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

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Pit N Portal Acquisition, equity raising and 1H20 update

- Emeco to acquire 100% of Pit N Portal for \$72 million consisting of \$62 million in cash and \$10 million in Emeco shares to the vendors
- Pit N Portal is a hard-rock underground mining equipment and services business
- Acquisition consideration represents 3.6x FY19 pro forma Operating EBITDA of \$20 million
- EPS accretive on an FY19 pro forma basis post transaction
- Equity funded by a fully underwritten pro-rata accelerated non-renounceable entitlement offer to raise approximately \$65 million
- Major shareholder Black Diamond is supportive of the transaction and has indicated commitment to taking up its full entitlement under the Entitlement Offer Offer and to sub-underwrite the first \$2.4m of any retail shortfall¹
- Post transaction, Emeco's FY19 pro forma net debt / Operating EBITDA will reduce from 2.0x to 1.8x²
- Emeco remains on track to achieve its guided leverage of 1.5x in FY20 and target of ~1.0x by FY21
- Positions Emeco strongly for a future refinancing of its debt on improved terms given deleveraging, improved earnings and greater diversification benefits
- Emeco unaudited 1H20 Operating EBITDA of \$119 million, within guidance range
- Continued strong performance with 16% Operating EBITDA growth on 1H19 and further growth expected in 2H20
- Operating EBITDA margins increased to 48% (1H19: 46%)
- Commodity diversification strategy taking effect with increase in iron ore revenue and dilution of thermal coal exposure

Emeco announces that it has entered into a binding agreement to acquire Pit N Portal Mining Services Pty Ltd and Pit N Portal Equipment Hire Pty Ltd (together '**Pit N Portal**') for an enterprise value of \$72.0 million, pre-adjustments for surplus working capital and other customary purchase price adjustments ('**Acquisition**'). The consideration for the acquisition consists of \$62 million in cash and \$10 million in Emeco shares to the vendors (issued at the Entitlement Offer price).

¹ Black Diamond has also entered into an arm's length sub-underwriting commitment with the Underwriters pursuant to which it has agreed to subscribe for the first \$2.4 million of any shortfall under the retail offer. Black Diamond will receive a fee from the Underwriters based on that sub-underwriting commitment consistent with the fee arrangements entered into by the Underwriters with other third party underwriters. The participation of Black Diamond as sub-underwriter is not expected to have any control implications for the Company.

² Leverage based on pro forma FY19 Net Debt / Operating EBITDA

The Acquisition represents an acquisition multiple of 3.6x FY19 Operating EBITDA, and is EPS accretive on an FY19 pro forma basis post transaction³.

Emeco Managing Director and CEO, Mr Ian Testrow, said: “We are very excited to be announcing the acquisition of Pit N Portal. The Pit N Portal team have built a great business focused on creating value for their customers and I believe they will be a great addition to the Emeco Group.

“Pit N Portal allows Emeco to leverage its current core capabilities and expand into a new market. The underground mining sector is undoubtedly growing and this represents an attractive adjacency for Emeco, providing Emeco with a solid platform for growth. Pit N Portal also provides us with significant commodity diversification by immediately more than doubling our gold exposure with strong opportunities for further growth in hard rock projects.”

Steve Versteegen, Co-Founder and CEO of Pit N Portal said: “I am really looking forward to us joining the Emeco team given our close alignment in culture, focus on customers and asset management philosophies. I truly believe the combination of the two companies will help accelerate the growth of Pit N Portal and am excited by the opportunity to extend the application of what we do to the broader Emeco business. Taking on Emeco shares as partial consideration for the transaction is a testament to my commitment and faith in the success of the business and Emeco Group.”

ABOUT PIT N PORTAL

Established in 2002, Pit N Portal specialises in the provision of hard-rock underground mining equipment and services to the Australian underground mining sector. Core operations include equipment rental as well as mining services and maintenance solutions for underground mines across Australia.

Pit N Portal operates the largest underground equipment rental fleet in Australia. It has a high-quality asset base with over 100 pieces of specialised underground mining equipment, over 500 pieces of infrastructure equipment and employs more than 300 people across strategic locations in Perth and Kalgoorlie and customer sites across Australia.

