

24 August 2020

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

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Equity raising, debt reduction and extension

- **Emeco is today announcing a comprehensive package of capital structure initiatives which will enable Emeco to fully focus on the evolution of its business**
 - **A\$149 million underwritten accelerated pro-rata, non-renounceable entitlement offer**
 - **Repayment of 44% of Emeco's March 2022 Secured Notes, reducing Emeco's secured notes outstanding from A\$442 million to A\$250 million and saving A\$19 million of cash interest p.a.¹**
 - **Remaining notes maturity extended to 2024, eliminating 2022 refinancing task**
 - **Revolving credit facility to be extended to FY24**
- **The initiatives will significantly reduce Emeco's gross debt and net leverage ratio to 0.9x², strengthening Emeco's balance sheet to provide flexibility and support future growth**
- **Emeco will retain significant pro forma available liquidity of ~A\$153 million**
- **Emeco's FY21 outlook remains consistent with FY20 full year presentation commentary**

Emeco is pleased to announce a comprehensive package of capital structure initiatives, which will strengthen Emeco's balance sheet, provide flexibility and support future growth, as well as eliminating the Company's 2022 refinancing task and enabling it to fully focus on the evolution of its business.

The package includes the repayment of US\$142 million of Emeco's March 2022 Secured Notes and the extension of Emeco's remaining March 2022 Secured Notes and Emeco's revolving credit facility to FY24. To support the repayment of the March 2022 Secured Notes, Emeco is conducting an underwritten accelerated pro-rata, non-renounceable entitlement offer to raise approximately A\$149 million (**Entitlement Offer**). The initiatives will reduce gross debt, saving A\$19 million of cash interest per annum¹, and reduces Emeco's leverage ratio to 0.9x².

¹ Assumed interest saving of USD\$142 million notes at 9.86% effective interest fully hedged at 0.7293 (does not include any savings on RCF interest).

² Net Debt / Operating EBITDA (before the impact of AASB16 Leases).

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Emeco Managing Director and CEO, Mr Ian Testrow, commented: “The package of initiatives we are announcing today will set Emeco up for future success, particularly in an uncertain global macroeconomic environment impacted by COVID-19. Reducing our gross debt and eliminating our 2022 refinancing task means that we can fully focus on running the business and continue our evolution to becoming a leading mining services solutions provider.

“In FY21 we will continue to diversify our commodity and customer mix, increase our service levels and win long term projects, which will provide a platform for growth in FY22.”

EXTENSION OF SECURED NOTES TO MARCH 2024

As part of privately negotiated transactions, Emeco has obtained binding pre-commitments from individual major noteholders (including Black Diamond) to exchange US\$180 million of existing notes due March 2022 for US\$180 million of new notes (A\$250 million equivalent³) due March 2024. The new notes will have the same coupon as the existing notes (9.25% per annum) and will continue to be fully hedged.

Emeco intends to completely pay off the balance of its existing notes due March 2022 with the net proceeds from the equity raise and cash on hand. The repayment will reduce cash interest costs by ~A\$19 million p.a.¹ and reduces Emeco’s leverage ratio to 0.9x⁴.

For further information about Emeco’s pro forma capital structure, please see the investor presentation lodged with ASX today.

EXTENDED REVOLVING CREDIT FACILITY

Repaying existing 2022 notes enables Emeco to exercise its option to extend revolving credit facility (**RCF**) maturity to September 2023, which it intends to do.

After the transaction, Emeco will have total available liquidity of A\$153 million.

EQUITY RAISING OVERVIEW

Under the Entitlement Offer, eligible shareholders are invited to subscribe for one new Emeco share (**New Shares**) for every 2.10 existing Emeco shares held as at 7:00pm (Sydney time) on Wednesday, 26 August 2020 (**Record Date**).

All shares offered under the Entitlement Offer will be issued at a price of \$0.85 per New Share, which represents a:

- 12.8% discount to the TERP⁵ of \$0.98; and
- 17.9% discount to the last traded price of \$1.035 on Friday 21 August 2020.

Approximately 175.5 million new Emeco shares will be issued under the Entitlement Offer. Each New Share issued under the Entitlement Offer will rank equally with existing Emeco shares on issue. Emeco will, upon issue of the New Shares under the Entitlement Offer, seek quotation of the New Shares on the ASX.

³ Assumed USD\$180m notes fully hedged to maturity at 31 March 2024 at an assumed rate of 0.72.

⁴ Pro Forma Net Debt / FY20A EBITDA (before the impact of AASB16 Leases).

