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ASX ANNOUNCEMENT (ASX Code: ANG) **27 August 2020**

Increase in net profit after tax of 79% and annual dividend payment of 0.5 cents per share

Austin Engineering Limited (ASX: ANG - "Austin") delivered a strong result for FY2020 with statutory net profit after tax from continuing operations increasing 79% to $4.5 million and operating cash flow of $24.1 million, a level not seen since the mining boom of 2012. The net cash position at 30 June 2020 was $8 million.

The Board has declared a 0.3 cent per share fully franked final dividend to deliver Austin's first annual dividend payment in six years of 0.5 cents per share.

Summary of Business Performance

- Cash flow from operations increased 75% to $24.1 million from $13.8 million recorded for FY2019 and represents the third highest level of cash flow in the history of the Company.
- Operational cash flow and $7.5 million in asset sale proceeds applied to repayment of debt, placing Austin in a net cash positive position, before AASB 16 leases of $8.0 million. Improved financing arrangements have been agreed on all major debt facilities.
- Group revenue was maintained at $230.4 million, reflecting the variance in performance across the regions in which Austin operates.
- Statutory EBITDA increased 34% to $19.9 million as no impairment charges were recorded this year compared to $14.8 million in FY2019.
- Normalised EBITDA from Asia-Pacific, including Australia and Indonesia, increased 23% to $14.0 million ($11.3 million pcp) on higher revenue (8%) as large orders flowed into the Perth operation in the second half. Activity levels in Indonesia suffered from a COVID-19 related deferral of orders from 2H20 to FY2021.
- North America recorded a 26% rise in Normalised EBITDA of $6.9 million, off a 2% increase in revenue as orders locked in prior to COVID-19 were executed in the second half.
- Normalised EBITDA in South America fell 65% to $1.6 million as revenue declined by 18% due to government mandated shutdowns in Peru and Colombia. These regions recorded a Normalised EBITDA loss of $1.7 million, and a statutory loss before tax of $5.8 million, with the facility in Peru being closed down and contracts terminated in Colombia.
- Normalised NPAT and EPS from continuing operations fell 9% to $8.1 million and 1.40 cents per share respectively compared with an $8.9 million profit and 1.54 cents per share in pcp.

Financial Summary	FY2020	FY2019 Statutory	Change	FY2020	FY2019 Normalised*	Change
	$m	$m	%	$m	$m	%
Revenue	**230.4**	230.8	→	**230.4**	230.8	→
EBITDA	**19.9**	14.8	34%	**22.5**	21.4	5%
Pre Tax Profit/(Loss)	**9.1**	6.0	51%	**11.6**	12.7	(8%)
Net Profit/(Loss) After Tax	**4.5**	2.5	79%	**8.1**	8.9	(9%)
EPS (cents)	**0.78**	0.43	83%	**1.40**	1.54	(9%)
Cash from operations	**24.1**	13.8	75%	**24.1**	13.8	75%
Net cash / (debt)	**8.0**	(19.8)	↑	**8.0**	(19.8)	↑
DPS (cents)	**0.50**	-	↑	**0.50**	-	↑

*Excluding impairment and one-off costs / gains

Results Commentary

Austin's Managing Director, Peter Forsyth, commented that the operational results for FY2020 vindicated the Company's confidence at the half year of a strong second half result. This was delivered despite the unprecedented conditions which have prevailed since the pandemic was declared in March 2020 and continue to impact heavily on the global economy.

"Results for the business over the past year confirm the benefits of a diversified operating base with the strong performance of our Asia-Pacific and North American operations more than compensating for the problems faced by two of our businesses in South America. It also highlights the uneven flow of earnings across the year in the business with the second half delivering 80% of EBITDA for the year. The outlook for the first half through to the end of FY2021 continues to be strong for our operations in Australia, Indonesia and Chile with a softer result expected in the USA and restructuring opportunities being investigated in Peruvian and Colombian businesses.

The outstanding cash flow result for the year has enabled the Company to increase the liquidity in its balance sheet and ensure it is well positioned to manage through the current period of uncertainty associated with the pandemic". Mr Forsyth said.

Asia-Pacific

Asia-Pacific, consisting of Australia and Indonesia, contributed 50% or $116.7 million of Austin's revenues, an 8% increase from $108.0 million in pcp. The Perth operation accounted for close to 60% of the region's revenues driven by a significant increase in workshop utilisation in the second half. Perth's strong order book stretches well into FY2021 with its workshop increasing throughput by around 20% since the beginning of the year. New product output is supplemented by strong repair and maintenance, and spare parts sales.

Austin's facility in Batam, Indonesia is a key strategic manufacturing plant for distribution into the Asia-Pacific and African market. After a strong first half, activity levels were impacted in the second half by COVID-19 resulting in a 25% drop in overall revenue for the year. The outlook for FY2021 is, however, strong with two large projects that were delayed from 2H20 currently being fulfilled and a number of opportunities in the pipeline to support Australia, Africa and the domestic market in Indonesia.

