Austin Engineering Ltd

Financial Year 2017 Results Presentation

31 August 2017

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Contents

1. Summary

Summary

Improving industry conditions	✓	• The major commodity markets are progressively improving, with clients re-investing in replacement of large mining fleet components.
Improved products and services	✓	• Ongoing improvements in engineering and design have resulted in enhanced products and services that deliver increased productivity and lower operating costs.
Growing profitability	✓	• Normalised EBITDA substantially increased from breakeven in the first half of the year (1H17) to $14.3 million in the second half of the year (2H17).
Refinance of Australian debt underway	✓	• Credit approved letters of offer received for new facilities to repay the Australian senior debt.
Positive outlook	✓	• The current order book and committed work represents 81% of 1H18 Budget revenue. • Guidance for 1H18 normalised EBITDA is in the range of $10 to $12 million.

2. FY17 results

Financial performance

Normalised results ($'m)	FY16	1H17	2H17	FY17
Revenue	**188.2**	**91.0**	**143.3**	**234.3**
Growth			*57.6%*	*24.5%*
Gross profit	**56.3**	**27.7**	**43.6**	**71.3**
Gross margin	*29.9%*	*30.4%*	*30.4%*	*30.4%*
EBITDA	**7.1**	**-**	**14.3**	**14.3**
EBITDA margin	*3.8%*	*0.0%*	*10.0%*	*6.1%*
EBIT	**(4.0)**	**(5.6)**	**8.7**	**3.1**
EBIT margin	*(2.1)%*	*(6.2)%*	*6.1%*	*1.3%*

FY17 Revenue and profitability

Trading:

- After difficult industry conditions in FY16 and 1H17, Austin has traded strongly in 2H17.
- Revenue of $234.3 million has increased by 24.5% in comparison to FY16.
- Normalised EBITDA increased from $7.1 million in FY16 to $14.3 million in FY17 (at the higher end of the guidance issued in February 2017).
- All of the normalised FY17 EBITDA was achieved in 2H17 (1H17 was breakeven).
- This improvement in both revenue and normalised EBITDA was achieved due to a combination of:
  - increasing sales volume of fabricated products
  - improved profitability resulting from the change in product mix
  - increased fixed cost recovery across higher revenue generation
  - continued focus on cost reduction.

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Financial performance

Statutory results ($'m)	FY16	1H17	2H17	FY17
Revenue	**188.2**	**91.0**	**143.3**	**234.3**
Growth			*57.6%*	*24.5%*
Gross profit	**56.3**	**27.7**	**43.6**	**71.3**
Gross margin	*29.9%*	*30.4%*	*30.4%*	*30.4%*
Impairment and one-offs	*(27.7)*	*0.4*	*(22.4)*	*(22.0)*
EBITDA	**(20.6)**	**0.4**	**(8.1)**	**(7.7)**
Depreciation and amortisation	*(11.1)*	*(5.6)*	*(5.6)*	*(11.2)*
EBIT	**(31.7)**	**(5.2)**	**(13.7)**	**(18.9)**
Net interest expense	*(6.2)*	*(3.8)*	*(2.3)*	*(6.1)*
PBT	**(37.9)**	**(9.0)**	**(16.0)**	**(25.0)**
Tax	*7.9*	*3.3*	*(5.9)*	*(2.6)*
NPAT	**(30.0)**	**(5.7)**	**(21.9)**	**(27.6)**

FY17 Statutory results

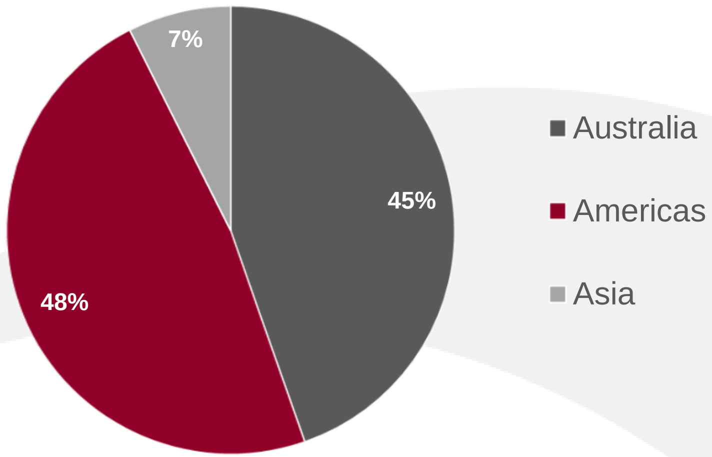
Asset impairment:

- Impairment charges ($19.2 million) were applied to Chile, Australian Site Services and Aust Bore as a result of FY17 performance negatively impacting on their outlook and carrying value.
- In addition, the carrying values of properties were reduced following external valuations ($0.6m), including ($3.4m) in Australia, partially set off by a reversal of a prior year impairment in Indonesia of $2.8m.

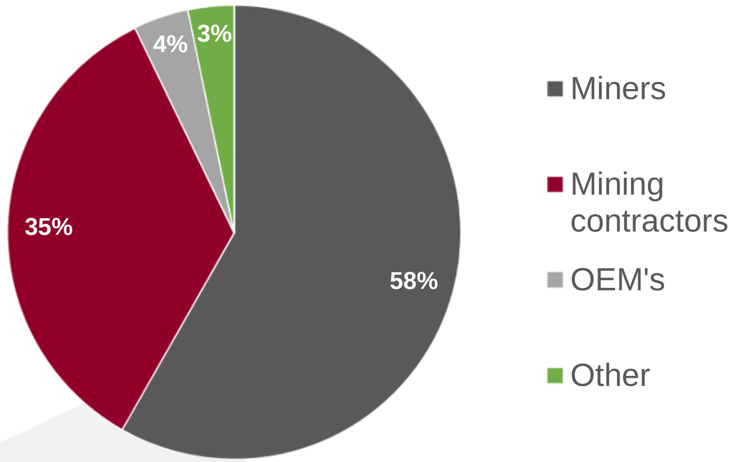
Impairment and one-offs ($'m)	FY17
Impairment to intangible assets:	
– Australia	*(9.0)*
– South America	*(10.2)*
Impairment to property	*(0.6)*
Other one off costs	*(2.2)*
Total	***(22.0)***

