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Emeco

BETTER EQUIPPED

2014 FULL YEAR RESULTS

21 AUGUST 2014

KEN LEWSEY, MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

GREG HAWKINS, CHIEF FINANCIAL OFFICER

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PRESENTATION OVERVIEW

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

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HIGHLIGHTS

Ken Lewsey
Managing Director & Chief Executive Officer

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DURING CHALLENGING TIMES THE BUSINESS ACHIEVED ITS STRATEGIC OBJECTIVES

FY14 Objective	How we achieved it…	
New management team	Built a new management team with skills to succeed in a very different market	✓
Improve utilisation through project wins and rationalisation of fleet	Improved utilisation from outset of FY15, currently 58%[1], which is up on prior corresponding period of 42%	✓
Restore confidence in financial position reduce gearing risks	Successful refinancing of Emeco, no maintenance covenants on 144A bond issue	✓
Focus on key markets	Exited loss making Indonesian business, whilst building scale and customer depth in our core markets	✓
Reduce capital intensity	Fully maintained contract wins in Australia, external maintenance services growth in Canada, building maintenance capability in Chile	✓
Enhance business development capabilities	Invested in rebuilding business development capability, early signs of success with contract wins achieved in the last quarter of FY14	✓

Note:
1. Including non-current assets held for sale current utilisation is 54%

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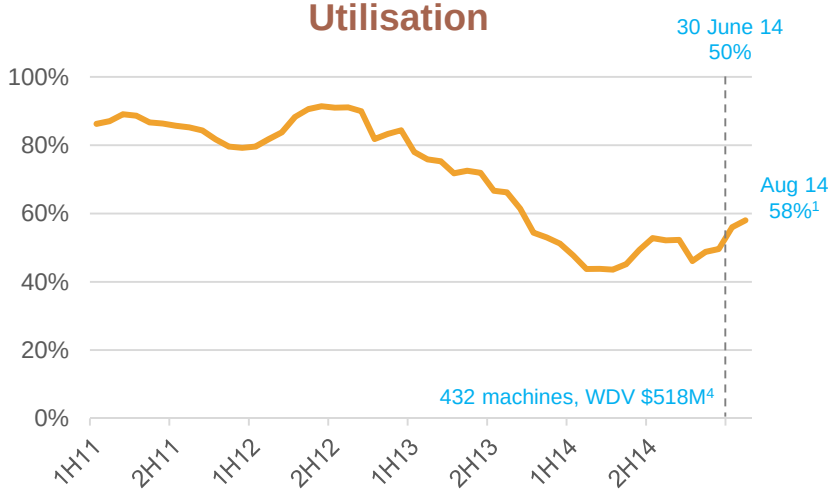
FY14 OVERVIEW

PROJECT WINS OVER FOURTH QUARTER FY14 RESULTED IN UTILISATION IMPROVEMENT FROM LATE FY14

Utilisation



Financial performance[2,4]

A$million	FY13	FY14	PCP Var $M
Revenue	379.4	241.1	(138.3)
EBITDA	160.3	72.1	(88.2)
Operating NPAT	28.5	(21.6)	(50.1)
Statutory NPAT[3]	0.0	(224.2)	(224.2)
Free cashflow	(14.0)	85.9	99.9

- Mining industry continued to adversely impact business in FY14, EBITDA of $72.1M 55% down on FY13 result
- Cash generation of $85.9M driven by disposal of non-core fleet and reduced capital expenditure, used to reduce debt prior to success refinancing in March 2014

Note: 1. Including non-current assets held for sale current utilisation is 54%
2. Table represents operating results
3. Statutory NPAT includes $157.9M goodwill impairment, $43.7M tangible asset impairments, $1.2M one-off redundancy costs and $19.1M written-off debt establishment fees. Refer to Emeco's 2104 Annual Report for more information
4. Excludes discontinued operations

