

# Full Year FY20 Financial Results

27 August 2020



# About Cedar Woods: Company Overview



- ▶ S&P ASX 300 property company; market capitalisation of ~\$420m
- ▶ Products: land estates, townhouses, apartments & commercial
- ▶ 9000+ lots in pipeline; 30 projects across VIC, SA, WA, QLD
- ▶ High amenity locations; often next to train stations
- ▶ Stable Board & Management with excellent governance structures and strong corporate reputation
- ▶ Outlook supported by good presales and quality portfolio

# About Cedar Woods: Strategy

To grow our national project portfolio, diversified by geography, product type and price point, so that it continues to hold broad customer appeal and performs well in a range of market conditions



## Geography

Good geographic spread of well-located projects in 4 states



## Product Type

Range of housing lots, townhouses, apartments and commercial



## Price Point

Wide range of price points offered throughout the portfolio

# About Cedar Woods: Strategic Priorities

## Financial Strength

Optimising performance through disciplined capital management, a commercial focus, cost minimisation and maintaining a strong balance sheet



### FY20 PROGRESS

Continued support from our 3 banks with facilities recently extended; Gearing at low end of target range; Significant facility headroom to fund growth

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## Earnings Growth

Pursuit of earnings growth is the key metric to achieve our primary objective of creating long-term value for our shareholders. This may be achieved organically, by mergers and acquisitions or through new business areas



Maintained growth mindset to capitalise on favourable buying conditions – 4 sites acquired in FY20

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## Operational Excellence

Being operationally strong and safe through renewed and integrated systems and technologies, and having a strong corporate brand with quality, sustainable projects



Developing leading, integrated systems to create efficiencies, superior controls, real time data, and workforce mobility; Strong safety record; Projects with excellent sustainability credentials

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## High Performance Culture

Creating a progressive, high-spirited work environment with strong staff alignment to values and objectives, where top talent work collaboratively and high performance is rewarded



Strong culture serving as a form of advantage; staff surveys demonstrating high satisfaction levels

# About Cedar Woods: Purpose, Vision, Values

Our **purpose** and **vision** have interconnected objectives:

- ▶ Reliable and growing income streams for investors;
- ▶ Quality housing or offices for customers;
- ▶ Vibrant communities for our customers to be part of;
- ▶ A high spirited and safe workplace for staff; and
- ▶ A loyal business partner to suppliers.

FY20 **Staff Survey Results:**

- ▶ 93% have clarity on our Vision, Purpose, Values
- ▶ 84% are satisfied / very satisfied with their role
- ▶ 88% would recommend Cedar Woods as a place to work



# About Cedar Woods: How we create value



## Property Acquisitions

### Disciplined approach to acquisitions:

- Tactical and research-based decisions to identify projects
- Rigorous assessment and conservative assumptions
- Structure contracts to minimise risks and optimise returns



## Development

### Research, design, planning and delivery:

- Sustainable designs that optimise quality, functionality, environmental outcomes and returns
- Collaborative approach with community and authorities
- Negotiate timely value-adding approvals
- Structure contracts to minimise risks
- Manage construction closely

