

FY2018 Full Year Results



30 August 2018
David Singleton, Chief Executive Officer
Greg Jason, Chief Financial Officer

Financial Headlines

		YEAR ON YEAR CHANGE	
• EBIT	\$65 m	43%	↑
• NPAT	\$39 m	154%	↑
• Dividend	3 ¢ per share	50%	↑
• Operating Cash Flow	\$66 m	up \$104 m	↑
• Net Cash ¹	\$34 m	up \$15 m	↑

1. Excludes Capes 9 & 10 operating lease

2018 Key Facts



\$1.39B
REVENUE



~ \$3.0 B
ORDER BOOK



16
NEW SHIPS
ORDERED



48
SHIPS UNDER
CONSTRUCTION
OR SCHEDULED



5
SHIPS
DELIVERED



5,250
EMPLOYEES



4

SERVICE CENTRES



32

VESSELS UNDER
SUSTAINMENT OR
REFURBISHMENT



5 SHIPYARDS

Operational Highlights



- USA Business performing ahead of expectations:
 - Shipbuilding margin increased from 6.8% to 8.6%.
 - 4 Vessels delivered in year.
 - 3 LCS and 1 EPF in US 2018 Federal defense budget.
- Commercial Ferry Market growing fast:
 - \$420 million new orders (Total order book \$444 million).
 - Commercial revenue will double in FY2019.
 - Significant investment in new vessel designs.
 - Expanding Asian capacity four fold.
- Asia and Australia on track for FY2019 profitability.
- Double digit Support growth maintained. Revenue now over \$200 million pa.
- Order Pipeline remains very strong:
 - Commercial ferry order pipeline remains strong.
 - Trinidad and Philippines have announced intention to purchase Austal Defence vessels.

FY2018 Financials



Earnings

\$ m	FY2018	FY2017	Change
Revenue	\$ 1,392.0	\$ 1,310.1	\$ 81.9
EBITDA	102.3	77.1	25.2
EBIT	65.0	45.5	19.5
NPAT	39.0	15.3	23.7
EPS (cents)	11.3	4.4	6.9

- Operating Revenue increased across all shipyards (pre FX impact).
- Significant increase across all profit measures, driven by strength of USA earnings.
- USA shipbuilding results exceeded guidance.
- Effective accounting tax rate ~ 31% (cash rate of ~ 12%).

Segment breakdown

\$m	Concept	Ships	Systems	Support	Other	Total
USA	Revenue	\$ 855.1	\$ 173.0	\$ 134.6	\$ -	\$ 1,162.6
	EBIT	72.4	4.9	8.7	(3.0)	83.0
	EBIT Margin %	8.5%	2.9%	6.4%	-	7.1%
Australia	Revenue	\$ 123.5	\$ -	\$ 75.0	\$ -	\$ 198.5
	EBIT	(10.9)	-	4.3	-	(6.7)
	EBIT Margin %	(8.8%)	-	5.7%	-	(3.4%)
Asia	Revenue	\$ 57.9	\$ -	\$ -	\$ -	\$ 57.9
	EBIT	(1.6)	-	-	-	(1.6)
	EBIT Margin %	(2.8%)	-	-	-	(2.8%)

USA: Shipbuilding margin exceeded upper end of guidance range, Support Revenue continued to grow and EBIT excludes some award fees not assessed by the customer at year end.

Australia: Volume impacted by DPV outcome, GCPB with zero profit take up in FY2018, as planned. Support strong considering the negative influence of onerous CCPB sustainment contract.

Asia: Philippines EBIT of \$(0.3) m, Vietnam start-up costs expensed \$(1.2) m. Philippines throughput constrained by infrastructure, expansion in progress in both countries, will double revenue in FY2019.

USA shipbuilding margin reporting

- FY2019 Accounting changes required under AASB 15 will result in the Ships and Systems components being combined.
- FY2018 & FY2017 results have been recalculated to provide a comparative for future reporting periods.
- FY2018 7.5% is a weighted average of Ships (8.5%) and Systems (2.9%) from the prior slide.

\$m	Concept	Ships	Support	Other	Total
FY2018	Revenue	\$ 1,028.0	\$ 134.6	\$ -	\$ 1,162.6
	EBIT	77.3	8.7	(3.0)	83.0
	EBIT Margin %	7.5%	6.4%	-	7.1%
FY2017	Revenue	\$ 1,049.1	\$ 123.0	\$ -	\$ 1,172.1
	EBIT	62.2	16.3	(2.4)	76.1
	EBIT Margin %	5.9%	13.3%	-	6.5%
B/(W)	Revenue	\$ (21.0)	\$ 11.6	\$ -	\$ (9.4)
	EBIT	15.1	(7.6)	(0.5)	7.0
	EBIT Margin %	1.6%	(6.8%)	-	(73.9%)

Cash flow

\$ m	FY2018	FY2017	Change
Operating	\$ 65.6	\$ (37.9)	\$ 103.5
Investing			
Sustaining	\$ (15.0)	\$ (10.7)	(4.3)
Enhancing	(15.9)	-	(15.9)
CCPB 9 & 10	(3.0)	(42.8)	39.8
Financing			
Debt	\$ (9.2)	\$ (13.5)	4.2
CCPB 9 & 10	-	38.1	(38.1)
Dividends	(12.8)	(12.3)	(0.5)
FX differences	1.8	5.2	(3.4)
Net Cash Flow	\$ 11.6	\$ (73.8)	\$ 85.4

Cash	Jun 2018	Jun 2017	Change
Cash @ bank	\$ 162.0	\$ 150.5	\$ 11.6
Net cash	\$ 33.9	\$ 19.3	\$ 14.6

Operating:

- Significant operating cash flow.
- Strong EBITDA conversion.

Investing:

- Sustaining capex in typical range of \$[10] – [15] million.
- Enhancing capex includes \$[9.8] m acquisition of ElectraWatch and \$[5.2] m expansion of Philippines.

Financing:

- GZB & lease debt reduction.
- Dividends net of DRP.

Closing cash:

- Strong closing cash position.
- Higher net cash excluding CCPB 9 & 10 debt.
- Supports 3 cps final dividend.

Net Cash / (Debt)



Business Priorities 2019

Develop **US market**

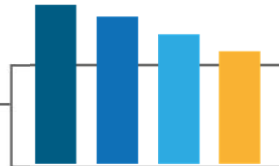


EPF Variant | FFG(X)

Complete **Philippines expansion**
and **Vietnam set up**



Group wide **cost efficiency**



Harness productivity gains
across business

Continued investment in
product development



Auto Express 94 & 109 and
MARINELINK-Smart



FY2019 Guidance

Revenue of \$1.3 – 1.4 billion USA Margin (new combined method) 7-8%

Defence

- 1 or 2 LCS from 2018 US fiscal budget.
- 1 EPF from 2018 US fiscal budget.
- Trinidad have announced intent to purchase 2 Cape Class Patrol Boats.
- Philippines have announced intent to purchase OPVs.

Group

- Expect cash generation to be similar to FY2018.
- Effective tax rates similar to FY2018.

