



# AVJennings®

2011 Full Year Review  
A Solid Result

## AVJennings delivers solid results in uncertain market

### **FY11 Financial Highlights**

- Net Profit after Tax up 34% to \$12.9m
- Profit before Tax from Continuing Operations up 5.9% to \$19.9m
- Net Debt (incl. proportionate share of JV Debt) steady; reflecting continued management focus
- Final Dividend: 1.5c per share fully franked; total dividends for year 2.5c per share

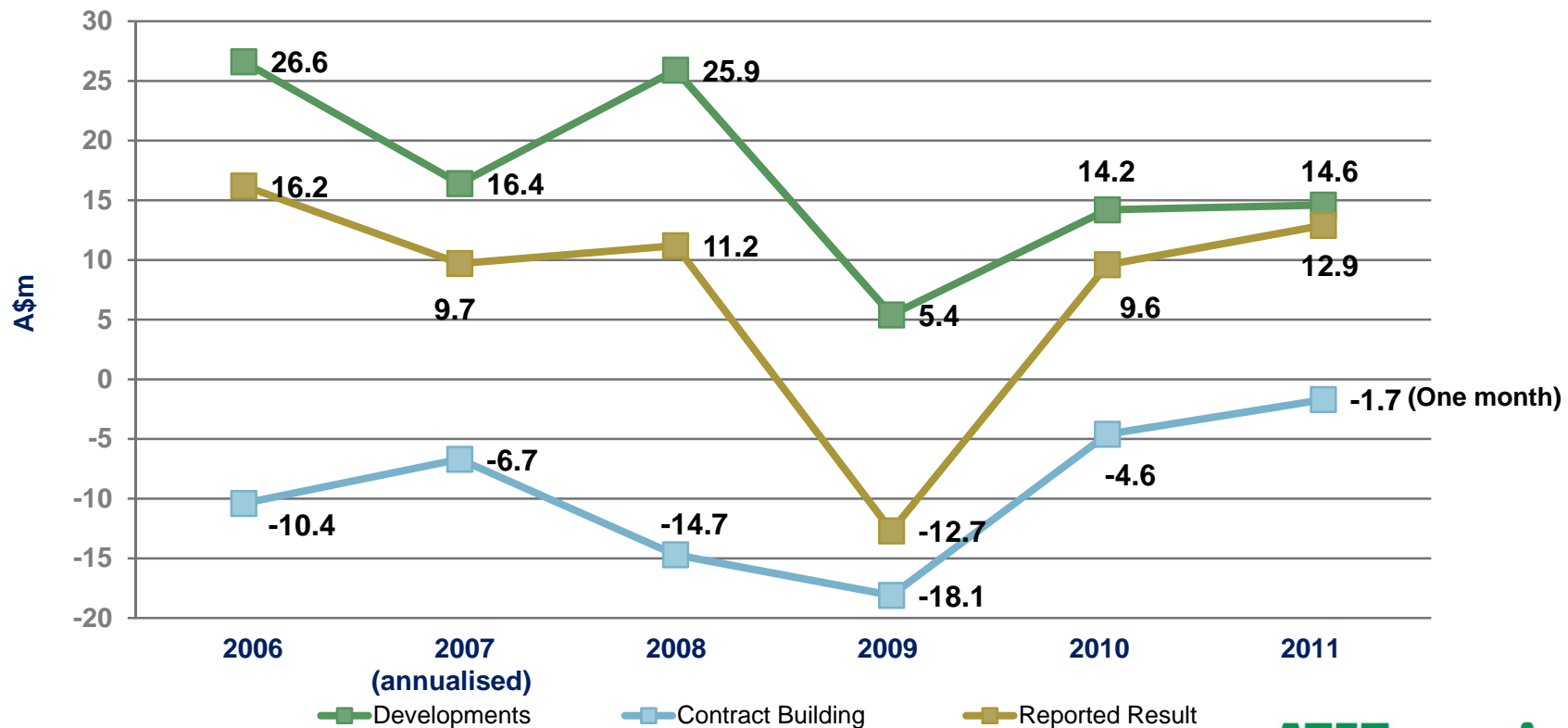
### **FY11 Business Highlights**

- Solid result in face of difficult market conditions
- 3,000 lots across 4 states added to portfolio; reflects buying opportunities that exist
- Renewal of main banking facilities; 2 years on more favourable terms

