

# Full Year Results 2016

18 August 2016

**Your Community  
Developer**





# Contents

- **Highlights** **3**
- **Results and capital management** **4**
- **Business model and strategy** **10**
- **Project portfolio** **20**
- **Industry and company outlook** **26**
- **Appendices** **28**

# FY16 Highlights

## STRONG FINANCIAL GROWTH

- Revenue +32.7%
- PBT +22.0%
- EPS +18.6%

## INCREASED SHAREHOLDER RETURNS

- Fully franked final dividend of 3.5 cents
- Interim + final dividend is 5 cents fully franked (+25%), yielding ~7.5% at current prices
- 3 consecutive years of dividend growth

## FINANCIAL FLEXIBILITY MAINTAINED

- Gearing at 17.9%
- \$250 million 'Club' banking facility extended to Sept '18
- Healthy and stable product pipeline of ~10k+ lots

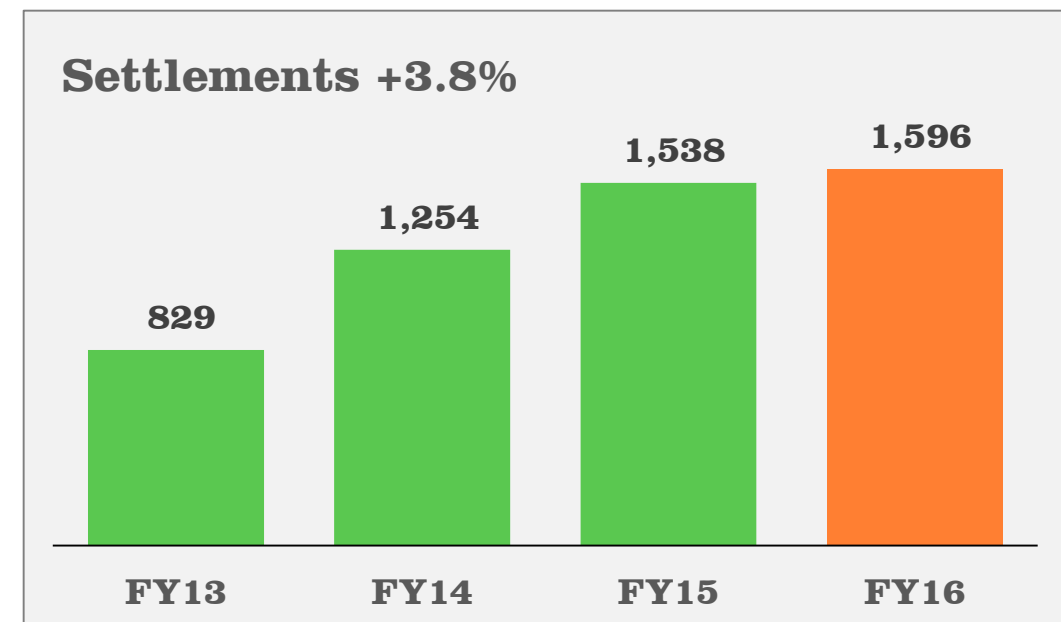
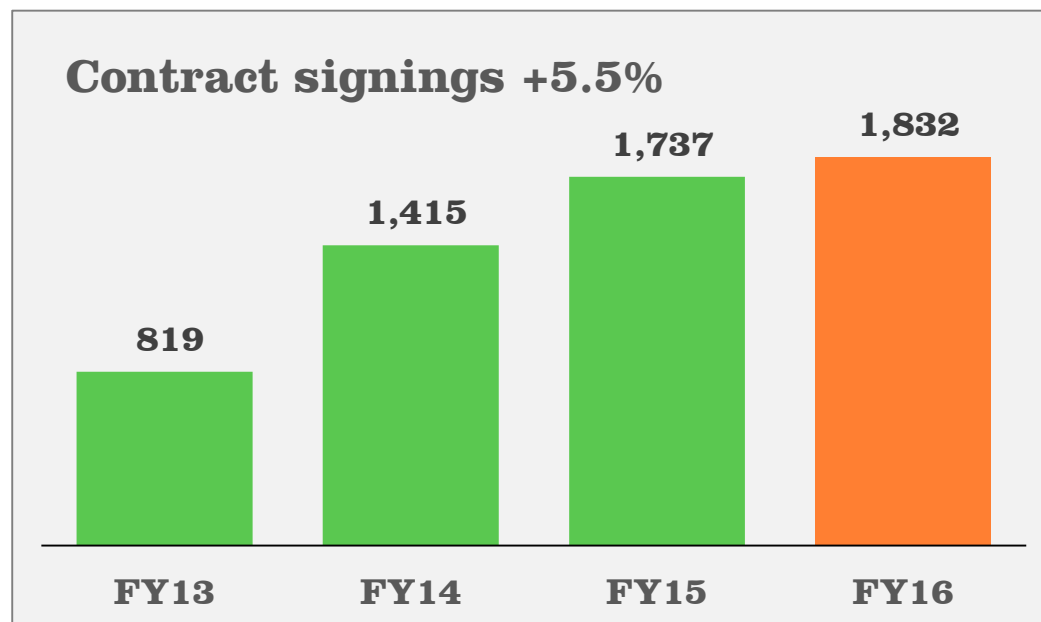
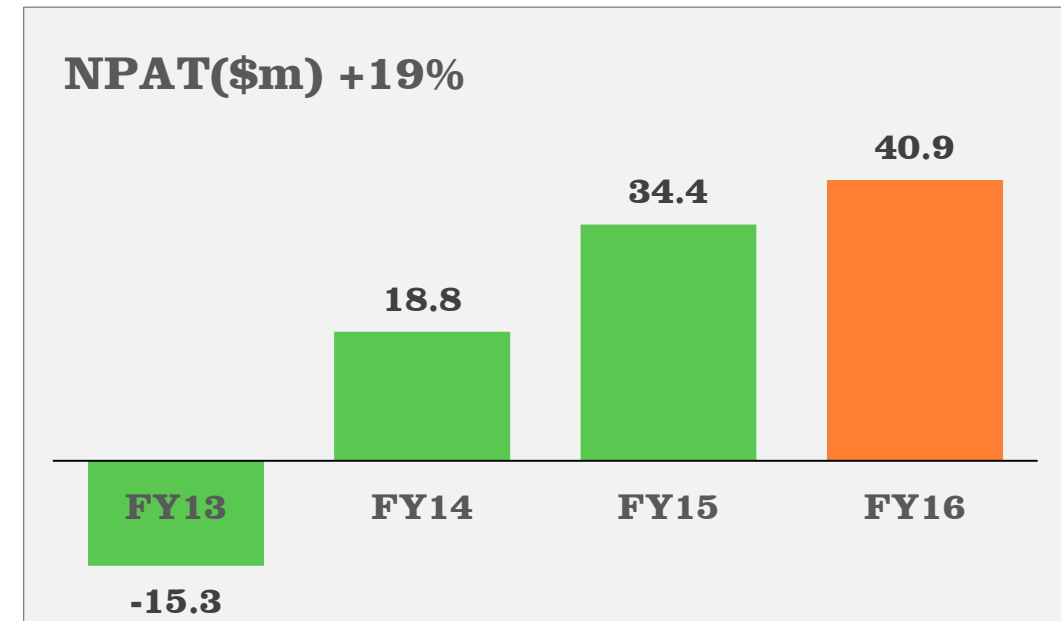
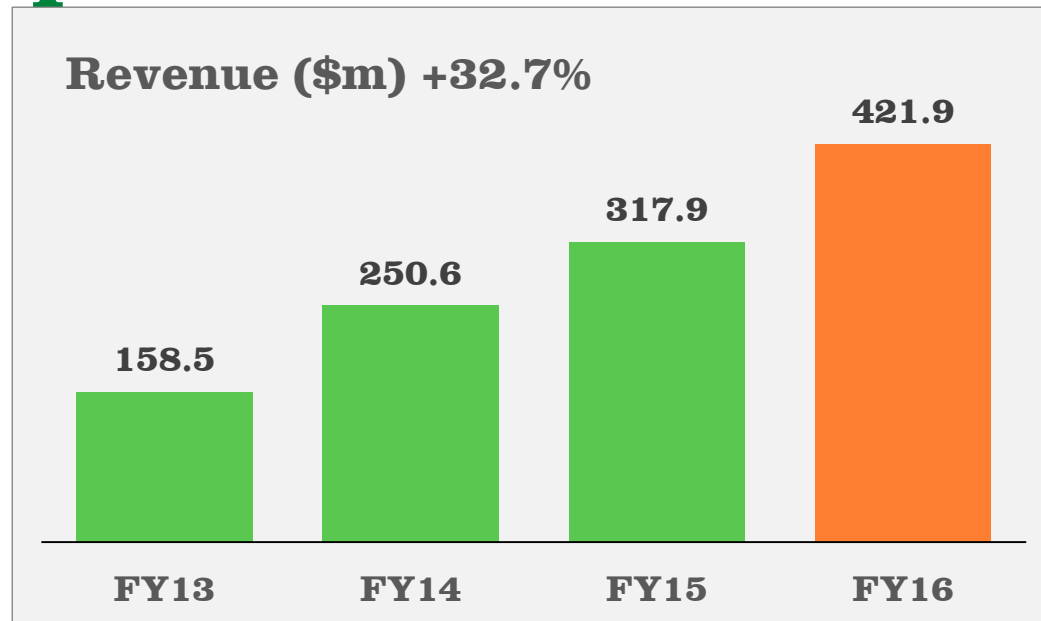
## SUSTAINABLE OPERATIONS

- Contract signings (lots) +5.5%; WIP +11.2%
- Geographically diverse project pipeline in urban growth corridors
- Traditional housing undersupplied; Stable and domestic customer profile; Affordable product

# FY16 Results

	FY16	FY15	% change	FY14
<b>Revenue</b>	<b>\$421.9m</b>	<b>\$317.9m</b>	<b>32.7%</b>	<b>\$250.6m</b>
<b>Statutory Profit before Tax</b>	<b>\$58.8m</b>	<b>\$48.2m</b>	<b>22.0%</b>	<b>\$27.0m</b>
<b>Statutory Profit after Tax</b>	<b>\$40.9m</b>	<b>\$34.4m</b>	<b>19.0%</b>	<b>\$18.8m</b>
<b>Gross Margins</b>	<b>25.2%</b>	<b>26.80%</b>	<b>-1.6pp</b>	<b>21.90%</b>
<b>Inventory Provision Write Back (After tax)</b>	<b>\$2.6m</b>	<b>\$2.6m</b>	<b>0.0%</b>	<b>\$3.6m</b>
<b>Net tangible assets (NTA)</b>	<b>\$361.1m</b>	<b>\$334.5m</b>	<b>7.9%</b>	<b>\$313.0m</b>
<b>NTA per share</b>	<b>\$0.95</b>	<b>\$0.88</b>	<b>7.6%</b>	<b>\$0.81</b>
<b>EPS (cents per share)</b>	<b>10.7</b>	<b>9</b>	<b>18.6%</b>	<b>4.9</b>
<b>Dividend (cents per share)</b>	<b>5</b>	<b>4</b>	<b>25.0%</b>	<b>2</b>

