

# ASX Announcement and Media Release



## FY18 Profit of \$42.6 million Strong Profit Uplift for FY19

Cedar Woods Properties Limited (ASX: CWP) ('Cedar Woods' or 'the Company') is pleased to report a net profit after tax (NPAT) of \$42.6 million for the 2018 financial year (FY18).

The Board has declared a fully franked final dividend of 18.0 cents per share, bringing total dividends for FY2018 to 30.0 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 5 per cent (fully franked).

Cedar Woods enters FY19 well positioned with presales of more than \$320 million, the majority of which are expected to settle in FY19. This compares to \$260 million at the same time last year, representing an increase of 23 per cent. In addition, the \$58 million sale of the Target Headquarters at Williams Landing, Victoria announced in June 2017, is due to settle in FY19. This activity has substantially de-risked Cedar Woods' earnings for FY19 and is expected to underpin a strong increase in net profit.

Cedar Woods' balance sheet remains robust with net bank debt-to-equity of 31 per cent at 30 June 2018, and substantial undrawn capacity under current bank facilities available to fund growth.

Cedar Woods' Managing Director, Nathan Blackburne, said the solid result was driven by consistent performance across the business. "Today's results, and our expectations of strong growth in FY19, demonstrate the successful execution of our strategy of growing our portfolio across geography, price point and product mix."

"We continue to build our presence in Perth, Adelaide, Melbourne and Brisbane and in FY19 we expect to generate revenue from all four states for the first time."

**22 August 2018**

Cedar Woods Properties Limited

ASX Code: CWP

### Highlights:

- Full year profit of \$42.6 million
- Final fully franked dividend of 18.0 cents declared; total fully franked dividend of 30.0 cents for FY2018
- Substantial presales of more than \$320 million, significantly de-risking FY19 earnings. This compares to presales at the same time last year of \$260 million
- Strong earnings growth expected in FY19
- New projects contributing to earnings in FY2019 and FY2020 in Victoria, Queensland and South Australia
- Strong balance sheet, low debt, \$297 million in finance facilities in place

### For further information

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## Financial Commentary

Revenue of \$240 million was 8 per cent higher than the prior year due to a 2 per cent increase in lots settled and a higher proportion of apartments and townhouses. Gross margin reduced by 4 per cent to 41 per cent reflecting the changing product mix, Western Australian market conditions and the commencement of new projects, which typically have lower margins in the initial stages and improve over time. As a result, NPAT was 6.3 per cent lower than in FY17.

At 30 June 2018, net bank debt stood at a conservative \$109 million. Net bank debt-to-equity at 30 June was 31 per cent, net bank debt to total tangible assets (less cash) was 19 per cent, with interest cover at 8.5 times for the year. During the year, the corporate bank facility was increased by \$65 million to \$240 million to assist with the Company's expansion into Queensland and South Australia. That facility currently provides more than \$146 million of headroom to fund acquisitions, and the development of the existing portfolio. Together with stand-alone facilities for the Williams Landing shopping centre and the 111 Overton Road project, finance facilities available to the Company stand at \$297 million.

## Victoria Highlights

Projects in Victoria continued to record solid sales and settlement results, underpinned by strong population growth. The busy Victorian market has led to a peak in construction activity, which has placed pressure on some project delivery programs. Prices grew strongly in the first half with price growth exceeding cost increases across the Victorian portfolio.

At Jackson Green, the first townhouse stages and the first apartment building were completed and settled during FY18. Several new stages of townhouses and the second apartment building are now under construction with further settlements expected during FY19. Construction of the first townhouse stages at St. A are well advanced with settlements set to occur in H1 FY19.

Williams Landing, a master planned community 20km west of Melbourne, continues to deliver on the Company's long-term vision with several new residential and commercial projects of scale advancing. Construction of the Target Headquarters is progressing well and is expected to be completed within both program and budget.

## Western Australia Highlights

Sales activity across the portfolio has experienced encouraging growth despite soft market and economic conditions. Both Karmara, within the inner south-east suburb of Piara Waters, and Millars Landing, within the highly competitive southern suburb of Baldivis, have achieved encouraging first year settlements. Karmara, comprising 131 lots is expected to be fully sold over the course of FY19 and Millars Landing, comprising 1,580 lots is expected to contribute to earnings over a 10-15 year timeframe.

Cedar Woods' involvement in the Mangles Bay Marina project in Rockingham came to an end in April following the Minister for Planning's refusal of the Metropolitan Regional Scheme (MRS) amendment. The Company expects to make a full recovery of its direct costs.

## Queensland Highlights

The Ellendale project in Upper Kedron, 12km from Brisbane, is continuing to progress well with strong sales results and price growth achieved through FY18. Construction is continuing with several stages underway and progressing in line with expectations. Ellendale is expected to be a steady contributor to Company earnings over a 7-8 year period. The planning process for the balance of the site is well progressed and the Company is confident of achieving a positive outcome.

The Company's first Queensland medium-density development known as Bexley has recently received a planning permit for the construction of 279 residential dwellings. The project is in the inner suburb of Woolloowin, a sought-after location close to two train stations, shopping centres and schools. The first release of townhouses is set to occur in Q2 FY19 with construction expected to commence during FY19.

## South Australia Highlights

The Company's first South Australian project, Glenside, was launched in H2 FY18 and has met with strong demand. The first stage of townhouses sold quickly and achieved record pricing for a medium-density project in Adelaide. The 16-hectare site is well located, 3km south east of the Adelaide CBD and is expected to deliver around 1,000 townhouses and apartments. Construction of the initial stages of townhouses is underway with the first settlements expected in late FY19.

Planning for the Port Adelaide project is well underway with the first sales release and construction commencement anticipated in FY19. The site is 14km north-west of the Adelaide CBD, 7km south of Adelaide's new submarine building precinct and only 1.5km from Semaphore Beach. The site is expected to yield around 500 dwellings with the majority being townhouses.

## Corporate

As Cedar Woods enters FY19, the Company is pleased to have launched a new logo and website as part of a refreshed corporate brand that presents the Company in a more contemporary light and demonstrates its commitment to operational excellence to support growth and drive efficiencies. Management continues to implement new technologies and systems that will provide a better platform for future growth. These include a new Customer Relationship Management system that was implemented in FY18, a planned implementation of an Enterprise Resource Planning (ERP) system in FY19 and generally progressing the digital transformation program.

## Company Outlook

The Australian housing sector continues to be supported by a low interest rate environment and population growth in each of the Company's key markets.

Conditions are positive in Queensland and South Australia where strong demand has been experienced for active projects. Western Australia remains subdued with further improvement expected over FY19. Market conditions in Victoria remain strong but have moderated with a reduction in investors and foreign buyers particularly evident.

Cedar Woods' projects in Victoria are predominantly moderately priced new housing product in high amenity locations. These projects are located in established suburbs that have limited competition and strong appeal to owner occupiers. The Company expects the Victorian projects will continue to trade well.

Cedar Woods has continued to experience strong sales across the portfolio, with a record level of presales to be carried into future financial years. Presales for FY19 and FY20 stand at more than \$320 million (excluding the \$58 million presale of Target) compared to \$260 million at the same time last year. A strong uplift in net profit is expected in FY19.

A number of new projects are expected to contribute to earnings in FY19, including the Target office at Williams Landing (Vic), 111 Overton Road & Lancaster Apartments (Vic), St. A (Vic) and Glenside (SA). A number of other projects in the portfolio are expected to contribute for the first time from FY20, providing a positive medium-term growth outlook.

**ENDS**