FY21 Results Presentation

Rental Retirement Living

eureka GROUP HOLDINGS

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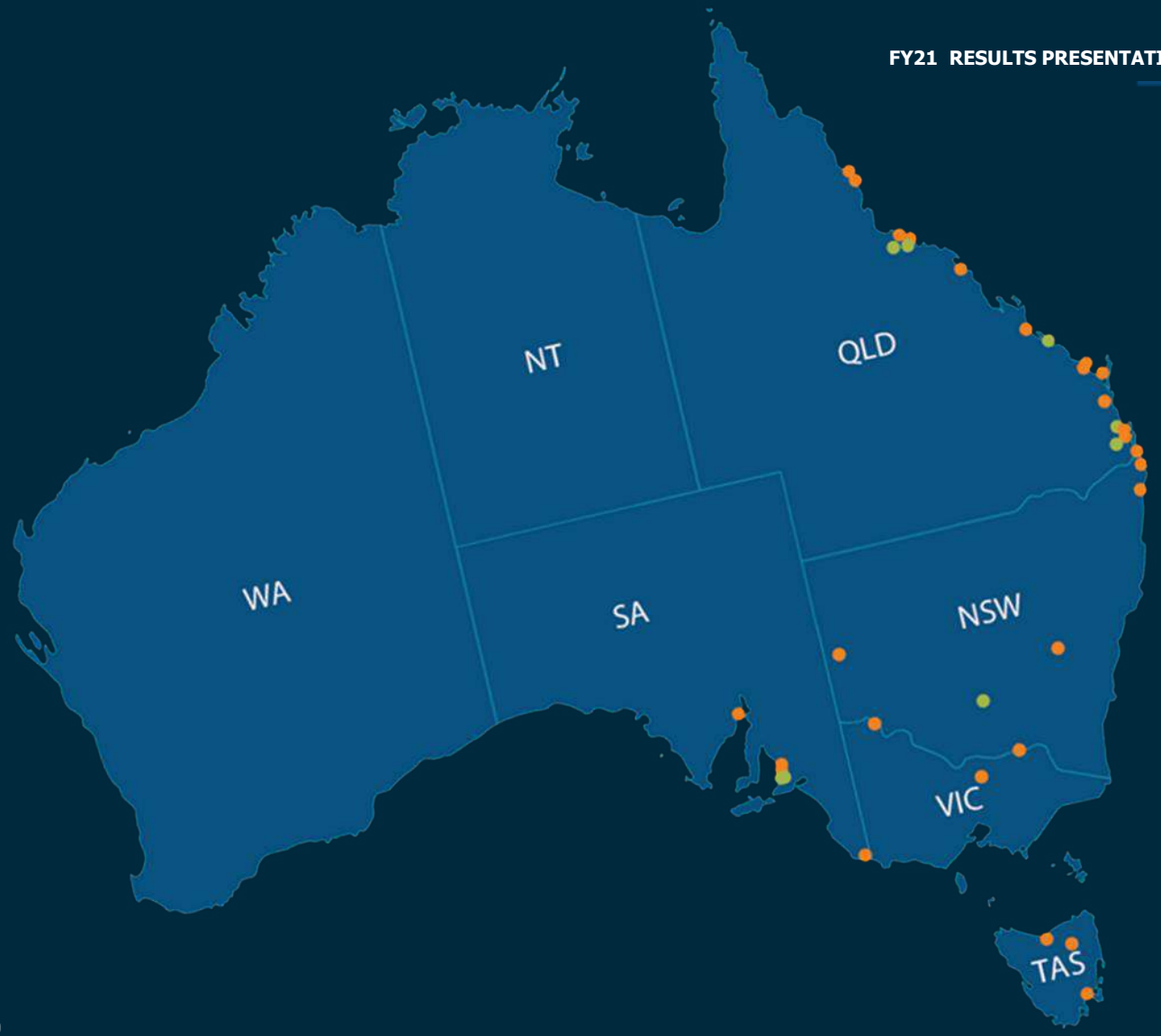
Snapshot of Eureka

- Eureka is a specialist owner, operator and manager of rental retirement villages
- We provide essential social infrastructure, services and community for a growing cohort of residents
- Our revenue streams are economically stable and highly resilient, with government pensions underpinning around 95% of revenue
- Our contracts are simple rental agreements for the provision of accommodation and food to independent seniors (not aged care)
- Our operating platform is transitioning effectively and our goal is to become a scale player in a fragmented industry
- The market in which we operate has favourable long term industry trends
- We have reliable cash flows, a strong balance sheet and capital management options to accelerate our growth momentum and sustain dividends to shareholders

