

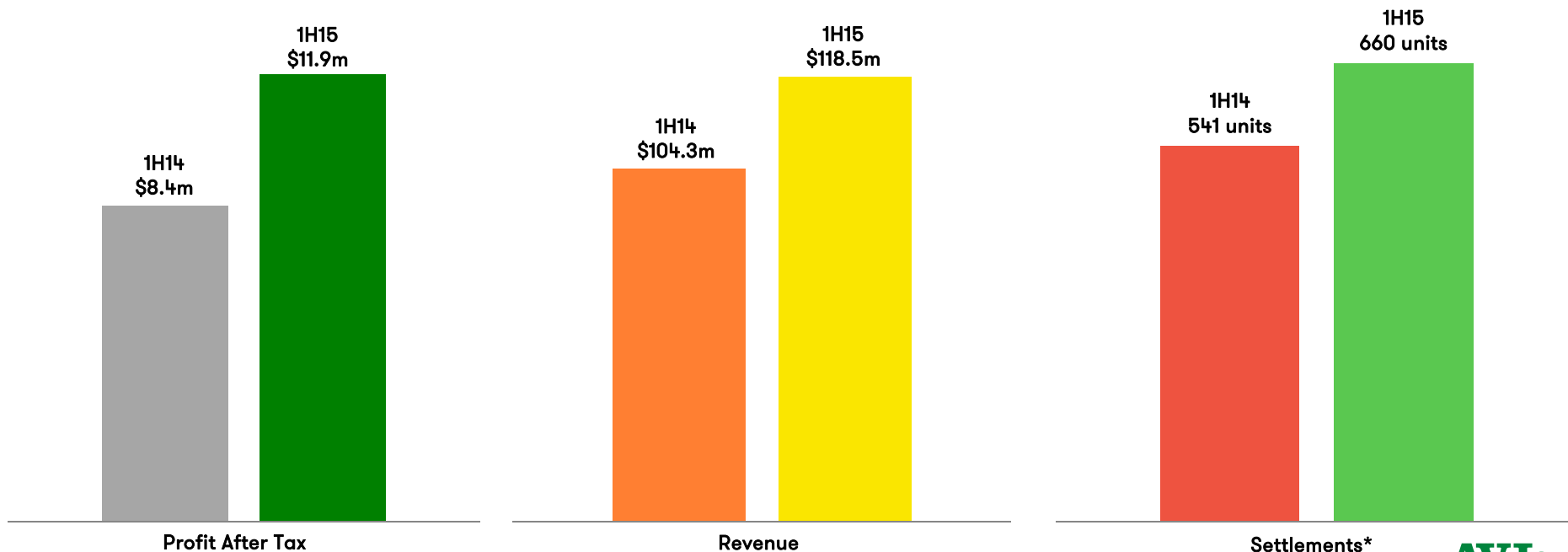
# Half Year Results

31 December 2014

# Company Highlights

## AVJ Growth Continues

- Profit before tax \$16.8m up 34.9% on 1H14 (\$12.5m) and was earned on revenue of \$118.5m, a 13.7% increase over 1H14 (\$104.3m) due to the completion of inventory, strong sales and settlement activity in 1H15. Profit after tax \$11.9m up 42.1% on 1H14 (\$8.4m).
- Strong 1H15 result with an interim fully franked cash dividend of 1.0 cps declared
- Gross margins up through changing product mix and exiting older stock
- Net debt remains low at \$91.1m (debt to total asset ratio of 17.9%)
- New \$175m corporate debt facility signed
- Full year contract signing guidance up from 1,500-1,700 lots to 1,700-1,900 lots



# Company Highlights cont..

## Growth forecast to continue, driven by:

### Accelerating Production and Active Management of Product Mix

- Reflecting improved market conditions both in retail and B2B
- Closely targeting product to consumer preferences

