

21 January 2016

MARKET UPDATE

Madisson Projects

Simonds Group (ASX:SIO) advises that following a comprehensive independent review of its Madisson Projects division, the Board has today determined that SIO will undertake an orderly closure of this division.

Madisson Projects was acquired by SIO in 2002. The division operates in the medium-density market, building apartments and townhouses for commercial developers using their own concepts, designs and specifications. This specific market has experienced a significant drop in margins for builders as the land costs have increased for commercial developers with no commensurate increase in customer buying prices.

During the past four months to December 2015, Madisson has completed and handed over 6 projects totalling \$42.1m. However, during this period Madisson has also been unsuccessful in winning a number of tenders at appropriate margins.

At the end of January 2016, Madisson will have 3 projects remaining with contract values totalling \$25.4m, which are all forecast to be completed by September 2016.

The independent review has confirmed the financial impact for FY16 of the Madisson closure, including operating losses from existing projects, is in the range of \$7.0m - \$8.5m after tax net loss (subject to audit).

Consequently, SIO intends to book a \$7.0m - \$8.5m extraordinary after tax loss in the FY16 accounts arising from the closure of the Madisson Projects division.

Through the Simonds Homes "Precinct" range, SIO continues to operate in the growing medium-density housing market by providing quality affordable homes directly to our retail customers.

Trading Update

SIO is in the early stages of preparing its financial statements for the six months ending 31 December 2015. Subject to audit review, the Company anticipates revenue between \$318m - \$323m (including Madisson revenue of ~\$24m), which compares to 1H15 of \$299.2m.

In the Simonds Homes division, a number of factors have impacted profitability in 1H16 including:

- deferrals in site starts due to land titling delays;
- delays in the opening of new display homes;
- increased market competition; and,
- increased costs incurred in advance of the expansion in Queensland and New South Wales.

The majority of land-titling delays have now been resolved and we anticipate strong site starts in all regions in 2H16.

Builders Academy Australia (“BAA”) has continued to grow its course offerings within the building and construction sector and has continued to develop its online functionality and expand its overall student body with total revenue expected to be up 6% compared to 1H15.

In addition to obtaining VET FEE-HELP in December 2015, BAA has continued to invest heavily in its course quality, compliance, student engagement, operational systems and brand marketing to ensure its education model is both deliverable and sustainable.

However, the business has experienced slower than anticipated growth in new student enrolments in the Certificate IV Building & Construction course, which has impacted BAA's profit for this half.

Taking these matters into account, subject to audit review, SIO is forecast to deliver a 1H16 loss after tax in the range of \$(4m) – \$(2m) after the impact of Madisson Projects of \$6m in this half year. As outlined above, the full year impact of the closure of Madison Projects division is forecast to be \$7.0m - \$8.5m.

This statement is made for market guidance and SIO does not expect to make any further comment until the 1H16 accounts have been finalised and approved for release to the ASX (anticipated announcement date: 25 February 2016). SIO will provide full year earnings guidance at that time.

For more information, please contact:

Miche Paterson
Partner
Newgate Communications
+61 400 353 762
miche.paterson@newgatecomms.com.au

Robert Stubbs
CFO & Company Secretary
Simonds Group
+61 3 9682 0700

About Simonds Group (ASX code SIO)

Simonds Group Limited is an ASX listed integrated homebuilder (Simonds Homes) and Registered Training Organisation (Builders Academy Australia).

Simonds Homes is the number one residential homebuilder in Victoria and one of Australia's largest volume builders with operations in Victoria, New South Wales, Queensland and South Australia.

Builders Academy Australia is a Registered Training Organisation with a focus on offering nationally accredited qualifications in building and construction. The origins of Builders Academy Australia date back more than ten years, when the Simonds Group established its training division. Builders Academy Australia offers training programs across Victoria, New South Wales and Queensland with over 5,500 course enrolments in FY15.

Embedded within one of Australia's leading home builders, Builders Academy Australia truly is 'builders training builders', offering a clear career upskilling and employment pathway for course participants.