# Emeco Holdings Limited FY23 Results

23 August 2023

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# RESULTS OVERVIEW

## Emeco delivers a strong 2H23 performance

- **Safety** remains a key focus, with TRIFR of 2.9 at 30 June 2023
- **Strong conditions** in commodity markets fuelled exceptional demand, driving a solid financial performance
- **FY23 financial performance** – Record **Revenue** of $875 million**,** up 16% on pcp. **Operating EBITDA** of $250 million, in line with guidance
- A story of two halves
  - Disappointing first half, largely attributable to the underperformance of Pit N Portal as its project portfolio was de-risked and reset
  - **Strong 2H23 turnaround performance** with growth in revenue and earnings across each business, particularly strong demand in **Rental** and **Force** providing strong momentum into 1H24
  - **Pit N Portal** delivered a strong 2H23, benefitting from improved contractual terms renegotiated with a key customer
    - Credit losses taken in 1H23 were sufficient to cover de-risking and reset of the project portfolio, including Aurora project termination in 2H23
    - A comprehensive counterparty risk review has been completed and additional credit management resources have been injected into the finance function to improve counterparty risk exposure going forward
  - Strong 2H23 **operating free cash flow** (pre-growth capex) generation of $44 million
- **Return on capital** remains at 13%. ROC excluding PNP of 18%
- **Balance sheet remains strong** with net leverage of 1.1x, providing flexibility to respond to the changing needs of the business and to pursue growth
- **Capital management** allocation of $20 million paid during FY23
- The Board has approved a 2H23 **capital management package of $13.8 million**, which includes a **share buy-back** of $7.3 million and a **final fully franked dividend** of 1.25 cents per share, which represents a 35% payout of Operating NPAT.

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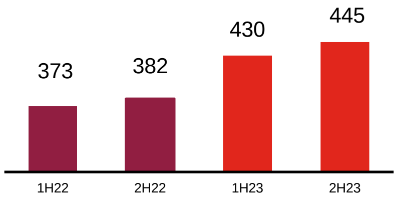
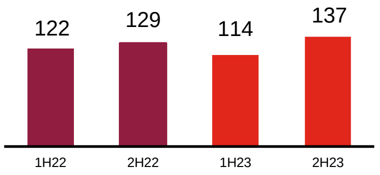
# FY23 GROUP FINANCIAL HIGHLIGHTS

## Strong turnaround performance in 2H23 to deliver solid returns for the year

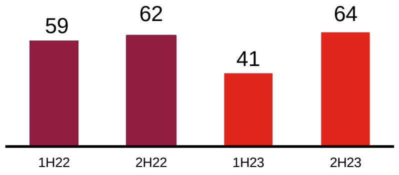
### Revenue (m)



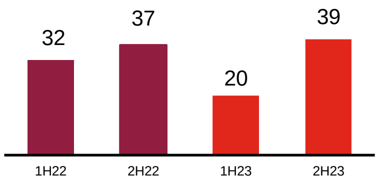

### Operating EBITDA (m) [1]



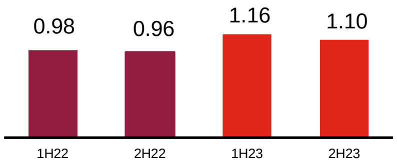

### Operating EBIT (m) [1]



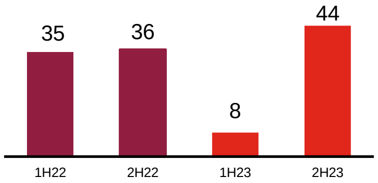

### Operating NPAT ($m) [1]



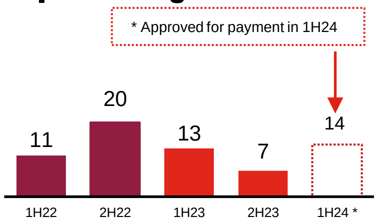

### Net leverage (x) [2]



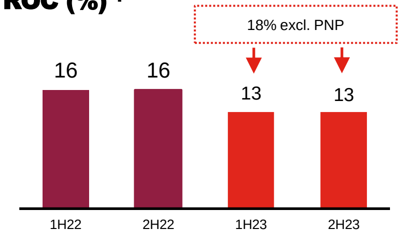

### Free cash flow (m) [3]




### Capital Management




### ROC (%) [4]




Notes:

1. Operating financial metrics are non-IFRS measures. Refer to Appendix slide, Statutory to non-IFRS disclosure
2. Net debt / Operating EBITDA
3. Operating free cash flow before growth capex
4. Return on capital (ROC) calculated as LTM Operating EBIT over average capital employed . ROC excluding PNP assumes allocation of corporate overheads to PNP based on revenue

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# FY23 GROUP FINANCIAL HIGHLIGHTS

**Strong turnaround performance in 2H23 to deliver solid returns for the year. Full year results impacted by a disappointing 1H23 performance from PNP**

