ASX / MEDIA RELEASE

20 August 2024

BUSINESS PRIMED FOR GROWTH, EXCEEDING GUIDANCE IN FY24

Overview

- Revenue of $472.3 million, up 20% on FY23
- EBIT[1,2] of $125.7 million, up 17% on FY23
- Underlying EPS[1,2] of 23.3c, up 14% on FY23
- Statutory Profit of $14.0 million, down 78% on FY23, resulting from goodwill impairment
- Development activity accelerating, 462[3] new homes settled FY24
- Extensive pipeline of 5,311[3] development sites
- Result exceeded guidance - EBIT growth of 17% (guidance of 10-15%) on FY23 and underlying EPS of 23.3 cps (guidance of 20.8 to 22.3 cps)

Ingenia Communities Group (ASX: INA) today announced underlying profit of $94.8 million, up 14% on the prior year, with development activity accelerating and solid operational performance across the Group. Statutory profit of $14.0 million for the full year ending 30 June 2024 was down 78% on the prior year, reflecting a $96.6 million goodwill impairment relating to the 2021 Seachange acquisition, partially offset by valuation gains across the Group's Holidays and Gardens portfolios.

Group revenue was up 20% to $472.3 million, and EBIT was up 17% to $125.7 million. Operating cash flow of $82.2 million was flat year on year, with ongoing investment in inventory as settlements increase and new projects commence.

The Group achieved 462 new home settlements in FY24, up 24% on FY23, with average home sales price also increasing. Ingenia's Lifestyle Rental portfolio benefitted from CPI linked rental increases, market rent reviews and growth in the rent base as developments and site intensification added new homes, delivering full year EBIT of $45.3m, up 14%.

The Group's Holiday portfolio earnings were up 5% on the prior year to $56.9 million, driven by increased rate and occupancy and investment in new cabin stock, which was partially offset by growth in wages, utilities and rates, investment in marketing and occupancy related expenses.

Underlying EPS of 23.3 cents represents a 14% increase on FY23.

A final distribution of 6.1 cents per stapled security has been declared and is expected to be paid on 19 September 2024. The full year distribution of 11.3 cps was up 3% on FY23.

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1 EBIT, underlying profit 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.
2 EBIT now includes movements arising from the settlement of contractual cash flows for ground leases of $1.5 million (30 June 2023: $1.2 million) and financial liabilities of $0.8 million (30 June 2023: $0.6 million) that flows to Underlying Profit. A corresponding adjustment has been made against the fair value gain/(loss) on investment properties and financial liabilities previously included as a statutory adjustment (below Underlying Profit).
3 Includes Ingenia, Joint Venture and Funds. Development sites include secured and optioned sites.

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The FY24 result exceeded guidance, underpinned by the acceleration in new home settlements and growth in recurring income from the Lifestyle, Rental and Holidays portfolios.

Ingenia closed the year with $2.5 billion in owned or managed property across 102 communities, a development pipeline of over 5,300 land lease home sites and almost 16,000 income generating homes, villas, cabins and sites.

Progress was made on cost reduction, business simplification and efficiency initiatives as the business pivots to focus on execution and realisation of embedded value.

Ingenia CEO and Managing Director, John Carfi, said the result demonstrated a resilient and growing portfolio and the early positive outcomes from recent changes to drive security holder returns. A material increase in home settlements and growing recurring income streams form a strong foundation for the future.

"While we were pleased to increase settlements, development returns for some projects remain below target. I have spent considerable time in this area of the business, and we are progressing a range of initiatives that will ensure we move towards targeted returns over the medium term, building development into the growth engine of this business. Our focus is to optimise returns on current and future projects with a critical lens on execution, efficiency and accountability."

"The diversity of projects across location and price points is a significant point of difference for Ingenia, and we have a clear view of our capital needs that are supported by growing cashflows, good debt capacity and ongoing portfolio refinement to support further investment as needed."

"I'm confident our focus on operational efficiency and productivity will improve security holder returns as we build further scale and simplify the business through a clear focus, financial discipline, greater efficiency and excellence in execution."

"I've streamlined the executive team to drive accountability and productivity gains and we have also changed our structure, resourcing and approach in development. There is more work to do to maximise value and returns, but we have made good progress."

Residential communities

The Group's residential communities continue to meet the growing demand for affordable housing with Ingenia Lifestyle (land lease) targeting the growing ageing population and Ingenia Rental providing affordable all age rental accommodation, with expansion via existing sites.

Ingenia Lifestyle, Ingenia Rental and Ingenia Gardens are all delivering strong recurring cashflows, largely supported by government payments and CPI linked rents.

The Ingenia Lifestyle Rental segment delivered full year EBIT growth of 14%, with EBIT margin up 1% on a stabilised basis[4]. A key driver of this growth was a 13% increase in revenue driven by CPI linked rent increases, the addition of new homes delivering rent, and growing established home resales.

Land lease (Lifestyle) development provides a significant growth opportunity that in turn drives an increase in annuity rents from the Lifestyle Rental segment.

[4] Includes communities 90% or more complete from 1 July 2022.

In Lifestyle Development, settlements increased and the average sales price for Ingenia projects is now sitting at over $600,000 ($487,000 in FY23). This, combined with increased Joint Venture activity, resulted in an increase in EBIT to over $59 million.

Development activity accelerated over the second half with 462 new home settlements across the Group in FY24 (up 24% on FY23). While the average home sale margin across Ingenia owned projects contracted, it remains within the targeted range at approximately 44%. Increasing settlements are driving growth in rent base and Joint Venture fees, with 88 settlements across Joint Venture projects.

