

**FLEETWOOD**  
AUSTRALIA

# Half Year Results FY23

FEBRUARY 2023





# Operating Segments

**FLEETWOOD**  
BUILDING SOLUTIONS

WA

SA

VIC

NSW

QLD

**FLEETWOOD**  
COMMUNITY SOLUTIONS

*Searipple  
Karratha*

 GLVDE

 osprey  
village

**FLEETWOOD**  
RV SOLUTIONS

 CAMEC

 NRV

 RVC

# Our Vision and Values

## Vision

To be the Leader in  
Reimagining  
Sustainable Spaces

## Purpose

To create innovative  
spaces so people can  
thrive

## Values

Zero harm, Collaboration,  
Integrity, Accountability,  
Growth through innovation



### Zero Harm

Zero harm for  
people and the  
environment.



### Collaboration

Better together.



### Integrity

Say what we  
do and do what  
we say.



### Accountability

I hold myself  
accountable.  
We hold ourselves  
accountable.



### Growth through Innovation



# Key Points H1 FY23

- + Underlying EBITA of \$0.2m (vs \$1.5m loss in H1 FY22).
  - + Building Solutions loss reduced to \$2.3m as work on FY22 major projects completed.
  - + Community Solutions EBITA of \$2.6m due to timing of shutdowns and ahead of major project demand.
  - + RV Solutions continuing to benefit from domestic travel demand. EBITA of \$3.9m.
- + Stable net cash of \$39.9m after allowing for FY22 onerous contract provision of \$14.1m.
- + Executive team re-built to drive operational improvement, diversification of revenue and to deliver the manufacturing transformation.
- + Medium term demand for Searipple strengthening.



*Our Lady's Catholic Primary School, Victoria*

# Earnings Summary

- + **An improved performance in Building Solutions was offset by lower earnings from the remaining businesses.**
  - + Work on all Building Solutions FY22 major projects has now been completed and efforts are now being focused on commercial negotiations and final close outs.
  - + Searipple Village saw new supply enter the Karratha market ahead of major project demand.
  - + Community Solutions was below H1 FY22 due to the timing of major client shutdowns this year.
  - + RV Solutions performed well at the sales level with the ongoing popularity of domestic tourism.
- + **Carrying value review of Building Solutions resulted in significant impairment and provisions of \$39.8m in H1 FY22.**

\$ Million	H1 FY23	H1 FY22
<b>Revenue</b>	<b>223.1</b>	<b>209.2</b>
<b>EBITDA</b>	<b>8.7</b>	<b>6.8</b>
Depreciation	(8.5)	(8.3)
<b>EBITA</b>	<b>0.2</b>	<b>(1.5)</b>
Amortisation of contract intangible	-	(1.1)
Finance costs	(0.7)	(0.7)
Pre-tax profit (loss)	(0.5)	(3.4)
Tax (expense) benefit	(0.3)	1.2
<b>Underlying NPAT</b>	<b>(0.8)</b>	<b>(2.2)</b>
Significant items	-	(36.5)
<b>Continuing operations NPAT</b>	<b>(0.8)</b>	<b>(38.6)</b>
Loss from discontinued operations	-	(0.5)
<b>Statutory NPAT</b>	<b>(0.8)</b>	<b>(39.1)</b>
<b>NPATA</b>	<b>(0.8)</b>	<b>(1.4)</b>

# Cashflow Summary

- + The Company maintained a stable net cash position after allowing for payment of the \$14.1m onerous contract provision taken late in FY22.
- + This is despite the challenges presented by cost increases, operational issues and major project closeouts.
- + Project finance advance returned in July 2021.

\$ Million	H1 FY23	H1 FY22
<b>EBITDA</b>	<b>8.7</b>	<b>6.8</b>
Cash outflows from discontinued businesses	-	(0.5)
Interest paid (net)	(0.8)	(0.7)
Tax	(1.1)	(3.9)
Working capital (and other)	(15.3)	7.3
<b>Operating cashflow</b>	<b>(8.5)</b>	<b>9.0</b>
Net capex	(3.7)	(5.5)
<b>Free cashflow</b>	<b>(12.2)</b>	<b>3.5</b>
Net acquisitions	-	-
Project finance advance	-	8.7
Lease repayments and other	(3.2)	(3.7)
Dividends paid	-	(9.9)
<b>Financing cashflows</b>	<b>(3.2)</b>	<b>(4.9)</b>
Opening net cash (debt)	55.3	57.6
<b>Closing net cash (debt)</b>	<b>39.9</b>	<b>56.2</b>

# Balance Sheet Summary

- + Strong cash position retained.
- + Total debt and bonding facilities of \$81m.
- + Project bonding outstanding fell from \$27.0m in June 2022 to \$22.5m in December 2022 reflecting the wind down of major projects.
- + Onerous contract provision of \$14.1m reduced working capital in FY22.
- + No interim dividend. Policy remains to pay out 100% of future NPAT.

\$ Million	H1 FY23	FY22
<b>Net working capital</b>	<b>23.7</b>	<b>8.7</b>
Property Plant and Equipment	35.7	36.9
Intangibles	47.0	46.8
Other	17.0	15.8
<b>Capital employed</b>	<b>123.3</b>	<b>108.3</b>
<b>Net debt (cash)</b>	<b>(39.9)</b>	<b>(55.3)</b>
Shareholders funds	163.2	163.5
<b>Capital employed</b>	<b>123.3</b>	<b>108.3</b>



# Building Solutions Performance

- + H1 FY23 recorded an EBITA loss of \$2.3m on revenue of \$168.2m.
- + Revenue growth driven by the Queensland education sector.
- + Revenue declined from H2 FY22 in line with activity levels on major projects.
- + Earnings impacted by major project runoff at very low margins and the underperformance of a project in NSW.
- + Labour and material impacts continued in H1 FY23. Early signs of volatility easing.

