

28 November 2019

**2019 ANNUAL GENERAL MEETING – MANAGING DIRECTOR & CEO’S ADDRESS  
FLEETWOOD CORPORATION LIMITED (ASX: FWD)**

Thanks Phil and good morning ladies and gentlemen.

Before we move to our financial results and the outlook, I’d like to briefly touch on the structure of Fleetwood.

Our Modular Accommodation segment, which will in future be known as Building Solutions is the largest manufacturer of modular buildings in Australia, with facilities right across the country. We service the education, corrections, affordable housing and mining sectors through this business.

Following several recent corporate transactions, our exposure to the RV industry is now through Camec, which is a parts business selling to manufacturers and to retail customers, and Northern RV, which provides various services to the RV manufacturers in the Somerton manufacturing hub in Victoria. This segment will in future be referred to as RV Solutions.

Village Solutions remains comprised of Searipple Village in Karratha, which the Company owns and operates, and Osprey Village in Port Hedland that we manage on behalf of the Western Australian State Government.

This slide shows Fleetwood’s senior management team.

Most of the Executives shown on the slide are here today, and are looking forward to chatting with you at the conclusion of today’s meeting.

We’ll leave this slide up at the end of the meeting today so you can pick them out of the crowd.

Before we move to financial results, I’d like to speak about culture and people.

Fleetwood was established in 1964 and since then has been through many structural changes over the following decades.

Throughout this journey, one thing has remained constant. That’s the way we treat and develop our people.

And I’m very proud to have been a part of this culture.

So, to give you a bit more insight, I have a short video to play which I hope will give you an idea of our organisation culture which extends to 600 people at 17 sites across the country and into New Zealand.

[Video]

It makes me feel proud to be a shareholder of this Company and to have the privilege of working with so many terrific people.

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**About Fleetwood**

*Fleetwood is a provider of innovative building solutions, village solutions and RV solutions.*

*Established in 1964 and employing people in Australia and New Zealand, Fleetwood aims to outperform by providing genuine value.*

*For more, please visit [www.fleetwoodcorporation.com.au](http://www.fleetwoodcorporation.com.au)*



So, to the results for 2019.

This last financial year was a watershed for Fleetwood. Our underlying figures have improved substantially, with group revenue up 18 per cent to \$315 million, and EBITA from continuing operations up 34 per cent to \$25.3 million. These solid figures are backed by a strong balance sheet with \$33 million of net cash.

We completed two acquisitions as part of our transformational strategy, and they were funded by a well-supported \$60 million capital raise.

The restructuring of our Company also involved us shedding the last remaining loss-making business we had, which was Caravan Manufacturing. We recovered \$12 million in cash directly from the sale and we have another \$5 million which we will recover as we sell down residual caravan stock. And you'll be pleased to know that Coromal and Windsor have gone to a good home with new owners Apollo Tourism and Leisure, and those brands will continue.

In the near term, we're again targeting a similar EBITA result for the financial year ahead, and based on our positive turnaround in underlying earnings, we've also established a clear dividend policy, which is that we intend to pay dividends at around 30 per cent of free cash flow, subject to capital requirements to grow the business.

Looking at the performance of our individual segments, we can see that our Modular Building Systems acquisition has provided a solid first-time contribution, with EBITA up around 25% FY19 compared to the financial year prior.

This increase in underlying earnings comes despite lower modular demand in Victoria, stemming from disruptions the State election caused to order flow, as well as low-volume from the affordable housing and mining sectors.

Village Solutions also grew its EBITA, as we continued to see higher occupancy at Searipple and earnings from Osprey Village were stable as predicted.

Our Northern RV acquisition in Melbourne is also off to a strong start in its first 11 months under our ownership, driving a 58 per cent growth in EBITA for the RV Solutions segment.

Sales to caravan manufacturers through Camec fell in line with broad weakness in the locally built caravan market, but we saw growth in the aftermarket segment through new relationships with large scale retail outlets.

And through strong working capital initiatives cash flow from operations has again improved substantially, up from \$18 million in FY18 to \$32 million this year.

Looking to the future, the forward strategy for each of our three segments is clear.

The modular industry in Australia is in its infancy when you compare it to other countries, so we see a considerable growth opportunity by progressing the Australian market to applications of modular construction that are used overseas.

So far, we've had good success in building permanent architecturally designed schools in a modular format. In this regard, Fleetwood won a worldwide award recently for the best school project, which was Yallourn Primary School in Melbourne. MBS had been on a similar journey prior to us acquiring it with the rollout of modular prison cells.

However, there are substantial further opportunities. Essentially these exist in any application where there is an advantage in speed of delivery or where a project is in a remote location.

Our Village Solutions segment has been a solid earner for the group, with around 40 per cent of the Company's earnings coming from villages in the 2019 year.

Anticipated construction activity in the Karratha/Dampier region means there is potential for these earnings to grow further.

Also expanding our presence in the Village Solutions segment will help to offset ups and downs in the contracting side of Fleetwood and to this end we are also considering opportunities to bid new projects with build own operate options in addition to traditional design and construct.

