

# Austin Engineering Ltd

AGM – Company Presentation

25 November 2016



**WESTECH**



**austin**engineering<sup>LTD</sup>

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# Agenda

- Commencement of meeting at 10:00am
- Executive Chairman's address and presentation
- CEO's address and presentation
- Questions
- AGM formalities
- Close

A large blue mining truck is driving away from the viewer on a dirt road. The truck is heavily loaded with a dark, granular material. The background is a hazy, mountainous landscape. The text is overlaid on the image.

# **Executive Chairman's address**

**Peter Pursey**

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## 1. Significant recapitalisation with A\$136m facilities raised

- Senior debt now fully repaid, a reduction of \$82m since June 2015, and \$37m since the 2015 AGM
- Total debt reduced by \$55.7m since June 2015
- \$84m of new funding and facilities raised and utilised during calendar 2016
- South American debt facility security restructured, freeing Australia debt capacity
- Balance sheet positioned to benefit from market recovery

# Active approach to strengthening the Balance Sheet in 2016

Continued focus on strengthening Austin's Balance Sheet throughout 2016 has seen a number of financing options utilised. In total Austin has secured c. \$136m in new financing since Jun-15 and c. \$84m in 2016, allowing the complete exit of the senior debt facilities and a restructuring of the South American loan into an smaller sized asset backed facility.

List of financing achievements	Date implemented	Gross proceeds raised	
Entitlement offer and subordinated loan	Jul-15	\$51.6m	
Bridge loan	Jan-16	\$6.0m	(1)
Sale of COR Cooling	May-16	\$14.5m	
Share placement and entitlement offer	May-16	\$29.7m	
New working capital facility	Jul-16	\$14.0m	(2)
Peru land sale	Aug-16	\$6.1m	
New unsecured loan	Sep-16	\$2.9m	(3)
Sale of surplus crane	Oct-16	\$2.8m	
Share placement	Nov-16	\$8.4m	
<b>Total of financing achievements</b>		<b>c. \$136m</b>	

(1) Repaid

(2) Less than 50% utilised

(3) Repaid

# Debt has been managed down proactively

Since 30 June 2016, Austin has reduced total debt by \$10.7m as at Nov-16 and has now completely repaid the senior debt facility and restructured the South American loans into a smaller facility. Austin's balance sheet is now well positioned to benefit from the anticipated market recovery and solid calendar 2017 pipeline

	Jun-15	Dec-15	Jun-16	Nov-16	Comments
Senior debt	82.2	37.4	6.0	-	• Repaid from capital raising
South American loans	7.6	6.4	5.9	4.5	• Recently restructured
Other debt <sup>1</sup>	7.5	5.8	14.0	17.3	• Increased due to new finance leases, and working capital facility
Subordinated debt <sup>2</sup>	-	19.0	26.4	19.8	• Drawn Jul-15
<b>Total debt</b>	<b>97.3</b>	<b>68.6</b>	<b>52.3</b>	<b>41.6</b>	

Notes:

(1) Includes finance leases and working capital facilities

(2) Value shown is the carrying value of the debt as recorded in the financial statements

## 2. Strategic review

Continue to make significant progress in respect of the initiatives identified in the strategic review

## 3. New senior management are now in place

- Peter Forsyth appointed CEO
- Christine Hayward appointed CFO and Company Secretary

## 4. Encouraging signs for calendar year 2017

- Second half results expected to be above FY16 underlying EBITDA of \$9.2m
- Due to range of changes currently in progress and timing of new works, revenue mix and work volumes, first half trading is expected to be breakeven on an underlying basis
- Order book is currently well above that at the same time last year

## 5. Further new wins since November 2016

- Further order for 27 trays in Perth, successful conversion of tender
- Significant order in Indonesia – 5 trays
- Westech new orders – 8 trays
- Hunter Valley new orders – 2 trays, 1 bucket

