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New Zealand Investor Presentation
14 & 15 May 2019



The Worlds Largest Aluminium Shipbuilder

(H1 2019 results)



\$851 m
H1 REVENUE



~ \$5.2 b
ORDER BOOK



7
NEW SHIPS
ORDERED



47
SHIPS UNDER
CONSTRUCTION
OR SCHEDULED



6
SHIPS
DELIVERED



5,560
EMPLOYEES



6
SERVICE CENTRES



5 SHIPYARDS



20
VESSELS UNDER
SUSTAINMENT OR
REFURBISHMENT

Updates since H1

Full year guidance for revenue is now in the range \$1.8bn to \$1.9bn.

2 EPF vessels worth A\$369m awarded since the half year.

Mols 109m ferry and 2 Braveline 50m ferries delivered on time.

Under Construction/Delivered



19 x 127m LCS
US Navy, 9 delivered 



14 x 103m EPF
US Navy, 10 delivered 



58m Cape Class Patrol Boat
2 x in construction 



40m Guardian Class Patrol Boat
2 x Delivered, 21 ordered. 

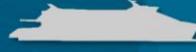
Guardian Class Patrol Boat
(PPB-R)



4 x 42m Catamarans
Xidao Dazhou Tourism 



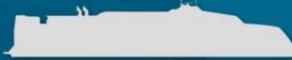
1 x 50m Catamaran
SNC Aremiti 



2 x 50m Catamarans
Bravelline 



1 x 83m Trimaran
JR Kyushu Jet Ferry 



1 x 94m Catamaran
Trinidad & Tobago 



1 x 109m Catamaran
Molslinjen
(delivered Jan 2018) 



1 x 109m Catamaran
Fjordline 



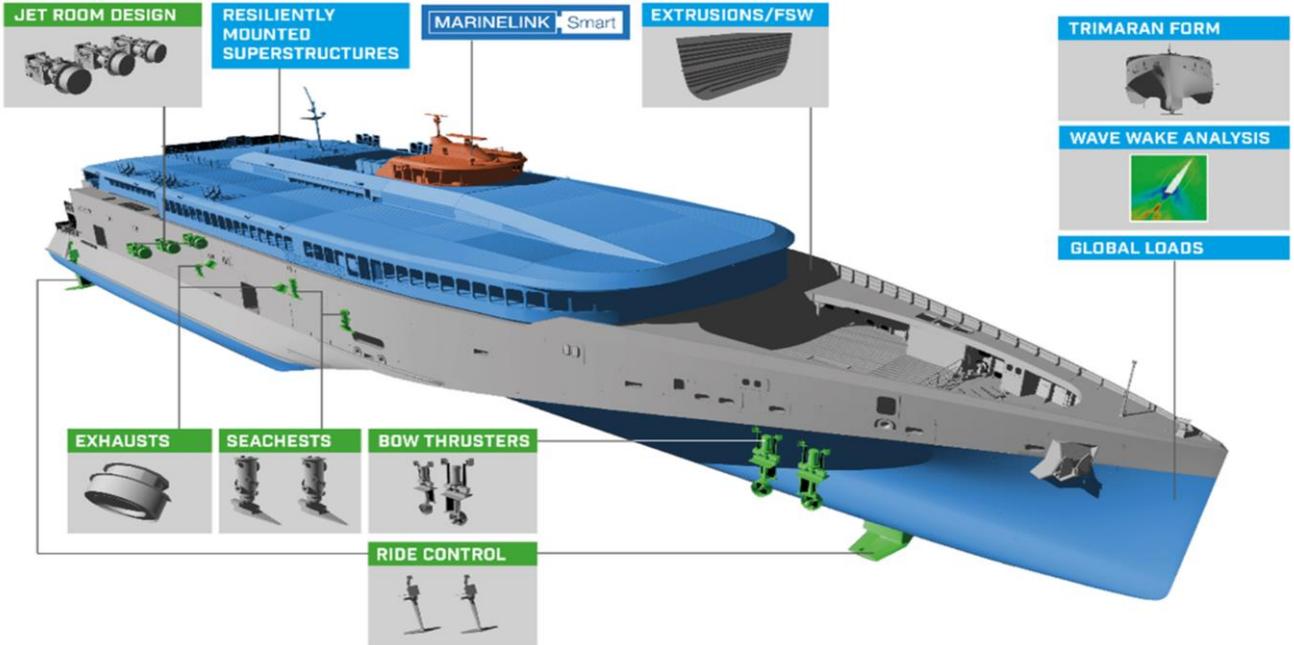
2 x 117m Trimarans
Fred Olsen SA 

Additional orders for EPF since H1 means 14 total orders with 10 delivered
Austal has won all three competitions for LCS over the last 3 US Government financial years
demonstrating the strong cost competitiveness that we have.

