

FY2015 results presentation



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Highlights



Financial

- **Record earnings:** driven by multiple vessel programs
- **Revenue:** \$1.4 billion
- **EBIT:** \$84.8 million (\$73.2 million underlying)
- **NPAT:** \$53.2 million (\$45.0 million underlying)
- **Net debt:** \$6.1 million
- **Final dividend:** 3.0 cents per share fully franked

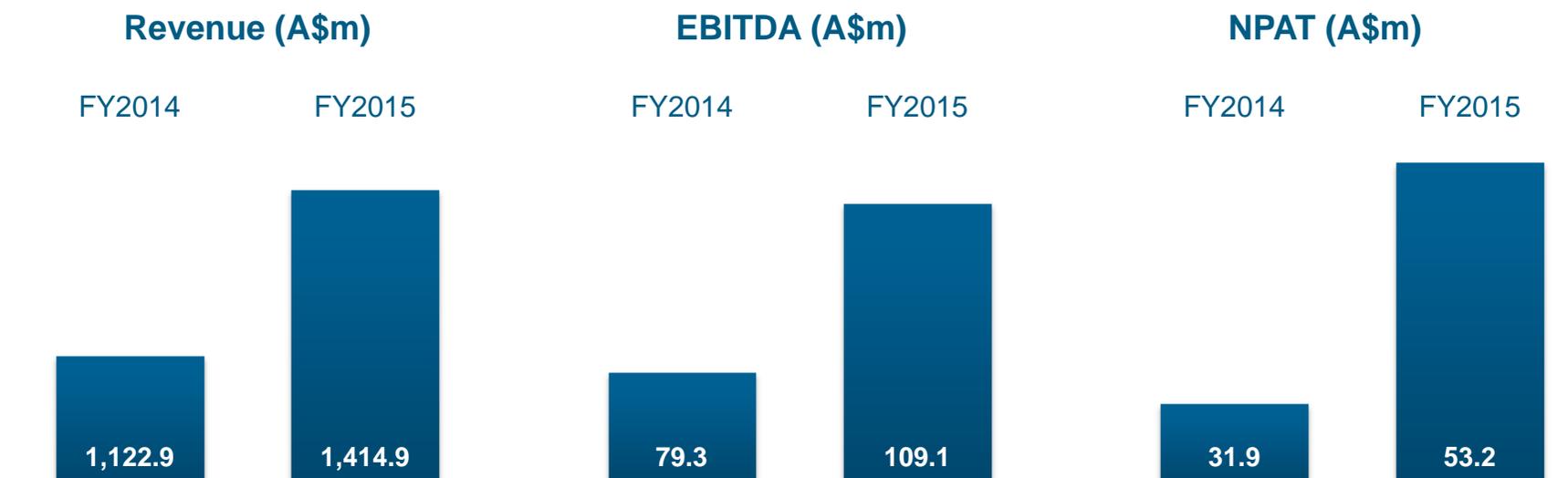
Operational

- **Delivering on major programs:** Growth in earnings from Australia operations and solid performance on JHSV project helped offset anticipated margin pressure on LCS 6
- **Order book:** \$3.1 billion, securing work through CY2020
- **Strategy:** Sustain, Strengthen, Diversify and Scale the business

Outlook

- **Pipeline:** Extension of US Navy programs, variant defence vessels to Middle East, defence vessels under Australian Government's continuous shipbuilding program
- **Cash:** Expect net cash position by end FY2016

Record revenue driving performance



- Record revenue, with 26.0% increase over FY2014 driven by growing work on major navy defence and patrol boat programs and relative depreciation of AUD
- Record profit, with 66.8% increase in NPAT over FY2014
- Headline earnings include some non-cash benefit from mark-to-market revaluation on intercompany loans to reflect currency movements

Objectives for sustained growth



Financials



Earnings summary



Income statement	FY2015 (A\$m)*	FY2014 (A\$m)^	Change
Revenue	1,414.9	1,122.9	+26.0%
EBITDA	109.1	79.3	+37.5%
- Underlying	97.4	89.1	+9.3%
EBIT	84.8	55.6	+52.6%
- Underlying	73.2	65.3	+12.0%
NPAT	53.2	31.9	+66.8%
- Underlying	45.0	38.7	+16.3%
Reported EPS	15.5¢	9.2¢	+68.5%

