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# AUSTAL LIMITED

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Equity Analysis (16 January 2025)



## Contents

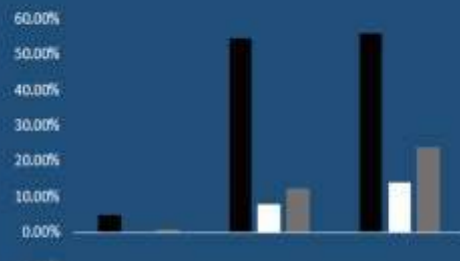
<b>Introduction</b> .....	1
<b>Operating Performance</b> .....	1
<b>Balance Sheet Highlights</b> .....	1
<b>Ratio Analysis</b> .....	2
<b>Recent Updates</b> .....	2
<b>Outlook</b> .....	2
<b>Risks</b> .....	2
<b>Technical Analysis</b> .....	3
<b>Investment Summary</b> .....	4

**Introduction**

Austal Limited is an Australia-based global shipbuilder and defense prime contractor. The Company offers naval, government and commercial operator ships, systems and support. The Company designs, constructs and supporting commercial vessels, including passenger ferries, vehicle passenger ferries, offshore and windfarm vessels for operators throughout the world.

Recommendation	Buy	
Risk Profile	High	
Current Market Price (AU\$)	3.150	
52 Week Low-High (AU\$)	1.870 - 3.520	
Market Capitalisation (AU\$)	1.14 billion	
Outstanding Shares	362.02 million	
PE (TTM)	75.49	
EPS (AU\$) (TTM)	0.040	
Dividend Yield/Frinking	-/-	
Ex-Date/Pay-Date	14 Sep 2023/20 Oct 2023	
Enterprise Value (EV)/Sales (LTM)/(FY-1)	0.8x	0.7x
EV/EBITDA (LTM)/(FY-1)	29.9x	8.2x
Price/Book Value (LTM)/(FY-1)	1.1x	-

**Performance Chart**



	1 month	12 months	36 months
ASB	4.83%	54.41%	55.94%
Asx Ordinaries Index (% Change)	-0.05%	8.04%	14.01%
S&P/ASX 200 Industrials	-0.62%	12.31%	23.93%

**Operating Performance**



Source: Company Reports, Chart Prepared by Kapitales Research

- Total revenue of the company in FY24 is AU\$1,468.91 million.
- In FY24, the company's net profit was AU\$14.88 million.
- Cash used in operating activities was AU\$13.05 million in FY24 compared to AU\$86.71 million cash provided in FY23.
- Cash used in investing activities was AU\$12.70 million in FY24 compared to AU\$102.78 million in FY23.
- Cash provided from financing activities was AU\$19.52 million in FY24 compared to AU\$38.06 million cash used in FY23.

**Balance Sheet Highlights**



Source: Company Reports, Chart Prepared by Kapitales Research

**Compared to FY23, in FY24:**

- Total asset increased to AU\$2,093.23 million.
- Total liabilities increased to AU\$1,088.56 million.
- Total debt increased to AU\$281.06 million.

## Ratio Analysis

Fiscal Years	FY2020	FY2021	FY2022	FY2023	FY2024
Return on Assets (ROA) %	5.47%	4.62%	4.50%	-1.00%	-0.72%
Return On Equity %	12.90%	10.65%	9.37%	-1.47%	1.52%
Return on Total Capital (ROTC) %	8.72%	7.00%	6.61%	-1.54%	-1.17%
EBITDA Margin %	7.58%	9.23%	10.39%	1.26%	2.13%
Gross Profit Margin %	11.47%	14.16%	16.11%	6.25%	11.74%
Net Income Margin %	4.27%	5.16%	5.57%	-0.87%	1.01%
Asset Turnover	1.5	1.1	0.9	0.9	0.7
Days Outstanding Inventory (Avg)	36.8	51.8	67.2	78.4	114.3
Current Ratio	1.8	1.7	1.8	1.4	1.1
Days Sales Outstanding (Average Receivables)	32.4	32.8	34.5	30.8	38.2
Days Payable Outstanding (Avg)	34.9	40	40.5	32.7	52.3
Cash Conversion Cycle (Average Days)	34.4	44.5	61.2	76.4	100.1

Source: Koyfin, Chart Prepared by Kapitales Research

## Recent Updates

On 23 December 2024, Austal Limited announced a contract extension valued at AU\$137.02 million to construct two additional Evolved Cape-class Patrol Boats for the Australian Border Force. This will increase the total number of ECCPBs built by Austal to 12. Eight vessels have been delivered since 2020.

Austal CEO Paddy Gregg highlighted these vessels' critical role in enhancing Maritime Border Command's capabilities for Australia's maritime security and border protection, including Operation Sovereign Borders. The Evolved Capes have proven effective, operating with the Royal Australian Navy and bolstering ABF's fleet for Northern Australia patrols.

## Outlook

Austal's outlook focuses on strategic investments to sustain long-term growth, particularly in U.S. defense projects. Despite a strong balance sheet, no FY24 dividend was declared due to planned infrastructure investments in Mobile, Alabama. Austal will continue developing its steel production capacity and autonomous vessel programs through projects like EPF 13. While defense deliveries remained strong in Australia, commercial shipbuilding in the Philippines and Vietnam faced challenges. However, an uptick in new orders and tender activity signals recovery, supporting Austal's long-term profitability and global expansion goals.

## Risks

The company has exposure to the following risks-

- Market Competition
- Consumer preference risk
- Operational risk
- Technological Advancements

**Technical Analysis**



Source: TradingView, Analysis by Kapitales Research

Company Name	Ticker	Sector	CMP (AU\$)	Advisory Date	Rating	Target 1 (AU\$)	Target 2 (AU\$)	Stop Loss (AU\$)
Austal Limited	ASB	Industrials	3.150	16 January 2025	Buy	3.580	3.850	2.800

The stock of aerospace and defense company ASB settled at AU\$3.150 on 16 January 2025. It is currently trading between its 52-week price levels.

The stock is trading above the significant exponential moving averages (EMA) of 20, 50, 100 and 200 weeks on a weekly time frame, indicating bullishness for the midterm.

RSI (14 weeks) is at 59, showing a bullish momentum in the index.

**Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$3.580 (previous swing resistance) and AU\$3.850 (previous swing resistance) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).**

**Investors are advised to keep a strict stop loss at or below AU\$2.800 (previous swing support) to protect their investments in case of an unfavourable movement in the stock due to any uncertain event.**

**Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favourable direction.**

## Investment Summary

Austal's investment strategy emphasizes expanding its U.S. defense capabilities through key infrastructure projects in Mobile, Alabama. The company focuses on enhancing steel production and autonomous vessel programs, including partnerships under AUKUS. Strategic investments in both defense and commercial sectors aim to ensure sustainable growth. Although commercial shipbuilding faced challenges in the Philippines and Vietnam, new orders signal recovery. Austal's continued focus on defense deliveries, submarine module contracts, and increased tender activity reflects confidence in long-term profitability and resilience across global markets.

Considering all the above factors and the current trading level, we recommend a "Buy" rating on the stock at the current market price of AU\$3.150 as of 16 January 2025 (after-market hours).

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*Disclosure: The information mentioned above has been sourced from the company reports and a third-party database, i.e. Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.*