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Fiscal Year 2016 Fourth-Quarter and Full-Year Results
Conference Call

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FY16 Results

Sales: \$1.46 billion

- Up from FY15 due to recent defense acquisitions and growth in transportation
- Significant FX headwinds of \$32M (mainly in transportation)

Adjusted EBITDA: \$118.0 million

- Down from FY15
- Decrease in transportation segment profits from transition to new London contract as well as lower defense systems profits on ground training work

- Update on major items that caused Q4 shortfall:
 - Anticipate Littoral Combat Ship settlement no later than Q2FY17
 - DTECH network equipment orders delayed until H2FY17
 - Various air and ground training systems shipments slipped into FY17 due to customer-requested delivery date changes
- Completed next phase of new ERP system roll-out with expected completion of full system in early FY18
- Expect improved financial performance in FY17 and beyond:
 - Optimistic for NYC New Fare Payment System win
 - Open Payment upgrades across many transportation customers globally
 - GATR T2C2 Full Rate Production decision expected in second half of FY17
- Incoming presidential administration will be beneficial for Cubic's growth and profitability

Strategy Update

GOAL 2020

- By ***Winning the Customer***, we are targeting \$2B+ with 10%+ EBITDA margin, growing *10%+ year-on-year*
- Strategic focus areas for growth are: ***NextCity, C4ISR, and NextTraining***
- Improving productivity and efficiency through ***One Cubic*** initiatives, which will result in increased profitability

STRATEGIC OBJECTIVES

WINNING THE CUSTOMER

Provide superior solutions, spurred by innovation and ultimate customer focus

BUILDING NEXTCITY GLOBALLY

Expand from mass transit fare collection to smart mobility information & payments provider

GROWING C4ISR BUSINESS

Expand from secure communications to expeditionary communications leader

BUILDING NEXTTRAINING GLOBALLY

Provide innovative, integrated LVC-G solutions to enable performance-based training

LIVING ONE CUBIC

Rebuild infrastructure that is scalable, efficient and effective; share technology, processes & people

STATUS UPDATE

- Innovation Blue Ribbon award for LVC Military Training
- Innovation award for Chicago Ventra app (1M downloads)
- Multiple innovation awards for NextAgent
- Leveraging OneAccount in many cities around the world
- Submitted NYC bid with Cubic customer TfL as a partner
- Won TfL asset management services for bike-sharing scheme
- Opened London Innovation Centre
- Establishing expeditionary communications leadership position; multiple awards for GATR and TeraLogics
- Working to transition T2C2 program to full-rate production
- HALO R&D contract
- Shifting to Performance-Based Training
- Naval game-based training advantage with LCS
- LVC Air Combat Training edge with AFRL contract
- Providing live training on JSF; won SOF re-compete
- Successful ERP roll-out in 10/16; complete by early FY18
- Decreased supply chain vendors by half – savings started
- Singapore Thomson-East Coast line win due to *One Cubic* (sharing of expertise across Defense and Transportation)

Consolidated Operating Highlights

<i>In Millions, except EPS</i>	Year Ended September 30,		Three Months Ended September 30,	
	2016	2015	2016	2015
Sales	\$1,461.7	\$1,431.0	\$406.6	\$425.9
Adjusted EBITDA*	\$118.0	\$140.5	\$35.7	\$53.9
% to Sales	8.1%	9.8%	8.8%	12.7%
Operating income	\$7.2	\$75.4	\$10.5	\$34.7
% to Sales	0.5%	5.3%	2.6%	8.1%
GAAP diluted EPS	\$0.06	\$0.85	(\$0.28)	\$0.75

*See schedules on slides 13 - 18 (appendix) for detailed reconciliations of these non-GAAP financial measures to the directly comparable GAAP financial measures

- Sales up 2% YOY despite FX headwinds of \$32.2M, but down 5% in Q4 on U.S. DOD funding delays and shipment slips into FY17
- Operating income down for the year due to lower margins in defense systems and transportation, acquisition-related costs, as well as planned *One Cubic* ERP costs

Cubic Transportation Systems

<i>In Millions, except EPS</i>	Year Ended September 30,		Three Months Ended September 30,	
	2016	2015	2016	2015
Sales	\$586.4	\$566.8	\$155.9	\$155.2
Operating Income	\$57.5	\$75.9	\$13.7	\$25.1
Adjusted EBITDA	\$67.6	\$87.3	\$16.7	\$27.6
Adjusted EBITDA Margin	11.5%	15.4%	10.7%	17.8%

