

Engenco

2019 AGM PRESENTATION



Presented by: Vince De Santis (Chairman)
and Kevin Pallas (Managing Director & CEO)
19 November 2019

 **Drivetrain**

 **GEMCORAIL**

 **Momentum**
RAIL

 **CERT**
TRAINING

 **CONVAIR**

CHAIRMAN'S ADDRESS

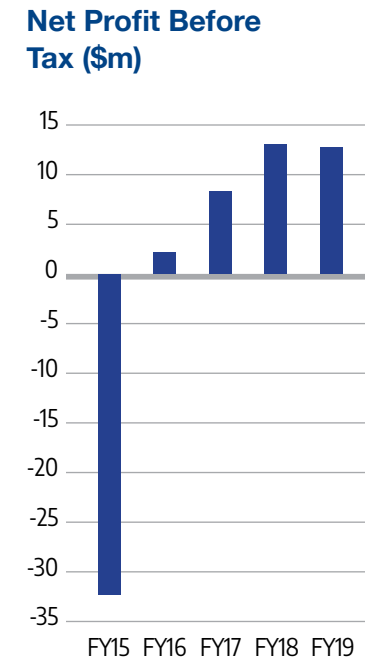
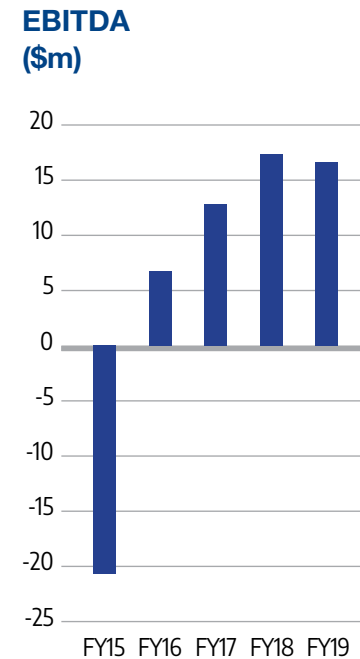
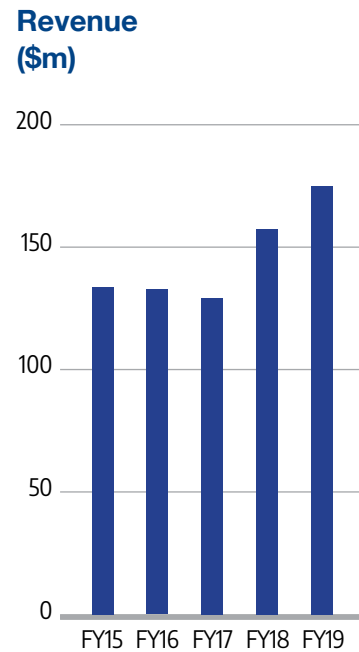
VINCE
DE SANTIS



FINANCIAL PERFORMANCE

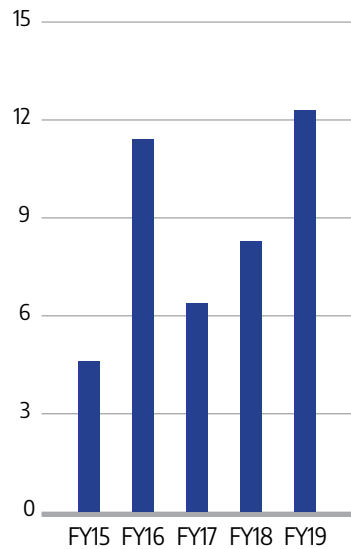
Solid performance demonstrating strength of Engenco's multi-year growth strategy.

Company benefiting from accumulated tax losses (\$79.1m) subject to satisfying relevant eligibility criteria for recoupment.

