



## DEAR SHAREHOLDERS, CUSTOMERS, PARTNERS AND EMPLOYEES,

*Fiscal 2018 was a record-breaking year for Cubic Corporation. We delivered excellent financial results and continued our mission to transform Cubic into a technology-driven, market-leading company. In fiscal year 2018, we grew sales by 9% to \$1.2 billion – a company record for continuing operations.*

Adjusted EBITDA grew 20% to \$104.6 million. We secured future growth by achieving record bookings and finished the year with a backlog of \$4.1 billion – the highest in the history of Cubic. Additionally, the ceiling on our Transportable Tactical Command Communications (T2C2) contract doubled from \$440 million to over \$960 million. At the end of fiscal 2018, the value of our funded backlog plus the unfunded T2C2 contract, increased to nearly \$5 billion (4x 2018 sales) from approximately \$3 billion at the end of 2017. As a result, Cubic's stock price performed well, delivering a one-year total shareholder return of 44%.

Over the last few years, we transformed the company through disciplined investments to drive growth, accelerate innovation, improve our cost structure and facilitate better collaboration across the enterprise. We have sharpened our focus on providing innovative technologies and strengthened our portfolio across both transportation and defense. In 2018, our strategic review process led to our decision to divest the Cubic Global Defense Services (CGD Services) business. This transaction marked an important milestone for Cubic, enabling the company to better concentrate resources on opportunities aligned with our long-term focus, building technology-driven, market-leading businesses.

While growing the company, we remained focused on living our values and fulfilling our purpose. ***Our teams innovate to make a positive difference in people's lives. We simplify their daily journeys. We promote mission success and safety for those who serve their nation.*** In Transportation, we're passionate about developing solutions that improve the way we move throughout cities. In Defense, Cubic is proud to provide mission critical information through technology-driven solutions to improve

operational mission effectiveness and readiness of U.S. and partner nation militaries, security forces and first responders worldwide. This year, our systems and services helped first responders in emergency situations such as Hurricane Florence.

Our 2018 performance validates our ongoing transformative investments and strategic imperatives, specifically our company-wide commitment to *Winning the Customer*. We chose to pursue the higher objective of creating long-term value for our customers, our shareholders and our talented employees rather than settling for higher short-term profits through cuts in infrastructure and research. As we enter the fourth year of our Five-Year Strategic Plan, Goal 2020, we're excited to start delivering on the promises we made to our customers. I am convinced that this is the beginning of many years of strong performance and I am honored to serve Cubic's mission alongside our dedicated employees.

Our progress this year has also been reflected by the increased confidence of the equity research analyst community. As of the date of this publication, not only did Cubic enjoy a "Buy" rating from all publishing analysts, but two of them named Cubic as a "top pick" designation for 2019. Management has been working to establish a constructive dialogue with the financial community and we greatly appreciate the honest feedback we have received from the research analysts and our investors.

ADJUSTED EBITDA

20% growth

HIGHEST IN COMPANY HISTORY

\$4.1B backlog

ONE YEAR TOTAL

44% shareholder return

A COMPANY RECORD

9% growth in sales





## MAJOR WINS AND CUSTOMER-CENTRIC INVESTMENTS

We have consistently communicated Cubic's **six major catalysts** to drive growth and margin improvement. I am pleased to say that our team achieved all six of those catalysts in fiscal 2018. These awards are valued at \$1.8 billion and we expect to also achieve approximately \$2 billion in follow-on business from these contracts.

- 1 We won four major transportation opportunities:
- 2 the **New York Metropolitan Transportation Authority** (MTA), the **Massachusetts Bay Transportation Authority** (MBTA), the **Queensland Department of Transport & Main Roads** (DTMR)
- 3 and the **San Francisco Bay Area's Metropolitan Transportation Commission** (MTC).
- 4

These wins reinforce Cubic's position as the industry leader in advanced transportation payment and information systems, while establishing a core of major transportation hubs that leverage common digital infrastructure of technology and solutions.

In particular, the One Account platform with real-time communications and data analytics, provides an account-based architecture which is an enabler of a variety of new potential partnerships between transit, bike share, ride share, car share, parking and other vertical transportation services falling under NextCity®, our Mobility-as-a-Service (MaaS) strategy.

