

Eureka Group Holdings Limited



Pie Funds Conference Presentation

15 March 2016



Eureka Group Philosophy – Shared Value

- Eureka's goal is to provide the highest level of rental accommodation and associated care to independent retirees dependent on Australian Government Pension and Rent Assistance
- We aim to combine the best of capitalism and social activism by creating business value while addressing social problems
- Eureka is a “**shared value**” enterprise

Our Values

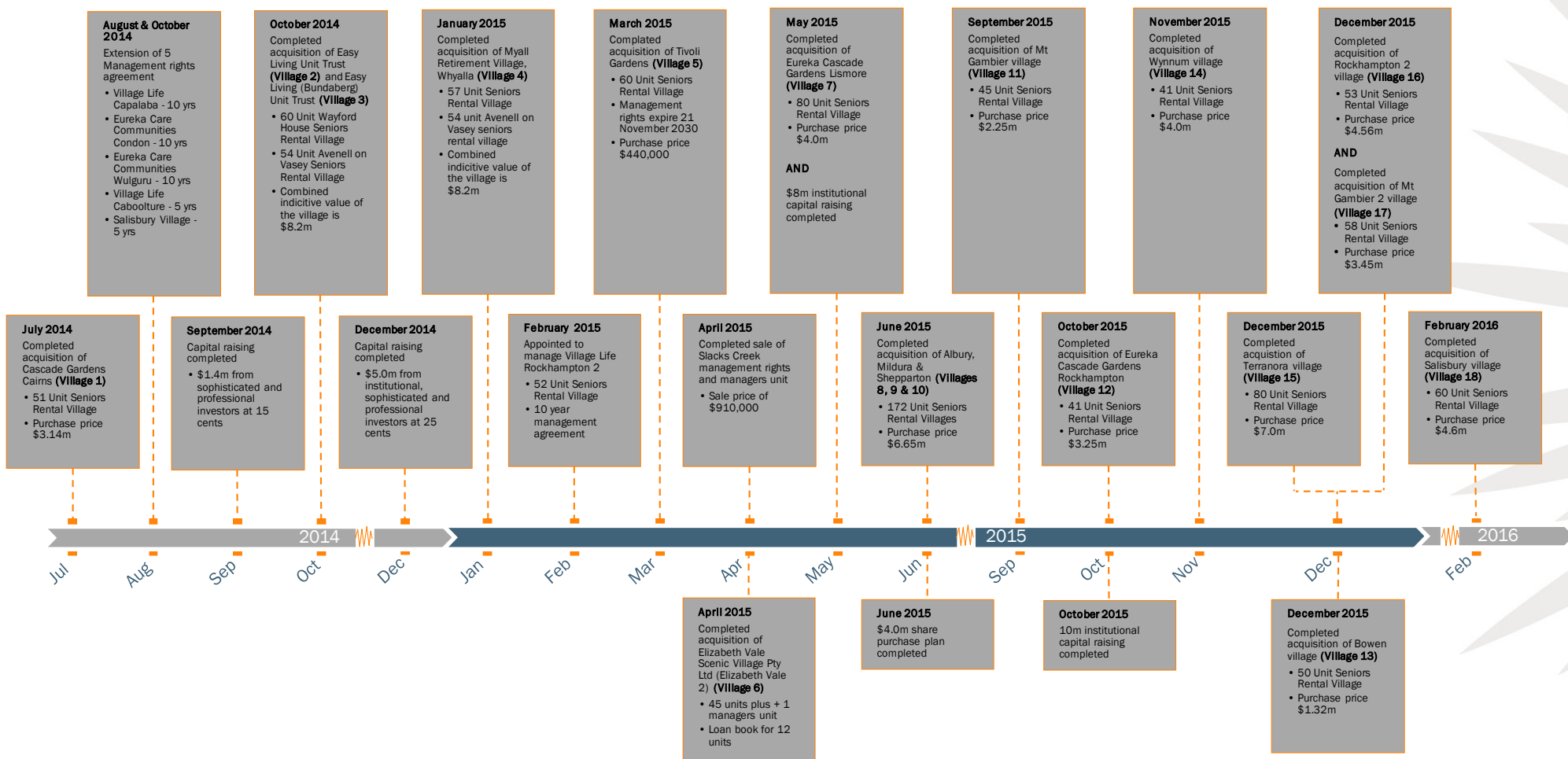
Empathy **U**nderstanding **R**espect **E**xperience **K**indness **A**ffordability

