



## AUSTAL 2021 AGM

<b>Company/ASX Code</b>	Austal Limited/ ASB
<b>AGM date</b>	Thursday 11 November 2021
<b>Time and location</b>	2.00 pm (AWST) Fremantle Sailing Club Fremantle.
<b>Registry</b>	Link Market Services
<b>Webcast</b>	No
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Geoff Read with Keith Mellis
<b>Pre AGM Meeting?</b>	Yes, with CEO Paddy Gregg plus CFO and Company Secretary.

One of the individuals who prepared this voting intention has a shareholding in this company.

### Summary of issues for meeting

The big issue for Austal is winning new orders to keep the forward order book full. The ferry market is quiet due to COVID-19 impacts, the RAN does not have any new contracts on the horizon, and the US Navy is yet to award any major programs of work, although Austal should have confidence given the US grant of \$50M to build a steel shipyard and the award of 2 Navajo class steel vessels.

<b>Item 0</b>	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	No vote required

### Summary of ASA Position

2021 was Austal's second best year on record for NPAT in spite of the COVID-19 related dramas. There were 19 vessels delivered, a record number of Austal.

The dividend increased by 1 cent to 9 cents. It was unfranked and this is expected to continue since most of the profit comes from the US where the tax paid does not count towards franking credits.

The company DID NOT utilise the Federal Government JobKeeper program.

The company has completed a new 30 year strategic plan. This includes zero emission vessels and autonomous operation vessels. The dual themes of increasing use of technology and improving the environmental performance of vessels feature strongly.

The company is under investigation by ASIC concerning a complaint of failing to keep the market properly informed from 22 days in June/July 2016. Criminal charges are not being pursued but the civil complaint remains. This inquiry could well drag on for some time.

In the US an inquiry by the Department of Justice into the LCS program found some incorrect cost recording against individual vessels and discovered that some butterfly valves used in the LCS did not meet naval specifications. These matters appear to be close to resolution.

There were several management changes this year. The CEO David Singleton resigned on 31 December 2020 and the Chief Operations Officer Paddy Gregg was promoted to CEO from the same date. This was a planned move and it was good to see succession planning in action.

More recently Ian McMillan joined Austal to become COO. The president of the US operations, Craig Perciavalle, left in February for reasons unknown. He has been succeeded by the CFO of US operations, Rusty Murdaugh.

Austal has created a new role of Chief Digital officer. The company is planning to hire a corporate risk officer and will recruit a second female director in 2022.

### Summary

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	81.06	88.98	61.38	39.03	15.35
UPAT (\$m)	81.06	88.98	61.38	39.03	15.35
Share price (\$)	2.05	3.23	3.41	1.86	1.83
Dividend (cents)	8	8	6	5	4
Simple TSR (%)	-34	-3.6	86.6	4.1	55.1
EPS (cents)	22.6	25	17.6	11.3	4.4
CEO total remuneration, actual (\$m)	0.989	3.03	3.15	2.38	2.1

There was a change of CEO on 1/1/2021. The new CEO served only half of the year in that role.

For 2021 the CEO's total actual remuneration was 21 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics)

<b>Item 1</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

### **Summary of ASA Position**

The company revised its remuneration methods comprehensively in 2019 after a first strike in 2018. There has been no significant change this year. The remuneration report is clear and comprehensive. In general terms the remuneration complies with the ASA guidelines with one exception in the long term incentive plan. The performance measurement period is 3 years whereas ASA prefers a minimum period of 4 years.

The company uses VWAP to calculate the shares/rights to be awarded under the performance plans. One improvement this year is the disclosure of take home pay for the executive team.

The incoming CEO has a meaningful shareholding in the company.

The departing CEO, David Singleton, achieved 100% of his STI opportunity. The incoming, CEO Paddy Gregg, achieved 55% of his STI opportunity and the 2 other Australian KMPs achieved mid 50%'s. The president of the USA operation achieved 95% for his period in charge from February to June 2021.

Under the FY19 LTI, the three KMP still with the company at FY21 year-end achieved 100% of their target with the incoming CEO awarded rights to the value of \$389,320 for his prior role as COO.

From reading the detail contained in the notice of meeting it appears that the CEO has been granted a pay rise of approximately \$100,000 for 2022.

See also Appendix 1.

<b>Item 2</b>	<b>Re-election of Mr Chris Indermaur as a Director</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mr Indermaur was elected to the board in October 2018. He has a back ground in engineering and law. He has one other directorship. He has the smallest shareholding of all the directors. He is increasing it slowly, see resolution 5. He is an independent director. We support his re-election.

<b>Item 3</b>	<b>Re-election of Mr Giles Everist as a Director</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mr Everist was appointed to the board in November 2013. He has a background in engineering and accounting. He is the chairman of the audit and risk committee. He has one other directorship. He is also the CFO of Capital Limited, a mining services company, which is located in Mauritius. He has a modest shareholding in the company and he is increasing it slowly. See resolution 6. He is an independent director. We support his re-election although we will inquire about the impact of his overseas residency on his performance/effectiveness.

<b>Item 4</b>	<b>Approval of the issue of share rights to Ms Sarah Adam-Gedge</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

These share rights form part of the NED remuneration plan and assist them to build a stake in the company. Shares are purchased at market prices.

<b>Item 5</b>	<b>Approval of the issue of share rights to Mr Chris Indermaur</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

These share rights form part of the NED remuneration plan and assist them to build a stake in the company. Shares are purchased at market prices.

<b>Item 6</b>	<b>Approval of the issue of share rights to Mr Giles Everist</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

These share rights form part of the NED remuneration plan and assist them to build a stake in the company. Shares are purchased at market prices.

<b>Item 7</b>	<b>Approval of the issue of STI share rights to CEO Mr Patrick Gregg</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

50% of the FY21 STI is awarded in equity. The award is calculated using VWAP.

We will ask the company to purchase the shares to satisfy this plan on market.

<b>Item 8</b>	<b>Approval of the issue of LTI rights to CEO Mr Patrick Gregg</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

The FY22 LTI is awarded as 100% equity. The award is calculated using VWAP and assumes that the maximum opportunity will be achieved.

We will ask the company to purchase the shares to satisfy this plan on market.

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## Appendix 1

### Remuneration framework detail

CEO rem. Framework for <b>FY2021 half year.</b>	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	0.437	51%	0.438	37%
STI - Cash	0.0985	11.5%	0.1475	12.5%
STI - Equity	0.0985	11.5%	0.1475	12.5%
LTI	0.219	24%	0.438	38%
Total	0.853	100.0%	1.17	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

\*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.