

Peet Limited 1H09 Results Presentation

February 2009

asset manager land syndicator fund manager asset manager land syndicator fund manager asset manager land syndicator fund manager asset manager



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Overview

- » Strong operating performance for 1H09
- » Result derived from normal business operations
 - » Earnings not supported by englobo asset sales
- » Currently managing 81 projects across Australia / 30 projects actively being developed
- » Solid performance in Victorian affordable home buyer segment
- » Western Australian market has responded well to first home buyer initiatives

Overview

- » Promising performance 2H09 year to date
 - » First home buyer market continues to perform
 - » Recovery in second home buyer market starting to emerge
- » FY09 YTD gross sales / settlements volumes tracking slightly below FY08
 - » Some moderation in margins being experienced
- » Business will remain on conservative footing until market stabilises
- » 6.1 years average age of land bank
 - » Includes 3,300 dwelling Alkimos project acquired in Jan 08

Financial Performance



Group key financial highlights

- » Revenue of \$71.2m, an increase of 23% pcp
- » Operating EBITDA (pre inventory write downs) of \$23.1m, an increase of 3% pcp
- » Operating NPAT of \$14.5m, a decrease of 5% pcp
- » Statutory NPAT of \$10.5m, a decrease of 31% pcp
 - » Impacted by pre-tax inventory write downs of \$5.7m (\$4.0m post-tax)
- » Group EBITDA margin remains robust at 32%
 - » Moderation due to deferral of new syndication product and balanced focus between capital replenishment and earnings
- » 57% of EBITDA derived from eastern states
- » NTA per share of \$1.40, adjusted for market value of inventory
 - » Is not representative of value of funds management business / earnings
- » Gearing of 45%, adjusted for market value of inventory

Summary income statement

\$m	1H09	1H08	Var (%)
Funds management	20.2	15.7	
Development	48.8	27.8	
Other ¹	2.2	14.3	
Revenue	71.2	57.8	23%
EBITDA (pre inventory write downs)	23.1	22.5	3%
Finance costs	(1.9)	(0.4)	
Depreciation and amortisation	(0.3)	(0.3)	
NPBT	20.9	21.8	(5)%
Income tax expense	(6.4)	(6.5)	
Operating NPAT	14.5	15.3	(5)%
Operating EPS (cents)	6.5	6.9	(6)%
DPS (cents)	3.0	9.0	(67)%
Adjustments for inventory write down	(4.0)	0.0	
Statutory NPAT	10.5	15.3	(31)%
Statutory EPS (cents)	4.7	6.9	(32)%

Note:

1 Includes joint ventures and interest/dividend income

Group operating performance

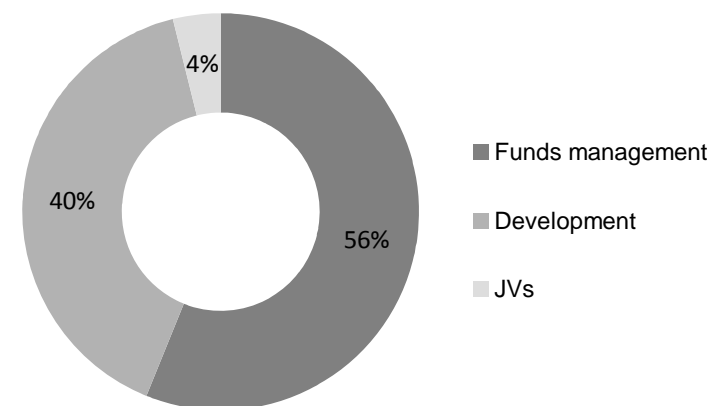
Key performance statistics

\$m	1H09	1H08	Var (%)
Revenue	71.2	57.8	23%
Operating expenses	48.1	35.3	36%
EBITDA	23.1	22.5	3%
Net EBITDA margin	32%	39%	(18)%

