Fleetwood Corporation Limited

June 2016

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Disclosure

Funds managed by Sandon Capital own securities in Fleetwood Corporation Ltd (Fleetwood or FWD).

Contents

Company description

- Fleetwood provides manufactured accommodation solutions across multiple end markets including the affordable housing, education, commercial and mining sectors. As an extension of this, the company owns the Searipple accommodation village in Karratha, Western Australia. Fleetwood also manufactures recreational vehicles, ute canopies and trays, and distributes caravan parts and accessories
- The company reports two operating segments:
  - Manufactured Accommodation – 100% FY15 EBITDA
  - Recreational Vehicles – loss making in FY15
- The company has a market capitalisation of ~A$110m[1]
- The balance sheet is good shape with minimal net debt following the sale of Osprey Village[2]

1. Based on a closing share price of $1.785 on 14 June 2016
2. Fleetwood sold the Osprey Accommodation Village to the WA Department of Housing on 20 July 2015

Investment thesis – time to "Deliver the Promise"

- FWD sum-of-the-parts is worth significantly more than its current market value
- The company's overriding objective is to "outperform financially by providing genuine value".[1] A bloated Balance Sheet with a significant number of assets earning sub-economic returns is the antithesis of this objective. In Sandon Capital's view, assets that do not deliver acceptable returns through the cycle should be sold or closed
- The growth in manufactured housing estates (MHEs) should provide a significant tailwind to the manufactured accommodation business for the medium term
- The caravan manufacturing business has been loss making for 3 years whilst competitors are profitable and growing. The status quo needs to change
- The Searipple accommodation village is a property asset housed within a manufacturing company. Consideration should be given as to whether this asset is retained or is worth more to a 'natural owner'

1. Fleetwood Corporation Annual Report 2015, page 2

Investment thesis – time to ‘Deliver the Promise’

- The company has very little net debt and $25.7m (42cps) of franking credits, which would allow a significant of amount of excess capital to be returned to shareholders tax efficiently

Investment thesis – sum-of-the-parts

- FWD sum-of-the-parts is worth significantly more than the current market value
- Sandon Capital believes that the combined value of the assets other than Manufactured Accommodation are almost equivalent to the current enterprise value of the company. These assets include:
  1. Bocar / Flexiglass
  2. Camec
  3. Osprey management agreement
  4. Searipple
  5. Excess working capital
  6. Caravan manufacturing
- In effect, investors who buy FWD at current market prices are buying the Manufactured Accommodation business for negligible value
- Sandon Capital believes this is the best business within FWD as it has attractive growth opportunities

Investment thesis – sum-of-the-parts

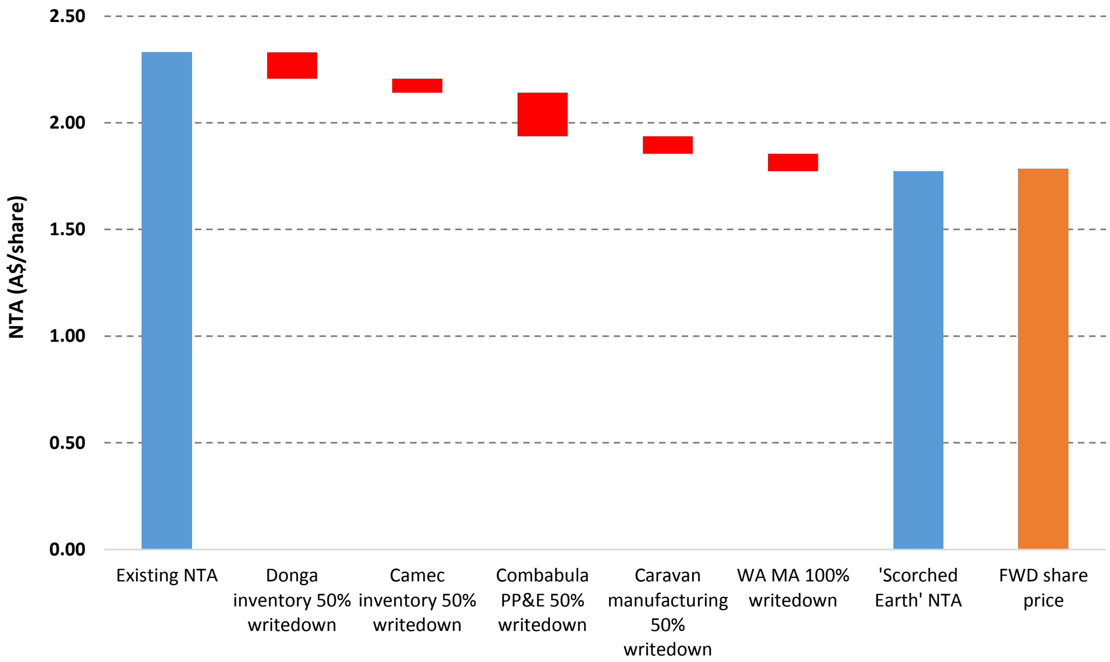
- The table below does not ascribe any value to the $25.7m (42cps) of franking credits currently held by FWD

	Basis	Multiple Range		Value ($m)	
Camec	Tangible Book Value	0.50	1.00	10.0	20.0
Bocar/Flexiglass	FY17 EBITDA Multiple	4.00	6.00	8.0	12.0
Caravan manufacturing	Tangible Book Value	0.50	1.00	5.0	10.0
Searipple	Tangible Book Value	1.00	1.25	21.5	26.9
Osprey Management Agreement	NPV of Cash Flows	1.00	1.00	12.0	12.0
Excess inventory	Tangible Book Value	0.50	0.75	7.5	11.3
Enterprise Value				**64.0**	**92.1**
Implied Value of Manufactured Accommodation ‘stub’				52.1	23.9
per share ($)				$0.89	$0.43
FY16 ‘stub’ EBITDA (pre-corporate)				28.8	28.8
Implied EV / EBITDA multiple				1.9x	0.9x
FY16 ‘stub’ EBITDA (post-corporate)				26.3	26.3
Implied EV / EBITDA multiple				2.1x	1.0x

Source: Sandon Capital Analysis

Investment thesis – sum-of-the-parts

- The waterfall chart below highlights the impact to last reported net tangible assets (NTA) from taking significant write downs to a number of FWD assets
- Adjusting for punitive write downs to estimated asset values, the current share price is trading in line with Sandon Capital's estimate of "Scorched Earth" NTA



