

FLEETWOOD CORP LTD

BUY
FY19 result in line. Balance sheet strong.
Consumer Durables & Apparel / Leisure Products
30 August 2019

COMPANY UPDATE

Ticker	FWD
Stock Price	\$1.700
Target Price	\$2.55
Forecast Capital Return	50.0%
Forecast Dividend Yield	4.4%
Estimated Total Return - 12 Mth Forward	54.4%

Company market data

Market Cap.	\$160.8m
Free Float (%)	82.6
Enterprise Value	\$131.6m
52 Week Range	\$1.56 - \$2.43
Shares Out.	94.6m
Avg. Daily Value	\$0.3m

Estimates changes	2019a	2020e	2021e	2022e
Core NPAT - <i>old</i>	17.5	17.9	24.7	27.8
Core NPAT - <i>new</i>	17.1	25.4	28.1	26.5
% Change	(2.7)	41.7	13.6	(4.6)
Core EPS dil. (€) - <i>old</i>	18.6	19.0	26.1	29.4
Core EPS dil. (€) - <i>new</i>	21.9	26.9	29.6	28.0
% Change	18.1	41.7	13.6	(4.7)
DPS (€) - <i>old</i>	0.0	0.0	9.1	10.3
DPS (€) - <i>new</i>	0.0	7.5	8.9	8.4
% Change	-	-	(2.6)	(18.3)

All figures are in AUD unless otherwise specified.

Share price performance

Fleetwood Corp Ltd vs. AS51 (rebased index)


Analyst

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EVENT

FY19 result and appointment to modular builders panel for the Victorian Department of Health and Human Services (DHHS).

KEY TAKEAWAYS

FY19 earnings in line; balance sheet strong. FWD's \$25.3m EBITA was in line with our \$25.2m estimate. FWD had cash of \$34m and minimal debt.

Modular Accommodation softer than expected. MBS acquisition delivered in line with acquisition case however lower demand from VIC Education (State election-related delays) and affordable housing (change of ownership at 2 major customers) impacted the result. Management did note that Q4 for Victoria recovered strongly with good momentum into FY20. Further, today's announcement that FWD has been appointed on to the modular builder panel for the Victorian DHHS should provide increased volumes. No details provided on revenue potential however FWD will be on a panel that will deliver 1,000 modular homes as part of the Victorian Government's \$2.7b 'Homes for Victoria' investment into social housing.

Parts & Accessories impacted by difficult trading conditions in Q4 however FWD remains confident its strategy to target the imported caravan market and aftermarket sales, as a hedge against tough conditions in domestic caravan builds. NRV 11 month contribution in line with acquisition case.

Village Operations EBITA was up 26% from \$9m in FY18 to \$12m in FY19 due to unusually high activity levels in the Pilbara however management are expecting a lull in earnings in FY20 prior to a pick up in demand from new construction projects - see p4-5 for a summary of the potential projects that could come online in the next 12-24 months and FWD's chart outlining current supply of rooms in Karratha/Dampier (~3,000) vs potential demand from construction projects (~5,2000). FWD also flagged potential expansion of Village Operations either via acquisition or organically where it can use its existing modular business to develop new villages at lower cost.

FWD "targeting further EBITA growth in FY20" and future dividends at "~30% of profits". Our FY20 EBITA estimate is \$26m (+2% FY19).

INVESTMENT VIEW

FWD has a strong balance sheet with net cash of \$34m and looks undervalued at 5x EV/FY20e EBITA. **Maintain BUY rating with 12mth TP of \$2.55/share.** Upcoming catalysts include contract awards/panel appointments, FID on potential development projects in Karratha and/or Village Ops acquisition.

Y/E Jun 30	2019a	2020e	2021e	2022e
EBITDA	34.4	34.3	43.6	48.5
EV/EBITDA	3.8x	3.8x	3.0x	2.7x
Core NPAT	17.1	25.4	28.1	26.5
Core EPS (Diluted) (€)	21.9	26.9	29.6	28.0
P/E	7.8x	6.3x	5.7x	6.1x
EPS growth	9.8%	22.6%	10.3%	(5.5%)
DPS (€)	0.0	7.5	8.9	8.4
Yield	0.0%	4.4%	5.2%	4.9%
DPS growth	(100.0%)	-	18.6%	(5.5%)
Dividend Payout Ratio	0.0%	27.9%	30.0%	30.0%

All figures are in AUD.

