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Austin Engineering Ltd – Full Year Results to June 2015

Financial Overview

	FY14	FY15
	$m	$m
Revenue	209.9	210.4
EBITDA	15.2	15.0 *
NPBT	0.0	(1.8) *
NPAT	0.9	(49.3)
Net assets	165.6	119.4
Basic earnings per share	1.1cps	(58.5)cps
Final dividend per share	0.0cps	0.0cps
Total annual dividend per share	4.5cps	0.0cps

***Normalised EBITDA and NPBT, excluding impairment, restructuring costs & Westech legal fees**

Brisbane, 21 August 2015: Austin Engineering Limited (ASX trading code: ANG) has today announced full-year revenue of $210.4m and normalised EBITDA of $15.0m, which is consistent with the prior period. This normalised result was impacted by continued subdued capital spending in the mining industry, while the NPAT result was adversely affected by impairment and one-off costs.

Review of Operations
Conditions remained subdued within the mining industry despite a continuation of maintained/increased production levels across the commodity bases. The comparative financial reflects a stabilisation of the bottom of the market for the range of products and services Austin supply. We are seeing some increase in expenditure for replacement equipment and expect this to improve slowly over the next 18 months.

Revenue for the Australian business units decreased by 15% over the previous year due mainly to the lack of new/replacement equipment orders. The WA operations performed well in the current environment adding new clients and maintaining gross margins through design improvements and reductions in some of the key components of our products. The East Coast operations were severely affected by the difficult economic conditions in the coal sector. Overall, the Australian operations received good levels of repair work but this was not enough to offset the under utilisation of the facilities.

The Americas result has seen a 10% increase in revenue mainly through the Chilean and Colombian operations. The US operation was again affected by the current legal dispute in relation to the patent infringement and a significant drop-off in expenditure throughout the US and Canada. A positive for the US operation was receiving the first orders from Mexico. This is a new market and the operation expects further orders once our product provides the improvements we expect the mining companies to achieve.

The Chilean operations produced a much better result than the previous year with the Servigrut operation producing a result ahead of budget and both the La Negra manufacturing and Calama maintenance operations producing better results. Particularly pleasing was the number of long term contracts that the three Chilean divisions won during the year. The Colombian operation produced a positive result on the back of new maintenance contracts and new product orders associated with these new clients. The Peru operation suffered from a number of write-offs and general lack of orders. We do expect the Peru operation's performance to improve in the current year based on contracts/tenders in process.

The group's Indonesian business unit on Batam Island produced a strong result, well ahead of budget. This was based on new clients out of Africa and manufacture of products for the local market.

Financial Performance

NPAT of ($49.3m) was down on the prior corresponding period, reflecting $40.9m of impairment charges and $6.9m of restructuring costs and Westech legal fees, which is a result of subdued capital expenditure in the mining industry. A small tax credit was recorded for the year predominantly due to the overall net loss across the group during the period. Finance costs were higher than the prior year as a result of higher margins on interest rates on the syndicated facilities in FY15 and the full year effect of the financing of the acquisition of the Servigrut operation.

CEO Michael Buckland commented on the full-year result saying "The group result confirmed our view that $15m normalised EBITDA is what we consider is the bottom of the market for Austin. We have been at these levels for the last 2 years and while seeing an improvement over the next 12 months; it is too early to state that the market has turned.

Austin Engineering – Full-Year Results to June 2015 (Continued)

Financial Performance (Continued)
During the year we have increased our gross margin through design changes to eliminate hours which has led to reductions in the major components of our costs. We have reduced working capital through a reduction in stocks of steel and consumables, without the need for any significant capital expenditure.

We have also seen an increase in our base level of work with a number of long term maintenance and repair contracts won. This provides an excellent base to add on to, once we see an increase in the level of new and replacement orders. Another positive point, was the addition of a number of new clients worldwide".

Net Assets
Net assets of $119.4m at June 2015 were down by 28% from $165.6m at June 2014. The decrease reflects the impairment recorded during the period and the overall cash outflows during the period. At June 2015 the net tangible asset backing per share of 71.3c was down from 87.9c for the June 2014 full-year period.

Cash Flow, Liquidity and Debt
Operating cash flows for the full-year to June 2015 were positive $3.6m, which is consistent with operational activity in the period and represents a $10.1m increase to June 2014.

Non-operational cash flows for the full-year included $3.4m spent on capital expenditure projects, mainly in relation to equipment for a new contract in Colombia and other minor purchases across the group. Other non-operating cash flows included $4.3m of funds released from escrow in relation to land in Calama, Chile and net repayments of finance facilities of $9.1m.

During FY15, the Company recorded an overall cash outflow of $4.7m.

The net gearing ratio (net debt/net debt plus equity, including the value of issued bank guarantees) of 44.5% was up from 35.7% at June 2014.

Dividends
No final divided for FY15 has been declared due to the reduced NPAT level.

Outlook
CEO Michael Buckland said that we have seen an increase in the amount of work on hand over the last 3 months which allows the Company to enter the new financial year with the highest level of work on hand for over 2 years. The South American operations are expected to perform well based on current contracts, although a continuation of orders for the La Negra and Peru operations is needed over the next 3 months.

The Perth operations are expected to produce a result at least on par with previous results, with encouraging levels of orders recently secured. The Brisbane operation has had a good start to the year with good work-loading although, further orders need to be won over the next 2 months for it to maintain these levels. The Company's maintenance operations in Mackay and Hunter Valley continue to operate at subdued levels with coal operators reducing all form of expenditure, although recent large orders for replacement equipment (first of this type in 18 months) are more encouraging.

Indonesia is expected to produce a result slightly below the previous year due mainly to a slow first 3 months with current orders due for delivery after this period.

The US operation has tendered a number of projects however all clients seem to be delaying expenditure as long as possible. We have seen a significant reduction in the number of employees in the US operation and this may reduce further over the coming months.

Since the end of FY15, Austin has seen a $45m reduction in senior debt levels from the Capital Raising conducted in July/August. We expect to further reduce debt over the coming year. Austin will also continue to design innovative new products to add to our current product range. To date we have seen good market acceptance of our new products. We will also see a continued focus on base maintenance/repair contracts to build on the sustainable base for the future.

End

For further information, contact Managing Director Michael Buckland or Chief Financial Officer Scott Richardson on +61 7 3271 2622.