

Eureka Group Holdings Limited



# UBS Australasia Conference

*"Initiating change today"*

17 November 2015

ersonal  
e only



# Company Overview

For personal use only

- Provides quality and affordable **rental accommodation** for seniors and disability pensioners living independently in a friendly, safe and well managed environment.
- Eureka is consolidating a **highly fragmented** market.
- The company owns a rapidly expanding portfolio of rental accommodation villages, and is a property asset manager of 27 villages nationally **with 1,709** units managed following completion of the acquisitions at Bowen, Terranora & Rockhampton 2. Eureka will **own a total of 938** units following the acquisition of the above villages.
- Eureka is implementing an ambitious growth strategy, with the target of becoming Australia's largest specialist affordable **seniors rental accommodation** operator.
- Eureka is **accelerating** it's village acquisition strategy, given positive debt and equity market conditions.
- The company has a clear and identifiable **acquisition pipeline**.
- The move to village ownership creates very strong **revenue to cash conversion**.
- Governed by a **highly experienced** board of directors and capable management team with a combined industry experience of greater than 60 years.
- Board and management interests **fully aligned** with shareholders.
- The company is **positioned** to deliver **long-term** positive cash flows with an attractive **growth** profile underpinned by the continuing acquisition of a growing number of **asset-backed income-earning retirement village assets**.

# Income Statement

## Year ended 30 June 2015

The table below is the summary of the results for the year ending 30 June 2015 compared with the results from the prior financial year:

(\$'000)	FY2014	FY2015	\$ Change	% Change
<b>Total revenue</b>	<b>10,662</b>	<b>12,212</b>	<b>1,550</b>	<b>15%</b>
Operating expenses	(9,150)	(8,083)	1,067	-12%
<b>EBITDA</b>	<b>1,512</b>	<b>4,129</b>	<b>2,617</b>	<b>173%</b>
Depreciation & amortisation	(282)	(166)	116	-41%
<b>EBIT</b>	<b>1,230</b>	<b>3,963</b>	<b>2,733</b>	<b>222%</b>
Finance costs	(569)	(858)	(289)	51%
<b>Profit before income tax</b>	<b>661</b>	<b>3,105</b>	<b>2,444</b>	<b>370%</b>
Income tax expense	-	-	-	n/a
<b>Net profit after income tax</b>	<b>661</b>	<b>3,105</b>	<b>2,444</b>	<b>370%</b>
Basic earnings per share (cents)	0.80	2.24	1.44	180%
Diluted earnings per share (cents)	0.80	2.24	1.44	180%

### Key Points

- Revenue increased due to impact of village acquisitions.
- Operating costs decreased owing to tight cost management and improved operational effectiveness.
- Above factors contributed towards increased EBITDA – up 173%.
- Finance costs increased as a result of total borrowings increasing from \$8.4m to \$19.3m to fund village acquisitions.
- Nil tax expense as Eureka continues to utilise carried forward tax losses.
- Significant improvement in EPS – up 180%.

# Balance Sheet

## Year ended 30 June 2015

The table below is the summary of the balance sheet at 30 June 2015 compared with the comparative financial year:

(\$'000)	30 June 2014	30 June 2015
<b>Assets</b>		
Cash and cash equivalents	1,285	5,154
Trade and other receivables	368	306
Inventories	10	20
Assets classified as held for sale	1,047	-
Other assets	229	159
Loans receivable	-	84
Available for sale financial assets	235	-
Loans receivable	295	541
Investment property	6,658	39,689
Property, plant and equipment	770	878
Intangible assets	4,808	5,003
	<b>15,705</b>	<b>51,834</b>
<b>Liabilities</b>		
Trade and other payables	720	608
Other financial liabilities	8,410	19,307
Provisions	38	64
	<b>9,168</b>	<b>19,979</b>
<b>Net Assets</b>	<b>6,537</b>	<b>31,855</b>
<b>Equity</b>		
Share capital	46,035	68,248
Accumulated losses	(39,498)	(36,393)
	<b>6,537</b>	<b>31,855</b>

### Key Points

- Healthy balance sheet to pursue an aggressive growth strategy.
- Improved working capital from \$0.9m at 30 June 2014 to \$4.7m at 30 June 2015.
- Significant increase in Investment Property as a result of village acquisitions completed during the year.
- Management Rights carrying value on balance sheet at cost less amortisation (> \$5m below directors estimated value).
- Share capital has increased as a result of successful capital raisings to fund village acquisitions.

