

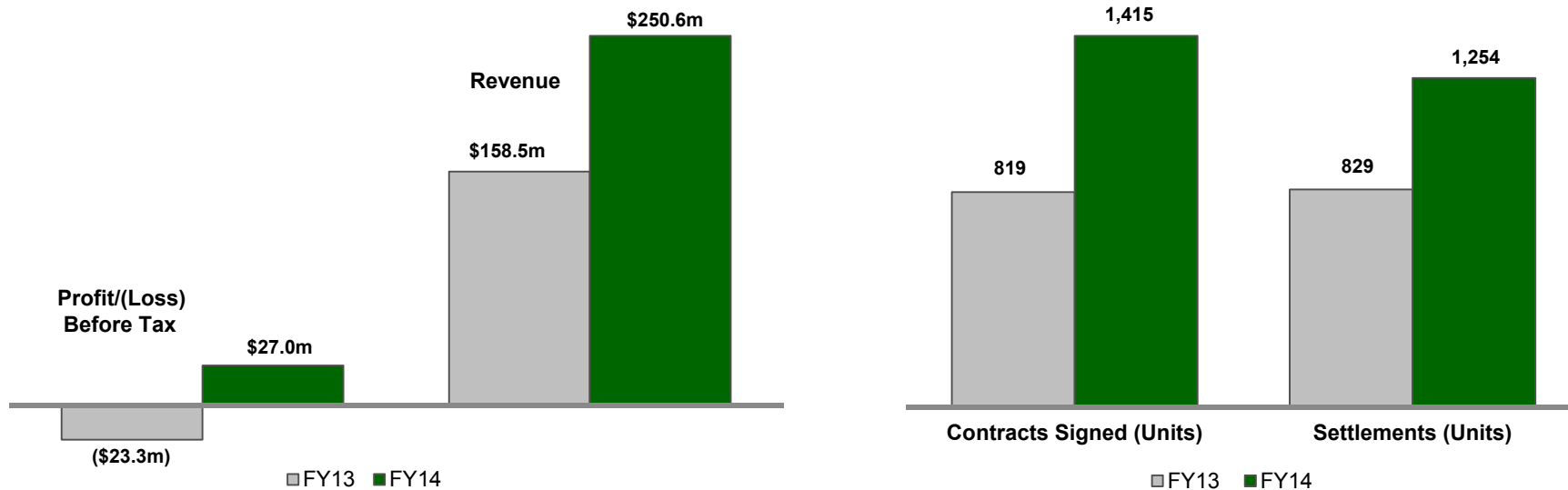
**AVJennings®**

**Full Year Results  
30 June 2014**

## Company Highlights

### AVJ Delivers on Strategy

- Profit before tax of \$27.0m up 216% on FY13 (\$23.3m loss before tax and after impairments) and was earned on revenue of \$250.6m, a 58.1% increase over FY13 (\$158.5m) due to the completion of inventory, strong sales and settlement activity in 2H14 as predicted
- Solid FY14 Result with a final fully franked cash dividend of 2.0 cps
- Gross margins improved through net price growth and greater impact of new, higher margin projects
- Debt remains low at \$80.8m (debt to total asset ratio of 17%)
- Sustained market recovery evident, particularly in NSW, QLD and NZ



## Company Highlights cont...

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**Growth has continued, and is forecast to continue, driven by:**

### Increased Production from Existing Projects

- Reflecting improved market conditions both in retail & B2B

### Increased Number of Projects at Site

- Virtually all projects will be in production by the end of 2014 accelerating the exit from older, lower margin stock
- Projects acquired in late 2010 now in full production

