

26 October 2022

## **2022 Annual General Meeting (“AGM”)**

Enclosed are copies of an address and a presentation to be given at today’s AGM of Peet Limited (ASX: PPC) (“Peet”) by Mr Tony Lennon, Chairman and Mr Brendan Gore, Managing Director and Chief Executive Officer, respectively.

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

**For investor enquiries call:**

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26 October 2022

## **Chairman's address to the 2022 Annual General Meeting**

The past financial year has been a very exciting one for Peet Limited. The year ahead shows changes in market conditions, but we are determined to utilise the depth of our landbank to again achieve good financial outcomes for our shareholders.

### **FY22 performance**

FY22 saw a record performance by the Group, achieving an operating profit after tax and a statutory profit of \$52.3 million, compared to \$28.5 million for the year ended 30 June 2021.

The material improvement in profit during FY22 was driven by new project commencements, price growth across the Group's projects, combined with the changing product mix and the continued focus on unlocking value by appropriately managing the Group's significant landbank. This was supported by continuing favourable market conditions and consumer confidence during the majority of FY22, especially across the east coast business.

The price growth achieved, together with ongoing focus on cost management contributed to an increase in EBITDA margin from 25% in FY21 to 30% in FY22 and saw total EBIT of \$86.0 million in FY22, compared to \$58.1 million in the previous year.

Earnings per share for FY22 equated to 10.8 cents (compared to 5.9 cents for FY21) and in August 2022, the Directors declared a final dividend for FY22 of 4.0 cents per share, fully franked, bringing the total dividend for FY22 to 6.25 cents per share, fully franked. This compares to a full-year dividend 3.5 cents per share, fully franked, for FY21.

Brendan will provide further information on the Group's FY22 performance in his presentation.

### **Strategic focus**

Peet is well positioned for positive growth and value creation over the medium to long term, underpinned by our four strategic pillars:

- investing in land in strategic locations;
- planning, creating and enhancing residential communities with a range of product appealing to all buyer segments;

- expanding our product offering and geographic presence to appeal to a wider variety of customers; and
- maintaining strong capital management.

During FY22, the Peet Group:

- continued to invest, securing full ownership of the Flagstone City project in Queensland and progressing the acquisition of the University of Canberra project in ACT;
- commenced development/sales of six new projects from our existing landbank;
- acquired three townhouse/apartment sites;
- as part of our capital management:
  - we continued with our on-market buy-back program (which has been extended to 30 August 2023); and
  - \$65 million of the c.\$75 million of non-core asset divestment program has now been realised; and
- at 30 June 2022, the Group's gearing was within the target range at 29.9%.

I'd like to pay particular focus to the securing of the 100% ownership of the Flagstone project in south east Queensland, the acquisition of land adjoining our existing Newhaven estate in Melbourne and the two development management agreements secured with Renewal SA on two inner city sites in Adelaide, South Australia. These transactions have contributed to the acceleration of the delivery of Peet's strategy, whilst strengthening the balance sheet and supporting earnings growth. The value creation from the acquisitions and the \$130 million uplift in mortgage valuations of Company-owned projects as at 30 June 2022 is not recognised in either the Group's NTA or the share price.

Brendan will provide some additional information on some key projects in his presentation.

## **Environment, sustainability and governance**

As a leading residential developer with a large national footprint, our approach focuses on sustainable practices to create long-term shared value for our communities, shareholders and people.

Peet focuses on planning, designing and developing communities that balance environmental, social and economic needs, underpinned by a broad corporate governance framework.

There were a number of highlights during FY22, including the following:

- our Brabham Estate in WA being accredited as a 6-star World Leading Green Star community and Gold Waterwise development;
- focus on water and waste management at our Bluestone, Mt Barker estate in South Australia through the completion of a wetland system, rainwater reuse, recycled water and refuse sorting;
- habitat regeneration programs at our Riverbank and Village Green estates in Queensland;
- National Community Grant Program, which provided support for 27 local community groups across Australia;
- progressed the development of our *Reflect* Reconciliation Action Plan in line with our commitment to have it in place by July 2023;
- supporting mental health through a 3-year partnership with Black Dog Institute; and
- the promotion of engaged, active communities at the local level through the Group's Principal Partnership with, and the involvement of, the Perth Scorchers.

### **Outlook**

In considering our outlook for FY23, we note that the recent interest rate increases, extended civil construction timeframes and the increased timeframes and cost to build homes for our customers (due to continuing supply chain bottlenecks and availability of labour) have led to a moderation of demand. However, the underlying drivers of the residential market remain supportive, including:

- strong labour market conditions;
- very low rental vacancies;
- constrained land supply; and
- the expected increase in net overseas migration and further population growth, which would be expected to drive sales volume growth in the medium term.

The team's focus in FY23 is on the delivery of the land lots and townhouses sold during FY22 and monetising the substantial contracts on hand as at 30 June 2022.

**Conclusion**

I take this opportunity to thank my colleagues on the Board for their efforts during the year, and on their behalf thank Brendan Gore and his team for their contributions throughout FY22 and FY23 to date.

