Austin Engineering Limited

1H FY2021 Results Presentation

25 February 2021

austin™

Agenda

- Highlights
- Analysis of Financial Results
- Overview by Region
- Safety and People
- Outlook

design matters | austineng.com

austin™

Highlights

Current period earnings	• 1H21 Normalised EBITDA of $6.3 million from continuing operations, a 32% increase from pcp • 1H21 Underlying NPAT of $1.5 million from continuing operations • 1H21 Operating cash outflow of $6.8 million due to changes in working capital, in particular in Asia-Pacific, increasing working capital to support a strong 2H21
Outlook	• **Maintain** guidance position of underlying NPAT from continuing operations for FY21 in excess of $9 million • Recognise that 1H21 has only delivered $1.5 million from a guidance level in excess of $9 million, and have carefully considered current order book for remainder of FY21 – which is at around 90% of the level required to deliver on guidance • Results for 1H21 below initial expectations in North and South America, material improvement expected in 2H21 with orders already received far exceeding revenue generated in North America in 1H21 • Confident of achieving required revenue levels to meet guidance with 90% of required revenue to meet guidance in hand, and well positioned on a number of tenders to reach target revenues • Nature of Austin is large fixed costs (i.e., manufacturing facilities) that do not move markedly with volume – additional incremental revenue above break-even point flows significantly to the bottom line
Capital Management	• Fully franked FY21 interim dividend determined of 0.2cps, payable 5 April 2021, record date 16 March 2021
Business optimisation	• Colombia operations are in the process of closure with operations ceasing in Q3 of FY21 • Assets held for sale of $8.2 million in South America including $7.9 million in property assets

design matters | austineng.com

Analysis of Financial Results

Chief Financial Officer: Sam Cruickshank

design matters | austineng.com

Financial Performance: Normalised (from continuing operations)

Six months ending		31 Dec 2020	30 Jun 2020	31 Dec 2019	Dec to Dec % Change
Revenue	$M	**87.9**	**126.9**	**89.1**	**(1)%**
Gross profit	$M	**24.7**	**34.5**	**22.3**	**11%**
Gross margin	%	*28.1%*	*27.2%*	*25.0%*	**12%**
EBITDA	$M	**6.3**	**18.5**	**4.8**	**32%**
EBITDA margin	%	*7.2%*	*14.6%*	*5.4%*	**33%**
Depreciation and amortisation	$M	(3.1)	(3.1)	(3.4)	**(9)%**
EBIT	$M	**3.2**	**15.4**	**1.4**	**129%**
EBIT margin	%	*3.6%*	*12.1%*	*1.6%*	**132%**
Net interest expense	$M	(1.0)	(1.6)	(1.7)	**(40)%**
PBT	$M	**2.2**	**13.8**	**(0.3)**	↑
Tax Expense	$M	(0.7)	(4.1)	0.1	↑
NPAT	$M	**1.5**	**9.7**	**(0.2)**	↑
EPS (cents)	C	**0.26**	**1.67**	**(0.03)**	↑
DPS (cents)	C	**0.20**	**0.30**	**0.20**	-

- Revenue is in line with pcp for the group overall with mixed results for the regions:
  - Asia Pacific grew revenue 24% to $60.5 million, supported by strong performances in Perth and Indonesia
  - North America revenues declined 58% to $12.0 million due to COVID and political climate impacting on capital demand for new equipment
  - South America revenue grew by 37% to $15.5 million
- EBITDA grew by 32% to $6.3 million from improved efficiencies and the change in geographical revenue mix from pcp
  - Result included an unrealised loss on foreign exchange of a long-term USD denominated receivable of $1.4 million in Chile, compared to a $0.3 million gain in pcp
- Interest costs reduced for the period due to lower average debt levels and include $0.5 million in interest on property leases
- Tax expense for the purposes of underlying net profit after tax is set at 30% of underlying profit before tax

Results reflect continuing operations, variance compares 1H21 with 1H20. Results from continuing operations for 2H20 and 1H20 have been restated due to the planned closure of Austin's Colombia business.

