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Emeco Holdings Limited
2008 Interim Results Presentation

Emeco

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Agenda

1. Highlights
2. Financials
3. Operating update
4. Guidance
5. Appendix—detailed geographic information

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Highlights

- Operating revenues increased by 14.5% on pcp to $288.2m (Australia +6.2%, International +45.6%)
- EBITDA decreased by 1.1% to $98.6m (Australia +9.6%, International -32.6%)
- EBITA decreased by 9.6% to $55.4m (Australia +4.1%, International -53.6%)
- Pro forma borrowing costs increased 27.7% to $11.5m
- NPAT decreased by 12.4% to $30.5m
- Interim fully franked dividend of 2.0 cps declared
- The Group **remains on track to deliver NPAT of $65–72m for the full year**
- The appointment of Stephen Gobby has added to management strength and will allow us to focus more on improving international performance
- A review of the Group's working capital position has **identified c.$50m of excess capital** to be rationalised
- Gearing remains within acceptable levels at 37% (net debt/total capitalisation) and 58% (net debt/equity)

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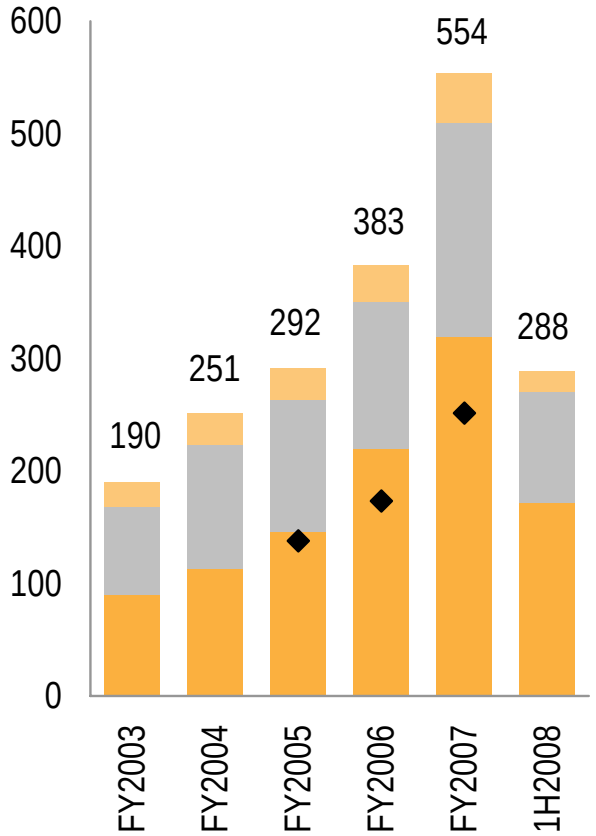
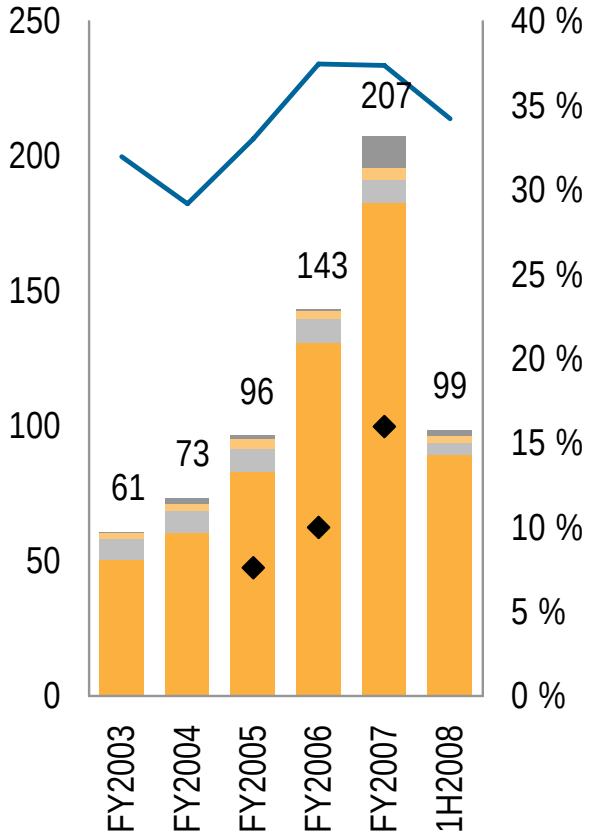
Group results—last five years

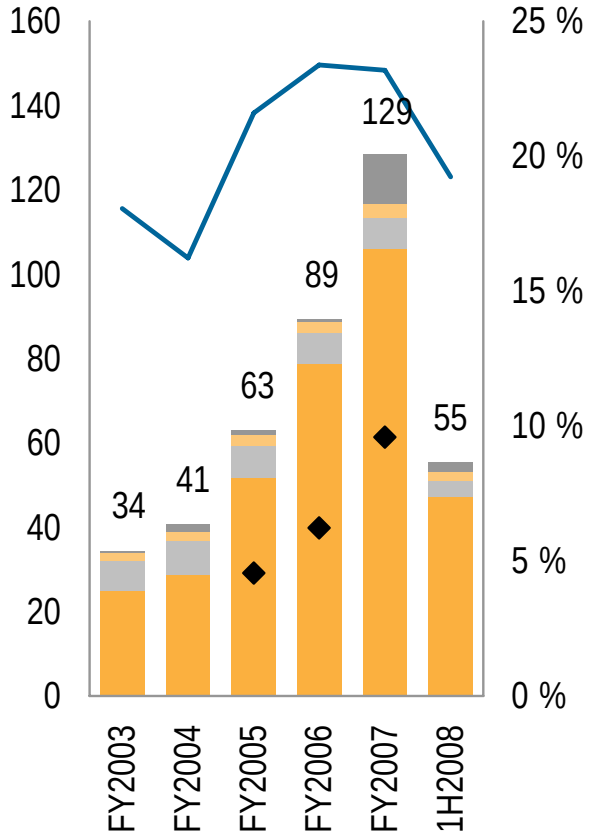
Revenue



EBITDA [1]



