

Celebrating Success

Annual General Meeting 2020



David Singleton, Chief Executive Officer



Celebrating Success

Annual General Meeting 2020

- The Year in Review
- Key Overview 2020
- Review from Shipyards
- Strategic Overview
- Business Outlook

David Singleton, Chief Executive Officer



Good afternoon.

- It is great to see many of our shareholders from Western Australia and the East Coast at this virtual meeting.
- It is my fifth and last Annual General Meeting as Chief Executive Officer and ninth in total with Austal.
- I will be handing over to Patrick Gregg who will assume the role of Chief Executive Officer and Managing Director effective 1 January 2021.

Celebrating Success.

- Not only a very strong financial success.
- Austal remains largest aluminum shipbuilder in the world, the biggest Australian owned Defence and one of the 4 largest naval yards in USA.
- The slide image is of a traditional water salute to celebrate the departure of a new ship, Hull 394 Bajamar Express, commenced operations in the Canary Islands August 2020.

The Year in Review (Video Play)



US President Donald Trump gifted a scale model of the future USS Canberra (LCS 30) to the Prime Minister of Australia, Scott Morrison during a State Visit to the USA in September 2019.

Slide 3

Combination of the expected and the wholly unexpected.

What we expected was our strategy playing out.

- USA continuing to develop and build on its success.
 - Both LCS & EPF improving.
 - Brilliant future ahead.
- Australasia strategy to fundamentally redesign our business, improve competitiveness and invest in new technologies and capabilities.
- COVID-19 was however an enormous unexpected event. We had 2 priorities; keep people virus safe but keep them employed because that keeps families safe, an important element some have missed.

I am enormously proud of our people who reacted brilliantly and kept all sites working. We have had delays and cost but our business is still functioning well.

I will show a short video of Austal 2020 year in review.

Play Video

FY2020 Key Facts



7 SHIPYARDS
IN 5 COUNTRIES

Slide 4

- Worldwide business incorporating 7 shipyards in 5 countries and 6 separate service centres.
- 6800 employees and little over half in USA.
- Order book of \$4.3 billion with 45 ships scheduled or under construction and 10 ships ordered (Cape, TT, Mols, SGTM).
- New ships ordered 8 Capes for RAN & TT. Two ferries for Vietnam and PN one the largest ever.
- Key notes – 85% of business defence (and growing).
 - Service now 17% and rapidly overtaking our traditional ferry business in size and significance.
- Represented in 3 of the most important markets in defence in the world where defence spending is rising rapidly USA, Australia and Asia.
- Also 6 service centres and growing.

Financial Headlines



YEAR ON YEAR CHANGE

• EBIT	\$130.4 m	41%	↑
• NPAT	\$89.0 m	45%	↑
• Operating Cash Flow	\$164 m	\$0 m	→
• Net Cash	\$231 m	\$130 m	↑
• Total Dividends	8¢ per share	33%	↑

Slide 5

- Revenue @ \$2.1 billion up 13%.
- Record EBIT of \$130 million (above analysts predictions & guidance).
- Excellent EBITDA conversion to operating cash flow of \$164 million.
- USA has been the standout performer. Strength to strength.
- Net cash position of \$231 million including CCPB 9 & 10 (\$272 million excluding).
- Revenue was strong assisted in the USA by strong FX gains and support volumes (the former has reversed).
- Australasia revenue growth as we complete ferry contracts won of the last 2-3 years. Revenue will settle as we come off that peak.

Importantly

- USA shipbuilding margin continued to rise 7.9% to 8.1%.
- Australasia margin more than doubled in the year to 6% well on its way to match USA margins as were predicted when we made our investments in Philippines and Vietnam.
- Combined support margin increased to 8.1% at the top our approximate guidance level of 7-8%, although we maintain that 7-8% should be regarded as a long run rate.

