

**AVJennings®**

# FY19 Results Presentation

20 August 2019





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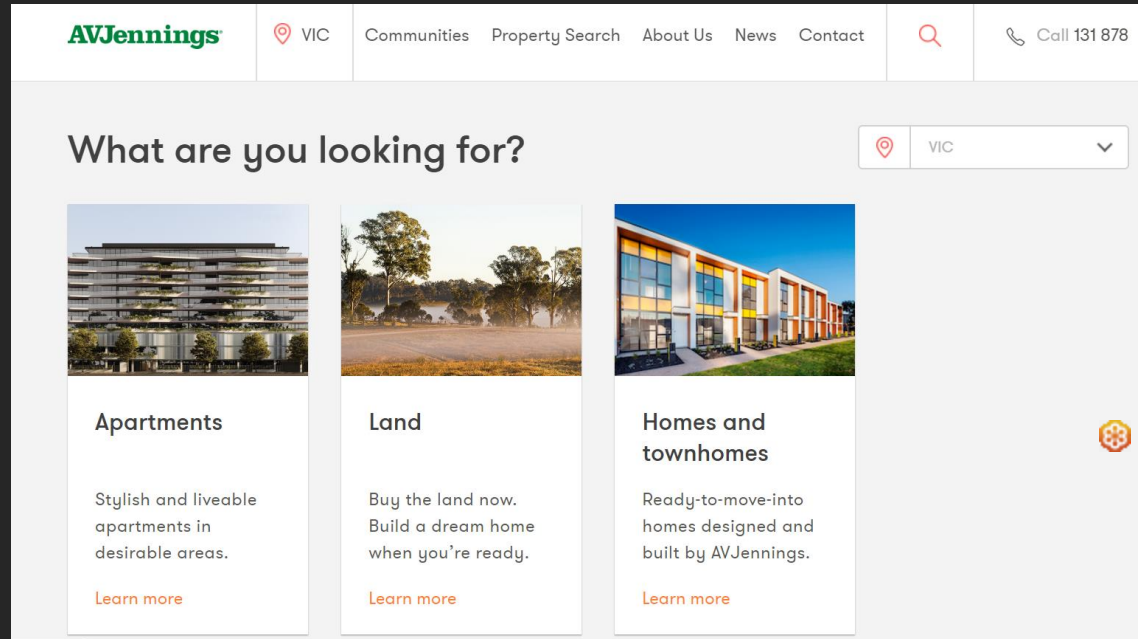


Housing  
matters.  
Community  
matters.



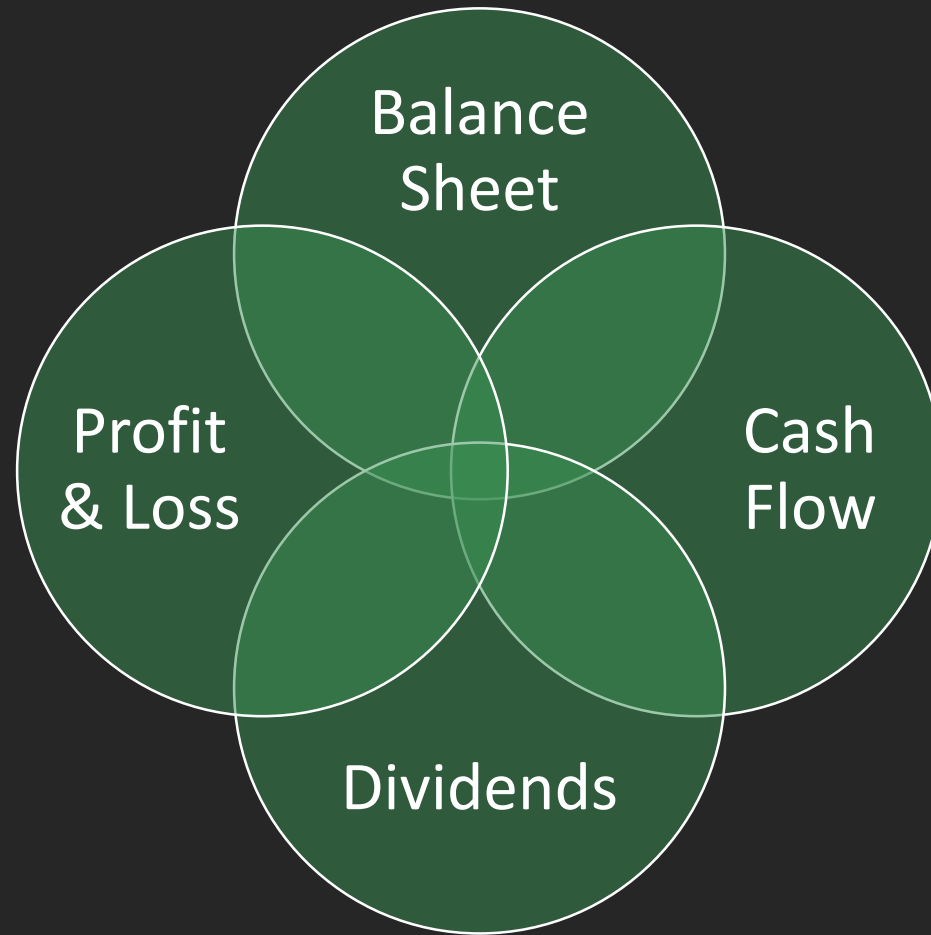
# What we do

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



and we don't do inner city high-rise or contract building.





# FY19 Results – headline numbers

	FY19	FY18	% Change
TOTAL REVENUE	\$296.5m	\$372.2m	(20.3%)
STATUTORY PROFIT BEFORE TAX	\$23.8m	\$45.1m	(47.1%)
STATUTORY PROFIT AFTER TAX	\$16.4m	\$31.3m	(47.6%)
GROSS MARGINS	24.5%	24.0%	0.5pp
NET TANGIBLE ASSETS (NTA)	\$393.5m	\$396.2m	(0.7%)
NTA PER SHARE	\$0.97	\$1.00	(3.4%)
EPS (CENTS PER SHARE)	4.1	8.1	(49.7%)
DIVIDEND FULLY FRANKED (CPS)	2.5	5.0	(50%)

