

ASX Spotlight Series 2016 – New York



Andrew Bellamy, Chief Executive Officer

3 March 2016

Overview – about Austal



Founded in 1988 and listed on the Australian Securities Exchange since 1998, Austal is a global shipbuilder and leading defence prime contractor specialising in the design, construction and maintenance of high performance vessels for defence and commercial purposes, with 255 ships designed, built and delivered.

- Austal has a global footprint with strategically located shipyards and service facilities:
 - Australia
 - United States
 - Philippines
 - Europe
 - Middle East
 - Asia
- Austal's focus is on the delivery of three product platforms: Ships • Systems • Support

SHIPS



SYSTEMS



SUPPORT



Overview – corporate snapshot



Share price (2 years)



Corporate details

ASX Code	ASB
Issued Shares	347,666,150
Share Price (at 25 February 2016)	\$1.21
Market Capitalisation	\$420.7m
PE ratio	9.84

Board and management

John Rothwell AO	Non Executive Chairman
Giles Everist	Independent Director
Jim McDowell	Independent Director
Andrew Bellamy	Chief Executive Officer (until 4 April 2016)
David Singleton	Chief Executive Officer (from 4 April 2016)
Greg Jason	Chief Financial Officer

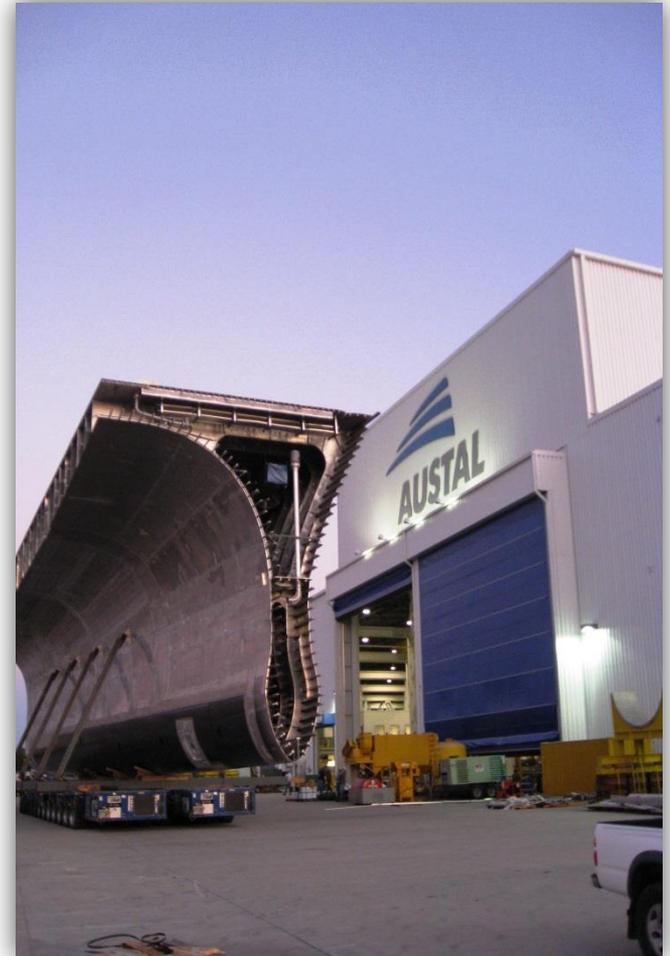
Financial overview (FY2016 H1)

Revenue	\$747.4m
EBIT	\$29.0m
NPAT	\$16.8m
Net cash	\$30.6m
Interim dividend	2.0cps, ff
Order book (at 31 Dec 2015)	\$2.8bn

Overview – shipbuilding programs



- Order book of \$2.8 billion at 31 December 2015 secures revenue through CY2020, including:
 - **10 Littoral Combat Ships for US Navy**
10 funded, with 1 delivered, funding for eleventh vessel expected in FY2016
 - **10 Expeditionary Fast Transports (formerly Joint High Speed Vessel) for US Navy**
Fully funded, with 6 delivered, EPF 11 & 12 have been appropriated but not contracted
 - **10 Cape Class Patrol Boats for Australian Government**
8 vessels delivered, plus through-life support
2 vessels in construction for National Australia Bank for lease to Royal Australian Navy (RAN)
 - **2 High Speed Support Vessels for Royal Navy of Oman**
Fully funded
 - **Commercial vessels**
2 high speed crew boats

