

# Villa World Limited Equity Raising Presentation



28 January 2015

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# TRANSACTION OVERVIEW

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## OVERVIEW

- Villa World's strong sales momentum has continued over the most recent quarter with increasing demand for product in key target markets of South East Queensland and Melbourne. The average sales rate has risen from 44.7 per month in 1Q15, to 72.7 per month in 2Q15.
- The Company has also increased inventory levels and has been actively restocking with the announcement of \$103.6 million in new acquisitions (2,409 lots) during 1HY15.
- Villa World continues to see attractive acquisition opportunities in its key target markets, and will look to further grow its development pipeline during 2015 to build future earnings and capitalise on positive market conditions.

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## EQUITY RAISING

- Villa World is undertaking a \$26.7 million institutional placement of new ordinary shares at \$1.90 per share (the "Placement") to provide the company with increased financial capacity to continue to grow inventory and take advantage of acquisition opportunities whilst maintaining prudent gearing levels.
- Villa World will also offer eligible shareholders the ability to subscribe for new shares via a share purchase plan ("SPP"), targeting \$5 million, at the Placement price.
- New shares issued via the Placement and SPP will rank equally with existing VLW shares and will be entitled to the proposed interim dividend, expected to be 6 cents per share fully franked (record date will be in early March 2015, payment date in early April 2015).

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## FINANCIALS

- As a result of strong market conditions and sales momentum and further clarity on delivery, Villa World is announcing a further earnings upgrade for FY15, with Net Profit before Tax now expected to be at least \$28.5 million (28.7<sup>3</sup> cents per share).
- FY15 earnings will be weighted to the second half. Net Profit before Tax was \$11.1 million (11.8<sup>4</sup> cps) for 1HY15 (subject to final audit), at the top end of guidance provided in December 2014 of \$9.5 - \$11 million.
- The dividend for the full year FY15 is expected to be at least in line with the FY14 dividend of 15 cents per share fully franked, which equates to a fully franked dividend yield of 7.9% on the Placement offer price.
- Pro-forma NTA per share of \$1.94 following the Placement (\$1.96 at 31 December 2014) and Gearing of 18.2% following the Placement.

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<sup>1</sup> Sales contracts are included on the basis of 100% for Villa World projects and 50% of Joint Venture projects worth \$0.1 million (1 lot) (subject to audit).

<sup>2</sup> Represents gross sales price including GST based on carried forward contracts as at 31 December 2014 (subject to audit).

<sup>3</sup> Based on 99.3 million weighted average shares on issue post the Placement.

<sup>4</sup> Based on 93.7 million weighted average shares on issue at 31 December 2014.

# INVESTMENT HIGHLIGHTS

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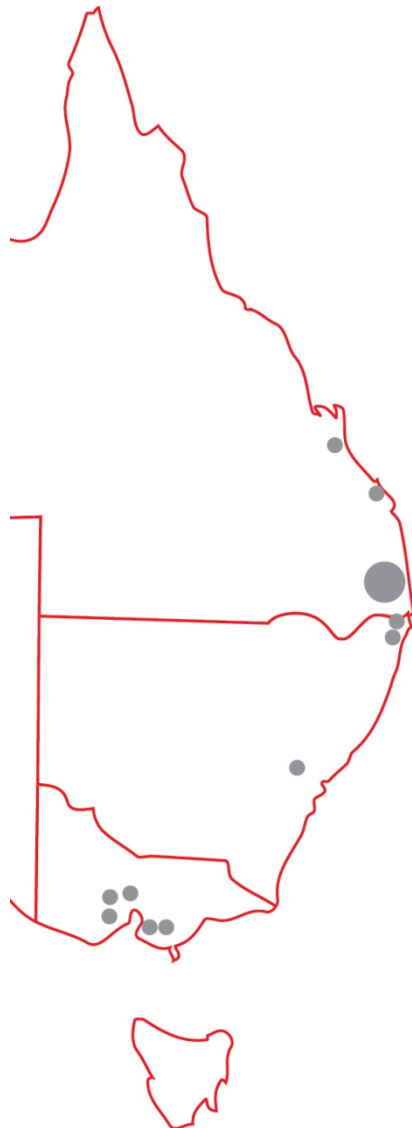
- ✓ Positive underlying market fundamentals in Villa World's key markets of South East Queensland and Melbourne.
- ✓ As a result of strong market conditions and sales momentum, FY15 Net Profit before Tax expected to be at least \$28.5 million (effective tax rate anticipated to be similar to FY14).
- ✓ Successful restocking program with \$103.6 million in new acquisitions (2,409 lots) during 1HY15 resulting in a step change in the development portfolio to 4-6 years supply (From 3,925 lots to 5,354 lots).
- ✓ Increased development portfolio and strong market conditions support a lifted sales target of 1,000 – 1,200 lots p.a. by FY16 (FY12: 496; FY13: 610; FY14: 829) (subject to market conditions).
- ✓ 364 sales contracts<sup>1</sup> worth \$138.7 million<sup>2</sup> are being carried forward. \$127.0 million (334 contracts) expected to settle in 2HY15, and the balance of \$11.7 million (30 contracts) in 1HY16.
- ✓ Attractive fully franked dividend yield of 7.9%<sup>3</sup>. Dividend policy of 50% to 75% of NPAT, paid semi annually. Placement and SPP shares rank equally for interim dividend, expected to be 6 cents per share, fully franked.
- ✓ Strong balance sheet (pro forma gearing of 18.2%), well capitalised to take advantage of acquisition opportunities and build future earnings.
- ✓ Positioned for possible ASX 300 index inclusion at the March 2015 re-balance date.

<sup>1</sup> Sales contracts are included on the basis of 100% for Villa World projects and 50% of Joint Venture projects worth \$0.1 million (1 lot) (subject to audit).

<sup>2</sup> Represents gross sales price including GST based on carried forward contracts as at 31 December 2014 (subject to audit).

<sup>3</sup> Based on Placement offer price of \$1.90 and expected FY15 dividend of at least 15 cents per share.

# MARKET FUNDAMENTALS



- Villa World's key target markets of South East Queensland and Melbourne are performing strongly

- Key residential market drivers are expected to remain positive into FY16:

- First home buyer grants and stamp duty concessions.
- Low interest rates.
- Consumer confidence.
- Employment.
- Population growth.

QLD	<p>Earlier phase of the housing cycle than other states.</p> <p>Upswing expected to continue in mid term.</p> <p>First Home Buyer Grants of \$15,000 on new build only and stamp duty concessions.</p> <p>Additional regional city grants (Hervey Bay \$12,000).</p>	<p>Villa World – 3,159 lots:</p> <ul style="list-style-type: none"> <li>• Brisbane market (north and bay side) expected to remain strong; presence to increase in FY15.</li> <li>• Return to a strengthening Brisbane – Gold Coast corridor.</li> <li>• Regional Queensland – managed to meet the market.</li> <li>• Strong take up on new projects.</li> </ul>
NSW	<p>Strong price rises and declining affordability in Sydney.</p> <p>First Home Buyer Grants of \$15,000 on new build only and stamp duty concessions.</p>	<p>Villa World – 76 lots:</p> <ul style="list-style-type: none"> <li>• Build on the recent success on the Tweed Coast with strong premium land sales at Seaside.</li> <li>• Sold out, land only project in NW Sydney.</li> </ul>
VIC	<p>Strong population growth.</p> <p>Strong volumes expected to continue.</p> <p>First Home Buyer Grants of \$10,000 on new build only and stamp duty concessions.</p>	<p>Villa World – 2,119 lots:</p> <ul style="list-style-type: none"> <li>• Competition in the SE Corridor is strong, containing prices, however good volumes.</li> <li>• Moving into the northern growth corridor.</li> <li>• Strong take up on new projects.</li> </ul>



