Austal Philippines

Institutional Investor, Shareholder and Analyst Tour

AUSTAL
PHILIPPINES

PRESENTER: Wayne Murray
DATE: 11 April 2019

ABOUT AUSTAL

SHIP DESIGNER

SHIP BUILDER

ASSET MANAGER

ASX:ASB SINCE 1998

5 SHIPYARDS

300 SHIPS

100 CUSTOMERS

54 COUNTRIES

WORLD'S LARGEST ALUMINIUM SHIPBUILDER

US$1.34B 2018 Revenue

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AUSTAL PHILIPPINES HISTORY

WA Resource Boom Drives Up Labour Cost

Miners dig deep for hidden gems in our jobs market

MELANIE BURGESS

THE mining and resources sector is making a comeback, as South Australian jobs reach their highest level in 2½ years.

Resources and Engineering Skills Alliance's South Australia Mining and Energy Jobs Report revealed 132 advertisements for mining and resources jobs were placed in the state in February — the most since October 2014.

Mining and resources professionals (31 per cent of advertised roles), tradespeople (28 per cent) and operators (23 per cent) were in highest demand and most jobs were in Adelaide (51 per cent), Coober Pedy and Outback SA (34 per cent).

RESA chief executive Phil de Courcey said the growth was a result of rising commodity prices.

"When the commodity prices go up, producers try to increase production and they need more workers to do that," he said.

"Since about July last year, we've had quite a steady increase in the number of mining and resources vacancies advertised — mainly in mining and metals rather than oil and gas.

"In SA, we are seeing a number of projects that were put on hold have now been restarted (and) people have gone into those, including entry-level workers, so we are seeing a change in the demographics.

"In the past, jobs were aimed at people in the head office and doing project planning about the future (but that has shifted) to on-site trades and operators who are doing the actual mining."

Mr de Courcey said global demand for commodities and resources was unlikely to abate as populations grew.

"In countries like India and China there is increasing demand for commodities to build cars, television sets, power plants and so on," he said. "The rise of those economies is going to lead to more disposable income for … goods and services and it's very difficult to make anything without a mining or resources product in it. The longer term picture is definitely one of increasing demand."

Meanwhile, SEEK data for February revealed mining, resources and energy was South Australia's highest-paying industry.

Its average advertised salary on SEEK was $106,148, up 1 per cent year-on-year.

SEEK spokeswoman Sarah Macartney said the decline in job advertising for mining, resources and energy seemed to have finally turned.

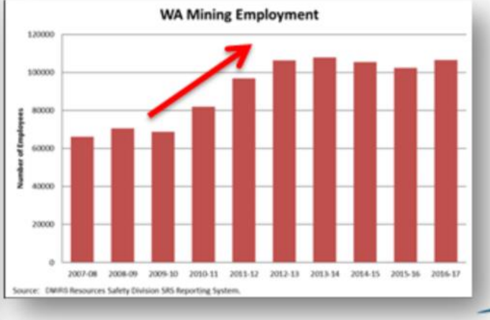
"Across SA and Australia, the industry that enjoyed the fastest growth of job ads on SEEK this February was the mining, resources and energy sector," Ms Macartney said.

Sophie Touch, front-end loader operator at Hanson's Golden Grove quarry, has been in the industry for four years and enjoys every day of her job.

"It's full on but not repetitive," she said. "You're always go, go, go, and I enjoy that."

FULL-ON: Alicia Ranford, left, of Mining Family Matters with ophie Touch at Golden Grove quarry. Picture: MATT LOXTON

- WA industry feel the effect.
- Shipbuilders not immune.



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HSO WAS BUILDING TWO BIG VESSELS AT THE TIME FOR EUROPEAN CUSTOMERS; UNDER PRESSURE FROM THE RESOURCE BOOM IN WA

AUSTAL PHILIPPINES HISTORY
Small Group Of Boat Builder Start AP

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STARTED SMALL WITH 30 PEOPLE AND TWO SMALL COVERED BAYS WITH A LEAN-TO.

