AVJennings

27 November 2019

The Manager
Company Announcements
Australian Securities Exchange Limited
Level 4, Rialto North Tower
525 Collins Street
Melbourne Vic 3000.

Dear Sir,

ANNUAL GENERAL MEETING
AVJENNINGS LIMITED

Please find attached the Chairman's and Managing Director's addresses made at the Annual General Meeting of AVJennings Limited on 27 November 2019.

Yours faithfully,

Carl Thompson
Company Secretary.

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AVJennings

Annual General Meeting: Wednesday, 27 November 2019

Chairman & Managing Director Addresses

Mr Simon Cheong: Chairman

Good morning ladies and gentlemen.

My name is Simon Cheong and it is my pleasure to welcome you to our 2019 Annual General Meeting.

I begin by acknowledging that we are meeting here today on the land of the traditional owners The Gadigal People of the Eora Nation and I pay my respects to their Elders, past, present and emerging.

It has been a number of years since we have held an AGM in Sydney and I welcome those who may be attending their first AGM or first one for a while. New South Wales has always been a vital part of our business and I'm sure will continue to be so for a long time to come.

As there is a quorum present, I declare this meeting open.

Fellow Board members attending today are:

- Mr Jerome Rowley, independent Director and Deputy Chairman
- Mrs Elizabeth Sam, non-executive Director
- Mr Tan Boon Leong, non-executive Director
- Mr Bobby Chin, independent non-executive Director
- Mr Bruce Hayman, independent non-executive Director
- Mr Lai Teck Poh, independent non-executive Director
- Mr Philip Kearns AM, independent non-executive Director; and
- Mr Peter Summers, Managing Director and Chief Executive Officer

Phil is attending his first AGM after being appointed as a casual vacancy in March 2019. I will talk more about Phil when the formal resolution proposing his re-appointment is considered, but in the meantime I must say that we are excited to have someone of his character, calibre and expertise join our Board.

Company Secretary and General Counsel, Mr Carl Thompson, and Mr Glenn Maris, Audit Partner, representing the Company's External Auditor Ernst and Young, are also here, together with other members of our senior management team.

I will shortly ask Peter to recap our 2019 financial results, discuss the current state of our markets and the outlook for 2020, following which shareholders may ask questions. I will then step through the formal agenda set out in the Notice of Meeting.

Prior to that, however, I would like to emphasise that your Board has a positive view of the medium-term outlook for the Company's key residential property markets, notwithstanding the soft trading conditions experienced during fiscal 2019. As a pure residential developer, ours is a cyclical business whose performance is strongly linked to population growth, the price and availability of money, and the ebb and flow of consumer confidence, which (it is fair to say) was dented by a succession of domestic and international factors over the past 24 months. For several years, including at our last AGM, we commented upon the likelihood of an impending softening of market conditions, particularly in Sydney and Melbourne, on the back of a period of significant and, in our opinion, unsustainable growth.

AVJennings has been in business for a long time and so has seen the business cycle turn more than once. That experience has taught us some critically important lessons:

- Firstly, market conditions are dynamic and predicting the timing and speed of change is difficult. It is therefore important to be prepared, but also to be flexible.

- Secondly, fundamental drivers are important and must form the strongest element of strategic planning. Peter will talk more to this shortly.

- Thirdly, cycles are inevitable and whilst the short-term challenges are obvious, cycles do also provide opportunities. In the last 12 months we have seriously looked at well over 200 possible acquisition opportunities. We have remained prudent in assessing quality and risk which has limited the number of actual acquisitions, although Peter will talk soon about 2 of the more exciting ones achieved this year. We have also been mindful to optimise the use of capital and, the Caboolture acquisition Peter will discuss, is a great example of acquiring development rights under a capital efficient structure.

- Fourthly, we must never forget the customer. Our product offering must be relevant to contemporary markets if we are to continue to satisfy the aspirations and needs of our customers and enable them to respond to the very real challenges they face in modern society. At every point in the process, we must keep our customers firmly in our view.

- Finally, the evolving needs of all stakeholders, whether they be shareholders, customers, employees, suppliers, regulators or the public, must constantly be identified and balanced (so far as possible) to allow the Company to operate sustainably and efficiently into the future.

I offer my thanks to your directors, executives and other staff of AVJennings, together with our suppliers and business partners for their ongoing efforts and support. To fellow shareholders I say, thank you for your trust and ongoing support, as I believe your patience will be rewarded.

Finally, and most importantly, I would like to thank our customers. We respect and value the trust they place in us to fulfil their most important dream of home ownership.

I will now ask our CEO, Mr Peter Summers, to address the meeting.

Mr Peter Summers: Managing Director

Thank you, Simon.

Good morning ladies and gentlemen and thank you for taking the time to attend our AGM.

I too acknowledge the traditional owners of this land The Gadigal People of the Eora Nation and pay my respects to their Elders, past, present and emerging.

Property, including residential, is indeed a cyclical business, something Simon talked about earlier, and this is something I'd like to expand upon here.

The starting point is fundamentals. Supply and demand, including the impact of population growth and changes in demographics and lifestyles; employment and wage growth; changes to affordability, including the impact of interest rates and the availability of finance - these all affect industry circumstances and lead to cycles.

If these were the only factors, cycles would be reasonably easy to forecast and probably reasonably shallow and short lived. It is why last year we were confident a correction was coming based as much on affordability as anything else. Melbourne and Sydney, in particular, had experienced a period of strong growth. This growth was not only in selling prices. There was growth in demand overall.

This led to significant growth in lead times for trades and suppliers and in prices for both. Time for regulatory approvals, which aren't great at the best of times, blew out as councils and other bodies came under pressure.

