PEET

19 November 2020

ASX RELEASE

2020 Annual General Meeting ("AGM")

Enclosed are copies of an address and a presentation to be given at today's AGM of Peet Limited ("Peet") by Mr Tony Lennon, Chairman and Mr Brendan Gore, Managing Director and Chief Executive Officer, respectively.

This announcement is authorised for release to the market by the Board of Peet.

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PEET

ASX RELEASE

19 November 2020

Chairman's Address to 2020 Peet Limited Annual General Meeting

I confirm that all Directors are present virtually at today's AGM and we have also arranged for the Company's auditor, Mr Geoff Lotter from Ernst & Young, to be present. Later in the meeting you will be given the opportunity to ask questions relating to the FY20 audit.

Following my address, Peet's Managing Director and CEO, Brendan Gore, will deliver a presentation and we will then follow with the formal part of the meeting.

COVID-19

When the COVID-19 pandemic impacted Australia in March 2020, we took decisive action to protect our people, residents of our communities and the balance sheet through a variety of initiatives, which we have previously detailed to the market.

Peet's priority was the safety and wellbeing of our employees and residents and we moved quickly to implement a targeted pandemic response. We also prioritised supporting the ongoing viability of our small business suppliers and we also communicated digitally with residents in our communities.

I am proud of the resilience demonstrated by the Peet Team, especially the Victoria-based Team, during this challenging period.

RIGHT-SIZING COST BASE AND STRENGTHENING CAPITAL POSITION

As announced earlier in the year, Peet reduced the number of employees on the back of its:

- investment in its information and digital platforms during the past few years to improve the efficiency of its workflows and the gathering of data to drive enquiry and increase sales; and
- resetting of the Group's focus on key growth corridors around the country, resulting in the proposed orderly divestment of non-core projects, including regional and sub-regional projects and the targeted recycling of circa $75 million of capital over the next 18 to 24 months.

The decisions made in responding to COVID-19 and the right-sizing of the cost base and strengthening of our capital position were necessary to ensure the Group is well positioned for the post COVID-19 environment. However, the Group did recognise a restructuring and divestment-related provision of approximately $45 million after tax.

FY20 performance

FY20 was challenging for the Group, with operating profit after tax of $15.1 million, and a net statutory loss of $30.1 million, compared to an operating profit after tax and statutory profit of $47.5 million in FY19.

Operating earnings per share for FY20 equated to 3.1 cents (statutory loss per share of 6.2 cents) and the Directors declared a final dividend for FY20 of 1.0 cent per share, fully franked, bringing the total dividend for FY20 to 1.5 cents per share, fully franked. This compares to a full-year dividend 5.0 cents per share, fully franked, in FY19.

Brendan will provide further information on the Group's FY20 performance in his presentation.

Strategic focus

We continue to make progress with, and back, our strategy to deliver quality residential communities around Australia through four key pillars:

- investing in quality land;
- planning, creating and enhancing communities;
- expanding our product offerings; and
- maintaining strong capital management.

During the year, the Peet Group:

- continued to build our geographically diverse portfolio, with two townhouse sites and one broadacre land project secured during FY20 on attractive terms;
- commenced development/sales of two new projects, resulting in 70% of our projects now under development. We expect circa 80% of our projects to be under development by FY23;
- continued to extend our market reach by broadening our offerings to include more townhouses and low-rise apartments. We now have a pipeline of approximately 1,100 townhouses and apartments; and
- used its robust capital position to be proactive in implementing initiatives in response to COVID-19. At 30 June 2020, the Group's gearing was 28.8%, within the Company's target range of 20% to 30%. Additionally, the recycling of c.$75 million of capital over the next 18 to 24 months from the divestment of non-core assets will further strengthen the Group's balance sheet.

The mix of Company-owned, funds management and joint venture projects continues to hold the Group in good stead.

Sustainability and community building

As in previous years, in all our new communities we focus on planning, designing and delivering outcomes that balance environmental, social and economic needs.

