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

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Emeco to acquire Matilda Equipment

- **Emeco to acquire Matilda Equipment Holdings Pty Ltd ('Matilda Equipment'), a national equipment rental business for an enterprise value of A\$80m**
- **Implied Acquisition multiple of 3.3x 3Q18 operating annualised EBITDA¹**
- **Emeco's pro forma net debt / 3Q18 annualised operating pro forma EBITDA reduced from 2.5x to 2.1x²**
- **Matilda Equipment specialises in individual rentals of high demand, low-hour, late model mining ancillary equipment**
- **Niche business model facilitates premium rates and low R&M costs, generating high EBITDA margins**
- **Highly cash generative business given low capex requirements**
- **Complementary business model providing a channel for sustaining Emeco's ongoing ancillary equipment capex requirements**
- **Acquisition of Emeco to be funded by a fully underwritten A\$90 million pro-rata accelerated non-renounceable entitlement offer**

Emeco announces that it has entered into a binding agreement to acquire Matilda Equipment for an enterprise value of A\$80.0 million, pre-adjustments for surplus working capital and other customary purchase price adjustments (**Acquisition**).

The Acquisition represents a 3.3x EV / 3Q18 annualised operating EBITDA multiple (excluding transaction costs)¹ and will reduce Emeco's pro-forma net debt / 3Q18 annualised operating EBITDA from 2.5x to 2.1x.²

Emeco Managing Director and CEO, Mr Ian Testrow, said: "Matilda Equipment provides Emeco with a niche equipment rental business, allowing it to provide customers an additional service offering. By specialising in low hour, late model, in demand ancillary mining equipment, Matilda Equipment generates strong EBITDA margins and cash, which is in line with Emeco's deleveraging strategy."

¹ Matilda Equipment 3Q18 figures annualised (i.e. multiplied by four), based on unaudited management accounts for the quarter ended 31 March 2018 and normalised for the following items: profit on sale of assets (\$0.3m decrease), contract margin changes (\$0.1m increase), executive salary (\$0.1m decrease) and discontinued leases (\$0.1m increase).

² Net debt as at 31 December 2017 based on Emeco's reviewed 1H18 statement of financial position and adjusted for the indicative impact of an acquisition of Matilda Equipment if it were to have completed on 31 December 2017. Acquisition adjustment includes A\$80m purchase price plus transaction costs of \$2.0m. The net proceeds from the Entitlement Offer are calculated based on estimated costs of A\$3.0m. Annualised operating pro forma EBITDA represents Emeco's unaudited 3Q18 EBITDA for the period ending 31 March 2018 of A\$41m and Matilda Equipment 3Q18 operating EBITDA per footnote 1. Emeco 3Q18 EBITDA includes full year impact of the Force acquisition which completed on 30 November 2017. In determining Emeco's operating EBITDA, significant items have been excluded from the statutory result (refer to Investor Presentation lodged with ASX today for further details).

“Combining Emeco and Matilda Equipment also provides Matilda Equipment with a disposal channel as its equipment reaches the end of its first component life, whilst giving Emeco an additional channel for refreshing and sustaining our fleet of ancillary equipment. The Force component rebuild capability allows us to run these assets through multiple component lives, extending equipment life, lowering costs and further reducing capital expenditure requirements. There is a strong strategic rationale for combining and creating value for the two businesses.”

“At an attractive implied Acquisition multiple, the acquisition of Matilda Equipment has compelling financial benefits, enabling Emeco to continue to strengthen its balance sheet. This will help ensure Emeco is on track to achieve leverage below 2.0x in FY19 and below its 1.5x target in FY20.”

Mr Testrow continued: “We are pleased to welcome Matilda Equipment’s founding CEO, Dan Jauncey, its CFO, Damien Wilson, and the entire Matilda Equipment team to Emeco. Matilda Equipment has a strong cultural alignment to Emeco’s, centered on entrepreneurialism and a customer first approach to providing equipment rental solutions. Matilda Equipment’s deep relationships in the market, in conjunction with its strong procurement capabilities when combined with Emeco’s existing platform presents an exciting opportunity for Emeco going forward.”

