

# AVJennings®



**Full Year Results to 30 June 2013**

## Company Highlights

Strong improvement in second half (2H13)\*:

- Revenue up 99.6%
- PAT excluding impairment up 226.7%

Lots under development increased by:

- 125% from June 2012
- 29% from December 2012

Main banking facilities extended 2 years

Successful completion of \$40m Entitlement Offer

Signs of continuing improvement in market conditions

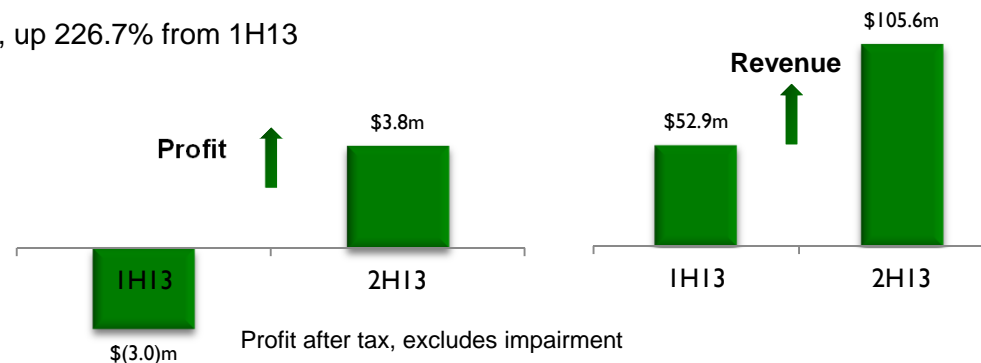
No impairments recorded in second half (2H13)



## FY13 Profit & Loss

	1H13	2H13	TOTAL FY13	1H12	2H12	TOTAL FY12
Revenues	\$52.9m	\$105.6m	\$158.5m	\$92.2m	\$96.6m	\$188.8m
Profit/(Loss) after Tax:						
- statutory	(\$19.1m)	\$3.8m	(\$15.3m)	\$3.3m	(\$33.1m)	(\$29.8m)
- excluding provision for impairment	(\$3.0m)	\$3.8m	\$0.8m	\$3.3m	\$1.8m	\$5.1m
Gross Margins	21.8%	20.7%	21.1%	19.4%	20.4%	19.9%
Inventory & Other Impairments:						
- After tax	\$16.1m	-	\$16.1m	-	\$34.9m	\$34.9m
- Book value of inventory	5.3%	-	5.5%	-	10.2%	10.2%

- Significant Improvement in second half (2H13)
  - 2H13 Revenue almost doubled, up 99.6% from 1H13
  - 2H13 Profit after tax and before inventory provisions, up 226.7% from 1H13
- Margins remain stable and strong
- Impairment provision:
  - None recorded in 2H13
  - 1H13 relates mainly to Queensland projects



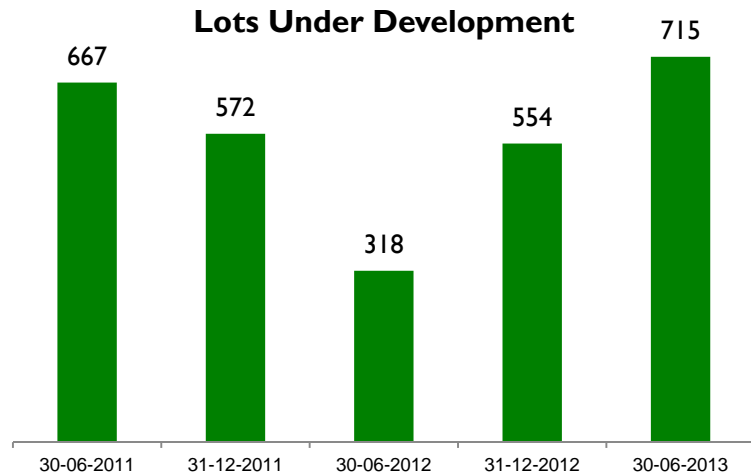
## FY13 Balance Sheet

	FY13	FY12
Shareholders' Funds	\$295.4m	\$269.0m
Number of Shares on Issue	384,423,851	274,588,694
Net Tangible Assets Per Share	\$0.76	\$0.97
Total Assets (at lower of historic cost or NRV)	\$462.9m	\$498.1m

