

FY22 Financial Results.

Thursday, 18 August 2022

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Housing Matters, Community Matters.



Celebrating 90 years
of creating communities.

Acknowledgement of Country.

AVJennings acknowledges the Traditional Custodians of Country throughout Australia and recognises their distinct cultural and spiritual connections to the land, waters and seas and their rich contribution to society. We pay our respects to ancestors and Elders, past and present.

AVJennings also respects ngā iwi Māori as the Tangata Whenua of Aotearoa and is committed to upholding the principles of the Treaty of Waitangi, strengthening the company's relationship with the Māori people, and striving to improve the Māori's health.

AVJennings

What we do: AVJennings develops affordable communities for the way people want to live today.

- We develop and sell affordable, master-planned communities in sought after locations.
- To do this we buy land or obtain a controlling interest in it.
- We're mostly a horizontal developer – we can scale production up and down to meet the market.
- AVJennings does not:
 - Develop inner-city high-rise apartments; or
 - Undertake contract building with retail customers (fixed price build contracts).



Our communities are designed with strong environmental and social considerations.



Emphasis on
Recreational Areas



Protecting
Biodiversity



Alternative
Energy



Waste Management
and Recycling



Water
Management



Efficient
Design



Cultural Heritage
Management

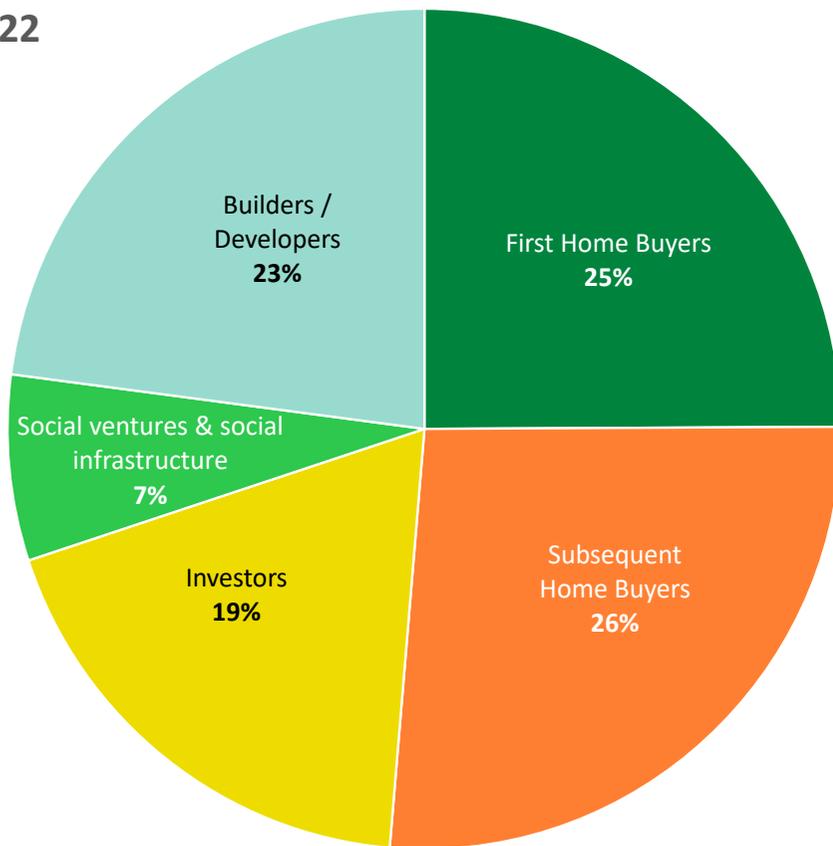


Climate
Resilience

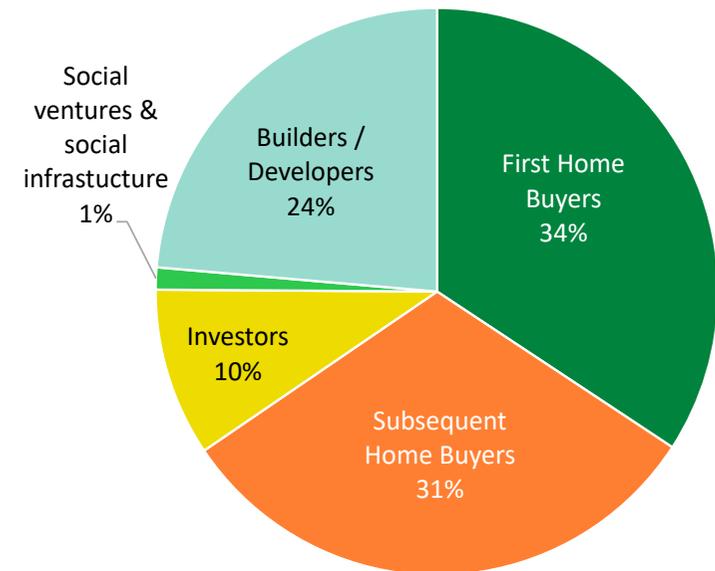
Our customer focus is the traditional residential market.

Customer segmentation based on lots settled

FY22



FY21



AVJennings growth strategy.

Scale

- Greater productivity and efficiency with resources

Grow

- Grow into new markets
- Capital efficient acquisitions
- Growing into regional areas
- Increase the size of the land bank