# FY19 Profit & Loss summary

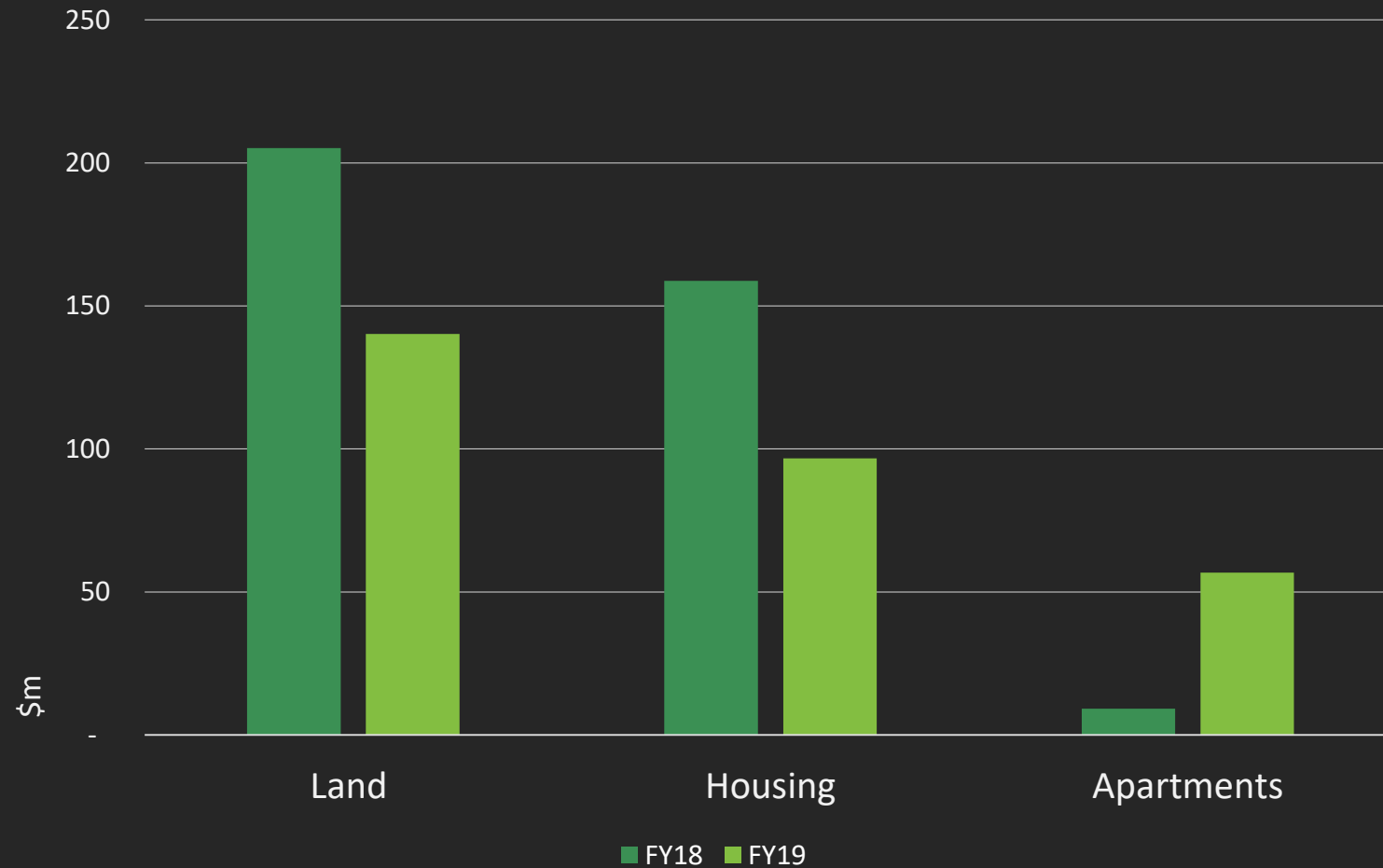
## FINANCIAL RESULTS

- Revenue \$296.5m (down 20.3%); PBT \$23.8m (down 47.1%)
- Results below FY18 due mainly to the well documented softer market conditions, particularly in Melbourne and Sydney
- Settlements of 970 lots down 24.9%
- Gross margins better at 24.5%





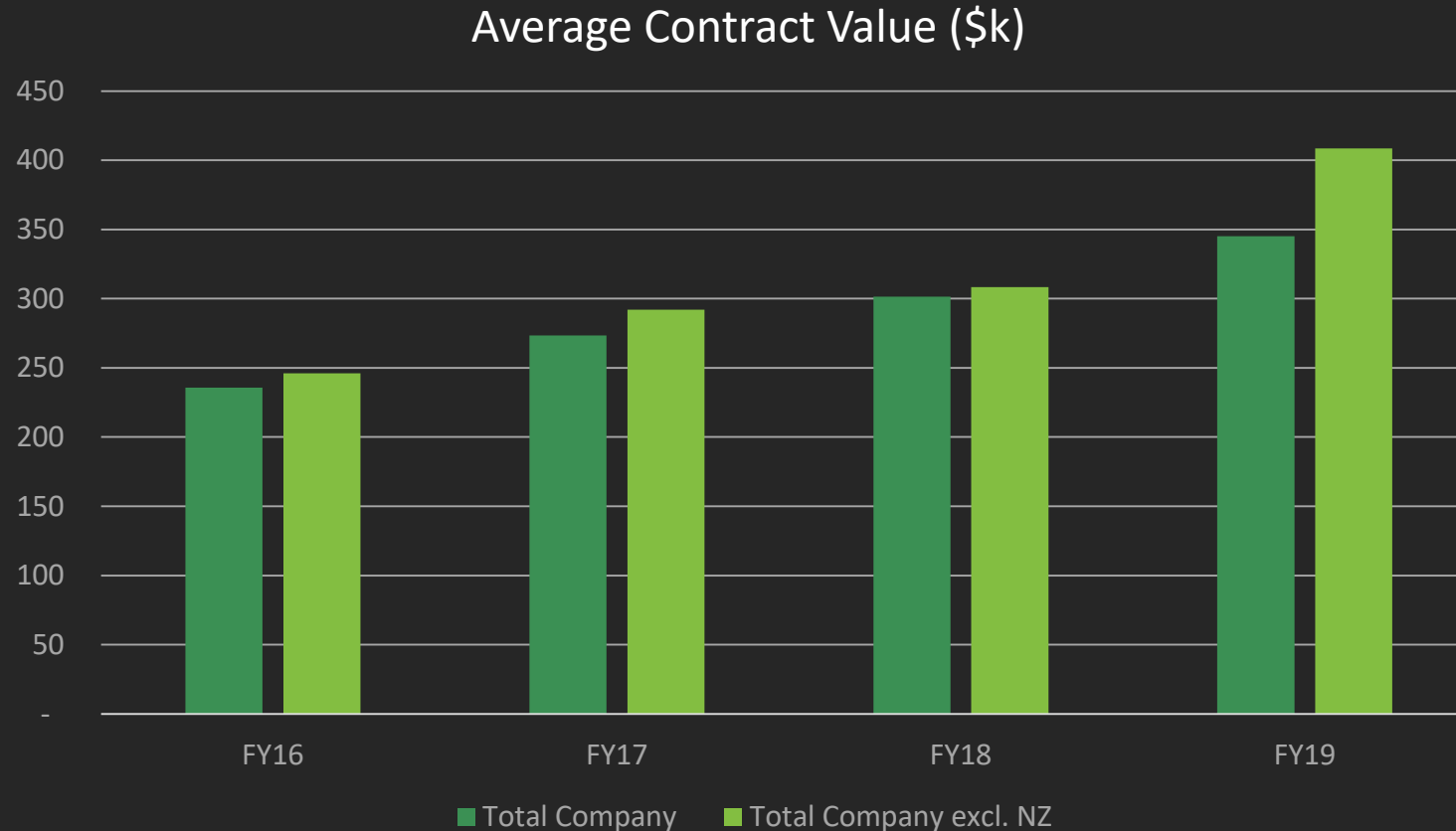
# Revenue by land, housing and apartments



- Lower revenue across land and housing reflect softer market conditions and product mix available for sale
- Settlement of the GEM apartments at Waterline is responsible for the increase in revenue from apartments



# 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
- Built form extends the amount of time between development starting and settlement

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

# FY19 Results – Balance Sheet



\$ MILLIONS	June 2019	June 2018
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	18.2	8.5
Receivables	15.1	95.1
Inventories	194.7	193.3
Total Current Assets	230.4	304.1
<b>NON-CURRENT ASSETS</b>		
Inventories	430.3	295.0
Total Non-Current Assets	454.8	336.3
<b>TOTAL ASSETS</b>	<b>685.2</b>	<b>640.4</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	41.2	34.5
Total Current Liabilities	51.5	68.4
<b>NON-CURRENT LIABILITIES</b>		
Interest bearing loans and borrowings	199.8	125.8
Total Non-Current Liabilities	237.4	173.0
<b>TOTAL LIABILITIES</b>	<b>288.9</b>	<b>241.4</b>
<b>NET ASSETS</b>	<b>396.3</b>	<b>399.0</b>

Note: Adoption of the new revenue accounting standard AASB15 resulted in reclassifications in current receivables and current inventories and the reversal of approximately \$12m from opening retained earnings, being the revenue and associated cost of sales recognised on contracts with builders in Australia that were unconditional but where control had not passed at 30 June 2018.

