

# FY23 Financial Results

Creating communities for over 90 years that people love to call home

21 August 2023  
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CFO Shanna Souter

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

**AVJennings**

## **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, present and emerging.

## Delivering strong results in a challenging year.

**31.7%**

Gross Margin

↑ 3 percentage points

**\$30.8m**

Profit before tax

↑ 72% PCP

**732**

Lots settled

↑ 20% PCP



Buyers interest in Turnkey Homes

**\$274m**

Revenue

↑ 23% PCP

**5.2c**

EPS

↑ 63% PCP

**\$582m**

NFE

↑ 13% PCP

**14,094**

Lots in pipeline

↑ 11% PCP

**\$155m**

Contract signings

↓ 49% PCP

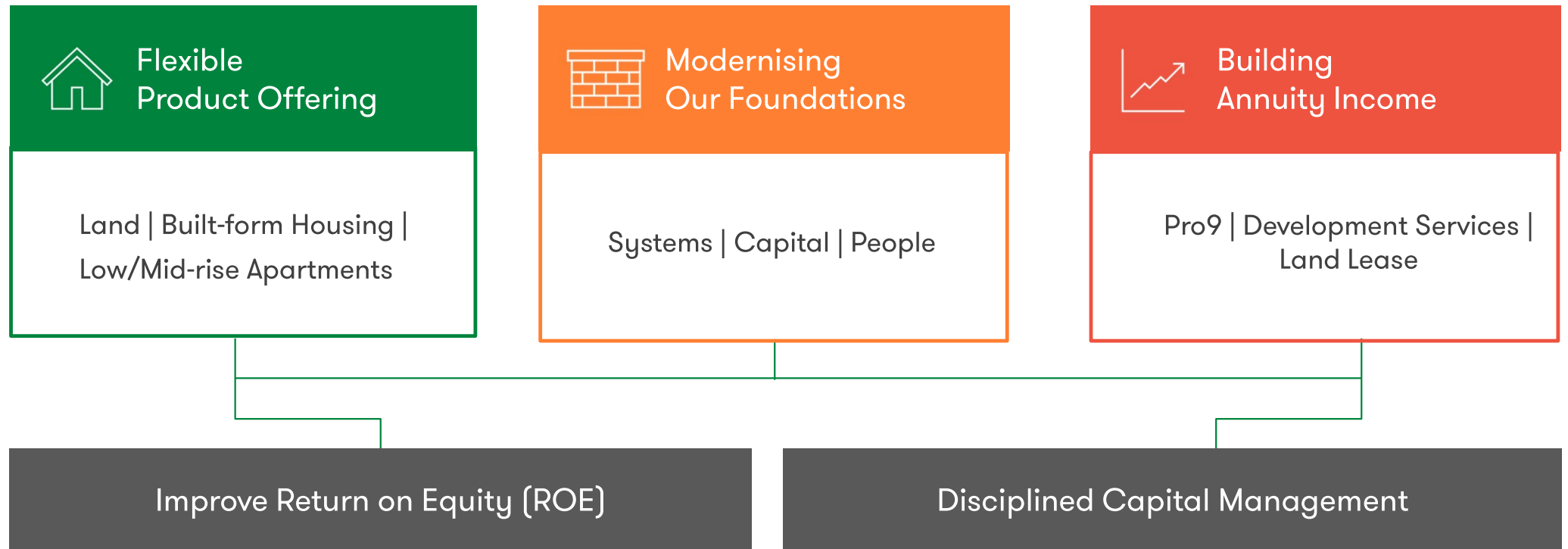


Stellar Collection (Pro9), sets the benchmark for sustainability

## FY23 Results.

	FY23	FY22	% Change	
Revenue (\$m)	274.3	222.8	23%	Driven by 20% increase in settlements
Gross Margin (\$m)	86.9	64.1	36%	
Gross Margin (%)	31.7%	28.8%	2.9pp	Heavier skew towards higher margin land projects
Profit Before Tax (PBT) (\$m)	30.8	17.9	72%	Includes \$4.5m project impairment provisions taken in FY23
Earnings Per Share (cents)	5.24	3.22	63%	
Dividends Fully Franked (cents per share)	1.10	1.77	(38%)	No final FY23 dividend declared in response to forward market uncertainty
Net Tangible Asset (\$ per share)	\$1.04	\$1.00	4%	
After Tax Return on Equity (ROE)	5.1%	3.2%	1.9pp	

# Developing communities for a sustainable future.



# Housing matters. Community matters. ESG matters.

Our approach to ESG is evolving along with stakeholder expectations.

