

Simonds Group Limited

Results for the financial year ended 30 June 2018

Amamoor with Oakland Facade, Helensvale Display, Queensland



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FY18 Full Year Financial Results

\$605.2m

Statutory Revenue

Up \$17.8m or 3.0%

\$13.7m

Statutory EBITDA

Up \$3.6m or 36%

\$16.3m

Pro Forma EBITDA

Up \$2.5m or 18%

\$3.8m

Statutory NPAT

Up \$3.6m or
1,800%

\$6.8m

Pro Forma NPAT

Up \$2.2m or 48%

- Revenue in the Homes business increased 4.1% on prior period comparative on the back of higher site starts
- Gross Profit improved by 5.9% due to better margins, changes in product mix and stronger cost controls
- Non-core operations reviewed leading to the divestment of Hub Group in first half FY18
- Continued focus on safety systems across the business

Simonds Homes Key Results

Key Financial Metrics¹

\$593.1m

Total Revenue
Up \$23.2m or 4.1%
from \$569.9m

\$15.9m

Pro forma² EBITDA
Up \$3.9m or 32.5%

2,500

Site starts
Up 4.6% from 2,391³

122

Total display homes
Up from 117

- Starts have increased as a result of the Group's strong pipeline and focus on consistent delivery of site starts each week.
- Revenue and margin improvement derived from change in product mix, less product customisation and improved cost management
- Strengthening of business rules since FY17 have continue to translate into improved margins, with further improvements expected
- Streamlining of the product range and investment in innovation and new product will deliver future growth

1. Excludes Madisson Projects as it is a discontinued operation.

2. Pro Forma Information is reported to give information to shareholders that provides a greater understanding of the underlying performance of Simonds Group Limited's operations, particularly in reference to non-recurring items, such as restructure costs impacting continuing operations. A reconciliation of Pro Forma adjustments is presented in Appendix 1.

3. Excludes any display or speculative home starts.

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

Education Key Results

Key Financial Metrics

\$11.2m

Revenue
Down \$2.2m or 16%

\$0.8m

Pro forma¹ EBITDA
Down \$0.5m or 38%

2,223

Course Enrolments
Down from 2,586

811

Graduated enrolments
Down from 1,973

- All funding contracts in VIC, NSW, ACT and QLD maintained
- Regulatory compliance with all government funding agreements
- Federal VET Student Loans contract granted
- CWBTS Registration extended by a further seven years after a thorough audit with ASQA.
- Victorian Skills First 2018/2019 funding contract secured
- Extension of course durations, as well as shift from dual to single course enrolments, impacted results and student numbers

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Balance Sheet

	30 Jun 2018 \$m	30 Jun 2017 \$m
Assets		
Cash / Equivalents	7.0	10.2
Receivables	34.9	32.7
Inventories	67.9	48.2
PP&E	7.2	7.9
Other	9.3	11.6
Total Assets	126.3	110.6
Liabilities		
Trade / other payables	71.7	61.2
Debt	8.1	15.2
Provisions	20.7	20.9
Deposits & income in advance	20.0	13.8
Other	4.8	2.6
Total Liabilities	125.3	113.7
Net Assets	1.0	(3.1)

- Significant improvement in net assets – from a deficiency in FY17 of \$3.1m to a positive net asset position of \$1.0m

- Net Working Capital is in line with prior periods

- Inventories include display homes constructed and available for sale

- Debt net of cash / equivalents reduced by \$3.9m - primarily driven by improvement in results and working capital management

- Headroom under the existing CBA facilities of \$35.8m at 30 June 2018

- Subsequent to the end of the financial year the Group's banking facilities have been extended to September 2021

- Simonds Homes Display Fund maturity extended to 30 September 2019

Cashflows

	30 June 2018 \$m	30 June 2017 \$m
<i>Cash flows from operating activities</i>		
Receipts from customers	603.2	604.5
Payments to suppliers / employees	(594.6)	(596.6)
Transaction costs (Scheme of Arrangement)	-	(1.8)
Interest paid	(1.3)	(1.7)
Income taxes refunded / (paid)	1.4	2.6
Net cash generated from operating activities	8.7	7.0
Net cash used in investing activities	(4.3)	(2.6)
Net cash (used in)/from financing activities	(7.6)	2.6
<i>Net increase / (decrease) in cash</i>	(3.2)	7.0
Cash / Equivalents at end of the period	7.0	10.2

- Net cash generated from operating activities was \$1.7m or 24.3% above the prior period comparative

- Receipts from customers were in line with prior period comparative

- Improved cost controls have enabled a slight reduction in payments to suppliers and employees

- A higher tax refund in FY17 due to FY16 operating losses in comparison with FY18

- Lower borrowings have reduced interest costs in FY18

- Improved results and working capital management enabled repayment of borrowings



Delivering Shareholder Value

Maximise value through our fundamental strengths:

- Longevity of Simonds brand
- Safe and efficient home building processes
- Reputation for quality and delivery
- Leading market position

Business process improvements:

- Consistency in home starts per region
- Delivering sustainable profitability

Strengthen leadership and execution capability:

- Appointment of Kelvin Ryan as CEO and Managing Director
- Strong, industry-experienced management team to take the Group forward

Building shareholders value:

- Restoration of the Balance Sheet
- Investment in product range and innovation
- Partnering with key stakeholders



Appendix

Appendix 1: Statutory to pro forma reconciliation

Statutory to pro forma reconciliation	FY18 Revenue \$m	FY18 EBITDA \$m	FY18 NPAT \$m	FY17 Revenue \$m	FY17 EBITDA \$m	FY17 NPAT \$m
Statutory result from continuing operations	605.2	13.7	4.8	587.4	10.1	2.1
Impairment of non-core development land and other current assets ¹	-	0.4	0.3	-	1.4	1.0
Transaction related costs ²	-	-	-	-	1.8	1.2
Business review and management restructure costs ³	-	1.8	1.3	-	0.5	0.3
Remove activity of divested business ⁴	(0.6)	0.4	0.4	-	-	-
Pro forma⁵ result	604.6	16.3	6.8	587.4	13.8	4.6

1. Impairment of non-core development land and other current assets relates to legacy land holdings which form part of the Developments business.

2. On 31 August 2016, the Group announced a Scheme Implementation Agreement with SR Residential Pty Ltd ("SR Residential" or "Consortium") (which is jointly owned by entities associated with Roche Holdings Pty Ltd and Simonds Family Office Pty Ltd) under which it was proposed that SR Residential would acquire all shares in the Company not already owned by associates of the Consortium by way of the Scheme. On 28 November 2016, the Group announced that the Scheme Implementation Agreement has been terminated by mutual agreement of the Group and SR Residential. During this process, the Group incurred transaction costs of \$1.817m for year ending 30 June 2017.

3. Business review and management restructure costs relate to senior management changes and a business review that took place during the year.

4. Divestment of Hub Group during 1HFY18, with the associated operating results of Hub and loss recognised on divestment removed from continuing operations.

5. Pro forma results exclude the impact of significant/one-off items in the year as detailed above. The presentation of non-IFRS financial measures is considered useful for the users of this information as it provides additional and relevant information that reflect the underlying financial performance of the business.



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Thank you