### Most Projects at Site

- Virtually all projects now in production
- Exiting older stock

### Focus on Acquisitions

- Purchased remaining 50% of 'St Clair' joint venture in South Australia
- Purchased more land in Cobbitty NSW contiguous with 'Arcadian Hills'
- Investment in Perth increased with three additional equity stakes in residential projects in the inner urban ring of the City
- Other acquisitions contemplated on capital efficient terms
  - sufficient pipeline for short term but needs addressing
  - price an issue in some markets but sufficient acquisition opportunities exist to enable us to achieve required returns and targets and pursue our strategies
  - New corporate facility and low gearing levels support acquisition strategy

# Company Highlights cont..

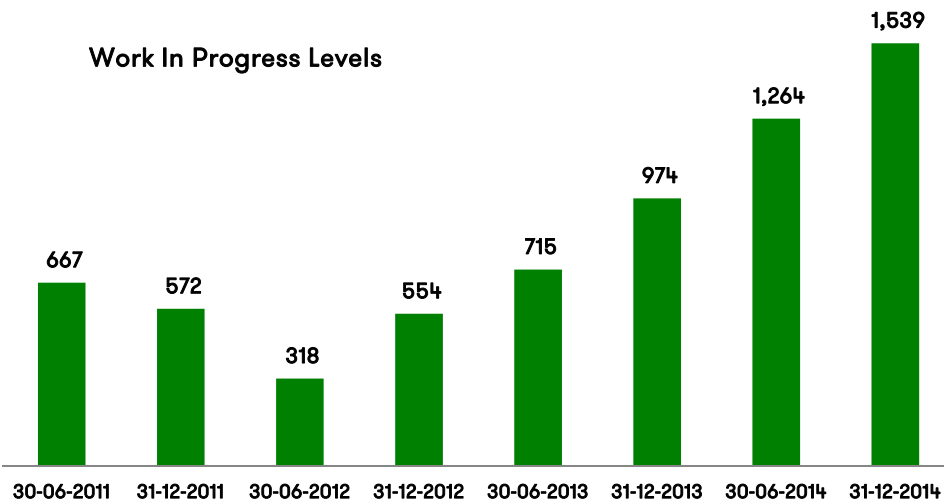
## Work in Progress continues to rise

- Grew for the fifth consecutive half to 1,539 lots.
- No material increase in fixed overhead or the level of completed unsold stock, which remains very low
- Represents 58% increase on prior year and 384% increase since June 2012

## Leading to

- More settlements
- More contract signings: full year guidance revised upwards to 1,700-1,900 lots
- Contract signings continue to exceed settlements, forming a strong basis for future revenue
- Increasing land sales is shortening the time between contract signings and settlements, again aiding revenue growth

Work In Progress Levels



30-06-2011 31-12-2011 30-06-2012 31-12-2012 30-06-2013 31-12-2013 30-06-2014 31-12-2014  
[avjennings.com.au](http://avjennings.com.au)



