

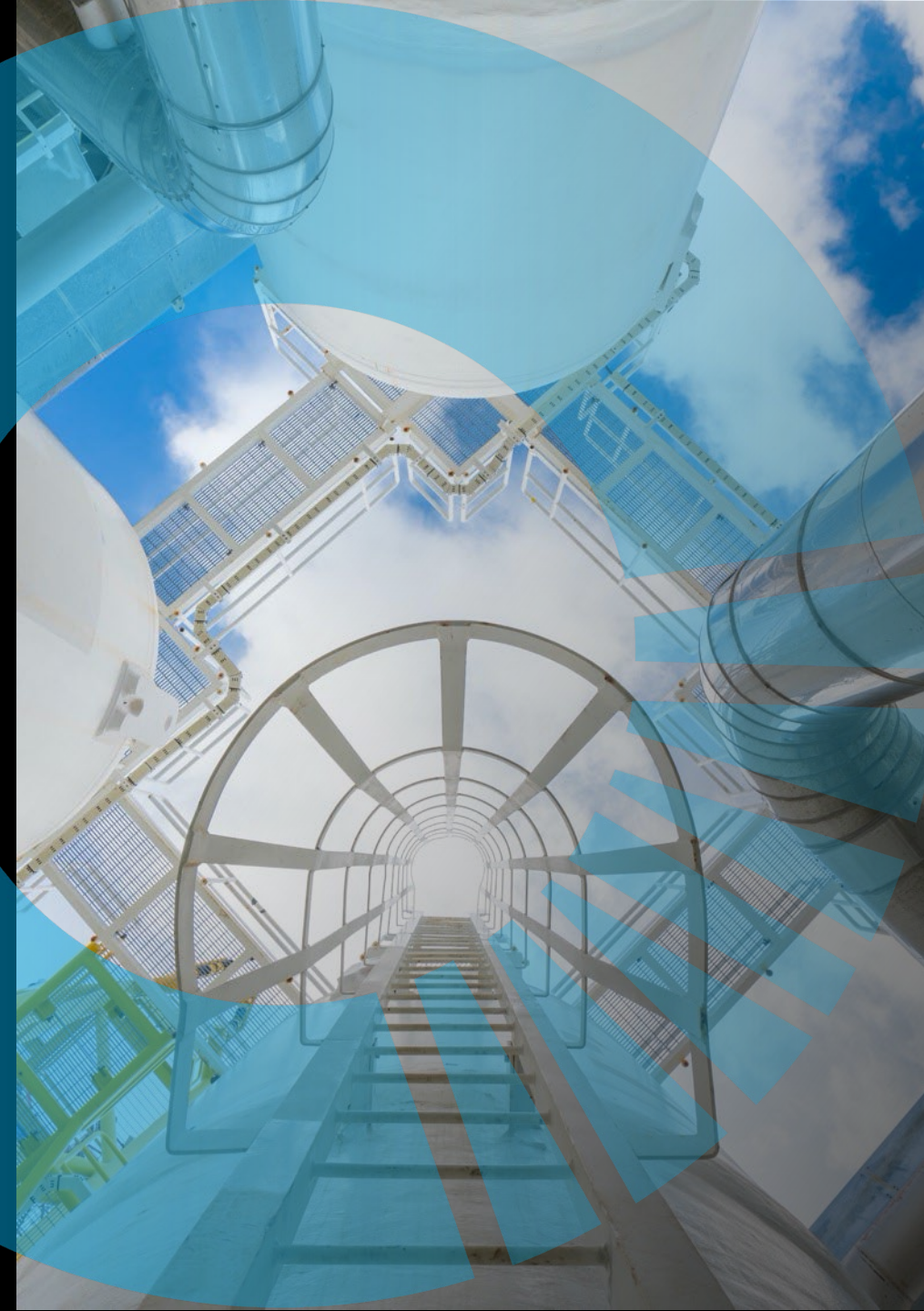
# The Environmental Group Limited

*ENGINEERING A SUSTAINABLE FUTURE*

Investor Presentation  
FY23 Financial Results

**August 2023**

Presentation should be read in conjunction with the Annual Report 30 June 2023.



## Disclaimer

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**EGL Waste** encapsulates our service offering to the waste industry; world class recycling plants, dust extraction systems, odor control, boilers & autoclaves, Combustion technologies for biomass boilers and waste to energy plants.  
Estimated addressable market: \$4-7.8 billion



**Total Air Pollution Control (TAPC) & Airtight Solutions** provides highly efficient state-of-the-art industrial air pollution control technologies that prevent harmful gases, particulate matter, and odours from being released into the environment.  
Estimated addressable market: \$400 million



**Baltec IES** supports the gas turbine industry in its role in assisting the transition from coal-powered energy generation by providing engineered products and custom designs specifically to meet clients renewables applications.  
Estimated addressable market: \$300 million



**Tomlinson Energy Service & Ignite Services** are one of Australasia's largest fully accredited gas fired service and packaged boiler providers, with an extensive service network spanning across Australia.  
Estimated addressable market: \$150 million



**EGL Water** division has enhanced patented technology designed to protect our environment by the removal of Per- and polyfluoroalkyl chemical substances (PFAS) from contaminated water.  
Estimated addressable market billion's



01

# Financial Results



## FY23 Financial Results – underlying\*



**\$82.7M**

44.9% Increase in  
Revenue on FY22



**\$6.7M**

EBITDA up 51.8%  
before significant  
items on FY22



**\$4.9M**

EBIT up 64.6% before  
significant items on  
FY22



**\$5.2M**

Net cash from  
operating activities



**\$5.0M**

Undrawn working  
capital facility



**\$9.4M**

Cash on hand

\*Underlying profits excludes, Acquisition costs \$317K, FX Losses \$119K, Performance Rights \$331K, Other \$35K.  
Refer Appendix A  
Presentation should be read in with the Annual Report 30 June 2023.