Diversified revenue

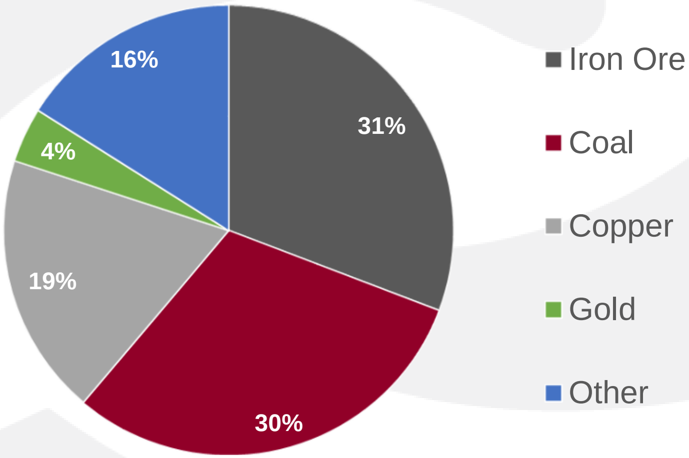
1 FY17 Revenue by region



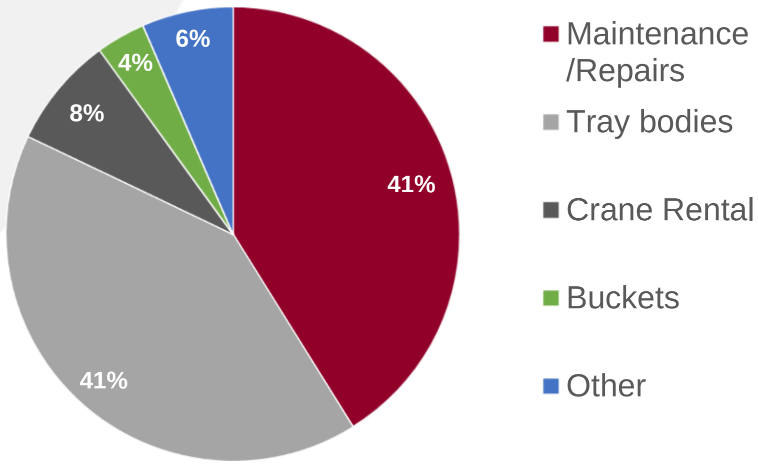
3 FY17 Revenue by customer type



2 FY17 Revenue by commodity



4 FY17 Revenue by product and service



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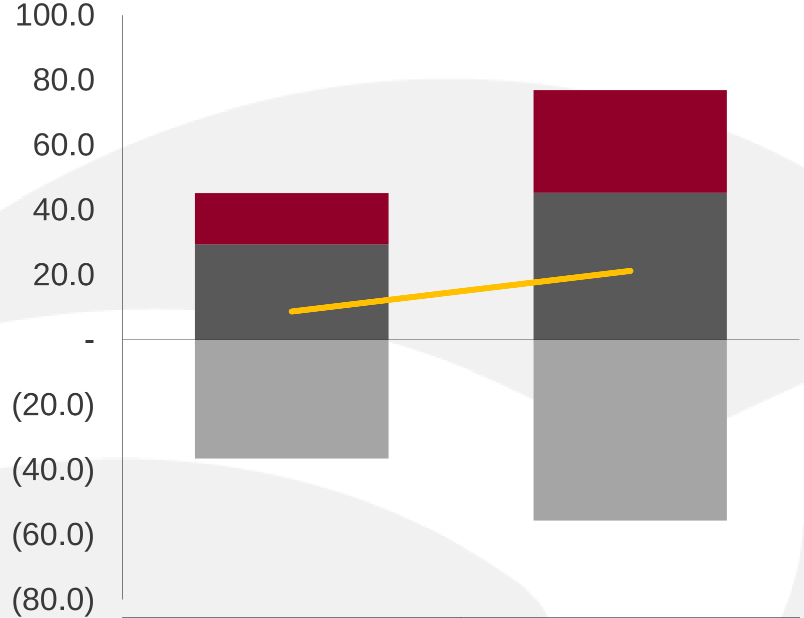
Working capital and capital expenditure

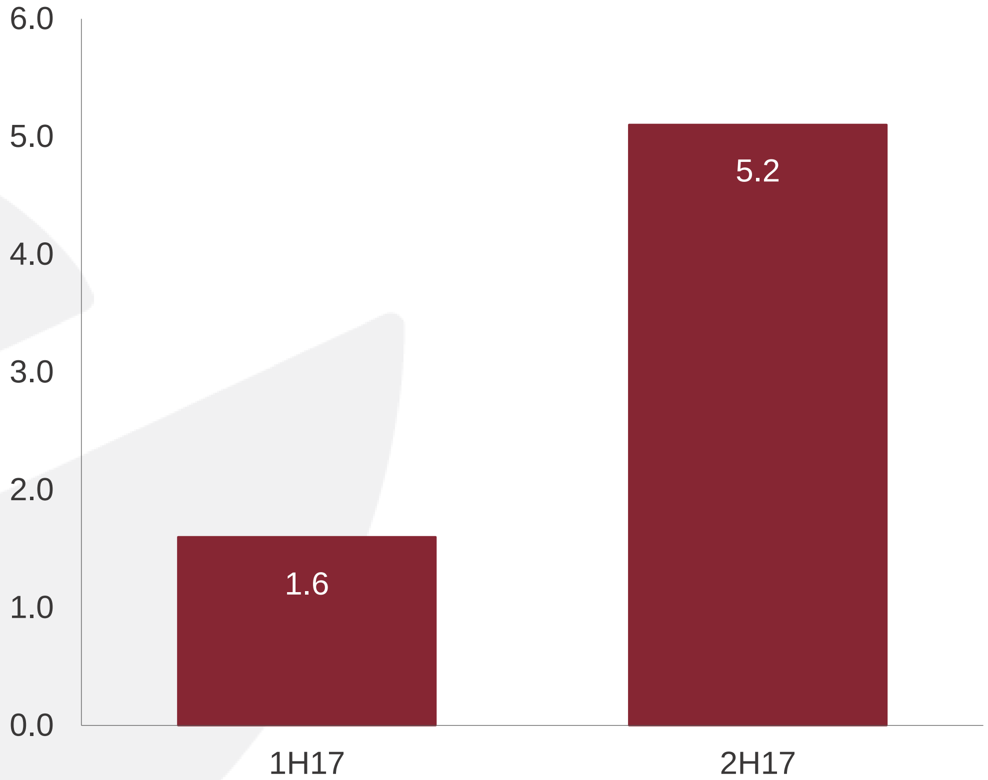
FY17 Working capital growth ($'m)



