emeco

EOS Production Optimisation Technology

Emeco Holdings Limited
2018 Interim Results

28 February 2018

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1H18 HIGHLIGHTS

Emeco continues to execute on its strategy to become a high quality and low cost provider of mining rental equipment solutions, with increased earnings and scale, enhanced component rebuild capabilities and a stronger balance sheet

People and safety

~500 employees across Australia as at 31 December 2017, including ~320 skilled tradespeople and ~20 apprentices

TRIFR reduced by 33% over 1H18

Employee safety and the development of strong safety practices are key to Emeco's success

Financial performance

Operating EBITDA of $67.0 million (up 140% from 1H17), operating EBITDA margin of 39.2%, up from 37.9% in 1H17

Operating EBIT of $37.5 million (up 971% from 1H17)

Operating NPAT of $14.4 million, positive for the first time since 2H13

Operational improvement

Force Equipment acquisition provides capability to perform component work at a 20%-25% discount to OEMs

Average operating utilisation[1] of 57%, up from 52% in in 1H17

Centralised Planning Hub to reduce component costs and increase uptime through live data analysis and reporting

Strengthened balance sheet

Net debt reduced from $457.1 million to $407.1 million during 1H18, driven by strong cash generation

Pro forma run rate net debt / EBITDA reduced to 2.6x[2]

On track to achieve target leverage of 1.5x by FY20 to facilitate note refinancing

Positive outlook and clear strategy

Business growth through utilisation and rate improvement

Further enhance value proposition through applications engineering facilitated by EOS technology

Achieve high return on assets through the replacement cycle and optimise the capital structure

Note: 1. Operating utilisation based on 100% usage of 400 hours per month. 2. 1H18 net debt / operating EBITDA calculated as 2Q18 Group Operating EBITDA (including one month contribution from Force) annualised plus two-thirds of Force's FY17 Operating EBITDA.

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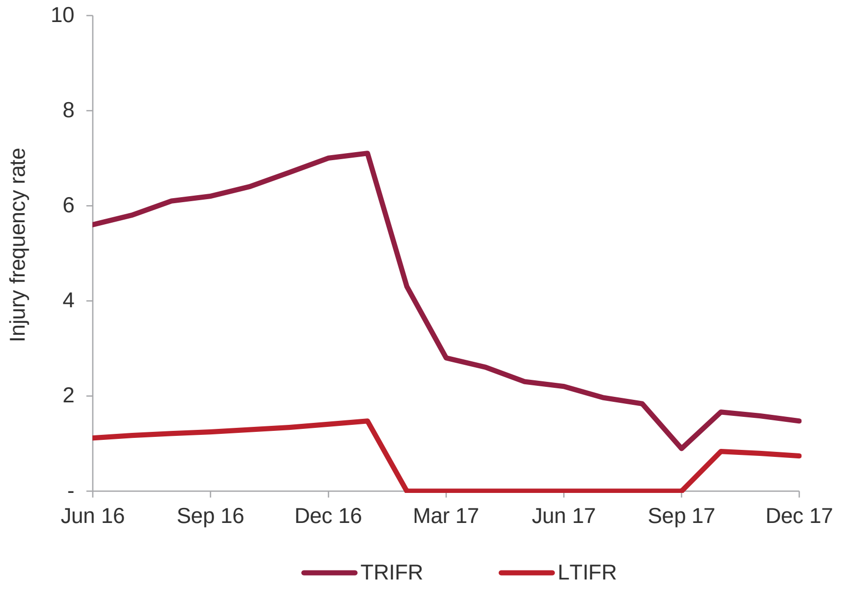
PEOPLE AND SAFETY

Emeco is a leading employer with safety remaining our priority and underpinning long term success

- Emeco continues to build its workforce with ~500 employees across Australia as at 31 December 2017, including ~320 skilled tradespeople and ~20 apprentices
- 33% reduction in total recordable injury frequency rate over 1H18 (down from 2.2 to 1.5), 79% reduction since the end of 1H17
- Long term injury frequency rate of 0.7 as at 31 December 2017
- Continue our focus on achieving zero harm and develop standardised best practices across the regions
- Focus on lead indicators as a result of proactive safety leadership and use of risk management tools

