FY24 End of Year Results

30TH JUNE 2024

SIMONDS GROUP

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FY24 RESULTS

Returning to profitability while investing in future delivery capability

Returned to profitability with a $34.7m improvement in EBITDA compared to the comparative prior period, through an increase in gross margin and decreased overheads.

The majority of the low margin residential jobs have been completed in this period with the pipeline of newer starts and diversification in the channel mix supporting the improvement in gross margins.

Aggressively targeted overhead expenditure to improve profitability whilst also funding investments in new capabilities, products, digital assets and brand.

Continued investment in alternative sales channels has resulted in a more diversified revenue mix supporting improved gross margins, providing a strong foundation for longer term growth.

Number of residential site starts softened across the industry as inflation and interest rate conditions stifled demand and low levels of greenfield lots came on stream.

FY24 RESULTS

Delivering the turnaround to mobilise for sustainable growth and profitability

Revenue[1]	EBITDA[1]
$663.5m	$23.3m
Down $58.9m from $722.4m	up $34.7m from -$11.4m

Site Starts[2]	Available liquidity
1772	$26.6m
Down 179 from 1951	Down $12.7m from $39.3m

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 lower,** as residential site starts reduced in a market impacted by softer retail demand and phasing of revenue from Display sales. The Display program was re-aligned to facilitate the rollout of new designs as part of the product refresh and upgrades to the new building code standards.
- The lower residential revenue was buoyed by an **improved contribution from alternative channels,** which includes the work commenced in FY24 to support claimants of domestic building insurance impacted by insolvencies and healthy growth in the Knock Down Rebuild volumes.
- **EBITDA reflects a $34.7m turnaround** as gross margins continue to improve, with a material portion of older low margin jobs completed, while delivering on several cost improvement initiatives during the year.
- **Residential site starts decreased** due to challenging macro economic conditions that are remaining harder for longer, offset by the increased contribution of alternative sales channels.
- **Liquidity remains healthy** with $26.6 million available at 30 June ($1.6m cash on hand and unused banking facilities of $25m) providing sufficient headroom for investment into growth initiatives and to support working capital needs.

Income Statement

	30-Jun-24 $m	30-Jun-23 $m
Continuing operations		
Revenue	663.5	722.4
Cost of sales	-525.1	-603.2
Gross margin	138.4	119.2
Operating expenses	-115.1	-130.6
EBITDA [1]	23.3	-11.4
Depreciation & Amortisation	-16.7	-20.3
Interest expense [2]	-2.2	-2.3
Profit / (Loss) before tax	4.4	-34.0
Income tax (expense) / benefit	-1.4	10.6
Profit / (Loss) after tax	3.0	-23.4
Discontinued operations		
Profit from discontinued operations after tax	1.0	0.1
Profit / (Loss) after tax for the year	4.0	-23.3

[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 decreased as a result of the lower number of jobs going to site and phasing of display home sales.
- **Gross margin** increased by 16.1% despite the lower revenue result. The diversification in the revenue mix and improved margins of jobs going to site supported the increase. The material portion of older low margin jobs have been settled during this period.
- **Operating expenses** declined by 11.9% as the business continue to focus on cost control and the effective delivery of cost savings initiatives implemented at the end of the prior financial year. The Group continued to invest in new channel initiatives and capability to deliver profitable growth once the market volumes return.
- **Depreciation and amortisation** decreased as the Group rationalised the commercial office footprint and streamlined other leased assets in operation.
- **Discontinued operations** represents the Madisson business which closed in 2015. The Group recovered historical cost incurred through the indemnity provided by the Group's insurer.

FY24 RESULTS

Balance Sheet

	30-Jun-24 $m	30-Jun-23 $m
Cash / Equivalents	1.6	15.1
Receivables	54.2	39.9
Accrued revenue	55.8	54.3
Inventories	22.2	19.0
PP&E	2.6	4.5
Intangible assets	3.0	2.0
Other	2.4	1.8
Right-of-use assets	14.5	20.0
Deferred tax asset	2.0	3.9
Total Assets	**158.3**	**160.5**
Liabilities		
Trade / other payables	92.9	89.6
Deferred revenue	11.3	13.2
Lease liabilities	15.5	21.1
Borrowings	0.9	0.4
Provisions	19.2	21.7
Total Liabilities	**139.8**	**146.0**
Net Assets	**18.5**	**14.5**

