



ASX Release  
29 July 2015

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

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## FOURTH QUARTER OPERATIONAL UPDATE

### HIGHLIGHTS:

- **Group utilisation averaged 74% in Q4 FY15**
- **Revenue for Q4 was \$65.3 million (unaudited) up 21% on the previous corresponding period**
- **Emeco unveils the Emeco Operating System (EOS), its fleet management and applications technology platform, to improve service offering to customers**
- **Project Fit expected to realise cost savings of \$14 million in FY16**
- **Canada wins rental contract in Labrador iron ore region**
- **Chilean rental business enters into partnership agreement with Thiess on Encuentro project**
- **Discussions with Orionstone concluded and Rentco transaction terminated**

Emeco is pleased to provide a fourth quarter operational update demonstrating an improved operating performance heading into FY16 compared to the previous corresponding period (PCP). There has been a significant increase in utilisation rates and an emerging improvement in margins as higher utilisation delivers fixed cost leverage and our previously announced Project Fit initiatives drives incremental costs savings.

Managing Director, Ken Lewsey, said, "Emeco enters FY16 in a strong position, global utilisation is currently averaging 74% combined with margin improvements resulting from Project Fit which is expected to drive earnings growth. We continue to focus on improving our core business and identifying opportunities to succeed during challenging market conditions."

### THE EMECO OPERATING SYSTEM (EOS)

Emeco is pleased to announce release of the Emeco Operating System (EOS), its fleet management and mining technology platform.

Emeco has been developing this technology over FY15 and successfully implemented the system on our fleet operating at Alkane's Tomingley gold operations. Alkane COO, Nic Earner, said, "EOS has benefitted us by bringing equipment and operating data together in real time to help manage our fleet better. Since working with Emeco we've received real time information by dig unit, haul unit and operator and commenced working with our operators to understand how we can get the fleet working more efficiently".

Ken Lewsey said, "Emeco continues to work closely with customers to identify how we can better meet their equipment needs. Not only does EOS provide asset performance information to our customers, it can improve productivity and assist with reducing operating costs".

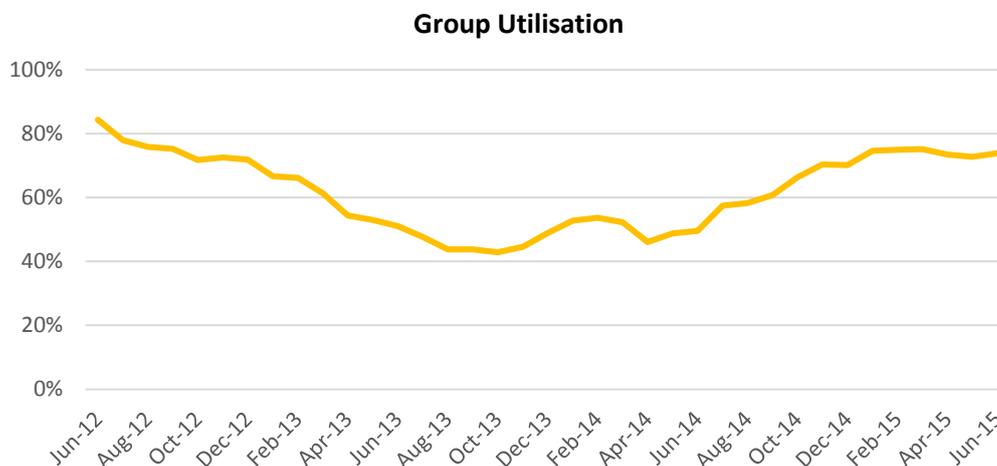
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“In addition to our cost out program Project Fit, the value added service provided by EOS is expected to further drive margin improvements to Emeco through maintenance efficiency gains and sharing operating cost benefits achieved by our customers.”

The official launch of EOS will be taking place at the 2015 Diggers & Dealers conference, where we will demonstrate how EOS has improved the service Emeco offers to its customers.

### OPERATING PERFORMANCE

Group utilisation averaged 74% for the fourth quarter. Although we experienced the usual seasonal downturn in Canada this was offset by non-oilsands related rental in Canada and a number of previously announced projects commencing in Queensland during May. A strong project pipeline is expected to maintain this level of utilisation over Q1 FY16.



### BUSINESS UNIT REVIEW

#### Canada

The Canadian rental business experienced its seasonal post winter drop in utilisation averaging 60% for Q4 FY15 (compared to 47% PCP). The improved business performance on the prior period was driven by the previously announced commodity diversification with units placed across three sites with a large coal company. In addition we have placed a small number of units on a three-year contract into the Labrador iron ore region with Tata steel.

#### Chile

Emeco recently announced that its Chile rental business signed a partnership agreement with leading global mine contractor Thies. The partnership agreement relates to the four year mining contract awarded to Thies for the pre-strip operations at AMSA’s Encuentro open pit copper mine. Emeco will continue to provide mining and ancillary fleet support for the tenure of the contract.

In addition to the Thies partnership, our Chilean business has placed four 793s at AMSA’s Esperanza site, ensuring utilisation remains above 90% for Q1 FY16. This wet hire contract demonstrates the strong relationship Emeco maintains with its customers and the flexibility in our business model to meet customer’s needs.

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## **New South Wales**

New South Wales continues to lead our Australian rental businesses with Q4 FY15 utilisation averaging 94%. With a strong project pipeline we expect this business to continue operating at this level of utilisation for the foreseeable future.

## **Queensland**

The Queensland rental business commenced a number of new projects during the fourth quarter improving Q4 FY15 average utilisation to 75%. Queensland ended the quarter at 85% compared to 10% PCP, which is expected to drive greater earnings over Q1 FY16 compared to the prior year. Similar to New South Wales, Queensland has a strong project pipeline which is expected to maintain current levels of utilisation from the commencement of FY16.

## **Western Australia**

Our Western Australian business is currently operating at 40% utilisation (Q4 FY15 average 49%) following the cessation of a rental contract with long-term customer Saracen.

Following a highly competitive tender process Emeco has ceased rental services with Saracen, representing an approximate 20% reduction in Western Australia's utilisation. Ken Lewsey said, "it is disappointing we missed out on working with Saracen at their Thunderbox operations, however, with sustained global utilisation over 70% management is focussed on improving margins during FY16."

"With a strong project pipeline in Australia we expect to return idle assets back to work over first half FY16. This may include relocation of fleet to Queensland and New South Wales."

## **BUSINESS IMPROVEMENT PROGRAM**

As part of the ongoing business improvement program (Project Fit), measures have been implemented that are expected to realise a \$14 million reduction to Emeco's cost base in FY16 with additional initiatives expected to achieve savings in excess of this figure beyond FY16. This cost saving is incremental to the previously announced one off costs incurred in FY15 and additional earnings driven from improved utilisation. Cost reductions identified through Project Fit are expected to provide lasting improvements to Emeco's margins.

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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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