

7 May 2018

Earnings update

Fleetwood makes this announcement to update shareholders on recent changes to market conditions, and the ongoing processes to ensure shareholder value is restored and enhanced.

Fleetwood currently expects the second half of FY18 underlying EBIT to be in the order of approximately \$1.5 million, bringing full year underlying EBIT for FY18 to approximately \$5.5 million. This expected result compares to earlier outlook expectations of an underlying full year EBIT result marginally ahead of FY17 (\$14.6 million).

The expected result is driven primarily by ongoing losses in Caravan Manufacturing (RV) and smaller secondary effect in Modular Accommodation related to timing of capital spend in the education sector and lower volume from the affordable retirement sector.

Excluding an expected loss in the RV division detailed below, results from the other divisions for the full year are expected to show an underlying EBIT of \$18.5 million (compared to \$21.3 million for FY17).

Caravan Manufacturing

In February 2018 Fleetwood advised shareholders that consumer demand for caravans had reduced and that a corresponding impact on revenue had occurred in the first half of FY18. The subdued trading conditions have continued into the second half, and along with heavy discounting, particularly by large operators at the recent Sydney caravan show, the company's order book has moderated to a degree.

Given this, losses for the second half of FY18 are now expected to be in the order of \$7 million to \$8 million. The expected result provides for promotional and marketing support to meet competitor discounting.

The Board acknowledges that a resolution of shareholder dissatisfaction with the performance of the RV business is required, and achieving this has been a strong focus of Board and Management. To this end a full review of the RV business was undertaken in late calendar 2017 with clear goals set. The outcomes of this review remain a work in progress, with the update to expected trading conditions underlining this. The Board considers the expected losses of the RV business for the second half to be unacceptable and is dissatisfied with the expected performance.

The Company has previously announced it was considering all structural and corporate alternatives for the RV business. This process is the Board's top priority and will be resolved in the coming months.

Modular Accommodation

While education demand ran at a strong rate in the first half of FY18, over the last three months, order flow in Victoria shifted from units manufactured for immediate sale to units manufactured for rental ahead of the Victorian state budget announcement, which was delivered on 1 May.

In addition, the business has been impacted by lower volume from the affordable retirement sector, particularly into the fourth quarter.

While these have had a negative impact on the second half, a series of modest project wins in the Western Australian resource sector has made up for part of this reduction resulting in the second half earnings forecast to be approximately \$4 million, compared to \$5.9 million in the first half.

The Victorian state budget has confirmed a significant increase in education spend, and while Fleetwood has not received any information related to demand for its products specifically, the announcement is a positive overall sign in respect of FY19 demand. The business is also expecting to see a greater contribution from rental income in FY19.

Village Operations

As foreshadowed in the half year result announcement, Fleetwood's Village Operations segment has continued to benefit from increased shutdown related accommodation demand in Karratha during the second half of FY18, with EBIT for the six months to June 30 forecast to be similar to the first half of \$4.4 million.

Demand for FIFO accommodation from operational workers is expected to remain relatively consistent into the first half of FY19, and the company has reached agreement with major resource companies for periodic shutdowns expected during FY19.

Given this, the company expects that earnings will continue at a consistent level in this segment.

Parts and Accessories

Fleetwood settled the sale of Flexiglass in February 2018, which has resulted in the Parts and Accessories segment being comprised solely of Camec, which is a supplier to the recreational vehicles industry in Australia and New Zealand.

Despite declining retail sales rates in the recreational vehicles industry, Camec has grown its share of the market through a dedicated focus on customer service and innovative product design. This has resulted in improved volume in the second half with revenue forecast to be marginally higher than the first half of FY18.

Full year earnings are expected to be approximately \$3.5 million which represents an improvement on the previous corresponding period of \$1.0 million.

The improvements made over the last three years give the board confidence that the present earnings trajectory will continue into FY19.

Group EBIT result

Collectively, Fleetwood expects these divisional results to lead to a group full year underlying EBIT for FY18 of approximately \$5.5 million. The group result is composed of the following divisional components, and remains subject to market factors and the progress of the discounting campaign in the RV business.

Underlying EBIT (\$ million)	H1 FY18 actual	H2 FY18 estimate	FY18 estimate
Recreational Vehicles	(5.6)	(7.0)-(8.0)	(12.5)-(13.5)
Parts and Accessories	1.6	1.5-2.5	3.0-4.0
Modular Accommodation	5.9	3.5-4.5	9.5-10.5
Village Operations	4.4	4.0-5.0	8.5-9.5
Corporate costs	(2.1)	(1.5)-(2.5)	(3.5)-(4.5)
Total underlying EBIT	4.4	1.0-2.0	5.0-6.0

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About Fleetwood

Fleetwood is a provider of innovative accommodation solutions and quality recreational vehicles, parts and accessories.

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