

Industrea Limited

2011 Full year results

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Agenda

Results summary

Financial results

Operational overview

Strategy and outlook

Results summary



FY11 Highlights
FY11 Revenue diversification
Financial highlights
Financial performance
Operational highlights

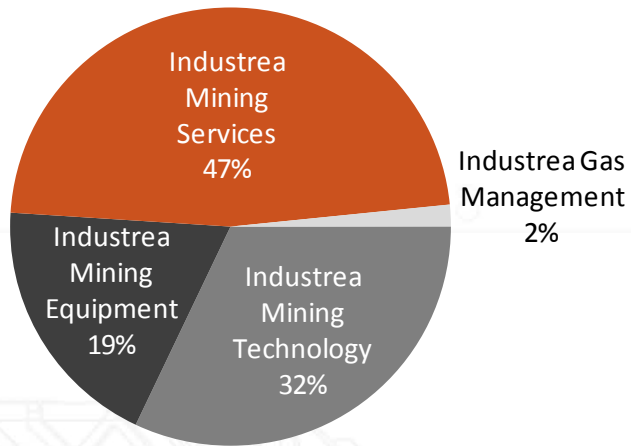
FY11 Highlights

- Fifth straight year of revenue and profit growth
- Revenue up 14.0% and EBITDA up 10.2% driven by strong performance in Industrea Mining Technology (IMT) and Industrea Mining Services (IMS) businesses
- Strong 2nd half performance and improved 2nd half margins as per guidance
- Adjusted NPAT* of \$51.5 million up 15.5% on FY10
- Improved net debt and balance sheet position - capital raising and re-purchase of convertible bonds
- Acquisition of underground in-seam gas drainage business forms foundation for Industrea Gas Management (IGM) business
- Final dividend of 3.0 cents declared, making a full year fully franked dividend of 4.0 cents, up 2.6% on FY10
- The dividend is payable on 7 November 2011

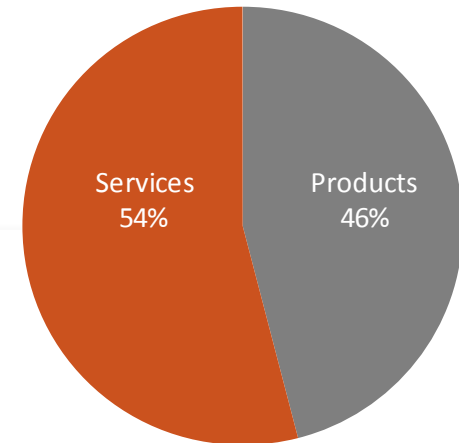
*See slide 11 for Adjusted NPAT reconciliation and prior year restatement

