

ASX ANNOUNCEMENT



16 November 2018

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

AGM Addresses

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

Putting people first has always been the key to Villa World's success. It's fitting, then, that we began today's Annual General Meeting with thoughts and reflections from members of the Villa World team.

Input from staff, management, the Villa World Board and external business partners was instrumental in developing the Company's new Purpose and Beliefs, released during this year.

Endorsement of the Purpose and Beliefs delivers clarity and a strategic direction that unashamedly sharpens Villa World's focus on our customers, our people and our community. The Board is pleased that this new framework not only reflects our past success, but will shape the Company's future by providing strong beacons to guide decision making at all levels.

Villa World's FY18 financial results demonstrate an enviable resilience across our geographically diverse portfolio, and highlight our competitive advantage in affordable to mid-priced house-and-land packages featuring our no-variations, all-inclusive turnkey model.

As forecast, Villa World delivered a full year dividend of 18.5 cents per share fully franked, representing a yield of 9%.

In October, we commenced an on-market share buy-back for up to 5% of shares on issue over the next 12 months. This is proceeding well and we have bought back over \$0.7 million worth of shares. At current market pricing, we believe that investing in our own securities is an attractive and accretive use of capital.

Looking ahead, assuming no material change in market conditions, we are targeting a Net Profit After Tax of approximately \$40 million in FY19, with a healthy dividend of 18.5 cents per security.

It's acknowledged that residential housing market conditions are moderating. We believe this is countered by Villa World's strong positioning within the affordable house-and-land market and our mix of product, including townhomes and land only offerings in sought-after locations.

Strategically, the Company has been realigning based on the new Purpose. Importantly, the Company's business model and core commercial focus remains the same – we are an affordable to mid-market residential land and house developer.

I note commentary by judges at the recent Housing Industry Awards, where Villa World was recognised with two awards, that our entrant in the Queensland Affordable Housing Category – and I quote – “exceeds expectation for the price range. Coupled with good workmanship and effective use of space, the judges were very impressed with the end product.”

Those sentiments are not only shared by the building experts, but also by the thousands of customers who call Villa World ‘home’.

For Villa World, “home” is more than a place...it's a feeling, a sense of belonging, it's where the heart is. We have a proud history of more than 30 years as an ASX-listed company. Our commitment to our new purpose – Helping People Reach Home – drew on our past as we reflected on our origins, culture and identity, and we listened to our people.

And our “people” extend beyond our staff and customers, to include the communities we serve.

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Australia has a wonderfully diverse social fabric. This year, Villa World committed to developing our first Reconciliation Action Plan, marking the first formal step in our journey to instill reconciliation into the way we do business. Those in attendance today may have noticed an Indigenous artwork commissioned by Villa World that symbolises this journey.

As we all know, art conjures up a diversity of opinions and interpretations. It opens a doorway for people to come together and share an experience even if they see the world in different ways. This is a part of the Villa World culture that we are developing.

Diversity is critical in corporate culture and ultimately delivers benefits to staff, to customers and to shareholders.

This year, the Villa World Board welcomed Ms Lisa MacCallum, a highly regarded director with global corporate experience and a purposeful business perspective. As required by the Villa World Constitution, she will offer herself for election today.

Before I close, I want to acknowledge the work of our other 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 are Helping People Reach Home.

I invite Managing Director and CEO Craig Treasure to outline this year's result in further detail.

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

As outlined in the Chairman's address, Villa World's new Purpose and Beliefs represent a significant re-focus for the Company going forward, and articulate our commitment to purposeful performance.

The statement – Helping People Reach Home – reminds us that we are more than just a bricks and mortar company. We are unashamedly focused on our people, customers and community.

The Company's new strategic framework expands on the strong Purpose and Beliefs statements, and draws out our intentions as a company to achieve long-term goals that benefit our stakeholders.

As our Chairman mentioned at the outset, our strategy continues to acknowledge the importance of our people. We continue to invest in the growth and development of the talent we have, and draw on external talent.

The strategic framework places further emphasis on customer centricity and brings us closer to the customer journey.

We continue to measure our success in terms of mastering our business fundamentals, while also identifying smart growth opportunities and complementary income streams without altering the course away from our core business success (refer Annexure – Strategic Framework).

Villa World has a proud track record of delivering sustainable growth for our shareholders, and a clear eye on our strategy for the future. This was reflected in our strong FY18 financial results and business performance, recording a statutory Net Profit After Tax of \$43.6 million (34.4 cps), up 15% on the previous year's result of \$37.8 million (32.5 cps).

