half-year 12/13 presentation

21 February 2013

austinengineering LTD

» Another period of solid performance by Austin, with the benefit of new revenue streams coming through as operations have expanded globally

» Breadth and scale of operations have provided a firm and growing earnings base despite recent periods of uncertainty in commodities markets

» Total revenue of $157m for the half-year, up 25% on the pcp

» EBITDA of $30.1m for the half-year, up 51% on the previous half-year with margins lifting by over 3% to 19.1%

» NPAT of $17.2m for the half-year, up 47% on the pcp

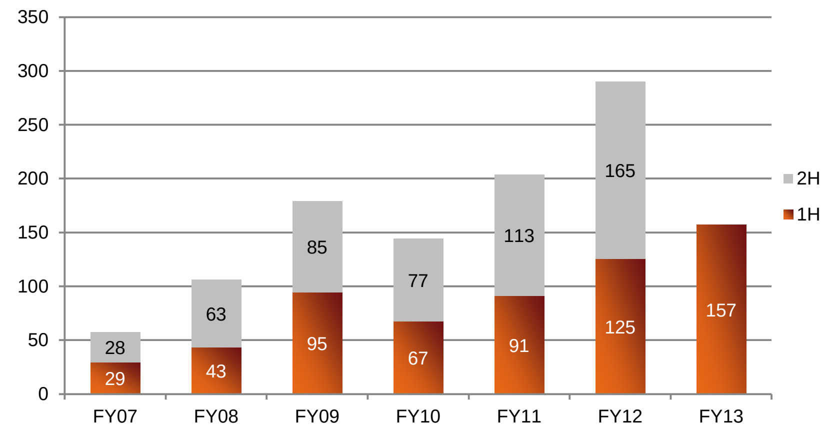
» EPS of 23.8cps for the half-year, up 47% on the previous half-year

» Interim dividend increased to 4.5cps, up 29% from last year's interim dividend of 3.5cps

HY 12/13 Revenue, EBITDA and Dividend Developments

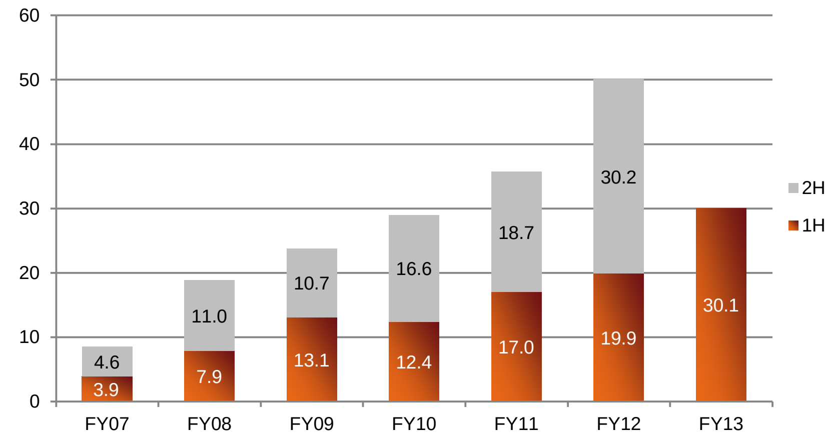
Revenue

CAGR FY07-FY13: 32%

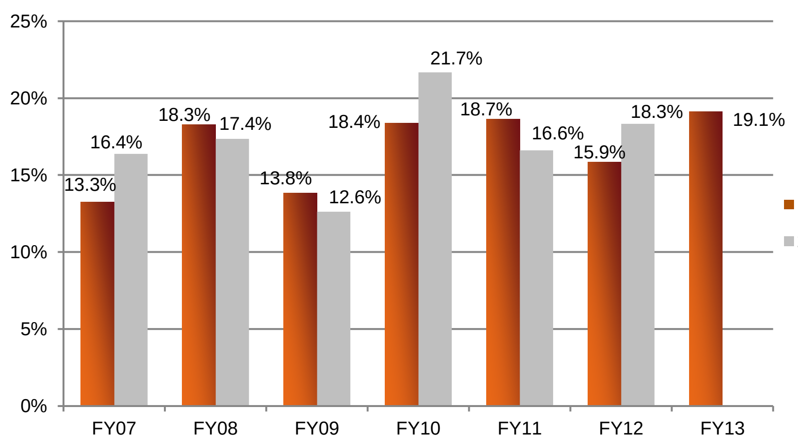


EBITDA ($m)