Source: Sandon Capital Analysis. "Scorched Earth" NTA is $1.77, the closing share price on 14 June 2015 was $1.785

Investment thesis – closing the gap between price & value

- To close the gap between share price and value, Sandon Capital believes there are several opportunities that management should consider:

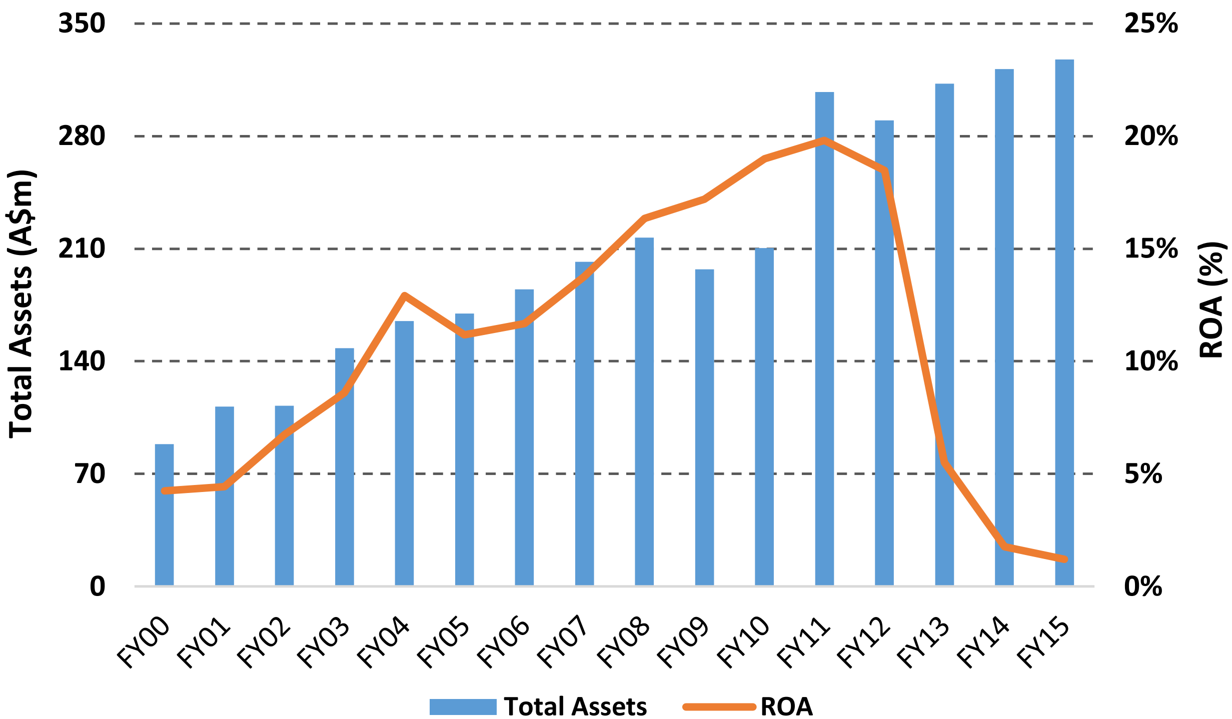
1. Address the company's bloated balance sheet by selling or closing assets that fail to earn a decent return through the cycle:
   a) The "turnaround" effort in caravan manufacturing have been ongoing for 3+ years. The business should be sold or closed if profitability can't be achieved in the short term
   b) Close WA Manufactured Accommodation if profitability can't be achieved
   c) Reduce working capital
   d) Reduce capital expenditure to minimum levels
   e) Return cash to shareholders tax efficiently using surplus franking credits
2. Take advantage of the growth opportunities in Manufactured Accommodation

Capital management – bloated Balance Sheet

- FWD's Balance Sheet is heavily burdened with assets earning sub economic returns
- Disappointingly, many of these assets have not generated an adequate return for a number of years
- In the 13 years to 30 June 2015, the company spent $355 million on capital expenditure and grew total assets from $112 million to $328 million
- Over that time, net profit has almost halved from $7.6 million in FY02 to $3.9 million in FY15. The company will struggle to earn a profit in FY16, following a loss of $5.1 million in its first half
- Sandon Capital believes that the assets that can earn an economic return through the cycle should be retained, whilst those that can't should be jettisoned

Capital management – bloated Balance Sheet

- The Balance Sheet has continued to expand as earnings have dropped precipitously. Sandon Capital believes that significantly improved earnings can be generated from a substantially reduced asset base



Source: Fleetwood Corporation, Sandon Capital Analysis

Capital management – capital release

- The company has started to release capital through the sale of Osprey Village in mid-2015, however significantly more work needs to be done to ensure the asset base is reduced and earnings power is improved
- Sandon Capital sees several opportunities to materially improve the company's earnings and return profile:
  1. Return caravan manufacturing to profitability or close / sell the business
  2. Return Western Australian manufactured accommodation to profitability or close the business
  3. Reduce working capital
  4. Reduce capital expenditure to minimum levels
  5. Return capital to shareholders

Capital management – capital release

1. **Return caravan manufacturing to profitability or close / sell the business**

- Based on public comments made by the company, Sandon Capital estimates that the caravan manufacturing segment lost close to $10 million in FY15
- The "turnaround" efforts in this segment have been ongoing for 3+ years with little traction seen in improved financial performance
- Sandon Capital believes that if the caravan manufacturing business does not return to profitability in the short term, the business should be sold or closed
- This would immediately result in a significant uplift to earnings as the losses are cauterised
- Should a sale become the best course of action, Sandon Capital believes the proceeds received should be used for capital management purposes

