

ASX: FWD ('FLEETWOOD' OR 'THE COMPANY')

Fleetwood Expands Modular Accommodation and Parts and Accessories Segments Through Strategic Acquisitions

- Fleetwood has executed contracts to acquire:
 - Sydney based Modular Building Systems (**MBS**) for \$34.15m (or 3.6x FY18 EBITA) plus a potential earnout; and
 - Melbourne based caravan plumbing and electrical services and parts supplier Northern RV (**NRV**) for \$10m (or 2.1x FY18 EBITA) plus a potential earnout.
- MBS provides a strong entry point for Fleetwood into the New South Wales corrections, education and commercial sectors, through its large, modern facility in the key Western Sydney market.
- NRV extends Camec's reach into the key Campbellfield RV manufacturing market in Melbourne. It also services the growing imported caravan market.
- The acquisitions will be funded by a placement and pro-rata accelerated non-renounceable entitlement offer, which are underwritten to \$60m.
- The combined transactions are strongly EPS and ROE accretive and will leave Fleetwood with a balance sheet capable of funding future growth.

Fleetwood has entered into a binding agreement to acquire Sydney based modular building company MBS for \$34.15m (or 3.6x FY18 EBITA), plus a potential earnout.

Fleetwood is also acquiring Melbourne based caravan plumbing parts supplier NRV for \$10m (or 2.1x FY18 EBITA), plus a potential earnout.

Both the acquisition of MBS and NRV are subject to standard conditions precedent for transactions of this nature.

Fleetwood Managing Director and CEO, Brad Denison, said "MBS provides Fleetwood with a large and modern facility in the key Western Sydney market that has forward contracted government commitments in the growing corrections sector. As well as allowing Fleetwood to enter a new sector that has economic and political tailwinds, the acquisition will provide Fleetwood an opportunity to participate in the large upcoming education spend in NSW."

"NRV represents an exciting bolt-on opportunity for our Camec business which will increase integration with our important OEM customers in Melbourne."

"The attractive acquisition multiples will drive strong EPS accretion and substantially improved returns on a pro-forma FY18 basis. In addition, Fleetwood will retain a strong balance sheet capable of funding future growth."

Mr Denison continued "We are pleased to welcome MBS founder, Murray Shaw, NRV founder, David Slorach, and their respective teams to Fleetwood. Both businesses have excellent niches in their respective markets which are a credit to the teams that have built them."

About Fleetwood

Fleetwood is a provider of innovative affordable modular accommodation solutions and parts and accessories.

Established in 1964 and employing people in Australia and New Zealand, Fleetwood aims to outperform by providing genuine value. Our beliefs and commitment are outlined in the company's statement of values "Delivering the Promise".

For more, please visit www.fleetwoodcorporation.com.au



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About MBS

Murray Shaw commenced trading in 1998 as Site Establishments before a name change to Affordable Portable Buildings in 2001 and to Modular Building Systems in 2007.

MBS is based in NSW and specialises in the manufacture and installation of prefabricated modular buildings.

In June 2016, the NSW Government announced a \$3.8 billion budget allocation to build 7,000 prison beds over the four years to 2020 to address capacity concerns.

MBS is one of two builders on a panel appointed to build modular cells for the NSW Government.

MBS also has the Australian rights to use all patented steel prison cell designs belonging to US company Maximum Security Systems for 10 years.

MBS's location in Western Sydney is ideal from the perspective of bidding for education work as the Western Sydney corridor will be one of the largest markets in the upcoming \$6 billion, 170 school development program.

FY18 revenue was \$49.6m and EBITA of \$9.4m before adjustment for likely costs under Fleetwood ownership.

About NRV

NRV is an established supplier of products and services to the Melbourne RV manufacturing sector, having been founded in 2006 by licensed plumber David Slorach. David will remain with the business post acquisition.

Its core offering centres on providing specialised plumbing and electrical labour and parts to the production lines of mid-tier caravan OEMs.

NRV provides plumbing kits and labour to over 6,000 of the 22,000 caravans manufactured annually in Australia. The extension of these services to imports represents a growing part of its business given they require certification to Australian plumbing and electrical standards.

Secondary revenue streams are derived from repair and warranty services, and retailing RV parts and accessories, from its 2,200sqm premises in Campbellfield.

FY18 revenue was \$15.7m and EBITA was \$4.7m before adjustment for likely costs under Fleetwood ownership.

Acquisitions Aligned with Fleetwood's Strategy

The acquisitions represent compelling transactions that are consistent with Fleetwood's existing strategic growth objectives. Strategic benefits include:

- MBS gives Fleetwood a strong foothold in the key Sydney market where Fleetwood does not currently have representation.
- Near term modular cell pipeline of over 2,000 cells in NSW plus possible expansion into other geographic regions.
- Well positioned to take advantage of the large announced NSW Government school spend over the medium term.
- NRV is a bolt-on acquisition giving Camec the opportunity to further integrate with key OEM customers, particularly in the Campbellfield production hub.

