Sunland Group

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24 August 2016

The Manager
Company Announcements
Australian Securities Exchange

Dear Sir/Madam,

SUNLAND GROUP ANNOUNCES FULL YEAR PROFIT OF $31.5 MILLION AFTER TAX

Sunland Group ('Sunland' or 'Group') today announced an after tax profit of $31.5 million for the full year ended 30 June 2016, an increase of 5% on the previous corresponding period's result (2015: $30.1 million profit) and exceeding Group guidance of between $25m and $29m.

Operational highlights are as follows:

- Net tangible assets per share increased by 21c to $2.22 (2015: $2.01) representing growth of 10%.
- Earnings per share (based on issued shares at 30 June 2016) of 19.7 cents (2015: 16.9 cents), representing growth of 17%.
- The Group declared a fully franked final dividend of 5 cents per share, bringing the full year dividend payment to 8 cents per share, representing a payout ratio of 40% of net profit after tax.
- Strong balance sheet capacity, with $19.9m in cash and $97.4m in undrawn working capital lines.
- Disciplined level of gearing, with 33% debt to assets and 56% debt to equity.
- $41.2m in new site acquisitions, with a further $32.0m in site acquisitions in Brisbane and the Gold Coast due to settle during the first half of the 2017 financial year.
- Strong cash flow forecast to be generated from existing portfolio.

Sunland Managing Director, Sahba Abedian, said the improved financial performance was a result of increased development margins, prudent capital management initiatives and the emergence of earnings from retail assets.

"The strategic portfolio replenishment and capital management efforts of recent years have continued to deliver favourable results for the Group, enabling the portfolio to benefit from the value uplift resulting from buyer demand along the eastern seaboard," Mr Abedian said.

"These projects contributed to a total development return of 35% across the portfolio, significantly higher than our targeted return on cost of 20%."

Operational highlights

During the financial year the Group launched 10 new projects including Shea Residences in Brisbane, Magnoli Residences in Palm Beach and The Heights master planned community in Pimpama, further positioning the portfolio to capitalise on the improving south-east Queensland residential markets.

Sunland completed four new site acquisitions totalling $41.2m during the period in Brisbane (St Lucia and Toowong) and Sydney's Northern Beaches (Ingleside and Warriewood). A further $32m in new acquisitions are due to settle during the first half of FY17 at Everton Hills (Brisbane) and Coolangatta (Gold Coast).

The Group's portfolio comprises 6,300 land, housing and multi-storey products with a total end value of $4.3 billion*, providing a sustainable pipeline of premium developments to be delivered primarily over the next five years. As at 30 June 2016, the Group had 16 active projects along the east coast of Australia.

During the 2016 financial year Sunland generated $235.6m in revenue from 443 property settlements (2015: $279.7m from 387 settlements).

Mr Abedian said Sunland's residential housing, land and multi-storey segments continued to generate strong earnings growth, with major contributors including Dahlia Residences (NSW); Whyte Residences and Carré Residences (VIC); and Marina Residences, Quays Hope Island, The Lakes land and The Heights land (QLD).

During FY16 Sunland completed 426 sales to the value of $261m (2015: 754 sales valued at $509m). Sales volume was down in FY16 as projects in New South Wales and Victoria were sold out during the previous year and no additional projects were released in these states. Furthermore, the Abian and Marina Residences multi-storey projects were also sold out during the 2015 financial year and no new multi-storey projects were launched in FY16.

The Group has secured an excellent pipeline of presales, with 779 contracts totalling $605m as at 30 June 2016 for new projects released across the portfolio.

The Group's multi-storey portfolio will continue to enhance its contribution to revenue as designs and approvals are granted and projects are launched to the market. In late July 2016 Sunland launched the $82m mixed-use Marina Concourse development adjoining the Royal Pines Marina on the Gold Coast. Other multi-storey projects pending approval include Labrador (high-rise), The Mariner (high-rise), The Lakes (medium-rise) and Palm Beach (medium-rise) on the Gold Coast.

The Grace on Coronation project in Toowong has been approved by Brisbane City Council, however Sunland continues to deal with an appeal through the Land and Environment Court and a judgement is not expected until early 2017.

Construction of Sunland's $240m luxury Abian residential tower development in the Brisbane CBD has now progressed through to level 34 and settlements are expected to contribute to the 2017 and 2018 financial years.

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, and utilising various capital structures to spread the project and funding risks associated with different developments.

The Group's latest share buyback program was concluded in June 2016, acquiring 17.8 million ordinary shares, equivalent to 10 per cent of Sunland's issued capital, for $27.95 million. This represents an average purchase price of $1.57 per share. This initiative has enhanced the Group's earnings per share and contributed to net tangible asset growth in each case by 11%, delivering significant long-term benefit and value to shareholders.

Sunland Group

Directors declared a total of 8 cents per share fully franked for the period, comprising an interim payment of 3 cents per share (paid 23 March 2016) and a final dividend of 5 cents per share, to be paid 22 September 2016.

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

Future outlook

Mr Abedian said Sunland's sound balance sheet, access to capital and forecast cash flow generation from existing projects continue to provide a demonstrated foundation for improved profitability and sustainable shareholder returns.

"Sunland remains in an active mode of delivery with 13 projects under construction in key markets in south-east Queensland, Sydney and Melbourne, providing earnings visibility in to the medium-term subject to sound market conditions," he said.

Mr Abedian said the Group's $4.3 billion* portfolio is strategically diversified across its core activities of land, housing and multi-storey development and is well positioned to benefit from the favourable market conditions, particularly in south-east Queensland.

It is anticipated Sunland will launch a further nine residential developments throughout the course of the 2017 financial year, pending planning approvals and market conditions.

"While record low interest rates and improved consumer sentiment continue to drive buyer demand, we are cognisant of the cyclical nature of our industry and maintain a disciplined and conservative approach to the replenishment and delivery of our portfolio," Mr Abedian said.

"Sunland's enduring commitment to design excellence underpins its vision to create vibrant communities and in turn, shape a sustainable future for the cities in which we live and operate and our clients, shareholders and employees."

The Group expects to provide profit guidance at the upcoming Annual General Meeting of shareholders, which will be held in Brisbane on 24 November 2016.

Sahba Abedian
Managing Director

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*This figure is based upon obtaining approvals from Councils on various development applications submitted.