For personal use only

Emeco

BETTER EQUIPPED

2014 INTERIM RESULTS

20 FEBRUARY 2014

KEN LEWSEY, MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

STEPHEN GOBBY, CHIEF FINANCIAL OFFICER

For personal use only

PRESENTATION OVERVIEW

- Highlights
- Operational review
- Financials
- Strategy & Outlook
- Questions
- Appendices

For personal use only

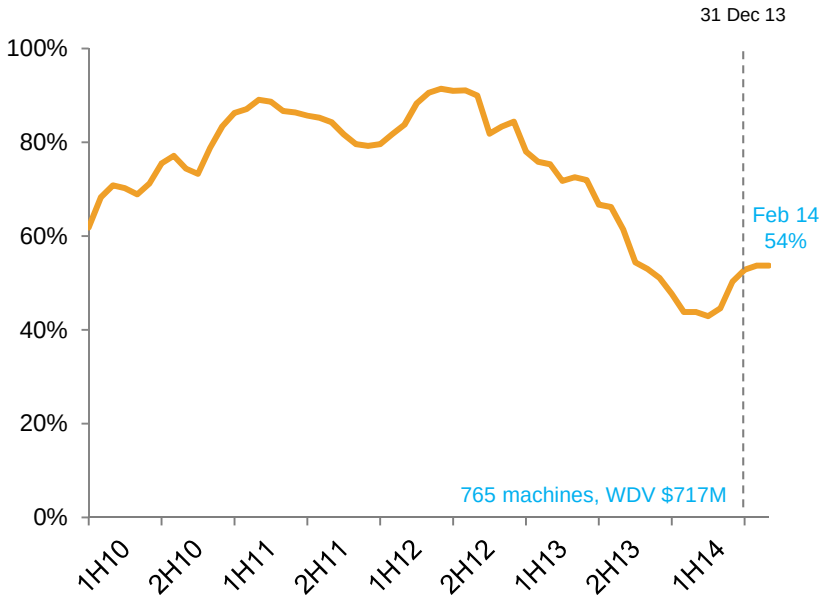
HIGHLIGHTS

Ken Lewsey
Managing Director & Chief Executive Officer

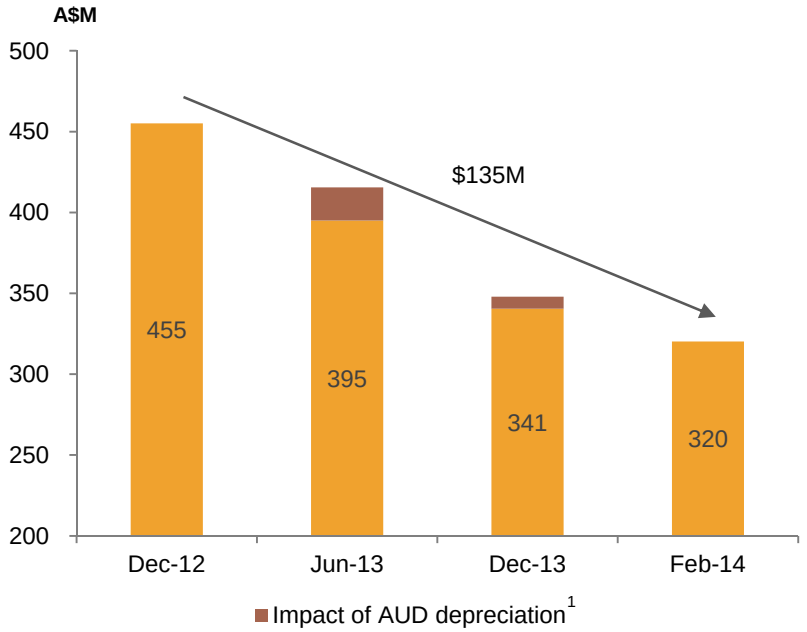
For personal use only

IMMEDIATE FOCUS

Improve Utilisation



Reduce Debt



1. FX rates: 31 Dec 12: AUD:USD – 1.038, AUD:CAD – 1.032, 30 Jun 13: AUD:USD – 0.927, AUD:CAD – 0.97, 31 Dec 13: AUD:USD – 0.892, AUD:CAD – 0.949, no FX assumptions made as at 28 Feb 2014

For personal use only

H1 FY14 SNAPSHOT

CONTRACT WINS IMPROVING UTILISATION MOVING INTO 2H14

- Operating EBITDA of $33.1M, with 2H14 earnings pickup supported by improving utilisation
- Utilisation averaged 45% as miners continued to focus on cost outs including short term reduction in waste material movement
- Contract wins late in 1H14 across all major commodities in Australia, Canada and Chile
- Nature of new work won includes new mine development, overburden resumption, strategic maintenance and core production
- Despite challenging earnings environment, free cashflow generation was strong

Financial performance[1]

A$million	1H13	2H13	1H14	PCP Var $M
Revenue	246.7	193.0	126.4	(120.3)
EBITDA	110.7	77.6	33.1	(77.6)
Operating NPAT	25.1	10.1	(16.3)	(41.4)
Statutory NPAT[2]	22.5	(16.5)	(179.8)	(202.3)
Free cashflow	(69.4)	60.2	75.0	144.4

