

Engenco



**INVESTOR PRESENTATION
FULL YEAR RESULTS** **FY19**

Company Highlights

Positive year for Engenco: continued strong revenue growth as we focus on our customers and invest in our operating footprint, delivering consistent profits and increased cashflow resulting in a 50% increase in the year end dividend.



Revenue (\$'000)



NPBT (\$'000)



EBITDA (\$'000)



Dividend (Cents)



Results summary

11.1%

INCREASE IN REVENUE

	2017 \$'000	2018 \$'000	2019 \$'000
Revenue	129,319	157,336	174,850
EBITDA	12,785	17,320	16,627
EBIT	9,117	13,490	13,012
Profit before tax	8,354	13,014	12,690
Profit after tax	8,309	18,003	14,227
Net operating cash flow	6,400	8,292	12,321
Net assets	57,011	73,218	84,075
Net cash	4,427	8,318	23,408
	%	%	%
Return on Capital Employed	16	18	15
	Cents	Cents	Cents
EPS (cents per share)	2.67	5.74	4.54

Note:

EBITDA is EBIT before depreciation and amortisation.

EBIT is earnings before finance costs and income tax expense.

EBITDA and EBIT are non-IFRS financial measures which have not been subject to review or audit by the Group's external auditors. These measures are presented to assist understanding of the underlying performance of the Group.

Balance Sheet and Capital Management

Our balance sheet has strengthened from last year and continues to be a platform for long term sustainable growth.

\$23.4m
NET CASH

NO
NET DEBT

\$17.1m
TOTAL NATIONAL
AUSTRALIA BANK
FACILITY

\$10m
NATIONAL
AUSTRALIA BANK
CASH FACILITY

Net Operating Cash Flow (\$m)



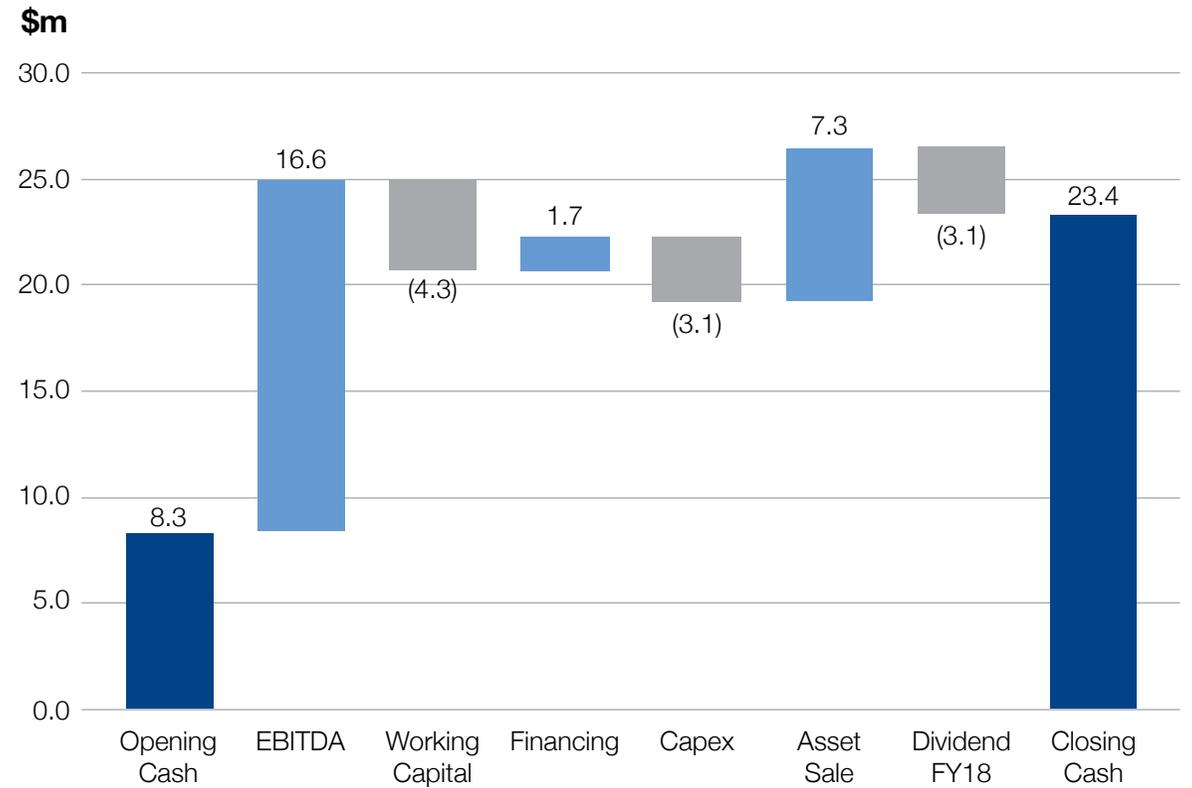
Net Assets (\$m)



