

15 August 2018

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

Villa World posts fifth consecutive year of double-digit profit growth

Residential house and land developer Villa World today delivered at the top end of an upgraded financial result, achieving a 15% increase on net profit after tax and returning a strong dividend to its shareholders.

The result capped five consecutive years of double-digit profit growth for the S&P/ASX 300 listed company, reporting a statutory net profit after tax of **\$43.6 million** (34.4 cps), up 15% on the prior period's result of \$37.8 million (32.5 cps).

Villa World Managing Director Craig Treasure said: "The result was at the top end of our upgraded guidance and demonstrates Villa World's continued strength in the east coast residential market.

"The Company's strong position within the affordable to mid-priced residential housing and land market continues to provide a strong buffer against market challenges and has delivered consistent results for our shareholders."

Villa World's revenue increased to \$441.6 million in FY18, up from \$386.8 million last year, reflecting the Company's strong delivery focus.

With sales up 39% from 1,207 lots in FY17 to 1,678 sales this year, Mr Treasure said Villa World continued to benefit from geographic diversity and substantially-sized developments across three state markets.

Continued strength in the Queensland market contributed 64% of sales, with a further third coming from Victoria. The Company is carrying forward significant unconditional sales at its projects in Melbourne's growth suburbs of Plumpton and Clyde with delivery commencement delays due to a back-log in construction approvals.

Mr Treasure said it was evident that Victorian authorities were experiencing significant challenges flowing from an industry-wide peak in construction, resulting in abnormal approval delays.

Villa World expects to commence delivery of *Sienna Rise* and *Lilium* first stage projects during the next twelve months, however some stages will be delayed into FY20.

"A return to normal approval timeframes could bring forward sales income and that's something we will monitor and provide further guidance updates if necessary," Mr Treasure said.

Income from project management and joint venture arrangements contributed \$17.5 million this year, up from \$5.4 million. During the year, the Company entered into a joint venture with Ho Bee Land Limited for a ~16ha site located in Wollert, Victoria, which will deliver fees for development management, sales and marketing coordination, and a potential performance fee.

The Company's joint venture in Rochedale approached completion during the year, delivering strong results.

Initial settlements from Villa World's largest-ever Queensland project, the flagship 1,502-lot **Covella** community, at Greenbank, also contributed to joint venture income.

Following the deployment of capital into acquisitions in FY17, the Company has been selective in acquiring projects during FY18. Acquisitions totalled 701 lots, including significant land parcels in Logan and Plumpton, which will provide product continuity for several years in these strong markets.

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As at 30 June 2018, the Company's portfolio included 6,191 lots (FY17: 7,832 lots), representing approximately 4-5 years of sales.

Mr Treasure said the Company would continue to focus on operational delivery and cash settling of carried forward sales. He said sales for FY19 were expected to remain strong, underpinned by full year contributions from eight flagship projects in sought-after residential corridors in Queensland and Victoria, with continued contributions from New South Wales.

The Board declared a full year dividend of 18.5 cents per share fully franked, representing a yield of 8.6%¹. Looking ahead, the Company is targeting a statutory profit after tax of approximately \$40 million in FY19.

The Company today also announced an addition to its Board, with the appointment of Lisa MacCallum as an independent non-executive director.

Ms MacCallum began her professional career in accounting, finance and consulting with KPMG. She enjoyed a long career with NIKE Inc (2001-2014) and is a member of British Telecom PLC's Board Committee for Sustainable and Responsible Business. Among other roles, she is also a World Economic Forum Young Global Leader and Advisory Board Member.

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¹ At closing price of \$2.16 on 10 August 2018.

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