AUSTIN ENGINEERING LTD
Head Office | ABN 60 078 480 136
Kings Row 1, Level G
52 McDougall Street (PO Box 2052)
Milton, QLD 4064 Australia
P +61 7 3723 8600
E enquiry@austineng.com.au

ASX ANNOUNCEMENT (ASX Code: ANG) **28 August 2018**

Turnaround Strategy delivers return to Profit on 25% lift in Revenue

Austin Engineering Limited (ASX: ANG - "Austin") has delivered a net profit after tax, before impairments and one-off charges, of $5.4 million. This represents a turnaround from the $1.5 million loss in FY17 and signifies Austin's return to profitability following extensive restructuring activity including Board renewal and the appointment of a new management team.

Summary of Business Performance

- Group revenue of $293.4 million, a 25% increase on FY17
- Normalised EBITDA of $23.2 million, up 62% from $14.3 million the previous year
- Statutory reported loss of $11.9 million after booking impairments and one-off charges of $23.7 million in relation to the Chile crane business and goodwill in Australian Site Services and Aust Bore
- Revenue from the Americas increased 37% to $154.4 million and earnings (EBITDA) rose from $1.7 million in FY17 to $11.0 million, supported by a substantial improvement in margins following business turnaround activities
- Revenue from Australia increased 11% to $124.0 million, delivering earnings of $7.9 million
- Asian operation continues to generate the highest profit margins, increasing revenue by 29% to $22.4 million and EBITDA by 39% to $4.3 million
- Balance sheet repair complete following the refinancing of Austin's debt facilities with gearing of 30.6% including a net cash position of $5.6 million
- Cash flow from operations generated $1.2 million in cash compared to negative $14.8 million in FY17
- Executive management team further strengthened with the appointment of a Global Manager Operations and Global Manager Market Development and Innovation.

Financial Summary	FY18	FY17 Statutory	Change	FY18	FY17 Normalised*	Change
	$m	$m	%	$m	$m	%
Revenue	**293.4**	234.3	25%	**293.4**	234.3	25%
EBITDA	**(0.5)**	(7.7)	(94%)	**23.2**	14.3	62%
Net Profit Before Tax	**(16.9)**	(25.0)	(32%)	**7.7**	(2.1)	↑
Net Profit After Tax	**(11.9)**	(27.6)	(57%)	**5.4**	(1.5)	↑
EPS (cents)	**(2.06)**	(4.94)	(58%)	**0.93**	(0.27)	↑
Cash from operations	**1.2**	(14.8)	↑	**1.2**	(14.8)	↑
Net debt (continuing ops)	**31.0**	45.6	(32%)	**31.0**	45.6	(32%)

*Excluding impairment/one-off costs

Results Commentary

Commenting on the results, Austin's Managing Director Peter Forsyth said: this result is evidence that our turnaround strategy is delivering.

"Activity levels across our business improved strongly during the year, particularly in the Americas that benefited from a strong increase in revenue from our US operations. While our Australian operations increased revenue, earnings were impacted by product mix. During the year we closed unprofitable workshops in the Hunter Valley, NSW and Karratha, WA. This is consistent with our broader strategy to rationalise and simplify Austin's asset base and operations, a process that is ongoing" Mr Forsyth said.

"There are, however, other fundamental changes underway in our business that are placing an increased emphasis on delivering industry leading engineered solutions, supported by our global manufacturing footprint. The formation of our Production Efficiency Group (PEG) will provide continuous improvement opportunities, enhancing our quality standards and state of the art manufacturing techniques to improve efficiencies and minimise operating costs. Our clients will continue to achieve productivity enhancements through our customised products while we work to ensure Austin is profitable through the cycle and over the long term."

Americas

This region delivered the strongest revenue and profit contribution in the Group with EBITDA (normalised) increasing from $1.7 million in FY17 to $11.0 million on a 37% increase in revenue to $154.4 million. Copper accounts for more than half the revenue from this region with operations in the USA delivering the highest contribution to EBITDA with ongoing strong demand for products and intense focus on improving workshop efficiencies.

Operations in Chile returned to profit in FY18 due to the strength of the copper market and ongoing improvements in cost efficiency. Colombia maintained profitability from the previous year while Peru approached break-even, following a reduction in indirect costs and a shift away from on-site services.

Australia

While Australia as a region is now second to the Americas in revenue and earnings, its Perth operations continue to contribute the highest EBITDA (normalised) in the Group. Earnings however fell relative to FY17 that had the benefit of delivering a major replacement cycle for a large client.

On the east coast, Austin's operations in Mackay, as well as the Aust Bore machining business, improved earnings as a result of the improved demand for coal in Queensland.

Two unprofitable operations were closed during the year, in the Hunter Valley, NSW and Karratha, WA.

Asia

Our Asian business, based in Indonesia, continued to perform strongly with growth in revenue (+29%) and earnings (+39%). Asia contributes 7% of revenue but is highly profitable and has the capacity to deliver continued growth from increased throughput.

Cash Flow and Working Capital

During the year cash flow generated from operations was $1.2 million, a significant turnaround from the negative $14.8 million the previous year, due to a strong increase in earnings.

Careful attention to working capital management as production levels increased throughout the year, resulted in Austin finishing FY18 with a net cash balance of $5.6 million.

Balance Sheet and Gearing

"Rebuilding the balance sheet has been a major priority and our new longer term debt facilities provide greater flexibility around management of receivables as well as improved terms. Most importantly they enable us to plan for future growth with a greater level of confidence and certainty."

"With the anticipated sale of the Chile crane assets, net debt will further decrease providing the Group with improved financial stability and readiness for growth opportunities" Mr Forsyth said.

Outlook

The outlook for capital expenditure among Austin's client base is positive as projections for spending by the top five global mining companies indicate growth for the first time in four years. This is supported by the trend in new surface mining equipment deliveries that has consistently increased since the beginning of 2016 but remains well below the peak in 2012.

The three key commodities that Austin's operations have greatest exposure to, iron ore, copper and coal, are all expected to remain in strong demand over the next 2-3 years. Two large miners announced the opening of new iron ore mines in Western Australia and a range of new copper mines, and the expansion of existing mines, in the Americas are scheduled over the next two years. Coal remains in demand with improved pricing in recent years leading to increased capex requirements from miners on the east coast of Australia.

Based on our current order book, committed work and tender opportunities, Austin expects to deliver an EBITDA (normalised) of $25 million – $28 million for FY19, excluding the Chile crane hire business. Our order book and committed work is in line with the same time last year, however the tender book and pipeline opportunities are significantly higher. We also have an increased confidence of converting these to orders due to the implementation of a new client account management strategy in the last six months, including the appointment of senior executives focused on sales and market development.

End

For further information contact:

Peter Forsyth – Managing Director on +61 3723 8600
Christine Hayward – Chief Financial Officer and Company Secretary on +61 3723 8600

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