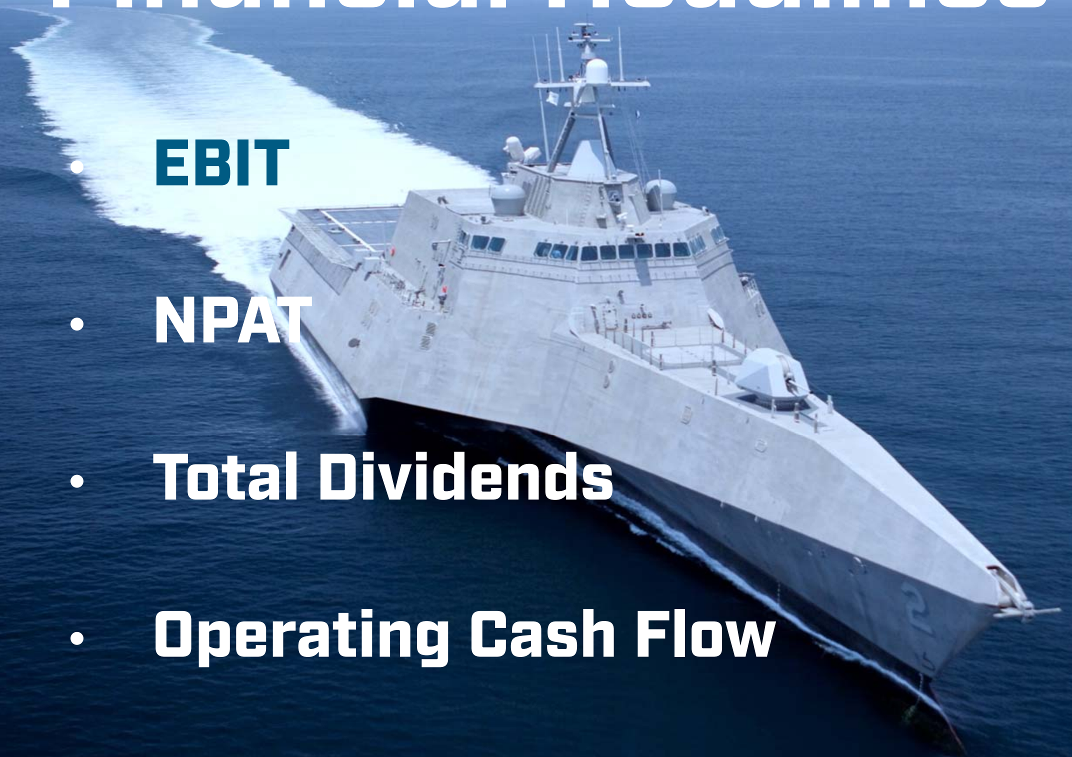
FY2019 Full Year Results

AUSTAL

30 August 2019

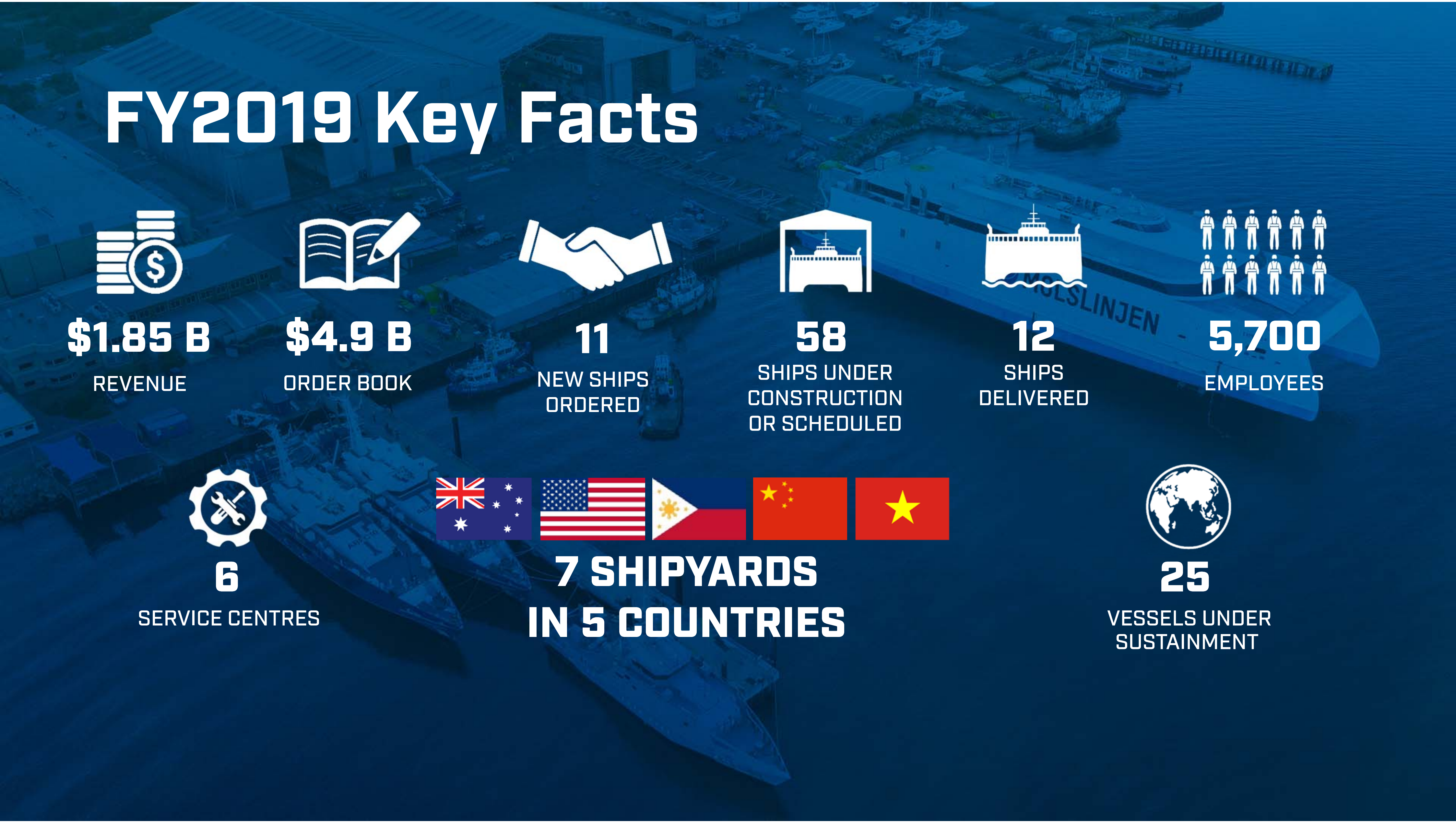
David Singleton, Chief Executive Officer
Greg Jason, Chief Financial Officer

Financial Headlines



		YEAR ON YEAR CHANGE
EBIT	$92.8 m	46% ↑
NPAT	$61.4 m	64% ↑
Total Dividends	6 ¢ per share	20% ↑
Operating Cash Flow	$164 m	up $99 m ↑
Net Cash [1]	$151 m	up $117 m ↑

1. Excludes the notional debt of the CCPB 9 & 10 leasing program


FY2019 Key Facts
$1.85 B
REVENUE
$4.9 B
ORDER BOOK
11
NEW SHIPS ORDERED
58
SHIPS UNDER CONSTRUCTION OR SCHEDULED
12
SHIPS DELIVERED
5,700
EMPLOYEES
6
SERVICE CENTRES
7 SHIPYARDS
IN 5 COUNTRIES
25
VESSELS UNDER SUSTAINMENT
MOLSLINJEN

Operational Highlights

- USA Business performing ahead of expectations:
  - Shipbuilding margin increased from 7.4% to 7.9%.
  - 3 Vessels delivered in year (2 LCS & 1 EPF).
  - 4 LCS and 2 EPF awarded.
  - Design development for major new programs.

- Australasia returned to profitability.

- Commercial Ferry Market predicted to remain strong:
  - $166 million of new orders including 94 m ferry for Trinidad and Tobago.
  - Asia expansion almost complete and will deliver highly competitive shipbuilding capability.
  - Continued investment in new designs and enabling R&D.

- 39% Support revenue growth, now almost $300 million pa.

FY2019 Financials

Earnings

$ m	FY2019	FY2018 [1]	Change
Revenue	$ 1,852.1	$ 1,390.5	$ 461.6
EBITDA	135.0	100.8	34.2
EBIT	92.8	63.5	29.3
NPAT	61.4	37.5	23.9
EPS	17.6	10.8	6.7
ETR [2]	28%	32%	(4%)

- Record result across every metric.
- EPS increased by 62%
- Operating Revenue increased across all shipyards underpinned by:
  - Strength of USA new vessel orders
  - Expansion of commercial shipbuilding
  - Support revenue growth in USA
  - Favourable FX impact
- Effective tax rate ~ 28% (cash component ~ 10 ppts).

