

# ASX ANNOUNCEMENT



24 October 2017

VILLA WORLD LIMITED ABN 38 117 546 326 ASX CODE: VLW

## AGM Addresses

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Please find attached addresses by the Chairman and Chief Executive Officer & Managing Director, to be delivered at the Company's Annual General Meeting today.

The results of the meeting will be communicated to the market shortly after conclusion of the meeting.

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## Chairman's Address – Presented by Mark Jewell

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Ahead of today's AGM, I took the opportunity to look back at my first speech as Chairman of Villa World, and it was pleasing to reflect on the Company's consistent delivery against the growth strategy we outlined back then.

That year - 2014 - was important for Villa World Shareholders because it marked a return to paying dividends. It also re-set the Company's strategy based on clarity around our market and our product.

That determined focus has seen the Company's revenue increase by 67% since 2014 and the profit has near doubled to \$37.8 million.

Our market capitalisation has increased from \$189 million as at 30 June 2014, to approximately \$320 million, and along the way, in March 2015, Villa World took its place among the S&P ASX300.

The Company has high liquidity in our shares (in excess of 400,000 shares / day), a strong balance sheet and low gearing.

Since 2014, the Company has continued to deliver value to our Shareholders through strong dividends, including an FY17 full-year dividend of 18.5 cents per share, representing a yield of ~7%.

Villa World's financial record and consistent delivery against our business strategy means we are well placed to target cumulative average Earnings Per Share (EPS) growth of greater than 10% p.a. over the FY17-19 period.

We have extended our development footprint along the east coast states, having re-entered the New South Wales market and grown our business in Victoria. This has also provided greater marketplace diversity and allowed the Company to benefit from differing interstate market conditions.

This record of achievement and results for Shareholders is one that I and the Board, as well as the entire Villa World team, are very proud of. Behind the scenes, the Board has maintained a focus on taking the Company forward by ensuring effective and independent oversight in the areas of strategy, governance, remuneration and risk.

In FY15, for example, the Board introduced a new long-term incentive plan (LTIP) to improve long-term performance and align remuneration to the business strategy.

In FY16, the Board refreshed the Company's strategy, taking the opportunity in our 30th year to define where we want to be at 40. We also added to our thought diversity with the appointment of Donna Hardman to the Board and as Chair of the Remuneration and Nomination Committee, and a member of the Audit and Risk Committee.

During FY17 our Board worked diligently on assessing and developing our collective strengths as we move from "good to great". Having undertaken a Board skills matrix, it is evident that the capabilities and experience among our Board Members is highly complementary.

In saying that, opportunities to bring in additional skills may merit adding a fifth Board member in the future.

In undertaking this self-assessment, the Board considered the matter of re-election – as per Item 3(a) and (b) on the Notice of Meeting – and is supportive of those resolutions.

Shareholders will note some changes to the way we conduct our AGM, as outlined in the Notice of Meeting. We will be using a poll for today's resolutions to better reflect the wishes of Shareholders here today, and those voting by proxy. We will explain more about how the polling works shortly.

Before I conclude, I would formally like to acknowledge the work of my fellow Directors, David Rennick, Donna Hardman and Craig Treasure, as well as the entire Villa World team, including our important contractors, sub-contractors and suppliers who help us deliver success through property.

I look forward to addressing questions submitted by Shareholders, but first I invite Managing Director & CEO Craig Treasure to outline this year's result and how we are tracking so far in FY18.

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## Chief Executive Officer & Managing Director's Address – Presented by Craig Treasure

As reflected in the Chairman's Address and demonstrated in the Company's FY17 results, Villa World continues to go from strength to strength. The year's results included:

