Cedar Woods Properties Limited
2017 Annual General Meeting
Chairman's Address

William Hames

Good morning and thank you for joining us for Cedar Woods' 2017 Annual General Meeting. My name is William Hames and I am the Chairman of Cedar Woods.

FY2017 Financial Performance Summary

Turning to the financial highlights of the 2017 Financial Year…

- Revenue was up 26.9%, reflecting an improvement in sales, particularly in our apartment and townhouse projects.
- We achieved another record net profit after tax, of $45.4 million, representing a 4.2% increase over the previous year.
- Earnings Per Share was also up 4.2% at 57.6 cents, and
- The Board declared a final fully franked dividend of 18.0 cents per share, taking the full year dividend to 30.0 cents per share, fully franked, up 5.3% and another record for the company.

I am also delighted to report that we have begun the 2018 financial year strongly, increasing presales from $260 million when we released our full year results to $310 million at the end of the first quarter, providing a strong platform for the financial years ahead.

Track Record of Growth and Low Gearing

Regarding our track record of performance:

- The record profit and dividend in FY2017 continues our track record of growth, being the seventh consecutive year of record profit.
- The record dividend declared for 2017 was consistent with the Board's policy of distributing approximately 50% of full year net profit.
- We seek to balance returning funds to shareholders with retaining funds to grow the business, and the current dividend policy has served us well over time.
- Over the past five years we have paid a total of $1.40 per share in fully franked dividends to shareholders.
- Over that time we have also maintained our gearing at conservative levels and the balance sheet remains strong as we move into the 2018 financial year.
- We have good support from our banks with over $100m in facility headroom available at 30 June 2017.
- The gearing at 30 June was a low 23.9% and we had very strong interest cover, confirming our debt servicing capability .
- We expect gearing to move more into our target range over the next year as we develop our project pipeline.

Corporate Governance

I would now like to mention some of the recent improvements we have made to our Corporate Governance.

As you know, earlier this year Stephen Pearce left the company to take up a position in the United Kingdom. The Board sought to replace Stephen with another independent director.

We were delighted to announce in October that we had appointed Mrs Jane Muirsmith as an additional independent director. Jane has expertise in finance and digital strategy and broadens the board's skills in those areas. Jane's appointment has restored the number of independent directors on the Board and the company's Board committees.

With Jane Muirsmith also joining the Audit & Risk Management Committee, that Committee is once again fully independent.

Of course, one of the most significant changes to our Board this year was the retirement of Paul Sadleir and the appointment of Nathan Blackburne to the role of Managing Director. The Board had been working on a succession plan for some time, and the transition was managed in its execution and timing to minimise the impact on the company's operations, and your Board believes this process was conducted effectively.

On behalf of the Board I would like to formally acknowledge Paul's contribution during his tenure. I enjoyed working with Paul over the years and look forward to a similar association with Nathan.

Nathan has been with the company for 15 years prior to his appointment as managing Director, having previously held roles as State Manager for Victoria and also as Chief Operating Officer, and hence is well versed in the operations of the business. I know he is keen to address you all and I will be handing over to him shortly.

Following last year's AGM we reviewed the comments and recommendations of the proxy advisors that publish reports on our company and made appropriate changes to our governance system, or to disclosures in our annual report.

For example we reviewed and changed the weightings that were applied to the performance criteria that govern the award of short term incentives to the managing director and executives, with greater emphasis now on financial criteria.

We believe that in general our governance framework has been positively received by the investment community. I am pleased to say that all of the major proxy advisory firms are supporting all of our AGM resolutions today.

Each year I like to reflect on the company's share price performance over the previous year and I want to make a few more comments this year. I am pleased to report that over the last year the share price recovered the ground that it lost in the previous financial year.

Investor aversion to WA exposed companies has now largely abated as the WA economy transitions to recovery and we are seeing more investor groups now seeking WA exposure in advance of an anticipated upturn. At the same time we believe that the investment community is starting to acknowledge that we now have operations in 4 states and are a national business.

As I have said before, the company share price is not something we can directly control, but you can be sure that your Board and management are working hard on the matters that we can control.

We have a significant pipeline of new developments coming on stream in the next 12 months, and so we remain very positive about the company's prospects and its long term future.

Outlook

Now, let's look at the outlook for the current year.

CW has started FY2018 positively, underpinned by record pre-sales of $310m at the end of the first quarter, up from $230m at the same time last year.

Our development program is on track as we deliver landmark projects in 3 states.

Earnings will be significantly skewed to the second half, which will result in a weak result in the first half of the financial year, similar to last year. The second half will be strong as it is underpinned by significant presales.

Given the difficulty of forecasting the exact timing of settlements of pre-sales at a number of projects, full year earnings guidance will be provided later in the financial year.

Looking further ahead, the raft of new projects coming online positions us well for growth in future years.

Board, Management, Staff and Shareholders

On behalf of the Board, I would like to congratulate Cedar Woods' management team and staff for delivering a seventh consecutive record year of profit in 2017. The Board acknowledges their hard work and thanks them for their efforts.

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

Finally, I would like to acknowledge the support of and contribution of the company's shareholders.

Thank you for your ongoing support.

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