

# ASX ANNOUNCEMENT



3 November 2016

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

## 2016 Annual General Meeting Addresses

Please find attached addresses to shareholders to be delivered by the Chairman and the Chief Executive Officer & Managing Director at Villa World Limited's Annual General Meeting ("AGM").

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

For enquiries:

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Company Secretary

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## Chairman's Address – Presented by Mark Jewell

As our 30th year in business rapidly comes to a close, Villa World has confirmed its philosophy of *success through property*.

Not only is this success reflected in our strength in the short-term but, more importantly, it is driving our commitment to creating long-term value for shareholders.

This year, the Board was very pleased to declare another tremendous set of Company results.

Villa World recorded a statutory after tax profit of \$33.7 million, an increase of 32% on the previous year. This result flowed from a 20% increase in revenue to \$387 million.

The Board declared total full year dividends of 18 cents per share, representing a yield of 7.5% fully franked. This is consistent with the Company's Dividend Policy distributing 50 percent to 75 percent of annual net profit after tax.

### **We remain one of the highest yielding stocks on the ASX.**

And to ensure long-term value for shareholders, the Board paid particular attention to Villa World's strategy, governance and risk during this year.

The Company's medium to long term strategy has been reviewed to put the Company in the best position to achieve its goal of being recognised as one of Australia's leading property companies.

The overall focus of the strategy has not changed. Importantly, the Board reaffirmed that the Company's core business is as an affordable to mid market land and house developer.

Having refreshed and refocused, the Company can take this market position forward strongly through geographic expansion and partnering arrangements.

From a governance point of view, the Board undertook a full review of executive remuneration.

Fixed Remuneration, Short Term Incentives and Long Term Incentives work together to help generate alignment between the successful execution and management of the Company's strategy and business objectives to deliver in the interests of shareholders.

The CEO and all Company senior executives have a significant portion of their remuneration linked to performance, and therefore 'at risk'. For FY16, this portion was increased, with greater emphasis on long-term incentives for the CEO and Company Executives compared to FY15, with a view to increasing shareholder alignment for this key group.

The Board has focused the Executive on the achievement of our long-term strategy and shareholder expectations through the introduction this year of a new LTI plan. Under this plan, the Company awards performance rights to Executives and other eligible employees with the objective of improving the link between shareholder returns and remuneration.

The Board believes it has struck the right balance between fixed remuneration, short term incentives and long term incentives in a manner that is consistent with our strategy and vision.

The Board continued to pay close attention to the identification and management of risk.

While the underlying current is one of strong and supportive market conditions, the Company continues to prudently manage sales, development and finance risk.

The Company's portfolio has well managed project-based risk. In most cases, development approvals are either in place prior to acquisitions, or residential use is allowed and approval risk is mitigated by appropriate due diligence.

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Risks associated with longer-dated projects, with the opportunity to add value through the planning process, are mitigated through partnering arrangements or appropriately structured acquisition terms.

Production-based risk is further mitigated by the diversified portfolio, scalable business model, transparency on development costs and the experience of the Company's development team.

**The Board will continue to maintain a strong focus on strategy, risk and governance as the Company progresses along a very clear path of success.**

Fundamental to that success, both in the short and longer term, are a number of current strengths, the first of which is our product.

The Villa World portfolio includes an inventory of high quality projects and completed designer homes. During the year, we added a number of strategic acquisitions to the mix, including highly sought-after land in south east Queensland, at Logan, Arundel and Strathpine.

We now have an impressive development pipeline in excess of five years.

Our second key strength is our expertise and continued focus on our core business of providing land and housing to owner occupiers, first home buyers and local investors in the affordable to mid- market range.

We will continue to concentrate our operations in these markets that we know so well.

Thirdly, the strength, vision and depth of our management team, which has been in place for a number of years and capably led by Chief Executive Officer Craig Treasure, provides a stable anchor for the Company and strong leadership going forward.

And finally, our financial strength, characterised by prudent gearing, a healthy cash flow and solid balance sheet, provides a strong foundation for Villa World to pursue growth opportunities.

This year, as well as delivering more product for Villa World families, we did something very special through an innovative collaboration with the Gold Coast Project for Homeless Youth. The Company delivered a new seven-bedroom crisis care facility built through donations of labour, materials and money from Villa World, our staff and our business partners.

We are humbled by the difference that this project means for young people faced with living on the streets.

It reminds us that Villa World is about making peoples' lives better by putting a roof over their heads and a smile on their faces.

