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ASX Announcement
29 November 2022

2022 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 10.30am 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

2022 Annual General Meeting
of Eureka Group Holdings Limited (ACN 097 241 159)

29 November 2022

Good morning, Ladies and Gentlemen.

My name is Murray Boyte. I am Executive Chairman of Eureka Group Holdings Limited (Eureka). It is my pleasure to welcome you to Eureka's Annual General Meeting (AGM) for the year ended 30 June 2022.

Financial Review

Eureka reported a profit after tax of $8.17 million for the year ended 30 June 2022. The profit after tax included a net gain on the change in fair value of investment properties of $9.96 million before a loss on the change in fair value of the Lismore, NSW property of $7.15 million following the devastating floods in the Northern Rivers region of New South Wales. The property revaluations were a contributor to the 27% increase in the earnings per share to 3.48 cents (2021: 2.73 cents).

Underlying EBITDA was steady at $10.51 million, slightly down on that for 2021 of $10.57 million.

In September 2021, the corporate office was relocated to Brisbane from the Gold Coast. The transition to Brisbane was the catalyst for a strategic decision to accelerate investment in staff capability and skill-base. Positions were upgraded and new senior appointments were made resulting in an impact on the Underlying EBITDA margin which at 35.3% was lower than that for 2021 of 38.3%. The relocation and investment in people were considered a necessary pre-requisite to ensuring the appropriate resources were in place to meet future business plans and a scaling of the business.

Key Financial metrics remain strong as shown on slides 4 and 5.

Dividends

Eureka has paid the following unfranked dividends to shareholders for the year ended 30 June 2022:

- an interim dividend of 0.63 cents per share on 23 March 2022; and
- a final dividend of 0.63 cents per share on 6 October 2022.

Operations

Management has continued to build on the Five Pillar Operating Platform. A recalibration of the platform functionality now includes an Environmental, Social and Governance (ESG) section.

The implementation of a fit-for-purpose ESG framework is an essential component of the operating platform. During the year, ERIAS Group, an environmental and social impact management consultancy, was appointed to assist Eureka in establishing an integrated ESG framework and action plan. The ESG Committee has approved the implementation pathway, the which is the first stage of a priority action plan aimed at reaching full ESG maturity over 3 years. I refer to slide 7 which outlines Eureka's ESG principles and initiatives.

Portfolio Management

Eureka has a disciplined approach to portfolio management. Eureka now has 47 villages and 2,658 units under management. During the year it:

- Settled the $6.5 million acquisition of a village in Brassall, Qld comprising 59 units and land for development of a further 47 units.
- Acquired the management and letting rights for six villages in South-East Queensland for $6.1 million comprising approximately 330 units under management.
- Acquired a 46-unit village in Bowen, Qld for $5.05 million with potential to acquire adjacent land for expansion.

Since 30 June 2022, Eureka has acquired 55 units and the management letting rights for a village at Eagleby, South-East Queensland for $7.3 million and, as announced on 24 November 2022, completed the acquisition of 100% of the freehold interests in two seniors' rental villages located in Tamworth, NSW and Horsham, Vic for total consideration of $11.8 million.

The Tamworth and Horsham acquisitions were funded by Eureka's recent equity raising and increase the number of units under management by 96 units to 2,658.

During FY22, Eureka also:

- Acquired a 2-hectare greenfield site at Kingaroy in the South Burnett region of Queensland in October 2021. Development approval has been obtained for 110 units.
- Completed the 22-unit village expansion at Wynnum, Qld in January 2022 which was fully let on completion.
- Generated approximately $6 million from the sale of units and land under the capital recycling program.

Preparations to commence the Brassall project are nearing completion and the estimated costs are $11 million with an incremental yield on development costs of greater than 8%. Building costs appear to be stabilising in South-East Queensland and we expect to execute a building contract prior to 31 December 2022.