We have maintained a strong balance sheet with a 29.7 per cent gearing ratio, at the top end of our 15-30 per cent target range, and a dividend payout ratio of 53.8 per cent.

The FY18 revenue figure increased to \$441.6 million in FY18, up from \$386.8 million last year, reflecting the Company's strong delivery focus across substantially-sized developments.

We sold 1,678 lots in FY18, and entered FY19 with record carried forward sales worth around \$278 million. As a result, we are continuing to operationalise this through an intensive delivery focus.

The Company anticipates that around one third of the 845 sales contracts carried into this year will settle by the end of December, with a further 21% of contracts, valued at just over \$61 million, due to settle by the end of FY19. The balance of those contracts, worth in excess of \$108 million, will settle in FY20.

Pleasingly, our carried-forward sales from Albion Park, New South Wales, have commenced cash settlement. As I mentioned, it will be an intensive delivery year – particularly across six stages of land in the South-East Melbourne corridor, and three stages in Plumpton, Melbourne – due mid next calendar year (2019).

Our Queensland market continues to deliver sales with several flagship projects providing significant exposure in a market with identified growth potential. The Company has actively pursued the land only segment of the market, most recently launching a 29-home display village, at the 714-lot Killara residential community, in Logan.

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The high-growth corridor south of Brisbane is also the location of Villa World's largest-ever Queensland project, the 1502-lot joint venture Covella community.

Early sales at the much anticipated 402-lot development, The Meadows, at Strathpine on Brisbane's north side, has seen stage one sold out and prompted the release of stage two homes.

These are among eight of the Company's flagship projects selling in FY19 – and while the market is moderating due to the tightening of finance availability, our product quality and affordable pricing continues to hold up well. Sales for the first 4 months to the 31st October are 392¹ (compared to 456 like for like sales over the corresponding period in FY18). This is in line with our budget expectations to achieve our targeted profit guidance for FY19. Our product diversity, with land-only lots in a range of sizes, turnkey house-and-land and townhomes are all delivering excellent value to buyers, remaining predominantly owner occupiers.

Villa World maintains a clear and deliberate strategy of seeking consistent, through-the-cycle performance. Following five years of consistent strong revenue growth, the Company maintains a positive medium-term outlook underpinned by the strong carried-forward sales into FY19 and FY20, as outlined.

Assuming no material changes in market conditions, the Company continues to target a statutory profit after tax of approximately \$40 million in FY19, guiding to a full-year dividend of 18.5 cents per share fully franked, equating to a 9% yield.

As a team, we are invigorated by our new Purpose. Mark has already acknowledged our Key Management Personnel. I want to also acknowledge the great work of our leadership team including Organisational Development Manager Leanne Morgan, State Manager Victoria Andrew Ashwood, General Manager New South Wales John Meyers, and National Building Manager Peter Wood.

I thank them all, as well as the entire Villa World team, for their continued hard work and dedication in delivering a strong performance and Helping People Reach Home.

¹ FY19: Total of 392 sales inclusive of 116 joint venture sales recorded at 100% and 2 split contracts recorded at 100%. FY18: 456 sales inclusive of 20 joint venture sales recorded at 100% and 8 split contracts recorded at 100%.

Annexure – Strategic Framework

STRATEGIC FRAMEWORK

PURPOSE

HELPING PEOPLE REACH HOME

“Home is more than a place... It’s a feeling, a sense of belonging. It’s where the heart is”

- Ensuring our people feel “at home” by helping them develop to their full potential while providing a safe, healthy and happy workplace
- Helping our customers find their dream home and making the process of buying that home easy
- Recognising the broader societal contribution we can make to better living for our community
- We’re proud of the partnerships we have forged with stakeholders who share our beliefs and feel “at home” working with us

BELIEFS

• Put people first • Do it as one team • We do what we say • Get it done • Enjoy the ride • Make it easy

PEOPLE

Organisational design | Grow talent and capability | One service centric team | Health and well-being

MAJOR DRIVERS

Master the fundamentals | Customer centricity | Smart growth | Effective, best fit ESG framework | Do it differently, do it better

SUCCESS INDICATORS

Enduring, sustainable company | Great place to work & thrive | Great reputation & brand | Happy customers | Optimal financial performance

ULTIMATE OUTCOMES – LONG TERM GOALS

Happy, healthy communities | Improving and advocating for housing affordability | Investment of choice for Shareholders | Company growth through the cycles | Recurrent income streams

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