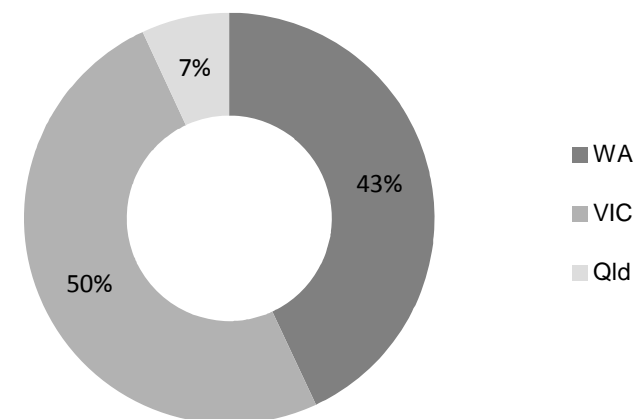
Key operating statistics

	1H09	1H08	Var (%)
Lot sales	898	1,025	(12)%
Lot settlements	907	769	18%
No. of lots under contract at 31 Dec 08	934	1,370	(32)%
No. of syndicates/JVs contributing to profit	17	15	13%
No. of owned projects contributing to profit	12	9	33%
No. of englobo lot sales	0	0	0%

1H09 EBITDA composition by business type¹



1H09 EBITDA composition by geography¹



Summary balance sheet

\$m	1H09	FY08
Assets		
Cash	26.9	50.3
Receivables	24.4	36.2
Inventories	461.9	447.0
Investments accounted for using the equity method	29.8	26.2
Other	3.9	4.8
Total assets	546.9	564.5
Liabilities		
Trade and other payables	20.4	27.6
Land vendor liabilities	75.8	89.4
Interest bearing liabilities	300.3	274.1
Other	25.3	29.8
Total liabilities	421.8	420.9
Net assets	125.1	143.6
Gearing ¹ (%)	45%	37%
NTA per security ² (\$)	1.40	1.45

Note:

- 1 Net debt / total assets adjusted for market value of inventory less land vendor liabilities and cash
- 2 Adjusted for market value of inventory

Value of owned land bank

- » Owned development land bank on-completion value of \$2.8bn
 - » Comprises approximately 17,000 lots across 48 projects
- » Over the past two months, Peet has internally reviewed its entire portfolio. This process was comprehensive and involved
 - » DCF and comparable valuation analysis
 - » Full portfolio independently valued for mortgage purposes at 30 June each year
- » As a result of this process, the carrying value of inventory has been written down by \$5.7m (\$4.0m post tax), which represents less than 1% of Peet's total inventory value
 - » Across 5 projects – 3 Qld, 1 Vic, 1 WA
- » Land bank held at historical cost – average age of 6.1 years

Capital management

- » Compliant with all debt covenants
- » Gearing covenant based on market value of inventory
- » No market capitalisation covenant
- » No debt maturity until March 2010
- » Core debt facility of approximately \$235m does not mature until December 2010
- » Benefit from low interest rates given hedging profile

	31 Dec 08	30 June 08
Weighted Average Debt Maturity	1.8 years	2.2 years
Debt Fixed/Hedged	33%	37%
Weighted Average Cost of Debt ¹	6.9%	7.8%
Net Debt	\$273m	\$224m
Gearing ²	45%	37%
Interest Cover ³	3.3x	4.2x

Note:

