

Engenco

INVESTOR PRESENTATION

Half Year Results FY20



GEMCORAIL



Drivetrain

**HEDEMORA
TURBO & DIESEL**

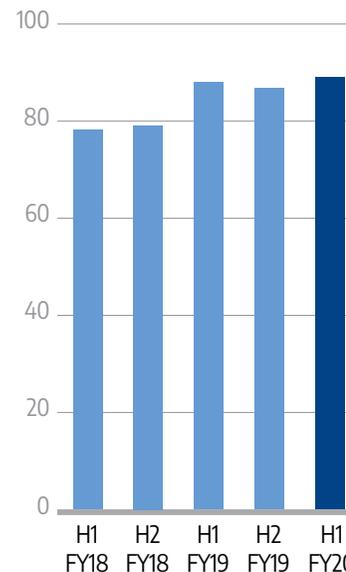
Momentum

**CERT
TRAINING**

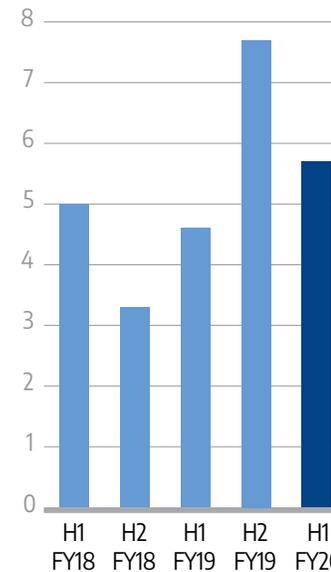
COMPANY HIGHLIGHTS

- The Engenco group continued its multi-year strategy to increase market share through greater capacity, capability and product innovation in H1 FY20.
- Cautiously optimistic that the year will finish broadly in line with FY19 NPBT, adjusted for the FY19 gain on sale of non-core assets (wagons).
- Interim dividend of 0.5 cents per share declared for the first time in over a decade reflecting the group's confidence in future profitability.

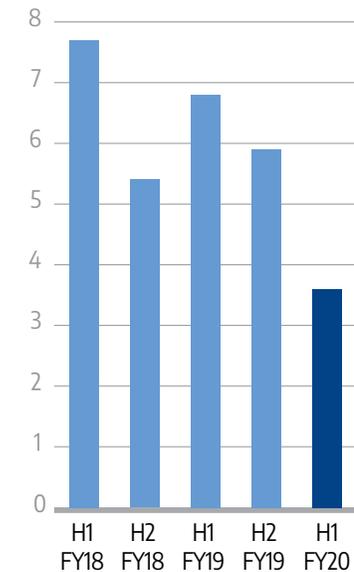
Revenue (\$m)



Net Operating Cash Flow (\$m)



Net Profit Before Tax (\$m)



RESULTS SUMMARY

| | Dec 19 \$'000 | Dec 18 \$'000 |
|-------------------------|------------------|------------------|
| Revenue | 88,960 | 88,030 |
| EBIT | 4,189 | 6,964 |
| Profit before tax | 3,552 | 6,779 |
| Net operating cash flow | 5,686 | 4,618 |

\$80.0m
NET ASSETS

\$16.3m
NET CASH ON HAND

Note:

EBIT is earnings before finance costs and income tax expense.

EBIT is a non-IFRS financial measure which has not been subject to review or audit by the Group's external auditors. The measure is presented to assist understanding of the underlying performance of the Group.



H1 FY20 achievements:

- Revenue up 1.1% to \$89.0m;
- \$3.5m NPAT achieved despite expansion and restructure costs, a weaker Australian dollar affecting margins and timing of a large workforce contract completed over previous periods; and
- Strong balance sheet with an increase in net operating cash flow.

Engenco

STRATEGIC INVESTMENTS

H1 OPEX includes over \$1 million invested in expansion and restructuring including:

- Establishment of a new facility in Gladstone, Central Queensland which became operational in January 2020;
- International expansion into the US; and
- Rationalisation and expansion of sites which will result in future OPEX savings.