Capital management – capital release

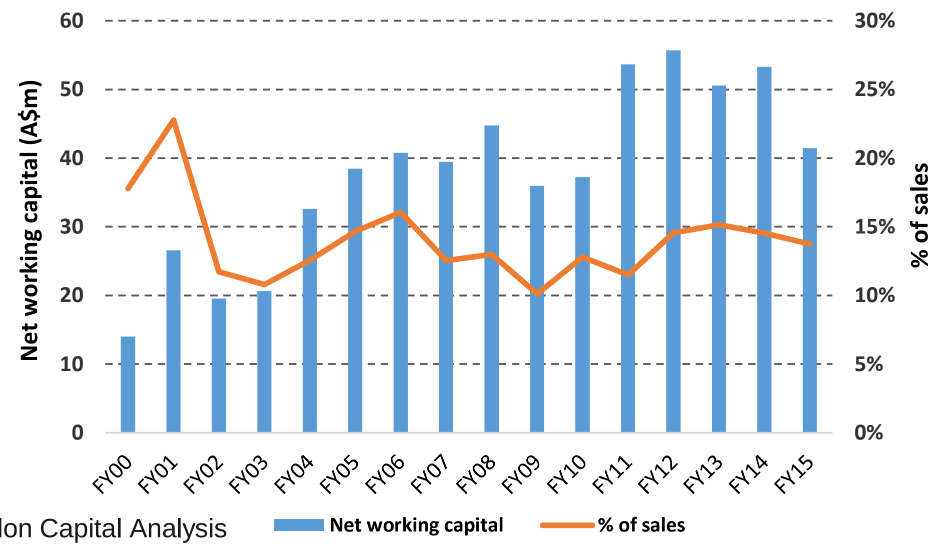
2. **Return Western Australian manufactured accommodation (WA MA) to profitability or close the business**

- Sandon Capital estimates the WA MA segment lost close to $5 million in FY15. High fixed costs were not reduced sufficiently to offset rapidly falling revenues as demand from the mining industry for SPQ's (dongas) slowed
- The business was restructured in FY15 and again in 1HFY16 to align costs with diminished revenues
- Sandon Capital believes there are significant opportunities to supply manufactured accommodation to the education, lifestyle retirement and tourism industries in WA
- However, if management is unable to execute on these opportunities, the business should be closed, as we do not believe the significantly reduced demand from the mining industry is sufficient to support a Manufactured Accommodation presence in WA

Capital management – capital release

3. Reduce working capital

- Net working capital carried by FWD at 31/12/2015 is historically high at >$50m
- Given the current reduced level of sales, working capital should be reduced significantly in the short term
- Sandon Capital believes that one area in particular need of attention is the significant amount of mining dongas currently held in inventory (~400 valued at ~$15m)

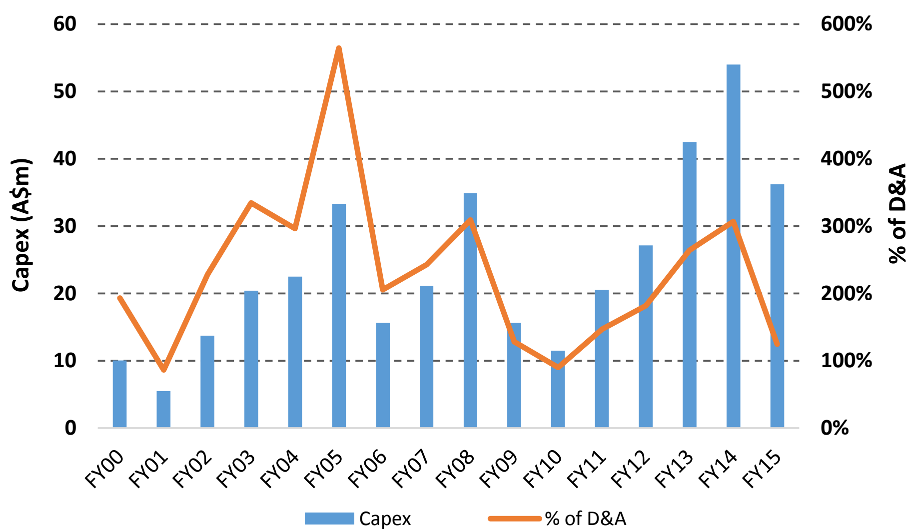


Source: Fleetwood Corporation, Sandon Capital Analysis

Capital management – capital release

4. Reduce capital expenditure to minimum levels

- Since 30 June 2002, Fleetwood has spent $355 million on capital expenditure. This is equivalent to 217% of D&A and 8.6% of sales revenue
- With significant excess capacity across all of its segments, Sandon Capital does not see the need for material investment in the business. Capex should run well below D&A resulting in FCF materially above reported profits for the foreseeable future

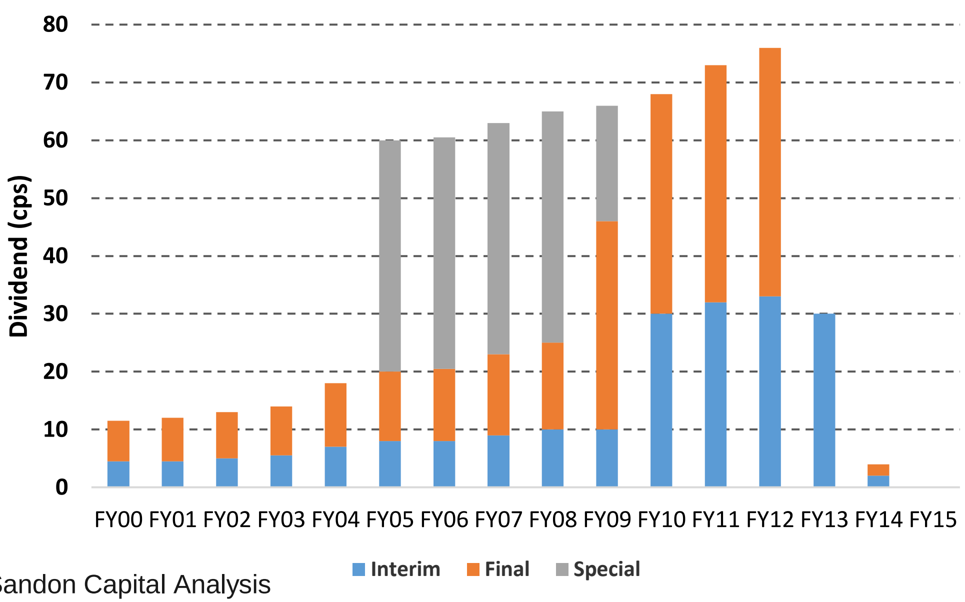


Source: Fleetwood Corporation, Sandon Capital Analysis

Capital management – capital release

5. Return capital to shareholders

- Fleetwood has a long history of returning capital (and franking credits) to shareholders through normal and special dividends
- The dividend has been significantly reduced as earnings have deteriorated, to the point that no dividend was paid in FY15 and 1HFY16