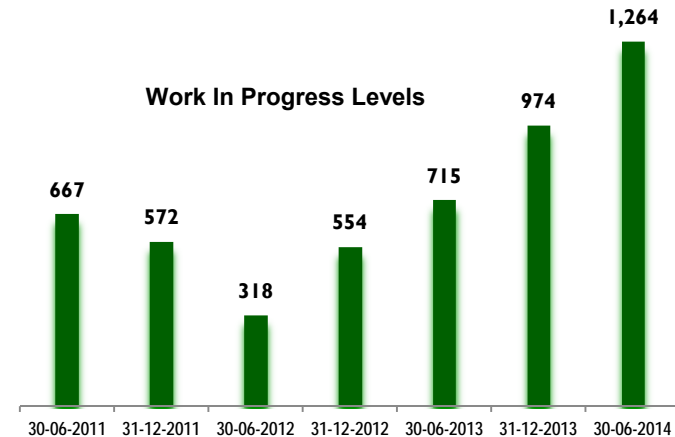
### Increased Acquisition Focus

- Agreed to purchase remaining 50% of 'St Clair' joint venture in South Australia
- Purchased the 400+ lot 'Catalina' Precinct at Hobsonville Point, Auckland, continuing the Company's successful involvement in this project
- Recently acquired a relatively small equity stake in a development in Subiaco, Perth
  - first involvement in Perth in over 20 years
- Other acquisitions contemplated on capital efficient terms
  - sufficient pipeline for short term but needs addressing in foreseeable future
  - price an issue in some markets but sufficient opportunities exist to meet our required returns, targets and strategies
  - Low gearing levels will support acquisition strategy
  - Short term priority remains increased production on existing projects

## Company Highlights cont...

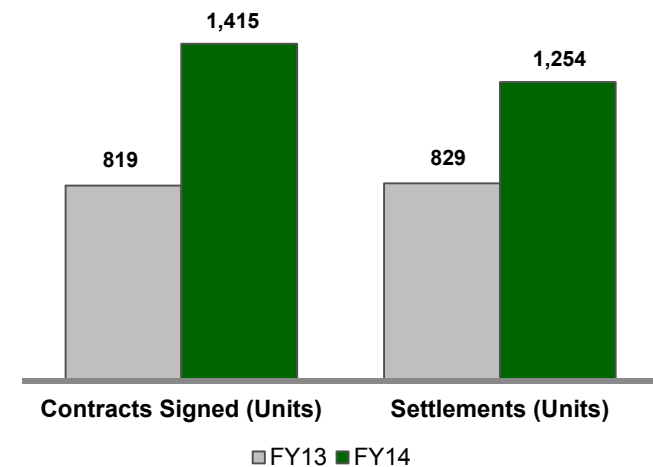
**Result to date has seen a continued trend in greater work in progress numbers:**

- 1,264 lots as at balance date grew for the fourth consecutive half (with no material increase in fixed overhead or the (low) level of completed unsold stock) and this will reflect in the P&L in future periods
- Represents 77% increase on prior year and 298% increase over level 2 years ago



**Leading to:**

- Greater contract signings and settlement numbers
- Forecast contract signing guidance for the year ending 30 June 2015 is 1,500 to 1,700 lots
- Compares to FY14 of 1,415 lots
  - However FY14 included 119 lots relating to large super lot sales for a Neighbourhood Activity Centre and a retirement living site within AVJ projects
  - Hence underlying comparison is:
    - FY15 1,500 to 1,700 lots
    - FY14 1,296 lots



