



**COMPANY ANNOUNCEMENT
23 FEBRUARY 2024**

AUSTAL POSTS \$32.1 MILLION EBIT FOR H1 FY2024

SUMMARY:

- **Earnings improvement driven by USA operations**
 - Revenue of \$717.7 million (FY2023 H1: \$775.0 million), down YoY due to lower contribution from Australasia
 - EBIT of \$32.1 million (FY2023 H1 loss: \$2.0 million) from performance on existing mature programmes and the sustainment business
 - Net Profit After Tax of \$12.0 million (FY203 H1 Net Loss After Tax: \$7.3m).
- **Cash position**
 - Net cash position of \$28.1 million (30 June 2023: \$49.7m)
 - No interim dividend was declared ahead of large cap-ex program to increase shipbuilding capacity and capability
- **Orderbook of \$12.7 billion (contracted + options) remains historically high with 10+ year horizon**
 - Increase of \$5.7 billion on the \$6.9 billion on 30 December 2022
 - Targeting further defence project opportunities in both USA and Australia as detailed in the Surface Fleet Review
 - Significant capex program planned to support this order book and future opportunities
- **FY2024 guidance maintained**
 - Revenue growth of 8% to 10% on FY2023 (\$1.59 billion)
 - Underlying EBIT margin 3% to 4%

Austal Limited (**Austal**) (ASX:ASB) has today released its financial results for the six months ended 31 December 2023 (FY2024 H1).

The Company recorded Earnings Before Interest and Tax (EBIT) of \$32.1 million (FY2023 H1: \$2.0m loss), a product of performance on existing mature programmes and the sustainment business The T-ATS provision had previously caused Austal to record EBIT and NPAT losses in 1H FY2023 and FY2023.

Austal Chief Executive Officer Patrick Gregg said:

“With our order booking growing by \$5.8 billion to \$12.7 billion in the past 12 months, our forward work program has never been so large and our support from Governments and navies in the United States and Australia has never been stronger. Our focus is on safely and efficiently executing existing construction contracts and capturing opportunities that AUKUS and the Australian Government’s Surface Fleet Review will provide.

“We are expecting broadly similar earnings results in the second half of the new year as we build into FY2024 and FY2025 when the results from our contract awards in the past 12 months will start to crystallise. We also expect continued earnings contribution from our Support business as we continue to build on our diverse revenue base.”

FINANCIAL RESULTS

Austal delivered revenue of \$717.7 million in FY2024 H1 (FY2023 H1: \$775.0 million). The lower revenue was primarily due to the Company’s Australasia operations which was impacted by a fewer commercial vessel awards during FY2023 and FY2024 H1. Austal’s USA shipyard accounted for 81 per cent of total revenue in the period compared to 73 per cent in FY2023 H1, with Australasia down to 19 per cent.

Support revenue was steady at \$195.8 million (H1 FY2023 \$194.6 million).

Earnings before interest and tax (EBIT) recovered to \$32.1 million despite the lower revenue base in the half (FY 2023 H1 loss: \$2.0 million), with an EBIT margin of 4.5. The improved earnings performance compared to the prior corresponding period included a net reduction in contract provisions recognised at the end of the period. This related to the Company’s T-ATS and AFDM programs in the USA, where the Company’s periodic estimates of costs included in the Estimates at Completion of each vessel under the programs and estimates of recoverability of Requests for Equitable Adjustment resulted in a reduction in the T-ATS provision to \$67.2 million as at 31 December 2023 (30 June 2023: \$122.8 million), offset by a \$12.7 million provision for the AFDM program.

Austal reported net profit after tax (NPAT) of \$12.0 million, a turnaround on the \$7.3 million loss reported in FY2023 H1 and \$6.5 million loss at FY2023.

USA SEGMENT

Austal's USA segment reported revenue growth to \$581.4 million (FY2023 H1: \$569.6 million) and an EBIT of \$49.0 million (FY2023 H1 loss: \$4.1 million). EBIT margin was 8.4%, compared to negative 0.7% in the prior corresponding period. USA shipbuilding cost performance on LCS and EPF has continued to improve.

EBIT from support work increased from \$7.9 million in FY2023 H1 to \$24.5 million in FY2024 H1 on higher revenue at \$126.8 million (FY2023 H1 \$118.5 million). The new floating dock purchased for our San Diego facility, Independence, is expected to be commissioned during FY2024, allowing the company to more efficiently service larger vessels such as Littoral Combat Ships for the United States Navy.

During the period Austal USA was awarded US\$959.1 million of new contracts comprising:

- US\$867.6 million undefinitised contract award (UCA) for the final design and construction of three Expeditionary Medical Ships (EMS) for the United States Navy. The EMS is based on Austal's proven Expeditionary Fast Transport ship (EPF) platform and is expected to be manufactured on Austal's EPF manufacturing line following the completion of the last ship in the EPF program, EPF 16 (construction commenced in FY2024 H1).
- US\$91.5 million contract to construct three 42 metre steel hulled landing Craft Utility (LCU) 1700-class vessels for the United States Navy, with options for another nine vessels and associated support arrangements.

