

INVESTOR INSIGHT

APRIL 2015

VILLAWORLD



SUCCESS
THROUGH
PROPERTY



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FROM THE CEO AND MANAGING DIRECTOR



Craig Treasure

Villa World joined the ranks of Australia's top companies on March 6 with entry into the S&P/ASX300, capping off a highly successful capital raising in January and strong sales growth during the January – March quarter.

These successes reflect our steady hand on the wheel as we continue on our journey of success through property that will achieve a step-change in our growth and sales as well as continued strong financial returns and value for our shareholders.

SUCCESS THROUGH PERFORMANCE

Our performance in the first half of 2015 is on track to meet our growth expectations. Villa World has a market capitalisation of \$255 million and recorded a half year net profit after tax of \$13 million, up more than 70% on the previous corresponding period, and declared a fully franked dividend of 6c per share.

Sales for the January – March period were strong and we upgraded our guidance for FY15 to at least \$28.5m net profit before tax, up from \$22.6 million in FY14. We intend paying a total dividend of at least 15c per share, fully franked, which is about a 6.5% yield on the current share price.

I continue to pay tribute to the Villa World team and in this *Investor Insight* we profile our new State Manager Queensland, Michael Vinodolac. Michael was our national acquisitions manager and will now focus on continuing to grow our Queensland portfolio. I am also pleased to acknowledge the appointment of Gerry Lambert as non-executive director, effective from 22 January. Gerry comes to the Villa World Board with a deep understanding of our business, being the current chair of the Audit and Risk Committee and having previously been a director

of the company while employed as General Manager and CFO between 2000 and 2005.

As I outlined in a speech at the Morgans Business Breakfast in Brisbane in mid-March, we are building on past successes and have set out a clear path for future strategic success.

Villa World continues to be a strong cash flow, high growth business. And that's driven by 14 to 18 projects contributing to sales and settlements each week around the country, supported by a strong acquisitions program to grow our land bank and meet future demand growth.

As is generally the case, we're seeing evidence of different market phases in the property cycle in our three major east coast markets. Queensland is still in the early stages of a comfortable property cycle – things aren't getting too heated and we're still buying property from receivers. Meanwhile, the southern markets are becoming more competitive and we are achieving strong sales at a higher unit price.

STRATEGIC SUCCESS

Villa World's business strategy is enabling us to manage through the cycles by ensuring our core product is within the low to mid price range, making it downturn resilient and providing excellent value for money, and matching that with a suitably diversified portfolio.

These strengths were highlighted during our roadshow with institutional investors last month, with New Zealand included for the first time. We were also able to highlight the benefits flowing from a restructure of our debt facility which paves the way for increased construction output and further acquisitions. As we announced to the market in early March, Villa World has increased its debt

Era – Capalaba, Brisbane



facility to \$180 million with a Club Financing Arrangement comprising a \$130 million facility with ANZ and a \$50 million facility with Westpac until 30 October 2016 and 2 March 2018 respectively.

This expansion of our debt facility, following on from our successful capital raising in January 2015 provides the ability to deploy capital quickly to increase our development pipeline and meet increased buyer demand.

The Capital Raising in January generated \$26.7 million through a five times oversubscribed placement to institutional and sophisticated investors. Subsequent to the placement, we carried out a \$5 million Share Purchase Plan (SPP) from existing investors which closed on 25 February and was also heavily oversubscribed.

This represents an endorsement of our company's strategy and performance and is matched by the confidence reflected in our sales program. Our target is to achieve between 1000 to 1200 lot sales per year in the 2016 financial year. We sold just over 600 in 2013 and 800 in 2014. Our prediction for 2015 is just under the 1000 target, due to short-term stock constraints we experienced in the first quarter of the year.

That puts us on track for 2016. We own all the projects and have the approvals in place to push up towards the 1200 figure, subject to continued market demand.

Details of our latest acquisitions and projects are described in this edition and include a new 206 lot subdivision in Redland Bay, and a premium land-only estate at Thornlands which is expected to yield 86 lots and add to our already substantial workbook in that fast-growing region of south east of Brisbane.

SUCCESS THROUGH MARKET KNOWLEDGE

It's worth highlighting the drivers behind our current market success – the first home buyers' grants, lower interest rates, consumer confidence, population growth driven by interstate migration – these things combine to provide a very positive outlook.