Growth Drivers

Eureka has 4 growth drivers available to it:

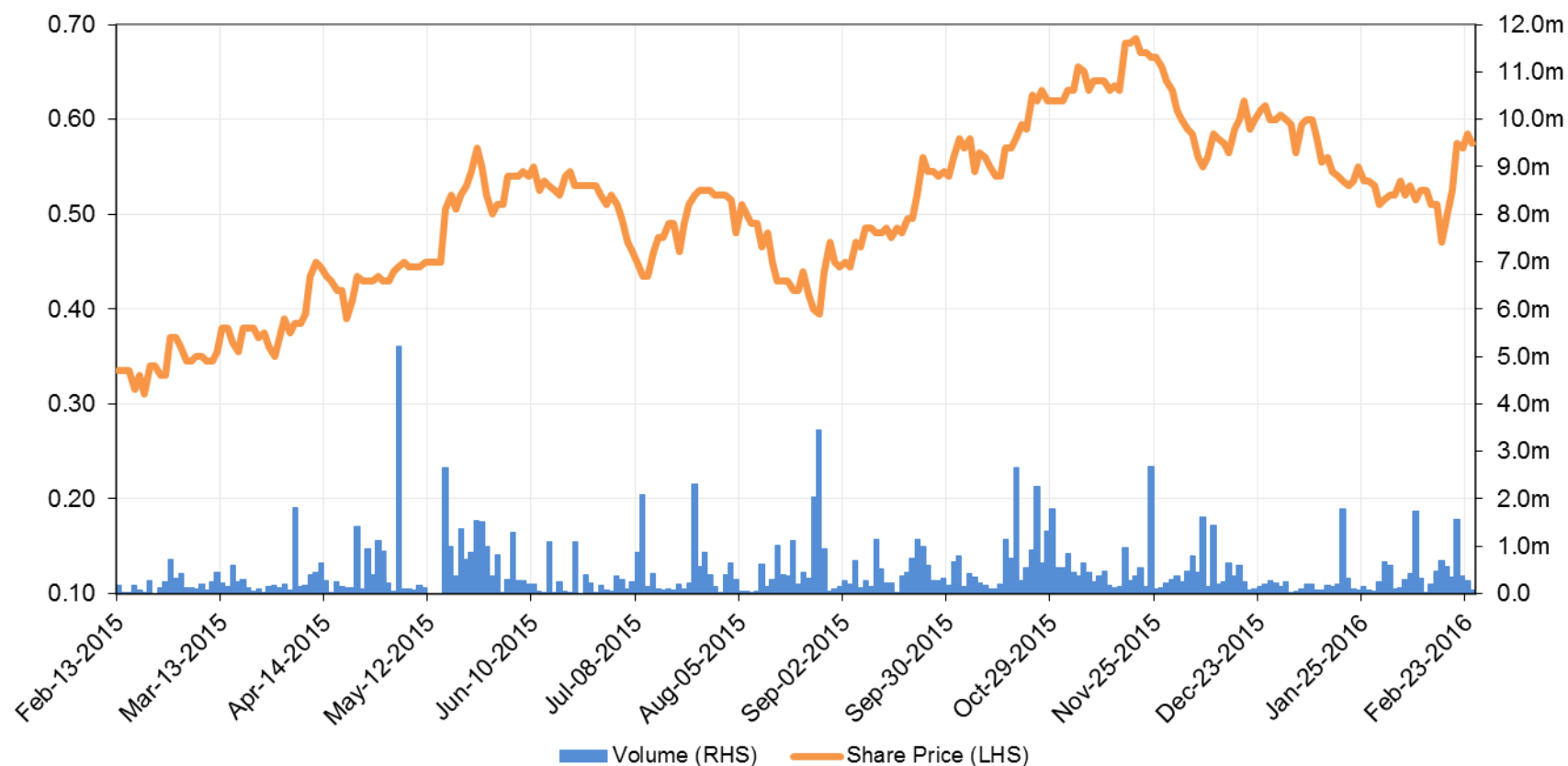
- Acquisition growth - acquired 18 villages in last 20 months and is targeting a further 8-10 village acquisitions in the next 12 months
- Organic growth – brownfield or further in-fill development on existing owned village sites will allow Eureka to develop >250 units (5 equivalent villages). There 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 growth – offer increased government funded services to residents that will both increase profitability and keep residents in our villages longer