1. Restated in accordance with AASB 15 Revenue from customers

2. Effective Tax Rate (Income Tax Expense / PBT)

Segment breakdown

FY2019

$m	Concept	Ships	Support	Other	Total
USA	Revenue	$ 1,248.1	$ 224.6	$ -	$ 1,472.7
	EBIT	98.6	16.3	(8.5)	106.4
	EBIT Margin %	7.9%	7.3%	-	7.2%
Australasia	Revenue	$ 323.2	$ 70.1	$ -	$ 393.2
	EBIT	6.4	5.3	-	11.7
	EBIT Margin %	2.0%	7.6%	-	3.0%

FY2018 (Restated for AASB 15)

$m	Concept	Ships	Support	Other	Total
USA	Revenue	$ 1,026.5	$ 134.6	$ -	$ 1,161.1
	EBIT	75.8	8.7	(3.0)	81.5
	EBIT Margin %	7.4%	6.4%	-	7.0%
Australasia	Revenue	$ 160.2	$ 77.7	$ -	$ 237.8
	EBIT	(13.0)	4.5	-	(8.5)
	EBIT Margin %	(8.1%)	5.8%	-	(3.6%)

USA: Shipbuilding margin at upper end of guidance range.

$90 m (67%) Support revenue growth with margins at target levels (7 – 8%).

Provision for investigation recorded in Other.

Australasia: Record revenue from Asia a key strategic milestone.

Overall shipbuilding throughput more than doubled and returned to profitability.

6.6% turnaround in EBIT margin.

Support volume reflects the end of the Armidale Class Patrol Boat remediation program in FY2018, partially offset by the commencement of the GCPB sustainment program.

Cash flow

$ m	FY2019	FY2018	Change
Operating	$ 164.5	$ 65.6	$ 98.9
Investing			
Sustaining	$ (14.3)	$ (15.0)	$ 0.7
Enhancing	(23.5)	(15.9)	(7.6)
CCPB 9 & 10	-	(3.0)	3.0
Financing			
Debt	$ (10.7)	$ (9.2)	$ (1.5)
Dividends	(19.2)	(12.8)	(6.4)
Shares & options	8.6	-	8.6
FX differences	8.2	1.8	6.4
Net Cash Flow	$ 113.6	$ 11.6	$ 102.1

Cash	Jun 2019	Jun 2018	Change
Cash @ bank	$ 275.7	$ 162.0	$ 113.6
Net cash[1]	$ 150.7	$ 33.9	$ 116.8

1. Excludes CCPB 9 & 10 debt

Operating:

- Significant operating cash flow.
  - $65.9 m is due to net progress payments in advance.

Investing:

- Sustaining capex in typical range of $(10) – (15) million.
- Enhancing capex includes $(22.9) m to expand in Asia.

Financing:

- GZB (US$5 m) & lease debt reduction.
- CCPB 9 & 10 notional debt current at 30 June 2019, leases have been extended and non-current at 30 August 2019.

Closing cash:

- Strong closing cash position.
- Higher net cash, partially driven by working capital cycle.
- Supports 3 cps final dividend.
- Cash position necessary to support potential new major programs (e.g. FFG).

Net Cash / (Debt)

1. Excludes the notional debt of the CCPB 9 & 10 leasing program

Business Priorities 2020

Expand footprint in USA through participation in new USN programs

Drive Asia investment to enhance competitiveness

Group wide cost efficiency

Build world's best ships through major expansion of R&D investment

FY2020 Guidance

- Group Revenue not less than $1.9 billion
- US Shipbuilding EBIT margin range increased to 7.5-8.5%
- Group EBIT not less than $105 million

Defence

- Draft US Federal 2020 Budget does not include funding for LCS or EPF but does include funding for FFG and unmanned surface vessels.
- Philippines have announced intent to purchase OPVs.

Commercial

- Commercial vessel opportunities continue
- 5 vessels in construction excluding China.
- Australasia circa 25% revenue increase and further margin improvement.

Support

- LCS dry dockings is a significant expansion of scope.
- New US base in Singapore to support vessel deployments.
- Cape ISS contract dispute resolved although contract remains onerous.
- GCPB support commenced.

