

The Environmental Group Limited

ENGINEERING A SUSTAINABLE FUTURE

Investor Presentation
1H FY24 Financial Results

February 2024



Disclaimer

EGL advises that these presentation slides contain forward looking statements which may be subject to significant uncertainties outside of EGL's control. No representation is made as to the accuracy or reliability of forward-looking statements or the assumptions on which they are based. Actual future events may vary from these forward-looking statements, and you are cautioned not to place undue reliance on any forward-looking statement. Presentation should be read in conjunction with the Interim Report, 31 December 2023.

Key Highlights 1H FY24

01

Revenue grew by 14.6% on the prior comparable period up to \$46.9M.

02

Normalised EBITDA up by 47.8% to \$4.5M with EBITDA margins increasing from 7.5% to 9.7%.

03

Upgrading guidance for normalised EBITDA to increase approximately 45% this financial year.

04

Over 50% of our revenue is now recurring largely service & maintenance.

05

Airtight fully integrated onto EGL systems and processes.

01

Financial Results

1H FY24 Financial Results – underlying*

 <p>\$46.7M 14.6% Increase in Revenue on 1H23</p>	 <p>\$4.5M EBITDA up 47.8% before significant items on 1H23</p>	 <p>\$3.4M EBIT up 51.8% before significant items on 1H23</p>
 <p>\$2.1M Net Profit after tax up 47.2%</p>	 <p>\$5.0M Undrawn working capital facility</p>	 <p>\$7.2M Net cash on hand</p>

*Underlying profits excludes FX Losses \$93K, Performance Rights \$79K, Redundancy \$41K. Refer Appendix A Presentation should be read in conjunction with the Interim Report, 31 December 2023.

1H FY24 Financial Results commentary

Revenue

\$46.7M



Revenue up by 14.6% on the prior comparable period (pcp). Consolidating our growth while improving margins across the business.

EBITDA

\$4.5M



EBITDA before significant items up 47.8% due to a focus on margin improvement, via consistent processes throughout all business units, lower costs in procurement and realising the value of our IP. Normalised items include, unrealised FX losses of \$93k, share based payments of \$79k and redundancies \$41k.

EBIT

\$3.4M



EBIT before significant items of \$3.4M, is a 51.8% improvement on pcp, with EGL Energy and Baltec driving margin growth. Corporate costs were well controlled up 9% on top line growth of 14.6%.

1H FY24 Financial Results commentary

NPAT

\$2.1M



Profit from ordinary activities \$2.1M up 47.2% on the pcp at a tax rate of 32%.

Operating Cash Flow

\$2.9M*



*Operating cash flow was \$2.9M prior to \$2.8M in working capital funding for Airtight Solutions post completion of the acquisition, the working capital was adjusted for in the purchase price.

Cash on hand

\$7.7M



\$7.7M cash on hand plus a \$5M undrawn working capital facility available to fund future growth.

02

Operating Units



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



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



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



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



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





01

Baltec Inlet and Exhaust Systems



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

Key offering

- Baltec leads the market in its design of silencers suitable for gas turbines running in peaking load.
- The IP generated by the engineering team is world leading and has positioned the business for further growth in the future.
- Unique IP for Inlet filtration systems for solar farm inverters.