Capital Management

Capital management is a dynamic program that is worked on continuously. Since early 2018, Eureka has delivered the first stage of its capital management plan based on recycling assets, improving cash flows and margin contribution from assets, and ensuring a stable and supportive bank relationship. In that time:

- Approximately 360 owned and managed units have been disposed of. These units were not suitable for senior rental living or did not meet financial hurdles. They have been replaced by the acquisition of over 1,000 units of which more than 650 are owned.
- Net Operating Cash Flow has more than doubled.
- Underlying EBITDA has increased by over 40%.
- Investment properties have increased from $100 million to $160 million while gearing (net debt to debt plus equity) has remained around 40%.
- NTA increased from 29.8 cents per share to 38.2 cents per share.
- The Interest cover ratio improved from 2.5x to 4.6x.
- Dividend payments commenced for the first time in the Company's history.
- There is a small but improving EPS trend reflecting improved operating performance and asset management.

These are very modest financial metrics but reflect a working capital plan achieving satisfactory outcomes without raising capital. In short, the company's legacy issues were fixed without raising capital.

Eureka has completed a raising of $28.2 million in November 2022 by way of a fully underwritten 1-4 accelerated non-renounceable entitlement offer to institutions and retail shareholders.

As you can see from the Source and Uses of Proceeds summary (slide 13), the capital raising will enable new acquisitions and development projects, as well as reducing gearing to provide debt capacity to fund future growth.

Outlook

As set out in the Annual Report, Eureka will continue to build on its Resident First philosophy with investment in key areas to enhance resident experience and the value proposition. Business fundamentals and market drivers remain strong.

The implementation of preferred technology systems across all business units is a key priority which is expected to provide significant operational efficiencies. A thorough market research and system selection process in underway and will be completed in quarter 1 of 2023. The implementation process will undertaken during 2023.

A program to revitalize the Eureka brand and strengthen its position in the affordable rental retirement market is underway. The project will be completed during FY23 and rolled out in FY24. The project will facilitate brand awareness through the value chain from investors, staff, residents to the communities and families of potential residents further embedding our Resident First philosophy.

Village trading momentum and the acquisitions completed in 2022 are underpinning a solid start to the new financial year. Operating results for the first quarter are encouraging with occupancy being maintained at FY22 levels. The acquisition of the villages at Tamworth and Horsham will contribute earnings from settlement date. The Brassall development will be EPS accretive in FY24.

The Underlying EBITDA forecast for FY23 remains in the range $11.6 -11.9 million and represents growth of 10.3% to 13.2% over the Underlying EBITDA for FY22.

The Underlying EPS forecast for FY23 is 2.6 cents per share, on a pre-tax basis.

Directors and Staff

Employee capability and skills have been repositioned at all levels of the organisation. Key senior leadership appointments in real estate, operations and technology have been completed.

The cultural reset predicated on the Resident First philosophy, characterised by compassion, respect and trust is firmly embedded in our teams and social infrastructure services delivered by Eureka.

To my fellow directors, I thank you for your leadership support and contribution to the development of the Eureka business model.

To our shareholders and other stakeholders thank you for your continued support.

