



CUBIC™

Global. Innovative. Trusted.

The background is a collage of four images: a woman with glasses looking down, a military helicopter in flight, a soldier in camouflage gear, and a man in a red shirt looking to the side. The images are separated by white diagonal lines.

First Quarter Fiscal Year 2017 Results Conference Call

February 9, 2017

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Safe Harbor

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Q1FY17 Results

Sales: \$334.7 million

- Up \$20.9M (7%) from Q1FY16
- Good growth in transportation and C4ISR businesses
- FX headwinds of \$8.7M (mainly in transportation)

Adjusted EBITDA: \$20.1 million

- Up \$8.8M (78%) from Q1FY16
- Increases driven by gross margin improvements in transportation and C4ISR businesses
- FX headwinds of \$1.7M (mainly in transportation)

- Good sales growth and profit improvement in transportation and C4ISR businesses
- Update on Q4FY16 shortfall items
 - Negotiating Littoral Combat Ship request for equitable adjustment
 - Received some previously delayed DTECH network equipment orders and remainder is on track for H2FY17
 - Air and ground shipments will be resolved by Q2
- Phased ERP roll-out remains on track for completion in early FY18

Trump Presidency Priorities

Defense

- Anticipate higher defense spending to rebuild US military, improve readiness and counter traditional and nontraditional threats
- Expect allies to share cost burden for defense
- Leverage defense spending to create higher paying jobs in the US

Infrastructure

- Supports spending that creates US jobs
- Supports public-private investments to improve cities and infrastructure

Tax

- Supports lower US corporate tax rates
- Supports accelerated tax benefits from capital expenditures
- Supports relief on repatriation of offshore profits

➤ President Trump's priorities, including reduced regulations, should have a positive impact for Cubic starting in FY18

Strategy Update

GOAL 2020

- **Winning the Customer** and targeting \$2B+ with 10%+ EBITDA margin, growing 10%+ year-on-year
- Strategic growth areas: **NextCity, C4ISR, and NextTraining**
- **OneCubic** initiatives will improve productivity and efficiency, resulting in increased profitability

OBJECTIVES

UPDATE

WINNING THE CUSTOMER

Provide superior solutions, spurred by innovation and ultimate customer focus

- Innovation award for GATR inflatable antenna
- NextAgent: multiple awards and Singapore win
- London: ninth award for open payment system
- Working Next Generation Training Solutions

BUILDING NEXTCITY GLOBALLY

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

- New contract to deliver OneAccount in Miami
- Significant demand from global customer base for system upgrades
- Observing increasing customer demand that aligns to our mobile strategy
- Optimistic for NYC New Fare Payment System win in H2FY17

GROWING C4ISR BUSINESS

Expand from secure communications to expeditionary communications leader

- Acquired Vocality International to strengthen portfolio
- Working to transition T2C2 program to full-rate production
- Early PLS orders from DLA customer to upgrade entire A-10 fleet
- Leveraged acquired technology with integrated Atlas FMV System

BUILDING NEXTTRAINING GLOBALLY

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

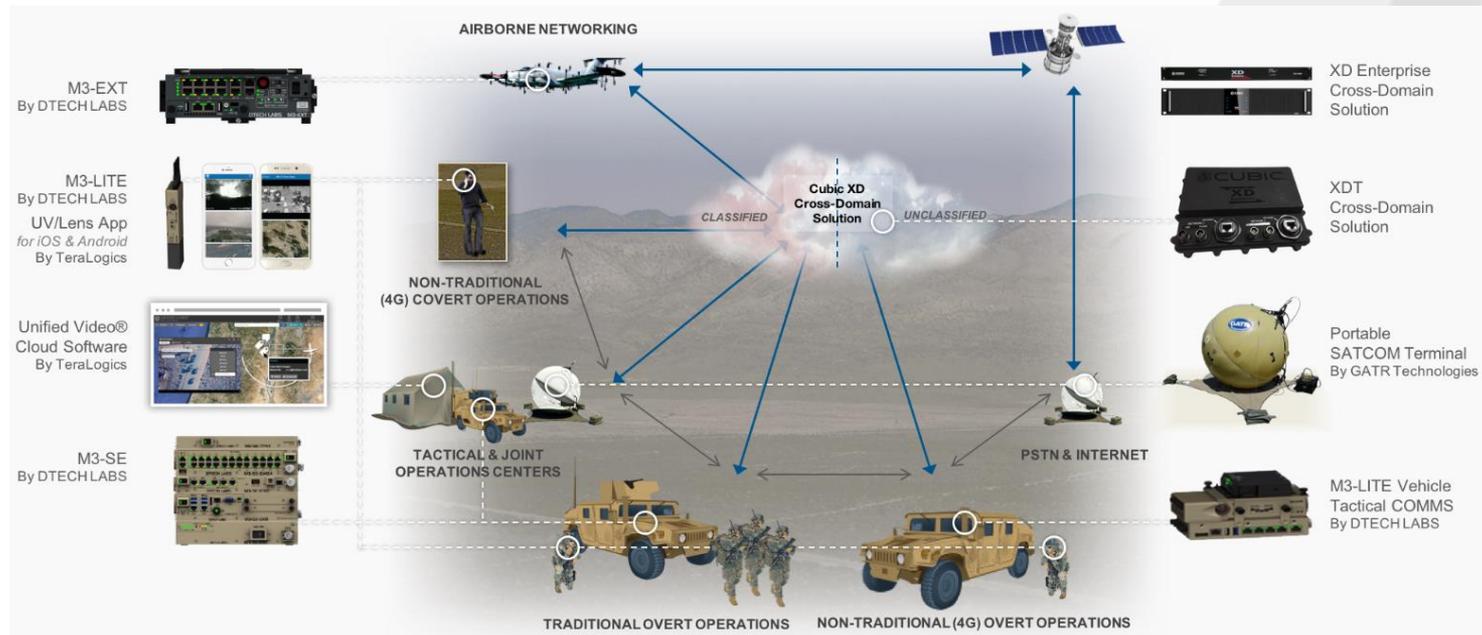
- Completed first phase of Navy virtual training contract leading to opportunities in game-based learning
- Live/Virtual/Constructive Air Combat Training “edge” with AFRL contract
- Combat training center opportunities in Lithuania, Georgia and Taiwan
- Pursuing Warfighter Focus training orders totaling over \$1B