# FY23 Financial Results commentary

## Revenue

**\$82.7M**



Revenue up by 44.9% on the prior year. Most pleasing was every business unit recorded growth. TAPC was an outstanding performer with revenue up 115% on pcp. EGL Energy provided strong revenue growth with a solid contribution from Ignite Services.

## EBITDA

**\$6.7M**



EBITDA before significant items up 51.8% due to a combination of revenue growth and margin improvement despite the cost pressures of a high inflation environment. Normalised items include, acquisition costs \$317K, unrealised FX losses of \$119k, share based payments of \$331k and redundancies \$35k.

## EBIT

**\$4.9M**



EBIT before significant items of \$4.9M, is a 64.6% improvement on pcp, with EGL Waste making its first full year contribution of \$802K. Corporate costs were well controlled up 19% on top line growth of 44.9%.



# FY23 Financial Results commentary

**NPAT**

**\$2.6M**



Profit from ordinary activities \$2.6M up 68.2% on the pcip at a tax rate of 32.6%

Earnings per share up 51% on pcip.

**Operating Cash Flow**

**\$5.2M**



Operating cash flow was \$5.2M for the period reflecting the improved business processes.

**Cash on hand**

**\$9.4M**



\$9.4M cash on hand plus a \$5M undrawn working capital facility available to fund future growth.

# Executive Management

CEO – Jason Dixon. 10 years executive experience for a listed ASX 300 company.



CFO – Andrew Bush. 25 years experience in Industrial services and Contracting in senior financial management roles



National Sales & Marketing Manager - Paul Gaskett. 14 years Business Development and sales in Industrial services



COO – Brenda Borghouts. 20 years Defence and heavy engineering, operations and logistics





# Senior Management

Peter Rankin – 30 years experience in the boiler and pressure vessel industry, responsible for EGL Energy

Aldo Giachero – 15 years experience in emissions control systems, responsible for TAPC appointed July 2021

Charles Borg – 30 years experience in the Gas Turbine market, responsible for Baltec IES appointed September 2021

Stirling Schunemann – 14 years experience with EGL sales, engineering and projects, responsible for EGL Waste Services

Kiril Nikitin – 17 years engineering experience in heavy industry and renewables in the design, manufacturing, construction environments, Head of Engineering

Stig Brixen – 17 years experience in dust control industry, responsible for Airtight Services since Acquisition in 2023



