



# Goldman Sachs Emerging Companies Conference

May 2012

**PEET**  
*Success through experience*

# Key messages

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## GROUP PERFORMANCE UPDATE

- » Expect FY12 operating profit to be at upper end of guidance of \$15-20 million
  - » Contracts on hand of 1,028 lots for \$267M as at 30 April 2012
  - » FY12 settlement risks largely mitigated
- » Since the release of Peet's 1H12 results, trading conditions continue to prove challenging:
  - » Market conditions remained mixed although WA has improved since December 2011
  - » Consumers remain cautious due to employment concerns and conflicting interest rate signals
  - » Sentiment remains fragile, challenged by domestic and global economic uncertainty – this is expected to flow into 1H13
  - » Recent RBA interest rate cuts helpful, although too early to see any improvement in confidence
  - » Banks appear more cautious in residential mortgage lending
- » Key focus for Peet in short-term is reduction of debt
  - » Non-core asset sales progressing in an orderly process

## Key messages *(continued)*

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### **BUSINESS REPOSITIONING**

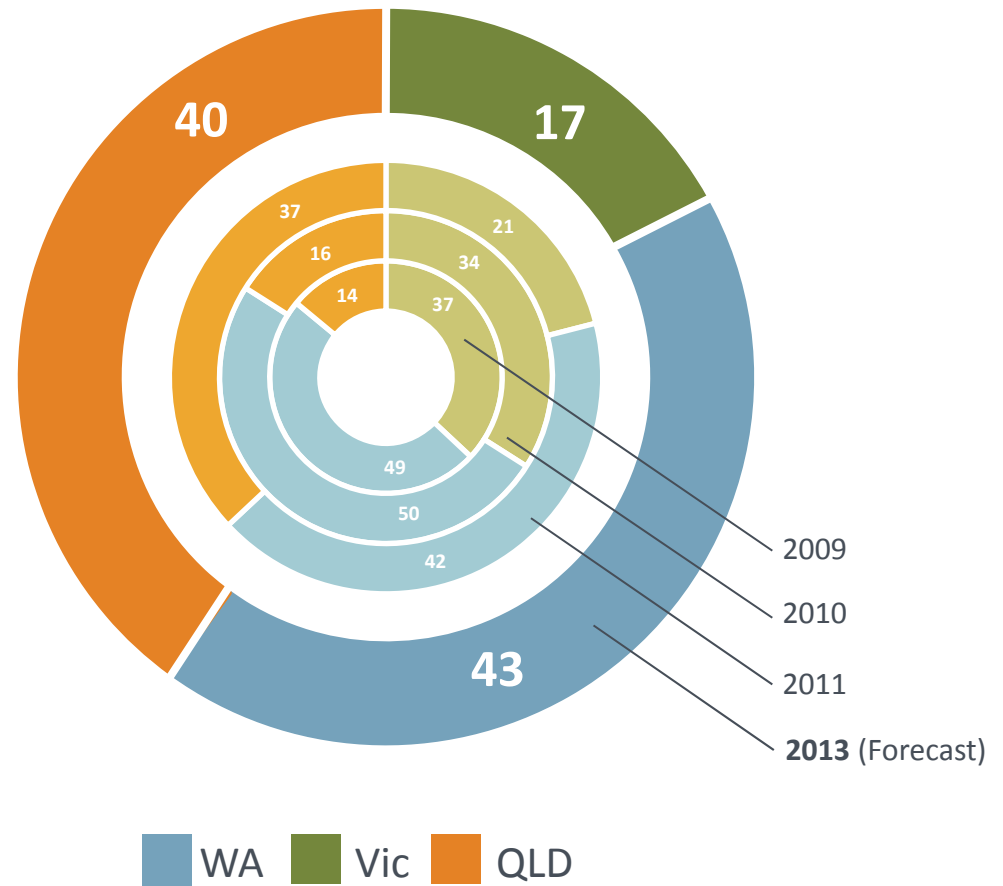
- » Countercyclical repositioning of land bank to longer term growth states of WA and QLD
- » Growth in land bank driven through Funds Management<sup>1</sup>, now representing approximately 70% of land bank by GDV and lots
- » Continued growth of wholesale platform
  - » Significant partners who are invested across four funds
  - » Funds Management to continue to provide a recurrent earnings stream
  - » Further expansion of wholesale platform targeted
  - » Retail syndicate product identified. Continue to monitor interest from retail investor base which will determine timing of new retail syndicate launch.
- » Re-weighting to larger scale projects
- » Inventory is strategically positioned geographically and at price points to achieve volume from improving markets

