

Macquarie Securities Australia Conference



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7 May 2015

Austal overview



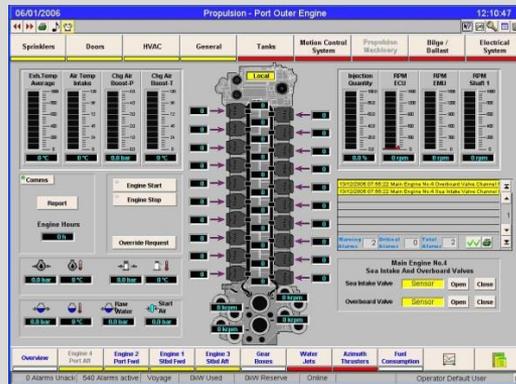
Founded in 1988 and listed on the Australian Stock Exchange in 1998, Austal is a leading defence prime contractor, specializing in the design, construction and maintenance of high performance vessels for defence and commercial purposes.

- Austal has a global footprint with strategically located shipyards and service facilities
- Austal comprises three product platforms: Ships • Systems • Support

Ships



Systems



Support



FY2015 H1 Financials

- **Revenue:** \$680.2 million
- **EBIT:** \$45.0 million (\$33.7 million underlying)
- **Cash:** \$118.0 million of operating cash flow with net cash position of \$15.6 million at 31 December 2014
- **Dividend:** Interim dividend of 1.0 cent per share fully franked

