

Macquarie Western Australia Forum



Andrew Bellamy, Chief Executive Officer

16 October 2014

Austal overview

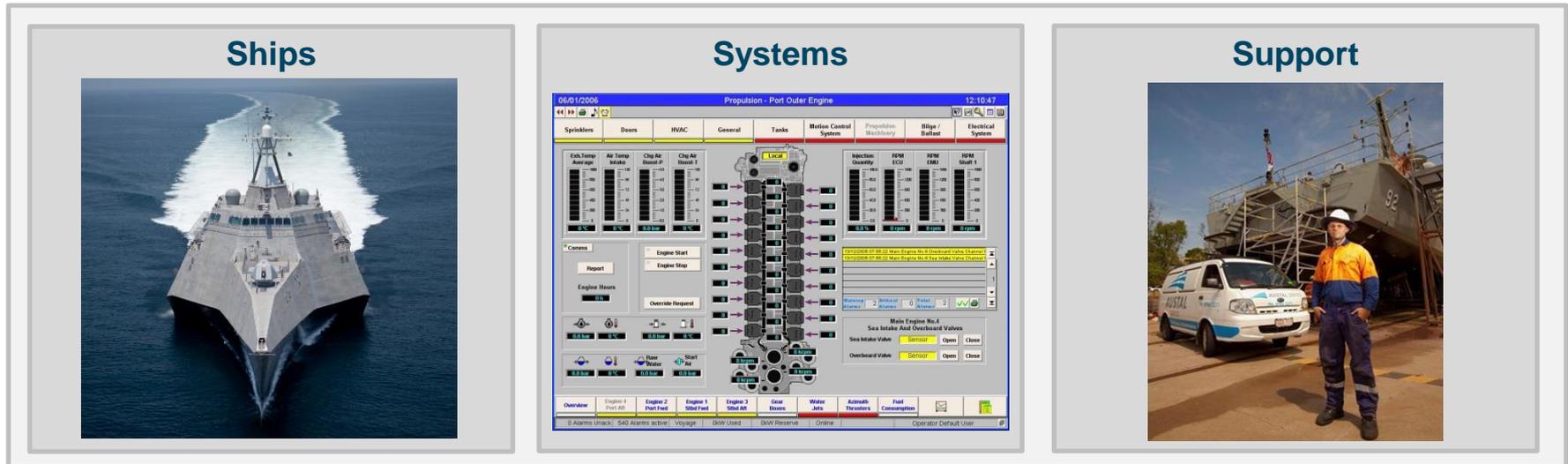


Founded in 1988 and listed on the Australian Stock Exchange in 1998, Austal is a leading defence prime contractor, specializing in the design, construction and maintenance of high performance vessels for defence and commercial purposes.

➤ Austal has a global footprint with strategically located shipyards and service facilities:

- Australia
- United States
- Europe
- Caribbean
- Middle East
- Asia

➤ Austal comprises three product platforms: Ships • Systems • Support



Financial

- **Revenue:** \$1.1 billion, exceeding guidance
- **EBIT:** \$56m (\$65m underlying)
- **NPAT:** \$32m (\$39m underlying)
- **Net Debt:** Reduced by 50% in FY2014 to be below \$70m

Operational

- **Diversity:** Stronger earnings contribution across the business reducing reliance on any one vessel program, with group underlying EBIT margin growing to 5.8%
- **Maturity of programs:** Supported by further operational improvements and strong asset utilisation
- **Order book:** \$2.6bn as at 30 September 2014

Outlook

- **Strategy:** Margin growth, securing vessel pipeline for long-term revenue, and expand service and systems
- **Growth opportunities:** Targeting the Middle East
- **Cash:** Payment profile on long-term programs expected to provide strong cashflow and near term dividend

Underlying results



Revenue (A\$m)

FY2013

FY2014



EBITDA (A\$m)

FY2013

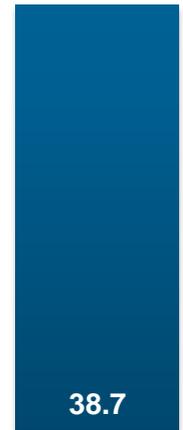
FY2014



NPAT (A\$m)

FY2013

FY2014



*Underlying results exclude items related to stock vessels, land sales and other abnormal activities.