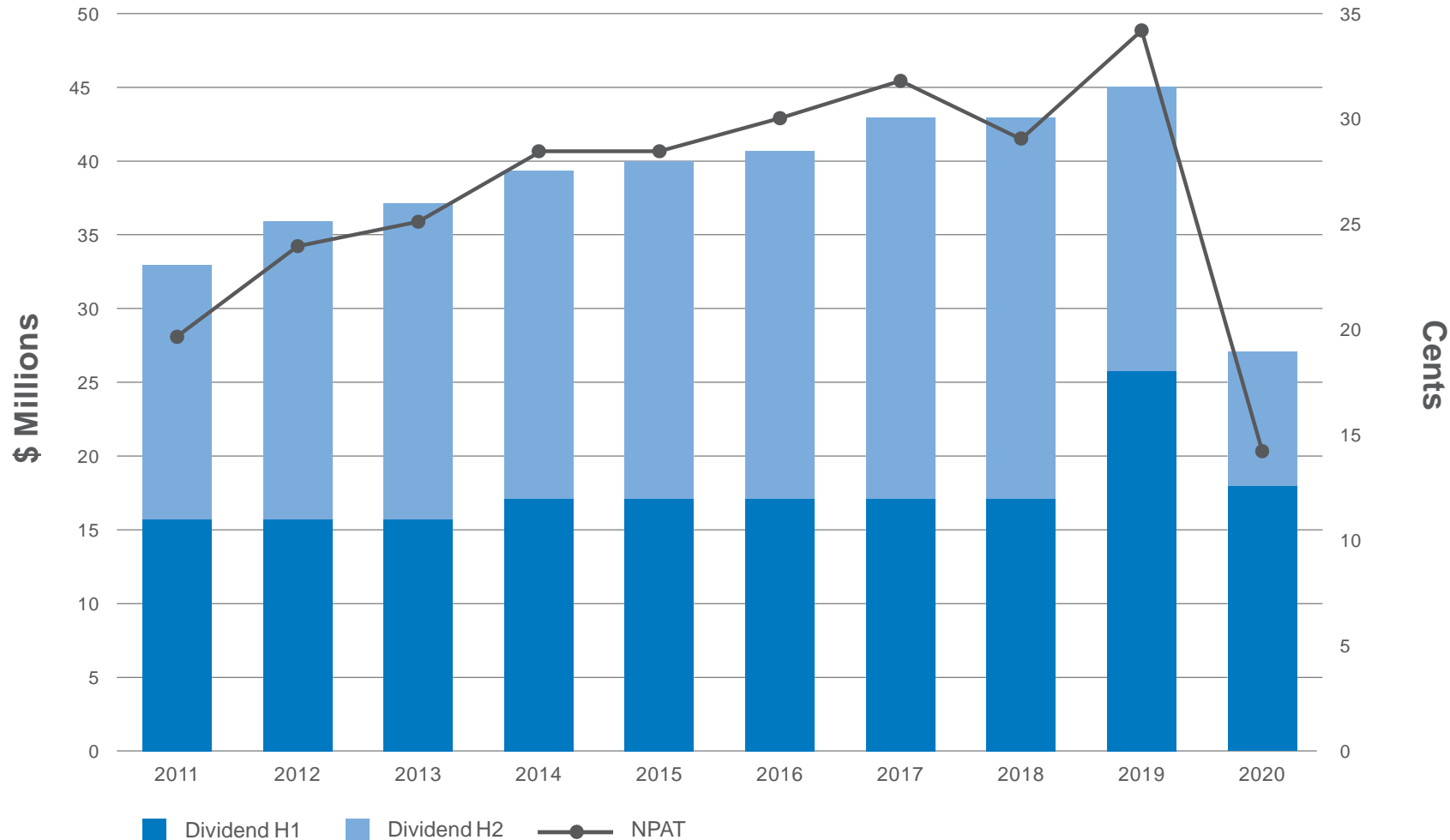


## Marketing & Sales

### Integrated approach to optimise results:

- Positioning projects to maximise demand
- Pre-sell to underwrite projects
- Quality brands and marketing material
- Lead generation and sales conversion
- Customer nurturing and referrals

# Financial: History of profits & dividends

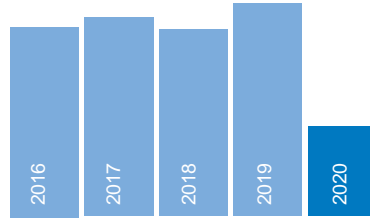


COVID-19 created soft sales conditions nationally in Q4 FY20 & social distancing requirements at construction sites, which caused the delay of a significant number of settlements from Q4 FY20 to Q1 FY21

# Financial: FY20 Full Year Summary

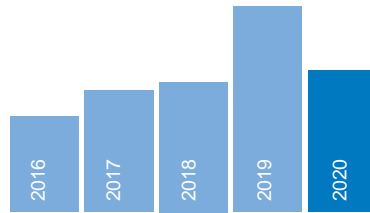
NET PROFIT  
AFTER TAX

**\$20.9m**



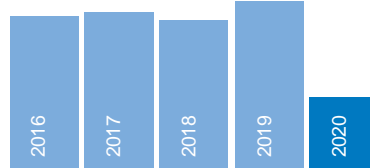
TOTAL  
REVENUE

**\$260.7m**



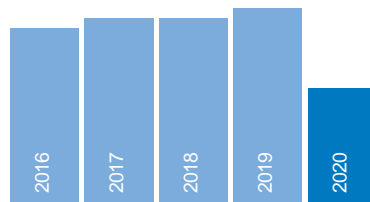
EARNINGS  
PER SHARE

**26.0c**



FULL YEAR  
DIVIDENDS

**19.0c**



RETURN  
ON EQUITY



**5.5%**

Below company  
benchmark of 10%

TOTAL  
SHAREHOLDER  
RETURN



**-2.4%**

Outperformed All Ordinaries of -10.4%,  
Small Industrials of -10.2%,  
Peer group average\* of -21.3%

PRESALE  
CONTRACTS



**\$360m**

↑ Up \$30m

NET BANKDEBT  
TO EQUITY



**38.1%**

At the lower end of  
target range of 20%-75%



# Financial: Balance sheet strength & access to funding

	30 June 2020	30 Jun 2019
Total assets (book value)	\$646.7m	\$571.7m
Net assets (equity)	\$378.7m	\$376.5m
Net tangible assets per share (book)	\$4.67	\$4.67
Net bank debt	\$142.7m	\$105.3m
Net bank debt to equity	37.7%	28.0%
Net bank debt to total tangible assets (less cash)	22.3%	18.9%
Finance facilities	\$235.0m	\$235.0m
Finance facilities headroom	\$68.7m *	\$101.2m
Interest cover (annual)	6.1 x	8.6 x

\* Increased to over \$85m at 31 July 2020.

