

## Upgrades FY11 profit

### Investment Summary

- CWP has upgraded its profit guidance for the full year by 12.5% to \$27m.
- Margins improved at the company Melbourne projects as a result of improved pricing of residential lots and to a lesser extent lower development costs.
- Management noted: "We have already turned our attention to the FY12 year and have \$100 million presales in place for that year and are expecting a strong first half 2012."
- CWP continues to exceed expectations. On the back of this announcement we have upgraded our earnings by an average of 12% p.a. In addition our price target now lifts from \$4.20 to \$4.60.

31 January 2011

12mth Rating		BUY
Price	A\$	4.09
Target Price	A\$	4.60
12m Total Return	%	17.1

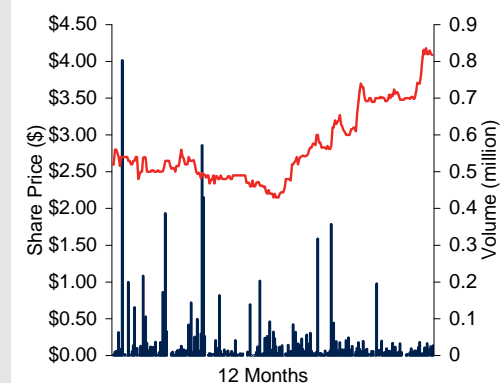
RIC: CWP.AX		BBG: CWP AU
Shares o/s	m	61.4
Free Float	%	70.0
Market Cap.	A\$m	251.1
Net Debt (Cash)	A\$m	39.7
Net Debt/Equity	%	36.5
3m Av. D. T'over	A\$m	0.05
52wk High/Low	A\$	4.18/2.15
2yr adj. beta		0.56

#### Valuation:

Methodology		DCF & P/E
Value per share	A\$	4.60

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#### 12 Month Share Price Performance

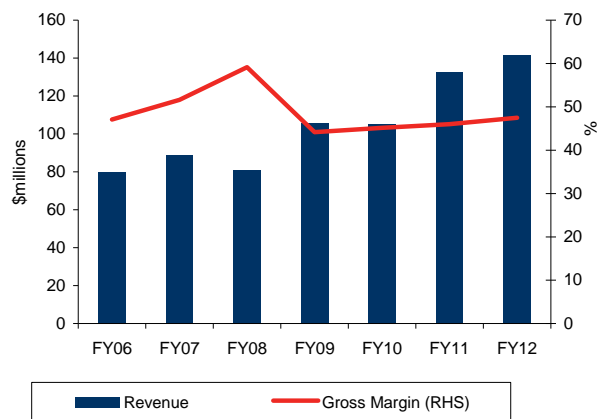


Performance %	1mth	3mth	12mth
Absolute	6.4	22.2	45.3
Rel. S&P/ASX 300	3.6	22.6	48.5

Year End June 30	2009A	2010A	2011F	2012F	2013F
Reported NPAT (\$m)	9.3	17.2	26.8	29.8	33.4
Recurrent NPAT (\$m)	15.4	18.9	27.2	30.7	34.7
Recurrent EPS (cents)	27.0	31.6	44.8	50.0	56.6
EPS Growth (%)	(28.3)	17.4	41.5	11.7	13.1
PER (x)	15.2	12.9	9.1	8.2	7.2
EBITDA (\$m)	25.4	27.9	40.3	45.8	51.2
EV/EBITDA (x)	11.1	10.2	8.1	7.2	6.5
Free Cashflow	33.1	17.8	27.4	19.7	23.0
FCFPS (cents)	57.9	29.9	45.2	32.1	37.5
PFCF (x)	7.1	13.7	9.1	12.8	10.9
DPS (cents)	7.0	13.0	18.8	21.0	23.8
Yield (%)	1.7	3.2	4.6	5.1	5.8
Franking (%)	100.0	100.0	100.0	100.0	100.0

Cedar Woods Properties Ltd (CWP)				\$4.09
Cash Flow (\$m)	2010A	2011F	2012F	2013F
<b>Operating Cashflow</b>	<b>17.8</b>	<b>27.4</b>	<b>19.7</b>	<b>23.0</b>
Capex	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Acquisitions	-0.6	-42.4	0.0	0.0
Other	-7.3	0.0	0.0	0.0
<b>Investing Cashflow</b>	<b>-7.9</b>	<b>-42.4</b>	<b>0.0</b>	<b>0.0</b>
Equity Raised	2.1	0.0	0.0	0.0
Increase (Repay) Debt	-9.2	40.0	0.0	0.0
Distributions Paid	-3.9	-10.6	-12.2	-13.7
Other	0.0	0.0	0.0	0.0
<b>Financing Cashflow</b>	<b>-11.0</b>	<b>29.4</b>	<b>-12.2</b>	<b>-13.7</b>
Change in Cash Held	-1.1	14.4	7.5	9.3
<b>Closing Cash Balance</b>	<b>0.5</b>	<b>15.0</b>	<b>22.4</b>	<b>31.7</b>

#### Revenue & Margins



Valuation			
<b>P/E Multiple</b>		<b>DCF</b>	
FY11 EPS	44.8	Beta	1.2
P/E Multiple		10x WACC	10.1%

