

Market Release
25 May 2012

EMECO CONFIRMS FY12 OPERATING NPAT GUIDANCE OF \$67M TO \$70M

Key Points

- ◆ **FY12 Operating NPAT guidance of \$67M - \$70M in line with market consensus**
- ◆ **Expected to deliver year on year earnings growth of 20% - 25% in FY12**
- ◆ **Strong earnings run rate with Operating NPAT of \$37.8M - \$40.8M in 2H12**
- ◆ **Global fleet utilisation currently at 85%, averaging 87% YTD**
- ◆ **\$165M FY12 growth investment fully deployed**
- ◆ **Committed to \$140M growth investment in FY13 with focus on Chile and Indonesia**
- ◆ **Balance sheet capacity in place, providing flexibility**

Group Update

Emeco Holdings Limited (ASX: EHL) today confirmed operating net profit after tax (NPAT) guidance of \$67M to \$70M for the year ending 30 June 2012, in line with market consensus. This represents 20 - 25% earnings growth year on year.

Keith Gordon, Managing Director and CEO said “despite a slow start to the year in Indonesia and Canada, we are finishing FY12 with strong utilisation in both of those markets as well as in Australia, and we are seeing strong indications of demand in the Chilean market.”

“With robust underlying utilisation and the growth capital we have invested in the business, we are entering FY13 with solid earnings momentum”.

Operating Update

The **Australian** business has continued to perform strongly with utilisation currently at 89% and averaging above 90% year to date. Demand has remained buoyant across all regions and key commodities, with Emeco maintaining its exposure to production activities at all customer sites. Rain impacted activity levels at some customers’ operations in Queensland and New South Wales during March and April, however this has not materially impacted FY12 earnings.

Emeco **Canada** enjoyed high utilisation across the winter period with it peaking at 96% in February 2012. Utilisation currently sits at 71% following the seasonal low activity during the ‘thaw’ period. This compares favourably with previous corresponding periods. The business is seeing the early benefits from its strategies to supply direct to the oil companies and reconfiguring the fleet into mining class assets. The combination of these strategies and high underlying activity in the oil sands industry is expected to deliver further improvement in earnings and returns in the immediate term.

Fleet utilisation in **Indonesia** has averaged 74% year to date and has recently increased to 88% after securing three new contracts that have utilised the majority of idle fleet and will consume \$40M of growth capital to be delivered over the first quarter of FY13. The focus on securing long-term fully maintained contracts with high quality customers has resulted in some delays in expected timing of fleet redeployment in 2H12 however with these recently secured contracts the Indonesian business is well placed to deliver further improvements in returns in FY13.

The development of Emeco's **Chilean** operations is progressing well. The first fleet of five 240 tonne trucks will arrive across July and August 2012. Discussions are underway with a range of copper producers and contractors and a rental contract is expected to be finalised shortly.

Capital expenditure

In-line with the strategy to grow the fleet of large mining equipment, Emeco committed to \$165M in growth capital in FY12 of which \$93M has been invested in Australia and the balance of \$72M into Canada.

The Company has previously indicated \$80M of growth capital was committed for FY13. In order to capitalise on additional opportunities, this has been increased to approximately \$140M globally, however this investment will be primarily directed towards the Chilean and Indonesian markets. Approximately \$70M of this growth capital is expected to be paid for prior to 30 June 2012 with earnings contribution commencing in the first quarter of FY13.

Sustaining capex for FY12 is expected to be approximately \$130M. This includes the replacement of assets reaching end of life plus major overhauls and expenditure items that extend an asset's useful life.

Balance sheet

The Company recently completed a US\$140M US Private Placement issue that has increased available debt facilities to \$630M and increased the average debt maturity profile from 1.9 years to 4.1 years. Based on forecast utilisation levels and capital expenditure in FY13, gearing is expected to remain towards the lower end of the Company's target gearing range of 1.5 to 2.0 times Debt:EBITDA

"The combination of strong utilisation of our existing asset base and a quality balance sheet with secure funding provides the business with significant flexibility to pursue value creating opportunities as they arise" Mr Gordon said.

Full Year Results

Emeco will release its FY12 financial results to the market on Tuesday 21st August 2012.

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About Emeco (ASX: EHL)

Established in 1972, Emeco is a leading provider of heavy earthmoving equipment solutions to the global mining industry with operations across Australia, Indonesia, Canada and Chile. Emeco has integrated equipment rental, maintenance and procurement capabilities into a single business providing customers with flexibility through the provision of reliable, low-houred heavy earthmoving equipment. Emeco is not aligned with any earthmoving equipment manufacturer and has a global fleet of equipment manufactured by Caterpillar, Hitachi, Komatsu, Liebherr and Volvo.