
E&A LIMITED

Building Shareholder Wealth



Presentation to Morgan Stanley Emerging Companies Conference

Stephen Young, Executive Chairman

2 April 2014

Overview

- **We operate businesses providing specialist services to the following industries:**
 - Oil & Gas
 - Infrastructure
 - Mining
 - Power and Water
 - Defence
 - Renewable Energy
- **E&A services include:**
 - Heavy engineering / piping and fabrication
 - Water management (piping and geomembrane lining)
 - Remote area electrical projects
 - Shut-down maintenance and repairs
- **E&A has strong record of growth** through a combination of organic growth and acquisition

Key Data	25 March 2014
Ticker code	EAL
Shares on issue	123.2 million
Share Price	\$0.64
Market Capitalisation	\$78.9 million
Employees	950+

Board	Ownership (Feb 2014)
Stephen Young – Exec Chair.	44.2%
Mark Vartuli - Exec Dir.	13.3%
Michael Abbott - Non Exec Dir	2.2%
Michael Terlet - Non Exec Dir	0.6%
David Klingberg - Non Exec Dir	0.2%



Key Features

Well exposed to Gas and CSG growth

- **50%+ of FY14 revenue from oil, gas and CSG**
- Multiple points of exposure along value chain
- Key supplier of process infrastructure and water solutions for CSG
- Footprint across Cooper Basin, Queensland, and won first NSW contract in September 2013

Specialist engineering services with broad exposure

- **Large recurring base of shut-down maintenance and specialist repair work**
- Specialist pipe spooling, fabrication and engineering services to resources, water and energy sectors
- Heavy engineering workshops with specialist fabrication equipment and skills

Proven value-add business model

- **Systematic integration and improvement has lifted \$75m of acquired revenue to \$200m**
- Record of value adding acquisition and development of businesses
- Strict and disciplined acquisition and funding metrics (<5x EBIT)



Key Features (cont.)

Disciplined business model and skill-set

- The commercial acumen and experience of our management team;
- Disciplined E&A Way approach to managing our businesses;
- Tight alignment with shareholder interests;
- Focus on results and business fundamentals of safety, quality on-time delivery and cashflow;
- Geographical and Industry spread;
- Growing Industries: oil & gas, defence, water, infrastructure and energy; and
- Successful acquisition and integration model enabling organic growth.

Earnings and dividend record

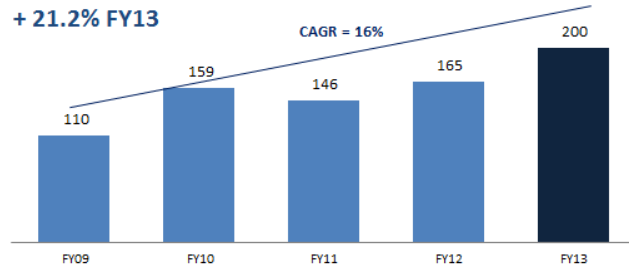
- Record of organic and acquisition earnings growth; and
- Dividend distribution growth.



5 Year Historical Performance

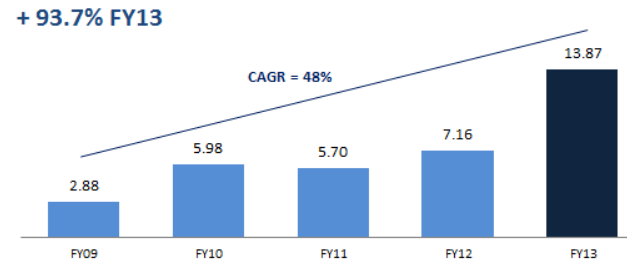
Sales Revenue (\$M)

+ 21.2% FY13



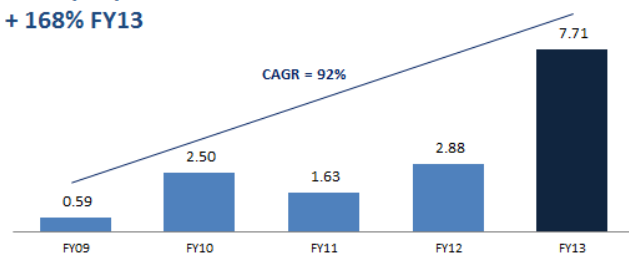
EBIT (\$M)