# ACQUISITIONS SUCCESS

Project Name	Location	State	Region	Product	# Lots	Contract Type <sup>2</sup>	Purchase Price (\$m) <sup>9</sup>	Settlement
<b>Total Acquisitions for FY13</b>					<b>215</b>			
<b>Total Acquisitions for FY14<sup>1</sup></b>					<b>1332</b>			
TBA <sup>3</sup>	Plumpton	VIC	NW Melbourne	H&L	165	Staged Payments	12.2	Jan-15,16,17
TBA	Jacobs Well	QLD	Gold Coast	H&L	107	Upfront Payment	1.3	Jul-14
TBA <sup>4</sup>	Mango Hill	QLD	N-Brisbane	H&L	107	Upfront Payment	6.2	Jul-15
Lavinia	Greenvale	VIC	N Melbourne	H&L	131	"Capital Lite"	26.2	As lots settle
TBA <sup>5</sup>	Redland Bay	QLD	Brisbane Bay Side	H&L	81	Upfront Payment	7.1	Dec-14 & May-15
<b>FY15 Acquisitions at release of year end results (26 August 2014)</b>					<b>591</b>		<b>53.0</b>	
Avondale Waters	Beaudesert	QLD	Beaudesert	LO	366	Upfront Payment	3.9	Dec-14
TBA <sup>6</sup>	Rochedale	QLD	S-Brisbane	H&L, LO	58	Upfront Payment	9.7	Nov-14 & Sep, Nov-15
Eminence on Ridley	Bridgeman Downs	QLD	N-Brisbane	TH	39	Upfront Payment	4.1	Nov-14
Waterline II	Thornlands	QLD	Brisbane Bay Side	LO	50	Upfront Payment	5.5	Feb-15
TBA	Joyner	QLD	N-Brisbane	LO	82	Upfront Payment	7.4	Jul-15
TBA	Waterford	QLD	Logan	H&L	81	Upfront Payment	7.2	Dec-14
JV <sup>7</sup>	Donnybrook I & II	VIC	N Melbourne	H&L, LO	1142	Upfront Payment	12.8 <sup>8</sup>	Dec-14 & Aug-15
<b>FY15 Acquisitions post release of year end results (26 August 2014)</b>					<b>1818</b>		<b>50.6</b>	
<b>Total Acquisitions YTD15</b>					<b>2409</b>		<b>103.6</b>	

<sup>1</sup> Total acquisitions for FY14 initially disclosed as 1,358 lots. Yield amend for Waterline (from 170 lots to 177 lots), Seaside (from 82 H&L lots to 21 premium LO lots), and Cardinia View s (from 291 lots to 319 lots).

<sup>2</sup> Upfront payments include deposit and final payments. Final payments occur after the satisfaction of any conditions and according to the scheduled settlement timeframe.

<sup>3</sup> Plumpton yield amended from 170 lots to 165 lots.

<sup>4</sup> Mango Hill yield amended from 111 lots to 107 lots.

<sup>5</sup> Redland Bay yield amended from 76 lots to 81 lots.

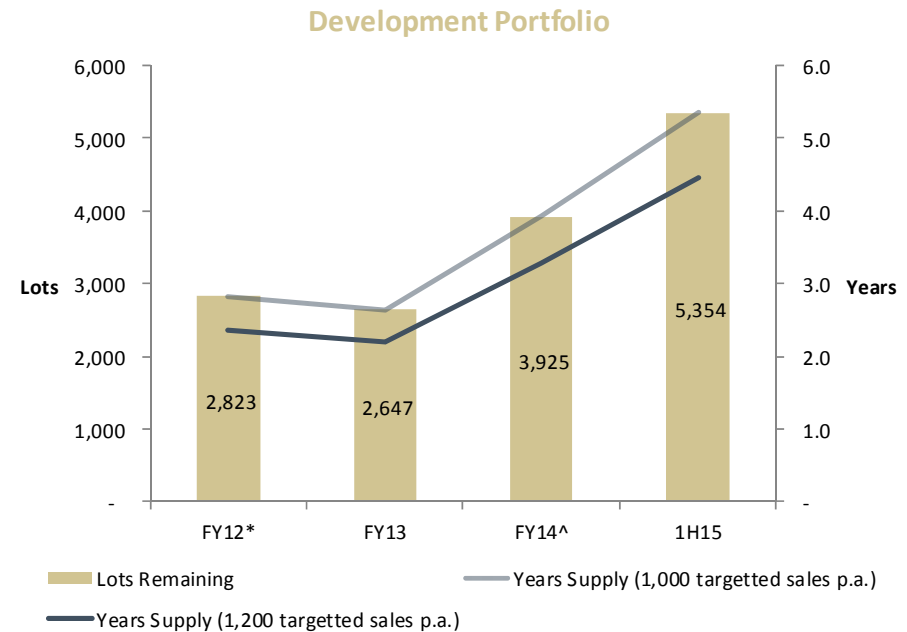
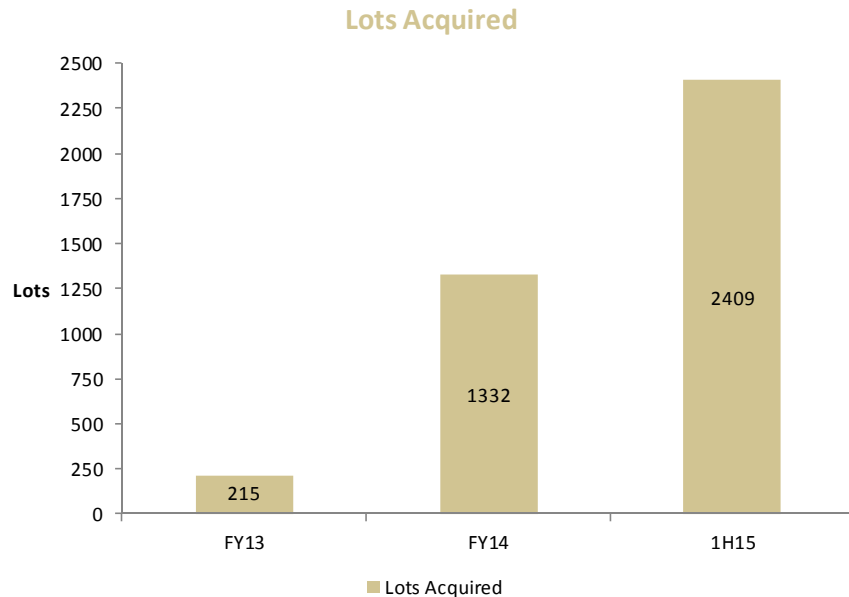
<sup>6</sup> Several land parcels acquired in FY15 are being merged with the 90 lot Rochedale site acquired in FY14 into one project comprising 148 lots. The consideration for all 148 lots is \$23.1 million. Note, the final parcel went unconditional in Jan-15 (included in the lot numbers and purchase price above).

<sup>7</sup> Villa World is a 51% joint venture partner.

<sup>8</sup> Total price for both sites at 51% (separate funding). 100% = 2,240 lots and \$22.8million (ex GST), \$25.1 million (inc GST).

<sup>9</sup> Inclusive of GST where applicable.

# RESTOCKING SUCCESS



\* FY12 excludes 1,851 lots at Eynesbury which was sold in FY13.

^ at the reporting date 26 Aug 14 (includes acquisitions post balance date)

- The current management team has undertaken a successful restocking program since FY13, acquiring 3,956 lots, including 2,409 lots during 1H15.
- Villa World's focus on restocking through accretive acquisitions has seen the development pipeline increase to 5,354 lots at 31 December 2014.