### Entitlement Offer – May 2013

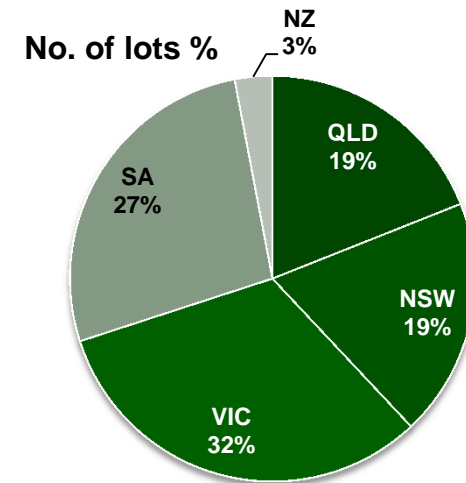
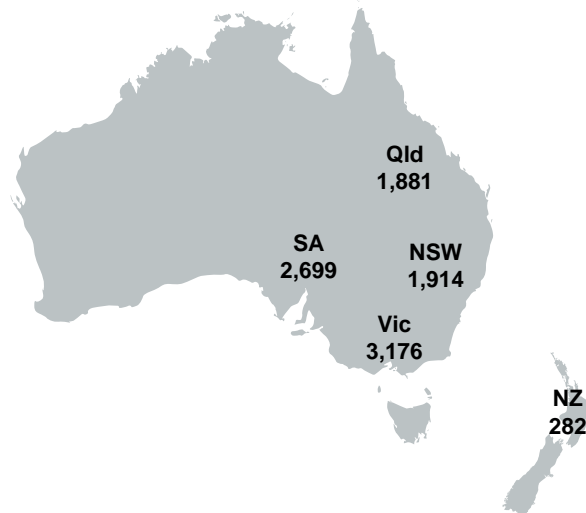
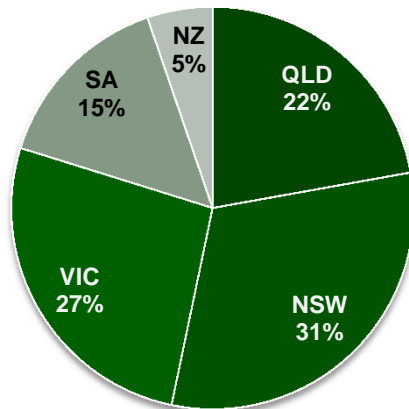
- Successfully completed - \$40.0 million raised after transaction costs
  - Healthy participation both in Australia and Singapore
  - 87.2% take-up, including by:
    - Company's largest shareholder, SC Global Developments Pte Ltd
    - All Directors entitled to the offer
  - 100% subscribed after underwriting
- Undertaken to fund the Company's immediate growth objectives and working capital requirements, including
  - Settlement payments on development sites previously acquired
  - Development of land
  - Investment in built form
- Greater scope to consider other value accretive opportunities

## Inventory



- Increase in WIP levels
- Substantial amount of WIP reported at 30 June 2012 completed during 2H13
- Headway being made with older lots exiting WIP and replaced with newer projects
- Completed and unsold stock at acceptable levels
- Geographically diverse
- Total number of lots under control at June 2013: 9,952 (2012: 10,837)

**By NFE %**



## Debt Funding

	30 June 2013	30 June 2012
Net Debt	\$78.2m	\$119.7m
Debt to Equity	26.5%	44.5%
Net Debt (includes proportionate share of JV debt)	\$83.3m	\$129.0m
Debt to Equity	28.2%	47.9%

- Main banking facility extension to 30 September 2015
- Company remains compliant with all lending covenants
- Actively progressing strategy of diversifying funding sources
- Decrease in debt attributable to successful completion of Entitlement offer that raised \$40m after transaction costs
  - More than offset effect of increased production and settlement payments in respect of previous acquisitions