Guardian deliveries on time and quality going well. Program is profitable.

Breadth and quality of commercial customers in Japan, Taiwan, Korea and Europe shows
strength of business given all have strong shipbuilding industries of their own.

The world leader in fast ferry technology both for Military and Commercial ships.



Austal is highly differentiated in the shipbuilding world and is the world leader in high speed low weight aluminium vessels for both the military and commercial applications.

Constant innovation has meant Austal has kept ahead with many technical firsts including the trimaran hull which provides the best combination of the benefits of the carrying capacity and efficiency of catamarans with the seakeeping of monohulls.

Significant R&D investment over the past 3 years has led to the ultra efficient catamarans sold to Denmark, Norway and Trinidad, the Trimarans for Spain (Canary Islands) and Japan and a range of smaller vessel designs focused on the fast growing Asian market.

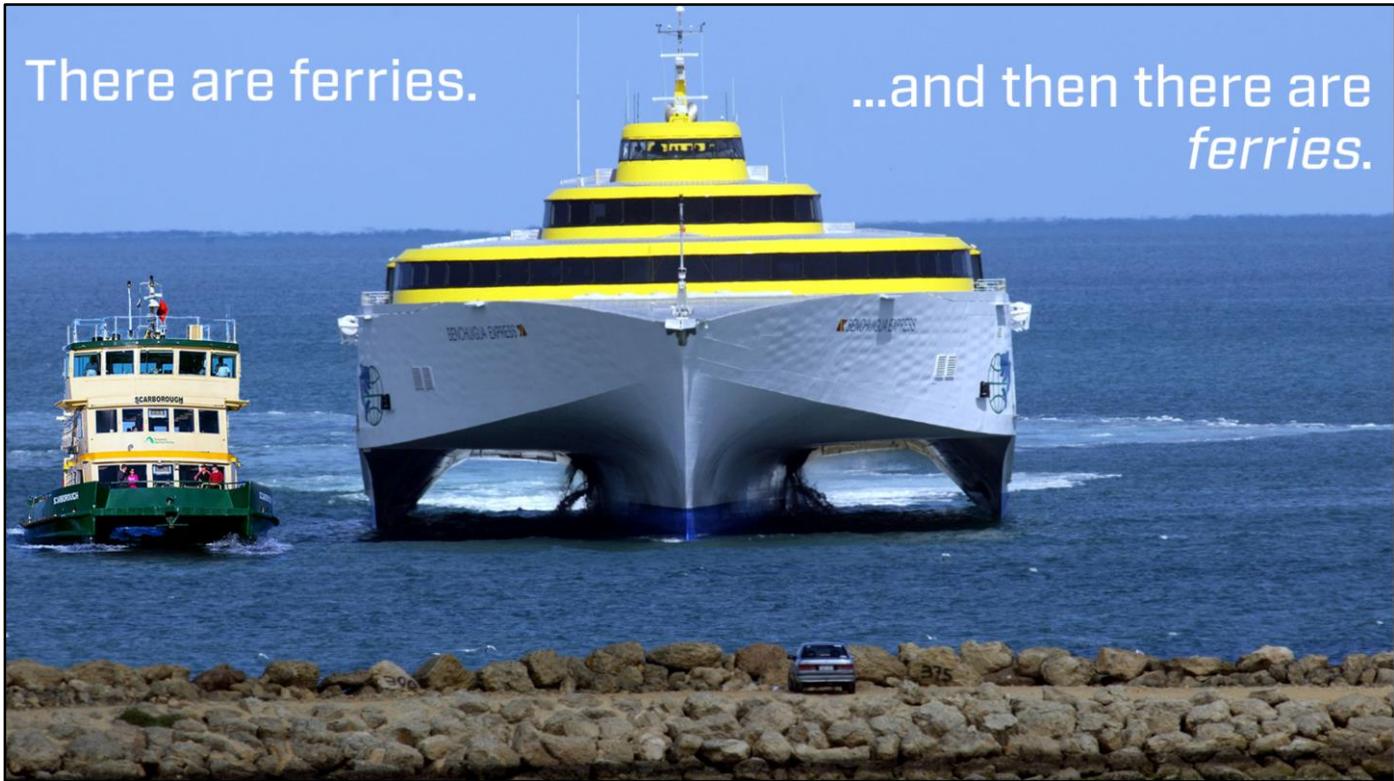
We are now working on the digitisation of our control systems to improve fuel efficiency, ride and reliability amongst other things and are fitting these systems to ships right now. We are also working on new low emission fuels including LNG and battery powered vessels.