# Updated Capital Structure

## Placement to investors made 16/10/2015

The table below outlines Eureka's capital structure upon completion of the \$10.35m capital raising:

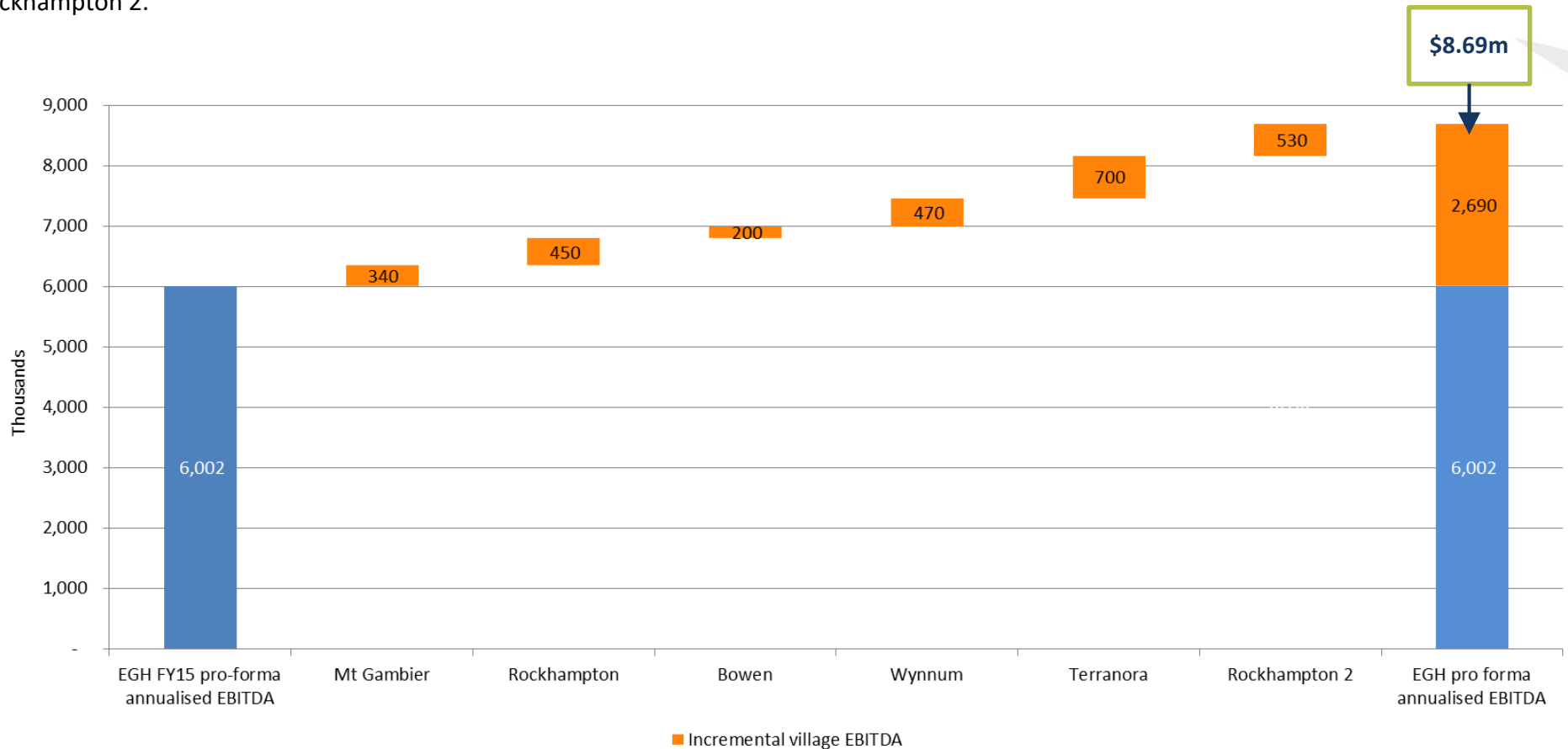
	Fully paid ordinary shares
<b>Existing shares on issue</b>	<b>188.1m</b>
Institutional capital raising announced 16 October 2015 @ \$0.54 cps	
- Shares issued under ASX Listing Rule 7.1	7.0m
- Shares issued subject to approval at AGM	12.67m
<b>Total shares on issue post capital raising</b>	<b>207.77m</b>
	New capital raised
Shares issued under ASX Listing Rule 7.1	\$3.78m
Shares issued subject to approval at AGM	\$6.57m
<b>Total capital raised</b>	<b>\$10.35m</b>