**Market Conditions**

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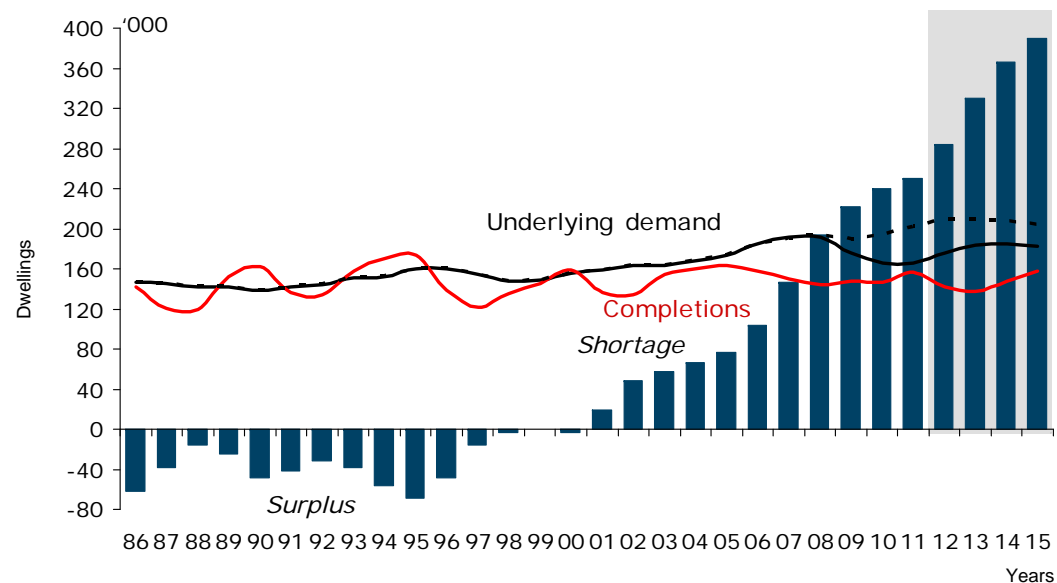


## Market Conditions – Supply

### Supply

- Key Sydney and Auckland markets clearly under-supplied
- Victorian market still self-correcting albeit in an orderly manner
- Red and green tape, planning, procedural and practical delays all limit swift stock supply
- Company beneficially placed as major projects are well located within their catchments, site ready and with significant advancement in development profile in recent times (examples on following slides)

Housing market balance



Source: ABS, ANZ Research (March 2013)



## Market Conditions – Supply

### Elysium, Noosa Heads (Qld)

- All existing architectural homes settled pre 30 June 2013
- Stage 1 Alure Residences under construction with completion due in September 2013.
- Stage 2 Alure residences are Development Approved with construction commencement expected in October 2013
- A notable uplift in enquiry and sales activity has been experienced in the last two quarters



ALURE  
RESIDENCES

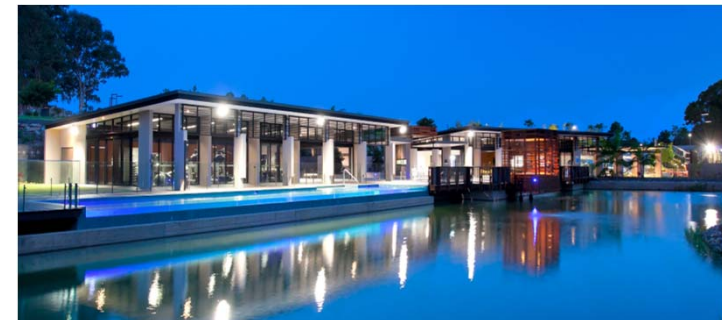
Artist's Impression



Stage 1 Alure Residences

Stage 2 Alure Residences

Recreation Centre



## Market Conditions – Supply

### Arcadian Hills, Cobbitty (NSW)

- Located on fringe of Sydney's South West growth corridor, 50kms from Sydney CBD
- Civil works commencing 2013
- Expected completion 2018
- Combination of affordable land and residential
  - Land ranging in price from \$200k-\$350k
  - Residential ranging in price from \$400k to 600k
- 457 lots
- Adjacent to major town centre
- Positioned slightly upmarket from local competition
- Rural architectural references
- Village green with devoted open spaces, healthy living





## Market Conditions – Supply

### St Clair, SA

- Largest urban infill project in Western Adelaide, 8km from Adelaide CBD
- New suburb of “St Clair”
- Comprising 937 lots (1,134 dwellings), project commenced 2010 and expected to complete 2019
- Combination land, townhomes, detached homes and apartments
- St Clair Town Centre operating & comprising
  - Major Coles supermarket
  - Specialty shops
  - Cafes & Restaurants
- Facilities
  - Numerous parks and gardens
  - Extensive wetlands system and ASR
  - Walking & cycling tracks
  - Sporting fields now regularly in use
  - Major intersection to Cheltenham Parade from St Clair Avenue
- Awards
  - 2012 Commendation UDIA
  - Excellence Award Masterplanned Community

