

ASX Announcement and Media Release

20 August 2014



Cedar Woods Properties Limited

ASX Code: CWP

Cedar Woods FY2014 summary:

- Record full year profit of \$40.3m, up 10.9% on pc
- Final fully franked dividend of 15.5 cents declared; record total fully franked dividend of 27.5 cents for FY2014
- Successful growth into Queensland with Upper Kedron acquisition
- Successful \$30m capital raising
- Well positioned with \$139m in presales, predominantly due to settle in FY2015
- Strong balance sheet and low debt as at 30 June 2014

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Cedar Woods' announces record Full Year Net Profit of \$40.3m – up 10.9%

Cedar Woods Properties Limited (ASX: CWP) ('Cedar Woods') is pleased to report a record net profit after tax (NPAT) of \$40.3 million for the 2014 financial year (FY2014), an increase of 10.9 per cent on the previous financial year .

The Board has declared a fully franked final dividend of 15.5 cents per share, bringing total dividends for FY2014 to a record of 27.5 cents per share. This is consistent with the Board's policy of distributing approximately 50 per cent of full year net profit.

The record profit figure was underpinned by strong revenue growth from sales across the company's property portfolio in Western Australia and Victoria.

Revenue for FY2014 increased by 24.1 per cent from the previous corresponding period to \$214.5 million, boosted by a larger contribution from the sale of residential dwelling projects in Melbourne.

The company's balance sheet remains strong with net debt of \$32.6 million and debt-to-equity of 12.5 per cent.

Cedar Woods' Managing Director Paul Sadleir said: "2014 was a landmark year for Cedar Woods, being the twentieth year since the company listed on the ASX. We achieved a number of major milestones at existing projects, completed a significant capital raising, expanded the portfolio into a new state following our acquisition of the Upper Kedron project in Brisbane and delivered a record profit result.



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“Cedar Woods enters the new financial year with confidence. We have a strong balance sheet with the capacity to fund existing developments as well as explore new acquisition opportunities.

“As a result, we have a positive outlook and will continue to adopt a disciplined and conservative approach to growing the business in order to deliver consistent returns to shareholders.”

Cedar Woods has recorded \$139 million in presales, the majority of which are expected to settle in FY2015, providing a sound platform for profit growth. Presales are lower than the \$175 million in presales reported at the beginning of FY2014. At that time a large number of high value, low margin presales at the company's premium housing project at Realm Camberwell, which mainly settled during FY2014, contributed to the larger presale figure. This factor aside, presales at Cedar Woods' other active projects are higher overall than at the same time last year.

Balance Sheet Strength

Cedar Woods added to its portfolio during FY2014 with property acquisitions of more than \$100 million, while maintaining a strong balance sheet. At 30 June 2014, net debt stood at a conservative \$32.6 million, leaving capacity for further portfolio growth. Net debt/equity at 30 June was 12% with interest cover a strong 10.4 times during the year.

In May 2014 the company completed a \$25 million institutional placement which was significantly oversubscribed, and raised a further \$5 million through a share purchase plan. The funds were used to provide capital for the Upper Kedron acquisition in Queensland and to maintain the company's strong balance sheet.

During FY2014, Cedar Woods secured a \$25 million increase to its three-year corporate finance facility limit, bringing the facility to a total of \$135 million. The facility is provided by Australia and New Zealand Banking Group Limited (ANZ) and Bank of Western Australia (Bankwest), a division of Commonwealth Bank of Australia, on a joint basis. The facility is able to be extended for an additional year on each 30 November, refreshing the three year term, subject to consent by the lenders. The facility was refreshed in November 2013, with a three year term to 30 November 2016.

Cedar Woods continues to operate with a modestly-gearred balance sheet. This robust financial position supports Cedar Woods' ability to continue to pursue growth opportunities through the development of its existing portfolio and through acquisitions.

Western Australian Project Highlights

In WA, strong ongoing population growth, increasing home upgrader activity, low unemployment and positive consumer confidence has underpinned a strong residential property market, which has seen increased demand and price growth across Cedar Woods' portfolio in FY2014.





