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26 August 2021

Peet Group FY21 financial results

Peet Limited (ASX:PPC) ("the Group" or "Peet") today announced its results for the financial year ended 30 June 2021 ("FY21").

Key Results[1]

- **Operating profit[2] after tax of $28.5 million, up 89%**
- **Statutory profit[3] after tax of $28.5 million, up 195%**
- **Operating earnings per share of 5.9 cents, up 90%**
- **FY21 dividends of 3.5 cents per share, fully franked, up 133%**
- **3,142 lots[4] sold, up 35%**
- **2,980 lots[4] settled, up 66%**
- **1,948 contracts on hand[4] as at 30 June 2021, up 9% with value up 28%**
- **Gearing[5] of 24.8%**

The Peet Group achieved an operating profit[2] and statutory profit[3] after tax of $28.5 million for the year ended 30 June 2021 ("FY21"), which represent increases of 89% and 195%, respectively on the financial year ended 30 June 2020 ("FY20").

The Group derived EBITDA[6] of $58.1 million during FY21, compared to $37.0 million (before restructuring and divestment-related provisions) in FY20, with an EBITDA[6] margin of 25%, compared to the margin achieved in FY20 of 19%. This improved margin is attributable to revenue increases from higher sales and settlements accompanied by price growth across the portfolio and a continued focus on cost management.

Peet's Managing Director and Chief Executive Officer, Brendan Gore, commented: "The profit for FY21 is at the upper end of the earnings guidance announced to the market in July 2021 of an earnings range of $27.5 million to $29.0 million. The improved profit compared to FY20 is on the back of both higher sales and settlements volumes across the Group's three business segments and across most states that it operates in, supported by continuing favourable market conditions, government stimulus and consumer confidence during FY21."

The performance has resulted in an operating and statutory earnings per share of 5.9 cents for FY21, compared to operating earnings per share of 3.1 cents and statutory loss per share of 6.2 cents in FY20.

1 Comparative period is financial year ended 30 June 2020 unless stated otherwise. The non-IFRS measures have not been audited.

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.

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-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.

The Group's focus on prudent capital management allowed it to proactively implement capital management initiatives in response to COVID-19. This focus has continued, allowing it to release, develop and construct its products in response to the increased demand from customers around the country.

"While business practices normalised across the majority of the country in the first half of FY21, Melbourne continued to be subject to significant disruption resulting from COVID-19-related lock downs. While sales and settlements from our Victorian portfolio remained solid and market conditions resilient, the Group continued to prioritise the safety and wellbeing of its Victorian employees, who have demonstrated enormous character and resilience," said Mr Gore.

Operational highlights

The Group achieved 3,142 sales[7] (with a gross value of $858.8 million) for the full year across its Funds Management, Development and Joint Venture projects, representing an increase of 35% on the number of sales achieved in FY20.

"Sales in 2H21 continued the positive momentum experienced during 1H21 and have continued to improve during the first quarter to date of FY22," said Mr Gore.

The Group achieved 2,980 settlements[7] for the full year across its Funds Management, Development and Joint Venture projects, representing an increase of 66% compared with FY20.

At 30 June 2021, there were 1,948 contracts on hand[7], with a gross value of $546.6 million, compared with 1,786 contracts on hand[7] with a gross value of $427.7 million at 30 June 2020. This represents an increase of 9% in contracts on hand[7] and a 28% increase in contract value, providing a positive momentum into FY22.

Capital management

The Group continues to apply a prudent focus on capital management and its gearing[8] as at 30 June 2021 was 24.8% (30 June 2020: 28.8%) and within its target range of 20% to 30%.

At 30 June 2021, the Group had net interest-bearing debt[9] (including Peet Bonds) of $203.9 million, compared with $235.3 million at 30 June 2020.

Peet enters FY22 with cash and debt facility headroom of $175.1 million as at 30 June 2021 and a weighted average debt maturity of over three years. It has the capacity to accelerate delivery of product to meet the material increase in demand following the introduction of Government stimulus.

"Gearing[8] during FY22 is expected to be at the upper end of the 20% to 30% target range due to the significant level of construction activity anticipated to be undertaken," said Mr Gore.

During FY21, Peet:

- extended its on-market share buy-back of up to 5% of its issued ordinary shares for a further 12 months to 30 August 2022; and

[7] Includes equivalent lots.
[8] Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).
[9] Including net debt of syndicates consolidated under AASB10.

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- refinanced $100 million of five-year fixed rate bonds (ASX:PPCHA) via the issue of $75 million, five and a quarter year floating unlisted notes and a $25 million increase in its senior bank debt facilities, resulting in an increase in the weighted average debt maturity and a reduction in the weighted average cost of borrowing.

Dividends

Subsequent to year end, the Directors declared a final dividend for FY21 of 2.5 cent per share, fully franked. This brings the total dividend for FY21 to 3.5 cents per share. This compares to the FY20 dividend of 1.5 cents per share, fully franked. The final FY21 dividend is to be paid on Monday, 11 October 2021, with a record date of Friday, 17 September 2021.

Group strategy

Key elements of the Group's strategy for the year ahead and beyond include:

- continuing to leverage its large-scale national portfolio to further improve returns by:
    - accelerating production to meet current demand and increasing operating cash flows;
    - continuing to focus on improving project returns and operating margins through efficient master planning, affordable product development, cost reduction initiatives and efficient allocation of capital; and
    - continuing to balance the portfolio between land and built form projects, increasing the weighting to east coast markets and remaining focussed on the right product in the right markets;
- continuing to assess capital recycling opportunities by:
    - assessing further divestment opportunities to maximise market cycles to unlock value where appropriate;
    - continuing to develop Funds Management/Joint Venture initiatives with existing and new capital partners; and
    - evaluating "super lot" opportunities within the portfolio; and
- considering selective acquisitions to restock the pipeline when appropriate.

Outlook

Continuing residential sales momentum, a significant development pipeline and a strengthening balance sheet, positions the Group well for future growth.

Residential markets are expected to remain positive over the medium term supported by low interest rates, accommodative credit conditions and an improving employment outlook.

"However, particular focus in the short-term will be on risks associated with COVID-19, including:

- prolonged government lock downs negatively impacting the general economy, consumer confidence, supply chains and halting the current positive market momentum;
- rising development and labour costs due to border restrictions/closures; and
- the potential for development programs to be extended.

"Subject to the above risks, FY22 is expected to be a year focused on the delivery of a significant number of land lots and townhouses sold during FY21 along with the commencement of up to six new projects," said Mr Gore.

The Group is well-positioned to target growth on FY21 earnings, subject to market conditions and the timing of settlements.

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

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