Settlements\*

Contract Signings

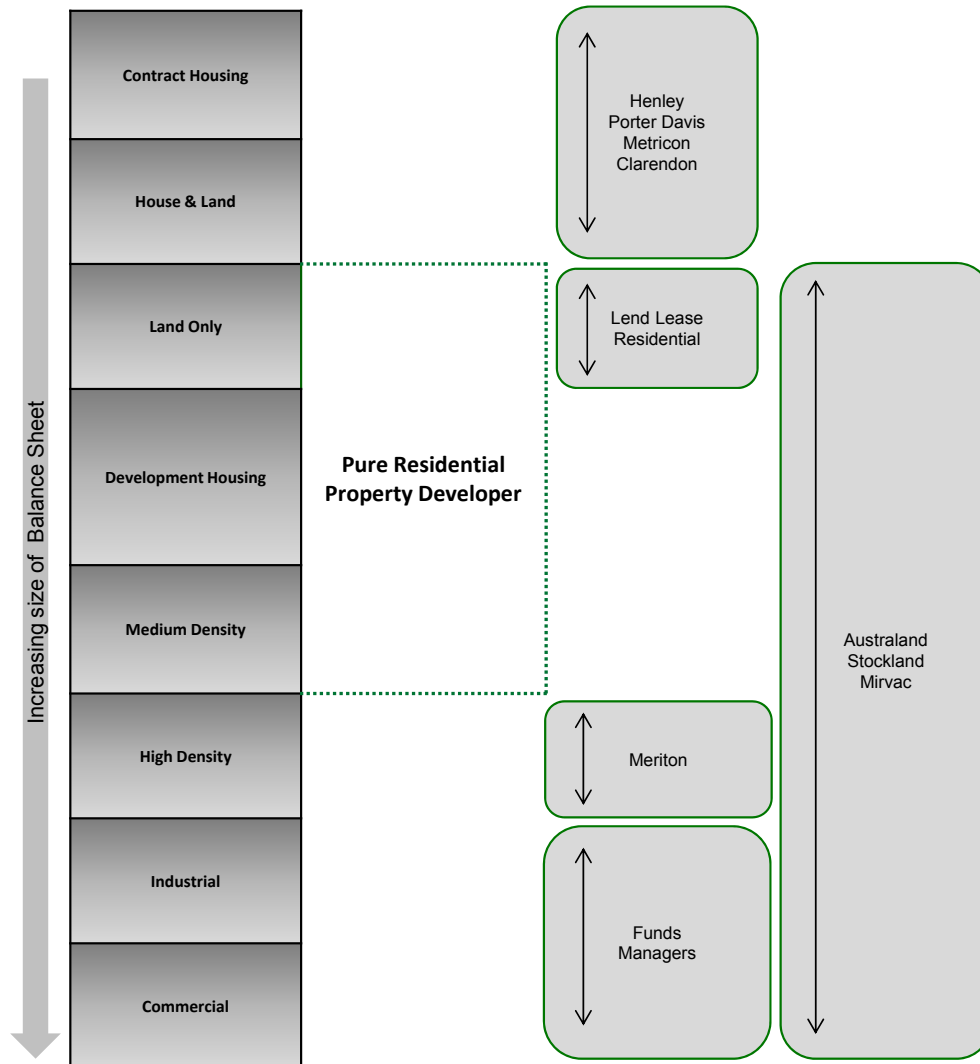
\*Includes some contracts where revenue has been recognised on an unconditional contract basis

# Company Highlights cont..

## And will also improve returns due to:

- Relative contribution from older projects diminishing in favour of newer projects
  - Older projects have accumulated holding costs and other legacy issues
- Improved economies of scale
  - High proportion of non project costs are fixed
    - most variable costs relate to direct project costs
  - Higher turnover improves relative returns
  - Increased volumes provide opportunities to leverage suppliers, reducing both costs and lead times, resulting in improved production efficiency

# AVJ Who We Are



## Strategy

- Continue to be pure residential developer with bias towards horizontal development (i.e. low exposure to high rise apartments)
- Focus on acquiring sites that are well placed within their catchments
- Ensure projects have strong alignment with our brand and what we are known for
  - Especially focussed on affordability
- In house integrated building capability
  - Key to maximising land utilisation leading to improved affordability
- Geographic Diversity

# AVJ Who We Are Brand

Building on our past.  
Shaping your future.

avjennings.com.au

AVJennings

Your  
community  
developer

avjennings.com.au

AVJennings

avjennings.com.au

- Research shows we are known for:
  - Quality
  - Value
  - Integrity
  - Reliability
- Reputation built on 82 years of history
- It is on this history that we will build on our past to shape your future
- And we will proudly invest in the brand
  - Steve Waugh, AO: Corporate Ambassador for AVJennings
    - Strong alignment of values
- Market presence ramping up through increased brand awareness and other marketing

# AVJ Who We Are People

- Board
  - Provided strong leadership throughout
- Management
  - Highly motivated and experienced team covering all aspects of the business
- Our staff
  - Remain our most valuable resource
  - Focus on recruiting, retaining and developing highest calibre staff
  - Strong alignment of our brand values with our people and culture





