OPERATIONAL UPDATE

12 JUNE 2023

- Full year forecast NPAT for FY23 revised to approximately $30 million, subject to the timing of settlements
- Presales of more than $500 million at the end of Q3 ($600 million pcp), representing a strong number for the business
- Williams Landing Shopping Centre sale process ongoing, transaction expected to occur in FY24
- Strategic joint venture secured with QIC, leveraging Cedar Woods' national residential development capabilities

Cedar Woods Properties Limited (ASX: CWP) ('Cedar Woods' or 'the Company') provides the following operational and earnings update for FY23.

EARNINGS GUIDANCE

Adverse weather conditions during FY23 and supply chain constraints have resulted in construction delays at certain projects. Stage settlement timeframes for those projects have therefore been delayed from Q4 FY23 to FY24. In addition, the sale process for the Williams Landing Shopping Centre is ongoing and is now anticipated to occur in FY24. Consequently, the Company is guiding FY23 net profit at approximately $30 million, down from the previous forecast of meeting or exceeding FY22 NPAT of $37.4 million.

MARKET CONDITIONS AND PORTFOLIO PERFORMANCE

Across the Company's portfolio enquiry levels and sales rates have strengthened in the second half compared to the first half. Sales in the three months to the end of May 2023, were individually the three strongest months since April 2022 with the month of May 2023 being the strongest month since that time.

New home sales continue to be impacted by rising interest rates, cost of living pressures, weak consumer confidence and the elevated risk of builder insolvencies. However, there are signs that construction costs are stabilising with some building material costs reducing from previous highs and home builders willing to hold prices for increasing periods of time.

Median dwelling values rose across the combined Australian major capital cities in April (CoreLogic). The increase in values was due to several factors including the market expectation that the RBA cash rate cycle was nearing its peak, a significant increase in net overseas migration, continuing low unemployment, low rental vacancy rates and widespread supply shortages.

Significant supply shortages are being experienced across product types and jurisdictions in Australia. A lack of new launches and commencements in recent years across the industry is the main reason and this is due to residential construction sector capacity constraints, which are dissipating.

Portfolio highlights in the second half include the completion of the $64 million (completion value) Aster Apartments in Victoria with the majority of the 129 units settled.

In Western Australia, the Company commenced sales in the new 1,300 lot Eglinton Village masterplanned community, recording strong presales. Eglinton Village includes an innovative community microgrid project that stores energy from rooftop solar panels to reduce the project's carbon footprint, also offering cost savings for customers.

The Company has recently announced a new strategic partnership with QIC which initially focuses on the joint development of around 400 townhouses and apartments at the Robina town Centre in South-East Queensland. It is intended to expand the relationship across other centres owned by QIC, potentially providing a significant pipeline of well-located residential development sites for the Company. This follows the announcement of a partnership with Tokyo Gas on the Company's Banksia Apartments project, again with an intention to expand the relationship by acquiring new projects jointly.

The previously announced sale process for the Williams Landing Shopping Centre is progressing, with a number of parties having provided offers for consideration. However, the Company has not concluded terms with any party to achieve settlement by 30 June 2023 and the sale is now anticipated to occur in FY24.

FINANCIAL POSITION

The Company's balance sheet remains solid, with moderate gearing and sufficient headroom under finance facilities to fund business requirements. Gearing (net bank debt to total tangible assets less cash) is expected to finish the financial year at approximately 27%, subject to the completion of anticipated June settlements. This is down on the 29% recorded at 31 December 2022.

In January 2023, the Company completed the annual review of its corporate finance facilities, increasing the facilities from $300 million to $330 million and extending the terms to 31 January 2026 for the 3-year debt (80%) and to 31 January 2028 for the 5-year debt (20%). The facilities are provided by three of the 'Big-4' banks and provide long tenure and security of funding.

The $30 million Williams Landing Shopping Centre finance facility is available until July 2024 and will be retired as part of the sale process of the Centre in due course.

COMPANY OUTLOOK

As noted above, the Company is forecasting NPAT of approximately $30 million for FY23.

FY23 earnings guidance is dependent upon the timing of various residential stage settlements. The Company's expectation for FY23 earnings guidance takes into account expected settlement timings, although it remains possible that fewer or more settlements take place in June 2023, resulting in a lower or higher FY23 earnings outcome.

The Company is well positioned for the future with a pipeline of more than 10,000 undeveloped lots/dwellings across four states.

Authorised by: Cedar Woods Board of Directors

ENDS

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