Examples in FY20 include:

- Peet's newest community in Western Australia, Brabham Estate has in its first year been awarded a 6 Star 'Green Star Communities' certification by the Green Building Council of Australia, making it a World Leading Sustainable Development;

- Googong trialled a new innovative recycled road product, known as Reconophalt - a first for the ACT / Queanbeyan region. A one kilometre, two-lane road paved with Reconophalt can contain 500,000 plastic bags and packaging equivalents, 165,000 glass bottle equivalents and toner from 12,000 used printer cartridges;

- Summerhill, located within Botanic Ridge in Melbourne's south east, has a unique ecological landscape rich in fauna and flora. In line with the project's Conservation Management Plan and Peet's ongoing commitment to sustainability, Peet has worked with key stakeholders to develop a plan to protect the population of the Southern Brown Bandicoot within the corridor from being landlocked; and

- Peet is proud to have been working with the Bedford Group for 12 years across landscaping projects in our communities in South Australia. The Bedford Group is an organisation that supports people living with disability by providing employment opportunities. Beginning with a small team that undertook landscaping of front gardens and verges, the Bedford Group now have approximately 35 staff working on Peet projects and tender for all Peet's landscaping work.

Conclusion

I take this opportunity to thank my colleagues on the Board for their efforts during the year, and on their behalf thank Brendan Gore and his team for their continued diligence and contributions throughout FY20.

