FY23 End of Year Results

30 JUNE 2023

SIMONDS GROUP

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FY23 Setting the foundations for a sustainable future.

Successful recapitalisation of the business enabling investment in alterntive channels to market and future capability.

Further cost reduction initiatives implemented in Q4 to provide a stronger pathway to a more sustainable future and re-align the cost base in support of new channels.

Development is well underway to release a new product hierarchy in February 2024. This will provide a more streamlined customer-centric approach to market and introduce exciting new product ranges.

Our product designs will comply with the upcoming NCC requirements. We are in the final development stage for all Queensland product changes required under the upcoming NCC changes. As per the requirements, all Simonds home designs will be compliant with the NCC by the 1st of October 2023.

Proactive investment in management capabilities in support of our key strategic initiatives. Several key executive appointments in FY23.

Number of site starts reduced as the residential construction client base was heavily impacted by higher interest rates, loan affordability and cost of living pressures. This was reflected in higher cancellations and slower finance approvals.

FY23 performance impacted as the industry continued to trade through the low margin fixed price contracts but conditions moderated in the second half as newer, higher margin jobs went to site.

Engaged with the VMIA to support the industry in the wake of several insolvencies, ensuring these homes are completed, while rebuilding confidence in the residential construction industry. Appointed as a key building partner for the VMIA after a thorough due diligence process.

FY23 Results - From challenge to opportunity.

Revenue[1]	EBITDA[1]
$722.4m	**-$11.4m**
Up $34.9m from $687.5m	Down $15.1m from $3.7m

Site Starts[2]	Available Liquidity
1,951	**$39.3m**
Down 425 from 2,376	No core debt

1. From continuing operations
2. Excludes any display homes

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

- Revenue from continuing operations above the previous year primarily due to increased site start values of jobs on site and higher productivity.
- Reduced EBITDA reflects wide range of external factors such as impacts of prolonged weather events (1H) and continued inflationary pressures of supply and trade labour shortages across the industry. These impacts started to moderate in the second half as jobs on site declined across the industry.
- Second half earnings includes the impact of the investment in new channel capability and expenses (redundancies and consultants) incurred to facilitate the right-sizing initiatives. The benefit of these investments are expected to be realised in FY24.
- Site starts decreased due to subdued demand and increased cancellations fuelled by higher interest rates and cost of living pressures.
- Liquidity remains strong with $15.1 million cash on hand and unused banking facilities of $24.2m. In August, the banking facility was renewed and extended until 31 December 2024.

FY23 Simonds Homes Results

	30-Jun-23 $m	30-Jun-22 $m
Continuing operations		
Revenue	722.4	687.5
Cost of sales	-603.2	-551.6
Gross Margin	119.2	135.9
Operating Expenses	-130.6	-132.2
EBITDA[1]	-11.4	3.7
Depreciation & Amortisation	-20.3	-20.3
Interest expense[2]	-2.3	-2.0
(Loss) / Profit before tax	-34.0	-18.6
Income tax benefit / (expense)	10.6	6.4
(Loss) / Profit after tax	-23.4	-12.2
Discontinued operations		
Profit from discontinued operations after tax	0.1	2.5
(Loss) / Profit after tax for the year	-23.3	-9.7

[1] Referring to Earnings before Interest, Income Tax and Depreciation & Amortisation ("EBITDA")

[2] Interest expense mainly comprises non-cash interest on long-term lease liabilities calculated in line with AASB 16 Leases and line fee on multi-option facility

- **Revenue** from continuing operations increased as a result of jobs with a higher contract value going to site during the year.
- **Gross margin** declined during the year due to continued supply chain inflation and trade labour constraints experienced, with limited ability to reprice jobs in the fixed price contract environment.
- **Operating expenses** saw a decline of 1.2% attributable to transformation and right-sizing initiatives along with reduction in discretionary cost spend. This also includes the investment in new channels and upfront costs incurred to assist with the realignment of the overheads.
- **Discontinued operations** represents the Madisson business which closed in 2015. During the year, the Group's insurer confirmed indemnity for the claims associated with one of the developments and the insurance recovery has offset the costs incurred during the year.

