**COMPANY ANNOUNCEMENT**
**26 AUGUST 2022**

# AUSTAL DELIVERS INCREASED EBIT FOR FY2022 AND ENTERS FY2023 WITH A RECORD PIPELINE OF WORK

SUMMARY:

- Revenue of $1.43 billion (FY2021: $1.57 billion), down 9.1%
    - Littoral Combat Ship (LCS) programme reaching maturity and pre-Offshore Patrol Cutter (OPC) commencement
- EBIT of $120.7 million (FY2021: $114.6 million), up 5.3%
    - Strong USA shipbuilding margins and award of OPC contract positively impacted EBIT cost assumptions for FY2022
- NPAT of $79.6 million (FY2021: $81.1m), down 1.8%
    - Driven by a change in the effective tax rate
- Balance sheet strengthened with net assets of $924.3 million (FY2021: $774.0m)
- Retained healthy net cash position of $115.6 million following investment in steel shipbuilding facility and San Diego support purchase (30 June 2021: $231.9m)
- Dividend of 4.0 cents per share unfranked declared
    - Total fiscal year dividends of 8.0 cents per share, unfranked
- Secured first steel shipbuilding contracts in the USA, including OPC contract worth up to US$3.3 billion
- Order book $3 billion (30 June 2021: $2.5 billion), rises to ~$7.0 billion including agreed OPC options, with Austal now exposed to a larger pipeline of long-term growth opportunities via its dual aluminium and steel shipbuilding capabilities.
- EBIT guidance for FY2023 of approximately $100 million

Austal Limited (**Austal**) (ASX: ASB) has achieved its second highest earnings before interest and tax (EBIT), a strong net profit after tax (NPAT), and is positioned to capitalise on a record pipeline of work, according to financial results for the 12 months ended 30 June 2022 (FY2022) released by the Company today.

Austal Chief Executive Officer, Paddy Gregg, said: "Our operational excellence and resilience during FY2022 has delivered robust earnings and profit results, as we successfully commenced the transition to a new phase of long-term growth.

"Enhanced shipbuilding efficiencies in the USA substantially offset a 9.1% decline in revenue as the LCS programme gradually winds down. COVID-19 induced impacts also affected the revenue result, albeit to a lesser extent.

"Our EBIT grew more than 5% to $120.7 million, as these enhanced shipbuilding efficiencies flowed through to our earnings, whilst the award of the OPC contract positively impacted the accounting treatment of our EBIT cost assumptions for the 2022 fiscal year.

"NPAT was 1.8% lower at $79.6 million, driven by Austal's higher effective tax rate which arose from the recognition of a tax loss in FY2021.

"We have spent the past two years diversifying the business and building a platform to grow our shipbuilding, support and systems businesses. This has been achieved through M&A with acquisitions in Cairns, Brisbane and San Diego, while divesting in our China JV, as well as progressing organic opportunities. We have also secured design contracts for long term programmes which places us in a very good position to win more programmes, so we are looking much further into the future to ensure a steady revenue stream with growth opportunities. This has already yielded pleasing results this year with the steel programmes won in the USA; the Evolved Capes in Australia providing work through to the next opportunities in the Force Structure Plan; and growth in line with expectation in the support segment.

"We continue to target diversified growth with 'focus factory' opportunities in the USA, our investment in systems in Australia, and autonomy and low emissions vessels globally."

## FINANCIAL RESULTS

Austal generated $1.43 billion in revenue for FY2022 (FY2021: $1.57 billion) and earnings before interest & tax (EBIT) of $120.7 million (FY2021: $114.6 million).

The decline in revenue predominately stemmed from reduced throughput as the LCS programme matures through to FY2025.

During the release of its H1 FY2022 financial results, Austal outlined EBIT guidance of at least $107 million. On 1 July 2022, after being awarded the OPC contract after market close on 30 June 2022, Austal announced it had secured a contract for the detailed design and construction of up to 11 Offshore Patrol Cutters by the US Coast Guard, with the first OPC already contracted. Even though the Award had no impact on Austal's FY2022 operational performance, it positively impacted various cost assumptions, such as Estimates at Completion (EAC) and labour utilisation as at 30 June 2022. Subsequently, the $120.7 million EBIT result was higher than Austal originally anticipated prior to the award.

The Company's net profit after tax (NPAT) was down slightly to $79.6 million (FY2021: $81.1m), due to an increase in Austal's effective tax rate from 24% to 29% (see earlier explanation). To aid a comparison, had the FY2021 effective tax rate been applied to Austal's NPAT for FY2022, NPAT for FY2022 would have been $85.0 million.

