FY2017 full year results

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FY2017 Highlights

2017 Revenue

$1.31 billion

2 x New Shipyards
PPB-R + Aulong

Order Book

$3.0B

10
Ships Delivered

14
Ships under Construction

4,691
Employees

9
Ferries ordered in last 18 months

FY2017 Vessel Programs

MOLSLINJEN

2GO group.inc.

FRS
FÖRDE REEDEREI SEETOURISTIK

Seaspovill

CMS
CASPIAN MARINE SERVICES LIMITED

SWIRE PACIFIC

Sustainment Programs

10

7

5

2

FY2017 Financials

Earnings in line with guidance

$m	FY2017	FY2016	Change
Revenue	$ 1,310.1	$ 1,340.0	$ (29.8)
EBITDA	77.1	(91.0)	168.0
- Underlying	90.2	65.0	25.2
EBIT	45.5	(120.9)	166.4
- Underlying	58.7	35.1	23.6
NPAT	15.3	(84.2)	99.5
- Underlying	32.7	25.0	7.7
EPS	4.4	(24.2)	28.6
- Underlying	9.5	7.2	2.3

- Significant return to profitability underpinned by USA shipbuilding margin.
- Underlying EBIT exceeded July 2016 guidance.
- Accounting for irregular tax items had a significant impact on headline NPAT
  - Cash tax was a $12.2 million refund as depicted in the cash flow statement
  - Refer next slide for more discussion

FY2017 underlying earnings removes the impact of providing for a settlement of arbitration relating to a latent defect claim dating back to 2010.

FY2017 underlying NPAT also removes the non-cash impact of timing issues related to accounting recognition of tax losses and research & development credits.

FY2016 underlying earnings removes the impact of the LCS program write down of work in progress.

Underlying NPAT breakdown

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	$m
EBIT - Underlying	$ 58.7
Net Finance Costs	$ (5.7)
PBT - Underlying	$ 53.0
Tax - Underlying	$ (20.3)
NPAT - Underlying	$ 32.7
Legal Settlement	$ (9.2)
Irregular tax items	(8.1)
NPAT - Headline	$ 15.3
ETR - Underlying	38%

- After tax impact of legal settlement $(9.2) m
- Irregular tax outcome primarily driven by not recognising tax losses for the Australian consolidated tax Group:
  - Australian Tax group includes Australia segment and majority of Group corporate overhead
  - Effective tax rate (ETR) also inflated by mix of USA profit and Australia loss
- Cash tax refund of $12.2 m despite high ETR
  - Refund from US FY2016 losses carried back to FY2014 & FY2015
  - Zero tax paid in Australia due to lax loss
- FY2018 cash tax outlook
  - Alternative minimum tax in USA (20%) due to losses and credits available for use
  - Zero cash tax in Australia due to losses and credits carried forward and available for use

Segment breakdown

$m	Concept	Ships	Systems	Support	Other	Total
USA	Revenue	$ 849.0	$ 200.1	$ 123.0	$ -	$ 1,172.1
	EBIT	57.6	4.6	16.3	(2.4)	76.1
	EBIT Margin %	6.8%	2.3%	13.3%	-	6.5%
Australia	Revenue	$ 49.5	$ -	$ 64.2	$ -	$ 113.7
	EBIT	0.6	-	(2.7)	-	(2.1)
	EBIT Margin %	1.2%	-	(4.2%)	-	(1.8%)
Philippines	Revenue	$ 33.8	$ -	$ -	$ -	$ 33.8
	EBIT	0.3	-	-	-	0.3
	EBIT Margin %	1.0%	-	-	-	1.0%

- **USA:** Shipbuilding margin towards upper end of guidance range, support continues growth. US support includes benefit of FY2016 profit awarded during FY2017
- **Australia:** Transition from final construction on CCPB 1-8 & High Speed Support Vessel in FY2016 to Mols & PPB with zero or low profit take up in FY2017, as expected.
- **Philippines:** Throughput constrained by infrastructure, expansion plan in development