Commercial

- Commercial vessel order pipeline continues to be strong. Capacity expansion in Asia will be fully functional by FY2019 H2 although start up risks for both sites remain.
- 8 vessels in construction excluding China.
- Australia revenue flat but return to profit.
- Asia revenue to double.

Support

- Continued Naval support growth.
- Expansion in San Diego for LCS.
- Armidale support complete.
- GCPB support starts late FY2019.
- CCPB support performance remains concerning.



Business Overview



Ships in Construction

DEFENCE



Littoral Combat Ship (LCS)
US Navy
 LCS 12 Commissioned
 LCS 14 Delivered
 LCS 16 Delivered
 LCS 18, 20 Launched
 LCS 22, 24, 26, 28 Under Construction



Expeditionary Fast Transport (EPF)
US Navy
 EPF 9 Delivered
 EPF 10 Launched
 EPF 11, 12 Under Construction



Guardian Class Patrol Boat (GCPB)
Commonwealth of Australia
 GCPB 1 Launched
 GCPB 2-4 Under Construction
 GCPB 5-21 Scheduled



COMMERCIAL



50m Passenger Ferry
Seaspovill
 Hull 416 Delivered



42m Passenger Ferry
Blue Sea Jet
 Hull 880 Delivered
 1 x Scheduled



56m Passenger Ferry
FRS Heigoline
 Hull 418 Delivered



30m Passenger Ferry
VS Ferries Corporation
 Hull 420 Launched



109m Passenger and Vehicle Ferry
Molslinjen
 Hull 393 Under construction



109m Passenger and Vehicle Ferry
Fjord Line
 Hull 419 Under construction



117m Passenger and Vehicle Ferry
Fred Olsen S.A
 Hull 394 Scheduled
 Hull 395 Scheduled



83m Passenger Ferry
JR Kyushu Jet Ferry
 Hull 396 Scheduled



50m Passenger Ferry
Bravellne
 Hull 680 Under Construction
 Hull 681 Scheduled



49m Passenger Ferry
SNC Aremiti
 Hull 421 Scheduled



42m Passenger Ferry
Xidao Dazhou Tourism Co Ltd
 4 x Scheduled



Support



SAN DIEGO & SINGAPORE



\$134m

Turnover LCS and EPF support contracts FY2018



HENDERSON, DARWIN & CAIRNS



\$75m

Turnover support contracts FY2018



Sustainment & Refurbishment



Cape Class Patrol Boat

10



Armidale Class Patrol Boat

6



Littoral Combat Ship

7



Expeditionary Fast Transport

9



100+

Active MARINELINK installations on in-service vessels in FY2018



Shipyards



MOBILE



Only foreign
Prime Contractor
designing, building
and sustaining
ships for the US
Navy



5th Largest
shipyard in the
USA

Largest employer
in Mobile,
Alabama

FFG(X)



One of only 5
shipbuilders selected
by the US Government
to develop a Guided
Missile Frigate FFG(X)
Concept Design



HENDERSON



NAVAL BASE



Molslinjen High Speed Ferry



28%

Improvement in
production efficiency
compared to CY2017



3.4x

Increase in design
resources in FY2018



Suppliers
Australia-wide

21 Guardian Class Patrol Boats (GCPBs)



New steel construction
facility for Pacific Patrol
Boat Replacement
Program

13 Pacific Island Nations



The first GCPB was
launched in May 2018.

GCPB Sustainment 2018-2023



New Cairns office and
support centre opened in
CY2017 to service GCPBs



BALAMBAN



3x

2018 shipbuilding capacity
when shipyard expansion
complete in 2019



500

Workers in 2018

1000

Estimated by 2020

15

vessels
delivered to

8

customers
worldwide since

2012



VUNG TAU



New Austal Vietnam shipyard announced for Vung Tau, providing additional shipbuilding capacity to meet growing international order book



72

Workers in 2018

650

Estimated by 2020



AULONG



In 1990 Austal delivered the fast ferry *Dokdo Sarang Ho* to Chinese operator Nantong High Speed Ship Company.

In 2018 we continue this history as the Aulong - Austal Joint Venture, recognising the strong demand in the Chinese fast ferry market.



6

Vessels in build in 2018



1

42 metre catamaran delivered in FY2018

Strategy and Outlook



Commercial Ferry Market Overview

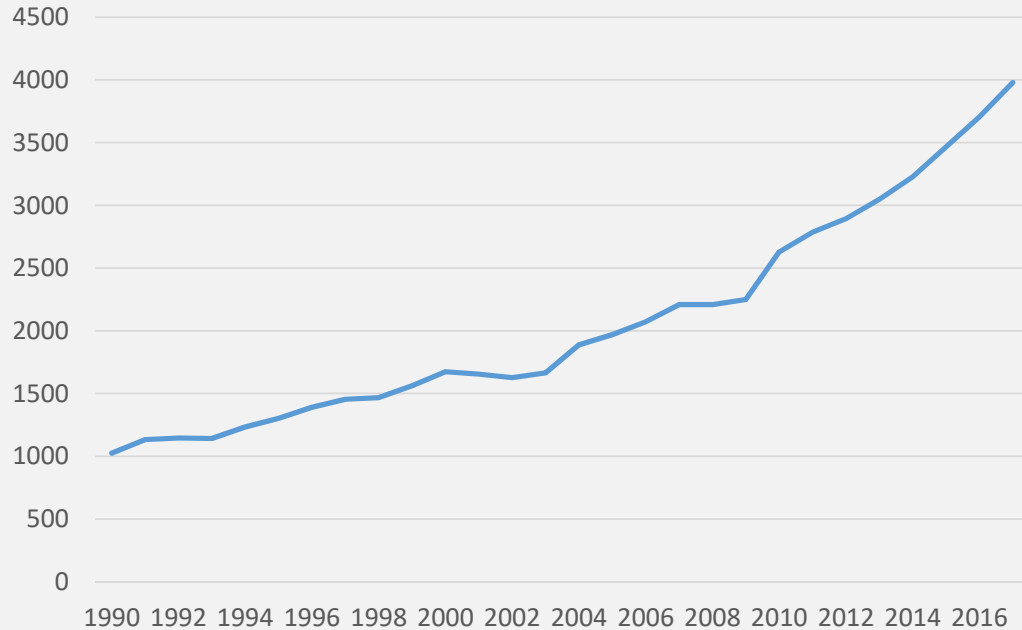


1. Austal's core market of commercial ferries has entered a period of likely sustained growth based on the need to replace old vessels and the growth of new routes.
2. Austal has invested in major capacity expansion and new modern vessel designs early in the cycle and is in a position to deliver into this market.
3. Austal remains highly differentiated in its core aluminium high speed market.

Global passenger transport sector is strong. Intra-European travel a leading indicator of ROPAX ferry demand.