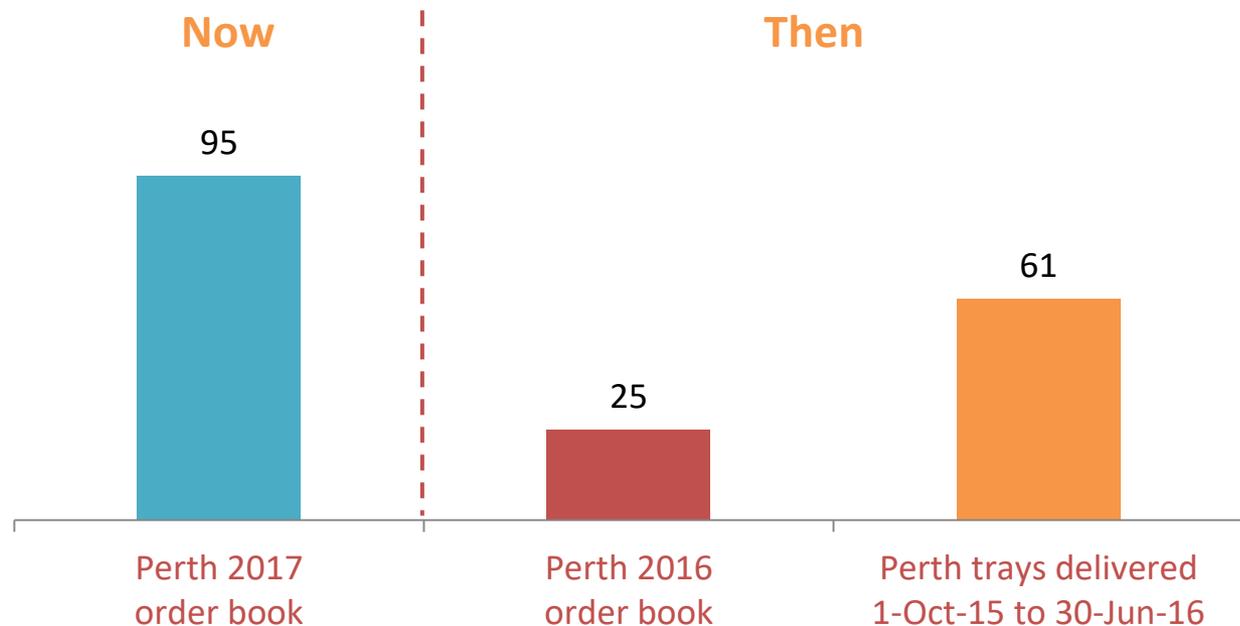
# Encouraging signs for calendar year 2017

Austin's current order book shows encouraging signs for calendar year 2017 and helps underpin FY17:

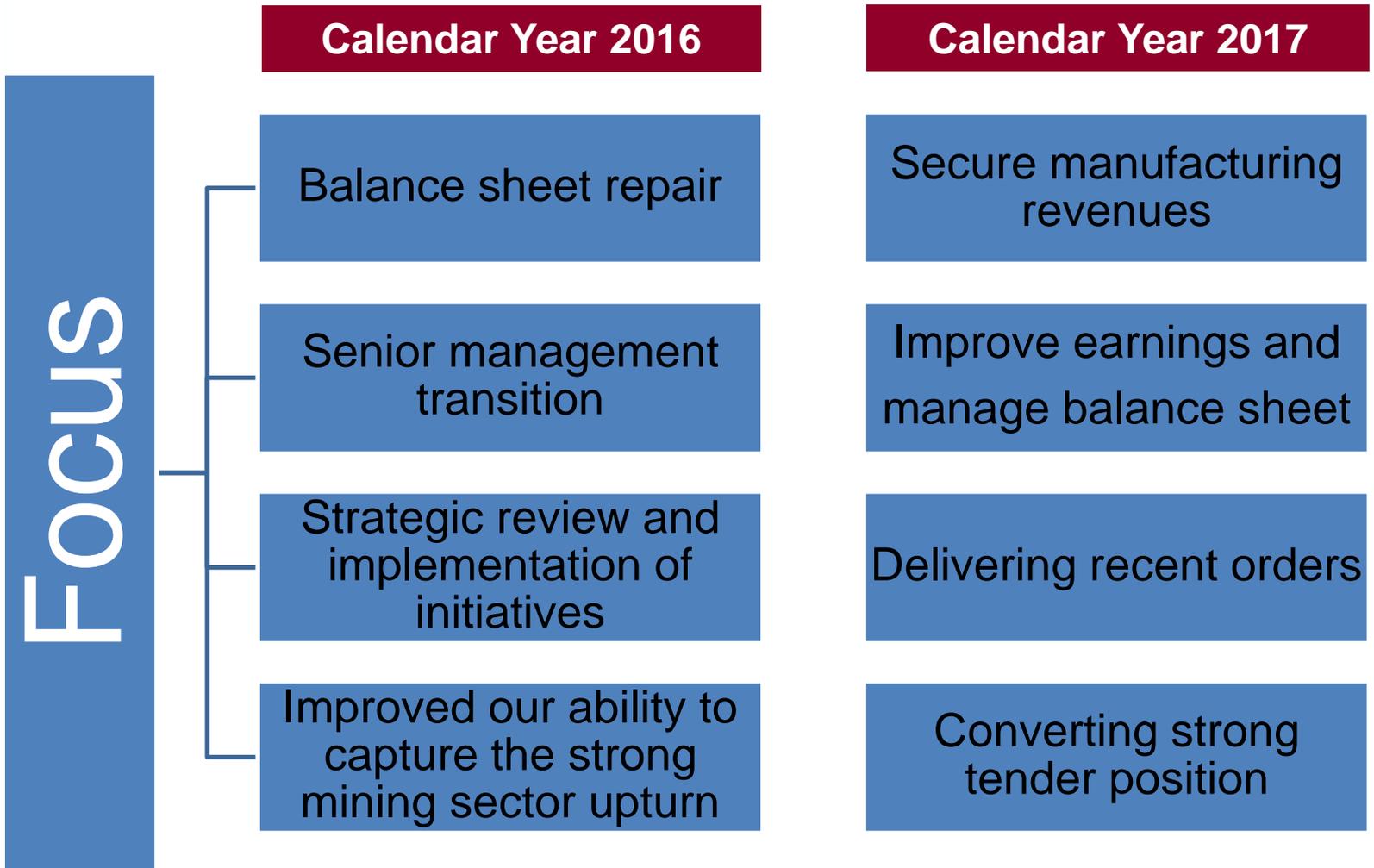
**Evidence:** Perth currently has an order book with 95 trays:

- This time last year Perth had an order book of 25 trays and ultimately completed a total of 61 trays over the period 1-Oct-15 to 30-Jun-16

## Perth order book for trays (# trays)



# Encouraging signs for calendar year 2017



A large blue mining truck is driving away from the viewer on a dirt road. The truck is heavily loaded with a dark, granular material. The background is a hazy, mountainous landscape. The text is overlaid on the image.

# **Executive Chairman's address**

**Peter Pursey**

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A large yellow Westcoast Peabody 620 haul truck is shown in a mining environment. The truck is viewed from a low angle, emphasizing its massive size. It has large, heavy-duty tires and a prominent front grille. The number '620' is visible on the side of the truck's body. The background shows a clear blue sky with some clouds and a dusty ground surface.

**CEO's Address**

**Peter Forsyth**

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# Financials – FY16

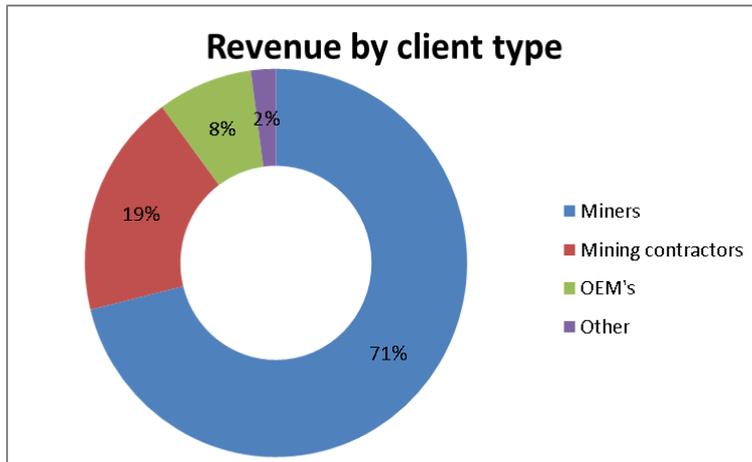
	FY15	FY16
	\$m	\$m
Revenue	210.4	209.8
Gross Margin %	36%	34%
<b>Normalised EBITDA</b>	<b>15.0</b>	<b>9.2</b>
Depreciation	(11.0)	(10.8)
Amortisation / Impairment	(42.0)	(10.0)
Interest Income	1.3	-
Interest Expense	(6.1)	(6.2)
Tax (Expense) / Credit	0.3	7.5
<b>Operating Cash Flow</b>	<b>3.6</b>	<b>(2.0)</b>

