Half Year Results 2018 Presentation

23 FEBRUARY 2018



YOUR COMMUNITY DEVELOPER

AVJennings®

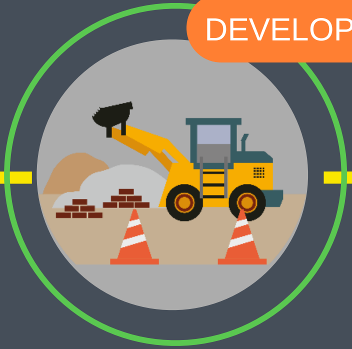
Table of Contents

Developing affordable housing and building communities

BUY LAND

Purchasing land in **urban growth corridors** in Australia and New Zealand

DEVELOP



Developing and sub-dividing with a **sustainable** commercial approach

SELL

Selling land only

BUILD & SELL

Building and selling a **diversified product mix** – land, homes, townhouses, apartments

COMMUNITY

Creating **communities**

Established in 1932, AVJennings continues to be one of the most recognised residential property development brands.

1H18 Highlights – positive momentum continues

GROWING BUSINESS

- ✓ Significant advancement of major projects in Vic. (Waterline, Lyndarum North) and QLD (Riverton)
- ✓ Strong WIP pipeline of ~2k lots
- ✓ 860 lots acquired
- ✓ 587 settlements.

STRONGER FINANCIALS

- ✓ Revenue $185.8m +19.1%
- ✓ PBT $22.4m +9.5%
- ✓ PAT $15.5m +9.5%
- ✓ Underlying PAT +46.0%
- ✓ Cash receipts from customers +25.8%

BALANCED CAPITAL MANAGEMENT APPROACH

- ✓ Increased shareholder returns: dividend +33.3% to 2 CPS
- ✓ Investing in the business: Inventory maintained at ~10k
- ✓ Debt to total assets ~25%

New projects driving growth

	PROJECT	STATE	LOTS	FY17	FY18	FY19	FY20
1	WATERLINE	VIC	419	■ →	→	→	→
2	BRIDGEMAN DOWNS 2	QLD	16	● ▲ ■	→	→	→
3	LYNDARUM NORTH	VIC	2,136	● ▲	■ →	→	→
4	BOUNDARY RD, SCHOFIELDS	NSW	11	● ▲ ■	→	→	→
5	SPRING FARM EAST	NSW	486	▲	● ■ →	→	→
6	SPRING FARM	NSW	79	▲ ●	■ →	→	→
7	RIVERTON	QLD	1,196	▲ ●	■ →	→	→
8	BRIDGEMAN DOWNS 1	QLD	63		▲ ● ■	→	→
9	COBBITTY RD, COBBITTY	NSW	57		▲ ● ■	→	→
10	WARNERVALE	NSW	595		▲ ●	■ →	→
11	KOGARAH	NSW	67			▲ ●	■ →
12	ROCHEDALE	QLD	81		▲ ● ■	→	→
13	DEEBING HEIGHTS	QLD	210		▲ ●	■ →	→
14	HAYES LANE, HUNTLEY	NSW	205			▲ ● ■	→
15	RIPLEY 1	QLD	294			▲ ● ■	→