Objectives for sustained growth



Financials



Underlying earnings summary



Income statement	FY2014 (A\$m)	FY2013 (A\$m)	Change (A\$m)
Revenue	1,122.9	899.5	+223.4
EBITDA	89.1 ¹	67.0 ²	+22.1
EBIT	65.3 ¹	42.5 ²	+22.8
NPAT	38.7 ³	27.8 ⁴	+10.9
Underlying EPS	11¢ per share	9¢ per share	+2¢ per share

- Underlying EBITDA grew 33% to \$89.1m from \$67.0m in FY2013
- **USA:** EBIT margin was 8.3% in FY2014 after excluding Systems and Support activities.
- **Australia:** Strong improvement in EBIT margin from 0.0% FY2013 to 6.9% FY2014 through maturing of Cape Class program and consolidation of service division
- **Philippines:** Remains sensitive to throughput – productivity improvements at shipyard and scope to support other divisions

¹ FY2014 underlying EBIT and EBITDA excludes write down of WIP (\$13.4 million) and profit on sale of Henderson facility (\$3.6 million).

² FY2013 underlying EBIT and EBITDA excludes the loss on the stock yacht (\$4.4 million).

³ FY2014 underlying NPAT excludes write down of WIP (\$9.4 million) and profit on sale of Henderson facility (\$2.5 million).

⁴ FY2013 underlying NPAT excludes research and development tax benefit (\$11 million) and loss on stock yacht (\$3.1 million).

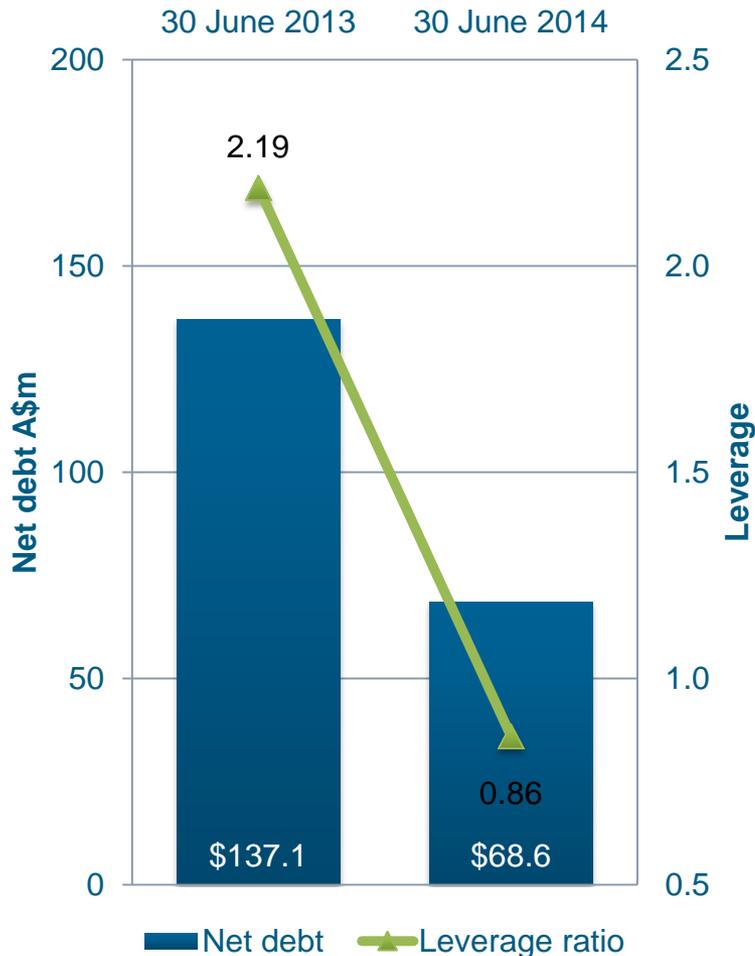
Segment breakdown



	(\$m)	Ships	Systems	Support	Total
USA	Revenue	744.3	144.9	44.4	933.6
	EBIT	61.5	(0.8)	1.0	61.7
	EBIT Margin%	8.3	-	2.3	6.6
Australia	Revenue	192.9	1.0	48.0	241.9
	EBIT	9.2	(1.1)	8.6	16.7
	EBIT Margin%	4.8	-	17.9	6.9
Philippines	Revenue	33.4	-	0.4	33.8
	EBIT	2.7	-	0.0	2.7
	EBIT Margin%	8.1	-	0.0	8.0

- USA ship building margin grew from 7% to 8.3% year on year. Revenue increased from \$600.3 million to \$744.3 million.