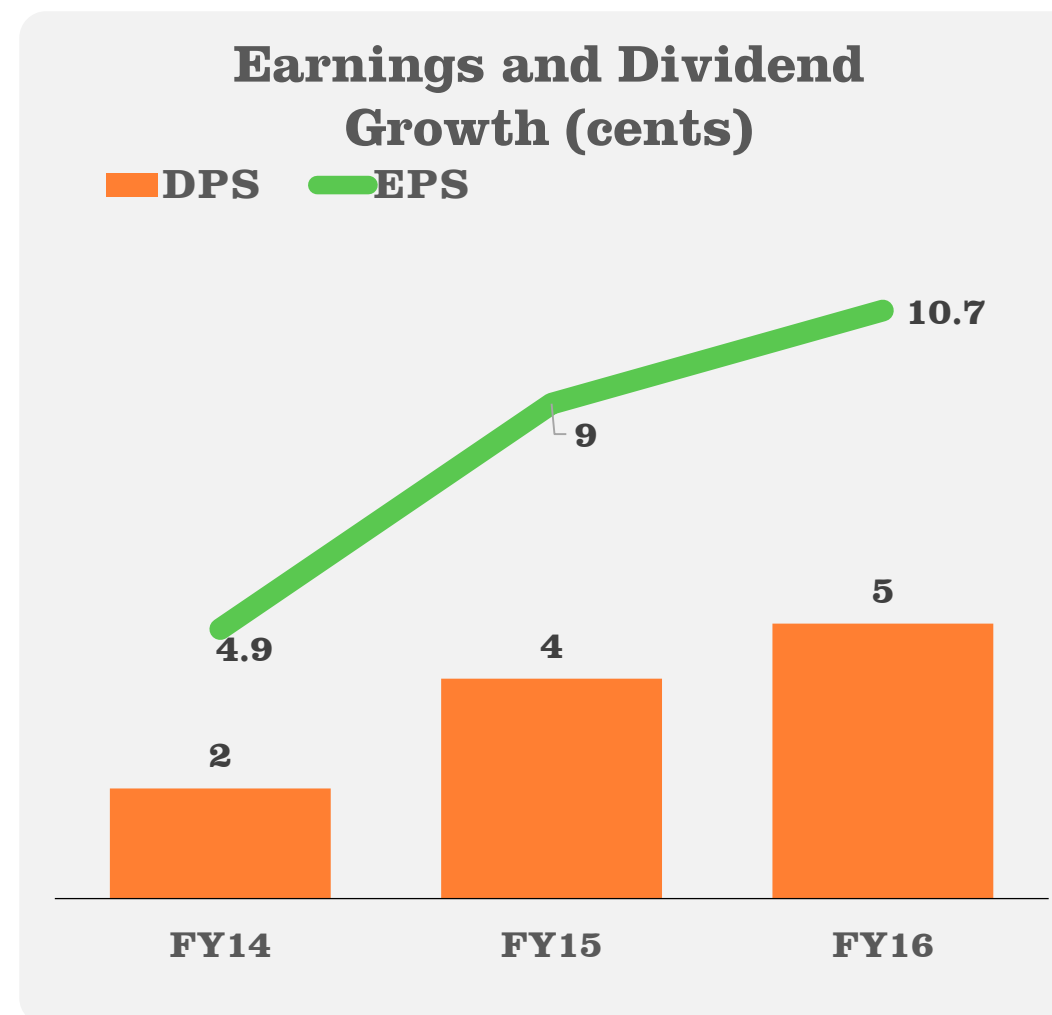
# Strong financials and sustainable operations



- Stronger revenue growth driven by changes in product mix and revenue share including the prior period acquisitions of JV partner interests in 'Argyle' and 'St Clair' projects

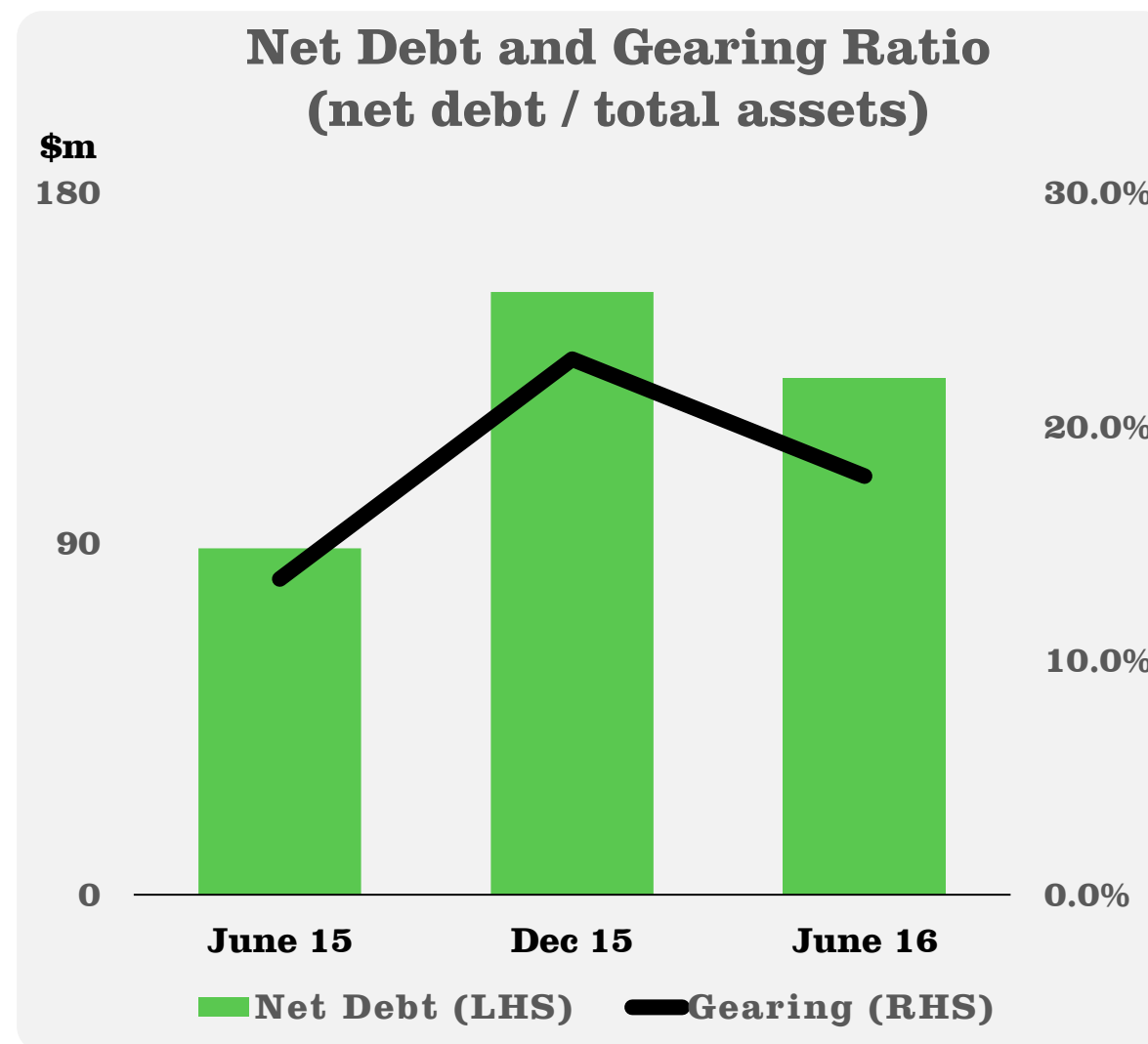
# Increased shareholder returns

- Fully franked final dividend of 3.5 cents per share to be paid in September 2016
- Dividend growth over three years tracking earnings growth
- Continuing to target a dividend payout ratio of 40-50%.



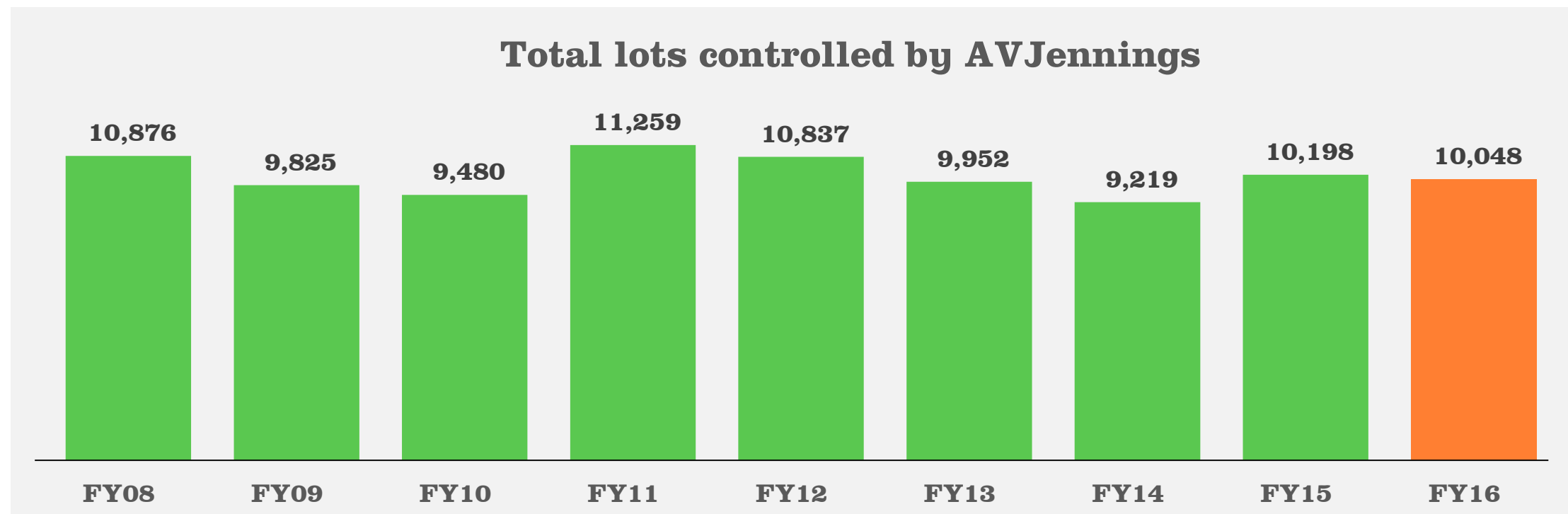
# Maintaining financial flexibility

- Prudent gearing ratio with net debt to total assets at 17.9% and total net debt \$132.4 million
- Extended the \$250 million 'Club' banking facility by a further year to 30 Sept. 2018