- At FY14 sales rates, this equates to approximately 6.5 years supply.
- At the targeted sales rate of 1,000 - 1,200 lots p.a., this equates to approximately 4-6 years supply.
- Villa World continues to see attractive acquisition opportunities within its target markets and is now focussed on replenishing the pipeline for FY17 and beyond.



# PRO FORMA BALANCE SHEET

Balance Sheet	1HY15 (\$m)	Post balance date adjustments <sup>1</sup>	1HY15 pro-forma (pre transaction)	Transaction adjustments <sup>2</sup>	1HY15 pro-forma (post transaction)
<b>Assets</b>					
Cash	2.0	-	2.0	-	2.0
Receivables	28.9	-	28.9	-	28.9
Inventories	335.6	3.0	338.6	-	338.6
Investments accounted for using the equity method	15.7	-	15.7	-	15.7
Other	14.4	-	14.4	-	14.4
<b>Total Assets</b>	<b>396.6</b>	<b>3.0</b>	<b>399.6</b>	<b>-</b>	<b>399.6</b>
<b>Liabilities</b>					
Trade and other payables <sup>3</sup>	99.3	3.0	102.3	-	102.3
Interest bearing liabilities	100.0	-	100.0	(25.7)	74.3
Other	13.6	-	13.6	-	13.6
<b>Total Liabilities</b>	<b>212.9</b>	<b>3.0</b>	<b>215.9</b>	<b>(25.7)</b>	<b>190.2</b>
<b>Net Assets</b>	<b>183.7</b>	<b>-</b>	<b>183.7</b>	<b>25.7</b>	<b>209.4</b>
<b>Securities on Issue</b>	<b>93,663,800</b>		<b>93,663,800</b>	<b>14,049,570</b>	<b>107,713,370</b>
<b>NTA (book value)(\$ / Share)</b>	<b>1.96</b>		<b>1.96</b>		<b>1.94</b>
Net Debt	98.0		98.0		72.3
Net Debt : Equity (%)	53.3%		53.3%		34.5%
Gearing <sup>4</sup>	24.8%		24.6%		18.2%
Look Through Gearing <sup>5</sup>					19.9%

<sup>1</sup> Acquisition of Rochedale which went unconditional in January 2015. Excludes interim dividend anticipated to be 6cps.

<sup>2</sup> Assumes a \$26.7 million capital raising via placement. Excludes SPP.

<sup>3</sup> Includes real estate purchases payable. To be paid out of working capital. Refer commitments slide on pg 19.

<sup>4</sup> Gearing = (interest bearing liabilities - cash) / (total assets - cash).

<sup>5</sup> Gearing taking debt into account at the joint venture level.

# EQUITY RAISING

- Fully underwritten institutional placement of new ordinary shares to raise approximately \$26.7 million at an offer price of \$1.90 per share
  - Offer price represents a 10.0% discount to Villa World's last closing price and a 7.0% discount to the volume weighted average price for the 5 trading days prior to the announcement of the Placement.
- Villa World will also offer a non-underwritten SPP to eligible shareholders for up to \$15,000 of new shares per shareholder at the Placement offer price, targeting \$5 million<sup>1</sup>
  - Further information regarding the SPP will be mailed to eligible shareholders.
- Funds raised via the Placement and SPP will be used to provide Villa World with the financial capacity to continue to grow its inventory and take advantage of acquisition opportunities whilst maintaining conservative gearing levels.
- New shares issued via the Placement and SPP will rank equally with existing VLW shares and will be entitled to the proposed interim dividend, expected to be 6 cents per share fully franked<sup>2</sup>.
- The Placement is fully underwritten by Moelis Australia Advisory Pty Limited and Morgans Corporate Limited.

	Key Metrics <sup>3</sup>	
No. of Shares to be issued (m)	14.0	
No. of Shares on issue post placement (m)	107.7	
Issue price (\$)	\$1.90	
Discount to last closing price (%)	(10.0%)	
Discount to 5 day VWAP (%)	(7.0%)	
Discount to 10 day VWAP (%)	(4.7%)	
	<u>Pre</u>	<u>Post</u>
Market Capitalisation (\$m) (at issue price)	178.0	204.7
Gearing (%)	24.6%	18.2%
NTA per share (\$)	\$1.96	\$1.94

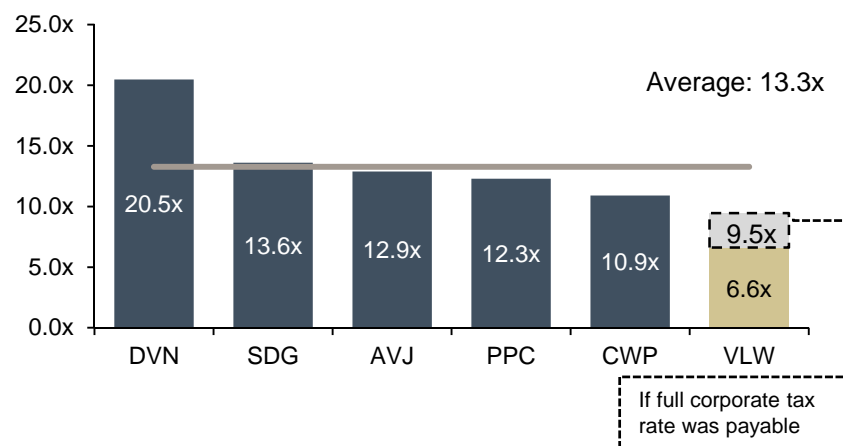
<sup>1</sup> Subject to change at VLW's discretion.

<sup>2</sup> Record date will be in early March 2015; Payment date in early April 2015.

