



ASX ANNOUNCEMENT



26 May 2021

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

In accordance with Listing Rule 3.13.3, attached is a copy of the address to shareholders to be delivered by Devine Chairman Mr David Robinson at the Company's Annual General Meeting (AGM) today.

A webcast of the AGM can be viewed via www.web.lumiagm.com/354809244

Sincerely,
Devine Group

Issued by Devine Limited ABN 51 010 769 365 www.devinegroup.com.au
Authorised by the Devine Limited Board

Contact

Mr James Mackay, Company Secretary, T +61 7 3608 6361



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Introduction

During the 2020 financial year, our company navigated the impacts of COVID and continued to progress our existing projects in the Communities land development business.

We adapted to a significantly changing environment which altered the way we operate. Through a range of measures, including the use of social distancing protocols, we continued work on our projects around the country, facilitating an increase in the delivery and settlement of residential allotments during the year.

We did this while managing the remaining legacy items from the constructions business.

As shareholders are aware, CIMIC announced yesterday its intention, through CIMIC Residential Investments Pty Limited, to make an off-market takeover offer to acquire all of the shares in Devine it does not already own at a price of 24 cents cash per Devine share. I will comment on this at the conclusion of my address.

Financial results and performance

Our 2020 financial results comprised:

- revenue from continuing operations of \$36.4 million;
- a loss before tax from continuing operations of \$4.5 million; and a
- total loss after tax of \$4.4 million.

At December 2020:

- our net assets were \$68.7 million
- our debt level was \$36.7 million, a decrease from \$36.9 million over the prior year.

The result was impacted by asset impairments of \$1.9 million on three of our Communities business projects:

- in Victoria: Newbridge in Wallan;
- and in Queensland: Mountview in Redbank Plains; and
- Waverley Parks in Willowvale.

We are continuing to pursue several contractual and insurance claims for the reimbursement of costs arising from legacy residential construction contracts which might result in commercial resolutions during this year or, if not, extended legal processes.

Assisting our financial stability, the land development business has continued to generate cash.

Operational re-sizing initiatives undertaken in prior years, and in 2020, continued to generate efficiencies and cost-savings.

In summary, our financial outlook remains in a stable position.

Our 2020 progress has assisted us to finalise legacy issues, preserve our position and maintain business liquidity.



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However, whilst the state and Federal government COVID stimulus packages had an overall positive impact in the new land market during 2020, the impact of further responses to the pandemic is yet to be seen.

In terms of current trading, our Q1 results were:

- Revenue from continuing operations of \$9m;
- a total loss [after] tax of \$1.7m;
- cash balances of \$1.5m; and
- Multi Option Facility utilised to \$41.3m including \$4.6m of bank guarantees. This is a \$55m facility and is guaranteed by the majority shareholder, CIMIC, which expires on 31 March 2022.

Operational review of 2020

From an operational perspective, our key metrics for 2020 were:

- 218 residential land sales, up from 186 in 2019; and
- 414 residential land settlements, up from 204 in 2019.

Highlights for the period included:

- The performance of our Victorian and South Australian operations, which continued to deliver a pipeline of contracted allotments sold during the prior year, while also maintaining their share of the residential market catchment.
- The issue and subsequent signing of a contract for the englobo sale of the majority of our Brookside development in Ipswich, Queensland.
- The progression of a number of contract and insurance claims relating to the construction business, resulting in the receipt of \$400,000.
- The successful implementation of a new group-wide Enterprise Resource Planning system to replace higher cost and near obsolete legacy systems.
- And we achieved cost savings from the surrender and sub-lease of over half of the Brisbane Head Office space until the end of the current lease in March 2021.
- We have subsequently moved into substantially reduced premises in both Queensland and South Australia.

Turning now to Devine Communities.

Development is ongoing at the Stonehill project at Bacchus Marsh in Victoria. During 2020, we had 82 new sales and 193 settled allotments, and we commenced construction on 46 lots. At the end of last year, the project had a pipeline of 80 contracted sales which are forecast to settle in this year. Approval was achieved for the next four stages of development that will enable delivery of 275 allotments over the coming two to three years.

We also progressed our joint venture land development project Newbridge, at Wallan in Victoria. A total of 162 residential lots settled during 2020. The penultimate stage (consisting of 62 lots) has commenced settling and the remaining 31 lots have been brought to market.



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The projects in South Australia (Mawson Green at Meadows and Orleana Waters at Evanston Gardens) achieved increased sales rates in line with equivalent markets in Adelaide with construction progressing on stages across both developments.

