



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.

Third Quarter Fiscal Year 2017 Results Conference Call

August 3, 2017

Bradley H. Feldmann
President and Chief Executive Officer

John "Jay" D. Thomas
Executive Vice President and Chief Financial Officer

Safe Harbor

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YTD FY17 Results

Sales: \$1,040.3 million

- Constant currency basis sales up \$6m¹
 - FX headwinds of \$20.3m
- Good sales growth in C4ISR 59.0% YOY

Adjusted EBITDA: \$55.4 million

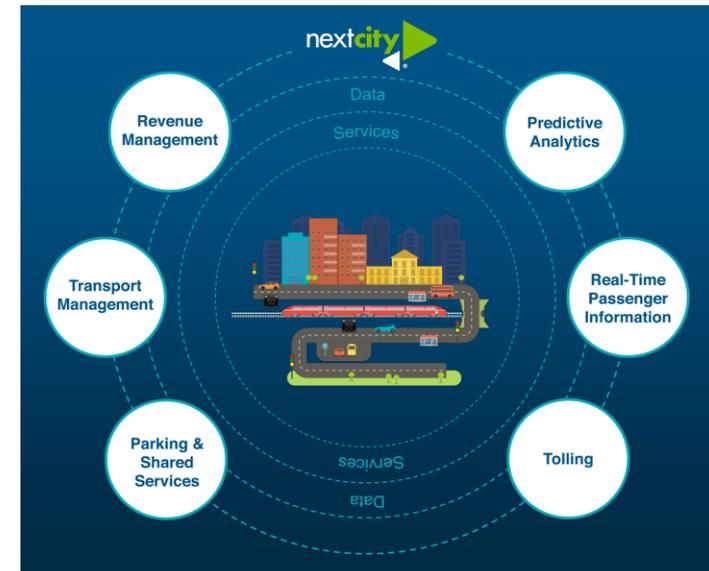
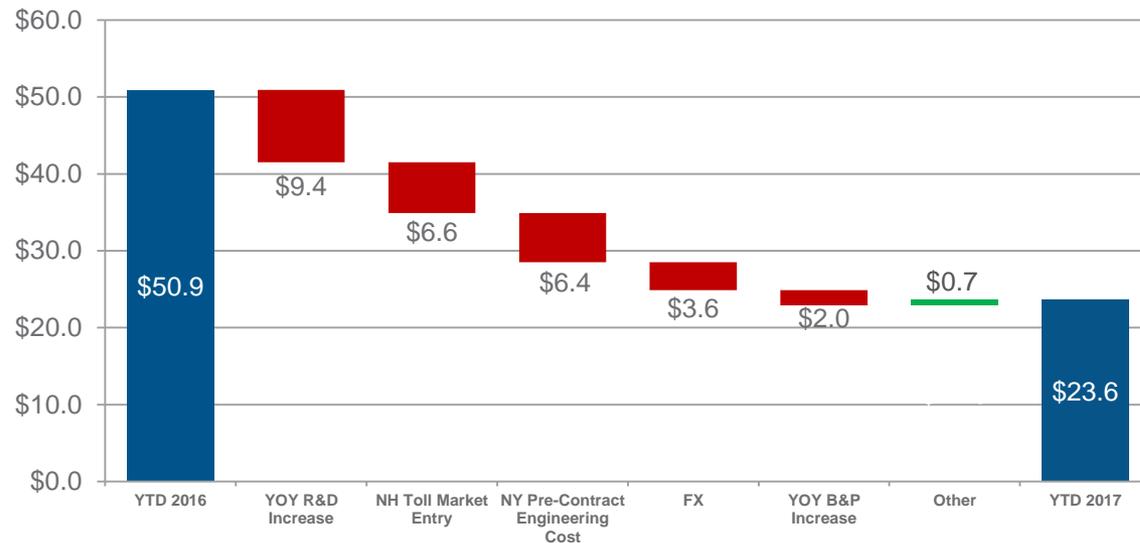
- Adjusted EBITDA down \$27.0 million from YTD FY16
- FX headwinds impacted Adjusted EBITDA by \$3.0m related to British Pound
- Toll market entry investment \$6.6m
- Incremental R&D investment \$20.8m
 - CTS: \$12.4m
 - CGD: \$8.4m

- Slight sales growth on a constant currency basis
- Adjusted EBITDA down due to increased incremental investment to grow the company
- Transition of Jay Thomas, CFO to advisory role at fiscal year end; appointment of Anshooman Aga

