

Austin Engineering Ltd

1H18 Results Presentation

26 February 2018



Contents

	Page
1 Summary	3
2 1H18 results	5
3 Strategy and safety	14
4 Outlook	17
5 Appendices: Industry conditions, Austin strengths, operations, products and services	19

1. Summary

Summary

Improving industry conditions



- Improved commodity markets have contributed to increased industry activity. Client investment in capital equipment has continued to increase.

Product innovation



- Product innovation as a result of Austin's engineering and research and development teams continue to provide clients with reduced operating costs.

Board and Executive Management Team strengthened



- Sybrandt (Sy) van Dyk appointed to the Board on 19 February 2018.
- Executive Management team strengthened with the appointment of a Global Manager of Market Development and Innovation.

Sustained profitability



- 1H18 normalised EBITDA of \$12.2 million above guidance provided in August 2017 (\$10 million to \$12 million) .

Refinanced debt facilities



- Refinance of the Australian debt facilities was completed in November 2017.

Positive outlook



- The current order book and committed work represents 70% of 2H18 forecast revenue.
- Guidance for full year 2018 normalised EBITDA is in the range of \$22 million to \$25 million.
- Austin has a large number of opportunities in the pipeline.

2. 1H18 results

Financial performance

Normalised results (\$'m)	1H18	2H17	1H17
Revenue	154.7	143.3	91.0
<i>Growth</i>	7.9%	57.5%	
Gross profit	37.3	43.6	27.5
<i>Gross margin</i>	24.1%	30.4%	30.2%
EBITDA	12.2	14.3	-
<i>EBITDA margin</i>	7.9%	10.0%	0.0%
EBIT	6.8	8.7	(5.6)
<i>EBIT margin</i>	4.4%	6.1%	(6.2%)

FY17 Revenue and profitability

Trading:

- Revenue increased by 7.9% in comparison to the previous six months (2H17). Significant growth has been achieved in the Americas, where revenue increased by 24.7%.
- Gross margins have contracted due to:
 - A change in the geographical and product mix of revenue
 - USA margin compressed due to constrained supply and increased prices for steel following the imposition of tariffs on key suppliers.
- Global procurement activity is partially mitigating the impact of the steel tariffs by improving the efficiency of Austin's purchasing, and negotiating improved terms and consistent ongoing supply from steel manufacturers.
- Indirect costs as a percentage of revenue were reduced over the period due to cost saving initiatives globally, resulting in an EBITDA result (\$12.2 million), which is above guidance issued in August 2017 (\$10 million to \$12 million).



Financial performance

Statutory results (\$'m)	1H18	2H17	1H17
Revenue	154.6	143.3	91.0
<i>Growth</i>	7.9%	57.6%	
Gross profit	37.3	43.6	27.7
<i>Gross margin</i>	24.1%	30.4%	30.2%
<i>Indirect costs</i>	(25.1)	(29.3)	(27.5)
<i>Impairment</i>	-	(19.2)	-
<i>One-off costs</i>	(2.1)	(2.2)	0.4
EBITDA	10.1	(8.1)	0.4
<i>Depreciation and amortisation</i>	(5.4)	(5.6)	(5.6)
EBIT	4.7	(13.7)	(5.2)
<i>Net interest expense</i>	(3.3)	(2.3)	(3.8)
PBT	1.4	(16.0)	(9.0)
<i>Tax</i>	2.6	(5.9)	3.3
NPAT	4.0	(21.9)	(5.7)

FY17 Statutory results

One-off costs:

- One-off costs are predominantly staff restructuring costs in South America, together with legal and consulting costs associated with refinancing Australian and USA debt facilities.

Net interest expense:

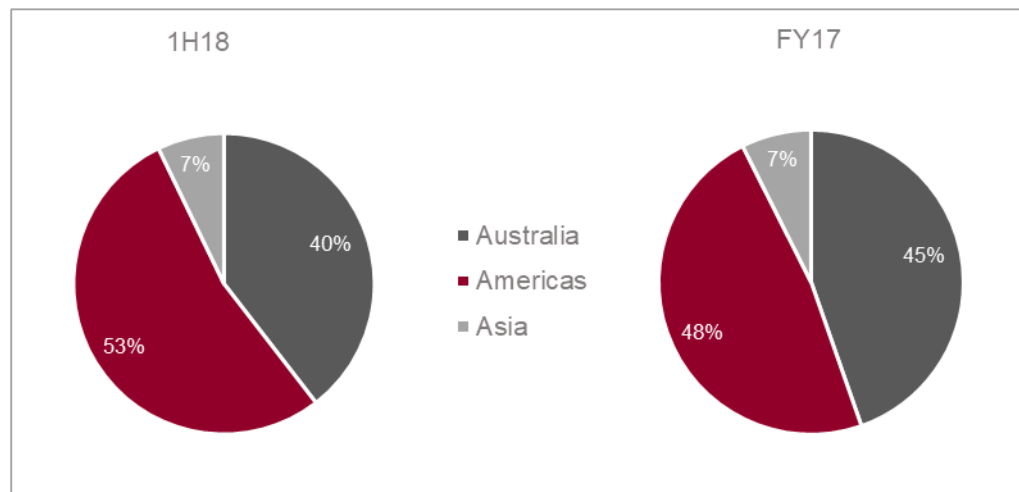
- Interest expense for the period includes one-off refinancing costs, including termination fees payable to previous financiers.

