

Refutes takeover offer

Investment Summary

- CWP yesterday announced they had received a takeover offer of effectively \$5.05 (\$4.05 coupled with a fully franked special dividend of \$1.00). No details have been given as to who the offer was from but the group has advised that the offer was withdrawn after consultation with CWP.
- CWP believe the offer was not enough given (1) it was only at a 10% premium to the 10 day VWAP, (2) at a discount to their market-to-market NTA of \$6.00, and (3) was not enough given their expectations for strong profits in 2011 and 2012.
- CWP is currently the best performing listed residential developer in the market, based on profitability and ROCE. So understandably it's a takeover target, especially since it provides a good platform for expansion into WA. However the register is tight and directors and close institutions hold at least 30%, making a hostile takeover difficult.
- The outlook for CWP is very positive with a high level of pre-sales already booked for 2H11. However we believe this offer is fair and should have been put to shareholders. The \$5.00 offer implies an 11x p/e multiple for FY12, which is above the sector average of 9x and also above the long term sector average of 9x. Also, while we acknowledge managements estimated market value of NTA at \$6.00 this is not a metric that is used to value listed developers unless they are trading below NTA. The current stated NTA in the accounts is only \$2.12.
- Following this new information we have upgraded our price target from \$4.65 to \$5.00, which now includes a takeover premium above our valuation of \$4.68 and in line with the recent offer, and we maintain our BUY recommendation.

23 March 2011

12mth Rating

		BUY
Price	A\$	4.69
Target Price	A\$	5.00
12m Total Return	%	10.8

RIC: CWP.AX

BBG: CWP AU

Shares o/s	m	61.4
Free Float	%	70.0
Market Cap.	A\$m	287.9
Net Debt (Cash)	A\$m	39.7
Net Debt/Equity	%	36.5
3m Av. D. T'over	A\$m	0.12
52wk High/Low	A\$	4.73/2.15
2yr adj. beta		0.57

Valuation:

Methodology		DCF & P/E
Value per share	A\$	5.00

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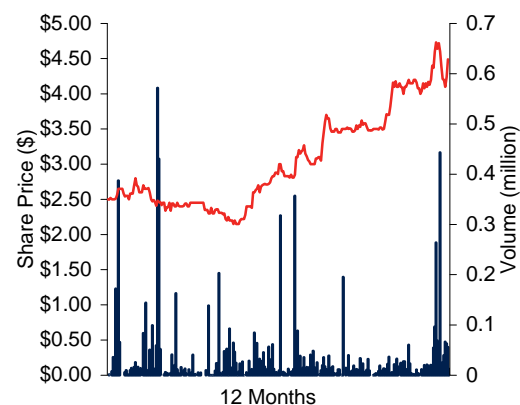
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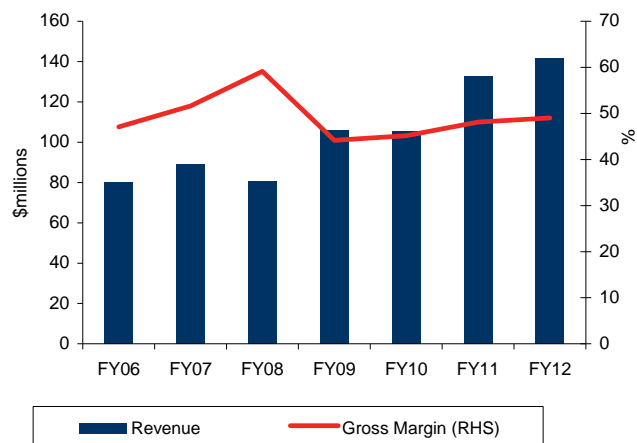
Year End June 30	2009A	2010A	2011F	2012F	2013F
Reported NPAT (\$m)	9.3	17.2	28.2	31.9	35.7
Recurrent NPAT (\$m)	15.4	18.9	28.7	31.9	35.7
Recurrent EPS (cents)	27.0	31.6	47.3	51.9	58.2
EPS Growth (%)	(28.3)	17.4	49.6	9.6	12.2
PER (x)	17.4	14.8	9.9	9.0	8.1
EBITDA (\$m)	25.4	27.9	42.6	46.9	52.0
EV/EBITDA (x)	12.5	11.5	7.7	7.1	6.4
Free Cashflow	33.1	17.8	25.8	20.9	24.0
FCFPS (cents)	57.9	29.9	42.4	34.0	39.2
PFCF (x)	8.1	15.7	11.1	13.8	12.0
DPS (cents)	7.0	13.0	19.9	21.8	24.5
Yield (%)	1.5	2.8	4.2	4.6	5.2
Franking (%)	100.0	100.0	100.0	100.0	100.0

12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	12.4	35.6	88.8
Rel. S&P/ASX 300	11.6	32.9	87.1

Cedar Woods Properties Ltd (CWP)				\$4.69
Cash Flow (\$m)	2010A	2011F	2012F	2013F
Operating Cashflow	17.8	25.8	20.9	24.0
Capex	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Acquisitions	-0.6	-19.5	0.0	0.0
Other	-7.3	0.0	0.0	0.0
Investing Cashflow	-7.9	-19.5	0.0	0.0
Equity Raised	2.1	0.0	0.0	0.0
Increase (Repay) Debt	-9.2	5.9	0.0	0.0
Distributions Paid	-3.9	-9.3	-12.1	-14.2
Other	0.0	0.0	0.0	0.0
Financing Cashflow	-11.0	-3.4	-12.1	-14.2
Change in Cash Held	-1.1	2.8	8.7	9.8
Closing Cash Balance	0.5	3.3	12.0	21.9

Revenue & Margins**Valuation**

P/E Multiple	DCF
FY12 EPS	51.9 Beta
P/E Multiple	9x WACC
	1.2
	10.4%

Valuation: \$ 4.67 Valuation: \$4.68

Directors & Shareholders

Cedar Woods (CWP) is a property developer operating in VIC and WA. Its main interests are in urban land subdivision for residential, commercial and industrial purposes.

