

# ASX ANNOUNCEMENT

ASX CODE: CWP



## CEDAR WOODS REPORTS RECORD PRESALES OF \$560 MILLION

17 FEBRUARY 2022

### HIGHLIGHTS

- H1 FY22 NPAT of \$14.1 million (\$22.7 million in the previous corresponding period (pcp))
- Record presales of more than \$560 million (\$380 million pcp), up 47%
- Fully franked interim dividend of 13.0 cents per share declared (13.0 cents pcp); a yield of 5% based on current share price
- Continues to maintain a solid balance sheet with moderate debt and significant undrawn finance facilities
- Expecting moderate growth in earnings in FY22, based on settlement projections for Q3 and Q4
- Anticipating strong medium-term earnings growth

Cedar Woods Properties Limited (ASX: CWP) ('Cedar Woods' or 'the Company') has today reported a net profit after tax ('NPAT') of \$14.1 million for the first half of the 2022 financial year (FY22) and is expecting moderate growth in full year earnings, subject to market conditions and COVID-19 impacts.

Cedar Woods' Managing Director, Nathan Blackburne, said with a solid first half performance, and presales at record high levels, the Company has a strong outlook.

"Low levels of available stock and pent-up demand in some markets have helped sales activity, seeing Cedar Woods generate record presales of more than \$560 million," said Mr Blackburne.

"We remain in a strong position with a solid balance sheet, moderate gearing and significant undrawn finance facilities."

As noted in the first quarter update, supply constraints and cost pressures are being experienced across the industry. Some project stages are experiencing delays due to COVID-19 restrictions and this is likely to see some stage completions originally expected in H2 FY22 delivered in H1 FY23. Cost increases have mainly been offset by price rises to date, with residential property markets remaining buoyant.

"Favourable selling conditions are expected to continue in the medium-term as the economy and inbound migration recover, so the medium-term outlook for our business is very positive"

"Cedar Woods is now trading on an attractive fully franked yield of 5%, based on the current share price and the dividends declared over the last 12 months," said Mr Blackburne.

### FINANCIAL COMMENTARY

Cedar Woods reports a net profit after tax for the first half of the 2022 financial year (FY22) of \$14.1 million (\$22.7 million in the pcp).

It is common for the Company to report uneven halves, a consequence of the timing of stages completing, which can at times be concentrated as they were in H1 FY21. For FY22, earnings will be weighted to the second half.

First half revenue was \$174 million, up 3% on pcp. Gross margin softened to 25% (pcp 33%) although is expected to improve in the second half and move closer to 30% for the full year due to the different stages that will settle in the second half. This will contribute to a stronger profit outcome for H2 FY22.

At 31 December 2021, net bank debt stood at \$196 million, with gearing (net bank debt-to-equity) at a comfortable 48% and net bank debt-to-total tangible assets (less cash) at 27% which are both around the mid-point of the Company's target ranges. Interest cover was a strong 9.5 times for the 2022 calendar year. At 31 December the Company had more than \$86 million in available headroom under current bank facilities.

In December 2021, the Company completed the annual review of its corporate finance facility, increasing the facility from \$205 million to \$300 million and extending the terms to 30 January 2025 for the 3-year debt (\$240 million) and to 30 January 2027 for the 5-year debt (\$60 million).

At the end of the first half, the Company had a record \$560 million in presales which compares favourably with \$380 million at the same time last year. Approximately 28% of presales are expected to settle in the second half of FY22 with the balance contributing to earnings in FY23 and FY24.

The Board has declared a fully franked interim dividend of 13.0 cents per share, in line with the pcp. Noting recent Company and global share price volatility, the Board has suspended the Dividend Reinvestment and Bonus Share Plans for the interim dividend.

The Board intends to apply a dividend payout ratio of approximately 60 to 65% of full year NPAT, subject to the full year result, capital management requirements and the outlook for FY23.

## PORTFOLIO HIGHLIGHTS

Continuing strong selling conditions have driven higher than expected sales volumes and price growth across multiple projects in all four states.

In Queensland, the award-winning Ellendale project is proving popular with interstate buyers with consecutive new releases selling quickly and price growth of around 30% over the past 12 months. The Greville urban renewal project in Woolloowin has sold through the first four stages of townhouses with construction due to commence in the second half. Shortly after the end of the first half the Company completed the acquisition of 28.6 hectares of land in Burpengary, located within the high growth area of Moreton Bay. The land has now received planning approval for 329 lots and the first sales release will occur in the coming months.

