

# Half-Year Results 2017



Your Community  
Developer



20 February 2017



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# AVJennings at a glance

## ESTABLISHED

# 1932

## FOCUS

ON AFFORDABLE HOUSING IN URBAN GROWTH CORRIDORS

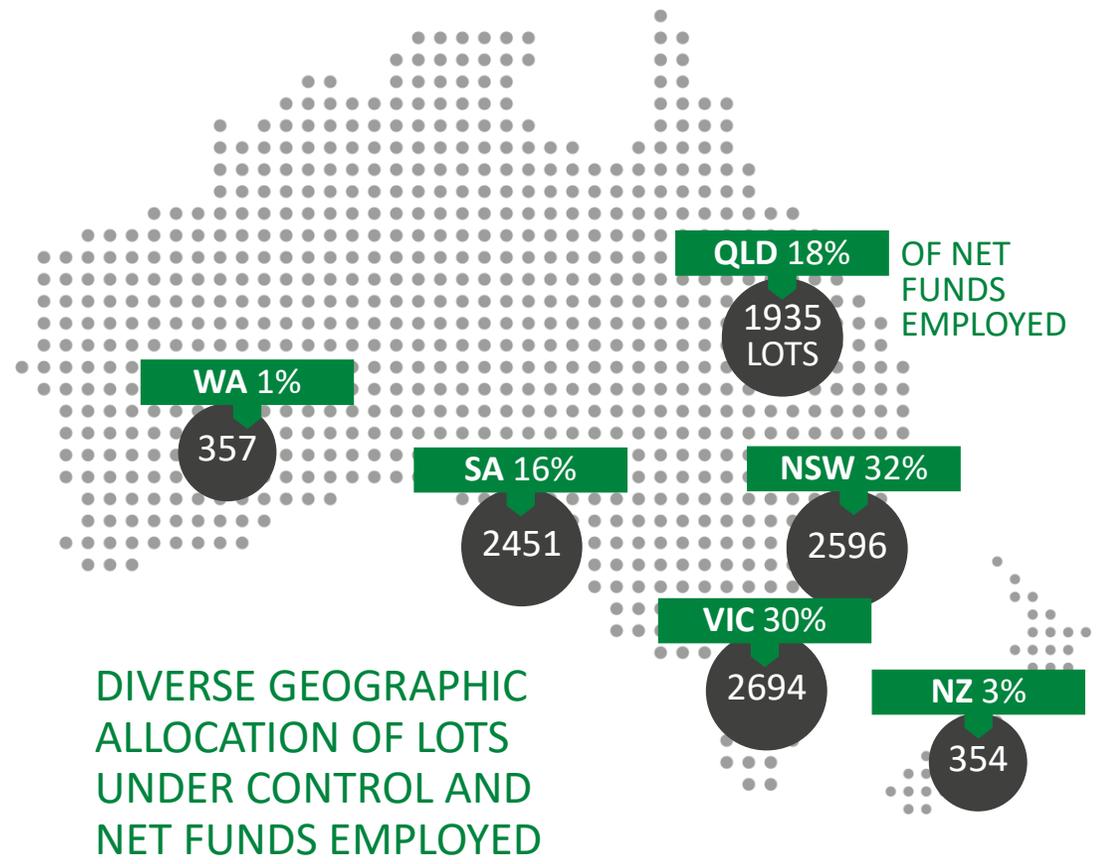
AVJennings continues to be one of the most recognised residential property development companies in Australia

 STRONG BALANCE SHEET

 TARGETED DIVIDEND PAYOUT RATIO BETWEEN 40% AND 50% OF EARNINGS

 STABLE INVENTORY & PROJECT PIPELINE WITH 10,387 LOTS ACROSS 40 PROJECTS

**99%** CUSTOMERS ARE DOMESTIC BUYERS



VALUATION METRICS\*: • MARKET CAP \$223M • FY16 DIV YIELD 8.6% (FF 12.3%) • FY16 PER 5.4X • 1 YR TRADING RANGE \$0.52 - \$0.73 • NTA 95 CPS

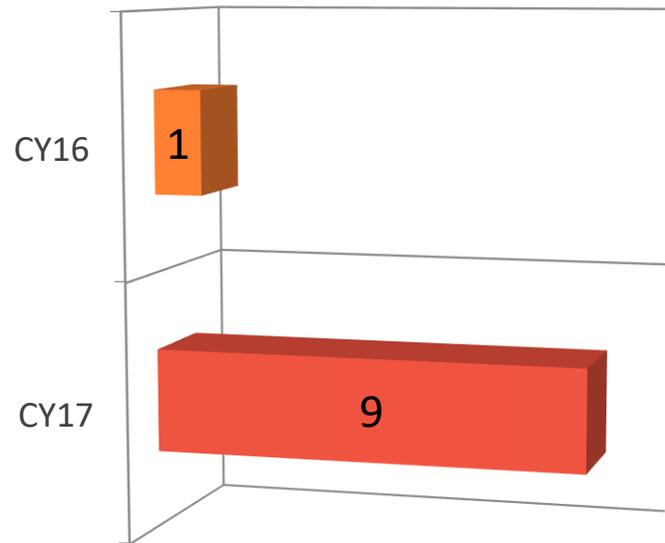
\* Using a 58 cent share price and FY16 results

# Business update and financial results

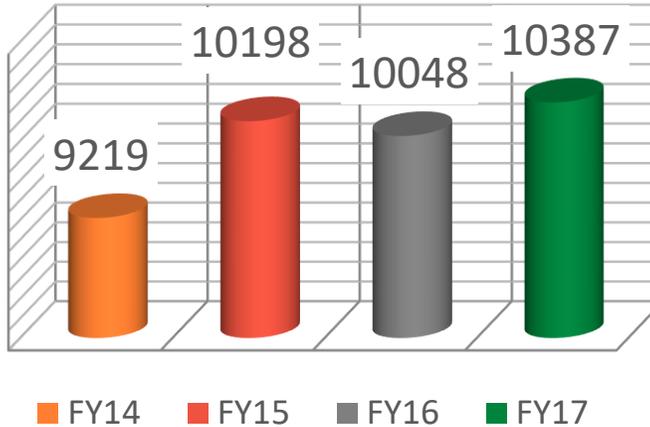
# There is increasing activity and momentum across the business

## MORE PROJECTS STARTING

Forecast

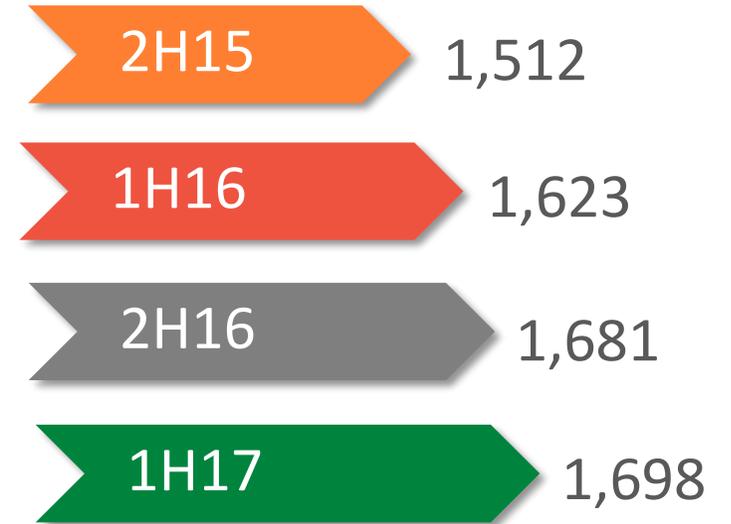


## MORE LOTS UNDER CONTROL



## MORE WORK IN PRODUCTION

Total lots WIP



# 10 new projects driving growth

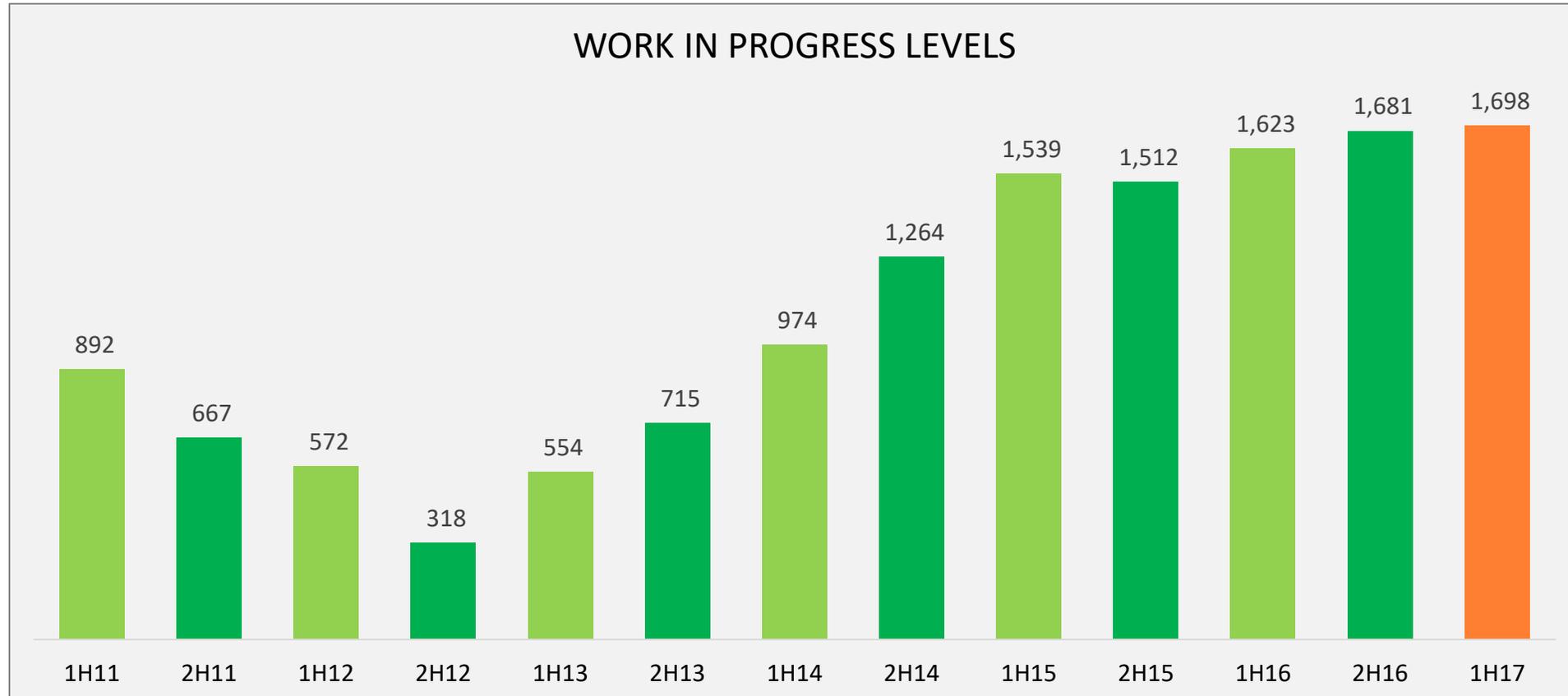
	PROJECT	STATE	LOTS	PRE	FY16	1H17	2H17	1H18	2H18	1H19
1	WATERLINE	VIC	512							
2	BRIDGEMAN DOWNS 2	QLD	54							
3	LYNDARUM NORTH	VIC	1820							
4	BOUNDARY RD, SCHOFIELDS	NSW	32							
5	SPRING FARM EAST	NSW	540							
6	SPRING FARM STARHILL	NSW	79							
7	JIMBOOMBA	QLD	1057							
8	BRIDGEMAN DOWNS 1	QLD	63							
9	COBBITTY RD, COBBITTY	NSW	57							
10	WARNERVALE	NSW	595							



