4 May 2023

Trading and FY23 Guidance Update

Austin Engineering Limited (ASX: ANG, 'Austin' or 'the Company') is providing an update to its trading performance and FY23 NPAT guidance for the FY23 financial year.

Normalised Net profit after tax for FY23 is now expected to be in the range $17-$19 million for the Austin group, including Mainetec. This figure is down from the previously reported guidance of $24 million, excluding Mainetec, including for the reasons discussed below.

Whilst 3 of the 4 Austin regional business units have continued to operate well through the period, the increase in performance of the Perth truck tray operation has not been sustained as previously anticipated, primarily due to a delayed order from a major customer. Austin noted in its 21 February 2023 announcement that its revenue tends to be skewed 40%/60% across the two halves of the year, with this 'seasonality' being driven by the buying patterns of a few significant customers. The delayed customer order has resulted in a continued under-recovery of costs in Perth that cannot now be offset in this financial year or by performance in other businesses. Whilst the customer contract has been signed and supply requirements confirmed, actual purchase orders have been delayed. Purchase orders are now being placed and production will start immediately.

As a result of the manufacturing lead times required to build equipment, and the difficulty in increasing labour levels quickly, activity under this contract will move anticipated sales (and therefore margin) into the next financial year.

Austin's current expectation is that, as a result of the shift of sales, the Perth business unit should have a good order book going into FY24. It is anticipated that Austin's Indonesian business will play an even larger role in manufacturing this workload. We are taking steps to further increase capacity in Batam, Indonesia to cope with the expected activity increase.

Other operational units have continued to progress well towards the previously stated company EBITDA margin target range of 18%-20%.

Austin's biggest unit (in the USA) will achieve elevated sales in FY23 which are on track to approximately doubling sales since FY21 with margins moving towards the target range including, despite significant adverse weather conditions that have increased costs and slipped some sales into FY24. Austin USA is now preparing to use Austin Indonesia as a production source to manage its growing workload, and labour constraints.

The Indonesian business unit has also increased sales substantially compared to the last 2 years, with FY23 revenue on track to nearly doubling that of FY22. Indonesia is now consistently exceeding average target margins even as it has gone through a strong investment and growth stage which has inevitably caused some level of disruption and associated cost during the year.

The Chile business unit is again performing well after significant improvements that were implemented 2 years ago and a near doubling of capacity implemented in the first half of FY23, which again created some disruption and therefore impacted margins. Notwithstanding such disruption, the business is on track to grow FY23 revenue by over 40% (compared to FY22) and operate above the target margin in the second half driven by increasing revenue and efficiency.

Chile is due to receive its first deliveries under the Austbuy program in May 2023 which should assist in competitiveness and have the potential to enhance margins further.

Operations in Queensland, which include Mainetec and Austbore, are also developing well with average margins improving despite the fact that material price benefits from the Austbuy program have not yet been included in sales revenue which will be a focus for FY24.

Normalised Group revenue is currently forecast to be up circa 25% in FY23 (compared with FY22). The group order book remains strong.

Notes:

- *As stated in earlier guidance (see, for example, announcement of 21 February 2023) guidance and comparisons stated above are provided on the basis that results are normalised to eliminate one off costs for continuing operations including historic IT project costs, Canada lease write down and prior year warranty costs. Constant FX rates are used based on end FY22 actuals.*
- *Austbuy is the Austin bulk procurement program. Austbuy has been rolled out in Perth and Indonesia and is due for roll out in Chile and Queensland during May 2023.*
- *Business unit EBITDA margins referenced above relate to anticipated results before any recharge of corporate costs.*

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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.