Austin Engineering Ltd

1H FY22 Results Presentation

24 February 2022

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Who We Are

Austin supplies customised equipment to large global mining clients, mining contractors and original equipment manufacturers. Our innovative solutions maximise productivity and profits for our clients.

11 Locations across six continents, including partners.

PROVEN EXPERIENCE 40 YEARS

$198.1M*
Revenue FY2021

$135.3M
Truck body revenue

$181M
Order book and committed work (31 December 2021)

40+ years
Engineering and manufacturing mining equipment

5
Operating sites across four continents

~1,000
Employees and contractors worldwide

6
Partner final assembly companies

4
No of 'home markets'

*Statutory basis – Continuing operations
PCP has been restated for discontinued operations

Our 40-year journey

Brisbane, Australia

1982

Austin is founded

Perth, Australia

2004

Acquired JEC

Casper, USA

2007

Acquired Westech

La Negra, Chile

2009

Acquired Conymet

Batam, Indonesia

2011

Commenced operations

Global Operation

2017

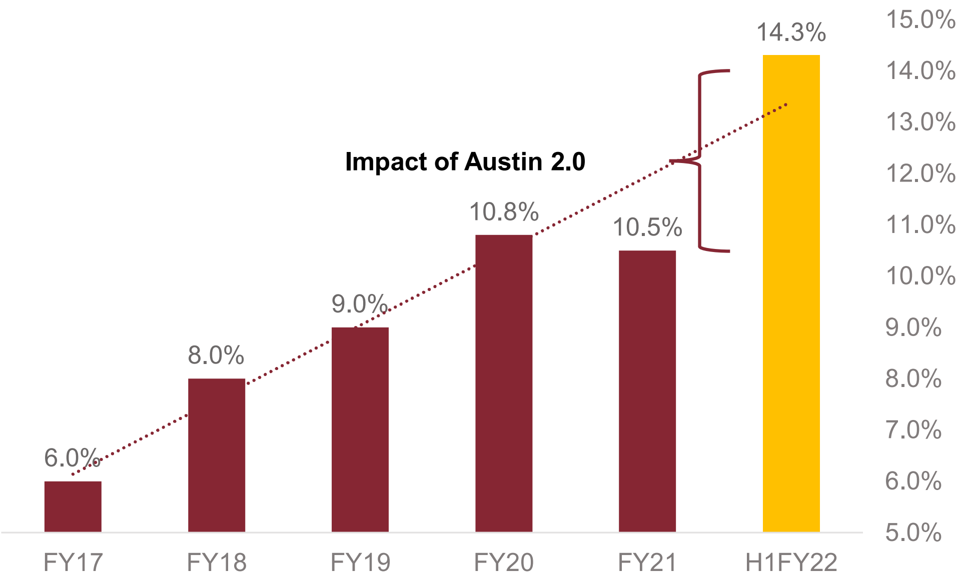
Austin is rebranded

Worldwide

2021

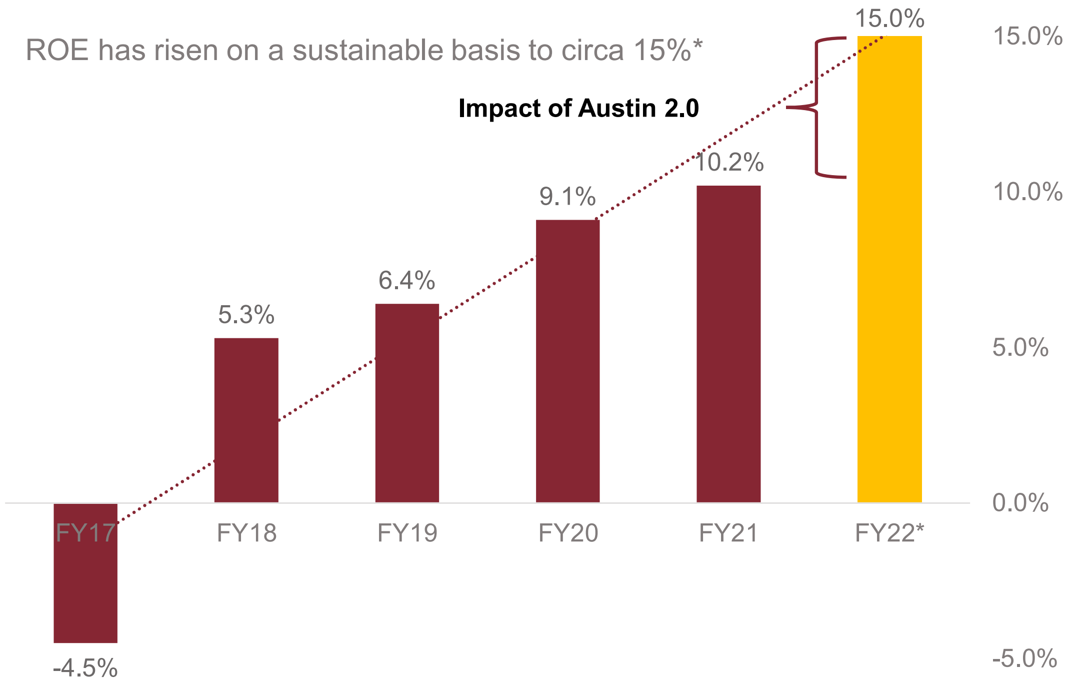
Austin 2.0 initiated

Step Change in Profitability (% EBITDA*)



*All years are Normalised – Continuing operations except H1FY22 which is Statutory

