Emeco Holdings Limited
FY22 Results

17 August 2022

FY22 GROUP FINANCIAL HIGHLIGHTS

Revenue

$754m

+22% vs. FY21 $620m

Growth in all operating segments – Rental 7%, Pit N Portal 76%, Force 11%

Operating EBITDA[1]

$250m

+5% vs. FY21 $238m

Growth in all operating segments, achieved whilst managing impacts of COVID, tight labour markets, weather disruptions and inflation

Operating EBIT[1]

$121m

+1% vs. FY21 $119m

Growth reflects Operating EBITDA growth and higher depreciation (larger asset base and higher utilisation)

Operating NPAT[1]

$69m

+22% vs. FY21 $57m

Significant increase attributable to interest savings following note refinance in July 2021

Net leverage[4]

0.98x

0.93x FY21

Below long-term target of 1x leverage. Strong balance sheet allows for capital management and accretive growth initiatives

Free cash flow[2]

$67m

$87m FY21

Cash flow generation remains strong (96% cash conversation) notwithstanding working capital investment and asset replacement program

Capital Mgmt

$31.7m

$11m FY21

Interim and final fully franked dividends and on-market buy back

ROC[3]

16%

17% FY21

Returns remain comfortably above cost of capital and has stabilised following growth capital

Notes:

1. Operating financial metrics are non-IFRS measures. Refer to Appendix slide, Statutory to Operating reconciliations
2. Free cash flow before growth capex
3. Return on capital calculated as LTM Operating EBIT over average capital employed
4. Net debt / Operating EBITDA

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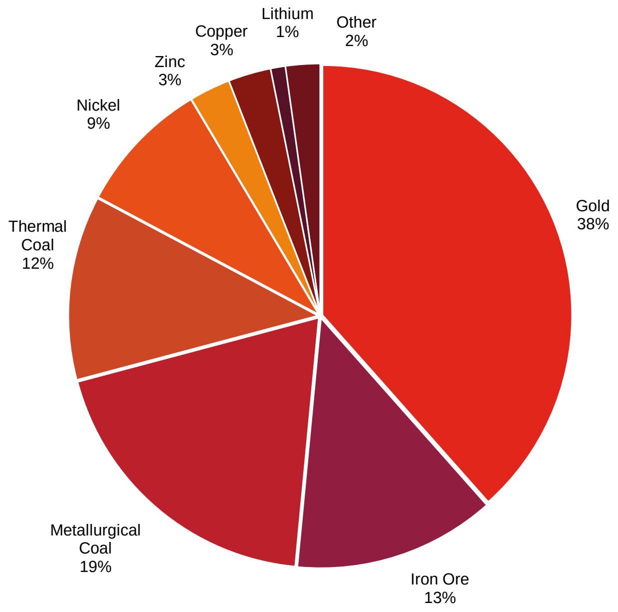
FY22 ACHIEVEMENTS

Solid Operating EBITDA of $250m, up 5% from FY21

Overview

- **Safety** improved, with TRIFR of 1.9 as at 30 June 2022, down from 2.1 a year earlier, and LTI free for 6.5 years
- **Group EBITDA** of $250 million an increase of 5% on FY21 (within guidance range) reflecting growth in all operating segments
- **Rental** returned to growth following deployment of assets across the country during the year. Operating utilisation impacted by operator shortages and multiple weather events. Margins largely maintained as costs well managed despite inflationary environment
- **Pit N Portal** base business performing solidly, however continuing issues with an underperforming project has further delayed planned earnings and margin improvements anticipated in 2H22. This contract is currently being renegotiated and the project will move into production phase in 1H23
- **Force** continues good growth as it delivers excellent service to retail customers and underpins Emeco's midlife asset model
- **Strong cash generation** supported sustaining and replacement capex program, growth investment and capital management initiatives
- **Return on capital** remains comfortably above cost of capital
- **Capital management** package of $31.7 million. 2H22 capital management package of $13.3 million (35% of 2H22 Operating NPAT), including a 1.25 cent fully franked final dividend and commitment to an on-market buy back of $6.7 million. Additional $7.6 million of shares repurchased during 2H22
- **EPS** increased more than 3x on FY21 as a result of increased operating earnings, significant reduction in financing costs and a reduced share count as a result of share buy back