Before I close my address to the 2022 AGM, and on behalf of the whole Peet team, I would like to thank all our shareholders, our fund investors and our joint venture partners and all other stakeholders for their ongoing support.

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# ANNUAL GENERAL MEETING 2022



**PEET**

# Company Overview

- Leading Australian developer of quality residential communities with a proven track record for over 127 years
- Large, nationally diverse land bank provides economies of scale to deliver a wide range of product at lower cost
- Extensive capabilities in acquisition, design, delivery and marketing
- Proven ability to expand business into new opportunities such as townhouses and low-rise apartments
- Well established funds management capability with long term retail and institutional capital partners
- Strong culture, brand and customer focus

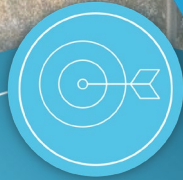


# Vision, Purpose and Values



## VISION

Imagine and realise future places where lives are enhanced by communities built on a sense of belonging



## PURPOSE

Defining future places of belonging



## VALUES

People Centric  
Creative Intelligence  
Unwavering Commitment



# Strong Platform for Growth



**\$13.4bn**  
END VALUE



**47**  
PROJECTS



## GEOGRAPHICALLY DIVERSE

- Benefit from various growth corridors
  - positioned for future Australian population growth
- Allows Peet to leverage state-base fluctuations
- Ability to manage land bank and capital through market cycles

## HIGHLY DESIRABLE LOCATIONS

- Projects located across inner to outer rings of capital cities
- Developing where people want to live now

## LOW COST

- Strong embedded margins
- Average age of land bank is 10 years
- Large land bank provides economies of scale to deliver wide range of product at lower cost

QLD

12

PROJECTS

WA

18

PROJECTS

VIC

9

PROJECTS

SA

5

PROJECTS

NSW

2

PROJECTS

ACT

1

PROJECT

# Our Commitment to Sustainability

## Our Sustainability Approach

As a leading residential developer with a large national footprint, our approach focuses on sustainable practices to create long-term shared value for our communities, shareholders and people



### ENVIRONMENT

#### ENVIRONMENTALLY CONSCIOUS DEVELOPMENT

- Water conservation and recycling
- Use of solar and energy reduction in building design
- Long history of operating in highly environmentally regulated industry
- Biodiversity and land restoration



### SOCIAL

#### POSITIVE SOCIAL IMPACT ACROSS OUR COMMUNITIES AND TEAM

- Employee diversity, wellbeing and engagement
- Building strong community partnerships
- Providing opportunities for affordable housing for homebuyers
- Delivery of social housing with government partners



### GOVERNANCE

#### A TRUSTED PARTNER AND SUSTAINABLE BUSINESS

- Broad corporate governance framework
- Ethical and responsible business practices
- Robust risk management framework

#### FY22 HIGHLIGHTS



Brabham Estate accredited as 6-star World Leading Green Star community and Gold Waterwise development



Installation of further smart technology at Googong including public Wi-Fi, smart sport floodlights, smart bins and smart locking public toilets



Focus on water and waste at Bluestone, Mt Barker through completion of wetland system, rainwater reuse, recycled water and refuse sorting



Habitat regeneration at Riverbank Estate and Village Green in QLD



Price competitiveness across key corridors



National Community Grant Program support for 27 local community groups across Australia



Commenced Reflect Reconciliation Action Plan



Gender balanced workforce



Engaged workforce through prioritising wellbeing benefits and flexible work practices



**Black Dog Institute**

Supporting mental health through 3-year partnership



Engaged, active communities through Principal Partnership of the Perth Scorchers



# GROUP HIGHLIGHTS

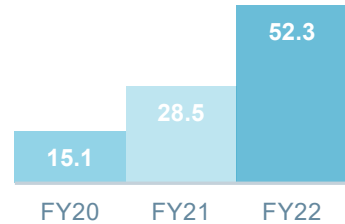
**PEET**

# FY22 Results Highlights

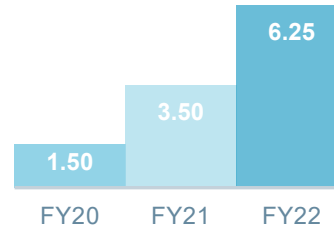
Strong performance underpinned by high quality portfolio

## FINANCIAL

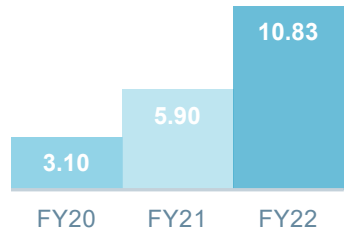
NET OPERATING PROFIT<sup>1</sup> AFTER TAX  
**\$52.3m**