▲ DEVELOPMENT START

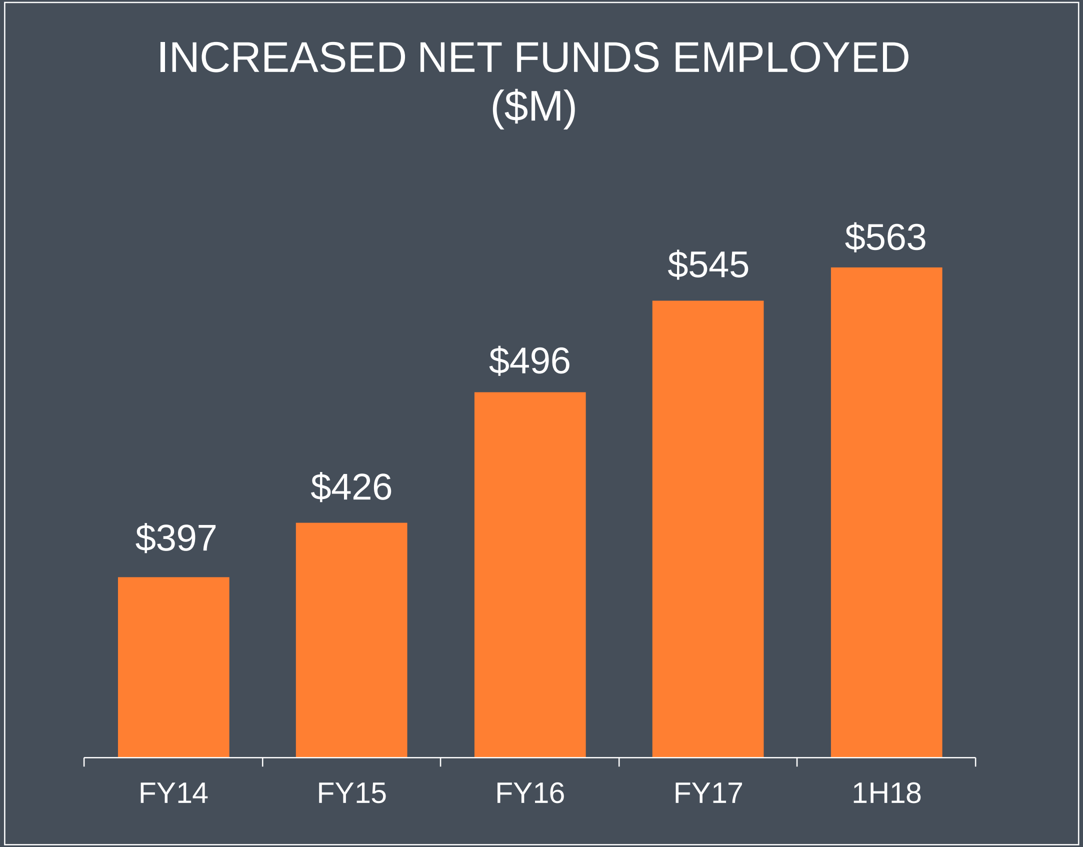
● FIRST CONTRACT SIGNINGS

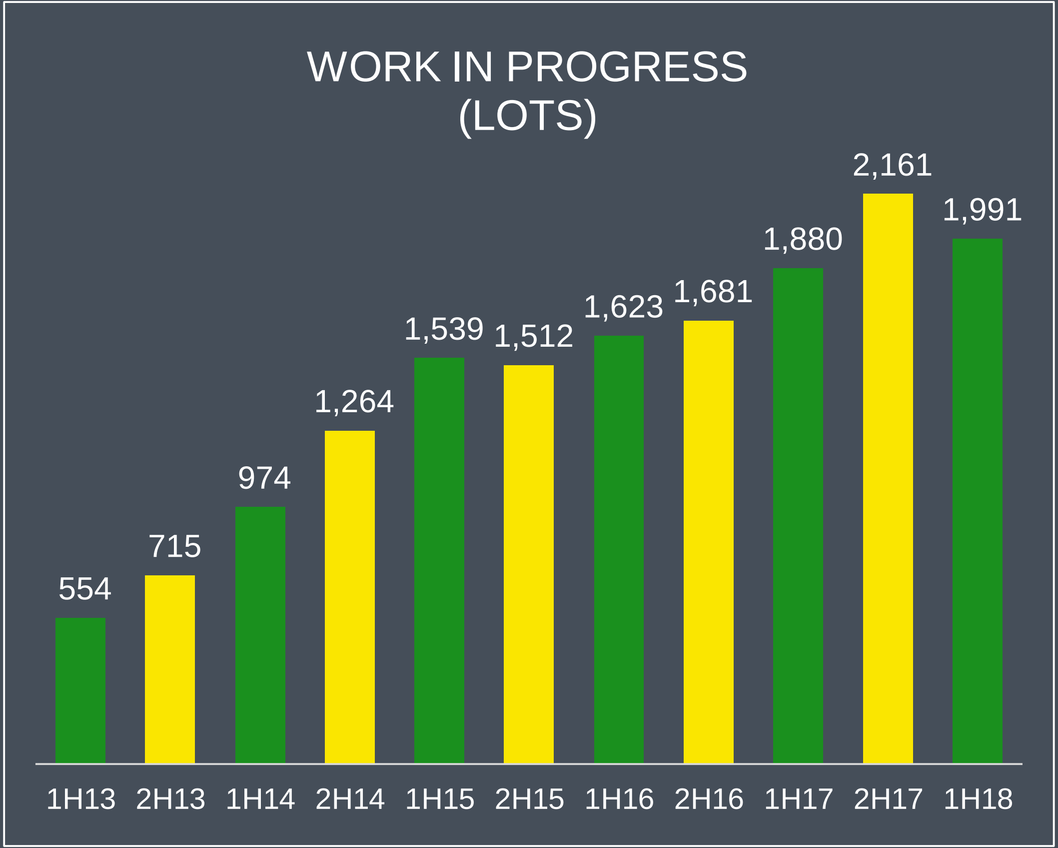
■ FIRST SETTLEMENTS

→ SETTLEMENTS CONTINUE

- ~58% of the inventory pipeline is in these projects.
- Activity is based on forecast project plans.

Growing business





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Good momentum across major projects

Waterline at Williamstown (Vic)

- 49 GEM Apartments of 89 sold (contracts signed)
- GEM project value $92m, construction commenced Jan 2018
- Minor revenue recognition in 1H18 from the remaining Rosny apartments and Ellery townhomes settled

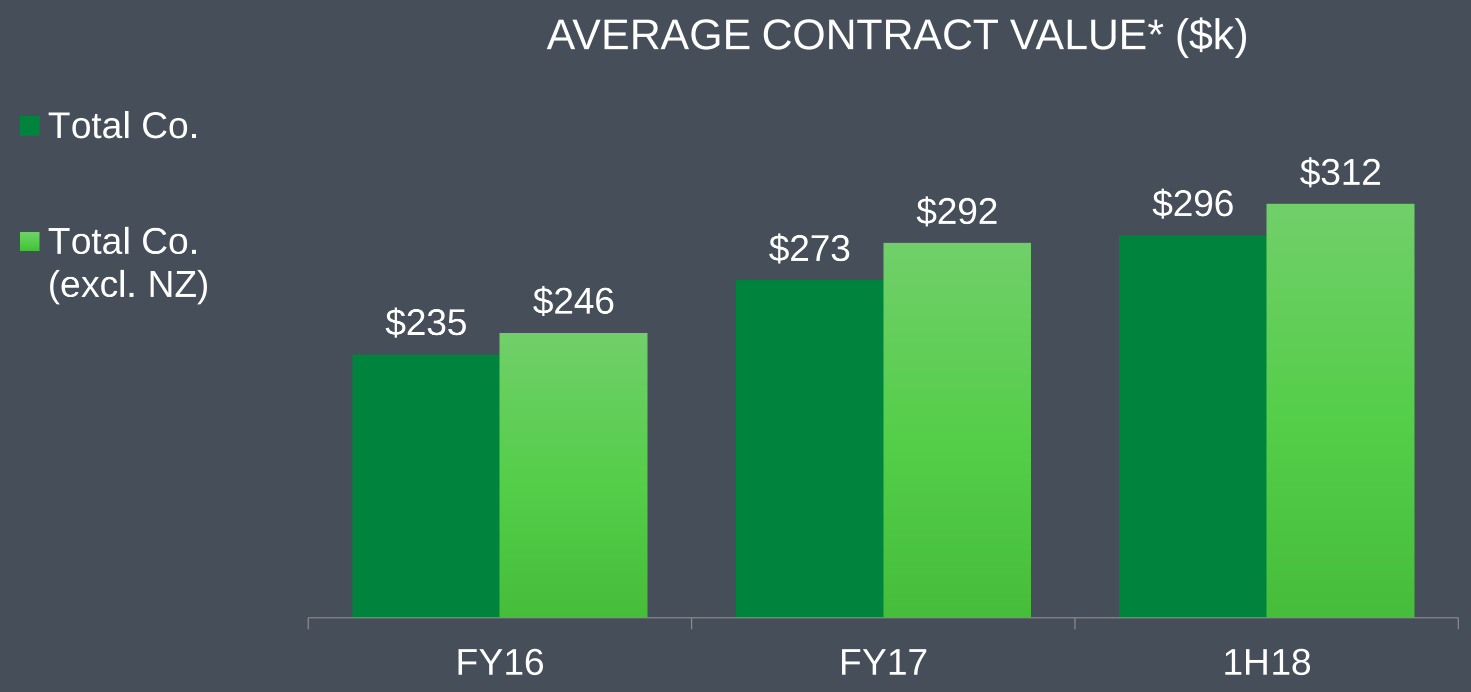
Riverton at Jimboomba (Brisbane)

- Civil construction started Dec 2017
- Significantly advanced negotiations for the planned display village
- Release of stage 1 (86 lots) in late Feb 2018

Lyndarum North (Melbourne)

- 328 lots sold (contract signed) since development launch in Dec 2016
- Revenue recognition to commence mid CY2018

