

2014

# Investor Presentation

October 2014

# FY14 result

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- » Operating profit after tax of \$31.6m<sup>1</sup> – up 73% vs FY13
- » Statutory profit after tax of \$30.3m
- » Group EBITDA margin of 25% demonstrating continued recovery
- » Market value NTA of \$1.18 per share, up 18%
- » Covenant gearing of 29.8% - expected to reduce further in FY15
- » Settlements up 67% vs FY13 with 3,491 lots settled
- » 1,990 contracts on hand valued at \$468m (increased to \$488m as at 31 August 2014)
- » Final dividend of 3.5cps unfranked

Notes:

1. Excluding \$1.3m write-down (post tax) on disposal of a non-core landholding in Victoria

# Key achievements

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- ✓ Integration of CIC successfully completed
- ✓ Continued reweighting of business to funds management and higher ROCE projects
  - » *Majority of land bank now in funds management or capital efficient structures*
  - » *Wholesale relationships in place to pursue further growth opportunities*
- ✓ Balance sheet repair and stabilisation completed
  - » *Disciplined execution of our capital management strategy and rebalanced portfolio has positioned the Group to grow and leverage off a market recovery*
  - » *Covenant gearing in line with target of 30%*
- ✓ Improving operating cash flows to fund development pipeline
- ✓ Medium density strategy underway
  - » *Short / medium-term pipeline of over 1,500 units identified in the national portfolio*



# *Results overview*

**PEET**

# Group Business model

## Continued reweighting of business to Funds Management

Target EBIT  
Composition

Target EBIT  
Margin

Land Bank  
Diversification by  
Geography (%)<sup>4</sup>

Land Bank

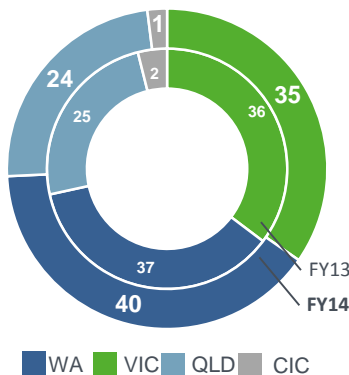
Capital  
Employed<sup>1</sup>

Sources of  
Revenue

40% – 50%  
EBIT

Development

20%-25%



Lots: 12,114  
GDV (\$bn): 2.6  
# Projects: 27

\$460m

» Development profit

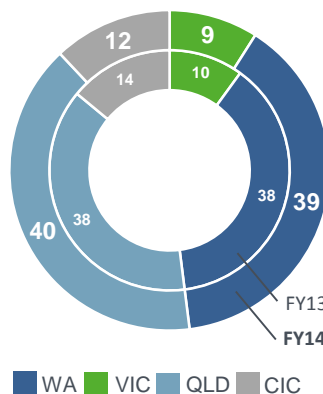
50% – 60%  
EBIT

FM<sup>2</sup>

Retail

Wholesale

60%-70%



Lots: 18,666  
GDV (\$bn): 4.2  
# Projects: 32

\$330m

» Underwriting and  
capital raising fees  
» Project  
management fees  
» Performance fees  
» Profit shares

Lots: 17,407  
GDV (\$bn): 4.6  
# Projects: 5

Lots: 48,187  
GDV (\$bn): 11.4  
# Projects: 64

\$847m<sup>3</sup>

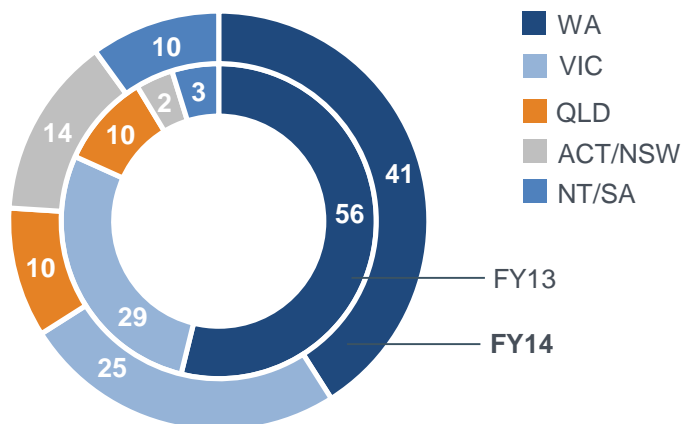
Notes:

- Balance sheet assets at cost as at 30 June 2014
- Includes joint ventures
- Includes \$57m of unallocated assets
- Based on number of lots

