

13th December 2022

Major facility upgrades and capacity expansion in Indonesia, near completion.

Highlights

- Indonesian facility upgrade and expansion on target to complete early January 2023.
- c100% increase in capacity driven by >80% increase in H1 FY23 revenue in Indonesia compared to the PCP.
- Capacity expansion allows for continued revenue and margin improvement for H2 FY23 in Indonesia.

Austin Engineering Limited (ASX: ANG, 'Austin' or 'the Company') is pleased to report an increase in the production capacity and capability of its operations in Batam, Indonesia driven by a rapidly expanding order book and strategic focus on the facility.

A combination of a new site lease and expansion of the Company's existing facilities will see Austin increase its current Indonesian-based production capacity of 12,000 m2 by almost 100 percent. The business is also well advanced in employing another 150 production workers and has been strengthening its management team all year.

Austin has over the last 12 months almost completed a refurbishment of its existing Batam operations through reviewing and refining production systems to lift efficiency and product quality, particularly for truck trays and underground ore pass and chute assemblies.

The expanded, advanced manufacturing operations will be fully operational in early January 2023.

New Facility Expansion

- Austin has leased approximately 10,000 m2 of purpose-built manufacturing factory space including laydown areas. The new facility is adjacent to Austin's existing, wholly owned facility, which enables workforce and management flexibility. Lease rates for the new facility represent around five per cent of the cost of a similar leased facility in Kewdale, Perth.

Existing Facility Expansion

- Increase of ~5,000 m2 in usable concrete production / laydown area to expand Austin's hub-and-spoke containerised product logistics processing with 50% of that now complete.
- 100 per cent increase in material cutting and processing capacity (5,000 to 10,000 tonnes p.a.) with implementation of a second, new 24 metre bed plasma machine.
- The new site will allow for an increase of >100 m2 of production capacity in Austin's existing facility, in addition to considerable increases in vertical storage capacity by elimination of inefficient process flow obstacles such as internal offices.

In the past year, Austin has recorded a large rise in production demand from its lower cost advanced manufacturing facility in Indonesia due to innovations delivered under the Austin 2.0 strategy including:

- Manufacturing leadership – introduction and commissioning of advanced manufacturing jigs, tooling, automation and build facilities under Phase 2 of Austin 2.0 strategy, which set up the business to build sub-assemblies to feed Austin's other businesses and clients around the world (hub and spoke). As a

hub, Indonesia is building sub-assemblies for products finally assembled in Australia, New Zealand, Africa, Europe and potentially North America in the future. For supply into Australia, this action has eased significant labour scarcity, particularly in Western Australia. However, full implementation of this strategy has been constrained by the capacity limitations of Indonesia in H1 FY23, which are now mitigated with the capacity and capability expansion.

- Quality leadership – improvements in quality assurance and control have cemented leadership in this area against other competitors in the region. The general capability of the facility and the quality improvements were instrumental in winning what is expected to be an ongoing series of purchase orders, over several years, for equipment for a regional mine which may be worth ~\$13m per annum.
- People leadership – a new Asia-based team has driven the innovations under Austin 2.0, improved overall operating efficiency and general competitiveness of the business.
- Cost leadership – Austin has optimised operating costs under the Austin 2.0 strategy, making it more competitive in the region which has led to higher contract win rates.

Capital Expenditure

Austin estimates total capital expenditure for the facility upgrade and capacity expansion to be:

- \$3 million for advanced manufacturing (previously announced).
- \$2 million for facility expansion (with up to an additional \$2 million linked to further revenue growth in calendar year 2023)
- \$1 million for new equipment (plasma machine, welding machine etc. to augment the existing capacity).

Outlook

As a result of the above, revenue in H1 FY23 for Indonesia is expected to be circa 80% higher when compared to the PCP. Continued revenue growth is expected in H2 FY23 as the increased order book feeds through to revenue, which can now be effectively managed by the capacity and capability improvements.

H1 FY23 EBITDA margin in Indonesia is expected to be in line with the Group target range of 18-20 per cent despite the impact of capacity constraints, which have now been largely overcome. This sets a good base for further revenue and margin increases in the second half.

However overall, Asia Pacific EBITDA margin (\$ million) for H1 FY23 will remain similar to the PCP, albeit on significantly higher revenue, as a result of continued weakness in the West Australian based business, as previously reported.

Changes to the Australian business now underway, including the re-organised manufacturing facility in Perth, are likely to contribute to a positive impact on the performance in the second half of the year for the APAC sector.

Austin CEO and Managing Director, David Singleton, said:

“I am really excited by what is happening in Indonesia, where we are seeing strong orders and revenue growth being driven by a great local team that is transforming the business. We have made changes that were necessary to our business as identified in the strategic review. We will wear some of the financial impact in the first half but, can expect stronger performance from here. Indonesia is key to our hub and spoke manufacturing strategy and will be increasingly able to support our operations in Australia, boosting the capabilities in our important Asia Pacific segment.”

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Announcement Authorisation

This announcement was authorised by the CEO of Austin and is not 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, Chile and Indonesia serving many of the major mining sites in the world both directly and through local partners.