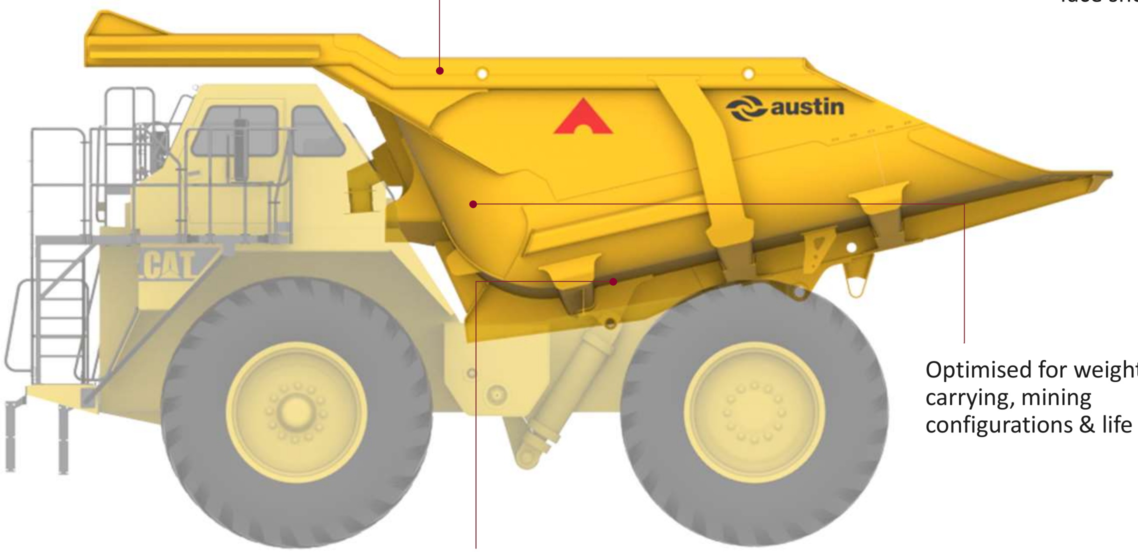
ROE has risen on a sustainable basis to circa 15%*

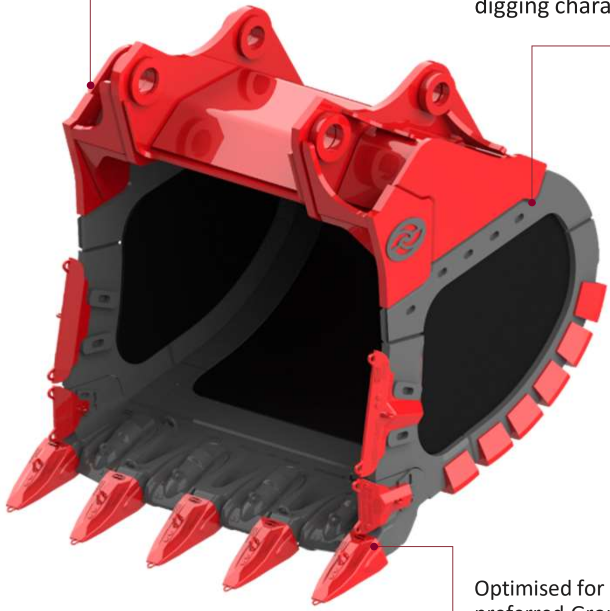


*Indicative only. Full year comparison based on 2xH1 NPAT and H1 closing equity

What we do

We are an industrial business producing world class customised wear products for the mining industry





What we do

Tyre Handler

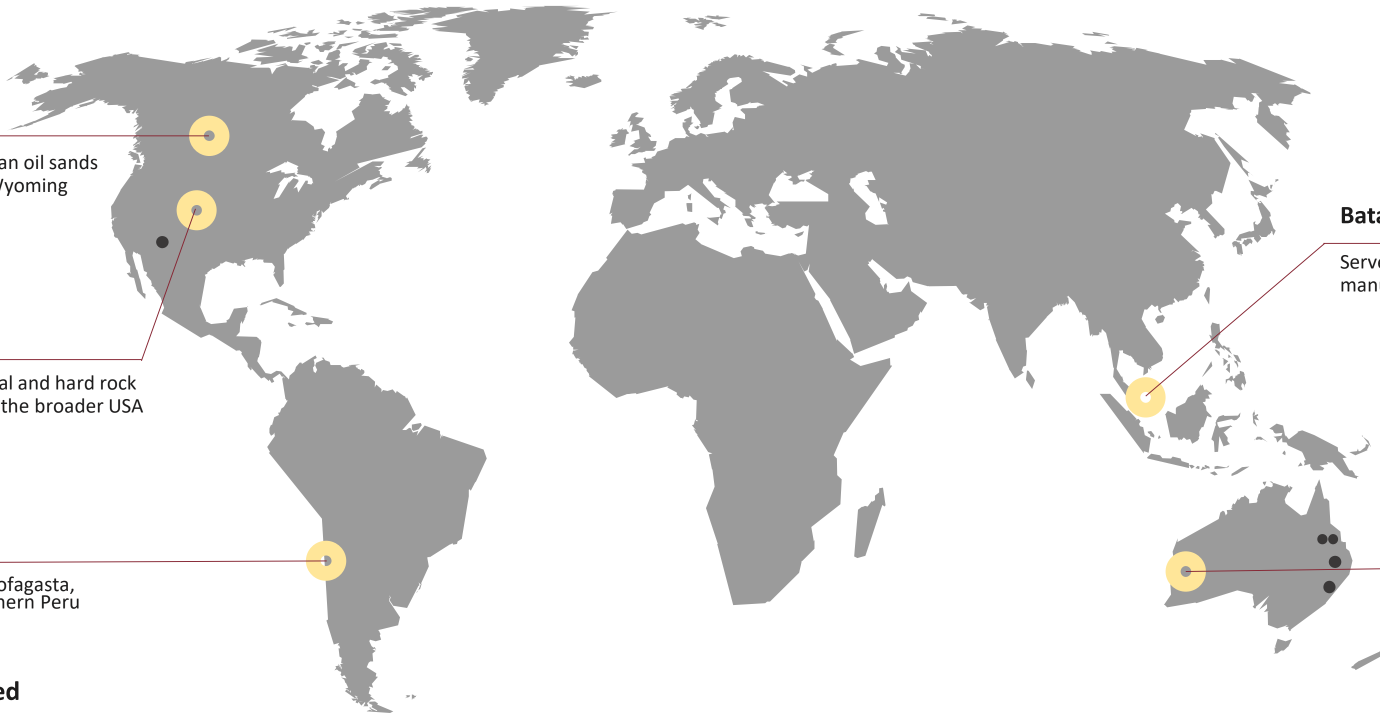
Water Tank

Ore Chute*

*Ore Chutes are designed by Nordic Minesteel Technologies and built under licence for Freeport mine in Indonesia.