# Reinvesting in the business to maintain a stable product pipeline and profitability

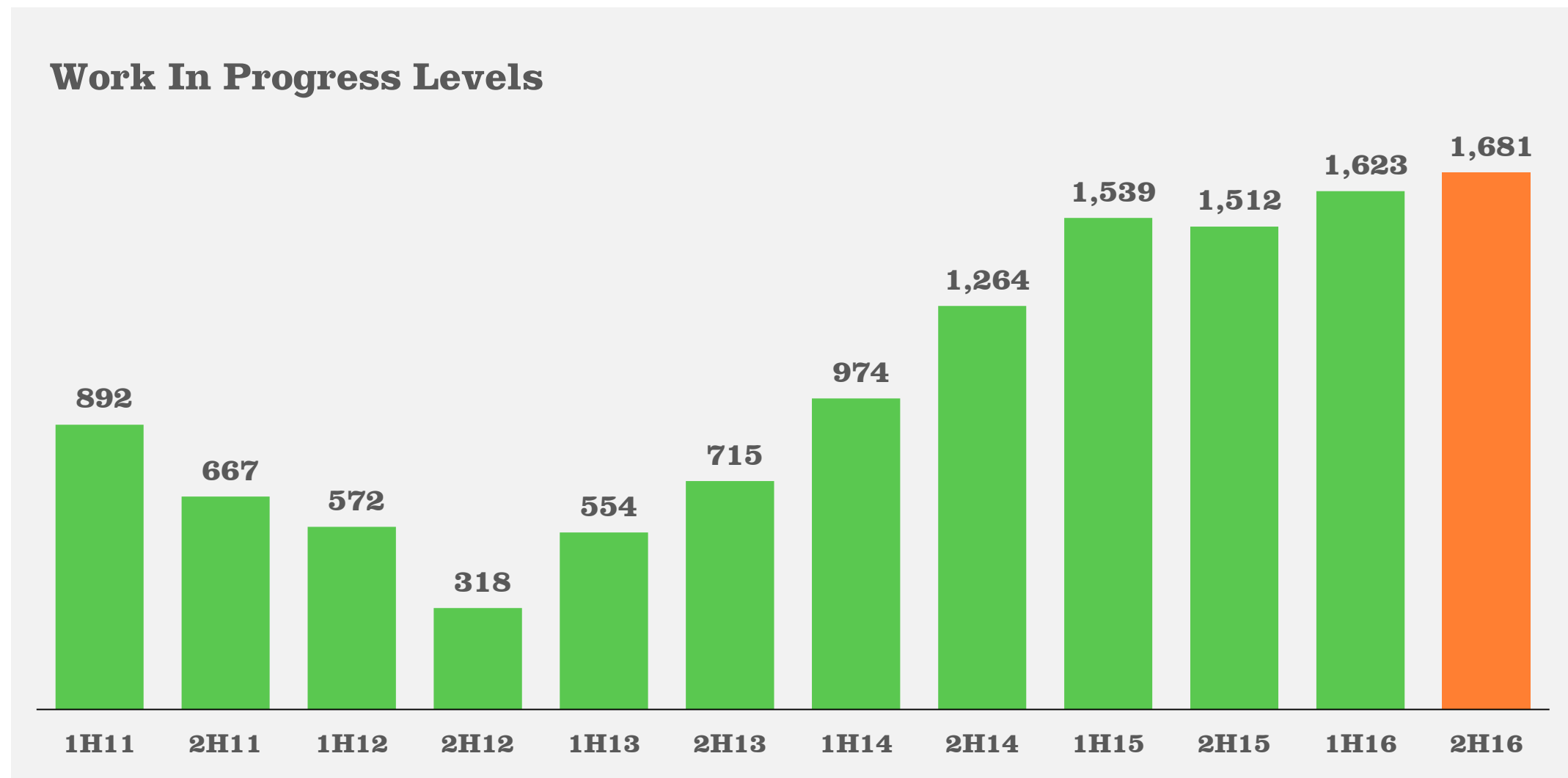
- Acquisitions have enabled inventory to be maintained at similar levels to 2015 (~10k lots), despite the solid level of sales.
- FY2016 acquisitions included:





# Healthy level of production

- Work in progress levels reflect our confidence in the market
- The level of completed unsold stock remains small at 2.8% by value



# Our strategy is sustainable and delivering strong results

**1**

**Strong, sustainable  
business platform**

**2**

**Primary focus on  
horizontal residential  
development**

**3**

**Maintain geographic  
diversity**

**4**

**Target stable,  
traditional customer  
profile**

**5**

**Volume driven,  
not price driven**

**6**

**Attractive, high  
quality product that  
is affordable**

# Strong and sustainable business platform

## BRAND STRENGTH

- Customers associate trust, reliability, value and quality with AVJennings
- The brand is positively recognised by other stakeholders (suppliers, government, land owners, financial institutions)
- We're investing in the brand.

## PEOPLE & COMMUNITY FOCUS

## STRONG INTERNAL SYSTEMS

## GOOD CORPORATE GOVERNANCE

**1****Strong, sustainable business platform**

# Our focus remains on horizontal residential development

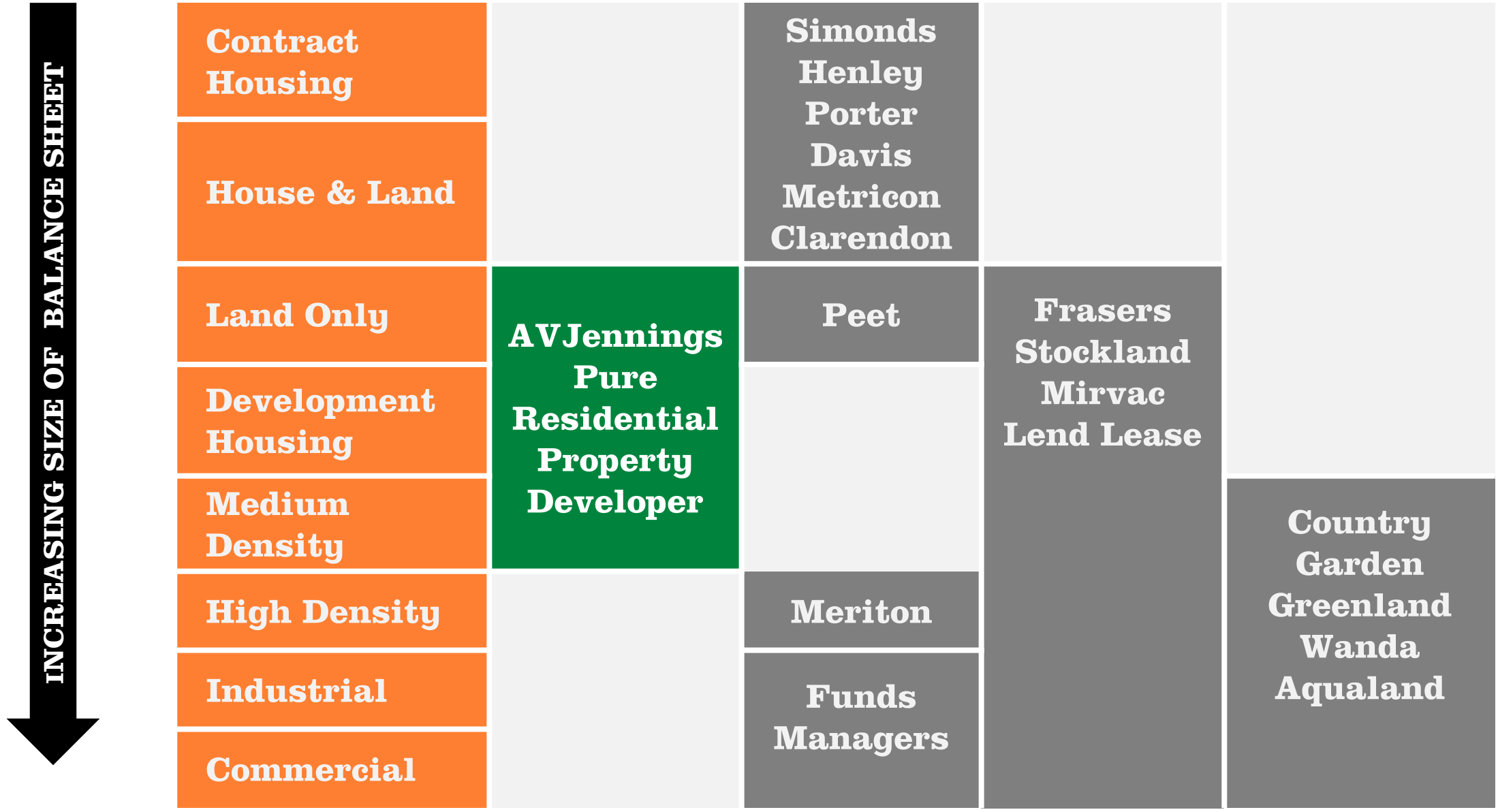
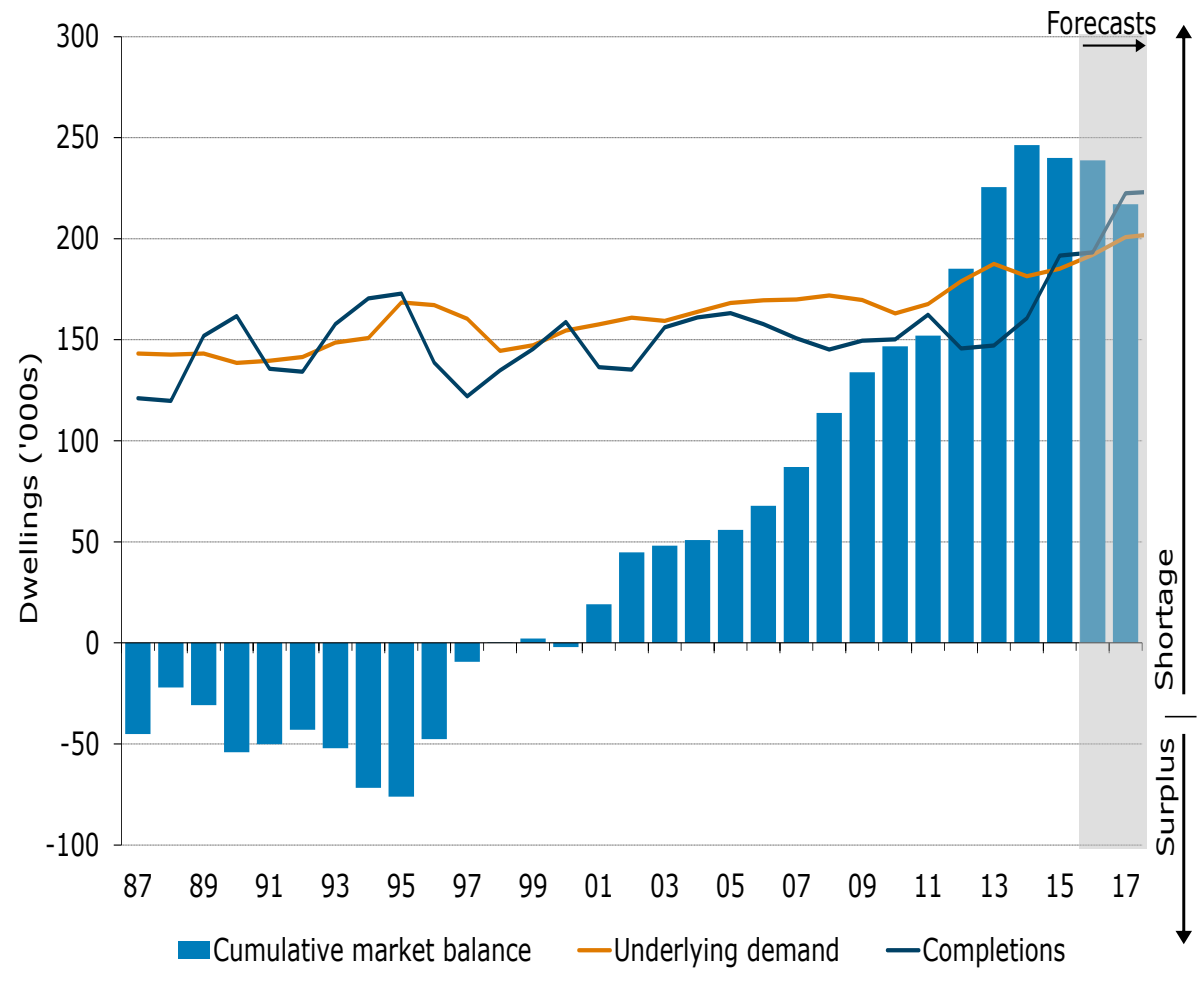


