COMPANY ANNOUNCEMENT
31 AUGUST 2023

AUSTAL CONSOLIDATES POSITION TO SUCCESSFULLY CAPTURE A RECORD ORDER BOOK WORTH UP TO $11.6 BILLION

SUMMARY:

- Revenue of $1.59 billion (FY2022: $1.43 billion), an increase of 11%
  - Support business a significant contributor, with revenue from the segment growing 36% to $367.3 million and segment EBIT increasing by 65% to $23.7 million.
- EBIT loss of $(4.8) million (FY2022: EBIT of $120.7 million), in line with the previously advised T-ATS onerous loss provision
  - The total FY2023 earnings impact of the T-ATS loss is $(171.0) million.
  - Other steel programs bid on a different basis to T-ATS.
- EBITDA of $55.0 million (FY2022: EBITDA of $165.4 million)
- Net Loss After Tax of $(13.8) million (FY2022: NPAT of $79.6 million).
- Net cash position of $49.7 million (30 June 2022: $115.6 million net cash), with a net operating cash flow of $86.7 million for FY2023
  - Cash at bank remains at a healthy $179.2 million following significant investing capex (land and steel) and shipbuilding prepayments made during FY2023.
- 3 cents final dividend declared to ensure prudent capital management as Austal executes a record orderbook of up to $11.6 billion[1]
  - Total fiscal year dividends of 7.0 cents per share, unfranked.
- Strategic capability expansion to steel shipbuilding set to deliver long-term growth following the awards of the substantial steel programs in FY2023, as well as emerging submarine and autonomous opportunities.
- Orderbook, inclusive of exercised and unexercised contract option agreements, sits at circa $11.6 billion, a record level (FY2022: $3 billion secured orderbook - $7.8 billion inclusive of contract options)
  - Austal is actively targeting further opportunities and has the operational capacity to deliver additional awards.
- FY2024 guidance: Revenue growth of 8% to 10% on FY2023 ($1.59 billion) and underlying EBIT margin guidance of 3% to 4%.

1 Secured order book of $2.3 billion with options of $9.3 billion.

Austal Limited (**Austal or the Company**) (ASX:ASB) has today released its financial results for the financial year ended 30 June 2023 (FY2023). Austal recorded an Earnings Before Interest and Tax (EBIT) loss of $(4.8) million (FY2022: EBIT of $120.7 million). This is in line with the previously advised earnings guidance announced to the market on 25 July 2023, stemming from provisioned losses on the US Towing, Salvage US Towing, Salvage (T-ATS) program. The total earnings impact of the T-ATS loss in FY2023 is $(171) million.

Despite this EBIT loss, the Company has retained a strong financial and operational base, backed by a healthy balance sheet, to deliver an orderbook, including options, worth up to $11.6 billion heading into FY2024.

Austal Chief Executive Officer Patrick Gregg said:

"The provisioned T-ATS losses we announced last month has led to this disappointing financial result, which has detracted from a very bright outlook underpinned by a record orderbook in the USA and growing support business across both the USA and Australasia.

"We are focused on getting the T-ATS construction program back on track while methodically building a diversified, sustainable, recurrent and earnings-accretive revenue stream via the support business, which sets us up very well for the medium to long-term.

"Our positive long-term outlook is underpinned by the award of key steel programs in the USA during FY2023. The award of the Offshore Patrol Cutters (OPC) and the Auxiliary General Ocean Surveillance Ship T-AGOS 25 Class program (T-AGOS) takes our orderbook, inclusive of exercised and unexercised contract option agreements, to a record $11.6 billion.

"Backed by the learnings we are taking from the T-ATS program, which was our first steel program in our newly commissioned US facility, in addition to the robust cost escalation protections for the recent major US steel project awards, we are well placed to secure and execute our record pipeline of work profitably.

"Although much of the focus has been on our US operations during the year, our Australasian operations have been a solid contributor. Australasia EBIT rose 8% to $15.8 million, as Austal continues to successfully deliver Evolved Capes and Guardians, then converted this success into winning more support work. We need to continue our efforts to increase the shipbuilding orderbook outside the USA but the increase in support work in line with our strategy is positive."

FINANCIAL RESULTS

Austal delivered revenue of $1.59 billion for FY2023, which was a 11% percent increase on the FY2022 result of $1.43 billion. The growing support business underpinned the revenue rise, with revenue from the support segment increasing substantially from $270.2 million to $367.3 million and segment EBIT increasing from $14.4 million to $23.7 million. A favourable average AUD:USD exchange rate of $0.67 also benefited the Company.

