



# First-half FY20 Results Presentation.

26 February 2020.

Argyle,  
Elderslie, NSW

# Housing matters. Community matters.



Arcadian Hills,  
Cobbitty, NSW



# What we do.



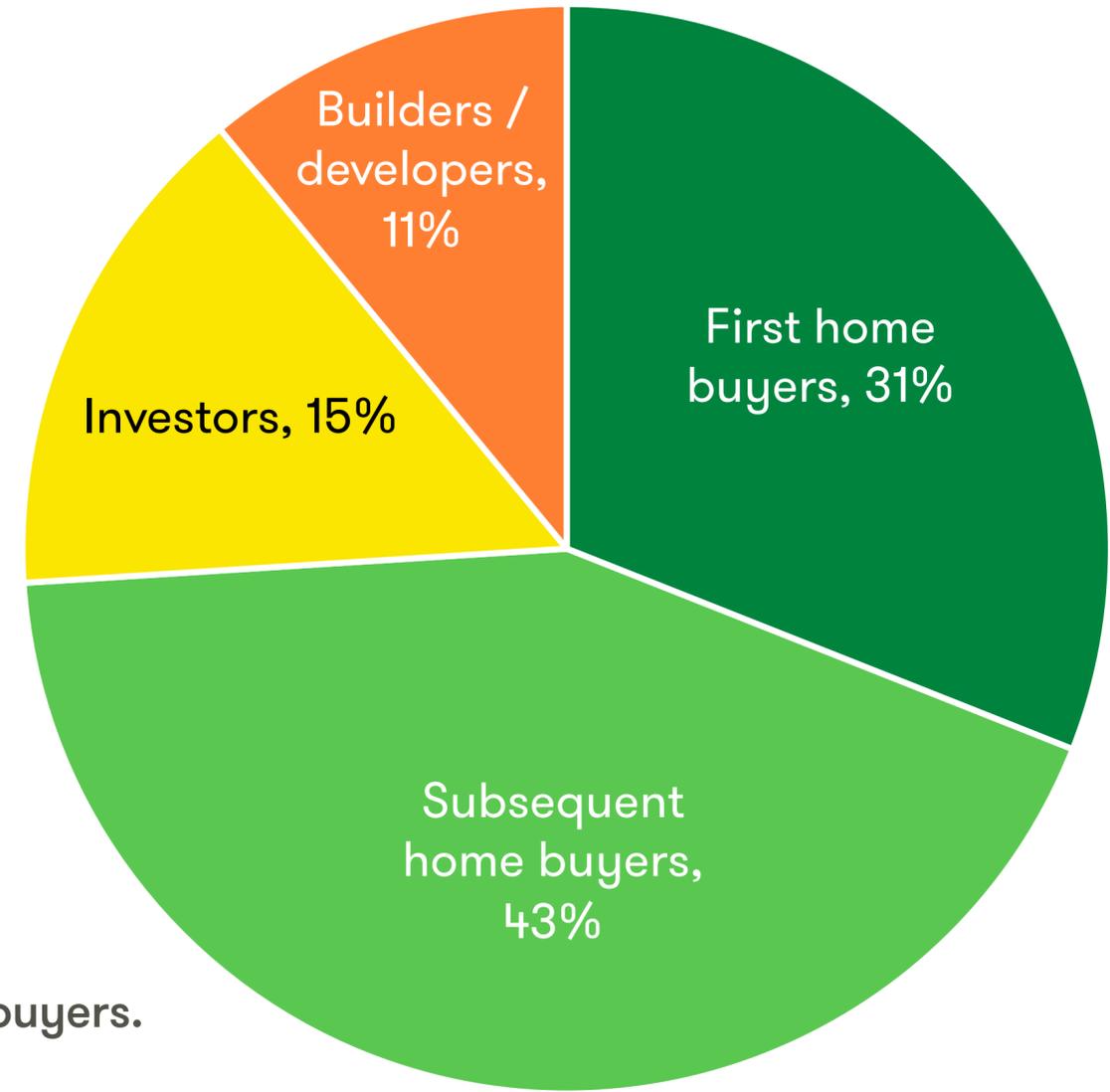
- We acquire an interest in land.
- Develop and sub-divide it.
- Then sell a mix of land and AVJennings built homes on our land.



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

# And we continue to be focused on a domestic customer base.

**AVJennings customer segmentation H1 FY20.**



Zero foreign buyers.

# Business update – H1 FY20.



## Delivered solid and responsible financial results.

- Revenue and profit up.
- Managing WIP and Balance Sheet.



## Well positioned for future growth.

- Capacity to quickly scale up WIP.
  - Making good progress with existing projects.
- The market recovery continues.



## We are active with acquisitions.

# Delivered solid and responsible financial results in H1 FY20.



## Increases in Revenue and PBT were aided by:

- Early stages of market recovery.
- Resulting in settlements (566 lots up 55%) and higher margin contributions from projects in South-East Queensland, NSW and Auckland.
- The comparative H1 FY19 result was impacted by settlement delays across several projects.

