



Emeco Holdings Limited

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

19 December 2023



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TRANSACTION SUMMARY

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

- Emeco to exit underground contracting via the transfer of certain Pit N Portal customer contracts, operational employees and non-mining fleet assets to Macmahon, in exchange for ~\$10.1m of in-demand surface and underground mining equipment which is core to Emeco
- Emeco will retain all underground mobile mining equipment and operate as “Emeco Underground”, a business focused on our core capabilities of asset management, equipment rebuilds and equipment rental to drive growth
- Emeco to remain exposed to the growing underground sector whilst driving improvements in margins and returns, whilst simplifying the business
- Enables Emeco to focus on supporting its mine owner and mining contractor customer base
- 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
- The transaction will result in one-off costs of approximately \$2.8m (pre-tax) and a pre-tax non-cash impairment of \$16.0m, comprising \$13.4m of PP&E and \$2.6m of related inventory
- Emeco expects a minimal impact to FY24F Operating EBITDA¹
- Projects secured for all growth capital expenditure commitments for the year (including the 18 x 793D trucks). Previous guidance with respect to capital expenditure remains unchanged

Notes: 1. Excluding one-off costs related to the transaction, including redundancy costs and non-cash impairment.

KEY TRANSACTION TERMS

Macmahon will assume PNP mining contracts and Emeco will focus on underground rental. Emeco will become Macmahon's preferred surface and underground equipment rental provider

Exit from underground contracting

Transfer of contracting activities to Macmahon	<ul style="list-style-type: none"> Emeco will transfer to Macmahon the customer contracts, infrastructure, inventory, light vehicles and operational employees relating to Pit N Portal contracting projects Emeco retains all key underground fleet
Consideration	<ul style="list-style-type: none"> Macmahon will transfer to Emeco ~\$10.1 million of in-demand surface and underground mining equipment which is core fleet to Emeco, subject to customary purchase price adjustments
Conditions and completion	<p>Completion is expected to occur in early 2024, subject to satisfaction of:</p> <ul style="list-style-type: none"> Project contract and vehicle lease novations; No material adverse change; Successful transfer of employees; and Requisite banking approvals
Transaction costs and impairment	<ul style="list-style-type: none"> One-off costs of approximately \$2.8m (pre-tax) including transaction costs and redundancies 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)

Preferred rental agreement

Preferred rental agreement scope	<ul style="list-style-type: none"> Emeco has the first right to bid any of Macmahon's equipment rental requirements
Long-term agreement	<ul style="list-style-type: none"> 5 years (plus evergreen)
Financial returns	<ul style="list-style-type: none"> Expected to drive improvements in margins and returns, whilst simplifying the business
Immediate rental opportunities	<ul style="list-style-type: none"> Emeco will immediately rent to Macmahon the existing underground equipment (at PNP projects acquired by Macmahon) and the assets received from Macmahon as consideration, currently in work across Macmahon projects
Future rental opportunities	<ul style="list-style-type: none"> As one of Australia's largest mining services businesses with substantial work in hand and a strong tender pipeline, Macmahon represents a significant growth opportunity for Emeco

RATIONALE FOR EXITING CONTRACTING AND FOCUSING ON UNDERGROUND RENTAL



Exit from contracting and creation of Emeco Underground

- Exit of Pit N Portal contracting and will operate as “Emeco Underground”, focused on our core capabilities of asset management, equipment rebuilds and rental solutions to drive growth in the underground sector
- Provides an opportunity to streamline overheads and integrate underground workshops into Emeco’s Force business



Rental agreement with Macmahon to drive growth

- Rental agreement provides a platform for Emeco to continue to grow earnings in both surface and underground
- As one of Australia’s largest mining services businesses with work in hand of over \$5 billion and a tender pipeline of over \$10 billion, Macmahon represents a strong source of equipment rental demand



Focus on commodity, project and customer diversification

- Enables Emeco to focus on supporting its mine owner and mining contractor customer base through equipment rebuild and rental solutions
- Retains underlying exposure to growth opportunities in hard rock commodities