## Developments Business now sole focus

- Contract Building sold 2 August 2010
- Focus now on delivering Land and Integrated Housing projects
- Continuing to deliver housing products that are affordable in chosen markets

Results: Profit After Tax 2006 - 2011



## Strong balance sheet positions AVJ for further growth

A\$m (unless stated otherwise)	FY11	FY10	FY11 v FY10 % Change
Revenues from Continuing Operations	210.2	267.6*	-21.4
Profit before tax from Continuing Operations	19.9	18.8	+5.9
Profit after tax from Continuing Operations	14.6	14.2	+2.5
Loss after tax from Discontinued Operations (Division sold 2 August 2010 )	(1.7)	(4.6)	Not applicable
Net Profit after Tax	12.9	9.6	+34.1
Net Debt (includes share of JV debt)	82.3	81.4	+1.1
Net Debt (Balance Sheet)	56.9	57.9	-1.7

\* Restated

## Improved margins drive result

A\$m (unless stated otherwise)	FY11	FY10
Contracts Signed	168.9 <sup>#</sup>	463.2 <sup>#</sup>
No of Contracts:	1,056	2,258
Total Assets	492.6	472.6
Total Number of Lots (includes under management)	11,259	9,480
Revenues Recognised	225.8	471.2*
Gross Margins (%)	26.1	18.4*

# FY11 includes one month of Contract Building sales only

\* Restated

## Asset backing and EPS continue to improve

	FY11	FY10	FY11 v FY10 % Change
Earnings per share – Continuing Operations	5.32c	5.19c	+2.5
Earnings per share – All Operations	4.70c	3.50c	+34.3
Net Assets per share	\$1.11	\$1.09	+1.8
Net Tangible Assets per share	\$1.10	\$1.08	+1.9

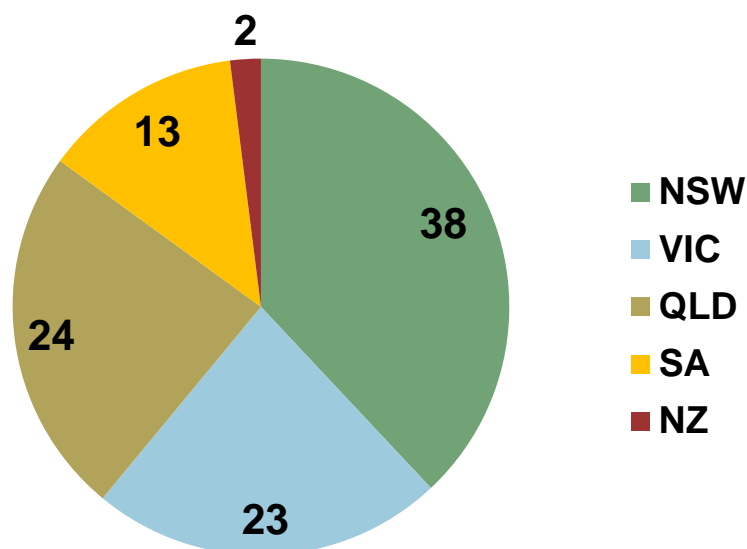
## 2011 Operational Highlights: managing the market conditions

