

FY24 Half Year Results

END 31ST DECEMBER 2023




SIMONDS
GROUP

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1H FY24

Delivering a sustained return to profitability

Two consecutive quarters of positive NPAT following two years of reported NPAT losses.

Rapidly trading through older low margin jobs, with the positive NPAT result reflecting shift to higher margin jobs.

New brand identity and product hierarchy will be released in March 2024 supporting improved customer experience and future sales growth.

Simonds observed an increase in customer deposit taking in 1H24 compared with 2H23. Recent economic indicators and the stabilisation of interest rates should support further homebuyer confidence and demand for Simonds product. Management expect the longer-term volume outlook to be supported by strong future demand for residential housing.

Investment in new sales channels resulted in a more diversified mix of current jobs under construction.

Management continue to implement initiatives to streamline the cost base inline with the target operating model.

NCC compliant product formally rolled out in Queensland and in final development stage for VIC and SA.

1H FY24

Effective delivery of profit improvement initiatives

Revenue¹

\$337.0m

Down \$45.2m from \$382.2m

EBITDA¹

\$12.1m

up \$17.6m from (\$5.5)m

Site Starts²

962

down 137 from 1,099

Available liquidity

\$34.1m

Down \$5.2m from \$39.3m³

- **Revenue decreased** as a result of a strategic decision to reduce site starts in line with expected market demand. As such there were fewer jobs on site in the period and allowed the Group to efficiently trade through the tail end of lower margin jobs.
- **Despite the lower revenue, EBITDA positively impacted by the improved margins** of current jobs under construction and reduced overheads resulting from the cost saving initiatives implemented over the previous 12 months.
- **Site starts decreased due to subdued demand given the impact of the wider macro-economic environment over the last 12 months.** The Group has worked through the majority of the lower margin jobs and the current mix of site starts are driving positive margin performance from a more diversified channel mix.
- **Liquidity remains healthy and the Group has no core debt,** the Group is well positioned to fund future working capital requirements and future growth initiatives.

1. From continuing operations

2. Excludes any display homes

3. Available liquidity as at 30 June 2023.

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

1H FY24

Income Statement

	31-Dec-23	31-Dec-22
	\$m	\$m
Continuing operations		
Revenue	337.0	382.2
Cost of sales	(269.1)	(319.0)
Gross Margin	67.9	63.2
Operating Expenses	(55.8)	(68.7)
EBITDA¹	12.1	(5.5)
Depreciation & Amortisation	(8.6)	(10.6)
Interest expense ²	(1.0)	(1.2)
Profit / (Loss) before tax	2.5	(17.3)
Income tax benefit / (expense)	(0.8)	5.4
Profit / (Loss) before tax	1.7	(11.9)
Discontinued operations		
Profit / (Loss) from discontinued operations after tax	0.7	(0.8)
Profit / (Loss) after tax for the year	2.5	(12.7)

¹ Referring to Earnings before Interest, Income Tax and Depreciation & Amortisation ("EBITDA")

² Interest expense mainly comprises non-cash interest on long-term lease liabilities calculated in line with AASB 16 Leases and line fee on multi-option facility

- **Revenue from construction and related activities decreased by (11.8%)** as a result of the strategic decision to reduce the number of jobs on site.
- **Gross margin increased to \$67.9m (+7.4%) during the period despite the lower revenue result.** The business is rapidly trading through the older lower margin jobs, improving the margin mix in conjunction with a growing contribution from diversified sales channels.
- **Operating expenses saw a decline of 18.8%, or \$12.9m** attributable to recent transformation and right-sizing initiatives implemented.
- **Discontinued operations represents the Madisson business which was closed in 2015.**
 - In line with statutory guidelines, the business is still incurring warranty related claims.
 - During the half year, a litigation claim was settled in favour of Simonds resulting in a net profit of \$0.7m.