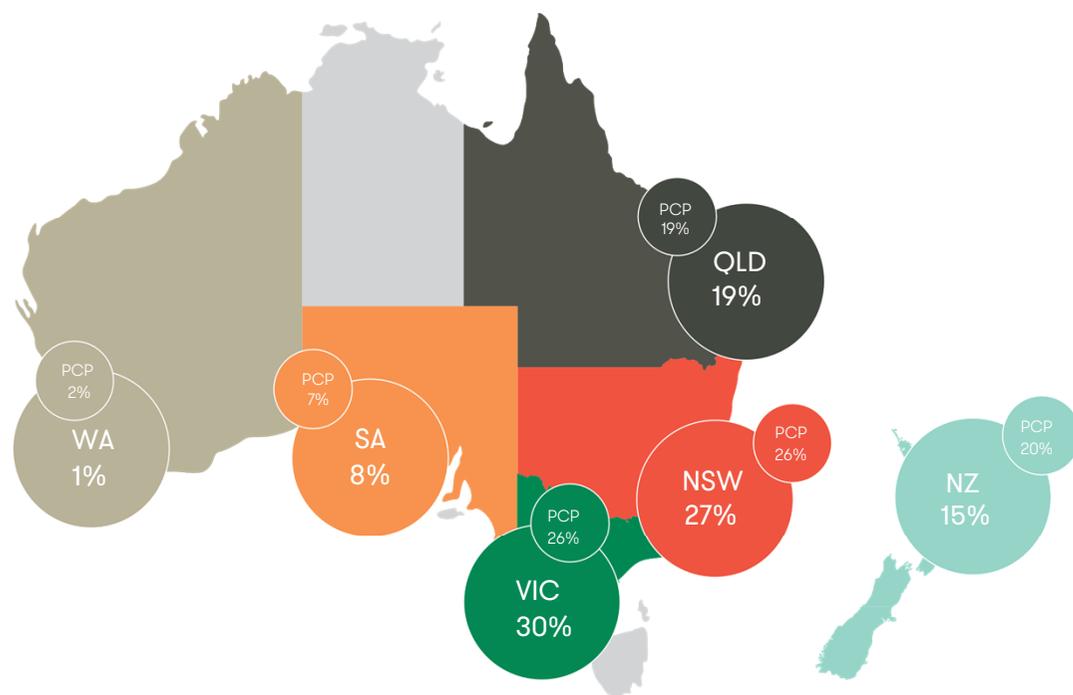
Expand

- Expand the products we provide
- Increase the volume and proportion of built form product

Renewed focus on Return on Equity and Earnings per Share growth

We maintain a large and geographically diverse portfolio in Australia & New Zealand.

Diverse geographic allocation of funds employed helps mitigate market risk



Portfolio dynamics

- Total NFE \$514 million
- 12.7k lots in the portfolio
- Largest by lot size is Caboolture in SEQ – 3.5k lots under option

PCP = Prior corresponding period (FY21). Percentages are regional splits of total company NFE.

Review of FY22.

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Key take outs from FY22.

- Our financial performance was impacted by some major challenges which delayed the timing of settlements:
 - Persistent and abnormal wet weather;
 - Global challenges - production delays linked to supply chain blockages, materials and labour shortages; and
 - Lingering COVID-19 related interruptions.
- FY23 performance is underwritten by 683 contracts on hand at 30 June, the vast majority are expected to settle in FY23.
- Focus continues on our growth strategy.
- We are in a strong financial position.
- We have historically low levels of completed unsold stock.
- The industry fundamentals remain supportive.

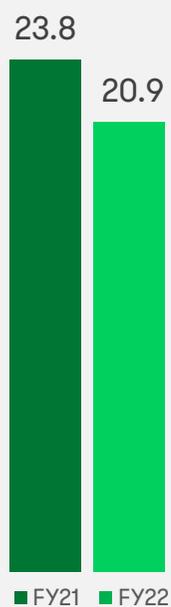


Financial summary.

	FY22	FY21	Change
Total revenue (\$M)	\$222.8	\$311.1	(28.4)%
Statutory profit before tax (\$M)	\$17.9	\$26.7	(32.8)%
Statutory profit after tax (\$M)	\$13.1	\$18.7	(30.1)%
Gross margins	28.8%	22.6%	6.2pp
Net tangible assets (NTA) (\$M)	\$405.2	\$406.3	(0.3)%
NTA per share	\$1.00	\$1.00	(0.3)%
EPS (cents per share)	3.22	4.62	(30.3)%
Dividend fully franked (cents per share)	1.77	2.50	(29.2)%

Earnings and Dividend.

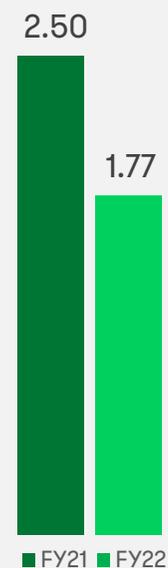
Underlying* PBT (\$M)
down 12%



EPS down 30%
(cents per share)



Dividend down 29%
(cents per share)

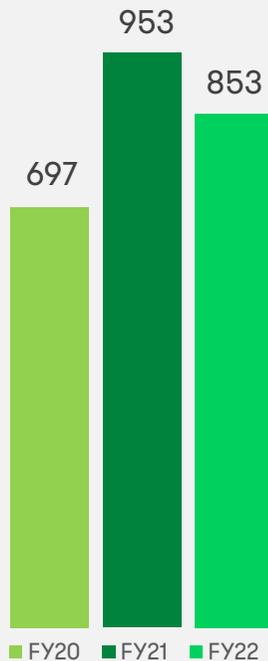


- FY22 was significantly impacted by persistent and unprecedented wet weather.
- Days lost by project due to weather delays include:
 - 121 days for Warnervale
 - 85 days for Ara Hills
 - 43 days for Cadence.
- In addition, there were global supply chain challenges; and
- Ongoing COVID-19 interruptions impacting labour.
- The FY22 total dividend represents a 5.5% yield (fully franked grossed up) on the June 2022 VWAP.

* Excludes one-off severance and entitlements payable to the previous CEO in FY22 and JobKeeper in FY21.

Our lead indicators are positive and supportive of short-term earnings.

Contract signings (lots)



Value of presales carried forward and expected to be revenue recognised in FY23 (\$m) +105%