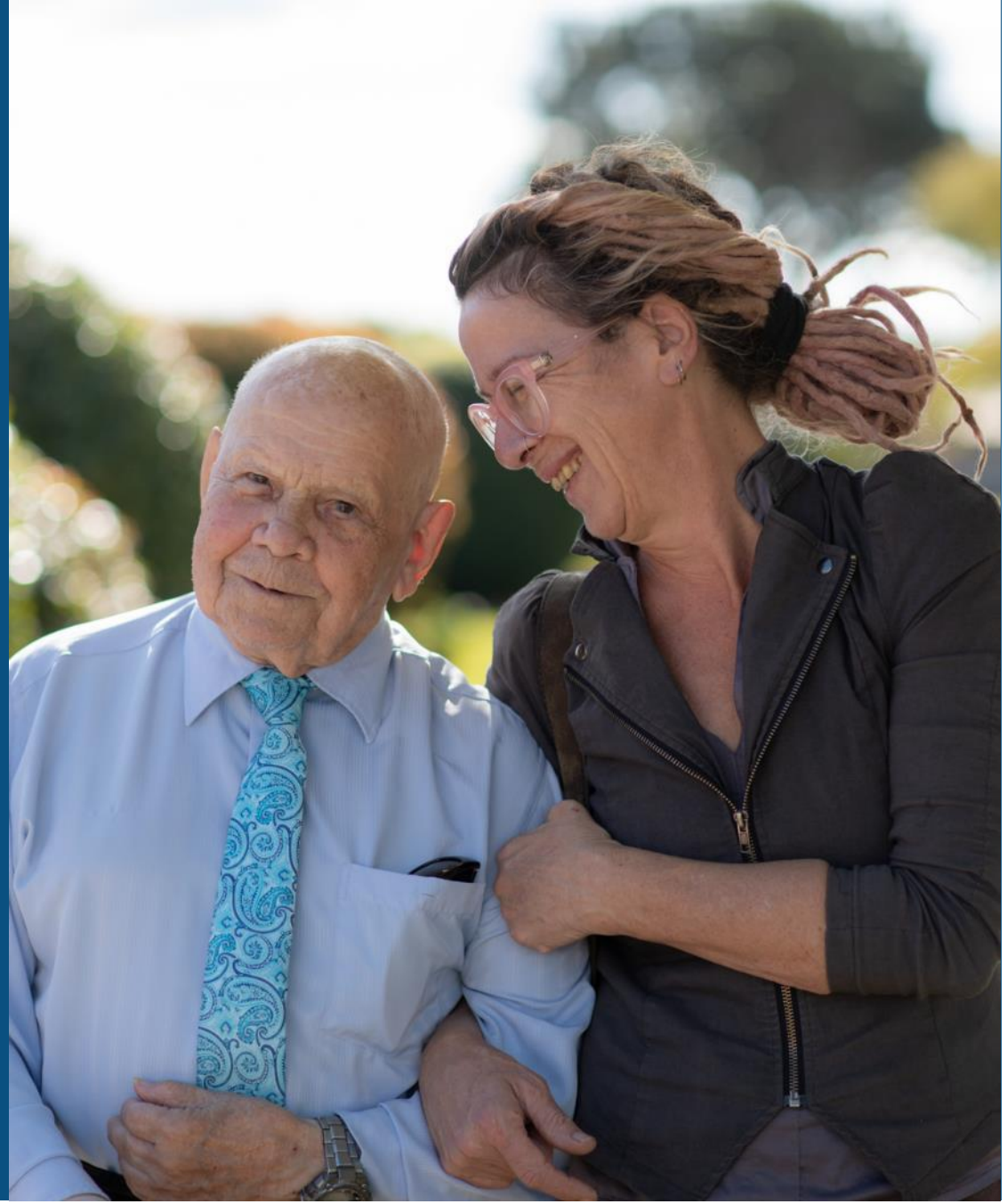
eureka
GROUP HOLDINGS

2022 Annual General Meeting

Meeting Overview

Chairman's Address

Formal Items of Business



Chairman's Address

FY22 overview

Profit after tax

$8.2m

↑ + 30%
$6.3m [FY21]

Revenue from operations

$29.7m

↑ + 8%

Earnings per share

3.48c

↑ + 27%
2.73c [FY21]

Total dividends per share

1.26c

+ 7%
1.18c per share [FY21]

1 Refer to Definitions page

Underlying EBITDA [1]

$10.51m

$10.57m [FY21]

Valuation uplift [1]

$9.9m

Before a **$7.15m loss** on change in fair value of Lismore, NSW village. Reported net valuation uplift including assets in joint venture: $2.8m

Underlying EBITDA margin[1]

35.3%

38.3% [FY21]

Capitalisation rate

9.4%

9.9% [FY21]

FY22 overview

Total assets

$183m

↑ *15%*

Borrowings

$70m

↑ *23%*

Net operating cash flow

$8.3m

↑ *5.5% including net insurance proceeds[1] of $0.7m*

Net tangible assets per share

38.2c

↑ *2%*

Balance sheet gearing[1]

40.8%

37.8% [FY21]

Occupancy

98%

Stable

1 Refer to Definitions page

Flood in Lismore, NSW

Eureka's Board and Management were saddened by the devastating floods in NSW and Qld during 2022.

