

28 April 2017

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

Third Quarter Operational Update

- **Continued signs of market recovery driving improved 3Q17 financial performance**
- **56% increase in group Operating EBITDA to A\$20.4 million compared to 3Q16**
- **Group operating utilisation of 56% (up from 42% in 3Q16)**
- **Completion of recapitalisation and merger transactions, 4Q17 will represent the first quarter of the combined group's results**
- **Pro forma¹ cash balance of A\$34.8 million and pro forma¹ net debt of A\$443.8 million as at 31 March 2017**
- **Positive medium term outlook with increased production expected at existing sites and increased number of tenders coming to market**

Emeco is pleased to provide a trading update for the third quarter of FY17, with the company generating revenue of A\$49.7 million and Operating EBITDA of A\$20.4 million, improving Emeco's pro forma¹ cash position to A\$34.8 million and reducing pro forma¹ net debt to A\$443.8 million as at 31 March 2017.

Operating utilisation was up for the quarter, averaging 56%, driven by a strong performance in the Australian business, whilst gross utilisation for the quarter averaged 90%. Emeco remains focused on improving operating utilisation by partnering with its customers to work under-utilised fleet harder.

Australia

Emeco's Australian business continues to strengthen driven by a significant up-tick in demand, particularly in the east coast coal market. The Australian business generated Operating EBITDA of A\$17.6 million (up from A\$10.8 million in 3Q16 and A\$15.8 million in 2Q17) from revenue of A\$39.6 million (up from A\$33.1 million in 3Q16 and A\$35.5 million in 2Q17).

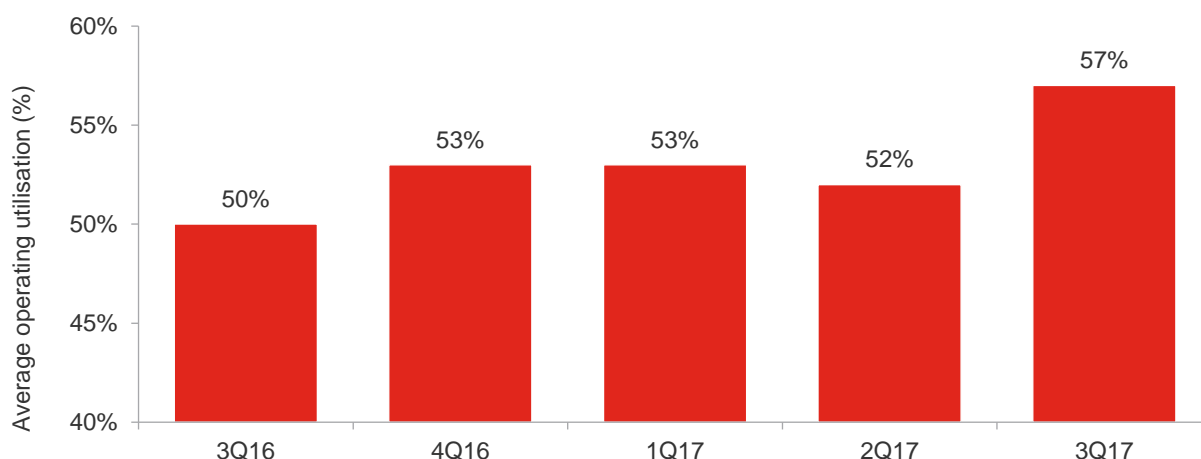
In New South Wales, Emeco's performance was exceptionally strong with improved operating utilisation of 67%, by far the highest across the group, driven by increased activity across key coal mining customers. Given gross utilisation of 98% and minimal additional fleet in New South Wales from Andy's Earthmovers and Orionstone, management is focused on strategies to provide New South Wales with additional fleet.

The performance of the Queensland business continued to improve with operating utilisation of 54%, particularly driven by coal mining activity. Tropical Cyclone Debbie affected operations in late March, however the Company's employees were uninjured and its fleet was not damaged. Most mine operations had recovered by early April and this is not expected to materially impact 4Q17.

