28 August 2023

Austin Full Year 2023 Results

Revenue growth across all regions, and strong operating cashflow

FY23 Key Metrics and Highlights

- **Group revenue of $258.3 million, up 27%** (FY22: $203.3 million)
- **Normalised EBITDA of $31.3 million, up 9.5%** (FY22: $28.6 million)
- **Normalised NPAT of $18.1 million, up 8.4%,** within guidance[1] (FY22: $16.7 million)
- **Statutory NPAT[2] of $7.1 million** (FY22: 20.6 million)
- **Operating cashflow increased to $15.8 million, up 236%** (FY22: $4.7 million)
- **Order book up 35% year-on-year to $143.7million**
- **Long term customers drive recurring revenue of 89%**
- **Revenue diversity has increased with buckets and other product sales increasing from 16% to 29% of revenue**
- **Guidance:**
    - **H1 FY24 revenue of $120 million - $140 million, up ~60% from H1 FY23**
    - **H1 FY24 underlying NPAT of $10 million - $12 million, up ~100% from H1 FY23**
    - **FY24 opening order book is at 50% of forecast full year revenue, compared with 42% of actual revenue at the start of FY23**
    - **Company on track to be debt free in FY24**[3]

Austin Engineering Limited (ASX: ANG, 'Austin' or 'the Company') is pleased to announce its results for the Financial Year 2023 (FY23).

Austin CEO and Managing Director, David Singleton, said:

"The maturing of the Austin 2.0 operational strategy is clearly driving business performance, with both revenue and order book up significantly in the year and, as a result, we are well positioned for the future.

"Margin improvements from business-wide cost reduction initiatives, improved manufacturing efficiency, and our AustBuy program were evident across the board, except for Perth. As a result, the other operations in US, Indonesia, and Chile were operating at the target normalised EBITDA run rate.

"Group operating cash flow improved to $15.8 million, over three times higher than FY22, which is especially strong given a $28.3 million increase in raw materials inventory, which we expect to unwind during FY24 as we move to a more normal level of stock holdings.

"Our Indonesian facility is a powerful differentiator for our business as we seek to drive down costs and increase capacity to meet customer product delivery requirements. The expansion in Indonesia was timely

[1] Refer to ASX announcement dated 4 May 2023 Trading and FY23 Guidance Update
[2] Statutory NPAT in this document is for continuing operations
[3] Guidance on debt is based on many factors including but not limited to FX movements, working capital changes, M&A and dividend payments

as it met increased demand locally but also importantly from Australia and the US as evidenced by a 51 percent surge in revenue year-on-year.

“Product development resulted in the successful launch of our new lightweight HPT truck tray, which has generated more than 150 sales to date and is expected to be a mainstay of revenue in the future. Investment in new Austin, and now Mainetec, bucket designs, and in other products, has demonstrated the effectiveness of being an engineering-led business in delivering value to our customers’ operations.

“The acquisition of Mainetec has been instrumental in growing our highly complementary bucket business with new offerings to the market, which have driven a 75 percent revenue increase in this segment even at this very early stage. Internal forecasts indicate further growth in this sector is anticipated to continue in Australia, with significant opportunities in the Americas also now being identified.

“A particular feature of our business is the exceptionally high level of repeat business, now at around 89 percent, and reflected in all our major markets. This recurring revenue stream gives us strong visibility and confidence in the future given the fast turnover nature of our order book.

“During the year, revenue from mining buckets and other products more than doubled with the contribution increasing from 16 to 29 percent of revenue with the sales in this area set to be a growth driver through FY24. Increasing product diversity in our core business remains a significant objective in the medium term.

“Our US business achieved another outstanding year, with revenue up 13 percent largely due to the benefits its products bring to mining companies seeking to increase productivity and reduce onsite rebuilds of traditional truck bodies. This market continues to present many opportunities for growth in truck trays, and in buckets where we see an opportunity to build a market presence leveraging the growth in Australia.

“Chile has continued its strong trajectory with a 41 percent increase in revenue to a new record following the capacity expansion completed in the first half. The business is reporting strong customer interest in our performance-led products in this copper dominated jurisdiction.

“The only real disappointment during the year was in Western Australia, which has taken longer to turn around than expected. Many of the underlying issues are now well progressed, with the receipt of a major new order, transfer of production capacity to Indonesia, and the start of an immigration-led recruitment process into the facility.

“Another milestone in the year was the introduction of our bulk procurement program, AustBuy, which leverages the scale of our global business to increase purchasing power particularly for steel. AustBuy is giving us a major competitive advantage in several markets even though we are far from fully implemented and accordingly we expect to see an increasing impact during FY24.

Financial results

Total FY23 Group revenue was 27% higher year-on-year at $258.3 million (FY22: $203.3 million) reflecting another strong year of growth following the introduction of the Austin 2.0 Company strategy in late 2021.

Normalised Group EBITDA grew to $31 million, up 10% year-on-year (FY22: $29 million). Indonesia, US, and Chile, all increased EBITDA margins to Austin’s target levels (18%-20% at the business unit level) following a focus on cost reduction, improved manufacturing systems, and an increased revenue. On a statutory basis, EBITDA fell to $20.3 million as a result of one-off costs itemised in the Reconciliation table at the end of this announcement.

Normalised net profit after tax (NPAT) was $18.1 million, within Austin's guidance range of $17 million - $19 million[4], and an 8.4% increase on the prior corresponding period (pcp).[5] Statutory NPAT was $7.1 million from $20.6 million in FY22.

Austin generated a significantly higher operational cash inflow of $15.8 million, up from $4.7 million in FY22. This result was despite an increase in steel inventory of $28.3 million, which is expected to unwind during FY24 as we move to a more normal level of stock holdings.

