Austin Engineering Limited

FY2021 Results Presentation

25 August 2021

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FY 2021 Key Facts

$203.1M
Revenue

$135.3M
Truck body revenue

10
Locations across six continents, including partners

4
Manufacturing sites across four continents

$90.0M
Order book and committed work (30 June 2021)

50+ years
Engineering and manufacturing mining equipment

1,104
Employees and contractors

Key financials

		Year-on Year change	
Revenue	$203.1 m	6%	↓
EBITDA	$21.4 m	8%	↓
UNDERLYING NPAT	$9.6 m	1%	↑
Final Dividend	0.3 cps	0%	→
Order book and committed work	$90.0 m	2%	↓

Financial Results

Sam Cruickshank, Chief Financial Officer

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Financial Performance: Normalised

12 months ending		30 June 2021	30 June 2020	2020 to 2021 % Change
Revenue	$M	**203.1**	**216.0**	**(6)%**
Gross profit	$M	**55.4**	**56.8**	**(2)%**
Gross margin	%	*27.3%*	*26.3%*	**4%**
EBITDA	$M	**21.4**	**23.3**	**(8)%**
EBITDA margin	%	*10.5%*	*10.8%*	**(2)%**
Depreciation and amortisation	$M	**(6.0)**	**(6.5)**	**(8)%**
EBIT	$M	**15.4**	**16.8**	**(8)%**
EBIT margin	%	*7.6%*	*7.8%*	**(3)%**
Net interest expense	$M	**(1.7)**	**(3.3)**	**(48)%**
PBT	$M	**13.7**	**13.5**	**1%**
Tax Expense	$M	**(4.1)**	**(4.1)**	**1%**
NPAT	$M	**9.6**	**9.5**	**1%**
EPS (cents)	C	**1.66**	**1.64**	**1%**
DPS (cents)	C	**0.50**	**0.50**	**-**

- Underlying NPAT of $9.6 million, exceeding stated guidance
- Revenue reduction led to decreased EBITDA
- Lower depreciation, amortisation and financing costs led to improved NPAT

Results reflect continuing operations, variance compares FY21 with FY20. Certain numbers may not add down due to rounding.

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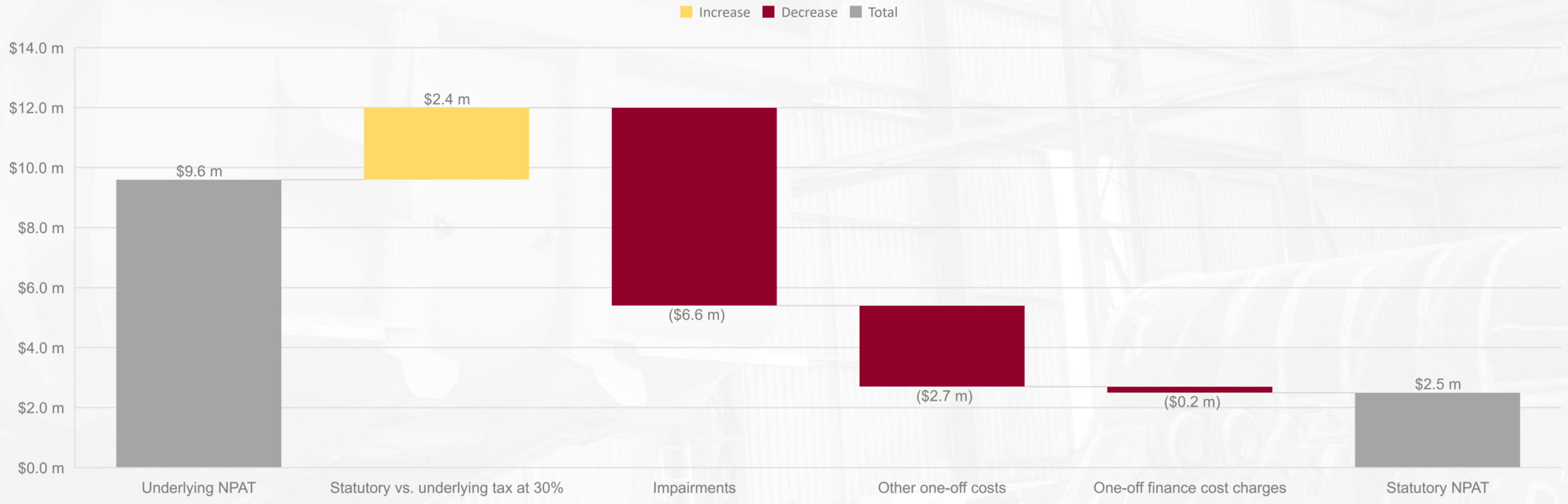
Financial Performance: Reconciliation Underlying to Statutory NPAT

