

FY2013 results presentation



Andrew Bellamy, Chief Executive Officer

30 August 2013

FY2013 highlights



Financial

- Record revenue of \$902.8 million, a 38% increase on FY2012.
- Earnings consistent with guidance:
 - \$62.6 million EBITDA.
 - \$35.7 million NPAT.
- Balance sheet strengthened and simplified debt facility in place.

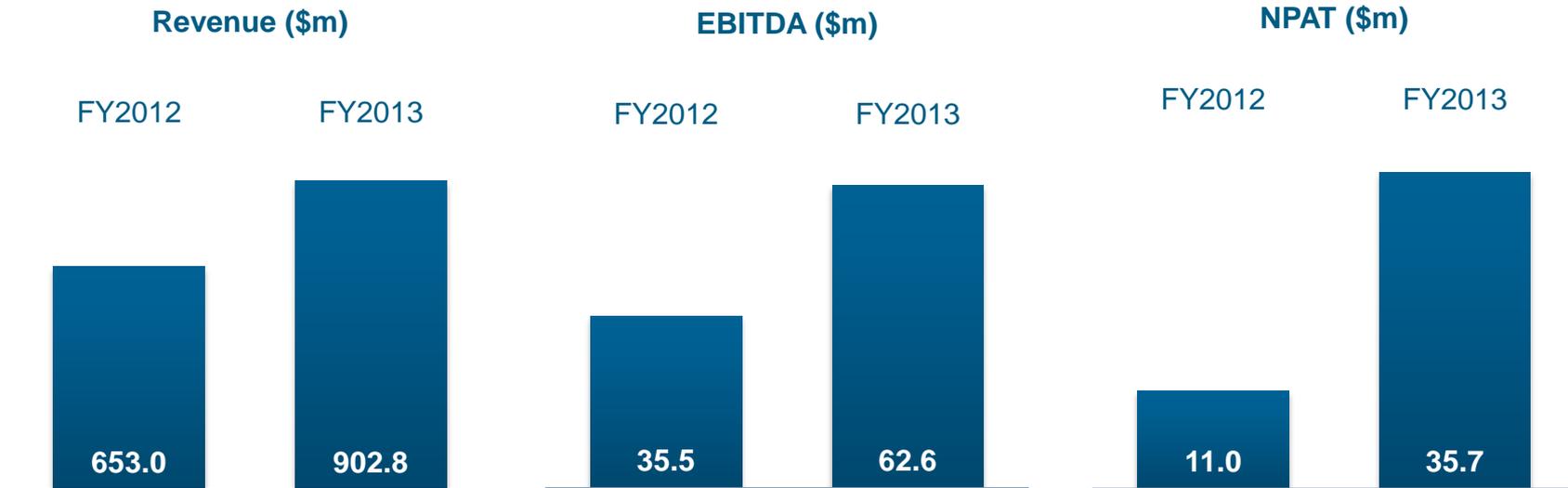
Operational

- EBIT margin almost doubled at US – 5.2% for full year.
- Australia operations returned to small profit; Philippines delivering cost and performance advantages to Austal and customers.
- Streamlined geographical structure for service division.
- Record order book of \$2.6 billion, securing work through to 2017.

People & Strategy

- Management team strengthened and Board renewal taking place.
- Cash management priority to deliver on record work in hand.
- Potential defence vessel exports into Asia and Middle East.
- Opportunities for support work with the expected deployment of US and Australian defence vessels in Asia Pacific.

Financial growth targets met



- Strong improvement in earnings and revenue:
 - Revenue of \$902.8 million.
 - EBITDA of \$62.6 million.
 - NPAT of \$35.7 million.
- EBIT margins at USA operations grew as efficiencies from first-in-class vessels were implemented, from 2.7% in FY2012 to 5.2% in FY2013.

Major milestones in the year

- Funding confirmed for contracted vessels:
 - LCS 14 and LCS 16, worth US\$681.7m.
 - JHSV 10, worth US\$144m.
- Significant progress in construction of US Navy vessels:
 - USNS *Spearhead* (JHSV 1) delivered.
 - USNS *Choctaw County* (JHSV 2) delivered.
 - Launched JHSV 3, keel laid on JHSV 4.
 - USS *Coronado* (LCS 4) builder's sea trials finished; delivery to US Navy expected in September.
 - Keels laid on LCS 6 and LCS 8; the first LCS being built by Austal as prime contractor.
- Steps taken to improve the balance sheet, with debt position reduced and simplified.
- Strengthened management team and initiated Board renewal:
 - Austal USA: Rear Admiral USN (Retired) John "Dugan" Shipway elected to Chair and Craig Perciavalle promoted to President.
 - Finance capability: appointed Greg Jason as CFO.
 - Board: resignation of John Poynton and Michael Atkinson, with executive search underway
- Philippines shipyard was profitable, Australia shipyard delivered breakeven results, and restructured Service and Systems to drive efficiencies.



