

# ASX Announcement and Media Release

**26 August 2015**

The Cedar Woods logo features the company name in a white sans-serif font on a blue background. A stylized white diamond shape with a circular cutout is positioned between the words "Cedar" and "Woods".

**Cedar Woods  
Properties Limited**

**ASX Code: CWP**

**FY2015 summary:**

- Record full year profit of \$42.6m, up 5.6% on prior year
- Final fully franked dividend of 16 cents declared; record total fully franked dividend of 28 cents for FY2015
- Opening of Williams Landing Shopping Centre
- Sale of Masters Home Improvement Store at Williams Landing
- Approval for initial 480 lots and Stage 1 at Upper Kedron
- Presales of \$153m (up 10% on prior year)
- Strong balance sheet and low debt as at 30 June 2015
- Well positioned for FY16

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## **Cedar Woods announces record full year Net Profit of \$42.6m, up 5.6%**

Cedar Woods Properties Limited (ASX: CWP) ('Cedar Woods') is pleased to report a record net profit after tax (NPAT) of \$42.6 million for the 2015 financial year (FY2015), an increase of 5.6 per cent on the previous financial year.

The Board has declared a fully franked final dividend of 16 cents per share, bringing total dividends for FY2015 to a record of 28 cents per share. This is consistent with the Board's policy of distributing approximately 50 per cent of full year net profit to shareholders.

The record profit figure was underpinned by solid contributions from sales across the company's property portfolios in Western Australia and Victoria.

Revenue for FY2015 decreased by 17 per cent from the previous corresponding period to \$178.6 million, however when combined with the \$36m proceeds from the sale of the Masters Home Improvement Store, total proceeds from sales equated to \$214.6m, marginally above the \$214.5m recorded in FY2014.

The company's balance sheet remains strong with net bank debt of \$27.9 million and debt-to-equity of 9.8 per cent at 30 June.

Cedar Woods' Managing Director Paul Sadleir said it was a pleasing to achieve a fifth consecutive year of profit growth.

"We have benefited from having a portfolio that has a good spread of product across a number of favourable locations," Mr Sadleir said.



“We are well positioned for the current year with a high level of presales and a number of major projects in WA, Victoria and Queensland that are progressing and will be major contributors in coming years.

Cedar Woods has recorded \$153 million in presales, 10% higher than the same time last year. The majority of presales are expected to settle in FY2016, providing a sound platform for the current financial year.

### **Balance Sheet Strength**

At 30 June 2015, net bank debt stood at a conservative \$27.9 million. Net debt/equity at 30 June was 9.8% with interest cover at 9.9 times for the year.

This solid financial position enables Cedar Woods to pursue growth opportunities as they arise, as well as fund the development of its existing portfolio. A number of acquisition opportunities are under evaluation.

### **Western Australian Project Highlights**

Ariella, a master-planned community of 480 lots at Brabham, 22km north-east of the Perth CBD, commenced construction in May 2015 with Cedar Woods receiving strong interest from customers and builder partners. The first sales release in June 2015 was very well received with first settlements expected in FY2016.

The Rivergums Estate in Baldivis, south of Perth, experienced solid sales performance through FY2015. Stages 10A and 10B at the estate have recently completed and the majority of lots have settled, with the remainder to occur in the current financial year.

Byford on the Scarp, a project acquired in August 2013, sold steadily through FY2015 and at the nearby project, The Brook at Byford, the first stage of 145 lots is completed, with most lots sold. Sales of the 110 lot second stage are scheduled to commence in the first half of FY2016.

Sales and settlements of lots at the last remaining stage of Cedar Woods' landmark WA canal project, Mariners Cove, have continued with good demand through FY2015 and similar demand is anticipated through FY2016 as the project reaches completion.

At Bushmead, the 273ha site 16km from the Perth CBD is anticipated to deliver about 750 homes, with construction to start in FY2016. The Local Structure Plan was lodged with City of Swan in October 2014 with approval anticipated in the first half of FY2016.



In Geraldton, at the Batavia Coast Marina Apartments project, the rate of sales continued to be slow during the year, reflecting the downturn in property in resource-exposed regional towns in WA. Consequently, the company has impaired the carrying value of its investment by \$6.4m during the year, (\$2.5m impairment recognized in the first half and \$3.9m in the second half) writing it down to \$1.0m at 30 June 2015. This impairment is reflected in the full year profit result.

At the end of FY2015, a total of 25 apartments had been sold and settled at Batavia Coast, with 29 remaining for sale. About half of these apartments are under lease for short term accommodation, providing a rental income. Sales and marketing programs are continuing with a view to improving the sales rate, with recent marketing campaigns stimulating new enquiry and sales in recent weeks.

At South Hedland the company has sold and settled all but 16 of the 136 residential lots developed at its successful 'Elements' estate that was completed late in FY2014. Sales activity has slowed in South Hedland in recent months, and the company will wait until conditions improve before committing capital and commencing development at the proposed Western Edge joint venture with Landcorp.

Approval milestones were achieved at two projects in the portfolio that are expected to contribute significantly to the company's future prospects. In September 2014, the Western Australian Planning Commission initiated a Metropolitan Region Scheme Amendment to rezone the Mangles Bay Marina development in Rockingham from various reservations to an Urban Zone. An Urban Zoning was similarly initiated over CWP's landholding in Anstey Road, Forrestdale in November 2014.

Shortly after the end of the financial year the company purchased 19 and 21 Baldivis Rd, Baldivis, comprising 50.74 hectares, for \$26.25m plus GST, scheduled to settle on 31 August 2015. After this transaction, following strong settlements in July and August, debt is expected to continue at a low level, providing ongoing funding capacity for further acquisitions.