A correction was needed. It was, as Simon said, all unsustainable.

But it isn't that simple. Confidence plays such a huge part as well. Confidence in the direction of prices, in job security, in our governments not changing the rules or adding risk to the process, in the strength of the economy, trust in banks and indeed in residential developers and builders. Confidence has certainly taken a battering in recent times.

It was erosion of confidence that turned a necessary correction into a significant downturn.

AVJennings' experience in the 2019 financial year mirrored that of other major residential developers, with turnover of $296.5 million and profit before tax of $23.8 million falling in comparison with prior periods. Pleasingly, the result was cushioned to some extent by revenue earned from the settlement of pre-sold apartments in GEM at Waterline Place and land at Lyndarum North both in Victoria, together with good margins earned from settlements at our Arcadian Hills, Argyle, Spring Farm and Magnolia projects all in New South Wales. While production slowed during the year in response to lower sales, we nevertheless entered the 2020 financial year with 1,600 lots of work-in-progress and 556 pre-sales of which 444 are expected to settle in the first half of the 2020 financial year. Our capital management remains strong, with gearing at 26.6%, which is within our target range, and dividends declared for the year of 2.5 cents-per-share representing a pay-out ratio of more than 60% of profit after tax.

Customer sentiment is slowly improving. We noticed positive movement in certain leading indicators almost immediately after the federal election with the removal of certain potential policy uncertainty for consumers. Confidence was also boosted by news of personal income tax offsets, a new federal scheme to support first homebuyers, and relaxation of prescribed minimum servicing requirements to be applied by retail lenders.

This, in turn, has led to much more positive media coverage about the outlook for residential property, which positively fed improving consumer confidence.

While there is still plenty of uncertainty in the domestic and global economies, I believe that whatever demotivating effect this carries is gradually being offset by the demands of population pressure at the local level, improving access to finance and a sense that prices have bottomed, as we have seen sales gradually rise.

We seem to be in the earliest phase of a recovery in demand, particularly in Sydney and Melbourne. In addition to our own experience and recent reports from other developers, auction clearance rates and prices for established housing in those markets have certainly firmed on the back of limited supply. This is a necessary precursor to improved activity in new dwelling markets, as subsequent home purchasers often need to sell their existing dwelling before committing to a new purchase.

Our sense is that this recovery will consolidate and gather momentum, as pent-up demand driven by a downturn in production, continuing population growth and affordability constraints, fosters the take-up of relatively limited levels of existing unsold stock and new stock listed for resale. It is interesting to note the number of recent stories predicting that a supply shortage in Sydney isn't far away.

We therefore expect to deliver better results in the 2020 financial year, both in the first half and for the year overall, although the traditional second-half bias is likely to remain.

The emphasis will continue to be on a greater proportion of retail, compared with builder sales than during the last up-cycle, and a higher proportion of built form relative to land-only product.

Our projects in the south-west of Sydney are particularly well-positioned in a prime growth corridor, and recent dwelling sales there are vindicating our built form strategy, while those located on the New South Wales Central Coast are attractively affordable.

For reasons of construction timing, the Victorian business will not receive the same boost from apartment settlements at Waterline Place in 2020, as it did in the 2019 financial year. Sales are picking up on our greenfield estates in the north of Melbourne and a further two stages at Lyndarum North should complete, sell and settle this financial year.

We have considerably more projects in Brisbane contributing to revenue this year especially in the second half (including Arbor in Rochedale, which is virtually sold out), and will recognise more than $5 million in margin from the final phase of the Hobsonville Point project in Auckland, New Zealand.

Development of the initial stages of our newest flagship land projects at Ara Hills in Orewa, New Zealand and Riverton in Jimboomba, Queensland are proceeding well and will help underpin the Company's results in the medium term. Early indications are that good sales will be made to builders at Ara Hills, underscoring the robust state of demand for land lots in high quality housing estates in Auckland.

We continue to acquire new development opportunities, and two of the most recently announced are particularly exciting.

The agreement with the State Government of Victoria to redevelop a former public housing site in the inner Melbourne suburb of Brunswick West, is innovative and will, we hope, be only the first with which we assist the State to renew its ageing portfolio of public housing. We also plan to expand our involvement in these types of projects to other regions.

The option and development agreements concluded with the owner of land at Caboolture in Brisbane that is expected to yield around 3,500 lots is struck on capital efficient terms and is a major prospective project that will afford AVJennings every opportunity to make a significant contribution to the development of this important growth corridor. The agreements that are now in place give the Company the rights over that land subject to a suitable Development Approval. Early discussions with various bodies, including council, have been extremely positive and we expect to successfully obtain such a Development Approval.

While our commitment to prudent, sustainable growth remains, we have taken the opportunity to review every aspect of our management structure and operational practices and now have a flatter, more responsive structure and streamlined processes. These efficiency gains will deliver increasing benefits as activity picks up.

Many of you will, on previous occasions, have heard me speak of the value we place on our people, customers and our brand. This is not mere lip-service.

The way our customers engage with us, their lifestyle preferences, financial capacity and service expectations are constantly changing, and we must strive to remain abreast of their demands.

Employee preferences and workstyles are likewise evolving, and the Company must be flexible enough in its approach to accommodate the full spectrum of generations.

Relationships are central to our business success and trust lies at the core of all good relationships. It is hard won and easily lost.

The name AVJennings is well-known and trusted. But the continued commitment to a fundamental belief in our principles is what continues to give our brand value, and that is well worth preserving in an uncertain world.

Before taking questions, I too would like to thank Simon and the directors for their guidance, and the executives and staff for their hard work and commitment to the success of our Company.

ENDS.