**Valuation: \$ 4.48 Valuation: \$4.56**

#### 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	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	%
Robert Brown	16%
William Hames	14%
Acorn Capital	14%
Kingston Capital	13%
<b>Subtotal</b>	<b>56%</b>

Profit & Loss (\$m)	2010A	2011F	2012F	2013F
Land Sales	105.5	132.7	141.8	154.8
COGS	-57.9	-71.7	-74.4	-80.9
<b>Gross Profit</b>	<b>47.7</b>	<b>61.0</b>	<b>67.3</b>	<b>73.9</b>
Other Income	1.6	1.8	2.0	2.2
Operating Expenses	-21.3	-22.5	-23.5	-25.0
Associates	-0.1	0.0	0.0	0.0
<b>EBITDA</b>	<b>27.9</b>	<b>40.3</b>	<b>45.8</b>	<b>51.2</b>
Depn & Ammort	-0.2	-0.3	-0.3	-0.3
<b>EBIT</b>	<b>27.6</b>	<b>40.1</b>	<b>45.6</b>	<b>50.9</b>
Net Interest	-0.6	-1.3	-1.7	-1.3
Non-Operating Income	-2.1	0.0	0.0	0.0
<b>PBT</b>	<b>25.0</b>	<b>38.8</b>	<b>43.8</b>	<b>49.6</b>
Tax expense	-7.5	-11.7	-13.1	-14.9
Minority Interests	0.0	0.0	0.0	0.0
<b>NPAT (Reported)</b>	<b>17.2</b>	<b>27.2</b>	<b>30.7</b>	<b>34.7</b>
<b>NPAT (Adjusted)</b>	<b>18.9</b>	<b>27.2</b>	<b>30.7</b>	<b>34.7</b>
Balance Sheet (\$m)	2010A	2011F	2012F	2013F
Cash	0.5	15.0	22.4	31.7
Receivables	0.8	0.8	0.8	0.8
Inventories	184.8	184.8	196.0	208.0
Investment Properties	2.1	2.1	2.1	2.1
Associates	3.8	3.8	3.8	3.8
Other	13.8	13.5	13.2	13.0
<b>Assets</b>	<b>205.7</b>	<b>219.8</b>	<b>238.3</b>	<b>259.3</b>
Payables	28.1	5.1	5.1	5.1
Borrowings	40.2	80.2	80.2	80.2
Other liabilities	28.6	9.1	9.1	9.1
<b>Liabilities</b>	<b>96.9</b>	<b>94.4</b>	<b>94.4</b>	<b>94.4</b>

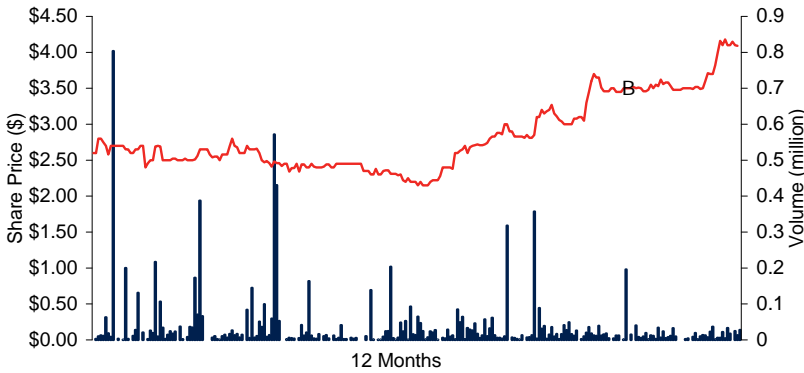
Minority Interests	0.0	0.0	0.0	0.0
<b>Shareholders Funds</b>	<b>108.8</b>	<b>125.4</b>	<b>143.9</b>	<b>164.8</b>
EPS/DPS	2010A	2011F	2012F	2013F
EPS (Reported)	28.9	44.8	50.0	56.6
EPS (Adjusted)	31.6	44.8	50.0	56.6
EPS growth (%)	17.4	41.5	11.7	13.1
DPS	13.0	18.8	21.0	23.8
Payout Ratio (%)	41.1	42.0	42.0	42.0
Distribution Yield (%)	3.2	4.6	5.1	5.8
Ratios	2010A	2011F	2012F	2013F

Profitability	2010A	2011F	2012F	2013F
NPAT Growth (%)	22.4	44.1	12.9	13.1
Sales Growth (%)	-0.2	25.7	6.9	9.2
Gross Margin (%)	45.2	46.0	47.5	47.7
EBITDA Margin (%)	26.4	30.4	32.3	33.0
ROA (%)	9.2	12.4	12.9	13.4
ROE (%)	17.3	21.7	21.3	21.1
Tax Rate (%)	30.0	30.0	30.0	30.0

Valuation	2010A	2011F	2012F	2013F
Price/Earnings (x)	12.9	9.1	8.2	7.2
EV/EBITDA (x)	10.2	7.8	6.7	5.9
Price/NTA (x)	2.3	2.0	1.7	1.5

Balance Sheet	2010A	2011F	2012F	2013F
Net Debt/Equity (%)	36.5	52.1	40.2	29.4
Net Debt/Assets (%)	19.3	29.7	24.3	18.7
Interest Cover (x)	5.4	9.9	7.0	7.8
NTA (\$/share)	1.8	2.0	2.3	2.7
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%
	Current Share Price		4.09		

**Stock recommendations:** Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.

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