



**COMPANY ANNOUNCEMENT
3 MARCH 2020**

AUSTAL FY2020 H1 RESULTS – UPDATED INVESTOR PRESENTATION

Further to Austal's (ASX:ASB) announcement of its FY2020 H1 results and the release of the investor presentation detailing those results on 20 February 2020, the Company has updated that investor presentation to address additional matters of interest around the potential impacts of Coronavirus and the commercial ferry market in Australasia. The updated presentation is attached.

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

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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 first ASX-listed shipbuilder and the world's largest aluminium 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 is the only foreign-owned prime contractor designing, constructing and sustaining ships for the US Navy.

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FY2020 H1 Results



20 February 2020
David Singleton, Chief Executive Officer
Greg Jason, Chief Financial Officer



Financial Headlines

FY2020 H1



CHANGE FROM PCP

- Revenue

\$1.04 B

22%



- EBIT

\$59.9 m

48%



- NPAT

\$40.8 m

72%



- Interim Dividend

3 ¢ per share

-



- Operating Cash Flow

\$22.1 m

\$(79.8) m



- Net Cash ¹

\$152.4 m

\$1.7 m



1. Excludes the notional debt of the CCPB 9 & 10 leasing program

FY2020 H1 Key Facts



\$1.04 B

REVENUE



\$4.3 B

ORDER BOOK



3

NEW SHIPS
ORDERED



41

SHIPS UNDER
CONSTRUCTION
OR SCHEDULED



6

SHIPS
DELIVERED



6,000

EMPLOYEES



6

SERVICE CENTRES



**7 SHIPYARDS
IN 5 COUNTRIES**



27

VESSELS UNDER
SUSTAINMENT
CONTRACTS

Operational Highlights USA



- EPF and LCS programs continue to perform well.
- Shipbuilding margin increased from 7.1% in FY2019 H1 to 8.1% in FY2020 H1 .
- LCS 22 and EPF 11 delivered (February 2020).
- EPF 15 was appropriated but the budget was transferred so award will not occur in the short term.
- Navy funding modifications to improve EPF capability:
 - \$49 m funding program to design and install Medical Ship capability into EPF 14. Further vessels with medical capability are likely.
 - V22 Osprey landing capability.
 - Small boat handling.
 - Maintenance platform configuration.
- FFG decision due July - September 2020. 1 of 4 bidders.
- Unmanned surface vessels are a key focus for the USN and also for Austal.
 - Austal named as a participant in ~ US\$1 B contract on unmanned vessel systems development.
 - Participating in tenders for the Medium Unmanned Surface Vessel program and the Large Unmanned Surface Vessel concept design.
- US Service Revenue up 44% and profitability nearly doubled (includes some previous period year catch up):
 - Margin of 9.4% above trend but demonstrates the importance of the line of business.
 - west coast USA activity levels continue to grow although short term momentum on dry dockings likely to slow.
 - Austal establishment in Singapore growing and supporting 2 ships deployed to the region.
 - Higher level of EPF support during H1.



USS Gabrielle Giffords(LCS 10) launches Naval Strike Missile during Exercise Pacific Griffin, October 2019.

Operational Highlights Australasia



- Australasia EBIT increased from \$4.1 m to \$8.2 m:
 - Continued EBIT margin improvement despite expansion challenges but further improvement necessary.
 - Supply chain challenges have exacerbated impact of heavy delivery schedule but being managed.
 - 3 major commercial ferries due for delivery around mid year.
 - 2 GCPB (4 & 5) and 1 ferry for Aremiti delivered in H1.
 - Full award from Trinidad & Tobago for 2 Cape Class Patrol Boats.
 - Lease and support of 2 RAN Cape Vessels extended by 2 years reducing residual value exposure.
- Commercial Ferry Market is predicted to remain positive:
 - 2 New ferry orders received totaling \$152 m including largest ever to be built by Austal.
 - Several new potential orders being developed.
 - Asia construction expansion complete and operating at a steady tempo.
 - Continued investment in new designs and enabling R&D.
- Profitability of Australasia support significantly higher with increased GCPB ISS volume and some profitable one off projects.



A contract for a 115 metre high speed catamaran ferry for Molslinjen of Denmark was awarded Oct 2019. At construction, it will be the largest vessel (by volume) built by Austal and has the ability to be converted to LNG fuelled propulsion.

