

FY2018 Results Presentation

17 AUGUST 2018



YOUR COMMUNITY DEVELOPER

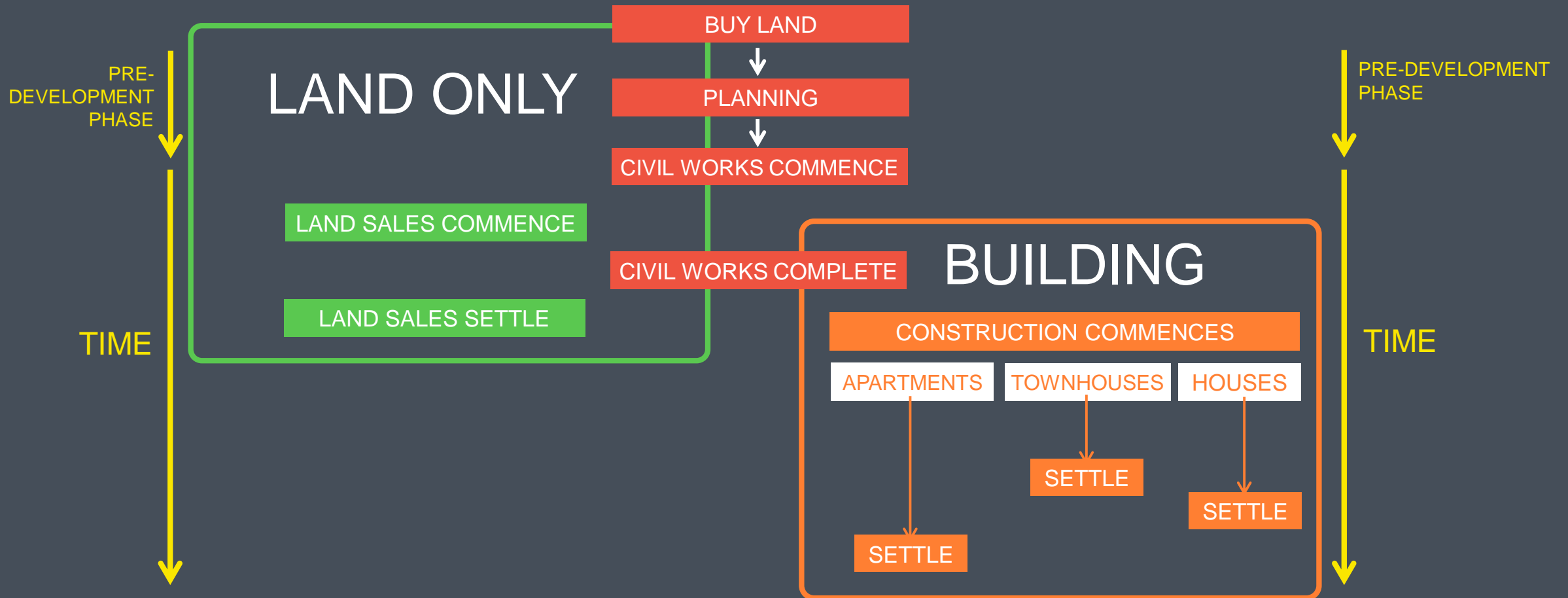
AVJennings®

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What We Do

(1) We buy land (2) develop and sub-divide it (3) then sell a mix of land and AVJ built homes on our land



FY18 Highlights

FINANCIAL SCALE

- Revenue \$374.3m, - 6.8%
- PBT \$45.1m, -11.7%
- Strong net operating cash flow \$47.9m (FY17 -\$13.2m)
- Cash receipts from customers +10.3% to \$450.8m

STABLE BUSINESS PLATFORM

- Good progress on major projects in Victoria
- WIP pipeline of ~2K lots
- Exciting NZ acquisition of 575 lots pending regulatory approval (Hall Farm)
- Sales contracts in hand covering > 1,000 lots
- Cobbitty Stage 6 to settle (~\$6.1m PBT)

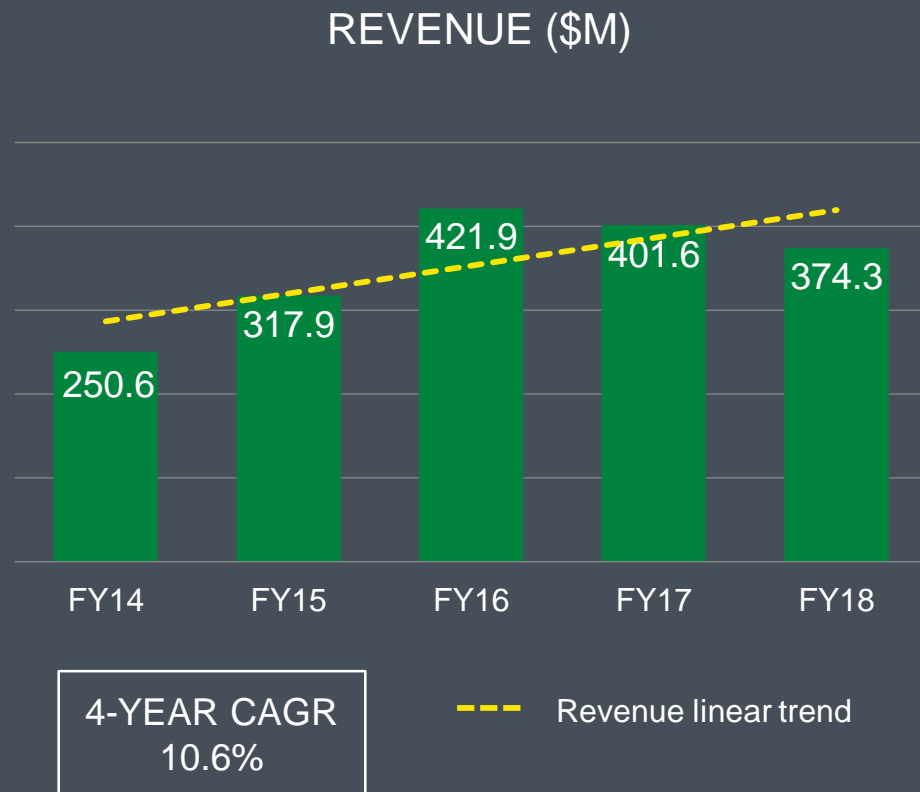
BALANCED APPROACH TO CAPITAL MANAGEMENT

- Total dividends maintained at 5 CPS fully franked
- Reduced net debt by -20.3% to \$130.7m
- ~9.4k lots under control (~10k incl. Hall Farm)

FY18 Results – financial summary

	FY18	FY17	% Change	FY16	FY15
REVENUE	\$374.3m	\$401.6m	(6.8)%	\$421.9m	\$317.9m
STATUTORY PROFIT BEFORE TAX	\$45.1m	\$51.0m	(11.7)%	\$58.8m	\$48.2m
STATUTORY PROFIT AFTER TAX	\$31.3m	\$35.7m	(12.2)%	\$40.9m	\$34.4m
GROSS MARGINS	24.5%	24.0%	0.5pp	25.2%	26.8%
INVENTORY PROVISION WRITE BACK (AFTER TAX)	\$0.8m	\$3.5m	(78.0)%	\$2.6m	\$2.6m
NET TANGIBLE ASSETS (NTA)	\$396.2m	\$378.2m	4.8%	\$361.1m	\$334.5m
NTA PER SHARE	\$1.00	\$0.99	1.8%	\$0.95	\$0.88
EPS (CENTS PER SHARE)	8.1	9.3	(12.7)%	10.7	9.0
DIVIDEND FULLY FRANKED (CPS)	5	5	0%	5	4

