



CEDAR WOODS PROPERTIES LIMITED
Annual General Meeting 2nd November 2022
CHAIR'S ADDRESS AND MANAGING DIRECTOR'S ADDRESS

William Hames, Chairman

Good morning and thank you for joining us for Cedar Woods' 2022 Annual General Meeting. My name is William Hames & I am the Chair of Cedar Woods.

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

I would like to begin by acknowledging that this meeting is being held on the traditional lands of the Noongar People from the Whadjuk region. I would also like to pay my respects to Elders past & present.

I welcome all our shareholders who are joining us in person today, or through the web platform.

Agenda

Turning to the agenda, I will provide a recap of our strategy, highlight some of our financial achievements in FY22 and comment on the share price.

We will then hear from our Managing Director, Nathan Blackburne, who will provide an overview of FY22 and our progress in ESG, showcase some of our projects, comment on market conditions and finally comment on our outlook.

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

Voting on all resolutions will be conducted by way of a poll.

Shareholders will be able to submit their questions in writing on the Open Briefing 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 resolution to which it relates, unless it is a general question.

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

The Notice convening this meeting & 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 and have been placed in the Shareholders' Minute Book.

Chairman's Address

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

Robert Brown, Valerie Davies, Jane Muirsmith, Paul Say and Nathan Blackburne

Paul is based in Sydney & is joining the meeting by telephone.

Our strategy

I wanted to recap on our strategy because it's key to our success.

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

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

We have a variety of products & projects that attract different buyer profiles.

FY22 saw lower first home buyer numbers & higher investor numbers, with investors capitalising on the low vacancy rates and rising rents. Downsizers & upgraders also featured strongly across our portfolio.

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, & in FY22 we continued to supplement our project portfolio with some strategic new acquisitions.

FY22 Financial Summary

Let's briefly review the financial highlights for 2022.

In FY22 we were able to deliver good return metrics for our shareholders.

The following outcomes were achieved:

We settled 955 lots, which generated \$333m in revenue

- This resulted in an NPAT of \$37.4m, up 13.9% on last year
- EPS was 45.7 cents, up 12.3%,
- Full Year, fully franked dividends were 27.5 cents up 3.8%; &
- The Return on Equity was 8.9%, up from 8.2%.

Revenue improved, reflecting the ability of our diversified portfolio to respond to improved market conditions & the stimulus.

The company's balance sheet remained strong, with gearing at 47%, at the lower end of our target range of 20 – 75%.

We ended the year with \$500m in presale contracts, up \$22m on the prior year, & a record for the business at year end.

So, overall, a year of good growth, & later Nathan will talk to you about our expectations for this year.

Share Price Information

On our share price, I wanted to explain the dynamics at play.

History shows there is a negative correlation between interest rate movements & the price of property stocks. In the rising interest rate environment, ASX listed property companies generally experienced downward stock price pressure in FY22.

The S&P ASX200 REITS index declined by more than 15% over the year to 30 June 2022 & residential developers like Cedar Woods were generally harder hit, noting the impacts that increased borrowing costs have on new housing sales. This of course has coincided with material increases in general living costs.

Another factor impacting our share price was our exit from the ASX300 index in March. This came about due to the concurrent rise in the price of commodities companies & the decline in property stocks. Falling out of the index meant the index funds had to sell. Of course, returning to the ASX300 remains a key objective of ours.

Notwithstanding the reduction in our share price, we have delivered strong growth in earnings & dividends over the last 2 years. And our sector also continues to have strong fundamentals, including a housing supply shortage, strong employment & inbound migration.

As interest rates stabilise & these sector tailwinds continue, we expect sentiment to return in favour of listed property companies.

Agenda

On behalf of the Board, I would like to thank Cedar Woods' management team & all employees for their endeavours in what has been a rewarding yet challenging 2022 & for placing us in a solid position going forward into 2023. 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.

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 & achievements, review some of our projects & then provide some commentary on the outlook.