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FY23 Balance Sheet

	30-Jun-23 $m	30-Jun-22 $m
Cash / Equivalents	15.1	11.1
Receivables	39.9	38.2
Tax receivable	-	9.9
Accrued revenue	54.3	67.6
Inventories	19.0	18.4
PP&E	4.5	6.0
Intangible assets	2.0	4.6
Other	1.8	2.4
Right-of-use assets	20.0	25.6
Deferred tax asset	3.9	-
Total Assets	160.5	183.9
Liabilities		
Trade / other payables	89.6	91.6
Deferred revenue	13.2	20.5
Lease liabilities	21.1	26.7
Borrowings	0.4	0.3
Provisions	21.7	24.8
Deferred tax liability	-	6.6
Total Liabilities	146.0	170.5
Net Assets	14.5	13.5

- **Net cash** and undrawn banking facilities of $39.3m as at 30 June 2023 provide significant headroom for the business to support all working capital needs and investments in future growth initiatives.
- **Accrued revenue** decreased due to lower number of jobs on site and improved cash claims.
- **Inventories** comprising land and display homes under construction or available for sale remained stable at $19.0m.
- **Intangible assets** comprise investment in software and systems and capitalised product development. Reduction represents amortisation including a minor one-off accounting adjustment.
- **Deferred revenue** represents customer deposits on hand which reduced due to softer sales and increased productivity to get jobs to site.
- **Provisions** reflect the lower annual and LSL provision after the employee redundancies.

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FY23 Cash Flow

	30-Jun-23 $m	30-Jun-22 $m
Cash flows from operating activities		
Receipts from customers	813.5	735.6
Payments to suppliers / employees	-825.2	-738.6
Interest paid	-2.3	-2.3
Income taxes refund	9.9	2.9
Net cash (used in) operating activities	**-4.1**	**-2.3**
Net cash (used in) / generated from investing activities	**-0.9**	**2.7**
Net cash generated from / (used in) financing activities	**9.0**	**-12.1**
Net increase / (decrease) in cash	**4.0**	**-11.7**
Cash and cash equivalents at beginning of the period	11.1	22.8
Cash and cash equivalents at end of the period	**15.1**	**11.1**

- Cash from operating activities was impacted by productivity delays on site, offset by timing of tax payments.
- Payment to suppliers and employees was impacted by supply and trade labour cost inflation experienced within the construction industry.
- Net cash generated from investing activities includes purchases of fixed assets partially offset through proceeds received from disposal of fleet. The comparative period includes cash proceeds from sale of BAA.
- Net cash generated from financing activities improved which reflects the net proceeds from the December capital raise.

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FY23 Investment of capital & underlying 2H improvement

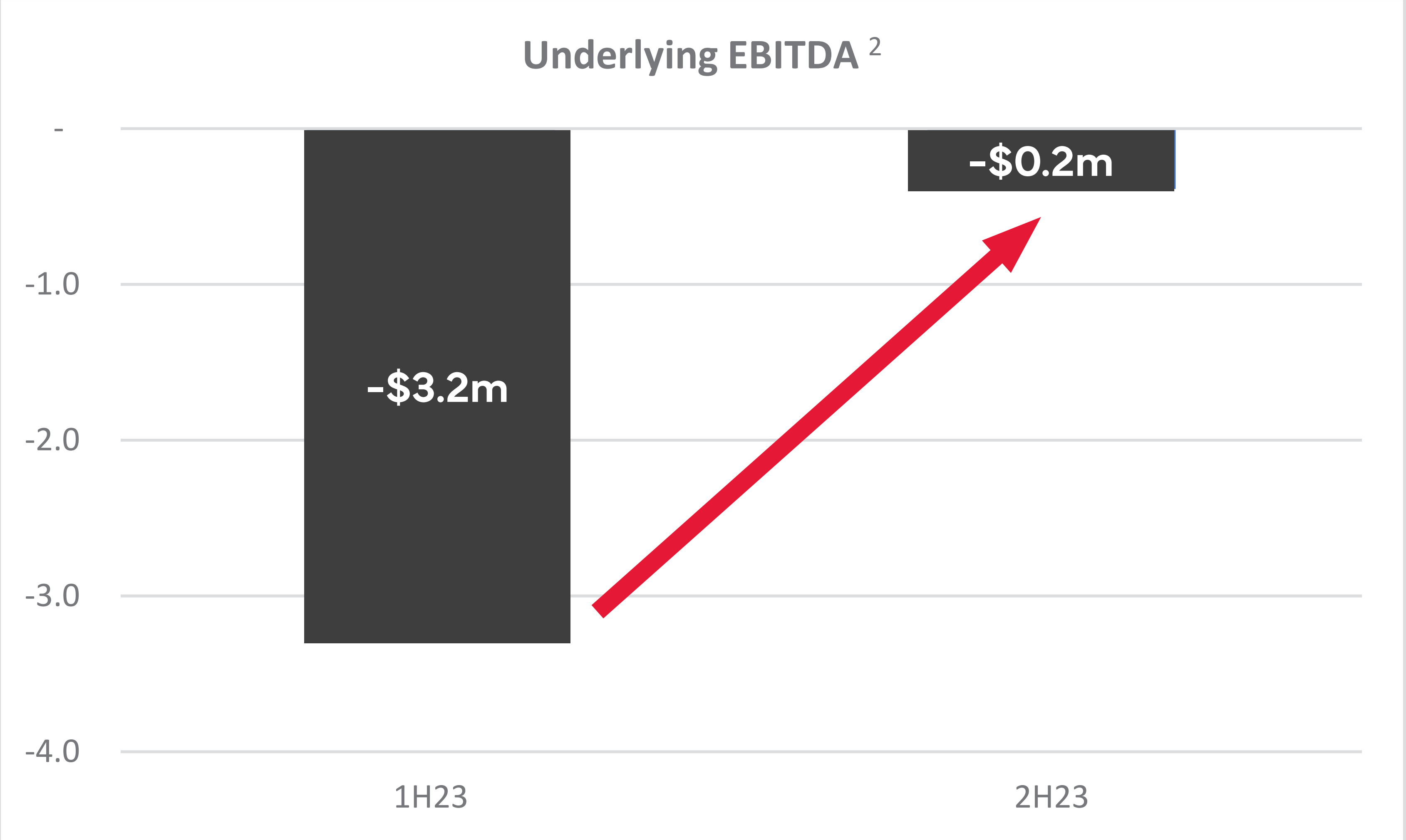
Equity raise - Successfully completed the equity raise of $24.3m[1], which was utilised to fund the forecasted working capital requirements and investing in future capability that will drive growth and support a more sustainable cost base.