1 Including all costs, fees and margins

2 Net debt / total assets adjusted for market value of inventory less land vendor liabilities and cash

3 EBITDA/total interest cost (including capitalised interest)

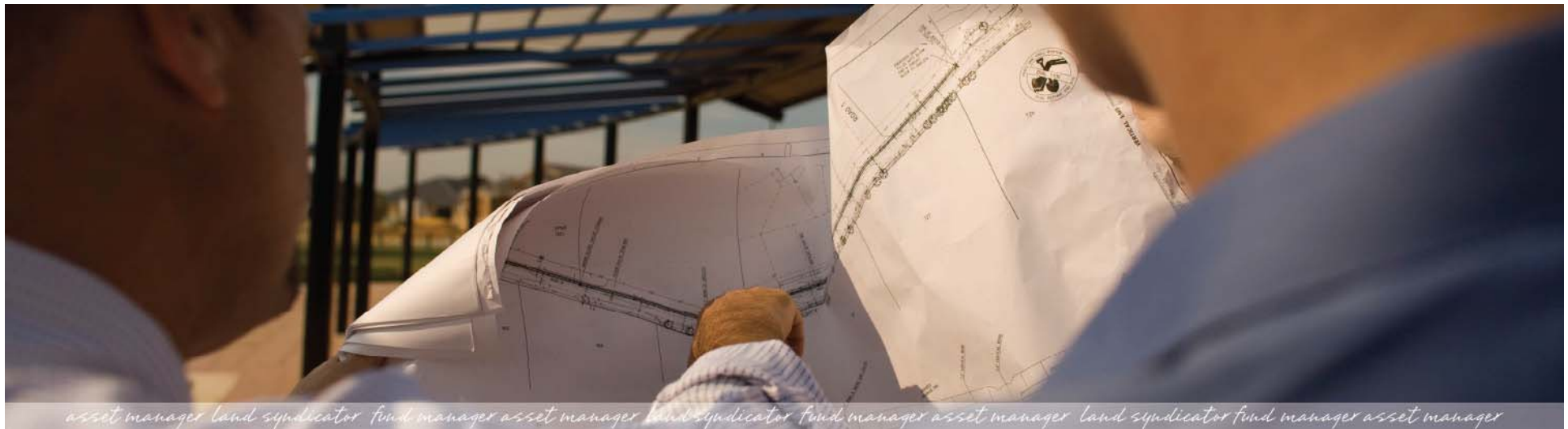
Capital management

- » Single banking relationship for over 114 years
- » Capital management initiatives
 - » Reduced payout ratio to 60%
 - » 1H09 DRP – Directors and shareholders have committed to 60% take-up; remainder underwritten by Euroz Securities with the support of other existing institutional shareholders
 - » Deferment of capital intensive projects
 - » Capital recycling through funds management business

Capital management

- » Over the past 12 months increased gearing has been due to
 - » Growth of project pipeline across Victoria and Queensland
 - » Equity position in Alkimos Wholesale Fund
 - » Deferral of retail syndication
- » The business does not need to make further acquisitions
 - » Comfortable with the geographic allocation of land bank
 - » Acquisitions not required to drive earnings – land bank represents over 15 years supply based on current rates of production
 - » Continue to responsibly identify and explore growth opportunities
- » Gearing reduces moving forward
 - » Reduced payout ratio
 - » Positive cashflow driven by high ROE model
 - » Capital recycling through FM – in excess of \$130m capital recycled off balance sheet over the past three years

Outlook and strategy



Outlook – first home owner stimulus

- » First home owner grants providing significant stimulus to the housing market
 - » Comprises both federal and state government initiatives
- » Federal first home owner grants for January 2009 grew by 15% to 12,853, following a 107% month-on-month increase in December 2008
- » Peet is well positioned to capitalise on this trend with much of its land bank targeted towards the first and second home buyer / affordable market