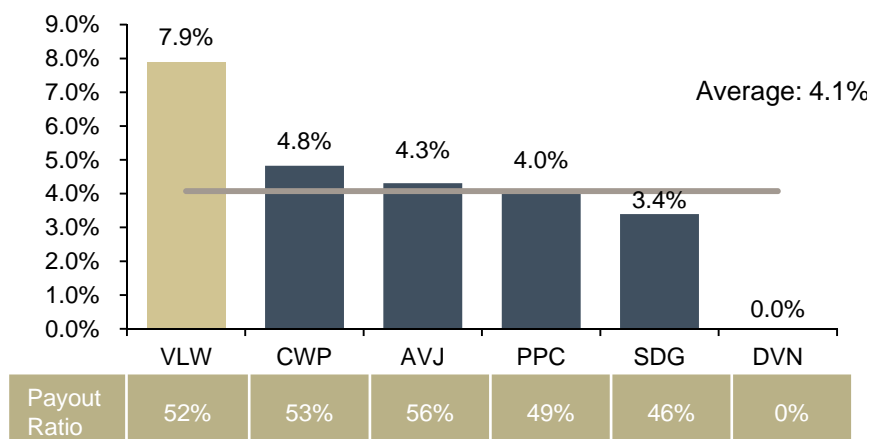
<sup>3</sup> Excludes any impact of SPP

# VILLA WORLD KEY METRICS VS PEERS<sup>1</sup>

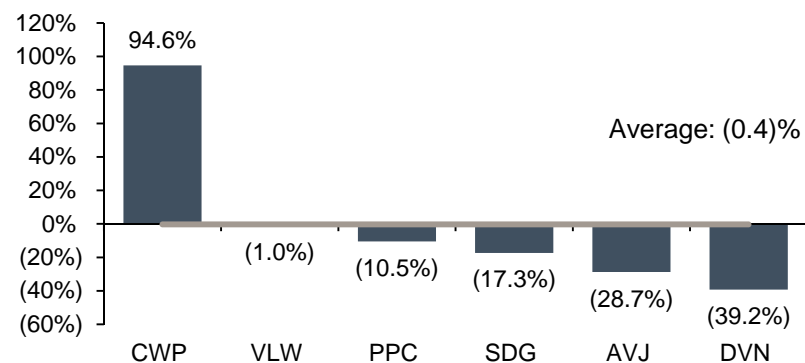
FY15E P/E



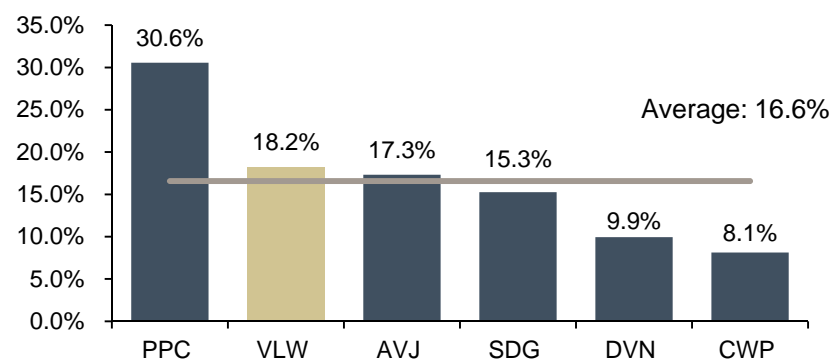
FY15E Dividend Yield



Trading Premium / (Discount) to NTA



Gearing (%)



1. VLW financial metrics are based on the Placement offer price of \$1.90/share; Financial metrics for SDG, AVJ, PPC and CWP are based on consensus broker forecasts; Financial metrics for DVN are based on company guidance; Gearing ratios are calculated as interest bearing debt less cash divided by total assets less cash, based on the most recent available company disclosure. Market Data as of 27 January 2015

# TIMETABLE

SPP record date	7:00pm Wednesday, 28 January, 2015
<b>ASX trading halt</b>	<b>Wednesday, 28 January, 2015</b>
<b>Placement offer opens</b>	<b>Wednesday, 28 January, 2015</b>
<b>Placement offer closes</b>	<b>Wednesday, 28 January, 2015</b>
<b>Resumption of trading on ASX</b>	<b>Thursday, 29 January, 2015</b>
<b>Settlement of Placement shares</b>	<b>Tuesday, 3 February, 2015</b>
<b>Allotment and trading of Placement shares</b>	<b>Wednesday, 4 February, 2015</b>
SPP Opening Date	Wednesday, 4 February, 2015
1H15 Results Announced	Wednesday, 18 February, 2015
SPP Closing Date	5.00pm Wednesday, 25 February, 2015
Allotment of SPP shares	Tuesday, 3 March 2015
1H15 Proposed Dividend Record Date	Early March, 2015
1H15 Proposed Dividend Payment Date	Early April, 2015

# ANNEXURES

- Business Drivers



# 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.

**Land only** – delivery of profitable land only communities.

**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 downturns.

# BUSINESS DRIVERS

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## ✓ ACQUISITIONS

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

Acquiring **zoned land** or land with **underlying use rights**, 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 (~60% of share register).

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

Foresee sustainable **profitability and dividends**.



# ANNEXURES

- 1H15 Results (Subject to audit)
  - 1HY15 Financial Performance (Subject to audit)
  - 1HY15 Operational Performance (Subject to audit)
  - Commitments



# 1HY15 FINANCIAL PERFORMANCE (subject to audit)

	1HY15 (\$m) (unaudited)	1HY14 (\$m)
Revenue	134.1	93.8
Statutory net profit before tax	11.1	9.4
Tax benefit due to recognition of DTA / (Tax Expense)	1.9	(1.8)
Statutory profit after tax	13.0	7.6

	1H15 cps	1HY14 cps
Expected EPS (NPBT) <sup>1</sup>	11.8	11.5
Expected EPS <sup>1</sup>	13.9	9.3
Proposed Dividend (cps) <sup>2</sup>	6.0	6.0

<sup>1</sup> Basic earnings per share based on weighted averages shares on issue of 93,663,800 (1HY14: 81,391,422)

<sup>2</sup> Record date early March 2015; Payment date early April 2015

<sup>3</sup> Increase due to real estate purchases payable

<sup>4</sup> NTA based on shares on issue at 31 December 2014 of 93,663,800 (1HY14: 93,663,800)

<sup>5</sup> Gearing = (Interest bearing liabilities - cash) / (total assets - cash)

<sup>6</sup> Interest Cover = EBITDA / net cash interest

Balance Sheet	1HY15 (\$m) (unaudited)	FY14 (\$m)
<b>Assets</b>		
Cash	2.0	12.1
Receivables	28.9	16.9
Inventories	335.6	258.2
Investments accounted for using the equity method	15.7	18.0
Other	14.4	12.1
<b>Total Assets</b>	<b>396.6</b>	<b>317.3</b>
<b>Liabilities</b>		
Trade and other payables <sup>3</sup>	99.3	56.4
Interest bearing liabilities	100.0	69.1
Other	13.6	11.6
<b>Total Liabilities</b>	<b>212.9</b>	<b>137.0</b>
<b>Net Assets</b>	<b>183.7</b>	<b>180.2</b>
<b>Net tangible assets</b>	<b>183.7</b>	<b>180.2</b>
<b>NTA (\$ / Share)<sup>4</sup></b>	<b>1.96</b>	<b>1.92</b>
Net Debt	98.0	57.0
Net Debt : Equity (%)	53.3%	31.6%
Gearing <sup>5</sup>	24.8%	18.7%
Interest Cover <sup>6</sup>	9.74 x	5.45 x
Capitalised borrowing costs (as a % of Inventories)	3.81%	5.1%

## Unused Tax Losses

- The Company has \$30.4 million carried forward unused tax losses as at 31 December 2014.
- In 1H15, \$14.3 million of unused tax losses (\$4.3 million DTA) were recognised.
- All carried forward unused tax losses, have been fully recognised at 31 December 2014.

## Implications

- In 2H15, the effective tax rate is expected to be the company tax rate.
- In FY15, the effective tax rate is expected to be similar to that of FY14, although this is not certain.

## Franking Credits

- The Company has \$13.08 million in franking credits (pre the proposed interim dividend).

