

Austin Engineering Ltd

1H17 Results Presentation

24 February 2017



WESTECH



austinengineering^{LTD}

Contents

1. Summary	pg 3
2. 1H17 Results	pg 6
3. Capital Management	pg 10
4. Outlook	pg 13

Summary – Highlights

1. Austin generated Sales Revenue of \$91.1m and a break even Normalised EBITDA in 1H17, consistent with guidance provided in November 2016
2. Senior debt and short-term subordinated debt repaid
3. Raised \$8m in new equity to support working capital for confirmed orders in 2H17
4. The recent changes in management have provided a strong platform of stability and leadership to take advantage of the improved industry sector opportunities
5. 6 month forward order book, including committed work, increased 69% from the position as at the AGM in November 2016
6. Current order book and committed work of c.72% indicates turn-around in market conditions has commenced.
7. Normalised EBITDA guidance for the full FY17 is upgraded to between \$11m and \$15m

Summary – Results

- Break even Normalised EBITDA consistent with market guidance
- Revenues decreased for the period due to the timing of work and mix of performance across the various business units

(Continuing operations)	1H16	1H17	Half on Half
	\$m	\$m	% Change
Revenue	96.6	91.1	(5.7%)
Gross Margin %	29.8%	30.4%	0.6%
Normalised EBITDA	2.8	0.0	n/a
Normalised EBIT	(2.9)	(3.8)	34.1%
Normalised PBT	3.5	(9.4)	n/a
Operating Cash Flow	1.2	(12.3)	n/a

	Jun-16	Dec-16	% Change
	\$m	\$m	
Net Assets	137.0	140.0	2.2%
Net Tangible Assets	99.8	102.9	3.1%
NTA per share (cents)	19.0	17.8	(6.2%)
Net Debt	39.4	36.6	(7.2%)
Working Capital	8.7	11.0	26.9%

Summary – Normalisations

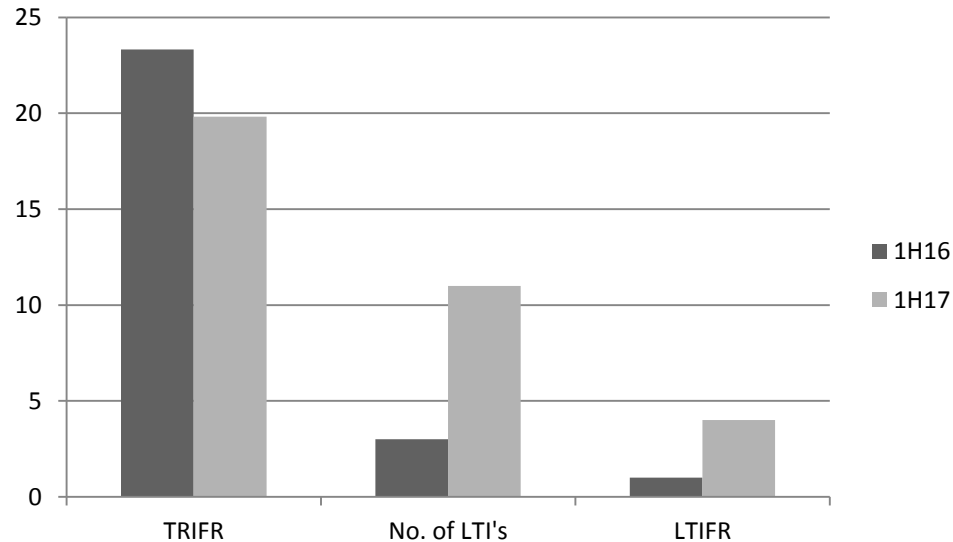
Reported results higher than normalised results due to one-off expenses that were more than offset by one-off non-cash incomes on the adjustment to the onerous lease provision, reversal of impairment on the Colombian property and profits on the sale of plant and equipment

	1H17 EBITDA \$m	1H17 NPAT \$m
Reported Results	0.4	(5.7)
Reversal of onerous lease adjustment ⁽¹⁾ - <i>non cash</i>	(1.7)	(1.7)
Reversal of impairment and profits on disposal ⁽²⁾ - <i>non cash</i>	(1.7)	(1.7)
Restructuring and other ⁽³⁾	2.3	2.3
- <i>Cash</i>	1.8	0.7
- <i>Non-cash</i>	0.5	0.5
Legal costs ⁽⁴⁾ – cash	0.7	0.7
Underlying Results	0.0	(6.1)

