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ABN 54 143 841 801 / ASX Code: SIO

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ASX ANNOUNCEMENT SIMONDS GROUP FIRST HALF YEAR 2021 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 2020 (1HFY21).

Simonds earned a net profit after tax (NPAT) of \$1.9 million from continuing operations.

Results for the six months ended 31 December 2020:

	1HFY21 \$ million	1HFY20 \$ million
Revenue	\$325.0	\$327.5
Earnings before interest, depreciation and amortisation (EBITDA)	\$14.0	\$15.9
Net Profit After Tax (NPAT) from continuing operations	\$1.9	\$4.1

1HFY21 HIGHLIGHTS

- 1,172 site starts for the period – 29 starts above the comparative period in 1HFY20.
- Cashflows generated from operations of \$13.7 million, and lower cash consumed by investing activities than for the comparative period in 1HFY20, resulted in cash on hand at 31 December 2020 of \$31.1m.
- Net asset position rose from \$17.3 million as at 30 June 2020 to \$18.5 million as at 31 December 2020.
- Revenue of \$325.0 million – \$2.5 million less than 1HFY20 predominantly due to the impact of COVID-19 on productivity.
- EBITDA of \$14.0 million – \$1.9 million less than 1HFY20 due to the impact of investing in new sales channels offsetting the additional margin obtained in 1HFY21.
- BAA delivered an EBITDA of \$1.7 million – \$0.5 million more than 1HFY20 due to increased student enrolments, higher student graduations, and savings generated from delivering courses virtually.

1HFY21 OVERVIEW

Commenting on SIO's results for 1HFY21, the Group CEO and Managing Director Rhett Simonds said:

"In what has been an extremely challenging period associated with the prolonged effects of the COVID-19 global pandemic, the Group has been able to operate within the constraint of restrictions on our workplaces and communities.

The ability of our customers, staff, suppliers, and sub-contractors to adapt in these conditions has ensured the Group could continue to generate positive cashflows. We remain focussed on improving and delivering sustainable operating performance through cost efficiency, increasing sales through our traditional display homes and expanding through digital channels, as well as investing in new business channels.

Our business, like many others across the housing sector, has benefited from government stimulus and in particular the Federal Government's HomeBuilder program. This has helped to mitigate the impact of the lockdowns initiated in each of the geographic areas the Group operates."

GROUP FINANCIAL RESULTS REPORTED FOR 1HFY21

Revenue for the period was \$325.0 million, a decrease of \$2.5 million (-0.8%) on the comparative period in 1HFY20.

EBITDA for the Group decreased by \$1.9 million (-11.9%) on the comparative period in 1HFY20. This was due to the impact of investment in developing new sales channels and increased marketing offsetting the benefits of higher site starts and stronger margins.

The Group generated net cash flows of \$2.8 million in 1HFY21, a decrease of \$1.8 million or 39.1% on the prior comparative period, due to the impact of timing of cash collections and payments.

The key balance sheet movements during 1HFY21 were:

- The Group's net assets rose from \$17.3 million at 30 June 2020 to \$18.5 million at 31 December 2020 reflecting the positive earnings contribution, as well as the continued focus on cash controls and working capital management,
- Cash and cash equivalents increased by \$2.8 million, further increasing the Group's headroom under its CBA facilities at 31 December 2020 to \$56.1 million,
- Trade receivables and accrued revenue associated with work in progress decreased by \$12.2 million whilst trade and other payables decreased by \$21.8 million, predominantly due to movements in site starts and seasonality,
- Inventories, which include unsold display homes, display homes under construction and available for sale, as well as land holdings, decreased by \$5.4 million.

SIMONDS HOMES

Key Metrics

	1HFY21 \$ million	1HFY20 \$ million	Change
Site starts ¹	1,172	1,143	+2.5%
Revenue	\$318.1	\$321.7	-1.1%
EBITDA	\$12.3	\$14.6	-15.8%

Revenue and earnings in the Simonds Homes business were impacted by the difficult operating conditions and restrictions imposed on the business as a result of the COVID-19 pandemic. Despite these challenges, the business was able to commence 1,172 site starts during 1HFY21, 29 more site starts than for the prior comparative period.

Earnings generated from the additional starts and improved margins were re-invested in the sales and marketing of new business channels.

BUILDERS ACADEMY AUSTRALIA (BAA)

Key Metrics

	1HFY21 \$ million	1HFY20 \$ million	Change
Revenue	\$7.0	\$5.7	+22.8%
EBITDA	\$1.7	\$1.2	+41.7%

Revenue received by the BAA business increased \$1.3 million (+22.8%) on 1HFY20 with 1,546 enrolments, 536 higher (53.1%) than for the prior comparative period. Students studying via the video-content, self-paced online model launched in FY20 increased by 72% compared with the prior comparative period. In addition, students studying under apprenticeship and traineeships increased by 18% across 1HFY21.

During the period BAA was recognised firstly as Victoria's, and subsequently, as Australia's best small training provider at the 2020 Victorian and Australian Training Awards, respectively.

¹ Excludes any display or speculative home starts.

OUTLOOK AND FUTURE DEVELOPMENTS

During FY20 the Group invested in the development of new sales channels which have delivered revenue and cashflows in FY21. In 1HFY21 the Group has continued investing in new sales channels to broaden and diversify the Group's offerings to customers.

COVID-19 is expected to continue to impact the Group in 2HFY21 as state governments implement various policies and counter measures. These include restrictions on access to sites, our display centres and other potential impacts across the supply chain. Management have taken a range of mitigating actions to reduce the impact of these factors on our business.

There are many uncertainties associated with the ongoing COVID-19 pandemic which make forward-looking statements problematic. Heightened demand created by the HomeBuilder stimulus has created pressure on trades that may prolong build times and impact trade rates. While the Group expects some volatility in the future because of COVID-19, and the impact of the cessation of government stimulus programs such as HomeBuilder, the Group notes industry groups and analysts, including HIA, CBA and UBS, are forecasting positive growth through to 30 June 2021 and into FY22.

DIVIDENDS

The Directors have determined that no dividend will be declared in relation to the six months ended 31 December 2020.

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For more information, please contact:

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Authorised for lodgement by the Simonds Group Limited Board of Directors.