

29 October 2020

The Manager
Company Announcements
Australian Securities Exchange Limited
Level 4, Rialto North Tower
525 Collins Street
Melbourne Vic 3000.

Dear Sir,

**ANNUAL GENERAL MEETING
AVJENNINGS LIMITED**

Please find attached the Chairman's and Managing Director's addresses made at the Annual General Meeting of AVJennings Limited on 29 October 2020.

Yours faithfully,



Carl Thompson
Company Secretary.

**AVJennings Limited: Annual General Meeting: Thursday, 29 October 2020
Chairman & Managing Director Addresses*****Mr Simon Cheong, Chairman:***

Good morning and good afternoon ladies and gentlemen.

My name is Simon Cheong, non-executive Chairman of AVJennings and it is my pleasure to welcome you to our 2020 Annual General Meeting.

There is a quorum present online so I declare this meeting open. I appreciate that some shareholders may have to leave before the end of the meeting. I therefore formally open the poll on resolutions and encourage shareholders to submit their written questions online now.

My fellow Board members attending (online) today are:

- Mr Jerome Rowley, non-executive Deputy Chairman
- Mr Bobby Chin, non-executive Director
- Mr Bruce Hayman, non-executive Director
- Mr Lai Teck Poh, non-executive Director
- Mr Tan Boon Leong, non-executive Director
- Mr Philip Kearns AM, non-executive Director; and
- Mr Peter Summers, Managing Director and Chief Executive Officer

Mrs Elizabeth Sam retired from the Board after almost 20 years of commitment and contribution to AVJennings. Elizabeth's guidance and insights as a director and chairperson on numerous committees proved a most valuable asset to the Company and the Board.

Carl Thompson, AVJennings' Company Secretary will be the moderator of today's meeting and Mr Glenn Maris, Audit Partner from EY, the Company's Auditor are also online.

I will recap on the outcomes and challenges we faced during FY20, how the Board and Company met the challenges, the importance of our industry to the overall economy and the Board's confidence in our management, business model and future prosperity.

Peter will then speak about the drivers behind our business model, our internal strengths and strengths within our industry, the ongoing state of our industry and the outlook for FY21.

There will be a forum for questions and responses following Peter's address and I will then proceed with the formal agenda as set out in the Notice of Meeting.

In the 88-year history of AVJennings, FY20 was a year unlike any other.

Signs of a recovery after the first half of the financial year were soon impacted by drought and bushfires which dampened consumer confidence and attendances at sales offices as people stayed indoors due to poor air quality.

The early months of 2020 saw a recovery in enquiry levels and an uplift in contract signings. However, unfortunately, the escalation of the COVID-19 pandemic crisis impeded the anticipated stronger finish to FY20.

I am proud of our response and achievements in a year of incredible challenges.

As the crisis escalated, we ensured that safety was prioritised by implementing appropriate safeguard measures for the well-being of our employees, suppliers, customers and the wider community.

This included working from home for most employees since March 2020; and for those who need to and can work from the office, we have introduced safety measures around space, rotating of teams, tracing systems and other safety measures.

We have also continued support for our customers through pre-arranged appointments and contactless check-in, increased cleaning and tracing systems. Where permitted, this has allowed us to keep our sales offices open, but we have also increased investment in telephone, e-mail and on-line support as well as on-line video content.

I am also proud of the response and support from the Board and all staff in relation to costs. This included salaries, incentives, leave and other employment related costs.

Senior Executives led the way and agreed to further remuneration initiatives by forfeiting their current Short Term Incentives, Long Term Incentives and Service entitlements as detailed in Agenda item 2 of the Notice of Meeting, resulting in considerable cash savings to the Company in the short term when risk and uncertainty was at its greatest.

Non-Executive directors and SC Global agreed to a 20% reduction in fees for the period 1 May to 31 July 2020.

All office-based staff including Senior Executives agreed to take one day of annual leave per week during May through to July 2020 and an accelerated leave management plan has been agreed through to December 2020.

