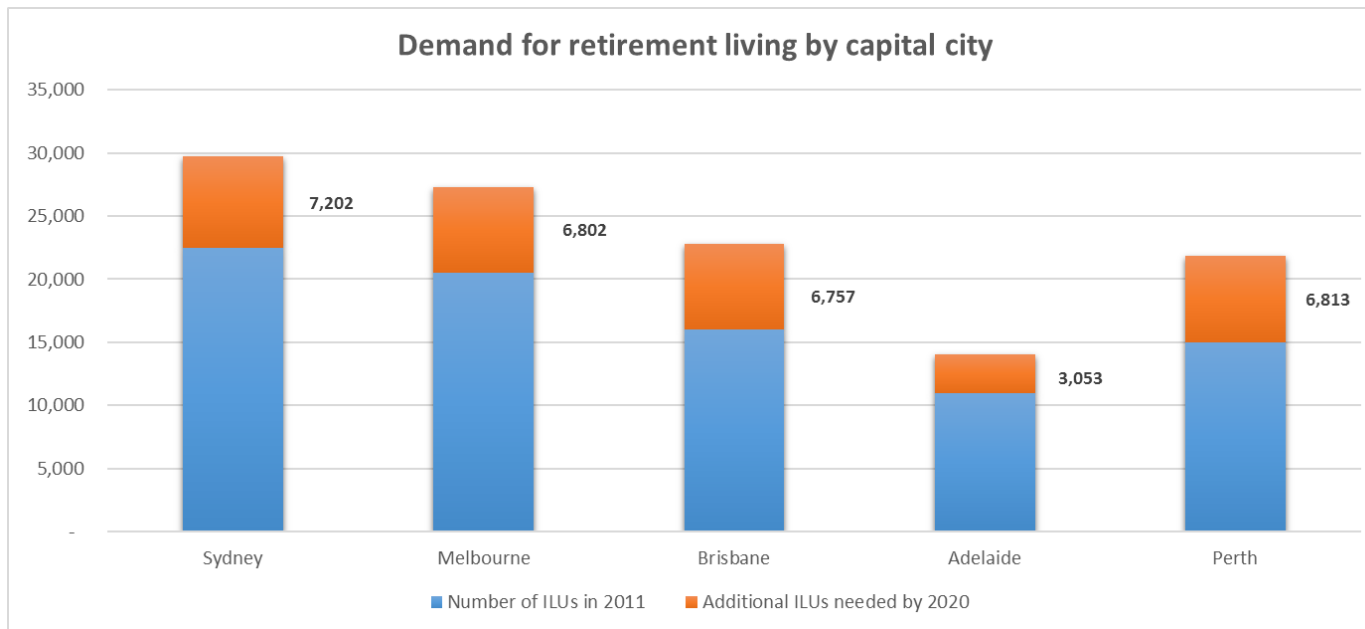


- If the penetration rate of retirement living communities and villages was to increase from just under 6% to 7.5% of the over 65s population, the population of retirement living facilities would more than double to 419,000 by 2020
- If penetration rates were to increase to 10% (in the US it's current around 12%), an additional 350,000 people would be living in retirement living communities by 2030)

Source: Folkestone/ABS

Low Penetration of Retirement Living

Growth in demand for retirement living will continue to grow. Knight Frank estimates 31,035 new independent living units will be required across Australia's capital cities by 2020 in order to meet expected consumer demand.



Source: Knight Frank, 2015

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 - underway.
- 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 - 5 pre-sale contracts in hand for \$1.6m. Strata plan to be approved November 2016, \$5m in settled contracts anticipated by December 31, 2016.
- The retention of management rights for the existing 80 units to be sold, adding an expected \$250,000 annually to group EBITDA – once strata plan approved.
- 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 – planned for 2018.

Terranora Village Redevelopment



Couran Cove Island Resort

- The Resort is an example of a complex re-engineering or re-repurposing opportunity that Eureka will continue to seek, in addition to its core buy and build acquisition strategy of existing seniors type rental accommodation.
- Eureka has acquired 34 eco cabins for \$2.05m with the cabins acquired now being 75% occupied at rents between \$220-\$290 pw, already providing Eureka its targeted 15% unlevered EBITDA return.
- Eureka will acquire further existing units, as well as those to be developed in the future.
- Eureka is already engaged in and being paid for the caretaking and infrastructure management for all assets of the Resort.



Summary

- Eureka is the only ASX listed company solely focused on providing affordable rental accommodation for seniors living independently in Australia.
- Eureka is now the largest owner/operator of regional seniors low cost rental retirement accommodation in Australia.
- Clear strategy in place to grow the number of assets 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 (420 units or 8-9 villages) available on existing village land bank >250,000m² of land.
- 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.
- Eureka unaffected by the recent Australian Government changes to the Aged Care Industry funding model or ACFI as it is known.
- Eureka does not charge any 'capital refurbishment fees' and 'asset replacement contributions' to its residents.
- 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 >13% of shares on issue.

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