## Environmental

- Solar energy a standard feature for our NSW developments.
- Achieved 9.4 Greenstar home rating in QLD.
- Investment in Pro9.
- Highest 'green' design standards applied at Harvest Square, VIC.
- Shift underway to all-electric homes.
- Commitment to reusing excess soil and rocks, recycled materials across projects.
- Reduction in potable water in communities and in the homes we build.



# AVJennings invests in prefabricated solutions.

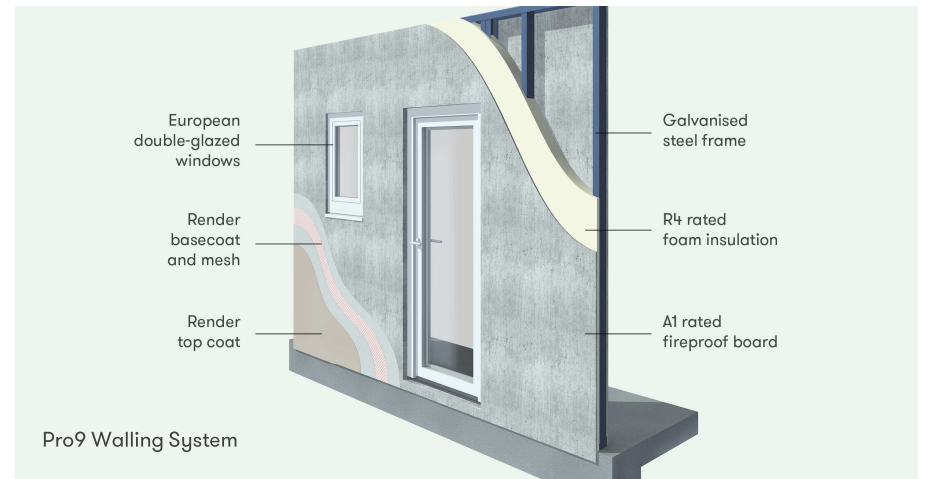
An Australian manufacturing facility is on track to be established in FY24 with the potential to produce up to 1,000 homes annually on a one shift basis.

## Benefits for AVJennings

- Considerable time saving to achieve lock-up stage.
- Significant improvements in the energy efficiency of homes in advance of regulated changes.
- Increased certainty of materials delivery.
- Higher quality, more durable, fire-resistant product.
- Potential to redefine AVJennings' earnings and growth profile.
- Reduced material waste on site.



Construction of 2 Stellar Collection homes at Riverton, Jimboomba



## Introducing the AVJennings Stellar collection.

- AVJennings' Stellar Collection homes are a premium offering with a much higher energy efficiency rating.
- Include Pro9 walling system, double-glazed windows, quality fixtures and fittings.
- As-built NatHERS energy ratings of 8 stars, exceeding the current minimum standard of 6 stars.
- The homes can potentially provide a ~50%\* savings in heating and cooling costs for purchasers.





# Creating and supporting our communities.

## Social

- Our financial contributions and support for community organisations has doubled in the past 3 years.
- Second year supporting the Humpty Dumpty Foundation to buy life-saving medical equipment in our communities.
- Inaugural partner with the Steve Waugh Foundation with \$1.2m contributed to date.
- Community grants awarded to community organizations including Defenders for Hope, Jimboomba Cricket Club, and Lalor Landcare.
- Delivering community events to help build connections.

## Governance

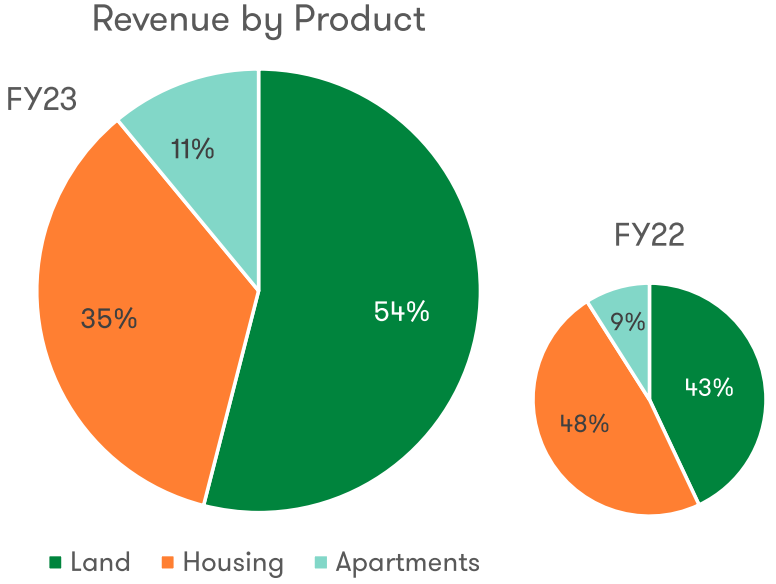
- Achieved employee engagement score of 4.07 out of 5, with 90% of employees reporting they are proud to work for AVJ.
- Produced our 3rd Modern Slavery Statement with buy-in and compliance from suppliers.
- Improved gender diversity - Improved gender diversity - 40% of KMP and 35% of senior management are female.
- Dedicated executive coaching for female leaders in the business fosters talent development and retention.



