

ASX ANNOUNCEMENT

Simonds Group Limited 2016 Annual General Meeting Chair's and Deputy Chair's Addresses / CEO Update

Melbourne 31 January 2017:

Simonds Group Limited (ASX: SIO) is pleased to provide, in accordance with Listing Rule 3.13, the Chair's and Deputy Chair's addresses and CEO's update which will be delivered at the Annual General Meeting being held in Melbourne today, commencing at 10.00 am (AEDT).

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Chairman's Address: Mr Gary Simonds.

Good morning everyone,

As chairman of Simonds Group, it is my pleasure to welcome everyone here to the 2nd AGM of Simonds Group Limited.

The 2016 financial year was a challenging year with significant change where the group faced a number of operational challenges, higher costs and one-time changes that impacted our profitability during FY16.

We are disappointed with our performance but remain confident in the fundamentals for our business and the changes we have implemented throughout our business to ensure that we re-set the business to avoid the issues that confronted us in FY16.

With regard to the Scheme Implementation Agreement that was proposed by the Simonds Family with the Roche Family last year, while the transaction did not ultimately proceed it did enable a significant amount of our shareholders to sell at a premium to the share price prior to the proposal being made and has enabled a number of new significant shareholders to enter the register.

We welcome our new major shareholders and look forward to a positive relationship aligned to driving shareholder return in conjunction with our management team.

I would like to thank all of Simonds' employees, suppliers, trades, students, customers and shareholders for their ongoing support and dedication. Simonds strives to deliver a high level of customer service across our businesses which is evidenced by our strong sales pipeline and brand recognition.

I would like to acknowledge the commitment and dedication of my fellow board members on the stage with me, Matthew Chun, Susan Oliver, Leon Gorr and Rhett Simonds. It has been an extremely challenging year with lots of issues to contend with requiring significant investment of time over and above the usual requirements of a director. Our Board has approached these issues in a very professional manner and we have been able to make all decisions as a unified group. I would personally like to thank them for their support and wise counsel through the course of the year.

I would like to welcome to the podium Ms Susan Oliver, Deputy Chair of the Board, Chair of our Audit and Risk Committee, who as an independent director is best placed to chair the second Annual General Meeting of Simonds Group.

- ends -

Deputy Chair's address – Ms Susan Oliver

Thank you and I'd like to add my welcome to the Simonds Group 2016 Annual General Meeting.

This meeting has of course been delayed as a result of the proposal received mid last year from SR Residential and before we commence with the formal business of the meeting I would like to make some comments on the background to, and outcomes of, the proposed transaction.

In July 2016 the Company received an unsolicited and confidential expression of interest from the consortium behind SR Residential to acquire 100% of the shares in Simonds Group Limited not already held by Consortium members or their associates.

The Board established an Independent Board Committee to evaluate the proposal from SR Residential comprising myself as Chair of the Independent Board Committee and Deputy Chair of the Company and Mr Matthew Chun the Group Chief Executive Officer and Managing Director. To further strengthen the Independent Board Committee, Mr Dimitri Kiriacoulacos, an experienced executive and corporate lawyer with no relationship with the Consortium members or the Company, also joined the Committee.

The Committee undertook a comprehensive process to determine whether a compelling transaction could be developed for shareholders, including: an assessment of the value proposition provided by the unsolicited proposal in the context of the Company's other strategic alternatives; the provision of due diligence information to the Consortium to minimise the conditionality of the proposal; and extensive negotiation with the Consortium to achieve the most favourable pricing and terms for shareholders.

On 31 August 2016, Simonds Group Limited announced that it had entered into a Scheme Implementation Agreement under which it was proposed that SR Residential, which was jointly owned by entities associated with the Roche and Simonds families, would acquire all of the shares in the Company not already owned by associates of the Simonds family by way of a scheme of arrangement.

If the proposed Scheme was approved and implemented, shareholders would have received 40 cents cash consideration for each share they held.

