



Eureka Group Holdings Ltd

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ASX Announcement

6 November 2020

2020 Annual General Meeting – Chairman’s Address

Eureka Group Holdings Limited (ASX: EGH) releases the attached Chairman’s address and accompanying presentation which will be presented at this morning’s Annual General Meeting, commencing at 11am Brisbane time.

This announcement was approved, and authorised for release, by Eureka’s Board of Directors.

For further information, contact Murray Boyte, Executive Chair on 07 5568 0205.



Chairman's Address

2020 Annual General Meeting of Eureka Group Holdings Limited (ACN 097 241 159)

6 November 2020

Good morning Ladies and Gentlemen

My name is Murray Boyte and I am the Chairman of Eureka Group Holdings Limited (Eureka). It is my pleasure to welcome you to Eureka's virtual Annual General Meeting (AGM) for the year ended 30 June 2020.

Financial Review

I am pleased to report Eureka has completed a very satisfactory year, achieving a number of milestones in the continuation of its transformation process. Eureka reported a net profit after tax of \$8.10 million, compared to a net profit before and after tax of \$6.79 million in 2019.

All key financial metrics improved over the prior year:

- Earnings per share was 3.52 cents, up 19%.
- Underlying earnings before interest, tax and depreciation (EBITDA) was \$8.70 million, up 11%.
- Net Operating Cash Flow was \$7.61 million, up 60%. This did include a one off prior year GST refund of \$0.64 million.

Also contributing to the result were a net gain on the revaluation of investment properties and other assets of \$2.42 million, including the Tasmanian village portfolio held in joint venture, and a gain on the sale of Terranora units of \$1.03 million.

While net debt increased to \$52.02 million, the Group's gearing remained at an acceptable level. The gearing ratio, calculated as net debt to net debt plus equity, increased marginally to 37.7% (2019: 36.2%).

Dividends

Eureka paid unfranked dividends totalling 1.1 cents per share in respect of the 2020 financial year, representing a 10% increase over the 1 cent final dividend paid in 2019.

The Board is pleased to announce that a dividend reinvestment plan will be introduced for shareholders from 2021.



Portfolio Highlights

During the 2020 financial year, key portfolio highlights included:

- The acquisition of Liberty Villas, a 124-unit village in Bundaberg, Queensland;
- Disposal of 27 units at Terranora for total consideration of \$6.39 million and a realised gain on sale of \$1.03 million;
- The achievement of year-end occupancy of 95% compared to 91% in 2019; and
- Solar energy enhancement in 13 villages.

Operations Review

The focus on occupancy and revenue optimisation during the 2020 financial year resulted in a positive revenue trend. The redefining of support office functions and village manager roles created a higher level of engagement between the support office and the village network. This has led to increased accountability across the group and enabled village managers to elevate their interaction within the communities in which they are located.

Impact of COVID-19

During the second half of the 2020 financial year, Eureka responded proactively to the Coronavirus pandemic (COVID-19), given that senior Australians are classified as a higher risk demographic.

The health and wellbeing of our staff and residents continues to be the paramount consideration in establishing and administering the management plan for COVID-19. We continue to monitor the evolving Federal and State Government guidance and implement changes across the portfolio as required. We thank our staff, residents, families and carers for their co-operation and compliance during a difficult period.

Environmental, Social and Corporate Governance (ESG)

Eureka values the contribution it makes to the social infrastructure segment in which it operates. Eureka's focus is on creating sustainable communities and empowering the independence and well-being of our senior residents.

The Board is developing an investing and environmental sustainability strategy to guide the Group over the next few years. A key focus of the strategy will be to integrate and promote greater environmental responsibility and resource-efficient processes across Eureka's operations.

Eureka promotes a culture that is supportive of diversity and inclusiveness in the workplace. The Board acknowledges that employee differences created by gender, age, culture, disability and lifestyle choice benefit Eureka through unique perspectives, skills and experiences which ultimately drive improved business performance.

The Board is committed to implementing and communicating more about Eureka's ESG initiatives in 2021.



FY2021 Update

The Group's operations have continued to gain momentum during the first four months of the 2021 financial year:

- At Terranora, a further 7 units have settled and 1 contract has exchanged generating total proceeds of approximately \$2.14 million. 23 units remain to be sold.
- The Board has approved a 22-unit expansion of the Wynnum village in Brisbane which is expected to be completed early in the 2022 financial year.
- This week, Eureka has added two Queensland villages to its portfolio, one in Cairns and one in Hervey Bay, comprising 123 units for total consideration of \$13 million. Eureka now has 2,262 units under management.
- The Group has increased its debt facility from \$60 million to \$77.5 million, with an expiry date of 31 January 2022. The facility increase has enabled the Cairns and Hervey Bay acquisitions and will accommodate further growth, including the expansion of the Wynnum village. Net debt following the acquisition of the Cairns and Hervey Bay villages is \$61 million with a gearing ratio of approximately 42%.

FY2021 Outlook

The financial outlook for the 2021 financial year is positive.

Operating results for the quarter ended 30 September 2020 have been encouraging with EBITDA and net profit after tax ahead of budget and the prior year. We expect to maintain this trading momentum throughout the year.

Eureka's underlying EBITDA forecast for the 2021 financial year is in the range of \$9.8 million to 10.2 million (prior to asset revaluations, sales at Terranora and non-recurring items).

Overall occupancy remains strong at over 95%. Implementation of an integrated technology system is a priority in 2021. Recent new appointments in marketing and workplace, health and safety have provided further depth to operational management capability.

Eureka has a strong empathetic culture with its residents and will continue to improve the customer proposition and experience in rental villages for independent seniors.

