CEDAR WOODS ON TRACK FOR STRONG SECOND HALF, TARGETING FULL YEAR NET PROFIT OF $36-$39M

22 FEBRUARY 2024

HIGHLIGHTS

- H1 FY24 net profit after tax (NPAT) of $2.6m ($9.1m in the previous corresponding period (pcp)
- Fully franked interim dividend of 8.0cps declared (13.0 cents pcp)
- Strong presales of more than $525m ($509m pcp)
- Unconditional contract in place to sell Williams Landing Shopping Centre (WLSC) for $60m
- Maintaining a solid balance sheet with sufficient undrawn finance facilities
- Significantly higher revenue in H2 and settlement of WLSC will deliver a much stronger profit result in H2 FY24
- Expecting a full year net profit in the range of $36m to $39m (pcp $31.6m)

Cedar Woods Properties Limited (ASX: CWP) ('Cedar Woods' or 'the Company') has today reported a NPAT of $2.6m for the first half of the 2024 financial year (FY24) and is targeting a strong uplift in profit for the full year, subject to timing of settlements.

Cedar Woods' Managing Director, Nathan Blackburne, said "We are on track to deliver a strong outcome in FY24, with earnings heavily weighted to the second half, as previously guided.

"This second half bias is consistent with the past three years and is due mainly to expected timing of stages completing.

"In an endorsement of the consistent demand for Cedar Woods' products, at the end of the first half, the Company had amassed $525m in presales, up from $509m in the pcp with approximately half of this expected to settle in H2 FY24.

"The strong enquiry and sales results are being driven by low unemployment, population growth and a significant shortage of housing nationwide."

SALE OF WILLIAMS LANDING SHOPPING CENTRE (WLSC)

On 21 February 2024 the Company announced it has accepted an unconditional contract to sell the WLSC in Victoria for $60m. Cedar Woods will realise a net profit after tax of approximately $16.8m directly from the sale.

The sale is comprised of the shopping centre and 1 hectare of adjacent development land. Settlement is due on 15 March 2024 for the shopping centre component, with the surplus land component due to settle in the second half of the calendar year. WLSC was originally developed by Cedar Woods in 2014 and having seen the asset mature, this sale is consistent with the Company's strategy of adding value to its developments and then recycling capital back into the business and new opportunities.

The Company retains a significant pipeline at Williams Landing of more than 15 commercial, residential and mixed-use development-ready sites that will be progressively developed and sold during coming years.

FINANCIAL COMMENTARY

Cedar Woods has today reported a NPAT of $2.6m for H1 FY24. It is common for the Company and its peers to have uneven halves due to the varied timing of completion of projects.

First half revenue was $123m, down 19% on pcp with gross margin up 1% at 26% (pcp 25%). Lower revenue in the current period has resulted in a lower first half profit than the pcp ($9.1m), notwithstanding the improved margin and stable administration overhead. Full year margin will depend on the final mix of product that settles in the second half and is expected to be similar to last year (pcp 25%).

At the end of the first half, the Company had $525m in presales with approximately half of these expected to settle in the second half of FY24 and the balance contributing to earnings in FY25 and FY26.