# 1HY15 OPERATIONAL PERFORMANCE (subject to audit)

Performance	1H15	1H14	Key Drivers	Change
<b>Revenue - property sales (\$m)</b>	<b>134.1</b>	<b>93.8</b>	Strong sales in 1HY14 combined with \$141.5 million <sup>1</sup> of carried forward sales from FY14.	▲ 43%
- House and Land	107.9	73.9	Product mix remains weighted towards house and land, which contributed to 80% of revenue (1HY14: 79%).	▲ 46%
- Land Only	26.2	20.0	QLD was the main contributor to revenue (88%).	▲ 31%
<b>Settlements (lots)<sup>2</sup> - inc. Joint Ventures</b>	<b>329</b>	<b>335</b>	327 Villa World accounting settlements contributed to revenue. 2 accounting settlements related to lots settled at Eynesbury, and are reflected in other revenue - share of joint venture profits.	▼ -2%
Settlements (lots) - ex. Joint Ventures	327	304		▲ 7%
- House and Land	260	195	79% of lots settled were house and land product (1HY14: 64%).	▲ 33%
- Land Only	67	109		▼ -39%
<b>Revenue - property sales (\$k/Lot)</b>	<b>410.6</b>	<b>308.4</b>	Average revenue per lot rose significantly year on year.	▲ 33%
			4%-8% revenue growth (over FY14) at select estates ( <i>Circa, Park Vista, Mount Cotton and Cascades</i> ).	
- House and Land	415.5	378.8	Average house and land revenue increased, due to a large number of settlements at higher price point estates in Brisbane's North and Bayside suburbs ( <i>Park Vista, Circa, Mt Cotton, East Ridge and Era</i> ) as well as the settlement of house and land product in Victoria ( <i>Cascades on Clyde</i> ).	▲ 10%
- Land Only	391.6	183.5	The settlement of our premium land only project <i>Astonbrook</i> significantly lifted the average revenue per land lot.	▲ 113%
<b>Mean rate of sale pcm</b>	<b>58.7</b>	<b>79.2</b>	Sales are trading according to forecast and will be weighted to 2H15. Inventory levels were replenished over 1H15 to meet market demand. Consequently, sales momentum has strengthened in 2Q15, with the average sales rate lifting from 44.7 per month in 1Q15, to 72.7 per month in 2Q15 (as forecast).	
			3 new projects were released in Queensland ( <i>Era, Waterline and Parkside</i> ) and 2 new projects were released in Victoria ( <i>Cardinia Views and Roxburgh Park</i> ). Further, new stages were released at the strong selling projects of <i>Mt Cotton, Circa Metro and Orana</i> .	▼ -26%
<b>Sales (lots)<sup>3</sup></b>	<b>352</b>	<b>475</b>	Sales across all three eastern states: QLD 81.5% (13 projects); VIC 15.9% (4 projects); NSW 2.6% (1 project). 364 <sup>4</sup> lots (\$138.7 million) are carried forward. \$127.0 million to settle in 2HY15, with the balance in 1HY16.	
<b>Revenue - other (\$m)</b>	<b>1.2</b>	<b>2.8</b>	Other revenue includes \$0.68 million share of profits, project management fees and commissions received from Eynesbury, as well as interest received and fall over revenue.	▼ -58%
<b>Gross margin (\$m)</b>	<b>32.4</b>	<b>24.8</b>		▲ 30%
Margin (%)	24.1%	26.5%	Underlying margins were impacted by additional warranty costs and provisions on legacy issues (Thornleigh and Silverstone).	▼ -9%
Underlying Gross margin (\$m)	34.9	26.7		▲ 31%
Underlying Margin (%)	26.0%	28.5%	Underlying margins within our 26-29% target range.	▼ -9%
<b>Number of projects contributing to profit</b>	<b>13</b>	<b>12</b>		▲ 8%

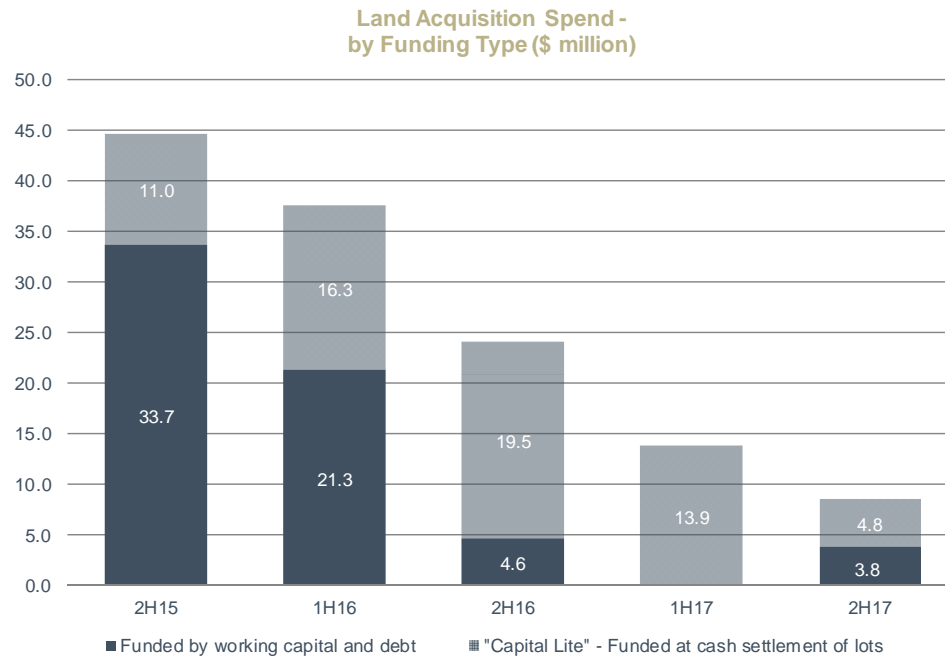
<sup>1</sup> Represents gross sales including GST. 335 sales contracts carried forward, valued at \$141.5 million. \$107.1 million to settle in 1H15, \$25.2 million to settle in 2H15, balance of \$9.2 million in FY16.

<sup>2</sup> Accounting Settlements require cash settlement in New South Wales. In Queensland and Victoria, cash settlement is not required; rather an unconditional sales contract and for land only, land registration; for house and land, land registration and a certificate of building completion.

<sup>3</sup> Sales - executed contracts, not necessarily unconditional.

<sup>4</sup> Carried forward sales contracts are included on the basis of 100% for Villa World and 50% of Joint Venture projects (1 lot worth \$0.1 million). Represents gross sales including GST. Based on contracts as at 31 December 2014.

# COMMITMENTS



- \$50.4 million cash outlay for acquisitions in 1H15 (FY14: \$89.5 million) funded through working capital (inclusive of capital raising) and debt as well as out of the proceeds of cash settlements with third parties.
- At 31 December 2014, trade creditors include \$66.1 million for land payments (inclusive of \$8.4 million for "capital lite" purchases which have registered). There is \$2.6 million due to settle the first parcel of land within the Donnybrook JV and there is \$57.0 million in capital commitments ("capital lite" acquisitions where payment is out of settlement proceeds). Post half year end, a further \$3.2 million in future land payments have been entered into.
- The adjacent chart shows \$128.9 million in anticipated total cash outlay for land through to FY17 (including acquisitions unconditional post 31 December 2014). \$65.5 million is through "capital lite" transaction and will be funded through settlement proceeds, the balance of \$63.4 million will be funded through existing debt and working capital.

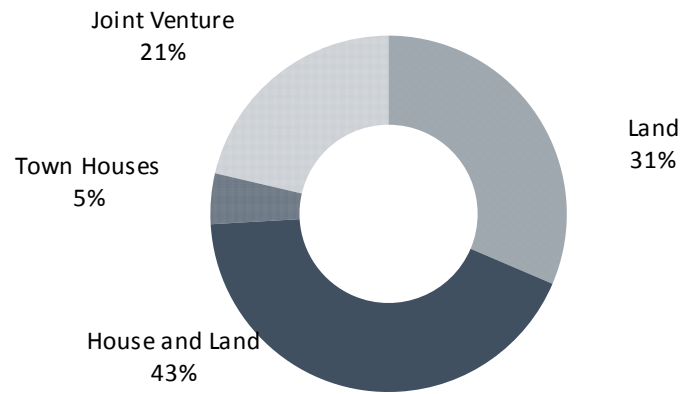
# ANNEXURES

- Development Portfolio

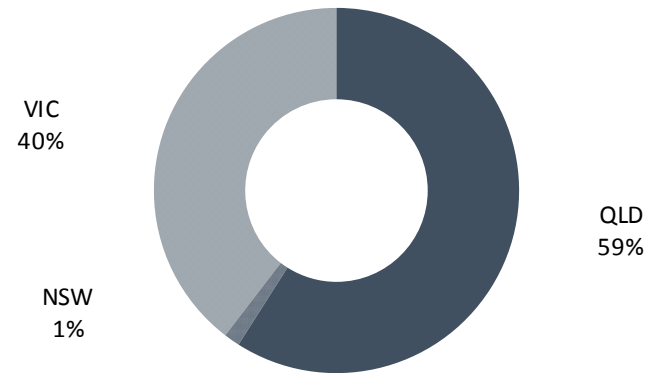


## DEVELOPMENT PORTFOLIO (31 December 2014)

Composition by Project Type  
(# Lots)



Composition by Project Location  
(# Lots)



- The Company controls 5,354 lots up 36% from 3,925 (at the release of FY14 results).
- This represents a 4-6 years supply at the targeted FY16 sales rate of 1,000 - 1,200 lots.
- 31% of lots identified as land only. 10% are premium land only lots which are not suitable for the development of our housing product. 21% are competitively priced land only lots which may be developed as house and land packages.
- In line with Villa World's acquisitions strategy, the Queensland land bank is being replenished and the Victorian land bank continues to grow (59% of the portfolio is located in Queensland, 40% in Victoria, 1% in New South Wales).

