

Emeco Holdings Limited 2008 Full Year Results Presentation



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Agenda

1. Highlights
2. Financials
3. Strategic Outlook
4. Guidance
5. Appendix



2008 highlights—Full year overview

- Operating revenues increased by 11.4% on 2007 to \$617.9m
- EBITDA increased by 3.0% to \$213.5m
- EBITA decreased by 6.4% to \$120.3m
- NPAT decreased by 9.6% to \$67.5m¹ (2H08 NPAT increased by +21.4% on 1H08)
- NPATA decreased by 12.1% to \$68.6m¹ (2H08 NPATA increased by +18.3% on 1H08)
- International business performance improvements in Indonesia, US & Canada in 2H08
- Successful refinancing of senior debt facilities from \$515m to \$630m
- Continued focus on efficient capital management contributed to 2H08 reductions in working capital of \$49m (ex. cash) & growth in free cash flow of 9.0% pcp
- Final fully franked dividend of 2.5 cps declared—Full year fully franked dividend of 4.5 cps, representing 42% of NPAT
- Continued focus on Safety, Health and Environment management system as Emeco strive to be an industry leader

Note:

1. Including significant items of \$2.8m pre-tax and \$2.0m post tax

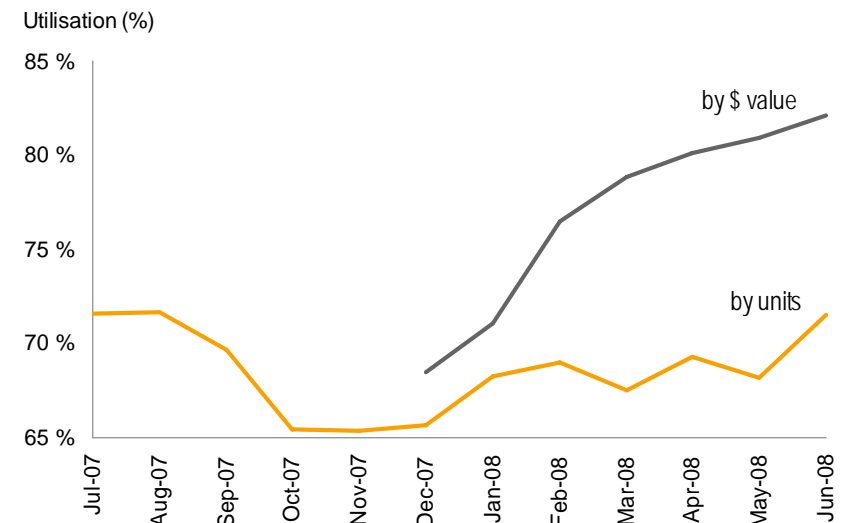


2008 highlights—Tale of two halves

- ✦ Positive 2H08 contrasted a disappointing 1H08 affected by infrastructure bottlenecks, severe weather conditions and start-up phase of offshore businesses
- ✦ Strong 2H08 growth in utilisation across all businesses globally
- ✦ US business becoming profitable in 2H08
- ✦ Improving ROFEs in 2H08 through combination of higher utilisation and capital management initiatives

	6 months to		12 months	
	1H08	2H08	FY07	FY08
Revenue (A\$M)	288.2	329.7	554.4	617.9
EBITDA	34.2%	34.8%	37.4%	34.5%
EBITA	19.2%	19.7%	23.2%	19.5%
NPAT	10.6%	11.2%	13.5%	10.9%
NPATA	10.9%	11.3%	14.1%	11.1%

Global rental utilisation



2008 highlights—Key deliverables

Key market deliverables identified at the half year result

Deliverable	Result	Comment
NPAT \$65–\$72m	\$67.5m (\$69.5m ¹)	<ul style="list-style-type: none"> • Full year result primarily impacted by short term market events in 1H08 • Global utilisation (by value) increased from 66% at Dec 07 to 76% at June 08
Working capital reduction \$50m	Net reduction of \$49m (ex. cash) to June-08	<ul style="list-style-type: none"> • \$71m reductions in Machinery and Tyre inventory • \$22m increase in trade receivables • Expect to hold working capital at current levels
US breakeven	Q3 and Q4 profitable	<ul style="list-style-type: none"> • Achieved 70% utilisation by value June 08 • Further capex incurred to right size through 2H08 • Business now well established to capitalise on opportunities

Note:

1. Pre specific items of A\$2.0m post tax, relating to a writedown of A\$1.1m of US parts and A\$1.8m European



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Summary earnings

A\$m	6 months to		Change h/h (%)	12 months		Change y/y (%)
	Dec-07	Jun-08		FY2007	FY2008	
Revenue	288.2	329.7	14.4	554.4	617.9	11.4
EBITDA ¹	98.6	114.8	16.5	207.3	213.5	3.0
<i>margin (%)</i>	34.2	34.8		37.4	34.5	
EBITA ¹	55.4	64.9	17.1	128.5	120.3	(6.4)
<i>margin (%)</i>	19.2	19.7		23.2	19.5	
NPATA ¹	31.4	37.2	18.3	78.1	68.6	(12.1)
NPAT ¹	30.5	37.0	21.4	74.7	67.5	(9.6)
EPS (cps)	4.8	5.9	22.9	11.8	10.7	(9.6)
DPS (cps)	2.0	2.5	25.0	3.5	4.5	28.6
Funds Employed	870.8	842.8	-3.2	782.3	842.8	7.7
ROFE (%) ²	13.2%	14.7%		17.3%	14.0%	

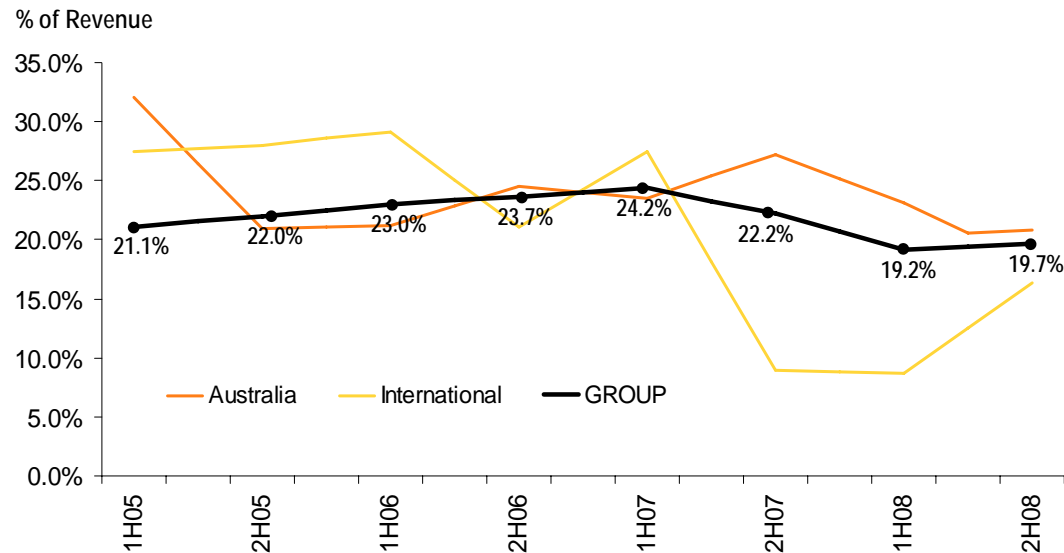
- FY08 earnings largely impacted by 1H08
- Margin and consequent ROFE decline reflective of 1H08 disruptions to utilisation
- Strong recovery half on half reflecting improving conditions and management initiatives