Cash and debt

$m Cashflow	FY2017 H1	FY2017 H2	FY2017 Total	FY2016 Total	Change
Operating	$ (43.8)	$ 6.0	$ (37.9)	$ 102.1	$ (140.0)
Investing					
Sustaining	(2.8)	(7.9)	(10.7)	(7.0)	(3.8)
CCPB 9 & 10	(30.0)	(12.8)	(42.8)	(18.0)	(24.8)
Financing					
Debt	(11.7)	(1.8)	(13.5)	(12.0)	(1.5)
CCPB 9 & 10	18.9	19.2	38.1	23.0	15.0
Dividends	(5.9)	(6.4)	(12.3)	(15.8)	3.5
FX differences	4.4	0.8	5.2	3.5	1.7
Net Movement	$ (70.9)	$ (3.0)	$ (73.8)	$ 75.9	$ (149.7)

Cash	Dec 16	Jun 17	Jun 17	Jun 16	Change
Cash @ bank	$ 153.5	$ 150.5	$ 150.5	$ 224.3	$ (73.8)

- Positive H2 operating cash flow
  - Working capital movements in USA during H1
- Investing:
  - Typical sustaining capex
  - Completion of CCPB 9 & 10
- Financing includes:
  - $(13.5) m of debt reduction
  - 4 cps of dividends
  - CCPB 9 & 10 finance
- Cash
  - Strong cash position
  - Supports 2 cps final dividend

