



# Simonds Group Limited

## Annual General Meeting

### 24 November 2017

# FY17 Financial Results

**\$587.4m**

**Total revenue**

*Down \$41.1m or 6.5% on prior period*

**\$587.4m**

**Pro Forma<sup>1</sup> revenue**

*Down \$41.1m or 6.5% on prior period*

**\$10.1m**

**EBITDA post one-off items**

*Up \$5.7m or 129.5% on prior period*

**\$13.8m**

**Pro Forma<sup>1</sup> EBITDA**

*Down \$1.3m or 8.6% on prior period*

**\$2.1m**

**Net profit after tax**

*Up \$4.3m or 195.4% on prior period*

**\$4.6m**

**Pro Forma<sup>1</sup> NPAT**

*Down \$0.7m or 13.2% on prior period*

- Revenue in Homes business impacted by abnormally high incidence of wet weather, trade shortages in some regions, property investor activity, and changes to the first home buyers scheme in 2HFY17
- Education business revenue decline driven by changes across the industry sector which have extended the period over which courses are delivered and revenues derived
- Substantial reduction in overheads and significant one-off items<sup>1</sup>
- No final dividend paid for FY 17



## Simonds Homes key results

### Key Financial Metrics<sup>1</sup>

**\$569.9m**

**Revenue**

*Down 5.1% on prior period*

**\$12.0m**

**Pro forma<sup>2</sup> EBITDA**

*Unchanged from prior period*

**2,391**

**Site starts**

*Down from 2,513<sup>3</sup> in FY16*

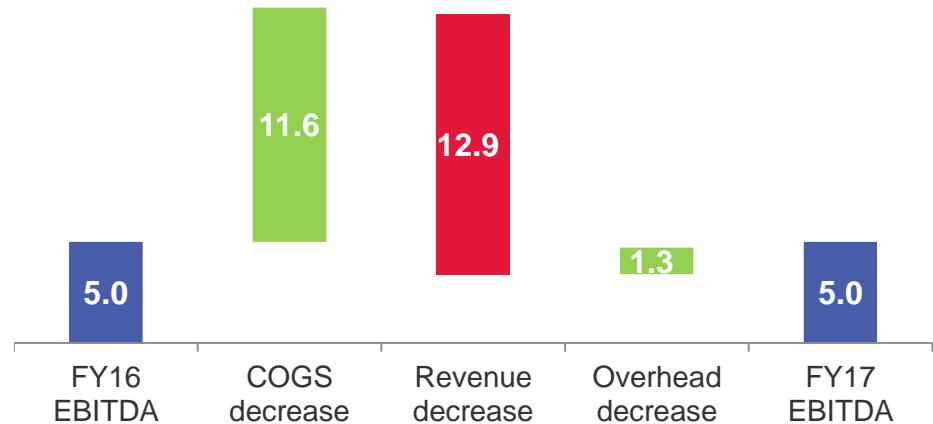
**117**

**Total display homes**

*Down from 120 at 30 June 2016*

- Construction delays due to wet weather
- Tightening in government and bank policies around investor lending impacted property investor and offshore sales
- Federal Government initiatives in 2H17 to assist first home owners caused some customers to delay contracts to FY18

### FY17 pro forma EBITDA breakdown per house start (\$'000s)



- Houses contracted post business rules implemented during FY17 will begin to deliver margin growth in FY18 and beyond
- Despite a slight improvement in FY17 margins, profitability continues to be impacted by the long lead time on legacy sales contracts
- Overhead cost reduction realised from organisational restructure and cost efficiency initiatives

1. Excludes Madison Projects as it is a discontinued operation.

2. Pro Forma Information 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 reconciliation of Pro Forma adjustments is presented in Appendix 1 and included in the SIO FY17 Full Year Results presentation found at [simondsgroup.com.au/announcements](http://simondsgroup.com.au/announcements).

3. Restated to exclude non-retail site starts for consistency across comparative periods. FY16 site starts previously reported were 2,545. This number has been adjusted to exclude 32 speculative homes which are not constructed for retail customers.