Notes:

<sup>1</sup> Including joint ventures

# Land bank by geography (%)

- » Countercyclical repositioning of land bank to longer term growth states of WA and QLD
- » Significant re-weighting to improving markets over the past three years



# Group Business model

Target EBIT Composition		Target EBIT Margin	Land Bank Diversification by Geography (%)	Land Bank	Capital Employed <sup>1</sup>	Sources of Revenue																
40% – 50% EBIT	<b>Development</b>	25% -35%	<table border="1"> <caption>Land Bank Diversification by Geography (%) - Development</caption> <thead> <tr> <th>Geography</th> <th>FY10</th> <th>FY11</th> <th>1H12</th> </tr> </thead> <tbody> <tr> <td>WA</td> <td>32</td> <td>34</td> <td>35</td> </tr> <tr> <td>Vic</td> <td>44</td> <td>47</td> <td>43</td> </tr> <tr> <td>Qld</td> <td>22</td> <td>21</td> <td>22</td> </tr> </tbody> </table>	Geography	FY10	FY11	1H12	WA	32	34	35	Vic	44	47	43	Qld	22	21	22	Lots: 14,370 GDV (\$bn): 2.7 # Projects: 32	\$503m	» Development profit
Geography	FY10	FY11	1H12																			
WA	32	34	35																			
Vic	44	47	43																			
Qld	22	21	22																			
50% – 60% EBIT	<b>FM<sup>2</sup></b> Retail Wholesale	65% -75%	<table border="1"> <caption>Land Bank Diversification by Geography (%) - FM2</caption> <thead> <tr> <th>Geography</th> <th>FY10</th> <th>FY11</th> <th>1H12</th> </tr> </thead> <tbody> <tr> <td>WA</td> <td>61</td> <td>45</td> <td>45</td> </tr> <tr> <td>Vic</td> <td>10</td> <td>11</td> <td>26</td> </tr> <tr> <td>Qld</td> <td>45</td> <td>44</td> <td>13</td> </tr> </tbody> </table>	Geography	FY10	FY11	1H12	WA	61	45	45	Vic	10	11	26	Qld	45	44	13	Lots: 16,300 GDV (\$bn): 3.2 # Projects: 29	\$214m	» Underwriting and capital raising fees » Project management fees » Performance fees » Profit shares
Geography	FY10	FY11	1H12																			
WA	61	45	45																			
Vic	10	11	26																			
Qld	45	44	13																			
			Lots: 18,169 GDV (\$bn): 3.0 # Projects: 5																			
				Lots: 48,839 GDV (\$bn): 8.9 # Projects: 66																		

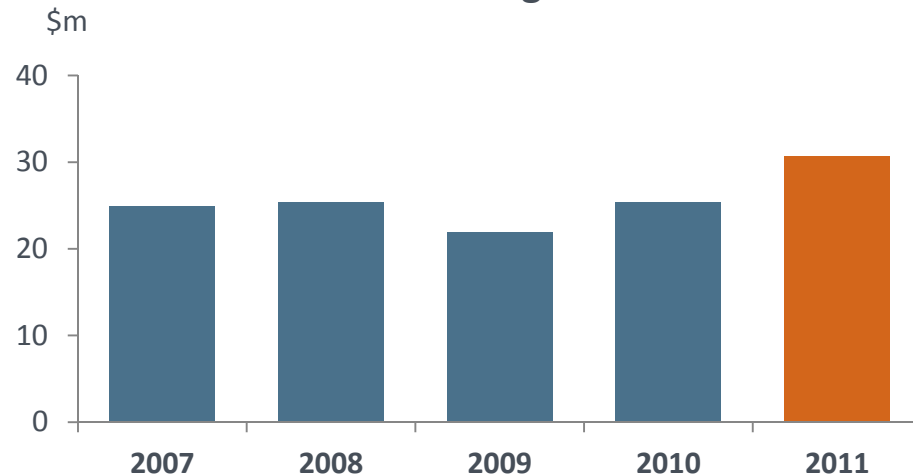
Notes:

- Balance sheet assets at cost as at 31 December 2011
- Includes joint ventures

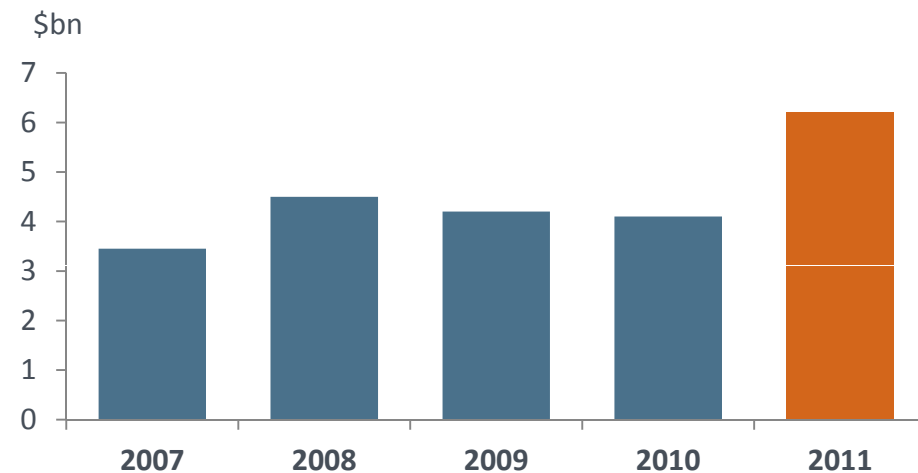
# Significant expansion of funds management business

- » Recurrent earnings base
- » Delivered on strategy identified three years ago of growing a wholesale funds platform
- » Have partnered with significant wholesale investors who are invested across four funds
- » GDV of wholesale now \$3bn<sup>1</sup>, representing 48% of funds management GDV
- » Secures significant future earnings

### Historical Funds Management EBITDA



### Historical Funds Management GDV



Notes:

1 In today's dollars. Assumes 100% of lots in each syndicate / joint venture

# Residential market overview

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## Peet has product with geographic balance and positioned at price points to achieve volume from improving markets

- » The affordable to mid-market segment is maintaining price stability, whilst the higher end of the market has seen a decline
- » Rents are increasing and interest rates are trending down
- » More positive indicators in the medium to long-term - household savings high, dwelling approvals below long-term average, population growth, shortage of skilled labour, wages growth and low unemployment

### VIC

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- Weighting*
- 20%**
- » High-performing market in recent years
  - » Market softened materially during 1H12
  - » Prices and volumes moderating
  - » Longer-term fundamentals remain sound

### WA

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- Weighting*
- 42%**
- » Residential market soft in 1H12– slowdown in dwelling starts and falling home prices
  - » Positive economic fundamentals including population growth
  - » Strong mining and engineering sectors boosting the labour market and income growth
  - » Most key market indicators point to the “bottoming” of the market and the start of a recovery
  - » March quarter sales strong across the market
  - » Residential rental vacancy rate < 1.6%

### QLD

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- Weighting*
- 38%**
- » Poor performing market in FY11 – suffering the impact of natural disasters and flow-on effects
  - » Strong resource sector with good longer-term fundamentals
  - » Enquiry levels subdued but steady

Notes:  
State weighted by land bank by lots equivalent



# Key projects underpinning outlook for FY13 and beyond

## Greenvale Lakes



**Lots remaining: 3,588**

- » Located in the strong Hume growth corridor
- » Historical acquisitions – low underlying cost base

## Aston Craigieburn



**GDV: \$715m**

- » Range of product types and price points having broad market appeal



Views from Greenvale Lakes

# Key projects underpinning outlook for FY13 and beyond

Lots remaining: 13,270

GDV: \$1,924m



- » Fast-tracked planning under ULDA
- » Government assistance with start-up infrastructure funding
- » Opportunity to drive long-term value from a large, integrated master-planned community
- » Owned in 50/50 JV with MTAA Super

