ASX Announcement and Media Release

22 FEBRUARY 2018

Cedar Woods Properties Limited

ASX Code: CWP

1H FY18 Summary:

- 1H FY18 NPAT of $3.2 million, in line with guidance.
- Significantly stronger second half expected based on record pre-sales of $338 million with the majority expected to settle in FY18.
- Fully franked interim dividend of 12 cents per share declared.
- Mid target range gearing at 52 per cent at 31 December 2017 with significant reduction anticipated in second half.
- Earnings guidance for 2H FY18 to be provided as settlement program advances.
- Well positioned for FY19 with several landmark projects on track and more than $150 million of FY19 presales already secured.

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Cedar Woods' first half profit in line with guidance; remains on track for strong second half

Cedar Woods Properties Limited (ASX: CWP) ('Cedar Woods' or the Company) has today reported net profit after tax for the first half of the 2018 financial year (1H FY18) of $3.2 million, up 6.5 per cent on the prior corresponding period. Earnings for the first half were 4.1 cents per share, also up 6.5 per cent. The first half result was in line with guidance and the Company remains on track for a strong second half in FY18.

During the first half the Company advanced its development and construction program in the four states in which it operates. A number of major stages are expected to be completed in the second half, including for several projects that will deliver revenues for the first time. The completion of these stages will underpin a significantly stronger second half result.

Pre-sales at the end of the first half were a record $338 million, 23 per cent higher than the previous corresponding period, driven by strong sales activity in Victoria and improving activity in Western Australia. The majority of these pre-sales are expected to settle in the current financial year.

The Company's confidence in a strong second half led the Board to declare a fully franked interim dividend of 12 cents per share, in line with 1H FY17. The Dividend Reinvestment Plan and Bonus Share Plan will be in operation for the interim dividend. The Board intends to maintain the policy of distributing approximately 50 per cent of full year net profit to shareholders via dividends.

Cedar Woods' Managing Director, Nathan Blackburne, said: "The first half was a busy period of development and construction activity, laying the foundation for strong settlements and earnings in the second half. The record level of pre-sales across our national portfolio also positions us well as we move towards FY19."

Financial Commentary

Overall, the result for the first half was similar to the first half of FY17 and consistent with guidance provided in previous announcements. Net profit was $3.2 million, 6.5 per cent higher than the prior corresponding half. Revenue was $54.3 million, 4.1 per cent per cent lower than 1H FY17, with gross margin across the portfolio similar to the prior corresponding half.

As a result of the extensive development program undertaken, gearing (net bank debt to equity) increased to 52 per cent at 31 December 2017, compared to 30 per cent at 31 December 2016. Gearing remains comfortably within the Company's target range of 20 - 75 per cent and, with significant planned settlements in the second half, is expected to fall to the lower end of the target range by 30 June 2018.

The Company maintains a strong financial position, with ample liquidity having recently increased its corporate finance facility limit by $30 million, to $205 million, and extended the term of the facility to 30 November 2020 (Refer ASX announcement, 19 January 2018).

Victoria Project Highlights

Victoria's population growth has continued at relatively high levels, creating strong demand for new housing. Overall sales conditions continue to be positive despite investor and foreign buyer demand for apartments moderating in response to changes in bank lending criteria.

The Company continues to experience price growth across most of its Victorian projects. Noteworthy projects include *111 Overton Road* (office suites), which is now 100 per cent sold or leased, *Lancaster Apartments* which is more than 60 per cent sold and *Gardenia Apartments* at Jackson Green which is now 60 per cent sold. Construction of these projects is set to commence in 2H FY18 with settlements in FY19.

Construction of the Target Headquarters at Williams Landing is progressing well, with the eight-level structure having reached full height. The project is on schedule for a handover to Target in mid FY19. The Target office building has been pre-sold to Centuria Property Funds Limited for $58.23 million, settling mid FY19. This successful transaction has led to further enquiries for other commercial buildings at Williams Landing.

While enquiries and sales are strong, high levels of industry activity are having an impact on delivery programs and costs. However, growth in sale prices has generally outweighed any cost increases.