FY11 Revenue diversification

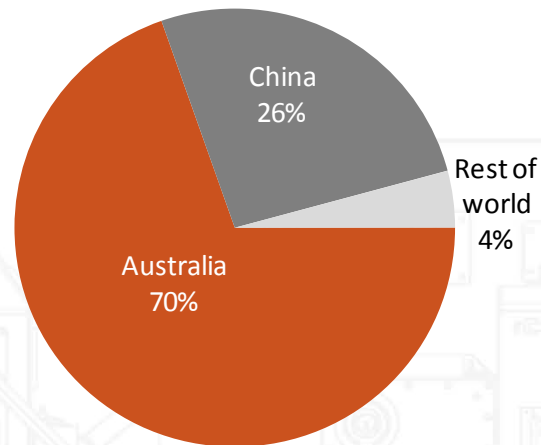
Revenue contribution



Business type



Geography



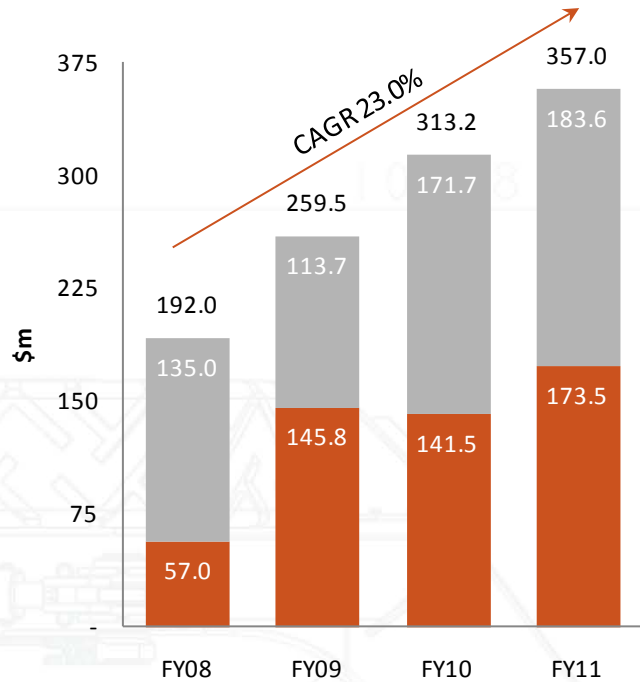
Financial highlights

\$m	2010	2011	% change
Revenue	313.2	357.0	14.0%
EBITDA	112.1	123.5	10.2%
EBITDA margin	35.8%	34.6%	
Adjusted NPAT *	44.6	51.5	15.5%
Adjusted EPS (cents)	14.4	14.7	2.2%
DPS (cents)	3.9	4.0	2.6%
Operating cashflow	64.8	92.0	42.0%
Operating cashflow per share (cents)	20.9	26.3	25.6%

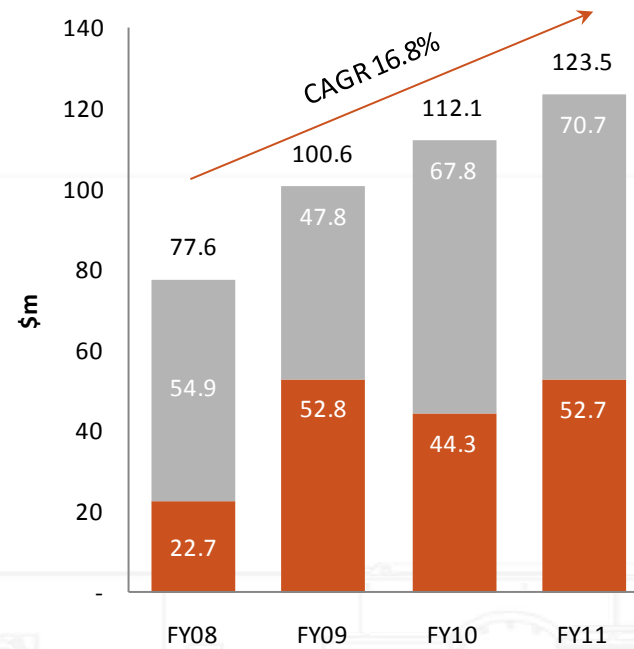
*See slide 11 for Adjusted NPAT reconciliation and prior year restatement

Financial performance

Revenue



EBITDA



H1

H2

Operational highlights

- Core products homogenous across key markets
 - Australia, China, South America, South Africa and Russia
- Growing client base with high retention rate
- Continued client focus globally on increased safety and productivity
- Improved second half performance by Industrea Mining Equipment (IME) division driven by both Australian and Chinese demand
- Circa 50% of group revenue derived from stable services contracts across group
- Increasing contribution of annuity spares income from installed base – IME and IMT
- Mining services business performing strongly despite Baralaba flood impact
- Improved balance sheet with capacity to fund future growth
- Launch of the new IGM division with annualised revenue of \$19.9 million



Financial results

- Financial performance
- Profit reconciliation
- Balance sheet
- Capital management
- Cashflow analysis

Financial performance

\$m	2010	2011	% change
Revenue	313.2	357.0	14.0%
EBITDA	112.1	123.5	10.2%
<i>EBITDA margin</i>	35.8%	34.6%	
Depreciation	22.7	30.8	35.7%
EBITA	89.4	92.7	3.7%
<i>EBITA margin</i>	28.5%	26.0%	
Adjusted NPAT*	44.6	51.5	15.5%
Adjusted EPS (cents)	14.4	14.7	2.2%
DPS (cents)	3.9	4.0	2.6%