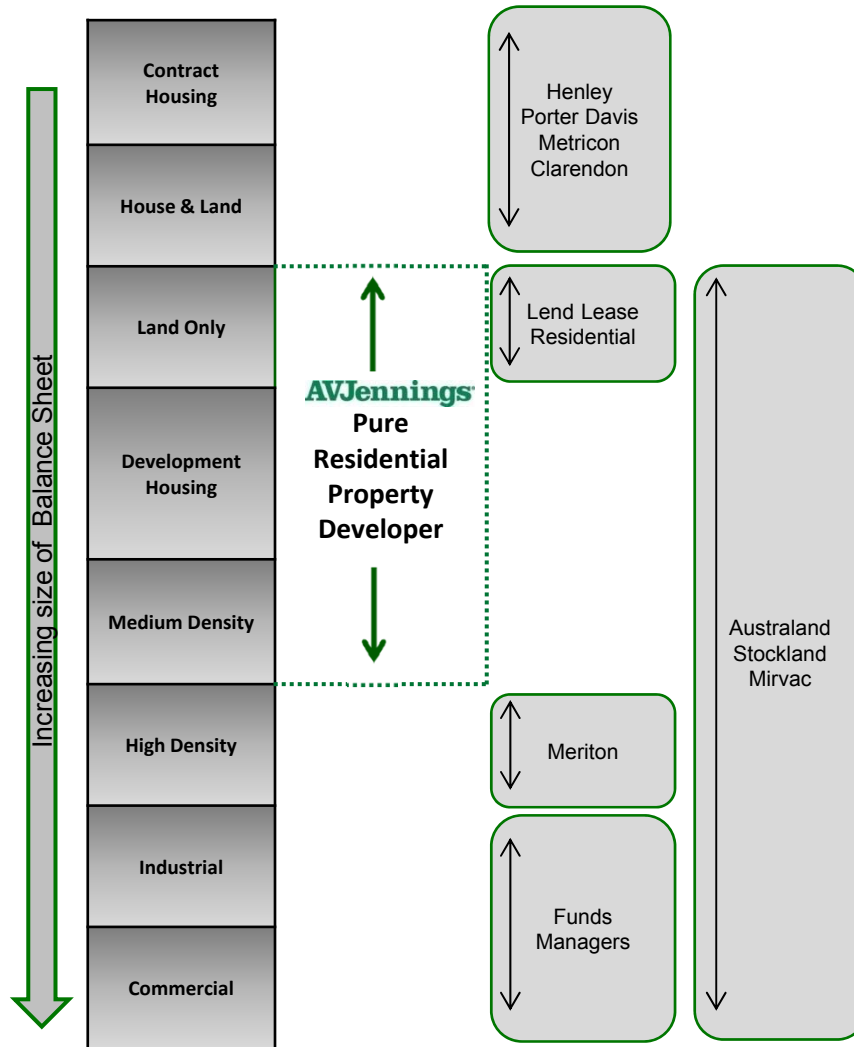
## Company Highlights cont...

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**And will also improve returns due to:**

- Greater weighting/contribution from newer, higher margin projects
  - Older projects have more accumulated holding costs and other legacy issues
- Improved economies of scale
  - High proportion of non project costs are fixed costs
    - most variable costs relate to direct project costs
  - Higher turnover improves relative returns
  - Increased volumes also enable greater buying efficiency although some exposure to increased costs from labour and material costs

## AVJ – Who We Are



## Strategy

- Continue to be pure residential developer with bias towards horizontal development (i.e. low exposure to high rise apartments)
- Focus on acquiring sites that are well placed within their catchments
- Ensure projects have strong alignment with our brand and what we are known for
  - Especially focussed on affordability
- In house integrated building capability
  - Key to maximising land utilisation leading to improved affordability
- Geographic Diversity

## AVJ – Who We Are cont....

### Brand

Building on our past.  
Shaping your future.

avjennings.com.au

AVJennings

Your  
community  
developer

avjennings.com.au

AVJennings

- Research shows we are known for:
  - Quality
  - Value
  - Integrity
  - Reliability
- Reputation built on 82 years of history
- It is on this history that we will build on our past to shape your future
- And we will proudly invest in the brand
  - Steve Waugh, AO: Corporate Ambassador for AVJennings
    - Strong alignment of values
- Market presence to be ramped up through increased brand and other marketing
  - Scaled back in recent years due to use of brand by Sekisui House Australia for contract building (division sold to SHA in August 2010 with rights to use name for 3 years)