# Key projects underpinning outlook for FY13 and beyond

## Funds Management

Shorehaven at Alkimos, WA 



**Lots remaining: 2,924**      **GDV: \$786m**

- » Located in the City of Wanneroo, in the north western coastal growth corridor of Perth
- » Strong project commencement. Compelling overall project vision – 256 lots settled with a further 118 under contract
- » Coastal stages and village centre detailed design and negotiations with builder/bulk purchaser partners being progressed now to deliver the coastal vision

Yanchep Golf Estate, WA 



**Lots remaining: 1,477**      **GDV: \$345m**

- » Attractive location in the north western coastal growth corridor of Perth
- » Bordering the Yanchep Country Club
- » Pre-release sales have commenced

Riverbank Caboolture, QLD 

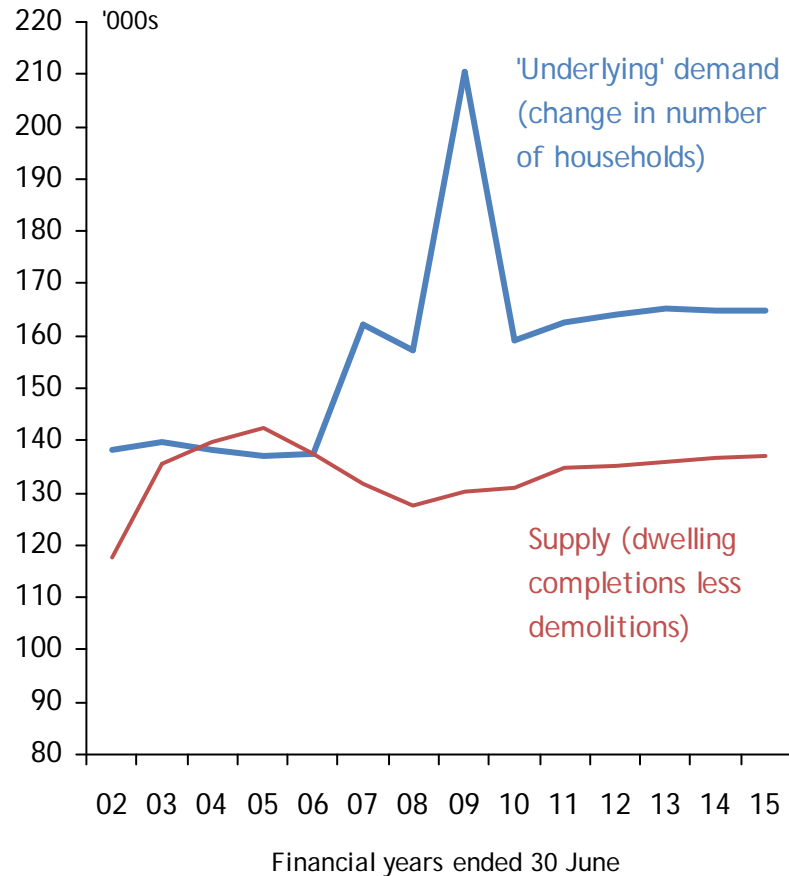


**Lots remaining: 1,320**      **GDV: \$189m**

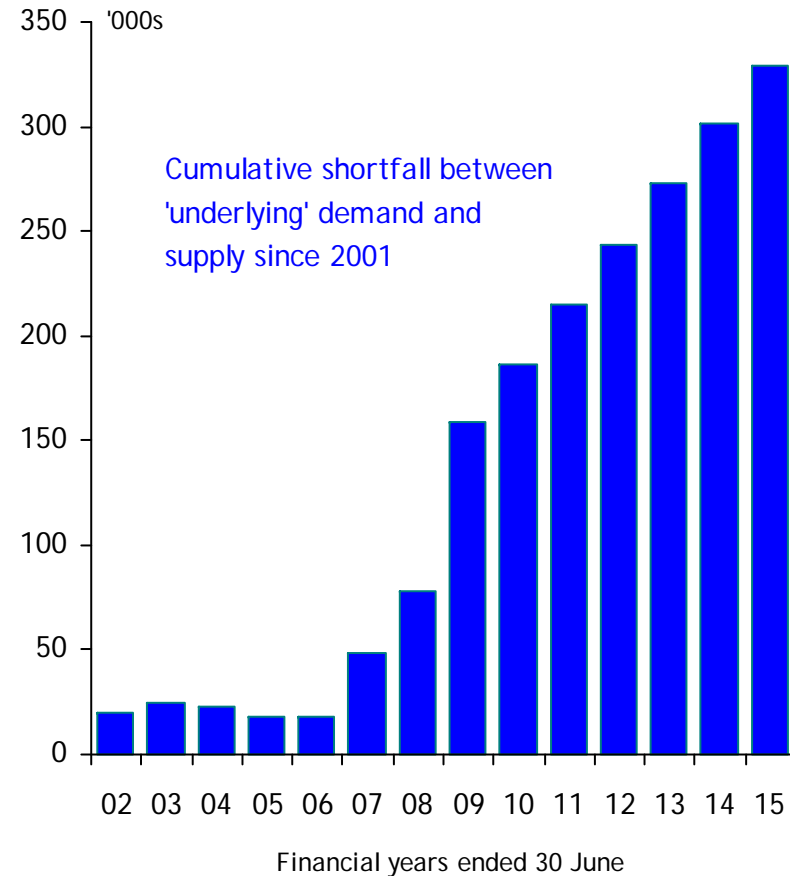
- » Unique project location, adjacent to the existing town centre and bordering the Caboolture river with extensive parklands
- » Affordable housing corridor, with the project assisted by the Federal Government's Housing Affordability Fund