Source: Fleetwood Corporation, Sandon Capital Analysis

Capital management – capital release

5. Return capital to shareholders

- With the sale of Osprey returning the Balance Sheet to a sound position with minimal net debt, Sandon Capital believes the company is in a position to recommence paying dividends
- Based on last reported retained earnings of $14.4m, the company has the capacity to pay fully franked dividends of 23cps. After paying a dividend of this size, the franking account would retain a balance of $19.7m (32cps)
- With the share price currently trading at a significant discount to NTA, an off market, equal access buyback with a dividend component would be a good way to return cash to shareholders and increase tangible value per share

Manufactured Accommodation – description

- The Fleetwood Manufactured Accommodation business provides accommodation solutions across multiple end markets including the affordable housing, education, commercial and resources sectors
- The division is headquartered in Perth and Melbourne and has operations in WA, NT, QLD, VIC and NSW




Manufactured Accommodation – opportunity

- With its Western Australian base, FWD's Manufactured Accommodation business has historically had a major focus on supplying products to the mining industry
- Following the acquisition of BRB Modular in 2010, combined with the downturn in the mining industry, the focus has moved towards supplying manufactured buildings for lifestyle villages, caravan parks, education and other commercial buildings
- Sandon Capital believes the biggest opportunity lies in the affordable living solutions provided by manufactured home estates (MHEs)
- Compared to the United States where approximately 11% of all new houses being built are manufactured homes, the MHE market in Australia is fragmented and considerably smaller
- In addition to lifestyle MHEs for retirement living, we believe manufactured accommodation could become a cheaper alternative to traditional construction

Manufactured Accommodation – opportunity

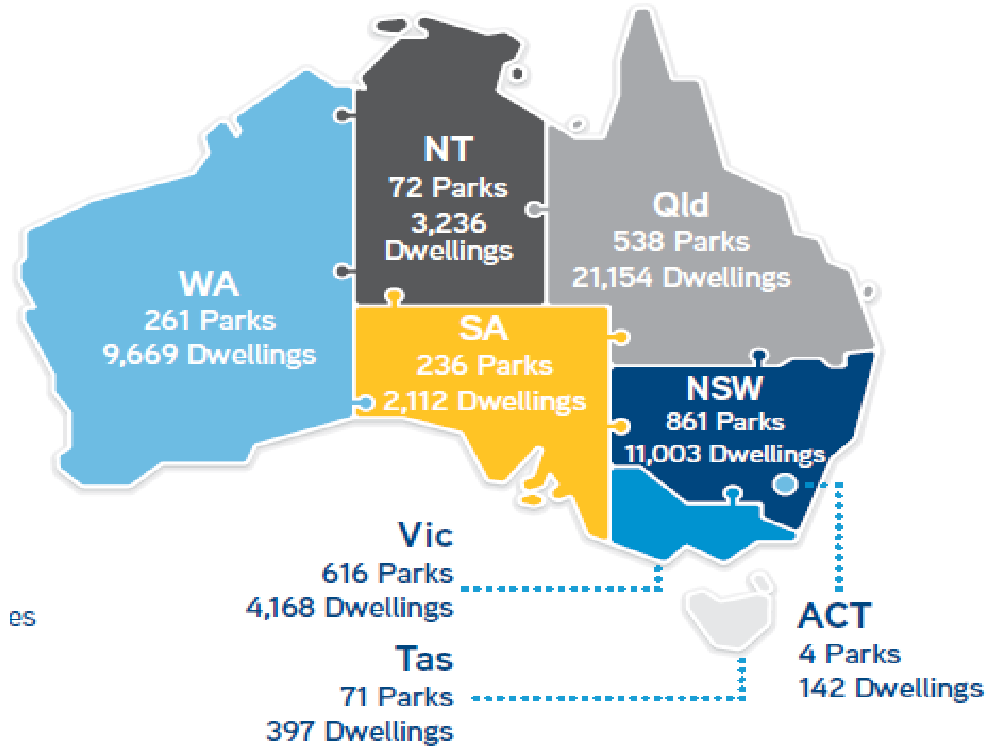
- MHEs operate under a loan/licence agreement in which the resident owns the relocatable home and signs a lease to pay rent on the freehold land which remains the property of the MHE owner/operator

> Resident owns the above ground structure
> Ingenia owns the freehold land
> Resident enters into a ground lease with Ingenia (typically rolling three years)
> Resident pays a weekly ground lease rent to Ingenia to reside on the home site
> Upon departure, resident can on-sell the home to an incoming resident or remove their home from site
> Ingenia may act as sales agent and collect commission
> Resident must continue paying the ground lease fee until the home is sold or removed from site

Source: Ingenia Communities Group

Manufactured Accommodation – opportunity

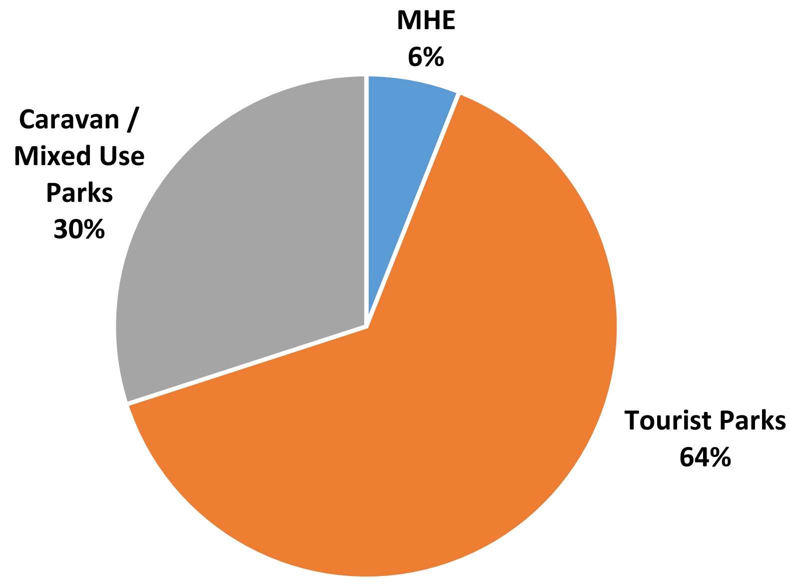
- Based on analysis by Colliers International, there are over 2,500 locations in Australia providing a level of permanent residential, short-term and/or worker accommodation