Notes (in respect of EBITDA):

- (1) Relates to the partial release of the provision for onerous lease in respect to Austin's Brisbane facility
- (2) The majority relates to the reversal of impairment of Austin Colombia's property, the remainder relates to net gains on sale of plant and equipment
- (3) Relates to employment restructuring expenses (\$0.8m) consulting fees (\$0.6m), impairment of receivables (\$0.5m) and other charges (\$0.4m)
- (4) Relates to legal fees incurred in the exit of the syndicate and associated release of global security charges on assets

1HFY17 Results – Safety



- Total Austin employees across the group – 2,011 (Dec 15 – 1,885)
- Incident reporting improved during the period
- Reduced TRI's compared to the corresponding period
- 11 LTI's recorded for the period relating to a number of minor incidents, including trips and eye related injuries
- Austin's safety coordinator liaising directly with safety teams onsite to communicate improvements to work procedures via toolbox meetings
- Action plans and safety alerts are issued to all sites regularly

1HFY17 Results – Segments

(Continuing operations)	1H16	1H17	Half on Half
	\$m	\$m	% Change
Revenue:			
Australia	50.8	42.1	(17.1%)
Americas	44.1	46.2	4.7%
Asia (Indonesia)	1.7	2.8	67.6%
Normalised EBITDA*:			
Australia	1.2	0.5	(59.1%)
Americas	1.6	0.1	(95.8%)
Asia (Indonesia)	-	(0.6)	n/a
EBTIDA % Margin:			
Australia	2.4%	1.2%	(1.2%)
Americas	3.6%	0.1%	(3.5%)
Asia (Indonesia)	0.0%	(19.4%)	(19.4%)

* Normalised means before impairment expenses, one-off costs, restructuring costs and legal fees

1H17 Results – Operational Review

Australia:

Operations

- Product development of lighter trays delivering a larger overall payload have generated high volumes of orders and inquiries in Australia
- Perth operations consistent improvement with high workshop utilisation levels and profitability increasing during the period
- Aust Bore machining business performed well with an expansion of client base and services to both mining and non-mining customers
- Hunter Valley and Mackay operations delivered a performance lower than the corresponding period in challenging market conditions
- Outlook is positive, forecasts are supported by high volumes of confirmed orders

Asset Management

- Site Services operations in WA continued to source a wider range of customers in a challenging market, results were subdued
- Site Services operations on the East Coast have continued to expand during the period
- Outlook is neutral in a competitive market

1H17 Results – Operational Review

Asia:

- Indonesia had a subdued performance for the period with workshop utilisation low for the first quarter, improvements in the second quarter to meet 2H17 product deliveries
- Indonesia is set for a full year positive EBITDA contribution as a result of a significant client order of 9 chutes for a large global miner
- The outlook for Indonesia is positive due to high levels of orders and increased workshop utilisation levels

Americas:

- North America produced a lower Normalised EBITDA compared to the prior corresponding period due to very soft demand in the USA although performance improved towards the end of the period. The outlook is more positive due to activity in the Canadian oil sands
- Colombia contributed positively to EBITDA with fabrication work supplementing its underlying repair and maintenance contract, Austin expect a positive contribution for FY17
- Servigrut produced a positive EBITDA but was less than the prior period as a result of reduced mine shutdown work. Austin expects an improvement in contribution in 2H17
- The Austin Ingenieros Chile business continued to service long term maintenance and fabrication contracts however securing orders outside these contracts has been slower than expected. This division is expected to improve in 2H17 following a profitability and operational efficiency review
- Peru delivered a negative contribution to EBITDA for 1H17 due to reduced revenues for the period. The immediate outlook is subdued in a challenging and competitive market

