Simonds Group

Results for the six months ended 31 December 2019

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FY20 Half Year Financial Results

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EBITDA[1]
$15.9m[2]
up $3.5m
(+28.2%)

Revenue
$327.5m
down $23.9m
(-6.8%)

NPAT
$4.1m
from continuing operations[3]
down $2.4m
(-36.9%)

Site Starts
1,143
Down 177
(-13.4%)

Cashflows
$4.6m
up $1.3m
(+39.4%)

Continued focus on **safety** and **building a high performance culture**

Revenue decreased 6.8% due to **lower site starts**

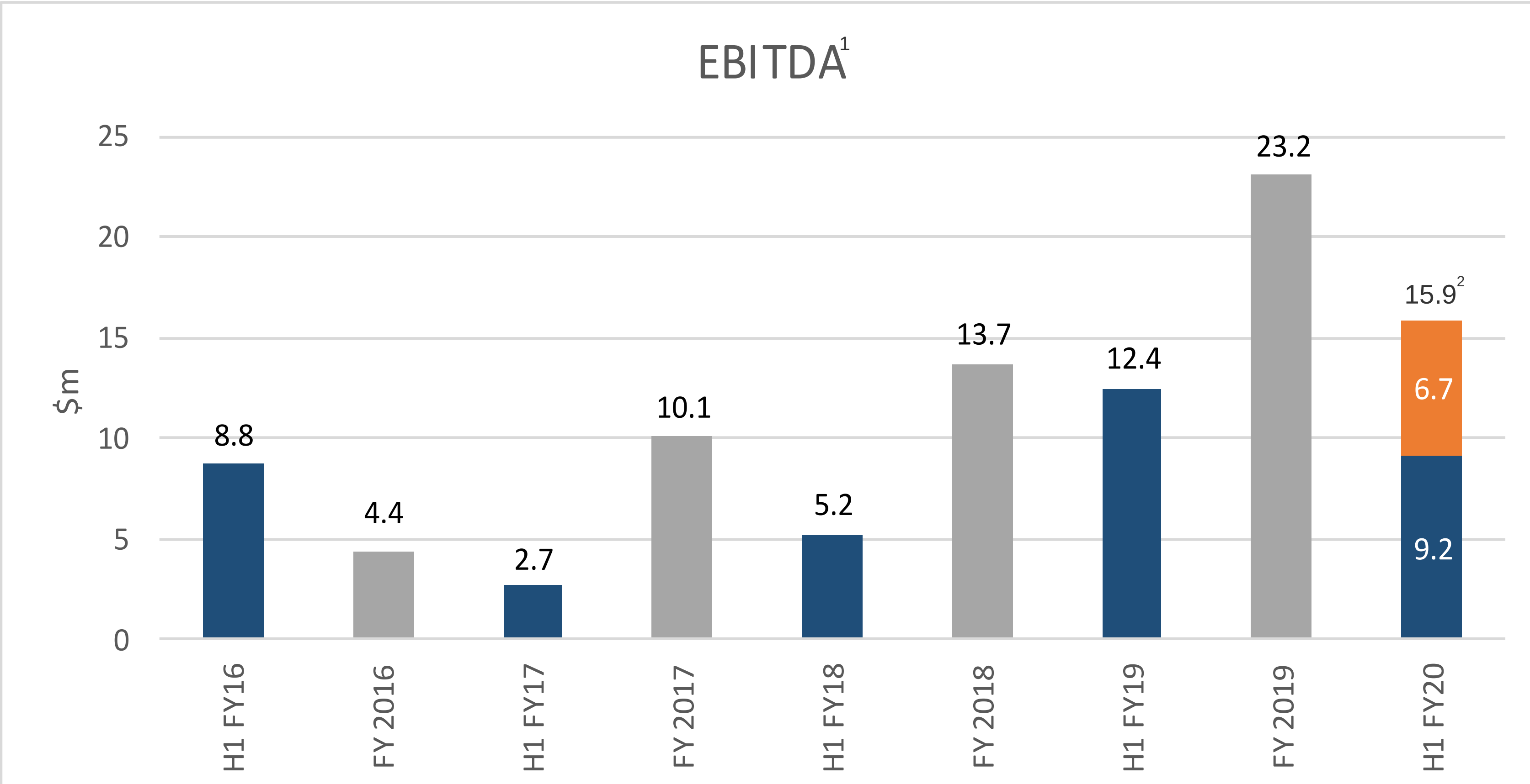
EBITDA increased by $3.5m, with lower site starts offset by the impact of the new leasing standard