EBITA [1]

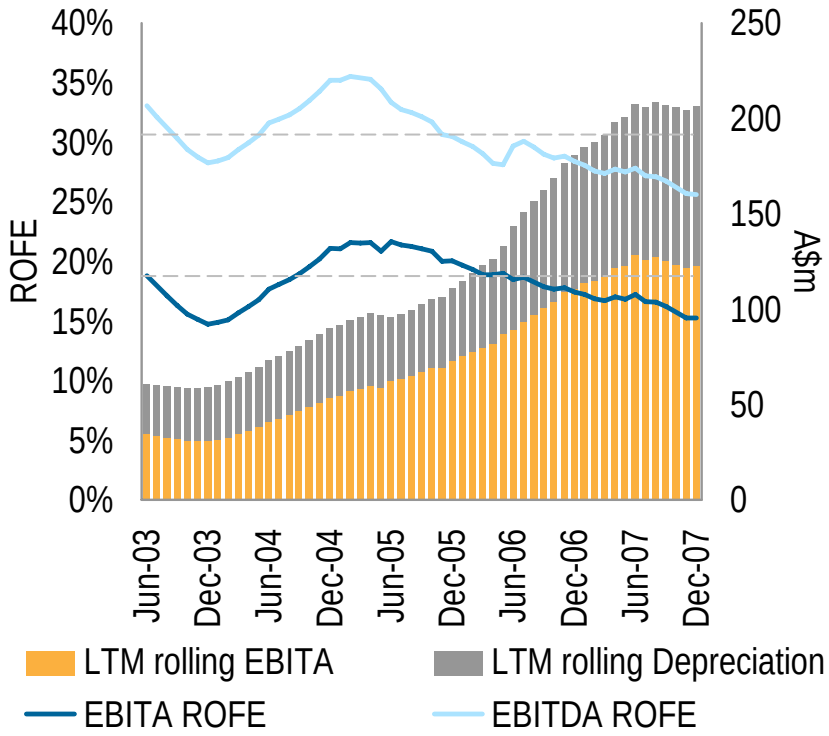


Rental | Sales | Parts & Maintenance | POSA | margin (%) | First half

Note:
1. Pro forma

Group results

Return on funds employed



Note:

1. ROFE is defined as the last twelve months rolling EBITA/EBITDA divided by average funds employed over that twelve months

Key drivers

- Continued to build capabilities in international markets over the half
  - in line with global vision
  - underlying profit and ROFE impacted as resources and equipment put in place over this “critical mass” phase
- Working capital increased over the half
  - capitalise on strength of the Australian dollar to move equipment from North America to Australian sales business
- Program in place to restore capital returns to hurdle rates over the next twelve months

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Summary financials

Pro forma			6 months to		Change
A$m	FY2006	FY2007	Dec-06	Dec-07	pcp (%)
Revenue	382.6	554.4	251.6	288.2	14.5
EBITDA	143.4	207.3	99.8	98.6	(1.2)
margin (%)	*37.5*	*37.4*	*39.7*	*34.2*	
EBITA	89.4	128.5	61.3	55.4	(9.6)
margin (%)	*23.4*	*23.2*	*24.4*	*19.2*	
NPAT	N/A	74.7	34.8	30.5	(12.4)
Gross maintenance capex–rental	35.1	53.2	21.3	50.1	135.2
Disposals	(8.1)	(47.3)	(14.8)	(15.4)	4.1
Gross maintenance capex–other [1]	10.7	7.1	–	6.8	nm
Net maintenance capex	37.7	13.0	6.5	41.5	537.7
Growth	267.3	182.9	132.9	39.4	(70.4)
Total	305.0	195.9	139.4	80.9	(42.0)
Working capital	163.5	252.3	204.3	298.5	46.1
Funds employed [2]	627.9	782.3	747.8	870.8	16.5
EBITA ROFE (%) [3]	*18.5*	*17.3*	*17.4*	*15.3*	*(12.4)*
Rental machines	814	1,013	969	1,054	8.8
Sales machines	254	405	366	534	45.9

Note:
1. Maintenance capex on motor vehicles, land and buildings and sundry equipment
2. Funds employed is defined as net tangible assets plus interest bearing liabilities. Includes funds employed in corporate overhead of A$128.5m
3. ROFE is defined as the last twelve months EBITA divided by average funds employed over that twelve months

Key drivers

- Strong domestic rentals and the sales business continue to drive revenue
- Margins declined due to
  - lower international utilisation (especially large equipment)
  - cost of building capabilities in international markets
  - change in product mix (increased contribution from sales business)
- Net rental maintenance capex increased, but is not expected to exceed $70m for FY2008