# DEVELOPMENT PORTFOLIO (31 December 2014)

Project Name	Region	Location		Status	Calendar Year Acquired	Financial Year Acquired	31 Dec 14 <sup>1</sup>		Contribute to FY15 Profit	Contribution to Profit								FY15 Starting Price	
										Total Lots	Lots Remaining	1H15	3Q15	4Q15	1H16	2H16	1H17		2H17
		Suburb	State																
Land																			
Cascades on Clyde <sup>2</sup>	S-E Melbourne	Clyde	VIC	Construction	2006	FY06	1137	51	✓										LO \$190k+; H&L \$377k+
Little Creek <sup>2</sup>	Gladstone	Kirkwood	QLD	Construction	2007	FY07	680	413	✓										LO \$170k+; H&L \$419k+
Longhill Rise <sup>3</sup>	S-E Queensland	Gilston	QLD	Mature	2007	FY07	132	0	✓										Englobo Sale
Lacosi Hill Estate	NW Sydney	Schofields	NSW	Construction	2014	FY14	55	55	✓										\$300k+
Astonbrook	S-E Queensland	Carindale	QLD	Construction	2013	FY13	47	0	✓										\$458k+
Waterline	S-E Queensland	Thornlands	QLD	Construction	2013 & 2014	FY14 & FY15	227	227	✓										\$300k+
Cardinia Views	S-E Melbourne	Pakenham	VIC	D.A.	2013	FY14	319	319	✓										\$164k+
Avondale Waters	S-E Queensland	Gleneagle	QLD	D.A.	2014	FY15	366	366											\$160k+
TBA	S-E Queensland	Rosedale	QLD	Planning <sup>9</sup>	2014	FY14	148	148											\$360k+
Seaside Village <sup>10</sup>	N-NSW	Casuarina	NSW	D.A.	2014	FY14	21	21	✓										\$470k+
TBA	S-E Queensland	Joyner	QLD	D.A.	2014	FY15	82	82											\$260k+
Subtotal							3214	1682											
House and Land																			
Augustus <sup>5</sup>	Hervey Bay	Hervey Bay	QLD	Construction	2005	FY05	730	521	✓										\$300k+
Bay Road	S-E Queensland	Burpengary	QLD	Construction	2011	FY11	145	81	✓										\$370k+
Mt Cotton Village <sup>4</sup>	S-E Queensland	Mt Cotton	QLD	Construction	2006	FY06	572	170	✓										LO \$220k+; H&L \$426k+
Circa	S-E Queensland	Nudgee	QLD	Mature	2009	FY09	152	8	✓										\$530k+
Brookside <sup>4,6</sup>	S-E Queensland	Ormeau	QLD	Mature	ex-nursery	ex-nursery	107	0	✓										LO \$180k+; H&L \$360k+
Park Vista <sup>4</sup>	S-E Queensland	Mango Hill	QLD	Construction	2010	FY10	425	143	✓										LO \$196k+; H&L \$367k+
East Ridge <sup>4</sup>	S-E Queensland	Thornlands	QLD	Construction	2012	FY13	101	24	✓										LO \$276k+; H&L \$440k+
Era <sup>4</sup>	S-E Queensland	Capalaba	QLD	Construction	2013	FY14	193	187	✓										LO \$320k+; H&L \$420k+
Parkside	S-E Queensland	Coomera	QLD	Construction	2014	FY14	108	108	✓										\$397k+
TBA <sup>7</sup>	S-E Queensland	Nudgee	QLD	Planning <sup>9</sup>	2014	FY14	59	59											\$510k+
TBA	S-E Queensland	Jacobs Well	QLD	Planning <sup>9</sup>	2014	FY15	107	107											\$400k+
TBA	S-E Queensland	Mango Hill	QLD	D.A.	2014	FY15	107	107											\$420k+
Roxburgh Park Central <sup>7</sup>	N Melbourne	Roxburgh Park	VIC	Planning <sup>9</sup>	2013	FY14	30	30											\$370k+
Parkview <sup>7</sup>	W Melbourne	Truganina	VIC	D.A.	2013	FY14	26	26	✓										\$409k+
TBA	NW Melbourne	Plumpton 1	VIC	Planning <sup>9</sup>	2014	FY14	254	254											\$411k+
TBA	NW Melbourne	Plumpton 2	VIC	Planning <sup>9</sup>	2014	FY15	165	165											\$392k+
Lavinia <sup>7</sup>	N Melbourne	Greenvale	VIC	D.A.	2014	FY15	131	131											\$403k+
TBA	S-E Queensland	Redland Bay	QLD	Planning <sup>9</sup>	2014	FY15	81	81											\$490k+
Woodlands	S-E Queensland	Waterford	QLD	D.A.	2014	FY15	81	81											\$420k+
Subtotal							3574	2283											



# DEVELOPMENT PORTFOLIO (31 December 2014)

Project Name	Region	Location		Status	Calendar Year Acquired	Financial Year Acquired	31 Dec 14 <sup>1</sup>		Contribute to FY15 Profit	Contribution to Profit								FY15 Starting Price		
		Suburb	State				Total Lots	Lots Remaining		1H15	3Q15	4Q15	1H16	2H16	1H17	2H17	1H18		2H18	2019+
Town Houses																				
The Domain	Hervey Bay	Hervey Bay	QLD	Mature	2011	FY11	81	1	✓											\$263k+
Circa Metro	S-E Queensland	Nudgee	QLD	Construction	2011	FY11	88	67	✓											\$400k+
Little Creek - Parkside	Gladstone	Kirkwood	QLD	Construction	2007	FY07	31	31												TBA
Park Vista - Orana	S-E Queensland	Mango Hill	QLD	Construction	2010	FY10	108	108	✓											\$335k+
Eminence on Ridley	S-E Queensland	Bridgeman Downs	QLD	D.A.	2014	FY15	39	39												\$439k+
Subtotal							347	246												
Total (wholly owned projects)							7135	4211												
Joint Ventures																				
Joint Venture (51% share)	N-Melbourne	Donnybrook I&II	VIC	Planning <sup>9</sup>	2014	FY15	1142	1142												\$185k+
Eynesbury <sup>8</sup> (50% share)	W-Melbourne	Eynesbury	VIC	Mature			62	1	✓											
Subtotal							1204	1143												
Total (all categories) <sup>1</sup>							8339	5354												

<sup>1</sup> Refer acquisitions noted on slide 7.

<sup>2</sup> Predominantly land only.

<sup>3</sup> Previously this project was identified as having 156 lots with 25 lots remaining. The remaining lots were sold as an englobo parcel. Counted as 1 lot in the settlement figures.

<sup>4</sup> Predominantly house and land.

<sup>5</sup> The long term strategy at this project is to continue developing the land, with the balance sold as an englobo parcel when the market demand for the site presents itself.

<sup>6</sup> Brookside was originally operated as a nursery to supply plants to VW projects. In August 2011 development commenced.

<sup>7</sup> Contracted under Put and Call option. Land paid out of settlement proceeds from third party sales.

<sup>8</sup> 50% of Stock on Hand in current stages at 31 December 2014, which are excluded from the Eynesbury sale.