*See slide 11 for Adjusted NPAT reconciliation and prior year restatement

Profit reconciliation

\$m	2010	2011	% change
EBITDA	112.1	123.5	10.2%
Depreciation and amortisation	(27.4)	(35.4)	
Net interest expense	(16.5)	(15.9)	
Taxation expense	(19.1)	(20.7)	
Taxation restated	(4.5)*	-	
Adjusted NPAT	44.6	51.5	15.5%
Amortisation - convertible bond	(4.9)	0.8	
Amortisation - customer contracts	(13.1)	(4.4)	
Movement in fair value of interest rate swap	3.3	1.9	
Tax effect of adjusting items	7.3	1.5	
NPAT before one-off items	37.2	51.3	37.9%
One-off items:			
Reversal of deferred tax on Huddy acquisition	20.2	-	
Business acquisition costs	-	(3.4)	
Reported NPAT	57.4	47.9	(16.5%)

*Prior year restatement

Balance sheet

\$m	2010	2011
Cash and deposits	9.2	21.3
Receivables	67.1	72.1
WIP and accrued profit	30.6	23.7
Inventory	22.9	44.7
Property, plant & equipment	181.4	209.1
Intangible assets	177.7	203.4
Derivatives & other assets	1.3	3.1
Total assets	490.2	577.4
Trade and other creditors	37.5	46.0
Borrowings/convertible bonds	186.1	182.0
Vendor liability	10.0	-
Provision for tax	12.6*	14.9
Deferred tax liabilities	4.4	9.4
Derivative & other liabilities	4.3	4.3
Total liabilities	254.8	256.6
Net assets	235.4	320.8