US President Donald Trump gifted a scale model of the future USS Canberra (LCS 30) to the Prime Minister of Australia, Scott Morrison during a State Visit to the USA in September 2019.



FY2020 H1 Financials



Earnings



\$ m	FY2020 H1	FY2019 H1	Change	%	
Revenue	\$ 1,038.8	\$ 851.3	\$ 187.5	22%	▪ Record H1 Revenue & NPAT.
EBITDA	84.4	60.7	23.7	39%	▪ Operating Revenue increased across all shipyards underpinned by:
EBIT	59.9	40.4	19.6	48%	• Strength of USA FY2019 new vessel orders.
NPAT	40.8	23.7	17.1	72%	• Expansion of commercial shipbuilding.
EPS (cps)	11.5	6.7	4.7	71%	• Support revenue growth in USA.
ETR ¹	29%	35%	(6%)		• Favourable FX impact.
					▪ Effective tax rate ~ 29% [cash component ~ 13 ppts].

1. Effective Tax Rate (Income Tax Expense / PBT)

Segment breakdown



FY2020 H1

\$ m	Concept	Ships	Support	Other	Total
USA	Revenue	\$ 675.1	\$ 129.5	\$ -	\$ 804.6
	EBIT	54.8	12.2	(1.5)	65.6
	EBIT Margin %	8.1%	9.4%	-	8.1%
Australasia	Revenue	\$ 209.9	\$ 30.8	\$ -	\$ 240.7
	EBIT	4.9	3.3	-	8.2
	EBIT Margin %	2.4%	10.6%	-	3.4%

USA: Shipbuilding margin within guidance range.

Support revenue growth with margins above trend level, still expect 7 – 8%.

Australasia: Record revenue from Asia expansion is a key strategic milestone.

FY2019 H1

\$m	Concept	Ships	Support	Other	Total
USA	Revenue	\$ 596.7	\$ 90.1	\$ -	\$ 686.8
	EBIT	42.2	6.9	-	49.1
	EBIT Margin %	7.1%	7.7%	-	7.2%
Australasia	Revenue	\$ 139.0	\$ 30.6	\$ -	\$ 169.7
	EBIT	2.6	1.6	-	4.1
	EBIT Margin %	1.9%	5.1%	-	2.4%

50% increase in shipbuilding throughput and almost doubling in EBIT.

EBIT margin impacted by facilities and workforce expansion and supply chain challenges.

Support volume steady with margin improvement.

Cash flow



\$ m	FY2020 H1	FY2019 H1	Change
Operating	\$ 22.1	\$ 101.9	\$ (79.8)
Investing			
Sustaining	\$ (7.1)	\$ (7.0)	\$ (0.0)
Enhancing	(2.4)	(12.6)	10.2
Financing			
Debt	\$ -	\$ (8.5)	\$ 8.5
Lease principal	(2.7)	-	(2.7)
Dividends	(10.3)	(10.0)	(0.4)
FX differences	(0.7)	7.4	(8.1)
Net Cash Flow	\$ (1.1)	\$ 71.3	\$ (72.3)

Operating:

- Operating cash flow reduced through consumption of progress payments received in advance during FY2019.

Investing:

- Sustaining capex in typical range of \$10 – 15 million / annum.
- Asia now expanded.

Financing:

- GZB debt repayments suspended pending FFG(X) decision.
- CCPB 9 & 10 notional debt non-current at 31 December 2019, following 2 year extension of COA leases to late FY2022.

Closing cash:

- Strong closing cash position.
- Supports 3 cps interim dividend.
- Cash position necessary to support potential new major programs [e.g. FFG(X)].

Cash	Dec 2019	Jun 2019	Change
Cash @ bank	\$ 274.6	\$ 275.7	\$ (1.1)
Net cash ¹	\$ 152.4	\$ 150.7	\$ 1.7

1. Excludes the notional debt of the CCPB 9 & 10 leasing program

Net Cash / (Debt)



