

18 February 2021

H1 FY21 highlights *

- NPBT \$5.3 million, up 49.7%
- EBIT \$6.1 million, up 45.3%
- Interim dividend 0.5 cents per share, fully franked

*all figures compare H1 FY21 with H1 FY20 unless otherwise stated

Engenco Limited (ASX:EGN), the specialist engineering services group, today announced a first half net profit before tax (NPBT) of \$5.3 million (H1 FY20: \$3.6 million). The increase reflects the group's commitment to growing the quality and diversification of revenue streams as well as its ongoing expansion strategy. Earnings before interest and tax (EBIT) were \$6.1 million, up from \$4.2 million.

Revenue was \$86.4 million, down 2.9% (H1 FY20: \$89.0 million) due to lower cyclical demand for Gemco Rail's and Drivetrain's services. Net operating cash flow was \$11.2 million, up 97.6% (H1 FY20: \$5.7 million). At 31 December 2020, cash on hand was \$13.7 million.

Recognising the group's sustained profitability and strong cash position, the directors have declared an interim dividend of 0.5 cents per share fully franked (H1 FY20: 0.5 cents), payable on 19 March 2021 to shareholders on the register at 4 March 2021.

Results Summary	1H FY21 \$000	1H FY20 \$000	% change
Revenue	86,423	88,960	(2.9)
Earnings before interest and tax (EBIT)	6,085	4,189	45.3
Net profit before tax	5,316	3,552	49.7
Net profit after tax	5,316	3,517	51.2
Earnings per share (cents)	1.70	1.12	51.8
Dividend (cents) – fully franked	0.5	0.5	-

Kevin Pallas, Engenco's Managing Director and CEO, said: "We are pleased with this result which demonstrates the success of our revenue diversification strategy. While Gemco's performance was below expectations, this was mitigated by stronger sales and earnings by our other businesses.

“To date, we have successfully navigated the difficult environment presented by the pandemic. Disruption to our business units has been minimised and performance has held reasonably steady, helped by the majority of industries we serve continuing as *essential services*.”

“Gemco performed well early in the first half, but was impacted by lower demand from mining customers in November and December. This was largely due to the maintenance cycle of certain bearing and wheelshop customers, which we expect to improve in the second half.”

“Drivetrain started the half strongly. The impact of investments in people and facilities lead to an improved profit result when compared to the prior corresponding period.”

“Expansion initiatives, such as Drivetrain’s Adelaide workshop and a new facility in Kalgoorlie, are expected to drive growth in the second half alongside Gemco’s Gladstone operation which is performing above expectations.”

Operational Report

	1H FY21 revenue \$000	1H FY20 revenue \$000	1H FY21 NPBT \$000	1H FY20 NPBT \$000
Gemco Rail	39,160	43,161	5,008	5,552
Convair Engineering	9,920	7,647	1,110	281
Drivetrain	22,231	23,030	2,386	1,438
Hedemora	2,793	2,149	(248)	57
Momentum	7,644	7,260	1,449	614
CERT Training	4,671	5,590	1,366	702

Rail and Road

Gemco Rail continued to expand into a more resilient business unit able to undertake larger, more complex and longer-term contracts. Last year, Gemco commenced operations at its Gladstone facility, focused on servicing tier-one customers on the East Coast and bulk freight operators in Central Queensland and, so far, these have exceeded expectations.

Convair recorded higher revenue due to the sale of imported tankers from Germany which were originally planned for H2 FY20 but were delayed due to COVID-19 restrictions, boosting revenue during the half. Orders from customers for steel tankers have nearly returned to pre-pandemic levels resulting in an increase in production in Victoria. The business continues to focus on improving production efficiency, developing high-quality innovative bulk transport equipment and evolving its highly efficient tanker designs.

Power and Propulsion

Drivetrain's performance is expected to increase in H2 as expansion plans progress. Activity in the Adelaide workshop is growing as planned and a new facility in Kalgoorlie is under development to capture business from the booming hard-rock mining industry. The Adelaide operation demonstrates Drivetrain's ability to undertake large scale projects for tier-one mining clients. With additional products and services added to Drivetrain's portfolio, the service-centre's footprint also serves to maximise business development opportunities.

Hedemora Turbo & Diesel continued its penetration into the turbocharger retrofit market, with customers responding positively to its HS Turbocharger technology, particularly in Eastern Europe. The COVID-19 pandemic impacted operations in Sweden and our ongoing investment in the USA. Impacts included supply chain disruptions from European partners, the inability to travel to customers for business development and to complete international projects in the Diesel business. Fortunately, orders placed before the pandemic have sustained the Hedemora business with new orders now being received supporting workshop production in H2.

Workforce Solutions

Demand for CERT Training's services rebounded as COVID-19 restrictions eased and students returned to the classroom. Online assessment channels have increased in popularity and the unit is aiming to increase its range of available courses and locations in order to grow revenue. The use of online technology in course delivery is expected to continue to increase.

Momentum's performance was stable as demand for rail freight services remained strong during the period. Growth in online shopping helped keep rail freight volumes buoyant, benefiting the unit which provides personnel services to the rail maintenance industry and augments operations staff for rail freight operators.

Outlook

A steady second half is anticipated despite the continuing uncertain environment and associated headwinds. Net profit before tax, inclusive of the gain from the sale of assets, is expected to be consistent with the first half, with continued investment in new capacity and facilities, such as Gemco's Gladstone facility and Drivetrain's new operation in Kalgoorlie.

Mr Pallas said: "Full-year NPBT is expected to be broadly in line with FY20, however this will heavily depend on external pandemic-related factors, such as the success and timing of the vaccine roll-out, further restrictions in movement across State borders, and the global recovery trajectory.

"Engenco's future is bright. We have solid relationships with our customers, engaged and resilient staff, and we will continue our strategy of expanding our range of operations and improving efficiency."

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
- 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.

For further information, please contact:

<p>Kevin Pallas Managing Director and CEO T: +61 (0)3 8620 8900 E: kevin.pallas@engenco.com.au</p>	<p>Paul Burrows CFO and Company Secretary T: +61 (0)3 8620 8900 E: paul.burrows@engenco.com.au</p>
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