



CUBIC™
Global. Innovative. Trusted.

Second Quarter Fiscal Year 2017 Results Conference Call

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H1FY17 Results

Sales: \$678.4 million

- Down \$1.4m (0.2%) from H1FY16
- Good growth in C4ISR
- FX headwinds of \$14.9m, mostly in transportation

Adjusted EBITDA: \$36.9 million

- Down \$6.4m (11.3%) from H1FY16
- 1.8% gross margin improvement from H1FY16
- FX headwinds of \$2.3m, mostly in transportation
- Increased R&D investment (\$12.3m) to include NYC pre-contract investment (\$3.4m)

- Flat sales in H1 compared to last year due to FX headwinds and delayed U.S. government budget
- Adjusted EBITDA down due to FX headwinds and increased R&D investment to grow the company
 - Pre-contract investment on New York City Fare Payment System
 - Transportation shift from program-centric to next-generation, product-centric company
 - Transportation innovation: NextBus 2.0, mobile, open-payment, and cloud technologies
 - Defense Training innovation: next-generation Live, Virtual, Constructive (LVC) solutions
 - Defense communications innovation: next-generation communications and networking solutions
- Settled \$8 million equitable adjustment on the Littoral Combat Ship contract, expect funding in the near term

Trump Presidency Positive Impact To Cubic

Increased defense spending, focus on military readiness, reduced regulations, and likely tax reform reinforce our Cubic 2020 growth strategy

- FY17 budget resolved and increased FY18 president's defense budget
- Intervention in Syria demonstrates willingness to act
- "Rebuilding the U.S. Armed Forces" places a high priority on military readiness
- Allies still expected to carry fair share of funding burden
- Reduced regulations will lead to reduced internal costs
- Tax reform and repatriation of offshore cash at reduced tax rate are likely
- Budget Control Act and Sequestration to be replaced with long-term budget which should signal a growth cycle in U.S. DOD spending

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

PRIORITIES

UPDATE

WINNING THE CUSTOMER

Provide superior solutions, spurred by innovation and ultimate customer focus

- Supported U.S. Army in T2C2 operational test in Alaska
- Successful go-live for New Hampshire DOT back office tolling system
- Expect additional orders for game-based training
- Cubic Defence NZ named top performer by Australian Defence magazine

BUILDING NEXTCITY GLOBALLY

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

- Remain confident of New York City Fare Payment System win in H2FY17
- New U.K. Abellio Scotrail contract expands account-based solutions
- Successful cloud launch for Miami's Easy Card system
- Australia's federal government funds iMove consortium for transport R&D

GROWING C4ISR BUSINESS

Expand from secure communications to expeditionary communications leader

- T2C2 operation test supports full-rate production decision in H2FY17
- Recent acquisitions contribute to \$20m Portable Common Data Link (PCDL) contract win
- First wave of international orders received for secure networking

BUILDING NEXTTRAINING GLOBALLY

Provide innovative, integrated Live Virtual Constructive – Gaming solutions to enable performance-based training

- Awarded \$42m bridge contract at the Joint Readiness Training Center
- Awarded multi-year \$38m O&M contract for live ground training in U.K. and Canada
- Integrating commercial satellite terminals into AMITS mobile combat training system
- Awarded additional work for F-35 air combat training system
- Awarded seat on \$231m Army Combined Arms Center ID/IQ contract

LIVING ONECUBIC

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

- ERP system implementation scheduled to complete early FY18
- Significant cost reduction and improved efficiency empowering *OneCubic*
- Improved scores in employee engagement across the business

Consolidated Operating Highlights

<i>In Millions, except EPS</i>	Six Months Ended March 31,		Three Months Ended March 31,	
	2017	2016	2017	2016
Sales	\$678.4	\$679.8	\$343.7	\$366.0
Research and development	\$21.9	\$9.6	\$12.9	\$6.1
Adjusted EBITDA*	\$36.9	\$41.6	\$16.8	\$30.3
% to Sales	5.4%	6.1%	4.9%	8.3%
Operating income (loss)	(\$6.2)	(\$17.2)	(\$2.1)	(\$9.1)
% to Sales	-0.9%	-2.5%	-0.6%	-2.5%
GAAP diluted EPS	(\$0.09)	\$0.18	\$0.02	\$0.38