Note:
1. Table represents operating results
2. Statutory NPAT includes $157.9M goodwill impairment, $6.5M tangible asset impairments, $1.0M one-off redundancy costs

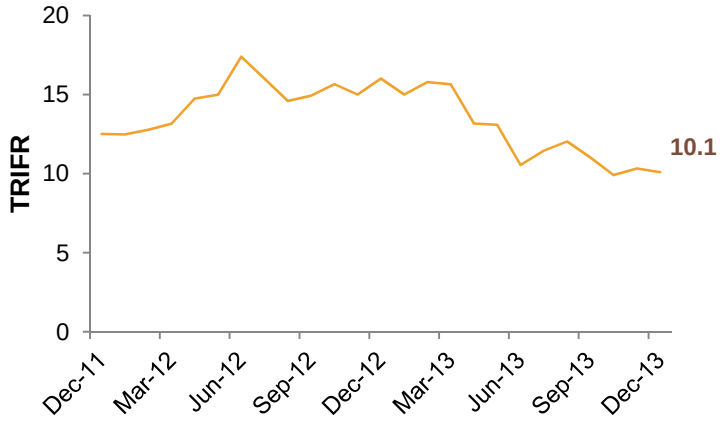
For personal use only

SAFETY & SUSTAINABILITY

A HIGH STANDARD OF SAFETY IS KEY IN A COMPETITIVE MARKET

- **Safety**
  - TRIFR improved 37% since Dec 2012
  - Implemented various initiatives including Core Risk Control Protocols
  - Safety capability remains key point of difference
- **Sustainability**
  - Global gender diversity measurement framework implemented
  - Formal mentoring program for current and future leaders established
  - Global Human Resources Forum established
  - Common community engagement process implemented across all regions

Total Recordable Injury Frequency Rate (TRIFR)



For personal use only

OPERATIONAL REVIEW

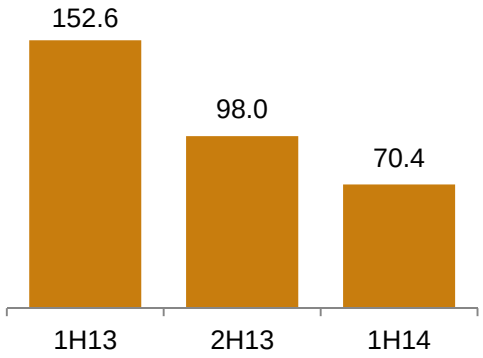
Ken Lewsey
Managing Director & Chief Executive Officer

For personal use only

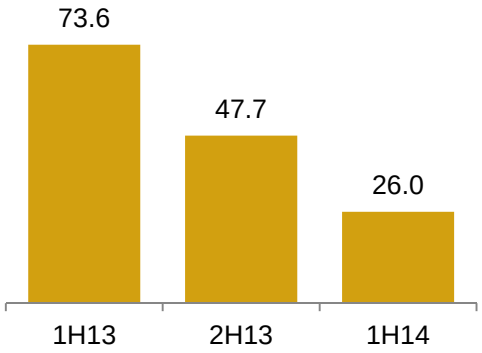
REGIONAL PERFORMANCE - AUSTRALIA

CONTRACT WINS IN RECENT MONTHS HAVE BENEFITED UTILISATION

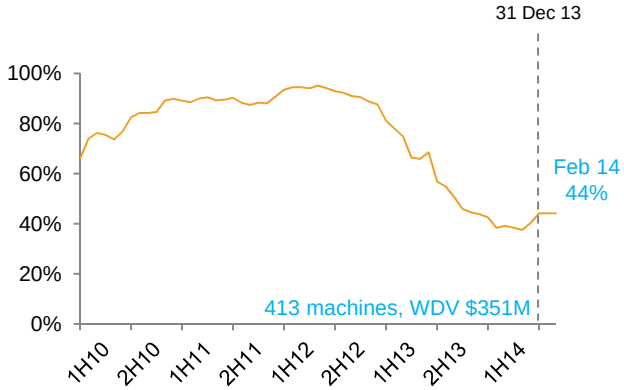
Revenue



EBITDA



Utilisation



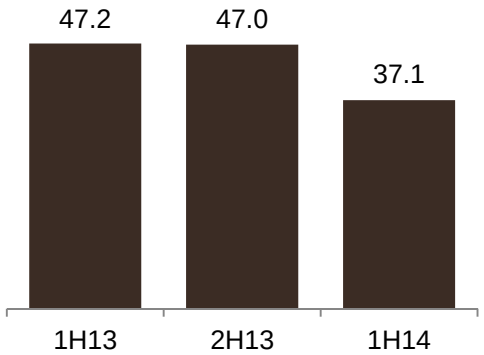
- Trough utilisation due to lower earthmoving levels as customers targeted cost and production measures
- Mix of inquiry changed during 1H14, shifting from customers re-pricing contracts to new project opportunities
- Conversion of tenders across coal, gold and iron ore improving current utilisation to 44%
- Highly competitive market, however continue to focus on maintenance, safety and project execution capabilities
- Gradual improvement in activity expected to continue based on business development pipeline