The land, zoned 'Urban' under the Metropolitan Region Scheme and 'Development' under the City of Rockingham Scheme, comprises three separate titles and adjoins the existing 68 hectare landholding owned by Cedar Woods to the south. The combined landholdings comprise 119 hectares and are immediately west of the Kwinana Freeway.

Fully developed, the additional land is expected to produce approximately 700 residential sites ranging in lot size between 225sqm and 550sqm. The combined land holding will have a total lot yield of approximately 1500 lots. Development of the combined North Baldivis project is expected to commence in calendar year 2016.



### Victorian Project Highlights

A number of significant milestones were reached at Williams Landing during FY2015. The master-planned community, which became a suburb in 2008, has four residential neighbourhoods that surround the Town Centre.

Major components of the Town Centre, including the Williams Landing Shopping Centre, Masters Home Improvement Store and the train station, are already in place and detailed planning is underway for new office buildings as well as the first of several planned apartment complexes.

Cedar Woods completed and opened the new Williams Landing Shopping Centre during the year and has also advanced plans for an expansion to the centre, adding a child-care facility, a gym and eateries. Development of the Town Centre will continue in stages over the next eight to ten years.

In June 2015, Cedar Woods settled the sale of Masters Home Improvement Store, for \$36 million, reflecting a capitalisation rate of 6 per cent. The sale was an excellent outcome, reflecting the quality of the Williams Landing project.

The residential components of Williams Landing continue to perform strongly as development advances closer to the Town Centre.

At Clara, a 40-lot boutique residential project nearby to Williams Landing, all lots were sold in FY2015, with development completing close to the end of the financial year. Settlement of these lots commenced in August 2015 and will contribute to FY2016 earnings.

At the award-winning Banbury Village in Footscray, construction has commenced on the 101-unit Botanica Apartments, as well as at the final 20 townhouses and a retail unit being developed at the project. Settlements of the townhouses are scheduled for the current financial year with settlements at Botanica expected in FY2017. Both of these developments are fully pre-sold.

At St Albans, in Melbourne's north-west, Cedar Woods plans approximately 250 dwellings on the 6.8ha site providing a mix of houses, duplexes, townhouses and apartments. Development plan approval is anticipated in the first half of FY2016 with the first sales launch commencing soon after. Construction of the first stage is forecast to commence later in the financial year.

At Jackson Green, in Clayton South 19km south east of Melbourne, a master-planned



development of more than 300 dwellings is planned on this 6.5ha site. Demolition and remediation of the site is complete and approvals for the first stage were received in June 2015. A tender process for housing construction is underway.

### Queensland Project Highlights

In July 2015, the Queensland Government granted approval for 480 lots at the company's 227 hectare Upper Kedron project, following its review of the original approval provided by the Brisbane City Council in December 2014.

Cedar Woods will work with Brisbane City Council to progress plans for development of the 160 hectare balance of the site that is currently not zoned for residential development.

Detailed designs for Stage 1 will be lodged with Brisbane City Council in coming months and construction is expected to commence by early CY2016 following approval of those designs.

The company has already received interest from a significant number of homebuyers who have registered for the first release of the project, now branded 'Ellendale'. Further details of the project are available on the new Ellendale website [www.ellendale.com.au](http://www.ellendale.com.au)

### Market Outlook

A key driver for the residential market – population growth – is expected to remain supportive for FY2016. Cedar Woods' key markets of Western Australia and Victoria, recorded the two highest population growth rates in Australia during 2014 of 1.6 per cent and 1.8 per cent respectively, compared with the national average of 1.4 per cent. In Queensland, where the Ellendale project at Upper Kedron will commence this financial year, population growth was 1.4 per cent.

There are solid growth forecasts for the states that the company operates in. The Victorian Gross State Product growth is forecast to be 2.5 per cent in FY2016 rising to 2.75 per cent in FY2017, while the recent Queensland state budget predicted Gross State Product to increase from 2 per cent in FY2015 to 4.5 per cent in FY2016 and FY2017. The Western Australian State Government estimates its Gross State Product to grow by 2.25 Per cent in FY2016, increasing to 3.75 per cent in FY2017.

The Housing Industry Association has forecast a softening in the number of housing starts in Australia by 3 per cent for the current financial year, after three years of strong growth. However, interest rates are expected to remain at historical lows, and the unemployment rate appears to have plateaued at around 6 per cent.



On balance the economic conditions are supportive to the residential property sector.

### **Corporate Governance**

During the year the company has reviewed its corporate governance framework and practices and has implemented a number of key changes:

- A review of the company's Board committees that has resulted in the company achieving a majority of independent directors on all Board committees
- Review of the remuneration framework for the key management personnel, including improved linkage of the performance assessment to the company's balanced scorecard
- the introduction of a new equity based long term incentive plan
- the introduction of a remuneration clawback policy.

Further details of these changes are contained in the company's Annual Report and the Corporate Governance Statement which is available on the company's website and also on the ASX website.

### **Company Outlook**

Cedar Woods is positioned to maintain profit momentum into FY2016 with low debt, strong pre-sales and a portfolio of mature developments in established growth corridors in Perth and Melbourne.

Assuming current market conditions continue, the company anticipates delivering a net profit after tax similar to last year's record profit and anticipates that earnings will be split roughly evenly between the first half and the second half.

A number of projects, including Jackson Green and St Albans in Victoria, Bushmead, North Baldivis and Mangles Bay in Western Australia and Upper Kedron in Queensland, are anticipated to proceed to development over the next twelve months and provide a positive growth outlook for FY2017 and future financial years.

The company will continue its practice of providing quarterly updates and profit guidance as the year progresses.

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