Working capital & display home investment	New channels to market
15.8m Operational funding	**1.8m** Setup cost to establish new channels
Future strategic projects	**Cost of transformation**
4.0m Investment in key initiatives to drive further efficiencies	**2.7m** Consulting fees to support cost restructure and redundancy cost

Net equity raise 24.3m

[1] Capital raised ($25.5m) less cost ($1.2m) associated with the equity raise.

2H underlying results reflect an improved result based on improved margins for jobs going to site and the cost reduction initiatives implemented in Q4. The Group expects that the combined impact of these initiatives supports a strong financial and operational turnaround in FY24.



[2] EBITDA from continued operations, less one-off costs, which include investment in new channels, expenses associated with the cost transformation project and accounting adjustments.

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FY24 Key Initiatives

The FY23 equity raise served as the foundation to support operations during the downturn and provided the platform to reinvest in several initiatives. This creates a more streamlined business that sets the foundations for a more sustainable future.

Channel delivery

- Partner with the VMIA to deliver insurance completions work.
- Strong pipeline of tenders in an advanced stage, increasing the capacity to deliver higher density product solutions.
- Explore opportunities to support the state and federal Government investments into affordable housing initiatives.

Sustainable profitability

- Continued focus on efficiency and delivery of cost savings initiatives implemented during FY23.
- Procurement initiatives being further explored across all channels to reduce build costs and enhance future margins.
- Investment in digital capability to reduce the cost of lead generation and sales conversion.

Product Development

- Ongoing investment in product development including work to ensure all products are fully compliant to NCC and 7-star requirements at the legislated deadlines for each state.
- Further expansion in the high-end Knock Down Rebuild space with strong growth of Masterpiece starts and operational capability.
- Development of affordable housing (Small Lot) & Medium Density solutions.

Customer/Brand

- Developing a new brand position to clearly redefine our mission and purpose and provide a clearer distinction in market.
- Developing new brand hierarchy and customer segmentation in support of our exciting product developments and sales process.
- Investing in industry leading digital tools and display experiences to create unique and memorable customer experiences.

Current trading conditions & outlook

- Simonds expects an improved operating performance in FY24 on the back of increased margins and lower overhead costs.
- Input cost pressures are moderating and build times are improving as the industry is coming off peak construction.
- Retail site start mix has evolved to include a lower quantum of older low margin jobs, positively impacting the blended FY24 retail site start margin.
- Retail demand will remain under pressure given macro economic environment and reduced greenfield land trends resulting in reduced retail starts for FY24.
- Investment in alternative sales channels that are counter cyclical to the retail environment will partially offset the reduced retail starts. This also includes the commencement of completion and rectification works for domestic building insurance claimants impacted by insolvencies within the industry.

FY24 Market opportunities include:

High levels of immigration, rental demand and affordable housing investment by government may stimulate further demand for detached and medium density living spaces

With 74 years of industry experience and strong liquidity, Simonds remain a trusted partner to offer fit for purpose solutions to deliver homes for Australian families.