## Revenue

**$875m**

**+16% vs. FY22 $754m**

Record Group Revenue with 19% growth in Rental and 73% increase in Force. Pit N Portal declined by 10%

## Operating EBITDA[1]

**$250m**

**Stable vs. FY22 $250m**

Strong 2H23 performance with 21% increase in Operating EBITDA to $137 million, driven by growth in rental and workshops, and turnaround performance in PNP

## Operating EBIT[1]

**$105m**

**-13% vs. FY22 $121m**

Strong 2H23 performance with 56% increase in Operating EBIT to $64 million, after disappointing start to the year for PNP

## Operating NPAT[1]

**$59m**

**-14% vs. FY22 $69m**

Decline driven by 1H23 PNP underperformance. Higher interest costs, driven by debt levels and interest rates. 2H23 Operating NPAT of $39.5 million

## Net leverage[2]

**1.10x**

**0.96x FY22**

Balance sheet remains strong with leverage marginally above long-term target of 1.0x, providing flexibility for growth and capital management

## Free cash flow[3]

**$52m**

**$71m FY22**

2H23 strong free cash flow performance, delivering $44 million in operational free cash flow

## Capital Management

**$20.4m**

**$30.7m FY22**

Interim and final fully franked dividends paid and on-market buy-backs made during the year

## ROC[4]

**13%**

**16% FY22**

Returns excluding PNP very strong at 18%

Notes:

1. Operating financial metrics are non-IFRS measures. Refer to Appendix slide, Statutory to non-IFRS disclosure
2. Net debt / Operating EBITDA
3. Operating free cash flow before growth capex
4. Return on capital calculated as LTM Operating EBIT over average capital employed. ROC excluding PNP assumes allocation of corporate overheads to PNP based on revenue

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# FY24 OUTLOOK

## Outlook positive with demand across all businesses expected to remain robust

- **Outlook for FY24 is positive** with strong earnings momentum achieved in 2H23
- Demand across all businesses expected to remain robust, driving earnings growth, weighted towards 2H24
    - **Rental** earnings growth expected to be driven predominantly by high fleet utilisation and fleet growth
    - **Force** external revenue will be underpinned by strong portfolio of contracted retail projects
    - **PNP** earnings expected to be lower in 1H24 v 2H23, following de-risking and reset of the project portfolio, with full year earnings expected to be higher than FY23
- Business continues to focus on cost efficiencies and contract repricing, to **drive margins and returns**
- **Improved credit assessment** processes will de-risk revenue and earnings base
- Emeco has committed to an **ERP upgrade** over the next 3 years, with approximately $8 million (non-operating) expected to be spent in FY24
- **Leverage** expected to remain around long term target of 1.0x Operating EBITDA
- Emeco has a strong track-record in achieving high **returns on capital investments** in our core Rental business through our capital and cost-efficient mid-life asset rebuild model
- **Capital investment** continues to target ‘high demand’ Rental fleet, to meet customer demand
- **SIB capex** expected to be in line with depreciation at $160 million
- **Growth capex**
    - ~$7 million to rebuild five 789C trucks to replace cross-hired fleet, at an IRR of 19%
    - ~$19 million has been committed to acquire 18 x 793D truck cores.  Staged rebuild programme, linked to customer demand, at an additional cost of ~$1m per truck. IRR of ~20%

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# FY24 OUTLOOK – GROWTH CAPEX

**Emeco's competitive advantage lies in our internal capability to acquire high demand mid-life assets which we rebuild through Force to deliver strong returns**

### Benefits of our mid-life asset rebuild model

- Capability to buy second-hand asset cores cost effectively
- Growth optionality as we hold cores as inventory and then rebuild through Force to meet customer demand and provide Emeco with strong returns
- Disciplined way to invest in capacity to meet customer requirements while being able to manage and smooth our capex profile
- In FY22, Emeco acquired mid-life asset truck cores for ~$6m. In FY23, we spent growth capex and rebuilt these truck cores for a total of ~25% of the cost of buying new and they were all deployed into projects during FY23 at a projected IRR of 21%


### FY24 business case for 793D fleet

- We have an opportunity to replicate this model in FY24 and have identified 18 x 793D truck cores for ~$19m
- Market demand for these trucks remains very high with limited excess supply in Emeco's existing Rental fleet (utilisation over 90% over the last 4 years)
- Emeco will put these trucks to work at one-third of the price of new equipment, delivering strong returns for Emeco
- Total investment of ~$37 million with an expected IRR of ~20%. FY24 investment based on customer demand, will be $24-37 million