For personal use only

# EBITDA

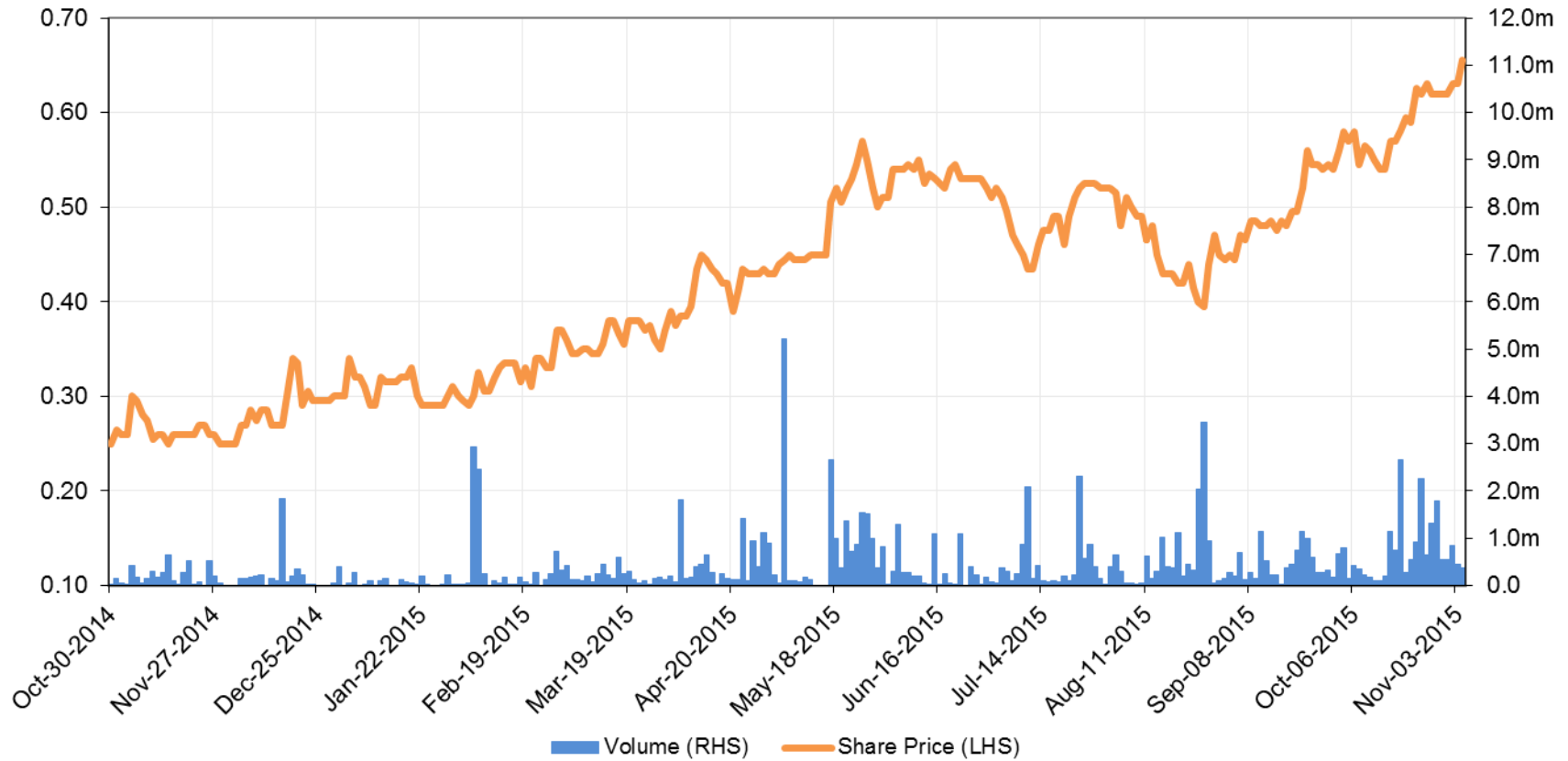
## Pro Forma Annualised Basis

The first five village acquisitions announced since 1 July 2015 (Mt Gambier, Rockhampton, Bowen, Wynnum & Terranora) will be settled from existing cash and facilities and are expected to contribute an additional \$2.16m to Eureka's EBITDA on an annualised basis. Eureka will also have in excess of \$20m (not including expected accumulated operating cash flow from existing assets) to acquire additional villages including Rockhampton 2.



