

# First Half FY23 Financial Results

Thursday, 16 February 2023

# Acknowledgement of Country.

*AVJennings acknowledges the Traditional Custodians of Country throughout Australia and New Zealand and recognises their distinct cultural and spiritual connections to the land, waters and seas and their rich contribution to society. We pay our respects to ancestors and Elders, past and present.*

# What we do: AVJennings develops affordable communities for the way people want to live today.

- We develop and sell affordable, master-planned communities in sought after locations.
- To do this we buy land or obtain a controlling interest in it.
- We're mostly a horizontal developer – we can scale production up and down to meet the market.
- AVJennings does not:
  - Develop inner-city high-rise apartments; or
  - Undertake contract building with retail customers (fixed price build contracts).



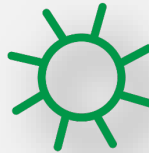
# Our communities are designed with strong environmental and social considerations.



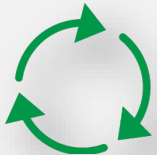
Emphasis on  
Recreational Areas



Protecting  
Biodiversity



Alternative  
Energy



Waste Management  
and Recycling



Water  
Management



Efficient  
Design



Cultural Heritage  
Management

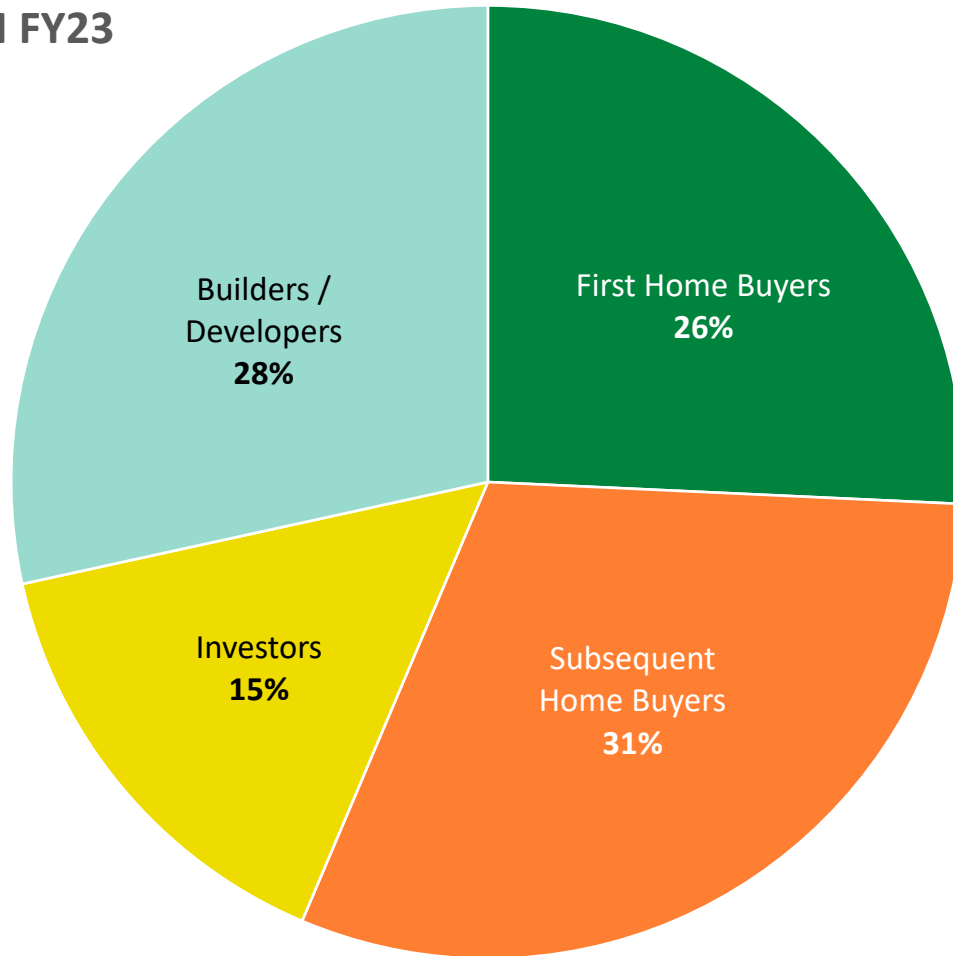


Climate  
Resilience

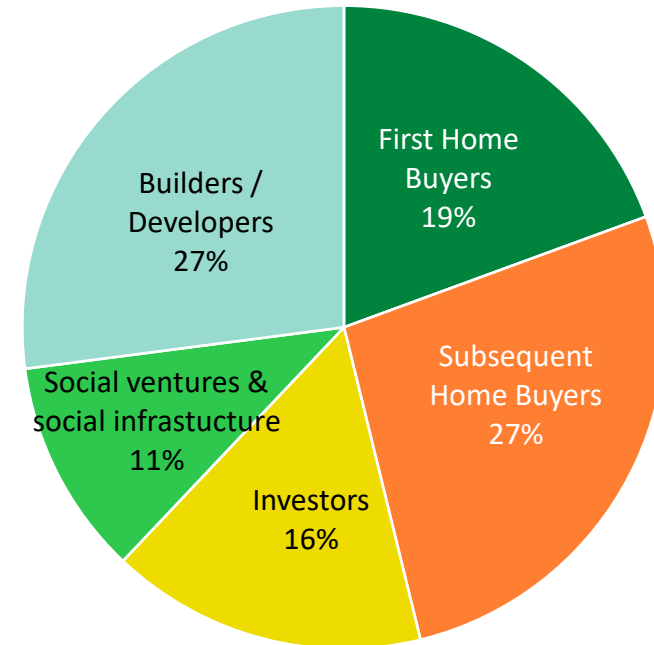
# Our customer focus is the traditional residential market.

Customer segmentation based on lots settled

1H FY23



1H FY22



# Our customers.

- We create our communities for the way people want to live today.
- We continually seek feedback from our customers to ensure that we are the best that we can be. We prioritise customer and community engagement. Our Customer Insights provides qualitative and quantitative information on our customers' levels of satisfaction from an initial property enquiry through to residency and beyond.
- Customers have direct connection to us virtually or in person at our Sales and Information Centres, digitally via our website, live chat, social media or online community groups.
- We regularly hold community events and activities, giving our residents the opportunity to get to know the people in their neighbourhoods, building community spirit and making lasting friendships.
- Our research tells us that our customers consider us to be 'professional, affordable' and 'reliable' and they trust what we do.



# AVJennings growth strategy.

## Scale

- Greater productivity and efficiency with resources

## Grow

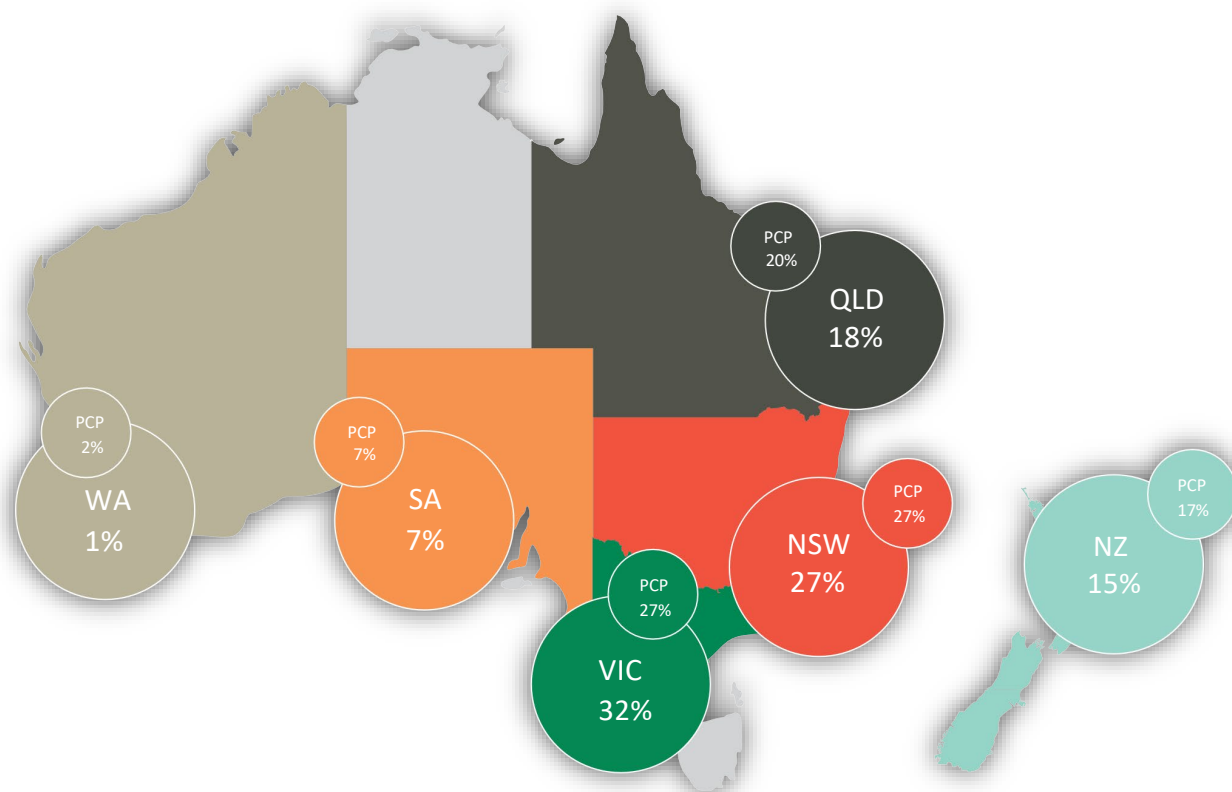
- Grow into new markets
- Capital efficient acquisitions
- Growing into regional areas
- Increase the size of the land bank

