

18 January 2012

BUY

12 Month Target \$4.80

Share Price	\$3.20
Capital Return	50%
Dividend Return	8%
Total Return	58%

ISSUED CAPITAL

Shares on Issue	62.9m
Market capitalisation ¹	\$201m
Options ²	0.0m

Monthly Vol (12mth avg)	0.48m
12 month share low	\$3.07
12 month share high	\$5.15

¹ Undiluted Source: IRESS
² Various dates and exercise prices

DIRECTORS

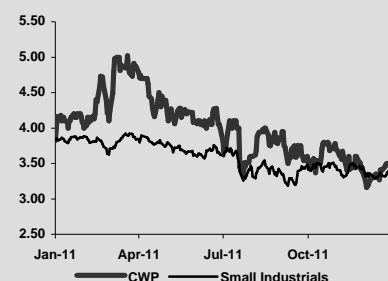
William Hames	Non-Exec Chairman
Robert Brown	Non-Exec Director
Ronald Packer	Non-Exec Director
Paul Sadleir	Managing Director
Timothy Brown	Alternate Director

Source: CWP

MAJOR SHAREHOLDERS

RS & TR Brown Entities	15.4%
WG Hames Entities	14.5%
Acorn Capital Ltd	11.5%
Westoz Funds Mgmt	6.1%
Invesco Australia Ltd	5.5%

Source: IRESS

12 MONTH PERFORMANCE


Source: IRESS

Oliver Stevens

Industrial Analyst
 +61 8 9263 5293
 ostevens@djcarmichael.com.au

Cedar Woods Properties Ltd (CWP)

Full Year on Track

CWP has today announced that it expects to report 1H12 NPAT of approximately \$10m and confirms that it remains confident in delivering FY12 NPAT of \$34m in line with previous guidance. In a period where a number of peers have recently downgraded their earnings expectations, we see this as a pleasing update.

Key Points:

- 1H12 Result:** CWP expects to report 1H12 NPAT of \$10m. This figure is well down on 1H11 NPAT of \$24m, however it is in line with management's previous commentary that earnings will be weighted significantly to 2H12. Management commentary suggests that the dividend for the first half will be ~10-11cps.
- Full Year Earnings on Track:** Backed by \$85m of presales already secured for 2H12, management remains confident of achieving its FY12 profit forecast of \$34m.
- FY13 Sales Building:** With FY12 largely in place, CWP has now turned its attention to FY13 with almost \$50m of presales already secured. CWP also expects that the two recent RBA rate cuts will feed into consumer confidence and provide a boost to sales over the remainder of calendar 2012.
- Debt Facilities Extended:** CWP has also advised that the company's \$110m corporate debt facility has been extended a further 15 months, to November 2014, with a reduction in funding costs achieved. We see this as a further vote of confidence for CWP in what remains somewhat of a credit constrained environment.
- Recommendation:** In line with our recent initiation report, we believe that with its good quality portfolio of projects CWP remains well placed to deliver ongoing earnings growth. Trading on a PER multiple of 6.0x and offering a fully franked yield of 8.1% we believe today's prices offer an attractive entry point to a quality business. We maintain our Buy recommendation and price target of \$4.80.

Financial Summary		2010A	2011A	2012E	2013E
Revenue	\$m	106.9	129.8	150.5	175.7
Reported NPAT	\$m	17.2	28.1	33.5	36.4
Adjusted NPAT	\$m	17.5	28.7	33.5	36.4
EPS - Fully Diluted Adjusted	cps	29.4	46.9	53.5	56.5
EPS Growth	%	86.2%	59.7%	14.0%	5.6%
Dividend	cps	13.0	23.0	26.0	29.0
Payout Ratio - Reported	%	45%	50%	49%	51%
Dividend Yield	%	4.1%	7.2%	8.1%	9.1%
Net Debt	\$m	39.7	55.1	58.4	92.7
Net Debt / EBITDA	x	1.5	1.4	1.2	1.7
Net Debt / (Net Debt + Equity)	%	27%	30%	28%	35%
Return on Equity	%	16%	22%	23%	21%
PER	x	10.9	6.8	6.0	5.7
EV/EBIT	x	9.4	6.3	5.4	5.7
EV/EBITDA	x	9.3	6.3	5.3	5.6

