PEET

25 February 2021

ASX RELEASE

Peet Group 1H21 financial results

Peet Limited (ASX:PPC) ("The Group" or "Peet") today announced its results for the half year ended 31 December 2020 ("1H21").

Key Results[1]

- **Operating profit[2] and statutory profit[3] after tax of $10.1 million, up 101%**
- **Earnings per share of 2.1 cents, up 100%**
- **1,522 lots[4] sold, up 50% on 1H20 and 16% on 2H20**
- **1,254 lots[4] settled, up 62%**
- **2,054 contracts on hand[4] as at 31 December 2020, up 15% since 30 June 2020**
- **Gearing[5] of 30.0%**
- **Fully franked interim dividend of 1.0 cent per share**

The Peet Group achieved an operating profit[2] and statutory profit[3] after tax of $10.1 million for the half-year ended 31 December 2020, which represents an increase of 101% compared with the previous corresponding period.

The Group derived EBITDA[6] of $20.9 million in 1H21, compared to $12.7 million for the previous corresponding period, on an increased EBITDA[6] margin of 21%, compared to 14% in 1H20.

Peet's Managing Director and Chief Executive Officer, Brendan Gore commented: "Our performance during 1H21 was achieved on the back of improved market conditions and accommodative government stimulus in response to COVID-19. The margin increase represents a combination of a significantly improved performance across the Funds Management and Joint Venture businesses and a reduction in expenses as the Group progresses its cost-outs.

The performance has resulted in earnings per share increasing 100% to 2.1 cents, compared with the previous corresponding period.

1 Comparative period is half year ended 31 December 2019 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 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 highlights

The Group achieved sales of 1,522 lots[7] (up 50% on the corresponding period) and settlements of 1,254 lots[7] (up 62%) during 1H21.

"The uplift in sales was evidenced across all the Group's business segments. Sales increased across WA, Qld, NSW/ACT and SA; while sales in Victoria were impacted by the COVID-19-related lockdowns and the substantial completion of two projects in FY20.

"The uplift in settlements was also evidenced across all the Group's business segments and the states we operate in. The prudent management of inventory both before and during COVID-19 has allowed the Group to meet the timeframes to deliver government stimulus-eligible lots (Federal Government's HomeBuilder grant and the WA State Government's Building Bonus grant) for which demand has been strong," said Mr Gore.

As at 31 December 2020, there were 2,054 contracts on hand[7], with a gross value of $488.0 million, compared with 1,786 contracts on hand[7] as at 30 June 2020, with a gross value of $427.7 million. The 15% increase in the number of contracts on hand, and 14% increase in their value, provides positive momentum as the Group moves into the second half of FY21.

Capital management

As at 31 December 2020, the Group's gearing[8] was 30.0%, compared to 28.8% at 30 June 2020. Gearing[8] remains within the Group's target range of 20% to 30% and is expected to trend lower in 1H22.

With the onset of COVID-19 in 2H20, Peet proactively implemented a range of capital management initiatives to shore up liquidity and protect the balance sheet, including the deferral of the commencement of new projects and minimised development capital expenditure. The Group prudently continued to implement these initiatives until there was more clarity on the sustainability of a market recovery post the announcement of government stimulus for the housing sector.

"On the back of continued economic and market improvement, 1H21 saw a recommencement of significant investment in the creation of medium density product in Victoria and Queensland. This is continuing in 2H21, with substantial settlements and the recycling of capital from medium density projects expected in FY22," said Mr Gore.

The Group currently has $39 million of the proposed $75 million non-core asset divestment program under contract, with settlement proceeds expected in 2H21 and FY22.

7 Includes equivalent lots.

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

At the end of the period, the Group had interest-bearing debt (including Peet Bonds) of $280.9 million, compared with $282.1 million at 30 June 2020. Approximately 92% of the Group's interest-bearing debt was hedged as at 31 December 2020, compared with 91% at 30 June 2020.

The Group enters 2H21 with cash and debt facility headroom of approximately $122.2 million as at 31 December 2020 and a weighted average debt maturity of close to two years.

Peet has commenced the process to refinance its Series 1, Tranche 1, five-year $100 million corporate bonds (ASX:PPCHA) which mature 7 June 2021. Peet is assessing several alternatives including utilising existing senior debt capacity and/or raising new debt from existing or new sources. Given external advice, the options available and progress to date, the directors are confident that the Group will be able to repay the bonds by the maturity date.

Dividends

Subsequent to 31 December 2020, the Directors have declared an interim dividend of 1.0 cent per share, fully franked, in respect of the year ending 30 June 2021. This dividend is in line with Peet's dividend pay-out policy of 50% and compares to a 0.5 cent per share, fully franked, interim dividend for the year ended 30 June 2020. The dividend is to be paid on Thursday, 8 April 2021, with a record date of Friday, 19 March 2021.

Group strategy

The Group will continue to target the delivery of quality 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.

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.

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Outlook

Residential market conditions are expected to remain positive over the medium term supported by low interest rates, accommodating credit conditions and an improving employment outlook resulting from the impacts of governments' stimulus.

The Group enters 2H21 with positive momentum supported by contracts on hand, improving sales activity, as well as new project commencements planned in the coming two years.

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

For investor enquiries call:
Brendan Gore
Managing Director and Chief Executive Officer
Peet Limited
(08) 9420 1111

For media enquiries call:
Jana Tsiligiannis
Cannings Strategic Communications
0400 900 004
jtsiligiannis@canningscomms.com.au