



DevineTM

CELEBRATING 30 YEARS



HALF YEAR (JUNE 2015) RESULTS PRESENTATION

AUGUST 2015



DAVID KEIR
Managing Director & CEO

CRAIG BELLAMY
Chief Financial Officer



Devine™

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**HALF YEAR (JUNE 2015)
RESULTS PRESENTATION**
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1. OVERVIEW

Half year results summary

\$ millions	Period Ended	
	6 months to 30 June 2015	6 months to 30 June 2014
Total Revenue	146.5	175.2
Net Profit / (Loss) before Tax	(1.2)	5.6
Net Profit / (Loss) after Tax	0.9	0.5
Underlying Profit / (Loss)	2.7	7.7
Earnings per Share (cents)	0.6 cents	0.3 cents

- Continued to deliver strong operating cash flow of \$31.4 million
- Underlying profit of \$2.7 million is exclusive of housing business losses and re-structure costs
- Balance sheet enhanced with significant debt reduction and gearing reduced to 7.2%¹
- \$110 million reduction in debt exposure over an 18 month period
- Full year guidance of \$10 million to \$13 million profit before tax is maintained
- The Directors expect to pay a full year dividend on achieving this profit outcome
- Total revenue of \$146.5 million as result of:
 - 403 settlements
 - 266 housing starts
 - ongoing delivery of Devine Constructions' work-book

¹ Gearing is defined as (interest bearing & non-interest bearing debt – cash held) / (total assets – cash held)



2. KEY BUSINESS UPDATE

Debt extension achieved

- The Company's primary debt facility, a multi-option facility with ANZ Banking Group, has been extended until 31 August 2016
- In addition, the continued strong cash flows will enable the removal of the requirement for a corporate guarantee from the Company's majority shareholder
- Throughout the process the Company has retained the support of its primary lender and continues to work with them in ensuring the Company's growth ambitions can be realised



Artist's impression of Devine-Daikyo's Mode Apartments in Brisbane



Devine's Riverstone Rise Community in Gladstone, Queensland



3. PERIOD HIGHLIGHTS

Operating result lays platform to achieve full year guidance

- Residential land settlements of 403 lots and housing commencements of 266 starts as the Company completes its existing homes business workbook
- Carry in for second half is strong with 74% of full year targeted land settlements either complete or secured
- Trade out of impaired projects is progressing well representing 59% of the settlements for the period, with impaired projects now representing less than 30% of the land development pipeline
- Announcement of Devine-Daikyo alliance to jointly investigate and undertake the development of apartment and mixed use projects in Australia
- Commenced construction on the 157 apartment Mode Apartment project in Brisbane, the first project to form part of the Devine-Daikyo alliance
- Devine Constructions awarded contract to deliver the Starhill Property Group's Topaz Residences apartment project in Brisbane (157 apartments)
- Devine Constructions' work-in-hand of \$264 million, with projects to be delivered over the next two and a half years



4. FINANCIAL PERFORMANCE



HY15 Six Month Segment Results

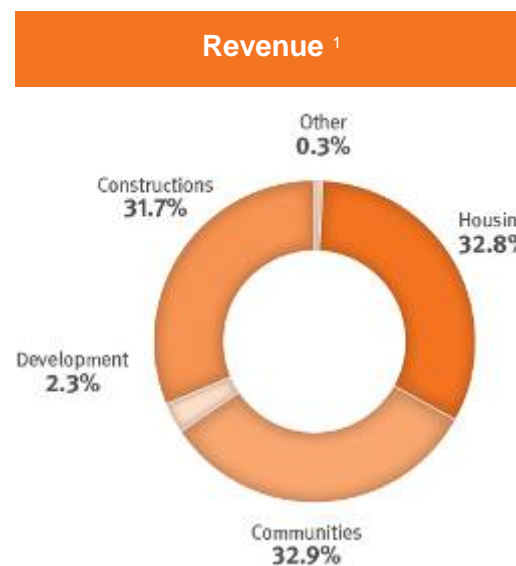
\$ millions		Communities	Housing	Development ¹	Constructions	Other ²
6 months to June 2015 (\$ millions)	Segment Revenue	48.2	48.1	3.4	46.4	0.4
	Profit / (Loss) Before Tax	0.4	(3.5)	1.9	0.7	(0.7) ³
6 months to June 2014 (\$ millions)	Segment Revenue	66.9	54.8	10.4	42.6	0.6
	Profit / (Loss) Before Tax	1.0	(2.1)	6.6	2.1	(1.9)