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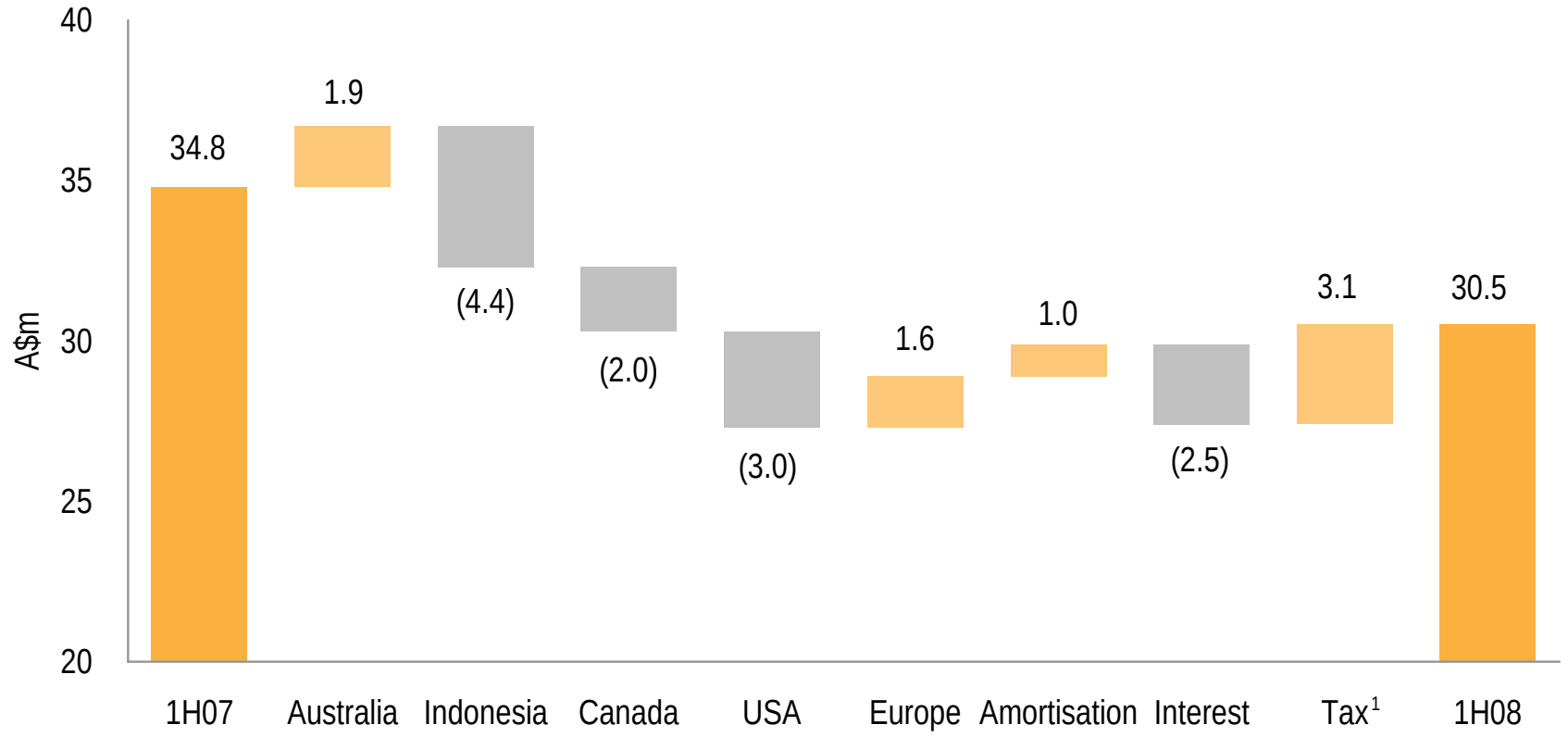
Earnings (NPAT) bridge on pcp



Note:
1. Effective tax rate of 29% in 1H08 from 34% due to tax effected losses in the US. Going forward the Group's effective tax rate is expected to be c.30%

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Working capital

A$m As at:	Jun-06	Dec-06	Jun-07	Dec-07	Change h/h (%)
Cash	19.2	10.8	27.7	12.7	(54.2)
Trade receivables	71.5	63.4	81.1	73.6	(9.2)
Inventory					
– Sales machines	73.5	117.8	116.5	170.7	46.5
– Parts	23.1	22.9	25.6	32.0	25.0
– Other	18.8	31.9	45.0	52.7	17.1
Payables	(42.6)	(42.5)	(43.6)	(43.2)	nm
Working capital	163.5	204.3	252.3	298.5	18.3

Key drivers

- A significant increase in sales machines resulted from an investment in US originated inventory and negatively impacted ROFEs within Emeco's sales businesses
  - c.$30m of this inventory sits within management estimates of surplus inventories
- Management has completed a review of working capital requirements and will be instituting a plan targeting the return of international ROFEs to historic levels within 12 months
  - $50m of surplus capital has been identified for rationalisation

