

## ASX Release

20 November 2014

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

Level 3, 71 Walters Drive  
Osborne Park WA 6017, Australia

PO Box 1341, Osborne Park DC WA 6916, Australia

T +61 (0) 8 9420 0222 F +61 (0) 8 9420 0205

E [corporate@emecogroup.com](mailto:corporate@emecogroup.com)

[emecogroup.com](http://emecogroup.com)

Emeco Holdings Limited ACN 112 188 815

### EMECO'S NEW STRATEGY TARGETS A MORE RESILIENT BUSINESS

#### HIGHLIGHTS:

- **Group fleet utilisation pushes through 70%**
- **Growth plan outlined in three-pillar strategy approach**

Emeco today announced its board has approved a new corporate strategy aimed at building on its core business and capitalising on its unique position as Australia's only listed specialist mining rental business.

Managing Director, Mr Ken Lewsey, also provided an operations update highlighting an improvement in group fleet utilisation to above 70% and positive signs in key sectors, leading to a cautiously optimistic outlook for FY16 and beyond.

"Over the next 12 months, Emeco will be focused on increasing revenues through actively building on the work to date in improving group utilisation," Mr Lewsey said. "The combination of utilisation improvement and our focus on strategy initiatives will create opportunities for increasing margins over the next one to three years and returning the business back to profitability."

#### Strategy

At the Company's annual general meeting in Perth today, Mr Lewsey explained that Emeco's new three-pillar strategy is focused on rebuilding and expanding the existing business and hunting out new opportunities for growth. The path forward for Emeco is built on moving back to profitability by increasing revenues, improving the quality of earnings and reducing leverage to strengthen the balance sheet for future growth.

Mr Lewsey said the strategic review undertaken at Emeco highlighted the need for Emeco to fundamentally change the way it delivers value to its customers through the rental business model, while also building additional growth pathways.

Emeco's strategy is based on three core value-creation pillars which seek to:

1. reshape the core rental business and improve profitability;
2. extend customer relationships with specialist mining products and services; and
3. innovate, diversify and explore new business models.

"Pillar one, which has been largely informed by direct feedback from our customers, is underway and has already delivered direct results as shown by our utilisation numbers," Mr Lewsey said.

"It focuses on reshaping the core rental business by offering differentiated services to our customers. This includes priorities such as better aligning our offerings with customer needs, building stronger partnerships, targeting select new geographies and expanding our low capital-intensity services such as maintenance."

“While our focus is squarely on reshaping our core rental business through pillar one, pillar two is about building a more diversified yet specialist business which adds value to our customer relationships by leveraging our asset management and maintenance capabilities.”

“And lastly, the third pillar which is also focused on growth, looks at diversifying our market risk, differentiating ourselves through improved technology offerings and exploring new business models.”

This could mean diversifying beyond mining by applying Emeco’s proven rental and maintenance capabilities into other market sectors to generate new revenue streams.

“I believe this is our greatest opportunity to rebuild our margins,” Mr Lewsey concluded.

### **Getting Emeco back to work**

Mr Lewsey said Emeco had weathered a severe downturn in the mining services sector and taken necessary actions to ensure the business can generate long term shareholder value.

Mr Lewsey said that during these next three years there would also be a focus on cash flow generation to allow Emeco to reduce debt levels, which would lower the Company’s cost of financing and also improve profitability. Capital allocation would be fully considered to ensure appropriate returns for the business could be achieved over the cycle.

“Ultimately the aim is to create a business model that is more resilient by combining pillar one initiatives with the benefits of the strategic changes to be made from developing our pillar two and three strategies.”

In his update on Emeco’s first quarter operational performance, Mr Lewsey said the trend of increased fleet utilisation seen in the second half of FY14 had continued into FY15.

“Our group utilisation has increased to above 70% and, with our current pipeline of business development work and contracts being tendered, we believe utilisation levels in the mid-70s are realistic over the coming months,” Mr Lewsey said. While utilisation has improved we are yet to see that translate into improved margins, however, the underlying tone is positive which leads us to be cautiously optimistic for the medium term.”

Mr Lewsey said the Company was seeing greater enquiry levels in the Australian market and continued strong performance in Canada and Chile.

However, costs associated with preparing equipment to re-enter the rental market, ramping up the Chilean contract and the normal seasonality of the Canadian oil sands business meant FY15 results would be more heavily skewed toward the second half than normal.

He said that while revenues should follow the usual 45/55 split over the two halves of the year it was expected that EBITDA would be split on a 30/70 basis.

“While EBITDA overall for FY15 will be around the FY14 mark with some expected improvement from our Canadian operations, the run rate by the end of FY15 is expected to be stronger than FY14 and provide Emeco momentum into FY16,” he said.

“We believe the work we are doing in the business and the opportunities we are seeing are setting Emeco up for an improved second half and a solid FY16.”

“Importantly, we have a committed team at Emeco with the passion, expertise and experience required for the job ahead and I believe this will see us deliver greater value for our customers and shareholders in future years.”

- END -

**Investor enquiries**

Michael Weir  
Vice President, Investor Relations  
+61 8 9420 0211

**Media enquiries**

Samantha Buller  
Manager Corporate Affairs  
+61 8 9420 0203

---

**About Emeco**

Established in 1972, Emeco is the world’s largest, independent mining equipment rental business and currently services major resource projects across Australia, Canada and Chile. Emeco pursues a best in class asset management strategy and operates a global fleet of equipment from a range of original equipment manufacturers to deliver the most effective equipment rental and maintenance solutions for its customers. Emeco is a publicly listed company on the Australian Securities Exchange (ASX:EHL).

**[emecogroup.com](http://emecogroup.com)**

# EMECO'S STRATEGY