*See schedules on slides 13 – 17 (appendix) for detailed reconciliations of these non-GAAP financial measures to the directly comparable GAAP financial measures

- H1FY17 sales and operating income were impacted by foreign currency headwinds of \$14.9 million and \$2.1 million, respectively
- Last year's operating income was impacted by acquisition-related expenses
- Adjusted EBITDA was lower for the first six months compared to last year due to a \$12.3 million YOY increase in R&D for defense systems and transportation
- Overall gross margins increased 180 bps on shift to higher margin C4ISR products
- Consolidated EBITDA margins affected by lower defense services margins and higher R&D spend

Cubic Transportation Systems

<i>In Millions, except EPS</i>	Six Months Ended March 31,		Three Months Ended March 31,	
	2017	2016	2017	2016
Sales	\$271.5	\$274.5	\$139.6	\$148.7
Operating Income	\$17.5	\$23.4	\$7.8	\$19.8
Adjusted EBITDA*	\$21.9	\$28.4	\$9.9	\$21.7
Adjusted EBITDA Margin	8.1%	10.3%	7.1%	14.6%

*See schedules on slides 13 - 17 (appendix) for detailed reconciliations of these non-GAAP financial measures to the directly comparable GAAP financial measures

- CTS sales were 5% higher YOY after adjusting for FX headwinds of \$15.9 million
- Adjusted EBITDA was impacted by higher R&D spend of \$6.8 million, cost growth of \$3.0 million on a U.S. tolling contract and currency headwinds totaling \$2.5 million.
- R&D expense more than doubled to \$12.1 million from \$5.3 million last year
 - Pre-contract investment on New York
 - Investments in next-generation mobile, real-time passenger information systems and cloud

Cubic Global Defense Systems

<i>In Millions, except EPS</i>	Six Months Ended March 31,		Three Months Ended March 31,	
	2017	2016	2017	2016
Sales	\$220.9	\$212.2	\$108.4	\$116.3
Operating Income (loss)	(\$4.9)	(\$24.6)	(\$4.4)	(\$21.2)
Adjusted EBITDA*	\$14.1	\$9.5	\$3.8	\$5.6
Adjusted EBITDA Margin	6.4%	4.5%	3.5%	4.8%

*See schedules on slides 13 - 17 (appendix) for detailed reconciliations of these non-GAAP financial measures to the directly comparable GAAP financial measures

- Sales were modestly higher for H1FY17 compared to last year due to growth in Cubic Mission Solutions (C4ISR)
- Last year operating income was impacted by acquisition-related expenses
- Adjusted EBITDA increased, driven by sales of higher margin C4ISR and air combat systems
- R&D increased to \$9.8 million vs \$4.3 million last year
 - Higher spend on datalinks, wide band antennas and NextTraining

Cubic Global Defense Services

<i>In Millions, except EPS</i>	Six Months Ended March 31,		Three Months Ended March 31,	
	2017	2016	2017	2016
Sales	\$186.0	\$193.1	\$95.7	\$101.0
Operating Income	\$1.6	\$4.5	\$2.0	\$4.3
Adjusted EBITDA*	\$3.6	\$7.7	\$3.1	\$5.4
Adjusted EBITDA Margin	2.0%	4.0%	3.2%	5.3%

*See schedules on slides 13 - 17 (appendix) for detailed reconciliations of these non-GAAP financial measures to the directly comparable GAAP financial measures

- Sales decreased 4% for the first six months of the year compared to last year due to delays in contract awards and starts related to FY17 DOD budget process
- Adjusted EBITDA was impacted by lower volume and delays in the approval of the FY17 DOD budget
- FY17 budget approval and Overseas Contingency Operations funding could have a positive impact on this segment in the H2FY17
- FY18 outlook improving on higher readiness and training activities