## Expand

- Expand the products we provide
- Increase the volume and proportion of built form product

Focused on ROE Growth and reducing the share price discount to NTA

# Our growing and geographically diverse portfolio in Australia & New Zealand.



PCP = Prior corresponding period (1H FY22). Percentages are regional splits of total company NFE.

## Portfolio dynamics

- Diverse geographic allocation of funds employed helps mitigate market risk.
- Total NFE \$573 million.
- 14.4k lots in the portfolio, +13% from June 2022, in-line with the Company's growth strategy.
- Largest by lot size is Caboolture in SEQ with 3.5k lots under option.



# Review of 1H FY23.

# Key messages.

- Strong 1H with 87% growth in EPS as we deliver on the pipeline of sales that built up during FY22.
- Efficient and effective use of NFE with completed and unsold stock low at 3.5% of WIP and average gross margins improving 6% to 35%.
- Strong financial position and growing our land bank to 14.4k lots (up 13% from June 2022) with capital efficient acquisitions.
- Challenging market conditions have tempered sales in the short term however medium to long term industry fundamentals remain strongly supportive.
- 2H FY23 performance is underwritten by 425 presold lots representing ~\$119m of revenue, a high proportion of which are expected to settle this half.
- We're focused on ROE growth and other measures aimed at reducing the share price discount to NTA.
- Impacts from weather, supply chain and labour market tightness remain.

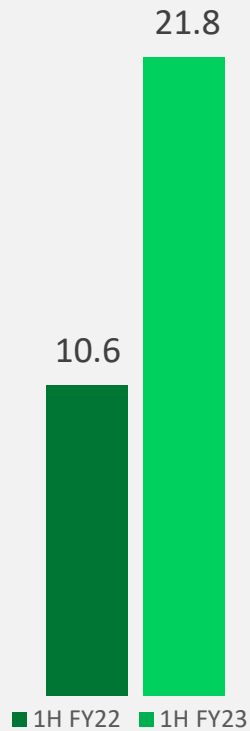


# Financial summary.

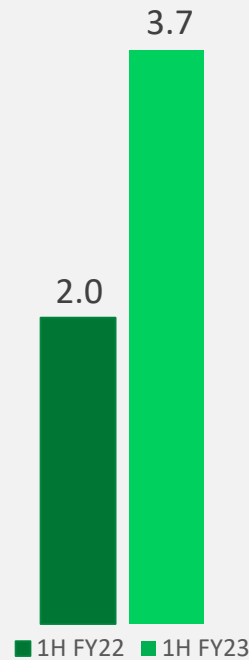
	1H FY23	1H FY22	Change
Total revenue (\$M)	\$140.4	\$116.9	20.1%
Statutory profit before tax (\$M)	\$21.8	\$10.6	105.7%
Statutory profit after tax (\$M)	\$15.2	\$8.1	86.5%
Gross margins	35.0%	28.7%	6.3pp
Net tangible assets (NTA) (\$M)	\$419.8	\$407.4	3.0%
NTA per share	\$1.03	\$1.00	3.0%
EPS (cents per share)	3.74	2.0	87.0%
Dividend fully franked (cents per share)	1.1	1.1	

# Strong growth in EPS.

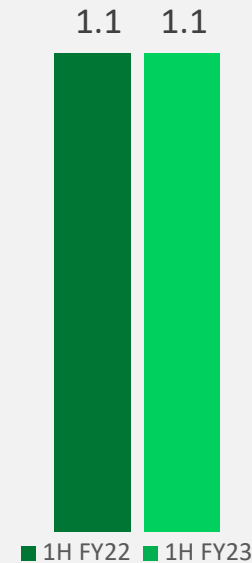
PBT up 106%  
(\$M)



EPS up 87%  
(cents per share)



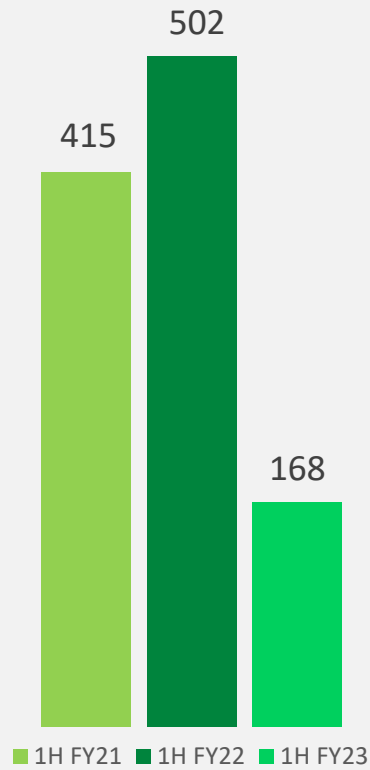
Dividend stable



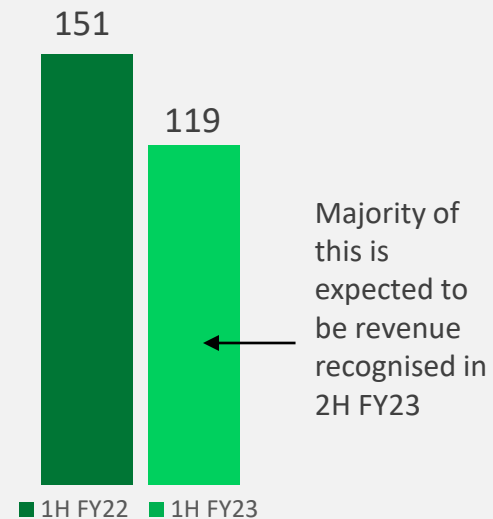
- We are delivering on the pipeline of sales that built up during FY22.
- Settlements volumes were 22% higher and average margins improved 6% to 35% with price growth helping to offset the impact of skilled labour shortages and supply chain pressure.
- The dividend represents a 6.2% annualised yield (fully franked grossed up) on \$0.41 share price after considering the final dividend for the year ended 30 June 2022.

