

CUBIC CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except per share data)

	Years Ended September 30,		
	2019	2018	2017
Net sales:			
Products	\$ 1,011,069	\$ 704,941	\$ 681,559
Services	485,406	497,957	426,150
	<u>1,496,475</u>	<u>1,202,898</u>	<u>1,107,709</u>
Costs and expenses:			
Products	732,137	472,698	473,670
Services	332,923	362,694	305,653
Selling, general and administrative expenses	270,064	258,644	240,196
Research and development	50,132	52,398	52,652
Amortization of purchased intangibles	42,106	27,064	30,245
(Gain) loss on sale of property, plant and equipment	(32,510)	—	405
Restructuring costs	15,386	5,018	2,260
	<u>1,410,238</u>	<u>1,178,516</u>	<u>1,105,081</u>
Operating income	86,237	24,382	2,628
Other income (expenses):			
Interest and dividend income	6,519	1,615	953
Interest expense	(20,453)	(10,424)	(15,027)
Other income (expense), net	(19,957)	(687)	364
Income (loss) from continuing operations before income taxes	52,346	14,886	(11,082)
Income tax provision	11,040	7,093	14,658
Income (loss) from continuing operations	41,306	7,793	(25,740)
Net income (loss) from discontinued operations	(1,423)	4,243	14,531
Net income (loss)	39,883	12,036	(11,209)
Less noncontrolling interest in loss of VIE	(9,811)	(274)	—
Net income (loss) attributable to Cubic	<u>\$ 49,694</u>	<u>\$ 12,310</u>	<u>\$ (11,209)</u>
Amounts attributable to Cubic:			
Net income (loss) from continuing operations	51,117	8,067	(25,740)
Net income (loss) from discontinued operations	(1,423)	4,243	14,531
Net income (loss) attributable to Cubic	<u>\$ 49,694</u>	<u>\$ 12,310</u>	<u>\$ (11,209)</u>
Net income (loss) per share:			
Basic			
Continuing operations attributable to Cubic	\$ 1.68	\$ 0.30	\$ (0.95)
Discontinued operations	\$ (0.05)	\$ 0.16	\$ 0.54
Basic earnings per share attributable to Cubic	\$ 1.63	\$ 0.45	\$ (0.41)
Diluted			
Continuing operations attributable to Cubic	\$ 1.67	\$ 0.29	\$ (0.95)
Discontinued operations	\$ (0.05)	\$ 0.16	\$ 0.54
Diluted earnings per share attributable to Cubic	\$ 1.62	\$ 0.45	\$ (0.41)
Weighted average shares used in per share calculations:			
Basic	30,495	27,229	27,106
Diluted	30,606	27,351	27,106

CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30,	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 65,800	\$ 111,834
Cash in consolidated VIE	347	374
Restricted cash	19,507	17,400
Restricted cash in consolidated VIE	9,967	10,000
Accounts receivable:		
Long-term contracts	127,406	393,691
Allowance for doubtful accounts	(1,392)	(1,324)
	<u>126,014</u>	<u>392,367</u>
Contract assets	349,559	—
Recoverable income taxes	7,754	91
Inventories	106,794	84,199
Assets held for sale	—	8,177
Other current assets	38,534	43,705
Other current assets in consolidated VIE	33	—
Total current assets	<u>724,309</u>	<u>668,147</u>
Long-term contracts receivables	—	6,134
Long-term contracts financing receivables	36,285	—
Long-term contracts financing receivables in consolidated VIE	115,508	—
Long-term capitalized contract costs	—	84,924
Long-term capitalized contract costs in consolidated VIE	—	1,258
Property, plant and equipment, net	144,969	117,546
Deferred income taxes	4,098	4,713
Goodwill	578,097	333,626
Purchased intangibles, net	165,613	73,533
Other assets	76,872	14,192
Other assets in consolidated VIE	1,419	810
Total assets	<u>\$ 1,847,170</u>	<u>\$ 1,304,883</u>

	September 30,	
	2019	2018
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 195,500	\$ —
Trade accounts payable	180,773	125,414
Trade accounts payable in consolidated VIE	25	165
Contract liabilities	46,170	—
Customer advances	—	75,941
Accrued compensation	58,343	65,277
Other current liabilities	36,670	52,956
Other current liabilities in consolidated VIE	191	—
Income taxes payable	773	8,586
Current portion of long-term debt	10,714	—
Current liabilities of discontinued operations	—	—
Total current liabilities	529,159	328,339
Long-term debt	189,110	199,793
Long-term debt in consolidated VIE	61,994	9,056
Accrued pension liability	25,386	7,802
Deferred compensation	11,040	11,476
Income taxes payable	937	2,406
Deferred income taxes	4,554	2,689
Other noncurrent liabilities	22,817	19,113
Other noncurrent liabilities in consolidated VIE	21,605	13
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value:		
Authorized--5,000 shares		
Issued and outstanding--none	—	—
Common stock, no par value:		
Authorized--50,000 shares		
40,124 issued and 31,178 outstanding at September 30, 2019		
36,201 issued and 27,255 outstanding at September 30, 2018	274,472	45,008
Retained earnings	862,948	801,834
Accumulated other comprehensive loss	(139,693)	(110,643)
Treasury stock at cost - 8,945 shares	(36,078)	(36,078)
Shareholders' equity related to Cubic	961,649	700,121
Noncontrolling interest in VIE	18,919	24,075
Total shareholders' equity	980,568	724,196
Total liabilities and shareholders' equity	\$ 1,847,170	\$ 1,304,883

