25 August 2022

PEET DELIVERS RECORD EARNINGS IN FY22

Peet Limited (ASX:PPC) ("The Group" or "Peet") today announced its results for the year ended 30 June 2022 ("FY22").

Key Results[1]

- **Operating profit[2] and statutory profit[3] after tax of $52.3 million, up 84%**
- **Earnings per share of 10.8 cents per share, up 84%**
- **FY22 dividends of 6.25 cents per share, fully franked, up 79%**
- **Revenue[4] of $290.7 million, with 2,514 lots settled[6]**
- **EBITDA[5] margin of 30.0% on EBITDA[5] of $86.0 million**
- **Net cash inflows from operations (before acquisitions) of $80.1 million**
- **$930.0 million worth of contracts on hand[6] as at 30 June 2022**
- **Gearing[7] of 29.9%**

The Peet Group achieved a record operating profit[2] and statutory profit[3] after tax of $52.3 million for the year ended 30 June 2022 ("FY22"), which represents an increase of 84% on the previous financial year ("FY21") and is in line with the Group's most recent update to the market (July 2022).

The Group reported EBITDA[5] of $86.0 million during FY22, compared to $58.1 million in FY21, with an EBITDA[5] margin of 30%, compared to the margin achieved in FY21 of 25%.

Peet Managing Director and Chief Executive Officer, Brendan Gore, commented: "Peet delivered a strong performance during FY22, with considerable growth in key financial metrics. The material improvement in margins and profit was driven by price growth across the Group's developing and selling projects, combined with the ongoing focus on cost management, the changing product mix and the continued focus on unlocking value by appropriately managing the Group's significant landbank. This was supported by continuing favourable market conditions and consumer confidence during the majority of FY22, especially across the east coast business."

1 Comparative period is year ended 30 June 2021 unless stated otherwise. The non-IFRS measures have not been audited 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 Limited.
4 Includes statutory revenue of $266.6 million (FY21: $220.3 million) and share of net profits from associates and joint ventures of $24.1 million (FY21: $14.0 million).
5 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.
6 Includes equivalent lots.
7 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).

The performance has resulted in an operating and statutory earnings per share of 10.8 cents for FY22, compared to operating and statutory earnings per share of 5.9 cents in FY21.

Operational commentary

The Group saw continued demand for its products during FY22, slightly improving on the strong sales achieved in FY21. The table below summarises the sales[8] and settlements[8] during FY22 and FY21 across the Group's Development, Funds Management and Joint Venture projects.

	FY22	FY21	Change (%)
Sales[8]	3,163	3,142	1%
- Gross value of sales	$1.06 billion	$858.8 million	23%
Settlements[8]	2,514	2,980	(16%)
- Gross value of settlements	$674.3 million	$739.9 million	(9%)
Contracts on hand[8]	2,597	1,948	33%
- Gross value of contracts on hand	$930.0 million	$546.6 million	70%

"The significant increase in the gross value of contracts on hand[8] as at 30 June 2022 to $930.0 million, compared with a gross value of $546.6 million at 30 June 2021, provides a strong starting position and visibility for FY23," said Mr Gore.

During FY22 the Group entered into several key transactions, including the acquisition of the remaining 50% of the Flagstone City (Qld) project; securing the acquisition of 100% of the University of Canberra (ACT) project; the sale of the New Beith (Qld) landholding; and securing two development management agreements with Renewal SA on two inner city sites in Adelaide, South Australia.

Mr Gore added: "Our strategic acquisitions in Queensland, ACT and South Australia and the sale of the New Beith landholding have accelerated the delivery of the Group's strategy, whilst strengthening the balance sheet and supporting earnings growth."

Capital management

The Group continues to apply a prudent focus on capital management and during FY22 increased its cash inflows from operations (prior to acquisitions) to $80.1 million.

As at 30 June 2022 it had:

- gearing[9] of 29.9% (30 June 2021: 24.8%); and
- net interest-bearing debt[10] (including Peet Bonds) of $245.2 million, compared with $203.9 million at 30 June 2021.

