ASX / MEDIA RELEASE

21 February 2023

1H23 results and guidance update

Growth levers in place – production and settlement delays to impact FY23 result

Overview

- Revenue of $173.6 million, up 32% on 1H22
- EBIT of $42.0 million, up 24% on 1H22
- Underlying EPS of 8.5c, up 5% on 1H22
- Statutory Profit of $33.7 million, down 16% on 1H22
- Settled 125 new homes in first half
- Target of 370-420 settlements FY23 reflecting construction delays and slowing residential market
- Presently 350 contracts and deposits in place
- Revised guidance of 0-10% EBIT growth and EPS of 19.1 cps to 21.5 cps

Ingenia Communities Group (ASX: INA) today announced underlying profit of $34.8 million, up 24% on the prior year, as the business benefitted from a growing revenue base. Statutory profit of $33.7 million for the half year ending 31 December 2022, was down 16% on the prior corresponding period.

Group revenue was up 32% to $173.6 million, and EBIT was up 24% to $42 million as high occupancy and rate growth across the lifestyle, rental and holidays communities contributed. Operating cash flow of $23.5 million was down 39% on 1H22, due to an increase in new home constructions to support 2H23 and FY24 settlements.

The Group achieved 125 new home settlements in 1H23 and Ingenia's Lifestyle rental base continues to grow, with rental revenue up 51% to $30.3 million.

The Group's holiday park earnings were up 64% on the prior comparable period to $20.8 million reflecting high occupancy and growth in average daily rates.

Underlying EPS of 8.5 cents represents a 5% increase on 1H22. Statutory EPS of 8.3 cents was down 27%.

A half year distribution of 5.2 cents per stapled security has been declared and is expected to be paid on 23 March 2023.

Ingenia's CEO, Simon Owen said the core residential communities and holiday parks businesses were delivering growth and experiencing ongoing demand, with the Group's key challenges being continuing construction delays and, more recently, a softening residential market.

“During the first half, revenue and EBIT increases on the prior year were delivered as we benefitted from an expanded asset base as well as growth in rents across the residential portfolios and strong performance from the holidays business. We commenced our asset recycling program as we focussed on improving portfolio quality and internally funding growth.

“However, extended construction timeframes and the subsequent impact on home settlements moderated first half earnings,” Mr Owen said.

Residential communities

The Group’s residential communities remain in demand, with high occupancy levels. Across the residential portfolio $1.9 million of rent is collected from residents every week.

Ingenia Rental is benefitting from low vacancy rates – especially in South East Queensland, where the Group has 1,200 all age rental homes across six communities. Across these communities, occupancy is approximately 99%.

“We are continuing to see rental growth across the Ingenia Lifestyle and Ingenia Gardens business supported by the dual macro tailwinds of housing affordability and an ageing population. Across these communities we have 5,800 sites generating recurring rental revenue, with cashflows further supported by Government payments and CPI linked rents.

The addition of new rental homes and new home settlements is expanding this rental base.

“After a deliberate pause to accommodate longer lead times we recommenced our sales program in late October and have experienced strong interest in current and future releases across our Ingenia Lifestyle development projects. A total of 125 homes were settled across Ingenia and the Joint Venture with Sun Communities in 1H23. An increase in average home price supported higher above ground home price margins and a 15% increase in gross new home development profit.

“A total of 154 homes have been settled year to date with a further 350 deposits and contracts on hand. Pricing is holding up in our key markets and our homes remain an attractive proposition for downsizers seeking to release equity and experience an affordable lifestyle in a desirable location. We remain cognisant of the impact of a slowing residential market on our buyers’ ability to sell and the potential for an extension in the lead times for settlements.”

“While we remain confident in demand holding up, ongoing construction program slippage and softening residential market conditions have led to a reduction in our forecast for settlements in FY23, reflecting the heightened uncertainty that these conditions create,” Mr Owen said.

