

# VILLA WORLD LIMITED 1HY15 RESULTS PRESENTATION

18 FEBRUARY 2015

VILLAWORLD



SUCCESS  
THROUGH  
PROPERTY

# INTRODUCTION

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- Statutory Net Profit after Tax for 1HY15 of \$13.0 million (eps: 13.9 cps) (1HY14: \$7.6 million; eps: 9.3 cps).
- Statutory Profit before Tax of \$11.1 million (11.8 cps), at the top end of guidance provided in November 2014 (1HY14: \$9.4 million; eps: 11.5 cps).
- As a result of strong market conditions, sales momentum and further clarity on delivery, earnings upgraded on 29 January 2015, with Net Profit before Tax now expected to be at least \$28.5 million.
- Successful completion of a heavily oversubscribed share placement of \$26.7 million<sup>1</sup> on 28 January 2015. Share Purchase Plan targeting \$5 million in progress (closing 25 February 2015). Funds will be used to further grow the development pipeline during 2015 to build earnings and capitalise on market conditions.
- NPAT attributed to strong sales and production over the current period across most projects and the delivery of carried forward sales contracts from FY14.
- 352 sales in 1HY15 (1HY14:475) due to positive underlying market fundamentals in key markets of SE Queensland and Melbourne.
- Inventory levels were replenished over 1H15 to meet market demand. 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).
- 364 sales contracts<sup>2</sup> worth \$138.7 million<sup>3</sup> are being carried forward. \$127.0 million (334 contracts) to settle in 2HY15, and the balance of \$11.7 million (30 contracts) in 1HY16.
- Fully franked interim final dividend of 6 cents per share declared.
- Gearing 24.8% (FY14: 18.7%). \$40.8 million in unused funding capacity (including cash on hand and bank guarantees utilised).
- Strong balance sheet; NTA of \$1.96 per share (FY14: \$1.92)
- Successful restocking program with \$103.6 million in new acquisitions (2,409 lots) during 1HY15.
- Step change in development portfolio to 5,354 lots.

<sup>1</sup> Post placement pro forma NTA of \$1.94 per share and pro forma gearing of 18.2%.

<sup>2</sup> Sales contracts are included on the basis of 100% for Villa World projects and 50% of Joint Venture projects worth \$0.1 million. Success through property

<sup>3</sup> Represents gross sales price including GST based on carried forward contracts as at 31 December 2014.



# KEY HIGHLIGHTS

Sales momentum continues	<ul style="list-style-type: none"> <li>• 352 lot sales recorded in 1H15</li> <li>• Inventory levels were lifted significantly in 1HY15 with the release of 3 new projects in Queensland (<i>Era</i>, <i>Waterline</i> and <i>Parkside</i>) and 2 new projects in Victoria (<i>Cardinia Views</i> and <i>Roxburgh Park</i>).</li> <li>• New stages were released at the strong selling projects of <i>Mt Cotton</i>, <i>Circa Metro</i> and <i>Orana</i>.</li> <li>• The average sales rate lifted from 44.7 per month in 1Q15, to 72.7 per month in 2Q15.</li> </ul>
Profit	<ul style="list-style-type: none"> <li>• 1HY15 Statutory Net Profit After Tax - \$13.0 million (eps: 13.9 cps)</li> <li>• 1HY15 Statutory Profit Before Tax \$11.1 million (eps: 11.8 cps), at the top end of the guidance issued November 2014</li> <li>• As a result of strong market conditions, sales momentum and further clarity on delivery, earnings upgraded on 28 January 2015, with Net Profit before Tax now expected to be at least \$28.5 million. Effective tax rate anticipated similar to FY14.</li> <li>• 364 sales contracts<sup>1</sup> carried forward, valued at \$138.7 million<sup>2</sup>. \$127.0 million to settle in 2H15, balance of \$11.7 million in FY16</li> </ul>
Capital management	<ul style="list-style-type: none"> <li>• Share placement of \$26.7 million completed on 28 January 2015. SPP targeting \$5 million in progress.</li> <li>• Debt facility in place with ANZ until 1 September 2016; facility limit of \$155 million</li> <li>• Net Debt \$98.0 million; Gearing 24.8% (pro forma post placement 18.2%)</li> </ul>
Strong balance sheet	<ul style="list-style-type: none"> <li>• NTA of \$1.96 per share (prior to interim dividend and capital raising; pro forma post placement \$1.94)</li> <li>• \$30.4 million carried forward unused tax losses; \$10.25 million franking credits (post interim dividend)</li> </ul>
Acquisitions	<ul style="list-style-type: none"> <li>• 2,409 lots over acquired in 1HY15 worth \$103.6 million</li> <li>• \$51.7 million<sup>3</sup> cash paid for land in 1HY15. \$44.7 million cash to be paid for land in 2HY15<sup>4</sup>, \$61.7 million in FY16<sup>4</sup> and \$22.5 million in FY17<sup>4</sup></li> <li>• 5,354 lots under control at 31 December 2014 – 4-6 years supply<sup>5</sup></li> </ul>
Shareholder returns	<ul style="list-style-type: none"> <li>• Fully franked interim dividend of 6.0 cents per share declared<sup>6</sup></li> <li>• Yield of 6.9%<sup>7</sup> on 17 February 2015 (date of declaration of interim dividend)</li> <li>• Dividend Policy reconfirmed – full year payout ratio of 50% - 75% of NPAT, paid semi-annually</li> </ul>

