



CUBIC™

Fourth Quarter & Full Year Fiscal 2018 Results

November 15, 2018

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Safe Harbor & Disclosures

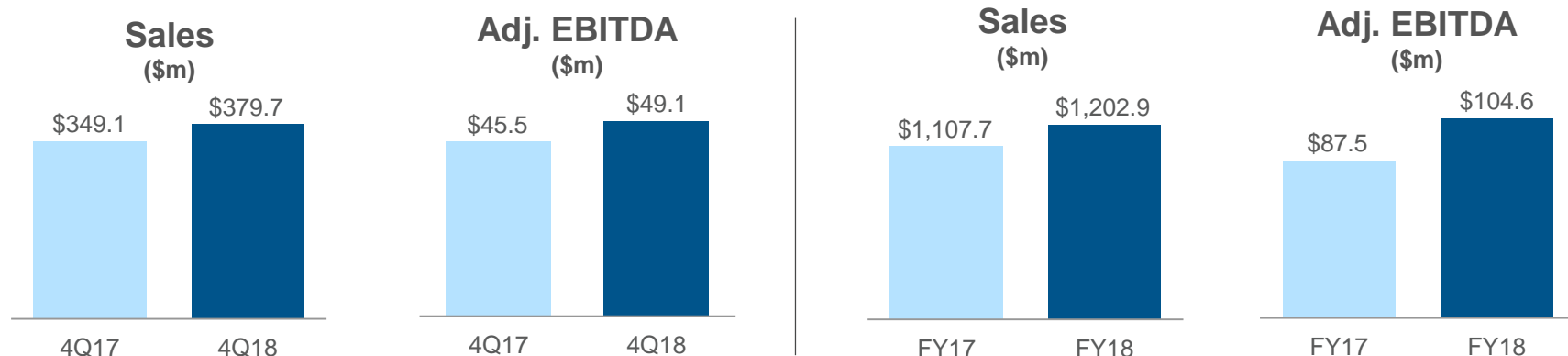
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This presentation also includes non-GAAP financial measures as that term is defined in Regulation G. Non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. Reconciliations to the most directly comparable GAAP financial measures can be found in the Appendix to this presentation. Cubic has not provided a reconciliation of forward-looking financial measures such as Adjusted EBITDA to the most directly comparable financial measures prepared in accordance with GAAP because Cubic is unable to quantify certain amounts that would be required to be included in the GAAP measures without unreasonable efforts, and Cubic believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors.

4Q and Full Year Fiscal 2018 Results

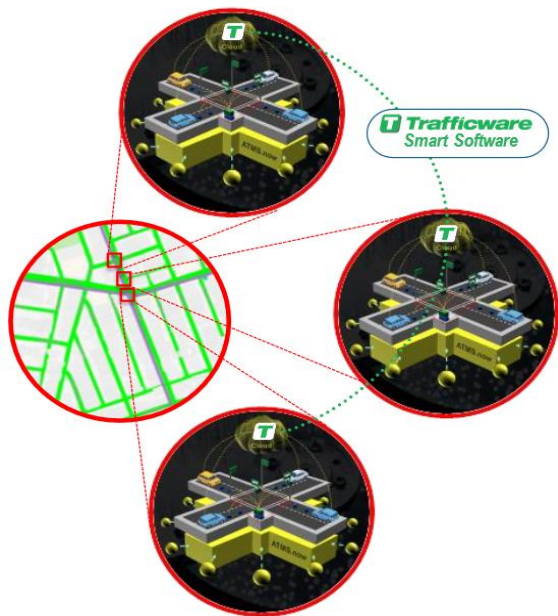
Continuing Operations¹



Record Quarter, Annual Sales and Backlog

- Record 4Q18 Sales increased 9%, Record Adj. EBITDA increased 8% YoY
- Record FY18 Sales increased 9%, Adj. EBITDA increased 20% YoY
- Record backlog at \$4.1 billion (3.4x annual revenue), up \$1.5 billion YoY

Trafficware Acquisition Expands Cubic's Leadership Position in Next-Generation Intelligent Transportation Solutions



 **Trafficware**

- Fully integrated, innovative suite of software, Internet of Things (IoT) and hardware solutions that optimize the flow of vehicle and pedestrian traffic
- Provides smart infrastructure to smart cars
- Cubic and Trafficware to offer compelling solutions to greatly improve situational awareness and reduce congestion
- Advances Operations & Analytics pillar of NextCity

Goal 2020 Growth Catalysts Achieved



Investments paying off with all six catalysts achieved this fiscal year

WIN NY

WIN Boston

T2G2 Full-Rate Production

SAP Implemented

WIN Brisbane

WIN Bay Area

\$1.8B new business won (with ~\$2B potential follow-on) while building growth platform

Strategy Update

Why

**WINNING
THE
CUSTOMER**



- NextCity is winning customers: “Legoization” has built winning, re-useable solutions with reduced risk
- Our keen focus on providing full motion video (FMV) to the edge of the battlefield is compelling
- Combining live, virtual, and constructive (LVC) simulation techniques provides efficient, performance-based training
- Our customers will want keener insights – We are making a digital pivot

Significant Progress Across Growth Initiatives

What

BUILDING
NEXTCITY
GLOBALLY



- Won Bay Area next-generation fare payment system (\$394m)
- First of its kind Sydney Integrated Congestion Management Program (\$40m)
- Customer upgrades to continue (Los Angeles, etc.)

