



Company	Austal Limited
Code	ASB
Meeting	AGM
Date	26 October 2018
Venue	Fremantle Sailing Club, Fremantle, WA.
Monitor	Geoff Read assisted by Keith Mellis

Number attendees at meeting	40 shareholders plus 23 visitors
Number of holdings represented by ASA	11
Value of proxies	\$400,000
Number of shares represented by ASA	228,000
Market capitalisation	\$600M
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with CEO David Singleton and CFO Greg Jason.

A surprise first strike against remuneration report with 37% votes against

In a move which surprised all in attendance a fund manager and substantial shareholder in Austal voted their block of shares against the adoption of the remuneration report thereby giving Austal its first and only strike. We learnt at the meeting that the objectors principal complaint was that the CEO does not have a large enough shareholding. This seems an odd complaint given that the CEO reserves 30% of his fixed pay each year to be placed into an Austal share rights trust for his future benefit. At reporting date he had 466,553 share rights held this way, the value of which is close to meeting ASA guidelines for CEOs in office for 5 years. For all of these he paid full market price at the time of purchase. He also held 28,600 shares at reporting date. As the LTI plan is measured over 3 years and he has only been CEO for 2.5 years he has not yet had a chance to earn any shares via this plan. We have requested Austal on at least 3 occasions to pay half of the short term incentive in equity but this has not eventuated. (Presently nil). The Austal share register is unusually concentrated with the top 68 shareholders being those owning more than 100,000 shares represent 91.3% of the shares.

After the meeting the media reported that the discontented fund manager was Allan Gray.

We questioned the chairman about the board's dividend pay-out policy. He replied that the goal is to pay out 40% of earnings after reserving funds for capital and balance sheet purposes. As the company is nett cash positive and capital needs are modest we hope that this results in increased dividends.

The presentations to the meeting were upbeat and optimistic in their outlook as Austal has advance orders for 47 ships valued at \$3B extending out to 2023. These orders come from countries around the world and are for both military and commercial vessels. To cater for this demand the company is expanding its shipyards in Vietnam and the Philippines. They are also optimistic about participating in the build-up of the US Navy ship numbers given positive 2019 federal budget predictions.

We asked for more information on the reasons for the loss of the RAN offshore patrol vessel contract. Apparently the company was assured that the German design they had chosen was compliant to RAN requirements. Apparently after the decision was made Austal learnt that they also had a lower price than the successful bidder. Austal were offered some basic work on the successful bidder's ships. The CEO told the meeting that the value of this work did not justify the commercial risks. It is worth noting that the successful bidder is a well-known steel fabricator but this is their first venture into shipbuilding. All in all a remarkable and unusual tender outcome.

The ASA voted undirected proxies FOR all the resolutions. [All the resolutions were adopted](#) on a poll with votes FOR in the range 97-99%

The AGM presentations can be found at:

<https://www.asx.com.au/asxpdf/20181026/pdf/43zp48mx2q032c.pdf>

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