Where we operate

The major mining jurisdictions of the world are our home markets, currently covering circa 65% of global truck tray market.



Fortt McMurray

Serves Western Canadian oil sands market supported by Wyoming

Wyoming

Serves Powder River coal and hard rock in Arizona, Nevada and the broader USA

Chile

Serves hard rock in Antofagasta, broader Chile and Southern Peru

Batam

Serves Asia and provides low-cost manufacture for APAC

Australia

Serves iron ore, coal and hard rock including copper, gold, nickel, lithium.

Wholly Owned

Partner final assembly

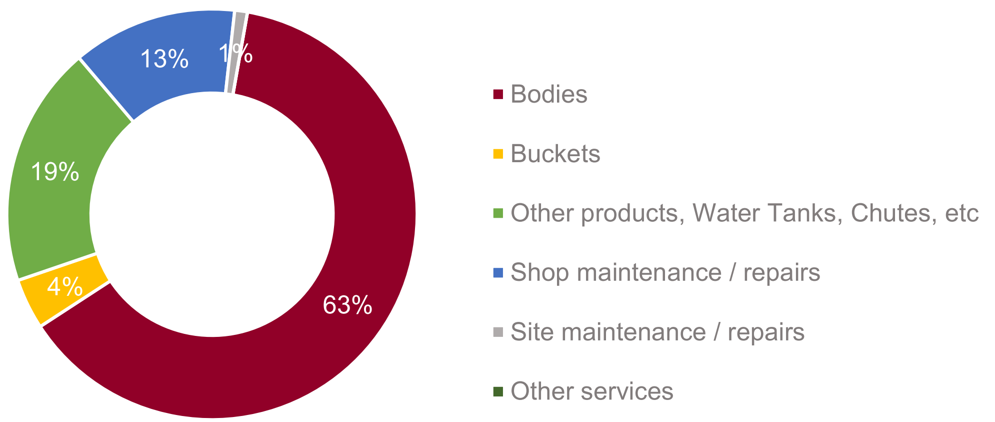
(Melter Mexico, Mackay(2), Townsville, Hunter Valley, NZ).

Why we are different

Product Focused Operational Strategy

85%
Of revenue was associated with products

- Austin is an industrial business building standard product types with more reliable revenue and earnings outlook.
- Products are made to order, fast turnover consumables critical to most types of mining worldwide. Average truck body turnover is 3-8 years depending on market.
- Customer diversification in addition to the competitive environment, fast turnover business means Austin can react to input cost changes rapidly by adjusting pricing and delivery.
- Austin's order book is related to mine throughput and therefore less affected by capex investment cycles.



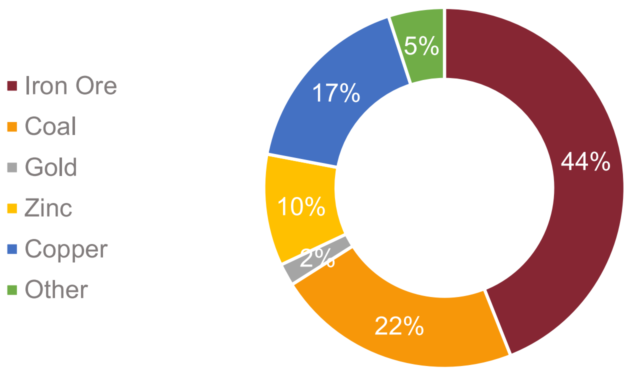
Why we are different

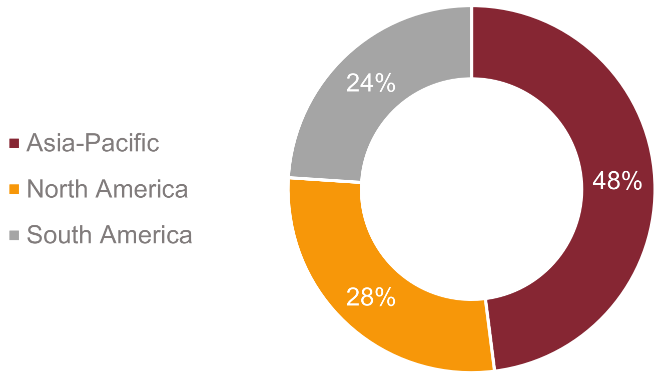
Global Diversification of Operations

Diversified

Revenue throughout key global markets

- Austin is strategically located in the key mining areas of the world that are both accessible and have high product demand.
- Most mines in the world transport ore from pit to process by truck. This drives demand for bodies and buckets.
- Austin sells products to many of the world's tier one miners and below, reducing customer commodity or market concentration.
- Austin sees continued strong APAC performance due to high commodity demand across the board.





What are our markets?