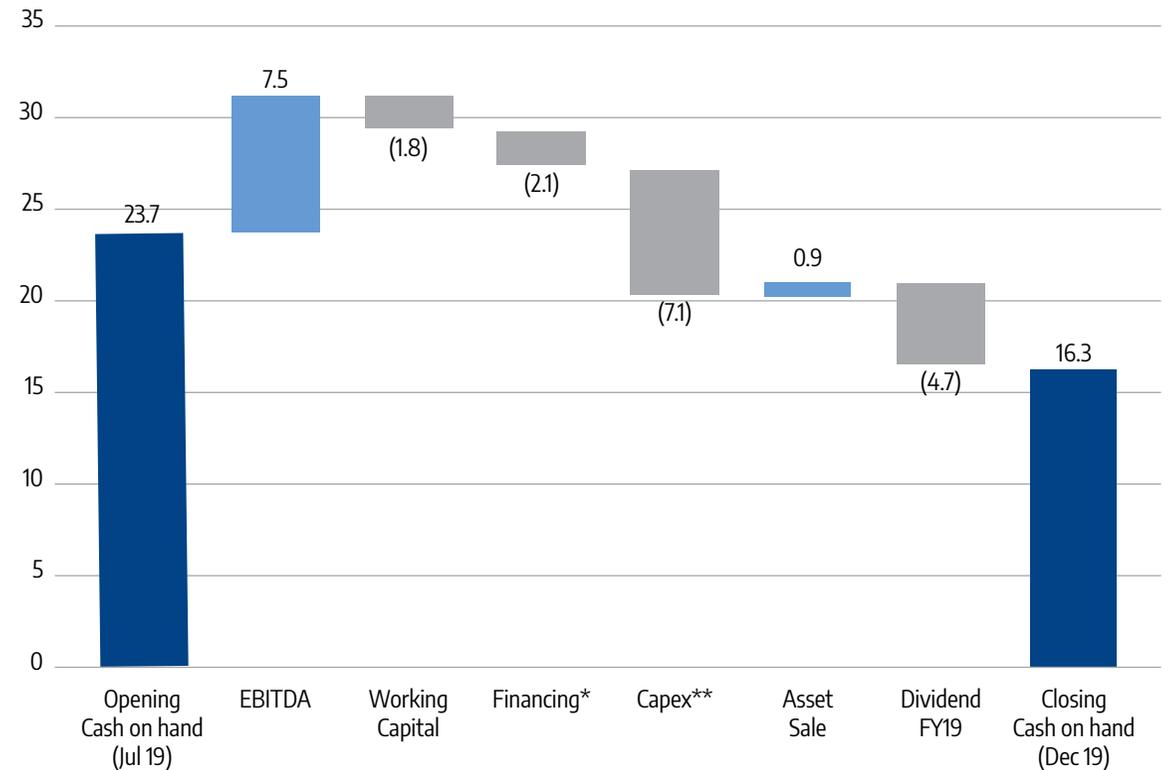


The new facility for Gemco Rail in Gladstone became operational in January 2020.

MAJOR CASH FLOW MOVEMENTS

The group generated strong net operating cash flow which has been invested in a capital investment program and returned to shareholders through dividends.

Major Cash Flow Movements (\$m)



* Financing relates to payment of lease liabilities as per AASB 16.

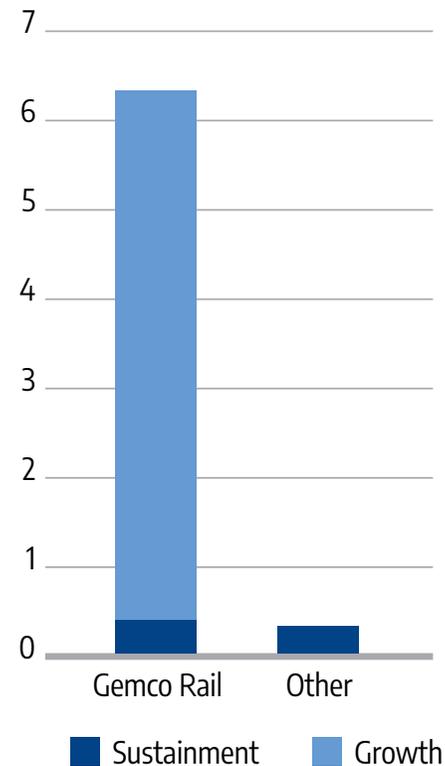
**Includes intangible items \$0.4m.

SUSTAINABILITY CONTINUING TO GROW

Our capital investment program continued throughout the period with \$6.7 million being invested in sustainment and growth projects.

The majority of this investment related to the establishment of the new Gemco Rail site in Gladstone.