# Financial: Outperforming peers & market indices

CWP's 3-year total shareholder return (FY18-FY20) is the standout performer when compared to ASX listed peers and relevant market indices

	Cedar Woods	Peer Group Average *	All Ordinaries	Small Ordinaries	Small Industrials	S&P ASX300	S&P ASX300 Industrials
<b>Ticker</b>	CWP	-	XAOAI	XSOAI	XSIAI	XKOAI	XKIAI
<b>TSR</b>	6.2%	(2.3%)	5.4%	6.1%	5.2%	5.2%	3.3%

\* Peer group average includes 6 ASX listed residential property developers.

# Our Portfolio: Summary

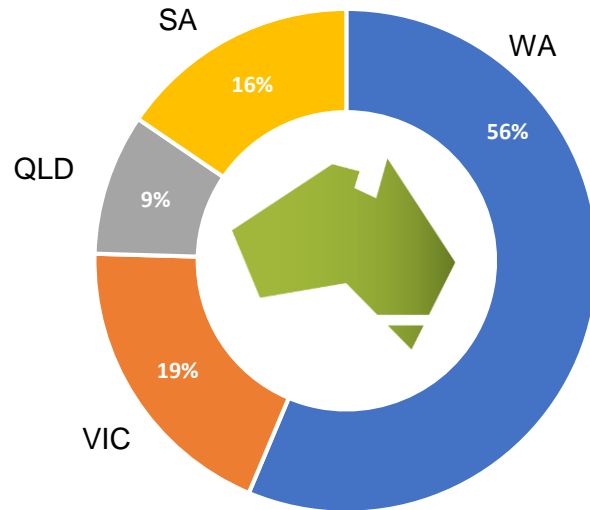


- ▶ 9,000+ lots/dwellings/units
- ▶ 30 projects across 4 states - VIC, WA, SA, QLD
- ▶ Land estates, townhouses, apartments & commercial projects
- ▶ High amenity locations & often located adjacent to train stations
- ▶ Projects positioned as quality developments within their respective markets

# Our Portfolio: Diversified by product & location

## Location

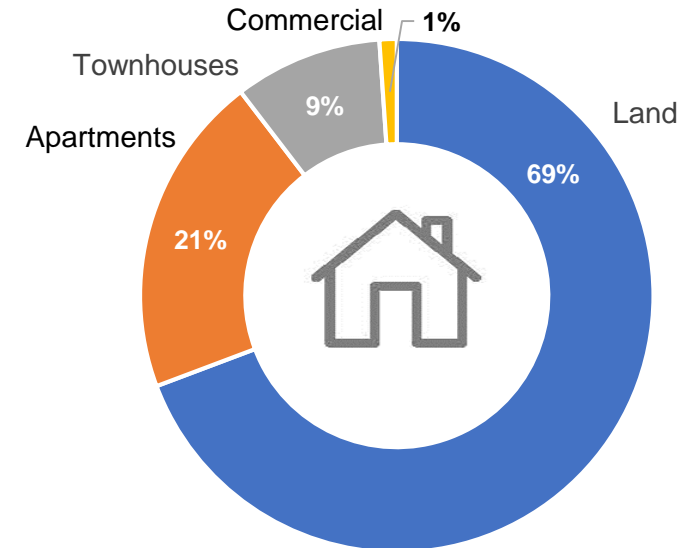
# lots/homes/offices



State	Lots/units	%
SA	1,396	16%
QLD **	818	9%
VIC *	1,724	19%
WA	5,079	56%
Total	9,017	100%

## Product Type

# lots/homes/offices



Product	Lots/units	%
Commercial *	98	1%
Townhouses	840	9%
Apartments	1,833	21%
Land **	6,246	69%
Total	9,017	100%

\* Excludes additional 17ha land in Williams Landing for future projects.

\*\* Excludes conditional acquisition in Queensland.

# Market Conditions: Property Sector

- ▶ Demand impacted by social distancing, low buyer confidence & economic conditions
- ▶ But impact on housing has not been as much as expected with median house price drops modest thus far
- ▶ Detached housing expected to perform better than apartments over FY21 & FY22
- ▶ Federal & State Government stimulus has significantly supported the housing sector, & in turn the broader economy
- ▶ Population growth, economic conditions & unemployment levels will continue to dampen demand in the short to medium term, but as we have seen with WA, stimulus can dramatically turn this around
- ▶ Sales fallovers are slightly elevated
- ▶ Low interest rates will continue to support demand

# Market Conditions: By State

## Market Outlook

### Melbourne

- Conditions currently subdued due to COVID-19 & social restrictions in place until mid-September
- State Government stimulus expected once restrictions ease
- Historical strength of population growth has meant that Melbourne has been impacted more than other cities
- Once international & national movement restrictions are eased, Melbourne will continue to be a popular destination for migrants & students.
- Dwelling commencements forecast to drop in FY21 & FY22