Eureka Village Locations

2,191

UNITS UNDER MANAGEMENT



40 VILLAGES

32 OWNED **8 UNDER MANAGEMENT**

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FY21 Results Summary

FINANCIAL

Underlying EBITDA
Up 21% to $10.57m

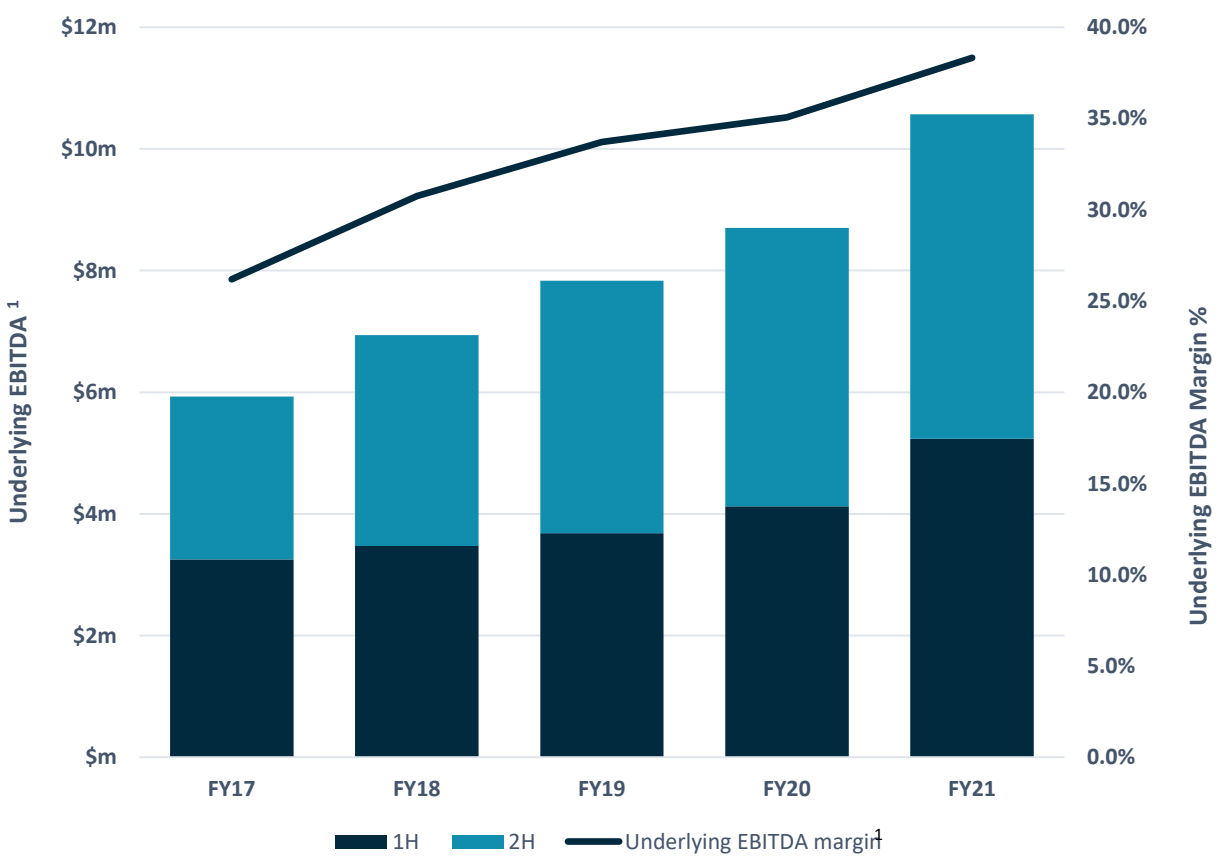
Underlying Profit before Tax
Up 31% to $7.36m

Net Operating Cash Flow
Up 3% to $7.85m

Balance Sheet Gearing: 37.8%
Interest Cover Ratio: 4.5 times

Final Dividend: 0.59 cps
Payment Date: 28 September 2021

Dividend Reinvestment Plan
Operative



BUSINESS

Total Units
2,191 units, up 2% on PY

Occupancy
98%, up from 95% in PY

Capitalisation Rate
9.9%, firmed from 10.1% in PY

Capital Recycling
$6.0m from Terranora disposals

Acquisitions
Earlville QLD: +70 units
Hervey Bay QLD: +53 units

Village Expansion
Wynnum QLD: +22 units

1 Refer to Definitions on page 19

Strategic Objectives

- Expand the **quality asset base** with resilient cash flows
- Upscale and **grow core business** through:
  - Disciplined acquisitions and greenfield "build-to-rent" developments
  - Maintaining occupancy, rental growth and cost control to increase profitability
- Maintain **strong cashflow** for payment of dividends and growth
- Deliver sustainable growth in **shareholder returns**