Capex by Business Unit (\$m)

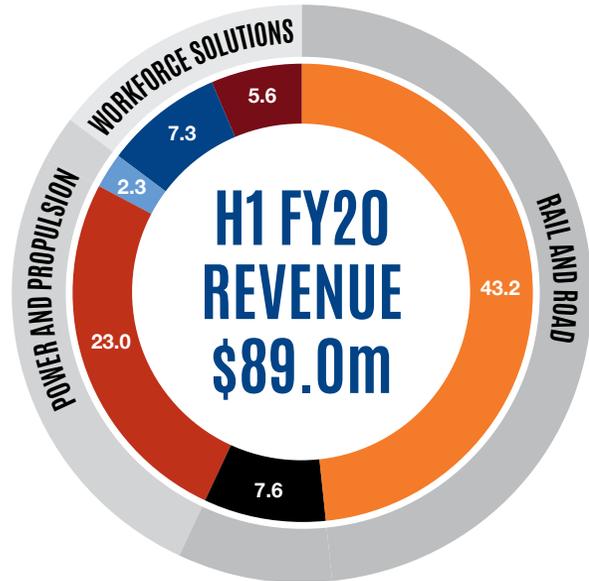


Engenco consolidated Capex:

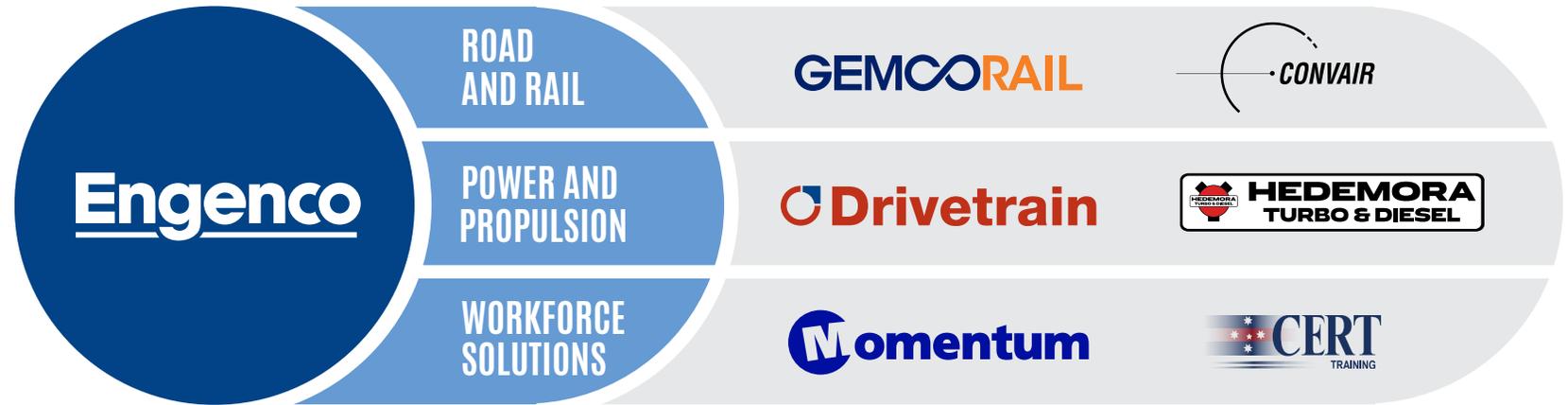
\$6.0m
GROWTH
(H1 FY19 \$1.3m)

\$0.7m
SUSTAINMENT
(H1 FY19 \$0.3m)

BUSINESS UNIT OVERVIEW



- Gemco Rail
- Convair
- Drivetrain
- Other (including eliminations)
- Total Momentum
- CERT Training