Tax:

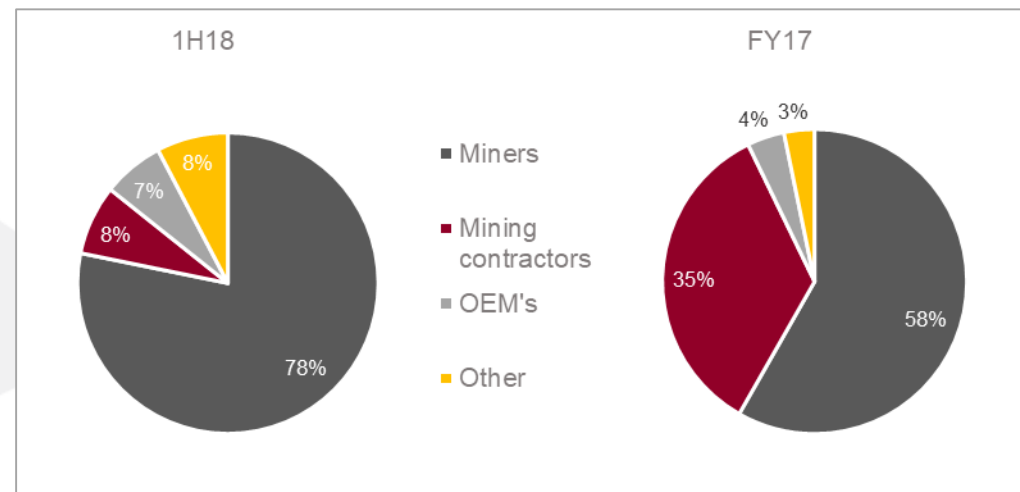
- The tax credit for the period includes the recognition of previously unrealised losses in the Americas region, together with re-measurement of income and deferred tax liabilities across the group.