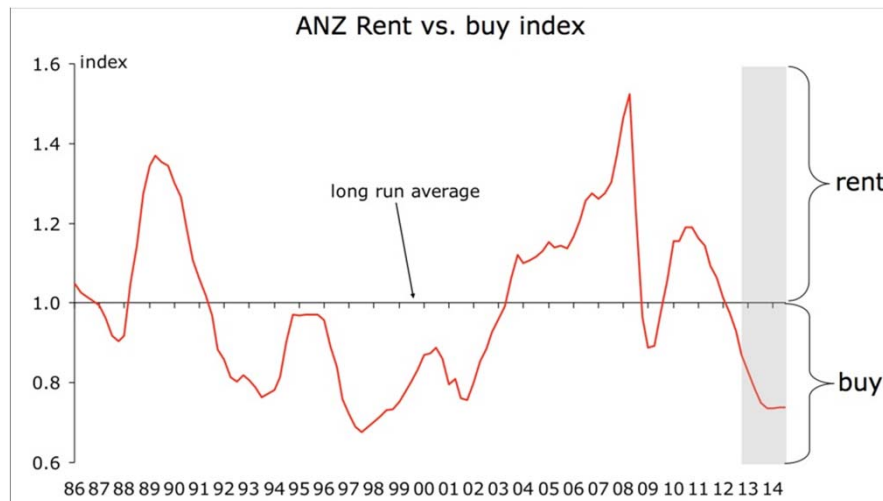


**STCLAIR**  
A Sanctuary in the Making.



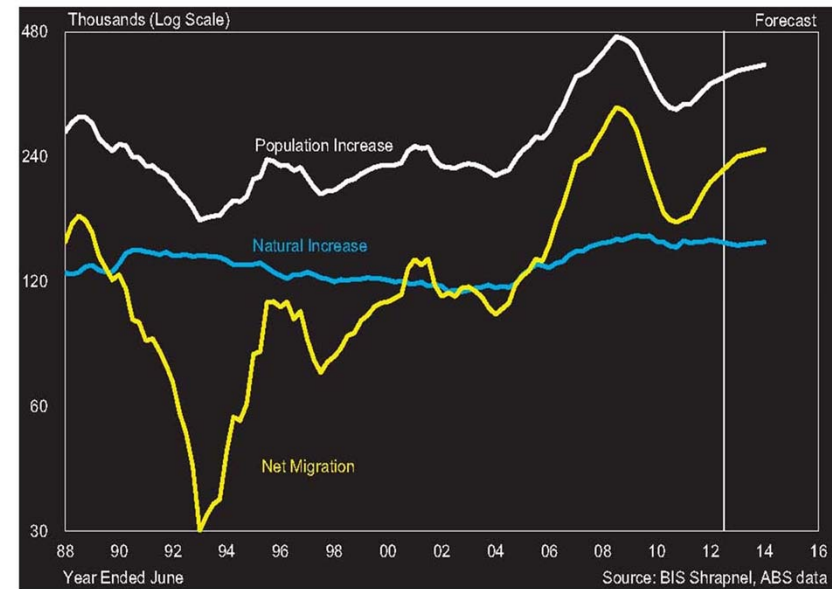
## Market Conditions – Demand

- Increasing and supported by fundamentals
  - Strong net positive population growth, including from migration
  - Economics increasingly favours purchasers over renters in certain markets
    - Capital city under-building trend continues
    - Rental vacancy rates remain tight, forcing up rents
  - Overall improvement in affordability



Source: ABS, ANZ Research (March 2013)

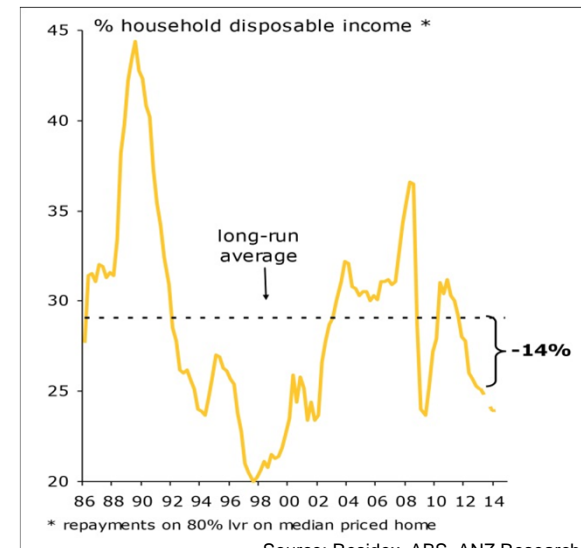
## Population – Analysis of Increase Moving Annual Totals



## Market Conditions – Affordability

### Improvement continues

- Real incomes outstrip price growth in key markets
- Mortgage interest rates have decreased
- Price growth moderation on the urban fringe of most capital city markets
- Government incentives and programs such as:
  - Stamp duty relief
  - First Home Buyer grants
  - National Rental Affordability Scheme
  - Housing Affordability Fund
  - Focused on new housing product
- Company continues to focus on affordable product delivery through land use maximisation and its Integrated Housing model