RESULT ANALYSIS

Figure 1: Result snapshot

<i>\$m unless indicated otherwise</i>	FY18a	1H19a	2H19a	FY19a	% chg vs pcp	Moelis FY19e	FY19 vs Moelis
Sales							
Modular Accomodation	179.3	116.1	93.3	209.4	17%	217.0	-3%
Parts & Accessories	66.6	38.5	34.3	72.8	9%	77.9	-7%
Village Operations	27.9	19.2	17.8	37.0	32%	35.9	3%
Unallocated	(6.8)	(6.3)	2.5	(3.8)	-44%	(12.9)	-71%
Total sales	267.0	167.5	147.9	315.4	18%	317.8	-1%
EBITDA	25.2	19.7	14.6	34.4	37%	33.6	2%
<i>margin</i>	9.4%	11.8%	9.9%	10.9%	1.5%pts	10.6%	0.3%pts
EBITA							
Modular Accomodation	10.1	8.6	4.1	12.6	25%	13.2	-4%
Parts & Accessories	3.6	3.0	2.7	5.7	59%	5.9	-3%
Village Operations	9.1	6.7	4.8	11.5	26%	11.8	-3%
Unallocated	(4.0)	(2.7)	(1.9)	(4.5)	13%	(5.7)	-20%
Group EBITA	18.8	15.6	9.7	25.3	34%	25.2	0%
EBITA Margin (%)							
Modular Accomodation	5.6%	7.4%	4.4%	6.0%	0.4%pts	6.1%	-0.0%pts
Parts & Accessories	5.4%	7.7%	8.0%	7.8%	2.4%pts	7.6%	0.3%pts
Village Operations	32.7%	34.8%	27.0%	31.1%	-1.7%pts	33.0%	-1.9%pts
Unallocated	nm	nm	nm	nm	na	nm	na
Group EBITA margin	7.0%	9.3%	6.6%	8.0%	1.0%pts	7.9%	0.1%pts
Net Interest	(1.2)	(0.4)	(0.4)	(0.9)	-31%	(1.1)	-19%
Profit Before Tax	17.6	15.1	9.3	24.4	39%	24.2	1%
Tax	(5.4)	(4.2)	(3.2)	(7.4)	37%	(6.6)	11%
<i>Tax rate (%)</i>	30.5%	27.4%	34.5%	30.1%	-0.4%pts	27.4%	2.7%pts
NPAT (Underlying)	12.2	11.0	6.1	17.1	40%	17.5	-3%
<i>margin</i>	4.6%	6.6%	4.1%	5.4%	0.8%pts	5.5%	-0.1%pts
Abnormals	(25.7)	(7.9)	(15.4)	(23.3)	-9%	(3.0)	675%
NPAT (Reported)	(13.5)	3.1	(9.3)	(6.2)	-54%	14.5	-142%
EPS (€) (Underlying)	20.0	14.1	6.4	21.9	10%	18.6	18%
DPS (€)	1.0	-	-	-	-100%	-	na

Source: Company, Moelis Australia

EARNINGS ESTIMATES SUMMARY

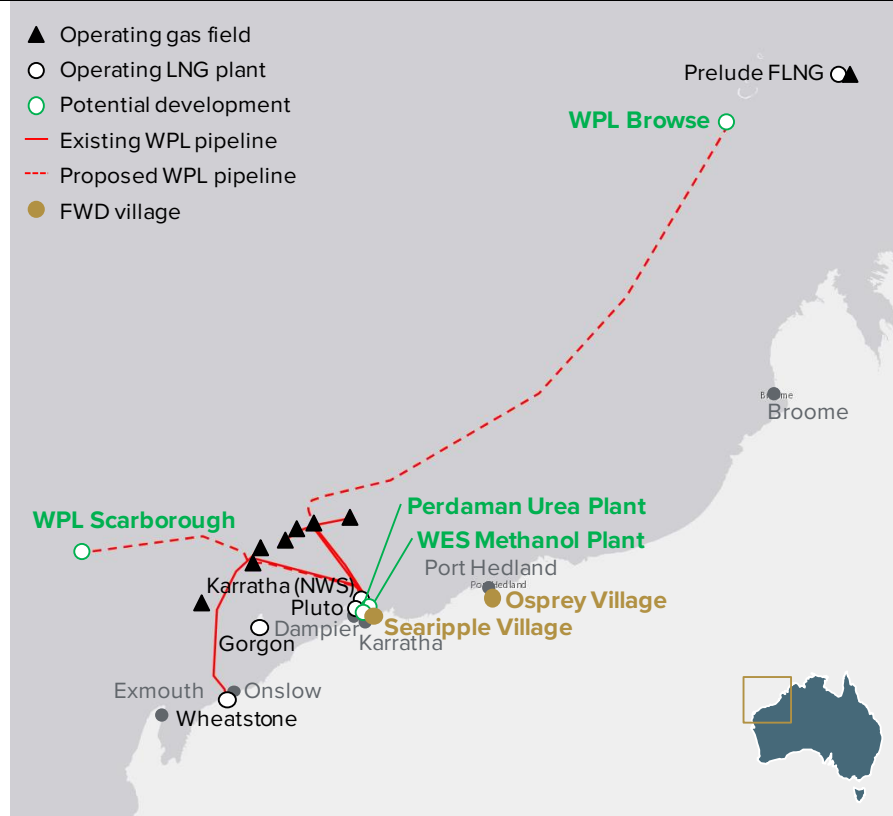
Figure 2: Moelis revised earnings estimates