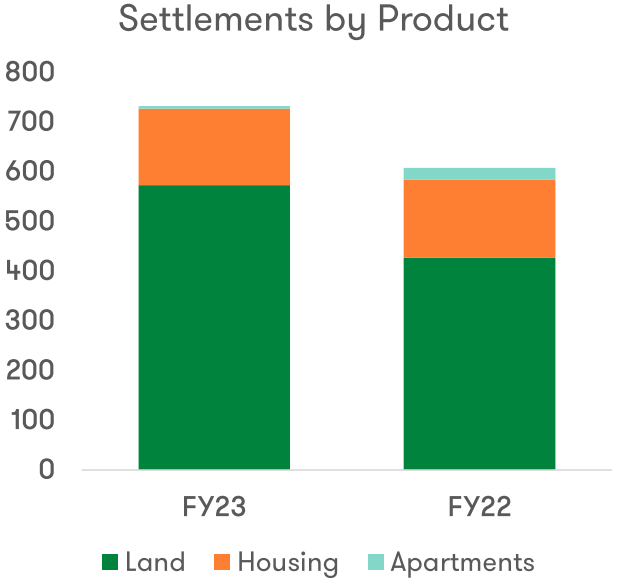
# FY23 Insights.



# Strong revenue growth driven by land sales.



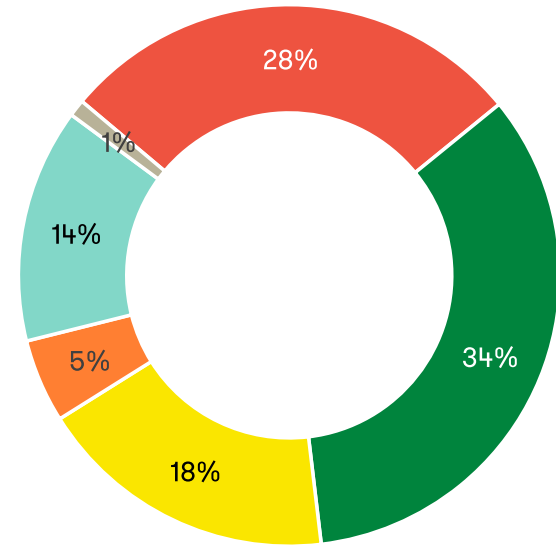
Revenue from land sales up 57% YOY driving a higher revenue contribution from land.



Settled 732 lots, a 20% increase on the prior year driven by HomeBuilder land sales carryforward.

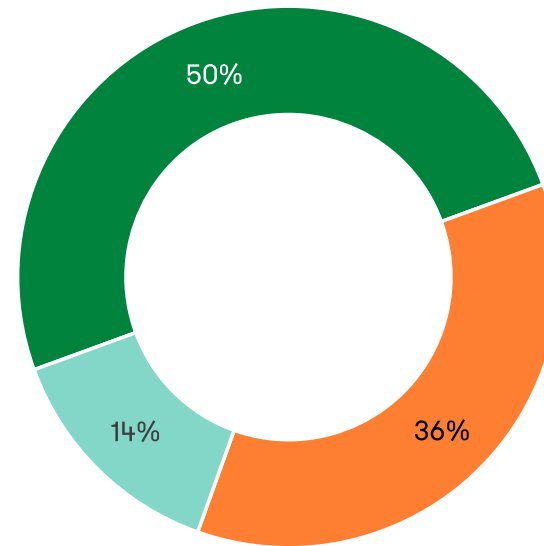
# Net Funds Employed (NFE) reflects strategic diversification.

