

Sunland Group

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20 February 2019

The Manager

Company Announcements

Australian Securities Exchange

SUNLAND GROUP ANNOUNCES FY19 HALF YEAR RESULTS

- Statutory Net profit after tax of \$11.5M following a net realisation value (NRV) adjustment of the Group's Bayside project in Townsville totalling \$9.0M after tax
- An underlying result of \$20.5M was achieved before the NRV adjustment
- Fully franked interim dividend of 4 cents per share (1H 2018: 5 cents)
- Basic earnings per share 7.7 cents (1H 2018: 13.6 cents)
- Net tangible assets per share increased to \$2.48 (2018: \$2.47)
- \$13M strategic site acquisition in Carrum Downs, Victoria
- Strong balance sheet capacity with \$33.6M in cash and \$192.9M in undrawn working capital lines
- Gearing has reduced, with 22% debt to assets and 32% debt to equity
- Strong forecast cash flow generated from existing projects
- Given the NRV adjustment, Sunland will not achieve its full year FY19 guidance previously stated.

Property developer Sunland Group ('Sunland' or 'Group') has announced a result of \$11.5 million after tax, with an underlying result of \$20.5 million after tax, for the half year ended 31 December 2018. The result includes a \$9 million NRV adjustment following a strategic review of the Group's Bayside project in Townsville.

Mr Abedian said Australia's property market continues to experience softening market conditions, with a significant reduction in foreign purchasers and local investors impacting sales volume.

"This change in the market reflects several factors, including prudential regulation and tightening bank lending criteria, reduced ability for transfer of foreign capital into Australia, state taxes on foreign investors, and pricing of investor lending," he said.

Mr Abedian said the underlying operational performance is attributable to settlements across Sunland's residential developments in South-East Queensland and Sydney. The Group's multi-storey segment also contributed to the result from settlements at Marina Concourse on the Gold Coast.

"Sunland is focused on delivering a consistent underlying performance during a challenging phase of the market cycle," he said. "This includes a strategic approach to geographic and portfolio diversification for the Group."

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“We remain in a mode of focused delivery as we enter the second half of the 2019 financial year, with 10 residential housing and multi-storey developments at various phases of the construction cycle.”

Operational Highlights

Sunland generated revenue of \$203.7 million from 270 property settlements during the period (1H 2018: \$244.2 million from 336 settlements).

Major contributors to revenue include residential housing settlements at Shea Residences, The Lakes Residences, The Heights, and Arbour Residences (QLD); 18 Macpherson Street (NSW); and The Gardens (VIC). Sunland’s multi-storey segment generated revenue from settlements at Marina Concourse (QLD).

The launch of 272 Hedges Avenue and Magnoli Apartments contributed to sales activity during the period, in addition to continued sales at Marina Concourse, Arbour Residences, and The Heights.

“Sunland has responded to the changes in demand and buyer demographic by placing a higher emphasis on designing for the owner-occupier market,” Mr Abedian said.

The Group’s projects in Sydney and Melbourne are presold and delivery continues at 18 Macpherson Street in Warriewood (NSW) and The Gardens in Chirnside Park (VIC).

Contracted presales for projects released across the development portfolio total 211 lots as at 31 December 2018 with a combined value of \$214.3 million.

Sunland plans to launch two new projects during the second half of FY19 including The Lanes Residences on the Gold Coast, and Hyde Residences in Brisbane, in addition to new stage releases at Arbour Residences and The Heights on the northern Gold Coast.

The Group continued to replenish its development portfolio during the period with a strategic site acquisition in Carrum Downs, 36 kilometres south-east of the Melbourne CBD, for \$13 million.

Sunland’s portfolio comprises approximately 4,421 residential housing, urban development, and multi-storey products, with an emerging retail/commercial portfolio, providing a total portfolio value \$3.2 billion.

Capital Management & Dividend

Directors have declared an interim dividend of 4 cents per share fully franked, to be paid 21 March 2019 (1H 2018: interim dividend of 5 cents per share).

Sunland’s capital management strategy remains focused on enhancing operational efficiencies across the business and reducing risk through product and geographic diversification. The Group continued to reduce its gearing during 1H19 and its debt structures remain aligned to suit the capital requirements of Sunland’s residential housing and multi-storey portfolio.

Future Outlook

Mr Abedian said Sunland is focused on establishing the Group for the next phase of the cycle and strategically positioning the company for the next growth period.

“This includes a conservative approach to the delivery of our portfolio in line with market conditions and identifying opportunities for counter-cyclical portfolio replenishment,” he said.

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“We are 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.”

Yours faithfully,

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal line and a small triangle at the end.

Sahba Abedian
Managing Director

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