For personal use only

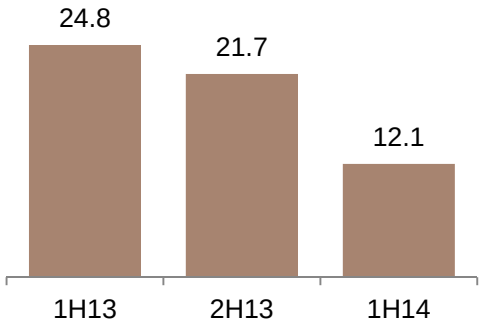
REGIONAL PERFORMANCE - CANADA

CUSTOMER STRATEGY POSITIONS BUSINESS FOR STRONGER PERFORMANCE

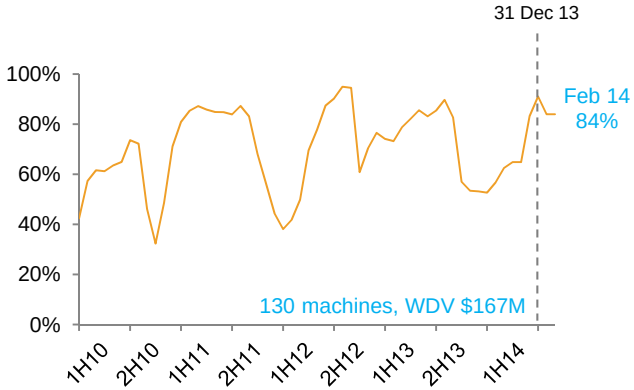
Revenue[1]



EBITDA[1]



Utilisation



- Redeployment of $13.1M fleet to seed Chilean business and lower activity over the summer works season (1H14 utilisation 63%, 1H13:79%) impacted 1H14 earnings
- Emeco customer development strategy resulted in MSA's with three of four major oil producers to provide rental and maintenance services
- In addition to high utilisation in winter, improved visibility as a result of direct supply relationships is expected to increase opportunities in the upcoming summer works season
- Building on external maintenance services offering, which is increasingly valued by oil producers

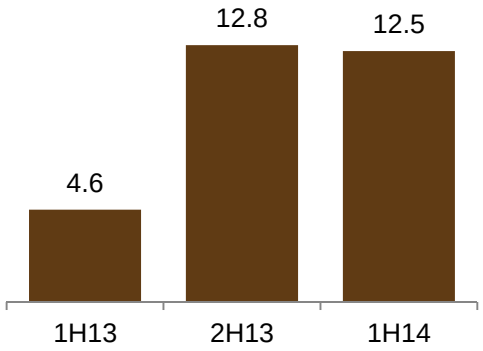
Note:
1. Figures in AUD millions

For personal use only

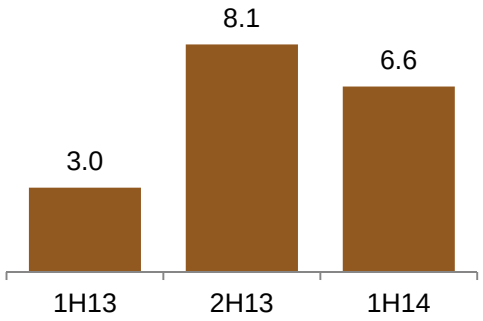
REGIONAL PERFORMANCE - CHILE

CONTINUE TO BUILD OUT GEOGRAPHIC AND COMMODITY DIVERSIFICATION

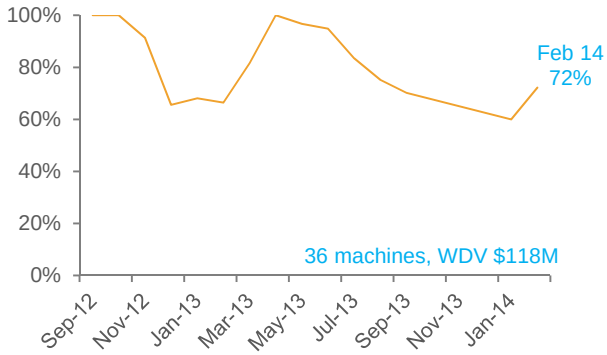
Revenue[1]



EBITDA[1]



Utilisation



- Major mining region, significant copper production, with global miners
- Entry into Chile has delivered commodity and geographical diversification
- Temporary decline in utilisation due to the delay of a project (expected to recommence March 2014), however a recent contract win has lifted current utilisation to 72%
- Opportunity pipeline over next six months is significantly greater than Emeco's Chilean fleet, supporting projected strong utilisation in 2H14