### Brisbane

- Qld is potentially the best placed state in the east to come out of COVID-19 strongly
- Land sales currently strong as supported by Federal Government stimulus
- Mining sector & relative affordability will continue to support this market
- Dwelling commencements forecast to drop in FY21 but grow in FY22
- Both detached housing & apartments forecast to grow in FY22
- Softer conditions likely in 2H as stimulus ends

### Perth

- Land sales currently strong as supported by Federal & State Government stimulus
- Relative affordability & strength of the local economy will continue to support this market
- Strength of mining sector helping employment & overall confidence
- Dwelling commencements forecast by HIA to grow in FY21 but fall in FY22
- Softer conditions expected in 2H as stimulus ends

### Adelaide

- Mature & relatively stable market with lower volatility than other state capitals
- Submarine & shipbuilding is expected to support economy from 2021
- Conditions currently subdued due to COVID-19
- Land sales relatively strong as supported by Federal Government stimulus
- Relative affordability will support this market
- Dwelling commencements forecast by HIA to fall in FY21 & stable in FY22
- Relatively strong non-first home buyer activity

## Cedar Woods' Experience

### Melbourne

- Forecast FY21 settlements largely presold
- Current restrictions expected to delay programs by 1-2 months
- Sales generally slow but sales strategies implemented have seen good sales at some projects in recent months
- Sales fallover rate slightly elevated

### Brisbane

- Enquiry & sales improved late in FY20 Q4 due to stimulus
- Pricing marginally improved
- Sales fallover rate slightly elevated
- Good mix of first home buyers, upgraders & investors
- Expecting softer 2H due to bring forward of demand and ending of stimulus

### Perth

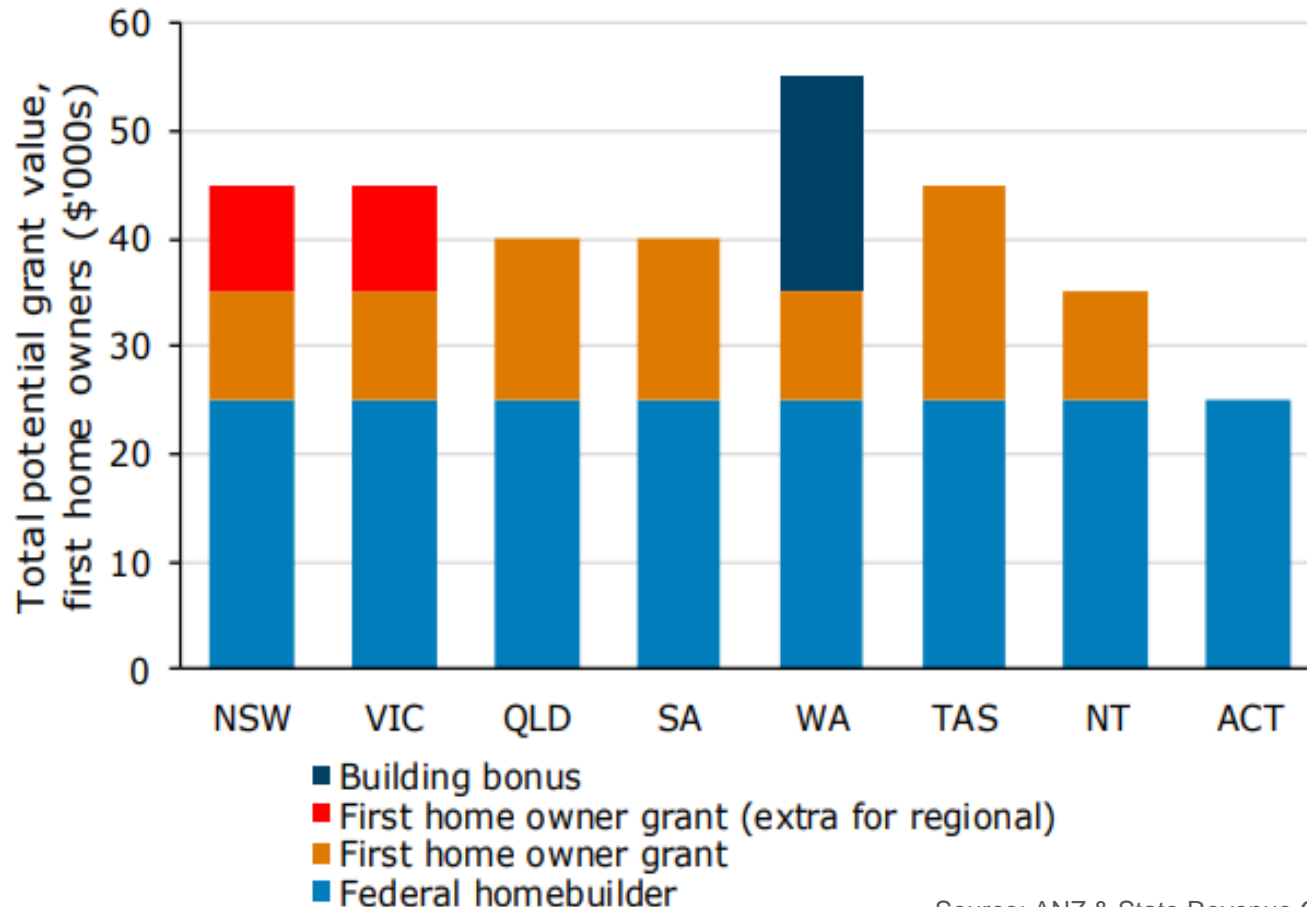
- Forecast FY21 settlements largely presold
- Most estates performing strongly with residual stock absorbed quickly over June & July
- New stages released to meet of demand
- Potential constraints include capacity of builders & lenders to process surge in demand
- Expecting softer 2H due to bring forward of demand
- First home buyers are the most active buyer type
- Net pricing improved due to strength of demand
- Sales fallover rate moderated

