AVJennings

28 November 2024

The Manager
Company Announcements
Australian Securities Exchange Limited
Level 50, Rialto South Tower
525 Collins Street
Melbourne Vic 3000.

Dear Sir,

AVJENNINGS LIMITED
ANNUAL GENERAL MEETING – 28 November 2024

Please find attached the Chairman's and Managing Director's addresses made at the Annual General Meeting of AVJennings Limited on 28 November 2024.

Yours faithfully,

Carl Thompson
Company Secretary.

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ANNUAL GENERAL MEETING – 28 NOVEMBER 2024

Chairman's Address – Mr Simon Cheong

Good afternoon, ladies and gentlemen. My name is Simon Cheong, Non-Executive Chairman of AVJennings, and it is my pleasure to welcome you to our 2024 Annual General Meeting in the 93rd year of AVJennings' proud history for creating communities that people love to call home.

I begin by acknowledging that we are meeting here today on the land of the traditional custodians, The Wurundjeri People. I pay my respects to their Elders, past, present and emerging.

On the advice of hotel management, we have moved the meeting from Westin meeting room 4 to Westin meeting room 2 to avoid any noise from Melbourne Metro Tunnel works interrupting conduct of the Annual General Meeting.

As there is a quorum present, I declare this meeting open. I appreciate the fact that some shareholders may have to leave before the end of the meeting. I therefore also formally open the poll on resolutions.

With me today are my fellow Board members:

- Mr Jerome Rowley, non-executive Deputy Chairman;
- Mr Bobby Chin, non-executive Director;
- Mr Bruce Hayman, non-executive Director;
- Mr Lai Teck Poh, non-executive Director;
- Mr Mak Lye Mun, non-executive Director;
- Ms Lisa Chung, AM, non-executive Director; and
- Mr Philip Kearns, AM, Managing Director and Chief Executive Officer

Also joining us are many of the Company's senior management team and staff, including General Counsel, Mr Carl Thompson, and Mr Anthony Ewan, Audit Partner, representing the Company's External Auditor Ernst & Young.

In a moment I will provide a recap of our FY24 performance, our strategy and highlight some of the strategic progress we made during the financial year.

Phil will then talk about our business model, current business performance and the outlook for FY25.

There will be a forum for questions and responses following Phil's address and I will then proceed with the formal agenda as set out in the Notice of Meeting.

However, before I proceed further I will touch on a very recent development. You may have seen the announcement on the ASX which the Company released this morning. The Company has received a non-binding indicative offer from AVID to acquire all the shares in AVJennings for 67cps plus the benefit of up to 6cps in franking credits.

The proposal is subject to a number of conditions including due diligence and entry into a Scheme Implementation Agreement (SIA).

Your Directors are of the unanimous view that the proposal would provide shareholders the opportunity to realise their investment at a price significantly above historical trading levels.

Your Board has been engaged with AVID since July 2024 and conducted extensive negotiations and discussions which have led to the proposal. Directors intend to recommend the proposal, subject to no superior proposal emerging.

The financial year 2024 was another challenging year for many businesses. The Australian residential property sector continued to experience macro-economic challenges, including high interest rates and inflation, significantly impacting buyer sentiment and affordability. Additionally, the property development sector remains exposed to labour shortages and above average wage inflation while materials inflation is showing signs of normalisation. Beyond the shorter-term challenges, supply and demand fundamentals for the housing market continue to be strong, underpinned by the existing undersupply of new housing stock and population growth.

Our vision is unchanged. It is focused on developing communities for a sustainable future.

During the year, the Board made several strategic decisions around capital management to better position us to navigate market challenges.

The major decision to terminate the Rocksberg project in Caboolture, Queensland, was driven by significant cost escalations that outpaced forecasted revenue growth. The funds for this project will be redeployed to current pipeline opportunities with the aim of accelerating project returns and improvement of the Company's ROE.

In FY24, AVJennings' revenue increased 12% to $319.7 million. This growth reflects our strategic focus on key projects and effective management of market challenges. On the other hand, gross margin and net profit declined from FY23 due to ongoing cost pressures, a significant slowdown in the New Zealand market and the termination of the Rocksberg project as previously mentioned.

No dividend was declared for the full year in line with our policy on dividend payments from Net Profit after Tax. However, subject to results, we are hopeful about returning to a normal dividend cycle in 2025.

As the business continues to move forward, we have continued to strengthen our financial position to drive the Company's long-term success. During the year, we secured an additional $30M to our existing Club Banking facility, increasing the total facility limit to $330M, in addition to the $30 million equity raise during FY24 to support future investment in built-form housing and the modernisation of the business.

