

22 February 2024

## H1 FY24 Results\*

- Revenue \$108.3 million, up 8%
- EBIT \$3.2 million, up 515%
- Net profit before tax \$2.0 million
- NPAT \$1.5 million

\*all figures compare H1 FY24 with H1 FY23 unless otherwise stated

Engenco Limited (ASX:EGN), the engineering services group specialising in the transportation industry, today announced a net profit before tax of \$2.0 million (H1 FY23: net loss \$0.2 million).

Revenue grew to \$108.3 million from \$100.1 million with strong demand for the group's power and propulsion and rail services. Net operating cash flow was \$7.4 million, up from \$2.1 million. Net tangible assets at 31 December 2023 were 26 cents per share (H1 FY23: 23 cents per share).

Although anticipating a stronger performance in the second half, the directors have decided not to declare an interim dividend.

Results summary	H1 FY24 \$000	H1 FY23 \$000	% change
Revenue	108,311	100,085	8.2
Earnings before interest and tax (EBIT) <sup>1</sup>	3,175	516	515.3
EBIT excluding significant items <sup>1</sup>	3,175	(860)	469.2
Net profit before tax (NPBT)	1,998	(201)	1094.0
NPBT excluding significant items <sup>2</sup>	1,998	(1,577)	226.7
Net profit after tax	1,478	(1,389)	206.4
NPAT excluding significant items <sup>2</sup>	1,478	(2,765)	153.5
Earnings per share (cents)	0.47	(0.44)	206.8

<sup>1</sup> EBIT is earnings before finance cost and income tax expense.  
<sup>2</sup> Significant items include the insurance proceeds received in relation to the FY2022 impairment of property, plant and equipment following the flooding event at the Gemco Gladstone site of \$1,376,000 received in FY2023.

Dean Draper, Engenco's Managing Director and Chief Executive Officer said: "Continued focus on better understanding and strengthening our value proposition to customers has been the driver of revenue and margin growth and ultimately improving financial outcomes.

"Drivetrain's commitment to the continual improvement of our workshop technical capabilities and investment in existing and new branches continues to win customers' confidence. Although the Convair business increased throughput, we were unable to pass on all increased freight costs and adverse foreign exchange movements. The financial results for Convair were unsatisfactory.

"Hedemora revenue grew, supported by strong underlying demand for spare parts.

"Our rail business, Gemco Rail, over the period of the last financial year benefited from strong one-off sales to a large customer. We have been successful in securing new repeatable business, holding revenue steady and delivering margin improvement. This is a positive outcome. Previously announced wagon builds are in-hand with deliveries likely to commence in FY25 due to extensive design and prototype development with our customers.

"The reduction in revenue for Workforce Solutions can primarily be attributed to previously flagged changes in the Momentum business with the exit from some unprofitable segments. Revenue in CERT was also slightly down whilst Eureka showed modest revenue growth.

"Inventory management enhancements to reduce carrying costs and optimise cashflow progressed, however the need for vigilance and continued execution are well recognised. Focus on the group's cost structure continues with gains being realised in procurement, improved productivity and discretionary expenditure."

## Operational report (Table shows normalised results)

	H1 FY24 revenue \$000	H1 FY23 revenue \$000	H1 FY24 NPBT \$000	H1 FY23 NPBT \$000
<b>Drivetrain*</b>	<b>31,035</b>	<b>28,587</b>	<b>3,906</b>	<b>2,581</b>
<b>Convair Engineering</b>	<b>16,014</b>	<b>10,374</b>	<b>841</b>	<b>861</b>
<b>Gemco Rail**</b>	<b>47,536</b>	<b>47,939</b>	<b>4,168</b>	<b>4,973</b>
<b>Workforce Solutions</b>	<b>9,762</b>	<b>12,288</b>	<b>506</b>	<b>(382)</b>
* Drivetrain H1 FY2023 results normalised to exclude inventory write down of \$1.962 million				
** Gemco Rail H1 FY2023 results normalised to exclude insurance proceeds received of \$1.376 million				

## Power and Propulsion

**Drivetrain**, the leading supplier of technical products and services to the mining, energy, transport and defence industries, continued its revenue growth and increased margins, benefiting from close relationships with customers and strong demand, particularly from the mining sector.

**Convair Engineering** designs and manufactures tankers for the transportation of dry bulk products by road and rail. While revenue increased, the group was unable to mitigate the higher costs experienced shipping Feldbinder aluminium tankers from Europe. Convair maintains a very strong order book and is continuing to negotiate with customers to cover increased transportation and foreign exchange costs.