Key Balance Sheet and Cash Flow Data

Key Balance Sheet Data	Quarter Ended March 31, 2017		Fiscal Year Ended September 30, 2016	
Cash	\$	167.8	\$	197.1
Restricted cash		77.2		75.6
Marketable securities		18.8		13.0
Total	\$	263.8	\$	285.7
Accounts receivable, net of customer advances	\$	281.3	\$	333.1
Inventory	\$	113.9	\$	66.4
Total debt	\$	450.5	\$	440.7
Key Cash Flow Data <i>In Millions</i>	Six Months Ended March 31,		Quarters Ended March 31,	
	2017	2016	2017	2016
Cash flow from operations	\$11.0	(\$37.7)	\$3.9	\$11.9
Capital expenditures	(\$15.2)	(\$21.4)	(\$8.5)	(\$11.0)
Dividends paid	(\$3.7)	(\$3.6)	(\$3.7)	(\$3.6)
Cash paid for acquisitions	(\$12.9)	(\$243.5)	-	(\$213.8)

- All three operating segments had positive cash flows in H1
- Higher inventory levels in the defense systems business are related to shipments in H2
- Capital expenditures were a combination of ERP investments and facilities improvements
- Plan to reduce debt levels in H2 through operating cash flows and repatriation of offshore cash

FY17 Guidance Update

	FY17 Guidance as of November 21, 2016	Revised FY17 Guidance as of May 8, 2017	Change
Total Sales ¹ (constant currency)	\$1.505B to \$1.555B	\$1.500B to \$1.540B	<ul style="list-style-type: none"> ▪ Delayed U.S. government budget and timing of New York MTA contract award
Operating Income	\$30m to \$50m	\$15m to \$35m	<ul style="list-style-type: none"> ▪ Delayed U.S. government budget and timing of New York MTA contract award
EBITDA	\$80m to \$100m	\$65 to \$85m	<ul style="list-style-type: none"> ▪ Delayed U.S. government budget and timing of New York MTA contract award
Adjusted EBITDA	\$120m to \$140m 8.0% to 9.0% of Sales	\$105m to \$125m 7.0% to 8.0% of Sales	<ul style="list-style-type: none"> ▪ Delayed U.S. government budget and timing of New York MTA contract award
GAAP Diluted EPS	\$0.40 to \$0.80	*	<ul style="list-style-type: none"> ▪ *Guidance withdrawn due to U.S. deferred tax valuation allowance variability

Summary

- Strategy is sound; making progress on our Goal 2020 strategic objectives
- H1FY17 financial performance was in line with our expectations; performance will improve in H2FY17 led by defense systems
 - Increased R&D investment to grow the company
 - Approved FY17 defense budget, finally
 - Expect increased order intake in H2
- 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
 - Growth in defense spending

Our improving financial performance is supported by organic growth in transportation, a reshaped C4ISR portfolio, ERP efficiencies, and business-friendly intentions of government

Appendices

- Earnings before interest, taxes, depreciation and amortization (EBITDA) and Adjusted EBITDA
 - Six Months Ended March 31, 2017 and 2016
 - Three Months Ended March 31, 2017 and 2016

GAAP to Non-GAAP Reconciliation

Earnings before interest, taxes, depreciation and amortization (EBITDA) and Adjusted EBITDA
Six Months Ended March 31, 2017

<i>In Millions</i>	Consolidated	CTS	CGD Systems	CGD Services
Six Months Ended March 31, 2017				
Net income attributable to Cubic	\$ (2.4)			
Provision for income taxes	(12.1)			
Interest expense (income), net	7.4			
Other non-operating expense (income), net	0.9			
Operating Income (loss)	\$ (6.2)	\$ 17.5	\$ (4.9)	\$ 1.6
Depreciation and amortization	25.7	4.4	17.3	1.7
Other non-operating (expense) income, net	(0.9)	(0.6)	(1.6)	-
EBITDA	\$ 18.6	\$ 21.3	\$ 10.8	\$ 3.3
Acquisition related expenses, excluding amortization ¹	0.7	(0.2)	0.8	-
ERP/Supply Chain Initiatives	14.7	-	-	-
Restructuring costs	1.6	0.2	0.9	0.3
Gain/Loss of sale of fixed assets	0.4			
Other non-operating expense (income), net	0.9	0.6	1.6	-
Adjusted EBITDA	\$ 36.9	\$ 21.9	\$ 14.1	\$ 3.6
EBITDA Margin	2.7%	7.8%	4.5%	1.8%
Adjusted EBITDA Margin	5.4%	8.1%	6.4%	1.9%

