Emeco Holdings Limited
2019 Interim Results

19 February 2019

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Results Overview

HIGHLIGHTS

During 1H19, Emeco continued on our path of earnings growth, margin improvement, increasing utilisation and reducing leverage. In response to strong ongoing demand, we have committed to purchasing additional core assets to drive continued growth

People and safety

LTIFR of zero as at 31 December 2018

TRIFR remains low at 1.2, target is zero harm

Increased female representation in the workforce by 20%

Workforce stable, continued reduction in subcontractors and focused on labour productivity

Earnings growth

Continued strong earnings growth

- EBITDA up 53.4%
- EBIT up 60.0%
- NPAT up 159.8%

Operating EBITDA of $102.8m, up from $67.0m in 1H18

Operating EBIT of $60.0m, up from $37.5m in 1H18

Operating NPAT of $31.7m, up from $12.2m in 1H18

Operational improvement

Increased operating utilisation to 64%, up from 57% in 1H18

Significant expansion in operating EBITDA margins to 45.8%, up from 39.2% in 1H18

Increased Force workshop revenue by 13% from 2H18

Upgraded EOS productivity tool and successfully implemented on customer's fleet

Strong balance sheet

Leverage further reduced to 2.1x, down from 2.6x in FY18

US$33.8m reduction in 9.25% notes on issue

Notes now fully hedged, removing currency risk

Refinanced revolving cash facility – lower pricing, increased tenor and size

On track against deleveraging path to refinance notes on more attractive terms

Positive outlook driving investment

Investing in a significant package of high-return core assets to take advantage of strong equipment demand

Recently expanded workshop capacity to meet customer demand (Emeco and external)

Remain active in the pursuit of strategic, value accretive M&A opportunities

Determine the optimal time to refinance notes expiring 2022

Deliver shareholder returns and, post-refinancing, pay dividends

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

PEOPLE AND SAFETY

Emeco is a leading employer with the safety of our people remaining our top priority. The quality of our people is a strategic and competitive advantage

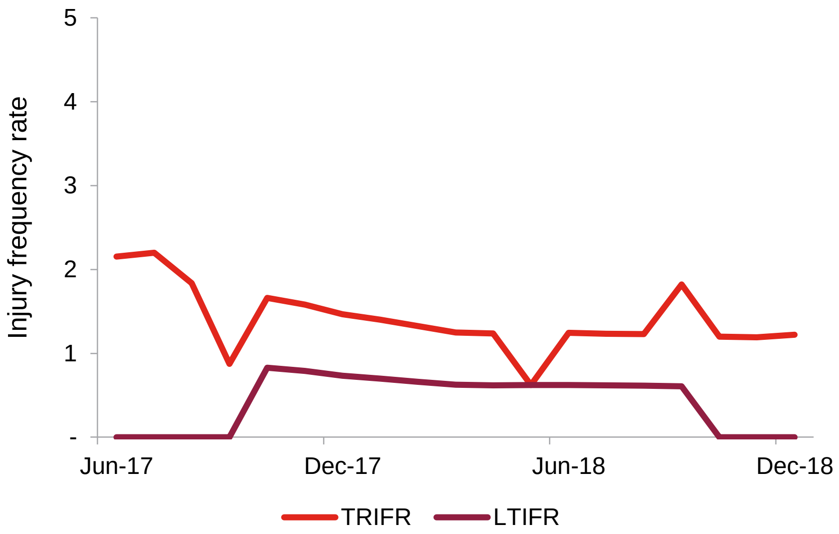
Safety

- Emeco continues its focus on achieving zero harm
  - Long term injury frequency rate of zero as at 31 December 2018
  - Total recordable injury frequency rate remains low at 1.2 as at 31 December 2018, flat compared to 1.2 as at 30 June 2018
- Safety focus:
  - Safety leadership in the field
  - Improving the quality of risk assessments
  - Streamlining compliance requirements
  - Aligning vendors with Emeco's safety culture

People

- Invested in the industry through the apprenticeship program
- Increased female representation in the workforce by 20%
- Workforce stable and continued reduction in use of subcontractors
- Continued focus on improving labour productivity