Revenues maintained but slight margin compression

Within guidance range of \$8m - \$12m

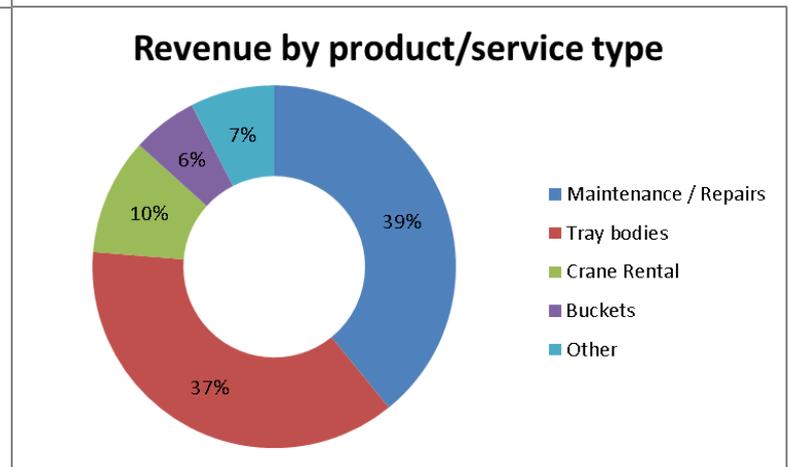
\* normalised means before impairment expenses, one-off costs, restructuring costs & Westech legal fees

# Financials – FY16



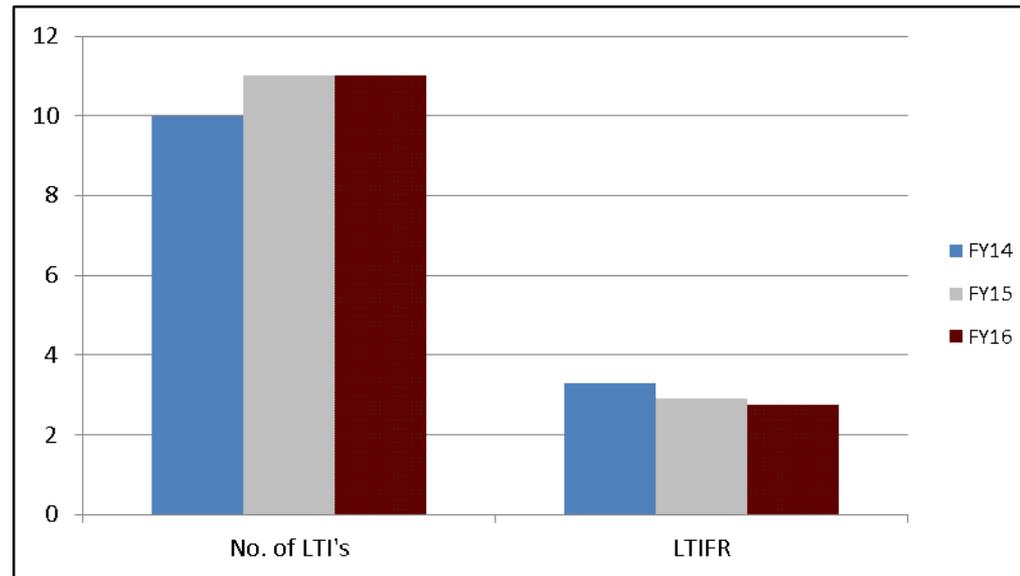
Major mining players with our operations close to their locations

Significant repair work, likely to transition to manufacturing work as part of replacement cycle



## Encouraging signs for financial year 2017

- Mixed performance for the 2017 financial year to date due to range of changes currently in progress and timing of new works, revenue mix and work volumes, first half trading is expected to be breakeven on an underlying basis
- Second half results expected to be above FY16 underlying EBITDA of \$9.2m
- Cause for optimism, order book is currently well above that at the same time last year, both new and replacement trays.



