

Austin Engineering Ltd

FY16 Results Presentation

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WESTTECH

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austinengineering^{LTD}

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Summary – Highlights

1. Austin generated Sales Revenue of \$209.8m and Normalised EBITDA of \$9.2m in FY16, including COR Cooling
 - Normalised EBITDA was within the guidance range of \$8m to \$12m, with Austin and peers experiencing difficult industry conditions throughout the year
 - 2H16 Normalised EBITDA of \$5.4m stronger than 1H16, as was expected

2. Completed a strategic review and commenced the first phase of implementation to refocus the company to increase revenues and enhance earnings. The strategic review:
 - Confirmed the belief that Austin has a compelling business value proposition which can deliver productivity benefits to its customers through its specialised high performance products and services
 - Identified as competitive advantages Austin's strong design IP, engineering capability, market acceptance by blue chip customers and end users and customer-proximate physical facilities, that can be leveraged on a global scale; and
 - Identified changes to more effectively leverage its competitive advantages and to achieve operational efficiencies

3. Strengthened breadth of expertise of the Board of Directors with new appointments
 - Added experienced Board directors and manufacturing and mining industry veterans to the Board in Mr Jim Walker and Mr Chris Indermaur

Summary – Highlights

4. Appointed Mr Charles Rottier as Interim Chief Executive Officer
 - While progress is being made with the CEO recruitment process the Company is progressing with the implementation of the strategic review initiatives approved by the Board

5. Substantially strengthened the balance sheet and reduced Australian senior debt facilities:
 - \$30m equity raising in June 2016
 - Sale of COR Cooling for \$14m, with proceeds used to retire debt, in May 2016
 - Proceeds of equity raising and COR Cooling sale used to retire and collateralise all Australian drawn senior debt and the majority of Australian bank guarantee exposures

6. Implementing final steps to complete the refinancing
 - Implemented new, small asset-based funding facility in July which provides financial flexibility
 - In discussions with bank counterparties to finalise the restructuring of debt facilities and guarantee exposures, expected to be completed during 1H17

7. Positive emerging signs within core trays and buckets business
 - As announced in May 2016, replacement orders in Iron Ore business from Perth facility demonstrates early signs of the replacement cycle from the installed product base of the 2010-2013 vintage trays within our core business - approximately 4,000 Austin trays are in use with a typical 5-6 year life cycle

Summary – Results

- Normalised EBITDA guidance range of \$8m to \$12m met for FY16 – \$9.2m achieved for FY16
- Austin's revenues were in line with the previous year, however the product mix and market conditions dictated lower margins that has resulted in the reductions at EBITDA levels shown below.

	FY15 \$m	FY16 \$m	Annual % Change
Revenue	210.4	209.8	0%
Gross Margin %	37%	34%	-8%
Normalised EBITDA	15.0	9.2	-39%
Normalised EBIT	3.5	(2.1)	-160%
Normalised PBT	(1.3)	(8.3)	-538%
Operating Cash Flow	3.6	(3.2)	nmf

	Jun-15 \$m	Jun-16 \$m	\$ Change
Net Assets	119.4	137.0	17.6
Net Tangible Assets	60.1	99.8	39.7
NTA per share (cents)	71.4	19.0	(52.4)
Net Debt	94.0	39.4	(54.6)
Working Capital	22.1	8.7	(13.4)

Summary – Normalisations

Reported results lower than normalised results due to non-recurring unusual items and impairments of intangibles taken in the period

	EBITDA \$m	NPAT \$m
Reported Results	(30.1)	(40.5)
Restructuring Costs ⁽¹⁾	28.2	19.7
- Cash	7.2	5.0
- Non-cash	21.0	14.7
Impairment Charges - non-cash ⁽²⁾	9.1	9.1
Legal costs - cash ⁽³⁾	2.0	1.3
Underlying Results	9.2	(10.3)

Notes (in respect of EBITDA):