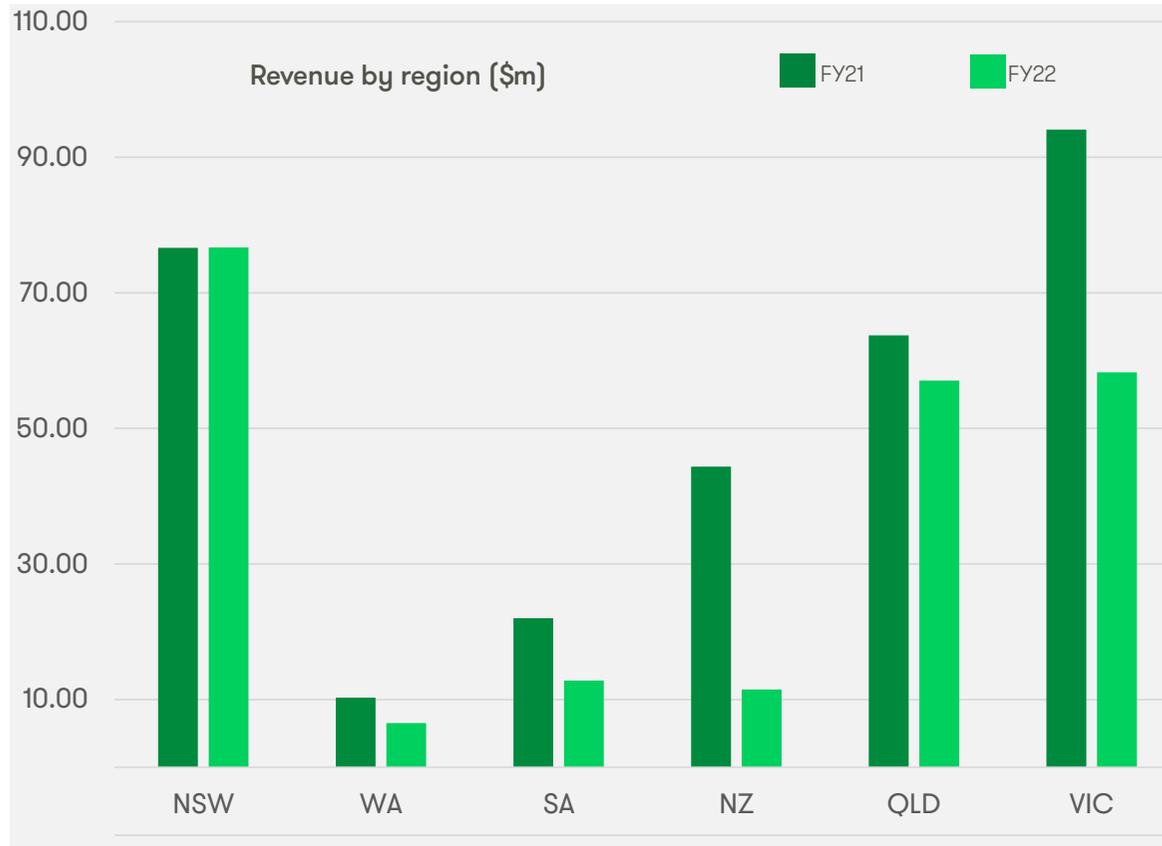
- Contract signings volume and value is a positive indicator for future revenue and earnings confidence.
- 683 presold lots (contract value \$245m) were carried over the year-end balance date, 642 of which are expected to settle or be revenue-recognised in FY23.
- A further 34 lots have been contract signed in July 2022, collectively supporting FY23 results.

Revenue by product.



- Decline in settlements and revenue due mainly to the impacts of wet weather and supply chain challenges which have delayed production and settlements across many projects.
- Decline in apartment revenue reflects the significant volume of settlements completed in FY21 for the Empress Apartments at Waterline Place.
- Merchant apartments at Waterline Place are not planned to settle until FY24.

Revenue by region.



- Decline in revenue from NZ highlights the impact of delays from wet weather and supply chain challenges impacting the timing of settlements for the Ara Hills development near Auckland.
- Decline in Vic revenue reflects the decline in apartment revenue following the significant volume of settlements completed in FY21 for the Empress Apartments at Waterline Place, Williamstown, Vic.

Balance Sheet: Strong financial position maintained.

\$ Millions	June 2022	June 2021
CURRENT ASSETS		
Cash and cash equivalents	3.3	13.1
Receivables	14.6	46.0
Inventories	150.4	152.2
Total Current Assets	172.5	215.1
NON-CURRENT ASSETS		
Inventories	538.4	388.7
Total Non-Current Assets	557.0	410.2
TOTAL ASSETS	729.5	625.3
CURRENT LIABILITIES		
Payables	93.9	32.3
Total Current Liabilities	102.4	41.9
NON-CURRENT LIABILITIES		
Payables	88.1	15.5
Borrowings	109.2	138.5
Total Non-Current Liabilities	219.1	174.3
TOTAL LIABILITIES	321.5	216.2
NET ASSETS	408.0	409.1

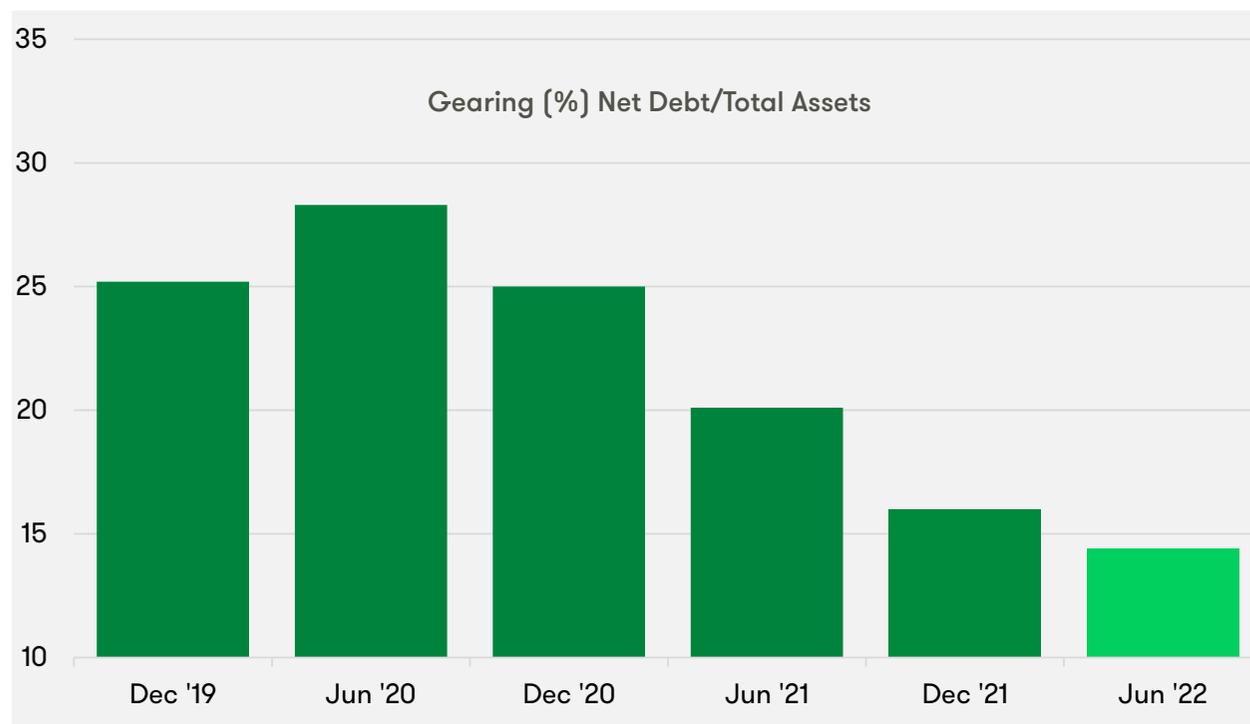
- Club facility approved for increase to \$300M and termination date extended to 30/09/2024.