<i>\$m unless indicated otherwise</i>	FY19a	1H20e	2H20e	FY20e	FY21e	FY22e	FY20e	FY21e	FY22e
Sales							<i>Change on pcp</i>		
Modular Accomodation	209.4	96.1	128.0	224.1	257.7	265.4	7%	15%	3%
Parts & Accessories	72.8	34.6	37.4	72.1	72.4	72.8	-1%	0%	0%
Village Operations	37.0	17.6	15.7	33.3	40.6	50.7	-10%	22%	25%
Unallocated	(3.8)	(3.5)	(3.5)	(7.0)	(7.2)	(7.4)	85%	2%	2%
Total sales	315.4	144.8	177.6	322.4	363.5	381.6	2%	13%	5%
EBITDA	34.4	14.9	19.4	34.3	43.6	48.5	-0%	27%	11%
<i>margin</i>	10.9%	10.3%	10.9%	10.6%	12.0%	12.7%	-0.3%pts	1.4%pts	0.7%pts
EBITA									
Modular Accomodation	12.6	3.2	11.2	14.3	19.7	20.3	13%	37%	3%
Parts & Accessories	5.7	2.7	2.9	5.6	5.7	5.7	-1%	0%	1%
Village Operations	11.5	5.6	5.0	10.6	13.8	17.2	-7%	30%	25%
Unallocated	(4.5)	(2.4)	(2.4)	(4.8)	(4.9)	(5.0)	5%	2%	2%
Group EBITA	25.3	9.1	16.8	25.9	34.3	38.3	2%	33%	12%
EBITA Margin (%)									
Modular Accomodation	6.0%	3.3%	8.7%	6.4%	7.7%	7.7%	0.4%pts	1.3%pts	0.0%pts
Parts & Accessories	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	-	-	0.0%pts
Village Operations	31.1%	32.0%	32.0%	32.0%	34.0%	34.0%	0.9%pts	2.0%pts	0.0%pts
Unallocated	nm	nm	nm	nm	nm	nm	-	-	-
Group EBITA margin	8.0%	6.3%	9.4%	8.0%	9.4%	10.0%	0.0%pts	1.4%pts	0.6%pts
Net Interest	(0.9)	(0.2)	(0.3)	(0.4)	(0.5)	(0.4)	-48%	10%	-17%
Profit Before Tax	24.4	8.9	16.5	25.4	33.8	37.9	4%	33%	12%
Tax	(7.4)	-	-	-	(5.8)	(11.4)	-100%	-	97%
NPAT (Underlying)	17.1	8.9	16.5	25.4	28.1	26.5	49%	10%	-6%
<i>margin</i>	5.4%	6.2%	9.3%	7.9%	7.7%	6.9%	2.5%pts	-0.2%pts	-0.8%pts
EPS (¢) (Underlying)	21.9	9.4	17.4	26.9	29.6	28.0	23%	10%	-6%
DPS (¢)	-	2.5	5.0	7.5	8.9	8.4	-	19%	-6%
Payout ratio (%)	-	26.5%	28.7%	27.9%	30.0%	30.0%	-	8%	-0%

