27 August 2020

ASX RELEASE

Peet Group full year results – FY20

Peet Limited (ASX:PPC) ("**The Group**" or "**Peet**") today announced its results for the year ended 30 June 2020 ("**FY20**").

Summary Financials

- **Operating profit[1] after tax of $15.1 million and statutory loss[2] after tax of $30.1 million**
- **Operating earnings per share of 3.1 cents and statutory loss per share of 6.2 cents**
- **FY20 dividends of 1.5 cents per share, fully franked**
- **Revenue[3] of $196.3 million, with 1,794 lots settled**
- **Restructuring and divestment-related provisions of $45.2 million after tax**
- **EBITDA[4] of $37.0 million (before restructuring and divestment-related provisions)**
- **1,786 contracts on hand[5] as at 30 June 2020**
- **Gearing[6] of 28.8%**

The Peet Group achieved an operating profit[1] after tax of $15.1 million and statutory loss[2] after tax of $30.1 million for FY20, which represent decreases of 68% and 163% respectively on FY19.

The operating result is on the back of lower settlements impacted by the lower contracts on hand as at 30 June 2019 and the completion of projects in FY19 and into FY20. The onset of the COVID-19 pandemic towards the end of 3Q20, together with Government restrictions and protocols and the Group's own responses to protect the health and safety of its employees and its balance sheet also had a negative impact on the FY20 results.

"In July 2020, we announced that with a view to resetting the focus of the business on key growth corridors around the country, Peet will seek to divest non-core projects, including regional and sub-regional projects. This is expected to result in the recycling of circa $75 million of capital over the next 18 to 24 months and simplify the Group's operating structure. While it is expected that these measures will result in annualised overhead and fixed cost savings of $5-7 million once fully implemented in 2H21, it has also resulted in a restructuring and divestment-related provision of $45 million after tax in FY20," said Peet Managing Director and CEO, Brendan Gore.

[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 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. In FY20, a restructuring and divestment-related provision of $45.2 million after tax was excluded in calculating the operating profit.
[2] Statutory profit (loss) after tax means net profit (loss) measured in accordance with Australian Accounting Standards, attributable to the owners of Peet Limited.
[3] Includes statutory revenue of $188.2 million (FY19: $249.5 million) and share of net profits from associates and joint ventures of $8.1 million (FY19: $13.3 million).
[4] EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.
[5] Includes equivalent lots.
[6] Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).

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The Group derived EBITDA[7] of $37.0 million (before restructuring and divestment-related provisions) during FY20, compared to $86.0 million in FY19, with an EBITDA[7] margin of 19%, compared to the margin achieved in FY19 of 33%. This margin reduction is attributable to the completion of high margin projects in ACT/NSW and Vic and the Group's reduced development expenditure on new stock in response to COVID-19.

The performance has resulted in an operating earnings per share of 3.1 cents (statutory loss per share of 6.2 cents) for FY20, compared to 9.8 cents in FY19.

Mr Gore commented that the Group has maintained its focus on prudent capital management during FY20. "The Group entered 2H20 in a strong capital position, which allowed it to proactively implement capital management initiatives in response to COVID-19 and maintain its gearing[8] within its target range of 20% to 30%," said Mr Gore.

Operational highlights

The Group achieved 2,323 sales[9] for the full year across its Funds Management, Development and Joint Venture projects, representing an increase of 43% on the number of sales achieved in FY19.

1H20 sales showed a solid increase on the previous six months and sales activity continued to improve in the first two months of CY2020. However, the impact of the COVID-19 pandemic and associated restrictions contributed to lower sales in April 2020 on the back of lower customer traffic and enquiry levels during the latter part of March 2020.

Enquiry levels and digital traffic recovered strongly in April 2020, with Peet's sales offices generally fully operational in WA, ACT/NSW, SA and QLD with the easing of Government restrictions. The introduction of Government stimulus (including the Federal Government's HomeBuilder grant and the WA State Government's Building Bonus grant) resulted in a significant increase in enquiries and sales across the Group's portfolio in the latter half of the June 2020 quarter.

Enquiry levels increased by 75% during the quarter ended 30 June 2020, compared to the quarter ended 31 March 2020. Sales increased 57% compared to the quarter ended 31 March 2020 and 25% compared to the quarter ended 31 December 2019.

The Group achieved 1,794 settlements[9] for the full year across its Funds Management, Development and Joint Venture projects, representing a decrease of 32%, compared with FY19. This decrease was on the back of the lower contracts on hand at 30 June 2019, the completion or substantial completion of a number of projects in FY19 and the minimising of development expenditure on new stock in response to COVID-19.

At 30 June 2020, there were 1,786 contracts on hand[9], with a gross value of $427.7 million, compared with 1,257 contracts on hand[9] with a gross value of $335.5 million at 30 June in 2019. This represents an increase of 42% in contracts on hand[9] and a 27% increase in contract value, providing a positive momentum into FY21.

[7] EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.
[8] Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).
[9] Includes equivalent lots.

Capital management

The Group continues to apply a prudent focus on capital management and its gearing[10] as at 30 June 2020 was 28.8% and within its target range of 20% to 30%.

At 30 June 2020, the Group had net interest-bearing debt[11] (including Peet Bonds) of $235.3 million, compared with $211.6 million at 30 June 2019.

Peet enters FY21 with cash and debt facility headroom of $134.7 million as at 30 June 2020 and a weighted average debt maturity of over two years. It has the capacity to accelerate delivery of product to meet the material increase in demand following the introduction of Government stimulus.

"During FY20, Peet Limited extended its on-market share buy-back of up to 5% of its issued ordinary shares and agreed to variations in its senior debt facility. These variations have resulted in a waiver of the measurement of the Group's debt covenants out to 30 June 2021, taking account of the Group's COVID-19 responses and the organisational restructure announced to the market in July 2020," said Mr Gore.

Dividends

After year end, the Directors declared a final dividend for FY20 of 1.0 cent per share, fully franked. This brings the total dividend for FY20 to 1.5 cents per share (FY19: 5.0 cents per share, fully franked). The final FY20 dividend is to be paid on Thursday, 19 November 2020, with a record date of Monday, 26 October 2020.

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 product in the growth corridors of major Australian cities," said Mr Gore.

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;
- expanding market reach by continuing to broaden its product offering in medium density townhouses and low-rise apartment product;
- delivering affordable product targeted at the low and middle market segments; and
- maintaining a strong balance sheet and cash flow position.

[10] Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).
[11] Including net debt of syndicates consolidated under AASB10.

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Outlook

FY21 is expected to remain challenging as the various economic and social consequences of COVID-19 continue to develop and impact both the property industry and country more broadly.

"While low interest rates, accommodating credit conditions and Government stimulus are positive for the residential sector, there remain uncertainties around the impact of the roll-off of Government stimulus, including on the rate of unemployment and the impact of COVID-19 on the Federal Government's immigration policy. Accordingly, the Group continues to adopt a cautious approach as it enters FY21," said Mr Gore.

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

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