<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

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

<sup>3</sup> Including indirectly through JV structure - refer slide 10 - \$45.6 million in payments for land acquired and \$6.1 million for payments for the purchase of investments

<sup>4</sup> For contracted acquisitions which are currently on hand (refer slide 17)

<sup>5</sup> At the targeted sales rate of 1,000 – 1,200 lots

<sup>6</sup> Record date 9 March 2015; Payment date 2 April 2015

<sup>7</sup> Based on price of \$2.18 on 17 February 2015 and expected FY15 dividend of at least 15 cents per share.

# FINANCIAL PERFORMANCE

	1HY15 (\$m)	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
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 (1HY 14: 81,391,422)

<sup>2</sup> Ex dividend date 5 March 2015; Record date 9 March 2015; Payment date 2 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 (1HY 14: 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)	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 will have \$10.25 million in franking credits (post the interim dividend).

# OPERATIONAL PERFORMANCE

Performance	1H15	1H14	Key Drivers	Change
<b>Revenue - property sales (\$m)</b>	<b>134.1</b>	<b>93.8</b>	Strong sales in 1HY 14 combined with \$141.5 million <sup>1</sup> of carried forward sales from FY14.	▲ 43%
- House and Land	107.9	73.8	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%
- House and Land	415.5	378.8	4%-8% revenue growth (over FY14) at select estates ( <i>Circa, Park Vista, Mount Cotton and Cascades</i> ). 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). Refer Interim Report notes 10 (Provisions) & 15 (Contingencies).	▼ -9%
Underlying Gross margin (\$m)	34.9	26.7	Underlying margins within our 26-29% target range.	▲ 31%
Underlying Margin (%)	26.0%	28.5%		▼ -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.

## OUTLOOK FOR FY15

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- As a result of strong market conditions and sales momentum and further clarity on delivery, FY15 Net Profit before Tax expected to be at least \$28.5 million (28.5<sup>1</sup> cents per share) (effective tax rate anticipated to be similar to FY14).
- Sales and profit weighted to second half.
- Attractive acquisition opportunities in key target markets remain. With a pro forma gearing of 18.2% (post placement), the Company is well capitalised to take advantage of acquisition opportunities and the intention is to further grow the development pipeline during 2015 to build future earnings.
- The dividend for the full year is expected to be at least in line with the FY14 dividend of 15 cents per share fully franked, representing an attractive dividend yield of 6.9%<sup>2</sup>. Dividend policy of 50% to 75% of NPAT, paid semi annually.
- Positioned for possible ASX 300 inclusion at the March 2015 re-balance date.
- Increased development portfolio and strong market conditions support a lifted sales target of 1,000 – 1,200 lots p.a. by FY16.

<sup>1</sup> Based on 100.2 million weighted average shares on issue post placement and \$5 million SPP.