Group Strategy Overview

AUSTAL

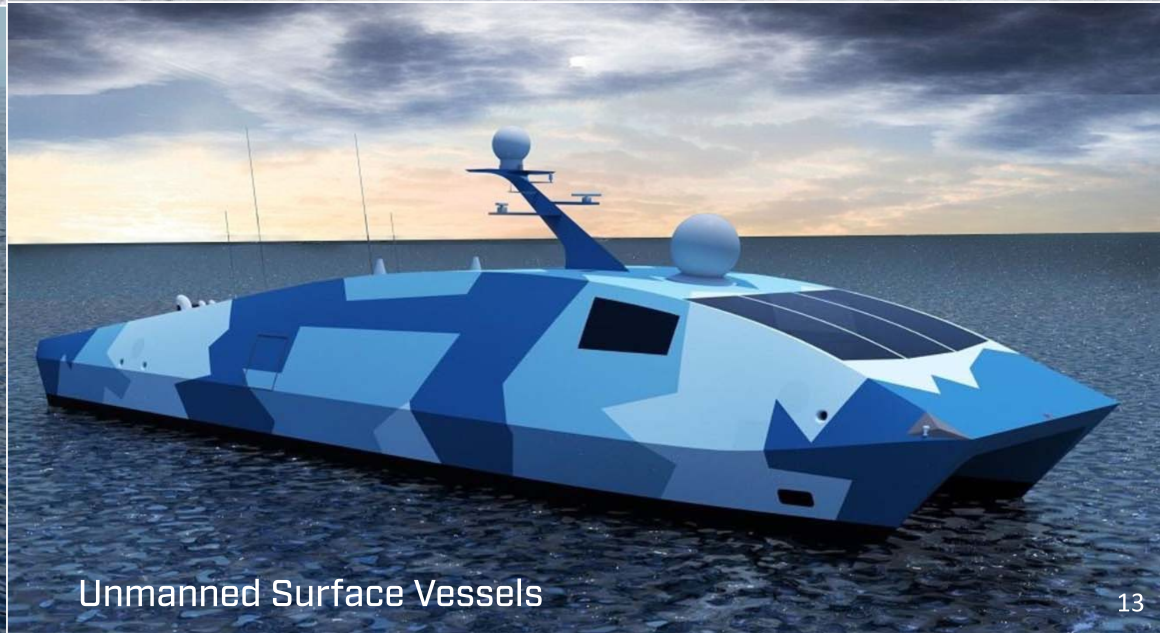
1. Next chapter of potential US growth underway
2. Expansion in Asia has unlocked potential to significantly increase commercial competitiveness and profitability
3. Financial strength enabling a 3-fold increase in R&D activity and potential investments / acquisitions to retain and enhance Austal's market leadership

Range of future US opportunities is expanding

Small surface combatants
(FFG and LCS upgrades)

EPF program expansion

EPF variants including Medical Transports



Unmanned Surface Vessels

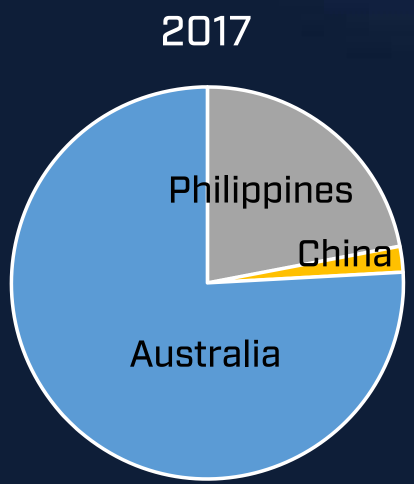
USA Sustainment activity continues to grow

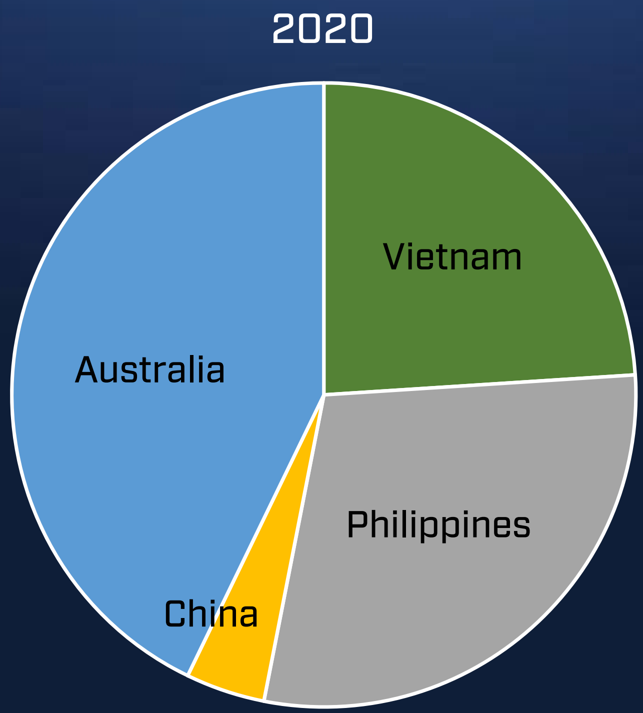
LCS – repair & back-fitting new capabilities
- West Coast – San Diego, Seattle & Portland
- Asia – Singapore

EPF – Global fly away teams
- USA & Overseas

Investments
- ElectraWatch aluminium life-cycle R&D
- Facilities upgrades.