Net Cash (\$m)



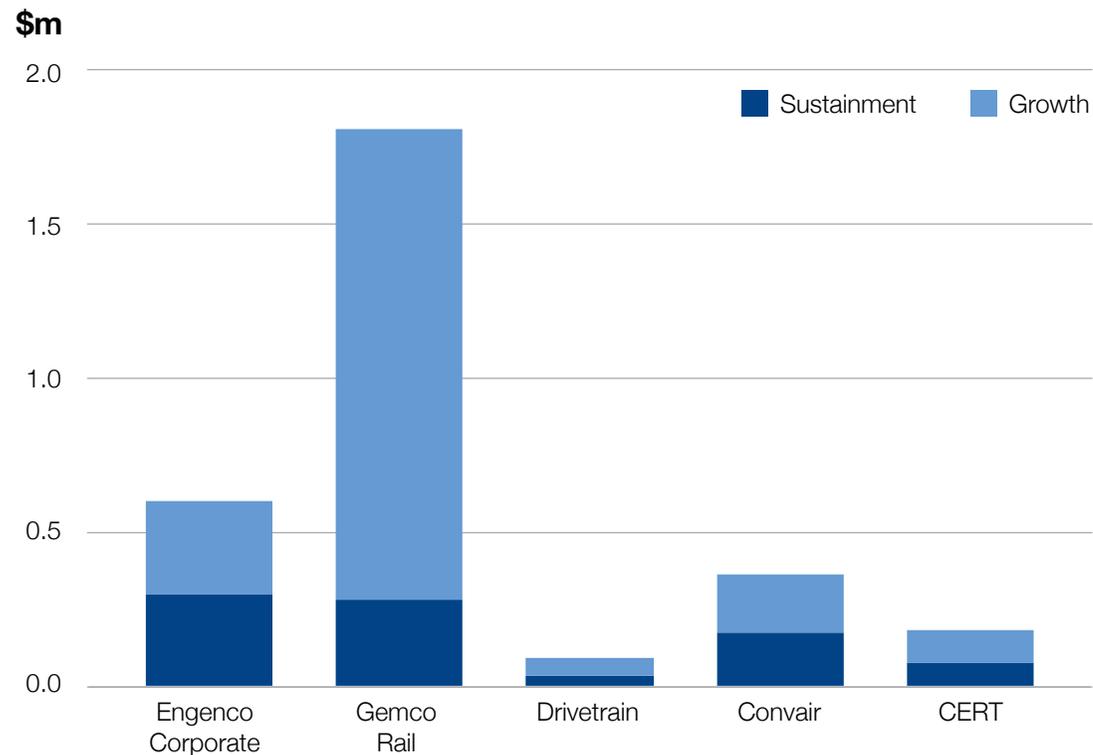
Major Cash Flow Movements



Sustainably Continuing to Grow

Our capital investment program continued throughout the year with \$3.1 million being invested in sustainment and growth projects.

Capex by Business Unit



Engenco Consolidated Actual Capex:

\$2.2m
GROWTH

\$0.9m
SUSTAINMENT

Dividend

Shareholders were rewarded with a final dividend of 1.5 cents per share (fully franked).

