

ASX Announcement and Media Release

25 August 2016

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

FY16 summary:

- Record full year profit of \$43.6m, up 2.4% on prior year
- Final fully franked dividend of 16.5 cents declared; record total fully franked dividend of 28.5 cents for FY2016
- Development and sales under way at Ellendale (QLD) and Bushmead (WA)
- Expansion into Adelaide, consistent with strategy
- Presales of \$184m, up 20% on prior year
- Strong balance sheet and low debt
- Well positioned for FY2017, anticipating similar profit result to FY2016

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Cedar Woods announces record full year net profit of \$43.6m, record dividend

Cedar Woods Properties Limited (ASX: CWP) ('Cedar Woods' or 'the Company') is pleased to report a record net profit after tax (NPAT) of \$43.6 million for the 2016 financial year (FY2016), an increase of 2.4 per cent on the previous financial year.

The Board has declared a fully franked final dividend of 16.5 cents per share, bringing total dividends for FY2016 to a record of 28.5 cents per share. This is consistent with the Board's policy of distributing approximately 50 per cent of full year net profit to shareholders, providing a high-yield return on investment of approximately 6 per cent.

The result was underpinned by lot sales from the Company's residential communities in Victoria and Western Australia, contributions from medium density housing and apartment projects, and the Company's town centre development at Williams Landing.

The Company has already secured presales of \$184 million for settlement in FY2017 and FY2018, compared to \$153 million at the same time last year, representing an increase of 20 per cent.

The Company's balance sheet remains strong with net bank debt-to-equity of 16.4 per cent at 30 June 2016 and more than \$130m of undrawn capacity under current facilities.

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

"We continue to benefit from our portfolio diversity that has broad customer appeal across a number of popular locations," Mr Sadleir said.



“The Company is well-positioned for the current year with a high level of presales across three states, with the first contributions expected from our Queensland operations in FY2017. A number of significant new projects in Western Australia, Victoria and Queensland are now progressing to development and these will be major contributors to earnings in FY2018 and beyond.

“The move into Queensland two years ago, together with our recent expansion into South Australia, has bolstered our geographical diversity in line with the Company’s strategy of identifying opportunities that will add value over the medium to long-term.

“Cedar Woods has a strong portfolio of projects, at varying stages of development, across four states, concentrated in their respective capital cities.”

Financial Commentary

Revenues were two per cent lower than the prior year, however stronger margins achieved through a combination of price growth, cost reductions and a change in project mix over the prior year drove a seven per cent increase in net profit before tax. Net profit after tax (NPAT) was up two per cent, after an increase in the effective income tax rate for the year, reflecting lower research and development tax offsets than the prior year.

At 30 June 2016, net bank debt stood at a conservative \$50.3 million. Net bank debt-to-equity at 30 June was 16.4 per cent with interest cover at 16.6 times for the year. The Company recently announced approval for a \$40 million increase to its corporate bank facility to \$175 million, providing more than \$130 million of headroom to fund current and future acquisitions, and the development of the existing portfolio. Together, with the \$30 million finance facility for the *Williams Landing* shopping centre, the increase provides total available debt facilities of \$205 million.

Victoria Project Highlights

The Company’s projects in Victoria again performed well during the year, with strong sales and settlement results and good margins achieved.

Construction of the *Botanica Apartments* in Footscray, comprising 101 apartments, was completed with settlements occurring in June and July 2016. Two other townhouse stages at the *Banbury Village* development in Footscray were also developed with settlements now complete.

Several residential stages were completed at *Williams Landing* during FY2016 with good presales and price growth achieved for stages to be delivered in FY2017. The *Newton Apartments* project, comprising 57 one and two bedroom apartments, was successfully launched with 100 per cent presales achieved and construction underway. Completion is expected in FY2017. Planning for the next apartment project, *Oxford Apartments*, is well



advanced with a launch expected in mid FY2017.