Note: not all line items shown

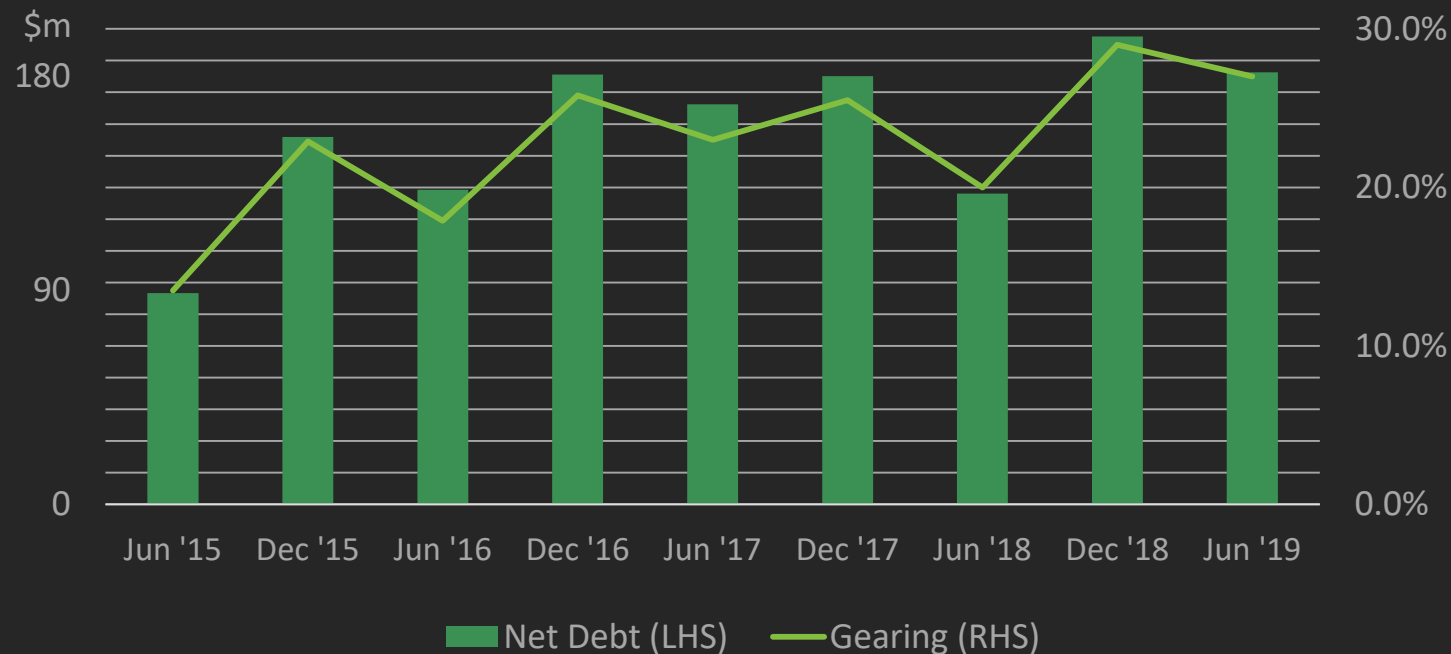
# FY19 Balance Sheet summary

- Net debt of \$182 million (26.6% gearing) is well inside our target gearing range
- WIP lots at 1,600 were down 17.9% in response to softer market conditions
- New project acquisitions including Ara Hills at Orewa near Auckland and the remaining 50% of Riverton at Jimboomba



# Net debt level in target range and flexibility to support future growth

NET DEBT AND GEARING RATIO  
(net debt / total assets)



- 26.6% gearing is comfortably inside 15-35% target range
- Increase since June 2018 largely reflects settlement of Ara Hills, NZ and June 2019 acquisition of the remaining 50% of Riverton at Jimboomba
- Low land creditor balance of \$42 million
- Maintain scope for selective acquisitions
- Extension of the main \$300 million banking facility to 30 Sept. 2021



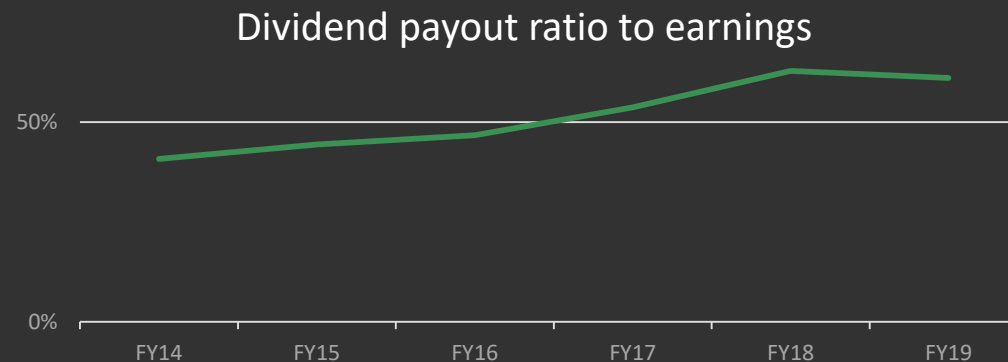
# FY19 Results – Cash Flow Statement

\$ MILLIONS	FY19	FY18
CASH FLOWS USED IN OPERATING ACTIVITIES		
Receipts from customers	355.9	450.8
Payments to suppliers, land vendors and employees	(371.3)	(378.4)
Net cash (used in) / from operating activities	(45.8)	47.6
CASH FLOWS FROM INVESTING ACTIVITIES		
Joint venture related activities	3.2	(2.0)
Net cash from / (used in) investing activities	3.7	(0.6)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	162.1	154.2
Repayment of borrowings	(101.0)	(194.6)
Net cash from / (used in) financing activities	51.8	(54.1)
NET INCREASE / (DECREASE) IN CASH HELD	9.7	(7.1)

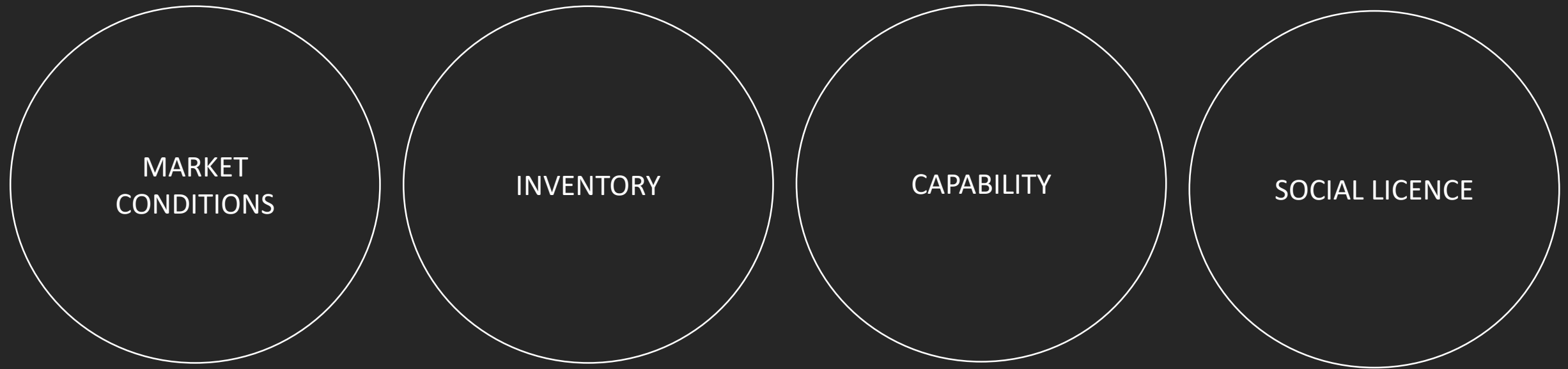
Includes land acquisitions:  
FY19 \$81.8 million  
FY18 \$103.1 million