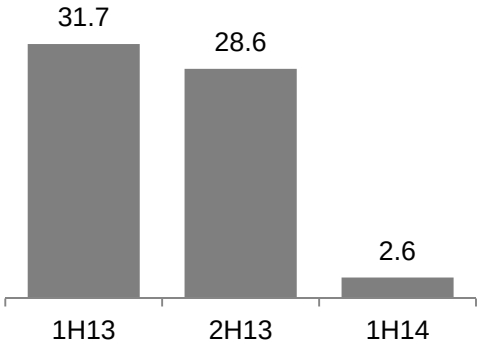
Note:
1. Figures in AUD millions

For personal use only

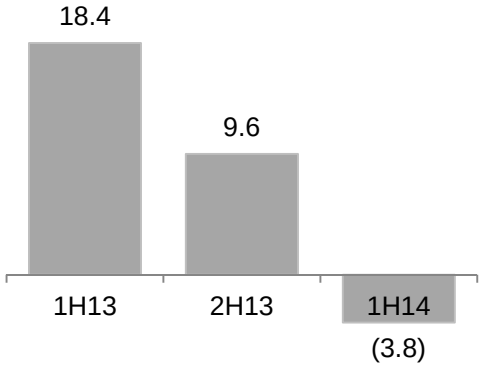
REGIONAL PERFORMANCE - INDONESIA

ASSET DISPOSALS IN RESPONSE TO ONGOING MARKET WEAKNESS

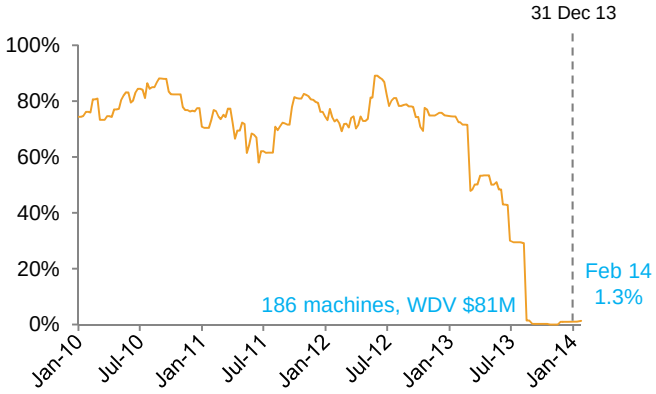
Revenue[1]



EBITDA[1]



Utilisation



- Decision taken to significantly reduce capital and cost base of business
- Fleet WDV reduced from $108M at 30 June 2013 to $81M at 31 December 2013, further capital release of $25M expected by end of February 2014
- Cash costs reduced from $3.4M in 1H14 to $1.8M in 2H14
- Small fleet currently operating and ongoing rental opportunities to be pursued in the short to medium term
- Emeco continuing to review the Indonesian business

Note:
1. Figures in AUD millions

For personal use only

FINANCIALS

Stephen Gobby
Chief Financial Officer

For personal use only

FINANCIAL SUMMARY

At a glance…

A$million	1H13[1]	2H13[1]	1H14[1]	PCP Var $M
Revenue	246.7	193.0	126.4	(120.3)
EBITDA	110.7	77.6	33.1	(77.6)
EBIT	49.1	26.5	(8.3)	(57.4)
NPAT	25.1	10.1	(16.3)	(41.4)
Statutory NPAT[2]	22.5	(16.5)	(179.8)	(202.3)
Free cash flow	(69.4)	60.1	75.0	144.4
ROC[3]	11.8%	7.1%	1.8%	(10.0)%
Operating EPS (cps)	4.2	1.7	(2.9)	(7.1)
DPS (cps)	2.5	0.0	0.0	(2.5)

Note:
1. Table represents operating results
2. Statutory NPAT includes $157.9M goodwill impairment, $6.5M tangible asset impairments, $1.0M one-off redundancy costs
3. ROC calculated as Operating EBIT divided by average invested capital for the period

