

# Emeco Holdings Limited Investor Conference Presentation

27 November 2019



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# FY19 recap

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**\$214.0m**

Operating  
EBITDA

▲ 40%

**46.1%**

Operating  
EBITDA margin

▲ 590bps

**\$125.4m**

Operating  
EBIT

▲ 51%

**27.0%**

Operating  
EBIT margin

▲ 520bps

**\$63.2m**

Operating  
NPAT

▲ 214%

**\$90.1m**

Free cash flow  
(pre-growth capex)

▲ 16%

**\$114.8m**

Workshops  
activity

▲ 56%

**us\$33.8m**

Debt  
reduction

▼ 9.4%

**2.0x**

Net  
Leverage

▼ 0.6x

**21.0%**

Return on  
capital

▲ 140bps

# FY19 – INVESTING IN GROWTH WHILE DELEVERAGING

**Emeco delivered \$90m in free cash flow in FY19 before growth capex**

Strong cash flow in FY19 drove key initiatives in the year

- Reduced our gross debt by US\$33.8 million, decreasing our ongoing interest expense
- Reduced our net leverage to below 2.0x, achieved one year earlier than forecast
- Invested \$85.1 million in a package of growth assets
  - 35 strategic, mid-life assets
  - High demand assets which helps optimise our fleet configuration
  - Assets will achieve 17-20% IRR through their economic life
  - Procured through our vast global network
  - Facilitated by Force workshop rebuild expertise
  - Assets will deliver \$25m EBITDA in FY20



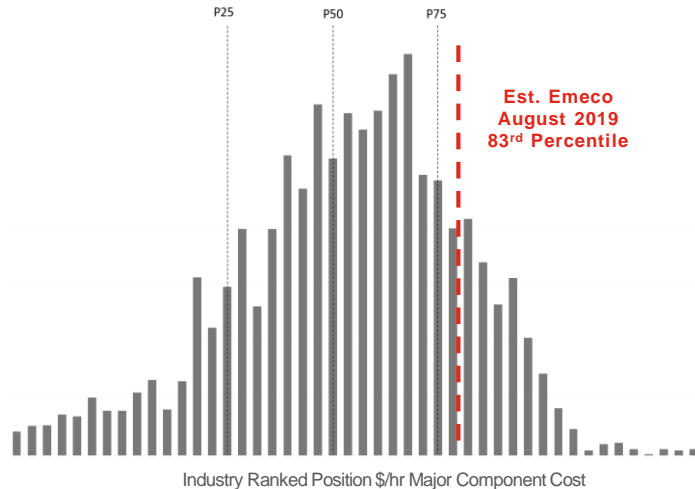
# EFFICIENCIES THROUGH ASSET MANAGEMENT

## Asset management and in-house maintenance extends component lives and saves costs and capex

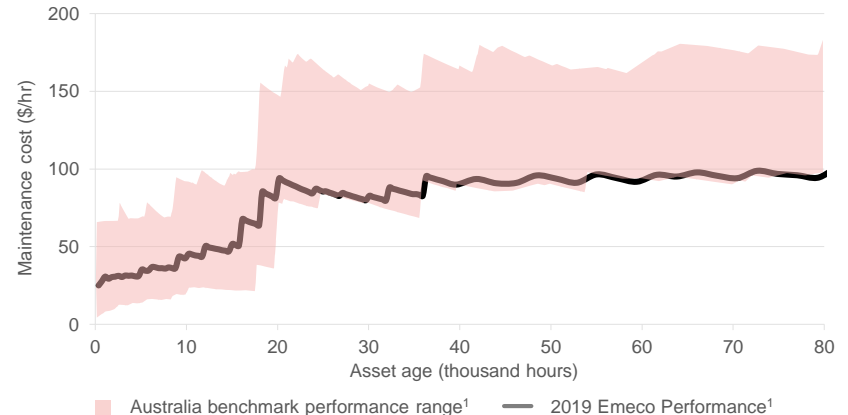
- Emeco's asset management tools ensure we monitor component health and optimise our major component replacement plan in collaboration with our customers
- Our technology, combined with rigorous engineering and commercial analysis, identifies opportunities for improvement over industry practices

- We successfully extend the useful life of many of our major components. Combined with our high-quality Force workshops expertise, we are also able to undertake the works cost-effectively
- Investment in our asset management best practices is our commitment to delivering our customers the lowest cost, highest quality equipment for their projects

### Operational excellence puts us low on the cost curve...



### ...Reducing hourly maintenance costs to be industry leading



Source: Emeco fleet data, Quartile One  
Notes: 1. CAT 789C haul truck life-cycle cost