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# Divisional Performance


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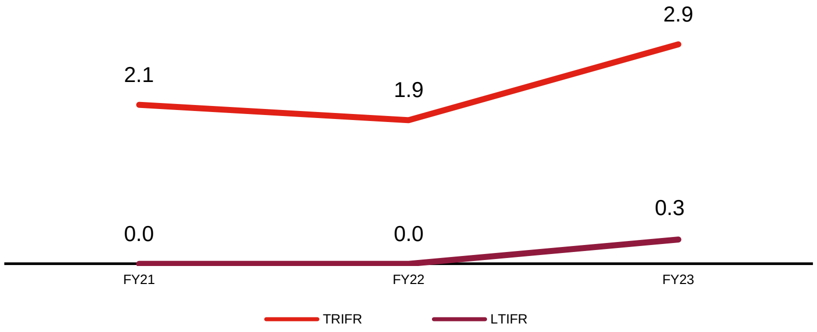
# SAFETY

## Safety remains a key focus, with TRIFR of 2.9

### Safety




- Total Recordable Injury Frequency Rate (**TRIFR**) has increased to 2.9, up from 1.9 on the pcp
- Lost Time Injury Frequency Rate (**LTIFR**) increased to 0.3 at June 2023, after recording our first lost time injury in over seven years
- Emeco continues to focus on enhancements to its HSET strategy including: updating critical risk verification processes; the implementation of statutory supervisor training; updating operational training requirements across all business units; and updating of our psychosocial harms policy and associated management plan

# RENTAL

## Increase in gross utilisation to 93% drove 8% Operating EBITDA growth in the Rental business

| $m<br>unless otherwise stated | FY22 | 1H23 | 2H23 | FY23 |
|---|---|---|---|---|
| External Revenue | 415.1 | 233.7 | 261.1 | 494.8 |
| Internal Revenue | 14.0 | 4.8 | - | 4.8 |
| Total Revenue | 429.1 | 238.5 | 261.1 | 499.6 |
| Operating EBITDA | 240.2 | 123.4 | 136.3 | 259.7 |
| Operating EBITDA margin | 58% | 53% | 52% | 52% |
| Operating EBIT | 132.2 | 64.1 | 75.2 | 139.3 |
| Operating EBIT margin | 32% | 27% | 29% | 28% |

### Operating and financial performance

- Revenue growth of 19% and Operating EBITDA growth of 8% driven by strong rental demand
- Strong 2H23 Operating EBITDA and Operating EBIT of $136.3 million and $75.2 million, respectively (up 10% and 17%, respectively)
- Increase in gross utilisation to 93% (FY22: 92%) driven by new projects
- Operating EBITDA margins stabilised in 2H23
- 2H23 Operating EBIT margins increased to 29%, up from 27% in 1H23

### Outlook

- FY24 is expected to deliver earnings growth on the back of high demand for our rental fleet
- Earnings weighted towards 2H24 as growth assets put out to work

Notes:

1. Gross utilisation defined as ratio of fleet rented to customers (excludes assets held for sale).
2. Intersegment revenue relates to fleet used internally (Pit N Portal projects)

# RENTAL – EASTERN REGION

## Eastern Region delivered 22% revenue growth and 9% Operating EBITDA growth, with strong gross fleet utilisation[1]

| $m<br>unless otherwise stated | FY22 | 1H23 | 2H23 | FY23 |
|---|---|---|---|---|
| External Revenue | 253.0 | 144.4 | 164.2 | 308.5 |
| Operating EBITDA | 159.5 | 83.3 | 91.3 | 174.6 |
| Operating EBITDA margin | 63% | 58% | 56% | 57% |
| Operating EBIT | 90.2 | 43.4 | 48.1 | 91.5 |
| Operating EBIT margin | 36% | 30% | 29% | 30% |

### Operating and financial performance

- Eastern Region delivered strong revenue and earnings growth
- Strong 2H23 Operating EBITDA and Operating EBIT of $91.3 million and $48.1 million, respectively (up 10% and 11%, respectively vs 1H23), driven by new projects
- Margins impacted by inflation, higher use of subcontracted labour and the use of cross-hired equipment to meet customer demand

### Outlook

- Earnings momentum will continue into FY24 driven by demand from customers and focus on stabilising and improving margins
- Majority of growth capex will be allocated to the Eastern Region to meet demand and replace cross-hired equipment

Notes:

1. Gross utilisation defined as ratio of fleet rented to customers (excludes assets held for sale).

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# RENTAL – WESTERN REGION

## Revenue and earnings growth, on the back of strong improvement in 2H23 gross fleet utilisation[1]

| $m<br>unless otherwise stated | FY22 | 1H23 | 2H23 | FY23 |
|---|---|---|---|---|
| External Revenue | 162.1 | 89.4 | 96.9 | 186.3 |
| Internal Revenue[2] | 14.0 | 4.8 | - | 4.8 |
| Total Revenue | 176.1 | 94.2 | 96.9 | 191.1 |
| Operating EBITDA | 80.7 | 40.1 | 45.0 | 85.1 |
| Operating EBITDA margin | 50% | 45% | 46% | 46% |
| Operating EBIT | 42.0 | 20.5 | 27.2 | 47.7 |
| Operating EBIT margin | 26% | 23% | 28% | 26% |