Cash Flow Statement: positive operating cash flow.

\$ Millions	FY22	FY21
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	275.6	331.1
Payments to suppliers, land vendors and employees	(229.4)	(253.9)
Net cash from operating activities	33.1	64.0
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used in investing activities	(0.1)	(0.2)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	96.9	78.8
Repayment of borrowings	(126.3)	(130.3)
Net cash used in financing activities	(42.8)	(56.3)
NET (DECREASE)/INCREASE IN CASH HELD	(9.8)	7.4

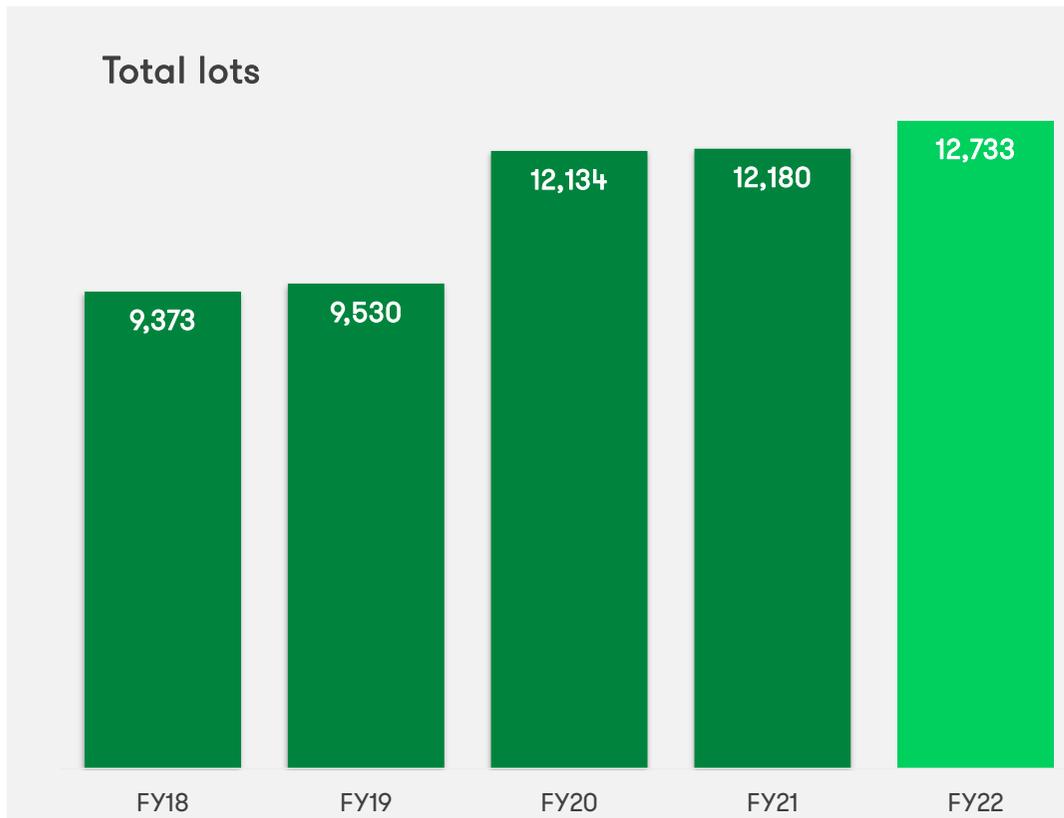
- While settlements of 608 lots were lower than FY21 at 905 lots, the Company's cash position remains strong with cash from operations at \$33.1m.

We have funding capacity for our growth ambitions: gearing is at the lower end of our target range.



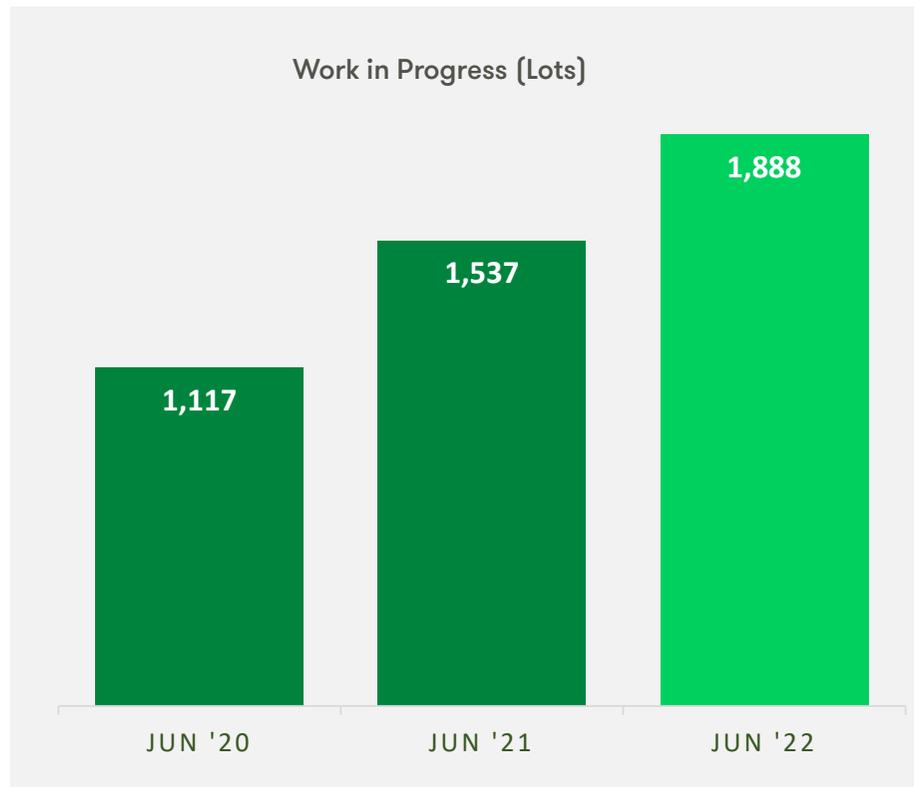
- Capital management settings are responsible and support our prudent growth ambitions.
- Net debt and gearing reduced to \$105.9m and 14.5% (net debt/total assets) respectively creating headroom to fund increased investment in work-in-progress and a program of acquisitions in line with the Company's growth ambitions.
- Target range remains 15% to 35% net debt to total assets.