02

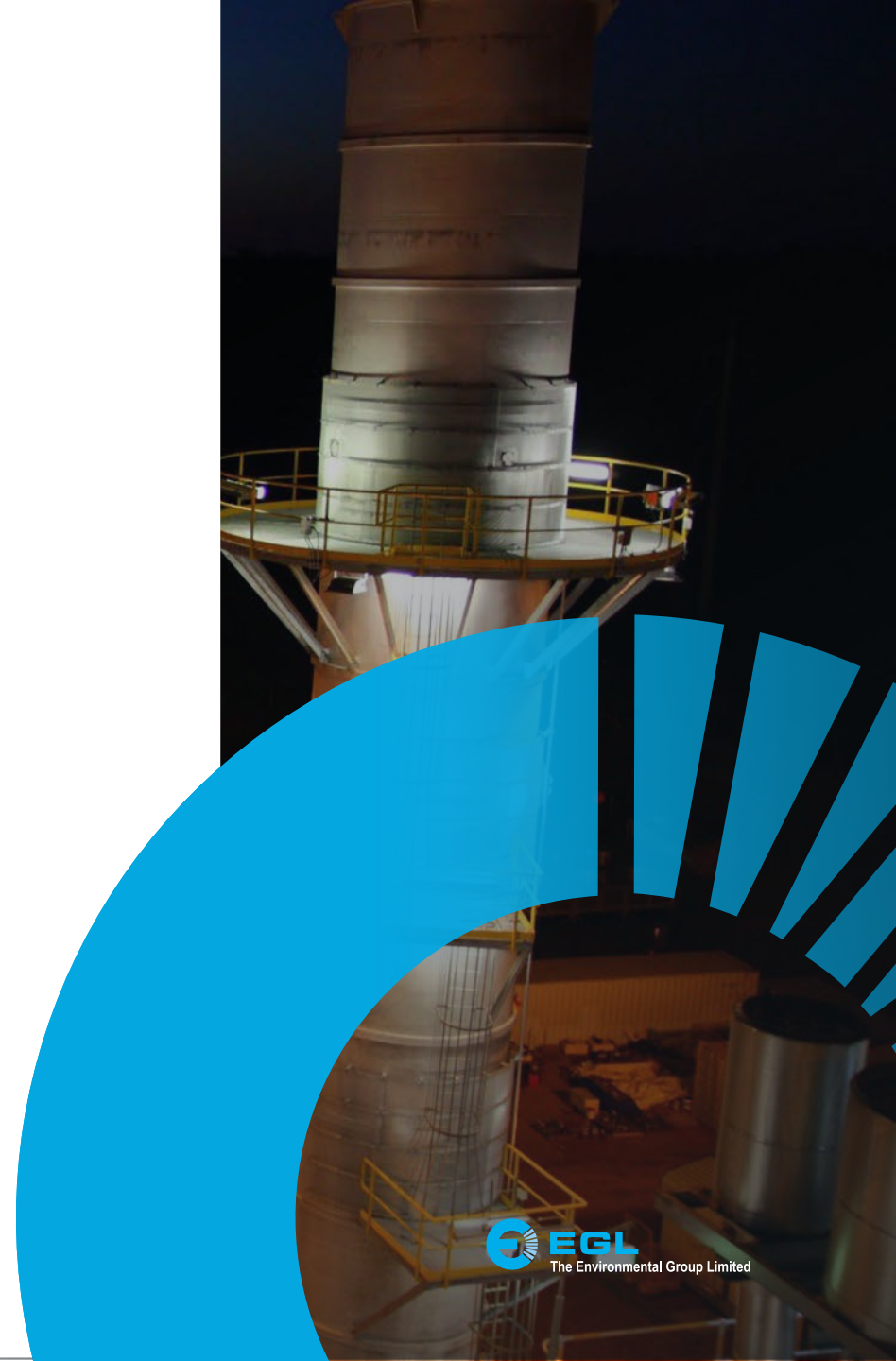
# Operating Units





01

# Baltec Inlet and Exhaust Systems





**Baltec IES supports the gas turbine industry in its role in assisting the transition from coal-powered energy generation by providing engineered products and custom designs specifically to meet clients' renewables applications.**

**Key offering**

- Turbine performance enhancement for lower emissions and higher output
- Project management
- Global manufacturing to a range of international standards
- Erection and commissioning
- After sales maintenance and spare parts

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**Revenue**

FY23 \$20.1M

FY22 \$19.3M

Up 4.4%

**EBIT**

FY23 \$1.55M

FY22 \$1.49M

Up 2.2%

**Work in hand as at 30  
June 2023 \$12.7M**



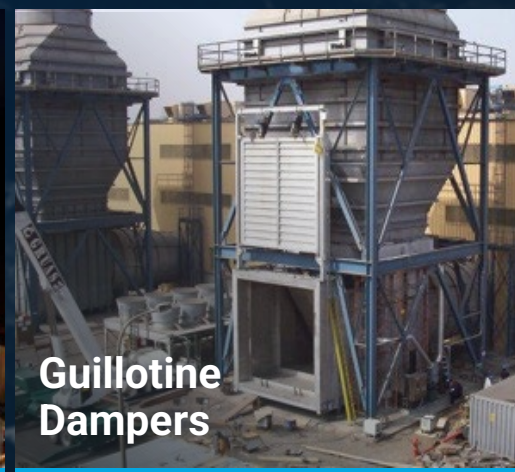
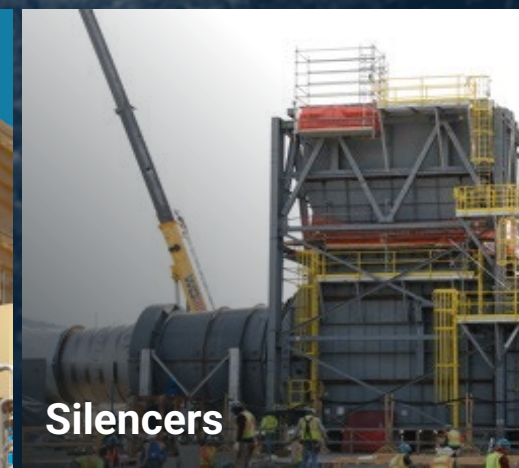
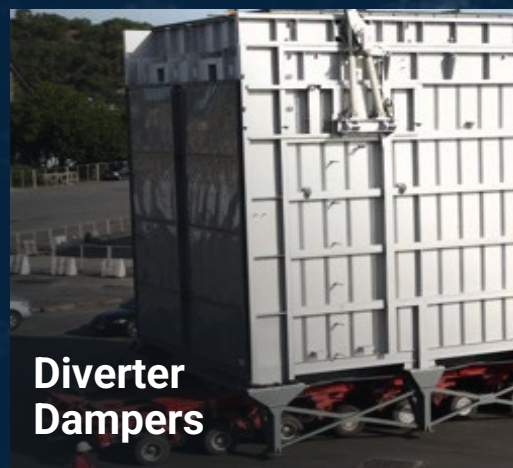
## FY23 RESULTS COMMENTARY

- Strong second half to the year with margin expansion of 3.3% as our focus on process improvement and procurement has lifted returns.
- Without the impact of warranty costs of \$453K impacting the result from an issue in 2020, EBIT margins would have lifted approximately 2%.
- With the global energy crisis, the generation industry is trying to find the right balance between renewable energy and traditional energy sources. Demand for our services is at a high level.
- Record sales have been achieved. Current year to date of approximately \$17.6M will lead to a very strong FY24.
- Management focus continues to be on margin improvement & cash flow.
- The technology development of the solar farm inlet system to prevent dust impacting inverters is an exciting new market using our unique IP.





