PEET

ASX RELEASE

29 August 2019

Peet well positioned for residential market recovery

Peet Limited (ASX:PPC) ("**The Group**" or "**Peet**") today announced its results for the full year ended 30 June 2019 ("**FY19**").

Summary Financials[1]

- Operating profit[2] and statutory profit[3] after tax of $47.5 million
- Earnings per share of 9.8 cents
- FY19 dividends of 5.0 cents per share, fully franked
- Revenue[4] of $262.9 million, with 2,629 lots settled
- EBITDA[5] of $86.0 million
- EBITDA[5] margin of 33%
- 1,257 contracts on hand[6] as at 30 June 2019
- Gearing[7] of 24.6%

The Peet Group achieved an operating profit[2] and statutory profit[3] after tax of $47.5 million for the year ended 30 June 2019, a decrease of 3.2% on FY18. Strong settlements from several of its key development projects were offset by lower sales on the back of moderated market conditions and restrictive lending conditions.

The Group derived full-year EBITDA[5] of $86.0 million compared to $101.3 million in FY18, with a strong EBITDA[5] margin of 33%, compared to the margin achieved in FY18 of 34%.

The performance has resulted in earnings per share of 9.8 cents for the year ended 30 June 2019, compared to 10.0 cents per share in FY18.

The Group has maintained its focus on prudent capital management and during 2H19 issued $75 million of unsecured notes, further diversifying its debt structure. The Group's balance sheet remains strong with gearing[7] of 24.6%, within the Company's target range of 20% to 30%.

Peet Managing Director and Chief Executive Officer, Brendan Gore, said, "we delivered a sound result given the moderated market conditions across the country's residential markets. Despite lower sales, we maintained a strong EBITDA[5] margin of 33%, driven by settlements from our low-cost Victorian Development projects, a continued focus on cost management across the portfolio of projects and implementation of efficiencies across the business."

[1] Comparative period is 30 June 2018, 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 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.
[4] Includes statutory revenue of $249.5 million (FY18: $287.6 million) and share of net profits from associates and joint ventures of $13.3 million (FY18: $14.1 million).
[5] EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $13.3 million (FY18: $14.1 million).
[6] Includes equivalent lots.
[7] Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).

Level 7, 200 St Georges Terrace, Perth WA 6000 | PO Box 7224, Cloisters Square WA 6850
Telephone 08 9420 1111 | Facsimile 08 9481 4712 | Email perth@peet.com.au | **peet.com.au**

Perth | Melbourne | Brisbane | Canberra | Adelaide | Darwin Peet Limited | ACN 008 665 834

Operational highlights

The Group achieved 1,629 sales[8] (down 45% on FY18), with sales impacted by the broader market conditions associated with restrictive lending conditions, a moderating Victorian market and a subdued Western Australian housing market.

Settlements[8] achieved in FY19 (2,629 settlements, down 10%) were affected by the completion of several syndicated Victorian projects during FY18, the reduction in sales across the portfolio and the reduction in englobo sales during FY19.

"While easing monetary policy, tax cuts and APRA's changes to its loan serviceability threshold are positive news for the industry, loan approvals remain a challenge for customers, which has impacted sales for the period, as have moderating Victorian and subdued Western Australian housing markets," said Mr Gore.

"At 30 June 2019, there were 1,257 contracts on hand[8], compared with 2,257 contracts on hand[8] at 30 June in 2018. This reduction, as a result of lower sales activity, is expected to impact settlements in FY20."

Capital management

The Group continues to apply a prudent focus on capital management and during FY19 derived $46.4 million net cash inflows from operations (before payments for purchase of land) and maintained gearing[9] within its target range of 20% to 30% at 24.6% as at 30 June 2019.

During the year, the Group raised $75 million from the issue of senior unsecured notes via the wholesale debt market, which together with the extension of its existing senior debt facility, increased the tenor of the Group's debt maturity profile.

At 30 June 2019, the Group had net interest-bearing debt (including Peet Bonds and consolidated syndicates) of $211.6 million, compared with $140.5 million at 30 June 2018, with the increase partly attributable to increased capital deployed into the acquisition and development of Medium Density townhouses and low rise Apartment pipelines. Approximately, 91% of Group's interest-bearing debt was hedged as at 30 June 2019, which is the same as at 30 June 2018.

Peet's balance sheet remains strong, including cash and debt facility headroom of $156.1 million as at 30 June 2019 and a weighted average debt maturity of over three years.

In FY19, Peet Limited implemented a 12-month on-market share buy-back of up to 5% of its issued ordinary shares. As at 30 June 2019, the Company had acquired 6.7 million of its ordinary shares, representing approximately 27% of the total shares to be acquired. Subsequent to year end, the Company announced a 12-month extension of the on-market buy-back.

"The issue of wholesale notes during the year further diversifies the group's capital funding sources to provide greater operating flexibility to fund investment opportunities that may arise. With a cautious view into FY20, we are taking a disciplined and conservative approach to the deployment of capital. However, our strong balance sheet and available capital provides the Group with the capacity to accelerate delivery of product in response to any improvements in market conditions," said Mr Gore.

Dividends

Subsequent to year end, the Directors declared a final dividend for FY19 of 3.0 cents per share, fully franked. This brings the total dividend for FY19 to 5.0 cents per share, fully franked in line with the FY18 dividend. The dividend is to be paid on Monday, 7 October 2019, with a record date of Thursday, 19 September 2019.

[8] Includes equivalent lots.
[9] Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).

PEET

ASX RELEASE

Group strategy

The Group will continue to target the delivery of quality residential communities around Australia by leveraging its land bank, working in partnership with wholesale, institutional and retail investors, and continuing to meet market demand for a mix of products in the growth corridors of major Australian cities.

Key elements of the Group's strategy for the year ahead and beyond include:

- selectively acquiring residential land holdings as cycles, markets and opportunities allow to restock the project pipeline with a focus on securing low cost projects, predominantly under its funds management platform;
- expanding market reach by continuing to broaden its product offering in Completed Homes, Medium Density Townhouses and low-rise Apartments;
- delivering affordable product targeted at the low and middle market segments; and
- maintaining a strong balance sheet and cash flow position.

Outlook

The Peet Group enters FY20 with a strong balance sheet, low gearing[10] and a residential development pipeline well positioned for sustainable long-term growth.

Despite a general improvement in enquiry from potential buyers, Peet expects the market to take some time to normalise. Steady employment growth combined with record low interest rates and high investment in infrastructure by Government, is being offset by the broad uncertainty driven by reduced credit availability, weak consumer sentiment and low wages growth.

"We remain cautious about the timing of recovery in the residential market and therefore expect a challenging year ahead. The lower contracts on hand as at 30 June 2019 will impact settlements in FY20 and result in earnings being heavily weighted towards the second half of the year.

"However, our strong pipeline of projects and the underlying fundamentals of the residential property sector, means that Peet is well positioned to deliver supply to the market as demand improves and lending conditions normalise," said Mr Gore.

For investor enquiries call:

Brendan Gore
Managing Director and Chief Executive Officer
Peet Limited
(08) 9420 1111

For media enquiries call:

Amy Piek
Cannings Strategic Communications
0447 617 676
apiek@cannings.net.au

[10] Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).