# Share Price & Liquidity

The graph below outlines the improvement in the share price and liquidity over the last 12 months:



For personal use only

## Shareholders – Top 20

The table below is a snapshot of the top 20 shareholders as at 4 November 2015 which includes the 1<sup>st</sup> tranche of shares issued in the recent placement (subject to shareholder approval):

Rank	Name	Shares held	% Held
1	NATIONAL NOMINEES LIMITED	16,272,798	8.34%
2	ROBIN LEVISON (THROUGH CONTROLLED ENTITIES)	12,449,608	6.38%
3	LACHLAN MCINTOSH (THROUGH CONTROLLED ENTITIES)	11,896,166	6.10%
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	9,669,676	4.96%
5	BNP PARIBAS NOMS PTY LTD <DRP>	8,305,856	4.26%
6	WAVET FUND NO 2 PTY LTD	8,083,334	4.14%
7	PPK INVESTMENT HOLDINGS PTY LTD	6,450,000	3.31%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,842,275	2.99%
9	Richard Mews (through controlled entities)	5,172,724	2.65%
10	CITICORP NOMINEES PTY LIMITED	4,445,223	2.28%
11	BRAZIL FARMING PTY LTD	4,118,761	2.11%
12	SANDHURST TRUSTEES LTD <TBF SMALL CAP VAL GRWTH A/C>	3,379,472	1.73%
13	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A>	3,243,589	1.66%
14	MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	3,144,158	1.61%
15	UBS NOMINEES PTY LTD	3,072,142	1.57%
16	MRS LEORA SHAMGAR	2,900,000	1.49%
17	KERRY POTTER (THROUGH CONTROLLED ENTITIES)	2,866,442	1.47%
18	TRUWIND PTY LTD <SUPERWIND S/F A/C>	2,842,263	1.46%
19	MR ALISTER CHARLES WRIGHT	2,500,000	1.28%
20	QFM NOMINEES PTY LTD	2,483,347	1.27%

Alignment of shareholders interests with Directors & management holding >15% of shares on issue.



# Village Acquisitions & Brown Field Development Opportunities

During the 30 June 2015 financial year the **Group acquired 9 seniors rental villages**, 5 manager's units, a communal village hall and 2 x management rights. The 9 rental villages contained 524 units and were purchased for a consideration of \$29.2m. This is consistent with Eureka's growth strategy to acquire high performing villages and associated management rights.

Since 1 July 2015, Eureka has announced **6 acquisitions**:

- Mt Gambier Village for \$2.25m in September 2015 – 45 units (settled)
- Rockhampton Village for \$3.25m – 42 units (settled)
- Wynnum Village for \$4.0m – 41 units (settled)
- Bowen Village for \$1.32m – 50 units (settlement to be completed)
- Terranora Village for \$7.0m – 80 units (settlement to be completed)
- Rockhampton 2 Village for \$4.56m – 53 units (conditional agreement)

Eureka currently has 7 more villages under Due Diligence and a clear line of sight on a further 5 villages that have completed preliminary demographic due diligence.

