

J.P. Morgan Emerging Companies Conference



Andrew Bellamy, Chief Executive Officer

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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:

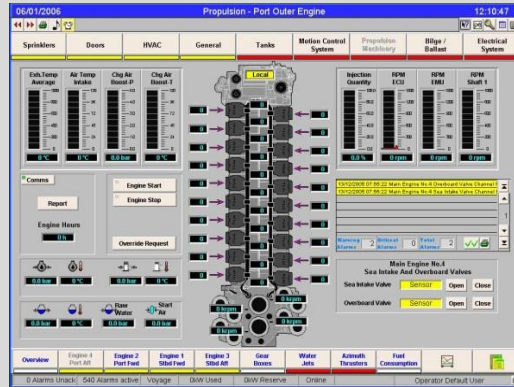
- Australia
- United States
- Europe
- Caribbean
- Middle East
- Asia

➤ Austal comprises three product platforms: Ships • Systems • Support

Ships



Systems



Support



H1 FY2014 highlights



Financial

- **Revenue:** \$507.6m, a 30.4% increase on H1 FY13
- **NPAT:** \$9.5m, a 76% uplift on H1 FY13
- **Net Debt:** Reduced by \$32.6 million in H1 FY13 to \$100.3m
- **Cash flow:** Strong conversion of EBITDA to cash – \$37.8m cash flow from operations

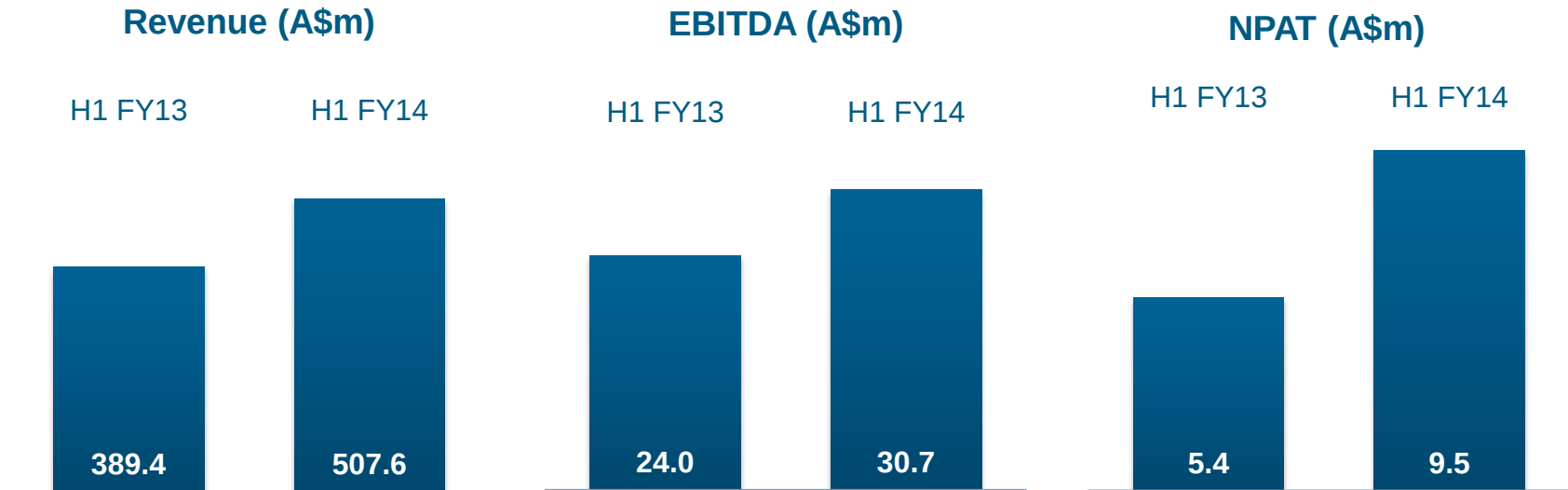
Operational

- **Group EBIT margin:** Increased to 3.7% (H1 FY13: 3.2%)
- **US operations:** EBIT margin increased to 6.4% (H1 FY13: 5.5%)
- **Australian operations:** EBIT margin of 4.1%, improvement on loss in H1 FY13
- **Order book:** \$3.2 billion, securing work through to FY19