There are ferries.



There are ferries.

...and then there are
ferries.



Don't think of Austal as a normal ferry builder, think of Austal as building the most sophisticated high speed vessels in the world. The Ferraris of the shipbuilding world.

Austal is the only designer and builder of large high speed trimarans in the world..

109m Catamaran for Denmark delivered on time.



109m Mols-Linien

Innovation has led to our newest class of vessels, more efficient in the water and lighter for its speed and size than anything that has gone before it.

Austal is Prime on two US Navy programs.

AUSTAL



103m US Navy EPF

Another range of unique Austal products are our Auxillary Transport vessels.

These were originally based on commercial catamaran design, one of which Westpac Express has been operating from Okinawa in Japan for 14 years.

Based on this success the US Navy ordered 10 EPF and have since added 4 more EPF vessels, which are under construction in our Alabama shipyard.

It is our view that the announced expansion of the US Navy to 355 ships (Congress Law) could see a significant expansion of the program. This could come as additional EPF added to the current build sequence, although numbers unclear, the use of EPF as a candidate for the US Large Unmanned Surface Vessel (LUSV) of which there is a stated requirement of 1 in 2022 and 2 pa from 2023 and potentially a larger version of EPF for other roles.

There significant interest in this type of vessel from Navies around the world, due to the speed, carrying capacity and low cost.

LCS. Designed in Australia,
built in the US.



127m Littoral Combat Ship (US Navy)



Successful US Navy shock trials demonstrates aluminium capability.



“I am a huge fan of the LCS. It has a capacity to do modernization and add capability like no other warship we've ever built.”



**Admiral Philip Davidson, Commander, U.S. Fleet Forces Command
November 2017**



EPF variants being proposed in foreign Navies.



72m HSSV for RNO

Cape class, world's leading mid size-OPV
with 10 delivered & 2 in construction.



Austal has received schedule protection funding from Trinidad and Tobago for 2 Cape vessels for delivery in mid 2020. Contract is not finalised and therefore provides no certainty that these vessels will be completed.

2nd Guardian Class delivery of 21 completed on time.

AUSTAL



1 additional Guardian Class patrol boat delivered on time program & stable (now 2 of 21 delivered).

3rd vessel has been launched and is approaching user training. Program is profitable.

DESIGN + PROJECT MANAGEMENT
PROCUREMENT
SPECIALIST CONSTRUCTION SUPPORT

AUSTAL

CONSTRUCTION
PROJECT MANAGEMENT

POWERTRAIN INSTALLATION
LAUNCH SUPPORT

AUSTAL
AUTO EXPRESS 109
HULL 419

MODULE BUILD
PRODUCTION TEAM SUPPORT

We have been pursuing a strategy of building highly quality and low cost manufacturing centres to service our key markets in the USA, Australia, Europe and Asia whilst maintaining our technological lead based in our home base in Western Australia.

Mobile shipyard, highly efficient and the 4th largest in US.



