



**CEDAR WOODS PROPERTIES LIMITED**  
**Annual General Meeting 1<sup>st</sup> November 2023**  
**CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR'S ADDRESS**

William Hames, Chairman

Good morning and thank you for joining us for Cedar Woods' 2023 Annual General Meeting. My name is William Hames & I am the Chairman of Cedar Woods.

It is now after 10.00 am and, as a quorum is present, I formally declare the meeting open. I would like to begin by acknowledging that this meeting is being held on the traditional lands of the Noongar People from the Whadjuk region. I would also like to pay my respects to Elders past & present.

I welcome all our shareholders who are joining us in person today, or through the web platform.

Agenda

Turning to the agenda, I will provide a recap of our strategy, discuss our financial performance in FY23 and comment on the share price.

We will then hear from our Managing Director, Nathan Blackburne, who will provide a business update, showcase some of our projects, comment on market conditions and finally comment on our outlook.

Then, I will return to open the formal proceedings, as set out in the Notice of Meeting. Voting on all resolutions will be conducted by way of a poll.

Shareholders will be able to submit their questions in writing on the Open Briefing platform at any time until the end of the meeting. If you have questions, I encourage you to submit them as early as possible, because we have a moderator in place who will receive the questions and provide them to me. We have a long agenda and limited time and may not be able to answer all questions. If you do have a question, it will help us if you can note the resolution to which it relates, unless it is a general question.

This session is being recorded and a webcast of today's presentation will be available via the ASX and our website after the meeting.

The Notice convening this meeting & related documents have been made available to shareholders on our website. I propose the Notice be taken as read.  
The minutes of the previous General Meeting of members have been signed by the Chair and have been placed in the Shareholders' Minute Book.

## Chairman's Address

I would like to welcome my fellow Non-Executive Directors and members of our executive team who are with us today.

*Introduce directors – Nathan Blackburne, Robert Brown, Valerie Davies, Jane Muirsmith, Paul Say*

Paul Say is based in Sydney & is joining the meeting by telephone.

*Paul Freedman (Co Sec)*

## Our strategy

Our strategy is to grow & develop our national project portfolio, diversified by geography, product type & price point, so that it continues to hold broad customer appeal & performs well in a range of market conditions.

This strategy is a key differentiator for our business. We are not bound to one single market or specific product type.

We have a variety of products & projects that attract different buyer profiles.

While our overall strategy has not changed, we are reshaping our portfolio in the way we grow the land bank. While we continue to deliver our development pipeline, we remain disciplined on the level of risk we take on and the hurdle rates of return that we demand.

With capital being precious and the cost of debt elevated from where it was only a couple of years ago, we have been pursuing development agreements and joint ventures, which allows us to access third party owned land or capital, to reduce our capital outlay, and preserve our balance sheet. Nathan will highlight two of the new partnerships later.

## FY23 Financial Summary

Let's briefly review the financial highlights for 2023.

In FY23, we delivered a net profit after tax of \$31.6m and revenue of \$391m from 919 settlements. This resulted in a return on equity of around 7.3% and earnings per share of 38.5 cents.

Revenue was up 17% on the prior year, but our profit was lower as a result of softening in gross margin, due to the increase in construction costs, which have affected the whole industry.

We expect our margin to improve over time by both a moderation in cost growth and improvement in revenues, although in the short term expect a similar margin in FY24.

The Board declared a final dividend of 7 cents, fully franked, taking full year dividends to 20 cents. This reflects a payout ratio of approximately 53% of net profit after tax. We are mindful of the importance of the dividend to our shareholders and have balanced this with our future capital needs, to ensure our balance sheet remains well funded and to support growth opportunities across the business.

Over the year, we contracted sales of 694 lots / homes / offices; and at 30 June we held presale contracts with a value of \$448m. This represents a strong outcome, especially when considered in the context of total revenue for the year and in fact has risen to \$500m at the end of September, as announced in the first quarter update.

We expect the majority of these presales will deliver revenue in FY24 and the balance in FY25.

Overall, FY23 was a challenging but satisfactory year, given the market conditions. Later on, Nathan will talk to you about our expectations for this year.

### Share Price Performance

On our share price, let's have a look at the last 3 years.

History shows there is a negative correlation between interest rate movements & the price of property stocks. In the rising interest rate environment, ASX listed property companies generally experienced downward stock price pressure last year.

The S&P ASX200 REITS index declined by more than 15% in the previous financial year (FY22) & residential developers like Cedar Woods were generally harder hit, noting the impacts that increased borrowing costs have on new housing sales. This of course coincided with material increases in general living costs.

Our sector fundamentals have strengthened over the last year & there is a deepening housing supply shortage, strong employment & a high rate of inbound migration. While interest rates are starting to stabilise, the sector tailwinds are strengthening, backed by government policy towards housing construction, & (as the graph shows) sentiment is starting to return in favour of listed property companies like Cedar Woods. We are working to take advantage of the next phase of the property cycle.