Pit N Portal has FY19 revenue of approximately \$101 million and EBITDA of \$20 million achieving solid growth on FY18, and further growth expected in FY20. Continued growth in Pit N Portal is expected post-completion driven by new project and scope expansion opportunities, with major projects’ earnings realised in FY21.

Pit N Portal’s key services add to the core of Emeco’s existing business including equipment hire and maintenance solutions. Pit N Portal also adds a vast array of additional value-added services to its customers, providing a complete mining services offering.

ACQUISITION SUPPORTED BY A COMPELLING STRATEGIC RATIONALE

Pit N Portal is a highly strategic acquisition which will broaden Emeco’s customer value proposition and increase resilience through the cycle. Strategic benefits include:

- **Platform for growth in underground mining.** Provides a strong platform for Emeco to grow as a provider of underground mining services with a solid tender pipeline, particularly in Western Australian based gold, nickel and base metals projects. There are also potential operational advantages through Pit N Portal’s strategically located workshops in Perth and Kalgoorlie.
- **Commodity diversification into gold.** Significantly diversifies Emeco’s commodity exposure with gold more than doubling immediately to from 12% to 27%⁴ of Emeco’s revenue and becoming the #2 exposure.
- **Leverage core capabilities.** Entry into the fast-growing underground mining services market, which is highly complementary to Emeco’s existing surface mining exposures, leveraging Emeco’s existing core

³ EPS accretion reflects the impact of the transaction as though it had occurred on 1 July 2019 and excludes the impact of integration, implementation and transaction costs. In accordance with AASB 133, for the purposes of the calculation, Emeco’s standalone earnings per share has been adjusted to account for the bonus element of the Entitlement Offer.

⁴ Based on Emeco’s annualised 1H20 unaudited revenue and Pit N Portal’s revenue from its audited FY19 report.

capabilities of equipment rental, maintenance and rebuild services while also expanding Emeco's range of services.

- **Widens value proposition.** Provides Emeco entry into underground mining with longer tenure contracts. Pit N Portal is focused on innovation and technology, with tele-remote and autonomous equipment and delivers a wide range of specialised services.
- **Vendor alignment.** Pit N Portal has a strong alignment with the Emeco culture and Pit N Portal Founder and CEO., Steve Versteegen, will remain with the business to drive growth in the combined group. The vendors have agreed to take \$10 million in Emeco shares as partial consideration which are escrowed for 12 months.

ACQUISITION FUNDING

The Acquisition is for \$72 million on a cash free, debt free basis (pre-adjustments for surplus working capital and other customary purchase price adjustments) and will be primarily funded through a fully underwritten pro-rata accelerated non-renounceable entitlement offer to raise approximately \$65 million (**Entitlement Offer**).

Under the Entitlement Offer, eligible shareholders are invited to subscribe for one new Emeco share (**New Shares**) for every 10.29 existing Emeco shares held as at 7:00pm (Sydney time) on Friday, 31 January 2020 (**Record Date**).

All shares offered under the Entitlement Offer will be issued at a price of \$2.07 per New Share, which represents an:

- 10.0% discount to the last close price of \$2.30 on Friday, 24 January 2020; and
- 9.2% discount to the TERP⁵ of \$2.28.

Approximately 31.4 million new Emeco shares will be issued under the Entitlement Offer. Each New Share issued under the Entitlement Offer will rank equally with existing Emeco shares on issue. Emeco will, upon issue of the New Shares under the Entitlement Offer, seek quotation of the New Shares on the ASX.

Eligible institutional shareholders will be invited to participate in the accelerated institutional component of the Entitlement Offer (**Institutional Entitlement Offer**), which is being conducted today, Wednesday, 29 January 2020 and tomorrow, Thursday, 30 January 2020. The retail component of the Entitlement Offer (**Retail Entitlement Offer**) will be open to eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date, from Wednesday, 5 February 2020 to Friday, 14 February 2020. An offer booklet in respect of the Retail Entitlement Offer is expected to be mailed to eligible retail shareholders on Wednesday, 5 February 2020.

The Entitlement Offer is non-renounceable and entitlements will not be tradeable or otherwise transferrable.