Payment date: 26 September 2019

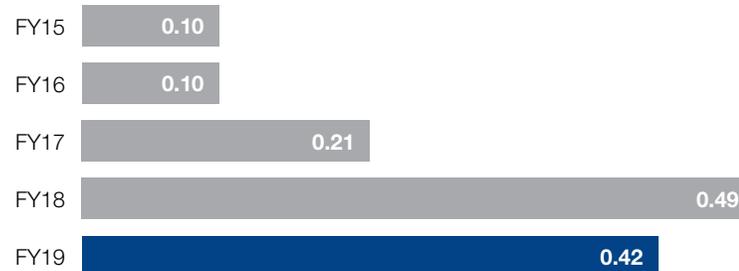
1.5cents
FINAL DIVIDEND
PER SHARE

EPS (cents)



30%
3 YEAR CAGR
ON EPS

Share price at 30 June (\$)



Dividend (cents)



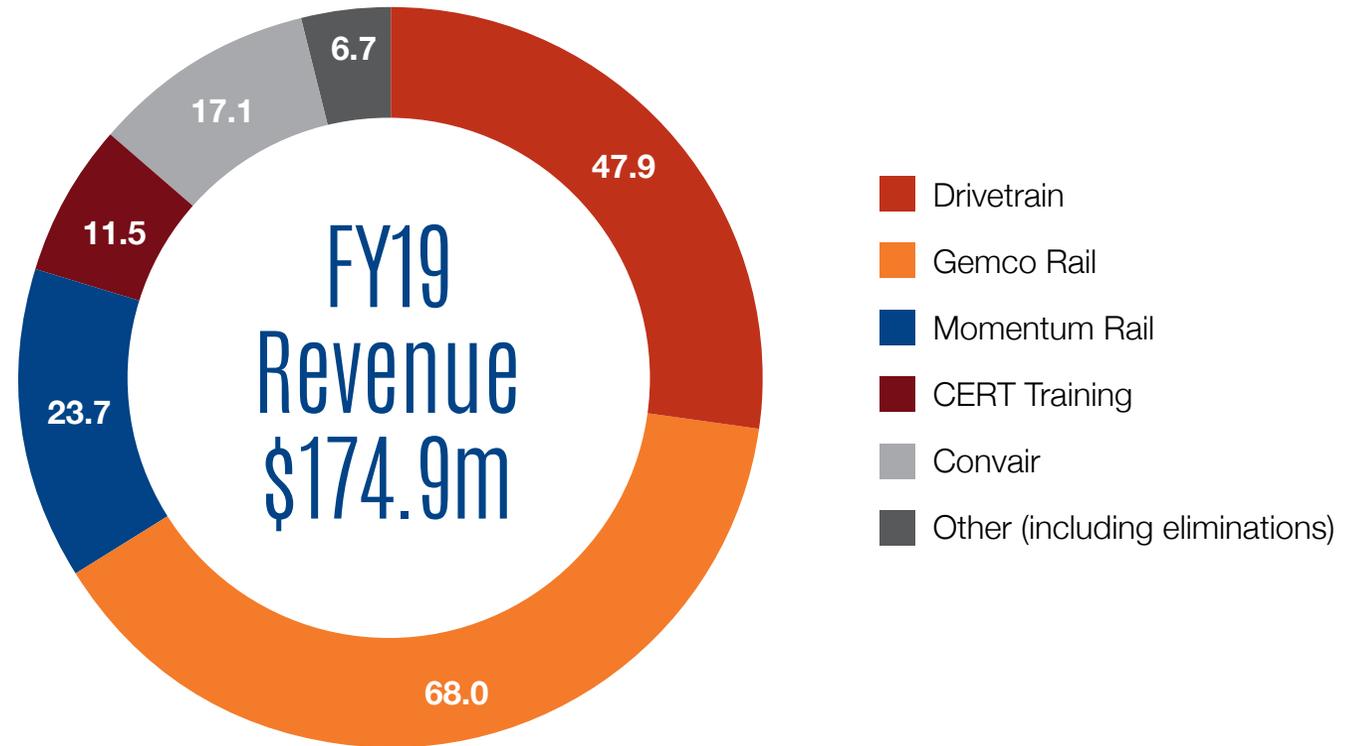
YEAR IN REVIEW



Business Unit Overview

Engenco businesses specialise 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; and
- Manufacture and supply of road transport and storage tankers for dry bulk products.