¹ Reported FY16 YTD sales of \$1,055.1 million equate to \$1,034.5 million using FY17 foreign exchange rates

CTS Investments & Opportunities

CTS Incremental YOY Adjusted EBITDA (\$m)



■ YOY R&D

- Developing next generation solutions in mobile and fare collection (growing core fare collection business) and NextBus (growing passenger information business and entry into small/mid-market)
- Increase speed to market and margins through re-use and product centricity
- Transformation Investments – lower engineering and services cost to achieve 15%+ EBITDA
- YOY Bid & Proposal – higher cost on large bid opportunities for NYC & Boston valued at \$2b+
- NYC Pre-Contract Engineering – reduce risk of delivery and progress core solution in readiness for NYC win

We are making substantial investments in our transportation business to drive strong organic growth and EBITDA expansion

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**
- **One Cubic** 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

- Extended Bay Area Clipper contract valued up to 5 years at \$25m per year
- Completed early SATCOM delivery for New Zealand
- TeraLogics' Unified Video Dissemination System advances global security
- Displayed emerging Air Combat Training technology at Paris Air Show

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
- Successful cloud launch for Miami's Easy Card system
- Los Angeles mobile and Open-API contract to be finalized in August

GROWING C4ISR BUSINESS

Expand from secure communications to expeditionary communications leader

- Expect T2C2 full-rate production decision near FY17 year-end
- Additional order of 80 Personnel Locator Systems (PLS)
- Investment in our wideband communications solution leveraged by DoD
- Leveraging highly efficient wide-band, high data rate line-of-sight and SATCOM solutions

BUILDING NEXTTRAINING GLOBALLY

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

- Delivered initial Immersive Virtual Ship Environment (IVSE) courseware to Littoral Combat Ship training facility; additional game-based training orders expected
- Acquired Deltenna, UK-based communications company with mobile LTE capabilities
- Delivered our SCOPIC live synthetic wrap capability to British Army

LIVING ONE CUBIC

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

- \$9.6m in supply chain gross margin savings will improve gross margins
- ERP system implementation scheduled to complete FY18H1
- Held *One Cubic* Engineering Summit to improve reusability across Cubic
- Improved scores in employee engagement across the business

Consolidated Operating Highlights

<i>In Millions, except EPS</i>	Nine Months Ended June 30,		Three Months Ended June 30,	
	2017	2016	2017	2016
Sales	\$1,040.3	\$1,055.1	\$361.9	\$375.2
Research and development	\$38.8	\$18.1	\$16.9	\$8.5
Adjusted EBITDA*	\$55.4	\$82.3	\$18.5	\$40.7
% to Sales	5.3%	7.8%	5.1%	10.9%
Operating income (loss)	(\$7.9)	(\$3.3)	(\$1.7)	\$13.9
% to Sales	-0.8%	-0.3%	-0.5%	3.7%
GAAP diluted EPS	(\$0.90)	\$0.34	(\$0.81)	\$0.17

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

- YTD sales were virtually flat with last year after the impact of adverse FX headwinds of \$20.6m
- R&D expenses were up 114% over last year to \$38.8m or an increase of \$20.6m
- Adjusted EBITDA was lower YOY in transportation and defense services, somewhat offset by improved performance in defense systems
- ERP spend YTD about flat with FY 16 spend level-planned completion of the implementation by mid-year FY 18
- EPS and net income negatively impacted by GAAP taxes provision due to U.S. deferred tax valuation allowance

Cubic Transportation Systems

<i>In Millions, except EPS</i>	Nine Months Ended June 30,		Three Months Ended June 30,	
	2017	2016	2017	2016
Sales	\$407.9	\$430.5	\$136.4	\$156.0
Operating Income (loss)	\$16.6	\$43.9	(\$0.9)	\$20.5
Adjusted EBITDA*	\$23.6	\$50.9	\$1.7	\$22.5
Adjusted EBITDA Margin	5.8%	11.8%	1.2%	14.4%

*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 flat YOY after adjusting for FX headwinds of \$21.6 million; Q3 sales weak comparable to prior year on the Sydney and Vancouver projects
- Adjusted EBITDA impacted by \$27 million of higher R&D, B&P spend New York and Boston bids, toll market entry and transformation investments
- R&D expense more than doubled to \$21.5 million from \$9.1 million last year
 - Pre-contract investment on New York City Fare Payment System bid YTD \$6.4 million
 - Investments in next-generation mobile, real-time passenger information systems and cloud