### Operating and financial performance

- Western Region delivered continued revenue and earnings growth in FY23, driven by strong demand
- Strong 2H23 Operating EBITDA and Operating EBIT of $45.0 million and $27.2 million, respectively (up 12% and 33%, respectively vs 1H23), driven by new projects
- Strong improvement in gross fleet utilisation as equipment returned to work in 2H23

### Outlook

- FY24 earnings are expected to grow on the back of continued demand for our equipment
- Margins are expected to be stable as contract repricing and business improvement initiative, counter cost inflation
- Margins remain lower than eastern region, due to single-shift projects. Long-term opportunity to place fleet into double-shift operations

Notes:

1. Gross utilisation defined as ratio of fleet rented to customers (excludes assets held for sale).
2. Intersegment revenue relates to fleet used internally (Pit N Portal projects)

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# FORCE

## Force delivered a 42% increase in total revenue, with over 125 machine rebuilds.  30% increase in Operating EBITDA

| $m<br>unless otherwise stated | FY22 | 1H23 | 2H23 | FY23 |
|---|---|---|---|---|
| External revenue | 90.6 | 68.3 | 88.2 | 156.5 |
| Internal revenue | 83.1 | 43.6 | 46.6 | 90.2 |
| Total revenue | 173.7 | 111.9 | 134.8 | 246.7 |
| Operating EBITDA | 9.0 | 4.6 | 7.2 | 11.8 |
| Operating EBITDA margin | 10% | 7% | 8% | 8% |
| Operating EBIT | 5.6 | 2.5 | 4.8 | 7.3 |
| Operating EBIT margin | 6% | 4% | 5% | 5% |


### Operating and financial performance

- Force delivered a 42% increase in total revenue, with over 125 machine rebuilds.  Retail revenue up 73%
- Operating EBITDA growth of 30%, with margins stabilising in 2H23
- Increase of 30% of Force component rebuilds used in the Rental business providing both savings and security of supply

### Outlook

- FY24 retail earnings underpinned by contracts already secured for 55 machine rebuilds
- Internal activity expected to be between 45-60 machine rebuilds, depending on customer demand for recently purchased second-hand 793D fleet
- A review of workshop capacity and regional footprint, to accommodate Eastern region growth, has been initiated in FY24

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

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# PIT N PORTAL

## Pit N Portal delivered a strong 2H23 turnaround performance

| $m<br>unless otherwise stated | FY22 | 1H23 | 2H23 | FY23 |
|---|---|---|---|---|
| External Revenue | 248.7 | 127.5 | 96.1 | 223.6 |
| Operating EBITDA | 32.7 | 3.5 | 13.7 | 17.2 |
| Operating EBITDA margin | 13% | 3% | 14% | 8% |
| Operating EBIT | 17.0 | (5.8) | 5.5 | (0.3) |
| Operating EBIT margin | 7% | (5%) | 6% | 0% |


### Operating and financial performance

- Strong 2H23 turnaround performance, with significant increase in earnings and margin, following disappointing underperformance in 1H23
- Turnaround driven by improvement in contract terms with a key customer and addition of new projects
- Project exits as part of de-risking the revenue portfolio:  Minjar/Barto, KMG and Aurora
- Credit losses provisioned in 1H23 of circa $23 million (not included in Operating EBITDA) were sufficient to account for full year losses associated with Aurora project termination in 2H23 and the de-risking and reset of the project portfolio
- A comprehensive counterparty risk review has been completed and additional credit management resources have been injected into the finance function to improve counterparty risk exposure going forward

### Outlook

- PNP earnings expected to be lower in 1H24 v 2H23, following de-risking and reset of the project portfolio, with full year earnings expected to be higher than FY23
- Disciplined approach to capital allocation, project tenders, credit management and customer selection is expected to deliver higher quality earnings
- Ongoing review of options to improve returns from this business

# Financial Results

# OPERATING PROFIT AND LOSS

## Strong 2H23 turnaround performance, drove 21% increase in Operating EBITDA and 56% increase in Operating EBIT.

### FY23 Operating Financial Performance[1,2]

| $m<br>unless otherwise stated | FY22 | 1H23 | 2H23 | FY23 |
|---|---|---|---|---|
| External Revenue | 754.4 | 429.5 | 445.4 | 874.9 |
| Operating EBITDA[1] | 250.2 | 113.5 | 136.9 | 250.4 |
| Operating EBITDA margin | 33% | 26% | 31% | 29% |
| Operating EBIT[1] | 120.7 | 40.8 | 63.8 | 104.6 |
| Operating EBIT margin | 16% | 10% | 14% | 12% |
| Operating NPAT[1,2] | 68.9 | 19.6 | 39.5 | 59.1 |
| Return on capital (ROC)[3] | 16% | 13% | 13% | 13% |