¹ Excludes revenue from joint ventures

² Majority of Corporate Overhead Costs are allocated to business units

³ Includes restructure costs of \$400K

- Result reflects a positive input from three segments
- Housing segment loss includes restructure costs of \$1.5 million
- Communities result impacted by the volume of settlements occurring across impaired projects
- Communities revenue for the period to June 2014 increased as a result of englobo site sales as part of the capital recycling plan
- The advanced trade-out of impaired projects and restructure of housing provides a positive outlook for sustained earnings
- The Company maintains its guidance for the full year to deliver a before tax profit of \$10 million to \$13 million



¹ Excludes revenue from joint ventures



4. FINANCIAL PERFORMANCE

Strong operating cash flows

\$ millions	6 months to 30 June 2015	6 months to 30 June 2014
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	161.9	183.5
Payments to suppliers and employees (inclusive of GST)	(127.0)	(134.9)
Net finance costs	(3.5)	(6.8)
Income taxes received	-	-
Net cash inflow / (outflow) from operating activities	31.4	41.8

- Strong operating cash flow as result of land settlement volumes and other business unit outcomes
- \$110 million reduction in debt exposure over 18 months
- Cash flow forecast to remain strong for the foreseeable future
- Debt reduction focus has enabled a shift toward investment in the project pipeline and new business growth





4. FINANCIAL PERFORMANCE

Balance Sheet Summary

\$ millions	As at 30 June 2015	As at 31 Dec 2014
Assets - Cash	17.8	18.1
- Receivables	66.6	59.2
- Inventories/Investments	284.1	300.1
- Other	12.0	10.9
Total Assets	380.5	388.3
Liabilities - Trade and other payables	82.5	61.3
- Interest bearing debt	43.5	70.4
- Non-interest bearing debt	0.2	3.5
- Other	4.7	4.5
Total Liabilities	130.9	139.7
Net assets/shareholder funds	249.6	248.6
Net Tangible Assets (NTA)	246.3	245.3
NTA per share	\$1.55	\$1.55
Gearing ¹	7.2%	15.4%

¹ Gearing is defined as (interest bearing & non-interest bearing debt – cash held) / (total assets – cash held)



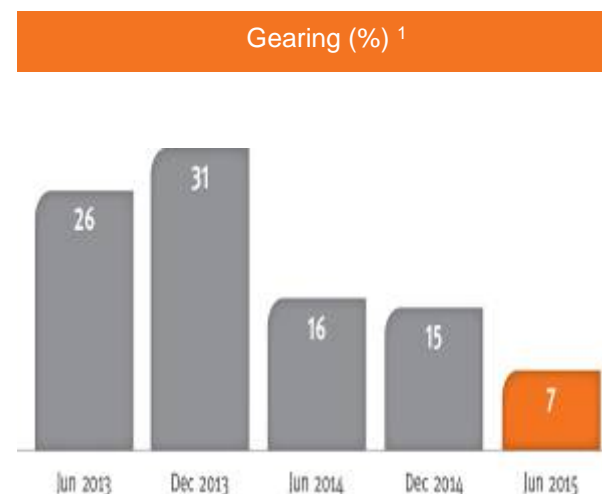
4. FINANCIAL PERFORMANCE

Low gearing to enable new growth

Key Metrics \$ millions	As at 30 June 2015	As at 31 Dec 2014
Cash	17.8	18.1
Total Interest Bearing Debt	43.5	70.4
Gearing ¹	7.2%	15.4%

¹ Gearing is defined as (interest bearing & non-interest bearing debt – cash held) / (total assets – cash held)