Source: Residex, ABS, ANZ Research (March 2013)

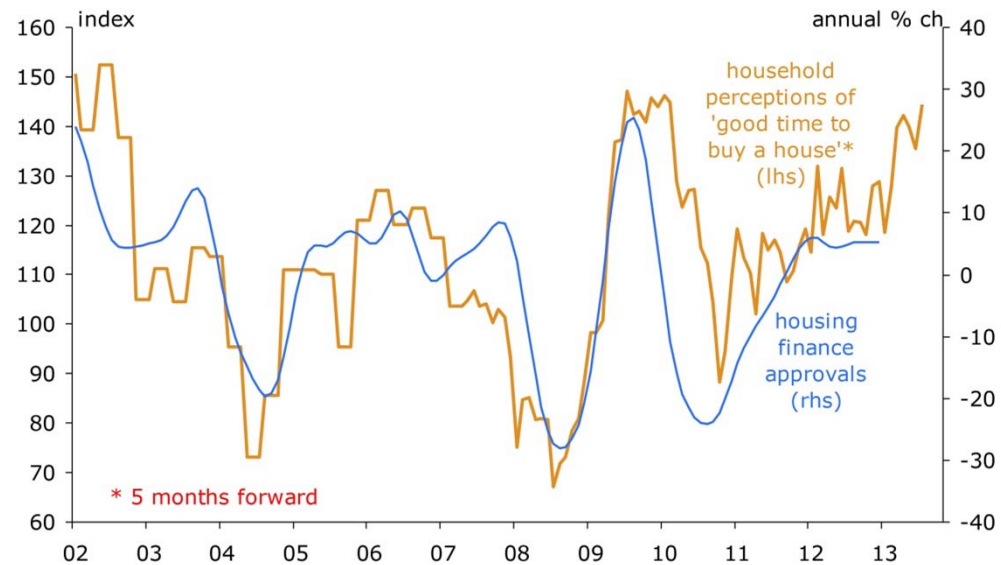


## Market Conditions – Consumer Confidence

### Consumer sentiment improving

- Positive trend in buyer sentiment continues
  - A\$ decline
  - Low inflationary expectations
  - Reasonably stable unemployment
  - Housing finance
  - Auction clearance rates

Housing finance vs. buyer sentiment

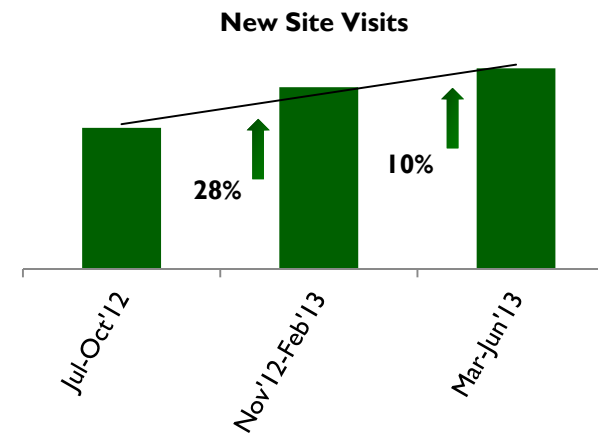
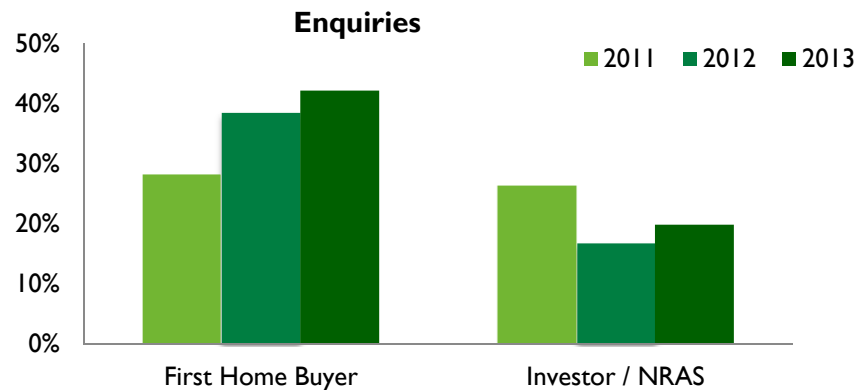


Source: ABS, Westpac Melbourne Institute, ANZ Research (March 2013)