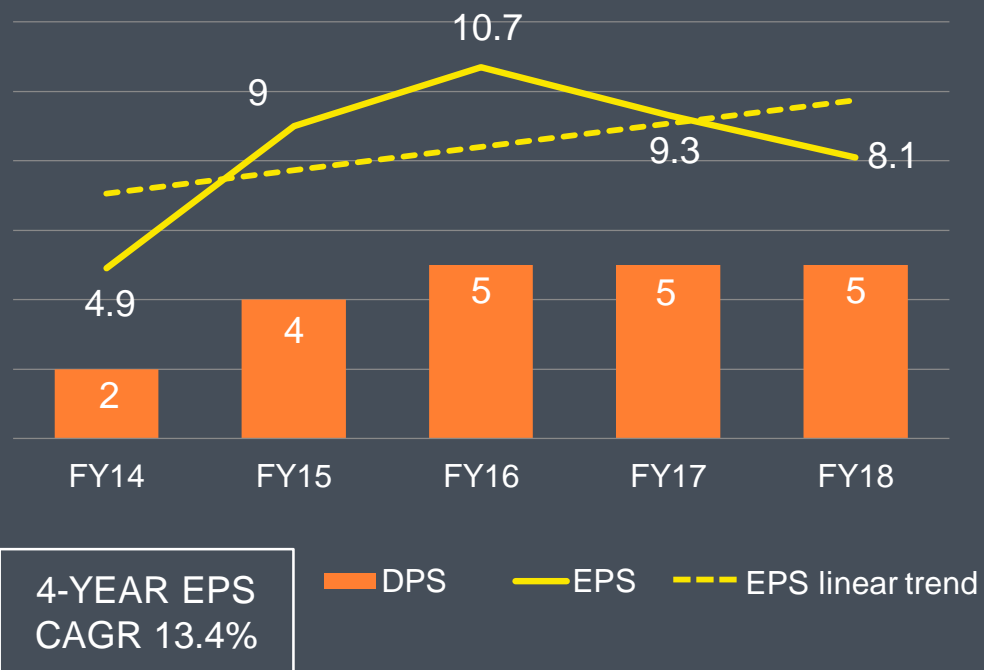
Steady revenue growth since FY14



- FY18 revenue \$374.3m is 6.8% below FY17
- Strong contribution from NSW projects accounting for 53% of Company revenue
- Revenue recognition changes under AASB15 effective in FY19:
 - Likely no impact on revenue traditionally recognised upon settlement (eg. retail sales)
 - Expected to materially affect some revenue historically recognised prior to settlement (eg. builder sales)

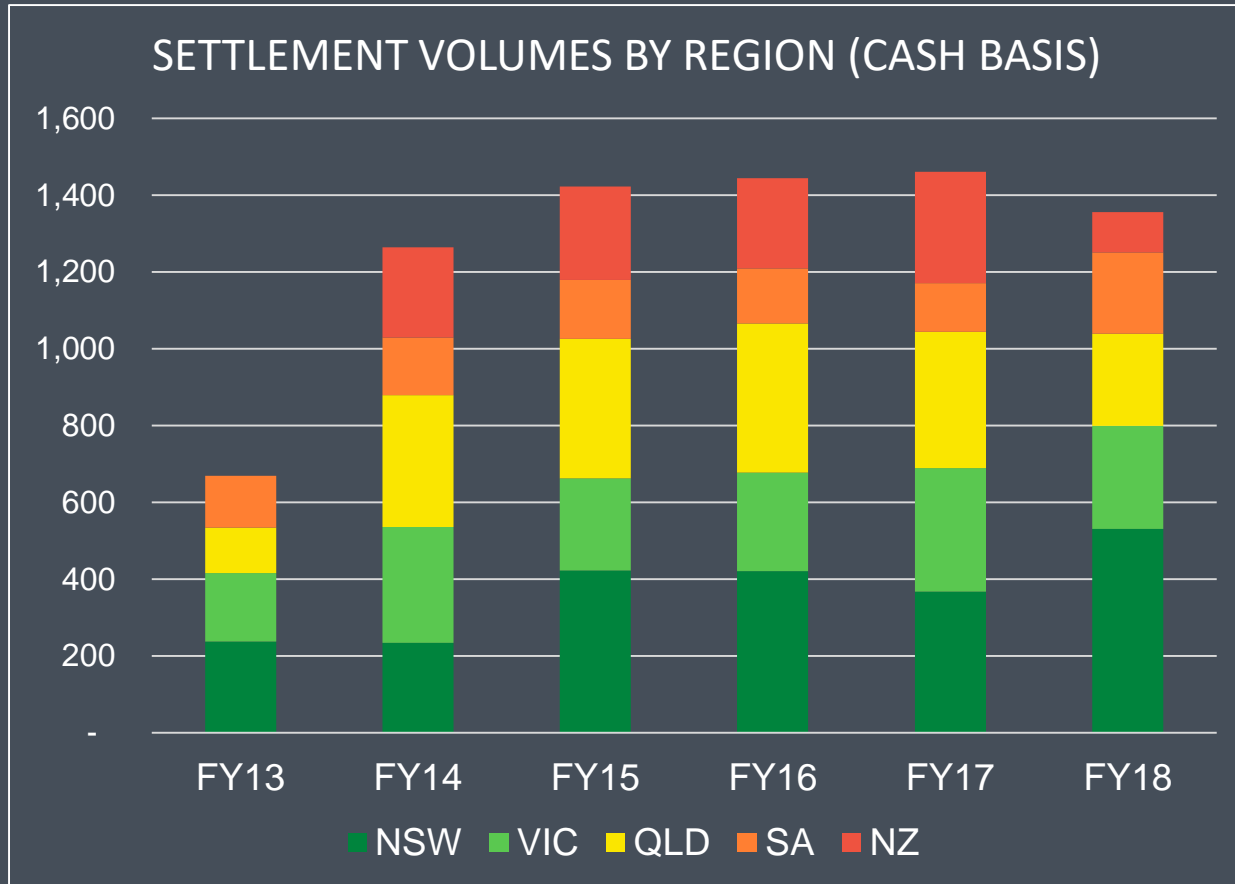
Earnings and Dividend momentum since FY14

EARNINGS AND DIVIDEND GROWTH (CPS)



- Dividend payout ratio of 62% was above the guidance payout ratio range of 40% to 50% of earnings
- Earnings would have been comparable with FY17 if not for the timing of revenue recognition delay at Cobbitty (PBT \$6.1m). This, coupled with the strong net operating cash flow result, lower net debt position and confident outlook for FY19 provided the Directors with comfort to maintain dividends at 5 cents per share fully franked in FY18.
- DRP remains active to support existing and future acquisitions including Hall Farm in NZ. Any DRP shortfall will not be underwritten.

FY18 settlements driven by strong results from NSW projects



Sales contracts in hand covering > 1,000 lots at 30 June 2018 provides a solid platform heading into 2019