Net cash / (debt) – subject to volatility in working capital

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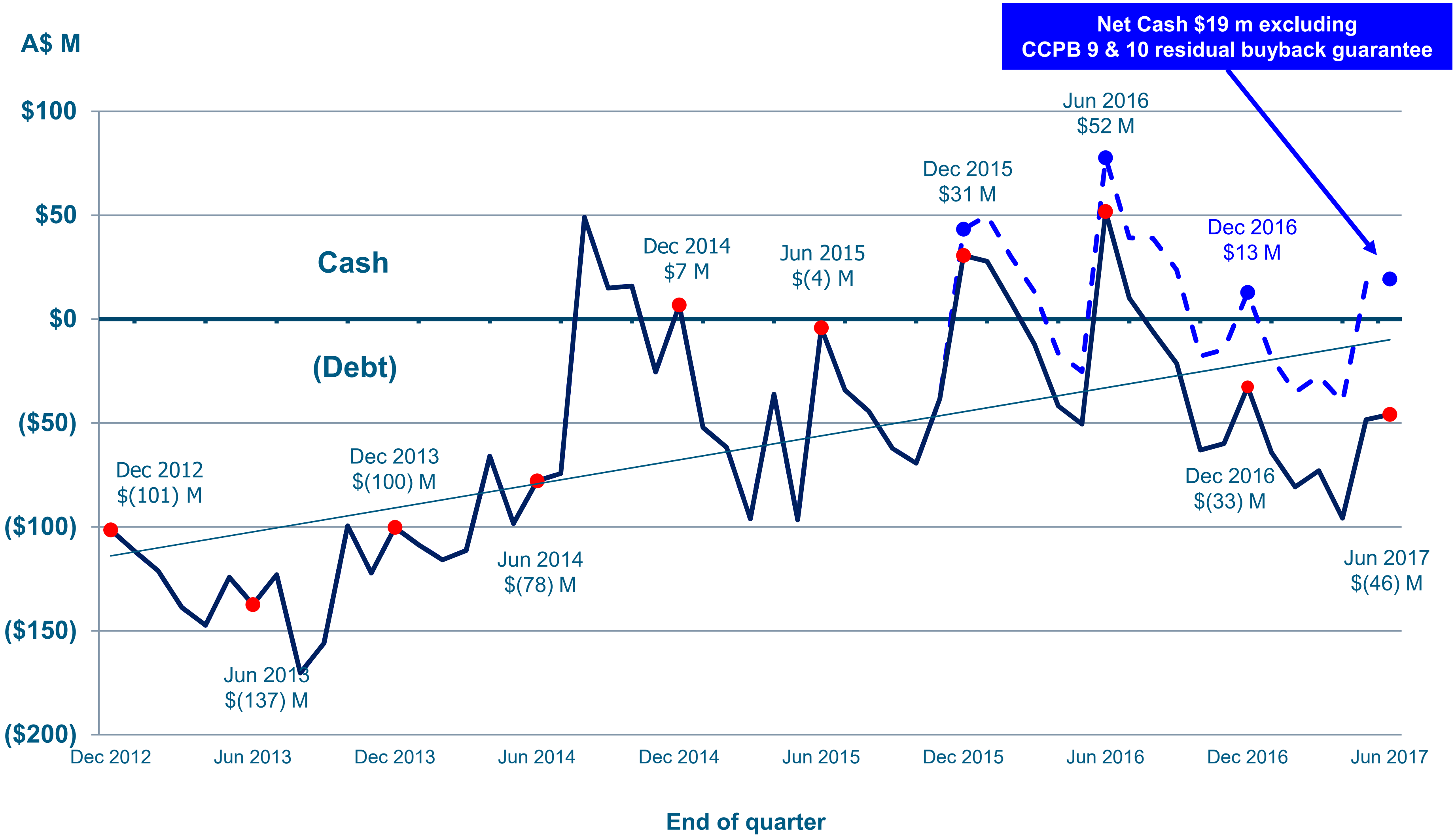
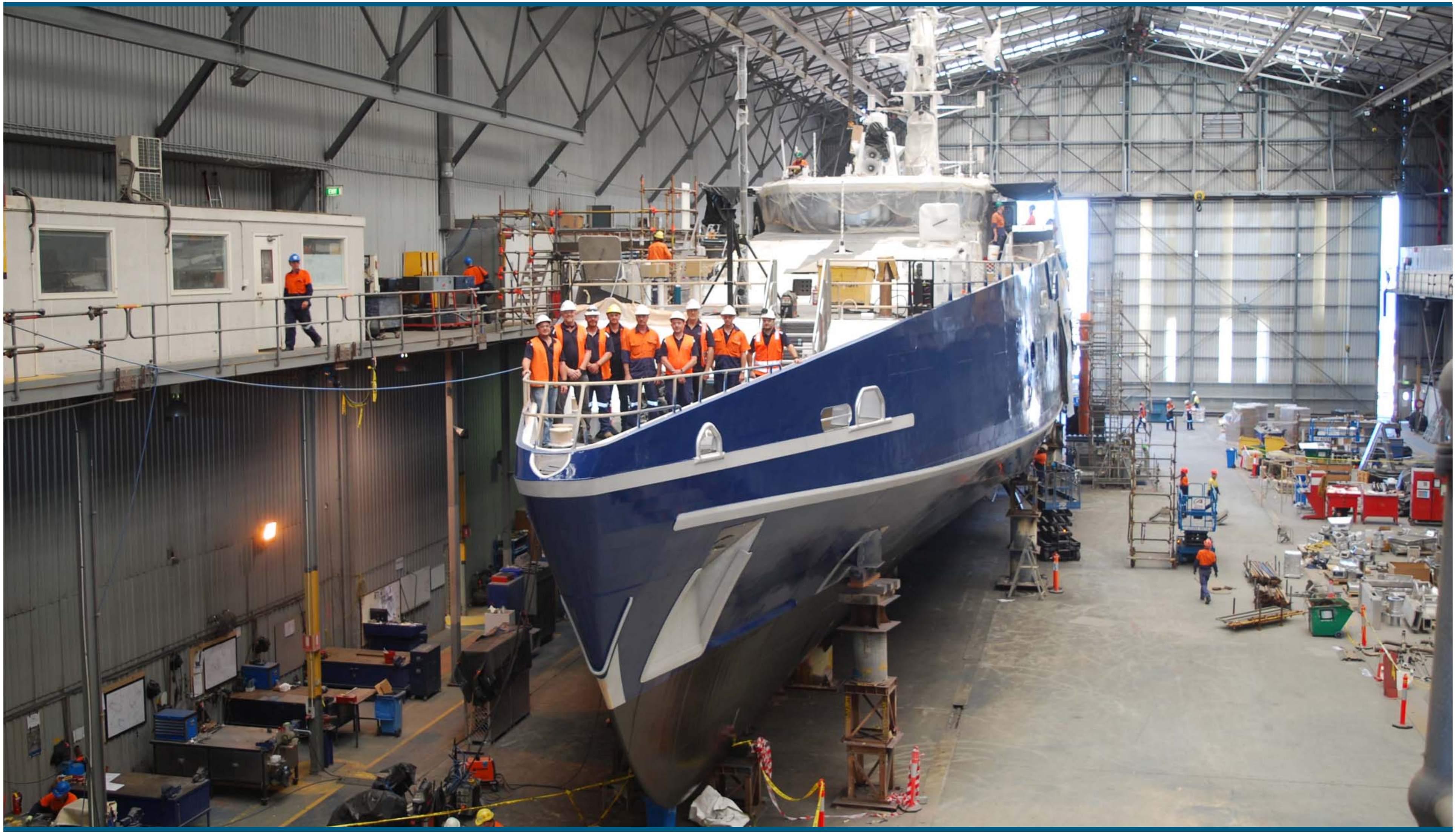