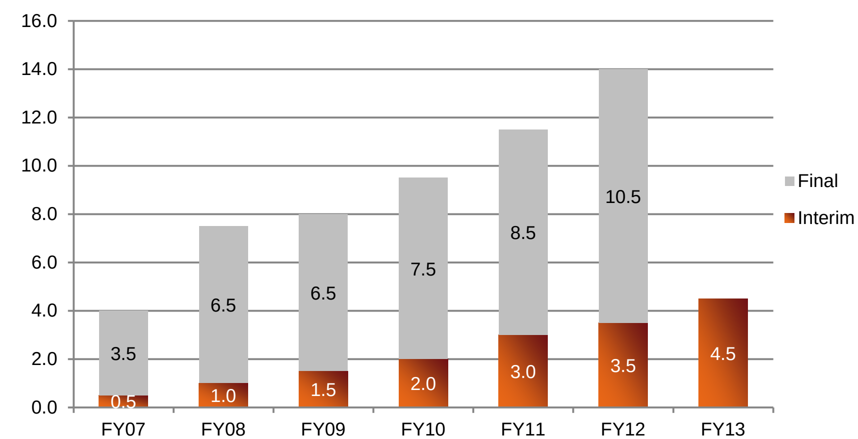
CAGR FY07-FY13: 45%



EBITDA % Margin



Dividends (cps)



HY 12/13 Financial Results - Summary

	1H 11/12	1H 12/13	Half-on-Half
	$m	$m	% Change
Revenue	125.34	156.98	25%
EBITDA	19.88	30.05	51%
NPBT	16.14	23.95	48%
NPAT	11.68	17.21	47%
EBITDA/Revenue	15.9%	19.1%	3.2%
NPBT/Revenue	12.9%	15.3%	2.4%
NPAT/Revenue	9.3%	11.0%	1.7%
Basic Earnings per Share (cents)	16.23cps	23.80cps	47%
Interim Dividend per Share (cents)	3.5cps	4.5cps	29%

	1H 11/12 $m	1H 12/13 $m	Half-on-Half % Change
Revenue:			
Australia	89.32	107.85	21%
Americas	30.38	42.31	39%
Middle East	0.98	1.28	31%
Asia (Indonesia)	4.66	5.54	19%
	125.34	**156.98**	**25%**
EBITDA:			
Australia	13.69	19.71	44%
Americas	4.75	8.33	75%
Middle East	0.34	0.43	26%
Asia (Indonesia)	1.10	1.58	44%
	19.88	**30.05**	**51%**
EBITDA % Margin:			
Australia	15.3%	18.3%	3.0%
Americas	15.6%	19.7%	4.1%
Middle East	34.7%	33.6%	-1.1%
Asia (Indonesia)	23.6%	28.5%	4.9%
Total	**15.9%**	**19.1%**	**3.2%**

HY 12/13 Financial Results - Segment Review

Group Result:

- More consistent workloads for some of the larger business units compared to the previous year
- Better utilisation of productive capacities resulted in higher efficiencies and revenue levels
- Additional revenue and profit contributions in the period from the Calama (Chile) and Peru business units
- First half EBITDA result of $30.1m, up 51% from $19.9m in the pcp and EBITDA margins of 19.1%, up from 15.9%
- EBITDA volume and margin improvements obtained from more consistent use of productive capacity and growing contributions from higher-margin offshore business units
- NPBT up 48% from $16.1m to $24.0m, coming from a combination of:
  - increased EBITDA;
  - additional depreciation for recent investments in new workshops; and
  - extra finance costs from the draw-down of bank debt for the purchase of the Calama business
- Net debt-to-EBITDA ratio of 1.09:1 and EBIT interest cover of 16 times are both well within bank covenant requirements and industry sector averages

