



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth



Emeco

Business Description

Emeco Holdings Limited (EHL) holds leading positions in the earthmoving rental equipment markets with its key focus being the mining industry. Its primary operations are in Australia, but it also has a major presence in Indonesia and operations in Canada

Strategy Analysis

EHL seeks consolidation of its leading position in the rental of heavy earthmoving equipment in Australia and Indonesia. It looks to expand its Canadian position, supported by a positive outlook for oil sands activity. The weak European and US businesses have been exited. EHL has also exited its Victorian civil infrastructure equipment rental business. The shift toward larger and longer term mining projects improves the potential for wider margin and longer term deals. Emeco Holdings reported NPAT of \$49.6m for the year ended 30 June 2011. Revenues from ordinary activities were \$515.5m, up 11.7% from last year. The improvement in earnings was attributable to higher average rental fleet utilisation of 85% across the year and additional contribution for the investments in large mining equipment. Diluted EPS was 7.9 cents compared to (8.0) cents last year. Net operating cash flow was \$214.93m compared to \$147.46m last year. The final dividend declared was 3 cents, taking the full year dividend to 10 cents compared with 2 cents last year. The Company reported it has a solid base from which to grow having completed a restructure. In the year ahead, the Company will continue its focus on improving the performance of its existing businesses while pursuing growth.

27 January 2012

Recommendation

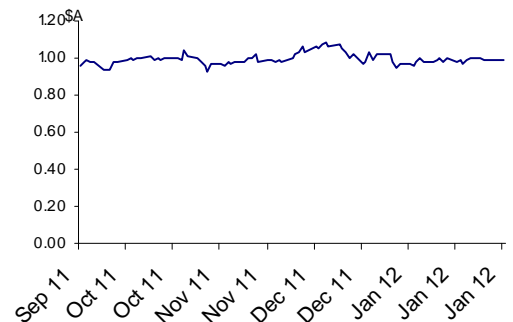
Recommendation: Outperform
Relative to: Small Ind (ex Fins)

Investment Fundamentals

ASX code: EHL
Stock price: \$0.99
Market cap: \$625m

Y/E	30/06/2012	2012e	2013e	2014e	2015e
Reported e	\$m	70.1	79.7	86.8	87.7
Adjusted e	\$m	70.1	79.7	86.8	87.7
EPS adjusted	¢	11.1	12.6	13.8	13.9
EPS growth	%	25.3	13.6	9.0	1.1
PE	x	8.9	7.8	7.2	7.1
PE relative	x	0.6	0.7	0.8	0.8
DPS	¢	5.0	5.5	6.0	6.0
Yield	%	5.1	5.6	6.1	6.1
Franking	%	100.0	100.0	100.0	100.0

Share Price



Source: ASX and Company accounts

Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	3 year
Rental	83.2	14.2	30.1	-1.0%	91.0%
Sales	12.4	-1.0	-0.5	-6.0%	0.0%
Parts	4.3	2.3	3.4		
Total	99.9	15.5	33.0		
Results by Geography				Dividend Reinvestment Plan	No
Australia	78.2	0.0	0.0	Shareholder Discounts	No
North America	13.2	0.0	0.0		
Asia	8.7	0.0	0.0		
Total	100.1				

Company contact details:

Emeco Holdings Limited
Level 3, 71 Walters Drive Osborne Park
West Perth WA 6017
Tel: +61 8 9420 0222

www.emecogroup.com

If you have any queries regarding this Research information or with any aspect of your legalsuper account please call legalsuper on 1800 060 312 (freecall) or email mail@legalsuper.com.au

Disclaimer: This report is prepared for general circulation and does not have regard to the particular circumstances or needs of any specific person who may read it. The information contained herein is believed to be reliable, but its completeness and accuracy is not guaranteed. Opinions expressed may change without notice. No part of this report is to be construed as a solicitation to buy or sell any security. We do not accept any liability, whether direct or indirect arising from the use of information contained in this report. International investors are reminded of the risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Any transaction by US persons in any security discussed in this report must be carried out through Macquarie Equities (USA) Inc which has distributed this report in the US. This report is issued in the UK by Macquarie Equities Limited, which is a member of the Securities and Futures Authority. The investments and investment services the subject of this report are not available to private customers in the UK. The material in this publication is copyright and may not be reproduced without consent of the copyright owner.