## AVJ – Who We Are cont...

### People

- Board
  - Provided strong leadership throughout
- Management
  - Highly motivated and experienced team covering all aspects of the business
- Our staff
  - Remain our most valuable resource
  - Focus on recruiting, retaining and developing highest calibre staff
  - Strong alignment of our brand values with our people and culture



Qld Staff, Elysium Rec Centre Opening



Simon Cheong, Chairman



Vic Staff, Installation of Hebel Panels, The Renee II, Lyndarum



## AVJ – Who We Are cont...

### Product & Innovation



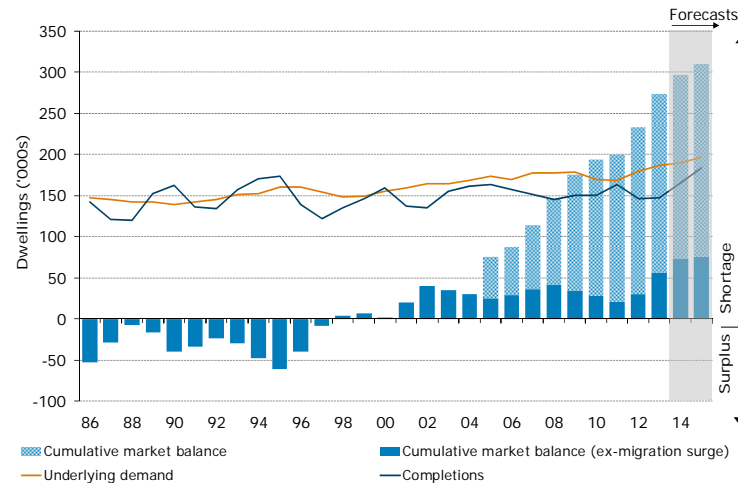
- Award-winning residential communities that are well located within their catchments
- Committed to delivering innovative and environmentally sustainable estates and homes at affordable prices
- New-to-industry initiatives in small lot and multi-level housing (including 'triplex' and 'up and over' designs), carbon neutral, geothermal air conditioning and 'all-gas' energy efficient dwellings in selected locations
- Continuous focus on improving 'constructability' as an aid to affordability, with increasing use made of in-factory prefabrication of building components (e.g. complete wall panels) to reduce construction times
- Keeping abreast of customer preferences in design and functionality to ensure ongoing product relevance
- Flexible design allows dwellings to adapt as their occupants age (e.g. an affordable lift developed for application in multi-level terraces)
- Integrated development process where all disciplines under internal control allows nimble reaction to changed products, materials and designs to efficiently bring innovations to market

## Market Conditions

### Overview

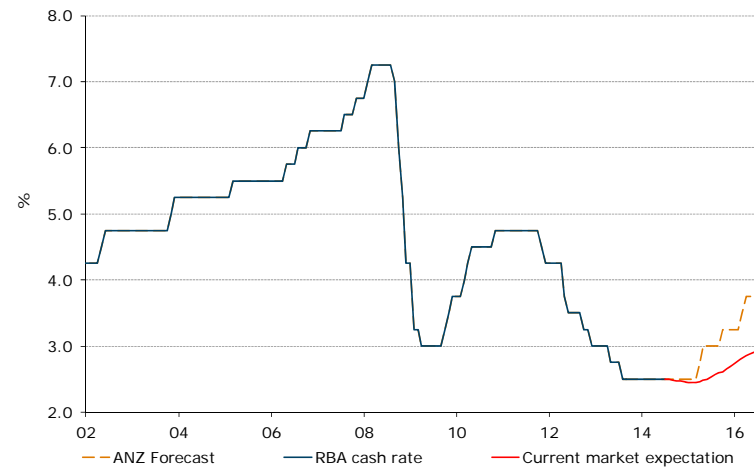
- Market fundamentals were positive over the year, with strong consumer confidence bolstered by low interest rates and inflation, underlying housing shortages in some markets (especially Sydney, Brisbane and Auckland) and continued strong population growth in both Australia and New Zealand
- Affordability is an ongoing challenge but is assisted by benign interest rate outlook for the foreseeable future, only moderate price growth on the urban fringe of most capital city markets and Government incentives (FHB, concessional SD, HAF)
- Strong interest in purchasing lot equivalents shown by third party builders and developers in all jurisdictions

