Emeco

ASX Release

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

Emeco delivers strong earnings, cash flow and balance sheet

Financial and Operational Highlights

- **Operational refocus delivered improvement in Earnings, Margins and Return on Capital**
  - **Group Revenue[1] of $785.4 million (+7% vs FY24), following strategic refocus on core rental and equipment rebuild business, and operational improvement**
  - **Operating EBITDA[1,2] of $301.1 million (+7% vs FY24)**
  - **Operating EBIT[1,2] of $145.7 million (+16% vs FY24)**
  - **Operating NPAT[1,2] of $84.5 million (+22% vs FY24)**
  - **Statutory NPAT of $75.1 million (+43% vs FY24)**
  - **Operating EBITDA margin 38% (up from 34% in FY24), Operating EBIT margin 19% (up from 15% in FY24), driven by exit from lower margin contracting earnings, rental contact renewals, and focus on cost and operational management**
  - **Safety TRIFR increased to 3.4 as at 30 June 2025 (FY24:2.8), LTIFR remained at 0**
- **Continued focus on prudent capital management supported significantly strengthened balance sheet**
  - **Operating free cash flow[3] of $114.3 million, up 32% on pcp, with cash conversion of 97%**
  - **Return on capital[4] of 17%, up from 15% in FY24, and with annualised run rate of 18% in 2H25**
  - **Net leverage[5] of 0.65x following $85.6 million of net debt reduction, a significant improvement on 1.0x at 30 June 2024 and long-term target of ~1.0x**
  - **No dividend declared in line with current capital management framework focussed on net debt reduction to optimise future balance sheet flexibility and financing costs**
- **FY26 outlook**
  - **Continuing strong levels of production activity in the mining sector support positive outlook for heavy equipment demand**
  - **Business will continue to focus on fleet deployment, capital and cost efficiencies and contract repricing, to drive returns**
  - **Grow fully maintained projects and build market share from project pipeline**
  - **Moderate earnings growth, significant free cash flow and substantial further deleveraging**

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[1] Excludes discontinued underground contract mining services in FY24

[2] Operating financial metrics are non-IFRS measures. Refer to FY25 Results Investor Presentation, slides 29 and 30

[3] Pre growth capex

[4] ROC calculated as LTM Operating EBIT over average capital employed

[5] Net Debt / Operating EBITDA excluding supply chain finance

Results Overview

Emeco, a leading provider of equipment rental and services to the mining sector, today reported its operational and financial results for the period ending 30 June 2025. The Group delivered a strong earnings performance in line with expectations for the 2025 financial year, again achieving significant margin and earnings growth from continuing operations. This was driven by a continued focus on business improvement initiatives, contract renewals and disciplined cost and capital management.

Return on capital further progressed towards the Company's long-term target of 20% ROC, and a significantly reduced leverage ratio demonstrates a strengthening balance sheet in line with the aim of the current capital management framework.

Emeco's CEO and Managing Director Ian Testrow said:

"Emeco has delivered an excellent result in FY25, achieving strong growth in earnings and margins. The business continued to generate positive operating free cashflow and improving returns on invested capital, while significantly reducing debt levels and balance sheet leverage.

With the strategic repositioning of our business now complete, we have refocused on our core strengths in mining equipment rental and workshop services. This, and a disciplined approach to cost and capital management, has been instrumental in driving the improved financial performance. I am proud of the Emeco team for their contribution to this strong result.

The focus for FY26 will be to continue to improve the financial metrics of our business with a particular focus on return on capital, margins, cashflow and leverage, whilst increasing our fleet utilisation, building our competitive advantage by further reducing our costs, improving our operational performance and enhancing the digitisation of our business. In FY26, Emeco expects moderate earnings growth, significant free cash flow and substantial further deleveraging."

FY25 Operating and Financial Performance[1,2]

Emeco reported revenue of $785.4 million (FY24: $731.3 million continuing revenue). This was up 7% excluding the underground contract mining portfolio which was sold during FY24.

$m Unless otherwise stated	FY24	1H25	2H25	FY25
External revenue (excluding underground contract mining)	731.3	387.3	398.1	**785.4**
Underground contract mining revenue	91.4	-	-	**-**
External revenue	822.7	387.3	398.1	**785.4**
Operating EBITDA[1]	280.5	145.8	155.3	**301.1**
Operating EBITDA margin	34%	38%	39%	**38%**
Operating EBIT[1]	125.3	68.3	77.4	**145.7**
Operating EBIT margin	15%	18%	19%	**19%**
Operating NPAT[1,2]	69.4	38.3	46.2	**84.5**
RTM Return on capital (ROC)[3]	15%			**17%**

Operating EBITDA increased by $20.6 million or 7% to $301.1 million in FY25 following a stronger second half result. This was driven by disciplined cost management – particularly lower subcontractor costs, lower overheads and procurement savings benefits, in combination with improved contract management. This improvement in operational efficiency also translated to 16% growth in Operating EBIT, which increased $20.4 million to $145.7 million.