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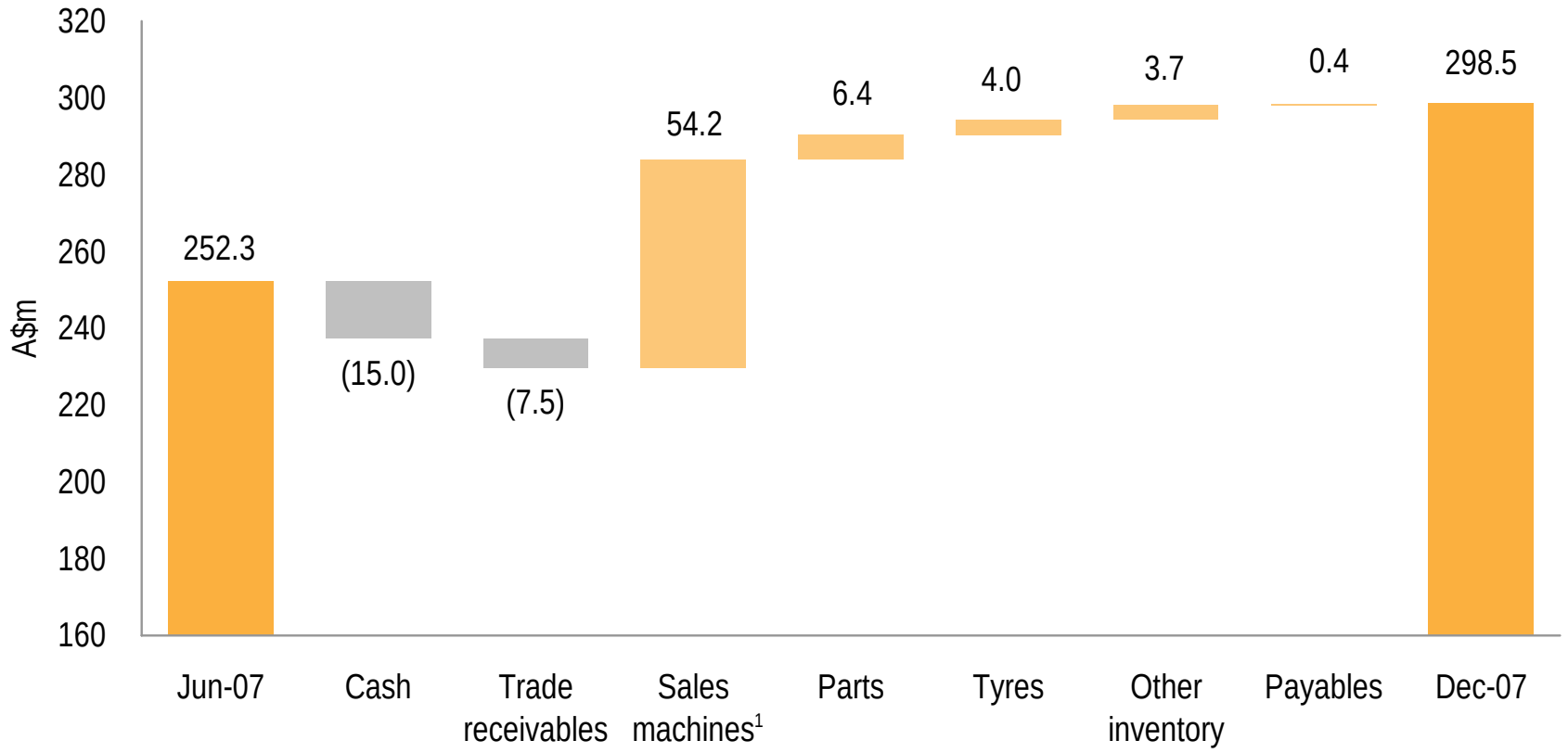
Working capital bridge (half on half)



Note:
1. Includes c.$30m of surplus inventories

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Operating cash flow

A$m 6 months to:	Statutory Dec-06	Pro forma Dec–06	Statutory Dec–07
EBITDA	98.5	99.7	98.6
Increase in working capital	(40.8)	(40.8)	(46.2)
Provisions and other	4.4	4.4	(3.1)
Interest	(20.5)	(11.8)	(12.0)
Tax	(4.9)	(12.1)[1]	(7.9)
Operating cash flow	36.6	39.5	29.4
Maintenance capex			
Rental	(21.3)	(21.3)	(50.1)
Other	–	–	(6.8)[2]
Disposals	14.8	14.8	15.4[3]
Net maintenance capex	(6.5)	(6.5)	(41.5)
Free cash flow before growth	30.1	33.0	(12.1)
Dividends	–	–	(15.7)
Growth capex	(132.9)	(132.9)	(39.4)
Equity	313.8	313.8	–
Cash before debt funding	211.0	213.9	(67.2)

Note:
1. Tax reflects pro forma tax adjustment on pro forma adjustments, assuming no timing differences
2. Maintenance capex on motor vehicles, land and buildings and sundry equipment
3. Profits on sale of assets totalled $2.2m in 1H08

Key drivers

- Operating cash flow strong
- Negatively impacted by working capital increases and movements in provisions and other

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Balance sheet and gearing

A$m As at:	Dec–06	Jun-07	Dec–07	Change h/h (%)
Working capital	204.3	252.3	298.5	18.3
Rental plant	512.9	520.2	561.0	7.8
Total assets	1,031.4	1,097.5	1,192.2	8.6
Net assets	643.2	672.9	685.9	1.9
Net debt	309.6	295.1	395.2	33.9
Gearing % (net debt/total capitalisation)	32.5	30.5	36.6	
Gearing % (net debt/equity)	48.1	43.9	57.6	
Remaining available facilities	245.1	249.3	158.7	
Pro forma interest cover (EBIT/interest)	6.6	6.5	4.7	

Key drivers

- Gearing remains within acceptable levels
- Current interest cover of approximately 4.7x
- Existing facilities maturity date July 2009
  - no market based compliance tests
- Sufficient headroom (c.$150m) from facilities and free cashflow to fund future opportunities

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Management of capital

- Management has instituted a 12 month plan to restore capital returns across the group particularly in the international businesses
- As part of this initiative, as mentioned previously, a review of working capital positions globally has identified c.$50m of surplus inventories ($30m sales machines, $15m tyres, $5m parts)
- Management has committed to rationalise these inventories through the course of the second half
- Net maintenance capex of $70m per annum is estimated across the existing fleet, though realisation is expected to be lumpy
- Growth capex is expected to be materially below 2007 though management will continue to monitor opportunities to deploy capital that are value creating for shareholders
- The Board will continue to evaluate capital management alternatives in the context of available opportunities with a view to creating value for shareholders