## FY19 CAPITAL MANAGEMENT

- Dividends of 2.5 cents per share fully franked (1 cent + 1.5 cents)
- Providing a grossed up yield of 6.2% on a \$0.58 share price
- Lower than FY18 (5 cents), in line with softer earnings but maintaining a healthy payout ratio



# Looking forward



# Current market dynamics – sentiment is improving

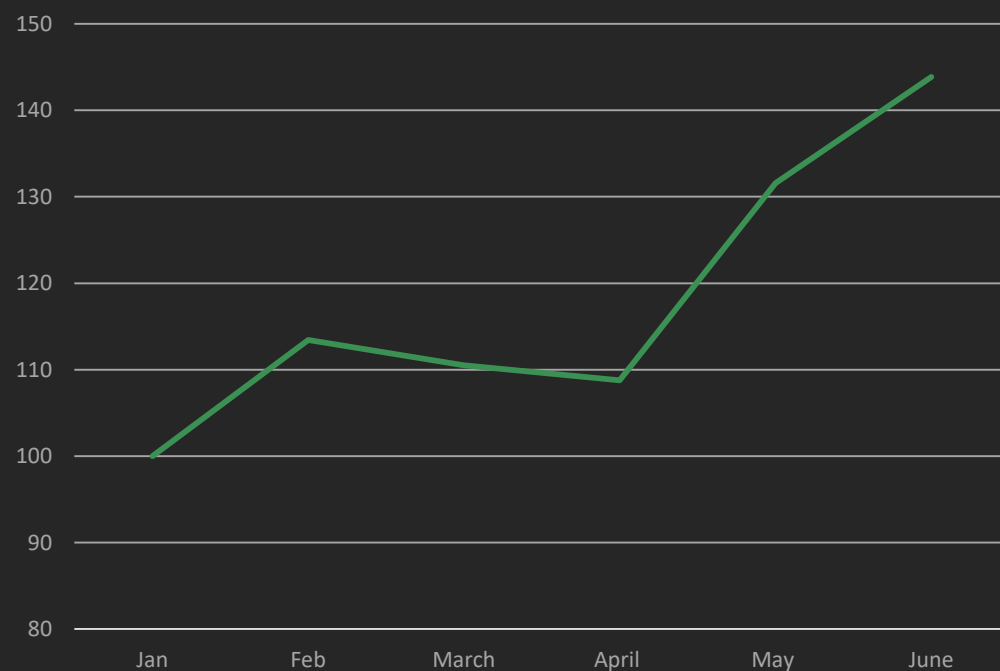
General market sentiment is beginning to improve driven by:

- Continuing supportive market fundamentals
- Conclusion of the Federal election
- Conclusion of State elections in Victoria and NSW
- Changes to lending practices and home loan application processes
- Positive media commentary about residential property markets generally
- Improving auction clearance rates
- Improved affordability in Melbourne and Sydney during FY19
- New tax offsets and future tax cuts announced
- Continued support for first home buyers through Government grants and stamp duty relief



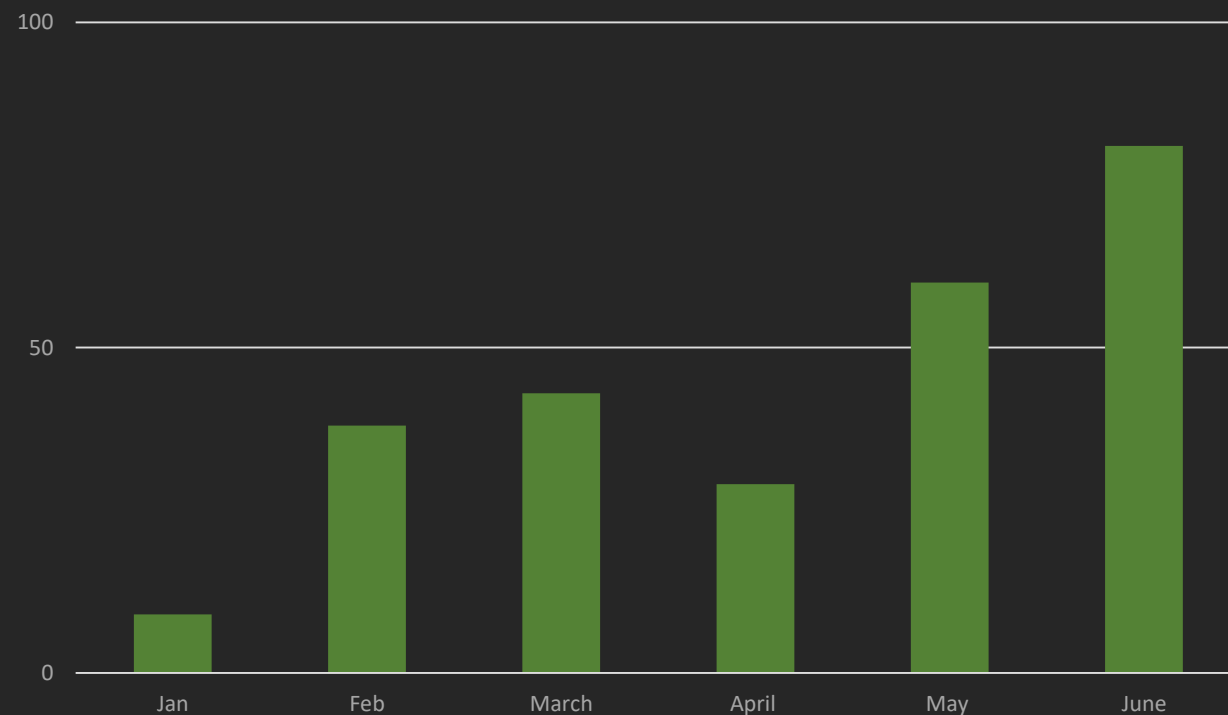
# Improving lead indicators

Monthly enquiry levels in 2H FY19  
(data baselined to 100% in January 2019)