What

BUILDING
NEXTMISSION
GLOBALLY



- GATR contract vehicle ceiling doubled to ~\$1B with ~\$750m unused; delivered Transportable Tactical Command Communications (T2C2) \$55m Q4
- Selected for new Fifth Gen Tech Insertion (5gTI) for US Army command post upgrade (~\$100m potential value)
- Awarded \$2m in FirstNet Interoperability gateways

What

BUILDING
NEXTTRAINING
GLOBALLY



- Successful joint advanced technology demonstration of next-generation Live, Virtual, Constructive (LVC) air combat large force exercise flights
- Received \$13m Instrumented Tactical Engagement Simulation System (ITESS 2) spares

2019 Focus – Meeting Our Commitments

Transportation

Execute and Deliver – NY, Boston, Brisbane, Bay Area, mobile, etc.

Expand – tolling/congestion charging, intelligent transportation management (integrate Trafficware), mid-market

Capitalize – competitive advantages (OneAccount), product model

C4ISR

Successful GATR fielding – T2C2 Full Rate Production

Deliver FirstNet – Interoperability Solution

Integrate successfully – Shield and MotionDSP

Defense Training

SLATE ATD¹ – turn into Program of Record

Synthetic Training Environment – Win selective OTAs²

Grow international franchises

- Optimize ERP and develop analytics
- Implement Product Lifecycle Management
- Data Analytics / Machine Learning supported by *One Cubic*
- Expand margins driven by supply chain and overhead savings

How

LIVING
ONE
CUBICGEM
GLOBAL ENTERPRISE MANAGEMENT

Next Wave of Value Creation

Mid-term

CTS

Capitalize on AFC competitive position, expand in mid-market

Leverage mobile app launches to further monetize NextCity

Capture adjacencies of congestion management and charging

CMS

Enable US Army Network Transformation

Increase role in Airborne ISR

Establish key position in Joint Aerial Layer Network Architecture

CGD

Cross domain and multi-modal training offering

Training as a Service

AI powered Adaptive Training Systems

Building technology-driven, market-leading platforms

Going Forward

Extend into new and attractive markets leveraging our core capabilities

Leverage new digitally enabled business models to drive top quartile returns

Expand leadership in core positions with a pivot to digital business models

Transform our business

- From programs to digital platforms
- From data collection to data-driven decisions
- From one-time delivery to recurring revenue

Leverage *One Cubic* platforms

Record Quarterly Results

- Record high backlog (\$4.1B) with Bay Area award
- GATR contract ceiling increase ~\$0.5B; delivered first tranche of T2C2 Full Rate Production
- Execution on track for major projects
- Record Sales \$379.7m (+10% YoY constant FX); Strong growth in Transportation and Mission Solutions
- Record Adjusted EBITDA \$49.1m (+9% YoY constant FX)
- Free Cash Flow \$29.8m (adjusted without Boston consolidation impact \$36.4m¹)

1) Free Cash Flow, which is a non-GAAP financial measure, is defined as Net cash provided by (used in) continuing operating activities minus capital expenditures. Adjusted Free Cash Flow is Free Cash Flow minus operating cash flow associated with the Boston SPV. See appendix for reconciliation.

2018 Success Provides Strong Foundation to Achieve Goal 2020

- R&D investment driving strong growth
- Achieved guidance
- All Goal 2020 catalysts realized
- Strong capital allocation
 - Sold non-OEM Defense Services
 - Trafficware³ meets M&A criteria
 - Rationalizing real estate
- SAP implemented

\$m	2017 Actual	2018 ¹ Guidance (midpoint)	2018 Actual	YoY ² Change (constant FX)
Sales	\$1,108	\$1,160	\$1,203 ✓	8%
Adj. EBITDA	\$87.5	\$103.0	\$104.6 ✓	17%

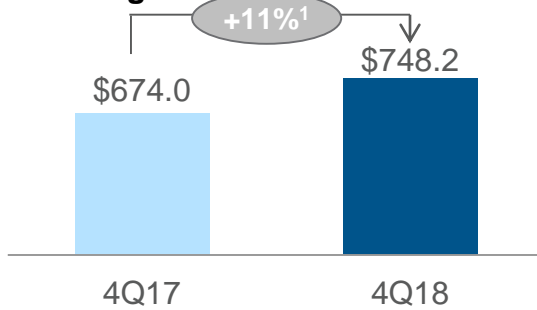
1) Fiscal 2018 guidance ranges: Sales \$1,135m to \$1,185m and Adjusted EBITDA \$90m to \$116m. Guidance is pro forma for the sale of the CGD Services business. FY2018 forecast assumption for CGD Services business: Sales ~\$375m and Adjusted EBITDA \$11-12m (net of corp. overhead allocation ~\$8m).
 2) Growth rates reflect constant currency basis, adjusted for FX tailwinds of \$11.9m sales and \$2.2m Adj. EBITDA. Unadjusted growth rates: sales +9% and Adj. EBITDA +20%
 3) Acquisition of Trafficware closed on October 24th, 2018.
 See appendix for more information on non-GAAP financial measures.