# Group financial summary

- » Performance driven by improving market conditions and CIC acquisition
- » Significant increase in revenue over FY13 as market conditions improved
- » Group EBITDA<sup>2</sup> increased by 39% to \$74m
  - » Group EBITDA<sup>2</sup> margin increased to 25%
  - » Gross margin improved through net price growth and greater impact of high margin projects
- » Market value NTA per share increased to \$1.18
  - » Does not include value of Funds Management business

## FY14 sales by geography (%)



### Notes:

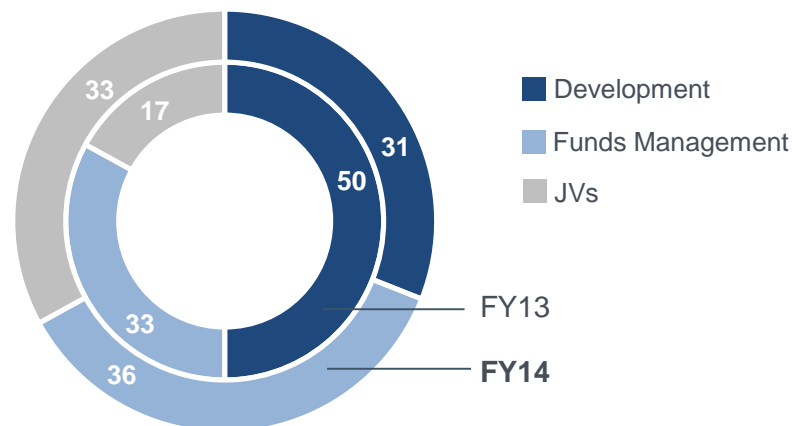
- 1 Includes share of net profit / (loss) of associates and joint ventures accounted for using the equity method
- 2 Pre write-downs of \$1.8 million (before tax) and includes effects of non-cash movements in investments in associates and joint ventures totalling \$20.6 million in FY14
- 3 Attributable to owners of Peet Limited
- 4 Operating profit after tax / average shareholders equity attributable to the owners of Peet Limited
- 5 Market adjusted NTA is based on independent bank-instructed mortgage valuations

<i>Key performance statistics</i>	<b>FY14</b>	<b>FY13</b>	<b>Var (%)</b>
Lot sales	3,525	2,308	53%
Lot settlements	3,491	2,091	67%
Revenue <sup>1</sup>	\$296.7m	\$240.8m	23%
EBITDA <sup>2</sup>	\$73.7m	\$53.0m	39%
EBITDA <sup>2</sup> margin	25%	22%	-
Operating profit after tax <sup>2,3</sup>	\$31.6m	\$18.3m	73%
Inventory write-downs and acquisition costs after tax	\$1.3m	\$17.4m	93%
Statutory profit after tax <sup>3</sup>	\$30.3m	\$0.9m	-
EPS (Operating) <sup>2</sup>	7.3c	5.4c	35%
DPS	3.5c	-	-
ROE <sup>4</sup>	8.2%	6.1%	-
	<b>30 JUN 2014</b>	<b>30 JUN 2013</b>	<b>Var (%)</b>
Book NTA per share	\$1.00	\$0.89	12%
Market adjusted NTA <sup>5</sup> per share	\$1.18	\$1.00	18%

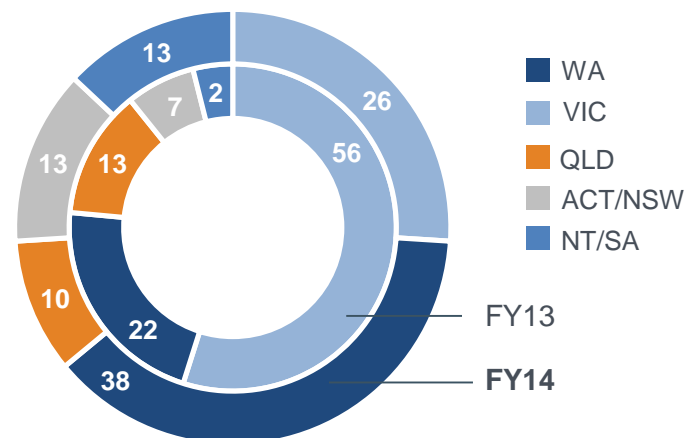
# Group operating performance

- » Business transformation continues with increased weighting towards capital efficient structures through Funds Management and Joint Venture businesses
- » Funds Management business provided solid earnings base representing 36% of Group EBITDA<sup>1</sup>
  - » Performance fees increased strongly during the year albeit off a low base
- » Strong improvement in JV earnings driven by Wellard (WA) and CIC projects
- » Improved contribution from WA, NT and SA