AUSTRALASIA SEGMENT

Austal's Australasia segment reported revenue of \$136.3 million (FY2023 H1: \$208.7 million). This reduction was largely a result of lower shipbuilding revenue of \$71.4 million in the half compared to \$130.8 million in FY2023 H1 and was driven by lower shipyard utilisation in the Philippines and Vietnam following a lack of commercial contract awards during FY2023 and FY2024 H1.

Support revenue decreased relative to the prior corresponding period, but was underpinned by twenty maintenance availabilities conducted on Evolved Capes and Guardians at Austal's Cairns and Darwin service facilities, and service and support activities on 15 commercial vessels at various sites around the world. Consequently, service revenue was down only 10% to \$70.2 million, and comprised approximately half of total segment revenue.

As a result, the Australasia segment reported an EBIT loss of \$6.4 million, compared to EBIT of \$14.4 million in FY2023 H1. Support contributed a positive EBIT of \$2.7 million (FY2023 H1 \$3.6 million), only partially offsetting a shipbuilding EBIT loss of \$9.1 million (FY2023 H1 profit of \$10.8 million).

Austal delivered one Evolved Cape-class Patrol Boat to the Royal Australian Navy in October 2023, and three Guardian-class Patrol Boats to Defence Australia in the first half of FY2024. The Henderson shipyard is currently completing the construction of two Evolved Cape-class Patrol Boats and fitting out the remaining four Guardian-class boats under the Pacific Patrol Boat Replacement Project.

Significant new orders and agreements included:

- Heads of Agreement with the Australian Government in November 2023 to establish a Strategic Shipbuilding Agreement (SSA) between Austal and the Commonwealth that will see the Company become Australia's naval ship builder in Western Australia. If signed, Austal will construct and deliver Landing Craft eighteen 50 metre steel hulled (Medium) landing craft vessels to the Australian Army under the SSA, to be constructed at Henderson, plus further large (Heavy) landing craft.
- Contracts for an additional two Evolved Cape-class patrol Boats for the Royal Australian Navy, bringing the total number of vessels to be delivered under the project to ten.
- The Surface Combatant Fleet release details 11 General Purpose Frigates, 3 of which will be built offshore and 8 in Henderson. It also details that 6 Large Optionally Crewed Surface Vessels will be acquired, providing for continuous naval shipbuilding in Henderson for 20+ years.

CASH AND CAPITAL MANAGEMENT

Austal's cash at bank balance at 31 December 2023 was \$155.1 million (30 June 2023: \$179.2 million), largely due to continued capital investment, and the payment of tax during the period. Net cash was \$28.1 million at 31 December 2023 (30 June 2023: \$49.7 million).

In line with the Board's prudent capital management approach, no interim dividend has been declared for FY2024 H1 to support Austal's capacity to invest in the business for its next phase of growth.

OUTLOOK

With the order book growing (contract plus options) by \$5.7 billion to \$12.7 billion in the past 12 months Austal is poised for considerable growth. This growth will be underpinned by a significant capital expenditure program focusing on Austal's US facilities commencing in the second half of FY2024. Further investment in Australian facilities will follow as the requirements of domestic programs become clear.

Austal reaffirms its FY2024 guidance of revenue growth of 8% to 10% on FY2023 (\$1.59 billion), with an underlying EBIT margin 3% to 4%.

Two recent awards provide Austal with further confidence about growth and utilisation of its manufacturing facilities in the United States.

First, the award of three Expeditionary Medical Ships (EMS) from the United States Navy will ensure Austal USA's aluminium production line that is currently constructing the last of 16 Expeditionary Fast Transports (EPF) will continue without interruption.

Secondly, the signing of a Heads of Agreement with the Commonwealth of Australia ("CoA" or "the Commonwealth") to establish the SSA between Austal and the Commonwealth will, if ultimately signed, establish Austal as the Commonwealth's strategic shipbuilder at Henderson, Western Australia, to build all future Tier 2 surface ships.

As part of a pilot program under the SSA HoA, Austal is working with designer Birdon and the Government to establish arrangements for Austal to construct and deliver the Landing Craft (Medium), and subject to further negotiation and performance, Landing Craft (Heavy) capability. Neither are currently included in Austal's order book.

In addition, the two additional Evolved Cape Class Patrol Boats (at an acquisition cost of \$157 million) keep Austal's Henderson production lines 'hot' for the start of Landing Craft (Medium) construction later this year while also delivering important capacity and capability to the Royal Australian Navy.

[Also, the 20 February 2024 release of the independent review of the Australian Navy's Surface Fleet and the Federal Government's response to it provide several opportunities in the medium-term for Austal to pursue with multi-purpose frigates and large optionally crewed surface vessels.]

"It is clear that Governments in Australia and the US want Austal to play an active role in the defence industry landscape," Mr Gregg said.

“Our headcount projections for Australia indicate an increase by up to 1200 people in the next two years based on these announced programs, while in the US the number of our core vessel programs is growing and the ancillary programs we are being requested to construct, such as command deck modules for submarines, are expanding.”

Demand for commercial ferries remains subdued, however there has been a slight increase in inquiries in the past six months.

This announcement was approved for release by Paddy Gregg, Chief Executive Officer, Austal Limited.

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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 United States Navy. Austal is the only foreign-owned prime contractor designing, constructing and sustaining ships for the US Navy.

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