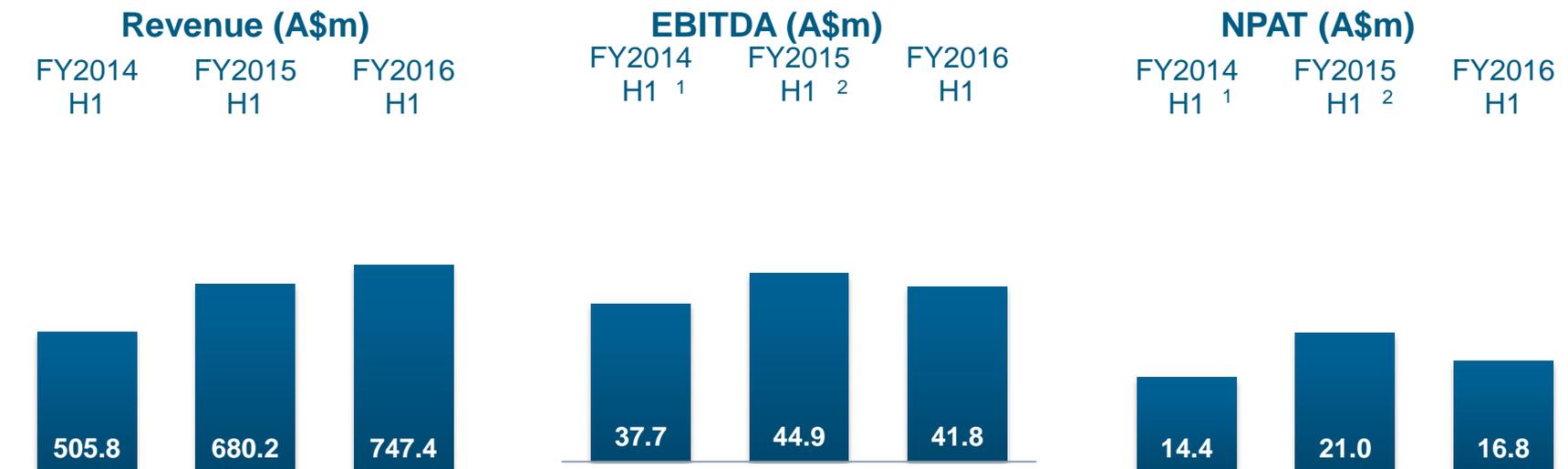


Objectives for sustained growth





Revenue and underlying earnings



- Revenue growth reflected favourable foreign exchange translation and underlying USD revenue growth in USA
- EBITDA and NPAT results reflect margin pressure from LCS 6 impacting LCS 8 & 10 due to concurrent construction

1. Excludes \$(10.2) m write down of stock vessel and \$3.3 m on sale of shipyard (\$4.9 m after tax)
2. Excludes \$11.3 m non-cash gain on revaluation of USD inter-company loan (\$7.9 m after tax)

Segment breakdown



	(\$m)	Ships	Systems	Support	Other ¹	Total
USA	Revenue	497.7	109.4	31.4	-	638.4
	EBIT	27.4	0.8	3.3	(4.6)	26.9
	EBIT Margin%	5.5	0.7	10.5	-	4.2
Australia	Revenue	78.8	-	26.8	-	105.6
	EBIT	8.8	-	3.5	(1.0)	11.3
	EBIT Margin%	11.2	-	13.0	-	10.7
Philippines	Revenue	15.1	-	1.2	-	16.3
	EBIT	0.5	-	0.1	-	0.6
	EBIT Margin%	3.4	-	5.2	-	3.5

- **USA:** Shipbuilding margin in the middle of the guidance range (4.5% - 6.5%)
- **Australia:** Margins have normalised to long term averages following completion of CCPB 1-8
- **Philippines:** Completion of crew vessels for Abu Dhabi and commencement of new contracts