<b>Strengthened Portfolio</b>	<ul style="list-style-type: none"><li>• 3,000 lots add depth to AVJ Portfolio; now 11,259 lots under management ( 2010: 9,480)</li><li>• Projects acquired across 4 states reflect AVJ approach to managing property pipeline</li><li>• Good buying opportunities continue; Internal land acquisition models continue to drive pricing</li><li>• Increased and new infrastructure levies now factored in</li></ul>
<b>Business Margins</b>	<ul style="list-style-type: none"><li>• Despite difficult residential markets gross margins improved</li><li>• Mainly reflects Victorian market conditions</li></ul>
<b>Banking facilities</b>	<ul style="list-style-type: none"><li>• New 2 year facility completed</li><li>• Generally, more favourable terms</li></ul>
<b>Management Team &amp; Systems</b>	<ul style="list-style-type: none"><li>• New team now in place around 2 years</li><li>• Focus now on processes and systems, especially workflow and inventory management</li></ul>

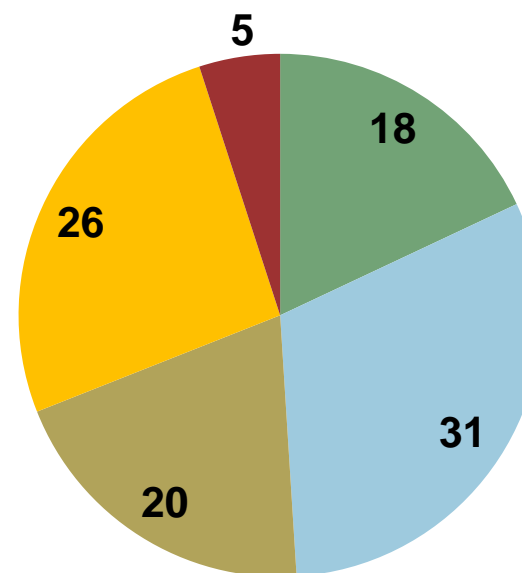
## Portfolio strategy balances market cycles and conditions

	NSW	VIC	QLD	SA	NZ	Total
Projects	11	8	12	9	1	41
No of lots (at 30 June 2011)	2,087	3,496	2,221	2,912	543	11,259

% of Net Funds Employed



% of Lots by State





## New projects in Queensland: structured for medium term market improvement

### Big Sky, Coomera

**No of Lots:** 318 lots  
**Location:** Gold Coast  
**Site Notes:** Land already zoned residential;  
Area of limited land supply;  
strongly aligns the AVJ brand  
with potential customers



### Elysium, Noosa

**No of Lots:** 174 lots (incl. 16 nearly completed houses)  
**Location:** Noosa Heads  
**Site Notes:** Project at advanced stage of development in relation to land. Goal to deliver more relevant, diversified and innovative product.



## New projects in South Australia, New South Wales provide base for long-term growth

### Cobbitty, New South Wales

**No of Lots:** 469 lots  
**Location:** South-western Sydney  
**Site Notes:** 43 hectares zoned residential; high growth corridor; area has significant undersupply



### Penfield, South Australia

**No of Lots:** 1,750 lots  
**Location:** North-western suburb of Adelaide  
**Site Notes:** JV with SA Government (Land Management Corporation); staged project over 15 years; capitalises on AVJ's history of partnering with governments



## Victoria: growth slower than in previous years; still strong market above historical trend line



Red = current projects  
Blue = under development

No of projects

8

No of lots

3,496

Key projects

Lyndarum, Wollert	774 lots
Arena, Officer	247 lots
Arlington Rise, Portarlington	287 lots