Federal first home owners grants by state

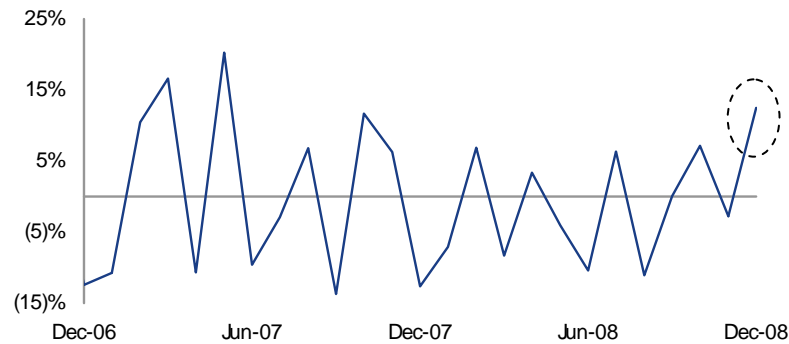
	NSW	VIC	QLD	WA	Other	TOTAL	Variance (%)
Oct 08	88	18	11	0	4	121	
Nov 08	2,076	814	1,428	297	770	5,385	4,350%
Dec 08	3,840	2,124	2,377	1,255	1,534	11,130	107%
Jan 09	4,434	2,921	2,616	1,248	1,634	12,853	15%
Total	10,438	5,877	6,432	2,800	3,942	29,489	

Source: ABS and Federal Minister for Housing

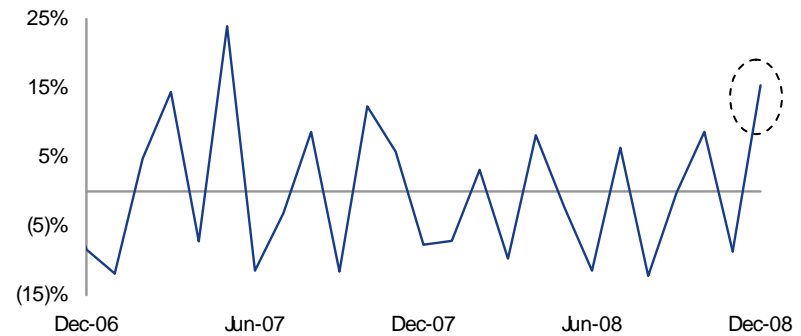
Outlook – stimulus and lower interest rates

- » Owned occupier finance approvals rising strongly; result prior to 100bps cut in February
- » Peet has experienced a solid pick up in activity in 2H09 YTD

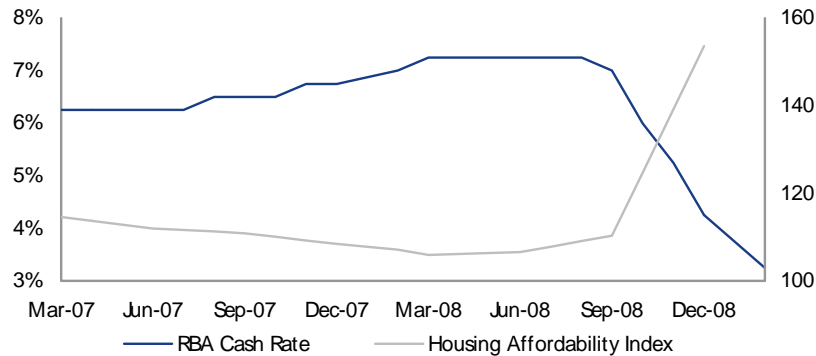
National – owner occupier finance approvals (% change MoM)



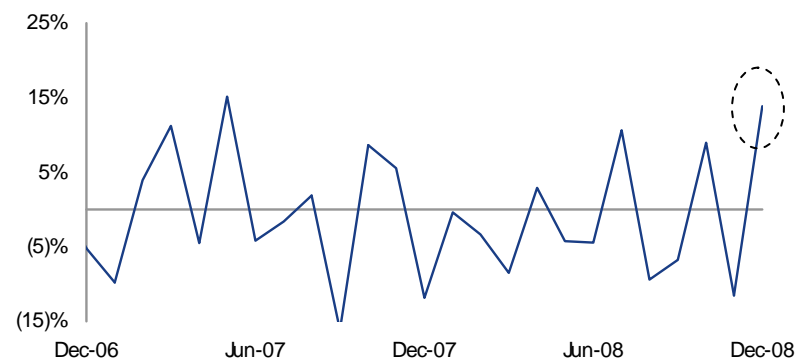
Victoria – owner occupier finance approvals (% change MoM)