Underlying NPAT provides a more accurate picture of Austin's profitability from its operations going forward. The relevant comparative result in FY20 equated to $9.5 million.



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Cash Flow

$M	Fiscal year ending 30 June 2021	30 June 2020
Cash flows from operating activities		
NPAT	(0.5)	5.2
Add:		
• Depreciation and amortisation	6.6	7.9
• Impairments	7.9	0.1
• Movement in working capital	(14.1)	16.3
• Other movements	(8.1)	(3.0)
Cash from operating activities	**(8.3)**	**24.1**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1.1	7.5
Purchase of property, plant and equipment and intangibles	(5.9)	(4.4)
Cash from investing activities	**(4.8)**	**3.0**
Cash flows from financing activities		
Net inflow / (outflow) from borrowings	8.1	(15.5)
Dividends paid	(4.0)	-
Cash (used in) financing	**4.1**	**(15.5)**
Net cash flows	**(9.1)**	**11.7**

- Operating cash flows impacted by:
  - Working capital normalised from low level in pcp. driven by increased receivables, and decreased revenues received in advance
  - Outbound customer product financing, investment in long-term contracts, providing customers with flexible payment arrangements
- Dividends totalling $4.0 million including:
  - Deferred 1H20 Interim Dividend of 0.2cps
  - FY20 Final Dividend of 0.3cps
  - 1H21 Interim Dividend of 0.2cps
- Cash drawn from financing facilities supported operations and investing activities

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

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Sector Analysis

Asia-Pacific		30 June 2021	30 June 2020
Revenue (continuing operations)	$M	138.3	116.7
EBITDA (normalised)	$M	24.5	14.0
EBITDA margin	%	*17.7%*	*12.0%*

North America		30 June 2021	30 June 2020
Revenue (continuing operations)	$M	35.7	66.4
EBITDA (normalised)	$M	(1.3)	6.9
EBITDA margin	%	*(3.6)%*	*10.4%*

South America		30 June 2021	30 June 2020
Revenue	$M	29.1	32.8
EBITDA (normalised)	$M	(1.9)	2.5
EBITDA margin	%	*(6.5%)*	*7.6%*

Perth

- Strong earnings performance across both halves of the fiscal year

Indonesia

- Continued high workshop utilisation at Batam delivered strong earnings, revenues from local market, Australia and Africa

East Coast

- Consolidation of Mackay businesses
- Austin supports new product into the Mackay and Hunter Valley regions from its Indonesia facility.

USA

- Revenue for the period down significantly from pcp, reduced capital expenditure from clients due to oil price reductions, COVID and election uncertainties
- These impacts were more prevalent in 1H21, with $12 million in revenue during that half
- High fixed cost base impacted results on low revenues.

Chile

- Political and COVID factors led to delays in the award of a number of major tenders
- Earnings were impacted by $1.1 million in foreign currency losses due to the movement of the US Dollar against the Chilean Peso

Peru

- Sales office with products builds at the Chilean facility or through local subcontractors

Colombia

- Austin's operations in Colombia ceased in 2H21.