- A continued focus on zero harm has yielded improved safety results in FY16
- The Global LTIFR (Lost Time Injury Frequency Rate) for FY16 was 2.75 which is an improvement from 2.92 recorded for FY15
- New Global Safety Co-ordinator

# Strategic Refocus – Update

Category	Initiatives Underway	Next Six Months
Safety	<ul style="list-style-type: none"> <li>- Global standards</li> <li>- Uniform reporting</li> <li>- Active management</li> </ul>	<ul style="list-style-type: none"> <li>- Rollout of new initiatives in progress</li> </ul>
Engineering excellence	<ul style="list-style-type: none"> <li>- Co-ordinate Aust and USA</li> <li>- Integrate South America</li> </ul>	<ul style="list-style-type: none"> <li>- Global engineering structure</li> <li>- Training programmes</li> <li>- Product libraries</li> </ul>
Optimise fabrication	<ul style="list-style-type: none"> <li>- Improve productivity</li> <li>- Prioritise capital</li> <li>- Standardise procedures</li> </ul>	<ul style="list-style-type: none"> <li>- Progressive rollout of identified opportunities</li> </ul>
Leverage IP	<ul style="list-style-type: none"> <li>- Share Knowledge</li> <li>- Capture field learning into new product designs</li> </ul>	<ul style="list-style-type: none"> <li>- Asset Management feedback into design</li> <li>- Improved marketing co-ordination</li> </ul>
Value add marketing	<ul style="list-style-type: none"> <li>- Focus on products and services value</li> </ul>	<ul style="list-style-type: none"> <li>- New CRM system</li> <li>- Improved knowledge sharing</li> </ul>
Organisational re-design	<ul style="list-style-type: none"> <li>- Structure that supports business initiatives</li> </ul>	<ul style="list-style-type: none"> <li>- New structure consolidated</li> <li>- All key position KPI's set</li> </ul>

