

**HD Fitch: Emeco's Rating Incorporated Possibility of Lower Earnings 18 May 2014**

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NEWS BITES - PRIVATE COMPANIES

[**Company** Release]

**TD**

Fitch Ratings-Singapore/Sydney-18 May 2014: Fitch Ratings says that Emeco Holdings Limited's (Emeco; **B+/Stable**) ratings already incorporated the possibility that earnings for the financial year ending 30 June 2014 would be lower than the **company's** previous guidance. Emeco, which supplies heavy equipment to the **mining** industry, on 14 May 2014 revised its FY14 EBITDA guidance to AUD72m-75m, 12%-20% lower than its previous estimates. The lower guidance is not a surprise - Fitch had already factored in the possibility of a slower pick-up in utilisation rates than management's initial estimates, especially in the 12 to 18 months following the initiation of the ratings in February 2014. Fitch does not view the lower earnings guidance as a material weakening of Emeco's business or credit profile, especially as it is driven by one-off events and a delay in the commencement of **operations** for some of its new contracts.

In Fitch's opinion, the lower earnings in FY14 would not materially hamper its ability to deleverage in line with our expectations. Emeco's ratings factor in our expectation that Emeco would reduce its leverage, as measured by net debt to EBITDA, to below 3x by FY16 (2.3x in FY13).

Emeco's Canadian **operations** have been impacted in FY14 by an earlier than expected onset of autumn and unplanned outages at its largest customer. Emeco expects seasonally adjusted business volumes in its Canadian **operations** to return to normal by July 2014. In Australia, the **company** has not been awarded as many new contracts as it initially anticipated, although it has already secured some sizable contracts, which should boost its utilisation rates in Australia starting early FY15.

The **company's** overall utilisation has trended downwards since early 2012, driven by weak volumes in its Australian **coal** business, as **coal** miners have been reducing overburden removal volumes in response to weak global **coal** prices. The agency however does not expect this trend to continue due to both increasing Australian **coal** production and gradual reversion by miners to regular strip ratios requiring higher overburden removal volumes.

Emeco's ratings, including the "BB-"/"RR3" rating on its senior secured **bonds** issued under Emeco Pty Ltd, reflect the high sensitivity of its earnings to commodity cycles. The ratings also take into account Emeco's low operating leverage, Fitch's expectation of a gradual improvement in Emeco's financial profile and Emeco's flexibility in managing capex, which allows it to preserve operating cash flows during industry downturns.

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**COMPANY** BACKGROUND

ACTIVITIES

Fitch Training Ltd. designs, develops, and delivers credit, risk, and corporate finance training courses for individuals and corporate clients in the United Kingdom and internationally. Its training courses include workshops for corporate; non-bank financial institutions, insurance, and banks courses; risk and capital, and risk applications courses; and securitization courses. The **company** was founded in 1987 and is based in London, United Kingdom with locations in Dubai, Frankfurt, London, Paris, Riyadh, Stockholm, Beijing, **Hong Kong**, Singapore, Sydney, Chicago, New York, San Francisco, Sao Paulo, and Toronto; and Washington, D.C. Fitch Training Ltd. operates as a subsidiary of Fitch Group, Inc.

BUSINESS NEWS ROUND UP

18 May 2014: Fitch Affirms and Withdraws Taiwan Cooperative Bank Ratings

[**Company** Release] Fitch Ratings-Taipei/Singapore-18 May 2014: Fitch Ratings has affirmed the ratings of Taiwan Cooperative Bank's (TCB) and its affiliated companies, Taiwan Cooperative Bills Finance (**Company**) (TCBFC) and Taiwan Cooperative Securities (TCS), with Stable Outlook. The ratings and outlook of TCB are simultaneously withdrawn as they are no longer considered relevant to the agency's rating coverage.

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16 May 2014: Fitch: CNPC Pipeline **Sale** is Positive, State Linkages Unaffected.

[**Company** Release] Fitch Ratings-**Hong Kong**/Singapore-16 May 2014: Fitch Ratings has today said that a proposal by **China** National Petroleum Corporation's (CNPC; A+/Stable) subsidiary PetroChina (A+/Stable) to eventually sell its interest in some of its pipelines does not affect CNPC's ratings nor its linkages with the state.

[Click here for the full original announcement](#)

16 May 2014: Fitch Affirms Lifestyle at "BBB-", Outlook Stable

[**Company** Release] Fitch Ratings-**Hong Kong**-16 May 2014: Fitch Ratings has affirmed Lifestyle International Holdings Limited's (Lifestyle) Long-Term Foreign Currency Issuer Default Rating (IDR) at "BBB-" with a Stable Outlook. The agency also affirmed Lifestyle's foreign currency senior unsecured rating at "BBB-". KEY RATING DRIVERS Strong asset, prudent expansion: Lifestyle enjoys stable revenue from its flagship Causeway Bay (CWB) Sogo property, which provides strong support to the **company's** cash-flow in the event of an economic down-cycle.

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16 May 2014: Fitch: Sunac Has Sufficient Liquidity for Greentown **Stake Acquisition**

[**Company** Release] Fitch Ratings-**Hong Kong**/Singapore-16 May 2014: Fitch Ratings says Sunac **China** Holdings Limited's (Sunac; BB-/Stable) proposal to acquire up to 30% of Greentown **China** Holdings Limited's (Greentown) issued shares is not likely to have any impact on the ratings on Sunac, which has sufficient liquidity. Sunac, a **China**-based homebuilder, achieved CNY14.2bn of contracted sales in January-April 2014, an increase of 27% from a year earlier, and had CNY16.0bn of cash equivalents and restricted cash at end-2013.

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16 May 2014: Fitch Affirms Telkomsel at "AAA(idn)"; Withdraws International Ratings

[**Company** Release] Fitch Ratings-Jakarta/Singapore/Sydney-16 May 2014: Fitch Ratings has affirmed Indonesia-based P.T. Telekomunikasi Selular's (Telkomsel) National Long-Term Rating at "AAA(idn)". The Outlook is Stable. Simultaneously, Fitch has affirmed and withdrawn the following international scale ratings as they are no longer considered by Fitch to be relevant to the agency's coverage: Long-Term Foreign-Currency Issuer Default Rating (IDR) at "BBB"; Outlook Stable Long-Term Local-Currency IDR at "BBB+"; Outlook Stable Foreign currency senior unsecured rating at "BBB" "AAA" National Ratings denote the highest rating assigned by Fitch on its national rating scale for that country.

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**CO** emecho : Emeco Holdings Ltd

**IN** i32 : Machinery | i3254 : Construction Machinery | iindstrls : Industrial Goods

**NS** c1521 : Analyst Comments/Recommendations | c1522 : Share Price Movement/Disruptions | npress : Press Releases | c15 : Performance | c152 : Earnings Projections | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfce : FC&E Exclusion Filter | nfcpin : FC&E Industry News Filter

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**IPD** ACTIVITIES; BUSINESS NEWS ROUND UP

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