In South Australia, the 7.7 star NatHERS rated Monarch apartments at Glenside are under construction ahead of schedule and a number of new releases at Glenside and Fletcher's Slip are scheduled to occur over H2 FY22.

In Victoria, the recently acquired Mason Quarter estate at Wollert, which will deliver over 800 lots, has received planning approval and construction of the first three stages is set to commence in H2 FY22. The Boston Commons strata office at Williams Landing experienced strong demand with many businesses now preferring suburban locations over the CBD. Construction of Boston Commons is likely to commence ahead of schedule in H2 FY22.

In Western Australia, enquiry and sales were solid during the first half with Bushmead, Ariella and Solaris all performing well. The Company also acquired a significant new project in Eglinton adding 1,200 lots to the portfolio. The first 275 lots of the Eglinton project have already been approved and the Company expects to release the project in FY23.

## ESG

Cedar Woods continues its national partnership with The Smith Family – Australia’s leading children’s education charity. The partnership provides support to young Australians from disadvantaged backgrounds through primary and secondary education. Cedar Woods employees were engaged in various activities including The Smith Family Toy and Book Appeal.

As part of its carbon emissions mitigation strategy, the Company has commenced carbon footprint mapping of its emissions across its corporate operations, with the results to be used to further guide the Company’s strategy.

Cedar Woods was pleased to achieve high staff satisfaction (85%) and engagement (93%) scores from the December 2021 employee survey, which represents strong results in a tight labour market.

## MARKET CONDITIONS

Market conditions were favourable in the first half of FY22 while the economy emerged from the COVID-19 Delta wave and began dealing with the Omicron wave. Low interest rates and strong sector fundamentals supported significant house price growth in most markets. High levels of interstate migration, particularly from the eastern states, resulted in Brisbane’s median house price increasing over 30% in 2021.

The economic recovery was reflected in the employment market with the unemployment rate tightening to 4.2%<sup>1</sup> indicating the potential for wage increases over the short to medium term.

Off the back of a brighter economic outlook, rental vacancies decreased with the cost of rent simultaneously increasing in all major Australian capital cities in the 12 months to November 2021<sup>2</sup>. This is expected to continue to drive demand from investors into new housing.

The economic recovery was also reflected in home lending with new owner occupier loan commitments increasing by 17.2% and new investor loan commitments increasing by 86.9% in the 12 months to November 2021<sup>1</sup>.

There is evidence that house price growth has begun to moderate in some markets in response to potential interest rate rises. While interest rate rises will reduce home buyer borrowing capacity, Cedar Woods’ diversified national portfolio places it well to continue to offer products and price points that appeal to a range of buyers.

The Federal Government has announced the reopening of the international border from 21 February which will see progressive increases in migrant, temporary worker and international student numbers. This is expected to generate significant demand for new housing and rental accommodation, which in the context of housing shortages across several capitals, will significantly support demand. Net overseas migration is expected to increase to around 1.4% in 2024/25<sup>1</sup>.

The construction industry is dealing with COVID-19 related supply chain impacts as the demand for housing construction continues to grow. These factors are causing localised construction delays and cost increases, however price growth is exceeding cost increases for the majority of the Company’s projects. COVID-19 related program delays have not been material for the majority of the Company’s projects to date but will impact some stages originally due to be delivered in H2 FY22, with the earnings for these stages now expected to be realised in H1 FY23.

## COMPANY OUTLOOK

Backed by record presales of \$560 million, the Company is expecting moderate growth in full year FY22 earnings and is anticipating strong growth in earnings over the medium-term, with a pipeline of more than 10,000 undeveloped lots/dwellings across four states.

The Company's full year outlook is subject to market conditions and COVID-19 impacts, with workforce and supply chain constraints affecting delivery timeframes at some locations. The Company's expectation for full year earnings takes into account known delays, although there remains some residual risk that a limited number of forecast H2 FY22 stage completions will move into early FY23.

A number of new projects are expected to contribute to earnings from FY23, including Mason Quarter, Clara Place Boston Commons offices, Lincoln apartments and Aster apartments in Victoria, Monarch apartments and Sirocco apartments in South Australia, Incontro and Eglinton in Western Australia, and Greville, South MacLean and Burpengary in Queensland. Further acquisitions are anticipated to supplement the Company's portfolio in future years.

#### References

<sup>1</sup> Australian Bureau of Statistics

<sup>2</sup> SQM Research

Authorised by: Cedar Woods Board of Directors

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[For further information](#)

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