FY2017 operational performance



USA operations

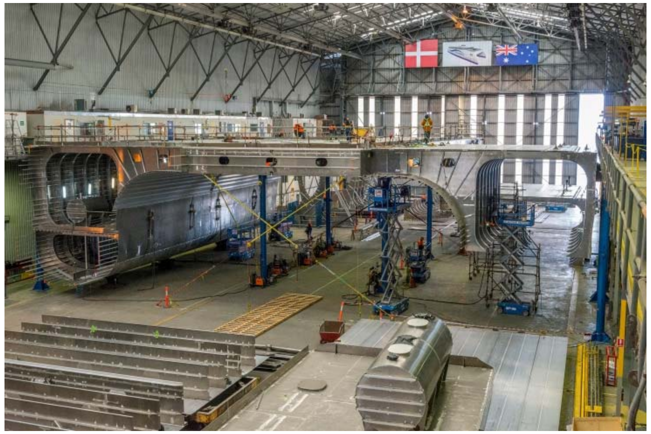
- Shipbuilding margin improvement

VESSEL PROGRAMS:

- **Littoral Combat Ship (~$6.4 bn program)**
  - Turnaround developing well and confidence continues to grow.
  - LCS 10 delivered in the year.
  - Awarded LCS 28 through a competitive tender.
    - Vessel pricing reflects current known costs therefore expect normalised profit level.
  - LCS 30 award expected CY2017.
- **Expeditionary Fast Transport (~$2.5 bn program)**
  - Continues to perform well.

Australia operations

- Shipbuilding as per guidance – at front-end design phase on two significant vessel programs throughout year but construction volume to increase in FY2018.
  - **Pacific Patrol Boat (~$305 m, 19-ship program)**
    - Strategically important; in line with budget and time.
    - Recognise profit from FY2019.
  - **Mols (~ $90 m, 109 m vehicle / passenger ferry)**
    - Moved to construction phase late in H2.
    - Major cost savings being demonstrated.
  - **Cape Class Patrol Boats 9 & 10**
    - 3-year charter commenced late in FY2017.
    - Expect engage on charter extension over next 12 months.
- **Support contracts**
  - CCPB in-service support: $3.2 m provision as more resources required than anticipated.
  - Armidale Class remediation: Performing well.
- Major cost reduction drive underway. Targeting 20% labour and cumulative 5% procurement.
- Significant technology investment underway to keep ferry capability ahead given strong market conditions.



Philippines operations

- Re-organised management team delivered profit turnaround in H2 FY2017, delivering:
  - Two 30 m ferries valued at $13 m and one 57 m offshore crew transfer boat at ~$26 m.
  - $16 m, 50 m ferry in July 2017.
  - $22 m, 56 m high-speed passenger ferry for FRS Group of Germany under construction.
  - $5.5 m, 30 m high speed passenger ferry for VS Ferries of Philippines just commenced.

VESSEL PROGRAMS:

- **Fjord Line (~ $108 m, 109 m vehicle passenger ferry)**
  - Historic peak throughput in Philippines A$39 m p.a. Fjord Line and other orders will drive sales progressively higher unlocking profit potential.
  - Expand build & launch facilities in Philippines to support this and other pipeline opportunities. Investment circa US$30 m.
- **Other vessels under construction**
  - 2 x $5.6 m, 35 m high-speed catamarans in China (Aulong Joint Venture).

2 Go Ferries

Fjord Line 109m Ferry

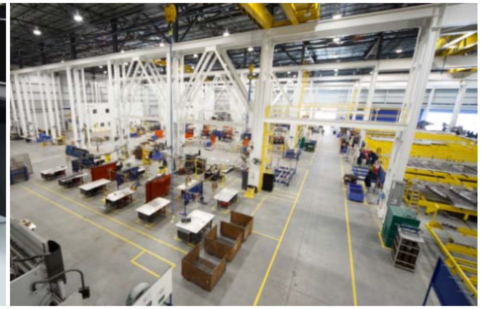
Strategy and Outlook

50 m Ferry for Seaspovill of South Korea on launch day

Strategy

Retain	Strengthen
our current market leading positions	our product portfolio and operational productivity





Diversify	Scale
by growing our global sustainment footprint	**by** capturing Australian Defence opportunities



Outlook

FY18 guidance

- Revenue of ≥$1.3 billion (FX dependent).
- Improved US shipbuilding margin of 6-8% – turnaround on LCS well advanced, LCS 28 at repriced level, and strong performance on EPF.