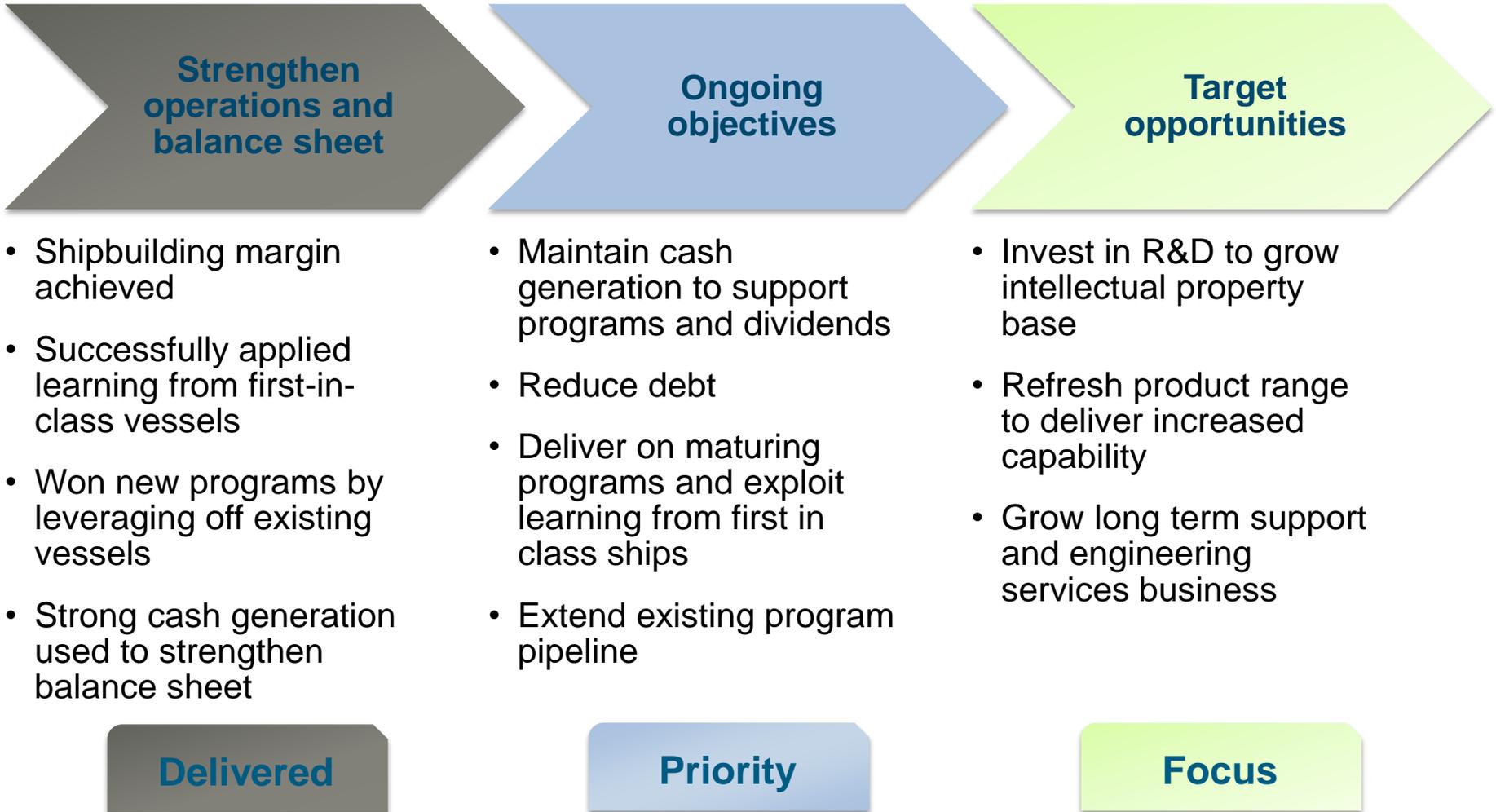
Operational

- **Diversity:** All business units grew revenue with Australia delivering significantly improved margin performance in H1
- **Order book:** \$3.0 billion, securing work through CY2020

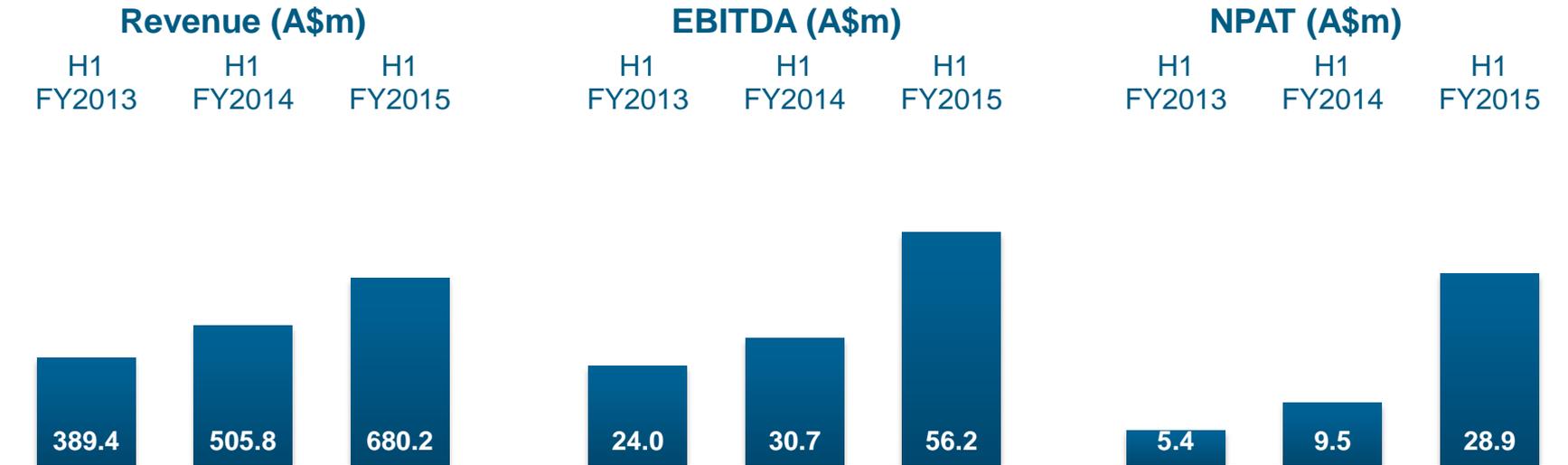
Outlook

- **Guidance:** FY2015 revenue guidance upgraded from \$1.2 billion to \$1.35 billion given consistently lower USD / AUD to date in H2
- **EBIT:** margin continues to be affected by schedule delay on LCS 6
- **Strategy:** leverage off vessel programs to grow pipeline with opportunities in the Middle East and Australia; invest in US support business

Objectives for sustained growth



Revenue and earnings growth



- Upgraded revenue guidance from \$1.2 billion to \$1.35 billion
- FY2015 H1 earnings included non-cash foreign exchange in relation to revaluation of intercompany loans