The Company ended the fiscal year with a net debt position of $14 million (up from $1.2 million in the pcp) despite a total of $33.2 million invested during the year in the acquisition of Mainetec, capital investment for growth that is now being delivered, and the working capital increase.

By region, Asia Pacific revenue increased by 32% to $141.9 million. Reflecting general growth and the addition of a part year contribution from Mainetec. Mainetec achieved an increased EBITDA margin of 14% (before allocation of corporate overheads) despite a slower-than-expected impact from the AustBuy program and is well established now to grow revenue and margin in FY24. Mainetec was also instrumental in winning a large bucket competition in the US, which is not yet reflected in the results and was also involved in several similar overseas opportunities that will mature in the coming months.

Revenue in Indonesia increased by 51% in FY23. Revenues in this business unit have increased 2.5 times in two years, due to the expansion and upgrade of the Batam facility to create a central, advanced manufacturing hub.

The strongest region was North America, where revenue increased by 13% to $75 million and normalised EBITDA was up to $19.7 million (before allocation of corporate overheads but including a US government employment grant).

A facility upgrade completed in the first half, contract wins and sharpened focus on higher margin activities drove a much-improved second half result for South America, resulting in a full-year revenue of $41 million, a 41% increase from the prior year. Normalised EBITDA for South America (excluding FX movements and corporate costs) was $8.1 million demonstrating how far this business has come in the last 2 years.

During H2 FY23, Austin made the following provisions against continuing operations:

- $1.8 million to cover a warranty defect for 26 trays that were built in 2020/21 and are now being repaired with the cash impact mostly in the current year. This represents circa 1% of current year estimated sales revenue for trays. The issue was related to a manufacturing equipment failure that was not picked up by independent quality assurance. It should be noted that the customer has continued to purchase a large number of trays from Austin since the issue was identified. Austin's warranty costs have historically been low, and this is expected to continue in the future.
- A $3.5 million write-off for IT costs committed up to 2021 when the Company was headquartered in Brisbane and before we simplified the overseas operations. The ERP project was paused in 2021 to fund the Austin 2.0 strategy. A much lower cost, extension and upgrade of the current ERP system is now being implemented and is included in the capex forecast for the Company.
- $0.7 million for restructuring costs following the Mainetec acquisition, and in Chile, and for outstanding legal costs following the closure of the Colombia operations in 2017.

[4] Refer to ASX announcement dated 4 May 2023 Trading and FY23 Guidance Update

[5] Normalisations as per the reconciliation table at the end of this announcement

Outlook and Guidance

The theme of high commodity demand to support the energy transition, and offsetting any general weakness driven by slowing of industrial production, is likely to continue to support the market. This demand is reflected in the strong order book at the start of FY24.

Austin's market is for wear products that must be replaced at regular intervals and, therefore, our production demand is linked primarily to tonnes of ore mined not commodity prices or investment levels. A key differentiator for Austin is its ability to quickly increase capacity to meet demand, as has been seen during FY23, and the number of options that we have from our global operations to pivot our supply chain.

The mix of design-led solutions, cost effective global manufacturing, and increasing capacity in a constrained market, is proving to be a winning formula with customers.

Austin expects H1 FY24 underlying NPAT to be within a range of $10 million to $12 million up circa 100% on the prior corresponding period. The Company also sees a stronger H2 FY24 period in line with previous years and cycles of the business.

H1 FY24 revenue guidance of $120 million - $140 million results from the stronger opening order book, up 35% year-on-year. The order book represents 50% of our FY24 full year revenue forecast up, from 42% at the same time last year.

This operating outlook coupled with a program of reducing steel stocks holdings to more normalised levels will contribute to debt reduction, and we expect to reach net cash during the financial year (excluding AASB 21 leases).

Forecast capital expenditure for FY24 is ~$11 million primarily to fund further expansion in the US and Indonesia as those sites are forecast to continue to grow rapidly. Additionally, we will fund further development of our manufacturing capability across the Company, and IT development costs largely associated with the upgrade of our current ERP system in Australia, Indonesia and Chile. These investments are intended primarily to facilitate the increasingly integrated structure of our global operations.

The turnaround of our Perth-based facility in Western Australia remains a significant focus. We are close to completing the reconfiguration of the facility to focus on mining bucket new builds and rebuilds. We are also undertaking a significant management change and have received our first draft of new workers recruited through the short-term migration process, with two further drafts underway. We are seeing very strong demand in the bucket part of our business following the Mainetec acquisition and expect the growth in people to be met by demand immediately. Our other two Australian facilities in Mackay, Queensland are operating effectively at high loading levels.

Austin will also explore potential M&A opportunities as it strengthens its cash position in FY24 but expects to fund any acquisition internally. Austin will focus on strategic acquisitions that further leverage the global reach of the business and improve market share in core mining equipment.

Reconciliation - Statutory to Normalised for continuing operations.	FY23 $M	FY22 $M
Statutory EBITDA	**20.3**	**32.5**
Add Foreign Exchange (FX)	2.8	(3.9)
Add Mainetec integration & restructure cost	2.1	
Add Warranty provision	1.8	
Add ERP investment write off	3.5	
Add Business restructure cost	0.5	
Add Colombia cost	0.2	
Add Batam expansion cost	0.1	
Total Normalised	11.0	(3.9)
Normalised EBITDA	**31.3**	**28.6**
Statutory NPAT	**7.1**	**20.6**
Add normalised adjustments	**11.0**	**(3.9)**
Normalised NPAT	**18.1**	**16.7**

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Announcement Authorisation

This announcement was authorised by the Board of Austin and is 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, US, Chile and Indonesia serving many of the major mining sites in the world both directly and through local partners.