

26 February 2014

# Cedar Woods Properties

2014

Half-Year Financial Results



# Agenda

1. Cedar Woods Properties Overview
2. 1H 2014 Financial Highlights
3. Operational Overview
4. Market Conditions
5. Company Outlook

# Investment Highlights



- ▶ An ASX 300 company with a proven track record of consistent earnings growth and meeting targets
  - 5-year Total Shareholder Return of 57.1% per annum
- ▶ Strategically located and diverse portfolio
  - Urban and regional growth areas in VIC and WA
  - Apartments, integrated housing, mixed use and large master planned communities
  - Close to transport infrastructure and other amenities
- ▶ Strong balance sheet and prudent gearing
- ▶ Capacity to fund acquisitions
- ▶ Attractive, fully-franked dividend yield
- ▶ Experienced and proven management team




# 1H 2014 Highlights



# 1H 2014 Overview

- Strong performance across the portfolio, with steady sales activity in Perth and Melbourne markets through the half-year
- Continuing to unlock value at Williams Landing (VIC), with major milestones reached during 1H2014
- New projects contributing to FY2014 earnings:
  - 1H 2014: Realm and rental income from the Masters Home Improvement store at Williams Landing (VIC)
  - 2H 2014: Byford on the Scarp, Elements and Carine Rise (WA)
- Acquisitions in 1H 2014 at Byford on the Scarp (WA) and Clayton South (VIC) to generate earnings in future years
- \$150 million in presales underpinning a positive outlook for Cedar Woods; presales mainly settling in 2H 2014
- Low gearing (net debt/equity) at 31 December at 21% and net debt of \$46 million; bank facility extended for further year, to November 2016

# 1H 2014 Summary

	1H14 (\$m)	1H13 (\$m)	Change (%)
Revenue	102.1	73.5	39% 
Net profit after tax	20.5	18.1	13% 
Dividends per share	12.0 cents	11.0 cents	9% 

- Revenue growth due to strong performance across the national portfolio, with larger, established projects providing significant contributions
- Higher proportion of built-form projects contributing in 1H 2014, which are a lower-margin product
- Interim dividend of 12 cents per share (fully franked) declared
- Dividend Reinvestment Plan (DRP) and Bonus Share Plan (BSP) in operation, shares to be issued at a 2.5% discount

# Balance Sheet Strength

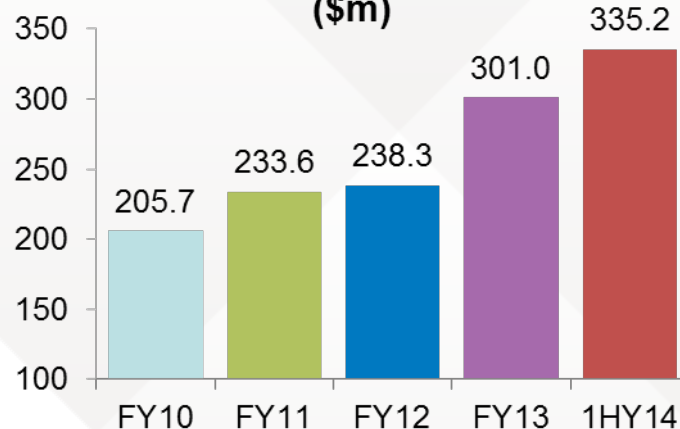
- Low Gearing of 21% at 31 Dec 2013, well placed to take advantage of growth opportunities

	31 Dec 2013 \$m	30 Jun 2013 \$m
Total assets (book value)	335.2	301.0
Net bank debt	46.0	37.8
Net assets (equity)	219.8	207.8
Finance facility headroom	54.0	57.5
Net bank debt to equity	21.1%	18.2%
Interest cover	11.3x	12.6x
Book value NTA/share *	\$2.98	\$2.83