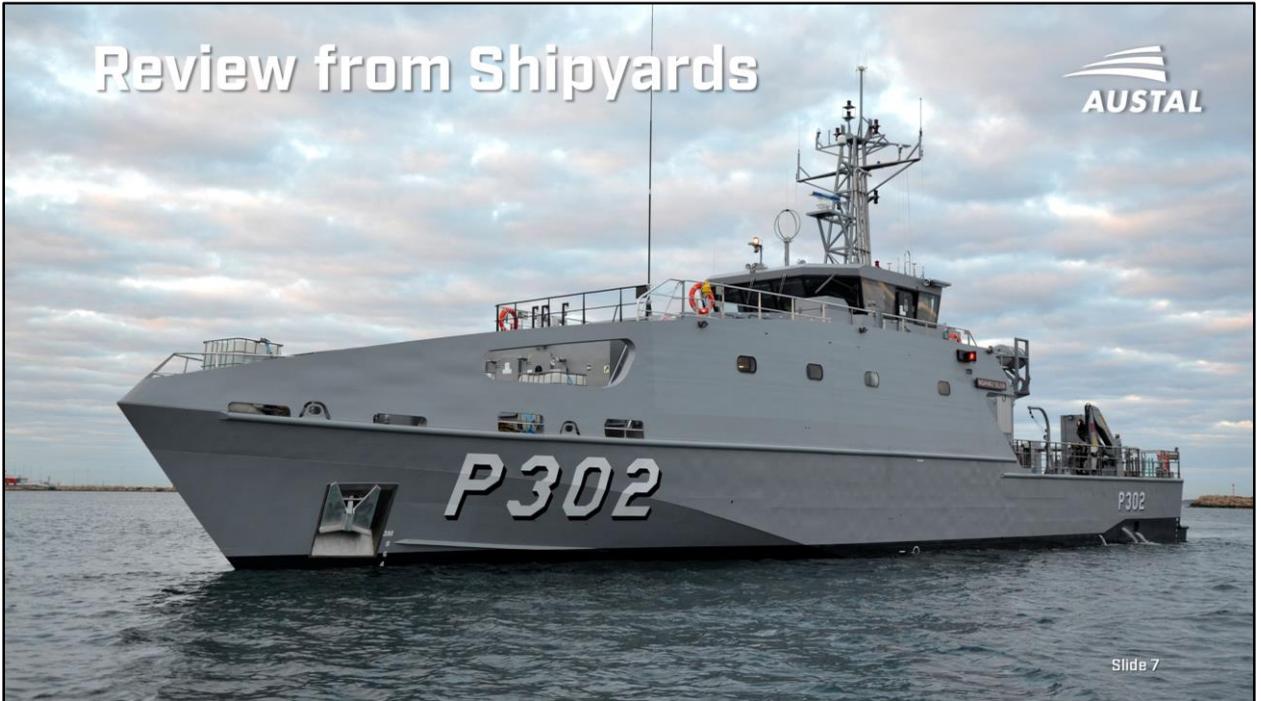
Austral Strong Cash is creating opportunity



Progressive and accelerating level of cash now at \$272 million

- Growth in the business has been organic to date.
- Cash flow allows for additional acquisition led growth as we seek to build our support and sustainment business as previously advised.
- Also as I said previously dividends up 66% half to half (H2 2020 to H2 2019).
- Certainly the business is in a strong position to invest in a major way as we have already announced in the USA for steel shipbuilding and Australia for support and other options we have indicated in USA and Asia.

Review from Shipyards



Slide 7

This style of presentation – online bringing in people from the East Coast of Australia gives us the ability to give greater insights. So for USA, Australia, Vietnam and Philippines, we have put together short video's to give you some insights.

It has been complicated to put these video's together in a COVID affected world so please forgive us if they are not perfect.

Review from Australia (Video Play)



Patrick Gregg, COO Australasia and CEO-Designate

Slide 8

- First is Patrick Gregg, COO Australasia talking from our Henderson shipyard in Western Australia. Australia has made the transition from a dual defence / commercial yard to a facility dedicated to RAN and others defence vessels and defence support for RAN and Border Force. I will talk more on this later.

Play Video

Review from USA (Video Play)



Craig Perciavalle, President Austal USA

Slide 9

Next is Craig Perciavalle, President Austal USA talking from our Alabama shipyard in USA.

- Craig has overseen a renaissance in the Alabama shipyard in recent years. EPF production is superb and LCS has improved so much it is now making the difference that is driving up margins. In addition he has overseen a major addition from purely shipbuilding to also include sustainment as we have grown from Alabama to San Diego to Singapore and hopefully further into Asia in the future and is just starting to gear up for steel vessel construction.
- Currently employ 3800.