### Housing Market Balance: Australia



Sources: ABS, ANZ

### RBA Cash Rate



Sources: Bloomberg, RBA, ANZ

## Market Conditions cont...

### New South Wales

- Sydney remains the strongest market in the country with flow-on benefits to the NSW Central Coast
- New project 'Arcadian Hills' Cobbitty is well underway and is expected to be a strong contributor in 1H15
- Substantial commencement of physical works at Hamlyn Terrace, NSW is imminent with margin contribution expected in 2H15
- Fundamentals remain supportive: 1.5% population growth, continuing supply shortage, strong demand



Lakes Edge, The Ponds: Playground



Lakes Edge, The Ponds: Townhomes



## Market Conditions cont...

### Queensland

- Activity in Brisbane is rapidly accelerating with positive knock-on to the Caloundra and Coomera Queensland markets
- Major infrastructure projects will boost jobs and demand:
  - Gold Coast: new light rail link, 2018 Commonwealth Games Village
  - Sunshine Coast: airport upgrade, Coast Connect transport upgrade, and University Hospital
- Building activity still below long term trend by around 14%



*Elysium, Noosa Heads: Allure Residences*



*Creekwood, Caloundra: Verve Townhomes*

## Market Conditions cont...

### New Zealand

- Auckland remains a strong market and the Company's outstanding Hobsonville Point joint venture project continues to experience significant demand
- The successful partnership with the New Zealand Government will continue into the future through the acquisition of the 'Catalina' Precinct, pre-selling of which has started with a view to commencing construction in 2H15 (contract signings expected 1H15)



Hobsonville Point: Aerial View (photo courtesy of Skylens)



HOBSONVILLE  
(AUCKLAND)



Hobsonville Point: Wharf Canopy



## Market Conditions cont...

### Victoria

- Victorian market is stable and fair as the market continues to correct for the 2010-11 oversupply
- Melbourne residential continues to improve for the Company, with its estates in the east virtually complete and those in the north performing strongly
- In the context of population growth (a very strong 1.9%), housing completions are in balance
- Possible oversupply largely contained to inner city high rise



Lyndarum, Wollert: Interactive Public Art



Arena, Officer: Townhomes

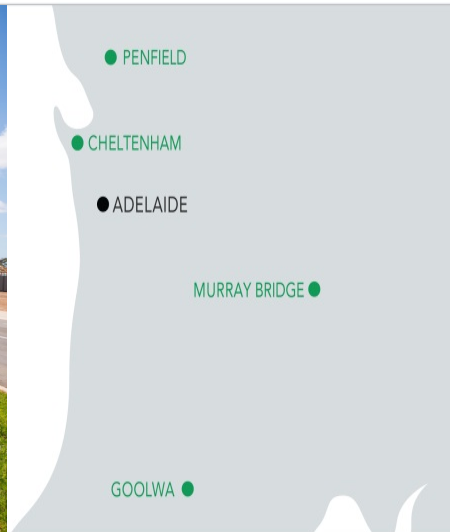
## Market Conditions cont...

### South Australia

- South Australian residential market remains subdued overall, however, activity at the Company's 'St Clair' and 'Eyre' projects is rising as these high quality masterplanned estates provide consumers with attractive points of difference from competing offerings
- Results achieved from 'St Clair' will be enhanced in the future as the acquisition of the remaining 50% interest in the current JV is expected to be earnings-accretive