### Agenda

On behalf of the Board, I would like to thank Cedar Woods' management team & all employees for their endeavours in what has been a generally been a challenging 2023. The Board acknowledges their hard work and thanks them for their efforts.

Looking forward, the outlook for the industry looks brighter. There are challenges, but I feel we have the right strategy, the right team, the project pipeline and the partners to deliver strong returns for our valued shareholders.

I would personally like to thank my Board colleagues for their continued engagement & enthusiasm over the past year.

Finally, I would like to thank our shareholders for your ongoing and loyal support. I will now hand over to our Managing Director, Nathan Blackburne.

## Nathan Blackburne, Managing Director,

### Managing Director's Review

Thanks William and good morning, everyone.

I'm going to provide an overview of the year's activities, challenges & achievements, review some of our projects & then provide some commentary on the outlook.

I also wanted to acknowledge the Traditional Custodians of the land from which we are presenting to you today, the Noongar People from the Whadjuk region.

### FY23 Overview

The operating environment for property development during 2023 has been challenging, but the Company is adjusting to take full advantage as market conditions improve.

The rapid rise in interest rates impacted buyer sentiment during the first 3 quarters of FY23, resulting in sales figures substantially lower than the prior 2 years. However, sales rebounded strongly in the final quarter, leaping 58% on the prior quarter & up 10% on the corresponding Q4 FY22, which will help provide support for future financial years.

One reason for lower sales during most of FY23 was the longer construction timeframes, which deterred buyers & also caused corresponding delays to settlements for the Company. This, & the sustained increase in development costs across the industry, resulted in an FY23 NPAT of \$31.6m.

The construction industry is still experiencing some challenges with costs still elevated & builder availability limited, though this is progressively improving.

The competitive environment for talent continues. Having a strong workplace culture, & compelling value proposition have helped us compete & our staff satisfaction surveys are producing great results.

We continued our investment in systems & tech, particularly in cyber security, where we have worked further to minimise the risk of an incident. We also invested further in our sales & marketing systems providing for both better data capture & better customer experience. We have a portfolio of over 35 projects & a pipeline of approximately 10,000 lots which, with the limited national supply & surging migration, will support future earnings.

### New Partnerships: QIC & Tokyo Gas Australia

As Bill mentioned, we are supplementing our portfolio with projects that are undertaken in partnership.

During FY23 we established partnerships with QIC & Tokyo Gas, presenting exciting opportunities for Cedar Woods to participate in projects of scale without committing to the entire capital requirements of the developments.

These together with our existing projects provides a portfolio of 35 projects & a pipeline of approx. 10,000 lots to support future earnings.

These partnerships allow us to leverage off our existing skill base, generate recurring fee income, broaden our portfolio & in the case of QIC, access well located sites in major town centres for developing apartments & townhouses when those housing forms are in short supply.

QIC & Tokyo Gas are both substantial & experienced partners. QIC is the owner of a substantial portfolio of major shopping centres & our first joint venture project will be at one of these, at Robina in Queensland.

Tokyo Gas will initially partner with us in developing apartments & our Bloom retirement concept at Glenside.

The intention with both partnerships is to expand them with more projects.

## ESG

This year we continued delivering the ESG strategy, with significant investment in climate change initiatives & environmental enhancement across the communities, & it was pleasing to see recognition of our progress as we maintained our 'A' rating with MSCI.

We have been working to further reduce the environmental impact of our projects through development of minimum sustainability standards & knowledge sharing of initiatives across our business.

A major initiative was the launch of the Community Energy Sharing Network (or microgrid) at the Eglinton estate, expected to result in 50 – 65% of total energy demand being supplied by renewables, through roof-top solar & community battery storage and is just one example of the types of initiatives that we are developing.

Our flagship Community Grants Program is another initiative we are proud of & which sees a portion of profits from projects given back to small community groups in the various regions that we operate.

It was also pleasing to see that our strong safety record was maintained.

Comprehensive reporting on our ESG progress is contained in our ESG report & Climate Change report available on the Sustainability page of our website.

## New Housing Sector Conditions

I now wanted to touch on the market conditions we are experiencing & talk more about our sales.

This graph shows our gross sales by quarter going back to FY20. The first quarter of FY24, on the right hand side, shows that the first quarter's sales results remaining strong and generally in line with the last quarter of FY23.

Sales are being driven by investors, downsizers & upgraders, but with first home buyer sales remaining subdued. Sales are most buoyant in WA where the economy is strong & property is affordable.

Sales prices have been increased across many projects over September & October, especially at WA projects.

The construction sector continues to experience challenges with high work volumes & labour shortages, though improvement in these conditions is progressively occurring. Overall we expect sales to continue to be impacted over FY24.