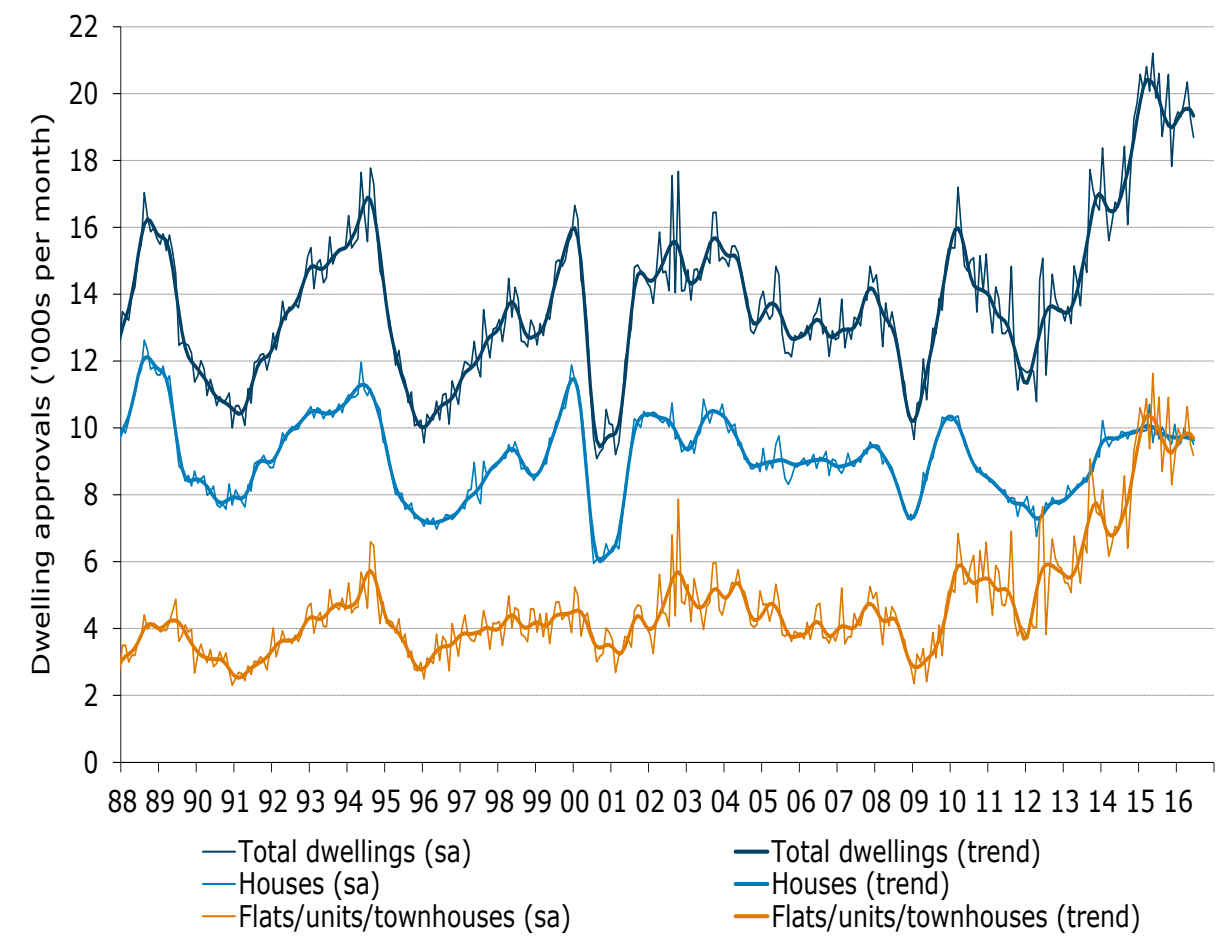
Chart based on core business lines

## 2 Focus on horizontal residential development

# Continuing demand and under supply in our sector

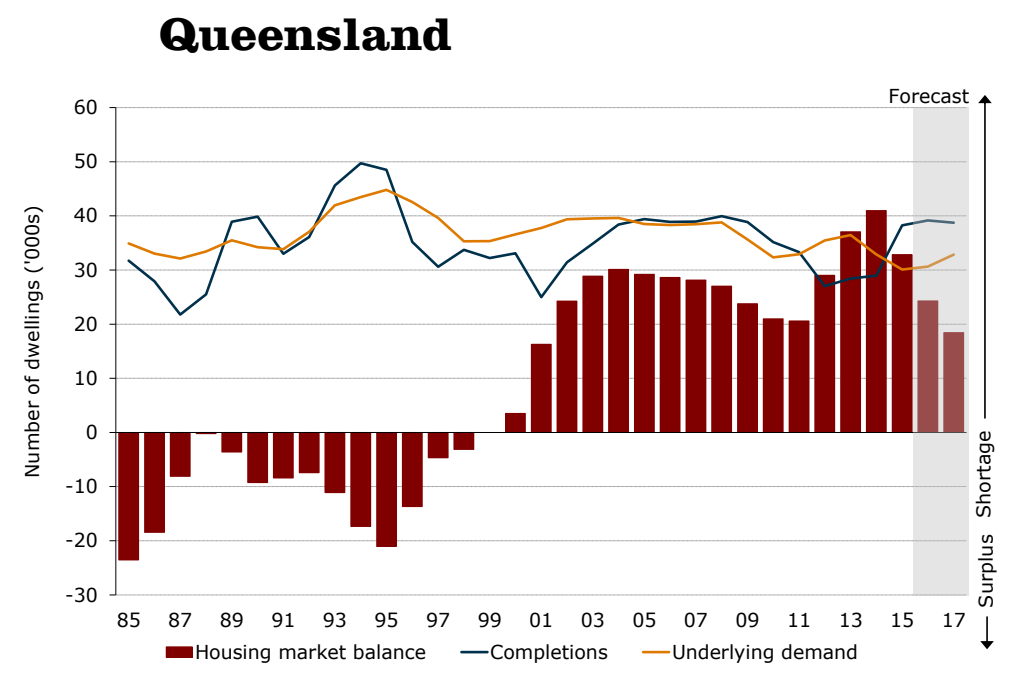
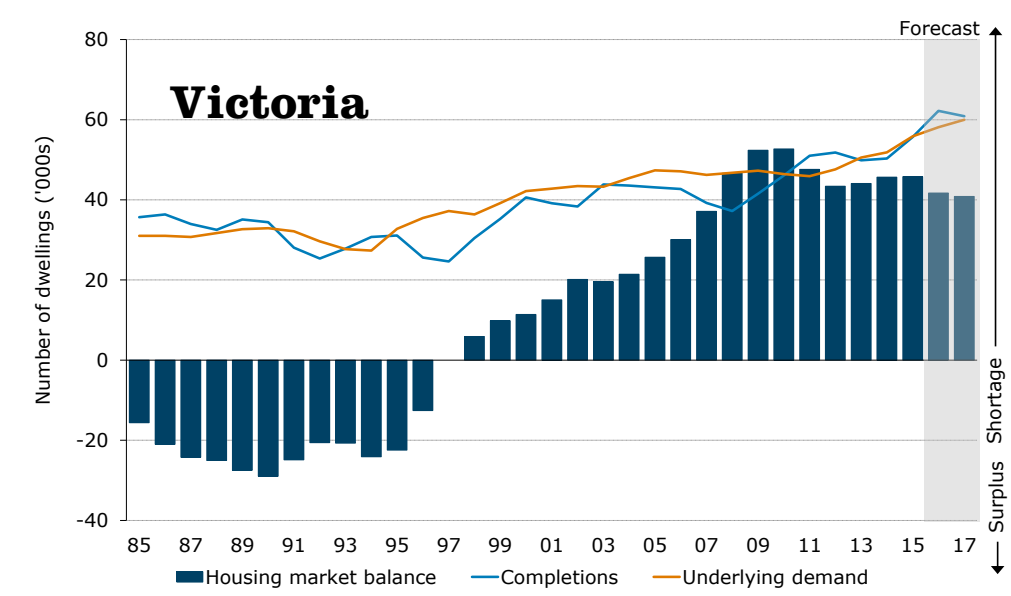
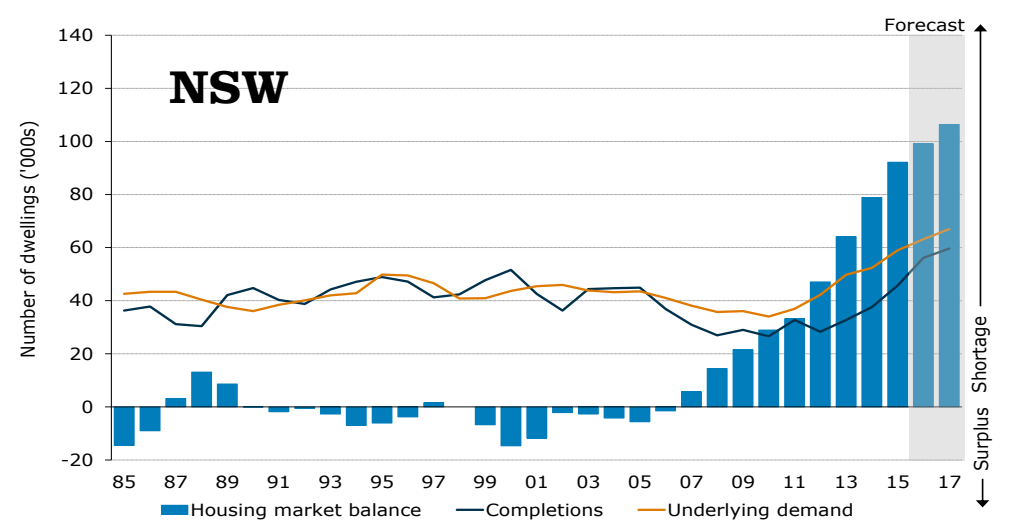