Cedar Woods Properties Limited

\$3.20

Profit & Loss (\$m)	2010A	2011A	2012E	2013E	Ratios	2010A	2011A	2012E	2013E
Revenue	106.9	129.8	150.5	175.7	Valuation				
EBITDA	25.7	40.1	48.9	53.6	PER	x	10.9	6.8	6.0
Depreciation & Amortisation	-0.2	-0.2	-0.3	-0.3	Enterprise Value	\$m	241	256	261
EBIT	25.4	39.8	48.6	53.3	EV/EBIT	x	9.4	6.3	5.4
Net Interest Expense	-0.6	0.8	-0.3	-0.6	EV/EBITDA	x	9.3	6.3	5.3
Profit Before Tax	24.8	40.6	48.3	52.7	NTA per Share	\$	1.80	2.10	2.34
Income Tax Expense	-7.5	-12.2	-14.5	-15.8	Price / NTA	x	1.8	1.5	1.4
Minorities	-0.1	-0.4	-0.3	-0.5	Price / Book Value	x	1.8	1.5	1.4
Reported NPAT	17.2	28.1	33.5	36.4	Price / FCFPS	x	10.8	-27.5	7.3
Abnormal Items	0.3	0.7	0.0	0.0	Dividends				
Adjusted NPAT	17.5	28.7	33.5	36.4	Dividend per Share	cps	13.0	23.0	26.0
Cashflow (\$m)	2010A	2011A	2012E	2013E	Dividend Yield	%	4.1%	7.2%	8.1%
EBITDA	25.7	40.1	48.9	53.6	Dividend Franking	%	100%	100%	100%
Net Interest	-3.7	-2.7	-3.0	-4.5	Dividend Payout Ratio	%	44.9%	50.2%	48.6%
Tax Paid	-7.2	-5.6	-12.2	-14.5	Profitability				
Working Capital Change	14.4	-14.1	-6.0	-7.3	Revenue Growth	%	0.6%	21.4%	16.0%
Other	-11.4	-24.7	0.0	0.0	EBIT Growth (Adj)	%	63.0%	57.6%	20.0%
Operating Cashflow	17.8	-7.0	27.7	27.3	NPAT Growth (Adj)	%	94.3%	64.0%	16.6%
Capital Expenditure	-0.2	-0.1	-0.3	-0.3	EBITDA Margin (Adj)	%	24.2%	31.4%	32.5%
Acquisitions	0.0	0.0	0.0	0.0	EBIT Margin (Adj)	%	24.0%	31.2%	32.3%
Other	-7.7	-1.6	-20.8	-50.0	EPS - Reported	cps	29.0	45.8	53.5
Net Investing Cashflow	-7.9	-1.7	-21.1	-50.3	EPS - Fully Diluted Adjusted	cps	29.4	46.9	53.5
Equity Raised	2.1	0.0	0.0	0.0	EPS Growth	%	86.2%	59.7%	14.0%
Dividends Paid	-3.9	-7.3	-9.9	-11.4	Effective Tax Rate	%	30.2%	30.0%	30.0%
Increase / (Repay) Debt	-9.2	15.8	25.0	33.0	Cashflow				
Other	0.0	0.0	0.0	0.0	Operating Cashflow	\$m	17.8	-7.0	27.7
Net Financing Cashflow	-11.0	8.5	15.1	21.6	Maintenance Capex	\$m	-0.2	-0.1	-0.3
Change in Cash	-1.1	-0.2	21.7	-1.3	Free Cashflow	\$m	17.6	-7.1	27.4
Balance Sheet (\$m)	2010A	2011A	2012E	2013E	Free Cashflow per Share	cps	29.6	-11.6	43.8
Assets					Cash Conversion (FCFPS/EPS)	%	100.7%	-24.8%	82.0%
Cash	0.5	0.4	22.1	20.8	Working Capital Utilised	\$m	21.3	35.4	41.4
Receivables	0.8	4.0	4.6	5.4	Change in Working Capital	\$m	14.4	-14.1	-6.0
Inventories	41.3	56.1	65.0	75.9	Balance Sheet				
Other	0.0	0.0	0.0	0.0	Net Debt / (Cash)	\$m	39.7	55.1	58.4
Current Assets	42.5	60.4	91.7	102.0	Net Debt / (Net Debt + Equity)	%	26.7%	29.8%	28.2%
Intangibles	0.0	0.0	0.0	0.0	Net Debt / EBITDA	x	1.5	1.4	1.2
Property, Plant & Equipment	1.0	1.0	1.0	0.9	Interest Cover - EBIT	x	12.6	33.3	22.1
Deferred tax assets	0.0	0.0	0.0	0.0	Return on Equity	%	16.1%	22.2%	22.5%
Other	162.1	172.2	192.7	244.9	Return on Assets (EBIT)	%	12.5%	17.3%	17.0%
Non Current Assets	163.1	173.2	193.7	245.8	Return on Avg. Assets (EBIT)	%	13.9%	18.4%	18.7%
Total Assets	205.7	233.6	285.4	347.8	Shares on Issue				
Payables	28.1	33.5	38.9	45.4	Issued Shares (End of Period)	m	61	62	63
Borrowings	0.0	0.0	0.0	0.0	Diluted Weighted Avg Shares	m	60	61	63
Provisions	5.5	4.5	4.5	4.5	Board of Directors				
Tax liabilities	2.0	4.8	7.1	8.4	William Hames				Non-Executive Chairman
Other	19.5	0.0	0.0	0.0	Robert Brown				Non-Executive Director
Current Liabilities	55.0	42.8	50.4	58.2	Ronald Packer				Non-Executive Director
Payables	0.0	0.0	0.0	0.0	Paul Sadleir				Non-Executive Director
Borrowings	40.2	55.5	80.5	113.5	Timothy Brown				Non-Executive Director (Alternate)
Provisions	0.1	0.1	0.1	0.1	Substantial Shareholders				
Tax liabilities	1.5	5.3	5.3	5.3	RS & TR Brown Entities				15.4%
Other	0.0	0.4	0.4	0.4	WG Hames Entities				14.5%
Non Current Liabilities	41.8	61.3	86.3	119.3	Acorn Capital Ltd				11.5%
Total Liabilities	96.9	104.0	136.7	177.5	Westoz Funds Mgmt				6.1%
Net Assets	108.8	129.5	148.7	170.3	Invesco Australia Ltd				5.5%