Operations Overview

- **Established 'resident-first' philosophy:** Providing social connections and a caring and safe environment for residents to "age in place"
- **Occupancy success**: Investment in resident experience and digital marketing initiatives have strengthened maintainable occupancy, enquiry generation, relationship building with community networks and organic rental growth
- **Increased people capability**: Empowered leadership in Village Manager and kitchen teams with support from professional and experienced support office staff
- **Proactive portfolio management**: Capital investment in resident units and common area facilities to improve village product and maximise returns
- **Ongoing COVID-19 vigilance and risk management**: Strongly recommend all residents receive COVID-19 vaccinations and developing policy to mandate for village and support office staff. More than 75% of staff have received the first vaccination

Portfolio Review

- **Village portfolio growth** in complementary locations and ideal demographic catchments:
  - Acquired villages in Earlville (Cairns) and Hervey Bay, Qld in November 2020, comprising 123 units for $13.0m in total
  - Acquired a village in Brassall, Southeast Qld in July 2021 for $6.5m, comprising 59 units and land for development of a further 47 lots
- **Expansion of the Wynnum village** into 62 units in a prime Brisbane metropolitan location is well progressed, with target completion in December 2021
- **Development application** lodged for a 110-unit greenfield development in Kingaroy, Qld and feasibility is underway
- Building an **acquisition pipeline** with network synergies and incremental growth
- **Capital recycling** generated proceeds of $6.0m from the disposal of the final 31 units at Terranora, NSW
- Total proceeds from capital recycling of $23.1m since 2018

Environment Social Governance

SOCIAL FOCUS

- ‘Resident-first’ philosophy underpinned by compassion, respect and trust
- Empowering the well-being and independence of residents in a safe, secure and active village to create communities
- Listen to and improve resident experience
- Established *The Kitchen Club* to inspire village chefs to create quality and nutritious food
- Develop community connections through links to local and national charities

ENVIRONMENTAL INITIATIVES

- Developing an environmental sustainability program through conserving energy, waste management, recycling and water storage
- Committed to energy conservation through a village solar program
- Solar energy program completed in 13 villages

Environment Social Governance

GOVERNANCE PRACTICES

- Ethical business principles and embedded governance practices
- Effective risk management through a risk management framework, policies, legislative and regulatory compliance and reporting
- Diverse and inclusive workplace

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) COMMITTEE

- Recently established an ESG Committee reflecting the Group's commitment to ESG matters
- Responsibilities include overseeing the implementation of ESG programs, measuring outcomes and monitoring emerging ESG principles for application to Eureka

FY22 Priorities

GROWTH

- Deliver further acquisition and development opportunities to scale the business

TECHNOLOGY

- Implement technology systems across all business units

PEOPLE

- Establish corporate office in Brisbane
- Continue to develop a professional team of village managers, chefs and support office staff with strong capability and experience

RESIDENT EXPERIENCE INITIATIVES

- Gain a deeper understanding of residents through a Voice of the Resident survey being conducted by a third party which commenced in July 2021

MARKETING

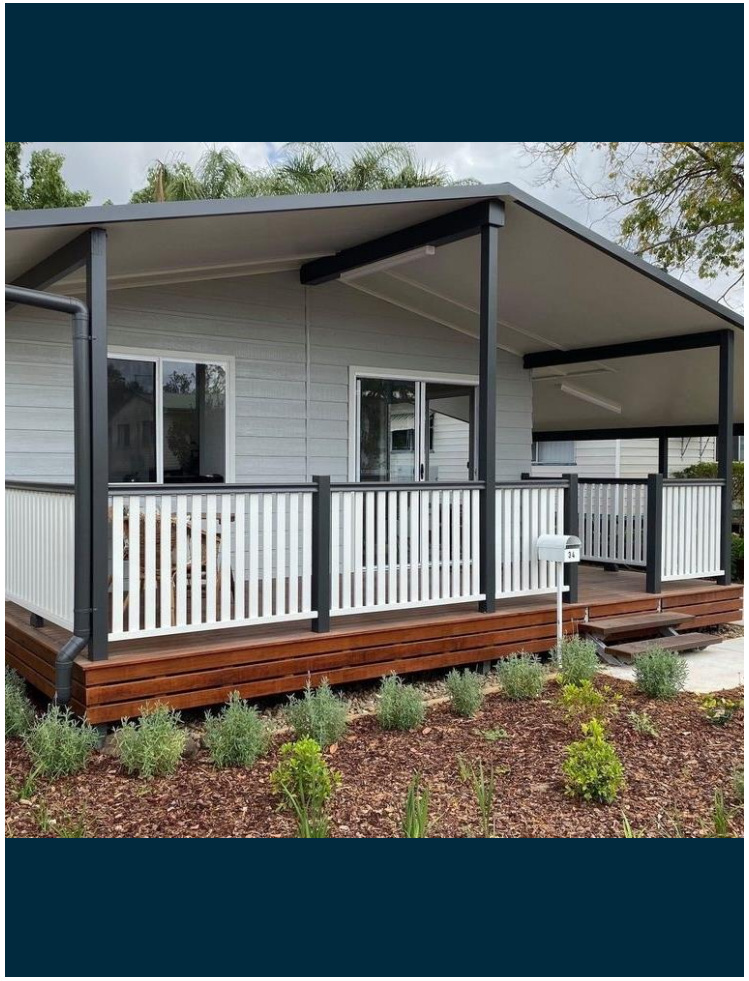
- Enhance brand position and reputation in the rental retirement living sector

