

Full Year Results 2017 Presentation

18 AUGUST 2017



YOUR COMMUNITY DEVELOPER

AVJennings®

Table of Contents

AVJennings at a glance	3
Business update and financial results	4
The market and our strategy	15
Outlook for 2018	21
Investment proposition	22
Appendices – Waterline update and group project pipeline	23

AVJennings at a glance

ESTABLISHED



FOCUS

ON AFFORDABLE HOUSING
IN URBAN GROWTH
CORRIDORS



STRONG
BALANCE SHEET



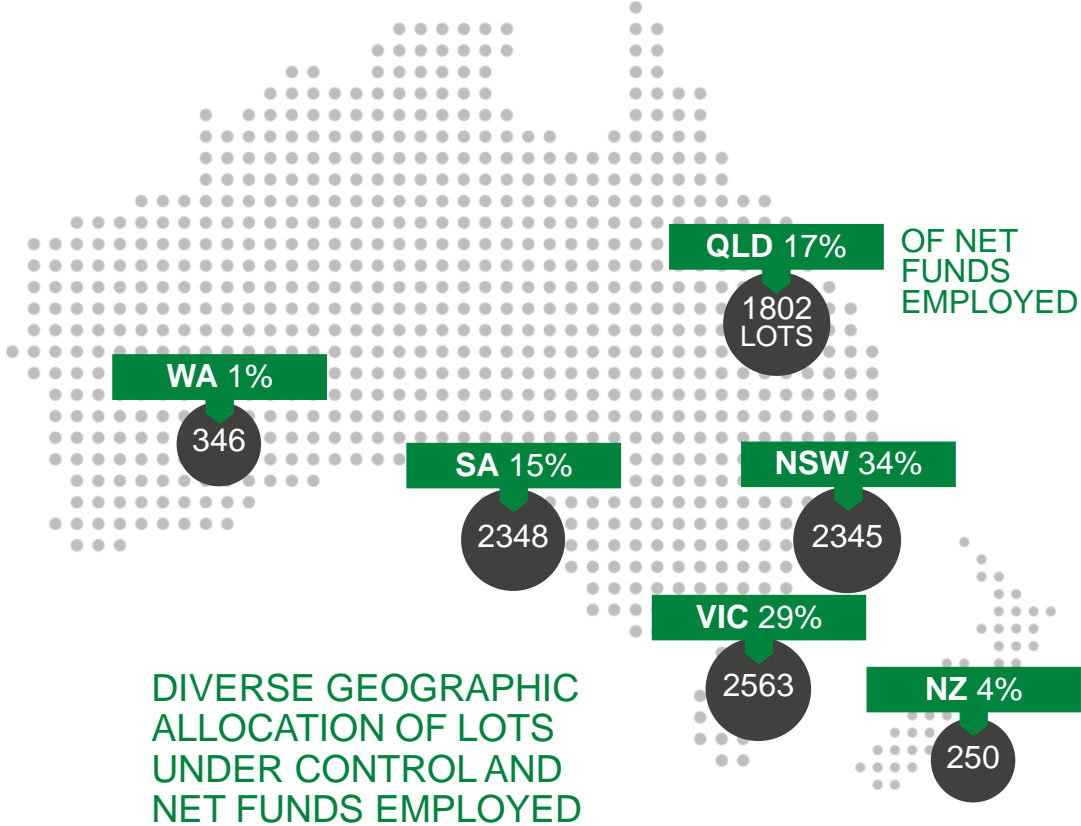
TARGETED DIVIDEND
PAYOUT RATIO BETWEEN
40% AND 50% OF EARNINGS



STABLE INVENTORY &
PROJECT PIPELINE
WITH 9,654 LOTS