Note:

- Earnings include specific items of \$2.8m pre tax and \$2.0m post tax relating to a writedown of slow moving US Parts inventory and a provision for doubtful debt in Europe
- Full Year and Half Year LTM ROFE is calculated on respective twelve and six months rolling EBITA divided by average funds employed over that period

Focus on margins

EBITA % of Revenue

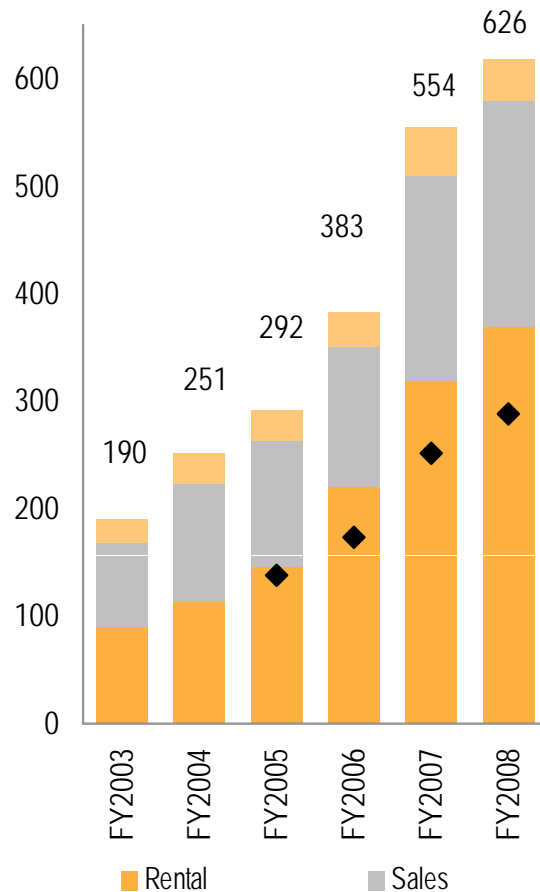


- Revenue increased by 11.4% in FY08 but at a slower rate than expected due to short term market factors
- Growth and investment in business infrastructure has increased costs
- Increase in ancillary rental services at lower margins, but strategic integration into customers operations
- Significant relative depreciation contribution reflective of minimum hour charges on laid off gear
- 2H08 margins in Australia largely impacted by Qld and NSW flooding in Q3
- Improving utilisation with stable cost structure expected to improve margins in FY09

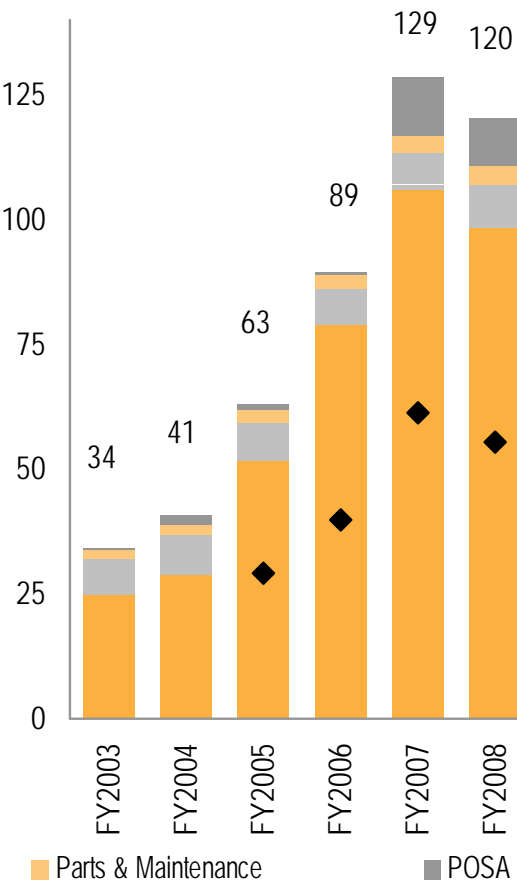


Earnings composition

Revenue



EBITA



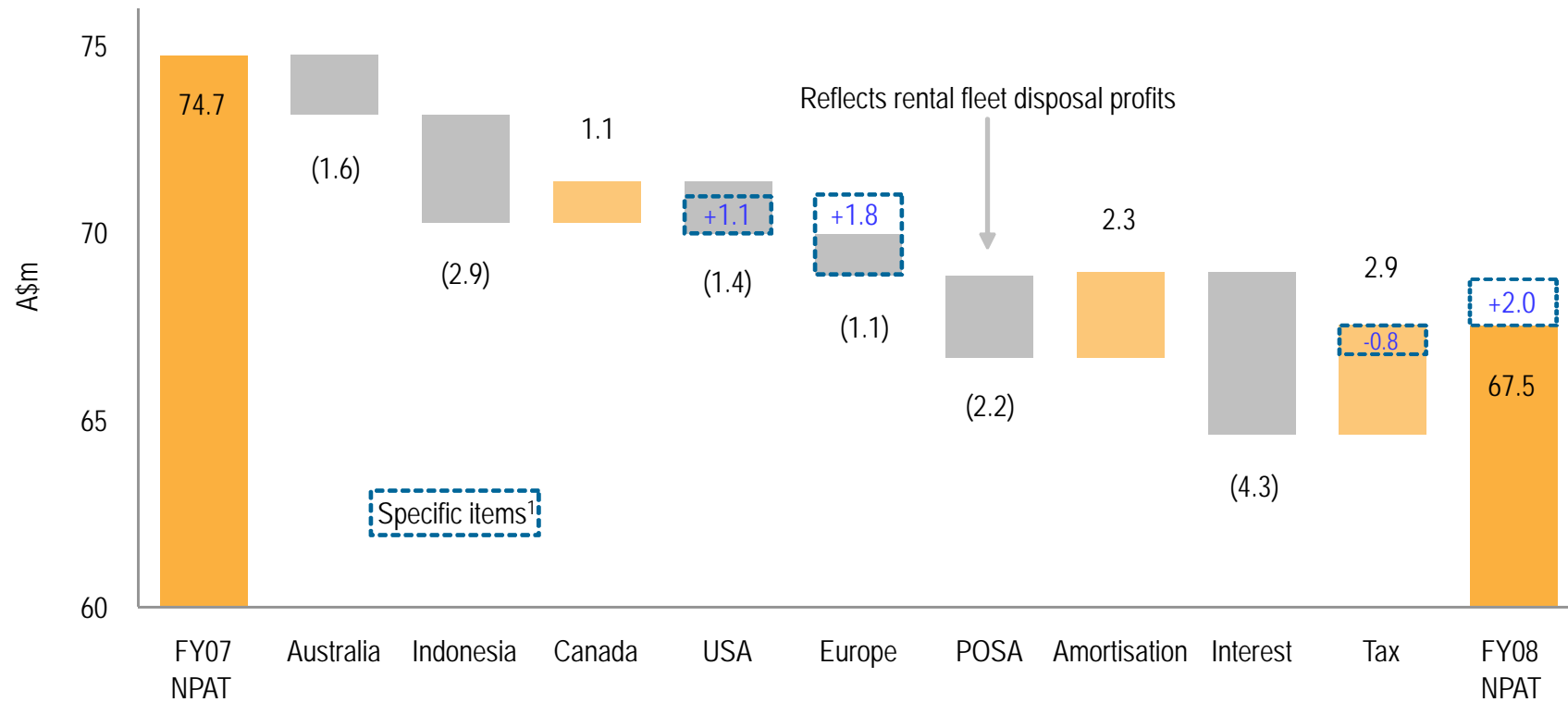
- Rental business remains core earnings driver whilst sales and parts strategically compliment Emeco model
- POSA continues to form part of rental plant disposal cycle
- Higher depreciation to revenue due to minimum hour charges despite being idle
- 2H08 was impacted by US write-down of parts inventory (A\$1.1m) and provision for doubtful debt in Europe (A\$1.8m)