I would like to acknowledge the valuable contribution throughout this year from my fellow Independent Directors, David Rennick and Donna Hardman.

David's insight across property and legal issues continued to serve the Company well, particularly in his role as Chair of the Audit and Risk Committee.

Since joining the Board in February 2016, Donna's experience beyond the property sector has bolstered the skills and diversity of our Board and has already been marked by a number of positive changes under her guidance as Chair of the Remuneration and Nomination Committee.

I would like to thank our Chief Executive Officer and Managing Director, Craig Treasure, his management team and all the Villa World staff for the exceptional effort they put in during the past year to achieve these outstanding results.

Villa World has entered an exciting period in the Company's history.

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With a reinvigorated strategic focus, Villa World will continue to grow a portfolio characterised by increasing diversity in geography and product that appeals to the customer market and performs well in variable market conditions.

The Board is confident that Villa World is well positioned to deliver success through property.

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

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Villa World's success is not founded on one set of good results. It comes from getting the business fundamentals right and consistently achieving or bettering what we set out to do.

Our FY16 results were a pleasing continuation of our year-on-year growth and the successful execution of our business strategy.

We exceeded our profit guidance of \$46.6 million with a before tax result of \$47.2 million and closed out the year with a 20% increase in revenue to \$387 million.

Our FY16 Net Profit After Tax result of \$33.7 million was up 32% from \$25.6 million last year, and Earnings Per Share increased 19%.

Those results exemplify the notion of a 'step change' in our business – a notion we have been talking about for some years and have delivered across our four strategic pillars of *sales, delivery, portfolio* and *capital management*.

I would like to say a few words about each of those aspects.

### SALES

We continued to enjoy strong sales growth, meeting our sales target for the year with 1,185 contracts to the end of June 2016, compared with 843 in FY15, and almost double the result from three years ago.

The Queensland market again performed well and our turn-key delivery model gained traction in the Victorian market. Our proven experience and investment in valued relationships with suppliers and contractors has delivered a smoother passage to enter new geographic markets, such as New South Wales.

With \$165.6 million in carried forward sales and new projects contributing to current and future earnings growth, the Company expects to maintain sales growth and profit momentum into FY17.

### DELIVERY

Our Company's focus on operational efficiency and long-term relationships underpinned strength in the delivery of land and houses, with 47% more product in FY16 than the previous four-year average.

### PORTFOLIO

Growth in the Company's portfolio reflects greater geographic and product diversification enabling us to capitalise on variations across market segments.

The Company has taken a carefully-managed approach to the New South Wales market, evidenced by our partnering arrangements for an initial 90 homes to be built in south west Sydney.

We are sticking to our strategy of acquiring land in strategic corridors to support continued growth in our delivery output. With 5,937 lots, up from 5,191 last year, we maintain a solid five year growth pipeline in sought-after locations.

### CAPITAL MANAGEMENT

Our operational result in FY16 has been underpinned by a strong balance sheet and cash flow.

Net debt at year-end was \$120 million with \$32.7 million of undrawn capacity in debt facilities.

Net tangible assets at year-end were \$236.9 million, up from \$220.6 million, representing \$2.15 per share (FY15: \$2.00) before the declaration of the final dividend.

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The Company continues to maintain a prudent gearing level at 25.6%, within the target range of 15-30%.

Careful financial management over the medium term has delivered flexibility and increasing diversity in funding sources, and created a strong, sustainable balance sheet. This will continue as we move ahead with our forward plan.

## FOCUS, GROW, LEAD

Against the backdrop of continued strong performance across the Company's four pillars – sales, delivery, portfolio and capital management - Villa World is ideally positioned for the future.

Our 30th year as a listed company afforded us the opportunity to reflect on our strategy and plot the course for the next decade.

This reflection has brought into sharper focus the key areas the Company will concentrate on to achieve its vision.

Our strategy roadmap is clear and the commitment of our team is unwavering.

We look forward to welcoming more families to their Villa World home and delivering success through property.

Before I conclude, I would like to acknowledge and thank the other executive team members:

- Paulene Henderson and Michael Vinodolac (introduced earlier)
- Robyn Valmadre, National Sales Manager
- Brad Scale, General Counsel
- Peter Wood, National Building Manager
- Leanne Morgan, Organisational Development Manager

We are fortunate to have highly talented and motivated people within the business that are passionate about the future of the company.

I would like to personally acknowledge each and every member of our team, whether in Melbourne, Sydney or Queensland – thank you for your contribution to the success of Villa World.

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