**EBITDA<sup>1</sup> composition by business type (%)**



**EBITDA<sup>1</sup> composition by geography (%)**



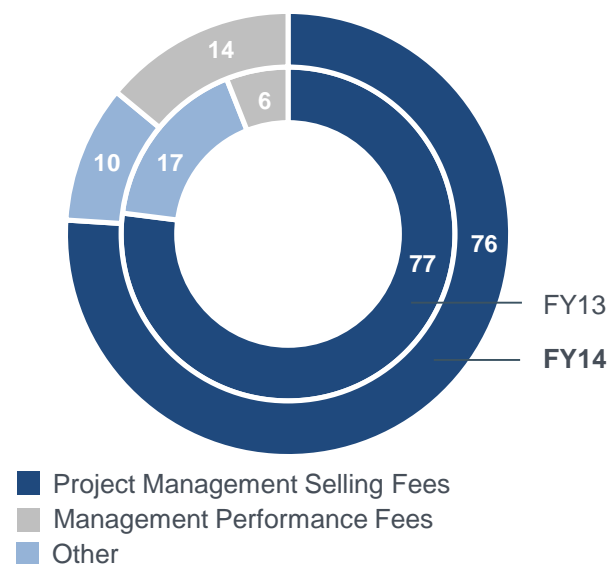
Notes:

<sup>1</sup> Pre write-downs of \$1.8 million (before tax) and includes effects of non-cash movements in investments in associates and joint ventures totalling \$20.6 million in FY14. Pre inter-segment eliminations and other unallocated

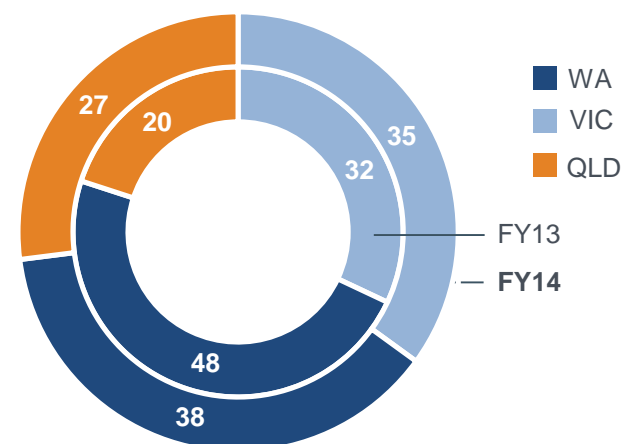
# FM operating performance

<i>Key performance statistics</i>	<b>FY14</b>	<b>FY13</b>	<b>Var (%)</b>
Lot sales <sup>1</sup>	1,834	1,389	32%
Lot settlements <sup>1</sup>			
Retail	1,763	1,218	45%
Super lots	-	7	-
Revenue	\$36.2m	\$30.3m	19%
Share of net profit /(loss) of equity accounted investments	\$7.1m	(\$2.8m)	-
EBITDA <sup>2</sup>	\$29.7m	\$18.8m	58%
EBITDA <sup>2</sup> margin	69%	69%	-
	<b>30 JUN 2014</b>	<b>30 JUN 2013</b>	<b>Var (%)</b>
Contracts on hand <sup>1</sup>	968	897	8%

*FM revenue composition by type (%)*



*FM revenue composition by geography (%)*



Notes:

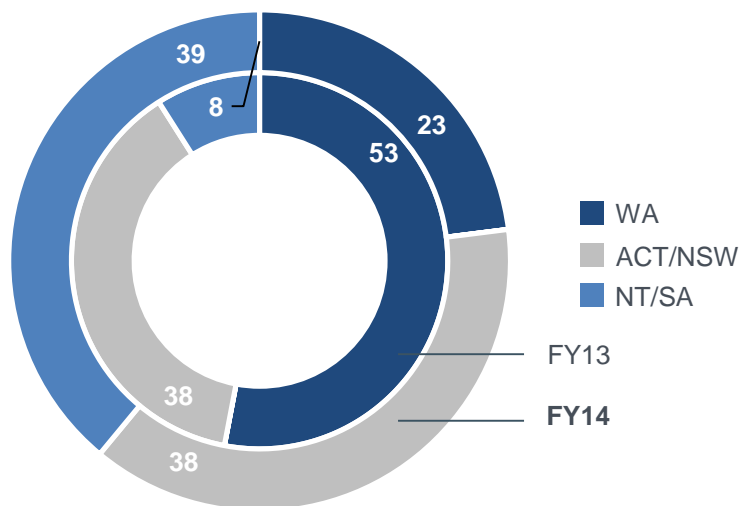
1 Includes super lots

2 Includes effects of non-cash movements in investments in associates.



# JV operating performance

**EBITDA<sup>1</sup> composition by geography (%)**



<i>Key performance statistics</i>	<b>FY14</b>	<b>FY13</b>	<b>Var (%)</b>
Lot sales	1,190	503	137%
Lot settlements	1,268	451	181%
Revenue	\$95.6m	\$39.4m	143%
Share of net profit of equity accounted investments	\$14.2m	\$4.4m	223%
EBITDA <sup>1</sup>	\$27.4m	\$9.5m	188%
EBITDA <sup>1</sup> margin	25%	22%	-

