

19 February 2025

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

Emeco delivers strong earnings and margin growth in 1H25 and reiterates FY25 earnings guidance

Financial and Operational Highlights

- Improved performance across key earnings metrics driven by disciplined cost management and increased business resilience following FY24 reset:
 - Group Revenue (excluding underground contract mining) up 11% vs 1H24
 - Operating EBITDA¹ of \$145.8 million (+6% vs 1H24) and Operating EBIT¹ of \$68.3 million (+13% vs 1H24)
 - EBITDA and EBIT margin increased from 32% to 38% and from 14% to 18%, respectively
 - Operating NPAT¹ of \$38.3 million (+15% vs 1H24)
 - Statutory NPAT of \$33.6 million (+73% vs 1H24)
- Focus on prudent capital management delivering improved returns:
 - Cash flow² of \$48.8 million (+22% vs 1H24), ahead of expectations. Cash flow conversion of 94%
 - ROC³ of 16% increased by 40bps v pcp and 70 bps v FY24
 - Strong balance sheet - leverage⁴ improved from 1.0x to 0.84x
 - NTA \$1.28/share (+5% vs FY24)
- FY25 priorities and outlook:
 - Continued focus on disciplined capital expenditure and cost efficiencies to drive returns and cash flow
 - Build market share through new projects from pipeline of opportunities
 - Major contract extension negotiations with long-term customers well progressed
 - FY25 EBITDA guidance targeting \$300 million, with a similar H1/H2 skew to FY24

¹ Operating financial metrics are non-IFRS measures. Refer to HY25 Results Presentation.

² Pre growth capex.

³ ROC calculated as LTM Operating EBIT over average capital employed.

⁴ 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 six-month period ending 31 December 2024. The Group delivered a strong 1H25 financial performance, with a substantial improvement in margins driving strong growth in earnings and cash generation during the period.

Emeco's CEO and Managing Director Ian Testrow said:

"It's pleasing to see Emeco's reset business model has proven its resilience. We have delivered a strong half with growth in earnings and margins.

Strong cash generation and disciplined capital management underpinned a significant reduction in balance sheet leverage.

Our return on capital continued to improve towards our long-term target of 20%, growing 40 bps versus the prior corresponding period, due to the realisation of cost efficiencies.

Following the reset of our business model in FY24, we are focused on our core capability and building on our competitive strengths - providing world-class equipment rental and onsite and offsite rebuild and maintenance services. This has enabled us to deliver improved cashflow and returns on our invested capital during the half.

Contract extension negotiations with long term customers are well progressed and we are well-positioned to secure equipment redeployments with a solid pipeline of opportunities.

We reiterate our previous Operating EBITDA target of \$300M for FY25. However, QLD floods and WA cyclone activity may continue to impact utilisation and timing of pipeline opportunities. We expect increased utilisation as customers recover operations.

Our focus for the remainder of FY25 will be on deploying equipment into new projects to leverage the cost efficiencies we have already delivered."

1H25 Operating and Financial Performance

\$m Unless otherwise stated	1H24	2H24	FY24	1H25
External revenue (excluding underground contract mining)	348.2	382.9	731.1	387.3
Underground contract mining revenue	86.3	5.3	91.6	-
External revenue	434.5	388.2	822.7	387.3
Operating EBITDA¹	137.1	143.4	280.5	145.8
Operating EBITDA margin	32%	37%	34%	38%
Operating EBIT¹	60.7	64.6	125.3	68.3
Operating EBIT margin	14%	17%	15%	18%
Operating NPAT^{1,2}	33.2	36.2	69.4	38.3
Return on capital (ROC)³	15%	15%	15%	16%

Notes:

1. Operating financial metrics are non-IFRS measures.

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.

Emeco delivered strong earnings growth, demonstrating the resilience of its reset business model. The cost-out and close operational management of repairs and maintenance drove strong margin growth and cash generation over the half.

The Company reported an operating Net Profit After Tax (NPAT) of \$38.3 million, an increase of \$5.1 million or 15% on the prior corresponding period (pcp). This improvement was primarily driven by increased earnings from new rental projects, serviced from the FY24 growth capex program and cost savings across overheads, labour and repairs and maintenance.

1H25 revenue (excluding underground contract mining) was \$382.9 million, an increase of 11% from \$348.2 million in 1H24, which was driven mainly by the deployment of growth fleet into coal projects late in FY24.

Reported revenue was lower than the pcp following the exit from contract mining activities in FY24. The Group's business model now focuses on its higher-margin core activities of mining fleet rental and maintenance and rebuild services.