Source: Company, Moelis Australia

APPENDIX

Figure 3: Map of FWD villages relative to potential development projects



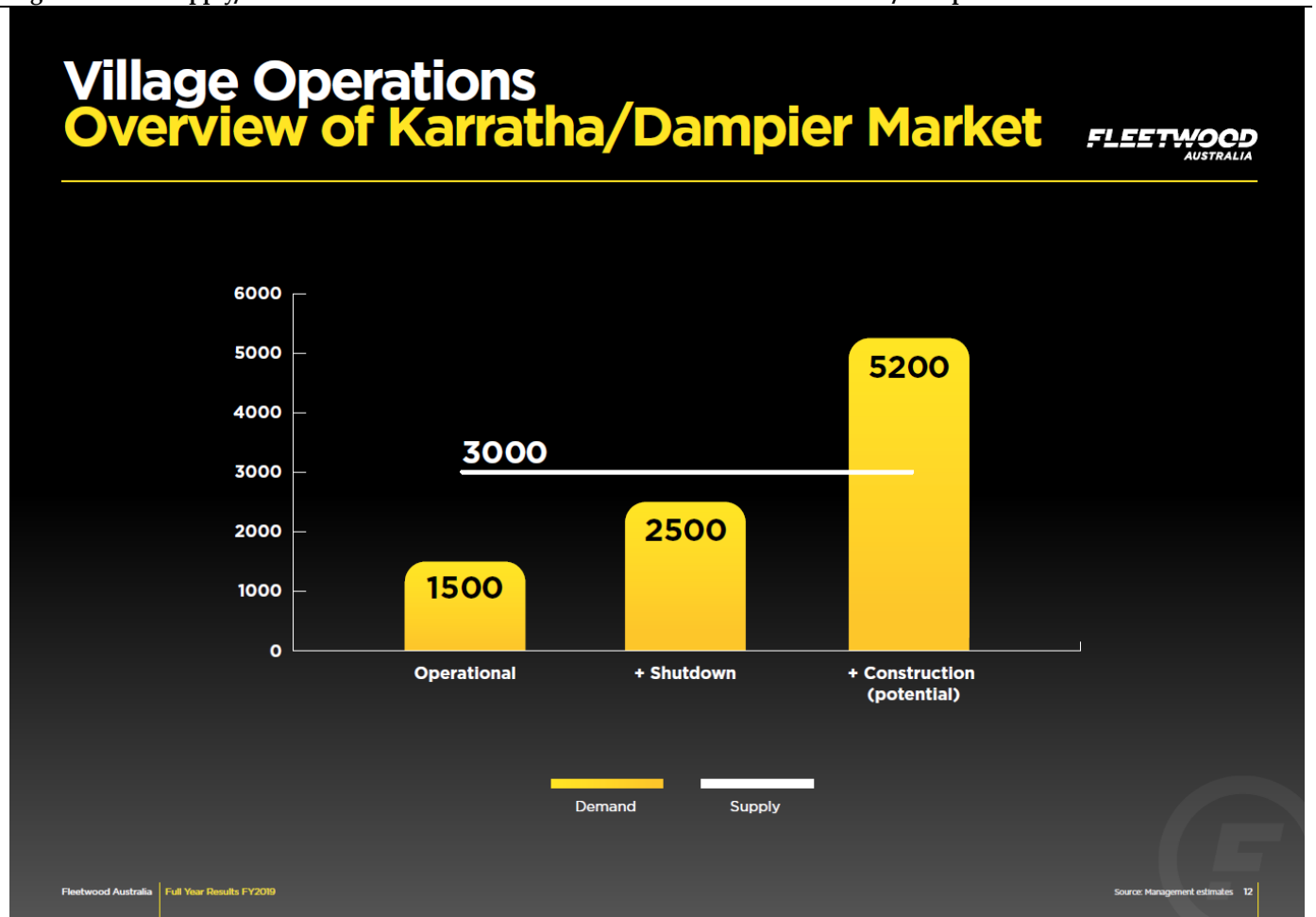
Source: Woodside, Moelis Australia

Figure 4: Summary of selected potential development projects

Project	Main operator / proponent	Est. capex	FID	Est. jobs during construction
Pluto-NWS Interconnector	Woodside	na	2019	na
Perdaman Urea Plant	Perdaman	US\$3.3b	2019/2020	>2,000
Scarborough	Woodside, BHP	US\$11.0b	2020	~5,000
Pluto Train 2	Woodside, Kansai Electric, Tokyo Gas		2020	
Browse	Woodside, Shell, BP, MIMI Browse, PetroChina	US\$20.5b	Late 2020	na
WES Methanol Plant	Wesfarmers, Coogee Chemicals, Mitsubishi	US\$1.0b	2022	>700
Port & related infrastructure for replacement tonnes?	Rio Tinto	na	2018	na

Source: Company releases, Moelis Australia. Excludes Western Gas' Equus project.

