

20 February 2024

LIFESTYLE AND HOLIDAYS BUSINESSES DELIVERING GROWTH

Overview

- Revenue of \$211.6 million, up 22% on 1H23
- EBIT¹ of \$55.1 million, up 34% on 1H23
- Underlying profit of \$43.5 million, up 27% on 1H23
- Underlying EPS of 10.7c, up 27% on 1H23
- Statutory profit of \$42.5 million, up 26% on 1H23
- 176² new homes settled in the first half
- Development pipeline extended – 5,935 potential home sites, including Joint Venture
- LVR at 33.3%
- On track to deliver FY24 guidance - EBIT growth of 10% – 15% on FY23 and underlying EPS of 20.8 cps to 22.3 cps

Ingenia Communities Group (ASX: INA) today announced underlying profit of \$43.5 million up 27% on the prior year driven by improved operational performance and an increased contribution from the Joint Venture with Sun Communities. Statutory profit of \$42.5 million for the half year ending 31 December 2023 was up 26% on the prior corresponding period.

Group revenue was up 22% to \$211.6 million, and EBIT was up 34% to \$55.1 million. Operating cash flow of \$21.8 million was down 7% on 1H23, due to a significant increase in work in progress, and increased interest expense with 15 active development projects across the Group.

The Group delivered a strong operational performance with revenue uplift driven by increased home settlements, and another strong period of rental growth and occupancy.

A total of 176² new homes settled in 1H24, contributing to growth in land lease sites. Ingenia's land lease and all age rental base continued to grow strongly, with total Lifestyle Rental segment revenue up 13% to \$42.1 million on a portfolio valued at close to \$900 million.

The Group's holiday park earnings continue to perform well, with revenue up 12% on the prior comparable period to \$66.5 million.

Overall growth was driven by increased occupancy in holiday cabins and sites, a majority of rent increases tracking above CPI and record occupancy across all age rental accommodation.

¹ EBIT now includes movements arising from the settlement of contractual cash flows for ground leases of \$0.7 million (31 December 2022: \$0.6 million) and financial liabilities of \$0.5 million (31 December 2022: \$0.3 million). This has been adjusted against the fair value gain/(loss) on investment properties and financial liabilities. Prior year comparatives have been updated to reflect this change.

² Includes Ingenia, Sun Communities Joint Venture and managed funds.

Underlying EPS of 10.7 cents represents a 27% increase on 1H23. Statutory EPS of 10.4 cents was up 25%.

A half year distribution of 5.2 cents per stapled security has been declared and is expected to be paid on 21 March 2024.

Ingenia Communities Group Chairman, Jim Hazel, said: “The 1H24 performance reflects the benefits of diverse revenue streams, strong tourism performance and CPI linked rents coupled with an increase in settlements. This was partially offset by ongoing inflationary cost pressures and the investment in people and systems supporting further business growth.”

“Today Ingenia is a business of substantial scale comprising \$2.4 billion in owned or managed property across 102 communities and sites, with a development pipeline of 5,935 land lease home sites and 15,700 income producing sites.”

Residential communities

The Group’s residential communities continue to meet the growing demand for affordable housing with Ingenia Lifestyle targeting the growing ageing population and Ingenia Rental providing all age rental accommodation in desirable markets.

Ingenia Lifestyle, Ingenia Rental and Ingenia Gardens are all delivering core rental revenue with cash flows supported by government payments and CPI linked rents.

The Lifestyle Rental business continues to grow, delivering annuity cash flows with an increase in revenue from rental homes and land lease sites, combined with an expanded development pipeline.

Construction activity is seeing an improvement in build times which are now averaging 22 weeks and construction cost escalation continues, albeit at a slower pace. Whilst days on market remain elevated, incentives have been put in place to support settlements into the second half of the financial year.

Settlements growth is aligned to market conditions, with available inventory and the launch of new projects positioning Ingenia to benefit as market conditions improve. Currently 402 contracts and deposits are on hand, with 211 homes settled year to date (at 16 February).