Eyre, Penfield: Entry Statement; Steve Waugh AO - Corporate Ambassador



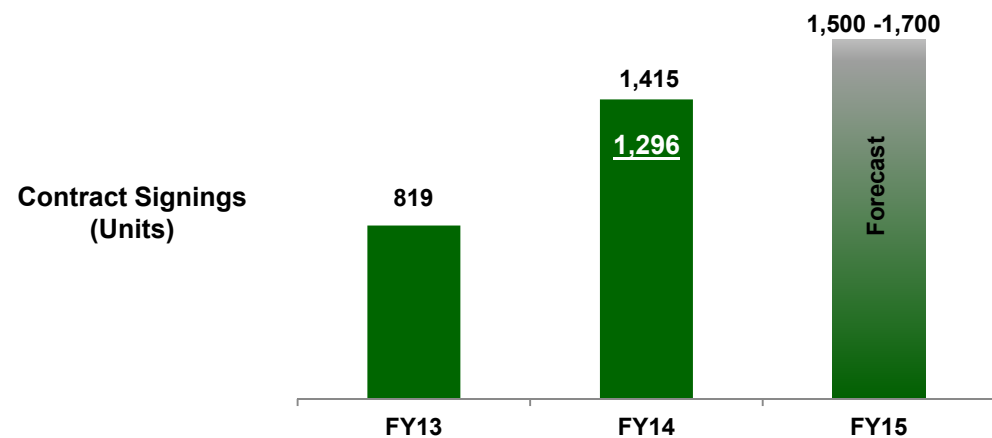
St Clair: Townhome



## Outlook

### Sound Fundamentals

- Macroeconomic outlook over 2015-2016 remains stable and supportive
- Consumer confidence, whilst still somewhat volatile, is strong as it relates to residential property
- Contract signing guidance for the year ending 30 June 2015 is 1,500 to 1,700 lots
- Level of contracts signed in 2H14 coupled with settlements deferred over balance date suggest a solid start to FY15, although, as in prior periods, the Company's results will weigh heavily towards the second half largely as a result of production staging and normal seasonal factors such as weather
- Strong cash generation from mature projects is anticipated over the next two years so prudent stock replenishment is an increasing priority
- Loan approvals for new dwellings up 2.2% at June 14. A good lead indicator for future production
- FHB market starting to improve with increase in loans to FHB's up 13.2% at June 14. State FHB grants focused on new dwellings rather than established housing.





**Appendices**

## FY14 Results In Detail

	1H14	2H14	TOTAL FY14	1H13	2H13	TOTAL FY13
<b>Revenues:</b>	\$104.3m	\$146.3m	\$250.6m	\$52.9m	\$105.6m	\$158.5m
<b>Profit/(Loss) before Tax:</b>						
- statutory	\$12.5m	\$14.5m	\$27.0m	(\$28.3m)	\$5.0m	(\$23.3m)
- excluding increase/decrease in impairment provision	\$7.3m	\$14.5m	\$21.8m	(\$5.3m)	\$5.0m	(\$0.3m)
<b>Gross Margins:</b>	22.5%	21.5%	21.9%	21.8%	20.7%	21.1%
<b>Inventory &amp; Other Impairments:</b>						
- Before tax	-	-	-	\$23.0m	-	\$23.0m
- Book value of inventory	-	-	-	5.3%	-	5.5%
<b>Inventory Provision Write Back:</b>						
- Before tax	\$5.2m	NIL	\$5.2m	NIL	NIL	NIL

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

	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Total settlements (units)	1,846	1,841	1,472	1,175	861	829	1,254
NSW settlements (units)	275	245	304	144	110	158	200
VIC settlements (units)	895	1,220	523	671	395	186	329
QLD settlements (units)	354	180	381	116	172	121	352
SA settlements (units)	322	196	264	182	105	166	138
NZ settlements (units)	-	-	-	62	79	198	235
Lots under control at end of period <sup>3</sup>	10,876	9,825	9,480	11,259	10,837	9,952	9,219
Work in progress – units	1,025	450	521	667	318	715	1,264
Work in progress – dollars (\$ million)	130.5	64.2	45.4	95.2	61.9	72.1	127.3
Revenue from settlements (\$ million)	347.1	345.1	248.8	195.5	182.3 <sup>2</sup>	152.2 <sup>2</sup>	244.4 <sup>2</sup>
Land Payments (\$ million)	151.9	27.8	47.8	38.1	68.0	28.4	53.9