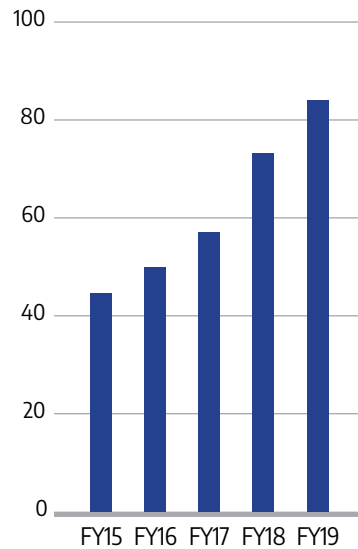


BALANCE SHEET AND CAPITAL MANAGEMENT

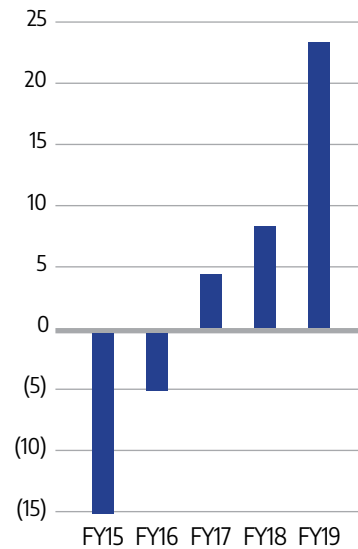
Net Operating Cash Flow (\$m)



Net Assets (\$m)



Net Cash (\$m)



Strong balance sheet supports long-term growth.

Completed the year in a very sound financial position with **\$23.4m net cash**, no debt and a strong balance sheet.

\$17.1m
TOTAL NAB FACILITY

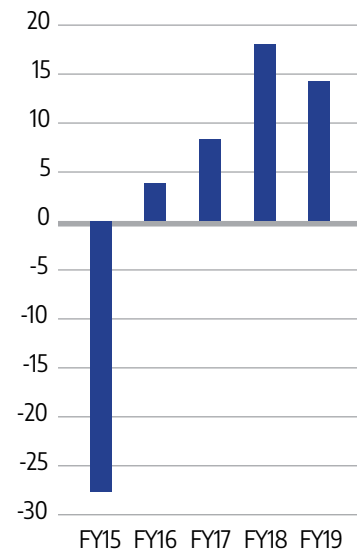
\$10m
NAB CASH FACILITY (UNDRAWN)

ROCE AND CAPITAL EXPENDITURE

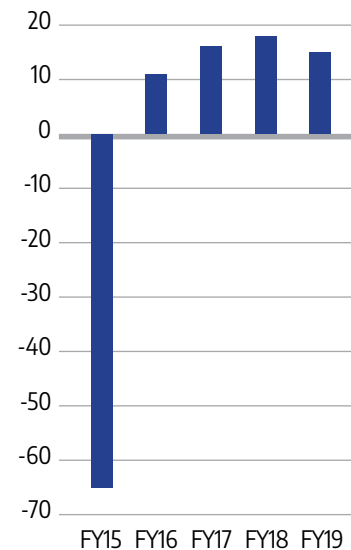
Pleasing Return on Capital Employed (ROCE) of 15%, taking into account high proportion of cash.

Ongoing capital investment program with \$3.1 million invested in FY19.

Net Profit After Tax (\$m)



ROCE (%)

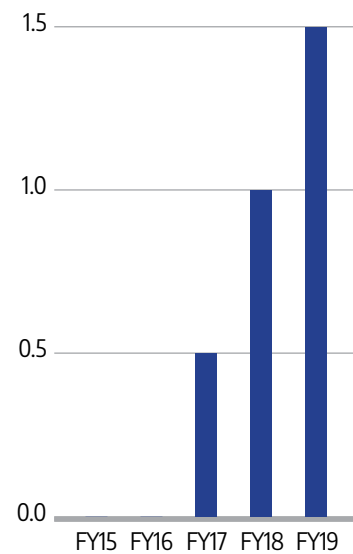


DIVIDEND

Increased dividend reflects strong financial position.

\$9.2 million franking account balance at 30 June 2019.

Dividend (cents)



MANAGING DIRECTOR'S ADDRESS

KEVIN
PALLAS

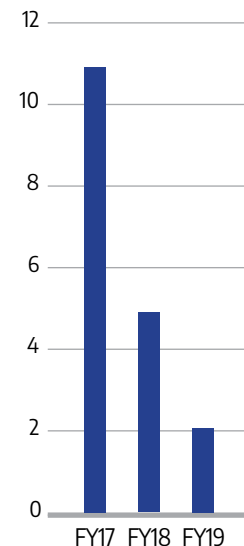


SAFETY

A safe and secure workplace with improving safety KPIs.