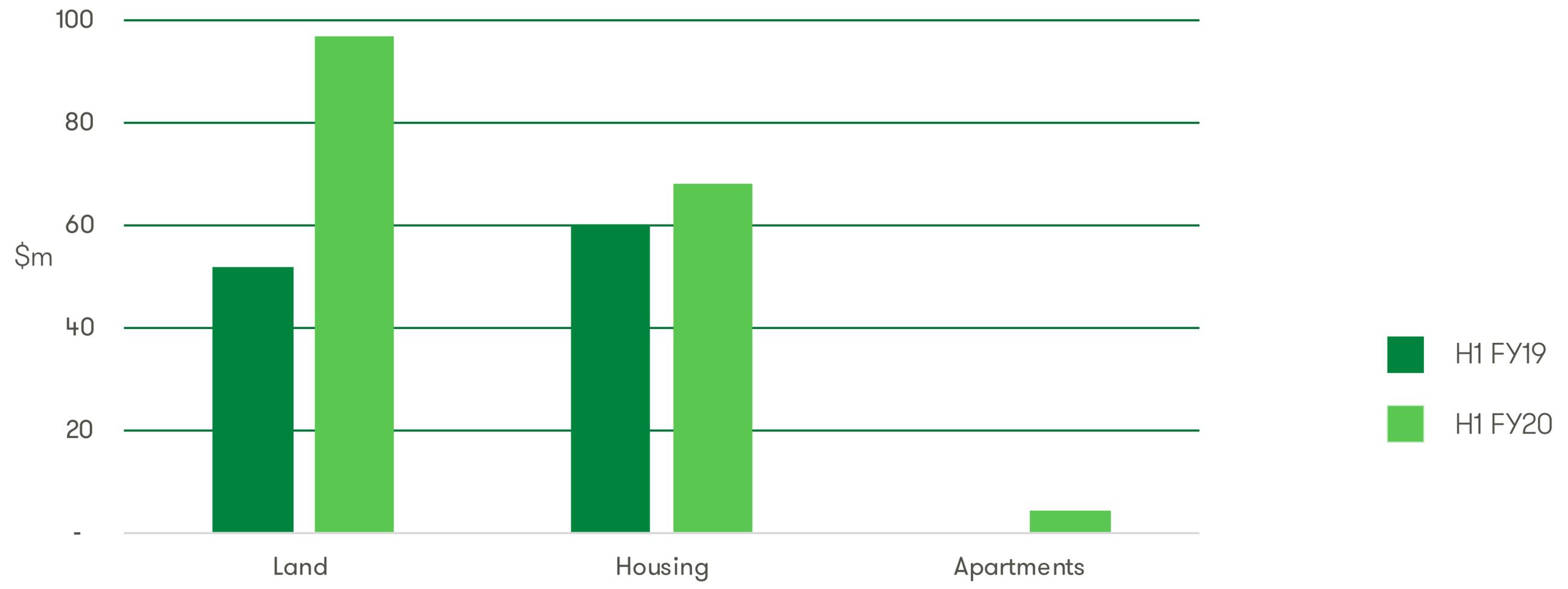


## A strong Balance Sheet provides capacity for growth.

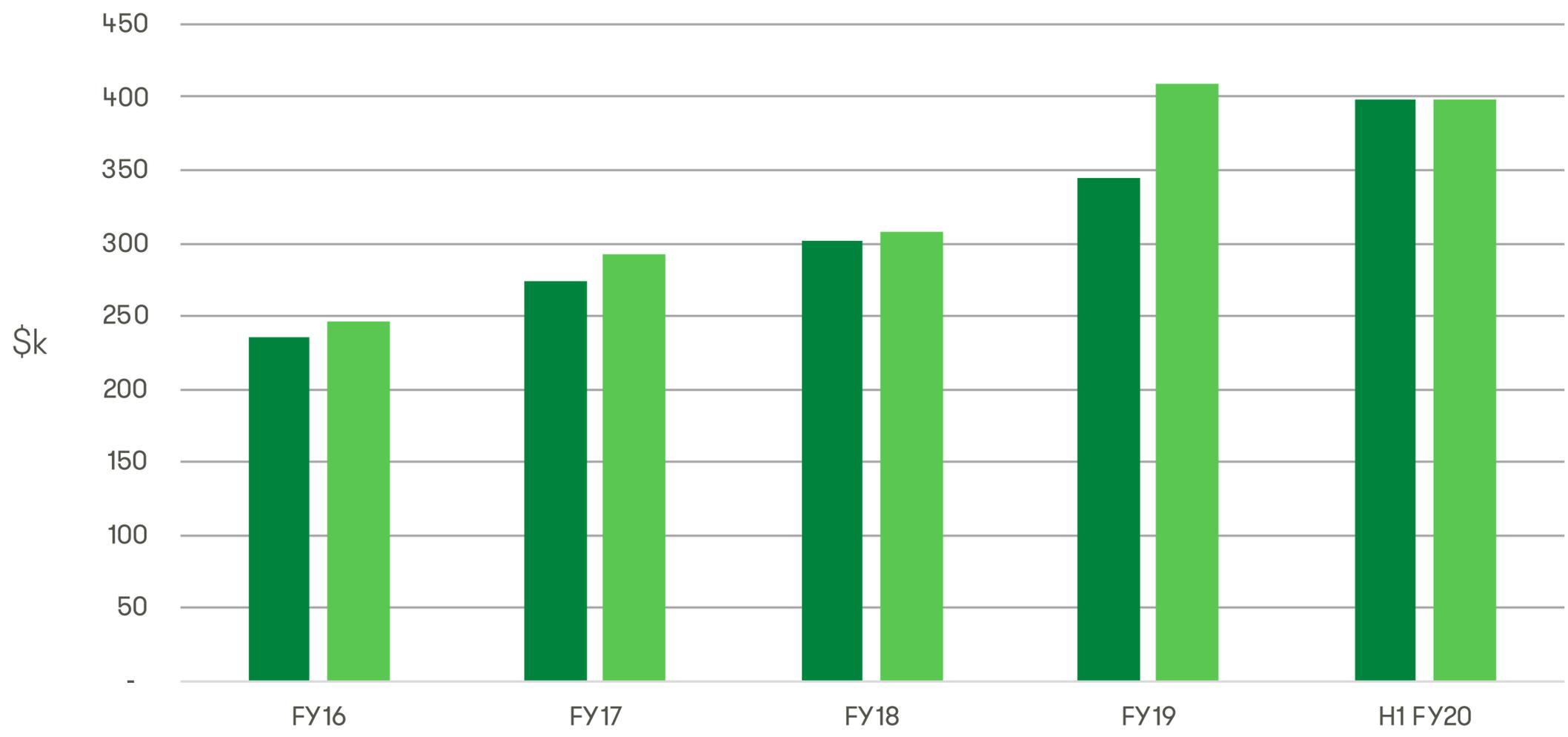
# Solid and responsible financial results.