Sources: ABS, ANZ Research



## 2 Focus on horizontal residential development

# A shortage of dwellings exists in NSW and Victoria but in Queensland the market has stabilised



Sources: ABS, ANZ Research

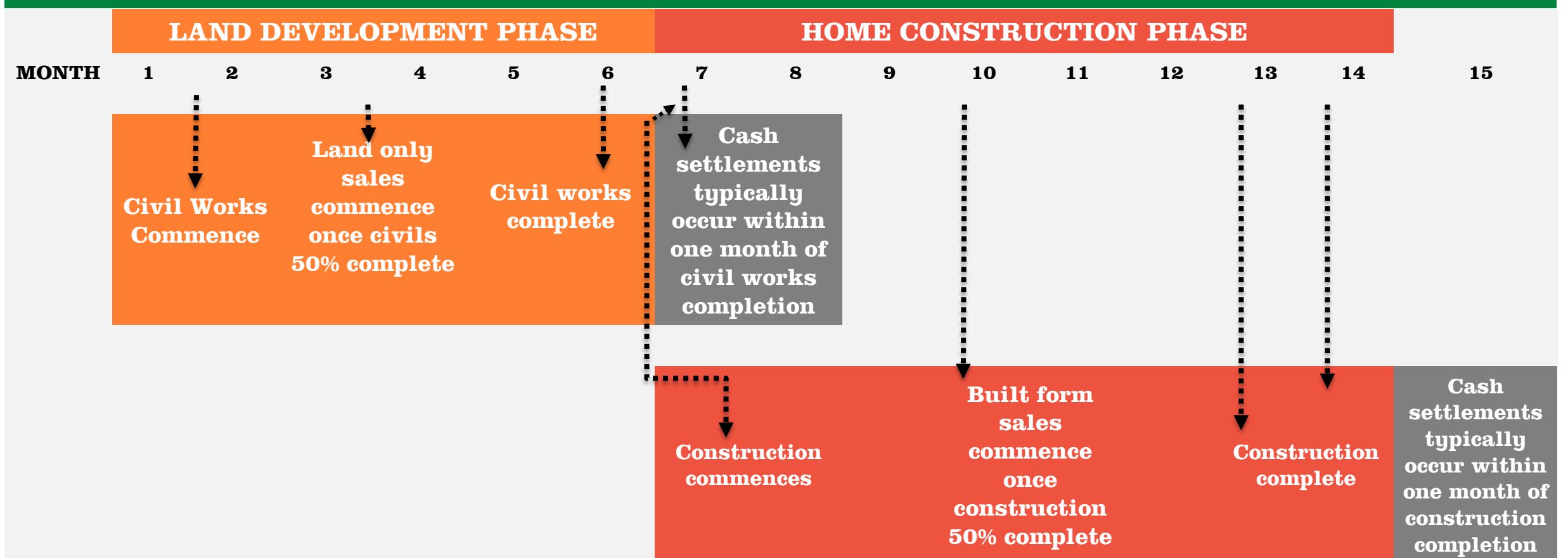
2

Focus on horizontal residential development

# Efficient working capital cycle

- Land only, terraces and town-homes, detached dwellings, low - medium rise apartments
- Horizontal development emphasis means shorter working capital cycle
- Product type and customer profile means settlement risk is extremely low

## TYPICAL PRODUCTION TIMELINE – RETAIL SALES

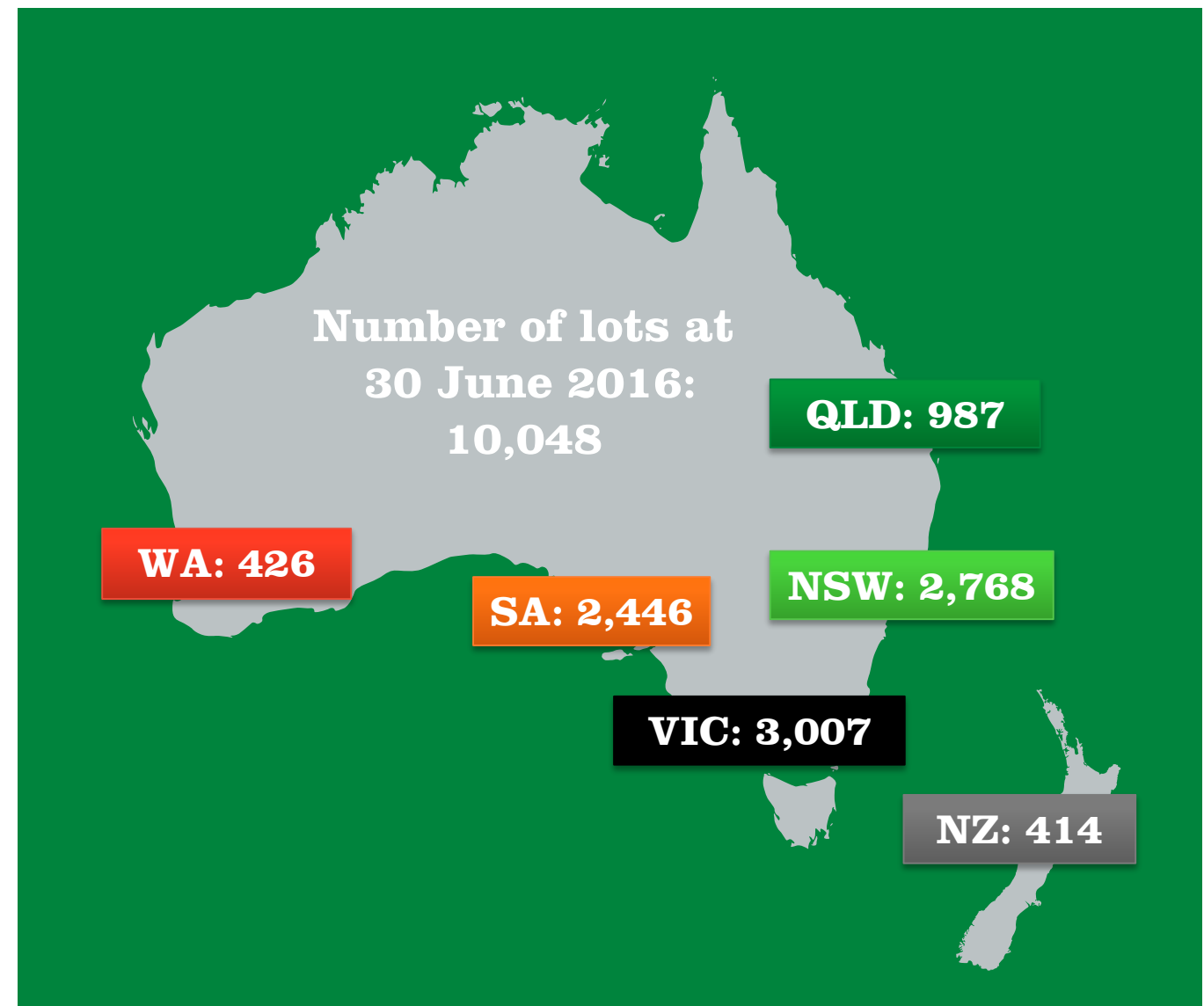


2

Focus on horizontal residential development

# ▮ Diversified geographic mix provides opportunities in different markets

- Continued focus on urban growth corridors and infill sites where people want to live
- **QLD:** Brisbane, Gold Coast and Sunshine Coast
- **NSW:** West and SW Sydney, Central Coast
- **VIC:** Melbourne's northern suburbs and Williamstown
- **SA:** Adelaide suburbs
- **WA:** Perth suburbs
- **NZ:** Auckland





# Large and growing market of customers

## AVJ CUSTOMER SEGMENTS

### RETAIL

FIRST HOME BUYERS 36%

LOCAL INVESTORS 30%

TRADE UPS /  
DOWNSIZERS 33%

FOREIGN INVESTORS 1%

### BUSINESS

Our B2B customers are contract home builders and others who buy our land.

This segment remains a stable and important customer sector.

4

Target stable, traditional customer profile

# Business model and strategy

**Average gross margins reasonably steady throughout the cycle (low – high 20% depending upon product mix)**

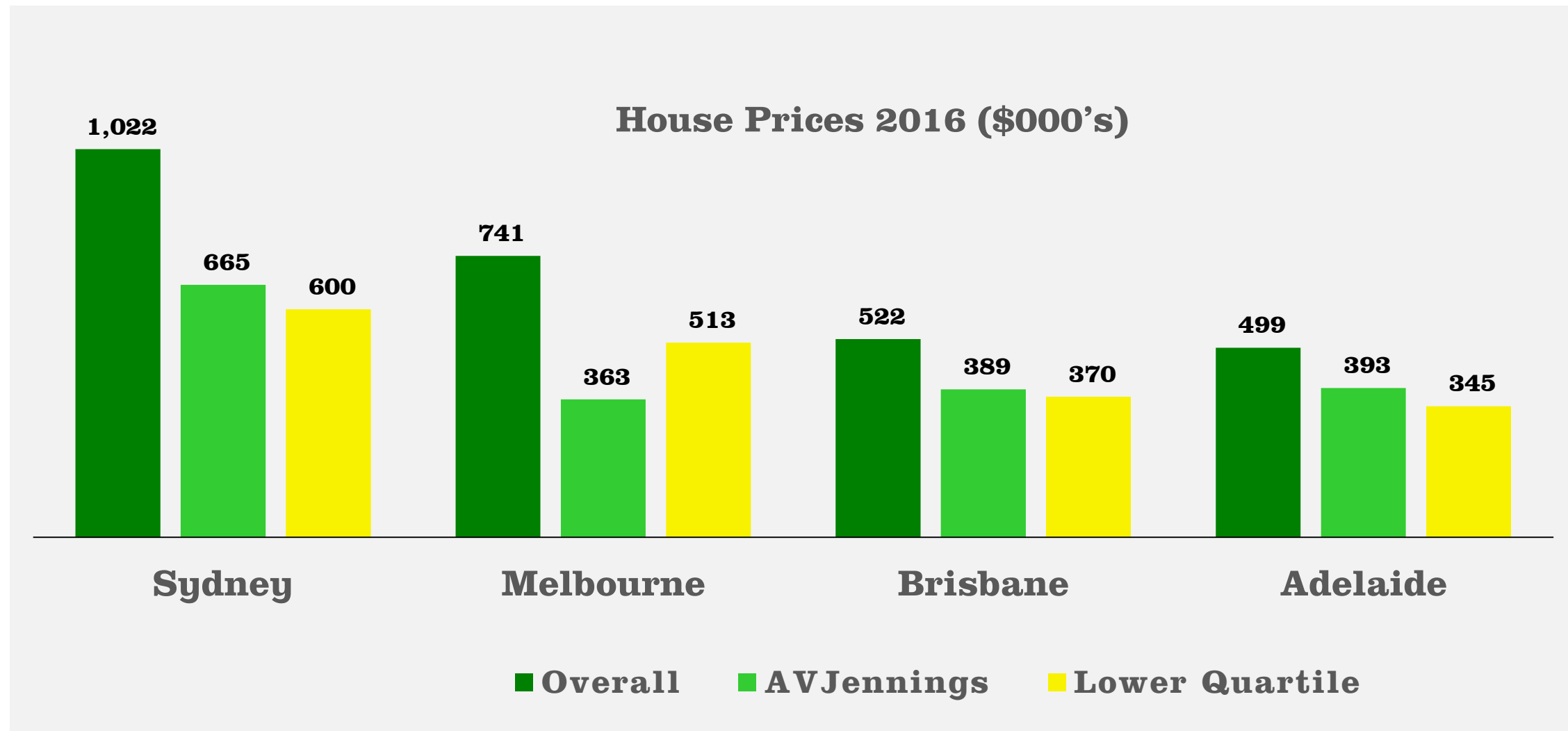
**Corporate administration costs fixed (overhead efficiency improves as revenue rises)**

