



COMPANY ANNOUNCEMENT
30 AUGUST 2019

**RECORD FY2019 REVENUE AND PROFIT,
ENTERING FY2020 WITH \$4.9 B ORDER BOOK**

SUMMARY

- Revenue of \$1.852 billion (FY2018¹: \$1.390 billion), up 33%
- EBIT of \$92.8 million (FY2018¹: \$63.5 million), up 46%
- NPAT of \$61.4 million (FY2018¹: \$37.5 million), up 64%
- Earnings growth across the business, including from US Navy programs, commercial vessels, and increased support work
- Substantial cash generation, with operating cash flow of \$164.5 million (FY2018: \$65.6 million), up 151%
- Net cash² position of \$150.7 million (30 June 2018: \$33.9 million net cash)
- Final unfranked dividend of 3 cents per share, bringing FY2019 total dividends to 6 cents per share (FY2018 total dividends: 5 cents per share)
- \$4.9 billion order book (FY2018: \$3.0 billion) securing work to 2024, with 54 vessels currently under construction or scheduled across seven shipyards in the USA, Australia, Philippines, Vietnam, and China
- FY2020 guidance – Group revenue no less than \$1.9 billion, USA shipbuilding EBIT margin 7.5 – 8.5 per cent and Group EBIT no less than \$105 million

Austal Limited (**Austal**) (ASX:ASB) has delivered record revenue and profit, and substantial cash generation for the year ended 30 June 2019 (FY2019).

¹ Restated in accordance with AASB 15 Revenue from customers.

² Excluding the \$(48.8) million notional debt of the Cape Class Patrol Boat 9 & 10 leasing program.

Austal CEO David Singleton said: "This year we've seen strong contributions from right across Austal's shipbuilding and support programs in the USA and Australasia all of which combined to deliver a substantial uplift in revenue and profit."

"It is particularly pleasing that this broad-based earnings growth has translated into strong cash generation, with Austal recording \$164.5 million in operating cash flow that has enabled us to boost full year dividends to shareholders. The strong cash and balance sheet position provides the capacity to invest in the business for further growth which is a position we intend to fully exploit."

"Operationally, we continued to construct and deliver high quality vessels for the US Navy but to a tempo and efficiency that surpasses what we have achieved before. We also made investments to expand throughput capacity and reduce costs at our Australasian shipyards to support the delivery of our large order book of commercial ferries. This has enabled revenue growth of 65 per cent in that part of the business."

"Importantly, we were also successful in winning new work throughout the year, including four Littoral Combat Ships (LCS) and more recently, two Expeditionary Fast Transport Ships (EPF). This takes the total US Navy orders for these two programs to 33 vessels, of which 20 have already been delivered."

"The new awards saw Austal's order book grow to \$4.9 billion at 30 June 2019 – \$1.9 billion higher than 12 months ago – securing work out to 2024."

FINANCIAL RESULTS

Austal generated a record \$1.852 billion in revenue in FY2019 (FY2018¹: \$1.390 billion), with the USA shipyard comprising 80 per cent of total revenue and Australasia growing to 20 per cent as commercial ferry throughput increased (FY2018: USA 84 per cent and Australasia 16 per cent). Shipbuilding accounted for 84 per cent of total revenue and support 16 per cent as the Company continued to build this stable, long-term, annuity-style income stream as an increasing number of Austal designed and built navy vessels are commissioned and deployed (FY2018: shipbuilding 85 per cent and support 15 per cent).

¹ Restated in accordance with AASB 15 Revenue from customers.

Earnings before interest and tax (EBIT) were up 46 per cent to \$92.8 million (FY2018¹: \$63.5 million), underpinned by a US shipbuilding margin of 7.9 per cent which is within the Company's FY2019 guidance of 7 – 8 per cent (FY2018¹: 7.4 per cent margin).

Austal achieved a record Net Profit after tax (NPAT) \$61.4 million which was an increase of 64 per cent on the prior year (FY2018¹: \$37.5 million).

The FY2019 result included an \$(11.0) million provision for the estimated professional costs required to respond to the investigations initiated by ASIC and US regulatory authorities in relation to the LCS program.

USA segment

Austal's USA segment reported revenue of \$1.473 billion (FY2018¹: \$1.161 billion) and EBIT of \$106.4 million (FY2018¹: \$81.5 million).

Construction work on Austal's two major vessel programs for the US Navy – the 19 vessel LCS and the 14 vessel EPF programs progressed well. Austal delivered two LCS to the US Navy in FY2019, bringing the total LCS deliveries to ten, and delivered one EPF, bringing total EPF deliveries to ten as well. The vessel programs include four LCS and two EPF that were awarded during FY2019.

