

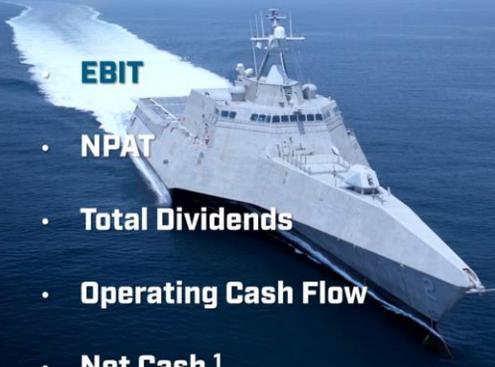
Annual General Meeting 2019

David Singleton, CEO



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- 2019 Key Facts
- Business Priorities FY 2019-20
- Ships in Build
- ESG Reporting
- FY 2020 Guidance

Financial Headlines



EBIT

• **NPAT**

• **Total Dividends**

• **Operating Cash Flow**

• **Net Cash ¹**

YEAR ON YEAR CHANGE

\$92.8 m	46%	↑
\$61.4 m	64%	↑
6 ¢ per share	20%	↑
\$164 m	up \$99 m	↑
\$151 m	up \$117 m	↑

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

- By almost any measure the financial year 2019 has been our best ever, whether we measure revenue, profits, cash levels, order book or share price.
- The performance is a result of across the board improvements which have been delivered by the management teams running the business.
- In the USA we are getting a level of consistency in both the LCS and EPF programs that we have not seen before. It is clear that the manufacturing in Alabama is operating to a steady drum beat which is allowing production efficiencies to result in improved margins in shipbuilding.
- Our overall support business has continued to grow at a very strong pace driven largely by the USA and work on the LCS ships. Overall growth has been over 61% YoY continuing a strong trend over the last 5 years. Indeed today our service business is nearly 8 and a half times bigger than it was in 2014. Support remains a very strong focus for us as it creates a long term and stable revenue stream. I have been clear that we will continue to look for investment opportunities to grow this part of our business and have some opportunities that we are working on at the moment.
- Our Australasian business is going through a tremendous growth period with revenue this in the last financial year over 4 times what it was just 3 years ago (2017). We do expect revenue in the commercial sector to slow from now on as trade nervousness affects customers however we believe that the underlying replacement cycle still holds strong over the medium term.
- The strong balance sheet of the company creates options for the business in a way that we have not seen for some years. We are prepared to invest in our future and take bold and business decisive steps both in the USA and in Australasia. Our recent investment in Asian production facilities has fundamentally changed our business.
- No updates on ASIC investigation beyond that released in Note 29 of the 2019 annual report but we continue to work with authorities to address the investigation.



New contracts:

- 1 x Auto Express 94 - Hull 397 - Trinidad and Tobago Government (NIDCO)
- 4 x LCS (32, 34, 36, 38) - US Navy
- 4 x Aulong (AL007, 8, 9, 10) - Shenzhen Airport, Beibi Gulf, Blue Sea Jet, Shenzhen Pengxing
- 2 x EPF (13 and 14) - US Navy - Contracts announced 26 March 2019
- Total 11**

Deliveries:

- 2 x LCS (18 and 20) - US Navy
- 1 x EPF (10) - US Navy
- 3 x Guardian Class Patrol Boats (GCPB's) - Hulls 521, 522, 523 - Commonwealth of Australia
- 1 x Auto Express 109 – Hull 393 (Molslinjen Express 4) - Denmark
- 1 x Passenger Express 30 – Hull 420 (VS Grand Ferries) - Philippines
- 2 x Passenger Express 50 - Hulls 680 and 681 (Brave Line) - Taiwan
- 2 x Passenger Express 42 - Hulls AL002, AL003 (Xidao Dazhou Tourism) - China
- Total 12**

Under Construction During FY19:

- 7 x LCS (18, 20, 22, 24, 26, 28, 30) US Navy
- 3 x EPF (10, 11, 12) US Navy

8 x GCPBS - Hulls 521 to 528 Commonwealth of Australia
1 x Hull 393 Molslinjen Express 4
1 x Hull 394 Fred Olsen SA (Trimaran 1 of 2) - Australia
1 x Hull 396 JR Kyushu Beetle
1 x Hull 419 Fjord Line
1 x Hull 420 VS Grand Ferries
1 x Hull 680 Braveline 1
1 x Hull 681 Braveline 2
1 x Hull 421 Aremiti 6
1 x Hull 395 Fred Olsen SA (Trimaran 2 of 2) - Philippines
1 x Hull 397 Trinidad and Tobago Auto Express 94 Ferry
7 x AL002, 3, 4, 5, 6, 7, 8 - Aulong
2 x Hulls 398 and 399 (2x T&T Coast Guard Cape Class Patrol Boats)
Total 37

