



Emeco Holdings Limited Investor Conference Presentation

April 2019



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EMECO'S LONG-TERM VALUE CREATION MODEL

Differentiating Emeco to create a competitive advantage by being the highest quality and lowest cost provider of earthmoving equipment services to drive value through the cycles

Generate returns

- Attractive shareholder returns
- Service debt
- Strong balance sheet to support investment
- Optimised capital structure to reduce WACC

To maximise returns for investors

Reinvest in the business

- Productivity enhancing technology
- In-demand core assets
- Strategically located workshops
- Field service maintenance capability
- Critical inventory levels

To drive growth and performance

Offer compelling customer value propositions

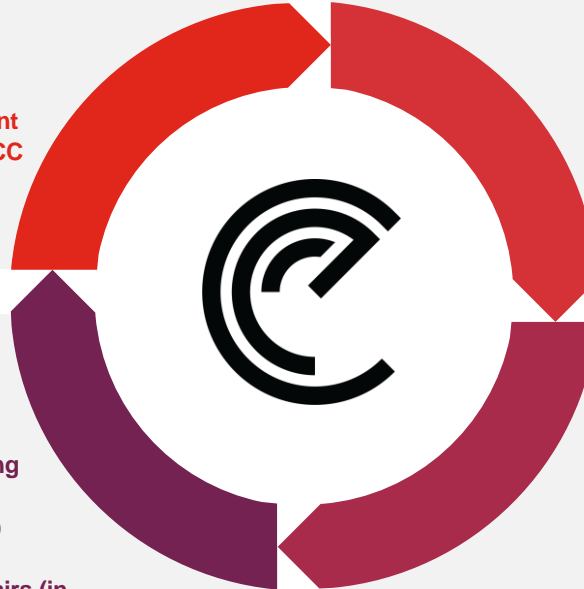
- Deep customer empathy and understanding
- Tailored rental agreements
- Production optimisation technology (EOS)
- Certainty of availability & reliability
- Cost effective component rebuild and repairs (in the field and in Force workshops)

To generate strong earnings and cash flow

Optimise through expertise

- Highest safety standards
- Dedicated and talented workforce
- Technology-driven maintenance planning and reliability engineering
- Quality workmanship
- Industry-leading machine availability

To be the highest quality and lowest cost provider



SUSTAINING EBITDA, MARGINS AND RETURNS

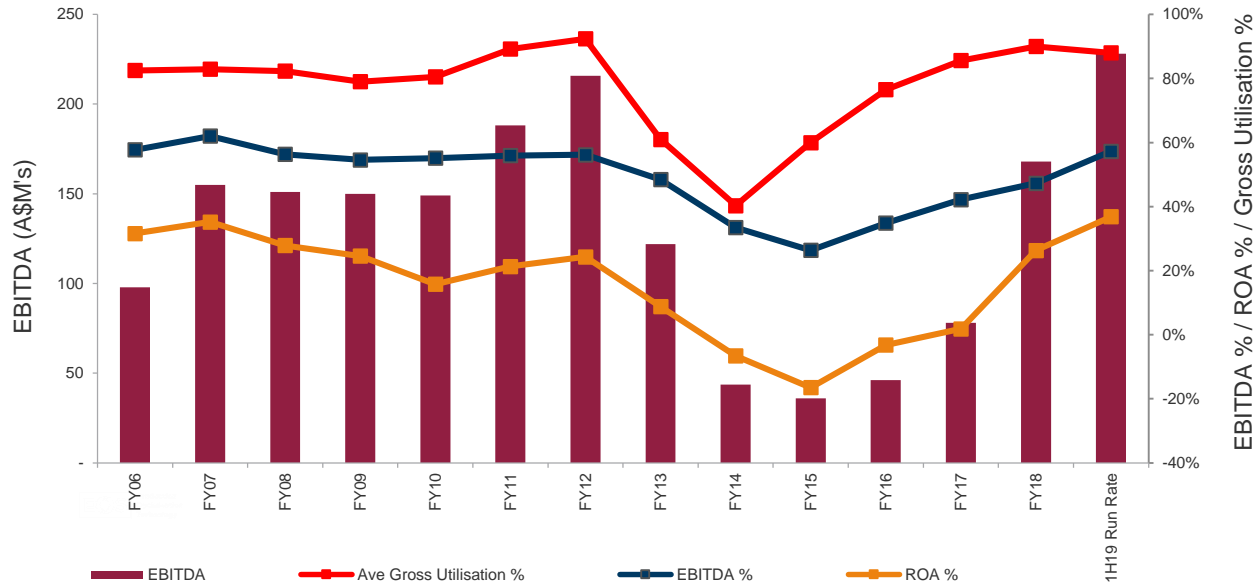
Emeco has significantly improved EBITDA, margins and return on assets and is committed to ensuring its sustainability through the capex and commodity cycles

