



*Delivering the Promise*

27 November 2015

Company Announcements Office  
Australian Securities Exchange  
Exchange Plaza  
2 The Esplanade  
Perth WA 6000

### **Annual General Meeting**

In accordance with Listing Rule 3.13.3, please find attached copies of the Chairman's address and the Managing Director's address, which are being presented at the Company's Annual General Meeting commencing at 9.30am on 27 November 2015.

**Yanya O'Hara**  
**Company Secretary**  
**Fleetwood Corporation Limited**

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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. The company's beliefs and commitment are outlined in its statement of values known as "Delivering the Promise".

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

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## **CHAIRMAN'S ADDRESS**

As has been indicated by Brad, the past year has not been without challenges. You will be as keenly aware as the board of the challenges facing the economy generally, the manufacturing segments of the economy, and the resources and mining services sectors in particular. Those with an appreciation of the history of our company will also be aware of the significant earnings previously generated by the company from the resources sector, with particular reference to our accommodation village at Searipple, in Karratha.

The challenge for us has been to manage the changes which have been imposed on us, by factors such as the decline in activity in the resources sector, foreign exchange movements, and increased competition in the recreational vehicle market, to name but a few.

It is the view of the board that we have weathered the storms of the last few years in fair shape, and that the company is now well placed to improve upon the levels of activity and profitability which we have experienced over that time. This is to be achieved by a continuing focus upon affordable housing and non-resources manufactured accommodation, improving cost and inventory controls, consolidating existing relationships with major customers, both public and private, government and non-government, reinvigorating our range of recreational vehicles, consolidating our position as provider of choice for temporary accommodation at Searipple, and exploring new opportunities for growth.

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The board is confident that, under the leadership of Brad, and with the energy and expertise of his management team, these objectives are capable of achievement in the coming year.

That is not to say that the past year has not been successful – we concluded the Osprey project on terms which are fair for both the company and the government, continued to participate strongly in the education and remote accommodation sectors, engaged strong management expertise and developed new and exciting opportunities with lifestyle operators on the east coast.

In light of the level of profitability, the board has determined not to pay a final dividend for 2015. However that position is constantly under review and a return to the payment of dividends will be effected once appropriate levels of profitability are achieved.

I wish to touch briefly on governance issues of the board and the company generally. This year has seen the board consider a number of initiatives in relation to governance, including board review, succession planning, the size and composition of the board and the interrelationship of the board and senior management. That process is not yet complete, but it is intended that there will be a suite of policies in place in the near future which will establish a clear guide to the manner in which your company, through the board, will continue to provide the best leadership possible.

Consistent with the desire of the board to address these issues the first step, board renewal, will commence immediately. Peter Gunzburg, after serving 13 years as a director of the company, has advised the board that he will retire immediately. On behalf of the company, the board and the shareholders, I would like to take this opportunity to acknowledge Peter's contribution to the company over many years, and thank him for his service. Secondly, I intend to step down as chairman. That will occur following the identification and engagement of a suitable, independent person for that

position. The search process will commence as soon as practicable. The board will also continue to review and implement the governance processes which I mentioned earlier.

Finally, in a general sense, I wish to acknowledge the efforts of the board over the last year, the contributions made by all of the company's employees across the diverse enterprises which comprise the company, with particular reference to Brad Denison as our new managing director, and the loyalty and support of our shareholders. We are aware of the trust which you place in us, and will do our best to ensure that your trust is not misplaced.

**Michael Hardy**  
**Chairman**  
**Fleetwood Corporation Limited**



*Delivering the Promise*

## **MANAGING DIRECTOR'S ADDRESS**

Thanks Michael and good morning ladies and gentlemen.

It's been an interesting and challenging year for Fleetwood and I think it's fair to say the business has been through some significant changes. So I'd like to use this opportunity to discuss some of the changes with you.

Before I do that, just a quick reminder about Fleetwood is structured.

The company is comprised of two divisions, Accommodation and Recreational Vehicles.

Over the last few years the operating companies that comprise the Accommodation division have been rebranded so that they all trade simply as Fleetwood. This division services three main industries being education, affordable housing and mining, although as I'll explain in a minute mining plays a significantly smaller role in Fleetwood's operations these days.

In the Recreational Vehicles division as most of you know Fleetwood manufactures the caravan brands Coromal and Windsor. The group is also a major distributor of recreational vehicle parts and accessories through Camec, and distributes fibreglass canopies and aluminium trays for utes through Flexiglass and Bocar.