AUSTAL PHILIPPINES HISTORY

Two Small Sheds with Waterfront & Slipway

INITIAL ACQUISITION WAS A SIMPLE STRUCTURE BUT IT HAD SPACE TO EXPAND, WATER FRONT POTENTIAL AND SEMI SKILLED PEOPLE IN THE SURROUNDING AREA WITH SOME ALUMINIUM, BUT MOSTLY STEEL SKILLS

AUSTAL PHILIPPINES HISTORY

Limited Infrastructure But Space to Grow into our VISION

WATER FRONT UNDERDEVELOPED.
SLIPWAY WAS CAPABLE OF SIMPLE LAUNCHES AND POSSIBLE RECOVERY IN GOOD WEATHER ONLY
NO REAL QUAY FRONT OTHER THAN L-SHAPED PIER

AUSTAL PHILIPPINES HISTORY
2013-2014 Land Reclamation Occurs, Ready for Phase Two

- Project Squirrel, land reclamation with functional quay

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THERE WAS A PLAN FROM THE BEGINNING
LAND RECLAMATION, TO BE READY FOR EXPANSION WHEN THE TIME WAS RIPE – MARKET AND WORK FORCE
IN THE MEANTIME, TECH TRANSFER TOOK PLACE IN THE EXISTING FACILITIES

AUSTAL PHILIPPINES HISTORY
The Team and Capability Grows and Develops Year to Year

- 30 to 300 staff from 2012 to 2016

- 21m to 49m in same frame

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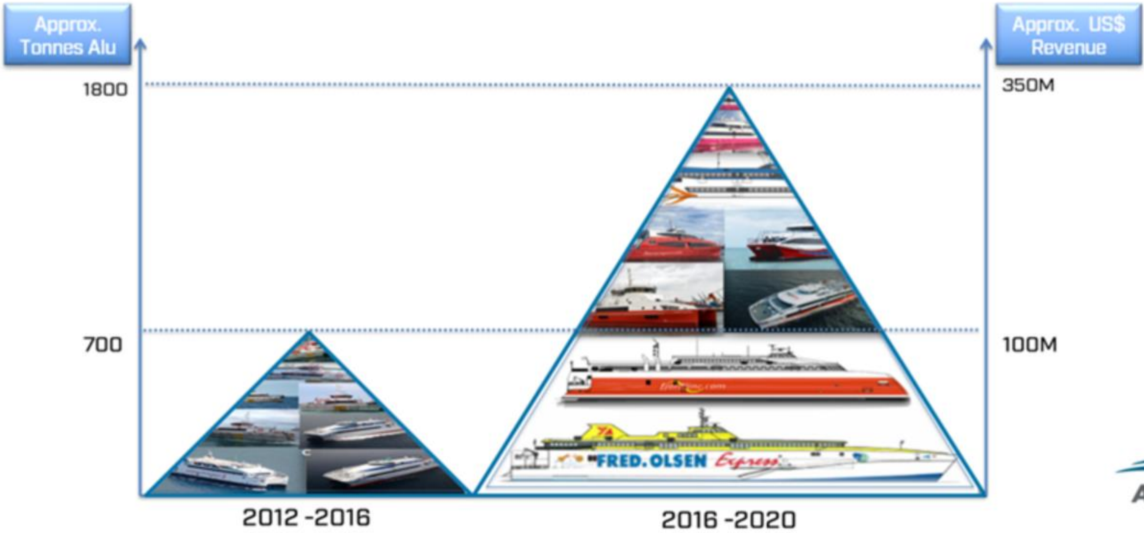
FIRST PHASE WAS CONSOLIDATION AND GROWTH.
STARTED WITH SMALLER SIMPLER WINDFARM BOATS

WHY WEST COAST CEBU?
CITY APPEARS LOGICAL LOCATION WITH INFRASTRUCTURE.
MOUNTAINS PROVE BENEFICIAL TO DEVELOPING A RELATIVELY STABLE BLUE COLLAR WORK FORCE

