

Financial Statements

CUBIC CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS (amounts in thousands, except per share data)

	Nine Months Ended June 30,		Three Months Ended June 30,	
	2018	2017	2018	2017
Net sales:				
Products	\$ 468,949	\$ 466,071	\$ 179,761	\$ 167,143
Services	354,240	292,523	116,451	99,041
	823,189	758,594	296,212	266,184
Costs and expenses:				
Products	334,202	334,590	125,536	120,575
Services	245,075	208,510	80,401	71,075
Selling, general and administrative expenses	183,720	170,730	58,267	56,898
Research and development	40,113	38,779	13,934	16,901
Amortization of purchased intangibles	19,988	22,948	6,153	7,257
Restructuring costs	3,382	1,616	1,631	326
	826,480	777,173	285,922	273,032
Operating income (loss)	(3,291)	(18,579)	10,290	(6,848)
Other income (expenses):				
Interest and dividend income	1,872	682	765	235
Interest expense	(8,152)	(12,202)	(2,567)	(4,357)
Other income (expense), net	(1,881)	717	(3,831)	1,648
Income (loss) from continuing operations before income taxes	(11,452)	(29,382)	4,657	(9,322)
Income tax provision	4,299	5,967	5,627	68,914
Net loss from continuing operations	(15,751)	(35,349)	(970)	(78,236)
Net income from discontinued operations	8,364	10,985	5,380	56,279
Net income (loss)	(7,387)	(24,364)	4,410	(21,957)
Less noncontrolling interest in loss of VIE	(1,881)	—	(1,881)	—
Net income (loss) attributable to Cubic	\$ (5,506)	\$ (24,364)	\$ 6,291	\$ (21,957)
Amounts attributable to Cubic:				
Net income (loss) from continuing operations	(13,870)	(35,349)	911	(78,236)
Net income from discontinued operations	8,364	10,985	5,380	56,279
Net income (loss) attributable to Cubic	\$ (5,506)	\$ (24,364)	\$ 6,291	\$ (21,957)
Net income (loss) per share:				
Basic				
Continuing operations attributable to Cubic	\$ (0.51)	\$ (1.30)	\$ 0.03	\$ (2.89)
Discontinued operations	\$ 0.31	\$ 0.41	\$ 0.20	\$ 2.08
Basic earnings per share attributable to Cubic	\$ (0.20)	\$ (0.90)	\$ 0.23	\$ (0.81)
Diluted				
Continuing operations attributable to Cubic	\$ (0.51)	\$ (1.30)	\$ 0.03	\$ (2.89)
Discontinued operations	\$ 0.31	\$ 0.41	\$ 0.20	\$ 2.08
Diluted earnings per share attributable to Cubic	\$ (0.20)	\$ (0.90)	\$ 0.23	\$ (0.81)
Dividends per common share	\$ 0.14	\$ 0.14	\$ —	\$ —
Weighted average shares used in per share calculations:				
Basic	27,221	27,100	27,232	27,110
Diluted	27,221	27,100	27,374	27,110

CUBIC CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

	<u>June 30,</u> <u>2018</u>	<u>September 30,</u> <u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 93,274	\$ 60,143
Cash in consolidated VIE	414	—
Restricted cash	16,695	8,434
Restricted cash in consolidated VIE	10,000	—
Accounts receivable:		
Long-term contracts	313,747	354,476
Allowance for doubtful accounts	(1,334)	(436)
	<u>312,413</u>	<u>354,040</u>
Recoverable income taxes	1,103	5,360
Inventories	126,405	87,715
Assets held for sale	8,177	—
Other current assets	45,423	29,951
Current assets of discontinued operations	—	75,900
Total current assets	<u>613,904</u>	<u>621,543</u>
Long-term contract receivables	14,791	17,457
Long-term capitalized contract costs	71,530	56,471
Long-term capitalized contract costs in consolidated VIE	1,159	—
Property, plant and equipment, net	111,775	113,220
Deferred income taxes	4,937	7,385
Goodwill	327,964	321,562
Purchased intangibles, net	74,808	89,858
Other assets	13,229	10,515
Noncurrent assets of discontinued operations	—	98,274
Total assets	<u>\$ 1,234,097</u>	<u>\$ 1,336,285</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ —	\$ 55,000
Trade accounts payable	110,970	88,521
Trade accounts payable in consolidated VIE	268	—
Customer advances	56,769	56,132
Accrued compensation and other current liabilities	102,142	130,126
Income taxes payable	6,677	9,838
Current liabilities of discontinued operations	—	36,862
Total current liabilities	<u>276,826</u>	<u>376,479</u>
Long-term debt	199,785	199,761
Long-term debt in consolidated VIE	26,562	—
Other long-term liabilities	52,949	70,414
Other long-term liabilities in consolidated VIE	2,090	—
Shareholders' equity:		
Common stock	41,465	37,850
Retained earnings	785,303	794,485
Accumulated other comprehensive loss	(112,924)	(106,626)
Treasury stock at cost	(36,078)	(36,078)
Shareholders' equity related to Cubic	<u>677,766</u>	<u>689,631</u>
Noncontrolling interest in VIE	(1,881)	—
Total shareholders' equity	<u>675,885</u>	<u>689,631</u>
Total liabilities and shareholders' equity	<u>\$ 1,234,097</u>	<u>\$ 1,336,285</u>