Sales activity at the company's Carine Rise project, a co-development between Cedar Woods, the St Ives Group and LandCorp in Perth's middle-northern suburb of Carine, began during FY2014 and continued throughout the year, with the majority of settlements completed in FY2014. The project is now sold out and settlements of the remaining lots are expected during FY2015.

At the Rivergums in Baldivis, construction of stages 9 and 10 was completed during the year, with settlements continuing through the year and into FY2015. Stage 10B will be released during FY2015, with construction set to commence in the first quarter and settlements to start in Q4 FY2015.

Cedar Woods added 'Byford on the Scarp' to its WA portfolio in August 2013 and settlements at this already-established project continued during the year. Construction and pre-sales activity at Cedar Woods' other Byford landholding advanced during FY2014, with first settlements from stage 1 at 'The Brook at Byford' expected in the first half of FY2015, with strong presales recorded to date.

At Mariners Cove, Cedar Woods' waterfront development in Mandurah, increased demand for the lifestyle product on offer delivered strong sales throughout the year. As a result, the company has commenced construction of phase 4 of the last canal stage, which is expected to complete in the third quarter of FY2015. Settlements at phase 4 are set to begin in Q4 FY2015.

At the company's Port Mandurah Canal Estate, also in Mandurah, the final lots in the Sutton Heritage precinct were sold in the year, with the last settlements completed in July, bringing to an end a project of over 700 canal lots developed since acquisition of the site in 1990.

At Piara Central, the company settled the remaining lots in stages 1 and 2 during the year, and commenced sales and development of the final stage 3, with settlements expected in H1 FY2015. The first stage of the company's adjoining Piara Waters project is scheduled for H2 FY2015.

At Elements in South Hedland, construction was completed during FY2014 and sales activity progressed well, with only a small number of lots remaining for sale at the end of the financial year. Settlements commenced in Q4 FY2014 and will continue to make a strong contribution to revenue in FY2015.

In Geraldton, the company has invested in the Batavia Coast Marina Apartments. Construction was completed during FY2014 and settlements commenced. At the end of FY2014, a total of 21 apartments had been sold and settled, with 10 under contract and a further 23 remaining for sale. The market in Geraldton is steady and sales activity continues.

The company reached significant planning milestones at a number of WA projects during FY2014.

At Brabham, improved planning and design outcomes increased the total lots at the project from 350 to 480, and the Local Structure Plan has been approved by the City of Swan. Construction is set to commence in Q3 FY2015 with first settlements in FY2016.





Cedar Woods' Bushmead project in Hazlemere, 16 kilometres from Perth's CBD, progressed with the Local Town Planning Scheme gaining council approval. Construction is set to commence in FY2016, with the site expected to deliver between 600 and 750 homes, depending on lot size and planning outcomes.

Victorian Project Highlights

The company's Victorian projects performed well during FY2014 against a backdrop of positive market conditions across the state. Low interest rates, strong population growth and a lack of supply in key precincts underpinned buyer demand, and Cedar Woods achieved price growth across a number of projects.

A number of significant milestones were reached at Williams Landing during FY2014.

During the first half, the company completed construction of the new Masters Home Improvement store in the Williams Landing town centre, with the store opening for business before the busy Christmas trading period. The company also commenced development of the first stage of the Williams Landing Shopping Centre, which will comprise a Woolworths supermarket and 24 specialty shops and kiosks. Leasing activity has progressed in line with internal targets, and will continue into FY2015. Construction of the shopping centre is expected to be completed in mid-FY2015.

Activity at the town centre helped to increase interest for residential lots at Williams Landing during FY2014, which experienced sustained demand during the year. Pre-sales for FY2015 are strong, with Williams Landing's residential neighbourhoods set to continue to benefit from the project's position as an increasingly prominent transport hub and ongoing activity in the town centre.

Cedar Woods secured a \$23 million project-specific financing facility from Australia and New Zealand Banking Group Limited to fund construction of the shopping centre during FY2014. This facility is separate from the company's corporate finance facility.