Asia growth is re-balancing cost-base*





Operational construction capacity as share of annual revenue generation potential

**Excludes USA*
Chart sizes for indicative purposes only, assuming Austal typical project mix and pricing

New Vietnam yard

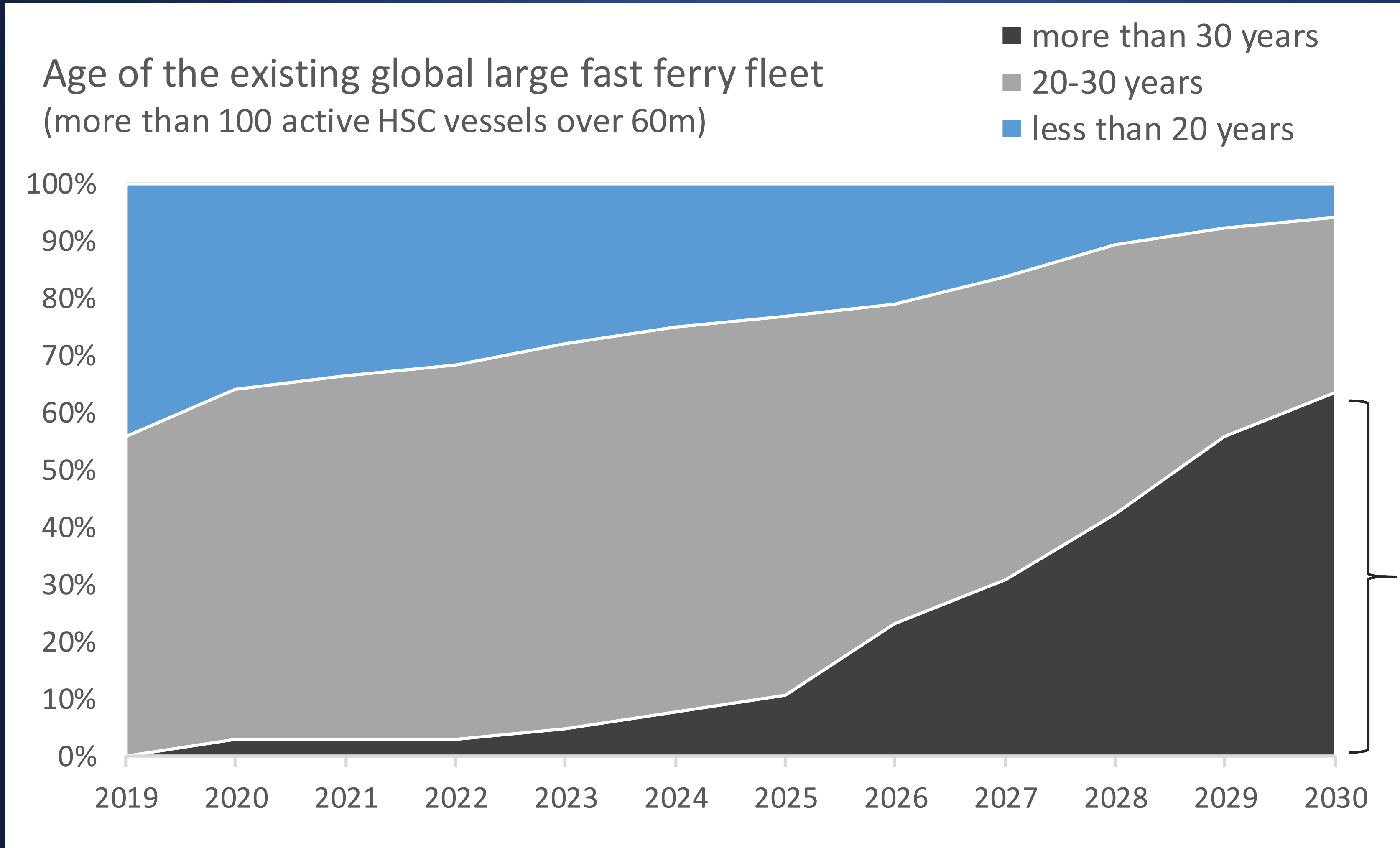
Philippines yard expansion

New Australian yard for GCPB

Local presence creates regional naval opportunity

GCPB generating export interest

Increasing rate of ferry fleet renewal appears likely



Without renewal, more than 60% of today's large fast ferries will be over 30 years of age by 2030

Cleaner vessel regulations positive for Austal

2020 Global Sulphur Cap

Austal vessels already use low sulphur diesel; cost advantage of slower speed steel ferries burning fuel oil should be reduced[1]; **incentivise fast ferry adoption**

2021 Baltic & North Sea NOx ECA

New large fast ferries in this market will need to be LNG or carry heavy and expensive sulphur scrubber systems; **trimaran is particularly suitable hull-form for LNG**.