- 5 On the defense side, we successfully transitioned Cubic's **GATR satellite antenna systems to Full Rate Production** (FRP) for the U.S. Army's Transportable Tactical Command Communications (T2C2) program. Additionally, the government doubled the ceiling of the contract. We are proud to work with the U.S. Army on the T2C2 program to ensure its mission readiness for years to come. Our GATR solution delivers a significant Size, Weight and Power (SWaP) and mobility advantage compared to any competing technology enabling the military to save significant airlift dollars.

- 6 Internally, we have streamlined our processes with **a global rollout of our Enterprise Resource Planning (ERP) system** – an important *One Cubic* initiative. Our ERP system, coupled with our ongoing efforts to optimize business processes and take cost out of the supply chain and selling, general and administrative (SG&A) expenses, will be transformative as we continue to grow.

While growing Cubic's backlog to a record level, we also made technology-driven investments that will further propel our market leadership position. Over the last few years, we strategically acquired a number of businesses in connection with Cubic's plan to build a focused C4ISR offering, which today provides integrated best-of-breed, mission capabilities to solve our customers' most challenging problems. This year, we made two acquisitions to further strengthen our C4ISR offering. MotionDSP, a Silicon Valley-based computer vision and deep learning company, enhances our TeraLogics' full motion video platform to provide real-time video enhancements and analytics. Also, through our acquisition of Shield Aviation, Cubic will offer ISR-as-a-Service missions to satisfy the increasing requirements for Intelligence, Surveillance and Reconnaissance (ISR).

In our transportation business, one of Cubic's growth initiatives is to expand from the large fare collection market into the small- and mid-market segments. In 2018, we made a minority investment in Delerrok, an automated fare collection company focused on these markets. By combining Delerrok's platform with the Cubic NextBus solution, we can offer an integrated vehicle information, operations and payments solution through a subscription-based service at an affordable price point for these new customers. Shortly after the fiscal year end, we acquired Trafficware, another leading provider of intelligent transportation solutions. Trafficware's innovative, data-

rich intersection management technology combined with Cubic's existing transportation capabilities enhances our ability to offer compelling solutions to reduce urban congestion. This transaction follows our recently awarded Intelligent Congestion Management Program contract by Transport for New South Wales to provide Sydney, Australia with one of the world's most advanced transport management systems. Our win in Sydney and the acquisition of Trafficware put us at the forefront of predictive traffic management and will create opportunities for Cubic in the emerging artificial intelligence and machine learning market, enabling our customers to further reduce congestion and its associated costs to the economy and the environment. These strategic initiatives, together with the four major contracts, and our advancements in Cubic's mobile solution, where we now enjoy 61% share of the U.S. market, represent tremendous progress against our NextCity strategy in fiscal 2018.

Subsequent to the acquisition of Trafficware, Cubic completed an underwritten public offering of 3,795,000 shares of common stock with gross proceeds of \$228 million. The proceeds were used to de-lever the balance sheet, which provides us with increased financial flexibility to pursue our growth strategy.

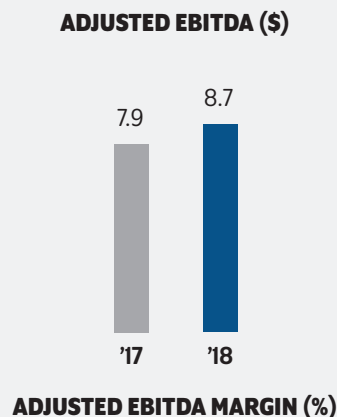
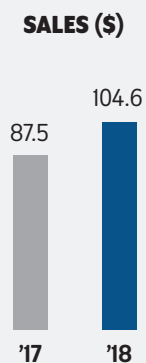
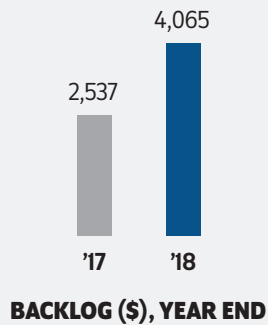
### Our Common Technologies



*Cubic is a technology-driven, market-leading global provider of innovative, mission-critical solutions that reduce congestion and increase operational readiness and effectiveness through increased situational understanding.*

## Financial Highlights

DOLLARS ARE IN MILLIONS



## FISCAL 2019: THE YEAR OF MEETING OUR COMMITMENTS

While we celebrate our recent wins and solid financial performance, our teams recognize that we still have much work to do. Cubic is in a fortunate position because our sizable backlog and program of record visibility is beginning to drive strong growth for the company. We have been entrusted by our customers to deliver complex, superior solutions and we must focus on exceptional customer service to strengthen our reputation and credibility. We will deliver efficiently and effectively, while continuing to improve our operations. We will invest in our talent, focusing on measuring and improving employee engagement and fostering a culture of being “All-In.” To ensure focus, we have declared fiscal 2019: *The Year of Meeting Our Commitments*.

