



ENGENCO LIMITED

INVESTOR PRESENTATION

Presented by: Vince De Santis (Chairman)
and Kevin Pallas (Managing Director & CEO)



FY18
RESULTS
SEPTEMBER 2018

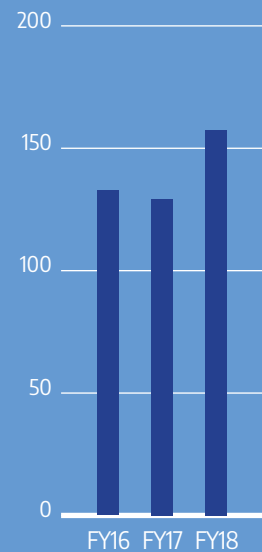


COMPANY HIGHLIGHTS

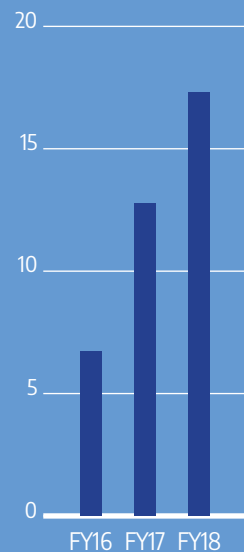
Another strong year for Engenco,

with revenue growth in every business unit, fixed costs under control and ongoing efficiency gains increasing group profitability.

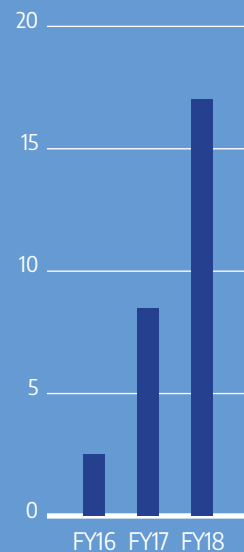
Revenue from continuing operations (\$000)



EBITDA from continuing operations (\$000)



Net Profit after tax from continuing operations (\$000)



112%

INCREASE IN
NET PROFIT
AFTER TAX

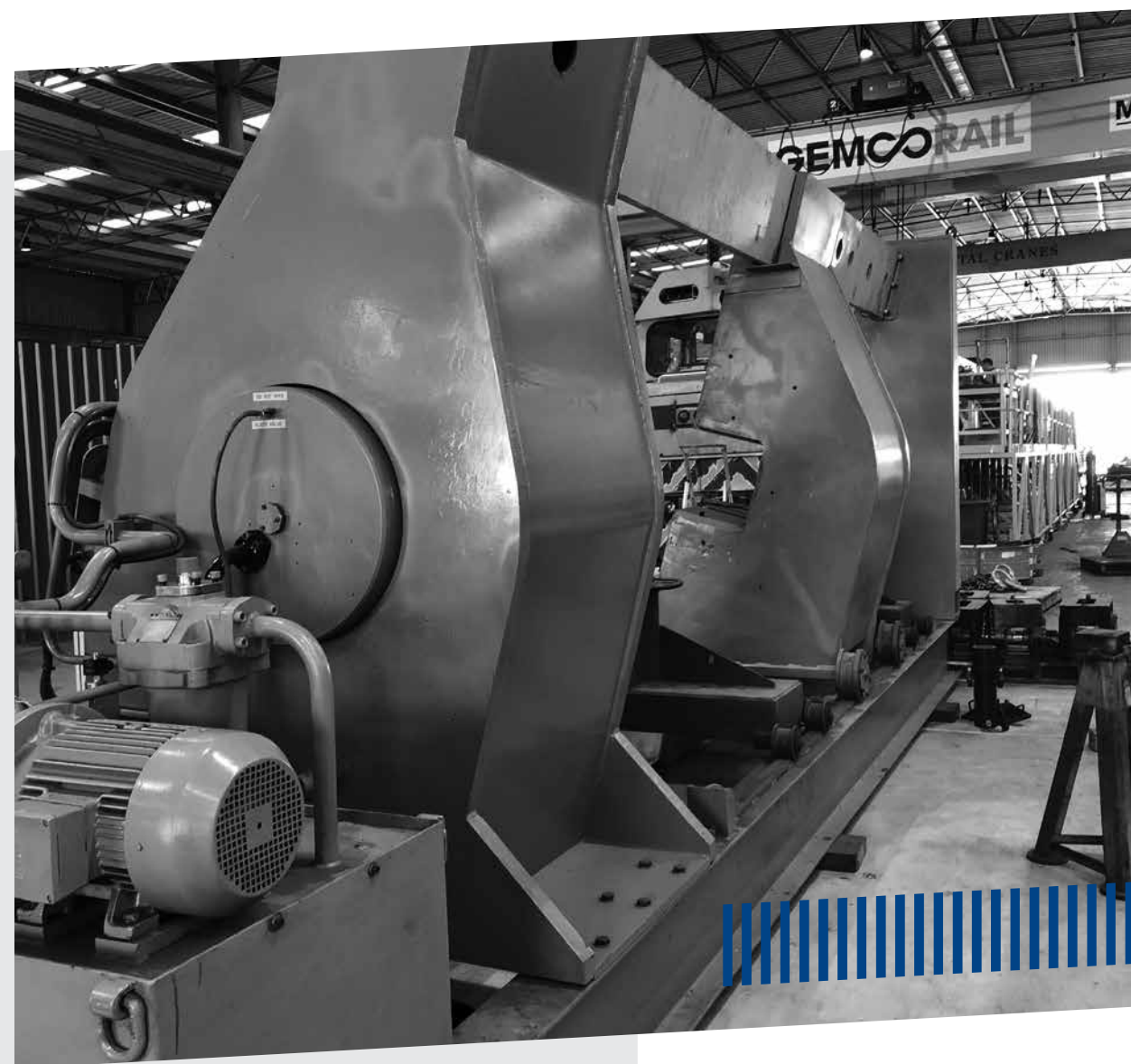
RESULTS SUMMARY

\$000	FY16	FY17	FY18
Revenue from continuing operations	132,764	129,319	157,336
EBITDA ² from continuing operations	6,722	12,785	17,320
EBIT ¹ from continuing operations	2,636	9,137	13,490
Profit / (loss) after tax from continuing operations	2,497	8,478	18,003
Profit / (loss) from discontinued operations, net of tax	1,643	(209)	–
Net operating cash flow	11,054	6,400	8,292
Net assets	49,094	57,011	73,218
Net cash / (debt)	(5,368)	4,697	8,318

¹ EBIT is earnings before finance costs and income tax expense.