FY23 NFE % by Region



■ NSW ■ VIC ■ QLD ■ SA ■ NZ ■ WA

FY23 NFE % by Product

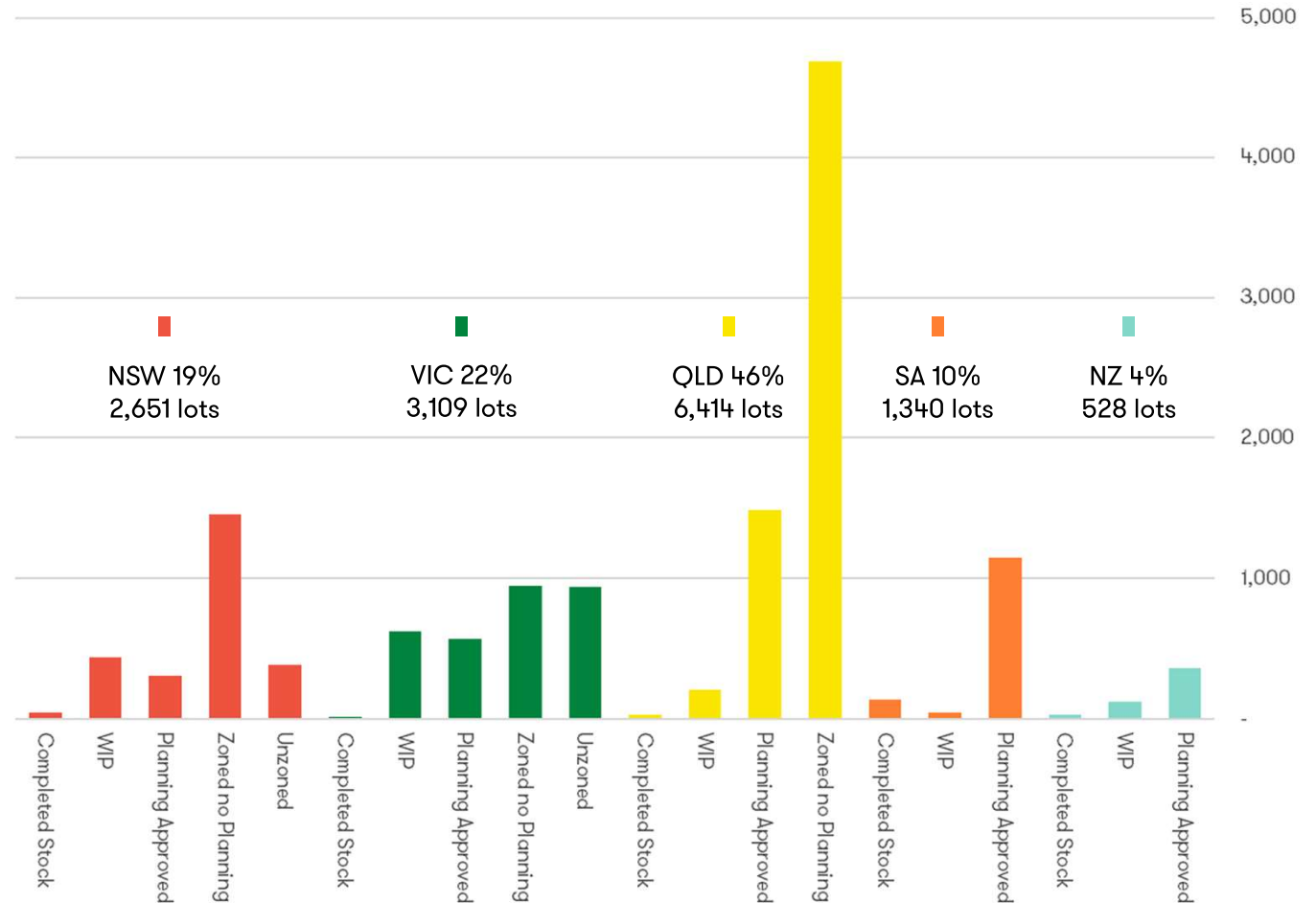


■ Land ■ Housing ■ Apartments

Total NFE up 13% YOY to \$582 million

## Strategic management of the 14,094 pipeline lots.

- 62% of WIP portfolio is built-form product in response to increased demand.
- WIP lots down 20% YOY.
- As at 30 June 23, only 72 completed lots available for sale.
- Lots under control up 11% YOY.
- Entered into transactions on ~2,600 lots in 1HFY23 across SEQ (Beaudesert, Ripley) and NSW (Macarthur, Mundamia).
- Current acquisition strategy is opportunistic as price expectations have yet to adjust to market conditions.



Note: WA - 0%, 52 lots under project management

## Cash flow: Funding production and acquisition activities.

\$m	FY23	FY22	Change	
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	298.9	275.6	23.3	
Payments to suppliers, land vendors and employees	(323.1)	(229.4)	(93.7)	→ Significant increase in production activities across apartments, built-form housing and large land projects in early stages
<b>Net Cash (used in)/from Operating Activities</b>	<b>(41.0)</b>	<b>33.1</b>	<b>(74.1)</b>	
<b>Net Cash used in Investing Activities</b>	<b>(2.5)</b>	<b>(0.1)</b>	<b>(2.4)</b>	
<b>Cash Flows from Financing Activities</b>				
Proceeds from borrowings	171.4	96.9	74.5	
Repayment of borrowings	(109.3)	(126.3)	17.0	
<b>Net Cash from/(used in) Financing Activities</b>	<b>53.3</b>	<b>(42.8)</b>	<b>96.1</b>	→ Net financing cash inflows driven by debt drawn down to fund acquisitions and increased production
<b>Net Increase/(Decrease) in Cash Held</b>	<b>9.8</b>	<b>(9.8)</b>	<b>19.6</b>	