**AVJennings®**

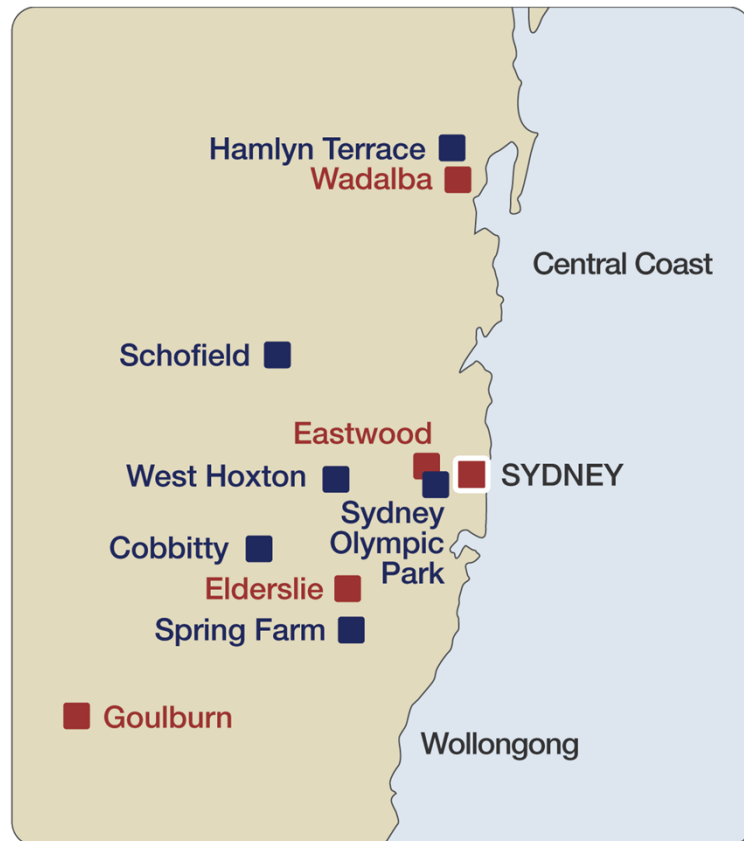
## Lyndarum continues to underpin Victorian results

Victoria	# of Lots	Pre	FY12	FY13	FY14	FY15	FY16	Post
Riverdale on Plenty Mernda	5							
Arena at Officer Officer	247							
Lyndarum North Wollert	774							
Wollert (options)	1,820							
Lyndarum Epping North	133							
Lyndarum JV ,100 O'Herns Rd Epping North	121							
Lyndarum, 150 O'Herns Rd Epping North	109							
Arlington Rise	287							

	<b>Pre-delivery</b>	Re-zoning and obtaining development approval etc.
	<b>Development</b>	Construction period
	<b>Start of Settlements</b>	Date where settlements are scheduled to commence



## New South Wales: minor improvements; market still below historical trends



Plus project: Sandy Beach

Red = current projects

Blue = under development

No of projects 11

No of lots 2,087

Key projects	The Ridges, Elderslie	365 lots
	Cavanstone, Eastwood	192 lots
	Cobbitty	469 lots



## Good mix of projects

New South Wales	# of Lots	Pre	FY12	FY13	FY14	FY15	FY16	Post
The Ridges Elderslie	365							
Hamlyn Terrace	440							
Spring Farm	185							
Ravensthorpe Heights Goulburn	189							
Seacrest Sandy Beach	137							
Schofield	13							
Cavanstone Eastwood	192							
Charterwood Wadalba	45							
West Hoxton	42							
Boulevard Sydney Olympic Park	2							
Cobbitty	469							

## Queensland: new grants may increase activity; market conditions are poor



Plus Project: Mackay

Red = current projects

Blue = under development

No of projects

12

No of lots

2,221

Key projects

Creekwood, Caloundra	666 lots
Elysium, Noosa Heads	174 lots
Glenrowan, Mackay	258 lots



## Strategy behind acquisitions allows for short term tough market conditions

Queensland	# of Lots	Pre	FY11	FY12	FY13	FY14	FY15	Post
Halpine Lake Stage 10 Mango Hill	183							
Northgate Mango Hill	42							
Creekwood Caloundra	666							
Glenrowan Mackay	258							
Essington Rise Leichhardt	135							
Nottingham Square Calamvale	206							
Creekwood Stage 7 Caloundra	6							
Villaggio Richlands	128							
Bethania	102							
Fitzgibbon Chase Fitzgibbon	3							
Elysium Noosa Heads	174							
Big Sky Coomera	318							