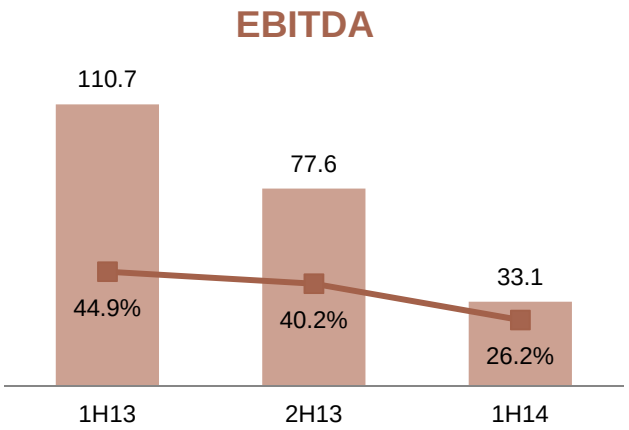
For personal use only

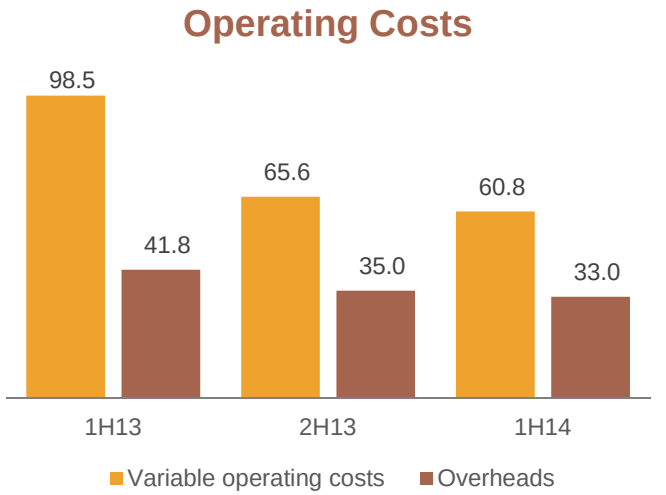
OPERATING COSTS & MARGINS

RESPONDING TO THE DOWNTURN

- **1H14 EBITDA and Margins** impacted by:
  - One-off fleet preparation costs totaling $2.6M relating to recent contracts wins
  - Indonesia incurred fleet demobilization cost of $2.0m
  - Lower-margin Maintenance revenue higher
  - Canada margins impacted by increased cross-hire
  - Lower revenue on fixed cost base reduced margin by ~5%

- **Reducing cash cost base:**
  - Operating cash costs tracking broadly in line with utilisation
  - Group wide overheads reduced from $84m in 1H13 to $66m in 1H14 on annualized basis





For personal use only

CASH GENERATION

CASHFLOW GENERATION REMAINS A KEY FEATURE OF BUSINESS MODEL

- Sustained good conversion of operating cashflow
- Free cashflow of $75.0M in 1H14, with key levers being:
  - Surplus asset sales of $28.2M
  - Reduced capex – sustaining capex down 72.8%
  - Working capital release includes $14.5M Chilean VAT refund and $2.8M Indonesian debtors recovery and $10.3M income tax receipt
- Strong cashflow expected in 2H14 through improving EBITDA and surplus fleet disposals

	1H13	2H13	1H14
Cash from operations	124.4	81.6	33.1
General working capital	(1.7)	(1.0)	29.1
Sales & parts inventory	3.3	18.9	4.1
Interest & borrowing costs	(17.2)	(13.5)	(11.5)
Income tax payments	(14.4)	(6.5)	10.2
Operating cashflow	**94.4**	**79.5**	**65.0**
Sustaining capex[1]	(63.5)	(25.2)	(17.3)
Disposals[1]	16.8	33.0	28.2
Cashflow (before growth capex and s/h returns)	**47.7**	**87.3**	**75.9**
Growth capex	(78.2)	(12.0)	(0.9)
Dividends	(22.0)	(15.1)	0.0
Share buy-back	(16.9)	-	0.0
Free cashflow	**(69.4)**	**60.1**	**75.0**

Note:
1. Sustaining capex includes other PP&E additions; disposals includes other PP&E disposals

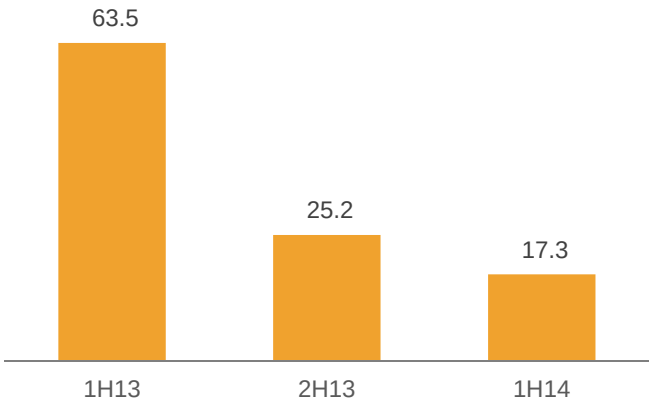
For personal use only

RENTAL FLEET & CAPITAL STRATEGY

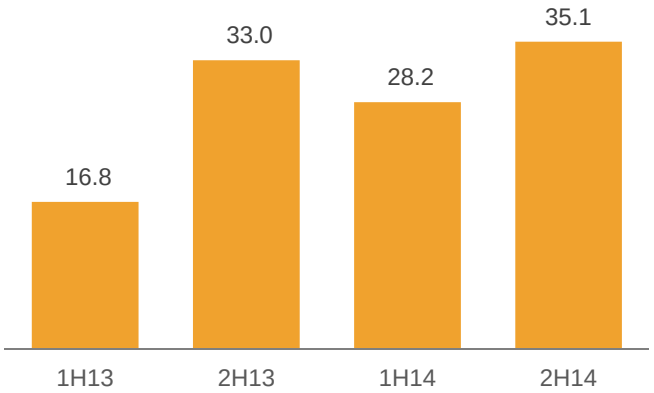
STRATEGY FOCUSED ON RIGHT SIZING FLEET WHILE MAINTENANCE STANDARDS KEY

- Sustaining capex of $17.3M in 1H14 down due to:
  - End of life replacement spend on hold - right sizing fleet via attrition
  - Major Components spend down as fleet hours reduce
- 2H14 capex of $15M - $30M to increase further in FY15 as utilisation improves
- Leveraging core capability to effect surplus fleet disposal strategy
- 1H14 disposals of $28.2M and $35.1M 2H14 YTD with further opportunities progressing
- Assets sold to date a blend of old and new ensuring quality of fleet is maintained