Source: Colliers International – Healthcare & Retirement Living Report

Manufactured Accommodation – opportunity

- These parks are split between MHE, tourist parks and caravan / mixed use parks
- MHEs make up only 6% of the >2,500 parks. This highlights the relative infancy of the MHE sector in Australia and the significant growth potential the sector offers



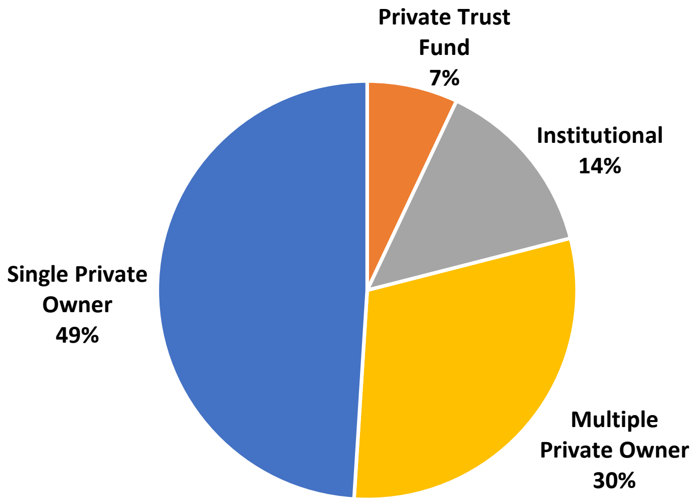
Source: Colliers International – Healthcare & Retirement Living Report

Manufactured Accommodation – opportunity

- Key attractions of MHEs for retirement include:
  - growing demand for affordable housing with house prices rising faster than incomes
  - shortage of affordable seniors accommodation
  - largest, fastest growing target is within the seniors living spectrum
  - the ageing Australian population will increase demand for affordable housing options
  - autonomous and independent living in a like-minded community leading to a more active and engaged retirement
  - complexity and perceived cost of traditional retirement homes and villages
  - dramatic improvement in the quality of the product resulting in a broadening of market appeal
  - eligibility for government rental assistance

Manufactured Accommodation – opportunity

- The highly fragmented nature of the MHE market has attracted institutional investor interest, both domestic and international
- Private ownership remains the pre-eminent ownership type, however corporate ownership is rapidly increasing
- This reflects consolidation in the industry by multi-MHE owners who are taking advantage of the scale efficiencies afforded through multi property portfolios



Source: Colliers International – Healthcare & Retirement Living Report

Manufactured Accommodation – opportunity

- The table below highlights the key MHE operators and their areas of strategic focus

Operator	Properties	Location	MHE (conversion)	MHE (greenfield)	DMF	Tourism	Mining
Gateway Lifestyle	53	NSW, QLD, VIC	✓				
Ingenia Communities	26	NSW, QLD, ACT	✓		✓	✓	
Hampshire Villages	7	NSW, VIC	✓	✓			
Aspen Group	5	NSW, WA	✓			✓	✓
Discovery Holiday Parks	54	Australia-wide	✓			✓	✓
Lifestyle Communities	11	VIC		✓	✓		
Living Gems	8	QLD		✓			
National Lifestyle Villages	12	WA, VIC		✓	✓		✓
Palm Lake Resort	25	NSW, QLD, VIC		✓			

Source: Gateway Lifestyle, Ingenia Communities, Aspen Group, National Lifestyle Villages

Manufactured Accommodation – opportunity

- In May 2015, Fleetwood announced it had signed an agreement with Gateway Lifestyle (GTY) to become the exclusive manufacturer and supplier of homes to GTY MHEs in Queensland and northern NSW
- The agreement has an initial term of two years with an option for GTY to extend for a further two years
- GTY currently has a pipeline of 4,157 potential sites available for MHE development, a large number of which are in Queensland and northern NSW
- Sandon Capital expects Fleetwood to be manufacturing 150-200 units annually for GTY, providing solid underlying volume for the manufacturing facilities in Brisbane and Newcastle
- As GTY continues to grow through acquisition and repurposes existing sites, Sandon Capital believes that Fleetwood is well positioned to provide manufactured accommodation to this important customer

Manufactured Accommodation – opportunity

- Gateway Lifestyle development pipeline

Communities[1]	Number	% Total	Total sites	MHE occupied sites	Potential for new MHE sites
As at 31 December 2015					
MHE	15	32%	2,438	2,317	121
MHE Conversion	20	43%	3,451	1,398	2,053
MHE Expansion	12	26%	2,446	1,255	1,231[2]
TOTAL	**47**	**100%**	**8,335**	**4,970**	**3,405**
Secured Acquisitions					
MHE	2	33%	230	230	0
MHE Conversion	3	50%	799	92	707
MHE Expansion	1	17%	151	106	45
TOTAL	**6**	**100%**	**1,180**	**428**	**752**
Combined Total					
MHE	17	32%	2,668	2,547	121
MHE Conversion	23	43%	4,250	1,490	2,760
MHE Expansion	13	25%	2,597	1,361	1,276
COMBINED TOTAL	**53**	**100%**	**9,515**	**5,398**	**4,157**

1. Includes 3 acquisitions to be settled in 2H16
2. Includes 40 potential MHE sites on vacant expansion land at Cobb Haven

Gateway Lifestyle Group

Source: Gateway Lifestyle

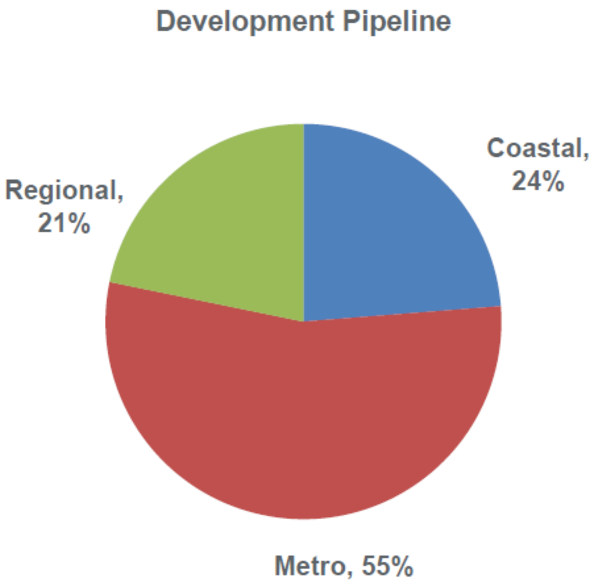
Manufactured Accommodation – opportunity

