Eureka Group Holdings Limited

Investor Presentation
Year ended 30 June 2018
September 2018

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1. 2018 Highlights

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- EBITDA from core operations (excluding fair value adjustments and write downs) of $6.94 million a 17% improvement from prior year. After fair value adjustments and write offs a loss after tax of $0.28 million.
- Continued improvement of occupancy levels lifting 10% from 18 months ago to 93% at the year end.
- Continued growth of portfolios with 8 additional villages acquired (5 in joint venture) growing to 32 owned villages and 9 managed villages representing 2,182 units.
- Sale of 2 Supported Residential Facility (SRF) villages being Amber Lodge and Lambert village (contracted after year end) and sale of Victoria St Mackay, for total proceeds of $5.0 million.
- Extending maturity date of core bank facilities with NAB until December 2021.

1. 2018 Highlights (cont.)

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- Board renewal with new independent Chair of the Board and independent Chair of the Audit and Risk Committee.
- Post year end renegotiated the Couran Cove loans and property transactions with $3.6 million cash received on 7 September 2018.
- Alliance between Eureka and Blue Care remains strong with the aim to improve quality of services to Eureka residents and increased occupancy through extended resident stays and Blue Care referrals. Further leverage opportunities being explored.
- Fundamentals for the sector in which Eureka operates remain strong and continue to improve. Opportunity for continued growth in portfolio.

2. Eureka Business Overview

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STRATEGY

- ✓ Primary focus to provide low cost rental accommodation and limited associated care with a focus on independent retirees who are completely or primarily supported by the Australian Government pension and location allowances
- ✓ Target market represents a significant portion of the growing retirement sector
- ✓ Sources majority of revenue indirectly from the Federal Government

OPERATIONS

- ✓ 32 owned villages and 9 managed villages representing 2,182 units
- ✓ Operating in 5 States of QLD, NSW, VIC, TAS and SA with most villages located in regional areas
- ✓ Low cost operating model

BOARD AND EXECUTIVE

- ✓ Refreshed Board including new Chair and new Chair of the Audit and Risk committee.
- ✓ New Chief Executive Officer to be announced in September 2018.

FINANCIAL

- ✓ Total assets of $133 million.
- ✓ Balance sheet gearing of 40% (net debt/total assets)
- ✓ Recycling of capital underway.
- ✓ Core debt facility maturity is December 2021.

3. Key Financials

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The table below summarises the results for the year ended 30 June 2018

($'000)	30-Jun-18	30-Jun-17
Revenue - rental	15,674	14,826
- catering	6,036	5,980
- other	864	3,247
Other income	810	1,374
Total Revenue and other income (excluding revaluation gains and losses)	23,384	25,427
Expenses from operations	(16,330)	(17,058)
EBITDA[1] prior to asset revaluations and write offs	**7,054**	**8,369**
Net gain/(loss) on revaluation of investment property	(1,439)	1,046
Loss on revaluation of assets associated with Couran Cove investment	(1,763)	-
Couran Cove inventory write down and transaction costs	(1,124)	-
EBITDA[1]	2,728	9,415
Finance costs	(2,753)	(2,606)
Depreciation and amortisation	(251)	(271)
Profit/(loss) before tax	**(276)**	**6,538**
Income Tax expense	-	-
Net profit/(loss) after income tax	**(276)**	**6,538**
Basic & Diluted earnings per share (cents)	(0.12)	2.84

- Improved revenue from core operations.
- Revaluation loss impacted by write down of SRF villages and Couran Cove transaction.
- Finance costs reflect higher debt levels associated with larger portfolio.
- Nil tax expense as Eureka has unrecognised carried forward tax losses.

[1]EBITDA (Earnings before interest, tax, depreciation and amortisation) is a non-IFRS measure however, the directors believe that it is a readily calculated measure that has broad acceptance and is used by regular users of published financial statements as proxy for overall operating performance. EBITDA presented has been calculated from amounts disclosed in the financial statements.