Austal USA, Mobile Alabama

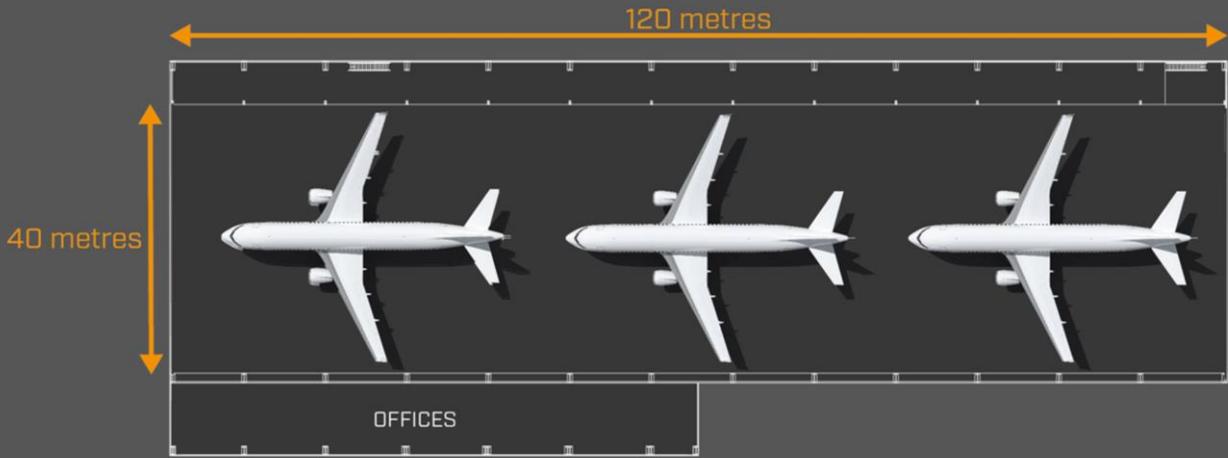
This year we will celebrate 20 years of ship building in the USA. Today we have the largest most efficient aluminium shipyard in the USA a significant competitive advantage.

Philippines. Trebled capacity and built our largest integration facility outside the USA.



- Asian expansion fundamentally changes our business.
- Never before been able to produce large vessel in Asia.
- Now 2 large vessels at a time (Philippines and Vietnam together).
- Reduces yard concentration issues.
- Asia expansion is creating new 'home' markets.
- Philippines operators prefer local build but international quality standards . Over 7000 islands.

New Assembly Hall would fit 3x Boeing 737



*Aircraft shown are Boeing 737-200

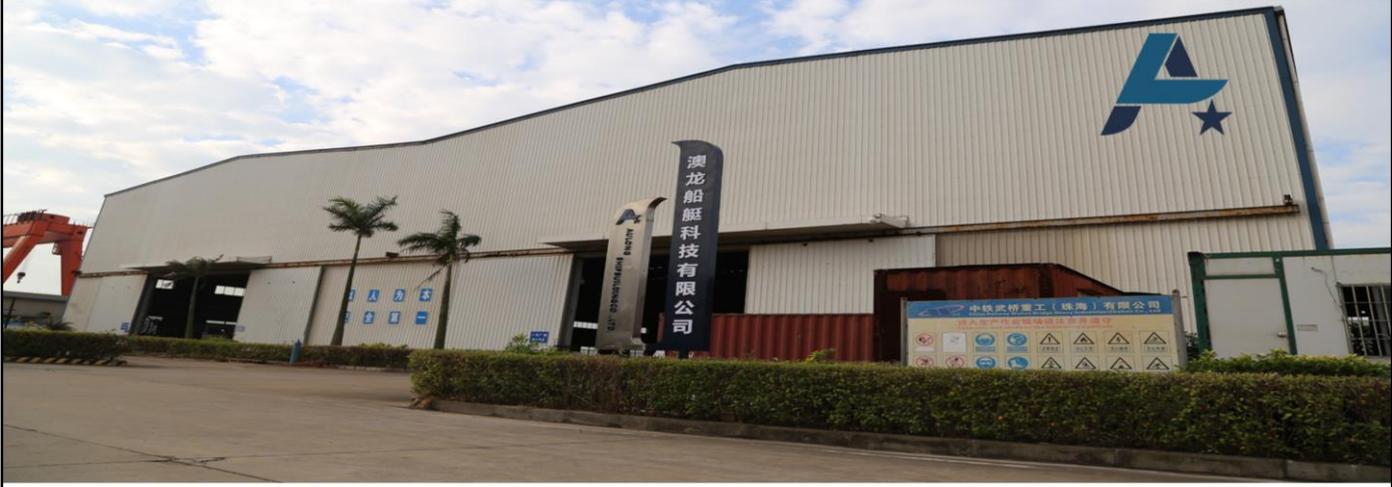
Vietnam. Brand new site now in production.



Shipyard officially commenced production in November 2018 and now employs circa 230 people. We expect this to rise to over 400 by mid year.

