

Emeco Holdings Limited

Asset Purchase – Supplementary Information

20 February 2019



ASSET PURCHASE – SUPPLEMENTARY INFORMATION

This supplementary information is being provided in response to queries received yesterday following the release of Emeco's interim results

1. Overview

- Emeco has committed to purchase the following packages of assets: 14x 793 Trucks, 13x D11 dozers, 4x D10 dozers, 2x 24 graders, 2x 992 loaders
- Assets have been sourced from multiple countries and parties and range from brand new to mid-life in age
- The total purchase price of these assets is \$67m delivered
- Estimated additional \$18m-\$23m in costs to prepare the fleet - this is a conservative assumption with all efforts being made to deliver the equipment ready for work under budget
- Preparation works will be performed by the Force Workshops
- The purchase of these packages of assets demonstrates Emeco's unique ability to procure mid-life assets and allows Emeco to use our Force workshop capability to generate strong returns
- The equipment will be allocated to the Matilda fleet (11 pieces) and Emeco fleet (24 pieces)
- Emeco has made disciplined investment decisions based on rigorous analysis of fleet demand and financial returns

2. Attractive financial returns

- Purchase price of \$67m plus estimated preparatory costs of \$18-\$23m is equivalent to a strategic acquisition at 3.4x-3.6x¹ EBITDA
- Unlike business acquisitions, this asset purchase has no integration risk, payment of goodwill, transaction fees or restructuring costs
- Estimated full year EBITDA contribution of \$25m expected in FY20
- Rental agreements are already in place for a lot these assets with demand for these assets outweighing the numbers of assets available in these packages – majority of these assets will be contracted prior to them arriving in Australia
- ~10% EPS accretive in first full year of earnings contribution
- Fleet packages are expected to achieve 17%-20% IRR through their economic life

3. Growth assets

- All assets are growth assets
- Asset packages will provide Emeco with growth earnings in FY20 while our existing fleet continues to generate earnings for the remainder of their economic lives

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4. In demand assets	<ul style="list-style-type: none">• All comparable assets in Emeco's existing fleet are at work – gross utilisation of 100%• Comparable asset classes in Emeco's existing fleet consistently have the highest operating utilisation• Customer demand for these assets is strong, with requests for more of this equipment type
5. Resilient asset classes aligned with Emeco's fleet optimisation strategy	<ul style="list-style-type: none">• Optimising Emeco's fleet configuration is a key strategic priority• This package of assets has been hand selected to contribute to our long term fleet optimisation strategy• Comparable assets have historically achieved the highest utilisation and strongest returns through the commodity cycle• Emeco wants to configure its fleet over time to be weighted more towards these asset classes
6. Capex moving forward	<ul style="list-style-type: none">• In FY19, capex will consist of:<ul style="list-style-type: none">• Growth capex spend of \$85m - \$90m on these assets• Sustaining capex on the existing fleet will remain in line with depreciation• Capex in FY20 onwards will be largely in line with depreciation through the capex cycle - there is no catch up capital works required on the existing fleet and no impending capex bow wave• The asset purchase is a one off capex spend and not reoccurring capex in future years
7. Emeco strategy remains the same	<ul style="list-style-type: none">• Emeco will continue to grow earnings by achieving higher rates and utilisation with the existing fleet• Strict capital management discipline• Deleveraging remains a strategic priority for Emeco. Leverage forecast to approach ~1.0x by FY21, inline with our pre-asset purchase projections with the added benefit of the business having an increased earnings and asset base to further aggressively deleverage

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