<sup>2</sup> Based on price of \$2.18 on 17 February 2015 and expected FY15 dividend of at least 15 cents per share.

# TIMETABLE

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- |                    |                                                |
|--------------------|------------------------------------------------|
| • 31 December 2014 | • 2015 Half Year End                           |
| • 18 February 2015 | • 2015 Announcement of Half Year Results       |
| • 5 March 2015     | • 2015 Interim Dividend Ex-Date                |
| • 9 March 2015     | • 2015 Interim Dividend Record Date            |
| • 2 April 2015     | • 2015 Interim Dividend Payment Date           |
| • May / June 2015  | • Potential investor site tour                 |
|                    | • Release of Investor Insight                  |
| • 30 June 2015     | • 2015 Financial Year End                      |
| • August 2015      | • 2015 Announcement of Full Year Results       |
| • September 2015   | • Anticipated 2015 Final Dividend Ex-Date      |
| • September 2015   | • Anticipated 2015 Final Dividend Record Date  |
| • October 2015     | • Anticipated 2015 Final Dividend Payment Date |
| • November 2015    | • 2015 AGM                                     |

# WRAP UP

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Outlook	<ul style="list-style-type: none"><li>• Consumer sentiment steady</li><li>• Interest rates – declining (cash rate at 2.25%)</li><li>• First home buyer grants – no indication of change.</li></ul>
Sales	<ul style="list-style-type: none"><li>• Inventory levels replenished in 1H15, through the release of new projects in 1H15 and the release of new stages at existing projects. Further project releases in 2H15.</li><li>• Sales weighted to 2H15.</li></ul>
Delivery	<ul style="list-style-type: none"><li>• 425 houses built in FY14.</li><li>• ~650 houses to be built in FY15.</li><li>• Product remains weighted to house and land rather than land only product – higher dollar margin per lot.</li></ul>
Acquisitions	<ul style="list-style-type: none"><li>• More competition however still good opportunities.</li><li>• Recapitalised and will further grow the development pipeline in 2015 to build future earnings and capitalise on positive market conditions.</li></ul>
Cash & Debt Capacity	<ul style="list-style-type: none"><li>• Cash and debt capacity to operate and grow the business.</li></ul>
FY15 Guidance	<ul style="list-style-type: none"><li>• As a result of strong market conditions, sales momentum and further clarity on delivery, earnings upgraded, with Net Profit before Tax now expected to be at least \$28.5 million.</li><li>• Effective tax rate anticipated to be similar to FY14.</li><li>• Some cost increases have been felt and are still anticipated; these are adequately built into our feasibilities.</li><li>• Concurrent sales price escalations is also occurring.</li></ul>
Dividend	<ul style="list-style-type: none"><li>• Anticipated full year dividend of at least 15 cps (1H15: 6cps; 2H15 at least 9cps)</li><li>• 50-75% payout ratio (based on NPAT).</li><li>• Carried forward tax losses available for utilisation and adequate franking credits.</li></ul>



# Annexures

- Cash flow
- Revenue & Settlements by Product
- Sales
- Development Portfolio – Composition
- Development Portfolio – Table
- Acquisitions
- Commitments
- Share Register
- Business Drivers
- Market Fundamentals
- Disclaimer