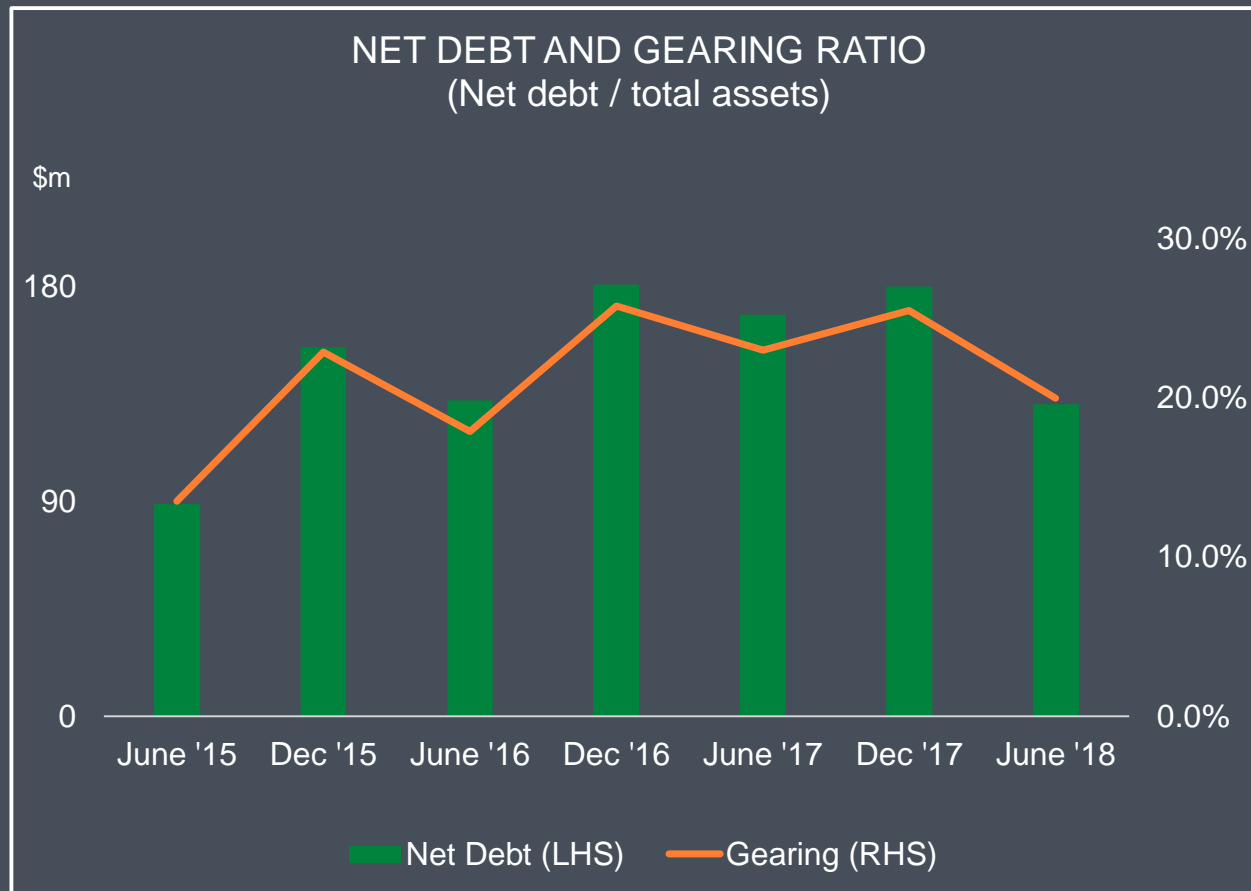
FY18 Results – Cash Flow Statement*

\$ MILLIONS	FY18	FY17
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	450.8	408.6
Payments to suppliers, land vendors and employees	(378.1)	(394.8)
Net cash from / (used in) operating activities	47.9	(13.2)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash (used in) / from investing activities	(0.7)	0.9
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	154.2	231.0
Repayment of borrowings	(194.6)	(226.9)
Net cash used in financing activities	(54.1)	(15.1)
NET DECREASE IN CASH HELD	(6.8)	(27.4)

FY18 Results – Balance Sheet*

\$ MILLIONS	June 2018	June 2017
CURRENT ASSETS		
Cash and cash equivalents	8.5	15.6
Inventories	193.3	211.1
Total Current Assets	304.1	351.6
NON-CURRENT ASSETS		
Inventories	295.0	308.1
Total Non-Current Assets	336.3	361.2
TOTAL ASSETS	640.4	712.8
CURRENT LIABILITIES		
Trade and other payables	38.4	75.6
Total Current Liabilities	68.4	89.0
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	125.8	177.0
Total Non-Current Liabilities	173.0	242.8
TOTAL LIABILITIES	241.4	331.8
NET ASSETS	399.0	381.0

Clear financial framework supports growth and maintains flexibility

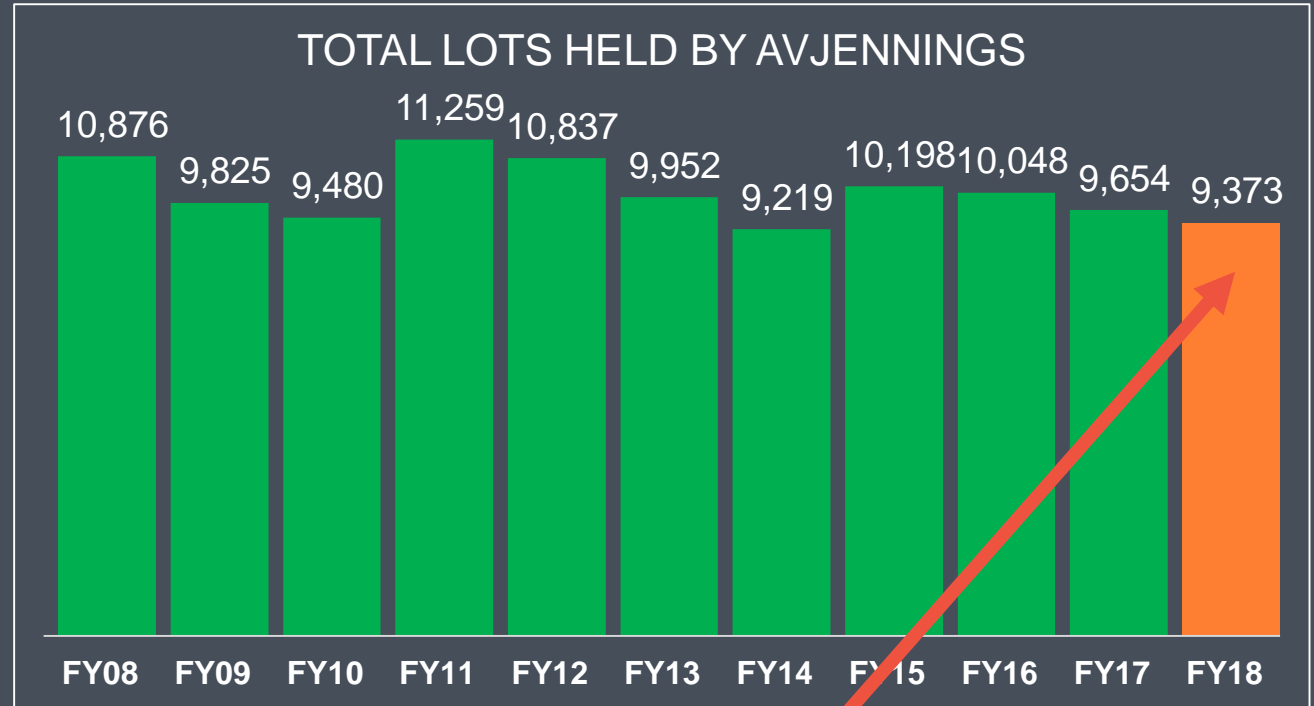


- Maintaining financial flexibility:
Current gearing of 20% provides capacity for acquisitions with total net debt at \$130.7 million
- Gearing towards the low end of the targeted ratio of 15% to 35%
- Current debt reflects continuing strong investment in WIP which will turn into completed product in the short term

