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12 August 2015

DEVINE POSITIONED FOR GROWTH

Residential developer Devine Limited (ASX:DVN) has today reported a sound first half result, with strong operating cash flows and a significant reduction in debt as it shifts focus from a possible sale to driving earnings growth.

The first half performance has established a solid foundation for the Company to achieve its full year guidance for profit before tax of between \$10 million and \$13 million. The Directors expect to pay a dividend on achieving this full year profit outcome.

The underlying net profit before tax of \$2.7 million for the six months to 30 June 2015 excludes the results of the discontinued housing business, restructuring costs and costs incurred as part of the terminated company sale process.

The Company continues to build a growth-ready balance sheet with \$28 million of debt retired during the half delivering a significant reduction in gearing, now at 7% as at 30 June, 2015.

The debt reduction outcome was primarily enabled by a positive operating cash flow of \$31.4 million.

The Company has extended and renegotiated its primary debt facility with ANZ Banking Group. The continued strong cash flows will enable the removal of the requirement for a corporate guarantee from the Company's majority shareholder. The extended debt facility is in place until August 2016.

The results was achieved on the back of total revenue of \$146.5 million derived from 403 land settlements, the ongoing delivery of the Company's major commercial construction workbook, and a number of housing starts as Company completes its project home workbook.

Managing Director and CEO David Keir said the strong operating cash flow was a result of substantial land settlement volumes and progress on a number of projects by the Company's major construction business Devine Constructions.

"Cash flow is forecast to remain strong for the foreseeable future," Mr Keir said.

"Our focus has shifted towards investment in new business growth and our pipeline of existing and upcoming projects."



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Communities

At 30 June 2015, the Company had completed or secured 74 per cent of its FY15 targeted land settlements. Good sales momentum has been maintained in the Company's core Queensland and Victorian markets.

During the half the Company advanced a number of new projects including the \$350 million Eden's Crossing at Redbank Plains in Queensland and a \$150 million joint venture to develop a new project in Adelaide's eastern suburbs.

The Company has also entered contracts for the sale of a major retail site and a 2.6ha school site at the Stonehill master planned community in Victoria.

Apartments

With no new apartment projects completing in the half, the Company's settlement profile for apartments represents only residual product from already completed projects. Sales efforts have been focussed on the 157-apartment Mode Apartments project at Newstead with 70% of the project's sale contracts unconditional as at 30 June, 2015.

During the half Devine announced an alliance with major Japanese developer Daikyo to jointly investigate and undertake the development of apartment and mixed-use projects in Australia. Mode Apartments at Newstead in Brisbane is the first project to be undertaken as part of the alliance.

Devine continues to seek opportunities to grow its apartment development pipeline and is expecting to finalise two purchases later this year following local council approvals. These two sites are expected to yield more 380 apartments.

Devine Constructions

Devine Constructions currently has work in hand totalling \$264 million to be delivered over the next two and a half years. It recently secured the delivery of Starhill Property Group's 157-apartment Topaz Residences.

Built Form (Housing)

Housing commencements for the half were 266 as the Company finalises its existing project home business workbook following the restructure to the Housing business. It is expected that the traditional project home backlog will be substantially completed by the end of the year.

"The restructure allows the Company focus on medium density housing solutions, while also growing the land development business via other home builders," Mr Keir said. "The new structure is already delivering good outcomes and we will begin to see the full impact through the second half."



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Medium density housing solutions have been well received in all regions and Devine has commenced construction of the first two stages of the 123-lot Proximity Terrace home project in Queensland with all homes in these stages pre-sold.

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