- Record Revenue, EBIT and NPAT
- Underlying EBIT margin fell to 5.2% (FY2014: 5.8%) reflecting impact of LCS 6 – now delivered
- Ability to grow Group earnings despite margin pressure demonstrates Austal's evolution into a defence prime contractor delivering multiple vessel programs
- Reduced interest expense through debt reduction and lower average interest rate

Notes:

* FY2015 underlying earnings removes the benefit from the foreign exchange mark-to-market revaluation of intercompany loans

^ FY2014 underlying earnings removes the following one-off items: the profit on the sale of Austal's former satellite service base and a write down on the carrying value of inventory

Segment breakdown



	(\$m)	Ships	Systems	Support	Other ¹	Total
USA	Revenue	914.2	160.0	45.5	-	1,119.7
	EBIT	59.6	2.0	4.3	(7.5)	58.4
	EBIT Margin%	6.5	1.3	9.5	-	5.2
Australia	Revenue	171.2	-	40.6	-	211.8
	EBIT	26.3	-	5.7	(0.2)	31.8
	EBIT Margin%	15.4	-	14.0	-	15.0
Philippines	Revenue	29.3	-	9.4	-	38.7
	EBIT	2.3	-	(1.3)	-	1.0
	EBIT Margin%	8.0	-	(14.2)	-	2.6

- **USA:** Schedule pressure on LCS 6, and a significant growth in profitability of the Support business
- **Australia:** Significant margin improvement from efficiencies on Cape Class Patrol Boat program
- **Philippines:** Delivering commercial vessels at profitable margin