Yard is currently building the 94m catamaran for Trinidad. Program is on schedule for the planned delivery date.

China. Aulong JV is nearly 3 years old and fast becoming the local market leader.



Strategy and Outlook



Defence Market Overview

1. LCS and EPF consistent and profitable.
2. Order book and outlook is strong.
3. Sustainment and support work growing as fleet grows.
4. Important non-USA opportunities.

Austal is preparing its proposal for the US Navy FFG(X) program.



US Navy Future Frigate concept

The FFG(X) program represents a major growth opportunity for Austal in the USA with a bigger and more sophisticated ship that the Navy budget suggests could be around US\$800m each with a requirement for 2 per annum. (see US Navy plan and budget statements)

Austal is exploring new applications for EPF variants.



We are seeing increasing interest in variants of EPF for other mission types that could continue to extend its life. EPF 13 and 14 contracted in March this year are likely to have a medical capability. Other vessel types are also possible.

In addition the Navy has published plans for a Large Autonomous Vessel class to be built from 2022 which could be based on a developed version of EPF. Navy's plan shows one vessel in 2022 and 2 per year from 2023. A larger version of EPF is also possible.

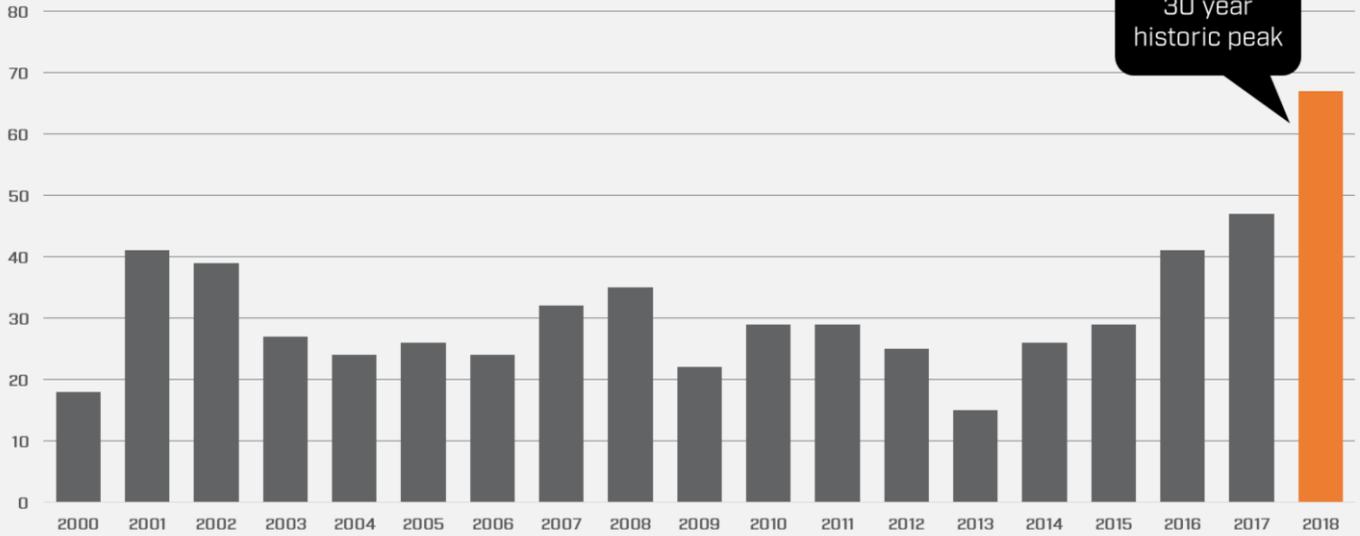
Commercial Ferry Market Overview

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.