### Adelaide

- Forecast FY21 settlements largely presold
- Fletcher's Slip townhouse sales occurring at steady rate & in line with FY19 sales rates
- Glenside apartment sales occurring at steady rates
- New launch of townhouses in 1H expected to be positively received
- Social restrictions causing slight delays to delivery programs
- Sales fallover rate slightly elevated

# Government Stimulus: Property Sector

## Potential first home owner grants available, by state

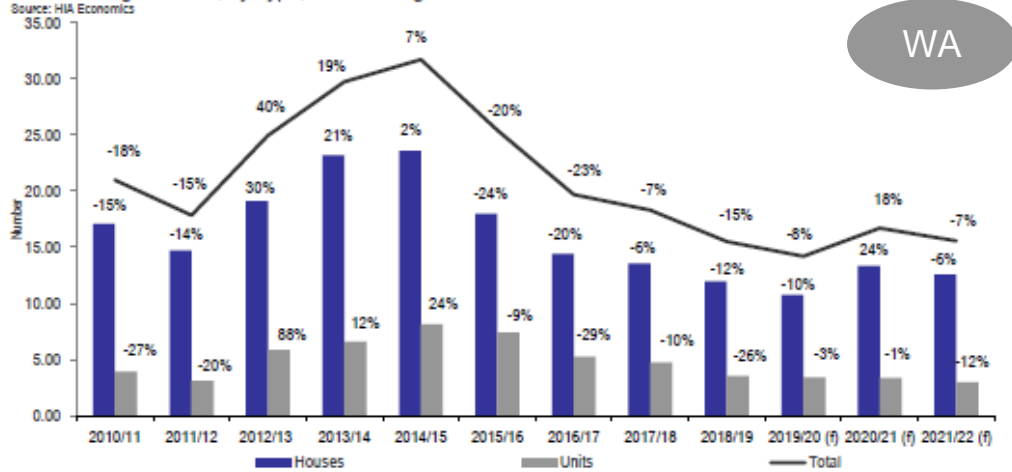


## HomeBuilder grant driving sales

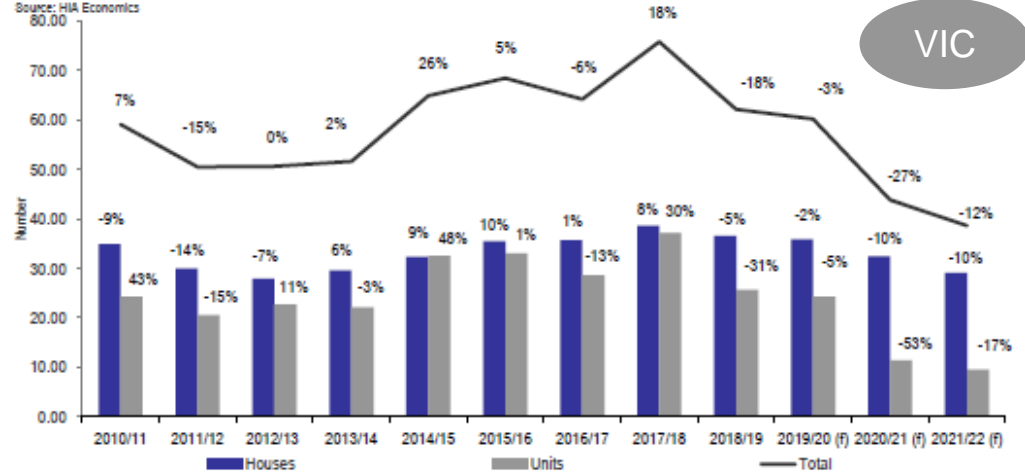
- ▶ Contracts to be signed by 31 December
- ▶ Construction to start within 3 months of contract (6 months in Victoria)
- ▶ New property value up to \$750,000
- ▶ Income eligibility \$125,000 individual, \$200,000 couple
- ▶ Increases affordability of CWP product at all estates in WA and a number of other projects in other states
- ▶ WA building bonus further stimulating sales in WA (no property value or income tests)

