2020 Annual General Meeting Presentation

Simonds Group

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FY20: A year of two distinct halves

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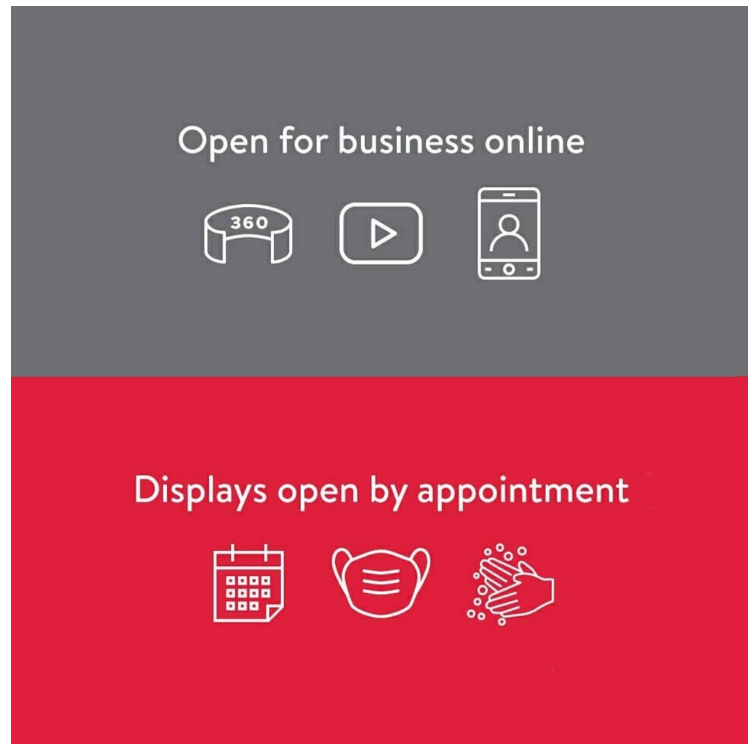
FY20 a challenging year:

- FY20 Revenue and earnings were impacted by **subdued market conditions** and **restricted lending environment in** the first half of **2019**
- **Solid performance** with a **strong focus on cost controls** and investing in **developing new business channels**
- Signs of the **recovery in the market in early 2020**
- **COVID-19 pandemic impacted traffic** through **display homes** and required changes to **onsite work requirements** from March 2020
- Due to our **balance sheet position** and **lead times** associated **with building homes**, the **impact** was **not** immediately **felt by the business**
- Our staff have shown **resilience**, **adapting** to the new norm of **working from home** and **continuing to focus on customer service**
- **Safety onsite** has remained of **paramount importance** through this period



FY20 Full Year Financial Results

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Revenue
$664.8m
down $22.9m
(-3.3%)

EBITDA[1]
$31.5m[2]
up $8.3m
(+35.8%)

NPAT
$7.1m
from continuing operations[3]
down $4.6m
(-39.3%)

Site Starts
2,395
Down 185
(-7.2%)

