

# FY2023 H1 Results



24 February 2023  
Paddy Gregg, Chief Executive Officer  
Geoff Buchanan, Interim Chief Financial Officer

1. Welcome to FY2023 H1 results
2. Introduce Geoff Buchanan as Interim CFO

# Financial Headlines FY2023 H1



\$ m	FY2023 H1	FY2022 H1
Revenue	\$ 775 m	\$ 722 m
EBITDA	\$ 27.4 m	\$ 94.3 m
EBIT	\$ (2.0)	\$ 71.1 m
NPAT	\$ (7.3)	\$ 45.1 m
Interim Dividends Declared	4 ¢ per share	4 ¢ per share
Operating Cash Flow	\$ (8.0)	\$ 43.1 m
	Dec 2022	Jun 2022
Net Cash	\$ 57.7 m	\$ 115.6 m

Results significantly impacted by previously announced T-ATS onerous contract provision  
 As announced in the T-ATS ASX release earnings guidance was revised to approximately AU\$58m  
 Strong cash position allows dividend to be paid alongside significant investment for future growth

1. Revenue up but mainly FX
2. EBIT down and negative (loss) due to TATS onerous contract provision and FY2022 H1 included accelerated contingency release (LCS)
3. NPAT down and negative (loss) follows EBIT loss
4. Dividend remains consistent with strong cash and investment in the business
5. Operating cash down as a result of some program milestone movements - EPF 13 & Mols 2 delayed delivery
6. Net cash reduced due to investment in the business predominantly on San Diego support facility & dry dock.

# FY2023 H1 - Key Facts



**\$775 M**

REVENUE



**\$2.6 B**

ORDER BOOK  
(\$6.9 B with OPC  
options)