VILLAWORLD



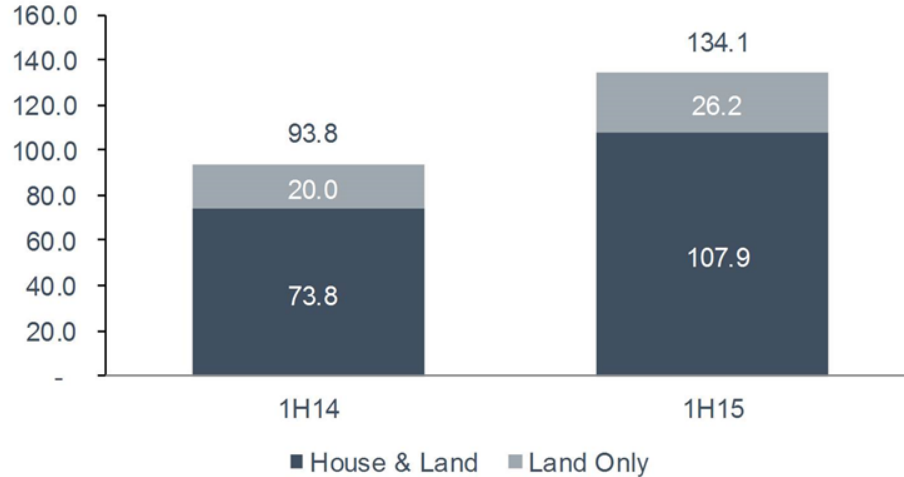
# CASHFLOW

	1HY15 (\$m)	1HY14 (\$m)
<b>Cash flows from operating activities</b>		
Receipts from customers (inc. of GST)	132.0	107.0
Payments to suppliers and employees (inc. of GST)	(119.1)	(93.5)
<b>Cash generated from operating activities</b>	<b>12.9</b>	<b>13.5</b>
Payments for land acquired	(45.6)	(40.9)
Interest received	0.4	0.3
Interest paid	(2.9)	(2.4)
Borrowing costs	-	(0.1)
GST Paid / (Refund)	0.4	(1.2)
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(34.8)</b>	<b>(30.8)</b>
<b>Cash flows from investing activities</b>		
Payments for PPE	(0.3)	(0.4)
Payments for the purchase of investments	(6.1)	
Loans to related parties	9.0	(0.5)
<b>Net cash (outflow) / inflow from investing activities</b>	<b>2.6</b>	<b>(0.9)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	46.6	7.0
Repayments of borrowings	(16.0)	(8.0)
Proceeds from issue of share capital	-	32.2
Transaction costs of issue of shares	-	(1.4)
Dividends paid	(8.4)	-
<b>Net cash inflow / (outflow) from investing activities</b>	<b>22.1</b>	<b>29.8</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(10.1)</b>	<b>(1.9)</b>
Cash and cash equivalents at the beginning of the financial year	12.1	15.4
<b>Cash and cash equivalents at the end of the half year</b>	<b>2.0</b>	<b>13.5</b>

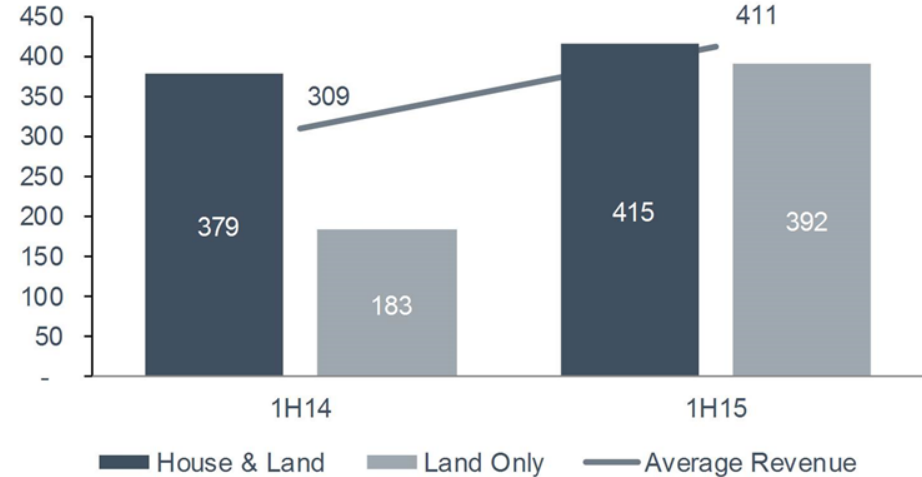
- 2,409 lots acquired in 1HY15.
  - \$51.7 million cash outlay for acquisitions in 1HY15. (FY14: \$89.5 million)
  - At 31 December 2014, trade creditors include \$66.1 million for land payments and there is \$57.0 million in capital commitments (refer Interim Report note 8 (Payables)).
  - Acquisitions structured on deferred basis and in “capital lite” transactions. Refer slide 17.
- \$40.8 million in unused funding capacity (including cash on hand and bank guarantees utilised).