*See schedules on slides 13-18 (appendix) for detailed reconciliations of these non-GAAP financial measures to the directly comparable GAAP financial measures

- CTS sales were higher due to increased North American product and service sales, offset by lower U.K. sales and FX headwinds of \$28.5M
- Operating income was lower due to expected decrease in profits in the U.K., higher R&D spend and FX headwinds of \$3.9M, somewhat offset by higher profits in the U.S. and Australia
- R&D ramped up by \$5M YOY to accelerate NextCity transportation technologies
- Backlog was \$1.793B compared to \$1.894B last year; negatively impacted by \$95M of FX headwinds

Cubic Global Defense Systems

<i>In Millions, except EPS</i>	Year Ended September 30,		Three Months Ended September 30,	
	2016	2015	2016	2015
Sales	\$484.2	\$462.1	\$152.9	\$166.9
Operating Income (Loss)	\$(17.1)	\$18.4	\$6.6	\$15.6
Adjusted EBITDA	\$39.7	\$47.3	\$16.5	\$24.8
Adjusted EBITDA Margin	8.2%	10.2%	10.8%	14.9%

*See schedules on slides 13-18 (appendix) for detailed reconciliations of these non-GAAP financial measures to the directly comparable GAAP financial measures

- Sales increased 5% YOY on recent acquisitions and higher air combat shipments, somewhat offset by lower ground training, datalink and DTECH sales (funding delays)
- Operating income impacted by \$32.7M of acquisition-related costs
- Adjusted EBITDA was 8.2% compared to 10.2% last year, reflecting lower sales on high margin DTECH products, as well as lower ground profits due to cost growth
- Backlog was \$576.8M compared to \$595.7M last year due to lower air and ground training work, somewhat offset by recent acquisitions

Cubic Global Defense Services

<i>In Millions, except EPS</i>	Year Ended September 30,		Three Months Ended September 30,	
	2016	2015	2016	2015
Sales	\$391.1	\$402.1	\$97.8	\$103.8
Operating Income	\$11.2	\$6.6	\$1.9	\$2.4
Adjusted EBITDA	\$16.9	\$16.2	\$2.3	\$5.0
Adjusted EBITDA Margin	4.3%	4.0%	2.4%	4.8%

*See schedules on slides 13-18 (appendix) for detailed reconciliations of these non-GAAP financial measures to the directly comparable GAAP financial measures

- Sales for Defense Services were down 3% YOY on lower contract activity for the U.S. Army, U.S. Marine Corps and Special Forces
- Adjusted EBITDA of \$16.9M was up slightly over last year due to better cost control
- Backlog was \$570.3M compared to \$485.7M last year due to an award from the U.S. Navy totaling \$64.0M

Key Balance Sheet and Cash Flow Data

Key Balance Sheet Data

<i>In Millions</i>	September 30, 2016	September 30, 2015
Cash	\$ 197.1	\$ 218.5
Restricted cash	75.6	69.3
Marketable securities	13.0	30.5
Total	\$ 285.7	\$ 318.3

Gross accounts receivable, net of customer advances	\$ 332.4	\$ 281.8
Inventory	\$ 66.4	\$ 63.7
Total debt	\$ 441.0	\$ 186.7

Key Cash Flow Data

<i>In Millions</i>	Year Ended September 30,		Quarter Ended September 30,	
	2016	2015	2016	2015
Cash flow from operations	\$44.6	\$89.7	\$39.2	\$43.2
Capital expenditures	(\$33.1)	(\$22.2)	(\$6.2)	(\$6.5)
Dividends paid	(\$7.3)	(\$7.3)	\$3.6	3.6
Cash paid for acquisitions	(\$243.5)	(\$92.2)	-	\$2.0

- A/R days increased due to lower customer advances and some slow payments from international customers
- Overseas cash balances impacted by a decline in the British Pound
- Total debt increased due to the acquisitions of GATR Technologies and TeraLogics
- Cap Ex includes \$20.3M of capitalized cost for the new ERP System

FY17 Guidance

	FY17 Guidance
Total Sales ¹ (constant currency)	\$1.505B to \$1.555B
Operating Income	\$30M to \$50M
EBITDA	\$80M to \$100M
Adjusted EBITDA ²	\$120M to \$140M 8.0% to 9.0% of Sales
GAAP EPS	\$.40 to \$.80

- Strong organic growth expected in defense systems in FY17 in the C4ISR Mission Solutions portfolio transportation growth tied to winning NYC and growth of open payment markets
- Constructively cautious on defense services business given election changes
- Expect good rebound in profitability on less ERP spend and legacy acquisition cost somewhat offset by higher R&D spend
- Higher R&D spend tied to next generation technologies and pre-award spend on pivotal contracts in both defense systems and transportation

¹ FY17 Guidance assumes no new M&A activity. Key foreign exchange rates used in this forecast compared to the U.S. dollar are as follows: British pound – 1.22; Australian dollar – .76; New Zealand dollar – .72.