Injury frequency rates



AUSTRALIAN RENTAL

Strong financial performance, particularly in the Eastern Region, instills confidence to invest in more assets

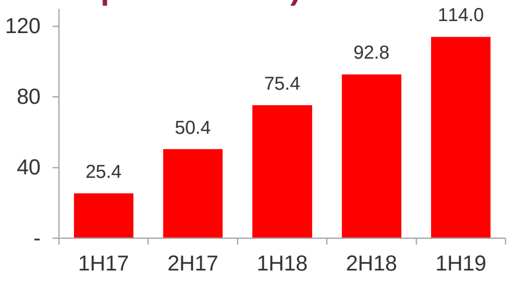
Earnings and margin growth

- Operating EBITDA of $114.0 million (up 51.2% on 1H18), driven by:
  - Full contribution from Force Equipment and Matilda Equipment
  - Average operating utilisation of 64% over 1H19 (up from 57% in 1H18)
  - Continued strength in the Eastern Region, particularly coal mining customers
- Operating EBITDA margins increased to 57.3% (from 44.9% in 1H18) as a result of:
  - High margin earnings from Matilda Equipment
  - Implementing innovative win/win customer contracts
  - Disciplined cost management
  - Extensive use of the Force workshops to minimise the cost of preparing equipment for projects
- Upgraded EOS productivity tool and successfully implemented on customer's fleet

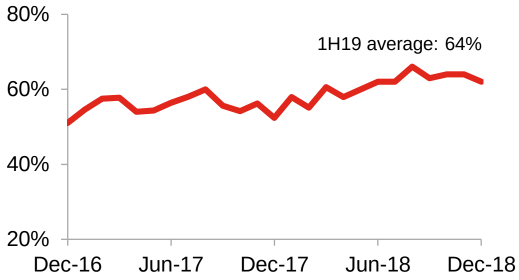
Fleet investment

- Confidence in the market has supported an investment in a large package of strategic core assets comprising mainly 240t trucks and D10/D11 dozers
- $20 million deposit has been paid to secure this fleet
- The Force workshops will play a pivotal part in getting the assets ready for work, and has enabled Emeco to acquire these assets and prepare them at a cost which facilitates strong economic returns
- Emeco currently has very high utilisation in these asset classes – demand outweighs supply
- Rental agreements are in place for a majority of these assets prior to them arriving in Australia
- Asset package expected to achieve high teens returns through its life
- Delivery and preparation of these assets is expected to occur throughout 2H19, with earnings contribution expected in FY20

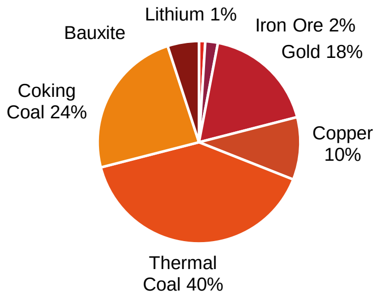
Operating EBITDA (A$m) (pre-corporate costs)



Operating utilisation



Revenue by commodity



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

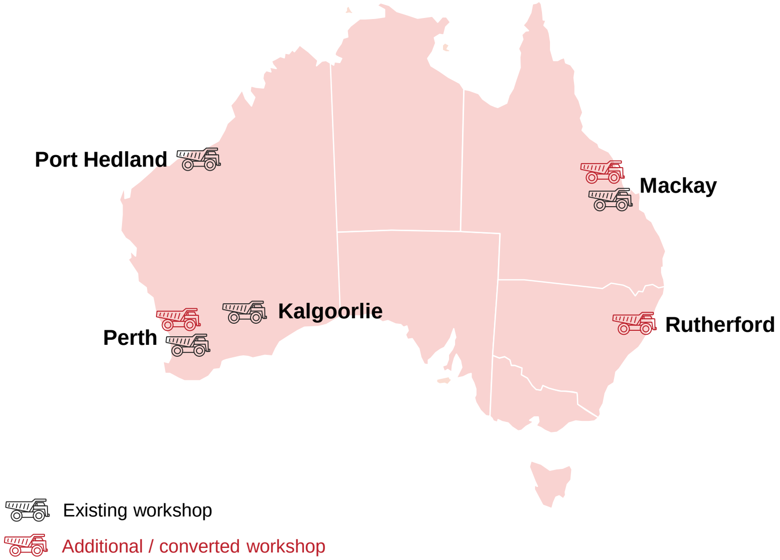
WORKSHOPS

Recently expanded workshop capacity to meet customer demand (Emeco and external)

