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Asset Manager
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asx release

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Chairman's address to 2014 Peet Limited Annual General Meeting

Introduction

Ladies and gentlemen. As we had expected at last year's AGM, the Australian property sector was more positive in the 2014 financial year than 2013 and it was a good year for Peet, especially in the second half when we experienced improvement in volumes and margins across a good number of our projects.

Rebalancing our Land Bank and Reducing Debt

With the acquisition of the CIC Australia Limited business and the recently announced new properties described later, we have changed the profile of our land bank to have more current and near-term projects. By raising equity to fund the acquisitions together with the sale of non-core land holdings we have reduced debt and given ourselves more capital management flexibility with the objective of targeting growth in earnings.

At last year's AGM I spoke of our growth strategy being delivered upon by the takeover of CIC and a new retail land syndicate.

Continuing that strategy, I can now confirm the acquisition of interests in six new residential development projects for the Company. Funding of our investment in them is by a $47 million equity raising with an additional Share Purchase Plan of up to approximately $5 million.

These acquisitions are high quality, strategic projects with certain key characteristics:

(a) the Golden Bay, WA project, jointly owned with the Future Fund and WA Department of Housing; and the Bluestone Mount Barker estate in South Australia, jointly owned with the Future Fund are already developing and will contribute to FY15 earnings;

(b) these two projects, together with the Midvale/Stratton project in WA, which is jointly owned with ABN Group (one of Australia's largest builders) are joint ventures with Peet as the development manager; and

(c) they are in line with our well-defined business strategy to operate predominantly under a capital-efficient funds management model.

Another one of the six new acquisitions for subdivision adjoins Peet's existing Aston Craigieburn estate – a large land subdivision project in Melbourne's northern corridor which continues to be a strong performer for the Company.

Continuing our long established retail Funds Management model we anticipate the release of our next retail land syndicate opportunity in the first quarter of 2015.

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FY2014 Performance

Following my address, our Managing Director and Chief Executive Officer, Brendan Gore, will provide a summary of our performance for FY14, but most importantly our future prospects and plans, and our business outlook.

Our Group recorded an operating profit after tax of $31.6 million for the year, which represented a 73 per cent increase over the previous year. Our statutory net profit for the full year was $30.3 million on account of a small write-down after tax of $1.3 million on the disposal of a non-core and non-developing asset in Victoria.

The result reflected improved performance across the Group's business divisions and the general improvements in key parts of the Australian property sector.

We responded to the improving market by committing capital to developing additional lots and related infrastructure, but while reducing our total debt by approximately 9%.

Dividend

The Directors have been very pleased that the uplift in our FY14 performance made it possible to declare and pay a final unfranked dividend of 3.5 cents per share in respect to the 2014 financial year.

Shareholders would have received payment of the dividend on Friday 31 October 2014.

Outlook

Ladies & gentlemen. We are entering a phase where the full scope and potential of Peet's operations are expected to be realised by targeting ongoing growth in earnings.

The geographical diversity of our land bank in the various states across Australia gives the Peet Group positive advantage in the differing land markets and it also allows flexibility in our decisions to invest development capital.

One of the upcoming highlights for Peet in the coming year 2015 is the expected commencement of subdivision of our massive Flagstone project in Queensland – a joint venture project of approximately 12,000 dwellings plus various commercial, service and industrial amenity and facilities. This proposed master planned community is anticipated to underpin Peet's growth for many years to come.

Flagstone will be but another project in which Peet will continue to demonstrate its capacity to add value in different ways including through commercial and residential built form projects.

I wish to refer to our large master planned community at Wellard, a suburb of Perth, as a very good example of what Peet is capable of achieving. The Village at Wellard estate subdivision is a joint venture of Peet with the WA Department of Housing with Peet as the overall manager.

Earlier this month saw the official opening of Wellard Square, the new shopping precinct at The Village at Wellard, anchored by a very large Woolworths supermarket. Additionally just a few months ago, the Invita Apartments, located next to the Wellard Square shopping precinct, was judged WA's best Affordable Development by the Urban Development Institute of Australia. Our Peet management team successfully delivered these projects which stand as evidence of our built form expertise.

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While awards are not an end in themselves, they are a useful benchmarking tool with obvious marketing benefits. I might also mention that The Village at Wellard and our retirement village project Lattitude Lakelands both took out top honours in their respective categories at the same awards.

Peet will continue to engage in other built form opportunities across our land bank and such value-add opportunities are an important part of our growth strategies.

Ladies and gentlemen, we believe we have the right model to optimise growth opportunities and shareholder value in the years ahead. The combination of our on and off-balance sheet projects with strong wholesale joint venture partners and a loyal army of retail investors provide the Peet Group with a competitive advantage and point of difference to others in our industry in Australia.

