CEDAR WOODS DELIVERS $40.5M NET PROFIT, UP 28%, EXCEEDING GUIDANCE

21 AUGUST 2024

HIGHLIGHTS

- FY24 net profit after tax (NPAT) of $40.5 million (up 28% on $31.6 million pcp)
- Earnings per share of 49.2 cents (38.5 cents pcp)
- Fully franked final dividend of 17.0 cents per share declared (7.0 cents pcp)
- Forward presales of more than $559 million (up 25% on $448 million pcp)
- Strong balance sheet, low gearing, and significant undrawn finance facilities available
- Targeting 10% growth in NPAT for FY25

Cedar Woods Properties Limited (ASX: CWP) ('Cedar Woods' or 'the Company') has today reported NPAT of $40.5 million for the 2024 financial year ('FY24'), above the top end of the guided target range of $36 - $39 million and 28% higher than FY23 NPAT.

Presales contracts at 30 June 2024 were at $559 million, up 25% on the same time in the prior year, with approximately 70% expected to settle in FY25 and the balance in FY26.

The strong sales momentum experienced in previous quarters continued into the fourth quarter and higher than expected settlements in June boosted the final result. Demand for housing continues to be supported by population growth, strong economic conditions in most states, low vacancies in rental markets and significant nationwide housing supply shortages.

Managing Director Nathan Blackburne said, "We are delighted to be reporting a strong uplift in profit for the year, delivering a net profit of $40.5 million, which exceeded our guidance".

"We start the new financial year in an excellent position with $559 million in presale contracts. With a national pipeline of more than 10,000 dwellings, lots and offices, and our initiative to further boost earnings through strategic partnerships, the business is well-placed to grow earnings.

"The national undersupply of dwellings, low vacancies in rental markets, high employment and government incentives for homebuyers are expected to underpin housing demand in the medium term, maintaining a positive outlook for our business."

During the year the Company also completed acquisitions in VIC, QLD and WA, which are expected to contribute earnings from FY27.

The Company advanced its strategic partnerships with QIC and Tokyo Gas Real Estate (TGRE) over the year. Cedar Woods is undertaking a significant 414 lot townhouse and apartment development with QIC at the Robina Town Centre in South-East Queensland and recently announced a third project with TGRE as part of its plan to invest $600m into global real estate by 2030, particularly in Australia.

The partnerships initiative seeks to scale up the business in a capital efficient manner, amplify return metrics, deliver sustainability outcomes, leverage the existing skills base, further diversify the project portfolio, access larger scale sites and generate fee income for recurring earnings.

FINANCIAL COMMENTARY

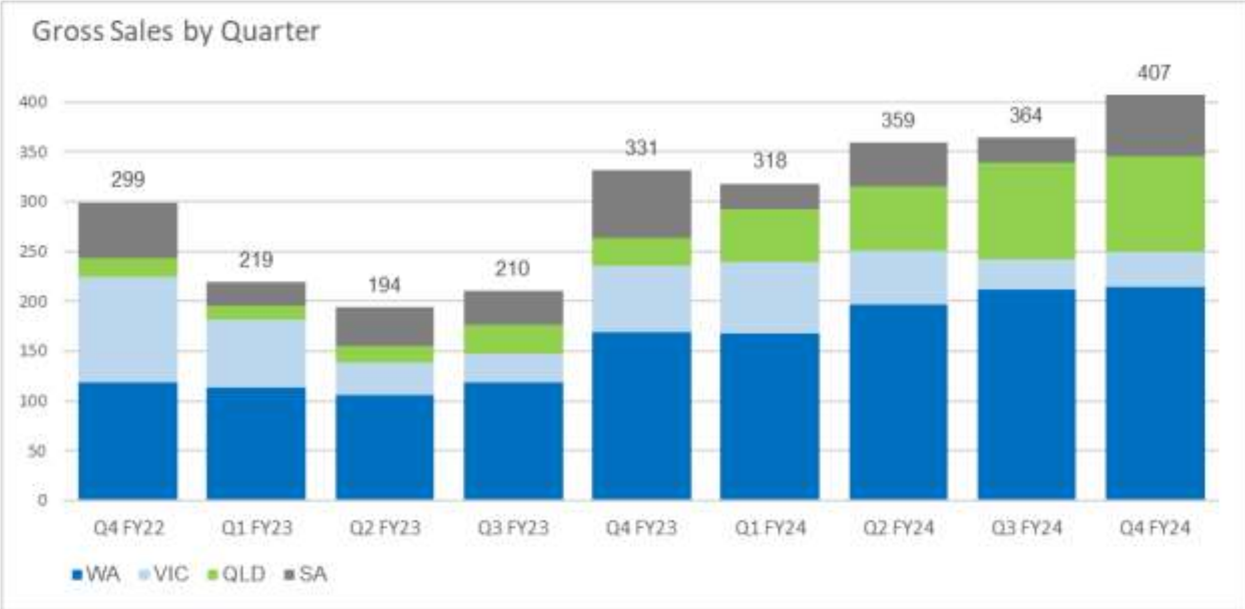
Full year NPAT of $40.5 million was up 28% on pcp, whilst revenue (down 1%) and gross margin (at 25%) remained steady. The result included other income relating predominantly to the previously announced sale and settlement of the Williams Landing Shopping Centre in Victoria.

