

# 1Q 2018 CFO Commentary

## 1Q Highlights

- Highest total backlog in company history: \$3.64b
- Sales \$341m up 2% y/y
- Adjusted EBITDA impacted by y/y increase in R&D spend
- Strong start to 2018 with major transportation wins in New York and Boston, mission support Air Force Datalinks ID/IQ award, and defense training JRTC
- MotionDSP investment expands video capabilities; new markets
- ERP on track FY18 completion

## Fiscal 2018 Outlook

- Confirming FY18 guidance
  - Sales: \$1.51B to \$1.56B<sup>(2)</sup>
  - Adj. EBITDA: \$110M to \$135M<sup>(2)</sup>
- Profit seasonality somewhat in line with FY17
- Expect gradual sequential improvement in 2Q Adj. EBITDA

## 1Q Key Metrics

- Bookings \$0.8b, up >300% y/y with NY booking
- Strong book-to-bill 2.44X
- Sales \$341m, flat y/y constant FX<sup>(1)</sup>
- Non-GAAP Adj. EBITDA \$17M, down \$3m y/y
- R&D spend +\$3m y/y, investment in next-gen comm. solutions and innovative training technologies
- Expect FY18 R&D spend slightly below FY17
- GAAP operating loss \$7M, incl. \$8M of operating costs for ERP and strategic IT investments
- Free cash flow<sup>(3)</sup> (\$33M) impacted by timing of collections in Middle East, Defense Services AR, timing of mobilization payment for NY, and an increase in Transportation inventory for upcoming deliveries
- Cubic Mission Solutions (CMS) now a separate reporting segment

<sup>(1)</sup> Constant currency basis: reflects FX tailwinds of \$3.5M bookings, \$4.8M sales, and \$0.6M Adjusted EBITDA

<sup>(2)</sup> Constant currency basis

<sup>(3)</sup> Non-GAAP financial measure, defined as Net Cash Provided by Operating Activities minus capital expenditures

# 1Q 2018 Financial Summary

(In \$ millions, except earnings per share)

	1Q FY17	1Q FY18	Y/Y Change
Bookings	\$ 204	\$ 832	307% <sup>(1)</sup>
Book to Bill %	61.0%	244.4%	183.3 pts
Sales	335	341	2% <sup>(2)</sup>
Gross Profit	79	80	1%
% to Sales	23.6%	23.4%	-0.2 pts
SG&A	64	65	2%
% to Sales	19.1%	19.2%	0.1 pts
Research & Development	9	12	33%
% to Sales	2.7%	3.5%	0.8 pts
Adjusted EBITDA	20	17	-15% <sup>(3)</sup>
% to Sales	6.0%	5.0%	-1 pts
Operating Income	(4)	(7)	71%
% to Sales	-1.2%	-2.1%	-0.8 pts
EPS (\$)	\$ (0.11)	\$ (0.36)	-227%
Free Cash Flow <sup>(4)</sup>	0.4	(33)	NA
Capital Expenditures (net of disp)	7	6	-5%
	<b>30-Sep-17</b>	<b>31-Dec-17</b>	<b>Y/Y Change</b>
Total Backlog	3,104	3,637	17%

<sup>(1)</sup> Constant currency bookings growth is 306%

<sup>(2)</sup> Constant currency sales growth is 0%

<sup>(3)</sup> Constant currency adjusted EBITDA growth is -18%

<sup>(4)</sup> Free cash flow, which is a non-GAAP financial measure, is defined as Net Cash Provided by Operating Activities minus capital expenditures

# Cubic Transportation Systems

## Bookings

- 1Q bookings \$679.4m, up >11x y/y (constant FX basis)
- Record bookings reflect New York award
- Expect Boston booking fiscal 2Q
- Book-to-bill: 4.64x

## Backlog

- 1Q backlog \$2.58b

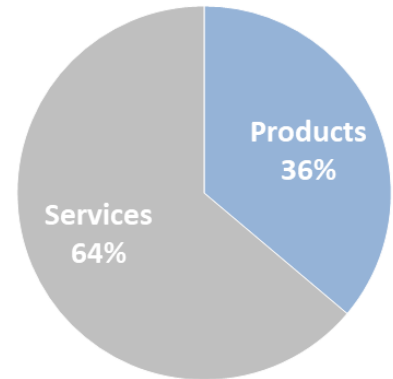
## Sales

- 1Q sales \$146.5m, up 8% y/y (constant FX basis)
- Growth driven by NY system development work