Certain numbers may not add down due to rounding.

design matters I austineng.com

Financial Performance: Statutory (from continuing operations)

Six months ending		31 Dec 2020	30 Jun 2020	31 Dec 2019	Dec to Dec % Change
Revenue	$M	**87.9**	**126.9**	**89.1**	**(1)%**
Gross profit	$M	**24.7**	**34.5**	**22.3**	**11%**
Gross margin (%)	%	*28.1%*	*27.2%*	*25.0%*	**12%**
Indirect costs	$M	(18.4)	(16.6)	(17.5)	**5%**
One-off net gain/(costs)	$M	(0.4)	(0.2)	0.6	**(167)%**
EBITDA	$M	**5.9**	**17.7**	**5.4**	**9%**
EBITDA margin	%	*6.7%*	*13.9%*	*6.1%*	**11%**
Depreciation and amortisation	$M	(3.1)	(3.1)	(3.4)	**(9)%**
EBIT	$M	**2.8**	**14.6**	**2.0**	**40%**
Net interest expense	$M	(1.1)	(1.6)	(1.7)	**(35)%**
PBT	$M	**1.7**	**13.0**	**0.3**	**467%**
Tax (Expense)/Credit	$M	(0.1)	(4.4)	(0.1)	**-**
NPAT	$M	**1.5**	**8.6**	**0.2**	**650%**
EPS (cents)	C	**0.26**	**1.48**	**0.03**	**767%**
DPS (cents)	C	**0.20**	**0.30**	**0.20**	**-**

Results reflect continuing operations, variance compares 1H21 with 1H20. Results from continuing operations for 2H20 and 1H20 have been restated due to the planned closure of Austin's Colombia business.

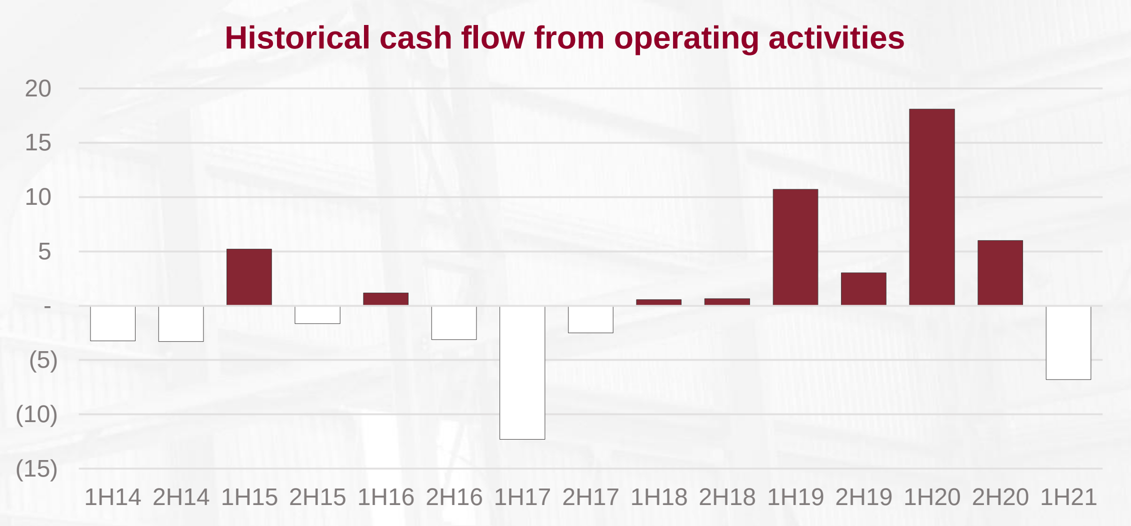
Certain numbers may not add down due to rounding.

- Statutory tax expense for the year of $0.1 million is an effective tax rate of 6% on profit before tax due to:
  - tax credits brought forward from FY2020 in North America following changes in legislation on the deductibility of certain expenses, reducing Austin's tax liability for that year
  - Austin has not recognised a deferred tax asset in respect to the 1H21 loss before tax of $2.2 million in South America

Cash Flow

$M	Six months ending 31 Dec 2020	30 Jun 2020	31 Dec 2019
Cash flows from operating activities			
NPAT	1.1	6.0	(0.8)
Add:			
• Depreciation and amortisation	3.5	3.6	4.3
• Impairments	-	0.0	0.0
• Movement in working capital	(9.7)	0.8	15.9
• Other movements	(1.7)	(4.4)	(1.3)
Cash from operating activities	**(6.8)**	**6.0**	**18.1**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	0.8	4.1	3.3
Purchase of property, plant and equipment and intangibles	(3.4)	(2.2)	(2.3)
Cash from investing activities	**(2.6)**	**1.9**	**1.1**
Cash flows from financing activities			
Net inflow / (outflow) from borrowings	6.5	2.1	(17.6)
Dividends paid	(2.9)	-	-
Cash (used in) financing	**3.6**	**2.1**	**(17.6)**
Net cash flows	**(5.8)**	**10.0**	**1.6**