Defence

- Good opportunity for award of additional LCS.
- OPV for Australia being bid now, award expected end CY2017.
- Frigate programme is the major Australian opportunity. Austal an outsider today.

Commercial

- Export opportunities from Australian and Philippines shipyards at record levels compared to past decade.

Support

- Naval support business in Australia & USA continuing to grow at double digit rates.
- Need to fix Cape support losses in Australia.

Group

- Strong cash position funds growth in Australia (OPV), Philippines (commercial) and working capital (USA).

Appendix
Update on major vessel programs

Austal remains strongly positioned in US

Austal won LCS competition and therefore expects further orders in FY2018 & FY2019.

Force structure review proposes to increase US Navy by 30% to 355 ships. If enacted should support all US shipyards including Mobile.

Support business for LCS growing and exceeded $100m revenue in FY2017 at expected margin.

US Navy focused on transition of vessel from LCS platform to frigate configuration although non LCS designs will be considered. Program to deal with criticism of lack of offensive capability on LCS.

FY2018

One further LCS expected taking program to 15 vessels to date.

Alabama yard is most modern in the USA and directly employs circa 4,000 people. Facility supports major fleet expansion ambitions of Navy & Congress.

Significant milestones in the last 6 months

2017

March

- Official opening of the PPB-R shipbuilding facility in Naval Base, WA

April

- Austal cuts steel on first Pacific Patrol Boat Replacement vessel
- Construction commenced on 109m high speed ferry for Mols linien
- Delivery of Cape Fourcroy to RAN
- Delivery of EPF 8 USNS Yuma to USN

May

- Delivery of second Cape Class Patrol Boat to RAN
- 6th Austal designed and built LCS USS Omaha completes acceptance trials
- First Cape Class Patrol Boat for RAN officially named Cape Fourcroy

June

- Awarded contract to build LCS28 for USN
- Delivery of first of two high speed passenger ferries to 2GO Philippines
- Austal partners with ASC Shipbuilding for the build of the SEA5000 future frigate program
- Tenth Cape Class Patrol Boat officially named Cape Inscription

July

- Ceremonial keel laying of first Pacific Patrol Boat
- Delivery of first high speed passenger ferry to South Korea
- Launch of 50m high speed ferry in Philippines
- Delivery of second high speed passenger ferry to 2GO Philippines

August

- Aulong Joint Venture wins second ferry contract in China
- VS Ferries Corporation ferry contract signed
- A$108m Fjord Line ferry contract signed

Pipeline

1 United States Defence

- Expect further LCS orders in FY2018 & FY2019 at normalised profit levels.
- US Frigate selection FY2020.
- Further EPF orders not visible yet.

2 Australia Defence

- Competing steel vessels for the RAN's fleet renewal programs; OPV (order end CY17) & Frigate (order end CY18)

3 Global Commercial

- Strongest market conditions for a decade driving expansion in Philippines and Henderson

4 Middle East Defence

- Exports from Austal's portfolio of aluminium high performance naval vessels including HSSV and CCPB variants

Offshore Patrol Vessels (OPV) contract for Royal Australian Navy

- Part of Royal Australia Navy re-equipping program, contract value circa $3 billion (c $1bn vessels plus support) over 12 years. Austal 1 of 3 contenders.
- 60-80m steel patrol vessels, circa 2,000 tonnes.
  - Follows on from PPB steel making experience.
- Constant base load for Henderson for minimum of 10 years commencing CY2020 at approximately 50% current workload level.
  - First two vessels to be built in South Australia commencing CY2018 with next 10 in Henderson from CY2020.
- Henderson will also build defence exports and large highly specified commercial vessels. OPV provides strong financial base on which to compete.
- Austal has teamed with Fassmer of Germany who provide the high level design. Austal will carry out detailed design, most procurement and all shipbuilding and testing.
- Bid submitted. Down select due late 2017. Construction start H1 CY2018 in Adelaide.