Eureka is establishing a sound financial platform and is well positioned to accelerate its village acquisition and development program. The focus on the growth of Eureka's business as a provider of affordable rental accommodation for independent seniors will facilitate improved cash flows and shareholder returns on operating assets in a low risk social infrastructure framework.

Eureka is committed to the profitable expansion of the business that will enhance shareholder value on a sustainable basis.



Board & Executive

The Eureka board has a well-balanced skill set covering property investment and management, property funds management, finance, healthcare, organisational development, commercial experience and corporate governance. Mr Greg Paramor AO joined the board as an independent Non-Executive Director on 19 June 2020. Mr Paramor is an experienced company director and brings extensive expertise to the board having been involved in the real estate and funds management industry for over 40 years. Mr Paramor's commercial and real estate experience will be invaluable to Eureka as it develops and executes on its growth strategy.

The senior management group has delivered on the first stage of the business turnaround plan and set the framework for further business improvement and growth in 2021.

I am pleased to announce some organisational changes with the senior management team. Cameron Taylor will continue in his role as Chief Operating Officer while Tracey Campion, our Chief Financial Officer (CFO) has been appointed General Manager - Operations. Laura Fanning, who has been the Group's Company Secretary since 2018 will assume the dual role of CFO and Company Secretary.

Ms Fanning is a Chartered Accountant, a Chartered Secretary and a member of the Chartered Governance Institute with 25 years' financial, governance and commercial experience gained primarily in ASX-listed companies. She has held CFO, Company Secretary and other senior management positions in a number of listed companies.

These appointments will provide further senior management depth and resource to facilitate the Group's expansion on a measured and disciplined basis.

I thank all staff for their contribution and effort during the year. To our shareholders, I thank you for your continued support.

Thank you.

Eureka Group Holdings Limited

Annual General Meeting
6 November 2020



Meeting Overview

Agenda

- **Chairman's address**
- **Formal items of business**

Procedural matters

- **Questions:** Click 'Ask a Question' on your screen. We encourage shareholders to submit questions early in the meeting.
- **Voting:** Once shareholders have registered to vote you can vote at any time during the meeting.



Chairman's Address

Murray Boyte – Executive Chairman



FY2020 Highlights

Financial Performance

- **NPAT:** \$8.10M, up from \$6.79M in 2019
- **Earnings per share:** 3.52 cents, up 19% on 2019
- **Underlying EBITDA¹:** \$8.70M, up 11% on 2019
- **Operating cashflow:** \$7.61M, up 60% on 2019, including a one-off prior year GST refund

¹ Earnings before interest, tax, depreciation and amortisation (EBITDA) prior to asset revaluations, Terranora sales and a prior period GST refund. Previously referred to as EBITDA from core operations.

Capital Management

- **Net Debt:** \$52.0M, up \$5.85M since 2019 to facilitate acquisition
- **Gearing ratio:** 37.7%, compared with 36.2% in 2019
- **Net tangible assets per share:** 35.2 cents, up 6% on 2019
- **Net assets:** \$86M, up 5.4% on 2019
- **Dividends:** 1.1c, up 10% on 2019.

Dividend reinvestment plan to be introduced from 2021.

FY2020 Highlights (cont.)

Portfolio

- **Acquisition** and integration of Liberty Villas, a 124-unit village in Bundaberg, Qld
- **Disposal** of 27 Terranora units for total consideration of \$6.3M, resulting in a gain of \$1.0M
- **Occupancy**: 95% at 30 June 2020, up from 91% in 2019
- **Solar energy** enhancement completed in 13 villages

Operations

- **Five Pillar Plan**: foundation set for improved operating performance through occupancy, revenue and cost initiatives




Liberty Villas, Bundaberg, Qld



Impact of COVID-19

- Proactive management of risks and implementation of preventative measures
- Ongoing vigilance and risk management
- The Board thanks all residents, families and staff for their support during this period

Environmental, Social & Corporate Governance (ESG)

- Consideration of environmental sustainability strategy underway
 - Commitment to integrate and promote environmental responsibility and resource-efficient processes
 - Empowering the independence and well-being of residents
 - Promotion of diverse and inclusive workplace
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FY2021 Update

- **Terranora:** disposal of 7 units and 1 contract exchanged generating total proceeds of \$2.14M. 23 units remaining to be sold
- **Wynnum expansion:** 22 units to be completed early in FY2022
- **Cairns & Hervey Bay villages:** acquisition of 123 units for \$13.0M
- **Units under management:** 2,262 units
- **Increased debt facility:** \$77.5M, up from \$60M to facilitate acquisitions
- **Current gearing ratio:** approximately 42%



Hervey Bay, Qld

FY2021 Update (cont.)

- **Underlying EBITDA forecast:** \$9.8M to 10.2M for FY2021
(prior to asset revaluations, sales at Terranora and non-recurring items)
- **Occupancy:** remains strong at over 95%
- **Technology:** integrated information technology systems for accurate and real time reporting and analytics
- **Marketing:** connect with new networks and residents through digital and social media channels
- **Customer value proposition:** continuous product improvement to maintain high occupancy and grow rental income
- **Growth:** Actively pursue acquisition and development opportunities while continuing the capital recycling program

Board & Executive

- **Board appointment:**

Mr Greg Paramor AO appointed as an independent non-executive director in June 2020

- **Executive team changes from 1 December 2020:**

Mr Cameron Taylor to continue in his role as Chief Operating Officer

Ms Tracey Campion to be appointed as General Manager – Operations

Ms Laura Fanning to be appointed Chief Financial Officer and Company Secretary

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