4Q Fiscal 2018 Consolidated Financial Highlights

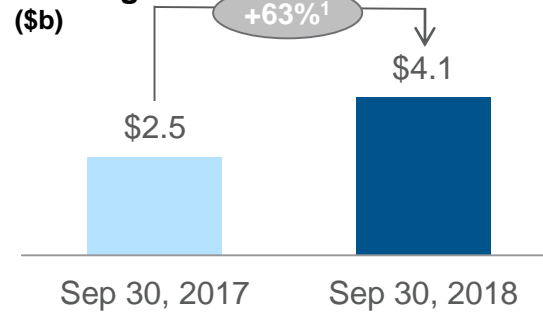
Continuing Operations

\$ in millions, except backlog and EPS

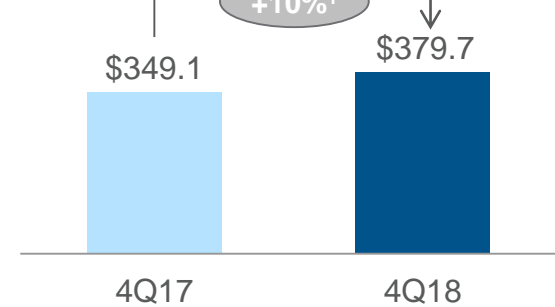
Bookings



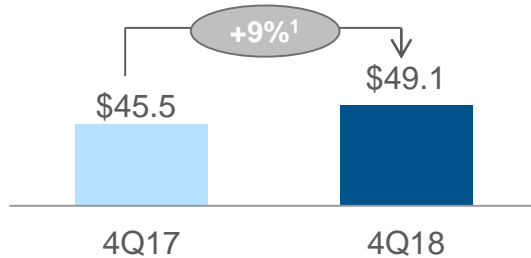
Backlog (\$b)



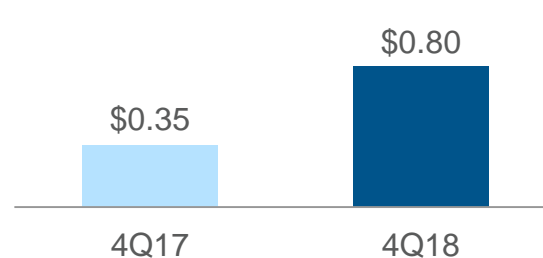
Sales



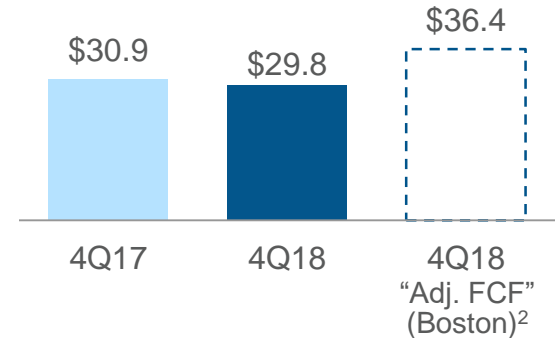
Adj. EBITDA



Earnings per Share attributable to Cubic



Free Cash Flow²



1) Growth rates reflect constant currency basis, adjusted for FX headwinds of \$2.0m bookings, \$3.0m sales, \$0.3m Adj. EBITDA, and \$79.0m backlog. Unadjusted growth rates: bookings +11%, backlog +60%, sales +9%, and Adj. EBITDA +8%.

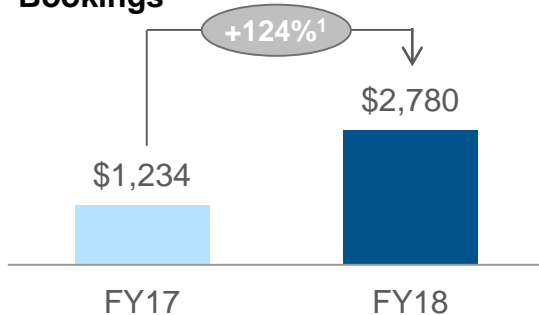
2) Free Cash Flow, which is a non-GAAP financial measure, is defined as Net cash provided by (used in) continuing operating activities minus capital expenditures. Adjusted Free Cash Flow is Free Cash Flow minus operating cash flow associated with the Boston SPV. See appendix for reconciliation.

Full Year Fiscal 2018 Consolidated Financial Highlights

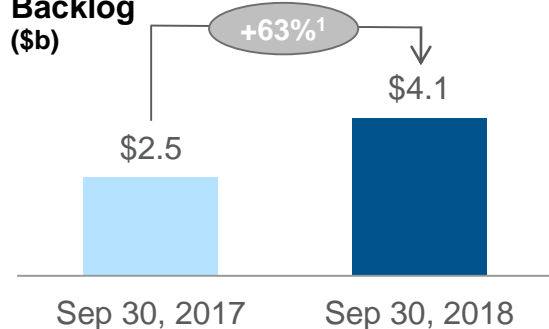
Continuing Operations

\$ in millions, except backlog and EPS

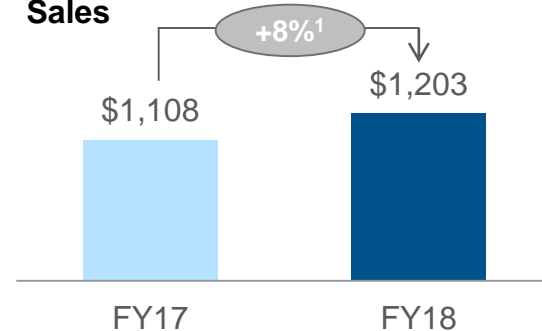
Bookings



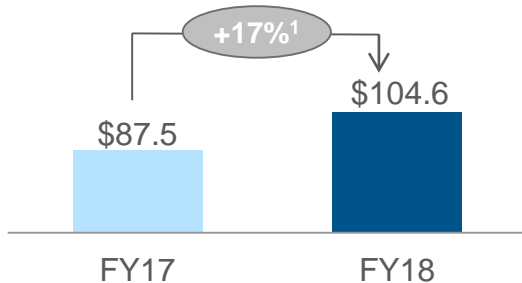
Backlog (\$b)