USA shipbuilding margin of 7.9 per cent within the 7 – 8 per cent guidance range compared to 7.4 per cent in FY2018¹. The increased margin reflected continuing improvements in production efficiency and the positive influence of more recent vessel awards.

Austal increased support work performed in FY2019, with revenue growing 67 per cent over FY2018, continuing a strong growth trend in recent years. This result reflects the increasing number of Austal designed and built US Navy vessels that are being deployed and will operate for decades to come. Importantly, Austal was selected as prime contractor in FY2019 for dry docking of LCS 14 to carry out support and sustainment work. This was the first time that Austal USA has acted as prime contractor for this type of work and points to the potential for further expansion of the support business in the USA.

The USA result includes \$(8.5) million of the \$(11.0) million provision for estimated professional costs associated with the investigation by US regulatory authorities as described above.

¹Restated in accordance with AASB 15 Revenue from customers.

Australasia segment

The Australasia segment reported revenue of \$393.2 million (FY2018: \$237.8 million) and EBIT of \$11.7 million (FY2018: \$(8.5) million EBIT loss).

Australasia shipbuilding volume significantly increased during FY2019, as the Company delivered on its substantial order book of commercial ferry contracts (\$400 million at the end of August 2019). Austal expanded its shipyard in the Philippines which has trebled construction capacity during FY2019 and opened a new leased shipyard in Vietnam. Additional facilities have been leased in Western Australia to support construction of the Guardian Class Patrol Boat (GCPB) program and the 83 metre trimaran ferry for JR Kyushu of Japan respectively, while the Company's Henderson shipyard operates at full capacity. The 21 vessel GCPB program progressed well, with three GCPB delivered in FY2019 and incremental production efficiencies achieved with each vessel as the program matures at full rate production through to 2023.

CASH AND CAPITAL MANAGEMENT

Austal generated operational cash flow of \$164.5 million in FY2019 (FY2018: \$65.6 million). This supported an increase in total dividends declared for FY2019 but has also provided Austal with a strong platform to invest in the business for the next phase of the Company's growth. Austal has now generated approximately \$450 million of operating cash flow over the past six years, demonstrating Austal's ability to deliver value from its order book over time.

Austal's cash balance increased to \$275.7 million at 30 June 2019 (30 June 2018: \$162.0 million) and ended FY2019 in a net cash position of \$150.7 million (30 June 2018: \$33.9 million net cash). The net cash position excludes the impact of the Cape Class Patrol Boat (CCPB) 9 & 10 leasing program as per prior years. The notional debt of \$(48.8) million was classified as a current liability at 30 June 2019, resulting in a statutory net cash position of \$101.9 million (30 June 2018: \$(23.3) million net debt). --

The CCPB 9 & 10 leasing program was extended by 2 years subsequent to the end of the financial year, which reduced the total residual value for the two vessels at the end of the lease from \$42 million to \$24.3 million and resulted in the reclassification of the notional debt as a non-current liability in August 2019. The notional debt balance will progressively reduce from \$(48.8) million at 30 June 2019 to \$(24.3) million in late FY2022 at the maturity of the extended contract period.

FINAL DIVIDEND

Austal's Board has declared a final unfranked dividend of 3 cents per share. Total unfranked dividends relating to FY2019 increased by 20 per cent to 6 cents per share (FY2018: 5 cents per share, unfranked). The dividend decision reflects the Board's view that new programs currently being bid in the USA may require significant balance sheet support for additional infrastructure if won by Austal.

The franking position continues to reflect the predominance of Austal's earnings being generated in the USA (which do not generate franking credits).

Details of key dates regarding the final dividend are:

- Ex-dividend date: Friday, 13 September 2019
- Record date: Monday, 16 September 2019
- Payment date: Tuesday, 15 October 2019

Shareholders may reinvest dividends in accordance with the dividend reinvestment plan established in February 2015. Further details are set out later in this announcement.

OUTLOOK

Austal expects FY2020 Group revenue to be no less than \$1.9 billion and that the USA shipbuilding margin guidance range will be 7.5 – 8.5 per cent (previously 7 - 8 per cent). Austal also expects Australasia revenue to grow ~ 25% from FY2019 with the potential for further margin improvement.

In addition, Austal expects further growth in support work as an increasing number of Austal designed and built navy vessels are commissioned and deployed predominantly for the US Navy.

Austal CEO David Singleton said: "Our \$4.9 billion Group order book and the performance on our shipbuilding programs for the US Navy provides the bedrock for Austal to continue to grow its earnings.