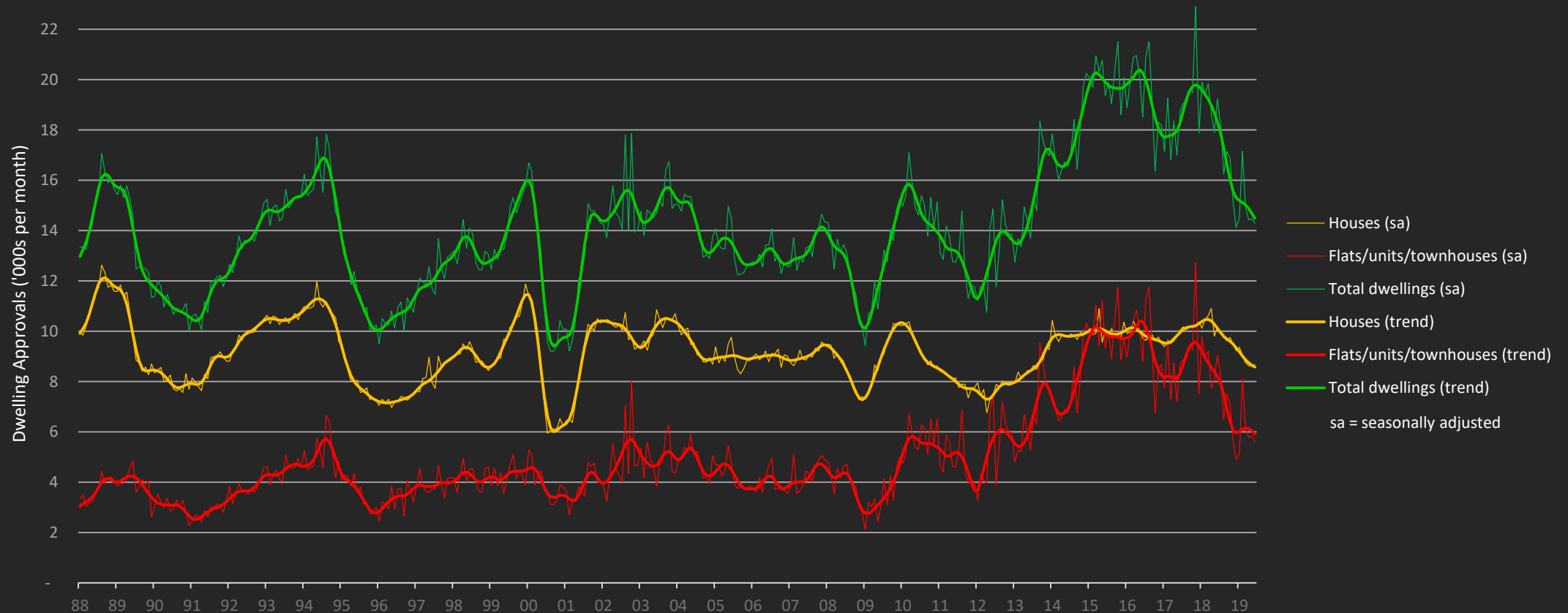


Enquiries are new enquiries (exclude re-visits)

Monthly contract signings in 2H FY19



# Market supply has contracted but underlying demand continues to grow



Source: Australian Bureau of Statistics

# Sector outlook continues to be supported by positive economic fundamentals



## Population Growth

> 31m people by 2040



## Stable Employment

Unemployment rate  
5.2%



## Real GDP Growth

Around 2.5% to 3%



## Interest Rates

Low by historical  
standards



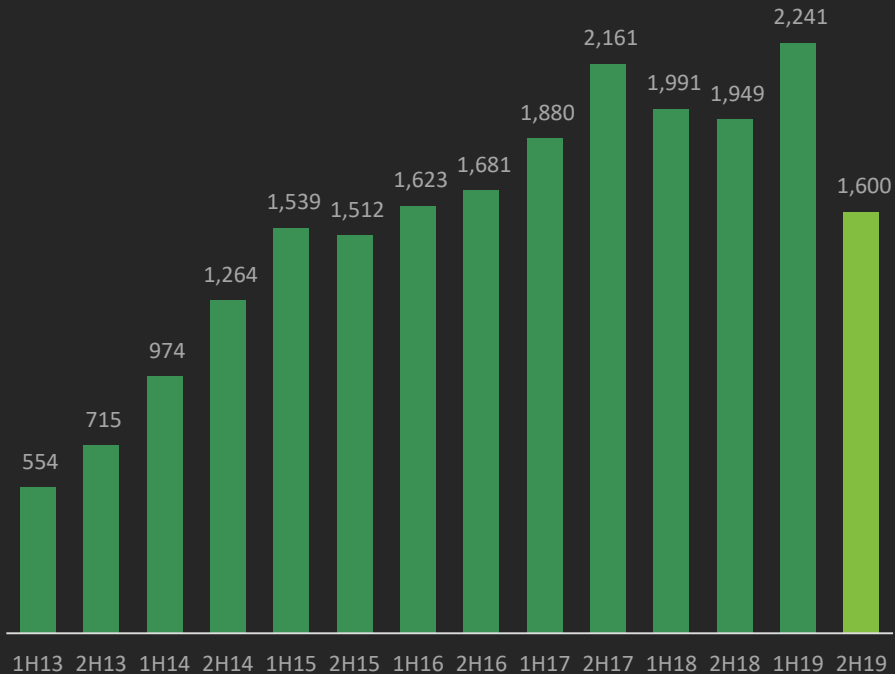
## Wages Growth

Around 2.5%

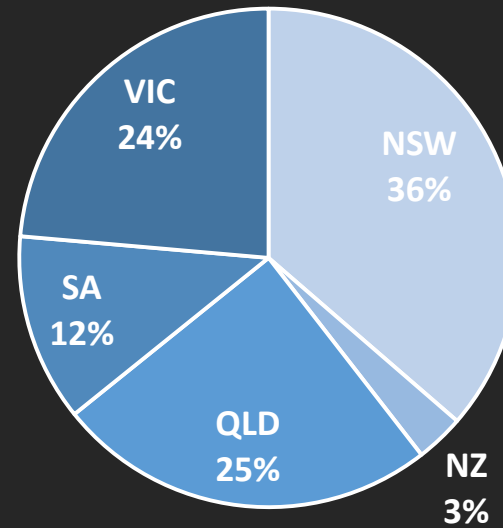
Source: Australian Bureau of Statistics and RBA

# Work in Progress

WIP Progress (lots)

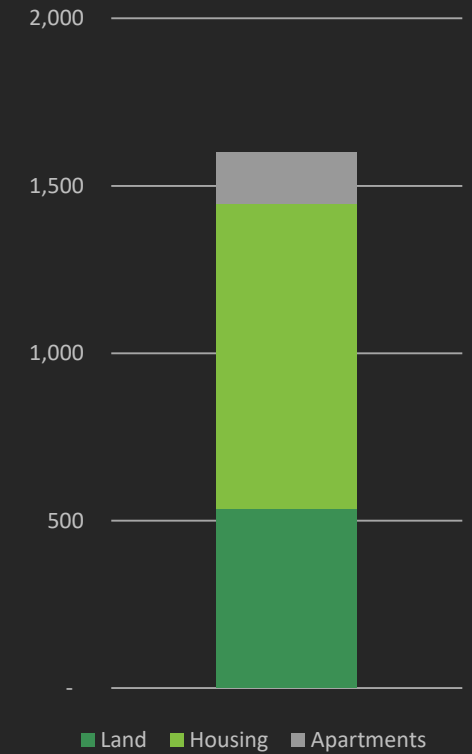


Current WIP by Region (% of \$)



Note: WA projects are excluded because they are carried as investments not inventory

