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ASX Release

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EMECO REPORTS FY16 OPERATING EBITDA OF $54.2 MILLION

HIGHLIGHTS:

- **TRIFR down from 7.5 to 5.6 at 30 June 2016**
- **FY16 Operating EBITDA of $54.2 million, up 25% from $43.4 million for FY15 and within the public guidance range of $53-$57 million**
- **Operating EBITDA margin of 26.1%, up from 17.9% for FY15**
- **Average global fleet operating utilisation for FY16 was 44% (FY15: 46%), reflecting increases in Queensland and New South Wales and falls in Canada and Western Australia**
- **Focus on driving improved margins with Project Fit cost savings totalling $26.7 million**
- **Slower and softer expected market recovery resulting in $179.6 million of impairments across the Group over FY16, despite improved operating and financial performance**
- **Year-end cash balance $24.8 million, net debt down $48.5 million over FY16**

Emeco today released its financial results for FY16 highlighting an increase in Operating EBITDA margins to 26.1%, up from 17.9% for FY15. The business reported an Operating Net Profit After Tax (**NPAT**) loss of $90.5 million for the year ended 30 June 2016.

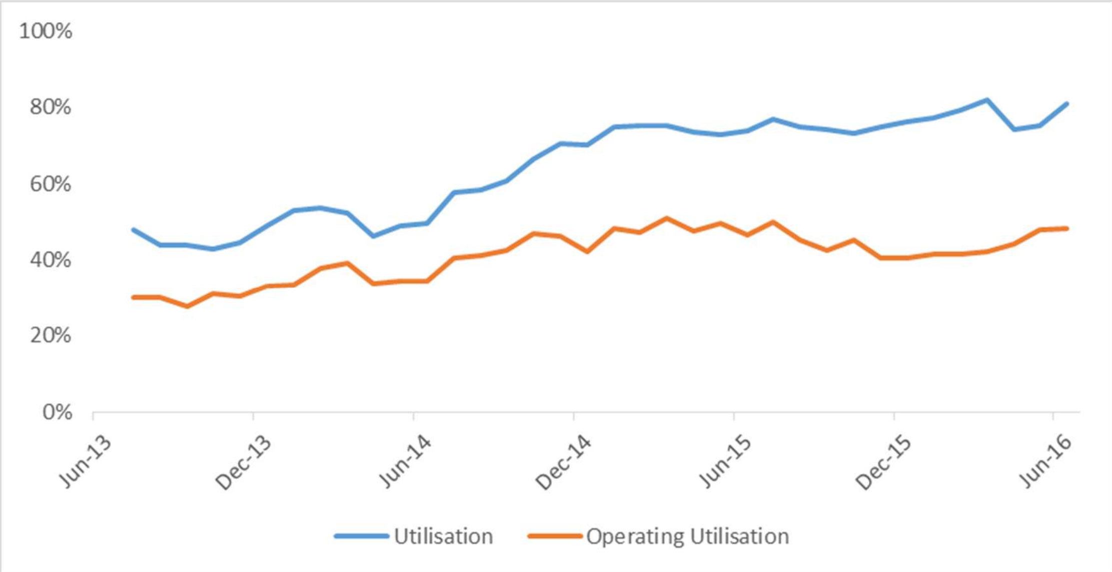
Emeco Managing Director and CEO, Ian Testrow said "The challenging market conditions our business experienced over FY15 continued into FY16. There was no recovery in rental rates as miners remain focused on minimising their operating cost base, however, we improved our operating margins through a strong focus on reducing and eliminating costs".

"We implemented Project Fit phase 2 during FY16 which is expected to achieve incremental cost reductions of $13.1 million. Combined with phase 1 this brings total Project Fit savings to a run rate of $26.7 million per annum. Emeco's focus now moves to "Operational Excellence" with the objective of further reducing our direct costs, particularly in repairs and maintenance."

Emeco Chairman, Peter Richards said, "The business has worked hard over the past 12 months to improve margins and generate cash flows. I would like to thank management and the team for their hard work. The combination of strategic achievements, tight capital management and strict cost controls resulted in containing cash outflow to just $3.0 million for the year. This is a great outcome given the operating challenges faced over the year".

OPERATING AND FINANCIAL RESULTS

Group Utilisation and Operating Utilisation



1 Utilisation defined as % of fleet rented to customers (measured by written down value)

2 Operating utilisation defined as ratio of operating hours recognised over a month, compared to a target average number of 400 operating hours over a month

Operating financial results

	FY16	FY15
Revenue[1]	**208.0**	**242.8**
EBITDA[1]	**54.2**	**43.4**
NPAT[1]	**(90.5)**	**(94.9)**
Statutory NPAT[2]	**(225.4)**	**(123.1)**
Free cash flow[3]	**43.1**	**18.8**
Net cash flow	**(3.0)**	**(14.0)**

1 Operating and statutory results exclude discontinued operations, except cash flow. Operating results are non-IFRS.

2 Statutory NPAT includes one-off costs (pre-tax) comprising tangible asset impairments, debt establishment cost write-offs, corporate development costs, non-cash long term incentive plan expenses and redundancy costs.