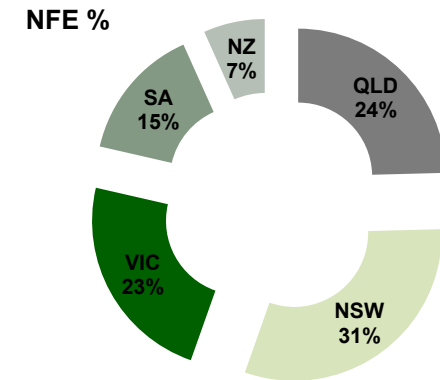
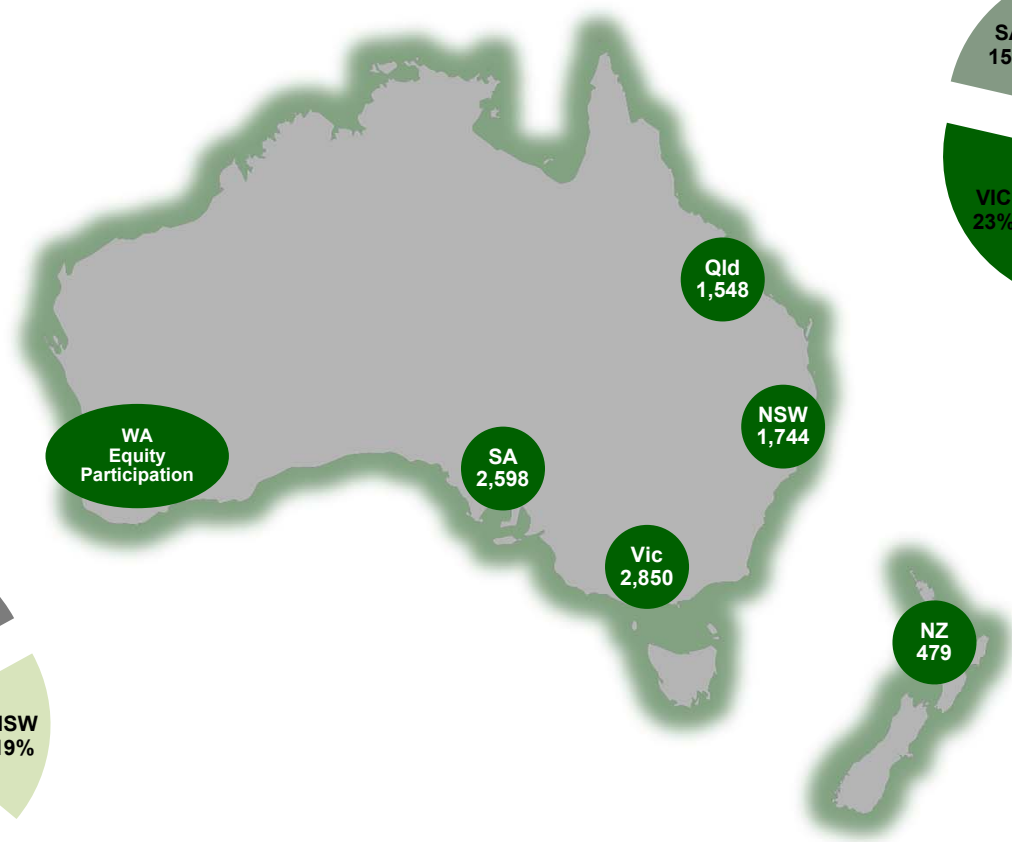
1. Excludes Contract Building