### Commentary

- Record revenue of $874.9 million, a 16% year-on-year increase
- 2H23 turnaround in PNP performance and growth in our Rental and Force businesses drove a significant improvement in Operating EBITDA and Operating EBIT (21% and 56% increase respectively) as well as margin performance
- Cost inflation driven by labour and parts, impacting repairs and maintenance costs, as well as use of cross-hired fleet to meet rising demand in the Rental business
- Depreciation and corporate costs increased in line with revenue growth
- Higher average debt levels and higher interest rates increased finance costs for the period
- Returns stabilised in 2H23. ROC excluding PNP of 18%, well above cost of capital

Notes:

1. Operating financial metrics are non-IFRS measures. Refer to Statutory to Operating reconciliations in the Appendices
2. Operating NPAT assumes 30% notional tax expense on non-operating items
3. Return on capital (ROC) calculated as LTM Operating EBIT over average capital employed . ROC excluding PNP assumes allocation of corporate overheads to PNP based on revenue

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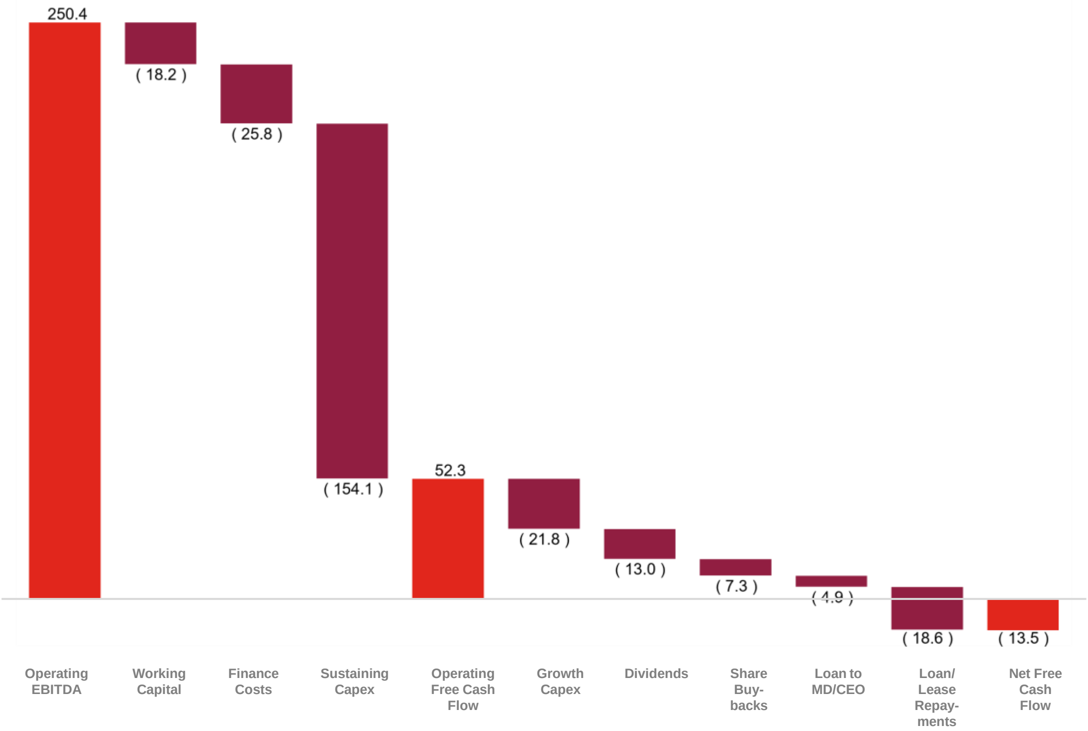
# CASH FLOW

**Strong 2H23 cash flow generation of $44 million, continues to support ongoing investment in Rental fleet to grow earnings as well as funding returns to shareholders**

### FY23 Cash Flow ($m)




### Overview

- Strong cash conversion at 103%
- Working capital negatively impacted by non-collection of $23.0 million of receivables now fully written-off
- Interest expense increased with higher debt and higher interest rates
- No income tax paid due to the Group's carried forward tax loss position, which is $312 million at 30 June 2023
- Net sustaining capex of $154.1 million, 106% of depreciation
- Growth capex of $21.8 million includes rebuild of ex-BHP fleet acquired in FY22, now fully deployed
- Capital management package of $20.4 million, including 2.5 cents per share fully franked dividends paid and $7.3 million in share buy-backs and LTI plan share purchases

Notes:
1. Share buy-backs include purchases of Company shares for employee LTI plan

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# CAPEX / ASSET MANAGEMENT

## Emeco's ongoing investment in capital continues to deliver strong returns for shareholders, particularly in our core Rental and Force businesses

### Capex summary

| $ million (unless stated otherwise) | FY22 | FY23 |
|---|---|---|
| Component rebuilds | 125.5 | 139.0 |
| Asset replacement | 24.1 | 17.0 |
| Component inventory | 4.1 | 1.6 |
| **Total sustaining capex** | **153.7** | **157.6** |
| Less: Disposals | (2.8) | (3.5) |
| **Net sustaining capex** | **150.9** | **154.1** |
| Growth capex | 16.7 | 21.8 |
| **Net capex** | **167.6** | **175.9** |
| Net sustaining capex/depreciation % | 119% | 106% |
| | | |
| Net capex excluding PNP | 144.6 | 165.3 |
| ROC excluding PNP | 19% | 18% |