Australia:

- 21% increase in revenue half-on-half for the Australian business units
- Overall 44% increase in EBITDA contribution with margins improving by 3% to 18.3%
- Business conditions in iron ore markets were resilient and the Perth operation generated excellent contributions from an increased and consistent workload
- More moderate pace of activity for the Brisbane and Mackay engineering workshops due to quieter business conditions in coal markets but underlying operating performance was still good
- Much-improved result for the Hunter Valley operation, near breakeven EBITDA compared to a $0.8m EBITDA loss in pcp
- Solid performance and contribution from the Pilbara Hire business unit as it expanded its customer base and introduced new revenue streams
- Reduced contributions from COR Cooling operations as customers deferred the service and repair of equipment, particularly in Western Australia

HY 12/13 Financial Results - Segment Review

Americas:

- 39% growth in revenue half-on-half across the region
- Improved EBITDA margin of 19.7%, up over 4% on pcp, with EBITDA volumes rising by 75%
- More subdued business conditions in North America for Westech operations, with revenue down on the pcp but better operating performance due to improved workshop efficiencies
- Significantly improved result for the La Negra engineering operation in Chile compared to the previous half-year as workloads increased and stabilised
- Very satisfactory performance from the Calama operation in northern Chile, with EBITDA contribution and margins ahead of expectations due to high levels of equipment utilisation
- Overall good performance by the new Peruvian operation with increased workloads from on-site maintenance and repair contracts
- Commencement of full manufacturing operations in Colombia in the period; performance behind expectations as the market has taken time to accept Austin's products and services, but this has now been achieved

Oman:

- Joint venture operations primarily continued to focus on the ongoing repair and maintenance contract of aluminium smelter equipment in the region
- Good levels of activity and contribution during the half-year with EBITDA contribution of $0.4m up 26% and margins stable at around 34%

Asia (Indonesia):

- Revenue up 19% on the pcp
- EBITDA contribution 44% higher than the previous half-year with margins firming from 24% to 29%
- Distinct slowdown in business conditions across Indonesia over the course of the first-half as coal miners in the region curtailed equipment purchases and deferred essential repairs and maintenance of equipment

HY 12/13 - Balance Sheet and Cash Flow

- Ongoing balance sheet strength, net assets up 8% with most of the net increase coming from the half-year NPAT result and the payment of the final FY 11/12 dividend
- Net tangible assets per share up 45% from 46.5 cps to 67.5cps
- Working capital increase mainly due to the utilisation of advance progress payments for work undertaken in FY 12/13
- Strong period-end cash balances of $18.6m plus a further $7.2m offset against gross debt
- Gross debt of $76.4m up from $70.5m at June 2012 due to the pull-back of spare cash previously offset against debt
- Net gearing ratio of ~33% (including bank guarantees issued by the company's bank) remains well within bank covenant requirements
- Good underlying operational cash flows but below depreciation-adjusted NPAT due to the utilisation of advance progress payments
- Generally consistent customer trading conditions, with agreed 60-90 day payment terms granted to some Canadian and West African customers by Westech operations in the USA
- Capex of $8.2m for the half-year, mainly on the construction of a second workshop for Indonesia to accommodate business expansion, a steel processing machine for Brisbane to improve efficiencies and a new office for Peru operations
- $1.6m expended on the purchase of the business of Bells Radiators in the Hunter Valley to expand COR Cooling's geographical presence

	Dec 12 $m	Jun 12 $m
Working capital	17.12	9.66
Property, plant and equipment	97.51	92.85
Total assets	280.90	285.64
Total liabilities	145.29	160.36
Net assets	135.61	125.29
Cash	18.57	15.75
Gross Debt	76.40	70.49
Net Debt	57.83	54.74
Net Gearing % (net debt/net debt plus equity)	32.7%	33.4%

