CEDAR WOODS PROPERTIES LIMITED
Annual General Meeting 4th November 2020
CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR'S ADDRESS

William Hames, Chairman

Good morning and thank you for joining us for Cedar Woods' 2020 Annual General Meeting. My name is William Hames & I am the Chairman of Cedar Woods.

As it is now after 10.00 am and as a quorum is present, I formally declare the meeting open.

This is the first time that Cedar Woods has held a virtual AGM and I welcome all our shareholders who are joining us through the web platform.

<u>Agenda</u>

Turning to the agenda, I will provide a recap of our performance and highlight some of our other achievements in the 2020 financial year.

We will then hear from our Managing Director, Nathan Blackburne, who will review our property portfolio, provide some insight into the first quarter of FY2021 and touch on our outlook.

Finally, I will return to open the formal proceedings, as set out in the Notice of Meeting.

Shareholders using the LUMI platform will be able to vote at any time on today's shareholder resolutions, until I close the voting at the end of the meeting. If you have multiple holdings and wish to vote each one, then you will need to process each one separately. Voting is now available.

Shareholders will also be able to submit their questions in writing on the LUMI platform at any time until the end of the meeting. If you have questions I encourage you to submit them as early as possible, because we have a moderator in place who will receive the questions and provide them to me. We have a long agenda and limited time, and may not be able to answer all questions. If you do have a question, it will help us if you can note the particular resolution to which it relates, unless it is a general question.

This session is being recorded and an audio webcast of today's presentation will be available via the ASX and our website after the meeting.

The Notice convening this meeting and related documents have been made available to shareholders on our website. I propose the Notice be taken as read.

The minutes of the previous General Meeting of members have been signed by the Chair in accordance with the Corporations Act, and have been placed in the Shareholders' Minute Book.

Chairman's Address

I would like to welcome my fellow Directors, Nathan Blackburne our Managing Director and members of our executive team who are with us today.

Delivering FY2020 results

Let's briefly review the financial highlights for 2020. As you are aware the company's results were impacted by the global pandemic:

- We achieved a net profit after tax of $20.9 million down 57% on last year's profit, with
    - Earnings per share of 26.0 cents,
    - Full Year fully franked dividends of 19 cents,
    - Return on Equity of 5.5%, and
    - A Total Shareholder Return of -2.4%.
- The major reason for the reduction in profit was that revenue was down 30%, reflecting the impact of COVID 19, in particular the deferral of settlements into FY21
- These results were disappointing for us and our shareholders but in the circumstances of a global pandemic we have fared a lot better than many others.
- Presales stood at $360m, up $30m on the prior year.
- I am also delighted to report that we have begun the 2021 financial year strongly, increasing presales to $454 million at the end of the first quarter, inclusive of Q1 settlements. This compares to $409m at the end of the first quarter of FY20 and provides a strong platform for the financial years ahead.

And the company's balance sheet remained strong, with gearing at 38%, at the lower end of our target range of 20 – 75% and has reduced further since the end of the financial year, putting us in an even stronger position.

Relative company performance

Let's have a look at the company's performance over the last year 1, 2, 3 and 5 years relative to peer group and the ASX 300 index.

In terms of share price performance, stock markets continue to be volatile and Cedar Woods was impacted by this during FY20 with the share price dipping significantly in response to the pandemic.

Since then we've seen improving sentiment on markets globally, and locally towards property stocks as the markets anticipate a national recovery in housing, in part supported by government incentives.

We closed yesterday at $5.73, on a historical PE ratio of 22, reflecting the market expectations of improving property markets and a recovery in earnings.

In terms of Total Shareholder Return, or TSR, our performance again was impacted by the pandemic but it's interesting to see how we have performed relative to various benchmarks and the peer group.

Across virtually all time periods shown in this table, our TSR outperformed peer companies and the ASX 300. Our TSR for FY20 was 16% higher than the average of 6 peer companies and 5% higher than the ASX300.

This is something we are proud of and is explained by our strategy, the quality of our portfolio and the job that management is performing.

Accordingly, Cedar Woods has continued to enjoy strong interest from new and long-standing shareholders.

<u>Our strategy</u>

Our strategy is to grow our national portfolio, diversified by geography, product type and price point so that it continues to hold broad customer appeal and we can perform well in a range of market conditions.

This strategy is a key differentiator for our business. We are not exposed to a single market or single product type.

In line with our strategy, we have a presence in WA, QLD, VIC and SA, with a growing number of well-located projects in each state, and in FY20 we continued to produce revenues and profits in all 4 states in which we are operating.

We have over 30 projects with over 8,600 lots, a substantial pipeline to support future earnings.