## South Australia: steady conditions, although signs of deterioration



Red = current projects  
Blue = under development

No of projects	9
No of lots	2,912
Key projects	St Clair, Cheltenham JV 924 lots Penfield 1,750 lots



## New Zealand: high profile, high quality project with NZ Government



No of projects

1

No of lots

543

Project

- Hobsonville Point
- Joint venture with NZ Government



## South Australia and New Zealand

South Australia	# of Lots	Pre	FY12	FY13	FY14	FY15	FY16	Post
Paringa View Huntfield Heights	5							
Pathways Murray Bridge	92							
River Breeze Goolwa North	86							
St Clair Cheltenham JV Cheltenham	924							
St Clair Woodville JV Woodville	21							
Penfield	1,750							
Charles Matthew Circle Woodville	2							
Brocas Terrace St Clair	9							
Cameo	13							
Plus remnant lots across all projects	18							
New Zealand								
Hobsonville Point Hobsonville	543							

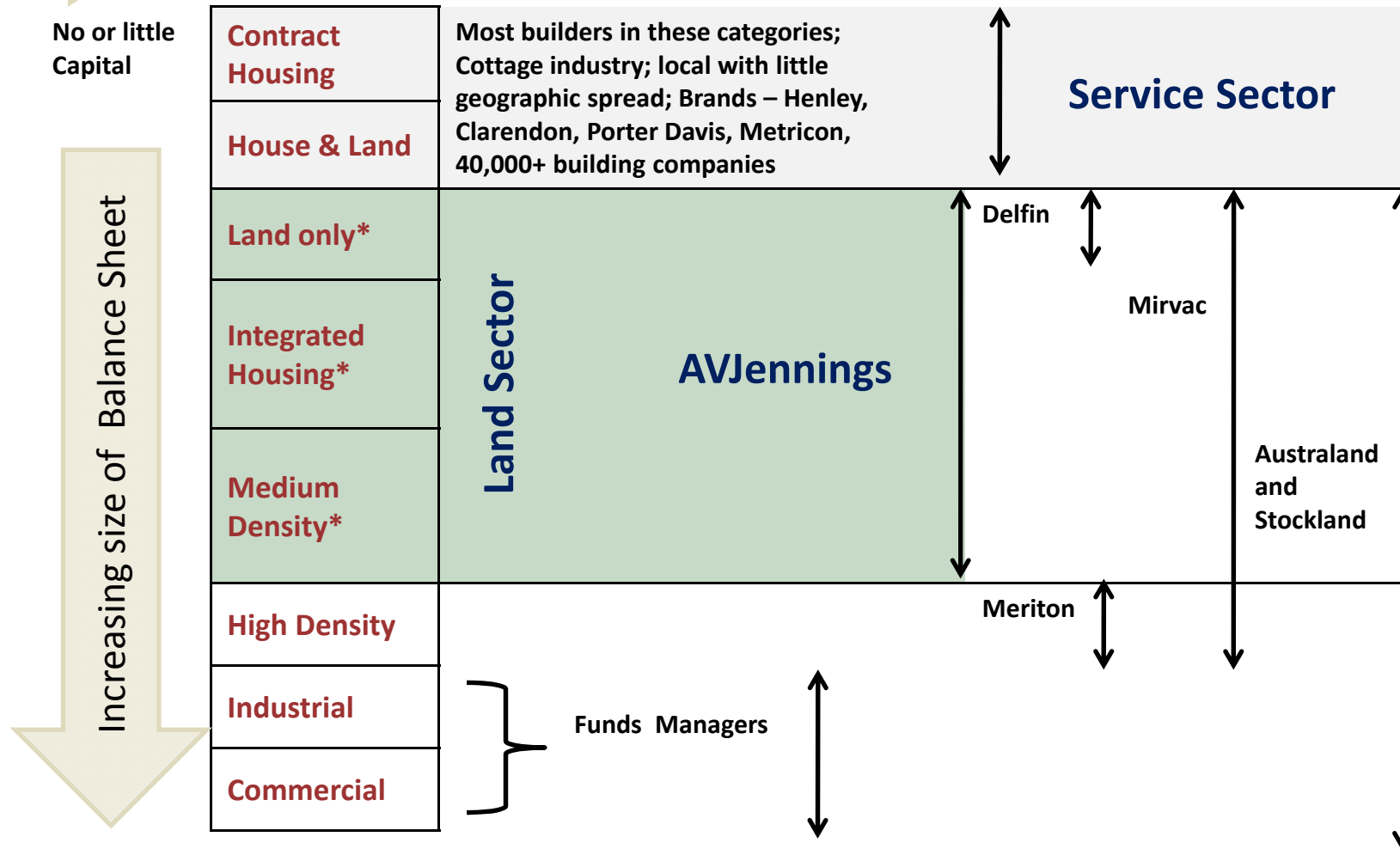
## FY12 outlook: Focus on the issues AVJ can control

