

ASX/Media Release

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AVJennings Announces FY15 Results

The Directors of residential property developer AVJennings Limited (ASX: AVJ) are pleased to announce a profit before tax of \$48.2 million and \$34.4 million after tax. This represents an increase of 78.3% over the net profit before tax result of \$27.0 million achieved in 2014.

The FY15 results were achieved on a 26.9% increase in revenue to \$317.9 million. This reflects improved market conditions overall and the Company's ability to capitalise upon them.

Directors are also pleased to announce the declaration of a final, fully franked dividend of 3 cents per share, taking full year dividends to 4 cents per share. Directors have also determined that it is appropriate for the Company to target an annual dividend payout range of 40-50.0% of Net Profit after Tax for future years.

Chairman, Mr Simon Cheong said, "The Directors believe conditions will remain positive for the foreseeable future. This confidence is based on both matters specific to AVJennings and market fundamentals."

"The restructuring of AVJennings following the sale of the contract housing division in 2010 is now producing results. The sale enabled a more streamlined business strategy, systems and cost structures."

AVJennings' Chief Executive Officer, Mr Peter Summers said, "The 2015 financial year also saw the Company's land holdings increase for the first time in a number of years on the back of some significant acquisitions. The exciting townhouse/apartment project in Williamstown, Victoria, the Catalina stage at Hobsonville, Auckland, and the Warnervale development in New South Wales will all make significant contributions to the Company's performance in the short and medium term."

The establishment of a joint venture with Australian Super to develop land at Wollert in Victoria is equally exciting. Its proximity to the Company's highly successful Lyndarum project will mean a continuation of its operations in a significant growth corridor in Melbourne.

During the second half of FY15, AVJennings successfully restructured and expanded its core banking group from three to four banks and increased the total 'Club' facility limit by almost 43% to \$250 million (previously \$175 million). In addition, it successfully established a significant multi-currency medium term note programme in Singapore. Mr Summers said that, "The ability to swiftly tap international capital markets to raise corporate term debt is also very real and gives the Company substantial firepower to pursue suitable corporate and large direct property acquisitions as opportunities arise".

Directors believe that market fundamentals remain very positive, with continued population growth, a low interest rate and more stable employment environment. The falling Australian dollar is also expected to help the economy transition to more balanced growth.

Mr Summers said, "It has been disappointing to see that much of the commentary on the housing market has focussed on extreme examples or specific micro-markets, such as parts of inner Sydney, which are then extrapolated into the rest of the Australian market."

“We believe that a sensible discussion around a number of points is critical. The issue of stamp duty, a tax that was meant to be eliminated in 2000 with the introduction of GST, is one such debate long overdue. The Company has for many years talked about the impact of government charges and taxes and the cost of red tape causing delays that are impacting affordability,” Mr Summers said.

Mr Summers said it was important to remember that the current market activity in new residential housing markets in which the Company operates follows a period of sustained downturn and lack of supply in many key markets.

“Until recently, poor consumer confidence led to a sustained period of inactivity in many parts of Australia with reduced sale volumes. Added to this, as we at AVJennings have been saying for a number of years, there is a significant undersupply of housing in many parts of Australia and New Zealand. It is these two factors, pent up demand resulting from historical low consumer confidence to transact, and a lack of land supply for over a decade, that has seen the rebound in the New South Wales market and Auckland,” Mr Summers said.

The markets in which the Company operates are less affected by many of the extreme issues influencing other markets such as CBD and inner ring residential in Sydney and Melbourne. “We do not auction property. Our prices are set to drive volume not maximise a one off result and there is a transparent system involving banks, valuers and a high level of competition which tempers dramatic price changes and our market is predominantly weighted to domestic buyers and owner occupiers” Mr Summers said.

The Chairman, Mr Cheong concluded by noting that, "Directors are therefore confident AVJennings is now in a strong growth phase. The Company is satisfied that its business model, backed by recent acquisitions and increased funding capacity, sees it well placed to capitalise on future demand after a long period of low consumer confidence. The population continues to grow and the need to provide quality affordable housing to Australians and New Zealanders remains."

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