People & Strategy

- **Management:** Stable team delivering results
- **Delivering on defence pipeline:** Exports to the Middle East
- **Support:** Opportunities with the deployment of US and Australian vessels in Asia Pacific

Delivered on record amount of work in hand



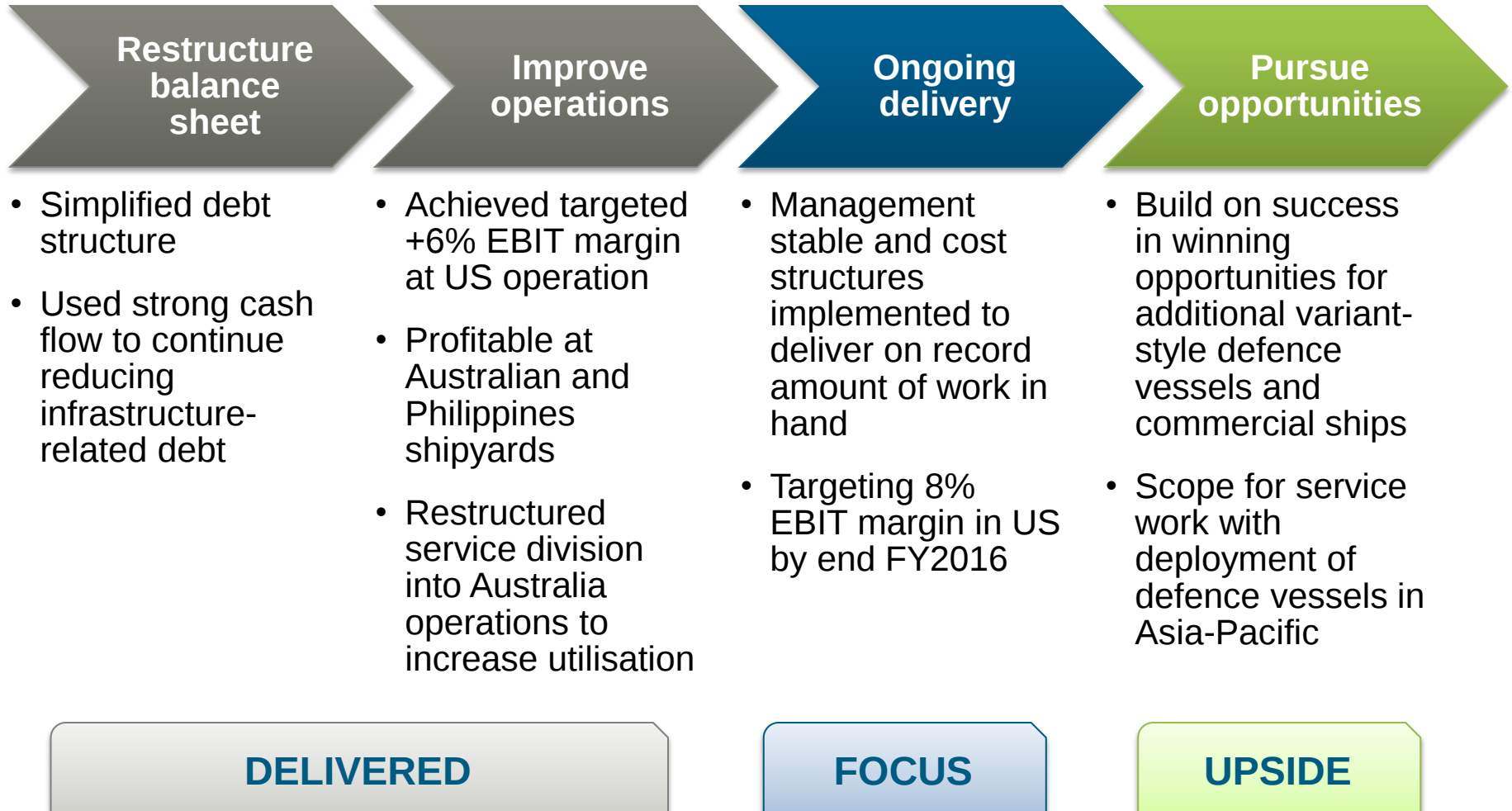
- Ongoing improvement in earnings and revenue from H1 FY13 to H1 FY14
- Revenue growth driven by record amount of work in hand, particularly US Navy vessels
- Margin growth at US operations and profit contribution from Australian operations