+ 93.7% FY13



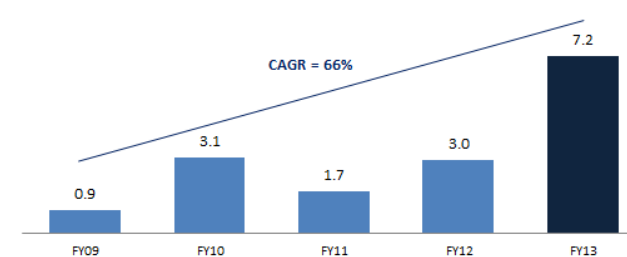
NPAT (\$M)

+ 168% FY13



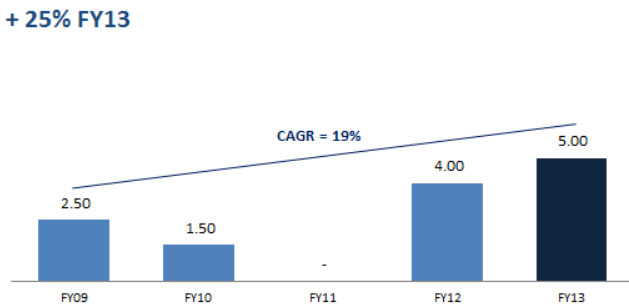
Earnings per Share (Cents)

+ 140% FY13



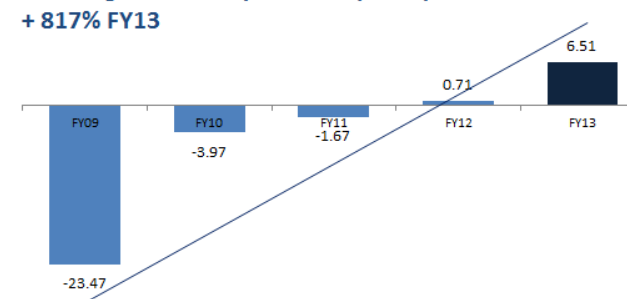
Dividends per Share (Cents)

