



COMPANY ANNOUNCEMENT
24 AUGUST 2021

AUSTAL GENERATES STRONG EARNINGS AND NPAT

SUMMARY:

- Revenue of \$1.572 b (FY2020: \$2.086 b), down (24.6%)
- EBIT of \$114.6 m (FY2020: \$130.4 m), down (12.1%)
 - Second highest on record
 - Higher average FY2021 FX translation had a negative EBIT impact of \$(11.1) m.
- Second largest NPAT in company's history of \$81.1 m (FY2020: \$89.0 m)
- Improved shipbuilding margins, particularly in the USA, drives earnings resilience
- Record number of ship deliveries in a year (19)
- Maintained solid balance sheet with net cash position of \$199.7 m (30 June 2020: 231.5 m net cash), even after \$67 m capital expenditure increase, and negative FX impact
- Retained total fiscal year dividends of 8.0 cents per share, unfranked
- Austal is on track to be steel ready by May 2022 and is pursuing its first program to demonstrate steel capability with the T-ATS programme
- Order book of \$2.5 b, will increase by \$0.2 b if EPF 15 is fully definitised.

Austal Limited (**Austal**) (ASX:ASB) achieved its second highest earnings before interest and tax (EBIT) and net profit after tax (NPAT) figures for a fiscal year, according to financial results for the 12 months ended 30 June 2021 (FY2021) released by the Company today.

Austal Chief Executive Officer Paddy Gregg said: "I'm very pleased that Austal has delivered strong profit and earnings, as we strengthen our position to unlock significant long-term opportunities in the shipbuilding industry and broader defence sector."

"Our net profit after tax and earnings before interest & tax figures for FY2021 totalled \$81.1 m and \$114.6 m respectively, which were both our second highest on record."

“This was despite revenue declining by 24.6% to \$1.572 b, as a result of lower throughput and Support work in the US, COVID-impacts, and an appreciating Australian Dollar against the US Dollar, which had an \$(11.1) m unfavourable impact on FY2021 EBIT.”

“Our robust earnings and bottom line were underwritten by increased shipbuilding margins at both our USA and Australasia operations, as we continued to deliver across our naval programmes.”

“Subsequently, we have been able to maintain total FY2021 dividends at 8 cents per share with a final dividend of 4 cents per share.”

“This is a testament to the durability of our operations and our ability to maintain a robust financial base, even amidst the challenges of a COVID-19 impacted environment in FY2021.”

“Importantly, the momentum we have generated by continuing to successfully deliver for key customers, despite COVID impacts, will enable the Company to transition towards the next phase of business growth as our Littoral Combat Ship construction program winds down over the next three years.”

FINANCIAL RESULTS

Austal generated \$1.572 b revenue in FY2021 (FY2020: \$2.086 b) and earnings before interest & tax (EBIT) of \$114.6 m (FY2020: \$130.4 m), both in line with the most recent guidance of approximately \$1.55 b revenue and an EBIT range of between \$112 m and \$118 m.

The FY2021 results were impacted by an appreciation in the average USD : AUD exchange rate from \$0.666 to \$0.733 which had a \$(11.1) m negative impact on EBIT, the steady reduction in LCS volume, COVID-related border closures, travel restrictions and resourcing challenges materially impacting Austal’s shipbuilding operations in Australasia and sustainment activity in the USA and a \$(2) m increase in cost recognition of software-as-a-service due to changes in IFRIC¹’s interpretation of the International Financial Reporting Standards published in April 2021.

The strong EBIT result, despite the (24.6)% decrease in revenue, was predominantly driven by enhanced shipbuilding margins, particularly in the USA. This cascaded through to the net profit after tax (NPAT) figure of \$81.1 m (FY2020: \$89.0 m), the second highest on record.

¹ International Financial Reporting Interpretation Committee

USA

USA reported total revenue of \$1,176.6 m (FY2020: \$1,603.8 m) and EBIT of \$131.7 m (FY2020: \$123.7 m).

USA reported shipbuilding revenue of \$1,013.0 m (FY2020: \$1,310.7 m) and EBIT of \$105.4 m (FY2020: \$106.8 m).

Shipbuilding margin from Austal USA was 10.4%, an increase from 8.1% in FY2020. The margin improvement emanates from the award of incentives, achievement of key milestones and retirement of risk on the Littoral Combat Ship (LCS) program.

Austal successfully delivered EPF 12 (USNS Newport), LCS 26 (USS Mobile) and LCS 28 (USS Savannah) during FY2021.

EBIT from support work increased by 55.7% to \$26.3 m (FY2020: \$16.9 m), as the support margin rose substantially from 5.8% to 16.0%, assisted by the approval of US Navy incentives, additional funding that related to work undertaken in FY2020, and higher margin fixed price contracts.

This was despite support revenue declining by (44.2)% to \$163.6 m (FY2020: \$293.0 m), partly due to a combination of COVID-19 restrictions and dockings by the US Navy being reduced as a result of the high quality of the vessels Austal delivered.

Austal anticipates natural growth of the Support business over the longer term, which was reinforced by the Company's recent admission into the Sustainment Execution Contract panels on the East and West coasts of USA, as well as the progression of its strategy to invest in support work facilities and a floating dock in San Diego.

Austal is investing significantly in USA shipbuilding, with construction of steel shipbuilding facilities in Mobile, which is being 50% funded by the US Government up to an agreed maximum of US\$50 m. Construction is progressing as scheduled, with the Company remaining on target to be capable of commencing construction of the first steel vessel by May 2022.