- (1) Relates to the loss on disposal of COR Cooling (\$11.4m), Brisbane closure (\$7.6m), corporate restructuring, legal and consultancy costs (\$4.7m) and divisional legal, consultancy, fair value adjustments on assets held for sale (\$2.2m) and other charges (\$2.3m)
- (2) Impairment of intangibles for Westech (\$3.5m), La Negra (\$2.7m) and Indonesia (\$2.9m)
- (3) Settlement of Westech litigation

FY16 Results – Segments

	FY15 \$m	FY16 \$m	Annual % Change
Revenue:			
Australia	106.8	113.8	7%
Americas	87.5	89.7	3%
Asia (Indonesia)	16.1	6.3	-61%
	210.4	209.8	0%
Normalised EBITDA*:			
Australia	2.0	3.6	85%
Americas	7.2	5.3	-27%
Asia (Indonesia)	5.8	0.3	-95%
	15.0	9.2	-39%
EBITDA % Margin:			
Australia	1.8%	3.2%	73%
Americas	8.3%	5.9%	-29%
Asia (Indonesia)	36.3%	4.8%	-87%
	7.1%	4.4%	-39%

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

Note – this table is inclusive of COR Cooling results

FY16 Results – Operational Review

Australia:

- Overall mine production levels remain at consistent levels but clients continue to choose repair over major capital replacement programs
- East Coast operations results reflect continuing difficult market conditions in the coal industry
- Closure of the Brisbane facility due to over capacity in the current market has benefited the Hunter Valley operation in particular, with Mackay to benefit in future
- East Coast Site Service operations expanded during the year with success achieved in the Hunter Valley
- Perth operations produced a very good result with a broad spread of customers, good levels of manufacturing work and workshop repairs at consistent high levels
- WA Site Services operation produced a result in line with expectations, in a difficult market
- A continuation of new product offerings has enhanced Austin's range of products which will increase revenue going forward

FY16 Results – Operational Review

Americas:

- The La Negra operation has a base loading with the long-term Collahausi contract but other manufacturing remains subdued due to the copper price
- The Calama maintenance operation continued with the long term contracts it has on hand
- Servigrut produced a result below previous periods with clients deferring scheduled maintenance due to the low copper price
- Servigrut has long-term contracts which provide an important base level of activity
- Westech produced a weak normalised result due to very soft demand in the USA
- The resolution of the patent legal case in Westech has removed a time consuming impediment to management sales efforts.
- Westech continues to grow into the Mexican market and the Canadian Oil Sands continue to be a significant client

FY16 Results – Operational Review

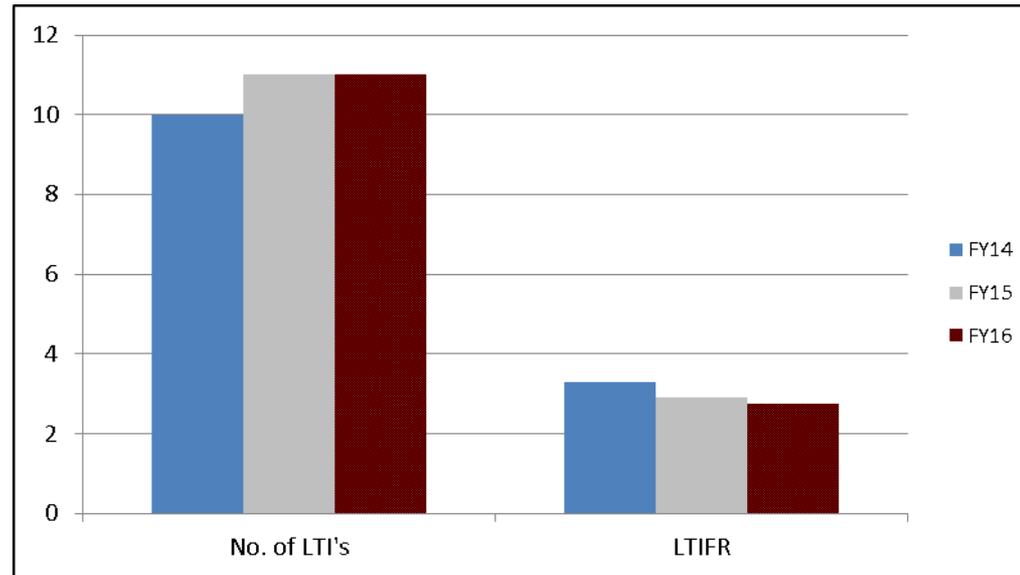
Americas (con't):