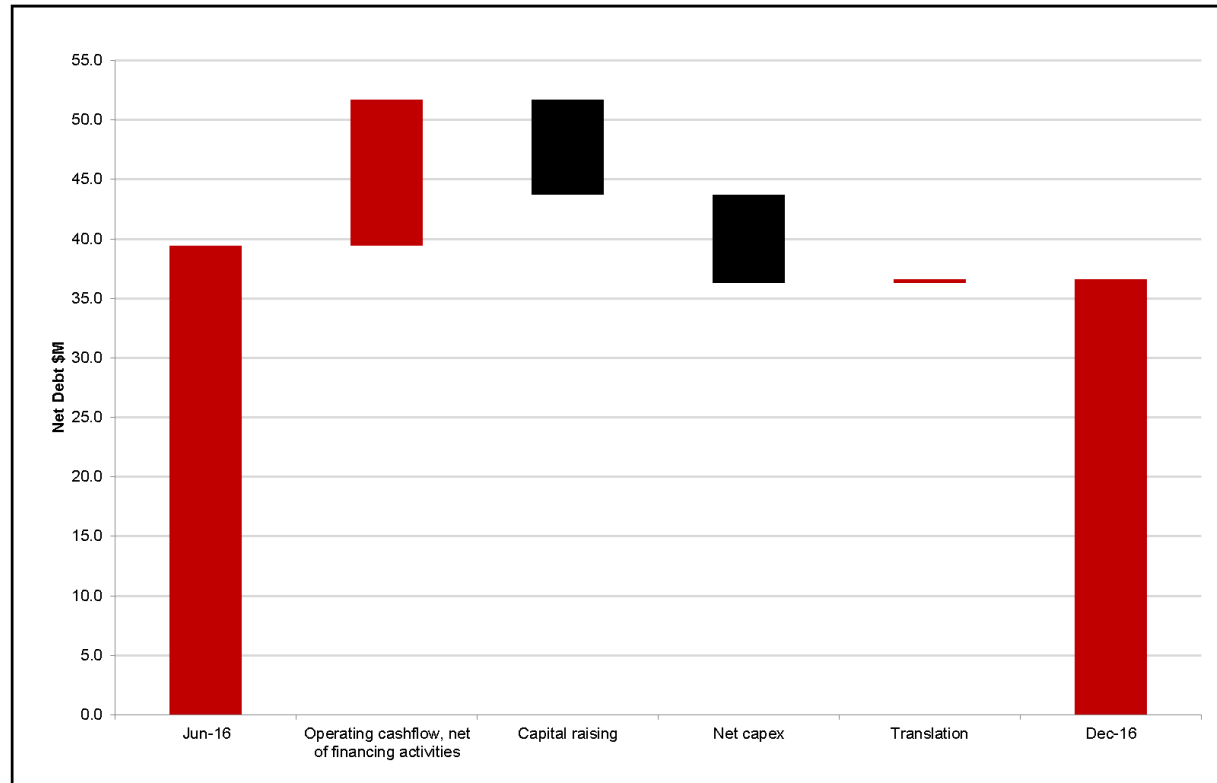
Capital Management – Net Debt

	Jun-16	Nov-16 Share Placement	1H17 Net drawings/ (repayments)	1H17 Other movements*	Dec-16
	\$m	\$m	\$m	\$m	\$m
Senior Syndicate Debt	6.0	-	(6.0)	-	-
LIM Bond	19.8	-	-	0.1	19.9
LIM and Transfield Bridging Loan	6.6	-	(6.6)	-	-
Finance Leases	11.3	-	(1.4)	-	9.9
Other Debt:					
- Australia	-	-	5.9	-	5.9
- Chile	8.6	-	1.5	0.1	10.2
Total Debt	52.3	-	(6.6)	0.2	45.9
Cash	12.8	8.0	(6.6)	(4.9)	9.3
Net Debt	39.5	(8.0)**	-	5.1	36.6

* Foreign exchange, amortisation, cash flows from operations and investing

** Share placement funds allocated to working capital increases

Capital Management – Net Debt



- Net Debt reduced by c. \$3m to c. \$37m during the previous 6 month period
- Increase in working capital to deliver orders in early 2H17 reduced cash flow during the period
- Supported by inflows from capital raising and net inflows from capital expenditure from the sale of land in Peru and an underutilised large crane in Chile

Capital Management – Increase in Working Capital

	Jun-16	Dec-16	
	\$m	\$m	\$ Change
Receivables	29.4	32.0	2.6
Payables	36.5	42.2	(5.7)
Inventories	15.8	21.3	5.5
Total	8.7	11.0	2.3