The details of Brendan's and other Key Management Personnel's remuneration are outlined in the remuneration report included in the 2020 Annual. There were no changes to the remuneration structure of our KMPs during FY20.

The Corporations Act 2001 requires a resolution to be put to the meeting adopting the 2020 Remuneration Report. We will come to that vote later in today's meeting.

Before I close my address to the 2020 AGM, and on behalf of the whole Peet team, I would like to thank all our Securityholders, our Syndicate investors and our Joint Venture partners for their ongoing support.

I now invite our Managing Director and Chief Executive Officer, Brendan Gore, to address the meeting.

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PEET
ANNUAL
GENERAL MEETING
2020
PEET
125
YEARS
Life
YOUR WAY

PEET IS WELL POSITIONED TO LEVERAGE MARKET RECOVERY

1. FY20 operating earnings of $15.1m in-line with guidance range of $14-16m
2. Sales growth of 43% in FY20 underpinned by strong pickup in WA and QLD
3. Contracts on hand up 42% providing positive momentum into FY21
4. Government stimulus packages have supported a further improvement in sales and enquiry activity
5. Non-core divestments and right-sizing of cost base to simplify strategic focus and strengthen capital position
6. Focused on driving operating leverage with ~80% of the land bank expected to be in development by FY23

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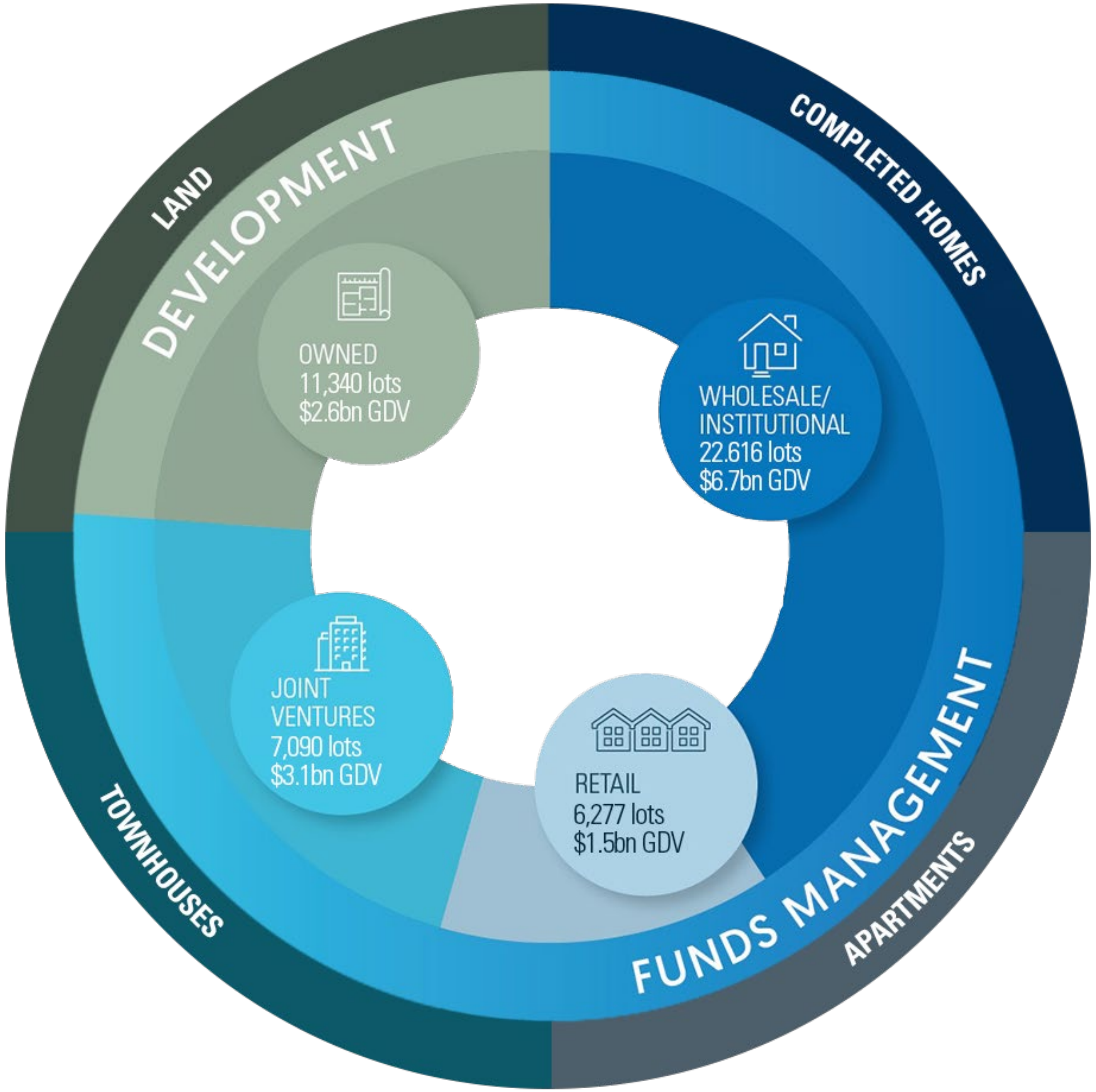
LARGEST 'PURE PLAY' RESIDENTIAL DEVELOPER IN AUSTRALIA