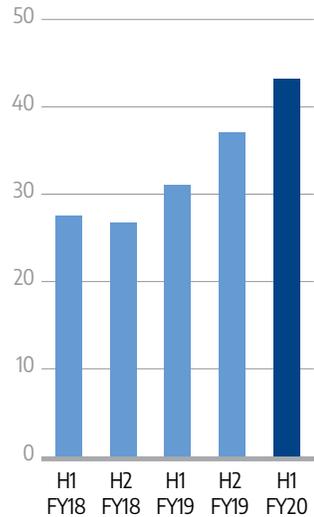


RAIL AND ROAD

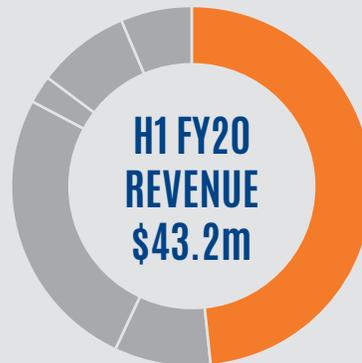
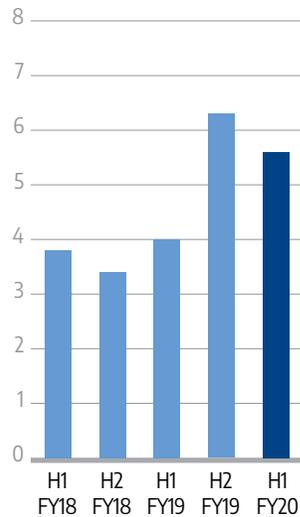


GEMCO RAIL

Revenue (\$m)



Net Profit Before Tax (\$m)

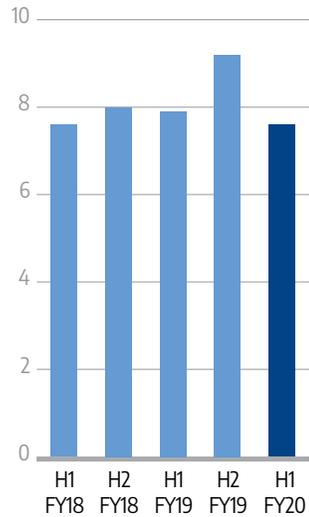


- 39% increase in revenue to \$43.2m and 40% increase in NPBT to \$5.6m demonstrating the success of previous investment in the business;
- Operations throughout the country grew; and
- A new facility in Gladstone became operational in January 2020 which will further contribute to future profitability.

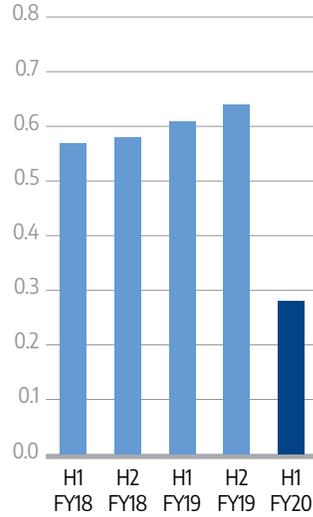
RAIL AND ROAD



Revenue (\$m)



Net Profit Before Tax (\$m)



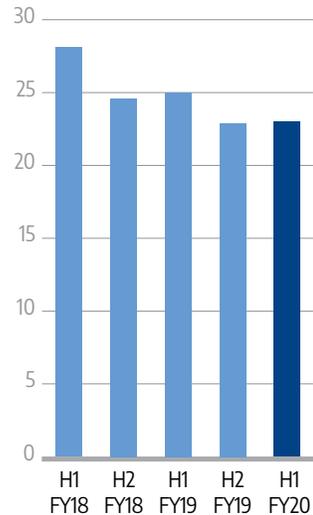
**H1 FY20
REVENUE
\$7.6m**

- Market demand for dry bulk goods tankers remains strong but competition has increased, plus the weaker Australian dollar resulted in increased costs on imported aluminium equipment; and
- Continued focus on production efficiency improvement and the development of new and innovative transport equipment.

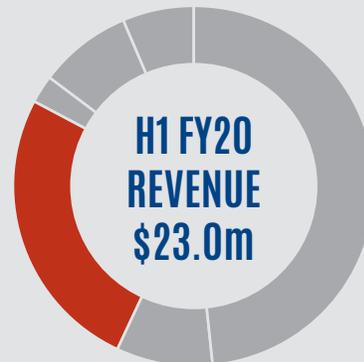
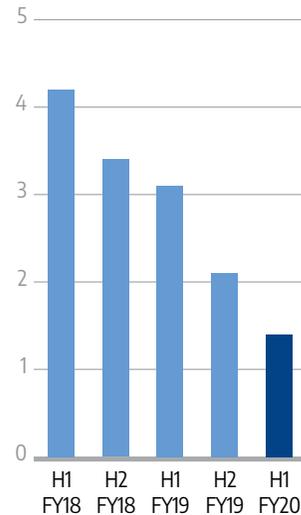
POWER AND PROPULSION