Lots under control fell moderately as settlements outpaced acquisitions

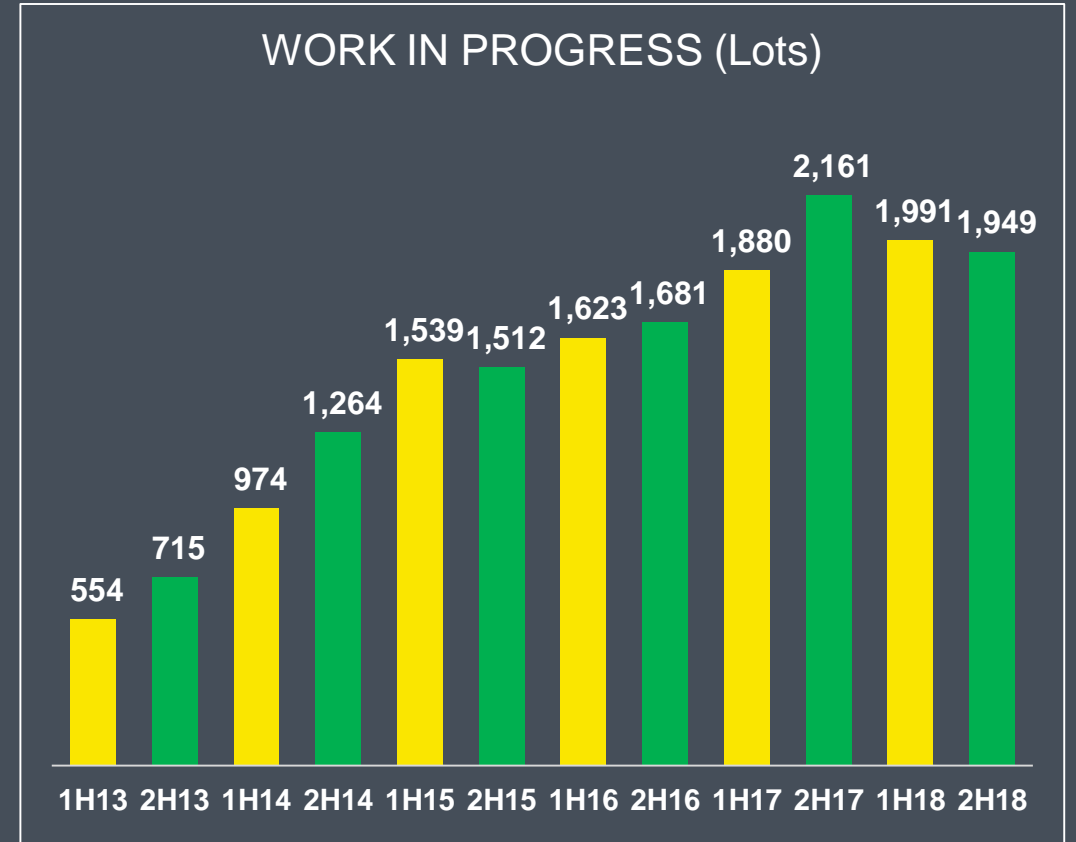
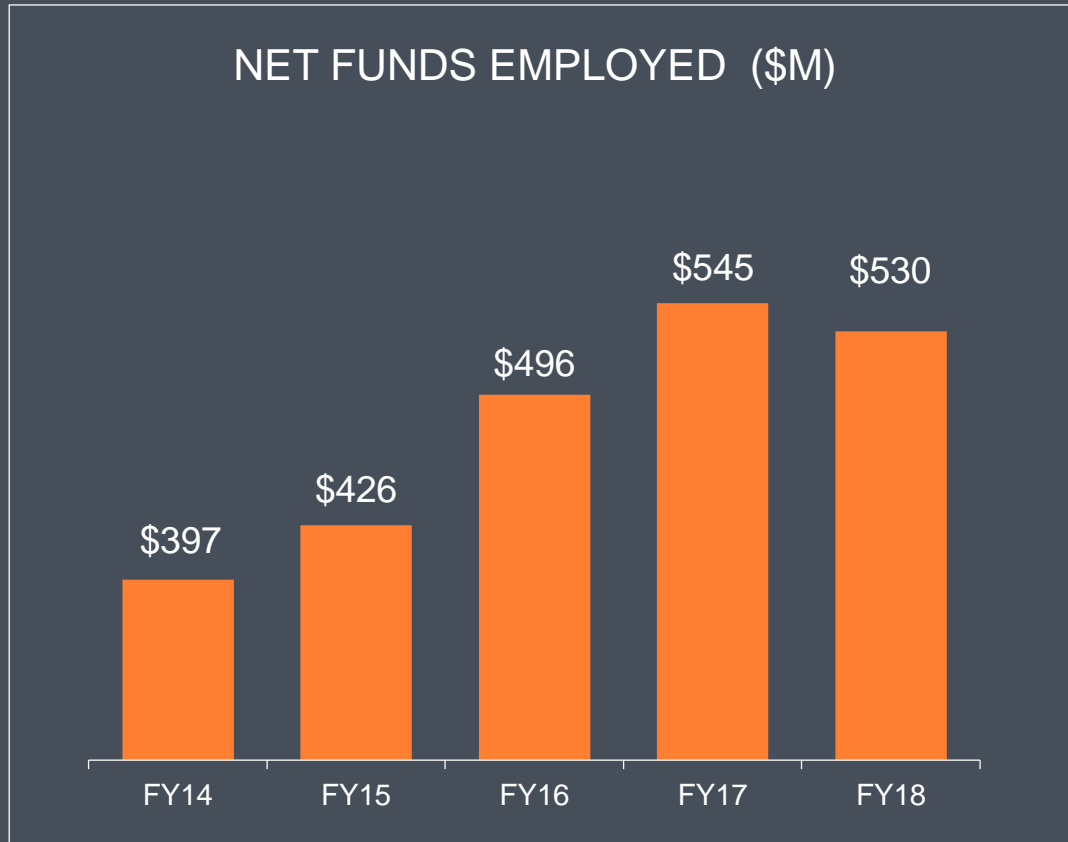
Notable acquisitions in FY18 were:

- ➡ Kogarah (Syd); ~67 apartments
- ➡ Huntley, greenfield site south of Syd; ~231 lots
- ➡ Ripley, Brisbane greenfield site; ~294 lots
- ➡ Deebing Heights, Brisbane greenfield site; ~210 lots
- ➡ Rochedale, Brisbane greenfield site; ~81 lots
- ➡ Acquisition pending at Hall Farm (NZ) ~ 575 lots

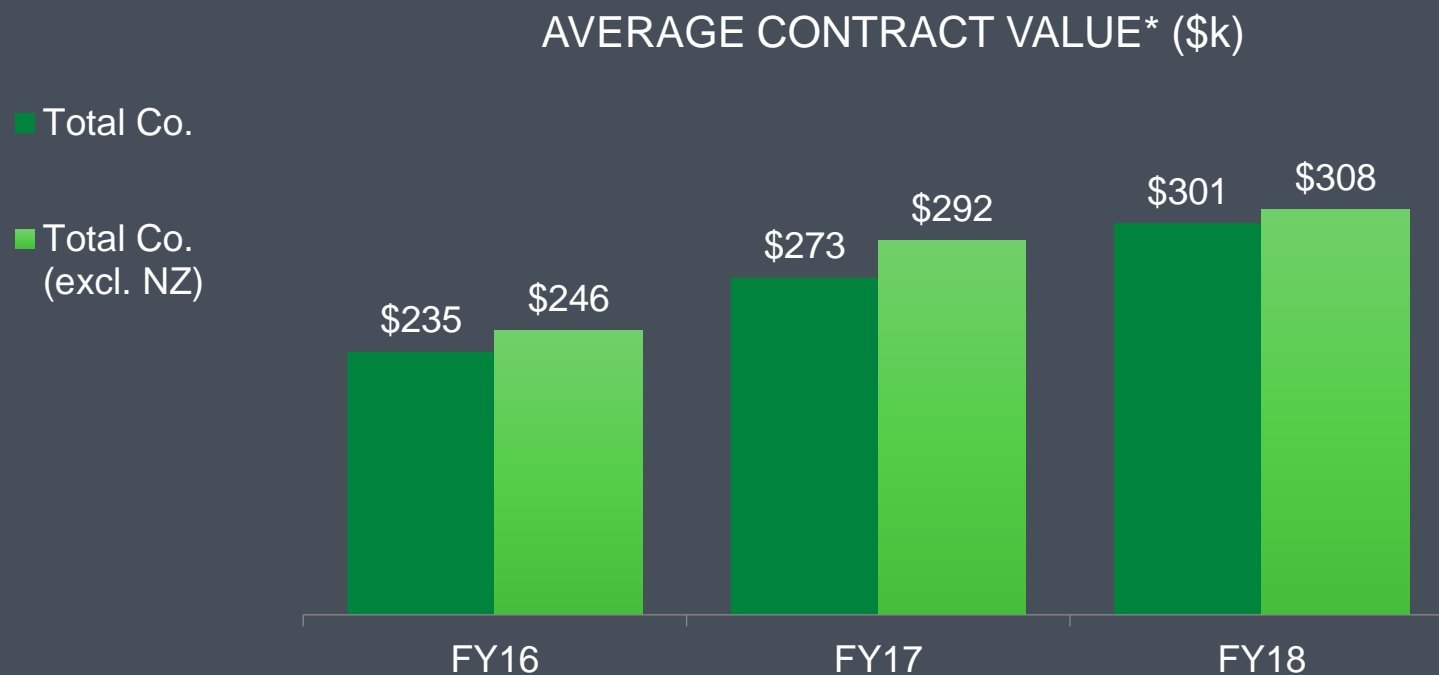


Pending acquisition at Hall Farm (NZ) 575 lots not included in FY18 closing inventory

Net Funds Employed and WIP remain high



Increasing average contract value



* Average contract value is based on net contract price to AVJennings

New projects driving growth

PROJECT	STATE	LOTS	FY18	FY19	FY20	FY21
1 WATERLINE	VIC	415	→			
2 LYNDARUM NORTH	VIC	2,129		■	→	
3 SPRING FARM EAST	NSW	453	→			
4 SPRING FARM	NSW	79	→			
5 RIVERTON	QLD	1,196	▲ ●		■	→
6 BRIDGEMAN DOWNS 1	QLD	63	▲ ● ■	→		
7 COBBITTY	NSW	201	▲ ●		■	→
8 WARNERVALE	NSW	595		▲ ●		■ →
9 KOGARAH	NSW	67			▲ ● ■	→
10 ROCHEDALE	QLD	81		▲ ● ■	→	
11 DEEBING HEIGHTS	QLD	210		▲ ● ■	→	
12 HAYES LANE, HUNTLEY	NSW	231		▲ ●		■ →
13 RIPLEY 1	QLD	294		▲ ● ■	→	
14 HALL FARM	NZ	575		● ▲		■ →

- ▲ DEVELOPMENT START
- FIRST CONTRACT SIGNINGS
- FIRST SETTLEMENTS
- SETTLEMENTS CONTINUE

- ~66% of the inventory pipeline is in these projects.
- Activity is based on forecast project plans.