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



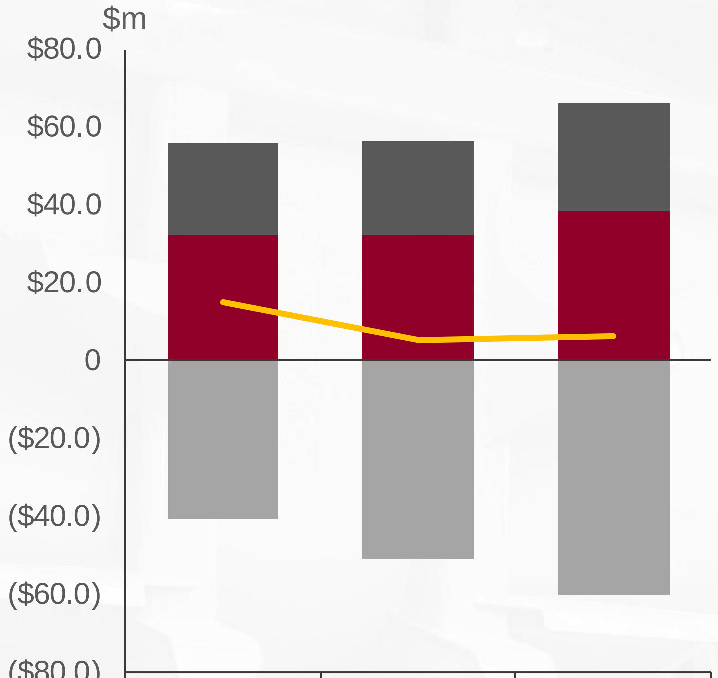
- Operating cash flows for the period were impacted by earnings and a build up of working capital as explained over the page
- Capital purchases for the period include $0.7 million in development costs for the implementation of a global ERP system
- Dividends totalling $2.9 million were paid in the period comprising of the deferred 1H20 Interim Dividend of 0.2cps and the FY20 Final Dividend of 0.3cps
- Increased borrowings were principally drawn from the new Export Finance Australia credit line

design matters I austineng.com

austin™

Working Capital

	As at 31 Dec 2020	As at 30 Jun 2020	As at 31 Dec 2019



	31 Dec 20	30 Jun 20	31 Dec 19
Receivables	23.5	24.5	27.9
Inventory	32.3	32.0	38.5
Payables	(40.7)	(51.1)	(60.2)
Net working capital	15.1	5.4	6.2

Working capital increased to $15.1 million mainly due to a large decrease in trade payables. Working capital movements for the group were:

- $8.9 million increase in Asia-Pacific mainly due to increases in receivables and work in progress on works completing in December 2020 and January 2021 respectively
- $2.7 million decrease in North America due to reduced operations in this region
- $3.6 million increase in South America due mainly to a significant decrease in trade payables as a result of timing differences, and new legislation in Chile concerning the timeframes of payment to certain suppliers

Contract liabilities (prepayments from customers) decreased by $3.0 million to $11.7 million with a number of orders received during the period for delivery in 2H21 and FY2022.

design matters I austineng.com

Balance Sheet and Other Items

Increase in Net Debt to support working capital

- Net debt increased by $12.6 million to $15.4 million mainly to support working capital requirements, which have risen on increased activity in Asia-Pacific
- Net debt of $15.4 million includes $11.5 million of lease liabilities, mainly relating to long-term property rentals
- Net debt : EBITDA remains <1 times at 0.62x

$M	1H21	FY20
Total Assets	169.3	180.4
Total Shareholders Funds	93.1	98.5
Net Debt	15.4	2.8
Net Debt to Net Debt plus Equity	14.2%	2.8%
Net Debt : Normalised EBITDA (last 12 months)	0.62	0.12

Interim Dividend determined of 0.2cps

- Interim Dividend held at 0.2cps, payable on 5 April 2021, Record date 16 March 2021
- Franking account at $24.9 million following payment of the FY21 Interim Dividend, sufficient franking reserves for $58.1 million of franked dividends

