



Cedar Woods posts strong uplift in profit

Cedar Woods Properties Limited (ASX: CWP) ('Cedar Woods' or 'the Company') has today reported a net profit after tax ('NPAT') of \$32.8 million for the 2021 financial year ('FY21'), above guidance of \$32 million and representing a 61% uplift on the prior corresponding period ('pcp').

Presales contracts at 30 June 2021 are at a record \$478 million, up 33% on the \$360 million reported at the same time last year. Approximately two thirds of presales are expected to settle in FY22 with the balance contributing to earnings in FY23.

Cedar Woods' projects experienced good demand across the year despite many not qualifying for the government stimulus due to their price point and timing.

Project construction continues in all four states in which the Company operates, with numerous significant stages completed in the second half of FY21.

Cedar Woods' Managing Director Nathan Blackburne said the Company had successfully harnessed the opportunities presented by a recovering economy that saw a re-emergence of motivated buyers interested in the Company's diverse product offerings.

"Our record presales, coupled with a national pipeline of more than 9,600¹ dwellings and lots, firmly positions the business to grow earnings," Mr Blackburne said.

"With buyer demand currently elevated above pre-COVID conditions, we expect the improved buyer confidence and low interest rate environment to continue to support our performance.

"Our strong balance sheet and ongoing support from financiers provides us with the capacity to make strategic acquisitions and we continue to assess opportunities in a number of markets that will build on purchases agreed during the last year," he said.

1. Includes acquisitions after year end & previously announced conditional acquisitions.

26 August 2021

Cedar Woods Properties Limited

ASX Code: CWP

Key Points

- FY21 NPAT of \$32.8 million (\$20.4 million pcp), up 61%
- Fully franked final dividend of 13.5 cents per share declared
- Forward presales of more than \$478 million (\$360 million pcp)
- Strong balance sheet, low debt, and significant undrawn finance facilities available to fund operations and acquisitions
- Continued growth in earnings expected in FY22, subject to market conditions

For further information

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Financial Commentary

Full year NPAT of \$32.8 million was 61% higher than pcp, with revenue at \$299.8 million, up 15% on the pcp. Gross margin remained strong at 31%, up on the 29% recorded in FY20, and was a result of changes in product mix and some improvement in net prices.

At 30 June 2021 net bank debt stood at \$113.3 million, with gearing (Net bank debt-to-total tangible assets (less cash)) at a comfortable 18% and Net bank debt-to-equity at 28%, which are both at the lower end of the Company's target ranges. Interest cover was a strong 12 times for the financial year. At 30 June, the Company had more than \$94 million of available headroom under current bank facilities and subsequent settlements at the start of the new financial year further increased available capacity to \$150 million currently.

The Board has declared a fully franked final dividend of 13.5 cents per share which, together with the 13.0 cent interim dividend paid earlier in the year, brings total financial year dividends to 26.5 cents per share (fully franked), up 39% on pcp, and currently represents a yield of approximately 4% fully franked. The total financial year dividends of 26.5 cents represents a payout ratio of 65%. The Dividend Reinvestment and Bonus Share Plans will be in operation for the final dividend.

Market Conditions

The residential property market remained resilient following the end of the Federal Government's Homebuilder program and tapering of state government stimulus. The stimulus programs drove peak sales activity across the nation and have resulted in stock shortages in many residential growth corridors.

National Australia Bank has forecast strong median price growth averaging 18.5% across all capital cities in 2021 followed by 3.6% growth in 2022. The median house price forecast suggests continued price growth within the Company's projects.

According to the Australian Bureau of Statistics, lending increased by 116% to investors and 73% to first home buyers over the 12 months to May 2021. Investor demand is being driven by falling vacancy rates and rising rental yields in capital cities excluding Melbourne and Sydney. The first home buyer market is being driven by a combination of low interest rates, improving employment conditions and the remaining government stimulus programs. The strength in investor and first home buyer demand has sustained the new housing market despite closed national borders.

Upon reopening of Australia's borders, a surge of new migrants and students is anticipated, which will translate into demand for housing nationwide.

High levels of construction activity nationally has resulted in some materials and labour shortages, as well as increasing costs. To date, Cedar Woods' building contractors have been able to secure material supplies to maintain construction programs. The Company expects building costs to continue to increase through FY22 and will be adjusting product pricing where possible to maintain margins. The strength of demand for new housing has made price increases possible at many of Cedar Woods' projects.

Portfolio Highlights

During FY21 Cedar Woods recorded price growth and strong sales rates across many of the projects within its portfolio including land lots, townhouses and apartments. The Company was able to manage its portfolio to take advantage of the positive conditions, bringing forward stock in markets with limited supply.

In Western Australia, following the stimulus sales peak, the Company replenished stock at several of its land estates to finish the year with strong presales. In Victoria, the Mason Quarter project recorded over 12 months of expected land sales within its first six months of selling. In Queensland, the Ellendale project recorded strong sales rates and price growth.