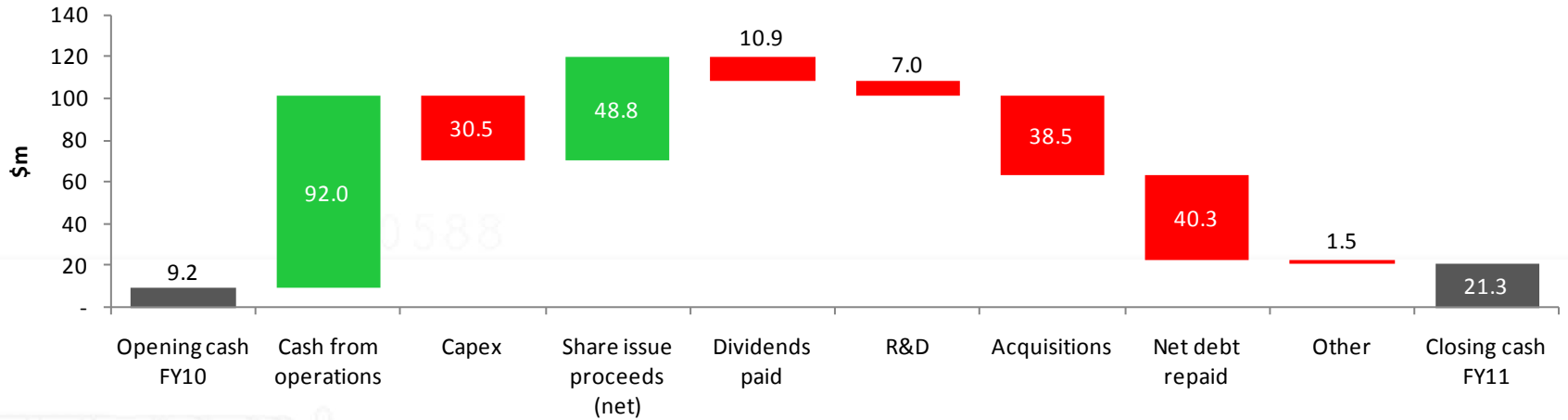
*Prior year restatement

Capital management

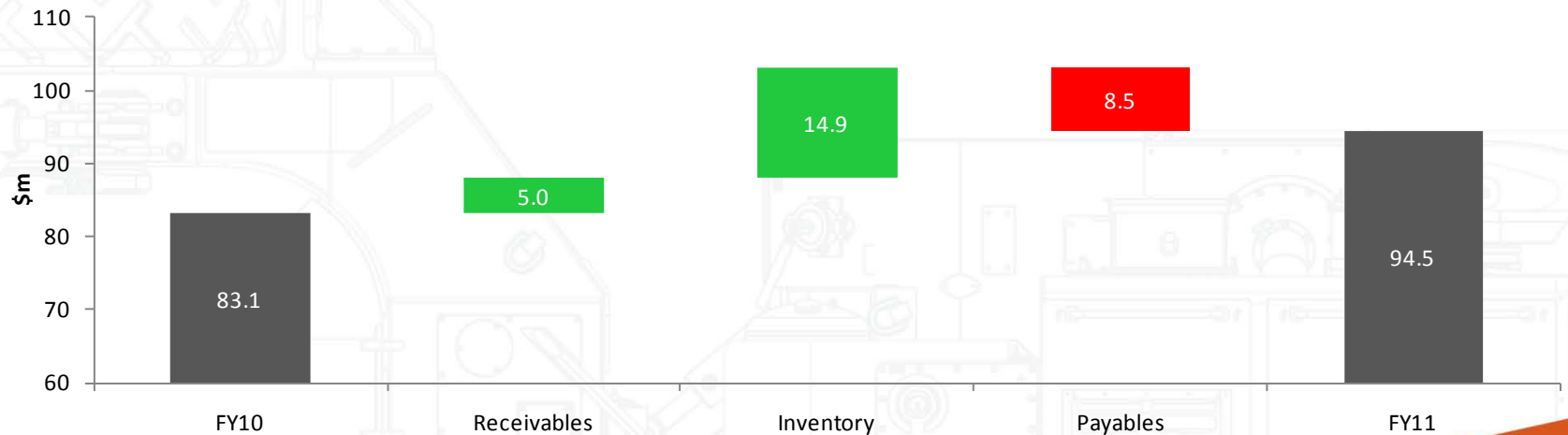
\$m	2010	2011	% change
Net debt	176.9	160.7	(9.2%)
Gearing/Leverage	42.9%	33.4%	
Interest cover	6.8x	7.8x	
Working capital	83.3	94.5	14.9%
Capex			
Growth	49.4	43.0	(13.0%)
Maintenance	10.4	18.3	76.0%
Other	1.7	2.1	23.5%
Total	61.5	63.4	3.1%
HP funded capex	18.6	30.5	64.0%

Cashflow analysis

Cashflow



Working capital



Operational overview



Operational units
Industrea Mining Technology
Industrea Mining Equipment
Industrea Gas Management
Industrea Mining Services

Operational units



- Underground methane gas drainage directional drill guidance systems
- Open cut mining Collision Avoidance Systems
- Vehicle and heavy equipment tracking software solutions
- GPS in vehicle monitoring systems



- Design and manufacture of specialist underground mining vehicles (flame and explosion proof)
- Heavy underground mining equipment especially for longwall relocation
- Provision of maintenance, spares, service and support contract to customers
- Materials handling equipment and accessories
- General engineering and fabrication services



- Specialised underground in-seam drilling services:
 - Exploration drilling
 - Dewatering and drainage drilling
 - Gas drainage short and long hole drilling



- Integrated contract mining services including
 - Mine planning and management
 - Open cut mining and earth moving services
 - Earthmoving equipment and experienced operating staff
 - Drill and blast contracting services
 - Civil services associated work with mining activities



- Chinese manufacturer and distributor
- Provision of maintenance, spare parts, service and support