Notes:

1. Return on capital (ROC) calculated as LTM Operating EBIT over average capital employed . ROC excluding PNP assumes allocation of corporate overheads to PNP based on revenue

# BALANCE SHEET

## Balance sheet remains strong with leverage conservative at 1.10x – providing flexibility for the pursuit of growth and capital management opportunities

### Summary balance sheet

| $m | 30 June 2022 | 30 June 2023 |
|---|---|---|
| Plant & equipment | 703.7 | 752.6 |
| Right-of-use asset | 55.3 | 75.5 |
| Intangibles | 11.0 | 9.7 |
| **Fixed asset and intangibles** | **770.0** | **837.8** |
| Receivables | 142.9 | 157.8 |
| WIP, inventory, prepayments, other | 48.4 | 46.2 |
| Payables, provisions & taxes | (153.2) | (176.4) |
| **Working capital** | **38.1** | **27.6** |
| Cash | 60.2 | 46.7 |
| Interest bearing liabilities | (250.0) | (250.0) |
| Leases and other | (51.1) | (72.7) |
| **Net debt** | **(240.9)** | **(276.0)** |
| **Equity** | **567.2** | **589.4** |
| **Net leverage[1]** | **0.96x** | **1.10x** |

Notes:

1. Net Debt / Operating EBITDA to 30 June

### Overview

- Capex investment focussed on Rental fleet
- Rental fleet utilisation levels continued to rise and are now 93% (gross), justifying business case for incremental investment in larger sized, in demand fleet
- Receivables grew largely in line with higher turnover, partially offset by recoveries and write-offs
- Net leverage[1] of 1.1x, largely in line with long-term target of 1.0x, whilst funding sustaining and growth investment and capital management initiatives
- AMTN AUD notes of $250 million have a fixed interest rate of 6.25% and mature in July 2026
- Fitch Ratings upgrade to BB- from B+ in February 2023
- Liquidity of $141.7 million at 30 June 2023, includes $46.7 million cash and an undrawn $95.0 million revolving credit facility

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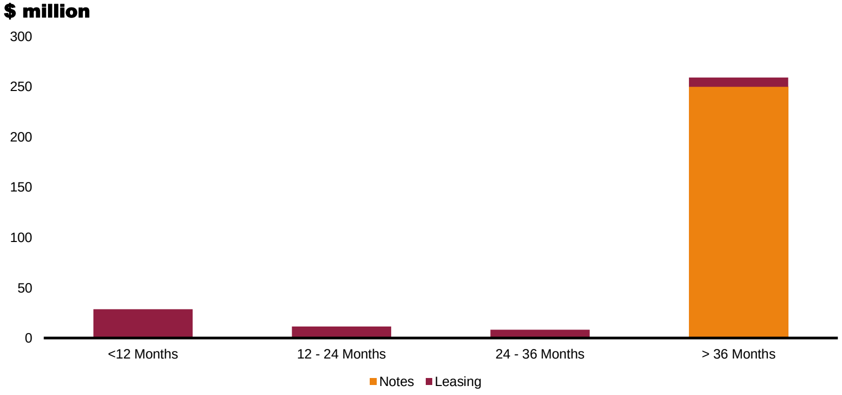
# DEBT MATURITY PROFILE AND LIQUIDITY

## Committed and undrawn facilities provide flexibility to pursue growth opportunities

### Drawn debt maturity at 30 June 2023




### Liquidity

| $ million | 30 June 22 | 30 June 23 |
|---|---|---|
| AMTN AUD Notes[1] | 250.0 | 250.0 |
| Term facilities – RCF[2] (excludes bank guarantee facilities) | 96.8 | 95.0 |
| Leasing facilities | 54.6 | 70.7 |
| **Total committed facilities** | **401.4** | **415.7** |
| Undrawn debt facilities | 96.8 | 95.0 |
| Undrawn leasing facilities | - | - |
| Cash | 60.2 | 46.7 |
| **Total liquidity** | **157.0** | **141.7** |

Notes

1. AUD Notes mature July 2026
2. RCF matures December 2025

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# CREDIT MANAGEMENT

## Credit management a key focus with increased investment in finance and credit management resources and processes to improve risk exposure

