austinengineering LTD
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Full Year 2012/13 Financial Results and Business Review

Financial Highlights

	FY 12-13	FY 11-12	%
	$m	$m	Change
Revenue	**288.8**	**290.1**	**-**
EBITDA	**51.1**	**50.1**	**+2%**
NPBT	**39.6**	**41.2**	**-4%**
NPAT	**28.4**	**29.6**	**-4%**
Net assets	**153.4**	**125.3**	**+22%**
Basic earnings per share	**39.2cps**	**41.0cps**	**-4%**
Final dividend per share	**10.5cps**	**10.5cps**	**-**
Total annual dividend per share	**15.0cps**	**14.0cps**	**+7%**

Brisbane, 22 August 2013: Austin Engineering Limited (ASX trading code: **ANG**) today announces a full-year EBITDA result of $51.1m for FY 12/13, with NPAT of $28.4m and earnings per share of 39.2cps.

Review of Operations

Overall business conditions for FY 12/13 were more variable than the previous year. The first half of FY 12/13 was marked by consistent workloads for Austin's larger business units, but the second half saw a moderation of activity, particularly for the business units servicing the needs of coal mining operations in Australia and overseas. This change resulted in lower levels of capacity utilisation in the second half of the year although underlying productive performance and EBITDA margins for the group as a whole were slightly up over the full year.

Australia:

The Australian business units posted revenue of $200m compared to $202m in the previous year. The main manufacturing operation in Perth, Western Australia experienced high demand for Westech dump truck bodies and other products from major iron ore miners throughout the year and this resulted in increased levels of revenue and profit. On-site repair and maintenance support for Pilbara-based customers in Western Australia was higher than the previous year and performance was satisfactory within this tough commercial environment.

The manufacturing and service support operations based across the east coast of Australia were impacted by curtailed expenditure on mining equipment and repair and maintenance programs by coal mining customers. Revenue and profit contributions from these operations declined accordingly compared to the previous financial year. The COR Cooling business experienced fluctuating trading conditions throughout the year although very good progress was made with developing its presence in, and contribution from, the Hunter Valley region in New South Wales.

EBITDA from this sector of $33.9m was up 3%, with the margin firming to just under 17%.

Americas:

The Americas generated revenue of $79m, up 12% from $70m in FY 11/12. The Westech business unit in North America saw the emergence of benefits from an expansion of its product range and customer base. Activity levels remained higher than average throughout the year despite slower conditions in traditional markets such as the Powder River coal basin. Productive performance was also solid throughout the year as workshop efficiencies improved.

After a busier first half, the La Negra manufacturing facility in Antofagasta, Chile was not as busy in the second half of the year as copper miners in the region deferred the purchase of mining equipment. However the Calama operation in northern Chile, which was established in January 2012 and provides heavy equipment lifting and repair and maintenance services to copper miners in the region, performed very well throughout the year and the profit contribution was above expectations.

Austin Engineering Peru mainly focussed on the provision of on-site repair and maintenance services for two mining customers during the year. This was supplemented by ancillary support services and workshop-based manufacture of mining products for other Peruvian customers. Whilst its revenue and profit contribution were below internal targets, the operation expanded its commercial presence and capabilities in this developing mining nation.

The Colombian operation returned a positive operating result although the full potential benefits of expansion into this mining region were not fully realised in the year. However the operation gained important experience with the manufacture of a range of mining products and also gained considerable exposure to Colombian and overseas mining customers.

EBITDA for the Americas business segment was $14.5m, up 18% on the pcp, with the margin lifting to over 18%.

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Review of Operations (Cont'd)

Asia:

The Asian business segment currently consists of workshop operations based on Batam Island, Indonesia. Demand for mining products and services within Austin's range and capabilities was relatively weak throughout the year as miners across Indonesia adjusted coal output in light of market conditions. Revenue of $7m for the Indonesian operation was down from $15m in the previous year, with its EBITDA contribution falling accordingly from $4.0m to $1.9m. Despite the reduction in activity levels, EBITDA margins of 26% were consistent with FY 11/12, with the shortfall in mining products revenue being offset by oil and gas-related work.

Middle East:

The operation in Oman continued to provide maintenance support and equipment installation services for aluminium smelter customers in the Middle East. Revenue was steady at over $2m whilst EBITDA of $0.8m was down from $0.9m in FY 11/12.

Overall Group:

EBITDA for the year of $51.1m was up 2% from the previous year's level of $50.1m, with margins increasing by 0.4% to just under 18%.

NPBT of $39.6m and NPAT of $28.4m were both below last year's levels by 4%, mainly due to the booking of full-year depreciation expenses arising from investment in new production facilities in Indonesia and Colombia and the acquisition of businesses during FY 11/12.

Commenting on the full-year result, CEO Michael Buckland said "The group's performance over the full year was resilient against a background of changing market conditions. The first half of the year saw a number of our larger business units provide increased levels of profit contribution as workloads steadied and improved. The softening of global commodities markets, particularly coal markets, became more apparent in the second half of the year and customers adopted a very cautious stance with ordering equipment and repair and maintenance services".

