

# 2Q 2018 CFO Commentary

## Highlights

### *Continuing operations*

- Highest total backlog in company history: \$3.4b
- Strong YoY sales and adj. EBITDA growth led by Transportation
- Boston MBTA financial close
- Free Cash Flow improvement
- ERP implementation completed
- Announced agreement to divest CGD Services (Apr. 19); Reflected in disc ops at March 31, 2018

## FY 2018 Outlook

### **(adjusted for divestiture)**

- Confirming FY18 guidance
  - Sales: \$1.135b to \$1.185b
  - Adj. EBITDA: \$90m to \$116m
- Profit seasonality in line with FY17
- Expect gradual sequential improvement in 3Q adj. EBITDA
- Expect strong 4Q adj. EBITDA

## Key Metrics

### *Continuing operations*

- Bookings \$623.8m up 4x y/y<sup>1</sup>
- Sales \$278.6m up 9% y/y<sup>1</sup>
- Non-GAAP adjusted EBITDA \$15.8m, up 24% y/y<sup>1</sup>
- Operating loss \$1.7m compared to \$6.1m in 2Q17
- Net loss from continuing operations of \$3.3m or \$0.12 per share, includes costs of strategic and IT system resource planning of \$5.7m
- Free cash flow<sup>(2)</sup> \$7.0m compared to (\$5.5m) 2Q17

(1) Growth rates reflects constant currency, adjusted for FX tailwinds of: \$0.8m bookings, \$31.8m backlog, \$7.5m sales, and \$1.3m Adj EBITDA versus 2Q17

(2) Non-GAAP financial measure, defined as Net Cash Provided by Operating Activities minus capital expenditures

# 2Q 2018 Financial Summary

(In \$ millions, except earnings per share)

	2Q FY17	2Q FY18	Y/Y Change
Bookings	\$ 152	\$ 624	311% <sup>(1)</sup>
Book to Bill %	61.2%	223.9%	162.8 pts
Sales	248	279	12% <sup>(1)</sup>
Gross Profit	69	83	20%
% to Sales	27.8%	29.8%	2 pts
SG&A	55	64	17%
% to Sales	22.0%	22.9%	0.9 pts
Research & Development	13	14	10%
% to Sales	5.2%	5.1%	-0.1 pts
Adjusted EBITDA	12	16	35% <sup>(1)</sup>
% to Sales	4.7%	5.7%	1 pts
Operating Income	(6)	(2)	72%
% to Sales	-2.5%	-0.6%	1.9 pts
EPS (\$)	\$ 1.54	(\$0.12)	-108%
Free Cash Flow <sup>(2)</sup>	(6)	7	227%
Capital Expenditures (net of disp)	8	5	-36% <sup>(1)</sup>
	<b>30-Sep-17</b>	<b>31-Mar-18</b>	<b>Y/Y Change</b>
Total Backlog	2,536	3,410	34%

<sup>(1)</sup> constant currency growth: bookings 311%, sales 9%, Adj EBITDA 24%, backlog 33%

<sup>(2)</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

- 2Q bookings \$520.5m, up 9x y/y (constant FX basis)
- Strong bookings reflect Boston MBTA award

## Backlog

- 2Q backlog \$2.96b

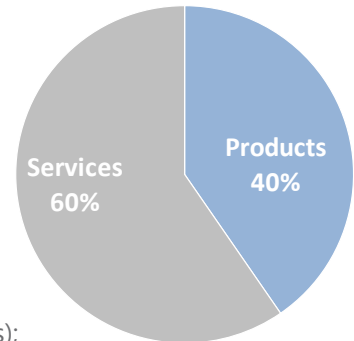
## Sales

- 2Q sales \$167.0m, up 15% y/y (constant FX basis)
- Growth supported by NY MTA contract

## Adjusted EBITDA

- 2Q adj. EBITDA \$17.2m, up 60% y/y (constant FX basis);
- 10.3% margin, up 322 bps y/y

**CTS**  
Sales By Type



# Cubic Global Defense Systems

## Bookings

- 2Q bookings \$57.2m, down 17% y/y
- Impacted by order delays; expect Q3 recovery