"Looking further ahead, the US Navy's transition from LCS towards the FFG frigate program is a major focus in the USA."

"Austal is one of four shipbuilders competing for the FFG frigate program and is also investigating participation in other programs to modernise the US Navy fleet. Accordingly, we remain conscious of

the material investments and associated risks for Austal if successful and we will therefore continue to ensure that Austal retains a strong balance sheet to fund these activities.”

“In addition, with the increasing range of roles being applied by the US Navy to our EPF vessel, we believe this program, in various configurations, has a long future ahead of it.”

“Austal’s current and near-term financial performance is benefiting from the infrastructure and R&D investments we’ve made across the business – our focus is to not only deliver on the current order book but to further capitalise on those investments in the medium and long-term.”

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CONFERENCE CALL

Austal Chief Executive Officer David Singleton and Chief Financial Officer Greg Jason will hold an analyst and investor conference call to discuss the Company's FY2019 results at the time listed below.

Conference call details:

Date: Friday, 30 August 2019
Time: 8:30am Perth time (AWST) / 10:30am Sydney time (AEST) – participants are requested to dial in 5 minutes prior to the start time
Toll free: 1800 123 296
Toll: +61 2 8038 5221
Conference ID: 1379237

International dial-in details:

For countries not listed below, the Australian Toll number can be dialled.

Canada	1855 5616 766	New Zealand	0800 452 782
China	4001 203 085	Singapore	800 616 2288
Hong Kong	800 908 865	United Kingdom	0808 234 0757
India	1800 2666 836	United States	1855 293 1544
Japan	0120 994 669		

Archived call

An archived copy of the conference call will be available shortly after the conclusion of the call via <http://www.openbriefing.com/OB/3485.aspx>

DIVIDEND REINVESTMENT PLAN (DRP)

Austal invites all eligible shareholders to participate in the DRP subject to the DRP rules. The DRP will be available for the dividend payable on 15 October 2019 and apply for subsequent dividends unless notice is given of its suspension or termination.

The DRP allows eligible shareholders to elect to invest dividends in shares which rank equally with Austal ordinary shares. The DRP provides a convenient and cost-effective way for eligible investors to invest part or all dividends into new Austal ordinary shares, without incurring brokerage charges or commission.

Ordinary shares will be issued to participants to satisfy any ordinary shares to be issued under the DRP relating to the 15 October 2019 dividend. The allocation price for the shares to be issued under the DRP will be calculated as the volume weighted average market price of Austal shares traded on the ASX over a period of 5 business days from Monday, 23 September 2019 to Friday, 27 September 2019 (inclusive of those dates). No discount shall apply to the allocation price. Shares will be issued on Friday, 25 October 2019 following the payment of the dividend.

Participation in the DRP is open to all shareholders who have a registered address in Australia or New Zealand. A summary of the DRP rules and an application form for participation (Participation Notice) will be emailed to all shareholders. Shareholders who wish to participate in the DRP must return the Participation Notice to Austal's share registry, Link Market Services, by 5:00pm (WST) on Tuesday, 17 September 2019.

Details for Link Market Services are:

QV1 Building
Level 12, 250 St Georges Terrace
PERTH WA 6000
Enquiries: 1300 554 474 (Australia) or +61 1300 554 474 (International)

Shareholders may obtain a copy of the Participation Notice by contacting Link Market Services. A summary of the DRP rules are available on Austal's website at www.austal.com.

Key dates to note for the application of the DRP to the upcoming dividend are:

- Last date for receipt of elections to participation in DRP: Tuesday, 17 September 2019.
- 5 trading day pricing period for DRP: Monday, 23 September 2019 to Friday, 27 September 2019.
- Date for issue of shares under DRP: Friday, 25 October 2019.

ABOUT AUSTAL

Austal is an Australian shipbuilder and global defence prime contractor which designs, constructs and sustains some of the world's most advanced commercial and defence vessels.

Austal successfully balances commercial and defence projects and celebrated 30 years of success in 2018. Austal has designed, constructed and delivered more than 300 commercial and defence vessels for more than 100 operators in 54 countries worldwide.

Austal is Australia's largest defence exporter and the only ASX-listed shipbuilder. Austal has industry leading shipyards in Australia, the United States of America, Philippines, Vietnam, China and service centres worldwide.

Austal delivers iconic monohull, catamaran and trimaran commercial vessel platforms – including the world's largest trimaran ferry and multiple defence programs such as the Littoral Combat Ship (LCS) and Expeditionary Fast Transport (EPF) for the United States Navy.

Austal has grown to become the world's largest aluminium shipbuilder.

FURTHER INFORMATION

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