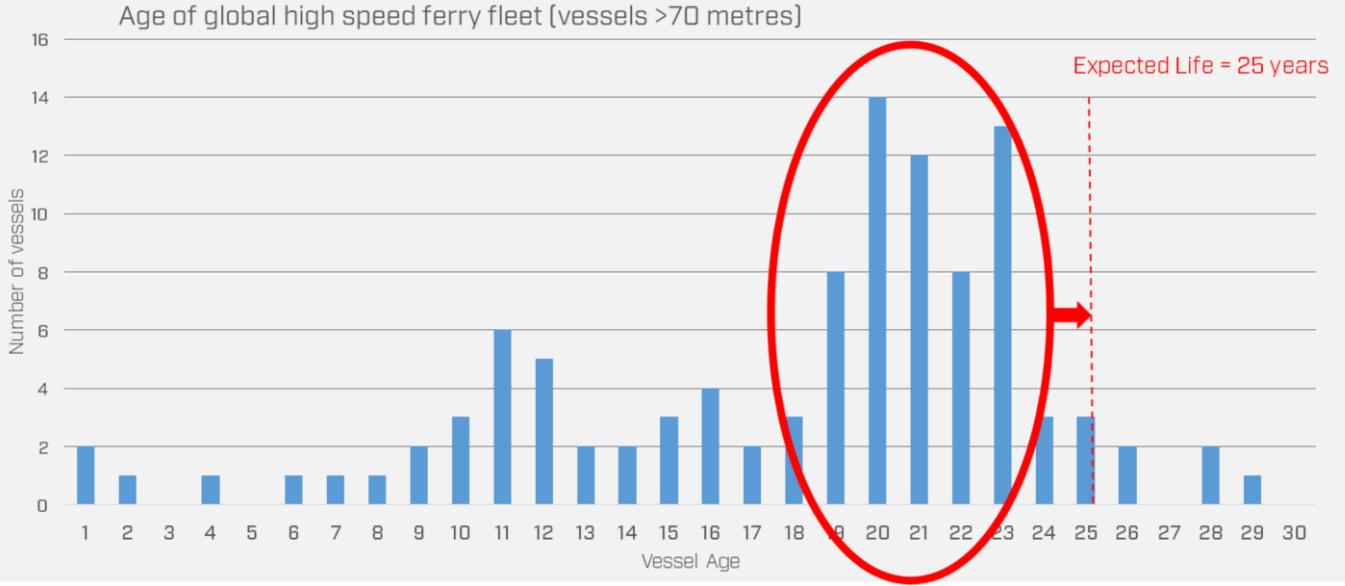


Conventional large ferry construction market is running at record levels of activity, globally.

New build orders per year [Vessels >70m]



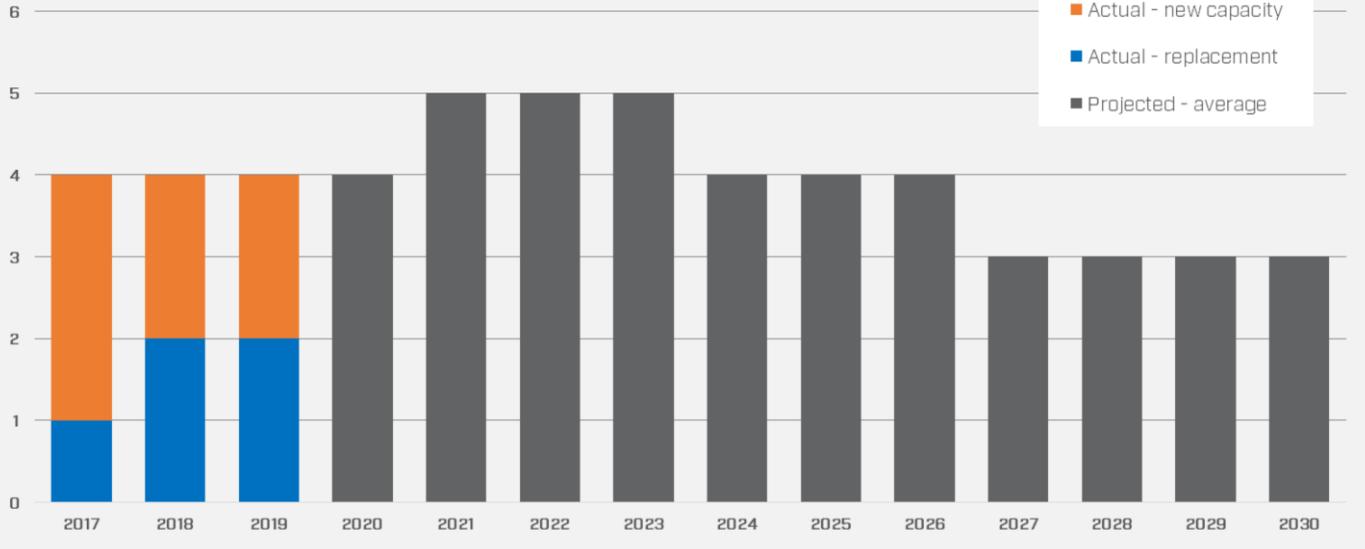
Global high speed ferry replacement market is now underway. Market research indicates it is yet to hit its peak.



