

ASX/Media Release

3 May 2023

Operational and Trading Update

AVJennings Limited ('AVJ', 'Company') is pleased to provide an update on the Company's business performance for the third quarter of FY23 (Q3 FY23).

TRADING UPDATE

Consistent with the Company's focus, AVJennings continues to deliver and settle the pipeline of sales that had been built up during FY22. In Q3 FY23, AVJennings settled 95 lots, a 17% decline in volumes over the Prior Corresponding Period (PCP) of 114 but with values sustained, only an 8.4% fall in value on the PCP (Q3 FY23: \$33m; Q3 FY22 \$36m). Positively, FY23 year-to-date settlements have increased by 12% to 510 lots on the PCP. This represents an increase in settlement value of 13.4% on the PCP.

Despite tough trading conditions, the Company recorded sales of \$30m (102 lots) in Q3 FY23 with notable contributions from housing and land sales at 'Evergreen' in Spring Farm, NSW, housing and land sales at 'Cadence' in Ripley, Queensland, and land sales at Melbourne communities 'Lyndarum North' in Wollert and 'Aspect' in Mernda. As a result of the continued challenging trading conditions, Q3 FY23 sales are down approximately 50% on the PCP.

Across the quarter enquiry levels remained soft, particularly in NSW, VIC and QLD markets, which have been most affected by rising interest rates. The South Australian market is proving more resilient and the price point of our product in the Adelaide market remains attractive given cost of living pressures. The NZ market continues to be significantly challenged by monetary policy and continued interest rate rises. While the RBA's decision not to raise rates in April was a positive step with early signs of a flow-through positive impact on purchaser sentiment in recent weeks, the RBA's attitude on rate rises over coming months, including May's interest rate rise, will continue to weigh on enquiry levels and purchasing intent of buyers until rates stabilize.

We are also seeing increased interest in house and land packages as purchasers look for delivery certainty from their builder. The Company maintains a reasonably healthy level of sales awaiting future settlement with 442 contracts on hand as at 31 March 2023 with a value of \$163m.

OPERATIONS UPDATE

As of 31 March 2023, the Company had 1,463 lots under development (31 Dec 2022: 1,612 lots). Management remains focused on balancing project development with market demand to ensure that the Company is not carrying excessive amounts of unsold inventory while readying itself to quickly respond to improvements in purchaser sentiment off the back of interest rate stabilization when it occurs.

ACQUISITIONS AND LAND BANK UPDATE

Following a productive first half of FY23 where the Company announced several strategic acquisitions, there were no further acquisitions during the quarter. Total lots under control remain around 14,228 at 31 March 2023.

CAPITAL MANAGEMENT: COMMENCEMENT OF ON-MARKET SHARE BUY-BACK

On 28 March 2023 the Company announced its intention to conduct an on-market share buy-back on the ASX. Given the current share price, recent earnings growth and a strong balance sheet, the Board is of the view that an on-market share buy-back represents a flexible and efficient capital management initiative that will contribute to increasing shareholder value and reflects the confidence in the Company's ongoing performance.

The Company proposes to acquire up to 7,500,000 ordinary shares or approximately 1.85% of the shares on issue. Funding the buy-back from existing cash reserves, the Company commenced the buy-back on 13 April 2023.

COMPANY OUTLOOK/CEO COMMENTS

Commenting on the quarterly update AVJennings CEO and MD Phil Kearns said: "Trading conditions continued to be tough through the quarter. While the April pause in rate rises was a relief, given the May increase, conditions are likely to remain soft until there's confidence from home buyers that interest rates have stabilized. Medium term the fundamentals for our industry remain strongly positive. There is a shortage of new homes available given production challenges across the industry and population growth has accelerated to above pre-Covid levels and is forecast to remain high. AVJennings has a strong balance sheet and is well placed to participate in improved residential market conditions, should there be a pickup in activity from current weak levels."

This announcement was authorised for release to the market by the Board of Directors of AVJennings Limited.

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