

22 February 2024

PEET DELIVERS SOLID RESULT

Peet Limited (ASX:PPC) (**The Group** or **Peet**) today announced its results for the half-year ended 31 December 2023.

Key Results

- **Operating profit¹ and statutory profit² after tax of \$15.5 million**
- **Earnings per share of 3.3 cents**
- **1,106 lots³ sold**
- **1,111 lots³ settled**
- **Value of contracts on hand as at 31 December 2023 of \$443.8 million**
- **Gearing⁴ of 35.2%**
- **Fully franked interim dividend of 1.5 cents per share**

Financial commentary

The Peet Group achieved an operating profit¹ and statutory profit² after tax of \$15.5 million for the half-year ended 31 December 2023 (**1H24**), compared to \$35.1 million in the previous corresponding period (**1H23**).

The Group derived EBITDA⁵ of \$28.9 million during the half, compared to \$55.0 million for the previous corresponding period. The Group's EBITDA⁵ and margin (18%) were both lower during 1H24 due to the settlement of the New Beith (Qld) property in 1H23 and the subdued market conditions impacting the Group's high margin projects in ACT and Victoria.

Peet Managing Director and Chief Executive Officer, Mr Brendan Gore commented: "The solid first half performance was achieved despite ongoing challenges driven by a higher interest rate environment, inflationary pressures and a cautious sentiment prevailing across the residential sector."

The 1H24 performance has resulted in:

- earnings per share decreasing 56%, compared with 1H23, to 3.3 cents; and
- cash and available debt headroom of more than \$123 million as at 31 December 2023.

1 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.

2 Statutory profit after tax means net profit measured in accordance with Australian Accounting Standards, attributable to the owners of Peet Limited.

3 Includes equivalent lots.

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

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

Operational commentary

The Group achieved sales of 1,106 lots⁶ with a gross value of \$290.9 million and settlement of 1,111 lots⁶ with a gross value of \$323.5 million in 1H24 across its operations. Lot sales and settlements for the half were 82% and 11% higher, respectively, than in 1H23.

“The material improvement in sales was especially evident across the WA portfolio where, for the first time in a number of years, increasing volumes is being accompanied by price growth. We expect the WA market to continue performing well into the second half of FY2024 following a prolonged period of below average long-term growth.

“The increase in the number of settlements in 1H24 compared to 1H23 was driven by the contracts on hand as at 30 June 2023, with settlements across such projects as Flagstone (Qld), Ellery (Vic), Fort Largs (SA) and Woodville Road (SA) partially offsetting the impact of the New Beith (Qld) settlement in 1H23,” said Mr Gore.

As at 31 December 2023, the Group had contracts on hand with a gross value of \$443.8 million, which provide solid visibility of earnings moving into 2H24.

Capital management

As at 31 December 2023, the Group had:

- gearing⁷ of 35.2%, compared to 27.7% at 30 June 2023;
- net interest-bearing debt (including Peet Bonds) of \$309.2 million, compared with \$253.3 million at 30 June 2023; and
- cash and debt facility headroom of approximately \$123.5 million as at 31 December 2023, which provides capacity to fund the current portfolio.

“As previously communicated to the market, gearing during 2H24 and into FY25 is expected to remain above the target range of 20% to 30% due to the ongoing significant construction activity, the payment of land vendor liabilities in respect to the acquisition of the balance of the Flagstone City (Qld) project and the completion of the acquisition of the University of Canberra (ACT) project,” said Mr Gore.

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

⁶ Includes equivalent lots.

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

Dividend

Subsequent to 31 December 2023, the Directors have declared an interim dividend of 1.50 cents per share, fully franked, in respect of the year ending 30 June 2024. This dividend compares to a 3.50 cents per share, fully franked, interim dividend for the year ended 30 June 2023. The dividend is to be paid on Friday, 12 April 2024, with a record date of Friday, 22 March 2024.

Outlook

The various State and Territory residential markets the Group operates in are at different points in their respective property cycles.

“WA has continued to improve with increased sales volumes now being accompanied by strong price growth. SA continues to be a solid contributor and the recovery in the Qld residential market continues to gain momentum. Indications are that the ACT and Victoria markets are at or approaching the bottom of their respective market cycles following a sustained period of strong demand.

“The fundamentals and underlying drivers of the national residential market remain supportive - including ongoing constraints in housing supply, elevated levels of overseas migration and strong labour market conditions,” said Mr Gore.

Enquiry levels have remained solid throughout 1H24 and have continued to improve into 2H24 led by an increase in first home buyers as well as upgraders and investors, indicating strong underlying demand.

“While cost of living pressures and consumer confidence continue to result in a cautious sentiment in the residential market in the short-term, indications are that interest rates are at or near the peak of the current interest rate cycle and inflation is trending down, which is expected to improve sentiment and confidence in the medium to long-term,” said Mr Gore.

The Group’s significant land bank, combined with new project commencements, positions it to capitalise on the structural undersupply of housing and continued population growth.

“The Group continues to focus on executing its strategic objectives and maintaining a disciplined approach to capital management. It remains well positioned to navigate the current environment and to capitalise on an eventual recovery in the ACT and Victoria markets, where the Group has projects with significant embedded margins,” said Mr Gore.

Subject to market conditions and the timing of settlements, the Group is well positioned for 2H24, supported by contracts on hand, improving sales activity across its WA, SA and Qld projects and increasing sales enquiries.

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

For investor enquiries call:

Brendan Gore
Managing Director and Chief Executive Officer
Peet Limited
(08) 9420 1111

For media enquiries call:

Tom Horn
Corporate Practice Director, Australia and New Zealand
BCW Global
+61 402 733 157
Tom.Horn@bcw-global.com