ASX ANNOUNCEMENT
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CEDAR WOODS
DEVELOPING TOMORROW TODAY

CEDAR WOODS DELIVERS $31.6 MILLION PROFIT FOR FY23

23 AUGUST 2023

HIGHLIGHTS

- FY23 NPAT of $31.6 million ($37.4 million pcp)
- Earnings per share of 38.5 cents (45.7 cents pcp)
- Fully franked final dividend of 7.0 cents per share declared (14.5 cents pcp)
- Forward presales of more than $448 million ($500 million pcp)
- Strong balance sheet, moderate debt, and significant undrawn finance facilities available

SUMMARY

Cedar Woods Properties Limited (ASX: CWP) (‘Cedar Woods’ or ‘the Company’) has today reported a net profit after tax (‘NPAT’) of $31.6 million for the 2023 financial year (‘FY23’), above latest (June) guidance of $30 million.

Presales contracts at 30 June 2023 were at $448 million providing a strong starting position for the year, with the majority expected to settle in FY24 and the balance in FY25.

As previously reported, sales were relatively weak in the first half of FY23, primarily due to the rising interest rate environment, but pleasingly Q4 sales jumped 58% on the prior quarter. The market is being supported by increased inbound migration, high employment and the low supply of rental properties in the established market.

Managing Director Nathan Blackburne said, “We start the year in a good position with $448m in presale contracts. Coupled with a national pipeline of more than 10,000 dwellings, lots and offices, the business is well-placed for the medium and long term.

“The undersupply of dwellings, low rental vacancy rates, high employment and strong inbound migration are expected to underpin housing demand in the medium term. Cedar Woods is prepared to respond quickly to additional demand so the outlook for our business is positive.”

The Company has been active in developments across the portfolio, with a number of new residential projects launched to market in FY23, including Eglinton and Atwater (WA), and Sage (QLD). The construction sector continues to experience supply constraints and cost pressures across the nation, but there are signs of stabilisation with some building material costs coming off previous highs and home builders willing to hold prices for increasing periods of time.

During the year the Company completed major acquisitions in VIC and WA, which are expected to contribute earnings in the medium to long term. The Company has also recently announced new strategic partnerships with QIC, for the joint development of around 400 townhouses and apartments at the Robina Town Centre in South-East Queensland, and Tokyo Gas for the co-development of the Banksia Apartments in SA. It is intended to significantly expand each of these relationships with further projects, which will boost the medium-term earnings capacity of the business.

FINANCIAL COMMENTARY

Full year revenue at $391 million, was up 17% on the pcp, whilst NPAT of $31.6 million was 15% lower. Gross margin of 25%, was down on pcp of 29% as a result of a combination of changes in the product mix and increased construction costs for lots/units settled.

At 30 June 2023 net bank debt stood at $195.8 million, with gearing (net bank debt-to-total tangible assets (less cash)) at 25.9% and net bank debt-to-equity at 45.4%, both in the middle of the respective target ranges. Interest cover was 3.6 times for the financial year. At year end, approximately 47% of drawn bank debt was hedged with interest rate caps ranging from 1% to 3%. At 30 June, more than $106.5 million of headroom was available under bank facilities.

The Company has corporate finance facilities of $330 million with maturity terms of 3 years ($264 million) and 5 years ($66 million), with tenure extended annually.

The Board has declared a fully franked final dividend of 7.0 cents per share which, together with the 13 cent interim dividend paid in April, brings total financial year dividends to 20.0 cents per share (fully franked), currently representing a yield of approximately 3.7% fully franked. The total dividends of 20.0 cents represent a payout ratio of approximately 52%. The Dividend Reinvestment and Bonus Share Plans will not be in operation for the final dividend.

MARKET CONDITIONS

For much of FY23 residential property market conditions were adversely impacted by the rapid increase in interest rates, inflationary pressures and capacity constraints in the construction sector. Accordingly, home values and sales volumes fell for most of the year but with improvement seen across the sector in the final quarter. The Company experienced a broad and strong improvement in sales in Q4 with volumes jumping 58% on the prior quarter. Sales have however been slower so far in FY24 to date.

Although the near-term market outlook remains uncertain,1.8 million new households are expected to form across Australia between 2023 and 2033. Due to rapid population growth, increasing household formation and supply challenges, a deficit of more than 100,000 dwellings is expected over the 5 years to 2027 (Source: National Housing Finance and Investment Corporation). The undersupply of housing is already apparent with tight rental markets across all major capital cities leading to rapidly rising rents and increasing rental yields, making conditions more favorable for housing investment.

Construction conditions vary around the country with costs generally stabilising and builder appetite for new work improving, noting some markets remain challenging for builders due to labour shortages and elevated costs.

The catalyst for a sustained improvement in sales volumes is expected to be a combination of the peaking of interest rates and improvement in builder availability, both of which will help restore buyer confidence.

PORTFOLIO UPDATE

The Company completed and settled a number of stages across the portfolio during Q4 FY23 resulting in a strong final quarter for the year. Built form stages that completed during the quarter include Aster apartments in Clayton South (VIC), Monarch apartments in Glenside (SA) and Incontro townhouses in Subiaco (WA). Significant land stages settled at Mason Quarter in Wollert (VIC) and at Ellendale, Upper Kedron (QLD).

The Company's capital partnership with Tokyo Gas to deliver the Banksia apartment project in Glenside (SA) has successfully started with the project 100% sold, construction underway and completion due in H1 FY24. Also at Glenside, the Company's new retirement product, Bloom apartments, has been well received by the market, achieving 80% presales and is now under construction with completion expected in FY25. Glenside Bloom 2 is expected to be released in H1 FY24.

At Williams Landing (VIC), the Boston Commons strata office building is 100% sold and under construction with completion forecast in H1 FY25. The Company is selling the next stage of strata offices at Williams Landing and has a pipeline of additional office stages to follow within this project.

The sale process for the Williams Landing Shopping Centre remains underway and we will update the market further when the outcome is known.

COMPANY OUTLOOK

Cedar Woods is well positioned for FY24 with significant presales of $448 million, with the majority to settle over FY24 and the balance in FY25.

The medium and longer term outlook is underpinned by a pipeline of more than 10,000 undeveloped dwellings, lots and offices across four states. Several new projects are expected to contribute to earnings from FY24, including Clara Place and 88 Leveson townhouses (VIC), Banksia, Bloom and Sirocco apartments (SA), Eglington Village and Atwater (WA), and Sage and Flourish (QLD).

Earnings guidance for FY24 will be provided when there is greater clarity on sales volumes, the company wide delivery program and the sale of the Williams Landing Shopping Centre. Half to half earnings will be weighted by the timing of the shopping centre settlement, where completed.

Authorised by: Cedar Woods Board of Directors

ENDS

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