# FY20 OUTLOOK – ON TRACK FOR FURTHER GROWTH

**Strong start to FY20 – 1H20 operating EBITDA guidance of \$118m to \$120m (up 15% to 17% on 1H19) – Further growth expected in 2H20 as Western Region gains momentum**

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- Strong demand in Eastern Region, particularly in metallurgical coal, with utilisation and rates continuing to improve in a tight equipment market
- Thermal coal remains a solid performing commodity in the portfolio
- New project wins in iron ore and gold in the Western Region, with deployment of fleet on schedule and a strong project pipeline
- Growth assets acquired are now all working across various projects and remain on track to generate \$25 million EBITDA
- Customers remaining disciplined with capital expenditure allocation upholding compelling proposition for rental
- Growth in activity in the Force workshops
- Building customer appetite for additional services around maintenance, rebuilds and in-field service offerings

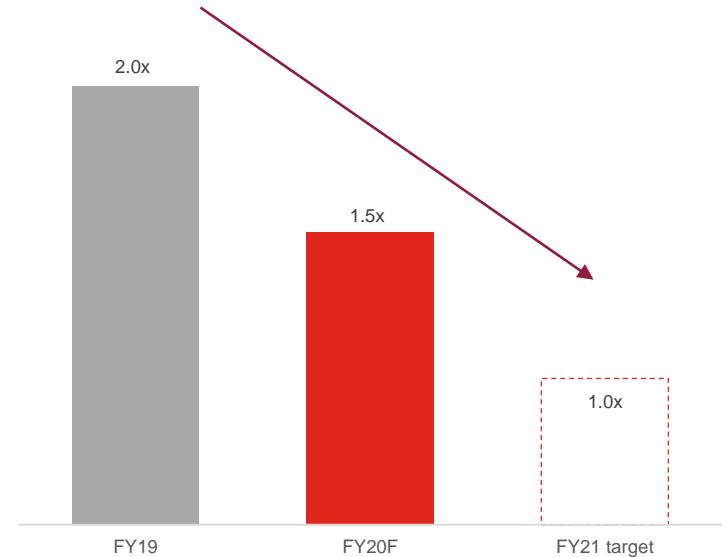


# FOCUS ON DELEVERAGING & STRENGTHENED BALANCE SHEET

Using strong free cash flow to deleverage and refinance notes on more favourable terms

- Focus on further generating strong free cash flows and achieve net leverage of 1.5x by 30 June 2020, 1.0x by 30 June 2021
- Opportune window approaching to refinance US notes:
  - Non-call period on notes expires in March 2020, with notes becoming callable at 104.625 from this date
  - Notes can be called at par (100) from April 2021
  - Comfortable tenor remaining with notes maturing 31 Mar 2022
- Refinance and remaining tenor, together with current strong cash flow generation, allows:
  - Optionality to reduce the gross debt
  - Flexibility to refinance on materially improved terms and reduce ongoing interest costs
- Post-refinancing and deleveraging, the strengthened balance sheet will:
  - Ensure the business is stable and resilient through the cycle with the capacity to take advantage of investment opportunities
  - Provide an opportunity to reward shareholders with returns and dividends

**Leverage (net debt / operating EBITDA)**

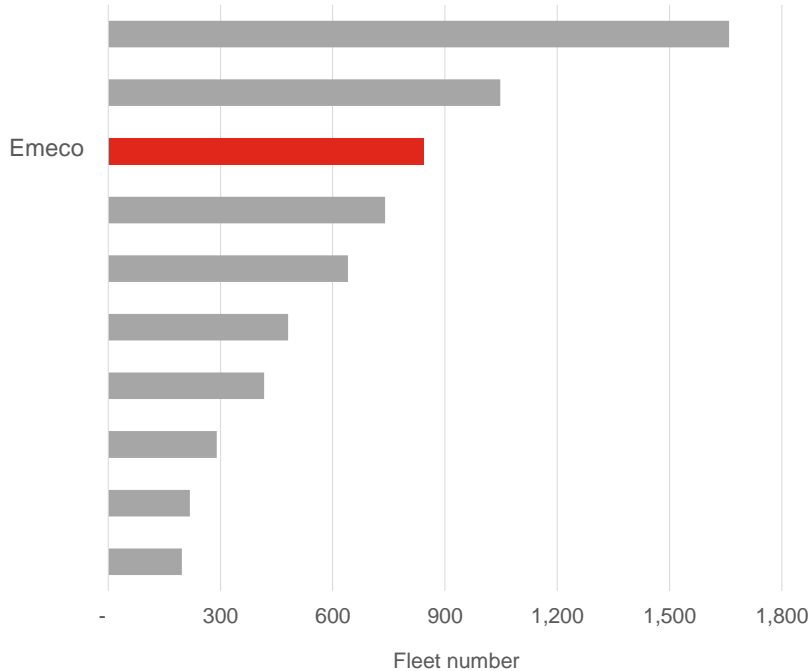


# EMECO HAS A LARGE FLEET SUITED TO AUSTRALIAN MINING







With the 3<sup>rd</sup> largest fleet in Australia (including all miners and service providers), our fleet is configured to meet the demands of operations in all commodities