"The EBITDA result for the full year, whilst up on the previous year's level, would have been higher had business conditions been more stable and normalised. The result also only partly reflects the potential of the group's strategic expansion initiatives into South America over the past few years" he said.

Net Assets

Net assets of $153m at the end of FY 12/13 were up 22% from the previous year-end. Cash balances were $6m at the end of the year after using $20m of cash to reduce debt and interest costs. Net working capital increased from $10m to $27m over the year, with the main factors behind this being the utilisation of advance progress payments for work undertaken during the year plus additional holdings of steel inventories. Fixed assets increased from $93m to $107m, which included $15m of capital expenditure on new workshops in Colombia and Indonesia as well as investment in other productivity-enhancing and business growth initiatives. Intangible assets increased from $85m to $88m due to a combination of the acquisition of the Bells Radiators business in Australia and foreign currency exchange movements.

Contributed equity increased by approximately $4m over the year following the exercise and conversion of employee share options whilst the increase in retained earnings and reserves reflected the NPAT result for the year as well as the payment of $11m of dividends. Net tangible asset backing per share increased by 61% from 55.3c to 88.8c.

Cash Flow, Liquidity and Debt

Total net cash outflows for the year to June 2013 were $8m compared to a net outflow $21m in the previous year. Operating cash flows for FY 12/13 were $22m and reflected normal sale and purchase settlement terms and conditions. Operating cash flows for the year also included the utilisation of advance progress payments received in FY 11/12 for work undertaken in the current year. Had these payments been received in the current year, operating cash flows would have been more closely correlated to NPAT adjusted for non-cash flow items such as depreciation and amortisation.

Non-operational cash flows for the year included $15m of capital expenditure, $2m of business acquisition costs, $4m of new equity, a net $6m repayment of borrowings and $11m of dividend payments.

The management of debt continued to be a particular focus during the year and $68m of expiring bank facilities were extended until July 2014 pending the establishment of expanded and longer-term facilities in the new financial year. Net debt of $61m (defined as gross debt offset with all available cash) was up from $55m at the end of the previous year. The net gearing ratio (net debt/net debt plus equity, including the value of issued bank guarantees) of 31% was down from 33% at June 2012. It, together with the operating leverage ratio (net debt/EBITDA) of 1.35:1 were well within bank covenant requirements throughout the year and continue to be so.

Dividends

A fully-franked final dividend of 10.5c has been declared for FY 12/13, consistent with the final dividend for the previous year. The total dividend for the year is 15.0c, up 7% from 14.5c in FY 11/12, representing a dividend payout ratio of 38%. The record date for determining entitlement to the final dividend is 2 September 2013 with payment being made on 11 October 2013.

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Outlook

Michael Buckland commented that the mining industry is continuing on a trend of cash conservation and cost control. “We see that the current cycle of reduced capital and maintenance spending will last for at least the next six to twelve months” he said.

“However the production levels of the miners are being maintained, and in some cases increased, and this will put considerable strain on existing fleets of mining equipment as it is utilised harder and for longer. This will lead to increased demand for replacement equipment and repair and maintenance services and Austin is well-placed to benefit from this”.

“In addition, the mining industry is seeking to improve production efficiencies in order to improve profitability. Austin is working with customers to develop equipment that will have enhanced payload-carrying capabilities and to offer more value-adding repair and maintenance services”.

“Over the course of FY 13/14 the group’s operations on the east coast of Australia, North America and Indonesia, which are mostly linked to the coal industry, will continue to experience subdued business conditions. Our operations in Western Australia have seen some orders, for which deposits have been received, delayed until the next financial year as iron ore mining customers seek to maintain output by working their existing assets more intensively. As these assets are linked to production, replacement will ultimately take place and Austin’s superior product range will place it in a very good commercial position”.

“Whilst Australian operations are expected to show reduced profit contribution in FY 13/14, we are forecasting that our Americas business segment will generate increased profitability, especially in South America in the second half of the year. Activity in Chile, Peru and Colombia is expected to increase as new contracts are secured and the group’s commercial presence and capabilities become more established. The recent announcements of new contracts for our business unit in Calama in northern Chile confirm Austin’s strategy for pursuing expansion in the region with the aim of increasing the diversity of earnings”.

“At this stage we are targeting a flat result for FY 13/14, with a distinct bias of earnings towards the second half of the year based on current forecasts and orders. Once business conditions stabilise and improve we are well placed for improved results and business growth” he said.

End

For further information, contact Managing Director Michael Buckland or Chief Financial Officer Colin Anderson on +61 7 3271 2622.

About Austin Engineering: Austin Engineering Limited is an engineering company with manufacturing facilities in Australia, the USA, South America, Indonesia and the Middle East. 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, industrial radiator and cooling products as well as large structural steel projects. The USA facility (Westech) based in Casper, Wyoming, services the North American mining markets and is an industry-leading designer and manufacturer of specialised lightweight dump truck bodies. The operations located in Chile, Peru, Colombia and Indonesia manufacture dump truck bodies and other mining products for their respective markets. The Middle East operation principally services the aluminium smelter industries in the region. Austin also own rights to innovative welding processes which have been introduced to improve welding productivity. Robotic welding systems are also used for product lines, general fabrications and repetitive production processes. For more information visit www.austineng.com.au.