RBA cash rate vs affordability index



WA – owner occupier finance approvals (% change MoM)



Source: ABS and HIA Economics Group

Outlook – 2H09 year-to-date performance

- » Peet's core market is first and second home buyers
- » As at 31 Dec 08, in excess of 930 lots under contract with a gross value of \$172m
 - » Lots under contract to contribute to 2H09 earnings
- » Encouraging start to 2H09 – strong sales results over first two months
 - » In excess of 450 lot sales achieved 2H09 YTD
 - » Currently in excess of 1,115 lots under contract with a gross value of \$204m
- » FY09 YTD gross sales / settlements volumes tracking slightly below FY08

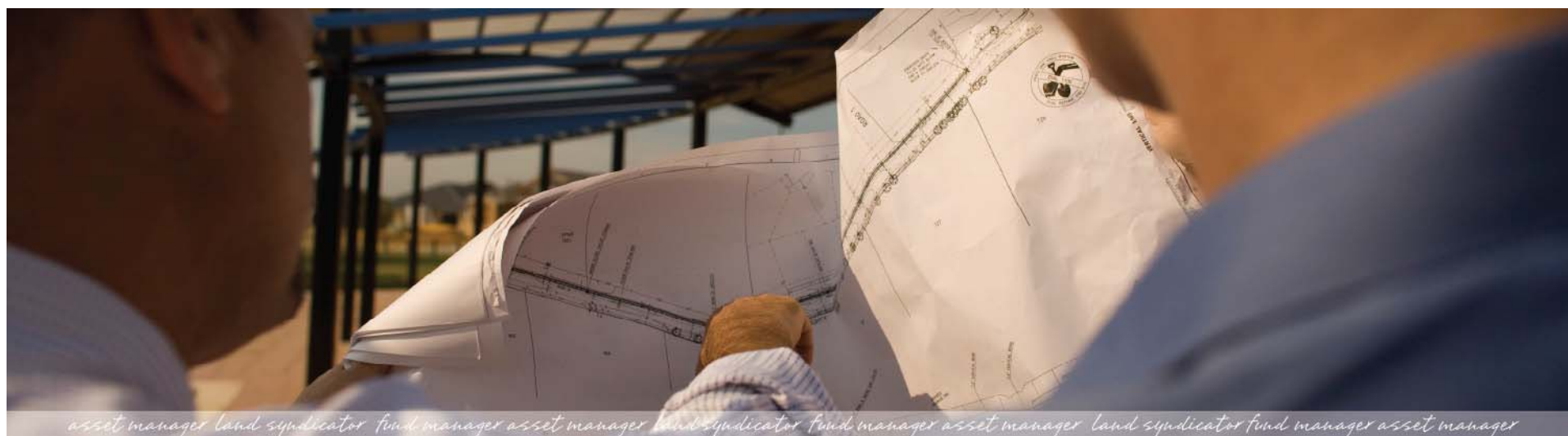
Outlook

- » Strong fundamentals
 - » Lowest interest rates in 45 years / significantly improved affordability
 - » Significant under-supply of residentially zoned and permitted land
 - » Strong population growth
 - » Government incentives / support of sector
- » Starting to experience improvement in the second home buyer market
 - » Flow-on from first home buyer activity
 - » Improved affordability
- » Peet is well placed to benefit from improved conditions
 - » Significant land bank – over 15 years supply at current rate of production
 - » 3 new projects coming to market over the next 12 months – subject to market conditions
 - » Average land bank age is 6.1 years – “imbedded profits”
- » More than half of the land bank is held off balance sheet

Strategy

- » Peet's strategic priorities remain to
 - » Focus on core businesses of funds management and residential development
 - » Continue to meet the needs of its core markets – first and second homebuyers – with a range of product at affordable prices
 - » Remain proactive and prudent with capital management by recycling capital and managing gearing levels
 - » Maintain a commitment to being environmentally responsible across its operations
- » While pro-actively managing itself through the current economic downturn, Peet will continue to responsibly identify and explore growth opportunities, building on a quality asset base