Austal's USA shipyard and support centres accounted for 77 per cent of total revenue, with Australasia at 23 per cent, compared to 74 per cent in USA and 26 per cent in Australasia for the prior corresponding period. Shipbuilding accounted for ~77 per cent of total revenue and support ~23 per cent (FY2022: shipbuilding ~81 per cent, support ~19 per cent).

Shipbuilding revenue increased as a result of T-ATS, Auxiliary Floating Drydock Medium and OPC throughput offsetting the decline of LCS as the LCS program matures, helped by favourable FX movement.

Despite the increase in revenue, Austal produced an EBIT loss of $(4.8) million (FY2022: EBIT of $120.7m), which was in line with the previous guidance update announced to the market on 25 July 2023. Austal USA is continuing to progress Requests for Equitable Adjustment (REA) to seek recoveries for some of the additional costs incurred in the T-ATS project, but the bulk of the provision falls outside the REA submitted and hence is uncertain to be recovered at this reporting date.

Austal subsequently delivered a net loss after tax (NPAT loss) of $(13.8) million (FY2022: NPAT of $79.6 million), primarily due to the T-ATS loss.

USA SEGMENT

Austal's USA segment reported revenue of $1.23 billion (FY2022: $1.06 billion) and EBIT of $5.2 million (FY2022: $133.7 million). Shipbuilding EBIT margin was negatively impacted by the T-ATS program.

The Company continued its success in delivering the U.S. Navy's Littoral Combat Ship (LCS) program, with the delivery of LCS 32, the Future USS Santa Barbara and LCS 34, the Future USS Augusta. The commissioning of the USS Canberra in Sydney on 22 July 2023 was a particularly special event, marking the first time ever the US Navy has commissioned a warship outside of the United States. This highlights the crucial link Austal plays in the deep defence relationship between the United States and Australia.

The AUKUS agreement between the United States and Australia is set to further enhance this relationship, with key pillars of the agreement being submarines and autonomous vessel capabilities.

During FY2023, Austal announced that the Expeditionary Fast Transport USNS Apalachicola (EPF 13) successfully completed acceptance trials for the US Navy. EPF 13 is the largest vessel in the US Navy that possesses autonomous capability for unmanned missions.

Austal is also progressing a partnership with L3 Harris Technologies to construct and modify autonomous capabilities in support of the US Navy's Overlord Unmanned Surface Vessel, as well as being the exclusive manufacturer of Saildrone Inc.'s wind and solar-powered Surveyor Uncrewed Surface Vehicle.

EBIT from US support work increased to $14.7 million from $11.6 million in FY2022. Austal has invested significantly in its Mobile and San Diego facilities over the past few years, and the new floating dry dock arrived safely in San Diego. This enhanced long-term presence in San Diego remains a critical enabler to winning new maintenance contracts from the US Navy, US Coast Guard and US Military Sealift Command.

AUSTRALASIA SEGMENT

Austal's Australasia segment reported revenue of $ 366.4 million (FY2022: $384.0 million), a 4.6 per cent decline on the prior corresponding period.

This revenue decline was due to the yet-to-be replaced completion of major commercial ferry programs in the Philippines and Vietnam. EBIT improved from $14.6 million in FY2022 to $15.8 million in FY2023. The improved EBIT margin emanated from strong performance in the support division. Support revenue rose from $98.3 million to $144.1 million with support EBIT increasing from $2.8 million to $9.1 million.

Austal is now reaping the rewards of its support expansion, particularly in Cairns, with the Company growing its support earnings base as more Evolved Cape-class Patrol Boats and Guardian-class Patrol Boats are delivered. Meanwhile, improving the Australasian shipbuilding orderbook is a key focus for the near term.

The support contract awarded by the Government of the Republic of Trinidad & Tobago for Cape Class Patrol Boats was fully operationalised during the period.

CASH AND CAPITAL MANAGEMENT

Austal's cash at bank reduced to $179.2 million (30 June 2022: $240.1 million), primarily due to investing capital expenditure of $110.5 million in FY2023. The bulk of this expenditure was on the San Diego floating dock construction, which was completed in H1 FY2023 and is now safely in San Diego. The facility will be an integral part of the Company's growing support business going forward.

In addition, cash was impacted by prepayments for materials of ~$98 million (30 June 2022: $17 million) to fix prices on long lead time materials for new steel shipbuilding contracts.

Austal did not take out any new borrowings in the period. Gross debt increased marginally to $129.5 million (30 June 2022: $124.5 million), due solely to FX translation. Even with a robust level of capital investment, Austal maintained a healthy net cash position at $49.7 million (30 June 2022: $115.6 million).

Austal reported a net operating cash inflow of $86.7 million (FY2022: $37.5 million). As always, cash generation is influenced by the timing of milestone cash payments from customers so is prone to fluctuation.