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To generate strong earnings and cash flow

Emeco historical performance (Australian rental pre-corporate costs)



- Earnings more sustainable
 - Margin recovery partly driven by strong cost management, providing a key strategic advantage compared with our competitors
 - Rates remain approximately 20% below previous peak - opportunity to further recover rates as the equipment market further tightens
- Emeco achieving historically high ROA due to our strategy of running mid life assets and optimising componentry
- Rates and utilisation growth reflected in EBITDA, not necessarily revenue

STRONG EQUIPMENT RENTAL DEMAND

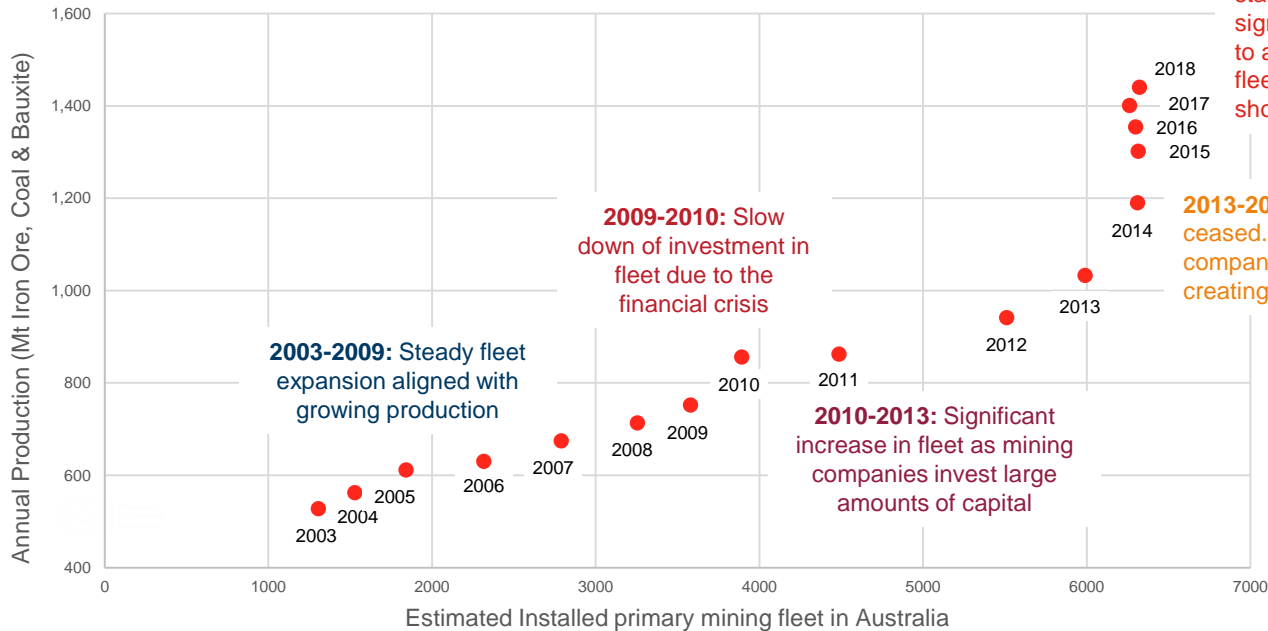
Mining companies remain reluctant to overinvest in fleet following the excesses of 2010 to 2013 – equipment rental becomes a desirable value proposition