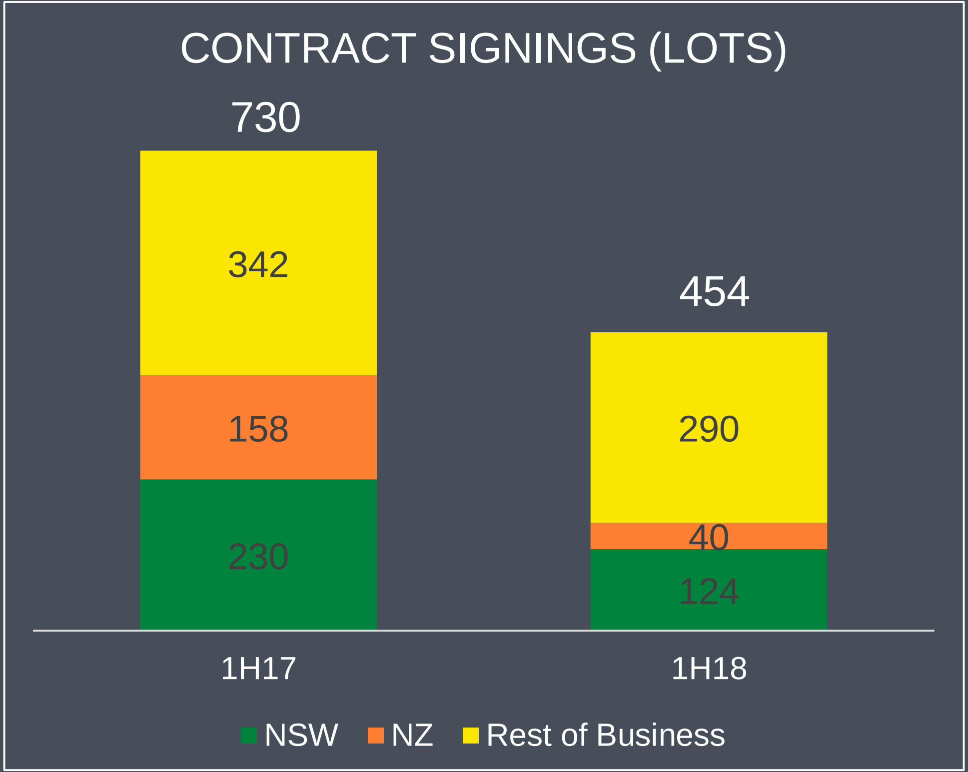
Increasing average contract value as we sell more built form product



This is an intentional re-balancing 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.

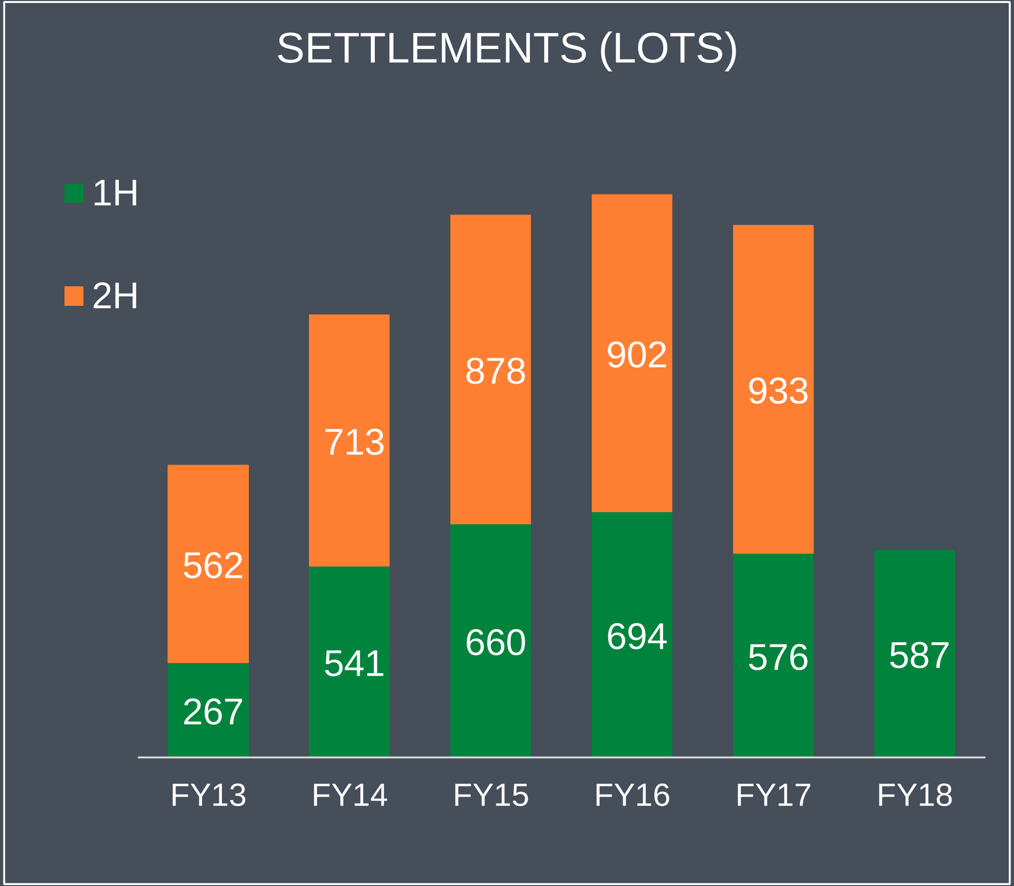
* Average contract value is based on net contract price to AVJennings

