

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

Coverage of ASB.AX is currently in Phase 1 (Baseline Ingest). As a provider in the Aerospace & Defense sector, we are prioritising narrative weight assessment and signal divergence tracking while detailed financial history is being audited.

OVERALL SENTIMENT

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

KEY TAKEAWAYS

- The T1 narrative ('US Defence Contract Pipeline Secures Multi-Year Revenue') currently dominates the valuation math with 45.0% probability. Evidence suggests: 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.
- Risk profiling for ASB.AX prioritises If TAGOS-23 is awarded to a competitor, the US revenue gap becomes structural.. We are monitoring TAGOS-23 contract award (expected H2 2026); US NDAA appropriations for Austal-relevant vessel types. as the primary diagnostic milestone for narrative survival (ACH-2).
- Macro context update pending. Monitoring RBA cash rate and sector-specific volume signals.

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21 February 2026 | Sydney

COMPANY OVERVIEW

Austal Limited (ASX: ASB) — 1H FY26 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) — 1H FY26 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.

The narrative structure for ASB.AX follows the INDUSTRIALS DEFENCE framework. Our assessment focuses on the divergence between stated management goals and the cross-domain evidence aggregate. Current survival scores reflect this probabilistic weighting.

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	

The regime is currently in a neutral transition phase. Direct macro/sector influence is minimal, increasing the importance of company-specific execution and idiosyncratic evidence (ACH-1/2).

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.

Diagnostic milestones (synthesized):

- Monitor: TAGOS-23 contract award (expected H2 2026); US NDAA appropriations for Austal-relevant vessel types.
- Assess divergence between price signal and narrative weight.
- Audit evidence for incoming contradictory signals (ACH-3).

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.

Diagnostic milestones (synthesized):

- Monitor: ADCP surface fleet contract announcements; Henderson shipyard contract awards FY26-FY28.
- Assess divergence between price signal and narrative weight.
- Audit evidence for incoming contradictory signals (ACH-3).

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.

Diagnostic milestones (synthesized):

- Monitor: LCS and EPF delivery completion dates; TAGOS-23 award timeline; Austal Mobile utilisation commentary.
- Assess divergence between price signal and narrative weight.
- Audit evidence for incoming contradictory signals (ACH-3).

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.

Diagnostic milestones (synthesized):

- Monitor: Any further accounting disclosures; FY26 EBIT delivery vs A\$110M guidance; DoD audit activity.
- Assess divergence between price signal and narrative weight.
- Audit evidence for incoming contradictory signals (ACH-3).

DIAGNOSTIC EVIDENCE

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

DIAGNOSTIC FRAMEWORK: What evidence would shift the narrative?

In the absence of active evidence items, we evaluate hypotheses against the following diagnostic benchmarks:

Hypothesis	Validating Signal	Invalidating Signal
T1	Support for TAGOS-23 contract award (expected H2 2026); US NDAA...	Contradiction of US Defence Contract Pipeline Secures...
T2	Support for ADCP surface fleet contract announcements; Henderson shipyard contract...	Contradiction of AUKUS / Australian Defence Uplift...
T3	Support for LCS and EPF delivery completion dates; TAGOS-23 award...	Contradiction of US Revenue Gap Creates Earnings...
T4	Support for Any further accounting disclosures; FY26 EBIT delivery vs...	Contradiction of Fixed-Price Contracts Recur with Cost...

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:

RESEARCH AGENDA: 90-Day Analytical Objectives

As this ticker is in baseline coverage, our primary research agenda focuses on the following idiosyncratic drivers:

- Management guidance on Industrials demand trajectory - required to validate narrative survival for dominant hypothesis (ACH-1).
 - Independent institutional positioning audit - needed to assess sentiment concentration and de-risking triggers.
 - Balance sheet stress-test under 100bps rate move - required to stress-test valuation integrity.
 - Historical narrative flip frequency analysis - to calibrate model sensitivity for upcoming earnings events.
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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.

NARRATIVE INTELLIGENCE PHILOSOPHY

Our approach is based on the principle that market prices represent the probability-weighted aggregate of multiple competing stories. By decomposing price action into macro, sector, and idiosyncratic narrative streams, we identify "Narrative Friction" — points where the market is pricing in a story that is increasingly at odds with observable evidence.

In our view, the most profitable opportunities occur when a dominant narrative becomes "fragile" (high survival score, high inconsistency), preceding a sharp de-rating or narrative flip.

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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