Offer compelling customer value propositions

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To generate strong earnings and cash flow

Annual production vs fleet in Australia



2016-present: Investment in fleet stagnant. Mining companies have significantly increased material movement to address overburden backlog. Surplus fleet has been absorbed, creating a shortage of mining equipment

2013-2016: Investment in mining equipment ceased. Production continued with mining companies high grading to reduce costs creating a backlog of overburden stripping

COMMITMENT TO A STRONG BALANCE SHEET

Emeco is continues on its aggressive deleveraging path

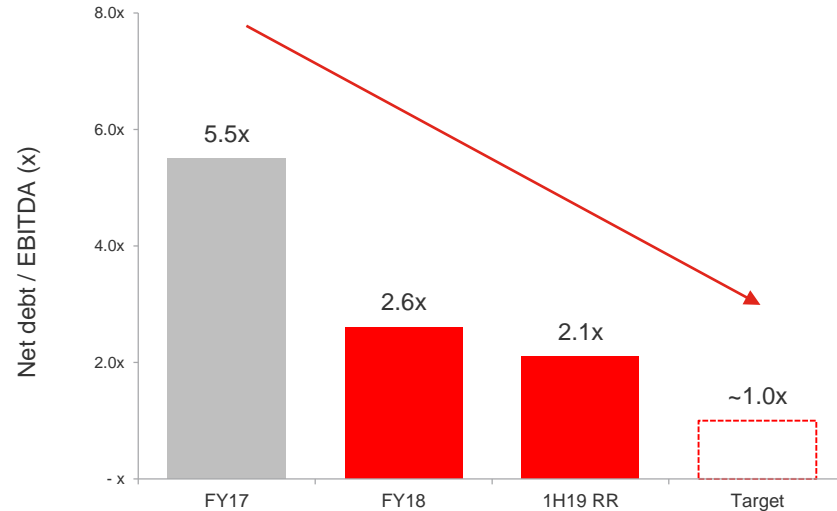
Generate returns

- Attractive shareholder returns
- Service debt
- Strong balance sheet to support investment
- Optimised capital structure to reduce WACC

To maximise returns for investors

- Emeco is focused on ensuring a healthy balance sheet through the cycle
- Emeco is committed to its aggressive deleveraging path (1.0x FY21 target)
- Objective is to refinance notes on more attractive terms, reducing financing costs
- Dividends and share buy backs will be considered post-note refinance
- Emeco will ensure strict capital management discipline to ensure strong returns through the cycle
- Focus is on deleveraging through to FY21

On track to achieve deleveraging target



EXTENSIVE REMAINING LIFE IN EMECO FLEET

While Emeco's fleet is young, Emeco has enhanced its capability to push out equipment lives to take advantage of the market's acceptance for older fleet