Financials



Earnings summary



Income statement	FY2015 H1 (A\$m)	FY2014 H1 (A\$m)	FY2013 H1 (A\$m)
Revenue	680.2	505.8	389.4
EBITDA	56.2	30.7	24.0
- Underlying	44.9	37.7	28.4
EBIT	45.0	18.7	12.6
- Underlying	33.7	25.7	17.0
NPAT	28.9	9.5	5.4
- Underlying	21.0	14.4	8.5

- Record revenue grew 34% over Prior Corresponding Period (PCP) driven by increased production throughput and favourable foreign exchange translation of USA and Philippines results
- Underlying EBITDA was \$44.9 million after excluding non cash foreign exchange gains from revaluation of intercompany loans
- EBIT margin increased from 3.7% PCP to 6.6%
- 57% reduction in net interest expense as balance sheet strengthened by debt reduction

Foreign exchange considerations



Hedging policy

- Austal hedges 100% of committed foreign currency exposures including cost inputs and contracted receipts
 - Volatility in exchange rates has no impact on contracted projects

Competitiveness

- Appreciation of the USD increases competitiveness
 - Reduces the cost of foreign inputs in the USA for future contracts
 - Reduces price of Australian exports

Profit translation

- Appreciation of the USD increases profit translation to AUD
 - FY2015 H1 effective translation rate was 0.8725 due to time phasing of earnings

Inter-company loans

- USD 64.4 million of USD inter-company loans to USA
 - FY2015 H1 non cash mark to market EBIT benefit of \$11.3 million
 - Considering conversion of inter-company debt to equity