Play Video

Review from Philippines [Video Play]



Wayne Murray, President Austal Philippines

Slide 10

Next is Wayne Murray, President Austal Philippines talking from our Cebu shipyard in Philippines. Team has essentially been locked down for nine months, several of which they spent living in the shipyard.

- Decision to triple the size of the capacity of this facility 3 years ago.
- Most modern and capable facility outside the USA.
- Fjordline first major vessel, absolute triumph and whilst we have difficulties on such a steep learning curve they have built the biggest ship by volume by Austal ever.
- FOSA 2 next.
- Mols 2 afterwards.
- This facility is what will maintain Austals cost lead in the market – critical.
- Also driving defence interest ‘Made in Philippines for Philippines’ – great opportunities.
- Led to PN OPV.

Play Video

Review from Vietnam [Video Play]



And lastly Mark Dummett, President Austal Vietnam talking from our Vung Tau shipyard in Vietnam.

- About 3 year ago attempted to buy Strategic Marine in Vietnam that was on the verge of bankruptcy.
- Instead bought the Team and built a new facility in under 4 months.
- Cannot say enough positive things about Mark and his team.
- But for COVID this vessel, their first in a new facility, would have been completed early and was despite that under budget.
- Vietnam like PN is example of Industry 4.0 approach. Design, PM and major purchasing from Australia, build commission deliver in low cost. Its what the Germans do its what Australia needs to do.

Play Video

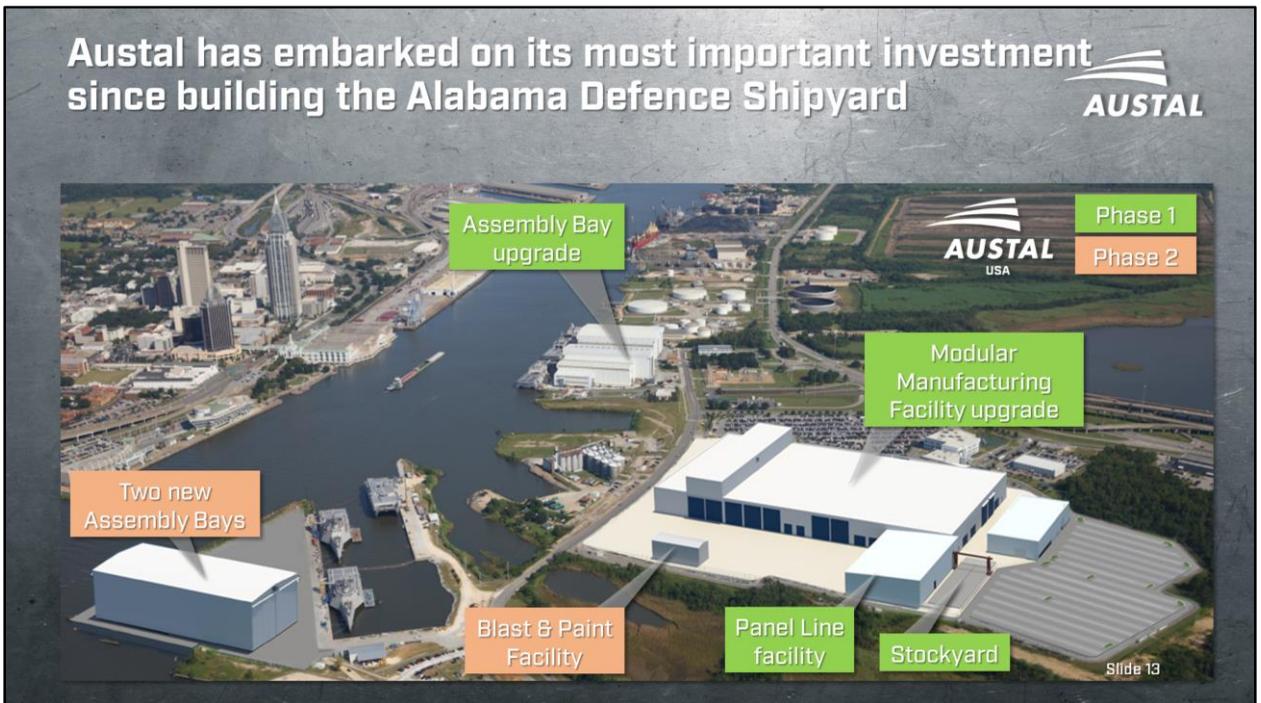
Austal's Strategic Future is linked to Major Nation State Competition