	30 June 2016	30 June 2017
Payables	(36.5)	(55.7)
Inventory	15.8	31.6
Receivables	29.4	45.3
Net working capital	8.7	21.2

- Whilst Austin has focused on working capital efficiency, investment in working capital has been required to support the increased sales volumes in 2H17.

FY17 Capital expenditure ($'m)



- FY17 capital expenditure focused on necessary maintenance and immediate growth opportunities.
- Increased capital expenditure in 2H17 includes $1.8 milion for two cranes acquired under finance lease by Chile to service a long-term contract.

Cash flow and net debt

Cash flow ($'m)	1H17	2H17	FY17
Cash flows from operating activities			
NPAT	(5.7)	(21.9)	(27.6)
Add: depreciation and amortisation	5.6	5.6	11.2
Add: Impairment	0.0	19.8	19.8
Movement in working capital	(3.3)	(11.1)	(14.4)
Other movements	(8.9)	5.1	(3.8)
Cash used in operations	**(12.3)**	**(2.5)**	**(14.8)**
Cash flows from investing activities			
Proceeds from sale of PPE	9.0	0.4	9.4
Purchase of PPE	(1.6)	(5.2)	(6.8)
Cash from investing activities	**7.4**	**(4.8)**	**2.6**
Cash flows from financing activities			
Proceeds from issues of shares	8.0	-	8.0
Net repayment of borrowings	(6.6)	2.0	(4.6)
Cash provided by financing	**1.4**	**2.0**	**3.4**
Net cash flows	**(3.5)**	**(5.3)**	**(8.8)**

- Investment in working capital ($14.4 million) and capital expenditure ($6.8 million) contribute to the net cash outflow.
- Other movements ($3.8 million) relate to provisions, including the settlement of the Brisbane operations lease.
- Proceeds from sale of $9.4 million mainly relate to the sale of Peru land and a large crane in Chile.

Net debt ($'m)	30 June 2017
LIM term loan	20.1
Australian working capital facility	7.3
Other facilities	22.1
Utilised facilities	49.5
Less cash	(3.9)
Net debt	**45.6**
Unutilised facilities	6.8

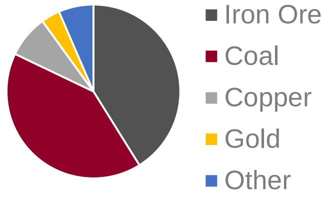
- The LIM term loan of $20.1 million is due for repayment in July 2018.
- Discussions are progressing with financiers on replacement facilities that in combination will repay LIM and other non-bank loans in Australia.
- The facilities are credit approved, and completion of the refinance is subject to agreement of legal documents and satisfaction of conditions precedent.