**27**

SHIPS UNDER  
CONSTRUCTION  
OR SCHEDULED



**3**

SHIPS  
DELIVERED



**5,000**

EMPLOYEES



**5 SHIPYARDS  
IN 4 COUNTRIES**



**8 SERVICE CENTRES  
IN 5 COUNTRIES**

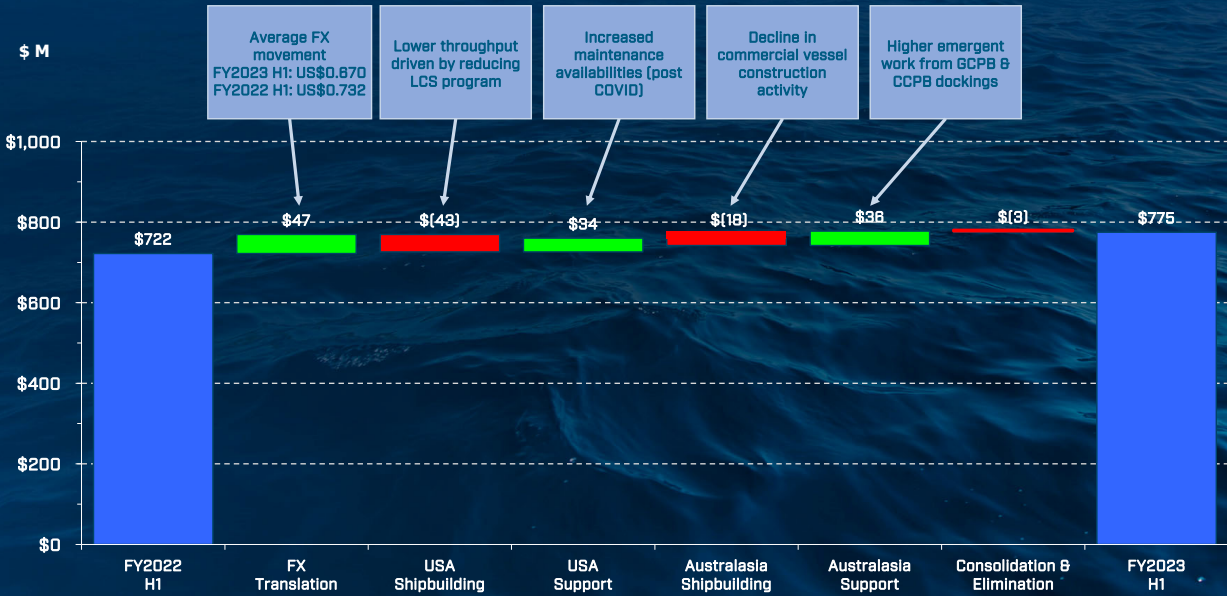


**56**

VESSELS UNDER  
SUSTAINMENT  
CONTRACTS

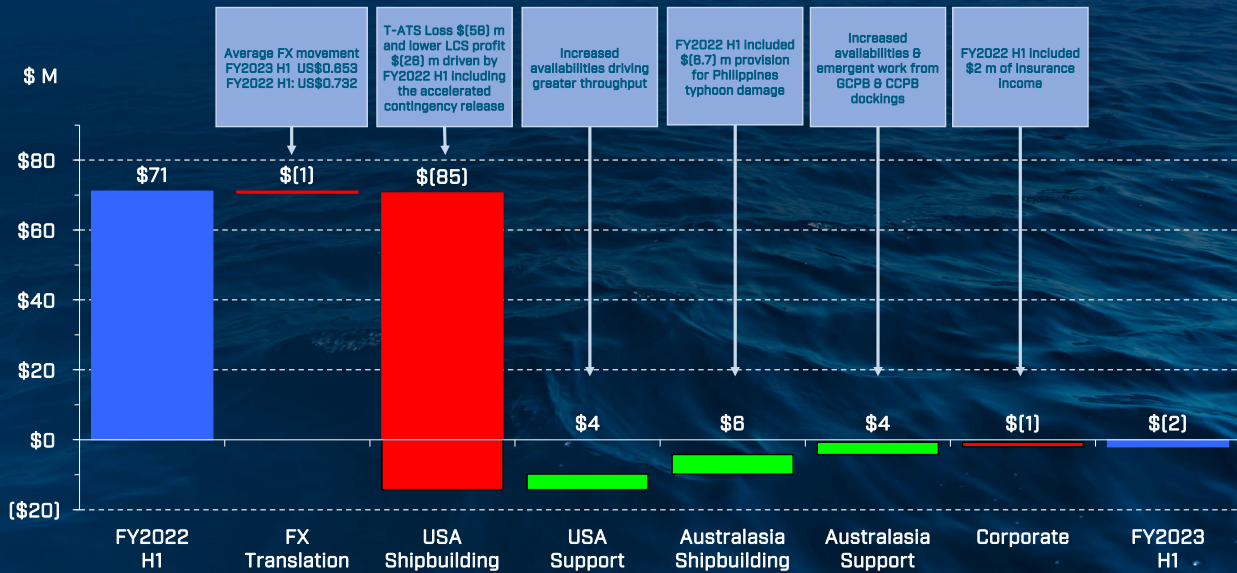
1. AUSA and Australasia achieved delivery of 3 ships in FY23 H1 (USA - LCS 32 & AUS - ECCPB 12 & 13). Plus EPF13 & ECCPB 14, since half closed.
2. Our service and support business continues to grow, and we have ordered our floating dock
3. We are now up to 8 service centres worldwide, with 56 vessels under sustainment contracts.
4. Employee headcount globally is ~5,000

# Group revenue movement



1. \$53 m increase revenue movement largely driven by favourable FX (\$47 m)
2. USA Shipbuilding reflects reducing LCS program (3 vessels undelivered) with other contracts not having enough throughput (early stages) – AFDM, TATS & OPC
3. USA Support growth mainly in Singapore & from MARRS availabilities
4. Full benefits will be seen in San Diego when the floating dock arrives
5. Commercial work has declined with Mols 2 nearing completion
6. AUS Support saw greater throughput (availabilities & emergent work)