Global Mining Truck Tray Market	**~18%** Market share worldwide	• 3rd party data suggests world market for 100 tonne+ trucks is circa 20,000 in total. Austin estimates over 3,000 replacement truck bodies and 500 buckets are required p.a. • Austin is the world brand leader but with a market share estimated at circa 18% indicating growth opportunity for innovative new products that reduce mining costs and increase efficiency. • Australia followed by North America are the two biggest truck body markets in the world and home to Austin's two biggest facilities.
Australian Mining Truck Tray Market	**23%** Market share in Australia	• Australia is the single biggest market for truck trays in the world based on truck fleet size and replacement practices. • WA is the biggest truck body market in Australia (46%) followed by Qld (29%) and NSW (21%). • Australian market is characterised by highly demanding customers focused on efficiency and total cost of ownership requiring sophisticated suppliers. • (as a result) Equipment replacement cycles are generally shorter in Australia leading to higher equipment replacement.
Global Commodity Market Tailwinds	**74%** Revenue exposed to hard rock mining	• Austin delivers mining equipment across the spectrum of products but primarily in hard rock where high equipment wear is a feature. Key materials are led by iron ore in Western Australia but including coal in USA and Australia, oil sands in Western Canada, copper, nickel, zinc, lithium and others. • Recovering demand across the industry has led to strong mineral prices in almost all sectors driving miners to focus on maximising output. • Key Austin 'home' markets in USA and Chile are exhibiting strong post COVID-19 recovery accompanied by increased expenditure on new equipment and repairs. • Australia, the single largest market in the world for truck bodies, remains strong in almost all sectors.

H1 FY2022 Highlights

Revenue
$80.1m
Down 7% from $85.8m in PCP

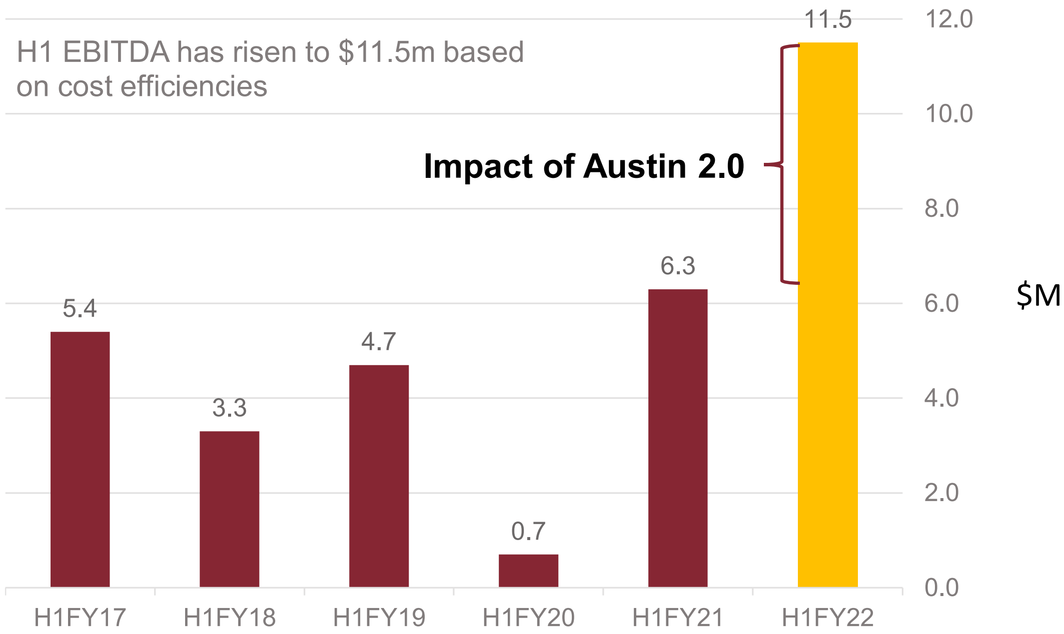
Net debt
$19.8m
Excl. $15.0m of lease liabilities

EBITDA*
$11.5m
Up 76% from $6.5m in PCP

Dividends
0.2 cps
H1 2022 declared

NPAT*
$6.7m
Up 202% from $2.2m in PCP

EPS
$1.16c
Up 205% vs PCP



***Statutory basis – Continuing operations**
PCP has been restated for discontinued operations

Note: Prior years' EBITDA numbers are normalised, H1 FY 2022 on a statutory basis

Highlights

Current period earnings	• Total revenue from continuing operations of $80.1 million versus $85.8 million in prior corresponding period. Reduction primarily due to elimination of unprofitable activity in APAC • EBITDA from continuing operations of minimum $11.5 million vs $6.5 million in pcp (statutory) exceeding initial guidance by 15% • NPAT from continuing operations of $6.7 million which was 202% higher than the pcp ($2.2 million) • Operating cashflow was negative $5.1 million due to working capital increases leading into H2. Expected to regularise over the next 6 months
Capital Management	• Refinanced global facilities in August 2021 with HSBC with a two-year $35 million revolving working capital line • Fully franked FY 2021 dividend of 0.3 cps, paid in September 2021 Interim dividend of 0.2 cps declared for H1 FY2022 • Franking credits balance of $23.6 million (net of FY22 interim dividend declared) • Assets held for sale in South America and Australia worth circa $11.4 million with 2 major properties in South America where one sale completed during February 2022 and the other sale due to complete in the current half (see slide 17)
Business optimisation	• Strategic review completed in July 2021, Austin 2.0 initiatives identified currently being implemented • By end H1 FY22, cost reduction largely complete reducing overheads by circa $11 million p.a. • Advanced manufacturing in Australia nearing initial implementation with completion expected in 2022 • Next generation ULTIMA 2.0 truck tray nearing formal launch • High Performance bucket family launched • Enhanced logistics body designs completed & sold to 3 customers

Financial Results

Gareth Jones, Chief Financial Officer

Financial Performance: Statutory (Continuing Operations)