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Geographic segment results

A$m	Australia			Indonesia			Canada			US			Europe		
6 months to:	Dec-06	Dec-07	Change %	Dec-06	Dec-07	Change %	Dec-06	Dec-07	Change %	Dec-06	Dec-07	Change %	Dec-06	Dec-07	Change %
Financial performance[1]															
Revenue	198.5	210.9	*6.2*	16.3	9.9	*(39.1)*	22.1	23.7	*7.7*	14.5	20.6	*42.3*	0.2	23.0	*nm*
EBITDA	74.3	81.5	*9.6*	13.1	6.1	*(53.0)*	13.6	12.5	*(7.7)*	(0.8)	(2.9)	*nm*	(0.4)	1.4	*nm*
margin (%)	*37.4*	*38.6*		*80.3*	*62.0*		*61.6*	*52.8*		*(4.2)*	*(5.3)*		*(190.9)*	*6.2*	
EBITA	46.8	48.7	*4.1*	6.8	2.3	*(66.2)*	9.4	7.4	*(21.3)*	(1.2)	(4.2)	*nm*	(0.4)	1.2	*nm*
margin (%)	*23.6*	*23.1*		*41.6*	*23.1*		*42.6*	*31.1*		*(8.3)*	*(20.2)*		*(184.7)*	*5.1*	
Gross capex [2]															
Maintenance	11.5	30.7		1.5	12.3		8.3	5.4		–	1.6		–	–	
Growth	66.5	8.7		12.7	3.7		23.3	18.1		6.3	–		–	4.1	
Acquisitions	8.9	–		–	–		–	–		15.2	–			–	
Total	86.9	39.4		14.2	16.0		31.6	23.5		21.5	6.5		–	4.1	
Funds employed [3]	437.9	483.4		73.9	58.1		98.6	138.1		44.3	34.8		2.3	27.9	
Rental machines	531	568		121	129		261	301		56	46		–	10	
Sales machines	206	292		–	–		20	22		140	69		–	151	

Note:

1. Pro forma
2. Gross spending on rental fleet and acquisitions. Does not include any other capital expenditure or disposals
3. Excludes corporate/unallocated funds employed

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Current market conditions

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Current market conditions and outlook

Australia

- Continuing strong outlook for mining volumes
- Impact from QLD flooding presents short term challenges but medium term opportunities
- Strong civil market emerging – particularly in South East Queensland
- Returning to historical high levels of engagement
- Lead times on large new trucks pushing out to end of 2010

Indonesia

- Demand for coal due to lack of supply from Australia creating new opportunities
- Lead times of large new equipment pushing out to 2010
- Reversion to contractors to perform mining is creating pull through effect
- Negotiating to provide entire mining equipment fleet for new mine
- Significant new projects coming to fruition, creating additional opportunities

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Current market conditions

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Current market conditions and outlook

Canada

- Oil and gas markets remain depressed
- Infrastructure markets around Edmonton and Oil Patch look encouraging
- Two major refineries announced for Oil Patch c.$30 billion
- Metaliferrous mines continue to present new opportunities in British Columbia

US

- Significant increase in activity in Appalachian Coal Fields
- Anticipated full utilisation of rental equipment by the end of March
- Increased capacity in Parts business will deliver value
- Sales business remains depressed, procurement opportunities very positive

Europe

- Strong demand for machinery in Russia and the Middle East
- Opportunity to establish a Parts business provides encouragement
- Small bolt on Rental businesses in Western Europe being evaluated
- Importation of equipment into Euro zone supported by strong EURO

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Guidance

- Global commodity demand remains strong and a return to historic utilisation levels is expected
  - significant improvements in utilisation have been evidenced in the last two months
  - strong conditions for coal globally are expected to underpin activity in coal geographies
  - coal continues to represent c.28% of Emeco's end market exposure by revenue
- Domestic businesses expected to continue to grow despite infrastructure and weather challenges with utilisation trends positive
  - Queensland flooding will present challenges in the near term but opportunities in the medium term
- Continue to develop critical mass in major international markets
  - US business expected to break-even by the end of the current quarter
- Continue to focus on improving ROFE across the Group and improving capital efficiency
- Confirm full year NPAT in the range of $65 – 72m

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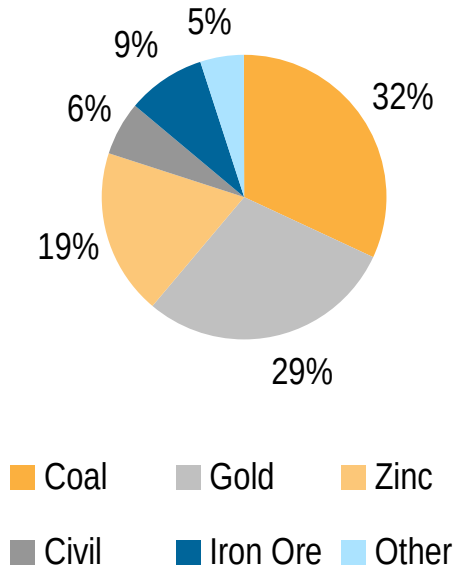
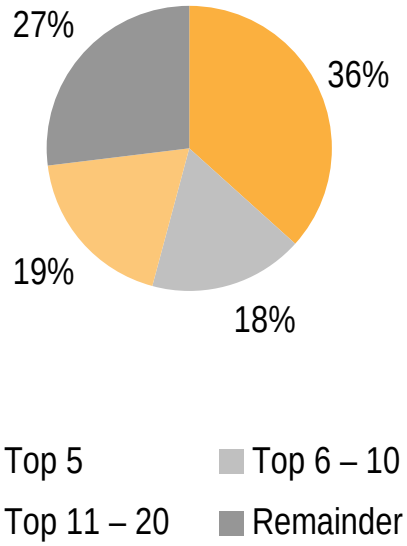
Australia—overview

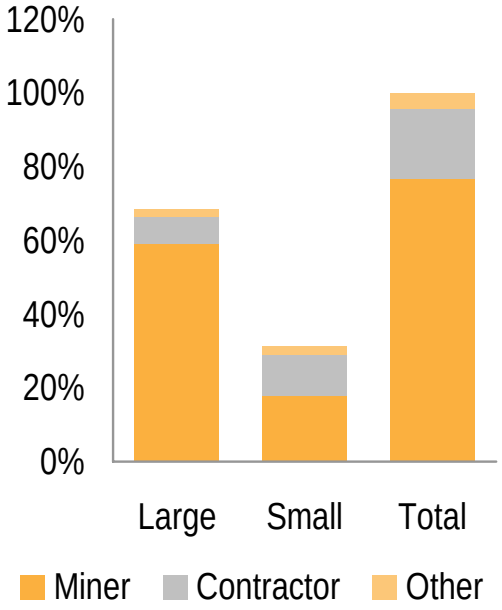
Rental end market exposure



Rental client profile



Rental type of customer



Notes:
1. Percentages based on revenue
2. A large customer is defined as companies with a market capitalisation greater than $1 billion, or joint ventures or associates where a large company is a major participant.