2. Includes revenue from SA JV Build Out

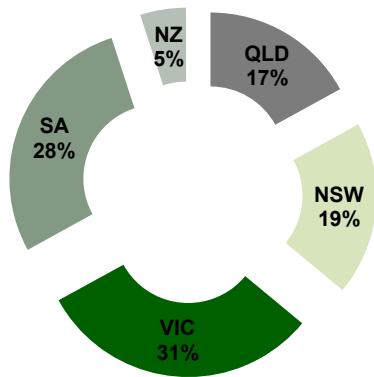
3. Excludes bulk lot contract signings that are revenue recognised but not settled by balance date

## Geographic Spread & Inventory

Number of Lots at 30 June 2014 = 9,219



No. of Lots %



# Project Pipeline



REGION	Project Name	Project Acquired	Project Commenced	Total Gross Revenue	Original No. of Lots	Remaining No. of Lots	Pre	FY15	FY16	FY17	FY18	FY19 +
QUEENSLAND	Halpine Lake, Mango Hill	Mar-04	Jul-04	\$165.8m	689	83						
	Creekwood, Caloundra	Nov-07	Apr-09	\$186.9m	684	521						
	Glenrowan, Mackay	Aug-08	Jul-10	\$56.6m	278	177						
	Essington Rise, Leichardt	Dec-09	Mar-10	\$26.1m #	158	105						
	Nottingham Square, Calamvale	Sep-07	Aug-09	\$101.1m	258	98						
	Villaggio, Richlands	Jul-09	Jun-10	\$46.5m	142	91						
	Bethania	Jun-10	NC	\$41.7m	128	128						
	Elysium, Noosa Heads	Nov-10	Jan-11	\$52.8m	174	89						
	Big Sky, Coomera	Jun-11	Oct-11	\$76.5m #	334	256						
NEW SOUTH WALES	The Ridges, Elderslie	Oct-99	Aug-05	\$220.2m	578	262						
	Hamlyn Terrace	Jul-01	Jun-14	\$169.0m	460	472						
	Spring Farm	Jan-02	NC	\$108.6m	185	206						
	Ravensthorpe Heights, Goulburn	Apr-07	Aug-07	\$92.4m	279	127						
	Seacrest, Sandy Beach	Sep-07	May-10	\$25.0m	141	99						
	Cavanstone, Eastwood	Oct-07	Aug-08	\$354.7m #	274	90						
	Arcadian Hills, Cobbitty	Oct-10	Aug-13	\$205.4m	469	417						
	Lakes Edge, The Ponds	Oct-12	Apr-13	\$62.0m #	82	64						
VICTORIA	Arena, Officer	Jul-04	May-08	\$139.2m	685	47						
	Lyndarum North, Wollert	Jul-07	Mar-10	\$163.8m	856	352						
	Wollert (Options)	Purchase not yet finalised			1,820	1,820						
	Lyndarum, Epping North	Aug-03	Nov-07	\$220.1m	945	53						
	Arlington Rise, Portarlington	Mar-11	Apr-11	\$53.8m	256	222						
	Hazelcroft, Doreen	Aug-11	Jul-13	\$71.9m	365	356						
SOUTH AUSTRALIA	Pathways, Murray Bridge	Jul-05	Mar-06	\$25.7m	238	69						
	River Breeze, Goolwa North	Jun-07	Mar-08	\$15.6m	130	80						
	St Clair, Cheltenham JV	Nov-07	May-09	\$375.1m	937	725						
	Eyre at Penfield	Jan-11	May-12	\$359.6m #	1,763	1,713						
NZ	Hobsonville Point, Hobsonville	Apr-08	Aug-09	\$77.9m #	625	67						
	Catalina, Hobsonville	Jun-14	Oct-14	\$78.5m	412	412						
<b>TOTAL NO. OF REMAINING LOTS</b>					<b>9,201</b>							

- Total gross revenue from inception of project
- Total No. of Remaining Lots does not include 18 remnant lots
- # Indicates Joint Venture or Development Agreement so not all revenues flow to AVJ



**AVJennings®**

**Full Year Results  
30 June 2014**