# More challenging market conditions have tempered sales.

Contract signings (lots)

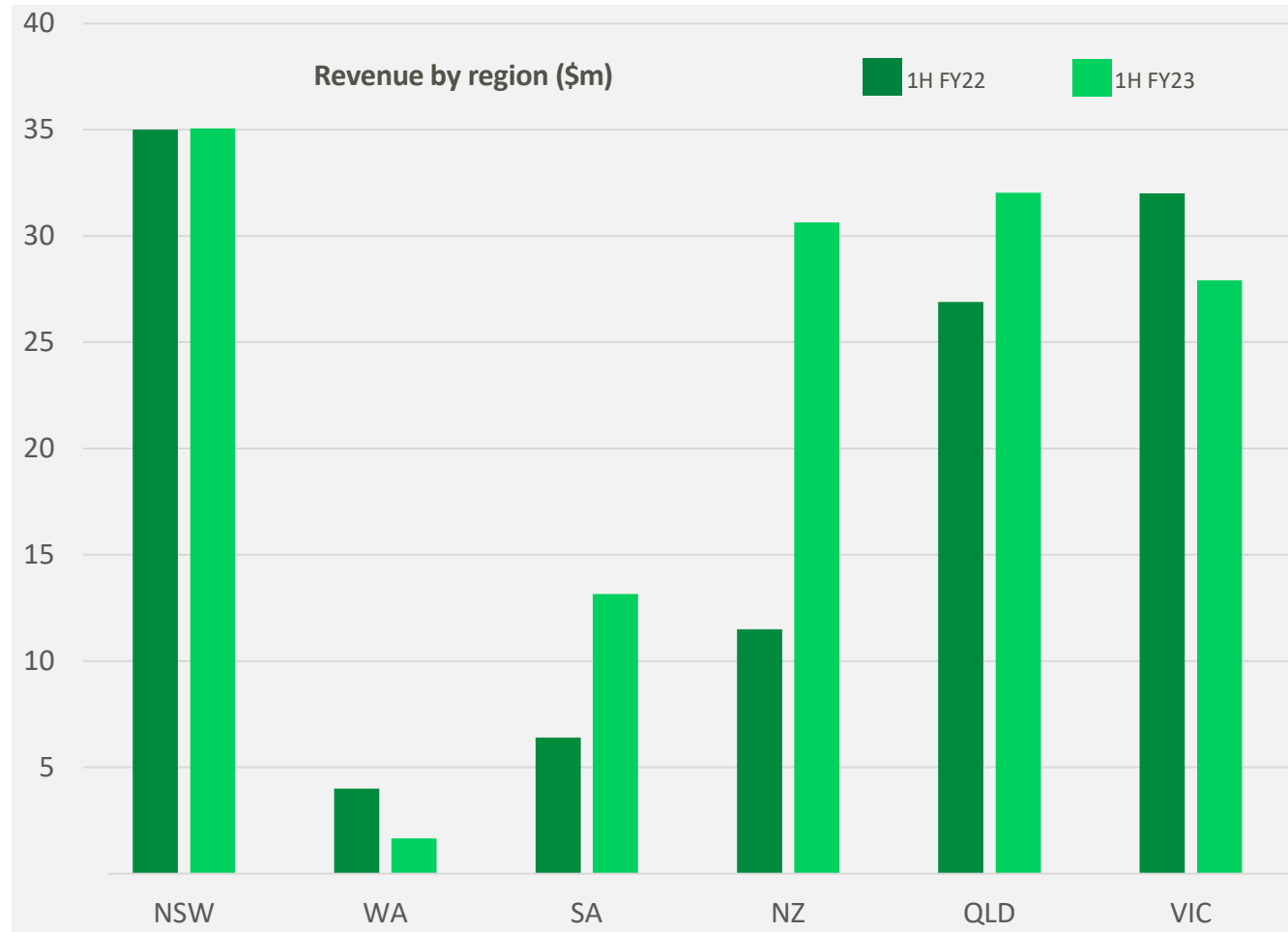


Value of presales carried forward (\$m)



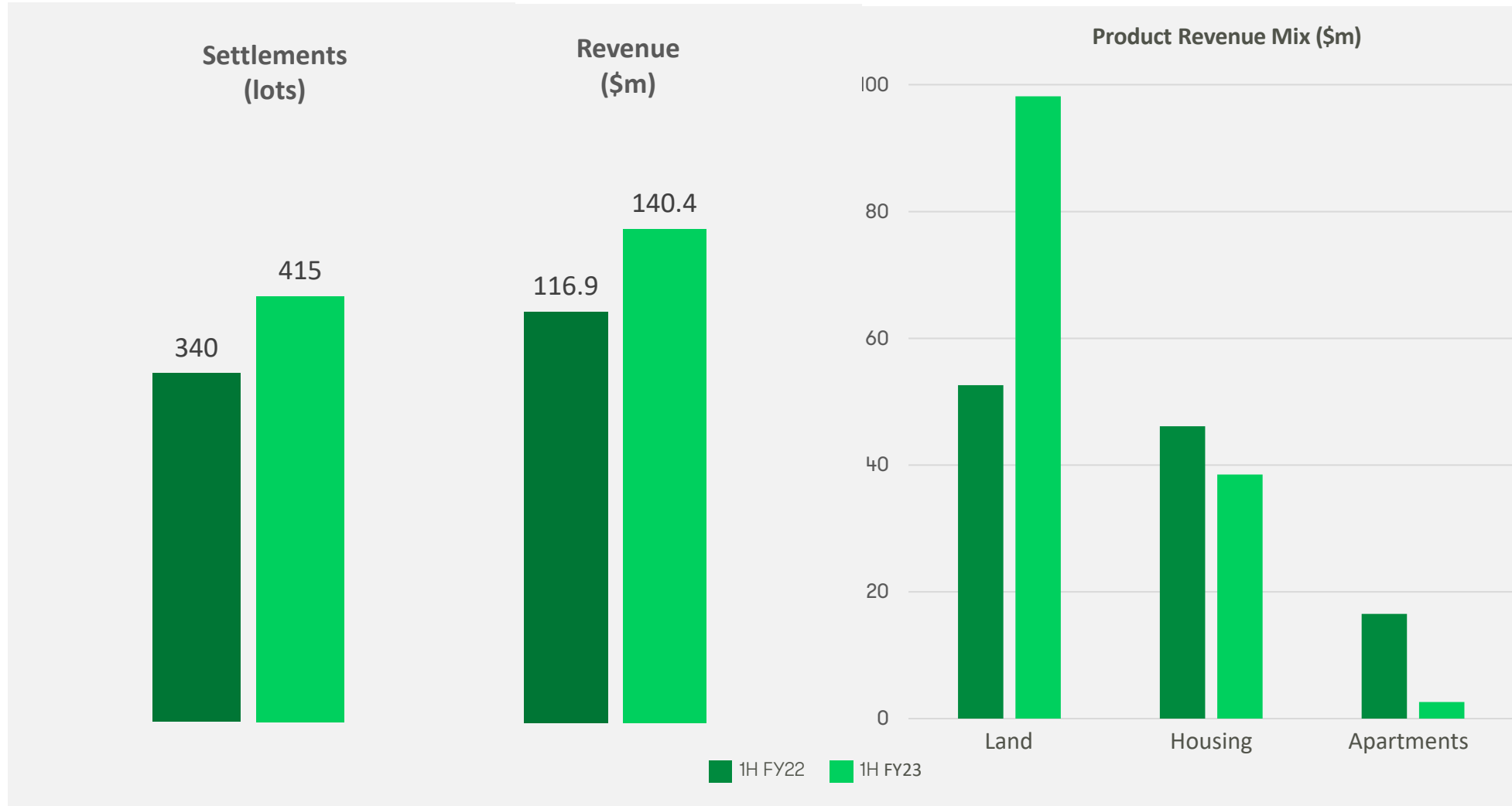
- Enquiry levels have softened to around half of peak activity levels from a year ago.
- The impact of the RBA's actions of rapidly increasing interest rates to 3.35% from 0.1% in April 2022 is having an impact on the housing industry.
- There remains a significant undersupply of affordable housing – the dip in enquiries and sales is not anticipated to change the positive long-term underlying demand for housing and the industry's positive fundamentals.

# Revenue by region.



- Settlements of properties have been strong across all markets.
- NSW and Queensland revenue was partially impacted by reduced stock availability caused from weather delays.
- Stock availability was more a challenge than a lack of demand, with total 415 lots settled compared to 340 in 1H FY22, representing an increase of 22% over the pcp.
- The strong increase in revenue for SA reflects progress on mature projects.
- The higher revenue from NZ highlights the success of Ara Hills on the North Side of Auckland.
- Revenue for Victoria was slightly lower due mainly to the timing of settlements in 1H FY22 for the Empress building at Waterline Place in Williamstown, Melbourne.