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Global Strategy

David Singleton, Chief Executive Officer and Managing Director

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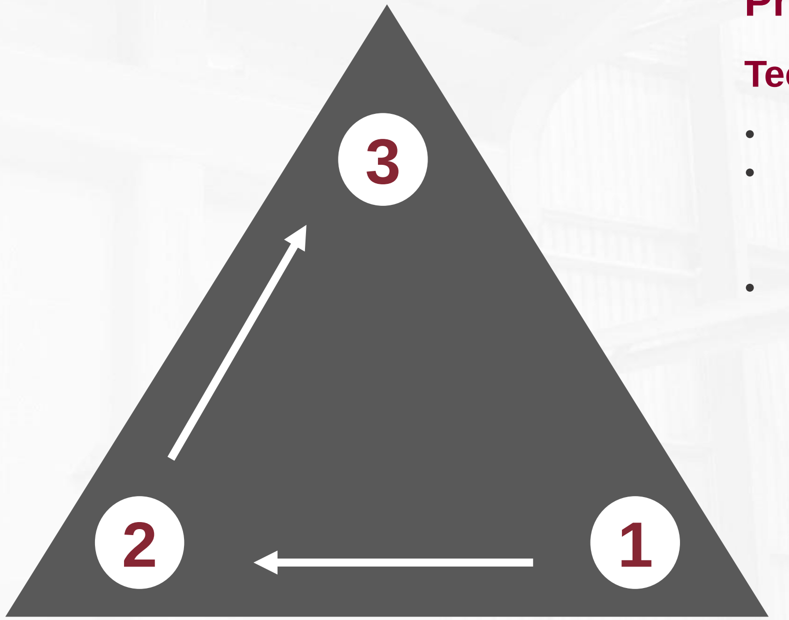
Global Strategy

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



Phase 3 (FY 2023/4)

Technology and Innovation

- Austin innovation and technology group formed
- Technology investment to produce mining equipment to improve operational efficiency, reduce site manning and reduce environmental impact
- Extend range of mining products

Phase 2 (FY 2023 impact)

Advanced Manufacturing

- $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
- Improving US access to customers through new logistics solutions
- Canada base start-up, lease signed

Phase 1 (FY 2022 impact)

Business Consolidation and Efficiency

- Strategic review completed and now being implemented
- HQ moved to Perth
- Closer to clients, already driving incremental new product sales
- Staff base and costs reduced
- Mackay businesses consolidated
- Renewed financing arrangements, $35 million refinance with HSBC

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Outlook

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Outlook

Short term

- Cost base optimisation approaching 85% complete
- Market remains strong in Asia Pacific
- Signs of improvement in North and South American markets
- Sales partnerships and new market development continues.

Medium term

- $6.5 million investment in advanced manufacturing will reduce costs from FY 2023 onwards in Asia Pacific
- $10 million of property held for sale
- New Technology and Innovation group driven by changing needs of mining industry customers on productivity, reducing site manning and decarbonisation
- Mining product offering to be expanded.

Guidance

- Austin does not expect to give full year profit guidance until later in the year
- Awaiting impact of cost saving measures and clarity on full year order book
- Note that market remains strong in Asia Pacific and signs of improvement in the Americas.

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Appendices

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1. Financial Results

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Financial Performance: Statutory

12 months ending		30 June 2021	30 June 2020	2020 to 2021 % Change
Revenue	$M	203.1	216.0	(6)%
Gross profit	$M	55.4	56.8	(2)%
Gross margin	%	*27.3%*	*26.3%*	4%
Indirect costs	$M	(34.0)	(33.5)	1%
Impairments	$M	(6.6)	-	↑
One-off costs	$M	(2.7)	(0.2)	1,250%
EBITDA	$M	12.1	23.1	(48)%
EBITDA margin	%	6.0%	10.7%	(44)%
Depreciation and amortisation	$M	(6.0)	(6.4)	(6)%
EBIT	$M	6.1	16.7	(63)%
EBIT margin	%	3.0%	7.7%	(61)%
Net interest expense	$M	(1.9)	(3.3)	(42)%
PBT	$M	4.2	13.4	(69)%
Tax Expense	$M	(1.7)	(4.5)	(62)%
NPAT	$M	2.5	8.9	(72)%
EPS (cents)	C	0.43	1.53	(72)%
DPS (cents)	C	0.50	0.50	-