# AVJ Who We Are

## Product & Innovation

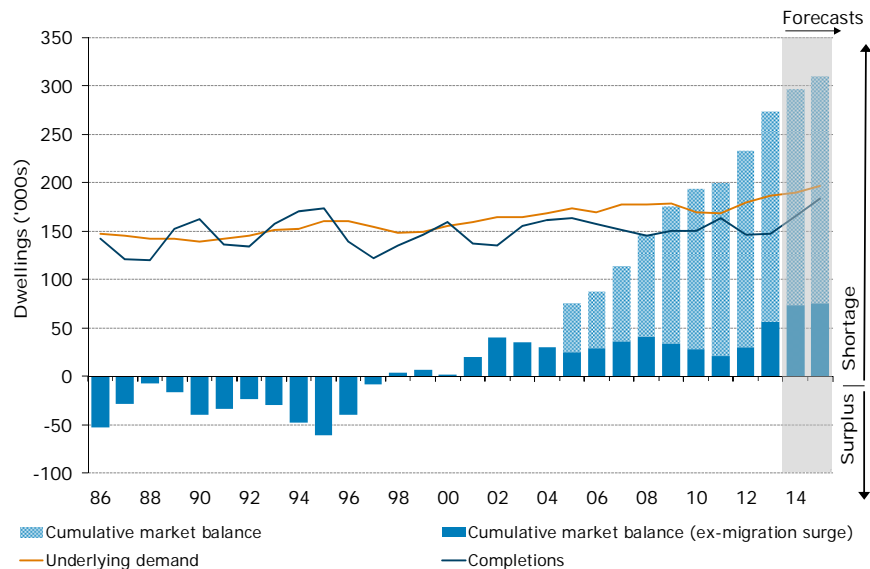


- Award-winning residential communities that are well located within their catchments
- Committed to delivering innovative and environmentally sustainable estates and homes at affordable prices
- New-to-industry initiatives in small lot and multi-level housing (including 'triplex' and 'up and over' designs), carbon neutral, geothermal air conditioning and 'all-gas' energy efficient dwellings in selected locations
- Continuous focus on improving 'constructability' as an aid to affordability, with increasing use made of in-factory prefabrication of building components (e.g. complete wall panels) to reduce construction times
- Keeping abreast of customer preferences in design and functionality to ensure ongoing product relevance
- Flexible design allows dwellings to adapt as their occupants age (e.g. an affordable lift developed for application in multi-level terraces)
- Integrated development process where all disciplines under internal control allows nimble reaction to changed products, materials and designs to efficiently bring innovations to market

# Market Conditions Overview

- Market fundamentals remained positive over the half, despite some headwinds internationally, with continued strong consumer confidence bolstered by low interest rates and inflation, underlying housing shortages in some markets (especially Sydney, Brisbane and Auckland) and continued strong population growth in both Australia and New Zealand
- Affordability is an ongoing challenge but is assisted by benign interest rate outlook for the foreseeable future, only moderate price growth on the urban fringe of most capital city markets and Government incentives (FHB, concessional SD)
- Strong interest in purchasing lot equivalents shown by third party builders and developers in all jurisdictions evidences confidence in continuing market recovery