CAPITAL

- Ongoing capital recycling program and capital management planning

Outlook

- **The Board expects further growth in underlying EBITDA and underlying Net profit before tax in FY22**, generated by:
  - Earnings accretive acquisitions
  - Development opportunities
  - Further economies of scale
- We remain cautious of, and vigilant to, the threat of COVID-19
- Long term industry trends remain favorable:
  - Ageing population is creating an increasing number of seniors, both in total and as a proportion of the population
  - A fundamental shift from home ownership to long term rental accommodation in Australia



FY21 Results in Detail

Profit & Loss

Profit and Loss Summary Year ended ($ '000)	30-Jun-21	30-Jun-20
Rental income	18,831	16,874
Catering income	4,544	4,223
Service and caretaking income	4,207	3,712
Total revenue	27,582	24,809
Reconciliation of Profit after tax to Underlying EBITDA[1]		
Profit after tax	6,283	8,095
Income tax expense	2,459	980
Depreciation and amortisation	587	591
Finance costs	2,626	2,508
EBITDA[1]	11,956	12,174
Net gain on revaluation of investment properties including joint venture	(2,942)	(2,471)
Net loss on revaluation of assets held for sale	525	53
Impairment of intangible and other assets	1,050	619
Profit on sale of non-core assets	(741)	(1,031)
Refund of prior periods GST	-	(644)
Transaction costs - acquisitions, disposals, asset realisations	316	-
Property expenses - non-recurring	279	-
Other	127	-
Underlying EBITDA[1]	10,569	8,700
Underlying Profit before tax[1]	7,356	5,601
Basic earnings per share (cents)	2.73	3.52
Dividends per share (cents)	1.18	1.10
Underlying EBITDA margin[1]	38.3%	35.1%

- **Strong growth in underlying profit before tax of 31% to $7.36m**
- Underlying EBITDA margin increased to 38.3% compared with 35.1% pcp
- Improved underlying profit result driven by portfolio expansion generating economies of scale and improved occupancy
- Net gain on revaluations of $2.94m, including Eureka's $0.58m share of the revaluation uplift from Tasmanian village portfolio held in joint venture
- Gain on sale of Terranora units of $0.74m
- The statutory profit after tax movement includes non-cash valuation adjustments on non-core assets (Couran Cove loan and land at Terranora), non-recurring items and the significantly higher tax expense
- No cash tax will be payable due to carry forward revenue tax losses

1 Refer to Definitions on page 19

Balance Sheet

Balance Sheet Summary As at ($ '000)	30-Jun-21	30-Jun-20
Assets		
Cash and cash equivalents	1,890	2,451
Trade, other and loans receivable	974	1,065
Inventory	-	4,880
Joint venture investment	6,846	5,955
Investment property	139,037	121,443
Other property assets	2,763	1,077
Intangible assets	3,827	4,177
Other assets	3,631	4,157
Total assets	158,969	145,205
Liabilities		
Trade and other payables	3,422	2,125
Provisions	618	596
Bank debt	57,175	54,472
Other financial liabilities	3,434	1,164
Deferred tax liabilities	3,439	980
Total liabilities	68,089	59,337
Net assets	90,880	85,868
Net debt[1]	55,285	52,020
Balance sheet gearing[1]	37.8%	37.7%
Net tangible assets per share (cents)	37.5	35.5