	<b>30 JUN 2014</b>	<b>30 JUN 2013</b>	<b>Var (%)</b>
Contracts on hand <sup>2</sup>	753	831	(9%)

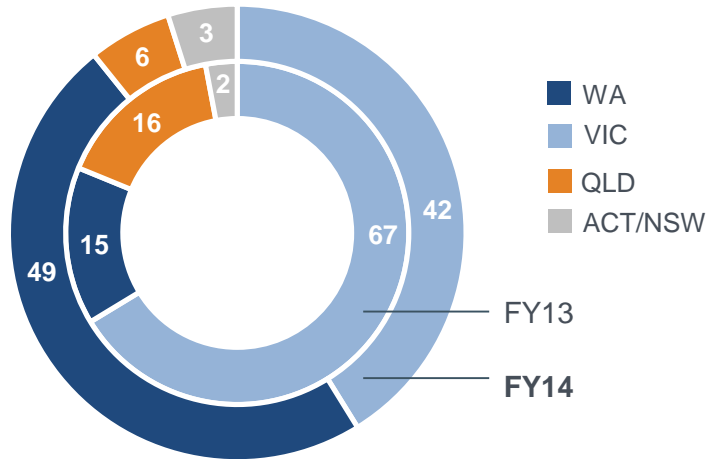
Notes:

<sup>1</sup> Includes effects of non-cash movements in investments in joint ventures.

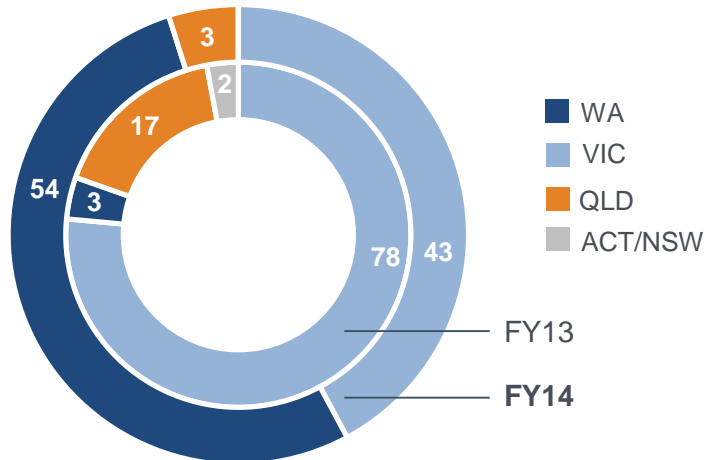
<sup>2</sup> Includes 100% Googong sales

# Development operating performance

Revenue composition by geography (%)



EBITDA<sup>2</sup> composition by geography(%)



Notes:

- 1 Includes super lots
- 2 Pre write-downs of \$1.8 million (before tax).

Key performance statistics

	FY14	FY13	Var (%)
Lot sales <sup>1</sup>	501	416	20%
Lot settlements <sup>1</sup>			
Retail	457	412	11%
Super lots	3	3	-
Revenue	\$104.2m	\$128.5m	(19%)
EBITDA <sup>2</sup>	\$25.0m	\$28.8m	(13%)
EBITDA <sup>2</sup> margin	24%	22%	-