FY17 by region

Australia

Brisbane
Perth
Mackay
Hunter Valley

Australia ($'m)	FY16	FY17
Revenue	92.2	104.6
EBITDA (normalised)	1.5	9.5
EBITDA margin	*1.6%*	*9.1%*



Operations:

- Perth operations delivered improved earnings in FY17, as major mining companies in the region commenced a reinvestment phase in replacement components for mining fleets.
- Sales increased from engineering advancements enabling clients to take advantage of material payload increases and unit cost reductions across their fleets.
- Mackay operations continue to face challenging conditions, impacted by recent cyclones and road closures.
- Aust Bore machining business performed well as a result of client diversification strategies.
- Market conditions in NSW coal improved during the year and provided strong revenues for Hunter Valley operations, although high labour costs impacted on profitability in this region.

Site services:

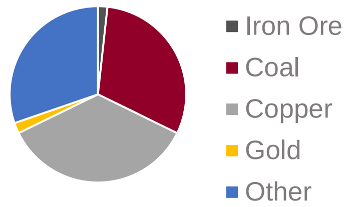
- The Australian site service business is operating in a highly competitive environment and experienced some margin contraction.

FY17 by region

Americas

North America
Colombia
Chile
Peru

Americas ($'m)	FY16	FY17
Revenue	89.7	112.3
EBITDA (normalised)	5.3	3.1
EBITDA margin	*5.9%*	*2.8%*



North America:

- Activity levels were subdued for the majority of the year, with improvement in the final quarter. North America finished FY17 with a strong order book that included its largest ever order for truck bodies, to be delivered in 1H18.

Colombia:

- Colombia's performance improved markedly from recent years with increased revenues from higher margin manufactured products. Historic revenues have been predominantly from repair and maintenance contracts.

Chile:

- The copper market was subdued for the majority of the year, and is now showing improvement. Despite this Chile increased sales of bodies and buckets, as well as repair and maintenance work.
- Trading volumes and profitability of the crane business were lower than in recent years. Chile's overall cost base has been reduced and remains under review to improve future profitability.

Peru:

- The market in Peru continues to be challenging with local miners focused on equipment repairs and maintenance in preference to component replacement.

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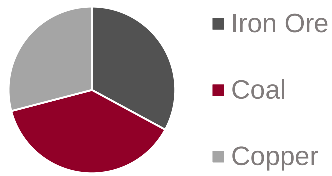
FY17 by region

Asia

Indonesia

Asia ($'m)	FY16	FY17
Revenue	6.3	17.4
EBITDA (normalised)	0.3	1.7
EBITDA margin	*4.8%*	*9.8%*



Operations:

- Performance significantly improved in 2H17 as a result of higher utilisation of facilities.
- Utilisation increased as Austin leveraged its highly competitive cost structure and geographic location to win fabrication work for both Austin products and non-Austin products (including large modular structures and underground mining chutes).

3. Strategy and safety

Strengths

1 Market leading position

- Large global producer of custom truck bodies and buckets.
- Strategically located across four continents including Australia, Asia and the Americas, with scope to use subcontractors in other regions.

2 Attractive fundamentals

- Improving conditions in commodity markets.
- Product sales have improved as the investment cycle turns.

3 Strategic focus

- Business repositioned as an engineering solutions provider supported by product manufacturing.

4 Manufacturing excellence

- IP and engineering excellence built up over more than 30 years of experience.
- Fabrication workshops fitted out for safe and efficient manufacturing.

5 Visibility over orders

- High visibility over orders for the next six months.
- Recurring revenue from repairs and maintenance contracts.

6 Diversified revenue base

- Long term relationships with key customers across Austin’s various geographies/products/commodities.
- Key contracts with leading miners, contractors and OEMs.