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended September 30,		
	2019	2018	2017
Operating Activities:			
Net income (loss)	\$ 39,883	\$ 12,036	\$ (11,209)
Net (income) loss from discontinued operations	1,423	(4,243)	(14,531)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	64,742	46,600	48,045
Share-based compensation expense	15,488	7,515	5,012
Change in fair value of contingent consideration	(1,005)	1,029	(3,878)
(Gain) loss on sale of property, plant and equipment	(32,510)	—	405
Gain on sale of investment in real estate	—	(1,474)	—
Deferred income taxes	(3,363)	(6,860)	(917)
Net pension benefit	(1,337)	(2,770)	(1,046)
Excess tax benefits from equity incentive plans	—	—	(35)
Changes in operating assets and liabilities, net of effects from acquisitions			
Accounts receivable	44,473	(34,762)	(45,443)
Contract assets	(83,697)	—	—
Inventories	(31,544)	3,023	(18,867)
Prepaid expenses and other current assets	5,317	(15,455)	7,286
Long-term financing receivables	(56,575)	—	—
Long-term capitalized contract costs	—	(29,552)	8,911
Accounts payable and other current liabilities	27,792	30,423	13,389
Contract liabilities	(15,359)	21,566	7,383
Income taxes	(17,268)	(361)	8,240
Other items, net	11,689	(18,126)	(5,756)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	(31,851)	8,589	(3,011)
NET CASH PROVIDED BY OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS	—	10,376	27,747
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(31,851)	18,965	24,736
Investing Activities:			
Acquisition of businesses, net of cash acquired	(393,908)	(16,322)	(16,830)
Purchases of marketable securities	—	—	(19,121)
Proceeds from sales or maturities of marketable securities	—	—	31,868
Proceeds from sale of property, plant and equipment	44,891	—	—
Purchases of property, plant and equipment	(49,084)	(31,696)	(36,916)
Proceeds from sale of investment in real estate	—	2,400	—
Purchase of non-marketable debt and equity securities	(60,694)	(1,500)	(2,700)
NET CASH USED IN INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	(458,795)	(47,118)	(43,699)
NET CASH PROVIDED BY INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS	—	133,795	1,217
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(458,795)	86,677	(42,482)
Financing Activities:			
Proceeds from short-term borrowings	898,000	269,770	130,780
Principal payments on short-term borrowings	(702,500)	(324,770)	(315,780)
Principal payments on long-term debt	—	—	(978)
Proceeds from long-term borrowings in consolidated VIE	50,162	13,196	—
Deferred financing fees	(1,907)	—	—
Deferred financing fees in consolidated VIE	—	(4,778)	—
Proceeds from stock issued under employee stock purchase plan	1,832	1,517	2,234
Purchase of common stock	(3,688)	(2,449)	(2,444)
Dividends paid	(8,414)	(7,355)	(7,341)
Excess tax benefits from equity incentive plans	—	—	35
Contingent consideration payments related to acquisitions of businesses	(820)	(1,156)	(2,625)

Equity contribution from Boston VIE partner	—	24,349	—
Proceeds from equity offering, net	215,832	—	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>448,497</u>	<u>(31,676)</u>	<u>(196,119)</u>
Effect of exchange rates on cash	<u>(1,838)</u>	<u>(2,935)</u>	<u>9,667</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(43,987)</u>	<u>71,031</u>	<u>(204,198)</u>
Cash, cash equivalents and restricted cash at the beginning of the period	<u>139,608</u>	<u>68,577</u>	<u>272,775</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT THE END OF THE PERIOD	<u>\$ 95,621</u>	<u>\$ 139,608</u>	<u>\$ 68,577</u>
Supplemental disclosure of non-cash investing and financing activities:			
Liability recognized in connection with the acquisition of Nuvotronics, net	\$ 4,900	\$ —	\$ —
Liability recognized in connection with the acquisition of Shield Aviation, net	\$ —	\$ 6,248	\$ —
Liability recognized in connection with the acquisition of Deltenna, net	\$ —	\$ —	\$ 1,327
Liability recognized in connection with the acquisition of Vocality, net	\$ —	\$ —	\$ 271