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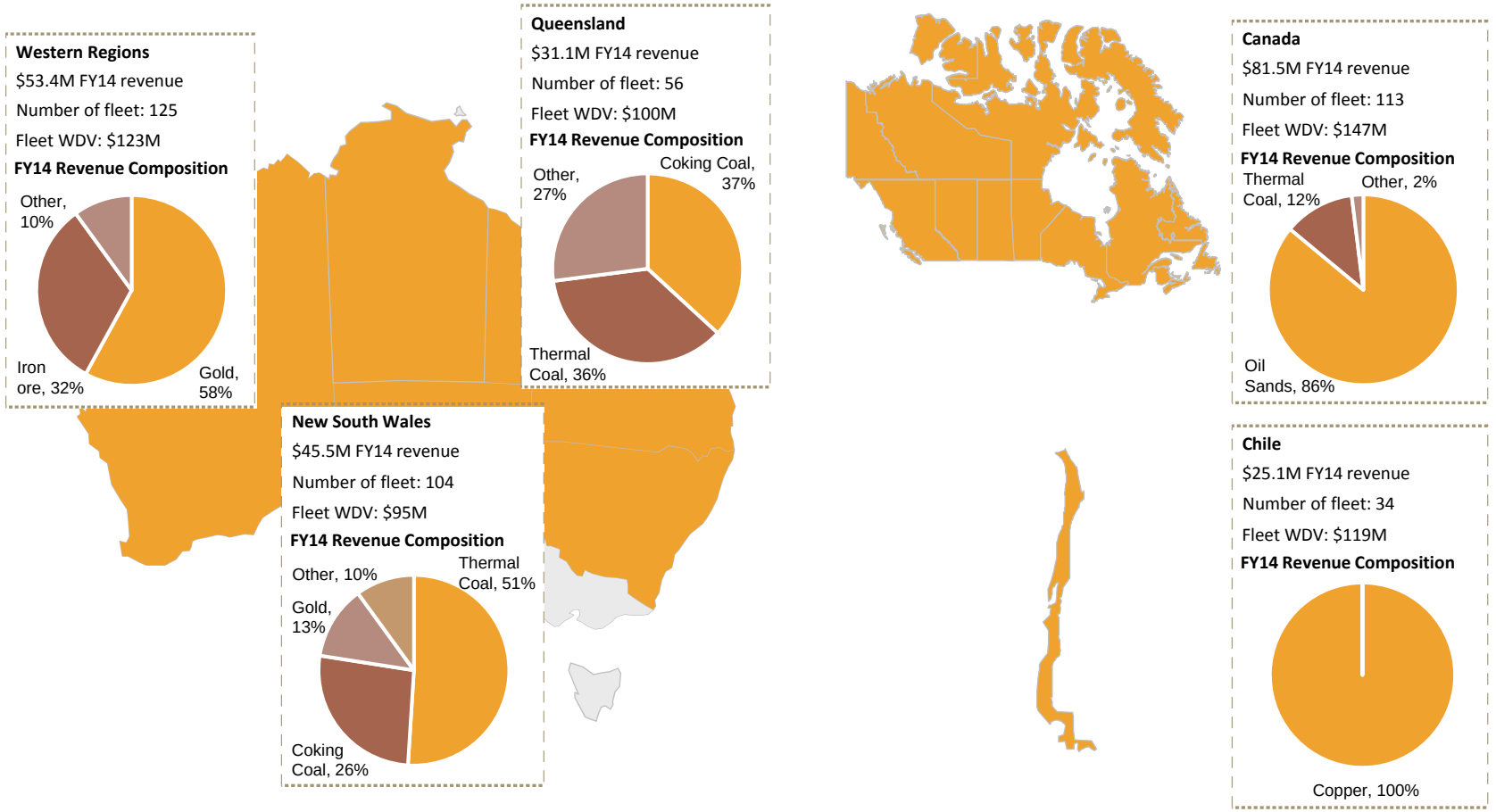
CURRENT OPERATIONS

EMECO OPERATES IN LOW COST, HIGH PRODUCTION MINING MARKETS



Note:
1. Figures in AUD millions

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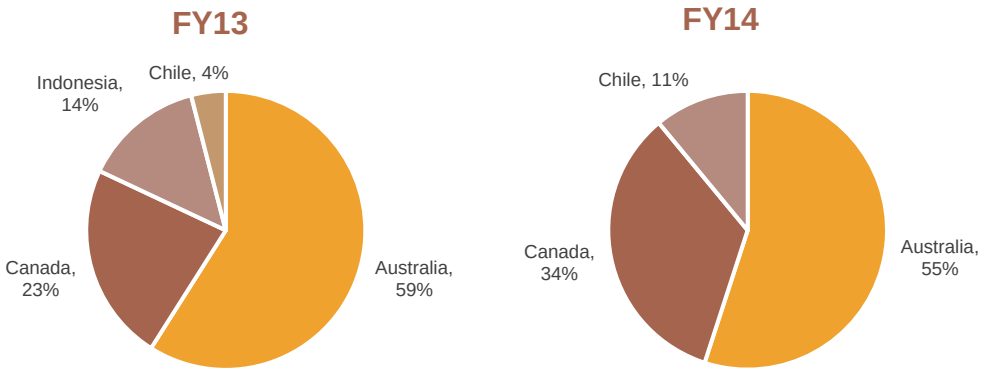
EARNINGS COMPOSITION

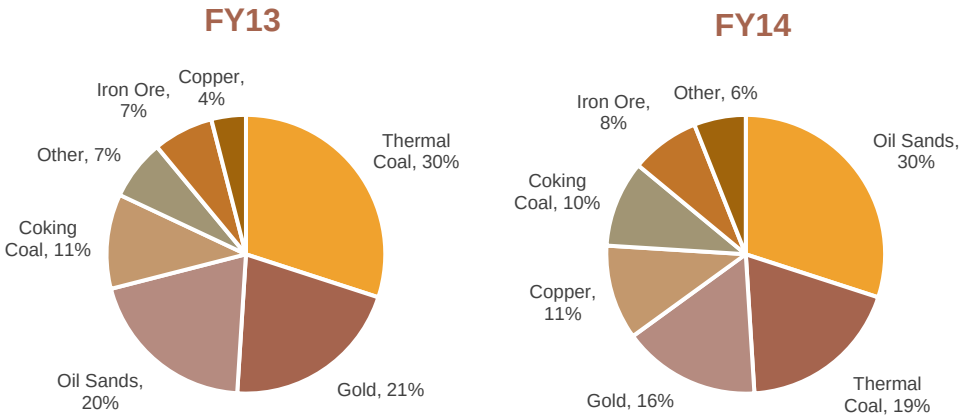
DIVERSIFICATION LIMITED EXPOSURE TO THE AUSTRALIAN MINING INDUSTRY

- Overseas geographies representing larger composition of earnings in FY14
- Exited loss making Indonesian business in FY14
  - generated cash of $40M;
  - removed approximately $3.5M in operating costs annually
- Change in commodity mix
  - Reduced activity in bulk commodities, miners insourcing work traditionally performed by contractors
  - Growth in number of oil sands and copper customers over FY14 further diversifying earnings