Increased activity

- Workshop throughput increased, with combined internal and retail revenue increasing to $43.3 million (up 13.0% on 2H18)
  - Internal revenue of $18.0 million (up 28.6% on 2H18)
  - External revenue of $25.3 million (up 4.1% on 2H18)
- Operating EBITDA contribution of external works was $2.4 million, equating to an operating EBITDA margin of 9.2% (slightly down on 2H18 margins of 10.5%). This is due to the external works carrying the full increased costs associated with the additional workshop facility
- Increased workshops capacity in 1H19 to meet internal and external demand
  - Startup of additional Perth workshop
  - Conversion of existing rental workshops in Mackay and Rutherford into Force Workshops, which will be dedicated in 2H19 to performing preparatory works required to place the assets purchased for rental projects
- Internal works reduces Emeco's cost of preparing equipment for the next project (R&M) and capital expenditure to improve returns and provides a strategic advantage in a tightening market
- External works provides low capital intensive earnings and additional touch points with customers
- Additional workshop capabilities are expected to contribute to group earnings in 2H19

Strategically located workshops



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

Financial Performance

PROFIT AND LOSS

Significant earnings growth, with Operating EBITDA, EBIT and NPAT all increasing by 53-160% on 1H18

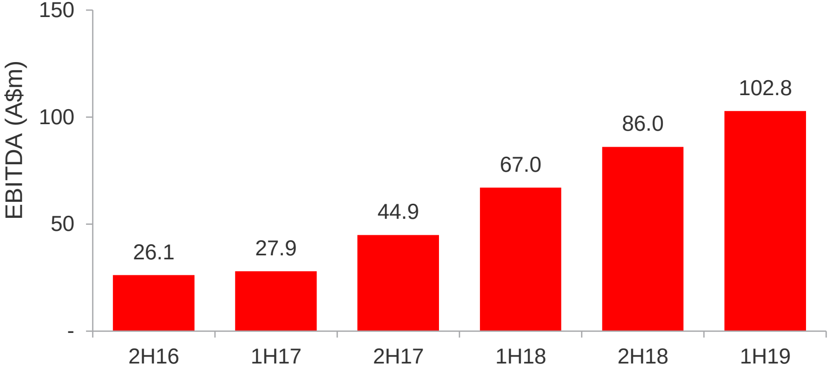
Earnings and margin growth

- 1H19 group earnings continue to grow on 1H18
  - Operating revenue up 31% to $224.3 million
  - Operating EBITDA up 53% to $102.8 million
  - Operating EBIT up 60% to $60.0 million
  - Operating NPAT up 160% to $31.7 million
- Earnings growth driven by:
  - Full contribution from Matilda (acquisition completed July 2018) and Force (acquisition completed November 2017)
  - Increased average operating utilisation of 64% (up from 57% in 1H18)
  - Ramp up of Force Workshops
- 1H19 operating EBITDA margin at 45.8%, up from 39.2% in 1H18, driven by:
  - High margin earnings from Matilda Equipment
  - Implementing innovative win/win customer contracts
  - Disciplined cost management
  - Extensive use of the Force workshops to minimise the cost of preparing equipment for projects

Operating financial performance[1]

A$m unless otherwise stated	1H18	1H19	Change
Operating revenue	171.2	224.3	+31%
Operating EBITDA	67.0	102.8	+53%
Operating EBITDA margin	39.2%	45.8%	+660bps
Operating EBIT	37.5	60.0	+60%
Operating NPAT	12.2	31.7	+160%

Operating EBITDA[1]



Notes: Please refer to the Appendix for Operating to Statutory results reconciliation. Operating results include corporate overheads. 1. 1H18 includes Canadian now discontinued operations and excludes Chilean discontinued operations.