In past years we have talked about the benefit and flexibility of our predominantly horizontal development focus compared to vertical development. This was put to the test this year as we responded to the uncertainties that emerged with the COVID-19 pandemic. I am pleased to say the outcome in practice matched the theory and we were able to quickly wind back production from mid-March 2020 to protect the Company's balance sheet.

However, we did so whilst still meeting the needs of our customers, particularly in relation to completing product that enabled settlements of existing pre-sales.

And whilst site activity was scaled back, we retained flexibility through our planning and design team continuing to work to have us in a good position to quickly scale up production as the market recovered.

As you can imagine, all of this was being done at a rapid pace and in an environment, which was full of uncertainty. Two keys to managing this were communication within the executive team and between the executive team and the Board.

During 2019 the Company restructured along national department lines whereas it was previously structured on geographic regions. This change enabled Peter and his team to work together right across the business to ensure our responses were comprehensive and fast.

These extraordinary responses reflect a high level commitment to all stakeholders from our staff, senior executives and the Board. In response to COVID-19 and drawing on its experience and skills the Board increased its engagement with senior executives to ensure it was fully aware of and across all potential risks to the Company, the staff and all stakeholders and the ongoing appropriate safeguard measures implemented. It increased the number of times it met and the frequency of information it received from management. In particular, the Board Risk Management Committee implemented fortnightly meetings for a number of months and continues to meet regularly with management.

Turning to more specific outcomes in relation to the FY20 results, we saw revenue of \$262.4 million. This was 11.5% lower than the prior year, largely due to a 76.8% decrease in apartment revenue to \$13.2 million, reflecting project completion timing. FY19 included the completion of our GEM apartments at Waterline Place in Victoria. The next apartment building, Empress at Waterline Place, is currently under construction and is expected to contribute to the FY21 result.

Despite the extraordinary challenges seen in FY20, our core revenue from land and traditional housing increased by 4.9% to \$246.4 million.

On a positive note, margins did increase for land and traditional housing in all States and New Zealand, with the exception in New South Wales, where margins were impacted by some price corrections plus the relative impact of some projects that yield slightly lower margins. Margins in our apartments decreased slightly with some lower value remaining apartments at GEM sold. Overall, margins decreased 1.7% to 22.8%.

Net cash from operations turned around from a \$45.8 million outflow in FY19 to a positive \$10 million in FY20. The improved cashflow was assisted by solid settlements and reduced expenditures on production, acquisitions and overheads.

Throughout the year we continued to maintain a strong balance sheet. We ended the year with \$122.6 million in available lines of credit and moderate gearing at 28.1% which remained within our target range of net debt to assets of 15 – 35%. We are therefore well placed to meet the ongoing challenges of the current environment as well having flexibility and capacity for growth.

Our land bank's geographic diversity has been maintained providing us with a mix of diverse and quality project and product opportunities. Controlled lots were 12,134 including land at Caboolture, Queensland of approximately 3,500 lots, which is under an option agreement. This compares to a total number of controlled lots of 9,531 as at 30 June 2019.

Our disciplined approach to land acquisitions has seen no major new provisions against the land bank, although a further \$1.6 million provision was booked relating to legacy regional projects in Queensland and South Australia.

Whilst the challenges outlined above, and particularly the pandemic, impacted the FY20 result, your Board believes the results achieved given the extraordinary circumstances were solid.

For prudent capital management and reflecting the circumstances at the time the decision was made, the Board decided not to declare a Final Dividend. Dividends for the year were 1.2 cents per share, fully franked.

Whilst COVID-19 has presented many challenges, our industry remains sound and it is important to remember how crucial it is to the economies of Australia and New Zealand.

Contributing around 5 per cent to annual gross domestic product and accounting for about 134,000 jobs, the residential development industry plays an important role in the Australian economy. In New Zealand the sector is valued at around New Zealand \$16 billion directly employing 30,000 people.

To underscore its importance, our industry was deemed an essential service and hence permitted to keep working through various national and regional lockdowns in Australia.

It is also highlighted through the reactions of government to ensure the industry remains sound and supported, most notably through the HomeBuilder scheme. Without these schemes and support, current circumstances would be even more challenging. Peter will talk more about that soon.