LIVING ONE CUBIC

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

- Continued to make progress on ERP roll out; complete by early FY18
- Completed full year of quarterly employee engagement surveys and implementing findings
- Appointed Diversity Officer

Cubic Mission Solutions C4ISR Capabilities



Atlas Full-Motion Video Exploitation System

- Single system that provides imagery-derived intelligence by supporting the processing, exploitation and dissemination (PED) process
- Integration of technologies from three recent acquisitions: GATR's portable satellite communications, DTECH's networking technology and TeraLogics' full motion video (FMV) dissemination
- End-to-end solution for the exploitation of FMV for intelligence

➤ Combining our C4ISR acquisitions to create end-to-end solutions

Consolidated Operating Highlights

<i>In millions, except EPS</i>	Quarters Ended December 31,	
	2016	2015
Sales	\$334.7	\$313.8
Adjusted EBITDA*	\$20.1	\$11.3
% to Sales	6.0%	3.6%
Operating Income (loss)	(\$4.1)	(\$8.1)
% to Sales	(1.2%)	(2.6%)
GAAP Diluted EPS	(\$0.11)	(\$0.20)

*See schedules on slides 14 - 17 for detailed reconciliations of these non-GAAP financial measures to the directly comparable GAAP financial measures

- Q1FY17 total backlog was \$2.705 billion compared to \$2.940 billion at FYE16
 - Adverse FX rates impacted backlog by \$57.1 million in the quarter
- Sales and operating income were impacted by foreign currency headwinds \$8.7 million and \$1.4 million respectively
- Adjusted EBITDA was 78% higher than last year, driven by positive performance in our defense systems and transportation segments

Cubic Transportation Systems

<i>In millions</i>	Quarters Ended December 31,	
	2016	2015
Total backlog	\$1,664.6	\$1,851.8
Sales	\$131.9	\$125.8
Operating Income	\$9.6	\$3.6
Adjusted EBITDA*	\$12.0	\$6.7
Adjusted EBITDA Margin	9.1%	5.3%

*See schedules on slides 14 - 17 for detailed reconciliations of these non-GAAP financial measures to the directly comparable GAAP financial measures

- CTS sales increased by 5% year-over-year with FX headwinds of \$9.2 million in the quarter
- Adjusted EBITDA increased 79% over last year's first quarter led by higher profits in Australia and the UK
- R&D expense increased to \$5.5 million vs \$1.6 million last year
 - Higher spend due to pre-contract investment of 1.2 million on New York City Fare Payment system and open payment and mobile payment investments

Cubic Global Defense Systems

<i>In millions</i>	Quarters Ended December 31,	
	2016	2015
Total backlog	\$541.5	\$576.8
Sales	\$112.4	\$95.9
Operating Income (loss)	(\$0.5)	(\$3.4)
Adjusted EBITDA*	\$9.9	\$3.9
Adjusted EBITDA Margin*	8.8%	4.1%

*See schedules on slides 14 – 17 for detailed reconciliations of these non-GAAP financial measures to the directly comparable GAAP financial measures

- Sales increased 17% year-over-year led by higher C4ISR-related products and air combat sales, somewhat offset by lower ground training sales
- Adjusted EBITDA increased 154% driven by sales of higher margin C4ISR and air combat systems
- R&D increased to \$3.5 million vs \$1.8 million last year
 - Higher spend related to datalink and NextTraining investments

Cubic Global Defense Services

<i>In millions</i>	Quarters Ended December 31,	
	2016	2015
Total backlog	\$499.3	\$570.3
Sales	\$90.3	\$92.1
Operating Income	(\$0.4)	\$0.2
Adjusted EBITDA*	\$0.6	\$2.3
Adjusted EBITDA Margin*	0.7%	2.5%

*See schedules on slides 14 - 17 for detailed reconciliations of these non-GAAP financial measures to the directly comparable GAAP financial measures

