

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

	Three Months Ended	
	December 31,	
	2019	2018
Net sales:		
Products	\$ 200,604	\$ 182,253
Services	128,235	123,006
	<u>328,839</u>	<u>305,259</u>
Costs and expenses:		
Products	166,843	125,485
Services	82,648	92,785
Selling, general and administrative expenses	65,915	62,986
Research and development	8,422	12,012
Amortization of purchased intangibles	10,089	10,565
Gain on sale of property, plant and equipment	(170)	—
Restructuring costs	1,575	1,992
	<u>335,322</u>	<u>305,825</u>
Operating loss	(6,483)	(566)
Other income (expenses):		
Interest and dividend income	2,218	1,234
Interest expense	(5,363)	(4,032)
Other income (expense), net	(127)	(4,753)
Loss from continuing operations before income taxes	(9,755)	(8,117)
Income tax provision	6,246	2,497
Loss from continuing operations	(16,001)	(10,614)
Net loss from discontinued operations	(584)	—
Net loss	(16,585)	(10,614)
Less noncontrolling interest in net income (loss) of VIE	3,990	(4,027)
Net loss attributable to Cubic	<u>\$ (20,575)</u>	<u>\$ (6,587)</u>
Amounts attributable to Cubic:		
Net loss from continuing operations	\$ (19,991)	\$ (6,587)
Net loss from discontinued operations	(584)	—
Net loss attributable to Cubic	<u>\$ (20,575)</u>	<u>\$ (6,587)</u>
Net loss per share:		
Basic		
Continuing operations attributable to Cubic	\$ (0.64)	\$ (0.23)
Discontinued operations	\$ (0.02)	\$ —
Basic earnings per share attributable to Cubic	\$ (0.66)	\$ (0.23)
Diluted		
Continuing operations attributable to Cubic	\$ (0.64)	\$ (0.23)
Discontinued operations	\$ (0.02)	\$ —
Diluted earnings per share attributable to Cubic	\$ (0.66)	\$ (0.23)
Weighted average shares used in per share calculations:		
Basic	31,273	28,492
Diluted	31,273	28,492

CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2019	September 30, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 61,599	\$ 65,800
Cash in consolidated VIE	410	347
Restricted cash	22,482	19,507
Restricted cash in consolidated VIE	9,967	9,967
Accounts receivable:		
Billed	113,493	127,406
Allowance for doubtful accounts	(1,407)	(1,392)
	<u>112,086</u>	<u>126,014</u>
Contract assets	320,188	349,559
Recoverable income taxes	10,295	7,754
Inventories	122,912	106,794
Other current assets	48,941	38,534
Other current assets in consolidated VIE	79	33
Total current assets	<u>708,959</u>	<u>724,309</u>
Long-term contracts financing receivables	33,685	36,285
Long-term contracts financing receivables in consolidated VIE	124,576	115,508
Property, plant and equipment, net	151,218	144,969
Operating lease right-of-use asset	80,747	—
Deferred income taxes	5,169	4,098
Goodwill	582,549	578,097
Purchased intangibles, net	155,862	165,613
Other assets	77,264	76,872
Other assets in consolidated VIE	—	1,419
Total assets	<u>\$ 1,920,029</u>	<u>\$ 1,847,170</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 226,500	\$ 195,500
Trade accounts payable	109,827	180,773
Trade accounts payable in consolidated VIE	—	25
Contract liabilities	62,500	46,170
Accrued compensation and current liabilities	102,933	95,013
Other current liabilities in consolidated VIE	171	191
Income taxes payable	5,893	773
Current portion of long-term debt	10,714	10,714
Total current liabilities	<u>518,538</u>	<u>529,159</u>
Long-term debt	189,118	189,110
Long-term debt in consolidated VIE	82,984	61,994
Operating lease liability	73,924	—
Other noncurrent liabilities	63,670	64,734
Other noncurrent liabilities in consolidated VIE	17,267	21,605
Shareholders' equity:		
Common stock	276,497	274,472
Retained earnings	841,549	862,948
Accumulated other comprehensive loss	(130,349)	(139,693)
Treasury stock at cost	(36,078)	(36,078)
Shareholders' equity related to Cubic	<u>951,619</u>	<u>961,649</u>
Noncontrolling interest in VIE	22,909	18,919
Total shareholders' equity	<u>974,528</u>	<u>980,568</u>
Total liabilities and shareholders' equity	<u>\$ 1,920,029</u>	<u>\$ 1,847,170</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended December 31,	
	2019	2018
Operating Activities:		
Net loss	\$ (16,585)	\$ (10,614)
Net loss from discontinued operations	584	—
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	16,950	16,011
Share-based compensation expense	4,477	2,720
Change in fair value of contingent consideration	(3,005)	429
Change in fair value of interest rate swap in VIE	(4,337)	6,133
Other items	4,295	462
Changes in operating assets and liabilities, net of effects from acquisitions	(49,941)	(76,308)
NET CASH USED IN OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	(47,562)	(61,167)
NET CASH USED IN OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS	(44)	—
NET CASH USED IN OPERATING ACTIVITIES	(47,606)	(61,167)
Investing Activities:		
Acquisition of businesses, net of cash acquired	—	(247,150)
Purchases of property, plant and equipment	(11,833)	(12,045)
Receipt of withheld proceeds from sale of trade receivables	5,521	—
NET CASH USED IN INVESTING ACTIVITIES	(6,312)	(259,195)
Financing Activities:		
Proceeds from short-term borrowings	157,500	372,000
Principal payments on short-term borrowings	(126,500)	(307,500)
Proceeds from long-term borrowings in consolidated VIE	20,186	5,798
Proceeds from stock issued under employee stock purchase plan	1,169	—
Purchase of common stock	(3,621)	(3,419)
Contingent consideration payments related to acquisitions of businesses	—	(435)
Proceeds from equity offering, net	—	215,832
NET CASH PROVIDED BY FINANCING ACTIVITIES	48,734	282,276
Effect of exchange rates on cash	4,021	1,962
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(1,163)	(36,124)
Cash, cash equivalents and restricted cash at the beginning of the period	95,621	139,608
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT THE END OF THE PERIOD	\$ 94,458	\$ 103,484
Supplemental disclosure of non-cash investing and financing activities:		
Receivable recognized in connection with the acquisition of Trafficware, net	—	1,588