Revenue by Commodity



OUTLOOK

Expect growth in earnings in all operating segments in FY23 from the existing asset base

Overview

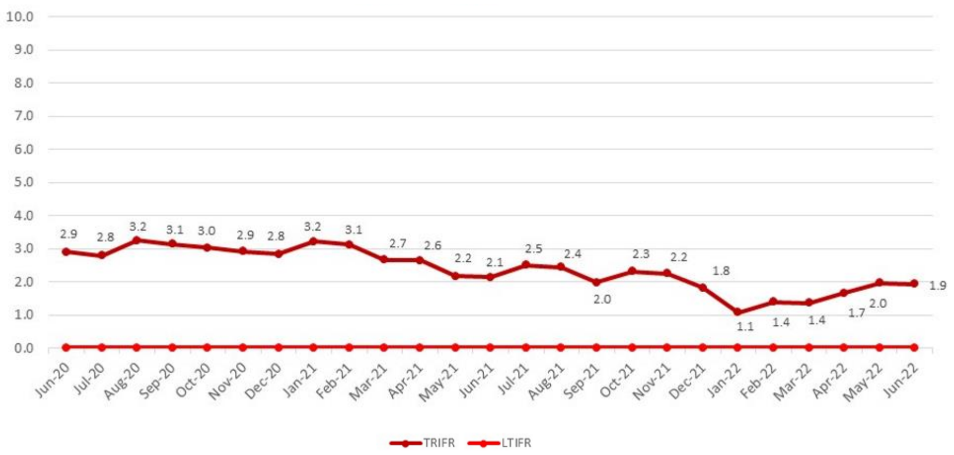
- **Expect growth** in earnings in all operating segments in FY23
- **Rental** – Operating utilisation and earnings expected to increase as operating conditions normalise, with focus on tight cost control and rate increases
- **Pit N Portal** – Continued strong performance of base projects, with upside to earnings, margins and returns once underperforming contract has been addressed in 1H23, with earnings growth and margin expansion expected to be weighted towards 2H23
- **Force** – Continued growth due to increasing components rebuilt for Emeco and retail customer activity builds
- **Sustaining capex** (including asset replacement capital) of $155-160 million, higher due to larger asset base, higher utilisation and inflationary impacts
- **Continued strong cash generation** as earnings build from the existing asset base will support ongoing capital management initiatives
- **Return on capital** expected to increase in FY23 as earnings grow off the existing asset base

Safety and Sustainability

SAFETY

TRIFR of 1.9 as at 30 June 2022, down 10% from year earlier, and LTI free for 6.5 years

Injury frequency rates



Overview

- Total recordable injury frequency rate (**TRIFR**) as at 30 June 2022 was 1.9, down from 2.1 a year ago
- Safety of people around our equipment is paramount and our goal is to continue to reduce TRIFR
- Emeco continues to be lost-time injury (**LTI**) free for 6.5 years
- Emeco has developed and commenced implementation of an updated HSET Strategic Plan that includes the following enhancements:
  - Upgrade of our training systems in line with our increased service offering
  - Update of the existing risk management framework
  - Digitise and streamline our processes and procedures
  - Training of Managers, Supervisors and Workers on the recent changes in Legislation and mapping of existing procedures and processes to ensure compliance

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PEOPLE & CULTURE

People continue to be the key to our success. We focus on delivering value to our employees, customers and communities we operate in

