

14 May 2024

FY24 TRADING UPDATE AND ON-MARKET SHARE BUY-BACK

Fleetwood Limited (ASX: FWD) (Company or Fleetwood) provides the following trading update for the full year ending 30 June 2024, and also announces an on-market share buyback.

The challenging market conditions in RV Solutions outlined in the Company's 1H24 results released in February 2024 have worsened and the Building Solutions segment has been impacted by further delays in the awarding of tendered projects and lower margins in the NSW operations.

As a result, based on current trading performance and outlook for the remainder of FY24, the Company anticipates full year earnings between \$7.0M to \$8.5M EBIT, which is below the current analyst consensus.

The Company expects to release its audited results for the full year ending 30 June 2024 on 29 August 2024.

A trading update and outlook by segment is provided below:

COMMUNITY SOLUTIONS

Update

- The Community Solutions performance has improved on the back of contracted occupancy increases at Searipple Village. Earnings for 2H24 will be stronger than 1H24.

Outlook

- Fleetwood's owned and operated Searipple Village utilisation continues to be underpinned by the agreement announced on 22 June 2023. Contracted additional rooms, which have been secured on a take or pay basis, are expected to generate incremental revenue of more than \$30m across FY25.
- Negotiations with several other counterparties continue, with several opportunities to fully utilise the remaining rooms, and should they be successful, would be incrementally material.
- Osprey Village in Port Hedland remains at full capacity with a strong wait list of potential tenants.

BUILDING SOLUTIONS

Update

- 2H24 revenue has been adversely impacted by a combination of delays in awarding Government announced projects as well as an ongoing slowdown in commitments to projects in the broader industry because of uncertainty around the economy. As a result, the order bank has declined by 20% in the first four months of this calendar year.
- We currently have the capacity to build 1,000 affordable housing units a year for the residents of Queensland, NSW, and Victoria.
- NSW has been impacted by poor factory utilisation from lower project win rates in the second half. Additionally, the completion of the integration of NSW onto the Fleetwood ERP (Enterprise Resource Planning) system had caused disruption to operations in NSW.
- While education infrastructure spending in VIC and QLD is broadly in line with prior years the anticipated work from the Victorian Kindergarten and Q-Build social housing projects have now been pushed back several months.



- BHP's decision to suspend a significant portion of the West Musgrave project has impacted WA's operations as it works through the impact of this on its delivery of buildings to site.

Outlook

- The opportunity pipeline in Building Solutions remains strong, and the focus on delivering the build, transform and grow strategy by qualifying work coming into the pipeline under strict criteria positions the business well.
- The Victorian Budget announced in early May with a commitment to spend \$152M on the school relocatable program in FY25 supports Fleetwood's focus on education, and the Company is now tendering two of the first three new Kindergartens on Schools Programs.
- The West Australian Budget announced in early May an \$843M package to bolster the delivery of social and affordable housing stock and homelessness initiatives. The business has seen an uptick in activity through its position on the WA Department of Communities social housing panel.
- Fleetwood continues to push into private school and key worker accommodation segments in NSW and is well placed to play a role in delivering kindergartens with the recent announcement of 100 new kindergartens built over the next three years with almost half of these in remote and rural areas.
- Fleetwood has now been added to the Transport for NSW supplier panel and has been appointed to the NSW Government modular homes taskforce to fastrack social housing.

RV SOLUTIONS

Update

- The RV Solutions business has continued to experience a decline in consumer discretionary spend and original equipment manufacturer (OEM) orders.
- Margin pressure has worsened due to the inability to pass on the full impact of inflation and broader macroeconomic conditions.

Outlook

- The business has continued to innovate with new manufactured and imported products such as the Invictus premium door, sandwich panels and aluminium frames gaining positive traction and a growing order bank with new and existing customers.
- The outlook for RV Solutions remains uncertain with discretionary spending and inflation continuing to impact this sector.

ON-MARKET SHARE BUY-BACK

As part of Fleetwood's commitment to actively manage its capital position, and taking into account the strong balance sheet, the Company has decided to undertake an on-market share buy-back of up to \$5M of its ordinary shares for a period ending within 12 months of this announcement.

In accordance with the ASX Listing Rules, prices paid for shares purchased under the buy-back will be no more than 5% above the VWAP of Fleetwood shares over the five trading days prior to the purchase.

Fleetwood will buy-back shares at such times and in such circumstances as it is considered beneficial to the efficient capital management of the Company. The buy-back is dependent on market conditions, Fleetwood's prevailing share price, its future capital requirements and any unforeseen developments or circumstances that may arise in the course of the buy-back.

Fleetwood reserves the right to suspend without notice or terminate the buy-back program at any time. An Appendix 3C in respect of the on-market share buy-back will also be lodged.

The current dividend policy to pay 100% of NPAT as fully franked dividends remains unchanged.

Fleetwood's MD & CEO, Bruce Nicholson commented: *"Today's announcement is disappointing, particularly as this result has come as we were starting to see signs of the turnaround in line with our Build, Transform & Grow strategy. Whilst some of the market conditions are outside of our control, we are working hard on addressing those within our control."*

FY25 will be underpinned by the Community Solutions business that provides a solid foundation that we intend to capitalise upon by converting the opportunity in the Building Solutions market and optimising the remaining capacity at Searipple.

Both Federal and State Governments across Australia have committed significant budgets to the housing crisis however this is yet to translate to any material award of orders to market participants which is particularly frustrating given our current capacity to provide a further 1,000 homes, Fleetwood stands ready to deliver.

The Board has implemented a share buy-back as we see significantly more value in our shares than the Company's current share price reflects. At this point in time, we also consider this a good use of Fleetwood's capital and continue to be committed to paying 100% of NPAT as fully franked dividends."

This announcement was authorised by the Fleetwood Limited Board of Directors.

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FORWARD LOOKING STATEMENTS

This announcement includes forward looking statements and references which, by their very nature, involve inherent risks and uncertainties. These risks and uncertainties may be matters beyond Fleetwood's control and could cause actual results to vary (including materially) from those predicted. Forward looking statements are not guarantees of future performance.