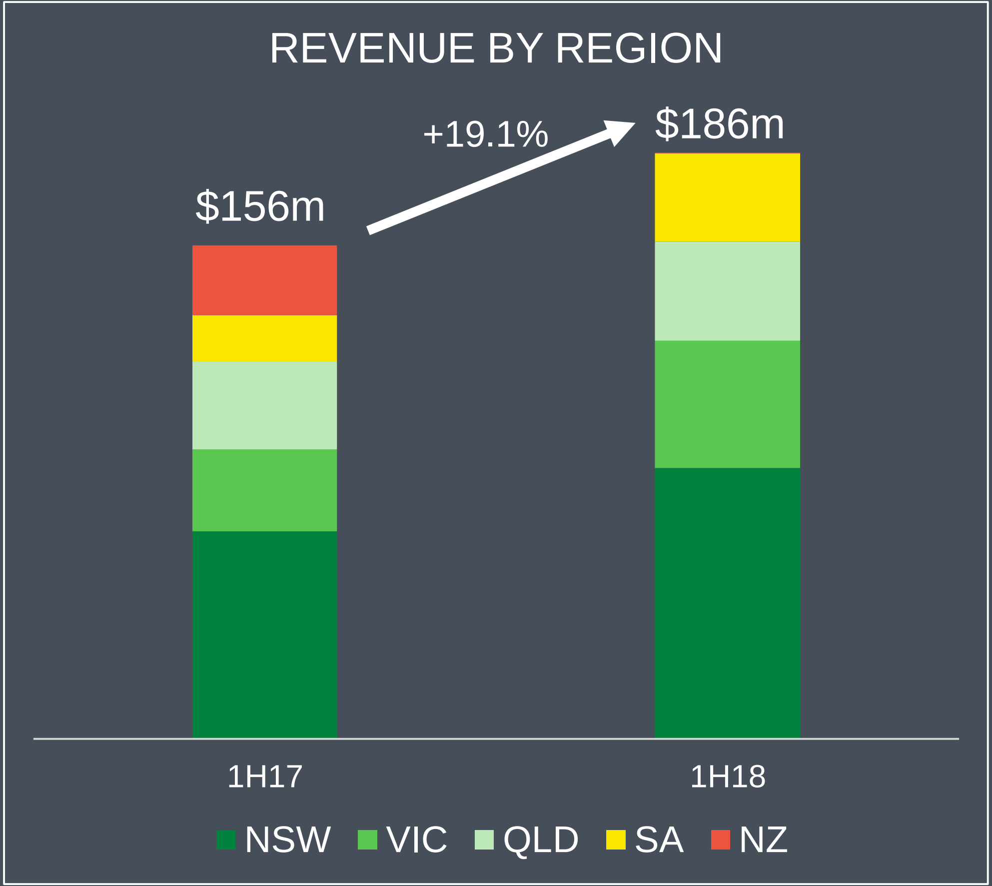
Contract signings



- NSW reduction in contract signings on PCP primarily due to approval delays and strategy to produce more built form product which takes longer to complete and is sold later in the production cycle
- NZ (Auckland) decrease in contract signings due to the delay in the acquisition of the latest precinct in the Hobsonville project.

1H18 settlements and revenue driven by strong results from NSW projects





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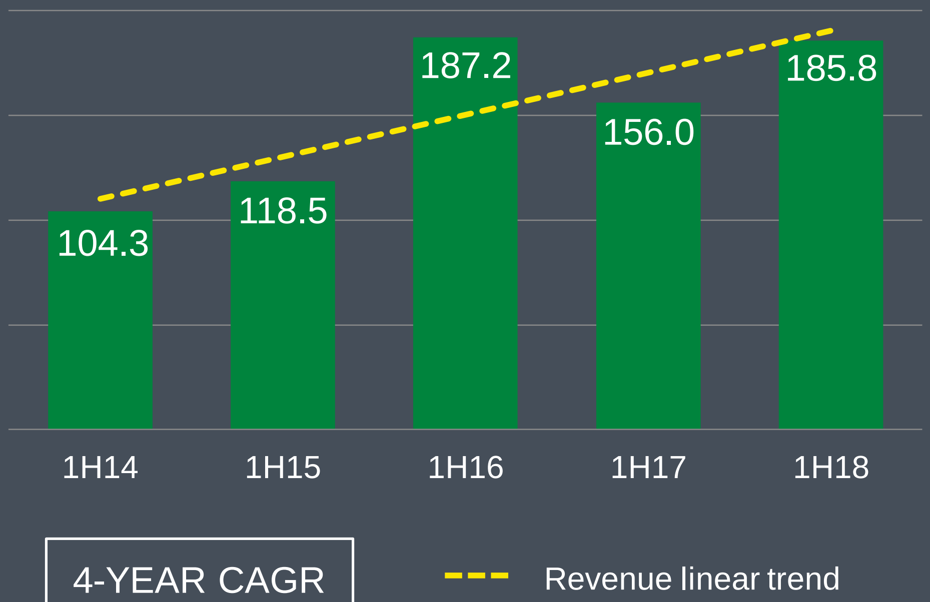
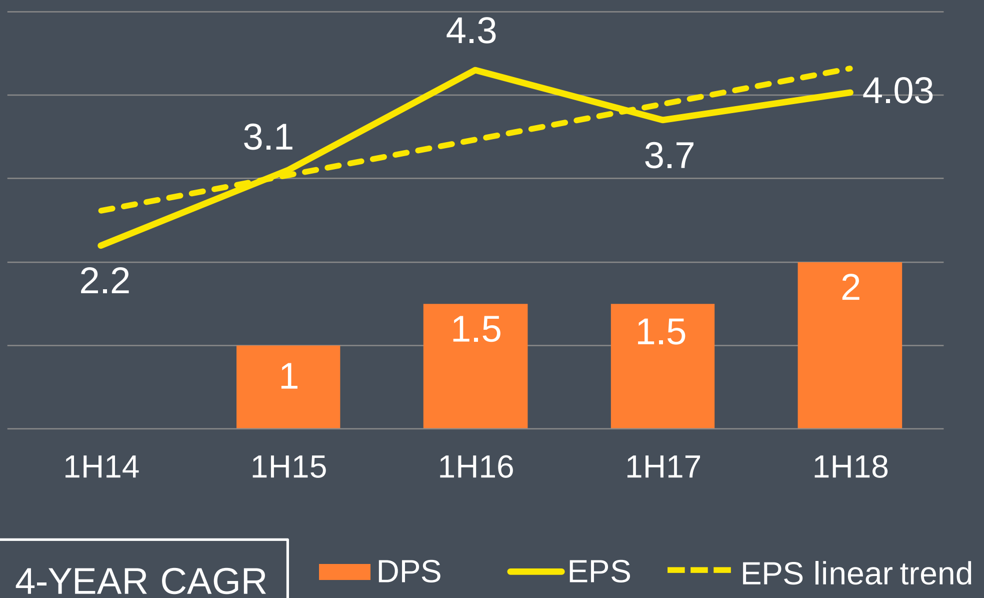
Stronger financial results

REVENUE ($M)



4-YEAR CAGR
15.5%

EARNINGS AND DIVIDEND GROWTH (CPS)



4-YEAR CAGR
16.3%

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1H18 Results – financial summary

