AVJennings

ASX/ Media Release

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AVJENNINGS REPORTS 2018 RESULTS IN LINE WITH RECENT MARKET UPDATE

FY18 Result Highlights

- Revenue $374.3 million; down 6.8%
- PBT $45.1 million; (PAT $31.3 million); down 11.7% and 12.2% respectively
- Strong operating cash flow of $47.9 million (30 June 2017: negative $13.2 million)
- Net debt dropped by 20.3% to $130.7 million and provides capacity for future land acquisitions
- Fully franked final dividend per share of 3.0 cents taking total dividends declared for FY18 to 5.0 cents, in line with the prior year
- Strong pre-sales of more than 1,000 lots

Australian residential community developer AVJennings Ltd (The Company, AVJennings, ASX:AVJ) today reported a profit before tax of $45.1 million, for the year ended 30 June 2018. This result is consistent with the market update provided by the Company on 6 August 2018. AVJennings maintains total dividends at 5.0 cents per share fully franked with a final dividend of 3.0 cents per share fully franked.

Financial Results

The Company recorded profit after tax of $31.3 million (30 June 2017: $35.7 million). When adjusted for the impact of the writeback in the inventory loss provision of $1.1 million before tax (FY2017: $5.1 million), the underlying profit before and after tax declined approximately 4% and 5% respectively.

As communicated on 6 August 2018, determination of the year-end result involved resolution of the timing, and not the certainty, of revenue recognition of a stage at Arcadian Hills, Cobbitty, New South Wales. The issues involved were complicated and required time to review and consider all the accounting and other requirements. After discussion with our external auditors, the decision has been made to exclude the item from the FY18 result. Consequently, the FY18 result excludes a positive PBT contribution of approximately $6.1 million. Had the revenue and profit from this stage been recognised, the result would have been in line with the FY17 result of $51 million PBT.

The FY2018 result has been primarily driven by projects that have been in production over recent years. Consistent with previous announcements, the Company expects that contributions from more recent acquisitions will provide future upward momentum for the business into FY2019.

A significant contributor will be Lyndarum North (joint venture) at Wollert, Melbourne. A small amount of revenue and profit was booked from this project very late in FY2018. This was limited by the Company not being able to recoup lost time which mainly resulted from previous planning delays.

At 30 June 2018, there were 396 contracts on hand for this project which have not been realised as FY18 revenue or profit. Settlements on these lots are due to commence in the first half of FY2019 with approximately 361 lots of the pre-sales due to settle in FY19 (AVJ share is 49%).

Sales of the GEM apartments at Waterline continue at a solid rate with 63% of the apartments sold at 30 June, including the first penthouse. Construction for the GEM apartments is progressing satisfactorily.

The final new project of scale that is currently under construction is Riverton at Jimboomba in Brisbane. Earthworks for stage 1 have commenced and some presales achieved. However, significant advancement of the project is not expected until the back end of FY19.

Directors declared a fully franked final dividend of 3.0 cents per share be paid in October 2018, taking total dividends declared for FY2018 to 5.0 cents per share, in line with the prior year.

The Company's Directors have determined that the Dividend Reinvestment Plan will apply to the final 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. The DRP will not be underwritten.

Balance sheet and land holdings

Controlled land inventory fell moderately to 9,373 lots (30 June 2017: 9,654 lots) as settlements outweighed acquisitions, which included an apartment site in Kogarah, New South Wales (67 lot equivalents) and land projects at Huntley, New South Wales (231 lot equivalents) and in Queensland at Ripley (294 lot equivalents), Deebing Heights (210 lot equivalents) and Rochedale (81 lot equivalents).

The geographic diversification of the Company's land holdings will be further enhanced by the pending acquisition of a 575 lot, residential land development site, 35km north of Auckland's CBD. The acquisition remains subject to regulatory approval however, the approval application is at an advanced stage and settlement is expected in October/November 2018.

Strong cash from operations has assisted a reduction in net debt to $130.7 million, down from $164.1 million at 30 June 2017. As such, gearing remains low with net debt to total assets of only 20% (30 June 2017: 23%) and the Company extended its Club banking facilities by a further 12 months to 30 September 2020.

Outlook

"The fundamental drivers of demand for residential property remain positive with low interest rate and inflationary expectations combined with population growth and shortages of detached dwellings, townhouses and low-rise apartments in Sydney, Melbourne and Auckland," Mr Summers said.

Activity in key residential markets has been very high in recent years, placing significant pressure on development and construction processes. The Company believes that, as some markets soften, it will benefit as activity eventually returns to levels that are more sustainable over the longer term.

The Company continues to be confident about the future as its continuing focus on delivering traditional housing solutions in prime markets as affordably as possible exposes it to the deepest and most stable residential markets.

In FY2019, the Company expects to benefit from continued strength in the Sydney market and settlements from the Lyndarum North and Waterline projects in Victoria in particular.

The Company expects positive revenue and earnings momentum given current levels of production, strong pre-sales volumes and continued progress of key projects.

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