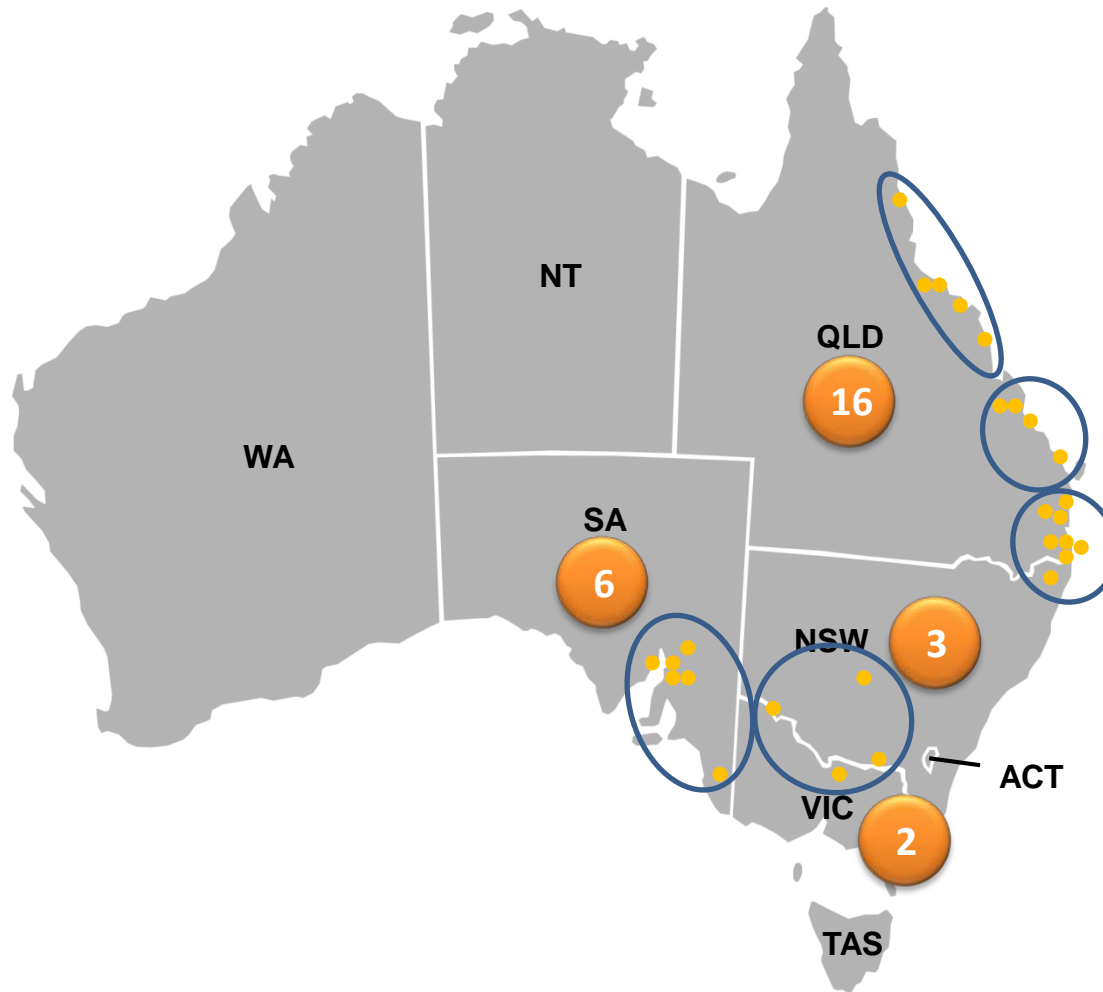
Existing owned villages excluding Terranora offer the opportunity to generate internal/organic growth of > 250 new units taking advantage of the existing land and community infrastructure. Terranora village has a balance land component of 5 hectares subject to development approval.



# Village Location

## Clusters By State Bring Scale & Scope Benefits

For personal use only

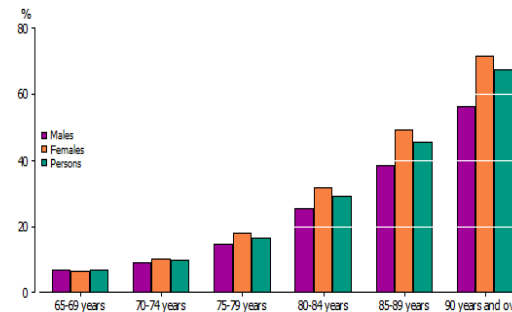
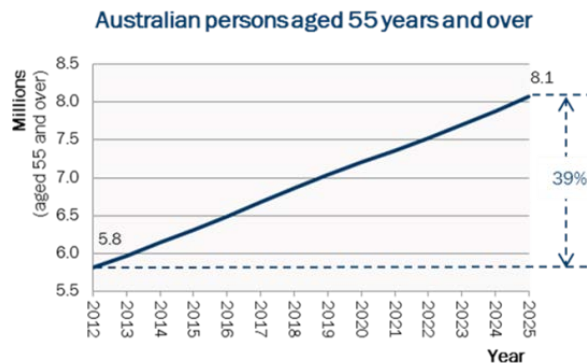


# Our Market

## About The Industry

For personal use only

- There are over 2,270 facilities catering for aged accommodation across Australia, with approximately 184,000 residents.
- The number of residents is expected to increase to around 382,000 by 2025 which is more than double the number of residents today.
- Rental is the most affordable and often the only option for residents that rely on the pension as their only source of income.
- Research indicates that 15,000 new retirement dwellings are required per year over the coming decades.
- The Australian Bureau of Statistics forecasts a consistent increase in population of the over 55 demographic in the coming years which will drive rental demand.
- In 2012 home ownership in Australia dropped to 67% and the number of people renting rose to 25%.
- Not only has the proportion of renters increased by 2012 but the proportion of households that have paid off their mortgage by retirement age have slumped from 42% to 31%.
- The graph below models Australian population projection for persons aged 55 years and over.
- The flexibility of a rental solution offers greater access for the delivery of in home aged and disability care services.
- There is increasing demand for accommodation that is able to provide for the affects of disabilities that over time impacts our ageing population.
- Government policy dictates that more and more people will be assisted to age while remaining in their home.