People

- Almost 1,400 skilled workers as at 30 June 2022, up 27% from 1,100 a year prior
- Increased female participation in our workforce by 11%
- Increased number of apprenticeships from 64 to 88
- 73 Leadership Training and Development sessions run internally
- FY22 was about embedding Project Align (Emeco's vision and values established in FY21) across the entire workforce

Community

- Established a Community Engagement Committee, chaired by John Worsfold, with a mandate to increase contributions and engagement in local communities
- Grants made to registered charities Lifeline WA, Rize Up, Mates in Mining, Strong Minds-Strong Mines and Beyond Blue
- Community Grants Committee allocated grants to 27 community groups nominated by employees, up from 6 in FY21
- Maintained partnership status with Lifeline WA
- Partnered with Kuuwa to support Indigenous businesses and communities whilst also providing solutions for our customers

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ENVIRONMENTAL, SOCIAL & GOVERNANCE

Emeco has developed its inaugural ESG Strategy

ESG Material Themes

Overview

- In FY22, Emeco developed its inaugural ESG Strategy
- As part of this, benchmarking and stakeholder engagement was undertaken to determine current state of ESG performance at Emeco and to identify common ESG themes across the sector
- A materiality assessment was then undertaken to identify eight ESG themes that are considered material to Emeco. Actions, metrics and targets associated with identified actions are being finalised for each material theme, and to be implemented from FY23
- Update on the progress of the strategic action plan will form part of our ongoing ESG reporting

Financial Results

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OPERATING PROFIT AND LOSS

Solid financial performance within guidance in a challenging operating and inflationary environment

FY22 Operating Financial Performance[1,2]

$m unless otherwise stated	FY21	1H22	2H22	FY22	Commentary
Operating revenue	620.5	372.8	381.6	754.4	22% growth supported by all divisions, particularly Pit N Portal (76% growth)
Operating EBITDA[1]	237.7	121.7	128.5	250.2	5% growth and within guidance range despite challenges to operating utilisation and costs as a result of COVID, tight labour markets, extreme weather and inflation
Operating EBITDA margin	38%	33%	33%	33%	Rental and Force margins largely held. Group margins are lower due to increased services revenue from Pit N Portal which is lower margin than our rental business and the impact of the underperforming Pit N Portal project
Operating EBIT[1]	119.1	59.0	61.7	120.7	Growth reflects earnings growth and higher depreciation (larger asset base, higher utilisation, inflationary impacts)
Operating NPAT[1,2]	56.8	31.8	37.1	68.9	22% increase reflects positive impact of lower finance costs following July 2021 note refinance
Return on capital (ROC)[3]	17%	16%	16%	16%	Returns stabilising and remain comfortably above cost of capital, with increase expected in FY23 as earnings grow from the existing asset base

Notes:

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

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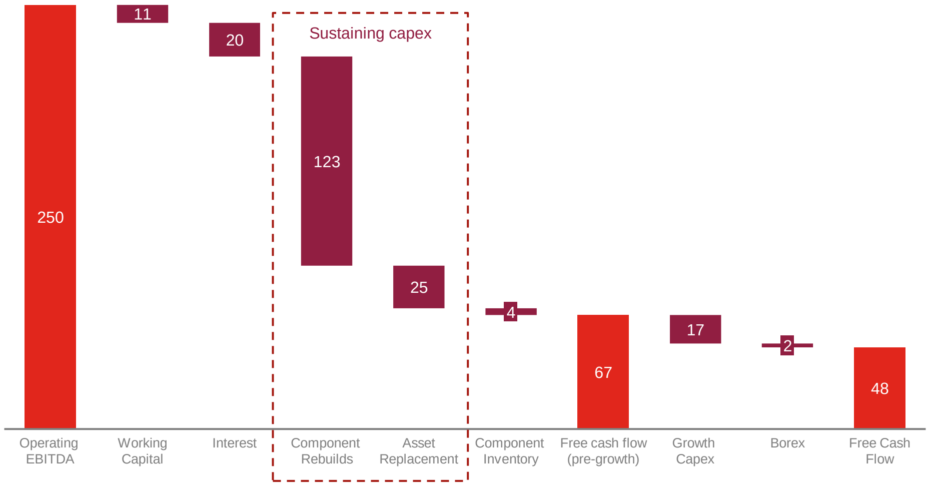
CASH FLOW