Source: Company announcements

# Strategic Refocus - continued

Organisational re-design

**Australasia**

Operations

Perth  
Hunter Valley  
Mackay  
Aust Bore  
Batam Island

Asset  
Management

Perth  
Hunter Valley  
Mackay

**Americas**

North  
America

Wyoming

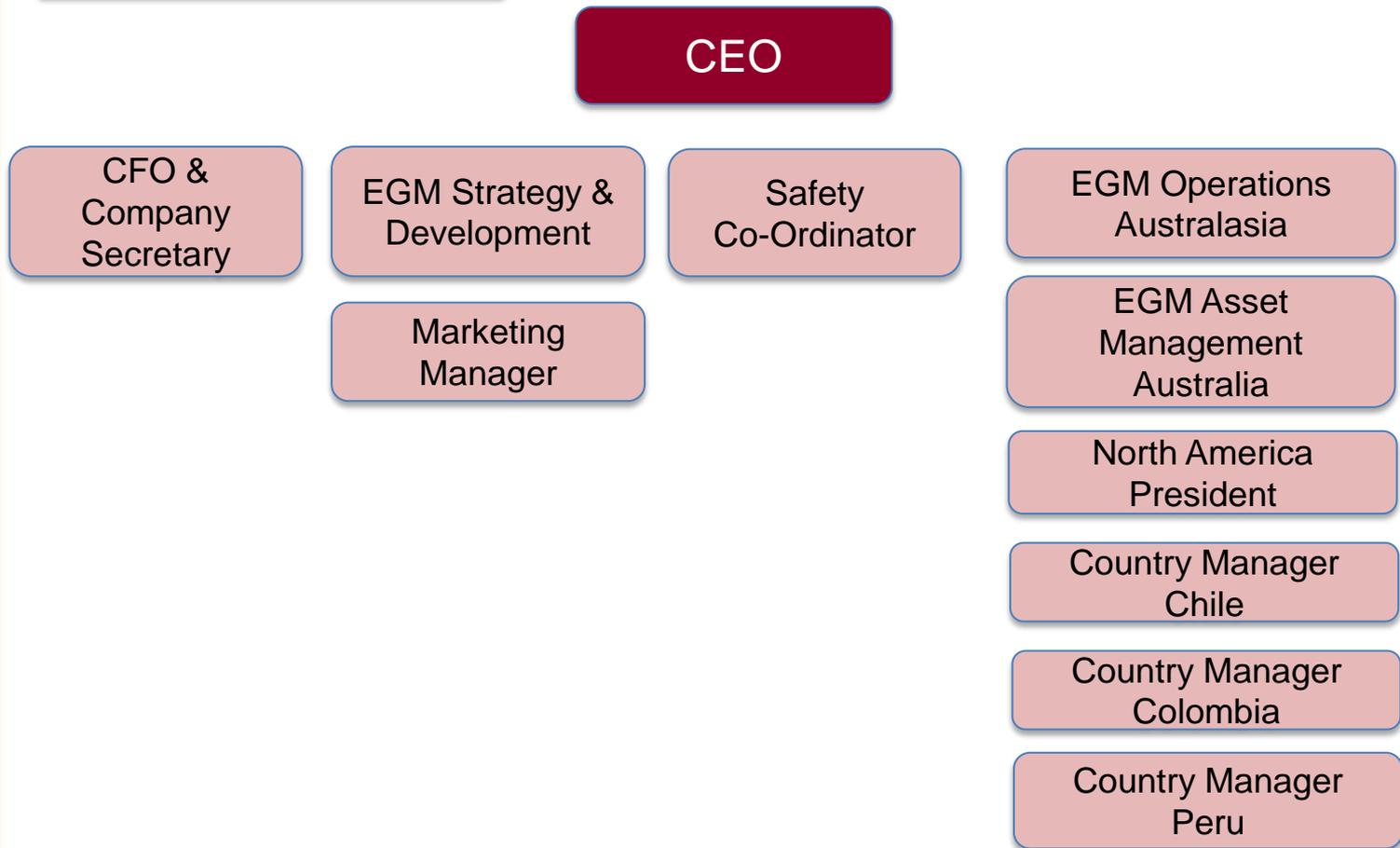
South  
America

Chile  
Colombia  
Peru

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# Strategic Refocus - continued

## Organisational Structure



# Operational Overview

- Stronger committed order position than in recent years
- Large number of tenders under assessment
- Significant number of opportunities yet to be tendered
- Continued expectations of high success rates
- Repairs and maintenance activity remains strong
- Improved utilisation rates across the group's facilities

# Operational Overview

## Australasia

### Perth

- Orders in place for 48 trays with major iron ore client
- Since announcement on 3 November 2016 further order received for 27 trays

### Indonesia

- Orders in place for 9 chutes (over 1,300 tonnes) with global miner
- Significant order received mid 1H17 plus sale of 5 trays held in stock
- Tender book has increased significantly in recent months

### Hunter Valley

- Orders in place 20 trays from an OEM and mining contractor
- Since announcement on 3 November 2016 further orders received for 2 trays and 1 bucket
- Significant new long term off site maintenance and repair contracts

# Operational Overview

## Australasia - continued

### Mackay

- Continue to win repair and maintenance work for major miners
- Remains a difficult market and is trailing behind other Australasian operations in securing new work

### Aust Bore

- Has seen consistent increase in activity since start of financial year.

# Operational Overview

## Americas

### Wyoming

- USA continues to be a tough operating market
- Recent orders placed for 16 trays
- Modest orders received from both USA and Canada

### Colombia

- Steady revenues from site contract with a large miner
- Expecting to manufacture trays and buckets for large miner and another large customer in Colombia

# Operational Overview

## Americas - continued

### Peru

- Base revenues earned from maintenance contract with an international miner
- Supported by manufacturing work and other repair contracts

### Chile

- Site services work underpins Austin Ingenieros business
- Recent order awarded for 12 trays for major mining contractor
- Increased enquiries and receiving orders for other replacement trays

### Servigrut

- Crane business has been difficult with one mine closing
- Existing contract work being tightly controlled by mine owners
- Business remains second largest EBITDA contributor

## Austin Engineering

- Austin's design IP provides a sustainable competitive advantage:
  - Austin's range of mining products and services enable end users to achieve the lowest unit cost of production
  - Superior engineered products customised for specific site conditions
- The quality of Austin's customers, products and staff leave the Company well positioned for future growth
- Customer production levels dictate that the current equipment components will have to be replaced. The delay to this replacement cycle has already lasted for an extended period but preliminary signs are that this is now changing
- Majority of Austin's products are only designed to last 4-5 years (at the moment we are seeing usage into the 5-7 year bracket)

New orders in CY17 should be aided by the recent rally in commodity prices. In particular, iron ore is currently at two year highs at c. US\$80/t.

