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asx release

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Good results set up Peet for ongoing growth

- **Operating profit[1,2] after tax of $38.5 million, up 22%**
- **Statutory profit[3] after tax of $38.5 million, up 27%**
- **FY15 dividends of 4.5 cents per share, fully franked, up 29%**
- **Earnings per share of 8.3 cents, up 18%**
- **Revenue[4] of $360.9 million, up 22%**
- **EBITDA[5] of $92.4 million, up 25%**
- **Net EBITDA[5] margin of 26%**
- **Total of 3,266 lots settled**
- **2,061[6] contracts on hand as at 30 June 2015**
- **Gearing[7] of 23.8%, down from 29.8% at 30 June 2014**

National property group, Peet Limited, today announced an operating profit after tax for the full-year ended 30 June 2015 of $38.5 million, which represents a 22% increase over the previous year.

The Group's statutory profit after tax increased by 27% to $38.5 million and its earnings per share increased from 7.0 cents per share in FY14 to 8.3 cents.

Revenue of $360.9 million was achieved, representing an increase of 22% over FY14, with a marked shift in earnings to the east coast. This increased revenue contributed to a 25% increase in EBITDA from $73.7 million in FY14 to $92.4 million.

Peet Limited Managing Director and Chief Executive Officer, Brendan Gore, said the result reflected the strong performance of its Development projects, particularly in Victoria, with continued sound contributions from across the balance of the business.

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1 Comparative period is 30 June 2014 unless stated otherwise.
2 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 totalling $6.4 million (FY14: $20.6 million). 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. For the year ended 30 June 2014, operating profit of $31.6 million is calculated as statutory profit attributable to the owners of Peet of $30.3 million, adjusted for write-downs in inventory, after tax, of $1.3 million.
3 Statutory profit after tax means net profit measured in accordance with Australian Accounting Standards, attributable to the owners of Peet Limited.
4 Included is statutory revenue of $354.4 million (FY14 - $276.1 million) and share of net profits from associates and joint ventures of $6.4 million (FY14 - $20.6 million).
5 Pre-write downs of $ nil (FY14 - $1.8 million) (before tax) and includes effects of non-cash movements in investments in associates and joint ventures totalling $6.4 million (FY14 - $20.6 million).
6 Includes equivalent lots.
7 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 AASB10.

“The Group has moved into the new financial year in a good position for ongoing growth with a strong balance sheet and quality projects on schedule for release in the months ahead,” he said.

“The diversity of our national land bank has enabled us to manage the variable market conditions across the country during the year and we are well placed to pursue the right growth opportunities, as and when they arise.”

As previously announced, during FY15, the Group raised equity of approximately $51 million to fund its interests in another six high-quality strategic residential development projects. Three of the projects were acquired jointly with investment partners, providing the Group with the opportunity to further leverage and grow its Funds Management business. Two of the projects were already in production and contributed to earnings in FY15.

In the second half of the year, the $10 million syndication of a parcel of land in Tarneit, Victoria closed over-subscribed and, at 30 June 2015, plans for the release of the first lots were well advanced on the back of strong market demand.

In FY15, the Group achieved 3,229 sales (with a gross value of $815.9 million) and 3,266 settlements (with a gross value of $812.8 million), representing a decrease of 8.4% and 6.4% respectively compared with the previous year. The lower sales and settlements reflected, in part, continuing moderating conditions in the Western Australian property market; the substantial completion in 2014 of the highly successful Warner Lakes project in Queensland and the Crace project in ACT; and a moderating Northern Territory market.

These factors were generally offset by the continued strong performance across the Group’s portfolio of Victorian projects.

More than half the FY15 settlements were achieved in the second half of the year, and Peet has entered the new financial year with solid momentum, with 2,061 contracts on hand as at 30 June 2015, with a gross value of $440.9 million. This compares with 1,990 contracts on hand with a gross value of $467.9 million at 30 June 2014, with the decrease in value of the contracts on hand at 30 June 2015 attributable largely to the settlement of apartment sales at Quayside in the ACT.