# Revenue by product.



- The 22% increase in settlements reflects delivery on the pipeline of sales that built up during FY22.
- The strong increase in settlements and revenue reflects delivery of mature projects in SA and the popularity of Ara Hills on the North Side of Auckland.
- Revenue from housing product was relatively stable on the PCP.
- Apartment revenue was significantly lower due mainly to the timing of settlements in 1H FY22 for the Empress building at Waterline Place in Williamstown, Melbourne.
- Merchant apartments at Waterline Place, Kogarah and Brunswick West Projects, expected to commence settlements in FY24/FY25.

# Balance Sheet: Strong financial position maintained.

\$ Millions	December 2022	June 2022
CURRENT ASSETS		
Cash and cash equivalents	14.0	3.3
Receivables	31.3	14.6
Inventories	171.2	150.4
Total Current Assets	219.2	172.5
NON-CURRENT ASSETS		
Inventories	608.9	538.4
Total Non-Current Assets	626.3	557.0
TOTAL ASSETS	845.5	729.5
CURRENT LIABILITIES		
Payables	120.0	93.9
Total Current Liabilities	131.8	102.5
NON-CURRENT LIABILITIES		
Payables	105.7	88.1
Borrowings	164.0	109.2
Total Non-Current Liabilities	291.1	219.0
TOTAL LIABILITIES	422.9	321.5
NET ASSETS	422.6	408.0

- Existing \$300M 'Club' loan facility with borrowings at \$164M and cash reserves of \$14M ensures our capital structure remains strong.

Note: 'Other' assets and 'other' liabilities not shown above but included in the relevant totals.

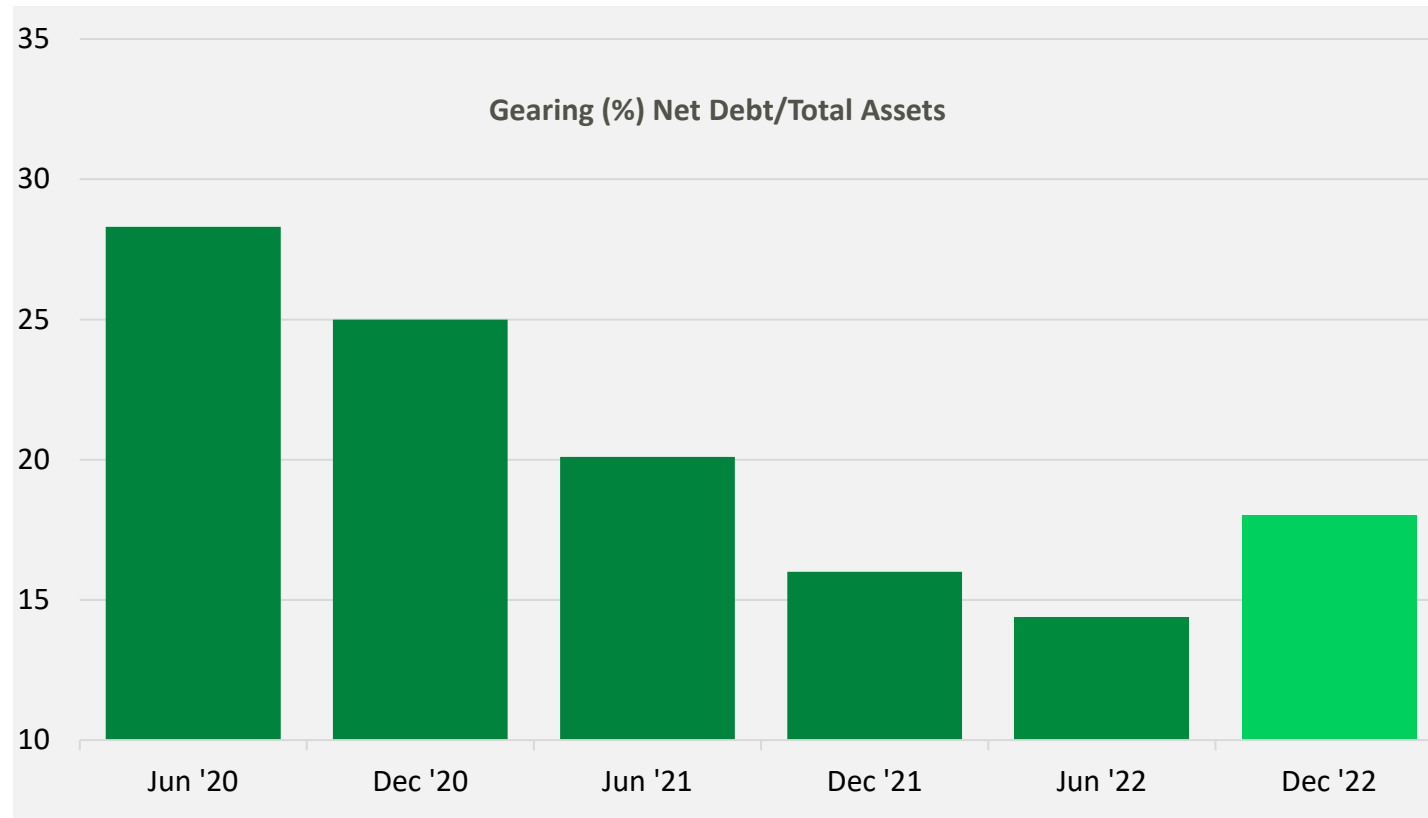


# Cash Flow Statement: positive operating cash flow.

\$ Millions	1H FY23	1H FY22
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	137.2	149.4
Payments to suppliers, land vendors and employees	(169.4)	(111.2)
Other	(8.1)	(7.0)
Net cash (used in)/from operating activities	(40.3)	31.2
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used in investing activities	(0.2)	(0.1)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	95.2	41.2
Repayment of borrowings	(40.3)	(71.7)
Other	(3.6)	(8.0)
Net cash from/ (used in) financing activities	51.3	(38.5)
NET INCREASE IN CASH HELD	10.8	7.4

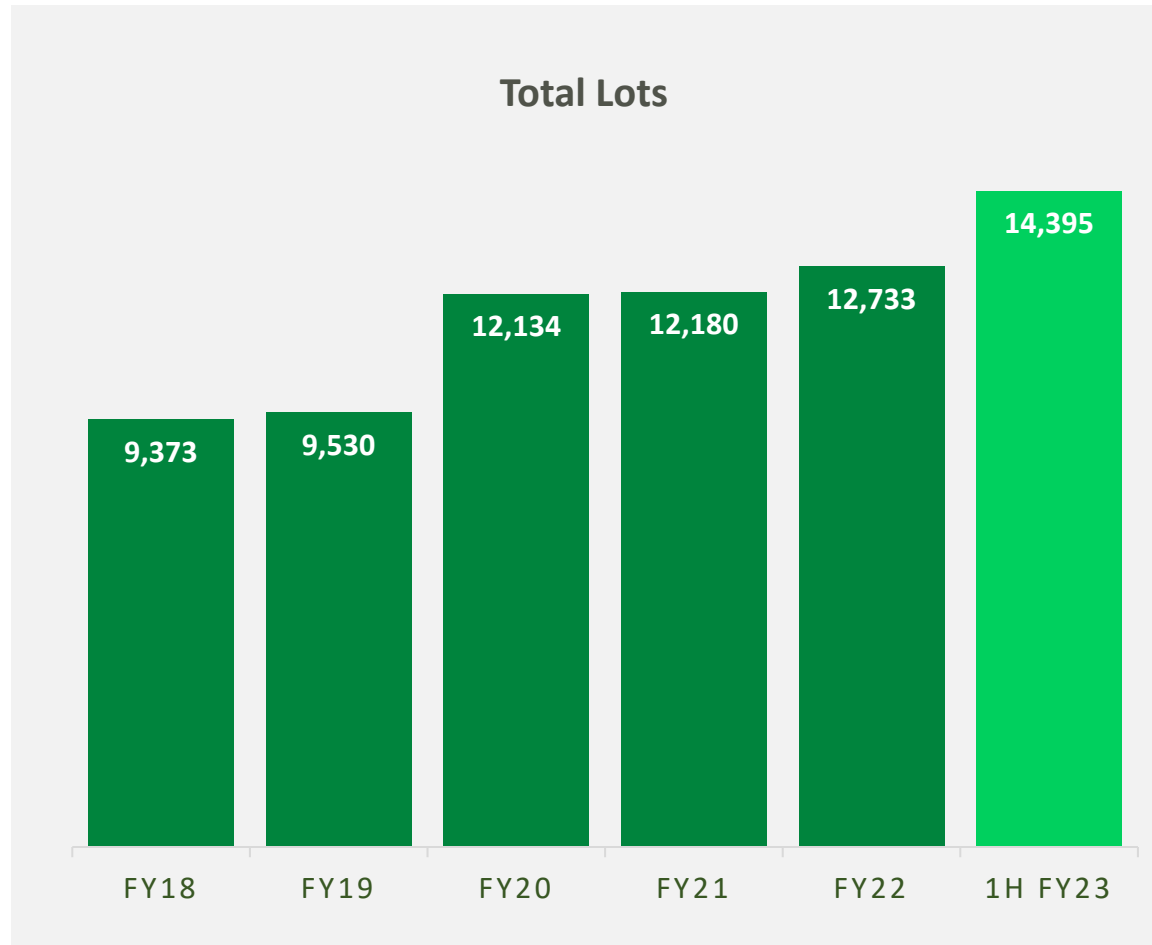
- Change in net cash from operating activities reflects the increase in land acquisitions in 1H FY23 relative to 1H FY22.

