

27 February 2025

H1 FY25 Results*

- Revenue \$104.8 million, down 3.3%
- EBIT \$4.6 million, up 43.9%
- Net profit before tax \$3.5 million, up 72.8%
- NPAT \$2.4 million, up 61.6%
- Interim dividend 0.5 cents per share, unfranked

*all figures compare H1 FY25 with H1 FY24 unless otherwise stated

Engenco Limited (ASX:EGN), the engineering services group specialising in the transportation industry, today announced a net profit before tax of \$3.5 million (H1 FY24: \$2.0 million). The result reflects stronger margins and disciplined cost management. Earnings before interest and tax (EBIT) were \$4.6 million, up from \$3.2 million.

Revenue fell slightly to \$104.8 million from \$108.3 million. Whilst revenue in Gemco Rail increased, measures were taken to exit marginal and unprofitable lines elsewhere across the portfolio. Net operating cash flow was \$9.9 million, up from \$3.9 million (excluding proceeds from government grants). Net tangible assets at 31 December 2024 were 27 cents per share (H1 FY24: 26 cents per share).

Recognising improvement across the Group and with expectations of stronger performance in the second half, the directors have declared an interim dividend of 0.5 cents per share unfranked (H1 FY24 no dividend paid), payable on 28 March 2025 to shareholders on the register at 6 March 2025.

Results summary	H1 FY25 \$000	H1 FY24 \$000	% change
Revenue	104,766	108,311	(3.3)
Earnings before interest and tax (EBIT) ¹	4,569	3,175	43.9
Net profit before tax (NPBT)	3,453	1,998	72.8
Net profit after tax	2,389	1,478	61.6
Earnings per share (cents)	0.76	0.47	61.7
Dividend (cents) – [unfranked]	0.5	0.0	
¹ EBIT is earnings before finance cost and income tax expense.			

Dean Draper, Engenco's Managing Director and Chief Executive Officer, said "This result demonstrates stabilisation and a return to profitable growth. Strengthening operational performance remains a priority and we are gaining traction with the measures we have implemented to improve financial outcomes.

"Improved Group performance can be attributed to continued strengthening of our core operations. We relentlessly focus on how our product and service offering adds value for our customers. Implementation of our digital strategy will further support our efforts to enhance operational effectiveness."

Operational report

	H1 FY25 revenue \$000	H1 FY24 revenue \$000	H1 FY25 NPBT \$000	H1 FY24 NPBT \$000
Drivetrain	30,916	31,776	3,594	3,906
Convair Engineering	12,470	16,014	516	841
Hedemora Turbo and Diesel	3,548	4,072	314	845
Gemco Rail	51,101	47,536	6,617	4,168
Workforce Solutions	7,664	9,762	154	506

Power and Propulsion

Drivetrain is a leading supplier of technical products and services to the mining, energy, transport, and defence industries. Revenue in Drivetrain consolidated FY24 gains, although earnings were slightly lower. The business experienced shifts in customer demand as component sales increased but repair work reduced. Whilst new customers were added, some mining operators experienced less activity and insourced work. Operations at the new Mt Isa branch progressed in line with management expectations, securing work with new customers.

Convair Engineering designs and manufactures tankers to transport dry bulk products by road and rail. Convair revenue reduced as tanker demand in the construction sector softened and the sales strategy was adjusted to focus on profitable segments.

Hedemora Turbo and Diesel is the original manufacturer of Hedemora turbochargers and diesel engines. After a significantly improved FY24, Hedemora experienced a deferral in turbocharger shipments in the first half and increased costs, primarily due to a temporary increase in employees to support succession planning. Hedemora continues to support the Australian Navy's Collins Class submarine program.

Rail

Gemco Rail is the leading independent provider of rollingstock maintenance, products and services for the Australian and New Zealand rail markets. Broadened maintenance offerings have been well received. With a strong pipeline, Gemco Rail is systematically strengthening a national network, strategically located close to customers. Demand for maintenance normalised and improved results were underpinned by new business. East Coast demand grew including increased wheel and bearing maintenance activity in Gladstone. Bearing volumes for mining fleets in Western Australia also grew, and the delivery of iron ore wagons manufactured at Forrestfield accelerated in the half.

Workforce Solutions

Workforce Solutions provides training and employment opportunities to the Australian rail and transportation industries. Implementation of a redefined business model continued. This followed a strategic shift where the Momentum business is progressively exiting unprofitable segments and repositioning its labour hire offering. Momentum will cease to provide train drivers through traditional labour hire from the end of March 2025. Eureka delivered results consistent with the prior period.