### Economic Credit Losses

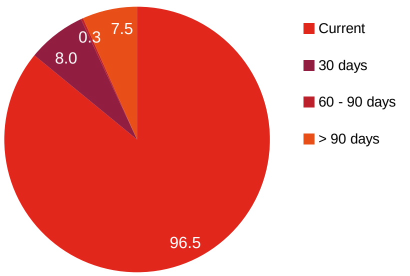
| Specific provision | FY22 | FY23 |
|---|---|---|
| Opening balance | - | - |
| Provisions taken during period | - | 23.0 |
| Recoveries/write-offs | - | (23.0) |
| Closing balance | - | - |

| General provision | FY22 | FY23 |
|---|---|---|
| Opening balance | 0.2 | 0.2 |
| Provisions taken during period | - | - |
| Recoveries/write-offs | - | - |
| Closing balance | 0.2 | 0.2 |

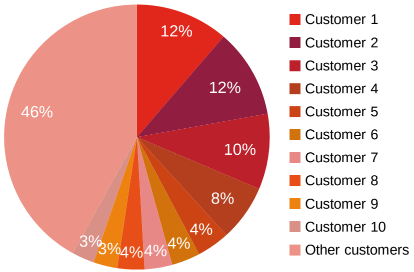
### Overview

- Collections from Minjar/Barto against provision taken in 1H23, total $10.9 million (excluding GST), including $6.4 million ($7.0[1] million including GST) received post balance date. Balance of receivable now written-off
- Aurora Metals and KMG debtors totalling $10.9 million (excluding GST) written-off during the period, following Aurora Metals being placed into receivership and the KMG contract being terminated
- Top 10 customers represent 64% of total revenue
- 84% of debtors considered "blue chip" (market capitalisation greater than $1 billion) or fully insured
- 16% of uninsured or underinsured debtors considered at increased risk. Actions to improve risk exposure are in process with respect to these debtors
- Increased resources and capability injected into finance function with appointment of new CFO, Deputy CFO and credit manager targeting improvement in credit processes and more selective customer selection

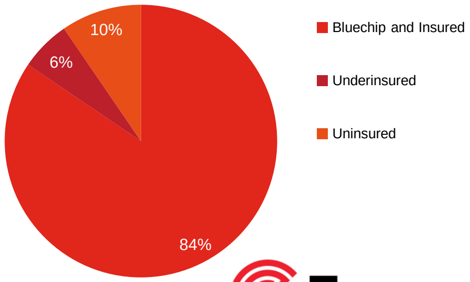
### Debtors ageing[1,2] $m




### Top 10 customers as % of revenue




### Credit risk[2]




[1]$7.0 million of >90 Days debtors was received post balance date
[2]Based on gross debtors balance (before credit loss provision) and excludes unbilled but accrued revenue

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# Sustainability and Strategy

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# 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
- Creative business solutions, which address our ESG objectives and those of our customers

### 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 our large and skilled workforce and 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
- Promote high margin core competencies where we have a competitive advantage

### 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

# ENVIRONMENTAL, SOCIAL & GOVERNANCE

**At Emeco, we strive to create a sustainable business which continues to deliver creative solutions for our customers, a family feel for our people, support for our local communities and value for our investors**


**ESG Material Themes**

**Overview**

- In FY22, Emeco developed its inaugural ESG Strategy which was approved by the Board in February 2023
- An ESG Committee was established in March 2023 to discuss, shape and measure initiatives in the implementation of the ESG strategy and to assist with setting up systems to report on the progression of the strategy and comply with TCFD
- A RAP Working Group was formed in June 2023 to assist with the implementation of our inaugural RAP which is currently being drafted with Reconciliation Australia
- All Senior Leadership Team members have been briefed on the ESG Strategy to ensure alignment
- Work has commenced to develop our current position regarding Scope 1 and Scope 2, with Scope 3 emissions to follow
- Committed to technology development to support our fleet being as efficient as possible to reduce emissions for our clients
- A diversity survey has been developed for the business and has been trialed with the aim to distribute it business wide in 1H24
- Large investment into training programs for employees, including 27 employees undertaking Certificate IV in Leadership and Management in FY24

# OPERATIONAL PRIORITIES

## A focus on our operational priorities will build a better business

### Priorities for FY24

- Core Business
  - Continue to grow Force workshop and Rental business, focussing on business improvement initiatives and margins, in particular contract repricing as we navigate inflationary environment
  - Deliver strong returns on growth investment in core Rental business, to meet customer demand.  Targeting circa 20% IRR on growth investment
  - Review options for East Coast workshop footprint expansion
  - Ongoing review of PNP to improve returns from this business
  - Roll-out Employee Value Proposition to convert subcontracted workforce to permanent employees
  - Implement procurement and purchase to pay process opportunities identified through Project Delta
  - Ongoing improved focus on credit control and customer selection
- Technology
  - Expand EOS customer base, promote new carbon module
  - Deliver design phase of ERP project, commence build
  - Complete implementation of AMT mobile
  - Further development of real-time condition monitoring and predictive maintenance
- ESG
  - Develop and document Company position statement on climate change
  - Deliver Emeco's inaugural RAP

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# Appendix: Additional information


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# RECONCILIATIONS – STATUTORY TO NON-IFRS DISCLOSURE

**FY22**
**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 effect on non-operating items | (1.7) | - | - |
| **Operating** | **68.9** | **120.7** | **250.2** |