# Market Conditions: HIA's Outlook for Dwelling Starts (August 2020)

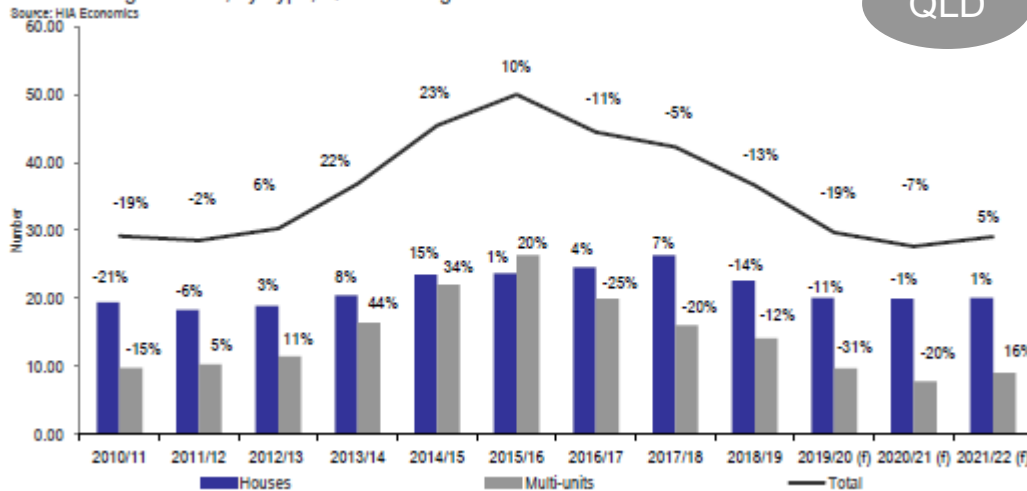
New Housing Forecast, by Type, WA Dwelling Starts



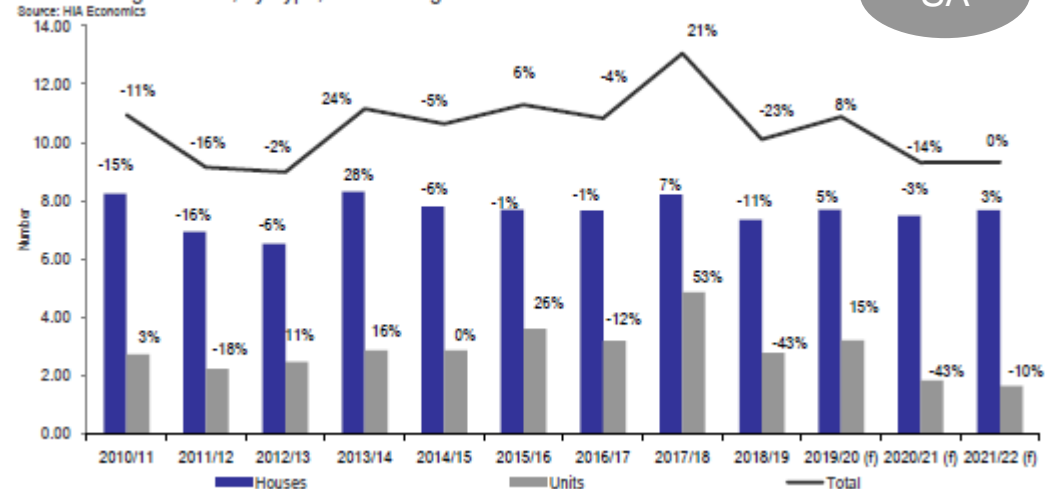
New Housing Forecast, by Type, VIC Dwelling Starts



