

Engenco

Investor Presentation Full Year Results FY20



Engenco

GEMCORAIL CONVAIR

Drivetrain

HEDEMORA
TURBO & DIESEL

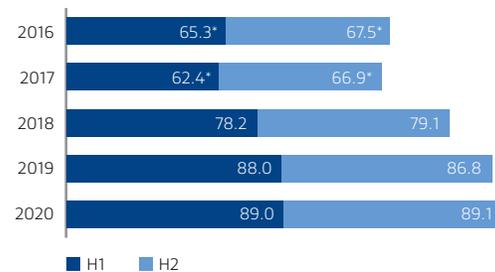
Momentum

CERT

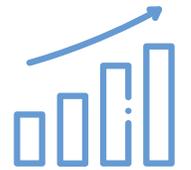
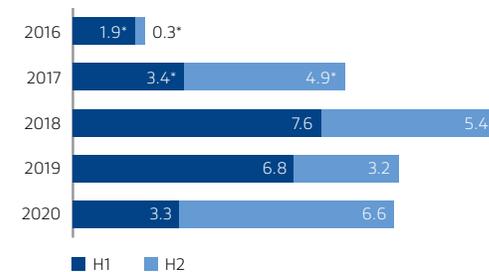
Company Highlights

- The Engenco group continued its multi-year strategy to increase market share through greater capacity, capability and product innovation in FY20.
- FY20 NPBT was strong, particularly in the second half when past investments started generating significant returns.

Revenue (\$m)



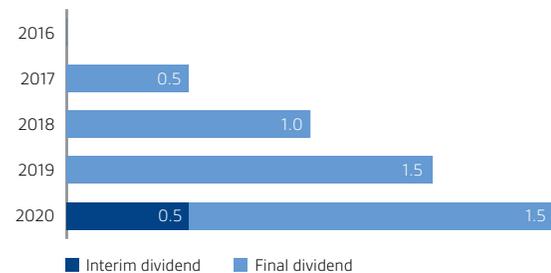
NPBT (Adjusted) (\$m)**



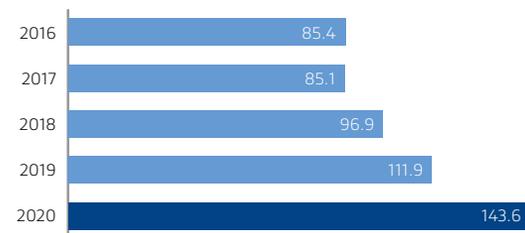
NPBT UP BY
12%

(H2 2020 compared to H2 2019)

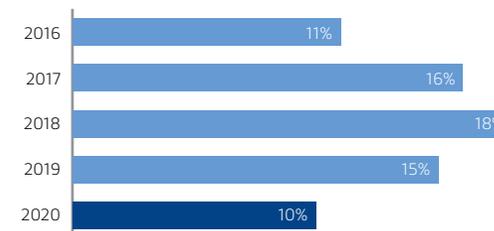
Dividends (cents)



Total Assets (\$m)



Return on Capital Employed (%)



* From continuing operations.

**Adjusted for gains on capital wagon sales.

Results Summary

FY20 achievements:

- **Revenue up 1.8%** to \$178.1m.
- **\$13.4m NPAT** achieved after expansion and restructure costs and COVID-19 disruptions.
- **Return of Capital Employed of 10%** after \$13.8m capital expenditure investment.



CAGR EPS
52%



CAGR REVENUE
8%

	FY16 \$'000	FY17 \$'000	FY18 \$'000	FY19 \$'000	FY20 \$'000
Revenue	132,764	129,319	157,336	174,850	178,063
EBIT	5,503	9,117	13,490	13,012	11,595
Profit before tax	2,210	8,354	13,014	12,690	10,150
Profit before tax (adjusted)	2,210	8,354	13,014	10,005*	9,865*
Profit after tax	2,497	8,478	18,003	14,227	13,423
Net operating cash flow	11,054	6,400	8,292	12,321	14,093
Net assets	49,094	57,011	73,218	84,075	88,594
Total dividends paid	–	–	1,567	3,134	6,268
Net cash	11,306	8,697	8,318	23,408	14,134
Capex	1,789	2,429	3,905	3,076	13,816
Return on Capital Employed %	11%	16%	18%	15%	10%
	Cents	Cents	Cents	Cents	Cents
EPS (cents per share)	0.80	2.72	5.74	4.54	4.28

All figures are from continuing operations where applicable.

* Adjusted for gains on capital wagon sales.

