

Financial Statements

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

	Years Ended September 30,		Three Months Ended September 30,	
	2018	2017	2018	2017
Net sales:				
Products	\$ 704,941	\$ 681,559	\$ 235,992	\$ 215,488
Services	497,957	426,150	143,717	133,627
	<u>1,202,898</u>	<u>1,107,709</u>	<u>379,709</u>	<u>349,115</u>
Costs and expenses:				
Products	472,698	473,670	138,496	139,080
Services	362,694	305,653	117,619	97,143
Selling, general and administrative expenses	258,644	240,601	74,924	69,871
Research and development	52,398	52,652	12,285	13,873
Amortization of purchased intangibles	27,064	30,245	7,076	7,297
Restructuring costs	5,018	2,260	1,636	644
	<u>1,178,516</u>	<u>1,105,081</u>	<u>352,036</u>	<u>327,908</u>
Operating income	24,382	2,628	27,673	21,207
Other income (expenses):				
Interest and dividend income	1,615	953	(257)	271
Interest expense	(10,424)	(15,027)	(2,272)	(2,825)
Other income (expense), net	<u>(687)</u>	<u>364</u>	<u>1,194</u>	<u>(353)</u>
Income (loss) from continuing operations before income taxes	14,886	(11,082)	26,338	18,300
Income tax provision	<u>7,093</u>	<u>14,658</u>	<u>2,794</u>	<u>8,691</u>
Net income (loss) from continuing operations	7,793	(25,740)	23,544	9,609
Net income (loss) from discontinued operations	<u>4,243</u>	<u>14,531</u>	<u>(4,121)</u>	<u>3,546</u>
Net income (loss)	<u>12,036</u>	<u>(11,209)</u>	<u>19,423</u>	<u>13,155</u>
Less noncontrolling interest in loss of VIE	<u>(274)</u>	<u>—</u>	<u>1,607</u>	<u>—</u>
Net income (loss) attributable to Cubic	<u>\$ 12,310</u>	<u>\$ (11,209)</u>	<u>\$ 17,816</u>	<u>\$ 13,155</u>
Amounts attributable to Cubic:				
Net income (loss) from continuing operations	8,067	(25,740)	21,937	9,609
Net income (loss) from discontinued operations	<u>4,243</u>	<u>14,531</u>	<u>(4,121)</u>	<u>3,546</u>
Net income (loss) attributable to Cubic	<u>\$ 12,310</u>	<u>\$ (11,209)</u>	<u>\$ 17,816</u>	<u>\$ 13,155</u>
Net income (loss) per share:				
Basic				
Continuing operations attributable to Cubic	\$ 0.30	\$ (0.95)	\$ 0.80	\$ 0.35
Discontinued operations	\$ 0.16	\$ 0.54	\$ (0.15)	\$ 0.13
Basic earnings per share attributable to Cubic	\$ 0.45	\$ (0.41)	\$ 0.65	\$ 0.48
Diluted				
Continuing operations attributable to Cubic	\$ 0.29	\$ (0.95)	\$ 0.80	\$ 0.35
Discontinued operations	\$ 0.16	\$ 0.54	\$ (0.15)	\$ 0.13
Diluted earnings per share attributable to Cubic	\$ 0.45	\$ (0.41)	\$ 0.65	\$ 0.48
Weighted average shares used in per share calculations:				
Basic	27,229	27,106	27,254	27,126
Diluted	27,351	27,106	27,433	27,240