Driving value for Emeco shareholders










- Transaction will drive improvements in margins and returns

EMECO'S COMPETITIVE ADVANTAGE

By focusing on our core competency of equipment rental and maintenance, we will continue to provide a clear cost and quality advantage to customers

Rental

Workshops

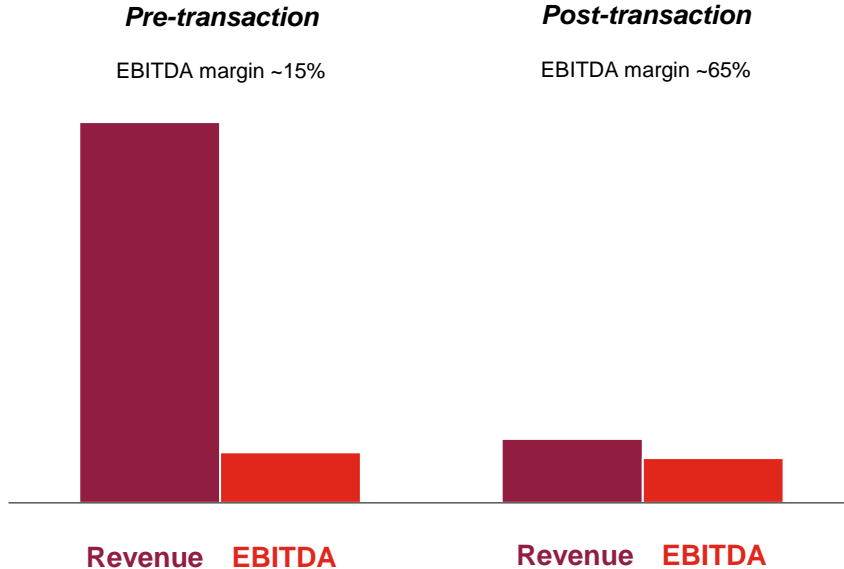
Brands	 Emeco Open cut	 Emeco Underground	 Force by Emeco
Overview	<p><i>Australia's largest provider of open cut rental equipment and value-added services</i></p>  <p>700+ fleet size</p>	<p><i>Australia's largest underground hard-rock rental business</i></p>  <p>160+ fleet size</p>	<p><i>Mining equipment maintenance and rebuild service provider - component and asset rebuild and fabrication</i></p>  <p>9 workshops across Aus</p>
	 <p>300+ employees</p>	 <p>50+ employees¹</p>	 <p>400+ employees</p>
Competitive advantage	<ul style="list-style-type: none"> ✓ National scale to support customers ✓ Cost and quality advantage driven ✓ Asset management expertise and in-house workshop capability ✓ Real-time production and maintenance data from proprietary EOS technology ✓ Full-service offering and value-added customer solutions 		<ul style="list-style-type: none"> ✓ Strategically located workshops ✓ Highly-skilled employees ✓ Cost and quality advantage through OEM-standard rebuild capabilities ✓ Leading fleet optimisation and asset management capabilities

Notes: 1. Approximate figures post-transaction.

IMPROVED RETURNS AND MARGINS

The exit from contracting will reduce revenue, however Emeco will substantially retain earnings via a focus on underground rental, providing a platform for sustainable growth in hard-rock commodities

Indicative Emeco Underground P&L impact



- Transaction involves the exit of lower margin contract mining revenues in exchange for higher margin equipment rental earnings
- Underground pro forma EBITDA margins indicatively increase from ~15% to ~65%
- Underground rental business expected to generate improved returns above WACC
- The \$10.1m value of assets received as consideration is approximately equal to the book value of transferring assets and liabilities (subject to customary purchase price adjustments)

EMECO INVESTMENT HIGHLIGHTS

1



**Australia's largest
mining equipment rental
provider with national
footprint**

2



**Focused on delivering
strong returns and free
cash flow generation**

3



**Scale and asset
management expertise
provide cost and quality
advantage**

4



**Diversified by customer,
project and commodity**

5



**Strong balance sheet
and low leverage**

6



**Positive equipment
industry demand
outlook**