3 Free cash flow comprises operating cash flow, gross capital expenditure, proceeds from asset disposals and working capital management.

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OPERATING AND FINANCIAL REVIEW

Average Group operating utilisation for FY16 of 44% was slightly lower than the FY15 average of 46%. This decrease was a result of a significant drop in Canada utilisation, offset by improvements in Australia. Excluding Canada, operating utilisation averaged 50% for FY16, up from 47% in FY15.

Rental revenue was down 14% to $177.7 million (2015: $206.7 million) with significantly lower revenues from Canada. Operating EBITDA of $54.2 million was up $10.8 million from $43.4 million in FY15, up 25% year on year.

Continuing weakness in the markets in which Emeco operates resulted in the business recognising tangible asset impairments totalling $179.6 million over the year. This is reflective of current operating conditions and the expectation that the market is unlikely to recover in the near future, despite our improved operating and financial performance. The implementation of Project Fit phase 2 during Q3 FY16 drove incremental cost reductions of $13.1 million. Combined with phase 1 this brings total Project Fit annualised savings to $26.7 million.

REGIONAL REVIEW

The mining sector downturn continued to impact the Australian business, but Emeco has been able to gain market share in both New South Wales and Queensland. This has increased operating utilisation to 50% in FY16, up from 47% in FY15.

The **New South Wales** business built on its strong customer base, increasing FY16 operating utilisation to 59% compared with 56% over FY15. **Queensland** continued its strong recovery from a low during 2014 with a number of projects commencing late in FY15 driving improved operating utilisation during FY16 to an average of 53% (FY15: 35%). **Western Australia** is currently operating at 36% operating utilisation compared to 43% in FY15 as it continues to recover from the completion of major projects at the commencement of FY15. Emeco has partnered with Evolution Mining to implement our EOS technology at its Whitefoil site. Emeco is confident that the Western Australian business can generate further projects by implementing our fully maintained EOS enhanced rental model, which is particularly well suited to the gold sector.

In **Canada**, following the significant fall in operating utilisation over Q1 to Q3 in FY16, management restructured the Canadian operations driving out a substantial portion of overheads. Over Q3 FY16 Emeco formed a partnership with Heavy Metals Equipment Rentals to combine fleet resources whilst reducing overheads.

In **Chile**, AMSA has temporarily suspended the development of the Encuentro mine and relocated our fleet to the existing Esperanza operations. The shift of Emeco's fleet from Encuentro to Esperanza and slow ramp up at Esperanza has hampered the Chilean performance and operating utilisation in the last few months of FY16. However, Chilean operating utilisation remained stable year on year at 51%. The fleet will relocate back to Encuentro during Q3 FY17.

BALANCE SHEET AND CASH FLOW

Net debt decreased by $48.5 million to $365.4 million over FY16 as a result of the Company purchasing US$52.3 million of bonds on market in December 2015. This transaction was funded by the partial closure of the Company's cross currency interest rate swaps, which released US$34.2 million of value held in the mark to market position hedging this facility. Following the partial closure of the Company's cross currency swaps the remaining derivatives cover US$71.5 million of exposure to the bonds and had a mark to market value of A$22.1 million as at 30 June 2016.

The bond purchase was offset by depreciation in the AUD increasing the underlying value of the bonds. Across the year the AUD depreciated against the USD from $0.77 as at 30 June 2015 to $0.74 at 30 June 2016.

Emeco's debt structure currently consists of net US$283 million of 144A bonds due March 2019 and the asset backed loan (**ABL**) which matures in December 2017. At 30 June 2016 the ABL was undrawn with the exception of A$11.5 million of bank guarantees utilised against the facility.

Emeco's cash balance fell marginally to $24.8 million at 30 June 2016, down from $27.8 million the prior reporting period. Combined with the reduced value in the remaining swaps and 50% facility limit on the ABL (above which springing covenants apply), available liquidity has reduced to approximately $70 million, down from $92.3 million as at 30 June 2015.

STRATEGY & OUTLOOK

"The benefits of our cost reductions over FY16 will result in a more profitable business from the outset of FY17. During the year ahead our strategy is focused on continuing to increase operating utilisation, further reducing costs through operational excellence and creating additional project sites through the value of EOS technology" said Mr Testrow.

"We remain conservative in our approach to capital management and continue to assess opportunities to deleverage the business. We continue to expect consolidation and rationalisation in the sector if there is no recovery over the near term. Our improved operating performance positions us well to evaluate opportunities to participate in this consolidation."

– END –

About Emeco **emecogroup.com**

Established in 1972, Emeco is the world's largest, independent mining equipment rental business and currently services major resource projects across Australia, Canada and Chile. Emeco pursues a best in class asset management strategy and operates a global fleet of equipment from a range of original equipment manufacturers to deliver the most effective equipment rental and maintenance solutions for its customers. Emeco is a publicly listed company on the Australian Securities Exchange (ASX:EHL).