## Key Products







02

# EGL Energy





**EGL Energy offers a network of service offices across Australia providing 24/7 sales, service, maintenance and repairs of boilers, gas fired equipment and other OEM equipment optimising energy efficiency.**

### **Key Offering**

- Sale and Installation of cost-effective boilers with a design focusing on maximum reliability, long-term operating efficiency, fuel flexibility and ease of access for inspection and maintenance.
- Ongoing service and maintenance of boilers burners and steam equipment through a national network of service technicians.
- Service and maintenance of gas fired equipment, combustion efficiency analysis.

### **Revenue**

FY23 \$36.9M  
FY22 \$29.2M  
Up 26.3%

### **EBITDA**

FY23 \$3.8M  
FY22 \$3.2M  
Up 17.7%

### **EBIT**

FY23 \$2.7M  
FY22 \$2.3M  
Up 15.5%

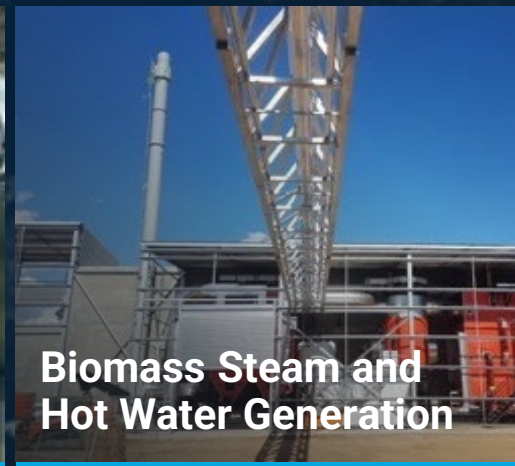
## FY23 RESULTS COMMENTARY

- Tomlinson margin improved in the second half with costs stabilising after shipping and steel prices returned to pre Covid levels.
- The cost of new boilers landed and installed during the period were higher than expected which resulted in EBITDA margins being lower by 70 basis points.
- Ignite continued its strong contribution with significant growth on FY22.
- Our services remained very strong with the increased installed capacity increasing recurring revenue.
- With the rising cost of natural gas our clients are looking for the optimization of their combustion efficiency and alternate fuel sources such as biomass boilers using waste products to generate heat and hydrogen as an alternate fuel source.
- With margins returning to normal EGL Energy has a strong outlook for FY24.





## Key Products





03

## **Total Air Pollution Control & Airtight Solutions**



**TAPC designs, manufactures and services flue gas treatment systems which prevent harmful contaminants being discharged into the atmosphere.**

#### **Key offering**

- Scrubbers including dry and wet for the removal of particulates and gaseous contaminants.
- Electrostatic Precipitators & Bag filters for particulate removal and flue gas clean up.
- On going service, parts and maintenance of pollution control equipment.
- A team of specialist engineers and designers who understand the clients need for specialist pollution control equipment.