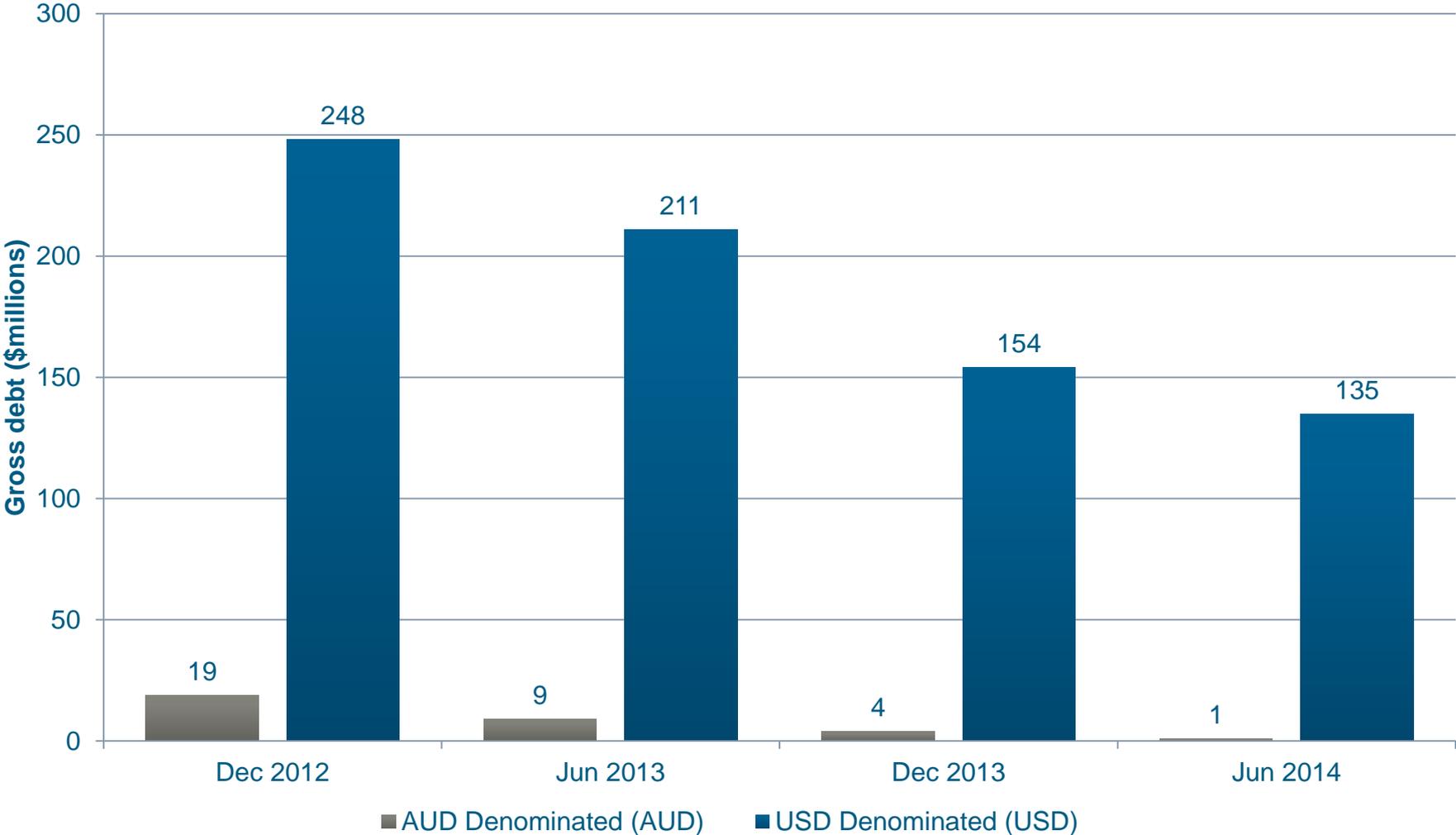
Cash generation bolstering balance sheet