Revenue
1H24 \$10.7M
1H23 \$10.5M
Up 4.4%

EBIT
1H24 \$1.6M
1H23 \$0.6M
Up 153.6%

EBIT MARGIN
1H24 14.9%
1H23 6.0%

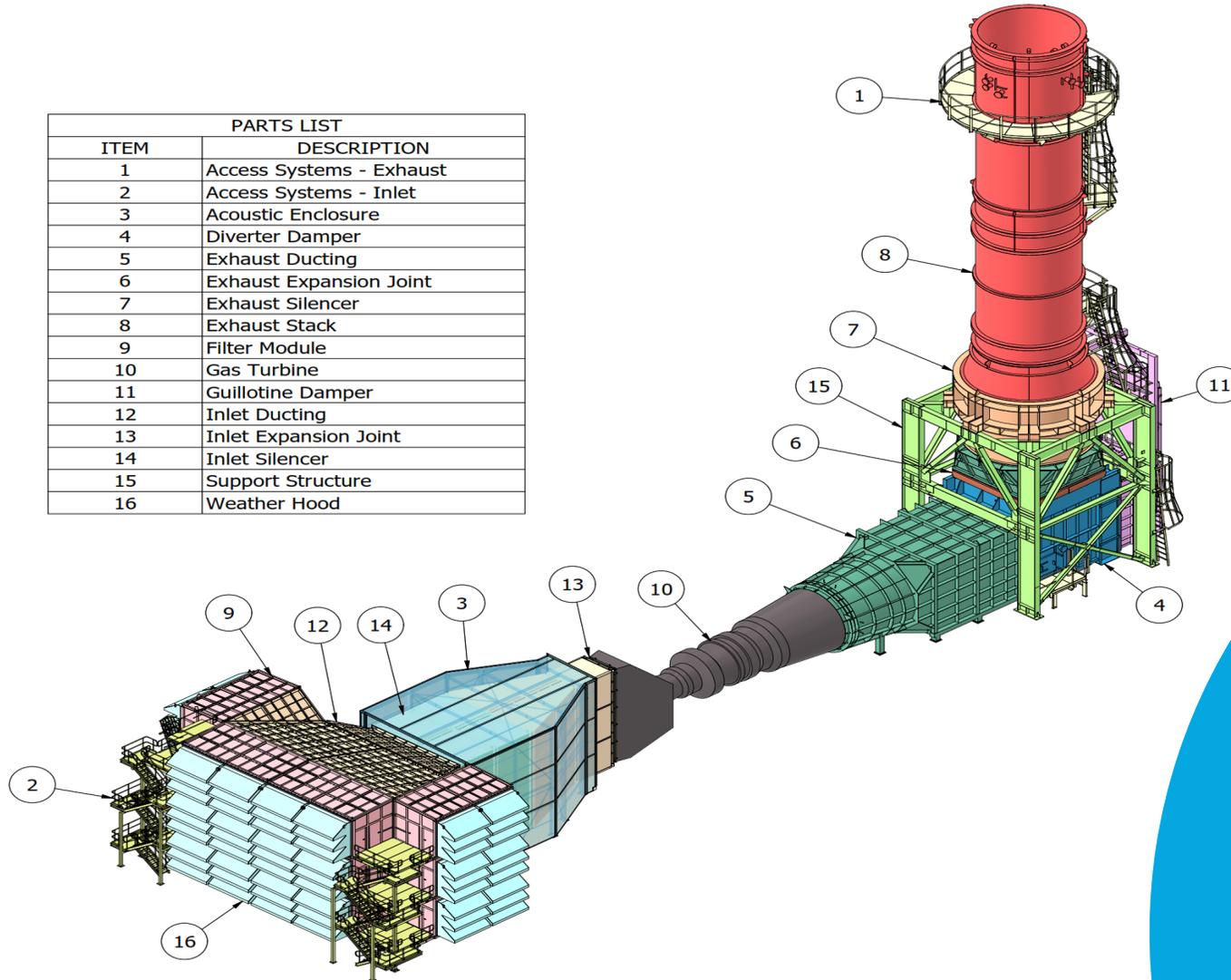
1H24 RESULTS COMMENTARY

- Strong first half to the year with EBIT margin expansion of 9% as our focus on process improvement and procurement has lifted returns.
- Record sales have been achieved. Current year to date of approximately \$21.9M will lead to an excellent FY24.
- Noise attenuation is a growing industry issue, our technology has proven very effective in reducing noise emissions.
- Demand for our offering is at very high levels with significant growth expected again in the second half.
- The pipeline for sales growth has been forecast to be strong until at least 2030.
- Management focus continues to be on margin improvement and product development.
- 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