Cash and debt

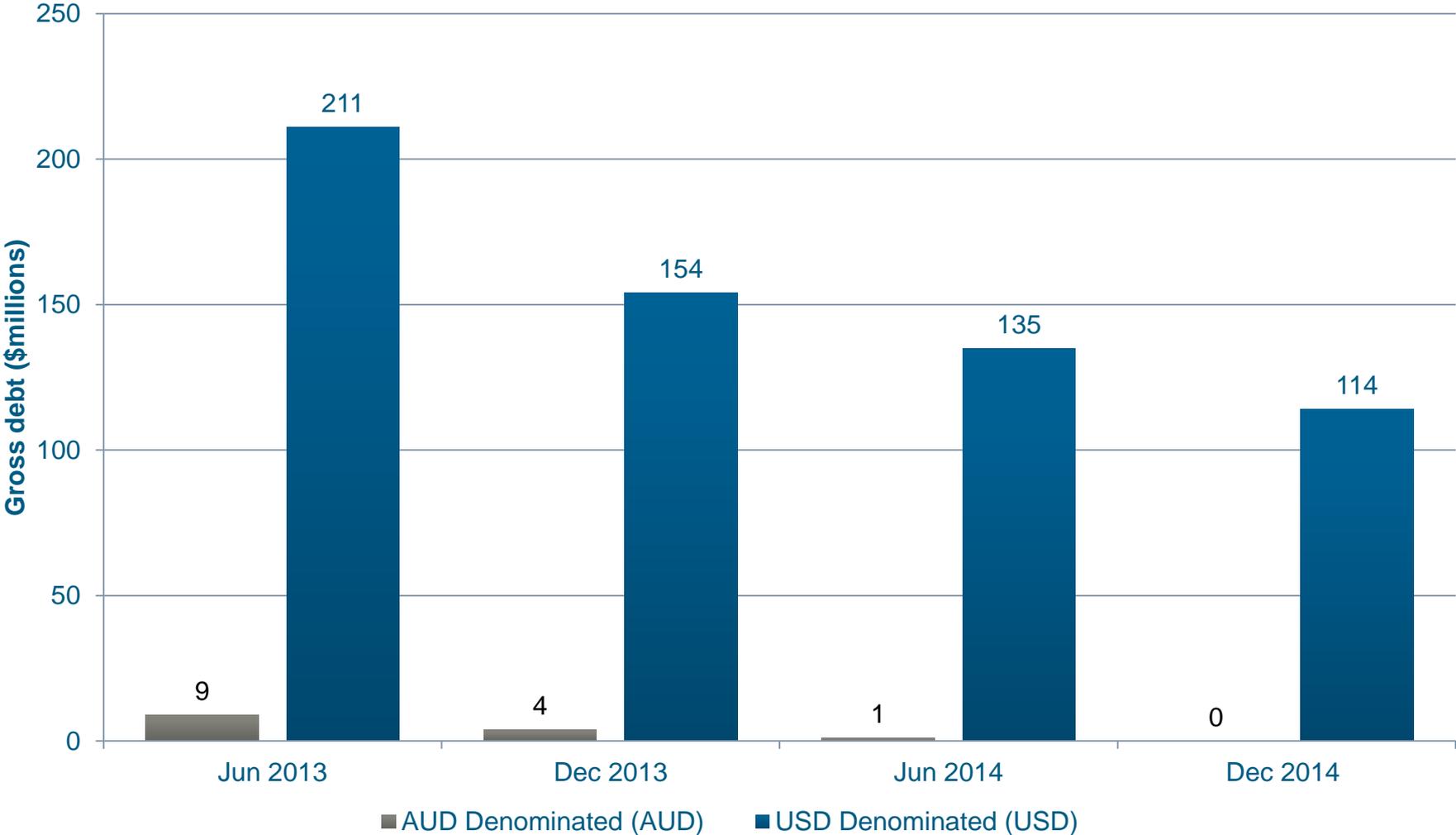


Cash flow	FY2015 H1 (A\$m)	FY2014 H1 (A\$m)	FY2013 H1 (A\$m)
Operating	118.0	43.6	(20.9)
Investing	(3.6)	(2.0)	(6.6)
Financing	(38.4)	(34.2)	86.5
Net increase	76.0	7.4	59.0

- Operating cash flow was 170% higher than the PCP
- Finalisation of the sale of Hull 270 contributed \$54.1 million to operating cash flow
- Significant repayment of debt
- \$84.2 million improvement in net debt / cash to close the period in a net cash position
- Austal does not expect to consistently maintain a net cash position due to timing differences between progress payment profiles on vessel contracts and cash costs of construction

Cash / (debt)	Dec 2014	June 2014	Dec 2013
Net cash / (debt)	15.6	(68.6)	(100.3)

Discipline in long-term debt reduction



Segment breakdown (FY2015 H1)



	(\$m)	Ships	Systems	Support	Other ¹	Total
USA	Revenue	400.8	80.4	17.2	-	498.4
	EBIT	31.4	1.2	(1.6)	(3.6)	27.4
	EBIT Margin%	7.8	1.5	(9.7)	-	5.5
Australia	Revenue	87.8	-	22.2	-	110.0
	EBIT	11.8	-	2.9	(0.2)	14.5
	EBIT Margin%	13.4	-	13.1	-	13.2
Philippines	Revenue	14.9	-	5.4	-	20.3
	EBIT	1.6	-	0.3	-	1.9
	EBIT Margin%	10.5	-	6.0	-	9.3

- **Ships:** Margins within or exceeding target range with very strong performance in Australia
- **Systems:** USA sub-contracts most system integration activity at low margin
- **Support:** Australia margin normalised. USA impacted by write-down of obsolete parts