- Group Lost Time Injury Frequency Rate down 57% from 4.90 to 2.07.
- Further improvements being undertaken include task modification, introduction of automated technology and continuing employee education.
- Ongoing review of Group HSEQ action plan and corporate risk registers.
- 25 comprehensive site-based WHS audits and 47 internal process audits in FY19.

Lost Time Injury Frequency Rate

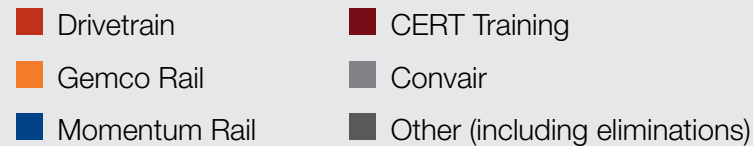
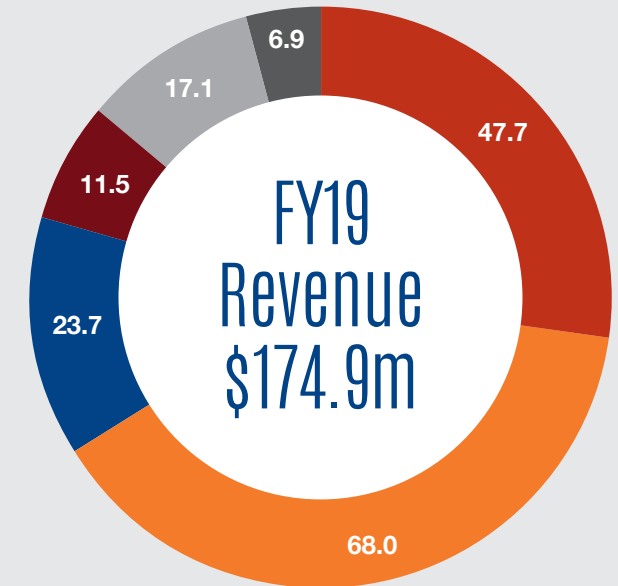
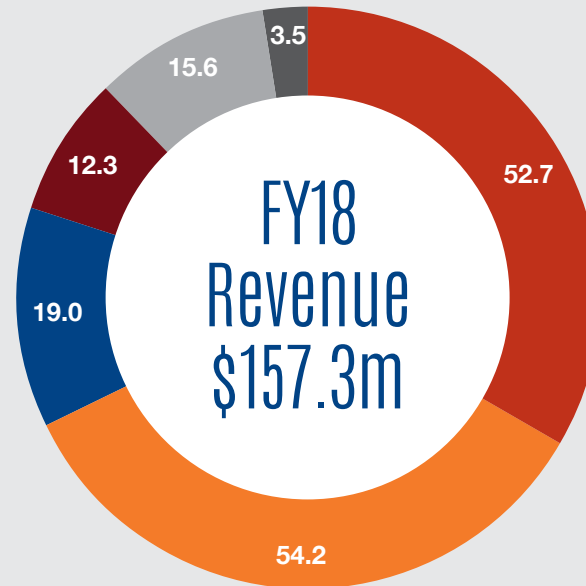


57%
REDUCTION IN GROUP
LOST TIME INJURY
FREQUENCY RATE

REVENUE

Multi-year investment strategy provides a solid platform for significant long-term growth.