#### **Revenue**

FY23 \$17.0M  
FY22 \$7.9M  
Up 115%

#### **EBIT**

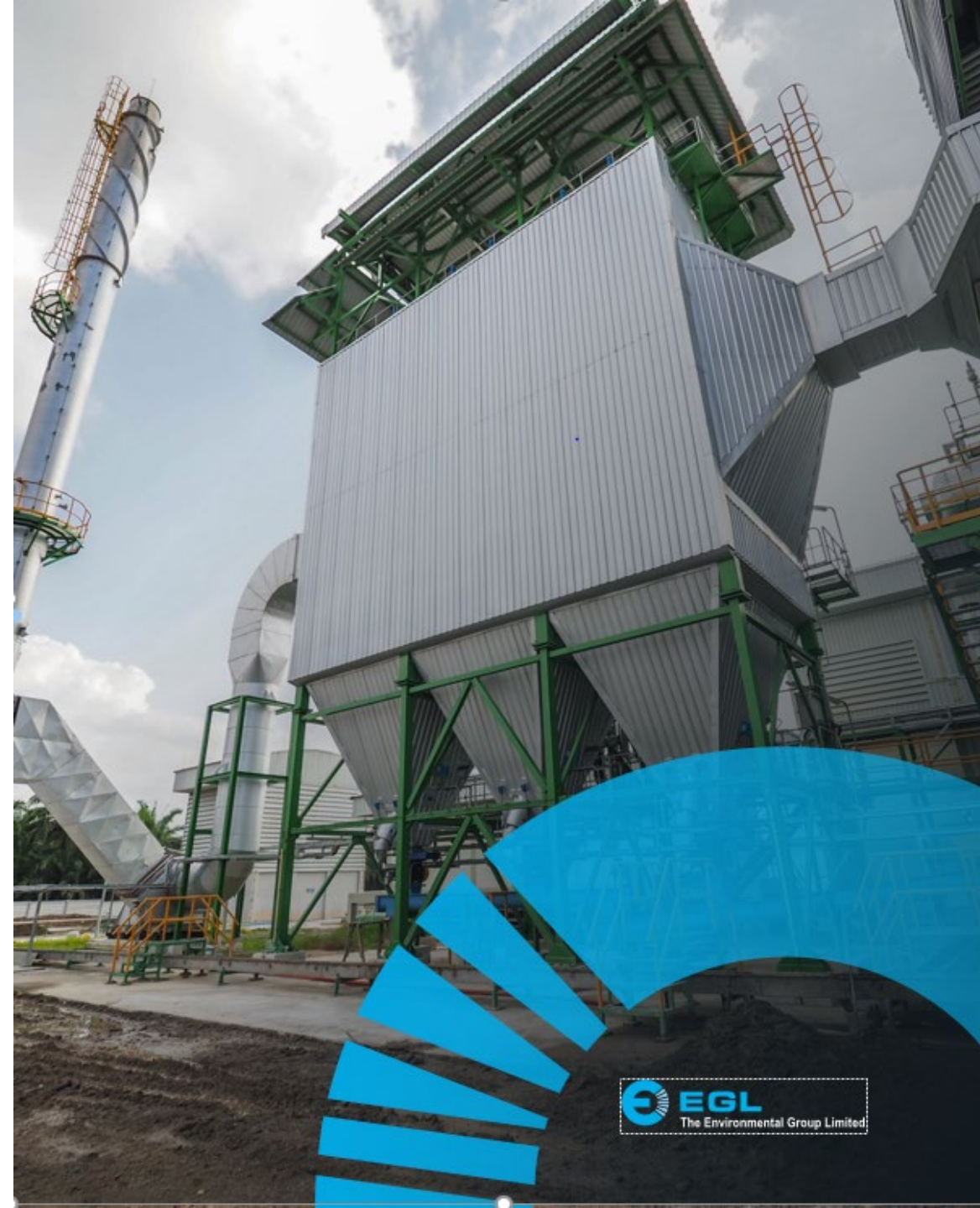
FY23 \$2.9M  
FY22 \$1.25M  
Up 132%

#### **EBIT MARGIN**

FY23 17.1%  
FY22 15.8%

## FY23 RESULTS COMMENTARY - TAPC

- A standout year from the growth in providing off-gas treatment systems into the refining sector to produce lithium and rare earths.
- Projects in the lithium and rare earth sector performing very well tracking at margin expectations.\
- Increased sales of servicing and spares grew by 39% at strong margins contributing 40% of EBITDA.
- Smaller projects and upgrades driven by our operations team performed very well delivering margins above expectations for the period.
- Good recurring revenues, high margin with consistent cashflows from upgrades, servicing and spare's sales.
- Expanding into the waste sector providing dust extraction systems, we are currently working on the installation of the dust extraction system for the world class Rino Resources construction and demolition waste recycling plant in Brisbane.