# REVENUE AND SETTLEMENTS BY PRODUCT

Revenue (by Product - \$ million)



Average Revenue (\$k/lot)



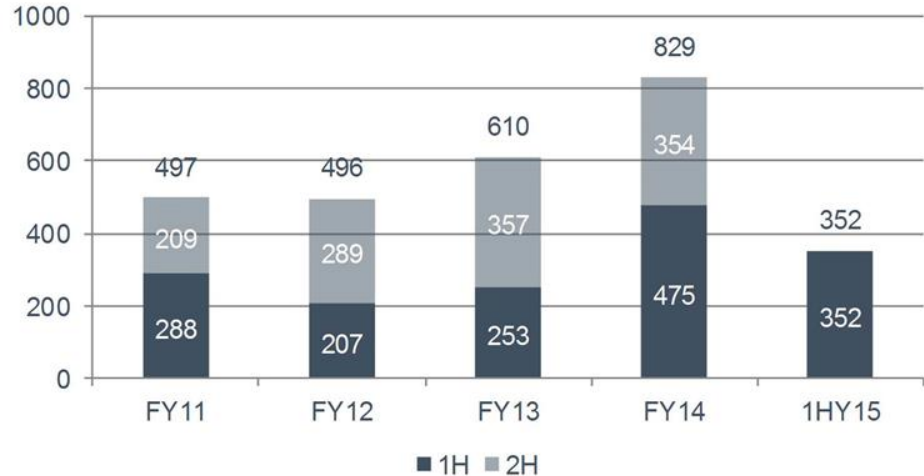
- Revenue grew by 43% to \$134.1 million in 1HY15 (1HY14: \$93.8 million).
- House and land delivered \$107.9 million of revenue over 327 lots (revenue up 46% on 1HY14: \$73.9 million over 304 lots) while Land delivered \$26.2 million of revenue over 67 lots (FY13: \$20.0 million over 109 lots).
- Overall revenue per lot increased significantly to \$410,600 due to:
  - 4% - 8% revenue growth (over FY14) at select estates (*Circa, Park Vista, Mount Cotton and Cascades*).
  - An increase in revenue per lot for house and land (1HY15: \$415k, 1HY14: \$379k).
  - A shift toward higher price point estates in Brisbane's North and Bayside suburbs (*Park Vista, Circa, Mt Cotton, East Ridge and Era*) as well as the settlement of house and land product in Victoria (*Cascades on Clyde*).
  - An increase in revenue per lot for land only product (1H15: \$392k. 1H14: \$183k), due to the settlement of our premium land project *Astonbrook*.
  - 79% of the lots settled were house and land product (1HY14: 64%).

# SALES

### Sales By State (# lots)<sup>1,2</sup>



### Sales By Half (#lots)



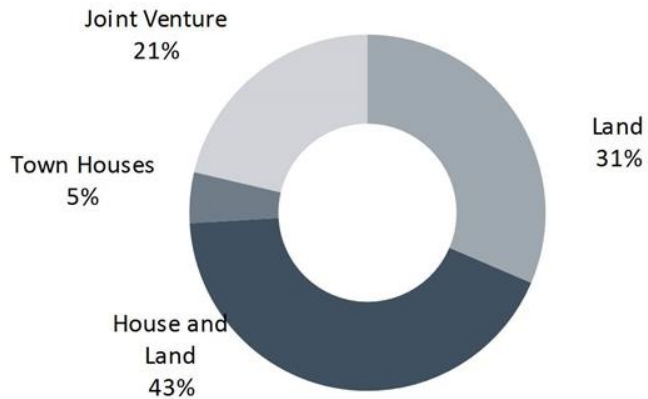
- The Company recorded 352 sales in 1H15, with sales rising from 44.7 per month in 1Q15, to 72.7 per month in 2Q15.
  - Queensland made up 81.5% of sales across 13 projects,
  - Victoria accounted for 15.9% of sales across 4 projects, and
  - New South Wales made up 2.6% of sales across 1 projects.
- Sales are trading according to forecast and will be weighted to 2HY15, with inventory levels replenished over 1HY15

<sup>1</sup> FY13 includes 7 sales in New South Wales, 78 sales in Victoria and 525 sales in Queensland.