In Western Australia, Emeco achieved greater operating utilisation of 42% and gross utilisation of 74%, driven by additional trucks put to work in coal and iron ore mining projects in January. The Western Australian market remains subdued, however we are seeing signs of stabilisation and expect this market to recover in the medium term.

¹ Pro forma for the completion of the mergers with Andy's Earthmovers and Orionstone, the recapitalisation of Emeco and the entitlement offer, including all expected transaction costs.

Australian operating utilisation performance



Canada

As announced at the 1H17 result, Emeco entered into a “rent-to-purchase” agreement with HMER, under which HMER rented Emeco’s fleet in Canada, with an option to acquire that equipment. Emeco is pleased to announce that HMER has exercised its option to acquire the majority of that fleet, generating cash proceeds for Emeco of approximately A\$13.8 million. A small number of machines remain on the “rent-to-purchase” agreement with HMER.

Emeco does not expect a material earnings contribution from the Canadian business in the near-term. However, Emeco will maintain a presence in Canada through its partnership with HMER, allowing it to take advantage of potential project opportunities.

Chile

Management is disappointed by the relatively flat utilisation of 51% in Chile. Given the increased global demand for 240T trucks (Emeco has 20 in Chile), management are reviewing its strategy to optimise the return on these assets.

Integration update

Emeco’s mergers with Andy’s Earthmovers and Orionstone were completed on 31 March 2017. Integration work is well progressed and ongoing. Emeco continues to believe it can generate annualised operating cost synergies of approximately A\$15 million and meaningful fleet rationalisation and optimisation savings and will provide an update to the market on the performance of the combined group at FY17 results.

Overview and outlook

As 3Q17 is Emeco’s last reporting period prior to the completion of the mergers with Andy’s Earthmovers and Orionstone, this presents an opportunity to reflect on Emeco’s evolution over the previous two years.

Since reporting Operating EBITDA of A\$43.4 million in FY15, the Emeco team has shown extraordinary cost discipline combined with a focus on operational excellence to drive earnings to A\$20.4 million in 3Q17

(equivalent to A\$81.5 million on an annualised basis), despite challenging market conditions, with Operating EBITDA margins increasing substantially from 18% to 41% over this time.

Although the focus on operational excellence remains strong, the completion of the mergers with Orionstone and Andy's Earthmovers, together with improving market conditions, provide a platform to grow Emeco's revenue to drive the next phase of earnings growth. The key drivers of growth are expected to be the large addition of fleet and the widening of Emeco's value proposition to create baseload projects with increased tenure. Approximately 150 machines from Orionstone's fleet are ideally located to take advantage of increasing demand in Queensland, particularly from Bowen Basin coking coal operations with several pre-strip projects expected to commence in FY18. Emeco's ability to secure new project opportunities, particularly in the junior to mid-market space, is evidenced by the recent award of stage one of CuDeco's Rocklands Copper Mine.

Managing Director and CEO Ian Testrow said: "I am extremely proud of Emeco's performance over the past two years. The team has made considerable progress in reducing cost in our business and we are well placed to take advantage of improving market conditions. Our mergers with Andy's and Orionstone are occurring at a great time to position the business to further improve operating utilisation, widen our customer value proposition and drive future financial performance for our stakeholders. We look forward to reporting 4Q17 performance as a combined group."

- END -

Investor and media enquiries

Thao Pham
Chief Legal, Risk & Business Transformation Officer
+61 8 9420 0222

Level 3, 71 Walters Drive, Osborne Park WA 6017, Australia
PO Box 1341, Osborne Park DC WA 6916, Australia
Emeco Holdings Limited ACN 112 188 815

T +61 (0) 8 9420 0222
F +61 (0) 8 9420 0205
E corporate@emecogroup.com

emecogroup.com

Established in 1972, Emeco is the world's largest, independent mining equipment rental business and currently services major resource projects across Australia, Canada and Chile. Emeco pursues a best in class asset management strategy and operates a global fleet of equipment from a range of original equipment manufacturers to deliver the most effective equipment rental and maintenance solutions for its customers. Emeco is a publicly listed company on the Australian Securities Exchange (ASX:EHL).