Sustaining Capex[1]



Disposals[1]

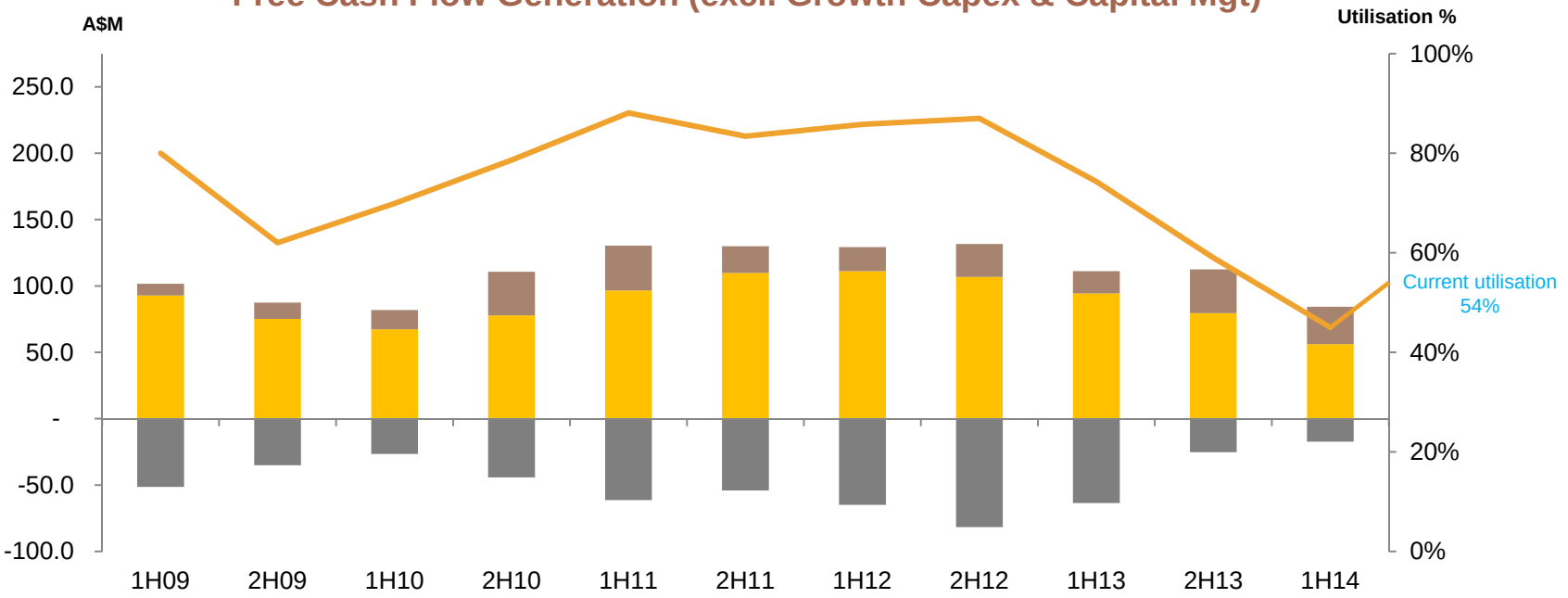


Note:
1. Sustaining capex includes other PP&E; disposals includes other PP&E disposals
2. Based on expected deals to complete by 28 February 2014

For personal use only

FREE CASHFLOW ACROSS THE CYCLE

Free Cash Flow Generation (excl. Growth Capex & Capital Mgt)



Free cashflow before growth capex and shareholder returns ($M)	1H09	2H09	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13	1H14
	60	53	55	67	69	76	64	50	48	87	76

Note:
1. Sustaining capex includes other PP&E additions; disposals includes other PP&E disposals