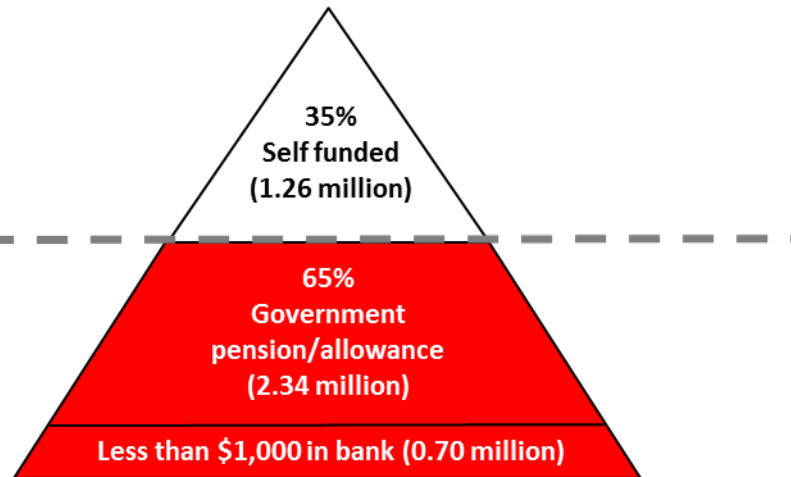
Source: [http://guidesacts.fahcsia.gov.au/guides\\_acts/ssg/ssguide-5/ssguide-5.2/ssguide-5.2.2/ssguide-5.2.2.05.html](http://guidesacts.fahcsia.gov.au/guides_acts/ssg/ssguide-5/ssguide-5.2/ssguide-5.2.2/ssguide-5.2.2.05.html)

# Our Market

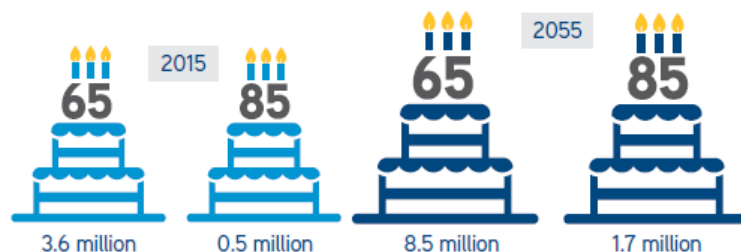
## Market Size - Population

For personal use only

3.6 million Australian's over 65 years old (2015)



GROWING OLDER POPULATION



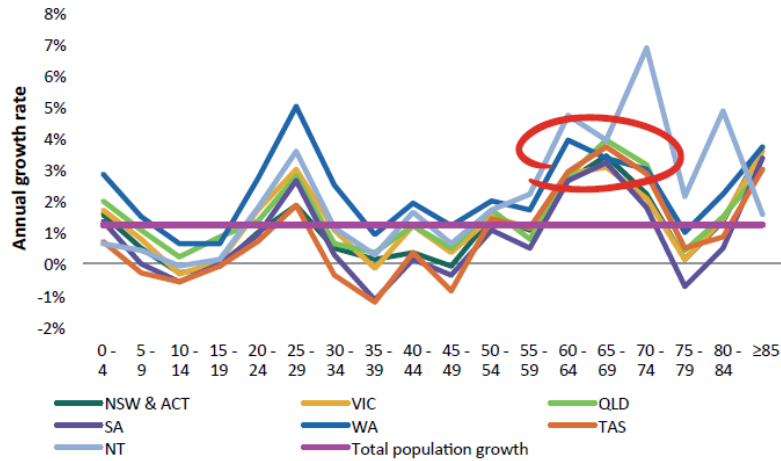
Source: Colliers International: Healthcare and Retirement Living – Research & Forecast Report (2015)

- Of the 2.34m people receiving a pension, 2m people receive a full government pension.
- All Eureka villages have strong enquiry driven by demand from an increasing aging population. Rental is the most affordable and often the only option for residents that rely on the pension as their only source of income.
- There is also increasing demand for accommodation from those with disabilities that over time impacts our ageing population.
- Government policy dictates that more and more people will be assisted to age while remaining in their home. This is having a significant impact on public housing where a family once lived that now accommodates only one aged resident. This blocks the flow of new families into public housing until the aged resident is relocated.