- 4,809 lots or 46% of the inventory pipeline is in these 10 projects.
- Activity is based on forecast project plans.

# More work in production reflects our confidence in the market

- The level of completed unsold stock remains small at 3% of number of lots under control



## The changing mix in our product pipeline

	FY16	FY17
Product mix	Relatively higher mix of land sales to built form compared with FY17	Relatively higher mix of built form to land sales compared with FY16
Development to settlement time	Approx. 7 months	Approx. 15 months
Average contract value has increased	\$235k	\$293k

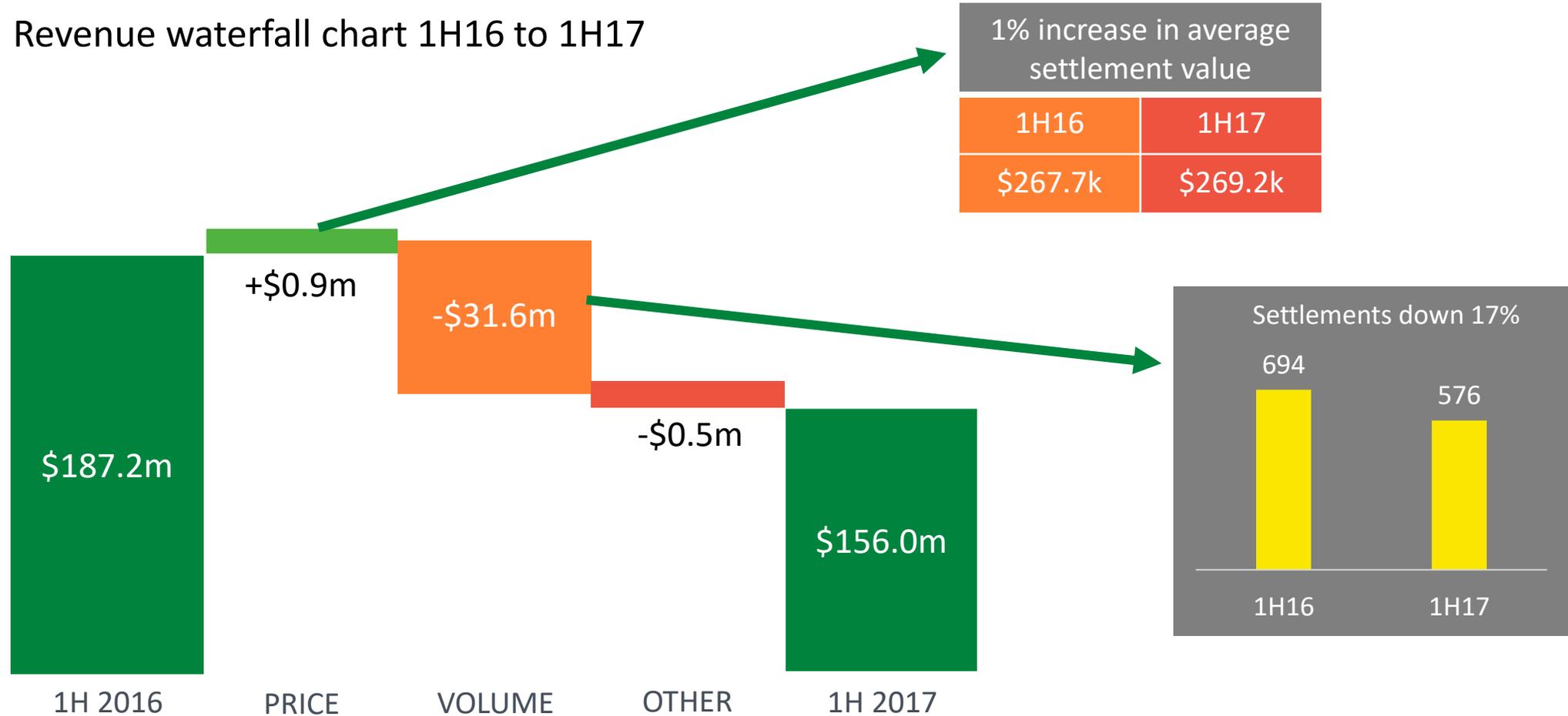
Note: Average contract value is based on contract signings

## 1H17 Results – financial summary

	1H17	1H16	% Change	FY16
REVENUE	\$156.0m	\$187.2m	(16.6%)	\$421.9m
STATUTORY PROFIT BEFORE TAX	\$20.4m	\$23.9m	(14.4%)	\$58.8m
STATUTORY PROFIT AFTER TAX	\$14.1m	\$16.5m	(14.4%)	\$40.9m
GROSS MARGINS	26.0%	23.6%	+2.4pp	25.2%
INVENTORY PROVISION WRITE BACK (AFTER TAX)	\$3.5m	\$2.6m	+38.0%	\$2.6m
NET TANGIBLE ASSETS (NTA)	\$362.3m	\$341.4m	+6.1%	\$361.1m
NTA PER SHARE	\$0.95	\$0.89	+6.7%	\$0.95
EPS (CENTS PER SHARE)	3.7	4.3	(14.8%)	10.7
DIVIDEND (CENTS PER SHARE)	1.5	1.5	0.0%	5.0

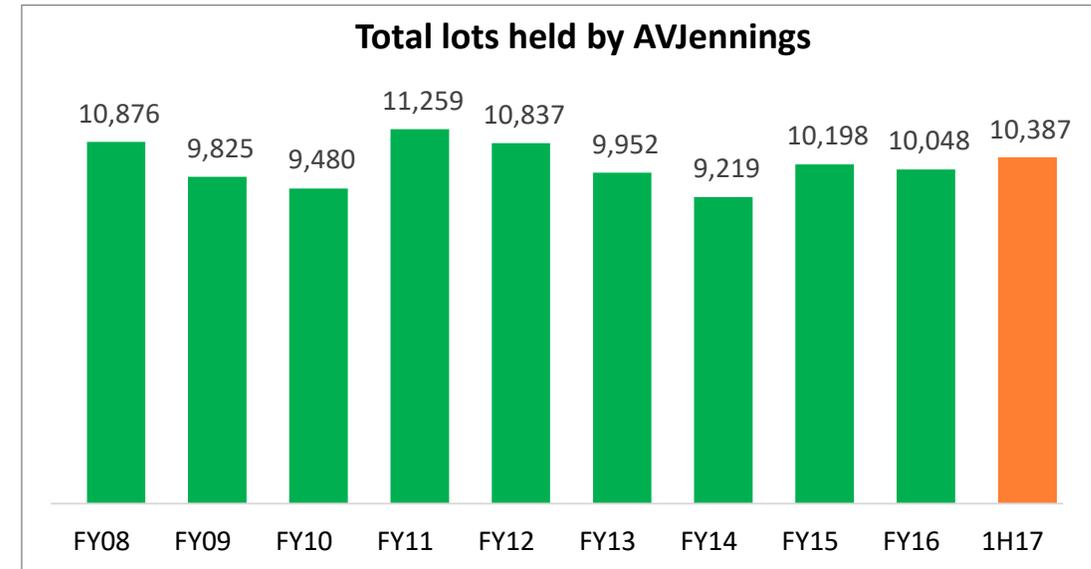
Transition to new projects and deliberate increase in built form reduced the volume of stock available for sale in the half