Delivering on divisional outlook



November 2012 outlook

Status

USA

- Apply learnings to improve margins.
- JHSV 10, LCS 14 & LCS 16 contracts to be funded.
- Revenue in excess of \$700m for FY2013.
- 5.2% EBIT margin for FY2013; \$39.2m EBIT.
- All three contracts funded, with LCS contracts funded post-sequestration.
- Strong revenue growth to \$749.4m for the year.

Australia – Henderson Shipyard

- Execute Cape Class contract.
- Pursue defence export opportunities.
- Operate at break-even for FY2013.
- Cape St George (CCPB 1) delivered; phased increase in construction activity on subsequent CCPB.
- Pipeline development continuing.
- \$0.5m EBIT in FY2013.

Philippines Shipyard

- Complete mobilisation and ramp up.
- Continue full capacity operations.
- Operate profitably for FY2013.
- First ship delivered; staff mobilised to deliver on contracts.
- Won additional wind farm vessel contract from repeat customer; continuing construction of 80 metre catamaran.
- \$5.0m EBIT in FY2013.

Service

- Continue growth, and position to benefit from US Navy forward deployment.
- Restructured division to best service deployment of US and Australian Navy vessels in Asia-Pacific.

Objectives for sustained growth



Financials



Earnings summary



Income statement	FY2013 (\$m)	FY2012 (\$m)	Increase (\$m)
Revenue	902.8	653.0	249.8
EBITDA	62.6	35.5	27.1
EBIT	38.1	16.6	21.5
NPAT	35.7	11.0	24.7
EPS	12.97¢	4.62¢	8.35¢

Met original guidance	NPAT (\$m)	EBITDA (\$m)
Reported	35.7	62.6
R&D tax benefit	(11.0)	-
Loss on stock yacht	3.1	4.4
Delivered	27.8	67.0
Nov 2012 forecast	23 – 26	65 – 71

FY2013 results:

- Met stated guidance for the year.
- Margin improvement in the USA, with EBIT margin at 5.2% in FY2013 vs 2.7% in FY2012.
- USA improvement lifted overall group EBIT margins to 4.2% vs 2.5% in FY2012.
- Australian operations returned to profit, with \$330m Customs contract providing sustainable workload through to H1 FY2016.
- Philippines shipyard profitable in its first full year of operations.

Segment breakdown



USA	FY2013 (\$m)	FY2012 (\$m)
Revenue	749.4	570.3
EBIT	39.2	15.8
EBIT margin (%)	5.2	2.7

- Delivered margin growth.
- JHSV 1 delivered and productivity lessons implemented, de-risking the program.
- LCS 14, LCS 16, and JHSV 10 contracts all funded by US Navy within expected timeline.

Philippines (PSO)	FY2013 (\$m)	FY2012 (\$m)
Revenue	40.0	1.9
EBIT	5.0	(0.8)
EBIT margin (%)	12.6	n/a

- Profitable in its first full year.
- Progressing with construction of wind farm and commercial ferry in the year.
- Technological capabilities transferred to deliver on contracts.

Australia (HSO)	FY2013 (\$m)	FY2012 (\$m)
Revenue	90.6	63.7
EBIT	0.5	(13.6)
EBIT margin (%)	0.6	n/a

- Small profit in FY2013 and forecast to remain profitable in FY2014, with improving efficiencies on Cape Class vessel.
- Customs Cape Class Patrol Boat work until H1 FY2016, underpinning operations.
- USD-AUD exchange rate improving export competitiveness.

Service & Systems	FY2013 (\$m)	FY2012 (\$m)
Revenue	59.0	19.4
EBIT	(0.5)	1.6
EBIT margin (%)	n/a	8.2

- Revenue growth through service work in Australia and US.
- Renewed charter of WestPac Express.
- Restructure impacted earnings – expected to improve efficiencies and align with opportunities.