Looking ahead, it is my strong opinion that our sales numbers will continue to increase as the economy strengthens, even if the positive economic growth triggers slightly higher interest rates. Confidence, rather than rates, is the more persuasive factor among home buyers at the moment.

Another important ingredient in our ongoing success is our focus on delivering the complete home at the complete address while offering broad sales platforms. This means that we are able to meet the various ages and stages of the market mix and remain less vulnerable to impacts from changes to policies or incentives, such as home buyer grants and the like.

As Queensland's oldest publicly listed residential property company, the Villa World team has rightly earned a reputation as one of the most trusted and respected home builders and developers on the east coast. We have built on the past successes of the company and evolved the way we operate in order to achieve that step-change in our growth.

We are implementing an acquisitions program to make sure we have enough stock in our land bank to meet future projected demand. We now have 5,500 lots in our land bank, which equates to four to six years' sales.

We have acquired more land, we are building and selling more houses, we're refining our product offering to respond to the market and we're managing our capital well.

All of this combines to deliver *success through property*.



FIVE MINUTES WITH . . .

Michael Vinodolac, State Manager Queensland



Michael Vinodolac

What is your background and business experience, particularly in the property and development industry?

I grew up working in my father's construction business....even though he was adamant that I should not become a builder. I later went to university and studied commerce majoring in accounting and finance and then went on to do a post grad degree in law. I was admitted as a legal practitioner in the Supreme Court of Queensland and worked in the commercial and property law space.

During my time in law, I was offered a role in construction and development finance, and particularly enjoyed assessing the commercial viability of projects and negotiating with borrowers. The firm was involved with Villa World and through that association I had the opportunity to take on an acquisition manager role with Villa World in 2007. I also stepped into a development manager role, running joint ventures and a number of other projects.

I was then promoted to the National Acquisitions Manager role and have led the team in successfully acquiring in excess of 4000 lots in the past two years alone.

How will your experience as Villa World's national acquisitions manager translate to your new role as State Manager Queensland?

I have personally been involved in the acquisition of nearly all active projects Villa World is currently delivering, encompassing due diligence, understanding the commercial drivers that will make the projects successful and working very closely with the team of development managers responsible for delivering them.

To succeed in acquisitions, you need to have very strong commercial acumen to understand what will make a project successful. I'll be applying that same acumen into the role of State Manager Queensland.

What are your thoughts on the Queensland market and its ongoing contribution to Villa World's success?

Queensland is Villa World's home base and will always play a key role in the company's success. As we continue to grow, it's increasingly important however that our revenues are diversified across the country.

We are looking to replenish the Queensland business, whilst growing the Victorian business to match and will enter the Sydney market when the opportunity arises.

What factors in the Villa World build method do you believe make the most difference to customers, and why?

The key factor for buyers – what we call the “Villa World Difference” – is that we deliver the complete address, the complete home and the single contract. We manage every aspect of design, landscaping and streetscaping, and deliver this to the customer under a single contract so that all of the risk and uncertainty of buying a new home is taken out of the process.