## Backlog

- 2Q backlog \$378.6m

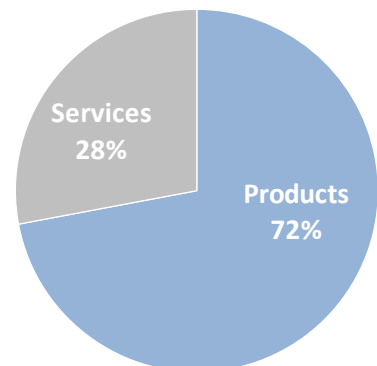
## Sales

- 2Q sales \$75.5m, down 6% y/y (constant FX basis)
- Lower Air Ranges shipments y/y

## Adjusted EBITDA

- 2Q adj. EBITDA \$7.4m, up 2% y/y (constant Fx basis)
- 9.8% margin, up 54 bps y/y

**CGD Systems**  
Sales By Type



# Cubic Mission Solutions

## Bookings

- 2Q bookings \$46.1m, up 109% y/y
- T2C2 LRIP and Theater Deployable Communications (TDC) orders

## Backlog

- 2Q backlog \$69.0m

## Sales

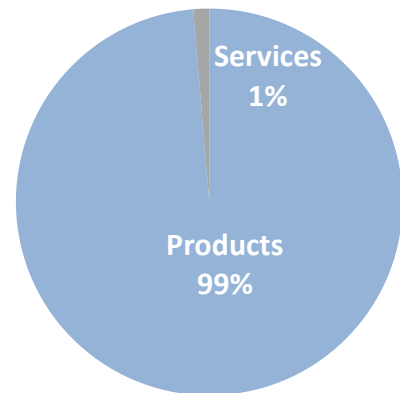
- 2Q sales \$36.1m, up 26% y/y

## Adjusted EBITDA

- 2Q adj. EBITDA (\$2.0m), up from (\$3.2m) 2Q17
- -5.6% margin, improved on higher sales despite higher YoY R&D spend