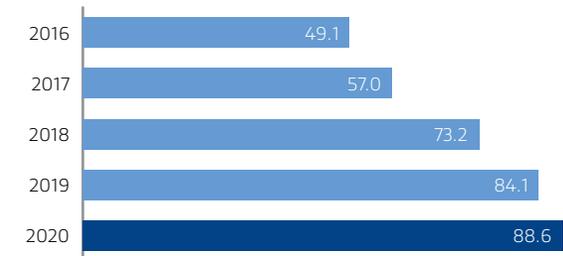
Balance Sheet and Capital Management

- **Net assets** increased 5.4 % to \$88.6m.
- **Solid balance sheet** supported by strong \$14.1m net operating cash flow.
- **Net cash \$14.1m** notwithstanding a significant capital expenditure program during the year.

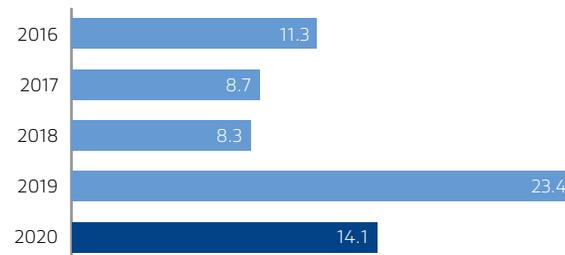
Net Operating Cash Flow (\$m)



Net Assets (\$m)



Net Cash (\$m)



5.4%
INCREASE IN
NET ASSETS

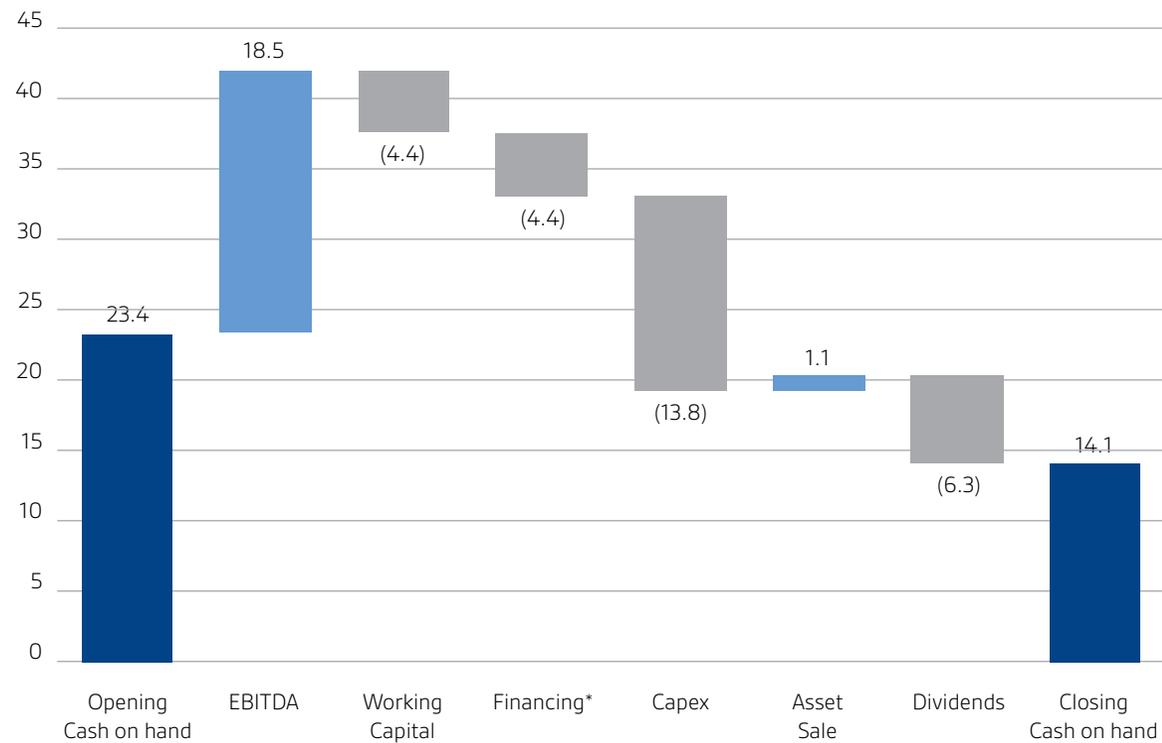


16.0%
5 YEAR CAGR
NET ASSETS

Cash Flow Movements

The group generated strong net operating cash flow. This supported the capital investment program and also enabled returns to be delivered to shareholders through increased dividends.