Sales

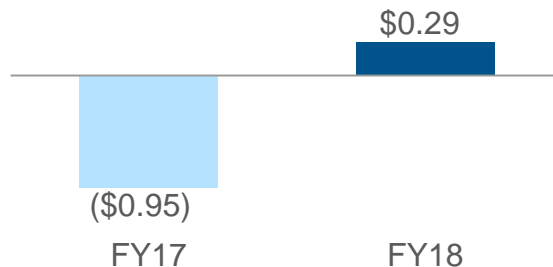


Adj. EBITDA

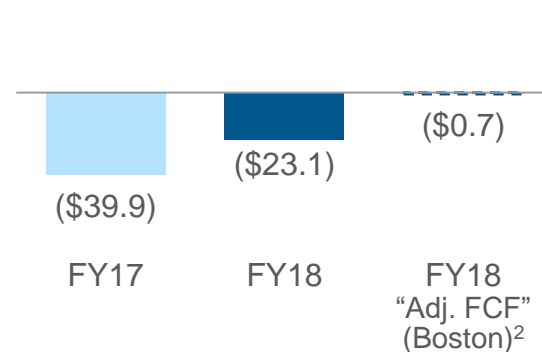


Earnings per Share

attributable to Cubic



Free Cash Flow²

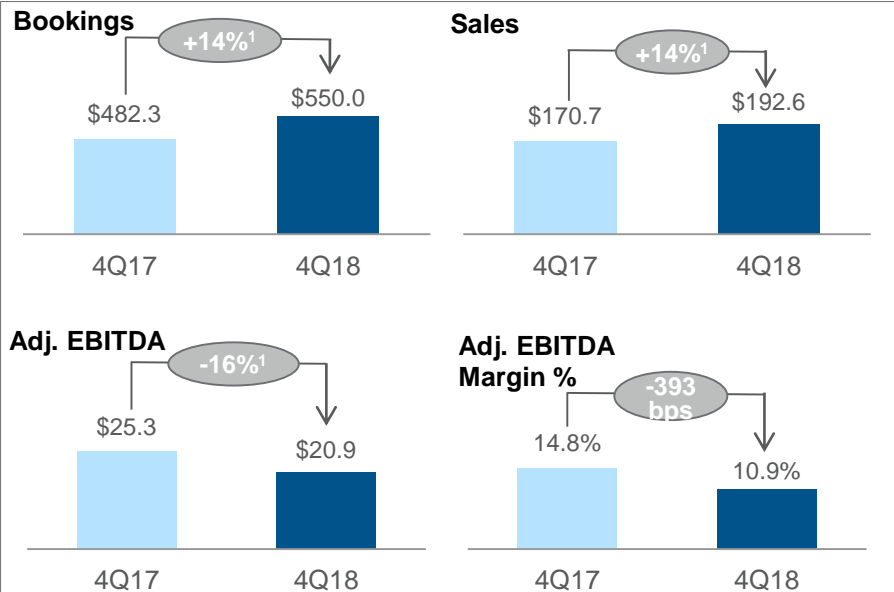


1) Growth rates reflect constant currency basis, adjusted for FX tailwinds of \$12.0m bookings, \$11.9m sales, and \$2.2m Adj. EBITDA, and FX headwinds of \$79.0m backlog. Unadjusted growth rates: bookings +125%, backlog +60%, sales +9%, and Adj. EBITDA +20%.

2) Free Cash Flow, which is a non-GAAP financial measure, is defined as Net cash provided by (used in) continuing operating activities minus capital expenditures. Adjusted Free Cash Flow is Free Cash Flow minus operating cash flow associated with the Boston SPV. See appendix for reconciliation.

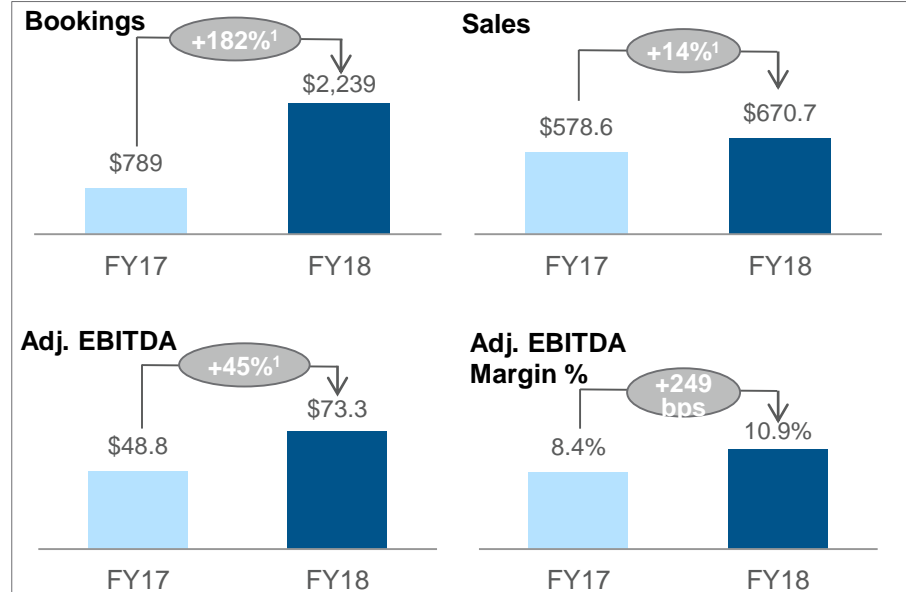
Cubic Transportation Systems

Q4 Comparison (\$m)



1) Growth rates reflect constant currency basis, adjusted for FX headwinds of \$2.0m bookings, \$2.0m sales, and \$0.4m Adj. EBITDA. Unadjusted growth rates: Bookings +14%, Sales +13% and Adj. EBITDA -17% versus 4Q17.