The Independent Board Committee appointed KPMG Corporate Finance as Independent Expert to assess the merits of the Scheme proposal.

The Independent Expert concluded that the Scheme was fair and reasonable and was therefore in the best interests of shareholders in the absence of a superior proposal. The Independent Expert assessed the full underlying value of the Company as between 38.5 and 48.5 cents per share, and the Scheme consideration of 40 cents cash per share was within that range.

The Independent Directors unanimously recommended that shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme was in the best interests of shareholders.

In recommending shareholders vote in favour of the Scheme the Independent Directors took into account the conclusion of the Independent Expert as well as a number of other factors including:

- The offer price premium – 40 cents represented a 38% premium to the pre-announcement trading price, and also a significant premium to the 5-day, 30-day, 60-day and 90-day Volume Weighted Average Price of the shares pre announcement; and
- The Scheme provided shareholders with the certainty of receiving 40 cents cash in exchange for their shares which would have eliminated the uncertainties and risks associated with remaining a shareholder

The Independent Directors also considered the disadvantages of the Scheme proceeding, including that shareholders would no longer be able to participate in the future financial performance of the Company, and that there may have been tax consequences for certain shareholders.

However, as you are aware, the Scheme Implementation Agreement between Simonds Group and SR Residential was terminated by mutual agreement and the Scheme meeting did not proceed.

The Independent Directors felt compelled to bring this proposal to shareholders for their consideration; however, proxy votes received in advance of the Scheme meeting indicated that holders of the majority of shares eligible to be voted did not support the proposal, and we respect the decision of those shareholders.

Since the announcement of the Scheme more than half the shares eligible to vote on the Scheme were sold by Simonds shareholders at a price close to or above the offer price of 40 cents meaning that a number of Simonds shareholders were afforded the opportunity to sell their shares at a significant premium to the trading prices prior to the announcement. I also note that the share price post termination of the Scheme agreement has continued to trade at premium to the share price prior to the Scheme being announced.

I would like to take this opportunity to thank the Simonds management team and our advisors for their efforts and professionalism in supporting the Company through the proposed transaction. I would also like to thank you, our shareholders, for your continued support of the Company throughout what has been a challenging period, and warmly welcome those of you that have become shareholders during the past year.

Simonds is a great company with a great heritage and whilst there is still much work to be done, I look forward to the remainder of 2017 and beyond as the Board and the management team led by Matthew Chun, reset the business and return it to profitable growth.

-ends-



CEO Presentation

Matthew Chun





Simonds Group Ltd - FY16 results

In FY16 Simonds Group significantly re-set the business with key management changes, a shift of strategic focus and the discontinuation of underperforming businesses.

Key Financial Overview

\$662.9m

Total revenue

Up \$34.1m on prior period

\$628.5m

Pro Forma¹ revenue

Up \$51.6m on prior period

\$(13.5)m

EBITDA post one-off items

Down \$14.1m on prior period

\$15.1m

Pro Forma¹ EBITDA

Down \$22.8m on prior period

\$(14.9)m

Net profit after tax

Down \$4.0m on prior period

\$5.3m

Pro Forma¹ NPAT

Down \$17.9m on prior period

Key Items

- Strong revenue growth driven by record house site starts in Simonds Homes Australia
- Statutory EBITDA impacted by a number of one off factors including:
 - Impairments of \$8.1 million
 - Management restructure costs \$2.6 million
 - Madisson loss \$17.9 million
- Management restructure with a number of key appointments bringing a wealth of senior executive experience to the Group, including:
 - Matthew Chun, Group Chief Executive Officer & Managing Director
 - Mick Myers, Chief Financial Officer
 - Joanne Barber, Group Manager - People and Performance
 - Andrew Shea, Chief Executive Officer - Builders Academy Australia
 - John Thorburn, Group General Manager – Simonds Homes
- Orderly closure of Madisson business complete - full impact provisioned
- No final dividend will be paid for FY16

1. Pro Forma EBITDA is reported to give information to shareholders that provides a greater understanding of the underlying performance of Simonds Group Limited's operations, particularly in reference to non-recurring impairment and restructure costs impacting continuing operations. A detailed list of Pro Forma adjustments is included in the SIO FY16 Full Year Results presentation and can be found at simondsgroup.com.au/announcements.