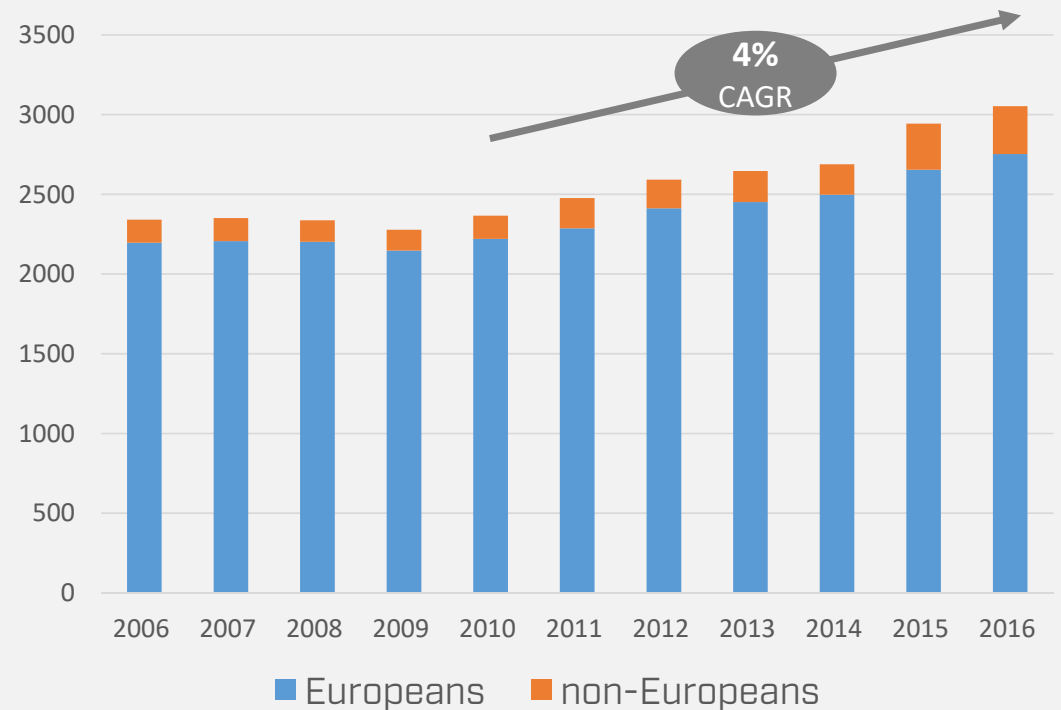
Growth in global air-travel is accelerating year on year, with negligible impact from high oil prices or recessions

Passengers carried, worldwide by airlines
millions



In Europe, local Europeans make up more than 90% of all tourist destination travel, growing at 4% CAGR²

Nights stayed in European tourist destinations, millions

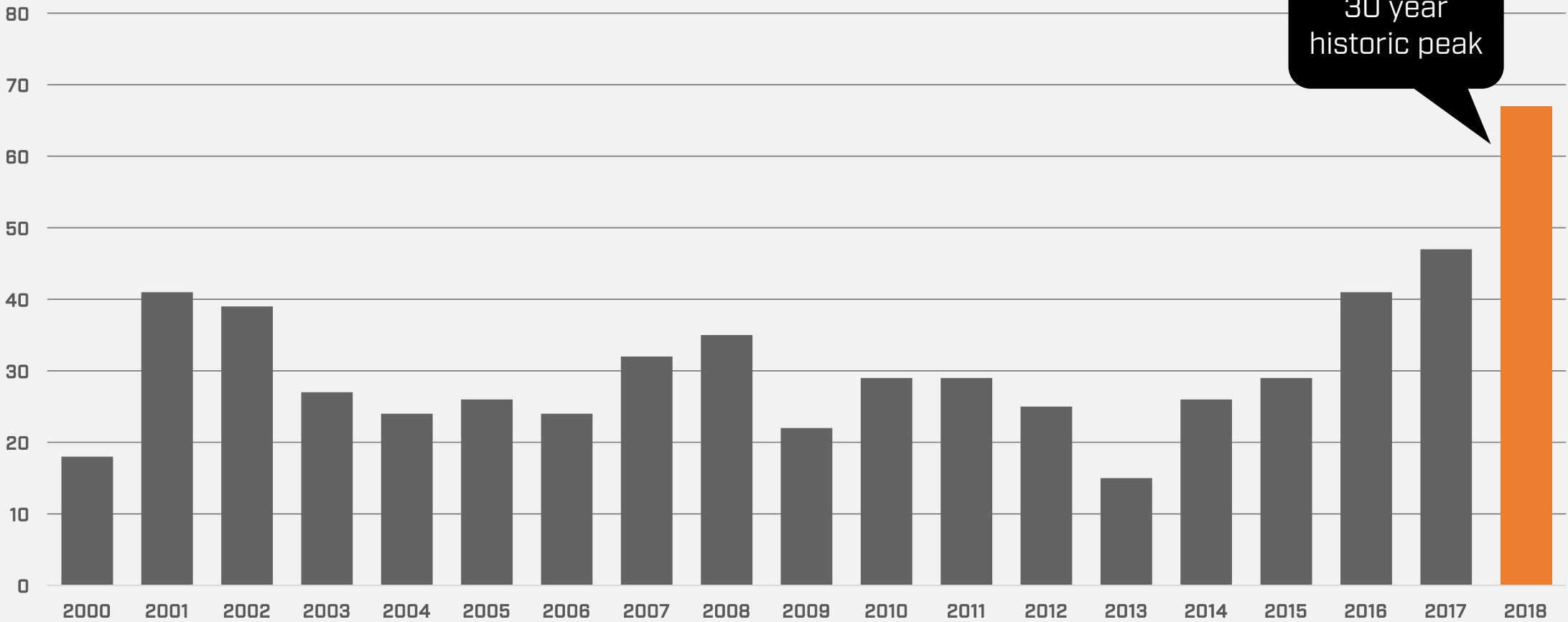


1. World Bank compilation of International Civil Aviation Organization, Civil Aviation Statistics of the World and ICAO staff estimates
2. Eurostat

Conventional large ferry construction market is running at record levels of activity, globally.