There are currently 16 active projects, across Queensland, New South Wales and Victoria. Over FY24, development approvals were received for Blueys Beach, Latitude One, Branyan and Gordonvale, with a total of more than 750 approved sites, securing future project commencements.

Build times are stable at an average of 22 weeks with no delays due to trades or material shortages. Construction increased in FY24, consistent with a focus on aligning production with customer demand. Currently more than 400 contracts and deposits are on hand, with 69 homes settled year to date (at 16 August 2024).

Ingenia's developments remain attractive for downsizers seeking to release equity and maintain an affordable lifestyle and offer a simple financial proposition with home ownership, a weekly rent and no exit or deferred management fees.

Despite strong tailwinds supporting overarching demand, there are some short-term challenges, with ongoing high interest rates and cost of living pressures impacting residential markets. Across Ingenia's submarkets, days on market are varied, ranging from an average of 16 to 70 days[5]. Queensland projects are generally outperforming, with New South Wales experiencing more stable conditions and days on market in Victoria continuing to increase. The business is benefitting from diversity of price, location and product across the active developments with sales rates tracking in line with expectations.

John Carfi said: "We are beginning a journey in respect to development, with some changes already made, including restructuring the team to deliver an integrated delivery model across acquisitions, sales, marketing and the Joint Venture."

"We are conscious of Ingenia's rapid evolution from smaller scale brownfield development to larger more complex greenfield projects and the need to adjust our approach in response to construction pricing which has increased materially in recent years."

"We have identified further opportunities as we move towards consistent delivery of targeted returns, complete projects with limited opportunity to improve financial outcomes and, in the medium-term, benefit from design and procurement changes, as well as continued refinement of the delivery model. We have also provided clarity and greater transparency on our return hurdles and development returns, which combined with greater financial discipline internally, provide a clear pathway to delivery of targeted returns in the medium term."

Ingenia Holidays

The tourism business delivered good results, with ongoing rate and occupancy growth. Tourism rental income was up 8%, which was partially offset by growth in wages, utilities and rates, investment in marketing and volume related expenses.

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[5] Days on market by LGA (12 months to June 2024), from Pricefinder – accessed on 08/07/2024.

An additional 52 cabins were installed across the network, all of which are generating income in line with expectations and are aligned with the densification strategy for this portfolio.

Ingenia Holidays Old Bar Beach was acquired and integrated in the period and has exceeded initial return expectations with considerable upside potential via further densification.

A large database of 1.8 million people is being used to drive increased revenue and occupancy, with a strong response to recent marketing activity and the End of Financial Year campaign generating $400,000 in sales.

Domestic travel is forecast to grow, international travel has returned, and twelve-month forward bookings are up 6% on the prior year.

John Carfi said: “Our focus is continuing to expand marketing reach to capitalise further on demand for domestic travel and on select investment via densification to enhance value and revenue from this portfolio.”

Capital Management

The Group has a well-positioned balance sheet with an LVR of 32.3% (within the Group’s target range of 30% to 40%), $201.9 million in cash and available undrawn debt, with funding capacity supported by asset recycling opportunities and an increase in debt facilities.

In FY24, $75 million in capital was recycled with the sale of 11 assets and additional debt capacity of $125 million was secured in May 2024 for a 5-year term, supporting an investment of over $150 million in growth via land lease development and select site densification.

The Group will continue to release capital by accessing strategic partnerships for lower growth assets.

The Group continues to prudently manage inflation and interest rate risk, with rent growth in land lease communities generally linked to CPI, and 47% of debt hedged at 30 June 2024. The Group entered into an additional $50 million in hedging in August 2024.

Strategy, Outlook & Guidance

“Our strategy is focussed on building a leading land lease portfolio, with an increase in development returns balanced by diverse recurring cash flows. We will do this by unlocking value and building scale as the Group transitions from an aggregator of land and assets to an operationally efficient developer and operator. Our focus on maturing the development business is key to driving value creation and supports our growth ambitions for the land lease portfolio.”

“We have a clear pathway to deliver on our goals and have already progressed cost reductions, business simplification and efficiency initiatives as the business pivots to focus on execution and realisation of embedded value. As part of business simplification and harnessing efficiencies we will exit the funds business in FY25, building on our actions to date.”

"The business is well placed to deliver growing returns and capitalise on the value inherent in our development pipeline and asset base, with good momentum demonstrated into FY25. We have a $2.5 billion portfolio (owned or managed), a pipeline of over 5,300 new home sites and the capacity to increase production to meet customer demand."

"We are targeting further growth in FY25 as we maintain our focus on the seniors housing and domestic travel sectors, which have proven strong tailwinds. Our recurring revenue streams provide a solid base and are growing, supporting returns as we focus on improving development outcomes."

"While long term demand drivers remain in place, our guidance reflects the uncertainty caused by current macroeconomic conditions, changes to the regulatory and competitive landscape, and the lead time for delivery of future efficiency gains," Mr Carfi said.

Subject to no material change in the operating environment, the Group is targeting EPS of 24.4 cps to 25.6 cps for FY25 and EBIT growth of 10% to 15% on FY24[6].

Further detail regarding the Group's result is contained in the FY24 Results Presentation lodged with the ASX today.

A teleconference and webcast has been arranged Tuesday, 20th August at 11:30am (AEST). 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 $2 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).

[6] Guidance is subject to no material changes in market conditions and no other unforeseen circumstances adversely affecting financial performance. EBIT growth is inclusive of Ingenia's share of Joint Venture profit.