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

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Emeco to Acquire Force Equipment

- **Emeco to acquire Force Equipment Pty Ltd ("Force"), a national equipment rental and maintenance business, for an enterprise value of A\$69.8m**
- **Force will provide Emeco with 179 high quality and low hour machines, taking Emeco's fleet to 897 pieces**
- **Force will significantly increase earnings in Western Australia, expand maintenance capabilities and improve customer diversification**
- **Force FY17¹ revenue of A\$86.1m and operating EBITDA of A\$23.6m – implied Acquisition multiple of 2.96x operating EBITDA (pre synergies)²**
- **Emeco's pro forma net debt / FY17 run rate operating EBITDA is expected to reduce from 3.9x to 3.2x³**
- **Acquisition of Force to be funded by a fully underwritten A\$80 million pro-rata accelerated non-renounceable entitlement offer**

Emeco announces that it has entered into a binding agreement to acquire Force for an enterprise value of A\$69.8 million, pre-adjustments for surplus working capital and other customary purchase price adjustments (**Acquisition**). The Acquisition represents a FY17 EV / operating EBITDA multiple of 2.96x (pre synergies and transaction costs)⁴ and will reduce Emeco's pro-forma net debt / FY17 run rate operating EBITDA from 3.9x to 3.2x.⁵

Emeco Managing Director and CEO, Mr Ian Testrow, said: "The Acquisition of Force represents an important step in realising Emeco's strategy of becoming the world's leading provider of equipment rental and to maximise value for shareholders."

"The Acquisition of a market leading business like Force will allow Emeco to grow our rental business in key markets, enhance all-important maintenance capabilities and diversify our customer exposure, including in the iron ore market in Western Australia through its workshop in the Pilbara. Force's component rebuild capability will also mitigate risk of component supply disruption at a critical time in the market."

"The Acquisition of Force has compelling financial benefits, enabling Emeco to strengthen its balance sheet. At an FY17 EV / operating EBITDA Acquisition multiple of 2.96x, the Acquisition will reduce our pro forma

¹ Based on Force's unaudited management accounts for FY17.

² In determining operating EBITDA significant items have been excluded from the statutory result. Operating EBITDA incorporates continuing and discontinued operations.

³ Run rate operating EBITDA represents Emeco's 4Q17 operating EBITDA of A\$29.1 million annualised in order to reflect full year impact of Andy's and Orionstone acquisitions.

⁴ In determining operating EBITDA significant items have been excluded from the statutory result. Operating EBITDA incorporates continuing and discontinued operations.

⁵ Run rate operating EBITDA represents Emeco's 4Q17 operating EBITDA of A\$29.1 million annualised in order to reflect full year impact of Andy's and Orionstone acquisitions.

net debt / FY17 run rate operating EBITDA to 3.2x, down from 3.9x. Emeco is now targeting net debt / operating EBITDA of 1.5x by FY20.”

“Emeco would be pleased to retain the highly regarded Force management team who share our vision of becoming the equipment rental and maintenance market leader. We would welcome Force employees to Emeco and look forward to combining Force’s capabilities with our existing team platform to execute on this strategy.”

“Management’s focus for FY18 continues to remain on ensuring the health and safety of Emeco’s employees, maximising return on capital, disciplined cost management, reducing our debt and exploring additional strategic consolidation opportunities to grow the business,” Mr Testrow concluded.

About Force

Force has extensive capabilities in earthmoving equipment hire and maintenance services. Force’s workshops are strategically located in key mining regions – Perth, Port Headland, Kalgoorlie and Mackay – and are highly complementary to Emeco’s existing rental operations, providing the combined group with a number of attractive growth opportunities.

In addition, Force currently owns 179 pieces of low hour equipment. When combined with Emeco’s existing fleet, the combined group is positioned favourably to provide existing and new customers with innovative, creative and high quality equipment rental whilst also allowing the combined group to strongly pursue the increasing amount of new opportunities arising in the market.

Force has FY17 revenue of approximately A\$86.1 million and FY17 operating EBITDA of A\$23.6 million.⁶

Acquisition aligned with Emeco’s vision

The Acquisition of Force represents a compelling transaction that is consistent with Emeco’s existing strategic growth objectives. Strategic benefits include:

- ✓ **Improved scale in earthmoving equipment rental.** Acquisition provides additional full maintenance rental projects to supports Emeco’s strategy to build scale, particularly in Western Australia
- ✓ **Highly complementary fleet.** 179 pieces of quality low hour equipment that is in high demand
- ✓ **Enhancement of Emeco’s maintenance capabilities.** Access to Force’s critical in-house rebuild facilities and expertise mitigates risk of critical component supply disruption and will support Emeco’s asset management strategy to become the highest quality equipment provider
- ✓ **Strategically located maintenance facilities in Perth, Port Headland, Kalgoorlie and Mackay.** Port Hedland workshop provides beach head to increase iron ore earnings
- ✓ **Retail maintenance.** Provides low capital intensive earnings and widens value proposition and customer offering
- ✓ **Increased customer diversification.** Diversification of Emeco’s customer base through additional mining, contract mining, drilling and original equipment manufacturer customers

⁶ Based on Force’s FY17 unaudited management accounts.