Diversified revenue

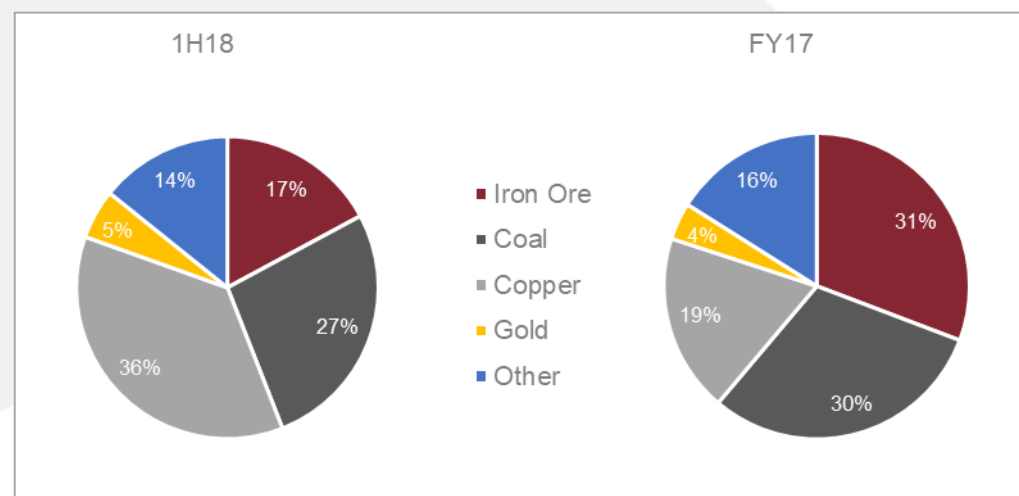
1 Revenue by region - % of total



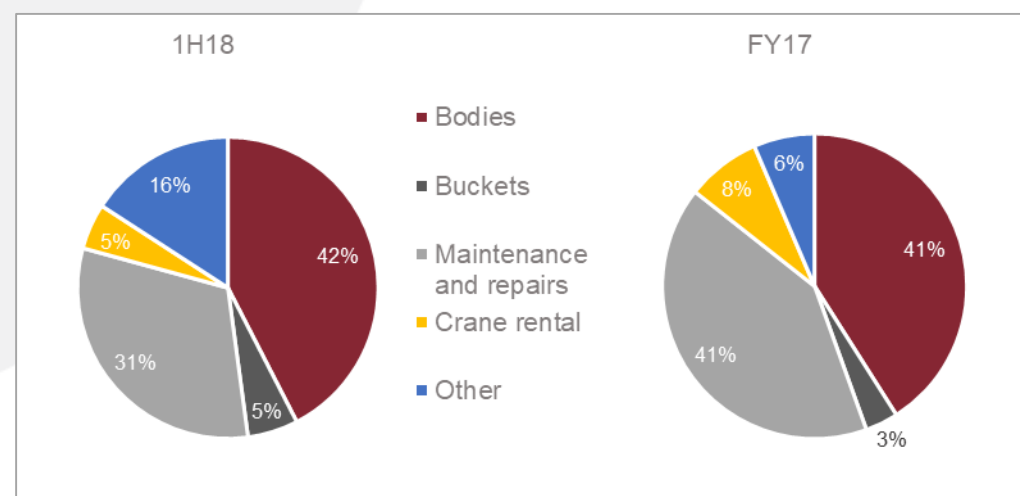
3 Revenue by customer type - % of total



2 Revenue by commodity - % of total

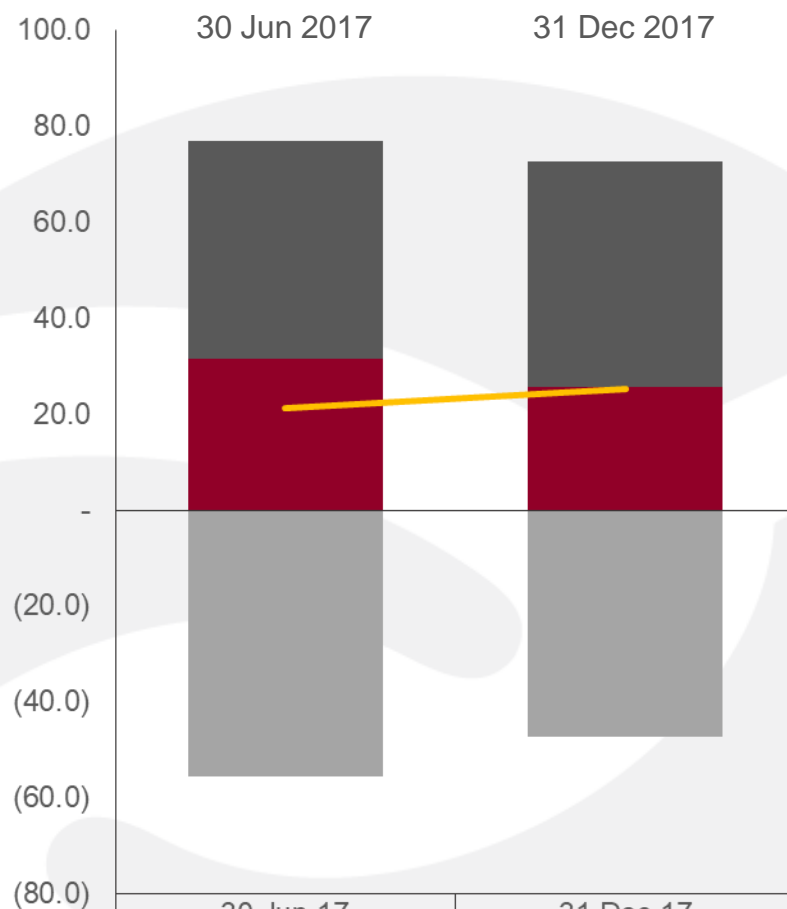


4 Revenue by product and service - % of total



Working capital

1H18 Working capital (\$'m)



Austin continues to focus on working capital management. Net working capital has increased by \$4.0 million, as a result of:

- Receivables have increased in line with revenue
- Group inventory decreased as a result of an enhanced inventories management program to reduce long-dated work in progress
- Group payables have decreased partly due to shortened terms with alternate steel suppliers in the USA.

Cash flow and net debt

Cash flow (\$'m)	1H18	2H17	1H17
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Cash flows from operating activities

NPAT	4.0	(21.9)	(5.7)
Add: depreciation and amortisation	5.4	5.6	5.6
Add: Impairment	-	19.8	-
Movement in working capital	(4.0)	(11.1)	(3.3)
Other movements	(4.8)	5.1	(8.9)
Cash from operations	0.6	(2.5)	(12.3)

Cash flows from investing activities

Proceeds from sale of property, plant and equipment	1.2	0.4	9.0
Purchase of of property, plant and equipment	(1.3)	(5.2)	(1.6)
Cash used in investing activities	(0.1)	(4.8)	7.4

Cash flows from financing activities

Proceeds from issues of shares	-	-	8.0
Net inflow / (repayment) of borrowings	1.3	2.0	(6.6)
Cash provided by financing	1.3	2.0	1.4
Net cash flows	1.8	(5.3)	(3.5)

Net debt (\$'m)	31 Dec 2017	30 June 2017
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Senior debt (term / LIM)	12.5	20.1
Australian working capital	12.0	7.3
USA working capital	7.2	-
South American facilities	20.6	22.1
Utilised facilities	52.3	49.5
Less cash	(5.7)	(3.9)
Net debt	46.6	45.6
Unutilised facilities	19.6	5.2

- Operating cash flow for the period was positive \$0.6 million, after the investment in working capital (\$4.0 million) and adjusting for other movements in NPAT (\$4.8 million, mainly related to movements in deferred and current taxation).
- 1H18 capital expenditure consisted of small replacement items. Austin is evaluating and prioritising maintenance and growth capital expenditure to commence in 2H18 and FY19.
- Proceeds from sale of property plant and equipment relates to the disposal of surplus equipment, mainly in South America.
- LIM and other non-bank loans in Australia were repaid in November 2017 with longer term facilities, including a term loan in Australia (\$12.5 million), and working capital facilities in both USA (US\$8 million limit) and Australia (A\$17 million limit).

