PEET

Perth
Level 7, 200 St Georges Terrace Perth WA 6000
Telephone (08) 9420 1111 | Facsimile (08) 9481 4712
Email perth@peet.com.au

www.peet.com.au

asx release

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Peet positioned for growth

- **Operating profit[1,2] after tax of $14.5m, compared to $1.0m in 1H13**
- **Statutory profit[1,2] after tax of $13.2m**
- **1,735 lots sold, compared with 865 in 1H13**
- **1,507 lots settled, compared with 814 in 1H13**
- **2,184 contracts on hand at 31 December 2013, compared to 1,956 at 30 June 2013**
- **EBITDA[3] of $27.9m, with an EBITDA margin[3] of 23%**
- **Gearing[4] of 33%**
- **Net Tangible Assets[5] per share of $1.06**

National property group, Peet Limited, today announced an operating profit[1,2] after tax for the half-year ended 31 December 2013 of $14.5 million – up from $1.0 million for the first half of the previous year.

The Group's statutory profit for the half year was $13.2 million and includes write-downs after tax of $1.3 million.

Peet Limited Managing Director and Chief Executive Officer, Brendan Gore, said that the result was in line with expectations and the indications were positive for further improvement in the second half.

"The half-year result demonstrates an improved operating performance, in line with expectations, and also reflects the first full reporting period in which Peet has held an 86% controlling interest in CIC Australia Limited," he said.

"Our performance during the first half of FY14 reflects a broadening market improvement after challenging conditions endured through the first half of FY13.

"In the context of the market improvement through the second half of FY13 and into 1H14, the Group has invested in building its inventory to take advantage of these positive trends."

The Group achieved 1,735 sales and 1,507 settlements in the first half – an increase of 101% and 85%, respectively, compared with the previous corresponding period.

Margins during 1H13 were reflective of the settlement of sales achieved during 2H13 when pricing strategies were implemented to meet and motivate market demand, facilitating the recycling of capital through the business. The margins are expected to improve in 2H14 as a result of settlements of lots sold in Development projects in improving markets with the benefit of price growth.

At 31 December 2013, there were 2,184 contracts on hand, with a gross value of $537.7 million, compared with 1,956 contracts on hand as at 30 June 2013 with a gross value of $484.9 million.

"Peet remained committed to disciplined cost control in the first half of the year, and continued its proactive approach to investment in inventories to meet improving market demand for quality, affordable land," said Mr Gore.

Capital Management

The core elements of Peet's capital management strategy are the reduction of debt levels via the sale of non-core assets, disciplined cost control across the Group and improving business efficiencies.

As at 31 December 2013, another three non-core assets were under contract with a total value of $22.4 million bringing the total asset divestment program to $92.9m. The three properties are expected to settle before the end of the 2014 calendar year.

Peet has, however, also responded to improving market conditions with significant investment in the development and construction of new lots, particularly in Western Australia and Victoria where there has been increased inquiry and a positive trend in sales volumes.

As at 31 December 2013, gearing[4] was 33% (compared to 29% at 30 June 2013) and the Group continues to target gearing of less than 30% by 30 June 2014.

At the end of the period, the Group had interest-bearing debt (including its convertible notes) of $332.9 million, compared with $321.0 million at 30 June 2013.

Approximately 73% of the Group's interest-bearing debt was hedged as at 31 December 2013, compared with 78% at 30 June 2013.

Peet has been negotiating a new four-year Syndicated Loan Facility with its banks and formal documentation is expected to be completed in March 2014.

Dividend Payments

The Directors intend to reinstate a full-year dividend for the 2014 financial year.

Group Strategy and Outlook

The Group will continue with its strategy including the delivery of affordable product to a broad range of homebuyers in Australia's expanding urban areas; a market-responsive approach to development investment – building inventory in improving markets to meet future demand; prudent capital management including continued debt reduction, improved operating cash flow and committed cost control; and positioning the Group to take advantage of future growth opportunities.

"Looking ahead, the Group is positioned to take advantage of improving markets," said Mr Gore.

“The underlying foundations of the residential sector remain sound, however mixed market conditions are expected to persist throughout FY14. Conditions across the Perth market are aniticpated to remain robust with the price growth anticipated to moderate, Victorian sales volumes are expected to remain steady but price sensitive, while activity in the Queensland market is improving.

“However, affordability, softening labour market conditions and consumer caution is likely to make for a subdued uplift,” said Mr Gore.

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

For media inquiries, call:
Marie Mills
Mills Wilson Communication Consultants
08 9228 1999, 0418 918202
mariem@millswilson.com.au

Footnotes:

1. AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements* were adopted from 1 July 2013. As required by the accounting standards, comparative periods have been restated. Further detail of the restatement is disclosed in note 1 to the Financial Statements. Also, the number of lots sold and settled in comparative periods have, where relevant, been restated to consistently reflect the treatment of superlots.

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 includes the effects of non-cash movements in investments in associates and joint ventures totalling $15.3 million in 1H14. 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. For the half-year ended 31 December 2013, operating profit of $14.5 million is calculated as statutory profit attributable to the owners of Peet of $13.2 million, adjusted for write-downs in inventory, after tax, of $1.3 million.

   Statutory profit measures profit in accordance with Australian Accounting Standards.

3. Pre write-downs of $1.8 million (before tax) and includes effects of non-cash movements in investments in associates and joint ventures totalling $15.3 million in 1H14.

4. Gearing is calculated as follows:
   (Total interest bearing liabilities (including land vendor liabilities) less cash) / (Total assets adjusted for market value of inventory less cash, less intangible assets). Excludes CIC and syndicates consolidated under AASB10 Consolidated Financial Statements.

5. Market adjusted NTA is based on independent bank-instructed mortgage valuations, adjusted for development costs and settlements post 30 June 2013.