Revenue waterfall chart 1H16 to 1H17



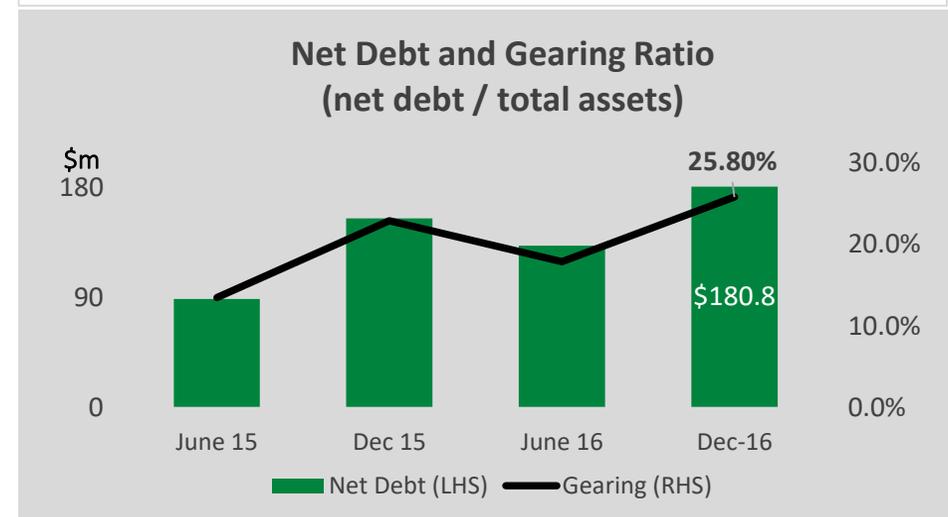
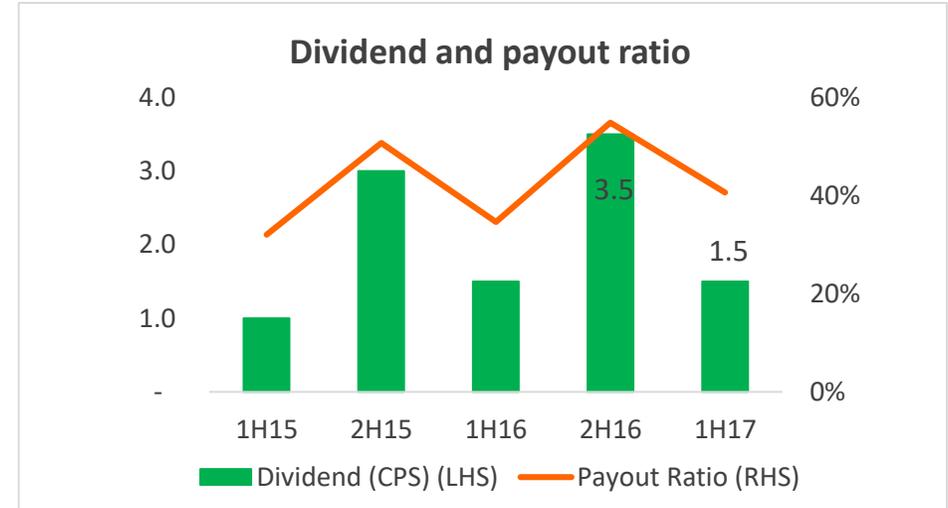
## Land holdings stable at 10,000 lots

- Acquisitions have enabled inventory to increase by 3.4% to 10,387 lots
- Quality of underlying inventory continues to improve
- Major 1H17 acquisition was Riverton, Jimboomba:
  - 50% interest in 127 hectares of land in Jimboomba, QLD (approx. 1,057 lots)



## Clear capital management framework focused on dividend growth and maintaining financial flexibility

- **Interim dividend maintained at 1.5 cents**
- Focus on increasing dividends as the business grows while maintaining a target a dividend payout ratio of 40-50% of earnings
- **Maintaining financial flexibility:**  
gearing remains comfortable 25.8% with total net debt \$180.8 million
- Within targeted ratio of 15% to 35%
- The increase in the half reflects seasonal mix of production levels and settlements, and timing of acquisitions.



# The market and our strategy

# The residential real estate market in Australia

## UNDER SUPPLY OF HOMES

~200k homes under supplied

- A 'new Melbourne' is needed approximately every 10 years to accommodate forecast population growth

## HOUSING AFFORDABILITY

An ongoing issue

## POSITIVE MARKET CONDITIONS

Supported by the continuation of:

- Population growth
- Stable employment
- Low interest rates
- Undersupply of traditional housing

## RISK

There is a risk of over-supply of inner city / CBD apartments in Melbourne and Brisbane

## RELEVANCE

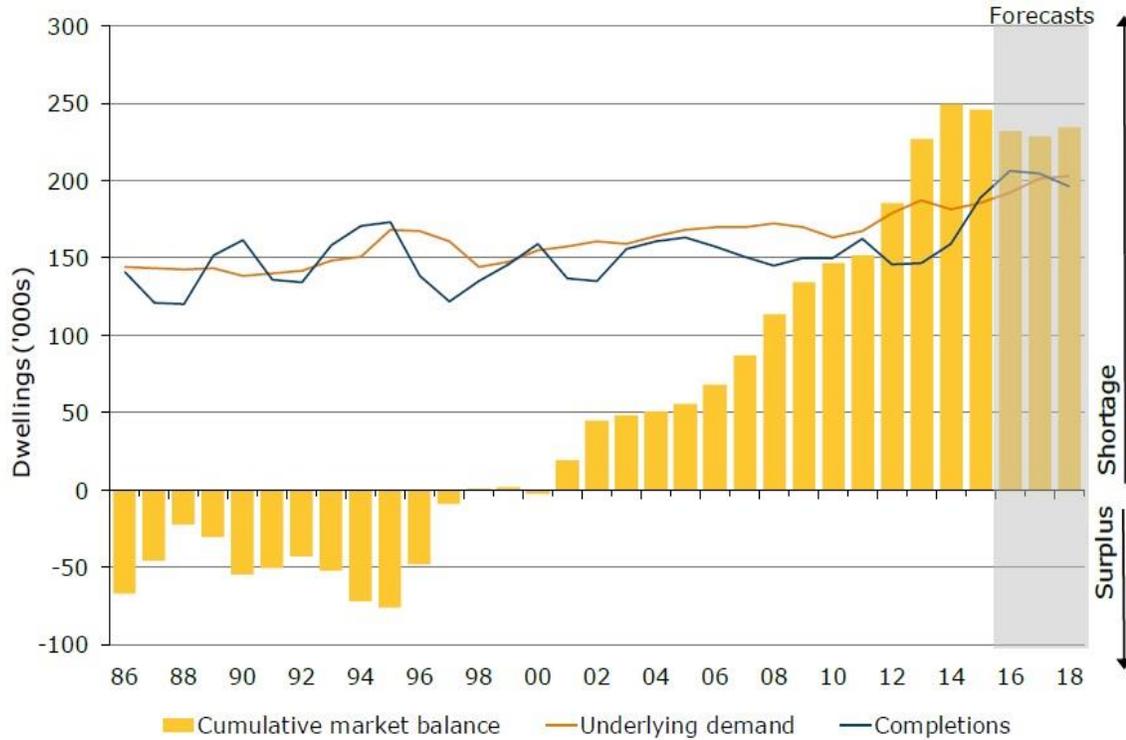
Property is the largest industry in Australia\*

- 11.5% of GDP
- > 1.7 million people are directly employed
- Residential sub-sector provides the majority of property's economic activity

\* Data taken from The Economic Significance of Property to the Australian Economy, Property Council of Australia, 2015

# Continuing demand and under supply in our sector

### Dwelling supply and demand in Australia



Source: ABS, ANZ Research

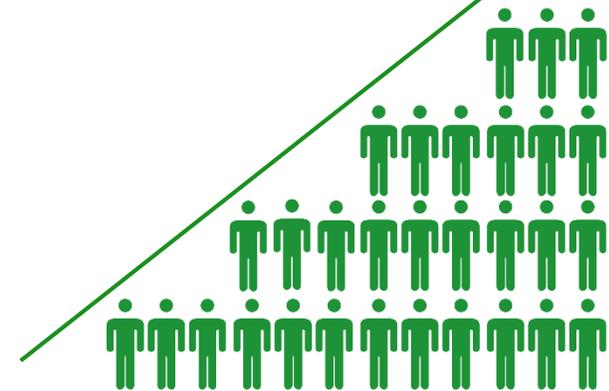
### Dwelling approvals in Australia



# Market outlook supported by positive economic fundamentals

## POPULATION GROWTH

Population growth ~ 1000 per day in Australia is centred on capital cities



YEAR	Population
2000	19m
2016	24m
2040	> 31m

Source: Australian Bureau of Statistics

## EMPLOYMENT

Employment outlook remains relatively stable

### UNEMPLOYMENT RATE

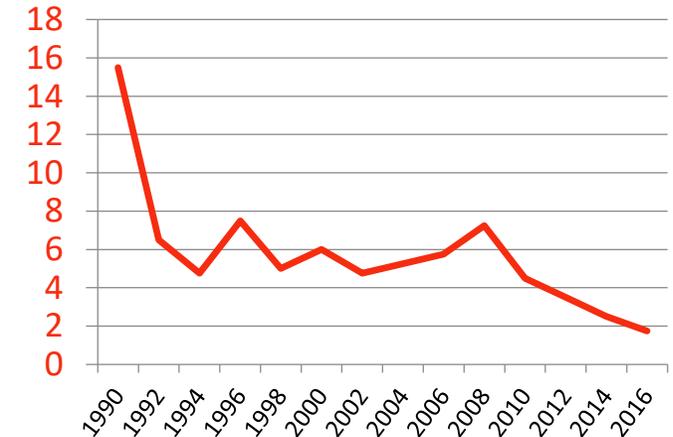


Source: [www.tradingeconomics.com](http://www.tradingeconomics.com) | Australian Bureau of Statistics