VICTORIA

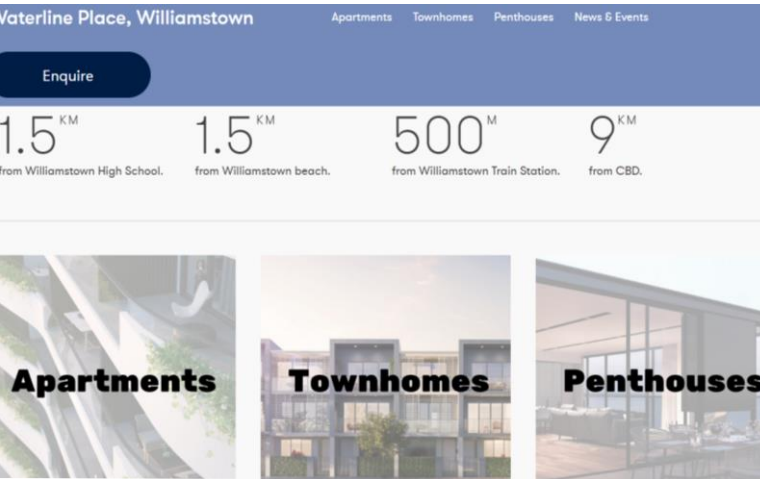
Market and significant project reviews

- Market remains strong although softening
- Have been some issues securing trades and services
- Key drivers remain advancement of Waterline and Lyndarum North



* Completed Projects

Good momentum at Waterline Place



- Minor revenue recognition in FY18 from the remaining Rosny apartments and Ellery townhomes settled
- The GEM apartments will soon reach a large milestone with the “topping out” of the structure, where the building reaches its maximum structural height
- 63% of the GEM apartments are sold including the first penthouse
- GEM value \$92m, practical completion April/May 2019
- Lonsdale townhomes (12) expected to settle during 1H19

Lyndarum North approaches material revenue recognition backed by strong pre-sales

Display Village

Our Sales and Information Centre is open daily at our Lyndarum North Display Village from 11am - 5pm

[Learn More](#)



- \$1.8m of revenue booked from Lyndarum North in FY18
- However there were 396 contracts on hand at this project which have not been realised as FY18 revenue or profit
- Settlements on ~ 361 lots are scheduled in FY19 (AVJ share 49%)
- The Lyndarum North JV partner is AustralianSuper



Jade Release 8A. - Land Now Selling!



Lot 819 Gabbro Way
Lyndarum North, Wollert, VIC

535m² \$439,000



Lot 820 Gabbro Way
Lyndarum North, Wollert, VIC

465m² \$399,500



Lot 8...
Lynd...

NEW SOUTH WALES

Market and project reviews

- Market remains strong although some softening
- Main driver of Company's results has been New South Wales
- Good balance of mature and emerging projects provides a platform for continued strong performance
- FY18 result impacted by decision not to recognise Arcadian Hills Stage 6: \$6.1m impact on PBT

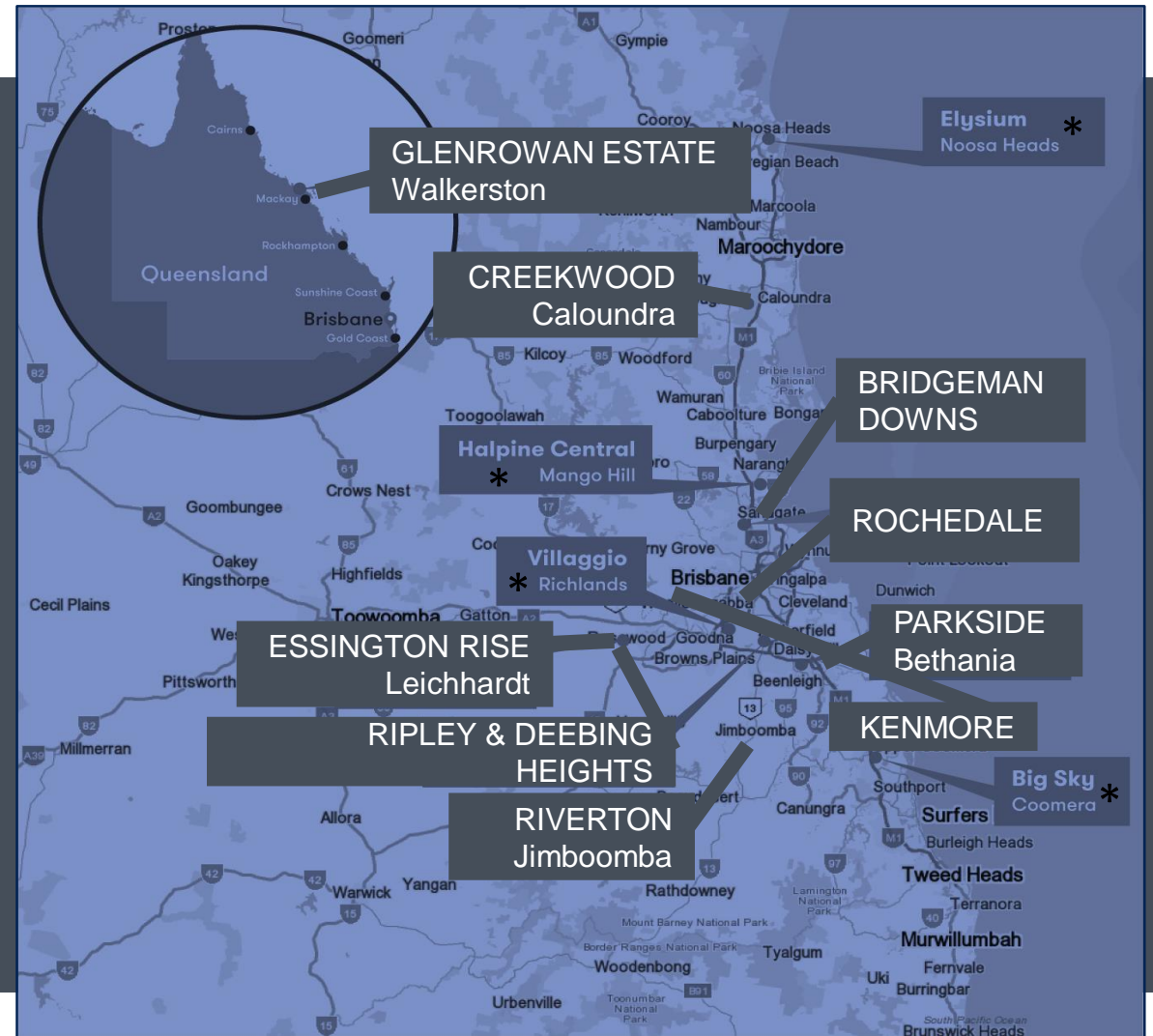


* Completed Projects

QUEENSLAND

Market and project reviews

- Market conditions reasonable and some commentary that reduced affordability in Victoria and New South Wales is positive for Brisbane market
- Results for FY18 below Company expectations:
 - Some completed, unsold inventory has been addressed but positive impact will mainly be in FY19
 - Project delays at Riverton, Jimboomba, to be resolved early in FY19



