



COMPANY ANNOUNCEMENT
24 AUGUST 2020

AUSTAL SETS NEW REVENUE AND PROFIT RECORDS

SUMMARY:

- Revenue of \$2.086 billion (FY2019: \$1.851 billion), up 13%.
- EBIT of \$130.4 million (FY2019: \$92.8 million), up 41%.
- NPAT of \$89.0 million (FY2019: \$61.4 million), up 45%.
- Cash flow from operations of \$164.5 million (FY2019: \$164.5 million), almost identical.
- Strong net cash¹ position of \$272.4 million, increased from \$150.7 million at 30 June 2019.
- Increased final dividend of 5 cents per share (unfranked), bringing total FY2020 dividends to 8 cents per share (unfranked) (FY2019: 6.0 cents per share, unfranked).
- Good operations momentum into FY2021, with the business underpinned by multi-vessel defence programs and a secured order book of \$4.3 billion running to FY2024.
- Strong financial position enabling Austal to strategically position itself to capture future steel shipbuilding opportunities in USA and Australasia and continue to grow its support business.

Austal Limited (**Austal**) (ASX:ASB) has exceeded \$2 billion of revenue for the first time and delivered record earnings for FY2020.

Austal Chief Executive Officer David Singleton said: "I'm delighted that Austal has generated a record full-year result amidst significant global economic volatility, exceeding the record revenue and profit milestones that we set in FY2019. I am particularly proud of the fact that we kept all of our sites open during the pandemic, kept all of our people employed, and have been in a position to pay full time employees a bonus to reflect their exemplary performance in this difficult time."

"The strong performance shows good operational momentum across all of our USA and Australasia operations as we constructed and delivered naval vessels and large ferries, and

¹ Excluding the \$(40.9) million notional debt of the Cape Class Patrol Boat 9 & 10 leasing program.

provided ongoing support services to the US Navy, Royal Australian Navy and the Australian Border Force.”

Austal Chief Operating Officer and CEO-designate Patrick Gregg said: “The financial results highlight the success of our ongoing strategy to grow our defence business, which now makes up approximately 88 per cent of the Group’s revenue across construction and support. The value of this is clear as we see that the broader Defence Market is strengthening and has largely been shielded from the economic impacts of COVID-19.”

“Importantly, these record earnings have translated into significant cash flow, enhancing our strong balance sheet position with \$397 million of cash. This financial strength is enabling Austal to target strategic investment opportunities to drive the Company’s next phase of growth whilst at the same time increasing dividends and considering debt reductions in FY2021.”

“These opportunities include the development of a modern steel shipbuilding capability at our shipyard in Mobile, Alabama, which has already begun. This investment in steel shipbuilding will supplement our existing aluminium capability and allow Austal USA to compete for a number of new, major steel shipbuilding programs in Austal’s size range, that are expected to be tendered in the medium term.”

“There are also defence opportunities closer to home. The Commonwealth of Australia has demonstrated a commitment to defence with the \$324 million contract for six Cape Class Patrol Boats awarded to Austal this year, adding to the 21-vessel Guardian Class Patrol Boat program. The recent Defence White Paper and Force Structure Plan identified more heavy steel ships to be built in Australia. In Asia, our shipbuilding facility in the Philippines also has the potential to open up defence opportunities, building on our investments in the region.”

Mr Singleton said the support business was making a growing contribution to Austal’s earnings.

“Austal’s strategic expansion of our support business has continued, achieving year over year revenue growth of 28% and almost quadrupling over the last 6 years. Revenue from Support activities now constitutes 17% of Total Revenue (FY2019: 15%). We have seen the continued development of our operations in San Diego and growth of our Singapore Service Centre to support Littoral Combat Ships deployed to the region. Our Australasia support business is also now operating well with a 10.8 ppt increase in margin to 18.4%. Total Group Support EBIT margin was 8.2% which was just above the target band of 7 – 8%” Mr Singleton said.

SEGMENT RESULTS

USA

Austal's USA segment reported revenue of \$1,603.8 million (FY2019: \$1,472.7 million) and EBIT of \$123.0 million (FY2019: \$106.4 million).

Shipbuilding margin from Austal USA was 8.1% which is an increase from 7.9% in FY2019. This performance reflects the increasingly efficient and stable production of the Littoral Combat Ship (LCS) and Expeditionary Fast Transport (EPF) programs for the US Navy. Austal successfully delivered EPF 11 (USNS Puerto Rico), LCS 22 (USS Kansas City) and LCS 24 (USS Oakland) during the period. Support work also continued to increase with the growing number of Austal-designed and built vessels being commissioned and deployed by the US Navy.

Support revenue was \$293.0 million in FY2020, 30 per cent higher than FY2019. EBIT margin for USA Support was down in the year, largely due to timing associated with funding of certain projects and operational start up difficulties in Singapore which we do not believe will be repeated.