## INTEREST RATES

Historically low interest rates expected to remain

### CASH RATE



Source: Australian Bureau of Statistics

# Our strategy is about delivering sustainable and strong results

1

Strong, sustainable  
business platform

2

Primary focus  
on horizontal  
residential  
development

3

Maintain  
geographic  
diversity

4

Target stable,  
traditional  
customer profile

5

Volume driven,  
not price driven

6

Attractive, high  
quality product  
that is affordable

# Strong and sustainable business platform

## BRAND STRENGTH

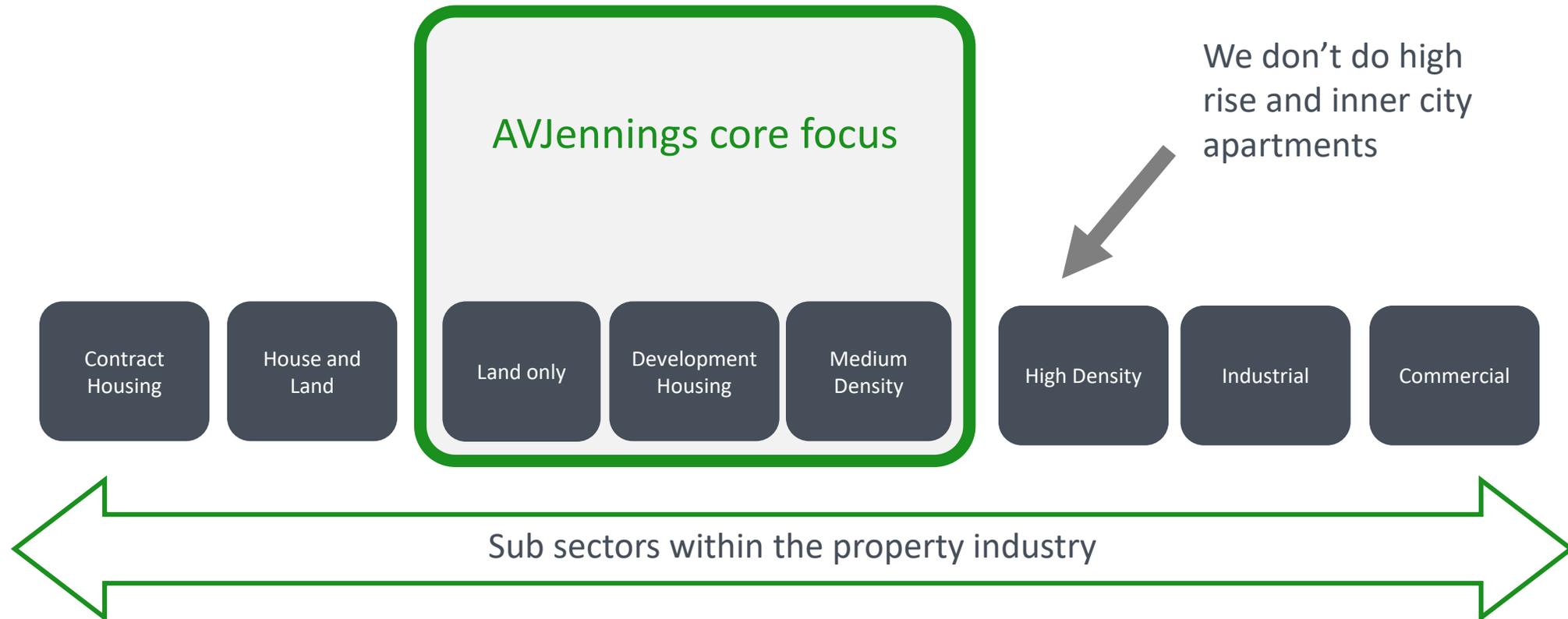
- Customers associate trust, reliability, value and quality with AVJennings
- The brand is positively recognised by other stakeholders (suppliers, government, land owners, financial institutions)
- We're investing in the brand.

## PEOPLE & COMMUNITY FOCUS

## STRONG INTERNAL SYSTEMS

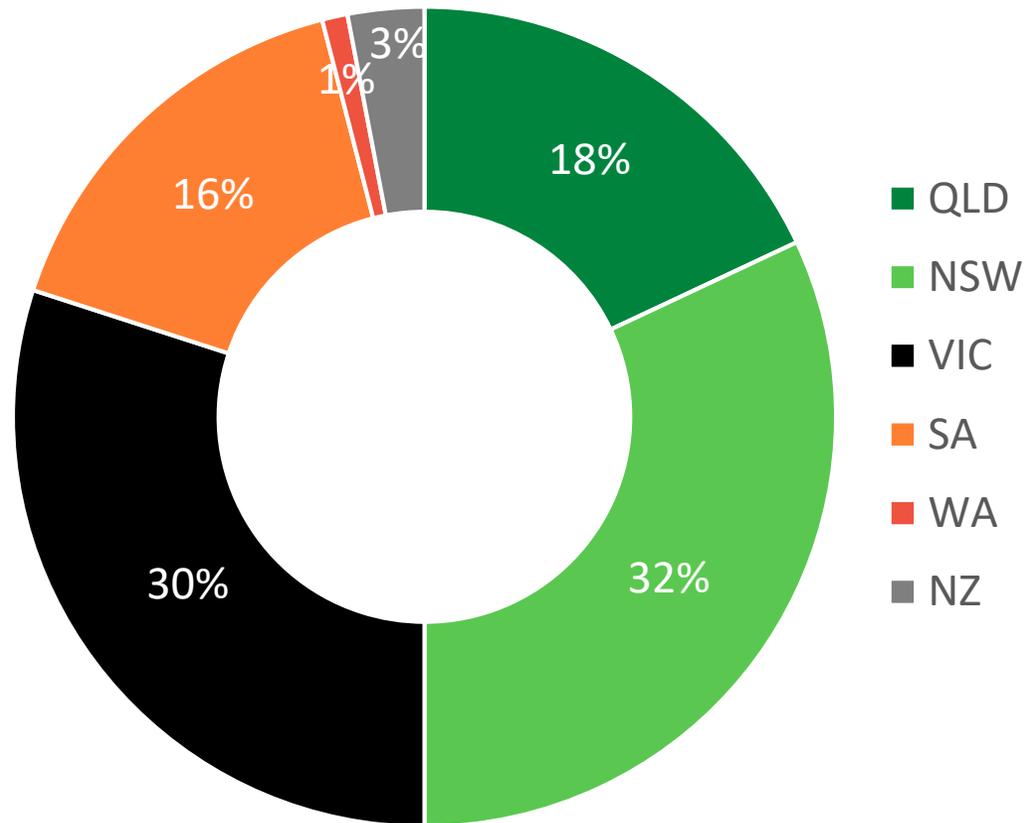
## GOOD CORPORATE GOVERNANCE

Our core market focus is unchanged: we mainly develop horizontal residential real-estate for local customers

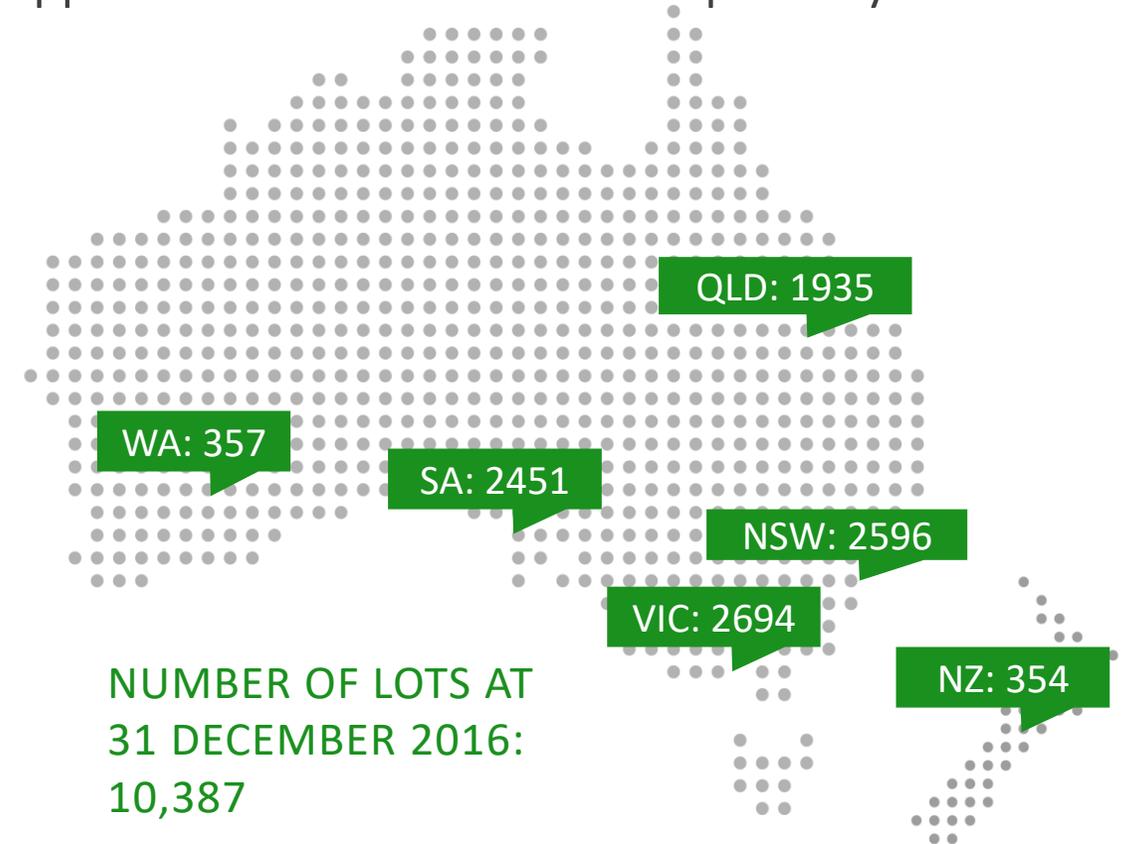


# Our diversified geographic mix differentiates us from other residential developers

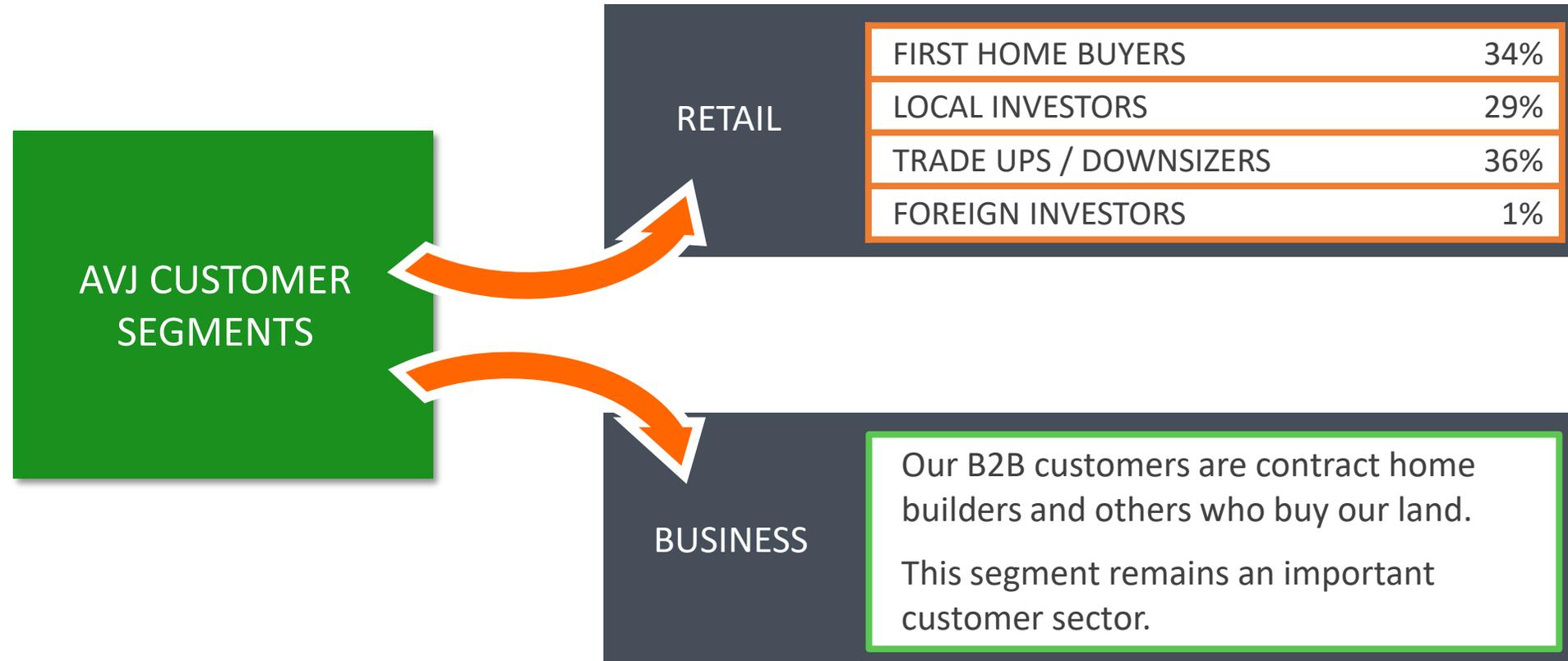
Diverse allocation of net funds employed



