27 February 2024

Austin reports 26% increase in revenue - profits at multi-year high

H1 FY24 Key Metrics and Highlights[1]

- **Revenue up 26% to $143.6 million** on order book strength.
- **EBITDA up 70% to $20.8 million,** driven by higher sales and operational performance.
- **EBITDA margins 14.5%** up from 10.7%.
- **NPAT $15.0 million** up 2.8 times and up 36% from original guidance.
- **Operating cashflow $6.9 million,** expected to increase in H2 FY24.
- **Net debt of $11.4 million**, on track to be debt-free in FY24
- **Order book at a multi-year high of $184 million, up 16%** reflecting increased investment in customer support and sales.
- **Reinstated interim dividend of 0.4 cents per share** on strong Group cash outlook.

Full Year 2024 Guidance[2]

- **FY24 revenue of $310 million - $330 million, up ~24% from FY23.**
- **FY24 NPAT of $31 million - $33 million, up ~75% from FY23.**

Austin Engineering Limited (ASX: ANG, 'Austin' or 'the Company') is pleased to announce its financial results for the first half of Financial Year 2024 (H1 FY24).

Austin CEO and Managing Director, David Singleton, said:

"In the first half of the year, we've seen initiatives put in place under our Austin 2.0 strategy really reset the operational efficiency of the Company and deliver strong financial and operational results, particularly in regard to revenue generation and margin improvement.

"Expansion of capacity and manufacturing upgrades to our key facilities, coupled with design improvements to our products are generating broader customer interest and building our market share in the provision of heavy mining equipment.

[1] Comparisons throughout this document are based on the prior corresponding period (pcp) and normalised continuing unless otherwise stated.

[2] Full year guidance comparisons are compared to FY23 full year actual normalised continuing.

“We are pleased with the step up in performance over the last two years. Group EBITDA margins are edging closer to our 18%-20% target range, and revenue growth is equally strong on the back of increased orders across all product lines. These are trends we see continuing.

“We’ve overcome labour scarcity issues in Australia and the USA through upgrading manufacturing systems, automation, and capacity in all of our facilities globally. We’ve also positioned Indonesia as a major central hub, and grown that workforce, allowing us to build market share in truck trays and buckets.

With bigger and more efficient facilities around the world, we are designing and manufacturing a wider range of bespoke products that are delivering value to our customers and their operations. This formula has driven high levels of recurring revenue, and an order book value at multi-year highs.

“The integration of Mainetec buckets into our offering coupled with the establishment of a large, dedicated bucket facility in Perth is leading to transformational growth in this segment in Australia, for both new builds and rebuilds.”

Financial results

Total Group revenue in the period increased by 26% pcp to $143.6 million driven by continued order book strength enabled by the expansion of some of Austin’s manufacturing facilities. A strong customer relations focus and new lightweight product lines have also been instrumental to Austin’s improving performance.

Higher revenues and improved operational efficiency - achieved through the Austin 2.0 strategy - resulted in a 70% increase in EBITDA to $20.8 million, with an EBITDA margin of 14.5%, up 35% from 10.7% in the pcp. It is worth noting the result is also an improvement on FY23’s full year EBITDA margin of 12.1%.

NPAT was $15.0 million, which was 2.8 times higher than the corresponding period last year. This is a result of the revenue improvement and strong control of operational costs as the business grew. Statutory NPAT was adjusted by $0.24 million due to a net FX loss.

Operating cashflow was positive $6.9 million, and Austin expects this to strengthen significantly in H2 following strong order intake (customer deposits) and sales in the last two months of the first half, especially in Australia.

Capex was $2.9 million mostly in Batam for equipment for the additional workforce and for the second new plasma steel cutting machine at that location, which is now fully operational. The investment also includes costs for re-tooling the Perth facility, although that was partially offset by an investment grant receipt of $0.8 million from the WA State Government. Austin anticipates only a modest sustaining capital investment in the foreseeable future.

Austin’s order book at the end of the period, recorded a multi-year high of $184 million, an increase of 16%, reflecting increased investment in customer support and sales across the Group. The USA was a standout as it continued to win market share, particularly from OEMs. This order book growth, is leading to a long-term upward shift in the revenue base because of the recurring nature of contracts.

Regional analysis

<u>Asia-Pacific</u>

APAC’s revenue was up strongly by 19% pcp to $77.1 million, primarily from long-term, multi-year customers who are able to rely on the increased capacity of the business following expansions completed in previous periods.

EBITDA increased 60% to $7.7 million with the margin lifting to 10% on what is predicted to be an upward trend as a retooling program in Perth gathers pace and Indonesia increases efficiency following a very rapid rise in the truck tray build rate.

Australia

The Australian operations were profitable in the period, benefitting from investments made in retooling the operations to focus on new and rebuild mining buckets - a key focus following the acquisition of Mainetec. The unit is focused on growing capacity and improving efficiency in part through the application of robotics, which is being 50% funded from a WA State Government grant package.

Mainetec successfully delivered one new dipper bucket on time to an east coast customer and immediately received a second order that is now in build. Mainetec also provided the design concept for a new dipper bucket being built in Batam for a USA delivery later in the year. Marketing activity for these buckets has commenced in North America and will commence in Chile early in the second half. These are seen as major markets for the product.

Indonesia

The Batam facility has gone through a rapid increase in workload with the transfer of tray production from Australia and is now building these at high throughput rates, which is an impressive achievement given the increase in volume.