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Focusing on the accommodation division now.

In July 2015 the company executed final agreements with the West Australian State Government for Osprey Village in Port Hedland.

The effect of the agreement is that Fleetwood has sold the village to the State Housing Authority for a little over \$62m, and as part of the sale, Fleetwood provided finance as a vendor.

The finance agreement was then assigned to Westpac and Fleetwood was paid \$62m up front. As we've discussed before, this had the effect of substantially deleveraging the company's balance sheet.

The other side of the transaction is the management rights, which provide a guaranteed ongoing income stream for a further 14 years.

In May 2015 Fleetwood's East Coast accommodation business executed an agreement with Gateway Lifestyle to supply prefabricated homes to their 40 or so parks. The agreement has a two year term and an option for Gateway to extend.

Gateway has around 1,800 individual sites available in their portfolio and recently had a very successful capital raising to support development of their parks.

The majority of Gateway's parks are in Queensland and those are being supplied from Fleetwood's existing facility in Brisbane. A new manufacturing facility has been established in Newcastle to service Gateway's New South Wales parks.

In February 2015 an agreement was executed with Rio Tinto which makes Searipple Village in Karratha their preferred supplier for FIFO accommodation in the area.

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The agreement gives Rio access to 804 rooms and since executing the agreement utilisation has steadily increased to between 55% and 60% presently. There are 1,350 rooms at Searipple which means there's also capacity to service other clients.

Aside from the impacts related to Osprey and Searipple the West Coast manufactured accommodation sector experienced very soft trading conditions this year given the downturn in mining sector construction projects. Given the size and scope of the Perth operation the business generated an EBIT loss in 2015.

The recent challenge in that business has been adjusting the focus back towards markets that Fleetwood moved away from when the mining boom ramped up.

Another area of focus has been the fixed cost structure in this business. A restructure was implemented in 2015 which unfortunately had to involve a significant number of staff redundancies and it's been necessary to make further redundancies in the first half of 2016.

So, while we are in the process of cultivating new sources of income in WA, predicting forward volume is quite complex and I think it will be some time before the outlook for this business can be reliably forecasted.

Offsetting weakness in the Western Australian market and in Queensland for at least a part of the year has been strong education demand in Victoria.

That demand comes from the Victorian government transfer program, which involves shifting classrooms between schools to accommodate shifting student populations, as well as building new classrooms.

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In August 2015 we announced that Fleetwood had been reappointed to the panel of contractors supplying services for that program.

Now to the Recreational Vehicles division.

I'd like to speak to each of these businesses individually, starting with Caravan manufacturing.

As you are no doubt aware, in the recent past this business has encountered pretty concerning performance, so I thought it might be useful to give you some background to that and then discuss actions that are presently underway to address this.

Leading up to the global financial crisis, the RV industry had been growing very strongly, and Fleetwood's caravan manufacturing operations which were then separate businesses for Coromal and Windsor had been performing well.

When the GFC hit, there was an immediate and sharp decline in discretionary spend by consumers and a number of smaller caravan manufacturers were forced to exit the industry. At that stage Fleetwood significantly reduced costs, which included winding back research and development, and ultimately consolidating manufacturing in Perth.

However in the last few years the market has started to grow again and alongside this consumer demand has moved to a slightly different product configuration and design and in view of this, we've increased research and development spend considerably in the last twelve months. The result is that a newly refreshed product range will be released in the caravan show season commencing early 2016.

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The refreshed products have been well received by the dealer group, and the styling will feature strongly at the next round of caravan shows which start early in the new year.

Design and consumer appeal is only one part of the equation though and there are a number of other opportunities to improve performance in the business.

One of these is improving manufacturing efficiency by reconfiguring the way caravans are assembled, and also changing the types of materials actually used in assembly.

As well as this, over time, there have been changes in Fleetwood's dealer network, and opportunities presently exist to take a larger position in the Melbourne market and to re-enter the metropolitan Sydney market.

To allow the business to fully capitalise on these opportunities, several management appointments have been made recently from external sources including at the Executive General Manager level. This has brought leading edge production and design thinking to the business as well as increasing Fleetwood's access to parties that could potentially become dealers on the East Coast.