Timeline of Village Acquisitions



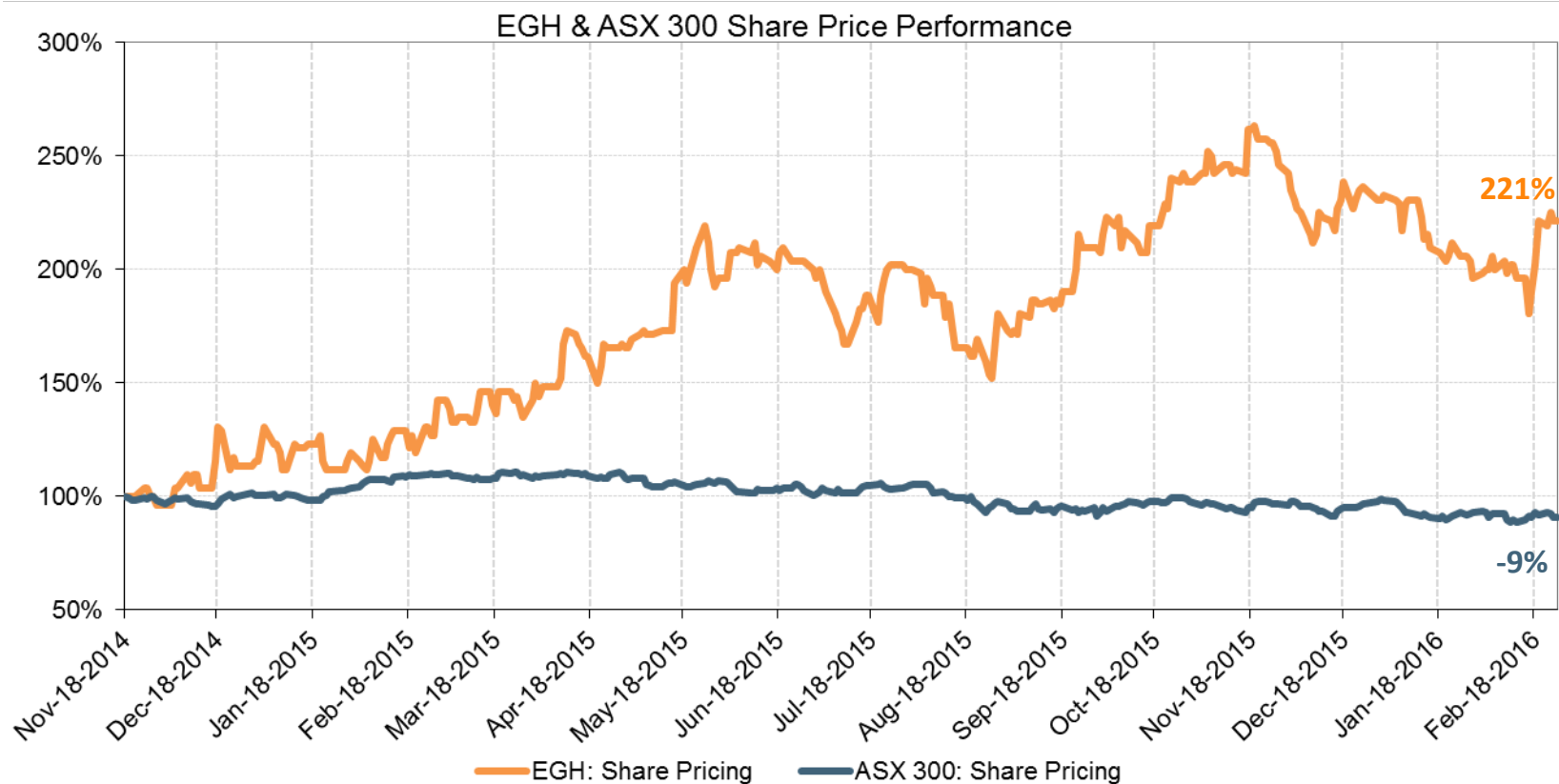
Share Price & Liquidity overlay ASX 300 Shareprice from next graph

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



Share Price

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.