I also wanted to acknowledge the Traditional Custodians of the land from which we are presenting to you today, the Noongar People from the Whadjuk region.

FY22 Overview

We delivered strong profit growth in FY22 & I'm pleased that we've managed to deliver good distributions for our shareholders, & to be dependable in terms of dividends. These returns are evidence of the diversity & quality of the portfolio we've assembled.

We have a solid bank of presales, which we are busy delivering, & these give us a great head start to FY24, though noting that sales have slowed since interest rates started rising.

Operationally, it's fair to say that FY22 was fairly challenging and this state persists into FY23 with major weather events, labour shortages, rising interest rates & a construction sector that is still processing significant volumes of work.

Day to day this has meant program delays across several projects & projects generally being more management intensive, but our staff have done an excellent job working to address the challenges that were presented.

There has been a competitive environment for talent. Having a strong workplace culture, compelling value proposition & flexible working practices have all helped us compete & our engagement surveys are producing strong results.

We continued our investment in systems & technology, further creating a source of advantage for us. We have stronger controls, a higher security posture & are better extracting & analysing data from our business in support of our product design & sales & marketing strategies.

I'm happy with the state & status of the portfolio that we've assembled. The additions made during FY22 sees us now with 34 projects & a pipeline of over 10,300 lots. This provides a substantial pipeline to support future earnings.

ESG

This year we continued to implement our enhanced ESG strategy.

The strategy builds on our enviable track record on sustainability and social responsibility over nearly 30 years.

Our efforts on environmental, social & governance issues are not separate from our operating & financial performance. We see these things as inextricably linked.

The efforts we make in these areas create shareholder value.

Our long-established Community Grants Programs for example, creates goodwill & connection with the communities we operate in. Supporting grass roots clubs & organisations enriches these communities, creating a better environment for our customers to live & thrive in.

The sustainability initiatives we deliver at our projects, reduce operating costs, improve liveability & attract buyers. The electric vehicle charging stations & solar powered communal areas at many of our apartment projects for example have immediate positive impacts.

Providing specialist disability accommodation in an increasing number of our apartment projects has occurred in the past 2 years. The shortage of suitable disability accommodation nationally is something we are keen to make greater contributions towards.

Our national partnership with The Smith Family continues. Smith Family is Australia's leading children's education charity & this cause is dear to us & is a step towards breaking the perpetuation of disadvantage.

New Housing Sector Conditions

I now wanted to talk on market conditions.

The key factors that determine property market conditions include broader economic conditions, employment levels, population growth, interest rates, sentiment & supply.

Rising interest rates, inflationary pressures, & the resultant drop in sentiment, have created headwinds for the sector & this was evident with our Q4 FY22 & Q1 FY23 sales which were lower.

And we expect weaker sales to persist over FY23, with recovery expected in FY24.

There have been adverse weather conditions in QLD & VIC which has slowed progress across the industry & resulted in delays to some of our stages, but the project teams are working hard to make up ground where they can.

I expect we'll see some divergence in the performance of our various jurisdictions with the more affordable markets especially WA which is relatively well priced & therefore likely to outperform.

In fact, there's a good case to say that the downturn in sales will be fairly short lived & there are a few reasons for that:

There are many positive fundamentals especially in the strong economic conditions & employment market we are experiencing

Inbound migration has rebounded & we are starting to see the effects of that across the industry

Households on average are in a strong position to withstand interest rate increases due to job security, wage growth & savings

We expect investor demand for property to be fairly strong driven by attractive yields with the low supply of rental stock & rapidly rising rents

And finally, there is limited supply of new housing across most product types and jurisdictions.

We think the combination of these factors will put a floor on values & volumes & we'll see good conditions in FY24, surprising markets in timing and pace of recovery.

New Housing Supply Constraints

It's worth talking a little more on the supply constraints.

The shortfall in new dwelling supply is widespread & can't be addressed quickly. The shortfall will persist for several years in our view as it will take time for projects to be approved & delivered to address it.

These charts show the number of apartments launches & commencements on the eastern seaboard in the last 10 years, as you can see the numbers have been dropping for some time.