Our Pro9 joint venture reached key milestones with the establishment of the manufacturing facility on the NSW Central Coast and recently, the commencement of prefabricated wall production. We are leveraging the Pro9 walling solution technology to boost construction efficiencies, ensuring more reliable and faster delivery timeframes. We believe this solution enhances our sustainability credentials by delivering homes above the minimum sustainability standards to lower customer's energy bills, improves our future earnings profile and has the potential to revolutionise the residential construction industry. Phil will provide a more expansive Pro9 JV update.

A Board refresh had been underway, with staggered departures of our long standing independent non-executive directors planned. The Nominations Committee under the Chairmanship of Bruce Hayman had done much work in identifying potential directors. However, the refresh program has been put on hold pending the outcome of the AVID proposal. Lisa Chung has informed me that she will not stand for reelection today due to other Board commitments. I would like to take this opportunity to thank Lisa for her dedication, contribution and support. I wish you well in your future roles.

We have entered FY25 encouraged as to what lies ahead as lead indicators, including enquiry levels and contract signings, are slowly improving. We expect supply and demand imbalances to continue to underpin the industry and as well as expectations of the interest rate cutting cycle commencing mid-next year, which is closely tied to purchaser confidence.

On a final note, and on behalf of the Board, I would like to thank the AVJennings' management team and all our staff for their hard work, loyalty, and resilience. We are also deeply grateful to our business partners, customers and shareholders. Please be assured that both the Board and I are fully committed to enhancing long-term value for all our stakeholders.

Thank you also to my fellow Directors for your continued guidance and support over the past year.

I will now hand over to our CEO, Phil Kearns, who will provide operational commentary and outlook for FY25.

CEO & MD Address - Mr Philip Kearns, AM

Thank you, Simon.

Good afternoon, ladies and gentlemen, and thank you for coming to our 2024 AGM.

Today, I will provide an overview of AVJennings' financial and operating performance in FY24, update you on the recent September quarter, and share some commentary on the FY25 outlook.

Financial year 2024 was a productive year for AVJennings. Despite ongoing market challenges, management focused on pushing forward on things within our control and influencing those things that aren't. In doing so we have made notable progress towards the ongoing transformation of the business.

We remain focused on improving the quality and future profitability of our portfolio and focused on our customers.

Throughout FY24, apartment projects such as Waterline Place and Harvest Square in Victoria and our communities at Rosella Rise in New South Wales and Cadence in Southeast Queensland, highlighted the diversity and flexibility of our product offering. This diversity caters to a variety of buyer needs and preferences, ensuring we meet the diverse and evolving demands of our customers in the residential housing market.

So much of our ongoing transformation is about improving customer outcomes. Whether this be refreshing our product designs, improving the environmental sustainability of communities high quality, more energy efficient homes, increasingly digitising the customer experience, or enhancing usability of our website.

Several strategic initiatives were executed to bring flexibility and capacity to the balance sheet and improve our capital structure. In addition to the $30 million equity raise and termination of the Rocksberg option mentioned by Simon earlier, we secured a $30M increase to our existing Club Banking facility, bringing the total facility limit to $330M. More recently, the facility was modernised and extended to September 2027.

The divestment of our Glenrowan project at Mackay, Queensland and other englobo sales at St Clair in South Australia further optimises the asset portfolio to support future growth and acquisition opportunities as buying conditions improve.

We achieved a strong employee engagement score with a high participation rate. We are investing in staff training and needed technology upgrades across the organisation to boost efficiency. The exciting AVJennings brand refresh is progressing, recognising our legacy and further supporting the business transformation being undertaken.

We are pleased with the progress of the Pro9 Joint Venture. The new Pro9 Australian manufacturing facility on the New South Wales Central Coast is now operational. The first locally manufactured Pro9 walls were delivered and erected in one day at AVJennings' Rosella Rise community in October. This was a watershed moment for the JV as previously the walls were imported from Europe. A total of 31 Stellar Collection homes featuring Pro9 walls have been completed or are under construction. Looking ahead, another 92 AVJennings homes featuring Pro9 walls are in the pipeline. We believe that our investment in this prefabricated walling solution brings AVJennings, and its customers, strong sustainability and efficiency benefits, with the potential to reshape our future earnings by providing valuable annuity-style income.