OFFER TIMETABLE

An indicative timetable of key dates in relation to the Entitlement Offer is set out below. All dates and times are references to Sydney, Australia

Event	Date (Sydney time)
Trading halt and announcement of Acquisition and Entitlement Offer Institutional Entitlement Offer opens	Wednesday, 29 January 2020
Institutional Entitlement Offer closes	12:00pm Thursday, 30 January 2020

⁵ The theoretical ex-rights price ("TERP") is the theoretical price at which Emeco shares should trade at immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which Emeco shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to Emeco's last closing price of \$2.30 on 24 January 2020.

Event	Date (Sydney time)
Trading halt lifted and trading resumes on an “ex-entitlement” basis	Friday, 31 January 2020
Record Date for determining Eligible Shareholders under the Entitlement Offer	8:00pm Friday, 31 January 2020
Retail Entitlement Offer opens and Retail Offer Booklet despatched	Wednesday, 5 February 2020
Settlement of New Shares issued under the Institutional Entitlement Offer	Friday, 7 February 2020
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer	Monday, 10 February 2020
Last day to extend the Retail Entitlement Offer	Tuesday, 11 February
Retail Entitlement Offer closes	5.00pm Friday, 14 February 2020
Settlement of Retail Entitlement Offer	Thursday, 20 February 2020
Allotment of New Shares issued under the Retail Entitlement Offer	Friday, 21 February 2020
Retail Offer Shares commence trading on ASX (normal basis)	Monday, 24 February
Despatch of holding statements and normal trading of New Shares issued under Retail Entitlement Offer	Tuesday, 25 February 2020

Note: The timetable above is indicative only and may be subject to change. Emeco reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Emeco reserves the right to extend the closing date of the Entitlement Offer, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares.

1H20 RESULTS UPDATE

Emeco also announces that it has achieved a 1H20 result in line with previous EBITDA guidance provided at its AGM in November, with continued strong performance and significant growth on 1H19:

- Revenue of \$246 million, up 10% on 1H19
- Operating EBITDA of \$119 million, up 16% on 1H19
- Operating EBIT of \$67 million, up 12% on 1H19

Emeco’s Operating EBITDA margins have increased to 48% (up from 46% in 1H19) driven by improving rates, utilisation and operational efficiencies.

Net capex for the first half was \$49 million and free cash flow of \$24 million, impacted by working capital movements and investment in inventory. Cash flow is expected to significantly improve in 2H20 as working capital is recovered.

Emeco has achieved further improvement in its leverage with Net debt / Operating EBITDA of 1.77x as at 31 December 2019, and is on track to achieve its FY20 target of 1.5x.

Further details of Emeco’s 1H20 result will be provided to the market at its scheduled release date of Tuesday, 18 February 2020.

FURTHER INFORMATION

Further details of the Acquisition and the Entitlement Offer are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Entitlement Offer.

A conference call will be held at 11.00am AEDT, Wednesday 29 January 2020. Dial in details below.

Toll free number:	1800 123 296
Toll and international number:	+61 2 8038 5221
Conference ID:	2891817

If you have any questions in relation to the Entitlement Offer, please contact the Emeco Entitlement Offer Information Line on 1800 689 300 (within Australia) or +61 1800 689 300 (outside of Australia) between 8:30am and 5:00pm (Sydney time) Monday to Friday. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

Azure Capital Pty Ltd and Goldman Sachs Australia Pty Ltd (**'Goldman Sachs'**) are acting as financial advisers to Emeco on the Acquisition. Goldman Sachs is acting as lead manager and underwriter of the Entitlement Offer, and Hartleys Limited is acting as co-manager of the Entitlement Offer. Hogan Lovells is acting as legal adviser to Emeco.

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Investor enquiries

Sam Byford
Investor Relations Manager
+61 8 9420 0222

Level 3, 71 Walters Drive, Osborne Park WA 6017, Australia
PO Box 1341, Osborne Park DC WA 6916, Australia
Emeco Holdings Limited ACN 112 188 815
emecogroup.com

T +61 (0) 8 9420 0222
F +61 (0) 8 9420 0205
E corporate@emecogroup.com

This announcement was authorised to be provided to the ASX by Penny Young, Company Secretary of Emeco Holdings Limited

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