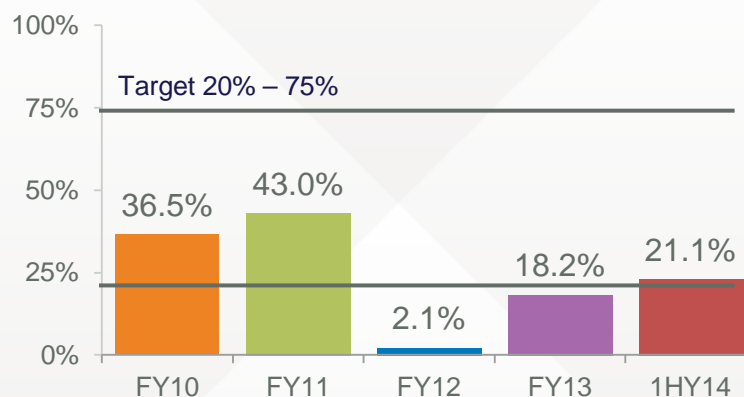
\*Note: Market value NTA/share substantially exceeds the book value.

<sup>1</sup> Gearing defined as net bank debt / book equity

Assets at book value (cost)  
(\$m)



Gearing (%)



# Cash Flow Summary

Cash flows related to operating activities	1H 14 \$m	1H 13 \$m
Receipts from customers	109.3	79.5
Interest received	0.3	0.4
Payments to suppliers and employees	(25.5)	(21.7)
Borrowing costs	(2.5)	(2.1)
Income taxes paid	(11.3)	(13.6)
Payments for development	(52.1)	(51.9)
<b>Operating cash flow before acquisitions</b>	<b>18.2</b>	<b>(9.4)</b>
Payments for new land acquisitions	(14.0)	(4.4)
<b>Net operating cash flow</b>	<b>4.2</b>	<b>(13.8)</b>



# Operational Overview



# Strong Property Portfolio and Mature Land Bank



# WA Highlights

- Perth residential market is performing well with strong buyer interest at Cedar Woods' projects
- Pilbara market has softened, but Cedar Woods' Elements project is two-thirds pre-sold and sales are continuing
- Busy development program across the WA portfolio
- New projects contributing to 2H 2014 earnings: Elements, Carine Rise and Byford on the Scarp
- New projects to contribute to FY2015 earnings: The Brook at Byford, new stages at Byford on the Scarp and the second land holding at Piara Central

# WA Project Overview

The Brook at Byford



Carine Rise



The Rivergums



Emerald Park



- ▶ Construction commenced in 1H 2014; site has the potential for approximately 350 lots
  - ▶ New sales office opened with strong buyer interest
  - ▶ Settlements expected from FY2015
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- ▶ Co-development between Cedar Woods, the St Ives Group and LandCorp, in Perth's middle-northern suburb of Carine
  - ▶ Sales program commenced in 1H 2014 and Stage 1 release sold out
  - ▶ All remaining stages to be released in 2H 2014
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- ▶ Sales at Stage 9 (76 lots) completed in 1H 2014
  - ▶ Settlements commenced in January 2014
  - ▶ Stage 10 now under construction
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- ▶ Stage 5 completed and sold out with settlements already underway
  - ▶ Private estate offering a wide range of block sizes close to transport infrastructure and other amenities

# WA Project Overview

Mariners Cove



- ▶ Stage 6CA phase 3 completed in 1H 2014
- ▶ Market is buoyant with strong sales of 'lifestyle' product
- ▶ Award-winning waterfront development close to Mandurah

Elements



- ▶ Construction is well advanced
- ▶ Significant pre-sales in hand, settlements to follow in 2H 2014
- ▶ Product is competitively priced to capture local demand for traditional lots

Batavia Coast Marina Apartments



- ▶ Construction complete and settlements began in 1H 2014, continuing into 2H 2014
- ▶ Sale of remaining stock taking longer than originally planned
- ▶ \$0.7m write down of the fair value of the investment made in 1H 2014