New developments at the *Williams Landing* Town Centre are in varying stages of planning and delivery. An extension to the shopping centre is nearing completion and will provide a child care centre and additional retail tenancies.

While the shopping centre now operates with a high level of occupancy, some of the original specialty retailers have underperformed and provisions of \$780,000, covering outstanding rent and impaired lease incentives, were made in the second half of FY2016. Strategies have been implemented to improve tenancy performance and minimise vacancies in the short term while, in the long term, performance of the shopping centre is expected to improve as the Town Centre matures.

Planning work for strata offices, a hotel and other commercial uses in the Town Centre is underway. The Company sold a site to aged care facility developer and operator, Tricare, during the year adding to the diversity of developments at *Williams Landing*.

The Company's new housing developments, *St A*. in St Albans and *Jackson Green* in Clayton South, have progressed well with civil contractors and home builders appointed, and planning permits in place for the initial stages of housing at both projects.

Western Australia Project Highlights

Market conditions in Western Australia eased during FY2015 and FY2016 after the resource driven peak, however early signs of improved conditions are now emerging. Although overall sales volumes declined, Cedar Woods continued to achieve steady sales during FY2016, particularly at its estates in high-growth areas where limited competing product is available.

The marketing launch of an exciting new project at *Bushmead* took place in late July to encouraging early results, with all 15 lots in the first release sold within three days. This project is located 15 kilometres north-east of the Perth CBD and is in close proximity to the Midland town centre and the Perth Airport precinct.

Two thirds of the land at *Bushmead* will be set aside as park and recreational reserves, creating a unique environment for the enjoyment of local residents. The total project site covers 273 hectares and will be developed in stages to deliver approximately 935 lots over the next 8-10 years.

Consistent sales have been achieved in the final canal stage of *Mariners Cove* in Mandurah and there are only a small number of lots remaining. Plans for the development of a waterfront site, allowing medium density housing, are being progressed.

At *Ariella Estate* in Brabham, which is located 17 kilometres north-east of Perth's CBD and within a strong growth corridor, construction of the 94-lot Stage 2 was completed in April



2016. The Sales and Marketing Centre is now open, with pleasing levels of enquiry and sales continuing. The commencement of construction of Stage 3 is expected during FY2017.

During the first half of FY2016 Cedar Woods completed the acquisition of 51 hectares of land at *North Baldivis*, located 36 kilometres south of Perth, adjoining an existing Cedar Woods landholding of 68 hectares. The combined landholding of 119 hectares will enable economies of scale and provide opportunities for efficiency in estate design and, being located next to the Kwinana Freeway, is expected to be a landmark project for the Baldivis corridor. The Company is well established in this region and this project will provide an extended presence in the area. It will yield approximately 1580 lots over the next 10-15 years.

Planning continues for the *Mangles Bay* marina-based tourist precinct, 39 kilometres south of the Perth CBD. With all environmental approvals achieved, completion of statutory planning is anticipated in the first quarter of calendar 2017 and construction is anticipated to commence in FY2018. This mixed use project will provide much needed boating and tourism facilities, together with a range of housing options for the Rockingham region, as well as improved public access to the Mangles Bay beach front.

The *Batavia Coast Marina Apartments* project in Geraldton has underperformed, reflecting the property downturn in the resources-exposed regions of WA. The Company has further impaired the carrying value of its investment in the trust by \$1 million during the year, (\$300,000 impairment recognised in the first half and \$700,000 in the second half) with the investment now fully impaired as at 30 June 2016. A full provision was also made for a \$400,000 loan to the trust.

Queensland Project Highlights

Planning at the Company's new *Ellendale* project in Upper Kedron in Queensland was progressed during the year, with approval for the first stages granted. Construction has commenced and the project recently launched with approximately 50 presales already achieved.

Home builders have expressed strong interest in the 29 lot display village which will commence construction following completion of civil works. The Queensland State Government approved the initial 480 dwellings on the site. The balance of the project is subject to a further planning process which is expected to conclude in late 2017.