	H1 FY20	H1 FY19	% change
Total revenue	<b>\$171.4m</b>	\$113.2m	51.4%
Statutory profit before tax	<b>\$12.6m</b>	\$2.2m	482.5%
Statutory profit after tax	<b>\$8.9m</b>	\$1.4m	525.2%
Gross margins	<b>22.2%</b>	21.3%	+0.9pp
Net tangible assets (NTA)	<b>\$396.2m</b>	\$382.1m	3.7%
NTA per share	<b>\$0.975</b>	\$0.941	3.7%
EPS (cents per share)	<b>2.2</b>	0.4	508.3%
Dividend fully franked (cents per share)	<b>1.2</b>	1.0	20%

# Revenue by land, housing and 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.

■ Total Company  
■ Total Company excluding NZ

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

# Strong Balance Sheet provides capacity for growth.

\$Millions	December 2019	June 2019
CURRENT ASSETS		
Cash and cash equivalents	15.7	18.2
Receivables	27.9	15.1
Inventories	175.8	194.7
Total Current Assets	223.9	230.4
NON-CURRENT ASSETS		
Inventories	392.6	430.3
Total Non-Current Assets	426.9	454.8
TOTAL ASSETS	650.8	685.2
CURRENT LIABILITIES		
Payables	16.4	41.2
Total Current Liabilities	24.6	51.5
NON-CURRENT LIABILITIES		
Borrowings	180.0	199.8
Total Non-Current Liabilities	227.2	237.4
TOTAL LIABILITIES	251.8	288.9
NET ASSETS	399.0	396.3



# Strong Balance Sheet provides capacity for growth.



Net debt of

## \$164.3m

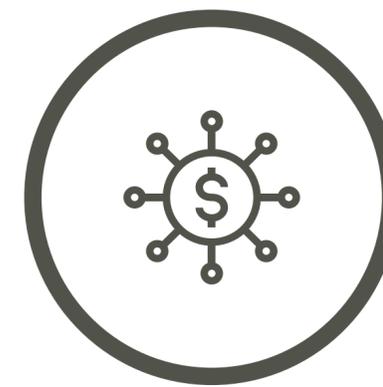
25.2% gearing is well inside our target gearing range of 15-35% and down from 28.8% a year ago providing flexibility for acquisitions and further capacity for growth.



WIP lots at

## 1,480

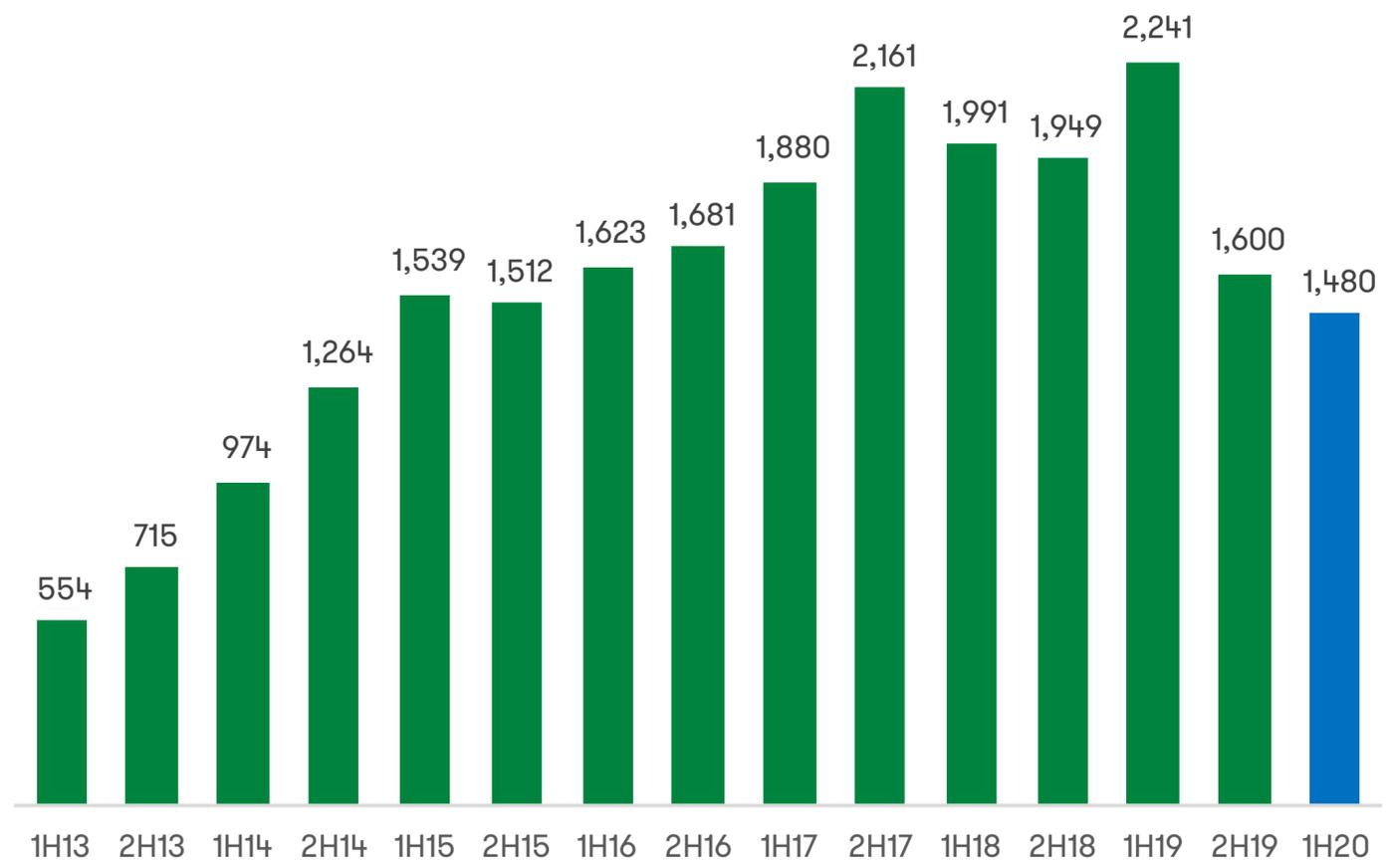
Managed downwards from recent peaks reflecting market conditions. However still at historically good levels, allowing quick scale up when conditions improve further.