- I will now turn my mind to the strategic position that we are in and the impact on Austal.
- Whilst much of the world is focused on COVID-19, we as a Defence business are focussed on the rapidly changing Defence environment.
- The post war 'Cold War' in Europe gave way to actual armed combat in M.E but during the Obama administration the pivot to Asia, recognised the importance of this region and the rivalries that it creates was set and this has rapidly moved.
- As you know USA has rapidly increased Defence spending in recent years as has the UK. Australia has followed suit with increases in Defence spending to well over 2% GDP. Indeed Naval spending has had a major boost to circa \$95 billion in the next period.
- Our future is Defence and the future of Defence is changing and growing particularly in our Asia Pacific region where we are so well placed. It feels like right place right time.
- Most politics around Defence is bipartisan – note Australia reaction to increase in Defence.
- Whether its Biden or Trump the challenges are the same. Remember the current focus on Asia the 'Pivot to Asia' was a Democrat Obama initiative.
- This growing Defence expenditure in our priority markets of USA, Australia and Asia is key to Austal's future and one that our business is well positioned for.

- We are also developing our business to suit. Asia will be an important centre for our support business we have recently attained accreditation to support US Naval forces in Australia at our current facilities, we have just announced the acquisition of BSE shipyard in Cairns an important site for Australia, Philippines and Singapore.
- Our business also needs to continue our expansion from aluminium to steel. Our customer needs both and wants Austal to be able to build both. Guardian and new Asia OPV both steel.

Austal has embarked on its most important investment since building the Alabama Defence Shipyard



- Biggest step in USA since we built the shipyard.
- Austal is the leading Aluminium shipbuilder in USA a market we dominate and believe we will continue to.
- However if we want to grow and we do then we have to develop and growing in shipbuilding is a good way to do it. Stick close to what we are good at.
- Most of our people were originally steel builders.
- US\$100 million expansion to steel ships – 50% paid for by United States Government.
- Ready by mid 2022 in line with several new start programs.
- Our future will spring from this decision and I applaud the Austal USA management team for getting to the point where they have made this decision.

Austal USA investment will increase value of target projects by ~ 3 times



New naval shipbuilding opportunities set to increase threefold.

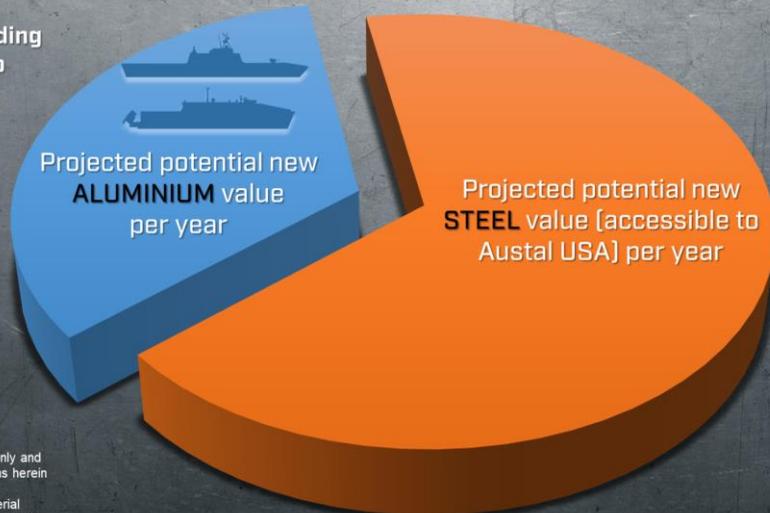


Diagram is for illustrative purposes only and may not be accurate. Representations herein are based on management opinions, supported where practicable by material published by or on behalf of USN or USCG.