¹ unallocated overhead targeting growth

Cash and debt



Cash flow	FY2016 H1 (A\$m)	FY2015 H1 (A\$m)	FY2014 H1 (A\$m)
Operating	51.8	118.0	43.6
Investing	(2.4)	(3.6)	(2.0)
Financing	(22.2)	(38.4)	(34.2)
Net increase	27.2	76.0	7.4

- Strong Operating cash flow
- FY2015 H1 was enhanced by the sale of the stock trimaran (\$54.1 million)
- Continued discipline in capital expenditure
- Balanced approach to delivering returns to shareholders through dividends and continued debt reduction

Cash / (debt)	Dec 2015	June 2015	Dec 2014
Net cash / (debt)	\$30.6	\$(4.2)	\$12.7

- Strong net cash position at December 2015

Operations update



US Navy – Littoral Combat Ship



- 10 ship contract awarded as prime contractor, worth US\$3.5 billion and additional 1 ship option
- 2 LCS constructed and delivered by Austal for GD (LCS 2 and LCS 4)
- Margin and schedule pressure on LCS 6, 8 and 10. Austal implementing experience from LCS 6 to improve financial performance
 - LCS 6 delivered
 - LCS 8,10 & 12 launched and christened
 - LCS 14, 16, 18 & 20 under construction
- US Navy supportive of 52 ship program
 - Later ships (LCS 33 – 52) will be “upgunned” as future frigate, Austal is participating in the process
 - Department of Defense questioning fleet size
 - LCS 26 option expected to be funded in 2016



US Navy – Expeditionary Fast Transport



- Formerly Joint High Speed Vessel (JHSV), renamed by US Navy to Expeditionary Fast Transport (EPF)
- 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
 - EPF 1, 2, 3, 4, 5 & 6 – delivered
 - EPF 7 – christened
 - EPF 8 & 9 – under construction
- US Navy interested in growing size and role of EPF fleet (strong potential for program expansion), while variants are gaining traction in the Middle East
- Confident of extension to program beyond existing block buy – EPF 11 and 12 funded by Congress (not yet contracted)



Austal strongly positioned in US



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

US Foreign Policy remains focused on Asia-Pacific defence strategy

Winning service contracts on LCS and investing in support business to best position Austal for additional work

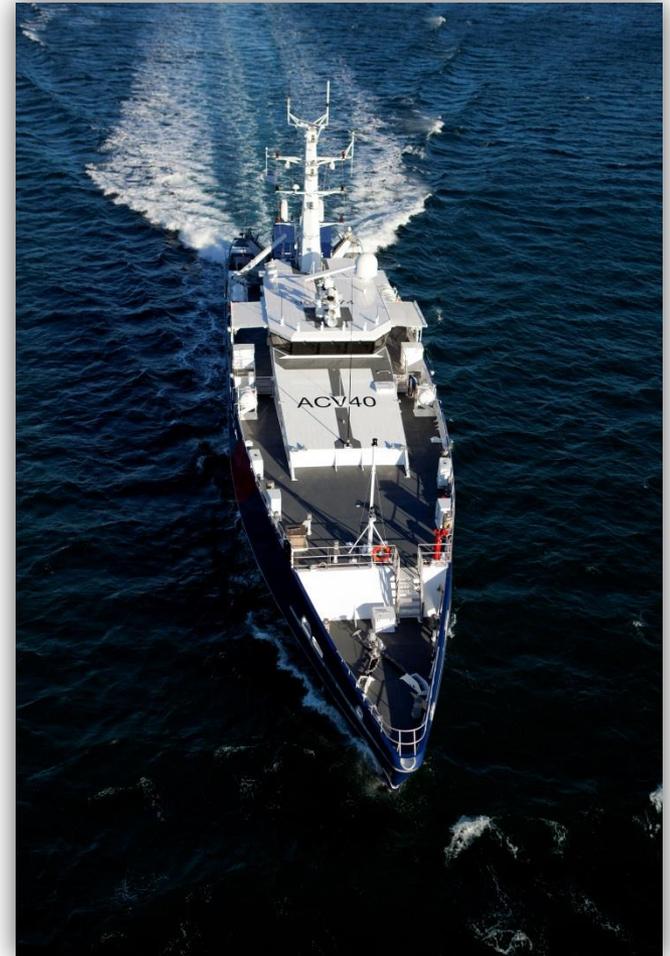
US Navy committed to upgrading final 20 LCS as future frigates and meet 52 vessel target – rate of acquisition to be decided by Congress