Major Cash Flow Movements (\$m)



* Financing relates to lease payments under AASB 16.

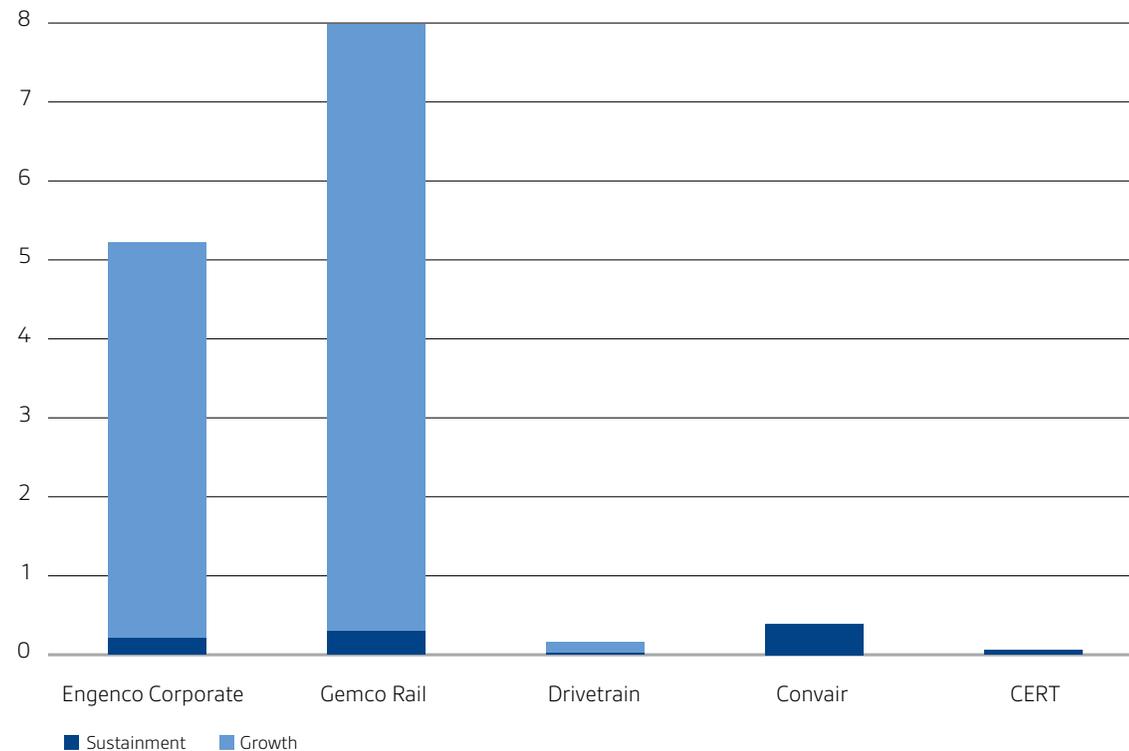
CAPEX

Our capital investment program continued throughout the year with over \$13.8m being invested in growth and sustainment projects.

Investments included:

- The establishment of the new Gemco Rail facility in Gladstone.
- The acquisition of 1.3 hectares of land in the rail maintenance precinct of Forrestfield, Western Australia (included in Engenco Corporate Capex).
- Rationalisation and expansion of sites, which will result in future OPEX savings.

Capex by Business Unit (\$m)



\$12.8m
GROWTH



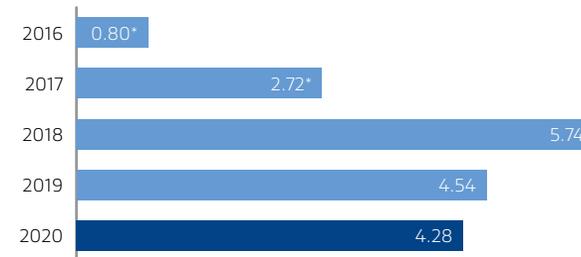
\$1.0m
SUSTAINMENT

Dividends

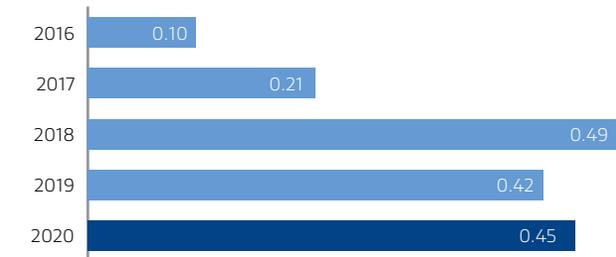
The first interim dividend in over a decade — a fully franked payment of 0.5 cents per share — was paid in March.