- \$44.6m cash generated from operations in FY2014
- Net debt reduced by \$68.5m in FY2014 increasing balance sheet strength
- Higher EBITDA and lower net debt has significantly reduced the leverage ratio
- Surplus asset sales generating additional cash
 - Sale of satellite service base in Henderson – funds reduced debt by \$17.1m in FY2014
 - Sale of stock boat completed in August 2014. Net proceeds (after tax) will be used to pay down debt
- Capex limited to \$13.2m in FY2014. Forecast approximately \$20m in FY2015

Leverage ratio = Net debt / last 12 months EBITDA

Discipline in long-term debt reduction

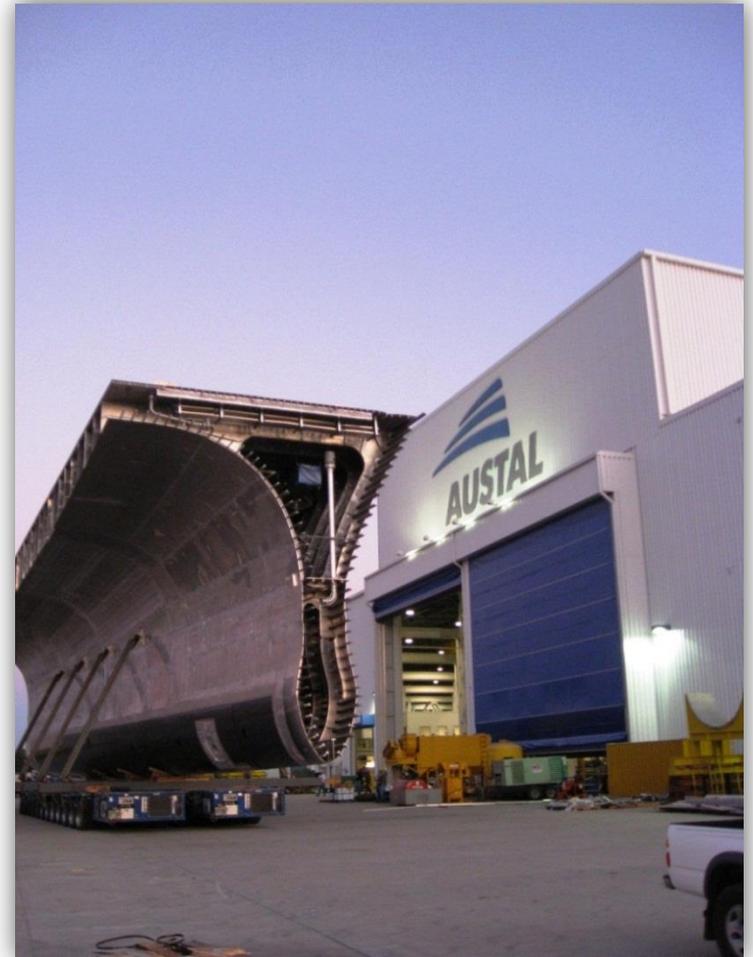


Operations update

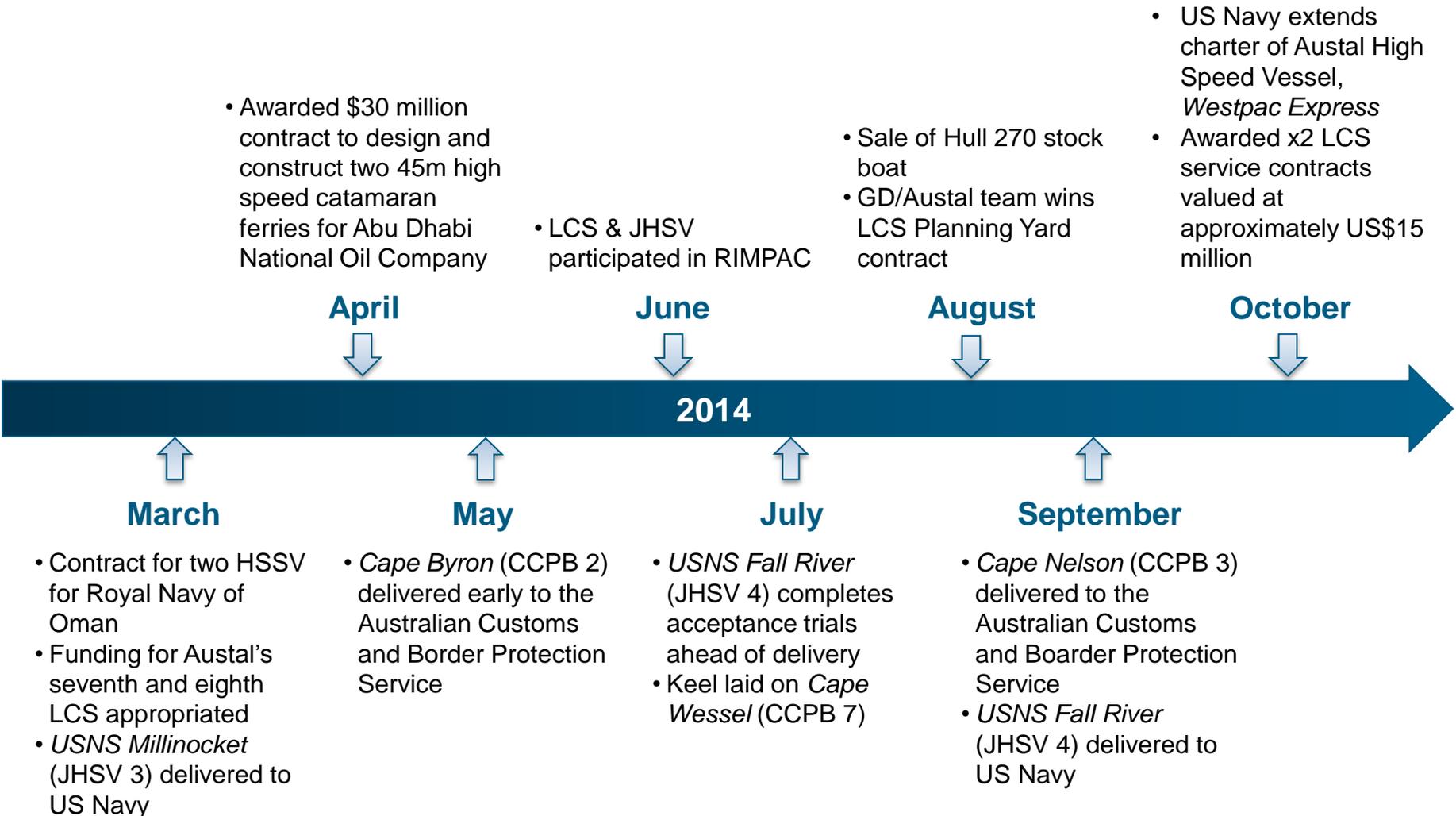


Order book

- Order book of \$2.6 billion as at 30 September secures revenue through CY2018, including:
 - **10 Littoral Combat Ships for US Navy**
x8 funded (out of 10 vessel contract)
 - **10 Joint High Speed Vessels for US Navy**
Fully funded, with x4 delivered (out of 10 vessel contract)
 - **8 Cape Class Patrol Boats for Australian Customs and Border Protection**
Fully funded, with x3 delivered (out of 8 vessel contract), plus through-life support
 - **2 High Speed Support Vessels for Royal Navy of Oman**
Fully funded, construction commencing this year
 - **Commercial vessels**
x2 45 metre high speed catamaran ferries



Progress across the business



US Navy – Littoral Combat Ship

- 10 ship contract awarded as prime contractor, worth US\$3.5 billion – 8 fully funded, with at least 1 more expected to be funded in Q1 CY15
- 2 x LCS constructed and delivered by Austal for GD (LCS 2 and LCS 4)
- Program maturing well:
 - LCS 6 launched and christened – first vessel as prime contractor
 - LCS 8, 10, 12, and 14 under construction
- LCS program expected to be 52 ships-acquisition plan to become clear in medium term



