

ASX ANNOUNCEMENT



SUCCESS
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18 February 2015

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

Villa World Reports Half Yearly Results

- Statutory profit after tax of \$13.0 million (EPS: 13.9 cps) (1HY14: \$7.6 million; EPS 9.3 cps).
- Profit before tax of \$11.1 million (11.8 cps) (at the top end of November 2014 guidance).
- 6.0 cps fully franked interim dividend declared post balance date (1HY14: 6.0 cps).
- NTA of \$1.96 per share, pre-declaration of final dividend (FY14: \$1.92 per share).
- Gearing 24.8% (FY14: 18.7%).
- Guidance for FY15 profit before tax of at least \$28.5 million, with sales and profit weighted towards second half.
- 364 sale contracts carried forward with a gross value of \$138.7 million¹.
- Acquisitions success with 2,409 acquired in 1H15. 5,354 lots remaining in the development portfolio.
- Post balance date capital raising comprising a heavily oversubscribed completed placement of \$26.7 million and a Share Purchase Plan targeting \$5 million.

Financial Result

Villa World Limited (ASX:VLW) has reported a statutory profit before tax of \$11.1 million, at the top end of guidance provided in November 2014.

The Company has reported a statutory net profit after tax of \$13.0 million (13.9 cps) for the half year ended 31 December 2014, compared to a net profit after tax of \$7.6 million (9.3 cps) for the period ended 31 December 2014.

The Company will carry forward 364 sales contracts worth \$138.7 million¹, with 334 contracts (\$127.0 million) anticipated to settle in 2H15, and the balance of 30 contracts (\$11.7 million) in 1H16.

Inventory levels were replenished over 1H15 to meet market demand. Consequently, sales momentum has strengthened in the most recent quarter with the average sales rate rising from 44.7 per month in 1Q14, to 72.7 per month in 2Q15 (as forecast). 3 new projects were released in Queensland (Era, Waterline and Park Vista) and 2 new projects were released in Victoria (Cardinia Views and Roxburgh Park). Further, new stages were released at the strong selling projects of Mt Cotton, Circa Metro and Orana. Sales will be weighted to 2H15.

¹ Contracts are included on the basis of 100% for Company projects and 50% of Joint Venture projects. Represents gross sales price including GST.

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Revenue increased by 43% to \$134.1 million (1H14: \$93.8 million) as a result of strong sales during 1H15 combined with \$141.5 million of carried forward sales contracts from the prior year. 329 accounting settlements (1H14: 335) were recorded in 1H15, with 327 settlements of Company owned lots (1H14: 304), and the balance of 2 lots relating to Eynesbury (1H14: 31), which are reflected in Share of Joint Venture Profits.

Strong operating cash flows enabled the Company to expend \$51.7 million on the acquisition of new land.

In 1H15, the Company announced \$103.6 million in new land acquisitions, yielding 2,409 lots. At 31 December 2014, the Company had a portfolio of 5,354 lots. The growing development pipeline supports an increased sales target of 1,000 – 1,200 lots in FY16, and represents 4-6 years sales.

Net tangible assets¹ at year end were \$183.7 million (FY14: \$180.2 million), representing \$1.96 per share (FY14: \$1.92) before the declaration of the interim dividend. The gearing level² was 24.8% compared to 18.7% as at 30 June 2014. Net debt as at 31 December 2014 was \$98.0 million.

The Board recognised \$14.3 million in carried forward unused tax losses in 1H15 (DTA \$4.3 million). Total carried forward unused tax losses of \$30.4 million remain at 31 December 2014, all of which have now been fully recognised. The effective tax rate from 2H15 will be the company tax rate. Cash tax will not be paid until the \$30.4 million in carried forward tax losses are utilised.

The franking account balance will be \$10.25 million post the payment of the final dividend.

Dividend

The Board is pleased to declare a fully franked interim dividend of 6.0 cents per share. The ex-dividend date is 5 March 2015, the record date for this dividend is 9 March 2015, and payment scheduled for 2 April 2015. The interim dividend represents a 51% payout ratio (1H14: 74%).

Capital Raising

On 29 January 2015 the Company announced the completion of a placement of \$26.7 million at \$1.90 per share, and a Share Purchase Plan targeting \$5 million. New shares under the Placement and SPP will rank equally with existing Villa World shares, and will be entitled to receive the interim dividend.

The Company continues to see attractive acquisition opportunities in its target markets, and will look to further grow its development pipeline during 2015 to build future earnings, and capitalise on positive market conditions.

¹ Pro-forma NTA post placement of \$1.94 per share.

² Pro forma gearing post placement of 18.2%.

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Outlook

During 2H15 the Company's focus will remain on delivering and settling carried forward sales. Sales and profit will be weighted to the second half.

The Company has a continued commitment and capacity to acquire land. The focus will remain on the continued replenishment of the portfolio in South East Queensland, the South Eastern and Northern growth corridors of Melbourne, and infill sites in both Melbourne and Brisbane. Projects with 3 to 5 year durations will be targeted, as well as appropriately structured larger projects.

FY15 Guidance

As a result of strong market conditions and sales momentum, as well as greater clarity on delivery, the Company is targeting net profit before tax of at least \$28.5 million¹, with both profit and sales weighted to the second half.

It is the intention of the Board to continue the payment of dividends in accordance with the stated payout policy of 50% to 75% of NPAT, paid semi-annually. Dividends in FY15 are anticipated to be at least 15 cents per share (1H15: 6.0 cents per share; 2H15: at least 9.0 cents per share).

1H15 Financial Results live audio stream

Villa World's 1H15 results presentation will be webcast via www.openbriefing.com/OB/1741.aspx on Wednesday 18 February at 12pm (AEDT).

¹ As announced on 29 January 2015.

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