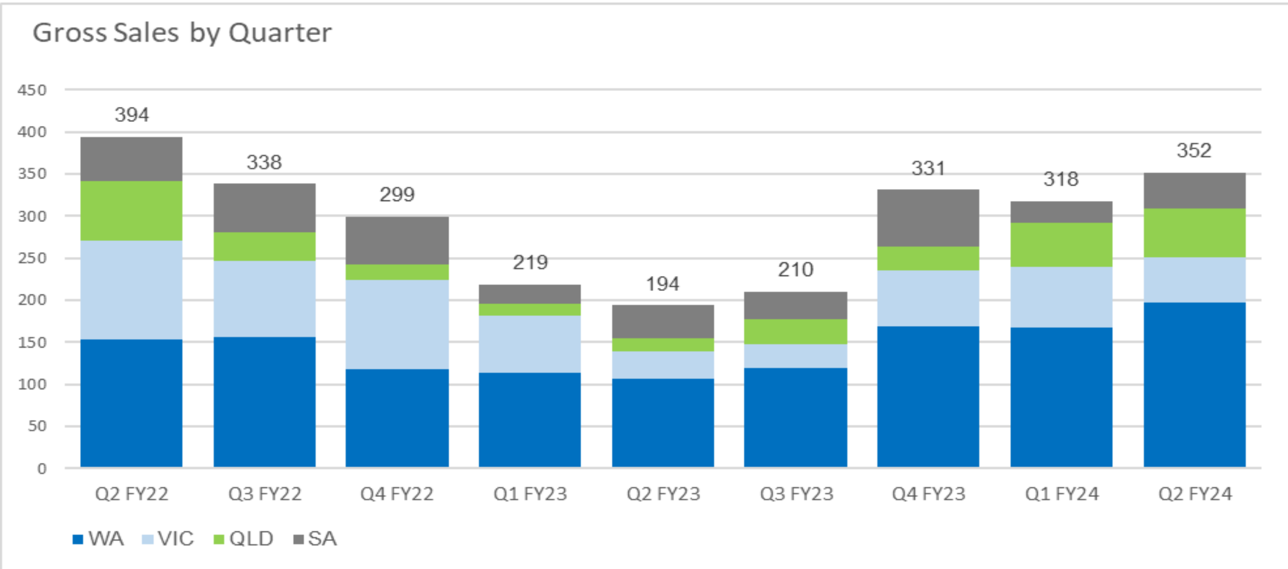
At 31 December 2023, net bank debt stood at $274m, with gearing (net bank debt-to-total tangible assets less cash) at 33% (net bank debt-to-equity at 64%). Whilst elevated compared to the pcp, both measures are expected to fall to the lower end of their target ranges by 30 June, as a result of the sale of the WLSC and higher second half revenue and settlements. Interest cover was 2.3 times for the 2023 calendar year and at 31 December the Company had more than $50m in available bank facility headroom. Headroom is expected to grow to over $100m by the end of April 2024 as the WLSC settles and residential settlements progressively occur, and to increase even further by financial year end.

In December 2023, the Company completed the annual review of its corporate finance facilities, temporarily increasing the facilities from $330m to $360m until May 2024 and extending the terms to 31 January 2027 for the 3-year debt (80%) and to 31 January 2029 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 Company holds a $30m investment facility for the WLSC which will be retired upon settlement of the centre.

The Board has declared a fully franked interim dividend of 8.0 cents per share. The Dividend Reinvestment and Bonus Share Plans remain suspended for the interim dividend.

PORTFOLIO PERFORMANCE



Across the Company's portfolio, enquiry levels and sales continued strongly in H1 FY24, with the second quarter showing the strongest quarterly sales result recorded in the past 2 years. Sales results showed improvement across all market sectors compared to FY23, including first home buyers, investors, downsizers and upgraders.

Sales are most buoyant in the Company's Perth projects, supported by the highest state population growth of 3.1% in FY23, a strong state economy, relatively affordable property prices and a very low rental vacancy rate of just 0.7%. In Q2 FY24, the Company's Perth projects achieved both improved sales rates and strong price growth, with notable examples being, Ariella and Eglinton Village's prices increasing close to 15% over this period. Further price growth is expected over the year, across the WA portfolio in particular.

In Queensland, the Company's recently released masterplanned community, Flourish in South Mclean, has recorded strong sales with construction underway and first settlements due in H1 FY25.

In Victoria, Boston Commons strata office building is 100% sold with construction expected to be complete around two months ahead of schedule in H2 FY24. Additional strata office buildings are in pre-sale and planning phases.

MARKET CONDITIONS

The strong enquiry and sales results are being driven significantly by low unemployment, strong population growth and the national housing shortage. The number of national dwelling commencements across the industry in the September quarter 2023 was the lowest quarterly total since 2012. The supply shortfall traverses states and product types, therefore those with supply that can be readily brought to market are set to benefit.

Moderating inflation and the prospect that interest rates have peaked, will also serve to support demand for new housing. Cost of living pressures and weak consumer confidence in the less affordable capital cities is currently impacting demand in those markets.

Construction sector conditions are progressively improving with delivery timeframes reducing and cost growth moderating. Costs remain elevated, impacting the viability of selected apartment projects, necessitating growth in achievable sales prices.

Cedar Woods has a strong presence in the more affordable markets across the nation and is well placed to benefit from high demand for all types of residential product.

COMPANY OUTLOOK

Sale of the WLSC, presales contracts in hand of more than $525 million and the current progress with construction programs give the Company confidence of delivering significantly higher revenue and a much stronger profit result in the second half.

Accordingly, Cedar Woods anticipates delivering full year NPAT of $36m - $39m, with the final result dependent upon the timing of settlements due close to the end of the financial year.

Limited housing supply, the surge in migration and a pipeline of over 9,700 undeveloped lots/dwellings across four states positions the Company well in the medium term.

Authorised by: Cedar Woods Board of Directors

ENDS

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