+ 25% FY13

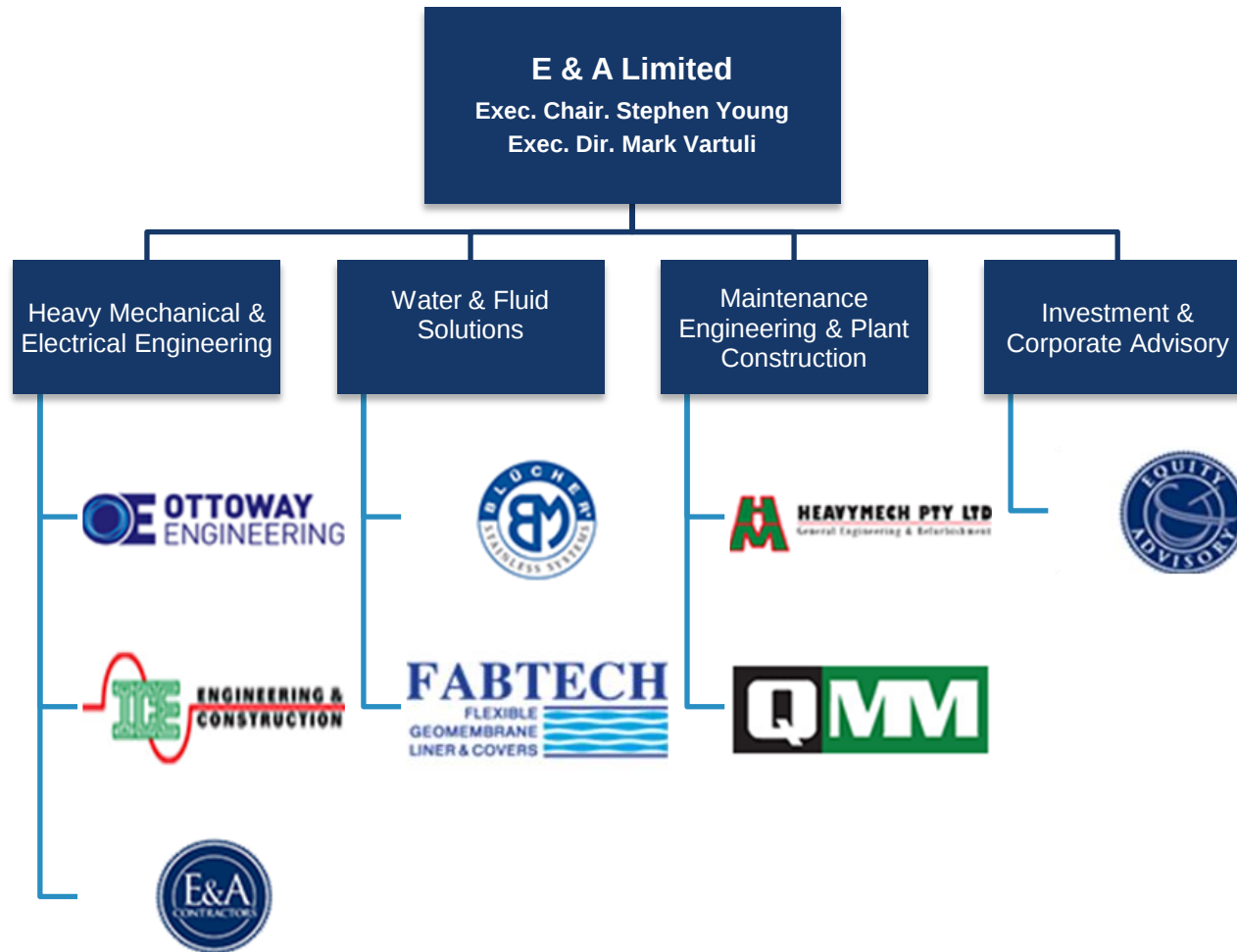


Net Tangible Assets per Share (Cents)

+ 817% FY13

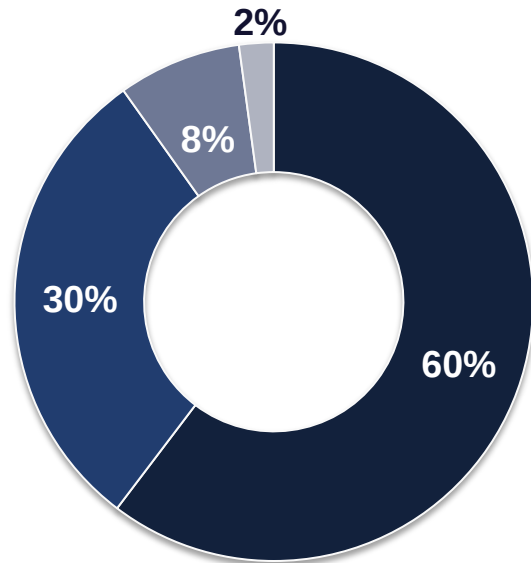


Structure



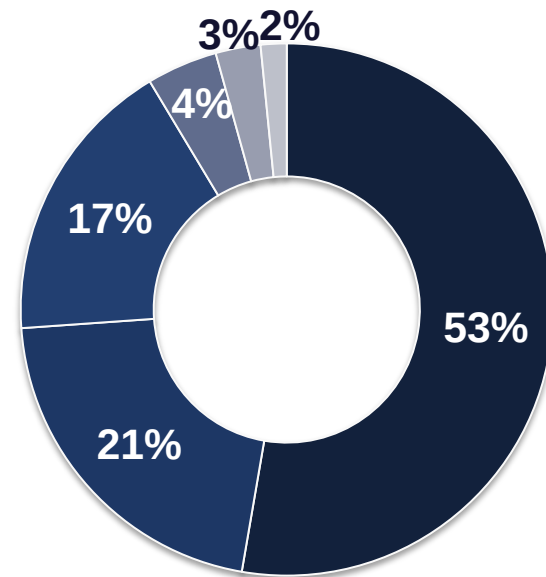
Revenue by Activity and Client Sector

HY'14 Segment Revenue



- Heavy Mechanical & Electrical Engineering
- Water & Fluid Solutions
- Maintenance Engineering & Plant Construction
- Investment & Corporate Advisory