Drivetrain

Revenue (\$m)



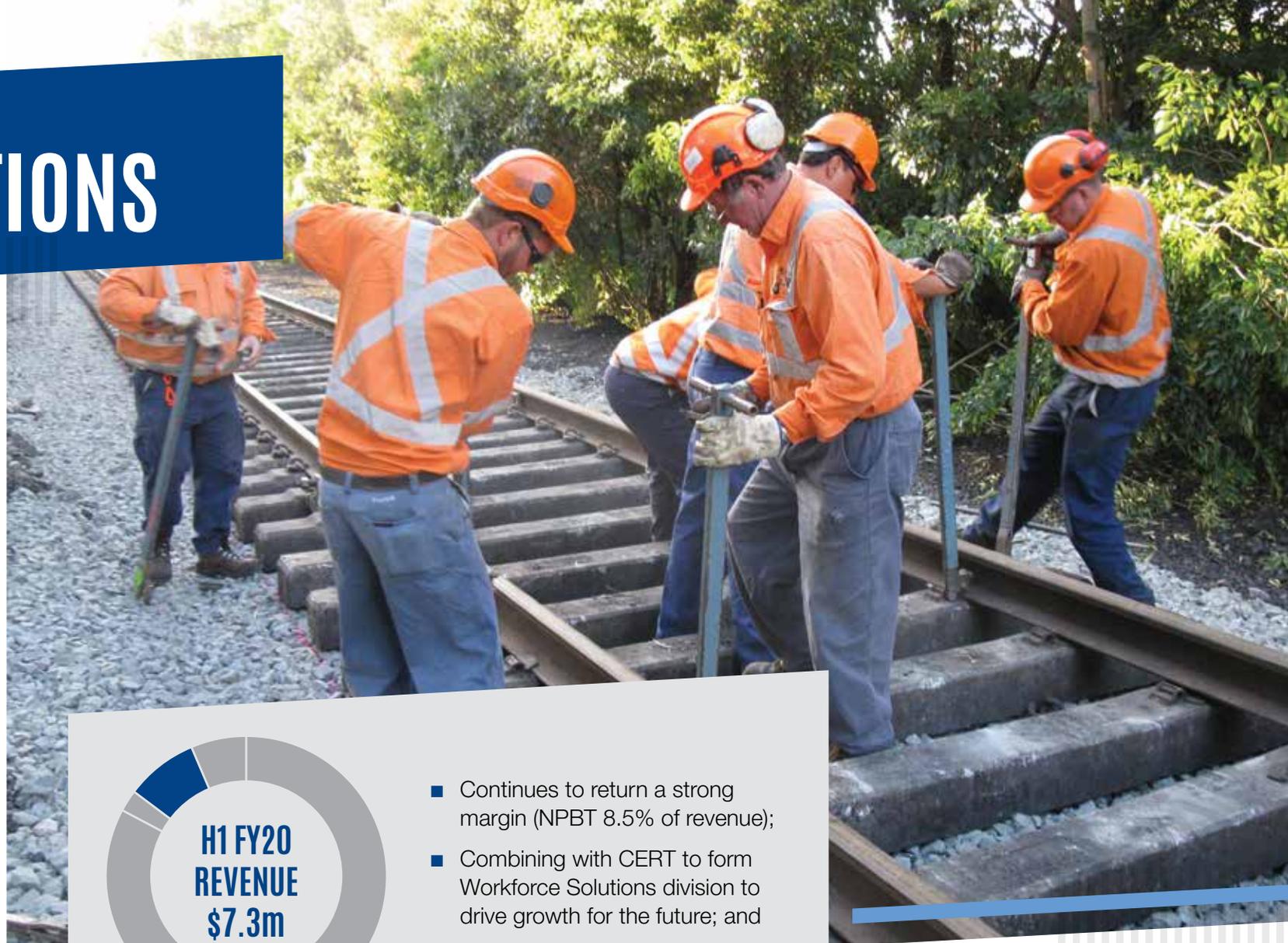
Net Profit Before Tax (\$m)



- Increased demand for value-added workshop activity;
- New expanded facility in Adelaide; and
- Earnings impacted due to rationalisation costs and the weaker Australian dollar.

