AGM Presentation

Friday 21 November 2014

austiningenieros
Pilbara Hire
SERVIGRUT
WESTECH
JEC
AUST BORE SERVICE WITH GRUNT
COR COOLING Creating Optimum Reliability
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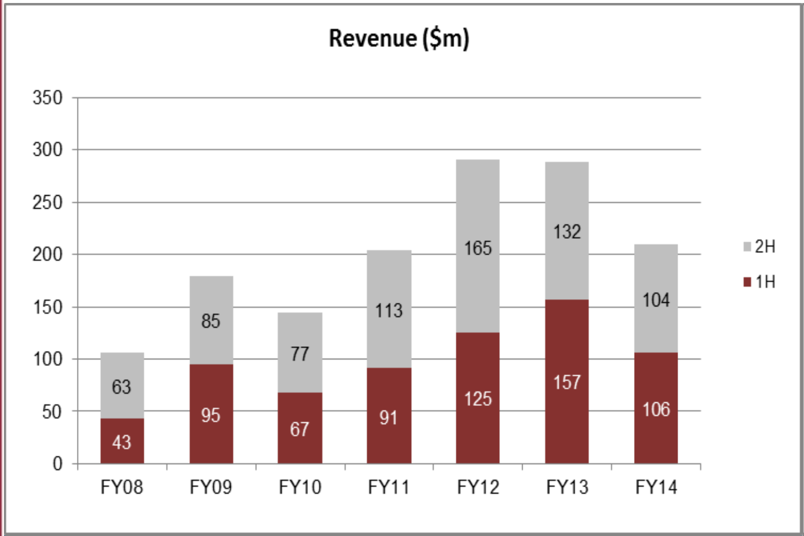
Agenda

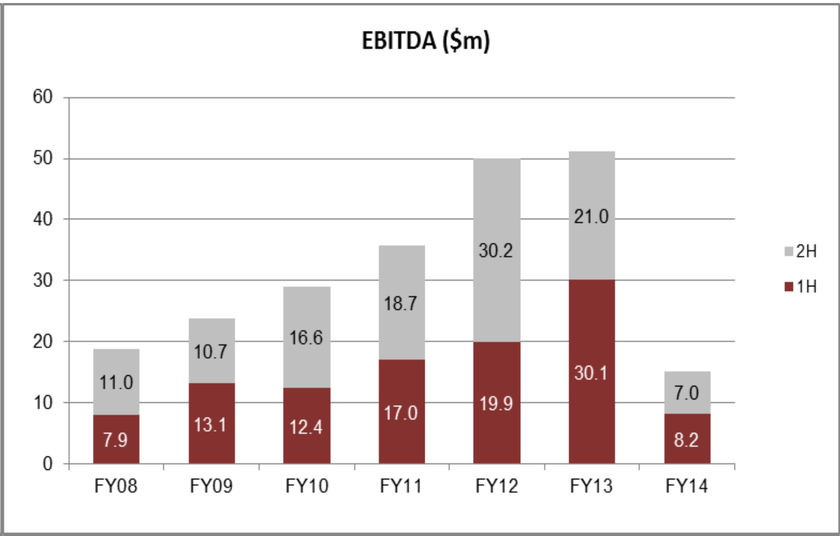
- Commencement of meeting at 10:30am
- Chairman's address
- Managing Director's address and presentation
- Questions on Managing Director's address and presentation
- AGM formalities
- Close and opportunity to meet over refreshments