## Balance Sheet: Supporting growth

\$m	June 2023	June 2022	Change <sup>1</sup>
<b>Current Assets</b>			
Cash and cash equivalents	13.0	3.3	9.7
Receivables	16.8	14.6	2.2
Inventories	226.5	150.4	76.1
Total Current Assets	261.9	172.5	89.4
<b>Non-Current Assets</b>			
Inventories	588.2	538.4	49.8
Total Non-Current Assets	609.3	557.0	52.3
<b>Total Assets</b>	<b>871.2</b>	<b>729.5</b>	<b>141.7</b>
<b>Current Liabilities</b>			
Payables	134.4	93.9	40.5
Total Current Liabilities	145.3	102.4	42.9
<b>Non-Current Liabilities</b>			
Payables	107.5	88.1	19.4
Borrowings	171.3	109.2	62.1
Total Non-Current Liabilities	302.7	219.1	83.6
<b>Total Liabilities</b>	<b>448.0</b>	<b>321.5</b>	<b>126.5</b>
<b>Net Assets</b>	<b>423.2</b>	<b>408.0</b>	<b>15.2</b>

Growth in inventories reflects the increased built-form housing and apartment development activity

**Inventory (94% of Total Assets)**  
Held at the lower of historical cost and Net Realisable Value.

FY23 Inventory	(\$m)
Completed	46
Work -in-progress	298
Undeveloped	471
<b>Total</b>	<b>815</b>

## Disciplined approach to capital management

	FY23	FY22	Change <sup>2</sup>	
Cash at Bank (\$m)	13.0	3.3	9.7	
Bank Loans (\$m)	171.3	109.2	62.1	→ Increase in bank loans due to draw downs to support increased production
Weighted Average Cost of Debt	5.69%	2.65%	3.0pp	
Gearing <sup>1</sup>	18.2%	14.5%	3.7pp	→ Gearing maintained at the lower end of the target range (15-35%)
Covenant Compliance	✓	✓		

<sup>1</sup> Calculated as (Borrowings less cash)/ Total Assets

<sup>2</sup> Rounded



# Prudent capital management given uncertain market conditions.

## Dividend Declaration

- No final FY23 dividend declared in response to softer short-term trading conditions.
- Will be reviewed in line with greater market outlook certainty.

## Capital Management

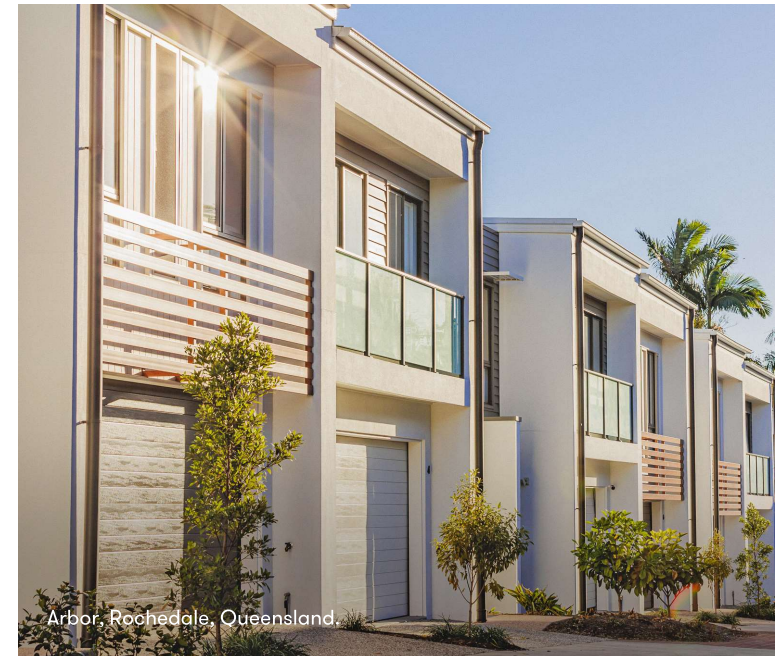
- No land acquisitions in 2HFY23.
- Flexibility to adjust production in response to demand with a 20% YOY reduction in lots under development.
- Proactive review of capital structure with bank support.

## Share Buyback

- Commenced in April 2023.
- Suspended during June 2023 in line with capital conservation.

