

23 November 2017

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

Managing Director's Annual Address to Shareholders

Good morning ladies and gentlemen,

The 2017 financial year was a transformational year for Emeco and I believe we have gone a long way to help put the business on a sustainable platform to achieve future success.

Our key objectives for 2017 were:

1. Maintaining our commitment to the safety of our people;
2. Recapitalising our balance sheet to ensure our business is sustainable;
3. Reinvesting in our fleet and growing our presence and scale in the market;
4. Simplify the business through the divestment of our international businesses; and
5. Continuing to develop our relationships with customers and expand our value proposition.

I'm proud to update you on the significant progress we have made over the previous 12 months towards each of these objectives.

On the very important objective of ensuring the safety of our people, we continue to adopt high standard safety practices. Overall, our lost time injury frequency rate reduced from 1.1 to zero over FY17, while our total recordable injury frequency rate decreased 61% to 2.2. These are very pleasing trends and we continue to target zero on both of these measures.

The recapitalisation and mergers with Andy's and Orionstone completed during the year provide Emeco the financial platform to grow the business and continue to provide our customers the best possible level of service. The transaction reduced our leverage from 6.7 times in FY16 to 3.9 times based on our fourth quarter EBITDA run rate. The merger also substantially increased the size and quality of our fleet which generates significant capital expenditure savings and allows us to participate in the market uptick. We have also continued to invest in our EOS technology to allow us to broaden our customer value proposition, reduce asset maintenance costs, while extending the lives of components.

This year, Emeco also exited the Chile and Canada markets through strategic asset swaps and rent to purchase arrangements which also resulted in us acquiring an additional 108 machines in Australia. Emeco is now focused on our core equipment rental business in Australia.

We also announced the acquisition of Force Equipment last month, funded by a fully underwritten entitlement offer, which has received significant shareholder support. Force has a high quality fleet, profitable rental projects and long-term customer relationships, particularly in Western Australia resulting in Emeco doubling the size of its Western region business. Force also has four strategically located maintenance workshops which will provide us with the capability to complete major component rebuilds. The additional fleet and in-house capability will help Emeco mitigate the risks associated with a tightening market for assets and components.

In closing, over the past year we have made transformational progress in strengthening our balance sheet, improving our financial and operational performance and expanding our scale and increasing market share.

We have exited underperforming regions and are focused on Australia.

The first quarter of FY18 saw Emeco's revenue and EBITDA approximately double to \$89 million and \$31 million respectively, compared to the prior corresponding period. Average gross utilisation remained high at 87%, with average operating utilisation improving to 58%.

Emeco's objective over the 2018 financial year is to continue to capture market share in Australia by being the lowest cost, highest quality equipment rental provider, providing additional value to our customers and building on our partnership arrangements with industry peers, customers and suppliers. We believe this will translate into increased utilisation and rates and reduced costs, allowing Emeco to maximise earnings and margins and further deleverage its balance sheet.

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 my fellow directors, past and current, and all of our employees for their ongoing efforts and dedication, particularly in the past year where a lot of work has gone into achieving the merger and recapitalisation transaction and the Force Equipment acquisition. I am extremely proud of our management team – we are very fortunate to have a talented and dedicated leadership team that has worked tirelessly to make the past year transformational.

The future is very exciting for Emeco as we continue to become stronger and more diverse with greater resilience through the cycle.

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Investor enquiries

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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. Emeco operates a global fleet of OEM machines 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)