## Adjusted EBITDA

- 1Q Adj. EBITDA \$13.4m, up 6% y/y (constant FX basis); Margin % in line with prior year

**CTS**  
Sales By Type



# Cubic Global Defense Systems

## Bookings

- 1Q bookings \$44.2m, down 15% (constant FX basis); impacted by order delays; expect Q2 recovery

## Backlog

- 1Q backlog \$395m

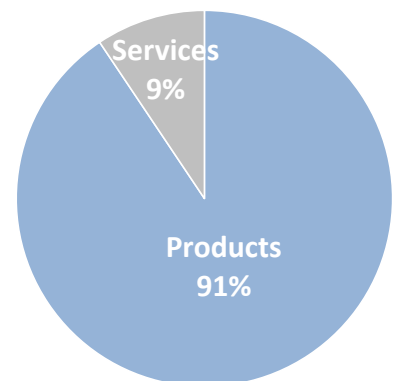
## Sales

- 1Q sales \$68.8m, down 13% y/y (constant FX basis)
- Lower Air Ranges shipments, impacted by timing

## Adjusted EBITDA

- 1Q Adj. EBITDA \$4.2m, down 29% y/y (constant Fx basis); impacted by higher R&D and lower sales y/y

**CGD Systems**  
Sales By Type



## Cubic Mission Solutions

### Bookings

- 1Q bookings \$19.8m, down 15% y/y; affected by timing of orders

### Backlog

- 1Q backlog \$59.0m

### Sales

- 1Q sales \$33.1m, down 2% y/y

### Adjusted EBITDA

- 1Q Adj. EBITDA (\$1.7m) compared to \$3.8m 1Q17
- Reflects higher y/y R&D (\$3.5m) and change in mix due to timing of GATR sales

**Overall:** Performance in line with expectations; T2C2 full rate production expected to drive y/y improvement in all key line items in FY18

### CMS Sales By Type



## Cubic Global Defense Services

### Bookings

- 1Q bookings \$89.0m, up 24% y/y
- Several key wins with US Army to include Joint Readiness Training Center (JRTC) Bridge program

### Backlog

- 1Q backlog \$601m (including unfunded)

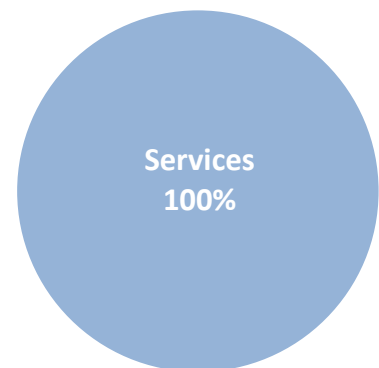
### Sales

- 1Q sales \$92.3m, up 2% y/y
- Driven by additional training rotations for JRTC

### Adjusted EBITDA

- Adj. EBITDA \$3.6m compared to \$0.6m 1Q17
- Solid performance and business realignment efficiencies

### CGD Services Sales By Type



# APPENDIX

## Reconciliation of GAAP to Non-GAAP Financial Measures Cubic Consolidated

In Millions	Three Months Ended Dec 31	
	2017	2016
Net income (loss) attributable to Cubic	\$ (9.8)	\$ (2.8)
Add:		
Interest expense (income), net	2.2	3.3
Provision for income taxes	0.5	(5.1)
Depreciation and amortization	13.1	13.4
<b>EBITDA</b>	<b>\$ 6.0</b>	<b>\$ 8.8</b>
Acquisition related expenses, excluding amortization	1.4	0.8
ERP/Supply Chain Initiatives	8.0	8.7
Restructuring costs	1.5	0.9
Loss of sale of fixed assets	-	0.4
Other non-operating expense (income), net	0.1	0.5
<b>Adjusted EBITDA</b>	<b>\$ 17.0</b>	<b>\$ 20.1</b>
EBITDA Margin	1.8%	2.6%
Adjusted EBITDA Margin	5.0%	6.0%