Many approved projects aren't being delivered due to construction sector capacity limitations & costs.

Development finance availability is also restricting supply, with the major banks restricting lending over the past 2 years.

As population growth returns & investor demand remains high, supply shortfalls across most product types & geographies will intensify.

Those with supply that is ready in 2023 & 2024 are expected to benefit with apartments & townhouses especially expected to perform as commencements for these product types are well down on requirements.

Population Growth

Some good news for our sector is the strong increase in migration. Net inward migration was the strongest on record - 96,000 net arrivals in the first quarter of 2022.

The deficit in skills across the nation will ensure that pressure is there to keep intake levels up.

Interstate migration continues to benefit Queensland, WA & South Australia where Cedar Woods has a significant presence.

Student visas are also increasing strongly all supporting the need for more housing.

This population growth supports both aggregate demand in the economy & the new housing sector.

Earnings Growth: Acquisitions Activity

To support future earnings, in FY22, we maintained a growth mindset acquiring 6 sites across the nation.

In Melbourne we acquired land that will yield nearly 800 lots in the busy NW growth corridor & an apartment site at Southbank close to the CBD.

In Perth we supplemented our landbank in the north with land that will yield over 1,500 lots & acquired a small infill site in Rockingham.

With capacity in the portfolio to achieve our short & medium-term earnings growth targets, we are now concentrating on delivering these projects.

Projects Showcase

Well-designed & sustainable projects are key to our approach & to give you some insight to this, I wanted to show some of the projects we are working on.

Rivergums, WA

The Rivergums project commenced 2 decades ago & has been a steady performer through a number of property cycles. This is a major master planned estate in the locality of Baldivis, with over 1,400 lots.

It was pleasing to see that the forward planning & sustainability initiatives that have gone into the estate were recently recognised by the Urban Development Institute in WA which awarded the Rivergums the Judges' Award for design, amenity, sustainability, heritage & community initiatives.

Eglinton, WA

Eglinton is an 86-hectare site in Perth's north-west growth corridor that we acquired in FY22.

This new community will be conveniently located 500 metres from the near-complete Eglinton train station.

The estate will have 1200 lots over several neighbourhoods and is expected to contribute to earnings over 11 years from FY24.

The first stage approvals have been secured & we are gearing up for project launch.

Boston Commons

Boston Commons strata office project in Williams Landing, Victoria has benefitted from post pandemic interest in suburban offices. The project, comprising of 77 office suites & ground floor retail is 90% sold with construction set to commence in the coming months.

The depth of interest in this product has allowed the Company to increase sale prices by an average of 25% compared with the previous Williams Landing strata office building & these price increases have balanced construction cost increases.

Outlook

Now to comment on the outlook.

There are solid fundamentals supporting the housing sector – a strong economy, low unemployment, job security & wage growth. These are the factors we look to in determining condition for the new housing sector.

However rising interest rates & inflation are impacting sentiment & therefore sales are expected to continue to be lower over FY23.

A relatively short interest rate cycle is expected with rates peaking in FY23.

A number of factors gives us confidence that demand for new housing will rebound.

Supply constraints, combined with migration increasing & strong investor demand, will put a floor on pricing & sales volumes and we expect to see a solid turn around for the sector in FY24.

Our outlook is underpinned by pre-sales of \$514m, partially de-risking future earnings

Continued growth in earnings is expected for FY23. Earnings will be significantly weighted to the second half due to the timing of stage settlements.

On Tuesday we announced that the company will market the Williams Landing Shopping Centre (WLSC) for sale in an open market process.

Earnings for FY23 may be increased by the sale of the Williams Landing Shopping Centre, however the timing & proceeds from any sale is uncertain.

The Company's outlook is subject to market & construction sector conditions.

Finally, our national pipeline of more than 10,300 dwellings, offices & lots, many in high demand locations with low competition, positions the Company well for the future.

I'll now hand back to our Chairman.

Authorised by: Cedar Woods Board of Directors

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