A final dividend for FY20 of 1.5 cents per share (fully franked) will be paid on 29 September 2020.

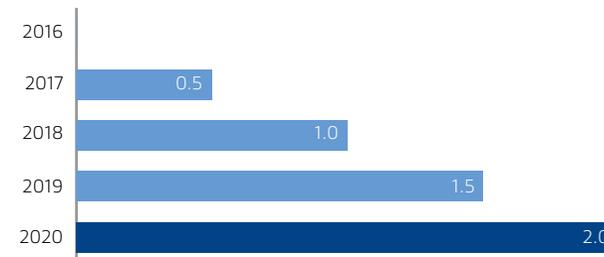
EPS (cents)



Share Price at 30 June (\$)



Total Dividend (cents)



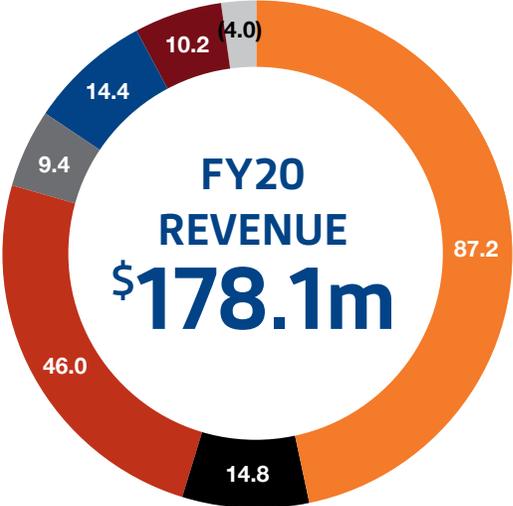
* From continuing operations.

Engenco

The year in review



Business Overview



Rail and Road

- Gemco Rail
- Convaair

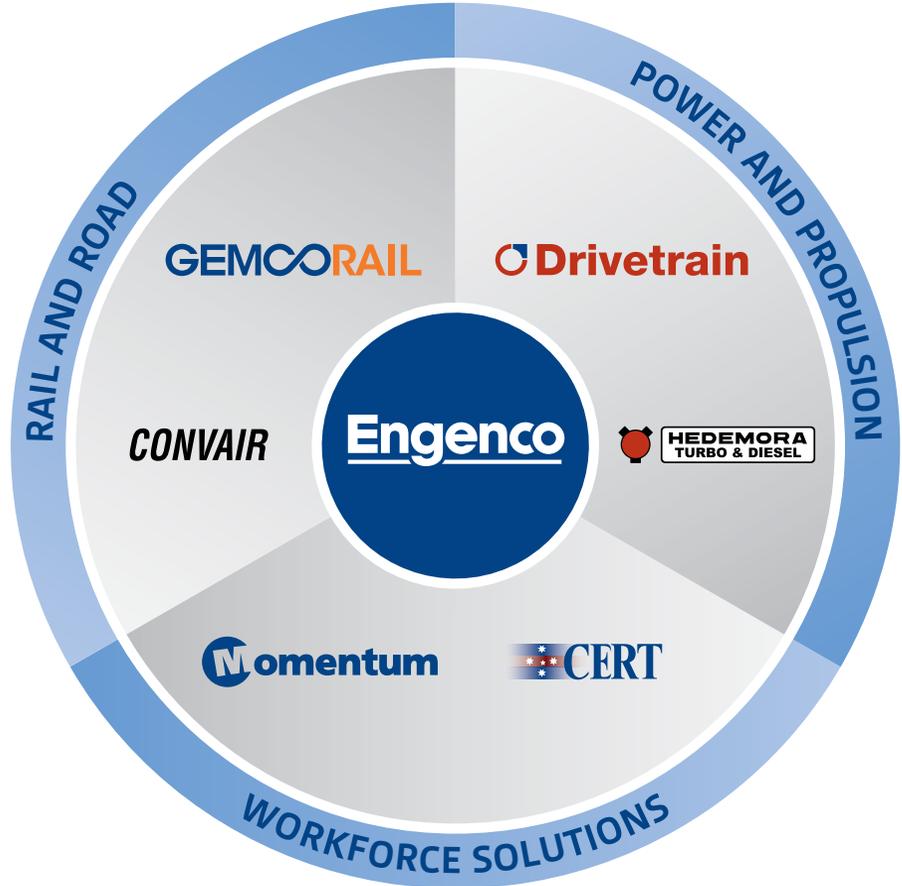
Power and Propulsion

- Drivetrain
- Hedemora

Workforce Solutions

- Momentum
- CERT Training

- Other (including eliminations)





Key Operations

- Rollingstock maintenance, refurbishment and technology upgrades.
- Wheelset, bearing and bogie rotatable maintenance and overhaul services.
- Technical expertise including engineering design, product reliability and manufacturing services.