\$ Million	H1 FY23	H1 FY22
Revenue	168.2	151.4
EBITA	(2.3)	(8.5)



*Russell Island Kindergarten, Queensland*



# Building Solutions

## Lessons Learnt

### Issues

- + Size, complexity and bespoke elements of projects challenged the capability of the team, with limited access to additional skilled labour.
- + Exposure to labour shortages and high raw material costs driven by supply shortages.

### Solutions Implemented

- + Forward order book does not have any new material major projects.
- + Standardisation of product platforms to reduce complexity.
- + National functional leadership model to improve coordination of sales, estimating, design, procurement, manufacturing, HSEQ and finance.
- + Adopting technology to enable collaboration, product innovation and scalability across the business.



*Sirius College, Victoria*

# Building Solutions Strategy and Outlook

## Strategy

- + Build, Transform, Grow roadmap to drive improved quality and consistency of earnings.
- + Improve capability, systems, processes and brand awareness to underpin long term, sustainable growth.
- + Revenue diversification and moving from being a builder to manufacturer.

## Outlook

- + Acceptance of modular construction as a design, cost and time effective solution continues to grow.
- + Fleetwood is positioning to supply to lifestyle villages, affordable housing and defence sectors.
- + Move towards repeatable modular works has seen our order book revert to \$87m.
- + Increased integration across the business is improving utilisation, realising procurement opportunities and reducing supply chain risks.



*Piara Waters Lifestyle Village, Western Australia*

# Building Solutions Strategy Progress

- + Overhead staff numbers down 5% since June as activity on major projects reduces.
- + 30% improvement in TRIFR in H1 FY23.
- + Centralisation of design and estimating function.
- + Factory capacity and utilisation now being monitored and driving sales and operation planning.
- + Procurement savings identified and captured in major spend categories. Benefits to flow from H2 FY23.
- + Strong growth in housing revenue with proprietary housing designs to be launched to market in H2 FY23.
- + Defence strategy defined and underway.



*Social Housing, Western Australia*

# Community Solutions Performance

- + Finished H1 FY23 with EBITA of \$2.6m on revenue of \$13.1m.
- + EBITA was below H1 FY22 due to the timing of major client shutdowns this year.
- + Searipple Village saw the ongoing impact of low demand in the Karratha market ahead of planned major projects.
- + Osprey Village in Port Hedland remains fully occupied with a waitlist of potential tenants.

\$ Million	H1 FY23	H1 FY22
Revenue	13.1	16.4
EBITA	2.6	4.7



*Osprey Village, South Hedland, Western Australia*





# Community Solutions Strategy and Outlook

## Strategy

- + Base utilisation secured with potential for large demand uplift as planned projects gain momentum.
- + Glyde technology platform can position Fleetwood as a digital and ESG market leader and extend and enrich our relationships with customers.

## Outlook

- + WA's Northwest has significant future projects planned in the oil and gas, fertiliser, and green energy sectors.
- + The recent five-year Rio Tinto agreement underpins utilisation and profitability and creates a strong negotiating position for discussions with additional clients.
- + Additionally, Build Own Operate/Transfer (BOOT) or Build to Rent (BTR) opportunities in the mining, residential and aged care sectors remain under consideration.
- + Building Solutions provides the opportunity to build new villages at a competitive cost.



*Searipple Village, Karratha, Western Australia*

# RV Solutions Performance

- + H1 FY23 produced EBITA of \$3.9m on revenue of \$41.6m.
- + Some softening of aftermarket demand was apparent during the second quarter.
- + OEM production remained strong.
- + Wage inflation and significant increases in property costs saw operating costs increase relative to H1 FY22 which translated to lower EBITA margins.
- + Price increases have been implemented to recover margins in H2.

\$ Million	H1 FY23	H1 FY22
Revenue	41.6	41.4
EBITA	3.9	5.1



# RV Solutions Strategy and Outlook

## Strategy

- + Expand retail offering in the aftermarket and increase visibility and engagement with caravan buyers.
- + Commercialise new products in the OEM segment.
- + Update IT systems to take advantage of current technological capability and improve productivity.

## Outlook

- + The medium-term outlook remains positive with OEM order books at high levels and recent RV registration growth likely to support the aftermarket.
- + New products such as sandwich panel walls and aluminium wall frames are currently under trial with customers.
- + Challenges remain around raw material supply and price, freight costs, access to skilled labour and potential impact of increased interest rates.





# Summary and Outlook

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- + Roadmap to improve quality and consistency of earnings outlined with Build, Transform, Grow Strategy.
- + Move towards repeatable modular works has seen our order book revert to \$87m.
- + Revenue and quality improvement and operating efficiency measures identified to leverage the advantages of modular building.

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COMMUNITY SOLUTIONS

- + Recent 5-year agreement with Rio Tinto underpins future utilisation
- + Significant projects in planning across multiple sectors driving additional demand.
- + Additional opportunities identified in mining, residential and aged care.

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RV SOLUTIONS

- + Medium term outlook for domestic travel market remains positive.
- + Leverage opportunities to service aftermarket.
- + New products such as sandwich panel walls and aluminium frames are under testing with customers.

## OVERALL

- + **Focus on revenue quality, sustainably improving margins, increasing utilisation and reducing overheads.**
- + **Annual dividend payout policy of 100% of future NPAT retained.**



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