# Victorian Highlights

- Melbourne market continues to improve with modest price growth achieved and buyer demand remains strong across Victorian portfolio
- Significant progress at Williams Landing: both residential and commercial components reached key milestones during the half-year
- Settlements commenced at Realm in Camberwell and contributed to earnings in 1H 2014
- Successfully expanded portfolio with the acquisition of Clayton South in December and achieved rezoning at St Albans
- Banbury Village recognised at 2013 Victorian Urban Development Institute of Australia (UDIA) Awards for Excellence: Winner of the Best Medium Density Residential Development and commendation in Urban Renewal category

# Victorian Project Overview



- ▶ Developing several stages during FY2014
- ▶ Stage 18 (38-unit building) launched in 1H 2014; 36 units pre-sold



- ▶ Several stages completed and settled, contributing to 1H 2014 earnings
- ▶ Stand-out example of an integrated housing development in a middle suburban setting



- ▶ 6.8 ha site rezoned from industrial to residential in November 2013
- ▶ Expected to deliver more than 200 dwellings, construction to begin in 2015
- ▶ Government agencies investing in local infrastructure



- ▶ 6.5 ha infill site purchased in December 2013
- ▶ Construction to commence in 2015, first settlements in 2016
- ▶ Project to deliver approximately 250 dwellings

# Williams Landing



- Completion and settlement of three stages in Williams Landing residential neighbourhoods
- Completion of Masters Home Improvement store which opened in November 2013 and commencement of rental income in 1H 2014
- Construction of Williams Landing Shopping Centre commenced in December 2013; additional roads and infrastructure completed in the Town Centre
- Other commercial and retail sites in Town Centre to be developed over time:
  - Opportunity to sell Town Centre sites for third-party development; sales likely to commence in FY2015 to facilitate these developments
  - Commercial and retail sales to diversify revenue stream and provide hedge against any easing in the residential property market



# Market Conditions and Company Outlook



# 2013 Housing Starts & Population Growth

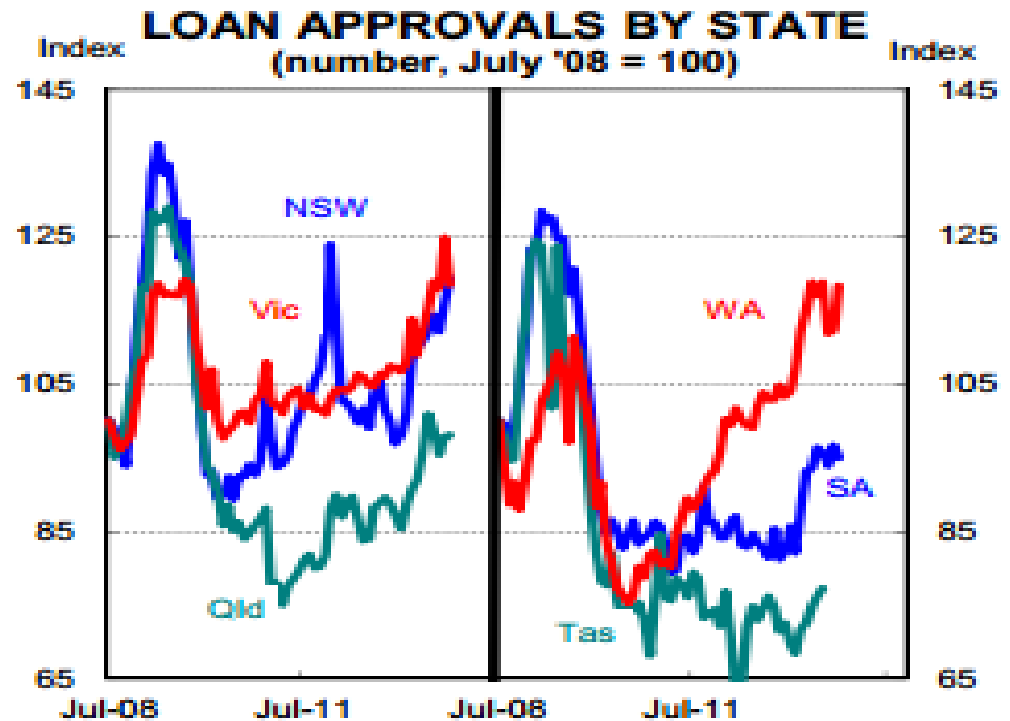
	Starts ('000)	Population Growth ('000)	Population Change (%)
<b>Victoria</b>	<b>45</b>	<b>106.0</b>	<b>2.0%</b>
New South Wales	42	102.2	1.4%
Queensland	30	89.9	2.0%
<b>Western Australia</b>	<b>26</b>	<b>81.0</b>	<b>3.3%</b>
South Australia	9	14.6	0.9%
ACT	5	8.3	2.2%
Northern Territory	2	4.3	1.8%
Tasmania	2	0.8	0.2%