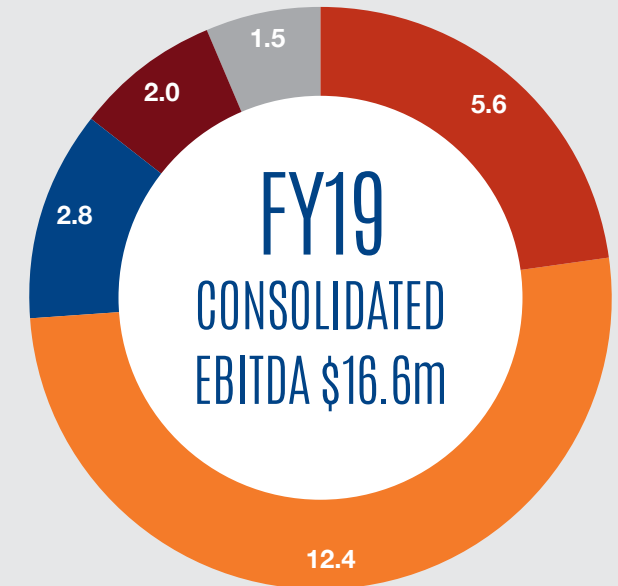
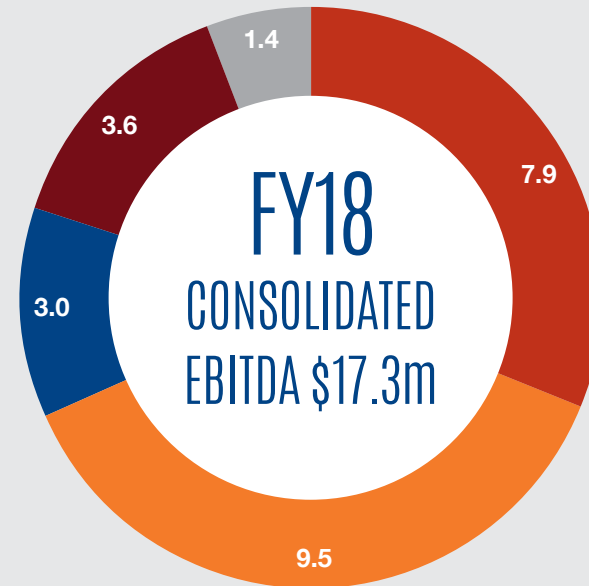
- **Gemco Rail** expansion of east coast facilities.
- **Drivetrain** changing revenue mix as product lines mature.
- **Momentum Rail** benefiting from large projects.
- **CERT Training** provides business diversity.
- **Convair** improved contribution.



EBITDA

Expansion of our rail business is helping to build a stronger, more resilient group.

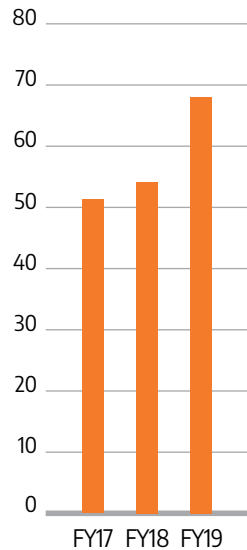
- **Gemco Rail** benefiting from expansion, new products and partnerships.
- **Drivetrain** impacted by lower AUD and pricing competition.
- **Momentum Rail** lower margins on large contracts.
- **CERT Training** investment in compliance and quality.
- **Convair** production efficiency increased.



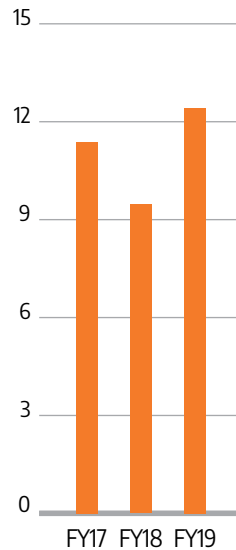
BUSINESS OVERVIEW

GEMCORAIL

Revenue (\$m)



EBITDA (\$m)



Gemco Rail provides rolling stock maintenance and refurbishment services; rail sector wheelset, bearing and bogie services; and engineering, design and manufacturing services.

Industry drivers:

- Federal government \$23 billion funding to improve urban and regional rail and roads, freight rail and public transport systems.
- \$9.3 billion investment in the Melbourne to Brisbane rail line.
- Robust bulk rail volumes.

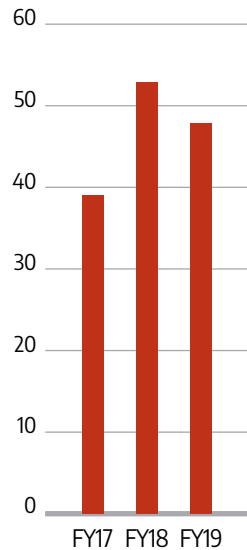
Outlook:

- Expansion of heavy maintenance services through modernised wheel bearing refurbishment facility and new central Queensland facility.
- Increased service outsourcing by operators.
- Continued east coast expansion.