The revenue increase in Batam has allowed Austin to make significant investments in improving the management capability and capacity in the operation, alongside transformational changes to the production system as the factory adopts flow manufacturing techniques to improve efficiency. These are important longer term improvements that will pay increasing dividends in the future.

The unit commenced work in its second facility (added as part of the expansion of the Batam operations) on the refurbishment of mining haul truck chassis for a major Australian-based mining services company with the first chassis successfully delivered in January 2024. The program is expected to expand over the next 12 months and run for at least five years and is emblematic of Austin's focus on high quality, engineering-led, multi-year programs with blue chip customers.

A recent order for truck trays from a major APAC customer alongside other strong wins means manufacturing throughput in Batam will stay strong in the second half and into FY25. The Austin team in Indonesia is reviewing further opportunities to expand production capacity in the region.

North America

Revenue was $41.9 million, up 29% compared to the previous year due to the business unit's success in winning new customers in what are anticipated to be, long term build programs for high performance truck trays.

North America's EBITDA was $7.2 million up 29% on increased revenue primarily from long term recurring contracts. The margin percentage is close to the target range at 17.2%

Production demand has been increasing for some time and as a result, the business is now leasing a new 'feeder' facility, which is providing sub-assemblies for the main workshop in Casper to increase throughput. In addition, the Batam facility is increasing support to the USA with selected deliveries.

Further expansion will be delivered from a major new facility expected to commence construction in the first half of FY25 following a US$20 million grant and loan package awarded by the State of Wyoming. This investment will embed a much higher capacity and capability in the USA to feed anticipated future growth.

Austin trays in service in North America number approximately 1,670, hauling an estimated 426,000 metric tons of material, delivering 28 million tons per day.

South America

Austin Chile has continued to grow to become a major contributor to the overall Group result. Revenue was up 48% to $24.6 million as the business benefitted from a new management focus on improving the quality of income and developing new customers.

Austin Chile's EBITDA was $6.2 million in the period, with EBITDA margin of 25.4% versus 10.5% in H1 FY23. The investment in new manufacturing equipment and the workshop expansion, completed last financial year, has shown an immediate benefit that is expected to continue.

Austin is now the largest non-OEM supplier of truck bodies in Chile. The recent completion of a truck tray for a major OEM was an important step for the OEM to place further orders. Austin's discussions with the OEM are encouraging, and there is potential for the OEM to place significant multi-year orders, commencing H2 FY24, dependent on a favourable decision by the OEM.

Dividend

As a result of the Company's strengthening cash position, the Board has determined to reinstate the dividend with an interim payment of 0.4 cents per share, fully franked. Austin continues to pursue acquisition opportunities, which it would still expect to fund from its balance sheet.

Outlook and Guidance

Market feedback from across Austin's business units remains positive particularly for the energy and hard rock sectors, led by iron ore. There is moderate weakness in battery commodities, although Austin has minimal exposure to these commodity groups.

Austin sees medium term demand linked to, and driven by two factors:

1.) The determination of mining companies to incrementally increase operational efficiencies. This will be in part through increased truck tray and bucket payloads, which increases tonnes moved per operational cycle and reduces tyre wear and fuel burn. Austin's lightweight, high performance products are delivering an exceptional return on investment in this regard.
2.) Recurring business through replacement cycles. Products are critical wear items and can lead to premature major equipment unserviceability if used beyond their natural life. Austin's high level of recurring revenue at 89% indicates that as new customers are won there is a compounding impact on the future revenue base.

Under the Austin 2.0 strategy, Austin has focused its last two years on improving operating efficiency and lowering the cost base. This is having a lasting and growing impact on operating margins and is expected to continue. This trend should be especially apparent in the APAC business unit as both the Australian and Batam operations see the benefits of the retooling program.

The actions taken in growing capacity both locally to Austin's key markets and in the manufacturing hub in Indonesia are proving to have been the right approach to enable growth and address the critical labour and skills shortages most obviously in Australia. Importantly, this has been done without recourse to significant capital expenditure and, as a result, Group D&A remains low by industrial and mining services standards. This approach is set to continue with expansions in the USA (using State-provided grants and loans) and Asia (using leased facilities).

As a result, Austin expects full year revenue to grow by circa 24% to $310 million - $330 million and NPAT to increase by circa 75% to $31 million - $33 million.

Austin continues to expect the Group to be net debt free by the end of the financial year.

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Announcement Authorisation

This announcement was authorised by the Board of Austin and is market sensitive.

About Austin Engineering

Austin is a global engineering company. For over 50 years, Austin has partnered with mining companies, contractors and original equipment manufacturers to create innovative engineering solutions that deliver productivity improvements to their operations.

Austin is a market leader in the design and manufacture of loading and hauling solutions, including off-highway dump truck bodies, buckets, water tanks and related attachments, supporting both open-cut and underground operations. Complementing its proprietary product range are repair and maintenance services performed in our workshops and on clients' mine sites, and spare parts.

Through Austin's own design and engineering IP and range of tailored products, it delivers solutions for all commodity applications and drives increased efficiencies in productivity and safety in both open cut and underground mining operations.

Austin's products can create more sustainable mining operations by delivering the lowest cost per tonne to end user, reducing fuel usage per material carried.

The Company is headquartered in Perth and has operations around the world in Australia, USA, Chile and Indonesia serving many of the major mining sites in the world both directly and through local partners.