CUBIC CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2018	September 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 111,834	\$ 60,143
Cash in consolidated VIE	374	—
Restricted cash	17,400	8,434
Restricted cash in consolidated VIE	10,000	—
Accounts receivable:		
Long-term contracts	393,691	354,476
Allowance for doubtful accounts	(1,324)	(436)
	<u>392,367</u>	<u>354,040</u>
Recoverable income taxes	91	5,360
Inventories	84,199	87,715
Assets held for sale	8,177	—
Other current assets	43,705	29,951
Current assets of discontinued operations	—	75,900
Total current assets	<u>668,147</u>	<u>621,543</u>
Long-term contract receivables	6,134	17,457
Long-term capitalized contract costs	84,924	56,471
Long-term capitalized contract costs in consolidated VIE	1,258	—
Property, plant and equipment, net	117,546	113,220
Deferred income taxes	4,713	7,385
Goodwill	333,626	321,562
Purchased intangibles, net	73,533	89,858
Other assets	14,192	10,515
Other noncurrent assets in consolidated VIE	810	—
Noncurrent assets of discontinued operations	—	98,274
Total assets	<u>\$ 1,304,883</u>	<u>\$ 1,336,285</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ —	\$ 55,000
Trade accounts payable	125,414	88,521
Trade accounts payable in consolidated VIE	165	—
Customer advances	75,941	56,132
Accrued compensation	65,277	79,577
Other current liabilities	52,956	50,549
Income taxes payable	8,586	9,838
Current liabilities of discontinued operations	—	36,862
Total current liabilities	<u>328,339</u>	<u>376,479</u>
Long-term debt	199,793	199,761
Long-term debt in consolidated VIE	9,056	—
Accrued pension liability	7,802	25,375
Deferred compensation	11,476	11,435
Income taxes payable	2,406	7,465
Deferred income taxes	2,689	10,407
Other noncurrent liabilities	19,113	15,732
Other noncurrent liabilities in consolidated VIE	13	—
Shareholders' equity:		
Common stock, no par value:		
Authorized--50,000 shares		
36,201 issued and 27,255 outstanding at September 30, 2018		
36,072 issued and 27,127 outstanding at September 30, 2017	45,008	37,850
Retained earnings	801,834	794,485
Accumulated other comprehensive loss	(110,643)	(106,626)
Treasury stock at cost - 8,945 shares	(36,078)	(36,078)
Shareholders' equity related to Cubic	<u>700,121</u>	<u>689,631</u>
Noncontrolling interest in VIE	24,075	—
Total shareholders' equity	<u>724,196</u>	<u>689,631</u>
Total liabilities and shareholders' equity	<u>\$ 1,304,883</u>	<u>\$ 1,336,285</u>

CUBIC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended September 30,	
	2018	2017
Operating Activities:		
Net income (loss)	\$ 12,036	\$ (11,209)
Net income from discontinued operations	(4,243)	(14,531)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	46,600	48,045
Share-based compensation expense	7,515	5,012
Change in fair value of contingent consideration	1,029	(3,878)
(Gain) loss on disposal of assets	(1,474)	405
Deferred income taxes	(6,860)	(917)
Net pension cost (benefit)	(2,770)	(1,046)
Excess tax benefits from equity incentive plans	—	(35)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(34,762)	(45,443)
Inventories	3,023	(18,867)
Prepaid expenses and other current assets	(15,455)	7,286
Long-term capitalized contract costs	(29,552)	8,911
Accounts payable and other current liabilities	30,423	13,389
Customer advances	21,566	7,383
Income taxes	(361)	8,240
Other items, net	(18,126)	(5,756)
NET CASH PROVIDED BY (USED IN) CONTINUING OPERATING ACTIVITIES	8,589	(3,011)
NET CASH PROVIDED BY OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS	10,376	27,747
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,965	24,736
Investing Activities:		
Acquisition of businesses, net of cash acquired	(16,322)	(16,830)
Purchases of marketable securities	—	(19,121)
Proceeds from sales or maturities of marketable securities	—	31,868
Purchases of property, plant and equipment	(31,696)	(36,916)
Purchase of non-marketable debt and equity securities	(1,500)	(2,700)
Proceeds from the sale of assets	2,400	—
NET CASH USED IN INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	(47,118)	(43,699)
NET CASH PROVIDED BY INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS	133,795	1,217
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	86,677	(42,482)
Financing Activities:		
Proceeds from short-term borrowings	269,770	130,780
Principal payments on short-term borrowings	(324,770)	(315,780)
Principal payments on long-term debt	—	(978)
Proceeds from long-term borrowings in consolidated VIE	13,196	—
Deferred financing fees in consolidated VIE	(4,778)	—
Proceeds from stock issued under employee stock purchase plan	1,517	2,234
Purchase of common stock	(2,449)	(2,444)
Dividends paid	(7,355)	(7,341)
Excess tax benefits from equity incentive plans	—	35
Contingent consideration payments related to acquisitions of businesses	(1,156)	(2,625)
Equity contribution from Boston VIE partner	24,349	—
Net change in restricted cash	(19,509)	66,293
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(51,185)	(129,826)
Effect of exchange rates on cash	(2,392)	10,588
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,065	(136,984)
Cash and cash equivalents at the beginning of the period	60,143	197,127
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 112,208	\$ 60,143
Supplemental disclosure of non-cash investing and financing activities:		
Liability incurred to acquire Shield Aviation, net	\$ 6,248	\$ —
Liability incurred to acquire MotionDSP, net	\$ —	\$ 1,327
Liability incurred to acquire Vocality, net	\$ —	\$ 271

CUBIC CORPORATION
BACKLOG

	September 30, 2018	September 30, 2017
	(in millions)	
Total backlog		
Cubic Transportation Systems	\$ 3,544.9	\$ 2,043.9
Cubic Mission Solutions	77.0	72.3
Cubic Global Defense	442.6	420.3
Total	<u>\$ 4,064.5</u>	<u>\$ 2,536.5</u>