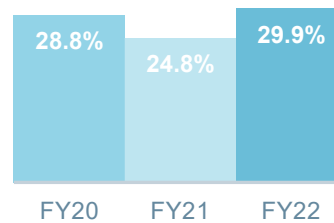
DIVIDEND OF  
**6.25**  
CENTS PER SHARE FULLY FRANKED



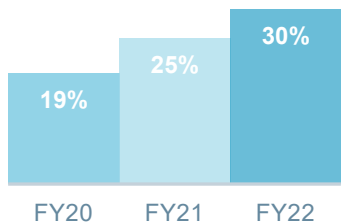
OPERATING EARNINGS  
**10.83**  
CENTS PER SHARE



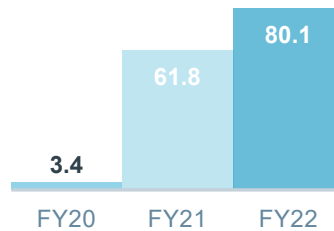
GEARING<sup>2</sup> OF  
**29.9%**



EDITDA<sup>4</sup> MARGIN  
**30%**



OPERATING CASH FLOW<sup>5</sup> OF  
**\$80.1m**



## OPERATIONAL



**3,163**  
LOTS<sup>3</sup> SOLD

**\$930M**  
CONTRACTS ON HAND<sup>3</sup> VALUE

**70%**  
INCREASE ON JUNE 2021



**2,514**  
LOTS<sup>3</sup> SETTLED



**73%**  
LAND BANK UNDER DEVELOPMENT



**6**  
NEW PROJECTS COMMENCED SALES/ DEVELOPMENT

### Notes:

- 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 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash)/(Total assets less cash, less intangible assets)
- 3 Includes equivalent lots
- 4 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures
- 5 Before acquisitions

# Delivering against our Strategy

## FY22 Achievements



**Invest** in high quality land in strategic locations across country

- Land bank weighted to undersupplied East coast markets
- Acquisition of Flagstone City & University of Canberra projects<sup>1</sup>
- New acquisitions during FY22 has resulted in increasing embedded margins:
  - Three townhouse/apartment sites totaling c.500 dwellings
  - Three land projects totaling c.700 lots acquired
- Continue to assess selective acquisitions to restock pipeline
  - Anticipating opportunities to emerge as markets moderate



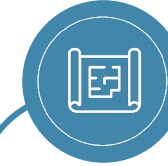
**Enhance** plan and create communities and homes with a range of product appealing to all buyer segments

- Six new projects commenced development/sales during FY22
- C.73% of the Group's land bank is under development
- First settlements from 13 new projects by FY25 increasing activation of landbank to c.90%



**Expand** product offering and geographic presence to appeal to wider variety of customers

- Focus on increasing the Group's townhouse pipeline
  - Current pipeline of 1,200 townhouses nationally
- Look to build on apartment pipeline as opportunities emerge



**Maintain** strong capital management

- Focus on improving operating cash flows and reducing gearing
  - Operating cash flows (before acquisitions) of \$80.1m – up 30%
  - Gearing<sup>2</sup> within target range at 29.9%
  - Non-core asset sales program has realised \$65m against a target of \$75m
- Group well positioned to consider capital management initiatives to improve shareholder returns
  - On-market share buy back has reduced shares on issue by 3% to date

# FY22 Key Transactions



## Acquisition of remaining 50% of Flagstone City project

- Provides significant exposure to a large scale, low cost and long-term project in key SEQ growth corridor with more than 11,100 lots with a GDV of c.\$4.0 billion
- Includes significant development opportunity of future Town Centre anchored by health, retail, education and medium to high density residential uses
- FY22 sales of 330 lots with strong price growth achieved



## Acquisition of University of Canberra landholding<sup>1</sup>

- Urban infill project comprising c.2,650 dwellings, located 6.5km from Canberra City and providing significant presence in the Belconnen Town Centre growth corridor
- Significant sustainability initiatives comprising 7-8 star buildings, solar passive design including street lighting and infrastructure and central waste facility



