



Simonds Group

20 February 2019

ASX ANNOUNCEMENT SIMONDS GROUP 2019 HALF YEAR FINANCIAL RESULTS

Simonds Group Limited (Simonds, Group or Company) (ASX: SIO), one of Australia's leading homebuilders, has today released its Appendix 4D Financial Report for the six months ended 31 December 2018 (1HFY19).

The Company earned a net profit after tax (NPAT) of \$5.8 million - up 427% on the 1HFY18 result.

Results for the half year ended 31 December 2018:

	1HFY19	1HFY18
Revenue	\$351.4m	\$291.7m
Earnings before interest, depreciation and amortisation (EBITDA)	\$12.4m	\$5.2m
NPAT	\$5.8m	\$1.1m

1HFY19 HIGHLIGHTS

- 1,320 site starts – 128 above 1HFY18.
- 'Back to Basics' program delivering results.
- Revenue of \$351.4m – \$59.7m higher than 1HFY18 due to increased site starts, higher site start values and changes in product mix.
- EBITDA of \$12.4m – \$7.2m higher than 1HFY18 due the higher site starts and site start values, combined with higher margins.
- Balance sheet strengthened - net asset position improved from \$1.0m at 30 June 2018 to \$6.8m at 31 December 2018.
- Strong, industry-experienced executive team to take the Group forward, now structured on a "Functionally led – Regionally operated" model.

1HFY19 OVERVIEW

Commenting on the results, the Group CEO and Managing Director Kelvin Ryan said:

“Simonds has continued its upward trajectory in terms of site starts and operating results and is well positioned for future growth. The Group is seeing the benefits of:

- The ‘Back to Basics’ program launched in FY18 and delivering improving margins, positive cash flows and restoring the health of the balance sheet;
- An engaged executive leadership team focused on achieving business growth;
- Targeted sales and marketing activities focussed on delivering sales through traditional as well as new channels;
- Streamlining our product range; and
- Partnering with key stakeholders.

Leveraging on the longevity of the Simonds brand and its characteristics of build quality and on-time delivery, Simonds was the first volume national residential home builder to provide a Lifetime Structural Warranty Guarantee.”

GROUP FINANCIAL RESULTS REPORTED FOR 1HFY19

Revenue for the period was \$351.4 million, an increase of \$59.7 million (+20.5%) on 1HFY18.

EBITDA for the Group increased \$7.2m (+138.5%) on 1HFY18 due to higher site starts and site start values, product mix changes and further strengthening of cost control measures.

Net cash flows for the Group were \$3.3 million, an increase of \$8.9 million (+159.3%) on the prior comparative period, driven by continued improvements in results and working capital management.

The Group improved net assets from \$1.0m at 30 June 2018 to \$6.8m at 31 December 2018 as a result of higher earnings, strong focus on cash controls and working capital management..

The key balance sheet movements during 1HFY19 were:

- Increased Cash of \$3.3 million;
- Trade and other receivables decreased by \$8.6 million whilst trade and other payables decreased by \$7.1 million, impacted by movements in site starts and seasonality;
- \$1.8 million increase in inventories, including work-in-progress, and display homes constructed and available for sale;
- Net debt increased by \$0.1 million and headroom under the Group’s CBA facilities was \$36.0 million at 31 December 2018.

SIMONDS HOMES

Key Metrics

	1HFY19	1HFY18	Change
Revenue	\$346.1m	\$284.9m	+21.5%
EBITDA	\$11.8m	\$4.6m	+156.5%
Site starts ¹	1,320	1,192	+10.7%
Total display homes	117	119	-2 displays

¹ Excludes any display or speculative home starts.

Revenue, earnings and margins in the Simonds Homes business have improved during 1HFY19, with site starts significantly up on the prior comparative period. Margins improved through increases in site start values associated with changes in the product mix, less product customisation and strengthened cost control measures.

BUILDERS ACADEMY AUSTRALIA (BAA)

Key Metrics

	1HFY19	1HFY18	Change
Revenue	\$5.0m	\$6.2m	-19.4%
EBITDA	\$0.5m	\$0.8m	-37.5%

Revenue and earnings fell in the BAA business, however strong course enrolments have been recorded, and the business has retained its existing state government and federal government funding contracts. The extension of course durations, along with the shift in students undertaking dual courses to single courses, has continued to impact both results and the number of students graduating.

DIVIDENDS

The Directors have determined that no dividend will be declared in relation to the six months ended 31 December 2018.

DELIVERING SHAREHOLDER VALUE

The Company's "Back to Basics" approach is delivering improved margins and profitability, as well as investing in product innovation and developing new channels to market that will enable continued improvement in financial results and future shareholder returns.

The business continues to improve its market penetration, strengthening relationships with developers, ensuring our product continues to meet the market.

At a time when the residential construction industry is facing some challenges our business is improving its market and financial position through its "Back to Basics" program and innovating its product range and digital sales channels.

- ENDS -

For more information, please contact:

Kelvin Ryan CEO and Managing Director Ph: +61 3 9926 3151