Simonds Group Ltd - strategic priorities

Shift of strategic focus – from site starts/revenue growth focus to operational efficiency and profitable growth

- Following a full review of business operations since appointment of the new CEO (including physical and financial due diligence) a number of areas were identified that required immediate action:

—**Key focus areas:**

- Simplification of organisational structure
- Reduce debt / improve cash flow
- Reduce fixed costs
- Change focus to increasing margin and profitability in addition to existing focus on revenue generation
- Simplification of business across both the product range and locations of operations

—**Key achievements to date:**

- Senior management changes reducing annual overhead costs by \$5 million (approx)
- Over \$10 million debt reduction in the June quarter of FY16
- Implementation of strict cost control measures throughout organisation reducing annual controllable overhead costs by \$2.5 million (approx)
- Alignment and engagement of all staff across the organisation to margin and profitability improvements
- Simplification of business underway

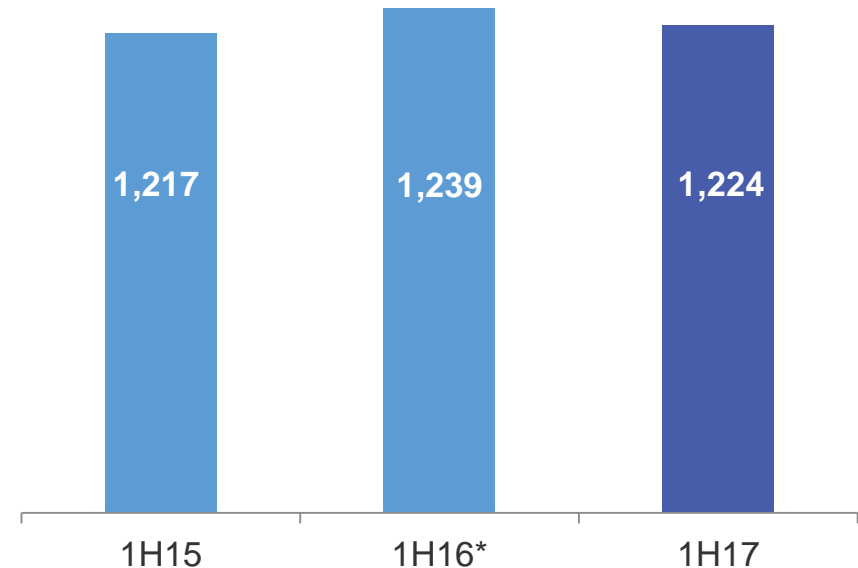


Simonds Homes Australia

1H17 operational update

- Housing market fundamentals continue to remain strong
- Productivity impacted by excess rain and trade shortages resulting in construction delays
- Temporary impact to revenue from reduced productivity partially offset by an improvement in site start value
- Focus on reducing customisation of house designs to improve margins
- Significantly reduced overhead costs from prior period

Simonds Homes Site Starts



* Restated to exclude non-retail site starts for consistency across comparative periods. 1H16 site starts previously reported were 1,252. This number has been adjusted to exclude 13 speculative homes which are not constructed for retail customers.