² Adjusted EBITDA assumes add back of estimated \$35 - \$45 million (~\$10M capitalized) of costs related to strategic investment in ERP and \$8 - \$12 million of legacy acquisition-related expenses.

Summary

- Strategy is sound; we are making great progress on our Goal 2020 strategic objectives
- Disappointed in FY16 shortfall due to delayed defense funding, however, we fully expect catch up in FY17
- Expect improved financial performance in FY17, especially in Defense Systems/C4ISR business
- Will complete rest of ERP implementation by early FY18 – expect to see significant savings, growth and efficiency
- FY17 will be a pivotal year for Cubic

Appendices

- Earnings before interest, taxes, depreciation and amortization (EBITDA) and Adjusted EBITDA
 - Year Ended September 30, 2016 and 2015
 - Three Months Ended September 30, 2016 and 2015
- GAAP to Non-GAAP Reconciliation Adjusted Operating Income
- GAAP to Non-GAAP Reconciliation Adjusted Diluted EPS

GAAP to Non-GAAP Reconciliation

Earnings before interest, taxes, depreciation and amortization (EBITDA) and Adjusted EBITDA
Year Ended September 30, 2016

In Millions	Consolidated	CTS	CGD Systems	CGD Services
Year Ended Sep 30, 2016				
Net income attributable to Cubic	\$ 1.7			
Provision for income taxes	(9.2)			
Interest expense (income), net	9.7			
Other non-operating expense (income), net	5.0			
Operating Income (loss)	\$ 7.2	\$ 57.5	\$ (17.1)	\$ 11.2
Depreciation and amortization	45.5	8.2	28.7	5.2
Other non-operating expense (income), net	(5.0)	(0.4)	(0.6)	-
EBITDA	\$ 47.7	\$ 65.3	\$ 11.0	\$ 16.4
Acquisition related expenses, excluding amortization ¹	28.7	0.9	27.8	-
ERP/Supply Chain Initiatives	34.8	-	-	-
Restructuring costs	1.8	1.0	0.3	0.5
Other non-operating expense (income), net	5.0	0.4	0.6	-
Adjusted EBITDA	\$ 118.0	\$ 67.6	\$ 39.7	\$ 16.9
EBITDA Margin	3.3%	11.1%	2.3%	4.2%
Adjusted EBITDA Margin	8.1%	11.5%	8.2%	4.3%

¹ Includes transaction costs, retention bonuses and earn out liability changes related to acquired businesses.

GAAP to Non-GAAP Reconciliation

Earnings before interest, taxes, depreciation and amortization (EBITDA) and Adjusted EBITDA
Year Ended September 30, 2015

In Millions	Consolidated	CTS	CGD Systems	CGD Services
Year Ended Sep 30, 2015				
Net income attributable to Cubic	\$ 22.9			
Provision for income taxes	49.0			
Interest expense (income), net	2.6			
Other non-operating expense (income), net	0.9			
Operating Income (loss)	\$ 75.4	\$ 75.9	\$ 18.4	\$ 6.6
Depreciation and amortization	37.7	10.8	17.1	8.5
Other non-operating expense (income), net	(0.9)	(1.0)	(4.5)	0.1
EBITDA	\$ 112.2	\$ 85.7	\$ 31.0	\$ 15.2
Acquisition related expenses, excluding amortization ¹	7.9	0.1	7.2	0.6
ERP/Supply Chain Initiatives	13.3	-	-	-
Restructuring costs	6.2	0.5	4.6	0.5
Other non-operating expense (income), net	0.9	1.0	4.5	(0.1)
Adjusted EBITDA	\$ 140.5	\$ 87.3	\$ 47.3	\$ 16.2
EBITDA Margin	7.8%	15.1%	6.7%	3.8%
Adjusted EBITDA Margin	9.8%	15.4%	10.2%	4.0%

¹ Includes transaction costs, retention bonuses and earn out liability changes related to acquired businesses.

