23 February 2023

PEET DELIVERS STRONG 1H23 PERFORMANCE

Peet Limited (ASX:PPC) ("The Group" or "Peet") today announced its results for the half-year ended 31 December 2022.

Key Results[1]

- **Operating profit[2] and statutory profit[3] after tax of $35.1 million, up 70%**
- **Earnings per share of 7.4 cents, up 73%**
- **608 lots[4] sold (1H22: 1,809)**
- **998 lots[4] settled (1H22: 1,251)**
- **Value of contracts on hand[4] as at 31 December 2022 of $775 million ($930 million as at 30 June 2022)**
- **Gearing[5] of 30.8%**
- **Fully franked interim dividend of 3.5 cents per share**

Financial commentary

The Peet Group achieved an operating profit[2] and statutory profit[3] after tax of $35.1 million for the half-year ended 31 December 2022 ("1H23"), which represents an increase of 70% compared with the previous corresponding period.

The Group derived EBITDA[6] of $55.0 million during the half, compared to $32.6 million for the previous corresponding period, and an increased EBITDA[6] margin of 31%, compared to 26% in 1H22.

Peet Managing Director and Chief Executive Officer, Mr Brendan Gore commented: "The strong 1H23 result is on the back of the Group's focus on monetising the substantial contracts on hand at the beginning of the financial year; and is despite challenging market conditions and reduced lot releases.

"The improvement in the Group's operating margins is due to the full ownership of the Flagstone City (Qld) project for the period, increased embedded margins from recent acquisitions including townhouse projects and the settlement of New Beith (Qld)," said Mr Gore.

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[1] Comparative period is half year ended 31 December 2021 ("1H22") unless stated otherwise. The non-IFRS measures have not been audited or reviewed by EY

[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 / (unrealised) 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

[4] Includes equivalent lots

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

[6] EBITDA is a non-IFRIS measure that includes effects of non-cash movements in investments in associates and joint ventures

The performance has resulted in earnings per share increasing 73%, compared with the previous corresponding period, to 7.4 cents.

Operational commentary

The Group achieved sales of 608 lots[7] with a gross value of $228.5 million and 998 settlements[7] with a gross value of $382.9 million in 1H23 across its operations.

Lot[7] sales and settlements for the half year ended 31 December 2022 were 66% and 20% lower, respectively, than in 1H22, with 1H22 sales activity having benefitted from government stimulus and lower interest rates.

Higher interest rates in 1H23 have contributed to slowing market conditions, while inclement weather on the east coast has placed significant pressure on residential programs and settlement timeframes. In addition, cost escalation, supply chain constraints and labour shortages have added further complexities.

"We have responded to the above circumstances by adopting a prudent policy of only releasing stock for sale when clarity was achieved for the timing of delivery of titles and matching production levels with qualified buyer demand. This response has also contributed to lower sales for the half," said Mr Gore.

As at 31 December 2022, there were 2,207 contracts on hand[7], with a gross value of $775 million, compared with 2,597 contracts on hand[7] as at 30 June 2022, with a gross value of $930 million.

"The contracts on hand[7] as at 31 December 2022 provide solid visibility of earnings as the Group moves into the second half of FY23," said Mr Gore.

Capital management

The Group enters the second half of FY23 in a strong capital position, with gearing[8] at 31 December 2022 of 30.8%, compared to 29.9% at 30 June 2022.

"While gearing[8] is slightly above the Group's target range of 20% to 30%, it is in line with expectations communicated to the market following a period of significant construction activity to deliver and monetise the significant contracts on hand and the acquisition of the balance of the Flagstone City (Qld) project," said Mr Gore.

During 1H23, Peet repaid its Series 2, Tranche 1, five-year $50 million corporate bonds, increased the limit of its existing senior debt facility and extended its expiry date to 1 October 2025.

At the end of the period, the Group had interest-bearing debt (including Peet Bonds) of $299.7 million, compared with $300.6 million at 30 June 2022. Peet enters 2H23 with cash and debt facility headroom of $147.2 million as at 31 December 2022, which provides capacity to fund the current portfolio, and a weighted average debt maturity of close to three years.

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

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"Gearing[9] during 2H23 and into FY24 is expected to remain at or slightly above the target range of 20% to 30% due to the ongoing significant construction activity, the payment of land vendor liabilities in respect to the acquisition of the balance of the Flagstone City (Qld) project and the completion of the acquisition of the University of Canberra (ACT) project," said Mr Gore.

Dividend

Subsequent to 31 December 2022, the Directors have declared an interim dividend of 3.50 cents per share, fully franked, in respect of the year ending 30 June 2023. This dividend compares to a 2.25 cents per share, fully franked, interim dividend for the year ended 30 June 2022. The dividend is to be paid on Thursday, 13 April 2023, with a record date of Friday, 24 March 2023.

Outlook

"Residential markets continue to normalise from their peak as a result of interest rate increases and inflation, which are impacting buyer sentiment (particularly for first homebuyers) with sales activity moderating following a period of heightened demand and historically low interest rates," said Mr Gore.

Uncertainty over interest rates is expected to weigh on buyer sentiment until there is more clarity on where rates will peak.

However, underlying drivers of the residential market remain supportive - including strong labour market conditions, above-average wage growth, improving levels of overseas migration, tight rental vacancies and constrained land supply.

The Group is focussed on executing its strategic objectives and maintaining a disciplined approach to capital management. It is well positioned to navigate the current environment and to benefit from a recovery in activity.

Subject to market conditions and the timing of settlements, the Group is well-positioned for 2H23 supported by substantial contracts on hand and new project commencements.

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

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