PARTS LIST	
ITEM	DESCRIPTION
1	Access Systems - Exhaust
2	Access Systems - Inlet
3	Acoustic Enclosure
4	Diverter Damper
5	Exhaust Ducting
6	Exhaust Expansion Joint
7	Exhaust Silencer
8	Exhaust Stack
9	Filter Module
10	Gas Turbine
11	Guillotine Damper
12	Inlet Ducting
13	Inlet Expansion Joint
14	Inlet Silencer
15	Support Structure
16	Weather Hood





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

- Our design is the most energy efficient water tube boiler available in Australia.
- Service and maintenance of gas fired equipment, makes up approximately 75% of earnings.
- 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 Australia's only national network of service technicians.

Revenue

1H24 \$18.2M
1H23 \$18.5M
Down 1.7%

EBITDA

1H24 \$2.7.M
1H23 \$1.8M
Up 49.3%

EBITDA MARGIN

1H24 14.6%
1H23 9.6%

1H24 RESULTS COMMENTARY

- Tomlinson margin improved strongly in the first half with costs stabilising after shipping and steel prices returned to pre Covid levels.
- Service work remained high with the increased installed capacity growing recurring revenue.
- New boilers sales have been strong providing a good outlook for the next 18 months.
- Tomlinson secured a major contract to supply boilers in WA for a large refinery project.
- Ignite continued its strong contribution with significant earnings growth on FY23.





Key Products



Industrial Steam Boilers



Industrial Package Burners



Large Commercial Hot Water Boilers



Thermal Oil Heaters



Biomass Steam and Hot Water Generation



Medical Waste Autoclaves



03

EGL Clean Air

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

Key offering

- Leaders in off gas scrubbing systems for rare earths and lithium refineries.
- 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.

Revenue

1H24 \$8.8M
1H23 \$9.6M
Down 8%

EBIT

1H24 \$1.4M
1H23 \$1.5M
Down 11%

EBIT MARGIN

1H24 15.3%
1H23 15.8%

1H24 RESULTS COMMENTARY – TAPC

- Completed one of our two major lithium and rare earth projects during the period on time and on budget.
- A commendable result in the current inflationary environment with margins largely stable on pcp.
- The capital spend on new lithium plants globally, has softened with the fall in the lithium price.
- The long term need for refined product remains strong as a key component into the renewable energy sector.
- Growth in critical metals (or rare earths refining) continues with some significant tenders currently in the pipeline.
- Servicing of plants and spares organically grew revenue by 64% to \$3.6M as we continue to focus on growing recurring revenue in the business.
- The first construction and demolition plant dust extraction system installed and commissioned during the period working together with Airtight Solutions.



