

ASX ANNOUNCEMENT

MARKET UPDATE

Melbourne, 16 November 2015: Simonds Group Limited (ASX: SIO) is pleased to provide a market update in respect of a number of the Group's operations.

Intention to Acquire Gemmill Homes Group

Simonds announces its intention to acquire 100% of Gemmill Homes Group Pty Ltd, a Perth-based homebuilder with an established footprint in the Western Australian market.

Simonds and Gemmill have agreed to terms for the Sale of Shares which is subject to a Call Option between the parties which values Gemmill at \$6 million. The Call Option is exercisable by Simonds at its sole discretion at any time until 31 July 2016.

Key Terms

The material terms of the Call Option include:

- Non-refundable option fee of \$100,000, payable immediately
- Option exercisable by SIO at its sole discretion any time until 31 July 2016
- Purchase price of \$6 million

Gemmill Homes

Gemmill has operated in the Western Australia market since 2004. The business operates throughout the wider-Perth area and has a number of brands which cater to various sectors of the market, including Gemmill Homes, Goodlife Homes and Gemmill Projects. Over the past 11 years the Gemmill brand has developed into a respected and recognised brand in the Perth region. In FY15, Gemmill generated revenue of \$132 million.

Gemmill Homes Group Managing Director Craig Gemmill has been a key driver of growth in the business and will continue in this role in order to ensure the business' continued success.

Strategic Rationale for Acquisition

Simonds has a demonstrated capacity and capability to successfully grow through geographic expansion and a national footprint is a key component of the Group's five-year strategy.

Gemmill provides significant potential to leverage existing loyal supply arrangements and the Group's proprietary construction management systems to secure and grow an existing ready-made business in the Western Australian market.

Western Australia remains a key component of the national economy and the changing landscape in that market is already allowing better access to trades, which in turn reduces build times and improves margins.

Given the financial position of the Group, the strength of the balance sheet and headroom availability in the existing debt facility, this acquisition has the capability to deliver long-term sustainable earnings growth through a strong national presence for the Simonds Homes business.

Strategic Review of Madisson Projects

Simonds has commenced a strategic review of the Group's business-to-business project builder, Madisson Projects. Operating in the apartments, medium-density and townhouse sectors, Madisson Projects delivered revenue of \$52m in FY15.

Over the past few years, the competitive landscape in these sectors has seen a continuing weakening of margins, which in turn has contributed to an on-going drag in operating earnings impacting the Group's Residential segment profit.

The review will be undertaken over the next two months in conjunction with external independent consultants and a further market update is expected to be provided with the half year result in February 2016.

Simonds Land Development Syndicate

Simonds is pleased to announce that the first Simonds Land Development Syndicate #1 has been fully equity funded to \$6.3 million. The Syndicate is managed externally whilst Simonds acts as the Development Manager.

The Simonds Land Development Syndicates have been created to support the Group's retail building business and provide further earnings diversification through development profits and project management fees. The majority of developments are smaller land parcels between 30 – 50 lots where Simonds will co-invest in the syndicates (up to 20% of the equity raised) and project manage the development.

The first syndicate comprises two projects in Mernda and Officer in Victoria's fast-growing outer metropolitan corridors, with a projected end value of \$14.4 million.

Given the Group's capital-light model, Simonds will take up to 20% co-investment position with each future syndicate targeting project completion time-frames of less than 2 years and internal rates of return of at least 20%.

Simonds Display Home Expansion

Simonds is also pleased to announce that the Simonds Display Home Fund has completed its first \$5m equity raising. The Fund Manager for this fund is Aura Funds Management.

The Fund is a complying fund for the purpose of meeting Significant Investor Visa (“SIV”) requirements and provides Simonds with further funding to expand its display home footprint across Australia.

The Simonds Display Home Fund increases Group liquidity and provides an on-going funding source for Simonds Homes’ expanding national display footprint.

With the recent new displays opened at Warragul and Cranbourne West, Victoria, Simonds Homes now has 115 display homes across 62 display centres. With the on-going expansion, particularly in Queensland, New South Wales and South Australia, Simonds expects to have over 130 display homes open by June 2016 reflecting a significant investment in our retail platform and providing a strong platform for sales growth through FY17 and beyond.

For more information, please contact:

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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 homebuilder in Victoria and currently operates 115 display homes in over 60 display locations across 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 is ‘builders training builders’, offering a clear career employment pathway for course participants as well as a well-trained network of employees, suppliers and contractors of Simonds Homes.