# Our Market

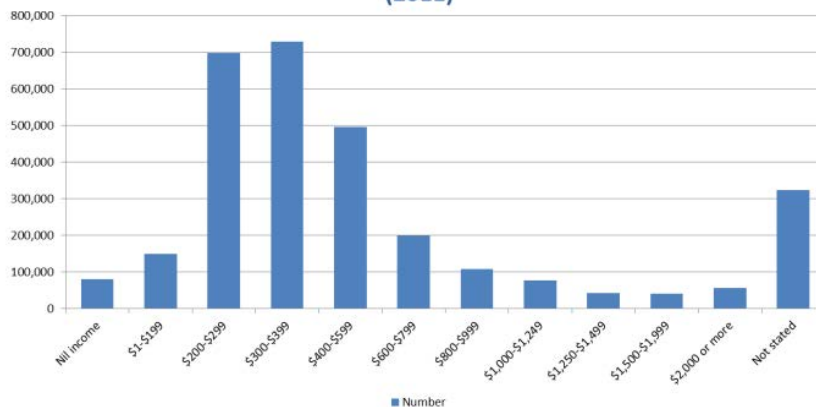
## Market Size - Population

For personal use only



Source: Property Council of Australia – National overview of the retirement village sector (October 2014)

Australian residents aged over 65 years old weekly earnings (2011)



- Property Council of Australia has identified a “tsunami” of Australian’s approaching retirement as highlighted in the graph to the left.
- A significant portion of this population will be forced to seek rental accommodation in retirement as it will represent their only affordable option.
- This is the most dominant and growing market segment of the Australian population which will drive demand for seniors’ accommodation.
- 71% of Australian’s aged over 65 have total earnings (from all sources including government pensions received) of less than \$600 per week.
- Over the next 20 years the number of Australian’s aged 75 and above will more than double.
- Average superannuation account balances were \$82,615 for males and \$44,866 for females in 2011-12.

# Our Market

## Cottage Industry

### Industry Potential

- Around 1,750 villages in Australia.
- Approximately 60 villages managed by corporatised entities; Balance owned & managed by owner operators/single strata title structures/not for profits.
- Strong demand trend driven by significant growth in seniors population.
- Existing inventory insufficient to meet growing demands.
- 200 - 250 villages are directly comparable to the villages Eureka has purchased.
- Potential to acquire 50+ villages in the future.
- Ability to reposition existing assets into affordable seniors rental solutions.
- Revenues shown to be largely immune to economic cycles; eg escaped impact of GFC.
- Positive rental growth and cash flow generation year-on-year.
- Expanding gap in the market as other service providers move their product up in market price and away from a rental option.

**Eureka strongly believes providing low cost accommodation for retirees reliant on pension and/or rent assistance is the largest and fastest growing retirement sector in Australia.**

# Our Market

## Buy & Build Potential

For personal use only

### Attractive Market

- Highly fragmented market.
- Consolidation opportunities.
- Limited competition offering affordable solutions.
- Demographic trends underpin long term demand.
- Stable earnings with positive rental growth year-on-year.
- Recurring predictable free cash flow provides capital management flexibility.
- Self funded care only available to those who can afford.
- More stable than other real estate asset classes.
- Low working capital requirements.

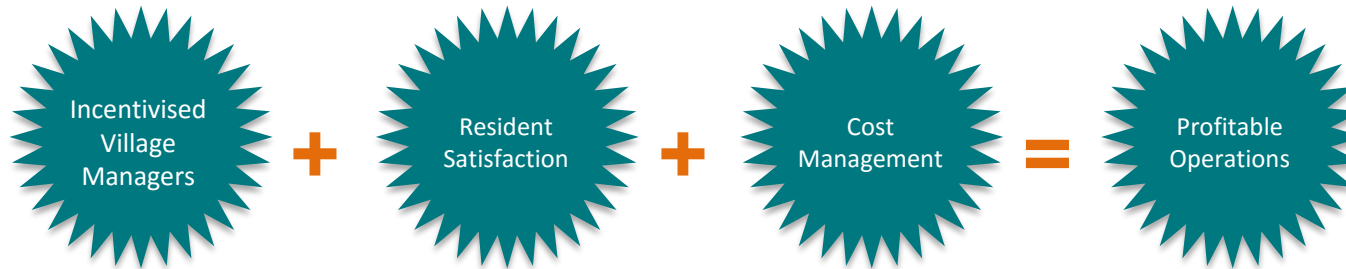
### Acquisition Strategy

- Village acquisition strategy to be accelerated.
- Disciplined acquisition approach.
- Strong pipeline of acquisition opportunities.
- Top down analysis of macro trends.
- Ability to apply understanding of individual micro-markets to evaluate.
- Systems in place to identify new opportunities.
- Acquisitions must meet specific ROI criteria.
- Brown Field organic growth opportunities available on excess land.