Opportunities across different capital city markets



# Large and growing market of customers





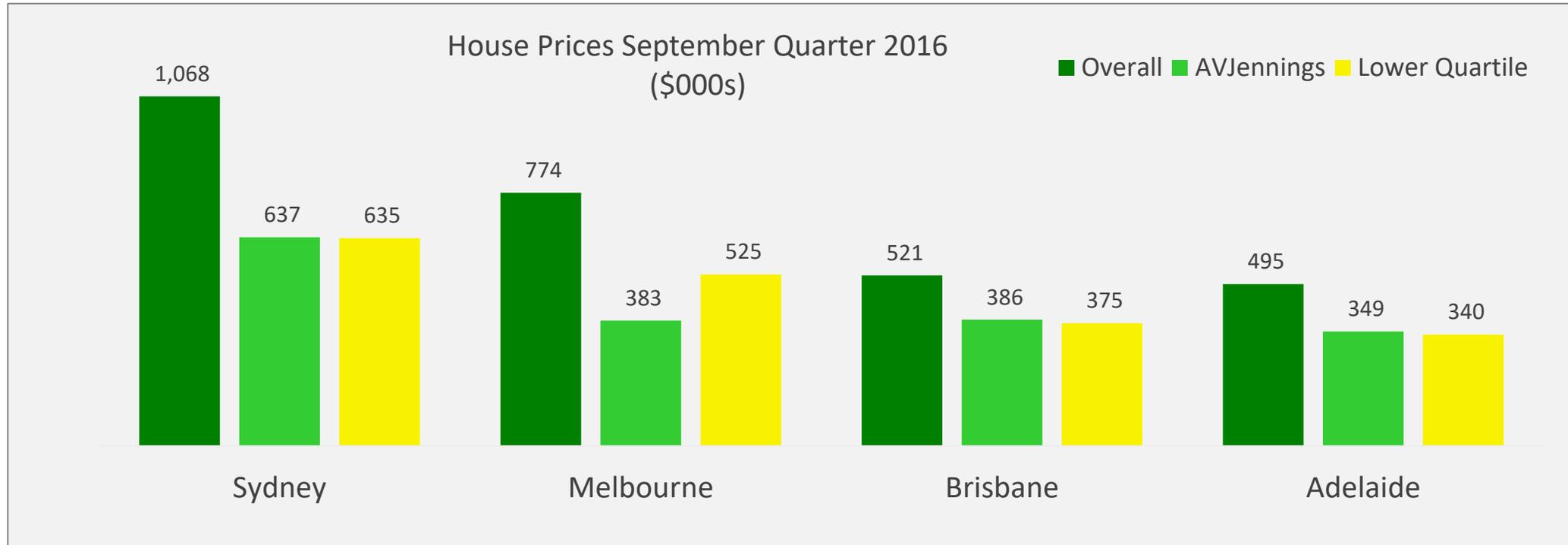
## We are volume driven, not price driven

The aim is for an efficient use of funds employed

Pricing for new residential product, particularly in greenfield developments, is highly transparent

As a developer the final sale price is only one component of process

# Providing affordable product



Overall capital city figures are the September 2016 quarter median sourced from the Domain House Price Report September Quarter 2016. AVJennings figures are based on average selling price for the first half of the 2017 financial year. Only town homes have been sold in Melbourne by AVJennings in that period. AVJennings Brisbane data includes sales from projects in the Sunshine Coast, Ipswich, and Gold Coast. The lower quartile figures are for the September 2016 quarter, and have been sourced from BIS Shrapnel.

# Outlook

# Second half company outlook

## CONTRACT SIGNINGS

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Similar level to 2016

## CAPITAL MANAGEMENT

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**DIVIDENDS:** Continuing to target a dividend payout ratio of 40-50% of earnings

**GEARING:** maintain a net debt to total assets within the range of 15% to 35%

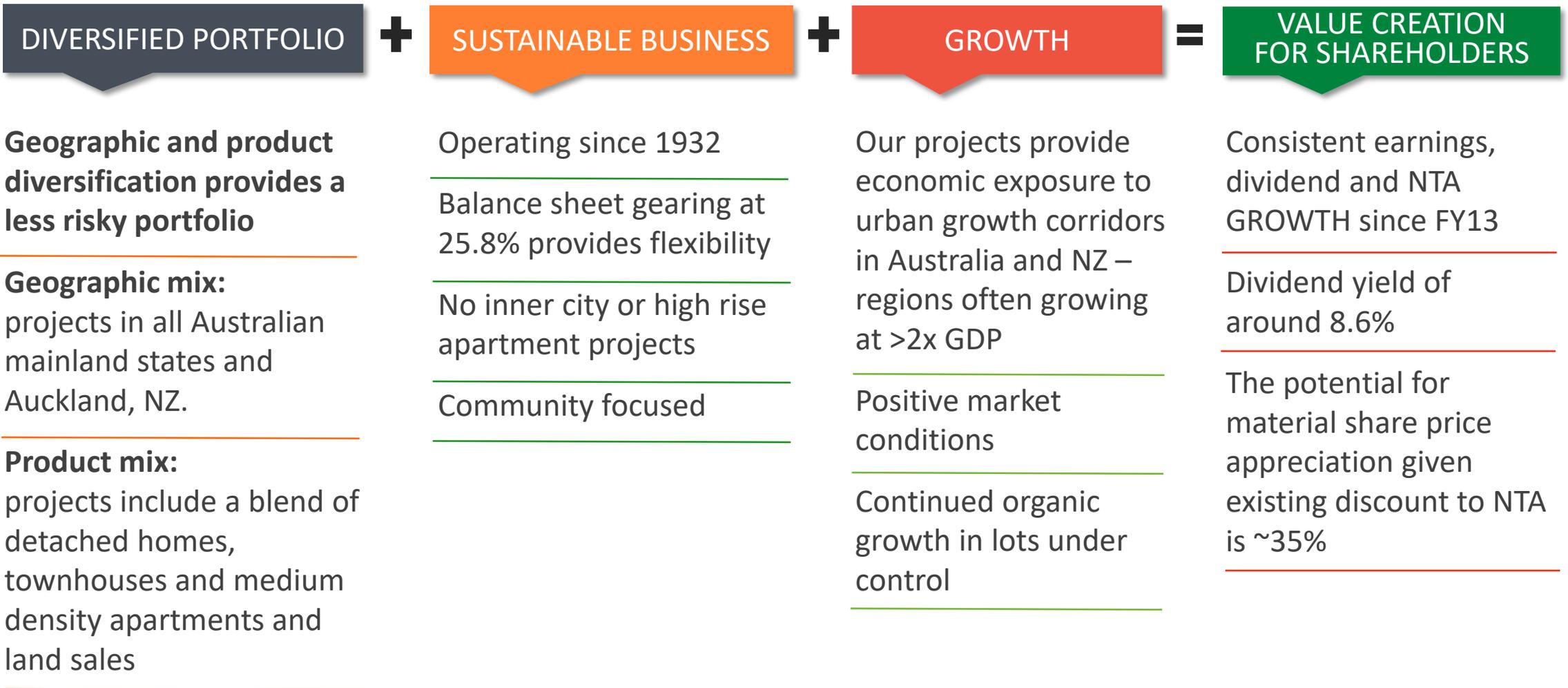
## REVENUE and EARNINGS

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Earnings bias has shifted further into 2H17 given estimated timing of built form settlements