² EBITDA is EBIT before depreciation and amortisation.

Note – EBIT and EBITDA 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.



Engenco

BALANCE SHEET AND CAPITAL MANAGEMENT

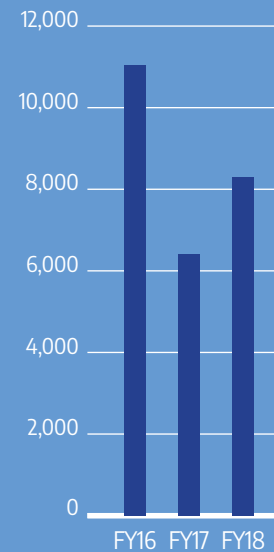
Our balance sheet now gives us a **strong foundation for sustainable growth.**

\$8.3m

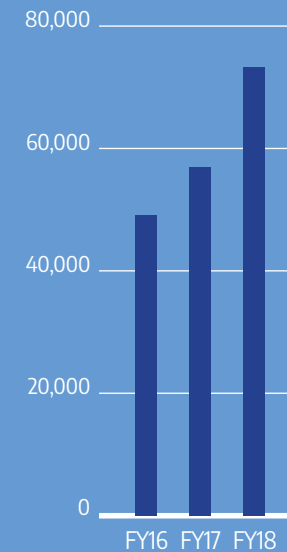
POSITIVE NET
CASH BALANCE
TO BEGIN FY19

- › Repayment of \$4 million in borrowings.
- › Announcement of agreement with National Australia Bank to establish a new \$12.6 million debt facility extending over a three-year period.
- › Began FY19 with a positive net cash balance of \$8.3 million.
- › No net debt at 30 June 2018.

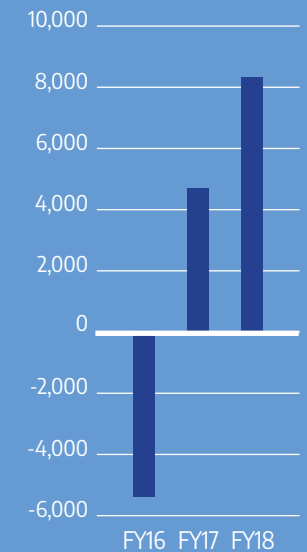
Net Operating Cash Flow \$'000



Net Assets \$'000



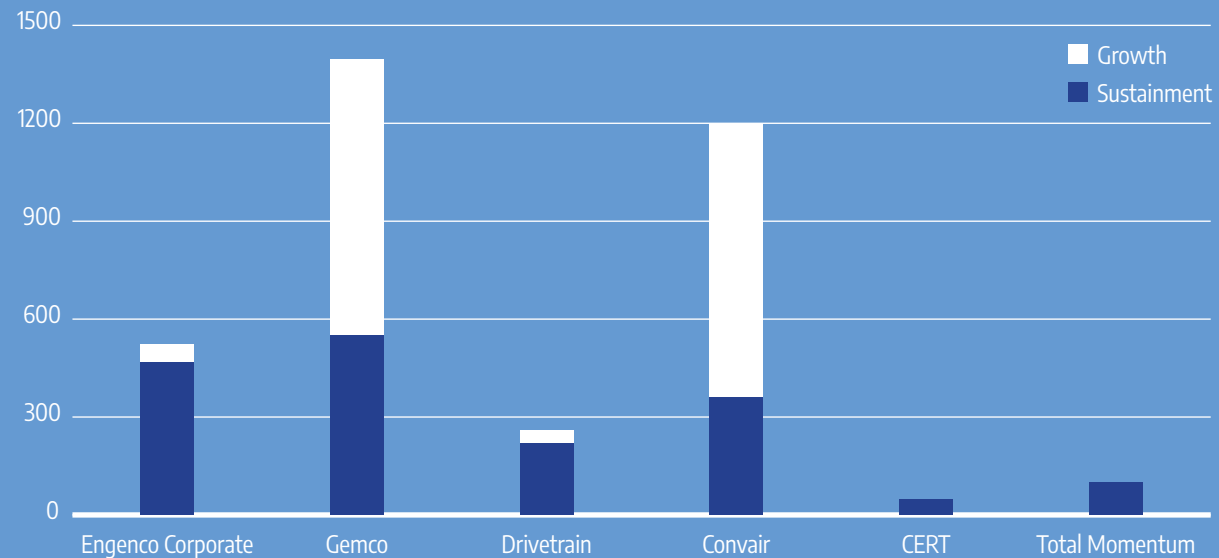
Net Cash \$'000



SUSTAINABLY CONTINUING TO GROW

There was modest capital expenditure during FY18, including growth programmes as we expanded branch networks and capabilities, whilst working capital requirements were commensurate with an expanding business.

