

1 May 2024

Updated FY24 Outlook

Following the completion of the March 2024 quarter trading period and Management's review of business segment forecasts, Engenco Limited (ASX: EGN) (**Engenco** or **Company**), is updating its outlook for FY24.

Whilst it is anticipated that financial performance in the second half will remain positive, the Company is no longer expecting material improvement for FY24 when compared to FY23, principally due to challenges being faced by the Gemco Rail and Workforce Solutions business units.

Whilst temporary closure of the main east-west railway line at Rawlinna due to flooding negatively impacted maintenance demand during March 2024, Gemco Rail is also experiencing a broad deferral of customer maintenance spending. Based on current customer feedback this is not expected to return to normal levels until FY25.

The Workforce Solutions business is being adversely affected by a softening of customer demand for both labour hire of train drivers and for training courses. The softening of labour hire reflects a current shift in customer preference away from labour hire in favour of insourced arrangements. The weaker training volumes reflect the loss of a customer contract, the financial impact of which is expected to be recovered in the next financial year.

Pleasingly, the Power and Propulsion Segment continues to progress well with Drivetrain's new Mt Isa branch becoming fully operational in April 2024. Measures in Convair to mitigate increased costs have started to gain traction with improved performance expected in Q4 FY24.

Commenting on the tempered outlook, Engenco's Managing Director and Chief Executive Officer, Dean Draper said: "Whilst the deferral of customers' maintenance spending experienced by Gemco Rail is disappointing, we remain diligent in implementing our strategy across the Engenco portfolio where the focus on improving operational performance, strengthening margins and disciplined cost management remains.

"The establishment of the Gemco Rail facility in Karratha is progressing as planned and within budget. Operations are expected to commence in H2 FY25. Whilst Power and Propulsion continues to make solid progress, optimisation of the Workforce Solutions business will be accelerated as its current performance is unsatisfactory. The new leadership team of Workforce Solutions is making positive progress particularly with CERT Training."

This announcement has been authorised for release by the Engenco Board of Directors.

About Engenco Limited

Engenco specialises in:

- Maintenance, repair and overhaul of heavy-duty engines, powertrain, propulsion and gas compression systems;
- Design and manufacture of road and rail transportation and storage tankers for dry bulk products;
- Product development, manufacture, installation, maintenance and spare parts services for Hedemora Turbochargers and Hedemora Diesel Engines, for customers in all parts of the world;
- Maintenance, repair and overhaul of locomotives;
- Rollingstock maintenance, products, and services for the Australian and New Zealand rail markets; and
- Nationally accredited training, contract labour solutions and outsourced workforce management for the Australian rail and transportation industries.

Engenco services a diverse client base across the defence, resources, marine, power generation, rail, heavy industrial, mining and infrastructure sectors.

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