Rail and Road – Gemco Rail



Gemco Rail had a very strong year following successful investment strategies which are ongoing.

Key operations:

- Locomotive and wagon maintenance and refurbishment services;
- Rail sector wheelset, bearing and bogie services; and
- Engineering, design and manufacturing services.

FY19 achievements:

- Positive revenue trajectory driven by expansion of heavy maintenance activities and modernised wheel bearing refurbishment facility;
- Increased capacity via East coast expansion, including agreement to establish new Central Queensland facility; and
- Continued establishment of alliances with globally recognised OEM partners.

Outlook:

- Our customer satisfaction and service delivery has led to increased service outsourcing, supporting the positive trajectory for the business. Continued expansion of activities on the East coast is expected to contribute positively to the business in the future.

Rail and Road - Gemco Rail

Revenue (\$'000)



EBITDA (\$'000)



FTE at 30 June



FTE = full time equivalent



Rail and Road – Momentum Rail



Momentum achieved a strong revenue result in FY19 due to a major project and also maintained stable revenue from its loyal customers in the rail operations segment.

Key operations:

- Highly skilled rail operations personnel;
- Track protection services; and
- Rail infrastructure maintenance services.

FY19 achievements:

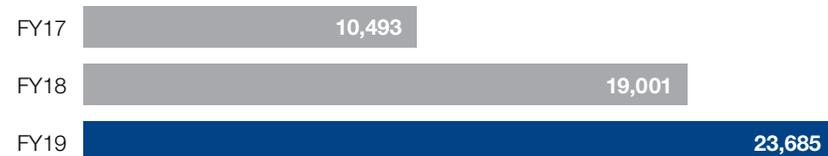
- Successful completion of major rail upgrade project in South Australia which resulted in over 160 extra FTE during its peak; and
- Continued to build on its reputation as an employer of choice and a prime provider of supplementary rail personnel.

Outlook:

- With the continued industry growth, Momentum is well positioned to contribute to nation-building projects, working closely with “tier 1” infrastructure and rail operations customers.

Rail and Road - Momentum Rail

Revenue (\$'000)



EBITDA (\$'000)



FTE at 30 June



Rail and Road – CERT Training



CERT's focus on compliance successfully saw it renew its RTO registration in FY19.

Key operations:

- Registered Training Organisation (RTO);
- Nationally recognised training services; and
- Development and implementation of training programs.

FY19 achievements:

- Renewal of RTO Registration by ASQA;
- Government funded training initiatives providing growth prospects; and
- Roll-out of technology to progress the “Paperless RTO” strategy.

Outlook:

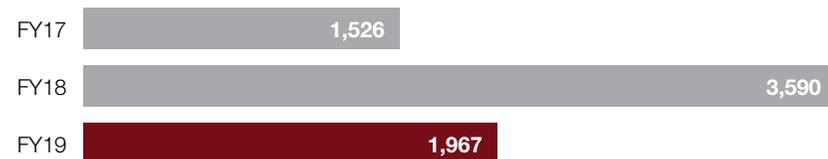
- Growing demand for rail operations training and certification in line with multiple long-term National rail projects.

Rail and Road - CERT Training

Revenue (\$'000)



EBITDA (\$'000)



FTE at June 30



Rail and Road – Convair



Convair continues to grow in both revenue and profitability driven by a buoyant construction sector.

Key operations:

- Manufacture of dry bulk goods tankers for road transportation;
- Distribution of imported aluminium dry bulk tankers; and
- Maintenance, repair and overhaul, parts sales and servicing capability.

FY19 achievements:

- Lean manufacturing initiatives (including new tanker design) resulting in improved production efficiency; and
- Capitalised on strong demand for tankers from the numerous construction and infrastructure projects around Australia.

Outlook:

- Focus on maintaining production efficiency improvements and providing a high quality product ensuring superior levels of customer satisfaction.