ABS population growth – annual figures to June 2013  
Source: HIA housing data

# Housing Finance

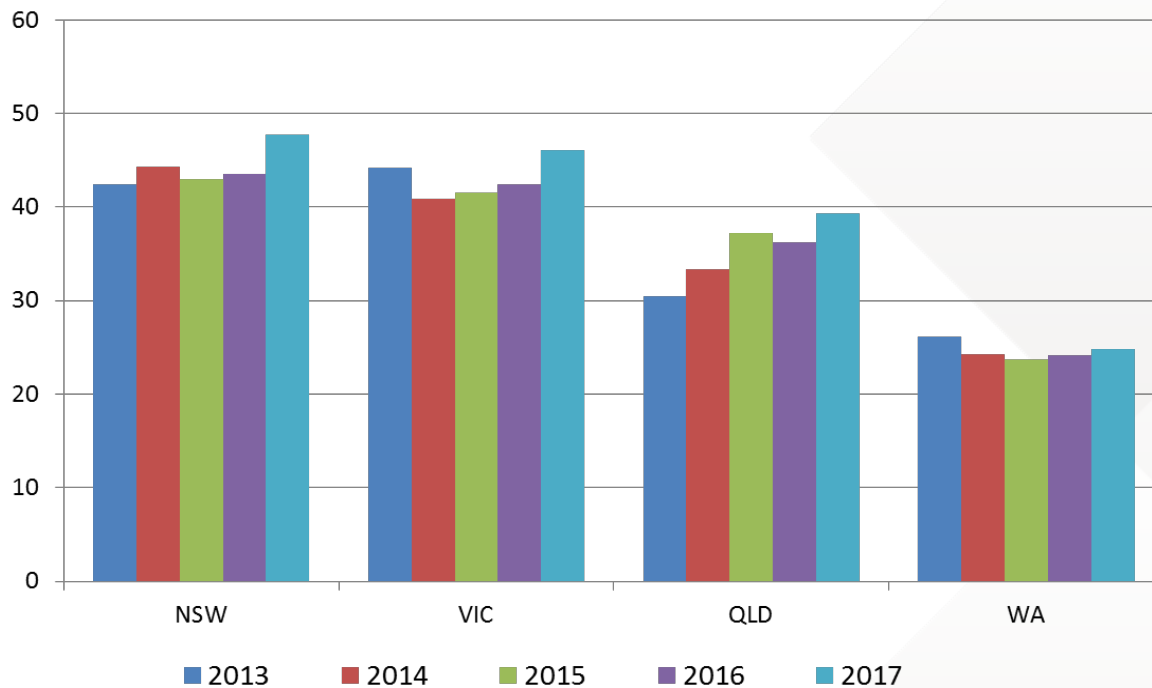
Owner occupier lending is strong in WA & VIC

Investor demand also strong



Source: CBA

# Dwelling Starts by State



Population growth and tight market conditions to underpin dwelling commencements

Source: HIA

# Outlook

- \$150 million in presales underpinning a positive outlook for Cedar Woods; presales mainly settling in 2H 2014
- Building FY2015 pre-sales pipeline
- Project acquisitions likely: we continue to review acquisition prospects in growth corridors in WA, VIC and QLD, with some of significant scale under consideration
- Subject to current market conditions continuing, Cedar Woods anticipates a record profit of approximately \$40 million in FY2014

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