Positive cashflows generated from operations enabling debt reduction

1. "EBITDA" is net profit before tax from continuing operations before financing items, depreciation and amortisation (D&A).
2. 1HFY20 EBITDA excludes the impact of leases capitalised in accordance with the requirements of AASB 16, resulting in $6.7m previously presented within EBITDA now reported within Depreciation & Amortisation (D&A) and Interest expense. Refer to appendix for further information on this change in accounting treatment.
3. NPAT from continuing operations excludes the results of discontinued operations, which relate to Madisson Projects, which became a discontinued operation in FY17.

Growth in Group Earnings Update

Simonds Group



1. EBITDA represents earnings before interest, tax, depreciation and amortisation (D&A) from continuing operations and excluding Madisson Projects, which became a discontinued operation in FY17.
2. 1HFY20 EBITDA excludes the impact of leases capitalised in accordance with the requirements of AASB 16, resulting in $6.7m previously presented within EBITDA reported within D&A and Interest expense. Refer to appendix for further information on this change in accounting treatment.

Simonds Homes Results for the Half Year

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Key Metrics

Revenue **$321.7m** down $24.4m (-7.0%) from $346.1m	**EBITDA[1]** **$14.6m** up $2.8m (+23.7%) from $11.8m
Site Starts[2] **1,143** down 177 (-13.4%) from 1,320	**Displays** **118** up 1 from 117

Site starts were **impacted** by the **challenging market conditions** faced in the residential building industry during calendar 2019

Revenue and EBITDA impacted by **lower site starts,** with **EBITDA benefiting** from applying the **new leasing standard**

Future growth underpinned by **streamlining** the **product range, innovative new products** and **developing new channels to market**

1. EBITDA excludes the impact of leases capitalised in accordance with the requirements of AASB 16, resulting in $6.6m previously presented within EBITDA reported within D&A and Interest expense. Refer to appendix for further information on this change in accounting treatment.
2. Excludes any display or speculative home starts.
Note: All comparisons are to the prior corresponding period (pcp) unless otherwise stated.

Education Results for the Half Year

Simonds Group

Key Metrics

Revenue
$5.7m
up $0.7m (+14.0%)
from $5.0m

EBITDA[1]
$1.2m
up $0.7m (+140%)
from $0.5m

Course Enrolments
1,010
up 53 (+5.5%)
from 957

Graduates
316
down 19 (-5.7%)
from 335

BAA obtained approval to deliver 2 courses **to international students under CRICOS** commencing 1HFY20

The **number of students studying** via **Apprenticeship or Traineeship** model has **doubled** during the period

A new video content-based, **Self-Paced Online model** was **launched in Q1FY20** with this delivery area to **increase in 2HFY20**

1. EBITDA excludes the impact of leases capitalised in accordance with the requirements of AASB 16, resulting in $0.1m previously presented within EBITDA reported within D&A and Interest expense. Refer to appendix for further information on this change in accounting treatment.

Note: All comparisons are to the prior corresponding period (pcp) unless otherwise stated.

Balance Sheet

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	31 Dec 2019 $m	30 Jun 2019 $m
Assets		
Cash / Equivalents	14.3	9.7
Receivables	20.4	27.4
Tax receivable	-	1.1
Accrued revenue	31.2	53.7
Inventories	36.9	35.5
PP&E	5.6	8.0
Other	1.8	2.8
Right-of-use assets	23.9	-
Intangible assets	8.0	6.4
Total Assets	**142.1**	**144.6**
Liabilities		
Trade / other payables	56.8	78.1
Deferred revenue	1.8	0.8
Customer deposits	15.5	15.3
Lease liabilities	23.6	-
Borrowings	1.1	10.9
Provisions	23.1	22.0
Taxes	5.1	6.1
Total Liabilities	**127.0**	**133.2**
Net Assets	**15.1**	**11.4**

Balance sheet strengthened by **earnings,** and the continued focus on **working capital management** and **debt reduction**

Inventories increased by $1.4m associated with **land** and **display homes** under construction and available for sale

Net assets increased by $3.7m

The Group's **Headroom** under the **banking facilities** was **$40.1m** at 31 December 2019