- The Colombian operation reported an improved result based on an onsite/offsite maintenance/repair contract and a small number of manufacturing orders
- The Peru operation produced an improved and positive result, due to the Las Bambas contract won early in the year as well as a number of manufacturing orders

Asia:

- In FY15 the Indonesian operation enjoyed a much higher workload due to contract wins for projects in Indonesia and Africa
- In FY16 the Indonesian operation produced a result significantly lower than expected due to deferral of major projects to future years and limited opportunities for significant repair work
- The major project opportunities are still being considered by the clients as are new opportunities from Africa

FY16 Results – Improvements in Long Term Injury Frequency Rate (LTIFR)



- LTIFR reduced from 2.92 to 2.75 from the prior year.

Strategic Refocus – Update

Category

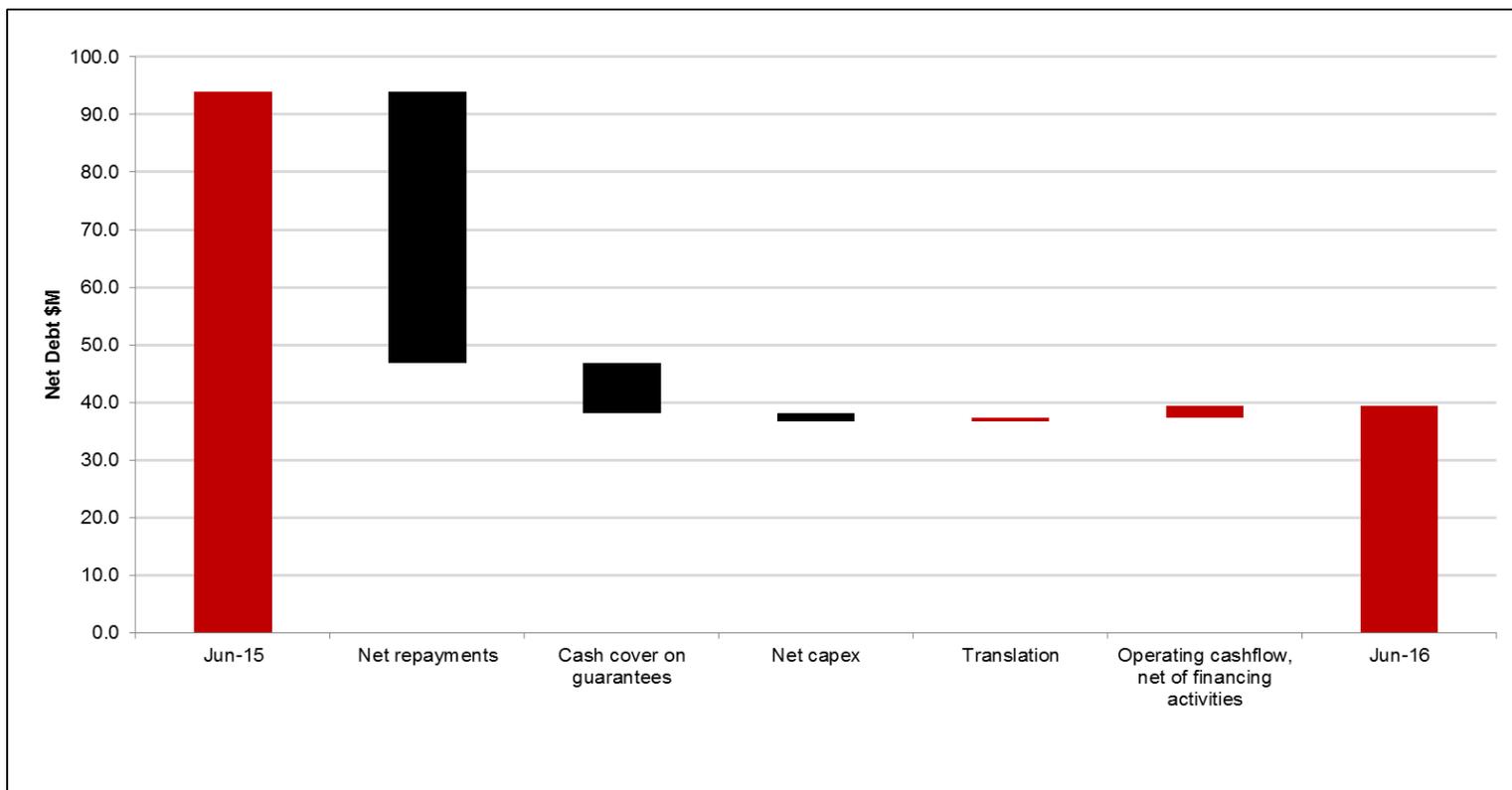
Initiatives Underway

Next Six Months

- | | | |
|-----------------------------|---|---|
| 1. Safety | <ul style="list-style-type: none">- Capture- Systemise | <ul style="list-style-type: none">- Rollout of new initiatives |
| 2. Engineering excellence | <ul style="list-style-type: none">- Integrate main Aust and USA centres with South America | <ul style="list-style-type: none">- Global engineering structure- Training programmes |
| 3. Optimise fabrication | <ul style="list-style-type: none">- Improve productivity- Prioritise capital | <ul style="list-style-type: none">- Progressive rollout of identified opportunities |
| 4. Leverage IP | <ul style="list-style-type: none">- Share knowledge- Capture field learning into new product designs | <ul style="list-style-type: none">- Catalogue and value-add proposition document roll-out |