Overall, Australia and New Zealand's successful responses to COVID-19 have been outstanding and compare favourably to many other countries. Australia and New Zealand remain great places to live with world class education, healthcare, social services, enviable lifestyle attributes and vibrant communities.

With an increase in working from home, suburban living is likely to become more attractive as families demand more quality space and look towards a home in the suburbs. This trend will provide continued support for traditional housing in Australia and New Zealand – our core product.

Your company's long-term fundamentals remain positive. Our strong brand awareness; staff dedication to customers despite dealing with the personal and professional stresses imposed by the pandemic; our sound financial position; business model and strategy of mainly horizontal residential development, gives the Board and myself absolute confidence in our Company and our long-term future and prosperity for our shareholders and customers.

I need to thank my fellow Directors for their guidance, Peter and the Executive team for their strong leadership, all the staff for their commitment in the face of adversity, and our business partners and suppliers for their trust and support. Finally, I need to thank our customers and shareholders for their loyalty.

I will now ask Peter to provide commentary on our business model and an update on our outlook for FY21.

Mr Peter Summers, CEO & Managing Director:

Thank you, Simon.

Ladies and gentlemen, welcome to our 2020 AGM.

As Simon has discussed FY20 presented us all with many challenges, the most significant being the COVID-19 pandemic.

We went into FY20 confident a recovery was on the way and confident in our preparedness for it. And whilst it has been a year that tested us in many ways we weren't expecting, we were well positioned for it.

Although there are so many things that are so different about this year, in some respects we were prepared and confident in how we would cope. Residential downturns are a reality of the industry and when they happen, they happen quickly. One of the key elements of downturns isn't so much how far the market falls and how quickly, but rather how soon it plateaus and for how long.

Certainly, the trigger this time was different. We didn't see months and months of data indicating a downturn was coming. Quite the reverse. All our data indicated a recovery was underway and about to strengthen.

But when circumstances changed, we knew what to do. We knew our focus on horizontal development would be an advantage to meeting the challenge. As a result, we were able to quickly reduce production where it made sense to do so whilst remaining open to continue to meet the expectations and dreams of our customers.

Over the years we have resisted the temptation to stray from our focus on a traditional customer base. We acknowledge at times these other segments, such as overseas investors, can be strong markets. But as a Company focussed on long term success, we have stuck to what we understand. Traditional buyers buy, or don't buy, for understandable reasons.

At the heart of this is a basic and fundamental need for housing. As the impact of the pandemic was felt this proved to be a strong advantage as those traditional customers remain much more active and engaged compared to other segments.

One of the greatest challenges the industry faced very quickly was customer engagement. We have always had a focus on customers and just before the onset of the pandemic we moved to further strengthen this focus through the appointment of a 'Head of Customer Experience, Marketing and Sales'. This was to add to existing skills and resources. It was designed to bring together internal and external resources to assist with tracking our customers' journey from contract signing through to settlement and indeed beyond settlement.

So, when the challenges of lockdowns and social distancing rules arose, we were already on a journey and many of the things Simon alluded to earlier around customer engagement were more brought forward than created. But importantly, we had an established culture of understanding and supporting our customers.

This extended into areas such listening to and supporting those customers who needed more time to settle or other adjustments. Being focussed on a traditional customer base meant that most of our buyers had a basic need for housing. To them, it was more about "how" to move forward, and I am proud of the way our team worked with them to support them in achieving their needs and dreams.

As Simon has mentioned, in 2019 we moved to a National department structure. The fact this team had worked together for 12 months meant we had a connection and understanding that enabled us to operate as one company. The senior executive team was able to make fast decisions whilst dealing with uncertain and ever-changing circumstances. The AVJennings senior executive is an experienced group and this showed in the responses to the challenges.

Over the years we have talked about the benefits of diversification. In the past that has mainly been in recognition that many residential markets around Australia don't operate at the same level at the same time. They can in fact be counter cyclical. For example, as affordability issues arise in one region, this can trigger moves in population to areas where pricing is lower.