FY18 Actual Capex By Business Unit (\$000)



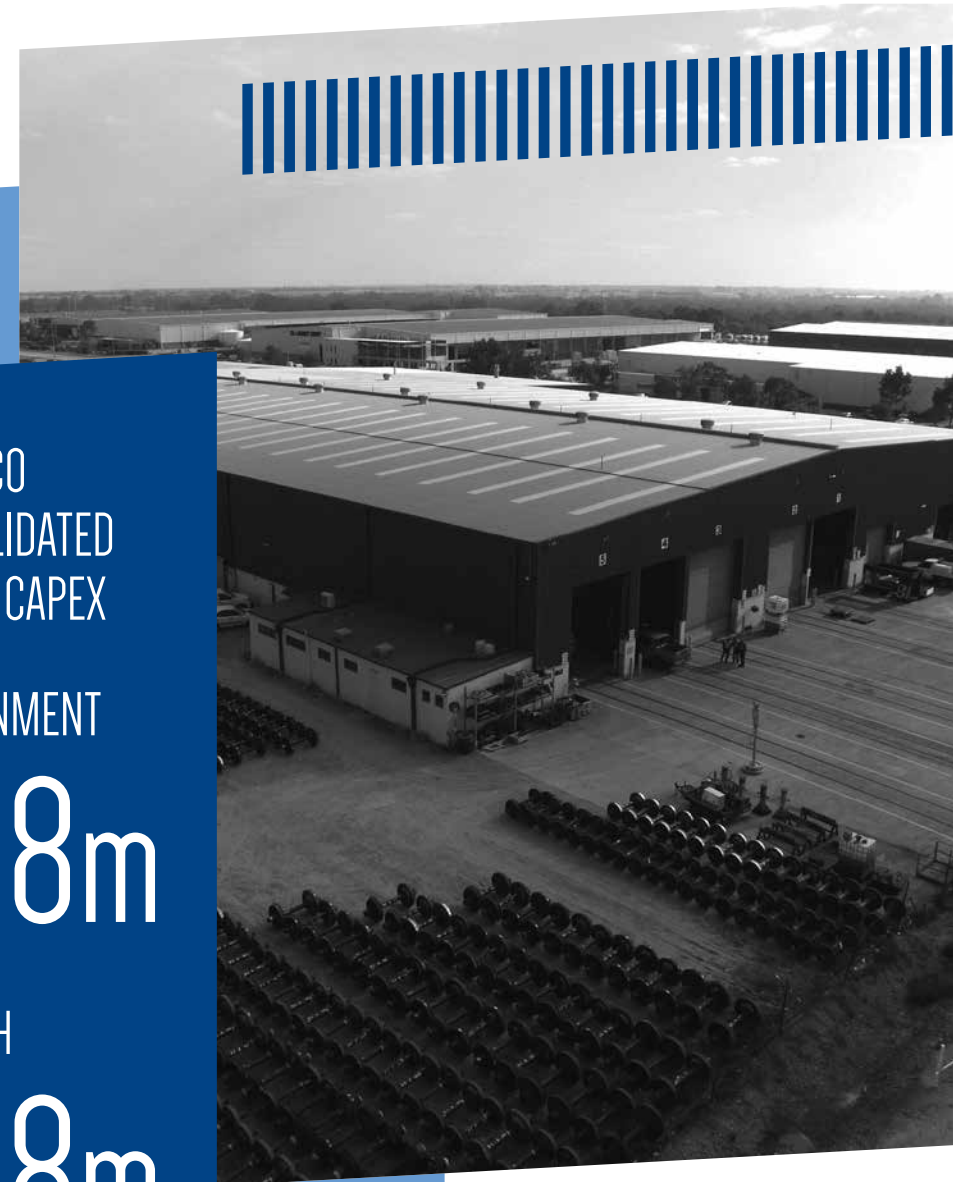
ENGENCO
CONSOLIDATED
ACTUAL CAPEX

SUSTAINMENT

\$1.8m

GROWTH

\$1.8m

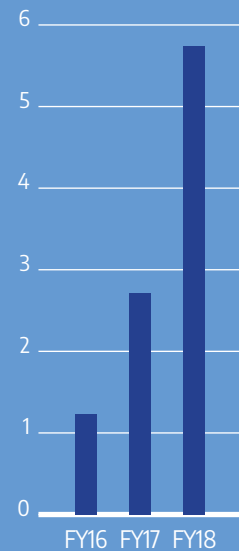


DIVIDEND

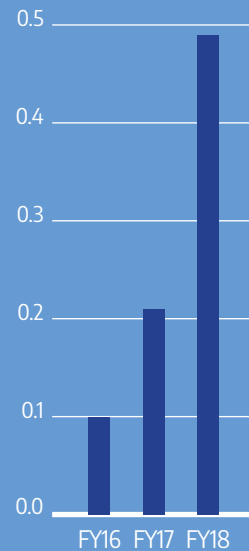
We are able to reward our shareholders with a final dividend of **1 cent per share** (fully franked), representing an increase of 100% over the previous year.

Payment Date: 27 September 2018

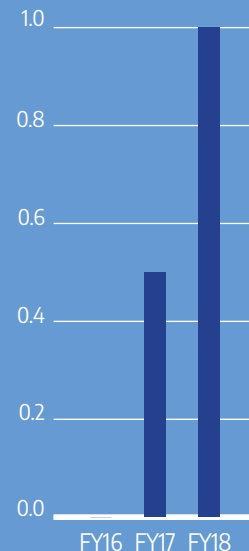
Basic Earnings Per Share (cents)



Share Price (at 30 June)



Dividend (cents) fully franked



100%

INCREASE IN
DIVIDEND OVER
LAST YEAR

YEAR IN REVIEW



GEMCORAIL
By Magellan Limited



BUSINESS OVERVIEW

The group provides a diverse range of engineering services and products through two business segments: **‘Power & Propulsion’** and **‘Rail and Road’**.

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.