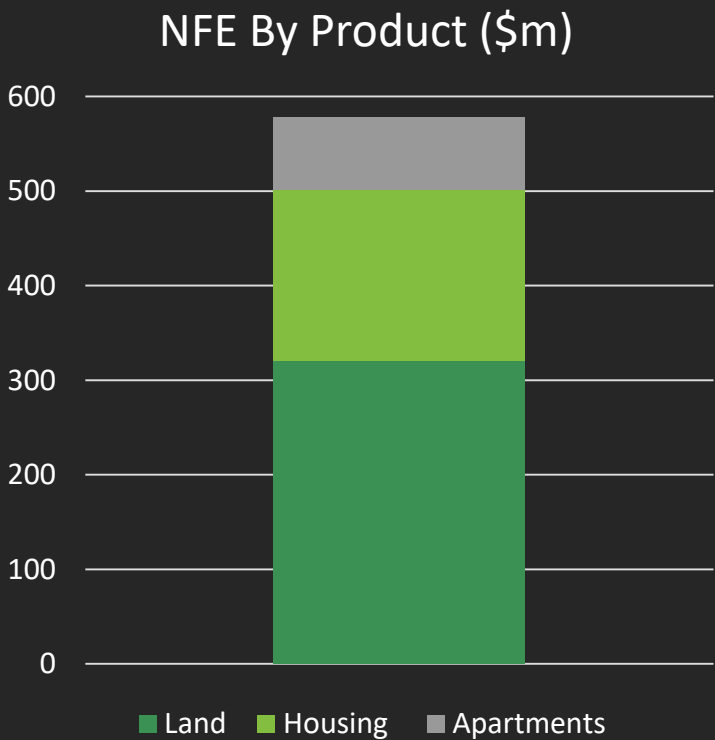
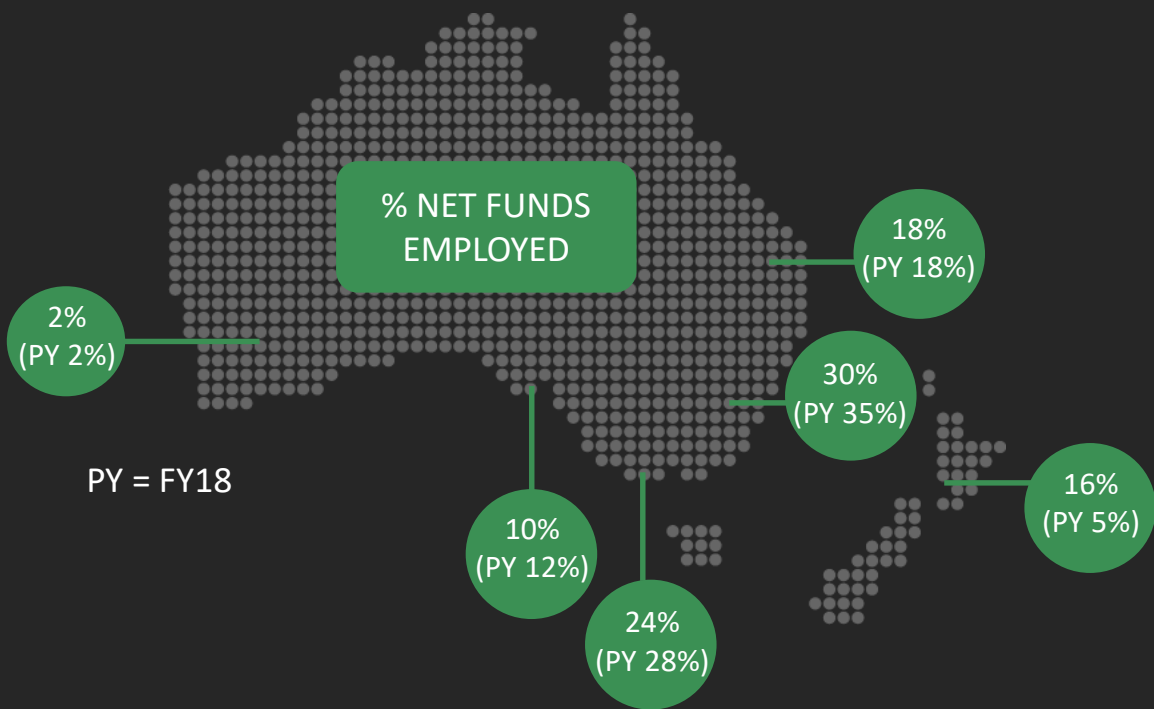
WIP by Product (lots)





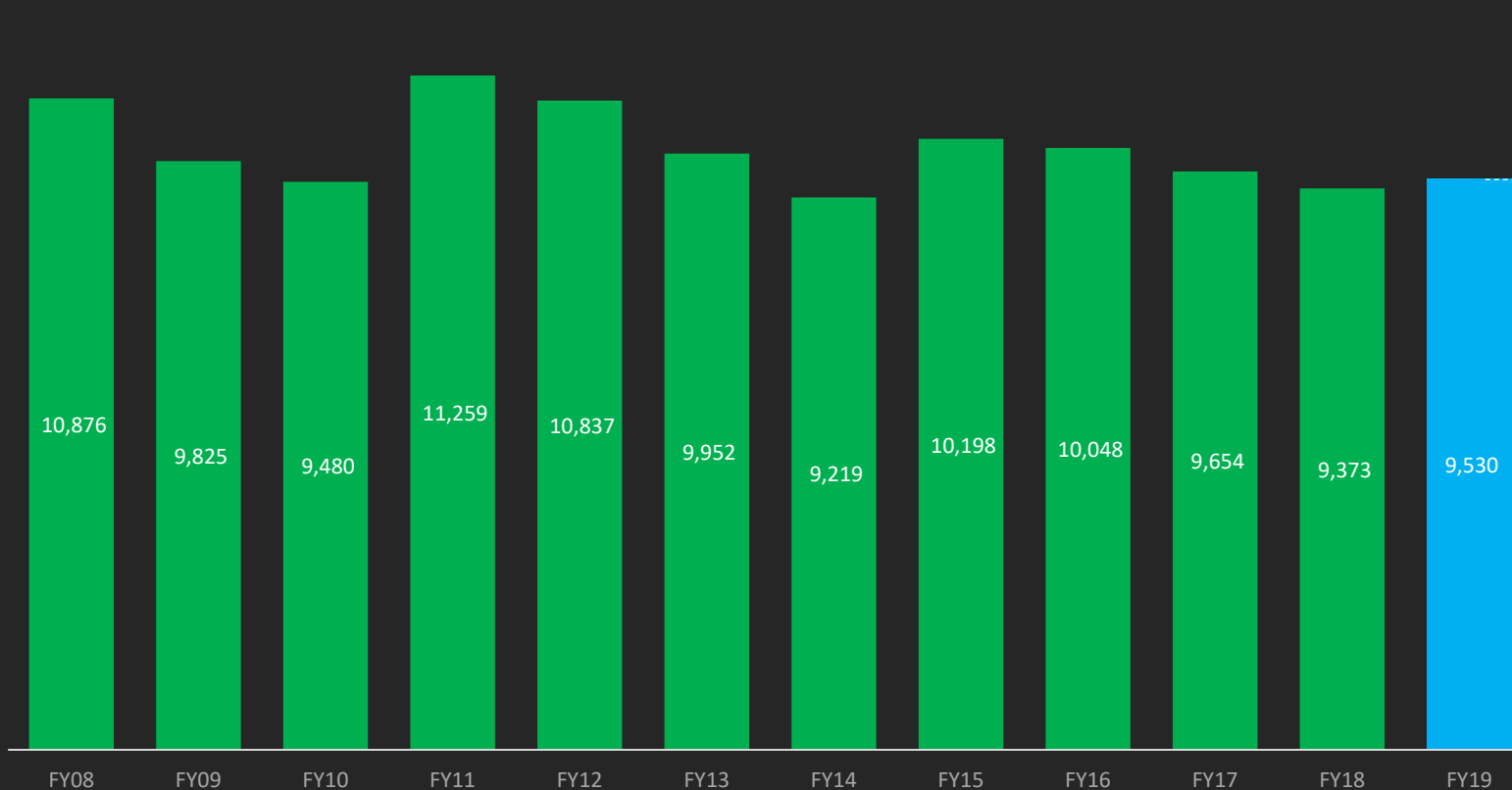
# Strategic allocation of net funds employed

