

ASX ANNOUNCEMENT (ASX Code: ANG)

17 April 2019

Market Update

Austin Engineering Limited (“Austin”) is pleased to announce the sale process for its Chilean crane assets is substantially complete and provides an update to its FY2019 earnings guidance.

Asset Sales

Chile crane assets sale progress

At 31 December 2018, Austin held \$12.5 million of Chilean crane and other assets for sale.

On 21 February 2019, Austin announced the sale of 13 cranes for \$7.3 million, and has since accepted offers for its remaining cranes from a number of different local buyers for \$4.9 million.

A summary of sale outcomes is shown below:

\$M	Book Value	Realised Value	Gain / (Loss)
Sale to Equipos y Servicios Trex SpA announced on 21 February 2019	6.8	7.3	0.5
Sales announced today*	4.8	4.9	0.1
Crane assets sold	11.6	12.2	0.6
Remaining assets for sale	0.3		
Assets retained in the business and foreign exchange differences	0.6		
Total	12.5		

* sales announced today were to different local companies in Chile, there no single material transactions for disclosure of counterparty details.

The Chile crane operating property sale is expected to settle in early May 2019 for \$3.0 million, a gain of \$1.1 million on book value.

Hunter Valley property

Austin’s former operating facility in NSW was held for sale at 31 December 2018.

A lease agreement has been entered into for the majority of this facility with DK Heavy Plant Services Pty Limited for a 5 year term with a subsequent 5 year option at \$0.3 million per annum net rent.

Austin has commenced a marketing campaign for the sale of this property via auction in May 2019, at which it expects to realise a sum in excess of the property’s carrying value of \$1.6 million.

FY19 Guidance

Following review of its unaudited management accounts for the financial year to date, current production schedules and the pipeline of qualified opportunities for completion during the current financial year, Austin expects its Normalised EBITDA from continuing operations for FY2019 will be between \$21 million and \$23 million (previously \$25 million - \$28 million).

The key contributing factors to the revised guidance include:

- deferral by clients of a number of projects, previously expected to be fulfilled in the current financial year, to FY2020 for operational and budgetary reasons;
- delays in the award of certain other projects with the result that they are now at risk of not being delivered in FY2019; and
- additional initial training and costs incurred in the deployment of key capital expenditure items, including the robotic welding machine in Perth and new welding technology deployed in the USA facility, impacting Q3 results. This equipment is now operating in line with expectations, delivering the anticipated productivity gains to those businesses.

Austin views the delays that are currently being experienced with new projects as temporary rather than indicative of any longer-term reduction in workload and expected earnings.

Notwithstanding the reduction in Normalised EBITDA guidance, Austin expects its FY2019 Normalised Net Profit After Tax will increase by up to 46% on FY2018 of \$5.4 million, to between \$6.5 million and \$7.9 million.

This expected increase in Normalised NPAT reflects earnings improvements from business restructures following the cessation of the Chile crane business; the exit of a number of unprofitable site based contracts; lower depreciation costs following the sale of assets; and a reduction in interest costs as a result of debt reduction.

Mr Peter Forsyth, Managing Director of Austin, said “Whilst it is disappointing that we will not be able to reach the Normalised EBITDA target we set for the business in August last year, our return to profitability remains firmly on track as is evidenced by the strong uplift we expect to report in our normalised net profit after tax.

Driving improvements in our balance sheet and operational efficiency have been key objectives of our strategy and business activities. Quality conversations with our clients and general macro trends confirm our view that business prospects remain supportive.

In this regard, I am pleased with the progress we are making and excited by the opportunities to grow the business and continue to improve efficiency, both of which will underpin our prospects for further growth in FY2020.”

End

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About Austin Engineering: An Australian based engineering company, headquartered in Brisbane, with operations in Australia, Asia, North and South America. In Australia Austin manufactures, assembles, repairs and maintains (on and off-site) products used in the mining and resources sector. Key product lines include dump truck bodies, water tanks, excavator buckets and materials handling equipment. In Australia and South America specialised field services to the mining industry are provided by Austin's site services divisions. The equipment and service needs of mining and oil and gas-related customers in Asia are delivered through a world class production facility on Batam Island in Indonesia. Austin's facility in the USA is based in Casper, Wyoming and is an industry-leading designer and manufacturer of high-efficiency dump truck bodies and water tanks. It services the North American, Mexican and Canadian mining markets. In South America, Austin has operations located in Chile, Peru and Colombia that manufacture, repair and maintain dump truck bodies and other mining products for their respective markets. For more information visit www.austineng.com.au