## Further expansion of Townhouse and Apartment pipeline

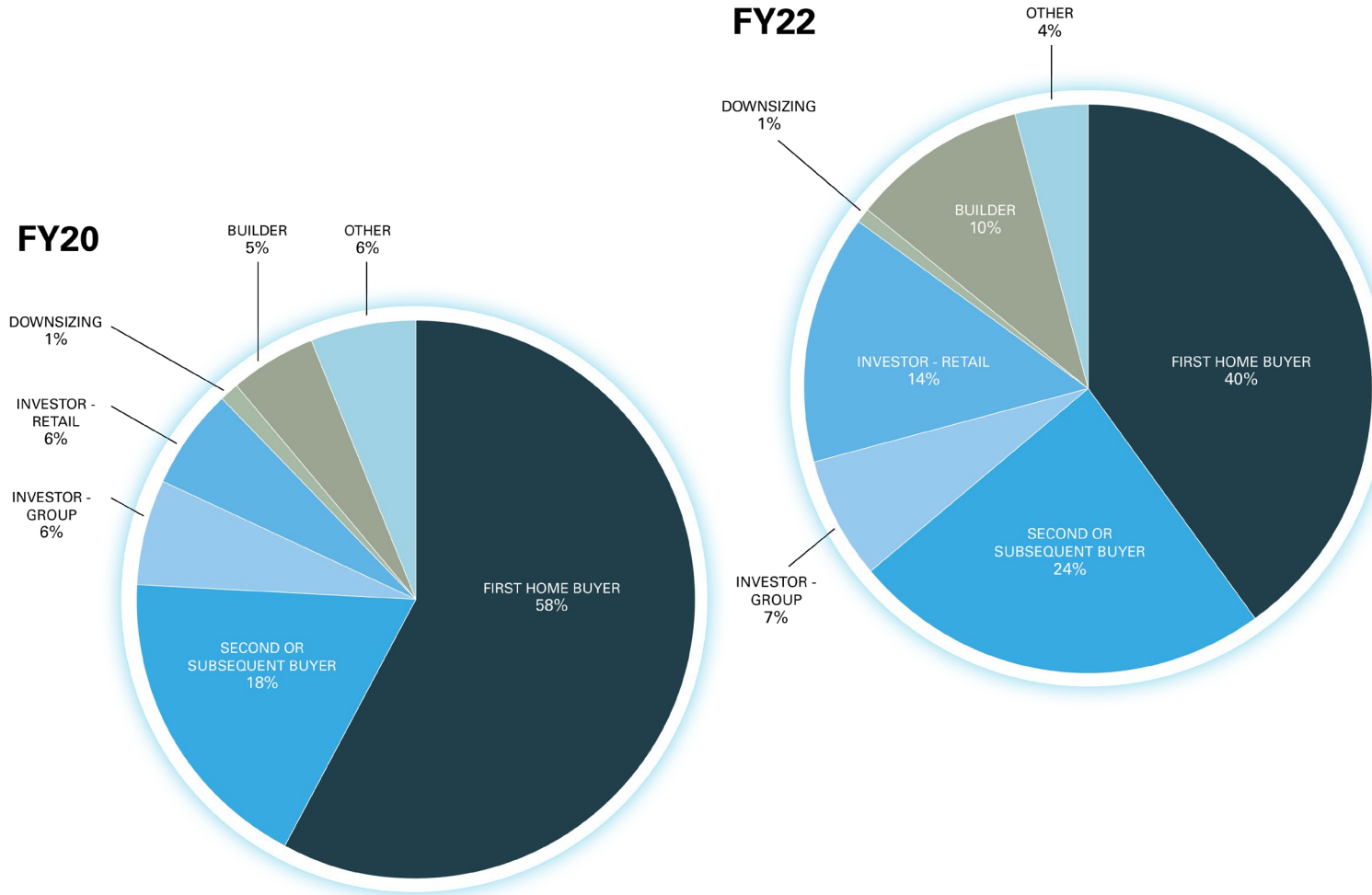
- Three projects acquired totalling c.500 dwellings located within 8km of Adelaide and Perth capital cities and within walking distance of public transport and amenities
- First settlements from FY24

## Transactions accelerate strategy whilst strengthening the balance sheet and supporting earnings growth

- Flagstone transaction was accretive to 2H22 earnings
- University of Canberra project expected to commence sales during FY24
- Sale of broadacre site (QLD) for \$80m proactively unlocks capital to further reposition portfolio
  - Settlement completed October 2022
- These transactions continue the repositioning of the Group's national portfolio to drive earnings growth