<sup>9</sup> Planning - Residential use allowed. Progressing with any necessary approvals from relevant authorities. Low risk.

<sup>10</sup> To be developed as a premium land only project with capital turnaround within 12 months of cash purchase.

# ANNEXURES

- Overview of Recent Acquisitions



## OVERVIEW OF RECENT ACQUISITIONS

		LOTS ACQUIRED	CONTRIBUTE TO PROFIT	STRATEGIC GOALS MET
✓	Rochedale, QLD	148	From FY16	<ul style="list-style-type: none"> <li>Located approximately 15km south-east of the Brisbane CBD with shopping, transport, health, education and recreation facilities are all located nearby, the project is forecast to be delivered as premium land only estate.</li> </ul>
✓	Waterline II, Thornlands, QLD	50	Combined project from FY15	<ul style="list-style-type: none"> <li>Project scale - adjacent site to Waterline.</li> <li>Secured interest from 8 national builders to establish a large display village.</li> <li>Grows total project to 227 premium land only lots.</li> </ul>
✓	Joyner, QLD	82	FY16	<ul style="list-style-type: none"> <li>Off market transaction.</li> <li>Strength of relationships with vendors - same vendor as Mango Hill; first right on adjacent 12.39 ha parcel pursuant to re-zoning.</li> <li>Project is located within one of Brisbane's key growth corridors to the north, and in closer proximity to the CBD than Park Vista.</li> <li>Opportunistic – higher price point, land only subdivision; capital recycling in 18 months.</li> <li>Provides upside to FY16 profit.</li> </ul>
✓	Waterford, QLD	81	From FY16	<ul style="list-style-type: none"> <li>Off market transaction.</li> <li>Establishing relationship with large land bank holder.</li> <li>Project has all major infrastructure and approvals in place to allow an immediate start.</li> <li>Establishes a presence in Logan.</li> </ul>
✓	Joint Venture, Donnybrook II, VIC	1,300 (VLW 51% = 663)	Combined project from FY18	<ul style="list-style-type: none"> <li>Joint Venture structure - shares the project size and planning risks, while our role of project and sales manager provides upside.</li> <li>Strengthens the tail end of the Company's development pipeline.</li> <li>Provides access to substantial parcel of land in new growth corridor at a low entry price.</li> <li>Master planned community with minimal infrastructure requirements.</li> <li>Project scale - adjacent to Donnybrook I; grows total project to 2,240 lots (VLW share 1,142 lots), which may be developed on multiple fronts.</li> </ul>
✓	Avondale Waters, Gleneagle, QLD	366	From FY16	<ul style="list-style-type: none"> <li>Entry into the growth corridor between Logan and Beaudesert with a substantial sized project at a relatively low entry price.</li> </ul>

## ROCHEDALE, QLD

- Located on Gardner Rd, Rochedale, approximately 15km south-east of the Brisbane CBD and 1km east of the M1 Motorway.
- The site comprises 8.659ha of relatively level and elevated land, with some CBD skyline views. It is located directly across the road from Aveo's Rochedale Estates premium lifestyle development, and adjacent to the Pask Group's Arise Estate.
- Capped standard infrastructure charges with no major external infrastructure requirements as these have already been provided by nearby larger developers in the locality.
- Villa World has held pre-lodgement meetings and on the back of the advice have lodged a Development Application for the creation of 148 housing lots on the estate.
- Shopping, transport, health, education and recreation facilities are all located nearby.



### Rochedale, QLD

Villa World ownership interest	100%	Contributes to profit (from)	FY16
Project Status	Development	Sales commence	FY16
Lots acquired	148	Construction commences	FY16

## WATERLINE II, QLD

- The property is located in Thornlands, a Brisbane bayside suburb, 30km east of Brisbane CBD. The project is east of both our Era and East Ridge estates and adjacent to our Waterline estate.
- This premium 3.533 ha site is bounded by native bushland with some elevated lots offering stunning bay views.
- A wide range of shopping centres, schools and sport and recreational facilities are easily accessible.
- This estate will be amalgamated with our Waterline estate, and achieves project scale, by providing 227 premium land only lots in total.
- We have secured interest from 8 national builders across 24 lots, to develop a display village in the existing Waterline I estate. This is expected to boost sales at this premium land only development.



### Thornlands, QLD

Villa World ownership interest	100%	Contributes to profit (from)	FY15 (existing development)
Project Status	Development	Sales commence	FY15 (existing development)
Lots acquired	50	Construction commences	FY15 (existing development)



## JOYNER, QLD

- Located in Joyner, 24km's north of Brisbane CBD.
- The project is located within one of Brisbane's key growth corridors to the north, and in closer proximity to the CBD than Park Vista.
- 81 lot, higher price point, land only estate with an average size of 546m2.
- Contributes to profit in FY16.
- Capital recycled within 18 months.
- The site is only 6km from the major Strathpine Westfield shopping centre and is surrounded by an abundance of open space and parklands, and abuts a golf course and natural waterway.
- Off market transaction. Same vendor as the previously announced 107 lot Mango Hill site; first right on adjacent 12.39 ha parcel pursuant to re-zoning.



### Joyner, QLD

Villa World ownership interest	100%	Contributes to profit (from)	FY16
Project Status	Development	Sales commence	FY15
Lots acquired	82	Construction commences	FY15

## WATERFORD, QLD

- Located in Waterford, 30km's south of Brisbane's CBD, in the existing Woodlands estate developed by Lend Lease.
- 81 house and land lots to be developed in 2 stages, averaging \$420,000.
- Will contribute to profit from FY16.
- The site is surrounded by park and open space, and is within close proximity to schools and the nearby shopping centre.
- All approvals are in place and works will commence in February 2015.
- Delivering on our strategy to establishing working relationships with large land bank holders. First transaction effected with Lend Lease.



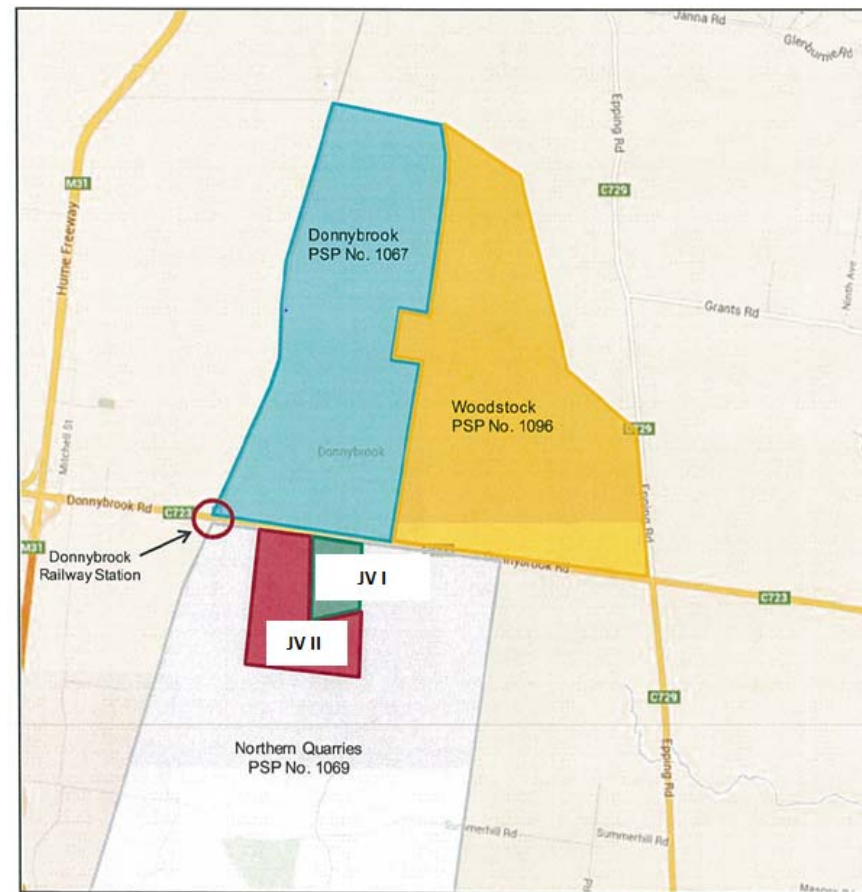
### Waterford, QLD

Villa World ownership interest	100%	Contributes to profit (from)	FY16
Project Status	Development	Sales commence	FY16
Lots acquired	81	Construction commences	FY15