Scheduled:

4 x LCS (32, 34, 36, 38) US Navy
2 x EPF (13, 14) US Navy
13 x GCPB's (529 - 541) Commonwealth of Australia
2 x AL009, 10 Aulong
Total 21

Total under construction + scheduled = 58

Sustainment

10 x LCS
10 x Capes
3 x Guardians (during FY2019)
2 x Tonga Landing Craft (as part of the PPBR contract – includes returning Pacific Class Patrol Boats + 2 Tonga Landing Craft)
Total 25

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



- Continue to see major opportunities in the USA (See later slides) assisted by good schedule, quality and cost performance on the current programs.
- Asia expansion has fundamentally changed our business and made us much more competitive.
- Historic average turnover in Philippines before expansion was circa \$35m pa now nearer \$100m.
- New Vietnam yard creates high quality additional capacity and reduces yard concentration issues.
- Asia expansion is creating new 'home' markets where Defence sales may feature in the future.
- Procurement remains a major focus of our improvement activity and now we have eyes in China as well so can see further opportunities.
- This Year we have trebled our R&D budget amount to ensure that our technology lead is maintained. New ship designs, greener power options like LNG and electric, leading edge digital vessel control systems.



- LCS Deliveries in FY2019 – 2 (18 and 20).
- LCS Orders in FY2019 – 4 (32, 34, 36, 38).
- **LCS 16** and **18** were **commissioned** during FY2019.
- LCS has been the largest program ever won by Austal with 19 vessels ordered encompassing deliveries out to 2024. It is emblematic of Austal's approach. Highly innovative and leading edge vessels, many of which are unique around the world.
- Austal is still the worlds only designer and builder of large all aluminium catamarans for these markets.
- LCS is our 'parent design' for the USN's new Frigate program.
- LCS now being deployed into theatre more often on rotation in Asia.
- Vessels are now routinely being upgraded with additional missiles.
- Service work has been growing strongly over the last few years. It is not Austal's intent to routinely announce service contracts unless they are material in size (over circa US\$30m) or strategic in nature given the high number of individual awards.
- Our US service business has been growing at a very high rate including a circa 67% increase between FY18 and FY19 boosted, in part last year by a one off technical support contract. Our medium term forecast remains strong and for FY20 we expect a flat to modest increase as LCS activity continues to grow steadily.



US President Donald Trump gifted a scale model of the future USS Canberra (LCS30) to Australian Prime Minister Scott Morrison during a State Visit to the USA in September 2019.

USA



- EPF **10** delivered
- EPF's **11** and **12** under construction
- EPF13 long lead materials ordered (Contract US\$57M received Oct 2018).
- EPF's deployed around the globe;
 - EPF1 Spearhead – USA (East Coast)
 - EPF2 Choctaw County – Bahrain
 - EPF3 Millinocket – Malaysia
 - EPF4 Fall River – Singapore
 - EPF5 Trenton – Italy
 - EPF6 Brunswick – Philippines
 - EPF7 Carson City – Greece
 - EPF8 Yuma – Spain
 - EPF9 – USA (West Coast)
 - EPF10 – USA (East Coast)



FFG-X

- Successor to the LCS program.
- Austal has now made its commercial and technical offer and expects a result by July 2020 at the earliest and September by the latest, subject to approvals.
- USN has indicated contract form could be a 10 ship block buy if all options are exercised.
- Capex requirements for FFG(X) for facility expansion likely to be well under US\$100m net of grants and spread over several years and may be funded through cashflow.

EPE

- We still believe that EPE has a promising future, with the US Government showing real interest in a medical variant – this could happen as soon as EPE 14 which would be a conversion of that vessel that is already contracted.

Unmanned Surface Vessels

- Austal has recently bid for a new medium unmanned surface vessel program with potential results early next year. Initial block buy of 1 vessel plus 9 options (similar to FFG).
- In addition we are bidding for a design competition for the large unmanned surface vessel.
- These are major new and long term programs within Austal's capability.

Philippines



Delivered FY2019:

- 1 x 30 metre catamaran ferry for VS Grand Ferries, Philippines.
- 2 x 50 metre catamaran ferries for Brave Line, Taiwan.

Currently constructing:

- 1 x 109 metre catamaran ferry for Fjord Line, Norway.
- 1 x 117 metre trimaran for Fred Olsen SA, Spain.
- New shipyard is now practically complete, officially opened 24 July 2019.
- It comprises our single largest integration facility (shown in the picture) outside of the USA.
- We are now able to build our biggest ships in Asia.