<b>Market Conditions</b>	<ul style="list-style-type: none"><li>• Consumer confidence extremely low</li><li>• Interest rate environment improved but still uncertain</li><li>• Medium to long term fundamentals remain strong</li></ul>
<b>Workflow</b>	<ul style="list-style-type: none"><li>• Focus on cashflow and levels of completed inventory and work in progress – AVJ model provides significant flexibility to do this</li></ul>
<b>Focus on Costs</b>	<ul style="list-style-type: none"><li>• Affordability remains biggest factor in purchase decision</li><li>• Focus on delivering quality affordable houses</li><li>• Better land management practices and design</li><li>• Look for smarter solutions, innovations in design and building processes</li></ul>
<b>Acquisitions</b>	<ul style="list-style-type: none"><li>• Strong balance sheet and bank support for right projects</li><li>• Realistic acquisition strategy ; ensure correct assumptions</li><li>• Focus on “near term”: 5 year pipeline of projects</li><li>• Consolidation of builders continuing</li></ul>
<b>Consolidate Improvements</b>	<ul style="list-style-type: none"><li>• Continue work commenced in FY10</li><li>• Continue to improve project management process and systems</li><li>• Supply agreements and processes</li></ul>

## The investment case : AVJ's pure residential property focus

Pure Residential Property Developer	<ul style="list-style-type: none"> <li>• Clearly defined niche – <u>new</u> home buyers</li> <li>• Medium density residential developer</li> <li>• Focus on development and sale; not investment and holding</li> </ul>
Strong Balance Sheet	<ul style="list-style-type: none"> <li>• Conservative land acquisition strategy</li> <li>• Rigorous land acquisition modelling</li> <li>• Low debt; flexibility for new projects and acquisitions</li> <li>• Use Joint Venture and Development Agreements to de-risk pricing</li> </ul>
Diverse Project Portfolio	<ul style="list-style-type: none"> <li>• Projects spread across 4 states and New Zealand</li> <li>• Portfolio approach to managing developments</li> <li>• Well located projects – infrastructure in place; key growth corridors</li> <li>• Projects delivered over a number of building cycles</li> </ul>
Maintainable and Sustainable Model	<ul style="list-style-type: none"> <li>• Focus on building to known markets and price points</li> <li>• Land acquisition strategy underpins projects</li> <li>• Five year pipeline delivers more certainty around land acquisitions</li> <li>• Brand strong part of customer and supplier relationship</li> </ul>
Growth	<ul style="list-style-type: none"> <li>• Gap between supply and demand continues to spread</li> <li>• Consolidation of developers due to increased cost of land, regulation and requirements for stronger balance sheet</li> <li>• Affordability underpinned by good land acquisitions is key</li> </ul>

## AVJennings has few direct competitors



\* Can further split between small, medium and large scale projects

## AVJ targets deepest part of residential market

### Affordability:

- A factor of location of project and that market's fundamentals
- Changes project to project and market to market
- AVJ to meet the broadest part of the market for that project
- Product mix and project structure meets strict internal business models