7 Products

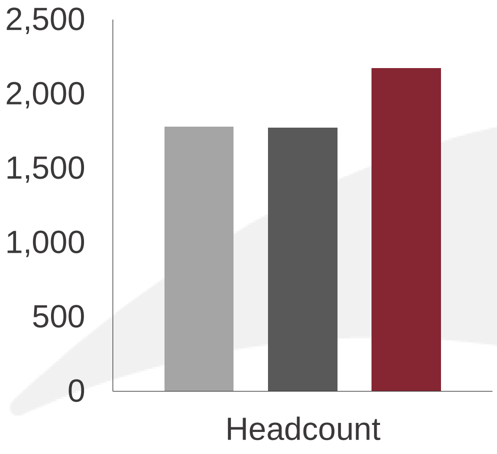
- Range of mining products and services tailored to specific site conditions, that deliver increased productivity and lower operating costs.
- Improved product designs are equally suitable for installation onto new and existing equipment.

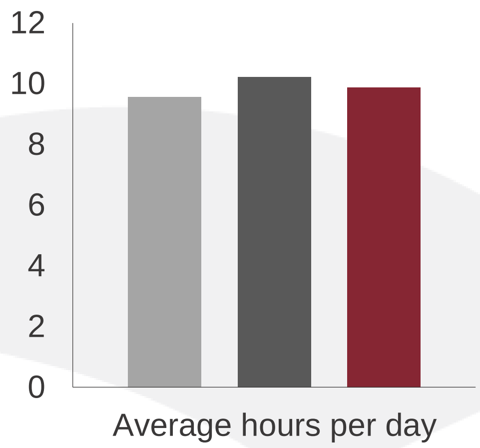
Strategy

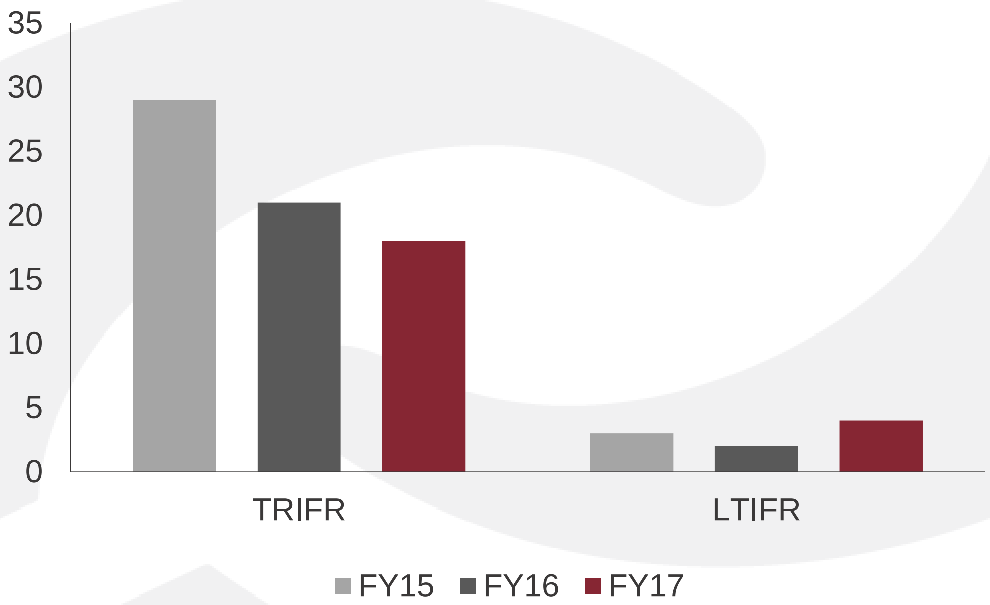
1	**To be the largest supplier of truck bodies and buckets globally**	• Focus on re-orienting the business to provide clients with engineering solutions combined with high quality and efficient manufacturing capability. • Restructure of engineering centres to form one global engineering operation. • Increased focus on R&D and new, innovative products. • Strengthen existing relationships with original equipment manufacturers (OEMs) and large global mining clients.
2	**Grow and diversify the business through identified opportunities unique to Austin**	• Leverage Austin's product IP to expand existing and enter new markets. • Develop stronger relationships with dealers and OEMs, utilising the integrated sales function to provide better customer coverage and foster relationships. • Grow approved sub-contractor base to provide additional revenue through flexible manufacturing capacity and production facilities where Austin does not currently have an existing footprint. • Pursue work in complementary industries utilising existing manufacturing facilities.
3	**Maintain cost competitiveness**	• Best practice operational performance and continuous improvement to manufacturing processes. • Remain at the cutting edge of engineering design, with fast, cost efficient techniques used to manufacture high quality products. • Continuous evaluation of global supply chain for savings through group wide supply agreements. • Grow the approved sub-contractor base to improve margin and reduce capital expenditure requirements.