Funds Management



FM key highlights

- » Revenue of \$20m, an increase of 29% pcp
- » Operating EBITDA of \$13m, an increase of 15% pcp
- » EBITDA margin of 65%
 - » Margin remains highly attractive
 - » Moderation in margin given deferral of new syndication product
- » \$27m in retail syndicate equity raised in instalments over 1H09
 - » Reflects strength of retail investor base
- » Peet has a strong syndication pipeline and continues to actively implement strategic initiatives to grow its retail base nationally
- » Currently experiencing inbound enquiry from investor network

FM operating performance

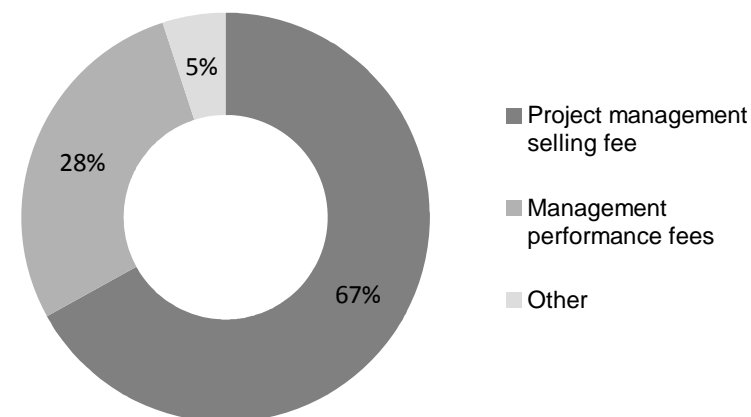
Key performance statistics

\$m	1H09	1H08	Var (%)
Revenue	20.2	15.7	29%
Operating expenses	7.0	4.3	63%
EBITDA	13.2	11.4	16%
Net EBITDA margin	65%	72%	(9)%

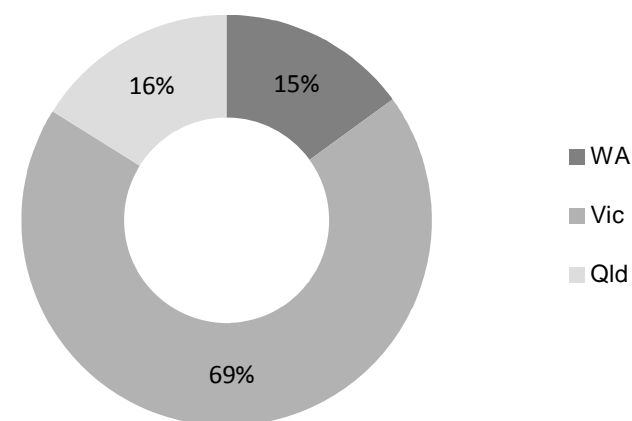
Key operating statistics

\$m	1H09	1H08	Var (%)
Lot sales	647	696	(7.0)%
Lot settlements	627	464	35%
No. of lots under contract at 31 Dec 08	676	946	(29)%
No. of syndicates contributing to profit	7	8	(13)%

1H09 revenue composition by type



1H09 revenue composition by geography



JV operating performance

Key performance statistics

\$m	1H09	1H08	Var (%)
Revenue	5.5	13.3	(59)%
Operating expenses	4.5	10.8	(58)%
EBITDA	1.0	2.5	(60)%
Net EBITDA margin	18%	19%	(5)%

Key operating statistics

\$m	1H09	1H08	Var (%)
Lot sales	62	10	520%
Lot settlements	39	127	(69)%
No. of lots under contract at 31 Dec 08	54	37	46%
No. of JV projects contributing to profit	2	1	100%