At Realm in Camberwell, sales activity concluded in FY2014 and the first eight stages of completed homes were settled, with the remaining stage set to settle in FY2015. The project is recognised as a stand-out example of an integrated housing development in a middle-ring suburban setting.

Several stages of townhouses at Banbury Village in Footscray were successfully developed during FY2014. Stage 18, a 38-unit apartment building, was completely pre-sold and construction commenced, with completion expected in H2 FY2015. The project received two industry awards at the 2013 Victorian Urban Development Institute of Australia (UDIA) Awards for Excellence. It was named the Best Medium Density Residential Development and received a commendation in the Urban Renewal category.

Cedar Woods extended its Victorian portfolio during the year and achieved a number of planning approvals at various projects.





Clayton South, a 6.5 hectare infill site with the potential for approximately 250 dwellings, was purchased in December 2013 for \$25.3 million (plus GST). Construction is expected to commence in 2015. The project is set to benefit from the state government's \$2.5 billion investment in the Cranbourne-Pakenham rail corridor. Part of this project will remove two nearby level crossings and rebuild the Clayton train station. The combined results will improve traffic and pedestrian safety, and increase train line capacity and reliability.

At St Albans, Cedar Woods successfully rezoned its 6.8 hectare landholding from industrial to residential and site remediation works commenced. The project is expected to yield approximately 250 dwellings. It will also benefit from Victorian state government investment, through a \$200 million project to remove a level crossing, lower the train line and build a 'premium' train station, bus interchange, car park and pedestrian walkway at St Albans. Work on this infrastructure is expected to commence later in 2014.

Queensland Project

In May 2014 Cedar Woods announced it had reached an agreement to purchase the 227 hectare site at Upper Kedron in Brisbane for a total of \$68 million plus GST to be paid in stages over four and a half years, marking the company's first investment in Queensland.

Since the acquisition, Cedar Woods has finalised and lodged its planning application in June 2014 with the Brisbane City Council and has begun a consultation process with local stakeholders and the community. Planning approvals are anticipated to take six to nine months with construction of the first stage expected to take approximately nine months.

The Queensland State Treasury is forecasting economic growth in FY2015 and FY2016 faster than every other state in Australia, with dwelling investment the main driver in FY2015. Queensland is at an earlier phase in the housing cycle than the other states and an upswing in activity is expected over the next three years.

Project Acquisition Program

Cedar Woods has an active acquisitions program, as it continually seeks to replenish its inventory and add to its portfolio to provide future growth. Typically, the company makes between two and four acquisitions each financial year, selecting properties through a disciplined and rigorous assessment process.

The company remains active in assessing project acquisition opportunities to ensure it maintains its robust project pipeline.

Market Outlook

The key drivers for the residential market – population growth and employment conditions – are expected to remain positive for FY15. Price growth and transaction volumes were strong in FY14 and price growth is expected to ease in response to the decline in affordability, particularly in Sydney.





Economic growth is forecast to continue and interest rates are likely to remain at historical lows.

The Housing Industry Association is forecasting a strong upswing in housing starts in Queensland, modest growth in Victoria and a slight decline in Western Australia after two very strong years.

These conditions are conducive to further sales growth across the company's portfolio.

Company Outlook

Cedar Woods has entered FY2015 with a positive outlook underpinned by strong pre-sales and the release of new residential projects that will contribute to earnings in FY2015 and future years.

The company expects FY2015 profit to be weighted to the second half of the financial year, due to the scheduled timing of project stages and settlements. This is likely to result in a lower first half profit result in FY2015 compared to FY2014. Cedar Woods often reports uneven half-on-half results due to these timing issues and management remains focused on delivering year-on-year profit growth.

With the completion of the Masters Home Improvement store in FY2014 and the anticipated completion of the Williams Landing shopping centre in FY2015, the company will realise increased revenue from the leasing of these properties in FY2015 and anticipates further activity in the Williams Landing town centre by way of development and sales in the years ahead.

Assuming the current level of sales activity continues, the company anticipates delivering a net profit after tax at least in line with last year's record profit. The company will continue its practice of providing quarterly updates and guidance as the year progresses.

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