Philippines



**c A\$350m
PIPELINE**

- We now have 3 ships in the order book to be built in this facility with a total order value approaching A\$350m which is a record for this facility. The current vessel in full construction is a 109m catamaran for Fjord Line. This is a very challenging build as it is the first time that we have built a vessel of this size in the Philippines, we started production before the new facility was completed and we have doubled our previous workforce size. We are expecting to launch this vessel before Christmas this year.
- We are already building modules for a 117m trimaran that will be the next build in the yard and these modules will start erection when the 109m is in the water creating vessel continuity.
- The recently announced Mols vessel will be the 3rd vessel through the facility and will fit neatly into the production schedule for the trimaran. It will commence production after about 12 months of design work in Henderson, Western Australia.

Philippines



- We have been working on a bid for an Offshore Patrol Vessel program for nearly 2 years.
- The vessel is an evolution of our Cape vessel but designed specifically for the Philippines.
- The procurement budget has been announced by the PN Navy as circa A\$800m for 6 ships over circa 4 years.
- If Austal wins this program all 6 vessels will be built in our facility in Cebu.
- We believe that we are well placed having developed a vessel that is tailored to the needs of the PN Navy.
- We believe that an order announcement could be in this financial year.
- Outcome of success would be a rapidly growing level of employment in the Philippines.
- The PN Navy has a mandate to build the size and capability of the fleet and its preferred option is to build in the Philippines to attract further employment and improve support access to the parent shipyard.



- Our move to Vietnam has been very successful so far. We have recruited an excellent mostly ex-Austal management team who had previously been building aluminium ships for the now defunct Strategic Marine company.
- We have built a good local team of management supervisors and trades personnel.
- Progress on the 94m vessel for Trinidad is demonstrating good schedule and quality performance.
- We would like to continue to expand production at this site. At this point in time we have no follow up orders and this is a significant focus for our sales team.

China



Aulong joint venture with Jianglong Shipbuilding of Guangdong

- Delivered 42 metre ferry to Blue Sea Jet, China - January 2018.
- 5 additional ferries under construction / scheduled.
 - 1 x 35 metre ferry for Blue Sea Jet.
 - 4 x 42 metre ferries for Xidao Dazhou Tourism Co Ltd.
- Austal expatriates overseeing tech transfer of Austal designs for construction locally.
- Targeting mainland China opportunities / customers only.

Australia



Hull 393 (Express 4) for Molslinjen of Denmark

- Construction commenced 26 April 2017.
- Rolled out 18 August 2018.
- Launched 16 October 2018.
- **Delivered 30 January 2019.**
- Largest (by volume) vessel Austal has built.
- Capacity for over 1000 passengers, 425 cars, travelling at 40 knots.

PLAY Molslinjen Express 4 Arriving in Denmark - video

Australia



- Four of 21 GCPB have been delivered in FY19 – PNG, Tuvalu, Tonga, Samoa.
- Fifth GCPB to be delivered at handover ceremony on 8 November – H525 'Gizo' - Solomon Islands.
- Hull 521 (GCPB#1) – First Guardian-class Patrol Boat constructed under Commonwealth of Australia's Pacific Patrol Boat Replacement Program (PPB-R) launched May 2018.
- Construction commenced April 2017 at dedicated GCPB shipbuilding facility at 51 Hope Valley Road, Naval Base Western Australia.
- GCPB program comprises 21 x 39.5 metre steel hull patrol boats, designed and constructed by Austal.
- Total contract over \$330 million (original contract for 19 vessels was added to in Dec 2018 with 2 vessels to be constructed for Timor Leste).
- Vessels to be gifted to 13 Pacific Island nations from 2018 – 2023.
- Austal is providing support services from dedicated service centre based in Cairns, Queensland.

Australia



Australia is now seeing the impact of the very strong order intake that we achieved in 2017 and 2018.

In this financial year we will be launching and delivering;

- 4 Guardian Class Patrol Boats.
- A 117m Trimaran for Fred Olsen to be based in the Spanish Canary Islands.
- A 82m Trimaran for Japanese Rail Kuyushi (JRK) which will run between South Korea and Japan and will be operational before the 2020 Olympics.
- 2 Cape class patrol boats for Trinidad and Tobago (delivery post year end).

This makes the next 6 months some of the busiest ever for the Australian shipyard and has boosted numbers employed to what was 400 or 500 hundred a few years ago to what may well be an all time high of 1200 now.

Employment numbers will reduce from this level starting around the end of the first quarter of next year but will for the most part consist of short term and fixed term employees.

The actual number next year will depend on new orders and while we are confident that Australia will win additional work that can commence around mid 2020, this is not yet confirmed.

Hull 394 – the next big project at Henderson shipyard

- 117 metre trimaran for Fred Olsen SA.
- 2 x identical vessels to be built under contract valued at A\$190million.
 - 2nd trimaran (H395) to be built at Austal Philippines.
- Plate cutting for H394 conducted 20 August 2018.