**Variable costs tied to production/revenue**

5

**Volume driven, not price driven**

# Providing affordable product



**Note: Overall capital city figures are the June 2016 quarter median prices for detached housing and town homes and have been sourced from the Domain House Price Report June Quarter 2016. AVJennings figures are based on average selling price for the 2016 financial year. Only town homes have been sold in Melbourne by AVJennings in that period. AVJennings Brisbane data includes sales from projects in the Sunshine Coast, Ipswich, and Gold Coast. The lower quartile figures are for detached housing only, and have been sourced from BIS Shrapnel.**

6

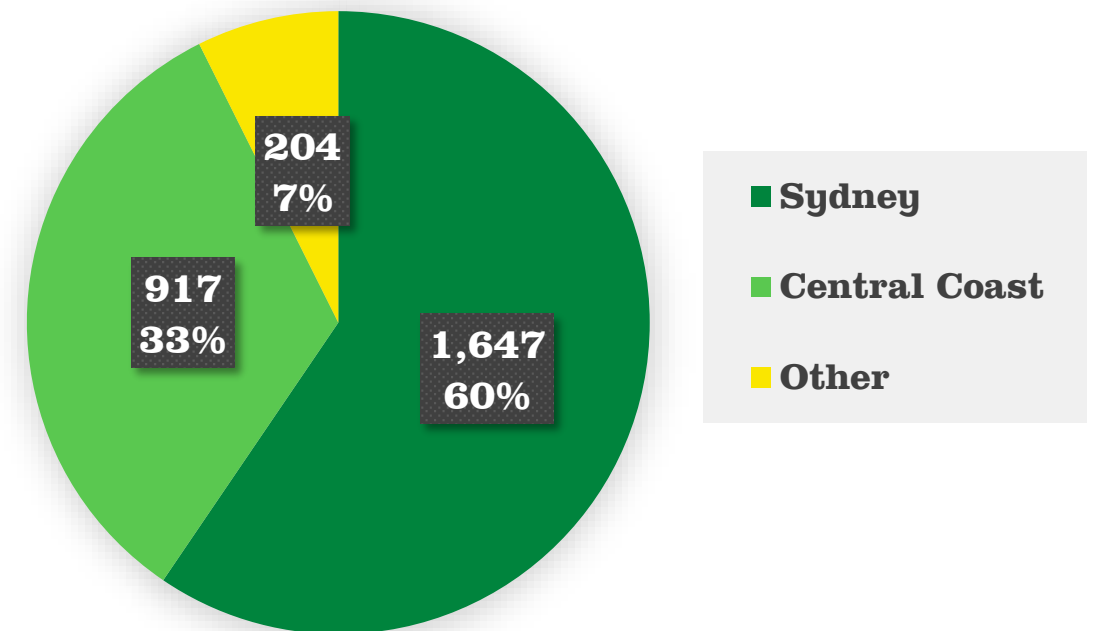
**Attractive, high quality product that is affordable**

# NSW market and project pipeline

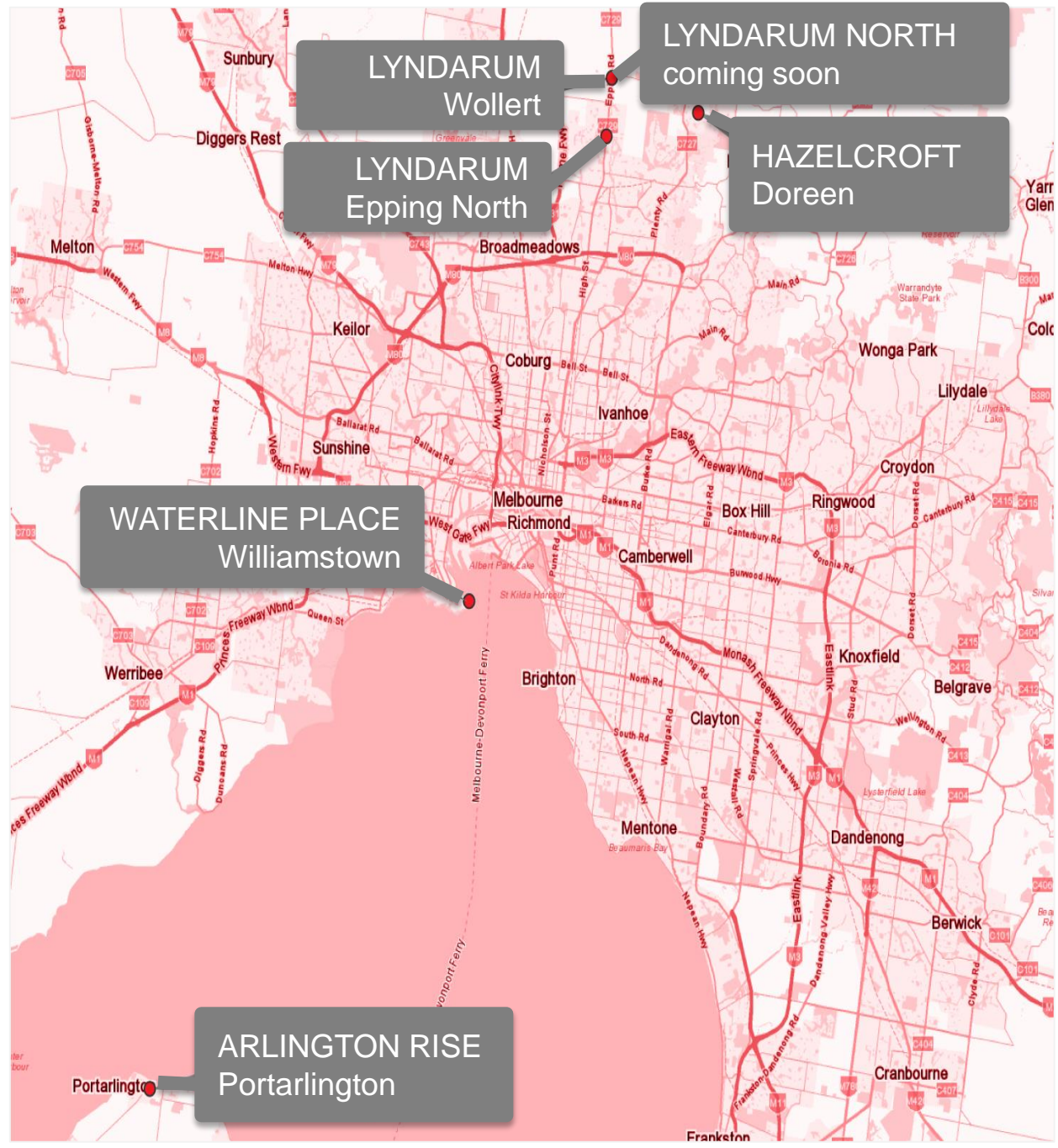


**Sydney and Central Coast markets remains active with good demand, inadequate supply and building delivery constraints**

**Lots across NSW Regions**

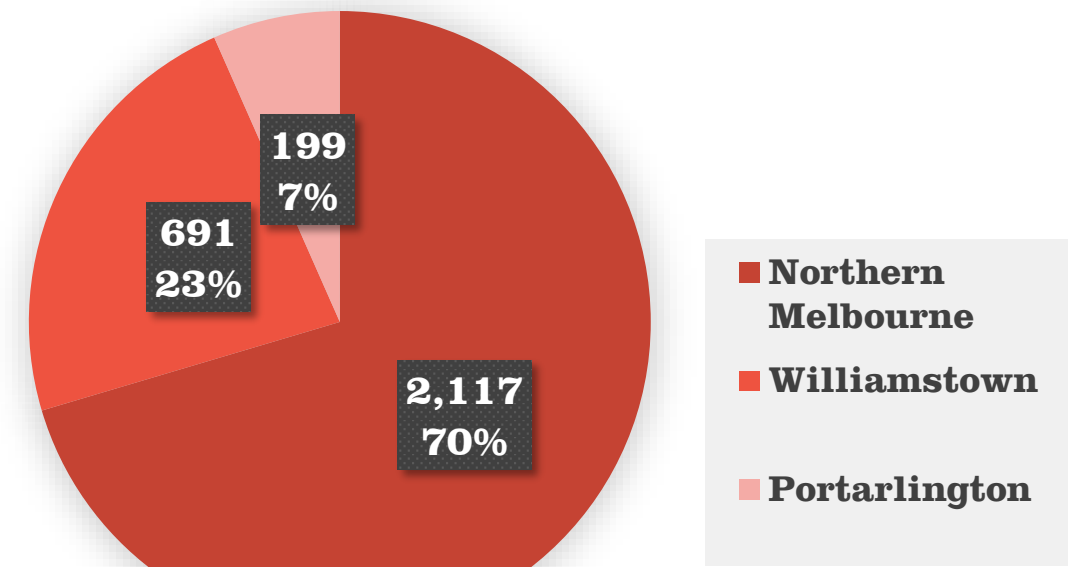


# Victorian market and project pipeline



- **Melbourne market remains buoyant**
- **Waterline Place at Williamstown is expecting first settlements late FY2017**
- **Lyndarum North construction to commence 1H17**