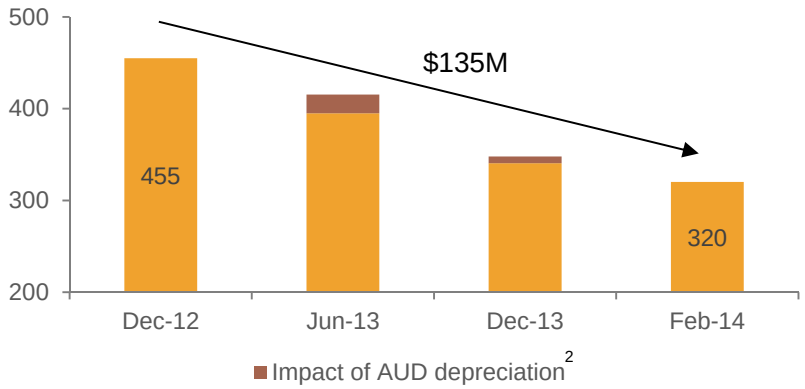
For personal use only

FUNDING PROFILE

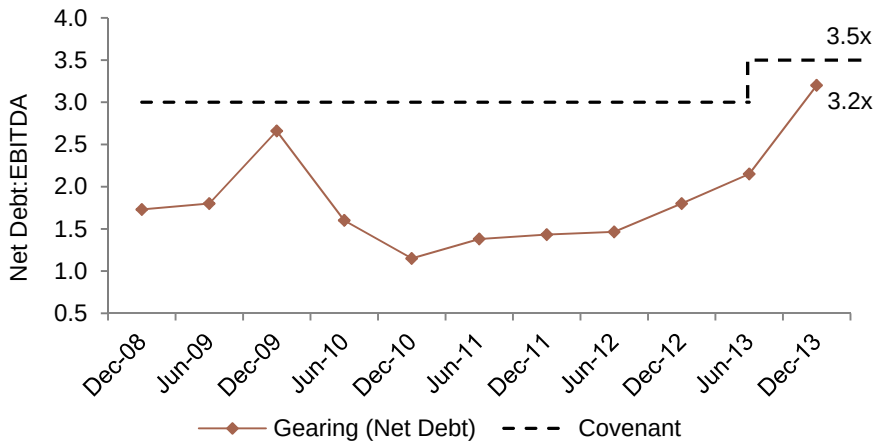
DEBT REDUCTION IN H1 FY14 FROM STRONG FREE CASH FLOW

- Deleveraging balance sheet by $135M over past 14 months
- Expect net debt of approximately $320M at end of February 14'
- Combination of quality cashflow, limited capex and asset disposals to deliver further deleveraging
- Proactively sought covenant amendment to manage through challenging market
- Exploring a range of options which may provide a more flexible debt structure

Net debt



Gearing[1]



Note:
1. Gearing ratio – Net debt : Operating EBITDA < 3.5x
2. FX rates: 31 Dec 12: AUD:USD – 1.038, AUD:CAD – 1.032, 30 Jun 13: AUD:USD – 0.927, AUD:CAD – 0.97, 31 Dec 13: AUD:USD – 0.892, AUD:CAD – 0.949, no FX assumptions made as at 28 Feb 2014

For personal use only

STRATEGY & OUTLOOK

Ken Lewsey
Managing Director & Chief Executive Officer

For personal use only

EARNINGS OUTLOOK

- Improvement in earnings in 2H14
  - FY14 Operating EBITDA $82M to $94M – revised from $90M to $105M following slower than expected award and commencement of new contracts
- Earnings growth in 2H14 supported by:
  - High activity levels in Canadian oil sands winter program
  - Recent contract wins in Australia, Canada and Chile
  - Conversion of business development opportunities in Australia, Canada and Chile
  - Margin growth with changing revenue mix and a greater ability to absorb fixed costs

For personal use only

KEY STRATEGIC FOCUS

- Disciplined approach to balance sheet management – ongoing fleet rationalisation and moderate capex

- Increased earthmoving and demand for equipment expected over medium term as mining companies expected to revert to life of mine operating plans and resuming operations at regular strip ratios as they appear to move out of the last 12-18 months of a capital preservation phase

- We continue to look at new opportunities across geographies and markets

For personal use only

QUESTIONS

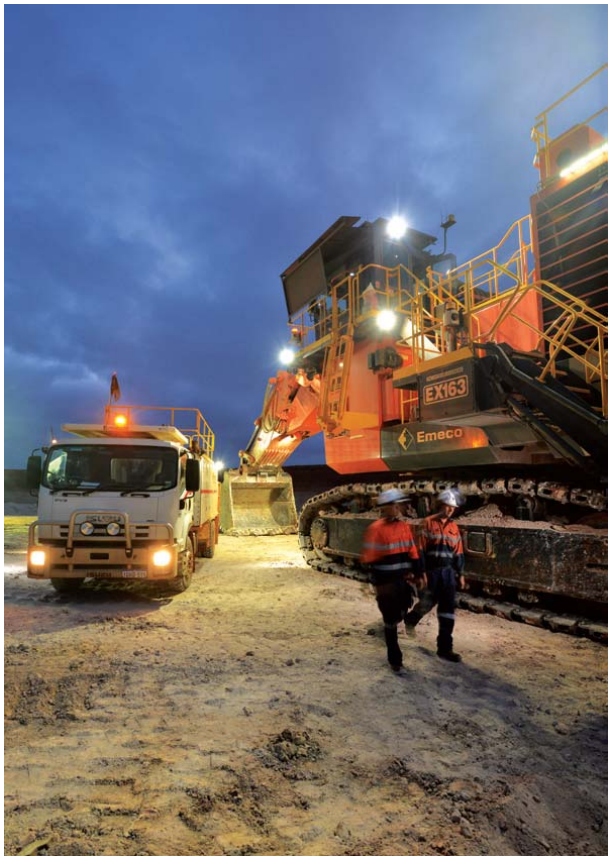
For personal use only

FURTHER INFORMATION

Thank you for your interest in Emeco

Further investor enquiries should be directed to:

- **Ken Lewsey CEO**
- **Stephen Gobby CFO**
- **Brendan Shalders Investor Relations**