Revenue by Geography



Revenue by Commodity



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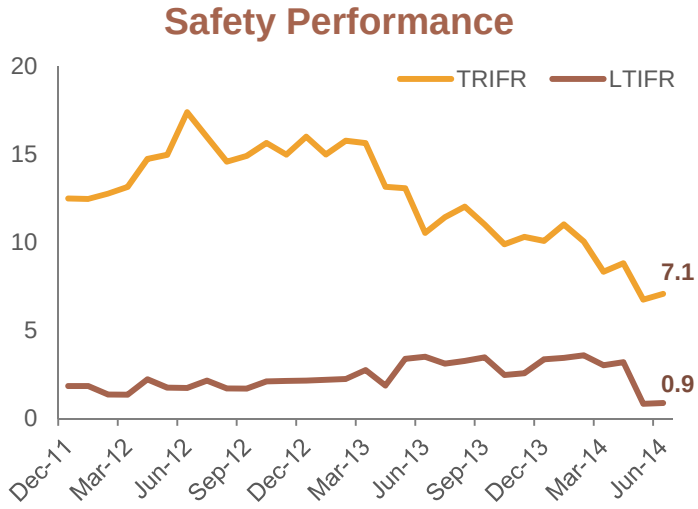
SAFETY & SUSTAINABILITY

A HIGH STANDARD OF HSE IS KEY IN A COMPETITIVE MARKET

- **Health, Safety & Environment**
  - Reduced TRIFR by 33%
  - Reduced LTIFR by 74%
  - Increased HSE lead indicators
  - Improved HSE systems and processes
- **Sustainability**
  - Working closely with Indigenous contractors in oil sands market
  - Independent survey of customer satisfaction levels
  - Two female executives appointed to senior leadership roles. Greater representation of women employed across the workforce
  - Improved annual sustainability reporting process



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OPERATIONAL REVIEW

Ken Lewsey
Managing Director & Chief Executive Officer

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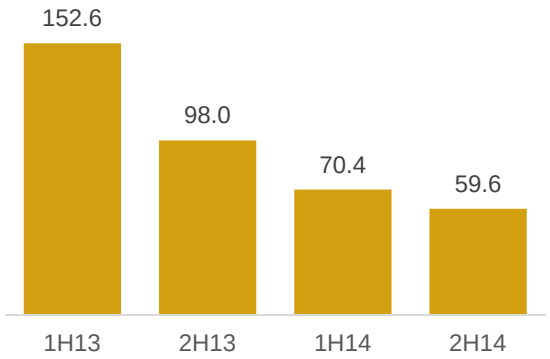
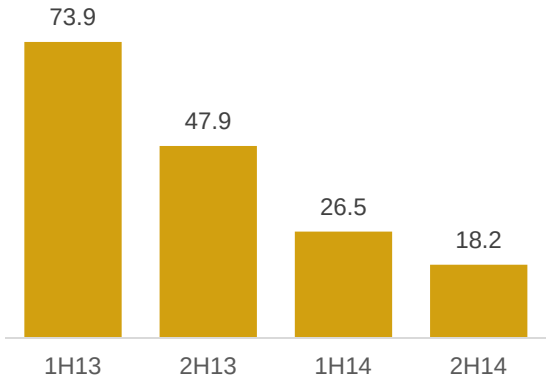
REGIONAL PERFORMANCE - AUSTRALIA

CONTRACT WINS IN RECENT MONTHS HAVE BENEFITED UTILISATION

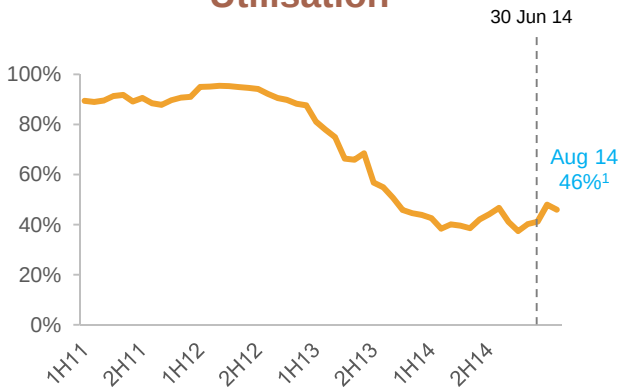
Revenue



EBITDA



Utilisation



- Full year impact of contract losses and rental rate reductions over FY13 reflected in FY14 performance
- Investment in business development capability led to increased level of enquiry over 2HFY14 and a number of conversions toward the end of the year
- Rationalisation of Australian fleet focused on maintaining asset classes with high demand, while releasing cash from under-utilised assets to fund future growth

Note:
1. Excludes non-current assets held for sale

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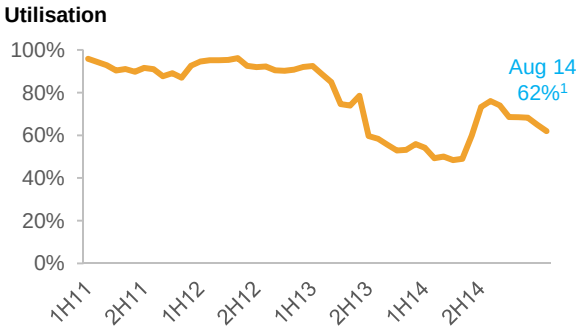
REGIONAL PERFORMANCE - AUSTRALIA

