

# Villa World Limited ASX Investor Series



16 October 2014  
[villaworld.com.au](http://villaworld.com.au)  
Since 1986



# OVERVIEW

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- ✓ Established in 1986, Villa World is Queensland's oldest ASX listed housing developer and one of Australia's largest integrated housing providers.
- ✓ Today, more than 35,000 Australians call a Villa World address, home.
- ✓ Our homes are complete, ready to be move in to. Our internal and external finishes are selected by professional designers and there are no extra costs.
- ✓ We ask for only one deposit, one contract and upon completion one final payment.
- ✓ Land subdivisions are located in growth areas, close to employment, transport and amenities.
- ✓ Villa World's sales and marketing strategy, coupled with improved market conditions, has resulted in strong sales and profit growth.
- ✓ Villa World's business model is distinctly different from our counterparts because our housing business is profitable.
- ✓ Villa World provides a lower risk entry in the property market – land only and house and land product across the Eastern seaboard.
- ✓ We acquire zoned land, that in the majority of cases is planning approved.
- ✓ Carried forward sales and strong development pipeline provide visibility to sustainable profitability.
- ✓ Villa World has 93.7 million shares on issue and is capitalised at \$190 million

# BUSINESS DRIVERS

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## ✓ SALES

Core product in **low to mid price point** – downturn resilient buyer. Market focus on value for money.

**Broad sales platforms** – owner occupiers including second home buyer and downsizers, first home buyers, domestic and international investors.

**Product design** – continually renewed to meet needs of individual market segments.

**The Complete Address** – know what your home and street look like.

**The Completed Home** – fixed price, no hidden costs.

**The Single Contract** – buying is easy: one deposit, one contract and one final payment upon completion.

## ✓ DELIVERY

**No variations** – results in an efficient planning and build process; significant reduction in back office staff and build costs.

**Speculative build model** – selling an “Address” or community, significantly benefits sales.

**Systematic build out** - reduction in construction costs – buy in bulk; building sites operate efficiently reducing material wastage and subcontractor time slippage.

**Profitable** - make money out of land subdivision and housing.

**Scalable** – able to stop and start construction quickly, as internal resources are deployed for construction management, design and quantity surveying only; all trades and labour are subcontracted.

**Suppliers** – cost efficiencies due to standardised product, improved buying power bulk purchasing and recently Victorian suppliers competing for national business.

**Subcontractors** – no supply constraints / limited price pressure – adequate labour supply coupled with subcontractor loyalty – paid weekly; organised work site; continuous work provided even during down turns.

# BUSINESS DRIVERS

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## ✓ ACQUISITIONS

**Location** - growth areas, close to transport, employment and amenities; maintains buyer demand in more difficult conditions.

Acquiring only **zoned land**, that in the majority of cases is planning approved - minimizes risk; allows faster product completion and capital recycling.

Typically short to **medium term projects** – not exposed to large movements in underlying value of inventory.

**Capital lite** – leverage our building capability on partners land bank.

Longer dated projects through **structured deals** or partnered arrangements.

**Success in acquisitions** - due to funding capacity; nimble process; alternate acquisition structures which leverage our profitable building business and marketing channels.

Increased **competition** for sites, but more and better quality sites coming to market. Some price increases.

## ✓ CAPITAL MANAGEMENT

**Flexible banking facility** extended through to September 2016; comfortably meeting banking covenants.

Strong institutional support for **capital raising** in FY14.

**Banking and investor relations initiatives** intended to assure ongoing access to capital and reduce cost of capital.

Foresee sustainable **profitability and dividends**.

# FINANCIALS

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## ✓ FY14 profit

- NPAT of \$19.1 million (eps: 21.8 cps).
- PBT of \$22.6 million (eps: 25.8cps), exceeding the guidance

## ✓ Shareholder returns

- Full year dividend of 15 cents per share fully franked; Payout ratio of 74%. Yield of 7.4%<sup>1</sup>.
- Over FY14, share price growth of 79%<sup>2</sup> and total shareholder returns of 92%<sup>2</sup>.

## ✓ Strong balance sheet

- NTA of \$1.92 per share (prior to final 9 cent dividend).
- Gearing remains at a prudent 18.7% (FY13: 24.4%) with interest cover of a strong 5.45 times.
- \$87 million in unused funding capacity (including cash on hand).
- \$32.2 million capital raising in September 2013 (at \$1.60 per share).
- Debt facility extended until 1 September 2016 and facility limit increased to \$155 million.
- \$34.6 million carried forward unused tax losses; \$13.08 million franking credits (after final dividend).

## ✓ FY15 guidance

- 335 carried forward sales, valued<sup>3</sup> at \$141.5 million, provide visibility into FY15.
- PBT growth of in excess of 5%, weighted towards the second half; further upside dependent on market conditions and product delivery.
- Dividend Policy reconfirmed – full year payout ratio of 50% - 75% of NPAT, paid semi-annually.

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<sup>1</sup> Based on share price of \$2.02 at 30 June 2014.

<sup>2</sup> Share price of \$1.13 at 30 June 2013 to \$2.02 at 30 June 2014; Full year dividend of 15 cps.

<sup>3</sup> Represents gross sales price including GST based on carried forward contracts as at 30 June 2014.

# VILLA WORLD INVESTMENT DIFFERENCE

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## Low risk entry into property:

- For over 25 years, Villa World has been creating homes for people at all different stages in life – FHB, Owner Occupiers, Investors.
- Land only and house and land product.
- Diversified across states and within markets.
- Everyday, affordable housing – downturn resilient segment of the property market.
- Development portfolio fairly valued.
- Consistent sales across many projects result in strong, consistent cash flows.



Successful restocking program since July 2012.



Recapitalised with conservative gearing.



## Positive outlook:

- Strong carried forward sales.
- 9 new project contributing to revenue in FY15, and a further 8 new projects contributing to revenue in FY16.
- Product mix shift to house and land.
- Strong exposure to a rebounding SE QLD residential market.



Return to dividends – 50% - 75% payout policy.



Diversified share register.



Proven senior management team focussed on success through property for customers, suppliers and contractors, employees, and investors.

# Success

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