

ASX ANNOUNCEMENT SIMONDS GROUP EQUITY RAISING

25 November 2022

Simonds Group Limited (**Simonds, SIO or Company**) (ASX:SIO), one of Australia's leading homebuilders, announces a \$25.5 million pro rata traditional renounceable entitlement offer to support the Company's balance sheet and working capital requirements.

As a result of challenging market conditions detailed in the Company ASX announcement released to the market on 7 November 2022, the Simonds Board has explored various capital solutions to strengthen the Company's balance sheet to allow it to withstand a more prolonged adverse trading period. Following the consideration of various options, an independent board committee of the Simonds Board comprising independent non-executive directors, David Denny and Iain Kirkwood (**Independent Board Committee or IBC**), have determined an equity raising of \$25.5 million combined with negotiating updated terms for the Company's secured financing facilities to be the best path forward having regard to Simonds' currently anticipated working capital requirements through this difficult and uncertain trading period.

Summary

- Simonds to raise approximately \$25.5 million by way of a traditional pro rata renounceable entitlement offer of new ordinary shares in the Company to eligible existing shareholders.
- The Company's largest shareholder, Vallence Gary Simonds, has entered into an underwriting agreement to fully underwrite the Offer (excluding his own entitlements, which he has committed to exercise in full).¹
- Net proceeds raised under the offer will be used to support the Company's working capital requirements and reset its capital structure.
- Post completion of the offer, Simonds will have pro forma liquidity of at least ~\$44.2 million (as at 30 September 2022) to sustain it through what is expected to be a more prolonged adverse trading period.

Equity Raising

SIO is undertaking a traditional 13 for 9 pro rata renounceable entitlement offer to raise approximately \$25.5 million (**Offer or the Equity Raising**).

The issue price of \$0.12 (**Offer Price**) represents a:

- 14.2% discount to TERP² of \$0.140
- 28.8% discount to the 30-day VWAP³ of \$0.168
- 4.0% discount to last close of \$0.125 on 24 November 2022

The Offer is open to existing SIO shareholders on the register as at 7.00pm (AEDT) on the Record Date of Wednesday, 30 November 2022.

¹ The Entitlement Offer is underwritten pursuant to the terms of the underwriting agreement entered into with an entity controlled by Vallence Gary Simonds. A summary of the underwriting agreement is set out in Appendix 4 of the accompanying investor presentation also provided to the ASX today.

² The Theoretical Ex-Rights Price ('TERP') is the theoretical price at which SIO shares should trade immediately after the ex-date of the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which SIO shares will trade on the ASX immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the TERP. TERP is calculated by reference to the 30-day VWAP of the Company's shares as traded on the ASX of \$0.168 up to and including 24 November 2022, being a reasonable reflection of the Company's shares over a practical period given the limited trading and liquidity of the Company's shares prior to the announcement of the Entitlement Offer.

³ The Volume Weighted Average Price ('VWAP') in this presentation was calculated as the 30 day total value of SIO shares sold on the ASX divided by the total 30 day volume up to and including 24 November 2022.

Entitlements may only be exercised by persons with a registered address on the Company's share register in Australia and New Zealand (**Eligible Shareholders**). Ineligible shareholders are all those shareholders with registered addresses as at the Record Date outside these jurisdictions (**Ineligible Shareholders**).

Entitlements may be sold by Eligible Shareholders on ASX from 29 November 2022 to 7 December 2022. It is the responsibility of purchasers of entitlements to inform themselves of the eligibility criteria for the exercise of entitlements. If holders of entitlements after the end of the trading period do not meet the eligibility criteria, they will not be able to exercise the entitlements.

Simonds has appointed Ord Minnett Limited (**Ord Minnett**) to act as nominee for the purpose of selling entitlements which would otherwise have been available to Ineligible Shareholders and arranging for the distribution to Ineligible Shareholders their proportion of the proceeds of sale (if any), net of expenses. Ord Minnett is also acting as lead manager of the Offer.

All Eligible Shareholders who accept and pay for their entitlement in full will be entitled to apply for "overs" (subject to compliance with applicable laws and the ASX Listing Rules) (**Oversubscription Facility**). Additional new Shares will only be available under the Oversubscription Facility to the extent that there is any shortfall under the Offer. To the extent there is greater demand than there is shortfall, Eligible Shareholders who have applied for additional new Shares will have their applications scaled back on a pro rata basis and to the extent considered necessary to prevent the issue of securities contrary to the law or ASX Listing Rules.

Following completion of the Offer period, the lead manager and the Company will determine the number of any shortfall shares after acceptances by eligible shareholders (after taking into account any allotment of new Shares under the Oversubscription Facility). These shortfall shares will be offered at the Offer Price to new and existing institutional and sophisticated investors in a bookbuild process (**Shortfall Bookbuild**) which is intended to be a bookbuild as to volume only.

The Offer provides Eligible Shareholders with the opportunity to take up all or part of their entitlements. Approximately 212.7 million Shares, representing approximately 144% of SIO's issued capital will be issued under the Offer. New Shares issued under the Offer (including new Shares issued under the Oversubscription Facility and following the Shortfall Bookbuild, if any) will rank pari passu with existing shares from their respective dates of issue.

Full details and effects of the Entitlement Offer will be set out in an Offer Booklet which will be sent to Eligible Shareholders in accordance with the ASX approved timetable.

Underwriting

The Entitlement Offer is underwritten by an entity ultimately controlled by Simonds' largest shareholder, Vallence Gary Simonds (excluding his own entitlements, which he has committed to exercise in full).