Achievements

- Positive market share gain in the maintenance of rollingstock and related rotatables in the major rail commodity markets of Western Australia, Queensland and New South Wales.
- Improved operating leverage by extending the use of core products and services and leveraging OEM partner technologies into new customers particularly in our East coast operations.
- Cementing ourselves as a High Trust organisation with exemplary leadership and a highly engaged workforce via our People and Culture strategy.

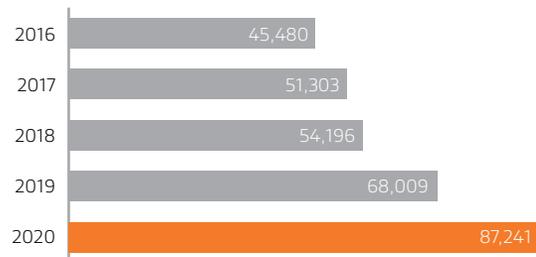
Outlook

Further penetration into the "tier 1" rail operators driven by our disciplined, customer facing and skilled operational teams. Driving for high quality, innovative solutions is expected to continue Gemco's growth.

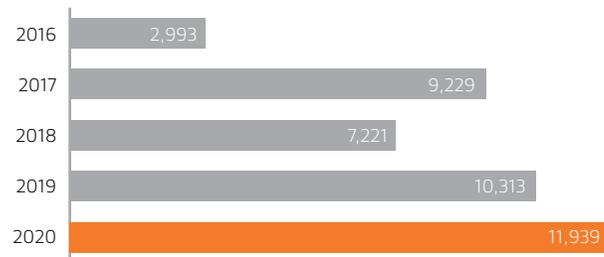
Rail and Road

GEMCORAIL

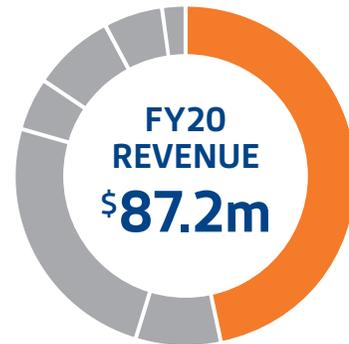
Revenue (\$'000)



NPBT (\$'000)



FTE* at 30 June



* Full time equivalent (FTE) employees



CONVAIR

Driving Efficiencies

Key Operations

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

Achievements

- New innovative production design using the latest technology.
- Continuous evolution of production processes utilising lean principles, resulting in improved efficiency and standards.

Outlook

New opportunities from engineering innovation, further development of the production processes and future increases in market activity.

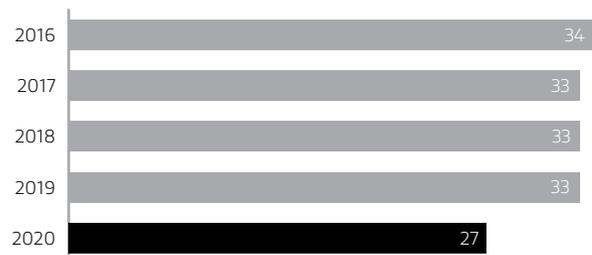
Rail and Road

CONVAIR

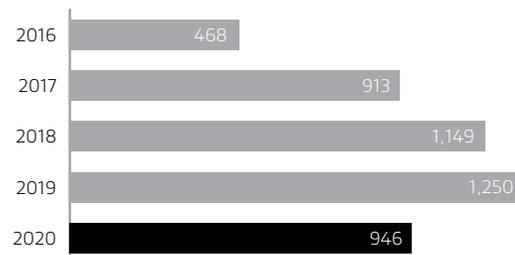
Revenue (\$'000)



FTE* at 30 June



NPBT (\$'000)



* Full time equivalent (FTE) employees

Power and Propulsion



Penetrate Major Customer Base

Key Operations

- Maintenance, repair and overhaul of driveline components.
- National branch footprint encompassing workshop capability and strategic inventory support with genuine components and spare parts.
- Supporting quality global brands in the mining, transport, energy and defence industries.