¹ unallocated overhead targeting growth

Cash and debt

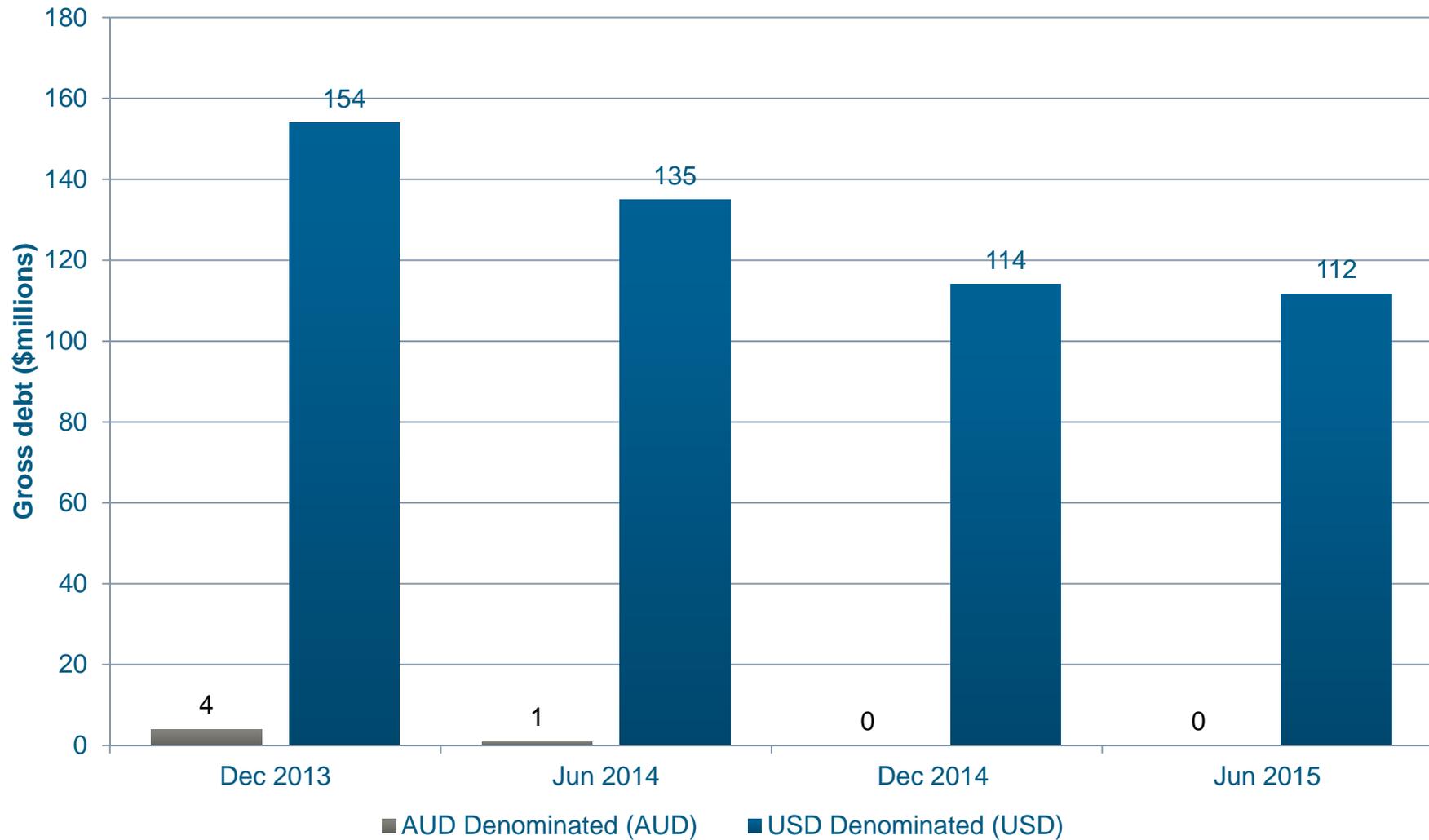


Cash flow	FY2015 (A\$m)	FY2014 (A\$m)	Change
Operating	110.4	41.6	68.8
Investing	(21.8)	19.0	(40.8)
Financing	(24.1)	(84.3)	60.2
Net increase	64.5	(23.7)	88.2

- Strong operating cash flow which was enhanced by the sale of Hull 270 trimaran stock vessel
- Significant reduction in Net Debt
- Maintained low sustaining capital expenditure

Debt	At June 2015	At June 2014	At June 2013
Net debt (\$m)	(6.1)	(71.5)	(137.1)
Leverage ratio	0.06	0.90	2.19

