



## ASX Release

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ASX: EHL ('EMECO' OR 'THE COMPANY')

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### THIRD QUARTER OPERATIONAL UPDATE

#### HIGHLIGHTS:

- **Group utilisation averaged 75% in Q3 FY15, up from 53% in Q3 FY14**
- **Revenue for Q3 was \$67 million (unaudited) up 6% on the previous corresponding period and up 8% on Q2 FY15**
- **EBITDA margins continuing to increase quarter on quarter**
- **Business improvement program underway to reduce costs by at least \$10 million and further increase margins**
- **Clear focus on improving the core Emeco business**

Emeco is pleased to provide a third quarter operational update showing the continued improvement in its core rental business over the past year. There has been a significant improvement in utilisation rates and an emerging increase in margins as the higher utilisation delivers increased efficiencies within the company.

Project wins in Australia have seen group-wide utilisation currently at 73%, despite the usual seasonal slow-down in Canada with the run-off of the winter works program.

#### BUSINESS UNIT REVIEW

##### Canada

The Canadian rental business experienced a strong winter season with average utilisation of 83% for the key period of mid-December to mid-March. Since the end of March utilisation has started its usual post-winter decline as work programs finish with utilisation currently at 68%.

The Canadian business unit's commodity diversification strategy, which seeks to smooth out the seasonal nature of the oil sands work, has resulted in almost 40 pieces of equipment placed with a large coal company across three sites.

The company is also pursuing further maintenance opportunities following the previous contract win to provide full maintenance services for the ancillary fleet of a major oil sands operation. The workshop for that contract has now been commissioned and Emeco's team of expert mechanical technicians will also be able to utilise the facility to provide future third-party maintenance services as an additional source of income.

##### Chile

Utilisation for the Chilean business unit has remained strong at 92% across three projects, however the level of resources currently being applied to the core Encuentro project has continued to negatively impact margins.

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A robust business development pipeline is being pursued with multiple opportunities currently being priced, including one into neighbouring Peru.

### **New South Wales**

New South Wales continues to lead the Australian operations with utilisation of 94%, representing more than 100 machines currently on rent with long-term clients and a continual flow of enquiries for additional fleet.

### **Queensland**

Two new contract wins in Queensland will see utilisation increase from 59% currently to approximately 82% in the fourth quarter. Consideration is now being given to moving additional fleet into the region to also meet a strong business development pipeline with multiple active bids currently in progress.

### **Western Australia**

Western Australia's utilisation of 53% continues to be underpinned by two fully-maintained, fleet rental contracts with mid-tier gold miners. Six active bids are currently in progress while an opportunity exists to also move some of WA's idle fleet to the Eastern States.

### **BUSINESS IMPROVEMENT PROGRAM**

Emeco has introduced a business improvement program with an initial target to cut \$10 million from the group's annual cost base, with the savings to be fully embedded for the start of FY16.

The program has already begun with a number of strategic, business unit and corporate opportunities identified that deliver immediate savings and process improvements while also building a longer term continuous improvement culture.

Further cost reduction opportunities will continue to be targeted throughout FY16 with the aim of pushing savings beyond \$10 million.

### **MANAGEMENT COMMENT**

"It is pleasing that we are continuing to see positive trends in our business from utilisation, to EBITDA margins, to business improvement and delivering on our corporate strategy," Managing Director Ken Lewsey said.

"Our vision for this business is very clear. The key outcome we are focussed on is to improve the quality and resilience of earnings in the Emeco rental model and to make it a more robust business through the cycles and to achieve this we need to maintain the current capital base, deleverage and diversify.

"We are deep into pillar one of our strategy to reshape the core mining rental business to improve profitability. We have changed our approach to our markets and how we win work. We are providing customers in Australia with solutions to meet individual project demands and introducing application technology that improves the productivity of our equipment. We are also forming partnerships with contractors to open up new opportunities.

“The strengthening of our maintenance services in Canada will improve the overall Emeco business. Maintenance is a low capital offering which generates quality revenue and allows us to strengthen our existing customer relationships.”

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**Investor and media enquiries**

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**About Emeco**

Established in 1972, Emeco is the world’s largest, independent mining equipment rental business and currently services major resource projects across Australia, Canada and Chile. Emeco pursues a best in class asset management strategy and operates a global fleet of equipment from a range of original equipment manufacturers to deliver the most effective equipment rental and maintenance solutions for its customers. Emeco is a publicly listed company on the Australian Securities Exchange (ASX:EHL).

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