- » Access bridge to be completed in 2H FY12, with buyer access and retail sales commencing in FY13

# Australia has a large and growing shortage of housing

**'Underlying' demand for and supply of housing**



**Housing shortage**



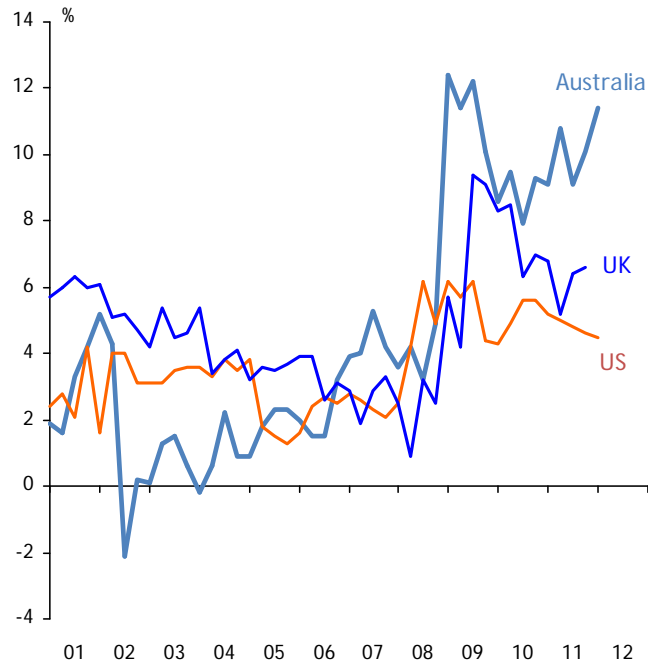
Note: Housing supply estimates also allow for unoccupied dwellings with 'usual resident absent' (ie holiday homes etc.)

Source: National Housing Supply Council *State of Supply Report* (December 2011).

# Excess mortgage repayments

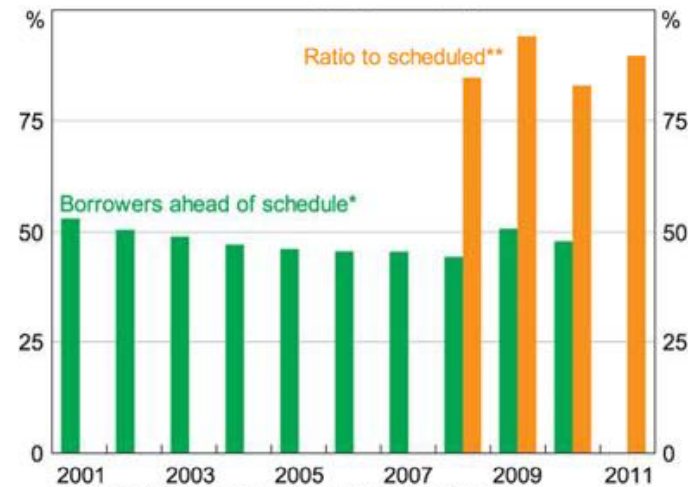
- » Households are saving more by choosing to pay down debt faster than required
- » Borrowers continue to make substantial excess principal repayments
- » Average excess repayment is currently equivalent to around three-quarters of the selected total repayment
- » These excess repayments generally build up 'buffers' that can be drawn down in the future if required
  - » Available equity can be used to upgrade

### Household Saving ratio



Source: RBA; US Federal Reserve & BEA; UK Office of National Statistics; Merrill Lynch Global Research.