Safety

FY17 Safety statistics







Summary

Statistics:

- Headcount has increased from 1,772 at 30 June 2016 to 2,174 at 30 June 2017.
- Improved fatigue management has been achieved without materially impacting on the average man hours per employee per day.
- This has resulted in decreased Total Reportable Incident Frequency Rate (TRIFR)
- Lost Time Injury Frequency Rate (LTIFR) has increased, partially due to improved monitoring and reporting standards.
- The LTIFR is below the average for the heavy manufacturing industry.

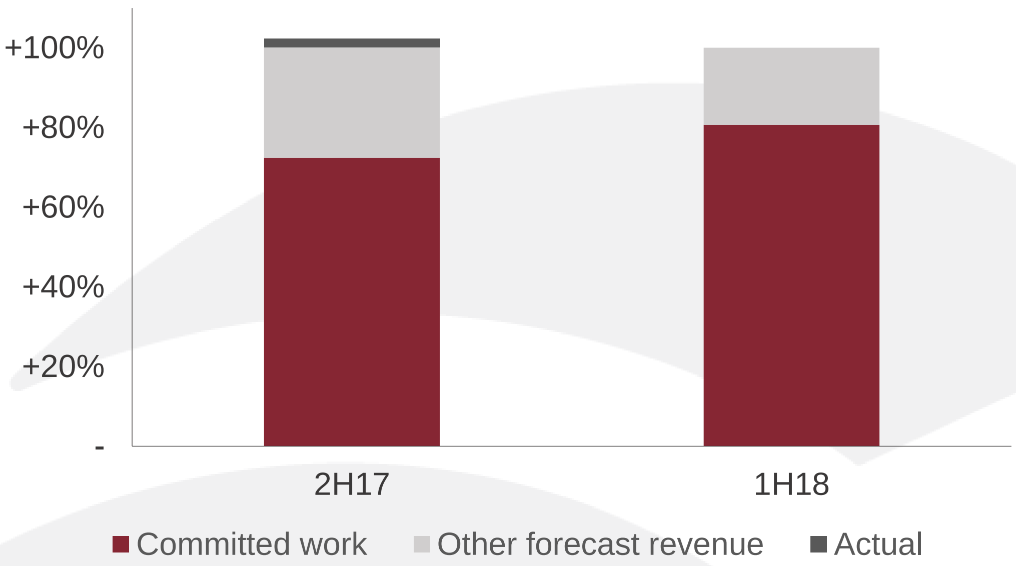
Incidents:

- Despite continued focus on safety, regrettably there were two fatalities in Chile.
- Austin’s Enterprise Risk Manager and Global Safety Manager are actively reviewing and managing risk and safety across the group.
- This includes strict reinforcement of safe operating procedures for lifting equipment across all of Austin’s operations.