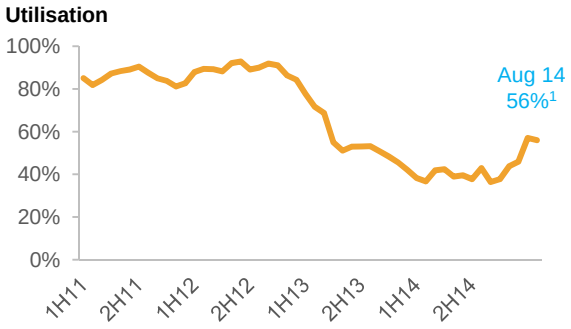
PERFORMANCE OF AUSTRALIAN BUSINESS VARIED ACROSS REGIONS

New South Wales



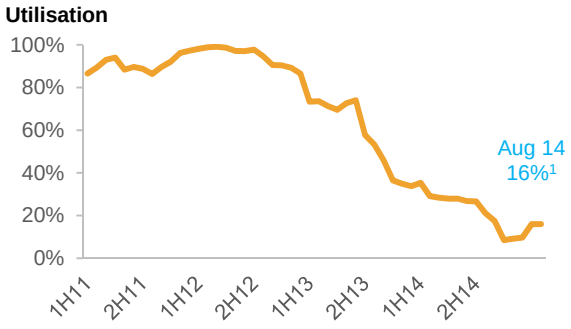
- FY14 contract wins in gold and thermal coal
- Recent decline in utilisation result of unit off-hires with existing customers

Western Australia



- FY14 project wins resulting in greater representation of gold in earnings composition
- Saracen renegotiated for further two year extension
- BD capability extended to South Australia and Northern Territory, first project secured Q4 FY14 in Northern Territory

Queensland



- Queensland coal markets most impacted by low commodity prices
- Stronger level of enquiry expected to drive improvement in FY15

Note:
1. Excludes non-current assets held for sale

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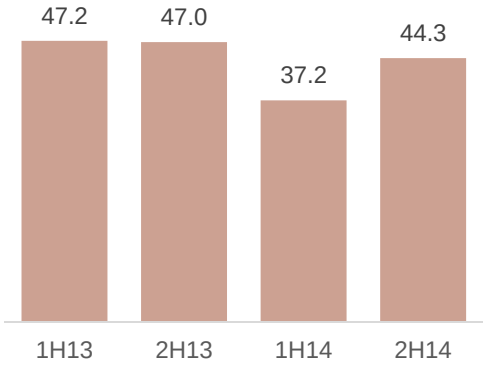
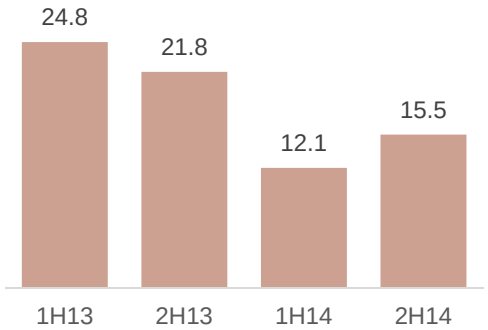
REGIONAL PERFORMANCE - CANADA

CONTINUED TO EXPAND CUSTOMER BASE OVER FY14

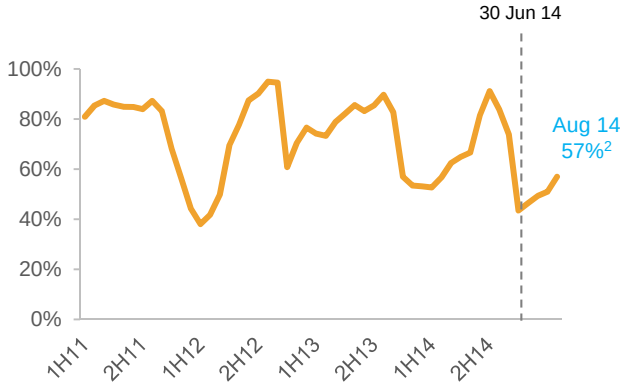
Revenue[1]



EBITDA[1]



Utilisation



- Number of large customers increased from eleven to thirteen; third master service agreement (MSA) signed with major oil producer; 10 year extension of MSA with major oil producer; greater level of partnering with large indigenous contractors in oil sands industry
- External maintenance services revenue increased to $6.2M, up from $3.0M the prior year; new 10 year contract to provide maintenance services to a major oil sands producer to drive further growth in FY15
- FY14 performance was affected by warmer weather resulting in the early cessation of the winter oil sands works program and an unplanned temporary plant shut-down at one of our major oil sands customers

Note:
1. Figures in AUD millions
2. Excludes non-current assets held for sale

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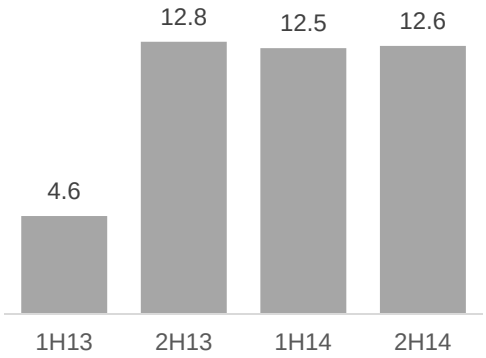
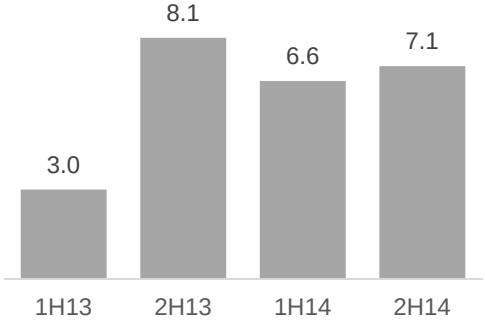
REGIONAL PERFORMANCE - CHILE