ACROSS 40 PROJECTS

99% OF CUSTOMERS
ARE DOMESTIC
BUYERS

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

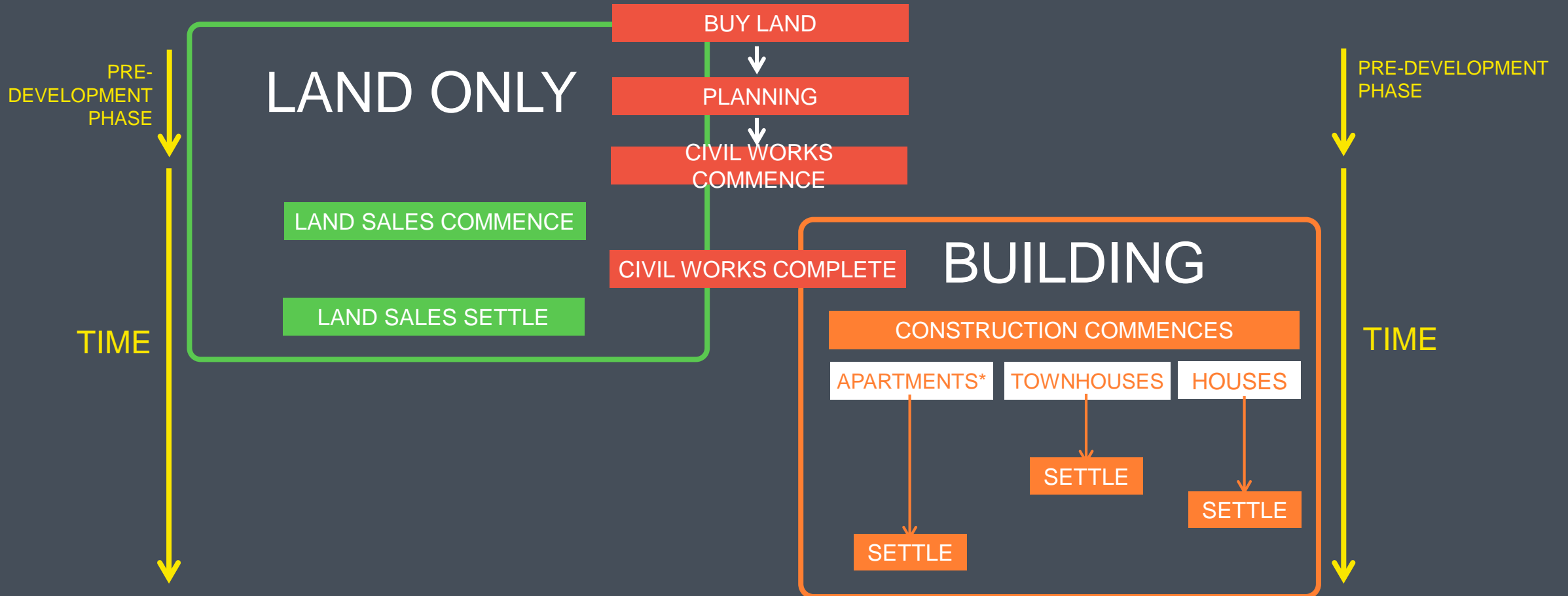


VALUATION METRICS*: • MARKET CAP \$279M • FY17 DIV YIELD 6.9% (FF 9.9%) • FY17 PER 7.8X • 1 YR TRADING RANGE \$0.57 - \$0.78 • NTA 99 CPS

* Using a 72.5 cents share price (17/08/17) and FY17 results

What We Do

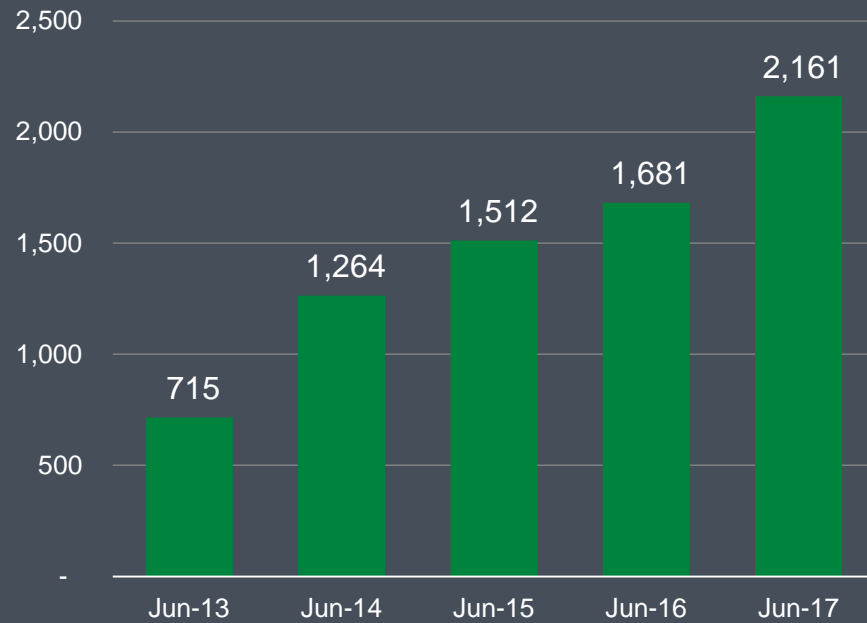
1) We buy land (2) develop and sub-divide it (3) then sell a mix of land and AVJ built homes on our land



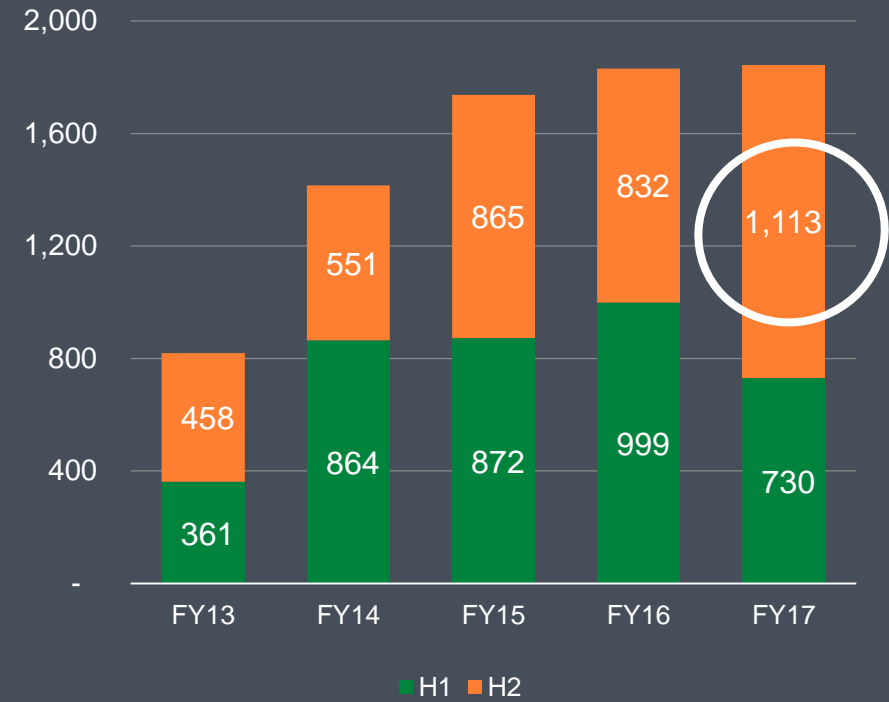
* Apartments – not high rise, not in CBDs