### New Housing Supply Shortages

There are significant shortfalls in new dwelling supply across jurisdictions & dwelling types. These charts show the number of dwellings that were launched each year since 2010.

You can see across our 4 states the historically low level of new supply coming on line across the market.

Due to the construction sector headwinds, many approved projects are not being delivered across the industry.

We have a broad portfolio of shovel ready projects & I will soon outline some of those coming on stream.

This shortfall in supply has started to create upward pressure on prices & enabled some price increases in our portfolio

Further on the supply shortages, dwelling commencements are at their lowest levels in over a decade.

These charts show how low new supply for both houses & units is currently. Importantly it will take some time to address, so those with supply ready to go will be well placed.

Governments around the country are implementing initiatives to address the supply shortfall. These include releasing government owned land, infrastructure contributions & the fast tracking of planning approvals. These will help us get product to market quicker.

You might have seen our recent announcement regarding an arrangement with Government on surplus land around the Swanbourne Train station in Perth. This has the potential to be a significant project, which Cedar Woods initiated & proposed to the State Government. We have managed to secure what is called a 'first mover advantage' in a market process for the land.

### Population Growth

Demand for new housing is significantly influenced by population growth. The current migration surge will provide a tailwind for new housing, & it has been occurring at record levels.

Net overseas migration was at around 240,000 persons pa pre covid, but well over 300,000 last year & we expect migration levels to continue to be elevated.

In the year to March 2023, WA grew by 11,000 people due to interstate population movements & we expect this trend to continue due to stronger wages & cheaper housing. WA is the fastest growing state, with its population up 2.8% to 2.8m.

Population growth is partly being driven by the return of students undertaking tertiary studies, which has been occurring at record rates.

### New Projects to Delivery First Earnings

In our portfolio we have a number of new projects that will start to deliver first earnings over the short & medium-term, with seven in FY24.

This is a result of the successful acquisitions activity over the last few years which has significantly added to our portfolio.

There is a mix of apartments, townhouses & land estates, & the new projects are spread geographically across the states.

These new projects, along with the existing ones already contributing in the portfolio, support our growth outlook.

### Projects Showcase

Well-designed & sustainable projects are key to our approach and to give you some insight to this, I wanted to show 3 projects we are working on.

#### Glenside

Glenside is a major, multi-year infill project for the company in SA that is contributing strongly to earnings.

It has 1,000 townhouses & apartments planned on a 17ha site, just 3km from Adelaide CBD. Several apartments & townhouse stages are in train with new releases of both planned in coming months.

The Bloom apartments project is a new concept Cedar Woods has developed - an over-55s apartment building with a traditional, title ownership model. We intend to roll this Bloom concept out at other locations around the country.

Glenside recently took out the 2023 UDIA award for excellence for a medium density project in SA.

#### Eglinton Village, WA

Eglinton is an 86-hectare site in Perth's north-west growth corridor that we acquired in FY22. This new community will be conveniently located 500 metres from the new Eglinton train station, which is due to open in 2023.

The estate will have 1200 lots over several neighbourhoods and is expected to contribute to earnings over 11 years from FY24. It will include a primary school, a commercial hub & a neighbourhood centre.

The first stage approvals have been secured & presales have been strong, with most purchasers opting into the microgrid which I referred to earlier.

### Mason Quarter

Mason Quarter is a good example of one of the company's residential estates. It comprises 800 dwellings, two schools, community facilities & open space, 26km north of Melbourne.

The estate is located close to the future Wollert town centre & train station & has been positioned as a premium estate attracting first home buyers & second home buyers.

A number of stages are under construction with some settlements having already occurred in FY23 & further stages due for completion in FY24.

### Outlook

Rising interest rates, & broad-based inflation are currently impacting buyer sentiment & demand.

However, there are sound underlying fundamentals of low unemployment, record immigration, a significant under supply of dwellings & strong government support. Cedar Woods is well placed to roll out shovel ready projects & stages as conditions allow to capitalise on the expected demand.

We have a significant presence in the more affordable markets which means the impact of interest rates on buyer demand is less pronounced.

We end the first quarter with over \$500m of pre-sales, partially de-risking future earnings. We propose to provide earnings guidance when there is greater clarity on sales volumes, our delivery program and the sale of the Williams Landing Shopping Centre.

The catalysts for a sustained improvement in sales volumes are expected to be a combination of the peaking of interest rates and improvement in builder capacity, both of which will help restore buyer confidence.

And finally, our portfolio of approximately 10,000 lots/dwellings in quality locations supports our medium-term earnings outlook.



Authorised by: Nathan Blackburne, Managing Director

For further information:

Nathan Blackburne  
Managing Director  
(08) 9480 1515

Michael Weir  
Citadel-MAGNUS  
0402 347 032