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### Emeco fleet vs industry peers<sup>1</sup>



### Emeco fleet composition

Trucks		357
Dozers		188
Loaders		101
Graders		68
Excavators		53
Ancillary		29
<b>Total</b>		<b>796</b>

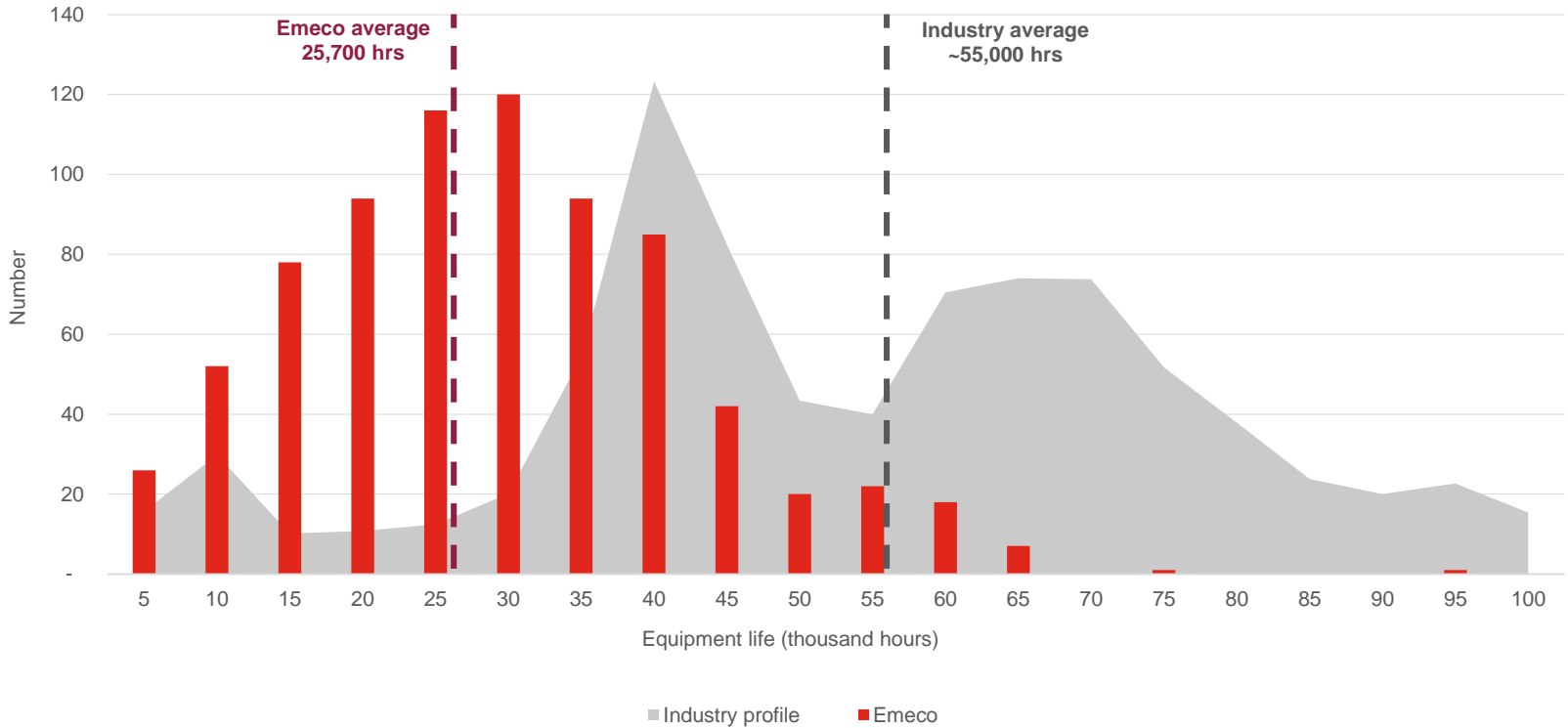
Source: Emeco fleet data, Quartile One

Notes: 1. Includes mine owners and contractors



# EMECO'S FLEET HAS SIGNIFICANT LIFE REMAINING

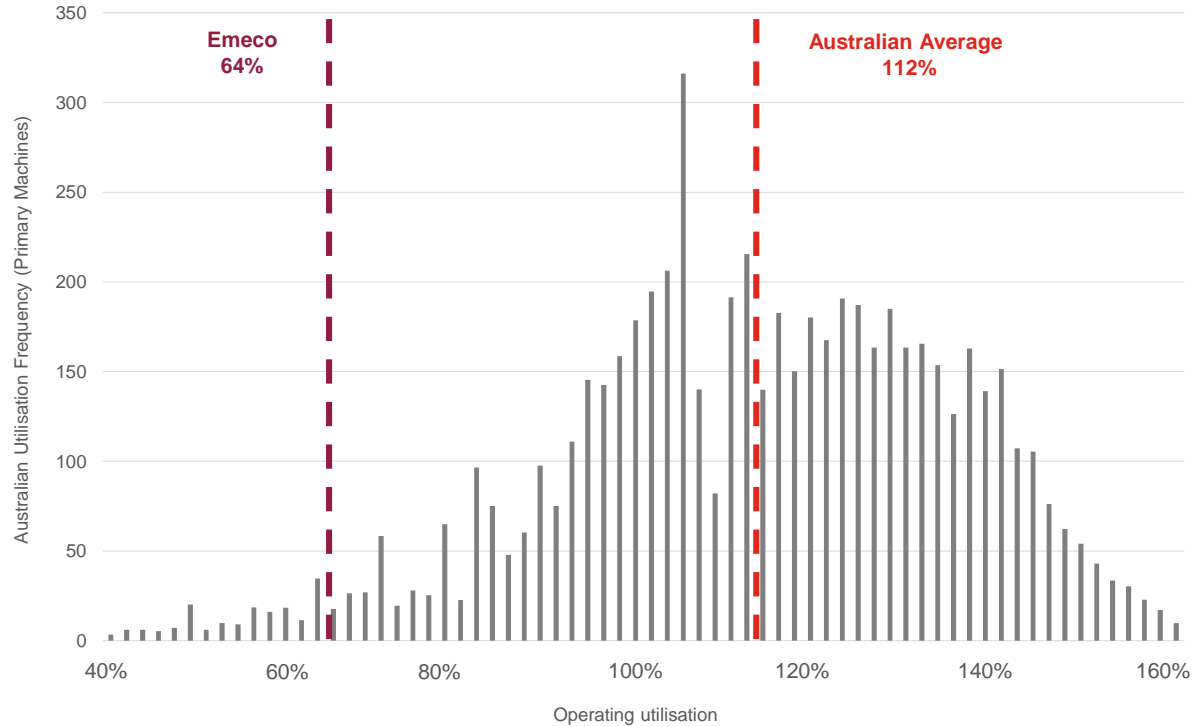
Emeco's fleet is 53% younger than industry average with no significant impending replacement capex



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# EMECO'S RENTAL FLEET CAN WORK HARDER

Industry equipment utilisation is significantly higher than Emeco's 64% (FY19) highlighting the substantial potential to increase fleet usage and grow earnings



Source: Quartile One

# GROWTH OPPORTUNITIES

**Emeco can achieve significant future growth in Australia through the following initiatives**

- Organically grow our rental fleet to meet customer demand through additional fleet acquisitions (whilst continuing our deleveraging trajectory)
