Eureka Group Holdings Limited

Investor Presentation

Half year ended 31 December 2018

March 2019

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1. 1H19 Highlights

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- NPAT of $2.83 million, up from a loss of $0.1 million in the prior half year.
- EBITDA from core operations (prior to asset revaluations) of $3.68 million, a 6% improvement on the prior half year.
- Strong occupancy levels averaging 92% in company owned villages.
- Weighted average capitalisation rate of 10.4% (June 2018 10.3%) for core senior rental villages.
- Current portfolio consists of 30 owned villages (including 5 in joint venture) and 9 managed villages representing 2,138 units.

1. 1H19 Highlights (cont.)

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- Capital recycling – received $3.6 million from Couran Cove and $1.0 million from the sale of Lambert Village (subsequent to period end).
- Settlement reached in relation to remaining Couran Cove investment.
- Terranora – final approvals received in March 2019 to enable sales of strata title units to accelerate once titling process is complete.

2. Key Financial Information

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The table below summarises the results for the half year ended 31 December 2018

($'000)	31-Dec-18	31-Dec-17
Revenue - rental	8,170	7,726
- catering and service fees	3,240	2,963
- other	392	521
Other income including share of joint venture profit	430	110
Total Revenue and other income (excluding revaluation gains and losses)	12,232	11,320
Expenses from operations	(8,547)	(7,845)
EBITDA[1] prior to asset revaluations	**3,685**	**3,475**
Net gain/(loss) on asset revaluations	696	(2,135)
EBITDA[1]	4,381	1,340
Finance costs	(1,435)	(1,311)
Depreciation and amortisation	(113)	(131)
Profit/(loss) before and after tax	**2,833**	**(102)**
Basic & Diluted earnings per share (cents)	1.23	(0.04)

- Improved revenue from core operations due to strong occupancy and additional service fees.
- Other income includes $0.3 million share of profit from JV.
- 1H19 expenses include one-off costs of $0.3 million.
- Prior year loss on asset revaluations includes write down of SRF villages.
- No tax expense while 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.

2. Key Financial Information (cont.)

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The table below summarises the balance sheet at 31 December 2018

($'000)	30-Jun-18	30-Jun-18
Assets		
Cash and cash equivalents	1,417	1,986
Trade and other receivables	763	2,402
Inventory	10,079	11,783
Other assets	3,625	3,234
Investment in Joint Venture	4,672	4,672
Assets held for sale	1,705	1,750
Investment property	102,841	100,756
Property, Plant and equipment	688	682
Intangible assets	5,430	6,035
Total assets	**131,220**	**133,300**
Liabilities		
Trade and other payables	2,103	2,709
Other financial liabilities	51,186	55,483
Provisions	410	408
Total Liabilities	**53,699**	**58,600**
Net Assets	77,521	74,700
Equity		
Share capital	94,352	94,352
Equity reserve	-	12
Accumulated losses	(16,831)	(19,664)
	77,521	**74,700**

- Reduction in trade and other receivables and inventory due to partial realisation of Couran Cove investment.
- Couran Cove proceeds received were used to repay debt. The undrawn amount under the facility at balance date was $6.05 million.
- Terranora sales program critical to realise $10 million of inventory.
- Management rights carrying value on balance sheet at cost less amortisation.
- Tax losses not recognised on balance sheet.

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2. Key Financial Information (cont.)

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The table below summarises the cash flows for the half year ended 31 December 2018

($'000)	31-Dec-18	31-Dec-17
Cash Flows from Operating Activities		
Receipts from customers (excluding Couran Cove receipts)	12,271	11,511
Payments to suppliers and employees (excluding Terranora payments)	(9,304)	(7,951)
Net interest paid	(793)	(1,222)
Net cash provided by core operating activities	2,174	2,338
Couran Cove receipts	3,600	25
Terranora payments	(810)	(540)
Net Cash provided by Operating Activities	4,964	1,823
Cash Flows from Investing Activities		
Payments for additions to investment properties	(946)	(7,445)
Net other receipts from /(payments for) Investing Activities	584	(58)
Net cash used in Investing Activities	(362)	(7,503)
Cash Flows from Financing Activities		
Net proceeds from / (repayment of) borrowings	(5,171)	5,696
Net cash provided by / (used in) Financing Activities	(5,171)	5,696
Net increase / (decrease) in cash and cash equivalents	**(569)**	**16**
Cash and cash equivalents at the beginning of the period	1,986	4,395
Cash and cash equivalents at the end of the period	1,417	4,411

- Net cash from core operating activities was strong, and was buoyed by the receipts from the Couran Cove settlement.
- Debt reduction achieved during the period.

3. 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

- ✓ 30 owned villages and 9 managed villages representing 2,138 units.
- ✓ Operating in 5 States of QLD, NSW, VIC, TAS and SA with most villages located in regional areas.
- ✓ Low cost operating model.

3. Eureka Business Overview (cont.)

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BOARD AND EXECUTIVE

- ✓ Board appointments – Mr Russell Banham appointed to the Board as a non-executive director and Chair of the Audit and Risk Committee. Ms Sue Renkin appointed as Chair of the Nominations and Remuneration Committee. Mr Nirmal Hansra resigned during the period.
- ✓ Ms Tracey Campion, Chief Financial Officer, commenced January 2019.
- ✓ Mr Cameron Taylor, Chief Operating Officer, to commence 18 March 2019.

FINANCIAL

- ✓ Total assets of $131 million.
- ✓ Balance sheet gearing of 38% (net debt/total assets).
- ✓ Focus on recycling investment in Terranora.
- ✓ Core debt facility matures December 2021.

4. FY19 Outlook

- FY19 forecast is an EBITDA[1] from core operations at the lower end of the guidance range of $7.8m to $8.3m, compared with $6.9m in FY18.
- FY19 forecast excludes asset revaluations, any profit contribution from apartments sales at Terranora or FY19 acquisitions.
- Reflects continued strong occupancy and contribution of FY18 acquisitions performing in line with forecast.
- Actively seeking new acquisition opportunities.
- The realisation of non or underperforming assets will further improve returns.

[1] EBITDA means earnings before interest, tax, depreciation and amortisation. This is a non-IFRS measure.

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5. Summary

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Continued progress in resolving non core assets – partial realisation of Couran Cove investment and final approvals achieved for Terranora.

Portfolio of core villages to be expanded through acquisition. Opportunities being reviewed.

Implementing operational efficiencies, cost reduction and streamlined support services across villages and the Support Office.