	1H18	1H17	% Change	FY17	FY16
REVENUE	$185.8m	$156.0m	+19.1%	$401.6m	$421.9m
STATUTORY PROFIT BEFORE TAX	$22.4m	$20.4m	+9.5%	$51.0m	$58.8m
STATUTORY PROFIT AFTER TAX	$15.5m	$14.1m	+9.5%	$35.7m	$40.9m
GROSS MARGINS	25.6%	26.0%	(0.4pp)	24.0%	25.2%
INVENTORY PROVISION WRITE BACK (AFTER TAX)	$0.0m	$3.5m	(100%)	$3.5m	$2.6m
NET TANGIBLE ASSETS (NTA)	$379.9m	$362.3m	+4.8%	$378.2m	$361.1m
NTA PER SHARE	$0.99	$0.95	+4.8%	$0.99	$0.95
EPS (CENTS PER SHARE)	4.0	3.7	9.2%	9.3	10.7
DIVIDEND FULLY FRANKED (CPS)	2.0	1.5	33.3%	5	5

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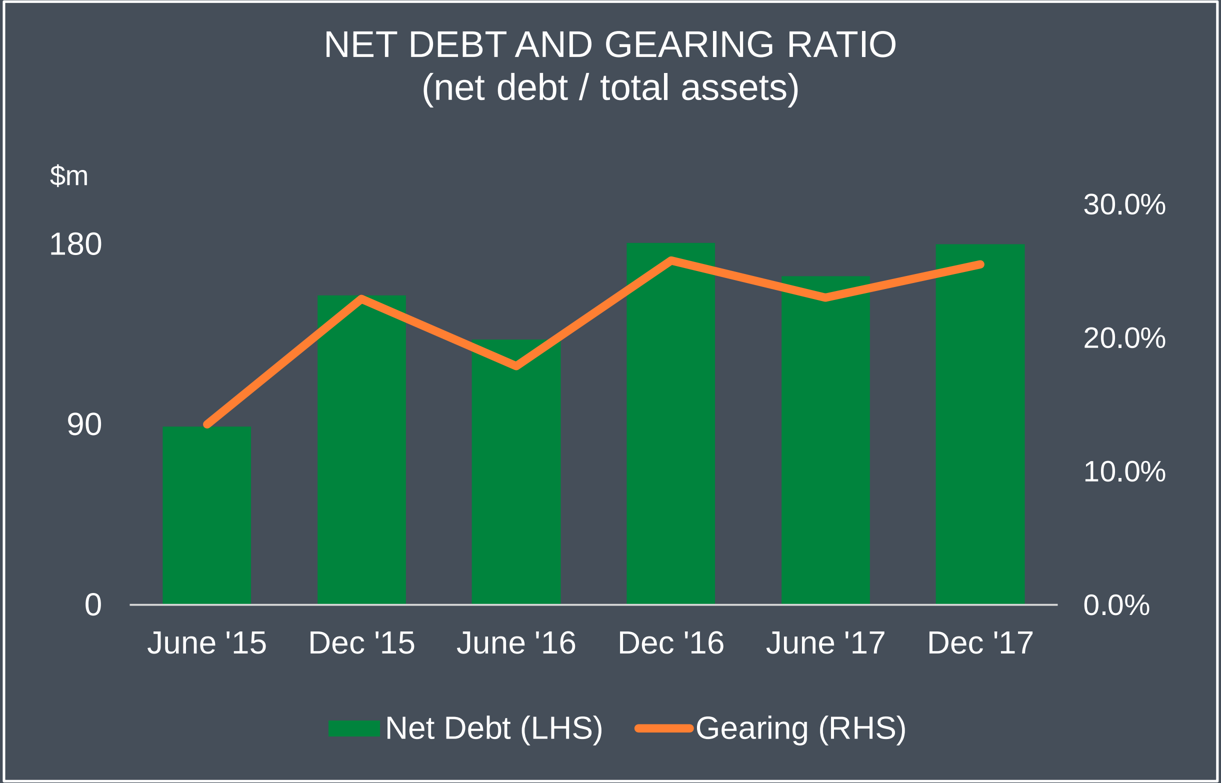
1H18 Results – Balance Sheet

$ MILLIONS	December 2017	June 2017
CURRENT ASSETS		
Cash and cash equivalents	19.5	15.6
Inventories	174.9	211.1
Total Current Assets	**316.7**	351.6
NON-CURRENT ASSETS		
Inventories	363.0	308.1
Total Non-Current Assets	**388.4**	361.2
TOTAL ASSETS	**705.1**	712.8
CURRENT LIABILITIES		
Trade and other payables	55.0	75.6
Total Current Liabilities	**69.9**	89.0
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	197.0	177.0
Total Non-Current Liabilities	**252.5**	242.8
TOTAL LIABILITIES	**322.4**	331.8
NET ASSETS	**382.7**	381.0

1H18 Results – Cash Flow Statement

$ MILLIONS	1H18	1H17
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	239.4	190.3
Payments to suppliers, land vendors and employees	(224.7)	(207.6)
Net cash used in operating activities	(1.0)	(35.3)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for joint venture related activities	(2.0)	-
Net cash (used in) / from investing activities	(1.3)	0.3
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	112.6	67.7
Repayment of borrowings	(92.6)	(58.2)
Net cash from / (used in) financing activities	6.5	(4.0)
NET INCREASE / (DECREASE) IN CASH HELD	4.2	(39.0)

Clear financial framework supports growth and maintains flexibility



- Maintaining financial flexibility:
  Gearing remains comfortable at 25.5% with total net debt $180 million
- Gearing in the middle of targeted ratio of 15% to 35%
- Current debt reflects continuing strong investment in WIP and completed product that is expected to convert into cash in the short term.

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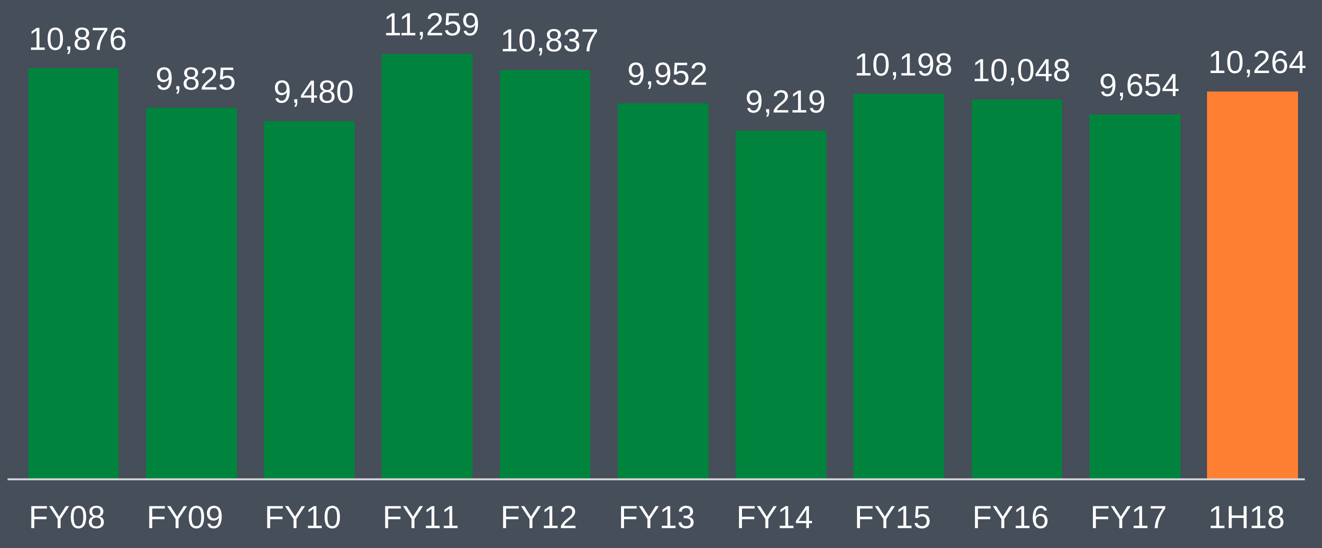
Lots under control +6.3% due to inventory replenishment around Sydney and Brisbane