NEW CONTRACT PROVIDING PLATFORM FOR FUTURE GROWTH

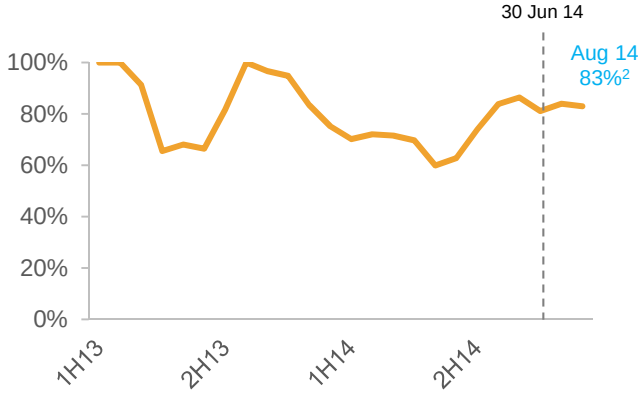
Revenue[1]



EBITDA[1]



Utilisation



- Recently announced Encuentro project expected to support 50% utilisation over 5 year period, estimated revenue between $27M and $32M annually
- Further $25M invested in Chilean fleet increasing total fleet to $110M at 30 June 2014, including $22M of transfers from Canada and Indonesia over FY14
- Current pipeline to support strong utilisation over FY15, Management assessing opportunities to relocate Australian fleet to Chile

Note:
1. Figures in AUD millions
2. Excludes non-current assets held for sale

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FINANCIALS

Greg Hawkins
Chief Financial Officer

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FINANCIAL SUMMARY

At a glance…

A$million	FY13[1]	FY14[1]	PCP Var $M
Revenue	379.4	241.1	(138.3)
EBITDA	160.3	72.1	(88.2)
EBIT	61.3	(6.1)	(67.4)
NPAT	28.5	(21.6)	(50.1)
Statutory NPAT[2]	0.0	(224.2)	(224.2)
Free cash flow	(14.0)	85.9	99.9
ROC[3]	6.5%	(0.8)%	(7.3)%
Operating EPS (cps)	4.8	(3.6)	(8.4)

Note:
1. Table represents operating results
2. FY14 Statutory NPAT includes one-off costs (pre-tax) comprising intangible asset impairments of $157.9 million, tangible asset impairments of $43.7 million, debt establishment cost write-offs of $19.1 million and redundancy costs $1.2 million
3. ROC calculated as Operating EBIT divided by average invested capital for the period

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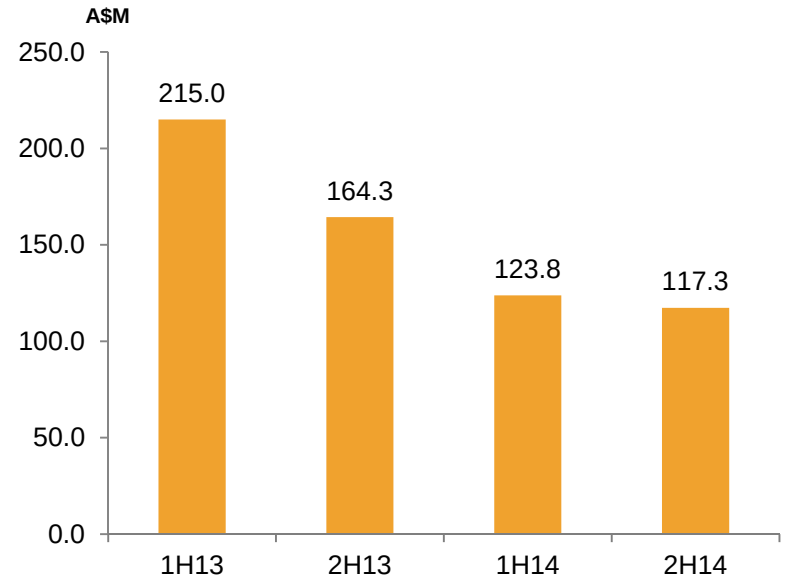
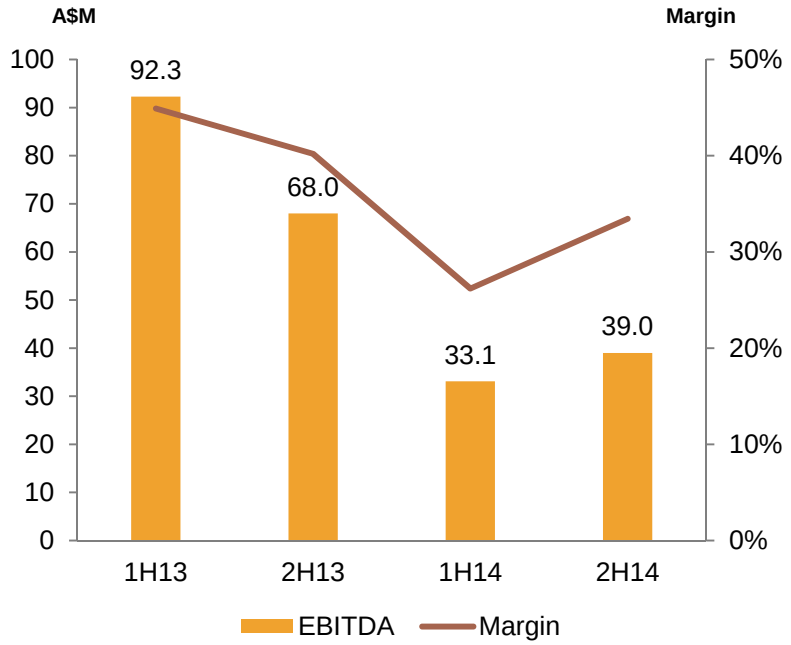
FINANCIAL PERFORMANCE