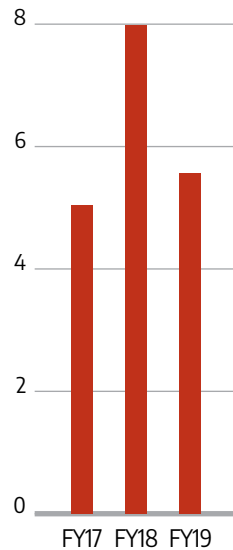
BUSINESS OVERVIEW

Drivetrain

Revenue (\$m)



EBITDA (\$m)



Drivetrain's services span the complete engineering product life-cycle for heavy mobile powertrain systems, large-frame turbochargers, heavy diesel and gas power generation and gas compression equipment.

Industry drivers:

- Mining outlook buoyant.
- Innovative products increasing mining productivity.
- Government spending in defence ongoing.

Outlook:

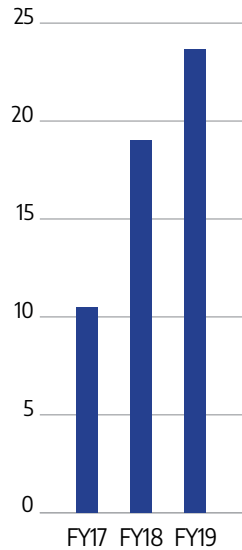
Growth through expanded technical services and product range, with ongoing services in the gas compression market and support of Collins Class Submarine life-extension program.



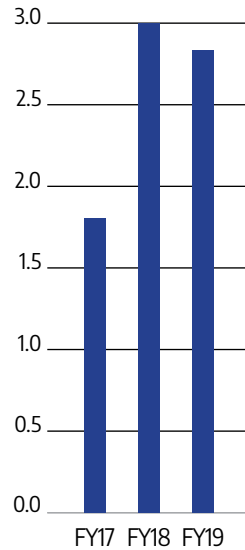
BUSINESS OVERVIEW



Revenue (\$m)



EBITDA (\$m)



Momentum Rail provides workforce provisioning services including skilled rail operations personnel, track protection and rail infrastructure maintenance services.

Industry drivers:

- Rail infrastructure projects and upgrades.
- Demand for flexible workforce services.
- Skilled labour shortages.

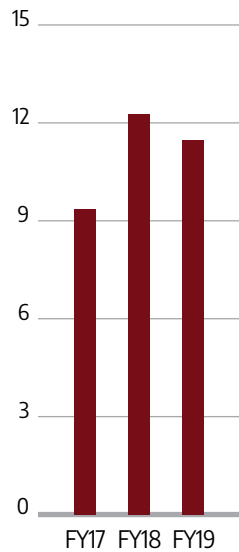
Outlook:

Momentum is well positioned to contribute to nation-building projects, working closely with tier 1 infrastructure and rail operations customers.