Diverse geographic allocation of funds employed helps mitigate market risk



# Lots under control stable at around 9.5k

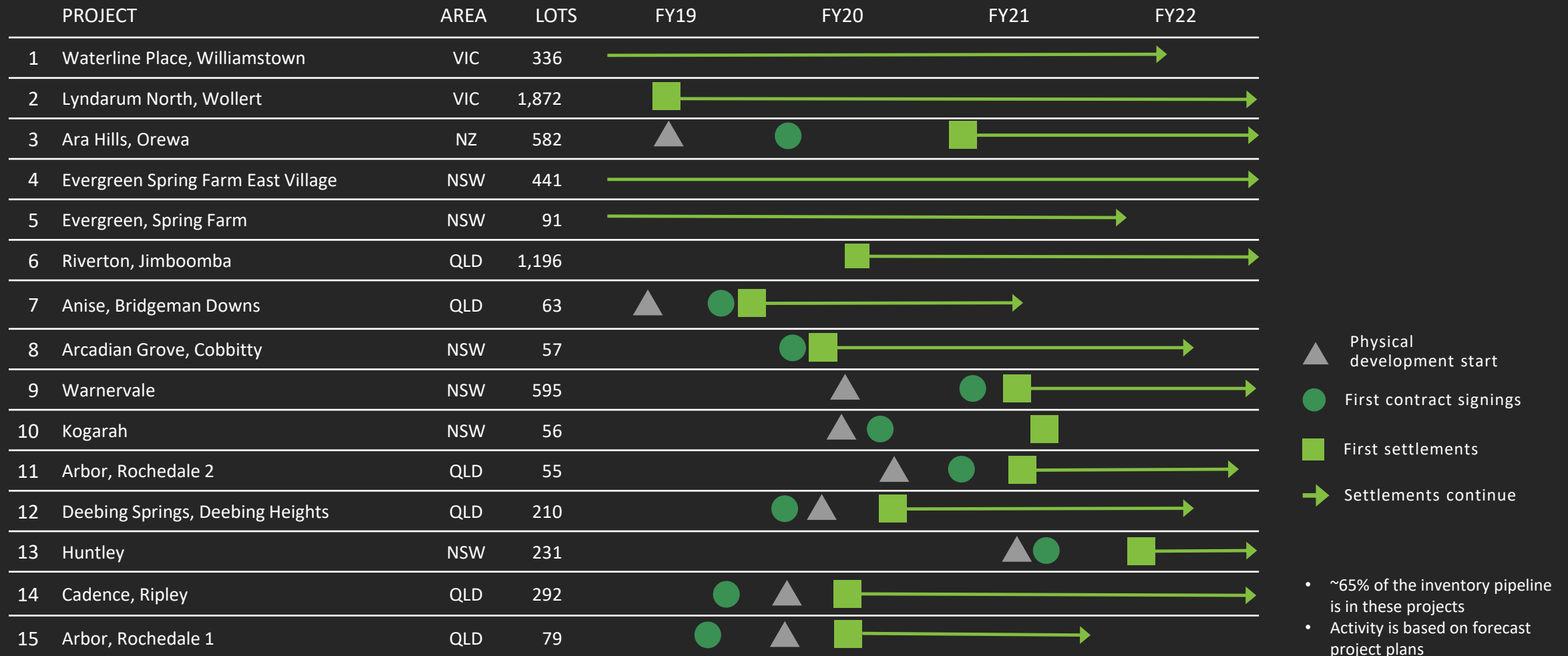
Total lots held by AVJennings



Caboolture ~3.5k lots

- FY19 excludes the Caboolture development near Brisbane which will provide ~3.5k lots (announced in August 2019)
- Notable transactions during FY19 included the acquisition of:
  - Ara Hills (NZ) ~582 lots
  - ~230 lots under contract for land at Mernda near Lyndarum-North
  - The acquisition of the remaining 50% of Riverton at Jimboomba does not increase lots under control but it does increase value of the land bank

# New projects driving cash receipts beyond FY19



# Victorian business overview

## Victoria

WOLLERT ●● MERNDA  
WILLIAMSTOWN ● ● MELBOURNE



NFE	\$144m
Total Lots	2,303
FY19 Revenue	\$120.2m, +108%



At Lyndarum North stages 1-6 are completed and substantially settled in FY19. Stage 7 nearing completion and more new stages have commenced development.

GEM apartments at Waterline Place (Williamstown) were completed and largely settled during FY19. Development of the adjacent Empress apartment complex has commenced.



# Queensland business overview



NFE	\$109m
Total Lots	2,237
FY19 Revenue	\$32.1m, (38%)

A number of projects were advanced in FY19 which will see more stages from more projects move into profit recognition in FY20. One of those projects is our significant ‘Riverton’ project in Jimboomba, the remaining 50% of which was acquired from the former joint venture partner during the year.

In August 2019 we entered a binding agreement to develop ~3,500 lots at Caboolture (between Caloundra and Brisbane).

# NSW business overview



NFE	\$180m
Total Lots	1,956
FY19 Revenue	\$123.8m, (37%)

During FY19 there were settlements at with strong margins at ‘Arcadian Hills’ Cobbitty, ‘Argyle’ Elderslie, ‘Evergreen’ Spring Farm and ‘Magnolia’ Hamlyn Terrace in NSW.

The softer market conditions did impact on sales activity around the Sydney market.



# NZ (Auckland) business overview



NFE	\$94m
Total Lots	738
FY19 Revenue	\$1.2m, (92%)



During FY19 we acquired the Ara Hills project at Orewa, north of Auckland. Development is progressing well with bulk earthworks completed, the builder sales process has commenced with first sales negotiated and a retail launch is planned during FY20.

We substantially advanced development work for the Buckley B stage at Hobsonville Point, Auckland, for which some \$26.9 million of pre-sales are on hand. The timing of recognition of these pre-sales explains why FY19 NZ revenue is lower as these presales will be realised in FY20. This will result in the NZ operations making a much larger contribution in FY20.

# S.A. business overview



EYRE, SA.

**Eyre makes Top Five in  
Adelaide's Most  
Liveable Suburbs List**



NFE	\$62m
Total Lots	1,855
FY19 Revenue	\$19.1m, (64%)

There were 131 settlements completed in FY19 and we have continued to operate against plans for improved performance. Revision to cost structures, operational methods and product will improve both sales and efficiency.

We continue to rationalise the level of funds invested in the South Australian business.

# Capability

## New organisational structure

- Appointment of COO
- Business structured along disciplines with a stronger project focus, rather than primarily on regions

## Brand name

- Trust is more important than ever

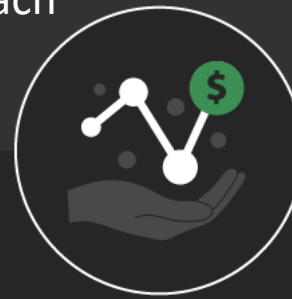


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## FY20 AND BEYOND

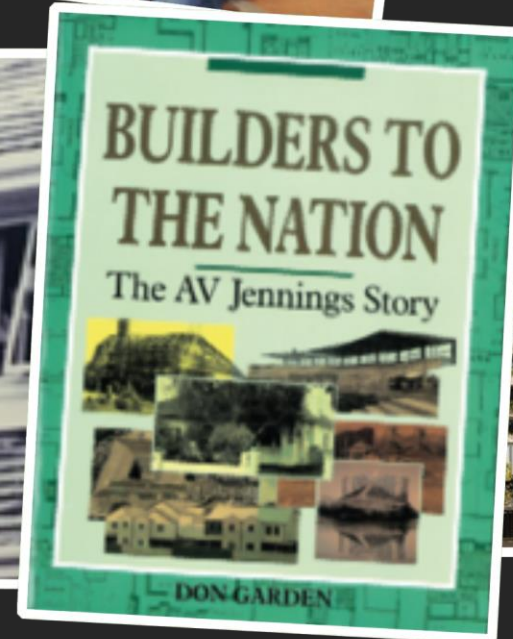
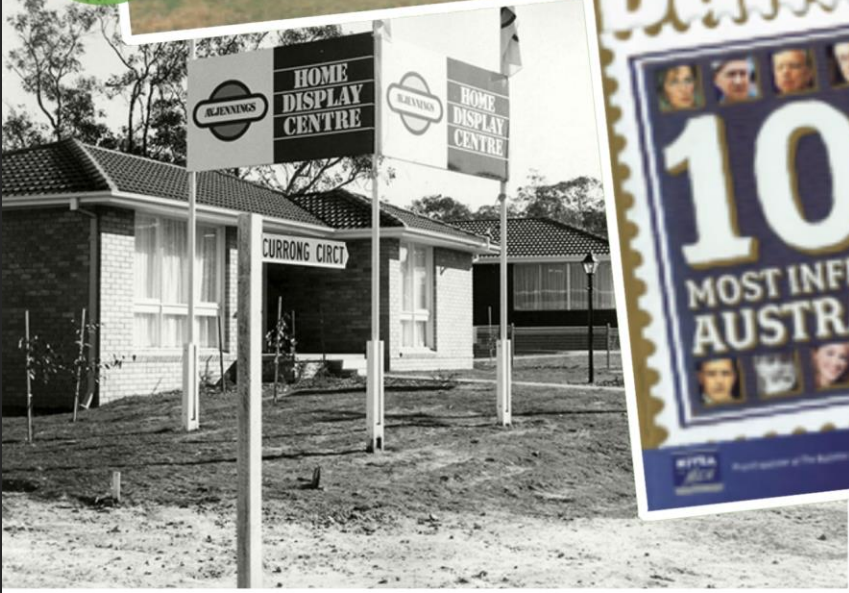
- General market sentiment is beginning to improve
  - Lead indicators of foot traffic and enquiries increasing
- Macroeconomic fundamentals remain supportive
- We will have more product to sell in more places this year, and more projects reaching profit recognition, especially in Queensland
- Realisation of benefits from enhancements to the Company's operating model
- Continue to benefit from our ethical and responsible approach





Building on our past. Shaping your future.