Austin's regional operations in Mackay experienced low levels of activity and subdued demand for repair work in the first half which continued into the second half as COVID-19 impacted demand.

North America

Austin's North American operation accounted for close to 30% of group revenues for the year, contributing $66.4 million, a 2% increase on pcp. Normalised earnings (EBITDA) increased 26% on pcp to $6.9 million, boosted by delivery in the second half of orders locked in prior to COVID-19. In addition to the uncertainties associated with COVID-19, the near-term outlook for this region is clouded by continued US/China tensions, the looming US presidential election and the fate of the oil price. Whilst the order book in this region is soft, the level of quoting for projects is high, indicating that activity levels may pick up in the second half of FY2021.

South America

South America accounted for 20% or $47.2 million of revenue within the Group for the year, a decline of 18% on pcp. Austin operates in Chile, Peru and Colombia but it is the Chile operation that drives earnings in the region. During the year Chile closed its Calama facility and leased a second workshop adjacent to its main facility in La Negra. The business grew strongly in the second half following the receipt of large orders, with clients in the Calama region now supported out of La Negra. Chile's order book for FY2021 is amongst the strongest in the Group.

The operations in Peru and Colombia recorded EBITDA losses for the year with both being impacted by mandatory shut downs in the final quarter. Austin's facility in Arequipa, Peru is in the process of being closed down with manufacturing of new product now being serviced out of Chile, or subcontracted locally in Peru. In Colombia, Austin terminated all site contracts and retrenched over 300 employees due to the temporary closures of the mines it serviced. A review of the Colombian manufacturing operation is underway but it currently has a strong order book to support the majority of 1H21.

Cash Flow and Debt Position

Operational cash flow improved significantly to $24.1 million, an increase of 75% on the previous year and the strongest result since the mining boom of FY2012. The key drivers were a turnaround in earnings and favourable payment terms obtained for key orders, including upfront payment on orders being delivered. These terms continue to support orders in place for FY2021.

Additional support also came from $7.5 million in proceeds received from the sale of the Hunter Valley facility and Chile crane facility together with other surplus assets.

Strong cash flows resulted in the business being in a net cash positive position of $8.0 million at 30 June 2020, before AASB 16 leases. Austin made a $27.8 million reduction in net debt over the past 12 months and increased its cash holdings at year end to provide liquidity security during this uncertain economic time.

Austin has recently agreed refinance deals for all its major debt facilities with significantly more cost-effective facilities in Australia and Chile, including the agreement with Export Finance Australia for a $15 million working capital facility

Outlook and Guidance

Asia-Pacific will continue to be the power house in the Group, increasing its contribution to earnings on the strength of a strong order book for FY2021 in both the Perth and Indonesian businesses. South America will be driven by Chile which also has a strong order book for the current year.

The North American business has started the year with activity levels down but with high levels of quoting for projects scheduled to start in 2021. The earnings contribution from the businesses in Peru and Colombia is likely to remain low as they transition to a smaller footprint following the restructuring that occurred at the end of FY2020. Improving iron ore, copper and gold prices are expected to further drive customer demand.

The continuing impacts of COVID-19 is being monitored closely, and is expected to have an impact on demand levels in North and South America.

“We currently have visibility on close to 50% of projected revenue for FY2021, compared to 32% at this time last year. This provides some support for our guidance of underlying NPAT from continuing operations for FY2021 in excess of $9 million.

Given the strength of Austin’s balance sheet and performance for the year, the board has declared a final dividend of 0.3 cents per share which will be paid at the same time as the deferred interim dividend of 0.2 cents per share in September 2020. We will continue to execute our strategy which is focused on growing the profitability of this business sustainably,” Mr. Forsyth said.

Announcement Authorisation
This announcement was authorised by the Board of Directors.

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About Austin Engineering: An Australian based engineering company, headquartered in Brisbane, with operations in Australia, Asia, North and South America. In Australia Austin manufactures, assembles, repairs and maintains (on and off-site) products used in the mining and resources sector. Key product lines include dump truck bodies, water tanks, excavator buckets and materials handling equipment. In Australia and South America specialised field services to the mining industry are provided by Austin’s site services divisions. The equipment and service needs of mining and oil and gas-related customers in Asia are delivered through a world class production facility on Batam Island in Indonesia. Austin’s facility in the USA is based in Casper, Wyoming and is an industry-leading designer and manufacturer of high-efficiency dump truck bodies and water tanks. It services the North American, Mexican and Canadian mining markets. In South America, Austin has operations located in Chile, Peru and Colombia that manufacture, repair and maintain dump truck bodies and other mining products for their respective markets. For more information visit www.austineng.com