Continued strong cash flow generation, supported by cash conversion at 96%

Overview

- Continued strong cash conversion at 96%
- Working capital investment in Pit N Portal growth and increase in parts and consumables inventory to mitigate supply chain risk. $4 million investment in component inventory
- Interest expense reduced by 50% on FY21 following note refinance in July 2021
- No cash tax payable over the next several years ($303 million of taxable losses available)
- Net sustaining capex of $148 million (within guidance) includes $123 million component rebuild spend (up 6% on FY21 due to larger fleet, higher utilisation and inflation) and well executed asset replacement spend at lower end of $25-30 million range
- Growth capex of $17 million includes Pit N Portal growth assets in 1H22 and $6 million opportunistic acquisition of midlife asset cores[1] in 2H22, and Borex acquisition
- FY23 sustaining capex (including asset replacement) is expected to be between $155-160 million reflecting a larger fleet, higher utilisation and inflation impact of parts and labour on rebuild costs
- Capital management package of $31.7 million, including 2.5 cents per share fully franked dividend and $18.4 million in share buy backs in relation to FY22

FY22 Cash Flow ($m)



Notes:
1. See Investor Conference Presentation released on 15 June 2022 for further information.

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BALANCE SHEET

Balance sheet is strong with conservative leverage 0.98x and good liquidity supporting growth and capital management

Summary balance sheet

$m	30 June 2021	30 June 2022
Plant & equipment	672	718
Right of use asset	33	41
Intangibles	10	11
Deferred tax	25	(2)
Fixed asset and intangibles	740	768
Receivables	125	147
WIP, inventory & prepayments	26	49
Payables and provisions	(119)	(155)
Working capital	32	41
Cash	75	60
Interest bearing liabilities	(267)	(250)
Leases and other	(48)	(51)
Net debt	(241)	(241)
Equity	531	567

Overview

- Maintained net leverage (0.98x) below long term-target of 1.0x, whilst funding sustaining and growth investment and capital management initiatives
- Liquidity of $157 million includes $60 million cash and an undrawn $97 million revolving credit facility at 30 June 2022
- USD notes refinanced in FY22 with AMTN AUD notes with a fixed interest rate of 6.25% and now matures in FY27, ~4.0 years of remaining tenure
- Decline in cash from $75 million to $60 million predominantly reflects costs associated with the July 2021 note refinance[2]

Notes:

1. Net Debt / Operating EBITDA to 30 June 2022
2. Costs expensed in FY21

Divisional Performance

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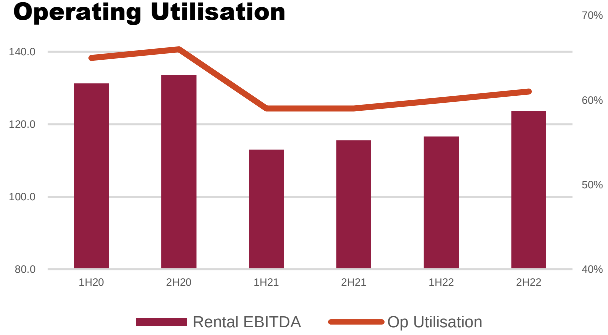
RENTAL

Return to growth as assets deployed throughout FY22, despite inflationary pressures and operating utilisation being impacted by labour shortages, COVID absenteeism and extreme weather – upside as conditions normalise

