

16 February 2022

ASX: EHL (EMECO OR THE COMPANY)

Solid 1H22 Performance Across All Operating Segments

Highlights

- **Solid financial performance reflecting good operating momentum across all divisions**
 - Revenue of \$373 million up, 16% on 2H21 and 25% on 1H21
 - Operating EBITDA of \$122 million within guidance range of \$120 to \$125 million, up 2% on 2H21 and 3% on 1H21
 - Operating EBIT of \$59 million, steady on 2H21 and 1H21
 - Operating NPAT of \$32 million, up 3% on 2H21 and 23% on 1H21
 - Statutory NPAT of \$30 million, up 75% on 2H21 and 900% on 1H21
 - Continued strong free cash flow of \$29 million, with a cash conversion ratio of 93%
 - Return on capital of 16%
 - Net leverage of 1.0x
- **Commodity diversification continues as new project wins and growth lifts metals contribution to 68% of Group revenue, up from 62% in FY21 and 57% in 1H21**
- **Capital management package of \$11.1 million (35% of 1H22 operating NPAT) - 1.25 cent fully franked interim dividend and an initial buyback of ~1% of issued capital under the buyback announced on 3 February 2022**
- **FY22 operating EBITDA guidance of \$250 to \$260 million**

Emeco today reported another solid financial performance reflecting good operating momentum across all divisions.

Revenue of \$373 million grew 16% on 2H21, largely attributable to contract wins by Pit N Portal. Rental revenue increased notwithstanding weather events in the Eastern Region late in the half and labour tightness in the Western Region impacting utilisation. Force Workshops activity continued to increase.

Operating EBITDA of \$122 million (guidance of \$120 to \$125 million) was delivered with growth across all divisions.

Operating EBIT of \$59 million remains steady on 2H21 and 1H21 with the increase in depreciation charge largely attributable to growth in the Pit N Portal asset base.

Statutory NPAT of \$30 million and Operating NPAT of \$32 million both increased on 2H21 and 1H21.

The Board has today announced a capital management package of \$11.1 million (35% of 1H22 Operating NPAT), including a 1.25 cent fully franked dividend and an initial buyback of ~1% of issued capital pursuant to the on-market buyback program announced on 3 February 2022.

Emeco's current lost time injury frequency rate remained at zero, extending the lost time injury free period to almost six years. The total recordable injury frequency rate has fallen to 1.8, a reduction from 2.1 as at 30 June 2021 and well below industry average.

1H22 Operating Financial Performance^{1,2}

\$m unless otherwise stated	1H21	2H21	1H22
Revenue	299	322	373
Operating EBITDA ¹	118	120	122
Operating EBITDA margin	39%	37%	33%
Operating EBIT ¹	60	59	59
Operating NPAT ^{1,2}	26	31	32
Return on capital (ROC) ³	19%	17%	16%

Notes:

1. Operating financial metrics are non-IFRS measures
2. Operating NPAT assumes 30% notional tax expense on operating NPBT
3. Trailing 12-month ROC calculated as Operating EBIT over average capital employed

Emeco's CEO and Managing Director Ian Testrow said: "The first half of FY22 has seen strong delivery against our strategy and a solid operating result of \$122 million which is within our guidance range. Revenue and activity momentum increased across all divisions. Our team have performed exceptionally well in delivering growth across the business against the backdrop of COVID and tightening labour markets whilst operating safely and delivering high service levels to our customers.

Rental Division

"Our Rental business showed solid performance with growth in the Western Region and building momentum in the Eastern Region. Margins have been well managed given the labour market tightness which has impacted our customer's ability to operate equipment at planned utilisation levels in the Western Region. The Eastern Region was impacted by adverse weather late in the half and the emergence of some COVID-related absenteeism. We continue with our disciplined program of asset replacement and remain agile to opportunities given the continued demand for high-quality, well-maintained assets. We expect good growth in revenue and earnings from increasing demand for equipment as customers gain confidence in the strength of commodity markets and their ability to utilise our equipment improves.