# Rental Villages

## The Eureka Way Of Operating

- Eureka recognises that our Village Managers on the ground are our greatest asset for ensuring customer satisfaction and high occupancy.
- Caring for and living with residents and their constant need for moral support is a situation that only few have the skills and strength to provide.
- Eureka introduced an incentive based contractor agreement for Village Managers which provides greater clarity on their role and higher rewards for success.
- Its focus on village presentation and a strong supportive community atmosphere is the foundation of our wellbeing plan.
- Our Village Managers have lifted our customer satisfaction and occupancy and now share in the rewards of our success.
- Stringent cost management is critical at all levels in line with the strict cost management lifestyle of our residents.
- Constant vigilance seeking affordable options to improve the lifestyle of our residents.



For personal use only



# Summary

## “Initiating Change Today”

- Eureka is focused on providing affordable rental accommodation for seniors living independently in Australia.
- Eureka’s goal to be the largest owner/operator of regional seniors rental retirement villages in Australia.
- Clear strategy in place to grow the number of properties Eureka owns and/or manages in its portfolio and increase its share of this market.
- Assets being acquired are high quality, asset backed income earning assets.
- 150 acquisition opportunities identified (preliminary due diligence undertaken) in a highly fragmented industry.
- Further organic Brown Field development opportunities available on existing village land bank >140,000m<sup>2</sup> of land (excluding Terranora).
- Recurring reliable cash flow from operations is driven by high demand for affordable accommodation.
- High cash conversion unaffected by movements in either global or Australian economies or share markets.
- Incentive based agreements with Village Managers provide greater remuneration clarity and improved occupancy and village returns.
- Alignment of shareholders interests with Directors & Executive Management holding >15% of shares on issue.
- Dedicated and experienced team with demonstrated performance in seniors living.
- Sufficient cash and bank funding is available for the next phase of growth.

For personal use only

## Contact Details

For personal use only

**Robin Levison**

*Executive Chairman*

Phone: (07) 5568 0205

Email: [robin.levison@eurekagroupholdings.com.au](mailto:robin.levison@eurekagroupholdings.com.au)

[www.eurekagroupholdings.com.au](http://www.eurekagroupholdings.com.au)

# Disclaimer

## **NO responsibility for contents of Presentation**

To the maximum extent permitted by law, Eureka Group Holdings Limited (ABN 15 097 241 159), its officers, advisers and representatives:

- make no representation, warranty or undertaking, and accept no responsibility or liability, express or implied, as to the adequacy, accuracy, completeness or reasonableness of this Presentation or any other written or verbal communication transmitted or made available to any recipient; and
- accept no responsibility for any errors in, or omissions from, this Presentation whether arising out of negligence or otherwise.

The information in this presentation is for use by recipients who are Australian Financial Services Licensees or persons to whom an offer of securities does not require disclosure under Part 6D.2 of the Corporations Act only.

## **Accuracy of projections and forecasts**

- This Presentation includes certain statements, opinions, estimates, projections and forward looking statements with respect to the expected future performance of Eureka Group Holdings Limited. These statements are based on, and are made subject to, certain assumptions which may not prove to be correct or appropriate. Actual results may be materially affected by changes in economic and other circumstances which may be beyond the control of Eureka Group Holdings Limited. Except to the extent implied by law, no representations or warranties are made by Eureka Group Holdings Limited, its officers, advisers or representatives as to the validity, certainty or completeness of any of the assumptions or the accuracy or completeness of the forward looking statements or that any such statement should or will be achieved. The forward looking statements should not be relied on as an indication of future value or for any other purpose.

## **No offer to sell or invitation to buy**

- This Presentation does not, and should not be considered to, constitute or form part of any offer to sell, or solicitation of an offer to buy any shares in Eureka Group Holdings Limited, and no part of this Presentation forms the basis of any contract or commitment whatsoever with any person. This Presentation does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not permitted under applicable law. Distribution of this Presentation in or from certain jurisdictions may be restricted or prohibited by law. Recipients must inform themselves of and comply with all restrictions or prohibitions in such jurisdictions. Neither Eureka Group Holdings Limited, its officers, advisers or representatives accept any liability to any person in relation to the distribution or possession of this Presentation from or in any jurisdiction.
- Any advice in this Presentation is general advice. This advice has been prepared without taking into account the objectives, financial situation and needs of the recipients of this Presentation. For that reason, recipients should consider the appropriateness of the advice having regard to their own objectives, financial situation and needs and, if necessary, seek appropriate independent legal, financial and other professional advice.