⁵ The theoretical ex-rights price (“TERP”) is the theoretical price at which Emeco shares should trade at immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which Emeco shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to Emeco’s last traded price of \$1.035 on Friday 21 August 2020.

Eligible institutional shareholders will be invited to participate in the accelerated institutional component of the Entitlement Offer (**Institutional Entitlement Offer**), which is being conducted today, Monday 24 August 2020. The retail component of the Entitlement Offer (Retail Entitlement Offer) will be open to eligible retail shareholders with a registered address in Australia or New Zealand from Monday 31 August 2020 to Tuesday 15 September 2020. An offer booklet in respect of the Retail Entitlement Offer is expected to be mailed to eligible retail shareholders on Monday 31 August 2020.

The Entitlement Offer is non-renounceable and entitlements will not be tradeable or otherwise transferrable.

Major shareholder Black Diamond has committed to take up its pro-rata entitlement in the equity raising and is underwriting institutional and retail shortfall on a first priority basis for a total additional commitment representing up to 3% of shares on issue post the Offer.⁶

OFFER TIMETABLE

An indicative timetable of key dates in relation to the Entitlement Offer is set out below. All dates and times are references to Sydney, Australia.

Event	Date (Sydney time)
Trading halt and announcement of Entitlement Offer Institutional Entitlement Offer opens	Monday, 24 August 2020
Institutional Entitlement Offer closes	Monday, 24 August 2020
Trading halt lifted and trading resumes on an "ex-entitlement" basis	Tuesday, 25 August 2020
Record Date for determining Eligible Shareholders under the Entitlement Offer	7:00pm Wednesday, 26 August 2020
Retail Entitlement Offer opens and Retail Offer Booklet despatched	Monday, 31 August 2020
Settlement of New Shares issued under the Institutional Entitlement Offer	Tuesday, 1 September 2020
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer	Wednesday, 2 September 2020
Retail Entitlement Offer closes	5.00pm Tuesday, 15 September 2020
Settlement of Retail Entitlement Offer	Monday, 21 September 2020
Allotment of New Shares issued under the Retail Entitlement Offer	Tuesday, 22 September 2020
Retail Offer Shares commence trading on ASX (normal basis)	Wednesday, 23 September 2020
Despatch of holding statements and normal trading of New Shares issued under Retail Entitlement Offer	Thursday, 24 September 2020

Note: The timetable above is indicative only and may be subject to change. Emeco reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Emeco reserves the right to extend the closing date of the Entitlement Offer, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares.

⁶ Black Diamond's shareholding after the transaction will be a maximum of 26.43% of Emeco's shares on issue. Black Diamond will not receive a sub-underwriting fee. See the investor presentation released to ASX today for further information about Black Diamond's sub-underwriting arrangements.

FURTHER INFORMATION

Further details of the Entitlement Offer are set out in the investor presentation also provided to the ASX today. The investor presentation contains important information including key risks and foreign selling restrictions with respect to the Entitlement Offer.

A conference call will be held at 11.00am AEST, Monday 24 August 2020. Dial in details below.

Toll free number:	1800 123 296
Toll and international number:	+61 2 8038 5221
Conference ID:	8667996

If you have any questions in relation to the Entitlement Offer, please contact the Emeco Entitlement Offer Information Line on 1800 689 300 (within Australia) or +61 1800 689 300 (outside of Australia) between 8:30am and 5:00pm (Sydney time) Monday to Friday. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

Goldman Sachs Australia Pty Ltd and Macquarie Capital (Australia) Limited are acting as Joint Lead Managers and Underwriters of the Offer (the **Underwriters**) and Hogan Lovells is acting as legal adviser to Emeco.

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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. All dollar amounts are in Australian dollars unless otherwise indicated.

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This announcement contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "outlook", "guidance" and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, indications of, or guidance or outlook on, future earnings or financial position or performance of Emeco the outcome and effects of the Offer and the use of proceeds. The forward looking statements contained in this announcement are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Emeco, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Refer to the risks section of this announcement for a summary of certain general and Emeco specific risk factors that may affect Emeco.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements, including the risk factors set out in this announcement. Investors should consider the forward looking statements contained in this announcement in light of those disclosures and not place reliance on such statements. The forward looking statements are based on information available to Emeco as at the date of this announcement. To the maximum extent permitted by law, Emeco and its directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.

Except as required by law or regulation (including the ASX Listing Rules), Emeco undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.