Bank debt was paid down significantly during the financial year, with net bank debt reduced to $120.1m at 30 June 2024. As a result, gearing (net bank debt-to-total tangible assets (less cash)) at 16.7% and net bank debt-to-equity at 26.1%, fell to the lower end of their respective target ranges. At 30 June, liquidity of $156.8m was available from $134.8 million of undrawn headroom under bank facilities and $21.9m in cash on hand.

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 17 cents per share which, together with the 8 cent interim dividend paid in April, brings total financial year dividends to 25 cents per share, up 23% on the prior year, currently representing a fully franked yield of approximately 5.0%. The total dividends of 25 cents represent a payout ratio of approximately 51%. The Dividend Reinvestment and Bonus Share Plans will not be in operation for the final dividend.

PORTFOLIO PERFORMANCE



Enquiry and sales volumes for the Company continued to increase in each successive quarter during FY24, particularly in Western Australia and Queensland, creating a strong presales position for FY25. All buyer categories were active but first home buyers and investors remain most prevalent.

Strong price growth was achieved during FY24 in all states except Victoria. Construction costs too have continued to grow but more in line with long-term averages and at a markedly lower rate than revenue growth.

At the 1200 lot Eglinton Village in WA, the Company's newest master-planned community, there were a number of highlights including completion of the first residential stages, the sale of a retail centre site on favourable terms that will boost project return metrics and the extraordinary lot price growth of over 50% for the year.

The Company's expanded Queensland portfolio also performed well during the year with highlights being the successful launch of the Flourish estate in South Maclean, lodgement of the planning application for the Robina town centre project with QIC and completion of the first townhouse stages at the innovatively designed Greville medium density project in Wooloowin.

In Victoria, the Mason Quarter estate was one of the highest performing projects in its growth corridor recording over 250 settlements during FY24. At Williams Landing, the Boston Commons strata office project was completed in Q4 with Hudson Hub, the next strata office project, launched and achieving steady presales. Over 13ha of mixed use, high value land at Williams Landing remains available for future development and is expected to accommodate a further 1,000 plus dwellings and strata offices to be delivered over the next 8-10 years.

MARKET CONDITIONS

The Company is experiencing favourable market conditions in three out of four states in which it operates with Victoria the exception, as it is comparably less affordable with higher median price points and more supply available. Despite cost-of-living pressures weighing on discretionary spending, demand for new housing across all product types is strong, resulting in significant price growth and margin improvement at the Company's projects.

Nationally, dwelling completions are currently at the lowest level since 2016 (ABS), primarily due to high construction costs, labour shortages and approvals delays. Land within master-planned communities and townhouses, which constitute the majority of the Company's portfolio, have outperformed apartments due to relative affordability and better builder availability. Based on the low level of approvals coming through the system, home completion volumes are set to continue for the medium term. Australia's dwelling stock deficiency is currently around 146,000 dwellings and this is forecast to increase to 164,000 dwellings in 2027 (Oxford Economics).

As a consequence of the supply demand imbalance, economists are forecasting further significant growth in median dwelling prices across all major capital cities over the next three years, particularly Perth. Whilst median dwelling prices are not directly related to new residential prices, the Company expects the market fundamentals to result in favourable conditions for its products over the medium term.

Any decrease in interest rates later in the financial year will also help to sustain new dwelling demand.

COMPANY OUTLOOK

Cedar Woods starts FY25 in a strong position with $559 million in presales expected to settle over FY25 and FY26. The Company is targeting 10% growth in NPAT for FY25 and is well placed for the medium term with a pipeline of more than 10,000 undeveloped dwellings/lots/offices across four states. Half to half earnings in FY25 will be more balanced than in FY24, whilst still weighted to the second half due to the expected timing of settlements.

The Company's outlook is subject to property market and construction sector conditions, with workforce and builder capacity affecting delivery timeframes at some locations. The Company's expectation for FY25 full year earnings considers these constraints, although there remains some residual risk that a limited number of forecast Q4 FY25 stage completions, and hence revenue and profit, may move into early FY26.

Several new projects are expected to contribute to earnings from FY25, including Clara Place and 88 Leveson townhouses (VIC), Banksia, and Bloom apartments (SA), Henley Brook (WA), and Greville and Flourish (QLD).

Authorised by: Cedar Woods Board of Directors

ENDS

For further information
Nathan Blackburne Managing Director (08) 9480 1500
Ashleigh D'Alessandro Sodali & Co 0417 212 524