## USA SEGMENT

Austal's USA segment reported revenue of $1,055.9 million (FY2021: $1,176.6 million) and EBIT of $133.7 million (FY2021: $131.7 million). Shipbuilding margin from Austal USA was 13.9%, an increase from 10.4% in FY2021.

The strong EBIT and shipbuilding margin was driven by Austal's increasing operational efficiencies in delivering the mature LCS and Expeditionary Fast Transport (EPF) programmes for the US Navy. The continued successful delivery of these programmes has enabled the accelerated release of contingencies related to these builds, which were booked in Austal's H1 FY2022 results.

Austal delivered the future USS Canberra (LCS 30) to the US Navy in December 2021. The USS Canberra is the 15th Independence-class LCS delivered to the US Navy since 2010, and the second in calendar year 2021 after USS Savannah (LCS 28) was delivered in June 2021. Four LCS and three EPFs are presently under various stages of construction and progressing well.

The Company successfully opened its new steel shipbuilding facilities during H2 FY2022 and has already secured three steel programme wins: the Towing, Salvage, and Rescue ships (T-ATS), Auxiliary Floating Dock Medium (AFDM), and Offshore Patrol Cutters.

Austal has declared the T-ATS contract for T-ATS 11 and T-ATS 12 "onerous", resulting in a $10.1 million provision in its FY2022 accounts. Significant judgment is required in estimating the presence and magnitude of a profit/loss for a vessel at the very early stages of construction, including assessments of future labour and material costs, overhead rates and contingencies, that may subsequently increase or decrease through the period of construction to completion. Whilst costs on the new steel line were fully absorbed, changes in specification and material quantities from the initial Request for Proposal (RFP) contributed to the cost increase, and the potential future financial benefits are not yet virtually certain. The Company is responding to changes in quantities through submission of a Request for Equitable Adjustment (REA) to the US Navy, however the original quantities were used to assess the profitability of the T-ATS 11 & 12 programme.

The T-ATS award provides an excellent opportunity to prove the Company's steel capability, was an enabler for Austal to secure the OPC contract, and is expected to support an uplift in profitability across OPC and future programmes.

Revenue generated from support work increased by 7.5% to $175.8 million, while EBIT from support work declined to $11.6 million (FY2021: $26.3 million). The revenue increase was driven by increased dockings and improved labour mobility. The EBIT contraction compared to FY2021 is a product of various incentives from the US Navy that enhanced the FY2021 EBIT (see slide 11 of the FY2021 results presentation).

Austal continues to anticipate long-term earnings growth and improved margins in its support business. During FY2022, Austal USA completed the purchase of a long-term lease of support work facilities in San Diego and commenced construction of a dry dock. The SEC West contract secured during the period will enable Austal to fully capitalise on this expansion.

## AUSTRALASIA SEGMENT

The Australasia segment reported revenue of $384.0 million (FY2021: $405.8 million), comprising 26.9% of total Group revenue for FY2022.

Segment revenue continued to be adversely impacted by COVID-19 induced travel restrictions weakening demand for orders in the commercial ferry market, as well as COVID-19 induced supply chain and labour mobility pressures impacting the timing of some milestone payments.

The supply chain and labour mobility pressures also affected the Company's operational cost base. Consequently, EBIT decreased by 15.6% to $14.6 million (FY2021: $17.3 million), as EBIT margin declined slightly to 3.8% (FY2021: 4.3%).

Similar to the USA, COVID-19 related restrictions and impacts in the Australasia region have been progressively improving late in FY2022 and into FY2023.

Despite the operational challenges, Austal delivered five defence vessels from Australia, consisting of four Guardian Class Patrol Boats (GCPB) and one Evolved Cape Class Patrol Boat (ECCPB) for the Department of Defence (DoD). In April 2022, the DoD announced it would order an additional two ECCPBs for the Royal Australian Navy, for $124 million.

The Company's support presence in the region is also continuing to grow and maintain a positive long-term outlook. Support revenue for FY2022 increased by 2.6% to $98.3 million (FY2021: $95.8 million) and support EBIT more than doubled to $2.8 million (FY2021: $1.3 million), as Austal started to enjoy the benefits of fully integrating BSE Maritime into its operations following its acquisition in FY2021.

