

24 August 2022

Executing on strategy – increased scale and CPI linked rents provide strong base for growth

Highlights

- Revenue of \$338.1 million, up 14%
- Statutory profit of \$100.6 million, up 38%
- EBIT of \$101.7 million, up 8%
- Underlying EPS of 23.3 cents, down 1%
- Operating cash flow of \$114.9 million, down 17%
- Record 409 new home settlements with significant growth forecast in coming years
- Strong balance sheet maintained – debt capacity and capital recycling to underpin future investment
- Delivered on FY22 guidance with EBIT growth of 8% and underlying EPS down 0.3 cps on FY21

Ingenia Communities Group (ASX:INA) today announced Underlying Profit of \$87.9 million for the year ending 30 June 2022, an increase of 14% on the previous financial year. Statutory Profit of \$100.6 million is up 38% on the prior year.

Group revenue was up 14% to \$338.1 million, and EBIT was up 8% to \$101.7 million. Operating cash flow of \$114.9 million was down 17% on FY21, benefiting from a growing revenue base, however offset by lost tourism earnings and reduced settlements due to COVID and weather impacts.

The Group achieved 409 new home settlements (Ingenia and Joint Venture) in FY22, and its development pipeline expanded by over 50%, to 6,580 sites, with an increased exposure to markets with strong demand drivers.

Underlying EPS of 23.3 cents represents a 1% decrease on FY21, due to an increase in securities on issue following the \$475 million equity raising in November 2021, and COVID/supply chain impacts on holidays and development earnings.

The full year distribution is 11.0 cents per stapled security, a rise of 4.8% on FY21 on a cents per security basis. The 2H22 distribution of 5.8 cents per security will be paid on 22 September 2022.

Ingenia's CEO, Simon Owen, described the Group's performance as pleasing in a challenging environment, reflecting the increased scale and resilient nature of the business.

"The result showcases that Ingenia's key strategic drivers remain intact – an ageing population, solutions to address housing affordability, internal migration patterns and domestic travel to support long term demand. The Group has continued to enhance its scale and market reach, with total assets increasing by more than 60% over the year.

Residential communities

“We have continued to maintain leadership in lifestyle communities by adapting to the environment and reshaping our development pipeline to meet changing demographics. During the period we built a greater exposure to markets benefiting from internal migration and price growth, with 90% of our future development pipeline now located in Queensland and high growth coastal/regional markets.”

Housing affordability issues and the appeal of community living post COVID isolation continue to make Ingenia’s communities a highly attractive proposition. Despite recent falls, national house price growth over the 12 months to July 2022 was 8.0%¹. Downsizers have seen the value of their primary asset increase substantially, which has enhanced their ability to fund the purchase of a new home in one of Ingenia’s communities. Ingenia remains keenly aware of the inflationary environment and interest rate pressures facing Australians and is committed to ensuring new home prices and rents remain affordable across a diverse range of communities and locations.

The Group’s uninterrupted resident rental streams provide a strong defensive element to the business in the face of challenging trading conditions and CPI increases. Through FY22 the Group continued to deliver rental growth due to inflation-linked rent increases and an expanded rental base driven by recent acquisitions, new home settlements and investment in new rental cabins. Ingenia Gardens rental revenue was up 6% on FY21, with continued high occupancy.

“Ingenia settled 409 new homes, and our development pipeline is one of the largest in the sector. More than 500 new homes are under construction or ordered with ten new projects (Ingenia and Joint Venture) planned to commence in FY23. An increase in home settlements to 525 – 550 is targeted for FY23 as existing projects continue to build settlements and new projects contribute.

Ingenia Holidays

“Our holiday business is benefitting from bouyant domestic travel demand, and we now have 40 parks on the East Coast from the Great Barrier Reef to the Great Ocean Road. We expect ongoing demand as families and grey nomads continue to value local travel over international. Forward bookings through to August 2023 are up more than 30% (versus 2022) and we are seeing a trend towards the booking out of shoulder seasons, which will support annualised occupancy growth.

“The Group continues to prioritise our ESG program which remains core to our strategy and aligned with our vision, purpose and values. We remain a leader in diversity and inclusion and are progressing our emissions strategy. The stage 2 solar and LED rollout continued in FY22, and Ingenia is well advanced with a Green Star strategy for future development.

“We are also seeking growth in our capital partnerships. In addition to progressing a Holiday Parks fund, we are building momentum in the Joint Venture with Sun Communities (NYSE: SU1) as four new projects commence in the current financial year.

“Looking ahead our outlook is strong as our core business continues to demonstrate resilience, bolstered by a diverse asset base and revenue streams. The management of supply chain, cost increases and home delivery remain a key focus and priority for the business. We have adjusted our development and sales processes accordingly and have multiple projects commencing in FY23,” Mr Owen said.

¹ Source: CoreLogic, Monthly Housing Chart Pack, August 2022.

Capital management

The Group closed FY22 with a well-positioned balance sheet. Ingenia has over \$325 million in cash and available undrawn debt. Ingenia closed the year with an average debt tenor of 4.4 years, an LVR of 25.7% and 20.6% gearing. Currently 51% of 30 June drawn debt is hedged, with an average tenor of 3.7 years.

Outlook & Guidance

Ingenia's outlook is strong as portfolio growth has enhanced exposure to seniors housing and domestic travel.

In FY23 the Group will see a material increase in the contribution from the operating business as it benefits from an expanded residential rental base and increasing holiday occupancy and rates. The Group's large base of resident rent is stable and predictable – and is growing.

"We remain confident in the ability of our development business to deliver growth, and prices remain affordable for downsizing residents, with flexibility to respond to changes in market conditions and consumer demand. The Group has multiple projects commencing in FY23, with a target of 2,000 - 2,200 settlements over the three years to end FY25. Ingenia's balance sheet provides capacity for this growth."

Following a transformational FY22, Ingenia is well positioned for the next stage of growth, with a significantly expanded business, embedded expansion opportunities and the ability to optimise performance through continuing focus on people, culture and technology across the Group.

The Group is targeting FY23 guidance of growth in EBIT of 30% to 35% and underlying EPS growth of 5% to 10% on FY22¹.

Further information is contained in the Group's Financial Statements and Investor Presentation lodged with ASX today.

A teleconference and webcast has been arranged Wednesday, 24th August at 11:30am (AEST). Dial-in and webcast details can be found below. Please note, participants wishing to dial-in will need to pre-register for the call.

Teleconference: The pre-registration link can be accessed [here](#).

Webcast: Can be accessed [here](#).

1. Guidance is subject to no material changes in market conditions and no other unforeseen circumstances adversely affecting financial performance, including further impacts of supply chain and labour shortages. EBIT and underlying EPS are non-IFRS measures which exclude non-operating items such as unrealised fair value gains/(losses) and gains/(losses) on asset sales.

ENDS

Authorised for lodgement by the Board.

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About Ingenia Communities Group

Ingenia Communities Group (ASX: INA) is a leading operator, owner and developer of communities offering quality affordable rental and holiday accommodation focussed on the growing seniors market in Australia. The Group has 110 communities and development sites across Australia and is included in the S&P/ASX 200.

Ingenia Communities Holdings Limited (ACN 154 444 925), Ingenia Communities Fund (ASRN 107 459 576) and Ingenia Communities Management Trust (ARSN 122 928 410). The Responsible Entity for each scheme is Ingenia Communities RE Limited (ACN 154 464 990) (AFSL415862).