A summary of the underwriting agreement is set out in Appendix 4 of the accompanying investor presentation also provided to the ASX today. This includes a summary of significant events that could lead to the underwriting agreement being terminated.

Use of Proceeds

Proceeds raised will be used to support the Company's working capital requirements and reset its capital structure in light of difficult trading and macroeconomic conditions. To the extent that conditions improve earlier than anticipated, the Company may consider the appropriate allocation of working capital to future initiatives as conditions become clearer.

Updated Borrowing Facility Terms

Simonds' lender has provided a letter of support for updated secured financing facility terms, subject to completion of the proposed equity raising (including raising at least \$25.0 million) and certain other conditions, including finalisation of an amended facility agreement.

Under the updated terms, the facility maturity date will be extended to 30 June 2024, and will be amended with net asset and liquidity covenants.

Comments from the CEO and Executive Chairman

Simonds' CEO and Executive Chairman Rhett Simonds said:

"The Company has been dealing with a range of factors that have adversely impacted the business and the Australian residential building sector more generally, including prolonged wet weather, flooding, supply chain shortages, delivery delays and reduced availability of skilled labour.

These factors have delayed the improvement of margins, as the Company must first trade through the older lower margin contracts in its pipeline and we now expect adverse conditions to continue for longer than originally anticipated.

With the continued availability of the overdraft and borrowing facilities and net proceeds of the Offer, Simonds will have pro forma liquidity of at least ~\$44.2 million to sustain it through what is expected to be a difficult more prolonged adverse period of trading period.

Once the adverse conditions subside, the Company will be able to respond to the opportunities presented in the recent Federal Government Budget announcements concerning the new Housing Accord and a new national housing supply target as well as work through its existing pipeline of contracts."

Advisers

Ord Minnett is acting as lead manager and Gilbert + Tobin is acting as legal adviser to the Offer.

Timetable

Key Event	Indicative Date
Announcement of Entitlement Offer	Friday, 25 November 2022
Ex Date for Entitlement Offer Entitlement trading commences on a deferred settlement basis	Tuesday, 29 November 2022
Record Date of Entitlements	Wednesday, 30 November 2022
Offer Booklet and Entitlement and Acceptance Forms Despatched Entitlement Offer Opens (9.00 am)	Monday, 5 December 2022
Entitlement Trading Ends	Wednesday, 7 December 2022
New Shares quoted on a deferred settlement basis	Thursday, 8 December 2022
Entitlement Offer Closes (5.00 pm)	Wednesday, 14 December 2022
Announcement of results of Entitlement Offer and under-subscriptions	Monday, 19 December 2022
Shortfall Bookbuild and determination of allocation under Oversubscription Facility and Shortfall Bookbuild	Tuesday, 20 December 2022
Issue of New Shares Under Entitlement Offer Appendix 2A Lodged (Entitlement Offer) Shortfall Notification	Wednesday, 21 December 2022
New Shares commence trading on ASX on a normal settlement basis	Thursday, 22 December 2022
Expected date to issue Shortfall Shares to Eligible Shareholders and third-party investors	Friday, 23 December 2022
Commencement of trading of Shortfall Shares	Wednesday, 28 December 2022

This timetable is indicative only and may change without notice at the Company's discretion or subject to the requirements of the ASX Listing Rules and Corporations Act. Simonds has the ability to make changes to the Offer timetable including to extend the closing date for the entitlements and/or to accept late applications for the Offer.

Additional Information

Further details of the Offer, including the effect of the Offer on the Company, are set out in the accompanying investor presentation also provided to the ASX today. The investor presentation contains important information including key risks with respect to the Offer. This announcement should be read together with the disclosures made in the investor presentation, the Offer booklet and the cleansing notice issued under section 708AA of the Corporations Act 2001 (Cth) which have also been provided to the ASX today (together, the **Announcements**).

If you have any questions in relation to the details of the Offer, please contact the Share Registry on 1300 737 760 (inside Australia) or +61 2 9290 9600 (outside Australia) at any time between 8.30am to 5.30pm (AEDT) Monday to Friday during the Entitlement Offer Period, or if you require advice about your participation in the Entitlement Offer, consult your stockbroker, accountant or other independent professional adviser.

The Board has authorised that this document be given to the ASX.

- ENDS -

Further Information

For more information, please contact:

Rhett Simonds CEO and Executive Chairman Ph: +61 3 9926 3151
--

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

Important notice and disclaimer

The Announcements have been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. The Announcements do not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction where such an offer would be unlawful. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 (**US Securities Act**). The Shares to be issued under the Offer may not be offered or sold, directly or indirectly, in the United States.

The Announcements include forward-looking statements. These forward-looking statements are based on the Company's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Company, which could cause actual results to differ materially from such statements. The Company makes no undertaking to subsequently update or revise the forward looking statements made in the Announcements, to reflect the circumstances or events after the date of the Announcements.

The information contained in the Announcements does not constitute investment or financial product advice (nor taxation, accounting or legal advice), is not a recommendation to acquire shares in the Company (Shares) and is not intended to be used or relied upon as the basis for making an investment decision. The Announcements have been prepared without taking into account the investment objectives, financial situation or needs of any individuals. Before making any investment decisions, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and should seek legal, accounting and taxation advice appropriate to their jurisdiction. The Company is not licensed to provide investment or financial product advice in respect of Shares. Cooling off rights do not apply to the acquisition of Shares pursuant to the Offer.