Cubic Global Defense Systems

<i>In Millions, except EPS</i>	Nine Months Ended June 30,		Three Months Ended June 30,	
	2017	2016	2017	2016
Sales	\$350.7	\$331.3	\$129.8	\$119.0
Operating Income (loss)	\$4.0	(\$23.7)	\$8.9	\$0.9
Adjusted EBITDA*	\$29.7	\$23.2	\$16.5	\$13.7
Adjusted EBITDA Margin	8.5%	7.0%	12.7%	11.5%

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

- Sales up 6% YTD
 - Cubic Mission Solutions (C4ISR) sales up 59% led by GATR growth
 - Ground training and immersive training sales down on lower activity
- R&D nearly doubled to \$17.3 million vs \$9.1 million last year
 - Higher spend on datalinks, wide band antennas and NextTraining
- Equitable adjustment on the Littoral Combat Ship contract settled in Q3 for \$8.0 million
- Adjusted EBITDA increased YOY despite higher R&D investment

Cubic Global Defense Services

<i>In Millions, except EPS</i>	Nine Months Ended June 30,		Three Months Ended June 30,	
	2017	2016	2017	2016
Sales	\$281.7	\$293.3	\$95.7	\$100.2
Operating Income	\$4.8	\$9.3	\$3.2	\$4.8
Adjusted EBITDA*	\$7.5	\$14.6	\$3.9	\$6.9
Adjusted EBITDA Margin	2.7%	5.0%	4.1%	6.9%

*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% due to the late FY17 DoD budget approval
- Adjusted EBITDA impacted by lower volume and reduced margins on re-competed work
- FY18 outlook positive on proposed increased readiness and training activities in the DoD FY18 budget

Key Balance Sheet and Cash Flow Data

Key Balance Sheet Data	Quarter Ended June 30, 2017		Fiscal Year Ended September 30, 2016	
Cash	\$	67.1	\$	197.1
Restricted cash		4.6		75.6
Marketable securities		13.1		13.0
Total	\$	84.8	\$	285.7
Net Accounts receivable, net of customer advances	\$	326.8	\$	354.0
Inventory	\$	103.4	\$	66.4
Total debt	\$	304.5	\$	441.0

Key Cash Flow Data <i>In Millions</i>	Nine Months Ended June 30,		Quarters Ended June 30,	
	2017	2016	2017	2016
Cash flow from operations	(\$16.5)	\$5.4	(\$28.3)	\$43.1
Capital expenditures	(\$25.5)	(\$26.9)	(\$10.3)	(\$4.5)
Dividends paid	(\$3.7)	(\$3.6)	-	-
Cash paid for acquisitions	(\$12.9)	(\$243.5)	-	-

- Reduced debt level 31% YTD through repatriation of offshore cash – minimal cash tax leakage
- Higher inventory levels tied to shipments in Q4
- Capital expenditures are a combination of ERP and facilities improvements

Summary

- Strategy is sound; making progress on our Goal 2020 strategic objectives
- Incremental investment to improve the company
- Expecting strong finish to FY17 led by Defense Systems, improvement in transportation and strong orders
- ERP to be completed by FY18H1 resulting in significant efficiency / savings in supply chain and SG&A spend
- Catalysts for good organic growth in FY18
 - New York City New Fare Payment System win
 - OneAccount expansion
 - T2C2 full rate production
 - Growth in defense spending

Improved near-term performance supported by organic growth in transportation, an expanding C4ISR portfolio and cost efficiencies

Appendices

- Earnings before interest, taxes, depreciation and amortization (EBITDA) and Adjusted EBITDA
 - Nine Months Ended June 30, 2017 and 2016
 - Three Months Ended June 30, 2017 and 2016

GAAP to Non-GAAP Reconciliation

Earnings before interest, taxes, depreciation and amortization (EBITDA) and Adjusted EBITDA
Nine Months Ended June 30, 2017