# Relatively low gearing.



- Capital management settings are responsible and support our prudent growth ambitions.
- Net debt remains relatively low but increased to \$150M from \$106M in June 2022 to fund land acquisitions.
- Gearing target range remains 15% to 35%; net debt to total assets.

# Capital efficient land acquisition strategy underpins future ROE growth.

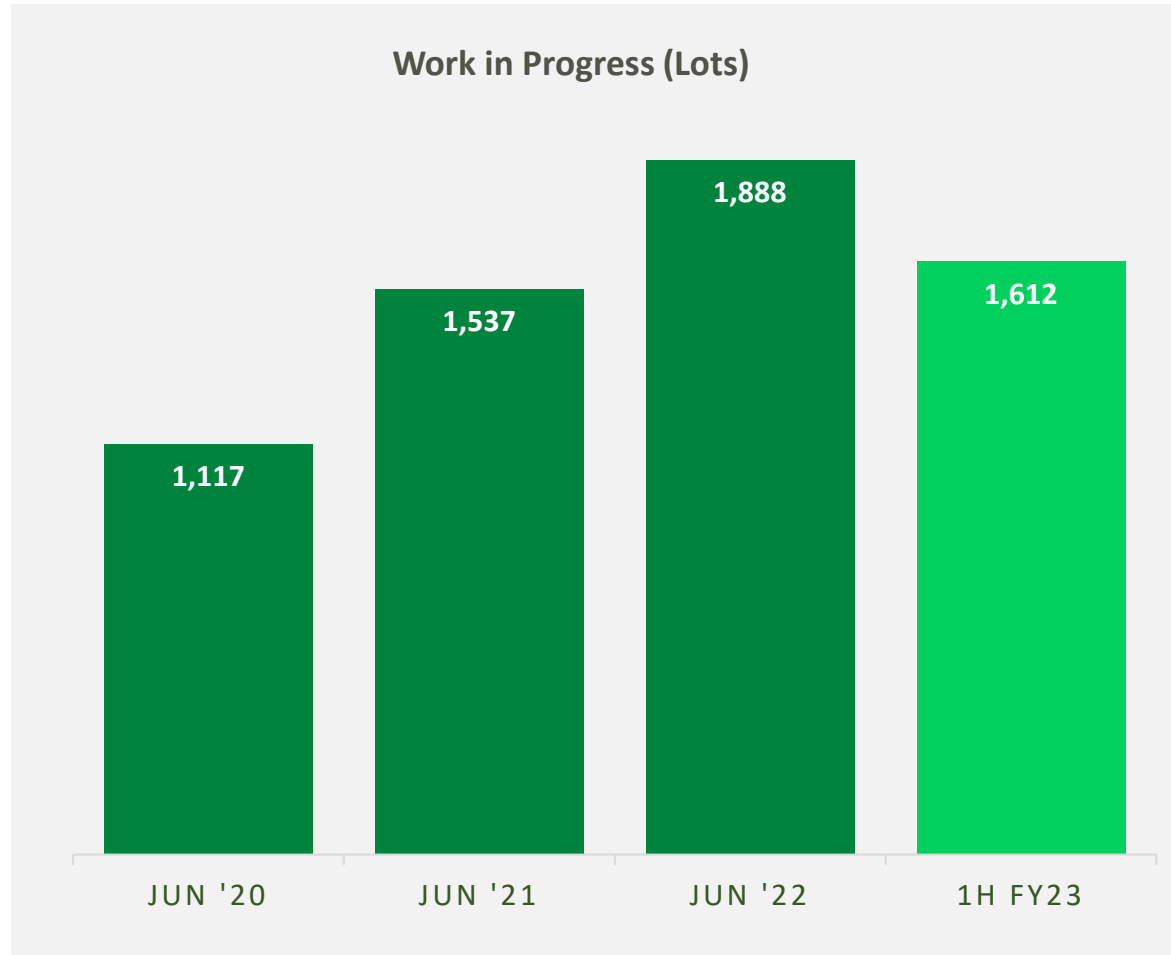


Total inventory including controlled land under option increased by 13% from June 2022 to 14.4k lots.

During the half the Company made strategic capital efficient acquisitions including:

- A large-scale urban infill site yielding 700 mid-rise apartments and mixed uses located in the strong growth area of Macarthur/Campbelltown in SW Sydney.
- 308 lot site to be developed via development rights at Mundamia, NSW, an urban release area of Nowra. The site has development approval in place and further diversifies the Company's land bank within the popular Illawarra/South Coast region.
- 418 lots acquired via development rights across a new project at Ripley South, south-west of Brisbane. This project increases AVJennings' exposure to the popular Ripley growth area; and
- ~1,150 lot appropriately zoned greenfield development in Beaudesert, Qld on deferred payment terms with forecast commencement in 2027.

# Matching project development with demand.



- Lots under development down slightly from June 2022 as the Company matches funds invested in WIP with underlying demand.
- Completed and unsold inventory is only 3.5% of total lots under development.

