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

## Villa World stays focused on strong fundamentals

Residential house and land developer Villa World has announced a \$17.6 million after tax half-year profit, compared with \$17.3 million for the same period last year.

The Board declared an interim dividend of 8 cents per share fully franked, in accordance with the Company's dividend policy being a payout ratio of 50%-75% of annual NPAT, paid semi-annually.

Managing Director and CEO Craig Treasure said, "The current challenging market conditions are part of the cyclical nature of the property industry. However, Villa World has a long history of successfully navigating through market cycles and has a forward strategy focused on helping people reach home and long-term value creation. We believe Villa World is well placed to capitalise on opportunities that will arise for astute acquisitions and partnering arrangements.

In the current market conditions, we have invigorated our sales strategy to highlight our value product offering in our sector."

The Company provided a market-by-market update for the half-year, noting that while sales for the period were down, property settlements for the period were generally consistent with the previous period.

Queensland flagship projects including The Meadows (Strathpine), Killara (Logan) and Arundel Springs (Gold Coast) sold well.

Profits and development management fees from joint ventures has provided an ongoing income stream for the Company, contributing 59 land settlements at the Covella and Rochedale joint ventures, both in Queensland.

Although demand in Victoria moderated as expected, several of Villa World's Victorian projects continued to deliver consistent sales, particularly at the Wollert joint venture project.

As previously advised to the market, delivery times on Victorian projects are taking longer than anticipated. Several stages in the Company's Victorian projects are scheduled for completion in late FY19, with some likely to extend into 1H20.

Market conditions and the availability of customer credit are likely to remain challenging for the remainder of FY19. Upcoming federal and NSW elections may also lead to increased customer uncertainty.

Given these factors the Company considers it prudent not to provide guidance for FY19 at this time. The Company will continue to monitor progress and update the market when appropriate.

Net tangible assets at 31 December 2018 represented \$2.31 per share. This assessment is determined at historical cost and does not reflect the embedded value associated with development approvals and infrastructure works. The current share price represents a 20% discount to stated NTA.

The Company looks forward to achieving delivery and settlement of significant pre-sold lots during FY19 and FY20. Long-term profits will be maintained from a quality portfolio of projects with profit contributions expected to be recorded from the Donnybrook sale transactions from FY21.

Mr Treasure said "the Company has conviction that its projects are located where people want to live, its homes are priced within reach of its customers, and its turnkey homes offer a unique customer experience. With sound financial fundamentals, prudent capital management and a committed team, the Company has the foundations and resources to provide sustained success and shareholder value beyond the current sector dynamics."

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