Revenue by business unit

RAIL AND ROAD 66%

POWER AND PROPULSION 34%

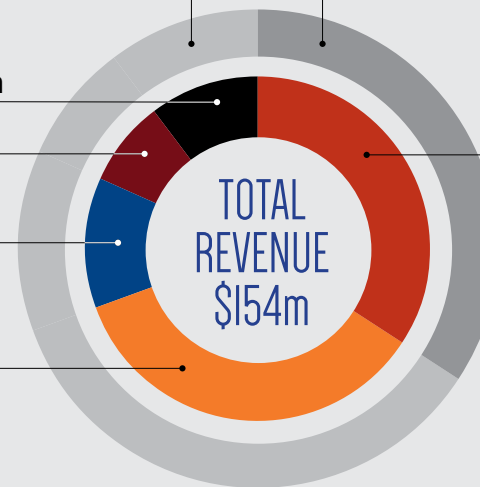
Convair Engineering **\$15.6m**

CERT Training **\$12.3m**

Total Momentum **\$19.0m**

Gemco Rail **\$54.2m**

Drivetrain **\$52.9m**



POWER AND PROPULSION

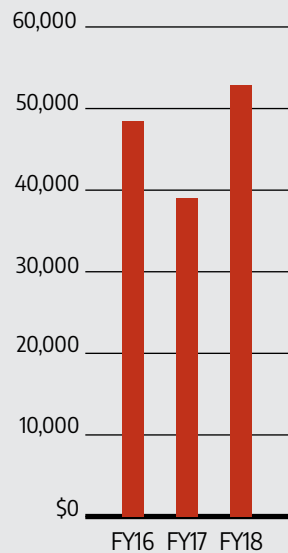


36%

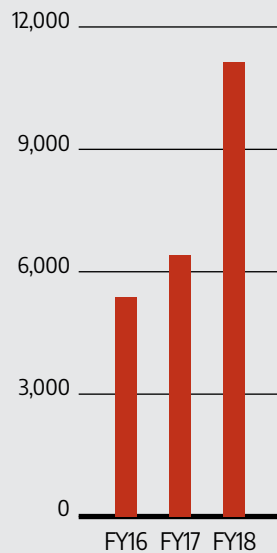
INCREASE IN REVENUE

Drivetrain had a very successful year, with substantially higher revenue and earnings.

Revenue



EBITDA



Key operations:

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

FY18 achievements:

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

Outlook:

- › Further growth prospects, particularly in the mining sector; new product and service offerings.



RAIL AND ROAD

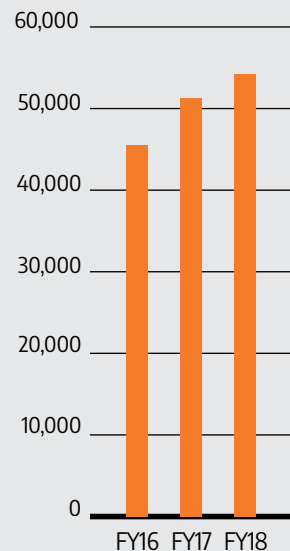
GEMCO RAIL

5.6%

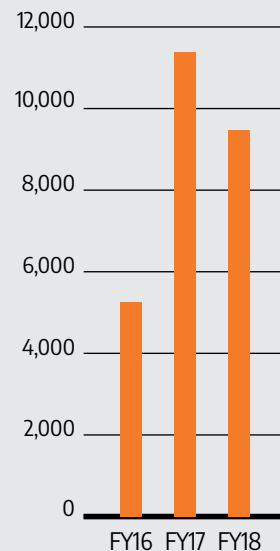
INCREASE IN REVENUE

Gemco Rail's revenue increased, helped by expansion of heavy maintenance activities at its Forrestfield, Western Australia and Dynon, Victoria facilities.

Revenue



EBITDA



Key operations:

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

FY18 achievements:

- › Positive revenue trajectory driven by expansion of heavy maintenance activities.
- › Increased maintenance and network capacity.
- › Continuing the development of alliances with globally recognised OEM partners.

Outlook:

- › The changing nature of rail operators' maintenance regimes has led to increased service outsourcing, providing greater opportunities for the business.
- › Expansion of activities on the east coast is expected to contribute positively to the business in the future.



Engenco

RAIL AND ROAD

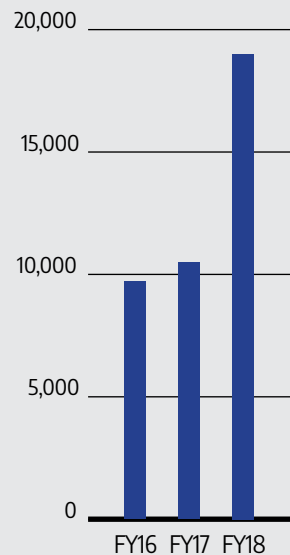


81%

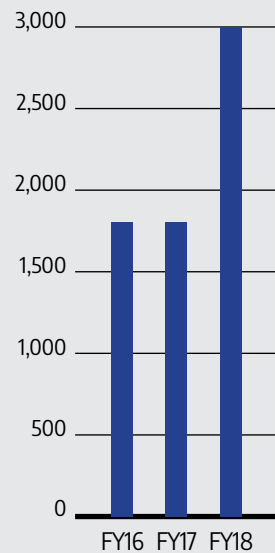
INCREASE IN REVENUE

Total Momentum performed well, with a strong rebound in revenue growth and a solid improvement in gross profit and earnings, helped by prudent control of operating expenses.

Revenue



EBITDA



Key operations:

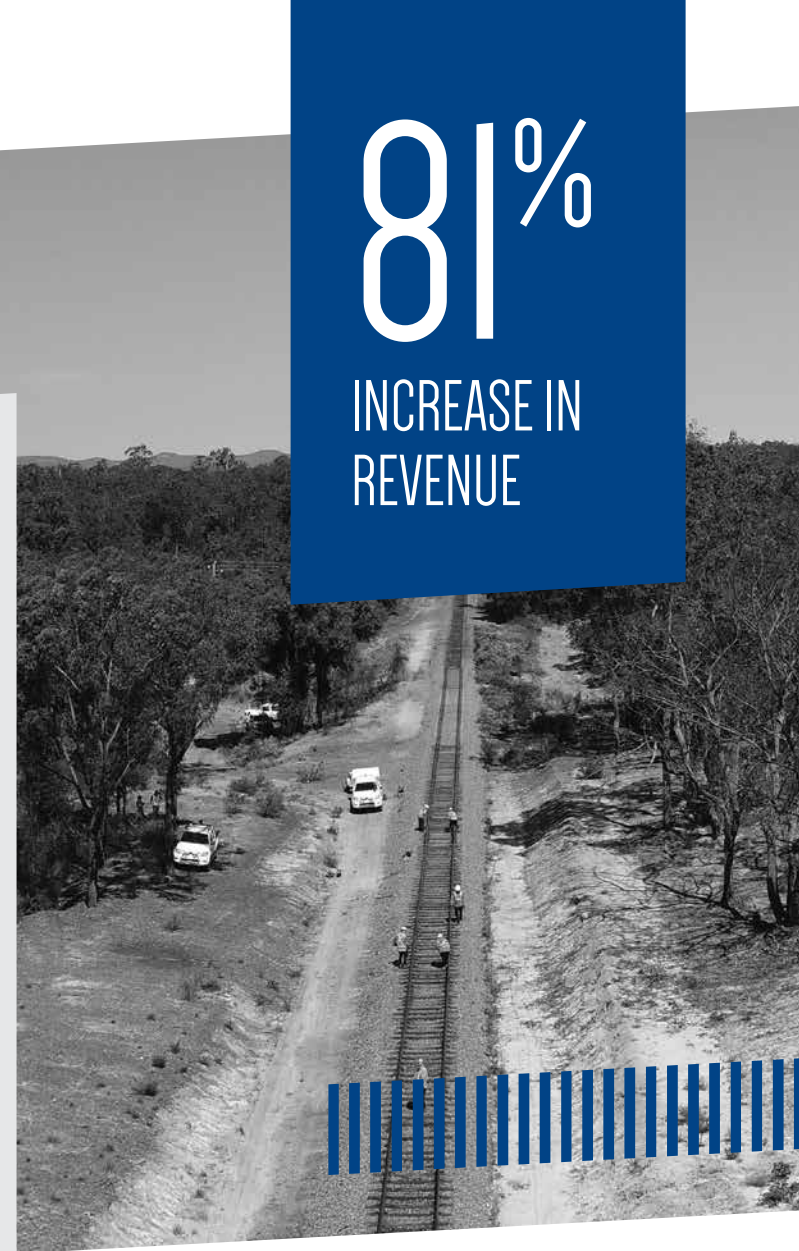
- › Highly skilled rail operations personnel.
- › Track protection services.
- › Rail infrastructure maintenance services.

FY18 achievements:

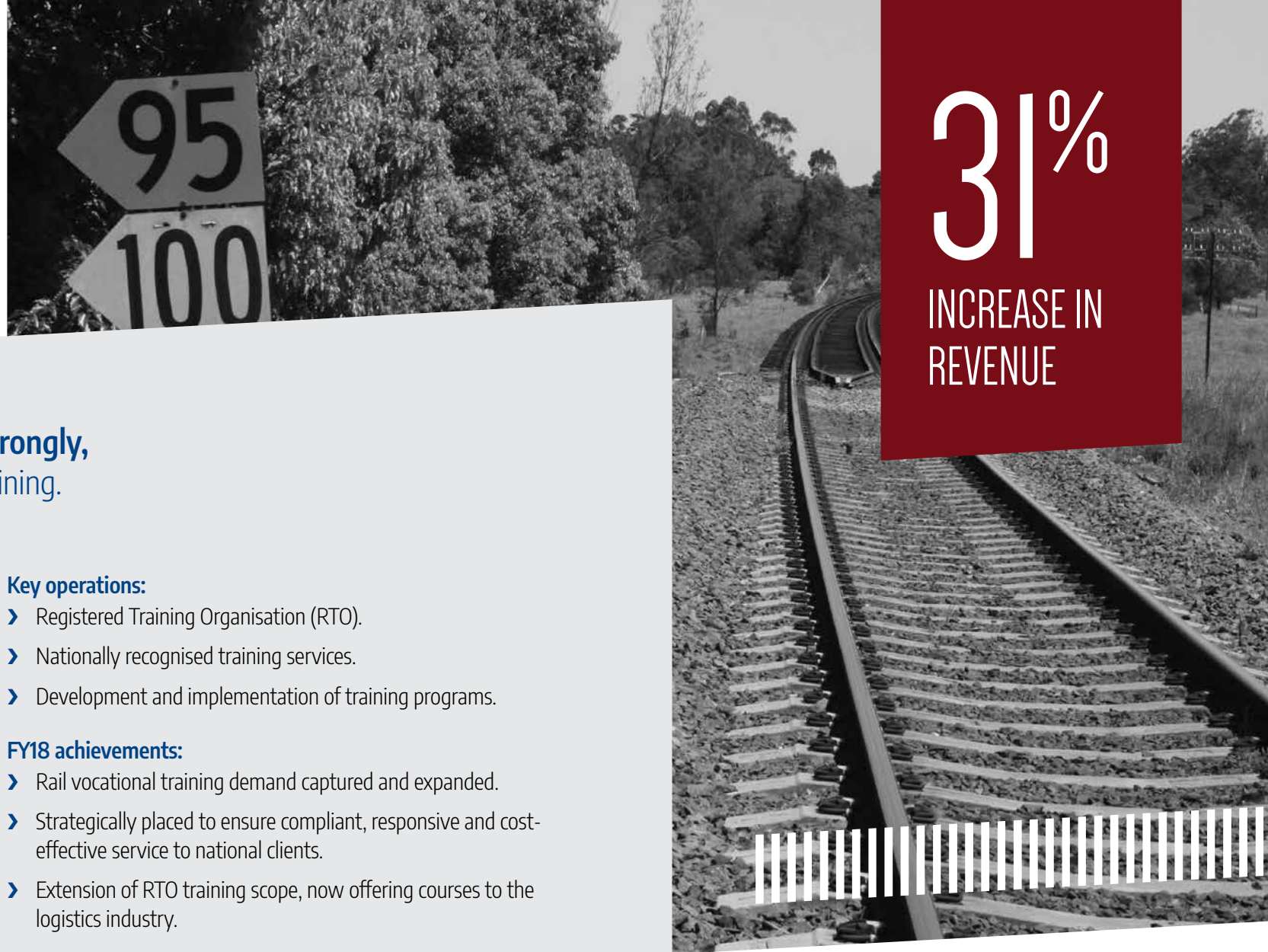
- › Continued to build on its reputation as an employer of choice and a prime provider of supplementary rail personnel.
- › Reduction in operational costs delivered improved profitability to the business.