In Transportation, our priority is to deliver on the promises we made to customers including New York, Boston, Sydney, Brisbane and the Bay Area and keeping on track with our mobile application release schedule. We will also focus on securing future growth through our customer relationships, expanding our geographic footprint, growing NextBus and expanding into road user charging and surface transport management market adjacencies.

In Command, Control, Computers and Communications, Intelligence, Surveillance and Reconnaissance (C4ISR), our near-term focus is to continue to successfully field T2C2 in full-rate production and deliver FirstNet for AT&T. FirstNet is our Radio over Internet Protocol (RoIP) solution that will allow first responders across the U.S. to use radios with cell phones over the mandated FirstNet network.

In Defense Training, we will continue to develop our synthetic virtual and live multi-domain training environment solution as part of the armed forces’ modernization priorities. We recently completed an Advanced Technology Demonstration in partnership with the U.S. Air Force Research Lab at Nellis Air Force Base. We conducted a large, joint air combat maneuvering instrumentation exercise putting live, virtual and constructive (LVC) entities in both U.S. Air Force and U.S. Navy cockpits for the first time in history. The result is that fighter pilots will be better prepared for the high-end fight at greatly reduced cost. We believe this LVC capability will revolutionize fighter pilot training and lead to a significant program of record.

We remain focused on Cubic’s five key strategic priorities: *Winning the Customer*, *Building NextCity Globally*, *Building NextMission Globally* and *Building NextTraining Globally* – all supported by the leveraging of Cubic’s resources by *Living One Cubic*. Our strategic priorities have been extensively reviewed with Cubic’s management team and Board of Directors, communicated across all of Cubic and translated into performance goals for each employee. I welcome you to read more about these initiatives in the Strategic Priorities section of this report.

**I am excited about the opportunities ahead.** I couldn't be happier with the progress of Cubic's transformation, but our journey continues. The world is more complex and connected than ever before and across our markets we are seeing rapid advances in technology influencing customer expectations. This rise of transformative digital technologies and the need for enhanced situational understanding has the potential to expand our addressable markets and is top of mind as we position Cubic for the next wave of value creation.

We see powerful opportunities to enrich our products and services by infusing them with information and analytics to provide keener insights to our customers. In the future, we expect to deliver digital platforms, help our customers make data-driven decisions and generate new recurring revenue streams for Cubic. In Transportation, we will digitize travel to be more predictive, personalized, actionable and adaptable. In Defense, we will deliver mission-critical capabilities to the edge of the battlefield and in complex emergency situations and we will synthesize virtual and live training for tomorrow's multi-domain missions. To accelerate these efforts, we are in the process of hiring a Chief Digital Officer.

**CLOSING**

It is my great honor to serve as the Chairman, President and CEO of Cubic. I would like to thank my fellow Board members for their high level of engagement, counsel and support. This year, we had the pleasure of welcoming two new members to Cubic's Board of Directors: David F. Melcher and Prith Banerjee. Lieutenant General (Ret.) David Melcher, former CEO of Aerospace Industry Association and Excelis, brings to Cubic an extensive background in executive management, the defense industry, strategy and finance, in addition to his experience working closely with key military and government leaders. Prith Banerjee, the current Chief Technology Officer of ANSYS, brings to Cubic a strong background in academia, engineering, disruptive technology and research and development. I look forward to their leadership and insight as we continue to work towards expanding in strategically adjacent markets and applications and pursue the digitization of Cubic's solutions.

In closing, I'd like to thank our customers for allowing us to be trusted contributors to their success, our partners for supporting us in meeting our commitments and our 5,600+ employees working around the world for their dedication to Cubic. And to our shareholders, thank you for your continued support as we make progress on our strategic initiatives and accelerate our growth.



**Bradley H. Feldmann**  
 Chairman, President and CEO  
 December 18, 2018

FY2018 SALES  
**\$1,203**  
 MILLION