- A 12% increase in statutory after tax profit, coming in at \$37.8 million, compared with \$33.7 million for the previous year.
- Our sales numbers continued to grow, with 1207 sales during FY17, compared with 1185 for the previous period. We largely sold out of 18 projects by mid-year, with strong sales performances in the Brisbane Bayside projects and in Melbourne.
- An outstanding delivery of land and housing resulted in 1116 accounting settlements of wholly owned lots, compared with 1073 settlements in FY16, as well as 38 lots under 50% share joint venture arrangements.
- These joint ventures contributed \$5.4 million in fee income and profit share, up from \$4.6 million, driven by strong sales at the Rochedale project, in Queensland.
- We released eight new projects for sale, predominantly during the second half of the year which will flow through to the revenue stream this year and into FY19. A further nine projects will commence selling this year, including several flagship projects in key growth corridors.
- The Company carried forward into FY18, 526 sales worth \$175.7 million, with three-quarters of those due to settle in the first half of the year.
- Land acquisitions payable at June 30 were \$139.3 million. \$88.4 million has been paid in the year to 30 September and the balance will be settled from operating cash flows, existing debt facilities and capital life transactions.
- The timing of these acquisitions payments resulted in a low gearing ratio of 12.9% at 30 June, however our target remains in the range of 15-30%.
- The Company acquired 3454 lots during FY17, taking advantage of capital raising transactions in early 2017 to secure some significant land parcels in growth corridors that will provide land and housing stock within proven markets for the next 5-6 years.
- As at 30 June, the Company had a land portfolio of 7832 lots, compared with 5937 lots previously.
- Net debt at 30 June was \$73.8 million, compared with \$120.2 million for FY16, with \$142.1 million in undrawn facilities.

Before I talk about FY18 and beyond, I would like to acknowledge the efforts of the Villa World executive team and staff for their hard work in achieving consistently outstanding results for the company, our Shareholders and our customers.

We have developed a positive team culture and I am delighted that our team is focused on supporting our Company's growth.

Villa World's outlook for FY18 (and particularly FY19) remains strong. With more than 15 substantial projects selling during this year, the Company expects to achieve further incremental growth in sales to at least 1400 lots.

I want to acknowledge the good work of Robyn Valmadre and her team for getting our sales approach humming.

September and October have been busy months with strong interest in our newly released projects. In the first quarter through to the end of September, we have recorded 341 sales.

The launch of our spring sales campaign features an impressive new design range that will be available at our much anticipated 402-lot development at Strathpine, on Brisbane's north side. It is among four large projects coming to market this year.

Another is Covella, at Greenbank, the Company's largest-ever Queensland development comprising 1500 lots to be delivered in a 50% joint venture with Greenfields Development Company. Nearby we will also have the 300-lot home project, Chambers Ridge, expected to draw strong sales as growth in the Logan area continues apace.

This is evidenced by our 714-lot Killara residential community at Logan Reserve, which continues to be one of the Company's fastest selling projects since its launch in May 2017.

Similarly in Victoria, we are seeing significant early interest being converted to good sales demand this quarter in the 555-lot Sienna Rise homesites, at Fraser Rise, in Melbourne's outer west. The adjacent Sienna project is now completed, and around 100 settlements from the 320-lot Cardinia Views project are expected to contribute to 2Q18 earnings, with the project reaching its final stage.

This strong interest has resulted in the Company seeking to bring forward our timeline for the new 412-lot project at Clyde North, called Lilium, with sales off the plan expected from November.

In New South Wales, we've seen first settlements flow through from our south-west projects. The Company also recently celebrated the sales launch of its first housing product in north-west Sydney, a 42-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.

Having established a productive 5-6 year land bank for future projects, the Company does not anticipate the same level of acquisitions in FY18. Acquisitions that we do make will predominantly be on deferred terms or through joint venture and partnering arrangements.

Our focus this year is on bringing newly acquired projects, as well as future stages of in-demand projects, to the market as quickly as possible to meet the levels of interest from buyers.

Subject to current market conditions continuing, our FY18 profit guidance is for a 10% increase in Net Profit After Tax (NPAT) to \$41.6 million.

As Mark mentioned, the Board has provided Earnings Per Share guidance of a 10% compound annual growth rate (CAGR) over the FY17-19 period. Shareholders can also look forward to continued strong dividends of at least 18.5 cps in FY18.

So in summary, Villa World is in an excellent position moving forward. It's great to be back in the market with several larger scale projects, and with several years of sales to flow through to deliver the next step-up in growth for Villa World.