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
Six Months Ended March 31, 2016

<i>In Millions</i>	Consolidated	CTS	CGD Systems	CGD Services
Six Months Ended March 31, 2016				
Net income attributable to Cubic	\$ 4.7			
Provision for income taxes	(24.7)			
Interest expense (income), net	3.2			
Other non-operating expense (income), net	(0.4)			
Operating Income (loss)	\$ (17.2)	\$ 23.4	\$ (24.6)	\$ 4.6
Depreciation and amortization	19.0	4.2	11.0	3.0
Other non-operating (expense) income, net	0.4	0.4	0.5	-
EBITDA	\$ 2.2	\$ 28.0	\$ (13.1)	\$ 7.6
Acquisition related expenses, excluding amortization ¹	24.0	0.6	23.4	-
ERP/Supply Chain Initiatives	15.9	-	-	-
Restructuring costs	(0.1)	0.2	(0.3)	0.1
Other non-operating expense (income), net	(0.4)	(0.4)	(0.5)	-
Adjusted EBITDA	\$ 41.6	\$ 28.4	\$ 9.5	\$ 7.7
EBITDA Margin	0.3%	10.2%	-6.2%	3.9%
Adjusted EBITDA Margin				

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 March 31, 2017

<i>In Millions</i>	Consolidated	CTS	CGD Systems	CGD Services
Quarter Ended March 31, 2017				
Net income attributable to Cubic	\$ 0.4			
Provision for income taxes	(7.0)			
Interest expense (income), net	4.1			
Other non-operating expense (income), net	0.4			
Operating Income (loss)	\$ (2.1)	\$ 7.9	\$ (4.4)	\$ 2.0
Depreciation and amortization	12.3	2.0	8.1	0.7
Other non-operating (expense) income, net	(0.4)	(0.2)	(0.4)	-
EBITDA	\$ 9.8	\$ 9.7	\$ 3.3	\$ 2.7
Acquisition related expenses, excluding amortization ¹	(0.1)	(0.2)	-	-
ERP/Supply Chain Initiatives	6.0	-	-	-
Restructuring costs	0.7	0.2	0.1	0.4
Other non-operating expense (income), net	0.4	0.2	0.4	-
Adjusted EBITDA	\$ 16.8	\$ 9.9	\$ 3.8	\$ 3.1
EBITDA Margin	2.9%	7.0%	2.7%	2.8%
Adjusted EBITDA Margin	4.9%	7.1%	3.5%	3.1%

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 March 31, 2016

<i>In Millions</i>	Consolidated	CTS	CGD Systems	CGD Services
Quarter Ended March 31, 2016				
Net income attributable to Cubic	\$ 10.1			
Provision for income taxes	(21.2)			
Interest expense (income), net	2.2			
Other non-operating expense (income), net	(0.2)			
Operating Income (loss)	\$ (9.1)	\$ 19.8	\$ (21.2)	\$ 4.4
Depreciation and amortization	10.1	1.7	6.9	1.0
Other non-operating (expense) income, net	0.2	(0.7)	0.4	-
EBITDA	\$ 1.2	\$ 20.8	\$ (13.9)	\$ 5.4
Acquisition related expenses, excluding amortization ¹	19.7	0.5	19.6	-
ERP/Supply Chain Initiatives	9.4	-	-	-
Restructuring costs	0.3	0.1	0.3	-
Other non-operating expense (income), net	(0.3)	0.3	(0.4)	-
Adjusted EBITDA	\$ 30.3	\$ 21.7	\$ 5.6	\$ 5.4
EBITDA Margin	0.3%	14.3%	-12.0%	5.3%
Adjusted EBITDA Margin	8.3%	14.6%	4.8%	5.3%

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