COST REDUCTIONS DRIVING MARGIN IMPROVEMENT IN H2 FY14

Revenue



EBITDA



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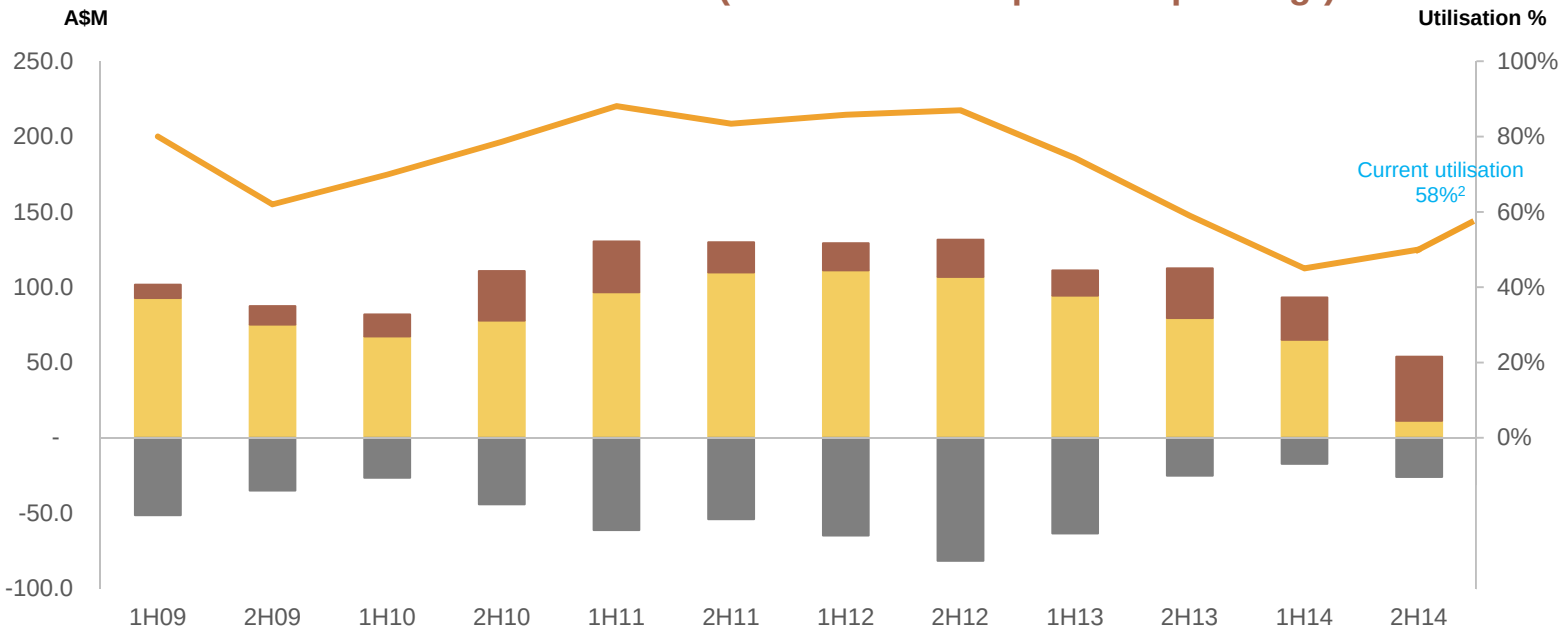
FREE CASHFLOW ACROSS THE CYCLE

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	2H14
	60	53	55	67	69	76	64	50	48	87	76	28

Cash flow from Operating Activity
Disposals[1]
Sustaining Capex[1]
Average Utilisation (Group)

Note:
1. Sustaining capex includes other PP&E additions; disposals includes other PP&E disposals
2. Including non-current assets held for sale current utilisation is 54%

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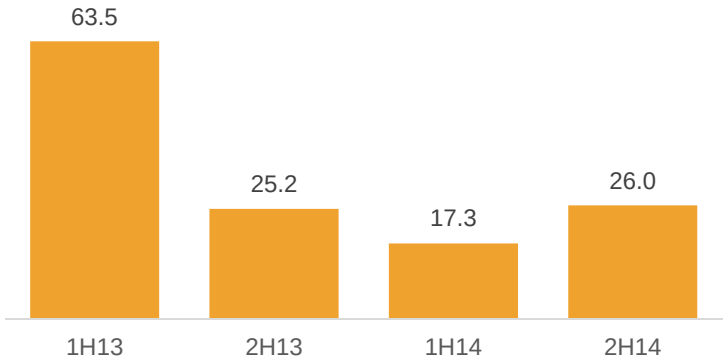
RENTAL FLEET & CAPITAL STRATEGY

