



Eureka Group Holdings Ltd

ABN 15 097 241 159

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ASX Announcement

21 November 2018

2018 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.

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

About Eureka Group Holdings Limited

Eureka Group Holdings Limited is a publicly listed company with offices in Brisbane and the Gold Coast and is one of the largest providers of quality and affordable seniors’ rental accommodation in Australia.

Eureka owns or manages over 40 villages comprising over 2,000 individual units of quality accommodation throughout Queensland, New South Wales, Victoria, South Australia and Tasmania.



Chairman's Address

2018 Annual General Meeting of Eureka Group Holdings Limited (ACN 097 241 159)

21 November 2018

Ladies and Gentlemen

Welcome to the Eureka Group Holdings Limited ("Eureka ") Annual General Meeting (AGM) for the year ended 30 June 2018.

It is fair to say it has been a difficult one for the company. While the company experienced considerable growth in prior years, the performance in the year under review was adversely affected by property revaluations, write offs and non-performing assets which affected cash flow and earnings. Non-core and underperforming assets reached circa \$25 million during the period.

As a consequence of these issues, Eureka reported a net loss of \$276,000 for the period. The company is not in a tax paying position and has substantial carry forward tax losses.

In the second half of the year, assets disposed of generated \$5 million. This was primarily applied to debt reduction. Subsequent to balance date, a settlement agreement was reached with Onterran Ltd and its subsidiaries in relation to Eureka's investment in the Couran Cove Resort on Stradbroke Island. As a result of the settlement, Eureka received \$3.6 million in cash, \$0.6 million in Bartercard dollars and will receive further cash over the next 12 months approximating to \$0.7 million. Eureka's remaining exposure to the Couran Cove Resort has been substantially reduced with the prospect of recovery over the next 3 to 5 years.

Significant progress has been made in finalising Certificates of Compliance and meeting development approval conditions for Terranora. Titling of the 2 lot subdivision stage has been completed which enables the vacant 4.8Ha parcel to be dealt with separately and facilitates progress for the strata titling of the 61 units.

The primary focus of the Board over the past six months has been to strengthen the corporate governance of your company, deal with non-core and underperforming assets and improve the operating performance of the core business. The outlook for FY19 is strong and I will talk about this more later in my presentation.



Having achieved significant progress with the non-core assets during and since the end of the year, Nirmal Hansra has advised he will step down from the Board at the end of this meeting to take on the Chairmanship of a Sydney based social housing group. Nirmal joined the Eureka Board in April 2012. We thank him for his contribution during his term which included Chairmanships of both the Audit and Risk Committee and Nominations & Remuneration Committee.

I am pleased to announce Russell Banham will be appointed to the Board immediately following the close of this meeting. Russell is a former partner of Ernst & Young and more recently has held senior positions with Deloitte overseas. Russell is an experienced non-executive Director with Audit Committee Chair experience. He has a strong background in financial management and reporting, risk management and corporate governance.

As you know I became Executive Chairman in May 2018 when the CEO, Jeff Weigh, retired. We have conducted a search for a new CEO and although this has taken longer than anticipated we have a short list of excellent candidates and expect to make an appointment in December.

I would like to thank all of my fellow directors who have served during the year under review for their contribution and effort. To our staff, your dedication and commitment to delivering a high quality service to our tenants is acknowledged. Your empathy with and understanding of our business underpins Eureka's business model of providing a warm, safe and secure living environment for independent seniors' rental living.

To our shareholders, thank you for your support. I can assure you, your board is very focused on achieving sustainable returns that will consistently enhance shareholder value over time.

Eureka has a strong platform to expand its business base through acquisitions, infill developments at, and adjacent to, Eureka villages and strategic partnerships with groups such as Blue Care. Accordingly, we have recommenced our acquisition program and have entered into due diligence for a standard seniors' rental village.

An excellent opportunity exists for Eureka to scale its platform of providing secure, safe and friendly residential accommodation in the social infrastructure segment of retirement living.

I would now like to move to the presentation.

Eureka Group Holdings Limited

Annual General Meeting

21 November 2018



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Chairman's Address

Murray Boyte – Executive Chairman



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2018 Highlights

- EBITDA from core operations (excluding fair value adjustments and write downs) of \$6.94 million a 17% improvement from prior year.
- 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.
- Weighted average capitalisation rate of 10.31% (2017 11.04%) for core senior rental villages.
- 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. Remaining SRF village, Alexam, has achieved NDIS accreditation and is trading profitably.
- Extending maturity date of core bank facilities with NAB until December 2021.



Key Financials

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)
EBITDA¹ 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.

¹EBITDA (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.

Key Financials (cont.)



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.

Eureka Business Overview

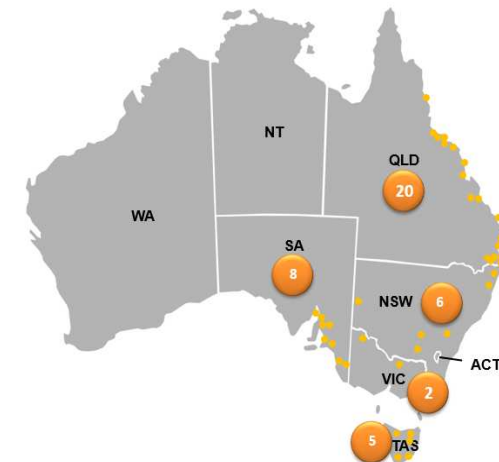


STRATEGY

- ✓ 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.



Eureka Business Overview



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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 December 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.

Blue Care Partnership

- Alliance between Eureka and Blue Care continues to expand. Visitation rates have increased by 50% over the last 18 months and referral process is now in place.
- Increased services provided by Blue Care facilitates longer independent living and retention of Eureka residents.
- Expansion of strategic partnership planned for FY19 and FY20.



FY19 Outlook

- Forecast for the FY19 year is for an EBITDA¹ from core operations in the range of \$7.8m to \$8.3m.
- Full year forecast circa 16% increase on FY18 \$6.9m. Expect similar increase for first half.
- This outlook 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.
- Recommencement of acquisition program.
- 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.

Summary

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.

