

## ASX ANNOUNCEMENT

CEO's Address

2024 Annual General Meeting

31 October 2024

Good morning, ladies and gentlemen.

It is a pleasure to be here and thank you all for your attendance today. Today is my eighth week in the role with Eureka and I'm not sure I could have packed much more in. But in many ways Eureka does feel very familiar to me as I had many dealings with the Group over the past decade as CEO of Ingenia and I feel I know the asset class very well.

Today I would like to talk briefly to you about the market, how Eureka can compete and win, our strategic growth initiatives, last weeks \$70m equity raise, pending deal flow and our outlook and guidance.

Across Australia Eureka owns and manages 52 communities and to date I have had the opportunity to visit approximately 10 of our communities across Queensland and South Australia. Our portfolio is heavily skewed towards Queensland where across over 1,500 units we only have the one vacancy.

Earlier in the week you may have seen some media reports about residents unhappy with the level of rent increases across some of our five rental communities in Tasmania. The company did issue a response to the ASX on Monday acknowledging that some residents had been given increases of up to 14.5% which is clearly unacceptable. In the first week of commencing with Eureka, well before this issue appeared in the paper, I commenced a review into how rents are set across the business and that I would personally signoff on future rent increases.

It is really important that as a business we get this right and that we fully factor in the cost-of-living pressures that are impacting our residents.

### Building Blocks

In preparing for the role with Eureka and since commencing here I have been spending considerable time about how we can drive EPS over the medium term. This slide is somewhat of a work in progress but standing before you today I believe the key building blocks for Eureka are:

1. Operational excellence
2. Great people - recruiting, developing and retaining the best.
3. Buying back the strata units we don't presently own
4. Levering the benefits of scale as we start to grow – meaning our revenues grow quicker than our cost base
5. Village expansions
6. Acquiring new communities
7. Repurposing existing built form into new rental communities
8. Undertaking new Greenfields development

9. Divesting communities and management contracts which are no longer core
10. Expanding our capital stack to include funds management and capital partnerships
11. Considering sector adjacencies including all-age rental communities in outer-ring urban and key regional markets.

### **Over 50's rental offers**

What really excites me about the role at Eureka are the tremendous growth opportunities that the over 50's rental market offers:

- We have incredible levels of demand for rental accommodation driven by an ageing population and near record levels of migration. Some 35 of our 52 communities presently sit at 100% occupancy.
- New supply is significantly constrained due to increasing construction costs and access to finance.
- Our horizontal build-to-rent model lends itself perfectly to modular offsite construction which I used extensively during my time at Ingenia Communities;
- There is really no capital formation in the horizontal build-to-rent sector. I see many similarities with our sector to where land lease communities were a decade ago.
- Our model lends itself perfectly to key sea change and tree change markets where many over 50's are moving.
- We have government supported revenue driven by the fact that over 95% of our residents receive both the Commonwealth pension and rent assistance.
- And there is also \$14 billion of State and Commonwealth funding support available for the development of new over 50 rental communities.

It is hard to think of many other opportunities which offer such a compelling investment thematic as over 50's rental communities.

### **Strategic Growth Initiatives**

Last week the Group announced a \$70m equity raise to allow us to quickly scale and execute on identified acquisition opportunities.

### **In October Eureka announced**

This equity raise which was strongly supported by both existing and new shareholders quickly enables Eureka to:

1. Consolidate our market position and add over 479 units and 30 development sites to our portfolio
2. Provides for a step-change in our growth profile and positions the Group to materially grow underlying EPS over the next 3 years
3. Deliver on approximately \$57 million of compelling acquisition opportunities
4. Take advantage of supportive market tailwinds including an ageing population and constrained supply of new seniors' rental accommodation.
5. Provide a positive financial impact including FY25 underlying EBITDA growth of at least 16% on FY24.

## **Acquisition No 1**

Today I'm pleased to formally announce our first acquisition utilising proceeds from last week's equity raise. We have acquired the Riverbank Rental Village in Mt Barker in the Adelaide Hills region of South Australia. I visited this community several weeks and it presents well in a lovely, growing town about 30 km's from the Adelaide CBD. We have acquired this community on an ingoing yield of ~9.2%.

## **Outlook**

In closing I would like to briefly touch on our present trading conditions and outlook for the current financial year.

## **Trading Update**

Trading conditions generally remain strong but not without a few challenges.

- Occupancy is presently tracking at near record levels of 98%
- Across our 52 communities we presently have 34 communities operating at 100% occupancy
- We continue to experience some softness in rental rate and occupancy in select markets across South Australia and Tasmania

## **Guidance and Outlook**

Subject to trading conditions Eureka is guiding to:

- FY25 underlying EBITDA growth of at least 16% on FY24
- FY25 underlying EPS growth of at least 8% on FY24; and
- Fully deployed pro forma Underlying EPS growth of at least 19% on FY24.

I would like to thank our >2,750 residents for choosing a Eureka community in which to reside, the amazing team at Eureka – whom I am still getting to know for their passion and commitment, the Board for their support and for our shareholders.

Thank You.

Ends

*This announcement was approved and authorised for release by Eureka's Board of Directors.*

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## **For further information:**

**Investors**, contact Simon Owen, CEO 07 2145 6322

**Media**, contact John Hurst, Tribune Partners, 0418 708 663