- \$28 million of debt was retired during the period with resultant gearing of only 7.2%
- Debt reduction positions the Company well for re-investment and future growth to underpin earnings
- Debt extension secured until 31 August 2016
- Corporate guarantee provided by majority shareholder will be released





5. BUSINESS UNIT PERFORMANCE

Communities

- Strong settlement results were sustained in areas of the Queensland and Victorian property markets
- Sales trading momentum has also improved in these areas building a positive second half carry-in
- 403 land settlements nationally for the period; with 74% of FY15 target secured
- Other HY15 highlights include:
 - Contracted sale of a major retail site and 2.6 ha school site at Stonehill (Vic) in separate transactions
 - Commenced sales and construction of the \$350 million Eden's Crossing Community at Redbank Plains (Qld)
 - Completed works to enable final stage settlements at Woodvale (Qld) and Edenbrook (Vic)
 - Announced joint venture to deliver \$150 million community in Adelaide's eastern suburbs with sales expected to commence in late 2015



Aerial view of Devine's Eden's Crossing Community (Qld)



Edenbrook (Victoria) is scheduled to settle its final allotments, marking completion of the 600 lot community



5. BUSINESS UNIT PERFORMANCE

Built Form (including completion of housing business contracts)

- 266 homes commenced construction in the period
- Medium density housing solutions have been well received in all regions, with focus applied delivering new product that appeals to the market. Activities include;
 - Commenced construction of first two stages of Proximity project in Queensland (123 terrace homes)
 - Release of Seymour Terraces precinct in Adelaide's north achieving 100% sales within four weeks
 - Completion and settlement of Temby Lane townhomes in South Australia
 - Design development of new terrace product suite for all regions
- Wholesale building operations have continued to provide an alternative client base



Medium density housing solutions at Devine's Orleana Waters community in South Australia



Artist's impression of the new 'auxiliary' living terrace homes featuring an above garage residence at the rear of the property



5. BUSINESS UNIT PERFORMANCE

Housing business restructure

- The Company announced in April 2015 that it has restructured its housing operations
- The decision is a catalyst to improve performance from the business by focusing on integrated, medium density housing solutions, while also growing land sale activity across the Company's land development business via other home builders
- The Company is continuing to complete its pipeline of detached housing starts, and is expected to substantially complete these contract obligations for clients by the conclusion of 2015



Rear view of the Proximity terrace homes with an 'auxiliary unit' above the laneway accessed garage (Artist's Impression Only)



Artist's impression of the new Seymour Terraces in Adelaide's North



5. BUSINESS UNIT PERFORMANCE

Development

- Announcement of Devine-Daikyo alliance to jointly investigate and undertake the development of apartment and mixed use projects in Australia
- With no apartment projects completing in the period the settlement volumes represent only residual stock in completed projects
- Construction commenced on the 157 apartment Mode Apartments project in Newstead with 70% of the project sold and unconditional
- Acquisition of two (2) new development sites that are currently under the Company's control with a forecast yield of over 380 apartments to occur after planning approvals in late 2015



Artist impression of the street level at Mode Apartments in Newstead (Brisbane)



DoubleOne3 Apartment development in Brisbane



5. BUSINESS UNIT PERFORMANCE

Construction

- Secured construction contract for delivery of Starhill Property Group's 157 apartment Topaz Residences project in Brisbane
- Commenced construction of 138 apartment High Street project for Serra Property Group
- Commenced construction of 157 apartment Mode Apartments project for Devine-Daikyo alliance
- Achieved 'topping-off' stage of 12 storey Alex Perry Residential project with construction expected to be completed by end August 2015
- Construction work-in-hand of \$264 million to be delivered over the next two and a half years
- Maintaining a strong pipeline of potential work, with further new construction projects being negotiated to replace projects as they complete



The 138 apartment High Street project in Toowong (Brisbane)



Topaz Residences, including the restoration of the heritage-listed Abbotsford House is the latest addition to Devine Constructions' workbook



