Engenco

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2011 Financial Results: Engenco delivers strong turnaround

- **Net profit after tax of $4.9M; up from $116.5M loss the previous year**
- **First phase of business review and turnaround complete**
- **Strong cash position of $10.5M**
- **Comfortable headroom in bank facilities**
- **Strong prospects for growth**

Engenco Limited (ASX EGN), provider of technical products and solutions to the rail, transport, resources, and defence markets, has today delivered the first phase of its turnaround, posting a $4.9 million profit which is at the upper end of the revised guidance.

The return to profitability follows an aggressive restructure of the business over the last year which included the divestment of a number of underperforming businesses, an intensive capital and expense management process, and the appointment of a new management team led by Vince De Santis as Managing Director.

Key financials

	FY11 ($M)	FY10 ($M)	Change
Revenue from continuing Operations*	**199.3**	**167.8**	**Up $31.5M (18.8%)**
EBITDA	**27.9**	**5.7**	**Up $22.2M (389%)**
NPAT including discontinued operations and one-off adjustments	**4.9**	**(116.5)**	**Up $121.4M**
NPAT excluding discontinued operations and one-off adjustments	**6.6**	**(21.2)**	**Up $27.8M**
Net Assets	**181.4**	**53.6**	**Up $127.8M (238%)**
Financial Liabilities	**53.4**	**113.2**	**Down $59.8M (53%)**
Gearing	**22%**	**206%**	**Down 89%.**

*excludes results of disposed entities in both years

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Total revenue in the consolidated group including discontinued operations was down marginally to $207.4M. However, revenue for the continuing operations in the consolidated group was $199.3M, up from $167.8M the previous year, which is a positive indication for future years.

NPAT was significantly improved from a loss of $116.5M last year to a profit of $4.9M. The improvement in profitability was a result of focusing on the performance of core businesses, strong cost management and divestment of loss making businesses including FCD Logistics, Eden Cryogenics and Claw Environmental; and South Spur Rail Services in the prior year. Engenco has also exited other loss making operations including residual Coote Logistics activities and US businesses Hyradix and CTS.

“Our focus for the year was on consolidation and strengthening the underlying business,” said Managing Director Vince De Santis.

“Reported revenue including discontinued operations has decreased marginally due to divestment activity, but profitability of the remaining core businesses has vindicated the divestment strategy.”

Financial liabilities were significantly reduced for the period driven by $37.8M bank loan repayments from proceeds of divestments and capital raising activity, with a positive impact on gearing down to 22% from 206% the previous year. Engenco reduced bank debt during the year to $51.8M.

Key operational highlights:

- **Board restructure:** A number of new board appointments were made, initially to re-form the board when Dale Elphinstone and Vince De Santis joined. Ross Dunning AC joined as an independent non-executive director bringing considerable rail industry experience to the board.
- **Company name change:** Reflective of the changes in the business the name change to Engenco Limited was entrenched.
- **Capital raising:** $85.2m was raised to fund the restructuring strategy, provide stable funding and assist in providing investment capital to previously locked growth opportunities.
- **Divestment and exit of loss making operations:** Sale of Coote Logistics and Eden Cryogenics LLC businesses and exit from miscellaneous activities removed distracting and loss making segments and allowed a focussed effort on core businesses. All continuing businesses are now profitable.
- **Relocation of corporate headquarters:** Establishment of Melbourne CBD corporate office to improve the efficiency of central accounting and corporate functions.
- **Bank debt facilities:** Funding secured for a further two years.

“The divestment of underperforming assets and a more focused approach on growth has contributed to the much improved financial performance. These, however, are just the first steps in our journey. We remain committed to growing revenue, carefully managing cost and maximising opportunities emanating from our capability and capacity to provide sustained business performance,” said Mr De Santis.

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"Signs of recovery in the first half gained inertia and eventuated in a relatively strong second half. Strategic Business Units Drivetrain, Gemco, Momentum, CERT, Convair and Greentrains emerged from historically constrained conditions and used their entrenched market positions and improved management regimes to contribute far more positively than in recent years."

Outlook

"The durability of the Group's result is underpinned by continued, detailed business planning and execution, rigorous capital allocation and focus on maximising value from core business activities. The Group's recovery process and improvement in performance is expected to be steady and sustainable over a three to five year period. Significant cost savings are expected through continued Group integration and collaboration initiatives. Execution of growth plans in the rail maintenance, turbocharger and gas compression business streams are well underway. We are expecting these and organic growth opportunities of existing core business sectors to be key revenue and profit growth drivers in future years," Mr De Santis concluded.

About Engenco Limited

Engenco (EGN), previously Coote Industrial, specialises in:

- Maintenance, repair and overhaul of heavy duty engines, powertrain and propulsion systems
- Maintenance, repair and overhaul of locomotives
- Manufacture and maintenance of freight wagons, other rollingstock and associated rail equipment
- Project management, training and workforce provisioning services
- Manufacture and supply of road transport and storage tankers for dry bulk products
- Leasing of locomotives, wagons and other rail equipment.

EGN services a diverse client base across the defence, resources, marine, power generation, rail, heavy industrial and infrastructure sectors.

EGN employs around 700 people operating from more than twenty locations in six countries.

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