Balance Sheet



Balance sheet	30 Jun 2013 (\$m)	30 Jun 2012 (\$m)
Total assets	946.5	826.0
Cash	38.0	51.8
Restricted cash	69.7	52.9
Receivables	102.7	96.2
Inventories	277.9	193.5
Property, plant & equipment	399.9	370.4
Other	58.3	61.2
Total liabilities	539.3	548.9
Trade creditors	133.8	128.6
Go Zone Bonds	205.0	219.4
Other interest bearing debt	39.8	46.0
Government grants	57.0	52.3
Other	103.7	102.6
Net assets	407.2	277.0

Balance sheet summary:

- Growth in asset base, reflecting increasing scale of USA business.
- Balance sheet strengthened by successful \$77.9m capital raising.
- Net debt reduced by \$54.8m since 30 Sept 2012, with gearing down from 38.7% to 25.1% over the same period.
- One of two stock vessels removed from balance sheet.
 - Funds from selling the remaining stock vessel would be used to reduce debt.
- Reduced capital expenditure on property, plant and equipment totalling \$21.3m
 - FY2014 capex at similar levels.

Debt position



- Significant steps taken to reduce net debt and gearing, and simplify the company's debt profile.
- Net Debt/EBITDA at 2.12x, within target range.
- US\$35 million of utilised Go Zone Bonds retired in Feb 2013.
- Completed \$77.9 million capital raising:
 - Board has elected to use remaining US\$55 million of restricted cash to pay down further Go Zone debt on 3 September 2013, simplifying debt structure and reducing interest payments for guarantees.
- New syndicated facility agreed with banks in Dec 2012 to replace club facility with simplified, common terms and extended maturity profile to Dec 2015.
 - This term sheet was ultimately executed after the balance date, on 17 July 2013, following ongoing negotiations and in line with new terms Austal was operating under.
 - The majority of debt was classified as a current liability at 30 June because new facility agreement had not been closed at year end.
 - Syndicated agreement includes \$50 million, 3-year revolving credit facility for working capital.



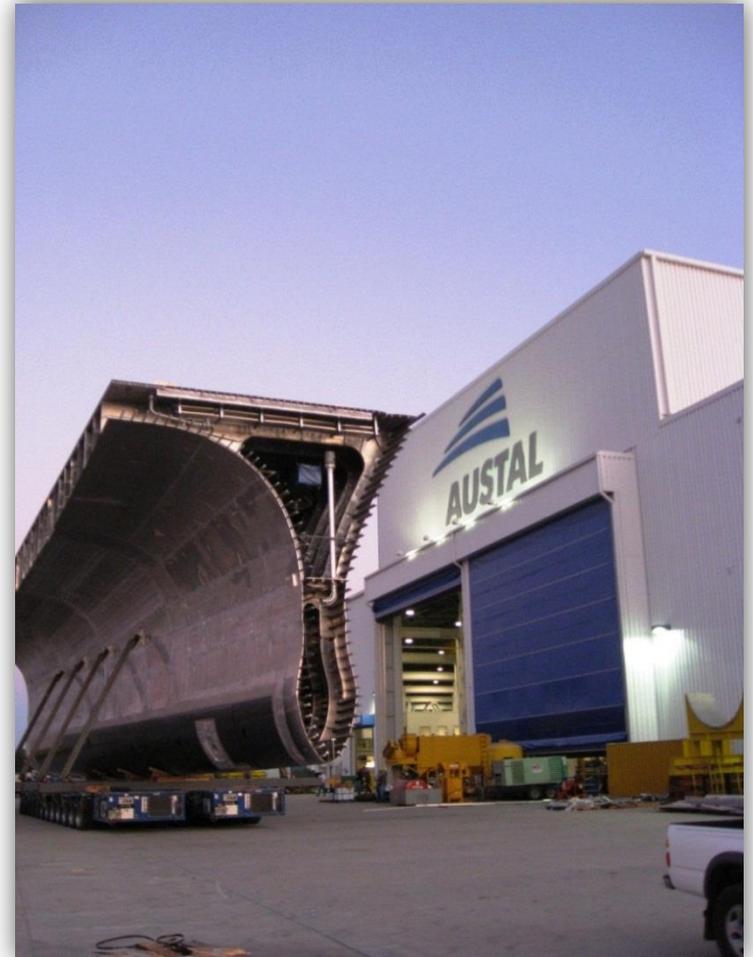
Note: Includes restricted cash components.