Tax Losses

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

- Tax losses in Australia of $5.1 million (30 June 2020: $5.6 million) for use in future periods
- Significant unrecognised tax losses in South America for use in future periods

design matters I austineng.com

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	10.3	
Batam, Indonesia	6.0	
Mackay, Australia	4.5	
Antofagasta, Chile	12.3	
Calama, Chile		3.7
Malambo, Colombia		3.4
Lima, Peru (office)		0.8
Total Property Portfolio	**33.1**	**7.9**
Other assets	9.1	0.3
Total	**42.2**	**8.2**

- 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 may not be imminent
  - 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 the third quarter of FY2021

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

design matters | austineng.com

austin™

Overview by Region

Managing Director: Peter Forsyth

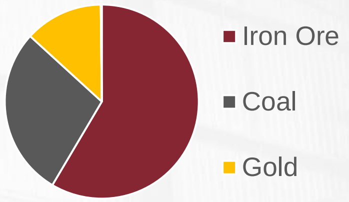
design matters | austineng.com

1H21 Asia-Pacific

Asia-Pacific

Brisbane
Perth
Indonesia
Mackay
Hunter Valley

Six months ending		31 Dec 2020	30 Jun 2020	31 Dec 2019
Revenue	$M	60.5	67.7	49.0
EBITDA (normalised)	$M	9.5	9.4	4.6
EBITDA margin	%	*15.7%*	*13.9%*	*9.4%*



Perth

- Perth delivered a strong earnings performance for the first half of the year, supported by orders in hand at the start of the year. Further orders have been received, which will support continued high utilisation of this facility for the balance of the financial year

Indonesia

- Indonesia performed well with workshop utilisation high throughout the period, delivering product into the East Coast of Australia, domestically within Indonesia and into Africa

East Coast

- Austin's repair facility in Mackay showed an improved performance from pcp with workloads increasing and supported new product deliveries from Indonesia
- The Aust Bore machining shop in Mackay also improved its EBITDA contribution to the group compared to pcp
- Austin continues to support the Hunter Valley, New South Wales region from its Indonesia facility

design matters I austineng.com

austin™

2H21 Trading: Asia Pacific

Trading Landscape

- The Perth business is expected to remain strong for the remainder of the financial year with orders and strong pipelines continuing into FY2022
- Indonesia has secured orders to support a strong second half of the year with a number of pipeline opportunities to supplement existing orders and support FY2022. Further growth in the Africa market is anticipated
- There are a number of pipeline opportunities on the East Coast of Australia for new product

Growth

- Sales partnerships recently formed with local operators in Africa and Europe are driving improved tendering activity in these regions which are expected to support Indonesia's business

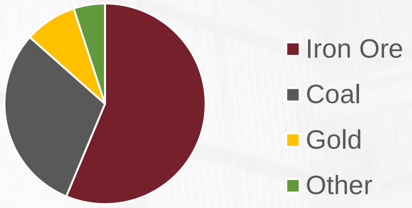
design matters I austineng.com

1H21 North America

North America

USA

Six months ending		31 Dec 2020	30 Jun 2020	31 Dec 2019
Revenue	$M	12.0	37.7	28.8
EBITDA (normalised)	$M	(1.7)	7.2	(0.3)
EBITDA margin	%	*(14.2%)*	*19.1%*	*(1.0%)*



USA

- Revenue for the period down significantly from pcp due to reduced capital expenditure from clients across the majority of sectors due to oil price reductions, COVID and election uncertainties
- The Canadian Oil Sands region was particularly slow due to capital spending reductions from these producers in a low oil price environment
- Activity in the Powder River Basin which is the adjacent coal region to Austin’s Casper workshop continues to reduce, coal sales for the period were predominantly to Met Coal mines in Canada
- Due to the remote location and size of the USA operation, this business carries a greater proportion of fixed labour costs which impacts profitability during low revenue periods
- Earnings in 2H20 included a $3.2 million contribution in USA Federal government support

design matters I austineng.com

austin™

2H21 Trading: North America

Trading Landscape

- Orders received in January and February 2021 for delivery prior to 30 June 2021 exceeding the first half revenue level, a material earnings improvement expected
- A new body design (Austin Premier) has re-engineered the popular Westech body to a lighter weight version, this new design has increased enquiry levels
- Economy is still uncertain with significant COVID impacts to the USA and caution on the impact to the mining industry of the new government

Growth

- The majority of new product opportunities continue to be originated in Canada and the Nevada / Arizona / Utah regions
- Austin expects these areas to be strong for the foreseeable future and will evaluate its North American footprint to support these regions