Rail and Road - Convaair

Revenue (\$'000)

FY17	13,507
FY18	15,593
FY19	17,128

EBITDA (\$'000)

FY17	1,160
FY18	1,437
FY19	1,540

FTE at June 30

FY17	33
FY18	33
FY19	33



Power and Propulsion – Drivetrain



Drivetrain continues to make significant contributions to the Group despite a year which saw a changed sales mix, lower Australian dollar and increased pricing competition.

Key operations:

- Mobile powertrain genuine component and spare parts distribution;
- Through-life support solutions; and
- Technical products and provision of engineering services.

FY19 achievements:

- Refined business structure to focus on growth opportunities in the mining, transport, energy and defence industries;
- Investments in strategic inventory and expansion of the product range; and
- The successful introduction of a range of innovative products.

Outlook:

- Growth prospects include: expanded technical services and products in the mining sector including the introduction of a mining utility vehicle, new specialist services in the gas compression market and ongoing support for the Collins Class Submarine life-extension program.

Power and Propulsion – Drivetrain

Revenue (\$'000)



EBITDA (\$'000)



FTE at June 30



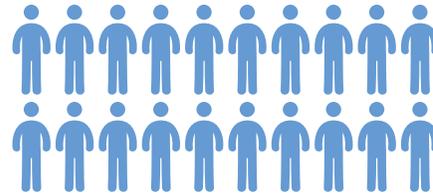
Engenco's Culture and Values

During FY19 we undertook a number of initiatives to enhance our employee culture.

- Ongoing investment in People and Culture programs will deliver positive outcomes as we continue to build our human capacity and foster a high performance environment throughout the business;
- The provision of a safe and secure workplace and being an “employer of choice” continue to be two of our key organisational objectives; and
- A high performance culture is growing across the business and in support of this a Group People and Culture Plan was introduced during the year. This initiative includes leadership development structures and enterprise-wide individual performance plans.

Employee Structure as at 30 June 2019

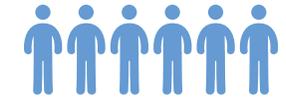
Gemco Rail - 197



Momentum - 76



CERT - 55



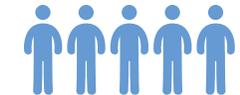
Convair - 33



Drivetrain - 67



Corporate - 47



Engenco's Health, Safety and Environment

Safety will always be the priority for Engenco.

In FY19:

- Total hours worked across the Group grew by 17% as the business continues to expand;
- The Group's Lost Time Injury Frequency Rate fell 57% from 4.90 to 2.07;
- Total recordable injury frequency rate saw a small rise due to an increase in medically treated injuries; and
- Rolled out a digital pre-start "take five" platform.

Outlook:

- Ongoing risk reviews have resulted in task modification, the introduction of automated technology and continuing employee education to ensure that Engenco continues to provide a safe working environment for all.

