

HEAD OFFICE

173 Cobalt Street (PO Box 64)
Carole Park QLD 4300 Australia

Ph +61 7 3271 2622

Fax +61 7 3271 3689

Email enquiry@austineng.com.au

Web www.austineng.com.au

ABN 60 078 480 136

Austin Engineering Ltd – Full Year Results to June 2016

Financial Overview

	FY 15-16	FY 14-15	%
	\$m	\$m	Change
Revenue	209.8	210.4	0%
Normalised EBITDA*	9.2	15.0	-39%
Normalised NPBT*	(8.3)	(1.3)	-538%
Reported NPAT**	(40.5)	(49.3)	18%
Net assets	137.0	119.4	15%
Basic earnings per share	(27.04)cps	(58.54)cps	-54%

*Excluding impairment/one-off costs

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Brisbane, 22 August 2016: Austin Engineering Limited (ASX trading code: ANG) has today announced full-year revenue of \$209.8m (marginally below the prior corresponding period of \$210.4m) and normalised EBITDA of \$9.2m (decrease on the prior corresponding period of \$15.0m). This result is within the most recent full year guidance range, with normalised EBITDA for the second half of 2016 having increased by 42% compared to the first-half 2016 result.

Executive Chairman, Mr Peter Pursey, commented on the full-year result saying “Austin has delivered a full-year normalised EBITDA of \$9.2 million, consistent with our earlier market guidance, in an environment where industry conditions remain challenging. With our balance sheet repaired through the sale of the COR Cooling division in May 2016 and the capital raising in June 2016, Austin is now on solid footing to pursue business initiatives that drive revenue and earnings improvements as product replacements commence”.

Review of Operations

During 2016 market conditions continued to remain subdued within the mining industry despite increases in production levels from all the major miners. Capital spending continues to be deferred, with a continued focus on cost reduction putting further pressure on margins.

Austin’s revenues continue to be supported by lower margin repair and maintenance work, however Austin has seen some encouraging signs in the second half of 2016 through an increase in orders for new and replacement truck trays, with the tray replacement cycle commencing in some truck fleets..

The Australian operations produced a positive normalised EBITDA led by the Perth, COR Cooling and Austin Engineering Site Services divisions. Perth operations produced a good result in difficult conditions, with a broad spread of customers, good levels of manufacturing work and workshop repairs at consistently high levels. The East Coast operations continue to be impacted by difficult market conditions in the coal industry. The Company took the decision during the year to close the Brisbane facility and transfer orders to the Hunter Valley and Mackay facilities and in May announced the sale of COR Cooling for a gross amount of approximately \$14 million (net proceeds were \$13.4 million).

The Indonesia business, after a record year of profit in FY15 had a subdued year with a number of major orders being deferred into FY2017.

The Americas produced a positive normalised EBITDA, however well below that of the prior corresponding period, due mainly to deferral of orders. Servigrut produced a result below previous periods with clients deferring scheduled maintenance due to the low copper price. Westech produced a weak normalised result due to very soft demand in the USA. Other Chilean operations continue to be supported by long-term contracts. The Colombian and Peru operations produced improved results supported by new contracts and orders.

Normalised NPBT of (\$8.3m) was down on the prior corresponding period. NPAT of (\$40.5m) was impacted by restructuring costs (\$19.7m), impairment charges (\$9.1m) and legal costs (\$1.3m).

FY17 outlook

Austin commences FY17 with an improved tender book and more work in hand relative to the same time in FY16.

Board appointments

The company strengthened the breadth of expertise of the Board Directors in July 2016 with the appointment of experienced Board directors and manufacturing and mining industry veterans Mr Jim Walker and Mr Chris Indermaur. As a result of the increase in the size of the Board, Mr John Nicholls retired from the Board at the same time, and the Board thanks Mr Nicholls for his strong contribution. Mr Michael Buckland resigned as a director with effect on 15 February 2016.

Capital Management

During 2016 Austin strengthened the balance sheet by raising \$81m in new capital (\$61m in equity and \$20m in subordinated debt) and selling COR Cooling for \$14m reducing overall debt and providing financial flexibility.

The Company is working through the finalisation of its debt facility arrangements in Australia and internationally which, in combination, will allow for the final capital structure to be in place in 1H FY17. The arrangements will ensure that the Company has the right mix of financial and operational funding flexibility.

At 30 June 2016, syndicated debt was reduced to \$6m, which was more than offset by the cash cover held by the syndicate of \$8.6m for bank guarantees due to unwind during 1H FY17.

Strategic review

Austin announced in February 2016 that it had completed a strategic review of its operations. The strategic review:

- Confirmed the belief that Austin has a compelling business value proposition which can deliver productivity and value 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

Austin has commenced the first phase of implementation to refocus the company to increase revenues and enhance earnings. These initiatives are expected to start to realise benefits during FY17.

CEO search

A thorough process for the appointment of a new Chief Executive Officer continues. Mr Charles Rottier, who was appointed Chief Strategy Officer for Austin earlier this year, was appointed Interim Chief Executive Officer until such time as a permanent appointment is confirmed and in place.

The former CEO, Mr Michael Buckland, ceased employment with the company in August 2016. The company thanks Michael for his many years of valuable leadership.

Net Assets

Net assets are \$137.0m at June 2016, an increase of 15%, compared to \$119.4m at June 2015. The increase reflects the proceeds from the equity raisings undertaken, offset by negative reported earnings.

At June 2016 the net tangible asset backing per share of 19.0c reduced by 73% from 71.3c at June 2015.

Dividends

Since the end of the full-year, the Directors have not declared a final dividend for the financial year ending 30 June 2016 (2015 – no dividends paid).

End

For further information, contact Interim Chief Executive Officer Charles Rottier or Chief Financial Officer Scott Richardson on +61 7 3271 2622.

About Austin Engineering: Austin Engineering Limited is an engineering company with manufacturing facilities in Australia, the USA, South America, and Indonesia. 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.