Injury frequency rates



Financial Performance

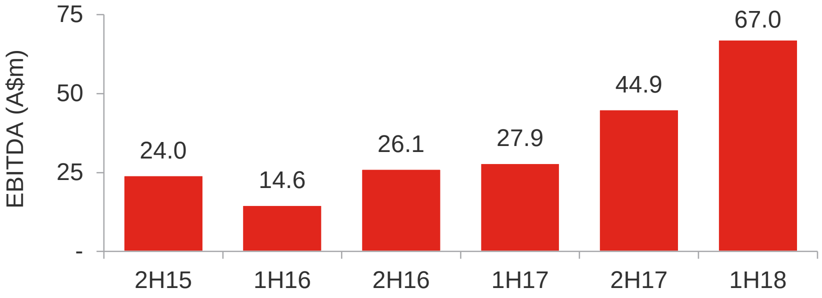
FINANCIAL PERFORMANCE

PROFIT AND LOSS

During 1H18, Emeco generated positive operating net profit after tax, the first time since 2H13

- Group operating revenue up 132% on 1H17, due to improving market conditions, increased operating utilisation and contributions from the acquisitions of Andy's, Orionstone and Force Equipment
- Operating EBITDA of $67.0 million (up 140% on 1H17), with Operating EBITDA margin up 130bps to 39.2%, driven by strong cost management, increased scale and operational improvements
- Achieved positive operating net profit after tax for the first time since 2H13

Operating EBITDA



Operating financial performance

A$m unless otherwise stated	1H17	1H18	Change
Operating revenue	73.6	171.1	+132%
Operating EBITDA	27.9	67.0	+140%
Operating EBITDA margin	37.9%	39.2%	+130bps
Operating EBIT	3.5	37.5	+971%
Operating NPAT	(28.8)	14.4	na

Please refer to the Appendix for Operating to Statutory results reconciliation.

FINANCIAL PERFORMANCE

CASH FLOW

Emeco's focus on converting its strong operating performance into cash has driven improved cash generation

- Significantly improved operating free cash flow performance as a result of:
  - Increase in operating EBITDA
  - Normalisation of Emeco's working capital balance following:
    - completion of the acquisitions of Andy's, Orionstone and Force; and
    - receipt of ~$12 million associated with asset swap
- Net capital expenditure increased during 1H18 due to the increased fleet scale and some catch-up maintenance work on acquired machines, partially offset by the disposal of non-core / end of life equipment

Cash flow summary from continuing operations

A$ million	1H17	1H18
Operating EBITDA[1]	27.9	67.0
One-off impacts	(0.1)	(1.4)
Working capital	(11.8)	24.4
Income tax cash flows	-	-
Operating free cash flow	**16.0**	**90.0**
Capital expenditure	(11.7)	(38.3)
Disposals	2.9	11.7
Net capital expenditure	**(8.8)**	**(26.6)**
Free cash flow	**7.2**	**63.4**

1. Please refer to the Appendix for Operating to Statutory results reconciliation

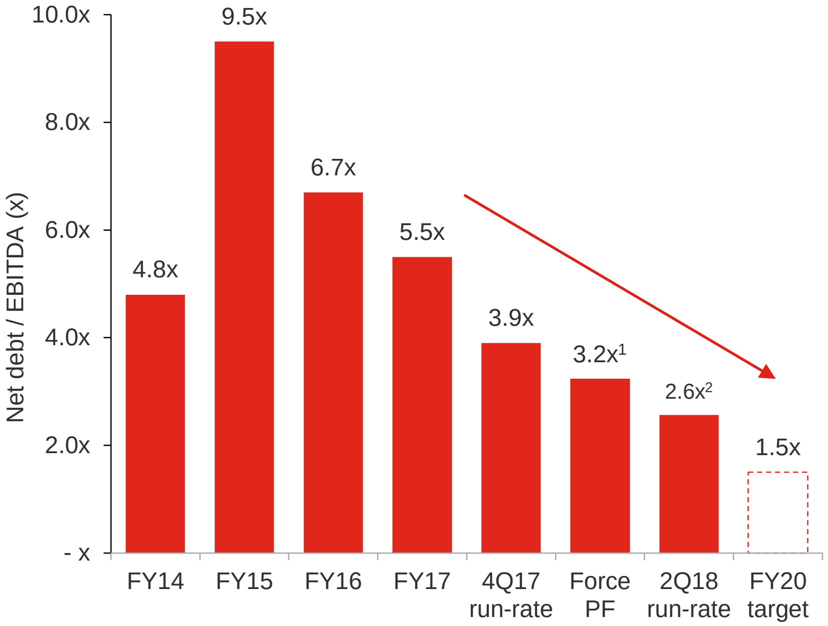
FINANCIAL PERFORMANCE

BALANCE SHEET

Management continue to focus on improving the strength of Emeco's balance sheet to support the business through the cycle