Slide 14

- This chart shows the 'Why'.
- Chart shows approximate value of Austal accessibility to new ship building programs for typical year, where no incumbent exists.
- Austal has a great reputation, great shipbuilders, first class facilities – now a burgeoning market.

New shipbuilding projects* ~ US\$2 billion per year are estimated to occur from 2022



A\$ billion

2.5

2

1.5

1

0.5

0

FY2022

FY2023

FY2024

FY2025

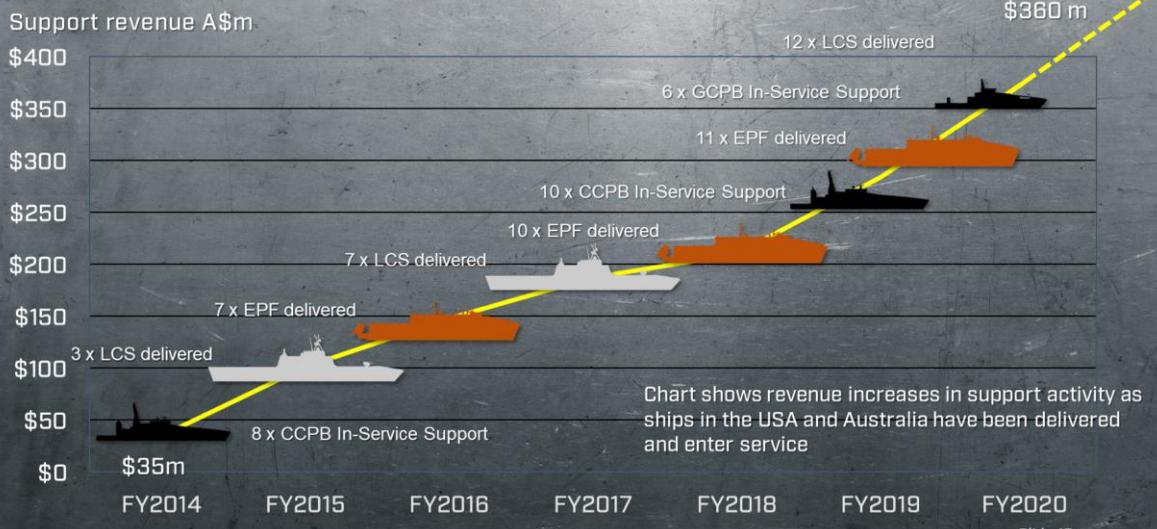
Diagram is for illustrative purposes only and may not be accurate. Representations herein are based on management opinions, supported where practicable by material published by or on behalf of USN or USCG.

* Projects that have been assessed by Austal to be suitable for construction in the existing aluminium and planned steel shipbuilding facilities.

Slide 15

- And the market appears to be significant with several new programs coming through.

Defence Support is a key strategic focus and has grown by 10 times in 6 years



I have mentioned support several times through this presentation – Why?

- Defence maintenance is highly complex and sophisticated. To do it you need to invest in people, processes and facilities dedicated to the process. Defence needs availability not 'fix when it breaks'. Includes upgrades.
- We have done this. When you get real capability margins can approach that of shipbuilding but the look forward can be decades not years.
- That's why we invested in USA and Australia and now we are getting the rewards – long term, sizeable activity at good margins.
- Critical to the value of our business.

Support Revenue has potential to rise to \$500 m in the next few years as ship deliveries & other initiatives occur



13 x CCPB In-Service Support*

FY2020
\$360 m

*8 x ABF CCPB, 2 x RAN CCPB, 2 x TTCCG CCPB
+ 1th of 6 x new CCPB for RAN
^ Support for 6 x new CCPB for RAN yet to be determined by Commonwealth.