“FY15 has been a successful year and the culmination of a significant period of expansion,” said Mr Gore. “The key elements of our strategy are well entrenched across the business.”

“The focus for the year ahead continues to be the timely delivery of a variety of product to meet market demand across the country, and the delivery of masterplanned residential communities with high-quality amenity and services.”

Capital Management

The Peet Group has maintained its focus on prudent capital management, with gearing reduced to 23.8% as at 30 June 2015, compared with 29.8% as at 30 June 2014. This was at the lower end of its target range of 20-30%.

The Group’s interest-bearing debt (including its convertible notes) stood at $234.9 million at 30 June 2015, compared with $295.5 million at 30 June 2014, representing a 21% reduction. Approximately 53% of the Group’s interest-bearing debt was hedged as at 30 June 2015 (2014: 47%), and the Group has executed a number of forward starts, which will further hedge future interest costs.

The Group produced net operating cash flows of $113 million during the year, representing a significant improvement over the $37 million generated in the previous year.

The Group had net cash and debt headroom of $127.4 million at 30 June 2015, positioning it well to optimise future growth opportunities.

Peet is considering its options regarding its $50 million in convertible notes, which mature in June 2016 and redemption of which can be funded out of existing cash reserves.

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Dividend Payments

Subsequent to year end, and following a solid second half, the Directors have declared a final dividend for FY15 of 3.0 cents per share, fully franked. This brings the total dividend for FY15 to 4.5 cents per share, fully franked, and compares to the FY14 dividend of 3.5 cents per share, unfranked. The dividend is to be paid on Wednesday, 30 September 2015, with a record date of Friday, 18 September 2015.

The Directors have resolved to suspend the Company's Dividend Reinvestment Plan.

Group Strategy and Outlook

Peet will continue to target the delivery of shareholder value with the key elements of Peet's strategy for the year ahead and beyond including:

- 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 more than 47,000 lots to achieve optimal shareholder returns;
- continuing to assess opportunities to acquire quality residential land holdings under our funds management platform, with a strategic focus on acquisitions on the east coast;
- an ongoing focus on maximising return on capital employed in all our key markets;
- maintaining a focus on cost and debt reduction; and
- identifying and assessing further growth opportunities in line with our strategic objectives and as appropriate in market conditions.

The development of a further seven projects in key markets across the growth corridors of major Australian cities is scheduled to commence in the year ahead.

After the end of the financial year, in August 2015, Peet announced the sale of its Arena project in Greenvale Victoria for a total of $93.1 million with settlement to occur in instalments over three years. This sale is in line with the Group's continued focus on maximising its return on capital employed, with proceeds from the sale of Arena allowing Peet to redeploy funds into a number of prospective opportunities currently being canvassed.

"The Australian property market continues to benefit from good population growth, a low interest rate environment and relatively low unemployment rates," said Mr Gore. "However, there also remain some key challenges including changing consumer and business sentiment; the contracting resources sector, particularly in Western Australia, and other job losses in the manufacturing sector, and the ongoing issue of affordability."

"The challenge of affordability continues to be mitigated by Peet through the delivery of affordable product targeted predominantly at the low and middle market segments, including an increasing focus on medium density projects."

"During the year, Peet settled on the sale of 140 apartments, with a further 340 under construction or in the design phase and a pipeline of approximately 1,700 apartments identified across the national portfolio," he added.

Peet has entered the new financial year in a strong financial position. The Group will continue to respond to market conditions and target the delivery of shareholder value and quality residential communities around Australia by leveraging its national land bank; working in partnership with institutional and retail investors; and delivering a mix of product in the growth corridors of major Australian cities.

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“The Peet Group has a diversified land portfolio and the capacity to expand its investment in existing and new projects, leveraging its Funds Management business,” said Mr Gore.

“We have moved into the new financial year in a very good position for future growth with a low level of gearing, some $127 million in cash and debt headroom and a number of quality projects nearing the construction and development phase,” he added.

“We have the experience, a committed team and right business strategies to target earnings growth. We are well positioned to deliver more than 3,500 settlements in FY16, with earnings expected to be skewed to the second half.”

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