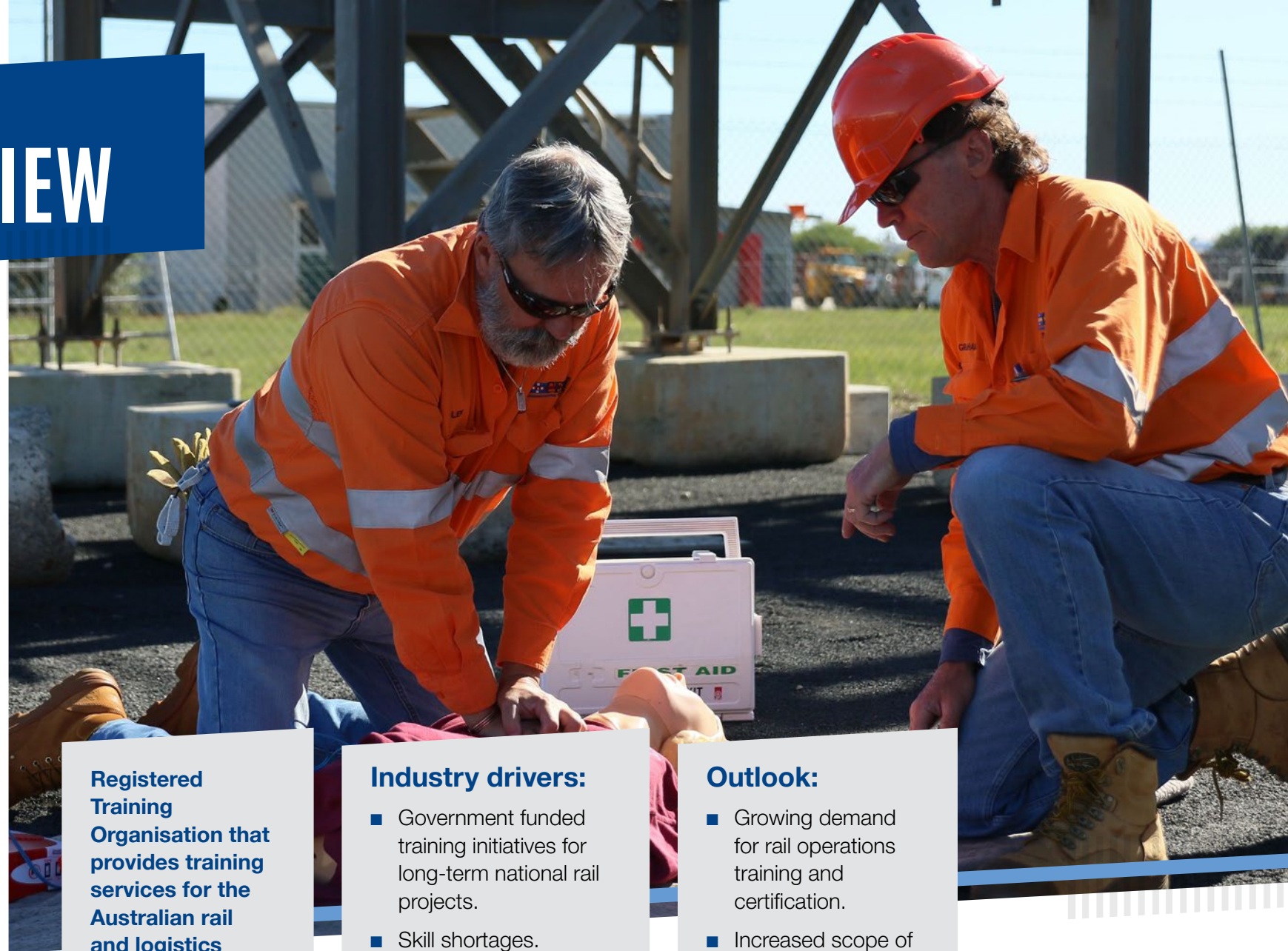
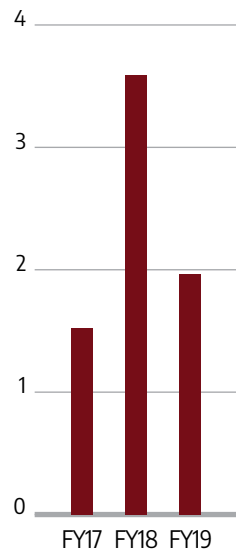
BUSINESS OVERVIEW



Revenue (\$m)



EBITDA (\$m)



Registered Training Organisation that provides training services for the Australian rail and logistics industries.

Industry drivers:

- Government funded training initiatives for long-term national rail projects.
- Skill shortages.

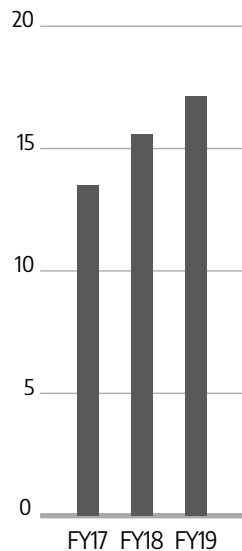
Outlook:

- Growing demand for rail operations training and certification.
- Increased scope of training services.

