

SIMONDS GROUP LIMITED
2023 Annual General Meeting
Chair's Address and Presentation

31 October 2023

Attached are the Chair's Address and Presentation to be delivered at today's Annual General Meeting of Simonds Group Limited (ASX:SIO).

- ENDS -

For more information, please contact:

Rhett Simonds

Executive Chair & CEO

Ph: +61 3 9926 3196

Authorised for release by the Company's Executive Chair & CEO.

Simonds Group Limited

2023 AGM

31 October 2023

Executive Chair & CEO Address

I'm really pleased to see that after a challenging period for our industry, the hard work of the whole Simonds team is now being reflected in improved financial performance as demonstrated by our September quarter results. The combination of higher margin jobs going to site, a laser like focus on operating costs and early traction in our new channels have underpinned the positive earnings outcome for the first quarter.

FY23 was a tough year for the residential building industry, and Simonds was not immune to those challenges. However, we proactively invested in several initiatives during the second half of the year to set us on a course of material improvement which has started to emerge, as demonstrated by our return to profit in the first quarter of FY24 after 8 consecutive quarters of losses.

Looking back over FY23, I am proud of the resilience the Simonds team showed, and I'm excited about what we have ahead of us.

Simonds supported communities, our customers, employees and suppliers through the Victorian floods and continued nurturing community initiatives to help our staff get behind the charities that matter most to them, making a broader positive impact.

The Simonds Charity Home for the Flinders Foundation is a wonderful example of how proud we are to give back to vulnerable families who are in need of care and support. We continue to be guided by the same founding principle that began with my Grandfather Gary Simonds; that a home is more than just bricks and mortar, it's a place that allows families to thrive.

In August, we put a reasonable and sustainable limit on the number of contracts we committed to, ensuring we focus on quality affordable housing for our customers.

In December, we completed a successful capital raise, increasing our balance sheet strength and flexibility, allowing Simonds to continue its focus on implementing strategy to drive shareholder return.

Towards the end of the financial year, we saw the Company successfully support Porter Davis customers by starting an insurance rectification division, helping those impacted by the liquidation to complete their unfinished homes.

Financial Results

Despite the challenges of FY23, Simonds proactively invested in several initiatives in the second half to set the business on a course for a material improvement to the trading performance. We remain in a strong financial position with healthy liquidity and a positive outlook ahead. The equity raised during the year, coupled with the strategic initiatives to diversify channels to market and reduce overheads have created a solid foundation for the Group.

The higher interest rate environment and cost of living pressure will continue to impact residential customers in the near term.

Our investment in new channels during FY23 is allowing us to play a meaningful role assisting customers to complete their homes following builder insolvencies as well as develop solutions aligned with State and Federal Government investments in affordable housing.

Build times and productivity continue to improve as the supply chain challenges ease and industry moves past peak construction. We will remain focussed on cost efficiency and re-invest in new initiatives to drive growth and rebuild the balance sheet.

Despite the challenges of FY23, Simonds remains in a financially stable position. The tough but necessary decisions we made throughout the year put us in a strong position to weather the difficult trading conditions and diversify our business focus.

Outlook and Acknowledgements

We know that some industry wide challenges and macroeconomic pressures persist. However, we are optimistic about our future trading performance due to improved margins, results from actioned rightsizing and channel diversification.

Our performance in the past year is thanks to hundreds of highly capable, passionate, engaged people across Simonds, who have continued to show tremendous resilience in the face of the multiple challenges thrown at us by the external environment. We now have a leaner, more agile and efficient Simonds, with a portfolio aligned to the market trends unfolding around us, better positioned to grow value.

As we enter our 75th year, I am excited about our future. Despite external volatility, the core values, mission and vision that underpin our business are optimistic and greatly position our Company for lasting success.

Thank you for your continued trust and support as shareholders. Together, we will navigate the challenges and grow stronger, delivering value to our stakeholders and communities alike.

<Ends>

Annual General Meeting

31 October 2023



ACKNOWLEDGMENT OF COUNTRY

Simonds acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past, present, emerging and extend that respect to all Aboriginal and Torres Strait Islander peoples today.



INTRODUCTION & ADDRESS

Rhett Simonds

Executive Chair & CEO

Reflections on FY23



Improved financial performance



Proactive investment in new channels



Community impact

FY23 Setting the foundations for a sustainable future.

Successful recapitalisation of the business enabling investment in alternative 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.

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.

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.

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 Simonds Homes Results

Revenue¹

\$722.4m

up \$34.9m (+5.1%) from
\$687.5m

EBITDA¹

-\$11.4m

down \$15.1m from \$3.7m

Site Starts²

1,951

down 425 from 2,376

Operating Cash Flows

(\$4.1m)

down \$1.8m from (\$2.3m)

- Despite lower site starts, the increase in revenue reflects the impact of the increased site start value of the jobs going to site.
- Reduced EBITDA reflects the challenging trading conditions in the industry and includes the impact of the investment in new channel capability and expenses 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.
- Operating cash flows reflect the operational challenges and the investment in new initiatives. This is offset by the cash inflow from the equity raise completed in December 2022 which is reflected in the financing activities.

