

## ASX / Media Release

22 August 2017

### Ingenia delivers strong result with EBIT of \$32.1 million

#### Highlights

- EBIT of \$32.1 million, up 32.6% on prior year, reflecting strong sales momentum and growing rental inflows
- Record 211 new home settlements - up 97% on FY16
- Revenue of \$149.9 million, up 40.0% on FY16
- Statutory Profit of \$26.4 million, 8.6% above FY16
- Operating cash flow of \$30.3 million, up 44.3% on FY16, driven by accelerating development and rental income
- Business well positioned for further strong growth – confirm FY18 guidance for EBIT of \$42-46 million and 260 - 280 new home settlements

Ingenia Communities Group (ASX:INA) today announced Underlying Profit of \$23.5 million for the year ending 30 June 2017, an increase of 16.3% on the previous financial year. Statutory Profit of \$26.4 million is up 8.6% on the prior year, the result tempered by the \$7.6 million loss recorded on the sale of the majority of the Group's DMF retirement assets in October 2016.

Group revenue is up 40.0% to \$149.9 million, and operating cash flow of \$30.3 million is up 44.3% on FY16, reflecting strong growth in rental cash flows and additional new home settlements.

Both EBIT and new home settlements were above guidance with EBIT of \$32.1 million (compared to \$30 million forecast) and new home settlements of 211 (versus a target of 190). These results reflect the strong contribution from an expanded asset base and the benefit of growing sales volumes as key projects build momentum.

A final distribution of 5.1 cents per stapled security has been declared, with payment to be made on 13 September 2017. The full year distribution of 10.2 cents per stapled security (which is 27.4% tax deferred) represents an increase of 9.7% on FY16. The future rate of distributions will depend on the capital requirements of the business, with distribution growth likely to moderate in the short term as profits are reinvested to intensify the pace of development.

Ingenia's CEO, Simon Owen, said Ingenia had delivered a strong result with the core rental and development business' driving above forecast EBIT growth and a strong balance sheet supporting the acceleration of key developments.

"We are seeing the benefit of our four year investment in a large, high quality portfolio of lifestyle communities located primarily in keenly sought after metropolitan and coastal locations."

"Future growth has been secured through a valuable capital city and coastal land bank. This development pipeline is underpinned through substantial cash flows from our large rental portfolio. This now comprises over 4,000 homes and more than 2,000 holiday sites."

"We reached a new record for sales in FY17, with the lifestyle communities business settling 211 new homes over the year, almost double the prior year's result. Supported by major projects in attractive locations and an expanded in-house sales and development team, a further increase is expected, with 260 – 280 settlements targeted in FY18 and 350+ in FY19."

"Ingenia is positioned to benefit from demand from travelling seniors and families for quality holiday accommodation with our portfolio now offering over 790,000 'room nights' per annum along Australia's east coast."

Mr Owen said that tourism and mixed-use communities continue to be an important part of Ingenia's portfolio, with more than \$200 million committed to expanding the portfolio over the past year.

"Over the past four years Ingenia has built a quality lifestyle and holidays portfolio of significant scale. As the competition for lifestyle communities intensifies, buoyed by interest from offshore players, and capitalisation rates compress, we see a competitive advantage in having a business model that spans both holiday and lifestyle communities, with significant embedded growth through our development pipeline."

"Our development pipeline can create a further 2,473 new homes. New projects, including Latitude One on the NSW Mid North Coast and Lake Conjola on the NSW South Coast are already receiving strong interest and are expected to contribute to a significantly higher level of settlements in coming years."

"Over the next 14 months the Group is set to launch eight new or expansion development projects – this supports the Group's aspiration to become the clear lifestyle community market leader."

"As we have expanded we have maintained a disciplined approach to costs. Corporate costs were commensurate with business growth, with costs in the second half reduced compared to 1H17. Costs in the first half included a significant write-off of due diligence costs. Commensurate with the forecast growth in revenues, we continue to invest in our development and sales people and platform" Mr Owen said.

## Capital Management

The Group maintains a disciplined approach to capital management and to the diversification of funding sources. A new funding facility was put in place in February 2017, providing additional capacity, increased tenor, and diversifying our banking partners.

Funds from a \$74.1 million capital raising completed in May 2017 have been deployed to fund new acquisitions and key developments. The final acquisitions to be funded from this raising are either complete (Glenwood Lifestyle Resort) or will complete (Sheldon Caravan Park) by the end of August 2017.

At 30 June 2017, Ingenia's loan to value ratio (LVR) was 27.7%, below the Group's target range of 30-40%. Post the completion of acquisitions associated with the May capital raising, Ingenia's LVR will increase to 33%, well below the Group's covenant of 50%.

Capital recycling is a key priority and the Group is progressing with the planned divestment of non-core and some regional communities and presently has received conditional offers for six assets for a total of \$46 million.

## Outlook

Ingenia is well positioned for strong continuing growth with momentum established in key long-term projects and the launch of eight new greenfield and large scale expansion projects planned for the next 14 months. As a result, the Group is targeting 260 - 280 settlements for the year. The expected increase in sales and addition of new assets and rental contracts underpin EBIT guidance (in the range of \$42-46 million) for FY18.

Mr Owen said the Group's growth aspirations were supported by a valuable capital city and coastal land bank to generate ongoing sales growth into FY19.

"With competition for assets increasing, future growth will be focussed on development, funded by internally generated cashflows and asset sales."

"Continuing investment in our development and sales platform and recent acquisitions position the Group for a multi-year growth strategy, supporting an increase in ROE towards our FY19 target of 10%."

"We continue to seek to improve the performance of existing assets, whilst accelerating the development pipeline to deliver new rental contracts and recycle capital within the business."

"Ongoing housing affordability challenges and increased consumer awareness of the simplicity and benefits of buying into our lifestyle communities will drive demand," Mr Owen said.

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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).