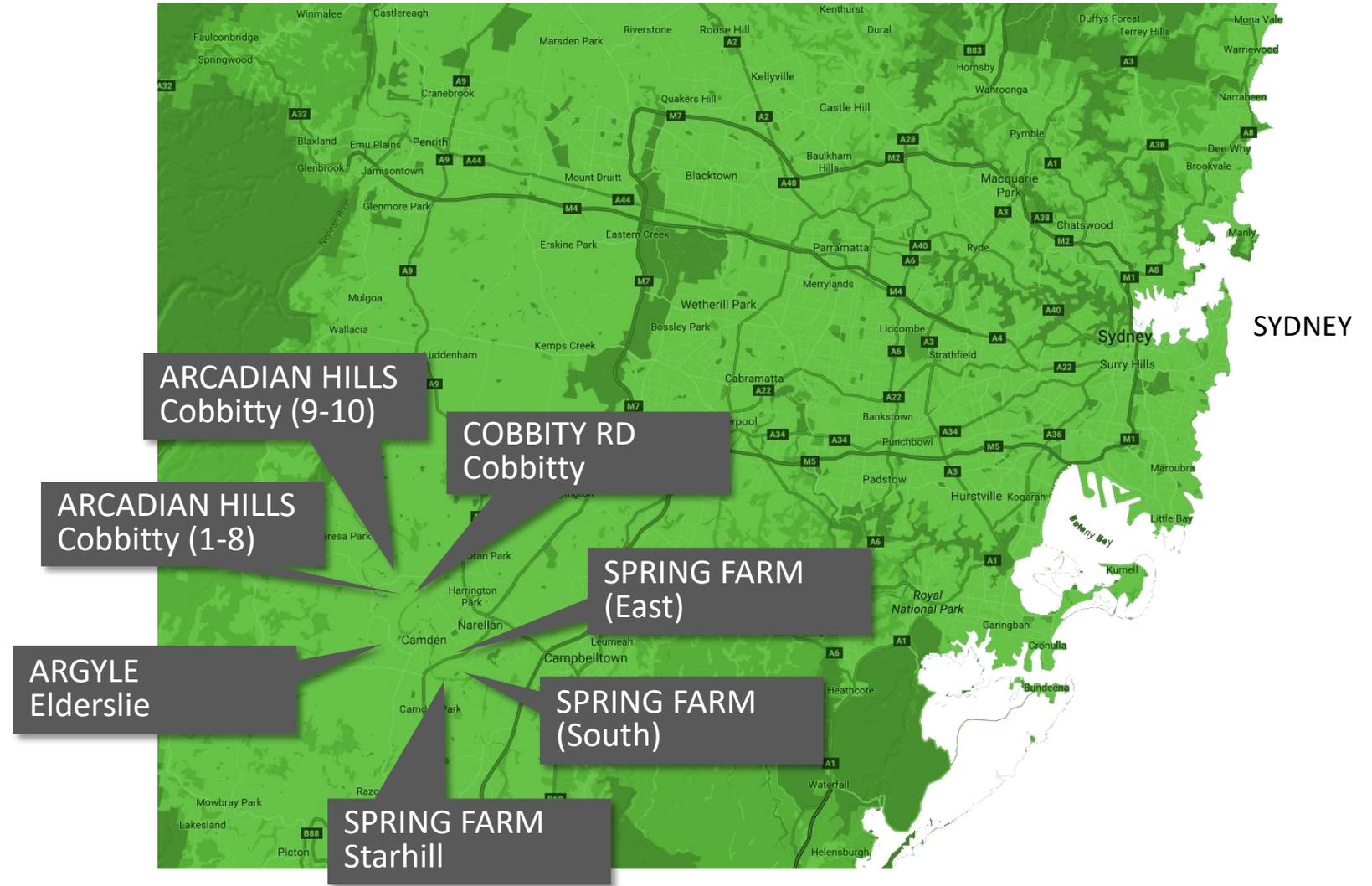
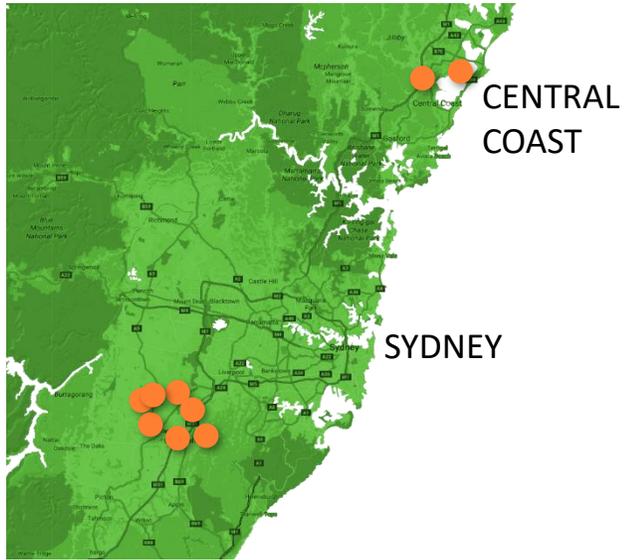
Positive fundamentals remain and the strategy of delivering traditional housing solutions at affordable prices in well-planned communities will continue to provide shareholders with healthy returns.

# Why invest in AVJennings?



## Project information

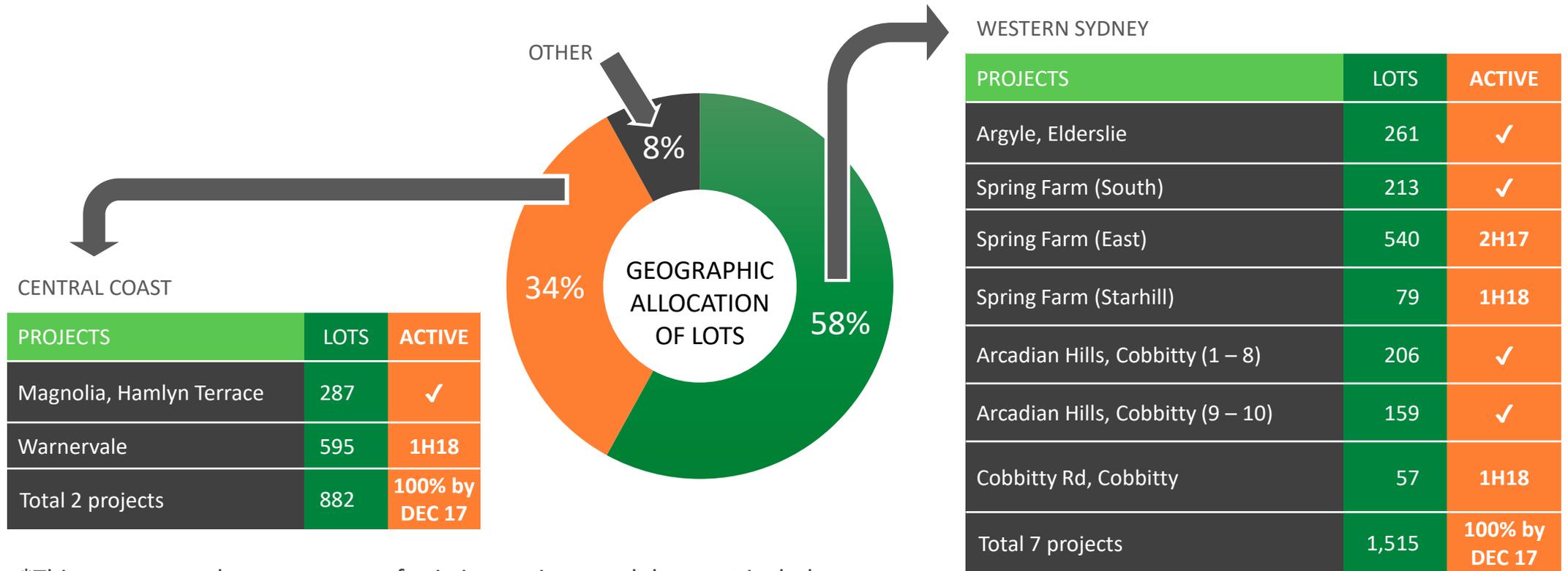
# Our NSW communities are mainly situated in Western Sydney and the Central Coast



# NSW Project Pipeline

DEC 2016 INVENTORY	
PROJECTS	LOTS
12	2,596

% LOTS IN ACTIVE PROJECTS	
DEC 2016	DEC 2017
51%	100%*



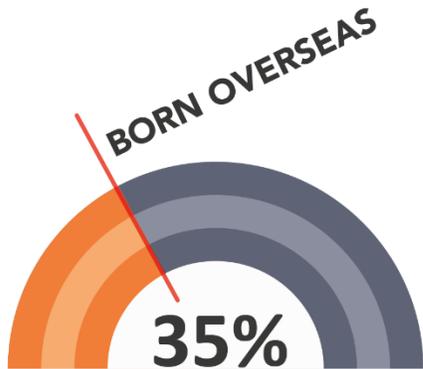
\*This represents the percentage of existing projects and does not include potential acquisitions.

# Western Sydney urban growth corridor – strong demand for traditional housing likely to continue for many years

## POPULATION

# 1MILLION

MORE RESIDENTS BY 2031



## INDUSTRY

# 123<sup>RD</sup> LARGEST ECONOMY

WORTH **\$127** BILLION



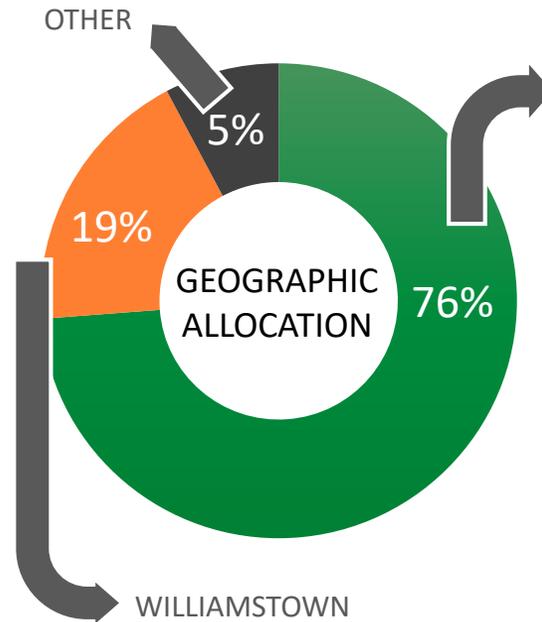
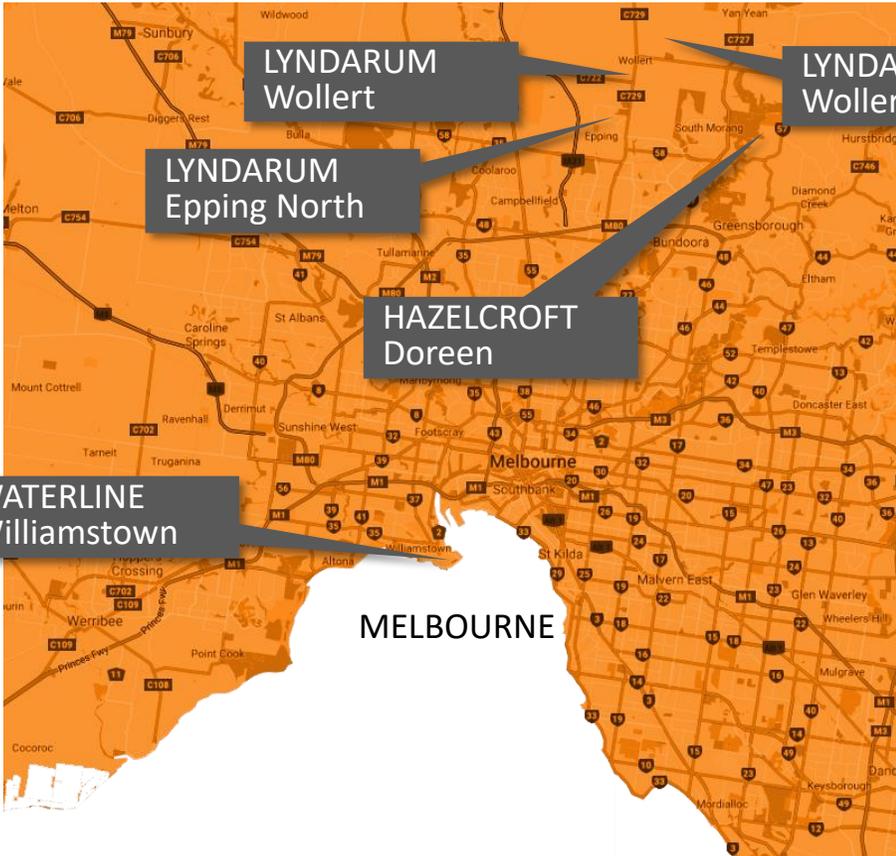
## INFRASTRUCTURE