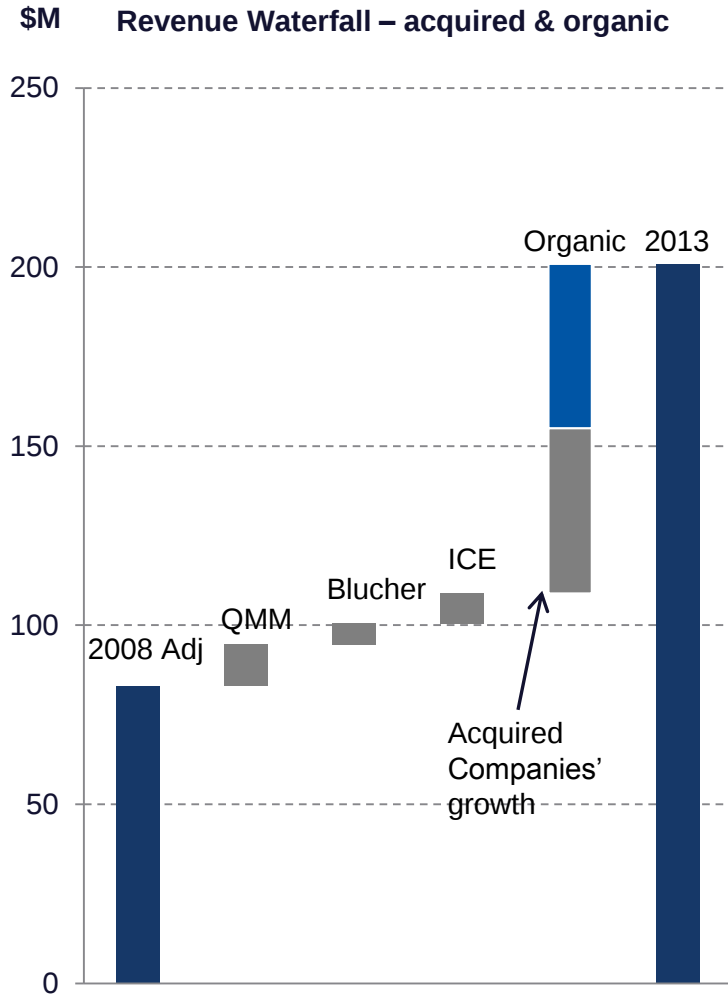
HY'14 Industry Revenue



- Oil & Gas
- Mining & Quarrying
- Infrastructure
- Renewable Energy
- Defence
- Financial Services



Successful Acquisition Record



EAL management team have a proven track record in integrating acquisitions and delivering growth from those acquired companies:

- **Acquired Business Revenue: \$75M**
- **Organic Revenue Growth: \$125M**



Acquisition Philosophy and Discipline

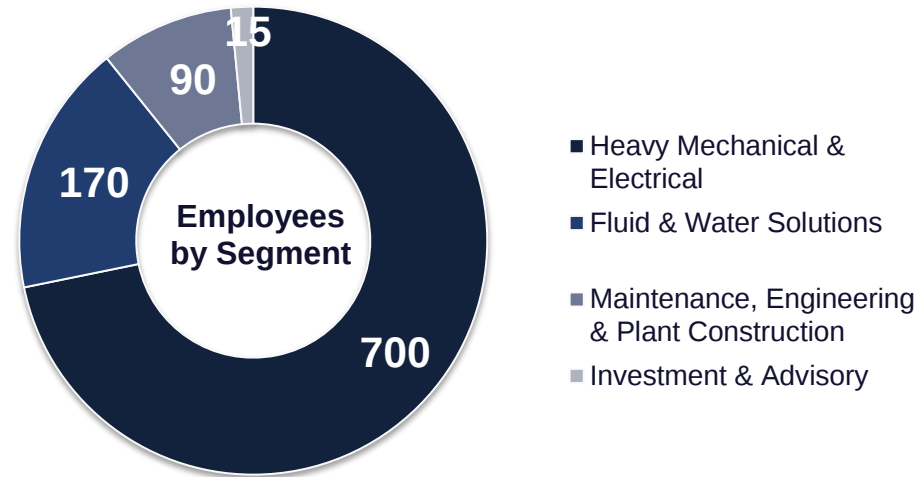
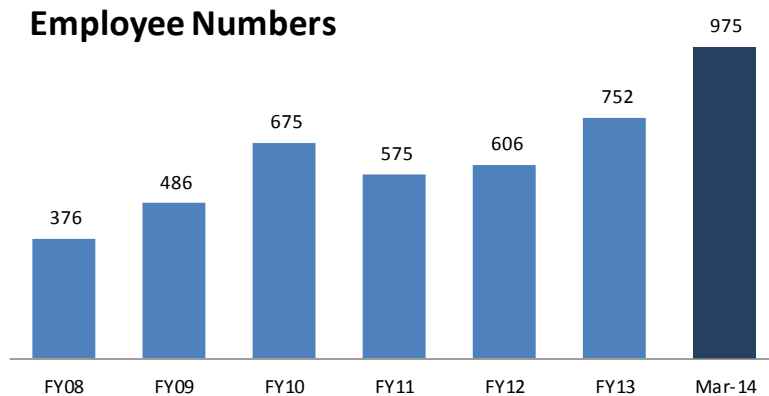
E&A's stated acquisition investment philosophy includes a number of characteristics that are desirable for targeted acquisitions, including the following investment criteria:

- Value can be added through E&A Way Management Framework;
- Value can be added as a result of synergies between the business and existing portfolio of E&A's businesses ("Partnering to Create Value");
- Strong position and/or niche player in a market expected to experience significant growth;
- **Available for acquisition at or below intrinsic value;**
- Board control and managerial influence can be obtained;
- Within E&A's areas of expertise and experience;
- Predictable cash flows;
- Risk can be managed and minimised through appropriate financial, legal, tax and accounting structures; and
- Deliver Return on Assets employed of >20%.