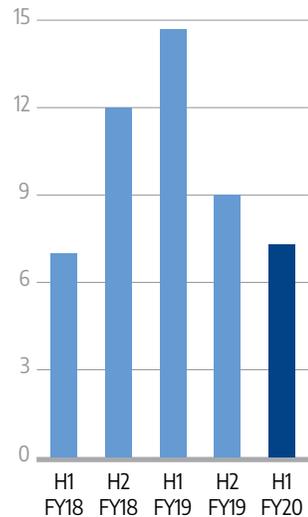


WORKFORCE SOLUTIONS

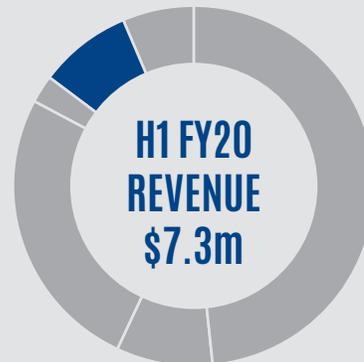
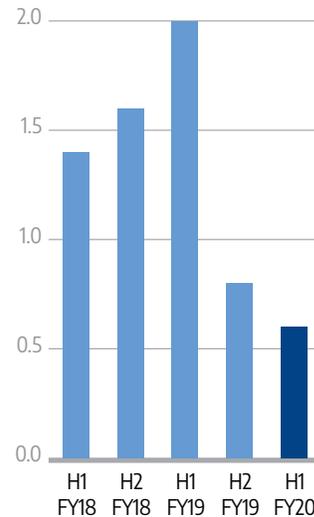


Momentum

Revenue (\$m)



Net Profit Before Tax (\$m)

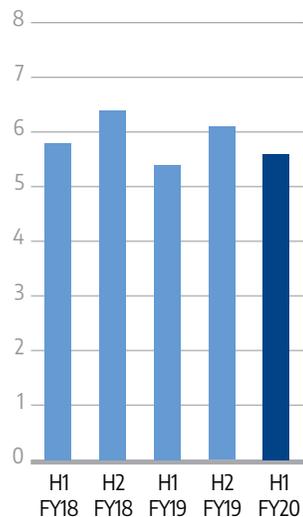


- Continues to return a strong margin (NPBT 8.5% of revenue);
- Combining with CERT to form Workforce Solutions division to drive growth for the future; and
- Revenue and earnings down due to the timing of large scale projects completed in FY19.

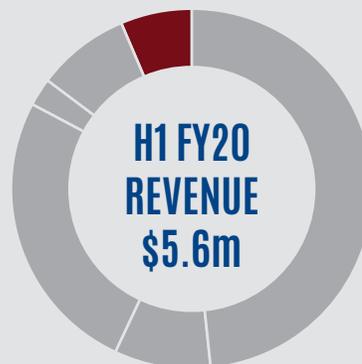
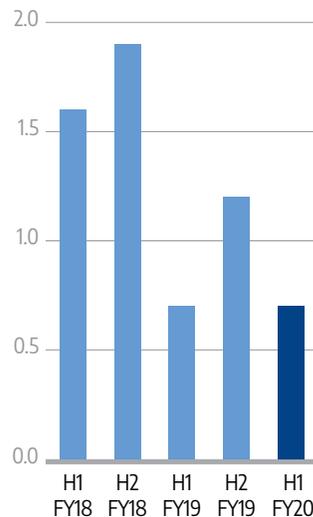
WORKFORCE SOLUTIONS



Revenue (\$m)



Net Profit Before Tax (\$m)



- Revenue up 3.8%;
- Business continues to benefit from government funded and rail vocational training; and
- Continue to focus on maximising partnerships and optimising training facilities and locations – driving synergies with Momentum.

STRATEGY

The Group will continue with its multi-year strategy to expand its range of goods and services and investment in people, plant and technology. This will deliver long-term benefits and sustained future profitability.



GROUP OUTLOOK

- Stronger H2 anticipated with NPBT expected to exceed the first half;
- Cautiously optimistic that the year will finish broadly in line with FY19 NPBT, adjusted for the FY19 gain on sale of non-core assets (wagons);
- New facilities are expected to address customer demand and make a strong contribution to profitability;
- The restructuring of Drivetrain is realising benefits; and
- Capital expenditure in the second half is expected to be around \$1.5m.



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Gladstone facility
under construction.



GEMCORAIL



Drivetrain



Momentum

CERT
TRAINING