

27 July 2020

ASX: EHL ('EMECO' OR 'THE COMPANY')

Strong earnings growth and commodity diversification continues

- **Significant earnings growth:**
 - **Operating EBITDA¹ of \$246.1 million, up 15% on FY19**
 - **Operating EBIT¹ of \$138.2 million, up 10% on FY19**
 - **Operating NPAT¹ of \$87.5 million, up 39% on FY19**
- **Solid operating EBITDA margin¹ of 45.5%**
- **Net leverage^{1,3} reduced to 1.46x**
- **Strong free cash flow¹ of \$71.2 million**
- **Consistently high return on capital^{1,2} of 21.0%**
- **Iron ore revenue more than tripled and gold revenue more than doubled, as the business grows around coal (65% to 49% of total revenue)³**

Emeco today reported further growth in profitability in FY20. Emeco generated operating NPAT of \$87.5 million, representing an increase of 39% on FY19. Operating EBITDA was \$246.1 million (up 15% on FY19) and operating EBIT was \$138.2 million (up 10% on FY19), the highest in Emeco's history.

The growth in earnings was driven by a continued increase in average operating utilisation to 64.4% (up from 63.9% in FY19), continued tight cost control, contribution from growth assets purchased in FY19 and four months contribution from recently acquired Pit N Portal, a specialist underground equipment and services business.

Operating EBITDA margins were solid at 45.5% (FY19: 46.1%), falling slightly due to the impact of Pit N Portal, which generates naturally lower margins due to the additional services it provides its customers. Importantly, return on capital remained consistently high at 21.0%.

Emeco generated \$72.1 million in free cash flow in FY20 which further deleveraged the Company to 1.46x⁴ (FY19: 2.0x). This demonstrates the cash generating ability of the business and the ongoing commitment to reducing the leverage of the Company.

Over FY20, Emeco's lost time injury frequency rate remained at zero and the total recordable injury frequency rate fell to 2.9 (FY19: 4.6).

¹ Operating financial metrics are non-IFRS measures, before the impact of the transition to AASB16 Leases. For a reconciliation to statutory financial metrics, please see Emeco's FY20 results presentation released to market today.

² Return on capital calculated as operating EBIT / average capital employed.

³ Annualised Q4 FY20 commodity revenue compared to FY19

⁴ Net leverage measured as net debt / operating EBITDA, Net debt is based on hedged AUD equivalent of US Notes and excludes the impact of transition to AASB 16 Leases for comparative purposes.

Managing Director, Ian Testrow, said: “Emeco’s workforce has now expanded to approximately 1,000 people nationwide. Pleasingly, however, our lost time injury frequency rate remained at zero for the fourth year in a row. Our total recordable injury frequency rate also decreased. We are committed to maintaining a safe and healthy workforce and will continue to target zero harm.

“Notwithstanding the onset of COVID-19 in 2H20, I am proud to report strong earnings and margins. Emeco continues to focus on being the highest quality and lowest cost provider of mining equipment and services. This contributed to the solid cash flow which reduced our leverage to 1.46x which is below Emeco’s FY20 target of 1.5x.

“In FY20, we also progressed against our strategy of creating long term projects and embedding ourselves in our customers operations through additional services and technology. We also improved our commodity diversification, as demonstrated by gold and iron ore revenue increasing by 2.7 times. This was part of the strategic rationale for the acquisition of Pit N Portal, which completed on 28 February 2020, and represents a significant transaction for the company.

“Our goals for FY21 are consistent; to continue to diversify our commodity mix, expand the services the business provides, adding capital-light earnings, and continue to generate strong return on capital and cash flows to further deleverage. This will ensure we drive sustained shareholder returns.”