| 5. Value add marketing | <ul style="list-style-type: none">- Focus on how products and services add the most value | <ul style="list-style-type: none">- New CRM system |
| 6. Organisational re-design | <ul style="list-style-type: none">- Structure that best supports business initiatives | <ul style="list-style-type: none">- Finalise and implement new structure- Conclude new CEO appointment |

Source: Company announcements

Capital Management – Net Debt



- Net Debt reduced by c. \$54m to c. \$40m over the last 12 months
- Extinguishment of surplus bank guarantees likely during 1H FY17 which would release cash cover

Capital Management – Reduction in Working Capital

	Jun-15	Jun-16	Change
	\$m	\$m	\$m
Receivables	34.9	29.4	(5.5)
Payables	37.7	36.5	(1.2)
Inventories	25.0	15.8	(9.2)
Total	22.2	8.7	(13.5)

- Working capital has reduced as part of efficient cash management strategies and tighter controls
- Lower receivables on similar revenue levels reflects enhanced focus on collections
- Large reduction in exposure to and value of steel stock inventories due to a new consignment program

Capital Management – Asset Sales

- Austin has a substantial portfolio of property assets, leasehold improvements and equipment
 - Carrying value of \$113.2m
- Austin has been progressing the sale of certain of these assets
- Austin has reached agreement in respect of the following sales:

Location	Gross sale price \$m	Carrying value \$m	Status	Expected completion
Colombia - Operating Property	2.6	2.6	Purchaser finalising finance and leaseback terms	1H FY17
Peru - Spare Land	6.1	6.1	Completed	Aug-16
Chile - Surplus Crane	2.8	2.4	Irrevocable LC signed July 2016	1H FY17

- The proceeds of completion of these asset sales will be used to retire debt and to override further cash liquidity in 1H FY17

