

23 February 2017

Peet delivers strong 1H17 performance

- **Operating profit¹ and statutory profit² after tax of \$19.8 million, up 7%**
- **Earnings per share of 4.03c, up 7%**
- **EBITDA³ of \$44.0 million, up 9%**
- **EBITDA³ margin at 29%, in line with 1H16**
- **1,408 lots settled, up 10%**
- **Record number of contracts on hand⁴ as at 31 December 2016 of 2,450, with a value of \$556.4 million**
- **Gearing⁵ of 24.8%, down from 28.8% at 30 June 2016**
- **Fully franked interim dividend of 1.75 cents per share**

Financial commentary

National property group, Peet Limited, today announced an operating profit after tax and statutory profit for the half-year ended 31 December 2016 of \$19.8 million, which represents a 7% increase compared to the previous corresponding period.

Earnings per share were 4.03 cents, also representing an increase of 7% compared with first half of 2016.

Peet Limited's Managing Director and CEO, Brendan Gore, said the result reflected the continuing strong conditions across the Group's east coast markets.

"There has been continued price growth, particularly across the Victorian and ACT/NSW portfolios, and an improved level of enquiries and sales across our Queensland portfolio, which augurs well for the recently launched Flagstone City and Redbank Plains projects," said Mr Gore.

The Group has continued to deliver on its stated strategy which has resulted in strong operating margins and further improvement in return on capital employed⁶, which increased from 12.9% for 1H16 to 13.7% for 1H17.

EBITDA increased 9% to \$44.0 million during 1H17, with a margin of 29%, and was achieved on the back of price growth in both Funds Management and Development projects in the Victorian portfolio; the contribution of new projects across Australia; and Peet's continuing focus on efficiencies across the business.

¹ Operating profit is a non-IFRS measure that is determined to present the ongoing activities of the Group in a way that reflects its operating performance. Operating profit includes the effects of non-cash movements in investments in associates and joint ventures. Operating profit excludes unrealised fair value gains/(losses) arising from the effect of revaluing assets and liabilities and adjustments for realised transactions outside the core ongoing business activities.

² Statutory profit after tax means net profit measured in accordance with Australian Accounting Standards, attributable to the owners of Peet Limited.

³ EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.

⁴ Includes equivalent lots. Excludes englobo sales.

⁵ Calculated as (Total interest bearing liabilities (including land vendor liabilities) less cash) / (Total assets adjusted for market value of inventory less cash, less intangible assets), excluding Syndicates consolidated under AASB 10.

⁶ Rolling 12 months EBITDA / (average net debt + average total equity)

“We were also pleased to announce the establishment of two new wholesale funds in 1H17 – both involving the co-ownership of residential land development projects with Supalai Public Company, a real estate developer listed on the Thailand Stock Exchange.

“The first jointly-owned project is Newhaven, situated in the strongly-performing western growth corridor of Melbourne and the other, Redbank Plains, is less than 30 kilometres from Brisbane. Both these projects are expected to be strong contributors to the Group’s earnings over the next decade,” said Mr Gore.

During the first half, Peet also announced the sale of an undeveloped englobo parcel in Rockbank, west of Melbourne for \$30.5 million. The sale is subject to planning-related conditions, with settlement expected to occur in FY18.

Operational commentary

In 1H17, the Peet Group achieved sales of 1,488 lots which was 10% fewer than in the corresponding period, and 1,408 settlements, which was an increase of 10% on 1H16. Sales were generally in line with expectations, with the strong east coast markets offsetting the continuing weak Western Australian and Northern Territory markets.

At 31 December 2016, there were a record 2,450 contracts on hand⁷, with a gross value of \$556.4 million, compared with 2,426 contracts on hand⁷ as at 30 June 2016 (with a gross value of \$545.7 million). “These contracts will provide strong momentum into 2H17,” said Mr Gore.

The Group’s Funds Management projects on the east coast continued to perform particularly well and the increase in contribution from its Development projects (299 lots settled for a gross value of \$108.6 million compared with 181 lots settled for \$70.8 million in 1H16) was also underpinned by the strong Victorian market as well as the commencement of settlements from new projects such as Little Green in Victoria and Greenlea Baldivis in Western Australia. The settlement of the sale of land to the Peet Werribee Land Syndicate, on whose behalf Peet is managing the development of the Cornerstone estate in Werribee, Victoria, also made a positive contribution to the 1H17 performance.

Capital management

The Group continued to identify growth opportunities and to manage its pipeline of projects with a focus on maximising its return on capital employed; and continuing its proactive and disciplined approach to capital investment in the development of a mix of product and infrastructure to meet market demand, particularly in the stronger performing east coast markets.

The Peet Group maintains a disciplined focus on capital management, and at 31 December 2016, the Group’s gearing⁸ had reduced to 24.8%, from 28.8% at 30 June 2016.

At the end of the period, the Group had interest-bearing debt (including Peet Bonds) of \$254.2 million, compared with \$266.9 million at 30 June 2016. Approximately 88% of the Group’s interest-bearing debt was hedged as at 31 December 2016, compared with 84% at 30 June 2016.

Peet enters 2H17 with a strong balance sheet, including cash and debt facility headroom of \$116.6 million as at 31 December 2016, and a weighted average debt maturity of over three years.

⁷ Includes equivalent lots. Excludes englobo sales.

⁸ Calculated as (Total interest bearing liabilities (including land vendor liabilities) less cash) / (Total assets adjusted for market value of inventory less cash, less intangible assets), excluding Syndicates consolidated under AASB 10.

Dividend payments

Subsequent to 31 December 2016, the Directors have declared an interim dividend of 1.75 cents per share, fully franked, in respect of the year ending 30 June 2017, which is in line with the FY16 interim dividend. The dividend is to be paid on 21 April 2017, with a record date of 23 March 2017.

The Dividend Reinvestment Plan remains deactivated.

Group strategy and outlook

The Peet Group continues to implement its strategy based around leveraging the diversity of its national land bank; working in partnership with wholesale, institutional and retail investors; and continuing to meet market demand for a mix of product in the growth corridors of major Australian cities.

Key elements of the strategy include:

- continuing to deliver high-quality, masterplanned communities, adding value and facilitating additional investment in amenity and services wherever possible;
- managing the Group's land bank of approximately 47,000 lots with a focus on maximising return on capital employed;
- continuing to assess opportunities to selectively acquire strategic residential land holdings in a disciplined manner under our funds management platform and as appropriate in market conditions; and
- maintaining a focus on cost and debt reduction.

The Australian residential property market conditions were variable across the states and territories during 1H17, and conditions are expected to remain generally supportive with sustained low interest rates and modest economic growth.

"Property market conditions across Victoria, New South Wales/ACT and South Australia are expected to remain supportive," said Mr Gore, "while the weaker-performing markets of Western Australia and Northern Territory are not expected to improve during the 2017 calendar year.

"The Queensland residential market, where Peet's portfolio includes the recently launched Flagstone City and Redbank Plains projects, continues to improve.

"The Group has a diversified national portfolio of projects that remains well-positioned for sustainable long-term growth and value creation and it has moved into the second half of the year well positioned to target earnings growth, subject to market conditions and the timing of settlements," said Mr Gore.

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