AVJennings

Thursday, 21 August 2014

ASX / Media Release

Highlights

- Profit up 216% to $27.0m before tax and $18.8m after tax
- Revenue up 58.1% to $250.6m
- Work in progress levels up 77% on prior year (up 298% on last 2 years)
- Debt remains low at $80.8m (debt to total asset ratio of 17%)
- Fully franked final dividend 2 cents per share

AVJennings Limited (ASX: AVJ) is pleased to announce its results for the financial year ended 30 June 2014. Revenue was up 58.1% to $250.6m and profit increased 216% to $27.0m before tax and $18.8m after tax compared to the previous corresponding period.

In line with the statement given with the release of the 1H14 accounts, Directors have declared a fully franked final dividend of 2 cents per share. Whilst obviously related most directly to the FY14 result, it also reflects Directors' confidence in the future prospects of the Company.

The most pleasing aspect of the results for the year is that they were the outcome of AVJennings' strong commitment to strategy over a number of years and reliance upon our experience and our systems, developed over many years, to analyse and forecast our markets and develop appropriate strategies.

Being a developer with a mainly horizontal development profile has also enabled us to adapt strategies to match our market forecasts as we can scale up or down more easily than if we had a significant high rise apartment or vertical development profile.

In past years this has seen the Company reduce its level of activity as market conditions deteriorated to avoid a build-up of exposure to unsold inventory. However, in recent years it has resulted in increased volumes and turnover but, encouragingly, it has been achieved without any increased exposure to completed unsold stock.

We have also maintained a focus on our core strengths of building great but affordable places and communities for our customers to live in. Our brand has been built on 82 years of listening to our customers and ensuring we meet their needs. We continue to be recognised for quality, value, integrity and reliability.

We don't see our business as just developing land and building houses; we see the parks, playgrounds and wetlands we create, the schools and students our projects support, the sporting teams that compete on our playing fields, the public art we commission and other aspects we create to develop outstanding communities.

Our people are what make the difference and we will continue to ensure we attract, retain and develop the highest calibre people who have the same values for which we are known.

Looking forward, we expect market fundamentals to remain supportive. Consumer confidence, whilst still somewhat volatile, is strong as it relates to residential property. Interest rates remain historically low and there is a significant housing shortage in many markets, most notably Auckland, Brisbane and Sydney. Adding to this the population continues to increase, placing further pressure on an industry which typically struggles to meet underlying demand due to constraints around the supply of suitably zoned and serviced land.

AVJennings is well placed for growth due to strong opening work in progress levels of 1,264 lots at June 2014 (up 77% on prior year and 298% in the last two years). This reflects both the opening of new projects, most of which only partially contributed to results in FY14, as well as greater production levels in existing projects.

Growth will also be supported by a more active acquisition strategy. In recent months we have:

- Agreed to acquire the remaining 50% of the St.Clair joint venture in South Australia;
- Acquired over 400 lots in the Catalina Precinct at Hobsonville Point Auckland, continuing the Company's successful involvement in this project; and
- Recently acquired a relatively small equity stake in a development in Subiaco, Perth. This is the Company's first involvement in the Perth market for over 20 years.

We also continue to look for other acquisition opportunities. In some markets prices for sites have accelerated beyond what we believe are reasonable. However, overall we believe sufficient opportunities exist to acquire sites in line with our required returns, targets and strategies. Additionally, our low gearing levels of 17% (debt to total assets) will support such an acquisition strategy.

Whilst timing of production and usual seasonal issues will see results skewed towards the second half of FY15, we expect to achieve increased contract signings. Our forecast for FY15 is in the range of 1,500 to 1,700 lots.

Directors and management appreciate the support of stakeholders during the residential downturn that much of Australia experienced in recent years and also the participation and support shown for the rights issue concluded in early 2013. This equity raising enabled funding of increased work in progress levels which, in turn, led to the improved result for FY14. Given the current environment, we remain confident of continuing improvement in results.

Media Contact:
Tom Briglia
Pinnacle Public Relations
+61 432 794 381

Investor Relations:
Carl Thompson
Company Secretary
+61 3 8888 4802