Momentum continues















































WORK IN PROGRESS (LOTS)



CONTRACT SIGNINGS (LOTS)



New projects driving growth

PROJECT	STATE	LOTS	FY17	FY18	FY19	FY20
1 WATERLINE	VIC	447				
2 BRIDGEMAN DOWNS 2	QLD	16	  			
3 LYNDARUM NORTH	VIC	1820	 			
4 BOUNDARY RD, SCHOFIELDS	NSW	11	  			
5 SPRING FARM EAST	NSW	540		 		
6 SPRING FARM	NSW	79	 			
7 JIMBOOMBA	QLD	1196	 			
8 BRIDGEMAN DOWNS 1	QLD	63		  		
9 COBBITTY RD, COBBITTY	NSW	57		  		
10 WARNERVALE	NSW	595		 		
11 KOGARAH*	NSW	67		 		 
12 ROCHEDALE*	QLD	81		  		

-  DEVELOPMENT START
-  FIRST CONTRACT SIGNINGS
-  FIRST SETTLEMENTS
-  SETTLEMENTS CONTINUE

- ~50% of the inventory pipeline is in these projects.
- Activity is based on forecast project plans.

The changing mix in our product pipeline

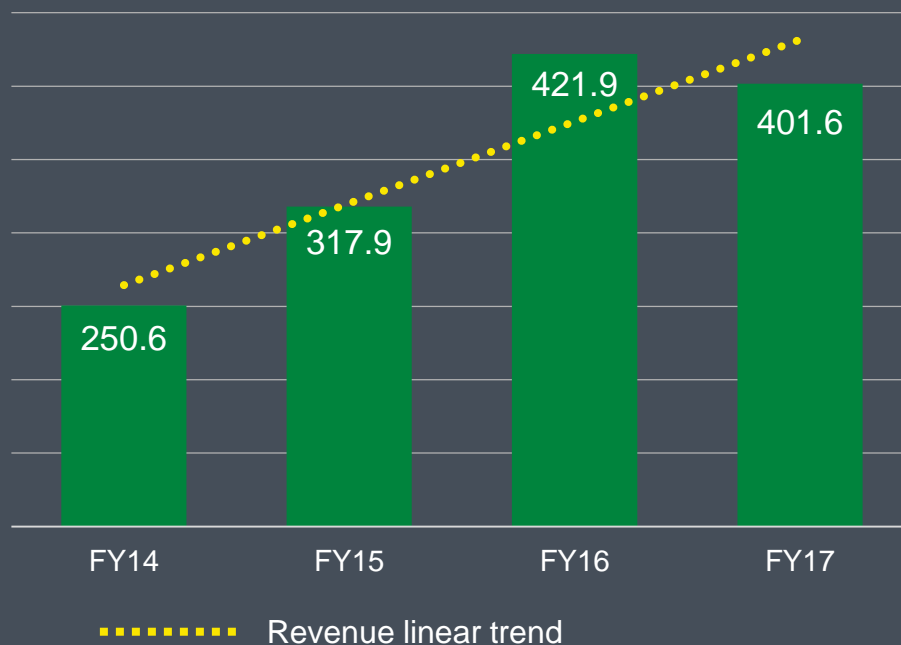
	FY16	FY17
Product mix	Relatively higher mix of land sales to built form compared with FY17	Relatively higher mix of built form to land sales compared with FY16
Average contract value* has increased		
- Total Company	\$235k	\$273k
- Total Company (excl. NZ)	\$246k	\$292k

This is an intentional rebalancing of our product pipeline towards retail customers and more built form. Built form increases the project value and extends the amount of time between development starting and settlement.