1H21 South America

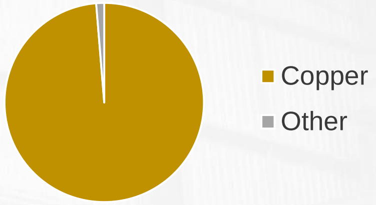
South America

Chile

Peru

Colombia

Six months ending		31 Dec 2020	30 Jun 2020	31 Dec 2019
Revenue	$M	15.5	21.5	11.3
EBITDA (normalised)	$M	(1.4)	2.0	0.5
EBITDA margin	%	*(9.0%)*	*9.3%*	*4.4%*



Chile

- Revenues were higher in Chile than pcp, however reduced from 2H20
- Austin anticipated a number of tenders to be awarded during 1H21 and positioned itself with required workshop capacity, unfortunately a number of tender processes were delayed or withdrawn, increased cost bases in rented facilities together with unrealised foreign exchange losses of $1.4 million drove a loss for 1H21

Peru

- Performance improved from 2H20 however was down on pcp, principally due to reduced capital spending in the local market. Austin's business in Peru has re-positioned in recent years to focus on higher margin new product work, supported by a local sales team in Lima

Colombia

- Austin's operations in Colombia are in the process of being wound-up

design matters I austineng.com

austin™

2H21 Trading: South America

Trading Landscape

- A number of large, long-term contract opportunities in pipeline; Austin is well positioned in these opportunities
- A modest 2H21 is anticipated in this region with larger tenders expected to benefit FY2022 and beyond
- The region remains heavily impacted by COVID-19, affecting capital demand and access to customers
- Capacity levels are high in Chile with an additional leased facility available until May 2021 to capitalise on near-term opportunities

Growth

- Further progress in development of the Brazil market with a subcontracting partner identified and under due diligence
- Sales team in the region strengthened and will continue to be developed to better service the whole South America region with Austin products

design matters I austineng.com

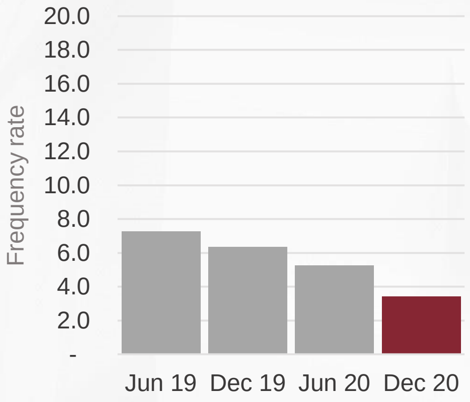
Safety and People

design matters I austineng.com

Safety

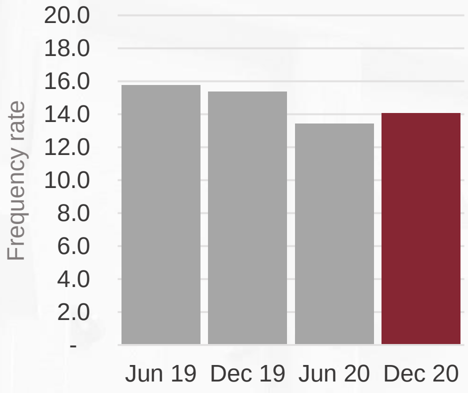
Safety statistics

LTIFR



- Lost Time Injury Frequency Rate (LTIFR), which is reported as a 12 month rolling average, decreased over the same period from 5.2 to 3.4

TRIFR



- Total Reportable Incident Frequency Rate (TRIFR), also reported on a 12 month rolling average, has risen slightly from 13.4 for the period to 30 June 2020 to 14.0 in the period to 31 December 2020

