ASX Release

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28 February 2018

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

Earnings growth, reduced leverage and strong momentum

- **Continued strong safety performance:** 33% reduction in total recordable injury frequency rate over 1H18 (down from 2.2 to 1.5), a 79% reduction since the end of 1H17
- **Improved financial performance:**
  - Operating EBITDA of $67.0 million (up 140% from 1H17)
  - Operating EBITDA margin of 39.2%, (up from 37.9% in 1H17)
  - Operating EBIT of $37.5 million, (up 971% from 1H17)
  - Operating NPAT of $14.4 million, positive for the first time since 2H13
- **Strengthened balance sheet:** Pro-forma run rate net debt / EBITDA reduced to 2.6x[1], with the Company on track to achieve its target leverage of 1.5x by FY20
- **Force acquisition:** Acquisition of Force Equipment provided capability to perform component work at a 20-25% discount to OEMs
- **Significant opportunities for future earnings growth:** Well placed to increase utilisation and revenue through the remainder of FY18 and building into FY19

Emeco today released its financial results for 1H18 highlighting significantly improved operating EBITDA up 140% from 1H17 to $67.0 million and an increased operating EBITDA margin of 39.2% (up from 37.9% in 1H17). Emeco achieved operating EBIT of $37.5 million and operating NPAT of $14.4 million.

Commenting on the Company's 1H18 results, Emeco's Managing Director, Mr Ian Testrow said: "Emeco continues to execute on its strategy to become a high quality and low cost provider of mining rental equipment solutions, with increased earnings and scale, enhanced component rebuild capabilities and a stronger balance sheet."

Mr Testrow continued: "The safety of Emeco's people remains our number one priority. I am very pleased with how our team has maintained a strong commitment to safety through the integration of the three acquisitions. Over 1H18, Emeco saw a 33% reduction in the total recordable injury frequency rate, down from 2.2 to 1.5 driven by our continued focus achieving zero harm and the development of standardised best practices across all of our operating regions."

"Our strong financial results were driven by improved market conditions and our strong operational excellence focus and cost discipline. In addition, we have achieved a significant increase in operating EBIT and our first period of positive operating NPAT since 2013, which represents a significant milestone for Emeco."

"The outlook for the remainder of FY18 and beyond is positive, as improved market conditions have resulted in project wins and increased demand for equipment. With capacity for our fleet to work harder, there is a significant opportunity to increase operating utilisation for future earnings growth. We expect utilisation rates and revenue to pick up throughout the second half of the financial year."

[1] Pro forma run rate leverage based on pro forma operating EBITDA calculated as 2Q18 Group operating EBITDA (including one month contribution from Force) annualised plus two-thirds of Force's FY17 operating EBITDA.

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"Management remains focused on continuing to enhance our customer value proposition through engineering applications, facilitated by our EOS technology, and less capital intensive retail maintenance services from the Force Equipment business to increase revenue. The acquisition of Force Equipment also provides the Company with component rebuild capability, allowing us to save over 20% in component costs."

"We continue to focus on strengthening Emeco's balance sheet and further deleveraging the Company, with our pro forma run rate net debt / EBITDA reduced to 2.6x[1]. We believe we are on track to achieve our target leverage of 1.5x by FY20 and position the Company to refinance its senior secured notes on more favourable terms."

"I would like to thank all of our employees, shareholders, noteholders and wider stakeholders for their continued support of Emeco."

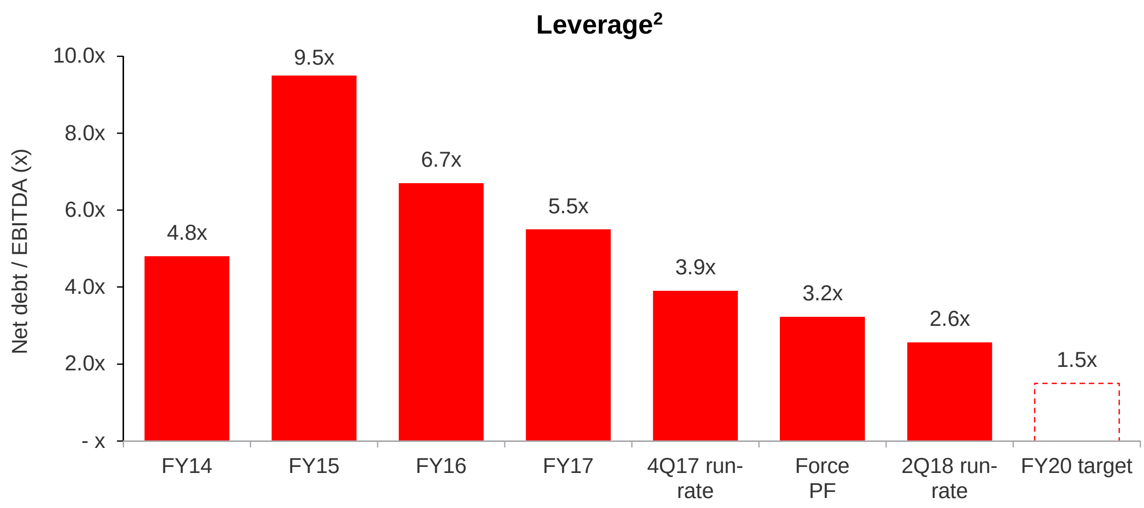
OPERATING FINANCIAL RESULTS

A$m	1H17	1H18	Change
Operating revenue	73.6	171.1	+132%
Operating EBITDA	27.9	67.0	+140%
Operating EBITDA margin	37.9%	39.2%	+130bps
Operating EBIT	3.5	37.5	+971%
Operating NPAT	(28.8)	14.4	Na

BALANCE SHEET AND CASH FLOW

In 1H18, Emeco generated operating free cash flow of $90.0 million, up from $16.0 million in 1H17 driven by a significant increase in operating EBITDA and the normalisation of Emeco's working capital balance post-30 June 2017.

With net debt reducing by $50.0 million over 1H18 to $407.1 million, pro forma run rate net debt / EBITDA reduced to 2.6x[1].



[2] Force PF based on Emeco's 4Q17 run rate EBITDA and Force's FY17 operating EBITDA. 2Q18 run-rate based on pro forma 2Q18 run rate net debt / EBITDA calculated as 2Q18 Group Operating EBITDA (including one month contribution from Force) annualised plus two-thirds of Force's FY17 Operating EBITDA.

RESULTS BREIFING WEBCAST

Date: Wednesday, 28 February 2018
Time: 8.00am (Perth time)
URL: http://www.openbriefing.com/OB/2801.aspx

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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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