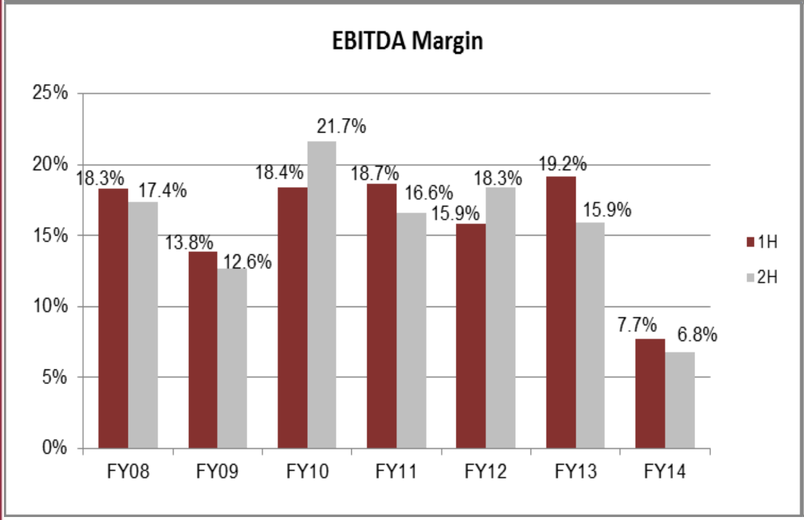
FY14 Overview

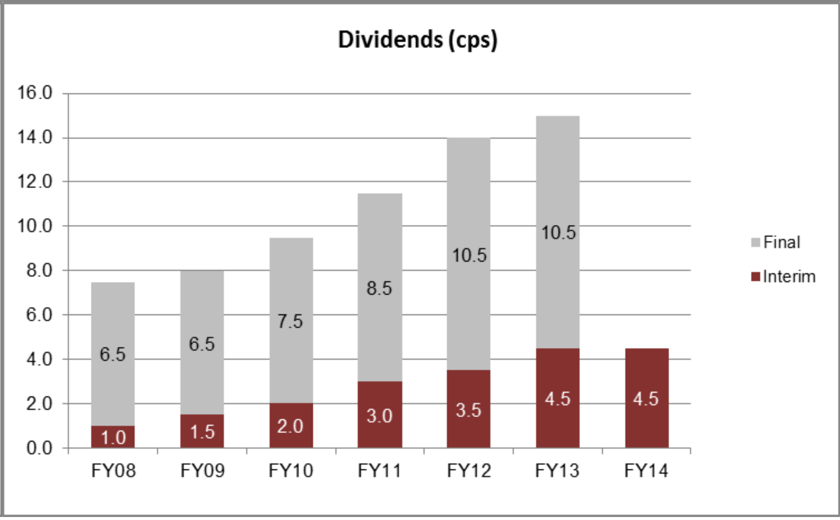
- Full-year FY14 EBITDA of $15.2m, which was 70% lower than the FY13 result, due to the significant reductions in capital and replacement spending in the mining sector globally
- Banking covenants re-negotiated and met for June 2013
- Operations have remained focused and efficient despite low activity
- A significant improvement in the Long Term Injury Frequency Rate from 4.7 in FY13 to 3.3 in FY14
- Investment in acquisitions and facilities in South America, commenced in FY13 and completed in FY14, combined with lower operating results in FY14, have increased debt to higher than optimum levels
- Comprehensive plan underway to reduce debt during FY15

FY14 Revenue, EBITDA, Dividend Developments









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FY14 Profit and Loss

	FY13 $m	FY14 $m	% Change
Revenue:			
Australia	200.3	125.7	-37%
Americas	78.7	79.5	1%
Middle East	2.4	0.4	-83%
Asia (Indonesia)	7.4	4.3	-42%
	288.8	**209.9**	**-27%**
EBITDA:			
Australia	33.9	8.2	-76%
Americas	14.5	7.0	-52%
Middle East	0.8	0.0	-100%
Asia (Indonesia)	1.9	0.0	-100%
	51.1	**15.2**	**-70%**
EBITDA % Margin:			
Australia	16.9%	6.5%	-61%
Americas	18.4%	8.8%	-52%
Middle East	33.3%	0.0%	-100%
Asia (Indonesia)	25.7%	0.0%	-100%
	17.7%	**7.2%**	**-59%**

- FY14 results were directly impacted by significant reductions in capital and replacement spending in the mining sector globally
- Operations have remained focused and efficient despite the low activity and we have seen Gross Margin % improvements as well safety improvements through a reduction in the Long Term Injury Frequency Rate
- There is significant operating leverage in our business as demonstrated by a comparison of the year on year performance. Revenue fell $79m which had a $36m effect on EBITDA

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FY14 Balance Sheet & Cash Flow