New Housing Forecast, by Type, QLD Dwelling Starts

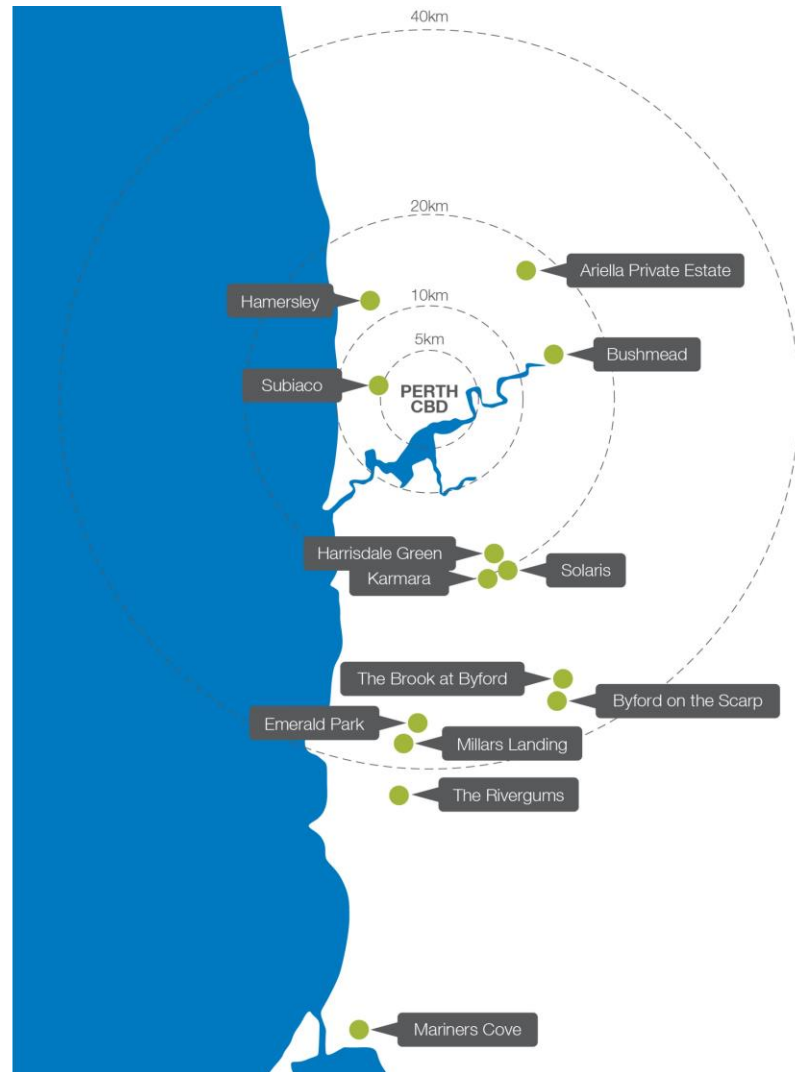


New Housing Forecast, by Type, SA Dwelling Starts





# Our Projects: Western Australia



- ▶ 14 projects, more than 5,000 lots / dwellings
- ▶ Projects catering for a range of buyer types
- ▶ Land subdivision, townhouses & apartments
- ▶ 2 new developments delivering first contributions in FY21, Solaris and Ariella (northern precinct)
- ▶ FY21 H1 strong sales resulting from stimulus
- ▶ Hamersley project secured subject to approvals

# Our Projects: Western Australia



## Bushmead

- ▶ 946 lots, 16km east of Perth CBD
- ▶ Premium market positioning, land price range \$180,000 - \$350,000
- ▶ Industry awards for excellence & strong sustainability credentials
- ▶ Established project with multiple stages completed & 6+ years remaining



## Subiaco

- ▶ 1.44 ha site, 4.5km west of Perth CBD
- ▶ Sought after inner suburb with strong relative performance
- ▶ Mix of townhouses and apartments proposed
- ▶ Development Application for townhouses in final stages of approval assessment
- ▶ Sales launch planned for late 2020

# Our Projects: Victoria



- ▶ 10 projects (4 currently at Williams Landing)
- ▶ More than 1,700 lots / dwellings / offices + 17 hectares of commercial / apartment sites
- ▶ Land subdivision, townhouses, apartments & commercial projects
- ▶ Challenging development conditions under Stage 4 COVID-19 restrictions in Victoria. Sales and settlements continuing at a slower rate

# Our Projects: Victoria



## Williams Landing

- ▶ Up to 10 years remaining project life
- ▶ Diverse mix of land, townhouses, apartments & commercial developments
- ▶ Numerous projects underway (apartments, commercial & residential lots)



## Jackson Green (Huntington Apartments)

- ▶ Huntington, 165 Apartments, 100% sold
- ▶ Under construction, completion expected mid 2021
- ▶ Apartment price range \$380,000 - \$700,000
- ▶ Includes disability housing

# Our Projects: Queensland



## Ellendale (Upper Kedron)

- ▶ 228 ha site, 12km west of Brisbane CBD
- ▶ 900 lots approved, over 360 lots now settled
- ▶ Price range \$266,000 – \$550,000
- ▶ Several stages settled in FY20
- ▶ Enquiries & sales consistent since onset of COVID-19



## Greville (Woolloowin)

- ▶ 3.7 ha site, 6km north of Brisbane CBD
- ▶ Mix of townhouses & apartments
- ▶ Close to two train stations, schools & shops
- ▶ Planning approval in place
- ▶ Sales launch was delayed due to COVID-19, now planned in H1 FY21

# Our Projects: Queensland



## Burpengary

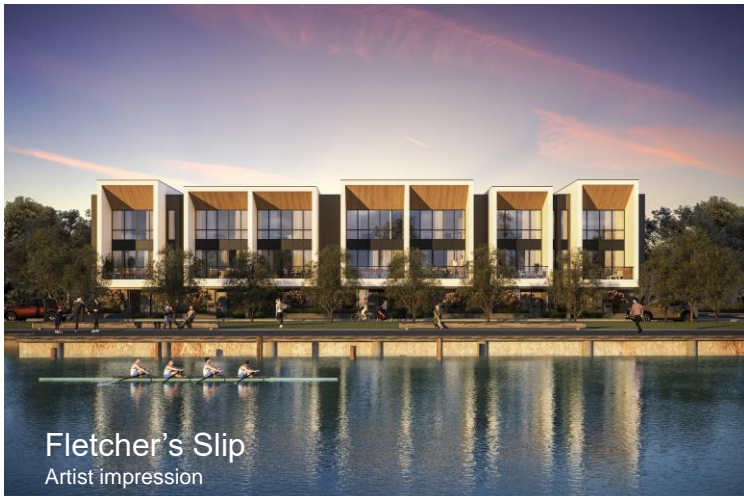
- ▶ 28.55ha site, 35km north of Brisbane CBD
- ▶ Located in the high growth area of Moreton Bay
- ▶ Conditional acquisition, subject to planning approval
- ▶ Planning application lodged for 326 lots
- ▶ Approx. 9ha, 35% of the site proposed for parks & environmental areas
- ▶ Lot sizes are expected to range between 225sqm & 699sqm

