Ingenia Lifestyle
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ASX / Media Release

20 August 2019

GUIDANCE EXCEEDED, UNDERLYING EPS UP 19% to 21 CENTS

Highlights

- Record EBIT of $61.5 million, up 26%
- Revenue of $228.7 million, up 21%
- Underlying EPS of 21 cents, up 19%
- Strong operating cash flow of $59.3 million, up 26%
- Record 336 new home settlements, up 17%
- Ten projects under development with two commencing in FY20

Ingenia Communities Group (ASX:INA) today announced Underlying Profit of $47.2 million for the year ending 30 June 2019, an increase of 28% on the previous financial year. Statutory Profit of $29.3 million was down 14% on the prior year and was impacted by several factors, including writing off transaction costs on $72.6 million of acquisitions, loss on divestment of non-core assets, mark to market impairment on interest rate derivatives and a fair value adjustment as development profits were realised.

Group revenue was up 21% to $228.7 million and EBIT was up 26% to $61.5 million (above guidance of 15-20% growth).

Operating cash flow of $59.3 million was up 26% on FY18, driven by an increase in settlements and rental income.

Ingenia achieved 336 new home settlements, up 17% on FY18, with these settlements forecast to add approximately $2.7 million in annual rental income.

Underlying EPS of 21 cents was also above guidance, with a 19% increase on FY18 driven by strong asset performance and increased settlements.

A final distribution of 5.80 cents per stapled security has been declared, with payment to be made on 26 September 2019. The full year distribution of 11.2 cents per stapled security represents an increase of 4% on FY18.

Ingenia's CEO, Simon Owen, described the strong profit result as encouraging, particularly given the backdrop of a soft residential property market.

"We have a resilient business model that has strong underlying demand drivers, combined with a growing property portfolio delivering stable and recurring cashflows."

"It is particularly pleasing that in the most challenging residential market in a decade we had a record year for new home settlements at increased above ground development margins and higher rents. We closed out the year with over 200 contracts and deposits on hand."

"We are delivering on a number of initiatives to build out our rental base and create capital efficiency across the Group. These include acquiring established and new communities, the acquisition of a funds management business that provides co-investment opportunities, our creation of a development Joint Venture with Sun Communities, Inc. (NYSE: SUI), and growing new home settlements."

"We are successfully building our rental base, with $72.6 million in new acquisitions bedded down for the year, and multiple opportunities under assessment. We expect to settle the acquisition of funds management business, Eighth Gate Capital, later this month, further enhancing our ability to generate new revenue streams through capital partnerships."

"Our dedicated acquisitions team is continuing to secure opportunities for expansion, acquiring land adjacent to our successful Lara community which has the potential for 196 new homes. We have also obtained approvals for 184 new homes in our communities at Chambers Pines and Hervey Bay."

"The first two projects for the Joint Venture have been acquired, four additional sites are actively being assessed and we are continuing to identify sites for future greenfield development."

"Demand drivers remain strong across the industry with an ageing population and housing affordability underpinning earnings growth. Whilst we saw some slowing of the residential market, our investment proposition for seniors is gaining widespread traction and remains compelling. Many seniors will struggle to fund a comfortable retirement and downsizing to one of our communities is already making a significant difference to the quality of life for many of our residents."

Group Strategy

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

The company's strategic focus in FY20 includes:

- Continuing to improve the performance of existing assets to drive growth in rental returns
- Executing the Joint Venture business plan, delivering opportunities for capital light growth and additional revenue streams
- Further asset recycling to fund growth
- Focusing on sales and marketing to launch new projects
- Capitalising on opportunities to expand the development pipeline to deliver new rental contracts and support the Joint Venture's growth
- Completing the funds management acquisition and delivering performance for investors

Capital Management

The Group remains well positioned to fund its development pipeline, with the balance sheet benefiting from a $74.6 million placement to Sun Communities, the underwritten Distribution Reinvestment Plan in the first half and $32 million of non-core asset sales.

Of $350 million in total debt facilities, $241 million has been drawn as at 30 June 2019. At 30 June 2019, Ingenia's loan to value ratio (LVR) was 29.8%, below the Group's target range of 30-40%.

Ingenia's capital position has been further enhanced through the development Joint Venture with Sun Communities and the new funds management platform.

Guidance

Ingenia expects to deliver EBIT growth of 10-15%, and underlying EPS growth of 5-10% for FY20.

Further detail regarding the Group's result is contained in the FY19 Results Presentation lodged with the ASX today.

ENDS

Note:

Guidance subject to no material adverse change in market conditions and timing of key development projects.

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

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