AVJennings®





# Appendices



# Detailed project pipeline by State

		Remaining# of Lots	Pre	FY20	FY21	FY22	FY23	Post
New South Wales	Argyle, Elderslie	146						
	Magnolia, Hamlyn Terrace	50						
	Evergreen, Spring Farm (South)	91						
	Evergreen, Spring Farm (East Village)	441						
	Seacrest, Sandy Beach	24						
	Arcadian Hills, Cobbitty Stages 1 - 8	177						
	Arcadian Hills, Cobbitty Stages 9 & 10	25						
	Arcadian Grove, Cobbitty	57						
	Warnervale	595						
	Evergreen, Spring Farm	60						
	Kogarah (apartment project)	56						
	Huntley	231						
Queensland	Creekwood, Caloundra	70						
	Glenrowan, Mackay	177						
	Essington Rise, Leichardt	5						
	Parkside, Bethania	90						
	Anise, Bridgeman Downs	63						
	Arbor, Rochedale 2	55						
	Riverton, Jimboomba	1,196						
	Deebling Springs, Deebling Heights	210						
	Arbor, Rochedale 1	79						
	Cadence, Ripley	292						
N.Z.	Buckley B, Hobsonville Point	156						
	Ara Hills, Hall Farm	582						
Victoria	Lyndarum, Wollert	95						
	Lyndarum North, Wollert JV	1,872						
	Waterline Place, Williamstown	336						
S.A.	Pathways, Murray Bridge	53						
	River Breeze, Goolwa North	80						
	St Clair	284						
	Eyre at Penfield	1,428						
W.A.	Indigo China Green, Subiaco Fine China Precinct	80						
	Viridian China Green, Subiaco Fine China Precinct	14						
	The Heights Kardinya	85						
	Viveash	4						
	Parkview, Ferndale	28						

Pre-delivery phase  
Development phase

Project pipeline as at  
30 June 2019

# Investing in our people and the community

## OUR PEOPLE

- Female representation in the workforce
  - 47.4% of total workforce (up 27% since 2015) and 24% of senior management
- Employee scholarships: Bob Sutton study award, staff recognition programmes
- Continue to invest more in safety and welfare

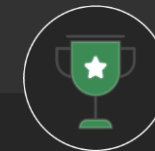
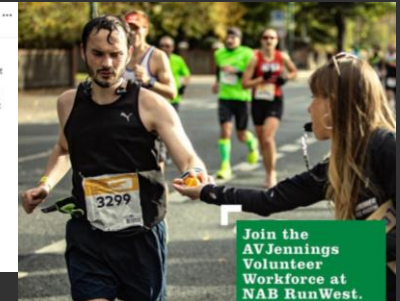


## COMMUNITY

- Community is at our core
- Partnering with organisations that have strong community connections and values



- Community focused business operating since 1932



# Investing in innovation and quality

## INNOVATION

- New established Innovation Committee
- Developing advanced customer analytics and insights using Salesforce
- Increasing digital and social media interaction with customers
- Use of augmented reality to improve the customer experience
- Investigating more sophisticated and automated building delivery options, including pre-fabricated construction
- Use of technology to provide more sustainable housing eg. dwellings orientated to optimise solar performance



## QUALITY

### Awards

- Vic:
  - Waterline Ellery townhomes in the medium density category
- SA:
  - St Clair: Best Masterplanned Development
  - St Clair: Best Affordable Development



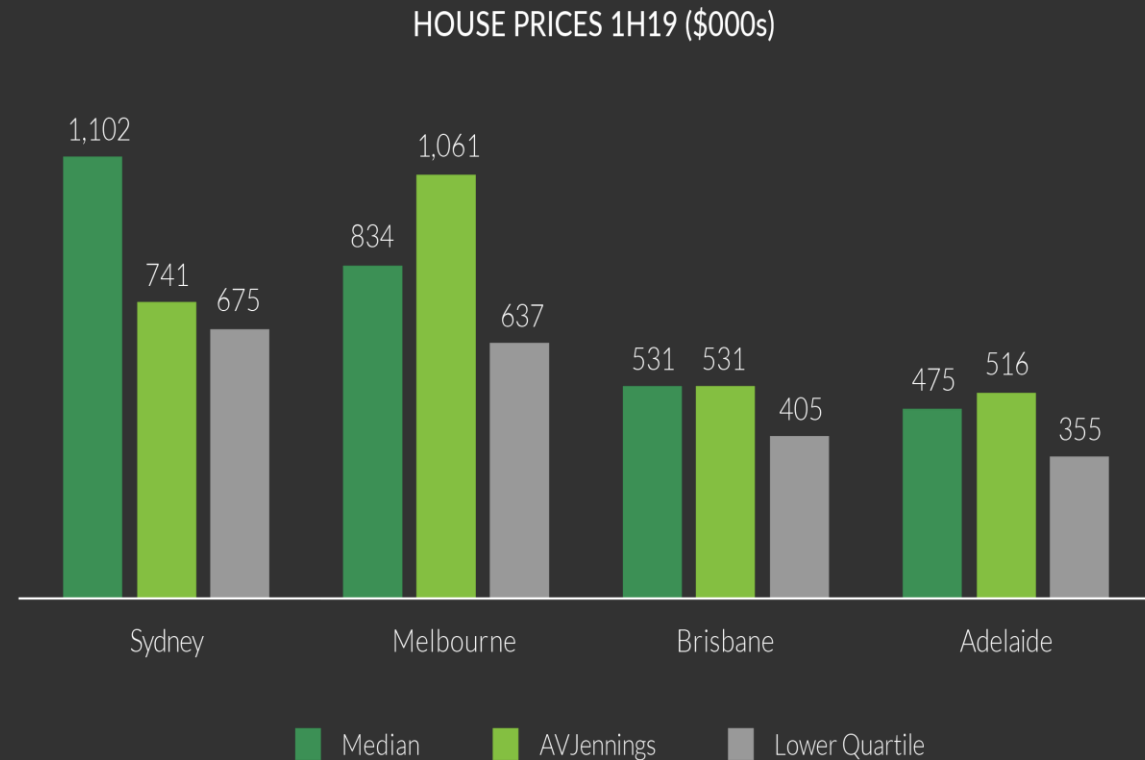
### Design strategy

- Standardise specifications with the aim of reducing delivery cycle times and better manage building costs



# A strategic focus on customers

- Affordable product mix includes a blend of detached homes, townhouses, medium density apartments and land sales
- Focus on affordability with 55% of homes sold eligible for FHO grants
- High investment in place-making and community amenity



Note: only town homes at the Waterline project in Williamstown have been sold in Melbourne by AVJennings in that period.





Thank you