# Community partners.

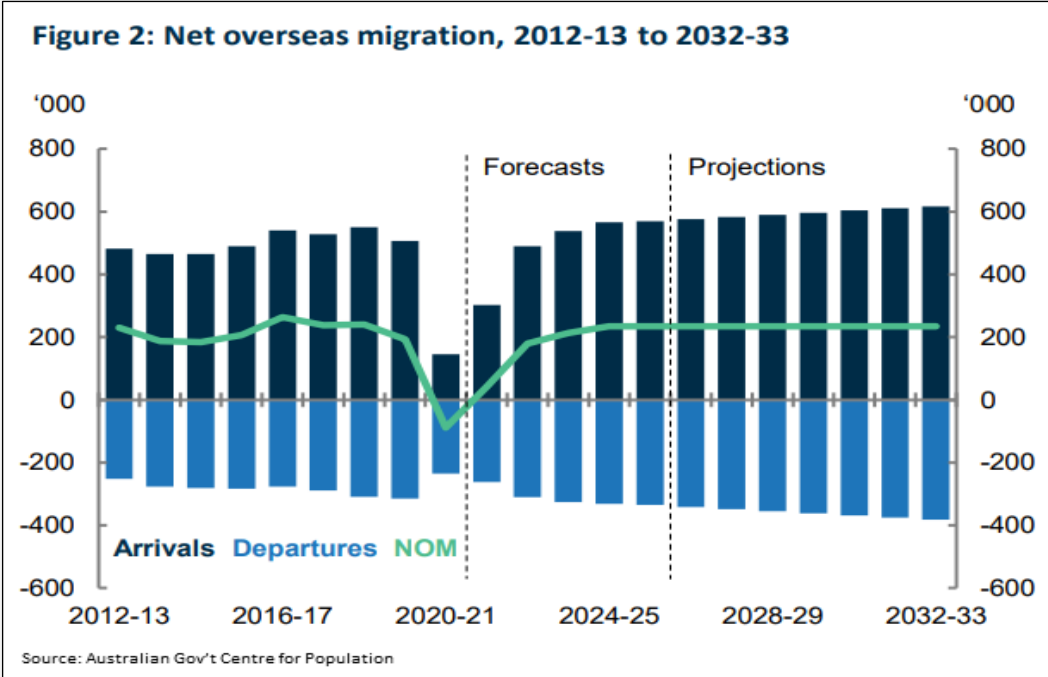
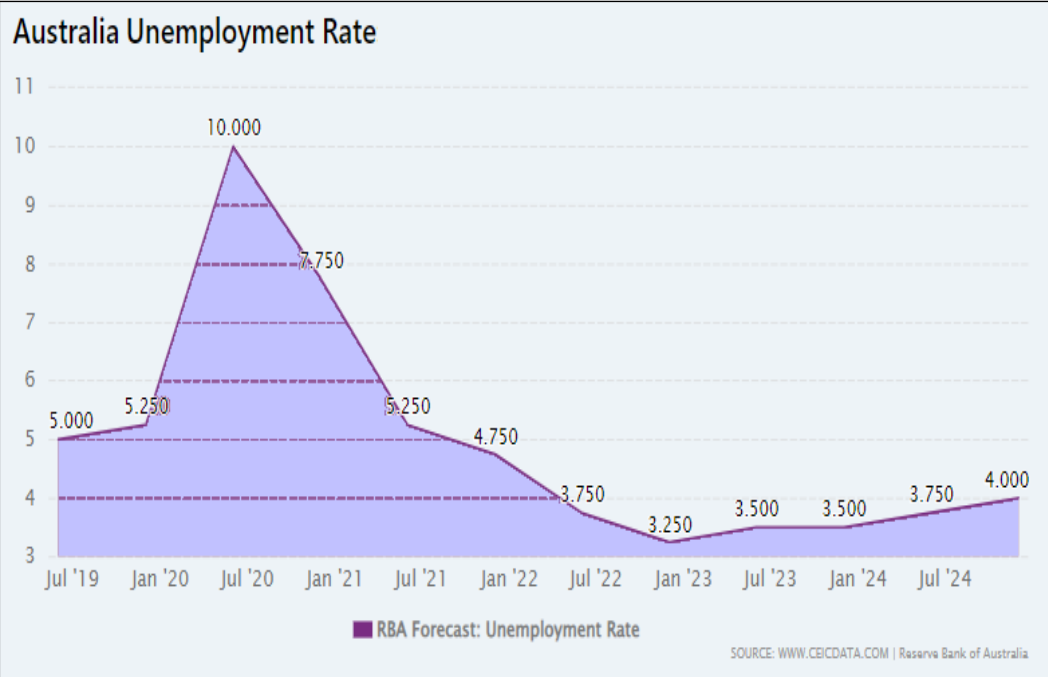
As a company that fosters community spirit, we recognise the importance of lending a helping hand. We do this through our long-term partnerships and support of charities, events, distributing community grants and sponsoring sporting teams that share our values. Our Company ambassadors, Laura Geitz and Steve Waugh AO embody and share these same principles.

- Raised more than \$1.2 million for the Steve Waugh Foundation (SWF) supporting families in need.
- Fundraising for the Humpty Dumpty Foundation supporting health services in our community.
- Support of women in sport and the promotion of active living and active bodies through our sponsorships of the Queensland Firebirds and St Kilda Football Club.
- We are actively involved in the communities where our projects are located, promoting healthy and active lifestyles through our community grants programs.

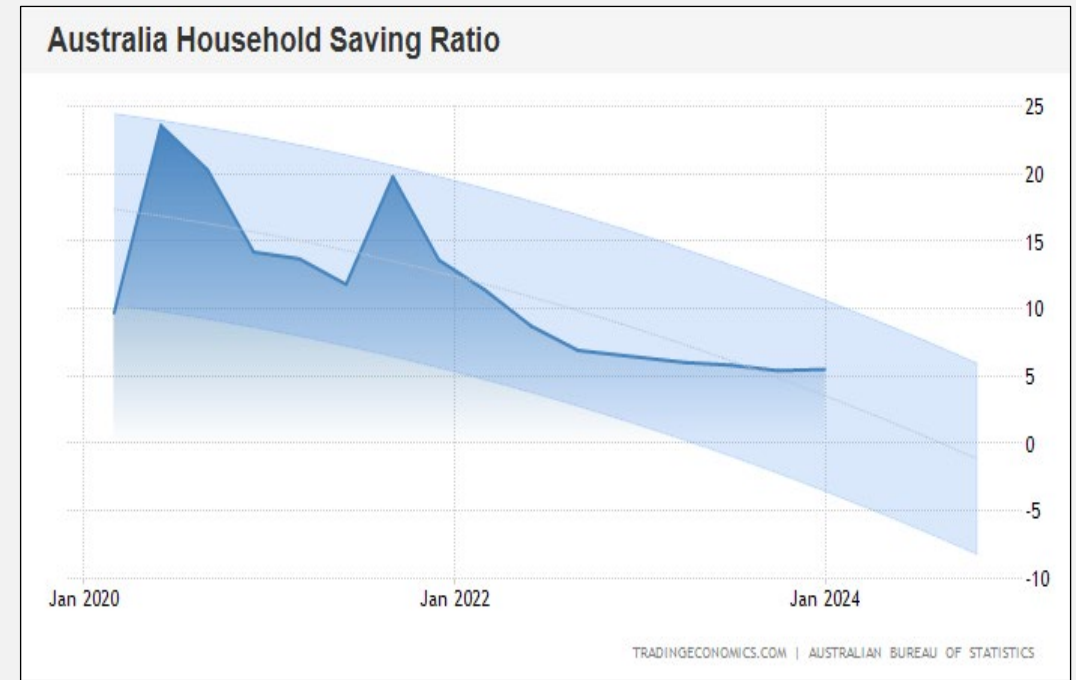
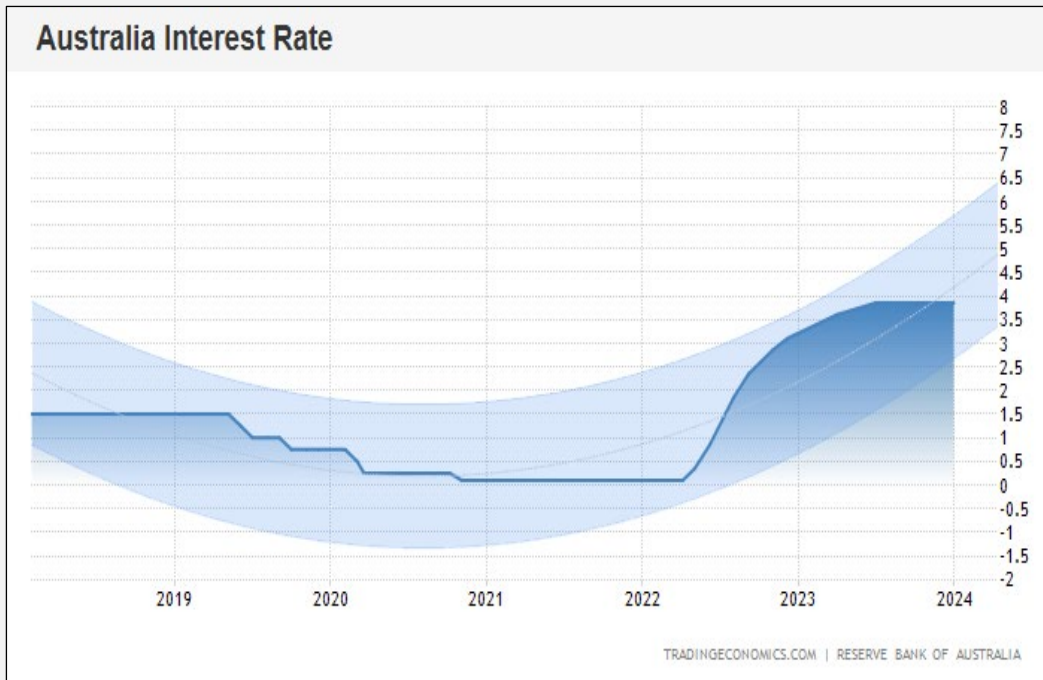


