

17 November 2022

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

## **Chairman's Annual Address to Shareholders**

Good Afternoon Ladies and Gentlemen.

I am pleased to welcome you to Sydney for the 2022 Annual General Meeting of Emeco Holdings Limited.

My name is Peter Richards and I am Chairman of our Company. As a quorum is present, I declare the meeting open.

I would like to introduce my fellow directors here with me today. Ian Testrow our CEO and Managing Director, Keith Skinner who is Chair of our Audit and Risk Management Committee, and Peter Frank, a representative director of our major shareholder, Black Diamond. We are also joined by Thao Pham, Emeco's Chief Financial Officer, and Penny Young, Emeco's Company Secretary and General Counsel.

Absent but online is Peter Kane. Peter had back surgery last week and is understandably unable to travel to be here. We wish you a speedy recovery Peter and appreciate you dialling in.

It is fair to say that the FY22 year was another challenging one for our employees and customers as the impacts of the global pandemic continued and Western Australia's border remained closed until February this year.

Your Board commends the entire Emeco team on their unrelenting focus on serving our customers and operating safely despite the significant disruptions faced throughout the year. A value that is dear to us is that our people are our family, and we are passionate about maintaining our industry leading safety culture.

Our strong safety performance continued in FY22 with our total recordable injury frequency rate improving to 1.9, down from 2.1 last year. Our lost time injury frequency rate remained at zero for the sixth consecutive year. Notwithstanding this excellent outcome, we continue to focus on further improvement in all facets of our Health, Safety, Environment and Training Strategic Plan to strengthen our capability and commitment to industry leading practices.

A strong safety culture is even more critical in the current extremely tight labour market. Our ability to attract and retain our people is essential to support the ongoing growth and success of our business. This was particularly the case during the FY22 year as we grew our workforce by over 25% to around 1,400 people.

Our commitment to being an employer of choice is also fundamental to our success in building the capabilities we need to deliver on our growth ambitions. There are many elements to this but supporting and developing our people and giving them opportunities to develop their careers is a priority, as is our support to the communities in which they live and work.

This year we continued to build on the foundations of Project Align. This project aims to lift engagement and to empower our people as we drive to deliver on our shared vision and values. This has been particularly important as our business has grown from our core rental business to now include Pit N Portal and Force workshops which are both more labour-intensive businesses.

We pride ourselves on being part of our communities and supporting our team in their interests – whether through our support of local sporting organisations, our commitments to charitable causes such as mental health or our work in local communities. During the year we made progress with this program. For example, our Community Grants Committee allocated grants to 27 community groups nominated by employees. We also partnered with Kuuwa to support Indigenous businesses and communities whilst also providing additional solutions to our customers.

Diversity is also important to our culture and to our ability to attract and retain people. This year we increased the female participation in our workforce by 11%. Likewise, developing our people plays a big role and during the year we increased the number of apprenticeships by 37%. We also conducted over 70 leadership training and development courses.

I would like now to turn to another important strategic imperative. During FY22, we developed our inaugural ESG Strategy. Significant work was undertaken on benchmarking and stakeholder engagement to identify material themes that are critical to Emeco's right to operate within our sector. Following this important work, metrics, targets and actions are being finalised across eight key themes and these will be implemented across our business in FY23. We will report progress on this annually.

Ian will provide a more comprehensive summary of our business and financial performance in his address, but I am pleased to report that despite the challenging operating environment, Emeco delivered a solid operating and financial performance during FY22. We delivered earnings growth on FY21 across each of our operating segments, with the Group delivering 5% growth in Operating EBITDA to \$250 million and 22% growth in Operating NPAT to \$69 million.

Emeco's cash generation supported continued investment in maintaining and replacing our assets, disciplined growth capital expenditure and the Board's capital management policy.

For FY22, the Board allocated \$24.1 million towards capital management which was 35% of Operating NPAT. This comprised of fully franked dividends of 2.5 cents per share and on-market share buybacks of \$10.8 million. In addition, the Company also purchased an additional \$7.4 million of shares during the second half of FY22.

I want to take a moment to comment on the performance of Pit N Portal which we acquired during FY20 as part of our strategic diversification plan. As you will recall, Pit N Portal met two strategic objectives; firstly to diversify our business and revenue exposure from thermal coal, and secondly to increase our revenue through underground equipment rental plus services to widen our customer value proposition. However, the earnings and returns of Pit N Portal have lagged behind what we believe is an acceptable level within the Emeco Group.

Ian will go into more detail in his address, but I am pleased that we have now successfully renegotiated and expanded our major Pit N Portal contract with Mincor to generate more acceptable margins and returns.

The Board and management are also disappointed that we had to announce last month a potential issue regarding the full recoverability of outstanding amounts owing to Pit N Portal for contractual services provided during 2H22 and 1H23. Management has been working with this customer to resolve the matter. This is not a contractual dispute; it is a matter of recovery of outstanding debts. I want to stress that our history of credit management has been very strong, and this is a one off situation. We continue to adopt an active credit risk and management process.

I would like to take a few minutes to discuss Emeco's approach to risk and also take the opportunity to provide some colour on how we manage and mitigate current and emerging risks. The Board and management devote considerable attention and time to a broad range of risks including strategic, operating, regulatory, financial and credit risks in our business. We monitor and set frameworks and reporting structures in the management of the day-to-day business, as well as set strategies to manage current, medium and long term risks.

The board remains committed to prudent capital management and disciplined capital allocation and decision making across our sustaining, replacement and growth investment initiatives. The continuing strength of our balance sheet and cash generation allows us to return funds to our shareholders whilst providing flexibility to sustain and grow our Company.

To our shareholders, I say thank you for your continued support of Emeco. The Board remains enthusiastic about the future of our business.

On behalf of the Board and all shareholders, I thank Ian and his management team on their continuing efforts in building sustainable shareholder value.

Lastly, I would like to express thanks from the Board to our dedicated employees for your outstanding contribution throughout the year.

Thank you, and I would now like to invite Ian, as Managing Director and CEO, to deliver his address.

Peter Richards  
Chairman

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**Investor enquiries**

Thao Pham  
Chief Financial Officer  
E: [investor.relations@emecogroup.com](mailto:investor.relations@emecogroup.com)  
T: +61 8 9420 0222

Level 3, 133 Hasler Road, Osborne Park WA 6017, Australia  
PO Box 1341, Osborne Park DC WA 6916, Australia  
Emeco Holdings Limited ACN 112 188 815

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

This announcement was authorised to be provided to the ASX by Penny Young, Company Secretary of Emeco Holdings Limited