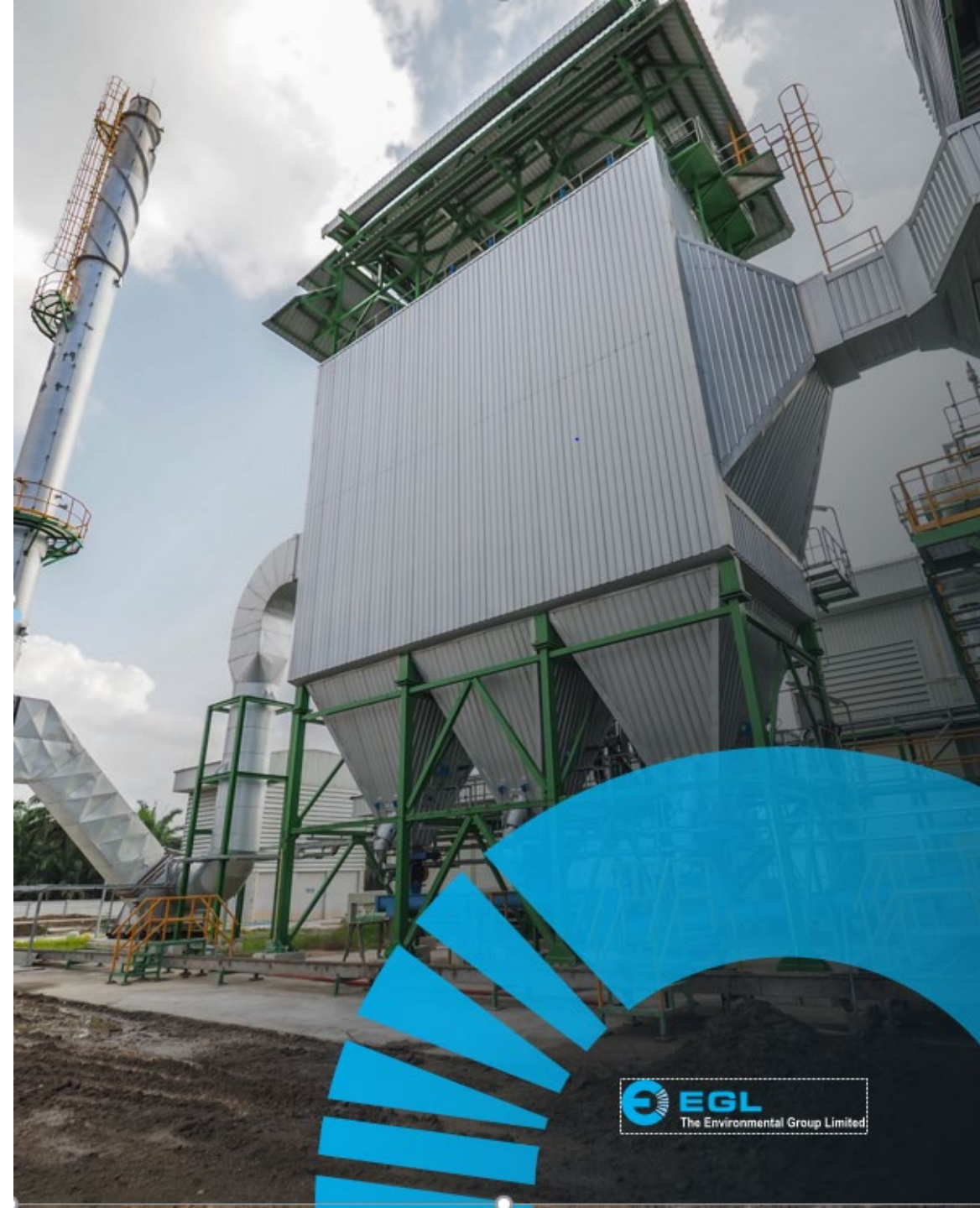




## AIRTIGHT SOLUTIONS – acquired May 23

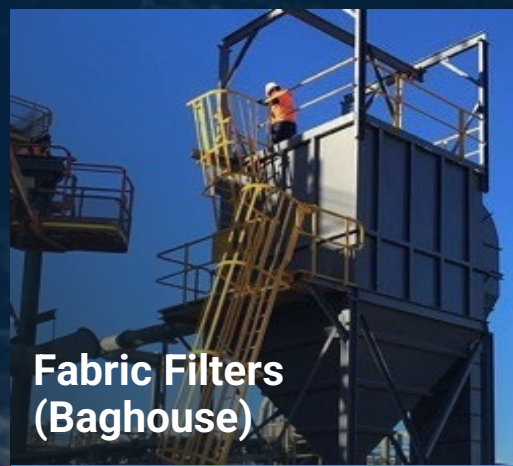
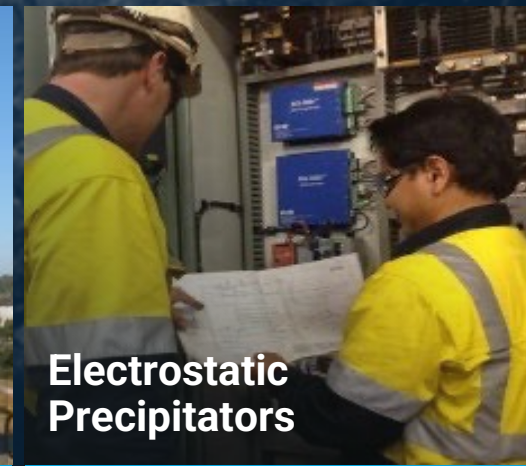
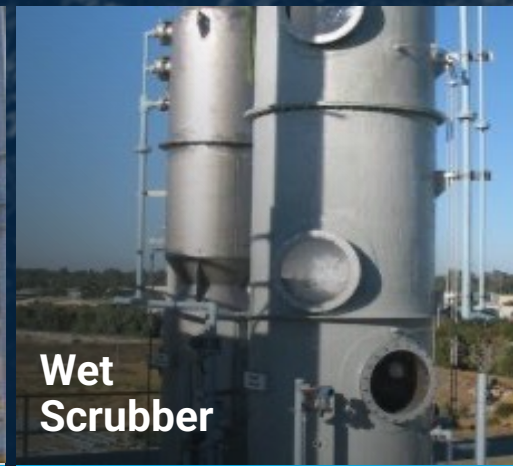
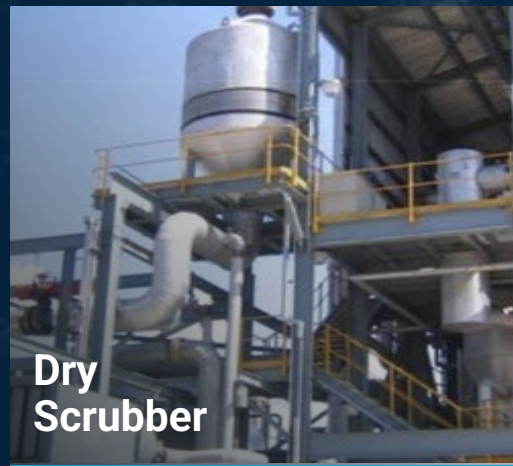
**Airtight's key offer includes Dust & Fume control by designing, installing, and maintaining air pollution control equipment, Waste-to-Energy via extensive range of waste reduction technologies and after sales servicing.**

- The acquisition represents a major expansion of EGL's presence in the air pollution control markets.
- Extends EGL's solutions offering to include small and medium size airborne dust collection solutions and associated services and products.
- Strengthening EGL Clean Air's position in Australia as the leading company in the air pollution control sector.
- Airtight serves several key client industries including automotive, agriculture, manufacturing, joinery, metal & polishing, food & pharmaceutical, paper & printing and recycling & waste recovery.
- FY23 contribution since settlement 5 May 23, Revenue \$3.4M, EBITDA \$150k.