* Completed Projects



SOUTH AUSTRALIA

Market and project reviews

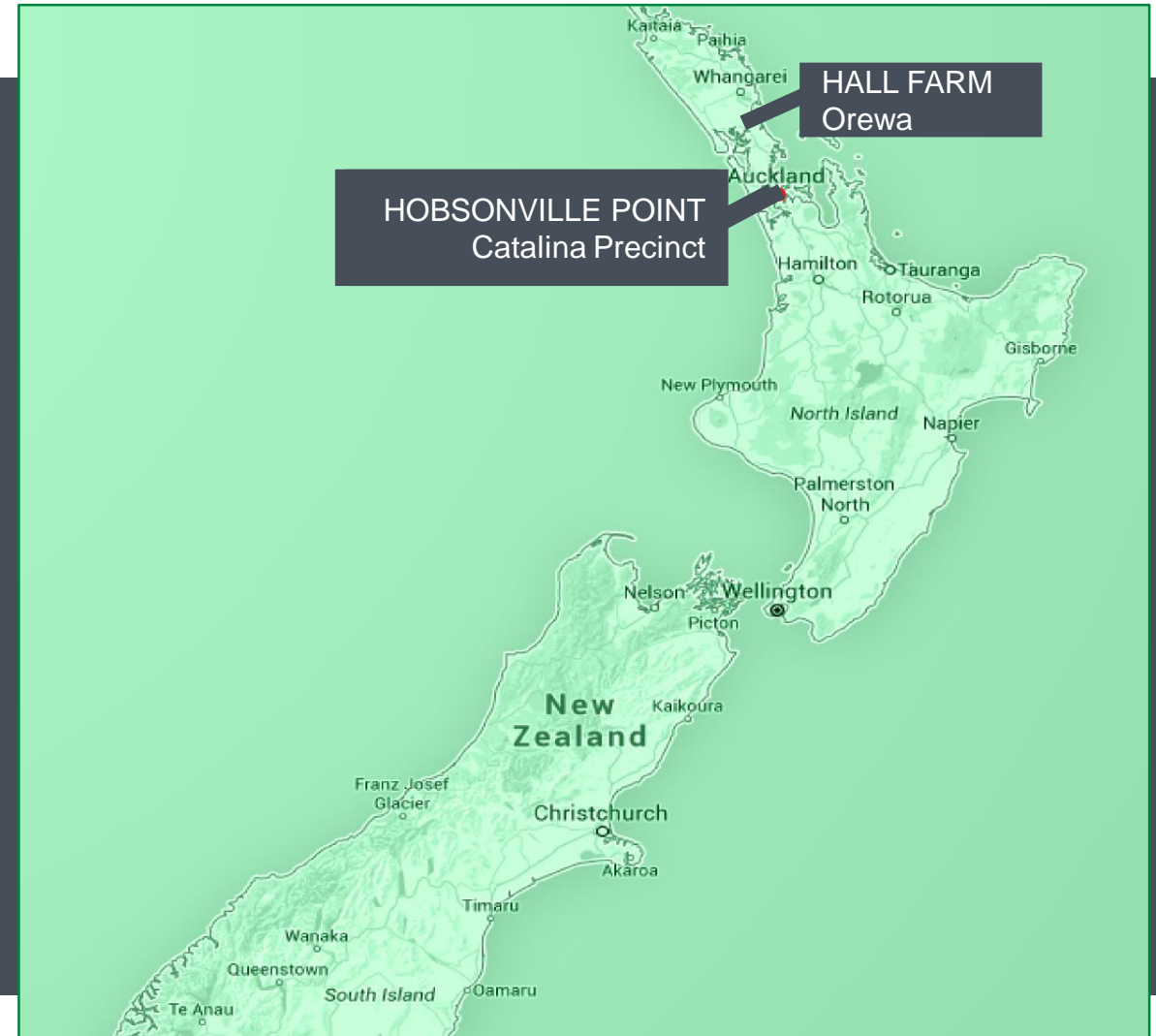
- Market conditions remain subdued
- Two major projects
 1. Eyre at Penfield where new community infrastructure is complete and a big positive going forward (see pic. below)
 2. St Clair where some super lot sales late in FY18 have increased momentum



NEW ZEALAND

Market and project reviews

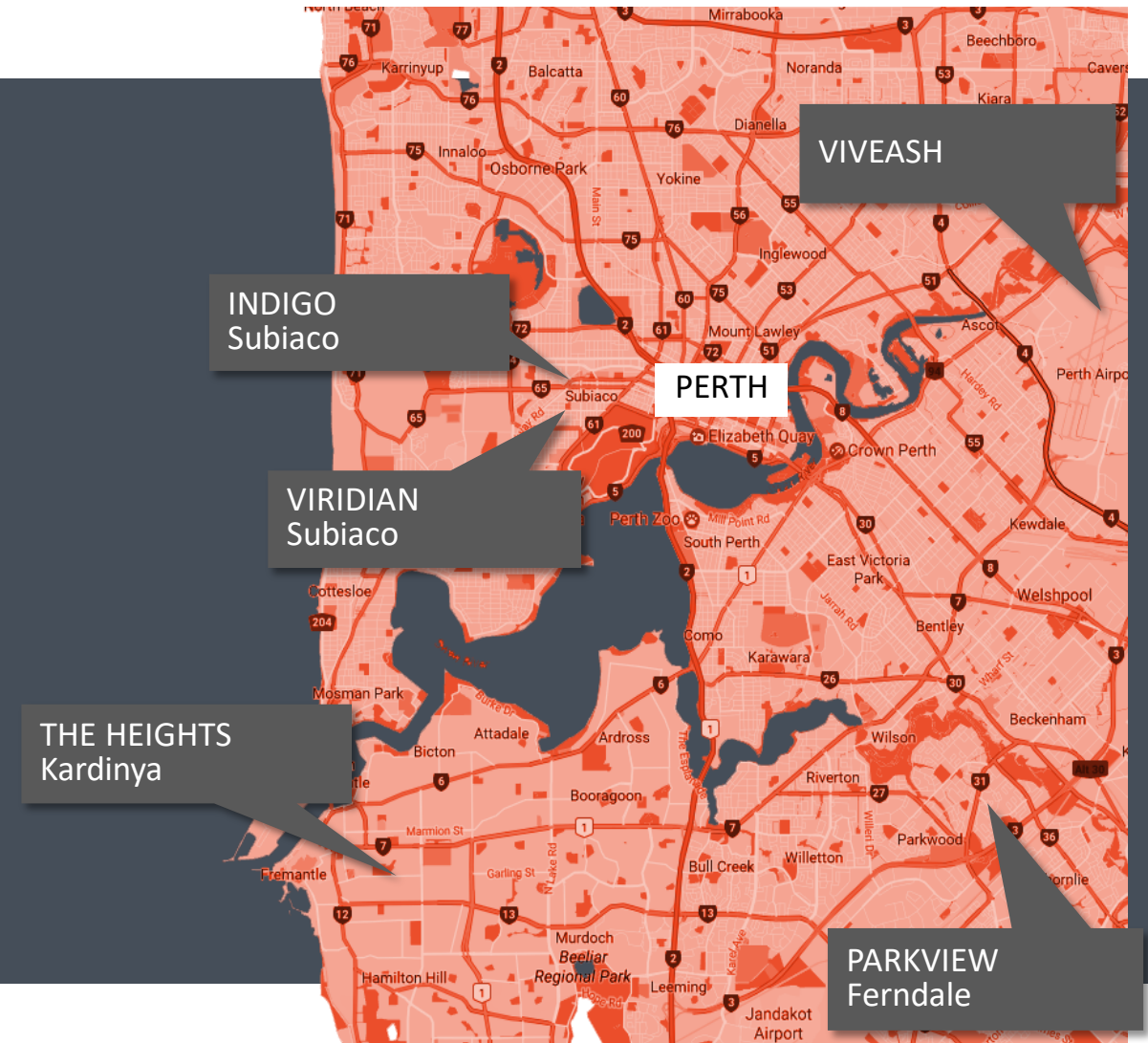
- FY18 result was lower due to delays in completing the acquisition of the latest stage at Hobsonville Point. These delays have been resolved.
- Commencement of first AVJennings housing construction in NZ
- Continuity of NZ operations secured by acquisition of ~ 575 lot site - Hall Farm, Orewa
 - Still subject to regulatory approval
 - Sign off expected in coming month
 - Acquisition settlement is expected in 1H19