Achievements

- Refined branch network to align with "customer first" approach.
- Development and implementation of new products and services.
- Invested in the development of the People and Culture Plan.

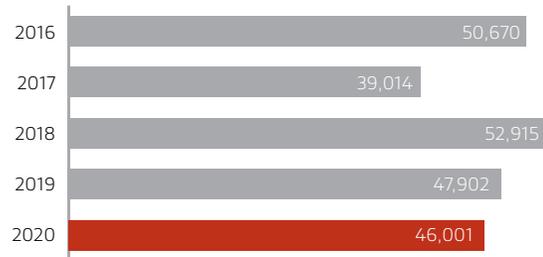
Outlook

Growth prospects include, mid-life component overhaul projects, capital equipment installation and through-life support, and ongoing support for the Collins Class Submarine life-extension program.

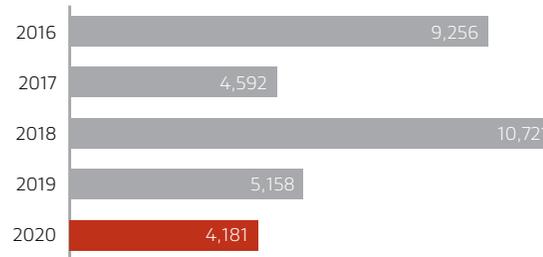
Power and Propulsion

Drivetrain

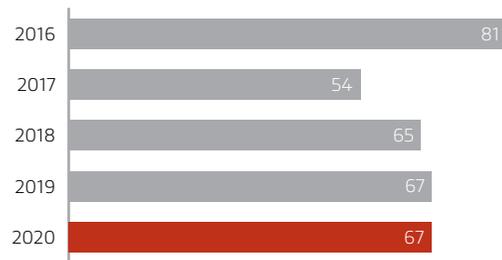
Revenue (\$'000)



NPBT (\$'000)



FTE* at 30 June



* Full time equivalent (FTE) employees



Power and Propulsion



Expand Product Offerings

Key Operations

- Maintenance, repair and overhaul of Hedemora Diesel engines.
- Original manufacture, installation and retrofit of HS Turbochargers.
- Maintenance and spare parts services for global customers.

Achievements

- Proven efficiency benefits from installation of HS Turbochargers.
- Development and implementation of new applications.
- Continued support for global customers utilising HS Turbochargers and Hedemora Diesel engines.

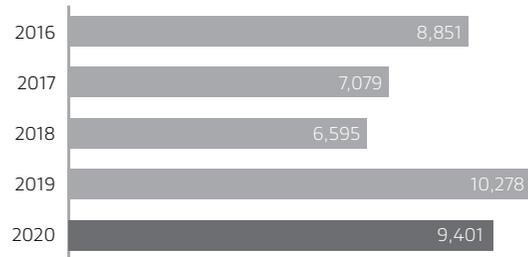
Outlook

Growth prospects include increasing market share of Turbochargers in Europe and the United States and ongoing support for the Collins Class Submarine life-extension program and other diesel engine operators.

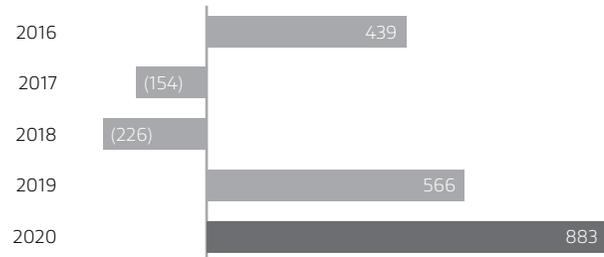
Power and Propulsion



Revenue (\$'000)



NPBT (\$'000)



FTE* at 30 June



* Full time equivalent (FTE) employees



Workforce Solutions



Driving Efficiencies

Key Operations

- Highly skilled rail operators including trainer assessors and workplace mentors.
- Onboarding safe working / infrastructure programs and career pathways.
- Customised workforce solutions.

Achievements

- Establishment of customised and Government funded onboarding programs and talent pipelines into the infrastructure industry.
- Expansion of East coast infrastructure workforce solution into new "tier 1" clients.
- Further development of Government funded onboarding programs and talent pipelines to support Momentum Rail's growth in the rail industry.