CASH FLOW

Strong cash flow supported investment in the business (debt repayment, asset purchase and inventory)

Business investments

Based on Emeco's confidence in the market and the business' ability to generate strong operating cash, Emeco made the following significant investments in 1H19:

- Used surplus cash at the time to reduce Emeco's future coupon costs by ~$5.0 million per annum by repaying:
  - Noteholders $52.3 million to reduce the outstanding balance of its 9.25% notes by US$33.8 million
  - A financier $7 million which was owing and due in early July in lieu of issuing additional 9.25% notes. This was an overhang from the 2017 restructure
- $20 million in asset purchase deposit to secure strategic high demand core asset purchases, which will generate strong returns
- $5 million in inventory to ensure security of supply for critical parts and tyres in a tightening equipment market

Moving forward

- Net working capital movement in 1H19 was mainly due to timing (and has largely been recovered in January)
- Future annual borrowing costs expected to be ~$45 million following the repurchase of notes, with the balance now fully hedged
- Finance lease payments expected to stay flat moving forward notwithstanding the new leases to be implemented to fund the asset purchase
- Net capex expected to remain in line with depreciation, however, the asset purchase will have a one-off impact on capex in 2H19 by an additional ~$90 million
  - ~$70 million is expected to be paid in relation to the asset purchases (consisting of the balance of the purchase price and preparation of the assets to go to work, which will largely be performed by the Force Workshops)
  - Of this payment, ~$20 million worth of assets will be put on finance leases with the balance of ~$50 million largely funded from 2H19 free cash flow
  - The purchased assets will contribute to earnings and cash generation in FY20

Cash Flow Summary

A$m	1H19
June 2018 cash balance	**171.4**
Matilda acquisition, including transaction fees	(95.6)
Adjusted June 2018 cash balance	**75.8**
Continuing operations	
Operating EBITDA	102.8
Working capital	(12.5)
Inventory	(5.0)
Net capex	(45.9)
Borrowing costs	(27.1)
Finance lease payments	(2.6)
Net cash from continuing operations	**9.7**
Non-recurring items	
Repurchase of notes and associated payments	(52.3)
RCF draw down	15.0
Financier payment under March 2017 restructure	(7.0)
Restructuring costs	(2.5)
Asset purchase deposit	(20.0)
Net cash from non-recurring items	**(66.8)**
Closing cash balance	**18.6**

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

BALANCE SHEET

Emeco remains on track against its deleveraging path to refinance its notes on more attractive terms

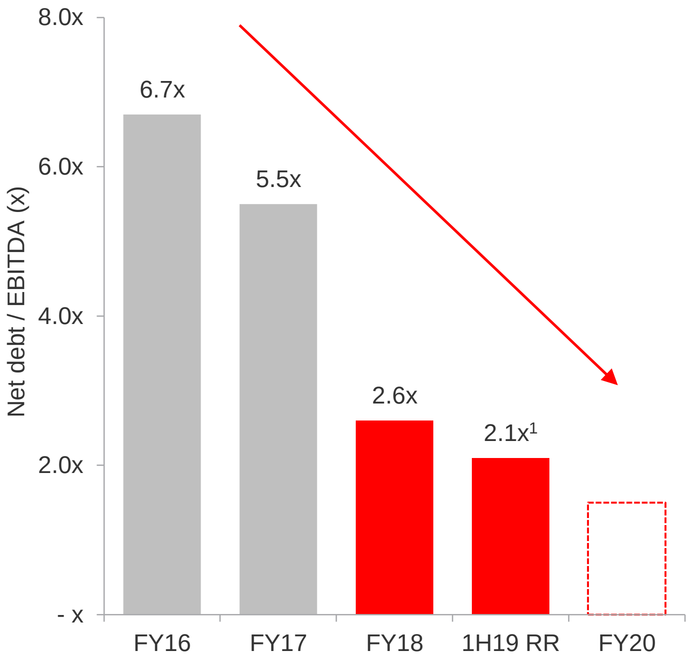
Stronger balance sheet

- Net debt / run rate operating EBITDA of 2.1x, down from 2.6x in FY18
- During 1H19, Emeco also:
  - Reduced outstanding balance of notes by US$33.8 million
  - Fully hedged the US$322 million of notes outstanding at an average exchange rate of 72.9 cents
  - Refinanced its revolving cash facility, increasing its size to $65 million, improving pricing and increasing tenor
- Following these transactions, S&P Global Ratings upgraded Emeco's issuer credit rating to 'B' with a stable outlook