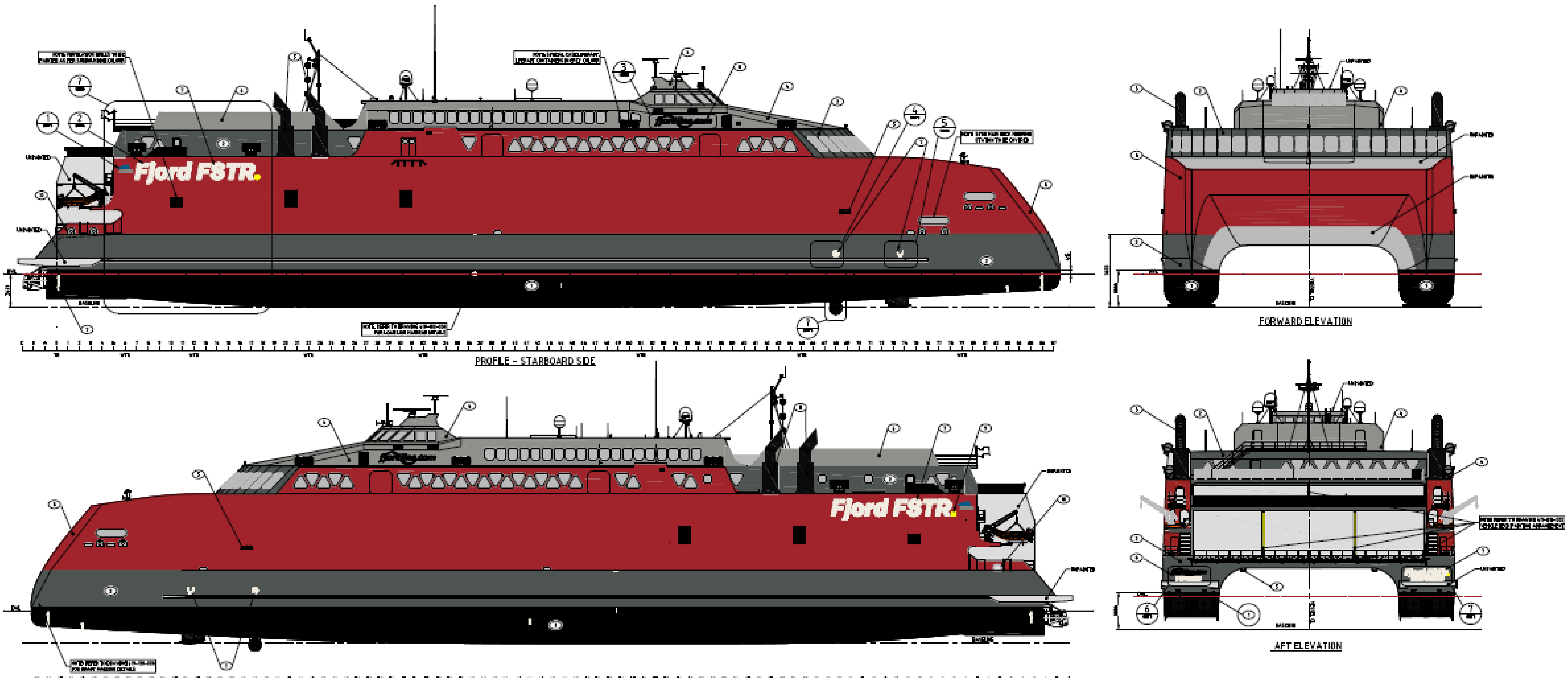
2025 Zero Emission Targets


World's largest battery-electric ferry to date, 4MWh

Opportunity for Austal to re-claim market leadership in small fast ferries with 100% battery-electric vessels; **potential for rapid growth**.