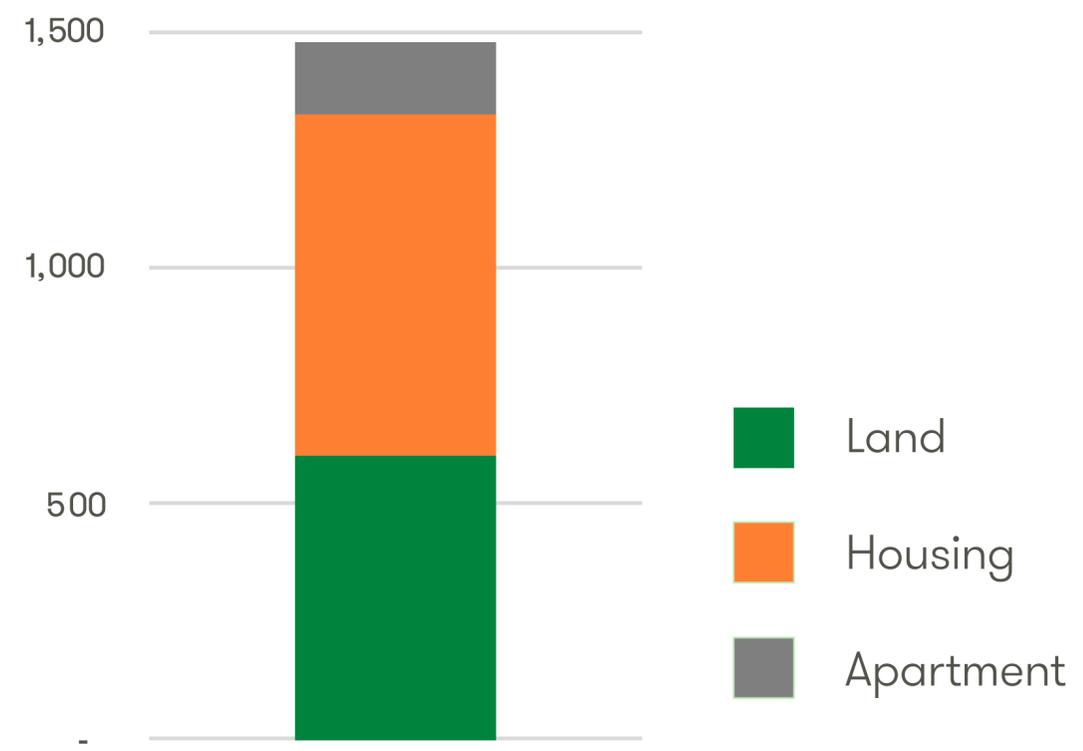
Capital efficient land transactions created a step change for total lots in our project pipeline from 9.9k lots to 12.4k lots while not changing our short term funding requirements. The PDA at Caboolture in SEQ involving 3,500 lots and Harvest Square at Brunswick in Melbourne are recent examples of capital efficient transactions.

# Work in Progress levels are appropriate for current market conditions and well placed for future.

Work in Progress (Lots)