Full Year Comparison (\$m)

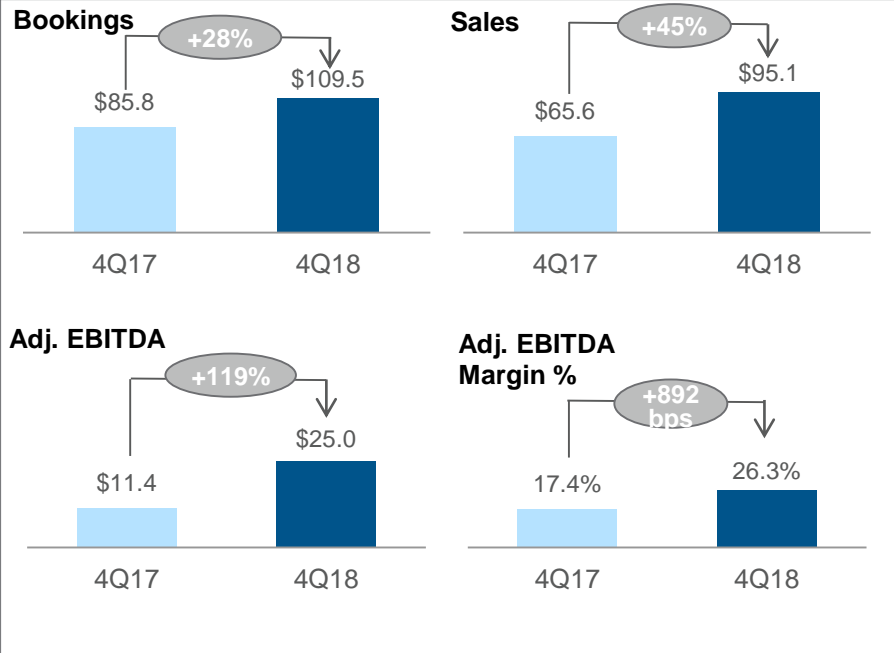


1) Growth rates reflect constant currency basis, adjusted for FX tailwinds of \$12.0m bookings, \$12.4m sales, and \$2.4m Adj. EBITDA. Unadjusted growth rates: Bookings +184%, Sales +16% and Adj. EBITDA +50% versus FY17.

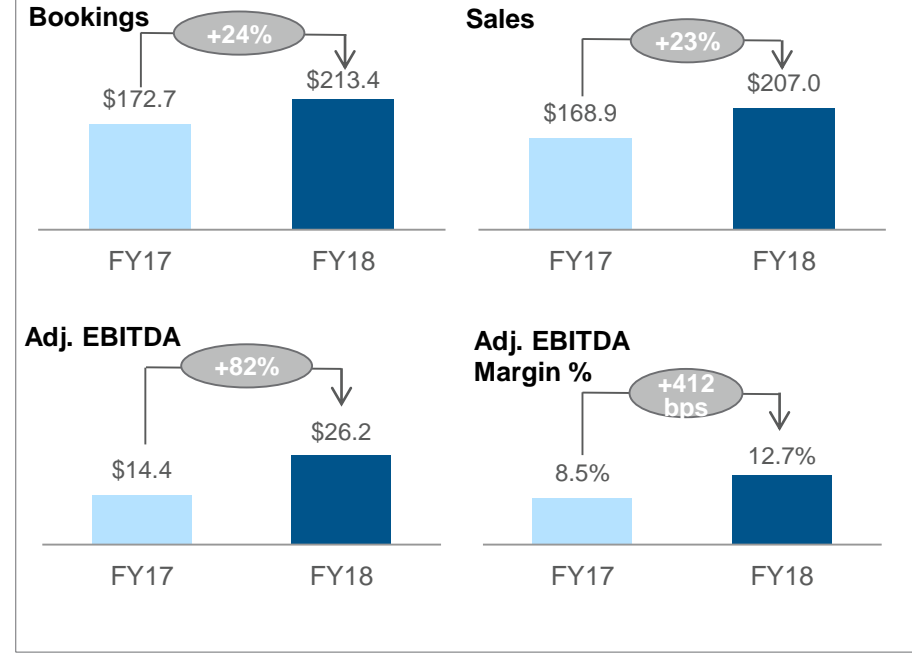
- Strong Q4 bookings driven by SF Bay Area award (\$394m); full year also includes New York, Boston and Brisbane awards
- Sales growth in both products and services
- Margin increase reflects higher sales, operational cost reductions, lower R&D spend and solid execution
 - 4Q17 included pick-up from favorable project resolutions

Cubic Mission Solutions

Q4 Comparison (\$m)



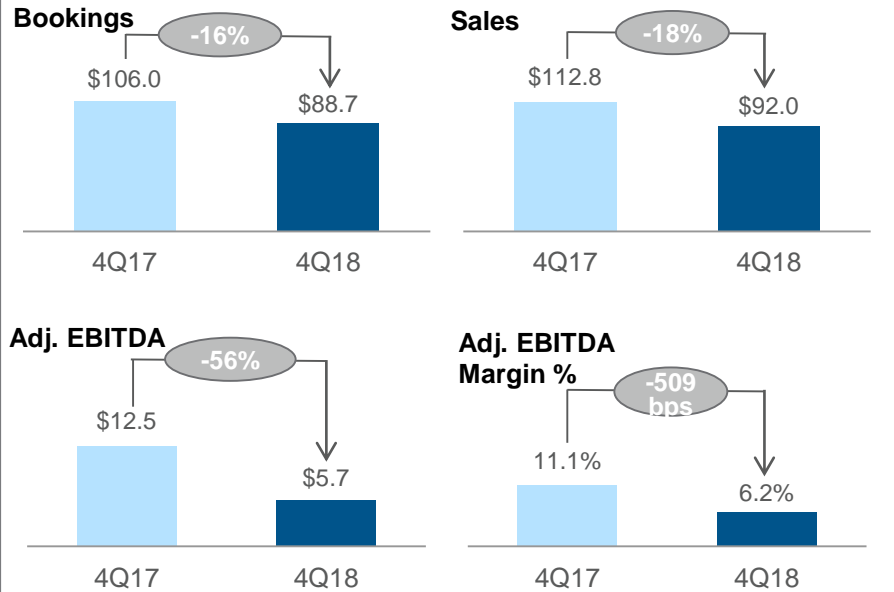
Full Year Comparison (\$m)