Continuing to deliver in H2 FY2014



- Order book boosted to record \$3.2 billion with new contracts awarded in the half
 - US\$124.9m contract for design, construction and integrated logistics support of two 72 metre High Speed Support Vessels at Austal's Henderson shipyard in Australia
 - US\$684m in funding for LCS 18 and 20, in line with the contract
- Winning post-delivery service and support work, such as the US\$7.1m support contract for LCS 6
- Delivered JHSV 3 to US Navy and Christened LCS 6
- Delivered 27m wind farm support catamaran
- Ongoing debt reduction through strong cash flow and funds from sale of surplus service base

Objectives for sustained growth



Financials



Earnings summary

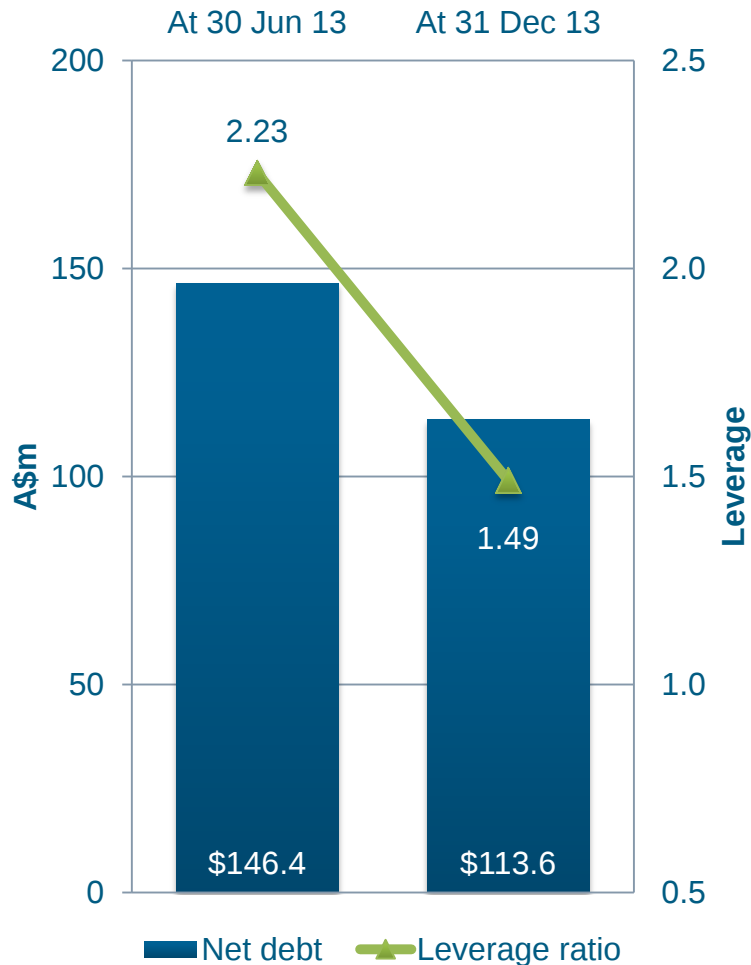


Income statement	H1 FY14 (A\$m)	H1 FY13 (A\$m)	Change (A\$m)
Revenue	536.9	405.5	+131.4
EBITDA*	37.7	28.4	+9.3
EBIT*	25.7	17.0	+8.7
NPAT*	14.4	8.5	+5.9
EPS	2.71¢	2.14¢	+0.57¢

