

Sunland Group

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27 February 2020

The Manager
Company Announcements
Australian Securities Exchange

SUNLAND GROUP ANNOUNCES FY20 HALF YEAR RESULTS

- Statutory net profit after tax of \$9.4 million (1H19 \$11.5 million).
- Earnings per share 7.0 cents (1H19: 7.7 cents)¹
- Net tangible assets per share increased to \$2.61 (2019: \$2.56)¹.
- Strategic sale of Lakeview and Ingleside properties generated \$36.3 million in revenue.
- Acquisitions included 'Maraylya', a residential housing development in Sydney for \$6.8 million.
- Strong balance sheet capacity with \$14.3 million in cash and \$145.5 million in undrawn working capital lines.
- On market share buyback concluded during the period which enabled the Group to acquire 4.1 million shares for gross consideration of \$6.5 million.
- The Group achieved a 40% development margin, exceeding the target of 20% return on costs.
- Gearing is 32% debt to assets and 52% debt to equity.
- Strong forecast cash flow generated from portfolio.
- Proposed off market buy-back of up to \$60 million.

Operational Highlights

During the half year period ended 31 December 2019 ("1H20") the Group was predominantly focused on the delivery of the existing portfolio; with settlements weighted towards the second half of the financial year.

Managing Director, Mr Sahba Abedian, said "that while the market conditions were subdued in the first quarter of the calendar year, we observed an uplift in market sentiment reflecting an increase in sales from owner occupiers in the fourth quarter of the calendar year".

The Group settled 84 lots (1H19: 270) during the period which generated \$55.9 million in revenue. The Residential Housing and Urban Development segment was the primary contributor, with The Heights and

¹ Based on consolidated issued shares at the end of the period

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Arbour Residences (QLD), 18 Macpherson Street (NSW) and The Gardens (VIC) delivering settlements during the period.

Settlements continued at Marina Concourse with the balance of inventory anticipated to settle over the ensuing 12 months. Additional residential apartments under construction include:

- 272 Hedges Avenue (high-rise)
- Magnoli Apartments (medium-rise) and
- The Lanes Residences (medium-rise)

The first stage of Magnoli Apartments is scheduled for completion by April 2020, with settlements commencing towards the end of the financial year. Mr Abedian said “The Group is mindful of the changing trends in consumer buying behaviour, noting that the increase in the owner occupier segment of the market. Magnoli Apartments at Palm Beach has been a strong example of this trend with an upsurge in local sales in the past 3 months alongside 272 Hedges Avenue at Mermaid Beach”.

Contracted presales for projects released across the development portfolio total 250 lots as at 31 December 2019 with a combined value of \$264.0 million (1H19 :211 lots value \$214 million)

The Group continued to replenish its development portfolio during the period with a strategic site acquisition of ‘Maraylya’ a residential development site in Sydney for a \$6.8 million. The Group disposed of two assets – Ingleside (NSW) and Lakeview Retail (QLD) in the reporting period generating revenue of \$36.3 million. Furthermore, in December 2019, Sunland announced an unconditional contract for the sale of the balance of the undeveloped urban development land at The Heights (Pimpama) for \$29.7 million (including GST). Settlement is scheduled for May 2020.

“Sunland is focused in delivering stable and consistent performance during a period of continued adjustment and consolidation in the market cycle” Mr Abedian said. The Group’s portfolio comprises approximately 3,853 residential housing, urban development, and multi-storey products, with an emerging retail/commercial investments, providing a total portfolio value \$2.8 billion.

Capital Management

Sunland Group announces its intention to undertake an off-market buy-back of up to 25% of the issued shares of Sunland. The price per share will be [fixed at] the greater of \$1.70, representing the volume weighted average price of the shares for the five days up to yesterday’s closing price; or 87% of the volume weighted average price of the shares for the five days from tomorrow, 28 February 2020 (having regard to regulatory requirements).

Directors note that despite the recent asset sales above book value, the inherent value in the business is not being recognised by the market with the share price persisting well below the value of Group net tangible assets. The Board believes that given the market’s discounting of Sunland shares, the current best use of the surplus funds generated by the sale of assets is that it should be returned to shareholders and the most efficient mechanism is through an off-market buy-back. The off-market buy-back is subject to and conditional upon necessary regulatory approvals together with necessary approval by shareholders at an extraordinary general meeting to be held in April 2020.

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

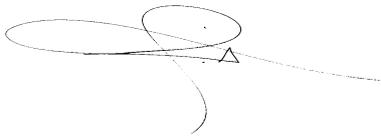
Future Outlook

Mr Abedian said, "Sunland is focused on establishing the Group for the next phase of the cycle and strategically positioning the company for the subsequent growth period, recognising that market sentiment remains polarised between demographic segments, with First Home Buyers still experiencing difficulty in accessing finance".

"We do, however, see niche opportunities for the down-sizer market seeking low maintenance luxury dwellings in key beachside and waterside locations with access to retail and lifestyle amenities and experiences".

Sunland recognises that the beginning of this new decade is presenting unique challenges for all industries, beyond normal parameters and as a consequence the Group will maintain a vigilant approach to all aspects of its business to mitigate risk, and exercise market opportunities as they are identified, with a strong focus on delivering a positive return to shareholders.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Sahba Abedian', with a small triangle symbol at the end of the signature.

Sahba Abedian
Managing Director