An upturn in commodity prices combined with components working beyond product life cycle and mine quantities increasing as miners move into new areas requiring additional overburden removal is an encouraging sign for increased orders



Source: IRESS

## Austin Engineering

- Austin strategy of:
  - owning our IP and bespoke designs
  - manufacturing and service / repair of our products as well as being located close to the key resource areas is fundamental to supporting our customers future product and service requirements



# Formal Business

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# Resolution 1

## Adoption of the remuneration report

To consider and, if thought fit, pass the following as an ordinary resolution under section 250R(2) of the Corporations Act 2001:

*'That the Remuneration Report for the year ended 30 June 2016 be and is hereby adopted'.*

Manner in which the security-holders directed proxy votes (as at proxy close):

Votes For	Votes Discretionary	Votes Against	Votes Abstain
80,339,899	123,303,188	25,855,381	25,537
35.01%	53.72%	11.26%	0.01%
After allocation of discretionary votes: <b>88.73% For</b> , 0.01% Abstain			

# Resolution 2

## Election of Mr James (Jim) Allan Walker as Non-Executive Director

To consider and, if thought fit, pass the following as an ordinary resolution:

*'That Mr Jim Walker, who having been appointed as a Director of the Company on 8 July 2016 in accordance with the Company's constitution, be elected as a Director of the Company.'*

Manner in which the security-holders directed proxy votes (as at proxy close):

Votes For	Votes Discretionary	Votes Against	Votes Abstain
108,905,219	123,303,188	443,353	3,310
46.81%	53.00%	0.19%	0.00%
After allocation of discretionary votes: <b>99.81% For</b> , 0.00% Abstain			

# Resolution 3

## Election of Mr Christopher (Chris) Charles Indermaur as Non-Executive Director

To consider and, if thought fit, pass the following as an ordinary resolution:

*'That Mr Chris Indermaur, who having been appointed as a Director of the Company on 8 July 2016 in accordance with the Company's constitution, be elected as a Director of the Company.'*

Manner in which the security-holders directed proxy votes (as at proxy close):

Votes For	Votes Discretionary	Votes Against	Votes Abstain
108,903,164	123,303,188	445,408	3,310
46.81%	53.00%	0.19%	0.00%
After allocation of discretionary votes: <b>99.81% For</b> , 0.00% Abstain			

# Resolution 4

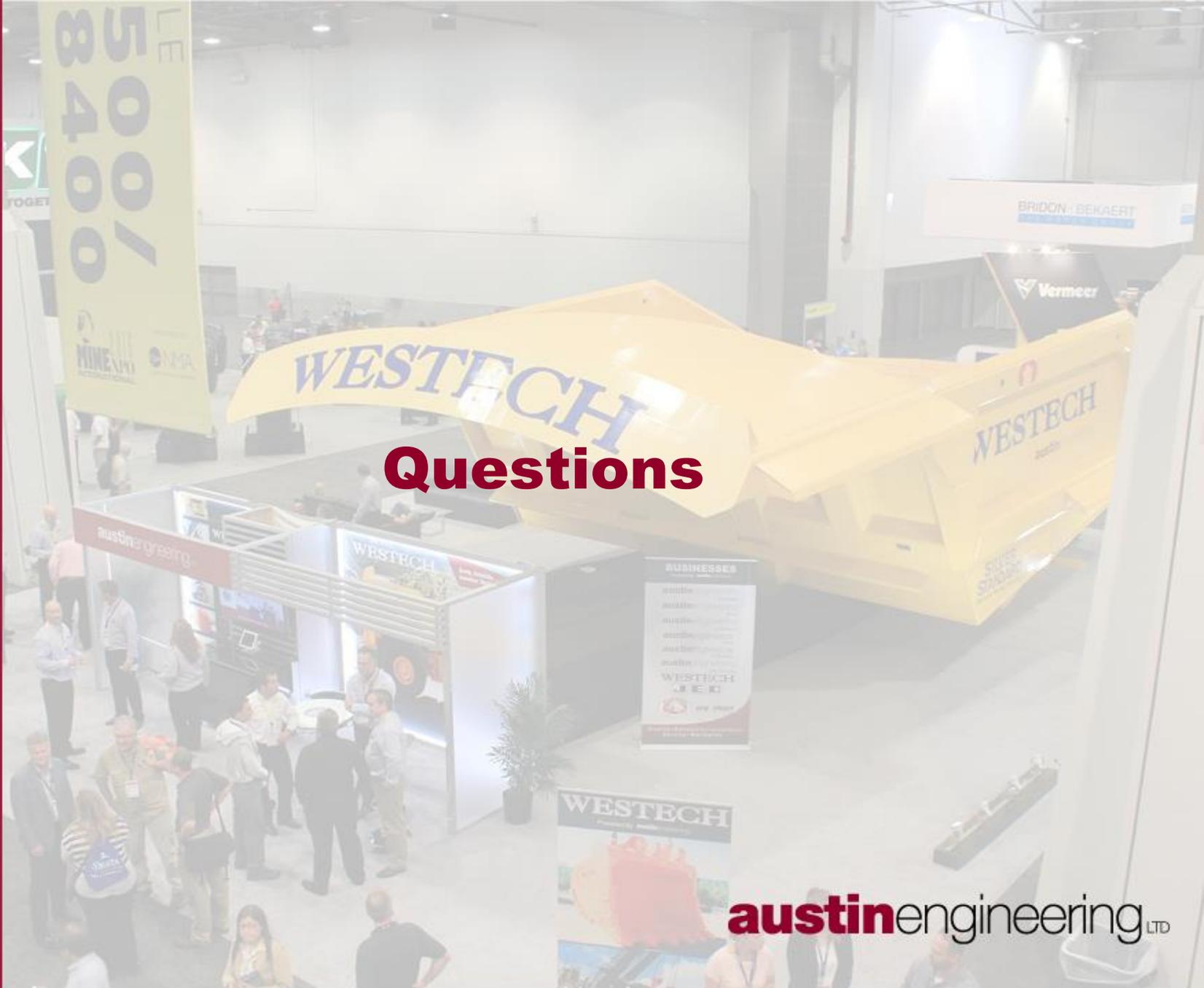
## Ratification of Previous Placement Shares issued

