16 February 2021

Underlying profit up 24%; guidance reinstated

Highlights

- Revenue of $122 million, up 4% on 1H20
- Record EBIT of $40.3 million, up 25% on 1H20
- Record operating cash flow of $59.7 million, up 110% on 1H20
- Underlying profit of $32.8 million, up 24% on 1H20
- Settled 136 new homes in the first half
- EBIT guidance of 15% to 20% growth for FY21

Ingenia Communities Group (ASX: INA) today announced Underlying Profit of $32.8 million for the half year ending 31 December 2020, an increase of 24% on the previous corresponding period. Statutory Profit of $32.5 million was up 38% on the prior year.

Group revenue was up 4% to $122 million and EBIT was up 25% to $40.3 million.

Operating cash flow of $59.7 million was up 110% on 1H20, driven by increased holidays holdings and positive working capital cashflows associated with reduced inventory levels.

Ingenia achieved 128 new home settlements in 1H21 which add approximately $1.1 million in rental income annually.

Underlying EPS of 10.1 cents, which represents a 6% decrease on 1H20, was impacted by additional securities on issue as a result of the FY20 equity raisings completed by the Group.

A half year distribution of 5.0 cents per stapled security has been declared and is expected to be paid on 25 March 2021.

Ingenia's CEO, Simon Owen, said the strong profit result was particularly pleasing as it demonstrated how well the Group had positioned itself to benefit from the opening up of key markets and the overall relaxing of COVID-19 restrictions.

"The core residential rental business demonstrated resilience, with no interruption to rent collection. Record occupancy across Ingenia Gardens and a growing rental base across the Group's lifestyle business bolstered the Group's stable cash flows.

"Pleasingly Ingenia's Holidays business is experiencing strong demand and forward bookings are up 22% for the remainder of this financial year, providing a positive outlook for holiday parks across our key markets of New South Wales, Queensland and Victoria."

“Overall, our Portfolio continues to evolve as we focus on progressing our sector leadership position. This includes continuing to deploy capital in line with our stated strategy, and whilst recognising uncertainty in markets is likely to continue, maintaining an overall focus on growth has positioned the business well for the future.”

“Year to date we have settled or announced $145 million of acquisitions that will expand our footprint and contribute to further growth in our rental base. While we are seeing increasing competition and lower capitalisation rates for lifestyle communities in particular, we have a well-resourced transactions team and retain a pipeline that is continuing to deliver quality acquisitions. We are well progressed on additional acquisitions and remain confident of fully deploying the equity raised last year by 30 June 2021.”

“Solid progress is being made with our Joint Venture with Sun Communities. Our first project is progressing well at Burpengary QLD and we are advancing two additional sites on the NSW Central Coast.”

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

“We are successfully building our rental base with rental revenue across our Lifestyle and Holidays business up 18%, which in turn is positively impacting EBIT margin for the Group.”

“Movement restrictions from COVID-19 led to a slowdown in our sales program from March to September and delays in commencing new projects, but sales momentum is recovering. Our greenfield strategy is delivering high quality, long life assets and building out the core rental base. Latitude One, which remains the Group’s highest margin project, will sell out this year and has been a highly successful first greenfield development.”

“As the business grows, we continue to focus on broader social and environmental outcomes across the communities that we are part of. Our commitment to reducing carbon emissions by 30 per cent over the next five years and targeting a carbon neutral operation by 2035 is indicative of this priority for the Board and management,” Mr Owen said.

Impact of COVID-19

Ingenia recognised JobKeeper subsidy of $5.1 million in the half year result. JobKeeper partially mitigated the impact of employing staff that would not otherwise have been engaged, cost increases and revenue losses.

The Group delivered a strong result as performance recovered in the second quarter. As a result, the Group will return $1.7 million of JobKeeper to the Government.

Commenting on recent performance, Mr Owen said: “Following a slow first quarter, the Group’s holiday parks in key coastal locations experienced strong demand in the second quarter, with a significant increase in performance from the September school holidays as restrictions eased.

“We are also seeing increased sales activity since restrictions eased and are now moving to our more traditional larger scale sales events. While restrictions on rent growth remain, we are continuing to grow our rent base as sales complete and we acquire additional communities.”

“JobKeeper provided valuable assistance to our business to support employees, and in turn our local communities. As a result of the rebound we saw in the second quarter it is pleasing to be able to reimburse a portion of JobKeeper,“ Mr Owen said.

Capital Management

The Group remains well positioned to fund future growth. Overall, Ingenia's capital position has been enhanced through a new $75 million, 7-year finance facility with the Clean Energy Finance Corporation (CEFC) established in February 2021.

The balance sheet remains strong with over $375 million in cash and available undrawn debt, providing capacity to execute on additional acquisition opportunities.

Guidance

"While COVID-19 has disrupted our short-term growth, we are pleased to see momentum rebuilding and the underlying fundamentals supporting the business remain strong. Our Holidays business is benefitting from a buoyant outlook for domestic travel and we are seeing increased activity in our development projects as we reactivate new projects and larger sales events."

Notwithstanding these improvements, COVID-19 is continuing to be felt across a number of assets and in lower settlement volumes as the impact of reduced sales in the first half washes through the pipeline.

Based on the current outlook, the Group expects to deliver growth in EBIT of 15-20% for FY21. Reflecting the significant increase in average securities on issue, FY21 underlying earnings per security is expected to decline by 1- 2 cents per security compared to FY20.

Further detail regarding the Group's result is contained in the 1H21 Results Presentation lodged with the ASX today.

Note: Guidance is subject to no material change in market conditions.

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 $1.5 billion.

Across Ingenia Lifestyle, Ingenia Gardens, Ingenia Holidays and Ingenia Rental, the Group has 78 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).