Effective land acquisition strategy through the cycle.



- Total inventory including controlled land under option (3,500 lot equivalents in Caboolture, Queensland and 390 lot equivalents at Calderwood, NSW) stands at 12,733 lots (30 June 2021: 12,180 lots).
- The Company remains active in acquiring land for future growth, profits and shareholder returns. Pleasingly throughout FY22, the Company made a number of strategic acquisitions including:
 - 1,168 lots to be developed across 4 projects in Clyde, a fast-growing area in the City of Casey in the south-east of Melbourne. This increases and further diversifies the Company's land bank given the Company has no existing community developments within the region; and
 - 333 lots acquired via development rights across a new project at Ripley, south-west of Brisbane. This project provides continuity in the area from our strong Cadence project with high demand for land and built form product to be offered in a sought-after location.

Work in progress increased in response to demand and supports higher settlements anticipated in FY23.



- Lots under development totalled 1,888, well up on the prior two balance dates.
- The Company worked to respond to a stronger market after intentionally pulling back on production at the start of the pandemic to preserve cash.
- We anticipate 1,036 of these will be completed in FY23.

Community partners.

- Housing Matters, Community Matters, is at the heart of everything we do at AVJennings. We not only create great places to live, we also contribute to the broader community through a range of activities, grants and partnerships. Our company ambassadors, Laura Geitz and Steve Waugh AO hold these same values.
- To date AVJennings has raised over \$1.2m for the Steve Waugh Foundation, supporting children with rare diseases.
- This year we commenced our support for the Humpty Dumpty Foundation which provides hospitals and health services with vital, life-sustaining equipment.
- We continue to support the Queensland Firebirds in the Super Netball League and St Kilda Football Club's AFL and AFLW teams.
- We are actively involved in the communities in which our projects are located to promote healthy and active lifestyles as well as support grass roots clubs and organisations.



Laura Geitz



Steve Waugh, AO

Our People align to our Values: A S P I R E

At AVJennings, we recognise that a good corporate governance framework is vital to support a culture that values integrity, respect and ethical behaviour. We are committed to maintaining high standards of corporate governance in the delivery of AVJennings' strategic objectives, so that our decisions and actions are based on transparency, integrity and commitment to the long-term sustainability and on-going success of our business.

A refresh of the Company's core values was undertaken during FY22, with core values identified as:



The values statement is currently being refined and the values will be communicated throughout the organisation through leadership, training, recognition, communication and reinforcement.

Our customers.

Customer feedback continues to reflect positively on the quality of service our people provide.

*“Very satisfied with the handover experience.”
First home buyer, Evergreen, NSW*

*“Everything was great. The staff were very helpful.”
Home buyer, Waterline, Vic*

*“I thought my settlement experience went very smoothly and cannot think of any improvements to be made.”
First home buyer, Lyndarum, Vic*

*“Everything was well executed. No improvements needed.”
Home buyer, Arcadian Hills, NSW*

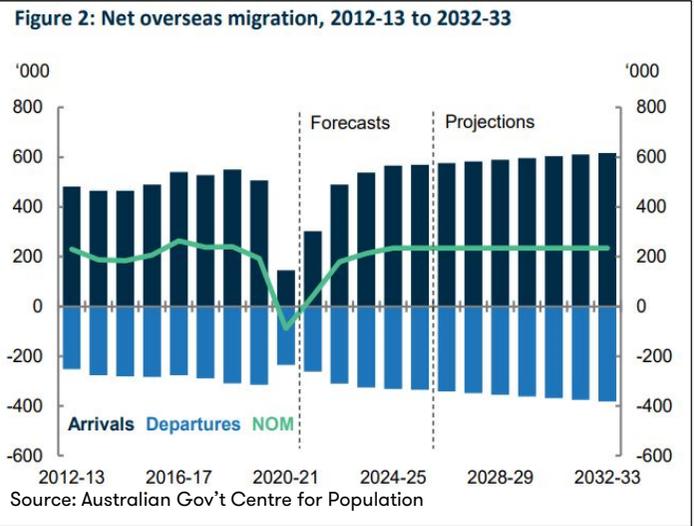
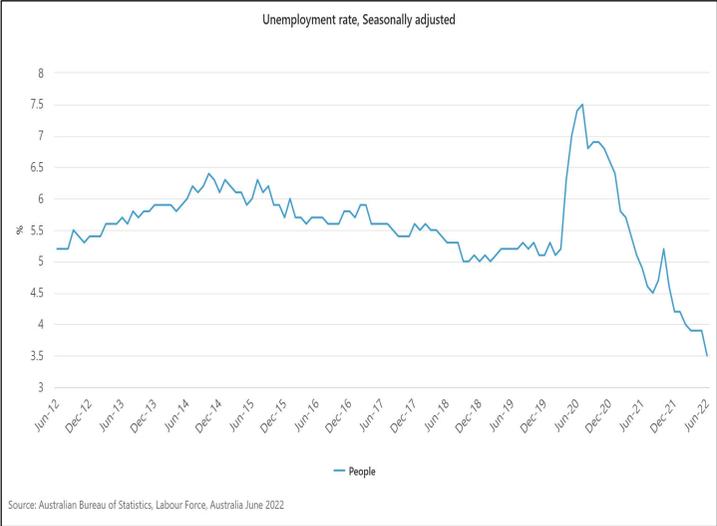
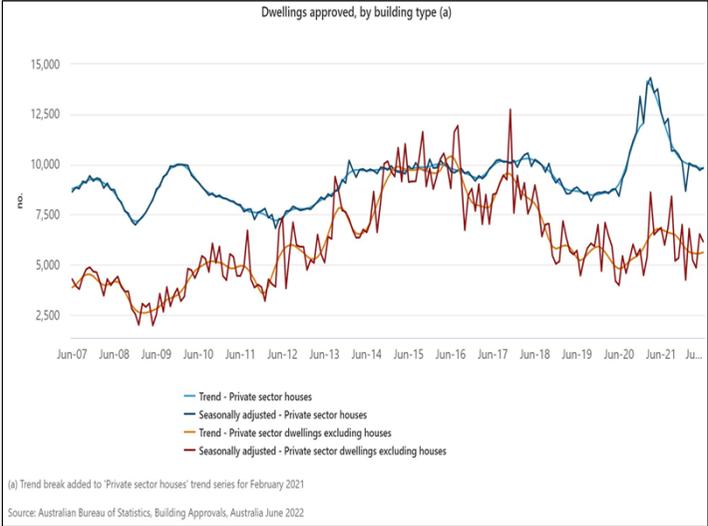