- Strong performance with solid growth in all key metrics 4Q18 and Full Year
- Margin improvement due to sales increase, sales mix and execution, despite higher YoY R&D spend

Cubic Global Defense

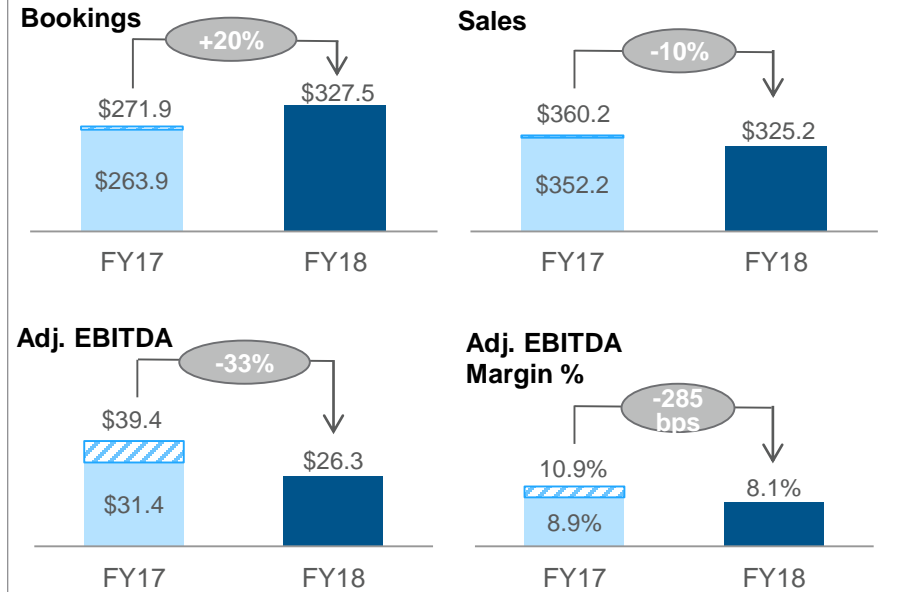
Q4 Comparison (\$m)



Note: Foreign currency did not have a meaningful impact to year-on-year growth rates.

Full Year Comparison (\$m)

Request for equitable adjustment ("REA") impact



Note: Foreign currency did not have a meaningful impact to year-on-year growth rates.

- Bookings growth year-over-year with book-to-bill 1.0x
- Lower sales reflects completion of various programs
- Similar Adj. EBITDA YoY excluding R&D investment (\$1.8m YoY), legal arbitration (\$1.7m in Q4), and FY17 REA impact (\$8m)

2019 Guidance – Another Year of Robust Growth

Fiscal 2019 Guidance

Sales

\$1,370m to \$1,450m

~13% organic growth at mid-point

Adj. EBITDA

\$135m to \$155m

~24% organic growth at mid-point

Constant FX; Adoption of Accounting Standards Codification (ASC) Topic 606

- Trafficware sales of ~\$50m and Adj. EBITDA of \$14m to \$15m; cash EPS accretive
- Profitability seasonality roughly in line with FY18
 - Continued ramp-up of CTS projects
 - Timing of discretionary govt. spending impacts CMS business

Note: see appendix (slide 21) for additional FY19 assumptions

Summary

- Record financial results fueled by strong wins
- Highest backlog in the company's history, \$4.1 billion
- All six Goal 2020 catalysts now achieved
- 2019 Focus: Meeting Our Commitments
- Beyond Goal 2020: Adjacent growth and digitizing Cubic

Winning the Customer with technology investments driving growth



Appendix

Use of Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA

- We believe that the presentation of Earnings before interest, taxes, depreciation, and amortization (EBITDA) and Adjusted EBITDA included in this report provides useful information to investors with which to analyze our operating trends and performance and ability to service and incur debt. Also, we believe EBITDA facilitates company-to-company operating performance comparisons by backing out potential differences caused by variations in capital structures (affecting net interest expense), taxation, variations in organic versus inorganic growth (affecting amortization expense) and the age and book depreciation of property, plant and equipment (affecting relative depreciation expense). We believe Adjusted EBITDA further facilitates company-to-company operating comparisons by backing out items that we believe are not part of our core operating performance.
- 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.
- EBITDA and Adjusted EBITDA are not measurements of financial performance under GAAP and should not be considered as measures of discretionary cash available to the company or as alternatives to net income as a measure of performance. In addition, other companies may define EBITDA and Adjusted EBITDA differently and, as a result, our measures of EBITDA and Adjusted EBITDA may not be directly comparable to EBITDA and Adjusted EBITDA of other companies. Furthermore, EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider either of them in isolation, or as a substitute for analysis of our results as reported under GAAP.
- Cubic reconciles EBITDA and Adjusted EBITDA to net income (loss), which we consider to be the most directly comparable GAAP financial measure.

