

ASX / Media Release

21 August 2018

Strong performance underpinned by growing rental annuity streams

Highlights

- Record EBIT of \$48.8 million, up 52% on prior year
- Revenue of \$189.5 million, up 26% on prior year
- Underlying profit \$36.8 million, up 56% on prior year
- Strong operating cash flow of \$47.2 million, up 56% on FY17
- Record 287 new home settlements
- Over 7,000 income producing sites with over 3,240 development sites secured

Ingenia Communities Group (ASX: INA) today announced Underlying profit of \$36.8 million for the year ending 30 June 2018, an increase of 56% on the previous financial year. Statutory Profit of \$34.2 million is up 30% on the prior year.

Group revenue was up 26% to \$189.5 million and EBIT was up 52% to \$48.8 million.

Operating cash flow of \$47.2 million was up 56% on FY17, driven by the contribution from recent acquisitions, growing rental flows and increased development volumes, partially offset by increased investment in display homes and additional inventory under construction.

Ingenia achieved a record 287 new home settlements with particularly strong contributions from: Lara (Vic); The Grange, Hunter Valley and South West Rocks (NSW); and Bethania and Chambers Pines (Qld).

Underlying profit EPS of 17.7 cents represents a 36% increase on FY17, driven by strong asset performance, partially offset by a higher tax rate.

A final distribution of 5.65 cents per stapled security has been declared, with payment to be made on 14 September 2018. The full year distribution of 10.75 cents per stapled security represents an increase of 5% on FY17.

Ingenia's CEO Simon Owen said FY18 represented the culmination of increasing rents, a full year contribution from recent acquisitions and expanding development margins and volumes, resulting in a breakout year for Ingenia.

“The FY18 result represents growth from Ingenia’s core business. Our rental base is expanding via a strategy of acquisitions, additional tourism and rental cabins and new home sales. We are also continuing to see margin expansion as scale efficiencies build from the operating platform we now have in place.”

“We are investing in growing our portfolio of over 7,000 income producing sites. In addition, we are seeing excellent progress on our pipeline of over 3,240 development sites and currently have nine communities actively under development.”

“Our first greenfield project, Latitude One at Port Stephens, is now approximately one third sold down and demonstrates the quality of the finished product being built by Ingenia and sought by our residents. Latitude One sets the benchmark for a pipeline of future projects, which will create high quality land lease communities delivering growing rental returns, continuing with our second greenfield project, Plantations (Woolgoolga, NSW).”

“Across the Lifestyle and Holidays portfolio we are seeing continued capitalisation rate compression. This furthers the competitive advantage Ingenia holds in a valuable capital city and coastal land bank. It also highlights the strategic sense in focusing on growing our pool of stable rental returns through Ingenia Lifestyle, Ingenia Holidays and Ingenia Gardens.”

“Most importantly, demand drivers remain strong across the industry with an ageing population and housing affordability underpinning earnings growth. Whilst we are seeing some slowing of the residential market, our investment proposition for retirees remains compelling. Many retirees have limited capacity to fund a comfortable retirement and downsizing to one of our communities is already making a significant difference to the quality of retirement for many of our residents.”

Group Strategy

Ingenia has delivered on key strategic goals and has a solid platform to grow from a significantly higher base, with an established, quality portfolio that includes embedded growth across coastal and capital city markets.

The company’s strategic focus in FY19 includes:

- Continuing to improve the performance of existing assets and further leveraging the Group’s operating and sales platform
- Accelerating the build out of the development pipeline to capture new rental annuity streams
- Securing approvals on existing land and continuing to explore acquisition opportunities as they emerge
- Divesting the remaining non-core assets to help fund development growth
- Exploring capital partnerships as interest in land lease communities grows
- Delivering sector innovation to improve returns and expand market opportunities

Capital Management

The Group remains well positioned to fund its development pipeline. During the financial year total debt facilities were expanded to \$350 million with extended terms. The Group has over \$100 million in unutilised debt available within these facilities at 30 June 2018.

In addition, Ingenia is well progressed with the planned divestment of approximately \$100 million of non-core assets. To date, \$60 million of this target has been completed or contracted for sale with the proceeds reinvested into building out the Group's development pipeline.

At 30 June 2018, Ingenia's loan to value ratio (LVR) was 32.6%, within the Group's target range of 30-40% and well below the banking covenant of 50%.

Guidance

While residential market conditions are moderating, Ingenia remains well positioned to deliver the Group's targeted 350 plus new home settlements, with all FY19 settlements coming from communities that are already in market, and a portfolio balanced by geography and price point.

Ingenia expects to deliver EBIT growth of 10-15%, and underlying profit EPS growth of 5-10% for FY19.

Further detail regarding the Group's result is contained in the FY18 Results Presentation lodged with the ASX today.

ENDS

Note:

Guidance is subject to no material adverse change in market conditions. FY19 guidance includes the impact of lost earnings from completed and anticipated non-core asset sales.

EBIT and underlying profit/EPS are non-IFRS measures which exclude non-operating items such as unrealised fair value gains/(losses) and gains/(losses) on asset sales.

About Ingenia Communities Group

Ingenia Communities Group (ASX: INA) is a leading operator, owner and developer of communities offering quality affordable rental and tourism accommodation focussed on the growing seniors market in Australia. The Group has 61 communities across Australia, comprising over 4,000 homes. In September 2013, the Group was included in the S&P/ASX 300. The Group's market capitalisation is currently over \$600 million.

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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).