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First Quarter Fiscal Year 2016 Results Conference Call

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Q1 FY16 Overview

Sales: \$313.8 million

Net Loss: \$5.4 million (\$0.20 per share)

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|--|---|
| <ul style="list-style-type: none">▪ Down 1% from Q1FY15▪ Sales up 1% absent currency headwinds of \$9.5 million | <ul style="list-style-type: none">▪ Impacted by:<ul style="list-style-type: none">– Accelerated <i>OneCubic</i> ERP investment: (\$6.5 million)– Acquisition related costs: (\$4.3 million)– Lower margin mix and volume of systems sales |
|--|---|

- FY16 continues to be transformational year with expected sales and adjusted EBITDA year-over-year growth, factoring in recently closed acquisitions
- Profitability will greatly improve during second half of the fiscal year due to shipments of higher margin products
- *OneCubic* (SAP & Workday) implementation on track
- Completed two significant C4ISR acquisitions, TeraLogics and GATR Technologies (GATR acquisition closed on February 2, 2016)
- We are confident we will achieve record sales and adjusted EBITDA in FY17

Segment Updates

Cubic Transportation Systems

- Service commencement in Vancouver: contract being restructured favorably going forward
- NextCity strategy advancing rapidly: NH Toll win, NextAgent demos, launch of mobile app in Chicago, geographic expansion
- Strong second half: London system upgrades and delivery of higher margin work across customer base
- Improved opportunity pipeline: Shortlisted in Melbourne, Brisbane, and Dublin; NYC RFP expected later this fiscal year

Cubic Global Defense Systems

- Closed three acquisitions: H4 Global, TeraLogics and GATR (Q2); fully-focused on integration
- Continued market leadership in training: Air (JSF, LCS, expeditionary comms), Ground (MILES and new training modes), Sea (immersive courseware), Cyber
- Strong opportunity pipeline: Middle East live fire training systems and KC-46

Cubic Global Defense Services

- Improved win rates and profitability going forward
- JRTC re-compete anticipated late in FY16
- Current market environment more conducive to gradual margin improvement
- Strong new opportunity pipeline, particularly in ground training services

Strategy Update

Our near-term C4ISR strategic initiative is complete

FY16 Acquisitions

- Q1FY15 DTECH Labs, Inc.
- Q1FY16 TeraLogics, LLC
- Q2FY16 GATR Technologies, Inc.

Portfolio Transformation

- We have now established a market leadership position in expeditionary communications
- We achieved this leadership position by combining the technology strengths of the newly acquired companies with Cubic's secure communications legacy

Impact

- Our C4ISR acquisitions will radically transform Cubic's overall defense product portfolio and profitability
- By the end of FY16, our C4ISR portfolio is anticipated to generate on an annualized basis
 - Sales of \$200+ million
 - High teen EBITDA margins, excluding the one-time acquisition and integration-related costs

Consolidated Operating Highlights

<i>In Millions, except EPS</i>	Quarters Ended December 31,			
	2015		2014	
Sales	\$	313.8	\$	318.5
Adjusted EBITDA*	\$	11.2	\$	18.8
% to Sales		3.6%		5.9%
Adjusted Operating income*	\$	2.3	\$	9.9
% to Sales		0.2%		0.7%
GAAP diluted EPS	\$	(0.20)	\$	0.19
Adjusted Diluted EPS*	\$	0.03	\$	0.25
Operating cash flows	\$	(49.6)	\$	8.3

*See schedules on slides 13, 14, and 15 (appendix) for detailed reconciliations of these non-GAAP financial measures to the directly comparable GAAP financial measures

- Q1FY16 total backlog was \$2.920 billion compared to \$2.976 billion at FYE15
- Sales were impacted by foreign currency headwinds (\$9.5 million)
- Adjusted EBITDA (and other profit metrics) down due to delayed shipments in air combat training and lower margins and transition costs on the new London contract
- Expect operating cash flows to rebound in the second half of FY16

Cubic Transportation Systems

<i>In Millions</i>	Quarters Ended December 31,	
	2015	2014
Total backlog	\$ 1,851.8	\$ 1,894.3
Sales	\$ 125.8	\$ 131.5
Operating income	\$ 3.6	\$ 12.1
% to sales	2.9%	9.2%
Depreciation and amortization	\$ 2.5	\$ 3.1

- Sales relatively flat after impact of \$6.8 million in currency headwinds
- New London contract and transition costs impacted margins; expect cost improvements and change orders going forward

Cubic Global Defense Systems

<i>In Millions</i>	Quarters Ended December 31,	
	2015	2014
Total backlog	\$ 577.5	\$ 595.7
Sales	\$ 95.9	\$ 98.0
Operating income	\$ (3.4)	\$ (2.7)
% to sales	-3.5%	-2.8%
Depreciation and amortization	\$ 4.1	\$ 3.2