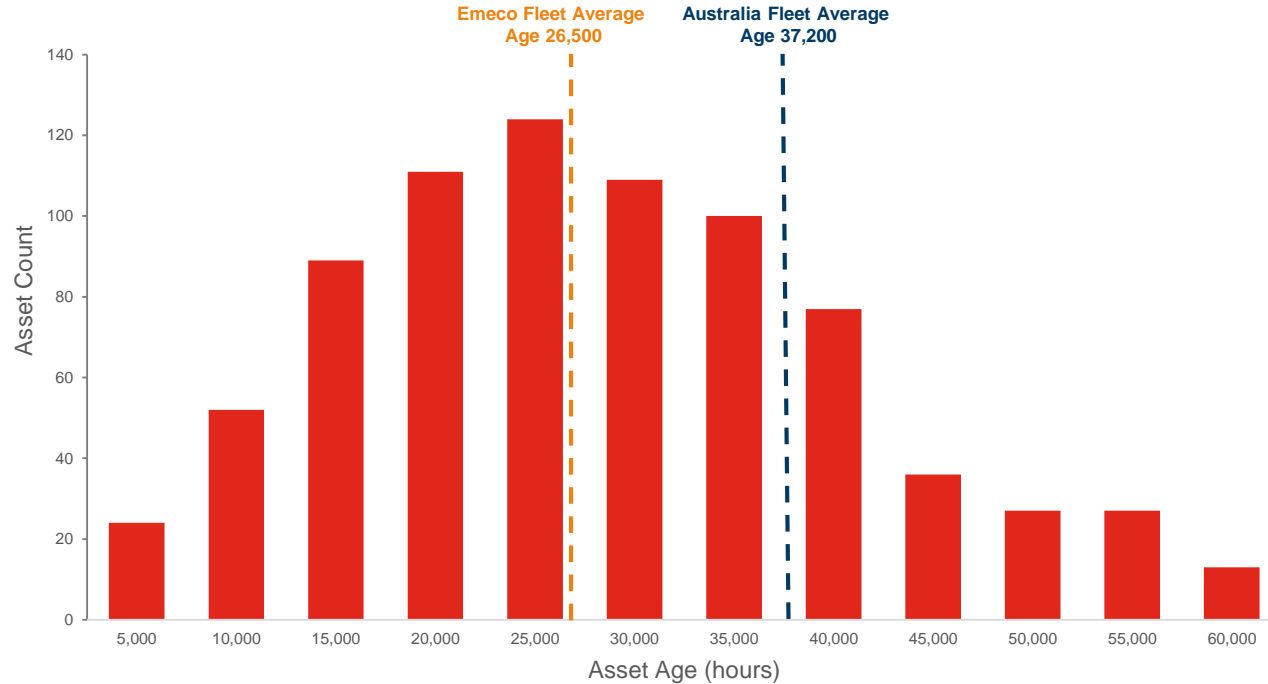
Reinvest in the business

- In-demand core assets
 - Strategically located workshops
 - Field service maintenance capability
 - Critical inventory levels
 - Productivity enhancing technology
- To drive growth and performance

- Emeco's fleet has a blended age profile
- Emeco's fleet is young compared to the average age of fleet throughout the industry
- No significant investment on the existing fleet required in the short to medium term
- Fleet is proactively managed to ensure no significant impending capex bow wave
- With Emeco's improved ability to manage assets, Emeco is pushing out asset lives and reducing costs to create a cost advantage

Results in reduced capital intensity, greater return on assets and reduced life cycle costs

Emeco Fleet Age Profile



RECENT ASSET PURCHASE

Investing in mid-life equipment as part of Emeco's long term fleet configuration strategy

Reinvest in the business

- In-demand core assets
- Strategically located workshops
- Field service maintenance capability
- Critical inventory levels
- Productivity enhancing technology

To drive growth and performance

Purchase possible through Emeco's current core capabilities

- Strong procurement capability in buying mid life assets
- Workshop's ability to rebuild and prepare for works

Assets Emeco wants to hold through the cycles

- Emeco's gross utilisation currently ~90%
- These assets were hand selected
- Assets ranged from brand new to mid-life assets
- All assets are in strong demand - gross utilisation is 100% for these assets in Emeco's existing fleet
- These assets attract the highest returns and achieves the strongest utilisation through the cycles
- Operating utilisation of these assets consistently outperforms the group average

Capital management

- Growth assets will grow Emeco's earnings
- Cash funded transaction, with Emeco comfortably on track to achieve 1.0x leverage target by end of FY21
- Fleet with optimum configuration
- **No further planned growth capex until post-note refinance**
- Net capex expected to remain **in line with depreciation** moving forward – there is no backlog of catch up component works or replacement capex