3. Key Financials (cont.)

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The table below summarises the balance sheet at 30 June 2018

($'000)	30-Jun-18	30-Jun-17
Assets		
Cash and cash equivalents	1,986	4,395
Trade and other receivables	2,402	2,632
Inventories	11,783	7,649
Other assets	3,234	5,200
Investment in Joint Venture	4,672	-
Assets held for sale	1,750	-
Investment property	100,756	100,666
Property, Plant and equipment	682	1,665
Intangible assets	6,035	6,327
Total assets	**133,300**	**128,534**
Liabilities		
Trade and other payables	2,709	2,660
Other financial liabilities	55,483	50,573
Provisions	408	434
Total Liabilities	**58,600**	**53,667**
Net Assets	74,700	74,867
Equity		
Share capital	94,352	94,255
Equity reserve	12	-
Accumulated losses	(19,664)	(19,388)
	74,700	**74,867**

- Capital recycling will strengthen balance sheet to enable a continued growth strategy.
- Significant increase in property assets following 8 village acquisitions during the year including 5 Tasmanian villages in a Joint Venture.
- Management rights carrying value on balance sheet at cost less amortisation.
- Tax losses not yet recognised on balance sheet.

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3. Key Financials (cont.)

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The table below summarises the Statement of Cash Flows for the year ended 30 June 2018

	30-Jun-18	30-Jun-17
Cash Flows from Operating Activities		
Receipts from customers	24,849	24,277
Payments to suppliers and employees	(19,144)	(17,987)
Net interest paid	(2,769)	(2,217)
Net cash provided by Operating Activities	2,936	4,073
Cash Flows from Investing Activities		
Payments for additions to investment properties	(8,704)	(15,719)
Payment for Joint Venture investment	(4,500)	-
Proceeds from sale of assets	3,847	-
Other payments for investing activity	(777)	(1,730)
Net cash used in Investing Activities	(10,134)	(17,449)
Cash Flows from Financing Activities		
Net proceeds of borrowings	4,789	7,741
Net proceeds from share issue	-	3,189
Net cash provided by Financing Activities	4,789	10,930
Net increase /(decrease) in cash and cash equivalents	(2,409)	(2,446)
Cash and cash equivalents at the beginning of the financial year	4,395	6,841
Cash and cash equivalents at the end of the financial year	1,986	4,395

- Positive operating cash flow largely consistent with operating results prior to asset revaluations and write downs.
- Operating cash flow includes capitalised development costs on inventory at Terranora during the year with sale of units to improve cash flow in 2019.
- Investing cash flow reflects growth in portfolio of villages.
- Funding sourced from increased debt and cash from operations.

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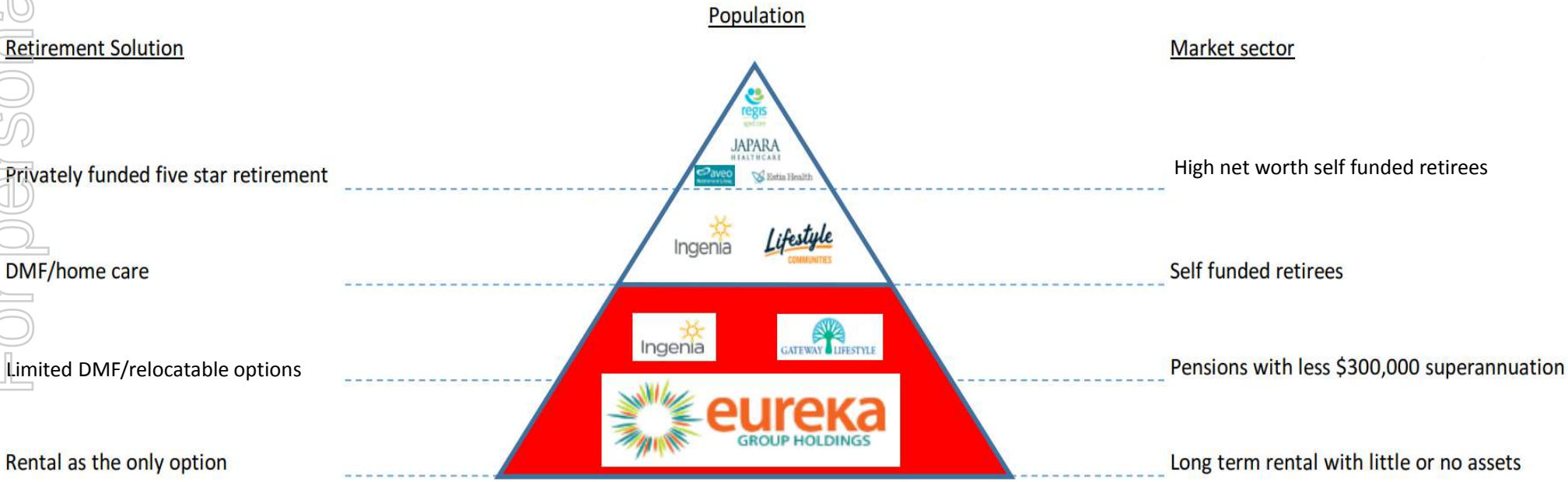
4. Market sector overview

