



**COMPANY ANNOUNCEMENT
20 FEBRUARY 2020**

AUSTAL INCREASES NPAT BY 72%

SUMMARY:

- Revenue of \$1.039 billion (FY2019 H1: \$851.3 million), up 22%
- EBIT of \$59.9 million (FY2019 H1: \$40.4 million), up 48%
- NPAT of \$40.8 million (FY2019 H1: \$23.7 million), up 72%
- Earnings growth across the business, with stronger margins from USA and from Australasia, which almost doubled its earnings contribution compared to FY2019 H1
- Earnings per share of 11.5 cents (FY2019 H1: 6.7 cents), up 71%
- Retained strong net cash position of \$152.4 million (30 June 2019: \$150.7 million net cash)¹
- Maintained unfranked interim dividend of 3.0 cents per share
- \$4.3 billion order book provides visibility of work out to FY2024, with 41 vessels currently under construction or scheduled across seven shipyard locations in the USA, Australia, Philippines, Vietnam, and China
- Full year EBIT guidance is increased to a minimum of \$110 million (up ~5%)

Austal Limited (**Austal**) (ASX:ASB) has delivered record first half revenue and NPAT for the six months ended 31 December 2019 (FY2020 H1).

Austal Chief Executive Officer David Singleton said: "It is very pleasing that the growth of earnings has continued into the first half of FY2020 following a record FY2019."

"Our revenue and earnings were a record for an interim reporting period, but what was more important were the ongoing strides we took in the half in ensuring that Austal is well positioned for the future.

¹ Excluding the notional debt of the Cape Class Patrol Boats (CCPB) 9 & 10 leasing program 31 December 2019 \$(44.763) million, 30 June 2019 \$(48.798) million.

“This included outstanding and hard won financial and program improvements from our USA shipyard, which continues to go from strength to strength both in its new shipbuilding activities on the world class EPF and LCS vessels and in growing the ship support activities. Outside of the USA we completed the construction of a new shipyard in Vietnam and a major expansion in the Philippines, each of which should deliver high quality vessels at an unbeatable cost base, in all probability, for decades to come. We have every intention of remaining the number one high speed vessel designer and builder in the world as we continue to see great market opportunities both in Europe and in Asia.”

FINANCIAL RESULTS

Austal generated \$1.039 billion in revenue in FY2020 H1 (FY2019 H1: \$851.3 million).

The USA shipyard accounted for 77 per cent of total revenue, with Australasia growing to 23 per cent as commercial ferry throughput continued to rise (FY2019 H1: USA 80 per cent, Australasia 20 per cent). Shipbuilding accounted for ~85 per cent of total revenue and support 15 per cent (FY2019 H1: shipbuilding 86 per cent, support 14 per cent).

This stronger revenue flowed through to earnings, with Austal reporting earnings before interest and tax (EBIT) of \$59.9 million, up from \$40.4 million in FY2019 H1. This growth was underpinned by a US shipbuilding margin of 8.1 per cent (FY2019 H1: 7.1 per cent) – within the Company’s FY2020 guidance of 7.5–8.5 per cent – and enhanced by a stronger contribution from Australasia. This translated into a record first half Net Profit After Tax (NPAT) of \$40.8 million, a 72 per cent increase on the prior corresponding period (FY2019 H1: \$23.7 million).

USA SEGMENT

Austal’s USA segment reported revenue of \$804.6 million (FY2019 H1: \$686.8 million) and EBIT of \$65.6 million (FY2019 H1: \$49.1 million).

Shipbuilding margin from Austal USA grew to 8.1 per cent, reflecting the stable, efficient production of the Littoral Combat Ship (LCS) and Expeditionary Fast Transport (EPF) programs. The Company delivered EPF 11 during the half. Support work also continued to increase with the growing number of Austal-designed and built vessels being commissioned and deployed by the US Navy. Support revenue was \$129.5 million in FY2020 H1, up 44 per cent on the prior corresponding period. Austal has continued to invest in its support capabilities by growing its presence on the west coast of the USA and Singapore to support deployed vessels.

AUSTRALASIA SEGMENT

Austal's Australasia segment reported revenue of \$240.7 million (FY2019 H1: \$169.7 million), a 42 per cent increase on the prior corresponding period. EBIT improved substantially, up 98 per cent on the prior corresponding period to \$8.2 million (FY2019 H1: \$4.1 million).

Growth in Australasia revenue and earnings was largely driven by work on major ferry programs Austal is constructing across its expanded capacity in the region. The expansion has caused some operational issues both in Australia (predominantly around managing the large growth of the workforce) and particularly in the Philippines (as it built the infrastructure and workforce to deliver Austal's largest ever commercial ferry). Some of those programs have also experienced significant delays from a small number of key suppliers which has required management and detailed engagement with the suppliers in order to mitigate the impact of those delays. Notwithstanding these issues, the commercial ferry programs are now well advanced, including the launch of two of the largest vessels for customers in Spain and Norway during February 2020, with two more large ferries for Japan and Trinidad & Tobago being prepared for launch and trials during CY2020 H2. The new and expanded shipyards in the Philippines and Vietnam are now proving their capability and are transitioning onto new vessels in the order book.

The Western Australia shipyards were also busy working on two Cape Class Patrol Boats for the Government of Trinidad and Tobago, and the 21-vessel Guardian Class Patrol Boat program, of which two more were delivered during FY2020 H1.

