

23 April 2021

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

Operational, financial and capital expenditure update

Emeco today provides an update on our operational and financial performance, including guidance for FY21.

We also announce an in-principle agreement to acquire a package of highly sought-after second-hand underground mining equipment at an attractive price of \$14 million (including rebuild costs) to support continued growth in our Pit N Portal rental business.

- **FY21 operating EBITDA expected to be in the range of \$235-\$238 million**
- **Reconfirm that 2H21 Rental Division operating EBITDA will be broadly in line with 1H21**
 - **Eastern Region performance is consistent with expectations with positive momentum in 4Q21**
 - **Western Region will deliver strong anticipated growth over 1H21**
- **Continued strong momentum in rental and mining services activity in Pit N Portal. Earnings for 2H21 now expected to be broadly in line with 1H21 as a result of commissioning issues in some early stage works which have temporarily impacted profitability**
 - **Actions underway to improve operating performance with the financial impact of these issues expected to be limited to 2H21**
- **Continued growth in Pit N Portal rental operations supported by incremental growth capital expenditure of \$14 million (including rebuild costs) to acquire a package of high quality second-hand underground equipment**
 - **New equipment is expected to deliver an attractive pre-tax IRR above 20%**

Operational and Financial Update:

Rental Division

Consistent with previous statements, Emeco confirms that 2H21 earnings will be broadly in line with 1H21.

Eastern Region performance is consistent with expectations and showing positive momentum in 4Q21, reflecting both improvements in customer demand and the commencement of several new projects.

Western Region will deliver strong growth over 1H21 in line with expectations.

Pit N Portal

Momentum of the Pit N Portal Business is accelerating, with activity levels continuing to increase in line with our expectations. We are seeing steady growth in demand for our underground mining fleet and good momentum in mining services activity. However, we now anticipate that 2H21 earnings will be broadly consistent with 1H21. Project commissioning issues have compromised productivity in some early stage works which has temporarily impacted profitability.

A full review of the issues has been undertaken and mitigation measures have been implemented to restore operating performance and regain profitability levels, with positive results to date. We anticipate profitability levels to improve throughout the current half and the identified issues are not expected to impact FY22 performance.

Force Workshops

Continued growth in external revenue and earnings in line with expectations.

FY21 Guidance

In view of the above, we anticipate operating EBITDA for FY21 to be in the range of \$235-\$238 million.

Ian Testrow, Emeco's CEO and Managing Director said: "The results in our rental division have been positive and in line with our expectations. With momentum improving, fleet utilisation is increasing and financial performance is growing towards FY22. We are also pleased with the growing impact of our focus on value-added services to our customers which embed Emeco as a key supplier.

"Activity levels at Pit N Portal continue to grow and we are seeing significant opportunities to expand our footprint in rental and mining services. We have navigated some productivity headwinds in the early stage works of some Pit N Portal long-term services contracts, and the team has acted decisively to quarantine and remediate the issues. We are confident we will deliver planned earnings and returns."

Capital Expenditure Update

In addition to the previously announced growth capital expenditure of \$27 million for FY21, Emeco announces that it has reached in-principle agreement to acquire a package of high-quality underground equipment for \$14 million, including expected rebuild costs.

This transaction supports Pit N Portal's ability to meet current and anticipated growth in customer demand for well maintained, low cost mid-life specialist underground equipment.

Because the equipment is located in Australia, we are able to quickly deploy some assets to existing customers, with the remainder of the equipment package to be sent to our Force workshops for cost-effective maintenance and rebuilds before deployment to existing and new customers throughout FY22.

Approximately half of the purchase consideration is an acceleration of planned future capital spend. The balance will deliver incremental growth opportunities in FY22 and meets our strict return criteria, generating an expected pre-tax internal rate of return (IRR) in excess of 20%.

Ian Testrow commented: "We are delighted with this valuable deal and believe it demonstrates our ability to source in-demand assets at attractive prices and utilise our capabilities to deliver strong returns. The opportunity to secure this sought-after equipment package will be in line with our strategy of disciplined deployment of our free cash to deliver growth and create shareholder value. The strength of our balance sheet and our strong cash generation continue to provide capital allocation optionality to invest in the business and return capital to shareholders, including dividends and share buybacks, to maximise shareholder returns.

"Our ability to utilise Force workshops to enhance the value of this package allows us to take advantage of the strong customer demand for high quality underground equipment and deliver continued earnings growth.

"Going forward, we are in a strong position to capitalise on favourable market conditions across each of our businesses. Our Rental Division has performed to expectations and is gaining momentum. Having acted decisively to address some challenging short-term conditions in Pit N Portal projects, we are confident in the continued growth opportunities. We are committed to support this growth with disciplined capital expenditure where we can meet our strict return hurdles."

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Investor enquiries

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