Disciplined investment decisions based strict return hurdles

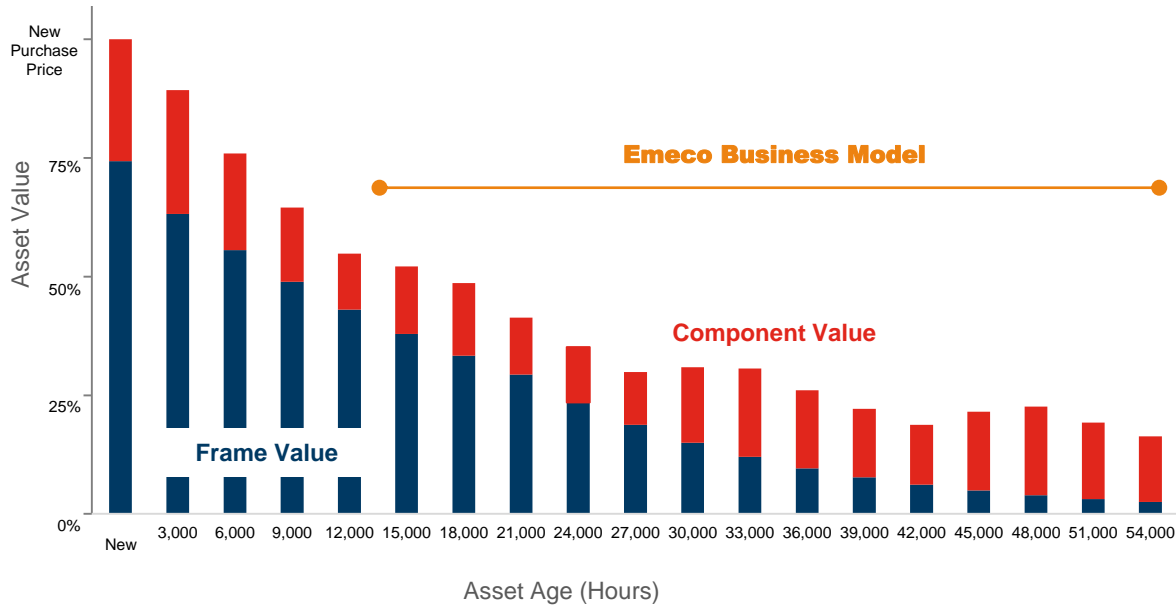
- 3.4-3.6x implied EBITDA multiples, with no goodwill
- ~10% EPS accretive in first full year of earnings contribution
- 17%-20% IRR through their economic life
- \$25m contribution to FY20 EBITDA

VALUE IS IN THE COMPONENTS

Under Emeco's mid-life assets model, the key driver is in component value and managing component life to reduce its life cycle cost and maximise returns



Asset value throughout its life



- Emeco invests in mid-life equipment to optimise the use of capital
- As an asset reaches mid-life, the proportion of the value which lies in the components increases relative to its frame
- Emeco specialises in maximising component life through our centralised planning and reliability engineering ability to rebuild components in house

Benefits of Emeco's mid-life equipment strategy:

- Lower equipment life cycle costs – cost advantage versus competitors
- Lower capital intensity – increased return on assets

WORKSHOP CAPABILITY

Emeco's workshops and craftsmanship capability enables us to rebuild components

Reinvest in the business

- In-demand core assets
- Strategically located workshops
- Field service maintenance capability
- Critical inventory levels
- Productivity enhancing technology

To drive growth and performance



Emeco's workshops capability provides the following benefits:

- Significant capex savings
- More reliable product offering given guaranteed availability of critical spares in a tightening market
- Low capital intensive earnings from retail works



ENGINEERING AND PLANNING CAPABILITY

Advanced analytics delivers optimised asset decisions to ensure industry leading asset performance

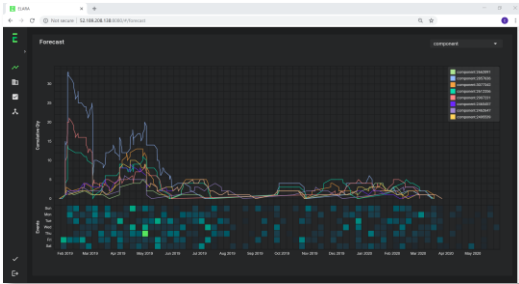
Optimise through expertise

- Highest safety standards
- Dedicated and talented workforce
- Quality workmanship
- Technology-driven maintenance planning and reliability engineering
- Industry-leading machine availability

