Emeco

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EQUIPMENT SOLUTIONS FOR MINING

ASX Release

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Level 3, 71 Walters Drive
Osborne Park WA 6017, Australia
PO Box 1341, Osborne Park DC WA 6916, Australia
T +61 (0) 8 9420 0222 **F** +61 (0) 8 9420 0205
E corporate@emecogroup.com
emecogroup.com
Emeco Holdings Limited ACN 112 188 815

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

FOURTH QUARTER OPERATIONAL UPDATE

HIGHLIGHTS:

- **Group utilisation averaged 77% in Q4 FY16, while operating utilisation averaged 40%**
- **Revenue for Q4 FY16 was $44.4 million (unaudited), underlying operating EBITDA margin improved to 28.6%, up from 24.2% in Q3 FY16**
- **FY16 unaudited operating EBITDA of $54.2 million, up $11.0 million (25%) on FY15 and within the public guidance range of $53 - $57 million**
- **Year-end cash balance $24.8 million, net debt down $49.0 million over FY16**
- **Fire in oilsands region in Canada significantly impacted operations with two month industry closure**

Emeco today provided a fourth quarter trading update with the group generating revenue of $44.4 million and underlying operating EBITDA of $12.7 million over the period. FY16 unaudited operating EBITDA of $54.2 million includes end of financial year adjustments totalling $5.3 million.

Managing Director, Ian Testrow, said "Cost reductions and efficiency improvements over FY16 improved our financial performance with 25.3% operating EBITDA growth on the prior year. This is a great achievement by the business in light of the difficult operating conditions over the past 12 months."

Mr Testrow commented, "Difficult operating conditions continued into the fourth quarter with fire devastating the Canada oilsands region. Proactive management by our Canadian team ensured no employees were harmed."

Average operating utilisation in the Australian operations continued to improve in Q4, however overall average operating utilisation remained at 40%. As such there remains significant upside capacity in our fleet. The uplift in Australia was offset by the transition of our Chile fleet from Encuentro to Esperanza.

Q4 FY16 revenue of $44.4 million was down 18.1% on Q3 FY16 revenue of $54.0 million, primarily as a result of a reduction in Canadian revenues. While Canada revenues have reduced, the HMER partnership has enabled a substantial reduction in costs in the business, such that Canada is now generating positive EBITDA. The restructuring of the Canada business and other Project Fit initiatives improved the underlying Operating EBITDA margins to 28.6%, up from 24.2% in Q3 FY16.

As previously mentioned we implemented Project Fit phase 2 during Q3 FY16 which is expected to achieve incremental cost reductions of $13.1 million. Combined with phase 1 this brings total Project Fit savings to $26.7 million. Emeco's focus now moves to "Operational Excellence" with the objective of reducing cost of goods sold, particularly in repairs and maintenance.

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The business generated operating cash flow of $19.6 million over Q4 FY16, with capital expenditures of $11.3 million and disposals generating $5.9 million. Net cash flow for the quarter was $11.8 million.

"During a challenging year the business maintained tight capital management resulting in a year-end cash balance of $24.8 million, $3.0 million below the prior year. This is a good result considering the weakening Canada business and poor conditions in the second hand equipment market impacting asset disposals. When combined with the US$52.3 million bond purchase in December the business has reduced net debt by $49.0 million over FY16", Mr Testrow said.

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Investor and media enquiries
Brendan Shalders
General Manager, Strategy & Corporate Development
+61 8 9420 0258

About Emeco **emecogroup.com**

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).