PEET

24 August 2023

PEET DELIVERS RECORD EARNINGS

Peet Limited (ASX:PPC) ("The Group" or "Peet") today announced its results for the year ended 30 June 2023.

Key Results[1]

- **Operating profit[2] and statutory profit[3] after tax of $70.1 million**
- **Earnings per share of 14.8 cents per share**
- **FY23 dividends of 7.5 cents per share, fully franked**
- **Revenue[4] of $363.7 million, with 2,594 lots settled[6]**
- **EBITDA[5] margin of 29% on EBITDA[5] of $107.0 million**
- **Net cash inflows from operations (before acquisitions) of $89.0 million**
- **$476.4 million worth of contracts on hand[6] as at 30 June 2023**
- **Gearing[7] of 27.7%**

Financial commentary

The Peet Group achieved a record operating profit[2] and statutory profit[3] after tax of $70.1 million for the year ended 30 June 2023 ("FY23"), which represents an increase of 34% on the previous financial year ("FY22") which was also a record earnings performance.

The Group derived EBITDA[5] of $107.0 million during FY23, compared to $86.0 million in FY22, with an EBITDA[5] margin of 29%, compared to the margin achieved in FY22 of 30%.

Peet Managing Director and Chief Executive Officer, Mr Brendan Gore commented: "The strong FY23 result is on the back of the Group's continuing focus on monetising the high number of contracts on hand at the start of the financial year, many of which had high margins as a result of strong price growth.

"Additionally, the changing product mix, including an improved performance from medium density townhouse product; continued focus on unlocking value by appropriately managing the Group's significant landbank; and continued focus on cost management and operational efficiencies, contributed to the Group's record performance," said Mr Gore.

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[1] Comparative period is 30 June 2022, 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 / 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 $318.9 million (FY22: $266.6 million) and share of net profits from associates and joint ventures of $44.8 million (FY22: $24.1 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).

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The FY23 performance has resulted in:

- an operating and statutory earnings per share of 14.8 cents for FY23, compared to operating and statutory earnings per share of 10.8 cents in FY22; and

- strong cash inflows from operations (before acquisitions) of $89.0 million, compared to $80.1 million in FY22.

Operational commentary

Sales activity during FY23 reduced from elevated levels in FY22 (FY23: 1,399 lots[8], compared to FY22: 3,163 lots[8]). This is attributable to a combination of external factors and the Group's measured response to those factors.

"Multiple interest rate rises and inflationary pressures contributed to more subdued market conditions during FY23, reducing the borrowing capacity of buyers, especially of first home buyers. This, together with continued supply chain constraints and labour shortages impacting builders, has negatively impacted consumer sentiment," said Mr Gore.

Peet has responded to the underlying market and broader economic conditions by reducing the number of new stage releases and allocating resources to the creation of lots pre-sold during the peak 2022 selling period.

"As previously communicated to the market, Peet pro-actively focussed on protecting its balance sheet and its high level of contracts on hand during FY23, resulting in strong settlements (FY23: 2,594 lots[8], compared to FY22: 2,514 lots[8]) during the year. This was achieved by the close management of construction programs and the low cancellation rate for unconditional contracts," said Mr Gore.

The Group enters FY24 in a strong capital position, with a still solid level of contracts on hand with a value of $476.4 million.

Capital management

The Group's continuing focus on capital management and the monetising of contracts on hand during FY23 contributed to increased cash inflows from operations (prior to acquisitions) of $89.0 million (FY22: $80.1 million).

As at 30 June 2023 the Group had:

- gearing[9] of 27.7% (30 June 2022: 29.9%);

- net interest-bearing debt[10] (including Peet Bonds) of $253.3 million, compared with $245.2 million at 30 June 2022.

- cash and available debt facility headroom of $148.3 million; and

- a weighted average debt maturity of more than two years.

[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.

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

Peet has $75 million of Peet Bonds maturing on 7 June 2024. They will be repaid on maturity via cash and available headroom in the senior debt facility and/or other refinancing options available.

Dividend

Subsequent to year end, the Directors declared a final dividend for FY23 of 4.0 cents per share, fully franked. This brings the total dividend for FY23 to 7.5 cents per share, fully franked. This compares to the FY22 dividend of 6.25 cents per share, fully franked. The final FY23 dividend is to be paid on Monday, 16 October 2023, with a record date of Monday, 11 September 2023.

Outlook

Residential markets continue to adjust from their peak as a result of interest rate increases, inflationary pressures and low consumer confidence.

“Despite markets being at or close to bottoming, and with an improvement in enquiry levels, we expect the market will require a stabilisation in interest rates before buyer confidence begins to return and market conditions begin to normalise,” said Mr Gore.

Markets remain undersupplied, with underlying fundamentals remaining positive including low unemployment, above-average wage growth, and increasing overseas migration.

“Peet will continue to focus on executing our strategic objectives and maintaining a disciplined approach to capital management. The Group remains well positioned to navigate the current environment, with a flexible delivery program in place to respond strongly to a recovery in activity and to take advantage of a shortage of market supply,” said Mr Gore.

Given the current economic backdrop, which Peet expects to persist throughout 1H24, Peet will continue to adopt a cautious approach as it enters FY24 with earnings expected to be strongly weighted to 2H24

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

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