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FY23 Simonds Sustainability Focus

Simonds is a volume home builder that provides customers with high quality, aesthetically pleasing and affordable houses that provide Australian families with an outstanding living experience and value for money.

Simonds recognises the demand for sustainable living and believes the Australian residential building industry needs to innovate in order to reduce the carbon footprint of newly constructed homes and improve their energy efficiency. Houses that are more sustainable and more energy efficient are likely to be valued higher by consumers due to their environmental benefits and lower cost of lifetime ownership.

Key sustainability initiatives that Simonds has in place or development include:

NCC - National Construction Code

7 Star Energy Efficiency

External partnership with leading research organisations to provide innovative ESG building solutions

Investigating alternative global technologies to eliminate waste and improve efficiencies

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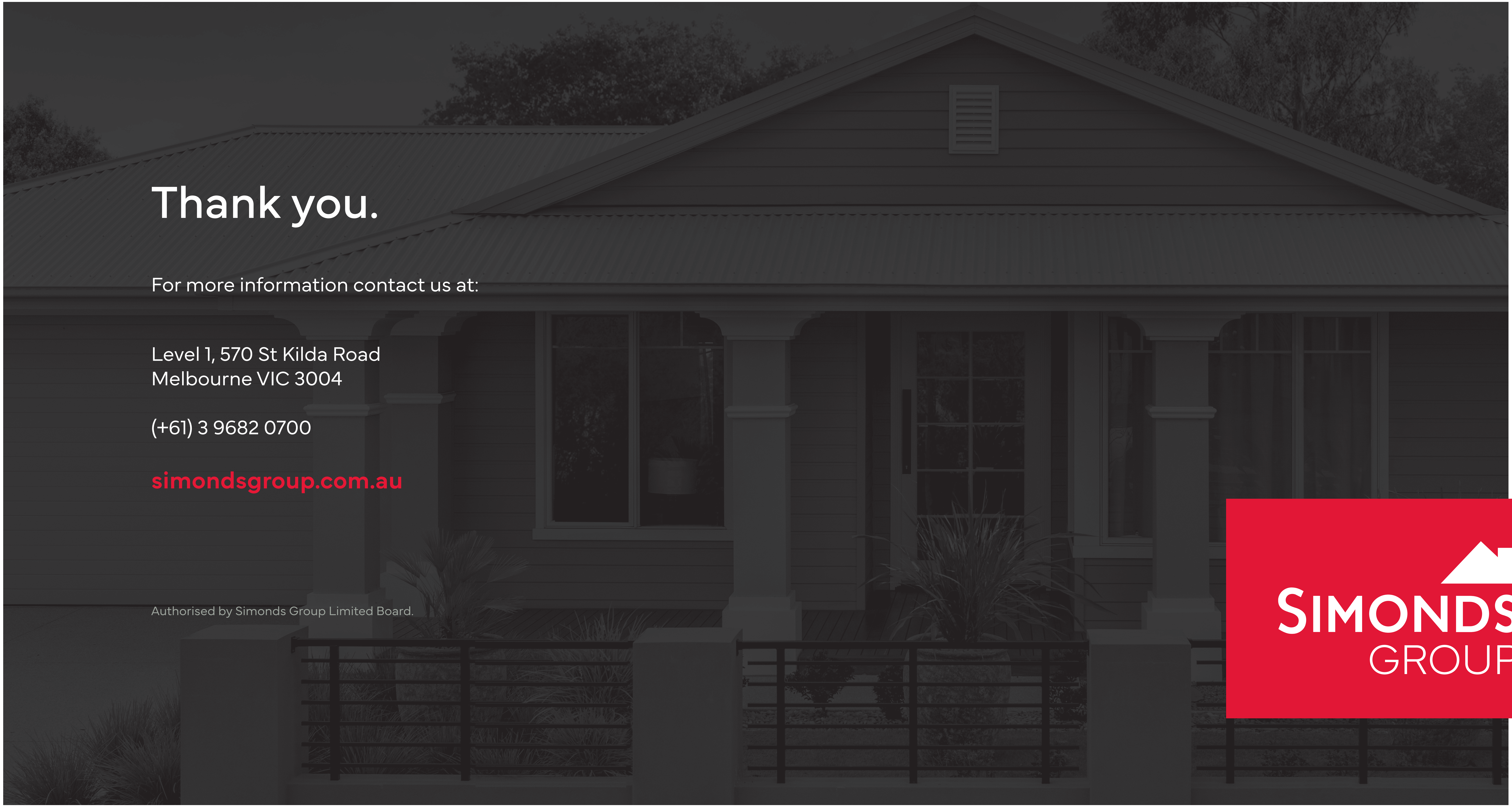

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