December 2019 Net Cash \$152 m¹



1. Excludes the notional debt of the CCPB 9 & 10 leasing program

Coronavirus Operational Impacts



- USA has long-term, firm contracts from the US Navy which are unlikely to be affected by virus issues
 - LCS orders to H2 FY2024 (LCS 38)
 - EPF orders until FY2023 (EPF14) with additional vessels likely
 - Support work predominantly in USA with the Singapore service centre being the only location with obvious risk at present.
 - Circa 700 suppliers with none in China or HK. Non USA suppliers low in number located in Europe (Germany and Greece) and Australia (predominantly Austal)
 - No direct exposure to main contractors in China although potentially some limited exposure lower in the supply chain but no obvious impact to date and considered lower risk.
 - Aluminium prices in Austal's supply chain have been affected by China production slowdown (even though we don't source from China) but we have 2 years of production ordered at fixed prices so no impact in medium term.
 - Austal has reduced overseas travel where possible to limit risks
- Australia has long term Defence contracts and has well advanced commercial contracts
 - Guardian Class Patrol Boat (GCPB) program is contracted to 2023 with 5 vessels delivered and 16 to follow. No virus driven supply chain issues have been identified.
 - CCPB and GCPB support contracts are multi year programs conducted predominantly inside Australia with no significant China supply chain impact.
 - Australia is completing 2 large high speed ferries for Japan and Canary Islands routes. Vessels are well advanced with no obvious supply chain issues resulting from the virus.
 - Travel restrictions for personnel have been implemented to reduce virus risk however essential travel continues with monitoring



Coronavirus Operational Impacts



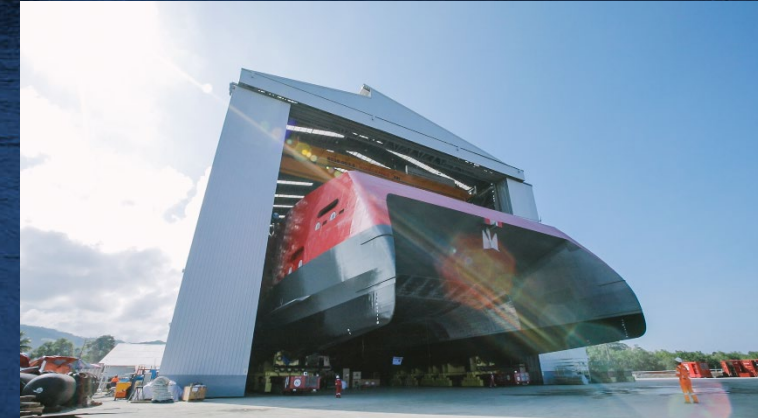
- **Philippines** operations unaffected materially by virus issues
 - Philippines has a strong order book of commercial ferries to early FY2023 completing the Fjordline ferry, Fred Olsen trimaran and the 2nd ferry for Mols Linien.
 - There are no reported instances of virus issues currently affecting Austal's yard in Cebu
- **Vietnam** operations unaffected materially by virus issues
 - Vietnam is currently completing the Trinidad & Tobago ferry with no virus issues affecting the Vung Tau yard
 - Some supply chain issues affecting deliveries from China have been identified but are minor in nature and have been addressed using alternate suppliers. No issues of concern have been identified to date
- Austal has senior expatriate workers and sub contractors operating in both shipyards. Travel and risk for these people is being closely monitored but is considered low to date.
- Supporting expatriate families have been offered temporary transfer back to Australia.



Commercial Ferry Market



- Austal has successfully expanded its commercial ferry business to Asia over the last 2 years
 - The new shipyard in Vietnam and the much expanded yard in the Philippines are now fully operational and producing large high speed vessels for the international market
 - The new facilities and management teams will fundamentally enhance Austal's competitiveness in the world market particularly in the small to medium category where more competition exists.
 - The Austal brand, reputation for quality and business reliability coupled with a long successful design history and with a strong catalogue of delivered vessel types positions the company to increase its market share.
 - The pipeline for new small to medium sized vessels has strengthened over the last 12 months and Austal is pursuing this market more aggressively. The pipeline is much larger than our Asian capacity.
 - Austal continues to see prospects for more large vessels and continued interest in the Trimaran hull form which is unique to the company in this segment. The replacement market for older vessels has still not fully developed with most enquires being for route expansion or new routes.
 - Austal is continuing to invest in Research & Development to ensure that it remains a class leader in the ferry market. Investments have been previously reported but include; electric and LNG power, smart digital vessel and fleet control and monitoring systems and design improvements.
 - Austal believes that the themes identified above will lead to margin expansion after several years of pressure.