Moving forward

- Given payment of the balance of the asset purchase in 2H19, FY19 leverage expected to remain flat on the 1H19 run rate leverage
- However, the cash investment into the business will see Emeco accelerate down its deleveraging path in FY20 and beyond with increased earnings and cash generation as a result of:
  - Increasing the scale and optimising the configuration of the rental fleet through the asset purchase
  - Repayment of Emeco's expensive notes, which has effectively been partially swapped out for lower interest debt (RCF and finance leases)
- Emeco remains on track against its deleveraging path to refinance notes on more attractive terms

Leverage metrics continue to improve



Notes: Please refer to the Appendix for Operating to Statutory results reconciliation. Net Debt is calculated using the hedged AUD equivalent of outstanding debt. 1. 1H19 EBITDA annualised

Strategy and Outlook

FY19 AND BEYOND

Emeco is focused on sustainably creating shareholder value by being the highest quality and lowest cost provider of earthmoving equipment solutions

What we're seeing in the market	• Strong market conditions, particularly with coal customers in the Eastern Region • High levels of bidding activity in the Western Region, with attractive projects coming online during CY19 • Limited supply of equipment and longer lead times • Customers remain disciplined with capital expenditure allocation, creating opportunities for Emeco's business model
What we're doing in the business	• Taking delivery of the additional assets purchased, preparing them for work and successfully deploying these assets to their respective projects without delay • Securing additional new projects, particularly in the Western Region • Providing upgraded EOS technology to additional customers to drive productivity • Remaining obsessed with business improvement to be the highest quality and lowest cost equipment provider in the industry • Optimising the fleet to meet customer demand • Build Force Workshop earnings, whilst also increasing the proportion of internal works • Monitoring debt markets to determine the optimal capital structure and timing of a refinance
Our objectives for the future	• Be the highest quality and lowest cost provider of earthmoving equipment services to provide a strategic advantage • Grow earnings by achieving higher rates and utilisation with the existing fleet • Pursue strategic, value accretive M&A opportunities • Delever to refinance existing debt on more attractive terms • Drive shareholder returns, including a sensible dividend policy post-refinancing

EMECO'S LONG-TERM VALUE CREATION MODEL

Being the highest quality and lowest cost provider of earthmoving equipment services to drive sustainable shareholder returns

Generate returns

- Attractive shareholder returns
- Service debt
- Strong balance sheet to support investment
- Optimised capital structure to reduce WACC

To maximise returns for investors

Reinvest in the business

- In-demand core assets
- Strategically located workshops
- Field service maintenance capability
- Critical inventory levels
- Productivity enhancing technology

To drive growth and performance

Offer compelling customer value propositions

- Deep customer empathy and understanding
- Tailored rental agreements
- Certainty of availability & reliability
- Production optimisation technology (EOS)
- Cost effective component rebuild and repairs (in the field and in Force workshops)

To generate strong earnings and cash flow

Optimise through expertise

- Highest safety standards
- Dedicated and talented workforce
- Quality workmanship
- Technology-driven maintenance planning and reliability engineering
- Industry-leading machine availability

To be the highest quality and lowest cost provider

Appendix A: Regional Rental Performance

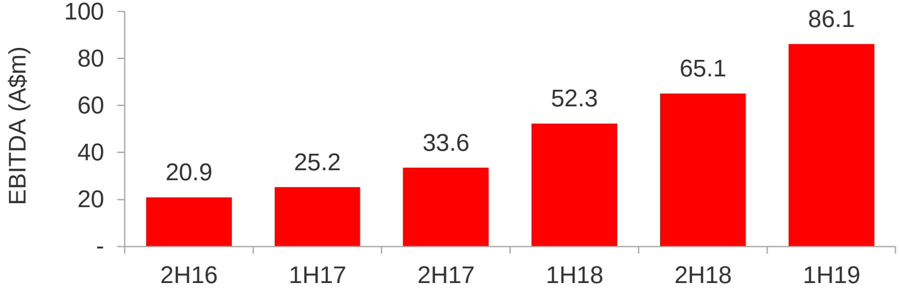
REGIONAL RENTAL PERFORMANCE

Continued strong demand in the Eastern Region. Project opportunities in the Western Region commencing in CY19