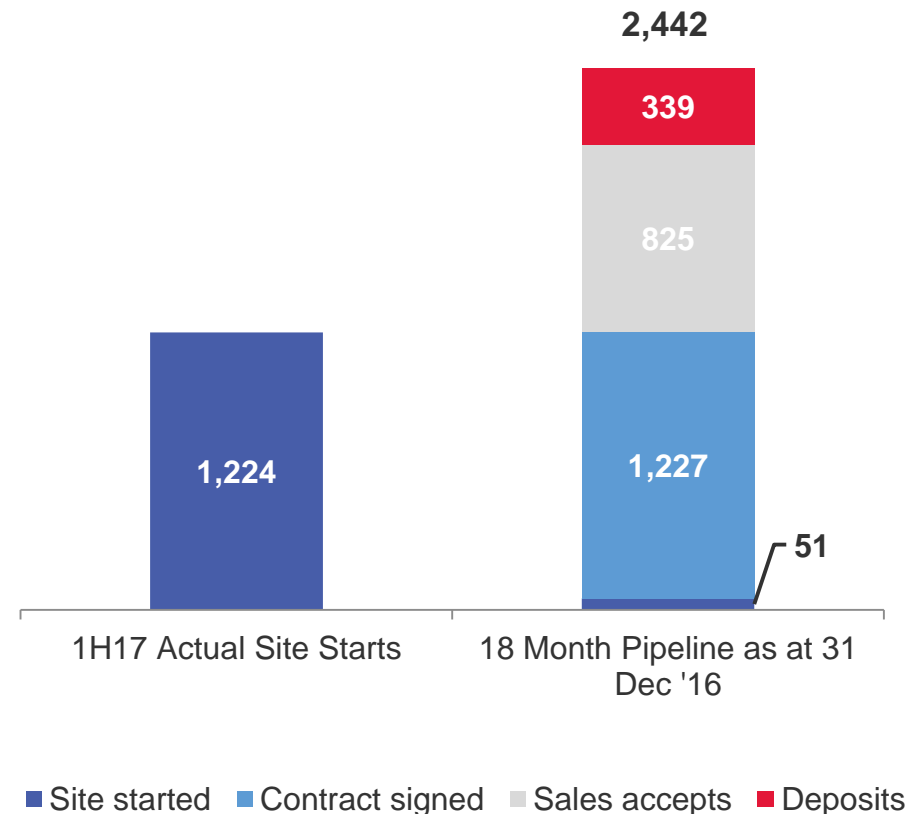
Simonds Homes Australia

FY17 outlook

FY17 has commenced in line with expectations

- Solid pipeline for FY17 Simonds Homes Australia
- Operating cost saving initiatives being realised (commenced in 2H16) aimed at removing surplus overheads from the business
- Significant challenges remain, including operational environment in NSW and QLD

Simonds Homes Australia Sales Pipeline



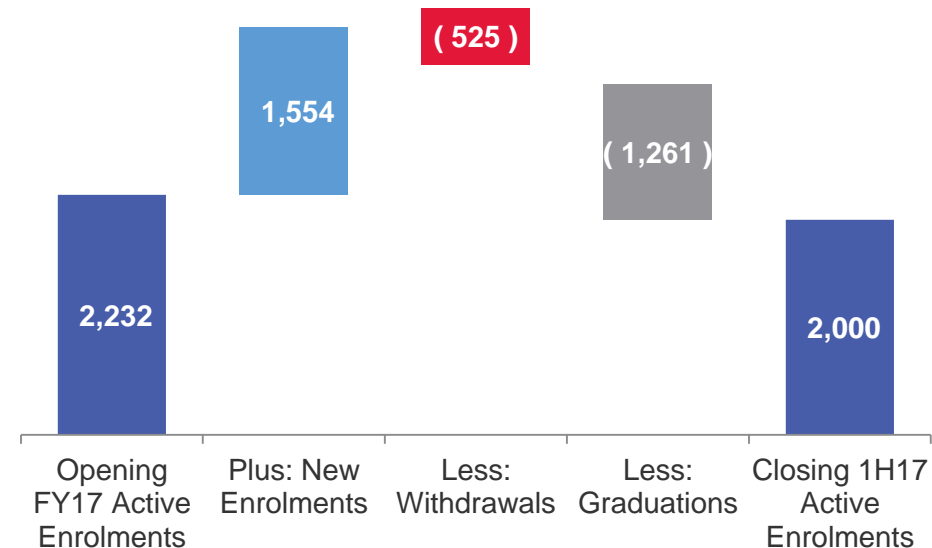


Builders Academy Australia

1H17 operational update

- Offered a Victorian 2017 Standard VET Funding contract that allows students access to government subsidised training under the new Victorian 'Skills First' scheme
- Extension of course durations as well as a continued investment into the quality of course delivery materials and student experience
- All audit activity over the 2016 calendar year from the State and Federal funding regimes and the national regulator, Australian Skills Quality Authority, has now concluded with all outstanding matters now closed