Income Statement – 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

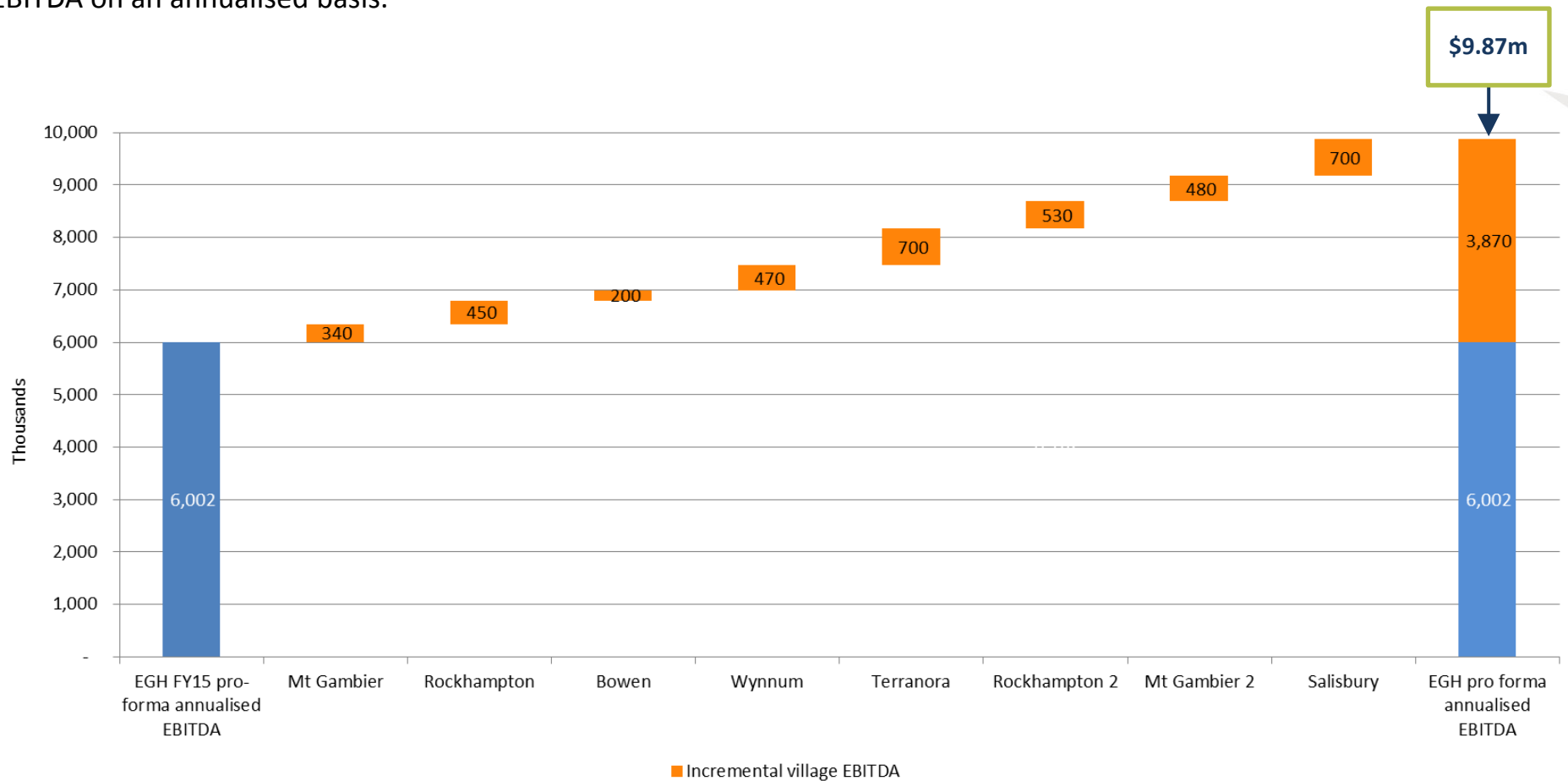
Key Points

- 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 eight village acquisitions announced since 1 July 2015 are expected to contribute an additional \$3.87m to Eureka's EBITDA on an annualised basis.