Operations Update



Order book

- Current order book of \$2.6 billion secures revenue until 2017, including:
 - **Littoral Combat Ships for US Navy**
x6 funded (out of 10 vessel contract), plus x1 from General Dynamics (GD) and x1 delivered to GD (out of 2 vessel contract).
 - **Joint High Speed Vessels for US Navy**
x10 funded, x2 delivered (out of 10 vessel contract).
 - **Cape Class Patrol Boats for Australian Customs and Border Protection**
x8 funded and x1 delivered (out of 8 vessel contract), plus through-life support.
 - **Commercial vessels**
x3 27 metre wind farm support catamarans.
x1 21 metre wind farm support catamaran.
x1 80 metre vehicle-passenger catamaran.



Littoral Combat Ship

- 10 ship contract awarded as prime contractor, worth US\$3.5 billion:
 - 2 ships out of Austal's 10 contract award have been funded by US Navy each year, with the final 4 ships contracted to be funded in FY2014 and FY2015.
- 2 additional vessels constructed by Austal for General Dynamics (LCS 2 and LCS 4).
- 8 ships are fully funded, securing work until 2017:
 - LCS 2 – Delivered; undergoing operational testing.
 - LCS 4 – Acceptance trials commenced in August; delivery expected in September.
 - LCS 6 – 70% complete.
 - LCS 8 – Keel laid in June 2013; 40% complete.
 - LCS 10 – Commenced construction; 10% complete.
 - LCS 12 – Funded in March 2012.
 - LCS 14 & LCS 16 – Funded in March 2013.
- Opportunities exist beyond 10-ship award, including further LCS vessels in US and variants in Middle East.



“The LCS is the weapon system that will close our littoral shortfalls and bridge the gap from conventional naval tactics to the future conflict.”

Cdr Dale Heiken and Cdr Jeff Miller
Authors of article ‘The Right Ship at the Right Time’, in well-known independent US Naval Institute magazine *Proceedings*
June 2013

Joint High Speed Vessel



- 10 ship contract awarded valued at US\$1.6 billion.
- US Navy has funded construction of all 10 ships – work secured through to 2017.
- Program has been considerably de-risked, following lessons learnt in construction and delivery of JHSV 1.
- Progress:
 - JHSV 1 – Delivered in December 2012.
 - JHSV 2 – Delivered in June 2013.
 - JHSV 3 – Vessel launched in June 2013, with main equipment commissioning underway.
 - JHSV 4 – Keel laid in May 2013; 70% complete.
 - JHSV 5 – Production commenced; 15% complete.
 - JHSV 6 & JHSV 7 – funded in February 2011.
 - JHSV 8 & JHSV 9 – funded in February 2012.
 - JHSV 10 – funded in December 2012.
- Austal well placed to secure a significant role in servicing the JHSV vessels through their life.
- Potential for program to be extended and technology adoption to penetrate new markets.



“Flexible. That’s probably the word I’ve heard more than anything. We can do a lot of things to it.”

Mark Deskins

Deputy Program Manager, Naval Sea Systems Command, as quoted in Navy League of the United States publication *Seapower Magazine* August 2013

Austal well positioned in US



Austal-built vessels have continued to be funded

- LCS 14 & LCS 16 funded in March 2013 – after budget sequestration.
- JHSV 10 funded in December 2012.
- Funded vessels and associated revenue is locked in.
- Funding of vessels LCS 18 & 20 expected in FY2014 and LCS 22 & 24 in FY2015, as per the contract.

US focused on Asia-Pacific defence strategy

- US Navy committed to maintaining a naval fleet of approximately 300 ships, with littoral vessel programs supporting that objective.
- Maiden deployment of Freedom-variant LCS 1 in Southeast Asia provides a further indication that the US is committed to its Asia-Pacific strategy.
- LCS and JHSV are especially designed for the littorals.
- Austal has a strong presence in Asia-Pacific.

Additional opportunities

- US Navy continuing to develop through-life support strategy for LCS & JHSV.
- Austal well placed for significant support role, providing annuity-style revenue.
- Future block-buy contracts beyond LCS 24 continue to be expected.