1H17 Student Profile



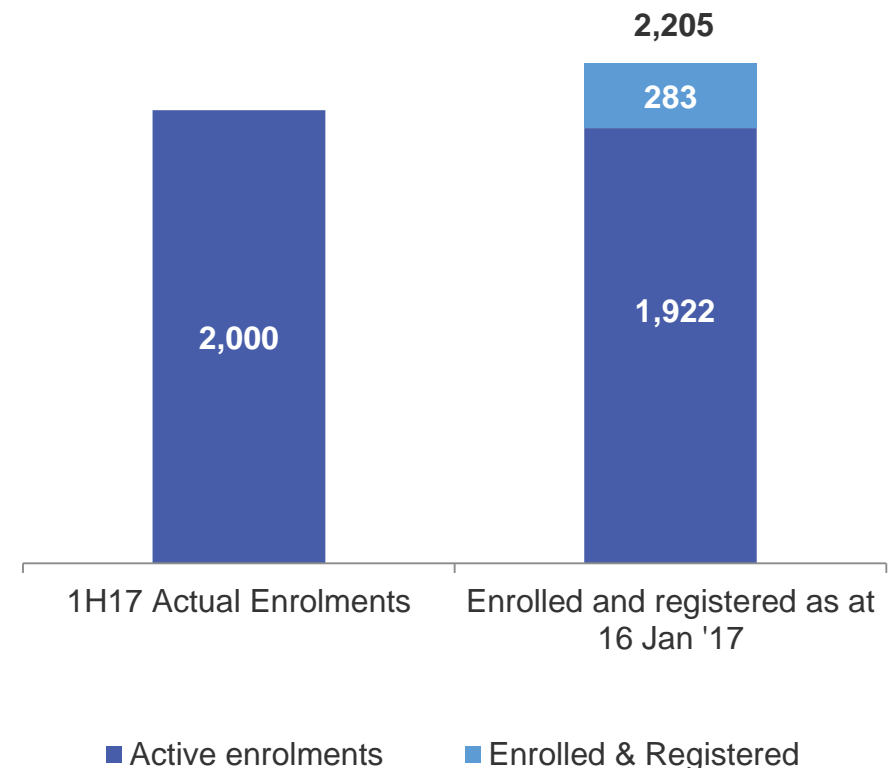
Builders Academy Australia

FY17 outlook

FY17 has commenced in line with expectations

- BAA holds ongoing state funding contracts in VIC, NSW, QLD and the ACT. Additionally, we have provisional approval under the National 'VET Student Loans' scheme
- Solid pipeline of Registered¹ Students for the beginning of 2H17 with a reduced number of competitors seen in the Victorian and Queensland markets
- Further roll-out of virtual classroom delivery model with 1 in 5 active students completing their studies via this mode of delivery. This continues to allow students who are based in regions where face-to-face delivery is not available to complete their studies
- Growth planned in the area of trade apprenticeships aligning with workforce productivity and priority skills needs

Builders Academy Australia Active Enrolments



1. Registered Students are those who are registered to start future courses but have not yet enrolled.



Simonds Group Limited

FY17 outlook

FY17 has commenced in line with expectations

- Priority is re-setting the foundations and strengthening the business
- Sharp focus on simplification of core product and locations
- Greater collaboration and new ways of working together across the business
- Disciplined cost controls embedded and regular reporting against KPIs by management
- Overheads reset to be more flexible in line with operation levels and key metrics set for each area
- Streamlining of student enrolment and on boarding processes



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Thank you