Option awarded to Austal on LCS 26 (to be exercised in CY2016), while EPF 11 & 12 approved by Congress (yet to be contracted)

LCS variants attractive to international market through US Foreign Military Sales

Australia – Cape Class Patrol Boats

- \$330 million contract for the design, construction and through-life support of 8 Cape Class Patrol Boats for the Australian Border Force
- Final vessel delivered in August 2015
- Austal now performing through-life support on 8 completed vessels
- Further two ships contracted in December 2015 worth \$63 million (to National Australia Bank) for lease to Royal Australian Navy (RAN)



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 is progressing well at the Henderson shipyard
 - Sea trials HSSV 1 commenced January 2016
 - HSSV 2 expected to deliver late CY2016
- Deployed with a similar mission to the EPF program
- Demonstrated strategy of leveraging Austal's intellectual property and technology to new defence markets



Australian defence shipbuilding



- The Federal Government's plan for a strong and sustainable naval shipbuilding industry was announced 4 August 2015 and remains a firm priority for the Turnbull Government

Initiative	Impact on Austal
The Government will invest over \$89 billion in ships and submarines for the Navy over the next 20 years.	A large, long-term order book of work available to naval shipbuilders in Australia. Austal in a competitive position to win a large portion as Australia's only global, prime defence contractor.
The Government will implement a continuous build of surface warships in Australia.	Replacement of project-based orders with continuous build program offers long-term operational and revenue stability and efficiencies.
The Government plans to acquire 21 Pacific Patrol Boats (PPB) for Pacific Island nations in addition to the continuous shipbuilding plan.	Austal is well positioned to secure the PPB contract and further demonstrate capability whilst reducing cost and risk for the future continuous shipbuilding plan for the Royal Australian Navy.

Australian defence shipbuilding



Initiative	Impact on Austal
<p>Advancing the Future Frigate programme to replace the ANZAC class frigates from CY2023 to CY2020.</p> <p>The Future Frigates will be built in South Australia based on a Competitive Evaluation Process (CEP), which began in late CY2015.</p>	<p>Variant of Austal's LCS is a potential platform for future frigate. (Upgunned LCS soon to be classed as a frigate by US Navy)</p> <p>Other potential roles Austal is exploring include Australian shipbuilder where a foreign designer is selected; Advancement of programme creates earlier revenue potential if successful.</p> <p>Possible expansion to South Australia to utilise Common User Facility at Techport, South Australia, in response to Government's geographic requirement for the vessels' construction.</p>
<p>Advancing construction of Offshore Patrol Vessels (SEA1180) to replace the Armidale class patrol boats by two years, with a continuous onshore build commencing in CY2018 following a Competitive Evaluation Process which began in late CY2015</p>	<p>Early CEP provides early revenue potential if successful plus revenue stability through continuous build.</p> <p>Austal will submit a competitive proposal:</p> <ul style="list-style-type: none"> • It has built all of the patrol boats for Australian Navy and Customs for the past 17 years • Company's export competitiveness demonstrates cost competitiveness • Strength of Henderson, WA as Australia's largest and most strategic shipbuilding and sustainment hub <p>Capability requirements of Offshore Patrol Vessel expected in Government Defence White Paper to be released later this year.</p>

Philippines



- Delivered two 45 metre high speed catamaran ferries to Abu Dhabi National Oil Company in August 2015 under a \$30 million design and construct contract
- Commenced construction of two crew boats, to be delivered in Q3 CY2016:
 - 70 metre catamaran under US\$34 million contract
 - 58 metre catamaran under US\$20 million contract
- Targeting new commercial vessel contracts, including fielding growing interest from the European ferry market



