



ORBITAL®

2016 Annual General Meeting - CEO Presentation

7th November 2016

# **ORBITAL** is an innovative industrial technology company

**ORBITAL** invents, manufactures and invests in smart technology that delivers improved performance outcomes in the safety & productivity and unmanned vehicle sectors

**ORBITAL** currently consists of two core businesses, each positioned for rapid growth:



## Unmanned Vehicles

Orbital **UAVE** develops and supplies state of the art propulsion systems for unmanned aerial vehicles



## Safety and Productivity

Minimising isolation downtime safely to maximise production

## SHAREHOLDERS

JP Morgan Nominees Australia Limited	31.6%
National Nominees Limited	3.6%
Mulloway Pty Ltd	3.5%
Annapurna Pty Ltd	3.4%
Board and Management	6.7%

## CAPITAL STRUCTURE (OEC.AX)

Share Price (3 Nov 2016)	\$0.92
Fully Paid Ordinary Shares (3 Nov 2016)	77.2 million
Market Capitalisation (3 Nov 2016)	\$71.0 million
Cash (30 June 2016)	\$24.9 million
Debt <sup>1</sup> (30 June 2016)	\$8.3 million
Net Assets	\$31.3 million

1. Debt as at 30 June 2016, relates to a WA Government facility which amortises with repayments increasing annually until 2023

## SHARE PRICE<sup>2</sup>



- **Orbital 30 June 2016 Highlights:**

- Profit after tax of \$1.3 million from revenue of \$11.7 million
- Cash balance of \$24.9 million
- Sale of interest in Synerject for US\$17.8 million (A\$24.2 million)

- **UAVE**

- First \$12 million production order in August 2015 from Insitu Inc, a subsidiary of The Boeing Company
- Second \$12 million order (September 2016)
- Targeting Insitu long term production contract by end of CY2016

- **REMSAFE**

- Systems installed with BHP Billiton, Rio Tinto and Anglo American. Anglo American the first overseas and coal installation.
- **REMSAFE** USA debut at MINExpo 2016 in conjunction with strategic partner Eaton
- **ORBITAL** has secured 100% ownership of **REMSAFE** and new management structure in place to drive growth

# Strategy for Rapid Growth

## AMBITION

## TRANSFORM

## CORE

- Innovation & commercialisation heritage
- World class people and facilities
- Product introduction track record

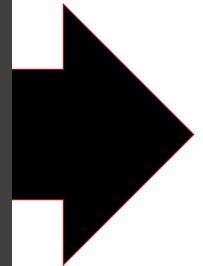
- Divest interest in legacy businesses
- Strengthen ORBITAL UAVE and REMSAFE businesses
- Investment in people, skills and organisation to prepare for rapid growth

- Australian company which is the leader in worldwide industrial innovation
- Achieve \$100m pa revenue for both ORBITAL UAVE & REMSAFE
- Acquire New - Grow portfolio of diversified businesses
- Maximise Shareholder returns

PAST

PRESENT

FUTURE





**ORBITAL<sup>®</sup>**

**UAV**

**ORBITAL UAVE** is the global leader in the small unmanned aerial vehicle propulsion system market; delivering leading endurance, reliability and power-to-weight advantages.



- Propulsion systems, engines and ancillaries for unmanned aircraft
  - **U** - Unmanned
  - **A** - Aerial
  - **V** - Vehicle
  - **E** – Engines
- Design, development, validation, manufacturing and supply of **UAVE's** heavy fuel engines, engine management systems and fuel systems
- Repair, refurbishment of **UAVE** engines
- Supply of specialised light weight ancillary engine systems and components
- R&D to support **UAVE's** RAPID growth into new UAV class markets







# Setting New Industry Benchmarks

- **First of its kind**
  - First engine designed specifically for Small UAV application – clean sheet of paper design, class leading performance, reliability and repairability
  
- **Endurance benchmark**
  - The first heavy fuel engine in its class to successfully complete durability testing over the US FAR 33.49 engine endurance test schedule for commercial aviation engines
  
- **Integration – Fully Integrated Propulsion System**
  - Integrated Fuel and Oil Tank Module – UAVE delivers a line replacement unit propulsion system, not just an engine
  