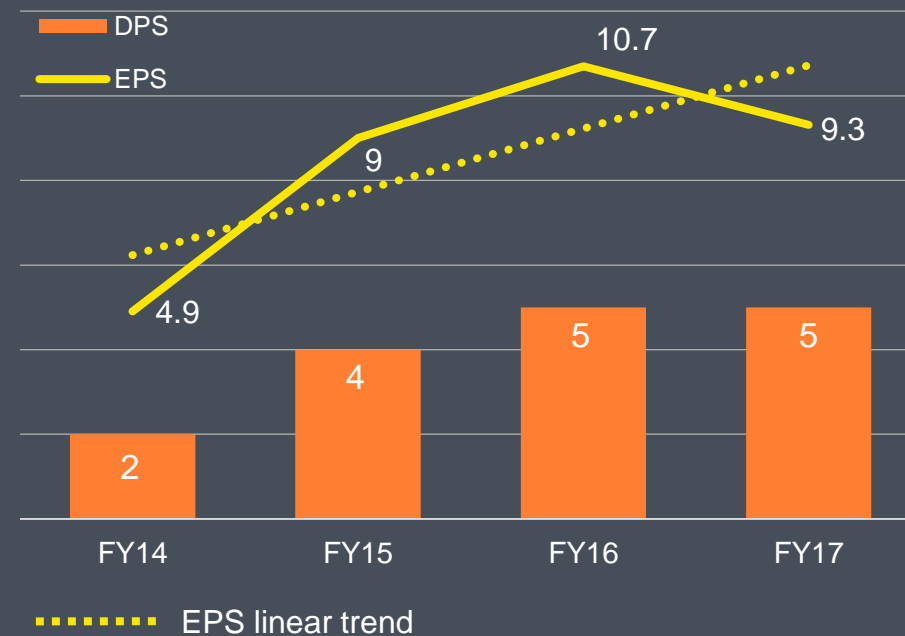
* Average contract value is based on net contract price to AVJennings

A proven track record

REVENUE (\$M)



EARNINGS AND DIVIDEND GROWTH (CPS)



FY17 Results – financial summary

	FY17	FY16	% Change	FY15	FY14
REVENUE	\$401.6m	\$421.9m	(4.8%)	\$317.9m	\$250.6m
STATUTORY PROFIT BEFORE TAX	\$51.0m	\$58.8m	(13.2%)	\$48.2m	\$27.0m
STATUTORY PROFIT AFTER TAX	\$35.7m	\$40.9m	(12.7%)	\$34.4m	\$18.8m
GROSS MARGINS	24.0%	25.2%	(1.2pp)	26.8%	21.9%
INVENTORY PROVISION WRITE BACK (AFTER TAX)	\$3.5m	\$2.6m	+38.0%	\$2.6m	\$3.6m
NET TANGIBLE ASSETS (NTA)	\$378.2m	\$361.1m	+4.7%	\$334.5m	\$313.0m
NTA PER SHARE	\$0.99	\$0.95	+4.3%	\$0.88	\$0.81
EPS (CENTS PER SHARE)	9.3	10.7	(13.1%)	9.0	4.9
DIVIDEND FULLY FRANKED (CPS)	5	5	-	4	2

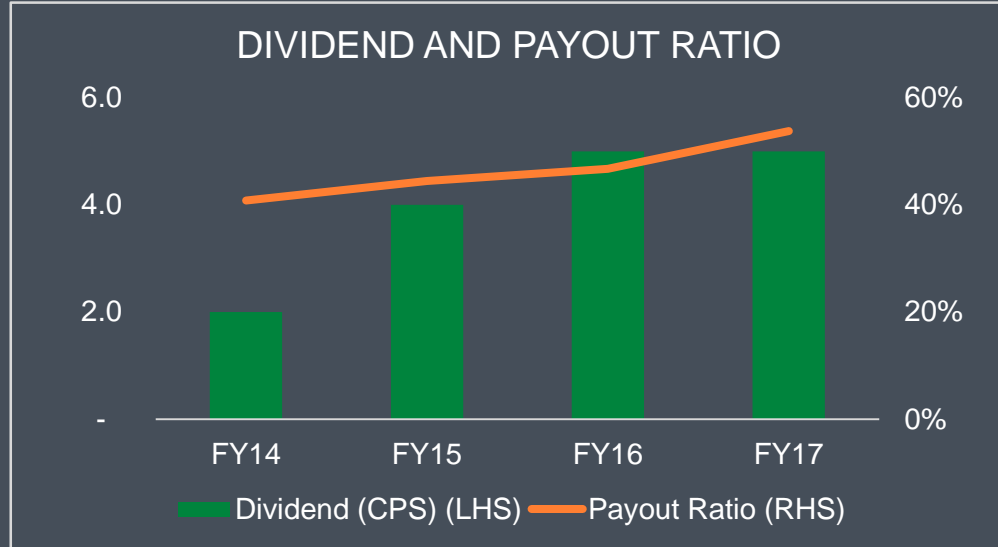
FY17 Results – Balance Sheet

\$ MILLIONS	June 2017	June 2016
CURRENT ASSETS		
Cash and cash equivalents	15.6	43.1
Inventories	211.1	209.9
Total Current Assets	351.6	361.2
NON-CURRENT ASSETS		
Inventories	308.1	343.1
Total Non-Current Assets	361.2	380.2
TOTAL ASSETS	712.8	741.4
CURRENT LIABILITIES		
Trade and other payables	75.6	117.6
Total Current Liabilities	89.0	144.5
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	177.0	165.5
Total Non-Current Liabilities	242.8	233.0
TOTAL LIABILITIES	331.8	377.5
NET ASSETS	381.0	363.9