Frigate contract for Royal Australian Navy

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- 9 Frigates to be built in existing site in South Australia commencing 2020 at circa 1 per year.
- 3 foreign designs being considered from Navantia (Spain), Fincantieri (Italy) and BAE Systems (UK).
- Initial contract value circa $10 billion plus support.
- Shipbuilder could be the foreign design company, ASC or Austal but government focus on building a ‘Sovereign’ shipbuilding capability suggests an Australian solution preferred.
- Austal teamed with ASC to provide Australian sovereign build option.
- Major opportunity for Austal to build on steel shipbuilding capability of PPB and OPV to become significant ‘new world’ defence shipyard.
- Down select to 1 bidder expected early CY2018.

Future Frigate

BAE SYSTEMS

FINCANTIERI

Navantia

Commercial pipeline at strongest level since before 2008

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- Six ferries sold in CY2016 exceeds five previous years combined. CY2017 could exceed this.
- Current fast ferry bidding pipeline now the strongest since before 2008.
- Philippines needs throughput in excess of $50 million p.a. (historic average $35m p.a.) Pipeline indicates FY2018 & FY2019 could be record throughput years.
- Committed to yard upgrades with additional build and launch facilities investment circa US$30m. Will increase covered area 5 fold.
- Mols Linien ferry (circa $90 million) commenced construction in Henderson in April 2017 delivery due early CY2019.
- Fjord Line ferry will be build in Philippines, finished and commissioned in Henderson. Delivery January 2020.
- Austal investing in vessel R&D to continue to lead market. Mols Linien ferry sets new standard in weight and efficiency.
- Potential new sales of Trimarans being developed.

US Navy – Littoral Combat Ship

- 11 ship contract awarded as prime contractor, worth approximately US$4.8 billion
  - LCS 6, 8 & 10 delivered
  - LCS 12 expect delivery this CY
  - LCS 14 expect delivery this CY
  - LCS 16 expect delivery this FY
  - LCS 18, 20 & 22 under construction
  - LCS 24, 26 & 28 funded
- Tender submitted mid February for additional ships.
  - LCS 28 funded in June 2017
  - Expectation of 1 more ship in CY2017

US Navy – LCS program continues to mature

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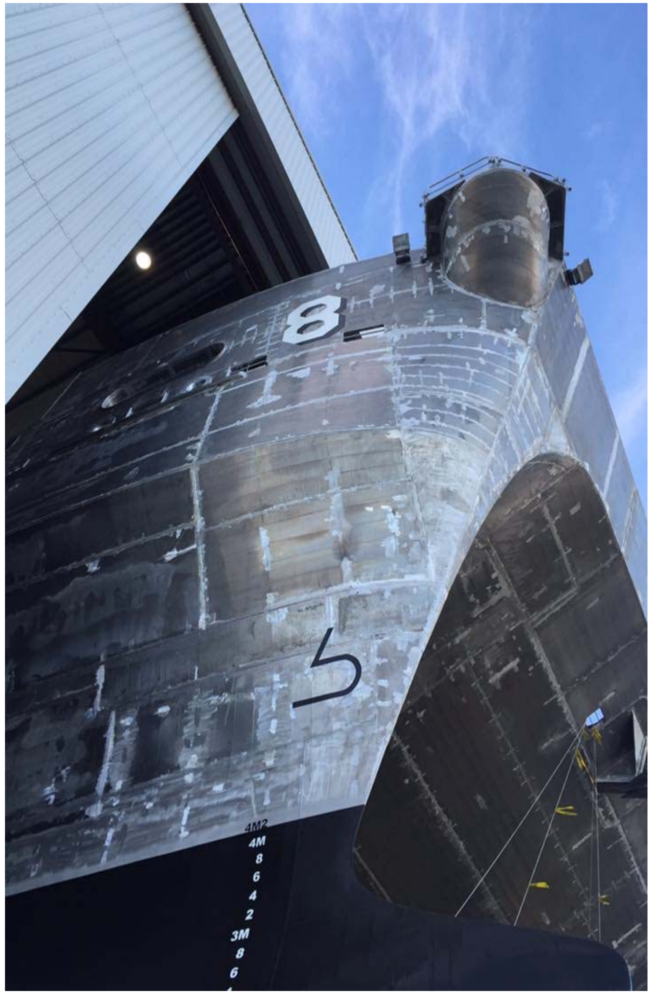
- Physical shock trials completed in July 2016, no significant issues identified, analysis by US Navy continues.
- Ship modification program stabilising focus is on reducing costs of implementation vessel by vessel.
- FY2017 shipbuilding EBIT margin towards upper end of guidance range provides confidence that LCS will meet costs to completion.
- Cost claims have been submitted and are being progressed by Navy. Guidance is that any settlement will take at least 2 years with no material outcomes to date.

