AVJennings

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AVJennings Releases First Half (1H19) Results

Residential property developer AVJennings (ASX: AVJ) today announced profit before tax of $2.167 million for the first half 2019 financial year (1H19). The result is consistent with statements made to the market prior to Christmas and reflects the deferral of revenue originally expected to be booked late in the first half, together with softer trading conditions in key markets.

The Company advised the market in December 2018 that its earnings for FY19 would be even more heavily skewed towards the second half than in previous financial years, with approximately $11 million in profit contribution deferred due to settlement delays in Stages 1-3 at Lyndarum-North, Stages 2 and 5 at Spring Farm, Stages 6-7 at Cobbitty and Stage 3B at Hobsonville Buckley B, around $8.7 million of which has already or will be earned by the end of February, with much of the balance expected to be booked before the end of April.

While the full year result will be softer than that for FY18, the Company entered the second half with 883 pre-sold lots, 157 of which have settled since balance date, with a further 532 lots currently expected to settle by 30 June 2019, de-risking some second half revenues and generating good cash inflow.

The Company believes that consumer confidence is currently supressed by a combination of political uncertainty (especially Federal tax policy), sensationalist press commentary about the outlook for residential markets and the relatively sudden tapering of residential property lending appetite of banks.

AVJennings Managing Director and CEO, Mr Peter Summers, said "major lenders are digesting the recommendations of the Banking Royal Commission and tighter credit conditions have bitten particularly hard over the past six months." He added "we are seeing first homebuyers re-enter the market, which is pleasing, but second and subsequent buyers are not currently confident to contract prior to selling their existing home, so the transaction chain is slower across the board."

AVJennings is confident that the current subdued market conditions are temporary and do not represent 'the new normal' because market fundamentals remain sound. Overall, the outlook for the Australian economy remains positive, with interest rates likely to remain lower for longer; inflation and wages are starting to pick up; affordability is improving and net migration into the major capital cities remains positive, all of which will support future demand for affordable dwellings. Importantly, the banking regulator APRA has acknowledged that some of the curbs imposed upon bank lending over the past few years have done their job and must be reconsidered to avoid unintended consequences, particularly as new construction activity diminishes, and developers pare back supply.

The stronger second half outlook enabled the Directors to declare an interim dividend of 1.0 cent per share fully franked, bringing to 4.0 cents per share dividends (including the 3 cents per share final dividend for FY18) paid during FY19. The DRP is suspended as Directors do not believe that it is in the best interests of shareholders to issue new stock at this time.

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