+6.3% in lots from June 2017 due to inventory replenishment. Recent acquisitions include:

- Kogarah (Syd); ~67 apartments
- Huntley, greenfield site south of Syd; ~205 lots
- Ripley, Brisbane greenfield site; ~294 lots
- Deebing Heights, Brisbane greenfield site; ~210 lots

TOTAL LOTS HELD BY AVJENNINGS



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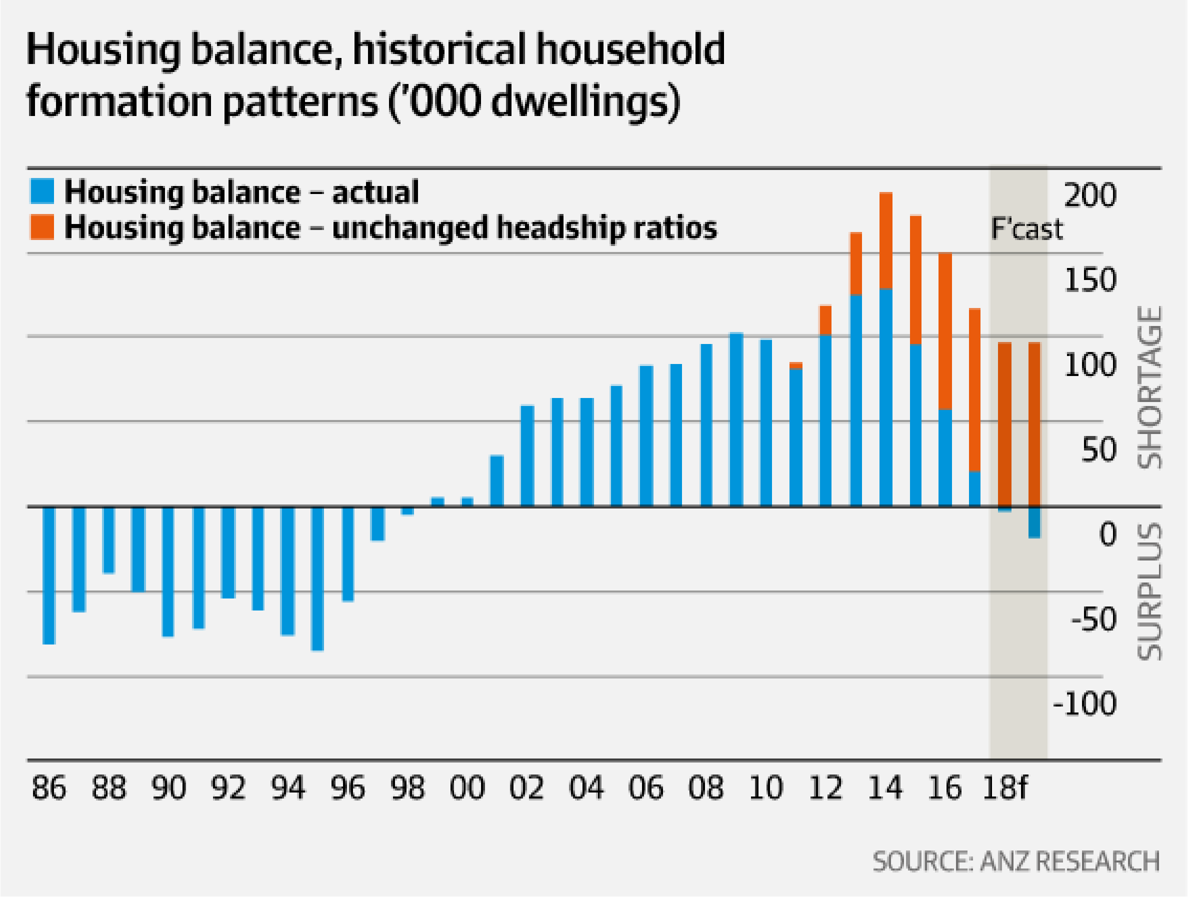
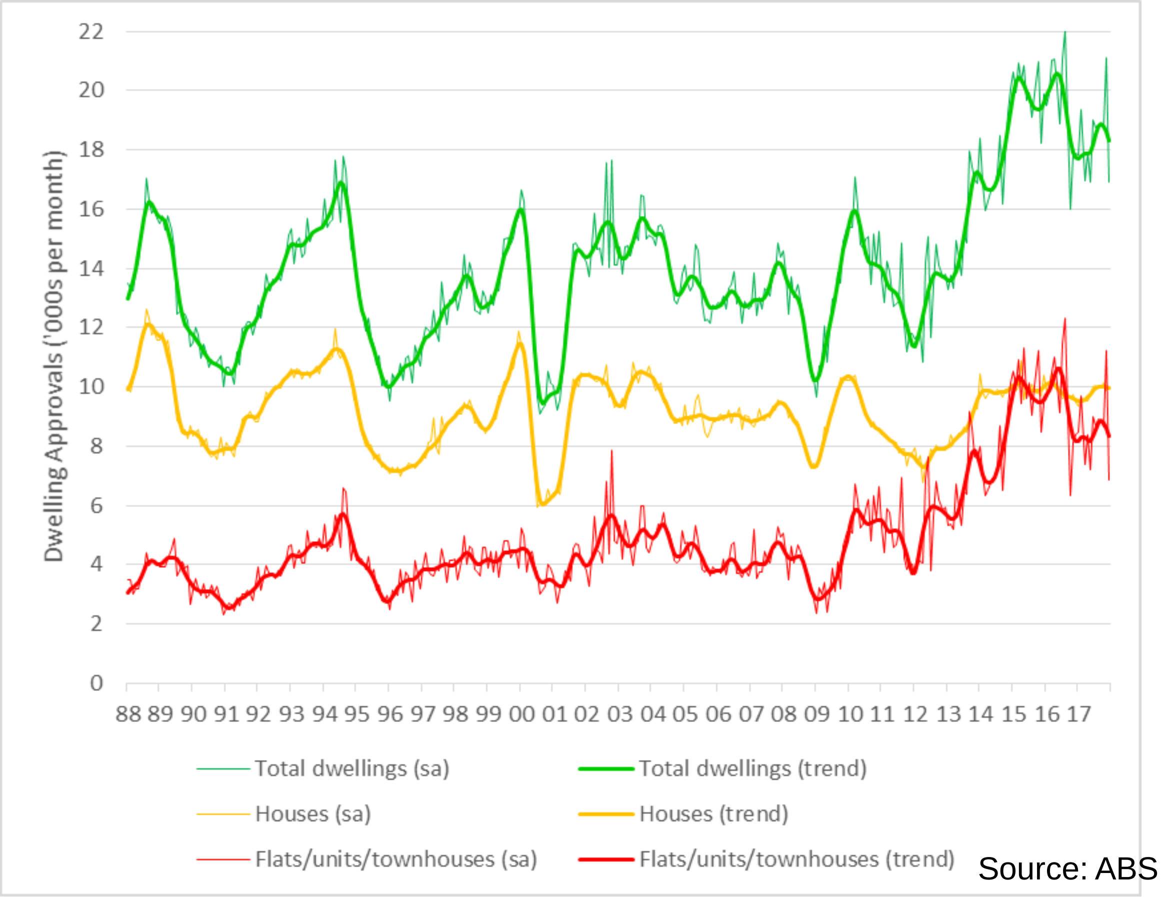
Market supply and demand