AUSTAL PHILIPPINES GROWTH

Mid 2016 AP Reaches Technology Transfer Maturity



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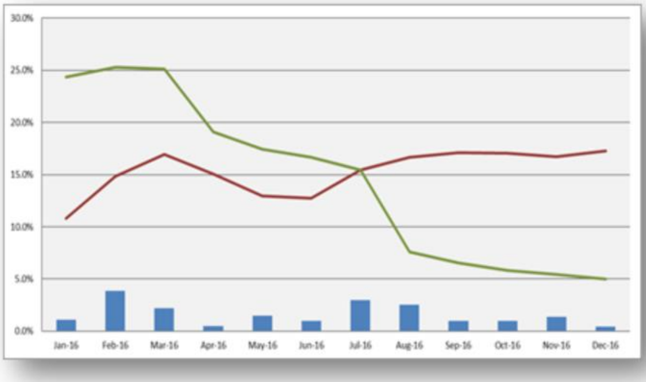
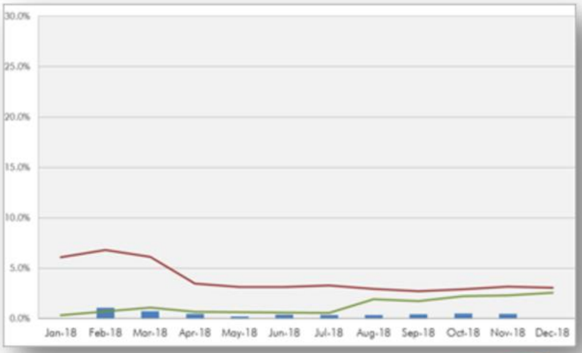
AUSTAL PHILIPPINES GROWTH

Focus on Leadership, Training, Welfare & Changes Attitude

Staff Turn over 2016 - Circa 16%



Staff Turn over 2018 - Circa 5%



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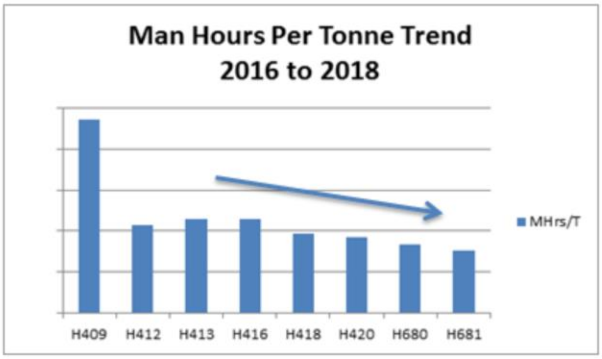
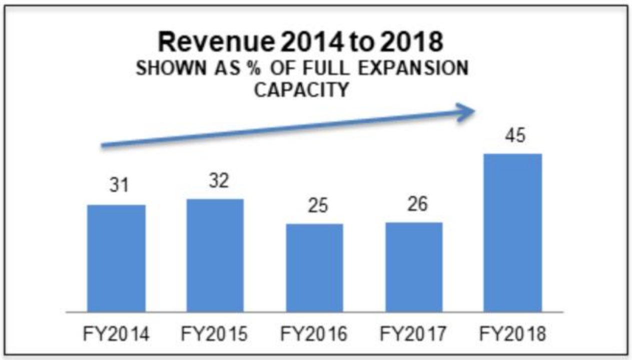
AUSTAL PHILIPPINES GROWTH

Key Indicators Improve Project to Project & Year to Year





- Fabrication efficiency improves each boat.

- Revenue improves and projects meet schedule.

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AUSTAL PHILIPPINES GROWTH

Quality & Outfit Matches Any Commercial Yard World Wide

- Equipment installation and outfit standards match HSO quality standards.

QUALITY NOT EASY TO QUANTIFY, BUT ACROSS THE BOARD UNSOLICITED POSITIVE COMMENTS CAME BACK FROM CUSTOMERS, REGULATORY AUTHORITIES, ISO AUDITORS AND EQUIPMENT MANUFACTURERS

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Change, Growth, Capability & Market Justifies Expansion