Lost Time Injury Frequency Rate



Total Recordable Injury Frequency Rate

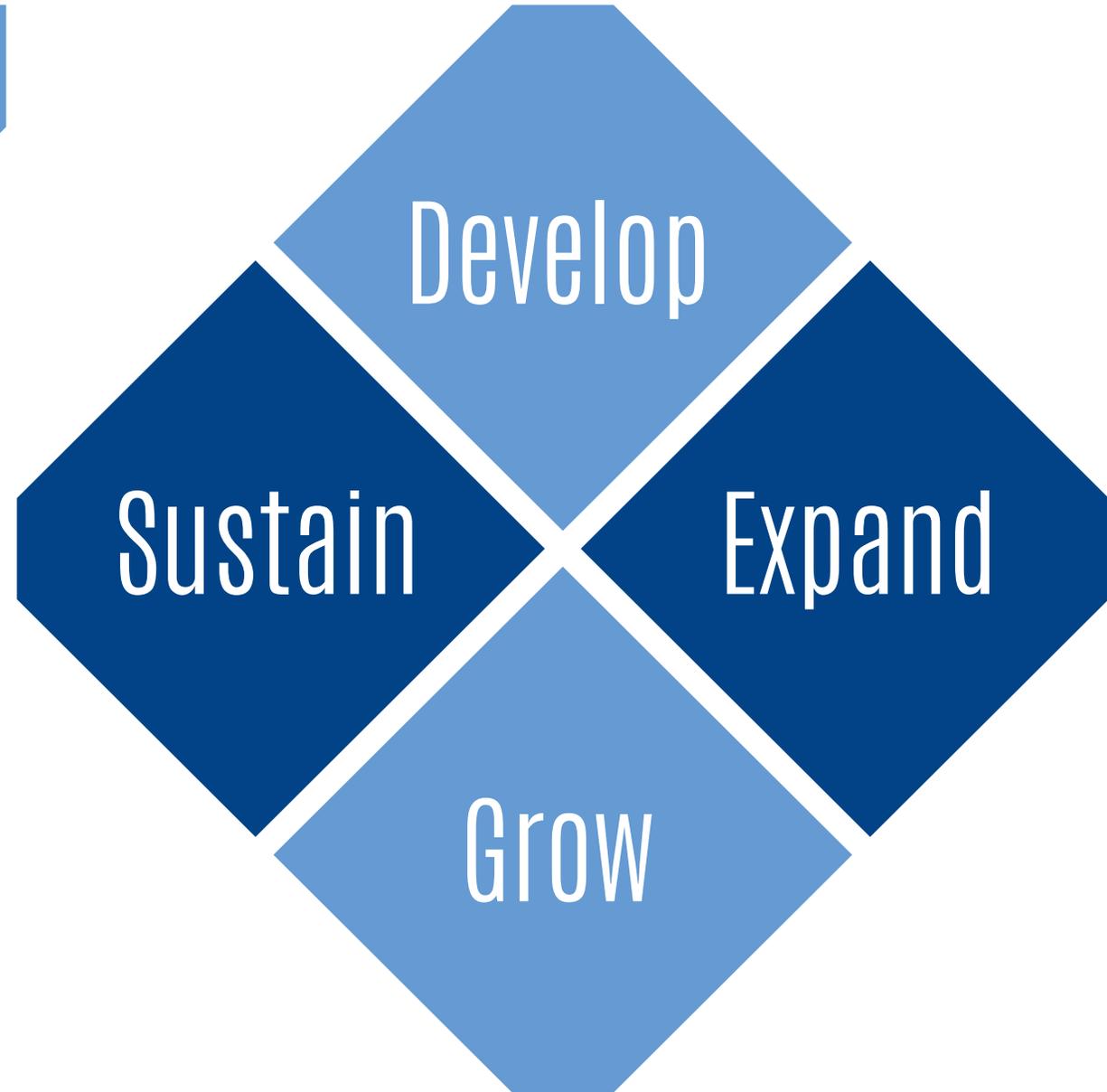




OUTLOOK

Group Strategy

The Group's multi-year strategy to expand its range of goods and services and investment in people, plant and technology is delivering long-term benefits on several fronts.



Group Outlook

Rail

We will continue investing in, and expanding our East coast rail facilities' capabilities and we are also well positioned to benefit from new rail infrastructure projects and ongoing demand for rail training and certification.

Power & Propulsion

The roll out of new products and services will create some great opportunities for Drivetrain in its core market segments.

People

The provision of a safe and secure workplace remains paramount as we continue to develop a high-performance culture and positive working environment.



APPENDIX



Board of Directors



Vincent De Santis

BCom, LLB (Hons)

Chairman since 24 March 2016, Non-Executive Director since 19 July 2010, Member of Audit and Risk Committee since 31 July 2013.



Kevin Pallas

BCom, MAICD

Member of the Board since 17 December 2014, Managing Director & CEO since 1 February 2015.



Dale Elphinstone AO

FAICD

Non-Executive Director since 19 July 2010.



Alison von Bibra

BSc, MBA

Independent Non-Executive Director and Member of the Audit and Risk Committee since 17 January 2017.



Ross Dunning AC

BE (Hons), BCom, FIE Aust, FIRSE, REPQ

Independent Non-Executive Director and Member of Audit and Risk Committee since 8 November 2010, Chairman of Audit and Risk Committee since 21 February 2017.

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