

INVESTOR INSIGHT

MAY 2017



CELEBRATING 30 YEARS
SUCCESS THROUGH PROPERTY



MESSAGE FROM THE MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER



Villa World has begun the next chapter in its growth story. The successful completion of capital management initiatives this quarter deliver a more diverse debt profile and the financial capacity to bolster land stocks through strategic acquisitions.

These initiatives form part of a longer-term financial strategy to deliver sustained earnings growth and strong yield.

Having announced a 1H17 result in February that included a 5% revenue gain and \$192 million in carried forward sales contracts, Villa World successfully negotiated an extension of maturity dates for its \$140 million bank financing arrangement with ANZ.

This was followed in March with an \$80 million capital raising through complementary equity and bond offers.

Villa World became only the third Australian company to undertake a Simple Corporate Bond (SCB) offering, well supported by its institutional brokers and retail broker syndicate, with an early close to the \$50 million book build. The bonds pay an interest rate of 4.75% above the three month bank bill rate, currently giving investors a yield of 6.5%.

A \$20 million share placement with institutional investors at \$2.25 per share was also well supported by existing institutional shareholders along with some new institutions that joined the register. The offer closed 2.3 times oversubscribed and was conducted at a small 5.5% discount to the pre-placement price.

Similarly the \$10 million Share Purchase Plan (SPP) was exceptionally well supported with \$17.9 million in applications received at close, triggering a scale back process.

Funds raised through the SPP, along with the Placement and Bond Offer, will provide Villa World with additional financial capacity to replenish and increase land stocks, while maintaining prudent gearing levels. As has been our practice, we will pursue strategic purchases in optimal growth corridors, as well as joint ventures and capital lite transactions.

As outlined in Acquisitions on page 3, the successful execution of these capital management initiatives represents an important step in our growth strategy, enabling the Company to take advantage of value accretive opportunities in the market place.

Villa World has been actively restocking its project pipeline since FY14. The business has significantly grown its portfolio to 7,238 lots (30 June 2013: 2,647 lots), and will achieve in excess of 1,185 sales in FY17.

The deployment of funds raised through the capital management initiatives enables the step-change we are looking for. Villa World has increased its range of site acquisition expenditure for the full year from \$60-80 million to \$100-120 million. We aim to continue our double-digit growth profile in the coming years, with sharper gains in the medium term to flow through the deployment of new capital.

Our capital management initiatives have added diversity to our debt portfolio, which includes the bond issue and the Club Facility with Westpac and ANZ - recently restructured to extend the range of the dates of maturity from 2019 to 2022. Our gearing after completion of these initiatives remains within our target range.

Villa World's upgraded guidance for FY17 is well within sight, with expected sales of at least 1,185 and a Net Profit After Tax of \$37.5 million. The Board anticipates full-year dividends of 18.5 cents per share fully franked, representing a yield of 7.9%.

As we continue our growth story, our focus shifts to deployment of capital for new acquisitions, and to maintaining efficient delivery and sales operations.

The capital raising also provided the opportunity to re-tell Villa World's story of success through property. As a result, I am pleased to give a special welcome to new institutions and investors who are now part of the Villa World family.

Craig Treasure

Craig Treasure

“We aim to continue our double-digit growth profile in the coming years, with sharper gains in the medium term to flow through the deployment of new capital.”



Hope Island - Queensland



ACQUISITIONS

PROJECT NAME	LOCATION	STATE	REGION	PRODUCT	# LOTS	PURCHASE PRICE (\$M)
1H17 Acquisitions					1496	
Hope Island	Hope Island	QLD	Gold Coast	H&L	85	\$10.75m
Box Hill	Box Hill	NSW	NW Sydney	H&L	35	\$7.5m
Clyde	Clyde	VIC	SE Melbourne	LO	414	\$33m
Plumpton ⁽ⁱ⁾	Plumpton	VIC	NW Melbourne	H&L	169	\$13.5m
Doolandella	Doolandella	QLD	W Brisbane	H&L	149	\$10.25m
Wollert (adjoining site)	Wollert	VIC	N Melbourne	LO	133	\$7.4m
Bellmere	Bellmere	QLD	N Brisbane	LO	450	\$10m
2H17 Acquisitions (YTD 5 May 17)					1435	
Total Acquisitions FY17 (YTD 5 May 17)					2931	

(i) Subject to Precinct Structure Plan
LO = Land Only; H&L = House & Land

Villa World's active land restocking program has enabled the Company to retain and replenish a five to six-year project pipeline.