- **Strong balance sheet with financial capacity for expansion**
- Weighted capitalisation rate for investment properties firmed to 9.9% (FY20: 10.1%)
- Investment property - acquisition of 70 unit village in Earlville (Cairns) and 53 unit village in Hervey Bay ($13.0m)
- Inventory - sold the final 31 units at Terranora during FY21
- Debt facility limit increased from $60.0m to $77.5m, increasing to $80m
- Increase in net debt of $3.27m
- Balance sheet gearing stable at 37.8%

1 Refer to Definitions on page 19

Cash Flow

Cash Flow Summary Period ended ($ '000)	30-Jun-21	30-Jun-20
Cash flows from operating activities		
Receipts from customers	29,120	25,783
Payments to suppliers and employees	(19,039)	(15,884)
Interest received	64	43
Interest paid	(2,296)	(2,328)
Net cash provided by operating activities	7,849	7,614
Cash flows from investing activities		
Payments for investment property	(15,170)	(16,585)
Proceeds from sales of assets	6,033	7,314
Other net payments	(287)	(327)
Net cash used in investing activities	(9,424)	(9,598)
Cash flows from financing activities		
Net proceeds from borrowings	2,704	5,238
Payment of dividends	(1,981)	(3,565)
Proceeds from share issue	713	-
Other payments for financing activities	(421)	(297)
Net cash provided by financing activities	1,015	1,375
Net decrease in cash and cash equivalents	(560)	(609)
Cash and cash equivalents at the beginning of the period	2,451	3,060
Cash and cash equivalents at the end of the period	1,891	2,451

- **Strong and reliable operating cash flows**
- Statutory net cash from operating activities increased by 3%
- Net cash from operating activities increased by 13%, excluding the impact of the prior year GST refund
- Acquisition of new villages funded from debt and capital recycling (sale of Terranora units) and operations
- FY20 final dividend of 0.55cps and FY21 interim dividend of 0.59cps paid during the period
- Dividend reinvestment plan activated and fully underwritten for the FY21 interim dividend in February 2021

1 Refer to Definitions on page 19

Capital Management

DIVIDENDS

- FY21 final dividend of 0.59 cps
- Total FY21 dividends of 1.18 cps
- Dividend reinvestment plan (DRP) operative for the final dividend
- DRP issue price of 5-day VWAP less 2.0% discount
- Payment date of 28 September 2021

DEBT FACILITY

- Expiry: 31 March 2024
- Limit: Increased from $60m to $77.5m in November 2020 and increasing to $80m upon settlement of the deferred consideration for the Hervey Bay acquisition
- Interest rate: 3.7% weighted average
- Interest cover ratio: 4.5 times in FY21

KEY DATES

Ex-dividend date	3 September 2021
Record date	6 September 2021
DRP election date	9 September 2021
Payment date	28 September 2021
DRP issue date	28 September 2021

CAPITAL

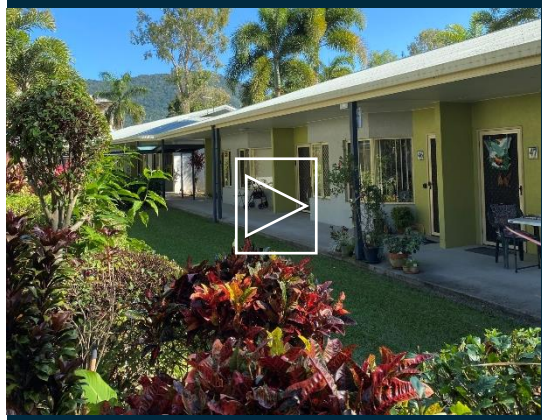
- Proactive portfolio management
- Ongoing capital recycling program
- Capital management planning to accelerate growth

Acquisitions & Development

EUREKA NEW HORIZONS VILLAS HERVEY BAY

Acquisition

EUREKA NEW HORIZONS VILLAS EARLVILLE



Acquisition

EUREKA GAINSBOROUGH LIFESTYLE VILLAGE BRASSALL

Acquisition

EUREKA WYNNUM EXPANSION

Development

Press “Play” button to view video tour

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

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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Contact Details

Company	Eureka Group Holdings Limited
ABN	15 097 241 159
Address	Suite 2D 7 Short St, Southport QLD 4215
Postal	PO Box 10819, Southport BC QLD 4215
Phone	07 5568 0205
Website	www.eurekagroupholdings.com.au
Email	info@eurekagroupholdings.com.au
Enquiries	Murray Boyte, Executive Chair Cameron Taylor, Chief Executive Officer Laura Fanning, Chief Financial Officer