US Navy – Joint High Speed Vessel



- 10 ship award to Austal valued at US\$1.6 billion (fully funded), securing work through to CY2017
- Program progressing well – matured into a phase of efficient production and predictable delivery:
 - JHSV 1, 2, 3 & 4 – delivered
 - JHSV 5 - launched
 - JHSV 6 & 7 – under construction
- Performance is generating interest in the US (strong potential for program expansion), while variants are gaining traction in Middle East



Austal strongly positioned in US



Austal-built vessels have continued to be funded and programs are maturing well

US Foreign Policy remains focused on Asia-Pacific defence strategy, with Austal-built LCS and JHSV involved in 2014 US Rim of the Pacific naval exercise

Additional opportunities for through-life support on LCS and JHSV (e.g. support contract on LCS 6)
Planning Yard Contract

LCS program expected to be 52 ships – speed and quantum will be decided by Congress

US Navy examining upgrade to LCS that enhance capability of vessel

LCS variants attractive to US Navy and international market

Australia – Cape Class

- \$330 million contract for the design, construction and through-life support of 8 Cape Class Patrol Boats for the Australian Customs and Border Protection Service
- Program has matured significantly, with efficient productions expected to drive margin growth:
 - Delivery between March 2013 and August 2015
 - Delivered CCPB 1, 2 & 3
 - Remaining vessels all under construction
- Opportunities exist for new contracts at home and abroad



Australia – High Speed Support Vessels

- US\$124.9 million contract for the design, construction and integrated logistics support of two 72 metre High Speed Support Vessels for the Royal Navy of Oman
- Construction has commenced at Henderson shipyard:
 - Final vessel to be delivered in CY2016
- Deployed with a similar mission to the JHSV
- Strategy demonstrated of leveraging Austal's intellectual property and technology to new defence markets



Philippines

- \$30 million contract from the Abu Dhabi National Oil Company to design and construct two 45 metre high speed catamaran ferries:
 - Construction has commenced; delivery expected in CY2015
- Contract for customisation of Hull 270 worth approximately \$6 million
- 21 metre windfarm vessel delivered to Turbine Transfers in October 2014
- Small components supply to Australian operations



Systems and Support

- Austal has established a global footprint, strategic partnerships and the IP to provide through life support for defence vessels such as the LCS, JHSV and CCPB
- US support business growing profitably and will benefit from Planning Yard agreement with General Dynamics
 - Planning Yard contract awarded to GD/Austal team in August 2014 with potential value of US\$100 million
 - x2 LCS service contracts awarded in October 2014





United States

- Vessel programs maturing and stabilised work force
- Augment contracts with service and support work
- Extend pipeline beyond existing contract awards

Australia

- Maturing of Cape Class Patrol Boats program
- Target construction and support opportunities in defence vessels, including in Australia and variants for export markets
- Progress made in integration of supply chain with Philippines – opportunity to develop further

Philippines

- Build commercial shipbuilding capability to position Austal for market opportunities
- Upskilling of workforce to be more productive and remain flexible according to market potential
- Explore further integration of supply chain with other divisions, including providing small components

Operational improvements, diversity of vessel programs, and longevity of contracts providing strong cash generation and increasing return on capital

Pipeline for vessel programs



- Austal pursuing opportunities to grow order book and secure additional long-term revenue – focus on medium-term shipyard capacity