# Market Conditions and Outlook.

# Economic conditions remain supportive, especially when migration resumes.

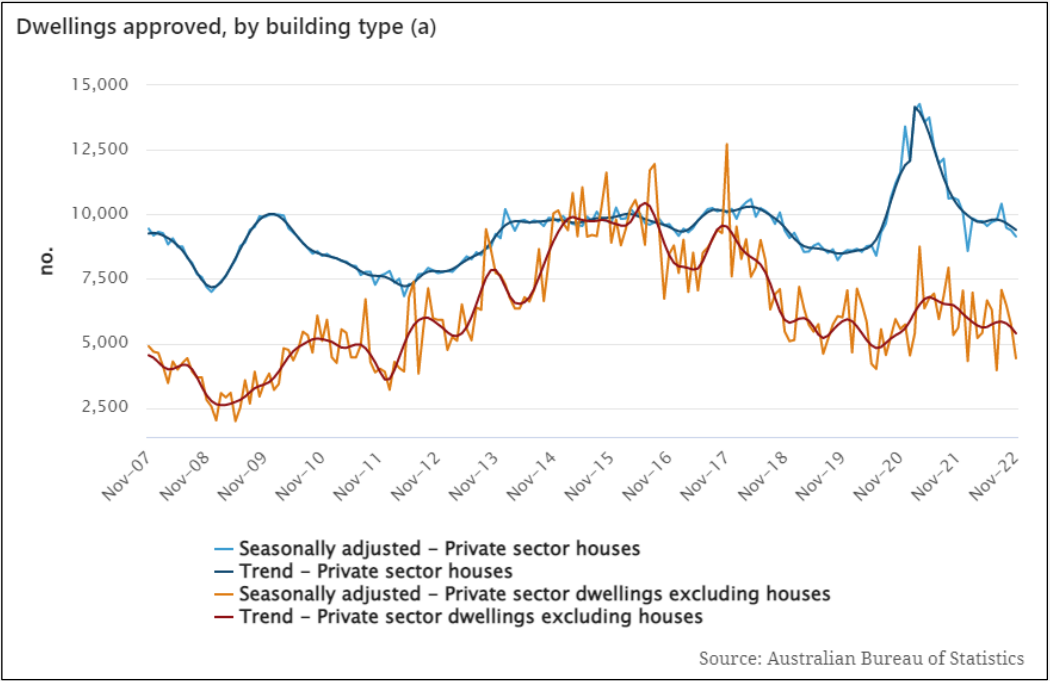
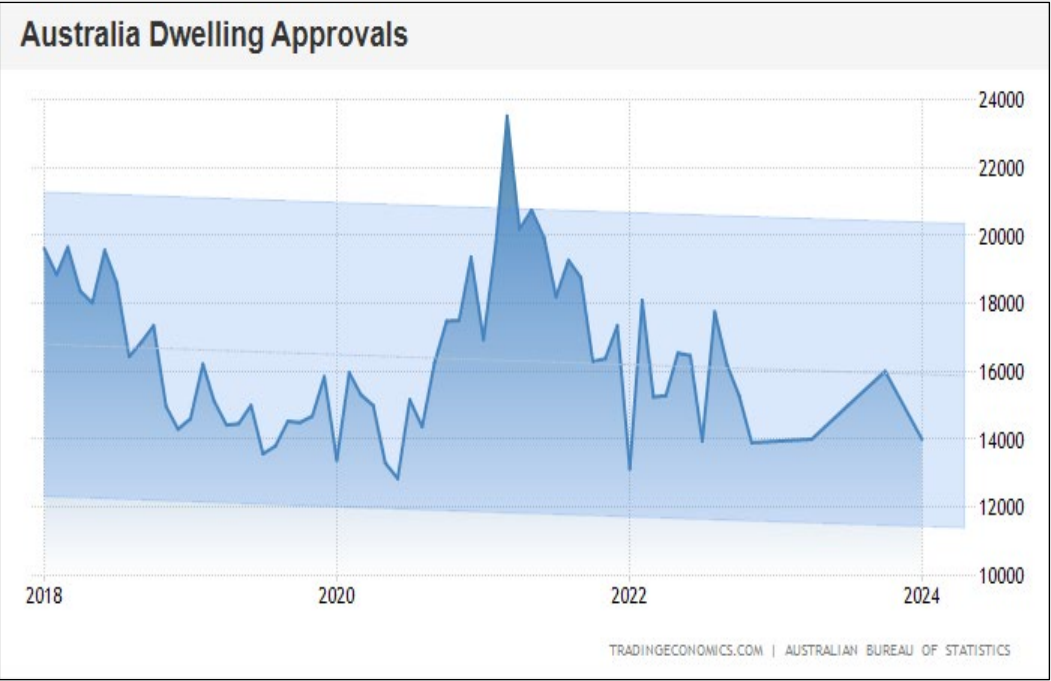


# Savings levels are likely to absorb rate rises.





# Industry fundamentals are positive.

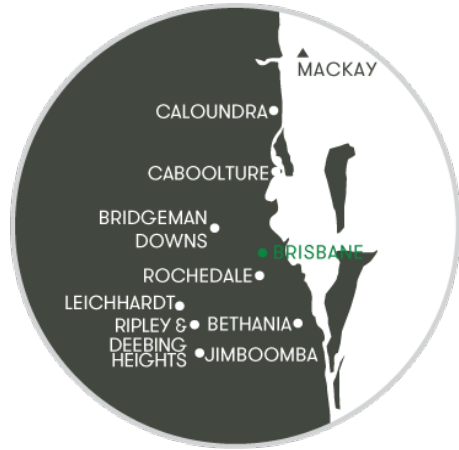


# AVJennings outlook.

- The Company had 425 presold lots that are carried into the second half, of which a high proportion are forecast to be revenue-recognised this financial year.
- Settlements are anticipated to be well-spread across the business from existing presold lots, with the 'Lyndarum North' at Wollert and 'Waterline Place' at Williamstown projects in Victoria; 'Rosella Rise' at Warnervale, New South Wales; 'Arbor' at Rochedale in Queensland; 'Eyre' at Penfield, South Australia; and 'Ara Hills' at Orewa in Auckland all expected to contribute meaningfully to second half performance.
- The impact of the RBA's actions of rapidly increasing the cash rate to 3.35% from a low of 0.1% in April 2022 is having a significant impact on the property industry. Enquiry levels have softened to around half the peak activity levels from a year ago. Much will depend upon how the current economic cycle plays out, further government stimulus packages, such as stamp duty concessions, low deposit mortgage schemes, and the length of time before interest rates begin to stabilise.
- The Company is focused on matching production levels with sales demand to ensure that there is adequate stock levels and appropriate product mix without holding excessive unsold stock. This includes meeting the changing demands of customers and ultimately the production mix from land to built-form.
- Fundamentals for the industry and our business continue to be solid as there is an undersupply of housing affecting all sectors across social, affordable and market housing. As immigration levels are expected to increase, housing and land supply remain top priority for federal and all state governments. Unemployment levels remain at all-time lows and with rental vacancy rates at less than 1% there continues to be an elevated level of demand for housing from both owner occupiers and investors returning to the market.
- As the Australian and New Zealand economies continue to reopen and net migration returns to more normal levels it is expected that underlying demand for housing will remain strong. Further, the banking sectors willingness to provide lending to our customers for appropriately priced and located housing, is expected to support sales. In the face of this, we are confident that we will continue to deliver strong returns over the medium to long term.

# Appendices.

# Queensland business overview.



NFE	\$108.5m
Total Lots	6,455
1H FY23 Revenue	\$32.0m

- The business focused on delivery of sold-out stages within Riverton and Cadence projects. Both developments delivered and settled a stage of allotments with Riverton also completing its third consecutive stage of development housing.
- Cadence initiated its first stage of development housing construction and has successfully found a market with early sales.
- Arbor townhouses and recreation center started construction with solid progress made on the first 2 stages.
- Planning, design and related work on the Caboolture West project continues with ongoing negotiations with the Queensland Government, Council and Service Authorities on key approvals and infrastructure items.
- Acquisitions included 2 sites secured unconditionally in the Ripley Priority Development Area on Daleys Road and Coleman Road. Another site in Ripley (which adjoins our Cadence project) is currently under negotiation.

