

Cedar Wood Properties Ltd

Delivers property exposure in affordable states

Cedar Woods Properties Ltd (ASX:CWP) is a national developer of residential communities and commercial properties. The company is headquartered in Perth, and currently has a pipeline of more than 10,300 properties across 34 projects in four states. CWP's land bank is concentrated in four markets – Western Australia, South Australia, Victoria and Queensland – and across a diverse range of property uses from housing lots in master-built communities, to urban infill communities with apartments and townhouses, to commercial office blocks. The company was formed in 1987 and has been listed on the ASX since 1994. It started out as a developer of master-planned communities in Western Australia and has progressively expanded into new product areas and geographies, first expanding into Melbourne in 1997, Brisbane in 2014 and Adelaide in 2016. In FY22, CWP generated revenue of \$333.0m, up 11.1% on the previous corresponding period (pcp), and NPAT of \$37.4m, up 13.9% on the pcp. During the year, CWP invested \$150m in land acquisitions to grow the portfolio, adding more than 2,000 lots/units to the company's project pipeline. The company ended the year having completed net sales of 1,108 lots, and settlements on 995 lots. The company has commenced FY23 with more than \$500m in pre-sales and many projects for FY23 delivery already mid-way through construction. Cedar Woods Properties has highlighted that it expects growth in earnings in FY23, subject to market and construction sector conditions.

Business model

CWP generates revenue from buying land, developing it for residential or commercial use, and selling individual properties to consumers or investors. The company currently has 34 projects underway and more than 10,300 lots in its pipeline across four states with a book value of almost \$780m. Its greatest exposure is in Western Australia where it is developing 5,500 dwelling across 13 projects. The company has entered FY23 with forward pre-sales of more than \$500m, compared with \$478m at the beginning of FY22. Cedar Woods Properties is a profitable business, paying dividends. Over the past three years, the company has consistently paid out more than 60% of earnings to shareholders.

FY23 sales well on the way to surpassing FY22

The company has reported that it has entered FY23 with more than \$500m in pre-sales, with 70% of these pre-sales expected to settle in FY23. This equates to \$350m, positioning the company to exceed FY22 revenue. CWP expects earnings growth in FY23, subject to market and construction sector conditions. The company has acknowledged that interest rate increases and low stock levels did impact Q4 sales and that slower sales could persist in some states over FY23. CWP also noted that the more affordable states of WA, SA and QLD were expected to outperform.

Real estate peers trading at similar or lower levels

Cedar Woods Property is trading on a price/earnings ratio of 9.8x which puts it in-line with its closest listed Australian peer Peet (ASX:PPC). Similarly-sized (from a market capitalisation perspective) Sunland Group trades at a discount to both CWP and PPC. The broader real estate and REITs sector is trading on a P/E ratio of 8.4x (Refinitiv). On a price/book basis, at 0.88x CWP is trading at a small discount to the S&P ASX 200 Real Estate Index which is on a P/B of 0.99x.

Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA adj.*	NPAT adj.*	NPAT rep.	EPS adj.* (c)	DPS (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
06/19a	375.2	73.2	48.6	48.6	60.5	31.5	1.5	7.7	9.4
06/20a	260.7	34.8	20.4	20.4	25.2	19.0	2.2	16.5	20.8
06/21a	299.8	53.5	32.8	32.8	40.2	26.5	2.2	12.5	16.7
06/22a	333.0	57.1	37.4	37.4	45.2	27.5	1.7	9.9	9.8

Source: Company data; *EBITDA, NPAT and EPS adjusted for one-time, non-cash items

Real Estate

9th September 2022

Share Details

ASX code	CWP
Share price (8-Sept)	\$4.45
Market capitalisation	\$365.4M
Shares on issue	82.1M
Net debt at 30-Jun-2022	\$198.7M
Free float	~73.4%

Share Performance (12 months)



Upside Case

- FY23 pre-sales have already exceeded FY22 revenues
- Geographic spread weighted to more affordable states
- Benefitting from new housing supply constraints

Downside Case

- Rising interest rates and inflation could continue to dampen sales volumes/demand
- Market sentiment weak for real estate stocks
- Debt repayment dependent on land sales

Catalysts

- Evidence of rising demand
- Extension to property pipeline

Comparable Companies (Aust/NZ)

Peet (ASX:PPC), Sunland Group (ASX:SDG)

Board and Management

William Hames	Non-Exec. Chair
Nathan Blackburne	Managing Director
Robert Brown	Non-Exec. Director
Valerie Davies	Non-Exec. Director
Jane Muirsmith	Non-Exec. Director
Paul Say	Non-Exec. Director

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FINANCIAL SERVICES GUIDE

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ABN 92 168 734 530

AFSL 456663

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