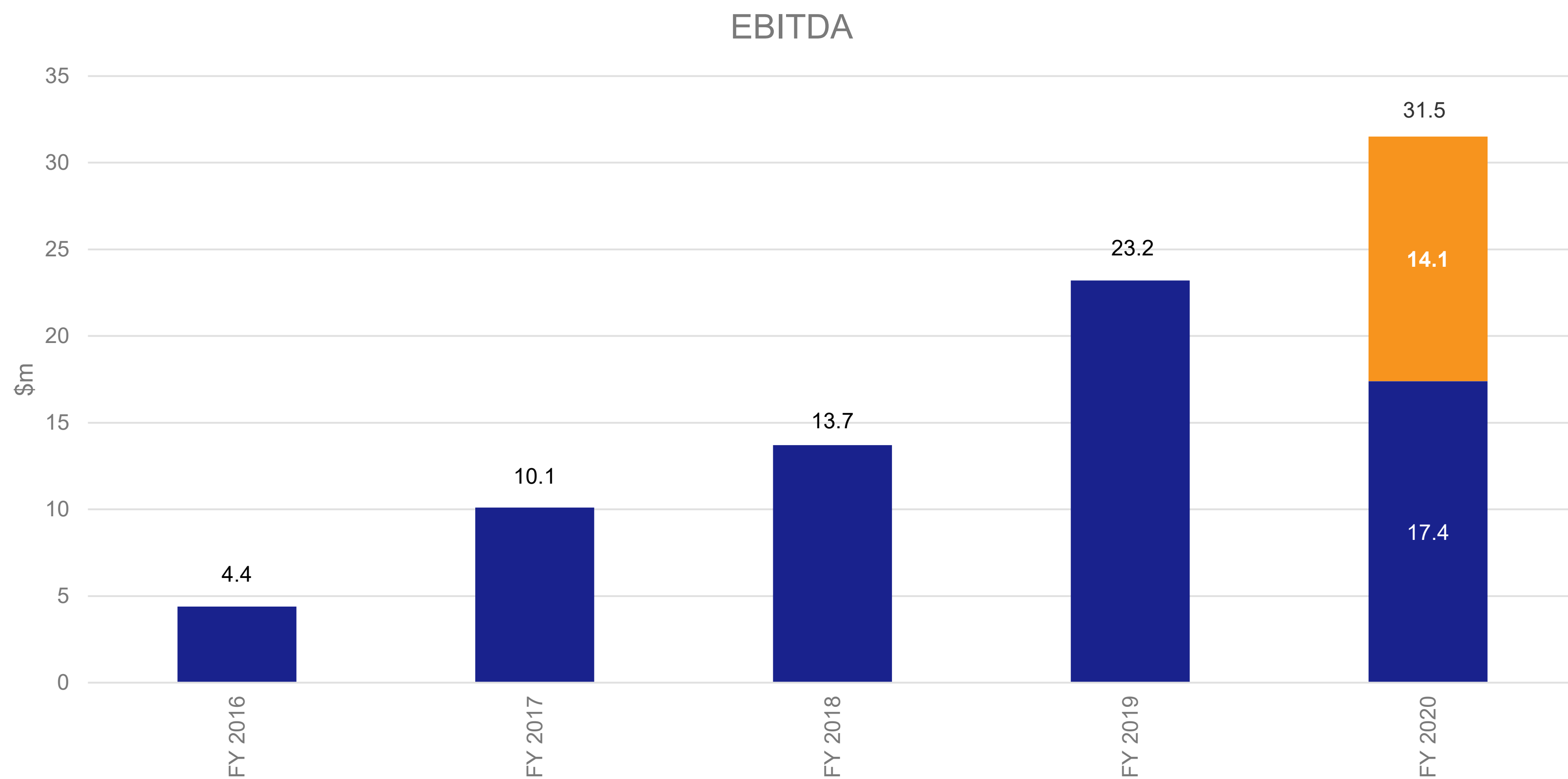
Net Cashflows
$18.6m
up $15.9m
(+588.9%)

- Continued focus on **safety** and **building a high performance culture**
- **Revenue decreased 3.3%** primarily due to **lower site starts** and changes in product mix
- **EBITDA increased by $8.3m,** 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. FY20 EBITDA excludes the impact of leases capitalised in accordance with the requirements of AASB 16, resulting in $14.1m 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.

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. FY20 EBITDA excludes the impact of leases capitalised in accordance with the requirements of AASB 16, resulting in $14.1m 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 FY20

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Key Metrics

Revenue
$652.6m
down $24.3m (-3.6%)
from $676.9.m

EBITDA[1]
$28.8m
up $7.0m (+32.1%)
from $21.8m

Site Starts[2]
2,395
down 185 (-7.2%)
from 2,580

Displays
115
down 2 from 117

Site starts impacted by **subdued market conditions** in 2019 and challenges presented by the **COVID-19 pandemic**

Revenue and EBITDA impacted by **lower site starts** and **investment** in marketing **existing & new sales channels**

EBITDA benefited from **supply chain support and efficiencies** as well as implementation of the **new leasing standard**

Future growth underpinned by **streamlining** the **product range** and development of **innovative new products**

Significant investment made **in FY20** to **market** and **develop existing** and **new channels**

1. EBITDA excludes the impact of leases capitalised in accordance with the requirements of AASB 16, resulting in $14.0m 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 FY20

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Key Metrics

Revenue	EBITDA[1]
$11.9m up $1.7m (+16.7%) from $10.2m	**$2.4m** up $1.2m (+100.0%) from $1.2m
Course Enrolments **2,479** up 649 (+35.5%) from 1,830	**Graduates** **734** down 154 (+26.6%) from 580

BAA obtained approval to deliver 3 qualifications **to international students under CRICOS** with initial delivery occurring in 2HFY20

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

A new video content-based, **Self-Paced Online model** was launched in Q1FY20 **increased turnover in 2HFY20**

BAA's registration approval for delivery under the Australian Skills Quality Authority (**ASQA**) was **extended for** the maximum period available of **7 years**

BAA approved to **deliver** a **broadened range of qualifications** including Project Management, Sales & Marketing, Leadership & Management, Painting & Decorating and Bricklaying expected to **generate additional revenue** in **FY21**

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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	30-Jun-20 $m	30-Jun-19 $m
Cash / Equivalents	28.3	9.7
Receivables	29.3	27.4
Tax receivable	-	1.1
Accrued revenue	34.4	53.7
Inventories	34.2	35.5
PP&E	6.2	8.0
Intangible assets	8.8	6.4
Other	1.8	2.8
Right-of-use assets	22.7	-
Deferred tax assets	0.6	-
Total Assets	**166.3**	**144.6**
Liabilities		
Trade / other payables	80.6	78.1
Deferred revenue	1.6	0.8
Customer deposits	12.0	15.3
Lease liabilities	22.6	-
Borrowings	0.3	10.9
Provisions	25.2	22.0
Taxes	6.7	6.1
Total Liabilities	**149.0**	**133.2**
Net Assets	**17.3**	**11.4**

