

2 August 2021

# Austin Completes Global Strategic Review

## Highlights:

- **Strategic review of global operations completed, identifying significant business optimisation and growth opportunities.**
- **Innovation and technology will be used to develop products and systems to meet the needs of major miners to reduce site manning, improve productivity and safety, and meet decarbonisation goals.**
- **Advanced manufacturing methods to be adopted at Austin's major global manufacturing facilities to boost productivity, optimise labour efficiency, and facilitate exports.**
- **Mining product offering to be expanded with discussions already underway on new opportunities.**
- **Cost base optimisation is well advanced and expected to strengthen FY22 earnings.**

Global mining equipment design and manufacturer, **Austin Engineering Limited** (ASX: ANG, 'Austin' or 'the Company') is pleased to advise it has completed the, previously announced, strategic review of its global business and has already begun implementation of a multi-phase program of improvements.

Austin initiated the strategic review in May 2021 in parallel with the decision to relocate its headquarters from Brisbane to Perth. This has been done to bring the Company's central management closer to Austin's major mining customers and its largest APAC manufacturing centres in Perth and Indonesia.

The strategic review aimed to identify opportunities to improve business efficiency and to align with the future needs of Austin's mining industry customers. Ultimately, the review has identified what Austin needs to do and where it needs to invest to be at the forefront of the industry, to grow earnings and thereby unlock value for its shareholders.

Austin's loading and hauling products are designed to meet the specific needs of its mining industry customers around the world. Austin's products are designed to help mining companies increase operational efficiency, improve site safety and help meet their environmental and de-carbonisation targets. This is crucial as the mining industry works towards dramatically reducing emissions in the coming years.

The strategic review outcomes are structured in three phases, representing short, medium and longer term measures to create company value across Austin's operations in Australia, North America, Indonesia and South America.

## Phase 1

### Business consolidation and efficiency

- Austin has already rebased the indirect support structures throughout the business and enters the new financial year with a significantly leaner structure. By end June 2021, approximately 50% of the people cost reductions identified in the review were completed, with 85% due for completion by the end of August.
- In addition to the rapid closure of its previous head office in Brisbane, Queensland, Austin has consolidated its separate businesses located in Mackay into Austin's wholly-owned subsidiary, AUSTBORE. The consolidation enables a stronger focus on new product delivery and support in Queensland and reduces the focus on general repair and maintenance services, which have not been delivering adequate earnings.  
Austin will continue to deliver its own product offerings to the east coast of Australia from its manufacturing facilities in Perth and Batam, while continuing to offer support directly in Mackay through its existing team.
- Austin will take a charge in its unaudited FY21 accounts from continuing operations of circa:
  - \$1.9 million for the redundancy and re-organisation activities with the cash impact mainly falling in Q1 of FY22;
  - \$6.5 million associated with net asset write-downs including goodwill totalling \$3.9 million across Austin's Mackay businesses, together with other fixed assets and inventory items; and
  - \$0.9 million associated with the closure of the Brisbane facility primarily related to relocation packages and an onerous lease, together with costs incurred on the strategic review.

These items are excluded from Austin's underlying net profit after tax result. Collectively, the FY22 cash impact to these items is expected to be circa \$2.2 million.

## Phase 2

### Manufacturing enhancements

- Austin will develop its major manufacturing sites, commencing in Perth, Australia. Austin has identified significant manufacturing opportunities to reduce waste and improve production efficiency and product consistency through the adoption of flow production and automation. This will provide significant benefits for Austin's major product ranges, in particular truck bodies, while remaining agile in bespoke designs and delivering unique capabilities for its customers.
- It is likely that the production system will be adopted in Batam to build bodies faster, utilise less factory space and improve product quality.
- Initial project investment for Perth is underway with a final investment decision by the Austin Board planned within the next quarter. Implementation benefits are expected partially in the FY22 year and to be fully in place in FY23. Investment costs will be paid for out of cashflow, sale of excess sites, and a reallocation of other previously planned capital investments.
- In the USA, Austin is reviewing its delivery logistics to improve overall cost competitiveness. Large truck bodies are difficult and expensive to move around the disparate mining centres of Canada, USA and Central America. Further detail around the changes being considered for North America will be announced when sufficient certainty has been achieved in the current review. Under consideration is an increasing presence in western Canada to service the oil sands region more effectively.

### Phase 3

#### **Putting technology and innovation at the forefront of a significantly expanded product range**

- Out of the review, Austin has established a new customer-focused, innovation and technology group that reports directly to the CEO. The team will interface directly with Austin's major customers and will use innovation and technology led solutions in an agile implementation environment to meet customers' needs for product capability and performance. Austin has already reviewed its technology pipeline with some of its major customers, with new developments already underway. Further details on these developments will be made available at the appropriate time
- In the longer term, Austin seeks to increase its product offering, through a mix of in-house design, partnering with aligned businesses and M&A activity.
- Cost savings to the business generated in Phases 1 and 2 will provide funding for innovation and technology development, as well as enhancing earnings.

#### **Austin CEO and Managing Director, David Singleton said:**

"The strategic review process has provided a chance for Austin to make some big decisions about what we most need to focus on for organic and inorganic growth of the Company. Through this process, we will cut significant costs from the business while increasing output through adopting more advanced manufacturing techniques. Importantly, we are firmly concentrating our efforts to meet the needs of our mining customers into the future. Austin's products will support our clients as they target net zero emissions, improve productivity and ensure ever safer operations.

I thank the Austin Board and team for its efforts in conducting this review and we look forward to updating the market on the progress in executing on this strategy."

**-ENDS-**

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**Announcement Authorisation**

This announcement was authorised by the Board of Directors.

**About Austin Engineering**

Austin is a global engineering company. For over 50 years, Austin has partnered with mining companies, contractors and original equipment manufacturers to create innovative engineering solutions that deliver productivity improvements to their operations.

Austin is a market leader in the design and manufacture of loading and hauling solutions, including off-highway dump truck bodies, buckets, water tanks and related attachments, supporting both open-cut and underground operations. Complementing its proprietary product range are repair and maintenance services performed in our workshops and on clients' mine sites, and spare parts.

Through Austin's own design and engineering IP and range of tailored products, it delivers solutions for all commodity applications and drives increased efficiencies in productivity and safety in both open cut and underground mining operations.

Austin's products can create more sustainable mining operations by delivering the lowest cost per tonne to end user, reducing fuel usage per material carried.

The company is headquartered in Perth and has operations around Australia as well as in Asia, North and South America with two key engineering hubs operating from Perth, Australia and Casper, Wyoming USA, with strategic partnerships and representation in Africa, Brazil and Eastern Europe.