- Other major players in the MHE space that could provide opportunities are National Lifestyle Villages, Ingenia, RAC Parks & Resorts and Discovery Holiday Parks
- Fleetwood has previously been an exclusive supplier to both National Lifestyle Villages and Aspen Group (now part of Discovery), however much of the legacy business was sacrificed during the mining boom
- With the mining boom a distant memory, Fleetwood must focus its attention on other market segments, particularly in Western Australia and NSW where facilities are underutilised
- Sandon Capital believes Fleetwood should look to become a key supplier to National Lifestyle Villages (WA) and Ingenia (NSW)
- Ingenia (INA) has a pipeline of 1,637 sites available for MHE development. The current major manufactured home suppliers to INA are Parkwood Modular Buildings and Glendale Homes

Manufactured Accommodation – opportunity

- As INA grows, Sandon Capital believes it will look to diversify its manufactured accommodation supply base to enable an increasing number of new MHE homes to be delivered
- Ingenia development pipeline:

STATE	CLASSIFICATION	TOTAL POTENTIAL DEV. SITES
NSW	METRO	254
	COASTAL	356
	REGIONAL	387
QLD	METRO	463
VIC	METRO	177
		1,637



Source: Ingenia Communities Group

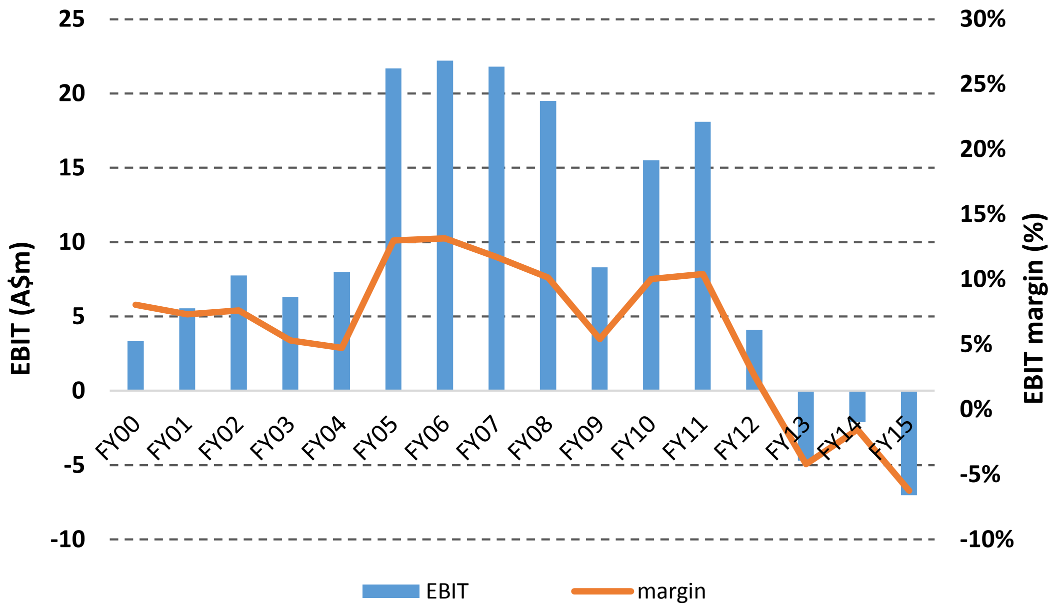
Recreational Vehicles – description

- The Fleetwood recreational vehicles business is made up of four distinct segments:
  1. Caravan Manufacturing – manufacturer of caravans, pop-tops and campers under the Windsor and Coromal brands, distributed through a national dealer network. Headquarters and manufacturing operations are in Perth
  2. Camec – manufacturer and distributor of parts and accessories to the recreational vehicles industry in Australia and NZ. Headquartered in Melbourne with branches in NSW, Queensland, Victoria, WA and NZ
  3. Flexiglass – distributor of canopies and trays for commercial vehicles. Headquartered in Melbourne with branches and dealers across Australia
  4. Bocar – distributor of ute trays and accessories. Headquartered in Sydney with distributors throughout NSW




Recreational Vehicles – caravans are loss making

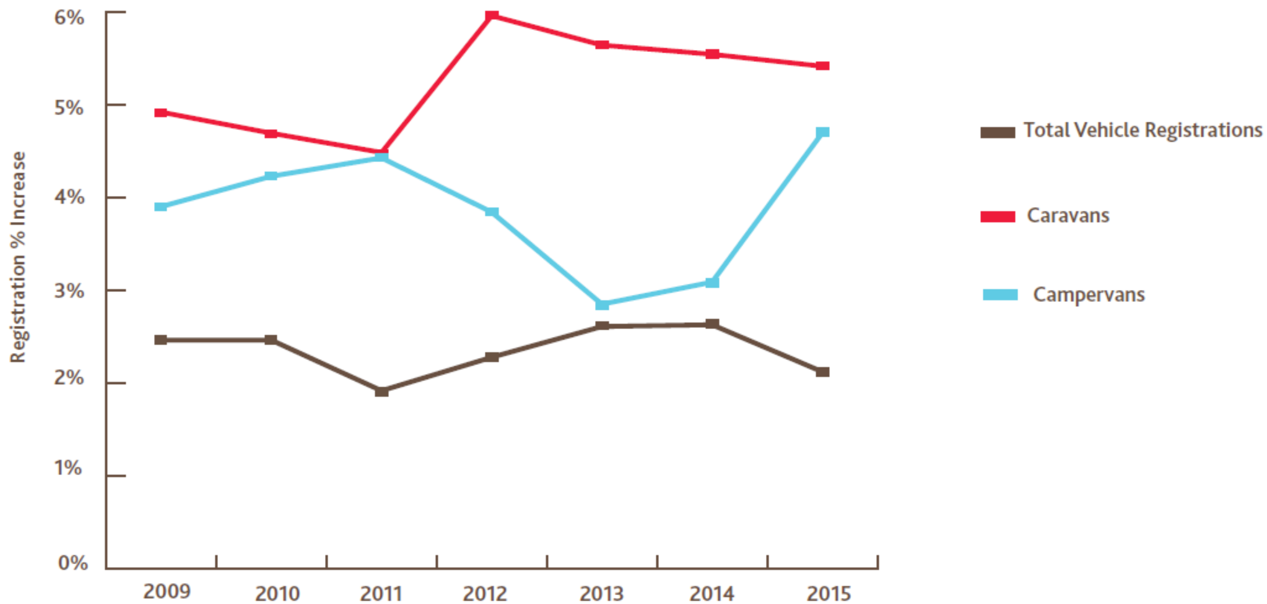
- Whilst the recreational vehicles business was very profitable last decade, the segment has reported material losses in the past 3+ years
- Based on public commentary by the board and management, Sandon Capital believes the losses are entirely attributable to the caravan manufacturing sub-segment, with Bocar/Flexiglass/Camec break even to marginally profitable