## DONNYBROOK II, VIC

- This site comprises approximately 207ha in the suburb of Donnybrook and is adjacent to our recently announced joint venture of 66 ha / 940 lots.
- The 2 sites have excellent exposure via 1,632 metres of frontage to Donnybrook Road.
- The suburb of Donnybrook is 30kms north of the Melbourne CBD with direct access via the Hume Highway and Metropolitan Ring Road to the CBD, or via V Line Train from Donnybrook Railway Station which is located approx. 1.5 km from the western boundary of the site.
- The properties are located in the northern growth corridor of Melbourne which is forming part of the natural expansion of Melbourne.
- Major companies to secure land in this corridor include Stockland, Mirvac, MAB, National Pacific Group and Dennis Family Group.
- Together, the two sites will have a potential lot yield of around 2,240 residential lots plus community facilities.
- The sites are subject to the creation and approval of a Precinct Structure Plan (PSP) which will determine the urban frame work for the development. This process is expected to take 2 - 3 years.
- Two major developers are contributing to the delivery of services (eg sewer and water) along Donnybrook Road which will service our sites. This will allow for immediate development of our sites upon receipt of PSP approval.
- Joint Venture structure - shares the project size and planning risks, while role of project and sales manager provides upside.



Source: googlemaps.com

### Donnybrook, VIC

Villa World ownership interest	51% / CVC 49%
Project Status	Planning
Lots acquired (100%)	1300
Contributes to profit (from)	FY18

# AVONDALE WATERS, GLENEAGLE, QLD

- Avondale is a 50.03 ha development site located in the suburb of Gleneagle on the northern edge of the Beaudesert town centre. The site is approximately 55 km south of the Brisbane CBD and access shall be directly off Mt Lindesay Highway.
- The site has a Material Change of Use (MCU) Approval over the first stage of development comprising of 54 allotments. Further approvals will be sought for the balance stages under a new MCU over the entire site in consultation with Scenic Rim Regional Council.
- The site will ultimately comprise of 366 allotments with lot sizes ranging from 540m<sup>2</sup> to 800m<sup>2</sup>. It will provide the local owner occupier buyer and investor driven builder market with affordable land in a quality estate, within an area that is experiencing an improvement in market confidence and activity.
- This project will provide an opportunity for Villa World to enter the growing market within the development corridor between Logan and Beaudesert with a substantial sized project at a relatively low entry price.



## Avondale Waters, Gleneagle, QLD

Villa World ownership interest	100%	Contributes to profit (from)	FY16
Project Status	Development	Sales commence	FY16
Lots acquired	366	Construction commences	FY16

# ANNEXURES

- Key Risks



# KEY RISKS

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The Company's business activities are subject to risks, specific both to its investment in property and its operations, as well as of a general nature. Individually, or in combination, these risks may affect the future operating performance of the Company and the value of an investment in the Company. Investors should carefully consider the risks factors described below, which are not exhaustive. Investors should also have regard to the Company's prior publications and announcements.

## Product delivery

The financial position of the Company may be adversely affected by matters such as delays in obtaining planning or works approvals, construction delays (including those caused by weather or other natural events), and increases in the costs of supplies and services.

## Litigation Risk

Warranty claims and potential litigation are inherent risks in the development and construction industry, and may adversely affect the Company's financial performance. The Company is currently subject to two litigation matters.

*Thornleigh* - proceedings regarding defects at a development in Thornleigh, NSW. Refer to the 2014 Annual Report – Operating Financial Review (page 15), Note 20 Provisions (page 49).

At a Court “adoption hearing” of a Referee's determination, the Company was found liable for an amount of \$3,494,621. The Company is considering its rights of appeal. There are also likely to be costs orders made against the Company, the extent of which are uncertain and can only be estimated.

The adverse Court result has led to increased provisions as at 31 December 2014 based on best estimates. Factors taken into account include the impact of the Court decision, estimates of potential liability for costs, and alternative potential outcomes of an appeal. Estimating this provision requires the exercise of significant judgement and it is therefore possible that actual amounts may differ from this estimate.

*Silverstone* - proceedings regarding alleged defects at “Silverstone”, a 27 apartment building at Tweed Heads, NSW. Refer to the 2014 Annual Report – Operating Financial Review (page 15), Note 26 Contingencies (page 57).

The Company is defending the proceedings and has cross-claimed seeking recovery for any potential liability against certain other parties.

The applicants are yet to specify any claim amount. In October 2014 the Applicants provided an engineer's report discussing proposed rectification options and setting out preliminary cost estimates of \$14.5m. Refer to the Company's ASX announcement of 20 October 2014.

Provision has been made as at 30 June 2014 for ongoing legal and experts' fees. No provision was made for any part of the damages claim, as it was considered that the complexity of the litigation and the uncertainty of the outcome prevented a reliable estimate from being made as to the potential financial impact for the Company. This remains the case. The applicants are still yet to specify a claim amount, and the apportionment of liability (if any) amongst the Company and other cross-defendants is uncertain and yet to be determined.

# KEY RISKS

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## **Funding**

The Company has debt facilities maturing in FY17. The ability of the Company to refinance existing debt, or raise additional debt, on favourable terms for future activities is dependent on a number of factors including general economic, political, capital and credit market conditions. If the Company is not able to do so, its financial position could be adversely affected.

## **Interest rates**

Adverse fluctuations in interest rates, to the extent that they are not hedged or forecast, may impact the Company's earnings and asset values due to any impact on markets in which the Company operates.

## **Debt Covenants**

The Company's ability to meet its debt covenants is dependent on its ability to produce and sell inventory, to manage its cash flow and to operate the business in a sustainable manner. If any of these criteria are not satisfied, there is the risk that funding covenants may not be met. This would give lenders the right to take action under the facility agreements which could have an adverse impact on the Company.

## **Counter-party risk**

The Company deals with many counter-parties, including customers, suppliers, sub-contractors, builders and other service providers. If any of these parties fail to meet their contractual obligations, the result could have an adverse impact on the Company.

## **Environmental risk**

The discovery of environmental contamination or incorrect assessment of the extent of environmental contamination could have an adverse impact on profitability or the timing of receipt of funds.

## **Work health and safety risk**

Construction activity carries with it risk of personal injury to persons engaged. If the Company does not manage its WHS obligations properly, the Company could suffer risk of a damages claim against it for injury, as well as reputational risk, which may make it more difficult to obtain and retain highly skilled workers.

## **Competition**

The residential property market is highly competitive. There is competition to acquire land for development purposes, competition for customers and competition for service providers. The actions of competitors can affect the Company and if competitive action becomes severe, the result could have an adverse impact on the Company.

## **Economic conditions**

The Company may be affected by general economic conditions and the business cycle (including, for example, interest and exchange rates, inflation, consumer and investor sentiment, immigration levels, the labour market environment, changes in fiscal, monetary and regulatory policies, changes to government housing grant schemes and sovereign or political risk). Changes in economic conditions in the markets in which the Company operates may affect sales rates and prices, causing an adverse financial impact. The value of the Company's assets may be adversely affected by property cycle movements between the time of acquisition and project delivery.