FY2020 Update



- Group EBIT upgraded to no less than \$110 million
- Group Revenue maintained at no less than \$1.9 billion
- US Shipbuilding EBIT margin range maintained at 7.5-8.5%

Business Overview



QUEEN BEETLE



Ships in build

Defence



Littoral Combat Ship (LCS)
US Navy
LCS 22 delivered
LCS 24, 26, 28, 30 and 32 under construction



Expeditionary Fast Transport (EPF)
US Navy
EPF 11 delivered
EPF 12 and 13 under construction



Guardian Class Patrol Boat (GCPB)
Commonwealth of Australia
GCPB 4 and 5 delivered
GCPB 6 and 7 launched
GCPB 8, 9, 10 and 11 under construction



Austal Patrol 58
Trinidad and Tobago Coast Guard
Hull 398 and 399 under construction



RFNS Savenaca (GCPB 8)

Commercial



49m Passenger Ferry
SNC Armiti
Hull 421 delivered



42m Passenger Ferry
Shenzhen Airport
AL007 delivered



42m Passenger Ferry
Xidao Dazhou Tourism Co Ltd
AL004 delivered
AL005 and AL006 under construction



42m Passenger Ferry
Blue Sea Jet
AL009 under construction



42m Passenger Ferry
Shenzhen Pengxing
AL010 under construction



81m Passenger Ferry
Beibi Gulf
AL008 under construction



83m Passenger Ferry
JR Kyushu Jet Ferry
Hull 396 under construction



109m Passenger and Vehicle Ferry
Fjord Line
Hull 419 under construction



94m Passenger and Vehicle Ferry
National Infrastructure
Development Company (NIDCO)
Hull 397 under construction



117m Passenger and Vehicle Ferry
Fred Olsen S.A
Hull 394 under construction
Hull 395 under construction



Operational Overview



USA operations

- Shipbuilding margin improvement to 8.1% [FY2019 H1 margin 7.1%].
- Littoral Combat Ship
 - Mature program, improved margins
 - LCS 22 delivered (February 2020)
 - LCS 24 & 26 launched
 - LCS 28, 30 & 32 under construction
- Expeditionary Fast Transport
 - Mature program, steady margins
 - Various opportunities for additional vessels in emerging applications including enhanced medical capability
 - EPF 11 delivered (February 2020)
 - EPF 12 christened
 - EPF 13 under construction
- LCS & EPF sustainment growth

Change since
FY2019



Key



Improvement since FY2019



In line with FY2019 expectations



Behind 2019 expectations

Australia operations

VESSEL PROGRAMS:

- GCPB (~\$335 million, 21 ship program) - 2 vessels delivered in FY2020 H1, averaging a delivery every 3 months
- Bajamar Express (118 metre trimaran for Fred Olsen Express) launched February 2020
- 83 metre trimaran for JR Kyushu rolled out
- 2 x 58 metre Cape Class Patrol Boats under construction for the Trinidad and Tobago Coast Guard



Change since
FY2019



Key



Improvement since FY2019



In line with FY2019 expectations



Behind 2019 expectations



Philippines operations

- New shipbuilding facilities, including 120 metre Assembly Bay, officially opened by Philippines Secretary of Defence Delfin Lorenzana, July 2019

VESSEL PROGRAMS:

- Fjord Line 109 metre Auto Express ferry launched February 2020 - Delivery scheduled 2nd quarter CY2020
- 118 metre trimaran for Fred Olsen Express is under construction
- 115 metre catamaran for Molslinjen is scheduled for construction to commence 3rd quarter CY2020

Change since
FY2019



Key

-  Improvement since FY2019
-  In line with FY2019 expectations
-  Behind 2019 expectations

Vietnam operations

VESSEL PROGRAMS:

- Construction continues on 1 x 94 metre Auto Express ferry for the Government of Trinidad and Tobago
- Contract for 41 metre catamaran for SGTM of Mauritius announced January 2020

Change since
FY2019



Key

-  Improvement since FY2019
-  In line with FY2019 expectations
-  Behind 2019 expectations

China operations

VESSEL PROGRAMS:

- Contract for 1 x 70 metre high speed catamaran for Beihai Xinyi Shipping Co awarded October 2019
- 2nd of 4 vessels for Xidao Dazhou Tourism Co, a 42.3 metre high speed ferry, delivered December 2019
- 1 x 42 metre high speed catamaran for Shenzhen Airport delivered December 2019
- 5 x additional vessels currently under construction due for delivery FY2020 H2

Change since
FY2019



Key	
	Improvement since FY2019
	In line with FY2019 expectations
	Behind 2019 expectations

Disclaimer

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For further information visit www.austal.com

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