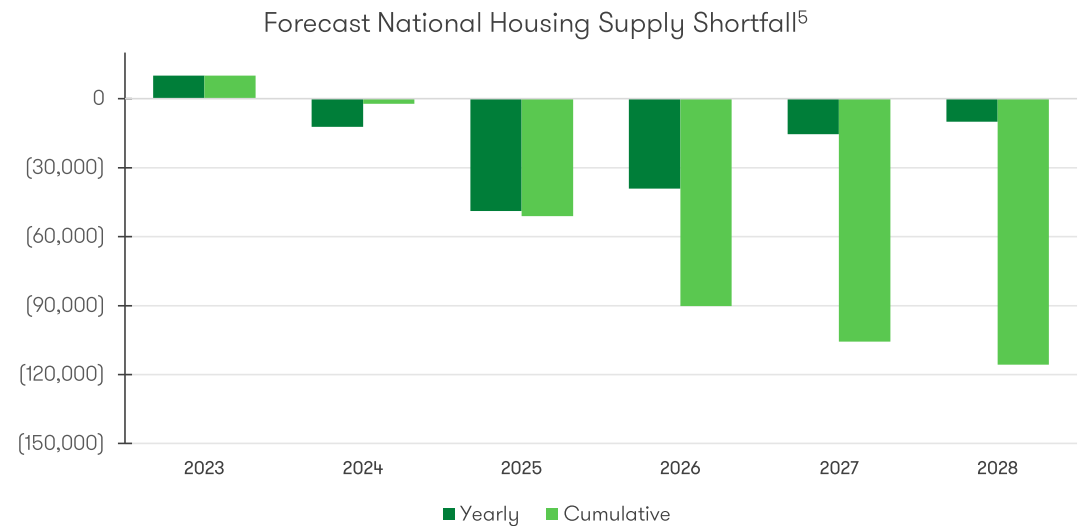
## Gearing

- Gearing stable at 18.2%.
- Remains near the lower end of target range.



## Australian housing demand look through remains positive.

- Medium-term outlook remains positive, supported by a growing structural imbalance between population growth and significant supply shortfalls.
- Supply shortfall now forecast to be up to 175,000<sup>1</sup> homes by 2027.
- Forecast net immigration >700,000<sup>2</sup> for FY23 and FY24.
- Capital city rental vacancy rates averaging 1.2%<sup>3</sup>.
- Five consecutive months of modest price growth (June Qtr: 2.8%<sup>4</sup>).
- Low unemployment continues to support demand.



<sup>1</sup> NHFIC April 2023

<sup>2</sup> Australian Treasury, 18 May 2023

<sup>3</sup> CoreLogic, 8 June 2023

<sup>4</sup> CoreLogic, 3 July 2023

<sup>5</sup> NHFIC. The profile was extracted from State of the Nation Housing Report (April 2023). NHFIC increased its shortfall forecast soon after the profile was published.

# AVJennings 'Turnkey' offering increasingly in demand.

## One contract, one deposit, one settlement.

- Our competitive advantage is building AVJennings housing product within AVJennings developments.
- This provides flexibility to respond within established pipeline and capability.
- Clear shift recently in customer demand towards 'Turnkey' housing.
- Sales and enquiry levels for built-form housing remain in line with the long-term average.
- Built-form housing cancellation levels remain very low.



# Market conditions expected to improve through FY24.

Market conditions are expected to remain subdued in the short-term until consumer confidence improves off the back of interest rates stabilisation expected in FY24.

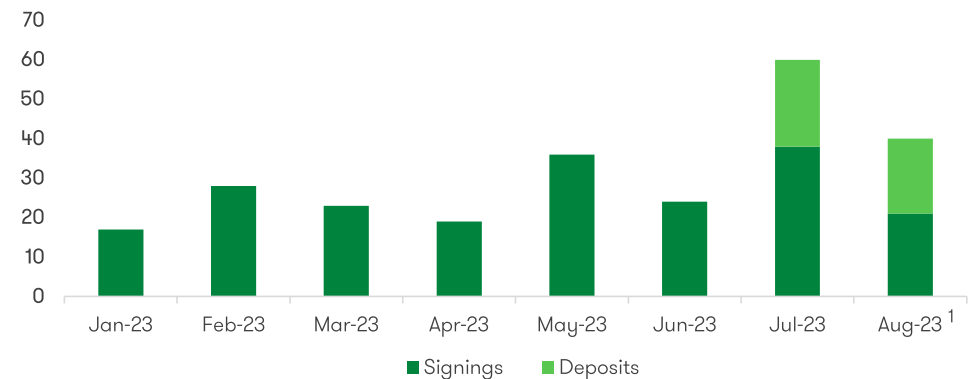
Sustained enquiry levels are indicative of pent-up demand with green shoots of customer demand appearing, particularly for built-form housing.