**FY23**
**Statutory to operating reconciliation**

| $m | NPAT | EBIT | EBITDA |
|---|---|---|---|
| **Statutory** | **41.3** | **79.1** | **225.9** |
| Tangible asset impairment | 1.0 | 1.0 | - |
| Long-term incentive expense | 1.4 | 1.4 | 1.4 |
| COVID costs | - | - | - |
| Economic credit losses | 23.0 | 23.0 | 23.0 |
| Tax effect on non-operating items | (7.6) | - | - |
| **Operating** | **59.1** | **104.6** | **250.4** |

Notes

1. Figures may not add due to rounding

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# RECONCILIATIONS – STATUTORY TO NON-IFRS DISCLOSURE

## Cash flow reconciliation

| $m | FY22 | FY23 |
|---|---|---|
| **Operating EBITDA** | **250.2** | **250.4** |
| Working capital | (9.8) | (18.2) |
| Net financing costs | (19.3) | (25.8) |
| **Cash from operating activities (statutory)** | **221.1** | **206.4** |
| Net sustaining capex | (150.6) | (154.1) |
| **Operating free cash flow (non-IFRS)** | **70.5** | **52.3** |
| Net debt and lease repayments | (35.0) | (18.6) |
| Capital management activities | (30.7) | (20.4) |
| **Financing cash flows (statutory)** | **(65.7)** | **(39.0)** |
| Loan to Managing Director/CEO | - | (4.9) |
| Borex acquisition cost | (2.2) | - |
| Growth capex | (17.0) | (21.8) |
| **Investing cashflows (excl sustaining capex)** | **(19.2)** | **(26.8)** |
| **Net cash movements** | **(14.4)** | **(13.5)** |
| Opening cash | 74.7 | 60.2 |
| **Closing cash** | **60.2** | **46.7** |

## Net debt and leverage reconciliation

| $m | 30 June 2022 | 30 June 2023 |
|---|---|---|
| AUD secured notes | 250.0 | 250.0 |
| Revolving credit facility | - | - |
| Lease liabilities and other | 51.1 | 72.7 |
| **Total debt** | **301.1** | **322.7** |
| Cash | (60.2) | (46.7) |
| **Net debt** | **240.9** | **276.0** |
| Operating EBITDA | 250.2 | 250.4 |
| **Leverage ratio** | **0.96x** | **1.10x** |

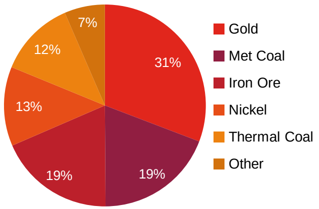
Notes

1. Figures may not add due to rounding

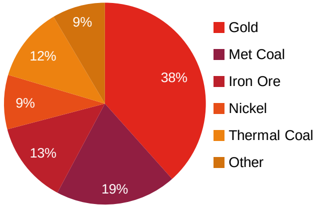
# EXTERNAL REVENUE ANALYSIS

## Revenue by commodity

FY23

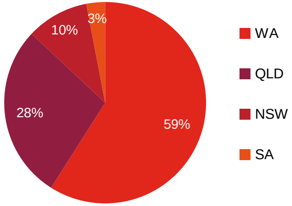



FY22

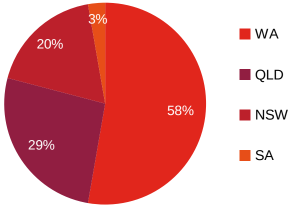



## Revenue by geography

FY23

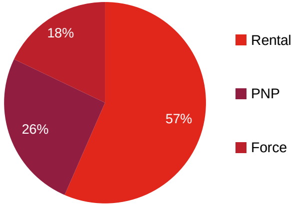



FY22

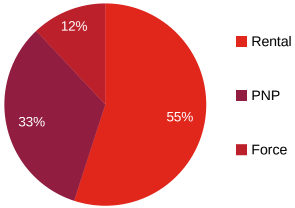



## Revenue by type

FY23

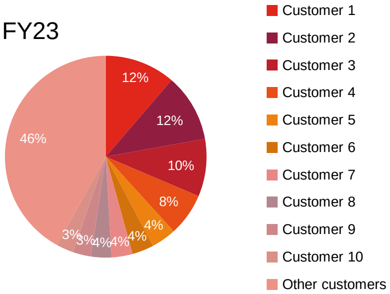



FY22

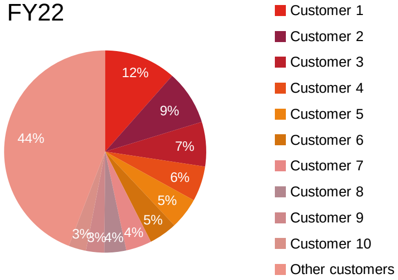



## Revenue by customer – Top 10

FY23




FY22



# Thank you

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