The Australian property market

The fundamentals underpinning the housing market remain sound and construction activity continues to remain strong across major capital cities.

However, price growth has moderated and the labour market is transitioning which impacts consumer confidence to some degree.

Nonetheless, we have a large and diverse land bank across Australia and we are in a good position to benefit from continuing activity in the residential property market. Our estates deliver high quality master planned communities in affordable price categories.

Market conditions in WA have moderated to a point where the market is now in balance. In Victoria, the market remains good for us. I'm pleased to say enquiry levels and vacant land sales in Queensland are lifting. Land sales are expected to remain solid for our ACT interests. There has been a recovery in land sales reported across metropolitan Adelaide. There is strong demand for our residential land in the Northern Territory.

We have reason to have confidence and enthusiasm in the year ahead. We will continue to respond to market conditions in each of our key sectors, add value and to innovate and to deliver homebuyers opportunities to establish themselves in homes and apartments around Australia.

We have land in our portfolio to subdivide in locations, price ranges and lot sizes to suit occupier and investor demand and with new estates coming on stream we expect sales in FY15 to be higher than in FY14. In addition we are developing medium density apartments and new retail properties for sale and will continue to explore further opportunities in that part of our business.

The Board

Ladies and gentlemen, it is a strength of Peet that we continue to search out and embrace new skills and experience at every level of the business – including the Board.

This year, I pay tribute to our recent past Non-executive Directors Stephen Higgs and Graeme Sinclair, who retired from the Peet Board after a decade each of service. During that time, the Company has weathered some challenging years in the Australian property sector and the wisdom and courage of the strategic decisions taken during that time has now become clear. We thank Stephen and Graeme for their considerable contributions to Peet.

During the 2014 financial year, Peet welcomed two new Non-executive Directors in Vicki Krause and Bob McKinnon. We are very fortunate to have attracted two such experienced people.

Of our five non-executive directors, three have joined us in the past two-and-a-half years.

I thank Vicki Krause and Bob McKinnon and the other Board members – Managing Director and Chief Executive Officer Brendan Gore, and Non-executive Directors Anthony Lennon and Trevor Allen - for their continued excellent contributions towards bringing Peet Limited to its present strength and healthy outlook.

The Peet team

I must commend the hard work of the entire group, under the leadership of Brendan Gore and his Executive Team.

It is pleasing to see so many members of our staff growing their skills and progressing within the Group.

Peet attracts men and women with appropriate skills and experience – and demands a lot of them. We expect them to deliver the best results possible, in line with our core values.

In return, we strive to provide a safe and positive working environment, opportunities for professional development and advancement, and to involve them in quality projects that challenge and inspire them.

We also need to ensure that we have fair and competitive remuneration packages if we are to retain and attract talent. I turn now to the matter of remuneration of our most senior people.

Remuneration

A detailed remuneration report is provided as part of our Annual Report and it outlines the factors we take into consideration when determining the right level of remuneration for our key people.

We seek to achieve a balance between Peet's current financial performance and the development and implementation of strategies that will deliver the Group long-term benefits. We need to attract and retain the very best people with the skills and experience to manage and grow the business, while needing to be prudent in the remuneration paid to them.

With the benefit of independent advice and the careful deliberations of our Remuneration Committee we have reached outcomes I believe are fair and reasonable, and in the best interests of the Peet Group.

It is relevant to this context for us to consider that Peet's statutory financial statements only show part of the Peet story. They show total revenue of $276.1 million in 2014 and earnings before interest, tax, depreciation and amortisation (EBITDA) of $71.9 million.

What they don't show is the full aggregate of revenue and earnings from the significant land development operations in our Funds Management business. If these were combined with those of the Peet consolidated Group, total revenue produced by our management of the whole Group increases to almost $828 million and total EBITDA increases to $185 million.

The Corporations Act 2001 requires a resolution to be put to the Meeting adopting the Remuneration Report, appearing in the Annual Report. This vote is advisory only, and does not bind the Directors or the Company. We will come to that vote later in today's meeting.

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Shareholders

The Annual General Meeting is a fitting time and place to say a very special 'thank-you' to you – our shareholders and noteholders and also to our Syndicate and Funds Management investors and our joint venture partners.

Everyone at Peet places enormous value on the support we have from our investors and partners, including many of Australia's leading institutions, and people and organisations who have stood with us for many years.

We work for you – and for tens of thousands of homeowners in our communities across Australia – and we're excited about continuing that work through FY15 and well beyond.

On behalf of the Board and everyone at Peet, I wish you and your families a very safe and happy festive season and look forward to joining you here again next year.

I now hand over to our Managing Director and Chief Executive Officer, Brendan Gore.

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