Systems and Support



- Austal is steadily adding experience and capability to deliver a growing portfolio of Naval sustainment contracts
- US expanding activity beyond own vessels:
 - Prime contractor for Post Shakedown Availability (PSA) and other post delivery test and trial programs on all Independence Class LCS
 - New US\$52 million class services contract for LCS in December 2015, potentially worth US\$198 million if options are exercised
- Australia transitioned Cape Class from construction phase to support phase, demonstrating value of Austal's integrated design, build and sustainment products
- Footprint spanning Darwin, Henderson, Oman and Philippines well positioned to support increasing regional forward deployment of LCS and EPF



Strategy and Outlook



Sustain the business

- Maintain current annual revenue in medium to long-term through new contracts
- Additional defence vessel contracts in existing markets
- Export variant defence vessels
- Capture new opportunities in commercial vessels

Strengthen the business

- Improve margins by driving efficiencies / productivity in procurement and labour without impacting safety and quality

Diversify the business

- Grow annuity-style revenue by building on existing expertise, including sustainment work on Austal-built vessels
- Focus on strategic partnerships, investments in infrastructure and IT, upskilling staff, and differentiating from competitors

Scale the business

- Position Austal for future Navy programs in Australia
- Organic and acquisitive growth opportunities

Growth strategy to be supported by maturing vessel programs, significant order book, strong financial position and effective risk management

Pipeline for vessel programs



- Pursuing opportunities to deliver on strategy by growing Austal's order book and securing additional long-term revenue

Target markets

- **US:** strong potential to extend existing LCS and EPF programs
- **Australia:** replacement of Navy vessels including patrol boats and future frigates under continuous shipbuilding program
- **Middle East:** opportunity for frigates, support vessels and patrol boats
- **Europe and Asia Pacific:** commercial vessels, patrol boats, support vessels, work boats and O&G fast crew transfer

Vessels

- Future frigate evolved from modified Littoral Combat Ship
- EPF platform for US Navy
- Patrol boats in steel and aluminium developed from experience with Bay, Armidale and Cape Class vessels
- Variant high speed support vessels developed from Westpac Express and EPF
- Commercial vessels: potential new market for LNG-powered ferries and Oil & Gas crew transfer vessels

LCS program to stabilise and mature – greatest effect to be on vessels at early stage construction

Good opportunity for award of additional LCS and EPF in addition to existing block buy contracts

Best position Austal for Pacific Patrol Boat replacement, Future Frigate, and OPV programs

Target export opportunities from Australian and Philippines shipyards

Pursue organic and acquisition opportunities to grow support business in US, with sustainment on vessels reaching critical mass

Maintain a net cash position to support growth opportunities, underpin dividends and further reduce debt

Disclaimer



Andrew Bellamy, Chief Executive Officer

Telephone: +61 8 9410 1111

For further information visit www.austal.com

Disclaimer

This presentation and any oral presentation accompanying it has been prepared by Austal Limited (“Austal”). It should not be considered as an offer or invitation to subscribe for or purchase any securities in Austal or as an inducement to make an offer or invitation with respect to those securities. No agreement to subscribe for securities in Austal will be entered into on the basis of this presentation.

Our presentation contains “forward-looking” statements or projections based on current expectations. These statements are not guarantees of future performance and are subject to risks and uncertainties. Actual results may differ materially due to: the availability of US government funding due to budgetary or debt ceiling constraints; changes in customer priorities; additional costs or schedule revisions. Actual results may also effect the capitalization changes on earnings per share; the allowability of costs under government cost accounting divestitures or joint ventures; the timing and availability of future impact of acquisitions; the timing and availability of future government awards; economic, business and regulatory conditions and other factors. We disclaim any duty to update forward looking statements to reflect new developments.

Accordingly, to the maximum extent permitted by applicable laws, Austal makes no representation and can give no assurance, guarantee or warrant, express or implied, as to, and takes not responsibility and assumes no liability for, the authenticity, validity, accuracy, suitability or completeness of, or any errors in or omission, from any information, statement or opinion contained in this presentation.

You should not act or refrain from acting in reliance on this presentation material. This overview of Austal does not purport to be all inclusive or to contain all information which its recipients may require in order to make an informed assessment of Austal’s prospects. You should conduct your own investigation and perform your own analysis in order to satisfy yourself as to the accuracy and completeness of the information, statements and opinions contained in this presentation before making any investment decision.