INTEGRATED MODEL WITH PROVEN CAPITAL PARTNERING CAPABILITY



- Property development company established in 1895
- Listed on the ASX in 2004

- ✓ **Significant and diversified land bank** encompassing more than 47,000 lots across 51 projects
- ✓ **Integrated platform** with broad product expertise across land, medium density townhouses and low rise apartments
- ✓ **Flexible and unique funding model** underpinned by proven capital partnering capability of c.36,000 lots held in capital efficient arrangements

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BROAD CUSTOMER AND PRODUCT REACH

SCALE PIPELINE WITH LOW COST BASE PROVIDING SOLID EMBEDDED MARGINS

	No. of projects
NT	1
WA	19
QLD	12
VIC	10
ACT	2
NSW	2
SA	5

47,323 LOTS

$13.9bn END VALUE

51 PROJECTS

Peet manages a broad property portfolio, encompassing **47,000 lots** across 51 projects

Diversified land bank strategically located in growth corridors of major cities in every mainland state of Australia

Range of affordable product type appealing to all buyer segments with a core focus on **first home buyers**

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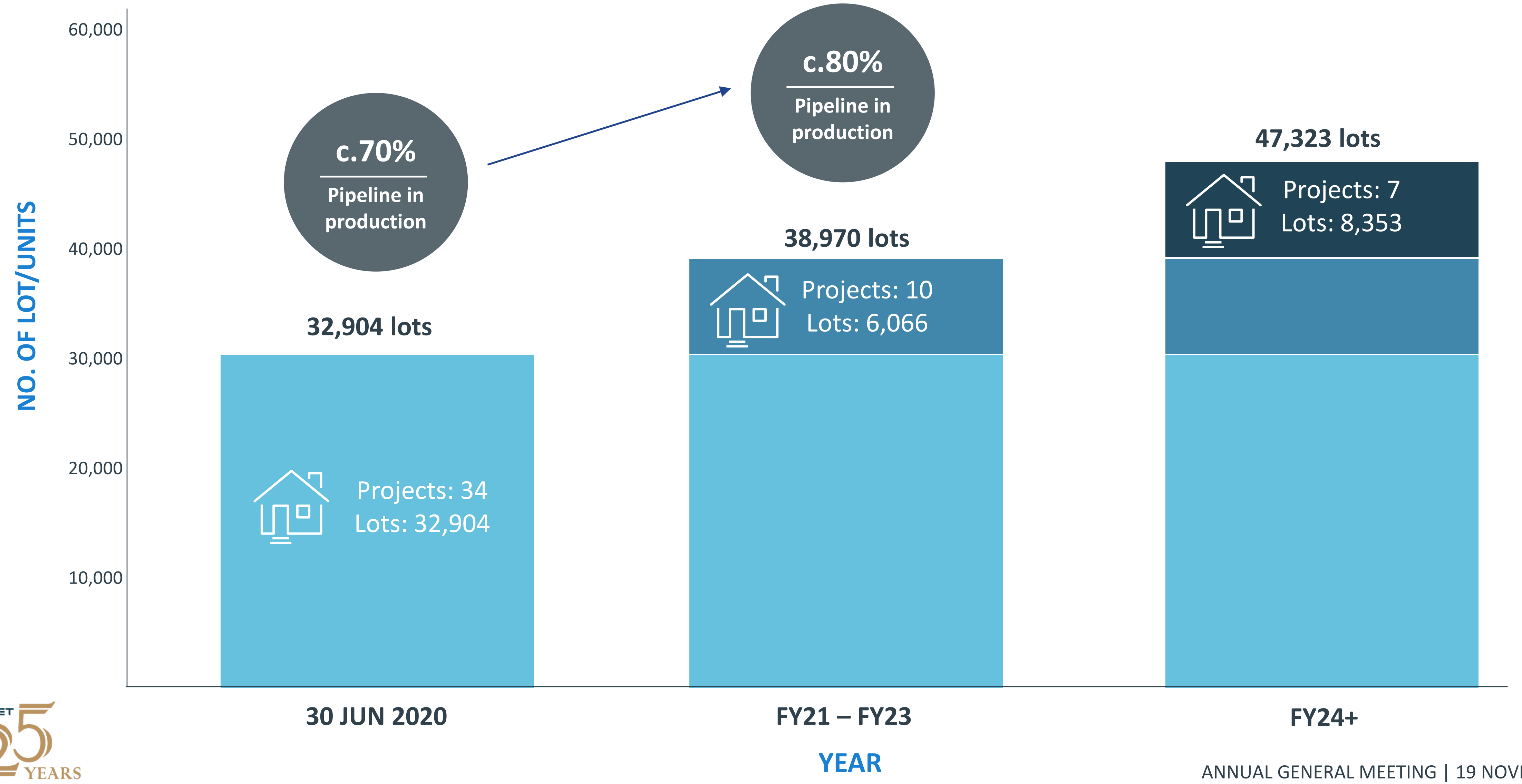
SIGNIFICANT OPERATING LEVERAGE POTENTIAL

c.80% OF LAND BANK EXPECTED TO BE IN PRODUCTION BY FY23



DELIVERING AGAINST OUR STRATEGY

PORTFOLIO WELL POSITIONED FOR POSITIVE MEDIUM TO LONG TERM GROWTH AND VALUE CREATION

STRATEGY		KEY ACHIEVEMENTS (FY20)
INVEST	Invest in high quality land in strategic locations across country	• Two townhouse sites and one broadacre land project secured during FY20 on attractive terms
ENHANCE	Plan, create and enhance communities and homes targeting the low to middle market segment	• Two new projects commenced development / sales during FY20 • c.70% of landbank under development
EXPAND	Expand product offering and geographic presence to appeal to wider variety of customers	• Broadened product offering to townhouses and low rise apartments - Pipeline of approx 1,100 townhouses/low rise apartments
MAINTAIN	Maintain strong capital management	• Gearing of 29% within target range • Right sizing of cost base to deliver $5-7m of annualised savings from 2H21 • Non-core asset divestments expected to realise approximately $75m to further strengthen capital position

