Emeco

ASX Release

20 November 2024

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

Managing Director & CEO's AGM Address

Thank you again for joining us here today.

My Managing Director's Address today focuses on the strong financial and operational performance Emeco delivered during the 2024 financial year, and the steps we have taken to ensure we remain well-positioned to continue delivering sustainable growth for our shareholders.

I would like to begin with safety, as it continues to be our top priority as it also underpins our financial and operational performance.

The Group reported zero Lost Time Injuries and the Total Recordable Injury Frequency Rate (TRIFR) decreased from 3.2 in FY23 to 2.8 in FY24. The reduction is an important achievement given the significant changes in our workforce during the year. This included the transfer of over 200 underground employees to Macmahon as part of the Pit N Portal sale transaction, as well as a significant change-out of subcontracted labour across the rental business.

We can never be complacent when it comes to safety, and we will continue to diligently monitor and make continued improvements as part of our broader Health, Safety, Environment and Training (HSET) Strategic Plan.

Emeco operates within a highly skilled and competitive labour market, making our ability to attract and retain talent a critical success factor for the business. We are dedicated to enhancing employee engagement and focusing on long-term retention and development strategies, which will also reduce our reliance on subcontracted labour. Recent initiatives have seen a strong conversion of subcontracted labour to full time employees, an important shift which drives a better culture and better operational and financial performance. The Company is now operating with approximately 80% of full-time employees, a significant shift over the last year from approximately 70%.

We continued to invest in our people through in-house training and development programs. This included the development of new internal equipment-specific training packages and the implementation of targeted maintenance inductions for all maintenance workers. Apprenticeship development, as well as upskilling of new and existing employees, remain an important focus for Emeco. At the end of FY24, we had approximately 90 apprentices progressing through their training.

Emeco reported solid operational and financial performance from each business segment with improved earnings in FY24. The Group delivered revenue of $822.7 million, and operating EBITDA of $280.5 million. Operating EBITDA and operating EBIT were up 12% and 20% respectively, reflecting the strength of Emeco's core Rental and Force businesses, underpinned by demand for bulk commodities. This was on the back of lower revenue which was down 6%, due to the sale of the underground contracting mining portfolio to Macmahon. This translated to a significant lift in margins as the composition of earnings continued to improve. Operating NPAT for the year was $69.4 million, up 17% on the prior year. Operating free cash flow (before growth capex) of $86.9 million was ahead of expectations for the year.

Utilisation levels in FY24 were very strong, particularly for the main part of our fleet in surface rental (which averaged 91%) and our Force workshops which delivered good external revenue growth, which was exceptional when considered against the backdrop of the major internal rebuild programme undertaken in the period. Underground utilisation levels were lower, affected by nickel mine closures in the second half (closing the year at 40%).

As mentioned in the Chair Address, we have set a target ROC of 20% over the next two years and all levers are being pursued to achieve it.

Focus areas have been maximising equipment utilisation, working with our clients and partners to implement contract repricing where we can, and carefully managing costs and overheads.

Stepping through each of these levers:

- Our investment in growth assets in FY24 (of approximately $60M) is delivering good returns with all of this fleet now fully deployed.
- I have spoken about our underground utilisation – we have a target of at least 80% with utilisation levels expected to be around 65-70%, following recent contract awards. We have further work to do in this regard, but I wanted to make it clear that this represents only about 10% of the total fleet value.
- Our procurement program is active and delivering good cost savings.
- As mentioned earlier – we have made significant in-roads to converting our subcontracted labour to full time employees which is yielding net cost savings.
- Repairs and maintenance costs are being managed through improved condition monitoring and automated financial reporting.
- Contract repricing is a key lever, which we are working through with our customers, expected to improve returns in FY26.
- We have made early progress on reducing overhead costs, to counter off-hires in the first half. This should position us well for a strong second half.

Moving to the outlook and earnings guidance.

The operating environment and business conditions remain robust with the production outlook for gold and bulk commodities remaining positive, despite weaker market conditions for nickel and lithium.

We have a strong competitive advantage in the market with our rental and equipment rebuild model, along with a national footprint in the key mining regions across Australia. We continue to leverage this to drive performance improvements and to grow our earnings.

In FY25, our first quarter of operation has seen some off-hire activity in our Queensland surface rental business, countered to a large degree by overhead cost reductions. We expect to see this equipment redeployed in the second half given its 'in demand' nature. Underground rental utilisation has improved with new project awards early in FY25, driven by base metal and gold demand.

Operating EBITDA for FY25 is expected to be at least $300 million, with a similar H1/H2 skew to FY24. We expect to see an ongoing improvement in our earnings throughout the course of the financial year, reflecting improving utilisation rates. FY25 Return on Capital is expected to improve on FY24, with an annualised run rate in the second half of circa 18% trending favourably towards our ROC target of 20%.

Our stay in business or maintenance capex guidance remains unchanged at $160 - 165 million, or $155 – 160M net of asset sales. Depreciation is expected to be slightly lower at $160 – 165M.

In closing, I would like to thank the Emeco Board for supporting me and our hard-working management team as we deliver on our business strategy. Most importantly, I would like to thank the entire Emeco team across all of our operations for their effort and unwavering dedication. Their contributions made FY24 another successful year for the Company.

Our customers are critical to our success, and I am proud of the strong partnerships we have forged with them and the suppliers who support us in delivering Australia's best mining equipment rental and maintenance services.

Finally, I would like to thank our shareholders for their continued support and investment in our company.

Emeco is well positioned, and we look forward to continuing to deliver on our strategy in FY25.

Ian Testrow
Managing Director & Chief Executive Officer

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

Company overview

Emeco Holdings Limited (ASX: EHL) is an ASX listed company providing surface and underground mining equipment, maintenance and project support solutions and services. The Company supplies safe, reliable and maintained open cut and underground equipment rental solutions, together with onsite infrastructure to its customers. Emeco also provides repair and maintenance, and component and machine rebuild services and supplies operator, technical and engineering solutions and services to the mining industry.

Forward looking statements

This ASX Release may include forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, these statements are not guarantees of future performance, and involve both known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control. As a result, actual results or developments may differ materially from those projected in forward-looking statements contained in this ASX Release. Accordingly, investors are cautioned against undue reliance on such statements. The Company makes no representation, warranty or assurance, express or implied, as to the accuracy or likelihood of the forward-looking statements or any outcomes expressed or implied in any forward-looking statements contained in this ASX Release being achieved or proved to be correct.

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