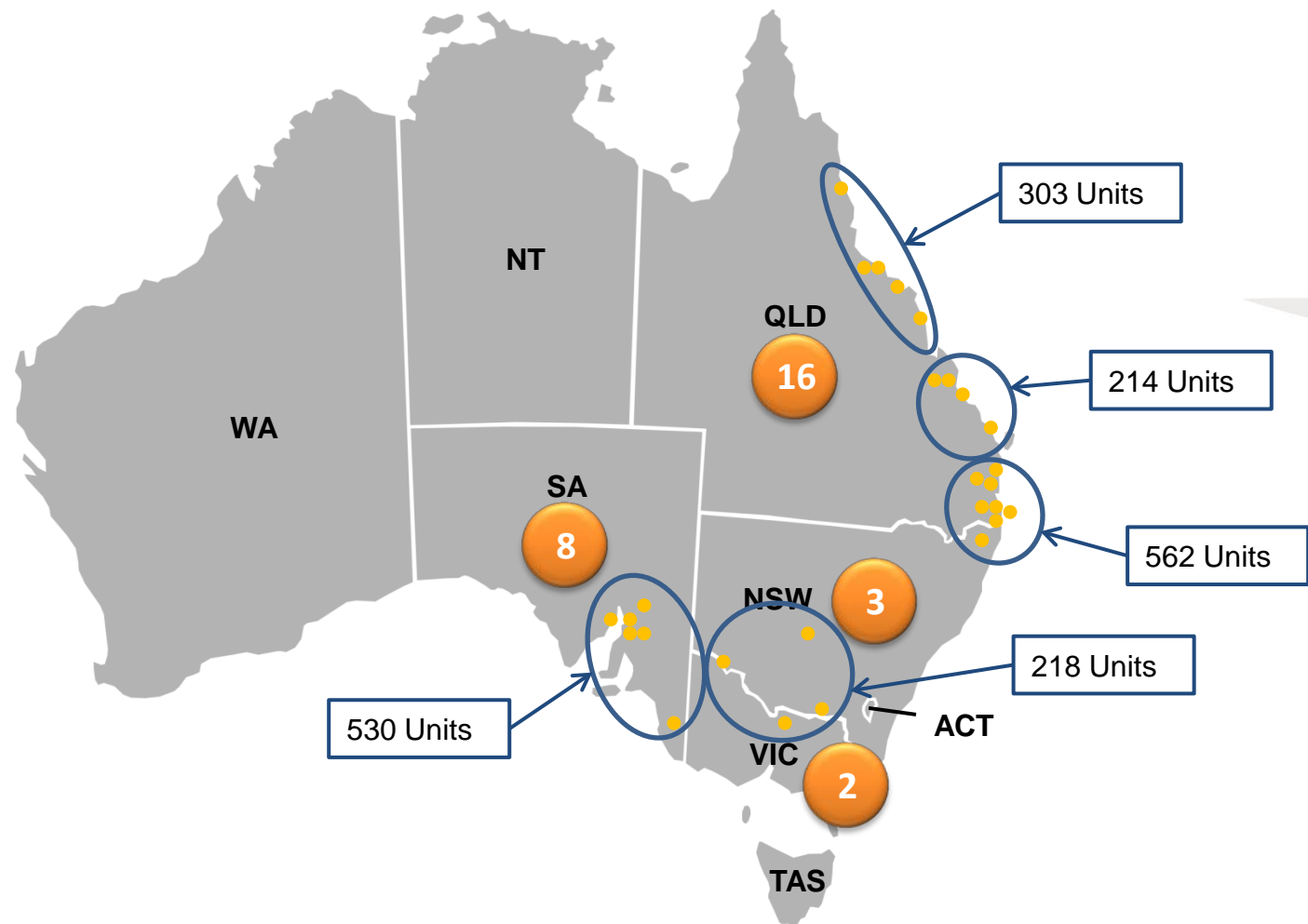
Size & Scale Benefits

Eureka as of December 2015 Eureka has created the following economies of scale and scope:

- Eureka buy & build strategy succeeding with a further 150 villages identified and preliminary due diligence completed
- 27 villages under management
- 18 villages with freehold land and buildings owned
- 1,056 units owned
- 1,827 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
- 9 villages under current due diligence or in clear line of sight