12 months ending		H1 2022	H1 2021	2021 to 2022 % Change
Revenue	$M	**80.1**	**85.8**	**(7)%**
EBITDA	$M	**11.5**	**6.5**	**76%**
EBITDA margin	%	*14.3%*	*7.6%*	*89%*
Depreciation and amortisation	$M	**(2.7)**	**(3.0)**	**(10)%**
EBIT	$M	**8.7**	**3.5**	**150%**
EBIT margin	%	*10.9%*	*4.1%*	*168%*
Net interest expense	$M	**(0.3)**	**(1.1)**	**(77)%**
PBT	$M	**8.5**	**2.4**	**260%**
Tax Expense	$M	**(1.7)**	**(0.1)**	**(1,256)%**
NPAT	$M	**6.7**	**2.2**	**202%**
EPS (cents)	C	**1.16**	**0.38**	**205%**
DPS (cents)	C	**1.15**	**0.38**	**203%**

H1 FY2021 has been restated for discontinued operations

- Revenue down $5.7 million primarily due to elimination of unprofitable activity in APAC
- Cost efficiency measures have reduced the operating cost base of the business which has led to increased EBITDA
- D&A reduction due primarily to assets now held for sale and therefore not depreciated
- Effective tax rate across the Group is 21%. Actual tax paid in the period is $1.5 million

Cash Flow

$M	Fiscal year ending H1 2022	H1 2021
Cash flows from operating activities		
NPAT	5.8	1.1
Add:		
• Depreciation and amortisation	2.7	3.5
• Movement in working capital	(13.0)	(9.7)
• Tax payments (net)	(1.5)	(0.7)
• Other movements	0.9	(1.0)
Cash from operating activities	**(5.1)**	**(6.8)**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	0.9	0.8
Purchase of property, plant and equipment and intangibles	(2.8)	(3.4)
Cash from investing activities	**(1.9)**	**(2.6)**
Cash flows from financing activities		
Net inflow / (outflow) from borrowings	9.7	6.5
Dividends paid	(1.6)	(2.9)
Cash (used in) financing	**8.1**	**3.6**
Net cash flows	**1.1**	**(5.8)**

- Operating cash flows for the period were impacted by working capital movements related to:
  - Higher work-in-progress to support increasing H2 revenue of $7.8 million
  - Additional steel purchases in advance to limit supply risks of $2.0 million
  - Restructuring cash cost of $1.6 million to reduce operating costs across all sites
- Capex of $2.6m to fund the Advanced Manufacturing investment in Australia, the start-up of the new facility in Canada and general capital costs
- Dividends totalling $1.6 million were paid in the period comprising the FY21 Final Dividend of 0.3 cps

Cash flows reflect continuing and discontinued operations, as such certain amounts will not reconcile to performance statements above, which are shown on a continuing basis

Balance Sheet and Other Items

Increase in Net Debt to support working capital

- Net debt increased $9.1 million to $19.8 million, primarily to support working capital requirements, capex and restructure costs in support of the Austin 2.0 strategy
- Net debt of $19.8 million excludes $15.0 million of lease liabilities relating to long-term property rentals
- Net debt : EBITDA remains <1 times at 0.17x

$M	H1 FY 2022	FY 2021
Total Assets	184.5	177.3
Total Shareholders Funds	91.8	90.8
Net Debt	19.8	10.7
Net Debt to Net Debt plus Equity	17.7%	10.5%
Net Debt : Normalised EBITDA (last 12 months)	0.17	0.50

Inventory

- Inventory is the significant use of working capital with a movement of $9.8 million due to increasing work-in-progress to support higher activity in H2 and investment in additional steel stocks to protect from supply chain risks. This is broken down as follows:

$M	H1 FY 2022	FY 2021
Work-in-progress	17.0	9.2
Raw materials	21.5	19.5
Finished goods	0.2	0.2
Total inventory	**38.7**	**28.9**

Interim Dividend determined of 0.2 cps

- Interim Dividend held at 0.2 cps, Record date 15 March 2022, payable on 6 April 2022
- Franking account following payment of dividend of $23.6 million

Sector Analysis

Asia-Pacific		H1 2022	H1 2021
Revenue (continuing operations)	$M	43.6	60.5
EBITDA (statutory)	$M	6.2	9.5
EBITDA margin	%	*14.3%*	*15.8%*

North America		H1 2022	H1 2021
Revenue (continuing operations)	$M	23.8	12.0
EBITDA (statutory)	$M	1.7	(2.1)
EBITDA margin	%	*7.3%*	*(17.1)%*

South America		H1 2022	H1 2021
Revenue	$M	12.7	13.3
EBITDA (statutory)	$M	3.5	(1.0)
EBITDA margin	%	*27.5%*	*(7.4)%*

West Coast Australia (Perth)

- Positive order intake in H1 indicates a stronger second half revenue in both truck trays and buckets. Cost saving measures led to strong EBITDA % margin despite lower revenue compared to the pcp. Investment in product updates has led to improved win rate in the latter part of the half.

Indonesia

- Batam has ended the period with a strong order book compared to the start of the period.
- Batam is the prime low cost manufacturing hub for the Company and therefore supports worldwide sales including to the eastern states of Australia, New Zealand and Africa.

East Coast Australia (Mackay)

- The Mackay business was consolidated into Austbore with low profitability activity being eliminated.

USA

- Strong recovery from the impact of COVID-19 in FY21. Order book and pipeline is strong with several recent contract awards providing high certainty for FY22. Expect continued margin improvement into the second half.
- Austin Canada was formally opened in December 2021 to service the oil sands region. Facility has completed final assembly of 7 truck bodies for local delivery. Facility is in ramp up and will not be fully operational and at capacity for several months.

Chile

- Business covers Chile and southern Peru plus other areas of South America.
- Significant headcount & productivity efficiencies have considerably improved H1 2022 earnings.
- Strong H2 2022 expected underpinned by capital investment to expand capacity.

H1 FY2021 has been restated for discontinued operations

Property Portfolio

Austin owns several properties globally to conduct business and a number have either a sale pending completion or are up for sale.