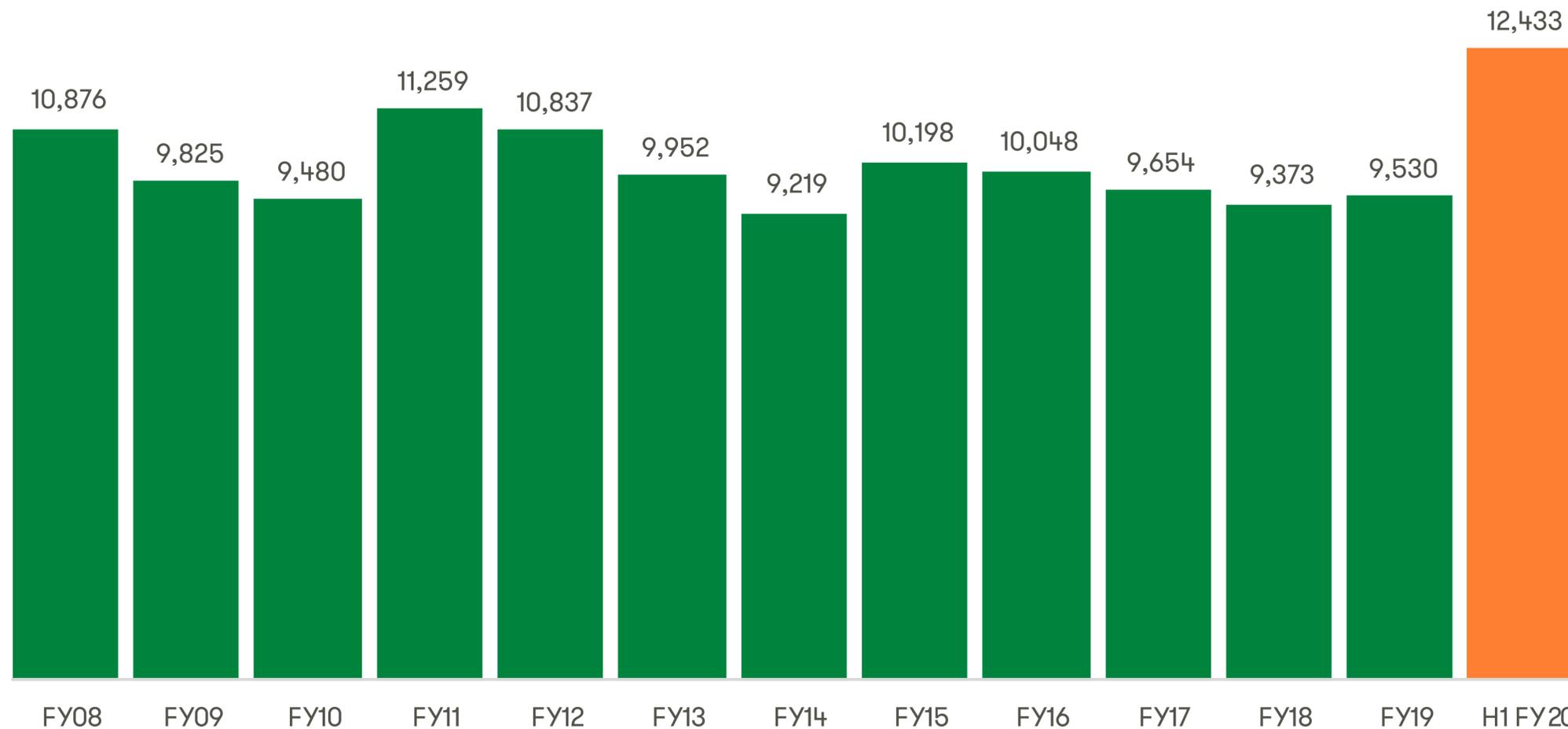


Work in Progress (Product)



# We are active with acquisitions.

Total lots controlled by AVJennings

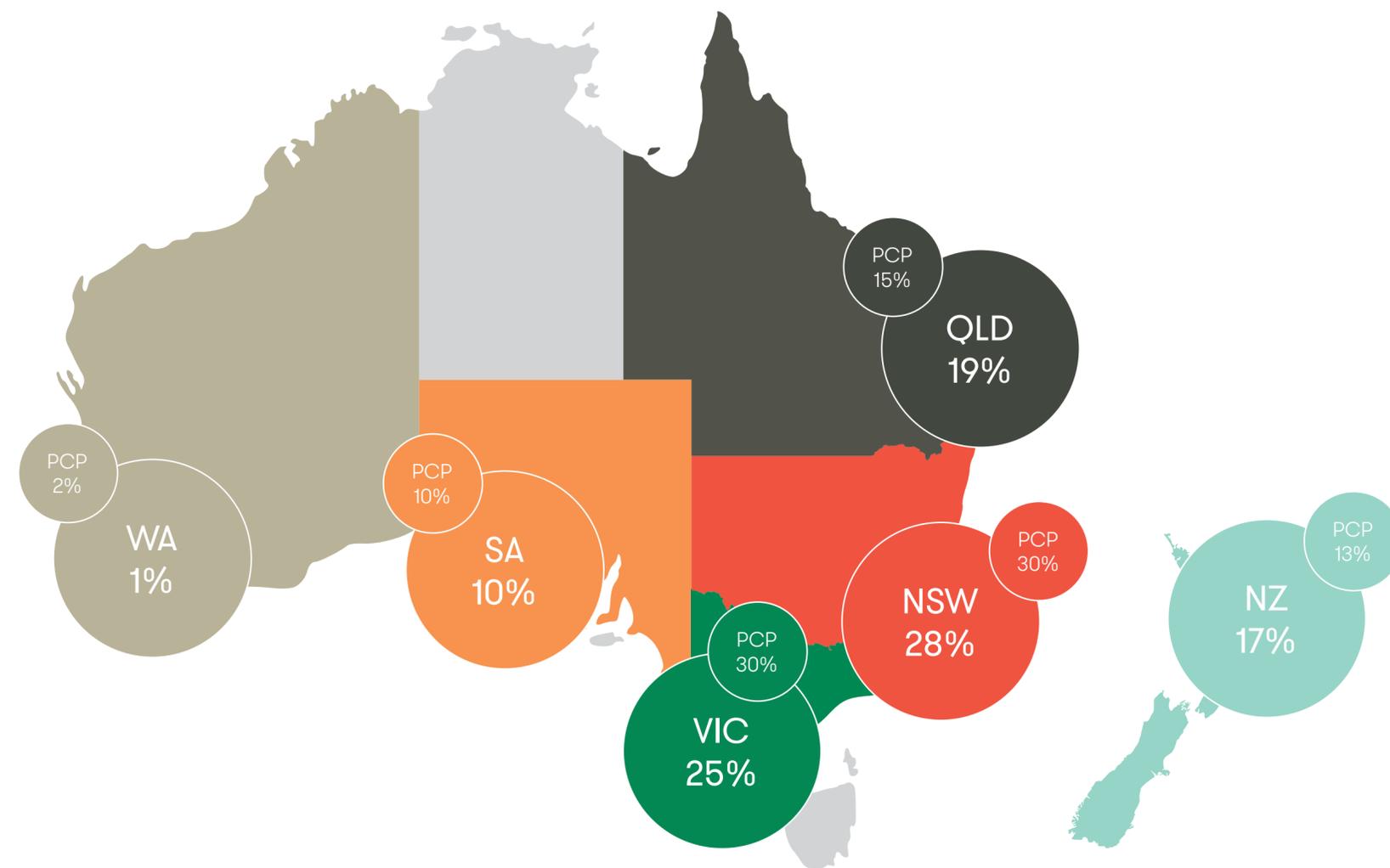


H1 FY20 includes:

- the Caboolture option agreement providing ~3.5k lots.
- renewal of an ageing public housing estate in Brunswick West, an inner Melbourne suburb (198 lots total incl. 79 lots private).