Safety Leadership

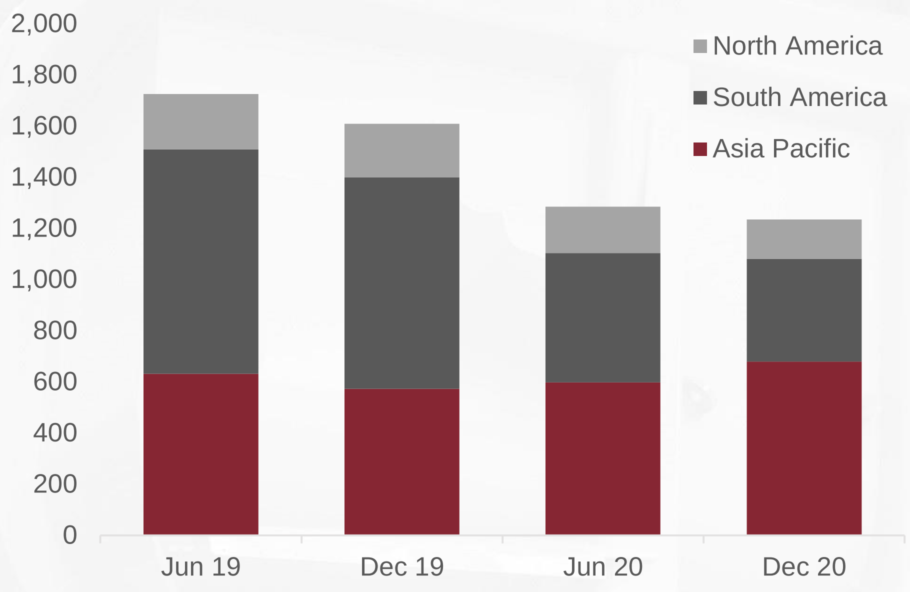
- Safety statistics are improving, and the severity of injuries has decreased due to housekeeping and improved injury management practices
- COVID-19 protocols established in March 2020 have continued in all operations. With the exception of Austin's Colombia business, all operations have continued operating under close to normal conditions
- New key global initiatives introduced:
  - Critical Control Effectiveness Monitoring Program – which monitors the effectiveness of controls aimed at preventing significant injuries
  - Group OHSE Training Standard – which augments local safety training practices to provide a One Austin best practice approach to training all staff in safety
  - Group OHSE Change Management Standard – which better enables Austin's staff to manage safety on non-routine tasks

design matters I austineng.com

austin™

People

Headcount



- Headcount fell to 1,234 at 31 December 2020 from 1,285 at 30 June 2020 due to:
  - Increases in Asia-Pacific to meet strong production demand in Indonesia and Perth
  - A reduction in South America, principally from the winding down of Colombia
  - 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.

Colombian Operations

During the period, Austin made the tough decision to wind-up its operations in Colombia. Following a strategic review after the mutual cancellation of a key site repair and maintenance contract in May 2020, Austin determined that its presence in Colombia was not sustainable and is not able to make a sufficient positive contribution to group earnings

Austin Colombia commenced the 2020 financial year with 482 people, reducing to 64 people at the end of December 2020, with further reductions occurring in 2H21

All staff received termination packages in excess of statutory requirements and were remunerated in full for the duration of COVID-19 related stand downs in operations.

Growth in Communities

Austin is active in the communities it operates in. Some examples of recent programs include

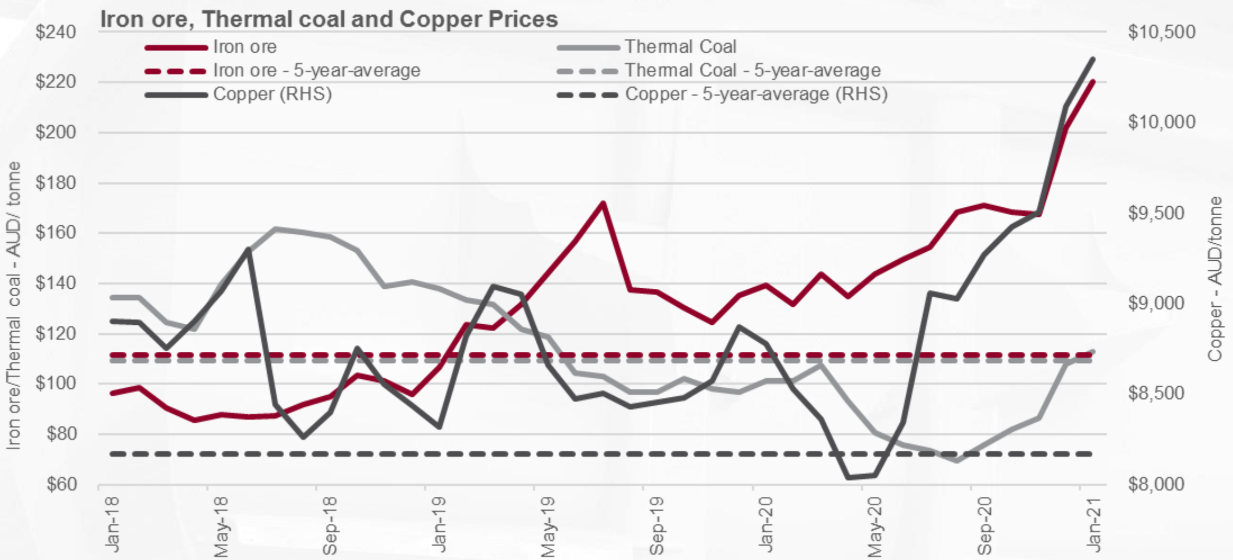
- Austin has partnered with the University of Western Australia, placing four students within the business to work on innovation projects identified by the Company. Austin will retain any developed intellectual property
- Austin's North America team is active in the community with representation on the Board of SkillsUSA Wyoming. Austin provides training materials, welding consumables and steel plate to various community bodies, including schools and colleges to develop the next generation of welders in the region.