- Further bolt-on acquisition of competitors
- Provide in-field maintenance services to support our customers' equipment
- Growing our Force maintenance business organically and through strategic acquisitions
- Provide asset management services by leveraging our capability to manage mid-life equipment
- Provide customers with additional value-added services further embedding ourselves in customer operations
- Purchase and rent-back opportunities providing customers capital preservation and extended fleet life
- Expansion into underground rental and services



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# Appendix



# COMPANY SNAPSHOT

## Emeco Holdings Limited (ASX:EHL)

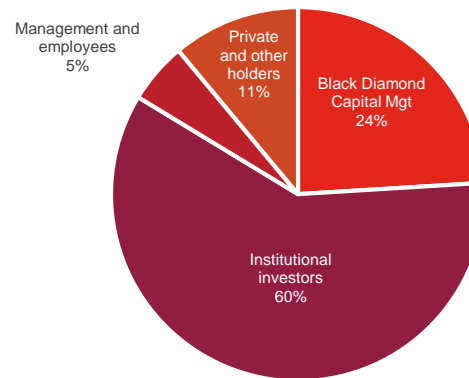
### Capital structure

Share price (as at 22 November 2019)	\$2.08
52-week price range	\$1.63 - \$2.90
Shares outstanding (undiluted)	323.2m
Market capitalisation	\$672.3m
Net debt (as at 30 June 2019)	\$427.4m
<b>Enterprise value</b>	<b>\$1,099.7m</b>

### Share price history



### Shareholders



# Thank you

## **Investor enquiries**

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