Operating EBITDA margin increased from 34% in FY24 to 38% in FY25, with Operating EBIT margin also increasing to 19% reflecting the improved cost and contract management achieved during the period (FY24: 15%).

As with FY24, the Group continued to pursue efficiency improvements, with a focus on fleet deployment to drive earnings growth as well as better contract management.

Capital expenditure during the year was limited to sustaining capex, which was $149.2 million (net of disposals) equating to around 96% of depreciation. This, coupled with the improved earnings performance, underpinned an improved Return on Capital (**ROC**) of 17% (FY24: 15%).

Operating NPAT was $84.5 million, an increase of $15.1 million, or 22% on FY24. Operating NPAT excluded net one-off items of $9.4 million after tax, versus $16.7 million after tax in the prior year. In FY25, these mainly comprised items associated with employment restructuring costs ($3.3 million pre-tax) and ERP implementation costs ($6.4 million pre-tax).

Statutory NPAT improved in line with operating earnings, with $75.1 million reported in FY25 versus $52.7 million in FY24.

Operations Overview

Health and Safety

Emeco remains committed to improving safety and continues to monitor and enhance safety systems as part of the Company's broader HSET strategy. The goal remains to operate a zero-harm workplace, and the engagement of every Emeco employee in safe work practices is vital to achieving this outcome.

No fatalities or Lost Time Injuries (**LTI**) were recorded during the year, reflecting the Company's strong safety culture. However, the Total Recordable Injury Frequency Rate (**TRIFR**) increased from 2.8 at the end of FY24 to 3.4 at the end of FY25. The team is firmly committed to reversing this trend through greater focus on operational compliance to our safety systems and processes.

Rental

Emeco's core rental business performed strongly in FY25 and underpinned the performance of the overall Group. External rental revenues grew by $50.3 million (+9%) to $615.4m.

The positive performance was driven by significant growth in maintenance services revenue and improved contract management. Average utilisation of the surface rental fleet remained solid at 85% during the year, reflecting continued strong demand from mining customers across gold, iron ore and coal.

Underground rental services were restructured following the exit from contracting in FY24 and are now fully integrated with surface rental. Underground fleet utilisation improved to 57% in FY25, supported by steady equipment deployment across newly awarded hard-rock mining projects. Utilisation continues to trend positively with new projects secured in underground, now run-rating at approximately 65%.

Segment operating EBITDA increased by 6% year-on-year to $328.8 million, and operating EBIT increased by 11% to $181.2 million. Strong margin expansion was achieved through prudent cost management, fleet right-sizing and improved contract management.

Contract renewals and improved cost efficiency are expected to drive moderate earnings growth in FY26, supported by a continuing positive production outlook for gold and bulk commodity mining activity.

Force

Emeco's Force Workshops delivered a solid performance for the year. Workshops revenue rose 2% to $170.0 million (FY24: $166.2 million), with particularly strong activity in fabrication, line boring and new business on the east coast. This was partially offset by the reduction in high margin rebuilds for external customers, which impacted margins.

Operating EBITDA was down only marginally by $0.4 million to $15.4 million during the year, and operating EBIT was down $1.1 million to $8.3 million.

In FY25, Force completed 137 (internal and external combined) major machine rebuilds (FY24: 128), to extend fleet life for customers and Emeco's own equipment. Force continues to deliver capital light returns for the business and the workshops continue to be a critical part of Emeco's model supporting fleet reliability and generating diversified income from external maintenance jobs.

Technology

In FY25 Emeco continued to advance a range of technology and digital transformation initiatives to sharpen the competitive edge of the business. A key focus during the period was on the Emeco Operating System (**EOS**) platform that uses on-board telemetry and analytics to monitor customer fleet performance, improve safety, and reduce emissions, allowing the delivery of a superior service outcome for customers through increased equipment uptime.

The Company continues to progress the implementation of the Enterprise Resource Planning (**ERP**) project and achieved further key milestones in FY25, progressing into the build phase of the new Microsoft Dynamics 365 ERP system. This project represents an important investment in modernising Emeco's core business systems to drive efficiency, speed, and data visibility. ERP expenditure in FY25 was $6.4 million. The project implementation remains on schedule with deployment expected to begin in FY26.