# Broad Buyer Appeal

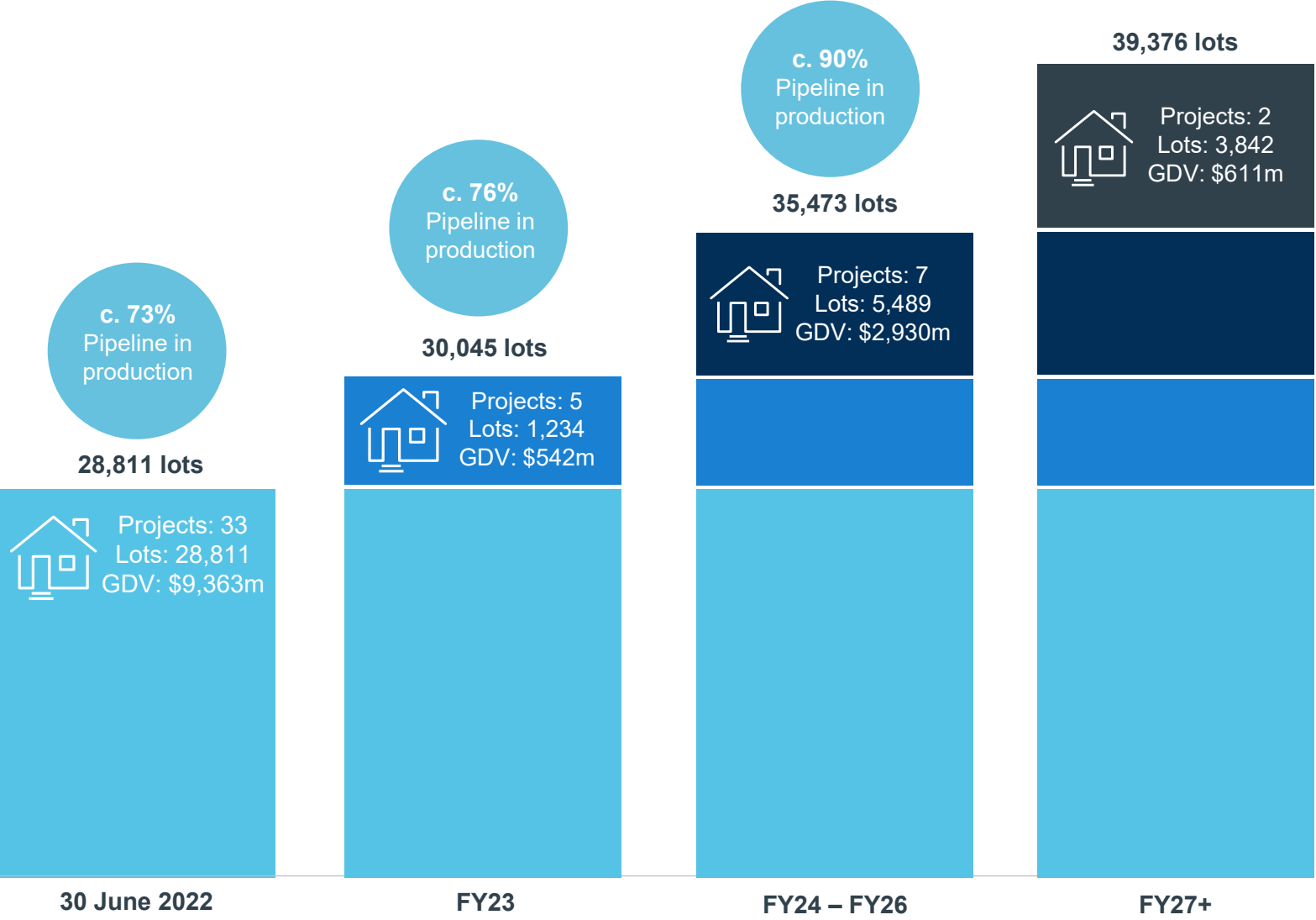
## Diverse customer base from product expansion



- Product expansion to include built form and shift to focus on more desirable, urban areas has resulted in a broader buyer appeal
- First Home Buyer segment remains core. However, Peet now appeals to a broader range of buyers including second home buyers, investors and downsizers
- Multiple products at varying price points within a single project means one project can appeal to multiple buyer profiles
- Reduced exposure to negative economic/regulatory changes impacting a specific buyer market (i.e. FHB most sensitive to interest rate changes)

# Rapid Development Pipeline

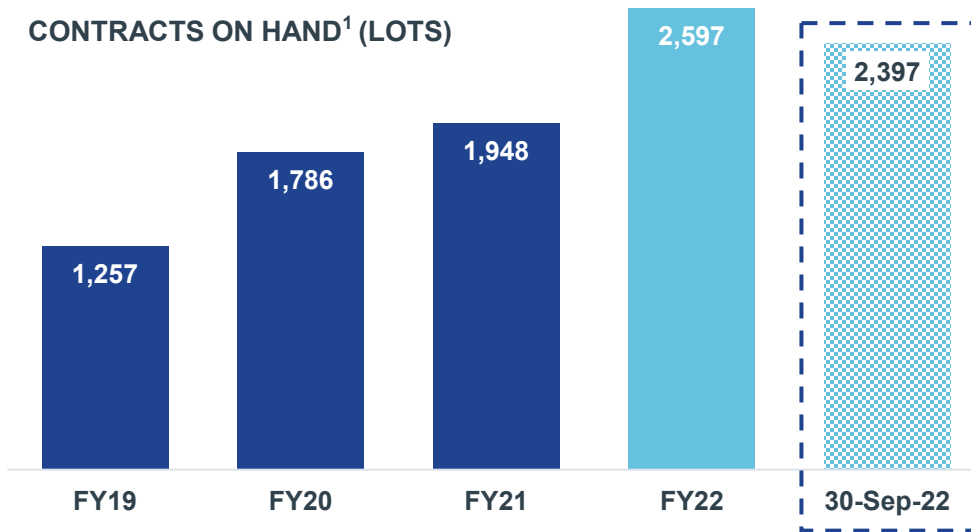
## Strong pipeline of new projects to support future earnings