Note:

1. Includes specific items of \$2.8m pre tax



Earnings bridge full year pcp

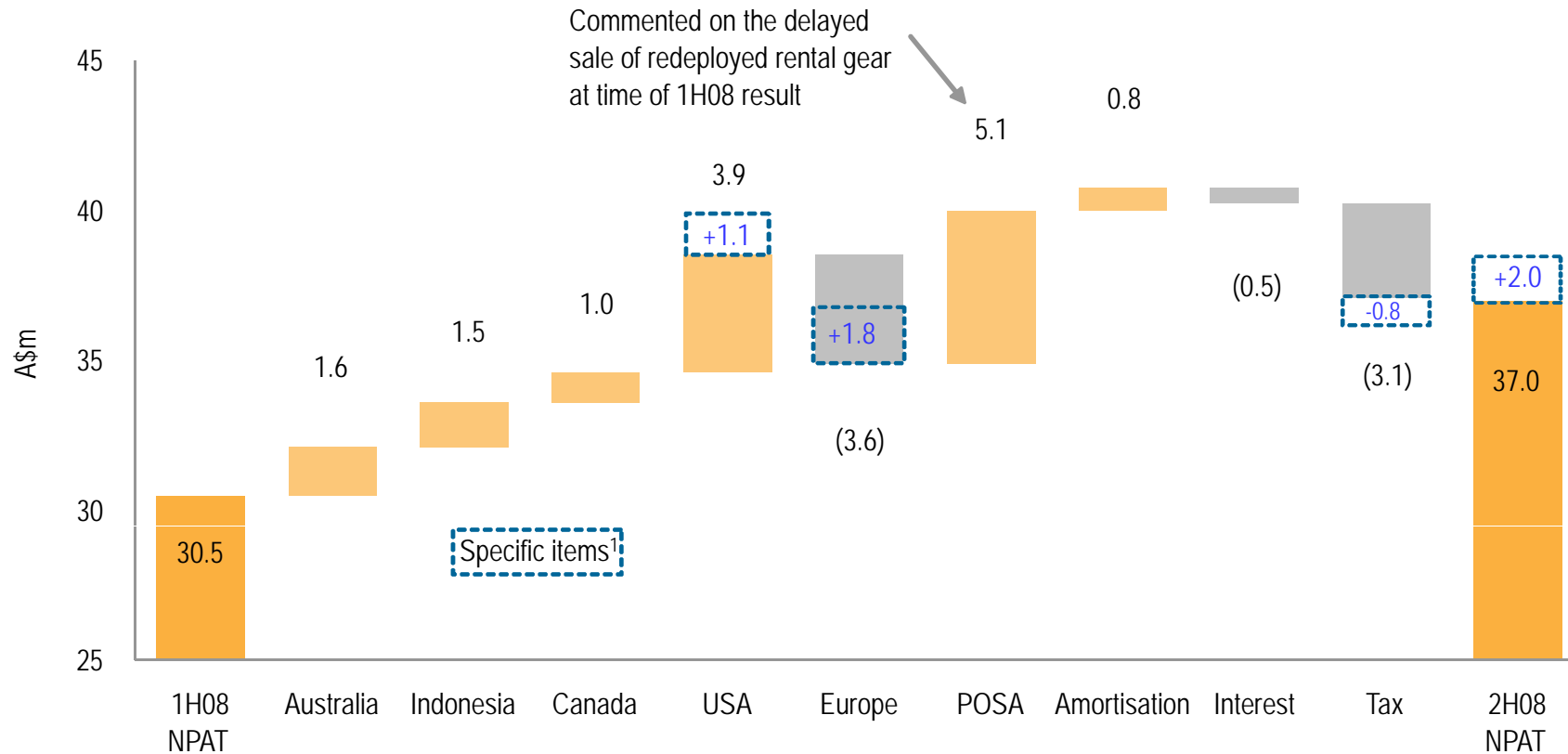


Note:

1. Specific items of A\$2.0m post tax, relating to a write down of A\$1.1m of slow moving US parts inventory and A\$1.8m European provision for doubtful debt

Earnings bridge half on half

Material improvement across all geographic barring Europe



Note:

1. Specific items of A\$2.0m post tax, relating to a write down of A\$1.1m of slow moving US parts inventory and A\$1.8m European provision for doubtful debt

Balance sheet and gearing

Successful refinancing and upsizing of senior debt facility provides funding certainty

A\$m	Jun-07	Dec-07	Jun-08	Change h/h (%)
Working capital ¹	110.2	95.8	108.3	13.1%
Sales and parts inventory	142.1	202.7	145.4	-28.2%
Rental plant	520.2	561.0	578.1	3.1%
Total assets	1,089.1	1,192.2	1,167.0	-2.1%
Net assets	672.9	685.9	701.7	2.3%
Net debt ²	305.7	395.2	348.4	-11.8%
Facilities headroom ³	202.0	111.9	282.8	152.7%
Gearing % (net debt/market cap)	31.6%	36.6%	49.3%	
Gearing % (net debt/book equity)	45.4%	57.6%	49.7%	
Interest cover (EBITDA/Interest)	11.8	9.5	9.1	

