

13 October 2020

Chairman's Address

- The results for the year for Tamawood Limited was a net profit after tax attributable to members of \$4.447 million (2019: \$3.970 million).
- Due to the disappointing result in FY19, the Board instigated a complete review of all aspects of the business operations. As a result of that review strategies implemented at the end of second half FY19 and throughout FY20 included changes to advertising, marketing, designs, systems, staffing and construction techniques which resulted in a slight improvement in profitability in FY20. FY20 was still somewhat hampered by a tightening of credit following the banking royal commission, and a slowdown of processing of building approvals by local councils. These are starting to come through now and construction activity has increased since the beginning of FY21. In addition, the Federal Government will relax some of the responsible lending laws which should assist with finance approvals going forward.
- The transition from a commission based Sales workforce to a wage based Business Development Manager structured workforce, instigated over recent years, and overseen by the Board has been completed successfully. This has allowed increased flexibility and control by Management with the ability to rapidly train and deploy non-traditional Sales employees with immediate results.
- The successful testing and implementation of Senterprisys software modules in the Tamawood business has continued in FY20 with further implementation in early FY21 allowing us to expand seamlessly into additional regional markets.
- Throughout FY20, we have continued to improve and refine our online offering and website with improvements to search functions to improve our customers' ability to find suitable products at a competitive price in the areas they are looking to build.
- Tamawood remains debt free with a cash balance of \$6.742 million at 30 September 2020.

FY21 Outlook

Enquiry levels remain strong with an approximate 70% increase compared to the corresponding period 2019. The impact of the 'HomeBuilder' Grant is yet to take effect on sites due to State Government delays with the release of application forms resulting in uncertainty with customers and lending institutions.

However, Tamawood is well placed with its existing signed contracts and current construction activity to achieve a profit before tax of approximately \$5 million for the first half of FY21, some 100% up on the corresponding first half FY20, which will enable the return of cash dividends at the interim period.

This result is subject to no adverse changes in current market conditions and also subject to delays due to the forecast La Nina wet weather event. As much as possible we have, over a number of years, developed processes for wet weather building, but as with all weather events there are no guarantees of eliminating delays when they occur. The further implementation of the Senterprisys software will also assist us to better manage such weather events across multiple remote locations and maintain our already low administration costs while dealing with the wet weather.

We anticipate the reported increase in construction activity across the entire industry could see a shortage of trade labour and therefore an increase in labour costs. In addition, key supply chain availability of products may result in an increase in construction times and potentially cause margin erosion.

The biggest potential change in market conditions could be as a result of a state shutdown particularly in our primary market in Queensland due to COVID-19. We have over the past 7 months developed internal processes with 'work from home' capabilities and building site protocols, but a Victoria type shutdown, which effects every industry, would have a negative effect on our results.

As a positive all indications are that Interstate migration from the Southern States into Queensland is set to increase and we are already experiencing an increase in the number of job applications from people in Victoria looking for employment positions in Queensland. Traditionally we have benefitted from this interstate migration due to our diverse product range and ability to build efficiently in remote locations, this will stand us in good stead to take advantage of this interstate migration in the future.

Please forward any questions you may have to geoff@dixonhomes.com.au

Authorised By:

Robert Lynch

Chairman