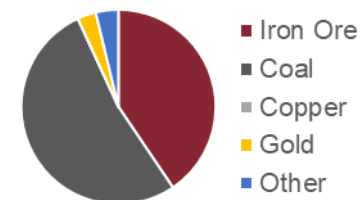
1H18 by region

Australia

Brisbane
Perth
Mackay
Hunter Valley



Australia (\$'m)	1H18	2H17	1H17
Revenue	61.1	62.5	42.1
EBITDA (normalised)	4.3	9.0	0.5
EBITDA margin	7.0%	14.4%	1.2%



Operations

- Perth operations delivered the majority of Australia earnings in 1H18. Perth's earnings decreased in comparison to the prior period (2H17) during which a major replacement cycle was delivered in the Pilbara region.
- Hunter Valley revenue increased significantly in the period, as a result of market improvements in the NSW coal mines. High labour and production costs impacted on profitability.
- Mackay operations provided an improved contribution to the Group with increased revenue generated from a mix of fabrication and repair work undertaken during the period.
- Aust Bore machining business delivered consistent earnings to the previous period.

Site services:

- The Australian site service business continues to operate in a competitive environment. Austin now operates on a reduced footprint and overhead that is expected to improve earnings contribution from this business.

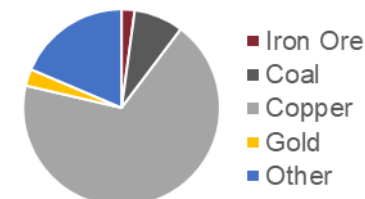
1H18 by region

Americas

USA
Colombia
Chile
Peru



Americas (\$'m)	1H18	2H17	1H17
Revenue	82.4	66.1	46.2
EBITDA (normalised)	5.4	3.0	0.1
<i>EBITDA margin</i>	6.6%	4.5%	0.2%



USA

- USA delivered its highest six month period for revenue since joining the Austin Group. This included the manufacture and supply of 76 bodies to Rio Tinto's Bingham Canyon copper mine.
- EBITDA contribution was impacted by increased steel costs.

Colombia

- Colombia delivered earnings consistent with the previous period.

Chile

- Improvement in the copper market and cost efficiency savings resulted in a positive contribution from Chile operations for the period.

Peru

- The Peru business is refocused on the delivery of Austin's core products, rather than on-site service contracts. A reduction of indirect cost has improved its contribution to Group earnings.
- Austin is evaluating how to most effectively service its clients in the region.

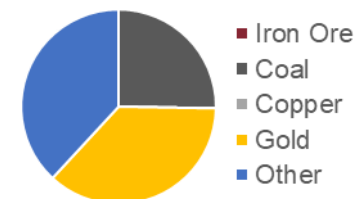
1H18 by region

Asia

Indonesia



Asia (\$'m)	1H18	2H17	1H17
Revenue	11.1	14.6	2.8
EBITDA (normalised)	2.5	2.3	(0.6)
EBITDA margin	22.5%	15.8%	(21.4%)



Operations

- The Indonesia facility remained at a high level of utilisation in producing fabricated products into the Australasian market.
- EBITDA contribution improved during the period as a result of efficiency improvements on large-scale fabrication projects completed in 1H18.