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

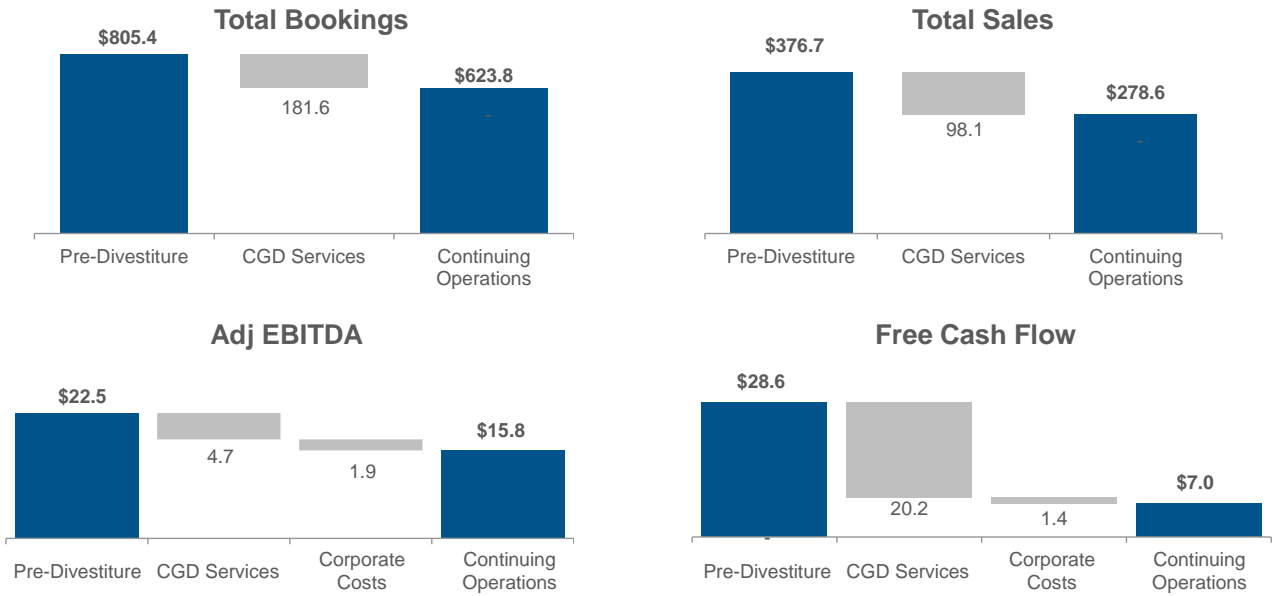
**CMS**  
Sales By Type



# APPENDIX

## Divestiture Impact on Cubic Financials (Fiscal 2Q18)

\$ millions



# APPENDIX

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

<i>In Millions</i>	Three Months March 31	
	2018	2017
Net income (loss)	\$ (3.3)	\$ 41.9
Add:		
Provision for income taxes	1.4	(52.5)
Interest expense (income), net	2.2	4.1
Depreciation and amortization	11.1	11.6
<b>EBITDA</b>	<b>\$ 11.4</b>	<b>\$ 5.1</b>
Acquisition related expenses, excluding amortization	0.5	(0.1)
ERP/Supply Chain Initiatives	5.7	6.0
Restructuring costs	0.2	0.3
Other non-operating expense (income), net	(2.0)	0.4
<b>Adjusted EBITDA</b>	<b>\$ 15.8</b>	<b>\$ 11.7</b>
EBITDA Margin	4.1%	2.1%
Adjusted EBITDA Margin	5.7%	4.7%

*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*

# APPENDIX

## Reconciliation of GAAP to Non-GAAP Financial Measures Cubic Consolidated – Continuing Operations

In Millions	Consolidated	CTS	CMS	CGD Systems
<b>Three Months Ended March 31, 2018</b>				
Net income (loss)	\$ (3.3)			
Provision for income taxes	1.4			
Interest expense (income), net	2.2			
Other non-operating (expense) income, net	(2.0)			
<b>Operating Income (loss)</b>	<b>\$ (1.7)</b>	<b>\$ 14.2</b>	<b>\$ (7.7)</b>	<b>\$ 5.2</b>
Depreciation and amortization	11.1	3.0	5.2	2.0
Other non-operating expense (income), net	2.0	2.4	0.2	(0.1)
<b>EBITDA</b>	<b>\$ 11.4</b>	<b>\$ 19.6</b>	<b>\$ (2.3)</b>	<b>\$ 7.1</b>
Acquisition related expenses, excluding amortization	0.5		0.5	
ERP/Supply Chain Initiatives	5.7			
Restructuring costs	0.2			0.2
Other non-operating (expense) income, net	(2.0)	(2.4)	(0.2)	0.1
<b>Adjusted EBITDA</b>	<b>\$ 15.8</b>	<b>\$ 17.2</b>	<b>\$ (2.0)</b>	<b>\$ 7.4</b>
EBITDA Margin	4.1%	11.7%	-6.4%	9.4%
Adjusted EBITDA Margin	5.7%	10.3%	-5.6%	9.8%

In Millions	Consolidated	CTS	CMS	CGD Systems
<b>Three Months Ended March 31, 2017</b>				
Net income (loss)	\$ 41.9			
Provision for income taxes	(52.5)			
Interest expense (income), net	4.1			
Other non-operating (expense) income, net	0.4			
<b>Operating Income (loss)</b>	<b>\$ (6.1)</b>	<b>\$ 7.8</b>	<b>\$ (9.2)</b>	<b>\$ 4.7</b>
Depreciation and amortization	11.6	2.1	5.9	2.5
Other non-operating expense (income), net	(0.4)	(0.2)		3.1
<b>EBITDA</b>	<b>\$ 5.1</b>	<b>\$ 9.7</b>	<b>\$ (3.3)</b>	<b>\$ 10.3</b>
Acquisition related expenses, excluding amortization	(0.1)	(0.2)	0.1	
ERP/Supply Chain Initiatives	6.0			
Restructuring costs	0.3	0.2		0.2
Other non-operating (expense) income, net	0.4	0.2		(3.1)
<b>Adjusted EBITDA</b>	<b>\$ 11.7</b>	<b>\$ 9.9</b>	<b>\$ (3.2)</b>	<b>\$ 7.4</b>
EBITDA Margin	2.1%	6.9%	-11.5%	12.9%
Adjusted EBITDA Margin	4.7%	7.1%	-11.2%	9.3%

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