## CASH AND CAPITAL MANAGEMENT

Austal's cash at bank at the end of FY2022 was $240.1 million (30 June 2021: $346.9 million), as Austal opened the steel shipbuilding facility investment at Mobile and the San Diego support facility purchase, with the construction of a dry dock for San Diego now also underway.

Debt comprised the Go Zone Bonds in the USA which the Company refinanced during the year at attractive rates, whilst also extending the maturity date for the supporting letters of credit to December 2024. The increase in debt to $124.5 million (30 June 2022: $115.0 million) was driven solely by USD: AUD exchange rate movement.

Austal has retained a healthy net cash position of $115.6 million (30 June 2021: $231.9m) excluding the impact of the CCPB 9 & 10 leasing programme. With the release of the CCPB 9 & 10 buy-back guarantee in FY2022 the corresponding asset and liability were derecognised from the balance sheet and will not impact reporting of the net cash positions.

The Company reported operating cash flow of $37.5 million (FY2021: $93.5 million). As Austal has consistently stated, cash generation is influenced by the timing of milestone cash payments from customers and therefore is prone to fluctuation between periods.

Pleasingly, Austal prudently maintained a healthy net cash position following the major strategic capital investments outlined previously. The Company's net asset position strengthened to $924.3 million as at 30 June 2022 (30 June 2021: $774.0 million), due principally to new and revalued property, plant and equipment in the USA and the effects of foreign exchange.

## FINAL DIVIDEND

Austal's Board has declared a final dividend of 4 cents per share, unfranked, bringing FY2022 dividends to 8.0 cents per share (FY2021: 8.0 cents per share).

Details of key dates regarding the dividend are:

- Ex-dividend date: Wednesday 7 September 2022
- Record date: Thursday 8 September 2022
- Payment date: Thursday 13 October 2022

## OUTLOOK

Austal enters FY2023 with an orderbook, inclusive of contract option agreements, of approximately $7 billion, which is the largest in the Company's history.

This has been underpinned by Austal USA winning the US Coast Guard's OPC contract on 30 June 2022 (announced pre-market 1 July 2022), which is worth up to US$3.3 billion (A$4.35 billion).

Construction of the first OPC is expected to commence in 2023 at Austal's new steel shipbuilding facility in Mobile. The steel shipbuilding facility is currently in operation and will be utilised for the recent T-ATS and AFDM contract awards.

Austal has secured a significant pipeline of work recently and the current macroeconomic environment is volatile, including residual impacts from COVID-19. For this transition year as we move from established existing programmes through the design and long lead material ordering on new programmes, prior to full steady state production, Austal is providing EBIT guidance of approximately $100 m.

Austal Chief Executive Officer, Paddy Gregg, said: "Austal is successfully delivering on its core strategic initiative to transition beyond these maturing programmes.

"Our investment in steel capability is already paying off and combined with our deep track record of operational excellence in aluminium, we are optimally positioned to achieve diversified, long-term and sustainable growth.

“We have a significant orderbook and our enhanced operational capabilities supported by a strong balance sheet give us further potential to grow across both the USA and Australasia.”

“We have the operational capacity required to deliver another major USA steel program, such as T-AGOS, with limited additional capital investment required and enhanced cost competitiveness via the synergies with the OPC overheads.

“Austal’s support business across the USA and Australasia is methodically expanding, and with the COVID-19 situation gradually improving and vessels returning to normal duties, we have continued opportunities for other avenues of sustainable long-term growth.

“While the commercial ferry market remains subdued, the signs for a rebound in the longer term are positive as travel restrictions continue to ease, which bodes particularly well for our Australasia segment.

“Our continued R&D investment in emissions efficiency and autonomy will ensure that as both the defence and commercial sectors evolve, we will be able to successfully deliver and maintain the ships of the future.”

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## About Austal

Austal is Australia’s global shipbuilder and defence prime contractor designing, constructing and sustaining some of the world’s most advanced commercial and defence vessels. For more than 30 years Austal has contracted more than 300 vessels for over 100 commercial and defence operators in 54 countries, worldwide. Austal is Australia’s first ASX-listed shipbuilder and the world’s largest aluminium shipbuilder. Austal has industry-leading shipyards in Australia, the United States of America, Philippines and Vietnam with service centres worldwide, including the Middle East. Austal delivers iconic monohull, catamaran and trimaran commercial vessel platforms – including the world’s largest trimaran ferry and multiple defence programs such as the Littoral Combat Ship (LCS) and Expeditionary Fast Transport (EPF) for the US Navy. Austal is the only foreign-owned prime contractor designing, constructing, and sustaining ships for the US Navy.