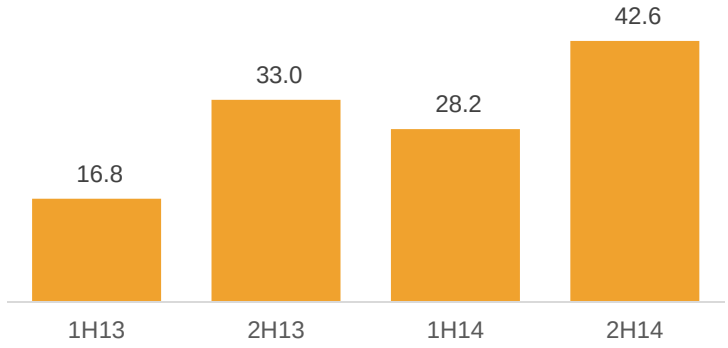
FOCUS ON RIGHT SIZING FLEET TO MATCH DEMAND IN OUR MARKETS

- Sustaining capex of $43.3M in FY14 down due to:
  - end of life replacement spend on hold - right sizing fleet via attrition;
  - reduced major components spend on lower utilisation
- FY15 sustaining capex to increase year on year as a result of pick up in activity:
  - end of life replacement focused on high demand asset classes, funded by disposals
- $40M WDV held as assets held for sale at 30 June 2014 scheduled for disposal in FY15
- Age profile of fleet unchanged following disposals over FY14

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

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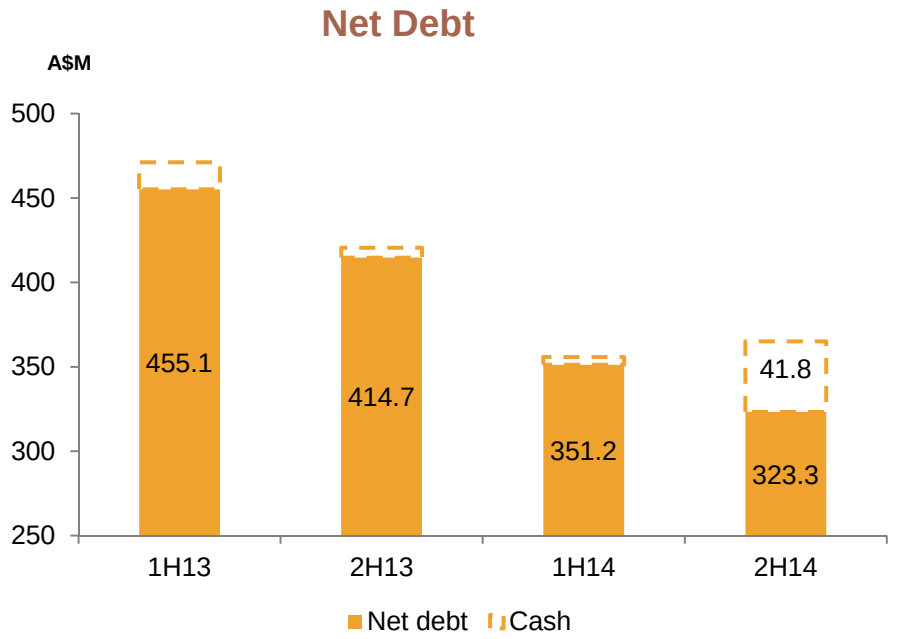
BALANCE SHEET

SUCCESSFUL REFINANCING PROVIDES FLEXIBLE AND SUSTAINABLE DEBT STRUCTURE

- Net debt reduced to $323M at 30 June 2014
- Successful refinancing in March 2014 securing US$335M 144A bond issue:
  - maturity profile extended to 2019
  - covenant light structure
- $50M revolver facility undrawn at 30 June 2014
- $42M cash held at 30 June 2014, cash generation over FY15 to further improve liquidity



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STRATEGY & OUTLOOK

Ken Lewsey
Managing Director & Chief Executive Officer

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FY15 OUTLOOK

- Next 12 months continue to build on work completed in FY14
- Improved utilisation from outset of FY15 as a result of project wins over Q4 FY14 (58%)
- Continue to strengthen customer relationships and expand market penetration (have had early success)
- Maintained project wins in Australia and growth in external maintenance services in Canada over FY14 expected to reduce capital intensity
- Long term Encuentro agreement provides foundation to expand our Chilean business, with growth supported in part by relocation of Australian assets
- FY15 cash generation to fund future growth
- Fleet strategy to match asset classes to regional demand

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STRATEGIC FOCUS

OUR DETAILED STRATEGIC REVIEW HAS LOOKED AT HOW WE EVOLVE WITHIN THE CONTEXT OF THE CURRENT MARKET:

Strategic imperatives

- Reduce capital intensity
- Build on our value differentiator and brand
- Deepen and widen customer relationships
- Further leverage existing capabilities and assets
- Diversify our historic market risk
- Lessen our exposure to the mining cycle

Strategic priorities

- Focus on addressing our leverage and strengthening our balance sheet
- Improve utilisation rates and returns:
  - Add greater value to our customers' operations (productivity and solutions focus)
  - Expand maintenance services in Australia and globally
  - Target projects in select new geographies that drive utilisation and revenue
  - Position the right fleet to compete
- Generate cash to strategically grow the business