Outlook:

- › Momentum is well positioned to contribute to nation-building projects, working closely with 'tier 1' infrastructure customers.



RAIL AND ROAD

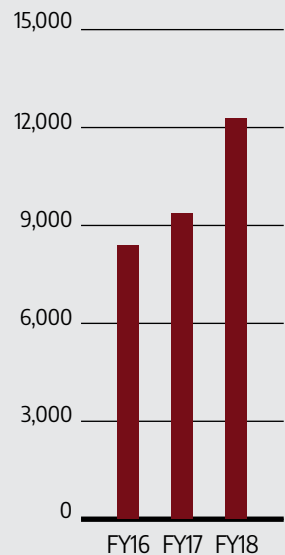


31%

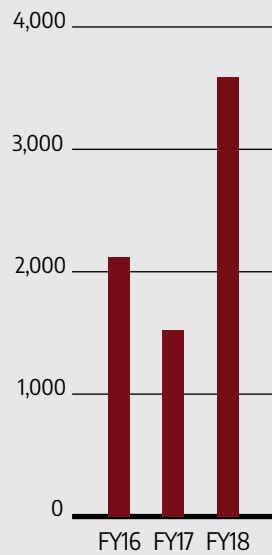
INCREASE IN REVENUE

CERT Training's revenue and earnings grew strongly, reflecting increased demand for rail vocational training.

Revenue



EBITDA



Key operations:

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

FY18 achievements:

- ▶ Rail vocational training demand captured and expanded.
- ▶ Strategically placed to ensure compliant, responsive and cost-effective service to national clients.
- ▶ Extension of RTO training scope, now offering courses to the logistics industry.

Outlook:

- ▶ Growth opportunities are stimulated by demand for rail operations training and certification.

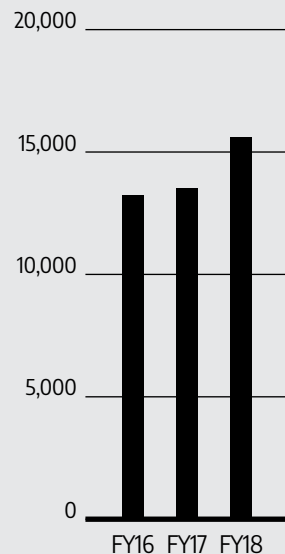
RAIL AND ROAD



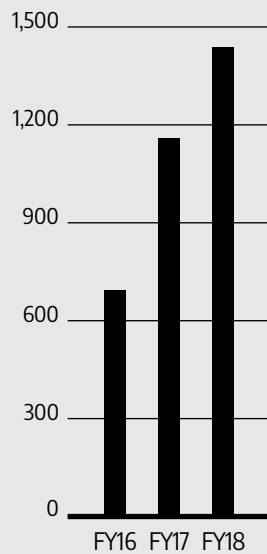
15%
INCREASE IN
REVENUE

Convair Engineering improved its revenue and earnings, recovering from a period of relatively low demand and compressed margins.

Revenue



EBITDA



Key operations:

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

FY18 achievements:

- › Cost saving initiatives (including a new tanker design) resulting in improved production efficiency.
- › Capitalised on strong demand for tankers, particularly from construction and infrastructure projects around Australia.

Outlook:

- › Further focus on maintaining production efficiency improvements and providing a higher quality product.



ENGENCO'S CULTURE AND VALUES

589
TOTAL STAFF

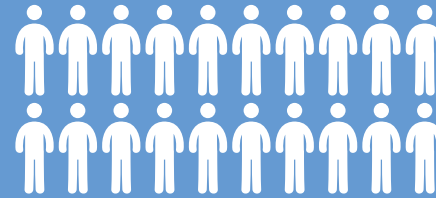
During FY18 we undertook a number of initiatives to **enhance our employee culture.**

These initiatives include:

- › Launching 'MyCentral' on-line portal, which supports individual performance and development goals;
- › A refresh of our Equal Employment Opportunity, Discrimination, Harassment and Bullying Policy; and
- › Facilitating extensive management and employee briefings in order to convey behavioural expectations.

Employee Structure as at 30 June 2018

Total Momentum – 202



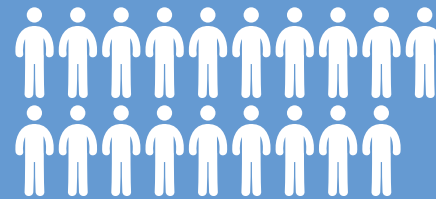
Drivetrain – 65



Corporate – 45



Gemco Rail – 188



CERT Training – 49



Convair Engineering – 40



ENGENCO HEALTH, SAFETY AND ENVIRONMENT

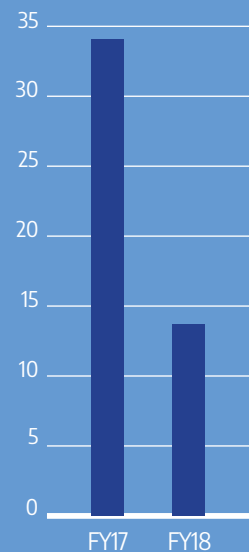
Our Group-wide **MakeSafe** platform provides the framework for our safety and quality systems, helping us to **maintain a consistent focus on ensuring positive OHS work practices.**

Engenco is proud to offer:

- › One of the highest levels of ISO quality certifications;
- › National Rail Regulator accreditation;
- › Delivery of Type-B compliance projects to the gas industry; and
- › Compliance with the strict requirements for a Registered Training Organisation.