Capital Management – Finalisation of Senior Debt Refinancing

- Austin provided proceeds available from the entitlement offer to the senior lenders to apply against loan facilities following settlement of the recent capital raising on 30 June 2016
- The Company is working through finalising its debt facility arrangements, in Australia and internationally, which in combination will allow for its final capital structure to be put in place, in 1H FY17, and to ensure it has the right mix of financial and operational funding flexibility
- Senior lenders have received cash to apply against loan proceeds greater than the drawn amounts, as some cash has been used to cash collateralise residual bank guarantees as part of the global financing package
- These guarantees are in the process of being restructured, which is expected to be completed in 1H17 and will see the release of this cash collateral

Outlook – Overview

- Austin enters FY17 with similar market challenges experienced in FY16 but with optimism based on orders received that the replacement cycle is drawing nearer as time moves on
- Several sites have encouraging order and tender book profiles, which are expected to result in solid revenues and earnings in 2H17 (discussed on the following pages)
- Austin will continue to develop opportunities to engage on a more strategic basis with its major global customers through:
 - Improved and co-ordinated global marketing and engineering design functions
 - Positioning services on a “whole of life” value adding basis
- As the leading global producer of non-OEM trays, Austin remains competitively well positioned to provide its core products to its customers as replacements are needed
- While Austin believes it is on a solid footing to deliver improving results in FY17, given industry-wide uncertainty in market conditions, it is not planning to provide earnings guidance for FY17 at this time. The prospect of providing such guidance will be evaluated on an ongoing basis

Outlook – Order Book & Recent Contract Wins

Austin has recently secured a number of new contract wins and orders. These are encouraging signs for FY17 profitability

Americas:

- Westech commences FY17 with an order book consisting of 10 x Westech bodies, 2 x Water Tanks and some ancillary items and has a significant active tender book
- The La Negra operation will continue with the Collahuasi contract in FY17 which typically produces work in the order of 2-3 trays per month. This operation also has multiple tenders in the market for manufacturing of trays and buckets in Chile
- The Calama operation was successful in securing an off-site maintenance contract for Chuquicamata mine in Chile, which will add to the existing long-term contracts it currently holds
- Servigrut enters FY17 with a number of multi-year base-load contracts, and has tenders submitted for a number of new projects which are scheduled to be awarded in Q1 FY17
- Colombia was successful in securing the three-year Prodeco contract during FY16 and this will provide an excellent level of base Revenue for FY17 and beyond. Additionally, Colombia was successful with a manufacturing order from a client in Venezuela for 4 x trays and 3 x buckets. It is also involved in a tender process for the Cerrejon coal mine, which if successful will improve results materially
- Peru secured the Las Bambas R & M contract early in FY16 for two years which is producing the desired results. Additionally Peru has 2 x trays and a number of ancillary items in the order book for FY17 as well as some promising tenders in the pipeline

Outlook – Order Book & Recent Contract Wins

Australia:

- East Coast operations have orders in the system for 2 x buckets for a client in Queensland, 9 x bodies for NSW clients, onsite R&M work for three sites in NSW, an off-site body repair contract plus major tenders for multiple trays and buckets
- West Coast operations have c. \$9m of work on hand at 1 July 2016 as well as heightened tendering activity. Potential for a better result in FY17 to that produced in FY16

Asia:

- Indonesia operations have secured the following orders leading into FY17:
 - 1 x large bucket for an African client
 - 2 x trays for a client in Africa
 - 1 x cable reeler and ancillary items for local clients
- Indonesia operations also have a significant bid under evaluation for FY17

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APPENDIX

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Austin's Principal Products



Off-highway
dump truck
bodies



Buckets



Water tanks



Service modules



Tyre handlers

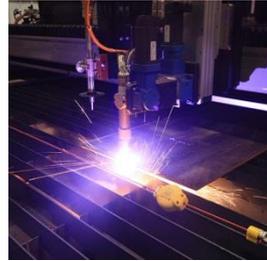


Ancillary
attachments

Austin Principal Services



Engineering supported equipment repair and maintenance



Specialised fabrication



Painting and blasting



Specialised machining and line boring



Engineering supported On-site maintenance and shutdown services

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Austin Brands



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



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.



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



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.



Austin Engineering Site Services (formerly Pilbara Hire Group) 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.



Austin Arrendamientos

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



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.