Free Cash Flow and Adjusted Free Cash Flow

- Free Cash Flow and Adjusted Free Cash Flow are non-GAAP financial measures. Free Cash Flow is defined as Net cash provided by (used in) continuing operating activities minus capital expenditures. Management believes that Free Cash Flow is meaningful to investors because management reviews cash flows generated from operations after taking into consideration capital expenditures, which are necessary to maintain and expand Cubic's business. Adjusted Free Cash Flow is Free Cash Flow minus operating cash flow associated with the Boston Special Purpose Vehicle (SPV) where Cubic has a 10% equity stake. The SPV has contracted with Cubic for the design-build and operations and maintenance phases of the next-generation fare collection system for the Massachusetts Bay Transit Authority (MBTA) and pays Cubic progress payments during the design-build phase of the project. These payments are primarily funded by non-recourse debt issued by the SPV. Management believes that Adjusted Free Cash Flow is meaningful to improving investors' understanding of the underlying performance of the business. Additional information regarding the company's Boston SPV can be found in Form 10-K for the year ended September 30, 2018.
- It is important to note that Free Cash Flow or Adjusted Free Cash Flow does not represent the residual cash flow available for discretionary expenditures since other non-discretionary expenditures are not deducted from the measure. Cubic reconciles Free Cash Flow and Adjusted Free Cash Flow to Net cash provided by (used in) continuing operating activities.

2019 Guidance – Additional Assumptions

Fiscal 2019 Guidance

Sales

\$1,370m to \$1,450m

~13% organic growth at mid-point

Adj. EBITDA

\$135m to \$155m

~24% organic growth at mid-point

Constant FX; Adoption of Accounting Standards Codification (ASC) Topic 606

- Trafficware Sales of ~\$50m and Adj. EBITDA of \$14m to \$15m; cash EPS accretive
- Profitability seasonality roughly in line with FY18
 - Continued ramp-up of CTS projects
 - Timing of discretionary govt. spending impacts CMS business
- Adj. EBITDA add backs include:
 - \$10m PLM implementation (final piece of IT roadmap)
 - \$9m restructuring and business optimization to drive savings
 - \$2m acquisition and integration-related costs
- Capex ~2.5% of sales

Summary of Reportable Segment Results

	Year Ended September 30,		Three Months Ended September 30,	
	2018	2017	2018	2017
Sales:	(in millions)			
Cubic Transportation Systems	\$ 670.7	\$ 578.6	\$ 192.6	\$ 170.7
Cubic Mission Solutions	207.0	168.9	95.1	65.6
Cubic Global Defense	325.2	360.2	92.0	112.8
Total sales	<u>\$ 1,202.9</u>	<u>\$ 1,107.7</u>	<u>\$ 379.7</u>	<u>\$ 349.1</u>
Operating income:				
Cubic Transportation Systems	\$ 60.4	\$ 39.8	\$ 17.7	\$ 23.3
Cubic Mission Solutions	(0.1)	(9.3)	17.1	5.2
Cubic Global Defense	16.6	28.1	3.0	9.7
Unallocated corporate expenses	(52.5)	(56.0)	(10.1)	(17.0)
Total operating income	<u>\$ 24.4</u>	<u>\$ 2.6</u>	<u>\$ 27.7</u>	<u>\$ 21.2</u>
Adjusted EBITDA:				
Cubic Transportation Systems	\$ 73.3	\$ 48.8	\$ 20.9	\$ 25.3
Cubic Mission Solutions	26.2	14.4	25.0	11.4
Cubic Global Defense	26.3	39.4	5.7	12.5
Unallocated corporate expenses	(21.2)	(15.1)	(2.5)	(3.7)
Total adjusted EBITDA	<u>\$ 104.6</u>	<u>\$ 87.5</u>	<u>\$ 49.1</u>	<u>\$ 45.5</u>

Note: see following slides for GAAP to Non-GAAP reconciliations

GAAP to Non-GAAP Adjusted EBITDA Reconciliation by Segment

Continuing Operations – Twelve Months and Three Months Ended September 30, 2018 and September 30, 2017

(\$ In Millions)	Twelve Months Ended September 30,		Three Months Ended September 30,	
	2018	2017	2018	2017
Cubic Transportation Systems				
Sales	\$ 670.7	\$ 578.6	\$ 192.6	\$ 170.7
Operating income	\$ 60.4	\$ 39.8	\$ 17.7	\$ 23.3
Depreciation and amortization	12.0	8.8	2.9	2.0
Acquisition related expenses, excluding amortization	0.5	(0.2)	0.5	-
Restructuring costs	0.4	0.4	(0.2)	-
Adjusted EBITDA	\$ 73.3	\$ 48.8	\$ 20.9	\$ 25.3
Adjusted EBITDA margin	10.9%	8.4%	10.9%	14.8%
Cubic Mission Solutions				
Sales	\$ 207.0	\$ 168.9	\$ 95.1	\$ 65.6
Operating income (loss)	\$ (0.1)	\$ (9.3)	\$ 17.1	\$ 5.2
Depreciation and amortization	22.4	23.8	6.6	5.7
Acquisition related expenses, excluding amortization	3.7	(0.1)	1.1	0.5
Restructuring costs	0.2	-	0.2	-
Adjusted EBITDA	\$ 26.2	\$ 14.4	\$ 25.0	\$ 11.4
Adjusted EBITDA margin	12.7%	8.5%	26.3%	17.4%
Cubic Global Defense				
Sales	\$ 325.2	\$ 360.2	\$ 92.0	\$ 112.8
Operating income	\$ 16.6	\$ 28.1	\$ 3.0	\$ 9.7
Depreciation and amortization	8.5	10.4	2.4	3.1
Acquisition related expenses, excluding amortization	(0.1)	-	-	-
Restructuring costs	1.3	0.9	0.3	(0.3)
Adjusted EBITDA	\$ 26.3	\$ 39.4	\$ 5.7	\$ 12.5
Adjusted EBITDA margin	8.1%	10.9%	6.2%	11.1%