- **Net cash** and undrawn banking facilities of $26.6m as at 30 June 2024 provide sufficient headroom for the business to support all working capital needs and investments in future growth initiatives.
- **Receivables** increased over the short-term given the phasing of customer claims and changes in working capital requirements for the diversified channel mix.
- **Inventories** comprising land and display homes under construction or available for sale increased by $3.2m as the Group continued to invest in new Display Homes that showcase the new product designs.
- **Intangible assets** include investment ($2.4m) in new product designs and website capabilities to support future channel delivery capability.
- **Deferred revenue** represents customer deposits on hand which continue to reduce due lower residential sales and increased productivity to get jobs to site.
- **Provisions** reflect the lower make good provision required after the office lease rationalisation and lower warranty provision given the completion of Madisson claims and indemnity received from the insurer.

Cash Flow

	30-Jun-24 $m	30-Jun-23 $m
Cash flows from operating activities		
Receipt from customers	711.0	813.5
Payments to suppliers / employees	-706.2	-825.5
Interest paid	-2.2	-2.3
Income taxes refund	0.1	9.9
Net cash generated from / (used in) operating activities	2.7	-4.1
Net cash (used in) investing activities	-3.3	-0.9
Net cash (used in) / generated from financing activities	-12.8	9.0
Net (decrease) / increase in cash	-13.5	4.0
Cash and cash equivalents at beginning of the period	15.1	11.1
Cash and cash equivalents at end of the period	1.6	15.1

- **Cash flow** from operating activities was positive given the improved EBITDA result, offset by the working capital requirements of the new channel initiatives and the phasing of cash requirements for the display home program.
- **Net cash (used in) investing activities** reflect the payments towards activities developing the new homes designs rolled out as part of the new product hierarchy and the investment in the new website during the period.
- **Net cash (used in) financing activities** is mostly payments towards the Group's lease liabilities. The prior period include the proceeds ($24.4m) from the equity issued in Dec '22.

FY25

FY25 Key initiatives

Continued product development to address emerging consumer needs around flexible living spaces and affordability.

Channel diversification

- Medium Density: Investing in increased operational and design capability to support expansion in this channel.
- Government: Working closely with government and developers to support the delivery of affordable housing initiatives.

Sustainable profitability

- Allocation of capital to initiatives supporting revenue and margin expansion across all channels and improving supply chain efficiency.
- Continued focus to streamline the cost base to align with market conditions and effectively deliver the channel requirements.

Product innovation

- Development of new small lot, affordable housing & Medium Density design solutions.
- Upgrading designs supporting the new product hierarchy and construction standards going live in South Australia 1H FY25.

Operational transformation

- Improve the customer journey through the roll out of a new CRM with enhanced feature and customer interface capability.
- Investment in a new Gallery offering and resourcing to deliver improved customer experience.
- Continued focus on delivering operational efficiencies.

FY25

Current trading conditions & outlook

- **Continued residential gross margin improvement** expected as the older low margin contracts have been phased out with future results reflecting the annualized impact of new, higher margin jobs going to site in FY24.
- **Channel mix** continues to evolve with the market shifting towards Medium Density and smaller lot products. Investing in increasing operational and design capability in the Medium Density space.
- **Government initiatives** to deliver affordable housing solutions through initiatives such as HAFF will create opportunities.
- Industry navigating a market that is **harder for longer**, with recovery in retail demand dependent on stabilization of the economic environment.
- **Cost efficiency and alignment** to market conditions remains a focus while investing in capability that will support the delivery of new jobs once demand recovers.

FY25 Market opportunity:

Approval and release of the HAFF will stimulate the delivery of a pipeline of jobs making much needed affordable housing available to Australians.

Simonds celebrates its 75-Year Anniversary in FY25, continuing to remain a trusted partner offering fit for purpose solutions to deliver homes for Australian families.

SIMONDS GROUP

Land availability & affordability

Land availability is mixed nationally. South Australia and Queensland are both constrained markets with low cancellation rates, and not enough land to meet demand. Victoria, on the other hand, has a high cancellation rate and a high level of titled stock sitting on the market with buyer confidence expected to remain challenged for the near-term.