To consider and, if thought fit, pass the following as an ordinary resolution:

*That for the purposes of Listing Rule 7.4 and for all other purposes, shareholders ratify the issue of 20,908,911 fully paid ordinary shares at an issue price of \$0.08 per share, issued by way of placement to sophisticated and institutional investors as set out in the Explanatory Memorandum accompanying this Notice of Meeting.'*

Manner in which the security-holders directed proxy votes (as at proxy close):

Votes For	Votes Discretionary	Votes Against	Votes Abstain
99,999,915	123,303,188	3,956,533	5,395,434
42.98%	53.00%	1.70%	2.32%
After allocation of discretionary votes: <b>95.98% For</b> , 2.32% Abstain			



# Questions

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# Austin's Principal Products



Off-highway  
dump truck  
bodies



Buckets



Water tanks



Service modules



Tyre handlers



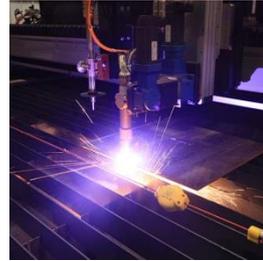
Ancillary  
attachments

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# Austin Principal Services



Equipment  
repair and  
maintenance



Specialised  
fabrication



Painting and  
blasting



Specialised  
machining and  
line boring



On-site maintenance and  
shutdown services

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# Austin Brands

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The Austin Engineering brand encompasses design and manufacture of mining and earthmoving equipment, along with the provision of support services, from four Australasian operations – Perth, Hunter Valley, Mackay and Indonesian operation and Peruvian operation.

**austin**ingenieros

The Austin Ingenieros brand represents the company's operations in Chile and Colombia, providing design and manufacture of mining and earthmoving equipment, along with the provision of support services.



Aust Bore's core capabilities include general machining services, the overhaul of track frames and other mining equipment and mobile line-boring services. Aust Bore work closely with the Austin Engineering Mackay operation in supply of their services.



Austin Engineering Perth-based John's Engineering & Cranes Pty Ltd (JEC), was one of Australia's longest established manufacturers of Mining and Earthmoving attachments and off highway truck bodies. The JEC branded range of products are now designed and manufactured by Austin Engineering operations globally.

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Site Services

Austin Engineering Site Services provide full turnkey, on-site repair and maintenance services throughout Western Australian mine sites, with a particular focus on mobile mining and fixed plant equipment.



Servigrut is a significant and successful supplier of heavy equipment lifting, transportation and site services to the mining and industrial markets in Chile.

**WESTECH**

Western Technology Services, or Westech, is one of the world's largest non-OEM designer and manufacturer of off highway dump truck bodies. Based in Wyoming USA, the Westech branded range of products are now designed and manufactured by the Austin Engineering Group globally.

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