

FIRST QUARTER OPERATIONAL UPDATE

11 OCTOBER 2022

Cedar Woods Properties Limited (ASX: CWP) ('Cedar Woods' or 'the Company') provides the following operational update for the first quarter of Financial Year 2023 (Q1 FY23).

HIGHLIGHTS

- Presales of more than \$514 million (\$460 million pcp), up 12%
- Growth in earnings expected in FY23 subject to market and construction sector conditions. Earnings expected to be significantly skewed to H2
- Continuing weak sales in response to interest rate hikes and low consumer sentiment
- Solid balance sheet, moderate debt, and over \$60 million in undrawn finance facilities and cash at bank at quarter end, available to fund operations and committed acquisitions

PORTFOLIO PERFORMANCE AND CONDITIONS

The Company holds a strong bank of presales, with the value of contracts at \$514 million, up 12% on the \$460 million reported at the same time last year. Approximately 65% of presales are expected to settle in FY23 with the balance contributing to earnings in FY24 and FY25.

Construction continued at projects across the Company's national portfolio with many stages moving closer to completion and therefore revenue realisation.

While the construction sector continues to experience materials supply constraints and cost pressures, the rate of cost increases moderated significantly from that experienced in FY22 as the high volume of building work is progressively completed and greater capacity is created within the sector. We continue to see many builders actively seeking new work to commence in 2023, as current contracts end.

As advised in the FY22 results announcement on 25 August 2022, sales rates slowed across the Company's portfolio in the last quarter of FY22 as a result of interest rate increases and have remained weak during this first quarter as the Reserve Bank continued to raise the cash rate, with year-to-date gross sales down 44% on the strong prior corresponding period (Q1 FY22). Sales volumes also continue to be impacted by the sell-out of available stock at some projects. Planning approvals are being finalised for numerous stages which will soon increase the stock available for sale.

The new housing sector is currently being supported by economic growth, record low unemployment, wage growth and population growth whilst rising interest rates, inflationary pressures and poor consumer sentiment are counteracting these positive factors, resulting in slower sales.

The Company expects that limited new supply, low vacancy rates and increasing net overseas migration will underpin demand and mitigate the impact of rising interest rates on new residential property prices, with the more affordable capitals of Adelaide, Perth and Brisbane seeing an increase in sales values and volumes in FY24.

The high quality and infill nature of many of the Company's projects are expected to outperform the general market, noting that infill projects traditionally have limited competition, experience more consistent demand and superior price growth when compared to urban fringe developments.

Boston Commons strata office project in Melbourne has benefitted from post-pandemic interest in suburban offices. The project, comprising 77 office suites and 5 ground floor retail tenancies, is 86% sold with construction set to commence in the coming months. The depth of interest in this product has allowed the Company to increase sale prices by an average of 25% compared with the previous Williams Landing strata office building and these price increases have balanced construction cost increases.

During the first quarter, construction commenced on the Company's latest large-scale master-planned community, Eglinton Village. Located 45 kilometres north-west of Perth's CBD, Eglinton Village will be on the doorstep of the Eglinton train station, which is currently being delivered by the WA Government and is forecast to open in 2023. The first release of lots is expected in 2023.

Established masterplanned community The Rivergums in WA won the Judges' Award at the 2022 UDIA WA Awards for Excellence. The discretionary Judges' Award recognises outstanding achievement or innovation in a development project. The Rivergums is a 1,340-lot development in Baldivis, WA and is home to 3,400 residents.

FINANCIAL POSITION

The Company's balance sheet remains solid with moderate gearing and sufficient capacity to fund business requirements.

The corporate finance facility provides security of funding with tenure to 30 January 2025 (for approximately 80% of the \$300 million limit) and 30 January 2026 (for the balance). At the end of the first quarter, the Company had over \$60 million in undrawn finance facility capacity and cash at bank to fund operations and committed acquisitions.

Due to development delays that will see settlements in certain stages deferred into H2 FY23, gearing (net bank debt to total tangible assets less cash) is expected to remain in the mid-to-high twenties (%) over H1 peaking around 30% at half year, before reducing after settlements are realised in H2.

COMPANY OUTLOOK

Backed by presales of \$514 million, the Company is targeting growth in earnings in FY23 and is well placed for the medium term with a pipeline of more than 10,300 undeveloped dwellings/ lots/ offices across four states. FY23 earnings are expected to be significantly weighted to the second half due to the timing of stage completions.

Cedar Woods' Managing Director Nathan Blackburne said, "Favourable selling conditions are expected to return in the medium-term with strong employment, very low rental vacancy rates and inbound migration recovering, so the medium-term outlook for our business is positive."

The Company's outlook is subject to market and construction sector conditions. The Company's expectation for FY23 full year earnings takes into account current conditions, although there remains residual risk that some forecast Q4 FY23 stage completions, and hence revenue, may move into early FY24.

Authorised by: Cedar Woods Board of Directors

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