# Group EBIT movement



1. EBIT movement dominated by \$85m fall in US shipbuilding EBIT due to:
  1. previously announced \$58m T-ATS provision combined with lower LCS profit
  2. the inclusion of accelerated contingency release in the 1H FY22 EBIT figures
2. We have provided for T-ATS because we are unclear if our Request for Equitable Adjustment will be successful or not, and there is little clarity when we will receive notification of the success or otherwise of our application. If we are successful at some point in the future, this will assist our EBIT in that period, but there is no guarantee of that success.
3. The Australasia shipbuilding half on half comparison is also distorted because there was a \$6.7m provision in H1 FY22 for the Philippines typhoon.
4. The support EBIT figures are unaffected by one-offs, and indicate improved revenue and earnings in our support business.

# Segment breakdown



## FY2023 H1

\$ m	Concept	Ships	Support	Total
USA	Revenue	\$ 451.1	\$ 118.5	\$ 569.6
	EBIT	(12.0)	7.9	(4.1)
	EBIT Margin %	(2.6%)	6.6%	(0.7%)
Australasia	Revenue	\$ 130.8	\$ 77.8	\$ 208.7
	EBIT	10.8	3.6	14.4
	EBIT Margin %	8.3%	4.6%	6.9%

### USA:

- Shipbuilding revenue reduced throughput (LCS) partially off set with favourable FX impact of \$37 m
- Shipbuilding EBIT declined with the onerous provisions recognized on T-ATS program and FY2022 H1 included the accelerated release of contingencies
- FX impact on EBIT \$(0.5)m
- USA Support increased EBIT is driven by greater throughput (availabilities) – post COVID

## FY2022 H1

\$ m	Concept	Ships	Support	Total
USA	Revenue	\$ 457.0	\$ 74.9	\$ 531.9
	EBIT	72.9	3.8	76.7
	EBIT Margin %	15.9%	5.1%	14.4%
Australasia	Revenue	\$ 152.2	\$ 44.5	\$ 196.7
	EBIT	4.9	0.0	5.0
	EBIT Margin %	3.2%	0.1%	2.5%

### Australasia:

- Revenue contraction with completion of ferries from Asia
- Actual shipbuilding margin is improving but Philippines typhoon repair costs in FY2022 H1 inflates the real increase (FY2022 H1 7.6%)
- Support volume and margin increased with higher emergent work and FY2022 H1 Brisbane Slipway certification closure.

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1. Although US shipbuilding revenue declined by just \$6m at a headline level, \$37m of FX tailwinds helped offset declining throughput in the reducing LCS program. Eventually, growth in other programs will replace this decline.
2. Growth in revenue and margin in the Support business in both USA and Australasia was pleasing. Austal has been focused on, and invested in, building out this business and the results, which suffered during COVID due to reduced availabilities, have resumed their upward trajectory
3. Australia shipbuilding revenue fell by \$21 million due to reduction in commercial ferry construction. As noted previously, the change in EBIT is flattered by a provision that reduced the 1H FY22 comparison

# Cash flow



\$ m	FY2023 H1	FY2022 H1	Change
<b>Operating</b>	\$ (8.0)	\$ 43.1	\$ (51.2)
<b>Investing</b>			
Sustaining	\$ (5.3)	\$ (11.9)	\$ 6.6
Enhancing	(14.2)	(61.7)	47.5
<b>Financing</b>			
Debt	\$ (0.1)	\$ 0.0	\$ (0.1)
Loan origination	-	(0.7)	0.7
Lease principal	(3.2)	(5.0)	1.8
Dividends	(14.5)	(14.4)	(0.1)
FX differences	(9.9)	10.5	(20.4)
<b>Net Cash Flow</b>	\$ (55.2)	\$ (40.1)	\$ (15.1)

Cash	Dec 2022	Jun 2022	Change
<b>Cash @ bank</b>	\$ 184.9	\$ 240.1	\$ (55.2)
<b>Net cash</b>	\$ 57.7	\$ 115.6	\$ (57.9)

## Operating:

- Timing of milestone receipts influences half on half comparisons (EPF13 and Mols \$48m since end of half)
- AUSA have taken advantage of FX and forward purchased c\$40m materials

## Investing:

- Enhancing capital expenditure on San Diego expansion (floating dock) a key enabler for future sustainment contracts
- Spent c\$14m in H1 of an expected FY2023 total spend of \$70m, predominantly in San Diego.