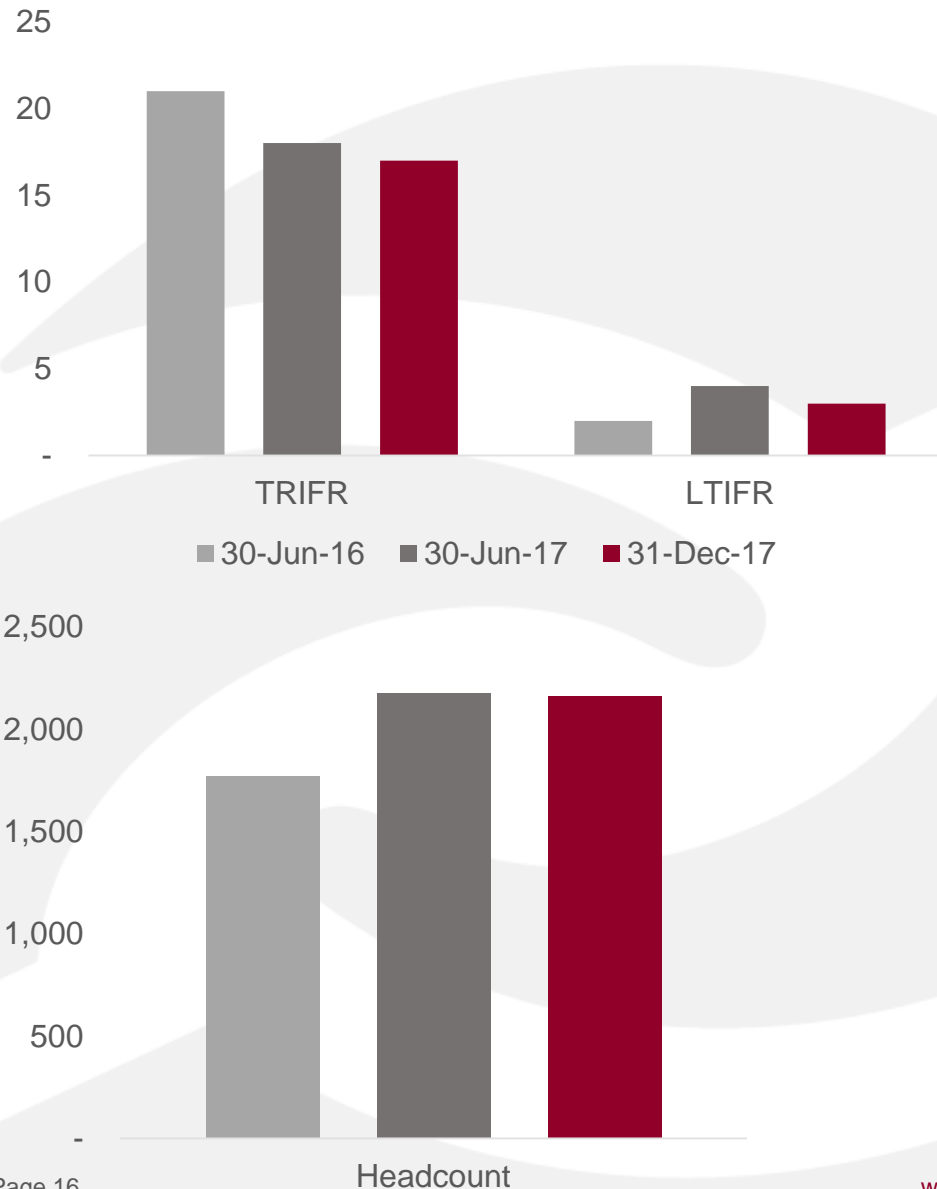
3. Strategy and safety

Strategy

Group Strategy	Actions during 1H18
<div data-bbox="116 384 168 496">1</div> <p>To be the leading supplier of truck bodies and buckets globally</p> <ul style="list-style-type: none"> Focus on re-orienting the business to provide clients with engineering solutions combined with high quality and efficient manufacturing capability. Strengthen existing relationships with large global mining clients and contractors. Develop new and existing relationships with dealers and original equipment manufacturers (OEMs), utilising the integrated sales function to provide better customer coverage and foster relationships. 	<ul style="list-style-type: none"> Bolstered Australian engineering team with additional skilled resources. Creation of new senior sales positions covering South America, South-East Asia and Africa, and a Global Key Account Manager.
<div data-bbox="107 794 181 906">2</div> <p>Grow and diversify the business through identified opportunities unique to Austin</p> <ul style="list-style-type: none"> Leverage Austin's product intellectual property (IP) to expand existing and enter new markets. Increased focus on research and development and new, innovative products. Grow approved sub-contractor base to provide additional revenue through flexible manufacturing capacity and production facilities where Austin does not currently have an existing footprint. Pursue work in complementary industries utilising existing manufacturing capability. 	<ul style="list-style-type: none"> Appointment of experienced Global Manager Market Development and Innovation. Formation of a dedicated research and development team, charged with project identification and delivery. Utilisation of sub-contract manufacturing services with full oversight of Austin's quality processes enabled Austin to grow its revenue base without requiring additional capital. Fabrication work completed and in the pipeline for non-Austin products.
<div data-bbox="107 1201 181 1313">3</div> <p>Maintain cost competitiveness</p> <ul style="list-style-type: none"> Best practice operational performance and continuous improvement to manufacturing processes. Remain at the cutting edge of engineering design, with fast, cost efficient techniques used to manufacture high quality products. Continuous evaluation of global supply chain for savings through group wide supply agreements. 	<ul style="list-style-type: none"> Cost reduction strategies and global knowledge sharing groups. Analysis of growth capital expenditure projects, expected to deliver cost savings. Improved purchasing and terms globally with strategic steel suppliers.

