

Austal Macquarie Conference



May 2022

Paddy Gregg, Chief Executive Officer

1. Welcome to FY2022 H1 results
2. Introduce Geoff Buchanan as Interim CFO

FY2022 H1 Key Facts



\$722 M

REVENUE



\$2.2 B

ORDER BOOK



25

SHIPS UNDER
CONSTRUCTION
OR SCHEDULED



5

SHIPS
DELIVERED



4,900

EMPLOYEES



**5 SHIPYARDS
IN 4 COUNTRIES**



**8 SERVICE CENTRES
IN 4 COUNTRIES**



37

VESSELS UNDER
SUSTAINMENT
CONTRACTS

1. Some significant orders in the half as per ASX announcements
2. Still lots of ships to deliver
3. Good delivery performance as we deliver ships to customer expectations. Not many people can proudly say that
4. Experienced workforce with Covid vaccination c.100% so ready for the future
5. China divested as forecast and announced
6. Service centres in USA/ Australia, Singapore and Oman. Growing in number as we increase revenue and future opportunity

Financial Headlines FY2022 H1



\$ m	FY2022 H1	Change from PCP
Revenue	\$ 722 m	[14%]
EBIT	\$ 71.1 m	1%
NPAT	\$ 45.1 m	[14%]
Interim Dividends Declared	4 ¢ per share	-
Operating Cash Flow	\$ 43.1 m	[48%]
Net Cash ¹	\$ 188.7 m	[27%]
FY2022 Full Year EBIT - minimum	\$ 107.0 m	

1. FY2021 excluded the notional debt of the CCPB 9 & 10 leasing program, completed during FY2022 H1

1. Revenue down due to reduced materials as LCS tapers and some movement in manhours due to improved efficiency in build and Covid delays
2. EBIT up due to strong performance on programs, and the release of some risk contingency in the US. Record for a half year.
3. NPAT reduction driven by increased effective tax rate and recognition of tax losses in the previous period.as
4. Dividend remains consistent with strong cash and investment in the business
5. Operating cash down as a result of some program milestone movements - EPF 13 variations. Mols2 Covid delays.
6. Net cash reduced for positive reasons, due to investment in the business predominantly on steel in the US and San Diego MGBW purchase.

Business Overview



A Guardian Class Patrol Boat being transported from Hope Valley Road to waterfront for Launch.

FY2022 Operational Outlook Update



	USA	Australia	Philippines	Vietnam
Current	<ul style="list-style-type: none"> San Diego 	<ul style="list-style-type: none"> Support from Darwin, Cairns, Brisbane 		
Opportunities	<ul style="list-style-type: none"> Offshore Patrol Cutter T-AGOS Light Amphibious Warship NGLS prelim design Frigate 2nd source Additive opportunities 	<ul style="list-style-type: none"> Army landing craft Support in Australia and overseas Systems sales Force Structure Plan 	<ul style="list-style-type: none"> Future commercial activity driven by ageing fleet and lower emission requirements 	<ul style="list-style-type: none"> Future commercial activity driven by ageing fleet and lower emission requirements


1. Lots of opportunities that we are well placed to execute
2. Programmes to bid for and win in shipbuilding and support
3. All the investments we have made complement the long term growth strategy
4. We are still in the forecast transition from LCS but we have delivered everything we said we would to ensure we make it through stronger and ready to grow in the future.
5. The future looks like:
 - a. USA- replace LCS revenue, diversify shipbuilding and grow sustainment both organically and inorganically.
 - b. Australia- continue to compete for work announced as part of the Force Structure Plan, diversify shipbuilding and grow sustainment both organically and inorganically using systems to differentiate (MarineLink Smart/ LUSI).
 - c. Philippines- bid for and deliver commercial work resurgence driven by ageing fleet and emissions regulations
 - d. Vietnam- bid for and deliver commercial work resurgence driven by ageing fleet and emissions regulations
6. Additive opportunities include things like subcontract work, one off vessels, that can improve profitability

Mobile Steel Capability




1. We continue to expand our capabilities and product offerings.
2. The Steel facility in Mobile opened ahead of schedule on 12th April 2022


Australia Delivering for the Future



\$8m investment grant in Cairns



PM Announces 2 additional ECCPB



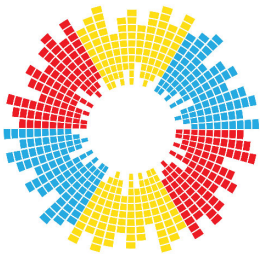
ECCPB & GCPB on trials together

Schedule of Federal Govt proposed shipbuilding projects in Western Australia

Project	Start Year	End Year	Value
Arafura class offshore patrol vessels	2020	2025	~\$3.9b
Guardian class	2020	2025	\$510m
Evolved Cape	2020	2025	\$343m
Anzac class sustainment	2020	2040	\$338m (pa)
Undersea surveillance support ships	2025	2035	\$6 - 9b
Future mine warfare and hydrographic vessels	2025	2035	\$4.3 - 6.4b
Joint support ships	2025	2035	\$5.1 - 7.7b
Replacement LHD landing craft	2025	2035	\$400 - 600m
Ocean Protector replacement	2025	2035	\$450 - 650m
Future Army water and landing craft	2025	2035	\$1.9 - 2.8b
Forward support vessel	2025	2035	\$500 - 750m

Source: WA factsheet. All figures presented in PBS21-22. Sustainment budget presented per-annum. Figures are based on principal location of project or capability and not necessarily indicative of investment in local industry content.