## Market Conditions – Consumer Confidence

### AVJ's Experience

- Key NSW markets have lifted over the last 6 months reversing a lengthy trend
- Southern Qld shows more recent signs of improvement albeit off a low base
- Victoria has stabilised as the market corrects for 2010-11 oversupply
- SA is stable but subdued, however St Clair and Eyre at Penfield projects have reached important milestones and are now better placed to capture available demand
- Auckland experiencing significant increase in demand
- Customer traffic increasing at majority of estates
- Transactions increasing – contract signings and settlements up at key projects in 2H13
- Federal election will remove one source of uncertainty
- First home buyer and Investor enquiries re-emerging
- B2B sales re-emerging



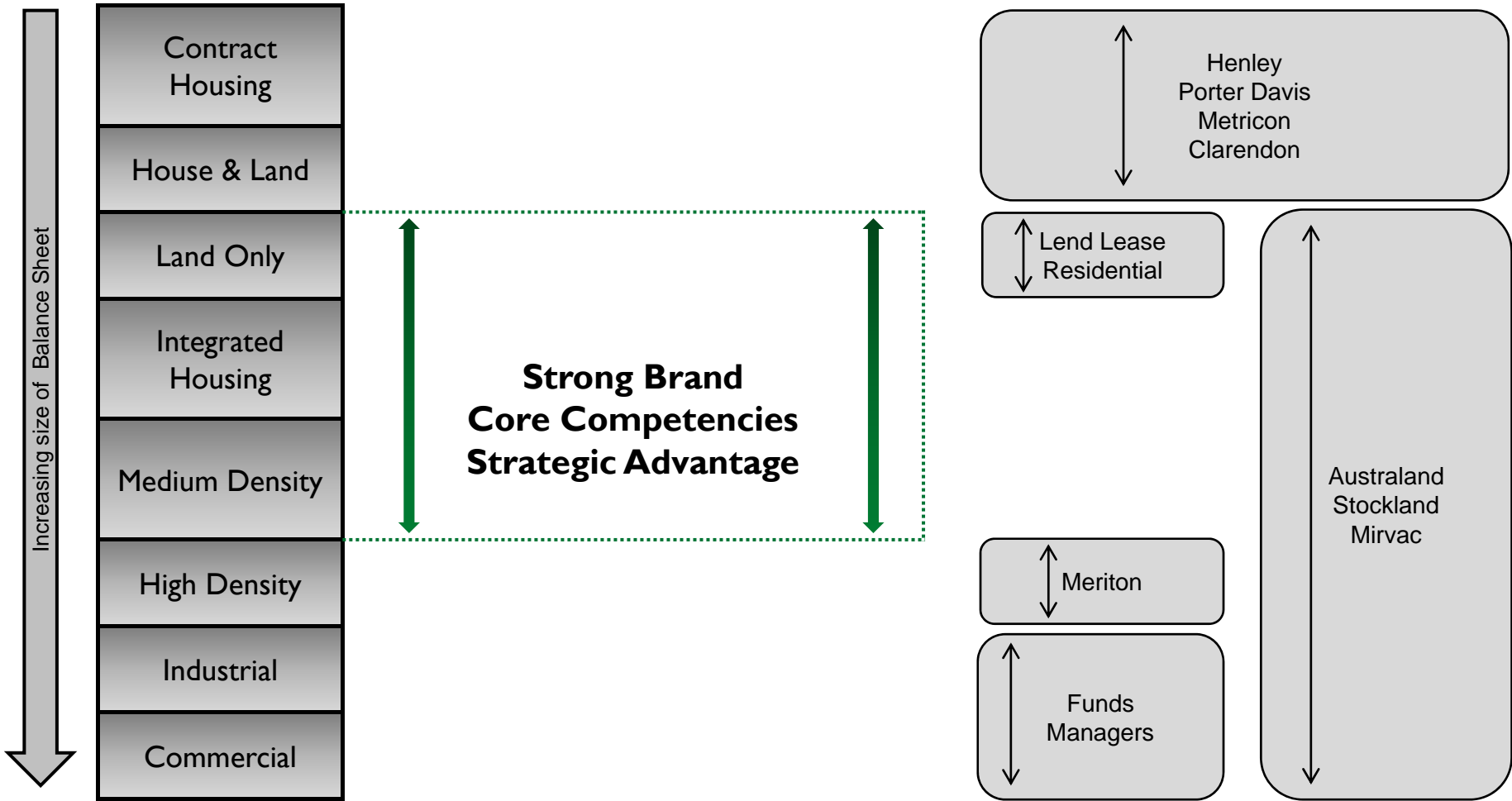




**Appendices**



## Pure Residential Property Developer



## AVJ Business Model

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Company focus remains as pure residential property developer offering diverse product:

- Land
- Turn key town-homes and detached / attached homes
- Apartments

Strong project pipeline:

- Land bank of 9,952 lots under control

Geographic diversity:

- Queensland
- New South Wales
- Victoria
- South Australia
- New Zealand

Focus on quality product for various markets:

- First home buyers
- Second and subsequent buyers
- Empty nesters
- Investors

Integrated build-out where appropriate

Project Development Agreements & Joint Ventures

- Skills
- Brand
- Capital efficiency

## Lot Settlements & Land Payments<sup>1</sup>

Period:	FY08	FY09	FY10	FY11	FY12	FY13
Total settlements (units)	1,846	1,841	1,472	1,175	861	829
NSW settlements (units)	275	245	304	144	110	158
VIC settlements (units)	895	1,220	523	671	395	186
QLD settlements (units)	354	180	381	116	172	121
SA settlements (units)	322	196	264	182	105	166
NZ settlements (units)	-	-	-	62	79	198
Lots under control at end of period	10,876	9,825	9,480	11,259	10,837	9,952
Work in progress – units	1025	450	521	667	318	715
Work in progress – dollars (\$ million)	130.5	64.2	45.4	95.2	61.9	72.1
Revenue from settlements (\$ million)	347.1	345.1	248.8	195.5	182.3 <sup>2</sup>	152.2 <sup>2</sup>
Land Payments (\$ million)	151.9	27.8	47.8	38.1	68.0	28.4

1. Excludes Contract Building

2. Includes Revenue from SA JV Build-Out

## Queensland

	Project Acquired	Project Commenced	Original No. of Lots	Remaining No. of Lots	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Post	Total Project Value
Halpine Lake, Mango Hill	Mar 2004	Jul 2004	689	125								\$150.1m
Creekwood, Caloundra	Nov 2007	Apr 2009	682	612								\$165.8m
Glenrowan Estate, Mackay	Aug 2008	Jul 2010	278	191								\$53.8m
Essington Rise, Leichardt	Dec 2009	Mar 2010	158	119								\$18.6m#
Nottingham Square, Calamvale	Sep 2007	Aug 2009	258	141								\$91.6m
Villaggio, Richlands	Jul 2009	Jun 2010	142	112								\$46.3m
Bethania	Jun 2010	Not Commenced	113	113								\$35.4m
Elysium, Noosa Heads	Nov 2010	Jan 2011	174	153								\$57.7m
Big Sky, Coomera	Jun 2011	Oct 2011	334	315								\$54.5m#

# Projects are Development Agreements, so not all revenues flow to AVJ



- Market suffered recently due to short term issues, such as:
  - Effects of floods
  - Lower population growth
  - Impact of high A\$ and weather on tourism
  - Softening in mining sector
  
- Consumer confidence in Southern Queensland showing signs of improvement as pricing realigns with historical relativities to other Eastern capitals

## New South Wales

	Project Acquired	Project Commenced	Original No. of Lots	Remaining No. of Lots	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Post	Total Project Value
The Ridges, Elderslie	Oct 1999	Aug 2005	578	309	[Green bar spanning FY 2013 to FY 2018]						\$241.4m	
Hamlyn Terrace	Jul 2001	Not Commenced	440	440		[Green bar spanning FY 2014 to FY 2018]						\$182.0m
Spring Farm	Jan 2002	Not Commenced	206	206				[Green bar spanning FY 2016 to FY 2018]				\$102.0m
Ravensthorpe Heights, Goulburn	Apr 2007	Aug 2007	279	145	[Green bar spanning FY 2013 to FY 2017]						\$89.2m	
Seacrest, Sandy Beach	Sep 2007	May 2010	141	122	[Green bar spanning FY 2013 to FY 2018]						\$22.0m	
Cavanstone, Eastwood	Oct 2007	Aug 2008	274	129	[Green bar spanning FY 2013 to FY 2016]						\$253.1m#	
Charterwood, Wadalba	May 2001	Aug 2002	152	10	[Green bar spanning FY 2013 to FY 2014]						\$50.9m	
Arcadian Hills, Cobbitty	Oct 2010	Jun 2013	457	457		[Green bar spanning FY 2014 to FY 2018]						\$166.5m
Lakes Edge, Ponds	Oct 2012	Apr 2013	87	87	[Green bar spanning FY 2013 to FY 2015]						\$52.8m#	