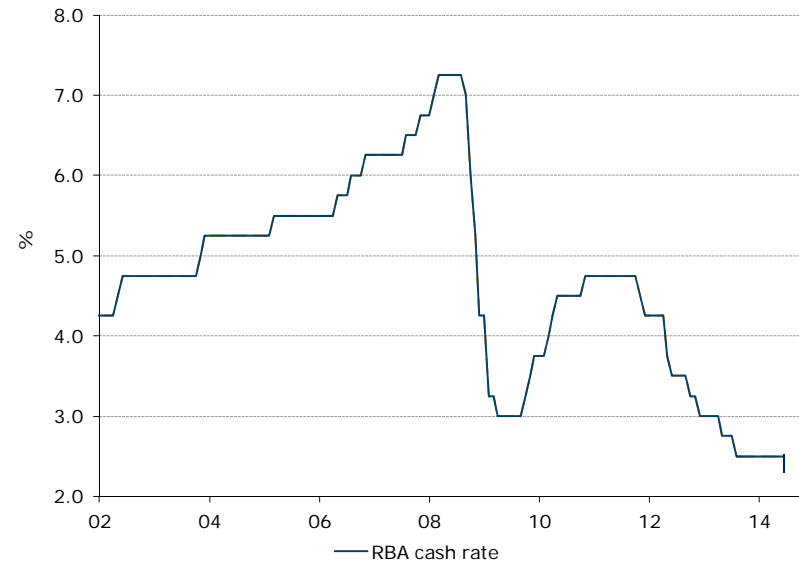
Housing Market Balance: Australia



Sources: ABS, ANZ

[avjennings.com.au](http://avjennings.com.au)

RBA Cash Rate



# Market Conditions

## New South Wales

- Sydney remains the strongest market in the country with flow-on benefits to the NSW Central Coast
- “Arcadian Hills” Cobbitty is well underway and will be a strong contributor in 2H15
- Physical works and sales at “Magnolia” Hamlyn Terrace have commenced with margin contribution to be realised in 2H15
- Fundamentals remain supportive: dwelling approvals up 21% as against December 2013 with continuing supply shortage and strong demand



Arcadian Hills, Cobbitty

# Market Conditions

## Queensland

- Activity in Brisbane is rapidly accelerating with positive knock-on to the Caloundra and Coomera Queensland markets
- Major infrastructure projects will boost jobs and demand
  - Gold Coast: new light rail link, 2018 Commonwealth Games
  - Sunshine Coast: airport upgrade, Coast Connect transport upgrade and University Hospital



Creekwood, Caloundra

# Market Conditions

## New Zealand

- Auckland remains a strong market and the Company's outstanding Hobsonville Point joint venture project continues to experience significant demand
- Strong contract signings achieved at Hobsonville Point in the new "Catalina" Precinct with construction now underway



Catalina Precinct

# Market Conditions

## Victoria

- Victorian market is moderately active as it continues to correct for the 2010-11 oversupply
- Melbourne residential continues to improve for the Company with its estates in the east virtually complete and those in the north performing strongly
- In the context of population growth (a very strong 2% p.a.), housing completions are in balance
- Possible oversupply largely contained to inner city high rise

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Arlington Rise: Advert

# Market Conditions

## South Australia

- South Australia residential market subdued, however, activity at “St Clair” and “Eyre” remains positive as these high quality masterplanned estates provide consumers with attractive points of difference from competing offerings
- Greater efficiencies and profit contribution realised from “St Clair” following acquisition of the remaining 50% interest
- “St Clair” UDIA Award of Excellence Winner in the following categories:
  - Master Planned Communities
  - Affordable Housing