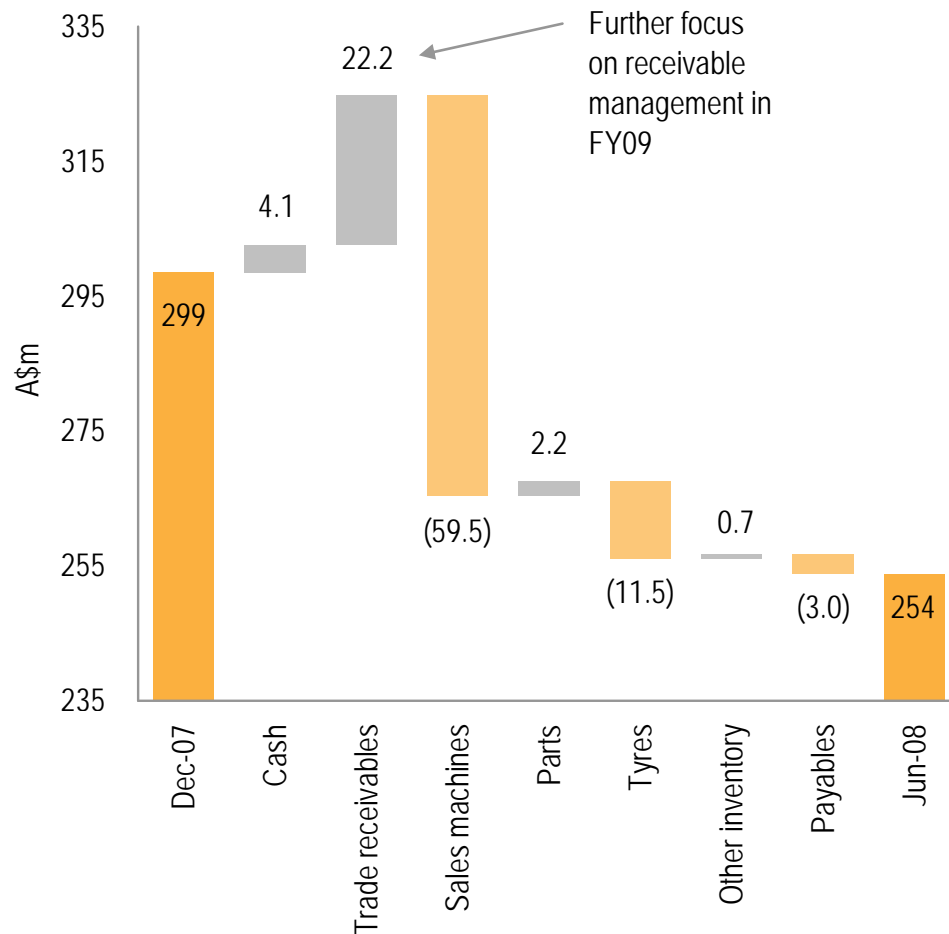
- Successfully refinanced senior bank debt facility from \$515m to \$630m including \$595m 3 year senior facility
- Due to adverse credit markets effective interest rate expected to increase approximately 130bps
- Conservative gearing and strong interest cover demonstrates strong balance sheet fundamentals
- Focus on balance sheet efficiencies through working capital management, more stringent capital deployment hurdle rates

Notes:

1. Working capital excludes Sales and Parts inventory presented on line below
2. Net Debt calculated as Senior debt, plus Finance leases liabilities, less Cash
3. June 08 facilities headroom includes \$595m Senior debt facility, plus existing Finance lease facility of 36m, less Net Debt

Working capital bridge (half on half)

Significant reduction in working capital to be maintained going forward



- \$59.5m reduction in Sales machines now in-line with historical investment levels
- \$22.2m increase in year end trade receivables mostly in-line with strong Q4 08 activity but opportunities to improve receivables management
- Sales and Parts inventory expected to grow at 5% p.a subject to stock turns performance
- General Working Capital of \$108.3m at 30 June 08 targeted to remain constant in FY09 despite business growth



Operating cash flow

A\$m	12 month:	
	FY07	FY08
EBITDA	207.3	213.5
Working capital	(80.0)	(1.5)
FX/Other	8.0	(7.6)
Interest	(23.4)	(22.3)
Tax ¹	(16.0)	(13.8)
Operating Cashflow	95.9	168.3
Maintenance capex:		
Rental	(53.2)	(96.9)
Other ²	(7.1)	(24.7)
Disposals	47.3	43.8
	(13.0)	(77.8)
Free Cashflow	82.9	90.4
Dividends	(6.3)	(28.2)
Free Cashflow before Growth	76.6	62.2
Growth capex	(182.9)	(106.8)
Debt funded	(106.3)	(44.5)
Free cashflow funded	(76.6)	(62.2)

Notes:

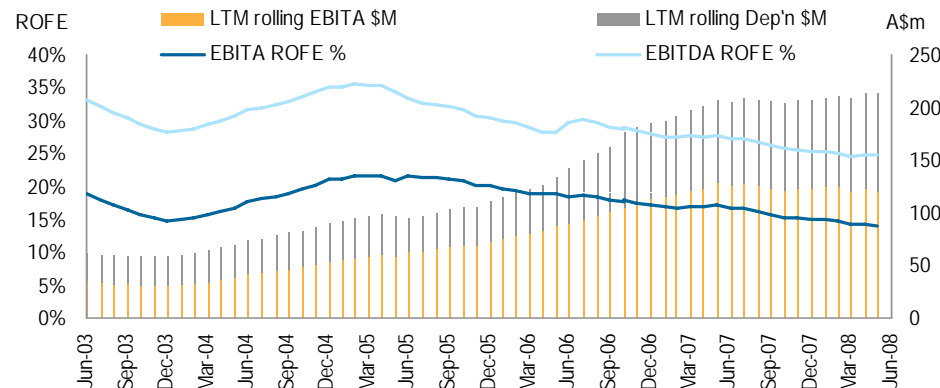
1. FY07 tax reflects pro forma tax adjustment on pro forma adjustments, assuming no timing differences
2. Maintenance capex on motor vehicles, land and buildings and sundry equipment

- Emeco continues to generate significant operating cashflow
- Net maintenance capex comprising equipment replacement & major overhauls lumpy but should trend towards depreciation over time
- Growth capex in FY08 largely attributable to scaling of Canada and US business
- FY09 growth in free cashflow expected from capex invested over last 12 months
- Free cashflow together with available debt headroom to fund future growth
- Primary focus on extracting greater returns on existing invested capital in FY09 whilst investing growth capex to enhance ROFE

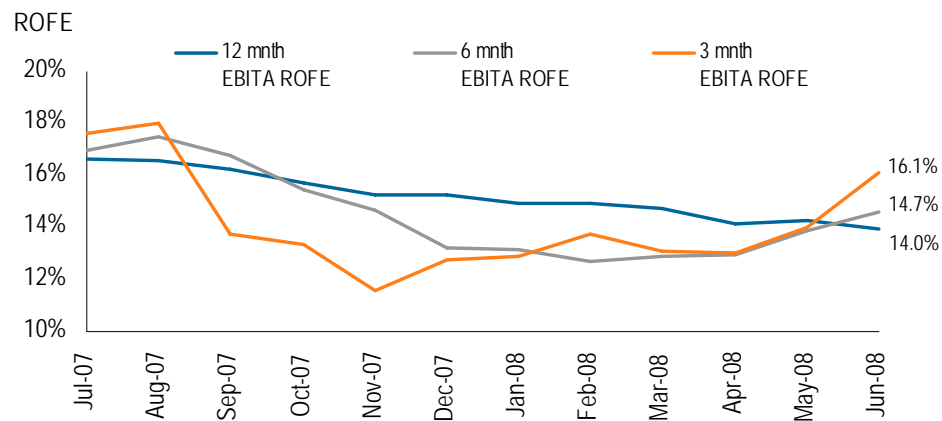


Return on funds employed

LTM ROFE



Short term EBITA ROFE



Note:

1. LTM ROFE is defined as the last twelve months rolling EBITA/EBITDA divided by average funds employed over that twelve months

- ROFE declines due to short term market events, ramp up of offshore businesses and growth in rental fleet & sales inventory levels
- Earnings improvements expected into FY09 across all regions evidenced by higher utilisation and improving market fundamentals in 2H08
- Benefits of leaner funds employed achieved through renewed focus on working capital, capital deployment and balance sheet efficiency now being realised
- Shorter term ROFEs in 2H08 indicate positive turnaround with upward trend in headline LTM ROFE expected in FY09



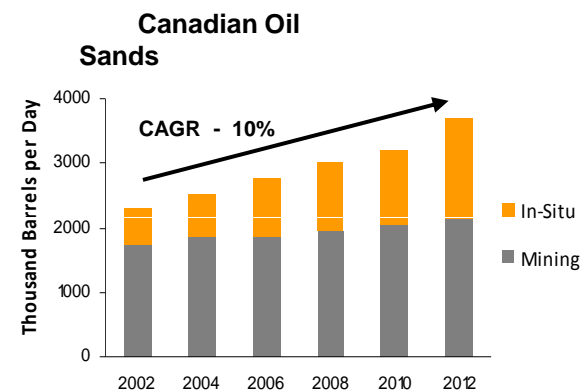
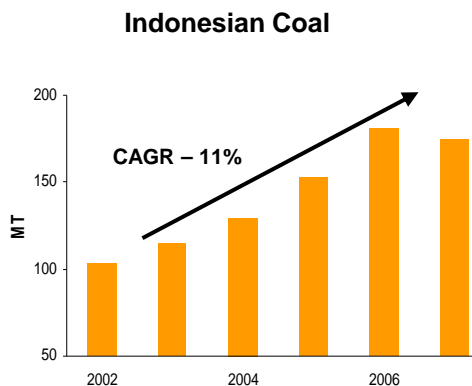
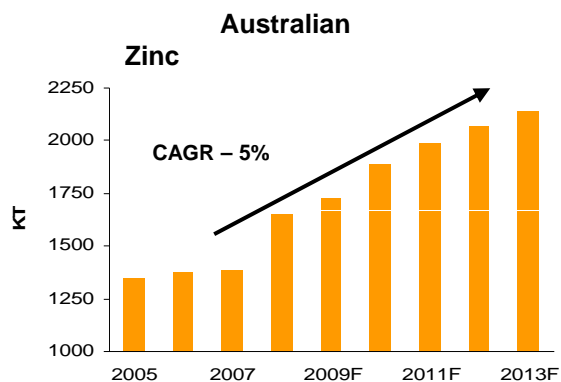
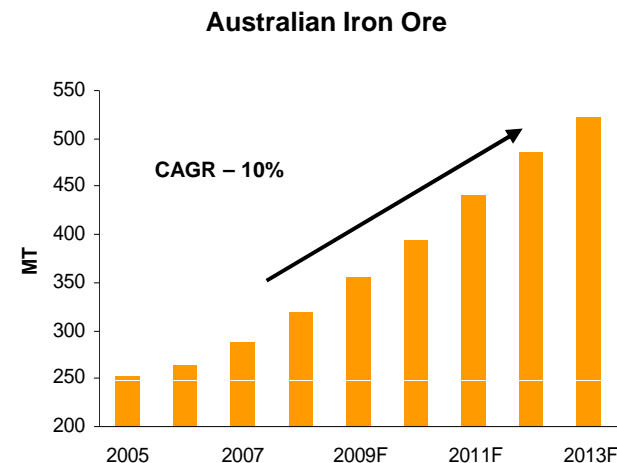
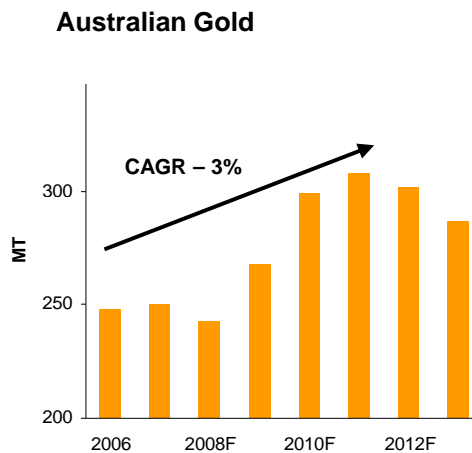
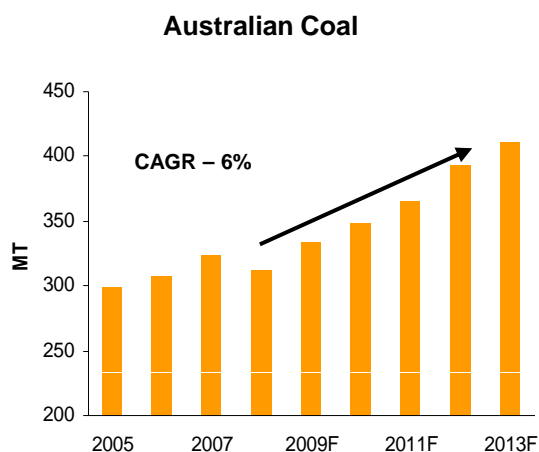
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4. Guidance
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Organic growth opportunities

Emeco's primary markets are forecast to continue growing at between 3–10% p/a over the medium term



Source: ABARE Commodity Outlook – March 2008, (Australian Coal represents total production of saleable coal.)

(CAPP) Canadian Association of Petroleum Producers Crude Oil Forecast, Market and Pipeline Expansion Report (June 2007)

Ministry of Energy and Mineral Resources – Republic of Indonesia



Current market conditions

Emeco's outlook and earnings momentum remain strong heading into FY09

Australia	<ul style="list-style-type: none">• Continued growth in coal, iron ore and gold markets are translating to strong fleet utilisation• Limited availability of new equipment is driving higher utilisations and longer contract tenure• Infrastructure de-bottleneck progress though expected to take some time
Indonesia	<ul style="list-style-type: none">• Higher coal production on the back of higher prices• Re-engagement of Australian contract miners is driving Emeco's return to historical utilisations above 90%• Numerous new projects coming to fruition, creating significant additional opportunities
Canada	<ul style="list-style-type: none">• Oil sands mining activity and associated infrastructure increasing demand for equipment• Metaliferrous mines continue to present new opportunities in British Columbia• Emeco brand equity in region now well established• New maintenance facility has bolstered Emeco's unique service offering• Oil and gas markets remain flat but expected to improve in short term



Current market conditions

Emeco's outlook and earnings momentum remain strong heading into FY09

United States

- Appalachian coal prices have increased 100% over past six months translating to increased activity
- US business infrastructure now well established to capitalise on opportunities
- Increased capacity in Parts business is delivering value
- Sales business remains depressed, however procurement opportunities very positive