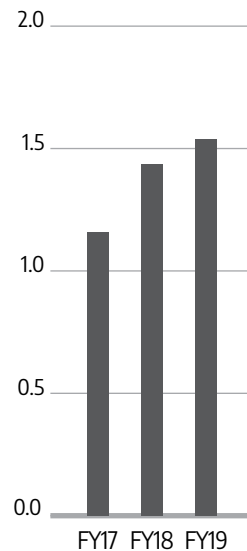
BUSINESS OVERVIEW



Revenue (\$m)



EBITDA (\$m)



Designs and manufactures tankers for dry bulk goods road transportation.

Industry drivers:

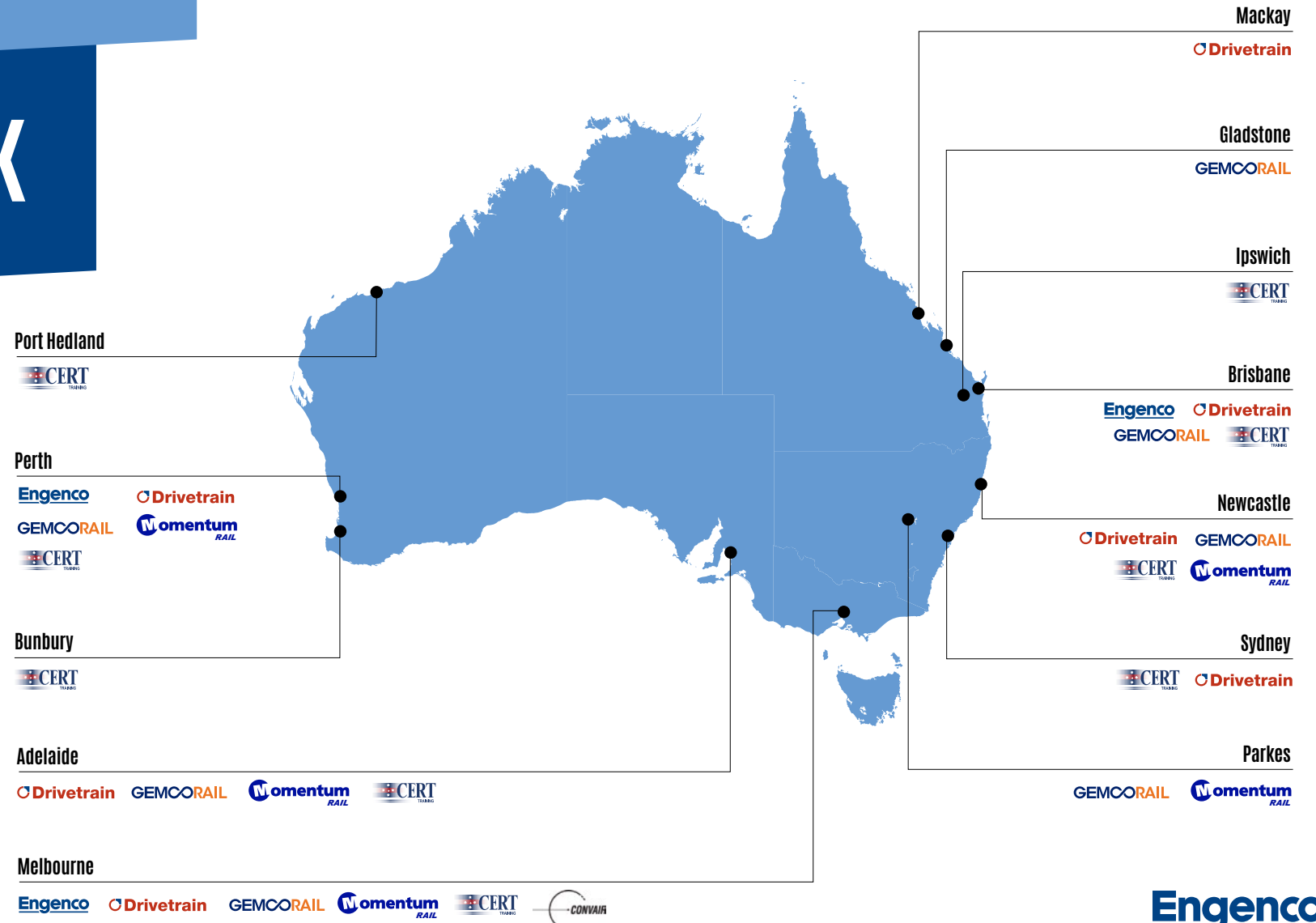
- Infrastructure project pipeline.
- Transport operators seeking operating efficiencies.