Board of Directors

Name	Position
William Hames	Chairman
Mr Paul Sadlier	Managing Director
Robert Brown	Non Executive Director
Ronald Packer	Non Executive Director
Timothy Brown	Non Executive Director

Shareholder

Shareholder	%
Robert Brown	16%
William Hames	14%
Kingston Capital	13%
Acorn Capital	11%
Subtotal	53%

Profit & Loss (\$m)	2010A	2011F	2012F	2013F
Land Sales	105.5	132.7	141.8	154.8
COGS	-57.9	-68.8	-72.3	-79.0
Gross Profit	47.7	63.8	69.5	75.9
Other Income	1.6	0.4	0.4	0.5
Operating Expenses	-21.3	-21.3	-23.0	-24.4
Associates	-0.1	-0.3	0.0	0.0
EBITDA	27.9	42.6	46.9	52.0
Depn & Ammort	-0.2	-0.2	-0.2	-0.2
EBIT	27.6	42.4	46.7	51.7
Net Interest	-0.6	-1.2	-1.2	-0.7
Non-Operating Income	-2.1	-0.8	0.0	0.0
PBT	25.0	40.4	45.5	51.1
Tax expense	-7.5	-12.2	-13.7	-15.3
Minority Interests	0.0	0.0	0.0	0.0
NPAT (Reported)	17.2	28.2	31.9	35.7
NPAT (Adjusted)	18.9	28.7	31.9	35.7
Balance Sheet (\$m)	2010A	2011F	2012F	2013F
Cash	0.5	3.3	12.0	21.9
Receivables	0.8	2.1	2.1	2.1
Inventories	184.8	167.2	178.4	190.4
Investment Properties	2.1	2.1	2.1	2.1
Associates	3.8	3.4	3.4	3.4
Other	13.8	20.2	19.9	19.7
Assets	205.7	198.3	218.0	239.5
Payables	28.1	7.4	7.4	7.4
Borrowings	40.2	45.4	45.4	45.4
Other liabilities	28.6	17.8	17.8	17.8
Liabilities	96.9	70.7	70.7	70.7

Minority Interests	0.0	0.0	0.0	0.0
Shareholders Funds	108.8	127.6	147.3	168.9
EPS/DPS	2010A	2011F	2012F	2013F
EPS (Reported)	28.9	46.4	51.9	58.2
EPS (Adjusted)	31.6	47.3	51.9	58.2
EPS growth (%)	17.4	49.6	9.6	12.2
DPS	13.0	19.9	21.8	24.5
Payout Ratio (%)	41.1	42.0	42.0	42.0
Distribution Yield (%)	2.8	4.2	4.6	5.2

Ratios	2010A	2011F	2012F	2013F
Profitability				
NPAT Growth (%)	22.4	52.4	10.8	12.2
Sales Growth (%)	-0.2	25.7	6.9	9.2
Gross Margin (%)	45.2	48.1	49.0	49.0
EBITDA Margin (%)	26.4	32.1	33.1	33.6
ROCE (%)	19.3	28.4	27.0	26.8
Tax Rate (%)	30.0	30.2	30.0	30.0

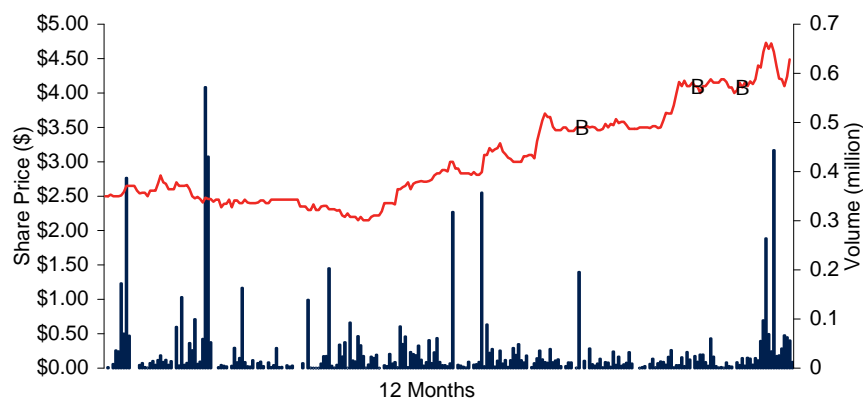
Valuation

Price/Earnings (x)	14.8	9.9	9.0	8.1
EV/EBITDA (x)	11.5	7.7	6.8	6.0
Price/NTA (x)	2.6	2.3	2.0	1.7

Balance Sheet

Net Debt/Equity (%)	36.5	33.0	22.7	14.0
Net Debt/Assets (%)	19.3	21.2	15.3	9.8
Interest Cover (x)	5.4	51.2	12.7	14.1
NTA (\$/share)	1.8	2.1	2.4	2.8
Shares (m)	60.1	61.4	61.4	61.4

Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return
30 Nov 10	Research Note	4.20	3.50	B	
20 Jan 11	Event Impact Email	4.20	4.00		14.3%
31 Jan 11	#N/A	4.60	4.09	B	
23 Feb 11	#N/A	4.65	4.15	B	1.5%
	Current Share Price		4.69		13.0%

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