Moving to the other businesses, there has been increasing competitive pressure in component parts and accessories in the last three years with a number of overseas manufacturers directly entering the Australian market. This has had an impact on sales, although Camec has commenced overseas supply of a range of RV components and this is returning the business to a level playing field.

In August last year Fleetwood acquired Bocar which is an aluminum tray distributor based in Sydney.

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The acquisition price was \$4.7m and in the ten months up to June 30 it traded in line with expectation at a little over \$1m in EBIT, which when you annualise it gives a multiple a little under four times.

While Bocar was a fairly modestly sized acquisition for Fleetwood the business has a strong position in the New South Wales aluminum tray market and when combined with Flexiglass' existing market share makes Fleetwood the leader in after-market trays for utility vehicles.

Aside from the tray market, a complete restructure has occurred in the Flexiglass business in the last three years, notably with a shift to overseas manufacturing and a significant reduction in operating costs.

The cost economies and simplified business structure has improved trading results for Flexiglass.

I've spoken in some detail about operational matters so far and I'll now give you an overview of how this manifested in the company's financial results.

We had an improved result in the manufactured accommodation division to reach \$18.5m in EBIT excluding impairment.

That was driven by education demand and the sale of Osprey village, although it was offset by lower volume from mining.

In Recreational Vehicles the EBIT loss of \$7m was attributed to caravan manufacturing however there was a modest positive contribution from the other businesses.

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Just before I discuss the company's outlook, I'd like to raise a couple of important points.

Firstly, 2015 was an extremely tough year for people at all levels in the Fleetwood group.

Difficult trading conditions in some areas and taking advantage of new markets required our people to extend themselves significantly.

The directors are very grateful for the dedication of our people, and shareholders should be proud of the long standing and strong culture at Fleetwood.

We are committed to reducing Fleetwood's environmental footprint and refinements have recently been made to the company's waste water treatment plant at Searipple Village in Karratha, with the plant now treating 65% of waste water from the Village for use in reticulating gardens. Aside from the saving in reticulation water this also saves about 18,000 kilo litres of water per annum from entering the municipal sewer system.

I'll move to the outlook now.

Volume from Gateway Lifestyle started the year at a good level, however Gateway are a recently listed company that is rapidly expanding so it may be some time before their order flow settles down and becomes reliably predictable.

The mining sector continues to provide a low volume of work for our industry and that has meant that competition for the remaining projects is pretty fierce. So while we should still keep a foothold in that market, it is critical that we continue to

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sensibly diversify the business, and as I've said we're seeing further opportunities in the affordable housing market.

Aside from resources there is also some potential for geographical expansion in education however gaining visibility of likely volume outside of Victoria is challenging. In Victoria the group has good visibility and it is expected volume will remain strong for the remainder of the financial year.

The preferred supplier agreement with Rio Tinto will continue to support utilisation at Searipple, and other opportunities are being pursued in the Karratha Dampier market.

On the recreational vehicles side, the competitive environment is still challenging for Camec, although we should remember that Camec and Flexiglass for that matter are leaders in their respective markets and with the introduction of products sourced from China and Thailand competitiveness has been gradually increasing.

Initiatives implemented in caravan manufacturing as I've said include simplifying and updating the product range, working to expand the dealer network and driving better efficiency from factory operations. While the change in senior management only occurred in the last three months, progress is already being made in all of these areas.

In August 2015 the company was required to make a payment to a contractor under the rapid adjudication system in Queensland. The payment impacted results for 2015 and the matter has also had an impact in the first half of 2016. There are still a number of unresolved positions on both sides of this dispute and the board is presently considering its options with respect to recovery.

Given the lack of certainty around this matter it is difficult to accurately predict the ultimate impact on Fleetwood's financial results. However we have taken a conservative approach which when combined with other factors discussed today will mean the company will report a loss in the first half of approximately \$5m.

Just before I hand you back to Michael to continue with the formal part of the meeting, I'd like to personally thank you all for your loyalty to Fleetwood during what has been a very challenging period in the company's history.

Fleetwood has a very strong culture built around our motto, which is called "Delivering the Promise".

My promise to you is that the board and the executive team are all aligned with our primary objective which is to restore value for Shareholders, and I appreciate your patience while we implement strategies to deliver that outcome.

Thank you very much. I will now hand the proceedings back over to Michael Hardy.

**Brad Denison**  
**Managing Director**  
**Fleetwood Corporation Limited**