Outlook:

Continued production efficiency and product improvements; focus on maintenance and component supply.

OUR MAJOR BRANCH NETWORK

- **Gemco Rail** – Perth, Adelaide, Melbourne, Parkes, Newcastle and Brisbane.
- **Drivetrain** – Perth, Adelaide, Melbourne, Sydney, Newcastle, Brisbane, Gladstone and Mackay.
- **Momentum Rail** – Perth, Adelaide, Maitland, and Melbourne.
- **CERT** training centres – Perth, Port Hedland, Sydney, Newcastle, Ipswich, Adelaide, Melbourne and Bunbury.
- **Convair** – Melbourne.
- **Hedemora Turbo and Diesel** – Sweden.
- **HS Turbochargers** – America.



CASE STUDY: EAST COAST EXPANSION

Establishment of Gemco Rail maintenance facility in central Queensland.

- Will service bulk materials rail market.
- Supports continued expansion of rail rolling stock maintenance services on Australia's east coast.
- Capacity to service recently won and additional long-term contracts.
- Operations expected to commence before the end of 2019.



CASE STUDY: ADDRESSING CUSTOMER DEMAND

New workshop in South Australia with greater capacity to undertake larger projects.

- Industry seeking reliable partners for long-term maintenance contracts.
- Establishment of new, larger Adelaide facility.
- Demonstrates the increased scale of projects undertaken by Drivetrain.
- Increased flexibility, people, and capability to provide services and support new product range.



PARTNERSHIPS

New, enhanced partnerships with global original equipment manufacturers.

- Strategic partnership agreement with leading US based rail equipment manufacturer, Amsted Rail.
- Distribution and supply agreement with rail services and parts provider Higher Power Industries (HPI).
- Collaboration on fuel and turbocharger technology opportunities with Heinzmann Group GmbH.
- Distribution of Zahroof Valves' valve, unloader, and actuator products for gas compression.
- Distribution and support of Kovatera's UT99 custom underground mining utility vehicles.
- Distribution of Windrock's portable monitoring system for mobile engine analysis.



PEOPLE AND CULTURE

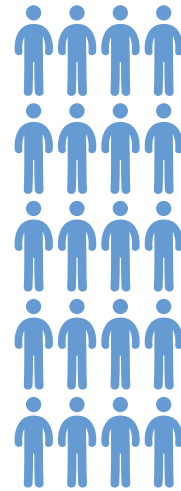
Focus on becoming an employer of choice, with increasing human capacity and a high performance environment.

- Group People and Culture Plan being operationalised.
- Leadership development supporting a constructive, high performing culture.
- Investment in education and training to address skills shortage.

Employee Structure as at 30 June 2019

Gemco Rail

197



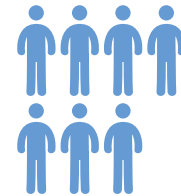
Momentum

76



Drivetrain

67



CERT

55



Convair

33



Corporate and Shared Services

47



Total Group Employees

475



STRATEGY

Multi-year investment strategy to expand the range of goods and services.

- Long-term benefits will include higher quality revenue, greater operational efficiency and financial stability as the business evolves and grows.
- Investment in the future to build a stronger, more focused business with the personnel, products and services to support customers in core markets.



OUTLOOK

Investment is driving improved revenue quality and operational efficiency.

- Business momentum from FY19 continuing into H1 FY20.
- Focused capital investments to target growth opportunities.
- Favourable environment for growth supported by government and private sector expenditure in infrastructure.
- Increasing customer value offerings through enhanced skills, products and services.
- Management leadership development programs to support long-term growth and succession.



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