Safety & Our People

People Performance



- Successful recruitment campaign increasing workforce by 30% since June 2013 to meet increased work demand.
- Entered into the WorkCover Retro Paid-Loss Scheme effective from 1 July 2013 which based on historical and year-to-date performance is expected to deliver savings.
- Applied for Workers' Compensation Self-Insurance which is expected to deliver further savings with targeted admission date of 1 July 2014.

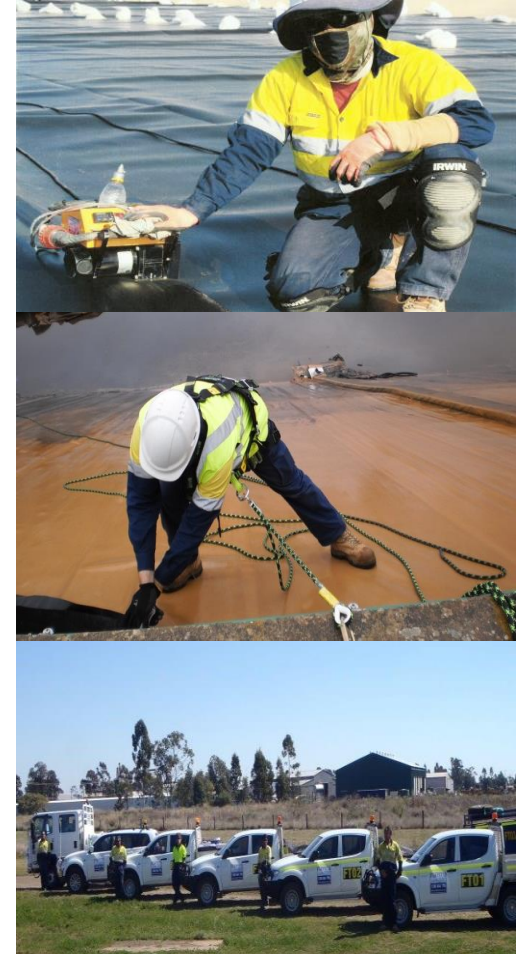


Safety & Our People

Outstanding Safety Performance

A number of E&A Limited's subsidiaries achieved significant safety milestones as at March 2014:

- **ICE:** 2,788 days LTI free, over 1,324,511 hours worked on site without a LTI.
- **Fabtech:** LTI free for 1,693 days, which is in excess of 1,288,377 hours in the workshop and on site without a LTI.
- **QMM:** 1,523 days without a LTI and has worked more than 334,723 hours in the workshop and on site without a LTI.
- **Ottoway:** 1,303 days LTI free, over 1,540,000 hours in the workshop and on site without a LTI.
- **E&A Contractors:** 1,231 days LTI free, over 937,468 hours in the workshop and on site without a LTI.
- **Heavymech:** 442 days without a LTI and has worked more than 69,333 hours in the workshop and on site without a LTI.



HY'14 Earnings Performance



HY'14 Financial Results

Profit and loss

- Met guidance for record half year result;
- Revenue continued to grow by 19.8% year-on-year in a competitive market;
- Record first half EBIT of \$7.6 million, up 7%; and
- Record first half NPAT of \$4.4 million, up 7.3%.

Cash flow

- Cashflow reflects growth in the business and increased working capital requirements;
- Contract invoicing arrangements prevalent in the CSG sector where fabricated product is only being paid for 30 days after delivery to site; and
- 2014 second half cash flow anticipated to improve as work in progress is delivered.

Balance sheet

- Strengthened balance sheet, with improvement in gearing driven in part by earnings and capital raising;
- Net Debt increased due to \$6.6 million incurred on Capital Expenditure; and
- Strong debt serviceability maintained.