### Excess Mortgage Repayments

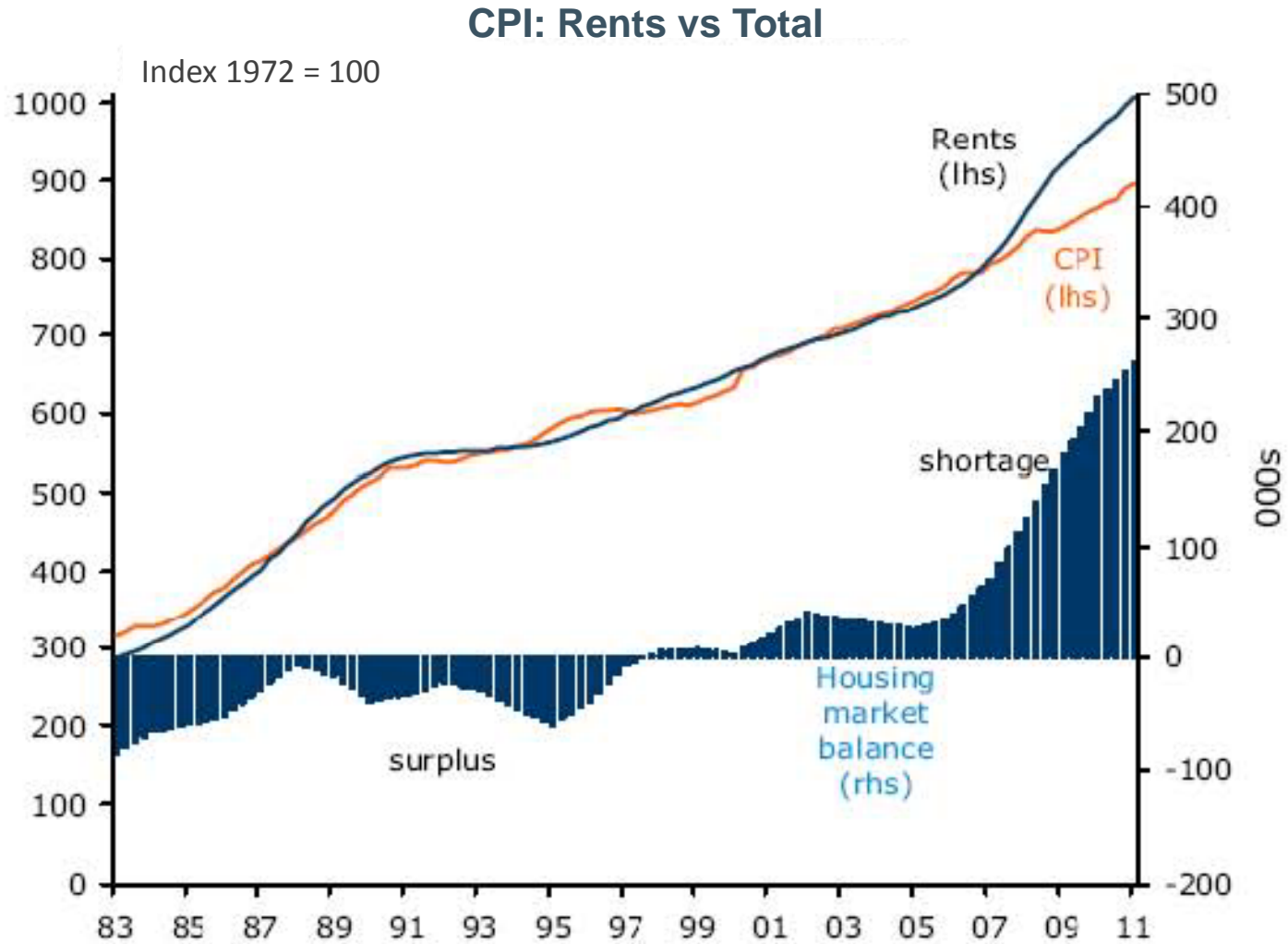


\* Per cent of owner-occupier households with mortgages

\*\* Per cent of scheduled (principal plus interest) repayments; excludes repayments due to sales and refinancing