	HY 12/13 $m	HY 11/12 $m
Operating cash flow	13.22	-2.69
Investing cash flow	-9.11	-13.30
Financing cash flow	-1.80	2.29
Total cash flows	2.31	-13.70

Business Update - Australia

Queensland:

Brisbane:

- » Business conditions for the first half were fair but down on previous periods
- » Finished the first half slightly behind internal budgets
- » Work-loading still at 50% for the second half due to subdued conditions in the coal sector
- » Awaiting the outcome of various tenders which, if successful in winning, will contribute greatly to the second half of FY 12/13

Mackay:

- » Came in behind internal budgets for the first half
- » Forward work-loading at 60%, awaiting the outcome of further tenders for the manufacture of products
- » Mackay and Bowen Basin mining regions are experiencing a slow-down due to ongoing reduced coal prices
- » Repair and maintenance tenders within the Bowen Basin are bid very tightly against a background of reduced project activity by miners
- » Completion of a study to increase the product range offering of Austbore, by way of new machinery and expanded facilities, to be completed in the first quarter of 2013

New South Wales - Hunter Valley:

- » Significant improvement in results compared to the pcp
- » Increased margins from better control of productive manhours, workshop activities and operating costs
- » Hunter Valley also seeing a cutback in capital and repair/maintenance projects by miners
- » Expected to be behind internal budget for the full year

Business Update - Australia

Western Australia:

Perth:

- Produced an excellent result for the first half of FY 12/13
- Firm orders and full workload until the end of January 2014 and client schedules/deposits out to March 2014
- 3 year agreement for the supply of mining products to a major miner confirmed and signed in February 2013, arrangements also in place to supply products to the other leading miners
- Replacement cycle of mining products such as dump truck bodies has commenced and key expansions in iron ore are set to continue
- Repair market is stable but is limited due to internal capacity constraints
- At this stage a result ahead of internal budget is forecast for the full financial year

Pilbara Hire:

- Solid result for the first half of the current financial year ahead of internal budget expectations
- Renewal of an existing contract with a large miner has been signed recently
- New clients brought on board
- Coordination of activities with other Austin operations is opening up new markets
- A block of land in Newman has been purchased and Pilbara Hire will use this as a base to increase client coverage and revenue (a 12 month construction period is expected for a new workshop on the land)

COR Cooling (Qld - Mackay/Brisbane, WA - Perth/Kalgoorlie, SA - Adelaide, NSW - Hunter Valley):

- Results for the first half of the year below budget
- Inconsistent results due to very unstable month-on-month market conditions in Queensland and Western Australia
- Further business development initiatives underway in Australia, South America and Indonesia

Business Update - Americas

North America - Westech, Wyoming:

- Good operating result for the first half of the year, ahead of internal budgets
- Marked slowdown in USA-based coal markets but the diverse locations of clients and commodities gives Westech some stability from other recurring income sources
- Significant orders for the Canadian tar sand/coal market secured
- Market conditions currently stable with a fair workload for the second half of the year

South America:
Chile:

- Produced a result on budget for the first half, with an increase in revenue, margins and profit levels
- Waiting on a number of significant contracts which will increase workload levels in the second half of FY 12/13
- Calama business unit produced an excellent result
- More focus is to be directed towards selling the complete range of Austin's products
- A number of equipment repair projects have been successfully completed to date and the company expects this market to grow
- Decision expected during the course of the last quarter of FY 12/13 on the expansion of the Calama facilities to target the repair and maintenance services market

Colombia:

- Produced a result behind internal budget for the period with inconsistent monthly results reflecting the ramp-up of manufacturing activities
- 11 dump truck bodies completed to December 2012 and the company is receiving further enquires now that quality and reputation have been recognised and accepted by customers
- First repair projects to commence in February 2013
- Increased focus on sale of all products to be undertaken

Peru:

- Produced a result ahead of internal budgets
- Success in securing additional scope for existing maintenance contracts and orders have been received for newly introduced/designed products
- Orders for the manufacture of Austin’s existing product range are increasing
- Gaining market acceptance with new products (the first order for an in-house designed shovel dipper worth over $1m has been won recently) and this will lead to further orders throughout South America where this type of product is mostly used
- The company has identified a suitable site for purchase and construction of a new production facility

Business Update - Indonesia and Middle East

Indonesia - Batam Island:

» Result for the half-year below internal budgets

» Significant slowdown in the Indonesian coal industry being experienced

» Secondary orders for oil and gas projects have been secured to keep momentum going within the operation

» Second stage of the expansion of the workshop is now progressing and is expected to be complete by March 2013, leading to a 75%-100% increase in available capacity

» Manufacturing of parts for Austin's WA operations has been completed, which offers flexibility for the wider Austin group on the use of Indonesia's available capacity

» Opportunities also exist to export the smaller range of mining products to Australia that Austin cannot normally compete with due to higher Australian costs

» Increased effort on marketing Austin's other products and repair services underway (Indonesia has produced its first buckets for the Indonesian and Philippines markets)

Middle East - Masco joint venture, Sohar, Oman:

» Result ahead of internal budget for the first half

» Production continuing on the anode stem repair maintenance project for the Sohar aluminium smelter

» Currently engaged on aluminium smelter-related projects in Abu Dhabi until late 2013

Expansion Plans Update

Brazil:

» Awaiting the outcome of a significant tender for Vale over a 3 year period for a number of Austin's products; decision expected before the end of February 2013

» A portion of this tender will result in a significant increase in the workload for Austin's Chilean production facility

» Austin is currently reviewing a number of businesses in Brazil for purchase (assembly/repair and maintenance)

Africa:

» A detailed report has been completed on the viability of business operations in Africa and the company will move ahead with stage 2, being the identification and approval/purchase of a business in South Africa

» Completion of the African expansion strategy is expected to be achieved during the 2013 calendar year

Russia and Mongolia:

» A detailed report has been completed on opportunities and business considerations for establishing a presence in Russia

» The company has recognised that the market has significant potential

» A preferred location has been identified and the next stage is to commence discussions on the purchase of an existing business or construction of a green field site

» The establishment of a maintenance and repair facility in Mongolia will be considered as the Mongolian mining market develops and matures

COR Cooling:

» The expansion of the COR Cooling business will continue as there are significant opportunities to consolidate other businesses and establish COR as a major player in the domestic and international industrial cooling products and services markets

» Expansion discussions with target companies are underway in South America and Indonesia

Outlook

- Currently experiencing variable conditions across our businesses
- Some operations have good-to-excellent workload levels whilst others need to win tenders and secure more orders over the next 2 months to meet internal budgets
- Austin’s diversified operations, locations and solid reputation continue to place us above our competitors and more organic growth can be realised from selling our full range of products to an even wider customer base
- Global focus facilitates the continued growth of the company despite the continuing downturn in some resources markets due to the cost reduction cycle currently being initiated by miners
- Notable slowdown in coal markets but gold, iron ore and copper markets are proving to be resilient
- Tenders and enquiries for new equipment are growing (particularly for the first half of FY 13/14)
- Confident of a major tender win in Brazil which will have a significant effect on work-loading for Chile, especially in FY 13/14
- Growth of the business is still a focus and a number of discussions are underway on potential acquisitions
- South America is expected to grow and the full potential of revenue and profit streams from this market are still to be realised
- Full second-half visibility is still uncertain with the outlook for some of Austin’s operations being subject to change very quickly
- Increased profit and dividends forecast for FY 12/13 year compared to the previous year

Snapshot of Austin's Principal Products

Westech "Flow Control" Dump Truck Body

JEC "Modular Design" Dump Truck Body

JEC Underground Dump Truck Body

Excavator Buckets

Tyre Handlers

Water Tanks and Service Modules

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