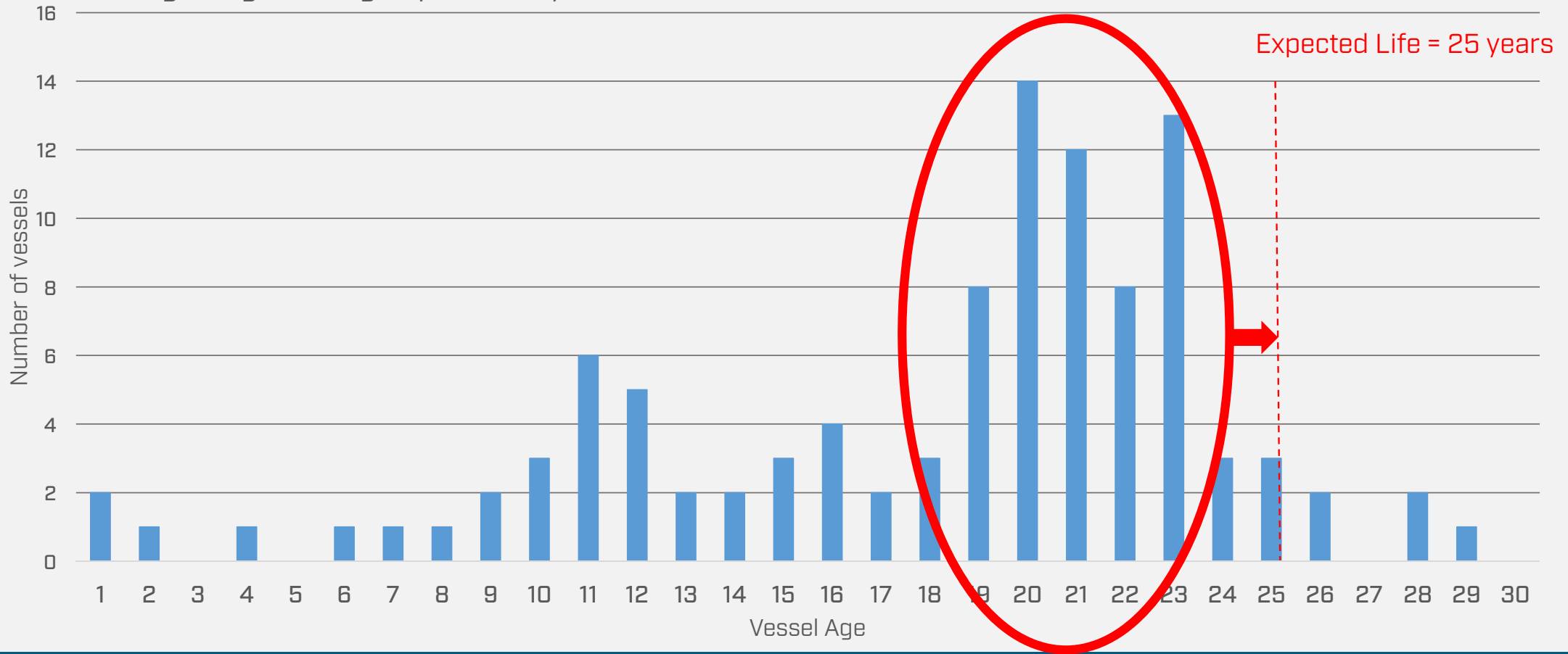
New build orders per year [Vessels >70m]

30 year historic peak



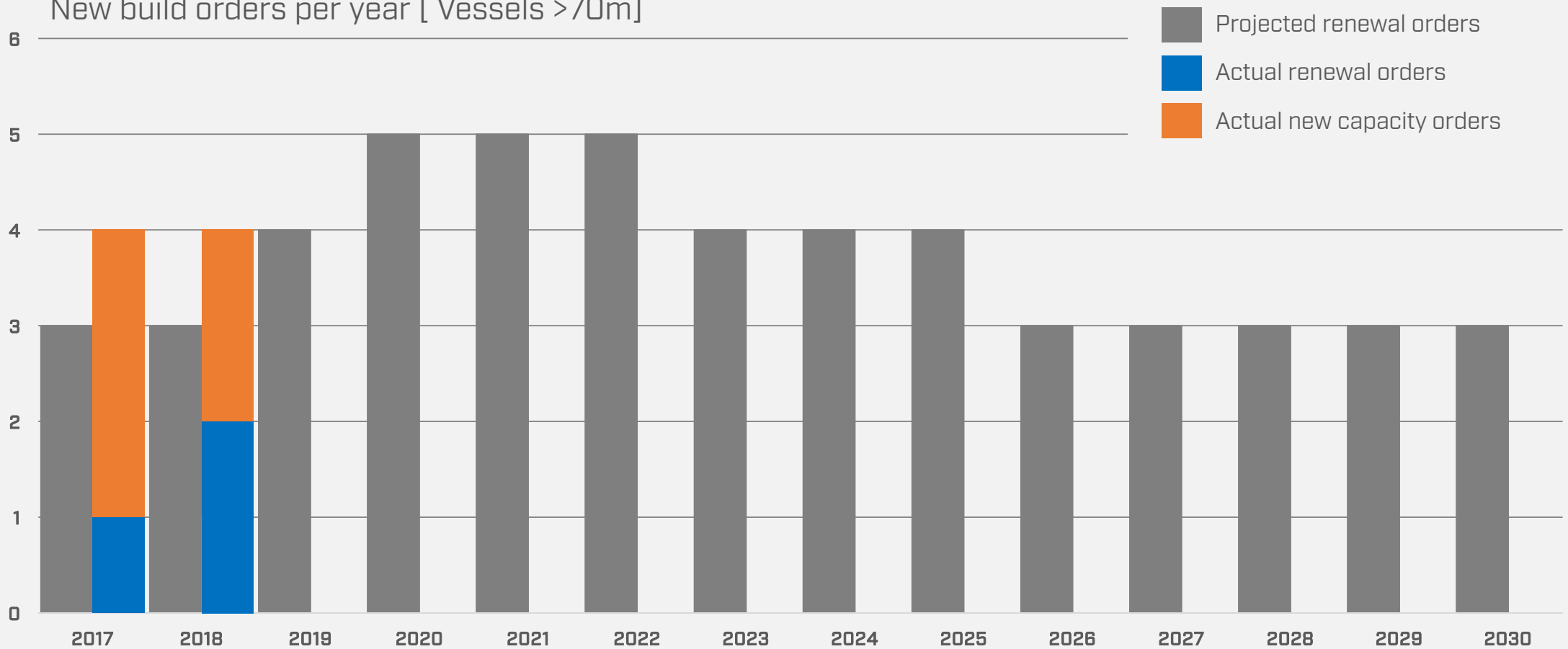
Global high speed ferry replacement market is now underway, but yet to hit its peak

Age of global high speed ferry fleet (vessels >70 metres)

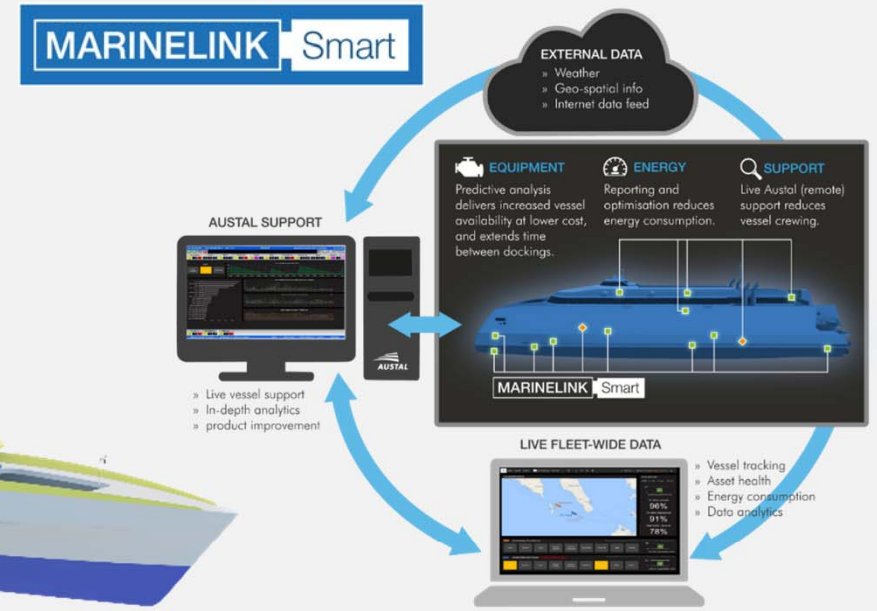


New build market for large high speed ferries is exceeding Austal projections, due to operators adding new capacity and routes.