- Sales down due to fewer quarterly air combat shipments with strong second half already in backlog
- Operating income primarily down due to acquisition-related expenses

Cubic Global Defense Services

<i>In Millions</i>	Quarters Ended December 31,	
	2015	2014
Total backlog	\$ 490.2	\$ 485.6
Sales	\$ 92.1	\$ 89.0
Operating income	\$ 0.2	\$ -
% to sales	0.2%	0.0%
Depreciation and amortization	\$ 2.0	\$ 2.4

- Slight sales growth while the market is stabilizing

Key Balance Sheet and Cash Flow Data

Key Balance Sheet Data	Quarter Ended December 31, 2015	Fiscal Year Ended September 30, 2015
Cash	\$ 171.3	\$ 218.5
Restricted cash	71.7	69.3
Marketable securities	23.6	30.5
Total	<u>\$ 266.6</u>	<u>\$ 318.3</u>
Gross accounts receivable, net of customer advances	\$ 314.3	\$ 318.7
Inventory	\$ 74.1	\$ 63.7
Total debt	\$ 236.5	\$ 186.7
Key Cash Flow Data	Quarters Ended December 31, 2015	2014
Cash flow from operations	\$ (49.6)	\$ 8.3
Capital expenditures	\$ (10.4)	\$ (0.9)
Dividends paid	\$ -	\$ -
Cash paid for acquisitions	\$ (29.7)	\$ (83.4)

- Capitalized ERP costs totaled \$7.3 million for Q1FY16.
- Post-quarter close, we completed the GATR transaction for total consideration of \$232.5 million. This was funded through an increase to our revolving credit facility and the issuance of long-term fixed rate debt.

Summary

- FY16 sales and adjusted EBITDA are expected to be better than FY15
- *OneCubic* ERP investment is on track
- Key upcoming opportunities
 - New York City fare payment system upgrade
 - Melbourne's Myki smart card ticketing services
 - U.S. Air Force KC-46 Aerial Tanker trainer
- C4ISR strategy is a game changer
 - High growth, higher margin market
 - We are on track to build \$200+ million C4ISR business with high teen EBITDA margins
- FY16 is a pivotal year setting the foundation for FY17, when we expect record sales and dramatically improved profits

Appendix

GAAP to Non-GAAP Reconciliation EBITDA and Adjusted EBITDA

<i>In Millions</i>	Quarters Ended December 31,	
	2015	2014
Net income attributable to Cubic	\$ (5.4)	\$ 5.2
Add:		
Interest expense, net	0.9	0.4
Provision for income taxes	(3.4)	0.7
Depreciation and amortization	8.9	8.9
EBITDA	\$ 1.0	\$ 15.2
Acquisition related expenses*	4.3	1.7
ERP/Supply Chain Initiatives	6.5	1.1
Restructuring costs (credits)	(0.4)	(0.1)
Other expense, net	(0.2)	0.9
Adjusted EBITDA	\$ 11.2	\$ 18.8
EBITDA Margin	0.3%	4.8%
Adjusted EBITDA Margin	3.6%	5.9%

*Includes transaction costs, retention bonuses and earn out liability increases related to acquired businesses.

GAAP to Non-GAAP Reconciliation Adjusted Operating Income

<i>In Millions</i>	Quarters Ended December 31,	
	2015	2014
Net income attributable to Cubic	\$ (5.4)	\$ 5.2
Add:		
Interest expense (income), net	0.9	0.4
Provision for income taxes	(3.4)	0.7
Other non-operating expense (income), net	(0.2)	0.9
Operating Income	\$ (8.1)	\$ 7.2
Acquisition related expenses *	4.3	1.7
ERP/Supply Chain Initiatives	6.5	1.1
Restructuring costs	(0.4)	(0.1)
Adjusted Operating Income	\$ 2.3	\$ 9.9
Operating Income Margin	-0.6%	0.5%
Adjusted Operating Income Margin	0.2%	0.7%

* Includes transaction costs, retention bonuses and earn out liability increases related to acquired businesses.

GAAP to Non-GAAP Reconciliation Adjusted Diluted EPS

	Quarters Ended December 31,	
	2015	2014
Diluted earnings per share attributable to Cubic	\$ (0.20)	\$ 0.19
Add:		
Acquisition related expenses*	0.10	0.04
ERP/Supply Chain Initiatives*	0.14	0.02
Restructuring costs (credits)*	(0.01)	-
Adjusted diluted earnings per share attributable to Cubic	\$ 0.03	\$ 0.25

*Net of applicable income taxes.