4. Outlook

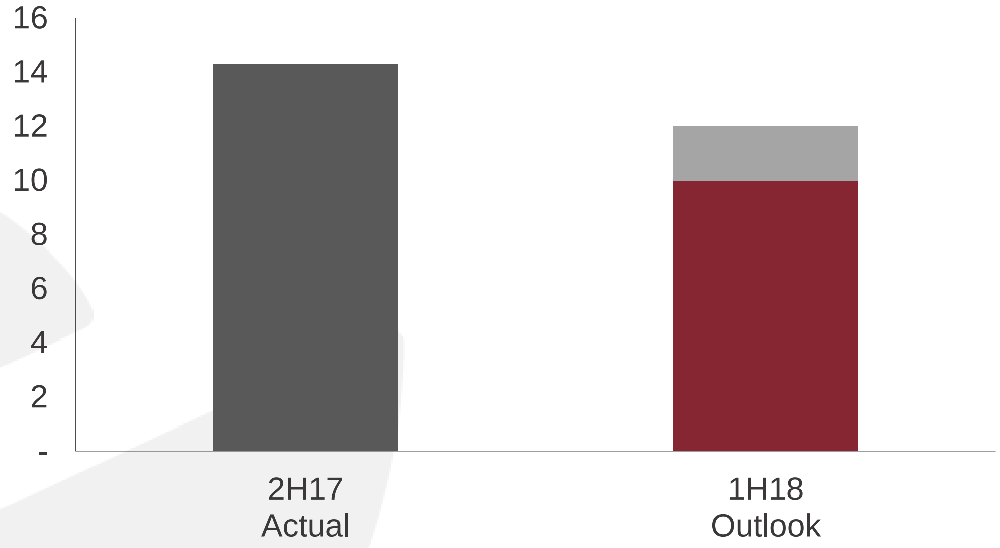
Outlook

Revenue pipeline



- 2H17 guidance (February 2017) included order book and committed work representing 72% of the 2H17 forecast revenue.
- Actual revenue was 102% of the 2H17 forecast.
- Austin currently has order book and committed work representing 81% of the 1H18 Budget revenue.

1H18 EBITDA outlook ($’m)



- Based on the current order book and committed work, estimated normalised EBITDA for 1H18 is in the range of $10 to $12 million.
- Whilst orders may be delayed or amended depending on a number of factors including the terms agreed with customers, the strong pipeline gives greater confidence regarding this 1H18 estimated outlook.
- Austin needs to continue to carefully manage its manufacturing costs such as labour and materials (including steel).

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5. Appendix: Austin operations, products and services

Operations

Australia

Brisbane
Perth
Mackay
Hunter Valley

- Located in the east and west coast, providing an array of manufacturing, repair and support services.
- Perth is the largest workshop in Australia.
- Mackay and Hunter Valley are focussed on body/bucket repairs and maintenance.
- Austin Site Services supports customers with on and off-site repair and maintenance services across Australia.
- Aust Bore offer specialised machining services, overhaul of track frames and other mining equipment, as well as mobile line-boring services.
- The corporate office is located in Brisbane.

Asia

Indonesia

- Located close to the port facilities in Batam, Indonesia, on one of the world's busiest shipping routes only 20 kilometres away from Singapore.
- This fully equipped modern workshop manufactures both Austin products (including bodies, buckets and water tanks) and non-Austin products (including large modular structures and underground mining chutes).

Americas

North America
Colombia
Chile
Peru

- The North American facility provides manufacturing and engineering services to customers in North America, Central America and Europe. This facility is home to the Westech brand.
- Colombia is situated in Barranquilla, one of the main coal mining hubs of the country.
- Chile has two workshops strategically located close to customers where heavy equipment lifting, transportation and site services are offered.
- Peru has two workshops close to key copper mining regions.

Products and services

Austin Engineering

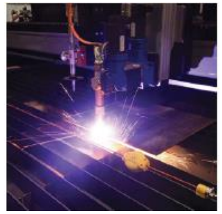
Products

- Leading designer and manufacturer of customised dump truck bodies, buckets and ancillary products used in the mining industry.
- Core competitive strength in engineering knowledge, experience and IP to design customised products that provide compelling productivity gains for clients.
- The ability to manufacture these products at its operations located in key mining regions around the world, or to use approved sub-contractors.




Services

- A complete service provider, offering on and off-site repair and maintenance and heavy equipment lifting to customers including miners, mining contractors and original equipment manufacturers.
- Workshop based repair and maintenance services for mobile equipment and attachments, along with onsite asset management of equipment and fixed plant.
- Lifting and logistics support services in Chile through the Servigrut business, utilising a fleet of large tonnage mobile cranes.

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