We continue to maintain a prudent approach to capital management as markets across Australia differentiate themselves in relation to market recovery. Funds initially allocated to the terminated Rocksberg option in Caboolture QLD are being redirected to activate and expedite existing pipeline opportunities in our stronger performing markets. No new acquisitions were made during the year and acquisition activities will remain scaled back until market sentiment and buyer confidence further improves.

As of 30 June 2024, our pipeline consisted of 9,871 lots under control and 1,062 lots under development.

Despite challenging industry and economic conditions, AVJennings achieved $319.7 million in revenue, up 12% from the previous financial year. This revenue performance highlights the resilience of our business model during a challenging business cycle. However, gross margin fell 18% to $74.3 million due to ongoing cost pressures, particularly related to labour and some built-form material categories, the significant slowdown in the New Zealand market and strategic capital management initiatives including the disposal of all 177 remaining lots within the Glenrowan (QLD) project which was last under active development in 2013 and within a non-core market; the sale of a large parcel of land (59 lots) at the Elderslie (NSW) project and the disposal of three remaining medium density sites within the St Clair (SA) project. These transactions resolved legacy project matters as well as expediting capital recycling for completed, or nearly completed, projects.

Profit Before Tax (PBT) also dropped 95% from the prior year to $1.6 million, greatly impacted by the termination of the Rocksberg project. This led to a $17.8 million write-off in capitalised development expenses and reimbursement of the landowner's transaction costs. During the year, 584 retail lots were settled with key contributors being Waterline Place (VIC), Lyndarum North (VIC), Penfield (SA), Aspect (VIC), Riverton (QLD) and Ripley (QLD).

Turning now to some promising market indicators. Contract signings increased significantly, up by 139% to 830 lots, valued at $269 million. Retail contract signings also rose 70% to 590 lots. This notable improvement in contract signings aligns with periods of relative interest rate stability further highlighting the correlation between interest rate cycles and purchaser confidence. Customer enquiries have also seen a steady rise, up 12% from FY23 and enquiry-to-sale conversion rates improved by 44% year-on-year.

We recently shared a Q1 FY25 update with the market which detailed our Q1 performance against the prior year. Specifically:
• Settlement revenue up 29% to $50.4m (against PCP)
• Enquiries remain consistent with Q4 FY24 and the PCP
• 93 unconditional contracts signed, down from 162 in both the PCP and Q4 FY24.

Lower contract signings and flat enquiry levels primarily reflect the limited completed built-form housing available for sale during Q1 as we typically bring product to market for sales closer to completion. Purchaser confidence also continues to be impacted by the overhang of 'sticky' inflation and market sentiment about higher for longer interest rates. In particular, Victoria remains very subdued.

For the remainder of FY25, we remain cautiously optimistic about the market outlook and the Company's business performance, aware of the challenges ahead but confident in our strategy. Lead residential market indicators are expected to continue to improve but at differential rates across AU and NZ, though the uncertainty around the timing of interest rate cuts may continue to dampen buyer confidence. FY25 revenue is anticipated to be relatively consistent with FY24, with gross margins remaining under pressure until cost increases normalize and revenue growth commences. Earnings will again be heavily weighted towards the second half of FY25, and while the Pro9 factory has begun production, we do not expect a significant impact on AVJennings' earnings this financial year.

We are actively working with key industry bodies and government to advance planning on numerous pipeline lots delayed in approval. Resolving these structural challenges is essential for addressing Australia's housing shortage and enabling AVJennings to capitalise on improving market conditions. Local council approval (or not) is often out of sync with what state governments and their associated approval authorities want. Until there is alignment across government, red tape and inefficiency will reduce development and necessary investment in the Australian residential sector.

In conclusion, we are making good progress with our objectives of transforming the business, improving our capital allocation and strategic decision making. Our decision to terminate the Rocksberg option, sell the Glenrowan (QLD) project and other englobo sites across the portfolio, highlights our commitment to prudent capital management and recycling of capital. As expected, the Pro9 JV is showing great progress and has potential to transform our business model and revolutionise the industry. Decisions and progress made in FY24 demonstrate our commitment to achieving long-term growth and operational excellence while mitigating the effects of operating in challenging market conditions.

I extend my gratitude to Simon and the Board for their guidance and support throughout the year.

To our executive team and the entire AVJennings staff - including our contractors, suppliers and partners, thank you all for your hard work and dedication. Your contributions are vital to our success, and your efforts are deeply appreciated.

And of course, I also extend my sincere thanks to our customers for putting their trust in AVJennings and to our shareholders for their ongoing support and open dialogue.

ENDS.