- **FlexDi™**
  - ORBITAL's unique technology has been proven to provide the highest level of engine efficiency delivering superior endurance and performance



# Recent Highlights

## ▪ **May 2016**

- UAVE at AUVSI displayed by Insitu – a key global Unmanned vehicle exhibition –
- First production engines shipped to Insitu
- Insitu establishes their Commercial Business Unit to service the growing commercial UAV market
- Insitu Pacific announce commercial contract with Queensland Gas Company

## ▪ **June 2016**

- UAVE at Eurosatory in Paris

## ▪ **August 2016**

- UAVE at UAS West San Diego
- FAA implement major changes for small commercial UAV use in USA – a significant boost to the commercial UAV industry

## ▪ **September 2016**

- Second \$12 million order received from Insitu Inc

## ▪ **FY 2017**

- Continued sales of Electronics, Fuel Systems, and Components to UAV customers
- FY 2016 - Propulsion systems being developed for VTOL (Vertical Take-Off & Landing)

- **Insitu Program**

- Thousands of hours of successful bench testing
- Hundreds of hours of successful flight testing

- **Delivering first \$12m Insitu order**

- Original target to complete by end of 2016 CY delayed, expected to continue into Q1 2017 due to component supply delays. Working with supplier and customer to improve supply chain management.

- **Preparing for production - second \$12m Insitu order**

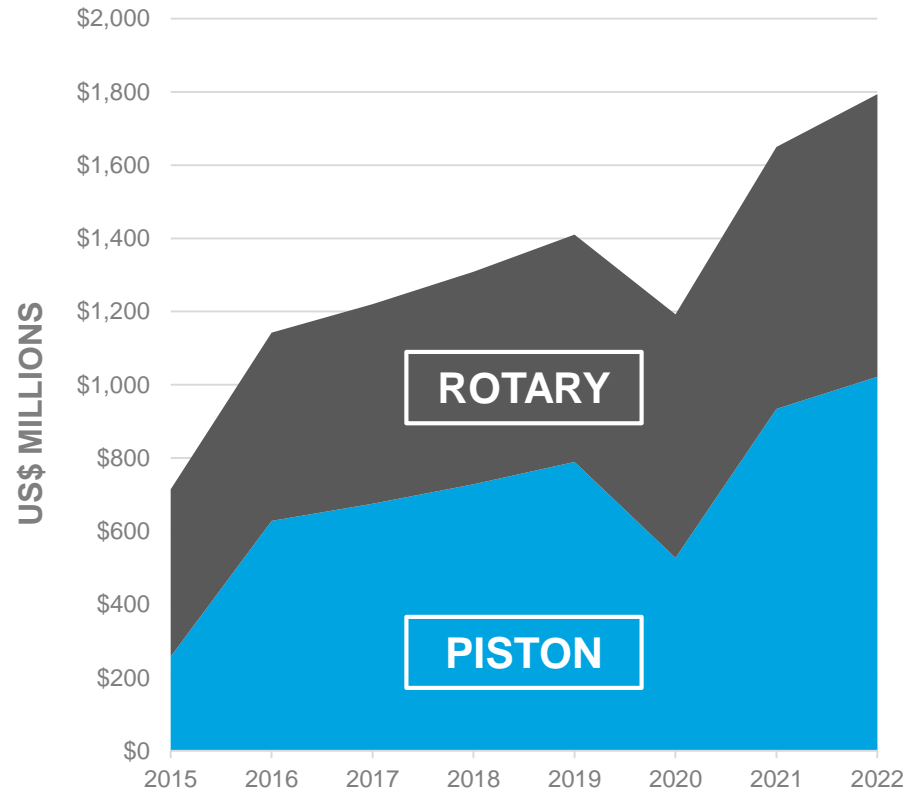
- Original target to complete second order by end of Q2 2017 may also be impacted due to component supply delays

- **Delayed Shipments - Impact**

- Delay in shipments will result in transfer of revenue and profits into H2 FY 2017

- Expand product portfolio with existing customers
- Tactical UAV (TUAV)
- VTOL market Develop rotary engine solutions for Vertical Take Off & Landing
- MALE (Medium Altitude Long Endurance) market, larger UAVs
- Expand from USA into global markets