- **$6.6 million impairments included:**
  - $3.9 million goodwill impairments for Mackay businesses consolidation
  - $1.9 million inventory impairments for re-measurement of raw materials and finished goods on hand values
  - $0.8 million plant and equipment and software impairments
- **$2.7 million in other one-off costs:**
  - $1.9 million restructuring and redundancy costs
  - $0.9 million for Brisbane office closure and strategic review

Results reflect continuing operations, variance compares FY21 with FY20.

Certain numbers may not add down due to rounding.

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Balance Sheet and Other Items

Increase in Net Debt to support working capital

- Net debt increased to $10.7 million, primarily to support working capital requirements from increasing activity in Asia-Pacific, together with extending further financed product to customers
- Net debt of $10.7 million excludes $8.3 million of lease liabilities relating to long-term property rentals
- Net debt : Normalised EBITDA remains <1 times at 0.50x

$M	FY21	FY20
Total Assets	177.3	180.4
Total Shareholders Funds	90.8	98.5
Net Debt	10.7	(8.0)
Net Debt to Net Debt plus Equity	10.5%	(8.8%)
Net Debt : Normalised EBITDA (last 12 months)	0.50	(0.34)

- New financing arrangements in place with HSBC signed on 23 August 2021
  - Two-year term
  - Multi-option working capital facility
  - Reduced cost of financing to current facilities in place in Australia and Chile
  - Replaces all existing loan funding across the group

Final Dividend determined of 0.3 cps

- Final Dividend held at 0.3 cps, payable on 30 September 2021, Record date 10 September 2021
- Franking account following payment of dividend of $24.1 million

Tax Losses

Future cash outflows on tax will continue to be modest due to:

- Tax losses in Australia of $3.3 million (30 June 2020: $5.6 million) for use in future periods
- Significant unrecognised tax losses in South America for use in future periods

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Property Portfolio

Austin owns several properties globally to conduct business. Three are currently marketed for sale in South America following recent business restructures in this region

Carrying Values ($M)	Property, Plant and Equipment	Assets Held for Sale
Property Portfolio		
Casper, Wyoming	10.5	
Batam, Indonesia	5.8	
Mackay, Australia	3.2	
Antofagasta, Chile	12.1	
Calama, Chile		3.7
Malambo, Colombia		3.2
Lima, Peru (office)		0.7
Total Property Portfolio	**31.6**	**7.6**
Other assets	8.8	0.7
Total	**40.4**	**8.3**

- The three properties in South America are listed for sale. Commercial and industrial property markets have been impacted by COVID-19 and, as such, a sale of these properties has taken longer than expected.
  - The office in Lima remains in use for the local sales office
  - The Calama facility was placed into care and maintenance at the end of FY2020
  - The Colombia facility will close in Q1 FY2022 with asset sales close to complete
  - The Mackay facility was placed on the market in July 2021, taking total property for sale to a carrying value of $10.8 million
  - Sales expected to realise values at least at carrying values.

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

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2. Sustainability

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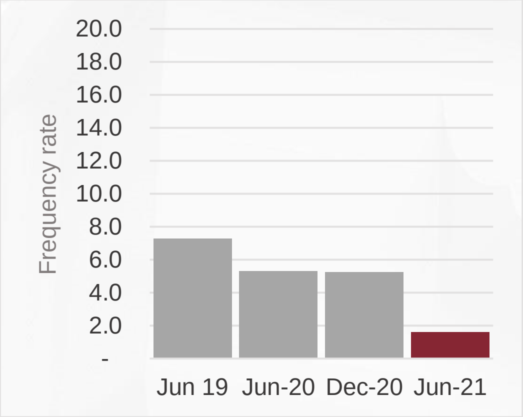
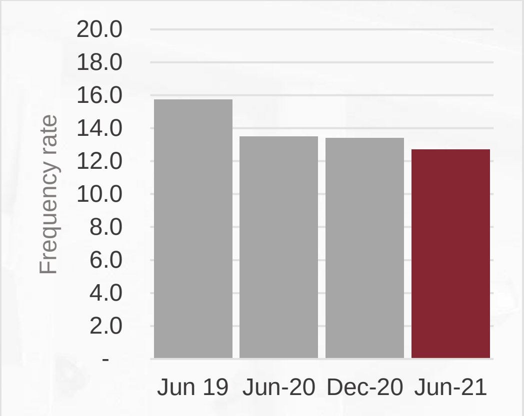
Safety