For personal use only

APPENDICES

For personal use only

DETAILED FINANCIALS

Profit & Loss

A$ Millions	1H13	2H13	1H14	HonH Var $	PCP Var $
Revenue	246.7	193.0	126.4	(66.6)	(120.3)
EBITDA	**110.7**	**77.6**	**33.1**	(44.5)	(77.6)
margin (%)	*44.9%*	*40.2%*	*26.2%*		
EBIT	**49.1**	**26.5**	**(8.3)**	(34.8)	(57.4)
margin (%)	*19.9%*	*13.7%*	*(6.6)%*		
NPAT	**25.1**	**10.1**	**(16.3)**	(26.4)	(41.4)
EPS (cps)	4.2	1.7	(2.9)	(4.6)	(7.1)
DPS (cps)	2.5	0.0	0.0	0.0	(2.5)
R12 ROC (%)	11.8%	7.1%	1.8%	(5.3)%	(10.0)%

Balance Sheet

A$ Millions	Dec-12	Jun-13	Dec-13
Cash	16.1	5.8	**4.6**
Trade & other receivables	106.7	97.1	**67.5**
Rental plant	767.3	798.0	**754.8**
Intangibles	173.6	158.1	**0.2**
Sales & parts inventory	27.2	7.4	**3.4**
Other assets	98.9	59.6	**44.8**
Trade & other payables	(50.8)	(40.6)	**(43.7)**
Total debt	(462.6)	(420.4)	**(348.1)**
Other liabilities	(53.2)	(53.8)	**(46.4)**
Net assets	**623.2**	**611.2**	**437.1**

Cashflow

A$ Millions	1H13	2H13	1H14	PCP Var $
Operating cashflow	124.4	81.6	33.1	(91.3)
General working capital	(1.7)	(1.0)	29.1	30.8
Sales & parts inventory	3.3	18.9	4.1	0.8
Interest & borrowing costs	(17.2)	(13.5)	(11.5)	5.7
Income tax payments	(14.4)	(6.5)	10.2	24.6
Cashflow from operating activities	**94.4**	**79.5**	**65.0**	(29.4)
Sustaining capex[2]	(63.5)	(25.2)	(17.3)	46.2
Disposals[2]	16.8	33.0	28.3	11.5
Cashflow from investing activities	**(46.7)**	**7.8**	**11.0**	57.7
Cashflow (before growth capex & s/h return)	**47.7**	**87.3**	**76.0**	**28.3**
Growth capex	(78.2)	(12.0)	(0.9)	77.3
Dividends	(22.0)	(15.1)	0.0	22.0
Share buy-back	(16.9)	0.0	0.0	16.9
Free cashflow	**(69.4)**	**60.2**	**75.1**	**144.5**

Finance Facilities

A$ Millions	Facility limit	Drawn 31-Dec-13	Headroom	Maturity (years)[1]
Senior debt (3-year)	200.0	179.3	20.7	0.88
Senior debt (4-year)	125.0	-	125.0	-
Senior debt (5 year)	125.0	-	125.0	-
USPP (7-year)	44.9	44.9	-	0.68
USPP (10-year)	112.1	112.1	-	2.65
Finance lease	10.7	10.7	-	0.05
Other	12.2	8.9	5.3	0.02
Total	**630.0**	**355.9[3]**	**276.0**	4.27

Note:
1. Weighted average based on drawn amount for each facility
2. Sustaining capex includes other PP&E additions; disposals includes other PP&E disposals
3. Excludes capitalised borrowing costs and fair value of debt

DISCLAIMER

Reliance on third party information
The information and views expressed in this Presentation were prepared by Emeco Holdings Ltd (the **Company**) and may contain information that has been derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. No responsibility or liability is accepted by the Company, its officers, employees, agents or contractors for any errors, misstatements in or omissions from this Presentation.

Presentation is a summary only
This Presentation is information in a summary form only and does not purport to be complete. It should be read in conjunction with the Company's 2013 final financial report. Any information or opinions expressed in this Presentation are subject to change without notice and the Company is not under any obligation to update or keep current the information contained within this Presentation.

Not investment advice
This Presentation is not intended and should not be considered to be the giving of investment advice by the Company or any of its shareholders, directors, officers, agents, employees or advisers. The information provided in this Presentation has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs. Each party to whom this Presentation is made available must make its own independent assessment of the Company after making such investigations and taking such advice as may be deemed necessary.

No offer of securities
Nothing in this Presentation should be construed as either an offer to sell or a solicitation of an offer to buy or sell Company securities in any jurisdiction.

Forward looking statements
This Presentation may include forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, these statements are not guarantees or predictions of future performance, and involve both known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control. As a result, actual results or developments may differ materially from those expressed in the statements contained in this Presentation. Investors are cautioned that statements contained in the Presentation are not guarantees or projections of future performance and actual results or developments may differ materially from those projected in forward-looking statements.

No liability
To the maximum extent permitted by law, neither the Company nor its related bodies corporate, directors, employees or agents, nor any other person, accepts any liability, including without limitation any liability arising from fault or negligence, for any direct, indirect or consequential loss arising from the use of this Presentation or its contents or otherwise arising in connection with it.

For personal use only

For personal use only

Emeco

BETTER EQUIPPED

Learn more about us

emecogroup.com