- Underlying EBITDA was \$37.7m (H1 FY13: \$28.4m) after removing one off impacts:
 - \$3.3m profit on sale of land at Henderson
 - \$10.2m WIP impairment
- **USA:** EBIT margin improved from 5.5% F1 FY13 to 6.4% H1 FY14
- **Australia:** Margin improvement from maturity of Cape Class program and increased utilisation through consolidation of service & support division
- **Philippines:** Revenue growth but margin deterioration because a vessel was delivered late

* Underlying profit figures account for one off impacts in H1 FY14 (WIP impairment and sale of land) and H1 FY13 (loss on sale of stock yacht).

Significant progress in debt reduction



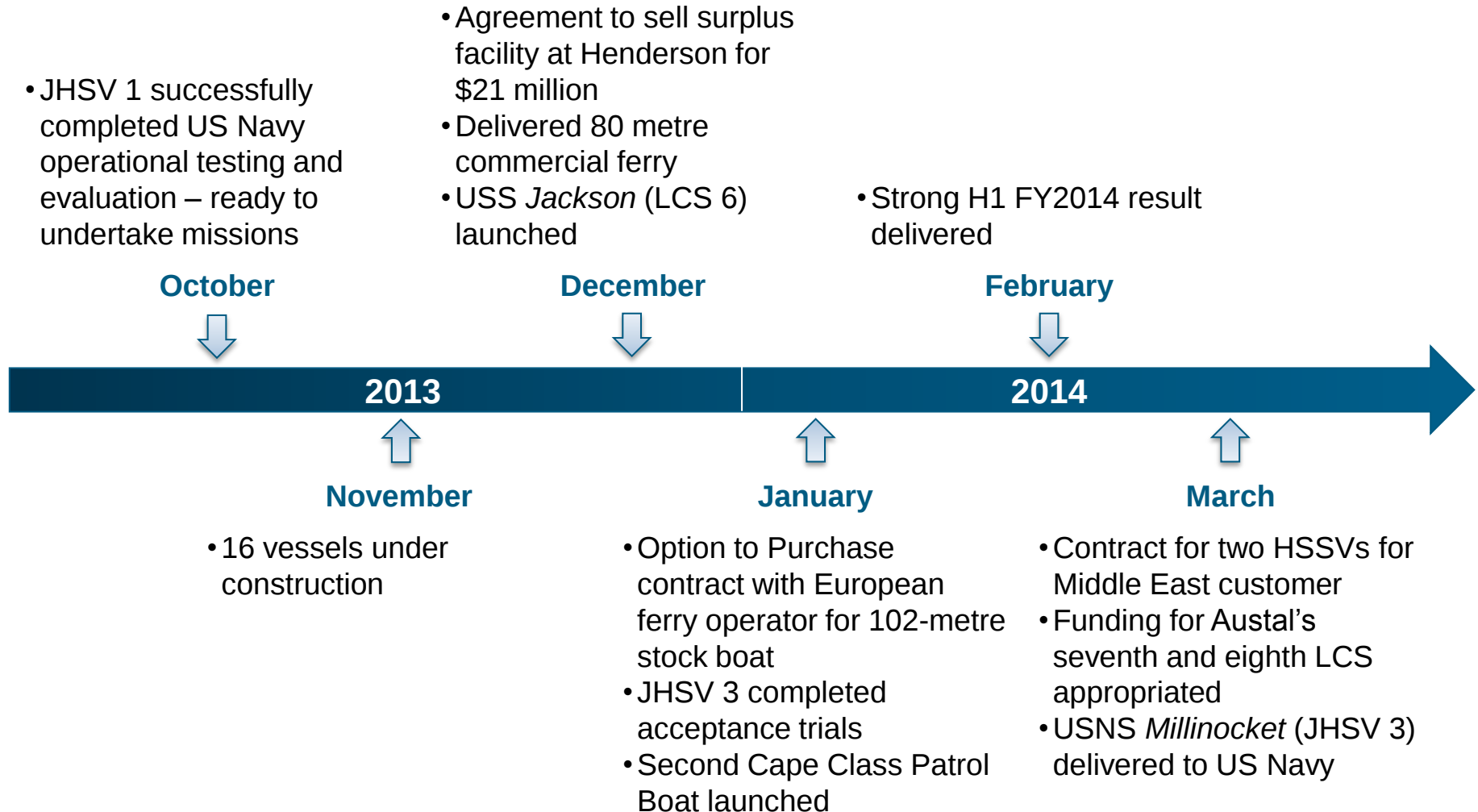
- Cash generated from operating activities was used to reduce Net Debt by \$32.8m
- Higher EBITDA and lower Net Debt has significantly reduced the Leverage ratio
- Proceeds from the sale of the satellite service base in Henderson were used to reduce debt by a further \$17.1m in January 2014
- Strong focus on cash management has restricted capital expenditure to less than \$2.0m

