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# Emeco Holdings Limited

## Operational & Trading Update

**Canaccord Conference Perth**

**June 2023**

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# SUMMARY

**Our unique business model and strategy, continue to deliver solid earnings in challenging market conditions. Operating EBITDA guidance narrowed to $248 – 252 million[1]**

## Operational & Trading Update

- Demand for our equipment and services has driven strong half on half earnings growth
  - New and expansion projects secured during the period will drive strong momentum going into FY24
  - Revenue mix continues to evolve as we increase the number of fully maintained projects, adding tenure to the portfolio, creating value for our customers and differentiating our capability from our competitors
  - Strong workshop demand drove H2 earnings growth for our Force business
  - Solid H2 turnaround performance for PnP
- Solid H2 margin performance, with focus on repricing, equipment deployment and business improvement, to mitigate cost inflation (labour and parts)
- FY23 Operating EBITDA guidance narrowed to $248 – 252 million[1]
- Sustaining net capex is at lower end of guidance range
- Net leverage ratio (net debt / EBITDA) expected to be around target of 1x

## Competitive Advantage and Business Improvement

- Our unique business model positions us well to meet inflation challenges and to deliver strong returns to our shareholders
  - Low-cost, self-reliant midlife rebuild model with shorter lead times, longer asset life, improving return on capital
  - Enhanced service offering, utilizing technology and our component rebuild capability as a key service differentiator
  - Business improvement opportunities pursued to increase our competitive advantage

1 Non-IFRS disclosure: Operating EBITDA excludes credit loss allowance of $22.9 million pre-tax, as reported in 1H23 ASX results release

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# Operational Update

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# OPERATIONAL UPDATE

**Strong demand for our fleet and services continues to drive revenue and earnings growth, whilst our operational focus remains on delivering strong returns**

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### Rental - Eastern Operations

- The Eastern region is performing well with half on half revenue and EBITDA growth, driven by high demand for our equipment and new projects
- New and expansion projects continued to ramp up during the half, driving increased utilisation, positioning us for further growth in FY24
- Increase in fully maintained EOS projects, in line with our strategy to maximise value to the customer and increase project tenure. Our maintenance capability provides guaranteed available hours, enabling customers to drive equipment utilisation and hit production targets
- Margins stable, against a backdrop of cost inflation and more fully maintained projects

### Rental - Western Operations

- Western region expected to deliver half on half EBITDA and margin growth, driven by deployment of fleet on fully maintained EOS projects and the successful placement of equipment into new projects
- Margin improvement reflects repricing and cost management initiatives
- The business continues to drive ESG initiatives, partnering with First Nations mining contractors to service projects for major mining houses

# OPERATIONAL UPDATE

**Strong demand for our fleet and services continues to drive revenue and earnings growth, whilst our operational focus remains on delivering strong returns**

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**Force**

- The Force workshops have had an excellent half with very strong activity levels driven by both internal and retail demand
- Force expected to deliver half on half EBITDA and margin growth
- Productivity and business improvement initiatives remain a key focus

**PNP**

- Solid turnaround performance.  Mincor production now ramping up, through strong collaboration focused on project execution and delivery
- Successful redeployment of equipment into new and existing projects
- Good progress by new leadership in building management depth and capability and driving operational improvement, contractual performance and commercial management

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# Competitive Advantage

# COMPETITIVE ADVANTAGE

**Our unique business model provides a competitive advantage while creating value for our customers.**

- **Low-cost midlife rebuild model** – in-house, low-cost capability to perform major equipment and component rebuilds through our Force Workshops, provides a cost advantage that shields us from component price increases and crucially provides reliability of supply of key components that keep our fleet working
- **Longer asset life** - Force has the ability to extend the life of our existing open cut and underground rental assets, in a cost-efficient delivery model, improving our return on capital
- **Enhanced service offering** - Technology as a key service differentiator and competitive advantage, including equipment monitoring capability to enhance customer asset management, planning, component monitoring and maintenance needs, delivering cost advantages to our customers
- **Access to skilled labour** - We have access to a large and skilled workforce located in key mining markets enabling Emeco to provide fully maintained solutions
- **Emeco Operating System (EOS) -** a data driven solution to monitor and manage asset, shift and carbon emission performance for customers

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# LEVERAGING OUR COST AND QUALITY ADVANTAGE

**Our asset management, maintenance and rebuild capability drives reliability, cost and capital efficiency**

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- Force provides a cost effective equipment and component rebuild capability, which provides value for our customers and a competitive cost advantage for our rental business
  - Using Force components creates an opex and capex advantage vs competitors
  - 30% increase in use of Force components over past two years to counter parts price inflation
- Emeco has expanded our asset management function to manage risk and drive our competitive advantage
  - Long term planning allows us to drive rebuild demand through Force, improving inventory management and reducing supply chain risks
  - Proactive management of fleet performance through real time information on machine telemetry
  - Asset uptime maximised
- Our highly skilled Force and site maintenance teams are critical to Emeco driving cost and capital efficiency and maximising the quality and availability of our assets to our customers

# LEVERAGING TECHNOLOGY AS A COMPETITIVE ADVANTAGE

## Using data driven solutions to improve equipment performance

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- EOS is a customisable production operating technology platform that tracks equipment performance in real time
  - Providing managers with tools to improve payload, dig rates, efficiency and machine utilisation, allowing our customers to make rapid and informed decisions to drive productivity and optimise costs from operations
  - EOS carbon module provides real time carbon emission data by asset, shift and site
- Our data collection technology is the key enabler of our asset health and component condition monitoring program, increasing component life and reducing maintenance spend
- We continue to invest in technology installation to support EOS roll out and to further improve the coverage of our fleet with component condition monitoring capability
- EOS is currently deployed at 5 major projects which comprise ~10% of our assets with a further 4 projects to be rolled out taking EOS contracted fleet to 20%

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