Discipline in long-term debt reduction



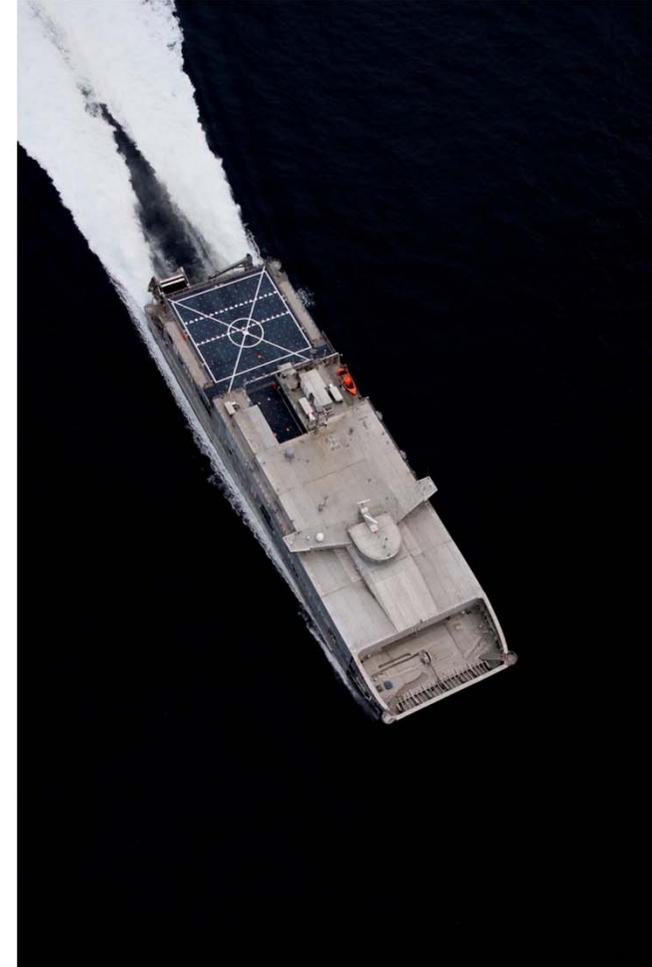
Operations update



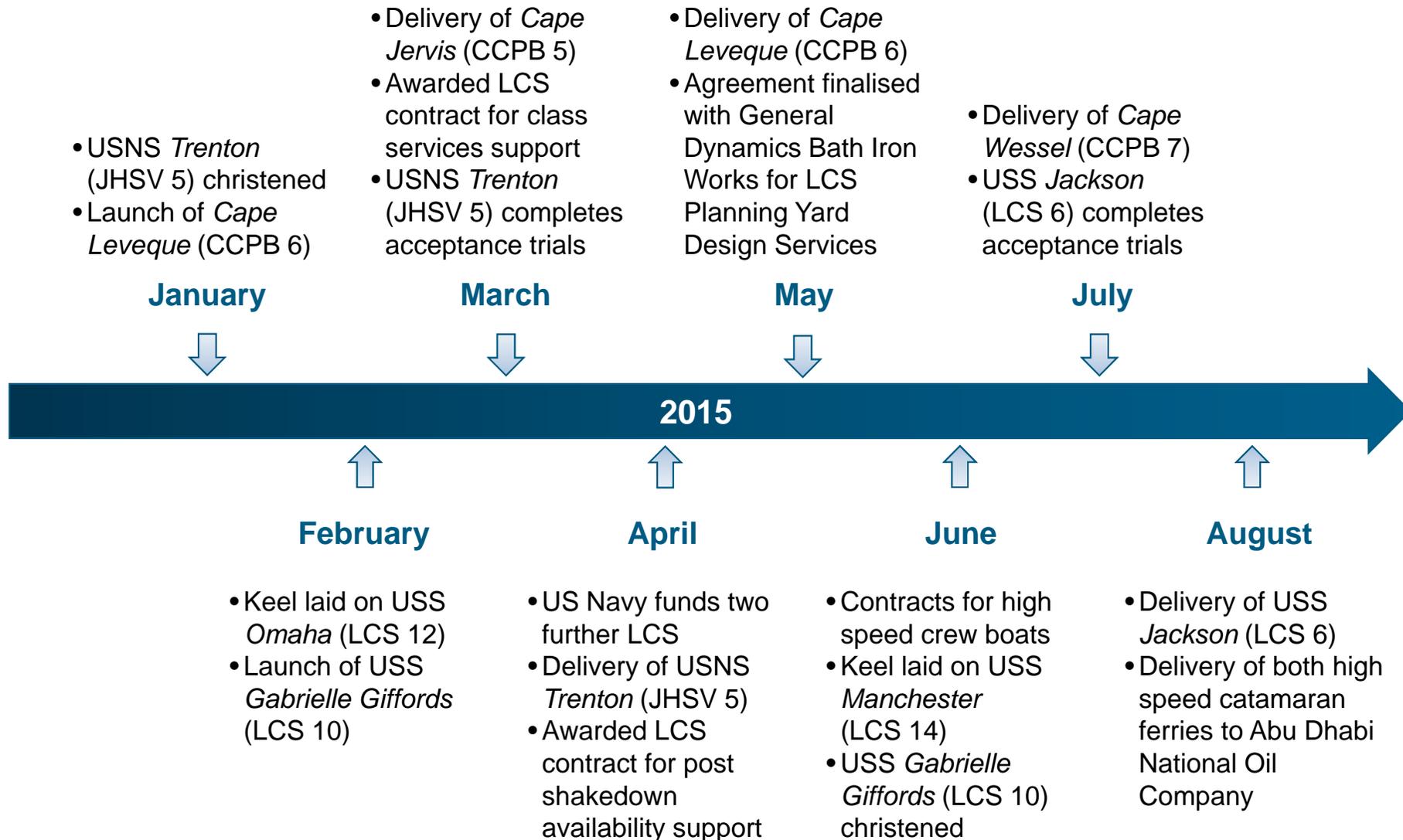
Order book



- Order book of \$3.1 billion secures revenue through CY2020, including:
 - **11 Littoral Combat Ships for US Navy**
10 funded, with 1 delivered, funding expected in FY2016 for eleventh vessel
 - **10 Joint High Speed Vessels for US Navy**
Fully funded, with 5 delivered
 - **8 Cape Class Patrol Boats for Australian Border Force**
Fully funded, with 7 delivered, plus through-life support
 - **2 High Speed Support Vessels for Royal Navy of Oman**
Fully funded
 - **Commercial vessels**
2 high speed catamaran crew boats



Progress across the business



US Navy – Littoral Combat Ship



- 10 ship contract awarded as prime contractor, worth US\$3.5 billion and additional 1 ship option
- Margin and schedule pressure on LCS 6, first in the block-buy contract. Austal implementing experience from LCS 6 to incrementally grow margin on subsequent vessels
 - LCS 8 preparing for trials in late CY2015
 - LCS 10 launched and christened
 - LCS 12, 14, 16 & 18 under construction
- LCS program expected to be 52 ships
 - Later ships (LCS 33 – 52) will be “upgunned” as future frigate



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 & 5 – delivered
 - JHSV 6 – launched & christened
 - JHSV 7, 8 & 9 – under construction
- US Navy interested in growing size and role of JHSV fleet (strong potential for program expansion), while variants are gaining traction in the Middle East
- Confident of extension to program beyond existing block buy – JHSV 11 funded by Congress (not yet contracted)



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

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 (can be exercised in CY2016), while JHSV 11 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 (formerly Australian Customs and Border Protection Service)
- Program has matured significantly, delivering significant efficiency gains that drove margin expansion
 - Delivered CCPB 1 to 7
 - 1 remaining vessel 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 is progressing well at Henderson shipyard
 - Completion of keel laying for both vessels in December 2014
 - Final vessel to be delivered in late CY2016
- Deployed with a similar mission to the JHSV program
- Strategy demonstrated 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

