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ASX RELEASE

26 February 2020

Peet well positioned to respond to an improving residential housing market

Peet Limited (ASX:PPC) ("**The Group**" or "**Peet**") today announced its results for the half year ended 31 December 2019 ("**1H20**").

Summary Financials[1]

- **Operating profit[2] and statutory profit[3] after tax of $5.1 million, down 78%**
- **Earnings per share of 1.05 cents, down 78%**
- **1,012 lots[4] sold, up 5% on 1H19 and 52% on 2H19**
- **773 lots[4] settled, down 45%**
- **1,496 contracts on hand[4] as at 31 December 2019, up 19% since 30 June 2019**
- **Gearing[5] of 28.1%**
- **Fully franked interim dividend of 0.5 cents per share**

The Peet Group achieved an operating profit[2] and statutory profit[3] of $5.1 million for the half-year ended 31 December 2019, a decrease of 78% on the previous corresponding period. This was primarily driven by reduced settlements during the period, which was in line with expectations due to lower contracts on hand as at 30 June 2019.

The performance has resulted in earnings per share of 1.05 cents, representing a decrease of 78% compared with the previous corresponding period.

Peet Managing Director and Chief Executive Officer, Brendan Gore commented: "While there are signs of recovery in residential housing demand, it will take time to reflect in our financial results. As previously announced to the market, the Group's lower contracts on hand[4] as at 30 June 2019 were forecast to impact FY20 lot settlements, resulting in a significant FY20 earnings weighting towards the second half.

"While settlements for 1H20 were lower than the previous corresponding period, lot sales were up 5% over the same period, increasing from 964 to 1,012," said Mr Gore.

1 Comparative period is half year ended 31 December 2018 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 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 equivalent lots.

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

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Operational highlights

The Group achieved sales of 1,012 lots[6] (up 5% on the corresponding period) and settlements of 773 lots[6] (down 45%) during 1H20. Pleasingly, the number of lots[6] sold during 1H20 was 52% higher than in the second half of FY19.

"The uplift in sales follows a period of increasing enquiries and improvement in conversions, generally being driven by improved market conditions across the Group's east coast markets and early signs that access to credit is improving for owner occupiers and investors. The WA market remains challenging, however we are seeing early signs of modest sales volume growth, albeit off a low base, as we move into the second half of FY20," said Mr Gore.

At 31 December 2019, there were 1,496 contracts on hand[6], with a gross value of $390.2 million, compared with 1,257 contracts on hand[6] as at 30 June 2019, with a gross value of $335.5 million. The 19% increase in the number of contracts on hand[6], and 16% increase in value, provides some positive momentum as the Group moves into the second half of the year.

Capital management

The Group continues to apply a prudent focus on capital management and as at 31 December 2019, the Group's gearing[7] was 28.1%, compared to 24.6% at 30 June 2019. Gearing[7] remains within the Group's target range of 20% to 30% and is expected to trend lower during 1H21.

At the end of the period, the Group had net interest-bearing debt (including Peet Bonds) of $246.7 million, compared with $211.6 million at 30 June 2019. Approximately 92% of the Group's interest-bearing debt was hedged as at 31 December 2019, compared with 91% at 30 June 2019.

"The first half of the year saw significant investment in the creation of medium density product in the improving Victoria and Queensland markets, which is expected to continue in the second half of FY20. Substantial settlements and the recycling of capital from medium density projects are expected to commence in FY21," said Mr Gore.

Peet enters 2H20 with cash and debt facility headroom of approximately $126.2 million as at 31 December 2019 and a weighted average debt maturity of two and half years.

"The Group continues to take a cautious view into 2H20 and continues to apply a disciplined and conservative approach to the deployment of capital. The Group has the capacity to accelerate delivery of product into improving markets," said Mr Gore.

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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Dividends

Subsequent to 31 December 2019, the Directors have declared an interim dividend of 0.5 cents per share, fully franked, in respect of the year ending 30 June 2020. This dividend is in line with Peet's dividend pay-out policy of 50% and compares to a 2 cents per share, fully franked, interim dividend for the year ended 30 June 2019. The dividend is to be paid on Thursday, 9 April 2020, with a record date of Friday, 20 March 2020.

Group strategy

The Group continues to deliver against its strategy and is well positioned for positive medium to long term growth and value creation.

The Group will continue to focus on:

- investing in high quality land in strategic locations across Australia;
- enhancing, planning and creating communities and homes targeting the low to middle market segment;
- expanding product offerings and geographic presence to appeal to a wider variety of customers; and
- maintaining strong capital management.

Outlook

While broader market fundamentals such as continuing low interest rates, east-coast population growth, low unemployment and high investment in infrastructure by Government are positive factors, market conditions remain varied across the country. The east coast is generally improving while the west coast remains challenging, although we are seeing signs of stabilisation. Restrictive lending conditions are easing, however, consumer confidence remains low and wages growth remains modest.

"Notwithstanding the early indications of a market recovery, we continue to expect FY20 earnings to be down on FY19. However, our pipeline of projects and the underlying fundamentals of the residential property sector means that Peet is well positioned to respond to increasing demand as market conditions improve and lending conditions continue to normalise," said Mr Gore.

Dom Scafetta
Group Company Secretary

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