Market Conditions and Outlook.

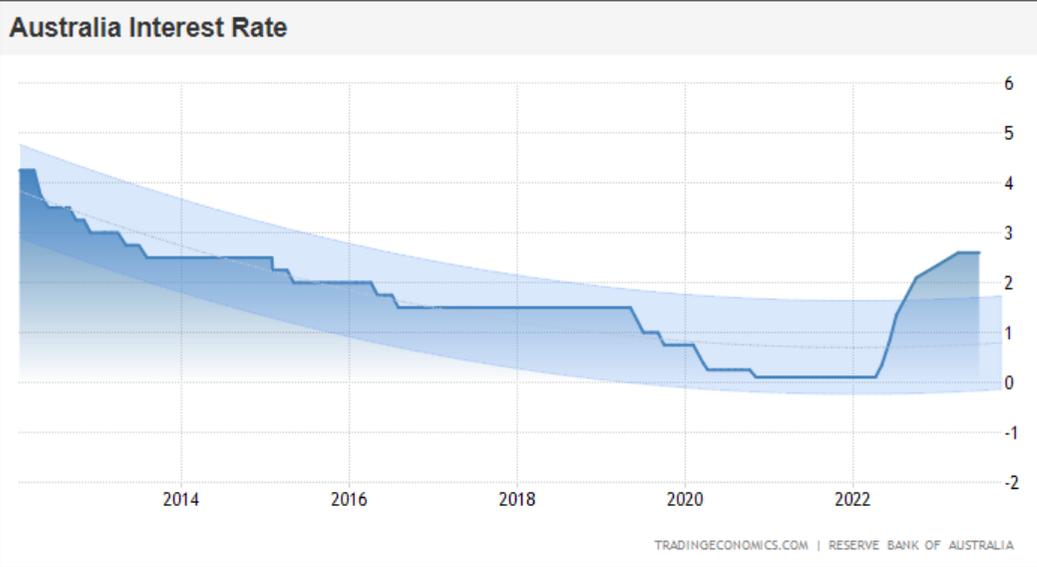
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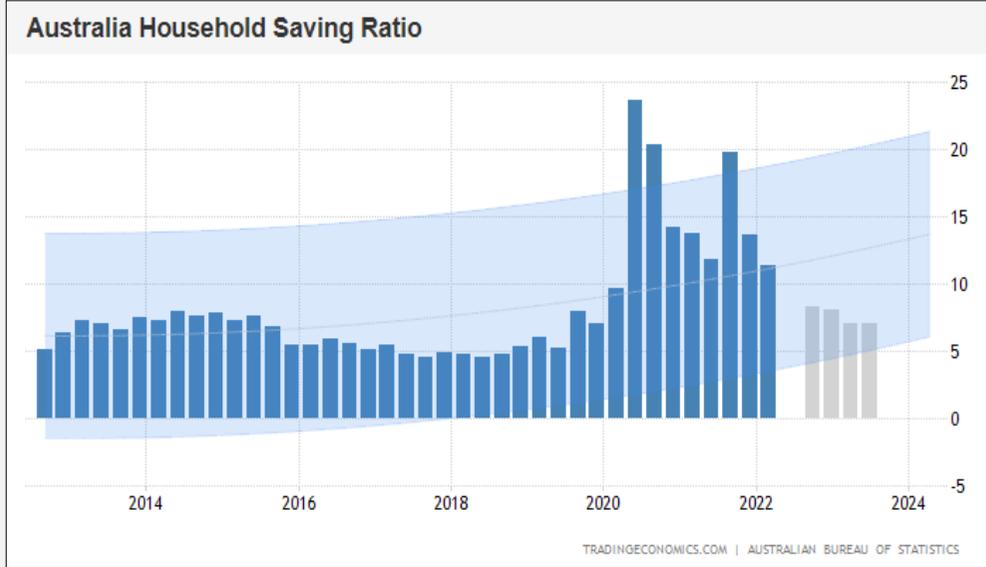
Economic conditions remain supportive, especially when migration resumes.



Savings levels are likely to absorb rate rises.



Note: this is the RBA cash rate and includes 2022 forecast movements.



AVJennings outlook.