Further evolving our ethos of personal responsibility regarding safety, we improved safety performance in FY18 which is especially pleasing considering that total Group working hours increased by approximately 19%.

Group Total Recordable Injury Frequency Rate (TRIFR)



60%

REDUCTION IN TOTAL RECORDABLE INJURY FREQUENCY RATE

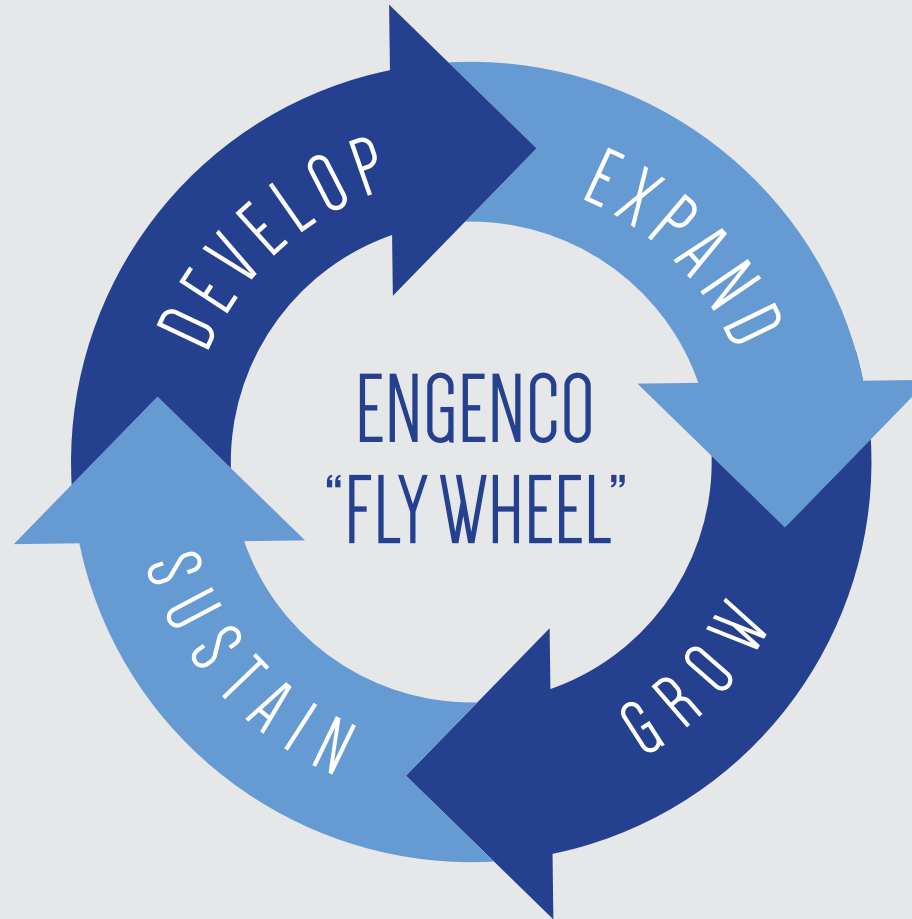


OUTLOOK

GROUP STRATEGY

Engenco's third successive year of increased profitability and positive net operating cash flow reflects the success of our strategy:

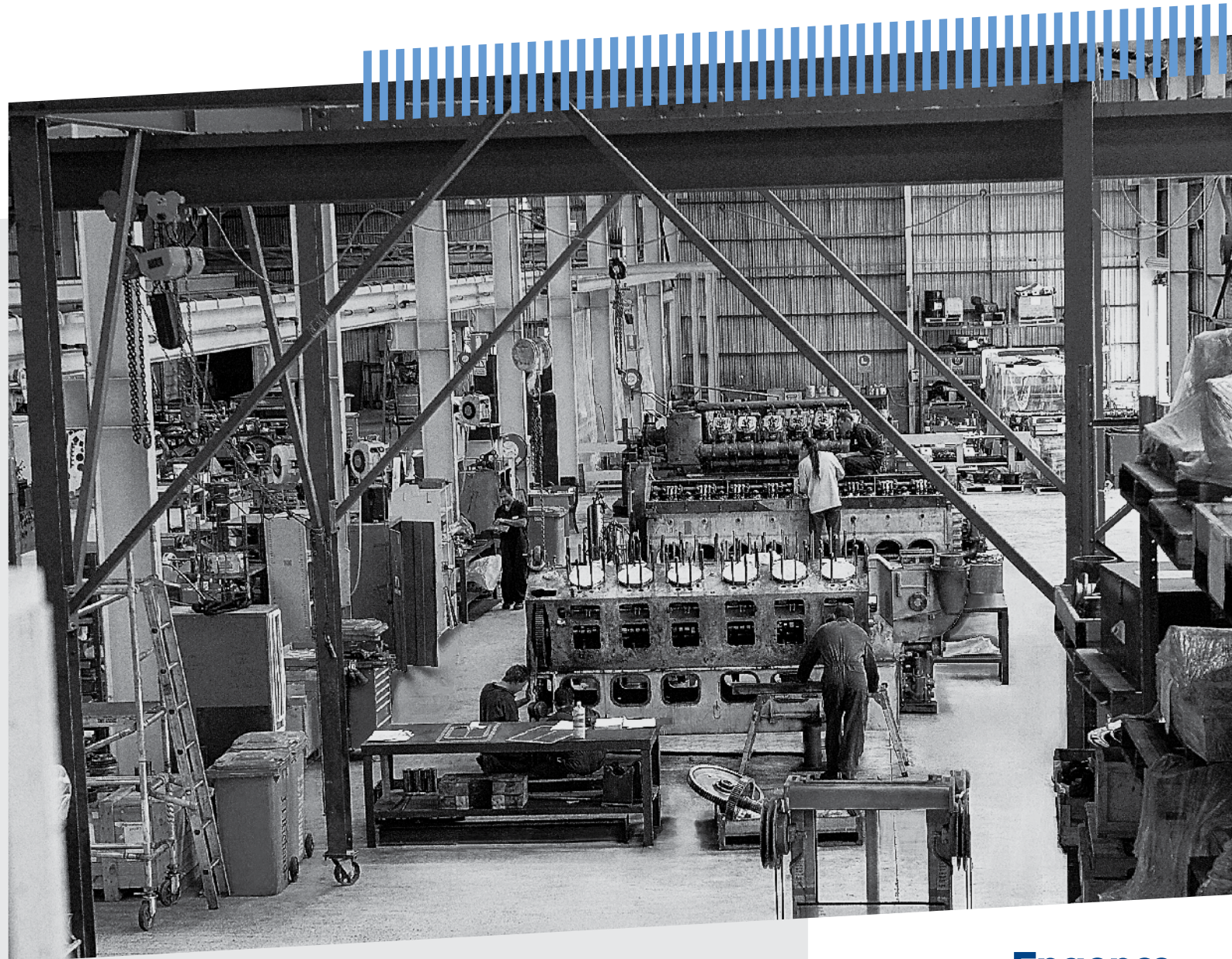
- › Expand the range of high quality products and services;
- › Retain focus on our core business; and
- › Provide innovative and flexible customer service.