- Total debt decreased from $474.1 million to $463.1 million during 1H18, driven by a reduction in finance lease liabilities and appreciation of the Australian dollar
- Cash balance increased from $17.0 million to $56.0 million during 1H18, driving a reduction in net debt from $457.1 million to $407.1 million
- As a result of improved earnings and reduced net debt, Emeco's net debt / EBITDA is 3.0x (on a 1H18 basis) and 2.6x on a run-rate pro forma basis[2]
- Deleveraging remains a priority, with Emeco on track to achieve target net debt / operating EBITDA of 1.5x by FY20 to facilitate refinancing of Emeco's senior secured notes on attractive terms and reduce interest costs

Leverage metrics continue to improve



Note: 1. Based on Emeco's 4Q17 run rate EBITDA and Force's FY17 operating EBITDA. 2. Pro forma 2Q18 run rate net debt / EBITDA calculated as 2Q18 Group Operating EBITDA (including one month contribution from Force) annualised plus two-thirds of Force's FY17 Operating EBITDA.

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Operational Performance

FORCE EQUIPMENT ACQUISITION

Force Equipment provides capability to perform component works for additional earnings and capital expenditure savings

- Integration of Force has proceeded well following completion on 30 November 2017
- In addition to increased scale in the WA rental business, Force Equipment provides additional the capability and infrastructure:
  - **Prep to rent** capability that has allowed Emeco to respond to recent market demand. Force has provided capacity to return assets to work faster, and at lower cost
  - Ability to respond quickly to smaller **critical component** requirements such as steer cylinders. This is delivering the Emeco fleet reduced asset downtime and lower costs without the need for extensive inventory holdings
  - Ability to complete **major component** rebuilds internally reducing costs by 20%-25% compared to OEM pricing
  - **Low capital intensity earnings** from retail maintenance services, providing another interface to key customers

Workshop	Perth	Kalgoorlie	Port Hedland	Mackay
				
Approximate size	16,000m^2	15,000m^2	10,000m^2	10,200m^2
Key commodity exposures	Iron ore, nickel and gold	Nickel and gold	Iron ore and manganese	Gold and coal
Services offered	✓ Mechanical repairs ✓ Boilermaker services ✓ Sandblast & paint ✓ Quarantine ✓ Dyno services	✓ Mechanical repairs ✓ Boilermaker services ✓ Sandblast & paint ✓ Line boring	✓ Mechanical repairs ✓ Boilermaker services ✓ Sandblast & paint	✓ Mechanical repairs ✓ Boilermaker services ✓ Sandblast & paint

OPERATIONAL PERFORMANCE

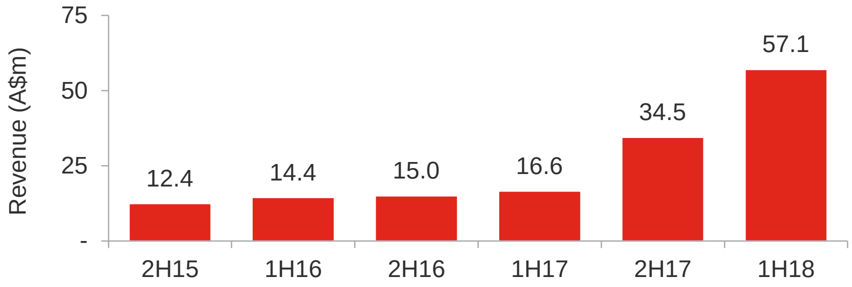
QUEENSLAND

Queensland continues to grow from strengthening market conditions and increased scale