19 x LCS Delivered

14 x EPF Delivered

21 x GCPB in-service support

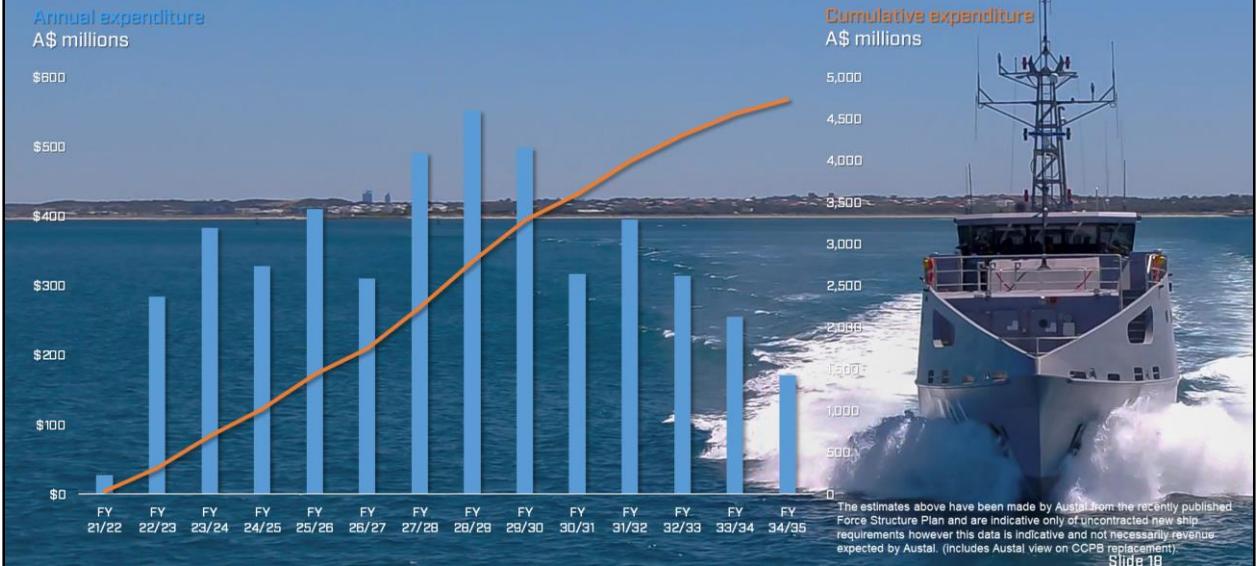
18 x CCPB In-Service Support^

AUSTAL

Slide 17

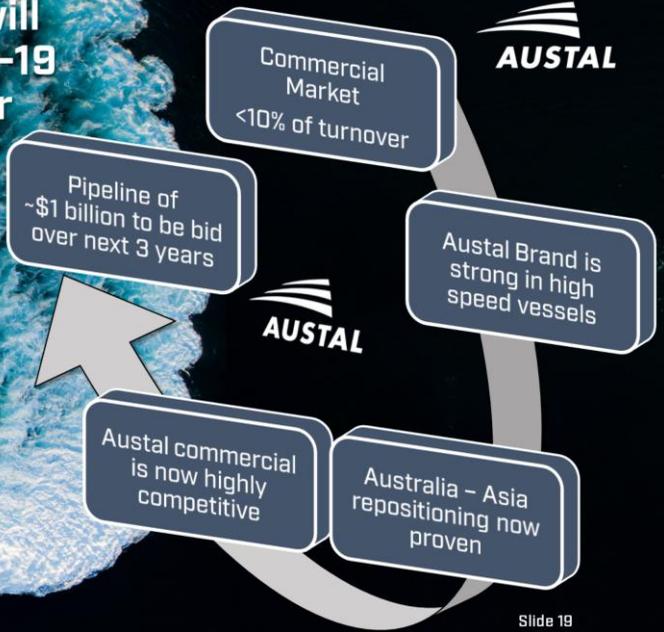
- As ships deliver, get deployed more, get older, need upgrades, revenues will rise naturally over future years.
- That's why it's a key focus for us.

Recently published Force Structure Plan indicates significant opportunities for Australian Shipbuilding over next 15 years



- Our view on Australian shipbuilding has changed.
- Capes \$324 million, which gives us a good 3 year runway.
- The RAN recently published a detailed Force Structure Plan (FSP).
- First time we have had a detailed 15 year insight into procurement.
- And first time RAN have committed to buying just about everything in Australia, much in WA.
- Evidence of governments plan to build technology based industry.
- Gives Austal the vision on which to invest.

Commercial ferry market will likely be affected by COVID-19 but is relatively small in our business and we see a reasonable pipeline



Slide 19



Invest progressively in Research and Development, both in the USA and Australia.