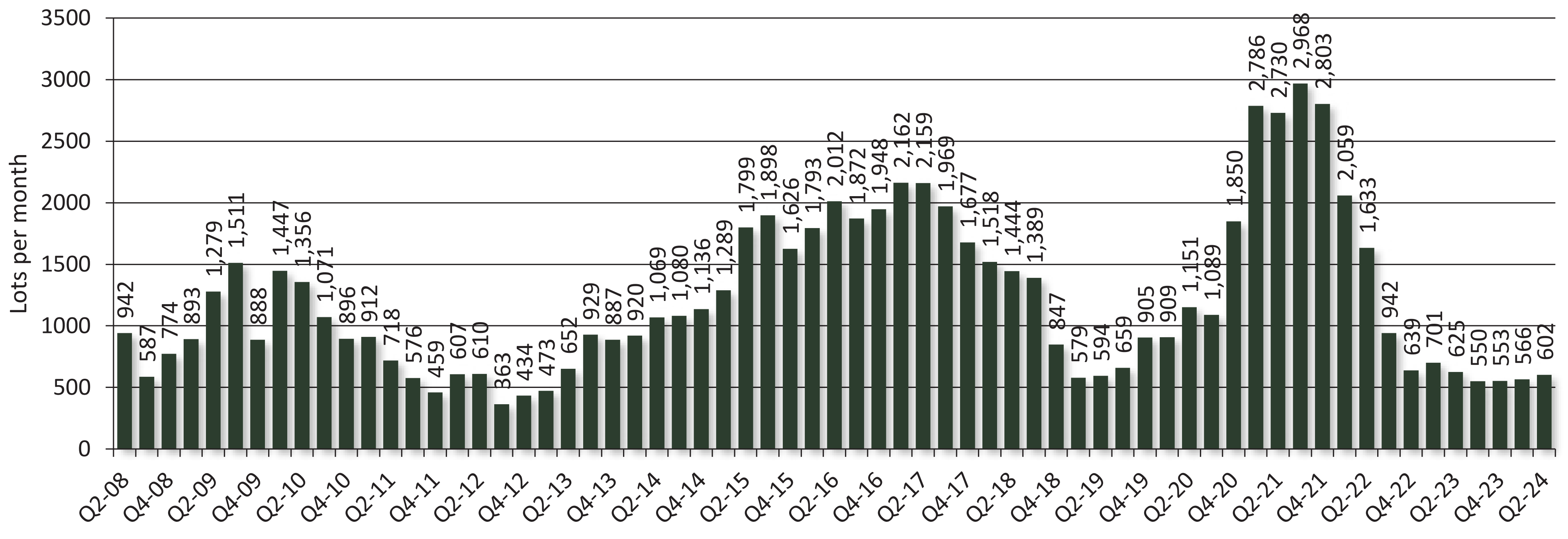
Whilst this market has seen a longer sustained downside, historical trends indicate that this is commonly followed by a faster recovery when demand returns.

Affordability continues to impact buyers nationwide with borrowing capacity plummeting following 13 interest rate rises in 15 months.

Also, lending criteria continues to inhibit customers ability to purchase their dream home.

Net Sales / Allocations

Chart 1 : Average net lot sales/allocations per month for the quarter



Source: Colin Keane R4 - Greenfield Market Detailed Market Performance Report 2024

Borrowing Capacity

Average borrowing capacity reduction

-30%

An average household income of $100,000 has seen their borrowing capacity fall from $750,000 t0 $497,000

Source: CBA Borrowing Calculator, as per RPM Victorian Greenfield Market update - June 2024.

SIMONDS GROUP

Sustainability

For over 75 years, Simonds has been shaping Australia, constructing homes for over 50,000 diverse families. We take pride in the positive impact our work has on people's lives, yet we also acknowledge the significant environmental impact of our industry. It's why we're embedding sustainability across all we do - in the products we make, the homes we build, the communities we work in, and the care we show the people we work and connect with every day.

New NCC standards

- Embraced and integrated the new requirements for liveable housing designs ensuring all future housing is accessible to all occupants.
- The construction of new homes to the 7-star energy standards is both important to the environment and contributes to lower running costs for customers.

Sustainable responsibility

- Enriching our customers' lives and the communities we work in through our actions.
- Ethical labour practices across the supply chain.
- Actively working to find better pathways to deliver affordable housing at scale.

Safety & inclusivity

- Uphold a culture of safety, diversity and inclusion within the Group.
- Rolled-out several leadership and employee initiatives supporting a strong culture of equity and inclusion across the Group.

Innovation in building

- Continued exploration of alternative global technologies into Modern Methods of Construction.

Thank you.

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Authorised for lodgement by Simonds Group Limited Board