Our RV Solutions segment has been diversified through restructuring that included the acquisition of Northern RV and a subsequent period of reducing overhead costs.

The challenges now are consolidation and extraction of synergies following the acquisition, capturing more of the imported market through extending the service offering and expanding our exposure to the after-market and retail segments.

I'd like to focus on the Building Solutions segment in more detail now to give you an appreciation for the size of these markets and how we are developing competitive advantage.

This slide demonstrates, in the black boxes, announced spend by governments and resource companies in the areas we have exposure to. As you can see, there are multi-billion dollar announced spends in all the States where we have operations.

As you would be aware, we've made a number of recent ASX announcements regarding several of those specific opportunities. We continue to work on others.

The yellow boxes show our physical capacity as it currently stands.

As you can see, the only areas we don't have direct capacity in are the Northern Territory and Tasmania, and although we don't have a branch operation in South Australia, while we are considering an expansion into that State, we will continue to deliver South Australian projects from WA and Victoria.

And now to our competitive advantage.

As I said, we've spent considerable time analysing overseas markets and we've incorporated that knowledge, which has been particularly gleaned from the USA into expanding the reach of modular in Australia.

Aside from the new specific applications of modular we have developed in the corrections, education and affordable housing sectors, we have also developed an advanced in-house design function, and we've got designers and architects at our key locations, and also a strong centre of excellence in the Melbourne CBD.

Our design team is pioneering the modular industry in Australia, and allows us to offer services to clients in the feasibility stage which puts us at a significant advantage when tenders come out.

We've also rolled out advanced manufacturing techniques to produce different configurations of buildings using the same standardised modules, which allows us to achieve manufacturing efficiencies while still giving our clients optionality.

The two school buildings that are pictured side by side on this slide are both projects that were built recently in Victoria.

They've both been built from a standardised kit of parts, but as you can see they've been configured differently to produce two completely different looking school buildings.

No one else in the Australian modular industry is doing this to the same degree.

Moving to Village Solutions segment, as I touched on previously the anticipated construction activity in the Karratha/Dampier region means there is potential for earnings in this segment to grow significantly.

We're demonstrating on this chart that there are 3,000 fly-in-fly-out accommodation rooms in Karratha today, of which 1,350 are at our Searipple Village.

With shutdown and construction demand that is coming up, there is expected to be a need for approximately 6,500 rooms in Karratha, so it's likely that existing market capacity will be fully utilised and new villages will also have to be built.

Importantly, planning rules require that any new villages will only have approval for the duration of the underlying construction project, so following this period of construction activity, which is expected to last up to four years, market supply should normalise to levels seen in the last two years.

In any event, the medium term for this segment looks very exciting.

We have also established a strategy to expand this segment.

Our Building Solutions business provides us with the opportunity to build new fly-in fly-out villages at a lower cost than our competitors can, and now that the Company's balance sheet is in a much stronger state we have recommenced bidding for some projects on a build own operate basis, which is something we have not been able to do for several years.

Looking at the competitive landscape for RV Solutions, a key issue for this industry is that we're seeing a reduction in products built in Australia, and an increase in imports.

The chart on this page shows the number of new retirees in the yellow bars being highly correlated with demand for locally built caravans, which is shown in the white line since the early 2000s, except for the GFC period in 2009.

The red line though shows total market demand now, and the difference is imported units.

As you can see, the number of new retirees has been in decline since 2018, and that's still correlated with locally built caravans, however more families are buying caravans now and they generally tend to buy smaller and lighter units, which lend themselves to imports.

The key strategies in this business are consolidation and extraction of synergies following the acquisition of Northern RV, and capturing more of the imported market through providing services and expanding our reach into the after-market and retail segments.

Finally, I'd like to talk about trends for the current year so far and the broader outlook.

Overall, and subject to the outcome of submitted bids, which haven't been awarded yet, we are targeting similar EBITA for FY20 as was achieved in FY19.

However, we need to note the effect of the two contract awards that were announced recently, being the \$17m Koodiaderi project for Rio Tinto and the \$35m project with Hansen Yunken for the New South Wales State Government.

These two projects are very good wins for Fleetwood, however both opportunities have taken longer to gestate than we had previously anticipated. As result, revenue and earnings anticipated for the first half for these projects will be pushed out into the second half and into the next financial year.

Additionally, given the scale of upcoming projects in New South Wales, substantial bid costs have been expended in the first half to ensure Fleetwood has been properly represented in that program.

The combination of those two factors means Fleetwood's results for the first half will be down on FY19 and overall results will be skewed towards the second half.

However, the Building Solutions segment still has a very large tender book with individual bids ranging in size from \$5 million to \$100 million.

Village Solutions has had a stronger than expected start to the year and is now targeting a full year result similar to FY19.

The RV Solutions segment is operating in a tough environment for locally built caravans, but despite the weak market, we have grown earnings in this segment in 2019 and we're targeting growth at least from the after-market segment as we move forward.

Thanks for listening today. To wrap up my presentation, I'd like to play another short video, which will provide some insight into Fleetwood's culture and capabilities. After that we'll have time for questions.

For further information, please contact:

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