

24 July 2017

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

## **Fourth Quarter Operational Update and Unaudited FY17 Result**

- **Continued signs of market strengthening driving improved 4Q17 financial performance following the completion of the acquisitions of Andy's and Orionstone**
  - 4Q17 revenue of A\$94.3 million (up 190% compared to 3Q17)
  - 4Q17 operating EBITDA of A\$29.5 million (up 143% compared to 3Q17)
  - 4Q17 operating EBITDA margin of 31% (down from 41% compared to 3Q17 as a result of one-off costs associated with preparation work on the acquired fleet)
  - 4Q17 average operating utilisation of 51% (down from 56% in 3Q17 as a result of acquiring lower utilisation fleet)
  - Cash balance of A\$17.0 million and net debt of A\$456 million as at 30 June 2017, following payment of significant merger transaction fees in 4Q17
- **Strong safety performance with LTIFR of zero and TRIFR of 2.2 as at 30 June 2017**
- **FY17 unaudited operating EBITDA of A\$83.5 million (up 54% on FY16)**
- **Merger integration proceeding well and Emeco is on track to realise target of A\$15 million annualised synergies by the end of FY18**

Emeco is pleased to provide a trading update for the fourth quarter of financial year 2017, the first period following completion on 31 March 2017 of the mergers of Andy's and Orionstone. In 4Q17, the Company generated strong revenues of A\$94.3 million (up from A\$49.7 million in 3Q17) and operating EBITDA of A\$29.5 million (up from A\$20.4 million in 3Q17) demonstrating added scale following the mergers of Andy's and Orionstone, coupled with improved market conditions. While gross utilisation for 4Q17 remained high at an average of 90%, operating utilisation was down for the quarter, averaging 51%, which was the result of the acquisition of Andy's and Orionstone fleet which had a lower utilisation compared to Emeco's.

This strong financial and operational performance provides Emeco with the ideal platform and scale to capture the opportunity of improving market conditions. In particular, Emeco has significant upside with respect to improving the utilisation of the fleet acquired through the merger and asset swap. Emeco now has an additional 400 pieces of equipment and is focused on boosting operating utilisation and generating greater returns on its assets.

Emeco's EBITDA margin for 4Q17 was 31% (down from 41% in 3Q17). This reduction was due to one-off costs associated with repair and maintenance incurred in improving the acquired fleet from Andy's and Orionstone to meet Emeco's operating standards and preparing the machines for work on new projects, the benefits of which will be realised in FY18. The additional assets acquired from the recent Chile asset swap are expected to generate equivalent earnings in Australia in FY18, with extra upside in the longer term. With all of Emeco's entire asset base now located in Australia, management is focused on Australian operations.

Emeco's total recordable injury frequency rate for FY17 was 2.2 (reduced from 5.6) and its long term injury frequency rate was zero (reduced from 1.1), representing Emeco's continuous focus on improving safety standards and training across the business.

With respect to the merger of Andy's and Orionstone, the integration process is proceeding well, and Emeco is on track to realise the target A\$15 million of annualised synergies by the end of FY18.

Mr Ian Testrow, Emeco CEO and Managing Director, commented: "The Emeco team continues to deliver against its strategic objectives of strengthening our customer value proposition and improving our fleet capability and performance through a focus on maintenance excellence. The team has delivered a significant financial and operational result for 4Q17 while continuing to execute against the integration plans following the mergers with Andy's and Orionstone. These strong results across the business have been delivered while ensuring the safety of our employees, which remains our priority."

Mr Testrow concluded: "The significant increase in revenue in the fourth quarter demonstrates both the new scale and future potential of Emeco following the mergers with Andy's and Orionstone. Emeco's fleet has more than doubled as a result of the merger and the recent asset swap, providing Emeco with the platform for growth. We are focused on ensuring that these additional pieces of equipment are put to work at existing and new projects, particularly with increasing demand in the east coast coal industry."

"In FY18, Emeco will continue to focus on extracting operating cost synergies and ensuring its strict cost discipline and commitment to operational excellence is applied across the integrated company to get costs back down. We will also continue to work on being the best in class in asset management and providing innovative rental solutions, both facilitated by our EOS technology. Through these measures, I believe we will return towards Emeco's pre-merger EBITDA margins over the next 12 months and generate free cash flow to significantly deleverage the Company," Mr Testrow said.

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**Investor enquiries**

Thao Pham  
Chief Strategy Officer  
+61 8 9420 0222

**Media enquires**

Consiglio  
Hayley Morris +61 407 789 018  
Emily Blyth +61 401 601 044

Level 3, 71 Walters Drive, Osborne Park WA 6017, Australia  
PO Box 1341, Osborne Park DC WA 6916, Australia  
Emeco Holdings Limited ACN 112 188 815

[emecogroup.com](http://emecogroup.com)

T +61 (0) 8 9420 0222  
F +61 (0) 8 9420 0205  
E [corporate@emecogroup.com](mailto:corporate@emecogroup.com)

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