About Matilda Equipment

Matilda Equipment operates a niche high margin business model, leveraging its deep customer relationship in key mining regions to provide individual rentals of low hour, late model ancillary equipment.

Its fleet of 83 pieces of mining equipment has an average age of 9,300 hours compared to the existing Emeco portfolio average of 25,000 hours. Matilda Equipment typically sells its equipment as it approaches the end of its first component life.

Matilda Equipment generated 3Q18 annualised operating revenue of A\$34 million and 3Q18 annualised operating EBITDA of A\$24 million.³

Acquisition aligned with Emeco’s strategy

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

- ✓ **Late model, low-hour in demand fleet.** Matilda Equipment provides an additional in-demand, young fleet of 83 pieces of ancillary equipment at work and rent-ready.
- ✓ **Strong cash flow.** Matilda Equipment is a high margin, strong earnings and cash flow business given its low capex requirements, which is aligned with Emeco’s aggressive deleveraging strategy.
- ✓ **Complementary business model.** Upon reaching the end of first life components, Matilda Equipment fleet can be used to supplement Emeco’s fleet of ancillary equipment.
- ✓ **Enhanced market position.** Allows Emeco to provide an additional rental offering to customers, increasing Emeco’s platform to pursue growth.

³ Based on 3Q18 revenue and operating EBITDA based on Matilda Equipment’s unaudited management accounts for the period ending 31 March 2018, with certain adjustments.

- ✓ **High quality management team.** Experienced management team to continue with Emeco post-transaction.

Emeco Managing Director and CEO, Mr Ian Testrow, said: “The Acquisition of Matilda Equipment is strategically and financially compelling for Emeco. Matilda Equipment is a high quality and complementary business that is strongly aligned with our long term strategic goal of becoming the market leader in providing high quality, low cost 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 conditional on completion of the Entitlement Offer (described below) and has termination rights in favour of Emeco with completion of the Acquisition expected in early July 2018.

Acquisition Funding

The Acquisition enterprise value is A\$80 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\$90 million (**Entitlement Offer**).

The Entitlement Offer will be used to fund 100% of the purchase price for the Matilda Equipment 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 7.8 existing Emeco shares held as at 7:00pm (Sydney time) on Wednesday, 2 May 2018 (**Record Date**).

All shares offered under the Entitlement Offer will be issued at a price of A\$0.25 per New Share, which represents a:

- 10.7% discount to the last close price of A\$0.28 on Friday, 27 April 2018; and
- 9.6% discount to the TERP of A\$0.2766.⁴

Approximately 360 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, Monday, 30 April 2018. The retail component of the Entitlement Offer (**Retail Entitlement Offer**) will be open from Monday 7 May 2018 to Thursday 17 May 2018 to eligible retail shareholders with a registered address in Australia or New Zealand as at 7:00 pm (Sydney time) on the Record Date. An offer booklet in respect of the Retail Entitlement Offer is expected to be mailed to eligible retail shareholders on Monday, 7 May 2018.

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

⁴ 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\$0.28 on 27 April 2018.

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	Monday 30 April 2018
Institutional Entitlement Offer closes	Tuesday 1 May 2018
Trading halt lifted and trading resumes on an "ex-entitlement" basis	Wednesday 2 May 2018
Record Date for determining Eligible Shareholders under the Entitlement Offer	7:00 pm Wednesday 2 May 2018
Retail Entitlement Offer opens and Retail Offer Booklet dispatched	Monday 7 May 2018
Settlement of New Shares issued under the Institutional Entitlement Offer	Tuesday 8 May 2018
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer	Wednesday 9 May 2018
Retail Entitlement Offer closes	5:00 pm Thursday 17 May 2018
Settlement of Retail Entitlement Offer	Thursday 24 May 2018
Allotment of New Shares issued under the Retail Entitlement Offer	Friday 25 May 2018
Dispatch of holding statements and normal trading of New Shares issued under Retail Entitlement Offer	Monday 28 May 2018

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 is acting as sole financial adviser to Emeco on the Acquisition. Macquarie Capital (Australia) Limited 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.

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Investor and media enquiries

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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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