Source: Fast Ferry International, Shippax

New build activity in the large ferry market is tracking to forecast levels, with a mix of new capacity and replacement vessel.

New build orders per year [vessels >70m]



Two major emissions regulation changes will impact the maritime sector over the next 2 years.

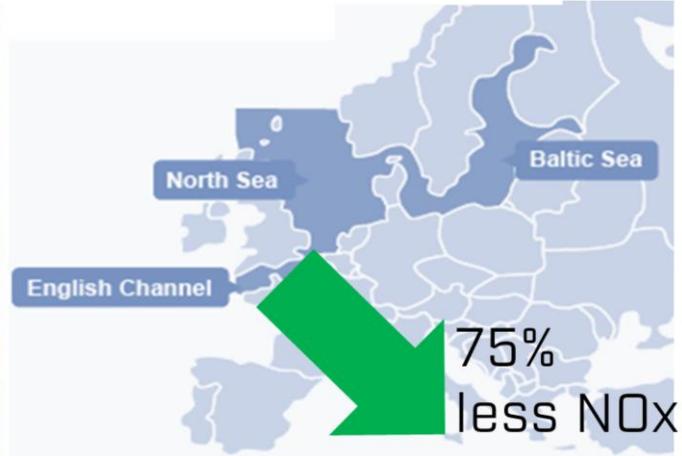
2020 Global Sulphur Cap

All shipping globally



2021 Baltic & North Sea NOx ECA*

New vessels with keel laid after Jan 2021



* ECA : Emission Control Area

The MARPOL 2020 regulation on sulphur dioxide emissions requires all vessels globally to operate with no more than 0.5% sulphur in fuel content.

This means vessels will no longer be able to burn (low cost) high sulphur fuel oil (HSFO) without fitting an exhaust scrubbing system.

Alternative is to switch to cleaner fuels such as Marine Gasoil/Diesel (MGO) or even LNG.

High speed ferries like those built by Austal already use MGO due to the performance requirements of their engines.

Therefore there is no direct impact on Austal built vessels.

The 2021 Baltic & N.Sea ECA is a shift in this region from NOx Tier II, the current global level, to NOx Tier III, which amounts to a 75% reduction in NOx emissions.

It is only applicable to new vessels with keels laid after Jan 2021.

A diesel (MGO) fuelled vessel will not be compliant with NOx Tier III unless fitted with a urea catalytic reduction unit (SCR) to treat exhaust gases. This adds weight, capital cost and operating cost to the vessel.

The alternative is to switch to cleaner fuels such as LNG, Hydrogen fuel cells or Battery-Electric propulsion.

In all cases the incentive for operators of large fast vessels to invest in lighter, more energy efficient designs, such as Austal specialises in, will only grow as operating costs increase. We expect a rise in interest for new vessels before new regulations come into effect in 2021 as vessels built post this date will not meet rules.

Financials & Operational Highlights



Operational Highlights (H1 2019)

USA Business performing ahead of expectations:

- Vessel awards driving higher revenue.
- 4 LCS won in competition.
- 2 EPF Long Lead material contracts awarded.
- Delivered LCS-18 and EPF 10.
- Shipbuilding margin 7.1%.

Service and Support

- Business segment on track for further substantial growth.
- Prime Contractor for 2 LCS FY2019 H2 dry docking activities in USA (first time). Significant longer term implications.

Australasia growing rapidly

- Asia shipyard expansion in operation
- 1st Guardian Class Patrol Boat delivered to CoA
- Construction commenced for JRK Trimaran, 1st Fred Olsen Trimaran, Trinidad Catamaran.
- MoI's vessel largest ever vessel (by volume) built in Henderson delivered Jan 2019.
- Good progress on 109m vessel construction in Philippines. Largest vessel to be built in this yard.

Update

- EPF long lead has now converted to 2 contracts.
- 2nd Guardian Class vessel delivered.