In December 2015 the Company purchased another well located site in Brisbane, being 3.8 hectares in *Wooloowin*, a sought after suburb six kilometres north of the Brisbane CBD. Design work is underway for a medium-density residential development on the site; a process expected to conclude in FY2018. The site is well located in relation to train stations, shopping centres, schools and parks.



South Australia Project Highlights

In July 2016 Cedar Woods confirmed the purchase of a 16.5 hectare site from the State Government at *Glenside* in the city's inner eastern suburbs, just three kilometres from the CBD. Settlement of the purchase will occur upon finalisation of the rezoning, which is expected to occur later this year. The site will accommodate approximately 1,000 dwellings.

The Company was also selected as preferred developer by the State Government for a site at *Port Adelaide*. The site is 14 kilometres north-west of the Adelaide CBD and only 1.5 kilometres from Semaphore Beach. The 12.6 hectare site covers two precincts (North West and Fletcher's Slip) which form part of a larger 40 hectare redevelopment area.

Port Adelaide is located seven kilometres from the Techport precinct, which is the confirmed build location for Australia's next generation Future Submarines and Future Frigates Program commencing in 2018, creating thousands of new long-term jobs. The project site will accommodate approximately 500 dwellings across the two precincts with the majority being two and three storey townhouses.

The State Government's agency, Renewal SA, and Cedar Woods will work together over the next six months to develop a master plan for the *Port Adelaide* project, in consultation with the community.

Market Outlook

The housing sector experienced strong levels of activity in FY2016 with housing starts running at record levels nationally, fueled by low interest rates and improving consumer sentiment. Building approvals continued at high levels through most of the year in all states, except WA, with signs emerging that the Sydney and Melbourne markets are easing. After a peak year in the cycle in FY2016, the Housing Industry Association (HIA) economics group is forecasting national dwelling starts to decrease in FY2017, with demand forecast to continue at robust levels.

In Victoria, demand remains strong, particularly for well-located property close to transport infrastructure and other amenities. Solid price gains have been experienced in the Melbourne market over the past 12 months, although prices are now beginning to moderate.

In WA, ongoing population growth, relatively low unemployment and improving affordability continue to sustain demand. Recent data has shown an uptick in land sales and new building activity after an easing from the resources-driven upswing.

In Queensland, State Treasury is forecasting four per cent growth in the economy in FY2017, faster than every other state in Australia, driven by strong export activity. Dwelling investment is forecast to continue to grow at a steady rate, with Queensland at an earlier phase in the housing cycle than the other states. Current high prices in Sydney and Melbourne are



expected to cause increased demand for property in Brisbane as investors chase higher yields and owner-occupiers seek greater affordability.

In South Australia the economy is expected to grow by two per cent in FY2017 as low interest rates, government infrastructure spending and shipbuilding stimulate that market.

The Reserve Bank's monetary stimulus, with two 0.25 per cent cash rate reductions in the past six months, has further improved affordability of housing nationally and economic conditions remain supportive for the residential property sector.

Company Outlook

Cedar Woods is well positioned moving into FY2017 with strong pre-sales, low debt, funding capacity and a diverse portfolio of developments in established growth corridors in Melbourne, Perth and Brisbane and, soon, Adelaide.

The development program for FY2017 will see the completion of a number of stages at new projects, including at *Bushmead*, *Ellendale* and in the *Williams Landing Town Centre*. The Company anticipates that earnings will be skewed significantly to the second half of FY2017, with the first half result considerably lower than the first half of FY2016.

Assuming current market conditions continue in FY2017, the Company is well placed to maintain profit momentum during the current financial year and into FY2018. The Company anticipates a similar profit result in FY2017 to that achieved in FY2016.

A number of new projects, including *Jackson Green* and *St A.* in Victoria, where the first stages are already under construction, and *North Baldivis* and *Mangles Bay* in Western Australia, where development is expected to proceed over the next 12 months, together with the recent move into the Adelaide market, provide a positive growth outlook for future financial years.

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