$m unless otherwise stated	FY21	1H22	2H22	FY22
Revenue	402.6	210.7	218.4	429.1
EBITDA	228.6	116.6	123.6	240.2
EBITDA margin	57%	55%	57%	56%
EBIT	126.0	64.6	66.4	131.0
EBIT margin	32%	31%	30%	31%

Rental Operating EBITDA and Operating Utilisation



Notes:

1. Gross utilisation defined as ratio of fleet rented to customers (excludes assets held for sale). Refer to Appendix slides for more details
2. Operating utilisation defined as average operating hours per asset as a percentage of 400 hours per month. Refer to Appendix slides for more details
3. Intersegment revenue of $14.0 million relates to fleet used internally (Pit N Portal projects)

Overview

- Revenue growth of 7% and EBITDA growth of 5% driven by strong rental demand in both Eastern and Western Regions
- Increase in gross utilisation to 92% (FY21: 87%) as idle fleet in Eastern Region deployed in 2H22 as planned, and assets transferred from Eastern Region to Western Region put to work throughout FY22
- Operating utilisation of 60% (FY21: 59%) was below anticipated levels due to the impact of labour shortages and COVID absenteeism on customer operator availability (predominantly Western Region), and extreme weather events during 1H and 2H disrupting customer activity in Eastern Region
- Margins well managed with tight cost controls and rate increases achieved largely offsetting inflation
- Fully maintained projects secured in Western and Eastern Region which is in line with our strategy of widening the value proposition for our customers and increasing project tenure
- New EOS projects secured, and scope expanded on existing EOS projects

Outlook

- Assets now placed into projects, providing significant upside to operating utilisation and earnings as conditions across Australia normalise and our customers work our equipment harder
- Disciplined cost management, business improvement initiatives and benefit of the vertical integration of Force in the Emeco rental business will help to mitigate against increasing operating and capital costs
- Contractual rise and fall mechanisms help to mitigate inflationary pressures
- Rates will increase as contracts are extended and equipment is placed into new projects. Demand for equipment is strong across the business
- Anticipate margins to remain broadly in line with FY22

RENTAL – EASTERN REGION

Delivered anticipated return to growth as assets deployed in 2H, despite operating utilisation below expectation largely due to extreme weather events in 1H and 2H

$m unless otherwise stated	FY21	1H22	2H22	FY22
Revenue	248.3	122.3	130.7	253.0
EBITDA	157.9	77.4	82.1	159.5
EBITDA margin	64%	63%	63%	63%

Operating and financial performance highlights

- Eastern Region turned the corner in 2H22 as revenue and earnings increased on 1H22 as idle fleet was deployed into new projects in 2H22 as planned driving improvement in gross utilisation to 92%, up from 86% in FY21
- Improving momentum reflected building customer confidence and activity levels, although extreme weather events in 1H and 2H impacted operating utilisation
- Operating utilisation of 61% (FY21: 59%) remains below historic levels and the fleet is now well positioned into projects with customers to drive utilisation as conditions normalise
- Margins well managed with tight cost controls and rate increases achieved largely offsetting inflation

Outlook

- Eastern Region fleet is well placed for revenue and earnings growth as existing customers increase activity levels and drive operating utilisation as conditions normalise
- Disciplined cost management, business improvement initiatives and benefit of the vertical integration of Force in the Emeco rental business will help to mitigate against increasing operating and capital costs
- Contractual rise and fall mechanisms help to mitigate inflationary pressures
- Rates will increase as contracts are extended and equipment is placed into new projects. Demand for equipment is strong across the business

Notes:

1. Gross utilisation defined as ratio of fleet rented to customers (excludes assets held for sale). Refer to Appendix slides for more details
2. Operating utilisation defined as average operating hours per asset as a percentage of 400 hours per month. Refer to Appendix slides for more details

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RENTAL – WESTERN REGION

Growth delivered through deployment of assets transferred from Eastern Region to meet strong demand. Operating utilisation remains constrained by customer operator shortages