## Key Products







04

# EGL Waste



## EGL Waste division encapsulates offering many of EGL's service lines to the waste industry

- Turmec's world class recycling plants under the exclusive Australian agency.
- Dust extraction and asbestos detection systems in waste processing facilities.
- Boilers & autoclaves in the medical waste treatment sector.
- Combustion technologies for biomass boilers and waste to energy plants.
- PFAS and liquid waste treatment plants.
- After sales service and parts.

### Revenue

FY23 \$4.8M

FY22 \$0.5M

### EBITDA

FY23 \$0.9M

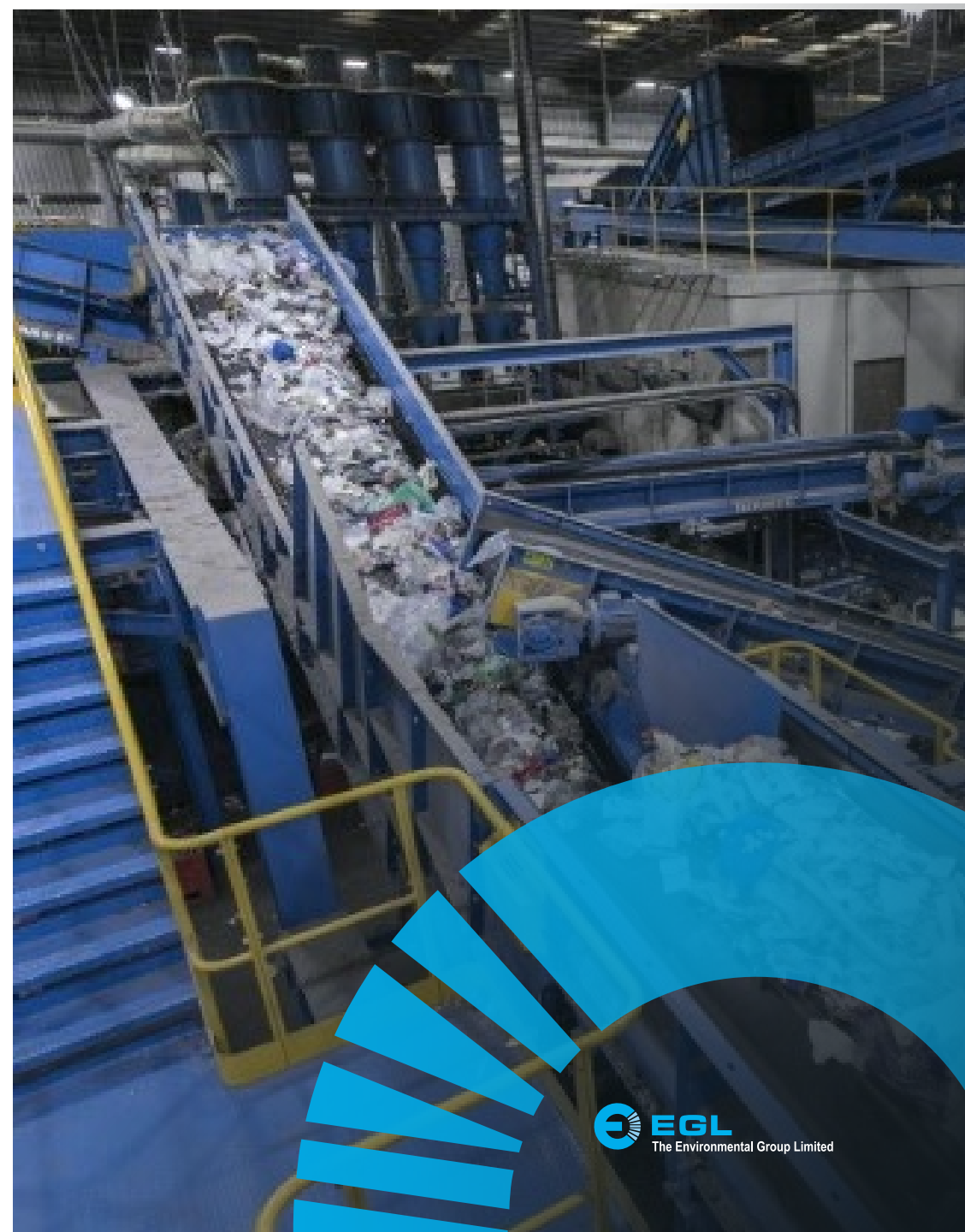
FY22 \$0.5M

Up 81%



## FY23 COMMENTARY

- For the full year EGL Waste generated revenue of \$4.8M and delivered EBIT of \$0.8M.
- The installation of the Rino construction and demolition plant has continued to proceed well underway with EGL providing on site supervision.
- The tender book for further plant sales remains strong with approximately \$140M awaiting award, we believe the macro-outlook remains very strong following the introduction of the Recycling and Waste Reduction Act 2020.
- EGL Waste has continued to extend its offering into the market from our existing Turmec recycling plants, dust extraction and asbestos detection, to now include Vecoplan shredders, PellencST Optic sorters, NiHot Wind shifters and IFE materials handling equipment.
- Our service technicians are being trained to service and maintain installed capacity.
- Executed a Strategic Partnership Agreement (SPA) with 374Water Systems, Inc. (NASDAQ: SCWO) for the exclusive distribution of the AirSCWO technology in Australia and New Zealand.
- 374Water has developed and commercialized the novel AirSCWO™ system – a modular waste slurry destruction technology which destroys all organic compounds including PFAS and other persistent organic compounds.





05

# EGL Water





**EGL Water division has enhanced patented technology designed to protect our environment by the removal of Per- and polyfluoroalkyl chemical substances (PFAS) from contaminated water.**

- PFAS was primarily used in aircraft fire fighting as a fire retardant however its use expanded into plastics and clothing prior to its detrimental impact on our environment being fully understood.
- Successful class actions have highlighted increased awareness and the urgent need to find solutions to remove contamination in water, soil, landfills, farmland and housing estates.
- EGL recognises that one of the world's most valuable assets is water and will persist in our vision to reduce water pollution, leading to an improved environment, through low-cost technology solutions.



## FY23 COMMENTARY

- The first commercial plant was delivered on time and on budget in September.
- Installation commenced on site late November, with the plant completed by mid-January for EPA approval.
- During the commissioning, the plant processed various liquid waste streams with samples collected and sent to laboratories for analysing results.
- All PFAS waste streams treated resulted in regulated PFAS being removed to below detectable levels, proving the effectiveness and versatility of the technology.