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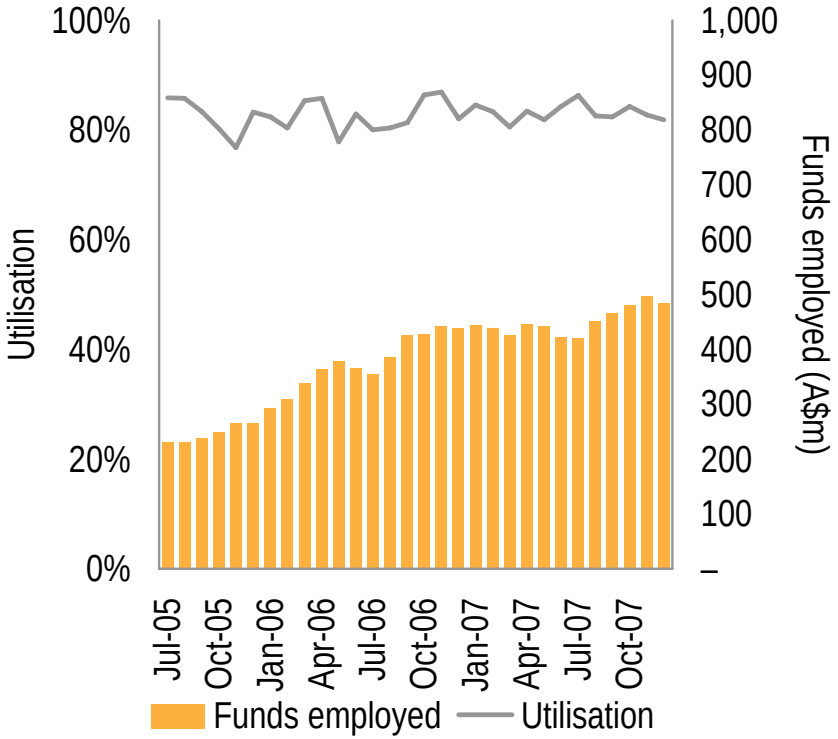
Australia—overview

Rental machine profile

Truck	119
Dozer	118
Loader	133
Excavator	55
Grader	41
Other	102

Funds employed and utilisation



Note:

1. Funds employed is defined as net tangible assets plus interest bearing liabilities
2. Utilisation is defined as percentage of Emeco's rental fleet that is on rental at customer sites (excluding machines in transit)

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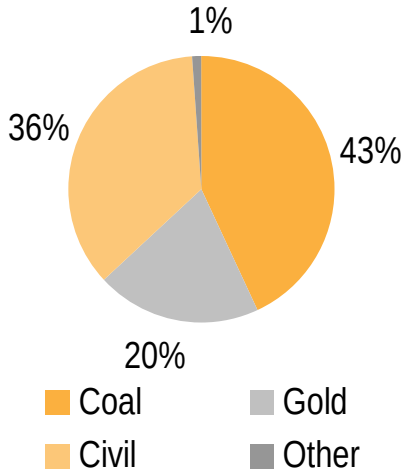
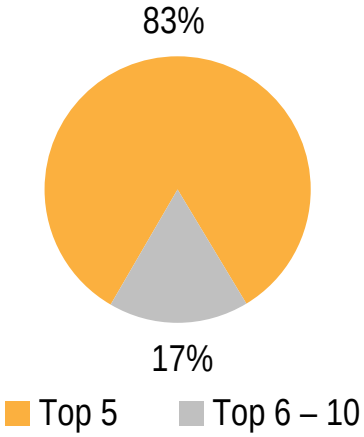
Indonesia—overview

