

Sunland Group

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26 August 2015

The Manager
Company Announcements
Australian Securities Exchange

Dear Sir/Madam,

SUNLAND GROUP ANNOUNCES 111% INCREASE IN FULL YEAR PROFIT TO \$30.1 MILLION

Leading national property developer Sunland Group ('Sunland' or 'Group') today announced an after tax profit of \$30.1 million for the full year ended 30 June 2015, an increase of 111% on the previous corresponding period's result (2014: \$14.3 million profit) and exceeding guidance of \$28 million.

Operating and financial highlights are as follows:

- Total dividends of 10 cents per share have been paid during the period, including a special dividend of 6 cents per share.
- Strong balance sheet capacity, with \$26.2m in cash and \$107m in undrawn working capital lines.
- Surplus cash and increased gearing utilised to replenish and deliver development portfolio.
- \$82m in new site acquisitions for the portfolio.
- Basic earnings per share of 16.9 cents (2014: 8.0 cents) representing growth of 111%.
- Gearing remains at conservative levels, with 22% debt to assets and 32% debt to equity.
- \$90.1m in strategic asset sales enabled capital to be redeployed to key growth markets.
- Strong cash flow forecast generated from existing portfolio.
- Net tangible assets per share of \$2.01 (2014: \$1.96).

Sunland Managing Director, Sahba Abedian, said that as the Group celebrates its 20 year anniversary as a listed entity, its three-pillar strategy of capital management, strategic portfolio replenishment and maintaining a conservative balance sheet continued to deliver a strong operational performance.

"During the financial year Sunland has maintained a counter-cyclical approach to site acquisitions and divestments, positioning the Group's development portfolio to capitalise on the improving south-east Queensland residential markets," Mr Abedian said.

"Strategic asset sales in 2015 across Melbourne and Sydney totalled \$90.1 million, enabling Group capital to be redeployed to key growth areas in south-east Queensland, enhancing Sunland's earning profile, and resulting in a special dividend to shareholders of 6 cents per share.

"A further \$82 million in strategic site acquisitions have increased Sunland's development portfolio by an additional 1,772 products with a total end value of \$1.1 billion, increasing the Group's total portfolio to 6,086 land, housing and multi-storey products with a total value of \$3.7 billion.

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“These acquisitions include the flagship 42 hectare Lakeview development site on the Gold Coast and Sunland’s first residential housing development site in Brisbane, in the affluent suburb of St Lucia.”

Operational highlights

Mr Abedian said the premium location and strong architectural focus of Sunland’s residential communities, together with sound market conditions and improving development margins, resulted in strong operational outcomes and revenue growth during the 2015 financial year.

Sunland’s residential housing and urban development segment continued to support underlying earnings and cash flow throughout the course of the financial year, with major contributors including Concourse Villas and The Glades in Queensland, The Parc in New South Wales and Whyte in Victoria.

“During FY15 Sunland achieved 754 sales to the value of \$509 million, representing a 20% increase in sales volume and a 31% increase in sales value (2014: 629 sales valued at \$389 million),” he said.

“The luxury Abian high-rise development in the Brisbane CBD which is 98% sold out, coupled with price growth across the portfolio, contributed to the improved sales performance.

“The Group also achieved a 30% development margin across its land and housing portfolio which is well above the Group’s target margin of 20% return on development costs.”

Mr Abedian said the \$279.7 million in revenue generated from 387 property settlements (2014: \$178.0 million from 446 settlements) includes the \$90.1 million generated from strategic site sales across Melbourne and Sydney during the period.

“Whilst settlement volumes decreased as a result of these strategic asset sales, settlement values still increased by 7 per cent across the balance of the portfolio,” he said.

Mr Abedian said the Group’s multi-storey portfolio will continue to become more active and will enhance its contribution to revenue as concept designs and approvals are finalised, and projects are launched to the market.

“Sunland’s \$250 million Abian tower development is scheduled for completion in mid-2017 and will be followed by a number of other multi-storey projects currently in the design and approval stages for One Marine Parade, Palm Beach, The Lakes and Mariner’s Cove on the Gold Coast,” he said.

“The launch of the Grace on Coronation development in Brisbane, which was granted Development Approval from Brisbane City Council in June 2015, has been temporarily delayed due to an appeal against the approval.”

Capital Management & Dividend

Mr Abedian said Sunland’s capital management strategy remains focused on enhancing operational outcomes by reducing risk through portfolio and geographic diversification.

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Directors declared and paid a total of 10 cents per share fully franked for the period, comprising an interim payment of 2 cents per share (paid 27 March 2015), a special dividend of 6 cents per share (paid 27 May 2015) and a final dividend of 2 cents per share (paid 25 June 2015). The special dividend of 6 cents was declared following the sale of sites across Melbourne and Sydney. Subsequently, profit guidance was upgraded to \$28 million from \$20 million during the year. Furthermore, the final dividend was brought forward and paid in June 2015.

Directors maintain a dividend payout ratio of between 40% and 50% of net operating earnings.

Future outlook

Mr Abedian said Sunland's approach to acquiring strategic sites at opportunistic points in the cycle has created a premium portfolio of development assets in key growth markets.

"The Group's earnings visibility is further enhanced with in excess of 10 projects scheduled to be launched throughout the course of the 2016 financial year," he said.

"While Sunland will continue to actively assess opportunities to increase its development pipeline, the Group will maintain a strong focus on the delivery of its portfolio.

"As we enter new horizons, Sunland will maintain a disciplined and conservative approach to the delivery of its portfolio, recognising the inherent value that remains to be crystallised as projects are delivered in the medium to long-term."

He said Sunland's enduring commitment to design excellence underpins its vision to create vibrant communities and in turn, shape a sustainable future for its clients, shareholders and employees.

Established in 1983, Sunland is a leading property developer with more than three decades' experience delivering award-winning, design-driven communities along Australia's eastern seaboard.

The Group expects to provide profit guidance at the Annual General Meeting, which will be held in Brisbane on 20 November 2015.



Sahba Abedian
Managing Director

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