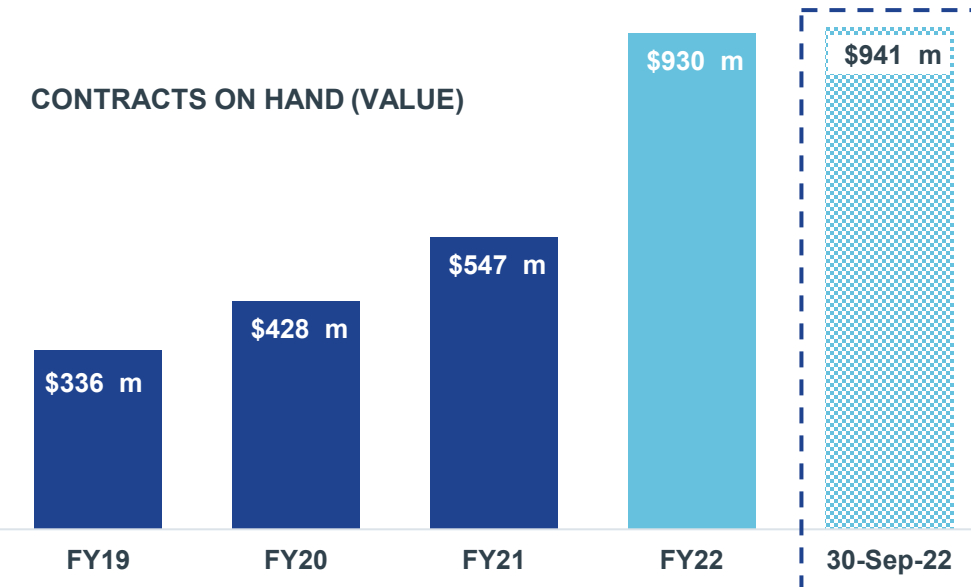


# Strong Financial Position

CONTRACTS ON HAND<sup>1</sup> (LOTS)



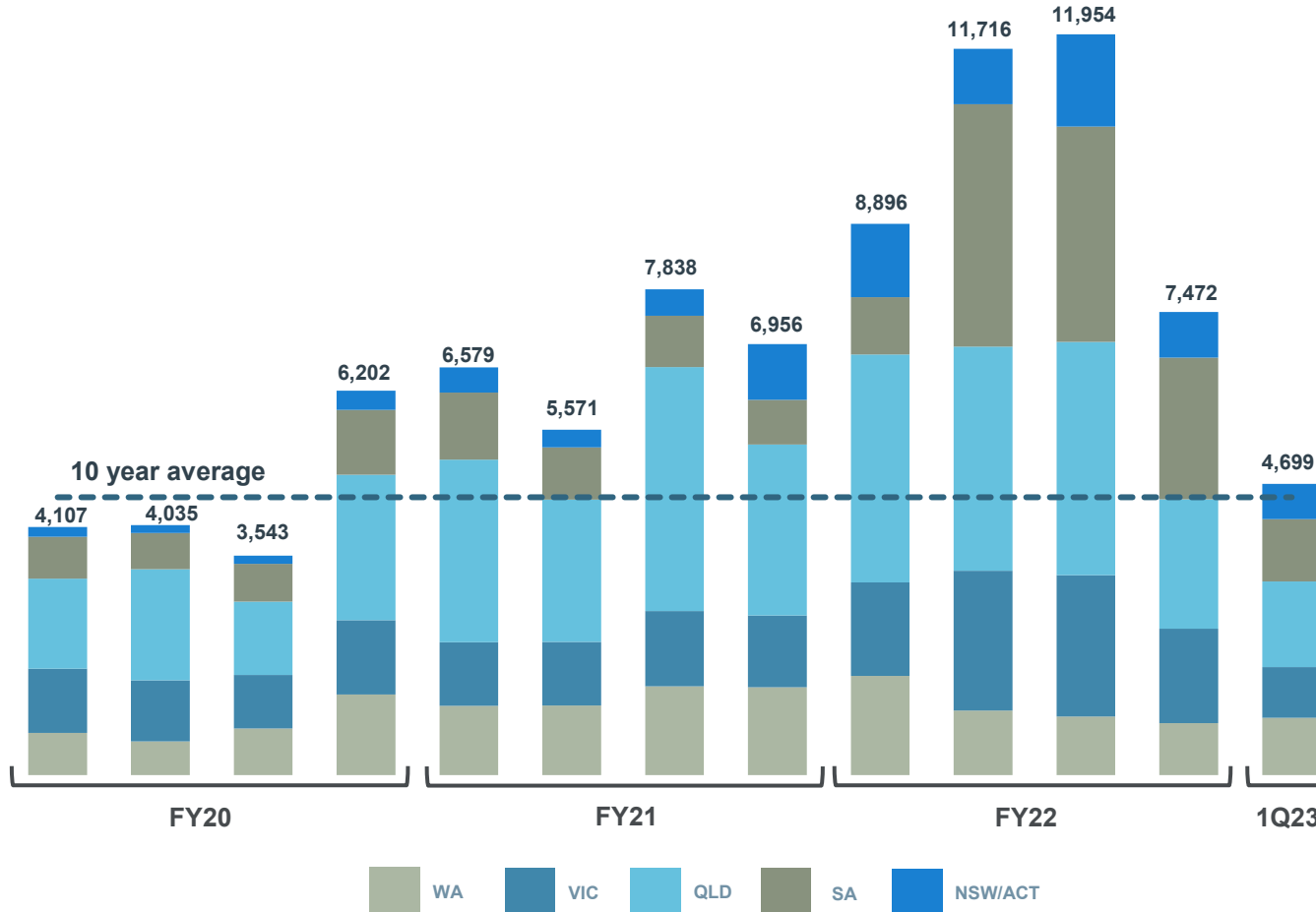
CONTRACTS ON HAND (VALUE)