## Lots across Melbourne

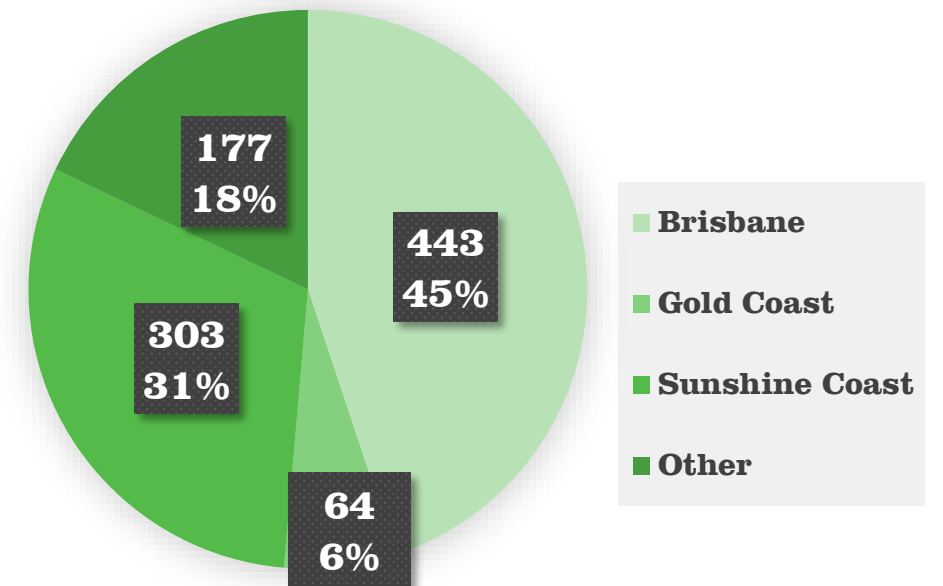


# Queensland market and project pipeline

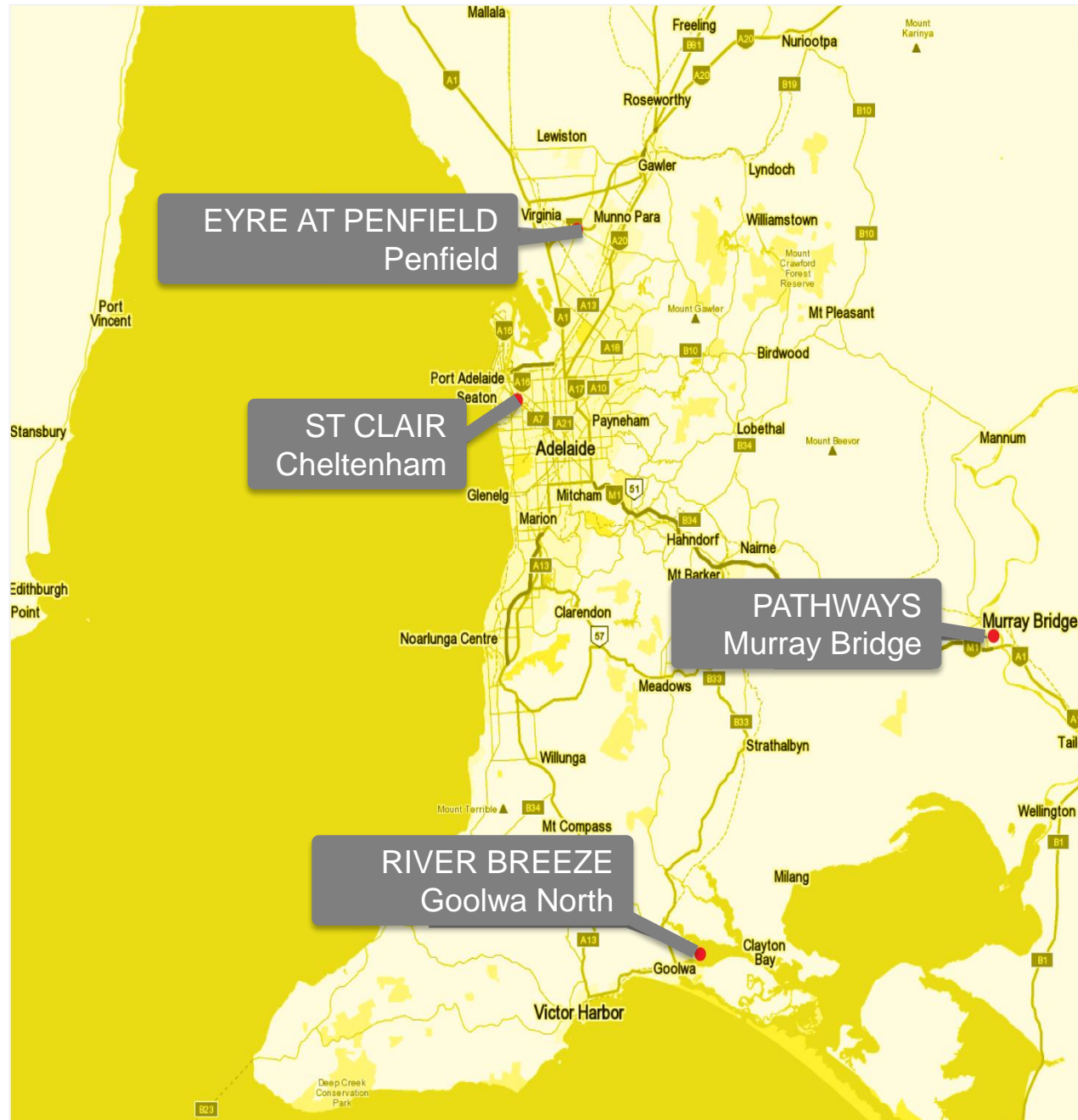


Land sales rates and prices stabilising at sustainable levels in Brisbane, Gold Coast and Sunshine Coast

Lots across Queensland regions

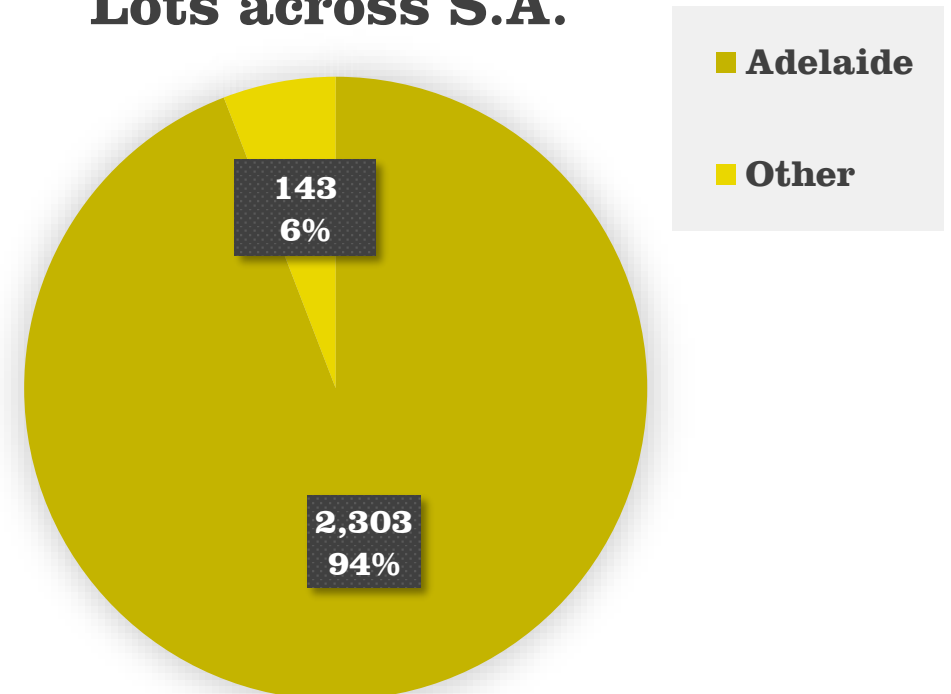


# S.A. market and project pipeline

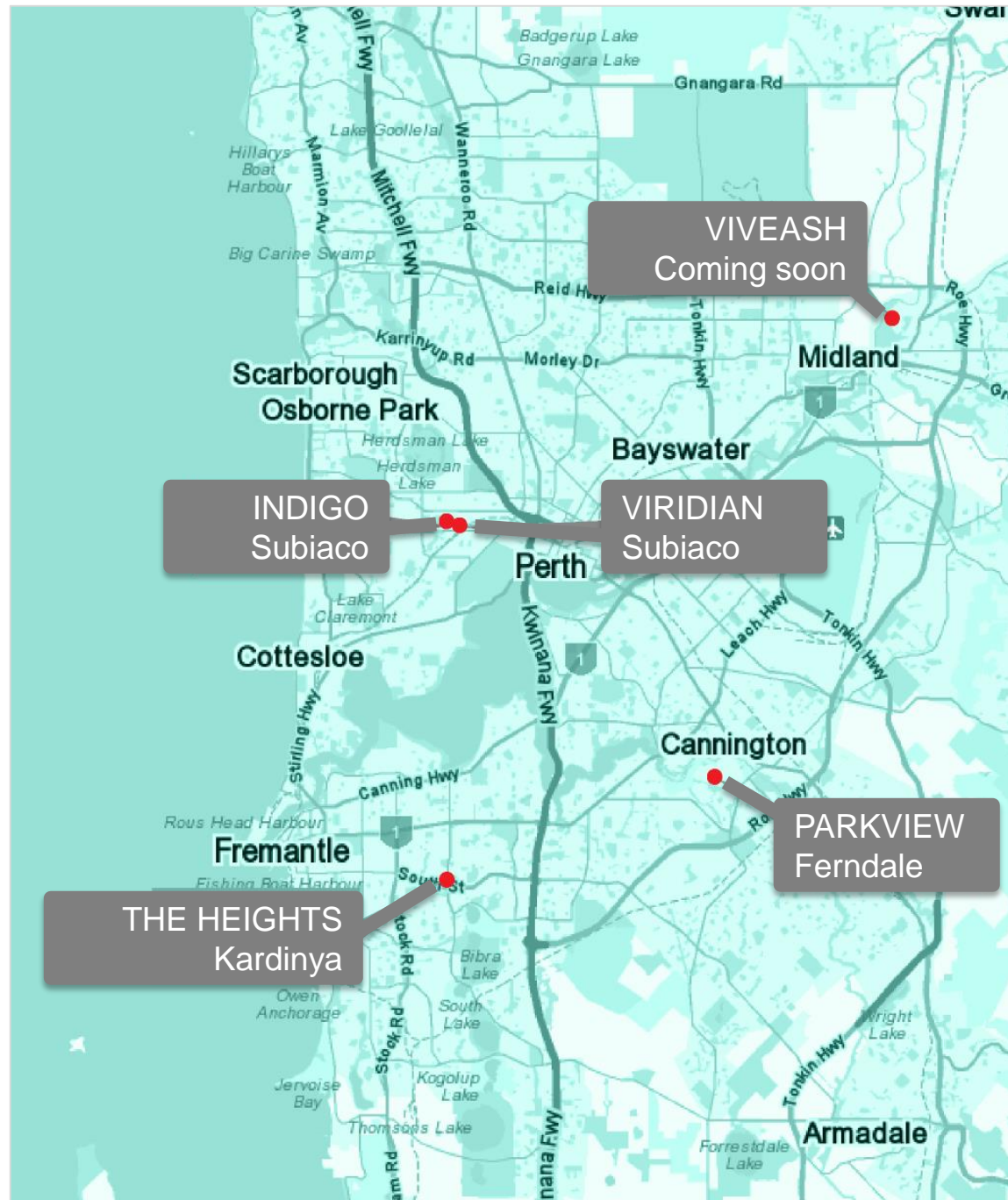


**Adelaide residential market remains subdued but positive signs emerging**

**Lots across S.A.**



# W.A. market and project pipeline



- Local economy transitioning
- AVJ has invested around \$12 million in 5 joint venture projects with a local prominent developer
- All 426 lots are within the Perth metropolitan area.