# Strategic allocations of net funds employed.

Diverse geographic allocation of funds employed helps mitigate market risk.



PCP = Prior corresponding period (1H19)

# H1 FY20 Results – Cash Flow Statement.

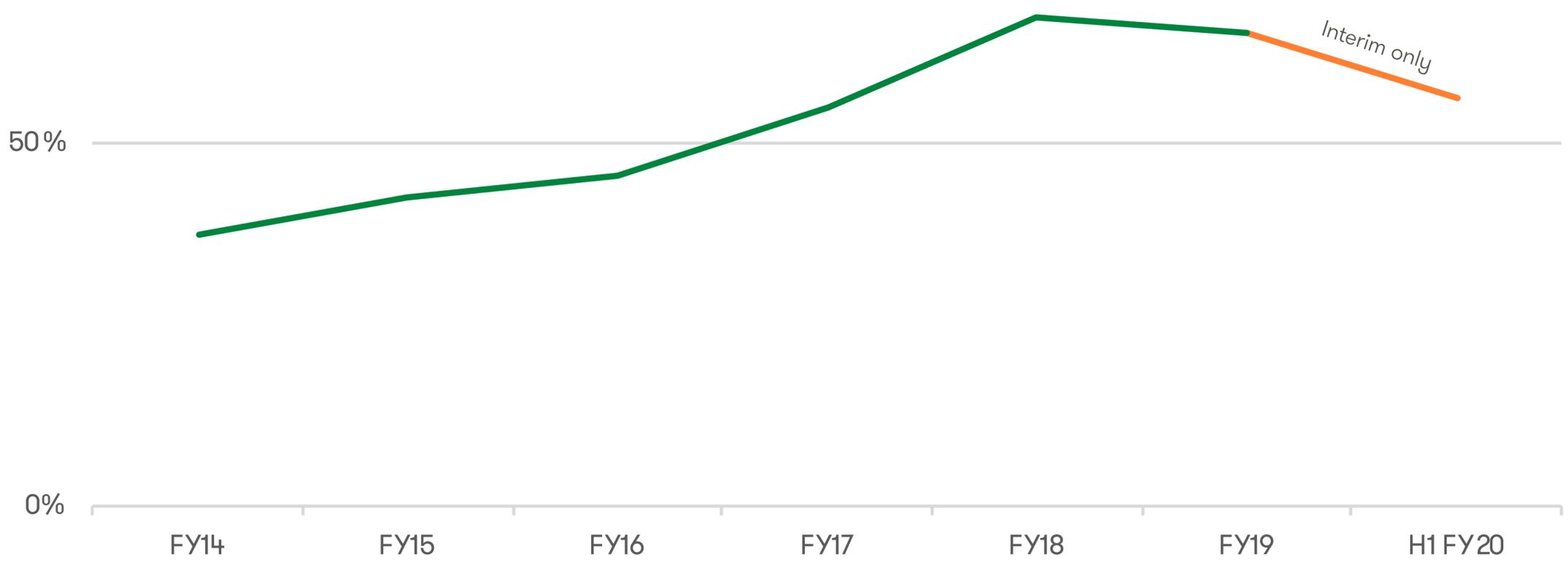
\$Millions	H1 FY20	H1 FY19
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	173.0	141.2
Payments to suppliers, land vendors and employees	(134.8)	(183.8)
Net cash from / (used in) operating activities	25.0	(61.1)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash from / (used in) investing activities	0.1	(0.1)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	36.7	149.5
Repayment of borrowings	(57.0)	(89.2)
Net cash (used in) / from financing activities	(27.6)	55.4
NET DECREASE IN CASH HELD	(2.5)	(5.8)

- Includes land payments:
- H1 FY20 \$12.1 million
  - H1 FY19 \$59.5 million

# Dividends.

## Capital management.

Dividend payout ratio to earnings

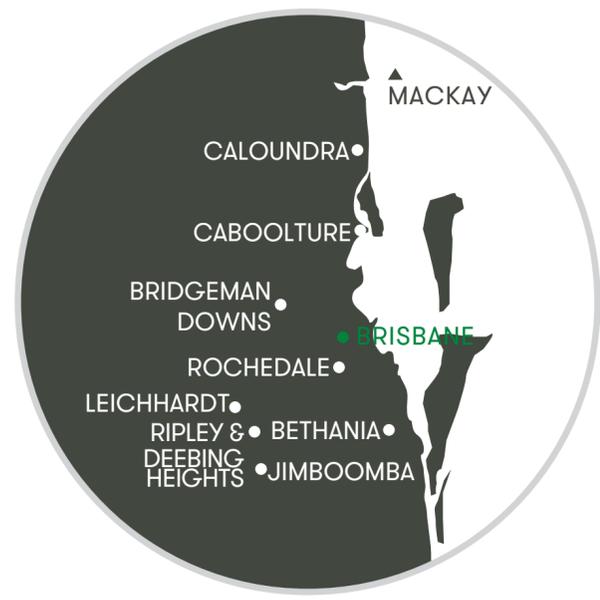


- Interim dividend of 1.2 cents per share fully franked.
- Increase of 20% driven by earnings increase.
- Annualised grossed up yield of ~6% on a \$0.60 share price.

