

INVESTOR INSIGHT

OCTOBER 2017



MESSAGE FROM THE MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

After delivering another strong full-year result, Villa World has maintained momentum with an excellent 1Q18. It's a sign of things to come as our focus on efficient delivery and sales intensifies with new release projects across three states.

The strength of Villa World's financial management and an active land acquisition program during FY17 has provided the platform for revenue growth as new projects begin contributing to earnings. Strong carried forward sales from FY17, with a gross value of \$175.7 million, will be complemented by nine new project launches throughout FY18 and key construction commencements.

Based on first quarter sales of 341 lots, Villa World is on track to meet its growth target of 1400 sales this financial year (FY17:1207). The Company's re-entry into the New South Wales market has delivered first housing settlements, with the sales pipeline providing for growth in the latter half of FY18 and into FY19.

As outlined in this edition of **Investor Insight**, market conditions remain favourable to Villa World's core product offering in the affordable to mid-priced residential housing market, supported by our increased geographic and market diversity.

The successful deployment of capital in FY17 supported the acquisition of around 3500 lots in strategic growth corridors, resulting in a land bank of 7800 lots, equivalent to 5-6 years of sales based on the FY18 targeted sales rate of 1400 per annum.

Given this strong project pipeline, the Company will take a selective approach to new acquisitions this year, predominantly on deferred terms, through joint ventures and partnering arrangements. This approach also provides additional development management income streams which will continue to deliver increased contributions to earnings.

The resultant cash outflow for acquisitions will total around \$110-130 million in FY18 funded from existing debt facilities and working capital, as well as \$45 million in capital lite transactions. Consistent with this forecast, the Company has recorded a cash spend to date of \$88.4 million, which includes \$8.9 million in capital lite transactions.

The Company is continuing to diversify across a three-state market to achieve a 40/40/20 spread across Victoria, Queensland and New South Wales, as cycles and market opportunities allow.

Villa World is targeting a Net Profit After Tax of \$41.6 million, an increase of 10% on FY17 (\$37.8 million), with the result heavily weighted to 2H18 as contributions from projects increase, setting up for an expected step-change profit result in FY19.

The 2017 Villa World Annual General Meeting will be held on 24 October. This is an important opportunity for the Board to discuss the FY17 performance and plans for the future directly with shareholders.

Among a number of resolutions, shareholders will be asked to vote on the re-election of Board Chairman Mark Jewell and non-executive Director David Rennick.

These reappointments, together with Donna Hardman continuing as non-executive Director and Chair of the Remuneration and Nomination Committee reflect a skilled and experienced Board which has undertaken a process of continual improvement to ensure that shareholders' interests are top of mind.

Looking ahead, the Board anticipates FY18 full-year dividends of at least 18.5 cents per share, fully franked, which is within the Company's stated dividend policy (payout ratio of 50% - 75% of annual NPAT, paid semi-annually).

The Company continues to maintain a prudent gearing target of 15-30%, and is targeting continued cumulative average Earnings Per Share (EPS) growth of greater than 10% per annum.

We look forward to celebrating a number of project milestones throughout this year as Villa World continues to deliver success through property.

Craig Treasure

Craig Treasure
Managing Director and
Chief Executive Officer



Craig Treasure and Mark Jewell

MARKET CONDITIONS REMAIN FAVOURABLE TO VILLA WORLD'S CORE PRODUCT OFFERING IN THE AFFORDABLE TO MID-PRICED RESIDENTIAL HOUSING MARKET, SUPPORTED BY OUR INCREASED GEOGRAPHIC AND MARKET DIVERSITY.



C
CONCOURSE

HARMONY

Harmony in Cobby, looking towards The Chase & Concourse in Oran Park, NSW

SALES

Spring is a great time in the housing market and the Villa World 2017 spring sales campaign captures the essence of the season by offering a “sneak peek” at new projects, fresh housing designs and a contemporary range of interior finishes.

Villa World is constantly looking at design trends to deliver homes that reflect the way families live not only today but into the future. The latest collection featured in the spring marketing campaign has been created by respected Queensland firm, DC8 Studio.



The Spring edition of Villa World's Designer Living magazine gives an insight into this season's new housing designs, first available at **The Meadows**, Villa World's much anticipated 402-lot development at Strathpine, on Brisbane's north side.

The new designer range is complemented by a stronger focus on the outdoors, with active and healthy lifestyles being reflected in Villa World's approach to landscape

and amenity, offering not only sporting facilities but playgrounds, walking and biking trails, edible gardens and integrated community greenspace.