### UAV Propulsion System Market Projection<sup>1</sup>



- **Deliver**
  - Fulfil existing production contracts with Insitu and others
  - Execute Long term supply agreement with Insitu, expected by end of this calendar year
- **Leverage**
  - Use existing Insitu business as leverage to expand market into other UAV customers and classes
- **Expand**
  - Establish USA base for technical support, manufacturing, rebuilds & further business expansion
- **Stay in Front**
  - Continue to set new UAV propulsion benchmarks for performance, reliability and endurance
- **R&D**
  - Develop new products for other UAV classes
- **Diversify**
  - Adjacent UAV products through collaboration, JV and/or acquisitions

The logo for REMSAFE is a yellow rounded rectangle with a black border and diagonal hatching at the top. The word "REMSAFE" is written in bold, black, sans-serif capital letters inside the rectangle.

# REMSAFE

**REMSAFE** is a patented and modular isolation system enabling rapid and remote de-energisation of large mining equipment, increasing worker safety and reducing isolation downtime by up to 97%

Remote Isolation Systems for any high or low voltage application



**Power Room**  
Isolate Electrical Power



**In mining, distances  
can be significant**



**REMSAFE**  
Field Isolation Station





## SAFETY

Eliminates exposure of workers to arc flash and includes failsafe to ensure isolation is maintained



## PRODUCTIVITY

Cut isolation downtime by up to 97% and provides significant cost savings



## RETURN ON INVESTMENT

Investment break-even point with **REMSAFE** can be reached rapidly



## TAILORED

**REMSAFE** systems are tailored to site requirements and isolation procedures

Feature	REMSAFE	Other Remote Isolation Systems
SIL (Safety Integrity Level) Rated Components	✓	✓
SIL Rated System	✓	✗
Compliance with internationally recognised safety standards	✓	✗
Tailored to meet site based Isolation procedures	✓	✗

- **FY 2016**
  - Commissioned 8 REMSAFE systems in Pilbara since December 2015
- **June 2016**
  - Installed and commissioned first international REMSAFE system at Zibulo, South Africa, for Anglo American. This was also first system for coal
  - Rental finance option developed and available
- **August 2016**
  - New REMSAFE Gen 5 streamlined system and simplified user interface, while maintaining SIL 2 functionality – very positive response from the market
- **September 2016**
  - REMSAFE debut in USA at MINExpo 2016 - generating significant global interest and market education opportunity
- **October 2016**
  - REMSAFE and Eaton present Paper at Institute of Electrical and Electronics Engineers (IEEE) conference
  - Orbital acquires 100% ownership, reflecting Orbital's confidence in REMSAFE
  - New CEO, Rob Wilson, appointed and operational structure now in place to support

## Mining – Conveyors, Dumpers

- Australia alone is a \$1.7b critical bulk handling market, \$1.3 b from conveyers alone
- Australia represents only around 15% of the global mining bulk handling equipment



## Rail – Rail Switches, high voltage electric power, tight time schedules



## Oil & Gas – Critical infrastructure, stringent safety and maintenance schedules



- **Recent Installations**

- Recently installed systems currently under evaluation in the Pilbara, demonstration of success to customers leads to new orders

- **Market interest growing,**

- Significant number of proposals issued to multiple customers across Australia

- **New Sales organisation and Sales strategy**

- New Head of Sales and External consultants
- Developing multiple channels to market

- **H1 FY 2017 order book is challenged**

- Time required to prove-out newly installed systems
- Capital constraints in key markets, overall equipment market depressed

- **Revenue impacted in H1 FY 2017**

- Expected to recover - new systems orders expected in H2 FY 2017

- **Securing strategic alliances**
  - Eaton – a global technology leader in power management systems
  - Collaboration agreement underway with OEM system provider
  - Establishing marketing channels with major global suppliers
  
- **Maximise mining sector penetration**
  - Roll out additional systems to existing Australian hard rock mining customers
  - Expand to other above ground mining applications (e.g. coal, gold and others)
  - Expand to underground mining (coal)
  - Expand to bulk handling ports/harbours (ore, coal)
  
- **R&D to expand into adjacent sectors and new applications**
  - Isolation systems for ore processing facilities
  - Rail track switching
  - others