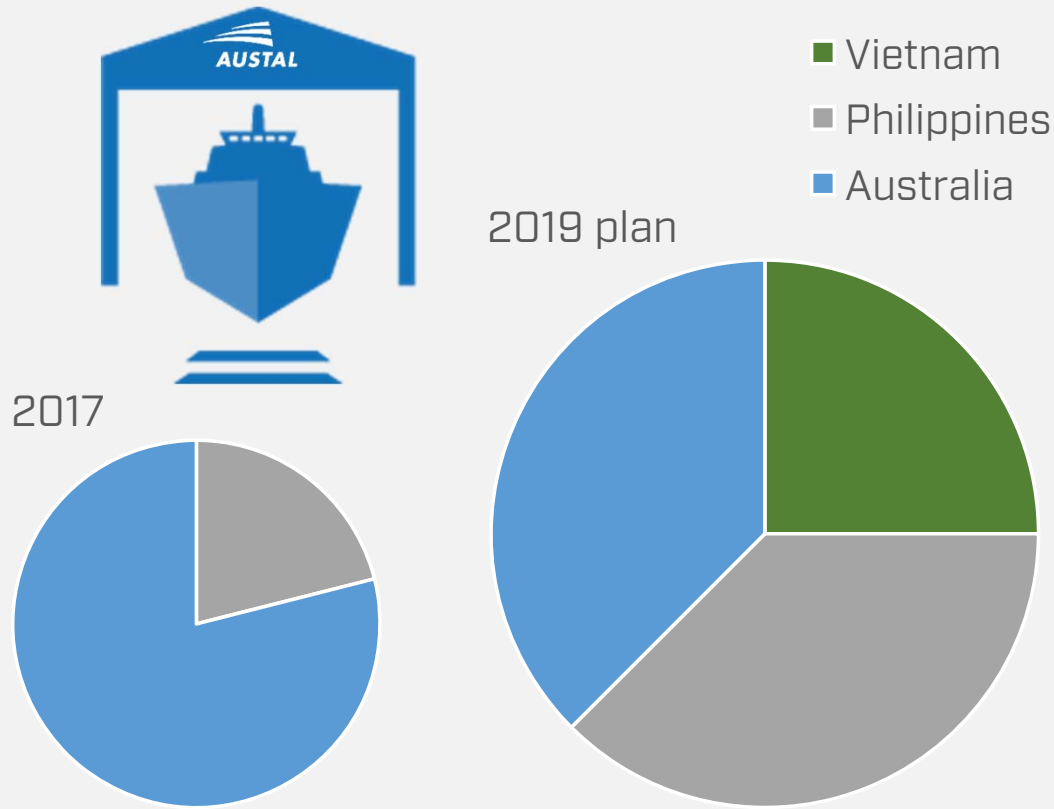
New build orders per year [Vessels >70m]



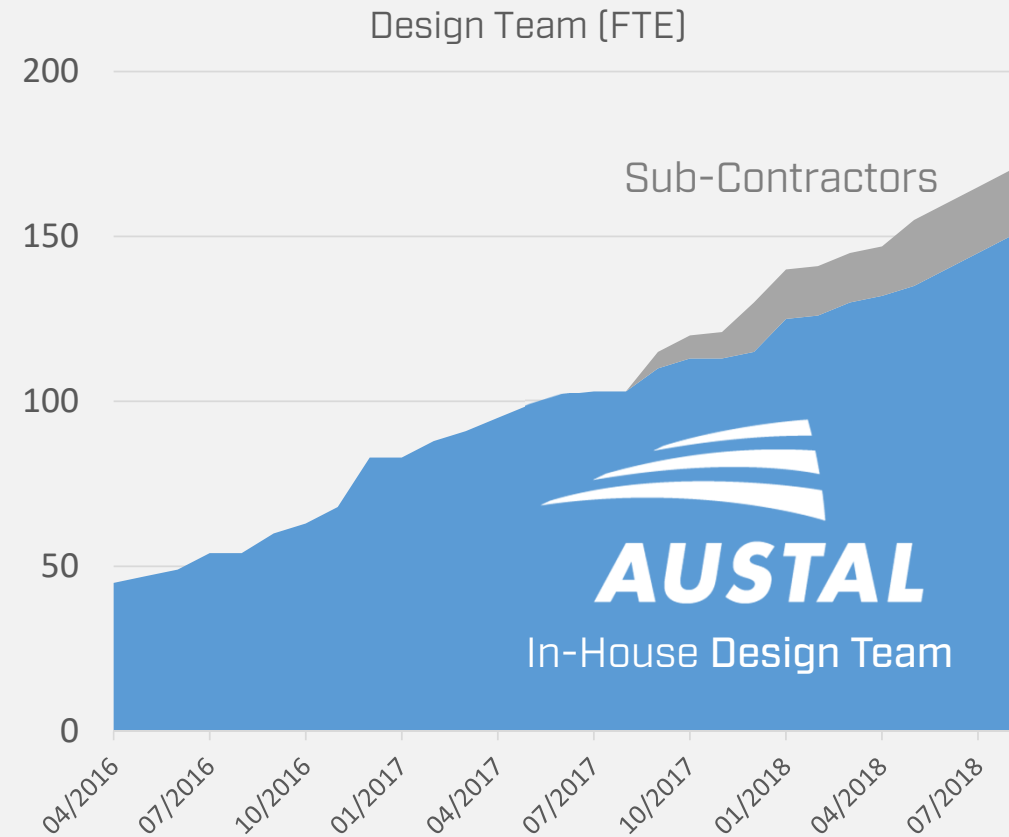
Austal's technology differentiation is evident in new vessel sales; unique trimaran hull-forms paired with next generation Marinelinek



Austal has rapidly expanded yard capacity [X4] and in house design capacity at Henderson has grown to match.