This approach is expected to attract strong buyer interest at new flagship projects including:

- **Lilium**, Clyde North (Vic). 412 homesites in Melbourne's south east close to amenities and featuring a dedicated nature reserve.
- **The Meadows**, Strathpine (Qld). 402-lot architect designed family homes set to appeal to the traditional owner-occupier market.
- **Covella**, Greenbank (Qld). A much-anticipated 1500-lot master planned address (Villa World has a 50% joint venture share) appealing to families and featuring around 50 hectares of native bushland, as well as recreation areas incorporated into four neighbourhoods.
- **Chambers Ridge**, Park Ridge (Qld). A 300-lot collection of traditional Villa World homes in the rapidly growing Logan region.

Other Queensland projects now selling include 109 designer homes at **Silvan Rise**, Dakabin, north of Brisbane, and land releases at **The Orchard**, Doolandella, west of the Brisbane CBD.

A new range of contemporary single and double storey homes will soon be released at **Allure**, Box Hill, north west of the Sydney CBD.

Sales from other key projects are performing well. These include **Sienna Rise**, at Fraser Rise (Vic), **Arundel Springs**, one of the last premium land releases on the central Gold Coast, and **Killara**, offering parkland homesites as well as house and land packages at Logan Reserve.



The Meadows - Strathpine, Queensland



“VILLA WORLD IS CONSTANTLY LOOKING AT DESIGN TRENDS TO DELIVER HOMES THAT REFLECT THE WAY FAMILIES LIVE NOT ONLY TODAY BUT INTO THE FUTURE.”



MARKET UPDATE

NEW SOUTH WALES

Villa World's re-entry into the New South Wales market has delivered its first housing settlements from the 10-lot designer home project, **Harmony**, in south-west Sydney, soon followed by sales from **Concourse**, a boutique residential development within the Oran Park Town master planned community.

With stage one and two house construction nearing completion, **Concourse** stage three launches in October with expected strong take-up of Villa World's complete home, single contract offering.

The Company also recently celebrated the sales launch of its first housing product in north-west Sydney, a 44-lot house and land development at Box Hill, known as **Allure**. Civil construction has been completed and housing construction is underway with display homes due to open later this financial year.

Civil construction work will commence shortly at the very successful land-only project in the Illawara, the 87-lot Bella Vista estate, with only one lot yet to sell and the bulk of settlements due in mid CY18.



VICTORIA

Villa World's projects in Victoria performed well during the first quarter, attracting strong sales and settlements.

Significant early interest in the 555-lot **Sienna Rise** homesites, at Fraser Rise, in Melbourne's outer west, is being reflected in good sales demand this quarter. This project features expansive recreational areas and landscaping, offering strong appeal to family owner-occupiers. Precinct Structure Plan gazettal is expected in 2Q18, with civil construction expected soon after.

The adjacent **Sienna** project is now completed, and around 100 settlements from the 320-lot **Cardinia Views** project are expected to contribute to 1H18 earnings, with the project reaching its final stage. Similarly Villa World's first house-and-land community in Melbourne, **Lavinia**, at Greenvale, is also expected to complete in the latter half of the year.

The Company's market presence and pipeline of projects in Victoria will be bolstered with the upcoming sales launch at the 412-lot land only **Lilium**, at Clyde North.

The acquisition of **Lilium** settled in September 2017, with a new land sales centre opening soon. The Company is moving quickly to bring this project to market due to high customer demand. Sales are expected from November, with civil construction work set to begin in the new year.



QUEENSLAND

On the north side of Brisbane, the Company has launched sales at **The Meadows**, Strathpine, a timely replacement for the successful Park Vista project at **Mango Hill**, which completed sooner than expected due to strong demand.

To the south, Villa World's 726-lot **Killara** residential community at Logan Reserve remains one of the Company's fastest selling projects since its launch in May 2017. Construction of a display village precinct featuring 29 homes from 19 major and boutique builders is expected to be completed in the first half of 2018, providing an impetus for further land sales at this sought-after location.

The nearby land project **Covella** and 300-lot home project **Chambers Ridge** launch in October and are also

expected to draw strong sales as growth in the Logan area continues at pace.

Covella, at Greenbank, is the Company's largest-ever Queensland development comprising 1500 lots to be delivered in a 50% joint venture with Greenfield Development Company.

Prestige development **Rosedale Grand**, offering 167 home sites, continues to attract strong sales with the stage four release more than 50% sold.

The 107 designer homes at **Seabright**, Jacobs Well, are approaching sellout with only a limited number of homes available. Construction and first settlements are taking place on prestige parkland homesites at **Arundel Springs**, on the Gold Coast.



Chambers Ridge & Killara - Logan, Queensland

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