

Market Release  
17 April 2013

## EMECO OPERATING UPDATE

In February, Emeco Holdings Limited (ASX:EHL) ('Emeco' or 'the Company') advised that it expected earnings in the second half to be slightly below those of the first half. The Company today provided an update on operating conditions and outlook.

Operating Net Profit after Tax (NPAT) for FY13 is expected to be in the range of \$40m to \$44m. Earnings in the second half reflect challenging market conditions in Australia and Indonesia and strong conditions in Chile and Canada. In addition:

- Australia has experienced delays in the awarding of work and a competitive environment which has impacted margins;
- in Indonesia there is expected to be limited opportunities for utilisation improvements until early FY14, following the expected end of a major contract recently;
- despite temporary delays mobilising equipment to a new project site in Chile, the fleet in that region totaling \$78m is now fully utilised; and
- as reported in February, Canadian utilisation was above 90% prior to the thaw period and is now following expected seasonal trends.

Global utilisation is currently 55% compared with 67% at the time of the half year results.

### Operational Focus

The Company continues its disciplined approach to managing operating costs and capital expenditure in order to maintain strong cashflow generation. Since Emeco's results release in February:

- the Australian and Indonesian businesses have further reduced overheads and discretionary maintenance programs are being strictly controlled and prioritised;
- sustaining capex (excluding disposals) is expected to be \$25-30m during 2H13, in line with previous guidance; and
- no growth capital has been committed.

The Company expects its gearing to be around 2.0x Net Debt:EBITDA at the end of FY13, with on-going positive free cashflow generation directed to reducing debt in the short term.

Opportunities to redeploy idle equipment to rental projects in other geographies are being explored, with \$40m of fleet from Australia, Indonesia and Canada being redeployed to Chile during FY13. Chief Executive Officer, Keith Gordon said "Our capability to redeploy equipment between geographies as activity in each market changes is a very positive aspect of our business today."

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**Outlook**

Notwithstanding the challenging conditions in Australia and Indonesia, the Company remains positive about its prospects for these markets in FY14 and continues to experience strong market conditions in Canada and Chile.

“We are working on a number of encouraging opportunities in the Australian market which we anticipate will come to fruition towards the end of FY13 and provide positive momentum in utilisation heading into FY14,” Mr Gordon said. “In Canada, we have continued to develop our direct relationships with oil producers and this is leading to opportunities to increase our maintenance services offering and equipment deployment levels during the summer period. In Indonesia, we are talking to a number of customers about projects commencing in early FY14 and our progress in Chile has been particularly pleasing with 100% of the fleet deployed to the market under contract.”

“As previously announced and following our successful entry into Chile, we are considering a number of new expansions in the broader Latin America region. We have recently agreed with the Board that we will dedicate some senior internal resources to bolster our international business development activity. As we have seen with Chile, developing our international presence will greatly enhance our operational flexibility and continue to strengthen the business through geographic and commodity diversification.”

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**About Emeco (ASX: EHL)**

Established in 1972, Emeco provides safe, reliable and maintained equipment solutions to the global mining industry. Operating out of Australia, Indonesia, Canada and Chile, Emeco’s experienced teams provide the highest levels of customer service and maintenance capabilities to safely deliver best-in-class equipment to the go line for mining companies. Emeco is not aligned with a single original equipment manufacturer (OEM), instead it operates a global fleet of OEM machines to deliver the most suitable equipment rental solutions for customers.