## Value of contracts on hand remains strong providing good visibility into FY23

- Value of contracts on hand at the end 1Q23 has increased to \$941m since 30 June 2022
  - Reflects strong market conditions during FY22 across all of the Group's markets
- 1Q23 settlements in line with expectations
- Three new projects to contribute to earnings in FY23
- Flexible and diverse funding model

# Enquiry Levels in Line With Expectations



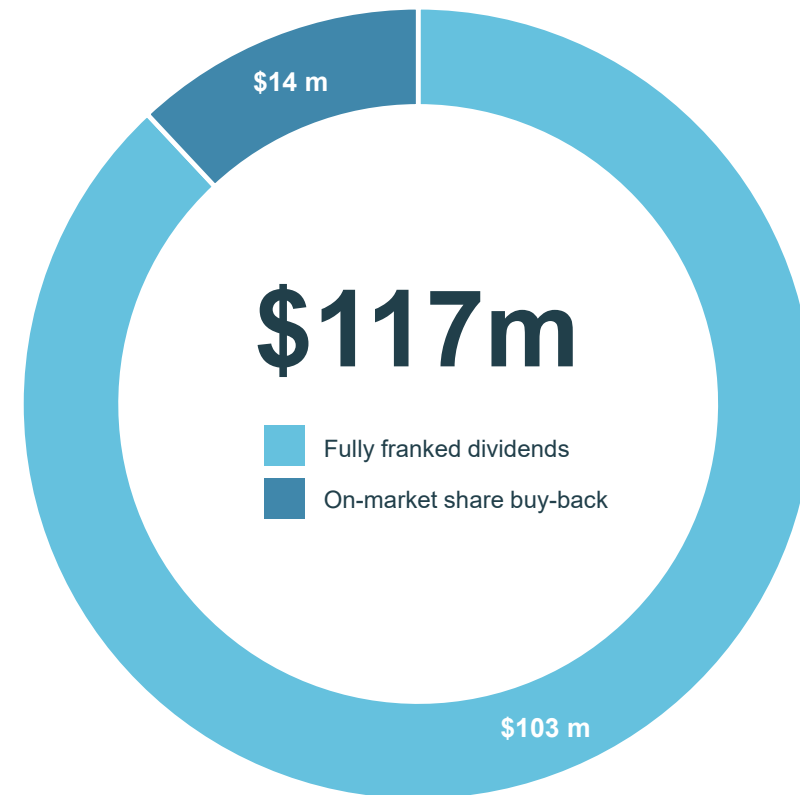
- Enquiry levels have moderated in line with expectations, reflecting the impact of successive interest rate increases
- Enquiries have also been impacted by new lot releases being limited to allow for production timeframes to be more in line with market demand
- 1Q23 enquiries has returned to pre-COVID-19 levels
- Current conditions in the broader residential market are expected to persist until the interest rate outlook stabilises

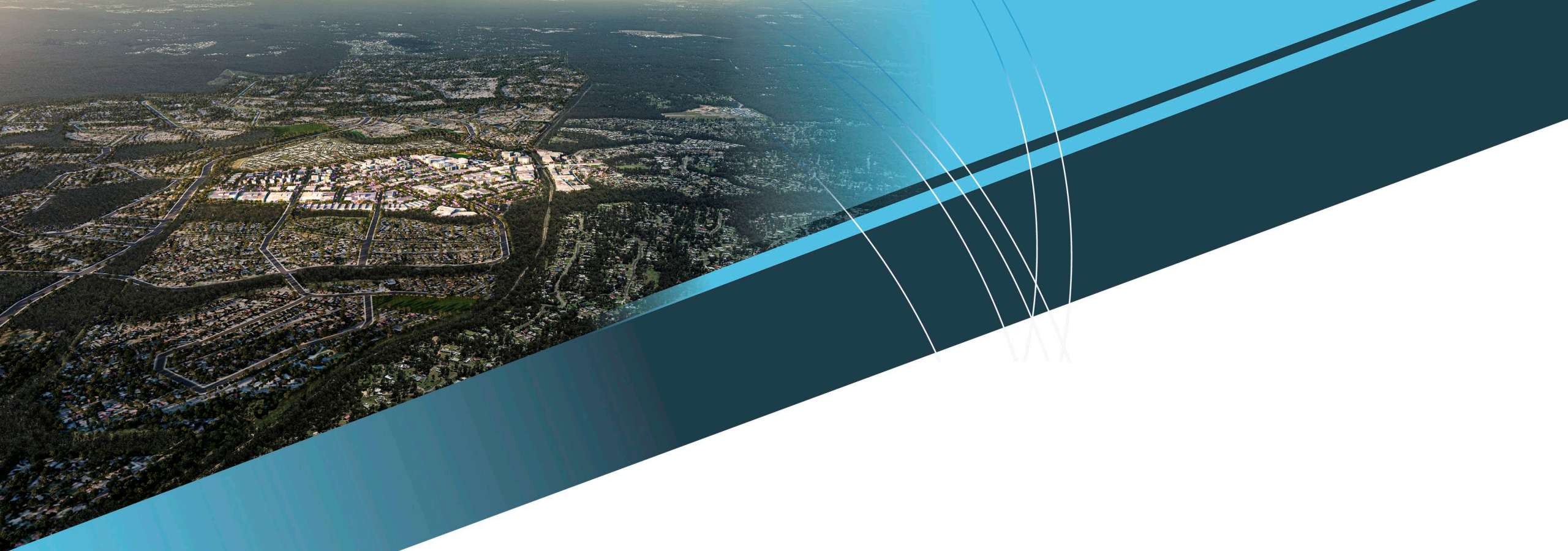
# Our Shareholder Returns

**We have returned \$117m to shareholders through fully franked dividends and our ongoing capital management program over the past five years**