GROUP FY20 FINANCIAL RESULTS

RESULT IMPACTED BY LOWER SETTLEMENTS AND COVID-19

KEY PERFORMANCE STATISTICS	FY20	FY19	VAR (%)
Lot sales[1]	2,323	1,629	43%
Lot settlements[1]	1,794	2,629	(32%)
Revenue[2]	$196.3m	$262.9m	(25%)
EBITDA[3, 4]	**$37.0m**	**$86.0m**	(57%)
EBITDA[3, 4] margin	19%	33%	(14%)
Operating profit after tax[5]	**$15.1m**	**$47.5m**	(68%)
Restructuring and divestment-related provisions	($45.2m)	-	(100%)
Statutory (loss) / profit after tax	**($30.1m)**	**$47.5m**	(163%)
KEY METRICS	**FY20**	**FY19**	**VAR (%)**
EPS (operating)	3.1c	9.8c	(68%)
DPS[6]	1.5c	5.0c	(70%)
	JUN 20	**JUN 19**	**VAR (%)**
Book NTA per share[7]	$1.09	$1.20	(9%)

Group sales were up due to improving market conditions and government stimulus

Reflects the impact of lower sales volumes in FY19 carrying into FY20 and minimising of development expenditure on new stock in response to COVID-19

Revenue was lower due to settlement volumes and COVID-19 impact

Group EBITDA[3,4] impacted by lower settlement volumes

Statutory loss due to restructuring and non-core project divestment related provisions

Group NTA does not fully reflect:

- Value uplift on co-investment stakes in funds and JV's
- Value of Funds Management business

NOTES:
1. Includes equivalent lots
2. Includes share of net profit from associates and JVs
3. EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures
4. Pre restructuring and divestment-related provisions of $61.0m (before tax)
5. 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/unrealised transactions outside the core ongoing business activities
6. Fully franked
7. NTA before application of AASB 16 Leases.

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GROUP CASH FLOW SUMMARY

OPERATING CASH FLOW IMPACTED BY LOWER SETTLEMENT VOLUMES IN FY20

CASH FLOWS RELATED TO OPERATING ACTIVITIES	FY20 $M	FY19 $M
Receipts from customers	191.6	269.8
Payments for development and infrastructure	(113.4)	(114.9)
Payments to suppliers and employees	(53.7)	(71.6)
Borrowing costs	(21.8)	(20.6)
Distributions and dividends from associates and joint ventures	8.0	12.3
Net taxes paid	(7.3)	(28.6)
Operating cash flow before acquisitions	**3.4**	**46.4**
Payments for land acquisitions – Term payments	-	(15.7)
Payments for land acquisitions – Land & Medium Density Sites	(11.3)	(42.8)
Net operating cash flow	**(7.9)**	**(12.1)**

Receipts lower due to lower land settlements, deferral of new project commencements and completion of two projects in FY19

- Includes construction of townhouses and low rise apartments totalling $35m during FY20
- Increased capital to be deployed during FY21 into land development and construction of townhouses and apartments to deliver into government stimulus
  - Substantial capital expected to be recycled from settlements during FY21 and 1H22