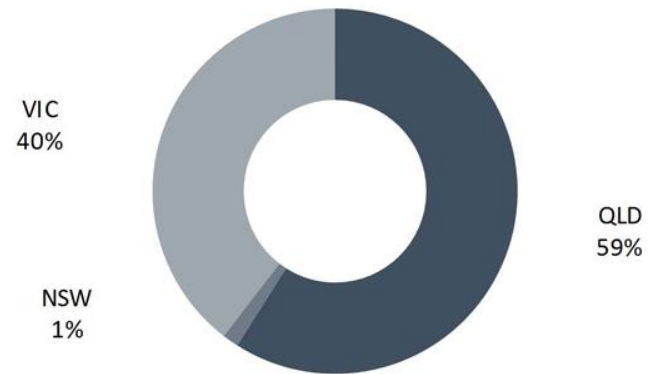
<sup>2</sup> 1HY15 includes 9 sales in New South Wales, 56 sales in Victoria and 287 sales in Queensland.

# DEVELOPMENT PORTFOLIO

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 the Company'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

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+
<b>Land</b>																				
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	Geneagle	QLD	D.A.	2014	FY15	366	366											\$160k+	
TBA	S-E Queensland	Rochedale	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												
<b>House and Land</b>																				
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>4,5</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

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+
<b>Town Houses</b>																				
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												
<b>Joint Ventures</b>																				
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.

# ACQUISITIONS

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 Views (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 FY 15 are being merged with the 90 lot Rochedale site acquired in FY 14 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.

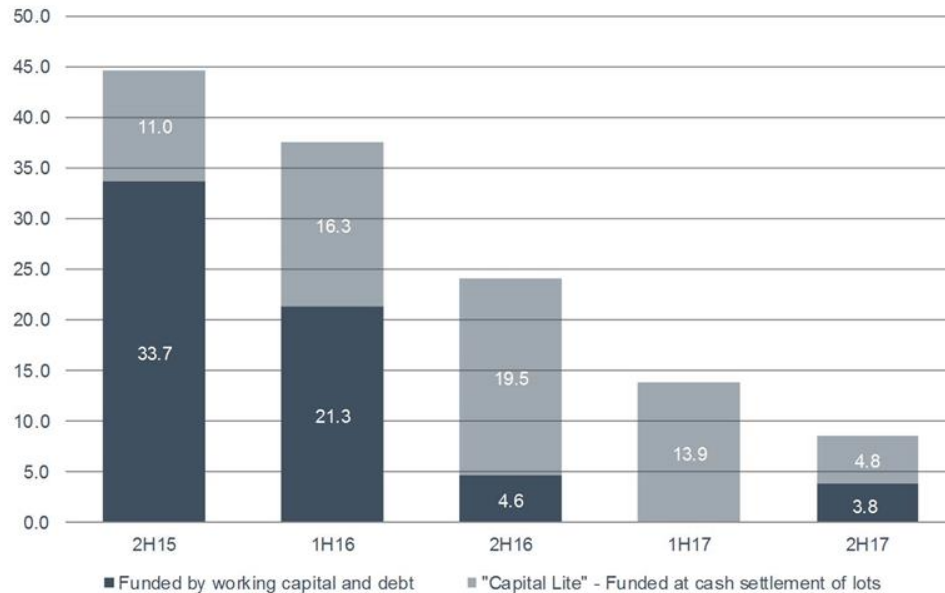
<sup>8</sup> Total price for both sites at 51% (separate funding). 100% = 2,240 lots and \$22.8million (ex GST), \$25.1 million (inc GST).

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



# COMMITMENTS

Land Acquisition Spend -  
by Funding Type (\$ million)



- \$51.7 million <sup>(1)</sup> 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 second 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.