CASH AND CAPITAL MANAGEMENT

Austal's cash at bank was slightly lower at \$274.6 million (30 June 2019: \$275.7 million), offset by a decrease in gross debt to \$122.2 million (30 June 2019: \$125.0 million), resulting in a stable net cash position. As in prior periods, this excludes the impact of the Cape Class Patrol Boat (CCPB) 9 & 10 leasing program. This strong position has enabled the ongoing payment of dividends whilst ensuring Austal retains capacity to invest in the business for its next phase of growth.

Austal reported positive operating cash flow of \$22.1 million (FY2019 H1: \$101.9 million). This lower result reflects the lumpy nature of milestone cash payments from customers, which are evened out over the cycle. This is exemplified by the fact that Austal has generated approximately \$425 million of operating cash flow over the past six years, demonstrating Austal's ability to deliver value from its order book over time.

INTERIM DIVIDEND

Austal's Board has declared an unchanged unfranked interim dividend of 3 cents per share. The franking position continues to reflect the predominance of Austal's earnings being generated in the USA (which do not generate franking credits). In addition, the utilisation of carry forward losses and credits will offset tax liability in Australia for several years.

Details of key dates regarding the dividend are:

- Ex-dividend date: 16 March 2020
- Record date: 17 March 2020
- Payment date: 17 April 2020

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 is updating its EBIT guidance for the 2020 financial year to a minimum of \$110 million (previously a minimum of \$105 million), recognising that USA had a strong H1 and a number of risks still remain in the Australasia delivery schedule in H2. The company still anticipates that FY2020 revenue will be no less than \$1.9 billion and USA shipbuilding margin will in the range of 7.5 – 8.5 per cent.

Austal Chief Executive Officer David Singleton said the Company's strong order book and enhanced shipyard capacity ensured good visibility in the medium term.

“We are heading into the second half of FY2020 with a strong order book, which is being enhanced by growth in support services work in a trend that we hope will continue,” Mr Singleton said.

“We are now seeing the benefits of a revised strategy to focus on a smaller number of larger defence programs in the Australasia region where we have a strong position either through a product, Commonwealth of Australia Government support for exports, or our geographic footprint. We have reasonable confidence that this strategy will deliver new programs into the order book in the months ahead. This marketing approach is exemplified by the sale of two Cape Class Patrol Boats to Trinidad and Tobago which was underpinned by Commonwealth of Australia Government support. This support brought significant jobs and benefits together with the continued development Australian Industry Capability (AIC) in shipbuilding, as Austal has consistently done for 31 years.

“In the USA, the Navy is required by Congress to continue its enlargement and ‘pivot’ to Asia. Both Acting Secretary of Navy Thomas Modly and President Donald Trump’s national security adviser, Robert O’Brien, have been clear in the past few months that the US Navy needs to increase its fleet from 292 vessels to 355 vessels without delay and Austal is positioned to serve the US Navy and assist in achieving that goal with fit-for-purpose vessels.”

“The FY2020 Congressional budget has appropriated funds for modifications to design and build an EPF with advanced medical capabilities with funding award expected in this financial year. The funding will result in EPF 14 being modified and delivered to this standard and Austal believes that further variants of this type will be required in the future. Austal continues to believe that recent and planned significant upgrades to the EPF platform will ensure its use and adaptability into new applications. “

“The US Congressional budget included funds for the first FFG(X) vessel that Austal is bidding against three other shipbuilders in the USA. In addition and of note is a significant move of the US Navy to unmanned surface vessels, in which Austal has had involvement for some time and was recently named as a participant in a circa US\$1 billion contract for autonomous vessel system development. We believe that this technology will become a significant part of naval expertise in the future across the world.”

This ASX announcement has been approved and authorised for release by David Singleton, Austal Limited’s Chief Executive Officer.

-Ends-

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 FY2020 H1 results at the time listed below.

Conference call details:

Date: Thursday, 20 February 2020
Time: 7:30am Perth time (AWST) / 10:30am Sydney time (AEDT) – participants are requested to dial in 5 minutes prior to the start time
Phone: 1800 123 296 (toll free) / +61 2 8038 5221 (toll) – additional numbers below
Conference ID: 5756108

Dial-in details:

Domestic participants can dial either of the numbers below to join the call.

Toll free: 1800 123 296 or Toll: +61 2 8038 5221

International toll-free numbers are listed below. 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	30082034	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 call will be available shortly after the conclusion of the call via <http://www.openbriefing.com/OB/3678.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 17 April 2020 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 17 April 2020 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 March 2020 to Friday, 27 March 2020 (inclusive of those dates). No discount shall apply to the allocation price. Shares will be issued on Friday, 17 April 2020 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 Wednesday, 18 March 2020. 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 and the 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: Wednesday, 18 March 2020.
- 5 trading day pricing period for DRP: Monday, 23 March 2020 – Friday, 27 March 2019.
- Date for issue of shares under DRP: Friday, 17 April 2020.

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About Austal

Austal is Australia's global shipbuilder and defence prime contractor designing, constructing and sustaining some of the world's most advanced commercial and defence vessels. For more than 30 years Austal has contracted more than 300 vessels for over 100 commercial and defence operators in 54 countries, worldwide. Austal is Australia's first ASX-listed shipbuilder and the world's largest aluminium shipbuilder. Austal has industry-leading shipyards in Australia, the United States of America, Philippines and Vietnam with service centres worldwide, including the Middle East. 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 is the only foreign-owned prime contractor designing, constructing and sustaining ships for the US Navy.

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