In Millions	Consolidated	CTS	CGD Systems	CGD Services
Nine Months Ended June 30, 2017				
Net income attributable to Cubic	\$ (24.4)			
Provision for income taxes	5.7			
Interest expense (income), net	11.5			
Other non-operating expense (income), net	(0.7)			
Operating Income (loss)	\$ (7.9)	\$ 16.6	\$ 3.9	\$ 4.8
Depreciation and amortization	38.2	6.8	25.4	2.4
Other non-operating expense (income), net	0.7	4.3	(1.2)	-
EBITDA	\$ 31.0	\$ 27.7	\$ 28.1	\$ 7.2
Acquisition related expenses, excluding amortization ¹	(0.8)	(0.2)	(0.7)	-
ERP/Supply Chain Initiatives	23.6	-	-	-
Restructuring costs	1.9	0.4	1.1	0.3
Gain/Loss of sale of fixed assets	0.4			
Other non-operating expense (income), net	(0.7)	(4.3)	1.2	-
Adjusted EBITDA	\$ 55.4	\$ 23.6	\$ 29.7	\$ 7.5
EBITDA Margin	3.0%	6.8%	8.0%	2.6%
Adjusted EBITDA Margin	5.3%	5.8%	8.5%	2.7%

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
Nine Months Ended June 30, 2016

In Millions	Consolidated	CTS	CGD Systems	CGD Services
Nine Months Ended June 30, 2016				
Net income attributable to Cubic	\$ 9.2			
Provision for income taxes	(20.3)			
Interest expense (income), net	6.3			
Other non-operating expense (income), net	1.5			
Operating Income (loss)	\$ (3.3)	\$ 43.9	\$ (23.7)	\$ 9.3
Depreciation and amortization	31.9	5.4	19.7	4.8
Other non-operating expense (income), net	(1.5)	(0.5)	-	-
EBITDA	\$ 27.1	\$ 48.8	\$ (4.0)	\$ 14.1
Acquisition related expenses, excluding amortization ¹	27.7	0.6	27.0	-
ERP/Supply Chain Initiatives	24.4	-	-	-
Restructuring costs	1.6	1.0	0.1	0.5
Other non-operating expense (income), net	1.5	0.5	-	-
Adjusted EBITDA	\$ 82.3	\$ 50.9	\$ 23.1	\$ 14.6
EBITDA Margin	2.6%	11.3%	-1.2%	4.8%
Adjusted EBITDA Margin	7.8%	11.8%	7.0%	5.0%

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 June 30, 2017

In Millions	Consolidated	CTS	CGD Systems	CGD Services
Three Months Ended June 30, 2017				
Net income attributable to Cubic	\$ (22.0)			
Provision for income taxes	17.8			
Interest expense (income), net	4.1			
Other non-operating expense (income), net	(1.6)			
Operating Income (loss)	\$ (1.7)	\$ (0.9)	\$ 8.9	\$ 3.2
Depreciation and amortization	12.5	2.4	8.9	0.7
Gain/Loss of sale of fixed assets				
Other non-operating expense (income), net	1.6	4.9	0.4	-
EBITDA	\$ 12.4	\$ 6.4	\$ 18.2	\$ 3.9
Acquisition related expenses, excluding amortization ¹	(1.5)	-	(1.5)	-
ERP/Supply Chain Initiatives	8.9	-	-	-
Restructuring costs	0.3	0.2	0.2	-
Other non-operating expense (income), net	(1.6)	(4.9)	(0.4)	-
Adjusted EBITDA	\$ 18.5	\$ 1.7	\$ 16.5	\$ 3.9
EBITDA Margin	3.4%	4.7%	14.0%	4.1%
Adjusted EBITDA Margin	5.1%	1.2%	12.7%	4.1%

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 June 30, 2016

In Millions	Consolidated	CTS	CGD-Systems	CGD-Services
Three Months Ended June 30, 2016				
Net income attributable to Cubic	\$ 4.5			
Provision for income taxes	4.4			
Interest expense (income), net	3.1			
Other non-operating expense (income), net	1.9			
Operating Income (loss)	\$ 13.9	\$ 20.5	\$ 0.9	\$ 4.7
Depreciation and amortization	12.9	1.2	8.7	1.8
Other non-operating expense (income), net	(1.9)	(0.9)	(0.5)	-
EBITDA	\$ 24.9	\$ 20.8	\$ 9.1	\$ 6.5
Acquisition related expenses, excluding amortization ¹	3.7	-	3.6	-
ERP/Supply Chain Initiatives	8.5	-	-	-
Restructuring costs	1.7	0.8	0.4	0.4
Other non-operating expense (income), net	1.9	0.9	0.5	-
Adjusted EBITDA	\$ 40.7	\$ 22.5	\$ 13.6	\$ 6.9
EBITDA Margin	6.6%	13.3%	7.6%	6.5%
Adjusted EBITDA Margin	10.8%	14.4%	11.4%	6.9%

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