Figure 5: FWD supply/demand of transient worker accommodation rooms in Karratha/Dampier market



Source: Company

Fleetwood Corp Ltd (FWD)

Market Cap: \$161m

Last Price: \$1.700

Target Price: \$2.55

Buy

Y/E Jun 30

Profit and Loss (\$m)	2018a	2019a	2020e	2021e	2022e
Revenue	267.0	315.4	322.4	363.5	381.6
<i>Growth</i>	1.8%	18.1%	2.2%	12.8%	5.0%
EBITDA	25.2	34.4	34.3	43.6	48.5
<i>Growth</i>	(13.3%)	36.7%	(0.2%)	27.2%	11.3%
Dep'n & Amort	(6.3)	(9.1)	(8.4)	(9.3)	(10.3)
EBIT	18.8	25.3	25.9	34.3	38.3
<i>Growth</i>	(17.0%)	34.4%	2.3%	32.6%	11.5%
Net Interest Expense	(1.2)	(0.9)	(0.4)	(0.5)	(0.4)
Profit Before Tax	17.6	24.4	25.4	33.8	37.9
Tax	(5.4)	(7.4)	0.0	(5.8)	(11.4)
<i>Tax Rate (%)</i>	30.5%	30.1%	0.0%	17.1%	30.0%
Minorities	0.0	0.0	0.0	0.0	0.0
NPAT (Underlying)	12.2	17.1	25.4	28.1	26.5
<i>Growth</i>	(19.5%)	40.0%	48.9%	10.3%	(5.5%)
One-Off Items	(25.7)	(23.3)	(4.2)	(3.0)	(3.0)
NPAT (Reported)	(13.5)	(6.2)	21.2	25.1	23.5
EPS (Underlying) (€)	20.0	21.9	26.9	29.6	28.0
<i>Growth</i>	(19.6%)	9.8%	22.6%	10.3%	(5.5%)

Balance Sheet (\$m)	2018a	2019a	2020e	2021e	2022e
Cash	6.6	33.6	37.9	48.4	63.8
Inventory	60.0	44.5	48.4	54.5	57.2
Current Receivables	39.3	59.9	61.8	69.7	73.2
PPE	57.5	48.4	58.1	56.1	53.4
Intangibles	52.1	101.1	103.0	105.2	107.5
Other	24.6	25.0	25.0	25.0	25.0
Total Assets	240.1	312.6	334.2	358.8	380.1
Current Payables	43.4	56.7	55.3	61.3	63.9
ST Debt	2.0	0.0	0.0	0.0	0.0
LT Debt	4.0	0.0	0.0	0.0	0.0
Provisions	10.5	11.9	12.6	13.9	14.5
Other	0.1	11.8	11.8	11.8	11.8
Total Liabilities	60.1	80.5	79.7	87.1	90.2
Net Assets	180.0	232.1	254.4	271.7	289.9
Equity & Reserves	196.7	255.0	263.2	263.8	266.4
Retained Profits	(16.6)	(22.9)	(8.7)	7.9	23.4
Shareholders' Equity	180.0	232.1	254.4	271.7	289.9
Minorities	0.0	0.0	0.0	0.0	0.0
Total Equity	180.0	232.1	254.4	271.7	289.9

Cashflow (\$m)	2018a	2019a	2020e	2021e	2022e
EBITDA	25.2	34.4	34.3	43.6	48.5
Net Interest	(1.1)	(0.7)	(0.4)	(0.5)	(0.4)
Tax	1.0	(2.5)	0.0	(5.8)	(11.4)
Δ in Working Capital	13.4	8.2	(7.2)	(8.0)	(3.7)
Other	(20.6)	(7.4)	0.0	0.0	0.0
Operating Cash Flow	17.9	31.9	26.6	29.4	33.1
<i>Growth</i>	204.3%	78.5%	(16.6%)	10.4%	12.7%
Capex	(19.2)	(10.1)	(18.1)	(7.3)	(7.6)
Acquisitions	0.0	(45.6)	0.0	0.0	0.0
Divestments	0.0	1.0	0.0	0.0	0.0
Other	4.6	(1.4)	(1.9)	(2.2)	(2.3)
Investing Cash Flow	(14.6)	(56.1)	(20.0)	(9.5)	(9.9)
Equity Raised	0.0	57.3	0.0	0.0	0.0
Dividends Paid	(3.1)	0.0	(2.4)	(9.5)	(7.8)
Net Borrowings	1.0	(6.1)	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Financing Cash Flow	(2.1)	51.3	(2.4)	(9.5)	(7.8)
FX / Non Cash Items	0.0	0.0	0.0	0.0	0.0
Change in Cash	1.2	27.1	4.2	10.5	15.4
Free Cash Flow	(3.8)	19.8	6.6	19.9	23.2