Sources: APRA; HILDA Release 10.0

# Housing shortage to push rents higher



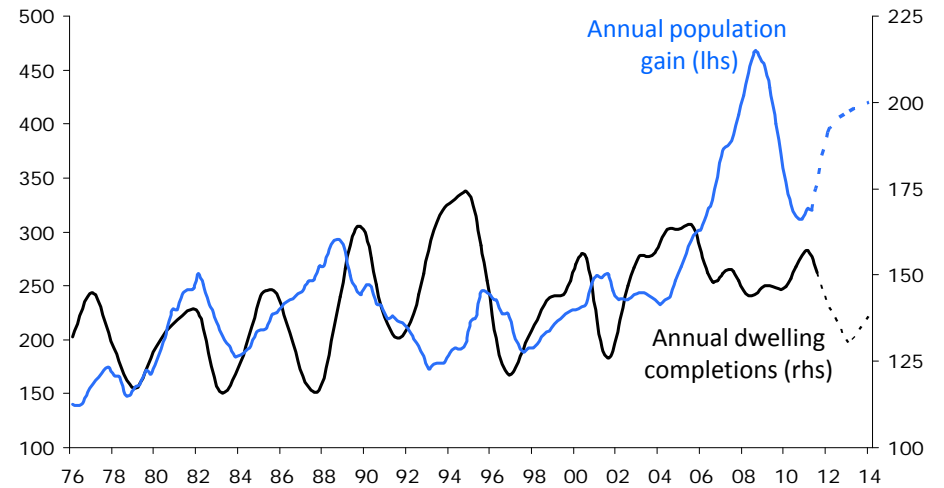
Source: ABS, ANZ

# Current downturn not structural – undersupply growing

## Rebound in net overseas migration will underpin housing demand



## Population growth vs. dwelling completions

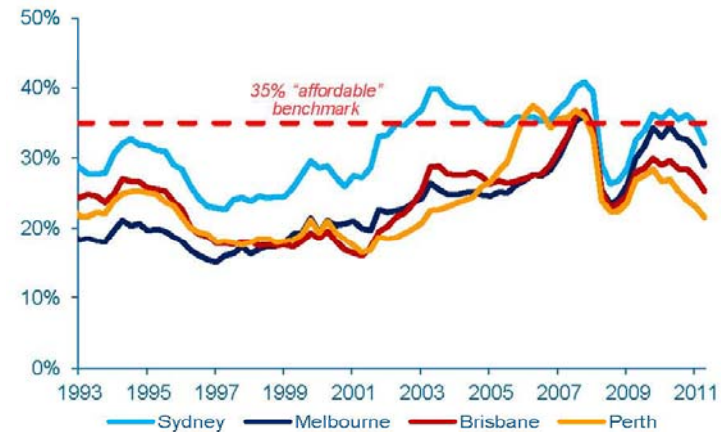


Source: ABS, ANZ

# Affordability continues to improve

- » Incomes growing faster than housing prices
- » Resource states most affordable
- » Renters are tired of renting – they want to own their own home
- » Cost differential between renting and owning has narrowed
- » Peet affordable product is attractive to this customer segment

### Mortgage repayments as % of household income



Source: ABS, RBA, REIA

# Outlook

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## **CY12 to remain challenging with signs that the residential market is approaching the bottom of the cycle**

- » Improved cash flow expected over next 18 months which will significantly reduce gearing
  - » Recommencing key projects which will increase revenue, significant capex already spent
  - » No incremental balance sheet capital commitments – Peet’s existing land bank is well diversified and will support profitability in the medium-term
  - » Sale of non-core assets and super lots will be used to reduce debt over next 18 months
- » Diversified pipeline ensures Peet is well placed for steady improvements in the residential property market
- » Funds Management division continues to support profitability in a difficult operating environment

thank you



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