Leverage ratio = Net debt / last 12 months EBITDA

Operations update

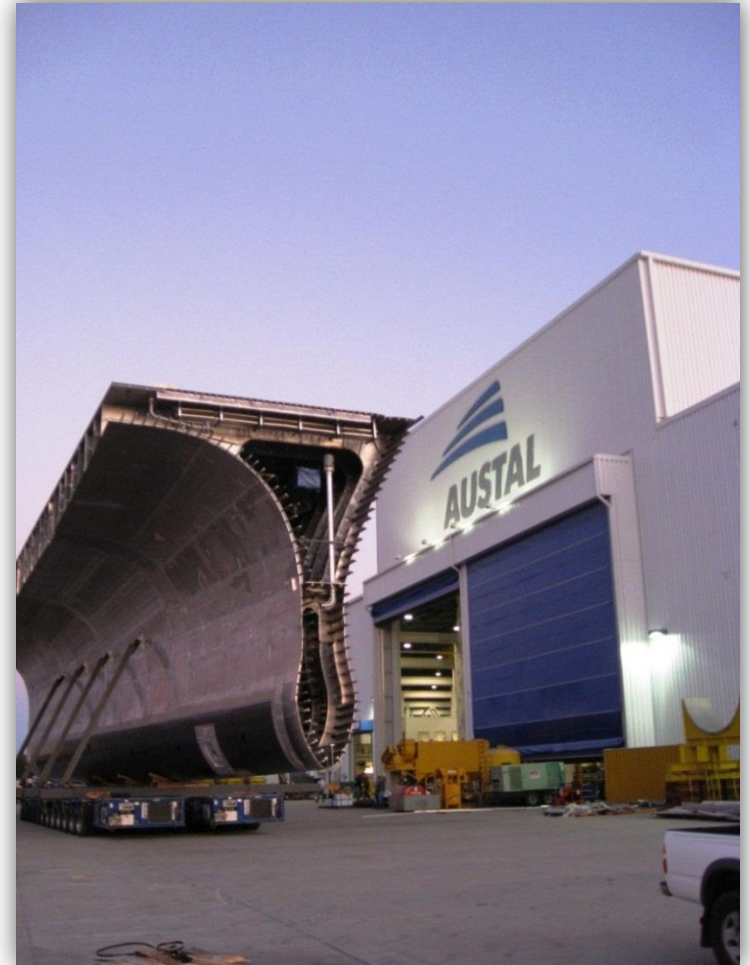


Ongoing progress across the business



Order book

- Order book of \$3,2 billion secures revenue until 2019, including:
 - **10 Littoral Combat Ships for US Navy**
x8 funded (out of 10 vessel contract)
 - **10 Joint High Speed Vessels for US Navy**
Fully funded, with x3 delivered (out of 10 vessel contract).
 - **8 Cape Class Patrol Boats for Australian Customs and Border Protection**
Fully funded, with x1 delivered (out of 8 vessel contract), plus through-life support.
 - **2 High Speed Support Vessels for Middle East Navy**
Fully funded, construction commencing this year
 - **Commercial vessels**
x2 27 metre wind farm support catamarans
x1 21 metre wind farm support catamaran