This quarter's successful capital management initiatives place the Company in an excellent position to pursue acquisitions and over time rebalance Villa World's project holdings to a targeted geographic mix (20% NSW, 40% Victoria, 40% Queensland) as cycles, markets and opportunities allow.

As demonstrated through its \$33 million acquisition in March of a 42-hectare site at Clyde, 55km south of the Melbourne CBD, Villa World is growing its holdings in Victoria and growing through strategic partnerships in New South Wales.

The Company continues to expand its footprint in identified growth areas in the east coast states, adding 2,931 lots to the book in FY17 year-to-date and maintaining cash investment on acquisitions at between \$100 and \$120 million, plus \$40 million in capital lite acquisitions.

Strong sales at existing projects and continued demand for residential housing within Melbourne's south east growth corridor underpinned Villa World's acquisition of a new site at Clyde. With existing residential zoning for more than 400 home sites, this acquisition provides a replacement opportunity for the Cardinia Views estate at Pakenham.

The Company's considered re-entry into New South Wales saw the addition of 35 lots at Box Hill, within 50km of the Sydney CBD, expected to contribute to earnings in 2H19.

In South-East Queensland, an 85-lot parcel at sought-after Hope Island, on the Gold Coast, will offer both home sites and town homes with first settlements expected in 2H19.

A 149-lot development at Doolandella, south-west of the Brisbane CBD, will target the lower to middle price range (\$385,000-\$480,000), with first settlements expected in 2H18.

The Company will continue to pursue other value accretive opportunities in the market place.



Clyde - Victoria

MARKET UPDATE

NEW SOUTH WALES

Villa World's New South Wales building operations are well underway, with the completion of eight homes at **Concourse**, in Sydney's south-west growth corridor at Oran Park. Initial customer feedback to the first display house, which opened on 1 April, has been positive.

The boutique residential development within the emerging Oran Park Town master planned community offers 28 lots, with single and double-storey house-and-land configurations tailored to the Sydney buyer market and priced from \$665,000.

Completion of **Concourse** will lead into a Development Management Agreement with Sydney's Greenfield Development Company for an initial 93 medium density town homes.

Just minutes from Oran Park Town Centre is Villa World's 10-lot designer home project, called **Harmony**, at the village of Cobbitty.

Harmony offers buyers and investors well-priced, architecturally designed homes that are ready to move into as part of Villa World's "complete home at the complete address" delivery method.

To the north-west of Sydney is a 44-lot house and land development at Box Hill called **Allure**. Civil construction is underway, with house construction and sales to commence in September. Nearby is one of the company's newest acquisitions, another 35-lot house and land project in Box Hill.

Further south, in the Illawarra, the 87-lot **Bella Vista** estate, in Albion Park, has attracted strong demand and is nearly sold out.



QUEENSLAND

Buyer interest in Villa World's Queensland projects remained strong, with four of the popular Redlands estates almost fully sold and a fifth continuing to attract strong interest.

Our product diversity within the Redlands residential housing market has suited this growth region south-east of Brisbane. **Era**, in Capalaba, along with **Waterline** and **Affinity** at Thornlands, and **Ellabay** and **Seascape** at Redland Bay, have proven extremely popular with buyers and investors.

Seascape is well located in the Redland Bay growth precinct close to the proposed Weinam Creek marina development and existing retail, education and medical facilities. Staged delivery of 187 house and land packages starting at around mid \$400,000 appeal to a low maintenance, coastal lifestyle. With Stages 1 and 2 nearly sold out, **Seascape** Stage 3 is now selling and attracting strong leads from the owner-occupier market segment with a desire to downsize to a property that features quality inclusions and contemporary fittings. Community facilities including swimming pool and outdoor leisure areas will be completed this quarter, adding to the resort lifestyle at **Seascape**.

The ongoing success of Villa World's Redlands addresses will be enhanced with new upcoming releases that add to stock both on the north side of the Brisbane River, and south in the Logan region and Gold Coast.



MARKET UPDATE CONT.

QUEENSLAND CONT.

Following the sale of final lots at **Park Vista** at Mango Hill, adjoining the booming North Lakes community, the Company has several boutique house and land offerings nearby, including **Emerald Park**, at Burpengary, (54 H&L). Also nearby is **Haven on Greens**, at Griffin, (70 H&L) which sold out Stage 1 ahead of schedule and prompted a second-stage offering of architect-designed homes, along with a select range of larger premium residential sites available for buyers with their own designs in mind.