# \$35 BILLION

MAJOR PROJECTS IN THE PIPELINE



# Our Victorian communities are focused around Melbourne's northern growth corridor and Williamstown



DEC 2016 INVENTORY	
PROJECTS	LOTS
6	2,694

### NORTHERN MELBOURNE

PROJECTS	LOTS	ACTIVE
Lyndarum, Wollert	41	✓
Lyndarum North, Wollert JV	1,820	✓
Lyndarum, Epping North	7	✓
Hazelcroft, Doreen	166	✓
<b>Total 4 projects</b>	<b>2,034</b>	<b>100% Active</b>

Waterline at Williamstown is a 512 lot development comprising apartments and townhouses. Settlement for the first two stages is expected late 2H17.

## POPULATION

**200,000**  
RESIDENTS



**FORECAST GROWTH**  
OVER NEXT  
25 YEARS



**GROWTH RATE**  
> MORE THAN  
DOUBLE THE  
AUSTRALIAN RATE



**47%** WORKERS LIVE &  
WORK IN THE AREA

## INDUSTRY

**\$5.53** BILLION  
GROSS REGIONAL PRODUCT

**11,600** LOCAL  
BUSINESSES

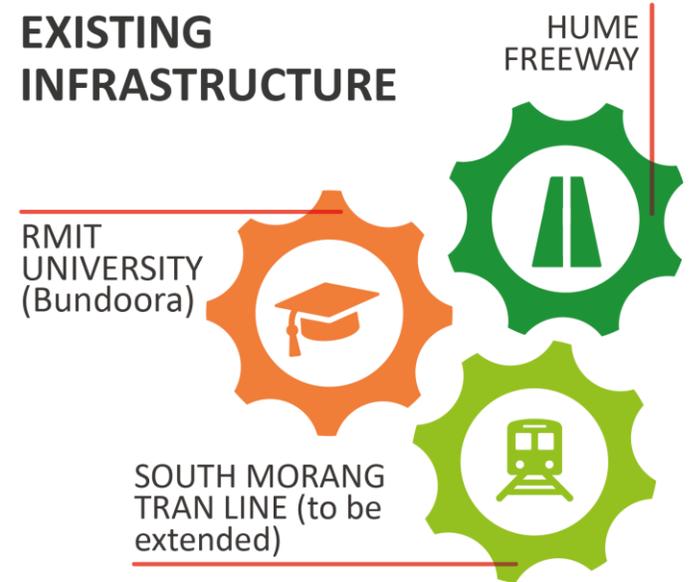
 **2** MAJOR  
INDUSTRIAL  
PRECINCTS  
EPPING & THOMASTOWN



**25%** INCREASE IN  
JOBS SINCE 2009  
DRIVEN BY RETAIL,  
HEALTH AND  
HOSPITALITY

## INFRASTRUCTURE

**EXISTING  
INFRASTRUCTURE**



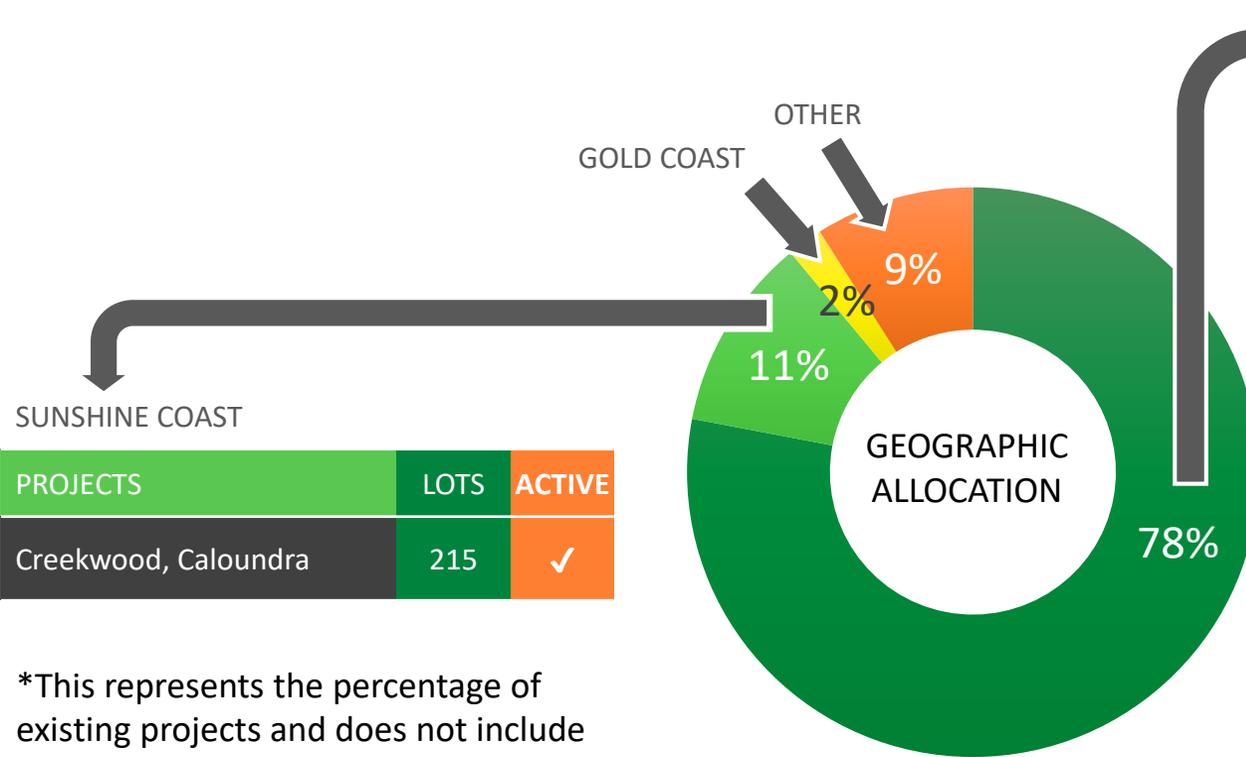
# Our QLD communities are mainly located around SEQ's growth corridors



# QLD Project Pipeline

DEC 2016 INVENTORY	
PROJECTS	LOTS
11	1,935

% LOTS IN ACTIVE PROJECTS	
DEC 2016	DEC 2017
39%	100%*



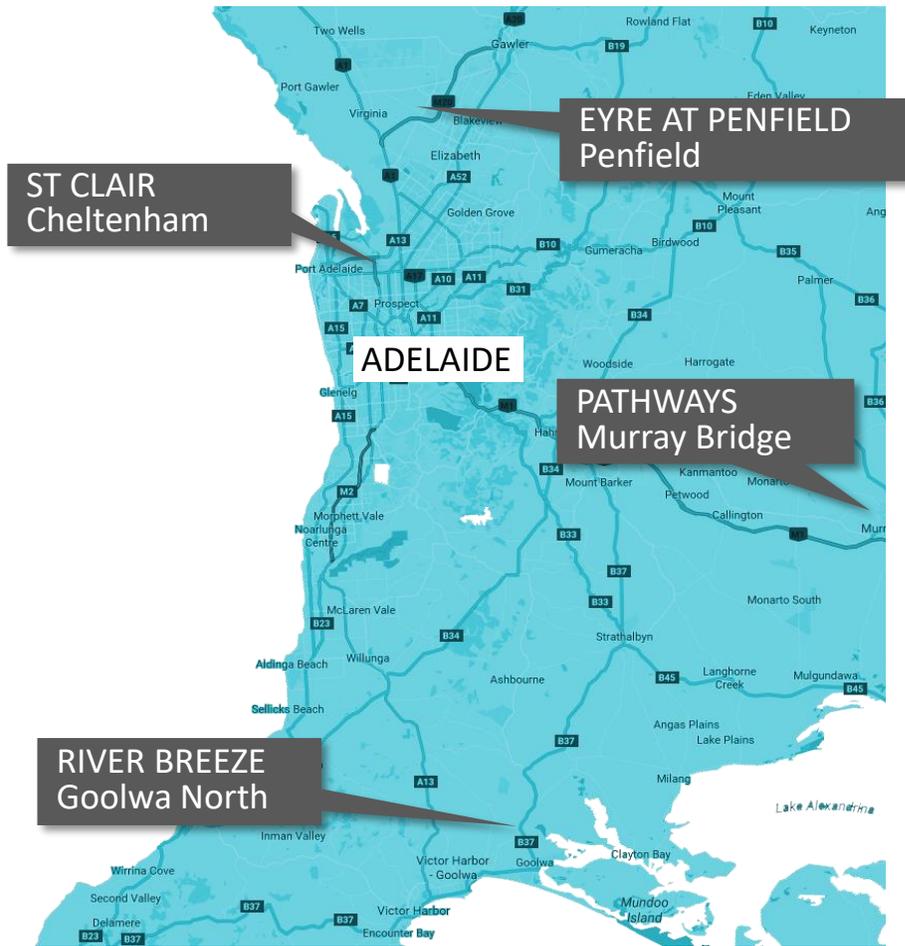
PROJECTS	LOTS	ACTIVE
Creekwood, Caloundra	215	✓

\*This represents the percentage of existing projects and does not include potential acquisitions.

