ASX Announcement and Media Release

First Quarter FY20 Operational Update

4 November 2019

Cedar Woods Properties Limited

ASX Code: CWP

Cedar Woods Properties Limited (ASX: CWP) ('Cedar Woods' or 'the Company') reports a solid first quarter, driven by sales across the portfolio and significant progress at a number of key projects.

Pre-sales are at $409 million (including lots settled in the three months to 30 September 2019), up 9% on the $376 million reported at the same time last year, and up 24% on the $330 million recorded at the time of reporting the FY19 full year financial results. Approximately two thirds of pre-sales are expected to settle in FY20 with the balance contributing in FY21.

Project construction continues in all four states in which the Company operates, with significant stages expected to be delivered and settled throughout the year.

Presales include $45 million of commercial developments, across two separate projects, reflecting the growth in the Company's commercial development activities.

Cedar Woods' Managing Director, Nathan Blackburne, said the Company's diversification strategy remained on track, positioning Cedar Woods well for the future.

"After the first quarter, presales remain at healthy levels and the business is well-placed despite difficult market conditions continuing," Mr Blackburne said.

"Our well-located projects across four states are proving resilient and, with our strong balance sheet and substantial funding capacity, we are making strategic, counter-cyclical acquisitions, while continuing to assess opportunities in a number of markets," Mr Blackburne said.

Highlights:

- Strong Pre-sales (including lots settled in the first quarter) of $409 million, up 9% on the prior corresponding period
- Three significant counter-cyclic acquisitions in Victoria and Western Australia since 1 July
- Strong balance sheet, low debt, and substantial undrawn finance facilities available to fund operations and acquisitions
- Lower earnings expected in FY20, due to challenging market conditions

For further information

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Portfolio Highlights

The Company's flagship projects including *Jackson Green* and *Williams Landing* in Victoria, *Bushmead* and *Ariella* in Western Australia, *Ellendale* in Queensland and *Glenside* in South Australia are all proving to be resilient with solid sales for most recorded through the quarter. The Company continues to deliver stages at each of these projects and many others across the portfolio.

The Company's reputation for well-designed projects has been given a boost with industry recognition for several of its projects. The *Glenside* project was recently recognised with three South Australian development industry awards for best masterplanned development, best residential development and for excellence in urban renewal, whilst *Bushmead* was awarded Western Australia's best residential project over 250 lots. *Williams Landing* and *Jackson Green* have also been nominated for Victorian development industry awards.

During the quarter construction commenced on the nine-level, 165-unit Huntington Apartments project at *Jackson Green* which is 75% pre-sold and expected to complete in mid-2021.

Planning approval was obtained for the initial stages of *Fletcher's Slip* in Port Adelaide, South Australia where pre-sales are continuing, and site preparation works are underway.

Market Conditions

Overall conditions remain challenging with enquiry and sales volumes well down from peak levels. Progressive improvements are however expected due to numerous factors that have come to bear since the Federal election in May 2019 including reduced interest rates, improved access to finance and stimulatory measures implemented by the Federal and some State Governments.

Notable Government stimulus measures include significant first home buyer incentives in most states, a 75% stamp duty rebate for 'off the plan' apartment purchases in Western Australia and a Federal Government Loan Deposit Scheme that eliminates the need for lenders' mortgage insurance, and which takes effect from January 2020.

Home loan application data (AFG Index) has shown a 21% increase, quarter on quarter (to 30 September 2019) and there has been notable improvements in Melbourne's and Sydney's auction clearance rates and median house pricing over the quarter.

The combined impact of these measures is expected to generate improved enquiry and sales in the second half of FY20.

Delivering on Strategic Priorities

The Company continues to deliver on its four strategic priorities of a High-Performance Culture, Operational Excellence, Financial Strength and Earnings Growth.

High-Performance Culture

Significant activities continue to be undertaken to refine business culture and human resources practices, creating a high-spirited work environment. Our annual staff survey indicated a high degree of staff satisfaction with 90% of employees stating they are engaged or actively engaged and 84% satisfied or very satisfied with their position at Cedar Woods. In addition, 88% of employees were likely or very likely to recommend Cedar Woods as a place to work.

Operational Excellence

Important milestones were recently achieved in the Company's implementation of new technologies and systems. The Company's new Microsoft ERP system went live successfully in early October.

These enhanced systems will improve controls and create efficiencies in procurement, payments, document storage, reporting and data access, and provides a cloud-based platform to support future business growth.

Financial Strength

The Company's balance sheet remains strong with low gearing and substantial headroom available to develop our existing portfolio and make further acquisitions.

The dividend re-investment plan and bonus share plan were supported by 17% of shareholders taking up shares in the Company via the final dividend that was paid on 25 October 2019.

Earnings Growth

The Company has actively taken advantage of soft market conditions to secure three significant development sites since 1 July. The Company recently announced the acquisition of a 43-hectare site at Wollert, Victoria and infill projects in Subiaco and Hamersley in Western Australia, adding more than 800 dwellings/lots to the national portfolio.

The Company plans to continue to take advantage of favourable buying conditions as development finance proves difficult to secure for some property developers and the property cycle justifies buying in several markets.

Governance

To streamline the Company's governance structure, the Human Resources and Remuneration Committee and the Nominations Committee have been combined to form the Remuneration and Nominations Committee.

The members of the Remuneration and Nominations Committee are Valerie A Davies (Acting Chair), Jane M Muirsmith and Robert S Brown. The Committee is majority independent with an independent Acting Chair.

We can also advise that independent director, Ron Packer, remains on leave and we remain hopeful of a return to full board duties by the end of 2019.

Company Outlook

While Cedar Woods has a good level of presales to be carried into future financial years, the national property market continues to be challenging. Based on current market conditions the Company is anticipating moderately lower full year earnings in FY20 compared to FY19, with the balance of earnings weighted to the second half.

Cedar Woods remains well placed for the medium term, with more than 10,000 lots/units in its development pipeline across four states, which positions the Company to benefit from improved market conditions.

A number of new projects are expected to contribute to earnings from FY21, including *Huntington Apartments* in Victoria, *Ariella* (adjoining parcel) and *Solaris* in Western Australia. Further acquisitions are anticipated to supplement the portfolio for future years.

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