ASX/Media Release

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AVJennings FY2021 Results

	FY21	FY20	⬆
Profit Before Tax	$26.7M	$13.2M	102.7%
Revenue	$311.1M	$262.4M	18.6%
Contract Signings	953 lots	697 lots	36.7%
Final Dividend	1.8 cps	None	-
Total Dividend	2.5 cps	1.2 cps	

Financial Results

AVJennings earned Profit Before Tax of $26.7M for the year ended 30 June 2021, well up on the prior year (30 June 2020 PBT: $13.2M) and its best result since 2018 (FY19 PBT: $23.8M and FY18 PBT $45.1M). Profit After Tax was $18.7M (30 June 2020: $9.0M).

In FY21, revenue increased to $311.1M up from $262.4M for 2020. Contract signings of 953 lots were well up on the prior period (FY20: 697 lots), with some 431 contracts amounting to $127.1M carried across balance date. Around 402, amounting to $111.6M, of these contracts are expected to settle during FY22, which will help underpin future results.

Average gross margin remained stable at 22.6%, while the average net margin improved slightly. The result was achieved after allowing for $1.8M in additional provision (having no cash impact), that was largely confined to two projects in South Australia.

Dividend

The quality of the result coupled with the strong level of presales carried over balance date led directors to declare a final fully franked cash dividend of 1.8 cents per share, which together with the interim dividend of 0.7 cents per share declared for the first half, brings the total dividends declared, fully franked, in respect of FY21 to 2.5 cents per share. Based upon VWAP of 60.1366 cents per share (June 2021), this represents a yield of 4.2% before franking credits (fully franked 5.9% grossed up). The DRP will remain suspended.

CEO Comment on Results

Commenting on the results, AVJennings CEO Peter Summers said: "Despite the ongoing challenges and restrictions from the pandemic it's reassuring AVJennings' focus on land and affordable housing, across our Australian and New Zealand operations, was valued by customers. The confidence of our customers to buy first homes or upsize and downsize has enabled us to deliver 107% growth in Profit After Tax. Our confidence in underlying market conditions, the lift in earnings and $127 million of sales we carry forward supports the Company's declaration of a total of 2.5 cents per share in dividends in respect of FY21."

Business Overview

Strong contributions were generated by our major regions, highlighting the benefits of geographical diversification. The first stage of our flagship project 'Ara Hills' in New Zealand was completed and achieved significant revenue recognition. 'Arcadian Hills' and 'Spring Farm' in New South Wales performed well, generating strong margins from net price escalation as demand outstripped supply. In Victoria, the latest stages of 'Lyndarum North' sold out and the bulk of apartments in the 'Empress' building at 'Waterline Place' settled. In Queensland, the current stages of 'Cadence' and 'Riverton' sold and settled.

Pleasingly, after a period of hiatus, activity in some lower margin South Australian and Queensland projects was stimulated, enabling us to accelerate the recovery of capital which will be redeployed with the intention of improving the mix of average Company margins in the future.

The FY21 period also saw significant milestones achieved which are critical to future results. The Company commenced development at Rosella Rise, Warnervale (New South Wales) and Aspect, Mernda (Victoria), in strong growth areas. Planning approvals were obtained, and physical works commenced at Harvest Square, Brunswick West, which is a project conducted in partnership with the Victorian Government that will see a much needed increase in the supply of high quality social housing in a great community setting. The Company also commenced planning for the next and largest apartment building at Waterline Place, Williamstown (Victoria). Excellent progress was also made in relation to the planning and approval process for our large-scale, master-planned project at Caboolture.

During FY21 the Company also increased the level of housing under construction at our projects. The year saw 181 dwellings started, compared with 132 dwellings in FY20 and we plan to increase this further in FY22. Increasing the level of built form not only provides more choice to customers, but also enables the Company to enhance returns by extracting maximum value from each project.

As the economy opened up and market conditions improved, work-in-progress levels increased. As at 30 June 2021 the Company had 1,537 lots under development (FY20: 1,117 lots.) This has increased significantly from the earliest phase of the pandemic when the Company preserved capital and intentionally delayed the commencement of building activity unless it was directly connected with a sales contract. In addition to new starts during FY22, we expect to complete around 787 of these carried-over lots in FY22 (comprises land-only lots, houses and apartments), of which some 265 will be improved with low-rise dwellings.

CEO Comment on Operations

"Residential property is a long lead time business. As such, the results for the year are not always only reflected in turnover and profit but also in those actions that set the Company up for the future", Mr. Summers said.

Balance Sheet and Land Holdings

Strong settlements of 905 lots (FY20: 827 lots) drove net cash from operations of $64.0M, well up on FY20 ($10.6M). This enabled the Company to reduce net debt and gearing to $125.4M and 20.1% (net debt/total assets) (FY20: $184.4M and 28.1%) respectively, creating headroom to fund increased investment in work-in-progress and a programme of future acquisitions in line with the Company's significant growth ambitions.

Total inventory including land under option stood at 12,180 lots (FY20: 12,134 lots).

CEO Comment on Balance sheet and Land holdings

"From the onset of the pandemic, our first thought was people – customers, staff, suppliers – and their safety. Our second focus was to ensure the Company was managed in a way that protected it from the very real risks the pandemic posed to most companies. Quick and decisive actions saw us manage these risks and had us well placed to scale up operations as market conditions improved.

For much of the year, prudent capital management saw us take a cautious approach to acquisitions. As we enter the new financial year, we are again active in this space, supported by a strong balance sheet. Based on the number of acquisitions currently under consideration, we are confident our land holdings number will increase by the end of FY22".

Outlook

The Company has previously acknowledged the short term importance of government support programs. However, the Company also stated its belief that as the economy recovered, the underlying strength of market fundamentals, which were starting to show through in early 2020, would be the main market driver. Hence, we expected we would see momentum continue, even after initiatives such as HomeBuilder expired. Pleasingly, this has proved to be the case, with around 87 contracts per month (average April-June 2021) signed after the conclusion of the JobKeeper and HomeBuilder initiatives.

The Company is well placed entering FY22 with some 431 pre-sales on hand. Like other years, the earnings bias is expected to be towards the second half, potentially more so as the country continues to experience the effects of lockdowns in the first half of FY22.

We are also well placed in terms of stock production with work under way on some 1,537 lots/housing. Whilst costs are increasing, so too are selling prices, giving us confidence overall margins will be maintained.

There has also been a shift in market preferences with apartments (particularly inner-city high rise) having less appeal. We remain confident the Company's focus on traditional housing product sees us well placed for the future.

Closed international borders will provide a challenge in the medium term. Long term we believe that both Australia and New Zealand will be attractive options for overseas migration.

Obviously, lockdowns have, and are likely to continue to impact on economic recovery. However, we saw how quickly the economy bounced back in the latter part of 2020 and we remain confident Australia and New Zealand will retain their economic strength.

CEO Comment on Outlook

"The Company believes the overall outlook looks positive and the Company is well positioned to achieve strong results going forward."

ENDS.

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