There are currently 15 active projects, in Queensland, New South Wales and Victoria. Four projects are under development with Sun Communities, being at Bobs Farm, Morisset and Fullerton Cove in New South Wales and at Burpengary in Queensland. The pipeline of 5,935 sites continues to progress, with additional sites secured and development approvals received at three communities (totalling 570 new home sites).

Ingenia’s homes remain attractive for downsizers seeking to release equity and maintain an affordable lifestyle with prices for current projects ranging from \$340,000 to over \$1 million.

Ingenia Holidays

The tourism business continued to perform strongly with increases in both occupancy and rate delivering an increase in revenue per occupied room. While holidays rate growth is moderating, there are embedded organic growth opportunities across key assets to intensify land use. 1H24 returns were enhanced and further diversified with additional accommodation. A total of 43 additional cabins were added in 1H24 with further cabins planned. Accommodation upgrades are ongoing.

New accommodation types such as Airstreams, family cabins, and glamping tents are being introduced which attract higher rates, broaden guest reach and drive occupancy.

Domestic travel is forecast to grow, and bookings currently held for the next 12 months are up 11% on the prior year, on a like for like basis.

Capital Management

The Group has capacity to fund capital commitments and select opportunities with \$143 million in cash and available undrawn debt and an ongoing asset recycling program.

In 1H24, \$64 million in capital was recycled with the sale of nine assets, with a further two assets (totalling \$11 million) to settle in 2H24.

The Group continues to review the portfolio to optimise asset mix and returns. Ingenia has a well-positioned balance sheet with an LVR at the lower end of the target range of 30 to 40% (at 33.3%) and no debt expiring before December 2025. Gearing is at 26.5%.

Lender support remains strong.

Outlook & Guidance

Ingenia continues to focus on exposure to the seniors housing and domestic travel sectors, which have proven ongoing demand, to support longer-term sustainable growth. The Group has 15,700 operational revenue generating sites with a deep development pipeline to generate growth in annuity like rental cash flows. The stability of rental cash flows and ongoing demand for domestic travel will continue to underpin returns.

In the second half, 15 active projects are in place, and the Group will continue to refine the portfolio via select divestments and targeted development activity. Ingenia is maintaining its 3-year target of 1,600 to 2,000 settlements for FY24 - FY26 reflecting the ongoing growth in development activity and anticipated improvement in market conditions in the medium term.

Uncertain market conditions and the timing of settlements remain key challenges for the Group, requiring caution about the short-term outlook. Second half returns will also be impacted by costs associated with new development projects, a higher effective tax rate and growing interest costs.

The Group is positioned to benefit as housing market conditions improve given its homes meet the demand for attractive seniors housing with the benefits of community living. A diverse range of products, locations and price points means the Group's communities are an attractive proposition for the growing number of downsizers in Australia.

The Group is on track to deliver stated FY24 guidance, targeting EBIT growth of 10% – 15% on FY23 and underlying EPS of 20.8 cps to 22.3 cps for FY24. Guidance is subject to no material change in the operating environment.

Further detail regarding the Group's result is contained in the 1H24 Results Presentation lodged with the ASX today.

A teleconference and webcast has been arranged Tuesday, 20th February at 11:30am (AEDT). Dial-in and webcast details are below. Please note, participants wishing to dial-in will need to pre-register for the call.

Teleconference: The pre-registration link can be accessed [here](#).

Webcast: Can be accessed [here](#).

Authorised for lodgement by the Chairman.

ENDS

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About Ingenia Communities Group

Ingenia Communities Group (ASX: INA) is a leading operator, owner and developer of communities offering quality affordable rental and holiday accommodation focussed on the growing seniors' market in Australia. Listed on the Australian Securities Exchange, the Group is included in the S&P/ASX 200 and has a market capitalisation of over \$1.8 billion.

Across Ingenia Lifestyle, Ingenia Gardens, Ingenia Holidays and Ingenia Rental, the Group has over 100 communities and is continuing to grow through acquisition and development.

Ingenia Communities Holdings Limited (ACN 154 444 925), Ingenia Communities Fund (ASRN 107 459 576) and Ingenia Communities Management Trust (ARSN 122 928 410). The Responsible Entity for each scheme is Ingenia Communities RE Limited (ACN 154 464 990) (AFSL415862).