



ASX Release

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

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Emeco Holdings Limited ACN 112 188 815

FITCH CREDIT RATING DOWNGRADE

Emeco Holdings Limited (ASX: EHL) noted Fitch Ratings (Fitch) lowered its credit rating for Emeco from 'CC' to 'C' on 3 October 2016. The rating does not impact Emeco's debt structure, finance costs or the Company's pursuit of the recapitalisation and merger transaction announced by Emeco on 23 September 2016 (**Transaction**).

The Fitch rating downgrade and recent announcements by Moody's Investor Services (**Moody's**) on 27 September 2016 and Standard & Poor's Ratings Services (**S&P**) on 26 September 2016 reference the Company's pursuit of the Transaction. Under the Moody's, S&P and Fitch definitions, completion of the Transaction would technically constitute a distressed exchange, resulting in an automatic default rating.

Although Moody's, S&P and Fitch have taken the position that the Transaction qualifies as a "distressed exchange" the Company believes that the Transaction provides noteholders with a full recovery for their claim and the best possible recovery under the circumstances facing the Company at this time.

As indicated in EHL's ASX market release dated 23 September 2016 (**Company Announcement**), under the Transaction, Emeco noteholders will receive a specified number of ordinary shares in the combined group along with new senior secured notes that is structured to provide a full recovery to noteholders. In addition the Company is obligated to make an interest payment to noteholders on the completion date of the Transaction equal to the accrued and unpaid interest as of that date.

Ian Testrow, Emeco's Managing Director, noted in connection with recent rating downgrades, "Although Emeco understands the obligation that Moody's, S&P and Fitch have to issue their respective statements on the treatment of the noteholders pursuant to the Transaction, I feel it is important that the broader context of the Transaction not get lost with these technical announcements."

The Transaction has the strong support of noteholders, with holders of approximately 45% of the notes by value supporting the Transaction as signatories to the restructuring support agreement referred to in the Company Announcement.

Mr Testrow added, "Post Transaction, Emeco will be in a far stronger financial position to drive shareholder value given the enhanced fleet capabilities the Company will have across the Australian market. Moreover, because the average age of the fleet is being significantly reduced, Emeco will be in a position to reduce spending on replacement equipment which will allow the Company to generate additional cash flow for deleveraging and enhancing shareholder returns. In order to ensure that the Company has ample liquidity post-completion of the Transaction, the Company is negotiating the terms of a new A\$65.0 million three-year, revolving credit facility that it anticipates having in place prior to completion of the Transaction.

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Finally, as we have indicated, we believe there are substantial operating synergies that can be achieved and this added benefit to cash flow will also allow us to improve returns to shareholders.”

The Transaction is expected to provide Emeco shareholders (including noteholders receiving shares pursuant to the Transaction) with a meaningfully improved opportunity for realising long term shareholder value. The Company's leverage is significantly reduced pursuant to the Transaction from 7.0x pre-Transaction to 4.4x post-Transaction with further deleveraging expected over time from the Company's enhanced cash flow profile. In addition, with significant capital expenditure savings and cash flow generation from the combined operations and enhanced from operating synergies estimated at A\$15m annually, the Company is poised to continue enhancing the potential for long-term shareholder value. In commenting on the Transaction, Moody's noted the “significant synergies, increased fleet capabilities and capital expenditure savings” which would be created by the Transaction.

“We remain incredibly enthusiastic about the opportunity to implement this restructuring and merger as Emeco will be transformed into a world-class equipment rental provider that will have the ability to drive value for our customers and to create long-term value for all of our stakeholders”, Mr Testrow said.

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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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