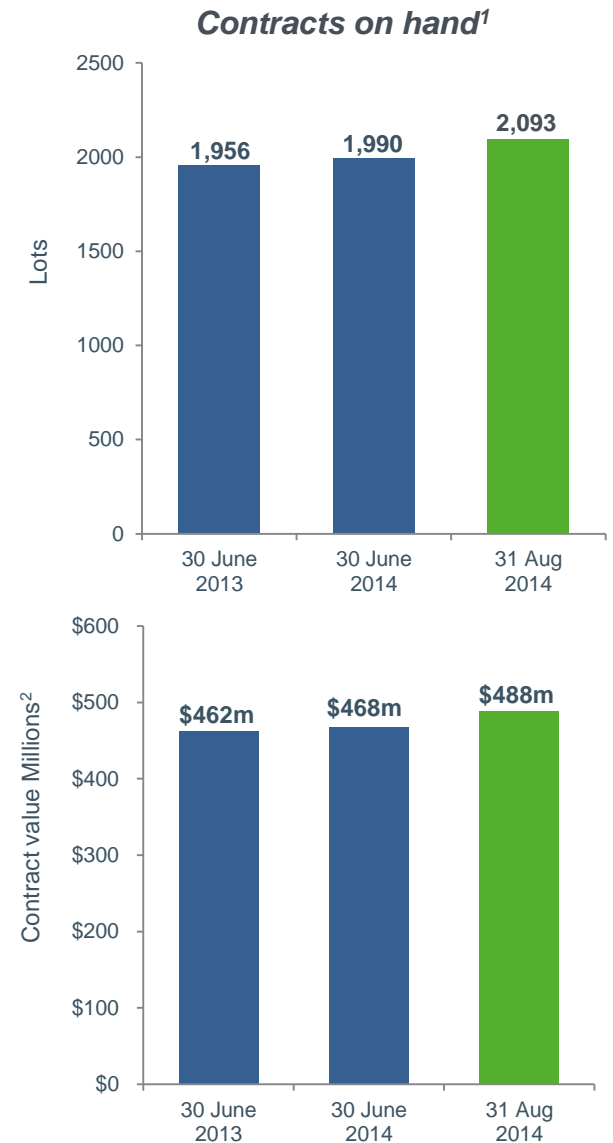
	30 JUN 2014	30 JUN 2013	Var (%)
Contracts on hand <sup>1</sup>	269	228	18%

# Contracts on hand

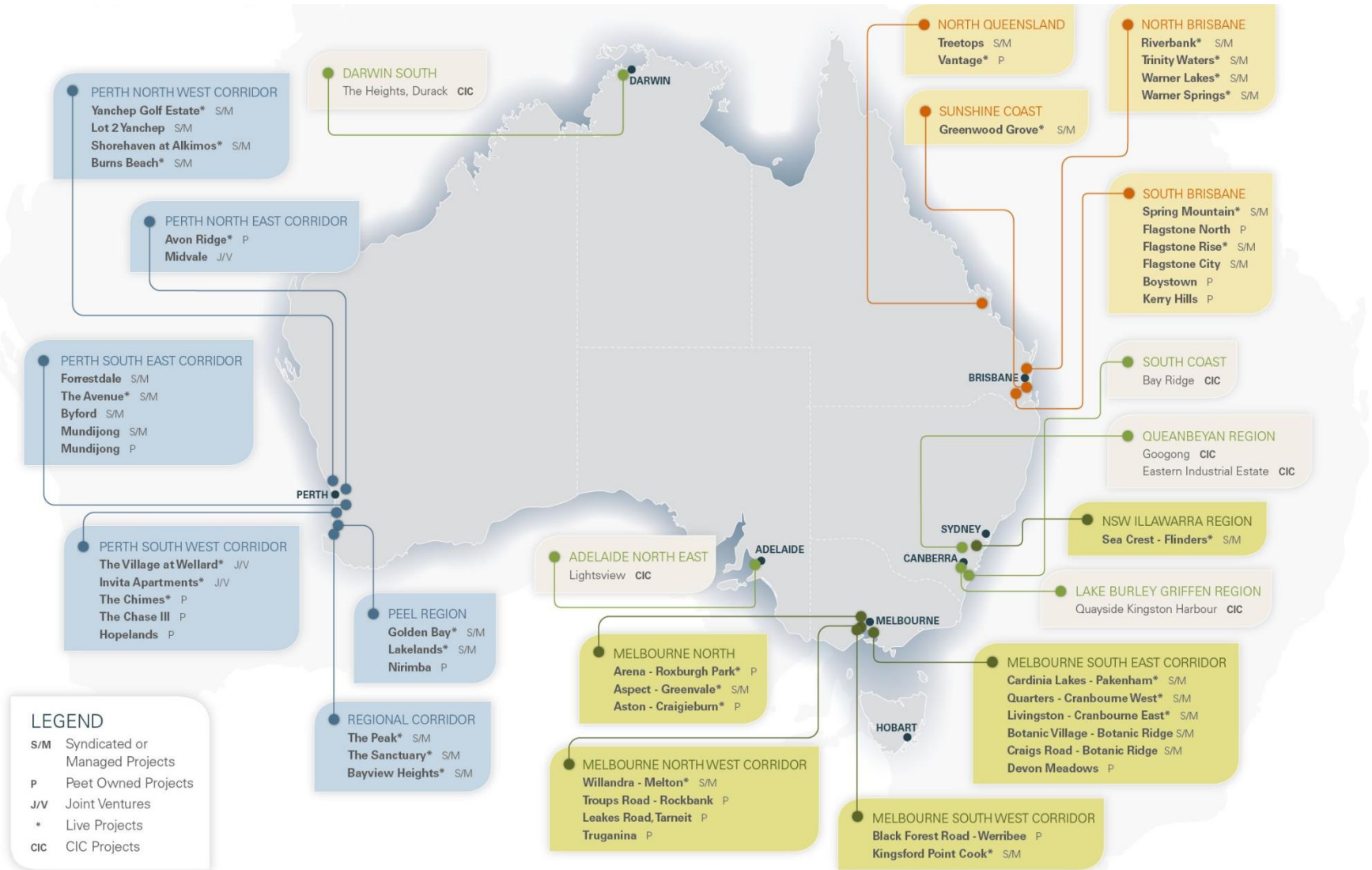
- » Sales momentum continues with a further increase in contracts on hand since year end
  - » Sales momentum is solid since June 2014
  - » Significant increase in lot sales in FY14 of over 3,500 lots
  - » Strong settlements achieved in June 2014 quarter
  - » Significant number of contracts on hand at end of August 2014 providing good momentum into FY15
- » Improving margins following stronger market conditions and price growth during 2H14
- » Three projects commenced development phase in 4Q14
- » A further three projects scheduled to commence development in FY15