Europe

- Western Europe showing soft economic growth with limited trading opportunities
- Importation of equipment into Euro zone supported by strong EURO
- Business maintained in readiness for improving economic conditions and potential in Middle East and Russia



Strategic outlook

Strategic growth

- Strategic focus on driving organic growth opportunities in all of Emeco's existing regions and markets and returning ROFE/ utilisation to historic levels
- Uncertainty of funding sources from debt and equity markets for our customers is expected to translate into higher enquiry levels of Emeco rental offering
- Global mining activity in coal, iron ore and oil sands remains robust with a return to historic utilisation levels being witnessed

Balance sheet discipline

- With capital becoming increasingly constrained there is a renewed focus to improve capital efficiency with focus on management of working capital and returns on rental fleet



Strategic outlook

Organisational capabilities

- Continued integration of global business units and standardisation of Emeco systems and processes
- Enhancement of global procurement and asset management team
- Ongoing development of management team depth and capability (executive and operational) is translating into optimisation of existing business whilst pursuing strategic growth opportunities

Existing regions

- Australia businesses expecting continued growth due to supply and demand side factors
- Continue to develop critical mass in major international markets
 - Indonesia utilisation rates at all time high
 - Canada and US businesses demonstrate positive growth and profitability
 - Opportunities exist to relocate equipment across regions and explore emerging markets



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Guidance

- Following a strong 2H08 recovery for Emeco and a continuing robust outlook in each of Emeco's operating exposures, management remain confident in the outlook for FY2009
- A significant increase in borrowing costs (c. 130bps) will adversely impact profits in FY09
- As a result, **profit guidance for FY09 (NPAT) is set at \$75 – \$81 million**
- In addition to forecast profit growth, management remain focused on improving capital efficiency and restoring group ROFE back toward historical levels

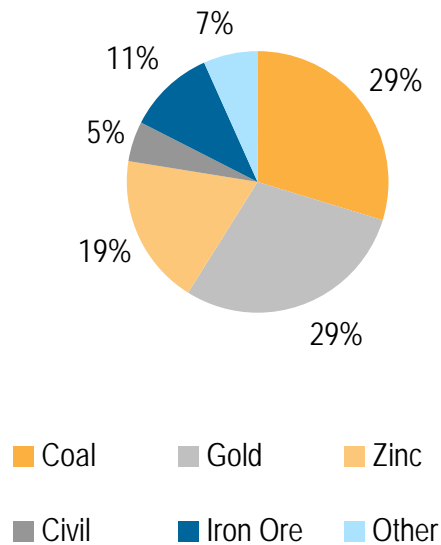


Agenda

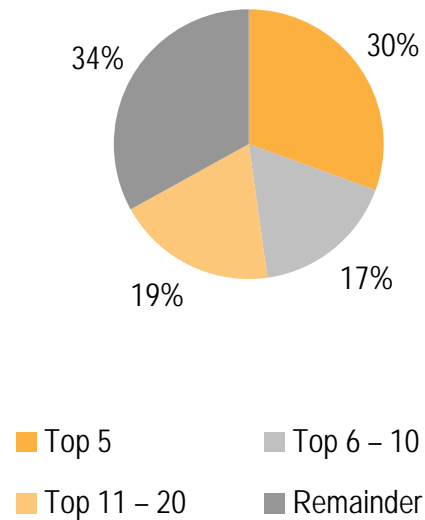
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2. Financials
3. Strategic Outlook
4. Guidance
5. **Appendix**

Australia—overview

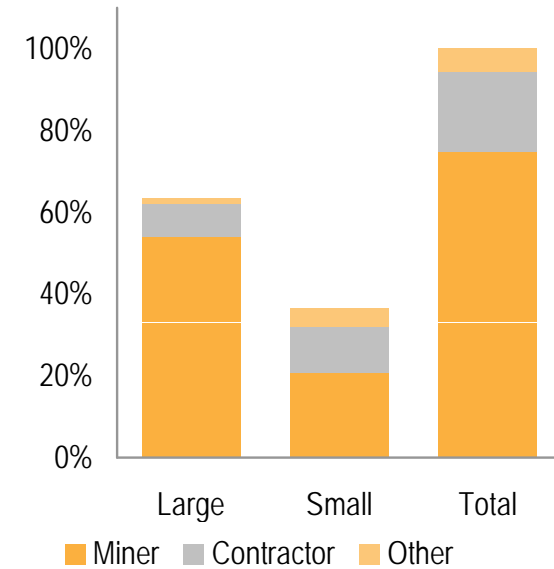
Rental end market exposure



Rental client profile



Rental type of customer



Notes:

1. Percentages based on revenue for FY08
2. A large customer is defined as companies with a market capitalisation greater than \$1 billion, or joint ventures or associates where a large company is a major participant.

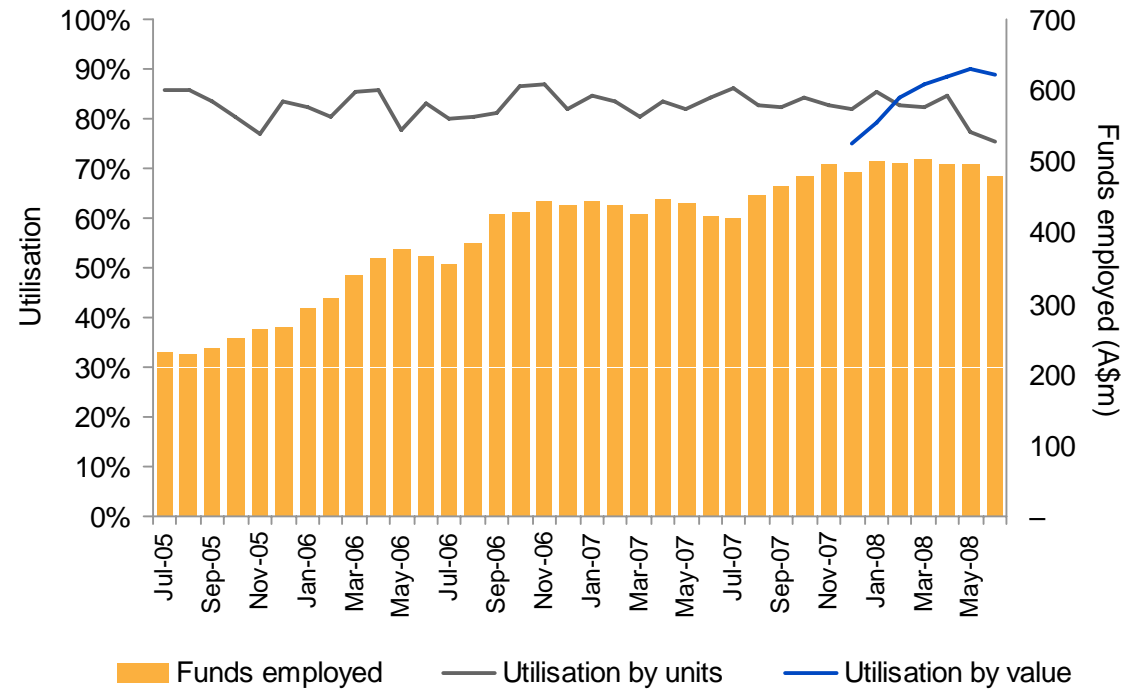


Australia—overview

Rental machine profile

Truck	218
Dozer	63
Loader	128
Excavator	58
Grader	40
Other	75

Funds employed and utilisation



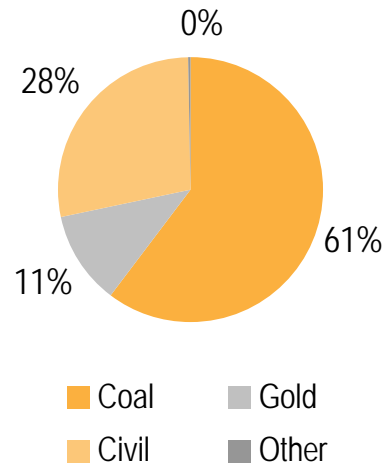
Notes:

1. Funds employed is defined as net tangible assets plus interest bearing liabilities
2. Utilisation is defined as percentage of Emeco's rental fleet that is on rental at customer sites (excluding machines in transit)

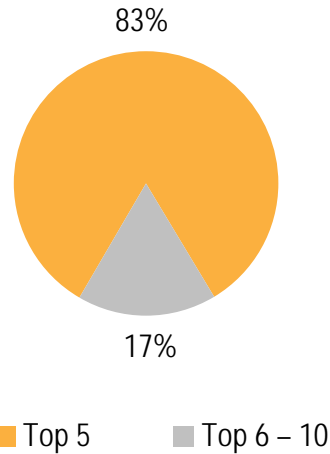


Indonesia—overview

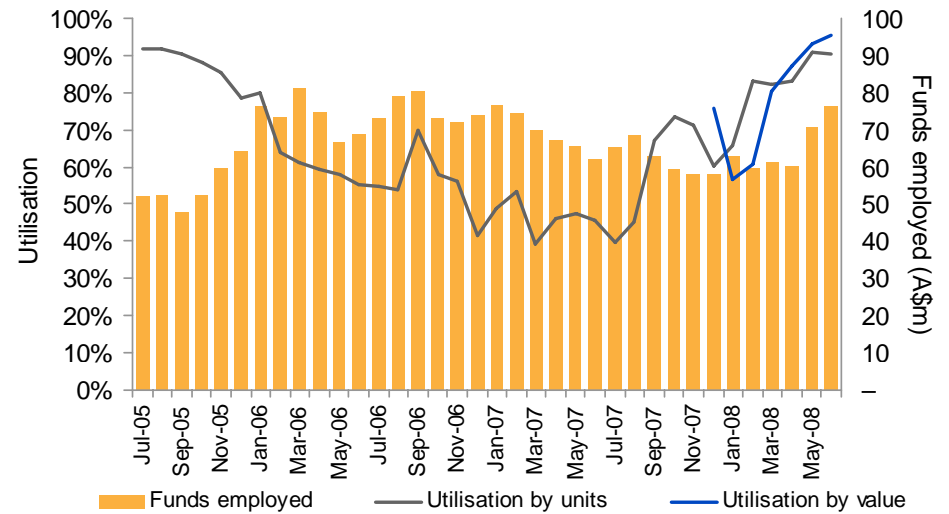
Rental end market



Rental client profile



Funds employed and utilisation



Rental machine profile

Truck	49	Excavator	19
Dozer	8	Grader	20
Loader	24	Other	9

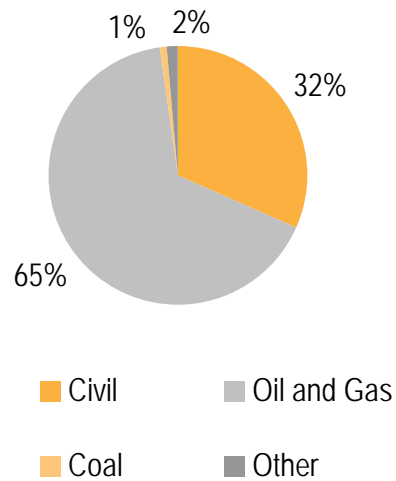
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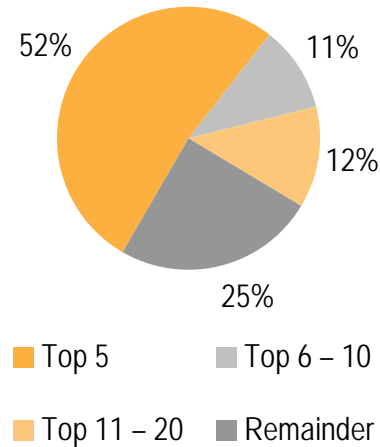


Canada—overview

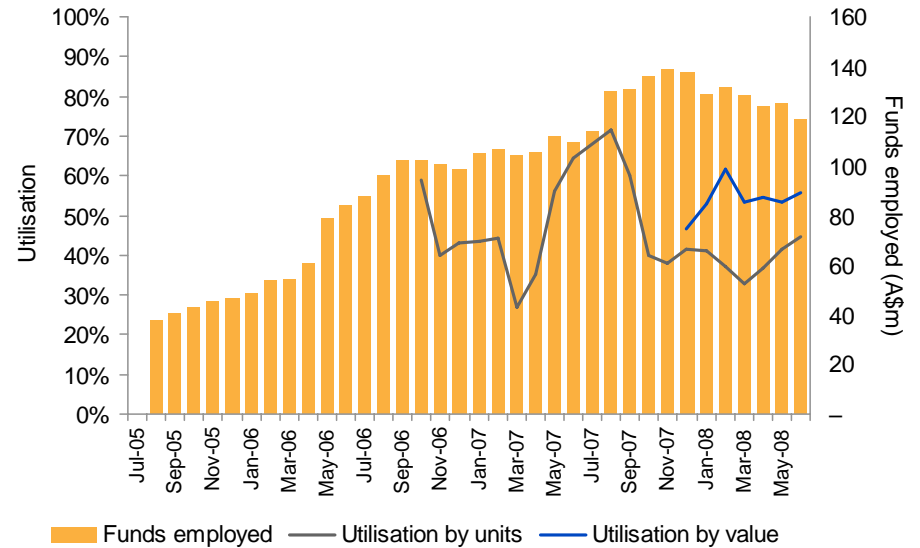
Rental end market



Rental client profile



Funds employed and utilisation



Rental machine profile

Truck	107	Excavator	39
Dozer	75	Grader	21
Loader	5	Other	30

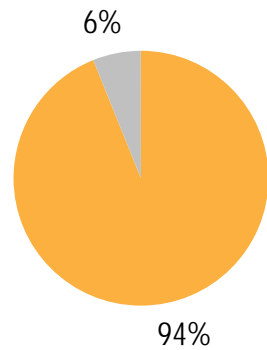
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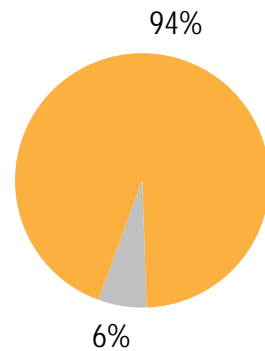
US—overview