- Sales decreased 2% year-over-year on lower activity for US Army and Special Forces training
- Adjusted EBITDA was lower this year on less activity on higher margin contracts compared to last year
- Resolution of the budget along with supplemental spending for the DOD for training could have a positive impact on this segment in the second half of the year

Summary

- Strategy is sound; making progress on our Goal 2020 strategic objectives
- Q1FY17 financial performance was in line with our expectations
- ERP to be completed by early FY18, resulting in significant savings and efficiency
- Expect good organic growth in FY18
 - New York City New Fare Payment System win
 - OneAccount expansion
 - T2C2 full rate production
- Our improving financial performance is supported by organic growth in transportation, a reshaped C4ISR portfolio, ERP efficiencies, and business-friendly priorities of the new administration

Appendices

- Earnings before interest, taxes, depreciation and amortization (EBITDA) and Adjusted EBITDA
- 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
Quarter Ended December 31, 2016

<i>In millions</i>	Consolidated	CTS	CGD Systems	CGD Services
Quarter Ended December 31, 2016				
Net income attributable to Cubic	\$ (2.8)			
Provision for income taxes	(5.1)			
Interest expense (income), net	3.3	(0.3)	\$ -	\$ -
Other non-operating expense (income), net	0.5	0.4	\$ 1.2	\$ -
Operating Income (loss)	\$ (4.1)	\$ 9.6	\$ (0.5)	\$ (0.4)
Depreciation and amortization	13.4	2.4	8.8	1.0
Other non-operating expense (income), net	(0.5)	(0.4)	(1.2)	-
EBITDA	\$ 8.8	\$ 11.6	\$ 7.1	\$ 0.6
Acquisition related expenses, excluding amortization ¹	0.8	-	0.8	-
ERP/Supply Chain Initiatives	8.7	-	-	-
Restructuring costs	0.9	-	0.8	-
Gain/Loss of sale of fixed assets	0.4			
Other non-operating expense (income), net	0.5	0.4	1.2	-
Adjusted EBITDA	\$ 20.1	\$ 12.0	\$ 9.9	\$ 0.6
EBITDA Margin	2.6%	8.8%	6.3%	0.7%
Adjusted EBITDA Margin	6.0%	9.1%	8.8%	0.7%

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
Quarter Ended December 31, 2015

<i>In millions</i>	Consolidated	CTS	CGD-Systems	CGD-Services
Quarter Ended December 31, 2015				
Net income attributable to Cubic	\$ (5.4)			
Provision for income taxes	(3.4)			
Interest expense (income), net	0.9	-	-	-
Other non-operating expense (income), net	(0.2)	(0.7)	(0.1)	-
Operating Income (loss)	\$ (8.1)	\$ 3.6	\$ (3.4)	\$ 0.2
Depreciation and amortization	8.9	2.5	4.1	2.0
Other non-operating expense (income), net	0.2	0.7	0.1	-
EBITDA	\$ 1.0	\$ 6.8	\$ 0.8	\$ 2.2
Acquisition related expenses, excluding amortization ¹	4.3	0.5	3.8	-
ERP/Supply Chain Initiatives	6.5	-	-	-
Restructuring costs	(0.4)	0.1	(0.6)	0.1
Gain/Loss of sale of fixed assets				
Other non-operating expense (income), net	(0.2)	(0.7)	(0.1)	-
Adjusted EBITDA	\$ 11.2	\$ 6.7	\$ 3.9	\$ 2.3
EBITDA Margin	0.3%	5.4%	0.8%	2.4%
Adjusted EBITDA Margin	3.6%	5.3%	4.1%	2.5%

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

GAAP to Non-GAAP Reconciliation Adjusted Operating Income

<i>In millions</i>	Quarters Ended December 31,	
	2016	2015
Net income attributable to Cubic	\$ (2.8)	\$ (5.4)
Add:		
Interest expense (income), net	3.3	0.9
Provision for income taxes	(5.1)	(3.4)
Other non-operating expense (income), net	0.5	(0.2)
Operating Income	\$ (4.1)	\$ (8.1)
Acquisition related expenses ¹	0.8	4.3
ERP/Supply Chain Initiatives	8.7	6.5
Restructuring costs	0.9	(0.4)
Gain/Loss of sale of fixed assets	0.4	-
Adjusted Operating Income	\$ 6.7	\$ 2.3
Operating Income Margin	-1.2%	-2.6%
Adjusted Operating Income Margin	2.0%	0.7%

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

GAAP to Non-GAAP Reconciliation

Adjusted Diluted EPS

<i>In millions</i>	Quarters Ended December 31,	
	2016	2015
Diluted earnings per share attributable to Cubic	\$ (0.11)	\$ (0.20)
Add:		
Acquisition related expenses ¹	0.03	0.10
ERP/Supply Chain Initiatives ¹	0.19	0.14
Restructuring costs ¹	0.02	(0.01)
Gain/Loss of sale of fixed assets ¹	0.01	-
Adjusted diluted earnings per share attributable to Cubic	\$ 0.14	\$ 0.03

¹ Net of applicable income taxes