We remain focused on:

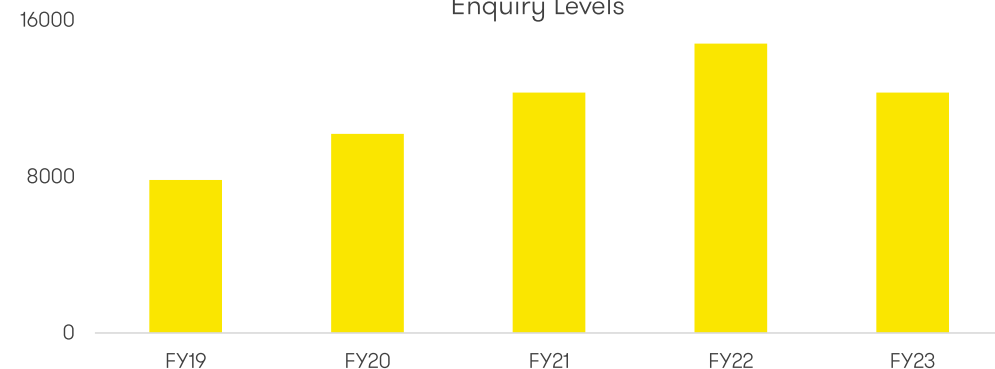
- Prudent capital management and ensuring our capital structure will support growth and strategy execution.
- Conversion of \$172m<sup>1</sup> presales to FY24 settlements.
- Ensuring projects are “shovel ready” to quickly activate production to future demand.
- Increasing capital allocation towards built form will see gross margins moderate.
- Improving sustainability outcomes across our developments.
- Modernising our business foundations to support growth.

The company is actively reviewing its capital management initiatives, with a focus on ensuring we are well positioned to take advantage of improving market conditions into FY24 and beyond.

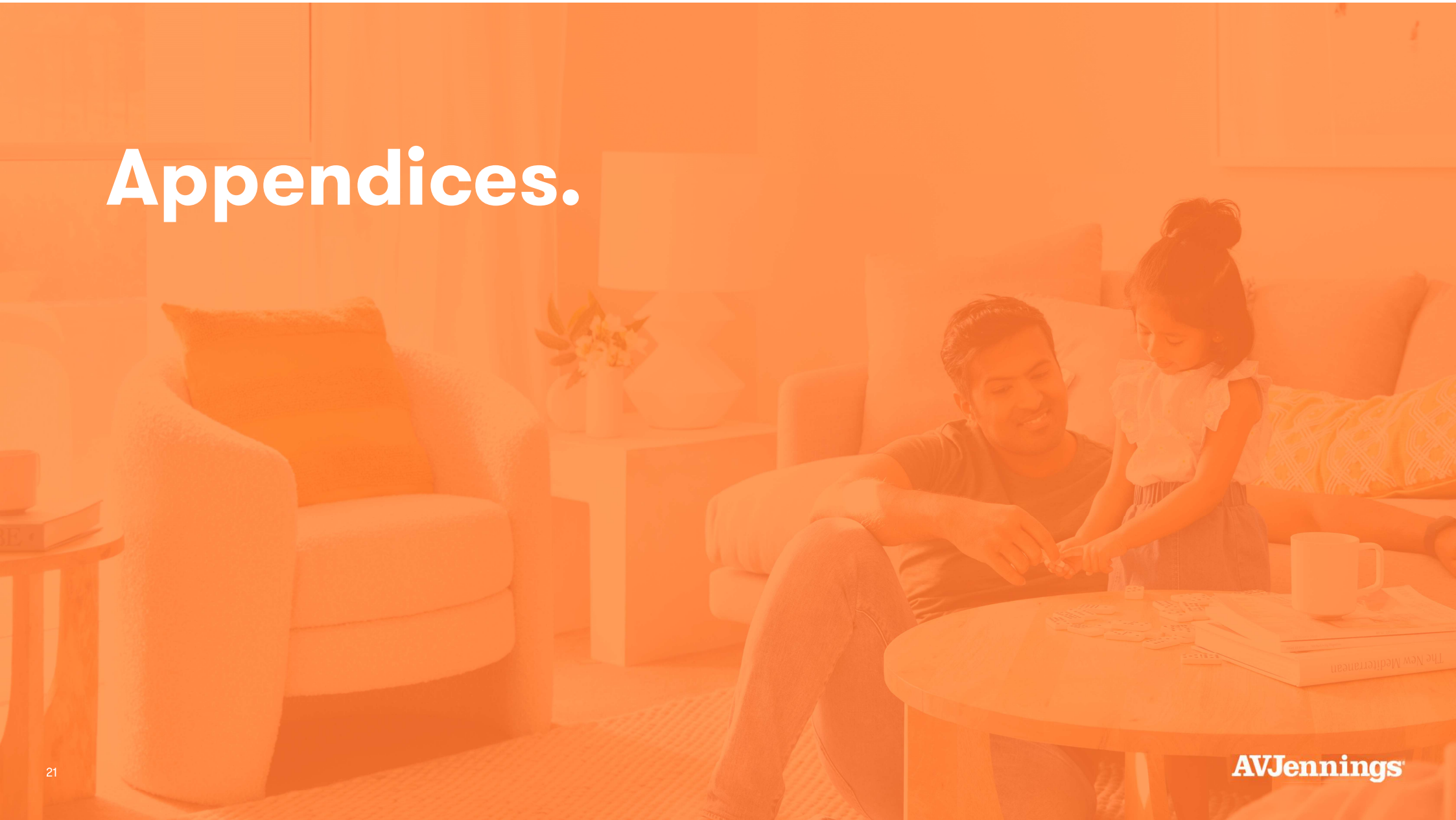
Recent Contract Signing Levels<sup>2</sup>