AUSTRALASIA

The Australasia segment reported revenue of \$496.8 million (FY2019: \$393.2 million), which is 24% of Total Revenue and a 26 per cent increase on FY2019. EBIT significantly improved to \$30.9 million (FY2019: \$11.7 million), which was a 164% increase.

After 3 years of implementation activity we have now successfully completed the repositioning of our Australasia business to increase our competitiveness, reduce our cost base and set the business up for sustained profitability.

Australasia growth and profitability was driven by the successful expansion of our Philippines and Vietnam shipyards, which launched their first large ferries in FY2020. This represented a significant milestone for each of those shipyards and allows the Henderson shipyard in Western Australia to focus on Defence projects, primarily for the Commonwealth of Australia. The Henderson shipyard continued to deliver the Guardian Class Patrol Boat program and was bolstered by the award of a \$324 million contract during FY2020 to design and construct six Cape Class Patrol Boats (CCPB) for the Royal Australian Navy. This is the Company's largest ever contract for a vessel construction program in Australia.

CASH AND CAPITAL MANAGEMENT

Austral's cash at bank increased by 44% to \$396.7 million (30 June 2019: \$275.7 million), with a reduction in gross debt to \$165.2 million (30 June 2019: \$173.8 million). This resulted in the net cash position exclusive of the CCPB 9 & 10 debt increasing substantially to \$272.4 million (30 June 2019: \$150.7 million). The strong cash position has enabled an increase to the FY2020 Final dividend distribution to 5 cents per share (an increase of 66.7% on FY2019 H2). In addition, we are reviewing the option to repay another portion of the Go Zone Bond debt, but we will revisit this during FY2021 H1 given the current global uncertainty. Austral has committed to a significant investment in steel capability in the USA and is retaining cash whilst evaluating some significant investment opportunities for the next phase of growth.

Austral reported operating cash flow of \$164.5 million (FY2019: \$164.5 million). Austral has now generated more than \$600 million of operating cash flow over the past seven years, demonstrating ability to deliver value from its order book over time.

FINAL DIVIDEND

Austral has declared a final unfranked dividend of 5 cents per share, bringing dividends relating to FY2020 to 8.0 cents per share (FY2019: 6.0 cents per share).

Details of key dates regarding the dividend are:

- Ex-dividend date: Tuesday, 8 September 2020
- Record date: Wednesday, 9 September 2020
- Payment date: Thursday, 22 October 2020

Shareholders may reinvest dividends in accordance with the dividend reinvestment plan established in February 2015. Further details are set out later in this announcement.

OUTLOOK

There has been limited impact from COVID-19 on Austral's operational and financial performance to date. However, the Company is alert to the potential impact of COVID-19, with the situation remaining dynamic. Austral remains committed to the safety of its 6,800-strong workforce and ensuring that the Company continues operating safely to provide business continuity to Austral's employees, suppliers and customers to the greatest extent possible. Whilst much has been learnt about how to manage successfully during this COVID period, the future remains unpredictable.

Austal's \$4.3 billion order book is largely comprised of defence vessel programs for the US Navy and Commonwealth of Australia, which helps shield the business from the emerging broader global economic challenges. Austal USA's defence ship building activities have been identified as essential industries, which supports the Company's facilities to continue to operate during the COVID-19 pandemic. In Australia the Department of Defence has also been particularly supportive towards keeping the industry running. In Australasia, Austal continues to manage commissioning and acceptance delays caused primarily by restrictions on the movement of people, and in some cases goods. Austal typically receives milestone progress payments for vessel construction, so it is not reliant on a balloon payment upon customer acceptance of a vessel.

Austal enters FY2021 with a \$4.3 billion order book that will be delivered through FY2021 to FY2024. Defence orders in Australia and the USA run through FY2021 – FY2024 whilst the current commercial order book will be completed by FY2022.

The Company has resolved not to provide EBIT guidance for FY2021 given the global economic uncertainty. Austal will keep shareholders abreast of any material impacts to the business and at this stage anticipate that the next market update will be provided at the 2020 Annual General Meeting in October.

Strategically, Austal intends to invest US\$100m in building modern steel shipbuilding capability in Mobile, Alabama. Development of the steel shipbuilding facility is expected to take approximately two years and will position Austal USA to bid for work in a series of significant new steel shipbuilding programs for the US Navy. The investment is being partly funded through a Defense Production Act (DPA) agreement between Austal USA and the US Department of Defense, which will fund up to US\$50 million of the total investment.