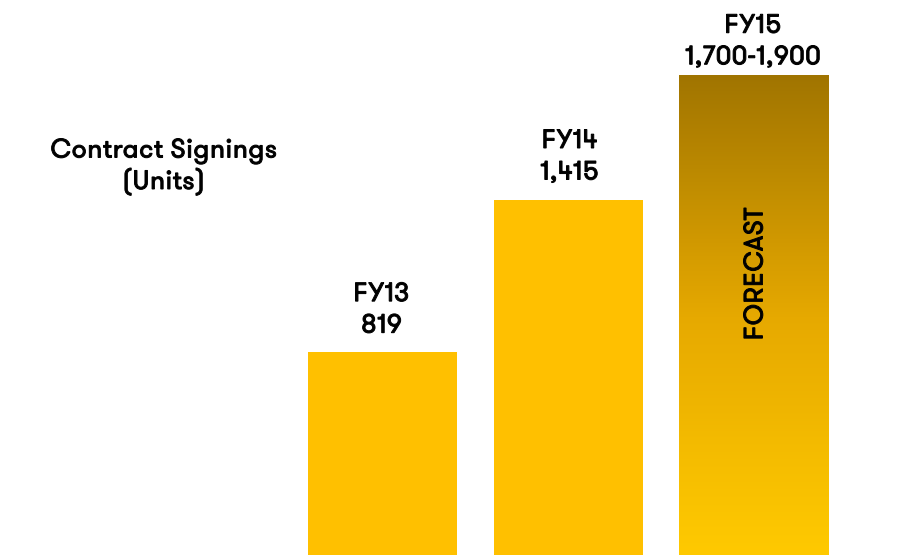


St Clair, Adelaide

# Outlook

## Sound Fundamentals

- Macroeconomic outlook over 2015-2016 remains stable and supportive
- Consumer confidence is strong as it relates to residential property
- Contract signing guidance for the year ending 30 June 2015 revised upwards to 1,700-1,900 lots
- A solid start to FY15, although, as in prior periods, the full year results will weigh heavily towards the second half as a result of production staging and seasonal factors
- Strong cash generation from mature projects is anticipated over the next two years so prudent stock replenishment is an increasing priority
- As at balance date, loan approvals for new dwellings were stable at their highest level in four years
- Record high national total dwelling approvals of 200,814 for calendar 2014





# Appendices

# 1H15 Results in Detail

	1H15	1H14	2H14	TOTAL FY14	1H13	2H13	TOTAL FY13
<b>Revenues:</b>	\$118.5m	\$104.3m	\$146.3m	\$250.6m	\$52.9m	\$105.6m	\$158.5m
<b>Profit/(Loss) before Tax:</b>							
- statutory	\$16.8m	\$12.5m	\$14.5m	\$27.0m	(\$28.3m)	\$5.0m	(\$23.3m)
- excluding increase/decrease in impairment provision		\$7.3m	\$14.5m	\$21.8m	(\$5.3m)	\$5.0m	(\$0.3m)
<b>Gross Margins:</b>	26.9%	22.5%	21.5%	21.9%	21.8%	20.7%	21.1%
<b>Inventory &amp; Other Impairments:</b>							
- Before tax	-	-	-	-	\$23.0m	-	\$23.0m
- Book value of inventory	-	-	-	-	5.3%	-	5.5%
<b>Inventory Provision Write Back:</b>							
- Before tax	\$3.7m	\$5.2m	NIL	\$5.2m	NIL	NIL	NIL

# Lot Settlements & Land Payments<sup>1</sup>

	Full Year							Half Year
	FY08	FY09	FY10	FY11	FY12	FY13	FY14	1H15
Total settlements (units)	1,846	1,841	1,472	1,175	861	829	1,254	660
NSW settlements (units)	275	245	304	144	110	158	200	270
VIC settlements (units)	895	1,220	523	671	395	186	329	110
QLD settlements (units)	354	180	381	116	172	121	352	205
SA settlements (units)	322	196	264	182	105	166	138	71
NZ settlements (units)	-	-	-	62	79	198	235	4
Lots under control at end of period <sup>3</sup>	10,876	9,825	9,480	11,259	10,837	9,952	9,219	9,418
Work in progress (units)	1,025	450	521	667	318	715	1,264	1,539
Work in progress (\$ million)	130.5	64.2	45.4	95.2	61.9	72.1	127.3	150.2
Revenue from settlements (\$ million)	347.1	345.1	248.8	195.5	182.3 <sup>2</sup>	152.2 <sup>2</sup>	244.4 <sup>2</sup>	112.5 <sup>2</sup>
Land Payments (\$ million)	151.9	27.8	47.8	38.1	68.0	28.4	53.9	46.1