GAAP to Non-GAAP EBITDA & Adjusted EBITDA Reconciliation

Continuing Operations – Twelve Months and Three Months Ended September 30, 2018 and September 30, 2017

(\$ In Millions) Cubic Consolidated	Twelve Months Ended September 30,		Three Months Ended September 30,	
	2018	2017	2018	2017
Sales	\$ 1,202.9	\$ 1,107.7	\$ 379.7	\$ 349.1
Net income (loss) from continuing operations attributable to Cubic	\$ 8.1	\$ (25.7)	\$ 22.0	\$ 9.6
Noncontrolling interest in loss of VIE	(0.3)	-	1.6	-
Provision for income taxes	7.1	14.6	2.8	8.7
Interest expense, net	8.8	14.1	2.5	2.6
Other non-operating expense (income), net	0.7	(0.4)	(1.2)	0.3
Operating income	24.4	2.6	27.7	21.2
Depreciation and amortization	46.6	48.0	12.5	12.2
Other non-operating (expense) income, net	(0.7)	0.4	1.2	(0.3)
EBITDA	70.3	51.0	41.4	33.1
Acquisition related expenses, excluding amortization	4.5	(0.2)	2.0	0.6
ERP/Supply chain initiatives	24.1	34.4	5.3	10.8
Restructuring costs	5.0	2.3	1.6	0.7
Loss on sale of fixed assets	-	0.4	-	-
Other non-operating expense (income), net	0.7	(0.4)	(1.2)	0.3
Adjusted EBITDA	\$ 104.6	\$ 87.5	\$ 49.1	\$ 45.5
Adjusted EBITDA margin	8.7%	7.9%	12.9%	13.0%

Fiscal 2018 Quarterly Net Income Summary

Continuing Operations

in millions, except per share data

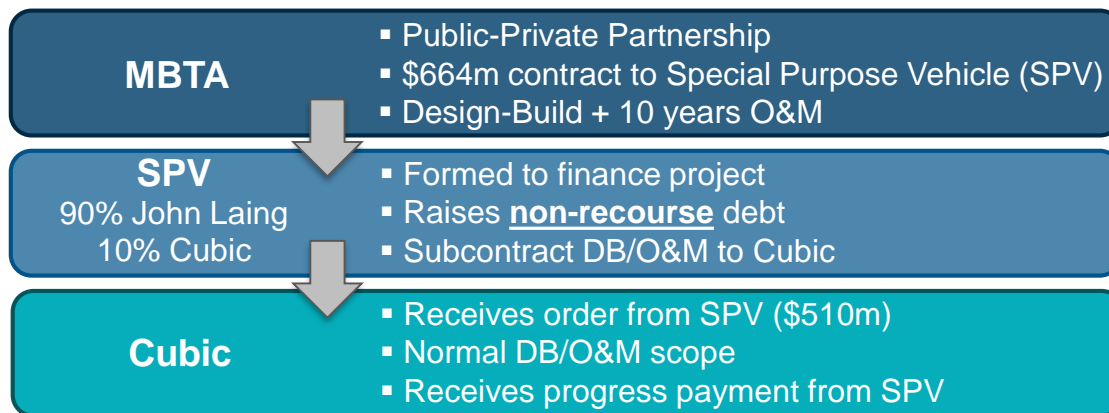
	<u>Q1FY18</u>	<u>Q2FY18</u>	<u>Q3FY18</u>	<u>Q4FY18</u>	<u>FY2018</u>
Continuing Operations Attributable to Cubic:					
Net income (loss)	\$ (11.5)	\$ (3.3)	\$ 0.9	\$ 22.0	\$ 8.1
Diluted net income (loss) per share	\$ (0.42)	\$ (0.12)	\$ 0.03	\$ 0.80	\$ 0.29

GAAP to Non-GAAP Reconciliation: Adjusted Free Cash Flow

Continuing Operations – Twelve Months and Three Months Ended September 30, 2018 and September 30, 2017

(\$ In Millions) Cubic Consolidated	Twelve Months Ended September 30,		Three Months Ended September 30,	
	2018	2017	2018	2017
Net cash provided by (used in) continuing operating activities	\$ 8.6	\$ (3.0)	\$ 40.4	\$ 42.3
Capital expenditures	(31.7)	(36.9)	(10.6)	(11.4)
Free Cash Flow	(23.1)	(39.9)	29.8	30.9
Less: operating cash flow associated with SPV	(22.4)	-	(6.6)	-
Adjusted Free Cash Flow	\$ (0.7)	\$ (39.9)	\$ 36.4	\$ 30.9

MBTA Contract Overview



Consolidation

- Cubic must consolidate SPV under US GAAP
- Impacts Operating Cash Flow and Free Cash Flow
 - Payments from SPV not reflected as Operating Cash Flow
- Debt: SPV non-recourse debt to be consolidated
 - Not included in debt covenant calculation

Revenue Recognition

- FY 2018 – No Revenue Recognition
 - Multiple Element Arrangement Accounting
 - Project costs capitalized
- FY 2019 – Revenue to be recognized
 - Adoption of ASC 606
 - Percentage of Completion method during the design-build phase (through 2021)