Safety

1H18 Safety statistics



Summary

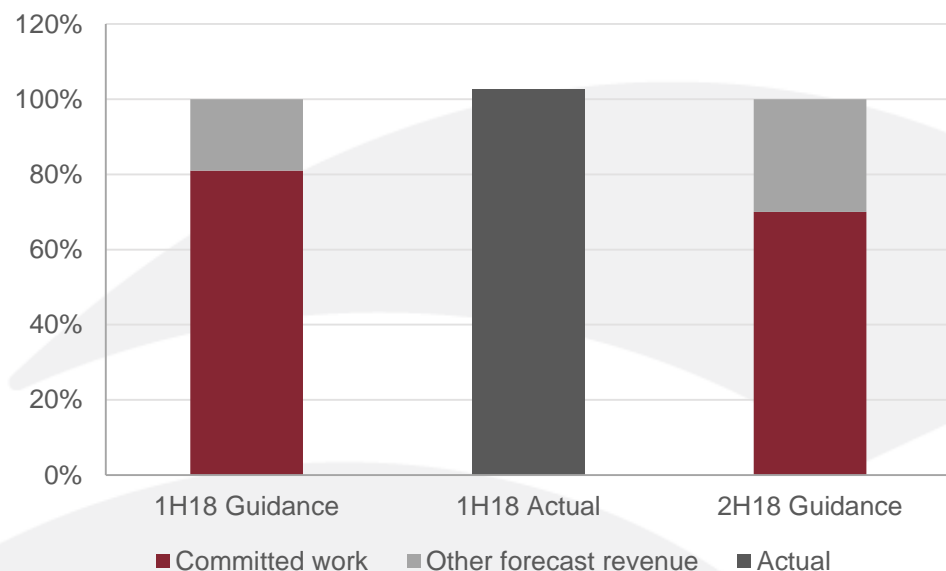
Safety statistics and initiatives

- Headcount was 2,162 at 31 December 2017. Headcount includes both permanent and flexible staff.
- Total Reportable Incident Frequency Rate (TRIFR) and Lost Time Injury Frequency Rate (LTIFR) (both twelve month rolling) have decreased.
- Safety continued as a key area of focus in 1H18, with implementation of initiatives including:
 - Update and development of key OH&S Global Standards, including cranes and lifting equipment
 - Internal and external safety audit cycles
 - Enhanced reporting of safety statistics from Austin sites
 - Industry recognised ICAM Training program training scheduled for key global safety staff and supervisors for improvement of incident investigation and root cause analysis.

4. Outlook

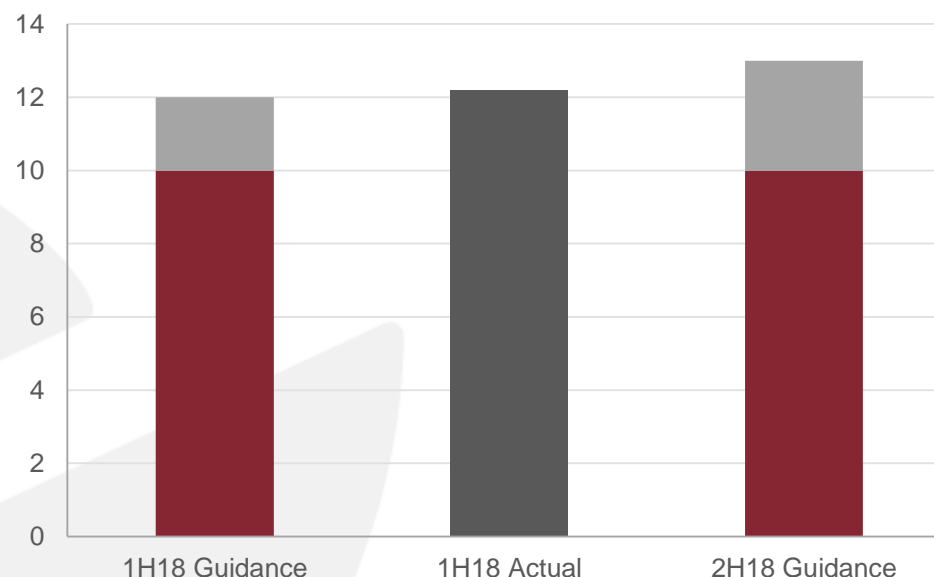
Outlook

2H18 Revenue pipeline (%)



- Guidance (August 2017) included order book and committed work representing 81% of the 1H18 forecast revenue.
- Actual revenue was 3% higher than the 1H18 forecast.
- Austin currently has order book and committed work representing 70% of the 2H18 forecast revenue.
- Austin has a large number of opportunities in the pipeline. If Austin is successful in winning this work, it will impact on results in 2H18 and FY19.