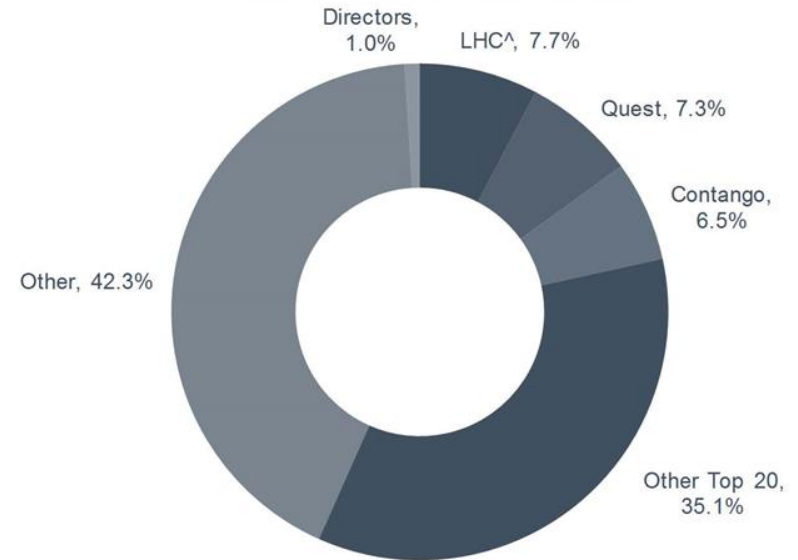
<sup>(1)</sup> \$51.7 million includes \$5.9 million paid to the Donnybrook JV for land acquisition. Total equity contribution to Donnybrook JV inclusive of working capital is \$6.1 million

# SHARE REGISTER

Share Price Performance  
(1 Jan 2014 - 30 Jan 2015)



Shareholders at 31 December 2014



## Board of Directors

- Independent Chairman - Mark Jewell\*.
- CEO & Managing Director - Craig Treasure.
- Non-Executive Director – David Rennick\* appointed 1 September 2014.
- Non-Executive Director – Gerry Lambert\* appointed 22 January 2015.

\*Also members of the Audit & Risk Committee (Chaired by Gerry Lambert) and Remuneration & Nomination Committee (Chaired by David Rennick).

## Shareholders

- 56.7% of shares held by Top 20
- 25+ institutions on the share register

<sup>^</sup> LHC lodged a significant shareholder notice on 4 February 2015 indicating voting power was 6.03%.

# 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

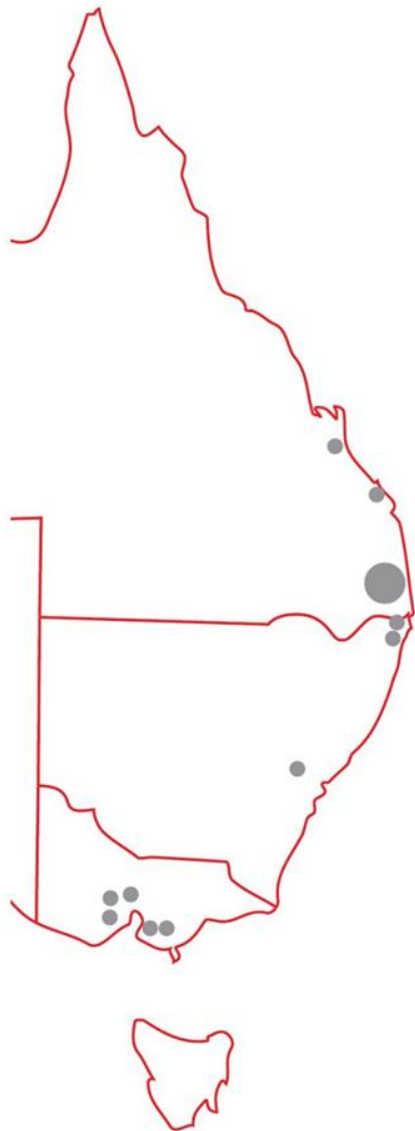
**Flexible banking facility** extended through to September 2016; comfortably meeting banking covenants.

Strong institutional and retail support for **capital raising** in January 2015.

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

Foresee sustainable **profitability and dividends**.

# 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>

# DISCLAIMER

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## DISCLAIMER

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