Western Australia Project Highlights

Market conditions in Western Australia continued to improve over 2Q FY18 with population growth increasing and the unemployment rate falling. The median house price grew 1.2 per cent in the December quarter and the time taken to sell housing reduced significantly (source: REIWA). Perth housing is now significantly more affordable than Sydney, Melbourne and Brisbane.

Home building and civil construction costs remain favourable with tendered work demonstrating highly competitive conditions and this is expected to continue for the short-medium term.

Encouraging sales results continue to be recorded at *Ariella* in Brabham and at the newly launched projects of *Karmara* in Piara and *Millars Landing* in North Baldivis. The *Bushmead* estate continues to sustain strong sales results. New stage construction is running to program, with each of these estates expected to deliver settlements in 2H FY18.

A decision on the rezoning of the *Mangles Bay* project, is expected to be made by the Planning Minister in 2H FY18.

Queensland Project Highlights

The Brisbane housing market continues to perform relatively well, recording on average 3.1 per cent median price growth over the 12 months to December 2017 *(source: Core Logic)* and remains relatively affordable compared to the Sydney and Melbourne markets.

The *Ellendale* project is starting to mature with many quality homes now complete. The sales centre is now located within the display village which is set to open in 2H FY18. Strong price growth has been achieved due to the project's proximity to Brisbane's CBD, scarcity of local estates and sustained interest from a range of buyers. Planning for the balance of the Ellendale project, beyond the 480 lots initially approved in 2015, is progressing with the State Government expected to respond to council soon.

The planning process for the *Wooloowin* project may experience delays, following two objections in response to Council's decision to grant a permit. The Company is working through this process with Council to conclude the planning process at the earliest opportunity.

South Australia Project Highlights

The Adelaide housing market continues to perform well, recording on average 3.7 per cent median price growth over the 12 months to December 2017*(source: SA State Government*).

The first townhouses in the *Glenside* project are scheduled for release in March 2018. The project has proven popular with the Adelaide market and has received more than 3,000 enquiries to date; a record for any estate developed by the Company. Pricing is expected to be at least in line with original expectations.

All approvals are now in place for the first 61 premium townhouses and 136 apartments over the first two buildings. Further approval will be sought as the project progresses. Ultimately the project is expected to yield around 220 townhouses and 780 apartments over multiple buildings. Civil construction has commenced and initial settlements are anticipated in late FY19.

Planning and design work has also commenced on the *Port Adelaide* project, which is expected to yield around 500 dwellings, the majority being two and three storey townhouses.

Company Outlook

The housing sector across Australia continues to be supported by historically low interest rates, increasing inbound migration and improving employment conditions. The Housing Industry Association (HIA) Economics Group expects a moderation of demand for dwellings in FY18, with the markets in Victoria and NSW, in

particular, easing from the high levels of the past two years. HIA expects improving detached housing demand in Western Australia, with a recovery forecast in FY18 of 2.5 per cent growing in momentum to 10.8 per cent by FY19.

Cedar Woods' outlook for the full year is underpinned by record pre-sales of $338 million, the majority of which are expected to settle in 2H FY18.

The development program for 2H FY18 includes completion of stages at several projects that will deliver revenues for the first time including *Millars Landing* (WA), *Karmara* (WA), *St.A* (Vic), *Jackson Green* (Vic) and *Oxford Apartments* (Vic).

The large number of settlements in 2H FY18 will lead to significantly higher second half earnings. The exact timing of these settlements is difficult to determine, with a number of developments likely to settle in Q4 FY18. The Company will provide FY18 earnings guidance when it has greater clarity on timing.

The Company maintains a positive outlook for FY19 with more than $150 million of pre-sales already secured, in addition to the pre-sale of Target Headquarters, which is scheduled for completion early in 2H FY19.

A number of other new projects, including *Glenside*, *Port Adelaide* (both in South Australia), and *Wooloowin* (in Queensland), provide a positive growth outlook for future financial years.

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