$m unless otherwise stated	FY21	1H22	2H22	FY22
Revenue	154.3	88.4	87.6	176.0
EBITDA	70.7	39.2	41.5	80.7
EBITDA margin	46%	44%	47%	46%

Operating and financial performance highlights

- Western Region delivered continued strong revenue and earnings growth in FY22 reflecting contribution from assets transferred from the Eastern Region and an increase in assets working in double shift projects
- Gross utilisation increased to 91% (FY21: 89%)
- Operating utilisation of 59% (FY21: 58%) remains below potential and reflects operator availability in a tight labour market and covid disruptions
- Margins well managed with tight cost controls and rate increases achieved largely offsetting inflation

Outlook

- Existing Western Region fleet is well placed to work harder driving utilisation, revenue and earnings growth as operator shortages and covid disruptions ease and customer activity levels increase (particularly in double shift projects)
- Disciplined cost management, business improvement initiatives and benefit of the vertical integration of Force in the Emeco rental business will help to mitigate against increasing operating and capital costs
- Contractual rise and fall mechanisms help to mitigate inflationary pressures
- Rates will increase as contracts are extended and equipment is placed into new projects. Demand for equipment is strong across the business
- Western Region longer term utilisation and margins will build towards Eastern Region levels

Notes:

1. Gross utilisation defined as ratio of fleet rented to customers (excludes assets held for sale). Refer to Appendix slides for more details
2. Operating utilisation defined as average operating hours per asset as a percentage of 400 hours per month. Refer to Appendix slides for more details
3. Intersegment revenue of $14m relates to fleet used internally (Pit N Portal projects)

PIT N PORTAL

Pit N Portal base rental and services business delivering to plan, however, one major project continues to underperform diluting earnings, margins and returns. This project is currently being renegotiated

$m unless otherwise stated	FY21	1H22	2H22	FY22
Revenue	140.6	128.0	120.7	248.7
EBITDA	30.2	16.4	16.3	32.7
EBITDA margin	21%	13%	13%	13%
EBIT	17.7	8.4	8.6	17.0
EBIT margin	13%	7%	7%	7%

Operating and financial performance highlights

- Significant revenue growth of 76% demonstrates Pit N Portal's ability to win, supported by a workforce which has grown 45% throughout FY22
- Continued strong performance of the base rental and services business which is generating EBITDA margins of 18%, is in line with expectations given the portfolio mix of mining services vs rental projects
- EBITDA growth of 8%, however continuing issues with an underperforming project has further delayed planned earnings and margin improvements anticipated in 2H22. This contract is currently being renegotiated and the project will move into production phase in 1H23

Outlook

- Continued strong performance of base projects
- Upside to earnings, margins and returns once underperforming contract has been addressed in 1H23, with earnings growth and margin expansion expected to be weighted towards 2H23
- Pit N Portal has strong growth prospects in its base underground rental and services capability. Strong operating discipline and cost control as well as improvement in performance of the underperforming project underpin positive momentum of margins in FY23

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FORCE

Workshops continue to deliver good growth and underpin our midlife asset model to provide Emeco with a cost and quality strategic advantage, whilst providing retail customers excellent value

$m unless otherwise stated	FY21	1H22	2H22	FY22
External revenue	77.3	44.2	46.4	90.6
Internal revenue	77.0	41.3	41.8	83.1
Total revenue	154.3	85.5	88.2	173.7
EBITDA	8.1	4.4	4.6	9.0
EBITDA margin	10%	10%	10%	10%
EBIT	5.1	2.8	2.8	5.6
EBIT margin	7%	6%	6%	6%

Operating and financial performance highlights

- Force activity increased 12% as both retail (external) and internal rebuild activity grew during the year
- Strong retail revenue up 17% as Force continues to provide customers excellent value
- Internal work up 6% reflects strong rental demand resulting in more assets and components being rebuilt by Force
- Borex line boring business (vertical integration acquisition in 1H22) is performing in line with expectations and is providing retail earnings and internal savings