Land sales in the Queensland markets of Gladstone and Townsville also increased, resulting in the approval for construction of the next stage at RiverParks in Townsville.

We continue to investigate new development opportunities of appropriate scale, in market corridors with existing demand, to build our future development pipeline.

Funding

Turning now to our funding arrangements.

Our primary funding facility, provided by ANZ, expires on 31 March 2022. This facility allows Devine to fully focus on its core Communities land development business unit.

It is secured by a guarantee provided by Devine's majority shareholder, CIMIC Group Limited.

We have commenced the process with the guarantor and ANZ to seek an extension of the facility.

In addition we have reviewed, and subsequently reduced, the level of securities (being bank guarantees and insurance bonds) required to be provided as part of our usual business operations. This resulted in a reduction of \$2.7 million during 2020 to \$10.5 million as at the year's close.

Market conditions

Some comments on the current market conditions.

National building approval figures released in March showed that the Federal Government's Homebuilder Grant, coupled with the low interest rate environment has driven strong demand for new homes with detached building approvals reaching their highest level on record in February 2021. The three months to February; which includes the conclusion of the initial \$25,000 Homebuilder Grant in December 2020, saw detached house approvals up 50.7% on the same time a year prior.

Housing finance indicators also confirm confidence in the market despite uncertain employment conditions. Housing lending figures for January 2021 reflected similar growth, with total lending up 44.3% year on year; highlighted with lending for the construction of new dwellings up 141% over the year.

New homes sales – as reported by the Housing Industry Association – increased 42.6% over the year to March 2021. No doubt the Homebuilder Grant had brought forward demand for new homes, with the Housing Industry Association expecting that as a consequence, sales over the coming months are expected to cool.

Our residential markets across Australia have shown varied local conditions, reflecting their respective phases of the property market cycle:



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For the three months to February 2021 detached dwelling approvals in South Australia and Queensland have headlined the statistics – up 67.7% and 51% respectively when compared with the same time last year. Whereas Victoria achieved a 28.4% lift. Likewise home values in Adelaide and Brisbane at March 2021 were 8.6% and 6.8% higher over the year – compared to Melbourne at 0.7%. However Melbourne has now fully recovered from its earlier downturns – the most recent attributed to COVID-19 impacts.

Focus for 2021

This brings me to 2021 and our focus for the year ahead.

With operations established throughout Queensland, Victoria and South Australia the Group has been responsible for providing land, homes and apartments for more than 27,000 Australian families since listing on the Australian Securities Exchange in 1993.

As at the end of 2020, our residential development pipeline included the equivalent of a further 4,300 future allotments.

Our focus is to continue to progress our existing projects in the Communities land development business and position Devine for the purchase of new development sites where good value exists.

We will continue to monitor the market for commercial development opportunities for our various land holdings and will investigate new opportunities to rebuild our pipeline.

Active pursuit of commercial opportunities for the KSD2 site in the Brisbane suburb of Hamilton continues.

Resolving the contractual and insurance claims in the construction business continues to be a priority.

And we continue to monitor and respond to developments in the economy, the interest rate environment, the availability of credit and the impacts associated with COVID-19.

CIMIC Announcement

As shareholders are aware, CIMIC announced yesterday its intention, through CIMIC Residential Investments Pty Limited, to make an off-market takeover offer for all shares in Devine it does not own at a price of 24 cents cash per Devine share.

The announcement indicates that the proposed offer will be subject to a 90% minimum acceptance condition. The condition also requires in effect that CIMIC acquires 75% of the Devine shares that it makes takeover offers for.

No assessment has been made of the merits of CIMIC's proposed offer at this point. The proposed cash offer of 24 cents per Devine share is at a premium to the price at which Devine's shares have recently traded but at a discount to Devine's NTA, which was \$0.41c at Devine's most recent reporting date of 31 December 2020.



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The Board recognises the position of actual or potential conflict of directors and, for this reason, the Board:

- will document a protocol concerning how the proposed offer is to be responded to;
- has appointed PwC to prepare an independent expert's report on whether the offer is fair and reasonable; and
- has appointed legal and financial advisers to advise the Board in relation to the proposed offer.

The Board's response along with the independent expert's report will be included in the target's statement, which it is preparing. This is due approximately one month after the bidder's statement is served by CIMIC.

The Board advises shareholders to take no action at this point.

Conclusion

We remain committed to maximising the value of the business.

We would like to take this opportunity to thank our equity partners for their support and express our appreciation to our employees for their loyalty, diligence and focus.

Thank you.

ENDS