6. STRATEGY

Future growth will be based proven competencies

- The Company will continue to provide affordable, value for money residential solutions for the Australian property market
- The strategic focus will be applied to:
 - Expanding the Company's apartment development business via new project opportunities of varying scales
 - Replenishing the community development portfolio within geographic zones in which we currently operate
 - Seeking small and mid-scale build out opportunities, with a focus of expanding medium density project portfolio
 - Balanced expansion of Devine Constructions, based on core competencies in the delivery of mid to large scale apartment projects
- Leveraging the Company's balance sheet and low gearing to drive improved profit outcomes



Expanding the Company's apartment development business is a key focus for the future of the business. (Illustration: Mode at Newstead to be developed by Devine-Daikyo)



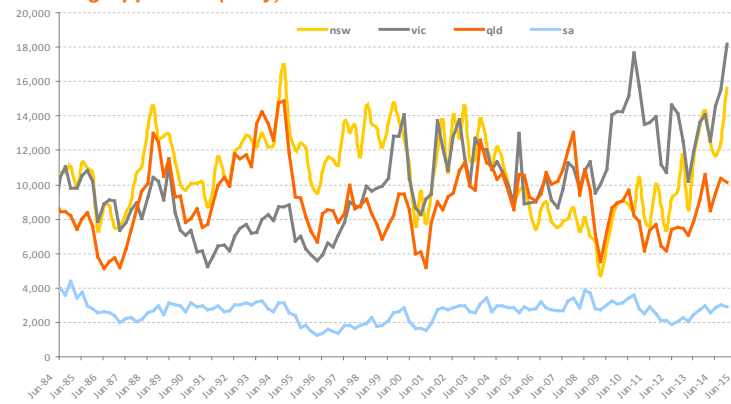
7. MARKET SNAPSHOT

Market summary

Sources: ABS, Westpac Melbourne Institute, REIA

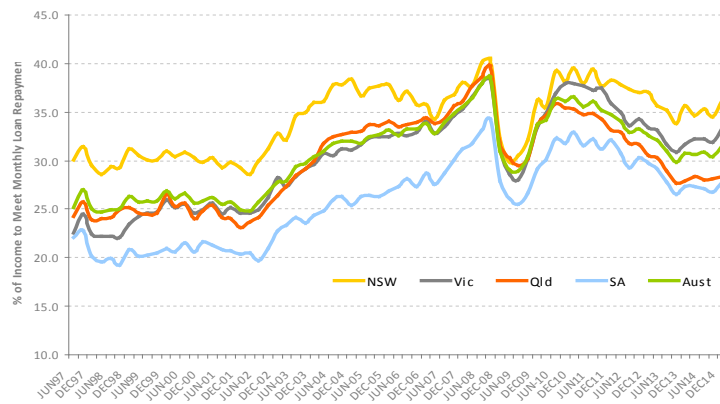
Despite a fall in the June Qtr, approvals remain near record highs

Dwelling Approvals (Qtrly)



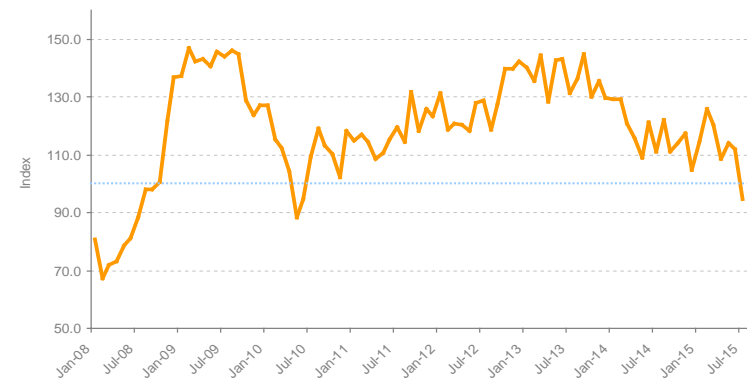
Price growth is diluting any substantial affordability gains afforded by low interest rates