Carrying Values ($M)	Property, Plant and Equipment	Assets Held for Sale
Property Portfolio		
Casper, Wyoming	10.8	
Batam, Indonesia	5.9	
Antofagasta, Chile	10.5	
Mackay, Australia		3.6
Moranbah, Australia		0.2
Malambo, Colombia		3.1
Calama, Chile		3.3
Lima, Peru (office)		0.7
Total Property Portfolio	**27.2**	**10.9**
Other assets	10.6	0.5
Total	**37.8**	**11.4**

- Two properties in Australia are listed for sale and being actively marketed by local real estate agents
- Three properties in South America are listed for sale:
  - The Colombia facility was placed into care and maintenance in Q1 FY2022, sale completed and proceeds paid (February 2022)
  - The Chile facility was placed into care and maintenance at the end of FY2020 and a sale is pending completion
  - The office in Lima remains in use for the local sales office

Top: Austin USA operation in Casper, Wyoming

Left: Austin Indonesia operation on Batam Island

Right middle: Austin's Chile operation in La Negra, Antofagasta

Bottom right: Austin's Colombian operation in Malambo, Barranquilla

Global Strategy

David Singleton, Chief Executive Officer and Managing Director

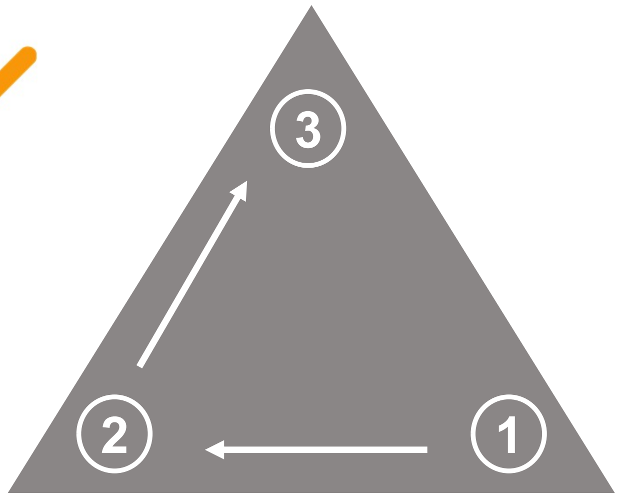
Global Strategy Launched in July 2021

To be a technology-led global leader in mining product manufacture

Phase 2 (FY 2023 impact)

Manufacturing Enhancement

- $6.5 million CAPEX program to introduce Advanced Manufacturing systems to boost output, improve labour efficiency, improve quality
- Initial enhancement program in Perth, followed by Batam
- Expect completion in FY22 with Australia impact in FY23



Phase 3 (FY 2023/4)

Technology and Innovation

- Launching new truck tray in Q3
- Launching new High Performance bucket designs in Q3 2022
- Market strategy detailed later

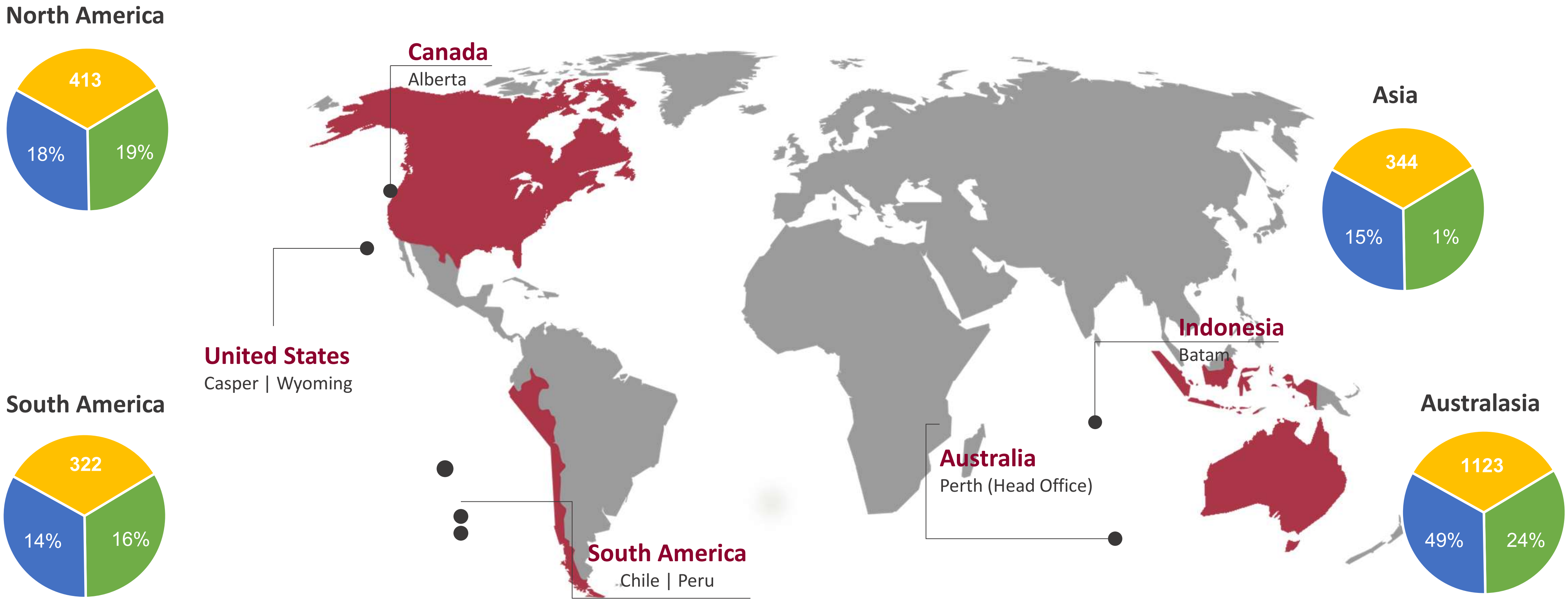
Phase 1 (FY 2022 impact)

Business Consolidation and Efficiency

- Mostly complete by November 2021
- Savings have driven EBITDA % improvement
- Full rate savings in H2

Global Mining Truck Tray Market Opportunity

Austin's addressable 'home markets' represent **~65%** of the world market of which Austin has a less than 18% share.
Analysis indicates good opportunity to grow with clear market facing strategies.