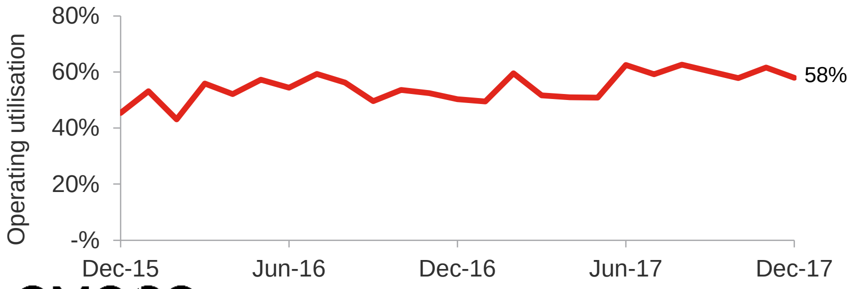
Overview

- Significant increase in the scale of Emeco's Queensland business following acquisitions
- Continued reduction and right sizing of overheads (including the sub-letting of one surplus facility during 1H18)
- New project wins in 1H18 will provide a platform for growth in 2H18 and build momentum into FY19
- Some equipment from contract mining projects winding down redeployed into rental projects

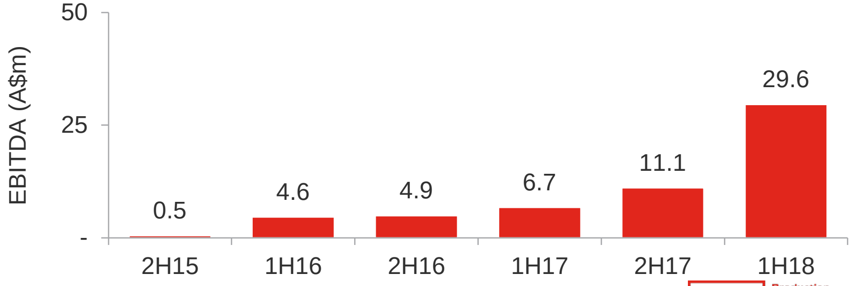
Operating revenue



Operating utilisation



Operating EBITDA



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OPERATIONAL PERFORMANCE

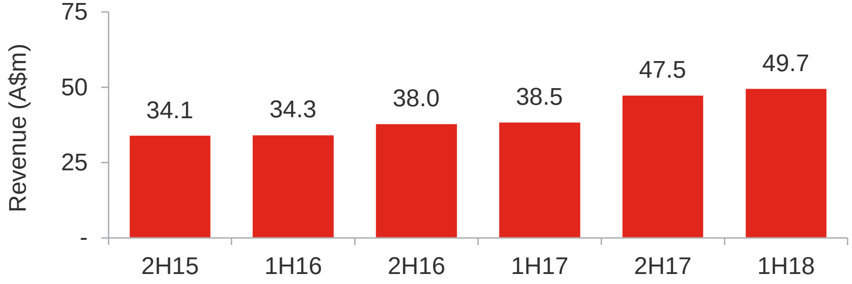
NEW SOUTH WALES

New South Wales continues to be a stable contributor

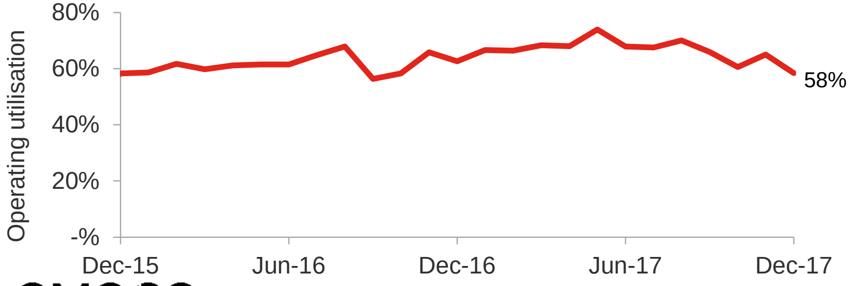
Overview

- During 1H18, New South Wales continued to make a solid contribution to the group result
- The New South Wales business has not benefited from recent acquisitions like remaining regions
- Growth impacted by wet weather and the wind down of project as the mine approaches end of life
- The New South Wales business is well positioned to capture opportunities as demand and activity increases, particularly in the Hunter Valley