WESTERN AUSTRALIA

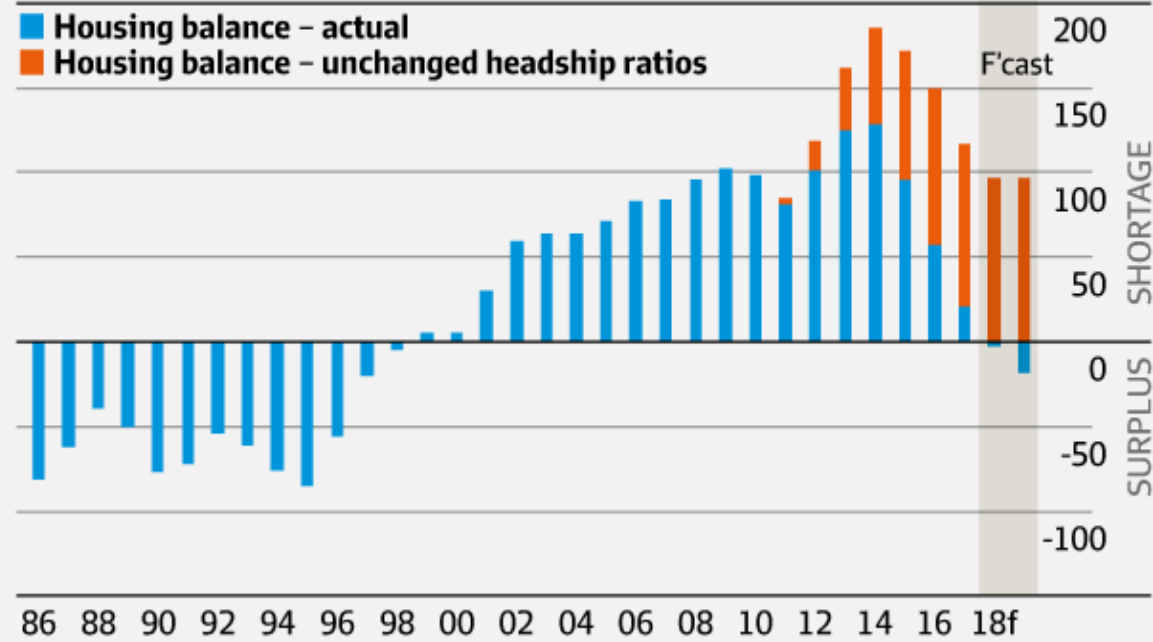
Market and project reviews

- Market showing early signs of improvement
- Company's investment remains small and strategically based
- All Project exposure is through minority JV positions

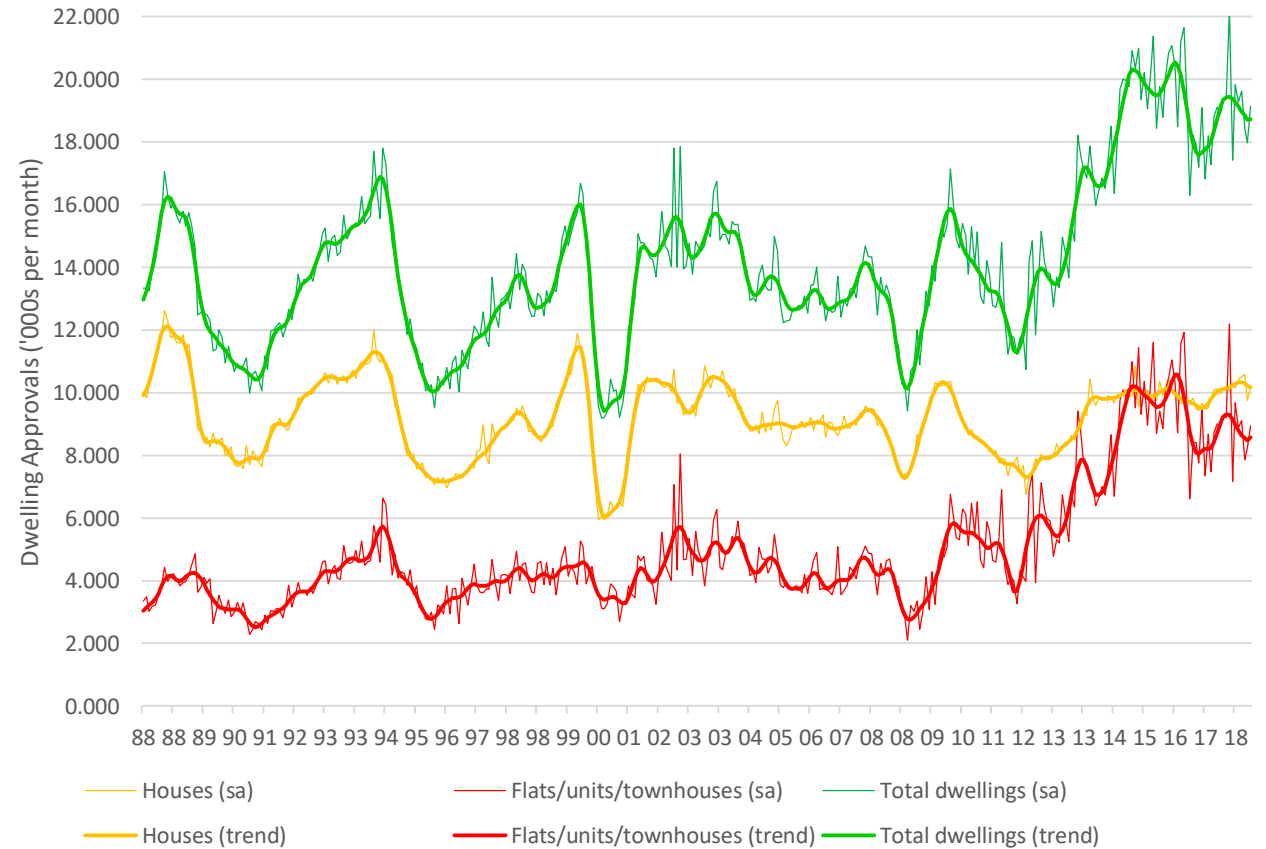


Market supply and demand

Housing balance, historical household formation patterns ('000 dwellings)



SOURCE: ANZ RESEARCH



Source: ABS

The residential real estate market in Australia

CONTINUING NEW DEMAND

A 'new Melbourne' is needed approximately every 10 years to accommodate forecast population growth

POSITIVE MACRO-ECONOMIC CONDITIONS

- Population growth
- Stable employment
- Low interest rates

RISK

- Over-supply of inner city / CBD apartments in Melbourne and Brisbane
- Government taxation policy at all levels
- Costly and inefficient approval processes

AVAILABILITY OF CREDIT

Changes in bank lending practices impacting the investor segment but less so the home occupier market

HOUSING AFFORDABILITY

While an ongoing issue it also provides great opportunity if it is achieved

Market outlook continues to be supported by positive economic fundamentals

POPULATION GROWTH

Population growth remains focused on Australia's capital cities



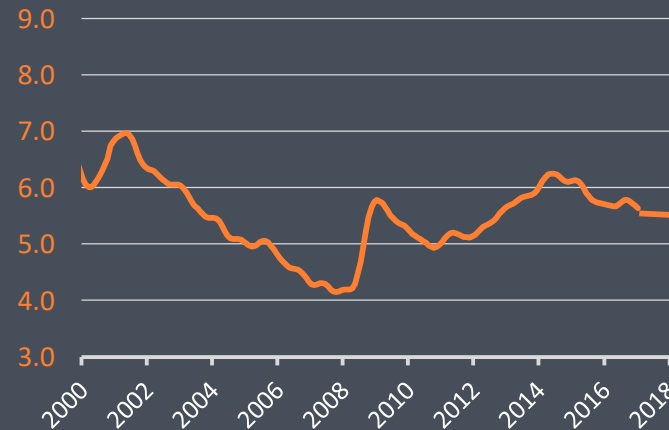
YEAR	Population
2000	19m
2018	25m
2040	>31m

Source: Australian Bureau of Statistics

EMPLOYMENT

Employment outlook remains relatively stable

UNEMPLOYMENT RATE

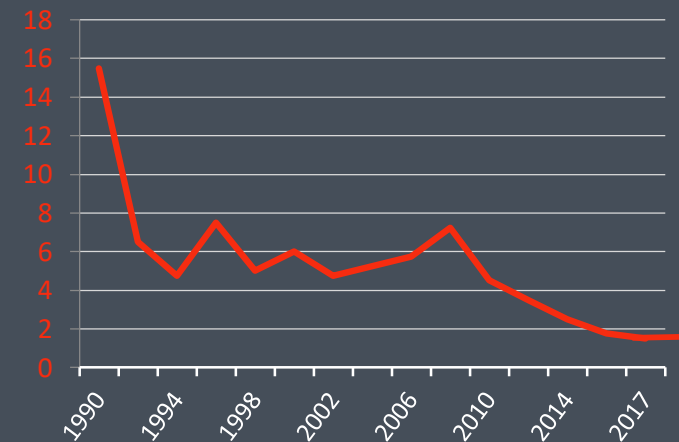


Source: Australian Bureau of Statistics

INTEREST RATES

Historically low interest rates expected to remain

CASH RATE



Source: Australian Bureau of Statistics

Our strategy is about delivering strong and sustainable 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