During the recent lockdowns our strategy was tested and your Board believes that the strategy is sound. However, we are always thinking about any long terms shifts in consumer preferences and how we might be able to take advantage of these.

We are confident in our future. As you have seen recently, we continue to invest with strategic acquisitions, which our Managing Director will tell you more about.

<u>Social responsibility - ESG</u>

Last year I talked about the active role Cedar Woods plays in both the business community and the residential communities it creates.

This year we have gone a little further in explaining our activities, and for the first time we provided an ESG (Environment, Society, Governance) report in our annual report.

Environmental issues, including climate change, are a challenge affecting society globally and we must address them collectively to preserve our planet for future generations. We have published a new Environmental & Climate Change policy and are working to further adjust our strategy to the inevitability of climate change.

We are creating communities that will continue to exist well into the second half of this century and we are reviewing and refining our strategy with respect to the places and products we create, to make them fit to face the challenges of climate change, and indeed the opportunities that may present.

Board renewal

Independent Director Ron Packer is due to retire by rotation at today's Annual General Meeting and is not seeking re-election to the Board.

He has been with the company for more than 14 years, during which time he chaired all of our committees and has brought his independent judgement and wisdom to hundreds of meetings over that time. He will be missed by us all.

Accordingly, today at least, the Board wishes to sincerely thank Mr Packer for his long service to the Company and wishes him well in his retirement.

I am happy to report that the Board is well progressed with the recruitment of a new independent director, who might already have been on the Board had it not been for the pandemic, which has prevented us from meeting some candidates in person, and we hope to make an announcement on that matter later in the financial year, if conditions allow.

Close

On behalf of the Board, I would like to congratulate Cedar Woods' management team and all employees for their performance and endeavours in what has been a difficult 2020 and for placing us in a solid position going forward into 2021. The Board acknowledges their hard work and thanks them for their efforts. I would personally like to thank my Board colleagues for their continued engagement and enthusiasm over the past year.

Finally, I would like to thank our shareholders for your ongoing support.

May I remind shareholders, in case any joined us late, that you can vote on the shareholder resolutions at any time in the meeting, and send your questions, using the LUMI platform.

Agenda

I will now hand over to our Managing Director, Nathan Blackburne.

Nathan Blackburne, Managing Director,

Managing Director's Review

Thanks William and good morning everyone.

I'm going to provide an overview of the year's activities, challenges and achievements and then provide some commentary on the outlook.

FY20 Overview

What an extraordinary year we have all had, one which bred plenty of challenges for our sector but also provided incredible opportunities.

Throughout this more recent difficult period we have been disciplined in maintaining a longer term outlook by continuing to invest in our business and in making acquisitions.

We know that this is a time where strong companies can come out even stronger and over the medium term this is certainly our aim.

I'm very happy with how we came together as a board and executive team in dealing with COVID 19. It may sound strange but rallying together as a team to fight our way through this, & accelerate out of it, has brought us all together even more & emphasised what a great company we have.

We've got a robust strategy that COVID has confirmed again is the right one for us. Our diversification sets us apart from the peer group and helps explain our superior performance.

We've got quality projects that are winning awards and plenty of customers moving into new homes that they are very proud of, and indeed that we are proud of.

We are leaving a legacy and innovating with our projects. Our townhouse development strategy is a great example where we have innovated and created a niche for our business, which is paying dividends.

We are playing an active role in the communities we operate within and are regarded for what we give back and the environmental credentials of our developments.

And finally, our people, which are doing a great job in creating value from the assets we have, and in acquiring new ones. We value an enjoyable workplace, one which is spirited and driven.

Update on progress with our Strategic Priorities

On **Financial Strength** - The FY20 financial result was impacted quite heavily as you have seen, but the settlements that were delayed have now taken place & we have crafted a position for ourselves with a strong balance sheet & healthy presales.

We have had strong performance relative to peers and indices over short, medium and long term timeframes and I too am proud of this.

We have continued to receive strong bank support, our gearing is at low end of target range and we have the capacity to fund growth.

On **Earnings Growth**, we maintain a growth mindset to capitalise on favourable buying conditions – 5 sites were acquired in past 2 years. This won't be a snap back in profit though - it will take a little time for us to recover but we are doing all we can to accelerate this.

In terms of Operational Excellence - which is being operationally strong & safe, with quality projects - we have had some meaningful outcomes.

In FY20 we completed the implementation of new financial systems & we now have a strong platform from which to scale up the business.

We've got stronger controls, real time data, better integration and a system that allows us to automate previously manual tasks.

We had a greater focus on sustainability, the outcomes of which are set out in our enhanced ESG report.

Customer surveys during FY20 have shown high levels of satisfaction across the projects surveyed.