1. We continue to deliver on our commitments with the Guardian and Evolved Cape Class programme
2. The Steel facility in Mobile opened ahead of schedule on 12th April 2022
3. The PM announce \$8m grant to invest in facilities in Cairns
4. There is a bright future in WA shipbuilding. The chart shows what defence have published in the factsheet.



GROWTH STRATEGY 2050



STRATEGIC PRIORITIES



EXPAND SHIPBUILDING

EXPAND our shipbuilding capabilities to be a world leading designer and builder, in both steel and aluminium, of large, complex naval and commercial vessels, including autonomous naval ships and zero emission fast ferries.



ENHANCE SYSTEMS

ENHANCE our systems and digital products to become Australia's sovereign supplier of naval vessel systems, the global leader in fleet life cycle management solutions for complex assets and a regional champion of Industry 4.0 in shipbuilding.



EXTEND SUPPORT

EXTEND our support and sustainment services to become the leading Indo-Pacific regional supplier to the US Navy, the Australian Commonwealth across all Defence domains and regional navies wherever Austal has a shipyard presence.

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1. 2050 because the life of our vessels is 25-30 years
2. Our 10 year growth rate exceeds peers but still lacks scale
3. The makeup of our business has changed significantly but needs to keep changing to meet market demands and opportunities
4. 4 meta-trends drive this: regional insecurity/ supply chain localisation/ decarbonisation/ autonomy and automation
5. Expand/ enhance/ extend detailed on the next slides

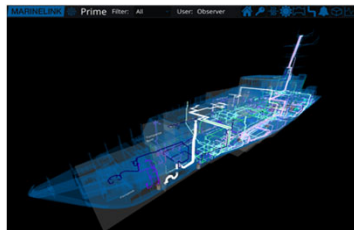
Expanding Shipbuilding



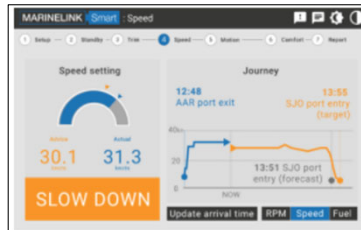
1. We continue to expand our capabilities and product offerings.
2. The Steel facility opened ahead of schedule in Mid April in the US.
3. Austal has developed a fleet of steel patrol boats. The c.83m length version is shown here, there is a c.55m steel Evolved Cape variant and the existing Guardian class c.40m with steel hull and aluminium superstructure.
4. Austal remains technology agnostic as we continue to see the fleet age and emission requirements tighten, resulting in an anticipated resurgence in the commercial market.

Enhancing Systems

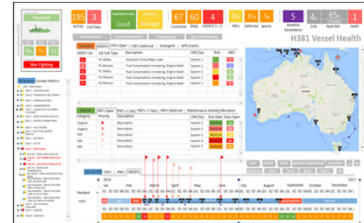
With a growing range of digital products



+



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MARINELINK

- Vessel control & monitoring of all onboard equipment
- Intuitive 3D interface
- Critical enabler for vessel automation and autonomy
- Legacy versions on 200+ vessels
- Major upgrade to be deployed on Capes 11-16 & new Mols ferries