Distributions from funds and joint ventures impacted by lower settlements

Secured three new development sites on attractive terms

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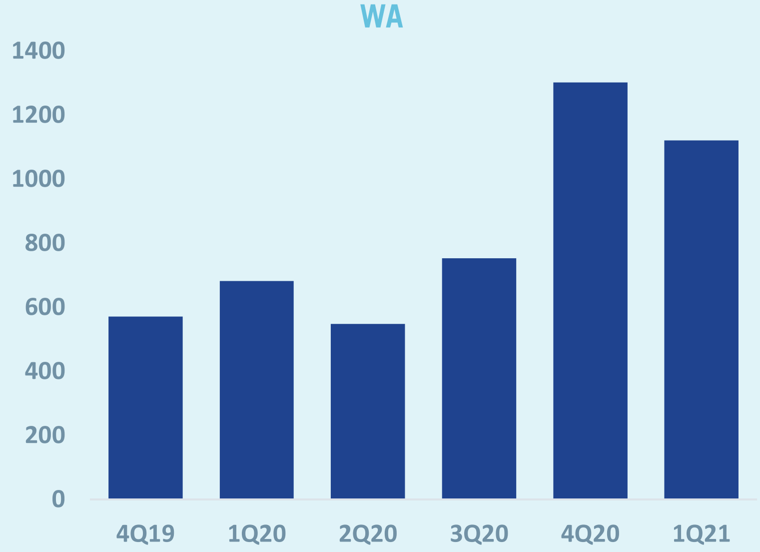
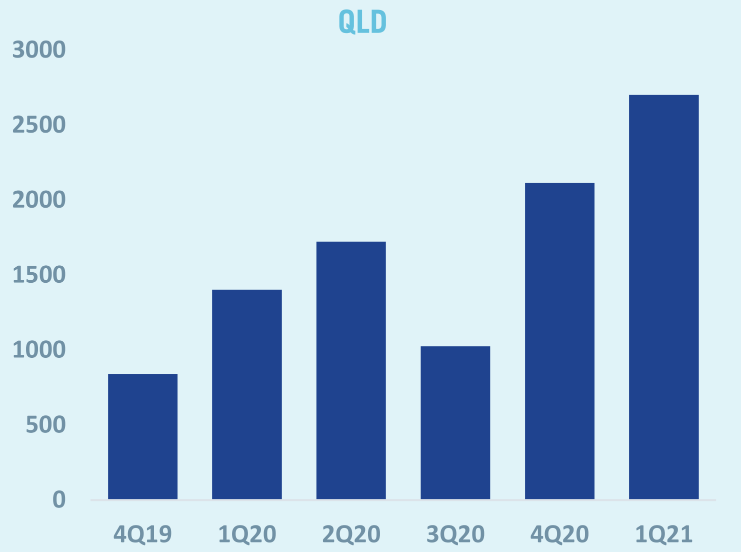
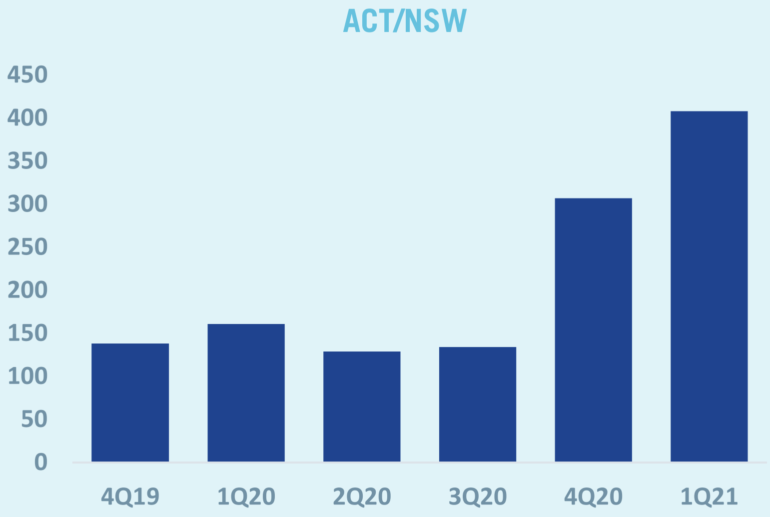
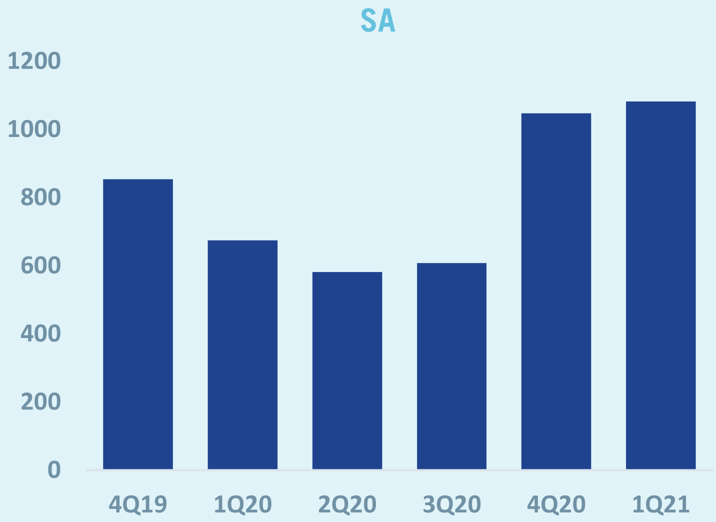
ENQUIRY LEVELS REMAIN STRONG

- Enquiries remain strong at above pre-COVD-19 levels
- Strong sales achieved in June and July moderated in August and September but remain above FY20 averages
- WA and QLD conversion rates likely to moderate over the near term as some builders have reached capacity to deliver within the HomeBuilder timeframe
- VIC likely to see an increase in sales as restrictions begin to ease
- Cancellation rates continue to moderate towards more normalised levels
- Credit availability and continuing low interest rates remain positive