¹ unallocated overhead targeting growth

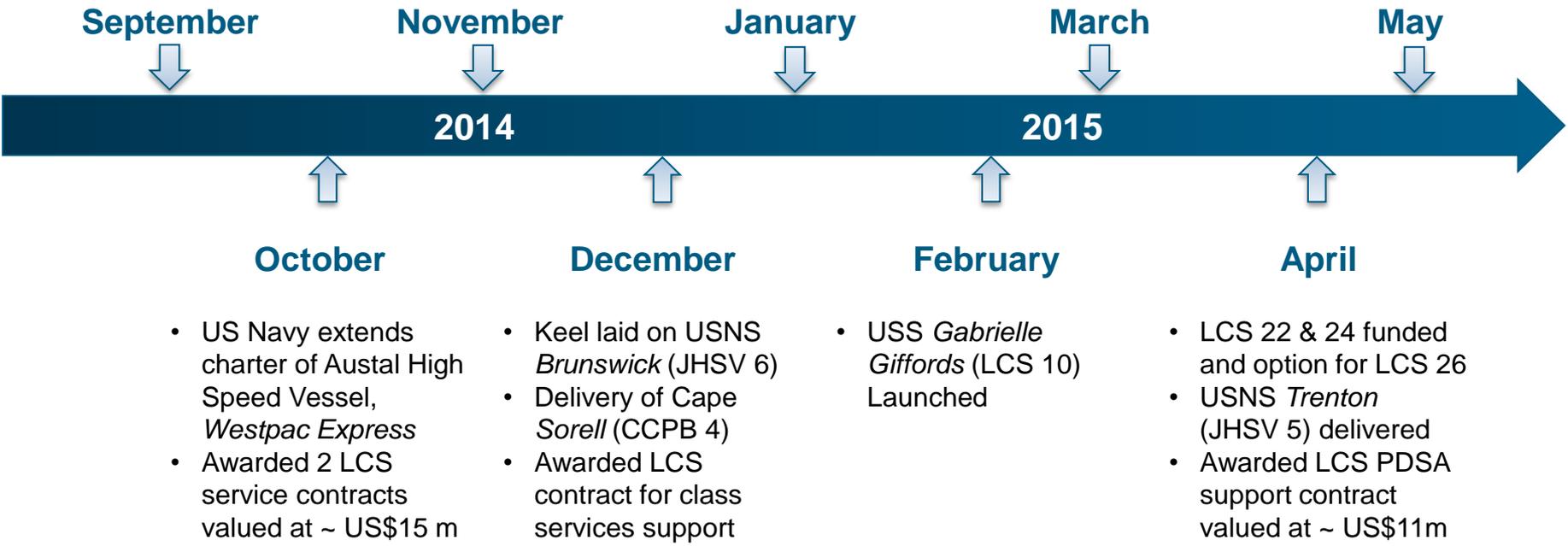
Operations update



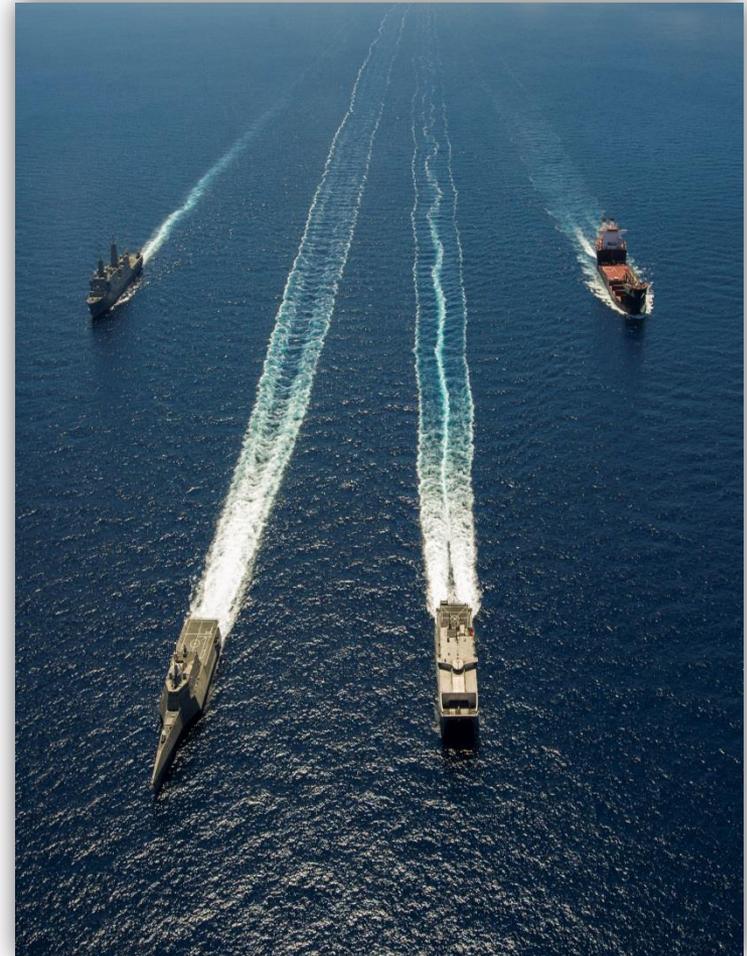
Progress across the business



- Cape *Nelson* (CCPB 3) delivered to the Australian Customs and Border Protection Service
- USNS *Fall River* (JHSV 4) delivered to US Navy
- USS *Montgomery* (LCS 8) christened
- Cape *Nelson* (CCPB 3) officially named
- USNS *Trenton* (JHSV 5) christened
- Launch of Cape *Leveque* (CCPB 6)
- Interim dividend paid
- Dividend reinvestment plan introduced
- USNS *Trenton* (JHSV 5) completed acceptance trials
- Cape *Leveque* (CCPB 6) delivered to the Australian Customs and Border Protection Service