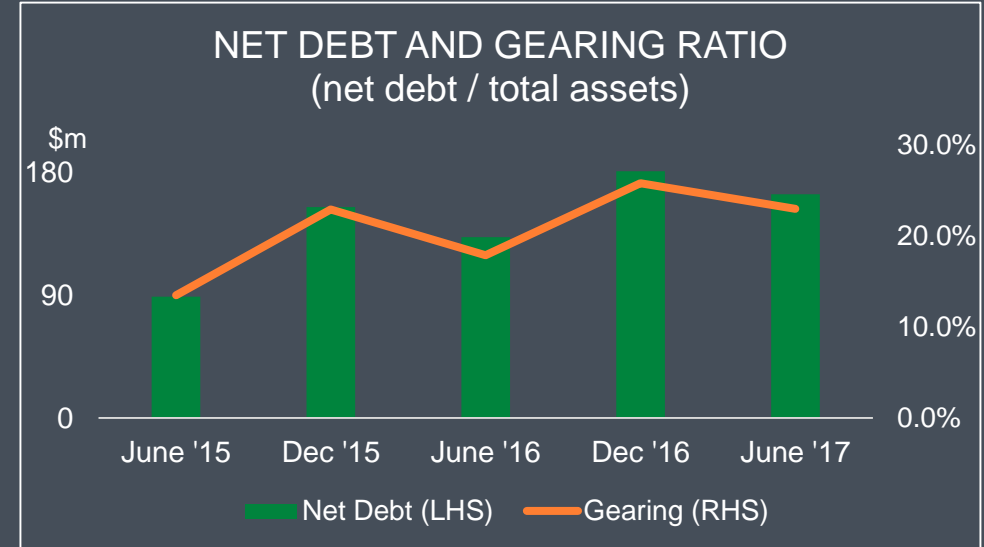
FY17 Results – Cash Flow Statement

\$ MILLIONS	FY17	FY16
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	408.6	417.9
Net receipts from joint venture related activities	0.2	1.4
Payments to suppliers, land vendors and employees	(394.8)	(432.9)
Net cash used in operating activities	(13.0)	(26.9)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash from / (used in) investing activities	0.7	(0.2)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	231.0	454.5
Repayment of borrowings	(226.9)	(405.7)
Net cash (used in)/from financing activities	(15.1)	31.5
Net (decrease)/increase in cash held	(27.4)	4.4

Clear capital management framework focused on dividends and maintaining financial flexibility



- Total dividends for FY17 comprising an interim 1.5 CPS and final 3.5 CPS (both FF)
- Focus on increasing dividends as the business grows while maintaining a target dividend payout ratio of 40-50% of earnings.



- Maintaining financial flexibility: Gearing remains comfortable at 23% with total net debt \$164 million
- Gearing in the middle of targeted ratio of 15% to 35%
- Increased debt correlates with the higher WIP balance which converts to positive cash flow in the short term
- Completed extension of \$250 million 'Club' banking facility to September 2019.

Our NTA is significantly driven by land valued at cost*

MAJOR COMPONENTS IN NET TANGIBLE ASSETS (NTA) PER SHARE (30 JUNE 2017)

LAND AT COST (Book value)		\$0.84
CONSTRUCTION AND DEVELOPMENT COSTS		\$0.51
INTEREST BEARING LIABILITIES	(\$0.47)	
CASH		\$0.04
OTHER WORKING CAPITAL		\$0.07
NTA 30 JUNE 2017		\$0.99

* Under Inventory Accounting Standard being lower of cost or net realisable value

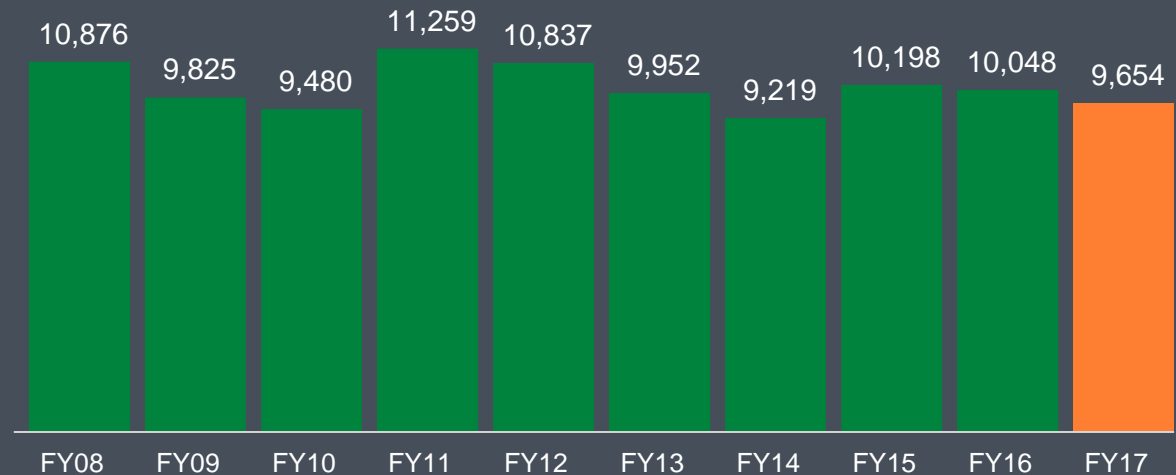
Lots under control ~10,000

Slight fall in total lots as sales were greater than acquisitions during FY17

Major FY17 acquisition was Riverton, Jimboomba:

- ➔ 50% interest in 127 hectares of land in Jimboomba, QLD (approx. 1,200 lots)

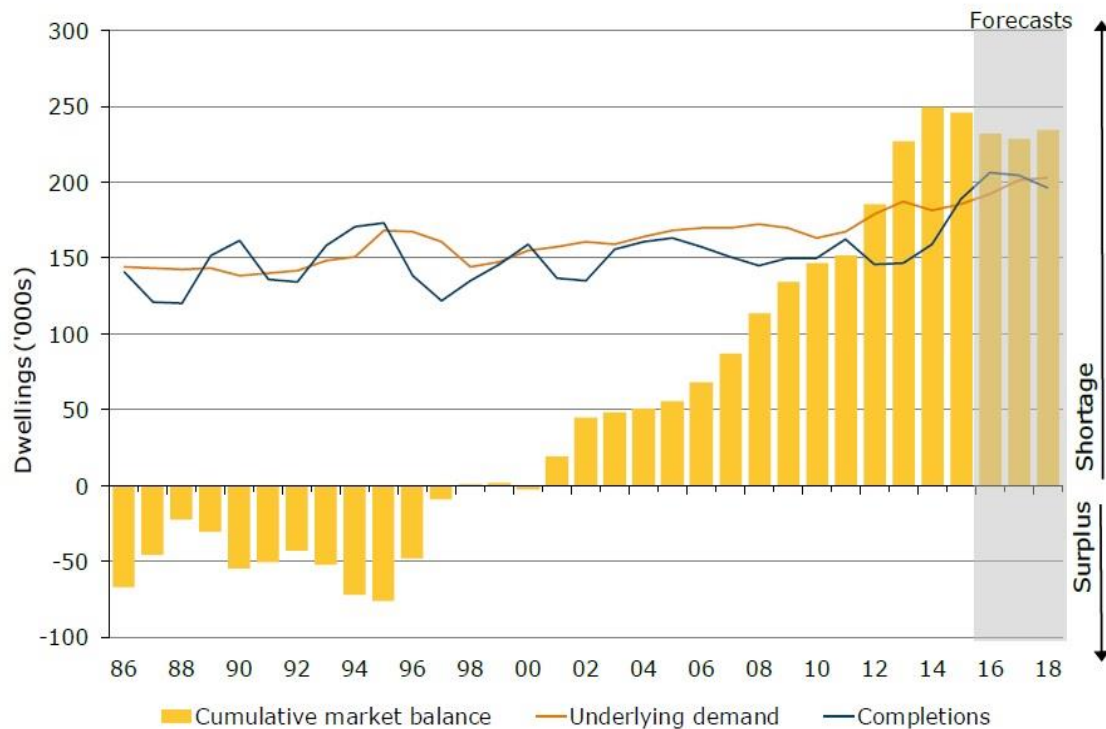
TOTAL LOTS HELD BY AVJENNINGS



In August 2017 we acquired a 67 apartment development site in Kogarah, a middle ring southern suburb of Sydney and a green fields site at Rochedale near Brisbane with approximately 81 lots.