- Disciplined application of our capital management framework and strong balance sheet means shareholders benefit as our financial performance improves
- Full year dividend of 6.25 cents fully franked reflects a payout ratio of c.58%
  - Dividend payout ratio 50-60%
- Our value driven on-market share buy-back has reduced our shares on issue by c.3%, further benefitting our per-share dividends through time
  - Current book NTA of \$1.21 per share
    - Does not include mortgage valuation uplift of c.\$130m for company owned projects and fair value of equity accounted investments
  - Average buy-back price of c.\$1.03 per share
  - On market buy-back extended to August 2023

Shareholder returns since FY18 (\$m)





# OUTLOOK

**PEET**

# New Projects Provide Medium Term Earnings Visibility

## Pipeline of approximately 39,400 lots providing visibility of future earnings

- Up to **three** new land community projects and **six** townhouse/apartment sites to commence development within the next three years
- Planned project releases will be fully funded from internally generated cash flows and existing debt facilities

### FY23 – FY25 NEW PROJECT RELEASE SCHEDULE

PROJECT	STATE	SEGMENT	PROJECT LAUNCH <sup>1</sup>	LOTS <sup>2</sup> / UNITS	GDV	PROJECT LIFE (YEARS)
<b>Communities</b>						
University of Canberra	ACT	Owned	<b>FY24</b>	2,654	\$2,148m	<b>16</b>
Craigieburn West	VIC	Owned	<b>FY23</b>	805	\$305m	<b>6</b>
Palmview DMA	QLD	Funds	<b>FY25</b>	737	\$129m	<b>8</b>
<b>Townhouses/Apartments</b>						
Keysborough	VIC	Owned	<b>FY24</b>	100	\$90m	<b>3</b>
Cranbourne East	VIC	Owned	<b>FY23</b>	57	\$34m	<b>3</b>
Glendalough	WA	Owned	<b>FY24</b>	100	\$73m	<b>2</b>
St Clair	SA	Funds	<b>FY23</b>	172	\$40m	<b>4</b>
Forestville	SA	Funds	<b>FY24</b>	217	\$90m	<b>4</b>
Glyde Street	WA	Owned	<b>FY24</b>	51	\$47m	<b>4</b>
<b>Total</b>				<b>4,893</b>	<b>\$2,956m</b>	

Notes:

- 1 Commencement of sales/development
- 2 Refers to lots and/or dwellings

# FY23 Focus

## Portfolio well-positioned for positive growth and value creation



**Invest** in high quality land in strategic locations

- Balance portfolio between land and built form projects
- Continue to increase weighting to undersupplied east coast markets
- Consider selective acquisitions to restock pipeline where appropriate
  - Anticipating opportunities to emerge as markets moderate
- Focus on small to mid-size land projects in the short to medium term



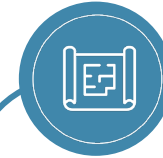
**Enhance** plan and create communities and homes with a range of product appealing to all buyer segments

- Accelerate the realisation of embedded margins within land bank
- Embedded margins driven by strong price growth over the past few years



**Expand** product offering and geographic presence to appeal to wider variety of customers

- Focus on increasing the Group's townhouse pipeline
- Look to build on apartment pipeline as opportunities emerge



**Maintain** strong capital management

- Focus on improving operating cash flows and reduce gearing
- Position Group to consider capital management initiatives to improve shareholder returns
  - Dividend payout ratio 50-60%
  - On-market share buy back extended
- Continue to assess opportunities to maximise market cycles to unlock value where appropriate

# Group Outlook

## Peet is well-positioned for this phase of the cycle

- Underlying residential market drivers remain supportive over the medium term, including strong labour market conditions and population growth amidst constrained land supply
- Current conditions in the broader residential market are expected to persist until the interest rate outlook stabilises
- The Group continues to monitor and manage the impacts of extended construction timeframes and recent wet weather on stage completions
  - The rate of construction cost escalation is showing signs of moderating
- Expected increase in net overseas migration and further population growth expected to drive volume growth in the medium term

## Focused on positioning the Group for growth through a prudent approach to project delivery and identifying growth opportunities

- The Group achieved an operating profit after tax for FY22 of \$52.3 million
- Subject to market conditions and the timing of settlements, the Group is well-positioned for further earnings growth in FY23 supported by substantial contracts on hand, full ownership of the Flagstone City project and new project commencements
  - FY23 earnings now expected to be weighted evenly between 1H23 and 2H23 due to timing of stage completions

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