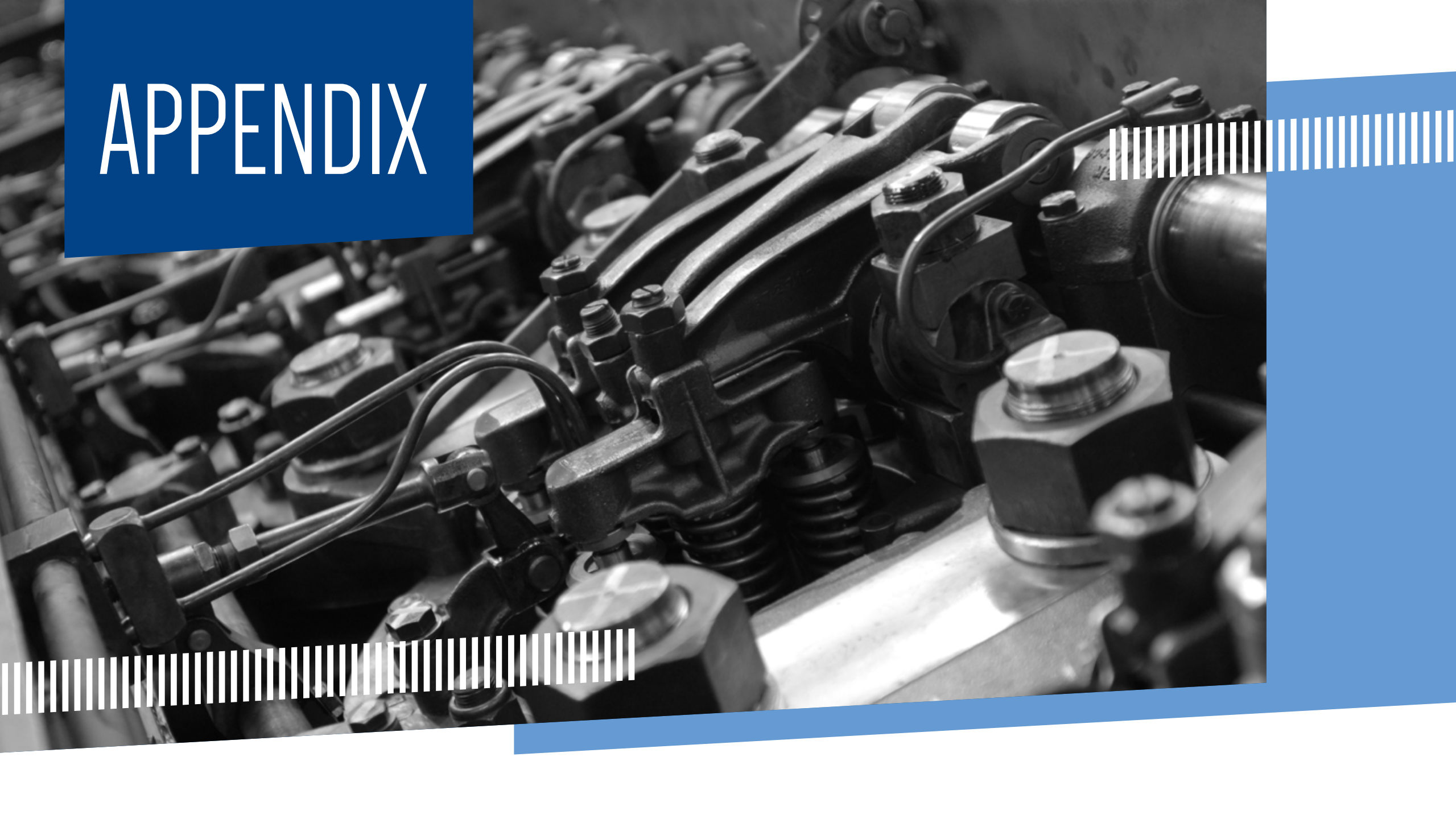
GROUP OUTLOOK

Organic growth and ongoing efficiency improvements are expected to result in further increases in revenue and earnings in FY19.

- › Business conditions in Australia remain healthy in most of our market segments.
- › We have normalised our bank funding arrangements and enter FY19 with a more stable capital base.
- › Our businesses are well prepared to address new markets as we continue to:
 - Expand our technical products and services offering; and
 - Broaden our maintenance network.
- › Growth drivers include:
 - Maintenance outsourcing trends;
 - Large-scale infrastructure projects; and
 - An ageing rail and mining equipment population.



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
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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