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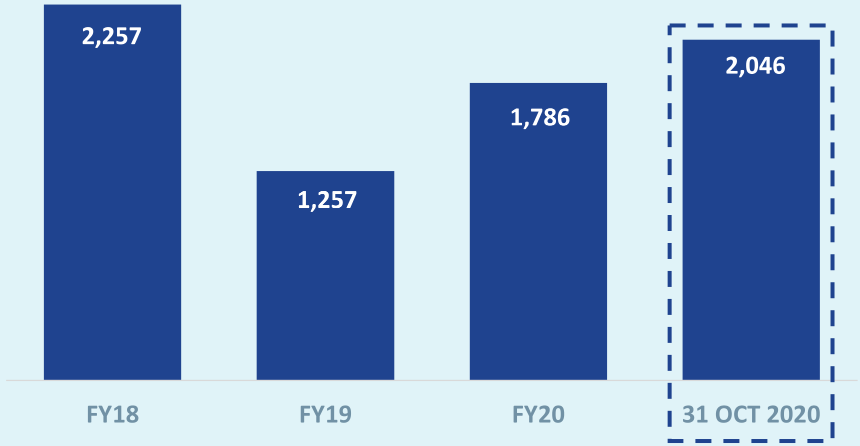
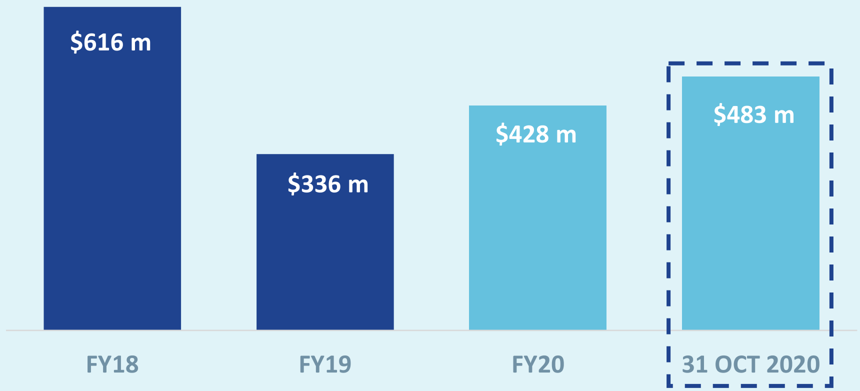
CONTRACTS ON HAND

CONTRACTS ON HAND[1] (LOTS)



CONTRACTS ON HAND (VALUE)



CONTRACTS ON HAND REFLECT IMPROVING MARKET CONDITIONS

Contracts on hand[1] – up 15% since 30 June 2020 to 2,046 lots

- Reflects improving market conditions and government stimulus

Contracts value of $483m – up 13% since 30 June 2020

- Cancellation rates are moderating towards more normalised levels

Notes:
1. Includes equivalent lots.

NEW PROJECTS PROVIDE MEDIUM TERM EARNINGS VISIBILITY

PIPELINE OF APPROXIMATELY 47,000 LOTS PROVIDING VISIBILITY OF FUTURE EARNINGS

Up to four new land projects and three townhouse/apartment sites to commence development within the next three years

- **Approximately 84% of the lots in these projects sit within the FM/JV business**
- **Average project duration of c.9 years providing visibility of future earnings and cash flows**

New projects will be fully funded from internally generated cash flows, existing debt facilities and third party capital

FY21 – FY23 NEW PROJECT RELEASE SCHEDULE

Project	State	Segment	Commencement of Sales/Development	Lots[1]/Units	Project Life (Years)
Townhouses	VIC/QLD	Owned	**FY21 – FY23**	482	**2**
Pier Street Apartments	WA	JV	**FY21**	188	**4**
Eglinton	WA	Funds	**FY21**	1,024	**10**
Jumping Creek	NSW	Owned	**FY22**	219	**4**
University of Canberra[2]	ACT	JV	**FY22/23**	3,300	**21**
Fort Largs	SA	Owned	**FY22**	335	**6**
Mundijong	WA	Funds	**FY23**	933	**15**
Total				**6,481**	**Av 9**

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Notes:
1 Refers to lots and/or dwellings
2 Subject to satisfaction of conditions

MARKET CONDITIONS: BY STATE

PEET'S SUMMARY

WA

- Most estates performed strongly in 1Q21 with residual stock absorbed quickly over June & July
- New stages released to meet demand
- Constraints include capacity of builders & lenders to process surge in demand
- Expecting softer 2H21 due to bring forward of demand
- First home buyers are the most active segment
- Net pricing improved due to strength of demand
- Sales cancellation rate expected to reduce due to stimulus and buyer quality.