1. *Source: Singapore Shipping Association*

Business Overview



Ships in build

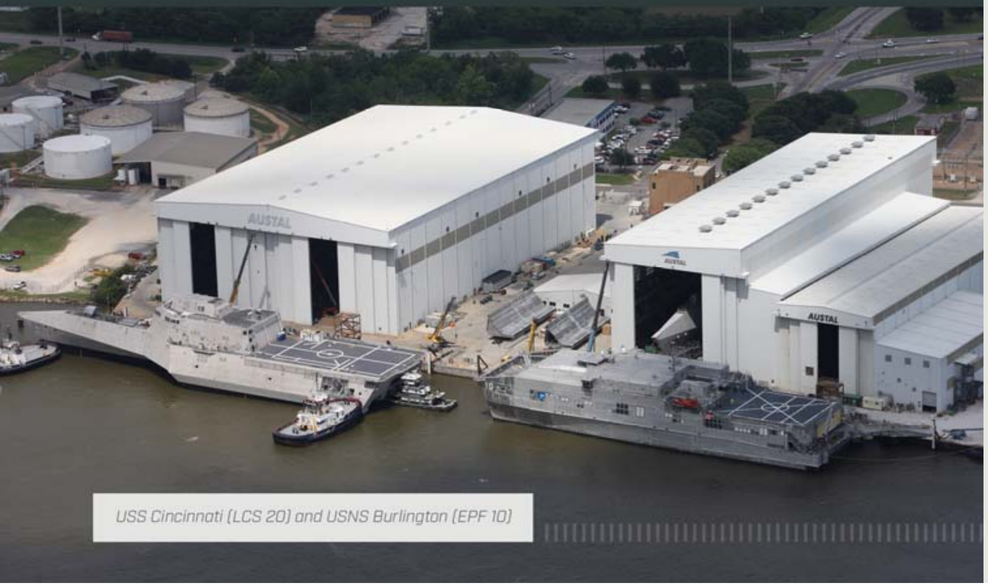
Defence

Littoral Combat Ship (LCS)
US Navy
LCS 16 and 18 commissioned
LCS 18 and 20 delivered
LCS 22, 24, 26, 28 and 30 under construction

Expeditionary Fast Transport (EPF)
US Navy
EPF 10 delivered
EPF 11 and 12 under construction

Guardian Class Patrol Boat (GCPB)
Commonwealth of Australia
GCPB 1, 2 and 3 delivered
GCPB 4 launched
GCPB 5, 6, 7 and 8 under construction

Austal Patrol 58
Trinidad and Tobago Coast Guard
Hull 398 and 399 under construction



USS Cincinnati (LCS 20) and USNS Burlington (EPF 10)

Commercial

30m Passenger Ferry
VS Grand Ferries Corporation
Hull 420 delivered

109m Passenger and Vehicle Ferry
Molslinjen
Hull 393 delivered

50m Passenger Ferry
Braveline
Hull 680 delivered
Hull 681 delivered

40m Passenger Ferry
Blue Sea Jet
AL002 delivered

42m Passenger Ferry
Xidao Dazhou Tourism Co Ltd
AL003 delivered
AL004, AL005 and AL006 under construction

49m Passenger Ferry
SNC Aremiti
Hull 421 under construction

109m Passenger and Vehicle Ferry
Fjord Line
Hull 419 under construction

117m Passenger and Vehicle Ferry
Fred Olsen S.A
Hull 394 under construction
Hull 395 under construction

83m Passenger Ferry
JR Kyushu Jet Ferry
Hull 396 under construction

94m Passenger and Vehicle Ferry
National Infrastructure Development Company (NIDCO)
Hull 397 under construction

42m Passenger Ferry
Shenzhen Airport
AL007 under construction

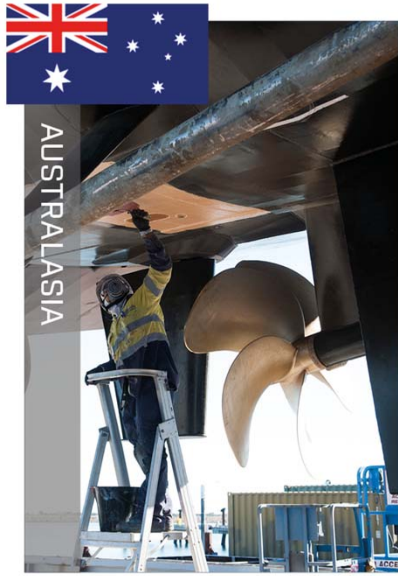
81m Passenger Ferry
Beibi Gulf
AL008 under construction

Support

USA

$225m

Turnover support contracts FY2019



AUSTRALASIA

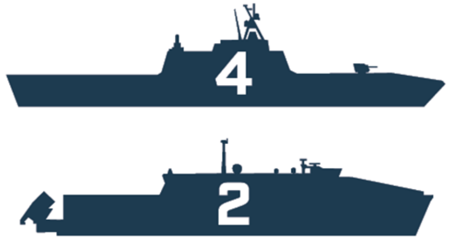
$70m

Turnover support contracts FY2019

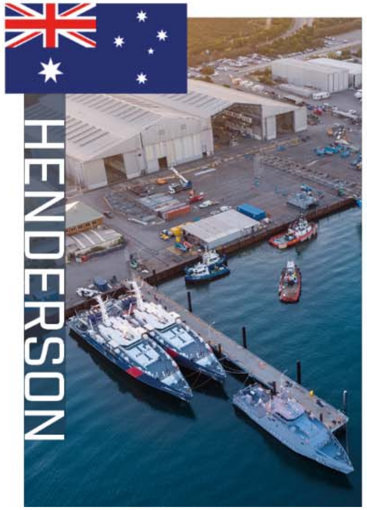
Only foreign owned Prime Contractor designing, building and sustaining ships for the US

5th Largest shipyard in the USA

Largest industrial employer in South Alabama



Orders placed for 4 x Littoral Combat Ships and 2 x Expeditionary Fast Transport Ships



3

Australian Shipyards

Austal Henderson South is the latest addition to Austal Australia's ship building facilities