- In June 2023 we received an order for the plant with the sale of our first plant subject to the sites EPA approval.
- Commenced the marketing of our PFAS plants to the different markets and customers.
- Our system allows us to tailor make each plant to meet specific customer requirements and allows us to target a wide range of markets such as Airports, Water Authority's, Petrochemical and local Government (landfill).
- Our low-cost system which is designed and built in Australia is cost effective way to deal with the PFAS problems that are continuing to see emerge.



03

# Outlook

# Outlook

01

Normalized EBITDA to improve greater than 30% for the financial year.



02

Margin and process improvement will remain a focus of the business.



03

Continue to develop the “One EGL” culture to sell multiple services lines to the one customer.



04

TAPC, Baltec & Engineering to report directly to COO Brenda Borghouts to improve processes.





# Forward Outlook

05

EGL Energy -Tomlinson improve margin to drive EBITDA growth year on year.



06

Baltec is set to have strong performance delivering very good earnings growth for the year.



07

TAPC will be steady with growing recurring revenue and EGL Waste continuing its organic growth.



08

EGL Water – commercial sale of PFAS separation plants to commence and could be a significant opportunity.





## EGL outlook continued

- At this stage we expect EBITDA to increase by over 30% year on year after significant items.
- Integrating Airtight Solutions onto our systems and aligning cultures and expectations to drive value from the acquisition.
- Management's focus will remain on margin improvement but is now moving towards improved business processes.
- Engineering, supply chain, purchasing and logistics will be target areas for savings and margin improvement.
- Corporate costs remain under tight control as the business grows.
- The two organic growth areas of Water (PFAS separation) and Waste will focus on the commercial opportunity. New organic growth strategies through technology innovation remains a focus.



# Questions?





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## Appendix A

Reconciliation of Statutory (4E) to underlying results			
	4E	Less Significant Items	Underlying Business
<b>FY22(\$M)</b>			
Revenue	82.7		82.7
Costs of sales	(63.8)		(63.8)
Gross profit	18.9		18.9
Employee expenses	(7.7)	0.0	(7.7)
Professional fees	(1.7)		(1.7)
Travel expenses	(1.2)		(1.2)
Marketing expenses	(0.4)		(0.4)
Occupancy expenses	(0.4)		(0.4)
Other expenses	(1.6)	0.8	(0.8)
<b>Operating EBITDA</b>	<b>5.9</b>	<b>0.8</b>	<b>6.7</b>
Depreciation and amortisati	1.7		1.7
<b>EBIT</b>	<b>4.1</b>	<b>0.8</b>	<b>4.9</b>
Interest Income	0.0		
Interest expense	(0.3)		(0.3)
<b>Profit before tax</b>	<b>3.9</b>	<b>0.8</b>	<b>4.7</b>
Tax expense	(1.3)		(1.3)
<b>Profit after tax</b>	<b>2.6</b>	<b>0.8</b>	<b>3.4</b>
<b>Earnings per share (EPS)</b>	<b>0.80 cents</b>		<b>1.22 cents</b>
<b>Significant Items Reconciliation</b>		<b>\$M</b>	
Performance rights		0.3	
Redundancy		0.0	
FX		0.1	
Acquisition cost		0.3	
<b>Total</b>		<b>0.8</b>	