Segment Contributions (in \$ millions)	HY'14	HY'13		Change
Revenue	116.3	97.1	●	19.8%
EBIT	7.6	7.1	●	7.0%
EBIT margin (%)	6.5%	7.3%	●	(11.0%)
Net profit after tax	4.4	4.1	●	7.3%
Earnings per share (cps)	3.75	3.93	●	(4.6%)
Operating cash flow	1.8	4.7	●	(61.7%)
Net Debt	37.1	35.2	●	(5.4%)
Gearing	52.8%	57.0%	●	(7.4%)
Interest cover (times)	5.0	5.0		-



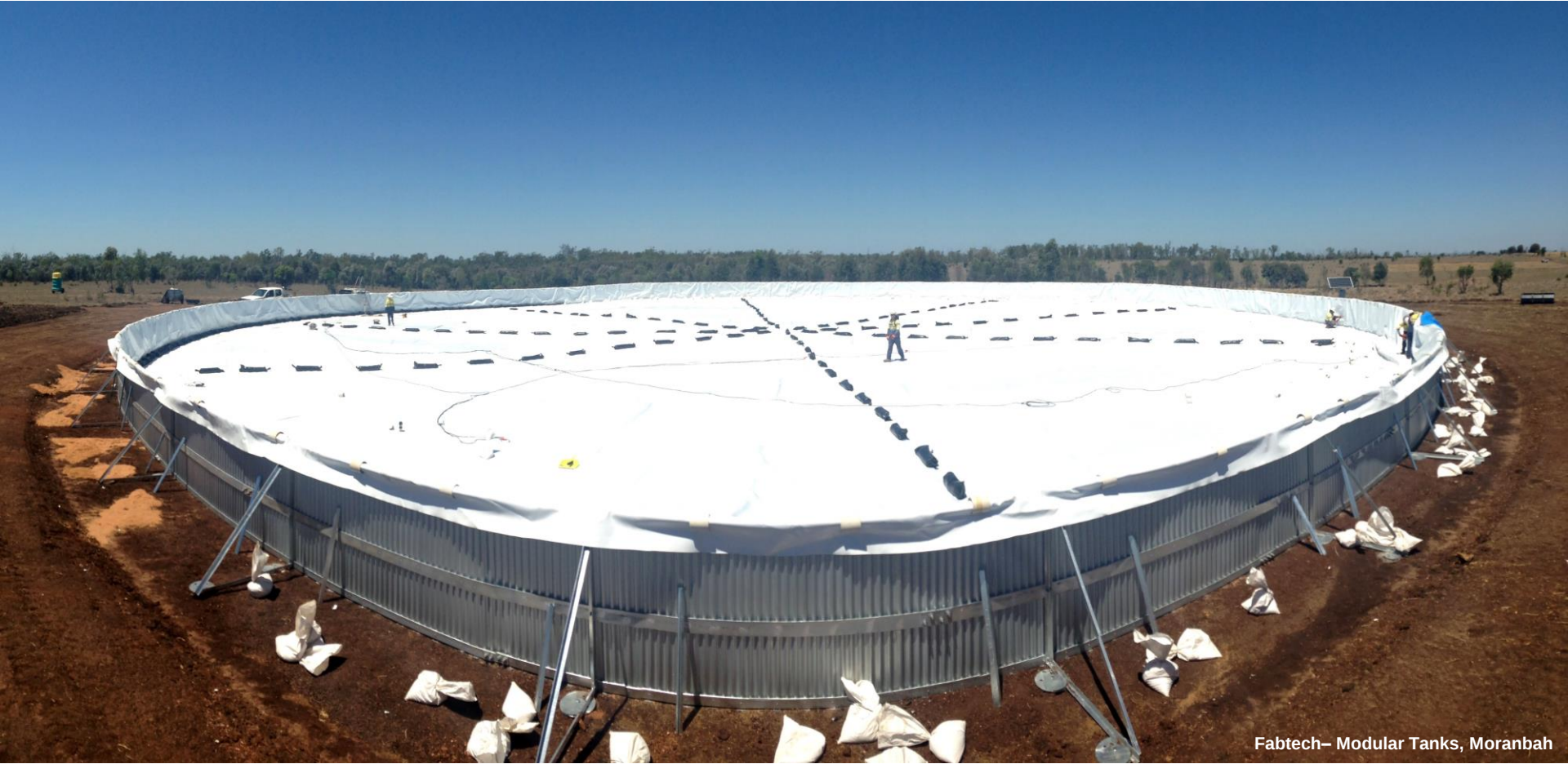
HY'14 Segment Earnings

2014 First Half Segment Contributions (in \$millions)	Revenue			EBIT		
	HY14	HY13		HY14	HY13	
Heavy Mechanical & Electrical Engineering	75.4	66.3	●	1.7	4.6	●
Water & Fluid Solutions	37.3	23.9	●	5.0	1.9	●
Maintenance Engineering & Plant Construction	9.6	8.7	●	0.3	0.4	●
Investment & Corporate Advisory	2.7	4.0	●	0.5	0.2	●
Total (before intercompany eliminations)	125.0	102.8	●	7.6	7.1	●