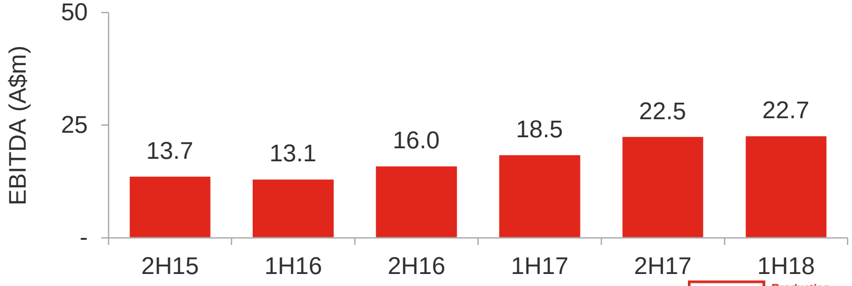
Operating revenue



Operating utilisation



Operating EBITDA



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OPERATIONAL PERFORMANCE

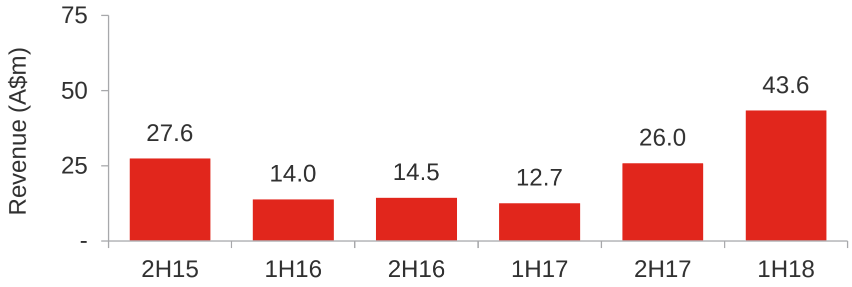
WESTERN AUSTRALIA & SOUTH AUSTRALIA

Significant increase in the scale of Western Australia and South Australia following acquisitions

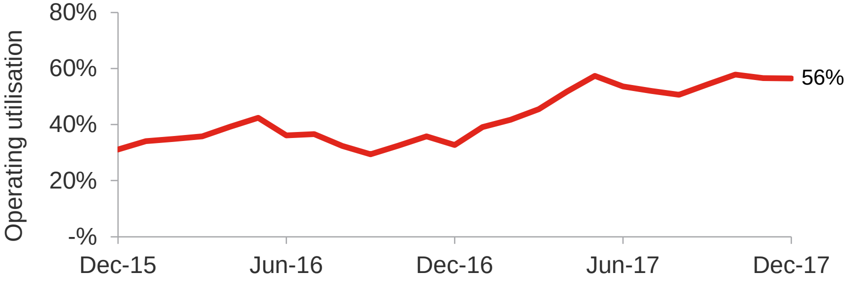
Overview

- Business continues to recover as a result of improved utilisation and growth following acquisitions
- Momentum continues into 2H18, which will benefit from full contribution from Force acquisition
- Strategically located workshops in WA seeing strong customer demand and increases exposure to iron ore

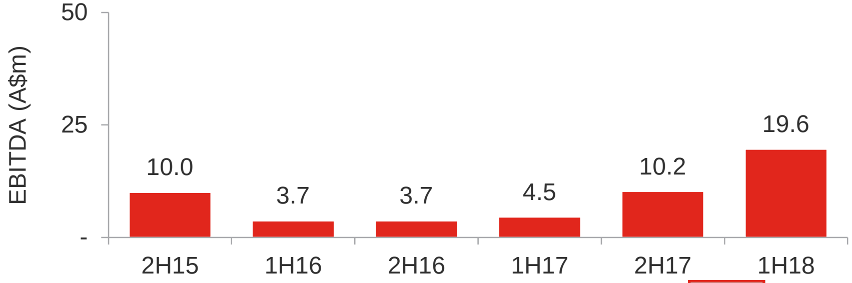
Operating revenue



Operating utilisation



Operating EBITDA



emeco FORCE EQUIPMENT EOS Production Optimisation Technology

OPERATIONAL PERFORMANCE

VICTORIA, CONTRACT MINING AND CANADA

Emeco continues to focus the business on Australian rental services

Victoria

- The Victorian fleet (acquired from the Andy's acquisition during 2H17) is predominantly civil earthmoving equipment with some small mining equipment
- Emeco's focus on civil opportunities has shifted to a broader East Coast strategy. As a result, Victorian fleet is being transferred to other regions to meet customer demand