The Group applied the **new leasing standard** with effect **from 1 July 2019**, resulting in the **recognition of a "right to use"** asset of **$23.9m** and a **liability** of **$23.6m**

Cash Flows for the Half Year

Simonds Group

	31 Dec 2019 $m	31 Dec 2018 $m
Cash flows from operating activities		
Receipts from customers	397.5	353.9
Payments to suppliers / employees	(371.6)	(349.3)
Interest paid	(0.8)	(0.6)
Income taxes (paid)/refunded	(2.4)	-
Net cash generated from operating activities	**22.7**	**4.0**
Net cash used in investing activities	**(4.3)**	**(2.1)**
Net cash (used in)/from financing activities	**(13.8)**	**1.4**
Net increase / (decrease) in cash	**4.6**	**3.3**
Cash / Equivalents at beginning of the period	9.7	7.0
Cash / Equivalents at end of the period	**14.3**	**10.3**

Cash generated from operating activities increased due to **$6.7m lease payments** being reclassified as financing activities under the **new lease accounting standard** and **positive cash collections**

1HFY20 **tax payment** of **$2.4m** whereas 1HFY19 **benefited** from the utilisation of **prior year tax losses**

Increased investment in property, plant & equipment, **product development** and **capitalised courses** in 1HFY20

Financing activities reflect reclassification of **$6.7m lease payments** from operating activities under the new lease standard and **repayment of $5.0m Display Fund**

Continuing to Deliver Shareholder Value

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Innovation

Alternative Sales Channels

Finance Products

Wellness

Corporate Social Responsibility

Investment in People

Appendix

Appendix: Disclosure of AASB 16 Leases impact

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Continuing operations: $m	Post AASB 16 31 Dec 2019	AASB 16 Impact	Pre AASB 16 31 Dec 2019	30 Jun 2019	31 Dec 2018	Pre AASB16 % change Dec on Dec
Revenue	327.5	-	327.5	687.7	351.4	-7%
Expenses[1]	(58.8)	(6.7)	(65.5)	(130.8)	(65.5)	0%
EBITDA	**15.9**	**(6.7)**	**9.1**	**23.2**	**12.4**	-27%
Depreciation and amortisation charges[2]	(8.8)	6.1	(2.7)	(4.8)	(2.3)	17%
Net Profit Before Interest & Tax	**7.1**	**(0.7)**	**6.4**	**18.4**	**10.1**	-37%
Interest expense[3]	(0.8)	0.4	(0.4)	(1.3)	(0.6)	-33%
Profit before Tax	**6.3**	**(0.3)**	**6.0**	**17.1**	**9.5**	-37%
Tax expense	(2.2)	2.3	0.1	(5.4)	(3.0)	-103%
Net Profit After Tax (NPAT)	**4.1**	**2.0**	**6.1**	**11.7**	**6.5**	-6%
Earnings per share (Basic cents)	2.8	(0.1)	4.2	8.2	4.6	-9%
Net tangible assets[4]	**(16.8)**	**21.1**	**4.3**	**5.0**	**0.7**	514%
Net tangible assets per share (cents)	(11.6)	14.6	3.0	3.5	0.5	500%
Cash flows from operating activities[5]	22.7	(6.7)	16.0	6.1	4.0	300%
Cash flows from financing activities	(13.8)	6.7	(7.1)	(0.2)	1.4	-607%
Net cash flows	**4.6**	**-**	**4.6**	**2.7**	**3.3**	39%

1. Expenses impacted by AASB 16 are lease for commercial offices, display homes, display home furniture and motor vehicles.
2. Straight-line depreciation of the right-of-use assets over life of leases mentioned above, commencing from 1 July 2019.
3. Lease payments are discounted using incremental borrowing rate at AASB 16 transition date (1 July 2019) and rate implicit in the lease for leases commenced or renewed after 1 July 2019.
4. Net tangible assets (NTA) have been impacted by the recognition of a $21.1m lease liability, which has also impacted the calculation of NTA per share.
5. Cash flows from operating activities have been impacted by lease payments previously reported in cash flows from operating activities now reported in cash flows from financing activities.

For more information contact us at:

Telephone:
+61 3 9682 0700

Mailing address:
Locked Bag 4002
South Melbourne VIC 3205

Physical address:
Level 1, 570 St Kilda Road
Melbourne VIC 3004

www.simondsgroup.com.au

Authorised for lodgement by Paul Taylor,
Company Secretary & General Counsel

Thank you