CUBIC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended June 30,		Three Months Ended June 30,	
	2018	2017	2018	2017
Operating Activities:				
Net income (loss)	\$ (7,387)	\$ (24,364)	\$ 4,410	\$ (21,957)
Net income from discontinued operations	(8,364)	(10,985)	(5,380)	(56,279)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	34,133	35,774	10,642	11,750
Share-based compensation expense	5,100	3,586	2,603	395
Change in fair value of contingent consideration	446	(4,713)	(6)	(2,519)
(Gain) loss on disposal of assets	(1,474)	405	—	—
Deferred income taxes	(10,198)	(10,813)	(10,013)	17,660
Changes in operating assets and liabilities, net of effects from acquisitions:	(44,047)	(34,180)	(35,026)	5,928
NET CASH USED IN CONTINUING OPERATING ACTIVITIES	(31,791)	(45,290)	(32,770)	(45,022)
NET CASH PROVIDED BY OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS	14,497	28,776	8,364	16,702
NET CASH USED IN OPERATING ACTIVITIES	(17,294)	(16,514)	(24,406)	(28,320)
Investing Activities:				
Acquisition of businesses, net of cash acquired	(9,534)	(12,924)	—	—
Purchases of property, plant and equipment	(21,120)	(25,474)	(9,334)	(10,305)
Purchases of marketable securities	—	(18,944)	—	(189)
Proceeds from sales or maturities of marketable securities	—	18,944	—	6,441
Purchase of non-marketable debt and equity securities	(1,472)	(2,200)	(222)	—
Proceeds from the sale of fixed assets	2,400	—	—	—
NET CASH USED IN INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	(29,726)	(40,598)	(9,556)	(4,053)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS	133,795	1,217	133,795	(16)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	104,069	(39,381)	124,239	(4,069)
Financing Activities:				
Proceeds from short-term borrowings	198,820	93,080	79,700	23,800
Principal payments on short-term borrowings	(253,820)	(229,080)	(156,700)	(169,800)
Principal payments on long-term debt	—	(320)	—	(104)
Proceeds from long-term borrowings in consolidated VIE	28,378	—	28,378	—
Deferred financing fees in consolidated VIE	(2,180)	—	(2,180)	—
Stock issued under employee stock purchase plan	710	1,712	(88)	279
Purchase of common stock	(2,355)	(2,449)	(31)	(94)
Dividends paid	(3,676)	(3,679)	—	—
Contingent consideration payments related to acquisitions of businesses	(656)	(1,988)	—	—
Net change in restricted cash	(18,626)	71,084	(12,885)	72,597
NET CASH USED IN FINANCING ACTIVITIES	(53,405)	(71,640)	(63,806)	(73,322)
Effect of exchange rates on cash	175	(2,528)	1,242	4,958
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,545	(130,063)	37,269	(100,753)
Cash and cash equivalents at the beginning of the period	60,143	197,127	56,419	167,817
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 93,688	\$ 67,064	\$ 93,688	\$ 67,064
Supplemental disclosure of non-cash investing and financing activities:				
Liability incurred to acquire Vocality, net	\$ —	\$ 1,035	\$ —	\$ —

CUBIC CORPORATION
BACKLOG

	June 30, 2018	September 30, 2017
	(in millions)	
Total backlog		
Cubic Transportation Systems	\$ 3,208.7	\$ 2,043.9
Cubic Global Defense Systems	425.6	420.3
Cubic Mission Solutions	66.7	72.3
Total	<u>\$ 3,701.0</u>	<u>\$ 2,536.5</u>