MARINELINK Smart

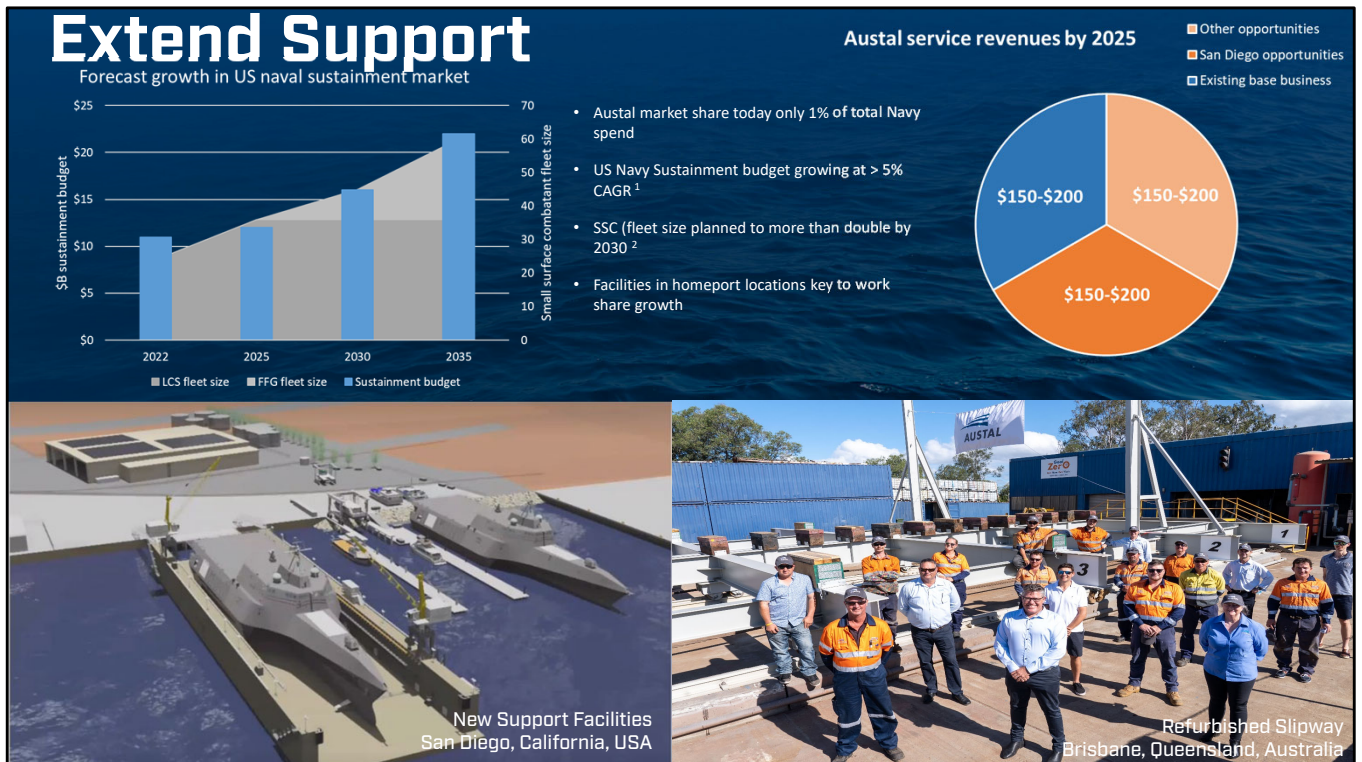
- Machine learning to optimise vessel performance
- Recommendations in real-time to crew on the bridge
- Analytics on web for shore team
- In use on 8 large ferries in UK, Denmark, Norway, Spain & Japan
- Will be deployed on Capes 11-16



- Fleet wide asset management & availability planning
- Secure cloud with data replication to remote assets
- Predictive failure analytics
- Prototype in use on Capes 9-10
- Full version to be deployed on Capes 11-16

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1. Investing in R&D to be ready for the future
2. Focused on the product for more efficient operations
3. Looking at it from both an operation and maintenance perspective in both defence and commercial markets.



1. US Navy budget forecast (see note 1) for ship maintenance spend has > 6% Compound Annual Growth Rate to 2030 due to growth in size of fleet plus ageing of existing vessels.
2. The Small Surface Combatants fleet (which includes LCS) is planned to double by 2035 (see note 2), leading to significant growth in maintenance spend for the classes of vessels best suited to AUSA sustainment capability. EPF is excluded from the potential support work analysis because it is a Support vessel not a Small Surface Combatant
3. AUSA currently captures only 1% of this circa \$11b/year market, noting not all of this spend is addressable by AUSA as it includes nuclear submarines and work self-performed by Navy.
4. AUSA's 1% market share has been achieved without significant facilities in any major naval homeport location in the US. MGBW acquisition plus dry dock investment provides such a facility with potential to more than double AUSA activity.

Sources :

1. Report to Congress on the Annual Long-Range plan for construction of naval vessels, prepared by Office of the Chief of Naval Operations, December 2020
2. Congressional Budget Office April 2021 analysis of the Navy's December 2020 Shipbuilding Plan

Strategic Outlook



1. Fundamentally delivering our growth and diversity plan
2. Well positioned for future steel orders
3. Big wins in sustainment with San Diego (SEC W), IDIQ Singapore, SEC E growing
4. COVID-19 remains a challenge but we have delivered for the last 2 years, now 100% vaccinated
5. Balance sheet remains strong and business delivering healthy margins year on year
6. Future work opportunities across ships / systems / support
 - I. Multiple US programmes in steel
 - II. Commonwealth of Australia Force Structure Plan / AUKUS
 - III. R&D in future technologies including autonomous capability and low emission ships
7. Capability to deliver steel & aluminium shipbuilding and sustainment in commercial & defence sectors globally

1. Great set of Half year results with strong operational performance.
2. Our strong balance sheet has helped during Covid, and allowed us to continue to invest for what looks like an exciting future
3. We are a more diversified business now, establishing in shipbuilding, support and systems
4. We also see significant opportunities in advanced technology autonomous vessels
5. Austal does need to generate new contracts in the next few years, but we are optimistic about the future because we have demonstrated we can deliver operationally, have the capability to deliver in steel and aluminum in shipbuilding and support, in commercial and defence, and there are a lot of opportunities out there for us to go and win

Disclaimer

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