Home Loan Affordability Index



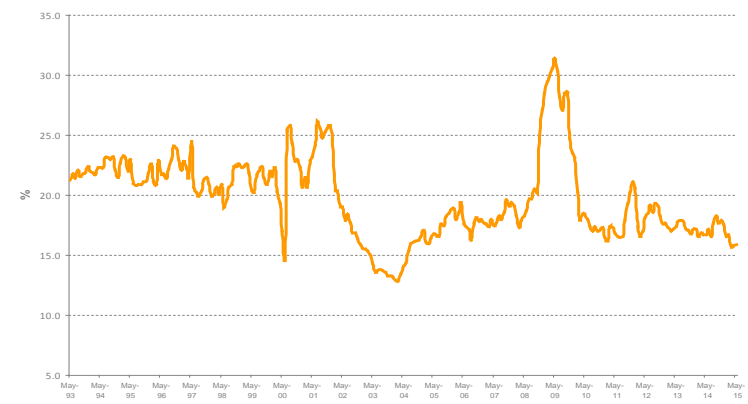
The 'time to buy a dwelling' index has fallen sharply as a result of affordability concerns

Time to Buy a Dwelling Index



Investors continue to drive demand at the expense first home buyer market

First Home Buyers (as % of dwellings financed)





7. MARKET SNAPSHOT

Market outlooks

Sources: ABS, REIA, SQM, RP Data

BRISBANE – strong price growth predicted over next two years

- House price growth remains only moderate up 3.9% (year on year to July 2015)
- Rental vacancy rates remain tight at 2.5%
- Gross rental yields outperforming other capital cities, particularly apartments (5.5%) compared to Sydney (4.2%) and Melbourne (4.1%)
- At June 15, Queensland's year on year change in dwelling approvals were up 29.4% , with multi-unit and other dwelling approvals recording a 58.6% lift

MELBOURNE – population growth is expected to sustain growth in dwelling demand

- Houses are leading price growth up 12.3% year on year to July 2015, with units showing moderate increase (up 4.8%)
- Rental growth has continued at a steady rate, despite the surge in new supply and increased levels in investment purchasing
- Rental vacancy has continued to tighten throughout 2015, recording 2.3% at June
- Increases in land sales volumes are expected to apply pressure to land prices
- Total new dwelling approvals for Victoria fell in June 2015 due to a significant decline in multi-units; while detached house approvals grew 5.2%



7. MARKET SNAPSHOT

Market outlooks

Sources: ABS, HIA, SQM, CKK NLSP

ADELAIDE – challenges remain though early signs of buyers returning to the market exist

- While detached housing approvals have remained positive (up 7% year on year), sales slowed in June (down 2%) compared to the prior month
- Adelaide house prices have remained relatively flat over the course of 2015, with year on year growth of 3.4% at July 2015
- Rental vacancy rates remain tight at 1.9%; achieving gross rental yields for houses of 4.2%

GLADSTONE – market remains cautious in a post mining boom environment

- Rental vacancy rates have eased in the last quarter, but remain well below the levels recorded 12 months ago
- Net vacant land sales volumes have continued to recover as a result of price adjustments with lot prices easing 4.5% over the year to June 2015
- Current available stock and trading levels indicate the market has more than 12 months of vacant land stock available