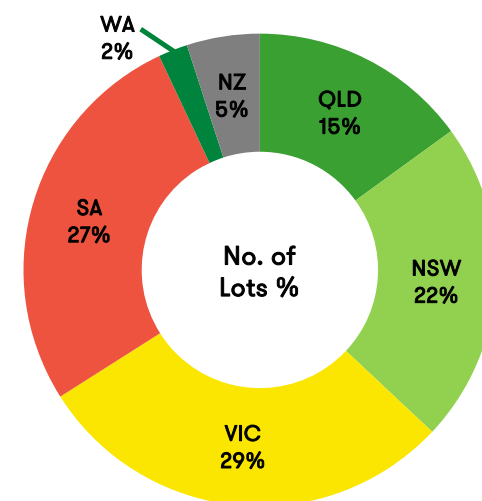
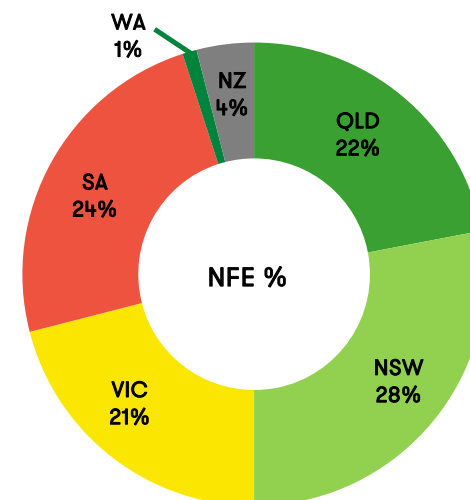
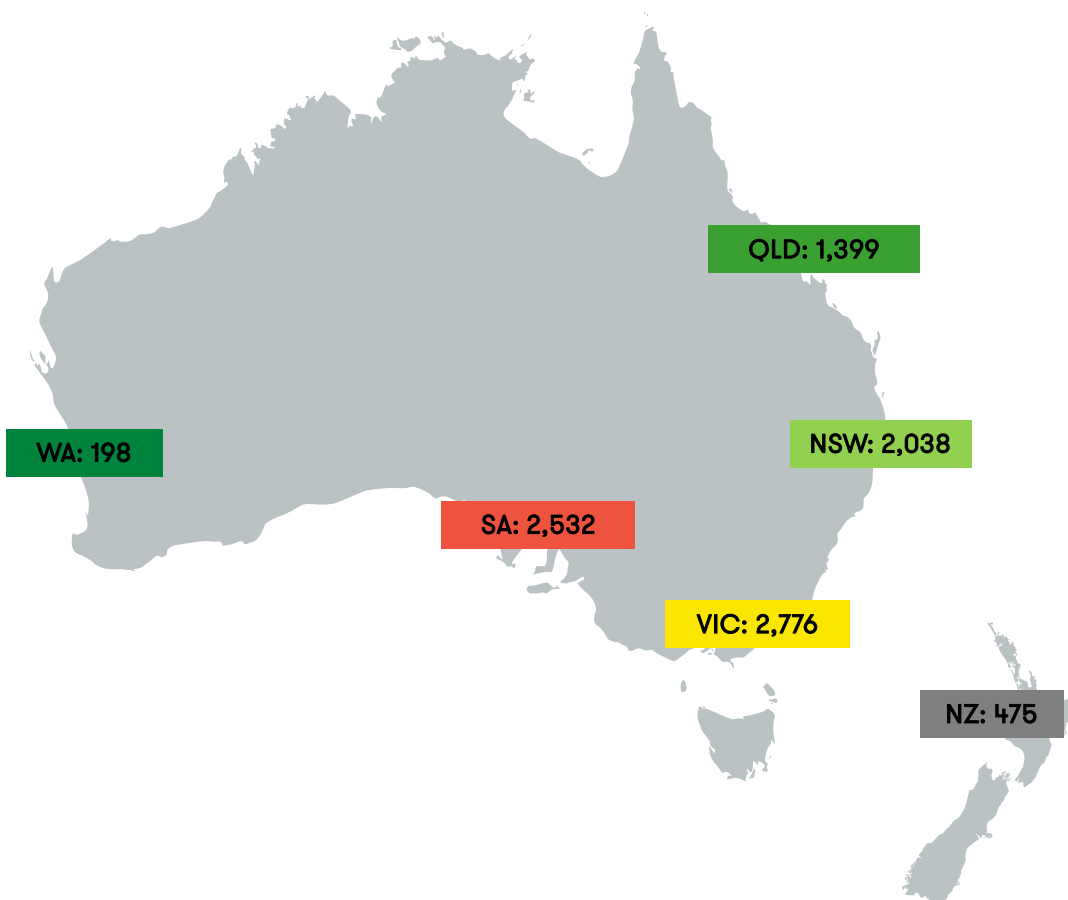
1. Excludes Contract Building Division sold to Sekisui House Australia in August 2010