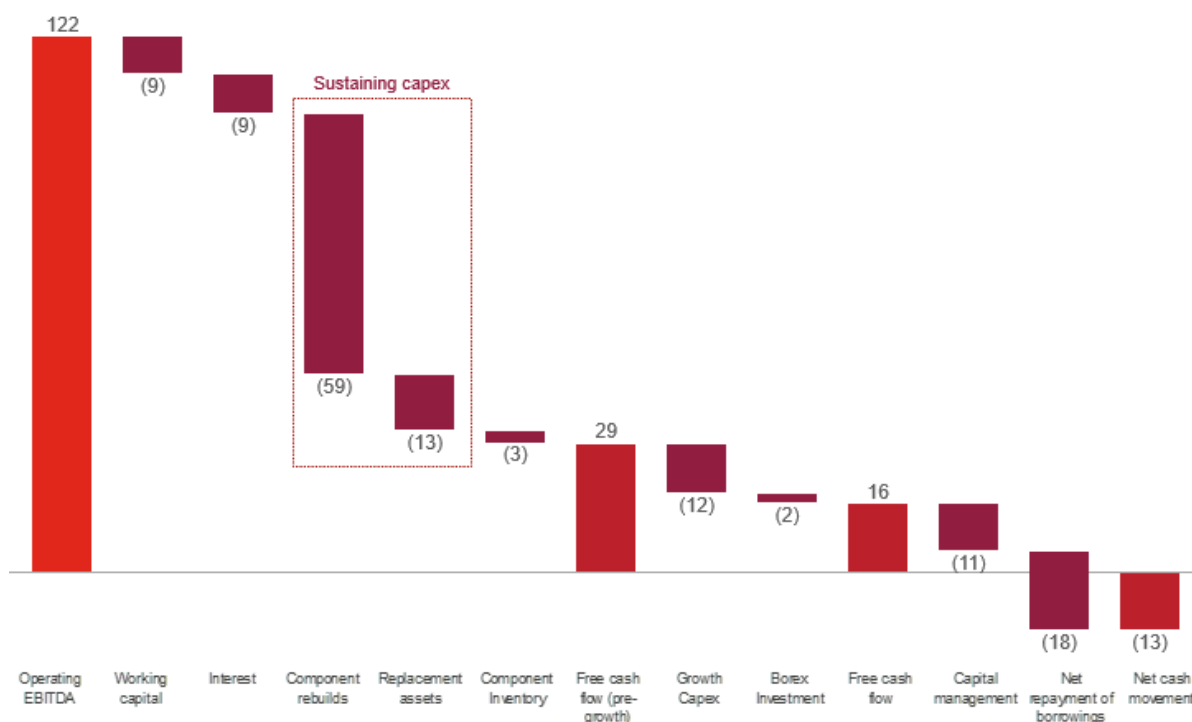
Pit N Portal

"We delivered very strong revenue growth as existing and new contracts ramped up, demonstrating our ability to win and successfully execute project start-ups in an exceptionally tight labour market. However, margins were impacted by start-up costs associated with new projects, development phase of existing projects (which are lower margin than production) and the allocation of rental equipment to support the growth of the services business. This reallocation of fleet from rental to services projects dilutes margins but substantially increases project tenure which aligns with our strategic objectives. Our focus is on executing on our existing projects. We expect margins to build as projects enter production phase, with modest margin and earnings growth in 2H22 and substantial growth expected in FY23.

Force Workshops

"Our Force Workshops continued to experience strong growth in revenue as both external customer work and internal rebuild activity increased. The Force Workshops provides Emeco a strategic advantage in both cost and quality of our equipment. This enables us to cost effectively acquire replacement and growth assets and allows us to rebuild our existing equipment while maintaining high levels of operational performance. This business is key to Emeco optimising the return on our capital investments.

Balance Sheet and Cash Flow



“Cash generation remains strong with cash conversion of 93% and \$9 million in working capital investment supporting significant growth in Pit N Portal. We have committed \$13 million to replacement capex, allocated \$12 million to support Pit N Portal growth and \$2m for the settlement of the Borex acquisition which now forms part of the Force Workshops. We currently have total liquidity of \$158 million, including cash of \$61m and an undrawn revolving credit facility of \$97m.”

Capital Management

Emeco Chairman Peter Richards commented: “The Board is very pleased with the performance and outlook of the business, together with the strength of the balance sheet, and in accordance with our policy has announced a capital management package of 35% of 1H22 Operating NPAT, which is towards the upper end of our range. In addition, the Company has flexibility to acquire additional shares on market throughout the course of the year within the parameters of our 10/12 buyback program.”

Outlook, Guidance and Strategy

Emeco has announced FY22 Operating EBITDA guidance of \$250 to \$260 million. The range reflects strong Rental growth and steady growth in Pit N Portal and Force Workshops. The Company is monitoring and managing the impact of COVID-19 on absenteeism, especially the eventual WA border opening.

Ian Testrow continued: “We see excellent momentum across Emeco and remain on strategy to deliver profitable growth. We are optimistic about the opportunities across all divisions and continue to carefully monitor and manage the labour issues that are part of the current COVID environment as well as the impacts of potential border reopening's. We are committed to improving our returns as we leverage our strong market positions.”

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