OPERATING FINANCIAL RESULTS⁵

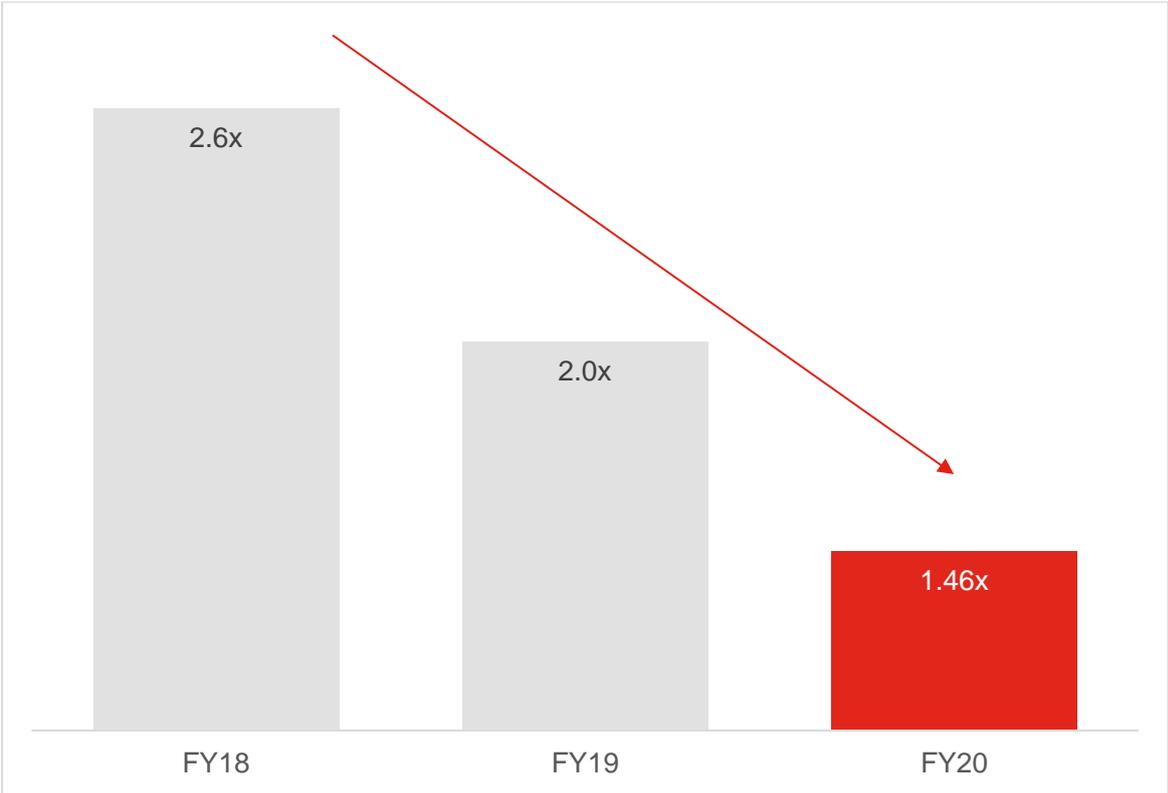
\$m unless otherwise stated	FY19	FY20	Change
Operating revenue	464.5	540.4	16.3% ▲
Operating EBITDA	214.0	246.1	15.0% ▲
Operating EBITDA margin	46.1%	45.5%	60bps ▼
Operating EBIT	125.4	138.2	10.2% ▲
Operating EBIT margin	27.0%	25.6%	140bps ▼
Operating NPAT	63.1	87.5	38.6% ▲
Return on capital	21.0%	21.0%	0bps –

CASH FLOW³

\$m	FY19	FY20
Operating EBITDA	214.0	246.1
Working capital	21.4	(19.8)
Financing costs	(49.5)	(46.1)
Operating cash flow	185.9	180.1
Net sustaining capex	(88.5)	(110.3)
Component inventory (capex)	(7.3)	1.4
Free cash flow (pre-growth capex)	90.1	71.2
Growth capex	(85.1)	-
Operating free cash flow	5.0	71.2

⁵ Operating financial metrics are non-IFRS measures, before the impact of AASB16 Leases. For a reconciliation to statutory financial metrics, please see Emeco’s FY20 results presentation released to market today.

NET LEVERAGE⁶ CONTINUES TO REDUCE



– END –

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This announcement was authorised to be provided to the ASX by Penny Young, Company Secretary of Emeco Holdings Limited

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