- Expanding gap in the market as other service providers move their product up in the market price and away from the rental option.
- Recent trends across the retirement sector is significantly reducing the amount of affordable housing available in the market. ABS figures suggest a significant percentage of the 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.
- The Eureka rental model avoids complex contracts involving deferred management fees or other entry/ exit fees.



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5. Operations

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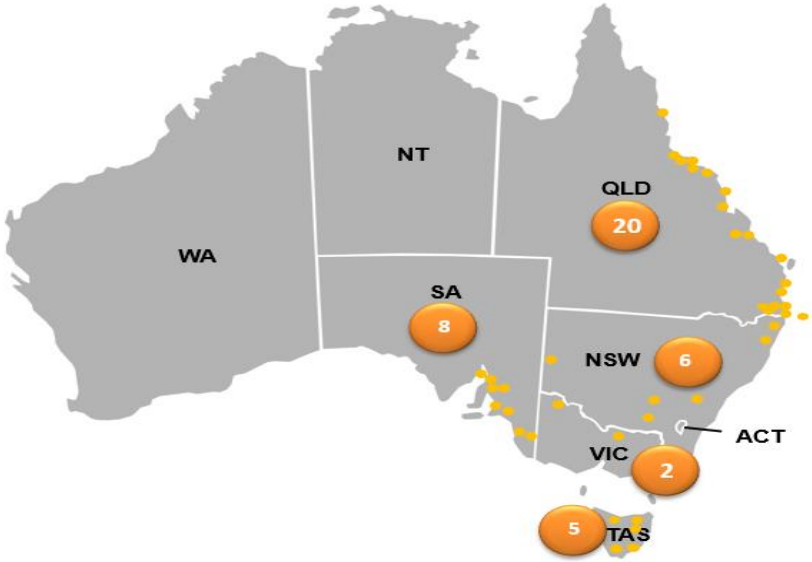
Eureka has created a strong operating base to enable economies of scale and scope to leverage further

- 41 villages under management (including owned villages) – in excess of 2,000 units.
- 32 of those villages with freehold land and building ownership
- Regional cluster creating operating efficiencies.
- Continued portfolio growth through acquisition of more villages utilising the proceeds from non core asset sales.



5. Operations (cont.)

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Capital Recycling

Terranora	• Existing units currently earning rental income pending obtaining separate title for sale • Surplus land suitable for on sale once a separate title has been issued. • Approval, with conditions, secured from Tweed Shire Council to enable separate title and sale of units. Compliance with conditions ongoing with resolution expected this financial year.
Couran Cove	• Post year end entered into agreements to achieve a pragmatic solution. • Sold all cabins • Loan repaid or refinanced. • Land options continue. • Collected $3.6 million cash on 7 September 2018.
Supported Care Villages SRFs (3 assets)	• Amber lodge has been sold and settled during the year. • Lambert village sold after year end to settle prior to end of calendar year 2018. • Alexam trading profitably and scope to improve trading performance.

6. Summary

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Significant progress in resolving non core assets with more being achieved in FY19 especially in relation to Couran Cove and Terranora.

Portfolio of core business expanded through acquisition of 8 villages. Plan to continue expansion.

Focus on operational improvement at village level and upgraded systems to exploit operating efficiencies.

Established platform to increase scale in growing segment of affordable seniors rental villages.

