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Austin Engineering Ltd – Half Year Results to 31 December 2016

Financial Overview

	HY 15-16*	HY 16-17	%
	$m	**$m**	**Change**
Revenue	96.6	91.1	(5.7%)
Normalised EBITDA**	2.8	0.0	(100.0%)
EBITDA	(18.9)	0.4	n/a
NPBT	(27.2)	(9.0)	67.0%
NPAT	(22.5)	(5.7)	74.7%
Net assets	123.9	140.0	13.0%
Basic earnings per share	(15.99)	(1.05)	93.43%

*** Re-presented to show only continuing operations**
****Excluding impairment/one-off costs**

Brisbane, 24 February 2017: Austin Engineering Limited (ASX trading code: ANG) has today announced half-year revenue of $91.1m (lower than the prior corresponding period of $96.6m) and normalised EBITDA of $0.0m (lower than the prior corresponding period of $2.8m) as a result of timing on product delivery. The half-year normalised EBITDA result is in line with guidance.

Chairman, Mr Jim Walker, commented on the half-year results saying *"Austin has delivered a break-even normalised result as foreshadowed during the Company's updates released during November 2016. The Strategic Refocus activities implemented during 2016 and appointment of our key management team, CEO Peter Forsyth and CFO/Company Secretary Christine Hayward has provided a strong platform of stability and leadership to take advantage of the improved industry sector opportunities."*

<u>Review of Operations</u>
The group performance was mixed for the period across the various business units as some regions remained affected by subdued trading conditions. The Australian Perth facility and Aust Bore operations led the way during the period in improved performance.

The Australian operations produced a positive EBITDA. This was mainly as a result of our Perth and Aust Bore divisions; in particular Perth delivered an improvement of 61% on H1 FY16 EBITDA. Together with our Indonesian facility, Australasian manufacturing sites are operating at high utilisation levels with a healthy pipeline of orders supporting the remainder of FY17 and beyond. The majority of our divisions located on the East Coast of Australia have recorded subdued results during the period, however, recently we have noted an increased number of inquiries and orders.

Indonesia had a subdued half-year. However this division has a high level of secured orders for delivery in H2 FY17 with an expectation of a positive EBITDA contribution for the full year.

The Americas produced a positive EBITDA for the period. North America delivered a reduced EBITDA result compared to the prior corresponding period in a soft USA market, but client activity is showing good signs of recovery. The Colombian division contributed positively to EBITDA, supported by a strong order book of tray manufacture. Austin's Chilean and Peruvian divisions recorded EBITDA results below that of the corresponding period as a result of timing of orders and continuing challenging market conditions.

Group reported EBITDA, NPBT and NPAT were all improved from the prior corresponding period as a result of reduced one-off expenses and no impairment recorded. During the period, one-off expenses were more than offset by positive one-off non-cash adjustments to the onerous lease provision, reversal of impairment on the Colombian property and profits on the sale of plant and equipment.

<u>FY17 outlook</u>
Austin commenced the 2017 calendar year with an improved order book relative to the start of the financial year with encouraging signs at the majority of our business operations. Further to the Company's update in November 2016 where it was advised that a second half FY2017 underlying trading result was expected to be above the prior year result of c.$9.2m, the order book has continued to improve for the second half FY2017 as well as orders being received well into the first half of FY2018.

The Company now provides normalised EBITDA guidance range for the full year to 30 June 2017 of between $11m to $15m with a total order book and committed work of c.72% for the second half FY2017. The Group's 6 month forward order book, including committed work, increased by 69% from the position as at the AGM in November 2016.

Mr Peter Forsyth, CEO said *"Our projection for the second half FY2017 has exceeded our initial expectations with our manufacturing facilities returning to high levels of utilisation and we are looking forward to steadily improving performance for Austin during the 2017 calendar year. Austin's engineering solutions and product range continue to perform well in the field with a reduction in the cost per tonne meeting our clients expectations and driving business development activities."*

Capital Management

During 1H FY17, Austin exited the Australian banking syndicate and repaid all short-term subordinated debt. Net repayments of debt facilities for the period were $6.6m.

The company raised $8.0m in new capital following a share placement in November 2016. Funds utilised during the period for working capital to support the increase in manufacturing operations expected during 2H FY17 were $2.3m, the balance of funds from the placement were held on deposit at 31 December 2016.

Net Assets

Net assets of $140.0m at 31 December 2016 represented an increase of 3%, compared to $137.0m at 30 June 2016. The increase reflects the proceeds from the share placement, offset by the net loss after tax for the period.

At 31 December 2016 the net tangible asset backing per share of 17.8c reduced by 7% from 19.0c at 30 June 2016.

Asset Sales

The Company has determined that the previously announced sale and leaseback of the Colombian property is not required at this time given the current financial position. The Company will continue to assess any opportunities that may be available with respect to future sales and/or leaseback arrangements for specific assets.

Dividends

Since the end of the half-year, the Directors have not declared an interim dividend for the financial year ending 30 June 2017 (2016 – no dividends paid). The payment of dividends will continue to be reassessed on a periodic basis.

End

For further information, contact Chief Executive Officer, Peter Forsyth or Chief Financial Officer and Company Secretary, Christine Hayward on +61 7 3271 2622.

About Austin Engineering: Austin Engineering Limited is an engineering company with manufacturing facilities in Australia, Indonesia, the USA and South America. The Australian facilities manufacture, assemble, repair and maintain (on and off-site) products used in the mining and resources sector. Key product lines include dump truck bodies, large service vehicles, excavator buckets, materials handling equipment, mineral processing equipment as well as large structural steel projects. The USA facility (Westech) based in Casper, Wyoming, services the North American and Canadian mining markets and is an industry-leading designer and manufacturer of high-efficiency dump truck bodies. The operations located in Chile, Peru and Colombia manufacture, repair and maintain dump truck bodies and other mining products for their respective markets and, in Chile, also provide specialised heavy equipment lifting and transportation services for mining and industrial markets. The Indonesian production facility on Batam Island serves the equipment and service needs of mining and oil and gas-related customers in Indonesia and Asia. Austin also own rights to innovative and automated welding processes and these have been introduced into operations in order to improve production efficiencies. For more information visit www.austineng.com.au.