8. PIPELINE SUMMARY

REGION	PROJECT NAME	TYPE	PROJECT STRUCTURE	LOCATION	PIPELINE * AT JUNE 15	STATUS	PROJECT LIFECYCLE		
							2015	2016	2017+
COMMUNITIES (LAND AND BUILT FORM)									
QUEENSLAND	Brookside	Built Form	Owned	Ipswich	153	Planning	■	■	■
	Eden's Crossing	Land	Owned	Ipswich	912	Now Selling	■	■	■
	Mountview	Land	Owned	Ipswich	147	Now Selling	■	■	■
	Parkview Terraces	Built Form	Owned	Gold Coast Nth.	33	Now Selling	■	■	■
	Proximity	Built Form	Owned	Ipswich	123	Now Selling	■	■	■
	Riverparks	Land	Owned	Townsville	523	Now Selling	■	■	■
	Riverstone Rise	Land	Land Mg'mnt	Gladstone	2,499	Now Selling	■	■	■
	The Junction Terraces	Built Form	Owned	Ipswich	72	Planning	■	■	■
	Waverley Parks	Land	Owned	Gold Coast Nth.	108	Now Selling	■	■	■
Other	Land	Owned	Various	4	Now Selling	■	■	■	
VICTORIA	Essence Terrace Homes	Built Form	Owned	Melbourne Sth-East	14	Now Selling	■	■	■
	Newbridge, Wallan	Land	Joint Venture	Melb. – Regional	871	Englobo Sale	■	■	■
	Parks Edge	Land	Joint Venture	Melbourne Sth	234	Now Selling	■	■	■
	Pennyroyal	Land	Joint Venture	Melbourne Nth-West	193	Now Selling	■	■	■
	Parklea Terraces	Built Form	Owned	Melbourne Nth-West	4	Now Selling	■	■	■
	Stonehill	Land	Joint Venture	Melb. – Regional	1,185	Now Selling	■	■	■
	Other	Land	Joint Venture	Various	8	Now Selling	■	■	■
STH AUSTRALIA	Hamilton Terraces	Built Form	Owned	Adelaide North	9	Now Selling	■	■	■
	Orleana Waters	Land	Land Mg'mnt	Adelaide North	270	Now Selling	■	■	■
	Mawson Green at Meadows	Land	Owned	Adelaide Hills	147	Now Selling	■	■	■
	Robertson Terraces	Built Form	Owned	Adelaide North	17	Planning	■	■	■
	Seymour Terraces	Built Form	Owned	Adelaide North	12	Now Selling	■	■	■
	Woodforde Site	Land	Joint Venture	Adelaide East	300	Planning	■	■	■
	Vicinity	Built Form	Owned	Adelaide North	200	Planning	■	■	■
	Other	Land	Owned	Various	22	Now Selling	■	■	■
					TOTAL DWELLINGS	8,060 dwellings			

* Pipeline is defined as dwellings or allotments inventory that are yet to settle