2H18 Normalised EBITDA outlook (\$'m)



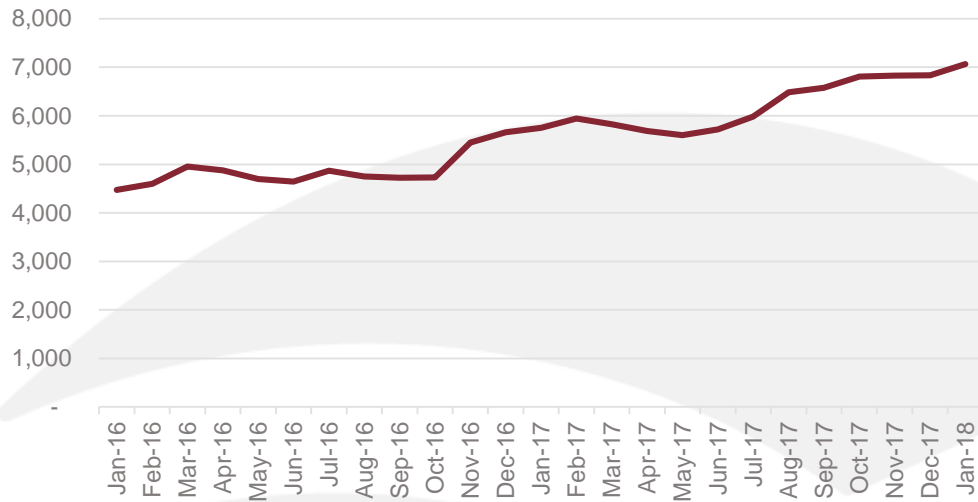
- Based on the current order book and committed work, estimated normalised EBITDA for 2H18 is in the range of \$10 million to \$13 million. This will result in full year FY18 EBITDA in the range of \$22 million to \$25 million.
- Whilst orders may be delayed or amended depending on a number of factors including the terms agreed with customers, the strong pipeline gives greater confidence regarding the estimated FY18 outlook.
- Austin needs to continue to carefully manage its manufacturing costs such as labour and materials (including steel suppliers).

5. Appendix:

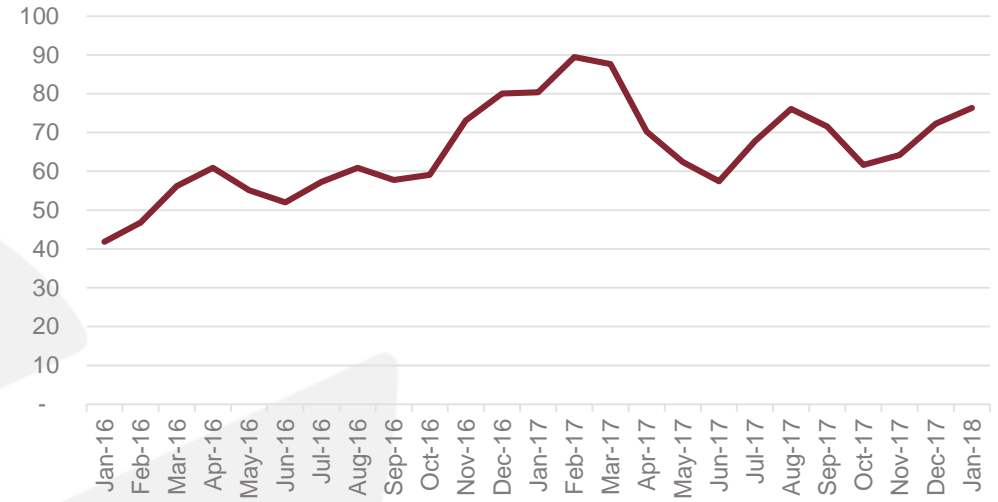
- Industry conditions**
- Strengths**
- Operations**
- Products and services**

Industry conditions

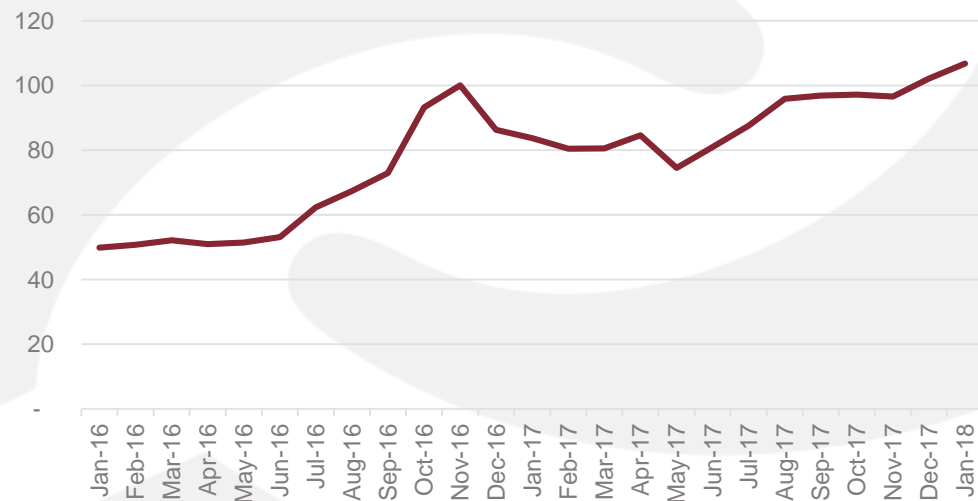
1 Copper (USD\$/mt)