Rental end market



Rental client profile

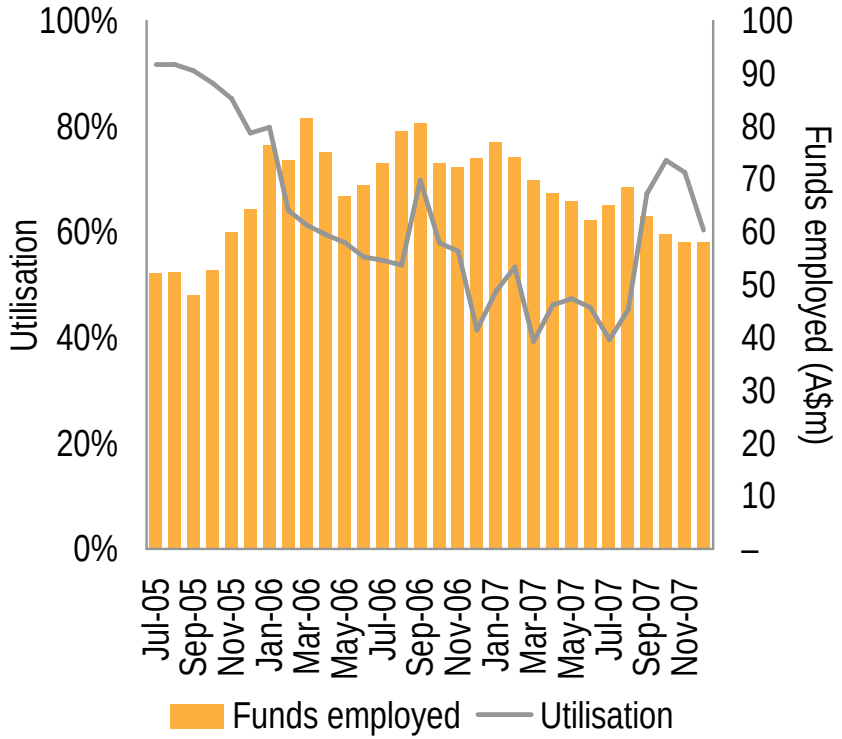


Rental machine profile

Truck	51	Excavator	12
Dozer	22	Grader	16
Loader	4	Other	24

Note:
1. Percentages based on revenue

Funds employed and utilisation



Note:
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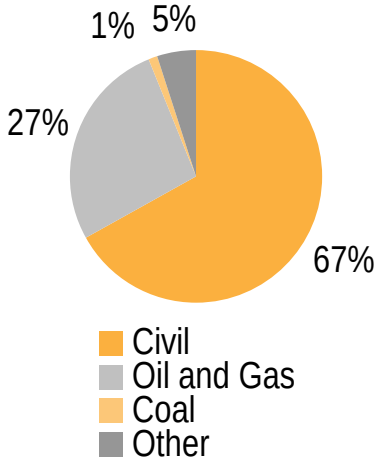
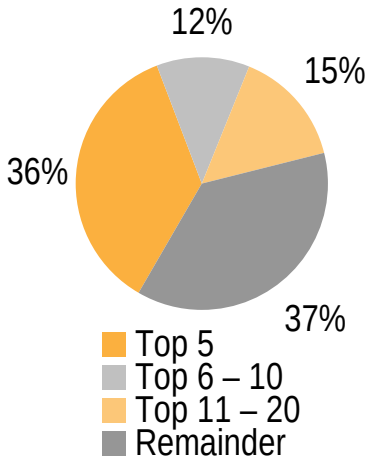
Canada—overview

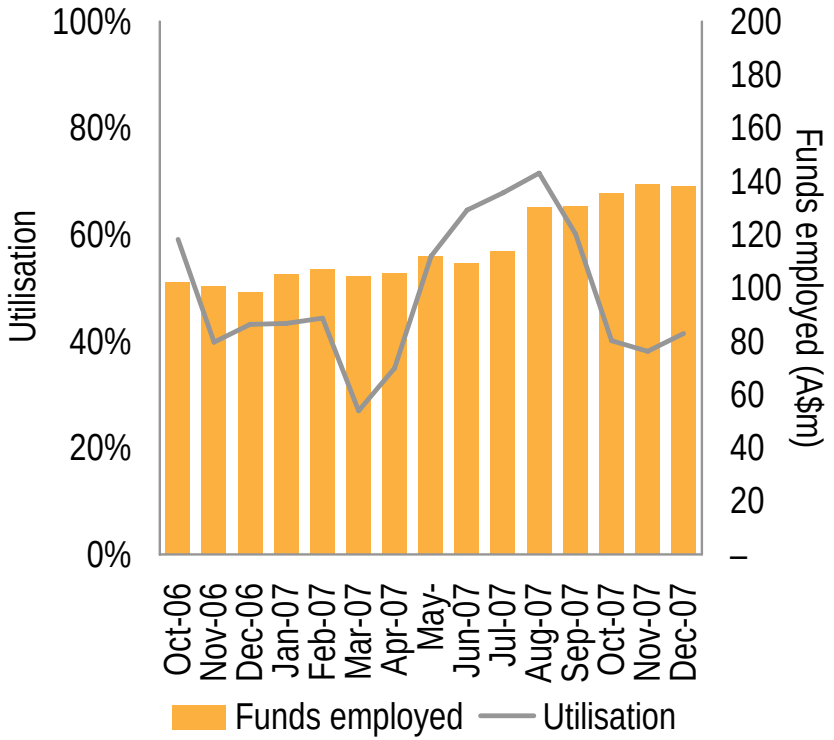
Rental end market



Rental client profile



Funds employed and utilisation



Rental machine profile

Truck	109	Excavator	45
Dozer	77	Grader	24
Loader	4	Other	42

Note:
1. Percentages based on revenue

Note:
1. Funds employed is defined as net tangible assets plus interest bearing liabilities
2. Utilisation is defined as percentage of Emeco's rental fleet that is on rental at customer sites (excluding machines in transit)

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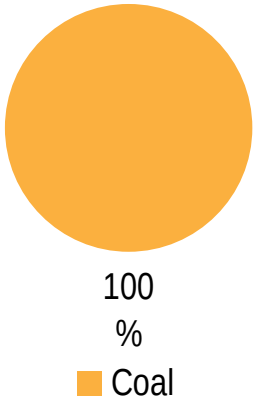
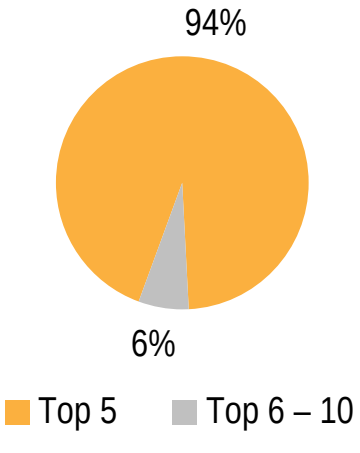
US—overview