To be the highest quality and lowest cost provider

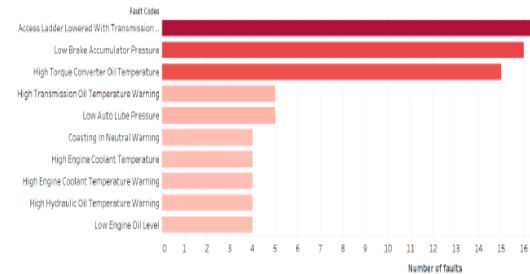
Component analysis

- Reliability engineers monitors the performance of all components for signs of distress or abuse
- Advanced financial and engineering analytics ensures data driven decisions
- Asset telemetry provides real time data
- Central planning function plans for component change out 12 months in advance
- Artificial intelligence tool supports inventory optimisation



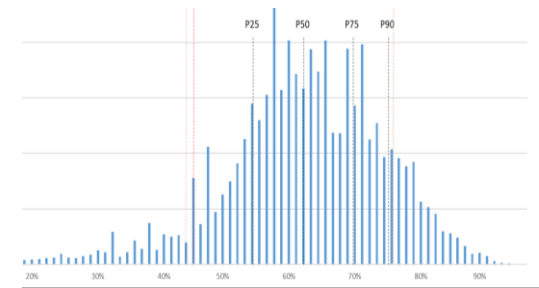
Asset performance management

- Reduction in downtime
- Improvement in availability and reliability
- Visibility on major expenditure forecasts and plans
- Security of parts supply & lowest life cycle cost position
- Data driven decision making



Industry benchmarking

- Use of Quartile One industry database, which contains 85,000 years of mobile equipment industry comparisons with assets on 150 sites globally
- Enables benchmarking with best practice owners globally to drive improved performance
- Valuable reference for optimised decision making tools



REDUCING COMPONENT COSTS

Reducing component costs and extending component life provides Emeco with a competitive advantage in maximising return on assets

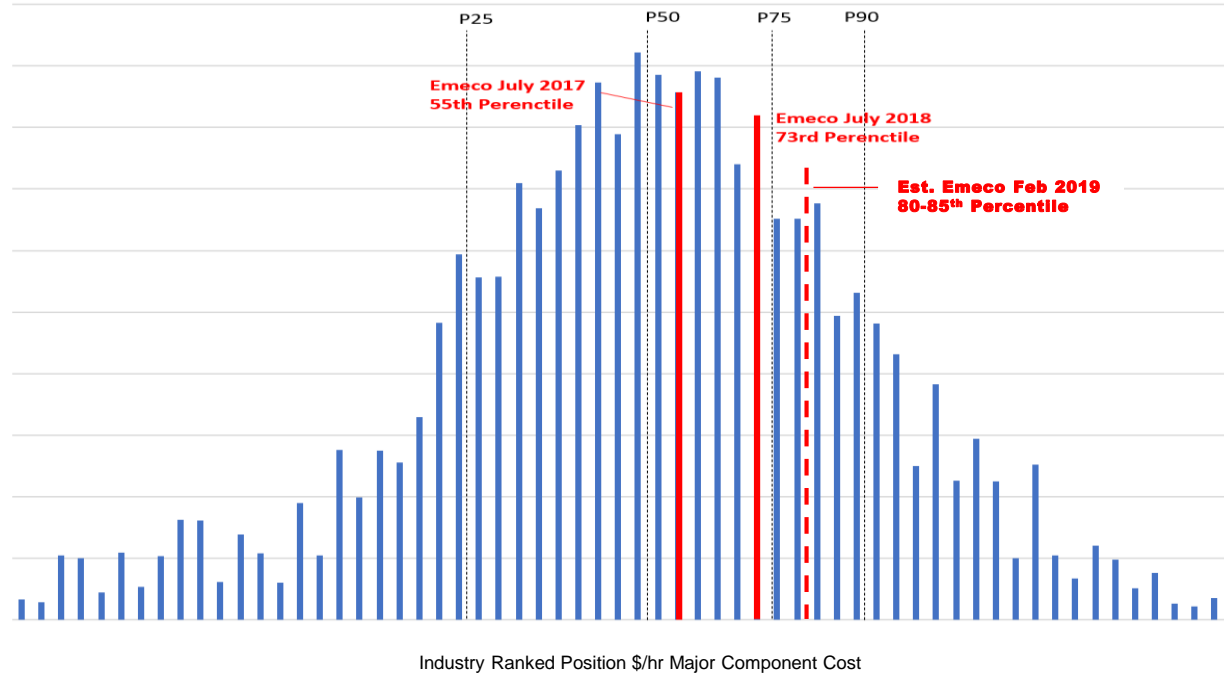
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Major Component Cost per Hour Benchmarking