Cape Class Patrol Boat

- \$330 million contract to design, manufacture and support 8 new Cape Class Patrol Boats.
- Vessels are fully funded and underwrite activity at Henderson shipyard until H1 FY2016.
- Progress:
 - CCPB 1 – Delivered in April 2013.
 - CCPB 2 – 70% per cent complete.
 - CCPB 3 – Keel laid in August 2013; 20% complete.
 - CCPB 4 to CCPB 8 – Delivered by end 2015.
- Importantly awarded \$50m support work as part of \$330m contract.
- Efficiencies and margins to improve in FY2014 following delivery of the first-in-class vessel.
- Australian defence requirement for Cape Class-style vessel, with further opportunities for variant-type vessels existing offshore.



"[Cape] is a highly advanced, sophisticated patrol boat that bolsters the current maritime surveillance and response program, setting a new benchmark in marine standards."

Jason Clare
Minister for Home Affairs
15 March 2013

- Enables Austal to compete in the global commercial market (e.g. ferries, wind farm support vessels) – delivering cost and performance advantages to Austal and customers.
- Delivered a profit in its first full year of operations.
- First ship delivered December 2012; growth to 500 employees achieved as planned and technology transfer to improve competitive position.
- Full order book:
 - x3 27 metre wind farm vessels.
 - x1 21 metre wind farm vessel.
 - x1 80 metre vehicle-passenger catamaran.
- The 80m Aremiti ferry catamaran is scheduled for delivery in Q2 FY2014.
- Ongoing opportunities in wind farm vessel market
 - Award of eighth wind farm vessel under fourth contract from repeat customer shows our ability to build vessels that meet customers' needs.



- Provides long-term opportunity and stability for Austal through annuity-style work.
 - Potential for high margin contracts.
 - Low capital intensity.
 - Recurring revenue.
- Austal has been building its global footprint, especially in the Asia Pacific region, through shipyards, strategic partnerships and developing IP to provide through-life-support for vessels such as the LCS and JHSV.
 - Ships designed for 20 to 30 year life.
 - Support contracts expected to begin to be awarded in this financial year.
- Streamlined geographical structure to improve efficiencies, drive margins, and create better alignment with expected work.
- Strategic partnerships established in Asia and USA, and bolt-on acquisition in Darwin, ensuring alignment with supporting vessels in Asia-Pacific region.

“The JHSV could prove especially valuable in the Asia-Pacific region, where the distances make range and the ability to maintain good high speed key considerations in terms of deploying assets.”

Daniel Taylor

Special Correspondent for Navy League of the United States publication
Seapower Magazine
August 2013

“The LCS is poised to engage with our allies and friends in the Western Pacific at a level not experienced since World War II.”

Cdr Dale Heiken and Cdr Jeff Miller

Authors of article ‘The Right Ship at the Right Time’, in well-known independent US Naval Institute magazine *Proceedings*
June 2013



Objectives



United States

- Progressive growth in profit margins as vessel programs mature.
- Augment contracts with service and maintenance work.
- Extend pipeline beyond existing contract awards.

Henderson

- Increase efficiencies on Cape Class Patrol Boats, following first-in-class Cape St George.
- Target construction and support opportunities in defence vessels to sustain the shipyard.

Philippines

- Continue building technological capabilities at the Philippines shipyard for commercial shipbuilding.
- Expand vessel construction capacity according to market potential.

Support

- Utilise service network to target service work in Asia Pacific in anticipation of US Navy and Australian Customs deployment.
- Leverage existing defence systems capabilities to pursue new opportunities.

Strengthened balance sheet, simplified debt structure and prudent cash management practices in place to support record amount of work in progress

Long term defence contracts provide visibility of revenue – expect revenue of approximately \$1 billion in FY2014.

Progressive growth in profit margins as vessel programs mature in the US.
Australian margins to grow as productivity improves on Cape Class contract.

Prudent cash management in place to allow delivery on record amount of work in hand – no dividend in short-term.

Funds from potential sale of remaining stock vessel would be used to reduce debt.

Weaker Australian dollar improving translation of profits from US operations and export competitiveness from Australian operations.