Note: Truck numbers derived from a global database, 'home markets' are defined by Austin related to proximity to main locations.
Austin has estimated replacement cycle in different countries to drive those numbers. All numbers are approximate and indicative only.

- Total addressable home market truck bodies per annum
- % Share of world market
- % Austin share of 'home market'

Global Mining Truck Tray Market Opportunity

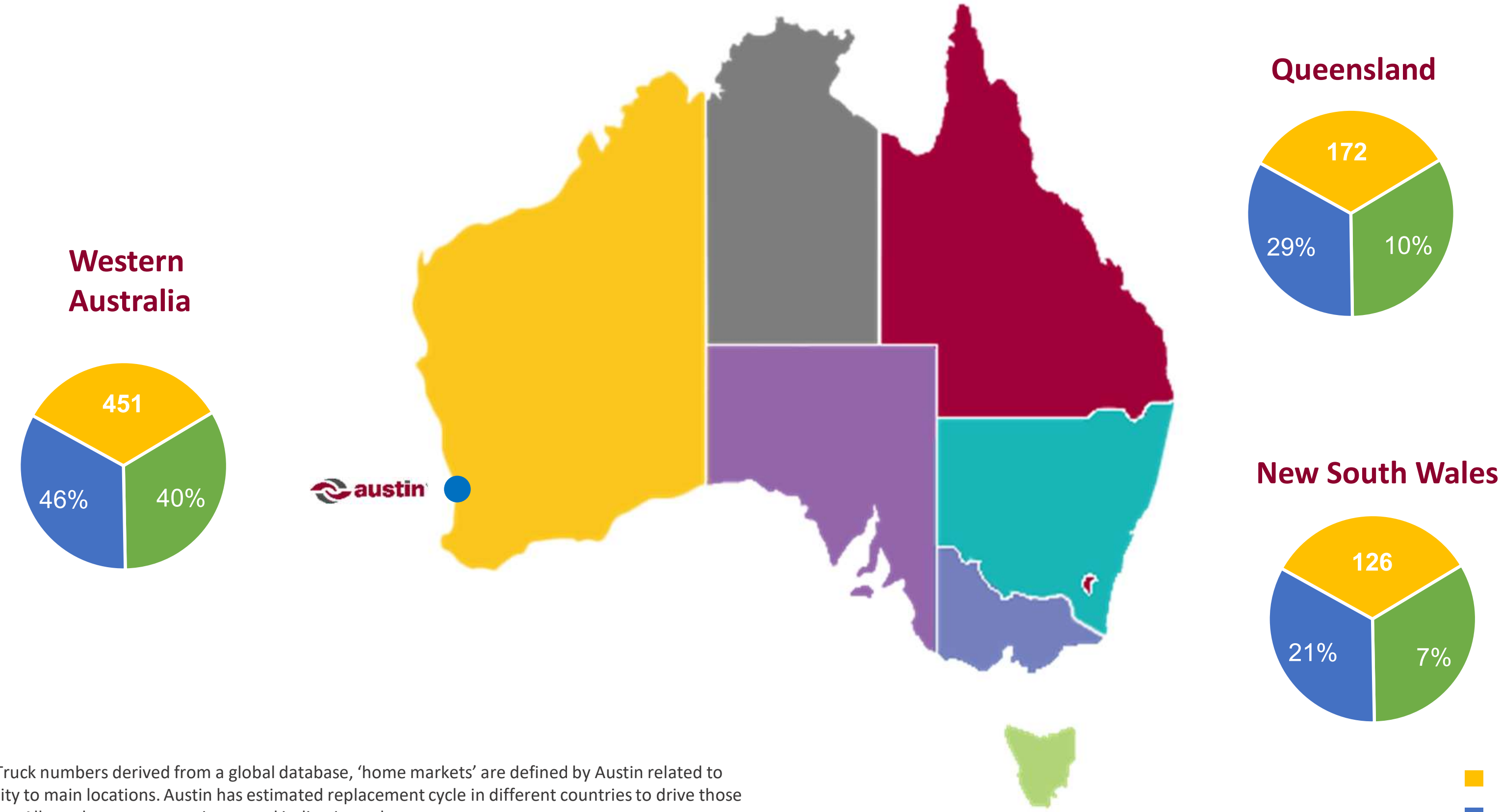
Austin uses small, highly efficient production hubs to service the world using local partners for market access.

Our **USA** business hub is supported by spoke centres in Canada & Mexico

Our **Indonesian** business supports markets in Australia, Africa and central Asia.

Australian Mining Truck Tray Market Opportunity

Australia is the world's biggest market for 100 tonne+ trucks and Austin's market share is 23%.
Austin has completed a significant re-design of its product offering and service delivery aimed at increasing market share.



Note: Truck numbers derived from a global database, 'home markets' are defined by Austin related to proximity to main locations. Austin has estimated replacement cycle in different countries to drive those numbers. All numbers are approximate and indicative only.

- Total addressable home market truck bodies per annum
- % Share of Australian market
- % Austin share of state market

Austin is launching two new product types in 2022

Austin's investment in R&D has led to the impeding launch of two new product ranges optimised for the Australian market. Prelaunch sales have demonstrated market interest and demand.