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

Inventories, comprising land and display homes under construction / available for sale, **decreased by $1.3m**

Investment in **intangible assets** reflect the investment in **software & systems**, **product development** and **training course materials**

Net assets increased by $5.9m as a result of positive operating results and working capital management

Headroom under the **CBA facilities** of **$54.7m** at 30 June 2020

The **new leasing standard** with effect from 1 July 2019, resulting in the **recognition** of a **"right to use" asset** of **$22.7m** and a **liability** of **$22.6m**

Cash Flows for the Full Year

Simonds Group

	30-Jun-20	30-Jun-19
	$m	$m
Cash flows from operating activities		
Receipts from customers	726.6	745.4
Payments to suppliers / employees	(674.2)	(733.7)
Interest paid	(1.5)	(1.3)
Income taxes (paid)/refunded	(1.9)	(4.4)
Net cash generated from operating activities	**49.0**	**6.0**
Net cash used in investing activities	**(8.6)**	**(3.5)**
Net cash (used in)/from financing activities	**(21.8)**	**0.2**
Net increase / (decrease) in cash	**18.6**	**2.7**
Cash / Equivalents at beginning of the period	9.7	7.0
Cash / Equivalents at end of the period	**28.3**	**9.7**

Cash from operating activities reflect continued focus on **strong cash management controls**

Payment to Suppliers are lower in FY20 as a result **$14.1m lease payments** reclassified as financing activities under the **new lease accounting standard**

Increase in **cash used in investing activities** mainly relates to **computer systems & software**, **product development** and **course development costs**

Cash used in financing activities reflect reclassification of **$14.1m lease payments** from operating activities under the new lease standard and the **repayment of $5.0m** to the Simonds **Display Fund**

Key Levers for Delivering Shareholder Value

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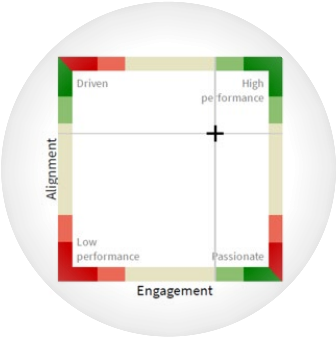
Innovation

Alternative Sales Channels

Finance First Solutions

Wellness

Corporate Social Responsibility



High Performing Culture

Current Trading Conditions

FY21 economic and operating conditions:

- **COVID-19** pandemic continues to create **uncertainty**
- **COVID-19** has presented **challenges** in **predicting** the **speed** and **timing** of a **recovery**
- **Federal** and **State Government stimulus packages are expected to mitigate** the **impacts on customer finances**
- **New sales channels** have commenced and are expected **to deliver revenue** and **cashflows in FY21** and beyond

Appendix:
Impact of AASB 16 Leases Accounting

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Continuing operations: $m	Post AASB 16 30 Jun 2020	AASB 16 Impact	Pre AASB 16 30 Jun 2020	30 Jun 2019	Movement	% change
Revenue	664.8	-	664.8	687.7	(22.9)	(3%)
Expenses[1]	(122.5)	(14.1)	(136.6)	(130.8)	(5.8)	4%
EBITDA	**31.5**	**(14.1)**	**17.4**	**23.2**	(5.8)	(25%)
Depreciation and amortisation charges[2]	(19.1)	13.2	(5.9)	(4.7)	(1.2)	26%
Net Profit Before Interest & Tax	**12.4**	**(0.9)**	**11.5**	**18.5**	(7.0)	(38%)
Interest expense[3]	(1.5)	0.8	(0.7)	(1.3)	0.6	(46%)
Profit before Tax	**10.9**	**(0.1)**	**10.8**	**17.2**	(6.4)	(37%)
Tax expense	(3.8)	0.0	(3.8)	(5.5)	1.7	(31%)
Net Profit After Tax (NPAT)	**7.1**	**(0.1)**	**7.0**	**11.7**	(4.7)	(40%)
Earnings per share (Basic cents)	4.95	(0.10)	4.89	8.16	(3.27)	(40%)
Net tangible assets[4]	**8.4**	**(0.1)**	**8.4**	**5.0**	3.4	68%
Net tangible assets per share (cents)	5.84	0.00	5.84	3.48	2.36	68%
Cash flows from operating activities[5]	49.0	(14.1)	34.9	6.0	28.9	482%
Cash flows from financing activities	(21.8)	14.1	(7.7)	0.2	(7.9)	(3950%)
Net cash flows	**18.6**	**-**	**18.6**	**2.7**	15.9	589%

1. Expenses impacted by AASB 16 as payments for leasing of commercial offices, display homes, display home furniture and motor vehicles are no longer reflected in EBITDA.
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 $22.7m right-of-use assets and $22.6m 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.

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