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QUESTIONS

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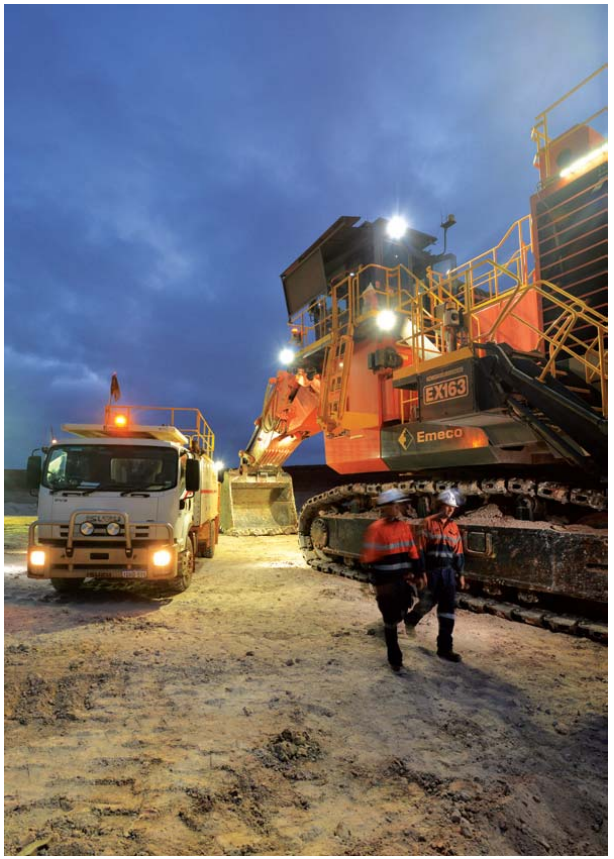
FURTHER INFORMATION

Thank you for your interest in Emeco

Further investor enquiries should be directed to:

- **Ken Lewsey CEO**
- **Greg Hawkins CFO**
- **Brendan Shalders Investor Relations**



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APPENDICES

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DETAILED FINANCIALS

Profit & Loss

A$ Millions	FY13	FY14	PCP Var $
Revenue	379.4	241.1	(138.3)
EBITDA	**160.3**	**72.1**	(88.2)
margin (%)	*42.3%*	*29.9%*	(12.3%)
EBIT	**61.3**	**(6.1)**	(67.4)
margin (%)	*16.2%*	*(2.5%)*	(18.7%)
NPAT	**28.5**	**(21.6)**	(50.1)
EPS (cps)	4.8	(3.6)	(8.4)
DPS (cps)	2.5	0	(2.5)
R12 ROC (%)	6.5%	(0.8%)	(7.3%)

Balance Sheet[2]

A$ Millions	FY13	FY14
Cash	5.8	41.8
Trade & other receivables	97.1	78.2
Rental plant	798.1	530.9
Intangibles	158.1	0.2
Sales & parts inventory	14.8	8.2
Other assets	52.2	89.1
Trade & other payables	(40.6)	(53.1)
Total debt	(415.4)	(343.8)
Other liabilities	(58.8)	(27.5)
Net assets	**611.2**	**324.0**

Cashflow

A$ Millions	FY13	FY14	PCP Var
Operating cashflow	175.6	57.4	(118.2)
General working capital	35.6	36.6	1.0
Sales & parts inventory	14.2	6.4	(7.8)
Interest & borrowing costs	(30.7)	(34.3)	(3.6)
Income tax payments	(20.9)	10.2	31.2
Cashflow from operating activities	**173.8**	**76.3**	**(97.5)**
Sustaining capex[1]	(88.7)	(43.3)	45.4
Disposals[1]	49.8	70.8	21.0
Cashflow from investing activities	**(38.9)**	**27.5**	**66.4**
Cashflow (before growth capex & s/h return)	**134.9**	**103.8**	**(31.1)**
Growth capex	(90.2)	(0.9)	89.3
Dividends	(37.1)	0.0	37.1
Share buy-back	(16.9)	0.0	16.9
Other financial activities	(4.7)	(17.0)	(12.3)
Free cashflow	**(14.0)**	**85.9**	**99.9**

Note:
1. Sustaining capex includes other PP&E additions; disposals includes other PP&E disposals
2. Balance sheet includes discontinued operations

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GEOGRAPHIC SEGMENTS

Australia

A$ Millions	1H13	2H13	1H14	2H14
Revenue	152.6	98.0	70.4	59.6
EBITDA	**73.9**	**47.9**	**26.5**	**18.2**
margin (%)	*48.4%*	*48.9%*	*37.7%*	*30.6%*
EBIT	**34.8**	**18.6**	**1.6**	**(5.2)**
margin (%)	*22.8%*	*19.0%*	*2.3%*	*(8.6)%*

Canada

A$ Millions	1H13	2H13	1H14	2H14
Revenue	47.2	47.0	37.2	44.3
EBITDA	**24.8**	**21.8**	**12.1**	**15.5**
margin (%)	*52.5%*	*46.4%*	*32.6%*	*34.9%*
EBIT	**12.8**	**10.6**	**3.4**	**4.8**
margin (%)	*27.1%*	*22.6%*	*9.1%*	*10.8%*

Chile

A$ Millions	1H13	2H13	1H14	2H14
Revenue	4.6	12.8	12.5	12.6
EBITDA	**3.0**	**8.1**	**6.6**	**7.1**
margin (%)	*65.2%*	*63.3%*	*53.2%*	*56.7%*
EBIT	**1.8**	**4.6**	**2.8**	**1.3**
margin (%)	*39.1%*	*35.9%*	*22.5%*	*10.5%*

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

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