AVJennings

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AVJENNINGS ANNOUNCES HALF YEAR RESULT TO 31 DECEMBER 2011

At A Glance

- Net Profit: $3.3 million for 6 months to 31 December 2011
- Revenue: $92.2 million for 6 months to 31 December 2011
- Landbank: 11,250 lots

Financial Results

Residential property developer AVJennings (ASX:AVJ) has posted revenue of $92.2 million to 31 December 2011, down 12.5% from $105.3 million in the previous corresponding period. Net profit from continuing operations was $3.3 million for the half year to 31 December 2011. This was down from $11.6 million in the previous corresponding period.

The Directors announced an interim dividend of 0.5 cents per share fully franked for the half year. The Dividend Reinvestment Plan remains suspended.

First Half Overview

AVJennings Chief Executive, Mr Peter Summers said the half year result to 31 December 2011 was a reflection of overall poor consumer sentiment which has been affected by the impact of the high Australian dollar on the Australian economy as well as the poor European and US economies.

“This has severely affected both property and equity markets throughout 2011. The European debt crisis has impacted worldwide and whilst it continues to linger without proper resolution, financial and residential property markets will remain under pressure,” Mr Summers said.

“Whilst we experienced two rate reductions late in 2011, any sustained improvement in market conditions has yet to occur. Consumers are looking for some stability and consistency in general economic conditions and hence it is more likely any significant improvements will not flow through to the residential property market until later in 2012. Of course, interest rates are a critical factor in housing affordability which did improve in most of parts of Australia during the period as a result of declining or steady property prices.”

For the major markets in which the Company operates, Victoria and South Australia have both seen a considerable softening in conditions. New South Wales, however, displayed some positive signs of recovery during the first half after a number of years of extremely poor market conditions. The chronic under-supply of new housing in that market makes a sustained recovery a matter of timing. Queensland continued to struggle, however, many forecasters are predicting a recovery in 2012 after the many challenges it faced in 2011. Importantly for the South-East Queensland market, its housing cost ratio (as a percentage of gross income) has improved considerably compared to Melbourne and Sydney. This has traditionally been an important element in a strong Queensland residential market.

Net debt, on a proportionately consolidated basis, increased to $108 million from $82 million at 30 June 2011. Net debt as shown in the financial statements increased from $57 million to $100 million. The increase in both numbers was primarily due to investing in the buyout of a joint venture partner at a major project in Queensland and the consolidation of the total debt owed by the joint venture, as well as an increase in the amount of building construction on Company projects. Whilst increasing the level of debt, such investment actually lowers risk in slower markets as it is easier to sell completed housing rather than pure land or packaging land with contract home builders.

AVJennings has a landbank of approximately 11,250 lots.

“Whilst the Company has been conservative in terms of acquisitions, it did increase its landbank through the addition of some 3,000 lots, predominantly in late 2010. A number of these projects are now at advanced stages of planning and development that will see them enter profit recognition stages either in the second half of 2012 or the 2013 financial year. These newer projects will underpin our operations for future years and are vital to improving margins in the medium to long term,” Mr Summers added.

Outlook

Mr Summers said the medium to long term fundamentals of the Australian residential market and the AVJennings business remain solid.

“The current and forecast trends for immigration and population growth are strengthening and the shortage of supply in many areas of Australia will underpin long term demand. However, in the short term, the Australian property market reflects world economic instability and very low consumer confidence.”

“AVJennings is strategically well placed to take full benefit of that recovery when it occurs. This is not, however, a short term scenario and will be in line with the recovery of financial markets in Australia and stabilisation of world economies. Accordingly, the Board and management continue to focus on ensuring the Company is adopting appropriate strategies in relation to capital management and operational structures to meet these challenges.” Mr Summers concluded.

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