1H FY24

Balance Sheet

	31-Dec-23	30-Jun-22
	\$m	\$m
Cash / Equivalents	9.6	15.1
Receivables	38.9	39.9
Construction work in progress	51.2	54.3
Inventories	23.0	19.0
PP&E	3.1	4.5
Intangible assets	2.9	2.0
Other	3.1	1.8
Right-of-use assets	15.2	20.0
Deferred tax asset	2.7	3.9
Total Assets	149.7	160.5
Liabilities		
Trade / other payables	79.9	89.6
Deferred revenue	14.6	13.2
Lease liabilities	16.1	21.1
Borrowings	1.9	0.4
Provisions	20.3	21.7
Total Liabilities	132.8	146.0
Net Assets	16.9	14.5

- **Cash position remains healthy, with no core debt.** The 1H24 cash movement includes a \$4.0m investment in display homes during this period.
- **Accrued revenue decreased** due to a lower number of jobs on site and improved cash claims.
- **Inventories** primarily comprises of land and display homes under construction or available for sale.
- **Intangible assets** reflects investment in software and systems and capitalised product development offset by amortisation.
- **Deferred revenue** represents customer deposits on hand, which reduced due to softer sales and increased productivity to get jobs to site.
- **Provisions reduced** slightly due to effective management of employee entitlements and reduced headcount.
- **Net cash and undrawn CBA facilities of \$34.1m** as at 31 December 2023 provide sufficient headroom for the business to support all working capital needs and investments in future growth initiatives.

1H FY24

Cash Flow

	31-Dec-23	31-Dec-22
	\$m	\$m
Cash flows from operating activities		
Receipts from customers	377.5	443.7
Payments to suppliers / employees	(374.7)	(448.4)
Interest paid	(1.0)	(1.2)
Income taxes refund	-	9.9
Net cash generated from operating activities	1.8	4.0
Net cash (used in) investing activities	(1.9)	(0.3)
Net cash generated from / (used in) financing activities	(5.4)	17.8
Net (decrease) / increase in cash	(5.5)	21.5
Cash and cash equivalents at beginning of the period	15.1	11.1
Cash and cash equivalents at end of the period	9.6	32.6

- **Cash from operating activities remained positive** despite the lower receipts profile given improved gross margins and lower operating expenses. The \$4.0m investment in display homes is reflected in the cash generated from operating activities.
- **Net cash used in investing activities** mainly relates to purchases of fixed assets and investment in new product designs.
- **Net cash used in financing activities** includes lease payments. Prior period includes net proceeds from the issue of additional shares.

1H FY24

Key near term initiatives

The effective delivery of channel diversification, margin improvement and cost reduction initiatives provides the foundation for the continued delivery of improved results in FY24 and beyond. This supports the continued investment in further activities to diversify sales and reduce cost.

Embedding channel strategy

- Continue to refine the sales and operational strategies to cost effectively deliver the newly implemented channels.
- Exploring funding and delivery solutions that support the government's housing objectives.

Sustainable profitability

- Continued alignment of cost and resourcing to the future state channel deliverables.
- Further investment in digital capability to reduce the cost of lead generation and sales conversion.
- Developing initiatives to improve customer experience while improving the cost to serve.

Product development

- New branding and product hierarchy will be launched in March.
- NCC compliant product launched in Queensland with compliant product being finalised for Victoria and South Australia.
- Further investment to develop new designs to grow the Knock Down Rebuild customer segment.

Innovating to deliver solutions addressing housing needs

- Exploring new technology and partnerships to cost effectively supply alternative housing solutions.
- Reviewing new designs that will support housing on smaller block sizes.

Current trading conditions & outlook

- **Simonds expects improved operating results to continue** into 2H24 driven by a mix shift to higher margin jobs on hand and lower operating costs.
- **Management views more recent economic indicators as supportive of a return to confidence for aspiring homeowners and investors**, reflected in recent improvement in customer activity and deposits.
- **Jobs commenced on behalf of customers impacted by recent builder insolvencies are progressing well.** Simonds is focused on effective delivery of all jobs within this channel (Insurance), in line with the Group's target margin.
- **Simonds' investment in alternative sales channels** (projects, affordable housing) continues to progress.
- **No dividend will be paid as the business continue to rebuild the balance sheet and invest in future growth initiatives.** Future dividends will be subject to the Directors' assessment of financial position.



FY24 Market opportunities include:

- High levels of immigration, rental demand and social housing investment by government will stimulate demand for detached and medium density living spaces.
- In 2024 Simonds will celebrate 75 years of building quality homes for Australians. The new brand identity across all platforms will be launched with new exciting home designs available to customers.

Thank you.

For more information contact:

MAILING ADDRESS

Locked Bag 4002
South Melbourne VIC 3205

PHYSICAL ADDRESS

Level 1, 570 St Kilda Road
Melbourne VIC 3004

(+61) 3 9682 0700
simondsgroup.com.au

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