Build Capacity : Approximate tonnes of Aluminium per annum*



* circle sizes for indicative purposes only

Defence Market Overview

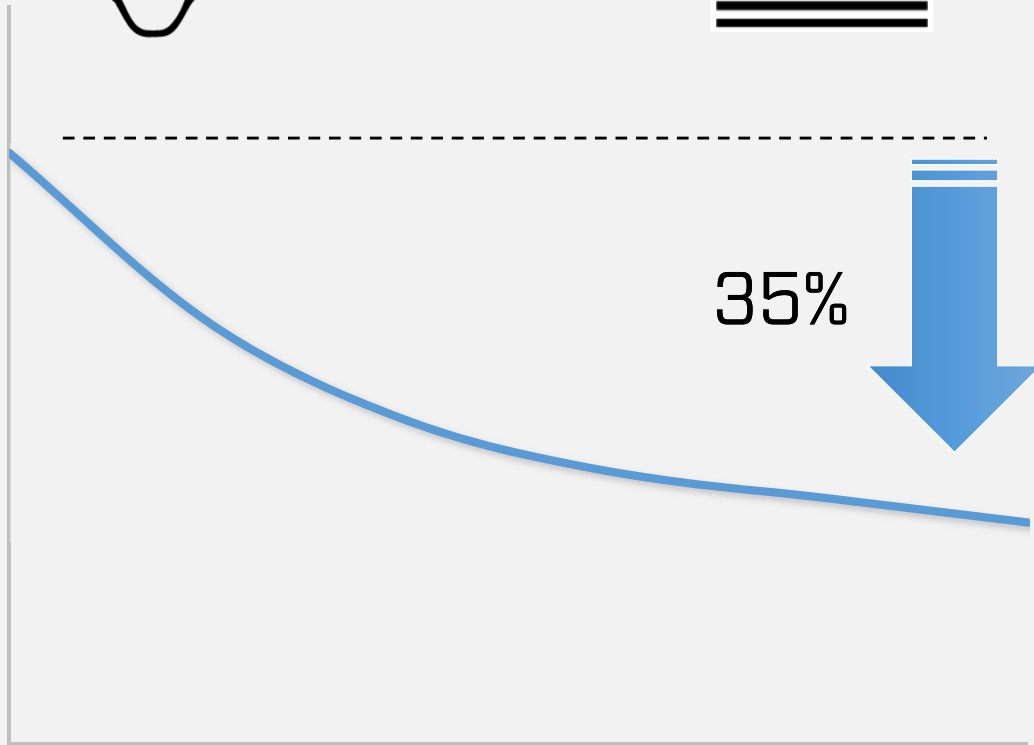
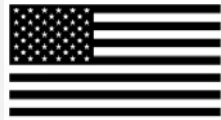


1. The core LCS and EPF programs in the US continue to improve in productivity and delivery velocity, providing healthy foundation for Group profitability.
2. Austal's performance is reflected in the strengthening order book and naval opportunity pipeline, both in the US and exports from Australia.
3. As the operational fleet of Austal designed and built naval vessels steadily increases, income from sustainment activity is growing in parallel.

USA build efficiency has improved dramatically on both LCS & EPF and led to a step change in delivery velocity



