

ASX / Media release
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AVJennings Delivers Solid First Half Result

Highlights *(all growth rates are YoY unless specified)*

- **Revenue of \$171.4 million, up 51%**
- **Settlements of 566 lots, up 55%**
- **Profit Before Tax (PBT) of \$12.6 million, up 482%**
- **Fully franked interim dividend 1.2 cents per share, up 20%**
- **Increased land bank underpins future growth - 12.4k lots, up from 9.9k a year ago**

Australian and New Zealand residential community developer AVJennings (ASX:AVJ, The Company) is pleased to provide financial results for the half-year ending 31 December 2019 (H1 FY20).

Financial Results

The Company recorded PBT of \$12.6 million, up 482% on the previous corresponding half (H1 FY19) and Profit After Tax of \$8.9 million, up 525%.

The result is consistent with the Company's position that its primary Brisbane, Sydney and Melbourne markets are in the early stages of a shallow recovery that it expects to continue through the second half of financial 2020.

Growth in Revenue and PBT were aided by increased settlements (566 lots up 55%) and higher margin contributions from projects in South-East Queensland, NSW and Auckland.

Business Overview

The steady improvement in trading conditions evident in the latter part of the second half of last financial year continued into this financial year, with growth in contract signings and 55% growth in settlements. Settlements included the last remaining superlots at 'Buckley B, Hobsonville Point' New Zealand, that were sold to builders in earlier accounting periods.

Average gross margin increased to 22.2% from 21.3% due to higher margin contributions arising from settlements in Queensland ('Arbor' at Rochedale) and NSW ('Argyle' at Elderslie, 'East Village', 'South Village' and the Evergreen PDA at Spring Farm, and 'Magnolia' at Hamlyn Terrace) in particular.

The turnaround to a positive contribution from Queensland is particularly pleasing and reflects focus on improving performance in the region. Additionally, the Company has removed a number of impediments to development of certain projects. For example, 'Riverton', Jimboomba, with completion of the first stage expected shortly, and settlements scheduled to commence in the second half of financial 2020, is now positioned to add to results in future periods.

In New South Wales, work on the 'Rosella Rise', Warnervale project will commence on site around June, providing a new point of focus on the Central Coast as the last dwellings in Magnolia, Hamlyn Terrace, are completed and the project finalised.

With the effective completion of the Company's holdings at Hobsonville Point, the importance of the new flagship 'Ara Hills' project located in Orewa, one hour north of Auckland has intensified, and development of the first stage is progressing well, with completion anticipated in the first half of financial 2021.

The Victorian business contributed at a lower level for reasons of production timing at 'Waterline Place', Williamstown and 'Lyndarum North'. Capital continues to be steadily recovered in South Australia to reposition the Company's exposure to that market.

Two new senior positions were filled during the period and the reorganisation of the Company's management and project control structure is now largely bedded down and contributing positively towards improving the efficiency of project delivery.

Increased dividend

Directors declared a fully franked interim dividend of 1.2 cents per share to be paid in March 2020 (1 cent per share was declared in respect of the half-ended 31 December 2018).

Increased land holdings

Land of 12,433 lots is well up on the previous corresponding half (31 December 2018: 9,864 lots) and from the level at 30 June 2019 (9,531 lots), due mainly to the signing of an option agreement over land (approximately 3,500 lots) at Caboolture Queensland, together with a contract for approximately 230 lots in Mernda Victoria.

Work in progress was down half-on-half to 1,480 lots (H1 FY19 2,241 lots) and from the position at 30 June 2019 (1,600 lots) due to a combination of stage completions and planned delay in commencements pending sustained improvement in market conditions. Importantly, the Company is well positioned to increase the level of work in progress in line with the anticipated strengthening market.

A strong balance sheet provides capacity for growth

Gearing (net debt/ total assets) remained low at 25.2% (total net debt \$164.3 million), down from the position in the previous corresponding half (28.8%) and as at 30 June 2019 (26.6%). This level of gearing is well inside our target gearing range of 15-35%, providing flexibility for acquisitions and capacity for growth.

Outlook

The Board and Management of AVJennings believe that the key Brisbane, Sydney and Melbourne residential property markets are becoming more firmly established in the early stage of a shallow recovery, while demand in Auckland New Zealand remains robust. Although global headwinds are evident, including the uncertainty around any impact of COVID-19, perceptibly more positive local demand indicators, together with supportive domestic macroeconomic conditions suggest that financial 2020 is likely to be a stronger year for the Company than the prior year.

CEO comments

Commenting on the first half results, AVJennings CEO Peter Summers said:

“AVJennings has delivered a solid and responsible first half result consistent with the Company’s expectations and modest improvement in market conditions. We have continued to balance decisions between short term results, balance sheet stability and long-term outcomes.

We’re making good progress with the projects coming into and already in production. Riverton at Jimboomba, Ara Hills near Auckland and Rosella Rise at Warnervale on the New South Wales Central Coast highlight this progress.

Pleasingly, we have grown and further diversified our land bank to more than 12,000 lots while maintaining funding capacity for further acquisitions and growth.

The Company is well positioned to build on the momentum we have established and respond to any further improvement in market conditions as required.”

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Media:

David Lowden
Head of Corporate Communications
Ph: +61 428 711 466

Investor Relations:

Carl Thompson	Andrew Keys
Company Secretary	Keys Thomas Associates
Ph: +61 3 8888 4802	Ph: +61 400 400 380