This time, the benefits of diversification have related more to the diversity in impacts from COVID-19, particularly variations in restrictions imposed in different regions.

We understand the importance of land acquisition to our business. Without it, our future would be limited. But buy at the wrong price or on the wrong terms and the impacts can be felt for a decade. Throughout we have maintained a conservative approach to land acquisition, both in terms of price and terms.

In fact, our acquisition activity in recent years has been limited and mostly involved capital-light structures. The option agreement in relation to a deal over around 3,500 lots in Caboolture West being an excellent example.

This approach was a critical reason as to why we entered the year with good financial strength. Our continued strong financial management strategies, including the structure of our main Club finance arrangements, have enabled us to maintain our strong financial position and remain compliant with all financial covenants - a great achievement.

It is fair to say societies have been tested in many ways this year. Trust in governments; following extraordinary rules few of us would have ever imagined; trusting our neighbours and fellow citizens. From this we saw many examples of how great communities can be. So often we were effectively being tested about what sacrifices we were prepared to make for the common good. To make not only ourselves safe, but our families, our friends, our neighbours.

We too were tested as a company - how genuine we were about our commitment to the community, to our customers and business partners. I am so proud how this has played out. Proud but not surprised. It reflected a combination of great people joined by a common belief in our values and our purpose that Housing Matters, Community Matters.

Simon covered many of these things earlier. I raise them again for two reasons.

Firstly, it is clear we were able to respond in the way we have because of what we did in the past. The clarity of our model and the consistent adherence to it. The clear understanding of our purpose and values.

Secondly, it is these same factors which underpin much of my confidence in the future.

Our flexible, horizontal delivery bias allowed us to respond quickly to the onset of the pandemic. It will be just as relevant to allow us to change gears as early signs of improvement emerge - or indeed if further waves of the virus occur.

Our focus on a traditional customer base will be a strength moving forward. It is these buyers who are actively engaged and who are the specific targets for government support and stimulus schemes.

Our geographical diversity continues to be a strength today as we respond to continuing differences in regional rules.

Our strong financial position will provide a critical platform for future stability, success and growth.

That is not to say we haven't learned much along the way or don't expect further challenges or changes. Additionally, out of most crises come opportunities which we must be alert to.

Uncertainty surrounding COVID-19 continues. Lockdown restrictions eased in June 2020 however were reinstated and tightened in Victoria. Pleasingly some easing has started in Melbourne after 4 months of lockdown. Further waves of the pandemic remain a risk and safety and safe practices must remain paramount to us all.

No doubt many outcomes from learnings in 2020 will continue into the future, including more flexible working arrangements. We were already on this journey as a company before the pandemic hit and I am sure this was important in us so successfully adopting amended working arrangements for most so quickly.

Our expanded methods of engaging with customers, particularly digital initiatives, will continue and develop further.

Within our project portfolio, our venture with the Victorian Government in relation to a public housing site in Brunswick West provides not only a great opportunity in itself, but we expect to see it provide a catalyst for future such projects in Victoria and elsewhere. This is especially so given the hope that one positive legacy from the pandemic will be a greater emphasis on safe housing for those currently homeless and others challenged for access to good, secure housing.

For all the uncertainty surrounding us we must and should remain confident in our future and our strong underlying fundamentals.

As Simon reported earlier, in the early months of 2020 we did see a considerable increase in enquiry levels and sales. And whilst the pandemic related lockdowns quietened activity, sales continued to be made during the lockdowns and enquiries ramped back up very quickly when the lockdowns were eased. This all indicates that there is real underlying demand.

While contract signings in the second half were lower than was anticipated before the onset of the pandemic, they were stronger than we initially expected when the pandemic took hold. As lockdown restrictions eased in June 2020, we saw a return to strong enquiry levels.

A total of 385 net contract signings were carried over at 30 June 2020 and this was before the introduction of the Federal Government HomeBuilder scheme.

But challenges exist. Unemployment, stifled economic growth and overall consumer confidence will challenge buyers. After all they are making one of the biggest decisions of their lives.