- Heavy Mechanical & Electrical Engineering: weathered short-term costs of upskilling of capabilities with inaugural wind tower contract and ICE's transition to the Oil & Gas sector.
- Water & Fluid Solutions: strong growth from CSG demand.
- Maintenance Engineering & Plant Construction: reflects market conditions and performance.
- Investment & Corporate Advisory: Increased demand and activity for Equity & Advisory services.



2014 Second Half Outlook



Fabtech– Modular Tanks, Moranbah



EAL Exposure to Gas & CSG

Pipework & electrical



- Outlook for FY'14 Oil & Gas revenue: \$70M
- Qld CSG / Cooper Basin
- Services:
 - Pipe design and spooling
 - Electrical and instrument installation

Water management



- Outlook for FY'14 Oil & Gas revenue: \$40M
- Qld CSG
- Services:
 - Design, manufacture and install of geo-membrane liners
 - Stainless steel Drainage and pressure pipe systems

Specialist engineering



- Outlook for FY'14 Oil & Gas revenue: \$6M
- Cooper Basin
- Services:
 - Breakdown and repair services, including maintenance of drill rig equipment
 - Milling, boring, grinding, turning

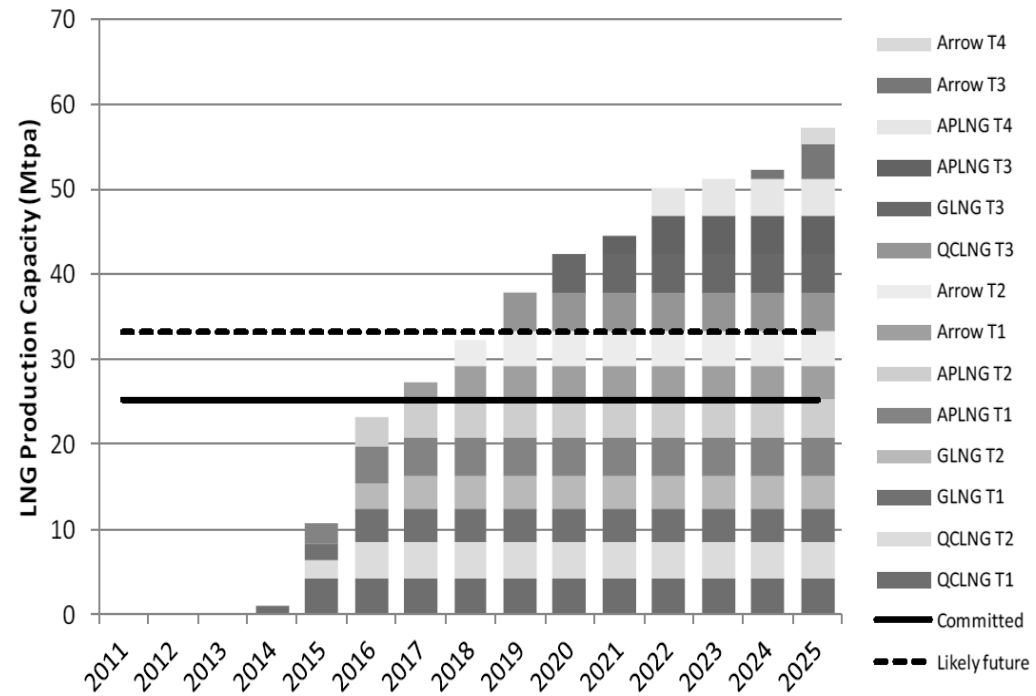


Oil & Gas/CSG/LNG markets

Oil & gas, CSG/LNG markets will supply greater than 50% of EAL's FY14 revenues.

- Four of EAL's companies supply into these markets
- Most of EAL's opportunity in this market is in the Queensland CSG/LNG projects and Cooper Basin
- Queensland CSG/LNG has 3 major projects underway and due for completion 2015-2017 – total capex up to \$90BN
- In CSG/LNG, EAL supply into most construction stages of the projects (gas gathering, water management, pipelines, plant construction)
- Exposure to facility upgrades to increase supply such as CIEP (Santos)

Queensland CSG LNG Capacity Expansion.



