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**ASX ANNOUNCEMENT (ASX Code: ANG)** **31 August 2017**

# Austin Engineering Limited – FY2017 Financial Results

- Revenue for FY2017 of $234.3m – increase of 24.5% on FY2016
- FY2017 Result at the higher end of the guidance range – normalised EBITDA $14.3m
- Order book and committed work 81% of expected revenues to 31 December 2017
- Guidance for half-year to 31 December 2017 normalised EBITDA in the range of $10m - $12m
- Credit approved letters of offer received for new facilities to repay Australian senior debt

Austin Engineering Limited (Austin) has today announced its results for FY2017 with revenue of $234.3m (an increase of 24.5% in comparison to FY2016) and normalised EBITDA (EBITDA) of $14.3m (an increase of 100.2% in comparison to FY2016). This result is at the higher end of the FY2017 full year guidance range (issued in February 2017).

Chairman, Mr Jim Walker, commented on the result saying *"Austin has delivered full-year EBITDA of $14.3m, at the top of the range of our earlier market guidance. This result is a reflection of the Austin team's commitment and focus to deliver high quality engineering solutions and products to our clients."*

| Financial Results | FY2017 | FY2016 | Change |
|---|---|---|---|
| *Continuing operations* | **$m** | **$m** | **%** |
| **Revenue** | **234.3** | 188.2 | 24.5% |
| **Normalised EBITDA*** | **14.3** | 7.1 | 100.2% |
| **Normalised NPBT*** | **(3.0)** | (9.0) | 66.7% |
| **Reported NPAT**** | **(27.6)** | (30.0) | 8.0% |
| **Net Assets** | **112.2** | 137.0 | (18.1%) |
| **Basic loss per share (cents)** | **(4.9)** | (20.1) | 75.6% |

*Excluding impairment/one-off costs
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## Review of Operations

Market conditions improved significantly during the second half of FY2017, with major mining companies commencing a reinvestment phase in replacement components for mining fleets. Performance differed between the regional business units, as the timing of the mining industry recovery varied between commodities and regions. In addition, several large orders were received and completed contributing to the result.

The Australian operations produced positive EBITDA of $9.5m, an increase in comparison to FY2016 $1.5m EBITDA. This was attributable to improved market conditions together with enhanced engineering designs and fabrication improvements, which enabled Austin's major clients to take advantage of material payload increases and unit cost reductions across their fleets.

The Indonesian business achieved positive EBITDA of $1.7m compared to $0.3m in FY2016. This facility fabricated a range of Austin products, along with the sub-contract manufacture of non-Austin mining products and other non-mining products during the year, leveraging Indonesia's geographical location and highly competitive cost structure.

The Americas achieved a positive EBITDA result of $3.1m, mainly due to the Colombian division delivering a significant increase in EBITDA on the back of an improving coal mining services sector. Increased demand also assisted the North American division to reverse the prior year losses and to deliver positive EBITDA in FY2017. This was despite the impact of steel supply issues in the United States. Chile, Servigrut and Peru all produced results below the prior year, with the copper mining sector in South America remaining subdued for most FY2017.

Normalised NPBT of ($3.0m) was an improvement on the prior year. Reported NPAT ($27.6m) includes one-off restructuring and legal charges ($2.2m), impairment costs ($19.8m), and a taxation expense of ($2.6m). The impairment charges relate mainly to Austin's Chile, Australian Site Services and Aust Bore businesses.

## Cash Flow, Liquidity and Debt

Operating cash outflows of $14.8m for FY2017 predominately related to additional working capital required to support increased trading volumes, including the significant scaling up of work-in-progress.

Net cash inflows on investing activities of $2.6m for FY2017 included investment in strategically important capital expenditure of $6.8m offset by the sale of underutilised assets returning $9.4m. Financing cash inflows for FY2017 of $3.4m included capital raising proceeds of $8.0m offset by net debt repayments of $4.6m.

During FY2017, Austin recorded an overall net cash outflow of $8.8m.

## Capital Management

Austin's core Australian debt, LIM Asia Special Solutions Master Fund Limited (LIM) financing facility of $20.1m, is due for repayment on 29 July 2018. Austin has secured credit approved letters of offer for new combined senior term debt and working capital facilities that will be utilised to repay LIM and other non-bank loans in Australia.

The credit approved finance package is a further encouraging step in the recapitalisation of Austin, and it would improve the Company's overall debt maturity profile and lower its cost of capital. Funding is subject to finalising acceptable legal documentation and satisfying conditions precedent.

The Company continues to assess any opportunities with respect to asset sales, including the sale and/or leaseback of specific assets.

## Net Assets

At 30 June 2017 Austin had net assets of $112.2m, which has decreased by 18.1% compared to 30 June 2016 ($137.0m). The reduction of net assets reflects a loss after tax of $27.6m (including impairment charges of $19.8m and currency translation losses of $5.2m), offset by the capital raised of $8.0m.

## Dividends

The Directors have not declared a final dividend for the financial year ending 30 June 2017 (2016 – no dividends paid).

## FY2018 Outlook

Tender activity continues to be high in most of Austin's regions. Activity in North America remains particularly strong. Capacity across the group remains available to meet demand, and deliver the product range, productivity gains, and quality required by Austin clients.

At the time of giving guidance on the second half of FY2017, Austin had an order book and committed work representing 72% of the forecast revenue. The current order book and committed work represents 81% of expected revenues to 31 December 2017.

As a result of this strong order book, Austin is in a position to provide a 1H2018 normalised EBITDA guidance range of $10m-$12m.

Mr Peter Forsyth, Managing Director said, *"Austin's second half FY2017 performance demonstrated an important business turnaround in a recovering mining services market. The momentum continues into the remainder of calendar 2017, with a strong order book in place, underpinned by improved mining industry conditions in the majority of the commodity and regional markets where Austin operates."*

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