QLD

- Enquiry & sales improved late in 4Q20 due to stimulus and expected to continue throughout 1H21
- New stages released to meet demand
- Net pricing improved due to strength of demand
- Cancellations slightly elevated due to increased demand but offset by solid settlements YTD

VIC

- Restrictions have delayed built form programs by around 3 months
- Recent sales strategies implemented have seen improved sales rates at a number of projects
- Sales cancellation rate slightly elevated

SA

- Strong sales across all estates in 1Q21 with new stages released to meet demand
- Expecting softer 2H21 due to bring forward of demand
- New project launch in 1Q22

ACT/NSW

- Tight supply to underpin demand in the short to medium term
- Quality projects expected to continue to drive solid performance
- Modest price growth forecast for FY21

MARKET OUTLOOK

WA

- Land sales strong in 1Q21 as supported by government stimulus
- Relative affordability & strength of the local economy will continue to support this market
- Strength of mining sector helping employment & overall confidence
- Conversion rates likely to moderate over the near term due to capacity constraints
- Softer conditions anticipated in 2H21 as stimulus ends
- Rental vacancy rates lowest since 2007

QLD

- Land sales were strong in 1Q21 with new releases well supported by government stimulus.
- SEQ well placed for post COVID-19 recovery with an expected return of interstate migration and significant infrastructure program over 4 years to support population and jobs.
- Relative affordability and supply constraints will continue to support sales in growth corridors
- Softer sales conditions likely in 2H21 as stimulus ends.

VIC

- Early signs of market improvement post COVID-19 restrictions.
- Melbourne sales expected to improve in the short term as restrictions continue to ease.
- Potential for State Government housing stimulus.
- Subdued Net Overseas Migration expected to dampen medium term outlook.

SA

- Mature & relatively stable market with lower volatility than other state capitals
- Defence spending is expected to support economy from 2021
- Conditions currently subdued due to COVID-19 though land sales relatively strong due to stimulus
- Relative affordability will support this market
- Relatively strong non-first home buyer activity

ACT/NSW

- Growth in employment and wages supporting a steady market
- Land sales strong in early FY21 as supported by stimulus
- Tight land supply currently driving solid sales rates across the market

STRONG PLATFORM FOR SUSTAINABLE GROWTH, THROUGH CYCLES

SCALE LAND BANK

- Strategic land bank provides long term earnings visibility
- Counter-cyclical acquisition strategy has allowed the Group to capitalise on value accretive opportunities
- Expect c.80% of land bank to be in production by FY23 from 70% currently

SOLID EMBEDDED MARGINS

- Solid embedded margins given pipeline age, location and acquisition terms achieved
- Average age of land bank is 9 years
- More than 90% of lot acquisitions since FY12 have been secured on capital-efficient terms

INTEGRATED PLATFORM

- Leading national operating platform across development, marketing, acquisitions and sales
- Broad product expertise across land, medium density townhouses and low rise apartments
- Funds Management platform provides highly attractive capital-lite earnings representing 48% of Group EBITDA

PROVEN TRACK RECORD

- Proven capital partnering capability provides significant scale benefits and access to external capital
- High quality management team, with significant residential and commercial property market experience

GROUP OUTLOOK

FOCUSED ON POSITIONING FOR AN IMPROVING MARKET THROUGH A CONSERVATIVE APPROACH TO PROJECT DELIVERY AND IDENTIFYING GROWTH OPPORTUNITIES

- Government stimulus has contributed to strong sales in 1Q21
  - Sales momentum continuing into 2Q21 albeit at lower levels than 1Q21
- Ensure appropriate levels of production are maintained to meet demand from government stimulus
- Government stimulus supporting housing demand, however COVID-19 and builder capacity constraints may impact sales and potentially delivery programs during FY21
- Low interest rates, accommodating credit conditions and Government stimulus are positives for the residential sector
- Consider opportunistic acquisitions to restock pipeline when appropriate
- Peet continues to adopt a cautious approach in relation to FY21 and will closely monitor the impact of COVID-19 and its implications for the Group, while remaining agile

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