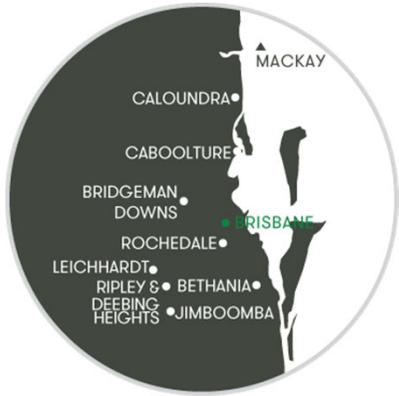
- Market fundamentals for our industry remain solid with low unemployment levels, underlying housing demand remaining greater than supply, wages starting to lift, and immigration forecast to return to pre-pandemic levels by 2024 all despite the recent interest rate rises and inflationary pressures. This provides the Company a solid platform for the future.
- Sales pricing remains steady and we have not seen reductions in house values as evidenced in some established markets or, indeed, prestige markets.
- However, the lack of suitable affordable housing in the markets we are in provides the Company the basis to grow the built form on our projects. We are now at the early stages of introducing a prefabrication and modular housing strategy to radically cut built form construction time frames, improve energy ratings of the dwellings and improve their affordability at time of purchase and for ongoing living costs.
- Whilst headwinds remain in terms of extreme weather events, supply chain issues, construction cost increases and potential future interest rate rises, the Company believes that our customer base will remain active as the need for good quality affordable land and housing remains fundamental to the needs of the community. We will also be focused on Environmental, Social and Governance (ESG) outcomes and incorporating these principles such as a focus on energy efficient houses into our production and procurement processes to achieve improved results.
- AVJennings remains committed to deliver the outcomes our customers, stakeholders and the community expect given the 90 year anniversary milestone recently achieved. Supported by 683 contracts on hand with a value of \$245 million, the Company is well-placed to grow revenue and earnings in FY23.

Appendices.

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Queensland business overview.



NFE	\$102.3m
Total Lots	5,425 (incl. Caboolture)
FY22 Revenue	\$57.0m

- The Queensland business focused on delivery of sold-out stages and projects. This saw the trade out of Anise (Bridgeman Downs) , Parkside (Bethania) and Creekwood (Caloundra) as well as the final close on Leichhardt in FY22.
- Riverton (Jimboomba) and Cadence (Ripley) developments are in full production mode with both projects impacted by weather but making significant progress in FY22. Each of the projects have a mix of land and housing options which are currently being delivered. These projects will underpin the QLD region results over the coming financial years.
- Planning work on the Caboolture project continues with ongoing negotiations with the Queensland Government, Council and Service Authorities on key infrastructure items.
- Acquisitions was busy with 2 sites securely in the Ripley Priority Development Area on Daleys Road and Coleman Road.

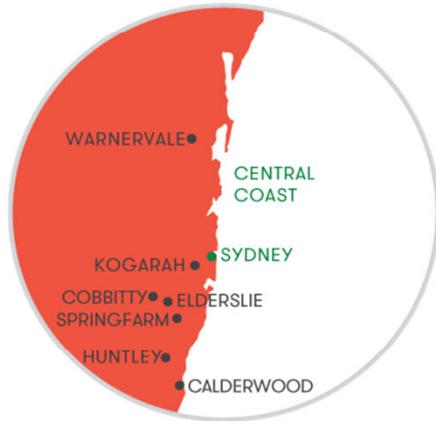


Cadence, Symphony Park, Ripley Qld



Riverton, Jimboomba, Qld

New South Wales business overview.



NFE	\$141.4m
Total Lots	1,731
FY22 Revenue	\$76.7m



- Rosella Rise at Warnervale on the Central Coast is a hive of activity with the sales office and display homes now open. We have 2 stages under construction (2a & 2b) which will complete in FY23. Built form construction on our first retail houses will commence in HY23.
- At Evergreen (Spring Farm) and Arcadian Hills (Cobbitty) projects where there is a mix of built form and land development, we have seen strong demand throughout FY22 with demand outstripping supply in FY22. At Arcadian Hills we saw the last major civil construction completed and at Arcadian Grove we expect to close out our built form construction and the project in FY23.

AVJennings

Victoria business overview.



NFE	\$157.0m
Total Lots	3,383
FY22 Revenue	\$58.3m

- At Lyndarum North (Wollert) demand remained strong in FY22 with this masterplanned community maturing with over 700 lots sold from inception. The high-quality parks remained a key drawcard for the project along with a diversity of housing enabling choice to suit the budget and lifestyle needs of our customers. There are currently 4 stages currently under construction on the site and we expect our first social infrastructure of a Childcare to open in early FY23.
- At Aspect (Mernda) sales and construction on this 230 lot development has seen strong demand with the first stage of the project now complete and 2 further stages under construction.
- At Harvest Square (Brunswick West) our public housing renewal project construction of basement works has commenced for the 3 apartment buildings on the site.
- In FY22 we acquired 4 sites in Melbourne's South East totaling circa 1,100 lots once complete. Works on the first project at Thompsons Road Clyde have commenced.



Aspect at Mernda
Façade (housing product)



Lyndarum North
Park



Lyndarum North
Bloom Townhomes

New Zealand business overview.



NFE	\$81.5m
Total Lots	585
FY22 Revenue	\$11.5m

- At Ara Hills in Orewa, north of Auckland, Stages 3a and 2 are under construction with stage 3a due to complete in HY23. There is strong demand for land at Ara hills with stage 3a effectively sold out.
- Our first residents have moved into stage 1 with approximately 20 houses now occupied. Redwood Park has opened and is being enjoyed by our residents and the public.
- All AVJennings obligations for land development at the award winning Hobsonville Point have now been closed out.