- High levels of investment in facilities and acquisitions that commenced in FY13, and completed in FY14, have provided more capacity and increased assets but have also increased debt
- The reduction of debt is being given the highest priority
- A stock reduction program is underway to reduce debt during FY15
- FY15 will also see very tight restrictions on capex to maximise cash and reduce debt
- Excess land in South America to be sold and the proceeds used to reduce debt
- Operating cash flow will improve. The negative operating cash flow in FY14 was caused by work performed in FY14 which was paid for in prior year

	Jun-13 $m	Jun-14 $m
Working Capital	26.7	33.9
Property, Plant & Equipment	106.6	131.8
Total Assets	278.2	305.4
Total Liabilities	124.8	139.8
Net Assets	153.4	165.6
Cash	6.3	7.4
Debt	67.3	97.7
Net Debt	61.0	90.3
Net Gearing %*	30.9%	35.7%

	Jun-13 $m	Jun-14 $m
Operating cash flow	21.6	-6.5
Investing cash flow	-18.0	-40.5
Financing cash flow	-13.5	48.4
Total cash flows	-9.9	1.4

** net debt / net debt plus equity*

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Segment Update

Australia:

- Miners throughout Australia, to-date have continued on their program of cost reductions
- Enquiry levels are much stronger than at the same time last year, in terms of both volume and value
- We are forecasting 2H FY15 to be higher than 1H, with customer budgets reset in January, and the replacement cycle yet to commence
- We have seen a number of competitors exiting during the last 12 months
- We are working with our major clients on new design concepts which will lead to greater payload, minimal maintenance and increased turnover for Austin products
- Pilbara Hire, over the last week, has won a number of contracts including two twelve month contracts, which positions the operation for a good year
- COR Cooling is winning tenders but contract commencements are delayed

Segment Update

Americas:

- American Mining Companies have followed the international trend in delaying expenditure as long as possible.
- Canadian Tar Sands work has been a success for FY14 and is expected to continue
- Positive inroads made in Mexico with several of the larger mining companies resulting in the first order being received in October 2014 from Torex Gold at their Media Luna mine
- Client new budget forecasts (Jan15 – Dec15) point to a significant increase in orders for our Westech operation over the Dec14 – Feb15 period
- Recent multi-year contract wins in the Calama maintenance and Servigrut operations will result in improved performance in FY15. Good prospects of further contract awards during FY15
- The Servigrut acquisition continues to perform well

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Segment update

- The restructure of Chile is complete with distinct manufacturing, equipment hire and R&M businesses already providing a better focus and financial outcome for FY15. However, La Negra still needs more throughput
- Clients have indicated that major tenders will be issued during December through to the first quarter of FY15, including Codelco who are Chile's major client
- Colombia has implemented the new site services contract (150 personnel to Dec 14). Tendered on the 3 year extension
- Colombia has received a significant amount of tenders for equipment commencing January 15. Also expecting further tenders for major projects.
- Peru is looking to secure a new site services contract which is expected to commence in March 2015
- Peru has received a significant order from Xstrata for 20 large tray bodies for new CAT equipment and has a number of large quotes in the market which provides good prospects for growth

Segment update

Asia:

- Indonesia will produce a good result for the first half due to a recent contract win
- Stage two of this contract has been awarded to Austin. Stage two will complete in April 2015, and combined with stage one, this will result in an excellent profit result for Indonesia for FY15

General:

- There is currently a disconnect between our customers mine sites and their corporate offices
- Sites are looking for equipment, and their current 2015 budget submissions reflect this fact
- At this stage, approvals are not forthcoming from these corporate offices
- Dec 14 to Feb 15 is an important period for the Company in terms of converting our expanding tender book into orders for replacement equipment and multi-year contracts

Outlook

- Austin is very well placed to meet the anticipated increase in replacement equipment
- Focus on debt reduction through more efficient working capital management (especially steel stocks), cash-flow improvements and sale of excess land in South America
- South America is showing improved results largely due to the multi-year contracts announced during FY14
- The major workshops of the group continue to operate at reduced levels. Any increase in orders at these locations will see significant increases in profitability
- FY15 will include a full-year result from the Servigrut and the South American contract wins announced during the year
- Firm indications that customer activity is returning
- Significant increases in the level of tenders and volume
- Business conditions are expected to stabilise sometime during FY15
- Based on current work on hand and forecasts we anticipate gradual increases in revenue from January 15 onwards