FM and JV pipeline

» 19,100 lots under management; estimated on-completion value of \$4.4 billion¹

	No. Lots ^{2,3}	2009	2010	2011	2012	2013
VIC	Botanic Village	761				
	Brimbank Gardens	733				
	Brookland Greens	124				
	Cardinia Lakes	621				
	Cranbourne Central	706				
	Cranbourne Syndicate	611				
	Melton	533				
	Tarneit Gardens	445				
	Tarneit Rise	367				
WA	Big Grove	501				
	Alkimos	2,852				
	Bayonet Head	189				
	Burns Beach	1,083				
	Byford	194				
	Carramar	273				
	Forrestdale	700				
	Lakelands	1,664				
	Mundijong	884				
	The Sanctuary	140				
QLD	Beachmere	152				
	Caboolture	748				
	Emu Park	651				
	Warner Lakes	639				
NSW	Shellharbour	272				
TOTAL	15,843	14	19	21	20	16

1 Calculated adopting current average lot sales price

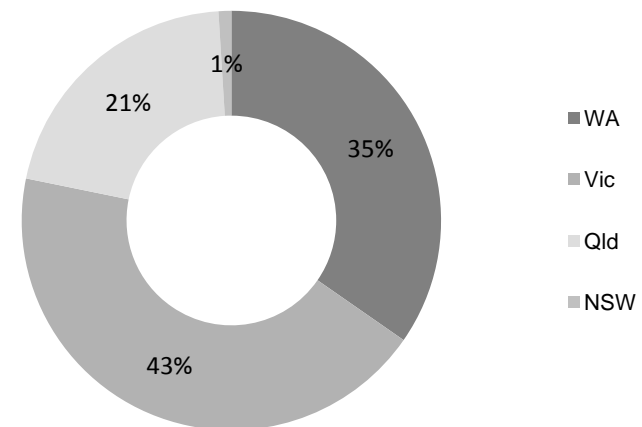
2 Lots remaining (including lots under contract)

3 Only includes active projects over the next 5 years (i.e. until 2013)

Composition of FM and JV pipeline

- » Funds management business is well positioned
- » Growth in revenues to come from
 - » 17 syndicates contributing to revenue in FY09
 - » 19 syndicates contributing to revenue in FY10
 - » Increased profit shares on more recently established syndicates
- » Alkimos expected to deliver revenues from FY10 and beyond
- » Land bank located in right markets
 - » WA, Vic and Qld
- » Targeted towards the first and second home buyer / affordable market

Geographic composition of land bank by value



Peet Alkimos – fund update

- » Peet's largest managed fund
 - » Comprises approximately 3,300 dwellings
 - » Est. end value of \$1bn (today's \$) over 11 yrs
 - » Peet equity interest approx. \$20m / 13%
 - » Institutional partners
- » Planning and approvals progressing on track
 - » State Gov't approval to District Structure Plan expected during CY09
 - » Local Structure Plan lodged with the City of Wanneroo. Anticipated dwelling yield has increased approximately 10% from original forecast
- » Currently expect works to commence FY10
- » First sales / settlements expected to occur in FY10
- » To provide significant incremental profits
 - » Development management fees
 - » Performance fees
 - » Return on equity investment



Development



Development key highlights

- » Revenue of \$49m, an increase of 76% pcp
- » Operating EBITDA (pre write downs) of \$9m, a decrease of 2% pcp
- » EBITDA margin has moderated
 - » Balancing capital replenishment and earnings
 - » Reflects Company's decision to temporarily defer some developments in Queensland
 - » Sales of titled stock
- » Result derived from normal business operations
 - » Earnings not supported by englobo sales
- » Majority of sales to first home buyers
 - » 148 settlements (60% of total)
- » 204 lots under contract contributing to 2H09 earnings

Development operating performance

Key performance statistics

\$m	1H09	1H08	Var (%)
Revenue	48.8	27.8	76%
Operating expenses	39.6	18.4	115%
EBITDA ¹	9.2	9.4	(2)%
Net EBITDA margin ¹	19%	34%	(44)%