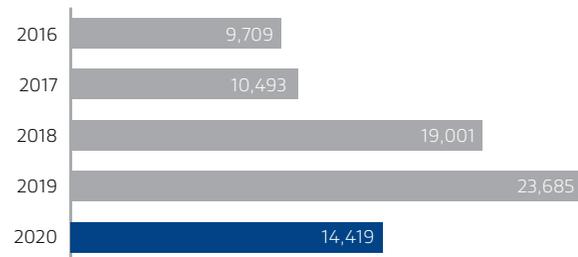
Outlook

With the continued industry growth, Momentum Rail is well positioned to supply workforce solutions to nation-building projects, working closely with "tier 1" infrastructure customers and rail operators.

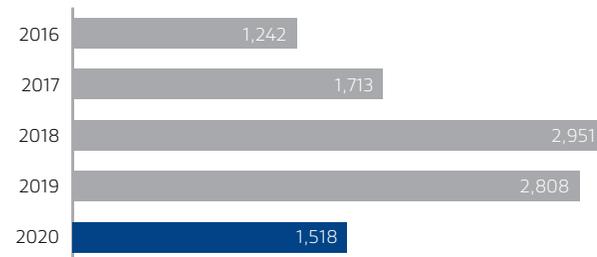
Workforce Solutions



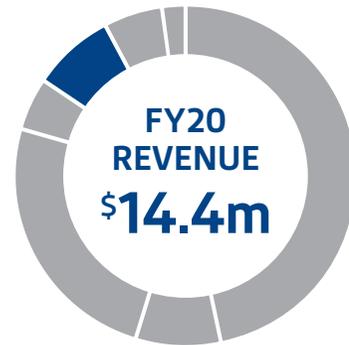
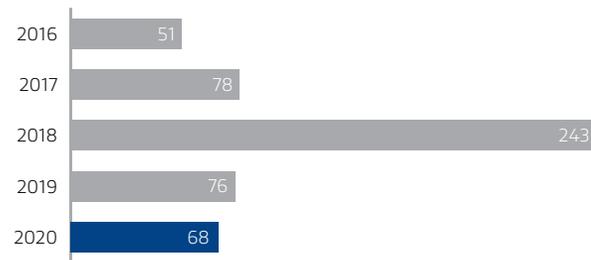
Revenue (\$'000)



NPBT (\$'000)



FTE* at 30 June



* Full time equivalent (FTE) employees



Workforce Solutions



Expand Product Offerings

Key Operations

- Registered Training Organisation (RTO).
- Delivering Australian Government accredited and funded national training programs.
- Accredited and contracted to deliver industry induction, training and refresher programs to the rail industry.

Achievements

- Further embracing new technology through offering industry training programs “online” including training and assessment across metro, regional and remote areas.
- Participating in Government funded training initiatives to upskill and reskill new entrants and existing workers.
- Successfully transitioning to a new learning management system to automate student enrolments and assessment processes.

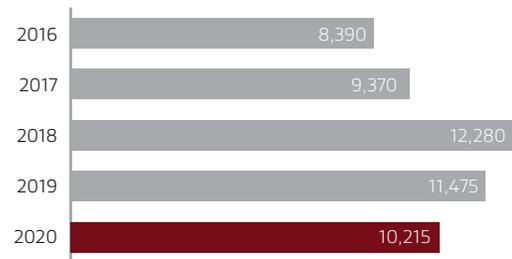
Outlook

Growing demand for skilled workers in response to Government investment into long-term national rail and infrastructure projects.

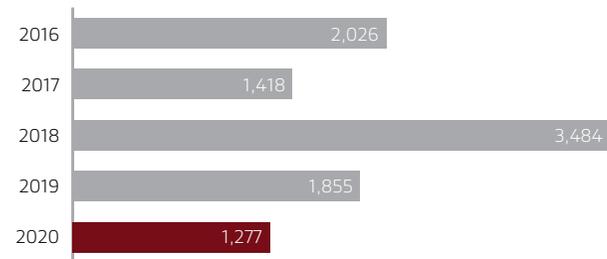
Workforce Solutions



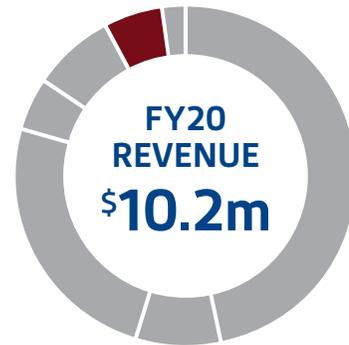
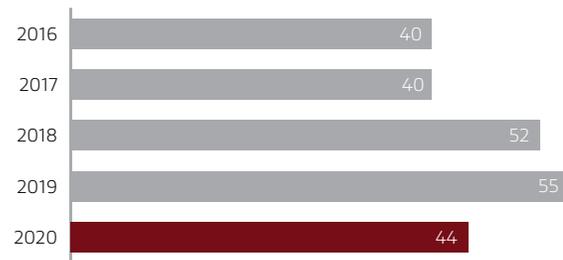
Revenue (\$'000)



NPBT (\$'000)



FTE* at 30 June



* Full time equivalent (FTE) employees



Group Culture and Values

We aim to be a leading supplier of technical products and solutions to the transport, resources, and defence markets, delivering superior value and returns.