Notes:

1. Includes CIC
2. Includes GST



# Extensive experience in land development



# Land bank – Funds Management key projects

## Funds Management

	Project name	GDV	Lots <sup>1</sup> remaining (at 30 June 14)	Project Lifecycle			
				2015	2016	2017	2018
WA	Alkimos	\$839m	2,386	Selling			
	Burns Beach	\$368m	735	Selling			
	Golden Bay	\$304m	1,322	Selling			
	Lakelands	\$203m	1,246	Selling			
	Yanchep Golf Estate	\$378m	1,502	Selling			
	Oakford	\$204m	1,078	Selling			
	Forrestdale	\$196m	904	Start up	Selling		
	Midvale	\$155m	613	Planning	Start up	Selling	
	Byford	\$52m	279	Planning	Start up	Selling	
	Mundijong	\$148m	922	Planning	Start up	Selling	
	Yanchep (Wholesale)	\$147m	804	Planning	Start up	Selling	
Other	\$161m	784					
QLD	Warner Lakes	\$15m	64	Selling	Completion		
	Flagstone East	\$148m	536	Selling			
	Caboolture	\$245m	1,109	Selling			
	Warner Springs	\$102m	437	Selling			
	Flagstone City	\$3,106m	11,786	Start up	Selling		
	Other	\$95m	614				
VIC	Kingsford	\$13m	56	Selling	Completion		
	Cranbourne Central	\$121m	572	Selling			
	Cranbourne West	\$102m	516	Selling			
	Greenvale	\$112m	419	Selling			
	Botanic Village	\$199m	825	Planning	Start up	Selling	
	Melton	\$112m	695	Selling			
	Other	\$27m	129				
<b>Total Funds Management</b>		<b>\$7,552m</b>	<b>30,333</b>				

Notes:

1 Lots equivalent.

# Land bank – Company-owned key projects

## Company-owned

	Project name	GDV	Lots <sup>1</sup> remaining (at 30 June 14)	Project Lifecycle			
				2015	2016	2017	2018
WA	Brigadoon	\$76m	168	Selling			
	Chase, Baldivis	\$97m	502	Start up	Selling		
	Mundijong	\$87m	541	Planning		Start up	Selling
	Other	\$618m	3,621				
QLD	Gladstone	\$81m	342	Selling			
	Beaudesert	\$245m	1,045	Planning			
	Flagstone North	\$224m	1,400	Planning			
	Other	\$21m	108				
VIC	Aston, Craigieburn	\$274m	1,207	Selling			
	Werribee	\$170m	803	Planning			
	Arden, Greenvale	\$197m	799	Selling			
	Tarneit (Leakes Road)	\$64m	293	Planning	Start up	Selling	
	Mt Aitken	\$96m	288	Planning			
	Rockbank	\$115m	557	Planning	Start up	Selling	
	Other	\$140m	327				
NSW	Bay Ridge	\$5m	21	Selling			
ACT	Eastern Industrial Estate	\$29m	76	Selling			
	Quayside	\$18m	16	Selling		Completion	
<b>Total company-owned</b>		<b>\$2,557m</b>	<b>12,114</b>				

Notes:

1 Lots equivalent.

# Land bank – *Joint Venture key projects*

## Joint Venture

Project name	GDV	Lots <sup>1</sup> remaining (at 30 June 14)	Project Lifecycle			
			2015	2016	2017	2018
<b>NSW</b> Googong <sup>2</sup>	\$629m	2,678	Selling			
<b>ACT</b> Crace	\$2m	6	Selling	Completion		
<b>WA</b> Wellard	\$315m	1,436	Selling			
<b>NT</b> The Heights	\$136m	539	Selling			
<b>SA</b> Lightsview	\$193m	1,081	Selling			
<i>Total joint venture</i>	<i>\$1,275m</i>	<i>5,740</i>				
<b>TOTAL PIPELINE</b>	<b>\$11,384m</b>	<b>48,187</b>				

Notes:

<sup>1</sup> Lots equivalent.