- Increase in all working capital measures reflecting increased workshop activity in December 2016 to deliver orders for early 2H17
- Increase funded by November 2016 share placement

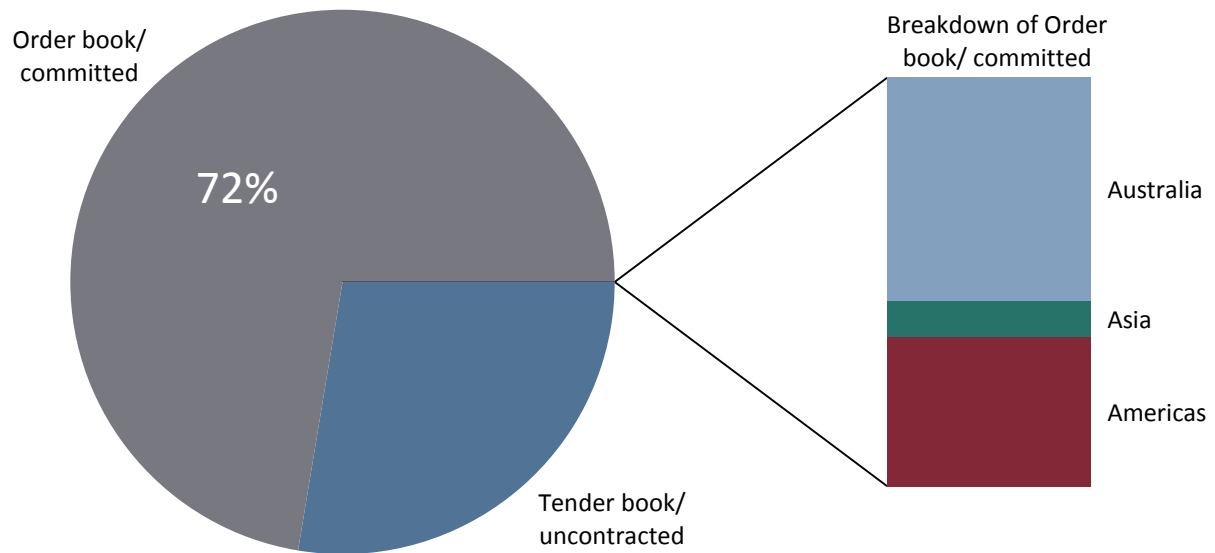
Outlook – Overview

- Based on a c.72% order book, including committed work, Austin provides guidance for the 2017 Financial Year of \$11m-\$15m Normalised EBITDA
- 6 month forward order book, including committed work, increased 69% from the position as at the AGM in November 2016
- Market conditions showing signs of improvement as commodity prices increase and significant global interest in new product ranges
- Focus on turning around low and non-contributing business units through profitability and operational reviews
- Austin continues to develop opportunities to engage on a more strategic basis with its major global customers through:
 - Improved and co-ordinated global marketing
 - Engineering design solutions
 - Positioning services on a “whole of life” value adding basis including reductions in cost per tonne for clients
- As the leading global producer of non-OEM trays, Austin remains competitively well positioned to provide its core products to its customers as replacements are needed

Outlook – Order Book

Global order book value higher than at the start of the financial year

- The remainder of the 2017 financial year is underpinned by confirmed orders and secure 'run rate' works against long term contracts / regular workflow
- Led by Australia with significant tray orders in hand, in particular for large iron ore customers on the West Coast