In Australasia, the Henderson shipyard will remain busy with the \$324 million contract for six Cape Class Patrol Boats recently awarded to Austal, adding to the 21-vessel Guardian Class Patrol Boat program. COVID-19 has the potential to impact the award of new ferry programs, however the Philippines shipyard is full with existing orders and is being supported by the Vietnam facility, where there is additional capacity following the launch of a 94 metre ferry for Trinidad and Tobago. It is too early to see how commercial orders for new vessels will be affected but we continue to work on potential programs that appear to be proceeding.

Support revenue provides a stable source of long term revenue and we anticipate that support revenue will continue to grow substantially over the next few years.

This ASX announcement has been approved and authorised for release by David Singleton, Austal Limited's Chief Executive Officer.

-Ends-

MEDIA CONTACT

Cameron Morse / Adrian Watson

+61 (0)8 9321 8533

+61 (0)433 886 871 / +61 (0)419 040 807

cameron.morse@fticonsulting.com / adrian.watson@fticonsulting.com

CONFERENCE CALL

Austal Chief Executive Officer David Singleton, Chief Financial Officer Greg Jason, and Chief Operating Officer, Patrick Gregg will hold an analyst and investor conference call to discuss the Company's FY2020 results at the time listed below.

Conference call details:

Date: Monday, 24 August 2020

Time: 8:30am Perth time (AWST) / 10:30am Sydney time (AEST) – participants are requested to dial in 5 minutes prior to the start time

Conference ID: 10008774

Pre-Registration Link: <https://s1.c-conf.com/diamondpass/10008774-invite.html>

Dial-in details:

Please click on the pre-registration link and follow the steps to enter your details. A calendar invite will then be sent to you with dial in details and a unique code to be quoted when dialling into the call. Preregistration gives you immediate access on the day with no need to wait for an operator.

Archived Call:

An archived copy of the call will be available shortly after the conclusion of the call via <http://www.openbriefing.com/OB/3896.aspx>.

DIVIDEND REINVESTMENT PLAN (DRP)

Austal invites all eligible shareholders to participate in the DRP subject to the DRP rules.

The DRP will be available for the dividend payable on Thursday, 22 October 2020 and apply for subsequent dividends unless notice is given of its suspension or termination.

The DRP allows eligible shareholders to elect to invest dividends in shares which rank equally with existing Austal ordinary shares. The DRP provides a convenient and cost-effective way for eligible investors to invest part or all dividends into new Austal ordinary shares, without incurring brokerage charges or commission.

Ordinary shares will be issued to participants under the DRP relating to the 22 October 2020 dividend. The allocation price for the shares to be issued under the DRP will be calculated as the volume weighted average market price of Austal shares traded on the ASX over a period of 5 business days from Monday, 14 September 2020 to Friday, 18 September 2020 (inclusive of those dates). No discount shall apply to the allocation price. Shares will be issued on Thursday, 22 October 2020 following the payment of the dividend.

Participation in the DRP is open to all shareholders who have a registered address in Australia or New Zealand. A summary of the DRP rules and an application form for participation (Participation Notice) will be emailed to all shareholders. Shareholders who wish to participate in the DRP must return the Participation Notice to Austal's share registry, Link Market Services, by 5:00pm (WST) on Thursday, 10 September 2020. Details for Link Market Services are:

QV1 Building

Level 12, 250 St Georges Terrace

PERTH WA 6000

Enquiries: 1300 554 474 (Australia) or +61 1300 554 474 (international)

Shareholders may obtain a copy of the Participation Notice by contacting Link Market Services. A summary of the DRP rules and the rules are available on Austal's website at www.austal.com.

Key dates to note for the application of the DRP to the upcoming dividend are:

- Record date: Wednesday, 9 September 2020.
- Last date for receipt of elections to participation in DRP: Thursday, 10 September 2020.
- 5 trading day pricing period for DRP: Monday, 14 September 2020 to Friday 18 September 2020 (inclusive of those dates).
- Date for issue of shares under DRP: Thursday, 22 October 2020.

About Austal:

Austal is Australia's global shipbuilder and defence prime contractor designing, constructing and sustaining some of the world's most advanced commercial and defence vessels.

For more than 30 years Austal has contracted more than 300 vessels for over 100 commercial and defence operators in 54 countries, worldwide.

Austal is Australia's largest defence exporter and first ASX-listed shipbuilder. Austal has industry-leading shipyards in Australia, the United States of America, Philippines and Vietnam with service centres worldwide, including the Middle East.

Austal delivers iconic monohull, catamaran and trimaran commercial vessel platforms – including the world's largest trimaran ferry and multiple defence programs such as the Littoral Combat Ship (LCS) and Expeditionary Fast Transport (EPF) for the United States Navy.

Austal has grown to become the world's largest aluminium shipbuilder and is Australia's largest defence exporter.

Austal Limited ACN 009 250 266

100 Clarence Beach Road

Henderson, Western Australia 6166