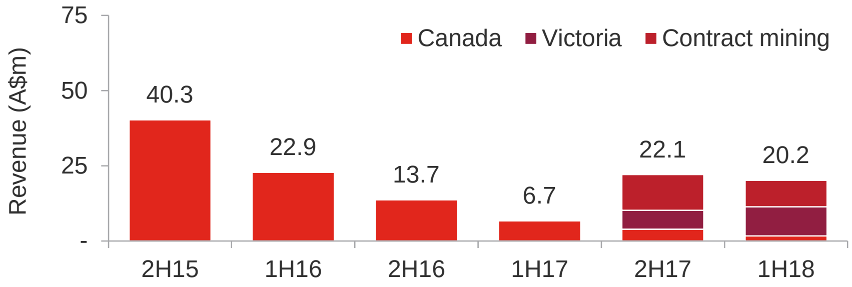
Contract mining

- Emeco completed remaining inherited contract mining projects in 1H18
- Emeco will continue to focus on rental solutions for both miners and contract miners and will not pursue further contract mining opportunities

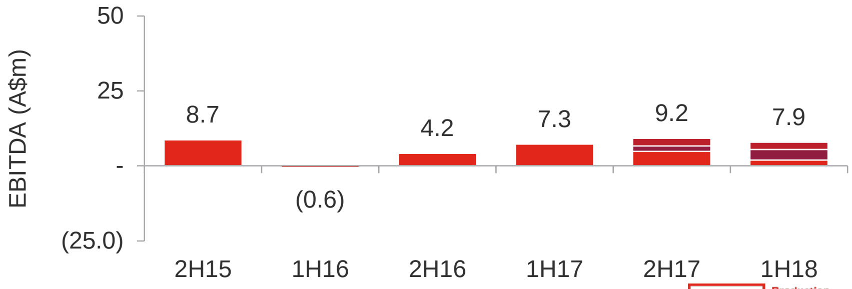
Canada

- Emeco continues to wind down its presence in Canada and expects to complete its remaining services work during 2H18

Operating revenue



Operating EBITDA



Strategy and Outlook

FOCUS: FY18 AND BEYOND

Emeco is strategically well positioned to take advantage of improved market conditions, providing significant opportunities for future earnings growth