- Order book of \$3.0 billion as at 30 April 2015 secures revenue through CY2020, including:
 - **10 Littoral Combat Ships for US Navy**
10 funded and an option for an additional ship in CY2016
 - **10 Joint High Speed Vessels for US Navy**
Fully funded, with 5 delivered out of 10, in discussions for JHSV 11
 - **8 Cape Class Patrol Boats for Australian Customs and Border Protection**
Fully funded, with 6 delivered (out of 8 vessel contract), plus through-life support
 - **2 High Speed Support Vessels for Royal Navy of Oman**
Fully funded, construction commenced this year
 - **Commercial vessels**
2 high speed catamaran ferries



US Navy – Littoral Combat Ship

- 10 ship contract awarded as prime contractor, worth US\$3.5 billion – all 10 fully funded, and an option for an additional ship in CY2016
- Transition to prime contractor
 - LCS 6 undergoing sea trials – delivery expected in July
 - Schedule pressure on LCS 6 has caused margin impact, with some flow on to LCS 8
 - Program maturing
- LCS program expected to be 52 ships
 - Later ships will be “upgunned” as future frigate
 - Dual source acquisition strategy likely to continue



US Navy – Joint High Speed Vessel



- 10 ship award to Austal valued at US\$1.6 billion (fully funded)
- Program progressing well – matured into a phase of efficient production and predictable delivery
 - JHSV 1 - 5 – delivered
 - JHSV 6 - 8 – under construction
- Performance is generating interest in the US (strong potential for program expansion), while variants are gaining traction in the Middle East
- Potential for JHSV 11 to be awarded in CY2015



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 for additional work

US Navy confirmed intent to upgrade LCS beyond ship 32 as future frigate

LCS and future frigate program expected to be 52 ships – rate of acquisition will be decided by Congress, LCS 26 option is a good sign

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 Customs and Border Protection Service
- Program has matured significantly, with efficient productions driving margin growth
 - Delivered CCPB 1 - 6
 - Remaining vessels all under construction
 - Exploring potential for program extension
- 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
 - 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



Philippines

- \$30 million contract from the Abu Dhabi National Oil Company to design and construct two 45 metre high speed catamaran ferries
- Completed contract for customisation of Hull 270 worth ~\$6 million
- 21 metre windfarm vessel delivered to Turbine Transfers in October 2014
- Small components supply to Australian operations
- New contract required in near term to ensure follow on work



Systems and Support

- Austal has established a global footprint, strategic partnerships and the IP to provide through life support for defence vessels
- Australian support business delivering consistent performance
- US support business growing but ongoing investment needed
 - Finalising work share agreement with GD - BIW under LCS Planning Yard contract already awarded
 - 3 additional LCS service contracts awarded in FY2015
 - LCS sustainment execution contract awarded to GD – NASSCO





United States

- Leverage off learning from first in class vessels
- Augment contracts with service and support work
- Extend pipeline beyond existing contract awards

Australia

- Maturing of Cape Class Patrol Boat program
- Target construction and support opportunities in defence vessels for export markets
- Develop home market strategy towards future Navy programs

Philippines

- Build commercial shipbuilding capability to position Austal for market opportunities
- Establish design capability
- 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



- Pursuing opportunities to grow order book and secure additional long-term revenue