Rental end market



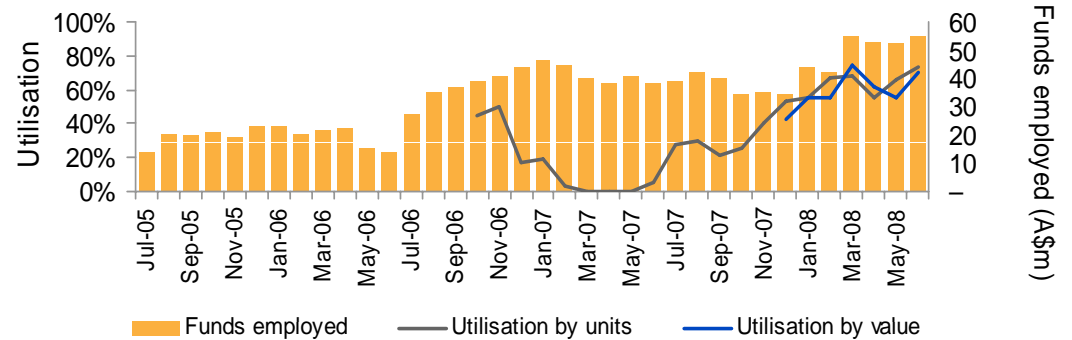
■ Coal ■ Other

Rental client profile



■ Top 5 ■ Top 6 – 10

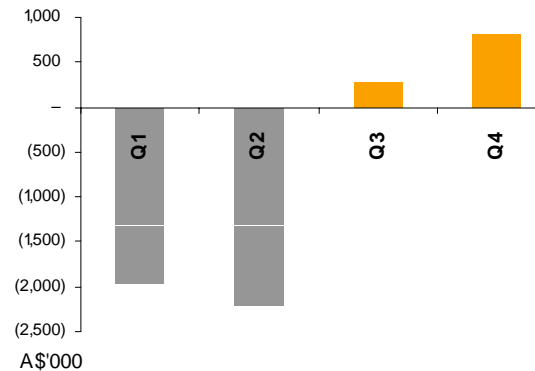
Funds employed and utilisation



Rental machine profile

Truck	28	Excavator	6
Dozer	16	Grader	3
Loader	19	Other	3

FY08 EBITA evolution⁴

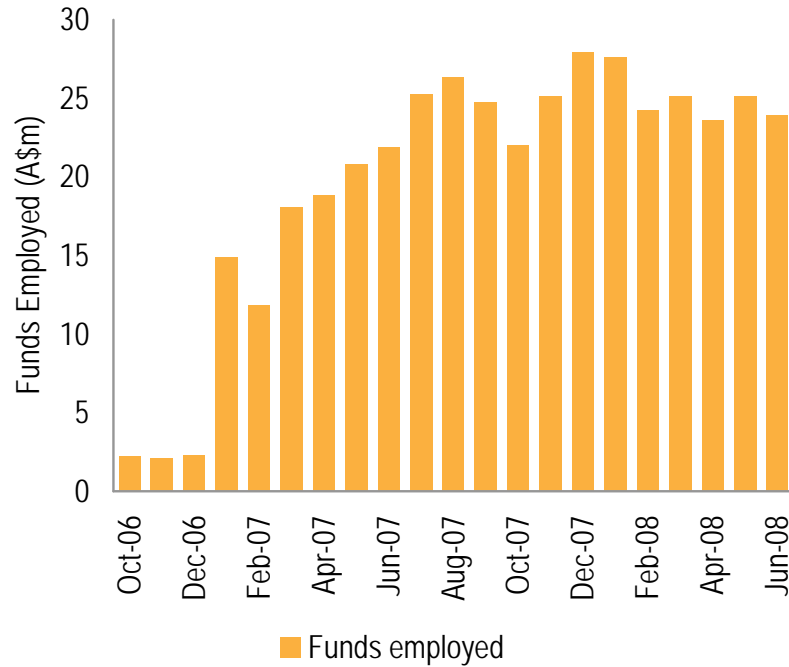


Notes:

1. Percentages based on revenue for FY08
2. Funds employed is defined as net tangible assets plus interest bearing liabilities
3. Utilisation is defined as percentage of Emeco's rental fleet that is on rental at customer sites (excluding machines in transit)
4. Q408 EBITA includes \$1.1m write-down of slow moving Parts inventory which has been normalised in this graph

Europe—overview

Funds employed



Number of rental machines: 8
Number of sales machines: 121

Note:

1. Funds employed is defined as net tangible assets plus interest bearing liabilities

Historical financial information

A\$m	Australia			Indonesia			Canada			US			Europe		
	FY2006	FY2007	FY2008	FY2006	FY2007	FY2008	FY2006	FY2007	FY2008	FY2006	FY2007	FY2008	FY2006	FY2007	FY2008
Financial performance															
Revenue	291.4	418.9	459.5	32.7	27.5	23.8	27.4	39.8	51.7	30.9	45.2	43.2	0.3	23.0	39.6
EBITDA	104.9	165.1	168.8	24.2	21.6	18.5	14.0	22.5	27.8	0.8	(1.9)	(1.0)	(0.5)	–	(0.6)
<i>margin (%)</i>	36.0 %	39.4 %	36.7 %	74.0 %	78.5 %	77.8 %	51.0 %	56.5 %	53.7 %	2.6 %	(4.2)%	(2.4)%	(142.3)%	– %	(1.5)%
EBITA	67.0	106.6	100.4	13.7	10.6	9.8	8.7	14.3	15.5	0.5	(2.9)	(4.1)	(0.5)	(0.1)	(1.3)
<i>margin (%)</i>	23.0 %	25.5 %	21.8 %	41.9 %	38.7 %	40.9 %	31.6 %	36.0 %	30.0 %	1.7 %	(6.5)%	(9.4)%	(142.3)%	(0.6)%	(3.2)%
Gross Capex															
Rental Maintenance	21.4	38.1	54.4	11.1	5.1	34.6	2.6	10.0	5.5	–	–	2.6	–	–	
Growth	105.3	77.0	27.2	38.4	16.4	6.1	46.7	34.2	32.6	–	7.6	22.1	–	–	6.7
Acquisitions	35.2	21.9		–	–		41.7	–		–	15.2	7.5		10.6	
Total	161.9	137.0	81.6	49.5	21.5	40.7	91.0	44.2	38.1	–	22.8	32.2	–	10.6	6.7
Funds employed at End															
	366	422	469	69	62	76	84	109	119	14	38	55	3	22	24
Rental machines	469	553	582	146	116	129	199	281	277	–	57	75	–	6	8
Sales machines	191	152	214	–	–	–	–	24	18	59	108	51	4	121	133

Notes:

1. FY06 and FY07 Pro forma
2. Gross spending on rental fleet and acquisitions. Does not include any other capital expenditure or disposals
3. Excludes corporate/unallocated funds employed