People & Safety

Engenco has seen continued improvements in employee engagement, driven by the success of our Engenco Leaders Program and the growing impact of employee recognition initiatives.

The Group's Total Recordable Injury Frequency Rate (TRIFR) reduced slightly to 18.11. Increased focus, enhanced reporting and the integration of safety management systems continue to mitigate workplace risk and reduce safety incidents. Leading safety indicators are demonstrating positive trends across the business. Engenco's Lost Time Injury Frequency Rate (LTIFR) remains steady at 1.13 per million hours worked. The Group continues to prioritise employee health, safety and wellbeing to ensure a safer working environment.

Balance Sheet and Cashflow

Net operating cash flow increased to \$9.9 million (H1 FY24: \$3.9 million). This increase reflects higher customer receipts in the period, working capital improvements and cost efficiencies. Higher customer receipts were mainly from customer milestone payments associated with the manufacture of iron ore wagons by Gemco Rail. The Group extended its debt facilities during the period. The revolving cash advance facility limit was lowered to \$15 million and extended to 31 October 2027, supplemented by a one-year, \$10 million receivables purchase facility.

Engenco's \$15 million banking facility was drawn to \$3 million at 31 December 2024 in addition to the \$4.25 million property loan secured against the Karratha property. The Group's cash on hand at 31 December 2024 was \$12.4 million, resulting in a net cash balance of \$5.2 million.

Outlook

Mr Draper said: "As the Group continues its journey towards strong and sustained financial performance, and on the basis that market conditions do not materially change, we anticipate the second half of FY25 to be materially stronger than the first half, delivering a significantly improved outcome for the full year compared to FY24.

"We are working hard to add value for customers, innovating to build strong demand. Our efforts to optimise our portfolio, matched with cost management are improving margins. In addition, we are experiencing more consistent demand across key industries including transport, mining, and defence.

"Drivetrain expects increased workshop activity in the second half and has extended its agreement with Dana Off-Highway as an Authorised Service Centre. Drivetrain will continue to deliver industry leading Dana product technical support, while providing the Australian market with genuine Dana spare parts, advanced technical solutions and high-quality service. Portfolio adjustments in Convair are expected to improve outcomes in the second half. Improved performance for Hedemora is expected, subject to timing of receipts from customers in Asia and the successful completion of the turbocharger trial with a Canadian rail customer in Q3 2025.

“The Gemco business drives the overall financial performance of the Group. The business is now well positioned to build on its strong foundation and accelerate growth. Coupled with previous expansion activities in Altona and Rutherford, the business has secured additional freight wagon repair and maintenance work on the East Coast. Wagon manufacture projects continue from Forrestfield, with additional iron ore wagons to be delivered in the second half of FY25.

“The development of the new rollingstock and rotatable maintenance facility in Karratha is progressing, due for completion in the second half. Bearing refurbishment activities are set to commence later this year.

“Workforce Solutions continues to reposition its portfolio to align with industry demand. Connect Talent, a Group Training Organisation (GTO), launched in January 2025. It will facilitate the placement of apprentices and trainees within the rail and transportation logistics sectors. Operations have commenced, with the first cohort of trainees placed with a long-term Engenco customer in NSW. CERT Training's performance is expected to improve with the expansion of training programs into adjacent market segments.

“Safety and professional development remain priorities as we build a safety-first culture, with the Leaders Program focussing on Safety Leadership.

“We remain committed to leveraging our unique product and service offering, supported by our highly skilled people, to deliver stronger returns for our shareholders.”

This announcement has been authorised for release by the Engenco Board of Directors.

About Engenco Limited

Engenco specialises in:

- Maintenance, repair and overhaul of heavy-duty engines, powertrain, propulsion and gas compression systems;
- Design and manufacture of road and rail transportation and storage tankers for dry bulk products;
- Product development, manufacture, installation, maintenance and spare parts services for Hedemora Turbochargers and Hedemora Diesel Engines for customers in all parts of the world;
- Maintenance, repair and overhaul of locomotives;
- Rollingstock maintenance, products, and services for the Australian and New Zealand rail markets; and
- Nationally accredited training, contract labour solutions and outsourced workforce management for the Australian rail and transportation industries.

Engenco services a diverse client base across the defence, resources, marine, power generation, rail, heavy industrial, mining and infrastructure sectors.

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