24 February 2022

PEET DELIVERS STRONG 1H22 PERFORMANCE

Peet Limited (ASX:PPC) ("The Group" or "Peet") today announced its results for the half-year ended 31 December 2021 ("1H22").

Key Results[1]

- **Operating profit[2] and statutory profit[3] after tax of $20.6 million, up 103%**
- **Earnings per share of 4.3 cents, up 103%**
- **1,809 lots[4] sold, up 19%**
- **1,251 lots[4] settled, in line with previous corresponding period**
- **2,506 contracts on hand4 as at 31 December 2021, up 29% since 30 June 2021**
- **Value of contracts on hand[4] as at 31 December 2021 of $817 million, up 49% since 30 June 2021**
- **Gearing[5] of 27.5%**
- **Fully franked interim dividend of 2.25 cents per share**

The Peet Group achieved an operating profit[2] and statutory profit[3] after tax of $20.6 million for 1H22, which represents an increase of 103% compared with the previous corresponding period. This result is approximately 8% more than the upper end of the earnings guidance announced to the market in November 2021 of an earnings range of $16 million to $19 million for 1H22.

The Group derived EBITDA[6] of $32.6 million in 1H22, compared to $20.9 million for the previous corresponding period, on an increased EBITDA[6] margin of 26%, compared to 21% in 1H21. This margin increase is predominantly attributable to the performance and margin growth across the Funds Management and Joint Arrangements businesses.

Peet Managing Director and Chief Executive, Mr Brendan Gore commented: "The 1H22 result is on the back of higher sales and price growth across the Group's three business segments and across most states that Peet operates in, supported by solid market conditions, continued accommodative lending conditions and consumer sentiment; and despite the impacts of extended lockdowns on the east coast in the first quarter of the 2022 financial year."

The performance has resulted in earnings per share increasing 103%, compared with the previous corresponding period, to 4.27 cents.

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1 Comparative period is half year ended 31 December 2020 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 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 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.

Operational commentary

The Group achieved sales of 1,809 lots[7] (an increase of 19% on the previous corresponding period) and settlements of 1,251 lots[7] (in line with the previous corresponding period) in 1H22 across its operations.

As at 31 December 2021, there were 2,506 contracts on hand[7], with a gross value of $816.6 million, compared with 1,948 contracts on hand[7] as at 30 June 2021, with a gross value of $546.6 million.

"The 29% increase in the number of contracts on hand, and 49% increase in their value, provides strong momentum as the Group moves into the second half of FY22," said Mr Gore.

Since 30 June 2021, Peet has announced three significant transactions which are expected to underpin the Group's medium to long-term earnings visibility. These transactions are:

- On 22 November 2021, Peet announced the acquisition of approximately 15 hectares of land from the University of Canberra ("UC") in Belconnen, ACT for circa $67 million. This acquisition is subject to the ACT government granting a crown lease, with the purchase price expected to be paid in instalments over seven years commencing in 2022.

  Peet has also entered into an option agreement for the acquisition of a further 6.2 hectares of land from UC, with the option exercisable between 1 January 2027 and 21 December 2030.

- On 31 December 2021, Peet announced the acquisition of its co-investment partner's 50% interest in the Flagstone City project in Queensland. The acquisition has settled at a price of $46.15 million, with the purchase price to be paid in four instalments over three years commencing on the settlement date. In addition to this payment, Peet has assumed an additional $21 million of debt, representing the former co-investor's share of Flagstone's development loan.

- On 6 January 2022, Peet announced the sale of approximately 250 hectares of broadacre land in New Beith, Queensland for circa $80 million (inclusive of GST). The sale is unconditional, with settlement scheduled to occur in the first half of FY23.

Capital management

As at 31 December 2021, the Group's gearing[8] was 27.5%, compared to 24.8% at 30 June 2021.

"Gearing remains within the Group's target range of 20% to 30% and is expected to trend higher during CY22 due to the significant level of construction activity to keep up with demand and the acquisition of land from University of Canberra and the balance of the Flagstone project not already owned," said Mr Gore.

The Group's gearing[8] on its interest-bearing debt is expected to be in the range of 30% to 40% during CY22. The Group's gearing[8] including Flagstone and University of Canberra land vendor liabilities for the same period is expected to be in the range of 35% to 45%, which is within the Group's existing banking covenant. The Group's interest cover ratio is expected to be a strong 4 to 8 times during this period.

At the end of the period, the Group had interest-bearing debt (including Peet Bonds) of $271.8 million, compared with $268.0 million at 30 June 2021, and enters 2H22 with cash and debt facility headroom of approximately $143.3 million as at 31 December 2021 and a weighted average debt maturity of close to three years.

Peet's Series 2, Tranche 1, five-year $50 million corporate bonds (ASX:PPCHB) are due to be repaid on 5 October 2022 and as such are classified as a current liability on Peet's balance sheet as at 31 December 2021.

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

Peet will assess several refinancing alternatives including utilising existing senior debt capacity and/or raising new debt from existing or new sources. Given the alternatives available, the size of the debt to be refinanced and the time available until maturity, the directors are confident that the Group will be able to repay the bonds by the maturity date.

Dividend payments

Subsequent to 31 December 2021, the Directors have declared an interim dividend of 2.25 cents per share, fully franked, in respect of the year ending 30 June 2022. This dividend is in line with Peet's dividend pay-out policy of 50% and compares to a 1.0 cent per share, fully franked, interim dividend for the year ended 30 June 2021. The dividend is to be paid on Thursday, 14 April 2022, with a record date of Friday, 25 March 2022.

Outlook

Residential market conditions are expected to remain positive over the medium term supported by the improving employment outlook, population growth and current accommodating credit conditions. However, Peet continues to monitor, assess and manage the ongoing risks brought on by COVID-19, including supply chain risks, rising development and labour costs (brought on by border restrictions/closures) and the potential for development programs to be extended.

Subject to market conditions (including the impact of the abovementioned risks) and the timing of settlements, the Group is well-positioned for further earnings growth in 2H22, supported by substantial contracts on hand, continuing sales momentum and full ownership of the Flagstone City project.

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

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