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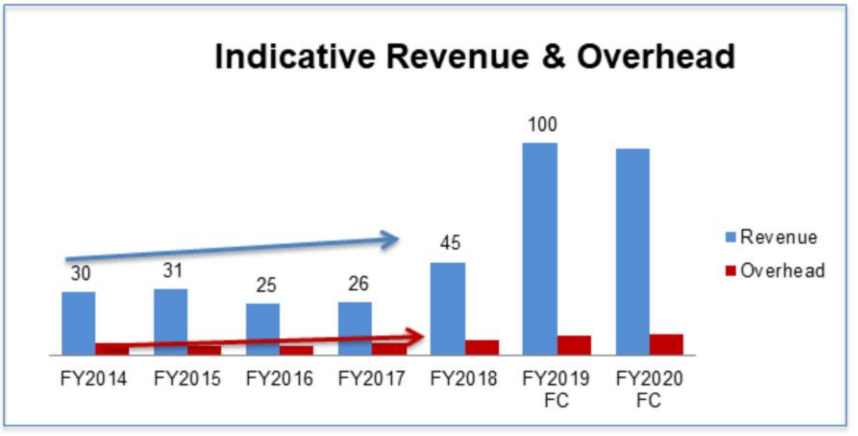
AUSTAL PHILIPPINES GROWTH

Extra Expansion Capacity Enables Significant Revenue Improvement



- Revenue shown as % of full expansion capacity.
- 2020 revenue will vary based on order book make-up.

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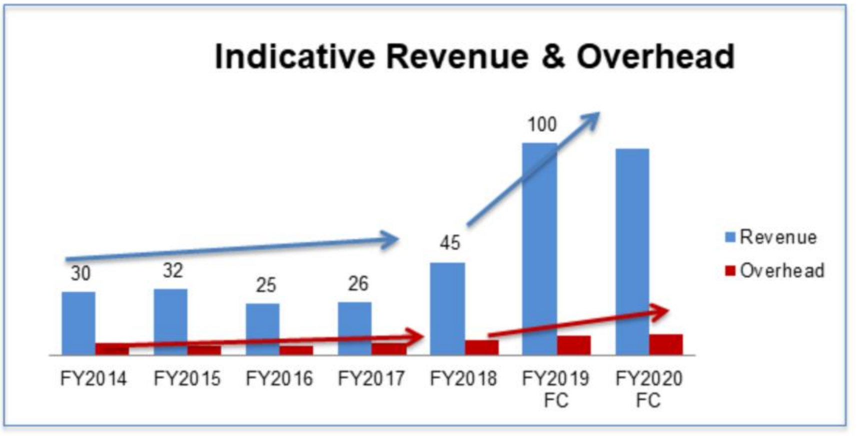
AUSTAL PHILIPPINES GROWTH

Extra Expansion Capacity Enables Significant Revenue Improvement



- Revenue shown as % of full expansion capacity.
- Revenue opportunity significantly increased with expansion.

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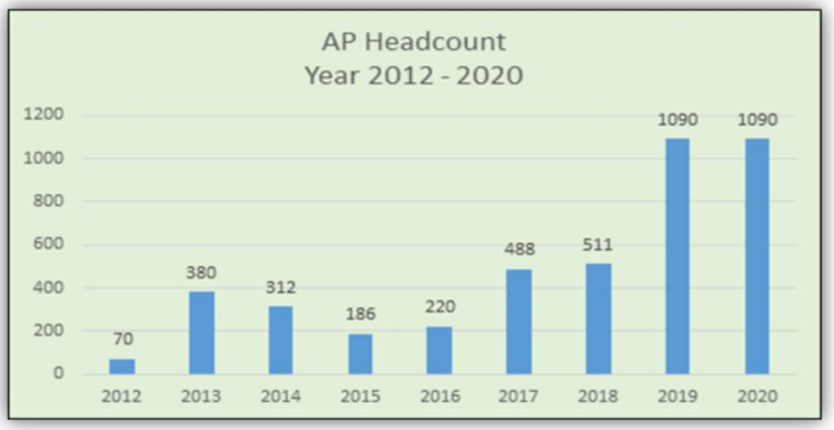
AUSTAL PHILIPPINES GROWTH

Team Growth Provides Opportunity for Local Leadership



- Workforce doubles in 2018/19.
- From local communities and trained in-house.
- Expat Leader/Coaches less than 2%