# Regions.



# Queensland business overview.

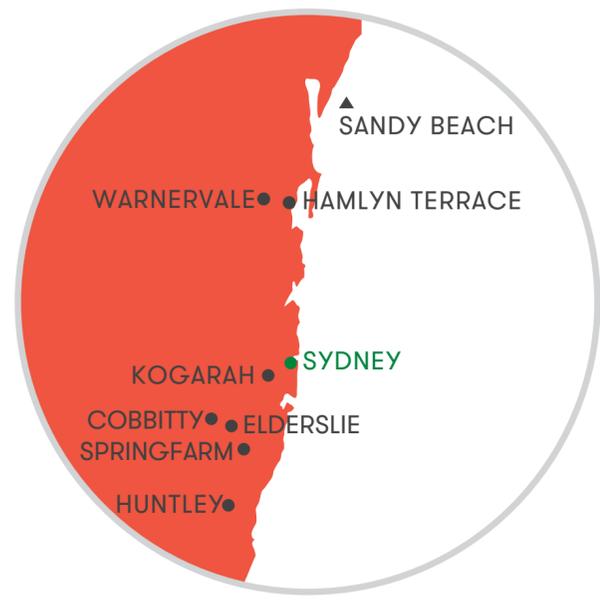


<b>NFE</b>	\$110.9m
<b>Total Lots</b>	5,588
<b>H1 FY20 Revenue</b>	\$32.5m

- In November 2019 we entered into an option agreement over ~3,500 lots at Caboolture (included in 5,588 above). This is a medium to long term project conditional on satisfactory Development Approval.
- Construction commenced on 3 new projects during the half (Jimboomba, Ripley and Rochedale) with settlements of 59 lots in Rochedale a major contributor to revenue.



# New South Wales business overview.



<b>NFE</b>	\$155m
<b>Total Lots</b>	1,728
<b>H1 FY20 Revenue</b>	\$71.3m

- Solid market conditions in NSW led to a much improved sales performance when compared to the same period in FY19.
- Good margins were realised at Evergreen (Spring Farm), Argyle (Elderslie), Magnolia (Hamlyn Terrace), Seacrest (Sandy Beach) and Arcadian Hills and Arcadian Grove (Cobbitty).
- Rosella Rise at Warnervale will commence mid 2020 providing a new focus on the Central Coast.

Arcadian Hills, Cobbitty, NSW



# Victoria business overview.



<b>NFE</b>	\$146m
<b>Total Lots</b>	2,512
<b>H1 FY20 Revenue</b>	\$29.1m

- At Lyndarum North stages 1-7 are complete with majority of lots settled. Stages 8 & 9 under construction. Built form construction has commenced.
- GEM apartments at Waterline Place were awarded the prestigious UDIA design award for developments below 10 storeys.
- Construction and sales of the adjacent Empress apartment complex has commenced.



Waterline Place,  
Williamstown, VIC

# New Zealand business overview.



<b>NFE</b>	\$98.7m
<b>Total Lots</b>	642
<b>H1 FY20 Revenue</b>	\$30.9m

- Development work has completed for the Buckley B stage at Hobsonville Point, Auckland, for which \$26.9 million of revenue was recognised in the result. 10 built form homes constructed at Hobsonville Point were also sold and settled.
- During the half we significantly advanced construction on Stage 1 of Ara Hills project at Orewa, north of Auckland. Development is progressing well with bulk earthworks completed, road and drainage works underway, the builder and retail sales are continuing.



# South Australia business overview.



<b>NFE</b>	\$60m
<b>Total Lots</b>	1,760
<b>H1 FY20 Revenue</b>	\$7.7m

- We continue to prioritise the rationalisation of funds invested in the South Australian business.
- There were 59 settlements completed in the half. We continue to revise cost structures, operational methods and product to improve both sales and efficiency.

Eyre,  
Eyre, SA  
Artist Impression



# Capability and trust.

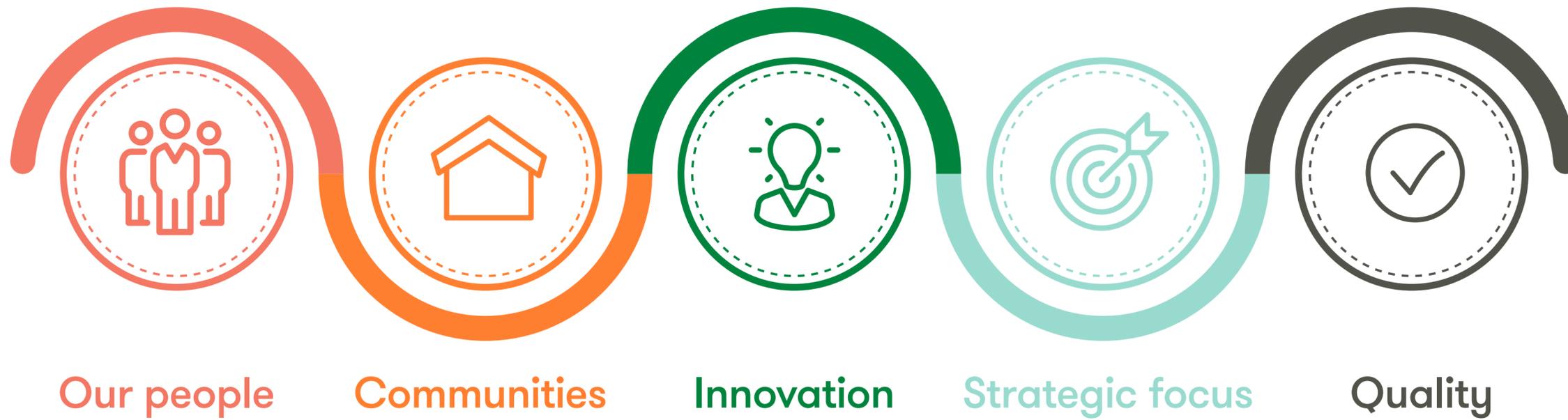
Reader's Digest 2019  
**Trusted Brand**