**Hedemora Turbo and Diesel**, the original manufacturer of Hedemora turbochargers and diesel engines, experienced strong demand for spare parts, diesel repairs and turbocharger reconditioning. In H2, a HS7800 turbocharger will be installed on a locomotive for Canadian Pacific. This is a significant milestone in our efforts to expand the presence of Hedemora in the North American market. Support for the Collins Class submarine program is continuing.

## **Rail**

**Gemco Rail** is the leading independent provider of rollingstock maintenance, products and services to the Australian and New Zealand rail markets. In addition to the previously announced wagon contracts, Gemco has secured a further wagon manufacturing contract which is expected to advance in the second half.

The new wagon maintenance facility in Altona, Victoria commenced operations, and capacity in Newcastle has been expanded with an additional facility in Rutherford. Progress on establishing a new facility in Karratha in Western Australia is positive.

## **Workforce Solutions**

**Workforce Solutions**, which provides training and employment opportunities to the Australian rail and transportation industries, continued to roll out its revised business model, realigning product and service offerings.

During H1 2024, CERT Training became aware that possibly compromised on-job-training workbooks had been supplied for some of its ARTC Safeworking courses. A review concluded that there were incidents where workbook evidence for on-job training supplied to CERT Training had been compromised. The incidents related to a single employer. We continue to work with ARTC on remediation steps, including reviewing much of our compliance framework for CERT Training. In addition, the continued refinement of the business model for Momentum and reduced demand from rail customers will impact performance in H2 2024.

## **People & Safety**

As part of the ongoing strategy to ensure depth and quality of leadership, the group has bolstered its executive leadership team comprising the permanent appointment of the Chief Financial Officer in September, and the appointment of a new Executive General Manager – Workforce Solutions in November.

The health, safety and wellbeing of our people remains Engenco's number one priority. Throughout H1 we continued integration of the new WHS Management System 'Skytrust', to replace the previously segregated WHS processes. Compliance remains a priority while maintaining ISO 45001 OH&S Management System accreditation at our six major sites and preparing our new Rutherford NSW site for certification in H2. The lost time injury frequency rate (LTIFR) reduced from 4.18 incidents per million hours in July 2023 to zero incidents in November 2023 and remains at zero.

## **Balance Sheet and Cashflow**

Net operating cash flow increased to \$7.4 million (H1 FY23: \$2.1 million) and includes proceeds from a Western Australia Government grant of \$3.5m. The increase reflects higher revenue, improved margins and reduced working capital requirements. Engenco's \$20 million banking facility was drawn to \$13.0 million at 31 December 2023, with the group also holding \$8.5 million cash on hand at this date.

## Outlook

Mr Draper said: “We continue our journey to realise the potential of our platforms, and there is much to do to deliver consistently strong returns for shareholders. Work to strengthen operational performance is progressing well. While conscious of the changing macroeconomic environment characterised by interest rate rises, high inflation and an ongoing shortage of skilled staff, we remain cautiously optimistic of continued growth. We anticipate material improvement over the financial year compared to FY23 and that performance in the second half of FY24 will be stronger than the first half.

“Drivetrain is expanding its service platform to support its customers. We are preparing to open a new branch at Mount Isa to service existing and potential new demand during the second half and explore opportunities to increase capacity in Newcastle. Convair maintains a strong forward order book, and we are encouraged by the progress that Hedemora has made in North America.

“Revenue for Gemco Rail is expected to be similar in the second half. The new wagon contract secured by Gemco Rail is expected to commence in the fourth quarter. The timeframe for delivery for 20 specialised freight rail wagons is expected to be deferred to FY25. Separately, while progress continues on the final concept designs for the wagon contract with Rio Tinto, Gemco Rail has secured a new property at Karratha, with operations expected to commence in FY25.

“Optimisation of the Workforce Solutions businesses is continuing as we introduce a revised strategy and strengthen our lines of business.

“We continue to work to strengthen margins and exercise disciplined cost management, with clear opportunities for growth identified across all activities.”

This announcement has been authorised for release by the Engenco Board of Directors.

**About Engenco Limited**

Engenco specialises in:

- Maintenance, repair and overhaul of heavy-duty engines, powertrain, propulsion and gas compression systems;
- Design and manufacture of road and rail transportation and storage tankers for dry bulk products;
- Product development, manufacture, installation, maintenance and spare parts services for Hedemora Turbochargers and Hedemora Diesel Engines, for customers in all parts of the world;
- Maintenance, repair and overhaul of locomotives;
- Rollingstock maintenance, products, and services for the Australian and New Zealand rail markets; and
- Nationally accredited training, contract labour solutions and outsourced workforce management for the Australian rail and transportation industries.

Engenco services a diverse client base across the defence, resources, marine, power generation, rail, heavy industrial, mining and infrastructure sectors.

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