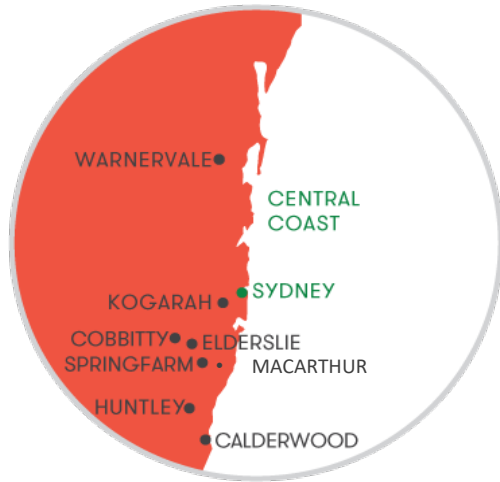


Riverton, Jimboomba, QLD



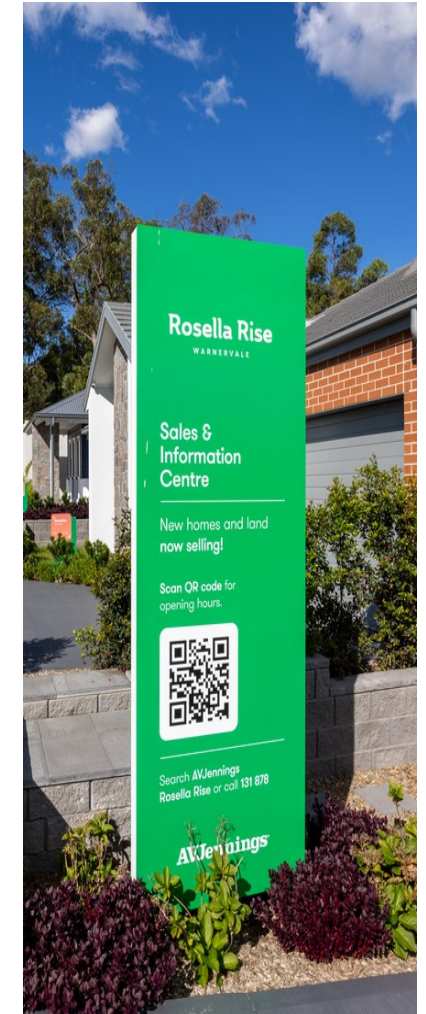
Cadence, Symphony Park, Ripley QLD

# New South Wales business overview.



NFE	\$161.6m
Total Lots	2,705
1H FY23 Revenue	\$35.1m

- Stage 2A of our project at Rosella Rise, Warnervale on the Central Coast is now complete. Built form construction on our first retail houses has commenced and will complete by FY23. Further stages are also progressing well and are expected to be registered in FY23.
- The building contract for Kogarah apartments has been signed with works expected to commence soon.
- Our acquisition of 1 Kelliecar Road in Macarthur offers the potential for over 700 mid-rise apartments and is an exciting new addition to our pipeline.



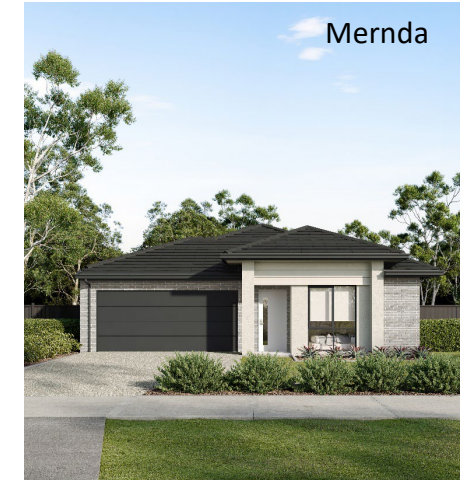
# Victoria business overview.



<b>NFE</b>	<b>\$184.2m</b>
Total Lots	3,197
1H FY23 Revenue	\$27.9m



Lyndarum North



Mernda

- At Lyndarum North (Wollert) demand has remained strong with this master planned community maturing with over 700 lots sold from inception. The high-quality parks remained a key drawcard for the project along with a diversity of housing enabling choice to suit the budget and lifestyle needs of our customers. There are currently 5 stages currently under construction on the site.
- At Aspect (Mernda) sales and construction on this 230-lot development has seen strong demand with the first 3 stages of the project now complete and 2 further stages under construction. The first homes to be built by AVJennings on the development have now commenced.
- At Harvest Square (Brunswick West) our public housing renewal project, construction of basement works is nearing completion for the 3 apartment buildings on the site.
- At Waterline Place (Williamstown) the final apartment building on the development is now under construction.
- Acquired in FY22, Somerford (Clyde North) is a 227-lot development. Construction commenced on the first stage of development with the first settlements expected in late 2023.



Waterline Merchant Apartments

# New Zealand business overview.



NFE	\$91.3m
Total Lots	529
1H FY23 Revenue	\$30.6m



- The New Zealand economy continues to suffer from increasing inflation, rising interest rates and cost of living pressures. The Reserve Bank of New Zealand recently acknowledged it is engineering a recession to control inflation, which is expected to hit the economy mid-year. The official cash rate is also expected to be raised in late February, by another 75-basis points to 5%.
- Residential sales continue to steadily decline in both numbers (29% reduction in annual sales) and value, with a further 10% reduction in property values expected in 2023. Property values are now around 15% below the November 2021 peak.
- The general election in October will likely add to the slowing of the housing market, until certainty of the future government is clearer.
- Impacts on supply chain issues appears to have eased slightly, although pressures on skilled labour and staff resourcing continues to have an impact on productivity.



# South Australia business overview.



NFE	\$39.5m
Total Lots	1,407
1H FY23 Revenue	\$13.2m

- Eyre residential community remains popular with demand outstripping supply in recent releases across land and built form. An increased built form program is currently in place allowing AVJennings to deliver on the project's affordable housing commitments and at the same time, meeting the growing demand of its customers.
- At St Clair, town home construction is nearing on the sold-out Piper townhomes.
- Returning capital from older projects continues with a focus at Pathways (Murray Bridge) and Riverhaven (Goolwa North), with the final civil stages of each project now complete. A few remaining sales across both projects and the completion of final landscaping works will bring an end to both these projects.
- The focus moving forward is to ensure approvals are banked for future civil and built form stages allowing for increased production to quickly meet market demands.



Eyre Sports Park, Penfield SA



# Detailed Project Pipeline by State at 31 December 2022.

	Remaining # of Lots	Pre	FY23	FY24	FY25	FY26	Post
New South Wales	Argyle, Elderslie	92					
	Evergreen, Spring Farm (South)	9					
	Evergreen, Spring Farm (East Village)	371					
	Arcadian Hills, Cobbitty	44					
	Arcadian Grove, Cobbitty	1					
	Rosella Rise, Warnervale	527					
	Prosper, Kogarah	56					
	Huntley	194					
	Calderwood	390					
	Mundamia	308					
Macarthur	709						
Queensland	Creekwood, Caloundra	1					
	Glenrowan, Mackay	177					
	Arbor, Rochedale	39					
	Riverton, Jimboomba	922					
	Deebling Springs, Deebling Heights	205					
	Cadence, Ripley	132					
	Cadence 2, Ripley	333					
	Caboolture, Rocksberg	3,500					
	Kerry Rd, Beausdesert	1,146					
New Zealand	Ara Hills, Orewa	529					
Victoria	Lyndarum, Wollert	82					
	Lyndarum North, Wollert JV	1,485					
	Aspect, Mernda	190					
	Harvest Square, Brunswick	87					
	Waterline Place, Williamstown	184					
	Clyde	942					
	Somerford, Clyde North	227					
South Australia	Pathways, Murray Bridge	7					
	Riverhaven, Goolwa North	9					
	St Clair	151					
	Eyre at Penfield	1,240					
Western Australia	Indigo China Green, Subiaco Fine China Precinct	37					
	Viridian China Green, Subiaco Fine China Precinct	1					
	The Heights Kardinya	52					
	Parkview, Ferndale	12					

Pre-delivery phase  
 Development Phase  
 (excludes 4 residual lots)

# Thank You.