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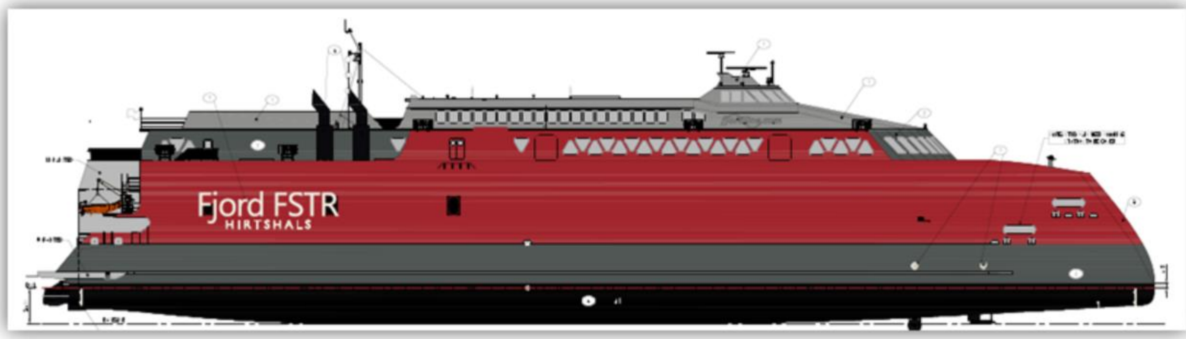
AUSTAL PHILIPPINES PROJECTS
Large Profitable Vessel Built 100% Indoors



- Fjordline 109m Ro-Pax Ferry.
- Largest catamaran by volume.

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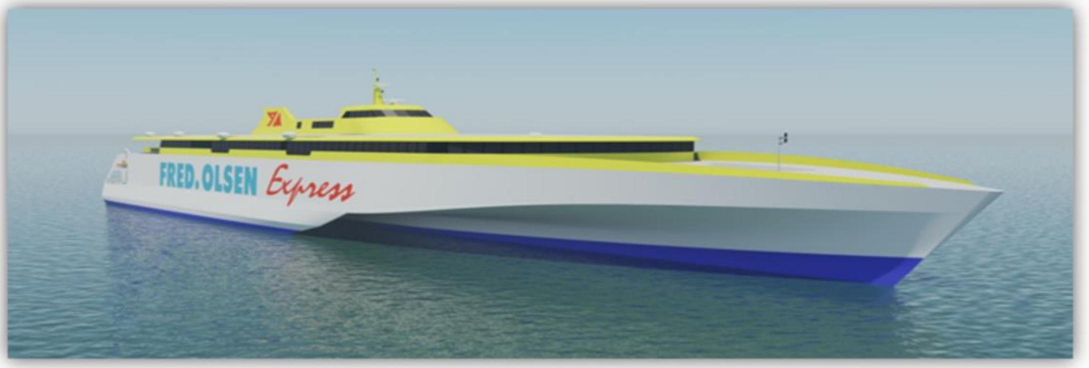
LARGE PROJECTS UNDERWAY IN NEW FACILITY
BUILDING INDOORS IS GREAT FOR ALUMINIUM CONSTRUCTION BUT ALSO A BENEFIT FOR THE TROPICAL ENVIRONMENT WHERE STORMS ARE COMMON

AUSTAL PHILIPPINES PROJECTS

Any Hull Configuration



- Fred Olsen 117m Ro-Pax trimaran ferry.
- Sister ship of HSO built trimaran.

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NEW SHEDS DESIGNED TO SUIT VARYING LARGE HULL CONFIGURATIONS

AUSTAL PHILIPPINES PROJECTS
AP Able To Support Other Parts of the Business

- T&T CCPB module build.
- Completion and handover HSO.

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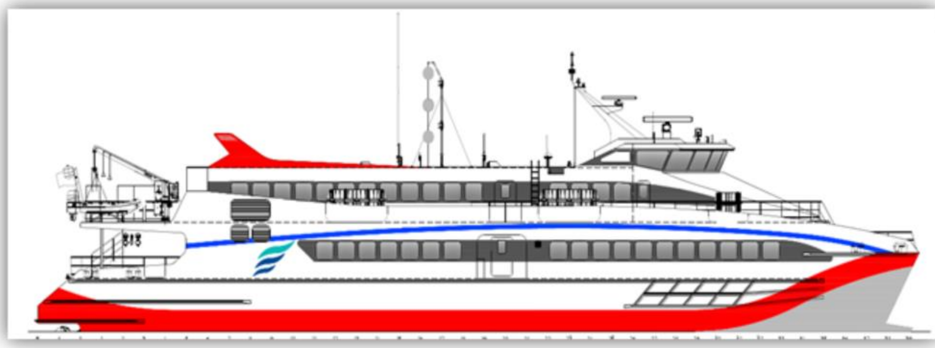
SKILL SET ENABLE VARIOUS SUPPORT OPTIONS NOT JUST ALUMINIUM.