Current customers



Centennial Coal

CST



Peabody

RioTinto



VALE



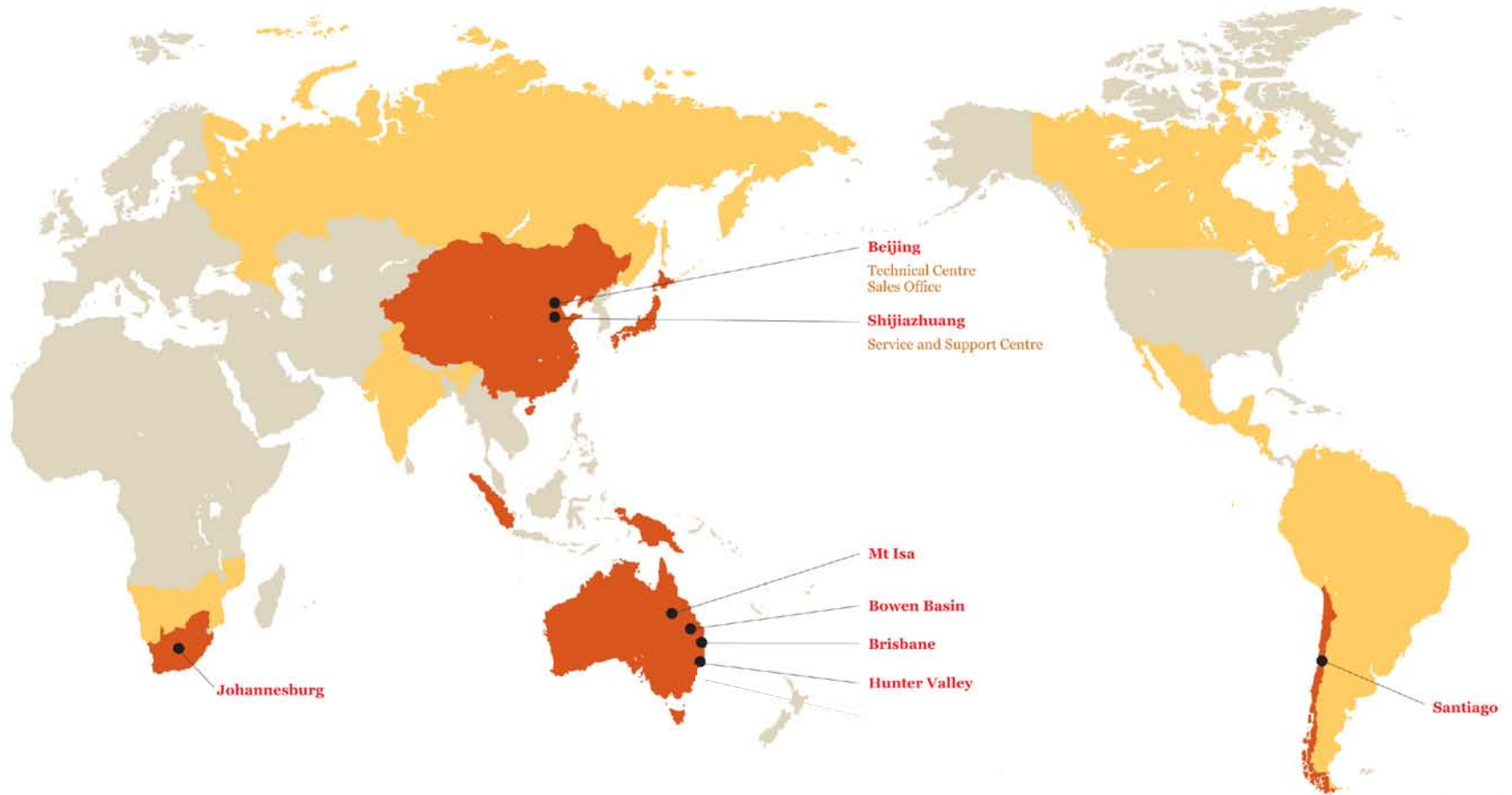
Datong Coal Group



晋城煤业集团
JINCHENG ANTHRAHITE MINING GROUP



Geographic coverage



Industrea offices **Current markets** **Target markets**

Industrea Mining Technology

\$m	2010	1H11	2H11	2011	% change
Revenue	70.6	66.0	48.5	114.5	62.2%
EBITA	19.4	17.0	21.0	38.0	95.9%
EBITA margin	27.5%	25.8%	43.3%	33.2%	



- New Australian mine approvals to drive growth in IMT products
- Drill Guidance System (DGS) continues as global leader in underground in-seam coal methane gas drainage
- Record order for 10 DGS units to Russia and continuing sales of DGS into China and Australia
- Initial sales to civil market in Japan
- Material CAS-CAM/RF® sales to BHP Group globally including Australia, South Africa and South America
- Rio Tinto pilot for CAS-CAM/RF® in Western Australia
- Strong outlook for Collision Avoidance System both domestically and globally based on continued client emphasis on safety and productivity
- Increasing R&D spend on new product development

Industrea Mining Equipment

\$m	2010	1H11	2H11	2011	% change
Revenue	113.0	27.0	46.4	73.4	(35.0%)
EBITA	37.4	5.5	14.8	20.3	(45.7%)
EBITA margin	33.1%	20.4%	31.9%	27.7%	