AUSTRALASIA

Australasia reported revenue of \$405.8 m (FY2020: \$496.8 m), constituting 25.8% of Total Group Revenue and an 18.3% reduction on the FY2020 result.

Revenue was affected by COVID-19 travel restrictions inducing weaker demand for orders in the commercial ferry market, inducing labour shortages, a material feedstock quality issue, equipment supply delays and incremental costs at shipyard operations.

Accordingly, segment EBIT decreased by 44.0% to \$17.3 m (FY2020: \$30.9 m). Shipbuilding margin improved to 5.2% (FY2020: 4.2%) despite the COVID challenges.

This demonstrates Austal's operational resilience and excellence, with 5 vessels delivered for the Guardian Class Patrol Boat (GCPB) programme during the fiscal year, and two Cape Class Patrol Boats (CCPB) to the Trinidad and Tobago Coast Guard.

The Company's support presence is also expanding considerably in the region, underpinning long-term sustainable revenue.

This was reflected in support revenue in FY2021 increasing by 35.4% to \$95.8 m (FY2020: \$70.8 m).

Austal completed the acquisition of Queensland-based BSE Maritime in FY2021, with further growth of the support business a key focus.

CASH AND CAPITAL MANAGEMENT

Austal's cash at bank at the end of FY2021 stood at \$346.9 m (30 June 2021 \$396.7 m), with the Company maintaining a solid cash position even after increasing capital investment by \$67 m relative to FY2020, and a \$(25.7) m decrease due to foreign exchange translation. Gross debt excluding Cape Class Patrol Boat (CCPB) 9 & 10 decreased to \$115.0 m (30 June 2020: \$124.3 m), due to the foreign exchange translation.

This resulted in a net cash position of \$231.9 m (30 June 2020: \$272.4 m net cash). This excludes the impact of the CCPB 9 & 10 leasing program as in prior periods.

The continued strong net cash position and prudent capital management 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 operating cash flow of \$107.3 m (FY2020: \$164.5 m). Cash generation is influenced by the timing of milestone cash payments from customers and therefore is prone to fluctuation between periods as the Company has consistently stated previously.

FINAL DIVIDEND

Austal's Board has declared a final dividend of 4.0 cents per share, unfranked, bringing dividends relating to FY2021 to 8.0 cents per share (FY2020: 8.0 cents per share).

Details of key dates regarding the dividend are:

- Ex-dividend date: Wednesday, 8 September 2021
- Record date: Thursday, 9 September 2021
- Payment date: Thursday, 21 October 2021

OUTLOOK

Austal anticipates that the COVID-19 situation will remain dynamic in FY2022, with subsequent uncertainty surrounding the broader macroeconomic impacts on the business.

Therefore the Company has resolved not to provide EBIT guidance for FY2022 at this point in time as with FY2021. Austal will keep shareholders abreast of any material impacts to the business and at this stage anticipate that the next market update will be provided at the 2021 Annual General Meeting.

Austal has an order book of \$2.5 b, running through until FY2025, which has reduced from FY2020 as the LCS and EPF programmes advance to maturity.

Revenue guidance for FY2022 is ~\$1.5 b based on an assumed USD / AUD exchange rate of 0.75. This includes revenue associated with EPF 15 (US\$60 m awarded, US\$175 m to be definitised).

Austal Chief Executive Officer Patrick Gregg said Austal was transitioning as US shipbuilding revenue was affected by the wind-down of the LCS program over the next three years.

"Fortunately we are progressing through this transition period from a position of strength with a healthy balance sheet; opportunities that are real and already visible; and a supportive US Government which is directly investing in the future of our facilities."

"This progression includes Austal USA breaking ground on the new steel shipbuilding facility and successfully advancing subsequent construction, enabling Austal to bid for several major steel programmes including the US Coast Guard Offshore Patrol Cutter Program in June 2021. We are

already undertaking functional design work and seeking to secure a shipbuilding contract for the T-ATS programme for the US Navy, which places us in good stead to secure these substantial future steel shipbuilding opportunities.”

“Additionally, the US\$44 m contract from the US Navy in June FY2021 to develop autonomous capabilities on the EPF 13 unlocks another significant pathway for the Company to play a crucial role in building the naval ships of the future.”

“Signing the MOU with the Australian Missile Corporation in August 2021 is a clear indication that we are also pursuing a considerable role as a sovereign prime contractor across the wider defence sector.”

“While COVID remains a lingering obstacle, we are starting to see some signs of improvement in affected segments, such as our commercial business, with the award of a commercial order for our Vietnam yard in August 2021.”

“With 29 vessels still to build and deliver in our order book, mounting steel and technological capabilities, a growing support presence, our continued defence-related R&D investment, and a robust net cash position of \$199.7 m at 30 June 2021, we have the optimal platform to pursue organic and inorganic growth opportunities.”

-Ends-

CONFERENCE CALL

Austal Chief Executive Officer Patrick Gregg and Chief Financial Officer Greg Jason will hold an analyst and investor conference call to discuss the Company's FY2021 results at the time listed below.

Conference call details:

Date: Tuesday, 24 August 2021
Time: 7:30am Perth time (AWST) / 09:30am Sydney time (AEST)
Pre-Registration Link: <https://s1.c-conf.com/diamondpass/10015148-49i2qz.html>
Conference ID: 10015148

Dial-in details:

Please click on the pre-registration link and follow the steps to enter your details. A calendar invite will then be sent to you with dial in details and a unique code to be quoted when dialling into the call. Preregistration gives you immediate access on the day with no need to wait for an operator.

An archived copy of the call will be available shortly after the conclusion of the call via <http://www.openbriefing.com/OB/4333.aspx>

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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.