Enquiry Levels



# Appendices.



# AVJennings Pipeline.<sup>1</sup>

	Remaining # of Lots	Product Type	FY24	FY25	FY26	FY27	FY28+
New South Wales	Argyle, Elderslie	92	L,IH				
	Evergreen, Spring Farm (East Village)	351	L,IH				
	Arcadian Hills, Cobbitty	40	IH				
	Rosella Rise, Warnervale	483	L,IH				
	Prosper, Kogarah	56	APT				
	Huntley	194	L,IH				
	Calderwood	390	L				
	Mundamia	308	L				
	Macarthur	725	APT				
Queensland	Glenrowan, Mackay	177	L				
	Arbor, Rochedale	17	IH				
	Riverton, Jimboomba	910	L,IH				
	Deebling Springs, Deebling Heights	205	L				
	Cadence, Ripley	126	L,IH				
	Cadence 2, Ripley	333	L				
	Rocksberg, Caboolture	3,500	L				
	Kerry Rd, Beaudesert	1,146	L				
New Zealand	Ara Hills, Orewa	528	L				
Victoria	Lyndarum, Wollert	82	L,IH				
	Lyndarum North, Wollert JV	1,409	L,IH				
	Aspect, Mernda	184	L,IH				
	Harvest Square, Brunswick West	87	IH, APT				
	Waterline Place, Williamstown	184	IH, APT				
	Clyde	942	L				
	Somerford, Clyde North	221	L,IH				
South Australia	St Clair	124	L				
	Eyre, Penfield	1,212	L,IH				
Western Australia	Various	52	IH,APT				
Other	Various	16	L				
<b>TOTAL</b>		<b>14,094</b>					

Pre-Delivery Phase
  Delivery Phase

## New South Wales Portfolio (2,651 lots)

### Rosella Rise, Warnervale

The first land and development housing settlements of the project occurred during the year.

### Cobbitty

Arcadian Grove completed during FY23.

### Argyle, Elderslie

Civil works commenced for the final project stages. Two-storey terrace product to be brought to market shortly.

### Prosper, Kogarah

Groundbreaking ceremony held March 23 with excavation works underway.

### Evergreen, Spring Farm

Two Stellar Collection homes delivered to customers.



## Queensland Portfolio (6,414 lots)

### Riverton, Jimboomba

Delivered the first two Stellar Collection (Pro9) homes.

### Cadence, Ripley

Opened the project's entry park, Symphony, to the local community.

### Arbor, Rochedale

Settled the first stage of townhomes, welcoming 21 families to the community.

### Deebing Springs, Deebing Heights

Commenced works on the project's first stages.





## Victoria Portfolio (3,109 lots)

### Waterline Place, Williamstown

Construction of the last apartment stage progressing well.

### Somerford, Clyde North

Project launched to market.

Civil works underway for the first stage.

### Harvest Square, Brunswick West

All three apartment buildings achieved topping out stage.

### Lyndarum, Wollert

Delivered the first built-form housing within the project.

### Aspect, Mernda

First stages completed with residents moving in.

Construction of five Stellar Collection homes underway.



## South Australia Portfolio (1,340 lots)

### Eyre, Penfield

No completed unsold stock available.

Progressing planning approvals for subsequent stages.

### St Clair, St Clair

Civil construction complete.

Balance of site to be sold as medium-density sites.

### Murray Bridge / Goolwa North

Project on track for FY24 completion.



## New Zealand Portfolio (528 lots)

### Ara Hills, Orewa

Civil construction complete for Stage 3a (89 lots) with civil works commenced on the next stage of 136 lots.

Held our first community event with over 80 residents.



# Thank you.