Residents and staff were evacuated safely when the Lismore Village was inundated by record flood waters.

The flood had a material financial impact in FY22:

	$m
Insurance proceeds	1.02
Costs incurred due to flood	(0.36)
Loss of earnings (estimate)	(0.30)
Loss on change in fair value	(7.15)
Loss due to flood (before tax)	**(6.79)**

There are opportunities to restore value which are being explored in collaboration with the Northern Rivers Reconstruction Corporation

Operating platform

Occupancy and Revenue Initiatives

- Resident First culture driving sustainable occupancy and organic revenue growth
- *Independent Voice of the Resident* survey results confirm village priorities:
  - supportive village team
  - sense of security and safety
  - activities to enhance connection
  - food quality
- Resident value proposition supports national rental pricing strategy
- Revenue growth inflation-hedged to Government pension

Team Culture and Engagement

- Continued investment in support office functions to enhance growth capability
- Upskilling and training to develop specialist skills

Safety, Risk and Compliance

- Regular review of risk management systems
- Policies and procedures ensure ongoing safety and compliance
- Periodic review of policies and training to maintain awareness

Technology and Brand

- Analysis of key processes and system requirements completed
- Market research and system selection process, is underway
- Implementation of enhanced technology systems during 2023
- Commenced revitalizing and positioning Eureka's brand in the affordable rental retirement market

ESG

- Implementation of a fit for purpose ESG framework

ESG impact

Eureka has a strong focus on ESG initiatives across the entire business and portfolio

Environmental Initiatives

Developing an environmental program to reduce the impact of operations on the environment

Solar power

Commitment to energy conservation through a continuation of village solar programs

Energy efficiency

NABERS energy standards to be implemented into the portfolio through the ESG framework

Waste management & recycling

Strong focus on sustainability across the food delivery program with a target to replace plastic containers by end FY23

Social Focus

Philosophies underpinned by compassion, respect and trust

Resident First

Empowering the well-being and independence of residents in a safe, secure and active village where residents can age in place

Community connections

Key part of social infrastructure, supporting the wellbeing of residents and the broader communities in which villages are located

One team

Diverse and inclusive workplace comprised of a professional team with strong capability and experience

Governance Practices

Established framework to proactively consider and action ESG initiatives

Board governance

Experienced leadership and management team with expertise in property, financial management, governance and health

Ethical practices

Appointment of independent social impact consultant to assist in the establishment of an integrated ESG plan

Risk mitigation systems

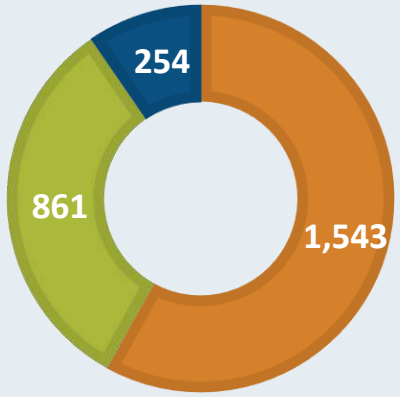
Risk management framework, policies, legislative and regulatory compliance and reporting