Next Gen Truck Body

High Performance Buckets Series

Outlook

FY22 Market Guidance

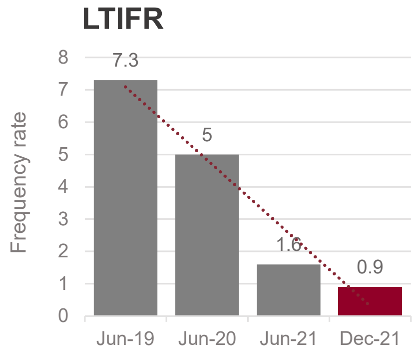
Outlook

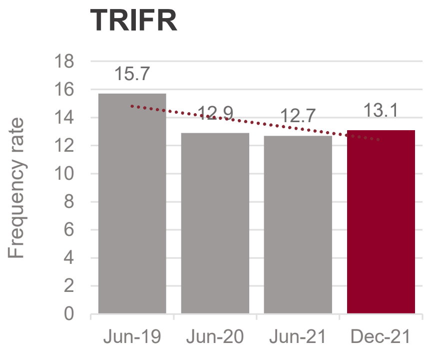
- Full year NPAT is expected to be over $18 million (FY21 $3.3 million statutory)
- Full year EBITDA is expected to be circa $30 million (FY21 $12.7m statutory)
- Current projection is for full year revenue to exceed FY21.
- Order book is up 35% compared to the PCP at December 2021, which supports previous guidance of a strong second half revenue.
- Austin sees continued APAC performance, and turnaround in North America and Chile with both profitable in FY22 (loss in FY21)
- Guidance is made on the following basis;
  - Constant FX rates based on end H1 actuals
  - No significant adverse impacts from COVID-19 especially in Western Australia
  - No significant impacts from input cost volatility noting Austin is generally well placed to manage this.
- FY23 outlook looks strong based on improving business efficiency, broad market recovery, especially in the Americas and new product launches aimed at improving competitiveness.

Sustainability

Safety

Safety statistics





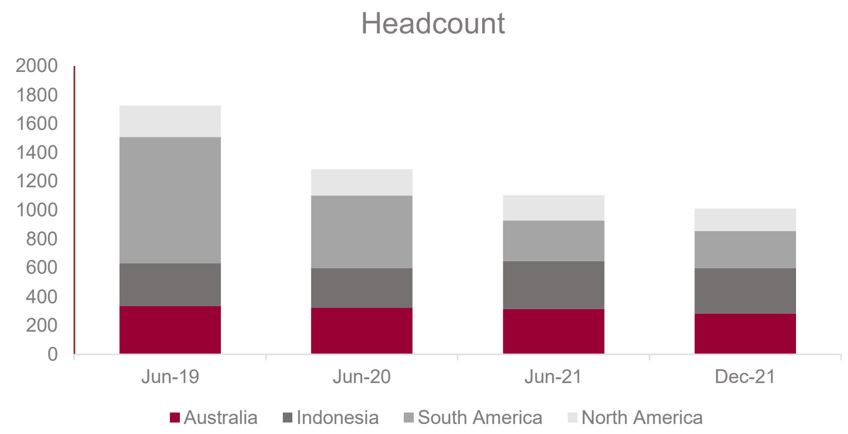
- Lost Time Injury Frequency Rate (LTIFR) further reduced from 1.6 to 0.9 over the half year as a result of the continued proactive focus on safety initiatives.
- Total Reportable Incident Frequency Rate (TRIFR), also reported on a 12 month rolling average, increased slightly from 12.7 to 13.1 in 1H22.

Safety Leadership

- During FY22 Austin maintained and improved the Critical Control Effectiveness Monitoring Program (CCEMP) rolled out in FY21.
- The Group is progressively moving from Golden Rules to employee engaged LIFE Saving Controls supported by LIFE Standards. These LIFE Saving Controls, LIFE Standards and CCEMP are aligned to focus on our greatest risks.
- Fostered SHE leadership at all levels in Austin through engagement and curiosity in how work is done, helping to improve the work safety.
- Provided Safety & Health technical support.
- The outcome of these initiatives has led to continued improvements in safety statistics.

People

Headcount



- Headcount remained stable at 1,012 as at 31 December 2021 from 1,004 at 30 June 2021
  - Increases in Asia-Pacific to meet strong production demand in Indonesia and Perth offsetting a reduction in Queensland from the closure of the Mackay Engineering facilities
  - A reduction in South America, from the cessation of operations in Colombia, Peru, and closure of Chilean crane business
  - North America remain relatively stable
  - Canada will start appearing in future reports with the opening of a new facility in Fort McMurray, Alberta.
- Headcount includes both permanent and flexible staff as well as those on labour hire arrangements.

Growth in Communities

- Of our total global workforce (including labour hire) of 1,012 at 31 December 2021, 80% of the workforce in each of our facilities globally is sourced from local communities.
- Austin's supply chain is heavily linked to local communities, with over 75% of non-steel purchases local sourced from areas we operate within.
- Austin is active in the communities it operates in. Some examples of recent programs include:
  - Sponsorship participation and donations made from all global businesses to local causes
  - Support to local TAFE and colleges in the supply of expertise from staff and materials for courses
  - Our continued association and support in Australia of the Clontarf Foundation

Environment

Through our assessment and management of climate-related risks and opportunities for mitigation at each of our global manufacturing operations we have:

- Implemented technology to reduce scrap steel by improving operational processes.
- Better understand our carbon footprint and ways to improve our offerings to our customers allowing a more sustainable choice of the products we manufacture.
- Designed and engineered lighter truck bodies with an average 2% fuel burn reduction equating to an average carbon dioxide reduction of 48,200kg per truck.
- Increased the level of recycling of by-products beyond scrap steel through in situ scrap deposit bins throughout our workshops.
- Investment in technologies such as energy-saving lighting and modernised welding equipment to reduce energy consumption.
- Substantial investment in modern manufacturing technology that will see a further reduction in waste and energy in our future.

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"Design matters"

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