The Company delivered solid earnings growth with an Operating EBITDA of \$145.8 million, increasing 6% from \$137.1 million in 1H24. Operating EBIT was \$68.3 million, increasing 13% from \$60.7 million in 1H24. Emeco's margins improved significantly versus pcp with Operating EBITDA and Operating EBIT margins of 38% and 18% respectively, up from 32% and 14% respectively.

Cost savings programmes were activated in 1H25 across overheads, parts and labour. Annualised overhead savings of ~\$15 million were successfully implemented between October 2024 and February 2025 leaving the Company well-positioned and lean.

The Company's ROC of 16%, grew by 40bps versus pcp and 70bps versus FY24.

Operations Overview

Rental

The underground rental business is now fully integrated with surface rental.

Rental revenue of \$300 million increased 13% on pcp. This was driven by surface coal and underground base metal growth projects. Half-on-half earnings growth was strong and was also driven by lower labour and R&M costs, and a reduction in regional overheads. Rental Operating EBITDA of \$159.0 million and EBIT of \$85.6 million were up 10% and 17% respectively vs pcp.

Major contract extension negotiations with long-term customers are well progressed. The business is well-positioned on cost, quality and fleet capacity to secure new projects with a strong pipeline of opportunities in both open cut and underground.

Surface equipment utilisation averaged 85% for the period whilst underground equipment utilisation averaged 50%. We expect utilisation levels to increase as customers recover operations following recent weather events.

Force Workshops

Force delivered total revenue of \$87.1 million, a 5% increase on 1H24, with new project wins in Kalgoorlie and targeted growth on the eastern seaboard to diversify the segment's revenue base.

Earnings reduced slightly due to a reduction in higher margin rebuild work, partially offset by a reduction in overhead costs. Force's EBIT and EBITDA were down \$1.4 million and \$0.8 million respectively, versus 1H24.

Cash Flow and Balance Sheet

Operating cash flow before financing costs and ERP spending was \$136.1 million in 1H25, up from \$130.4 million in 1H24. This was driven by higher earnings, partially offset by a net working capital outflow of \$9.7 million. EBITDA to cash conversion was 94%.

Net capital expenditure for the period was \$74.7 million, comprising \$77.6 million in sustaining capital expenditure, offset partially by asset sales of \$2.9 million.

Emeco's leverage ratio reduced from 1.0x at 30 June 2024 to 0.84x at 31 December 2024, a significant improvement driven by higher operating EBITDA and a capital expenditure programme restricted to sustaining capex for the period. The Group's net debt position closed at \$242.2 million.

The Company maintained ratings from Moody's and Fitch of Ba3 and BB- respectively.

Dividends

No dividends were declared during the period.

Outlook & Guidance

Outlook

The business will continue to focus on disciplined capital expenditure and cost efficiencies to drive returns and cash flow. A strong balance sheet, in combination with our service quality and cost competitive advantage ensure the business is well-positioned for further growth and margin improvement.

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. Optimising equipment utilisation through redeployment to new projects is a key focus.

Strategic Priorities

Key strategic priorities for the business include:

- Continued focus on disciplined capital expenditure and cost efficiencies to drive returns and cash flow
- Build market share through new projects from pipeline of opportunities
- Expand and grow fully maintained projects where our service offering is differentiated
- Pursue opportunities to expand the Force service offering, including plans to enhance in-field and workshop capabilities for battery-powered fleet.

Guidance

The Company provides its market guidance for FY25:

- Reiterate previous Operating EBITDA target of \$300M for FY25. However, QLD floods and WA cyclone activity may continue to impact utilisation and timing of pipeline opportunities. We expect increased utilisation as customers recover operations
- Target 2H25 Operating EBIT run-rate expected to drive ROC to ~18%
- FY25 SIB capex expected to be circa \$160 – 165M (\$155 – 160M net of asset disposals). Nil growth capex
- FY25 depreciation expected to be circa \$160 – 165M
- FY25 ERP spend expected to be in the order of \$7M

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Investor enquiries

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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.

Non-IFRS Financial Information

This ASX Release may use non-IFRS financial information including Operating EBITDA, Operating EBITDA margin, Operating EBIT, Operating EBIT margin and Operating NPAT, net debt and return on capital (ROC). These measures are used to measure both Group and operational performance. Certain of these measures may not be comparable to similarly titled measures of other companies and should not be construed as an alternative to other financial measures determined in accordance with Australian accounting standards.