As at the date of this announcement, the Group had cash and available debt facility headroom of $205.0 million[11] and a weighted average debt maturity of more than 3 years[11].

8 Includes equivalent lots.
9 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).
10 Including net debt of syndicates consolidated under AASB10.
11Including credit approved amendments, including extension of the maturity of the senior debt facility to October 2025, subject to formal documentation.

"The Group has a strong balance sheet and sufficient capacity to fund the current portfolio of projects, including accelerating delivery of product, if required, to meet increases in demand," said Mr Gore.

During FY22, Peet Limited extended its on-market share buy-back of up to 5% of its issued ordinary shares. As at the date of this announcement, the Company has acquired 13.7 million of its ordinary shares, representing approximately 56% of the total shares to be acquired. On 12 August 2022, the Company announced that the on-market buy-back has been extended for a further 12 months to 30 August 2023.

Peet's $50 million PPCHB Bonds mature on 5 October 2022. They will be repaid on maturity via cash and available headroom in the senior debt facility and/or other refinancing options available.

Gearing[12] during FY23 is expected to be above the target range of 20% to 30% due to the level of construction activity required to deliver on the significant contracts on hand, the acquisition of the balance of the Flagstone City (Qld) project and the acquisition of the University of Canberra (ACT) project.

Dividends
Subsequent to year end, the Directors declared a final dividend for FY22 of 4.0 cents per share, fully franked. This brings the total dividend for FY22 to 6.25 cents per share, fully franked. This compares to the FY21 dividend of 3.5 cents per share, fully franked. The final FY22 dividend is to be paid on Friday, 14 October 2022, with a record date of Monday, 19 September 2022.

Group strategy
Peet is well positioned for growth and value creation with its key strategic focus areas for FY23 and beyond including:

- investing in high quality land in strategic locations across the country:
  - balancing the portfolio between land and built form projects;
  - continuing to increase the weighting to undersupplied east coast markets;
  - considering selective acquisitions to restock the project pipeline where appropriate; and
  - focussing on small to mid-size land projects in the short to medium term;

- enhancing, planning and creating communities and homes with a range of product appealing to all buyer segments:
  - accelerating the realisation of embedded margins within the land bank, driven by strong price growth over the past few years;

- expanding product offering and geographic presence to appeal to a wider variety of customers:
  - focussing on increasing the Group's pipeline of townhouse product; and
  - build on the apartment pipeline as opportunities emerge; and

- maintaining strong capital management:
  - focussing on improving operating cash flows and reducing gearing;
  - positioning the Group to consider capital management initiatives to improve shareholder returns (including a dividend payout ratio of 50% to 60% and the extended on-market share buy-back); and

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

- continuing to assess opportunities to maximise market cycles to unlock value where appropriate.

Expansion of the Group's built form business and a shift to focus on more desirable urban areas has resulted in a broader buyer appeal.

"The first home buyer segment remains core to Peet, with 40% of FY22 sales being made to first home buyers, compared to 58% in FY20. The increase in sales to second and subsequent home buyers, builders and investors allows the business to reach a much larger and diversified customer base," said Mr Gore.

Outlook
Underlying drivers of the residential market remain supportive, including strong labour market conditions and population growth combined with constrained land supply.

While further interest rate increases are expected to lead to a moderation of demand and pricing over the next 12 months, the rate of construction cost escalation is also expected to moderate.

Additionally, the expected increase in net overseas migration and further population growth is expected to drive sales volume growth in the medium term.

FY23 is expected to be a year focused on the delivery of the significant number of land lots and townhouses sold during FY22 and monetising the contracts on hand as at 30 June 2022.

"We will be focussed on positioning the Group for growth through a prudent approach to project delivery and identifying growth opportunities.

"Subject to market conditions and the timing of settlements, the Group is well-positioned for further earnings growth in FY23, supported by substantial contracts on hand, full ownership of the Flagstone City (Qld) project and new project commencements. We expect that FY23 earnings will be skewed to 1H23 due to the settlement profile of contracts on hand," said Mr Gore.

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

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