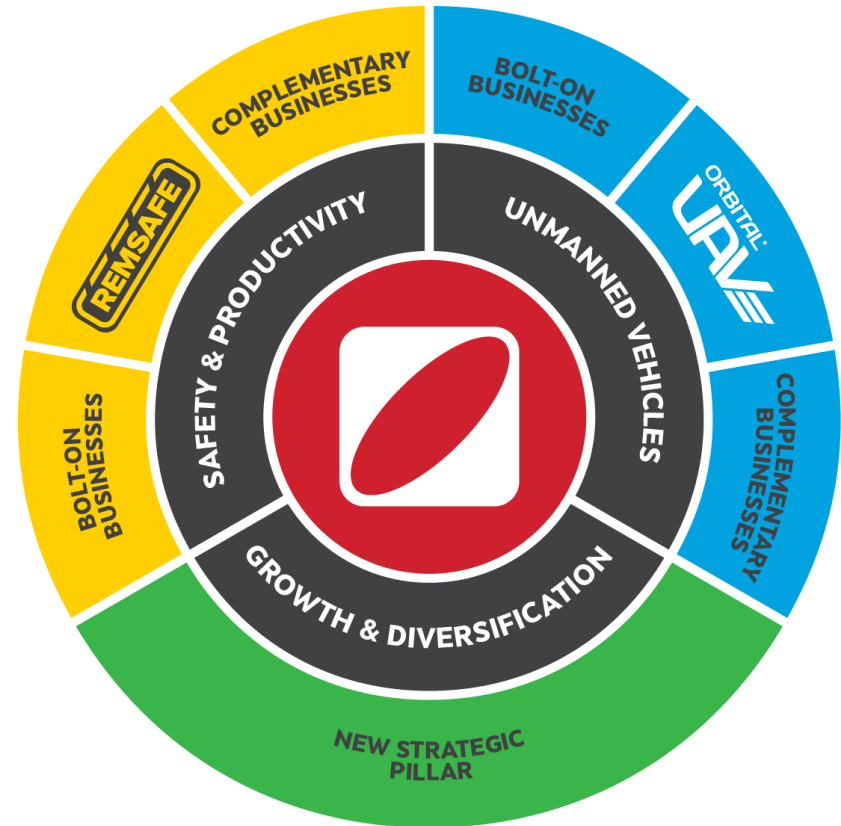


**ORBITAL<sup>®</sup>**

Mergers & Acquisitions



- Identifying high growth, mid stage, industrial technology opportunities
- Targeting bolt-on and adjacent acquisitions to expand and compliment **Orbital UAVE** and **REMSAFE** businesses
- Expand into new industrial technology sectors to diversify the **Orbital** portfolio



## Investment Focus

**ORBITAL** is focused on investing in and growing businesses that are in the product commercialisation and early operations stage:



## ■ **Orbital Group**

- FY16 focused on building UAVE and REMSAFE
- Established dedicated Orbital M&A team and processes
- FY17 - Orbital pursues its aggressive growth strategy

## ■ **Orbital UAVE**

- **ORBITAL UAVE** production start, two \$12 million orders to date
- Targeting long term supply agreement with Insitu this year
- Planning **ORBITAL UAVE** USA expansion

## ■ **REMSAFE**

- Momentum building on the back of recent installations
- **REMSAFE** at MINExpo 2016 and IEEE - USA debut
- Progressing **REMSAFE** global marketing and sales channel partnerships

*This presentation includes statements looking-forward that involve risks and uncertainties. These statements are based upon management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Company, that could cause actual results to differ materially from such statements. Actual results and events may differ significantly from those projected in the forward-looking statements as a result of a number of factors including, but not limited to, those detailed from time to time in the Company's Annual Reports. Orbital makes no undertaking to subsequently update or revise the forward-looking statements made in this presentation to reflect events or circumstances after the date of this release.*



**ORBITAL**®

Contact Orbital, or visit the website for further information

[www.orbitalcorp.com.au](http://www.orbitalcorp.com.au)

**Orbital Corporation (ASX: OEC)**

4 Whipple Street Balcatta, Western Australia, 6021

Managing Director: Terry Stinson | Telephone: +61 (8) 9441 2311