Civil works commenced to support the 109 H&L lots at **Silvan Rise**, Dakabin, ahead of sales release later this year. The Brisbane north project pipeline will also receive a major injection with the sales launch of **The Meadows**, at Strathpine, with 383 H&L lots later this calendar year.

Villa World's Queensland sales pipeline will be further boosted through projects in the Logan growth corridor including a new master planned address, **Killara**, in Logan Reserve, a joint venture offering at Greenbank (50% of 1,500 lots) and complementary offerings at **Chambers Ridge** (300 H&L) and **The Orchard**, in Doonadella, (149 H&L) all launching in late 2017.

The opening of Villa World's sales centre has piqued buyer interest at the 726-lot **Killara** residential community, at Logan Reserve. This major new development, located on Chambers Flat Road, has benefitted from completion of roadworks giving homebuyers an easy, close-up view of the bushland setting at **Killara**.

The Company has been encouraged by the strength of buyer activity in the past quarter. Stage 1, with lots ranging from 301sqm to 587sqm selling from \$178,000, will include a builders' display village of approximately 29 homes.

The **Killara** masterplan includes 726 home sites, featuring five boutique precincts to suit families at varying stages in life. Located near the city of Logan, this development offers an exciting opportunity for owner occupiers, first home buyers and investors. With the population set to tip the 500,000 mark in the next 20 years and the continuous growth of the 20,000 local businesses that are directly influencing the steady job growth, Logan is one of Queensland's key growth areas.

As momentum heats up ahead of the 2018 Gold Coast Commonwealth Games, Villa World welcomed the first residents to its popular **Seabright** community, at Jacobs Well. Priced from \$449,000, **Seabright's** three and four-bedroom homes are well located to take advantage of the bayside lifestyle and village amenities at Jacobs Well, attracting strong interest from owner-occupiers from neighbouring suburbs. Already more than 60% sold, **Seabright** Stage 3 is now selling.



Parkland sites at Villa World's premiere Gold Coast development **Arundel Springs** are selling ahead of a public Open Day in June, and a completed total of 80 town homes are due for market release later in 2017.

Arundel Springs, beside the protected Coombabah Lakelands Conservation Area, will feature parkland homesites that seamlessly integrate with the natural beauty of the area.

Locked away from public view for decades under private ownership as one of the Gold Coast's last working dairy farms, Villa World has created a master plan for the 25ha infill site on Greenacre Drive that includes extensive public space along with 306 residential lots and approximately 80 town homes. Land lots range in size from 300sqm to 811sqm and priced from \$299,000.

Arundel Springs town homes will go to market in mid FY18, with positive pre-sales and a strong pipeline of leads.

Strong buyer demand for Villa World's **Augustus** project at Hervey Bay has pushed the masterplanned residential development past the half-way mark attracting a cohort of first home buyers and retirees. The 763-lot project has clocked more than 400 sales since its launch, driven sharply in recent months by the March 31 expiry of the \$12,000 Hervey Bay Housing Affordability Grant, which had been complemented by the Queensland Government's first home owners' grant of \$20,000.

The latest sales have led first home buyers to account for 70% of sales at **Augustus**, with 20% to retirees and 10% to investors.



Arundel Springs - Arundel, Queensland

VICTORIA

Policy initiatives by the Victorian Government aimed at incentivising first home buyers and increasing housing affordability auger well for Villa World's continued expansion in the Melbourne growth corridors.

The Company has a long history of development in the growth corridors, dating back to **Cascades on Clyde**, a 1,138-lot master-planned community established a decade ago.

The most recent acquisition - a \$33 million, 42-hectare site at Clyde - comes with an existing residential zoning for more than 400 home sites.

The Clyde growth corridor has already drawn strong demand for Villa World product, with sales at its **Cardinia Views** estate, at Pakenham, outstripping forecast and due to sell out well ahead of schedule.

Cardinia Views (320 land lots), and **Sienna**, in Plumpton to the north west, (166 lots) are almost at sell out, with the adjacent **Sienna Rise** attracting a strong pipeline of sales leads ahead of a 255 land-only sales launch this quarter.

At **Essence**, in South Morang, civil works will commence soon for an October sales launch of 60 designer town homes located close to major retail and transport infrastructure.

Villa World's Victorian project pipeline also includes a 166-lot project at Wollert, where civil works are expected to begin mid FY18.



Sienna Rise - Plumpton, Victoria



Rochedale Grand - Rochedale, Queensland



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