Valuation Summary	
Current Mkt Capitalisation	160.8
Shares on Issue	94.6
Last Price	1.700
12 Mth Target Price	2.55
Total Estimated 12 Mth Return	54.4%
12 Mth Fwd Capital Return	50.0%
12 Mth Fwd Dividend Yield	4.4%

Valuation Ratios	2018a	2019a	2020e	2021e	2022e
EPS (Underlying) (€)	20.0	21.9	26.9	29.6	28.0
<i>Growth</i>	(19.6%)	9.8%	22.6%	10.3%	(5.5%)
P/E (x)	8.5x	7.8x	6.3x	5.7x	6.1x
Small Industrials (ex Fin's)	0.0x	0.0x	20.7x	18.8x	0.0x
Premium / (Discount)	nm	nm	(69.5%)	(69.6%)	nm
EV/EBITDA (x)	5.2x	3.8x	3.8x	3.0x	2.7x
Small Industrials (ex Fin's)	0.0x	0.0x	12.4x	11.5x	0.0x
Premium / (Discount)	nm	nm	(69.1%)	(73.8%)	nm
DPS (€)	1.0	0.0	7.5	8.9	8.4
<i>Growth</i>	(80.0%)	(100.0%)	-	18.6%	(5.5%)
Yield (%)	0.6%	0.0%	4.4%	5.2%	4.9%
Payout Ratio (%)	5.0%	0.0%	27.9%	30.0%	30.0%
Franking (%)	100.0%	0.0%	66.7%	66.7%	66.7%
NTA	127.9	131.0	151.4	166.5	182.3
NTA/Share (\$)	2.09	1.68	1.60	1.76	1.93

Performance Ratios	2018a	2019a	2020e	2021e	2022e
ROA	4.8%	6.2%	7.9%	8.1%	7.2%
ROE	6.5%	8.3%	10.5%	10.7%	9.4%
ROIC	7.0%	9.4%	12.5%	12.9%	11.9%
Net Debt (Cash) (\$m)	(0.6)	(33.6)	(37.9)	(48.4)	(63.8)
Net Debt/EBITDA (x)	0.0x	(1.0x)	(1.1x)	(1.1x)	(1.3x)
ND/(ND + Equity) (%)	(0.3%)	(16.9%)	(17.5%)	(21.6%)	(28.2%)
Interest Cover (x)	15.1x	29.6x	22.1x	25.7x	25.4x
Working Capital	55.2	37.8	44.4	51.1	54.2
Working Capital/Sales (%)	20.7%	12.0%	13.8%	14.1%	14.2%

Cash Flow Metrics	2018a	2019a	2020e	2021e	2022e
FCF/Share (\$)	(0.06)	0.25	0.07	0.21	0.25
Price/FCPS (x)	nm	6.7x	24.3x	8.1x	6.9x
Free Cash Flow Yield (%)	(3.7%)	15.0%	4.1%	12.4%	14.4%
Gross Cash Conversion	71.4%	102.2%	78.9%	81.8%	92.5%
Capex/Sales (%)	7.2%	3.2%	5.6%	2.0%	2.0%
Capex/Depreciation (x)	3.0x	1.1x	2.1x	0.8x	0.7x

Margins	2018a	2019a	2020e	2021e	2022e
EBITDA	9.4%	10.9%	10.6%	12.0%	12.7%
EBIT	7.0%	8.0%	8.0%	9.4%	10.0%
NPAT	4.6%	5.4%	7.9%	7.7%	6.9%

Valuation Methodology	2018a	2019a	2020e	2021e	2022e
WACC (%)					11.5%
Discounted Cash Flow Valuation					n/a
Sum-of-the-Parts Valuation					2.32
Average Valuation					2.32
12 Mth Target Price					2.55

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SELL	HOLD	BUY
9.1%	43.9%	47.0%

Rating and Price Target History: Fleetwood Corp Ltd (FWD) as of 29/08/2019



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