

30 August 2016

ASX ANNOUNCEMENT

SIMONDS GROUP 2016 FULL YEAR RESULTS

Simonds Group Limited (Simonds) (ASX: SIO), one of Australia's leading homebuilders, announces its financial results for the year ended 30 June 2016 (FY16).

Financial results for the year ended 30 June 2016

	FY16 Statutory	FY16 Pro Forma¹
Revenue	\$662.9m	\$628.5m
EBITDA	\$(13.5)m	\$15.1m
Net Profit (Loss) after Tax	\$(14.9)m	\$5.3m

FY16 summary

- Simonds pro forma revenue growth of 8.9%, with 11% growth in Simonds Homes Australia (SHA)
- Record SHA site starts of 2,545
- Strong revenue growth offset by higher costs and delays with land titling and display homes
- Statutory EBITDA impacted by \$28.6 million of one-off losses, costs and impairments as the business is re-set for profitable growth
- Management restructure including the appointment of new CEO, Matthew Chun, and CFO, Mick Myers
- Orderly closure of the loss-making, low-margin, high-density Madisson business
- No final dividend for FY16

Commenting on the FY16 results, Simonds' CEO Matthew Chun said "the second half of the 2016 financial year has seen a significant re-setting of the Simonds business with a management restructure, a shift in strategic focus and the discontinuation of underperforming businesses.

"We have conducted a full review of business operations during the June quarter of 2016 and commenced actions to reduce costs and address key business performance

¹ Pro forma to statutory reconciliation is provided at Appendix 1

issues. The organisational structure has been simplified and a new executive team has been appointed, bringing a wealth of senior management experience.

“SHA remained the key driver of Simonds results for the year delivering good revenue growth and a record number of site starts. New housing demand remains strong; however, revenue growth was offset by a number of factors that contributed to a reduction in operating margins, including higher overheads and increased costs associated with customisation of house designs and the expansion into NSW and Queensland.

“Revenue for Builders Academy Australia (BAA) declined during the year as the number of active students reduced. In addition, BAA has made a significant investment in improving governance, management systems and processes with a continued focus on embedding a quality framework across all operations.

“The recent business review has led to a number of immediate steps that are already having a significant impact on operational performance. Senior management changes and other efficiencies have reduced annual overhead costs, debt has been reduced by over \$10 million since March 2016 and the simplification of product range and locations of operations is well underway.”

Balance Sheet

Simonds Net Assets at 30 June 2016 were negative \$3.3 million. The key drivers of Net Asset deterioration were the impact of the Madisson losses and capital management initiatives undertaken by Simonds during the year.

Inventories reduced significantly during the period, due primarily to the disposal of display homes and non-core development land. Approximately \$25 million of cash was realised during the June quarter of FY16.

Maintaining a strong liquidity position will remain a key focus for FY17. Simonds had \$24.3 million of committed undrawn facilities at 30 June 2016. As at 30th August the unused facilities were \$20.4 million.

Cash Flow

Positive cash flow from operations of \$14.9 million was generated in FY16 through sales of display homes and non-core development land holdings. In addition, funds were borrowed under our CBA banking facility and Simonds Homes Display Fund of \$7.0 million.

Cash outflows included \$7.9 million in relation to the cash payment of the FY15 final dividend and \$8.0 million for the share buyback.

Dividend

The Board of Simonds Group has determined that no final dividend will be paid in relation to the year ended 30 June 2016.

Outlook

Matthew Chun said “the Victorian and South Australian operations of SHA continue to perform well, while challenges remain with the New South Wales and Queensland businesses. With greater focus on building strategic relationships in partnership with land developers, the location of display homes in key growth zones and the consolidation of our product range we expect to improve our market penetration, sales and ultimately site starts in the 2017 financial year and beyond.

“BAA continues to focus on delivering high quality trade qualifications that meet the needs of the Australian construction workforce. Through diversifying funding sources, delivery modes and market segments, including expanded delivery in states other than Victoria, BAA continues to prepare graduates to realise sustainable career outcomes. The business is focusing on responding to the increased demands that have been placed on it from the ever changing regulatory environment in this sector, which continues to be a major risk as well as an opportunity for Simonds.

“The recently completed management and operational restructures will lead to a reduction in costs with a stronger focus on a flexible overhead, and the ability to be able to better respond to changes in our key markets.

“Our other key focus areas include simplifying SHA’s product range and locations of operations, changing the business to increase focus on operational efficiency and profitable growth, improving cash flow and maintaining a strong liquidity position”.

Simonds Group Annual General Meeting will be held in Melbourne on 25 November 2016.

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About Simonds Group (ASX code SIO)

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

Simonds Homes Australia 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. Established more than ten years ago, Builders Academy Australia offers training programs across Victoria, New South Wales and Queensland.

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.

Appendix 1: Statutory to Pro-forma Reconciliation

Year ended 30 June 2016	Sales \$m	EBITDA \$m	EBIT \$m	NPAT \$m
FY16 statutory results	662.9	(13.5)	(19.2)	(14.9)
Madisson Homes	(34.4)	17.9	18.1	12.7
Impairment – IT project costs	-	3.7	3.7	2.6
Accelerated impairment of display and speculative homes	-	2.7	2.7	1.9
Impairment – non-core development land	-	1.7	1.7	1.2
Management restructure costs	-	2.6	2.6	1.8
Total pro forma adjustments	(34.4)	28.6	28.8	20.2
FY16 pro forma results	628.5	15.1	9.6	5.3