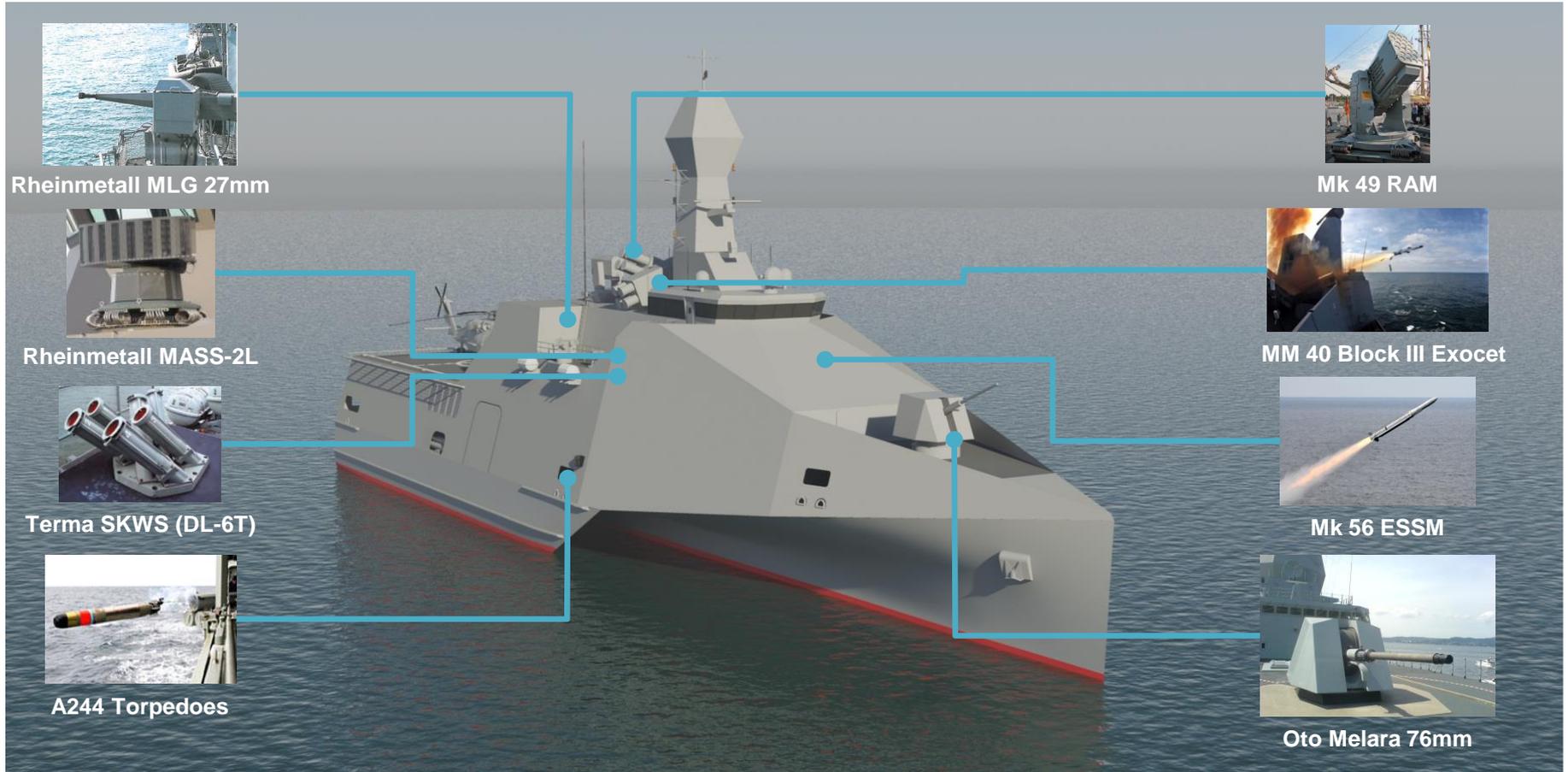
Target markets

- **US:** potential to extend existing LCS and JHSV programs
- **Australia:** replacement of Navy vessels including patrol boats and future frigates
- **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
- Patrol boats developed from experience with Bay, Armidale and Cape class vessels
- 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



FY2015 Revenue guidance upgraded from \$1.2 billion to \$1.35 billion given consistently lower USD / AUD in H2

Net debt projected to increase at year end due to higher translation of USD gross debt and consumption of cash from progress payments in advance

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

LCS 6 progressing to delivery in July, US shipbuilding margin impacted by delay with some flow-on to LCS 8

Prudent cash management to ensure appropriate capital structure supported by refinancing in CY2015

Investing in marketing and R&D of new defence products to support identified opportunities and grow US support business

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