PEET

ASX RELEASE

22 February 2018

Peet delivers a solid first half performance

Key results[1]

- **Operating profit[2] and statutory profit[3] after tax of $21.9 million, up 11%**
- **Earnings per share of 4.5 cents, up 11%**
- **EBITDA[4] margin of 33%, up 4%**
- **EBITDA[4] of $41.7 million, down 5%**
- **1,077 lots settled**
- **Contracts on hand[5] as at 31 December 2017 of 2,434 (up 11% on 30 June 2017), with a value of $648.4 million (up 19% on 30 June 2017)**
- **Gearing[6] of 21.1%**
- **Fully franked interim dividend of 2.0 cents per share, up 14%**

Financial commentary

National property group Peet Limited today announced an operating profit[2] and statutory profit[3] after tax of $21.9 million for the half-year ended 31 December 2017, which represents an increase of 11% compared with the previous corresponding period.

Earnings per share were 4.5 cents, also representing an increase of 11% compared with the first half of 2017.

Peet Managing Director and CEO, Brendan Gore, said the result was underpinned by continuing strong conditions across east coast markets which saw the Group achieve strong growth in operating margins.

"While revenue and EBITDA[4] were down, the Group continues to deliver on its stated strategies, resulting in strong operating margins. The reduction in revenue is attributable to the weighting of settlements into 2H18, lower englobo sales and the joint venturing of the Newhaven project in Victoria towards the end of 1H17," said Mr Gore.

The EBITDA[4] margin for 1H18 was 33%, compared to 29% for the previous corresponding period. The improved EBITDA[4] margin is predominantly attributable to the strong price growth achieved across the Victoria portfolio, the settlement of a land parcel in Rockbank (Vic) and a continuing focus on efficiencies across the business.

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1 Comparative period is 31 December 2016 unless stated otherwise. The non-IFRS measures have not been audited.

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. 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.

3 Statutory profit after tax means net profit measured in accordance with Australian Accounting Standards, attributable to the owners of Peet Limited. Effective tax rate for 1H18 lower due to additional tax-deductible employee benefits.

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

5 Includes lot equivalents. Excludes englobo sales.

6 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). Excludes syndicates consolidated under AASB10.

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"Price growth continued to be achieved, particularly across the Victoria and ACT/New South Wales portfolios. The first half also saw total sales and settlements improve across the Group's Queensland portfolio on the back of the Flagstone and Eden's Crossing projects," said Mr Gore.

During 1H18, Peet was named the WA Government's preferred proponent as development partner for a housing project on a 220-hectare landholding in Brabham – 22 kilometres from the Perth CBD. The Brabham project will potentially yield more than 3,000 dwellings, schools and neighbourhood shops, and recreational areas. As part of this joint venture, Peet will establish a new wholesale fund with a wholesale investor to jointly develop the project, with Peet appointed as the development manager.

Mr Gore said final negotiations for the WA Government's landmark Brabham project are anticipated to be completed in mid-2018.

Profits were increased during 1H18 while maintaining a strong balance sheet on the back of prudent capital management. The Group derived strong cash flow from operations and kept its gearing[7] at the lower end of its target range of 20% to 30% – with gearing[7] of 21.1% for the period, compared to 21.4% at 30 June 2017.

Operational commentary

In 1H18, the Group achieved the sale of 1,342 lots, which was a decrease of 10% on the previous corresponding period and the settlement of 1,077 lots, which was down 24% compared with 1H17.

Sales were generally in line with expectations, with the strong eastern states markets offsetting the continuing weak WA and Northern Territory markets, while the total number of settlements were affected by the weighting of settlements from Aston (Vic) and Googong (ACT/NSW) into 2H18.

As at 31 December 2017 there were 2,434 contracts on hand[8] with a gross value of $648.4 million, providing strong momentum into 2H18. This compared with 2,186 contracts on hand[8] as at 30 June 2017 with a gross value of $545.7 million.

The Group's Funds Management business performed solidly in 1H18, with EBITDA[9] and EBITDA[9] margin both increasing, compared to the previous corresponding period.

Capital management

The Peet Group continues to apply a prudent focus on capital management and, at 31 December 2017, the Group's gearing[7] stood at 21.1%, compared to 21.4% at 30 June 2017 and 28.8% at 30 June 2016.

At the end of the reporting period, the Group had interest-bearing debt of $229.2 million, compared with $249.8 million at 30 June 2017. Approximately 97% of the Group's interest-bearing debt was hedged as at 31 December 2017, compared with 89% at 30 June 2017.

Peet enters 2H18 with a strong balance sheet, including cash and debt facility headroom of $139.0 million as at 31 December 2017, and a weighted average debt maturity of over two and a half years.

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[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). Excludes syndicates consolidated under AASB10.

[8] Includes lot equivalents. Excludes englobo sales.

[9] EDITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.

Dividend payments
Subsequent to 31 December 2017, the Directors declared an interim dividend of 2.0 cents per share fully franked, in respect of the year ended 30 June 2018, which is 14% higher than the interim dividend for the year ended 30 June 2017.

The Dividend Reinvestment Plan remains deactivated.

Group strategy and outlook
The Peet Group continues to operate to its stated strategy which is based on 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.

The key elements of Peet's strategy include:

- accelerating production where possible and appropriate, and active management of product mix;
- selective acquisition of projects to restock the pipeline with a focus on securing low cost projects and predominantly under our funds management platform and as appropriate in market conditions;
- delivery of affordable product targeted at the low and middle market segments; and
- maintaining a strong balance sheet and cash flow position.

Australian residential property market conditions continued to differ across the states and territories during 1H18, and the expectation is that this will continue for the balance of the 2018 financial year.

"Conditions across Victoria, Queensland and ACT/New South Wales are expected to remain supportive on the back of continued population growth and strong employment growth," said Mr Gore.

"While there is some evidence that the market depth is improving in Western Australia, we do not anticipate a material improvement in sales activity in WA during the 2018 calendar year.

"Peet has a diversified national portfolio of projects that remains well-positioned to target on-going growth and value creation," said Mr Gore.

The Group has moved into the second half of FY18 well-positioned to target earnings growth, subject to market conditions and the timing of settlements; and new projects expected to commence and already under construction, provide a positive outlook for FY19.

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