Rental end market



Rental client profile

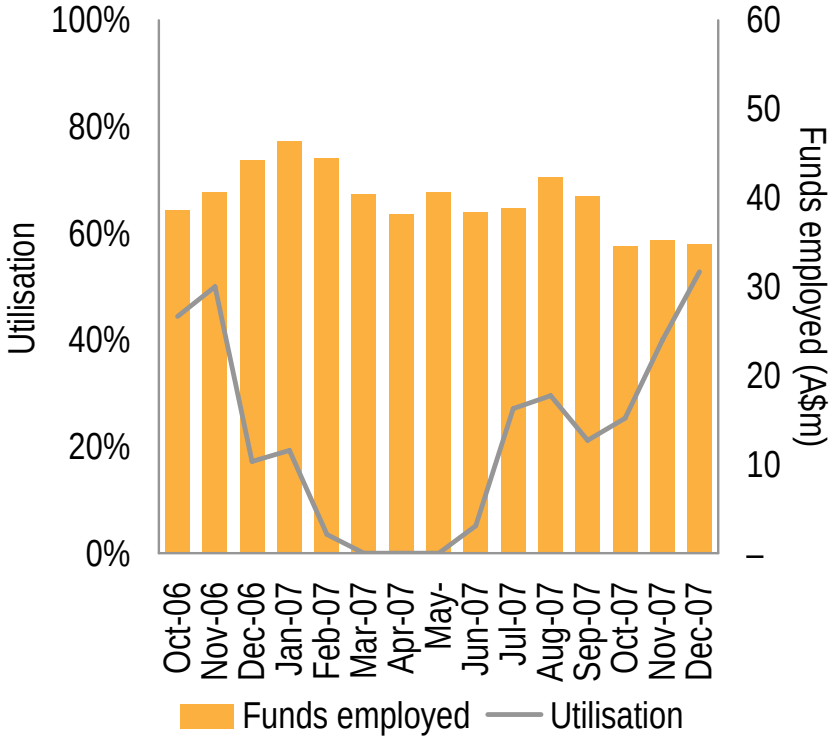


Rental machine profile

Truck	13	Excavator	4
Dozer	14	Grader	2
Loader	9	Other	4

Note:
1. Percentages based on revenue

Funds employed and utilisation



Note:
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2. Utilisation is defined as percentage of Emeco's rental fleet that is on rental at customer sites (excluding machines in transit)

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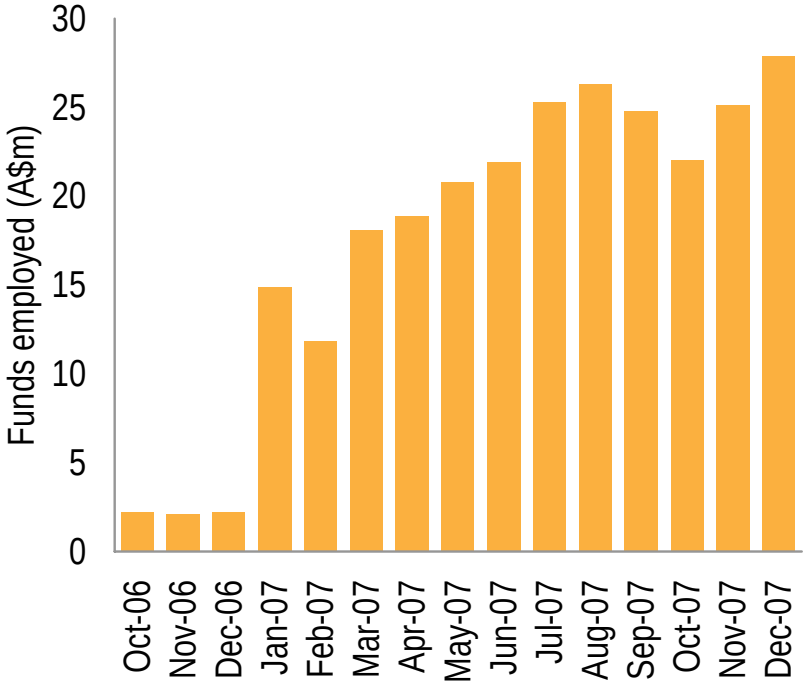
Europe—overview

Funds employed



Note:

1. Funds employed is defined as net tangible assets plus interest bearing liabilities

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Historical financial information

A$m	Australia			Indonesia			Canada			US			Europe		
12 months to:	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
Financial performance [1]															
Revenue	244.6	291.2	418.9	27.8	32.7	27.5	–	27.4	39.8	19.4	30.9	45.2	–	0.3	23.0
EBITDA	73.3	104.9	165.1	22.5	24.2	21.6	–	14.0	22.5	0.6	0.8	(1.9)	–	(0.5)	–
margin (%)	*30.0*	*36.0*	*39.4*	*80.9*	*74.0*	*78.5*	–	*51.0*	*56.5*	*3.3*	*2.6*	*(4.2)*	–	*(142.3)*	–
EBITA	49.9	67.0	106.6	12.5	13.7	10.6	–	8.7	14.3	0.6	0.5	(2.9)	–	(0.5)	(0.1)
margin (%)	*20.4*	*23.0*	*25.5*	*45.0*	*41.9*	*38.7*	–	*31.6*	*36.0*	*3.1*	*1.7*	*(6.5)*	–	*(142.3)*	*(0.6)*
Gross capex [2]															
Maintenance		21.4	38.1		11.1	5.1		2.6	10.0		–	–	–	–	–
Growth		105.3	77.0		38.4	16.4		46.7	34.2		–	7.6	–	–	–
Acquisitions		35.2	21.9		–	–		41.7	–		–	15.2	–	–	10.6
Total		161.9	137.0		49.5	21.5		91.0	44.2		–	22.8	–	–	10.6
Funds employed [3]	226.4	365.7	422.2	41.0	68.8	62.3	–	83.8	109.2	9.8	14.1	38.4	–	2.6	21.9
Rental machines	319	469	553	112	146	116	–	199	281	–	–	57	–	–	6
Sales machines	221	191	152	–	–	–	–	–	24	43	59	108	–	4	121

Note:

1. Pro forma
2. Gross spending on rental fleet and acquisitions. Does not include any other capital expenditure or disposals
3. Excludes corporate/unallocated funds employed

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