It is why government schemes and support have been important and will continue to be important moving forward. From an overall economic aspect, JobSeeker, JobKeeper, JobMaker, tax rate cuts, infrastructure spending, and numerous other incentives in Australia and in New Zealand will support our economies.

Schemes which encourage continued involvement and actions in relation to housing are so critical and we congratulate the Federal Government on the HomeBuilder and First Home Loan Deposit schemes. The actions and initiatives of State Governments are also vital.

It is widely agreed that without government stimulus new residential markets would be under considerable pressure. And whilst those stimulus programs such as HomeBuilder do not fully compensate for what would have, barring the pandemic, been a strong market recovery, they have had a strong impact on our economy and will be critical in ensuring existing underlying demand that we had seen materialise in strong ways ahead of the pandemic, is given the incentive and confidence to continue to transact, especially whilst international borders remain closed. That existing strong underlying demand needs to be incentivised and supported as this will form the basis of continued activity in new residential markets. That is one reason we would like to see it extended beyond the current end date.

The underlying strong demand, supported and encouraged by ongoing Government stimulus schemes, is reflected in our new net contract signings of 219 for the three months to 30 September 2020 (compared to 154 for the same period last year), bringing total net contracts in hand to the end of September to 434 contracts, after allowing for 164 settlements in the three months to 30 September 2020 (compared to 139 settlements for the same period last year).

Of course, there remain ongoing risks from the pandemic, including risks of future waves and limits to short term population growth. However, we remain confident of a solid FY21, although timing of revenue and profit recognition will continue to be weighted to the second half.

This confidence is based on the resilience the market has shown, as demonstrated by results to date, and which is based on strong existing local demand, which is being encouraged and supported by significant government stimulus. It is also based on the confidence I have in the strategic and operational models of AVJennings and the professionalism and dedication of everyone involved with AVJennings.

Looking beyond the short term, we believe that our outlook remains even brighter. As employment levels rise as the economies gradually recover from the shock of the pandemic, the fundamentals that drove the early stages of the anticipated FY20 recovery, which may have been temporarily stalled, remain generally intact.

And as Simon stated earlier, the response by Australia and New Zealand to COVID-19 has been outstanding. Australia and New Zealand remain great places to live and as both countries re-open their borders, they will no doubt seek to attract new citizens and continue to benefit from our richly diverse cultures and the confidence many will have gained from the handling of the pandemic in Australia and New Zealand.

Our future results will also be assisted by the advancement of a number of projects in the first half of FY21 which will see a number of new projects getting underway. These include projects at Kogarah and Warnervale in New South Wales and Deebing Heights in Queensland.

A large part of our future success will be our continued commitment to our belief that Housing Matters, Community Matters. We continue to respond to ongoing market and social challenges and improve interaction with the social needs of our communities. The pandemic has generated an increased sense of community and we are ideally placed to play a leading role in the future.

We have also seen a new level of cooperation between industry and Governments. It is vital this continues and allows for proper and much needed reform, in areas of taxation, including the highly inefficient and inequitable area of stamp duty, and the need to address homelessness and social and public housing needs. I mentioned earlier our Brunswick West project with the Victorian Government which is a great example.

Our customers social and lifestyle requirements and expectations continue to evolve. The Company also continues to evolve with and remain aligned to our customers.

Our flexibility with our staff has been crucial as they too continue to evolve with their changing working preferences. The value of our relationships with our suppliers, many over the long term, cannot be overlooked.

'AVJennings' remains one of the most trusted brands in Australia and our commitment to our staff, customers, suppliers, and to our fundamental belief in our values continues to enrich our brand value.

Before handing over to Simon to proceed with the meetings formal agenda I wish to say a few thanks.

On previous occasions you have heard me speak of the value we place on our staff, customers and key business and community partners. We value all these relationships. I wish to thank my executive team, every one of the amazing AVJennings staff, our business and community partners, and our customers for their extraordinary effort and support in what has been a year unlike any other.

I would also like to thank Simon and the Board for their invaluable contribution and support during challenging times.

Finally, I especially want to thank you, our shareholders, for your continued loyalty and support.

Thank you.

ENDS.