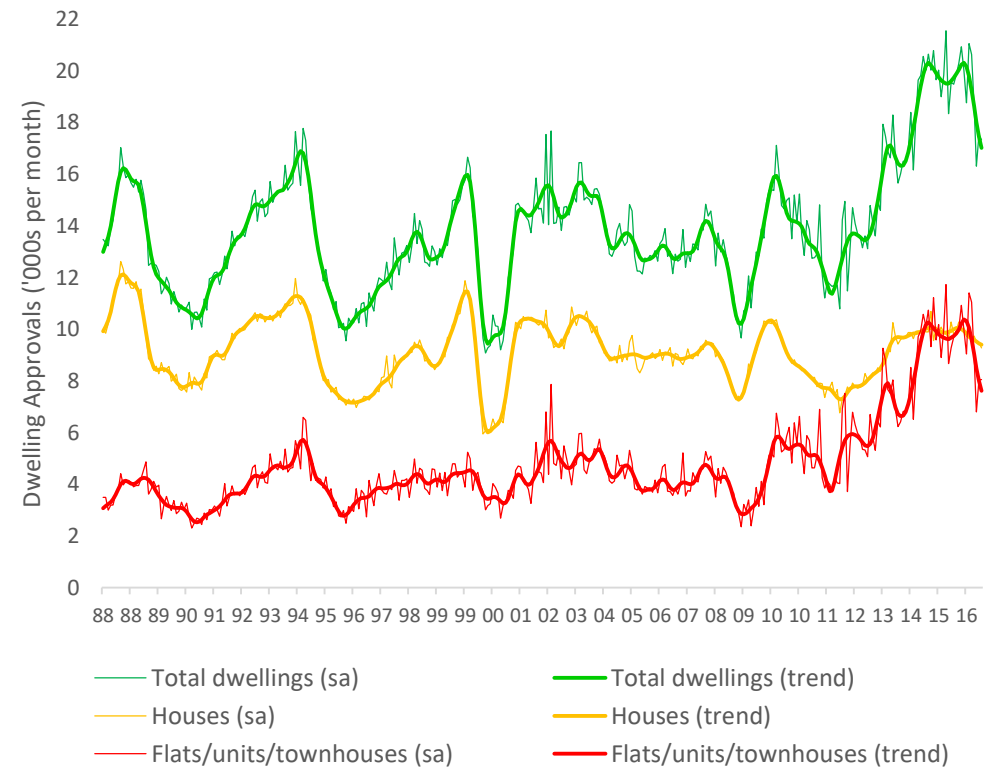
Market supply and demand

DWELLING SUPPLY AND DEMAND IN AUSTRALIA



Source: ABS, ANZ Research

DWELLING APPROVALS IN AUSTRALIA



Market outlook continues to be supported by positive economic fundamentals

POPULATION GROWTH

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



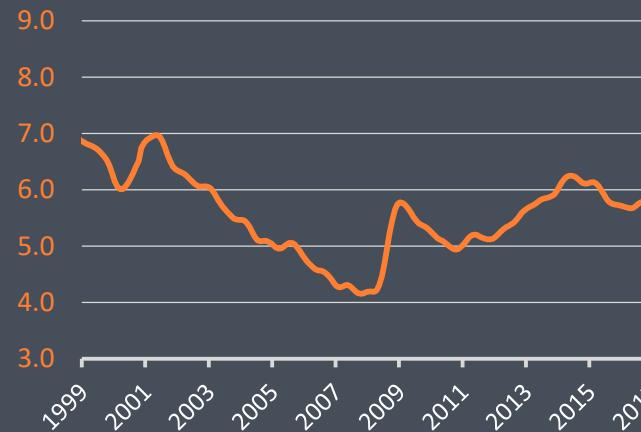
YEAR	2000	→	19m
	2016	→	24m
	2040	→	>31m

Source: Australian Bureau of Statistics

EMPLOYMENT

Employment outlook remains relatively stable

UNEMPLOYMENT RATE

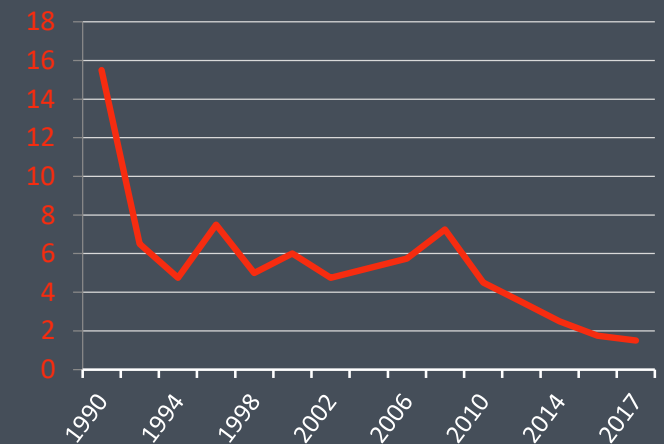


Source: Australian Bureau of Statistics

INTEREST RATES

Historically low interest rates expected to remain

CASH RATE



Source: Australian Bureau of Statistics

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 MACRO-ECONOMIC CONDITIONS

- Population growth
- Stable employment
- Low interest rates

RISK

- Over-supply of inner city / CBD apartments in Melbourne and Brisbane.
- Government policy.

RELEVANCE

- Property is the largest industry in Australia*
- 11.1% of GDP, 1.1 million jobs – more than mining and manufacturing combined.
 - Residential sub-sector provides the majority of property's economic activity.

*Data source: www.propertycouncil.com.au August 2017

Our strategy is delivering strong and sustainable 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