## METRO BRISBANE

PROJECTS	LOTS	ACTIVE
Halpine Lake, Mango Hill	111	✓
Essington Rise, Leichhardt	51	✓
Villaggio, Richlands	29	✓
Kersley Lane, Kenmore	32	✓
Parkside, Bethania	116	✓
Bridgeman Downs 1	63	1H18
Enclave, Bridgeman Downs	54	✓
Jimboomba	1,057	2H17
<b>Total 8 projects</b>	<b>1,513</b>	<b>100% by DEC 17</b>

# SA Project Pipeline – 95% of the pipeline is in the Adelaide metropolitan area



DEC 2016 INVENTORY		% LOTS IN ACTIVE PROJECTS	
PROJECTS	LOTS	DEC 2016	DEC 2017
4	2,451	94%	100%*

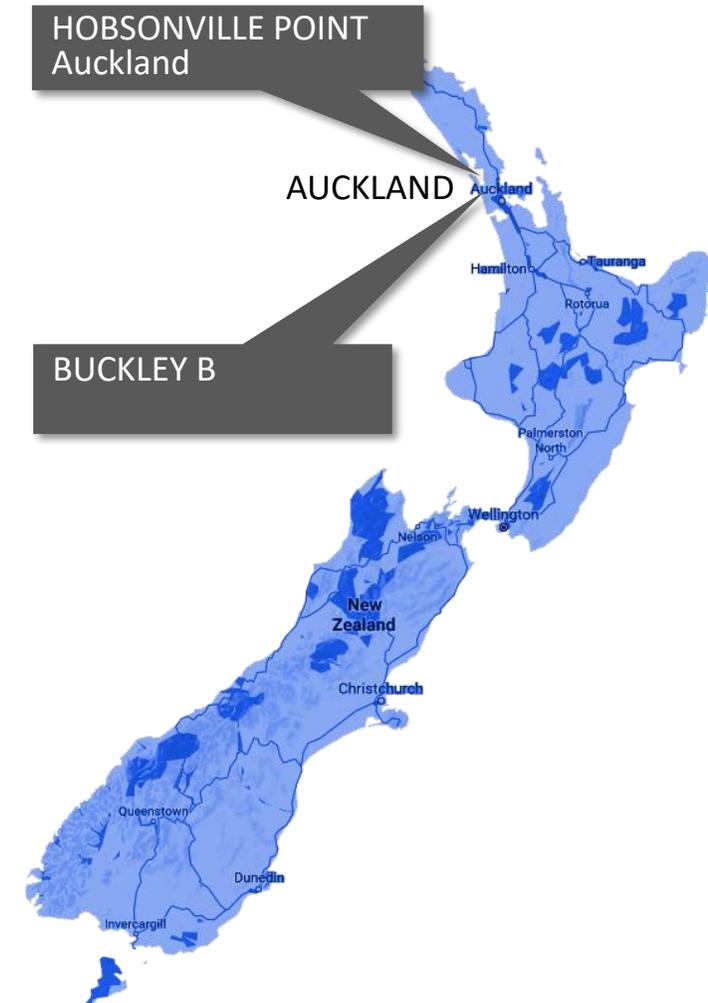
PROJECTS	LOTS	ACTIVE
Eyre At Penfield	1,700	✓
St Clair at Cheltenham	608	✓
River Breeze, Goolwa North	80	1H18
Pathways, Murray Bridge	53	2H17
Total 4 projects	2,441	100% by DEC 17
Remnant lots	10	

\*This represents the percentage of existing projects and does not include potential acquisitions.

# Auckland Project Pipeline

DEC 2016 INVENTORY		
PROJECTS	LOTS	ACTIVE
Hobsonville Point	42	✓
Buckley B	312	✓

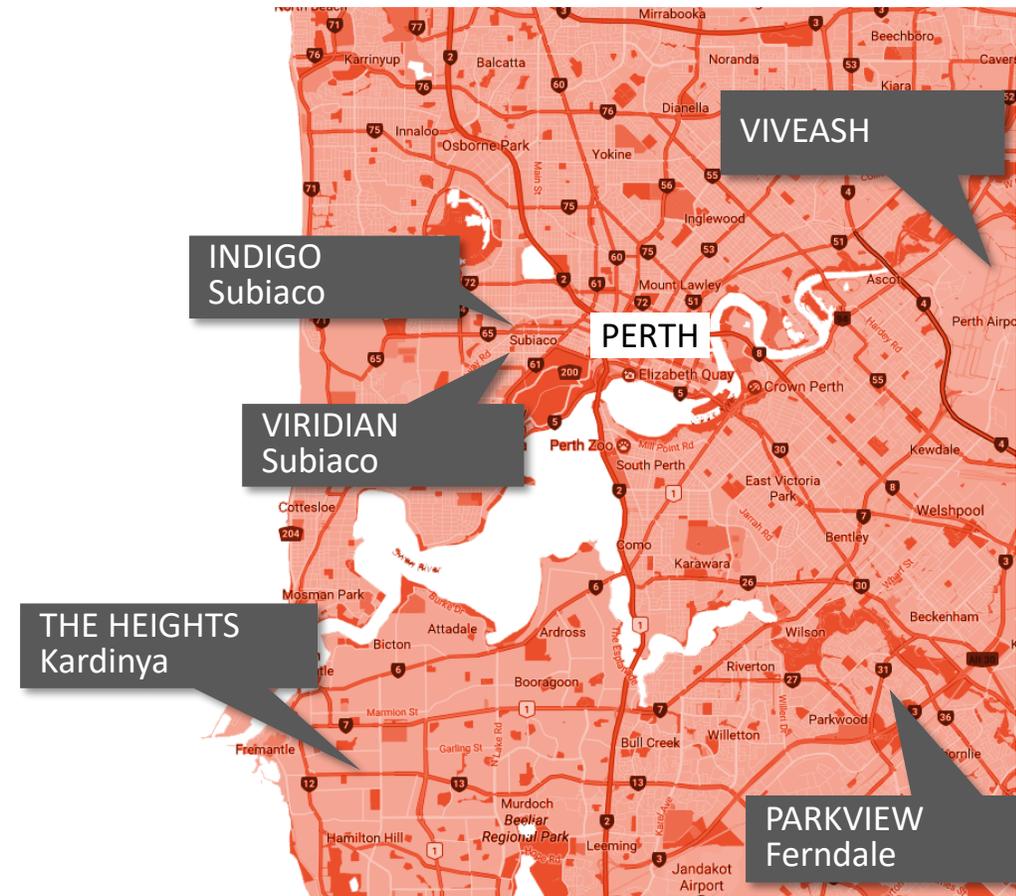
- Auckland remains a strong market
- The 42 lots in Hobsonville were acquired in 1H17.



# WA Project Pipeline – funds employed is only \$8m across 5 JVs

## DEC 2016 INVENTORY

PROJECTS	LOTS	ACTIVE
Indigo China Green, Subiaco	124	✓
Viridian China Green, Subiaco	12	✓
The Heights, Kardinya	107	2H17
Viveash	68	2H17
Parkview, Ferndale	46	✓
Total 5 JV projects	357	100% by JUN 17



# Appendices

## Balance Sheet: selected line items

\$millions	DECEMBER 2016	JUNE 2016
<b>Current Assets</b>		
Cash and cash equivalents	4.2	43.1
Inventories	230.5	209.9
<b>Total Current Assets</b>	<b>314.5</b>	<b>361.2</b>
<b>Non-Current assets</b>		
Inventories	341.2	343.1
<b>Total Non-Current Assets</b>	<b>387.5</b>	<b>380.2</b>
<b>Total Assets</b>	<b>702.0</b>	<b>741.4</b>
<b>Current Liabilities</b>		
Trade and other payables	76.6	120.6
<b>Total Current Liabilities</b>	<b>95.0</b>	<b>147.4</b>
<b>Non-Current Liabilities</b>		
Interest bearing loans and borrowings	176.6	165.5
<b>Total Non-Current Liabilities</b>	<b>241.9</b>	<b>230.1</b>
<b>Total Liabilities</b>	<b>336.9</b>	<b>377.5</b>
<b>Net Assets</b>	<b>365.1</b>	<b>363.9</b>

## Cash Flow Statement: selected line items

\$millions	1H17	1H16
<b>Cash flows from operating activities</b>		
Receipts from customers	190.3	207.3
Payments to suppliers, land vendors and employees	(207.6)	(257.0)
<b>Net cash used in operating activities</b>	<b>(35.3)</b>	<b>(56.4)</b>
<b>Cash flows from investing activities</b>		
<b>Net cash from investing activities</b>	<b>0.3</b>	<b>1.6</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	67.7	164.1
Repayment of borrowings	(58.2)	(105.9)
<b>Net cash (used in) / from financing activities</b>	<b>(4.0)</b>	<b>46.7</b>
<b>Net decrease in cash held</b>	<b>(39.0)</b>	<b>(8.1)</b>

# Lot settlements and land payments

	FY12	FY13	FY14	FY15	FY16	1H16	1H17
Total settlements (units)	861	829	1,254	1,538	1,596	694	576
NSW settlements (units)	110	158	200	493	454	173	172
VIC settlements (units)	395	186	329	247	326	151	127
QLD settlements (units)	172	121	352	409	439	268	120
SA settlements (units)	105	166	138	144	143	63	55
NZ settlements (units)	79	198	235	245	234	39	102
Lots under control at end of year	10,837	9,952	9,219	10,198	10,048	10,436	10,387
Work in progress (units)	318	715	1,264	1,512	1,681	1,623	1,698
Work in progress (\$ million)	61.9	72.1	127.3	158.5	169.5	153.5	259.3
Revenue from settlements (\$ million)	182.3	152.2	244.4	308.8	422.3	185.7	155.1
Land Payments (\$ million)	68.0	28.4	53.9	68.1	175.5	131.6	69.6