Source: ABS

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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	While an ongoing issue it also provides great opportunity if it is achieved.
POSITIVE MACRO-ECONOMIC CONDITIONS	• Population growth • Stable employment • Low interest rates
RISK	• Over-supply of inner city / CBD apartments in Melbourne and Brisbane. • Government taxation policy at all levels • Costly and inefficient approval processes.
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

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Market outlook continues to be supported by positive economic fundamentals

POPULATION GROWTH

Population growth remains focused on Australia's capital cities

YEAR

2000 → 19m

2016 → 24m

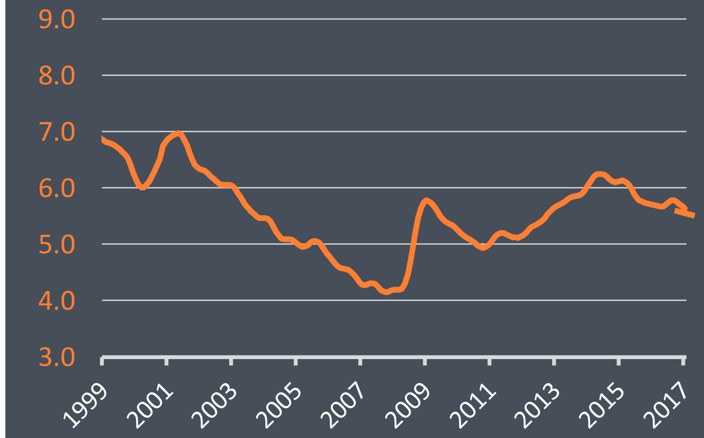
2040 → >31m

Source: Australian Bureau of Statistics

EMPLOYMENT

Employment outlook remains relatively stable

UNEMPLOYMENT RATE

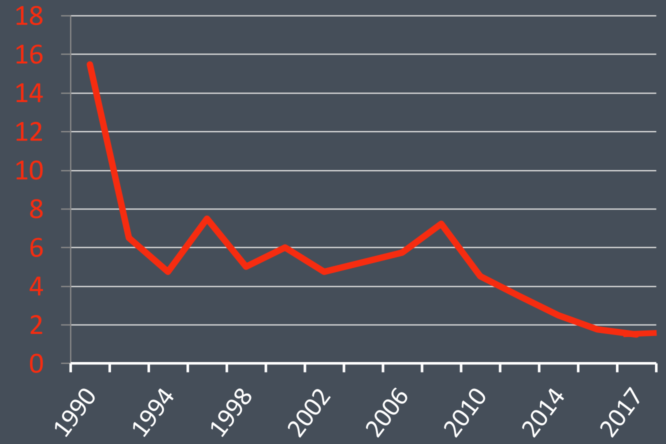


Source: Australian Bureau of Statistics

INTEREST RATES

Historically low interest rates expected to remain

CASH RATE



Source: Australian Bureau of Statistics

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Our strategy is about 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

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Stable and traditional market

AVJ CUSTOMER SEGMENTS

RETAIL CUSTOMER MIX

	1H18	FY17
FIRST HOME BUYERS	46%	37%
LOCAL INVESTORS	22%	30%
TRADE UPS / DOWNSIZERS	31%	32%
FOREIGN INVESTORS	1%	1%

BUSINESS

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

This segment remains an important customer sector.