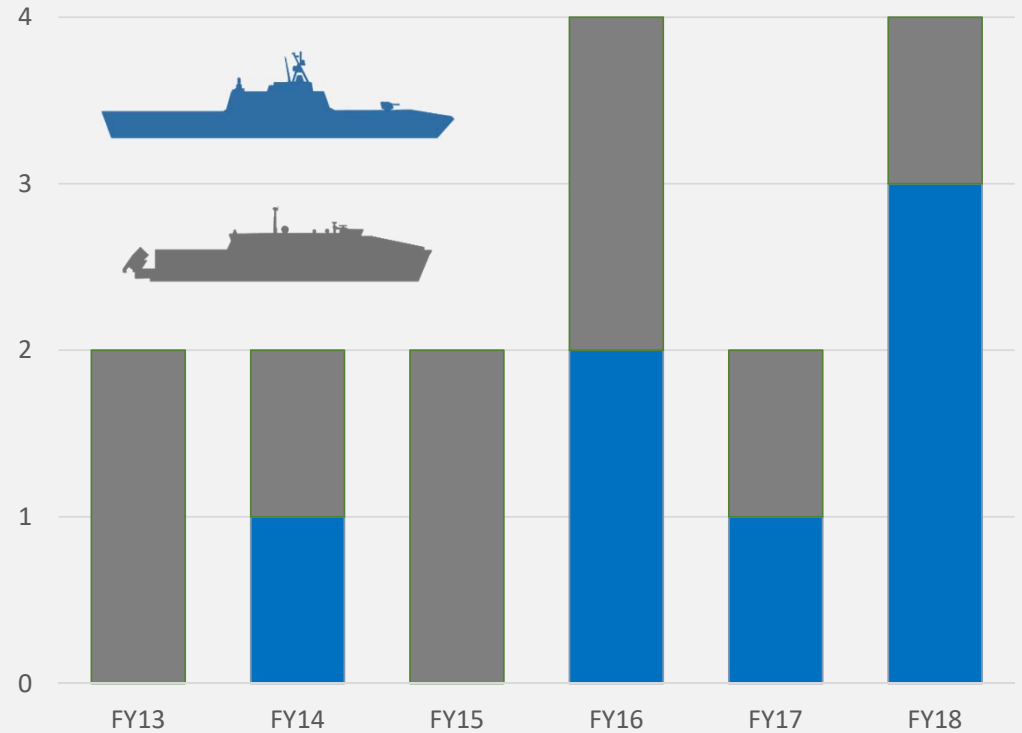
Labour hours per vessel



Deliveries by Year, LCS & EPF

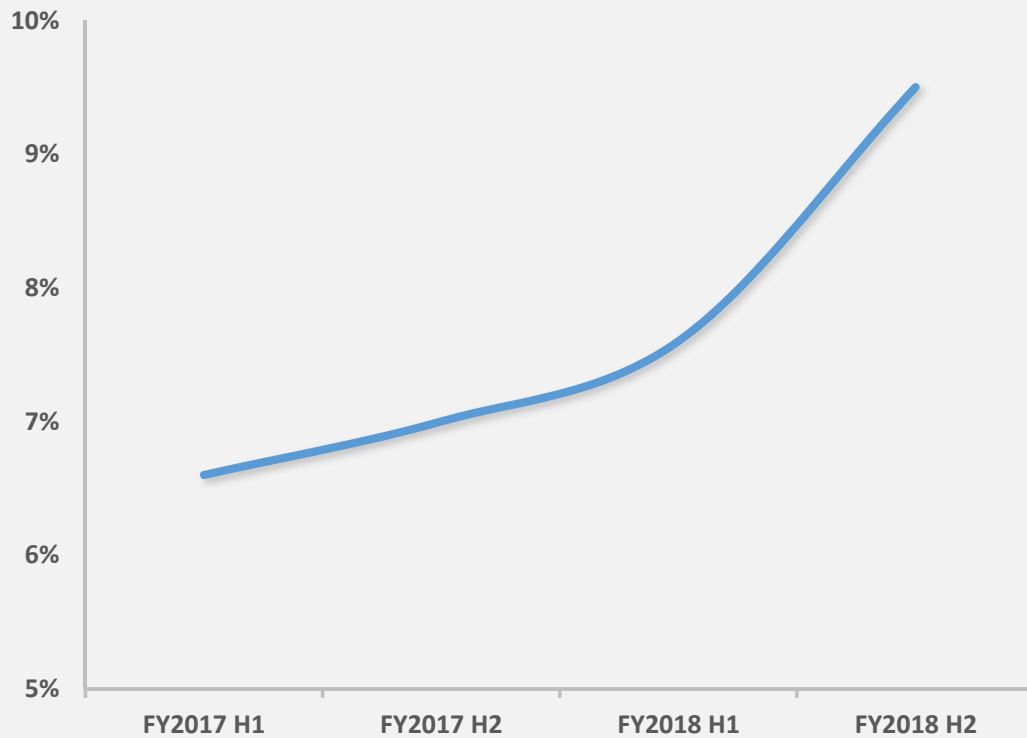
LCS

EPF

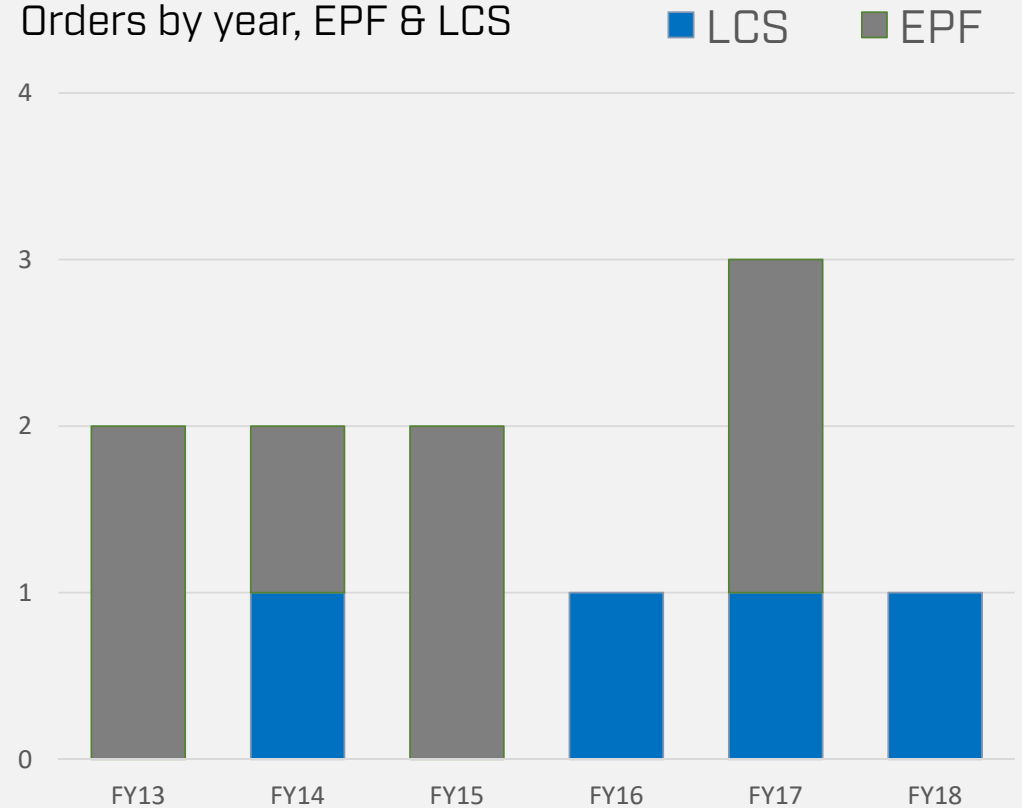


US shipbuilding margin improving, orders are strong.

US shipbuilding margin, %



Orders by year, EPF & LCS



Sustainment Revenue linked to growth of OEM vessels under management



9 x LCS



9 x EPF

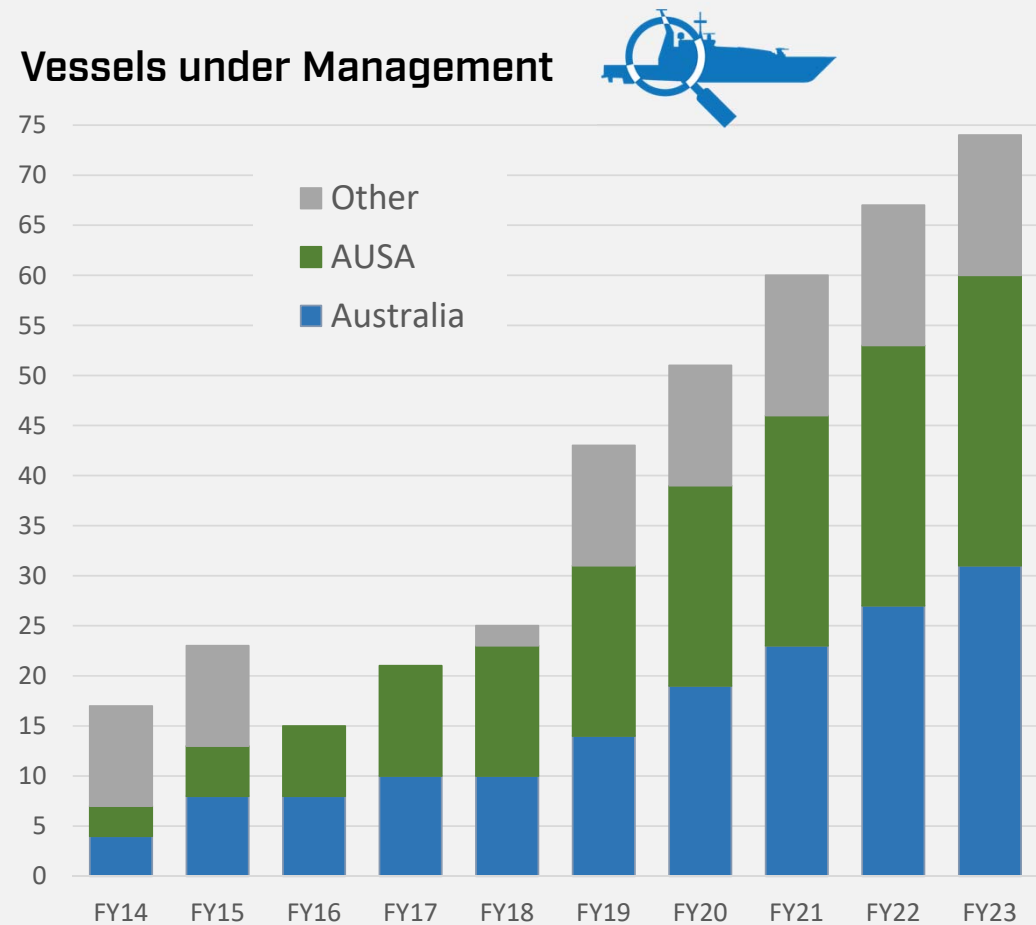
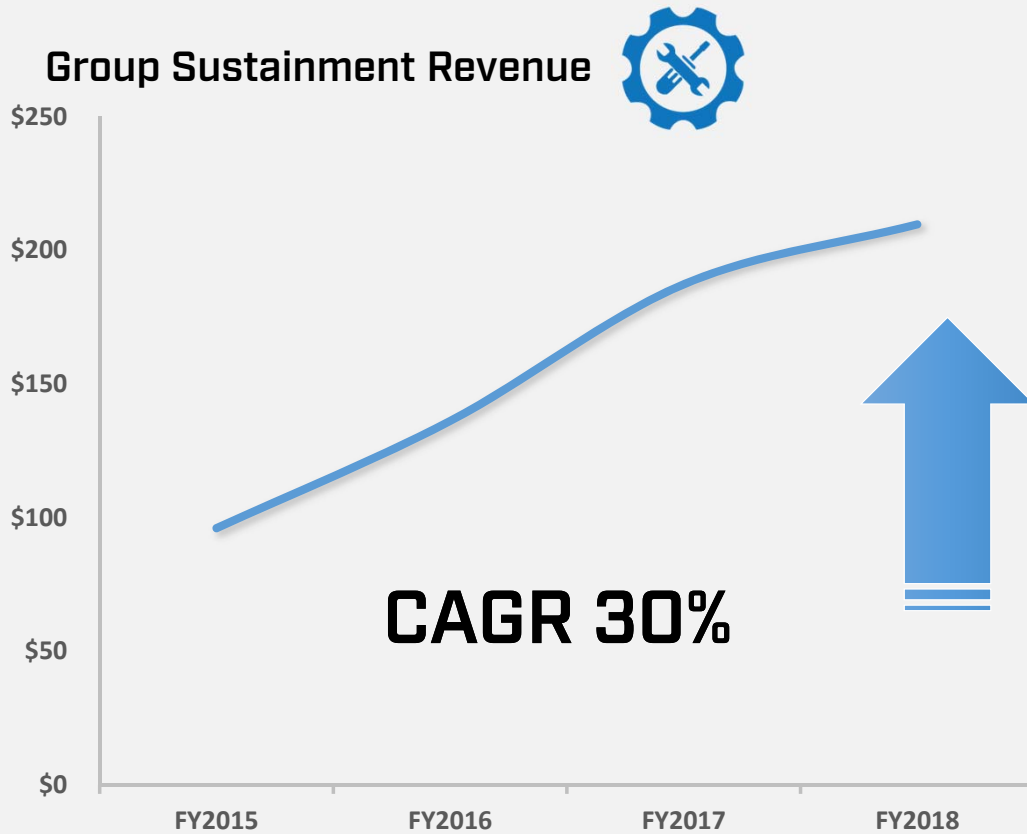