Village portfolio

as at 29 November 2022

2,658

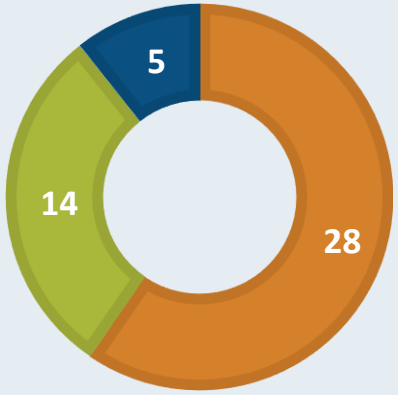
Units under management



Owned Managed Joint Venture

47

Villages



Owned Managed Joint Venture

A disciplined approach to portfolio acquisitions

FY22

FY23 to date

Owned

Brassall QLD $6.5m
+59 units plus development land
Settled July 2021

Bowen QLD $5.1m
+46 units with potential for 45-unit expansion
Settled May 2022

Eagleby QLD $7.3m
+55 units plus management rights
Settled September 2022

Tamworth NSW $6.7m
+50 units
Settled November 2022

Horsham VIC $5.1m
+46 units
Settled November 2022

Managed

Management & Letting Rights Portfolio QLD $6.1m
+330 managed units across 6 villages
Settled March/April 2022

Beachmere QLD	Gympie QLD
Bundamba QLD	Raceview QLD
Deagon QLD	Toowoomba QLD

Units in managed villages
Ongoing

Ongoing portfolio enhancements

Wynnum QLD expansion

- 22-unit expansion in **Wynnum QLD** (metropolitan Brisbane)
- Increased the size of the village to 62 units
- Complete and fully leased from January 2022

Brassall QLD development

- Village was acquired in July 2021 and comprises 43 rental residences, 12 land lease residences and surplus development land
- The opportunity is shovel-ready and will take c.9 months to complete subject to finalisation of the building contract
- Development will commence in early 2023
- The Brassall expansion will deliver 51 new, free standing residences along with refurbished community facilities, increasing the size of the village to 106 residences
- The estimated development cost ~$11m, including contingency

Greenfield opportunities

- **Kingaroy QLD**
  - Site was acquired in October 2021 for $0.7m
  - DA approved for +110 units
  - Commencing development in 2023 subject to finalisation of the building contract and funding arrangements

Capital recycling & disposals

- **Disposals**
  - **Townsville** QLD - $3.0m – Two villages comprising 32 units. Settled March 2022
  - **Terranora NSW** - $1.8m (net of GST) – Vacant land. Settled June 2022
  - **Units in managed villages QLD** - $1.1m - Sale of 14 units. Majority settled August 2021

Capital management

DYNAMIC PROGRAM

Since early 2018:

Asset recycling

Improving cash flows and margin contribution from assets

Stable and supportive bank relationship

Dividend payments commenced

Equity raise

GROWTH IN UNIT NUMBERS

~ 360 units have been disposed of and more than 1,000 units acquired

IMPROVED PROFITS AND EARNINGS

Cash flow has more than doubled

Underlying EBITDA has increased by more than 40%

Improving EPS trend

BALANCE SHEET STRENGTH

Investment properties have increased from $100 million to $160 million

Gearing (net debt to debt plus equity) has remained around 40%

NTA growth from 29.8 cents per share to 38.2 cents per share

Interest cover ratio improved from 2.5x to 4.6x.

Equity Raising Summary

Equity Raising structure	• Fully underwritten 1 for 4 accelerated non-renounceable pro-rata entitlement offer raised $28.2 million (the Entitlement Offer) • The Entitlement Offer comprised an accelerated Institutional Entitlement Offer and a Retail Entitlement Offer ➢ Completed 28 November 2022
Pricing	• Fixed issue price of $0.47 per share represented a: ➢ 9.6% discount to the last close price of $0.52 per share on 26 October 2022 ➢ 15.3% discount to 5-day VWAP of $0.55 per share
Ranking	• New shares issued under the Equity Raising rank equally with existing EGH shares from the date of issue
Underwriting	• The Equity Raising was fully underwritten
Brokers to Equity Raising	• Underwriter and Joint Lead Managers: MA Moelis Australia Advisory Pty Limited and Taylor Collison Limited • Co-Lead Manager: BG Capital Corporation Pty Limited