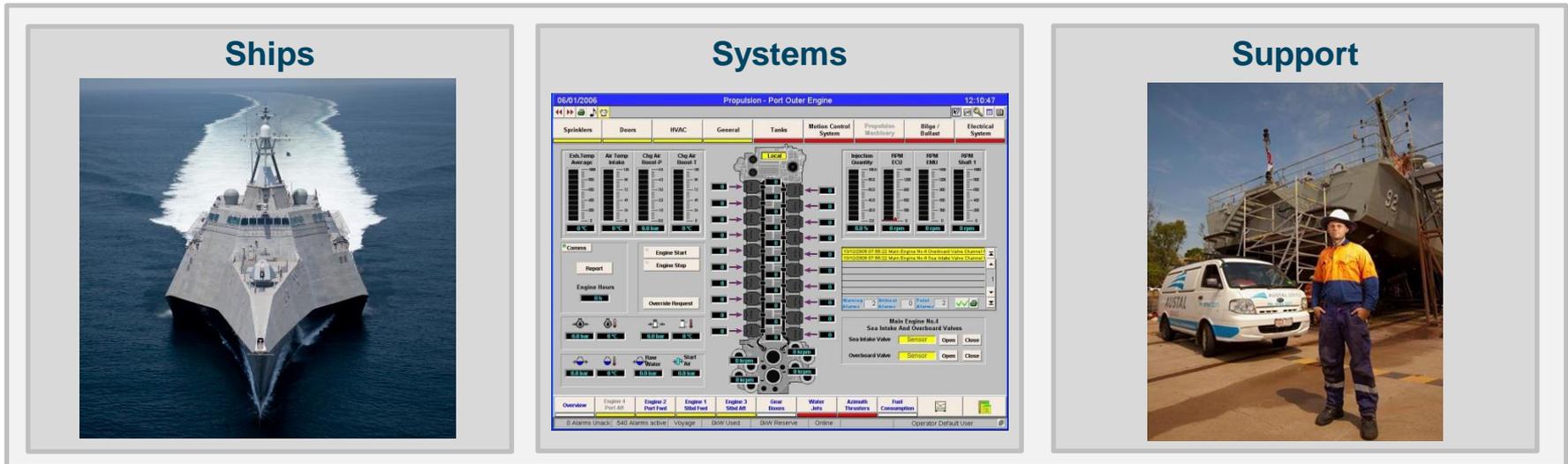
Pursuing opportunities for variant-style defence vessel contracts in existing and new markets, such as in Asia and Middle East, and ongoing scope to win higher-margin support work.

Appendix – 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:
 - Australia
 - United States
 - Europe
 - Caribbean
 - Middle East
 - Asia
- Austal comprises three business segments: Ships • Systems • Support



Ships

Advanced design, construction, engineering and support are Austal's core competency.

- 249 vessels constructed.
- Delivered globally.

Defence

- Global defence prime contractor with significant programs in place.
 - US Navy's Littoral Combat Ship (LCS).
 - US Navy's Joint High Speed Vessel (JHSV).
 - Australian Customs and Border Protection Service's Cape Class Patrol Boat.
 - Patrol and auxiliary vessels for the US Navy, Royal Australian Navy and other defence forces and government agencies.

Commercial

- 25 year record in vessels for commercial market.
- World leader in the design, construction and support of high performance aluminium vessels.

Warships and Multi Role Vessels



Patrol Vessels



High Performance Vessels



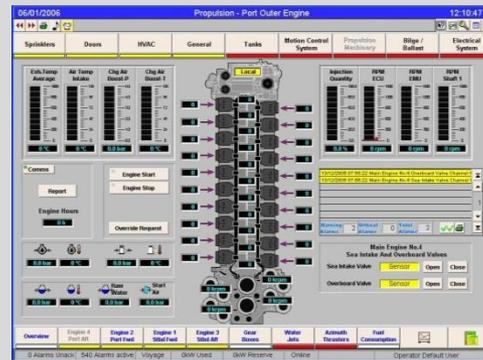
Austal's Systems division provides advanced integration, maintenance and command and control systems for defence and commercial applications.

- **Advanced Integration:** Radars, communications, command and control systems and user-interfaces.
- **Maintenance:** Through Life Support of machinery, radars, communications and other onboard systems through remote monitoring and Computerised Maintenance Management Systems.
- **Command and Control:** Proprietary, scalable, network solutions with common operating picture for global and local coordination of assets in a maritime and land environment.

Advanced Integration



Maintenance



Command and Control



Austal has a large support offering through its regional centres:



- Service products are tailored to address customer requirements:
 - Vessel and Fleet Maintenance.
 - Refit and Repair.
 - Ship Management.
 - Training.
 - Consultancy.



Disclaimer



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