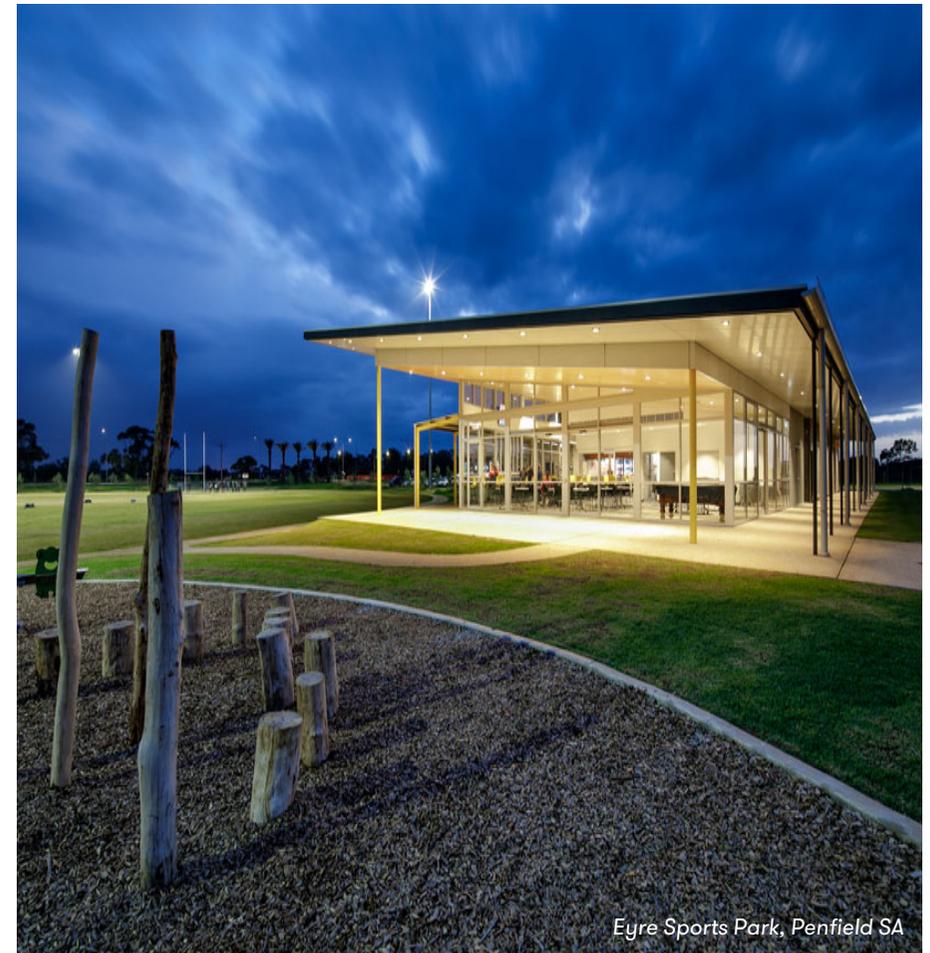


South Australia business overview.



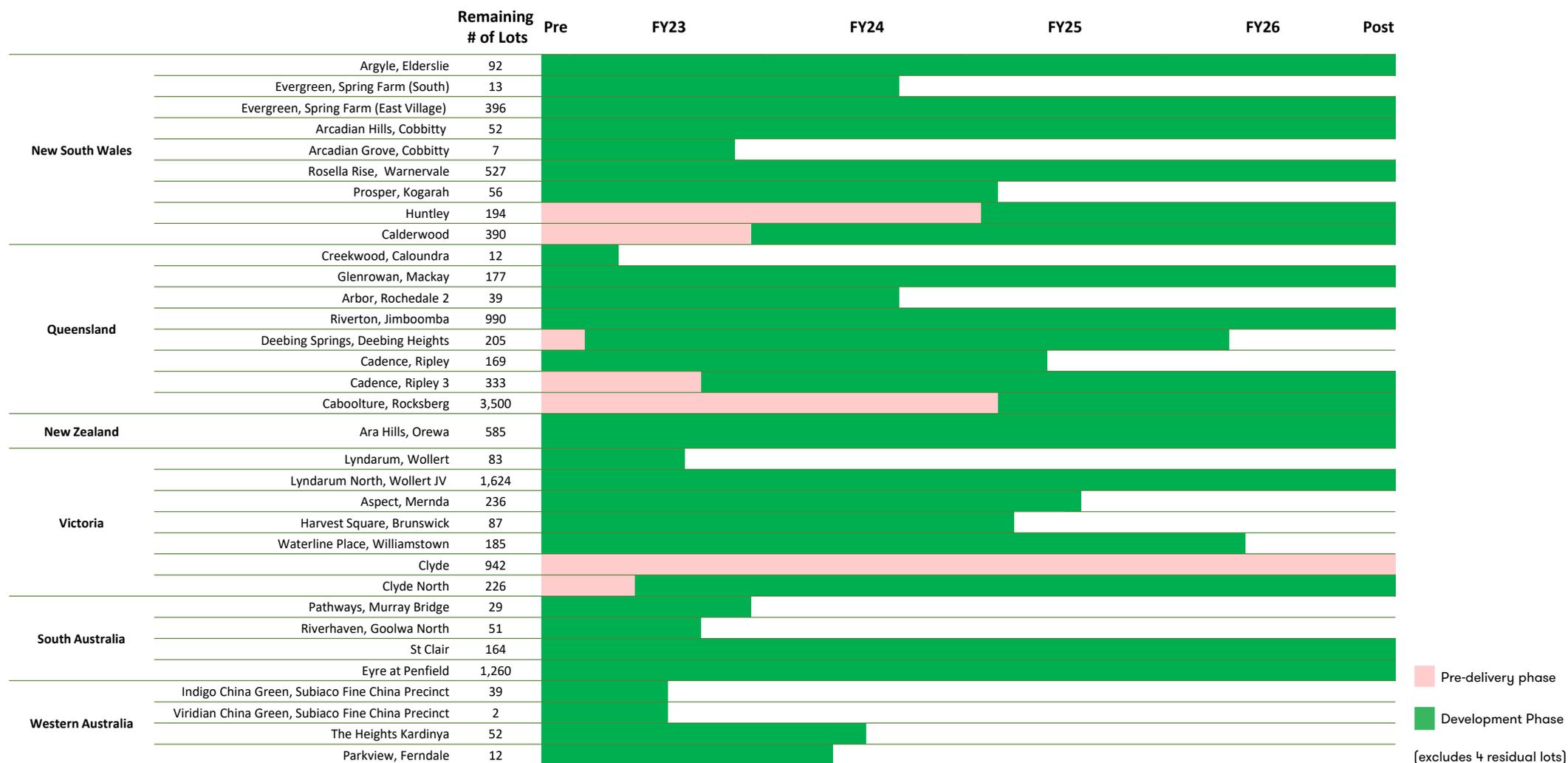
NFE	\$40.5m
Total Lots	1,504
FY22 Revenue	\$12.8m

- Eyre residential community remains very popular with demand outstripping supply and recent releases across land and built form selling out in FY22. There are currently 2 stages under construction and a significant increase in the built form has been undertaken by AVJennings meeting an affordability niche in the market.
- At St Clair, town home construction continues on the sold-out Piper townhomes.
- Returning capital from older projects continues with a focus at Pathways (Murray Bridge) and Riverhaven (Goolwa North), with the final stages of each project under construction. We have seen strong customer and builder support for both projects.



Eyre Sports Park, Penfield SA

Detailed Project Pipeline by State at 30 June 2022.



Thank You.

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AVJennings®