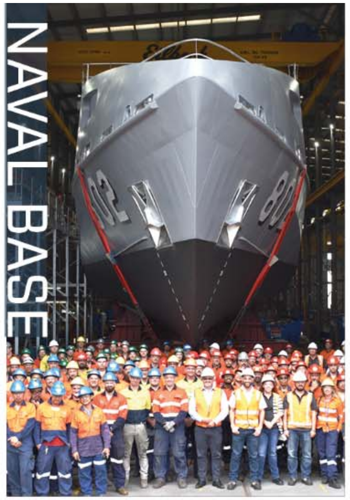
118

Naval Architects, Designers and Draftspeople

25%

Female workforce target

12.5% of the workforce are currently women



3

of 21 Guardian Class Patrol Boats (GCPBs) Delivered

Pacific Patrol Boat Replacement Program

3 months

Between each GCPB delivery

Cairns service centre expanded and now sustaining GCPB Fleet

5

New Construction Bays

Infrastructure upgrade complete and officially opened in July 2019

>900

Employees

98%

Local Filipino

Awarded government license to engage in shipbuilding and ship repair of naval combat vessels in the Philippines

Shipyard officially opened in October 2018

>300

Employees

97%

Local Vietnamese

Hull 397

94m vehicle/passenger ferry for Trinidad and Tobago currently under construction

40%

Austal's investment in Joint Venture

7

Vessels under construction in FY2019

2

40 metre passenger ferries delivered in FY2019

FY2019 Operational Overview

USA operations

Change since FY2018

- Shipbuilding margin improvement to 7.9% (FY2018 margin 7.4%). ↑
- Littoral Combat Ship
  - Margin improving ship to ship. ↑
  - LCS 18 & 20 delivered. →
  - Awarded LCS 32, 34, 36, 38. ↑
  - LCS 24, 26, 28, 30 commenced construction →
- Expeditionary Fast Transport
  - Mature program, steady margins →
  - Awarded EPF 13 and 14 ↑
  - Various opportunities for additional vessels in emerging applications including autonomous (unmanned surface vessels) ↑
  - EPF 10 delivered →
  - EPF 11, 12 commenced construction →
- LCS & EPF sustainment growth ↑

Key
↑ Improvement since FY2018
→ In line with FY2018 expectations
↓ Behind expectations since FY2018

Australia operations

Change since FY2018

VESSEL PROGRAMS:

- GCPB (~$335 million, 21 ship program) - 3 vessels delivered in FY2019; delivering a new GCPB every 3 months
- Hull 393 - Molslinjen Express 4 109 metre Auto Express ferry delivered
- Hull 394 (1 of 2 x 117 metre trimarans for Fred Olsen SA) under construction
- Hull 396 (1 x 83 metre trimaran for JR Kyushu) under construction
- Cape Class Patrol Boats 9 & 10 – initial 3 year lease extended by 2 years in August 2019

Key
Improvement since FY2018
In line with FY2018 expectations
Behind expectations since FY2018

Philippines operations

Change since FY2018

- US$20 million investment to increase ship building capacity completed; new facilities including 120 metre John Rothwell Assembly Bay officially opened July 2019
- Philippines Government expressed intention to build 6 x OPV for Philippines Navy at Austal Philippines

VESSEL PROGRAMS:

- Hull 419 - Fjord Line 109 metre Auto Express ferry under construction; Delivery scheduled early CY2020
- Hull 420 - VS Grand Ferries Philippines 30 metre Passenger Express ferry delivered August 2018.
- Hull 421 – SNC Aremiti 49 metre catamaran, delivered July 2019.
- Hull 680 and 681 - Brave Line 2 x 50m catamarans delivered

Key

Improvement since FY2018

In line with FY2018 expectations

Behind expectations since FY2018

Vietnam operations

Change since FY2018

- New leased shipbuilding facilities in Vung Tau opened October 2018; main assembly hall 92 metres long
- Approx 250 employees now constructing Hull 397

VESSEL PROGRAMS:

- Hull 397 – 1x 94 metre Auto Express ferry for Government of Trinidad and Tobago

Key
- Improvement since FY2018
- In line with FY2018 expectations
- Behind expectations since FY2018

China operations

VESSEL PROGRAMS:

	Change since FY2018
▪ 2nd vessel for Blue Sea Jet - 35 metre high speed ferry delivered January 2019	⇨
▪ 1st of 4 x 42 metre high speed catamarans for Xidao Dazhou Tourism Co Ltd delivered January 2019	⇨
▪ 5 x additional vessels currently under construction due for delivery December 2019	⇧
▪ 2 x vessels scheduled to commence construction 4th quarter CY2019.	⇧

澳龙船艇
AULONG SHIPBUILDING

Key
⇧ Improvement since FY2018
⇨ In line with FY2018 expectations
⇩ Behind expectations since FY2018

Disclaimer

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