- Benefits from the increasing trend towards direct caravan imports into Australia as all imports must be certified to Australian plumbing and electrical standards.

Fleetwood Managing Director and CEO, Brad Denison, said: “The acquisitions are strategically and financially compelling for Fleetwood. MBS takes our MA business into a new geography and an expanding market niche. NRV is a logical bolt-on for Camec which will drive improved returns and quality of earnings in that business. We believe both acquisitions will deliver long term value to our shareholders.”

The MBS acquisition is conditional on completion of the Offer (described below) with completion of the acquisition expected in early August 2018. Completion of the NRV acquisition is also expected in early August 2018.

Acquisition Funding

MBS's and NRV's combined enterprise value of \$44.15 million (pre-adjustments for working capital and other customary purchase price adjustments) will be funded through a \$22 million placement to institutional shareholders and a \$38 million pro-rata (1 for 2.9) accelerated non-renounceable entitlement offer (**Entitlement Offer**) to raise a total of approximately \$60 million (the Entitlement Offer and placement together being referred to as the **Offer**). The Offer is fully underwritten by Euroz Securities Limited.

The Offer will also be used to fund transaction costs associated with the Entitlement Offer and acquisitions, and working capital requirements.

Each acquisition includes a potential earnout payment. In respect of MBS, the vendor is entitled to 50% of annual EBITA above \$8.25m for a period of two years. In respect of NRV, the vendor is entitled to a three year earnout of between \$2m and \$4m (total) based on EBIT ranging between \$3.3m and \$4.5m. Any future earnout payments will also be funded by the Offer.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for one new Fleetwood fully paid share (**New Share**) for every 2.9 existing Fleetwood shares held as at 7:00pm (Sydney time) on Friday, 27 July 2018 (**Record Date**).

All shares offered will be issued at a price of \$1.80 per New Share, which represents a:

- 11.8% discount to the last close price of \$2.04 on Tuesday, 24 July 2018; and
- 7.9% discount to the theoretical ex-rights price of \$1.96.

Approximately 33.3 million new Fleetwood shares will be issued under the Offer. Each New Share issued under the Offer will rank equally with existing Fleetwood shares on issue. Fleetwood will, upon issue of the New Shares under the Offer, seek quotation of the New Shares on the ASX.

Eligible institutional shareholders will be invited to participate in the accelerated institutional component of the Entitlement Offer (**Institutional Entitlement Offer**), which is expected to close on Wednesday, 25 July 2018.

The retail component of the Entitlement Offer (**Retail Entitlement Offer**) will be open from Wednesday, 1 August 2018 to 5:00pm (Sydney time) on Monday, 13 August 2018 to eligible retail shareholders on the Record Date. In addition to each shareholder's entitlement under the Retail Entitlement Offer, eligible retail shareholders will also be offered the opportunity to subscribe for Additional New Shares to the extent there is a shortfall in the Retail Entitlement Offer. An offer booklet in respect of the Retail Entitlement Offer is expected to be mailed to eligible retail shareholders on Wednesday, 1 August 2018.

The Entitlement Offer is non-renounceable and entitlements will not be tradeable or otherwise transferrable.

Offer timetable

An indicative timetable of key dates in relation to the Entitlement Offer is set out below.

| | |
|--|--------------------------|
| Announcement of the Offer | Wednesday, 25 July 2018 |
| Institutional bookbuild opens and closes | Wednesday, 25 July 2018 |
| Record date | Friday, 27 July 2018 |
| Trading Halt lifted and return to trading on the ASX | Friday, 27 July 2018 |
| Retail Entitlement Offer opens | Wednesday, 1 August 2018 |
| Settlement of Placement and Institutional Entitlement Offer | Thursday, 2 August 2018 |
| Shares issued in respect of the Placement and Institutional Entitlement Offer | Friday, 3 August 2018 |
| Retail Offer closes | Monday, 13 August 2018 |
| Settlement of Retail Offer | Friday, 17 August 2018 |
| Issue of new Shares under Retail Entitlement Offer | Monday, 20 August 2018 |

Note: The timetable above is indicative only and may be subject to change. Fleetwood reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Fleetwood reserves the right to extend the closing date of the Entitlement Offer, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares.

Further information

Further details of the MBS and NRV acquisitions and the Entitlement Offer are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Entitlement Offer.

If you have any questions, you should seek advice from your stockbroker, accountant or other independent and appropriately licenced professional adviser. For further information about the Entitlement Offer you can call the Fleetwood Shareholder Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) at any time between 8:30am and 5:00pm (Sydney time) on Monday to Friday.

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Euroz Securities Limited is acting as sole lead manager, underwriter and financial adviser to Fleetwood.
Clayton Utz is acting as legal adviser to Fleetwood.

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