Safety statistics

LTIFR



TRIFR



- Lost Time Injury Frequency Rate (LTIFR) reduced by 70% from 5.3 to 1.6 over the year as a result of a proactive focus on safety initiatives.
- Total Reportable Incident Frequency Rate (TRIFR), also reported on a 12 month rolling average, decreased slightly from 13.5 to 12.7 year on year in the period to 30 June 2021.

Safety Leadership

- During FY21 Austin rolled out the Critical Control Effectiveness Monitoring Program (CCEMP) globally across all business units
- Group Critical Risk 'fact sheets' were completed and distributed for implementation
- Provided Health & Safety technical support.
- Fostered H&S leadership at all levels in Austin by enhancing process safety through standardisation of business and operational processes.
- The outcome of these initiatives has led to marked improvements in safety statistics.

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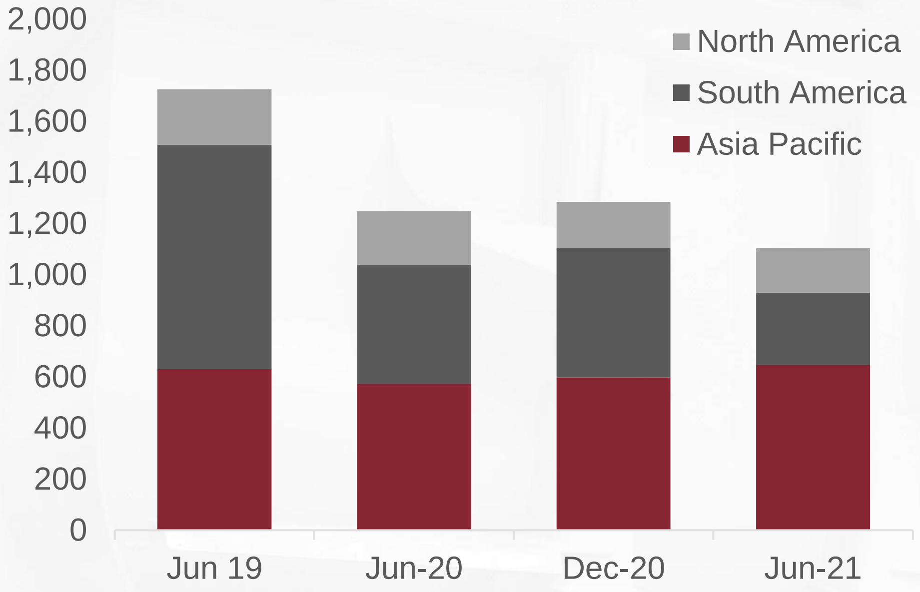
People

Headcount



- Headcount fell to 1,104 at 1 July 2021 from 1,248 at 1 July 2020
  - Increases in Asia-Pacific to meet strong production demand in Indonesia and Perth
  - A reduction in South America, from the cessation of operations in Colombia and closure of Chile crane business
  - A reduction in North America due to challenging market conditions
- 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 1,104 at 1 July 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

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Environment

Using the Austin Environmental Policy, we have begun to formulate guidelines for the assessment and management of climate-related risks and opportunities for mitigation at each of our global manufacturing operations.

- Implemented technology to reduce scrap steel by improving operational processes.
- 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 energy saving technologies such as energy saving lighting and modernised welding equipment.

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