New projects underway at Port Stephens (NSW) and Victoria Point (QLD) further extend the Group’s offering in the premium price range with homes priced between $675,000 and $1.05 million. There are currently 71 homes deposited and contracted across these projects, which will begin to deliver consistent settlements in FY24. The Group anticipates settling 370-420 homes in FY23, as new homes complete in the second half. This compares to expected settlements of 460-485 announced on 10 November 2022.

The Group is building approximately 500 new homes in FY23 and now expects homes previously anticipated to settle in FY23 to drift into FY24.

The addition of new projects and greater diversity in development partners will support an increase in settlement volumes as the Group scales its development business. The Group has more homes ordered and under construction than ever before to support growth in settlement volumes in line with the medium term settlements target of 1,750 – 2,000 homes over FY23-FY25.

The Group's projects are weighted to Queensland and high quality coastal and regional locations. Ingenia is positioned for long term growth with a pipeline of 6,450 homes across 32 projects.

Ingenia Holidays

"Our tourism business continues to outperform with above budgeted revenue and forward bookings demonstrating ongoing demand," Mr Owen said.

Demand for affordable holiday accommodation remains extremely strong, supporting record rates and increasing occupancy in traditional non-peak periods. The Holidays business is expected to be a beneficiary as household budgets tighten in response to rising interest rates.

Capital Management

The Group is able to fund further investment in growth through $210 million in undrawn debt and cash, increasing settlements in 2H23 and beyond, and an ongoing focus on the capital recycling program. Three assets have been divested year to date, with further potential divestments progressing.

"Our capital partnerships are extending the Group's asset base via co-investment opportunities with $209 million in assets under management, and our Joint Venture with Sun Communities is building momentum with construction now underway at three greenfield projects and two further communities scheduled to commence late this calendar year.

"Ingenia's sustainability initiatives have become embedded across our developments, and it has now become a way of doing business. We continue to be recognised for our leadership in diversity and inclusion, being ranked #1 across real estate in the CEW Executive Census on women in executive leadership roles," Mr Owen said.

Outlook & Guidance

"The large stable asset base provided by our residential communities and the demand in the holidays business continue to deliver a stable revenue base. These business areas are performing well and experiencing ongoing demand.

"In the short term, ongoing labour shortages and the impact of inflationary pressures and higher interest rates on consumer sentiment are expected to slow down our customers' purchase journey. However, the fundamentals supporting our developments remain sound. Our communities are an attractive proposition for a growing cohort of downsizers who have substantial equity in their homes and are seeking to downsize not only for financial but lifestyle reasons.

"Our heightened caution around development in the short term reflects the further impact of recent construction delays, particularly on key start up projects, and a more conservative view of residential market conditions as further interest rate rises and high inflation create uncertainty for consumers and the lead time for settlements is expected to extend. This view is further supported by recent data showing Days on Market across regional locations increasing significantly from last year.

"Whilst we are taking a prudent approach given the uncertainty, as we move into FY24, greater project diversity and progress on our new projects will contribute to increased settlement volumes as we scale the development business," Mr Owen said.

Subject to no material change in the operating environment, the Group is targeting EBIT growth of 0-10% on FY22 and underlying EPS of 19.1 cps to 21.5 cps for FY23.

This compares to guidance released on 10 November 2022 of EBIT growth of 30% and underlying EPS growth of 5% (24.4 cps).

Further detail regarding the Group's result is contained in the 1H23 Results presentation lodged with the ASX today.

A teleconference and webcast has been arranged Tuesday, 21st February at 11:30am (AEDT). Dial-in and webcast details can be found below. Please note, participants wishing to dial-in will need to pre-register for the call.

Teleconference: The pre-registration link can be accessed here.
Webcast: Can be accessed here.

Authorised for lodgement by the Chairman.

ENDS

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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 $1.7 billion.

Across Ingenia Lifestyle, Ingenia Gardens, Ingenia Holidays and Ingenia Rental, the Group has over 100 communities and is continuing to grow through acquisition and development.

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).