Australia



- 83 metre Trimaran (Hull 396) for JR Kyushu, Japan.
- Route is between Fukuoka, Japan and Busan, South Korea.

This vessel is a great example of how Austal as a technology company wins work. JRK currently runs jet foil vessels between S Korea and Japan. These vessels are ageing, relatively small and use a lot of fuel (Gas turbines).

JRK wanted a vessel with enhanced passenger comfort (reduced risk of seasickness), larger and more fuel efficient than its Jet Foil. JRK were clear that a catamaran would not meet the comfort requirements and that a monohull would be too slow. The Trimaran meets that requirement and Austal is the only designer and builder of vessels in this class.

The JRK Beetle is being finished to a very high specification, possibly one of our highest for a passenger ferry. The vessel is being built in a leased facility in Henderson with the topsides and interior finish being built by Echo a high end luxury yacht builder.



Trinidad and Tobago Coast Guard – Hulls 398 and 399

- 2 x Cape Class Patrol Boats (58 metre monohulls).

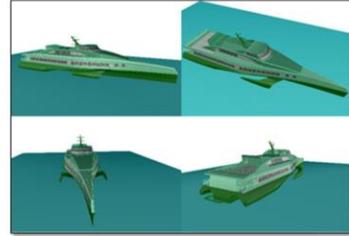
Austal remains technology led



Autonomous platforms (AUSA)



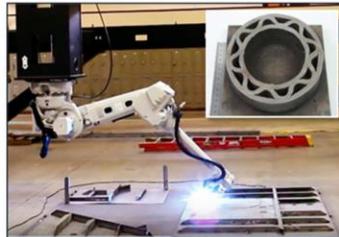
ML for vessel operational optimization



New highly efficient hull-forms



New high strength aluminium alloys



Metal additive manufacturing



Battery & hybrid powered vessels

MARINELINK

- Austal's MARINELINK suite of products has been expanded to offer greater vessel and fleet management capability.
- MARINELINK - original monitoring and control system fitted to over 160 vessels since 1996.
- MARINELINK - Smart expands on MARINELINK to offer live (real time) performance data to crew and shore-based personnel.
- MARINELINK - Fleet provides a live, integrated view of a ferry fleet's operating environment, schedule, passenger comfort and fuel performance - for multiple vessels (of any type, build, location).
- MARINELINK - Sense offers a new portable (plug and play) solution for monitoring passenger comfort.

Environmental, Social and Governance Report



MISSION STATEMENT

WHY
Help make our local community a better place.

WHAT
Leverage our people and business' natural capabilities to improve opportunities for employment, learning, health and environment in our local community.

HOW

- Use our own skills and labour
- Use the natural advantages that we have as a shipbuilder
- Initiate, encourage and promote a multiplier effect on investment
- Increase inclusivity in our business

MEASURES OF SUCCESS

- The number of people in our business actively involved in community-based, philanthropic activity
- The social, health and impact of what we do, measured by the lives touched
- The value (time, money and people) we invest in making our community a better place
- Every year we grow our impact
- Our workforce becomes more diverse and reflects the natural diversity of our local community.

LEARN MORE

- austal.com/austal-giving
- austalplus.com

...caring for our community.



Austal Limited **2019**

Environmental, Social and Governance (ESG) Report

This year we published our first Environmental Social Governance report one year ahead of what is required by the ASX. The report lays out what Austal has been doing in this area and is available for people to read in the corporate governance section of our website.

- On Environmental matters we have been;
 - Actively working to reduce our environmental footprint from manufacturing.
 - Using low sulphur diesel engines for many years which are much cleaner than marine grade fuel oil engines.
 - Researching Liquefied Natural Gas designs with our first LNG compatible ship just signed with Mols.
 - Researching smaller electric powered vessels and have made a detailed proposal to supply these to a major European port. We believe we are very well advanced in this technology against other high speed vessel companies.
 - Have developed upgraded digital control system that has the potential to reduce fuel usage in vessels.
- On Social matters we have been;
 - Operating a charitable fund (Austal Giving) for many years.
 - Have committed to a major multi year funding plan to assist children affected by abuse in our employee catchment area.

- Extended our charitable works to the Philippines with worker groups undertaking community works like refurbishing classrooms at a local school.
- Rewritten our Charitable mandate to maximise our impact and employee involvement.

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



Whilst it is too early to update guidance we continue to stick with that given in late August/ Early September this year.

It was pleasing to recently sign a contract for another large vessel for Mols to create continuity in the Philippines production program. Additional work to support our new facility in Vietnam and our operations in Henderson is a priority over the rest of the financial year to support FY21 and opportunities exist for both of these. We continue to believe that the underlying medium term thematic around the vessel replacement cycle, given the age of the large high speed vessel fleet and route expansion, holds true.

Disclaimer

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