

Sunland Group

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22 August 2018

The Manager
Company Announcements
Australian Securities Exchange

Dear Sir/Madam,

SUNLAND GROUP ANNOUNCES FULL YEAR PROFIT OF \$31.3 MILLION AFTER TAX

Sunland Group ('Sunland' or 'Group') today announced an after tax profit of \$31.3 million for the full year ended 30 June 2018, exceeding the Group's guidance of \$27 million to \$30 million (2017: \$35.3 million profit).

Operational highlights are as follows:

- Net tangible assets per share increased to \$2.50 (2017: \$2.39) representing growth of 5%.
- The Group declared a fully franked final dividend of 6 cents per share, bringing the full year dividend payment to 11 cents per share, representing a payout ratio of 52%. This is in addition to the 2 cents per share special dividend paid in September 2017.
- Strong balance sheet capacity, with \$10.6 million in cash and \$156 million in undrawn working capital lines.
- Overall gearing has reduced, with 29% debt to assets and 48% debt to equity.
- \$32 million in new site acquisitions in Brisbane (\$19 million) and a medium-density, residential development in Victoria (\$13 million) scheduled to settle in late 2018.
- Earnings per share (based on issued shares at 30 June 2018) of 20.9 cents (2017: 23.1 cents).
- Strong forecast cash flow generated from existing projects.

Operational highlights

Sunland launched four new residential projects during the 2018 financial year including Magnoli Apartments, 272 Hedges Avenue, and Arbour Residences on the Gold Coast, and The Hills Residences in Brisbane. The Group also released new land stages within its master planned community at The Heights in Pimpama on the northern Gold Coast.

As at 30 June 2018, Sunland had 14 active projects along Australia's east coast and a \$3.6 billion portfolio comprising 4,977 residential homes, urban land lots, multi-storey apartments, and 27,000 sqm of retail.

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Sunland Group Managing Director, Sahba Abedian, said the Group achieved revenue from property sales of \$290.4 million (2017: \$394.3 million) during the period, generated from 425 settlements (2017: 674 settlements).

“Our Queensland projects contributed significant revenue to the full year result, including The Lakes Residences, Magnoli Residences, and The Terraces, and will continue to do so in the year ahead as our medium-rise apartment development, Marina Concourse, approaches completion,” Mr Abedian said.

“Delivery continues at 18 Macpherson Street in Warriewood (Sydney) and The Gardens in Chirnside Park (Melbourne), which are both sold out and scheduled for completion in the 2019 financial year.”

Market conditions impacted sales volume during the period, with 304 sales completed to the value of \$170.0 million (2017: 524 sales to the value \$376.4 million). Contracted presales for projects that have been released across the development portfolio total 381 as at 30 June 2018, with a combined value of \$314.3 million.

The portfolio achieved an average return of 24%, exceeding Sunland’s target development margin of 20%.

Site Acquisitions

Strategic site acquisitions in Brisbane (Chapel Hill and Kenmore), and an unconditional contract on a premium development site in Carrum Downs, 36km south-east of Melbourne, totalled \$32 million and added 309 allotments to the portfolio with an estimated end value of \$195 million.

Capital Management & Dividend

Mr Abedian said Sunland’s capital management strategy has consistently enhanced the Group’s earnings per share and contributed to Net Tangible Asset per share growth

“Over the course of the past nine years, the Group has undertaken a series of share buyback programs that have reduced the consolidated shares on issue by 54%,” he said.

“The shares have been purchased at an average price of \$0.95, which has contributed to the Group’s increase in earnings per share and net asset value per share, delivering significant long-term benefit and value to our shareholders.”

Directors declared a total of 11 cents per share fully franked for the period, comprising an interim payment of 5 cents per share (paid 21 March 2018) and a final dividend of 6 cents per share, to be paid 21 September 2018. This is in addition to the special dividend of 2 cents per share paid in September 2017, which reflected the contribution from settlements at Abian in July and August.

Future outlook

Mr Abedian said the 2019 financial year will present both challenges and opportunities, as evidenced by the emerging headwinds within Australia’s property market.

“Following a nine-year period of expansion, the Australian property market has entered an inevitable phase of consolidation and adjustment,” he said.

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“This is the natural consequence of the cyclical nature of our industry and evidenced by a reduction in the volume of property sales, a reduction in foreign investment, a tightening of the lending environment, and softening economic conditions.

“Accordingly, Sunland Group’s strategy is focused on establishing the Company for the next phase of the cycle through strategic, counter-cyclical portfolio replenishment and the conservative management of our balance sheet.”

Mr Abedian said Sunland’s portfolio is strategically weighted to the owner-occupier market, with a focus on downsizers, first home buyers, and subsequent home buyers, where there exists stable demand.

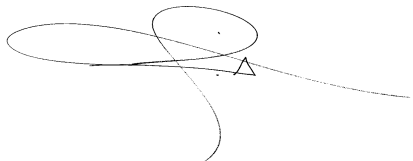
“In the 2019 financial year Sunland Group will continue to actively monitor the market for new opportunities to increase our development pipeline in strong performing markets that continue to offer value for off-market, infill acquisitions,” he said.

“The Group’s mid-rise portfolio will also continue to expand as part of an integrated housing strategy that enables us to mitigate risk through staged delivery.”

Mr Abedian said Sunland’s Board of Directors is cognisant of the need to maintain a conservative balance sheet and will evaluate all future project releases in line with this approach.

“Our capital management initiatives, strong balance sheet, and access to capital continues to provide a stable platform from which to maintain profitability and deliver sustainable shareholder returns,” he said.

The Group expects to provide profit guidance at the Annual General Meeting of shareholders, which will be held at Royal Pines Resort in Benowa on Friday 2nd November 2018.

A handwritten signature in black ink, appearing to read 'Sahba Abedian', with a stylized flourish extending to the right.

Sahba Abedian
Managing Director

Media contact: Sarah Dixon, National Communications Manager, 0418 748 892.