<sup>2</sup> Googong represents 50% shareholding of project.



*Capital management*

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# Capital management

## Capital management strategy tracking in line with expectations

- » Covenant gearing<sup>1</sup> decreased to 29.8%
- » Bank debt reduced by a further \$26.4m during the year
- » Compliant with debt covenants
- » Extension of corporate debt facility until 31 October 2017
- » ICR of 2.81x, will continue to improve as earnings recover into 2015 and beyond
- » Weighted average cost of debt (excluding convertible notes) reduced to 6.8%

	FY14	FY13
Cash at bank	\$38.8m	\$36.4m
Bank debt	\$247.9m	\$274.3m
Convertible notes	\$47.6m	\$46.6m
Covenant gearing <sup>1</sup>	30%	34%
Balance sheet gearing <sup>2</sup>	31%	37%
Interest cover ratio <sup>3</sup>	2.81x	1.65x
Weighted average debt maturity	2.4 years	1.4 years
Weighted average hedge maturity	1.8 years	2.0 years
Debt fixed/hedged	47%	78%
Weighted average cost of debt <sup>4</sup>	7.7%	8.3%
Weighted average cost of debt (excluding convertible notes)	6.8%	7.7%

### Notes:

- 1 Includes CIC (Total interest bearing liabilities (including land vendor liabilities) less cash) / (Total assets adjusted for market value of inventory less cash, less intangible assets), excluding Syndicates consolidated under AASB10
- 2 (Total interest bearing liabilities (including land vendor liabilities) less cash) / (Total assets adjusted for market value of inventory less cash, less intangible assets). Includes Syndicates consolidated under AASB10 and CIC
- 3 EBIT (pre write-downs and CIC acquisitions costs) / Total interest cost (including capitalised interest). Includes CIC
- 4 Including all costs, fees and margins and convertible notes.

# Group cash flow summary

## *Improved cash flows with significant investment in new and existing projects*

<b>Cash flows related to operating activities</b>	<b>FY14<sup>1</sup></b>	<b>FY13</b>
	<b>\$m</b>	<b>\$m</b>
Receipts from customers	281.5	206.2
Receipts from asset divestments	16.2	52.9 <sup>2</sup>
Payments to suppliers and employees	(81.3)	(67.4)
Borrowing costs	(27.0)	(31.0)
Distributions and dividends received from associates and joint ventures	18.1	2.7
Net taxes (paid) / refund	(4.5)	5.5
Payments for development and infrastructure	(153.0)	(95.7)
<b>Operating cash flow before acquisitions</b>	<b>50.0</b>	<b>73.2</b>
Payments for new land acquisitions	(12.8)	(3.5)
<b>Net operating cash flow</b>	<b>37.2</b>	<b>69.7</b>

Notes:

1 Includes first full year of CIC

2 This excludes \$11m in proceeds from the sale of land, treated as investments



*Market overview  
& outlook*

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# Residential market overview

- » Fundamentals underpinning the housing market remain supportive of both prices and volumes
- » Construction activity continues to remain strong across major capital cities
- » Affordability, softening labour market conditions and consumer caution is likely to make for a subdued uplift
- » Peet is in a position to capture an improving residential market uplift through geographical spread

## **WA** Market stabilising after good price growth

- Market conditions expected to moderate and stabilise – normal market settings
- Population growth still underpinning demand
- Developer stock remains tight
- Vacancy rates have increased, but mostly for inner-city apartments – suburban vacancy rates stable
- Positive economic fundamentals remain despite softness in mining sector



FY15



Medium term forecast

## **VIC** Stable market conditions

- Improved activity supported by low interest rates and increased investor interest; however market remains price sensitive
- Oversupply of stock has been absorbed
- Consumer sentiment potentially impacted by uncertain employment outlook
- Population growth rate has increased since 2010 with Vic now second to WA



FY15



Medium term forecast

## **QLD** Activity levels improving

- Vacant land sales growing, albeit off a low base
- Enquiry levels continue to improve
- Residential market activity remains at historical lows
- Affordability has improved relative to other major cities