Eastern Region

- Strong demand predominantly driven by coal market activity
- Fleet transferred from Western Region and placed into a project with increased rates and utilisation
- Majority of the contribution from Matilda Equipment in the Eastern Region
- Market conditions expected to remain strong in 2H19

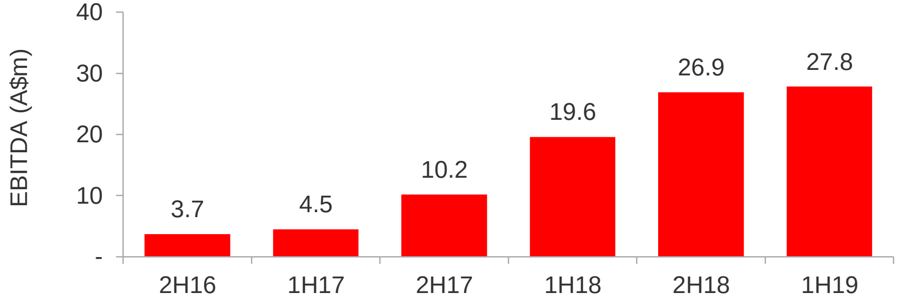
Eastern Region Operating EBITDA



Western Region

- Strong EBITDA margin driven by disciplined cost management
- Wind down of completed projects over 1H19
- Bidding activity for new projects in the Western Region has increased in 2H19
- Focused on securing projects coming online during CY19

Western Region Operating EBITDA



Appendix B: Operating to Statutory Reconciliation

OPERATING TO STATUTORY RECONCILIATION

A$m unless otherwise stated	1H19 Statutory	1H19 Operating	1H18[4] Statutory	1H18[4] Operating
Revenue	224.3	224.3	171.1	171.1
EBITDA[1]	96.0	102.8	56.0	67.0
EBITDA[1] margin	42.8%	45.8%	32.7%	39.2%
EBIT[2]	52.2	60.0	21.0	37.5
NPAT[3]	11.9	31.7	(0.3)	12.2

Notes:

1. 1H19 operating results excludes $2.6m in redundancy and restructuring costs, $4.0m in long term incentive programs and $0.2m in expensed transaction costs. 1H18 operating results excludes $6.2m in redundancy and restructuring costs, $1.4m in long term incentive programs and $1.9m in expensed transaction costs
2. 1H19 operating results excludes $2.6m in redundancy and restructuring costs, $4.0m in long term incentive programs, $0.2m in expensed transaction costs and $1.0m in intangible impairments. 1H18 operating results excludes $6.2m in redundancy and restructuring costs, $1.4m in long term incentive programs, $1.9m in expensed transaction costs and $5.2m in intangible impairments.
3. 1H19 operating results excludes $2.6m in redundancy and restructuring costs, $4.0m in long term incentive programs, $0.6m in expensed transaction and borrowing costs, $1.0m in intangible impairments and $11.4m in FX movements. 1H18 operating results excludes $6.2m in redundancy and restructuring costs, $1.4m in long term incentive programs, $1.9m in expensed transaction costs, $5.2m in intangible impairments and $2.2m in FX movements.
4. The 1H18 operating results include the Canada discontinued operation as it was classified as continuing operations during that period.

OPERATING TO STATUTORY RECONCILIATION

A$m unless otherwise stated	1H19	1H18
Statutory NPAT	11.9	(0.3)
Adjusted for:		
Impairment expense	1.0	5.2
Depreciation and Amortisation	42.8	29.4
Net Finance costs	28.9	25.4
Net FX loss/(gain)	11.4	(2.2)
Total EBITDA	**96.0**	**56.0**
EBITDA discontinued operations	-	1.5
Acquisition costs	0.2	1.9
Long Term Incentives expense	4.0	1.4
Redundancy & Restructuring expense	2.6	6.2
Operating EBITDA	**102.8**	**67.0**

Emeco

Thank you

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