ASX Announcement

Cedar Woods posts strong first half profit

Cedar Woods Properties Limited (ASX: CWP) (‘Cedar Woods’ or ‘the Company’) has today reported a net profit after tax (NPAT) of $22.4 million for the first half of the 2021 financial year (FY21) and is forecasting a full year FY21 NPAT of approximately $29 million, subject to market conditions.

Cedar Woods’ Managing Director, Nathan Blackburne, said the first half performance was pleasing and the Company is well placed for a good full year result.

“Cedar Woods’ strong first half performance can be attributed to the diversification and quality of our property portfolio combined with the government stimulus the housing sector has benefitted from across the nation.

“Low levels of supply and pent up demand in some markets have helped ongoing sales activity, seeing Cedar Woods record very healthy presales of more than $380m.

“We remain in a strong position with a solid balance sheet, low gearing and significant undrawn finance facilities as we continue to assess acquisition opportunities in a number of markets to boost our portfolio and future earnings.

“Favourable conditions are expected to continue as the economy recovers and while Cedar Woods’ second half earnings performance will be lower than the first, we expect strong growth in earnings for the full year, subject to market conditions remaining positive,” Mr Blackburne said.

Financial Commentary

CWP reports a net profit after tax for the first half of the 2021 financial year (FY21) of $22.4 million ($10.2 million in the previous corresponding period (pcp)).

This result reflects the delay of some settlements from FY20 due to COVID-19, strong federal and state based stimulus directed toward the housing sector, and that the settlement of several stages occurred, as planned, in the first half of FY21, thereby skewing FY21 earnings to the first half.

17 February 2021

Cedar Woods Properties Limited

ASX Code: CWP

Key Points

- H1 FY21 NPAT of $22.4 million ($10.2 million pcp), up 120%
- Fully franked interim dividend of 13.0 cents per share declared
- Forward presales of more than $380 million ($340 million pcp)
- Strong balance sheet, low debt, and significant undrawn finance facilities available to fund operations and acquisitions
- Full year forecast NPAT of approximately $29m, and a dividend payout ratio of between 60 & 75 percent, subject to market conditions

For further information

Nathan Blackburne
Managing Director
(08) 9480 1500

Nyomi Horgan
Citadel-MAGNUS
0412 415 573

First half revenue was $169 million up 31 percent on pcp. Gross margin improved to 33 per cent (pcp 30 per cent) although is expected to soften in the second half to around 30 per cent due to changes in product mix.

At 31 December 2020 net bank debt stood at $152 million, with gearing (net bank debt-to-equity) at a comfortable 36 per cent and net bank debt-to-total tangible assets (less cash) at 23 per cent, which are both at the lower end of the Company's target ranges. Interest cover was a strong 10.6 times for the 2020 calendar year. At 31 December the Company had more than $60 million in available headroom under current bank facilities and subsequent settlements in January 2021 further increased available capacity to more than $79 million by the end of January 2021.

In February 2021 the Company completed the annual review of its $205 million corporate finance facility and extended the terms to 30 January 2024 for the 3-year debt ($165 million) and to 30 January 2026 for the 5-year debt ($40 million).

At the end of the first half, the Company had recorded approximately $380 million in presales which compares favourably with $340 million at the same time last year. Approximately 30 per cent of presales are expected to settle in the second half of FY21 with the balance contributing to earnings in FY22 and FY23.

The Board has declared a fully franked interim dividend of 13.0 cents per share, up 4 per cent on the pcp, noting that the interim dividend in the pcp was declared before the global pandemic. The Dividend Reinvestment and Bonus Share Plans will be in operation for the interim dividend.

The Board will review the dividend payout policy for FY21 with regard to the full year result, capital management requirements and the outlook, after the second half. At this stage, full year dividends representing a payout ratio of between 60 and 75 percent of full year NPAT are anticipated, subject to market conditions.