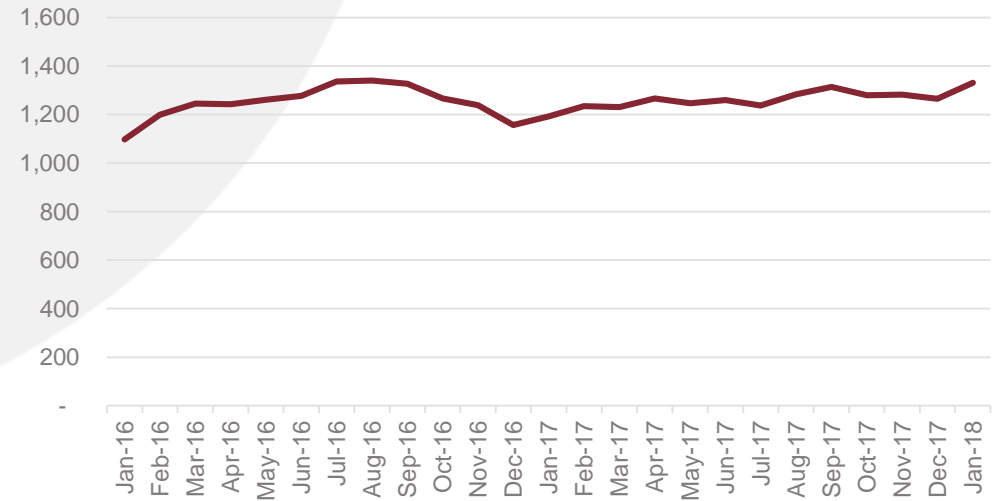
2 Iron (USD\$/mt)



3 Coal (USD\$/mt)



4 Gold (USD\$/oz)



Strengths

1 Market leading position

- Large global producer of custom truck bodies and buckets.
- Strategically located across four continents including Australia, Asia and the Americas, with scope to use subcontractors in other regions.

2 Attractive fundamentals

- Improving conditions in commodity markets.
- Product sales have improved as the investment cycle has turned.

3 Strategic focus

- Business repositioned as an engineering solutions provider supported by product manufacturing.

4 Manufacturing excellence

- IP and engineering excellence built up over more than 30 years of experience.
- Fabrication workshops fitted out for safe and efficient manufacturing.

5 Visibility over orders

- High visibility over orders for the next six months.
- Recurring revenue from repairs and maintenance contracts.

6 Diversified revenue base

- Long term relationships with key customers across Austin's various geographies/products/commodities.
- Key contracts with leading miners, contractors and OEMs.

7 Products

- Range of mining products and services tailored to specific site conditions, that deliver increased productivity and lower operating costs.
- Improved product designs are equally suitable for installation onto new and existing equipment.



Operations

Australia

Brisbane
Perth
Mackay
Hunter Valley



- Located in the east and west coast, providing an array of manufacturing, repair and support services.
- Perth is the largest workshop in Australia.
- Mackay and Hunter Valley are focussed on body/bucket repairs and maintenance.
- Austin Site Services supports customers with on and off-site repair and maintenance services across Australia.
- Aust Bore offer specialised machining services, overhaul of track frames and other mining equipment, as well as mobile line-boring services.
- The corporate office is located in Brisbane.

Asia

Indonesia



- Located close to the port facilities in Batam, Indonesia, on one of the world's busiest shipping routes only 20 kilometres away from Singapore.
- This fully equipped modern workshop manufactures both Austin products (including bodies, buckets and water tanks) and non-Austin products (including large modular structures and underground mining chutes).

Americas

USA
Colombia
Chile
Peru



- The USA facility provides manufacturing and engineering services to customers in USA, Central America and Europe. This facility is home to the Westech brand.
- Colombia is situated in Barranquilla, one of the main coal mining hubs of the country.
- Chile has two workshops strategically located close to customers where heavy equipment lifting, transportation and site services are offered.
- Peru has two workshops close to key copper mining regions.

Products and services

Austin Engineering

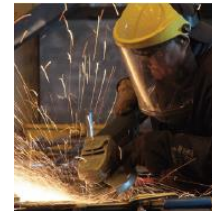
Products

- Leading designer and manufacturer of customised dump truck bodies, buckets and ancillary products used in the mining industry.
- Core competitive strength in engineering knowledge, experience and IP to design customised products that provide compelling productivity gains for clients.
- The ability to manufacture these products at its operations located in key mining regions around the world, or to use approved sub-contractors.



Services

- A complete service provider, offering on and off-site repair and maintenance and heavy equipment lifting to customers including miners, mining contractors and original equipment manufacturers.
- Workshop based repair and maintenance services for mobile equipment and attachments, along with onsite asset management of equipment and fixed plant.
- Lifting and logistics support services in Chile through the Servigrut business, utilising a fleet of large tonnage mobile cranes.



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