Source: Fleetwood, Sandon Capital analysis

Recreational Vehicles – caravans are loss making

- The caravan manufacturing business has displayed very poor financial performance despite a strong end market
- From 1 February 2008 through 31 January 2015, caravan registrations in Australia grew at a compound annual rate of 5.2%. The chart below shows the strong growth in caravan registrations over the past 7 years



Source: BDO Caravan and Campervan Report

Recreational Vehicles – caravans are loss making

- Sandon Capital believes the poor performance of the caravan manufacturing business has been a result of poor management as the major competitor, Jayco, appears to have gone from strength to strength[1]
- Sandon Capital believes the two major drivers of the problems in FWD's caravan business are:
  1. FWD has lost a significant part of its third-party distributor network, and as a result, has lost a significant part of its channel to market
  2. the product range has not adapted to consumer preferences quickly enough and as a result has become outdated and unappealing
- We believe this has been a significant misstep by the board and management. Whilst management has commented publicly that the issues are being addressed, there is little in the way of tangible financial improvement to suggest that this is indeed the case

1. According to an article in the Australian Financial Review on 11 December 2015, Jayco caravan sales revenue reached $500m for the first time in 2015. Total caravan sales were ~11,600 which is a record number for the third consecutive year

Recreational Vehicles – caravans are loss making

- FWD commented on its FY14 earnings call that it was in the process of addressing the distributor network and product range
- With respect to the dealer network, MD Brad Denison commented that:
  - *"As I said, we are strengthening the dealer networks and that's to support order flow. We're running with about 22 dealerships at the moment ... And I think with 27 or 28 dealerships, that would support an order flow that would get the caravan manufacturing business back up to a significant EBIT level"*[1]
- As of June 2016, the company's website lists only 18 dealerships, hence it appears to have been losing ground in this area over the past 2 years
- With respect to the product range, MD Brad Denison commented that:
  - *"But as I've said previously, the guys … have got some really exciting new products coming to market in the upcoming round of show seasons and the price point that they're bringing those products to market is at a level that should stir up a lot of interest."*[2]

1,2 FWD FY14 earnings conference call, 26 August 2014

Recreational Vehicles – caravans are loss making

- Unfortunately the improved product range for 2015 didn't appear to be successful as the earnings profile of the business continued to deteriorate
- This necessitated a further update to the product range according to comments at the AGM in November 2015:
  - *"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. 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."* [1]
- Based on public comments at the FY14 result and the 2015 AGM, the company has spent the past 2 years developing a new product range for the market with little demonstrable evidence of improved sales traction being achieved to date

1. FWD AGM, 27 November 2015

Recreational Vehicles – caravans are loss making

- For at least three years now, the company has been in “turnaround” mode in its caravan manufacturing business
- Over that time, cumulative reported EBIT losses in the Recreational Vehicles segment have amounted to almost $27 million
- Despite several iterations, there has been no evidence that the restructuring initiatives pursued have delivered, or will deliver, improved financial performance
- Sandon Capital believes that a lack of meaningful improvement in profitability in the short term should result in the company considering disposal of the business through a sale or closure
- We believe this would ensure that any future losses would be largely cauterised

Searipple – core asset?

- Fleetwood operates the Searipple accommodation village at Karratha in the Pilbara region of Western Australia
- The village occupies 15 hectares of land and has more than 1,300 rooms
- During the mining boom when occupancy was high, the village generated significant profits and cash flow for the company
- However, with greenfield mining and construction projects completed in the Pilbara and occupancy at much lower levels, profitability has declined dramatically
- Occupancy of the village in FY15 was around 40%, however has now moved back to 55-60% following an agreement executed in February 2015 with Rio Tinto which makes Searipple Village in Karratha their preferred supplier for FIFO accommodation in the area. The agreement gives Rio access to 804 rooms

Searipple – core asset?

- Fleetwood has reported that the village is profitable at current occupancy levels, however increased occupancy is required to significantly improve profitability given the high fixed cost nature of the asset
- With several competing facilities closed or closing in the next 12 months (e.g. Woodside Gap Ridge), there may be opportunities for Searipple to further improve occupancy and profitability at the village
- In any event, Sandon Capital believes the company should examine whether Searipple is a core asset
- Sandon Capital views Searipple as a property asset housed within a manufacturing company. The asset may be more valuable to a 'natural owner'
- Sandon Capital estimates that Searipple is carried on the Balance Sheet at ~$20m. Fleetwood owns half of the land (~7.5 hectares) and we understand this is carried at the cost it was purchased at in the late 1980s. As such, the land value may be understated

Searipple – core asset?

- Whilst the operating environment for Searipple is difficult, Sandon Capital believes the company should test the waters to see if there is appetite for a third party to purchase the asset, particularly if other accommodation village closures in Karratha result in an improvement in occupancy and profitability
- If the company were able to achieve a price at a premium to book value, Sandon Capital believes this would be a good opportunity to exit the asset and recycle the proceeds into capital management

