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**ASX ANNOUNCEMENT (ASX Code: ANG)**

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## **Managing Directors Address to Shareholders**

Thank you Jim. Good morning ladies and gentlemen and thank you for joining us today for our 2018 Annual General Meeting.

I will commence today by providing an overview of the actions we have taken during the 2018 financial year in support of our Strategic Priorities.

### **Strategic Priorities**

Austin's vision is to be the global market leader supplying customised truck bodies and excavator/rope shovel buckets to large global mining clients, mining contractors and original equipment manufacturers.

We are continuing to embed the 'One Austin' model across the group so that there is more collaboration, integration and shared knowledge between our engineering, sales and manufacturing teams to improve client service delivery.

Our One Austin model allows us to leverage our engineering intellectual property and roll out best practice across our global footprint to support our expansion into existing markets and entry into new markets.

During the year we appointed two new members to our senior management team.

David Pichanick, who is our Global Manager Market Development and Innovation. David is implementing a new client account management framework that more effectively supports our global and regional clients, and enhancing our engineering function to align with client needs, including dedicated teams to progress product innovation.

Simon Mair, was also appointed as Global Manager Operations, with all Business Unit leaders reporting directly to Simon. Simon is also responsible for the Production Efficiency Group that is made up of a team of multi-skilled Austin employees who are reviewing existing manufacturing processes to identify areas where we can improve product quality standards while reducing costs through the adoption of new technologies.

As we continue to focus on our core competency of providing bespoke engineering solutions and customised products globally we have further improved our engineering capability with three dedicated work-streams for research and development, sales support and manufacturing specifications.

This change is reflected in our Perth, Australia and Casper, Wyoming, USA engineering teams to ensure we are able to meet client expectations in a timely manner.

Collaboration between the two engineering teams, taking advantage of their extensive knowledge and experience continues to strengthen our competitive advantage and continuous improvement for the Austin product range.

### **Market Analysis**

#### **The Americas**

Austin's Westech brand is now celebrating 50 years of operations and it is clear that our history of success with this product brand has resulted in strong loyalty from our existing customer base, particularly in the United States and Canada. Austin's new and innovative water tank design developed in Casper, Wyoming has some significant safety features and is opening further opportunities across the globe.

The South American market has in recent years had a bias towards allocating capital to repairing equipment over purchasing new product. We are starting to see some signs that this mindset is changing through our client engagement efforts and improved copper outlook.

## **Australia**

Strong commodity prices have created a supportive environment on the east and west coasts of Australia. Continued enhancements to our products that deliver reduced production costs, further strengthen our long-term relationships with existing clients.

During the year we closed our Muswellbrook workshop as previously advised to the market, but we continue to supply new product into the Hunter Valley region through our Indonesian manufacturing facility or utilising our approved third party manufacturer.

Austin has traditionally been successful in surface mining attachments, we are refocussing our client engagement on our quality underground products to further penetrate this market.

## **Asia**

Austin's Indonesian facility located on Batam Island continues to supply product to the local Indonesia market and east coast of Australia with new opportunities in Africa and Asia.

The Indonesian facility will continue to be a major contributor to the group for traditional and non-traditional product. It is our expectation that the opportunities for manufacture of non-traditional products will continue to increase.

## **Capex Spend and Surface Mining Equipment Index**

The 2019 financial year remains positive, as market information indicates that the Top 5 Global Mining Companies are forecasting increased capital expenditure, but current levels have not yet reached those experienced during the last major mining cycle.

The Parker Bay Surface Mining Equipment Index monitors the value of new equipment deliveries each quarter. New equipment deliveries have consistently increased since 30 June 2016, however they remain significantly below the highs in 2012.

We are aware that longer lead times are now being experienced for the supply of new equipment. A further indication that miners are spending capex on new equipment.

## **FY19 Guidance**

As Jim mentioned earlier, I confirm the FY19 guidance as advised to the market in August 2018, being normalised EBITDA range of \$25 million to \$28 million.

Since August 2018 when we reported around 45% of projected revenue relating to firm orders and other committed work, we can now advise that 66% is now locked in for FY19. This is similar to the percentage locked in last year, however the client tender book and pipeline opportunities are very strong. I note that the guidance provided excludes any contributions from the crane hire business that was reported as a discontinued operation in the FY18 financial report.

The Austin team will maintain their rigorous approach to evaluating each business unit's performance to generate positive contributions and future growth opportunities.

## **Safety and People**

Austin continues to build our safety culture with a goal of zero harm, through more diligent safety monitoring and an improvement to the way we record injuries around the globe. During the year we introduced a program of internal and external safety audits to further improve the work environment for our 2,000 strong workforce.

The majority of our key operations staff successfully participated in Incident Cause Analysis Method (ICAM) training to improve the incident investigation process and determine the root cause of safety incidents. We expect the ICAM training will lead to a reduction in safety incidents by developing additional techniques to proactively manage and further improve our safety culture.