# Education key results

## Key Financial Metrics

**\$13.4m**

**Revenue**

*Down 29.7% on prior period*

**\$1.3m**

**Pro forma<sup>1</sup> EBITDA**

*Down 68.0% on prior period*

**2,586**

**Course enrolments**

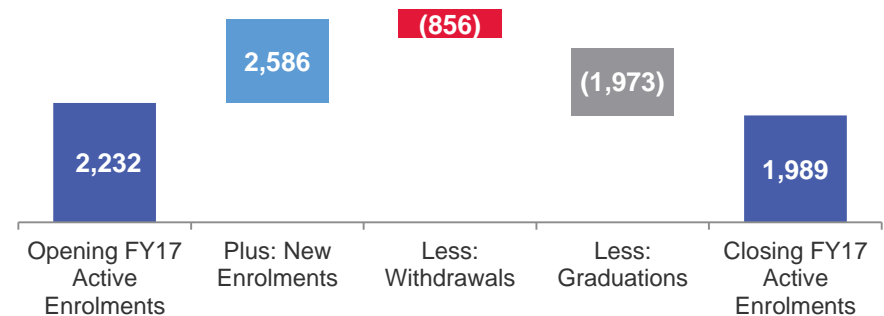
*Down from 3,283 at FY16<sup>2</sup>*

**1,973**

**Graduated enrolments**

*Down from 3,306 in FY16*

### FY17 student profile



- State Government funding contracts renewed in VIC, NSW, ACT and QLD with a federal VET Student Loans contract granted
- Significant extension of course durations to improve student experience has impacted results and graduate numbers
- CY16 external audit activity concluded during FY17, with all outstanding matters satisfactorily closed
- Continued investment in course delivery materials and student support strategies

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2. In FY16 students more commonly enrolled in two qualifications from their initial enrolment, whereas in FY17 students more commonly enrolled into their second qualification only when near the completion of their first qualification.

# Balance Sheet

Balance Sheet (\$m)	30 Jun 2017	30 Jun 2016
<b>Assets</b>		
Cash / Equivalents	10.2	3.2
Receivables	32.7	43.6
Inventories	48.2	49.6
PP&E	7.9	9.8
Other	17.4	17.5
<b>Total Assets</b>	<b>116.4</b>	<b>123.7</b>
<b>Liabilities</b>		
Trade / other payables	61.2	75.6
Debt	15.2	11.3
Provisions	20.9	21.5
Other	22.2	18.6
<b>Total Liabilities</b>	<b>119.5</b>	<b>127.0</b>
<b>Net Assets</b>	<b>(3.1)</b>	<b>(3.3)</b>

- Substantial improvement on 30 June 2016
- Receivables reduced as a result of increased focus on collection of outstanding amounts owing
- Trade / other payables decreased due to improved cash management and timing of key supplier payments
- Debt net of cash / equivalents reduced by \$3.1m primarily driven by improvements in working capital
- Net asset position negatively impacted by significant items and provision for discontinued operations in FY16 and FY17
- \$5m of net debt at 30 June 2017 well within banking covenants



# Cashflows

<b>Summary cash flows (\$m)</b>	<b>FY17</b>	<b>FY16</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	604.5	664.0
Payments to suppliers / employees	(596.6)	(637.7)
Transaction costs (Scheme of Arrangement)	(1.8)	-
Interest paid	(1.7)	(2.2)
Income taxes refunded / (paid)	2.6	(9.2)
<b>Net cash generated from operating activities</b>	<b>7.0</b>	<b>14.9</b>
<b>Net cash from investing activities</b>	<b>(2.6)</b>	<b>(7.3)</b>
<b>Net cash from financing activities</b>	<b>2.6</b>	<b>(9.9)</b>
<b>Net increase / (decrease) in cash</b>	<b>7.0</b>	<b>(2.3)</b>
<b>Cash / Equivalents at end of the period</b>	<b>10.2</b>	<b>3.2</b>

- Customer receipts impacted by one off change that reduced amount billable to customers at early stages of construction process
- Receipts from customers impacted by construction delays due to wet weather and trade shortages
- Payments to suppliers and employees impacted by reduction in building activity and overhead savings
- Lower tax payments occurred due to FY16 result
- Group borrowings benefited from improved cash management and no payment of dividends or share buyback in FY17



## Key Focus Areas

# Focus on Value Drivers

1. Maximise value of fundamental strengths
  - Safe and efficient home building processes
  - Reputation for quality and delivery
  - Strength of the Simonds brand
  - Leading market position in Victoria
2. Strengthen management and execution capability
  - Search for a CEO commenced
  - Focus on home building
3. Sustainable improvement in profit and loss, cash flow and balance sheet
  - Home starts YTD in line with last year
4. Full business review is well advanced



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