8. PIPELINE SUMMARY

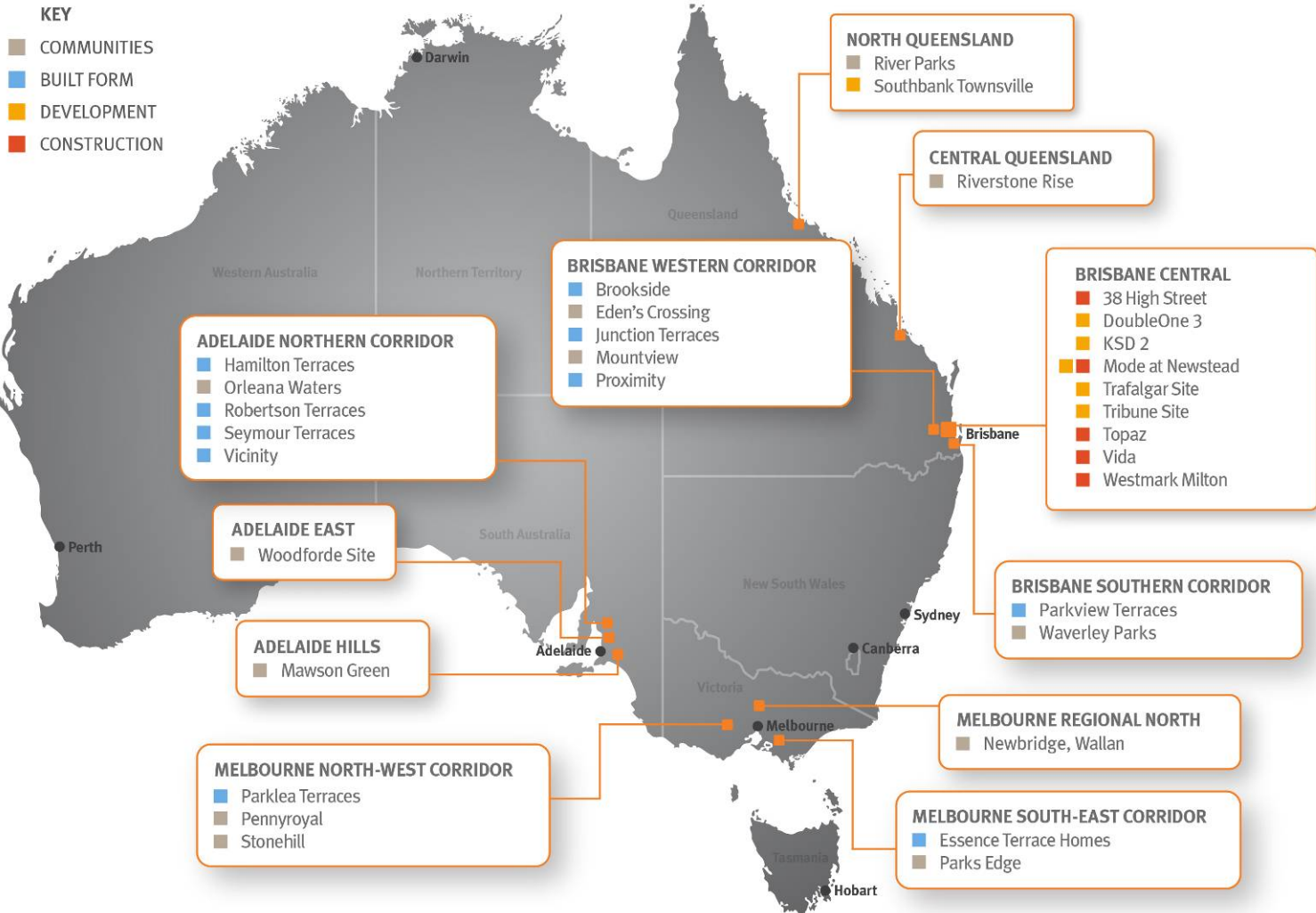
REGION	PROJECT NAME	TYPE	PROJECT STRUCTURE	LOCATION	PIPELINE * AT JUNE 15	STATUS	PROJECT LIFECYCLE		
							2015	2016	2017+
APARTMENTS									
QUEENSLAND	DoubleOne3	Apt	Joint Venture	Brisbane	6	Completed	■		
	KSD 2, Hamilton Harbour	Apt	Joint Venture	Brisbane	225	Planning	■	■	■
	Mode Newstead	Apt	Joint Venture	Brisbane	157	Now Selling	■	■	■
	Southbank Townsville	Apt	Joint Venture	Townsville	1,200	Planning	■	■	■
	Trafalgar Site	Apt	-	Brisbane	235	Planning	■	■	■
	Tribune Site	Apt	-	Brisbane	150	Planning	■	■	■
TOTAL DWELLINGS					1,973 dwellings				

REGION	PROJECT NAME (CLIENT)	TYPE	CLIENT TYPE	LOCATION	PIPELINE * AT JUNE 15	STATUS	PROJECT LIFECYCLE		
							2015	2016	2017+
CONSTRUCTIONS									
QUEENSLAND	38 High Street (Serra Property)	Apt	External	Brisbane	136 apts.	Under Construction	■	■	
	Alex Perry (Chrome Properties)	Apt	External	Brisbane	143 apts.	Under Construction	■		
	Mode (Devine-Daikyo)	Apt	Internal	Brisbane	157 apts.	Under Construction	■	■	■
	Topaz Residences (Starhill)	Apt	External	Brisbane	157 apts.	Commencing 2015	■	■	■
	Vida (Pointcorp)	Apt	External	Brisbane	144 apts.	Under Construction	■		
	Westmark Milton (Walker Corp)	Apt	External	Brisbane	277 apts.	Under Construction	■	■	
TOTAL DWELLINGS					1,014 dwellings				

* Pipeline is defined as dwellings or allotments inventory that are yet to settle



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