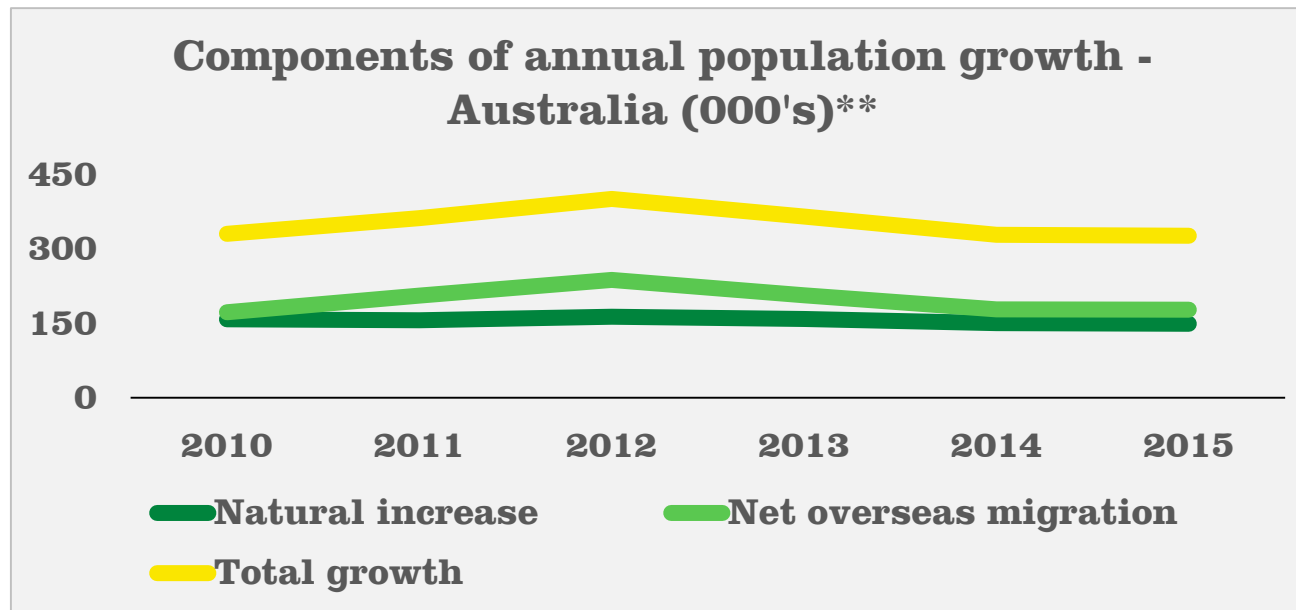


# Auckland market and project pipeline

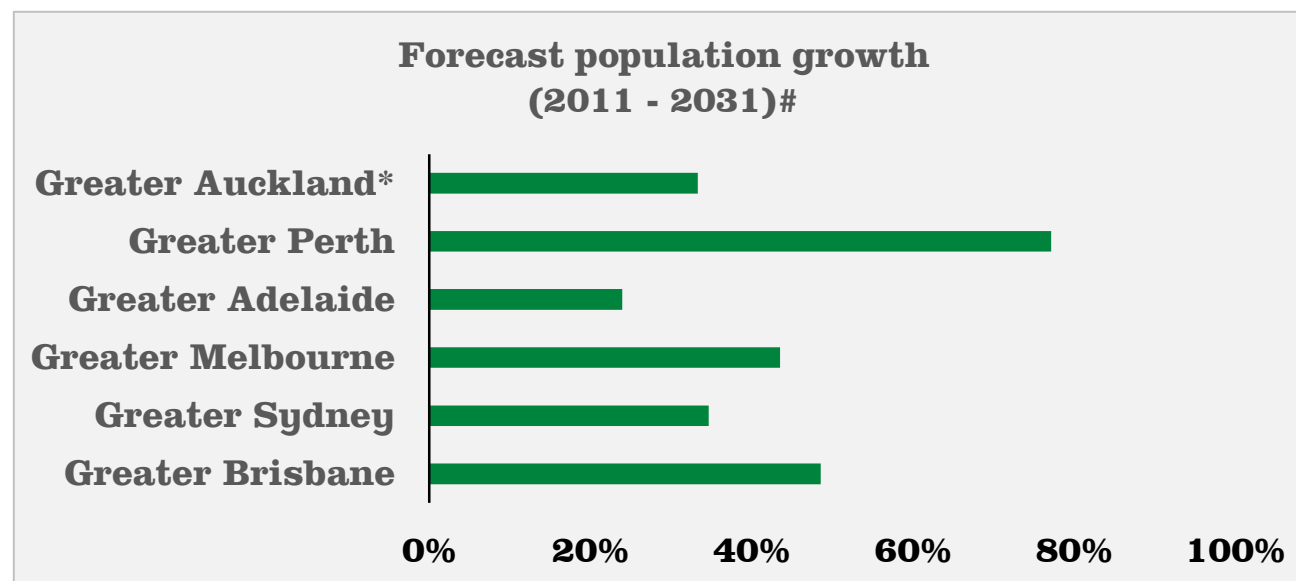


- **Auckland remains a strong market with positive net population migration**
- **Hobsonville continues to experience significant demand**
- **AVJennings is exploring further opportunities in Auckland to add to the 414 Hobsonville lots acquired in 2015.**

# Market outlook supported by positive fundamentals



- Increasing population
- Historically low interest rates expected to remain low
- Employment outlook remains stable



\*\* Source: ABS - Australian Demographic Statistics, Dec 2015

# Infrastructure Australia analysis of ABS data. Medium level projections used for forecasts. Source paper: Population Estimates and Projections (April 2015).

\*Auckland data is 2013 - 2033, sourced from Statistics NZ

# Company outlook

## CONTRACT SIGNINGS

Similar level to 2016

## DIVIDENDS

Continuing to target a  
dividend payout ratio  
of 40-50% of earnings

## H1 – H2 EARNINGS MIX

Earnings bias may  
shift further into H2  
given higher volume of  
built form

**Positive fundamentals remain and the strategy of delivering traditional housing solutions at affordable prices in well-planned communities will continue to provide shareholders with healthy returns.**

# Appendices



# Lot settlements and land payments

	FY12	FY13	FY14	FY15	FY16
<b>Total settlements (units)</b>	<b>861</b>	<b>829</b>	<b>1,254</b>	<b>1,538</b>	<b>1,596</b>
<b>NSW settlements (units)</b>	<b>110</b>	<b>158</b>	<b>200</b>	<b>493</b>	<b>454</b>
<b>VIC settlements (units)</b>	<b>395</b>	<b>186</b>	<b>329</b>	<b>247</b>	<b>326</b>
<b>QLD settlements (units)</b>	<b>172</b>	<b>121</b>	<b>352</b>	<b>409</b>	<b>439</b>
<b>SA settlements (units)</b>	<b>105</b>	<b>166</b>	<b>138</b>	<b>144</b>	<b>143</b>
<b>NZ settlements (units)</b>	<b>79</b>	<b>198</b>	<b>235</b>	<b>245</b>	<b>234</b>
<b>Lots under control at end of year*</b>	<b>10,837</b>	<b>9,952</b>	<b>9,219</b>	<b>10,198</b>	<b>10,048</b>
<b>Work in progress (units)</b>	<b>318</b>	<b>715</b>	<b>1,264</b>	<b>1,512</b>	<b>1,681</b>
<b>Work in progress (\$ million)</b>	<b>61.9</b>	<b>72.1</b>	<b>127.3</b>	<b>158.5</b>	<b>169.5</b>
<b>Revenue from settlements (\$ million)</b>	<b>182.3</b>	<b>152.2</b>	<b>244.4</b>	<b>308.8</b>	<b>422.3</b>
<b>Land Payments (\$ million)</b>	<b>68.0</b>	<b>28.4</b>	<b>53.9</b>	<b>68.1</b>	<b>175.5</b>

\* Prior years may includes some contracts where revenue was recognised on an unconditional contract basis

# Detailed project pipeline by state

	Rem. Lots	Pre	FY17	FY18	FY19	FY20	FY21+
NSW	Argyle, Elderslie	300					
	Magnolia, Hamlyn Terrace	322					
	Spring Farm (South)	204					
	Spring Farm (East)	540					
	Ravensworth Heights, Goulburn	75					
	Seacrest, Sandy Beach	123					
	Arcadian Hills, Cobbitty	241					
	Cobbitty II	206					
	Cobbitty Road, Cobbitty	50					
	Boundary Road, Schofields	27					
	Warnervale	595					
	Spring Farm Starhill PDA	79					
	Remnant Lots	6					
	Victoria	Lyndarum North, Wollert	78				
Wollert JV		1,820					
Lyndarum, Epping North		19					
Arlington Rise, Portarlington		199					
Hazelcroft, Doreen		200					
Waterline, Williamstown		691					
Queensland	Halpine Lake, Mango Hill	83					
	Creekwood, Caloundra	303					
	Glenrowan, Mackay	177					
	Essington Rise, Leichardt	58					
	Nottingham Square, Calamvale	1					
	Villaggio, Richlands	39					
	Bethania	116					
	Big Sky, Coomera	64					
	Bridgeman Downs	60					
	Kenmore	32					
Bridgeman Downs 2	54						
S.A.	Pathways, Murray Bridge	53					
	River Breeze, Goolwa North	80					
	St Clair	615					
	Eyre at Penfield	1,688					
	Remnant Lots	10					
Auckland	Hobsonville Point, Hobsonville	312					
	Airfields, Hobsonville	102					
W.A.	Indigo China Green, Subiaco	124					
	Viridian China Green, Subiaco	74					
	The Heights Kardinya	107					
	Viveash	75					
	Parkview, Ferndale	46					

# Balance Sheet: selected line items

<b>\$millions</b>	<b>JUNE 2016</b>	<b>JUNE 2015</b>
<b>Current Assets</b>		
Cash and cash equivalents	43.1	37.8
Inventories	209.9	204.9
<b>Total Current Assets</b>	<b>361.2</b>	<b>314.3</b>
<b>Non-Current assets</b>		
Inventories	343.1	312.0
<b>Total Non-Current Assets</b>	<b>380.2</b>	<b>341.8</b>
<b>Total Assets</b>	<b>741.4</b>	<b>656.1</b>
<b>Current Liabilities</b>		
Trade and other payables	120.6	117.5
<b>Total Current Liabilities</b>	<b>147.4</b>	<b>126.0</b>
<b>Non-Current Liabilities</b>		
Interest bearing loans and borrowings	165.5	123.7
<b>Total Non-Current Liabilities</b>	<b>230.1</b>	<b>192.8</b>
<b>Total Liabilities</b>	<b>377.5</b>	<b>318.8</b>
<b>Net Assets</b>	<b>363.9</b>	<b>337.3</b>

# Cash Flow Statement: selected line items

<b>\$millions</b>	<b>FY2016</b>	<b>FY2015</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	417.9	317.3
Net receipts from joint venture related activities*	1.4	18.0
Payments to suppliers, land vendors and employees	(432.9)	(320.1)
<b>Net cash (used in) / from operating activities</b>	<b>(26.9)</b>	<b>3.7</b>
<b>Cash flows from investing activities</b>		
<b>Net cash used in investing activities</b>	<b>(0.2)</b>	<b>(0.8)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	454.5	240.2
Repayment of borrowings	(405.7)	(199.0)
<b>Net cash from financing activities</b>	<b>31.5</b>	<b>29.6</b>
<b>Net increase in cash held</b>	<b>4.4</b>	<b>32.5</b>

\* Related to normal trading activities in joint ventures. In the statutory cash flow these are disclosed as net receipts from investing activities.



**「Housing  
matters.**

**Community  
matters.**