Caption: The littoral combat ship USS Coronado (LCS 4) moors in Cam Ranh Bay during Naval Engagement Activity Vietnam 2017. The engagement provides an opportunity for Sailors from the U.S. Navy and Vietnam People's Navy to interact and share knowledge to enhance mutual capabilities and strengthen solid partnerships.

Credit: U.S. Navy photo by Mass Communication Specialist 3rd Class Deven Leigh Ellis/Released

US Navy – Expeditionary Fast Transport

- 12 ship award to Austal valued at US$2.2 billion (fully funded), securing work through to CY2022.
- Program progressing well – matured into a phase of efficient production and predictable delivery.
  - EPF 8 – delivered in FY2017
  - EPF 9 – preparing for delivery
  - EPF 10 – under construction
  - EPF 11 & 12 – contract placed in September 2016
- Austal focus on additional applications of EPF to extend program.

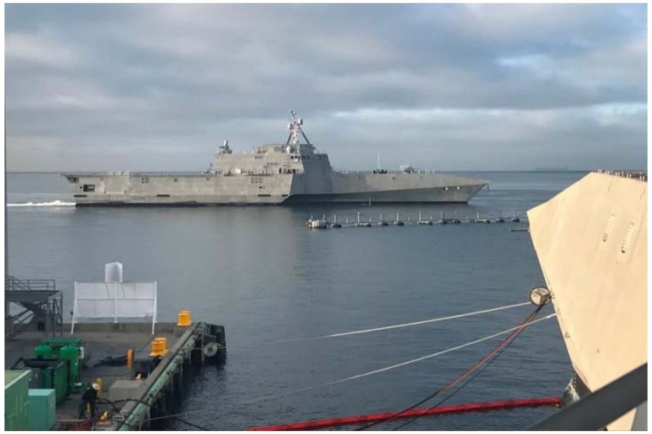


Australian Government – Pacific Patrol Boat

- 19 x 37 m Patrol Boats to be provided by Australia to 12 Pacific Island Nations.
- Contract value $305 million includes 5 years support awarded May 2016. Building Cairns base to deliver support.
- Austal’s first steel ship program extends company capability prior to bidding Offshore Patrol Vessels (OPV).
- Program successfully passed Defence department Detailed Design Review in February 2017 on time and to specification. Key transition to production.
- Production commenced in April 2017 with first delivery in October 2018 and final deliveries in 2023.
- Program is on time and meeting cost targets.
- Austal is not recognising profit on this program until it matures in line with policy announced 12 months ago.

Systems and Support

- Austal has invested extensively in sustainment capability in USA, Australia and overseas with new people, facilities and systems. EBIT increasing to circa 15% of group total.
- USA:
  - Revenue expected to exceed $100 million for the first time in FY2017. Further growth expected.
  - Operations in Mobile, San Diego & Singapore.
  - Margin on programs trending up as expected.
- Australia:
  - CCPB sustainment for Border Force covers 8 ships plus 2 for Navy.
  - PPB sustainment for Navy won and will start late 2018 for initial 5 years.
  - Armidale Remediation (5 vessels) won and worth circa $50 million until end 2017.
  - Darwin revenue has increased 29% year on year with near perfect on-time & cost performance. Cairns base established to increase capability and to support PPB.
- Turnover across group continues to increase significantly.



Military Export vessel pipeline reasonable although limited to Middle East

- Austal has been down selected in 2 overseas contracts and is actively engaged in one other major campaign in Middle East
- Nature of contracts makes predicting actual contractual order intake timing difficult
- HSSV vessel (EPF variant) developing as a strong product line and gaining support
- Government has significantly increased support for Australian defence exports. This is having an immediate impact and likely to improve Austal's ability to win

Current order book

- Order book of $3.0 billion at 30 June 2017 secures revenue through into CY2022, including:
  - **12 Littoral Combat Ships for US Navy**
    12 funded, with 3 delivered
  - **12 Expeditionary Fast Transports vessels for US Navy**
    12 funded, with 8 delivered
  - **6 Commercial vessels**
    2 109m high speed fast car and passenger ferries (Mols Linien and Fjord Line)
    4 smaller high speed fast ferries (2 Philippines and 2 China)
  - **Armidale Remediation & Upgrades**
    7 vessels due for remediation by circa end FY2018
    3 vessels completed, 1 underway, 2 in future

Disclaimer

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