Emeco's priorities in technology for FY26 remain centred on initiatives that drive direct business value. Management is confident that the continued investment in technology and innovation will enhance our operational efficiency, reduce costs, and provide differentiating value to our customers.

Cash Flow and Balance Sheet

Emeco's continued focus on efficient cost and capital management has delivered another strong performance in cash generation. FY25 operating free cash flow was $114.3 million, an increase of 32% on FY24 with cash conversion a healthy 97% (FY24: 95%).

Total capital expenditure in FY25 was limited to essential sustaining spend, consistent with Emeco's guidance in FY24. Stay-in-business (sustaining) capex totalled $161.8 million and net sustaining capex after disposals was $149.2 million, significantly lower than the prior year (FY24: $154.4 million net of disposals). Sustaining capex was carefully matched to fleet utilisation and project requirements and remained broadly in line with depreciation expense. No significant acquisitions of fleet occurred in FY25, and no new growth capex projects were undertaken (versus the $47.0 million growth capex in FY24).

Strong operating cash flow comfortably funded all maintenance capex requirements and interest costs, with a substantial surplus which was applied to debt reduction and strengthening the Company's balance sheet.

Net debt at 30 June 2025 was $194.9 million, a reduction of $85.6 million on FY24. The Group has a strong balance sheet with leverage improving from 1.0x EBITDA in FY24 to 0.65x in FY25 – well below the Company's target of 1.0x. The interest coverage ratio stands at 12.1x, a significant improvement on its FY24 ratio of 11.3x. This places the Group in a strong position ahead of its refinancing in 1H26.

The Company's liquidity position remains strong with available liquidity comprising cash and undrawn revolving credit facilities of approximately $220 million. This provides significant flexibility to fund future growth, further deleveraging, capital management options or future strategic investments. Resumption of the Group's capital management programme will be considered against options for growth and further debt reduction.

Dividends

No dividend was declared in line with the current Capital Management Framework focussed on net debt reduction to optimise future balance sheet flexibility and financing costs.

Strategy & Outlook

Emeco's strategic goal is to build a sustainable and resilient business that generates long term value for our shareholders whilst delivering superior services to our customers. The Company remains well-positioned in this regard, with a clear business strategy centred around three key pillars:

- Being the lowest cost, highest quality, technology-driven mining equipment rental provider
- Building and maintaining a balanced and diversified portfolio of projects, customers, commodities and geographic regions
- Exercising disciplined capital management

The focus in FY25 was on cost and capital management following the strategic repositioning of the business to focus on the core rental and maintenance capabilities in FY24.

Key priorities for the business in FY26 will be to consolidate operational improvements and leverage these with our investment in technology to drive growth in earnings and returns through increased fleet utilisation as we continue to target fully maintained projects.

FY26 focus areas include:

- Increased surface and underground fleet utilisation
- Continued focus on disciplined capital expenditure, increased utilisation and cost efficiencies to drive returns and cash flow
- Build market share through new projects from our pipeline of opportunities
- Expand and grow fully maintained projects where the Company's service offering is differentiated
- Pursue opportunities to expand the Force service offering, including XCMG partnership to enhance capabilities to service battery-powered fleet
- Refinancing of the Group's debt facilities in 1H26

The business outlook for FY26 remains robust. Mining production volumes in Australia are expected to remain strong, supported by resilient global demand for bulk commodities (such as iron ore and coal) in particular. This in turn supports demand for large mining equipment and rental solutions. The metals and battery minerals sector (e.g. gold, copper, lithium) also present opportunities for the Company.

Emeco enters FY26 with positive momentum, a stronger balance sheet with leverage well below target, and a 2H25 return on capital run-rate of 18%. The Company will continue to focus on improving returns on capital towards its 20% ROC goal, and on converting earnings into free cash flow. Growth capital expenditure will again be minimised in FY26 as our current fleet capacity is sufficient to capture near-term opportunities.

In FY26, Emeco expects:

- Moderate earnings growth, significant free cash flow and substantial further deleveraging
- SIB capex, net of asset disposals to be circa $155 – 160M
- Depreciation to be circa $160 - 165M
- Growth capex to be nil
- ERP upgrade spend to be approximately $6 million

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Investor enquiries
Theresa Mlikota
Chief Financial Officer
E: investor.relations@emecogroup.com
T: +61 8 9420 0222

Level 3, 133 Hasler Road, Osborne Park WA 6017, Australia
PO Box 1341, Osborne Park DC WA 6916, Australia
Emeco Holdings Limited ACN 112 188 815

emecogroup.com

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

Emeco Holdings Limited (ASX: EHL) is an ASX listed company providing open cut 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.