Earnings

\$ m	FY2019 H1	FY2018 H1 ¹	Change
Revenue	\$ 851.5	\$ 650.3	\$ 201.2
EBITDA	60.7	43.8	16.9
EBIT	40.4	26.5	13.9
NPAT	23.7	23.2	0.5
EPS (cents)	6.7	6.7	-

1. FY2018 H1 restated for adoption of AASB 15 Revenue accounting standard

- Operating Revenue increased across all shipyards (pre positive FX impact in USA and Asia).
- Significant EBIT & EBITDA increase, driven by strength of USA earnings and recovery of Australasia.
- FY2018 H1 NPAT benefited from the downward revaluation of deferred tax liabilities following tax reform in USA.
- Effective accounting tax rate ~ 35%
- Cash tax rate for FY2019 H1 estimated to be lower than 10%



Segment breakdown

FY2019 H1

\$ m	Concept	Ships	Support	Other	Total
USA	Revenue	\$ 596.7	\$ 90.1	\$ -	\$ 686.8
	EBIT	42.2	6.9	(0.0)	49.1
	EBIT Margin %	7.1%	7.7%	-	7.2%
Australasia	Revenue	\$ 139.0	\$ 30.6	\$ -	\$ 169.7
	EBIT	2.5	1.6	-	4.1
	EBIT Margin %	1.8%	5.1%	-	2.4%

USA: Shipbuilding margin within guidance range.
Continued trend of significant US Support Revenue and earnings growth.

Australasia: Merged Australia and Asia segments due to integrated shipbuilding arrangements.

More than doubled shipbuilding throughput, and EBIT turnaround progressing.

Support activity contracted following completion of ACPB remediation.

FY2018 H1

\$m	Concept	Ships	Support	Other	Total
USA	Revenue	\$ 495.3	\$ 59.7	\$ -	\$ 555.0
	EBIT	31.1	2.6	(0.3)	33.5
	EBIT Margin %	6.3%	4.4%	-	6.0%
Australasia	Revenue	\$ 61.9	\$ 36.5	\$ -	\$ 98.4
	EBIT	(4.2)	3.1	-	(1.1)
	EBIT Margin %	(6.8%)	8.5%	-	(1.1%)



- USA support margins strong and should stay in current 7-8% range but volatile given timing of award fee's which can affect single half results.
- Australasia support margin continues to be subdued due to the onerous Cape ISS contract (as previously advised).
- US shipbuilding margin is in the 7-8% range previously advised.
 - Margin can increase in the range and potentially above it over next 1-2 years based on LCS improvements and new EPF builds.
- Australasia margin of 1.8% pleasing given previous years losses and is predicted to grow in H2 and in FY2020.

Net Cash / (Debt)¹



¹ Excludes CCP8 B & 10 debt

Guidance Update – Group

The following slides are an update on public guidance statements made in the FY2018 full year results announcement.

Revenue \$1.3 – 1.4 billion increased \$1.8 – \$1.9 billion



USA Margin 7-8%



Effective tax rates similar to FY2018



Cash generation similar to FY2018



U.S. Navy photo by Mass Communication Specialist 2nd Class Chelsea D. Meiller/Released

Guidance Update - Defence



1 or 2 LCS from 2018 US fiscal budget



1 EPF from 2018 US fiscal budget



Trinidad & Tobago Cape Class Patrol Boats



Philippines OPVs



- Defence
- dominated by USA but exports featuring again.
- EPF 13 and 14 now awarded. (Post H1 2019)
- See separate note on T&T contract status.
- Philippines OPV is at Request for Information stage.

Guidance Update - Commercial

Continuing to pursue opportunities for further orders



Capacity expansion in Asia fully functional in FY2019 H2



8 vessels in construction excluding China



Australasia shipbuilding revenue to double



Australasia return to profit [EBIT]



- Commercial
- strongly positive based on major product revamp.
- Some start up risks largely in the Philippines.

Guidance Update - Support

Continued Naval support growth



Dry Dock support for LCS



Armidale support complete



GCPB support starts FY2019



CCPB support performance improvement



- Austal recently lost the 'Planning Yard' contract in the USA however support is still likely to grow rapidly due to a larger LCS fleet (only 9 of 19 ships on order delivered) and greater proportion of total spend being won (eg. recent dry docking awards).

Disclaimer

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For further information visit www.austal.com

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