

ASX ANNOUNCEMENT

03 February 2022

Trading update

Engenco Limited (ASX: EGN) (**Engenco or Company**) provides the following update on trading conditions and expected earnings for the first half and the full financial year ending 30 June 2022 (**FY22**).

At the FY21 Annual General Meeting, we advised that FY22 will be a year of stabilisation rather than material improvement as we build platforms for further growth and profitability, with improving performance expected only in the second half.

Our preliminary unaudited consolidated results for the Group for H1 FY22 include operating revenue of \$85.5m (H1 FY21 - \$86.4m) and a net profit before tax of \$2.6m. We expect an improved second-half and forecast that our year full-year pre-tax result will be materially in line with the FY21 full-year result, subject to no material change to trading conditions.

First half FY22 trading outcomes were characterised by the following factors;

- Skilled labour shortages impacting productivity and labour costs, requiring alternate labour strategies, including increased training of existing staff and hiring additional apprentices to grow our pool of skilled labour. This particularly affected;
 - Drivetrain's Kalgoorlie workshop operations,
 - CERT's ability to access sufficient skilled industry trainers, and
 - Convair's manufacturing capacity to meet its strong order book for tankers.
- The consequences of COVID restrictions on CERT Training due to facility closure mandates and social distancing requirements limiting class numbers, and Momentum having experienced significant cost and productivity challenges operating in the rail network across state borders.
- Shipping delays impacting the completion of capital sales for Convair's Feldbinder aluminium tankers and Drivetrain's Kovatera mining utility vehicles resulting in some sales now expected in the second half of FY22.
- Unpredictable scheduling requirements from major rail freight customers affecting Gemco Gladstone efficiencies.
- Significant global supply chain disruptions including freight and product price increases and shortages resulting in higher unplanned work-in-progress levels and some margin reductions for committed sales.
- Increased absenteeism relating to the Omicron Covid-19 variant outbreaks impacting general productivity towards the end of 2021.

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Looking forward to the second half and as we work to address these challenges, demand for our product and services remains generally strong, we have plans to attract and retain our skilled workforce, inventory management adjustments have been made, and sales pricing structures have been revised to offset increasing supply chain costs. Activity is robust in our rollingstock wheel and bearing services and wagon rebuild operations in Western Australia, Drivetrain service centres have strong order books and jobs in progress pipelines, and while conditions are expected to remain difficult, Workforce Solutions businesses are becoming less constrained by pandemic restrictions. Further, our locally manufactured Convair tankers order list stretches over 12 months. A focus on more granular business development to drive diversity of revenue streams and to generate more consistent project pipelines for under-performing profit centres is expected to underpin improved overall Business Unit profitability into FY23.

Kevin Pallas, Engenco's Managing Director and CEO said, "Whilst trading conditions remain difficult as Australia adjusts to the "living with Covid" phase of the pandemic, we continue to support our staff and customers through the changing environment. Our strategy of sustaining long-term business streams by delivering exceptional customer value and leveraging our unique competitive advantages remains on foot. Despite the current disruptions, we remain confident that we will benefit from emerging opportunities whilst making the necessary adjustments to generate a stronger second half result to meet the anticipated full-year outcome and maintain shareholder returns."

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

About Engenco Limited

Engenco specialises in:

- Maintenance, repair and overhaul of locomotives
- Manufacture and maintenance of wagons, carriages and associated rail equipment
- Maintenance, repair and overhaul of heavy-duty engines, powertrain, propulsion and gas compression systems
- Project management, training and workforce solutions
- Manufacture and supply of road transport and storage tankers for dry bulk products

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

For further information, please contact:

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