Outlook

design matters | austineng.com

Market Update

Commodity Update



- Iron Ore and Copper prices have risen significantly over the last three months, far exceeding 5 year average prices
- Thermal coal pricing has improved recently to the 5 year average level

Source: CapitalIQ Data and Company Analysis

Impact to Austin

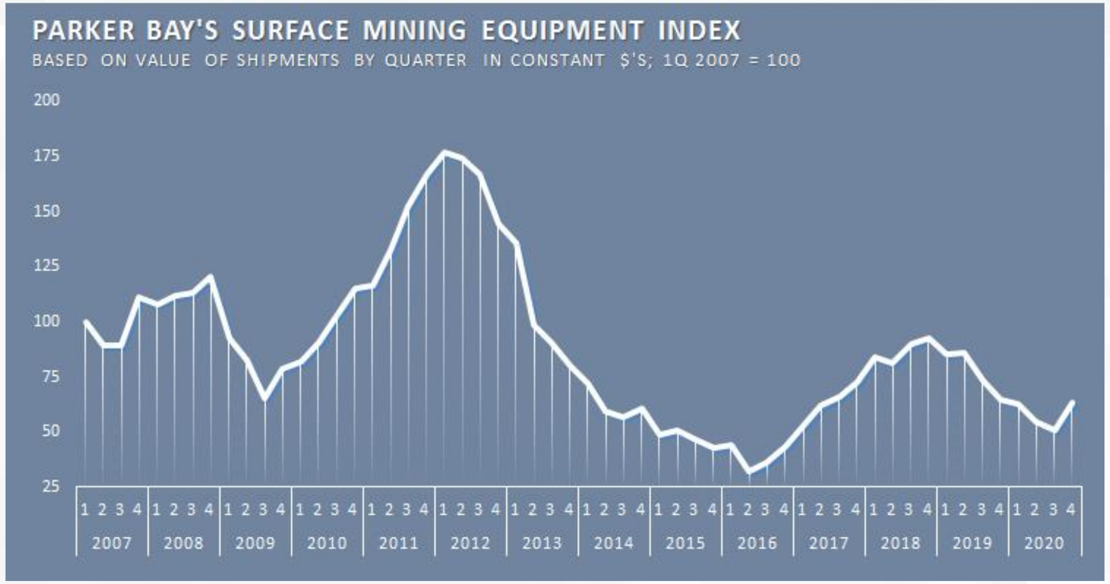
- Commodity prices are supportive of miners spending on capital equipment, in particular increasing oil prices appears to be transformative to the oil sands market in Canada that has been soft recently
- Copper and Iron Ore prices are strong which has driven demand
- Other macro issues are tempering demand despite supportive prices, including COVID-19, China trade sanctions and ongoing political uncertainties in the USA

design matters I austineng.com

austin™

Market Update

New Equipment Sales



- The Parker Bay Surface Mining Index tracks quarterly new capital equipment sales by value
- Following a number of quarters of decline, the index increased by 35% for Q4 2020 (calendar year), mining trucks led this increase to the index

Source: parkerbaymining.com

Impact to Austin

- New equipment sales entering the market is reflective of miners looking to increase production, this is clearly positive for Austin due to more equipment in circulation
- Our longer-term success is linked to new equipment sales as they indicate growth in field population of trucks and shovels
- Short-term spikes in new equipment deliveries can result in excessive lead-times of new trucks from OEM’s. This presents Austin with further opportunity to deliver productivity improvements to clients who may be unable to access new trucks to increase fleet sizes and will seek payload improvements on existing fleets through lightweight products

design matters I austineng.com

FY2021 Outlook

Group Outlook:

- Our outlook for the full financial year remains on track with guidance communicated in August 2020 and confirmed at the November 2020 AGM. As foreshadowed at the AGM, the balance of earnings will be weighted towards 2H2021. On an underlying basis we expect NPAT from continuing operations for FY2021 **in excess of $9 million.**

- **Around 90% of projected revenue** are locked-in from order book, earned revenue and other committed work, this is similar to the same time last year, driven by strong order books in Asia Pacific and a growing order book in North America. Each individual Austin business unit has locked in >80% of required work to meet earnings guidance targets, all facilities have sufficient capacity to exceed targets. The quality and likelihood of conversion of certain uncommitted opportunities provide confidence in revenue targets.

Guidance is not a guarantee of future performance and is subject to known and unknown risks. Orders and delivery schedules may be delayed or amended depending on client requirements.

There are a number of risks with respect to COVID-19 and any changes in the activity of this virus in the markets where Austin operates. Our guidance assumes no significant change in the severity of the impact in the regions that we operate in.

FY2021 Outlook

Regional Outlook:

- Asia-Pacific continues to perform well with further orders received since the November 2020 AGM supporting the balance of FY2021. Austin's Perth and Indonesia facilities are in excess of 90% locked in for guidance targets for the remainder of the year with strong opportunity pipelines

- North America has received orders for in excess of 50 truck bodies, across multiple customers, in the first eight weeks of 2H21 for delivery by 30 June 2021. This compares to delivering just 33 truck bodies throughout 1H21. Following the outcome of the US Election and improved oil pricing, order intake has been strong with a number of further orders to be received in the coming months to support a much improved 2H21

- South America's near-term outlook remains uncertain amid significant COVID-19 impacts despite buoyant copper prices. Large opportunities are being tendered on that are likely to benefit future years. A stronger second half is expected based on near-term opportunities.

Guidance is not a guarantee of future performance and is subject to known and unknown risks. Orders and delivery schedules may be delayed or amended depending on client requirements.

There are a number of risks with respect to COVID-19 and any changes in the activity of this virus in the markets where Austin operates. Our guidance assumes no significant change in the severity of the impact in the regions that we operate in.

Important Information

This presentation has been prepared by Austin Engineering Limited (ABN 60 078 480 136) ("Austin" or the "Company"). The information in this presentation should be read in conjunction with Austin's continuous disclosure announcements. The information is of a general nature and has been prepared by Austin in good faith and with due care but no representation, warranty or assurance, express or implied is given or made as to the fairness, accuracy, adequacy, completeness or reliability of any statements, estimates or opinions, conclusions or other information contained in this presentation.

You should also be aware that any forward looking statements in this presentation are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the businesses of Austin as well as general economic conditions and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected. No relevant party makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, and you are cautioned not to place undue reliance on these statements. The forward-looking statements in this presentation reflect views held only as at the date of this presentation.

Subject to any continuing obligations under applicable law or any relevant ASX listing rules, Austin also disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statements in this presentation to reflect any change in expectations in relations to any forward-looking statements or any change in events, conditions, circumstances, expectations or assumptions on which any such statement is based. Nothing in this presentation shall under any circumstance create an implication that there has been no change in the affairs of Austin since the date of this presentation.

The information in this presentation does not constitute financial product advice (nor investment, tax, accounting or legal advice). Investors must not act on the basis of any matter contained in this presentation, but investors must rely on their own independent assessment, investigations and analysis of Austin. Investors should obtain their own professional, legal, tax, business and/or financial advisors before making any investment decision based on their investment objectives. Due care and attention should be undertaken when considering and analysing the financial performance of Austin.

All amounts are presented in Australian dollars unless otherwise stated.

This presentation includes certain terms or measures which are not reported under International Financial Reporting Standards (IFRS) including, but not limited to, 'underlying' and 'normalised'. These measures are used internally by management to assess the performance of the business and make decisions about the allocation of resources. These non-IFRS measures have not been subject to audit or review. Refer to Austin's published financial results to ASX for financial information presented in according with IFRS standards.

Each recipient of this presentation or any entity or person receiving this document represents, warrants and confirms that it accepts the above conditions.

This presentation and the information contained in it does not constitute a prospectus or product disclosure statement, disclosure document or other offer document relating to Austin under Australian law or any other law. This presentation is not, and does not, constitute an offer, invitation or recommendation to subscribe for, or purchase, securities in Austin.

design matters | austineng.com

austin™