AUSTAL PHILIPPINES SALES OPPORTUNITY
Original Sheds Still Available To Build Sub 56M Boats



- 49m Catamaran for Asian customer – mid 2019.
- Repeat of Braveline Design.

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THE NEW FACILITY HAS BEEN DEVELOPED WHILE THE EXISTING SHEDS REMAIN FULLY FUNCTIONAL.
EXISTING SHEDS WILL REMAIN FULLY CAPABLE IN PARALLEL TO THE NEW FACILITY
DEPENDING ON MARKET DRIVERS, LARGE AND MEDIUM VESSEL BUILDS CAN BE BUILT TO CERTAIN LEVELS OF COMPLETION, IN ANY OF THE SHEDS – FRED OLSEN TRIMARAN BEING THE EXAMPLE TODAY

AUSTAL PHILIPPINES SALES OPPORTUNITY
Repeat Customers and Vessels

- 56m Catamaran for repeat Asian customer – late 2019.
- Possible repeat of FRS Design.

AUSTAL PHILIPPINES SALES OPPORTUNITY

Domestic Market is Starting to Realise New Local Build is an Option Again

- 49m Catamaran for repeat Philippines customer – late 2019.
- Increase domestic market footprint.

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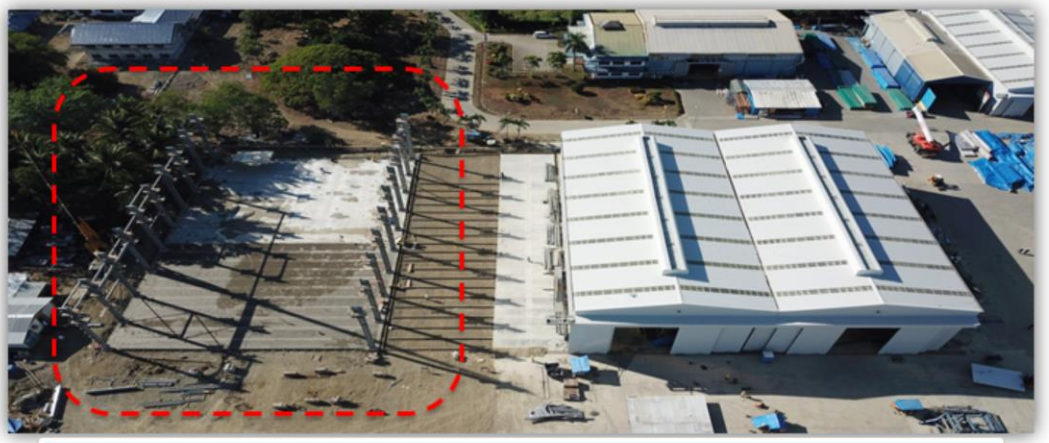
AUSTAL PHILIPPINES FUTURE

Phase Two "B" Wide Unit Bay For Superstructure Underway



- Bay 9 – wide body bay for superstructure unit builds.
- Increase pre-lift outfit.

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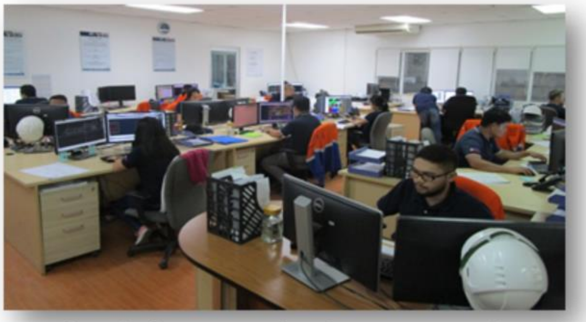
WIDE BODY BAY UNDERWAY AND WILL HELP ADD VALUE PRELIFT OF BUILD UNITS.

AUSTAL PHILIPPINES FUTURE

New office space improves service support



- Austal group design support out of AP.

- Austal Supply Chain group support out of AP.

