

22 August 2019

Engenco FY19 results

- Revenue \$174.9 million, up 11.1%*
- EBITDA \$16.6 million
- Net operating cash flow \$12.3 million
- Final dividend 1.5 cents per share, fully franked

*all figures compare FY19 with FY18 unless otherwise stated

Engenco Limited (ASX:EGN), today announced a net profit before tax of \$12.7 million, in line with the previous corresponding year (FY18: \$13.0 million). Net profit after tax, was \$14.3 million, down from \$18.0 million in the previous corresponding year when the Company recognised a significant income tax benefit.

Revenue was \$174.9 million, up 11.1% (FY18: \$157.3 million), reflecting the continued success of the Group's multi-year strategy to increase market share through increasing capacity, capability and product innovation. Net operating cash flow was \$12.3 million, up 48.6% (FY18: \$8.3 million). At 30 June 2019, cash was \$23.4 million.

The directors have declared a fully franked final dividend of 1.5 cents per share (FY18: 1.0 cent), payable on 26 September 2019 to shareholders on the register at 6 September 2019.

Results summary	FY19 \$000	FY18 \$000	% change
Revenue	174,850	157,336	11.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	16,627	17,320	(4.0)
Earnings before interest and tax (EBIT)	13,012	13,490	(3.5)
Net profit before tax	12,690	13,014	(2.5)
Net profit after tax*	14,227	18,003	(21.0)
Earnings per share (cents)	4.54	5.74	(20.9)
Dividend (cents) – fully franked	1.5	1.0	50

* After recognising a proportion of tax losses that have been carried forward

Kevin Pallas, Engenco's Managing Director and CEO said: 'This was a solid performance. We achieved strong sales momentum as we expanded our range of goods and services. Focus on building long-term

repeat business with major customers has positioned the Group well for further expansion. Margin performance was lower, reflecting investment in development projects.

‘Expansion of our rail business is helping to build a stronger, more resilient group, supported by an increasingly skilled team with a high-performance service culture. We extended facilities on the east coast at Newcastle, Telara and in central Queensland, and modernised facilities in Western Australia to enable economic refurbishment of heavy haul rolling stock and components.

‘Our Momentum Rail business benefited from the successful completion of a major rail upgrade project in South Australia, and lean manufacturing initiatives increased the efficiency of our Convair business.

‘The Group’s return on capital employed (ROCE) ratio of 15% is encouraging, particularly as this excludes the effect of carry forward tax losses. Although lower than last year (FY18: 18%) this demonstrates the quality of Engenco’s performance and the efficiency of our capital deployment.

‘Our business continues to generate strong cash flow and the Group maintains a strong balance sheet.’

Operational report

	FY19 revenue \$000	FY18 revenue \$000	FY19 EBITDA \$000	FY18 EBITDA \$000
Drivetrain	47,902	52,915	5,563	7,977
Gemco Rail	68,009	54,196	12,425	9,462
Momentum Rail	23,685	19,001	2,837	3,000
CERT Training	11,475	12,280	1,967	3,590
Convair Engineering	17,128	15,593	1,540	1,437

Gemco Rail increased market share and revenue grew [25.5%] with expansion of the Group’s Newcastle facilities in New South Wales and further expansion of heavy maintenance activities and modernised wheel bearing refurbishment at Forrestfield, Western Australia. A new central Queensland facility is being upgraded to extend rail rolling stock maintenance services along Australia’s East coast, which will increase capacity to manage long-term contracts. Gemco Rail also broadened its product offerings through new partnerships with global original equipment manufacturers. EBITDA improved 31.3 percent to \$12.4 million.

Drivetrain was impacted by a lower Australian dollar and pricing competition which affected mature product lines. Revenue declined 9.5% to \$47.9 million and EBITDA was 30.3% lower at \$5.6 million. The business refocused on growth opportunities in the mining, mining contractor, transport, energy and defence industries. Supporting sales through more effective direct marketing has contributed to deeper customer relationships and higher demand for Drivetrain’s products and services. New specialist services for the gas compression market were launched successfully. The Hedemora Sweden business is now focused on the monetisation of the HS turbocharger range, and market development to replace original equipment manufacturers’ turbochargers with new, technically advanced efficiency units.

Momentum Rail revenue increased substantially to \$23.7 million from \$19.0 million, supported by large projects in the rail operations sector. EBITDA reduced slightly, reflecting lower margins on large contracts. This business continued to build its reputation as an employer of choice and as a prime provider of supplementary rail personnel. As the rail infrastructure sector is attracting significant government and private investment, Momentum Rail remains well positioned to contribute to nation-building projects, working closely with ‘tier 1’ infrastructure customers.

CERT Training, with Momentum Rail, provides diversity for our business. Revenue was less than the prior year although benefiting from improved demand for rail vocational training and the expansion of facilities in Western Australia. EBITDA reduced to \$2.0 million, reflecting investment to improve compliance and quality standards as well as investment in Australian Skills Quality Authority registration renewal.

Convair Engineering improved revenue and earnings, benefiting from a continued focus on production efficiency. This business is capitalising on strong demand for dry bulk goods tankers used in construction and infrastructure projects underway around Australia.

Outlook

Mr Pallas said: 'We have a multi-year investment strategy in place to increase revenue quality, drive operational efficiency and transition the Group to serve new growth opportunities in the mining, mining contracting, rail, heavy industrial and infrastructure sectors. Despite concerns about the external environment, these sectors continue to attract significant investment. We are working hard to increase the skills and services that we offer to customers and remain well-positioned to take advantage of growth opportunities.'

About Engenco

Engenco (EGN) is an industrial services group specialising in:

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

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

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