Source:-ACIL Tasman Gas Demand Study March 2013



Windtower Fabrication

Completed inaugural 20 tower contract for Siemens. All units delivered to customer specification and quality.

- Secured accreditation from Senvion (formerly RePower) and completed footplate contracts for Senvion;
- Tendering for substantial projects that are RET-independent;
 - Capital (45 towers), Crookwell 2 & 3 (72 towers) & Collector (56 towers);
- Tendering Senvion Ceres project (RET relevant), South Australia;
- Shortlisted for small run contracts in current year;
- Continuing to perform general fabrication work for mining and oil and gas industry; and
- RET review anticipated by September, expect commitment to a RET

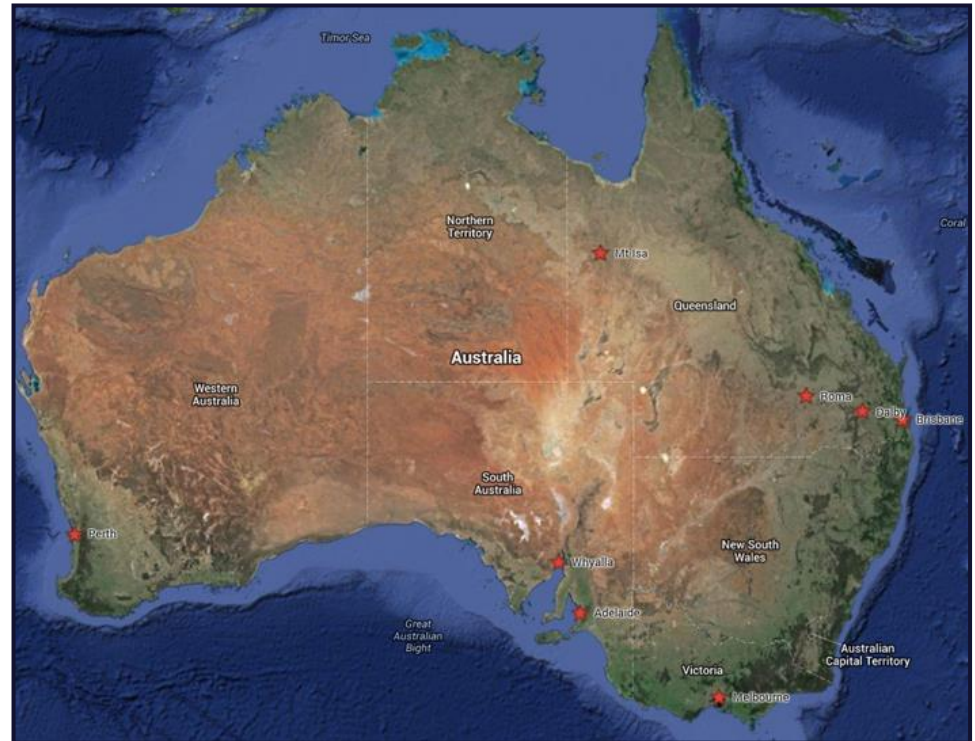


Operations and Maintenance opportunities

Operations and Maintenance (O&M) is the next LNG/CSG opportunity

- Industry Capability Networks estimate the O&M for the seven LNG plants under construction in Australia at \$4.1 billion p.a. from 2017
- Qld LNG plants represent about half of this
- Our businesses are well positioned to capture some of these long term recurring revenue opportunities.
- Dalby (Qld) Fabrication facilities and other regional offices provide a good footprint

EAL facility locations



2014 Second Half Outlook

- EAL subsidiaries commenced the second half with order books ahead of prior comparative period and support expectation of a record second half revenue. During January, February and March 2014, we have added a further 100 employees.
- FY14 second half revenue & earnings expected to be better than FY13 second half and comparable with the first half.
- Significant margin pressure as the process of disintermediation and cost reduction for all mining construction projects accelerates.
- Tendering activity in the Oil & Gas sector remains high and EAL subsidiaries expect to continue to win work in the coming six months.
- EAL Senior Management remain focussed on managing execution risk and improving productivity for the benefit of both our clients and EAL subsidiaries.
- Cost pressure on large capital projects with disintermediation at work. EAL subsidiaries looking to leverage off grass roots supplier status in disintermediated supply chain.
- Assessing opportunities for acquisitive growth in related sectors, customers and regions.
- EAL expects FY14 full year NPAT to exceed its record FY13 NPAT.



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