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NEW OFFICE SPACE AND COMPETITIVE LABOUR RATES AND CAPABILITY TO ENHANCE GROUP SUPPORT WORK

AUSTAL PHILIPPINES FUTURE

Awareness of Austal is Well Underway

- Government Ministers

- Navy and Coast Guard

- Embassy

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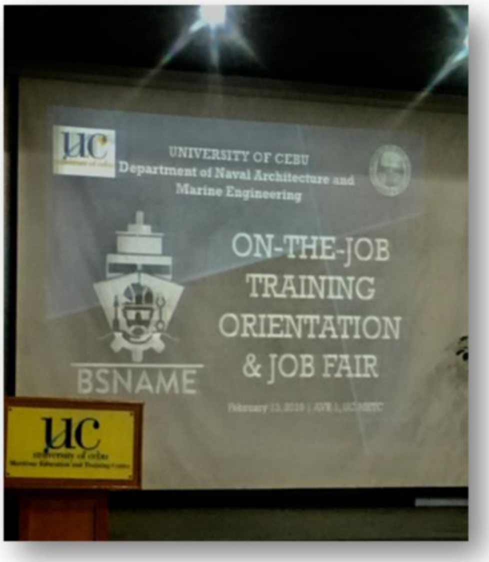
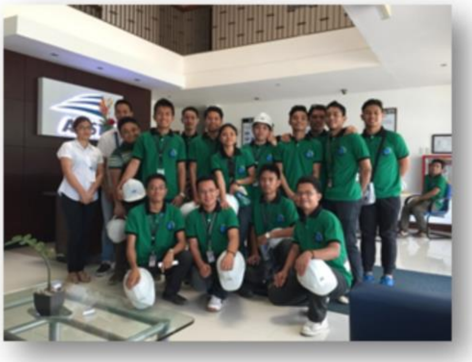
WE ARE EXPORTING WORLD STANDARD BOATS FROM PHP TO OTHER SHIPBUILDING COUNTRIES.

AUSTAL PHILIPPINES FUTURE

Good University & School Relationships Ensure Good Grads



- University graduate program
- Schools
- Local communities



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EMPLOYER OF CHOICE – UNI'S, SCHOOLS AND LOCAL WORKFORCE

AUSTAL PHILIPPINES FUTURE

AP Well Positioned To Provide Sovereign Capability to PH Navy – With Filipino Workforce

- Philippines OPV; Six vessel build.
- Build all six in-country; local workforce; local sustainment.

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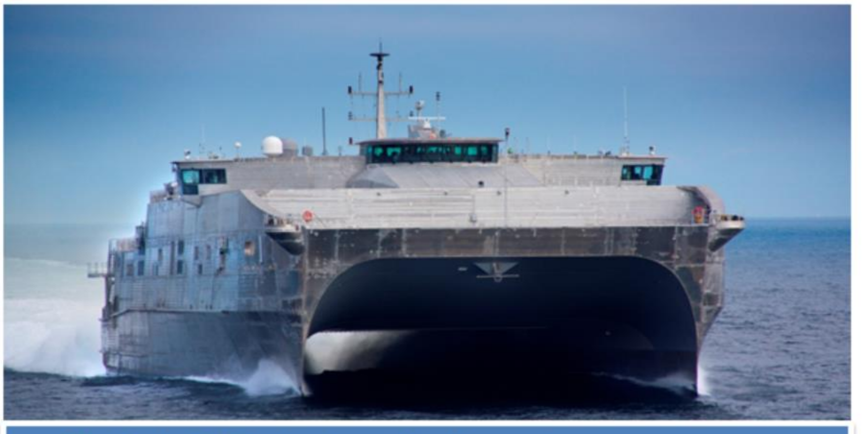
OPEN TENDER. GOV WANTS MAJORITY BUILT IN-COUNTRY. AUSTAL COULD BUILD ALL IN COUNTRY IN COOPERATION WITH LOCAL PARTNERS.

AUSTAL PHILIPPINES FUTURE

Sustainment For USA Military Sealift Command Out Of AP



- Multiple EPF's deployed in the region.
- Provide local sustainment from yard with Aluminium expertise.

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AUSTAL PHILIPPINES FUTURE

The Real Austal Philippines Value Is PEOPLE


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