✓ **Force CEO and CFO to join Emeco.** Addition of industry respected quality senior management

Emeco Managing Director and CEO, Mr Ian Testrow, said “The Acquisition of Force is strategically and financially compelling for Emeco. Force is a high quality business that is strongly aligned with our long term strategic goal of becoming the market leader in providing high quality rental equipment to our customers and maximising value for shareholders. We believe the Acquisition will deliver long term value to our shareholders.”

The Acquisition is subject to customary conditions precedent and termination rights in favour of Emeco with completion of the Acquisition expected in November 2017.

Acquisition Funding

The Acquisition enterprise value is A\$69.8 million (pre-adjustments for surplus working capital and other customary purchase price adjustments) and will be funded through a fully underwritten pro-rata accelerated non-renounceable entitlement offer to raise approximately A\$80 million (**Entitlement Offer**).

The Entitlement Offer will be used to fund 100% of the purchase price for the Force Acquisition, transaction costs associated with the Entitlement Offer and Acquisition, and working capital requirements.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for one new Emeco share (**New Shares**) for every 6.4 existing Emeco shares held as at 7:00pm (Sydney time) on Thursday, 2 November 2017 (**Record Date**).

All shares offered under the Entitlement Offer will be issued at a price of A\$0.21 per New Share, which represents an:

- 12.5% discount to the last close price of A\$0.24 on Monday, 30 October 2017; and
- 11.0% discount to the TERP⁷ of A\$0.2359.

Approximately 380.8 million new Emeco shares will be issued under the Entitlement Offer. Each New Share issued under the Entitlement Offer will rank equally with existing Emeco shares on issue. Emeco will, upon issue of the New Shares under the Entitlement Offer, seek quotation of the New Shares on the ASX.

Eligible institutional shareholders will be invited to participate in the accelerated institutional component of the Entitlement Offer (**Institutional Entitlement Offer**), which is being conducted today, Tuesday, 31 October 2017. The retail component of the Entitlement Offer (**Retail Entitlement Offer**) will be open to eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date, from Tuesday, 7 November 2017 to Friday, 17 November 2017. An offer booklet in respect of the Retail Entitlement Offer is expected to be mailed to eligible retail shareholders on Tuesday, 7 November 2017.

The Entitlement Offer is non-renounceable and entitlements will not be tradeable or otherwise transferrable.

⁷ The theoretical ex-rights price (**TERP**) is the theoretical price at which Emeco shares should trade at immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which Emeco shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to Emeco's closing price of A\$0.24 on 30 October 2017.

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Offer timetable

An indicative timetable of key dates in relation to the Entitlement Offer is set out below. All dates and times are references to Sydney, Australia.

| Event | Date |
|--|---------------------------------|
| Trading halt and announcement of Acquisition and Entitlement Offer Institutional Entitlement Offer opens | Tuesday 31 October 2017 |
| Institutional Entitlement Offer closes | Wednesday 1 November 2017 |
| Trading halt lifted and trading resumes on an “ex-entitlement” basis | 2 November 2017 |
| Record Date for determining Eligible Shareholders under the Entitlement Offer | 7.00pm Thursday 2 November 2017 |
| Retail Entitlement Offer opens and Retail Offer Booklet despatched | Tuesday 7 November 2017 |
| Settlement of New Shares issued under the Institutional Entitlement Offer | Wednesday 8 November 2017 |
| Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer | Thursday 9 November 2017 |
| Retail Entitlement Offer closes | 5.00pm Friday 17 November 2017 |
| Settlement of Retail Entitlement Offer | Friday 24 November 2017 |
| Allotment of New Shares issued under the Retail Entitlement Offer | Monday 27 November 2017 |
| Despatch of holding statements and normal trading of New Shares issued under Retail Entitlement Offer | Tuesday 28 November 2017 |

Note: The timetable above is indicative only and may be subject to change. Emeco reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Emeco reserves the right to extend the closing date of the Entitlement Offer, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares.

Further information

Further details of the Acquisition and the Entitlement Offer are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Entitlement Offer.

If you have any questions in relation to the Entitlement Offer, please contact the Emeco Entitlement Offer Information Line on 1800 689 300 (within Australia) or +61 1800 689 300 (outside of Australia) between 8:30am and 5:00pm (Sydney time) Monday to Friday. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

Macquarie Capital (Australia) Limited (**Macquarie Capital**) is acting as sole financial adviser to Emeco on the Acquisition. Macquarie Capital and Morgans Corporate Limited are acting as joint lead managers and joint underwriters to the Entitlement Offer. Baker McKenzie is acting as legal adviser to Emeco. Azure Capital is acting as sole financial adviser to Force.

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Established in 1972, Emeco is the world's largest, independent mining equipment rental business and currently services major resource projects across Australia. Emeco operates a global fleet of OEM machines 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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