Stable and traditional market

AVJ CUSTOMER SEGMENTS

RETAIL CUSTOMER MIX

	FY18	FY17
FIRST HOME BUYERS	43%	37%
LOCAL INVESTORS	23%	30%
TRADE UPS / DOWNSIZERS	34%	32%
FOREIGN INVESTORS	0.1%	1%

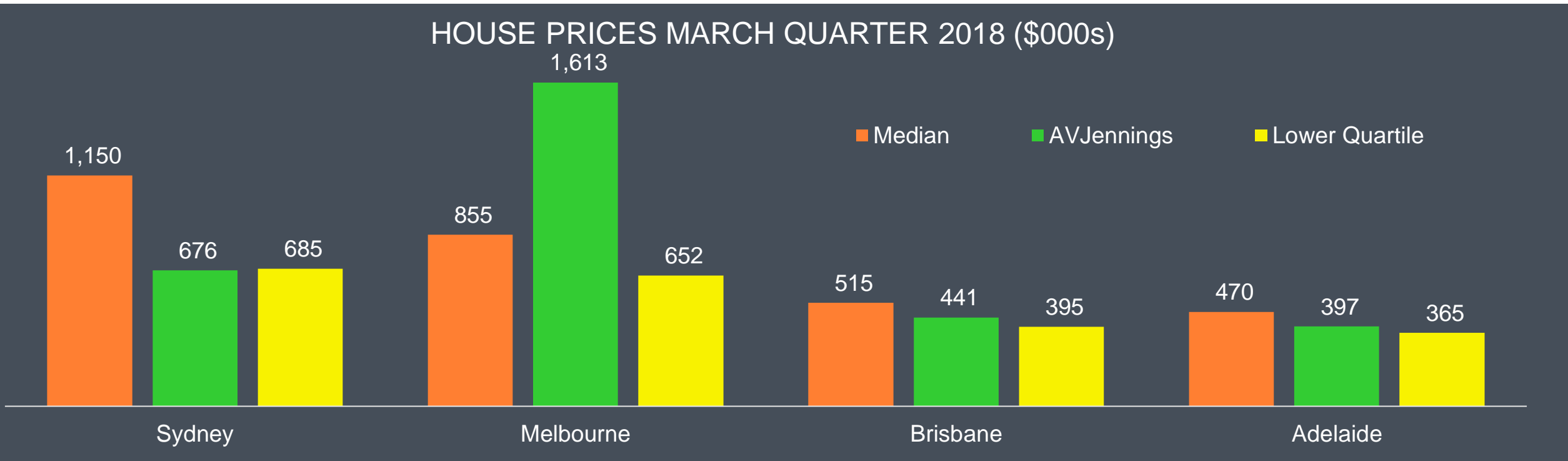


BUSINESS

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

This segment remains an important customer sector.

Continuing to provide affordable product



- Capital city figures for the median and lower quartile are for the March 2018 quarter and sourced from BIS Oxford Economics.
- AVJennings figures are based on average selling price for the 2018 financial year. Only town homes at Waterline Place, Williamstown (9km from CBD), have been sold in Melbourne by AVJennings in that period.
 - The AVJennings Melbourne average will reduce significantly when Lyndarum North sales commence
- AVJennings Brisbane data includes sales from projects in the Sunshine Coast, and Gold Coast.

Outlook for FY2019

The strategy of delivering traditional housing solutions in prime markets as affordably as possible will continue to provide shareholders with healthy returns.



OPERATIONAL FOCUS

Acquisition of a 575 lot site north of Auckland in 1H19

Commencement of settlements at Lyndarum North in 1H19

Completed construction of the GEM apartments at Waterline Place in mid CY2019

Continue delivering strong results in NSW and address the issues in the QLD business



CAPITAL MANAGEMENT

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

GEARING: maintain a net debt to total assets within the range of 15% to 35%. Current 20% ratio provides scope for prudent acquisitions



REVENUE and EARNINGS

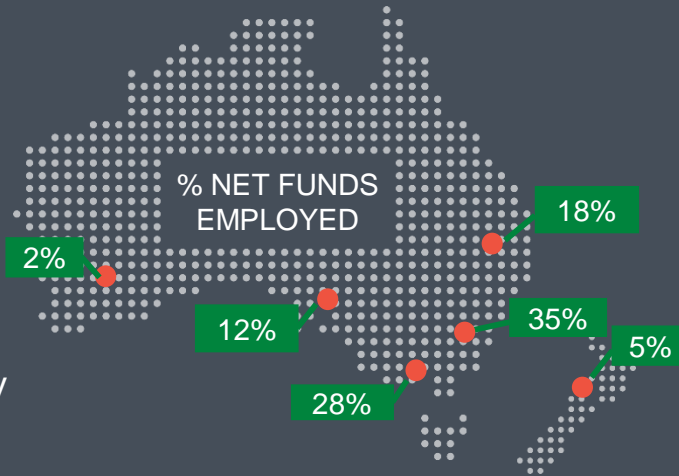
Growth in revenue and earnings skewed into the second half due to the expected timing of settlements

Strong pre-sales underpin confidence in the outlook for FY19

The Investment Opportunity

DIVERSIFICATION

- Geographic and product mix provides a less riskier portfolio
- Product mix includes a blend of detached homes, townhouses, medium density apartments and land sales



GROWTH

- Urban growth corridors growing at >2x GDP
- Stable market conditions
- ~10K Lot inventory pipeline with new projects driving growth
- Growth in NFE from \$397m in FY14 to \$530m at FY18
- 4 year CAGRs: Rev +10.6%, EPS +13.4%

SUSTAINABILITY

- Operating since 1932
- No inner city or high rise apartment projects
- Community focused
- Strong balance sheet

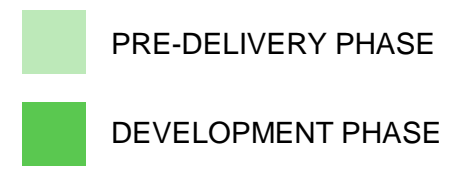
VALUE CREATION

- Dividend yield of 7.0% (fully franked 10.1%)*
- Trajectory of earnings, dividend and NTA growth since FY13
- TSR^ since last capital raising at 37.5 cents in May 2013 is +145%

Appendix

	Remaining# of Lots	Pre	FY19	FY20	FY21	FY22	Post
New South Wales	Argyle, Elderslie	164					
	Magnolia, Hamlyn Terrace	62					
	Evergreen, Spring Farm (South)	91					
	Evergreen, Spring Farm (East)	453					
	Seacrest, Sandy Beach	79					
	Arcadian Hills, Cobbitty Stages 1 - 8	201					
	Arcadian Hills, Cobbitty Stages 9 & 10	67					
	Cobbitty Road, Cobbitty	57					
	Warnervale	595					
	Evergreen, Spring Farm PDA	79					
	Kogarah (apartment project)	67					
	Hayes Lane, Huntley	231					
Queensland	Creekwood, Caloundra	80					
	Glenrowan, Mackay	177					
	Essington Rise, Leichardt	6					
	Bethania	94					
	Bridgeman Downs	63					
	Kenmore	19					
	Bridgeman Downs 2	11					
	Riverton	1196					
	Deebing Heights	210					
	Rochedale	81					
Ripley 1	294						
N.Z.	Buckley B	156					
Victoria	Lyndarum, Wollert	95					
	Lyndarum North, Wollert JV	2129					
	Arlington Rise, Portarlinton	50					
	Hazelcroft, Doreen	1					
Waterline, Williamstown	415						
S.A.	Pathways, Murray Bridge	53					
	River Breeze, Goolwa North	80					
	St Clair	292					
	Eyre at Penfield	1473					
W.A.	Indigo China Green, Subiaco Fine China Precinct	83					
	Viridian China Green, Subiaco Fine China Precinct	14					
	The Heights Kardinya	94					
	Viveash	16					
	Parkview, Ferndale	32					

Detailed project pipeline by State



Project pipeline as at 30 June 2018 – Excludes pending acquisition of Hall Farm (NZ)