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ASX ANNOUNCEMENT
SIMONDS GROUP 2021 FINANCIAL YEAR RESULTS

Melbourne, 25th August 2021

Simonds Group Limited (Simonds, Group or Company) (ASX: SIO), one of Australia's leading homebuilders, has today released its Appendix 4E Financial Report for the financial year ended 30 June 2021 (FY21).

Simonds earned a net profit after tax (NPAT) of $6.1 million from continuing operations.

Results for the financial year ended 30 June 2021:

	FY21 $ million	FY20 $ million
Revenue	$676.1	$664.8
Earnings before interest, depreciation and amortisation (EBITDA)	$31.6	$31.5
Net Profit After Tax (NPAT) from continuing operations	$6.1	$7.1

FY21 HIGHLIGHTS

- 2,719 site starts (FY20: 2,395), 324 starts up on the previous year.
- Balance sheet strengthened, with the Group's net asset position improving from $17.3 million as at 30 June 2020 to $22.2 million as at 30 June 2021. The Group had no net debt as at 30 June 2021 (FY20: nil).
- Revenue of $676.1 million (FY20: $664.8 million) 1.7% above the previous year due primarily to higher site starts, some changes in product mix offset by lower site productivity due to supply constraints.
- EBITDA of $31.6 million (FY20: $31.5 million) was $0.1 million higher, with the benefits of higher site starts offset by productivity impacts due to supply chain constraints onsite and investment in existing and new sales channels.
- BAA delivered an EBITDA of $3.7 million – $2.4 million more than FY20 due to increased student enrolments, higher student graduations, and savings generated from delivering courses virtually.
- NPAT from continuing operations of $6.1 million (FY20: $7.1 million) was $1.0 million less due to the impact of lower building productivity and investment in existing and new sales channels, and the impact of higher depreciation and amortisation in FY21.

FY21 OVERVIEW

Commenting on the Group results, CEO and Executive Chairman Rhett Simonds said:

"In the past year, despite a prolonged period of uncertainty for our industry, Simonds Group has been able to trade through an extremely challenging period, with the benefit of a strengthened balance sheet, working capital and cashflow.

During this period, our staff have continued to work with our customers, suppliers, and sub-contractors to adapt and respond to rapidly changing operating conditions and regulatory requirements.

Our business, like many others across the housing sector, has seen the impact of the significant government stimulus create heightened demand and increased sales, however the unintended consequence of this has been COVID-related supply chain pressures which has adversely impacted our productivity and earnings.

We remain focussed on continuing to deliver sustainable operating performance going forward."

GROUP FINANCIAL RESULTS REPORTED FOR FY21

EBITDA for the Group increased $0.1 million on FY20, with higher margins being offset by lower onsite productivity and continuing investments in new and existing sales channels.

Net cash flows for the Group of ($5.5) million compared with $18.6 million in FY20 - higher cash received from customers were offset by larger payments to suppliers and employees due to higher site starts, income tax payments on the back of stronger earnings. The group was able to withstand lower cash from operations, having repaid borrowings in FY20 and investing less on leasehold improvements and IT projects to conserve cash.

The key balance sheet movements for the Group during FY21 were:

- Net assets rose from $17.3 million at 30 June 2020 to $22.2 million at 30 June 2021 reflecting the positive earnings contribution, the continued strong focus on cash controls and working capital management;
- Although cash and cash equivalents decreased by $5.5 million during the year, the Group's net cash and undrawn CBA banking facilities as at 30 June 2021 amounted to $52.9 million;
- Trade receivables and accrued revenue associated with work in progress increased by $20.4 million whilst trade and other payables decreased by $2.1 million, predominantly due to the increased site starts;
- Customer deposits, representing amounts received in advance of construction, increased by $9.2 million reflecting the increased demand for homes arising from the Government stimulus; and
- Inventories, that include display homes under construction, display homes and available for sale as well as land holdings, decreased by $6.9 million.

SIMONDS HOMES

Key Metrics

	FY21 $ million	FY20 $ million	Change
Site starts[1]	2,719	2,395	+13.5%
Revenue	$661.6	$652.6	+1.4%
EBITDA	$27.9	$28.8	(2.9%)
Total display homes	122	115	+7 displays

Simonds Homes recorded 324 (13.5%) more site starts than for the previous year.

Revenue, whilst up on the previous year, was impacted by the challenges presented by COVID-19 - ongoing worksite restrictions, lockdowns called by the various state governments and ongoing worksite restrictions.

As a result, productivity was adversely impacted by reduced trades being allowed on site and supply chain delays and some trade pressures across all regions, resulting in EBITDA being lower than for the previous year.

BUILDERS ACADEMY AUSTRALIA (BAA)

Key Metrics

	FY21 $ million	FY20 $ million	Change
Revenue	$14.5m	$11.9m	+21.8%
EBITDA	$3.7m	$2.4m	+54.2%

Revenue received by the BAA business increased $2.6 million (+21.8%) on FY20 with 2,836 enrolments, 357 higher (14.4%) than for the prior comparative period, with students studying under apprenticeship and traineeships continued to grow.

During the period, BAA was recognised as Victoria's best small training provider at the 2020 Victorian Training Awards as well as Australia's best small training provider at the 2020 Australian Training Awards.

BAA was able to successfully scale its existing online, live and interactive Virtual Classroom delivery model to support students starting and continuing their studies, overcoming COVID-19 restrictions on social distancing.

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1 Excludes any display or speculative home starts

OUTLOOK AND FUTURE DEVELOPMENTS

Over the past 18 months the Group has invested in the development of new sales channels which have delivered revenue and cashflows in FY21 and which are expected to deliver revenue and cashflows in FY22 and beyond.

As with last year, the industry faces challenges navigating the uncertain economic and regulatory environment. The continuing series of COVID-19 related lockdowns in the geographic markets in which we operate requires the closure of display homes and galleries, office-based staff to work from home and delaying and/or stopping construction onsite, leading to unplanned delays to our build programs. Management have taken a range of mitigating actions to reduce the impact of the restrictions.

Looking beyond the next 12 months, uncertainty remains about future demand and operating conditions, market constraints and the longer-term effects of COVID-19 on the sector, including our supply chain.

Simonds continues to expand and diversify through our existing sales channels by locating our display homes in major growth zones, consolidating our product range and continuing to innovate and release new products.

DIVIDENDS

The Directors have determined that notwithstanding the strong operational cash flow and strengthening of the balance sheet, the continued uncertainty created by the COVID-19 pandemic is such that no dividend will be paid in relation to the year ended 30 June 2021. Future dividends will be subject to the directors' assessment of the Company's financial position at the appropriate time. The directors currently intend to assess this position again after the end of 1HFY22 having regard to industry conditions at that time.

- ENDS -

For more information, please contact:

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Authorised for lodgement by the Simonds Group Limited Board of Directors.