UDIA 2019 Winner  
**Waterline Place, VIC**

UDIA 2019 Finalist  
**Creekwood, QLD**



# ┌ Social licence.



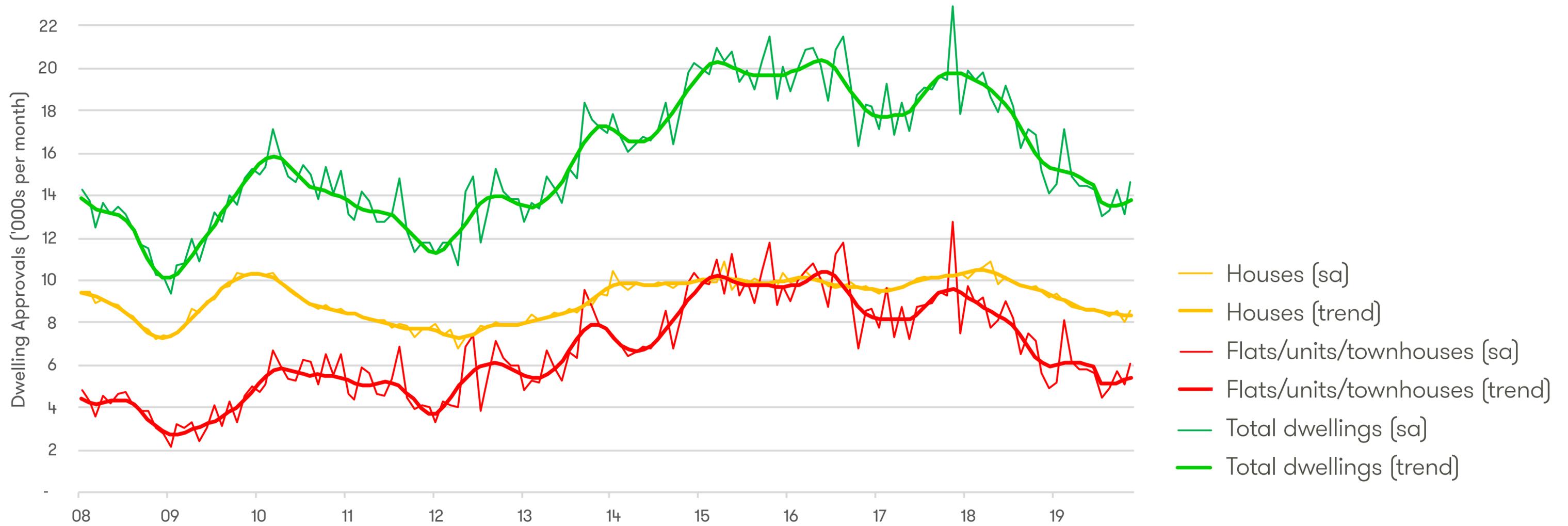
# Current market dynamics.

## Sentiment is improving.

- Continuing supportive market fundamentals.
- Positive changes to lending practices and home loan application processes leading to increased loan approvals.
- Positive media commentary about residential property markets generally.
- Improving auction clearance rates.
- New tax offsets and future tax cuts introduced.
- Continued support for first home buyers through First Home Buyers Scheme, government grants and stamp duty relief.



# Supply has contracted but underlying demand has grown.



Source : The Australian Bureau of Statistics.  
sa = seasonally adjusted

# Sector outlook continues to be supported by positive economic fundamentals.



## Population growth

> 31m people by 2040.



## Stable employment

Unemployment rate 5.3%.



## Real GDP growth

Around 2.5% p.a.



## Interest rates

At historically low levels.



## Wages growth

Around 2.5% p.a. remains positive.

# Improving outlook.

## 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.

Expecting FY20 to be stronger than last year

# Appendices.



Evergreen,  
Springfarm, NSW



# Detailed project pipeline by state.

Communities	Remaining# of Lots	Pre	FY20	FY21	FY22	FY23	FY24	Post
New South Wales	Argyle, Elderslie	119						
	Magnolia, Hamlyn Terrace	19						
	Evergreen, Spring Farm (South)	78						
	Evergreen, Spring Farm (East Village)	455						
	Seacrest, Sandy Beach	9						
	Arcadian Hills, Cobbitty Stages 1 - 8	163						
	Arcadian Grove, Cobbitty	50						
	Warnervale	495						
	Evergreen, Spring Farm	50						
	Kogarah (apartment project)	56						
Queensland	Huntley	231						
	Creekwood, Caloundra	35						
	Glenrowan, Mackay	177						
	Essington Rise, Leichardt	5						
	Parkside, Bethania	42						
	Anise, Bridgeman Downs	54						
	Arbor, Rochedale 2	55						
	Riverton, Jimboomba	1,196						
	Deebing Springs, Deebing Heights	210						
	Arbor, Rochedale 1	20						
NZ	Cadence, Ripley	294						
	Buckley B, Hobsonville Point	5						
Victoria	Ara Hills, Hall Farm	637						
	Lyndarum, Wollert	95						
	Lyndarum North, Wollert JV	1,785						
	Harvest Square, Brunswick	79						
SA	Waterline Place, Williamstown	323						
	Pathways, Murray Bridge	53						
	River Breeze, Goolwa North	80						
	St Clair	258						
WA	Eyre, Eyre	1,359						
	Indigo China Green, Subiaco Fine China Precinct	78						
	Viridian China Green, Subiaco Fine China Precinct	13						
	The Heights Kardinya	82						
	Viveash	2						
Parkview, Ferndale	28							

Pre-delivery phase

Development phase

Project pipeline as at 31 December 2019, excluding Caboolture in Queensland, Mernda in Victoria and remnant lots.

**Your  
community  
developer.**