

Austal Limited

ASB.AX | Industrials | Aerospace & Defense

KEY METRICS

Price	Mkt Cap	Fwd P/E	EV/EBITDA
A\$6.22	A\$2.5B	Pending	Pending
52wk Range	Div Yield	Revenue	NPAT
Pending	Pending	Pending	Pending

OVERALL SENTIMENT

Overall Sentiment	+26 STRONG UPSIDE
External Environment	N/A
Company Research	+21

KEY TAKEAWAYS

- This is the bull case — Austal's near-monopoly in US aluminium naval shipbuilding gives it captive multi-year revenue. The order book covers 15+ years at current delivery rates.
- If TAGOS-23 is awarded to a competitor, the US revenue gap becomes structural.
- External environment: pending macro signal update.

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COMPANY OVERVIEW

Austal Limited (ASX: ASB) — 1HFY26 EPS A\$0.16 (+99% beat), order book A\$13.1B. EBIT guidance cut from A\$135M to A\$110M due to US\$17.1M T-ATS accounting error. AUKUS and US Navy pipeline de-risk the revenue case; governance controls are the key watch.

NARRATIVE ASSESSMENT

Austal Limited (ASX: ASB) — 1HFY26 EPS A\$0.16 (+99% beat), order book A\$13.1B. EBIT guidance cut from A\$135M to A\$110M due to US\$17.1M T-ATS accounting error. AUKUS and US Navy pipeline de-risk the revenue case; governance controls are the key watch.

MARKET CONTEXT

Macro Environment: NEUTRAL (external signal: +0)

Indicator	Value	Change
ASX 200	9,101.3	+3.2% 1mo
AUD/USD	0.7066	-0.8% 5d
RBA Cash Rate	4.10%	cutting gradually
VIX	19.6	

SECTOR CONTEXT

Model: INDUSTRIALS DEFENCE | Sector signal: +18 (defence spending elevated)

COMPETING HYPOTHESES

Dominant Narrative: T1: US Defence Contract Pipeline Secures Multi-Year Revenue (survival probability: 45%)

T1: US Defence Contract Pipeline Secures Multi-Year Revenue [DOMINANT] 45%

This is the bull case — Austal's near-monopoly in US aluminium naval shipbuilding gives it captive multi-year revenue.

The order book covers 15+ years at current delivery rates.

Watch: TAGOS-23 contract award (expected H2 2026); US NDAA appropriations for Austal-relevant vessel types.

- Evidence gathering in progress.

T2: AUKUS / Australian Defence Uplift Creates Domestic Pipeline 30%

Australia's A\$368B AUKUS commitment and defence budget expansion create a long-dated option for Henderson shipyard work. Not a current earnings driver but a structural tailwind.

Watch: ADCP surface fleet contract announcements; Henderson shipyard contract awards FY26-FY28.

- Evidence gathering in progress.

T3: US Revenue Gap Creates Earnings Cliff 35%

The bear case on revenue timing — if new programmes are delayed or awarded elsewhere, Austal's US yards face a gap between current work rolling off and new work starting.

Watch: LCS and EPF delivery completion dates; TAGOS-23 award timeline; Austal Mobile utilisation commentary.

- Evidence gathering in progress.

T4: Fixed-Price Contracts Recur with Cost OVERRUNS + Governance 20%

The governance bear case — the US\$17.1M T-ATS double-counting may signal systemic internal control issues. If a second error emerges, the market will severely punish the stock.

Watch: Any further accounting disclosures; FY26 EBIT delivery vs A\$110M guidance; DoD audit activity.

- Evidence gathering in progress.

DIAGNOSTIC EVIDENCE

The following evidence items have the highest discriminating power between hypotheses:

Evidence matrix pending - no active evidence items recorded.

C = Consistent, I = Inconsistent, N = Neutral. Diagnosticity = ability to discriminate between hypotheses. HIGH/CRITICAL items are most informative.

KEY DISCRIMINATORS

Key discriminator analysis pending - will be populated as evidence items are assessed.

TRIPWIRES

Condition	Trigger	Action
TAGOS-23 contract award (expected H2 2026); US NDAA appropriations for Austal-relevant vessel...	Per hypothesis thresholds	Reassess T1 narrative
ADCP surface fleet contract announcements; Henderson shipyard contract awards FY26-FY28.	Per hypothesis thresholds	Reassess T2 narrative
LCS and EPF delivery completion dates; TAGOS-23 award timeline; Austal Mobile utilisation...	Per hypothesis thresholds	Reassess T3 narrative

TECHNICAL PICTURE

Technical analysis pending - signals will be incorporated when the TA agent is deployed.

ANALYTICAL GAPS

The following information would materially improve the confidence of this analysis:

- Management guidance on forward P/E and revenue trajectory - required to validate Growth/Recovery hypothesis.
- Independent market share data - needed to assess competitive dynamics and test downside scenarios.
- Balance sheet composition and net debt position - required to stress-test valuation under rate scenarios.
- Analyst consensus estimates and revision trends - to calibrate sentiment score against market positioning.
- Customer cohort data or NPS trends - to validate operational execution claims in company guidance.

UPCOMING CATALYSTS

Catalyst calendar pending. Key items to monitor:

- Next results date: Pending (monitor ASX announcements)
- Monitor hypothesis tripwires for narrative-change signals.

IMPORTANT INFORMATION

This document is prepared by DH Capital Partners Pty Ltd for informational purposes only. It does not constitute financial advice, a recommendation, or an offer to buy or sell any securities.

METHODOLOGY

This analysis uses the Analysis of Competing Hypotheses (ACH) framework, originally developed by Richards Heuer at the CIA for intelligence analysis and adapted here for equity research. ACH evaluates multiple competing explanations against diagnostic evidence, ranking hypotheses by the fewest inconsistencies rather than the most confirmations. This approach is designed to reduce confirmation bias and anchoring effects common in traditional equity research.

Sentiment scores are generated by a three-layer decomposition model separating macro environment, sector/commodity factors, and company-specific research. The 40/60 rule ensures company-specific research always contributes at least 60% of the overall sentiment, maintaining focus on idiosyncratic stock drivers.

LIMITATIONS

- Hypothesis scores are model outputs, not price targets or investment recommendations.
- Evidence assessment involves subjective judgement and may contain errors.
- Past price performance is not indicative of future returns.
- This analysis does not account for individual investor circumstances, risk tolerance, or tax position.
- Data sources include ASX announcements, broker research, company filings, and market data. Errors in source data will propagate.

CONFLICTS

DH Capital Partners and/or its principals may hold positions in securities discussed in this document. Positions may change without notice.

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