The Company's built form projects performed well with strong price growth and sell out success across several stages including the Incontro project in Western Australia. The delivery of apartments also continued with the successful launch of Monarch apartments at Glenside, South Australia, the sellout of Lincoln apartments at Williams Landing, Victoria and the completion of two other significant apartment projects in these states.

Delivering on Strategic Priorities

The Company continues to deliver on its four strategic priorities:

High Performance Culture

A focus on maintaining a high performing and high-spirited work environment continued in FY21, evidenced by strong employee engagement results. Enhanced staff training and career development programs were implemented, helping to build the Company's future workforce and adapt their skills to align with new marketing and selling strategies that are being deployed across the business. In addition, SuperCedar Awards were introduced to encourage and reward employees who are living the corporate values, with the inaugural awards presented to staff in June 2021.

During FY21 approximately 10% of existing staff members were promoted to more senior roles, continuing the Company's culture of people development and internal promotions.

Operational Excellence

Over the past 24 months, the Company has progressed the implementation of its Digital and Technology Strategy. This has so far delivered superior cyber security, workforce mobility and productivity with new systems providing a strong platform to scale up the business. Other transformation projects also underway such as the integration of human resources software and additional initiatives in digital marketing to improve customer experience and create a more powerful platform for lead generation and sales.

Sustainability, efficiency and quality continue to drive project design across the portfolio. The Company refreshed its Environment Social and Governance (ESG) strategy during the year and will continue to review its sustainability practices in FY22 with the intention to further reducing environmental and climate change impacts across its operations.

During the year, Cedar Woods announced a national partnership with The Smith Family – Australia's leading children's education charity. The partnership is providing support for young Australians from disadvantaged backgrounds through primary and secondary education.

Supporting local community groups remains an important part of the Company's core values. The Company's Neighbourhood Grants Scheme provides funds for small community groups such as sporting clubs, special interest groups and emergency services around the country, supporting activities that play important roles in creating and maintaining community spirit.

Financial Strength

During the year the Company completed the annual review of its \$205 million corporate finance facility and extended the terms to 30 January 2024 for the three-year debt (\$165 million) and to 30 January 2026 for the five-year debt (\$40 million). The facility is provided by three of the 'big-4' banks and provides long tenure and security of funding with the consistent compliance of facility covenants.

Earnings Growth

The Company sustained its focus on earnings growth through margin improvements on existing projects and new acquisitions to augment future earnings.

Margin improvements were recorded on many of the Company's projects through a combination of price growth and diligent cost management. Price increases were achieved at projects in all four states with some increases exceeding 10%. In Western Australia, the Company benefitted from long term civil construction contracts struck in 2019 to hedge against cost increases. Other states also benefitted from a sharp focus on cost management.

During FY21, Cedar Woods unconditionally acquired 800 lots through acquisitions in South Maclean in South East Queensland and Wollert in Victoria. The Company has also entered into conditional contracts at a value of \$90m to purchase another four land holdings in South East Queensland, Victoria and Western Australia with the potential to add a further 1200 lots to the portfolio if contract conditions are satisfied. The Company expects to make further announcements in relation to these conditional acquisitions during FY22. An additional unconditional acquisition of 225 lots at Frasers Rise, Victoria was secured in July 2021 with settlement to occur in October 2021.

Board Succession

In May 2021, The Board was pleased to announce the appointment of Mr Paul Say as an independent Non-Executive Director. With over 40 years of experience in the commercial and residential property sector, Mr Say brings strong corporate finance, capital allocation and investment management capability to the Cedar Woods Board. Located in NSW, Mr Say holds strong networks across the property and finance sectors.

Mr Say also joined the Audit & Risk Management Committee and the Remuneration & Nominations Committee. Following a transitional period, Mr Robert Brown has now stepped down from the Audit & Risk Management Committee and the Remuneration & Nominations Committee, leaving these committees fully comprised of independent directors.

Company Outlook

Cedar Woods starts FY22 in a strong position with \$478 million in presales expected to settle over FY22 and FY23. The Company is targeting continued growth in earnings and is well placed for the medium term with a pipeline of more than 9,600¹ undeveloped lots/dwellings across four states.

The company's outlook is subject to market conditions which remain strong in most markets however could experience challenges due to COVID-19 and ongoing lockdowns, with the Company assuming that restrictions will ease by the end of 2021 as vaccination targets are reached.

A number of new projects are expected to contribute to earnings from FY23, including Mason Quarter, Fraser Rise and Aster apartments in Victoria, Monarch apartments in South Australia, Incontro in Western Australia, and Burpengary in Queensland. Further acquisitions are anticipated to supplement the Company's portfolio in future years.

Authorised by: Cedar Woods Board of Directors

1. Includes acquisitions after year end & previously announced conditional acquisitions.

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