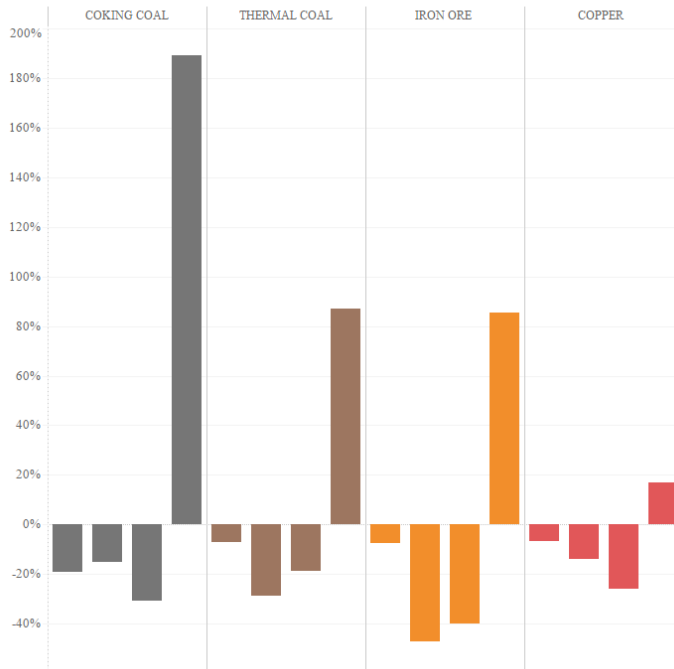


Verified 31 December 2016 order book as at 17 February 2017

Outlook – Commodity and Market Environment

Market conditions showing signs of improvement with increasing commodity prices

Annual change in mining commodity prices: 2013–2016



Source: LME, ICE, TSI, UX, Infomine, Ferretcon, Comex, Nymex | Value: US\$ per tonne/pound/ounce/barrel

Source: <http://www.mining.com/interactive-mining-emerges-from-three-year-slump/>



The Index tracks the approximate value of worldwide shipments of new mining equipment. Austin manufacture truck bodies and buckets for both new equipment and replacement of existing equipment. Austin utilises this index to track the capital expenditure of global miners of equipment where Austin's product range is utilised.

Source: <http://parkerbaymining.com/>

Outlook – Engineered Products

Austin's value proposition has always been the delivery of outstanding engineering solutions

Introducing the JEC LD Truck Body

Summary - The JEC LD truck body is a high performance dump truck body with unique features that enhance the efficiency of haul trucks. Its design has been largely simplified with 25-30% less components resulting in improved manufacturing efficiencies and low ongoing maintenance costs to end user



Payload advantage – a 10-15% weight saving over standard conventional bodies maximises payload depending on application.



Appendix

austinengineering LTD

Austin's Principal Products



Off-highway
dump truck
bodies



Buckets



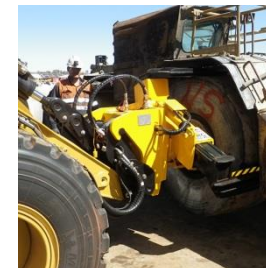
Water tanks



Service modules



Ancillary
attachments



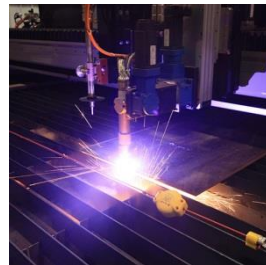
Tyre handlers

austinengineering^{LTD}

Austin Principal Services



Engineering supported
Equipment
repair and
maintenance



Specialised
fabrication



Painting and
blasting



Specialised
machining and
line boring



Engineering supported On-site
maintenance and shutdown services

austinengineering^{LTD}

Austin Brands

austinengineering^{LTD}

The Austin Engineering brand encompasses design and manufacture of mining and earthmoving equipment, along with the provision of support services, from three Australian operations (Perth, Hunter Valley, Mackay), an Indonesian operation and Peruvian operation.

austiningenieros

The Austin Ingenieros brand represents the company's operations in Chile and Colombia, providing design and manufacture of mining and earthmoving equipment, along with the provision of support services.



Aust Bore's core capabilities include general machining services, the overhaul of track frames and other mining equipment and mobile line-boring services. Aust Bore work closely with the Austin Engineering Mackay operation in supply of their services.



Perth-based JEC, was one of Australia's longest established manufacturers of Mining and Earthmoving attachments and off highway truck bodies. The JEC branded range of products are now designed and manufactured by Austin Engineering operations globally.

austinengineering
Site Services

Austin Engineering Site Services provide full turnkey, on-site repair and maintenance services throughout Western and Eastern Australian mine sites, with a particular focus on mobile mining and fixed plant equipment.



Servigrut is a significant and successful supplier of heavy equipment lifting, transportation and site services to the mining and industrial markets in Chile.

WESTECH

Western Technology Services, or Westech, is one of the world's largest non-OEM designer and manufacturer of off highway dump truck bodies. Based in Wyoming USA, the Westech branded range of products are now designed and manufactured by the Austin Engineering Group globally.

austinengineering^{LTD}