Outlook

- Retail earnings will grow throughout Australia, with Force's major customer signing up a two-year rebuild program for FY23 and FY24
- Internal activity will grow as the ratio of internal component rebuilds increases supporting Emeco's cost and quality advantage
- Margins will be closely managed with a focus on continuous improvement initiatives

Notes:
1. Operating EBITDA from retail sales, excludes internal work and all overheads are captured in external margin

Executing on our Strategy

OUR STRATEGY

Building a sustainable and resilient business generating long term value for shareholders

Strong balance sheet

- Maintain a healthy balance sheet with target net leverage of 1.0x
- Supporting resilience and the ability to withstand changes through the cycles
- Strong free cash flow generation providing capital allocation optionality to invest in the business and return capital to shareholders to maximise returns

Widening the value proposition

- Expanded service offering, providing rental, fully maintained rental, value-added mining services, EOS technology and equipment rebuild services
  - Expansive operational capabilities across the business
  - Increased tenure with customers
  - Embedded on customer sites with EOS technology, maintenance personnel, mobile workshops, operators, geologists and engineers

The lowest cost, highest quality provider

- Best-in-class operational capabilities to be the lowest cost and highest quality provider of mining equipment, supported by a skilled workforce of over 1,400 people and 9 strategically located workshops
- With the world's largest mining rental fleet, combined with Force's rebuild capability, Emeco provides cost and pricing advantages that enable us to capture market share

Balanced and diversified portfolio

- Target a balanced customer and project mix to ensure no over-reliance on any customer, customer type, project, commodity or region
- Balanced commodity portfolio and commodity agnostic fleet
- Diverse suite of services and capabilities to add value to customers

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Appendix: Additional information

FLEET UTILISATION

Operating utilisation[1]	FY21	1H22	2H22	FY22
Eastern Region	59%	59%	62%	61%
Western Region	58%	60%	59%	59%
Rental	59%	60%	61%	60%

Gross utilisation[2]	FY21	1H22	2H22	FY22
Eastern Region	86%	91%	93%	92%
Western Region	89%	90%	92%	91%
Rental	87%	90%	93%	92%

Notes:

1. Operating utilisation defined as average operating hours per asset as a percentage of 400 hours per month
2. Gross utilisation defined as ratio of fleet rented to customers (excludes assets held for sale)

RECONCILIATIONS

Statutory to operating reconciliation

$m	NPAT	EBIT	EBITDA
Statutory	**65.0**	**115.1**	**245.7**
Tangible asset impairment	1.1	1.1	-
Long term incentive expense	2.0	2.0	2.0
COVID costs	1.7	1.7	1.7
Restructuring expense	0.8	0.8	0.8
Tax expense on non-operating items	(1.7)	-	-
Operating	**68.9**	**120.7**	**250.2**

Net debt and leverage reconciliation

$m	30 June 2021	30 June 2022
US secured notes (hedged)	246.8	-
AUD secured notes	-	250.0
Revolving credit facility	-	-
Lease liabilities and other financing	48.8	55.6
Total debt	**295.6**	**305.6**
Cash	(74.7)	(60.2)
Net debt	**220.9**	**245.5**
Operating EBITDA	237.7	250.2
Leverage ratio	**0.93x**	**0.98x**

Cash flow reconciliation

$m	FY22
Operating EBITDA	**250.2**
Working capital	(11.3)
Net capex	(165.1)
Component inventory	(4.1)
Financing costs	(19.5)
Free cash flow	**50.0**
Financing activities	(23.9)
Financing cash flows	**(23.9)**
Borex acquisition cost	(2.2)
Capital management activities	(29.1)
Investing cashflows	**(31.3)**
Non-operating costs	(9.5)
Net cash movements	**(14.5)**
Opening cash	74.7
Closing cash	**60.2**

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