- New Australian mine approvals driving growth in IME products
- Introduction of new products including IME underground flame proof drill rig expected to further boost revenue and widen customer base
- Strong Chinese order flow expected to continue
- Completed R&D to launch tier 3 (ultra low diesel particulate emission) Mine Cruiser vehicle winning domestic market share
- Chinese manufacture of flameproof explosion proof underground personnel carrier exclusively for Chinese market underway for launch at China Coal Show in October
- Recently released new 70T mine dozer results in immediate orders
- New 130T shearer carrier designed for China Shenhua creates Australian orders
- R&D well advanced on new prototype underground vehicle

Industrea Gas Management*

\$m	2011	Industrea post acquisition	
	Actual**	Actual*	Annualised***
Revenue	17.1	5.8	19.9
EBITA	3.8	1.2	4.2
EBITA margin	22%	21%	21%

*IGM financials included in the IME segment result as per 4E

**2011 actual based on 8.5 months pre-acquisition and 3.5 months of Industrea ownership

***Annualised on a straight line basis, based on 3.5 months of ownership



- IGM rationale moving from a niche offering to mainstream offering
- Services revenue scope increasing through manpower requirements of gas management drilling services
- Addition of new IME drill rig (integrated with IMT DGS tool) expected to produce strong organic growth in drilling services
- Expect to capture more of value chain in gas management Beyond drilling services
- Broader gas management offering presents opportunities for rapid expansion
- Opportunities for broader IGM offering in China through Industrea Wadam and expanding Russian and Eastern European markets

Industrea Mining Services

\$m	2010	1H11	2H11	2011	% change
Revenue	129.2	80.4	88.7	169.1	30.9%
EBITA	33.9	17.4	20.8	38.2	12.7%
EBITA margin	26.2%	21.6%	23.4%	22.6%	



Huddy's Mining Services Excavators at Mt Isa

- Multiple new contract opportunities FY12
- Expansion of works at Lady Annie and Blackstar Open Cut mines in Mt Isa
- Expansion with Rio Tinto's Mt Thorley Warkworth continues to track to increased production
- Baralaba expected to return to full production by December 2011
- Expect margins to improve in FY12 due to recovery from flood and weather impacts
- Continued investment in expansion of equipment fleet

Strategy and outlook



Strategy

- Continue to focus on core markets in Australia and China
- Continue to focus on expansion markets of Russia, South America, South Africa and USA
- Consider further strategic and earnings enhancing acquisitions to add to IMT, IME and IGM divisions



- CAS-CAM/RF® – further diversify customers, expand Australian footprint and new markets
- DGS – continue to support emerging Russian interest and new Industrea drill rig through sales in Industrea existing and new markets
- New products to strengthen revenue base



- Diversify underground service offering targeting current customer base
- Capitalise on Australian, Chinese and Russian underground gas drainage opportunities
- Transition to providing complete suite of gas drainage and associated services



- Develop new underground equipment offerings
 - Industrea drill rig
 - Mine dozer
- Chinese manufacturing capability
 - Flame/explosion proof personnel carriers



- Support current customer expansions
- Bid on new contracts that support IMS business model and return on investment criteria

Outlook

Australia

- Market for all divisions expected to grow over next 36 months
- Strong order book leading to improved manufacturing economies of scale and associated margins
- Continued strong demand for longwall relocation equipment
- IMS - benefit from renegotiated contract rates and contract extensions as resources boom continues and resumption of Cockatoo Coal Baralaba revenues
- Full year contribution from underground gas drainage acquisition

China

- Strong growth in the mining products market which is forecast to exceed 20% over coming years and reach 150 billion RMB by 2015
- Strong increase in orders from June and July expected to continue
- Product expansion with Industrea “drill rig” manufacture - total gas drainage package will incorporate IMT’s unique and market leading DGS
- Manufacturing underway with flame proof and explosion proof personnel vehicle launch in October
- Increased recurring revenue from larger in country service and support infrastructure

Russia

- Build on early sales of IMT directional drill guidance products
- IGM to establish services model outside Australia

Industrea expected to deliver organic revenue growth in excess of 20% in FY12

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