- Emeco's centralised planning team monitors and manages over 12,000 components
- Optimising componentry is the key to achieving high quality and low costs through reducing component costs and extending component life
- Targets chosen to ensure high reliability and low customer risk
- Emeco continues to improve on its component management against industry peers
- Demonstrates Emeco's ability to grow its fleet whilst maintaining quality and cost advantages



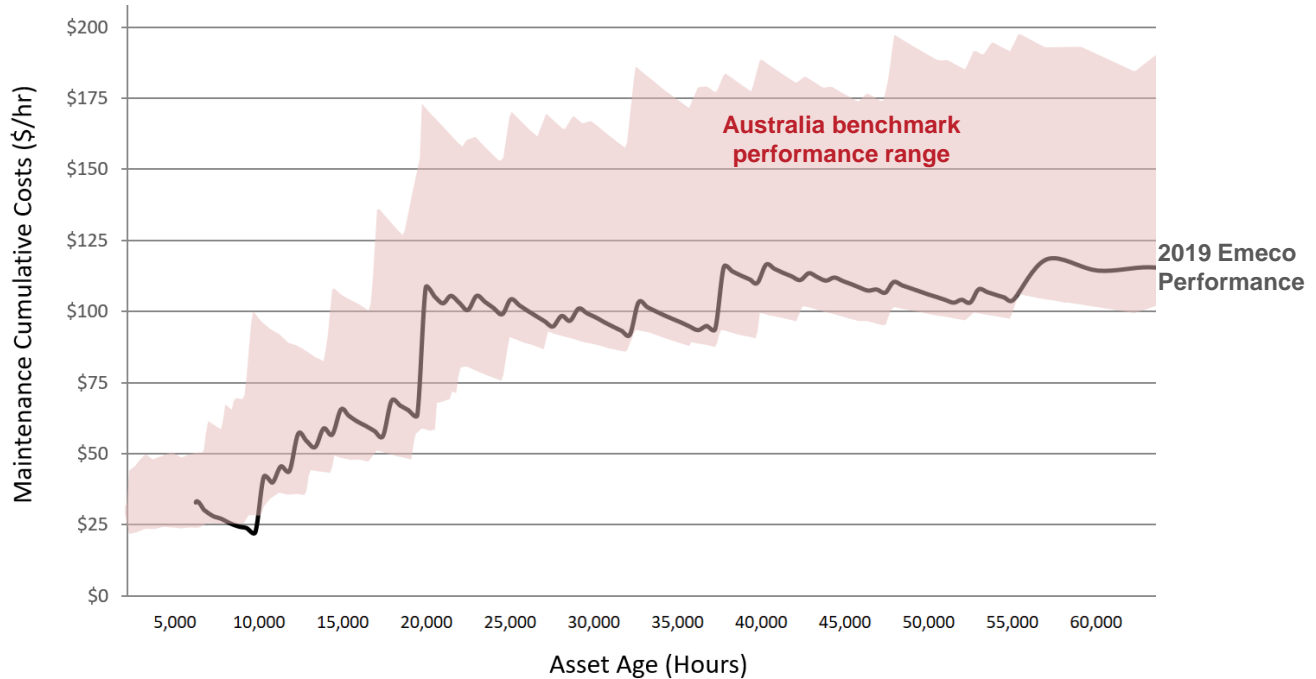
INDUSTRY LEADER IN REDUCING LIFE CYCLE COSTS

Focus on being the highest quality and lowest cost provider of assets ensures Emeco is a leader on the cost curve throughout an asset's life

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To be the highest quality and lowest cost provider



Quartile One: Australia Dozer Benchmark



Thank you

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