ASX MEDIA RELEASE

AVJennings Reports Financial Results for 1H25[1]

Financials

- Settlement of 325 lots, +20%
- Revenue $131.4M, +9%
- PBT $3.6M, -14%

Market Indicators

- Contract signings of 228 lots, -22%
- Pre-sales $62M

Pro9 Update

- Factory fully operational
- 20 homes completed, 44 under construction
- Over 90 AVJ homes in the pipeline

Disciplined Capital Management

- 12% of pipeline activated
- No new acquisitions

25 February 2025 – AVJennings Ltd (ASX:AVJ) (The Company) today announced its financial results for the six-month period ended 31 December 2024 (1H25), reporting a Profit Before Tax (PBT) of $3.6M, down 14% compared to the Prior Corresponding Period (PCP) (1H24 PBT: $4.2M). Net Profit After Tax (NPAT) for the period was $2.4M (1H24 NPAT: $2.8M).

During 1H25, the Company settled 325 lots, representing a 20% increase on the 270 lots settled in 1H24. Revenue for the period grew by 9% on the PCP to $131.4M (1H24: $120.4M), driven by a significant increase in apartment settlements.

Key contributors to 1H25 revenue were Waterline Place (VIC), Evergreen (NSW), Aspect (VIC) and Rosella Rise (NSW). Additionally, multiple residual medium-density sites within the St Clair (SA) project were settled during the period as further progress was made on expediting capital recycling for completed projects.

The higher number of lots settled compared to revenue growth period-on-period is largely due to the development management revenue earned in 1H24 for the development of the Harvest Square (VIC) project. Unlike revenue from lot settlements, this development management revenue is service based and does not result in the creation, or settlement, of any lots.

Gross Margin percentage (GM%) was 22%, a decline compared to 1H24 (26%) due to a greater number of apartment settlements, overall cost escalation in built-form housing and capital recycling initiatives.

Operating cashflow to 31 December 2024, excluding land payments, was $22M, up from ($48M) in the prior comparable period driven by decreased development expenditure following completion of the Waterline Place (VIC) apartments in late FY24.

Contract signings for the period decreased 22% to 228 lots (1H24: 294), impacted by both macroeconomic factors and our market release strategy which can lead to a temporary deferral of contract signings during a market recovery phase as stock availability is rebuilt. The Company’s strategy to commence built-form housing construction without presales and release homes to market closer to construction completion provides an opportunity to maximise revenue growth while balancing overall market opportunity with capital risk.

Commenting on the Company’s first half results, AVJennings’ CEO, Philip Kearns, AM, said: “Variable conditions across our markets are likely to remain until the impact of the interest rate cutting cycle in Australia takes hold. Our focus on balanced capital deployment, more built-form product and the transition to onshore Pro9 manufacturing positions us to take advantage of a recovery in the housing market and the economy."

[1] PCP: Prior Corresponding Period is 1H24. Growth rates are measured against the PCP unless noted otherwise.

As at 31 December 2024, the Company had 164 unconditional contracts on hand, valued at $62M, nearly all of which are expected to settle within FY25.

Land and built-form enquiry levels were slightly lower than in 2H24, influenced by limited completed stock availability. However, enquiry levels remain a key indicator of market confidence and have the potential to strengthen in coming months with the commencement of the Australian rate-cutting cycle and more built form being brought to market. Interest in built-form housing continues to grow, reflecting strong demand for AVJennings' turnkey housing solutions.

Given the ongoing due diligence process underway with Proprium Capital Partners and AVID Property Group jointly (AVID), and Ho Bee Land Limited (HBL) both having made Non-Binding Indicative Offers (NBIO) for AVJennings shares, the Board felt it prudent to await the outcome of the due diligence process and the finalisation of the proposed offer terms, structure and documentation prior to considering any 1H25 dividend. While the exclusivity period for both parties expired on 21 February 2025, AVJennings remains in active discussions with both parties as they continue to conduct due diligence to pursue a binding proposal.