FINAL DIVIDEND

Austal's Board has resolved to declare a final unfranked dividend of 3 cents per share (FY2022: 4 cents per share) as part of a prudent capital management strategy to ensure the Company has the working capital flexibility to successfully execute its record orderbook.

Austal declared an interim dividend of 4 cents per share, unfranked, in line with H1 FY2022. The franking position continues to reflect the predominance of Austal's earnings being generated in the USA (which do not generate franking credits).

Details of key dates regarding the dividend are:

- Ex-dividend date: Thursday 14 September 2023
- Record date: Friday 15 September 2023
- Payment date: Thursday 20 October 2023.

OUTLOOK

As previously outlined, Austal's orderbook, inclusive of unexecised contract option agreements, was $11.6 billion as at 30 June 2023. This is a record figure and substantially higher than the $7.8 billion figure with options in the prior corresponding period. The majority of the orderbook is comprised of two steel shipbuilding programs announced during FY2023:

- The detail design and construction of up to seven T-AGOS ships, which if all options are exercised, would bring the cumulative value of the contract to US$3.2 billion (~AU$4.9 billion).
- The detail design and construction of up to 11 OPCs for the United States Coast Guard which, if all options are exercised, would bring the cumulative value of the contract to US$3.3 billion (~AU$5.1 billion).

Construction on both programs is currently scheduled to commence by the end of FY2024.

Austal USA is in a solid position to successfully execute both these major programs. The Company is actively applying operational learnings from the T-ATS program, has robust cost escalation protections in place for the newly won programs, and has revitalised its operating structure and reporting processes in the US.

The Company is currently forecasting an increase in revenue of between 8% to 10% on FY2023 ($1.58 billion) and underlying EBIT margin guidance of 3% to 4% based on increased shipbuilding revenue and improved shipbuilding margin relative to FY2023. Austal USA is transitioning from the maturing LCS program, which is set to conclude in FY2025, to multiple new steel shipbuilding projects. The shipbuilding margins on these steel shipbuilding projects are projected to improve as the projects mature, as we have experienced in the EPF and LCS programs.

Austal Chief Executive Officer Patrick Gregg said beyond the significant pipeline of work currently at hand in the US in particular, there were latent growth opportunities that the Company is targeting.

"We have a clear of line of sight to continue to profitably grow the support business and achieve our strategic growth objective of $500 million annual support revenue by FY2027. The major steel awards will also likely assist our support business in the long-term and further capitalise on our well-timed investment in the San Diego facility and floating dry dock.

"There is still further shipbuilding capacity at our operations across both the US and particularly Australasia, and we are targeting a diverse range of programs.

“After securing an ‘undefinitised contract action’ with the US Navy for the detail design for three fully funded Emergency Medical Ships (EMS), the final contract is now expected to be awarded in H1 FY2024, with these ships to be valued at over US$900 million.

“In addition to this, we have submitted a strong proposal for the Landing Craft Utility (Class 1700) in FY2023, which is also set to be awarded imminently.

“We are swiftly building a strong track record of autonomous vessels, which places us in great stead to capture future opportunities from the evolving AUKUS agreement.

“As the Evolved Cape-Class and Guardian-Class programs in Australia mature, we are looking forward to the defence construction initiatives from the Australian Defence Review being implemented.

“On the commercial side, the market for ferry orders has remained weak, although some enquiries have recently been received by our Philippines and Vietnam yards, which is an encouraging sign the market is beginning to rebound. Travel is returning to pre-COVID levels and the aging fleet coupled with a desire for reduced emission vessels will inevitably create the need for wide-scale vessel replacements.

“We expect the demands from customers for the next wave of vessel replacements to be focused on emissions reductions. With our VOLTA electric-powered vessel concept and enhanced MarineLink system we are primed and ready to meet this demand.”

Ends-

This ASX announcement has been approved and authorised for release by the Board of Austal Limited.

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About Austal

Austal is Australia's global shipbuilder and defence prime contractor designing, constructing and sustaining some of the world's most advanced commercial and defence vessels. For more than 35 years Austal has contracted more than 300 vessels for over 100 commercial and defence operators in 54 countries, worldwide. Austal is Australia's first ASX-listed shipbuilder and the world's largest aluminium shipbuilder. Austal has industry-leading shipyards in Australia, the United States of America, Philippines and Vietnam with service centres worldwide, including the Middle East. Austal delivers iconic monohull, catamaran and trimaran commercial vessel platforms – including the world's largest trimaran ferry and multiple defence programs such as the Littoral Combat Ship (LCS) and Expeditionary Fast Transport (EPF) for the United States Navy. Austal is the only foreign-owned prime contractor designing, constructing and sustaining ships for the US Navy.