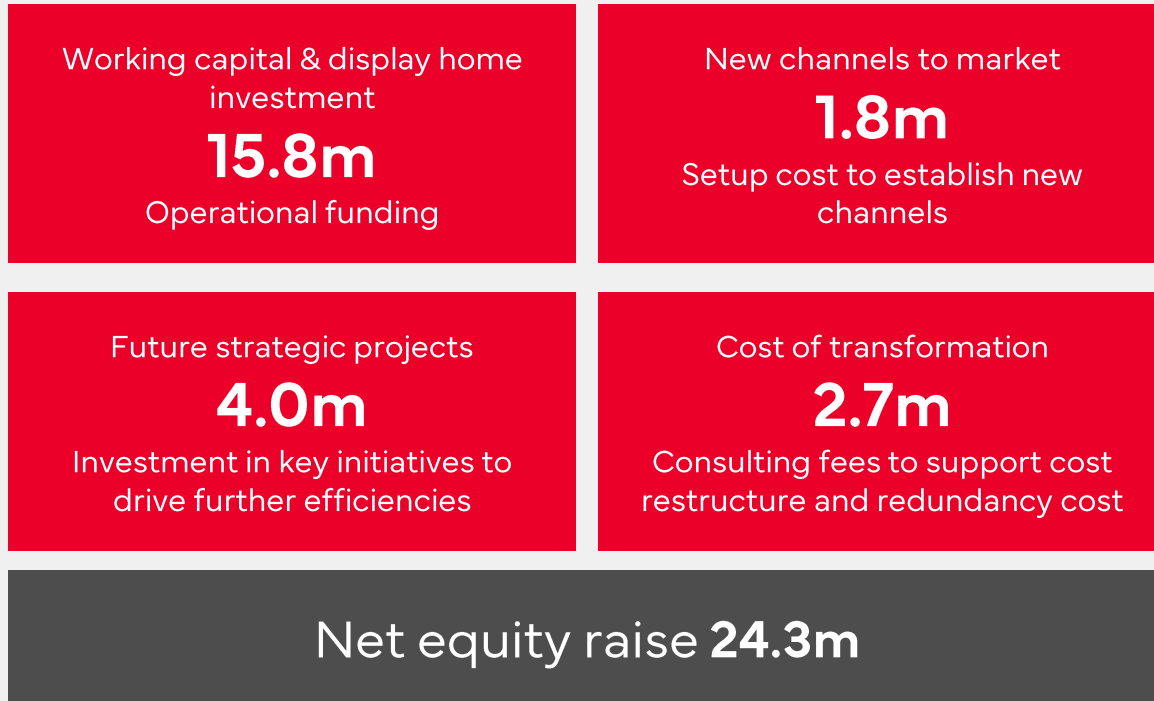
¹ From continuing operations

² Excludes any display homes

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

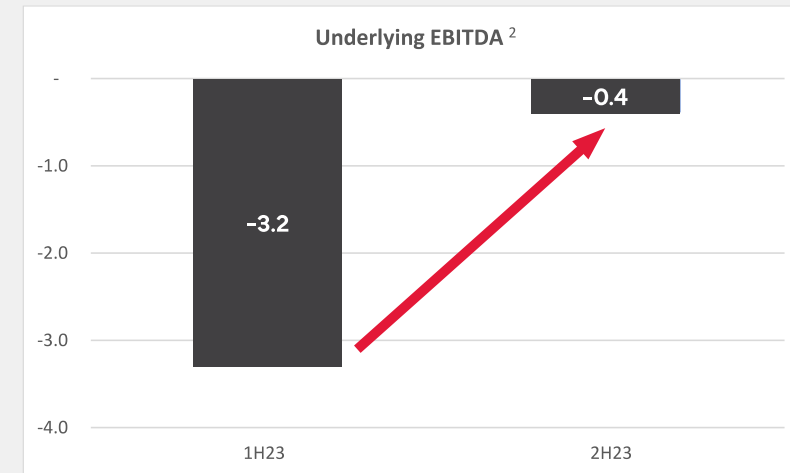
FY23 Investment of capital & underlying 2H improvement

Equity raise - Successfully completed the capital raise of \$24.3m¹, 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.



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 material uplift in FY24 results.



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.

FY24 Key Initiatives

The FY23 capital 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 will deliver sustainable profits and will underpin the FY24 results.

Channel delivery

- Partner with the VMIA to deliver insurance completions work, initially focussed on Porter Davis jobs.
- 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 Q4 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 ensuring 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.
- 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 exciting new product offerings across all customer segments, including becoming a significant leader in the Knock Down Rebuild segment.
- Invest in industry leading digital tools and display experiences to create unique and memorable customer experiences.

Thank you.



Thank you.

For more information contact us at:

Telephone:

+61 3 9682 0700

Mailing address:

Locked Bag 4002

South Melbourne VIC 3205

Head Office:

Level 1, 570 St Kilda Road

Melbourne VIC 3004

www.simondsgroup.com.au

Authorised for lodgement by Simonds Group Limited Executive Chair & CEO