# Our Projects: South Australia



## Glenside

- ▶ 17ha, 3km from Adelaide CBD
- ▶ Around 1,000 dwellings - townhouses & apartments
- ▶ 8-10 year project duration
- ▶ 61 townhouses settled, first apartment building 50% settled in FY20
- ▶ Second building 50% sold in FY20 and under construction
- ▶ 3 industry awards for excellence



## Fletcher's Slip (Port Adelaide)

- ▶ 14km north west of the CBD
- ▶ Around 500 dwellings, mostly townhouses
- ▶ Adjacent to train station, close to submarine building precinct
- ▶ 64 townhouses sold, first apartment building being designed
- ▶ Site preparation works underway with first stage completion November 2020

# Outlook

Sector drivers of population growth, economic growth and unemployment are currently weak

Government stimulus is underpinning demand for housing however COVID-19 is expected to impact sales and potentially delivery programs over FY21

WA portfolio to continue to benefit from significant stimulus

Strong earnings growth over the FY20 result targeted for FY21

Outlook underpinned by pre-sales of \$360m, with two thirds to settle in FY21. Forecast FY21 settlements largely presold

Long pipeline of quality projects, many in high demand locations with low competition

Favourable acquisitions environment, with numerous projects being assessed



# The Cedar Woods investment proposition

- ✓ Stable & experienced Board & Management
- ✓ Track record of profits & fully franked dividends
- ✓ Well positioned to benefit from WA stimulus
- ✓ Portfolio diversified across geographies, product & price point
- ✓ CWP's TSR significantly outperformed direct peers & relevant indices



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# Appendix 1: Project pipeline

PROJECT NAME	CORRIDOR / LOCATION	PROJECT TYPE	LOT/UNITS PROJECT	LOTS/UNITS REMAIN	FY21	FY22	FY23	FY24	FY25	FY26
<b>WESTERN AUSTRALIA - PERTH</b>										
Mariners Cove, Mandurah	South	Residential Land and Townhouses	982	20						
Ariella, Brabham	North East	Residential Land	877	427						
The Brook at Byford	South East	Residential Land	428	208						
Rivergums, Baldivis	South	Residential Land	1,411	325						
Byford on the Scarp	South East	Residential Land	276	146						
Karmara, Piara Waters	South East	Residential Land	153	20						
Solaris, Forrestdale	South East	Residential Land	310	310						
Bushmead	East	Residential Land	946	648						
Millars Landing, North Baldivis	South	Residential Land	1,553	1,474						
Pinjarra	South	Residential Land	1,080	1,080						
Subiaco	Inner East	Townhouses and Apartments	111	111						
<b>WESTERN AUSTRALIA - "JV" PROJECTS</b>										
Cedar Woods Wellard (Emerald Park)	South	Residential Land	665	56						
Batavia Coast Marina Apartments	Mid-West	Apartments	54	2						
Harrisdale Green	South East	Residential Land and Townhouses	465	252						
				5,079						
<b>VICTORIA - MELBOURNE</b>										
Carlingford, Lator	North	Residential Land	580	51						
St A, St Albans	North West	Townhouses	254	189						
Jackson Green, Clayton South	South East	Townhouses and Apartments	413	128						
Jackson Green, Clayton South	South East	Huntington Apartments	165	165						
North Melbourne	North West of CBD	Townhouses	15	15						
Wollert	North	Residential Land	543	543						
Williams Landing	West	Residential Land, Townhouses, Apartments	2,344	264						
Williams Landing	West	Lincoln Apartments	69	69						
Williams Landing	West	101 Overton Road Strata Offices	74	37						
Williams Landing	West	Future Apartments / Offices / Townhouses	263	263						
Williams Landing	West	Commercial (17 hectares)	-	-						
				1,724						
<b>QUEENSLAND - BRISBANE</b>										
Wooloowin Residences	Inner North	Townhouses and Apartments	281	281						
Ellendale, Upper Kedron	North West	Residential Land	900	537						
				818						
<b>SOUTH AUSTRALIA - ADELAIDE</b>										
Glenside	Inner South East	Townhouses and Apartments	877	816						
Botanica apartments, Glenside	Inner South East	Apartments	77	39						
Grace apartments Glenside	Inner South East	Apartments	44	44						
Fletcher's Slip, Port Adelaide	North West	Townhouses and Apartments	497	497						
				1,396						
<b>TOTAL GROUP</b>				<b>9,017</b>						

The project pipeline excludes conditional acquisitions and Lots/units Remain relates to unsettled lots/units