US Navy – Littoral Combat Ship

- 10 ship contract awarded as prime contractor, worth US\$3.5 billion.
 - 8 fully funded
- 2 LCSs constructed and delivered by Austal for GD (LCS 2 and LCS 4).
- Program progressing well:
 - LCS 6 launched and christened – first vessel as prime contractor
 - LCS 8, 10, 12, and 14 under construction
- Program extended beyond current block buy by 8 ships
 - Navy acquisition plan to become clear in coming months



US Navy – Joint High Speed Vessel

- 10 ship award to Austal valued at US\$1.6 billion (fully funded), securing work through to 2017
- Maturing program, largely de-risked
- Program progressing well:
 - JHSV 1, 2 & 3 – delivered.
 - JHSV 4 – christened and preparing for sea trials
 - JHSV 5 & 6 – under construction
- Austal well placed to secure a role servicing the JHSV program
- Performance is generating interest – potential for Austal to penetrate new markets with variant (e.g. Middle East)



Austal's position in the US remains strong



Austal-built vessels have continued to be funded

US Foreign Policy remains focused on Asia-Pacific defence strategy

Additional opportunities for through-life support on LCS and JHSV (e.g. support contract on LCS 6)

LCS program expanded beyond current contracts of 24 vessels to 32 vessels – speed and quantum will be decided by Congress

US Navy examining alternatives to LCS that is “consistent with the capabilities of a small frigate” – includes modified LCS, existing LCS, or new ship design

Austal well positioned to be responsive to alternatives put forward

Australia – Cape Class

- \$330 million contract for 8 Cape Class Patrol Boats, including \$50 million support work – through to H1 FY16.
- Significantly matured since CCPB 1 – 6 CCPBs under construction
- Efficiency improvement expected to increase margins in H2 FY14
- Targeting export opportunities for defence vessel variants
- Early replacement of RAN patrol boats continues to be explored
- Opportunity for service work with deployment of vessels in Asia Pacific



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
- Designed and built at Henderson shipyard
- Construction to commence this year and final vessel delivered in 2016
- Deployed with a similar mission to the JHSVs
- Demonstrated ability in strategy of leveraging Austal's revolutionary intellectual property and technology to new defence markets



Philippines

- Delivered 80 metre commercial ferry in December 2013
- Delivered 27m wind farm support vessel in March 2014
- Ongoing technology transfer to improve competitive position
- Working capital largely retired
- Demand for commercial ferries remains subdued
- Pursuing further opportunities in wind farm and oil & gas vessel markets



Service and systems

- Austal has established a global footprint, strategic partnerships and the IP to provide through life support for vessels such as the LCS, JHSV and CCPB
- Integration of service division in Australia has increased efficiencies, asset utilisation and margins
- Sale of system product line to Thales in Australia completed in March 2014 facilitates further consolidation of assets
- Winning post-delivery service and support work in the US – US\$7.1m support contract for LCS 6
 - Opportunities for planning yard and sustainment





United States

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

Australia

- Further increase efficiencies on Cape Class Patrol Boats, following first-in-class vessel
- Continue targeting construction and support opportunities in defence vessels, including in Australia and variants for offshore
- Extract further synergies from integration of shipbuilding and service operations

Philippines

- Continue to build commercial shipbuilding capability to position Austal for market opportunities
- Remain flexible according to market potential
- Vertically integrate Philippines and Australia supply chain to increase competitiveness

Reduced debt, improved efficiencies from first-in-class ships, and stable management delivering on vessel programs

Meet guidance of \$1 billion revenue in FY2014

Continue progressive growth in profit margins, augmented by an increase in service and systems work

Use strong cash flow from operations and complete sale of stock boat to pay down infrastructure-related debt

Research and development to increase platform capability to drive new demand for current ships and variant models

Stable management and strengthened Board delivering results

Pursuing variant-style defence vessel contracts in export markets

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For further information visit www.austal.com

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