22 February 2022

Business trading well with strong outlook following a period of transformational growth, impacted by COVID-19

Full year guidance reaffirmed

Highlights

- Revenue of $131.4 million, up 8% on 1H21
- Statutory Profit of $39.8 million, up 23% on 1H21
- EBIT of $33.9 million, down 16% on 1H21
- Underlying EPS of 8.1c, down 20% on 1H21
- Settled 139 new homes in first half – record 465 deposits and contracts on hand
- FY22 guidance - EBIT growth of 20% to 25% and underlying EPS growth of 3% to 6% on FY21
- Transformational growth underpins future performance
  - Over $500 million of acquisitions complete 1H22, contributing to future returns
  - Portfolio increased to over 15,000 income yielding sites, up 26% in past six months
  - Development pipeline increased to 6,270 new home sites, up ~ 50% on June 21

Ingenia Communities Group (ASX: INA) today announced Statutory Profit of $39.8 million for the half year ending 31 December 2021, an increase of 23% on the previous corresponding period. Underlying Profit of $28.1 million was down 14% on the prior corresponding period, with new home settlements impacted by supply chain challenges.

Group revenue was up 8% to $131.4 million, and EBIT was down 16% to $33.9 million. Operating cash flow of $38.9 million was down 35% on 1H21. Prior year result benefitted from Government JobKeeper payments.

Underlying Profit and EBIT benefitted from a growing revenue base, offset by lost tourism income during prolonged lockdowns.

The Group achieved 139 new home settlements in 1H22, with a record 465 contracts and deposits on hand underpinning near term settlements.

Underlying EPS of 8.1 cents, which represents a 20% decrease on 1H21, was impacted by additional securities on issue as a result of a $475 million equity raising in the period, and the earnings impact from tourism revenues foregone. Statutory EPS of 11.4 cents represented a 14% increase on the prior period.

A half year distribution of 5.2 cents per stapled security has been declared and will be paid on 24 March 2022.

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Ingenia's CEO, Simon Owen, said the Group had experienced a period of transformational growth whilst managing the impacts of the pandemic.

"There is strong momentum across the business, and we would have seen a material uplift in performance if not for COVID-19, which impacted tourism returns and our development business.

"We have used this past period to further build scale across our lifestyle communities and enhance the pipeline of development projects for future growth. Our conviction around the sector has never been higher, underpinned by ageing demographics, rising house prices, regional migratory patterns and rebounding domestic travel.

"We have successfully completed the majority of $550 million in acquisitions following on from our $475 million equity raise in November 2021, including the Seachange portfolio, which fast tracked our strategy of building a significant presence in the high growth corridor of South East Queensland.

"Our balance sheet provides significant capacity for further growth in investment, via the recycling of capital and additional debt capacity.

"We have used this period of industry disruption and uncertainty to stay ahead of the pack with the early identification of opportunities and using our in-house leading research and industry networks to build on our first mover advantage. We have also witnessed a discernible shift in market acceptance around lifestyle communities in Australia as an increasingly mature and sophisticated asset class, not dissimilar to the United States.

Operating performance

"The core residential rental business demonstrated resilience and expanded through acquisition and development. 139 new homes were settled in the period, further adding to the Group's recurring rental stream. A strong second half of home settlements is expected as inventory rebuilds and near-term demand is buoyant, with 507 homes currently deposited or contracted. Most importantly, we have the right projects in the right markets and our focus on high quality coastal regional locations is aligned with population movements and longer-term trends.

"Whilst construction does remain a risk and industry wide supply chain challenges persist, we are tracking well to grow settlement volumes, with fifteen projects now underway.

"Pleasingly Ingenia's Holidays business is experiencing strong demand and forward bookings are up materially on the prior year, providing a positive outlook for holiday parks across our key markets of New South Wales, Queensland and Victoria.

"Solid progress continues to be made with our Sun Communities Joint Venture with operating profit up over 100%. Our first project at Burpengary in Queensland is growing sales and our future pipeline includes projects in Victoria, New South Wales and Queensland.

"Long-term fundamentals continue to support demand for the Group's core business of quality seniors housing, and our holiday assets will continue to benefit from the preference for domestic over international travel.

"Our sustainability initiatives are a key focus across all our developments and being successfully embedded in how we do business. The Group produced its first Sustainability Report in October 2021 including a clear emissions pathway to having a carbon neutral operation by 2035. We are also being recognised for our continued leadership in diversity and inclusion, being ranked No.2 in the CEW Executive Census on women in executive leadership roles," Mr Owen said.

Capital Management

The Group remains well positioned to fund future growth. $200 million in new debt facilities announced in November 2021 demonstrated strong ongoing support from existing lenders.

Overall there is $378 million in cash and available undrawn debt, providing capacity for additional investment in growth.

Outlook & Guidance

The core business continued to perform well through COVID-19 disruptions, assisted by a diverse asset base and underpinned by the stability of residential revenue streams. The Group moves into the second half with greater certainty around the operating environment and strong tailwinds driving demand for the core lifestyle and holidays businesses.

An expanded asset base following the integration of over $700 million of acquisitions in FY21 and FY22 year to date, CPI linked rents across residential communities, and strong forward bookings for the holidays business, will significantly increase revenue from operations in the second half.

Management of new home delivery remains key to meet demand for new homes, with 465 deposits and contracts at 31 December supporting targeted 475+ settlements (FY22). An expanded development pipeline will see multiple projects commence over 2022 to accelerate sales growth in line with the Group's target of 1,800 – 2,000 settlements over three years to end FY24.

"We have transformed the asset base and operating platform over the last six months. While challenges remain associated with construction, our position has never been better, with increased scale and a material growth in our development pipeline to meet demand.

"This will drive considerable earnings growth over the next five years as we reap the benefits of the strategy we have in place – our lifestyle portfolio has grown and been reshaped to capture internal migration and home price growth and an expanded holidays footprint will capitalise on domestic travel demand.

“We move into the second half with greater capacity to capitalise on the strong tailwinds we see for the business – a larger revenue base, greater leverage to key growth markets, greater focus on development and a commitment to sector leadership underpin our confidence in delivering longer term growth,” Mr Owen said.

Ingenia is well placed to deliver FY22 guidance of growth in EBIT of 20% to 25% and underlying EPS growth of 3% to 6% on FY21.[1]

Authorised for lodgement by the Board.

ENDS

1. Guidance is subject to no material changes in market conditions and no other unforeseen circumstances adversely affecting financial performance, including further impacts of COVID-19. EBIT and underlying EPS are non-IFRS measures which exclude non-operating items such as unrealised fair gains/(losses) and gains/(losses) on asset sales.

Further detail regarding the Group’s result is contained in the 1H22 Results Presentation lodged with the ASX today.

A Briefing will be held today at 11.30am (AEST) and details can be accessed via:

https://www.ingeniacommunities.com.au/investor-centre/key-dates/

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About Ingenia Communities Group

Ingenia Communities Group (ASX: INA) is a leading operator, owner and developer of communities offering quality affordable rental and holiday accommodation focussed on the growing seniors’ market in Australia. Listed on the Australian Securities Exchange, the Group is included in the S&P/ASX 200 and has a market capitalisation of over $2.2 billion.

Across Ingenia Lifestyle, Ingenia Gardens, Ingenia Holidays and Ingenia Rental, the Group has 109 communities and is continuing to grow through acquisition, development and expansion.