24 February 2022

Strong First Half Sees Austin Raise FY22 Guidance for EBITDA (136%) and NPAT (446%)

1H22 Key Metric and Highlights

- First half revenue of $80.1m (7% lower than pcp of $85.8m) as a result of a reduction in unprofitable activities
- **76% improvement in EBITDA** based on cost efficiencies ($11.5m up from $6.5m in pcp)
- **202% improvement to NPAT** flows through from efficiency gains ($6.7m up from $2.2m in pcp)
- EBITDA margin 14% (up from 10.5% in FY21 and 10.8% in FY20)
- Dividend declared of 0.2 cents per share
- FY22 NPAT guidance in excess of $18m (FY21: $3.3m) and EBITDA of circa $30m (FY21: $12.7m)
- Order book up 35% compared to pcp at end of December 2021, supporting strong guidance
- Austin sees continued strong APAC performance, and turnaround in North America and Chile with both profitable in FY22 (loss in FY21)
- The Company completed on the sale of its Colombian property for circa $3.2 million in February 2022
- FY23 outlook looks strong based on improving business efficiency, broad market recovery, especially in the Americas, and new product launches aimed at improving competitiveness

(All figures refer to statutory - continuing operations and the pcp has been restated for the discontinued operations of Austin Engineering Peru SAC)

Austin Engineering Limited (ASX: ANG, 'Austin' or 'the Company') is pleased to announce results for the first half of Financial Year 2022 (1H22), that have shown a substantial improvement from the prior corresponding period (pcp), a trend that is expected to continue into the remainder of the financial year.

Austin CEO and Managing Director, David Singleton said:

"We are very pleased to deliver on our commitment of a significant turnaround in Austin's operating margins and competitiveness. We see this performance improvement as the new normal for Austin because it is based on clear structural changes that should ensure the improved margins are sustainable and improve further. We have a step change in underlying profitability coming at a time when all our 'home markets' are showing robust sales conditions. All of this is all flowing through to a strong outlook for FY22, where we expect EBITDA to more than double and net profit after tax to be more than five times last year's statutory figure.

"The initiatives identified in our 'Austin 2.0' strategic plan are delivering early results, and I look forward to the year ahead as we implement the remainder of the plan. We are very much at the beginning of our plan for Austin and see many opportunities to grow the business by leveraging our strong brand strength and positioning in the key and accessible mining markets of the world."

Austin had a strong half, which saw significant business optimisation measures come to fruition following the strategic review completed in July 2021. By the end of the period, cost reductions were largely complete reducing overheads by circa $11 million per annum. Further initiatives under the 'Austin 2.0' plan are currently being implemented including a $6.5 million investment in advanced manufacturing for the APAC region expected to complete in Australia in 2022. Importantly, Austin accelerated its investment in product innovation with a new JEC High Performance bucket range nearing formal launch following encouraging early sales and an enhanced logistics truck body design already sold in material numbers to three customers with further orders expected shortly.

The two parts of the business most affected by COVID-19 restrictions in FY21 were the USA and Chile operations, however it is pleasing to report that both businesses are now operating at high levels of utilisation and have strong order books stretching into FY23.

On capital management, the Company refinanced global facilities with HSBC in August 2021, growing debt capacity from $25 million to $35 million, and improving interest costs by approximately 25%.

Net debt has increased by $9.1 million in the half, predominantly due to:

- A working capital movement of $13.0 million due to:
  - An increase of $7.8 million in work-in-progress to support higher activity in the second half of the year across all business units;
  - Investment of $2.0 million in additional steel stocks to support revenue growth and to protect from supply chain risks;
  - Restructuring cash costs of $1.6 million for implementation of the cost reduction program across all sites in the Group which has supported the strong results to date; and
  - Reduction in other provisions of $1.1 million where the cash cost has fallen in FY22.
- Capital investment of $2.6 million to deliver our stated strategy to maximise manufacturing efficiency which will lead to further improvements in profitability;
- Net cash tax paid of $1.5 million; and
- Dividend payment of $1.6 million.

Outlook and Guidance for remainder of FY22

Austin expects;

- FY22 NPAT to be up circa 5.5 times, to more than $18 million (FY21: $3.3 million statutory);
- EBITDA up circa 2.4 times, to circa $30 million (FY21 $12.7 million statutory); and
- Full year 2022 revenue is currently projected to exceed FY21.

(All figures refer to statutory - continuing operations and the pcp has been restated for the discontinued operations of Austin Engineering Peru SAC)

Underpinning the profit guidance is an order book, which at the end of the half was up 35% compared to the prior corresponding period. The market remains strong in Asia Pacific, and the North American market is improving because of strengthening oil, coal and hard rock prices. South America is also strongly improving post COVID-19 restrictions and Austin expects both North America and Chile to swing to profit in FY22.

Austin notes some COVID-19 related risks to guidance remain, especially in Western Australia, with the pending normalisation of border restrictions. Risks include loss of productivity due to reduced workforce availability both in Austin and its suppliers, logistic constraints or other impacts. The Company has significant contingency planning in place to reduce these risks where possible. In addition, industry is faced with considerable volatility in input cost prices for raw materials, transport costs and general inflation including into labour costs. The nature of Austin's business, having typically fast turnaround of order placement to delivery, means that these costs are usually effectively managed, but again the level of risk is heightened. This full year guidance is based on constant foreign exchange rates at the end of 1H22 with particular emphasis on the Chilean Peso which, due to the nature of a contract in that country, can lead to significant unrealised gains or losses due to FX movements.

For the medium term, the $6.5 million investment in advanced manufacturing at Austin's Australian site will further reduce costs from FY23 onwards, thereby enhancing competitiveness. Targeted sales partnerships in Australia, New Zealand and Mexico have been developed, and new markets are expected to be opened in this fashion, leading to further additional revenue opportunities. Each of these partnerships follows a model of pre-packaged, or semi assembled, truck bodies being shipped in a cost-effective manner for final assembly by the sales partner who is readily adjacent to the end user.

The Company completed on the sale of its Colombian property for circa $3.2 million in February 2022 and has a further two major properties held for sale in Chile and Australia worth circa $6.9 million. Austin is currently completing the sale of the Chilean property and expects that to be complete in the current half.

The outlook for FY23 also looks strong based on improving business efficiency, broad market recovery (especially the Americas) and new product launches aimed at improving competitiveness.

-ENDS-

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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, Canada, Chile and Indonesia serving many of the major mining sites in the world both directly and through local partners.