GAAP to Non-GAAP Reconciliation

Earnings before interest, taxes, depreciation and amortization (EBITDA) and Adjusted EBITDA
Three Months Ended September 30, 2016

In Millions	Consolidated	CTS	CGD Systems	CGD Services
Three Months Ended Sep 30, 2016				
Net income attributable to Cubic	\$ (7.5)			
Provision for income taxes	11.1			
Interest expense (income), net	3.4			
Other non-operating expense (income), net	3.5			
Operating Income (loss)	\$ 10.5	\$ 13.7	\$ 6.6	\$ 1.9
Depreciation and amortization	13.6	2.7	9.0	0.4
Other non-operating expense (income), net	(3.5)	0.1	(0.6)	-
EBITDA	\$ 20.6	\$ 16.5	\$ 15.0	\$ 2.3
Acquisition related expenses, excluding amortization ¹	1.0	0.3	0.7	-
ERP/Supply Chain Initiatives	10.4	-	-	-
Restructuring costs	0.2	-	0.2	-
Other non-operating expense (income), net	3.5	(0.1)	0.6	-
Adjusted EBITDA	\$ 35.7	\$ 16.7	\$ 16.5	\$ 2.3
EBITDA Margin	5.1%	10.6%	9.8%	2.4%
Adjusted EBITDA Margin	8.8%	10.7%	10.8%	2.4%

¹ Includes transaction costs, retention bonuses and earn out liability changes related to acquired businesses.

GAAP to Non-GAAP Reconciliation

Earnings before interest, taxes, depreciation and amortization (EBITDA) and Adjusted EBITDA
Three Months Ended September 30, 2015

In Millions	Consolidated	CTS	CGD-Systems	CGD-Services
Three Months Ended Sep 30, 2015				
Net income attributable to Cubic	\$ 20.0			
Provision for income taxes	14.1			
Interest expense (income), net	0.9			
Other non-operating expense (income), net	(0.3)			
Operating Income (loss)	\$ 34.7	\$ 25.1	\$ 15.6	\$ 2.4
Depreciation and amortization	9.0	2.4	3.9	2.2
Other non-operating expense (income), net	0.3	0.7	(4.2)	-
EBITDA	\$ 44.0	\$ 28.2	\$ 15.3	\$ 4.6
Acquisition related expenses, excluding amortization ¹	4.0	0.1	4.7	0.2
ERP/Supply Chain Initiatives	5.4	-	-	-
Restructuring costs	0.8	-	0.6	0.2
Other non-operating expense (income), net	(0.3)	(0.7)	4.2	-
Adjusted EBITDA	\$ 53.9	\$ 27.6	\$ 24.8	\$ 5.0
EBITDA Margin	10.3%	18.2%	9.2%	4.4%
Adjusted EBITDA Margin	12.7%	17.8%	14.9%	4.8%

¹ Includes transaction costs, retention bonuses and earn out liability changes related to acquired businesses.

GAAP to Non-GAAP Reconciliation

Adjusted Operating Income

In Millions	Year Ended September 30		Three Months Ended September 30	
	2016	2015	2016	2015
Net income attributable to Cubic	\$ 1.7	\$ 22.9	\$ (7.5)	\$ 20.0
Add:				
Interest expense (income), net	9.7	2.6	3.4	0.9
Provision for income taxes	(9.2)	49.0	11.1	14.1
Other non-operating expense (income), net	5.0	0.9	3.5	(0.3)
Operating Income	\$ 7.2	\$ 75.4	\$ 10.5	\$ 34.7
Acquisition related expenses ¹	28.7	7.9	1.0	4.0
ERP/Supply Chain Initiatives	34.8	13.3	10.4	5.4
Restructuring costs	1.8	6.2	0.2	0.8
Adjusted Operating Income	\$ 72.5	\$ 102.8	\$ 22.1	\$ 44.9
Operating Income Margin	0.5%	5.3%	2.6%	8.1%
Adjusted Operating Income Margin	5.0%	7.2%	5.4%	10.5%

¹ Includes transaction costs, retention bonuses and earn out liability changes related to acquired businesses.

GAAP to Non-GAAP Reconciliation

Adjusted Diluted EPS

In Millions	Year Ended September 30		Three Months Ended September 30	
	2016	2015	2016	2015
Diluted earnings per share attributable to Cubic	\$ 0.06	\$ 0.85	\$ (0.28)	\$ 0.75
Add:				
Acquisition related expenses ¹	0.90	0.18	0.02	0.09
ERP/Supply Chain Initiatives ¹	0.78	0.30	0.23	0.12
Deferred tax valuation allowance adjustment	(0.34)	1.40	0.44	0.28
Restructuring costs ¹	0.04	0.14	-	0.02
Adjusted diluted earnings per share attributable to Cubic	\$ 1.44	\$ 2.87	\$ 0.41	\$ 1.26

¹ Net of applicable income taxes