## Financing:

- \$14.5 m dividend payment to shareholders (equiv. 4c/share)

## Closing cash:

- Strong closing cash position supports interim dividend of 4c/share

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1. Milestone receipts delayed including EPF 13 & Mols 2
2. USA made prepayments for long lead materials
3. Looking forward, enhancing capital expenditure will increase in H2, as will a receipts from progress and milestone payments from EPF 13, Mols 2.
4. FY2022 H1 loan origination related to the extension of the Syndicated Facility Agreement
5. Lease principal reduction as FY2022 H1 included lease charges on CCPB 9 & 10

# Business Overview





# Operational Highlights USA



- OPC contract execution underway - Eastern protest pending
- EMS funded for 3 ships - decision anticipated in March -23
- LCU 1700 proposal submitted - decision anticipated by April -23
- T-AGOS proposal submitted - decision anticipated by June -23
- T-ATS 3 & 4 awarded - working REA resolution
- Saildrone award for 5 ships - awaiting full funding
- Israel S72 (Reshef) finalist - RFP expected April -23
- Electric Boat & NNS module awards continue to increase
- USV-3 started construction in November 2022
- USV-4 Awarded and started autonomy modification
- Completed EPF 13 trials - Delivered February
- Delivered LCS 32 in July & sailed away in December
- Advanced Technologies (formerly ElectraWatch) received ~\$11M in Additive Manufacturing Equipment funding
- Multiple Special Study Awards ~\$17M
  - LUSV
  - LAW
  - NGLS
  - LCU 1700
- Multiple Support Awards \$73M+
  - 9 SWRMC
  - 3 PMAVs
  - 2 TYCOMS
  - Multiple emergent



OPC for USCG



EMS

# Operational Highlights Australasia



- Investment options developed to support CoA Defence Strategic Review outcomes.
- Digital Shipyard technologies implemented to support future Shipbuilding and Sustainment Programs.
- 4 x Evolved Cape Class now in service with RAN, positive feedback on capability and performance
- 15 x Guardian Class now delivered to the Commonwealth, with a further 3 built and ready for acceptance. 1 additional platform awarded, now a 22 Ship Program.
- Autonomous Patrol Boat (PBAT) Systems Definition Review completed, making good progress towards achieving an autonomous system and platform demonstration.
- ABF Cape sustainment contract extended through to August 2024
- RAN Cape 9 & 10 sustainment extended to June 2024, with S&Q requested to provide support to ECCPB for a further 12 months.
- In Service Support growth, our Queensland yards operating near capacity.
- Our Asset Management capability and technology has been extended into the Air Domain, with the introduction of ALFI.
- Commercial market continues to be challenging, however we are seeing encouraging signs of recovery
- Austal working in collaboration to find future fuel technologies with a number of commercial operators
- Trinidad and Tobago Service center fully operational, future opportunities being considered
- Commercial ferry market continues to be subdued, however we are seeing encouraging signs of recovery.



Austal Australia delivered H814, the fourth of eight Evolved Cape Class Patrol Boats for the Royal Australian Navy, in February 2023.



PBAT Sentinel at Henderson, Western Australia

# Expanding Shipbuilding

## USA

1. Win & grow prime long term - multi ship (core) programs

- Execute & expand - LCS, EPF, EMS, T-ATS, OPC, AFDM, LCU, OUSV 9
- New program targets - EPF VLS, FFG FY, TAGOS, LUSV, MUSV, NGLS, LAW, AS(X), DDG(X), S72, MAST 13

2. Team with other shipbuilders as a major subcontractor

• Why?

