Ingenia Lifestyle
Ingenia Garden Villages
Ingenia Holidays

ASX / Media Release

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Ingenia continues to grow underlying earnings across core business

Highlights

- Underlying Profit of $10.6 million, up 26% on 1H16
- Core business driving EBIT growth, up 26% to $13.7 million on 1H16, with stronger second half expected
- Statutory Profit of $7.6 million, down 30% due to loss on sale of non-core Settler's assets
- Operating cash flow of $10.5 million, down 11% on 1H16
- Upgrading FY17 settlements target to 190, up 78% on FY16
- Extending presence in key metro and coastal locations - acquisition of the Cairns Coconut Holiday Resort for $50 million seeding new North Queensland cluster
- EBIT guidance of $30 million for FY17, an increase of 24% on FY16

Ingenia Communities Group (ASX:INA) today announced Underlying Profit of $10.6 million for the half year ending 31 December 2016, an increase of 26% on the previous corresponding period. Statutory Profit of $7.6 million is down 30% on the prior period due to an after tax loss on the sale of Ingenia's non-core Settlers (DMF) assets.

Operating cash flow of $10.5 million is down 11% on 1H16, reflecting additional investment to deliver on 2H17 settlements and the sale of non-core assets in the period. Ingenia has upgraded the Group's settlements target to 190 homes, an increase of 78% on FY16.

Ingenia has declared a half year distribution of 5.1 cents per stapled security, with payment to be made on 15 March, representing an increase of 21% on 1H16. The future rate of distributions will depend on the capital requirements of the business, including the development pipeline and acquisition opportunities.

Ingenia's CEO, Simon Owen, said the core rental and development business continued to drive strong EBIT growth, as the company built up an increasingly valuable capital city and coastal land bank.

"Our business is underpinned by our portfolio of core permanent residents with stable rents, complemented by our burgeoning tourism business, and a development business that is continuing to build scale."

"Sales across our Lifestyle Parks were strong with 82 new home settlements for the half, compared to 53 settlements in the previous corresponding period, and we are on track to deliver on our target of an above the ground development profit of $100,000 per new home sale in FY17. Reflecting momentum in our large scale coastal and metro projects we have increased our settlement target for FY17 to 190."

"Ingenia is also demonstrating an ability to enhance returns through active management of our tourism assets. Acquisitions such as the Cairns Coconut Holiday Resort are continuing to build our brand and expand our footprint in strongly performing tourism markets."

"Tourism and mixed-use communities are an important part of our growth strategy as the competition for pure lifestyle communities intensifies and capitalisation rates compress further. Consistent with our strategy, we will seek to divest some of our regional lifestyle assets, and three remaining DMF villages, to refocus on coastal and metro clusters."

"Our successful sale of a large portion of Ingenia's DMF portfolio in October last year has had an impact on earnings growth in FY17. We have now recycled that capital consistent with our strategy, acquiring our first greenfield investment in the strong NSW Mid North Coast market and extending our east coast presence with the acquisition of Cairns Coconut Holiday Resort which will settle in March."

"Our cost base has increased, commensurate with the business' growth and our entry into greenfields which has seen further investment in our people and systems as we position the Group for a multi-year growth strategy. We are demonstrating the benefit of this investment with new home settlements growing from 14 in FY14 to a forecast of 190 in FY17."

"We are now well positioned for stronger earnings growth in the medium term."

"Ingenia's Garden Villages portfolio also continues to provide affordable rental accommodation, delivering stable, Government supported cash flows," Mr Owen said.

Ingenia now has developments underway across a total of twelve communities and a pipeline of 2,350 potential development sites.

Capital Management

The Group maintains a disciplined approach to capital management and to the diversification of funding sources.

A new funding facility has been put in place, providing additional capacity and introducing a new bank.

At 31 December 2016, Ingenia's loan to value ratio (LVR) was 27.5%, which is below the company's target range of 30-35% due to the temporary allocation of Settlers proceeds against debt. Post the acquisition of the Cairns Coconut Holiday Resort, Ingenia's LVR will increase to 35.5%[1], just above the top range of the Group's long-term debt target and well below the Group's covenant of 50%.

Outlook

Ingenia has experienced a positive start to the second half. Strategically the sale of the majority of Ingenia's DMF assets was important, although dilutive to growth in FY17, and has positioned the business for future growth.

With key long-term development projects now established the Group has increased its settlements target and is on track to achieve 190 settlements in FY17 and is targeting 260+ settlements for FY18.

Ingenia will look to further improve the performance of existing assets, whilst accelerating the development pipeline to deliver new rental contracts and recycle capital within the business.

The Group's focus will remain on expansion in prime metro and coastal locations through portfolio remixing, new developments and a well-established acquisition pipeline.

Assuming no material change in market conditions, Ingenia is giving guidance for FY17 of $30 million EBIT.

ENDS

1. Pro forma 31 December 2016, following purchase of Palms Oasis, Radke Road and Cairns Coconut Holiday Resort.

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