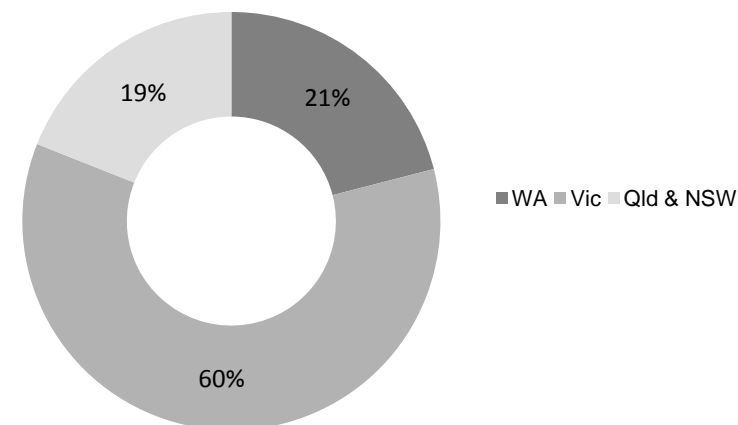
Key operating statistics

	1H09	1H08	Var (%)
Lot sales	197	319	(38)%
Lot settlements	241	178	35%
No. of lots under contract at 31 Dec 08	204	387	(47)%
No. of owned projects contributing to profit	12	8	50%
No. of englobo lot sales	0	0	0%

Note:

¹ Pre write downs

1H09 revenue composition by geography



Development pipeline

- » 17,000 lots owned; estimated on-completion value of \$2.8 billion¹
- » A total of 47 Company owned projects – 31 located across east coast
- » Number of owned projects have historically low cost base

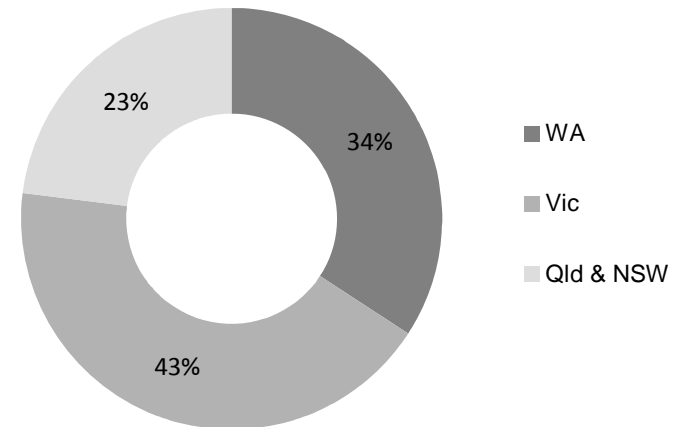
		No. Lots ^{2,3}	2009	2010	2011	2012	2013	
VIC	Castlereagh	512		█				
	Craigieburn	1,457		█				
	Greenvale	2,427	█					
	Innisfail Estate	562	█					
	Skye	85		█				
	Cranbourne	519			█			
WA	Ashton Heights	100	█					
	Baldivis Heights	496	█			█		
	Brigadoon	214		█		█	█	
QLD	Beaudesert	779			█			
	Cooroy	165	█					
	Gladstone	604	█					
	Kerry Hills	740			█			
	Mitchelton	27	█					
	Thornlands	90			█			
TOTAL		8,777	7	10	12	10	9	

1 Calculated adopting current average lot sales price
 2 Lots remaining (including lots under contract)
 3 Only includes active projects over the next 5 years (i.e. until 2013)

Composition of development pipeline

- » Targeted towards first and second home buyer market
- » Land bank located in right markets
 - » WA, Vic and Qld
- » Owned development pipeline has been strategically repositioned towards eastern states over the past five years
- » High exposure to the robust Victorian affordable home buyer market

Geographic composition of land bank by value



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Asset Manager Land Syndicator Fund Manager