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.

Australian defence shipbuilding



Initiative	Impact on Austal
<p>Bringing forward the Future Frigate programme to replace the ANZAC class frigates from 2023 to 2020.</p> <p>The Future Frigates will be built in South Australia based on a Competitive Evaluation Process (CEP), which will begin in October 2015.</p>	<p>Variant of Austal's LCS a potential platform for future frigate. (Upgunned LCS soon to be classed as a frigate by US Navy)</p> <p>Early CEP provides early 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>Bringing forward construction of Offshore Patrol Vessels (SEA1180) to replace the Armidale class patrol boats by two years, with a continuous onshore build commencing in 2018 following a Competitive Evaluation Process.</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 • Capacity constraints in SA may limit construction to one class of vessel (future frigate) <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
- Completed customisation of Hull 270 and delivered wind farm vessel to Turbine Transfers
- Commenced construction on 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
 - Teamed with GD awarded Planning Yard services contract for the entire LCS fleet
- Australia transitioning 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 JHSV



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 JHSV 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 and work boats

Vessels

- Future frigate evolved from modified Littoral Combat Ship
- Joint High Speed Vessel for US Navy
- Patrol boats developed from experience with Bay, Armidale and Cape Class vessels
- Variant high speed support vessels developed from Westpac Express and JHSV
- Commercial vessels: potential new market for LNG-powered ferries and crew transfer vessels

Outlook



Margin improvement at US operations as lessons learnt from LCS 6 are applied – greatest effect to be on vessels at early stage construction

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

Best position Austal for Pacific Patrol Boat replacement, Future Frigate, and OPV, and seek extension of Cape Class Patrol Boat program

Target export opportunities from Australia shipyard through variant-style defence vessels

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

Net cash position by end of FY2016 to support growth opportunities and underpin dividends

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