Austin's Lost Time Injury Frequency Rate increased as a result of the changed internal reporting guidelines of 4 at June 2017 to 6 at June 2018. The Total Recordable Injury Frequency Rate by for the year was 19 compared to 2017 at 18.

As Managing Director, I remain personally committed to safe workplace operations for our people. All Austin managers are actively working with our employees and are committed to safety, with specific safety obligations forming part of every manager's responsibility.

The Austin Safety Journey Blueprint is progressing well as the whole organisation moves to a uniform approach to safety management and cultural alignment as we shift to the next level of maturity in our safety journey.

### **Financial Performance**

Austin delivered a net profit after tax, but before impairments and one-off charges, of \$5.4 million for the financial year 2018. This is a significant turnaround from the \$1.5 million loss in the 2017 financial year. The underlying EBITDA for the 2018 financial year was \$23.2 million. This represents a 62% increase on 2017. The dedication and commitment of our people to reposition Austin as an Australian company with a global footprint that provides industry leading engineered solutions for our clients has been fundamental to the delivery of our turnaround strategy.

### **Diversified revenue**

#### **Revenue by region**

The Americas delivered the strongest revenue growth with this regions share increasing to 53% largely due to the strong performance of the USA. Australia's revenues increased by 11% as a result of improved sales on the east coast of Australia, with Perth revenue lower relative to a strong 2017 financial year.

#### **Revenue by commodity**

Coal and copper contribution increased from 49% to 67% with a marked increase in new product sales in New South Wales and Queensland coal. The Americas reflected an increase in copper revenue.

Iron ore contribution fell from 31% to 18% due to Austin's predominate exposure to iron ore through west coast Australia that experienced a large replacement cycle with a major client in the 2017 financial year.

#### **Revenue by customer type**

Revenue from miners grew by 12% from FY17 however reduced as a proportion of FY18 total revenue. Work from mining contractors and OEM's increased by 40% from FY17 as a result of improved client engagement and increased new product deliveries from OEM partners.

#### **Revenue by product and service**

Truck body revenue increased from FY17, driven largely by the Bingham Canyon order for seventy-six bodies in the USA. Revenue from maintenance and repairs decreased as a result of restructuring activities in Peru, Chile, Hunter Valley (New South Wales) and Karratha (Western Australia).

The increase in the other category is from sales of water tanks, predominantly in the USA, and mining infrastructure products in Indonesia.

### **FY18 by region - Australia**

Perth operations continued to deliver the highest underlying earnings to the group as major mining companies continued their investment in off-highway truck fleets during 2018, however earnings decreased from 2017 when a major replacement cycle was delivered.

On the east coast, our Mackay operations doubled their revenue contribution and our Aust Bore machining business delivered increased earnings on the prior year as a result of improved demand for Queensland coal.

Austin's Hunter Valley operations closed as was the unprofitable site service operation in Karratha, in Western Australia. Australian site services are now mainly focused on the Pilbara region of Western Australia, supporting Austin's new product clients.

### **FY18 by region - Americas**

The Americas delivered the strongest revenue and profit performance in the group in the financial year 2018. Profit margins improved during the year as a result of improved workshop efficiencies, strong demand for our products and efficiencies in indirect costs.

Copper markets improved during 2018 and accounted for more than half the revenue from the Americas. A large order for the Bingham Canyon copper mine helped the USA deliver the highest EBITDA contribution in the region. The copper market improvements combined with internal cost saving initiatives resulted in Chile contributing a positive underlying EBITDA result to the group compared to a loss in the previous period.

Colombia maintained its positive earnings contribution from the previous period and built on increasing revenues from high margin manufactured products. The business in Peru has also been refocussed on the delivery of Austin's core products, rather than the provision of on-site services.

This enabled a reduction of indirect costs and the closure of its main facility in Lurin during 2018. Peru's underlying EBITDA was break-even compared to a loss in the previous period.

**FY18 by region - Asia**

Results from Asia continued to be strong in 2018 with this region generating the highest profit margins in the Group. We have been actively developing opportunities to increase throughput at our Batam Island, Indonesian facility to maximise the cost of manufacture and geographic advantages of our Asian operations.

We continue to leverage our Asian manufacturing capability to deliver more product to the local market as well as east coast Australia and explore opportunities to supply the African and wider Asia markets and products in aligned industries.

**Austin's Competitive Advantage**

We believe our core value proposition of being a global engineering solutions provider, built on decades of innovation and intellectual property supplying quality products and manufacturing expertise to our clients will allow us to take advantage of future opportunities.

Our 'One Austin' model leverages our global reach and understanding of the issues facing the mining industry to uniquely position Austin to service global accounts in a much more effective way and underpins our ability to deliver sustainable shareholder returns during financial year 2019 and into the future.

I would also like to take this opportunity to express my sincere thanks to Jim Walker and the Board for their ongoing guidance and support. To all of our shareholders, some of who are here today, I thank you for your continued support.

I will now hand back to Jim for questions.

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For further information, contact:

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