Note: does not include 9 remnant lots

# Project either a Joint Venture or Development Agreement, so not all revenues flow to AVJ



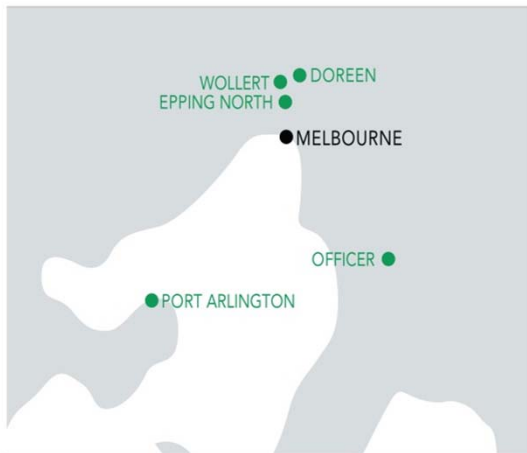
### ➤ NSW market continuing to show signs of improvement

- Significant improvement compared to very poor market conditions which prevailed for nearly a decade
- Development of first stage of Arcadian Hills, Cobbitty has commenced following resolution of lengthy planning-related delays, with sales targeted for late FY14.

## Victoria

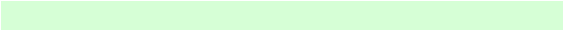


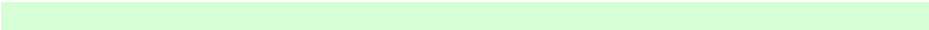
	Project Acquired	Project Commenced	Original No. of Lots	Remaining No. of Lots	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Post	Total Project Value	
Arena, Officer	Jul 2004	May 2008	685	116	[Green bar spanning FY 2013 to FY 2017]							\$128.1m	
Lyndarum North, Wollert	Jul 2007	Mar 2010	856	565	[Green bar spanning FY 2013 to FY 2018]							\$156.4m	
Wollert (Options)	Purchase not yet finalised		1,820	1,820			[Green bar spanning FY 2015 to FY 2018]						
Lyndarum, Epping North	Aug 2003	Nov 2007	945	64	[Green bar spanning FY 2013 to FY 2014]							\$204.5m	
Arlington Rise, Portarlington	Mar 2011	Apr 2011	256	245	[Green bar spanning FY 2013 to FY 2018]							48.3m	
Hazelcroft, Doreen	Aug 2011	Jul 2013	365	365		[Green bar spanning FY 2014 to FY 2018]							\$68.6m

Does not include 1 remnant lot



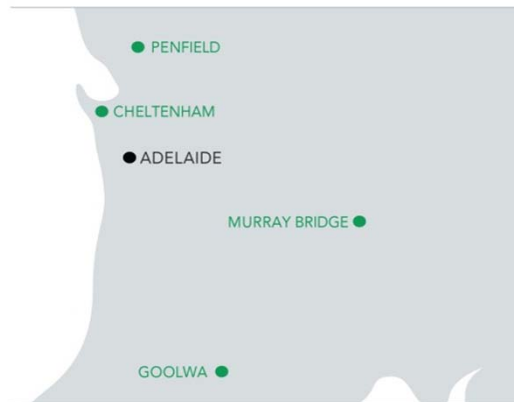
- Overheated market in 2010-11
- Market steadily correcting for the oversupply of developed stock built up in some locations
- Performance of projects remains stable and fair

## South Australia

	Project Acquired	Project Commenced	Original No. of Lots	Remaining No. of Lots	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Post	Total Project Value
Pathways, Murray Bridge	Jul 2005	Mar 2006	238	62								\$22.6m
River Breeze, Goolwa North	Jun 2007	Mar 2008	130	81								\$14.6m
St Clair, Cheltenham JV	Nov 2007	May 2009	937	797								\$321.9m#
Eyre, Penfield	Jan 2011	May 2012	1,763	1,748								\$392.0m#

Note: does not include 11 remnant lots

#Project either a Joint Venture or Development Agreement, so not all revenues flow to AVJ



- Stable market, but subdued
- Key projects, namely St Clair & Eyre have reached important milestones
- These projects are better placed to capture their share of available demand in the future

## New Zealand

	Project Acquired	Project Commenced	Original No. of Lots	Remaining No. of Lots	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Post	Total Project Value
Hobsonville Point, Hobsonville	Apr 2008	Aug 2009	605	282								\$67.8m#

AVJ developing Buckley Precinct, Hobsonville Point in joint venture with Hobsonville Land Company

# Project is a Development Agreement, so not all revenues flow to AVJ



- Auckland residential market experiencing significant demand
- Company's project well placed for the foreseeable future
- 177 lots completed in second half of FY13
- Strong partnership with Hobsonville Land Company, a New Zealand government authority



Photo courtesy of [skylens.co.nz](http://skylens.co.nz)