*Items backed out of Adjusted EBITDA are comprised of expenses incurred in the development of our ERP system and the redesign of our supply chain which include internal labor costs and external costs of materials and services that do not qualify for capitalization, business acquisition expenses including retention bonus expenses, due diligence and consulting costs incurred in connection with the acquisitions, expenses recognized related to the change in the fair value of contingent consideration for acquisitions, restructuring costs, gains and losses on disposals of fixed assets, and income and expenses classified as other non-operating income and expenses which may vary for different companies for reasons unrelated to operating performance*

# APPENDIX

## Reconciliation of GAAP to Non-GAAP Financial Measures By Segment

In Millions	Consolidated	CTS	CMS	CGD Systems	CGD Services
<b>Three Months Ended Dec 31, 2017</b>					
Net income (loss) attributable to Cubic	\$ (9.8)				
Provision for income taxes	0.5				
Interest expense (income), net	2.2				
Other non-operating (expense) income, net	0.1				
<b>Operating Income (loss)</b>	<b>\$ (7.0)</b>	<b>\$ 9.9</b>	<b>\$ (8.9)</b>	<b>\$ 1.4</b>	<b>\$ 2.9</b>
Depreciation and amortization	13.1	3.2	5.9	2.1	0.7
Other non-operating expense (income), net	(0.1)	(0.7)	-	0.4	-
<b>EBITDA</b>	<b>\$ 6.0</b>	<b>\$ 12.4</b>	<b>\$ (3.0)</b>	<b>\$ 3.9</b>	<b>\$ 3.6</b>
Acquisition related expenses, excluding amortization	1.4		1.3	0.1	
ERP/Supply Chain Initiatives	8.0				
Restructuring costs	1.5	0.3		0.6	
Loss on sale of fixed assets	-				
Other non-operating (expense) income, net	0.1	0.7	-	(0.4)	-
<b>Adjusted EBITDA</b>	<b>\$ 17.0</b>	<b>\$ 13.4</b>	<b>\$ (1.7)</b>	<b>\$ 4.2</b>	<b>\$ 3.6</b>
EBITDA Margin	1.8%	8.4%	-9.2%	5.8%	3.9%
Adjusted EBITDA Margin	5.0%	9.1%	-5.2%	6.1%	3.9%

In Millions	Consolidated	CTS	CMS	CGD Systems	CGD Services
<b>Three Months Ended Dec 31, 2016</b>					
Net income (loss) attributable to Cubic	\$ (2.8)				
Provision for income taxes	(5.1)				
Interest expense (income), net	3.3				
Other non-operating (expense) income, net	0.5				
<b>Operating Income (loss)</b>	<b>\$ (4.1)</b>	<b>\$ 9.6</b>	<b>\$ (3.8)</b>	<b>\$ 3.3</b>	<b>\$ (0.4)</b>
Depreciation and amortization	13.4	2.4	6.8	2.0	1.0
Other non-operating expense (income), net	(0.5)	(0.4)	-	(1.2)	-
<b>EBITDA</b>	<b>\$ 8.8</b>	<b>\$ 11.6</b>	<b>\$ 3.0</b>	<b>\$ 4.1</b>	<b>\$ 0.6</b>
Acquisition related expenses, excluding amortization	0.8	-	0.8	-	-
ERP/Supply Chain Initiatives	8.7	-	-	-	-
Restructuring costs	0.9	-	-	0.8	-
Loss on sale of fixed assets	0.4	-	-	-	-
Other non-operating (expense) income, net	0.5	0.4	-	1.2	-
<b>Adjusted EBITDA</b>	<b>\$ 20.1</b>	<b>\$ 12.0</b>	<b>\$ 3.8</b>	<b>\$ 6.1</b>	<b>\$ 0.6</b>
EBITDA Margin	2.6%	8.8%	8.9%	5.2%	0.7%
Adjusted EBITDA Margin	6.0%	9.1%	11.2%	7.8%	0.7%

Items backed out of Adjusted EBITDA are comprised of expenses incurred in the development of our ERP system and the redesign of our supply chain which include internal labor costs and external costs of materials and services that do not qualify for capitalization, business acquisition expenses including retention bonus expenses, due diligence and consulting costs incurred in connection with the acquisitions, expenses recognized related to the change in the fair value of contingent consideration for acquisitions, restructuring costs, gains and losses on disposals of fixed assets, and income and expenses classified as other non-operating income and expenses which may vary for different companies for reasons unrelated to operating performance