Sources and Uses of Proceeds

Sources of Proceeds	$m
Equity Raising Proceeds	28.2
Total sources	**28.2**

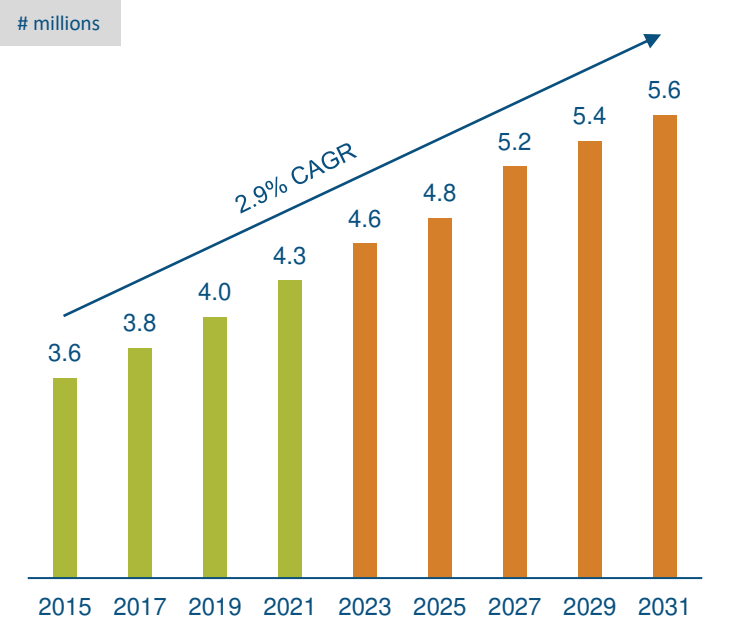
Uses of Proceeds	$m
Acquisitions (Tamworth and Horsham)	11.8
Brassall development funding	11.0
Stamp duty	0.7
Equity raising costs	1.7
Debt retirement	3.0
Total uses	**28.2**

- Equity Raising has raised approximately $28.2 million
- Equity Raising Proceeds have funded the Tamworth and Horsham acquisitions in November 2022 and will fund the Brassall development in 2023.
- Associated transaction costs have also been funded
- Surplus Proceeds have been used to retire debt. The post transaction pro forma gearing forecast is 32.7% which provides debt capacity to fund Brassall and future acquisitions and developments
- Pro forma gearing is expected to increase to 36.5% post completion of the development of Brassall

Compelling backdrop to support industry growth

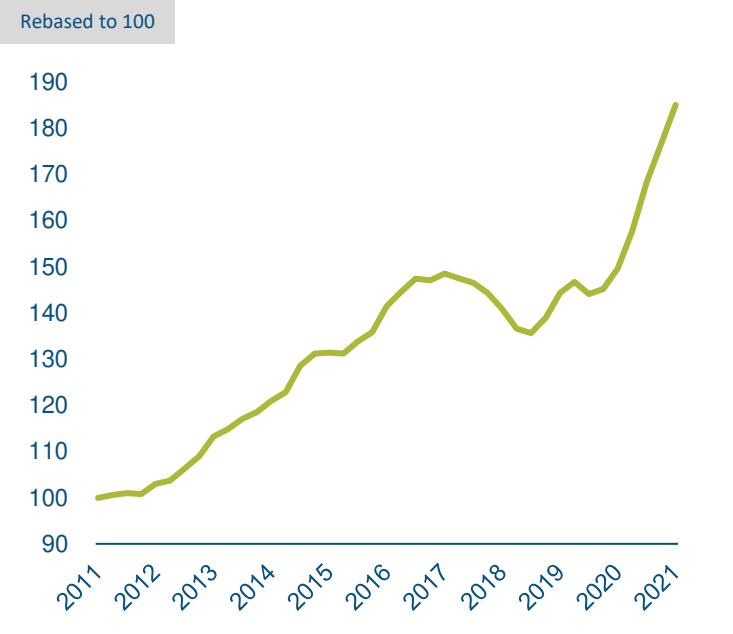
A growing ageing population and housing affordability concerns supports demand for affordable seniors rental accommodation

High +65yrs population growth forecasted[1,2]



- ~4.5 million Australian's are currently 65 years of age or older - this is forecast to grow significantly into the future
- ~57% of Australians aged 65 and over rely on the Government aged pension as their primary source of income and 67% receive a form of income support payment