Company Background

Cedar Woods is a residential property developer established in 1987 and listed on the ASX in 1994. Cedar Woods has a diverse portfolio of property assets across locations in Western Australia and Melbourne.

Disclosure Disclaimer

RCAN1014

This Research report, accurately expresses the personal view of the Author. All the information utilised in this report is accurate and current at the date stated on this report.

DJ Carmichael Pty Limited, members of the Research Team; including authors of this report, its directors and employees advise that they may hold securities, may have an interest in and/or earn brokerage and other benefits or advantages, either directly or indirectly from client transactions in stocks mentioned in this report.

DJ Carmichael Pty Limited is a wholly owned subsidiary of DJ Carmichael Group Pty Limited ACN 114 921 247.

In accordance with Section 949A of the Corporations Act 2001 DJ Carmichael Pty Limited advise this email contains general financial advice only. In preparing this document DJ Carmichael Pty Limited did not take into account the investment objectives, financial situation and particular needs ('financial circumstances') of any particular person. Accordingly, before acting on any advice contained in this document, you should assess whether the advice is appropriate in light of your own financial circumstances or contact your DJ Carmichael Pty Limited adviser. DJ Carmichael Pty Limited, its Directors, employees and advisers may earn brokerage or commission from any transactions undertaken on your behalf as a result of acting upon this information. DJ Carmichael Pty Limited, its directors and employees advise that they may hold securities, may have an interest in and/or earn brokerage and other benefits or advantages, either directly or indirectly, from client transactions. DJ Carmichael Pty Limited believe that the advice herein is accurate however no warranty of accuracy or reliability is given in relation to any advice or information contained in this publication and no responsibility for any loss or damage whatsoever arising in any way for any representation, act or omission, whether express or implied (including responsibility to any persons by reason of negligence), is accepted by DJ Carmichael Pty Limited or any officer, agent or employee of DJ Carmichael Pty Limited. This message is intended only for the use of the individual or entity to which it is addressed and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If you are not the intended recipient or employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication and its attachments is strictly prohibited.

The Author of this report made contact with **Cedar Woods Properties Limited** for assistance with verification of facts, admittance to business sites, access to industry/company information. No inducements have been offered or accepted by the company.

The recommendation made in this report is valid for four weeks from the stated date of issue. If in the event another report has been constructed and released **Cedar Woods Properties Limited**, the new recommendation supersedes this and therefore the recommendation in this report will become null and void.

Recommendation Definitions

SPECULATIVE BUY – 10% out-performance, but high risk

BUY – 10% out-performance

ACCUMULATE – 10% or more out-performance, buy on share price weakness

HOLD – 10% underperformance to 10% over performance

SELL – 10% or more underperformance

Period: During the forthcoming 12 months, at any time during that period and not necessarily just at the end of those 12 months.

Stocks included in this report have their expected performance measured relative to the ASX All Ordinaries index. DJ Carmichael Pty Limited's recommendation is made on the basis of absolute performance. Recommendations are adjusted accordingly as and when the index changes.

To elect not to receive any further direct marketing communications from us, please reply to this email and type 'opt out' in the subject line. Please allow two weeks for request to be processed.

© 2012 No part of this report may be reproduced or distributed in any manner without permission of DJ Carmichael Pty Limited.