FY15



Medium term forecast

# Residential market overview (cont.)

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## **ACT** and adjoining **NSW** **Shortage of supply**

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- Land sales expected to remain solid in the mid term due to a shortage of supply
- The residential construction market remains reasonably buoyant



FY15



Medium term forecast

## **SA** **Market showing tentative signs of improvement**

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- Recovery in land sales being reported across Metropolitan Adelaide
- Infill development in city locations seeing strong demand



FY15



Medium term forecast

## **NT** **Strong residential demand for purchase & rent off the back of resource (LNG) projects**

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- Strong demand for residential land
- US Defence starting to increase its presence
- High rentals adding to increased demand for house and land packages
- Marine supply base servicing Browse oil & gas fields represent major opportunity for population growth



FY15



Medium term forecast

# Outlook

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- » Strong sales momentum continuing into FY15
  - » *Favourable market dynamics including population growth and continuing low interest rates*
  - » *In particular, Peet well positioned for Queensland recovery to supplement stronger WA, Vic and NSW/ACT projects*
  - » *Expect FY15 to show an increase over Peet's FY14 sales*
  - » *Price growth supporting a continued recovery in margins*
- » Medium density strategy underway
  - » *Pipeline of more than 1,500 units identified in the national portfolio*
- » Three new projects are expected to start development in FY15
- » Actively pursuing growth opportunities in a disciplined manner
- » Growth to be focussed through Funds Management platform



*Thank you*

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# *FY14 Annexures*

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# Summary income statement<sup>1</sup>

\$m	FY14	FY13	Var (%)
Funds management	36.2	30.3	19%
Development	104.2	128.5	(19%)
Joint venture	95.6	39.4	143%
Share of net profit of equity accounted investments	20.6	1.8	1,044%
Other <sup>2</sup>	40.1	40.8	(2%)
<b>Revenue</b>	<b>296.7</b>	<b>240.8</b>	<b>23%</b>
<b>EBITDA (Pre inventory write-down)</b>	<b>73.7</b>	<b>53.0</b>	<b>39%</b>
Finance costs <sup>3</sup>	(27.6)	(26.3)	(5%)
Depreciation and amortisation	(2.8)	(2.8)	-
<b>NPBT (Pre inventory write-down)</b>	<b>43.3</b>	<b>23.9</b>	<b>81%</b>
Income tax expense	(10.4)	(7.2)	(44%)
Outside equity interest	(1.3)	1.6	(181%)
<b>Operating NPAT</b>	<b>31.6</b>	<b>18.3</b>	<b>73%</b>
Adjustments for inventory write-down and CIC acquisition related costs (net of tax)	(1.3)	(17.4)	93%
<b>Statutory NPAT<sup>4</sup></b>	<b>30.3</b>	<b>0.9</b>	<b>-</b>

Notes:

<sup>1</sup> AASB10 Consolidated Financial Statements (AASB10) and AASB11 Joint Arrangements were adopted from 1 July 2013. As required by the accounting standards, comparative periods have been restated. Full detail of the restatement is disclosed in note 2 to the Financial Statements

<sup>2</sup> Includes AASB10 Syndicates, unallocated and elimination entries.

<sup>3</sup> Finance costs includes interest and finance charges amortised through cost of sales

<sup>4</sup> Attributable to the owners of Peet Limited

# Summary balance sheet<sup>1</sup>

\$m	FY14	FY13
<b>Assets</b>		
Cash	38.8	36.4
Receivables	71.6	68.5
Inventories	540.6	542.1
Investments accounted for using the equity method	162.2	147.1
Other	33.9	36.2
<b>Total assets</b>	<b>847.1</b>	<b>830.3</b>
<b>Liabilities</b>		
Trade and other payables	55.5	49.6
Land vendor liabilities	24.5	31.7
Interest bearing liabilities	295.5	321.0
Other	51.6	47.7
<b>Total liabilities</b>	<b>427.1</b>	<b>450.0</b>
<b>Net assets</b>	<b>420.0</b>	<b>380.3</b>
NTA (book value)	\$1.00	\$0.89
NTA (market value) <sup>2</sup>	\$1.18	\$1.00

Notes:

<sup>1</sup> AASB10 *Consolidated Financial Statements* (AASB10) and AASB11 *Joint Arrangements* were adopted from 1 July 2013. As required by the accounting standards, comparative periods have been restated. Full detail of the restatement is disclosed in note 2 to the Financial Statements

<sup>2</sup> Market adjusted NTA is based on independent bank instructed mortgage valuations

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