

19 December 2023

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

Sale of underground contracting to Macmahon and focus on underground rental as the platform for growth in hard-rock commodities

Emeco is pleased to announce it has entered into binding agreements with Macmahon Holdings Limited (ASX: MAH) (**Macmahon**), under which it will exit underground contract mining (**Underground Contracting Sale**) and enter a 5-year agreement under which Emeco will become Macmahon's preferred equipment rental provider for both surface and underground (**Preferred Rental Agreement**).

Emeco's CEO and Managing Director Ian Testrow said:

"The exit from underground contracting successfully resets and simplifies the business to improve overall returns. By retaining our underground mining fleet, we can concentrate on our core capabilities of asset management, equipment rebuilds and providing customers with surface and underground rental solutions, whilst preserving exposure to the growing underground mining sector and providing a sustainable growth platform in hard-rock commodities."

"Emeco has a strong track-record of achieving high returns on capital investments in our core surface mining rental business and workshops, and the transaction we are announcing today will enable us to do the same in underground."

"The 5-year preferred rental agreement with Macmahon enables us to support the growth of one of Australia's leading contract miners, in both surface and underground. By supporting Macmahon and our other contracting customers, rather than directly competing with them, we can continue to grow our rental business, supported by our Force workshops."

Underground Contracting Sale

Emeco will transfer Pit N Portal customer contracts, employees and non-mining fleet assets to Macmahon, in exchange for ~\$10.1m of in-demand surface and underground mining equipment which are core to Emeco. Emeco will retain all of its underground mobile mining equipment. This effectively exits Emeco from contracting and focuses our underground business on our core rental model.

The Underground Contracting Sale provides an opportunity to streamline overheads and integrate underground workshops into Emeco's Force business. This will enable us to focus on our core capabilities of asset management, equipment rebuilds and providing rental solutions to our customers, in both surface and underground applications.

Key completion conditions include:

- Project contract and vehicle lease novations;
- No material adverse change;
- Successful transfer of employees; and
- Requisite banking approvals.

Preferred Rental Agreement

Emeco and Macmahon have entered a 5-year agreement under which Emeco will become Macmahon's preferred equipment rental provider for both surface and underground, including the rental of Emeco's existing underground fleet at projects transferring to Macmahon.

As one of Australia's largest mining services businesses with substantial work in hand and a strong tender pipeline, Macmahon represents a strong source of equipment rental demand.

The Underground Contracting Sale and Preferred Rental Agreement are expected to drive improvements in margins and returns.

Focusing on our core capabilities of asset management and equipment rental

Emeco's mid-life asset model enables it to source, rebuild and refurbish machines at a significantly lower cost than new assets, driven by our scale and engineering capabilities. This cost and quality advantage drives Emeco's industry leading returns in rental.

The exit from underground contracting allows Emeco to focus our full attention on our core business of surface and underground equipment rental, supported by our Force workshops capability, driving margins and returns.

Additional information

The Underground Contracting Sale and Preferred Rental Agreement are subject to customary conditions and purchase price adjustments (outlined in further detail in the presentation released to the ASX today). Completion is expected to occur in early 2024.

Emeco expects a minimal impact to FY24 Operating EBITDA (excluding one-off costs related to the transaction, including redundancy costs and non-cash impairment), albeit off a lower revenue base. The transaction will result in one-off costs of approximately \$2.8m (pre-tax), including transaction costs and redundancies, and a pre-tax non-cash impairment of \$16.0m of existing underground assets, as a result of the shift to the rental model going forward (comprising \$13.4m of PP&E and \$2.6m of related inventory).

The Company is also pleased to advise that it has now secured projects for all growth capital expenditure commitments for the year (including the 18 x 793D trucks). Previous guidance with respect to capital expenditure remains unchanged.

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Investor enquiries

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

Important Notice - Forward-Looking Statements

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