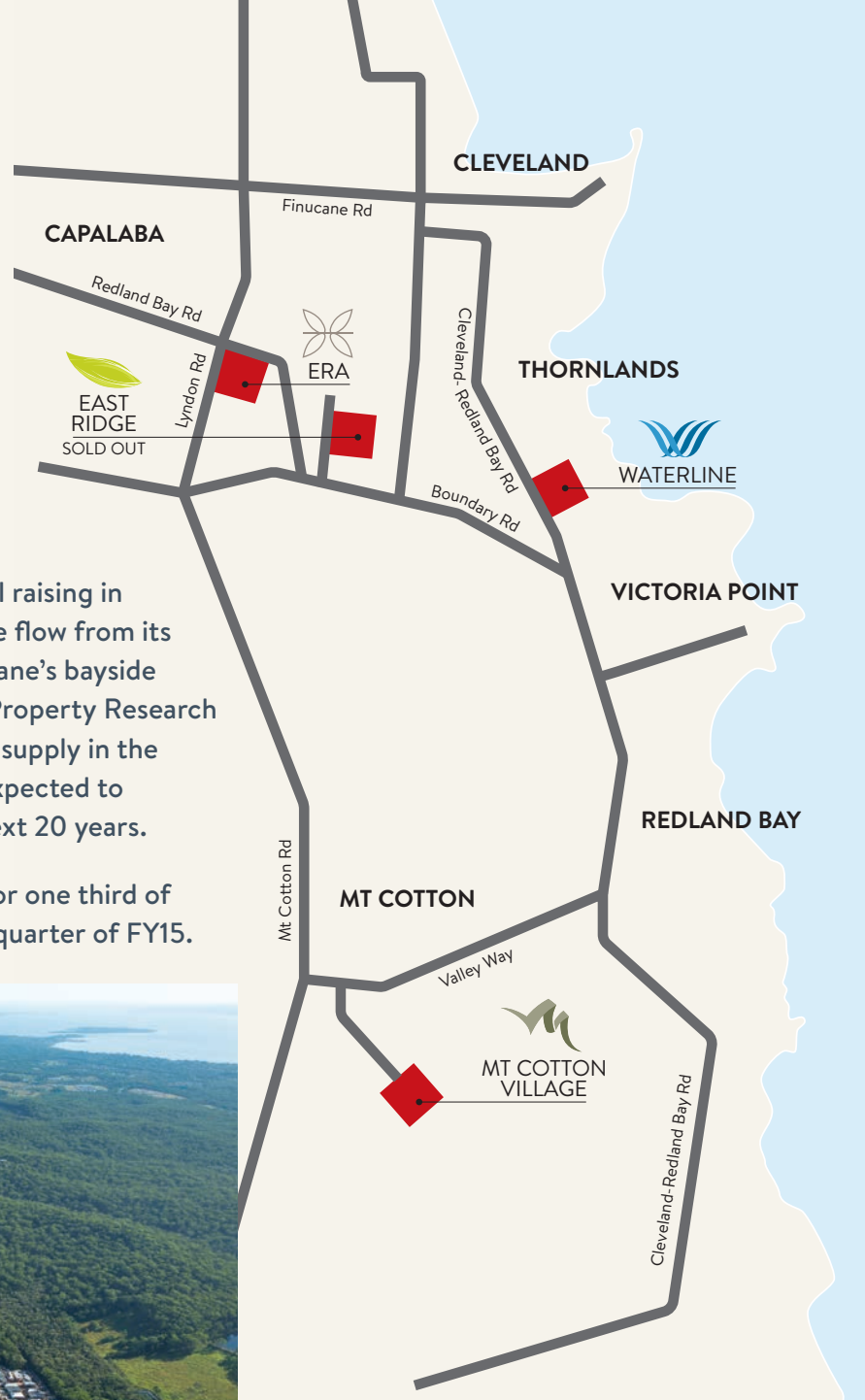
The buyers know that their neighbour's house will be as high quality as their own, they know exactly how much their own home will cost and they know they have nothing further to pay or do after moving in.

In essence, we make it simple.

SALES SUCCESS

Following its heavily oversubscribed capital raising in January 2015, Villa World has increased the flow from its development pipeline, particularly in Brisbane's bayside suburbs. A recent report by The National Property Research Co highlighted strong demand and limited supply in the Redlands region where the population is expected to increase by almost 40 per cent over the next 20 years.

Bayside sales totalled 199 and accounted for one third of total sales through to the end of the third quarter of FY15.



MT COTTON VILLAGE

MT COTTON

Set amongst natural bushland, the smart-wired community of Mt Cotton Village offers a modern lifestyle of comfort and convenience. The final stages of this 572-lot project are being sold as a mix of house-and-land and land-only product, appealing to middle-market family buyers.



Villa World's first bayside acquisition, East Ridge, at Thornlands, is almost fully sold and home to more than 100 families. East Ridge has been master planned by Villa World as a new village-style community, free of through-traffic, conveniently located and serviced by shopping centres, schools and sport and recreation facilities.



Located in the Redlands gateway suburb of Capalaba, Era is a master planned community with 193 new family homes. Stages 2 and 3 include 59 stylish homes, released in September 2014, and are selling very well to the owner-occupier market.



This successful premium land-only project at Thornlands now comprises 227 lots. The first three stages of this project are almost fully sold, with commitments from prominent building groups to develop a display village in the estate, and strong interest from retail buyers.



Circa



Circa Metro

circa™

On Brisbane's northside, sales totalled 213 and accounted for 36 per cent of total sales through to the end of the third quarter of FY15.