Shareholders should note that dividends will no longer be paid by cheque for future dividends, including the forthcoming interim dividend. Shareholders can update their payment details online through Computershare's Easy Update website at http://www.computershare.com.au/easyupdate/CWP

In December 2020 the Company announced a share sale facility was to be made available to holders of small parcels of Cedar Woods shares (less than 77 shares) to sell their shares free of brokerage fees. The purpose of the facility was to allow shareholders to sell their shares without difficulty, and without incurring any costs that might otherwise make a sale of their shares uneconomic. In addition to assisting shareholders with unmarketable parcels, the initiative will reduce the administrative costs incurred by Cedar Woods associated with maintaining a number of relatively small holdings on its share register, in particular costs associated with printing and mailing documents to shareholders. The facility closed on 29 January 2021 with over 100 small parcels sold.

Portfolio Highlights

The Company successfully launched four new projects and several new stages in existing projects during the first half of FY21.

In WA, the *Incontro* project in Subiaco was launched with the first two releases largely sold out, meaning 50 per cent of the project's townhouses are now sold. While in Queensland, 65 per cent of the first release of townhouses at *Greville* (Wooloowin) were sold. Site preparation works are underway on both *Incontro* and *Greville* with construction set to commence in the second half of FY21.

In Victoria, the Company acquired a strategic 21.7 hectare site in Melbourne's north, immediately adjacent to the Company's existing *Mason Quarter* project in Wollert. The combined project will accommodate a masterplanned community of around 800 lots plus two school sites. Mason Quarter was launched in November with the first release of 23 lots now fully sold.

In South Australia the *Glenside* project also received a strong market response with record prices being achieved for the latest townhouse release.

The Company recorded 582 settlements during the half nationally, including 192 Victorian settlements which occurred despite stage 4 COVID-19 restrictions being in place for much of the period.

Partnership with The Smith Family

Cedar Woods is delighted to announce a national partnership with The Smith Family – Australia's leading children's education charity. The partnership will provide support for young Australians from disadvantaged backgrounds through primary and secondary education. The shared vision of Cedar Woods and The Smith Family in developing and creating a better tomorrow, whilst providing opportunities for young people to grow and thrive, will form the basis of what the Company hopes will be a strong, long-lasting partnership.

Cedar Woods is particularly excited about the opportunities to engage its employees in The Smith Family's work, activating the partnership across the country and its portfolio of projects, as a key part of the Company's commitment to community and its broader ESG strategy.

Market Conditions

Market conditions were buoyant in the first half of FY21, due to a range of factors including government stimulus, low levels of new supply and demand from Australians returning from overseas.

Along with a broader economy that continues to improve, conditions for the new housing sector are expected to remain positive overall but with state by state variations.

Most economists are forecasting increased building activity and house prices nationally in 2021 despite state and federal government housing stimulus easing from 1 January.

Rents for dwellings increased by 1.9 per cent nationally over 2020, with particular strength in Western Australia, South Australia and Queensland. This, and falling vacancy rates, are expected to catalyse the return of investors to the housing sector which would help underpin future demand for new housing.

It is anticipated the housing sector will experience some impact from the current low levels of population growth due to the closure of international borders, however, population growth is expected to return to normal levels once borders are reopened.

The Company's expectations on market conditions are based on a range of assumptions that include effective rollout of vaccines in 2021, state and national borders progressively opening and the spread of the virus generally remaining under control in Australia.

Board Succession

The Board is well progressed with a process to recruit a new independent director, having commenced a national search prior to the onset of COVID-19. A new director is expected to be appointed once the Board is able to meet candidates face to face and complete the recruitment process, which is anticipated in early 2021.

Company Outlook

Backed by presales of $380 million and a strong first half result, the Company is forecasting full year FY21 NPAT of approximately $29 million, subject to market conditions. Cedar Woods is well placed to grow earnings strongly over the medium term with supportive market conditions and first contributions from numerous projects including *Aster* (Vic), *Incontro* (WA), *Greville* (Qld) and *Fletcher's Slip* (SA).

The Company considers current conditions to be favourable for acquiring sites and continues to assess opportunities across all states to further support earnings growth in future years.

Authorised by: Cedar Woods Board of Directors

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