AVJennings

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AVJennings Continues to Build Momentum and Strengthen Business for the Long Term

- Profit Before Tax of $51 million
- Dividend payment maintained for full year at 5.0 cents per share fully franked reflecting confidence in outlook
- Significant momentum continues in the business
  - 9 new projects representing over 4,800 lots scheduled for commencement this calendar year
  - Work In Progress up 28.6% to 2,161 lots
- Market conditions remain strong
- Guidance of 1,900 – 2,100 contract signings for FY18

Business Performance

Australian residential community developer AVJennings Ltd (The Company, ASX:AVJ) today announced a profit before tax of $51.0 million for the year ended 30 June 2017 and maintained its total dividend for FY17 at 5.0 cents per share fully franked with a final dividend of 3.5 cents per share fully franked. The profit before tax result was 13.2% below the result from the previous year (30 June 2016: $58.8 million). Profit after tax was $35.7 million (30 June 2016: $40.9 million).

The result is consistent with advice given at the last AGM, and on subsequent occasions, as well as with market expectations. The advice indicated that timing aspects in relation to certain projects, together with changes to the Company's production mix which involves increased built form production, would see revenue recognition spread over more accounting periods. In fact, if not for the impact of heavy rain on the east coast of Australia during March and April and delays in title issuance which postponed the settlement of around 98 contracts, the profit for FY17 would have been similar to that for the previous year.

Importantly, the underlying momentum of the business continues to be strong. The Company has started more projects and increased the amount of stock production within projects. Work in progress volumes increased from 1,681 lots to 2,161 lots (up 28.6%).

"We have also increased the amount of work being undertaken on this stock by increasing the amount of built form. The Company's average revenue per contract signed rose from $246k to $292k on the back of new projects and increased built form.

New projects take longer to get to profit recognition stages. Increased built form also requires more work and time before profit recognition stages. In some cases the delay in planning approvals has also reduced the amount of stock the Company has been able to release to the market.

AVJennings Limited ABN 44 004 327 771
Level 4 108 Power Street Hawthorn VIC 3122
w : avjennings.com.au t : +61 3 8888 4800 f : +61 3 9819 0626
Queensland - New South Wales - Victoria - South Australia

To therefore achieve contract signings of 1,843 lots - up slightly on last year's number of 1,832 - was a pleasing outcome. Settlements for the period were 1,509 lots as many of the contracts signed will settle in future accounting periods.

So whilst the result for the year was lower than that of the previous year we are very pleased with the value that has been created in the business during FY17," Mr Summers said.

Recognising this value creation and their continuing confidence in the future, Directors have decided to maintain dividends at the same level as the previous year by declaring a fully franked final dividend of 3.5 cents per share.

Outlook

Activity levels, particularly in the Company's key markets of Sydney, Brisbane, Melbourne and Auckland remain high, with demand for residential land lots, detached dwellings, townhouses and low-rise apartments remaining strong.

Operationally, the Company continues to search for improvement in all aspects of its business, investing in product, people and brand and reviewing management structures and costs. It also continues to monitor emerging issues, trends and opportunities, both in the short and long term.

The Company continues to invest in the acquisition of land in areas where people want to live, namely Australia's major capital cities as well as Auckland in New Zealand. AVJennings management will continue to target suitable development opportunities in the middle rings and growth corridors of these capital cities.

The Company continued to diversify its portfolio. Following strong sales and settlements of the 'Rosny' apartment building at Waterline Place in Williamstown, AVJennings released the GEM apartment building at Waterline, which is achieving good pre-sales. Additionally, the Company recently announced the acquisition of a 67 apartment development site in the dynamic middle ring suburb of Kogarah, 19km south of Sydney's CBD.

The Company is targeting commencement of 9 new projects representing over 4,800 lots in the 2017 calendar year.

The Company is also exploring opportunities to participate in the supply of social housing. Mr Summers said social housing not only represents an excellent business opportunity for the developer but it is also aligned with the Company's commitment to being a community developer.

Given the component of debt committed to work in progress, which will turn to cash quickly once stock is completed, debt levels remain within acceptable parameters. The level of completed unsold stock remains very low at 6.1% by value of lots under control.

The Company's land bank is approximately 10,000 lots.

Key economic drivers are positive, with strong consumer confidence to transact in housing supported by expectations of continuing low interest rates and inflation, positive population growth and shortages of detached and low rise dwellings in Sydney, Melbourne and Auckland.

"As has been the case for several years, the Company anticipates a significantly stronger second half, with contract signings for FY18 currently expected to be within a range of 1,900-2,100 lots," Mr Summers said.

The Company expects positive earnings momentum given current levels of production, anticipated sales and development of the nine projects targeted for commencement this calendar year.

Media:

David Lowden
Head of Corporate Communications
Ph: + 61 428 711 466

Investor Relations:

Carl Thompson
Company Secretary
Ph: +61 3 8888 4802

Andrew Keys
Keys Thomas Associates
Ph: +61 400 400 380