Robust sales have continued in Nudgee, with just a few homes remaining on good sized blocks at Circa.

circametro

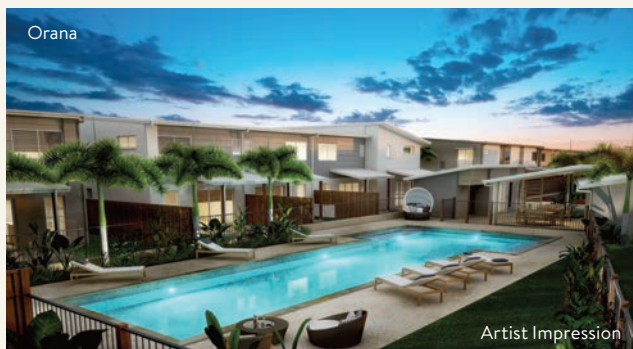
NUD GEE

The final offering of 24 dwellings has also been released at the stylish \$40 million Circa Metro town homes, following the sell-out of prior stages.





Park Vista



Orana

Artist Impression

park vista

mango hill

With its contemporary 4 bedroom homes, family parks and ideal location neighbouring North Lakes, Park Vista is proving to be one of Villa World's most successful residential projects. The Lakes Quarter, is the defining new collection of elegant homes. The release comprises the community's final four streets in a highly sought after location on Brisbane's northside.

ORANA

at park vista

The 3 bedroom townhomes available at Orana, part of the Park Vista development, feature spacious family and meals areas opening onto alfresco style patios; an open style kitchen with stainless steel appliances and stone benchtops; and either a double or single lock-up garage. In addition, some single garage designs also feature a covered car space. These contemporary townhomes are attractively priced and appeal to a mix of first home buyers, owner-occupiers and investors.



VICTORIA

Villa World has focussed on acquisitions in the Victorian market, replenishing the nearly-complete Cascades on Clyde and providing buyers with a choice of homesites in major growth corridors. With 86 sales in Victoria or 14 per cent of total sales through to the end of the third quarter of FY15, Villa World remains in a good position to grow its Victorian market in the near to medium term to a level consistent with our strong Queensland position.



CARDINIA VIEWS

PAKENHAM

Residential land buyers in Pakenham have welcomed Villa World's Cardinia Views development with open arms by snapping up half the project's second stage.

It comes after the success of the 300 plus-lot community's first stage, which is almost sold out. Launched to the market in October last year, Cardinia Views boasts picturesque rural views and is within walking distance of the local shopping centre.





Artist Impression



A complete master planned community – our first in the northern growth corridor at Greenvale – this new collection of 3, 4 and 5 bedroom architect designed homes has been carefully selected to meet the needs of a wide range of modern Victorian families.

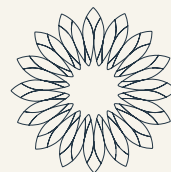


Roxburgh Park

Artist Impression



ROXBURGH PARK
MELBOURNE



PARKVIEW
MELBOURNE

Construction at both of these projects continues as part of the diversified offering within the Villa World portfolio in Victoria.

ACQUISITIONS

Villa World continues to see attractive acquisition opportunities in its key markets and will look to increase its development stocks during 2015 to build future earnings and capitalise on positive market conditions.

Since its \$31.7 million capital raising in January, Villa World has announced the acquisition of 292 lots worth \$27 million, bringing total restocking in FY15 to 2701 lots worth \$130.6 million.

Villa World in April confirmed the purchase of Seascape, at Redland Bay, a medium density residential site for \$16.5 million. The site adjoins the Weinam Creek Priority Development Area, which aims to support economic development and create a regional gateway to the Southern Moreton Bay Islands through development of mixed use and medium density residential projects.

Purchased from a receiver, the 206-lot subdivision will comprise house-and-land and townhouse product. Settlement is expected in mid 2015, with development expected to start contributing sales revenue in FY17.

Villa World's ongoing commitment to acquiring new land was also demonstrated with the \$10.5 million purchase of a development parcel next to the existing Waterline estate at Thornlands. With the first three stages of Waterline almost sold out, this new project is expected to start contributing revenue during FY16. The site will be developed as a premium land-only estate and is expected to yield approximately 86 lots.

Waterline – Thornlands, Brisbane





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