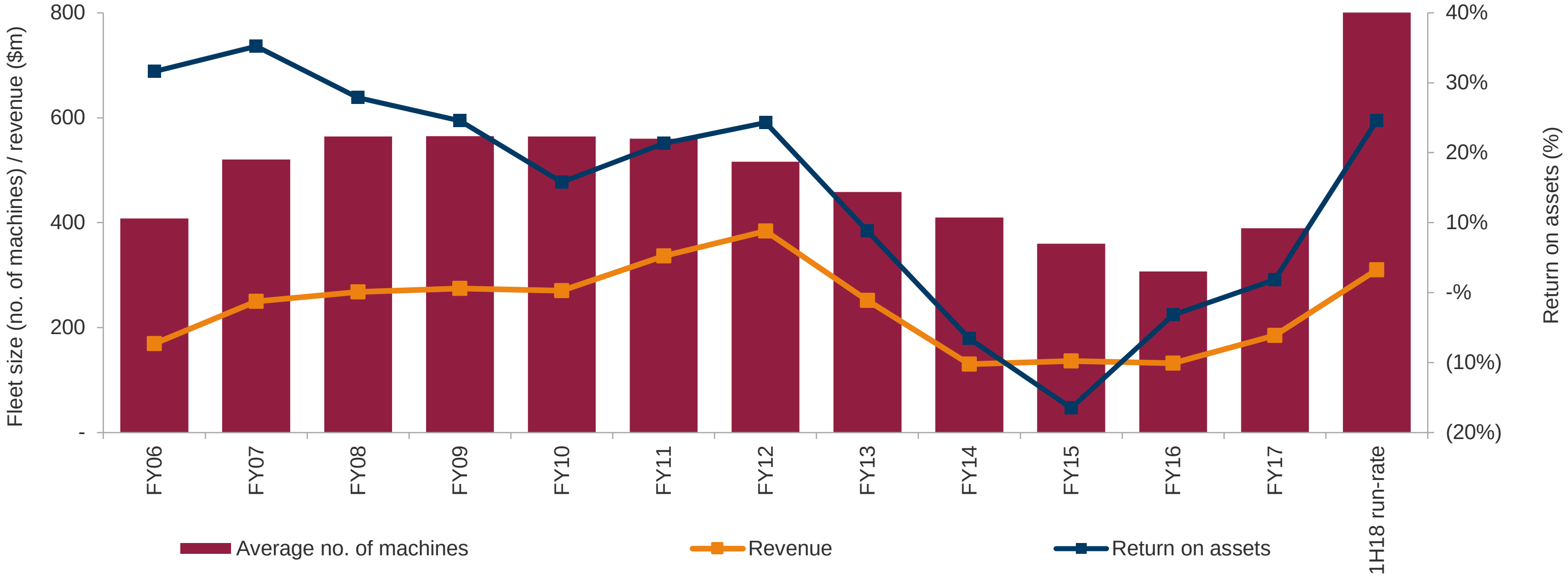
What we're seeing in the market	— High demand for equipment with limited supply and increasing lead times — Customers are averse to capital expenditure and rental equipment is attractive to both miners and contract miners — Emeco is in a strong position to capitalise on new opportunities through customer relationships and quality service
What we're doing in the business	— Increase operating utilisation and rates to grow earnings – there remains significant capacity to work the fleet harder — Continuing to enhance our customer value proposition through applications engineering using our EOS technology — Developing a Centralised Planning Hub to reduce component costs and increase uptime through live data analysis and reporting — Retaining our disciplined focus on operating costs and capital management through-the-cycle — Build on Force Equipment maintenance capabilities to increase non-capital intensive earnings and capture significant savings by self performing component rebuild works — Assessing further consolidation opportunities as they arise
Our objectives for the future	— Generate cash to aggressively deleverage — Achieve net debt / operating EBITDA of 1.5x by FY20 to facilitate refinancing of senior secured notes on attractive terms and reduce interest costs — Maximise and sustain return on existing and future assets through the capex cycle — Restructure the business to reduce Emeco's cost of capital whilst enhancing our service capability to support a less capital intensive business

STRATEGY & OUTLOOK

Emeco continues to pursue its Australia-focused strategy to drive investor returns

- Return on assets achieved has increased markedly since FY15
- Revenue growth potential given tightening equipment market and increased demand driving rates and excess capacity in Emeco's operating utilisation, especially on a significantly larger fleet

Historical Australian fleet (excludes support equipment), revenue and return on assets



Note: Return on assets calculated as estimated EBITA for Australian fleet divided by estimated average written down value for Australian fleet.

Appendix

APPENDIX

OPERATING TO STATUTORY RECONCILIATION

A$m unless otherwise stated	1H18 Statutory	1H18 Operating	1H17 Statutory	1H17 Operating
Revenue	171.1	171.1	73.6	73.6
EBITDA[1]	57.5	67.0	25.7	27.9
EBITDA[1] margin	33.6%	39.2%	34.5%	37.9%
EBIT[2]	22.8	37.5	1.1	3.5
NPAT[3]	(0.3)	14.4	(31.7)	(28.8)

Excludes discontinued operations

1. 1H18 operating results excludes $1.4m in redundancy and restructuring costs, $6.2m in long term incentive programs and $1.9m in expensed transaction costs. 1H17 operating results exclude $0.1m in redundancy and restructuring costs and $2.1m in expensed transaction costs.
2. 1H18 operating results excludes $1.4m in redundancy and restructuring costs, $6.2m in long term incentive programs, $1.9m in expensed transaction costs and $5.2m in tangible asset impairments. 1H17 operating results exclude $0.1m in redundancy and restructuring costs, $2.1m in expensed transaction costs and $0.2m in tangible asset impairments.
3. 1H18 operating results excludes $1.4m in redundancy and restructuring costs, $6.2m in long term incentive programs, $1.9m in expensed transaction costs and $5.2m in tangible asset impairments. 1H17 operating results exclude $0.1m in redundancy and restructuring costs, $2.1m in expensed transaction costs, $0.2m in tangible asset impairments and $0.5m in tax expense.

Thank you

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