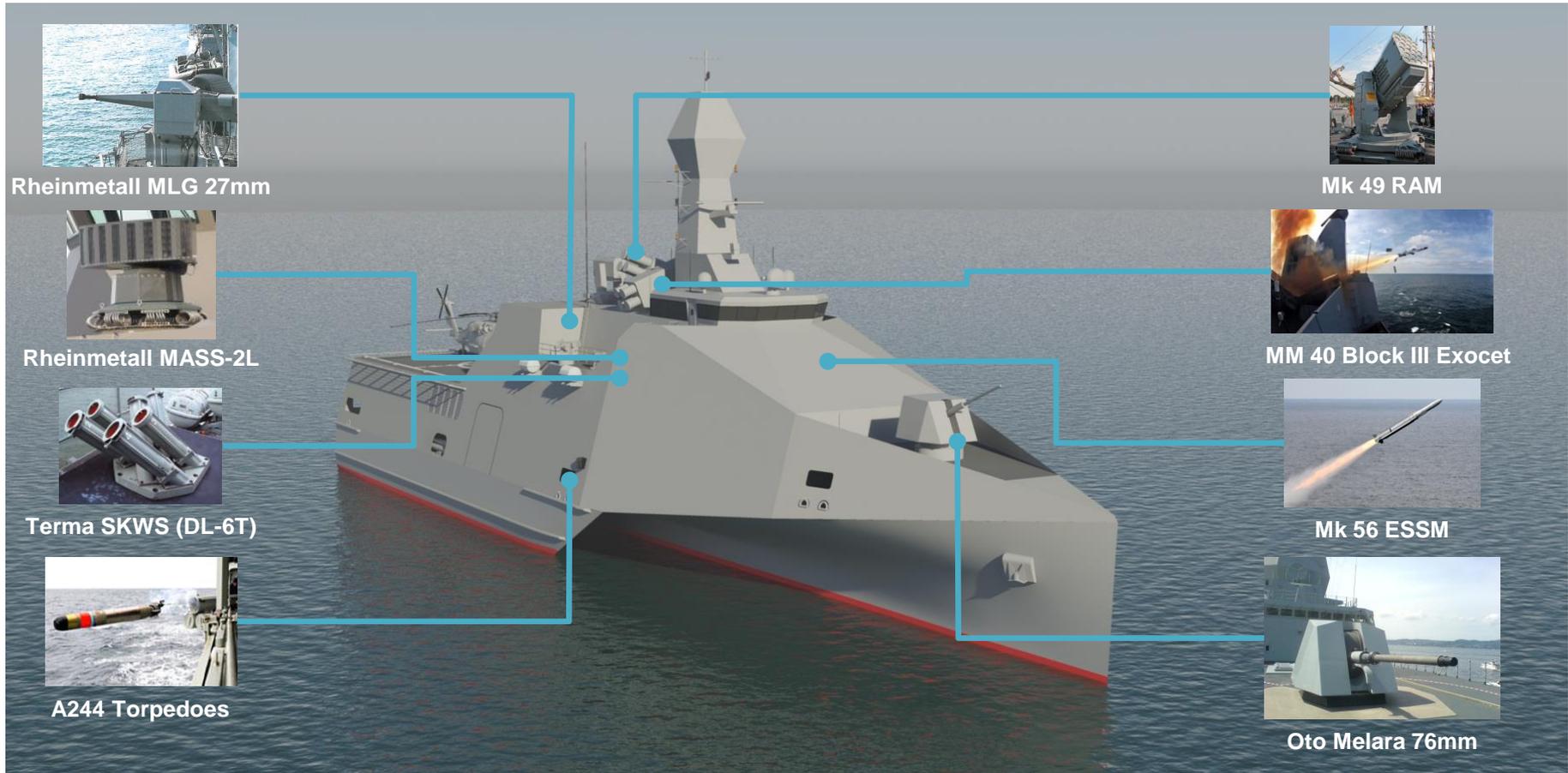
Target markets

- **US:** potential to extend existing LCS and JHSV programs
- **Australia:** replacement of Navy and Pacific and patrol boats
- **Middle East:** opportunity for small frigates, support vessels and patrol boats
- **Europe and Asia Pacific:** Commercial vessels and work boats

Vessels

- Small frigate evolved from modified Littoral Combat Ship
- Patrol boats developed from experience with Bay, Armidale and Cape class
- High speed support vessels developed from Westpac Express and JHSV
- Commercial vessels: potential new market for LNG-powered ferries

Multi-mission combatant vessel



Austal's design of a smaller frigate-size multi-mission combatant that has significant capability and lethality

Cape-variant patrol boat for Australian Navy



\$1.2bn revenue guidance
for FY2015

Continue progressive
growth in profit margins on
ship construction,
augmented by an increase
in support work

Diversity and long-term
nature of vessel programs
provides visibility on
earnings and strong cash
outlook

Research and development
to increase platform
capability to drive new
demand for current ships
and variant models

Prudent cash management
to ensure appropriate
financial structure – ongoing
strong cashflow provides
dividend potential in near-
term

Pursuing variant-style
defence vessel contracts in
export markets, with
particularly strong
opportunities in the Middle
East

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Andrew Bellamy, Chief Executive Officer

Telephone: +61 8 9410 1111

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