

ASX/Media Release

16 December 2022

Operational and Trading Update

AVJennings Limited ('AVJ', 'Company') is pleased to provide an update on the Company's business performance for the first four months of FY23.

TRADING UPDATE

The Company was pleased to complete 192 settlements valued at \$48.5m in the first four months of FY23. This represents a 42% increase in settlement volumes on the prior corresponding period (PCP July to October FY22) and a 0.8% decrease in value on the PCP.

South Australian projects accounted for 82 of the settlements in the first four months of FY23, an increase of 242% on the PCP. The relatively lower value SA sales were a key reason why the average settlement value and total settlement value is lower against the PCP. Settlements at Lyndarum North in Melbourne's northern growth corridor were also higher and lifted settlements in Victoria to 64 lots. Settlements in NSW (9) and Queensland (34) were lower than the PCP.

Consistent with reports from other residential property developers, AVJennings has experienced an expected reduction in customer enquiry levels. Enquiry levels have softened to around half the peak activity levels from a year ago.

Contract signings were adversely affected by stock availability with ongoing wet weather early in the year and supply chain challenges delaying the Company's capacity to bring new stock into market. As such contract signings across NSW, Queensland and Victoria were notably lower than the PCP. The Company recorded 121 contract signings across July to October FY23 with a value of \$51.7m compared with 265 contract signings in the PCP, which also reflected slower market conditions.

The Company had 611 sale contracts (value \$241m) on hand at 31 October 2022, the vast majority of which are expected to settle during the remaining of FY23 and continues to carry very low levels of completed unsold inventory.

OPERATIONS UPDATE

Wet weather has frustratingly had a significant influence on the real estate industry in the early months of FY23. The extreme precipitation events which primarily affected Sydney, Brisbane, Melbourne, Adelaide, and Auckland, resulted in construction delays on some of our projects. In addition, supply chain material disruptions, and the shortage of skilled labour continue to compromise our ability to meet production targets.

Significant disruption was evident at Rosella Rise at Warnervale and Evergreen at Spring Farm in New South Wales (NSW), Ara Hills at Orewa in New Zealand (NZ), Lyndarum-North in Victoria (Vic), and Cadence at Ripley and Riverton at Jimboomba in Queensland (Qld).

Total work-in-progress was 1,774 lots, with 573 of these pre-sold.

ACQUISITIONS AND LAND BANK UPDATE

Consistent with its strategy, AVJennings continues to grow and further diversify its land bank, which is expected to deliver improved future returns for shareholders and highly sought-after community developments for home buyers.

The Company announced last month at the 2022 AGM the acquisition a 131-hectare site in Brisbane's South-West growth corridor. The proposed master planned community development, located within the strategic urban footprint of southeast Queensland, is expected to yield approximately 1,146 lots. The acquisition in Beaudesert on Kerry Rd, was completed with a private vendor on deferred payment terms with a headline price of \$45 million. The high-potential site is close to an established township with educational, retail, commercial and community amenities.

More recently AVJennings has acquired development rights to land in the popular South Coast NSW regional market. Lot 30 Jonsson Road, Mundamia NSW was acquired under a capital efficient development agreement, with the landowner providing the property and AVJennings providing development capital and expertise. The 40-hectare site is considered of strategic interest as it has development approvals in place, is within the Shoalhaven City Council area, with Mundamia being a designated growth precinct for the regional city of Nowra. The property is close to schools, a university campus, a hospital, and a shopping centre.

The site will be developed into a medium scale 308-lot residential subdivision. The vision for the project is to create a secluded 'eco-village' style development that is sought after within a unique and attractive urban area, one that compliments its natural environment and bushland setting. The project will contain a mix of standard, larger and medium-density residential opportunities.

These acquisitions further diversify and enhance the Company's growing land bank which is nearing 14,000 lots under control, up from 12,733 lots in June 2022.

COMPANY OUTLOOK/CEO COMMENTS

Chief Executive Officer and Managing Director, Phil Kearns said: "There still exists an undersupply of housing across the country and the labour market is incredibly tight, so despite the short-term challenges with weather, supply chains and rising interest rates, we believe the medium-term and longer-term opportunities in our sector will shine through.

Moving forward across the next 3-5 years we continue to see the underlying themes supportive to our business. Net overseas migration to Australia is forecast to reach 290,000 people in FY23 and is forecast to remain strong for some time.

Further, massive infrastructure projects like the inland rail and the second Sydney airport need sustained strong population growth to succeed.”

“AVJennings remains committed to deliver outcomes our customers, stakeholders and the community expect.” Mr Kearns added.

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

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