- Leads to new gov. funding/grant pools
- Expands our capabilities & offerings
- Increases % wins for new core programs
- Adds volume lowers our cost - increasing EBIT
- Creates Service expansion opportunities
- Greater stability for the business

• Examples:

- NNS (CVN)
- Electric Boat (SSN / SSBN)
- Others (DDG(X), AS(X))

## Australia

- Continue to build and evolved the Cape Class design and capability
- Partner with others to be the Sovereign shipbuilder
- Awaiting outcome of Defence Strategic Review for detailed way forward



1. We have spent the last 2 years growing the order book and bringing diversity of programmes to the business.
2. Not only are we looking broadly on programmes we are looking farther into the future through funded design studies.
3. In the past we have looked to exclusively prime shipbuilding contracts; we are now working with partners as a major subcontractor.
4. We believe we are well placed for a positive, long-term outlook in the Australian Defence Strategic review based on our delivery performance.

# Autonomy

AUSA continues to focus on executing strategy to grow Autonomy business

- Design & construction of unmanned / optionally manned surface vessels
- Place AUSA HM&E autonomy solution on all unmanned US Navy platforms
- Current programs;
  - **OUSV 1** (maintain), **OUSV 3** (new build) and **OUSV 4** (conversion)
  - LUSV CD (design)
  - EPF 13 (delivered)
  - Saildrone USVs – award for 5 (awaiting full funding). Plans to grow to >20/year
  - OUSV O&S
- Future opportunities;
  - LUSV DD&C
  - MUSV construction
- Australia focused on PBAT
- Potential for Saildrone in Australia



USNS Apalachicola [EPF13] – first EPF & largest US Navy surface ship with autonomous capability

One new opportunity stream is Autonomy.

Runs on the board:

1. Successful delivery of EPF 13, the largest surface ship in the US Navy fleet with autonomous capability

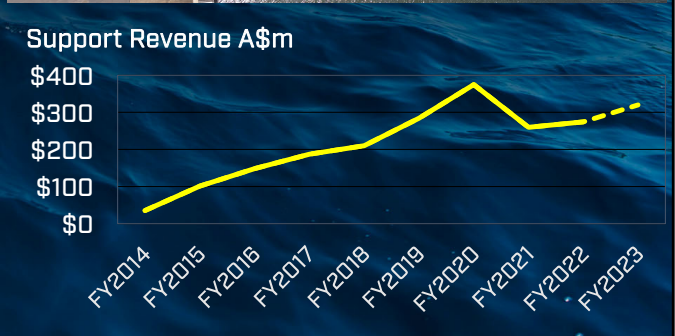
Signed contracts and work commencing:

1. Saildrone
2. OUSV
3. LUSV (design)
4. PBAT

Future opportunities:

1. Numerous as navies around the world seek to remove personnel from risk of harm in-theatre
2. Austal investing to be a key proponent in this shift

## Support Growing in line with \$500m target in FY27



1. We have a target to grow our support business to \$500m by FY27. This was impacted by Covid but these results show the volume is starting to return.
2. We invested in a facility in Cairns, Australia and it is performing in line with expectations.
3. We invested in a facility in San Diego, USA and had a successful grand opening in February.
4. There is more investment to come in San Diego with the addition of a floating dock, allowing us to increase revenue.

# Strategic Outlook

1. Resolve T-ATS challenges
  1. Excluding the T-ATS losses, EBIT would have been \$40 m
  2. Successful REA would deliver future improved earnings
2. Strong operational performance as demonstrated by ship deliveries
3. Support revenue back on upward trajectory post-COVID
4. Capability to deliver steel & aluminium shipbuilding and sustainment in commercial & defence sectors globally
5. Significant growth opportunities through new vessel programs, expansion of existing programs, and more sub-contracts for larger build programs
6. Revenue diversity through growing support business, increased number of vessel programs and contracts with other primes
7. Significant success in winning steel work with orderbook ~\$7 billion (OPC options included)
8. AUKUS and Australian Defence Strategic Review to provide a clear route ahead and future opportunities for Austal
9. We continue to invest to build capability and opportunity to grow



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