ASX / MEDIA RELEASE

22 August 2023

Core business delivering growth with strong diversified revenue streams

Overview

- Revenue of $394.5 million, up 17% on FY22
- EBIT of $109.3 million, up 7% on FY22
- Underlying EPS of 20.8c, down 11% on FY22
- Statutory Profit of $64.4 million, down 33% on FY22[1]
- Operating cash flow of $82.5m, down 28% on FY22
- 374 homes settled FY23
- Presently 324 homes contracted or deposited
- 7-year extension of Joint Venture with Sun Communities
- FY24 guidance – EBIT growth of 10% to 15% and underlying EPS of 20.8 cps to 22.3 cps

Ingenia Communities Group (ASX: INA) today announced underlying profit of $84.7 million, down 4% on the prior year. Statutory profit of $64.4 million for the full year ending 30 June 2023, was down 33% on the prior year primarily due to the impact of lower revaluation increments across the Group's investment properties.

Group revenue was up 17% to $394.5 million, reflecting the growth in core revenue streams and EBIT was in line with guidance, up 7% to $109.3 million. Operating cash flow of $82.5 million was down 28% on FY22, due to an increase in completed and work in progress inventory to support FY24 settlements, and higher borrowing costs.

Underlying EPS of 20.8 cents represents an 11% decrease on FY22. Statutory EPS of 15.8 cents was down 38%[1].

A half-year distribution of 5.8 cents per stapled security has been declared and is expected to be paid on 21 September 2023. The full year distribution of 11.0 cents per security is consistent with the full year distribution for the prior year.

Ingenia's CEO, Simon Owen said the core business was delivering growth underpinned by a large, growing and diverse revenue base.

"Earnings were affected by first half construction challenges, now largely abated, and a slowing residential market which was impacted by the unprecedented twelve consecutive interest rate rises.

1. FY22 statutory result restated for recognition of deferred taxes and a non-current liability. Refer Note 1 in the 30 June Annual Financial Report for further detail.

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“Revenue and EBIT increases on the prior year were delivered as we benefited from an expanded asset base as well as growth in rents across the residential portfolios, and further strong performance from the holidays business.

“Our balance sheet remains strong, we are well funded, and we will continue with our targeted divestment program.”

“The agreed 7-year extension of our development Joint Venture with Sun Communities is testament to the platform we have built to deliver accelerated developments and enhanced returns. It secures an ongoing benefit for the Group through access to an experienced partner across our core business activities,” Mr Owen said.[2]

Residential communities

The Group’s residential communities are continuing to experience strong demand, with high occupancy levels. Ingenia Lifestyle, Ingenia Rental and Ingenia Gardens are delivering core rental revenue with more than $2 million of rent collected from residents every week.

In a market downturn the strength of the Group’s recurring rental business has been demonstrated, and the residential rentals business continues to deliver growth year on year. CPI linked rental growth and the addition of new homes to land lease and rental communities has further expanded this attractive rental base.

The build out of development sites will be a key driver of rental growth and increased fees across the Group.

“We have circa 3,500 potential home sites located in Queensland – over 60% of our pipeline is located in this market and more than 40% of these sites have approvals in place.

“There remains a chronic shortage of affordable rental accommodation and Ingenia is well placed, with our communities remaining a highly attractive and affordable proposition.”

“The Group closed FY23 with 374 settlements, 18 projects under construction and 288 deposits and contracts to support settlements over FY24. Settlements were impacted by longer build times, which pushed completions to the last quarter, rising interest rates, increased living costs and increased days on market. Over 50% of Ingenia’s year-end inventory of 58 homes had already been contracted for sale at 30 June 2023.

“We were able to increase scale in our home production – completing 458 homes this year and we have greater certainty around build times which will assist us in continuing to build our sales and release timing and manage capital and inventory.

“Over FY23 we have seen construction conditions slowly improve and build times reduce across a range of projects – moving into FY24 visibility on completions, certainty of supply and the availability of inventory create a positive environment for sales.

2. Refer to announcement lodged with ASX on 22 August for further information on the Joint Venture extension.

"The average home sale price for Ingenia projects increased to $487,000, reflecting the quality of the product we are building across our communities. The Group's projects continue to be weighted to Queensland and high quality coastal and regional locations in New South Wales and Victoria," Mr Owen said.

Ingenia Holidays

"Our holidays business continues to perform very strongly, and we see no change from people's shift towards the ease and affordability of domestic travel.

"We are now filling the shoulder seasons, not just the high season, which is a terrific sign of the health of the domestic travel market. The Holidays business has experienced solid winter trading and is expected to be a beneficiary as household budgets tighten in response to rising interest rates and the cost of international travel which remains high," Mr Owen said.

Capital Management

Ingenia has maintained its prudent balance sheet settings. Current LVR of 31.4% remains within the Group's target range (30-40%) and well below banking covenants of 55%. Interest cover ratio (total) of 4.7x remains strong and the balance sheet continues to support funding needs.

Ingenia's capital recycling program is ongoing with $55 million in proceeds received over FY23 as four non-core assets were divested. Further divestments are advanced, supporting capital recycling and portfolio remixing to enhance quality and overall operational efficiency.

Development activity is accelerating across the Joint Venture, which the parties have agreed to extend to November 2030, providing capital efficient growth.

A small expansion in capitalisation rates in the lifestyle, rental and holidays portfolios was largely offset by growth in operating income, with Ingenia's portfolio value closing at $2.0 billion at 30 June.

Outlook & Guidance

Ingenia continues to have exposure to sectors with ongoing demand across seniors housing and domestic travel.

There are now circa 15,500 operational revenue generating sites across the residential and holidays portfolios and Ingenia will continue to refine its portfolio via select divestments and targeted development activity. The core businesses will continue delivering growth, assisted by a diverse asset base and revenue streams including:

- Growing stable residential rents (new home settlements and CPI linked rent growth)
- Holidays capturing growth from a significantly higher asset base
- Increase in active development projects in line with 3 year target of 1,600 – 2,000 settlements over FY24 to FY26

"Ingenia is ideally positioned to benefit as housing market conditions improve and our homes meet the demand for affordable housing balanced with an attractive lifestyle. We continue to cater to a range of locations and price points.

"We are focused on further asset recycling, growing cash flows and managing our balance sheet capacity to fund development activity and investment in embedded growth," Mr Owen said.

"With strong demand fundamentals, recurring rents from our residential business and a well positioned portfolio and balance sheet, we are confident in our ability to deliver growth in FY24. However, we remain cognisant of the ongoing uncertainty in the macroeconomic environment and residential sales activity," Mr Owen said.

The Group is targeting EBIT growth of 10% to 15% on FY23 and underlying earnings per security of 20.8 to 22.3 cents for FY24[3]. Guidance is underpinned by the highly predictable and stable revenue streams across the operating assets and an increase in home settlements as market conditions improve.

Further detail regarding the Group's result is contained in the FY23 Results Presentation lodged with the ASX today.

A teleconference and webcast has been arranged Tuesday, 22nd August at 11:30am (AEST). 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.

3. Guidance is subject to no material changes in market conditions and no unforeseen circumstances adversely affecting financial performance. EBIT and underlying EPS are non-IFRS measures which exclude non-operating items such as unrealised fair value gains/(losses) and gains/(losses) on asset sales.

ENDS

Authorised for lodgement by the Chairman.

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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 $1.6 billion.

Across Ingenia Lifestyle, Ingenia Gardens, Ingenia Holidays and Ingenia Rental, the Group has over 100 communities.

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) (AFSL 415862).