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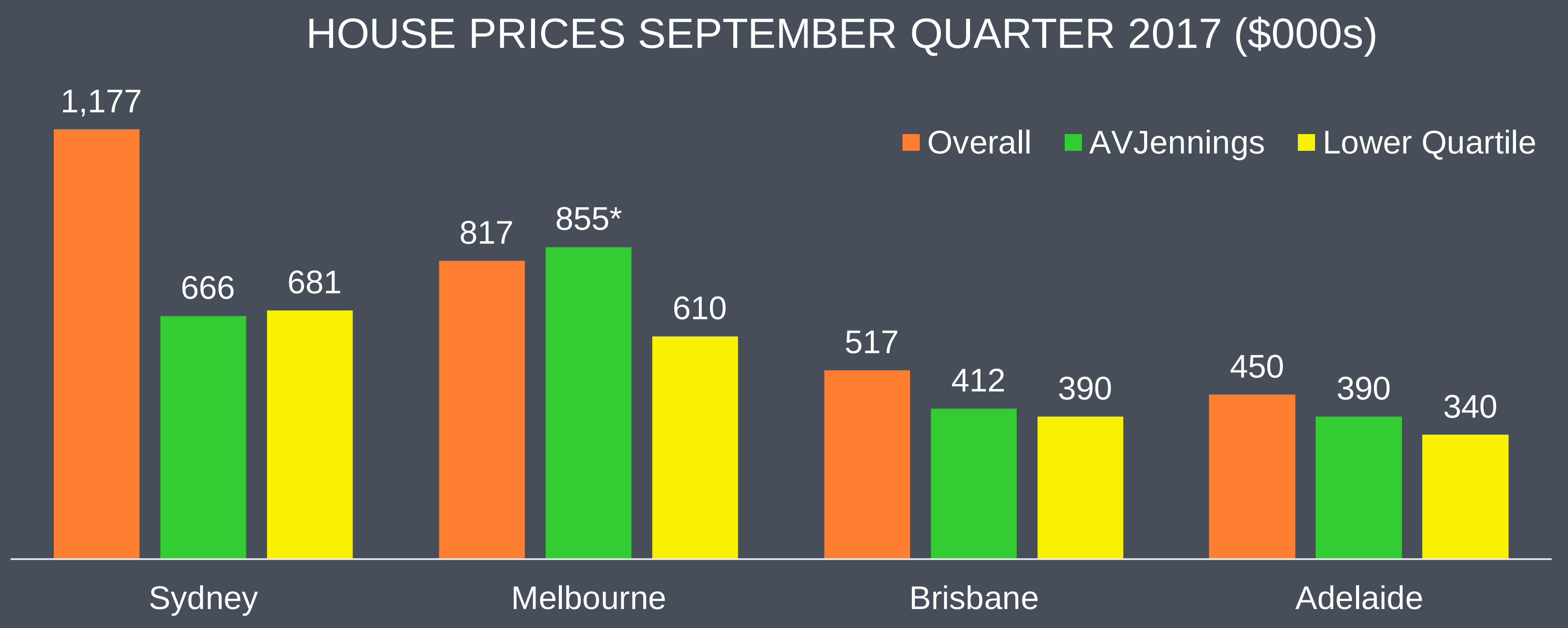
Continuing to provide affordable product



- Capital city figures for the median and lower quartile are for the Sept 2017 quarter and sourced from BIS Oxford Economics.
- *AVJennings figures are based on average selling price for the first half of the 2018 financial year. Only town homes and apartments at Waterline, Williamstown (9km from CBD), have been sold in Melbourne by AVJennings in that period.
  - The AVJennings Melbourne average will reduce significantly when Lyndarum North sales commence.
- AVJennings Brisbane data includes sales from projects in the Sunshine Coast, and Gold Coast.

Outlook for 2018

The strategy of delivering traditional housing solutions at affordable prices in well-planned communities will continue to provide shareholders with healthy returns.

CONTRACT SIGNINGS

Between 1,450 to 1,550 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%

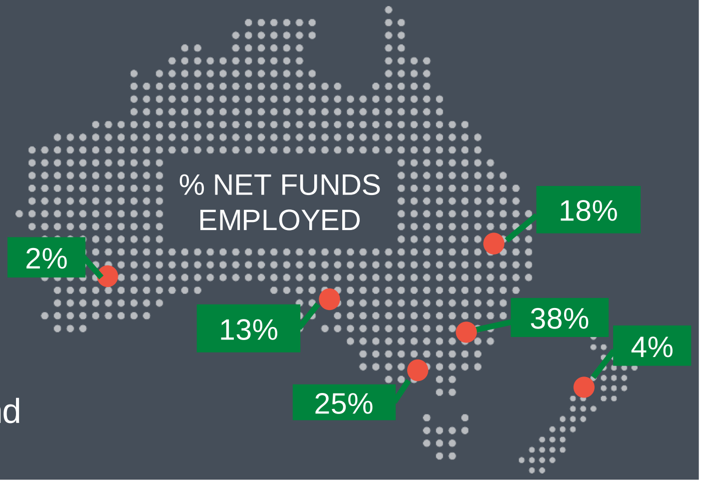
REVENUE and EARNINGS

Continued growth in revenue and earnings in the second half and for the full year (FY18).

Our Investor Proposition

DIVERSIFICATION

- Geographic and product mix provides a less riskier portfolio
- Product mix includes a blend of detached homes, townhouses, medium density apartments and land sales.



GROWTH

- Urban growth corridors growing at >2x GDP
- Stable market conditions
- ~10K Lot inventory pipeline with new projects driving growth
- Growth in NFE from $397m in FY14 to $563m at Dec ‘17
- 4 year CAGRs: Rev +15.5%, EPS 16.3%.

SUSTAINABILITY

- Operating since 1932
- No inner city or high rise apartment projects
- Community focused
- Strong balance sheet.

VALUE CREATION

- Dividend yield of 6.8% (fully franked 9.8%)*
- Re-introduced the dividend re-investment plan
- Track record of earnings, dividend and NTA growth since FY13
- Gap between share price and NTA is ~26%.*

* Calculated using a 5 cent fully franked divided and 73 cents share price

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Appendix

State	Project	Remaining # of Lots
New South Wales	Argyle, Elderslie	183
	Magnolia, Hamlyn Terrace	170
	Evergreen, Spring Farm (South)	153
	Evergreen, Spring Farm (East)	486
	Seacrest, Sandy Beach	123
	Arcadian Hills, Cobbitty Stages 1 - 8	203
	Arcadian Hills, Cobbitty Stages 9 & 10	85
	Cobbitty Road, Cobbitty	57
	Boundary Road, Schofields	11
	Warnervale	595
	Evergreen, Spring Farm PDA	79
	Kogarah (apartment project)	67
	Hayes Lane, Huntley	205
Queensland	Halpine Lake, Mango Hill	1
	Creekwood, Caloundra	96
	Glenrowan, Mackay	177
	Essington Rise, Leichardt	8
	Villaggio, Richlands	4
	Bethania	101
	Big Sky, Coomera	1
	Bridgeman Downs	63
	Kenmore	30
	Bridgeman Downs 2	16
	Riverton	1196
	Deebing Heights	210
	Rochedale	81
	Ripley 1	294
N.Z.	Buckley B	265
Victoria	Lyndarum, Wollert	52
	Lyndarum North, Wollert JV	2,136
	Arlington Rise, Portarlington	98
	Hazelcroft, Doreen	33
	Waterline, Williamstown	419
S.A.	Pathways, Murray Bridge	53
	River Breeze, Goolwa North	80
	St Clair	425
	Eyre at Penfield	1655
W.A.	Indigo China Green, Subiaco Fine China Precinct	124
	Viridian China Green, Subiaco Fine China Precinct	17
	The Heights Kardinya	107
	Viveash	56
	Parkview, Ferndale	36

Detailed project pipeline by State

PRE-DELIVERY PHASE

DEVELOPMENT PHASE

Project pipeline as at 31 December 2017.

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