AVJennings

ASX / Media release
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AVJennings reports FY19 results - expects stronger FY20

FY19 result in brief

- **Turnover $296.5 million; down 20.3%**
- **PBT $23.8 million and PAT $16.4 million; down 47% and 48% respectively**
- **Fully franked final dividend of 1.5 cents per share (bringing total FY19 dividends to 2.5 cents per share fully franked)**

Australian residential community developer AVJennings Ltd (The Company, AVJennings, ASX:AVJ) today reported a profit before tax of $23.8 million for the year ended 30 June 2019, down 47% from FY18. This result is consistent with the update provided by the Company on 2 August 2019.

The lower profit reflects softer market conditions, particularly in Melbourne and Sydney. The Company's performance was partially underwritten by the settlement of contracts signed in prior periods, including those with good margins from Lyndarum North and 'Waterline Place' (GEM Apartments) in Victoria, together with others from 'Arcadian Hills' Cobbitty, 'Argyle' Elderslie, 'Evergreen' Spring Farm and 'Magnolia' Hamlyn Terrace in New South Wales. Pleasingly, most contracts settled as expected, with relatively few customers requiring a short extension to their contracted settlement period to obtain mortgage finance.

Directors declared that a fully franked final dividend of 1.5 cents per share be paid in September 2019, taking total dividends declared for FY19 to 2.5 cents per share.

Land inventory rose nominally to 9,531 lots (9,373 in FY18). Subsequent to balance date, AVJennings entered into a binding Heads of Agreement to develop a 3,500 lot greenfield site at Caboolture, in the fast growing south-east Queensland corridor. Located between Brisbane and the Sunshine Coast, this project enhances the Company's long-term growth profile and was secured on a capital-light basis.

1,600 lots were under development as at 30 June 2019; 18% lower than FYE18. Gearing (net debt/total assets) of 26.6% was higher than at FYE18 (20.4%) but remains comfortably within the Company's target range of 15-35%. Net debt rose to $182.1 million ($130.7 million FY18) due to settlement and early development of 'Ara Hills' in Auckland, New Zealand together with the acquisition of the remaining 50% interest in 'Riverton' in Jimboomba, Queensland.

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Improving outlook

The Company believes that the current property cycle has bottomed, and that it will deliver a stronger result in FY20. General market sentiment is clearly beginning to improve, driven in part by continuing supportive market fundamentals, conclusion of the Federal election, relaxation of the minimum mandatory servicing requirement prescribed by APRA for retail banks when they assess mortgage applications, and improved consumer sentiment about residential property markets generally. A modest uptick in visitor numbers to sales offices and on-line is evident and is expected to be sustained during FY20.

The Company has also significantly advanced a number of existing projects, especially in South-East Queensland, and will have more projects actively selling in FY20. This region is now seeing significant infrastructure spending and stronger population growth. Additionally, significant contribution is expected in the first half from recognition of 141 pre-sold lots, together with 15 townhouses, within the Buckley B Precinct of 'Hobsonville Point' in Auckland New Zealand.

Finally, important demand drivers remain supportive, including continuing positive net migration into the major capital cities; ongoing under-building of affordable, detached and low-rise dwellings sufficient to meet the demand; stable employment; low interest rates, and an emerging but perceptible increase in retail bank mortgage lending appetite.

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