Appendix A

Board profiles

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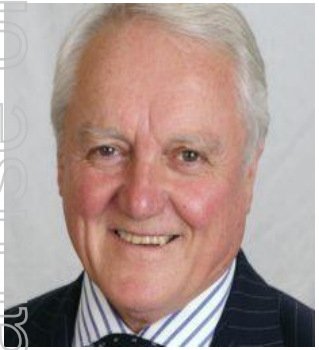

Murray Boyte– Executive Chairman

Murray holds a Bachelor of Commerce and Administration from the Victoria University in Wellington and is a member of the Australian Institute of Company Directors, the Institute of Directors of New Zealand and Chartered Accountants Australia & New Zealand.

Murray has over 35 years' experience in merchant banking and finance, undertaking company reconstructions, mergers and acquisitions in Australia, New Zealand, North America and Hong Kong. In addition, Murray has held executive positions and Directorships in the transport, horticulture, financial services, investment, health services and property industries. He was the Chief Executive Officer of ASX listed Ariadne Australia Limited from 2002 to 2015.

Other listed company directorships in the last 3 years: Unity Pacific Group(UPG), Abano Healthcare Group Limited (NZX) and National Tyre & Wheel Limited (NTD) (Chair).

Lachlan McIntosh – Non-Executive Director

Lachlan has a Bachelor of Commerce degree and is a Member of Chartered Accountants Australia and New Zealand.

He specialises in corporate finance and mergers and acquisitions. He has had substantial experience in the real estate and retirement accommodation industry along with significant experience in the franchising industries and mining services industries.

Other listed company directorships in the last 3 years: Onterran Limited (OTR).

Appendix A (cont.)

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Board profiles

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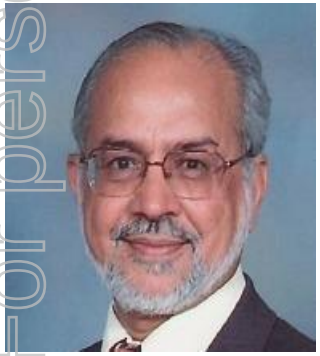
Sue Renkin – Non-Executive Director

Sue Renkin holds a Master of Business Administration from Monash University, a Graduate Diploma in Corporate Governance from UNE and attended Harvard Business School for a course on Competition and Strategy.

Sue enjoyed almost thirty years as CEO for private hospitals, emergency services and not for profit entities. She now operates a portfolio career as a non-executive director and executive coach and mentor.

Sue is a past National Telstra Business Woman of the year. She is the current Chairman of Southern Metropolitan Cemeteries Trust, a Director of GMHBA Limited, member of the Global Leadership Board International Women's Forum, Chairman of Monash Bio Medical Research Institute and a member of the GJK Facility Services Advisory Board.

Other listed company directorships in the last 3 years: nil.



Nirmal Hansra – Non-Executive Director

Nirmal holds a Master of Commerce (Business Management) degree from University of NSW and is a Fellow of the Australian Institute of Company Directors, Fellow of the Governance Institute of Australia, Fellow of Chartered Accountants Australia and New Zealand and Fellow of Australian Society of Certified Practicing Accountants.

He has over 35 years of senior executive management experience and 12 years of board and corporate advisory experience. During this time Nirmal had roles as Chief Financial Officer/Finance Director of listed companies such as Industrea Limited, ISoft Group Limited, Australian Pharmaceutical Industries Limited and Ruralco Holdings Limited.

Nirmal is Chair of Campbell Page Limited and non-executive director of Kuringai Financial Services Limited, Link Housing Limited, Council of the Ageing (COTA) in New South Wales, Children's Tumour Foundation of Australia Limited and Have A Voice Pty Limited. Recently he has been appointed Independent Member of the Audit & Risk Committee for the Department of Finance, Services and Innovation and the Property & Advisory Group of the NSW Government.

Other listed company directorships in the last 3 years: nil

Appendix B

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Substantial Shareholders

The substantial shareholders as notified to the ASX include:

• Cooper Investors Pty Limited	15.38%
• Tribeca Investment Partners	9.33%
• Adam Smith Asset Management	6.10%
• Ignition Capital and Robin Levison (former Director)	5.62%
• 22 Resolution Pty Ltd and Kathlac Pty Ltd - Lachlan McIntosh (Non Executive Director)	5.16%

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