2. Includes revenue from SA JV Build Out to September 2014

3. Includes some contracts where revenue has been recognised on an unconditional contract basis

# Geographic Spread & Inventory

Number of Lots at 31 December 2014: 9,418



# Project Pipeline at 31 December 2014

REGION	Project Name	Project Acquired	Project Commenced	Total Gross Revenue	Original No. of Lots	Remaining No. of Lots	Pre	FY15	FY16	FY17	FY18	FY19 +
QUEENSLAND	Halpine Lake, Mango Hill	Mar-04	Jul-04	\$165.9m	689	83						
	Creekwood, Caloundra	Nov-07	Apr-09	\$185.3m	684	477						
	Glenrowan, Mackay	Aug-08	Jul-10	\$53.1m	278	177						
	Essington Rise, Leichardt	Dec-09	Mar-10	\$26.0m #	158	96						
	Nottingham Square, Calamvale	Sep-07	Aug-09	\$101.1m	258	65						
	Villaggio, Richlands	Jul-09	Jun-10	\$47.8m	142	79						
	Bethania	Jun-10	NC	\$39.1m	128	128						
	Elysium, Noosa Heads	Nov-10	Jan-11	\$54.4m	174	43						
	Big Sky, Coomera	Jun-11	Oct-11	\$76.8m #	334	251						
NEW SOUTH WALES	Argyle, Elderslie	Nov-14	Nov-14	\$200.0m #	500	500						
	Magnolia, Hamlyn Terrace	Jul-01	Oct-14	\$165.2m	460	472						
	Spring Farm	Jan-02	NC	\$87.3m	185	206						
	Ravensworth Heights, Goulburn	Apr-07	Aug-07	\$87.8m	279	107						
	Seacrest, Sandy Beach	Sep-07	May-10	\$25.0m	141	99						
	Cavanstone, Eastwood	Oct-07	Aug-08	\$263.0m #	274	8						
	Arcadian Hills, Cobbitty	Oct-10	Aug-13	\$205.4m	469	406						
	Cobbitty	Oct-14	N/C	\$92.4m	180	180						
	Lakes Edge, The Ponds	Oct-12	Apr-13	\$62.0m #	82	52						
VICTORIA	Arena, Officer	Jul-04	May-08	\$139.2m	685	43						
	Lyndarum North, Wollert	Jul-07	Mar-10	\$163.8m	856	310						
	Wollert (Options)	Purchase not yet finalised			1,820	1,820						
	Lyndarum, Epping North	Aug-03	Nov-07	\$220.1m	945	47						
	Arlington Rise, Portarlington	Mar-11	Apr-11	\$53.8m	256	216						
	Hazelcroft, Doreen	Aug-11	Jul-13	\$71.9m	365	340						
SOUTH AUSTRALIA	Pathways, Murray Bridge	Jul-05	Mar-06	\$25.7m	238	60						
	River Breeze, Goolwa North	Jun-07	Mar-08	\$15.6m	130	80						
	St Clair, Cheltenham JV	Nov-07	May-09	\$375.1m	937	682						
	Eyre at Penfield	Jan-11	May-12	\$359.6m #	1,763	1,700						
NZ	Hobsonville Point, Hobsonville	Apr-08	Aug-09	\$89.0m #	625	63						
	Catalina, Hobsonville	Jun-14	Oct-14	\$78.0m	412	412						
WA	Indigo China Green	Apr-14	N/C	N/A	124	124						
	Viridian China Green	Apr-14	Jun-14	N/A	74	74						

TOTAL NO. OF REMAINING LOTS

9,418

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on our past.**

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your future.**