Stable and traditional market

AVJ CUSTOMER SEGMENTS

RETAIL CUSTOMERS FY17

FIRST HOME BUYERS	34%
LOCAL INVESTORS	29%
TRADE UPS / DOWNSIZERS	36%
FOREIGN INVESTORS	1%



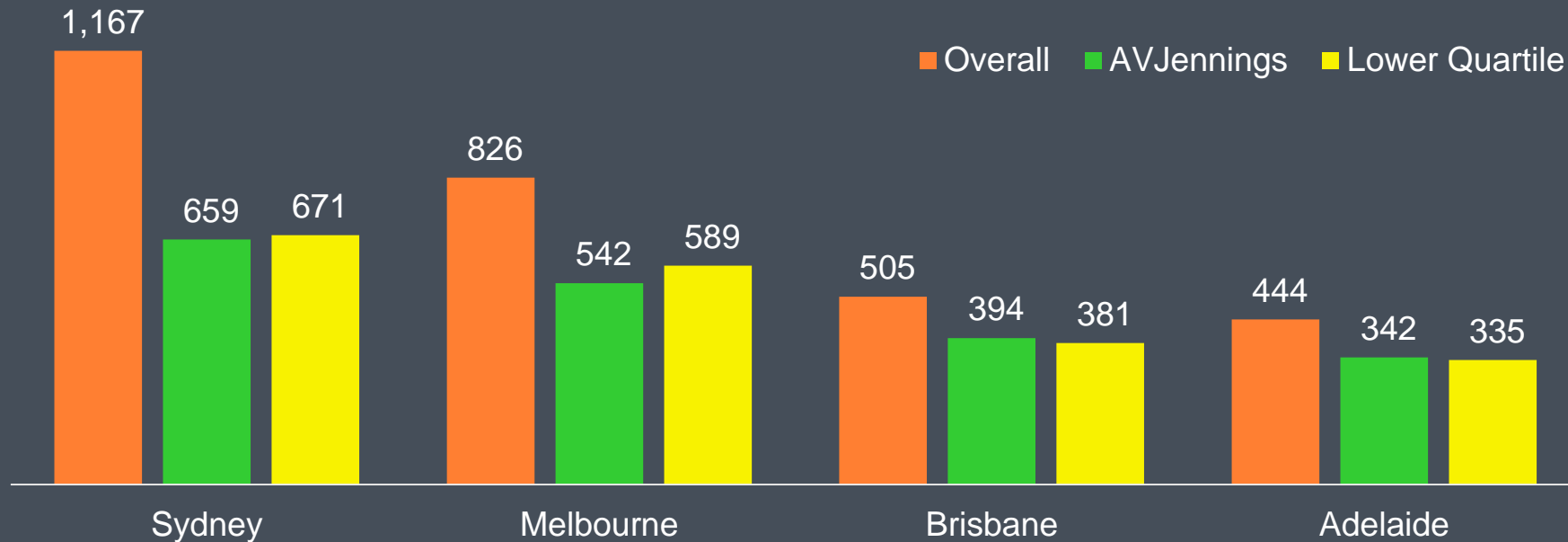
BUSINESS

Our B2B customers are contract home builders and others who buy our land.

This segment remains an important customer sector.

Continuing to provide affordable product

HOUSE PRICES MARCH QUARTER 2017 (\$000s)



Capital city figures for the median and lower quartile are for the March 2017 quarter and sourced from BIS Oxford Economics.

AVJennings figures are based on average settlements for the 2017 financial year. Melbourne results for AVJennings include the Waterline project.

AVJennings Brisbane data includes sales from projects in the Sunshine Coast, and Gold Coast.

Outlook for 2018



CONTRACT SIGNINGS

Between 1,900 to 2,100 lots
(Actual FY17 lots 1,843)



CAPITAL MANAGEMENT

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

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



REVENUE and EARNINGS

Positive momentum off FY17 base with earnings bias continuing to be skewed into the second half (2H18) given estimated timing of settlements

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?



Waterline development at Williamstown continues to progress well



UPDATE

ROSNY APARTMENTS

- Completed on schedule in June 2017
- 90% settled
- Popular with local owner occupiers

GEM APARTMENTS

- Recently released, 29 sold
- Construction started in June 2017 and completion is targeted for 2HFY19

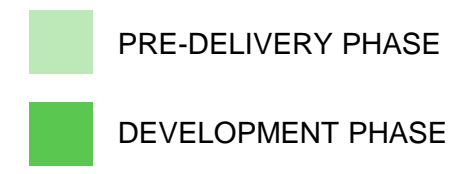
ELLERY TOWN HOMES

- 6 from 7 sold with settlements expected 1HFY18

Appendix 2

	Remaining # of Lots	Pre	FY18	FY19	FY20	FY21	FY22	Post	
New South Wales	Argyle, Elderslie	196							
	Magnolia, Hamlyn Terrace	207							
	Evergreen, Spring Farm (South)	213							
	Evergreen, Spring Farm (East)	540							
	Ravensthorpe Heights, Goulburn	26							
	Seacrest, Sandy Beach	123							
	Arcadian Hills, Cobbitty Stages 1 - 8	174							
	Arcadian Hills, Cobbitty Stages 9 & 10	119							
	Cobbitty Road, Cobbitty	57							
	Boundary Road, Schofields	11							
	Warnervale	595							
	Evergreen, Spring Farm PDA	79							
	Queensland	Halpine Lake, Mango Hill	14						
		Creekwood, Caloundra	129						
Glenrowan, Mackay		177							
Essington Rise, Leichardt		43							
Villaggio, Richlands		21							
Bethania		106							
Big Sky, Coomera		5							
Bridgeman Downs		63							
Kenmore		32							
Bridgeman Downs 2		16							
Jimboomba		1196							
N.Z.	Buckley B	250							
	Lyndarum, Wollert	51							
Victoria	Lyndarum North, Wollert JV (Options)	1,820							
	Arlington Rise, Portarlington	136							
	Hazelcroft, Doreen	109							
	Waterline, Williamstown	447							
S.A.	Pathways, Murray Bridge	53							
	River Breeze, Goolwa North	80							
	St Clair	527							
	Eyre at Penfield	1678							
W.A.	Indigo China Green, Subiaco Fine China Precinct	124							
	Viridian China Green, Subiaco Fine China Precinct	18							
	The Heights Kardinya	107							
	Viveash	58							
	Parkview, Ferndale	39							

Detailed project pipeline by State



Project pipeline as at 30 June 2017. NSW also includes 5 remnant lots and SA 10 remnant lots. In August 2017 we acquired a 67 apartment development site in Kogarah (Sydney, NSW) and a green fields site at Rochedale (Brisbane, QLD) with approximately 81 lots.