Pro9 factory commences local production

The Pro9 factory on the Central Coast, NSW delivered the first domestically manufactured walling system to the Company in November 2024. Delivery and installation of the walls for a home at Rosella Rise, a NSW project, was a critical milestone of AVJennings' investment in the Pro9 Joint Venture. While the factory has experienced typical establishment challenges, production volumes are improving with over 90 AVJennings homes in the pipeline for delivery to the Company. To date, 20 homes have been completed with 44 homes currently under construction, including the first double-story, attached homes at Elderslie (NSW).

AVJennings' use of the Pro9 walling system continues to deliver significant benefits to construction programs for both single and double-story homes and to customers who are increasingly appreciating the improved energy cost savings, comfort and quality that AVJennings' Pro9 homes deliver. Condensed construction timeframes have delivered single-story homes in only four months, providing greater flexibility for the Company to respond to shifts in customer preferences between land and turnkey housing, as well as the evolution of built-form design.

Disciplined approach to capital management

During the period, the Company completed the modernisation of its Club Banking facility, securing revised terms better aligned with its business strategy. The updated facility, extended to September 2027, provides enhanced flexibility to support business growth.

Gearing levels remained comfortably within the target range of 15-35%, standing at 24.5% at 31 December 2024, slightly higher than the PCP.

As the market continues to show regional variances in the speed and nature of recovery, AVJennings remains focused on strategic capital allocation decisions. Due to sustained demand and price growth, appetite for development capital allocation to Queensland and South Australia continues to grow while Victoria remains in a watch position. Capital deployment to New Zealand is increasing with green shoots of demand appearing while New South Wales continues to improve, consistent with prior periods.

With 951 lots currently under development, the Company remains committed to delivering high-quality communities with diverse housing options that exceed customer expectations. Over 60% of lots under construction relate to current and future built-form housing. As at 31 December 2024, 174 completed lots were available for sale (1H24: 112 lots), with over 80% located in Victoria due to ongoing market challenges. 12% of the pipeline is activated, up from 11% a year ago.

No new acquisitions were made during the period, resulting in a pipeline of 9,586 lots under control at the end of 1H25. In line with its prudent capital management approach, the Company's acquisition strategy remains opportunistic in the near term.

Outlook

Macroeconomic indicators for the residential property market are becoming increasingly positive, with factors such as the commencement of the interest rate cutting cycle in Australia and New Zealand, low unemployment, government-led planning reforms, and a growing supply shortfall supporting future market conditions.

Despite this, segmentation across regional markets is expected to persist throughout FY25. Queensland and South Australia are expected to continue to outperform, while recovery in New South Wales, Victoria, and New Zealand may be impacted by affordability and investment constraints. The recent commencement of interest rate cuts in New Zealand has already led to improved buyer sentiment, with similar trends anticipated in Australia following the recently announced interest rate cuts.

The broader Australian residential development sector remains challenged by systemic planning delays, infrastructure constraints, and prolonged rezoning assessments. These hurdles significantly impact the industry's ability to meet the Federal Government's National Housing Accord targets.

With a pipeline of over 9,500 lots, AVJennings is well-positioned to contribute to the National Housing Accord's target of delivering 1.2 million homes over five years. The Company remains focused on overcoming planning challenges to unlock its development pipeline further and engaging collaboratively with authorities to progress planning outcomes and contribute to addressing Australia's growing housing shortage.

A key competitive advantage for AVJennings lies in the Company's innovative use of the Pro9 walling system to expedite home delivery while enhancing sustainability, quality, and delivery certainty. Achieving full factory capacity in the coming months will be a crucial enabler of this advantage.

Our expectations for a significant revenue and earnings skew to the second half of FY25 remain with ongoing risks related to recovery in the Victorian and New Zealand markets and achieving timely full production within the Pro9 factory. The second-half skew is a result of an increased proportion of built-form housing settlements compared to the prior year and the ramp up in built-form construction commencements as markets improved, as well as the delayed commissioning of the Australian Pro9 factory. FY25 gross margin (%) is expected to be down on FY24 due to the greater settlement skew towards apartments and built-form housing.

ENDS

This announcement has been approved and authorised for release to the ASX by the Board of Directors of AVJennings Limited.

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