On High Performance Culture I'm happy with the workplace outcomes we've achieved and the plans we have in place particularly around training and career development.

Projects Update - Glenside

Thoughtful and well-designed projects are key to our approach and, to give you some insight to this, I wanted to show two projects we are working on.

In South Australia, where we have 2 projects, Glenside is only 3km from the city and will deliver 1000 townhouses and apartments over its 17ha. This is a substantial development that is proving successful and fits with our business model neatly.

In FY20 we completed the Botanica apartments and started construction on Grace apartments for which sales have been good.

A few weeks ago, we launched a new stage of townhouses at Glenside, for which these are the designs, and the sales have been excellent. The average price of these was around $1m, which is more than double the Adelaide median home price.

<u>Incontro, Subiaco, WA</u>

Following are some images of our Incontro Subiaco development. This project will deliver a mix of townhouses & apartments on a former TAFE site & it's really smartly designed. We are bringing to Perth the model we have developed up and delivered on so successfully on the east coast.

Demolition of the old TAFE buildings will start in a few weeks and construction will start after that early 2021.

The architecture and integration of the landscaping is smartly designed and positions this multi- year project well.

<u>Incontro, Subiaco, WA</u>

Here are some more images of the Subiaco townhouses - which are appealing to two buyer profiles - downsizers and young professionals.

Enquiry in the project has been really strong & the project is currently being launched.

<u>Market Conditions: Property Sector</u>

Demand has been impacted by several factors arising from the pandemic, including social restrictions, low buyer confidence, weak economic conditions, and suspension of immigration.

But impact on housing has not been as much as expected with median house price drops modest thus far and this really has been a prevailing theme of economic impacts to date.

The drop in supply of new housing around the country from 2019 & pent up demand in some states is actually cushioning the blow somewhat from COVID 19.

Federal & State Government stimulus too has significantly supported the housing sector, & in turn the broader economy.

WA stimulus dramatically turned around the soft conditions we had in April and May resulting in a period of very strong sales from June-August 2020. This has supported our recovery and ultimately accelerates it.

We await the announcement of housing stimulus in Victorian as restrictions progressively ease. We expect that further stimulus there will generate good sales for our business.

Longer term we expect conditions to progressively improve as unemployment drops, national borders are reopened and state economies get back on their feet. Of course there will remain uncertainties particularly to the point where a vaccine becomes widely available.

Market Conditions: By State

Conditions of course vary from state to state with the common themes being those I talked through on the previous slide.

The housing industry in **Melbourne** as you would expect has experienced difficult conditions. As a general theme, the restrictions impacted demand and delivery timeframes at some projects for an extended period. Remarkably, some of our projects there have still generating good sales, even in lock down.

We expect delays at the apartment projects but land estates and townhouse developments shouldn't experience significant delays.

Brisbane is arguably the best placed east coast city to recover quickly and for the housing sector to perform. This will be driven by a few factors but mainly by relative affordability and the performance of the Qld economy. Our Ellendale land estate in Brisbane has been performing well with steady sales and pricing.

Perth has seen extraordinary sales, which has enabled us to sell residual stock and bring forward future stages and this is mainly due to the generous stimulus on offer but also the relative affordability of housing.

It has been pleasing to be able to wind back some of the incentives that have been in place for years and start to improve margins. We think it is fair to assume sales will slow for a period, once the incentives end.

Adelaide is a mature and much more stable market with a history of much less volatility than other capitals. Sales have been steady there in recent months with sales coming mainly from non-first home buyer profiles. It was certainly slow for us for a few months particularly over March to June.

Acquisitions

A key element of our strategy is to acquire sites in order to support future earnings. We have made 5 acquisitions in the past 2 years, refocused internal resources towards growth activities & are intending to make the most of what we see as favourable buying conditions.

The number of opportunities has certainly elevated noting that development finance is difficult to secure for many developers.

We will continue to target well located infill and urban fringe sites.

Outlook

Uncertainty remains over the depth & duration of the economic downturn due to COVID-19 & the outlook for property markets is dependent upon the level of ongoing government support & the timing of re-opening of state & national borders.

Cedar Woods remains in a strong position with $454 million in presales expected to settle over FY21 to FY23. Subject to the continued ability of federal and state governments to effectively manage COVID-19 and overall market conditions, the company is targeting strong growth on FY20 earnings for FY21.

Cedar Woods remains well placed for the medium term with more than 8,600 undeveloped lots/units in its development pipeline across four states, maintaining the ability to respond quickly to improved market conditions.

The Company considers that current conditions represent a strong counter-cyclical buying opportunity and continues to assess potential acquisitions that are anticipated to supplement the portfolio in future years.

For further information:

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