- Continued investment in people, aiming to cultivate a constructive high performance culture.
- Growing our future workforce, training more apprentices and employing more young people.
- Continually elevating the workforce into one that is more engaged, responsible and accountable.

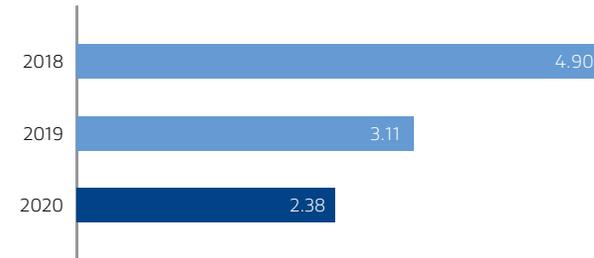


Health and Safety

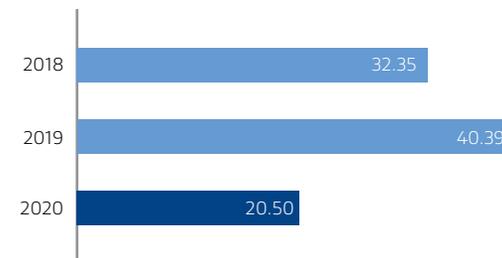
Safety is of paramount importance and we are continually seeking ways to innovate and improve.

- Centralised HSEQ team "Make Safe" continually review policy and procedures, audit each site on a rotating basis and ensure best practices via regularly updated work methodologies. Including database of safe work procedures/method statements for all Group activities.
- 41 Internal Quality Process audits and 19 WHS site audits performed in FY20.
- Rolled out the internally developed "Take 5" mobile application, and conducted 7,022 task risk assessments during FY20.
- Group LTI Rate decreased from 3.11 to 2.38 and the FAI Frequency Rate (First Aid Injury) reduced from 40.39 to 20.50, a YOY reduction of 31% and 49% respectively. The focus in FY21 is improving the Total Recordable Injury Frequency Rate.
- ISO 9001 (Quality) is maintained at major facilities, ISO 14001 (EMS) and 45001 (WHS) will be introduced in FY21 to complement the long-established Quality accreditation.

Lost Time Injury Frequency Rate



First Aid Injury Frequency Rate



49%

**REDUCTION IN
FIRST AID INJURY
FREQUENCY RATE**

Outlook



Strategy

The Group will continue to support our customers' needs through a multi-year strategy to expand our range of goods and services and investment in people, plant and technology.

This will deliver long-term customer benefits and a sustainable future for the Group.



Sustainment

High
Performance
Culture

Drive
Efficiencies

Manage
Poor
Performers

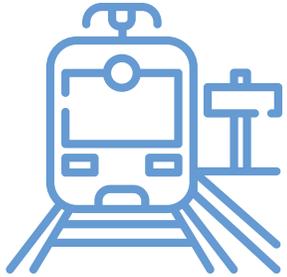


Growth

Penetrate
Major Customer
Base

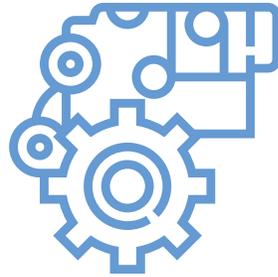
Expand
Product
Offerings

Group Outlook



Rail and Road

New facilities are expected to address customer demand and make a strong contribution to profitability. Added product range and innovative solutions underpin further penetration of our major customer base.



Power and Propulsion

The recalibration of Drivetrain is realising benefits as services are streamlined and cost savings are realised. New capacity and innovative products match customer demand.



Workforce Solutions

This division was formed during the year to unlock the substantial synergies between Momentum Rail and CERT Training. The focus is on significant growth opportunities in mining and resources, logistics and other industrial sectors.



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, RPEQ

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.



Pictured above from left: Dale Elphinstone, Vincent De Santis, Kevin Pallas, Alison von Bibra and Ross Dunning.

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All dollar values are in Australian dollars (A\$) unless otherwise stated.



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