

13 March 2017

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

## **Managing Director's address to shareholders at the 2017 extraordinary general meeting**

Good morning ladies and gentlemen,

Although the purpose of today's meeting is to consider the resolutions required to give effect to our recapitalisation and mergers with Andy's and Orionstone, I would also like to take this opportunity to update you on the progress we are making towards our strategic and financial objectives more broadly.

A few weeks ago, I was very pleased to report our results for the first half of FY17.

On the very important objective of ensuring the safety of our people, we continued to target zero harm. In the first half of FY17, there was a 33% reduction in total recordable injuries compared to the previous half which is a very pleasing trend.

This is whilst maintaining a disciplined focus on operational excellence. We reduced operating costs in the first half by 34.4% compared to the first half of FY16. These cost savings were the key drivers in the increase in Operating EBITDA margins to 38.3%, up from 21.3% in the first half of FY16. It also enabled us to achieve our first positive EBIT result since the second half of FY13.

Whilst the improved financial results in FY17 were a function of management discipline, we are seeing improvements in the market and an increase in both operating utilisation and revenue. In the month of February operating utilisation in Australia was 58%, up from first half FY17 average of 53%.

Emeco continues to enter into innovative partnership arrangements in order to enhance our operational excellence, combine fleet resources and improve our efficiency. In particular, we have seen significant benefits from our partnership with RML in Chile and with HMER in Canada.

Together with our business partners, The Red Button Group, we also continue to work with our customers to widen our value proposition and deliver innovative equipment solutions. We have been using our EOS technology to help facilitate customer productivity and cost efficiencies over the long term. We have also been using EOS to manage our capital requirements by driving efficiencies in component lives.

We also continue to thoughtfully manage our liquidity position. We generated positive cash flow of \$9 million in the first half and have also completed a number of asset swaps which have allowed Emeco to acquire assets in geographies where we see demand. These swaps have taken place with no cash outlay, allowing us to save on disposal and mobilisation costs.

Having spoken to many members of our hard-working team following the result, I am confident that we can continue to work towards further achieving our goals.

Turning to the recapitalisation and merger transaction, the resolutions to be voted on today are to approve this transaction. The transaction will go to great lengths in achieving a long term sustainable capital structure and improving Emeco's position in a highly competitive marketplace.

The transaction will:

- extend the debt maturity profile of our revolver and notes to FY20 and FY22, respectively;
- significantly lower the Company's leverage from 7.2 times EBITDA to 4.4 times; and
- improve our interest coverage ratio from 1.3 times to 2.5 times.

This will give Emeco the financial platform to grow the business and continue to provide our customers the best possible level of service.

The recapitalisation and mergers also substantially increases the size and quality of our fleet, allowing the Company to continue to provide our customers with innovative equipment solutions.

Our integration planning with respect to the mergers with Orionstone and Andy's are well advanced. We are well prepared to benefit from the combined strengths of these businesses upon completion.

Together with my fellow Emeco Directors, we recommend that you vote in favour of all resolutions put to you today. I urge you to vote for this transaction so that we may give Emeco the best possible opportunity to once again generate strong shareholder returns.

Finally, I would like to thank our shareholders, debtholders, customers, suppliers and advisers for the support you have provided to the Company. I would also like to thank all of our employees for their ongoing efforts and dedication, particularly in recent times where a lot of work has gone into progressing the transaction. If the transaction is approved by shareholders and completes, it will be a very exciting time for Emeco as it becomes stronger and more diverse with greater resilience through the cycle.

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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).