Financials – historical

Year ended June 30 (A$m)		FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Profit & Loss													
Revenue	A$m	259.9	262.1	254.1	314.4	344.5	355.3	291.3	466.6	382.6	333.9	366.5	301.9
EBITDA	A$m	39.1	33.6	39.2	49.1	62.4	64.7	67.8	89.4	94.2	40.6	28.2	38.4
D&A	A$m	7.6	5.9	7.6	8.7	11.3	12.2	12.8	14.0	14.9	16.1	17.6	29.1
EBIT	A$m	31.5	27.7	31.6	40.4	51.1	52.5	55.0	75.4	79.3	24.5	10.6	9.3
EBIT margin	%	12.1%	10.6%	12.4%	12.8%	14.8%	14.8%	18.9%	16.2%	20.7%	7.3%	2.9%	3.1%
Effective tax rate	%	31.1%	29.4%	29.6%	30.4%	30.3%	29.6%	29.0%	30.3%	29.7%	28.4%	33.3%	13.4%
NOPAT	A$m	21.7	19.5	22.2	28.1	35.6	36.9	39.1	52.6	55.8	17.5	7.1	8.1
NPAT	A$m	20.2	18.7	20.7	26.6	34.2	35.6	38.7	51.3	55.2	16.6	5.6	3.9
E.P.S.	cents/share	44.8	40.5	43.9	54.1	68.4	68.7	72.6	90.0	93.8	27.8	9.2	6.5
Cash Flow													
Operating Cash Flow	A$m	18.9	20.0	18.8	40.3	60.0	54.0	54.8	51.8	77.3	25.4	30.9	42.2
Cash Realisation Ratio	%	68%	81%	66%	114%	132%	113%	106%	79%	110%	78%	133%	128%
Capex	A$m	(22.5)	(33.3)	(15.6)	(21.1)	(34.9)	(15.6)	(11.5)	(20.5)	(27.1)	(42.5)	(54.0)	(36.2)
Capex as a % of depreciation	A$m	296%	564%	205%	243%	309%	128%	90%	147%	182%	264%	307%	124%
Free Cash Flow	A$m	-3.6	-13.3	3.2	19.2	25.1	38.4	43.3	31.3	50.2	-17.1	-23.1	6.0
Acquisitions	A$m	(7.1)	0.0	0.0	0.0	0.0	0.0	0.0	(19.8)	0.0	0.0	0.0	(4.9)
Dividend	A$m	(4.8)	(18.0)	(17.4)	(20.2)	(26.4)	(26.6)	(26.6)	(32.9)	(34.1)	(34.3)	(1.0)	(1.0)
Balance Sheet													
Cash	A$m	2.2	3.5	10.5	10.3	8.2	6.0	15.6	18.0	17.4	12.7	6.4	6.6
Total Assets	A$m	164.9	169.7	184.7	201.9	216.8	197.2	210.5	307.5	289.8	312.6	321.8	327.7
Total Debt	A$m	27.5	22.0	33.0	28.0	24.0	9.0	0.0	21.3	0.9	44.6	62.4	62.5
Shareholders Funds	A$m	96.0	106.2	110.7	119.6	130.9	141.7	156.9	206.2	231.2	214.1	214.4	214.0
Invested Capital	A$m	123.5	128.2	143.7	147.6	154.9	150.7	156.9	227.5	230.0	258.7	276.8	276.5
Return on Assets	%	12.9%	11.2%	11.7%	13.8%	16.3%	17.2%	19.0%	19.8%	18.5%	5.5%	1.8%	1.2%
Return on Equity	%	22.9%	18.5%	19.1%	23.1%	27.3%	26.1%	25.9%	28.3%	25.2%	7.5%	2.6%	1.8%
ROIC	%	17.6%	15.2%	15.5%	19.1%	23.0%	24.5%	24.9%	23.1%	24.2%	6.8%	2.6%	2.9%

Source: Fleetwood Corporation Limited, Sandon Capital analysis

SANDON CAPITAL

Financials – Balance sheet

ASSETS	
Current assets	
Cash	7.3
Receivables	36.5
Inventories	59.8
Other current assets	3.5
Total current assets	**107.0**
Non-current assets	
PP&E	96.7
Intangibles	5.2
Goodwill	61.8
Deferred tax	4.7
Other non-current assets	0.0
Total non-current assets	**168.3**
Total assets	**275.4**
LIABILITIES	
Current liabilities	
Payables	43.5
Short-term debt	16.5
Provisions	5.4
Other current liabilities	0.0
Total current liabilities	**65.4**
Non-current liabilities	
Long-term debt	0.0
Provisions	0.9
Other non-current liabilities	0.0
Total non-current liabilities	**0.9**
Total liabilities	**66.3**
Total Equity	**209.0**

Balance sheet notes:

- The company has retained earnings of $14.4m at the consolidated level with which to pay dividends

Source: Fleetwood Corporation Limited, Sandon Capital analysis

Valuation

Share price	1.785				
Shares on issue	61.0				
Mkt Cap	109.0				
Net Debt	9.2				
EV	118.2				
NTA per share	2.33				
Multiples	**FY12**	**FY13**	**FY14**	**FY15**	**FY16E**
EV / Revenue	0.31	0.35	0.32	0.39	0.42
EV / EBITDA	1.25	2.91	4.19	3.07	5.07
EV / EBIT	1.49	4.82	11.15	12.67	nmf
P / E	1.90	6.42	19.32	27.46	nmf
FCF Yield	46.1%	-15.7%	-21.2%	5.5%	8.8%
Dividend Yield					0.0%
Price / NTA					0.77

Source: Sandon Capital analysis

Key business risks

- Loss making businesses continue to operate and, in our view, consume cash
- Australian economic activity, particularly in the MHE, government provided education and resources accommodation industries
- Concentrated customer base in manufactured accommodation
- Demand for recreational vehicles, in particular, caravans
- Raw material price fluctuations
- Exchange rate fluctuations

Sandon Capital team

Gabriel Radzyminski – Portfolio Manager

Gabriel established Sandon Capital in 2008 after having devised and managed a number of successful investment funds for a leading high net worth wealth management firm. Sandon Capital has successfully invested its funds on behalf of wholesale clients, and advised shareholders, in a variety of listed companies, funds and trusts that have benefit from its activist investment strategy. Gabriel is currently Chairman of Sandon Capital Investments Limited, and is a non executive director of Mercantile Investment Company Ltd, Chesser Resources Ltd and Future Generation Investment Company Ltd.

Campbell Morgan – Analyst

Campbell joined Sandon in 2014 and has 14 years of experience in both Australian and International financial markets. Prior to joining Sandon, Campbell managed a Global Materials portfolio for Millennium, a New York based hedge fund with US$30bn under management. Preceding this he was a Senior Analyst for a Global Industrials portfolio at Citadel Investment Group, a US$25bn Chicago based hedge fund. Campbell started his career in Australia, working in the Investment Bank at ANZ and after that as an Equity Research Analyst for Merrill Lynch before moving overseas in 2007 to work in Funds Management.

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