House prices have grown rapidly over the past 10 years[3]



- Considerable house price and rental growth over the last 10 years has made everyday residential living unaffordable for many older Australians
- A growing reliance on the Government aged pension is leading to an increase in demand for low-cost, quality rental accommodation

Superannuation balances are generally low amongst the elderly[4,5]

- On average, Australian's aged 65 and older have insufficient superannuation balances to support a comfortable retirement, increasing the need for the age pension to support daily living

1. ABS National, State and Territory Population 2021
2. The Treasury 2021 Intergenerational Report
3. ABS Residential Property Price Index 2021
4. ABS Household Income and Wealth 2019-20
5. Association of Superannuation Funds of Australia Retirement Standard Report 2018

FY23 priorities

GROWTH

Deliver further earnings accretive acquisitions. Development opportunities have been identified in high demand regional markets

CAPITAL

Ongoing capital management

BUSINESS FUNDAMENTALS

Business fundamentals and market drivers remain strong – village trading momentum and FY22 acquisitions provide a solid start to FY23

TECHNOLOGY

Implement preferred technology systems across all business units

RESIDENT EXPERIENCE INITIATIVES

Continue investment in key areas to enhance resident experience and resident value proposition

PEOPLE

Key appointments made since balance date to accelerate growth and scale the business

BRAND

Revitalising and positioning Eureka's brand in the affordable rental retirement market

FY23 outlook

Underlying EBITDA	• FY23 Underlying EBITDA[1] range of $11.6m to $11.9m • Growth of 10.3 – 13.2% on FY22
Underlying EPS	• FY23 Underlying EPS of 2.6 cents per share (cps) • Based on Underlying Profit before tax[1]

1 Refer Definitions

Formal Items of Business

Financial Statements and Reports

To receive and consider the Financial Report of the Company and its controlled entities and the related Directors' and Auditor's Reports in respect of the financial year ended 30 June 2022.

Note: There is no requirement for Shareholders to vote on this item of business.

Resolution 1 – Remuneration Report

To consider and, if thought fit, pass the following as a non-binding ordinary resolution of the Company:

"That, for the purposes of section 250R(2), the Remuneration Report for the financial year ended 30 June 2022, be adopted by the Company."

Proxies received:

	For	Against	Open	Abstain
Votes	178,908,265	58,234	19,760	43,965,705
Percentage	99.96%	0.03%	0.01%	

Resolution 2 – Re-election of Sue Renkin

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

"That, Ms Sue Renkin, who retires as a Director of the Company in accordance with clause 9.2 of the Constitution and, being eligible, be re-elected as a Director of the Company."

Proxies received:

	For	Against	Open	Abstain
Votes	223,397,951	5,907,872	49,133	Nil
Percentage	97.40%	2.58%	0.02%	

General Business

Questions

Poll Procedure

Close of Meeting

Thank you for your attendance today

Definitions

Balance sheet gearing
Calculated as Net Debt (being interest-bearing drawn debt net of cash) divided by Net Debt plus equity

EBITDA
(Earnings before interest, tax, depreciation and amortisation)
An unaudited non-IFRS measure. The Directors believe it is a readily calculated measure that has broad acceptance and is referred to by regular users of published financial statements as a proxy for overall operating performance. EBITDA is calculated from amounts disclosed in the financial statements

Net debt
Interest-bearing drawn debt net of cash

Net insurance proceeds
Insurance income less related expenses (excluding changes in fair value)

Underlying EBITDA
An unaudited non-IFRS measure that represents the operating performance of the Group and excludes valuation adjustments, asset disposals and certain non-core or non-recurring transactions

Underlying EBITDA margin
Underlying EBITDA divided by Total Revenue

Underlying Profit before tax
An unaudited non-IFRS measure and equals Underlying EBITDA less finance costs, depreciation and amortisation

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No responsibility for contents of presentation

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ENQUIRIES
Murray Boyte, Executive Chair
Cameron Taylor, Chief Executive Officer
Laura Fanning, Chief Financial Officer

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