Austal appointed a Chief Digital Officer (CDO). This move recognises the tangible advances that bolstering our R&D capabilities has and will continue to have, in improving both our products and our processes.



We have a short video to play now - Andrew Malcolm, Chief Digital Officer from the control room of the *Queen Beetle*.

Andrew is our first CDO. The position recognises the increasing value of Digital to our business whether its Automating Processes, in Design, Digital design optimisation using neural network based emulators, controlling our business through ERP, putting AI brains in ships or building maintenance software systems. Its re-defining how we work and we have only just started.

[Play Video](#)

Business Outlook



Slide 22

- We started the year indicating that we did not wish to provide guidance because of the uncertainties around COVID-19 the impacts on travel affecting ship commissioning and general market turbulence.
- I am pleased to say that these matters whilst confronting are still being managed well and whilst we are not clear of risk, matters are improving.
- Last year was an exceptional revenue year up 13% and EBIT up 41%. The revenue was in part lifted by exceptional levels of shipbuilding in USA and Australia (after contract wins) and positive FX (USD:A\$).
- As a result we see revenue this year getting to approximately \$1.8 billion for year as FX turns against us.
- However margins are continuing to strengthen with a current conditions forecast approximately of A\$125 million EBIT. The margin story is very positive in the USA and particularly strong in Australia as our strategy in that region completes.
- As you can see the business has been travelling well and has achieved a level of profitability and consistency that our capability deserves.
- We are highly conscious of the need to grow and develop, to expand our footprint. We know we need to win new orders and are vigorously engaged in that across the world. We are getting our balance between new build and support right and we are focussed in Defence which is characterised by good

quality contracts with solid customers who buy over decades. Most importantly we are in a fast growing market, with high barriers to entry and we are in the exact geographies that will see the most growth. A rising tide lifts all and it will lift us. The buying intentions of the US, CoA and Asia make us well positioned and our investments are reinforcing our position.

Disclaimer



David Singleton, Chief Executive Officer

Telephone: +61 8 9410 1111

For further information visit www.austal.com

Disclaimer

This presentation and any oral presentation accompanying it has been prepared by Austal Limited ("Austal"). It should not be considered as an offer or invitation to subscribe for or purchase any securities in Austal or as an inducement to make an offer or invitation with respect to those securities. No agreement to subscribe for securities in Austal will be entered into on the basis of this presentation.

Our presentation contains "forward-looking" statements or projections based on current expectations. These statements are not guarantees of future performance and are subject to risks and uncertainties. Key risks are set out in the Company's Corporate Governance Statement and published on its website. They include – but are not limited to – impacts to US programs, the availability of US government funding due to budgetary or debt ceiling constraints; changes in customer priorities or their ability to meet contractual requirements, additional costs or schedule revisions. There are also broader risks to the enterprise such as cyber security, HSEQ incidents, product liability, unexpected impact of regulatory investigations and material unexpected changes to the Company's financing arrangements. Although Austal has made its best assessment, it is not possible to conclusively forecast the impact of unforeseen global events such as the Coronavirus, hence this presents a new and unique risk. Austal's expansion in Asia also naturally brings with it a number of risks that are typical when entering new jurisdictions or expanding in others. Actual results may also effect the capitalization changes on earnings per share; the allowability of costs under government cost accounting divestitures or joint ventures; the timing and availability of future impact of acquisitions; the timing and availability of future government awards; economic, business and regulatory conditions and other factors. We disclaim any duty to update forward looking statements to reflect new developments.

Accordingly, to the maximum extent permitted by applicable laws, Austal makes no representation and can give no assurance, guarantee or warrant, express or implied, as to, and takes no responsibility and assumes no liability for, the authenticity, validity, accuracy, suitability or completeness of, or any errors in or omission, from any information, statement or opinion contained in this presentation.

You should not act or refrain from acting in reliance on this presentation material. This overview of Austal does not purport to be all inclusive or to contain all information which its recipients may require in order to make an informed assessment of Austal's prospects. You should conduct your own investigation and perform your own analysis in order to satisfy yourself as to the accuracy and completeness of the information, statements and opinions contained in this presentation before making any investment decision.

END

ASX:ASB
austal.com

Slide 24