

Sunland Group

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21 August 2019

The Manager
Company Announcements
Australian Securities Exchange

Dear Sir/Madam,

SUNLAND GROUP ANNOUNCES FULL YEAR PROFIT OF \$17.7 MILLION AFTER TAX

Sunland Group ('Sunland' or 'Group') today announced a profit of \$17.7 million after tax for the full year ended 30 June 2019 (2018: \$34.7 million). The result includes the \$9.0 million after tax net realisable value (NRV) adjustment made earlier in the year following a strategic review of the Group's Bayside project in Townsville.

FY19 operational highlights are as follows:

- Net tangible assets per share increased to \$2.56 (2018: \$2.47) representing growth of 4%.
- Increased balance sheet capacity, with \$19.8 million in cash and \$185.4 million in undrawn working capital lines.
- Overall gearing has reduced to 24% debt to assets and 36% debt to equity (2018: 29% and 48% respectively).
- The Group declared a fully franked final dividend of 4 cents per share, bringing the full year dividend payment to 8 cents per share, representing a payout ratio of 62%.
- \$13 million site acquisition in Carrum Downs (VIC) and an additional \$6.8 million committed to a site in Maraylya (NSW).
- Earnings per share (based on issued shares at 30 June 2019) of 13 cents (2018: 23 cents).
- Strong forecast cash flow generated from existing projects.

Managing Director, Sahba Abedian, said the underlying result of \$26.7 million (prior to the NRV adjustment) represented a sound earnings profile in a softening property market.

"The headwinds in Australia's residential market have had a significant influence on the slowing rate and volume of sales across the property sector during the past financial year," Mr Abedian said.

"While these are being offset by the introduction of structural reform in the finance sector and historic low rates, it is unlikely that market conditions will improve significantly in the short-term.

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“Accordingly, Sunland Group is focused on strategically positioning the company for the next phase of the cycle through a conservative approach to project delivery and identifying opportunities for replenishment.”

Mr Abedian said Sunland’s 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 remains focused on delivering a consistent performance during a prolonged and challenging phase of the market cycle, which is being achieved through geographic and portfolio diversification,” he said.

Operational highlights

Sunland launched two housing projects during the 2019 financial year including Kirkdale Residences in Chapel Hill in Brisbane’s inner-west and a land release at The Terraces in Peregrine Springs on the Sunshine Coast.

As at 30 June 2019, the Group had 13 active projects along Australia’s east coast and a \$3 billion portfolio comprising 4,292 residential homes, urban land lots, multi-storey apartments, and an emerging retail and commercial portfolio.

This includes the luxury 44-storey 272 Hedges Avenue high-rise in Mermaid Beach and the boutique Magnoli Apartments mid-rise apartment development in Palm Beach on the Southern Gold Coast.

Mr Abedian said Sunland achieved revenue from property sales of \$277.6 million (2018: \$321.6 million) during the period, generated from 382 settlements (2018: 487 settlements).

“Our Queensland projects contributed significant revenue to the full year result, including The Lakes Residences, Shea Residences and Marina Concourse, and will continue to do so in the year ahead as other projects approach completion,” Mr Abedian said.

18 Macpherson Street in Warriewood (Sydney) and The Gardens in Chirnside Park (Melbourne) also contributed to revenue during this period.

Contracted presales for projects that have been released across the development portfolio total 178 as at 30 June 2019, with a combined value of \$192.4 million. The portfolio achieved an average return on costs of 25% (excluding the NRV adjustment), exceeding Sunland’s target development margin of 20%.

Post balance date, Sunland settled the sale of its Lakeview Retail Centre in Mermaid Waters (Gold Coast) for \$20 million, with the \$6.4 million profit after tax contributing to the 2020 financial year. The Group also settled the sale of a greenfield site in Ingleside (Sydney), also contributing a profit of \$4.9 million after tax during 2020 financial year.

Site Acquisitions

Strategic site acquisitions in Victoria (Carrum Downs), and an unconditional contract (post balance date) for a development site in Maraylya, north-west of Sydney, totalled \$19.8 million and added 202 allotments to the portfolio with an estimated end value of \$113.3 million.

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Capital Management & Dividend

Over the past decade Sunland has undertaken a series of share buyback programs which have reduced the consolidated shares on issue by 58%. During FY19 the Group acquired 11.1 million shares for a total value of \$17.7 million, increasing the net tangible asset value per share to \$2.56 (2018: \$2.47).

Directors declared total dividends of 8 cents per share fully franked for the period, comprising an interim payment of 4 cents per share (paid 20 February 2019) and a final dividend of 4 cents per share, to be paid 20 September 2019.

Future outlook

Mr Abedian said the 2020 financial year will present both challenges and opportunities, as evidenced by the softening conditions in the current phase of the property cycle.

“Sunland is focused on delivering a stable, consistent performance during a period of continued adjustment and consolidation in the market cycle,” he said.

“This includes a strategic approach to geographic and portfolio diversification and weighting our residential portfolio towards the owner-occupier segment in strong performing markets.

“The Group’s mid-rise apartment 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 directing every effort to maintaining a conservative balance sheet and will evaluate all future project releases in line with this strategy.

“Sunland’s 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.



Sahba Abedian
Managing Director

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