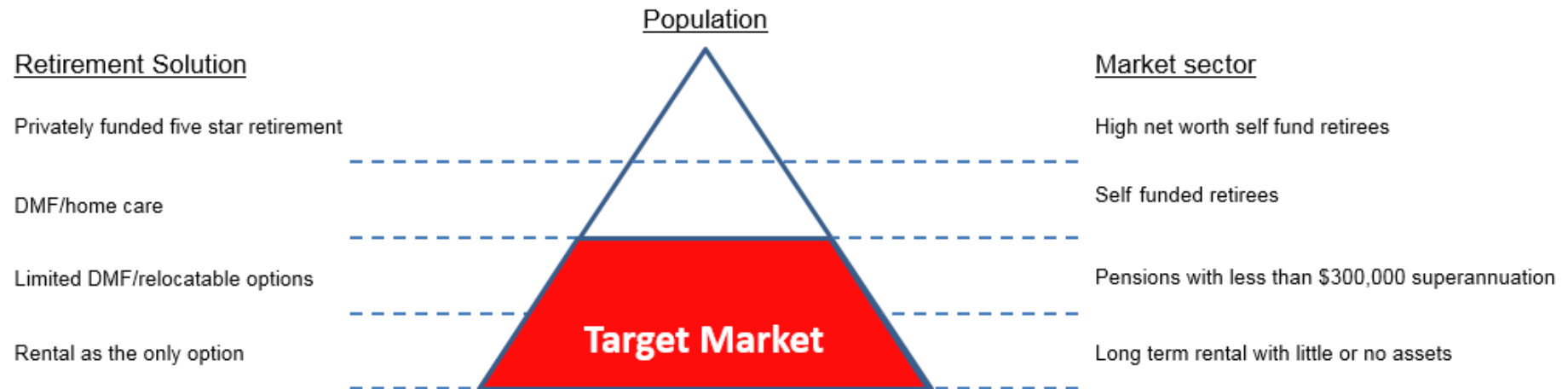
Village Location

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

- Sell 3.5 hectares of the vacant land acquired as house and land packages, generating an estimated \$4.0m in net cash
- Sell the 80 rental units acquired, which are materially larger than Eureka's existing rental retirement units, delivering an additional projected \$14m in net cash
- Retain management rights for the 80 units to be sold, adding an expected \$250,000 annually to group EBITDA
- Reinvest \$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 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 retirement 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 – our aim is to own more than 5,000 units.
- Assets being acquired are high quality, asset backed income earning assets.
- 150 acquisition opportunities identified (preliminary due diligence undertaken) in a highly fragmented industry.
- Further organic Brown Field 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.

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 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 2 March 2016:

Rank	Name	Shares held	% Held
1	NATIONAL NOMINEES LIMITED	27,472,521	13.14%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	15,344,856	7.34%
3	ROBIN LEVISON (THROUGH CONTROLLED ENTITIES)	12,549,608	6.00%
4	LACHLAN MCINTOSH (THROUGH CONTROLLED ENTITIES)	11,896,166	5.69%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,940,679	4.28%
6	BNP PARIBAS NOMS PTY LTD <DRP>	8,480,117	4.06%
7	WAVET FUND NO 2 PTY LTD	8,050,000	3.85%
8	CITICORP NOMINEES PTY LIMITED	7,981,156	3.82%
9	PPK INVESTMENT HOLDINGS PTY LTD	6,450,000	3.08%
10	RICHARD MEWS (THROUGH CONTROLLED ENTITIES)	5,426,058	2.59%
11	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	4,135,896	1.98%
12	BRAZIL FARMING PTY LTD	4,225,000	2.02%
13	MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	3,144,158	1.50%
14	KERRY POTTER (THROUGH CONTROLLED ENTITIES)	2,866,442	1.37%
15	MR ALISTER CHARLES WRIGHT	2,500,000	1.20%
16	UBS NOMINEES PTY LTD	2,438,936	1.17%
17	TRUWIND PTY LTD <SUPERWIND S/F A/C>	2,373,122	1.13%
18	G & P INVESTMENTS (NSW) PTY LIMITED <G & P WEBB SUPER FUND	2,169,413	1.04%
19	QFM NOMINEES PTY LTD	2,169,275	1.04%
20	GREG REKERS (THROUGH CONTROLLED ENTITIES)	2,120,608	1.01%

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

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