AVJennings

ASX/ Media Release

23 February 2018

AVJENNINGS DELIVERS STRONG RESULTS, INCREASES DIVIDEND AND FORECASTS CONTINUED GROWTH

1H18 Result Highlights

- Revenue $185.8 million; +19.1%
- PBT $22.4 million; +9.5%
- PAT $15.5 million; +9.5%
- Underlying PAT +46.0% (excluding writeback of an inventory loss provision in the prior period)
- Fully franked interim dividend per share up 33% to 2.0 cents

Financial Results

The Company recorded profit before tax of $22.4 million for the half year ended 31 December 2017 up 9.5% on the previous corresponding half (31 December 2016: $20.4 million) and profit after tax of $15.5 million (31 December 2016: $14.1 million). When adjusted for the impact of the writeback in the inventory loss provision in 1H17 of $5.1 million before tax (1H18: Nil), the underlying profit both before and after tax rose approximately 46%.

AVJennings' CEO, Mr Summers said "Good revenue and cash inflow from the collection of receivables during the half and confidence in the outlook for the balance of financial 2018 enabled the Directors to declare that a fully franked interim dividend of 2.0 cents per share be paid in April 2018 (1.5 cents per share was paid in April 2017)."

The Company's Directors have determined that the Dividend Reinvestment Plan will apply to the interim dividend. Shares issued under the DRP will attract a 2.5% discount to the weighted average market price over the 5 trading days from the ex-dividend date. Election notices will be sent to shareholders in early March.

Controlled land remained steady at 10,264 lots compared to the previous corresponding half (31 December 2016: 10,387 lots) and was up 6.3% from the level at 30 June 2017 (9,654 lots) as the Company replenished inventory during the half, through the acquisition of around 860 lots.

Settlements of 587 lots were nominally up by some 2% (31 December 2016: 576 lots). However, the increase in half year revenue to $185.8 million (31 December 2016: $156.0 million) was up 19.1% on the prior period, reflecting good growth in average sales values.

Contract signings numbered 454 lots in 1H18, which was lower than the previous corresponding period (730 lots). The majority of this difference relates to New South Wales and Auckland. In the case of New South Wales, the reduction was primarily due to delays in approvals but was also impacted by the previously announced strategy of increasing the amount of built form which takes longer to construct/complete and is sold later in the production cycle. The Auckland decrease is due to the wholesale nature of that business and the delay in the acquisition of the latest precinct in the Hobsonville project, which was only completed late in 2017.

Given the continuing strength of the Melbourne residential land market, we have recently changed strategy in Victoria to slow down pre-sales at our new Lyndarum North project to capture increasing margins. We have released and sold over 300 lots to date, none of which have been revenue recognised in 1H18 or prior. The outcome of this strategy will be reflected in second half contract signings, but again, will have no impact on the timing of revenue recognition in FY18 as this has no impact on production rates, only pre-sales strategy.

As a result of the factors above, contract signings guidance for FY18 has been revised to 1,450-1,550. The slowdown in contract signings, both strategically and from external factors, is highly unlikely to impact on the full year results and unlikely to impact FY19 results, based on three factors:

- Our contract signings have been running ahead of both settlements and even work in progress levels for a number of reporting periods now, creating a strong "bank" of presales;
- Our ability to continue to produce inventory; and
- Our continued confidence in the residential markets.

Work in progress levels remained high at 1,991 lots/housing under development and construction which is up around 6% on the same period last year. New projects and acquisitions continue to gain momentum and strengthen the Company's ability to maintain or grow production levels.

South Australia remains challenging and whilst the Queensland results have been disappointing, we expect improved performance in future periods. There is some completed, unsold inventory in both Adelaide and Queensland and initiatives have been implemented to address this.

Outlook

"Our confidence in the residential markets remains strong, particularly in New South Wales, Victoria and Auckland. It is pleasing that the excellent work in Victoria to advance recent acquisitions to development stage together with pre-sales at Lyndarum North and Waterline will begin to contribute significantly to revenue recognition in 2H18 and beyond," Mr Summers said.

Directors remain confident FY18 outcomes will show continued growth in revenue and earnings both in the second half and compared to FY17.

Media:

David Lowden
Head of Corporate Communications
Ph: + 61 428 711 466

Investor Relations:

Carl Thompson
Company Secretary
Ph: +61 3 8888 4802

Andrew Keys
Keys Thomas Associates
Ph: +61 400 400 380