10 x CCPB



21 x GCPB

Sustainment has been growing in line with naval vessel deliveries, Vessels under management set to grow.



FY2018 Operational Overview



USA operations



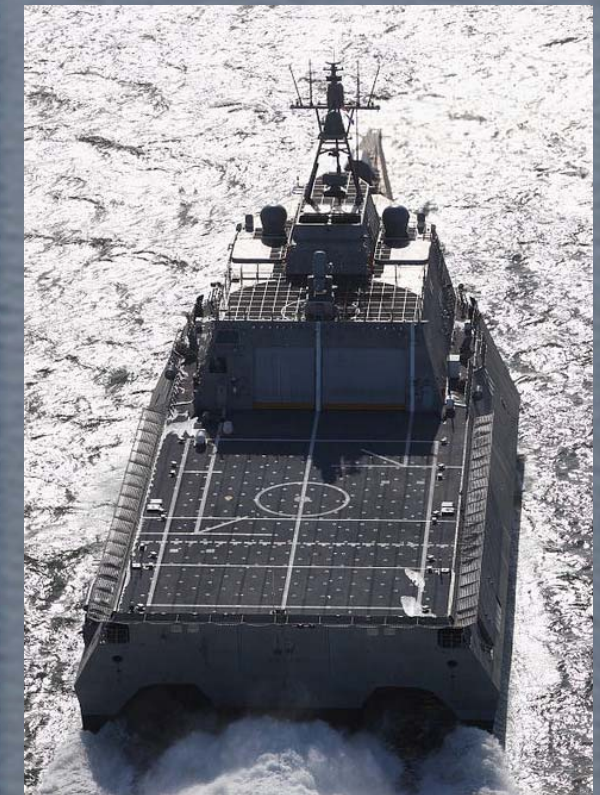
Change since
FY2017

- Shipbuilding margin improvement to 8.6% [FY2017 margin 6.8%].



VESSEL PROGRAMS:

- Littoral Combat Ship (~US\$5.9 billion program).
 - Margin improving ship to ship.
 - LCS 12, 14 & 16 delivered in the year.
 - Awarded LCS 30 through a competitive tender.
 - US Federal budget shows 3 LCS in 2018 and potentially 3 more in 2019.
- Expeditionary Fast Transport (~US\$2.0 billion program).
 - Margin steady and at internal target.
 - 2 additional vessels in current RFP (EPF 13 & 14) maybe contracted in each of next 2 years.
 - Various opportunities for additional vessels in emerging applications.
 - EPF 9 delivered in the year.



Key
▲ Improvement since FY2017
→ In line with FY2017 expectations
▼ Behind expectation since FY2017

Australia operations



Change since
FY2017



Key
 Improvement since FY2017
 In line with FY2017 expectations
 Behind expectation since FY2017

- Shipbuilding programs (Mols and PPB) on schedule and cost. but construction volume to increase in FY2018.
- Construction volume flat in FY2019.
- Major cost reduction drive underway. Achieved 25% labour reduction.
- Significant technology investment underway to keep ferry capability ahead given strong market conditions.
 - New 109m and 94m catamaran designs.
 - 2 new trimaran designs (117m & 82m).
 - Several new small vessel designs.
 - Marine Link Smart development.

VESSEL PROGRAMS:

- GCPB (~\$335 million, 21 ship program).
 - 1st vessel undergoing sea trials on-time.
 - Recognise profit from 2019.
- Mols (~\$90 million, 109m vehicle / passenger ferry).
 - Vessel close to launch and on schedule.
 - Best ever efficiency in build.
- Cape Class Patrol Boats 9 & 10.
 - 3 year charter commenced FY2017.
 - Charter extension review in H1 CY2019.

SUPPORT CONTRACTS:

- CCPB support \$3.2 million provision in FY2017 as more resources required than anticipated.
- Armidale Class remediation, performed well now complete.

Philippines operations

Change since
FY2017

- \$22 million investment to increase ship building capacity 3 fold. New facilities complete by year end.
- Yard at full capacity to end CY2019.
- CY2019 revenue will be twice historic peak and ~ 3 times historic average.
 - Investment in facilities unlocks capacity for larger and more vessels.

VESSEL PROGRAMS:

- Fjord Line A\$108 million, 109m vehicle / passenger ferry under construction.
 - Modules in build.
 - Integration commences early CY2019 (when new facility complete).
 - Delivery early CY2020, completion in Australia.
- VS Ferries Samar Philippines A\$5.5 million, 30m catamaran delivered August 2018.
- Aremiti 49m catamaran, delivery July 2019.
- Brave Line Taiwan A\$44 million, 2 x 50m catamarans under construction.
- FRS Germany A\$22 million, 56m high speed catamaran delivered.
- Seasovill South Korea A\$16 million, 50m high speed passenger ferry delivered.



Key
▲ Improvement since FY2017
● In line with FY2017 expectations
▼ Behind expectation since FY2017

Vietnam operations (new facility)



- New leased facility in build, capable of building medium to large vessels. Lease is for minimum 2 years plus extensions at Austal option.
- Expatriate management team in place who have built multiple catamarans and operations have commenced supporting Philippines.
- Large aluminium experienced labor pool available.
- 2 significant vessels expected to commence full production during next 6 months subject to order confirmation.
- Low overhead and cost base should drive material profitability in first year.



China operations (Aulong Shipbuilding)



- 40: 60 Joint Venture with Guandong Jianglong Shipbuilding, formed 2016.
- Growth expected into FY2019.

VESSEL PROGRAMS:

- Blue Sea Jet A\$10 m, 42 m high speed ferry DELIVERED January 2018.
- Blue Sea Jet A\$5.6 m, 35 m high speed catamaran under construction.
- Xidao Dazhou Tourism Co Ltd. A\$20 m, 4 x 42m high speed catamarans under construction.



Disclaimer

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