AIRTIGHT SOLUTIONS – acquired May 23

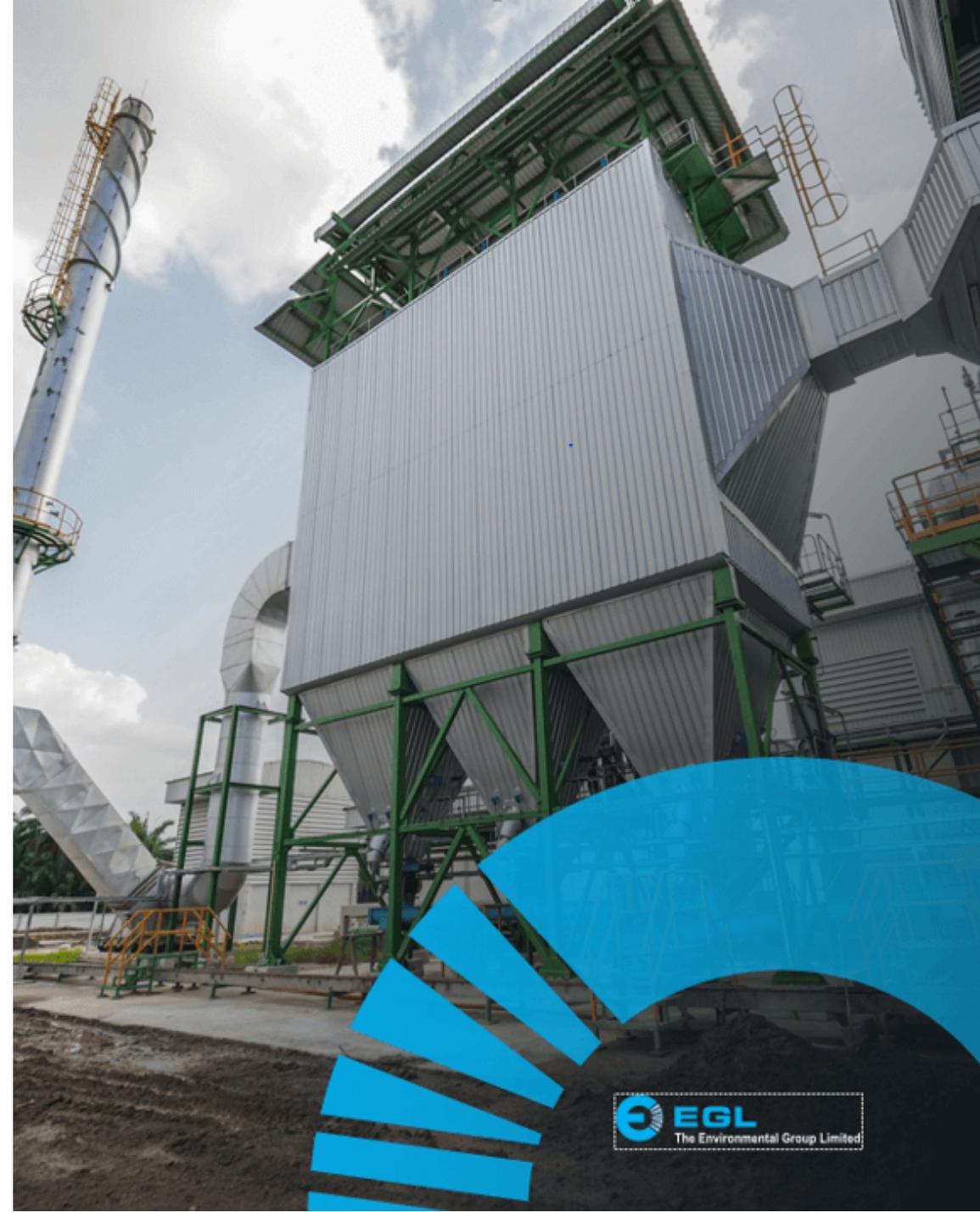
Airtight's key offer includes Dust & Fume control by designing, installing, and maintaining air pollution control equipment, Waste-to-Energy via extensive range of waste reduction technologies and after sales servicing.

- Airtight serves several key client industries including automotive, agriculture, manufacturing, joinery, metal & polishing, food & pharmaceutical, paper & printing and recycling & waste recovery.
- 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.



1H24 RESULTS COMMENTARY – Airtight Solutions

- In the first full reporting period Airtight was largely in line with expectations.
- The result was impacted by costs associated with transferring Airtight onto our systems and platforms and a contract executed prior to our ownership at lower margin.
- Airtight are fully functioning on our systems and have been integrated onto all our processes.
- Airtight have a market leading product in dust extraction systems but have operational improvements to make.
- With synergies through sales into the waste sector expected to exceed our expectations.
- Tenders for dust extraction systems on waste plants has now exceeded \$6M.



Key Products





EGL
WASTE SERVICES

04

EGL Waste

EGL Waste division brings together our service lines to provide integrated solutions to the waste industry.

The National Waste Policy Action Plan requires an 80% average resource recovery rate from all waste streams following the waste hierarchy by 2030. That is an increase of 17% or 12.9MT more resource recovery in the next 6 years.

- Turmec's recycling plants under the exclusive Australian agency and can achieve a 98% recovery rate for C&D/C&I waste streams.
- 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

1H24 \$0.5M

1H23 \$2.2M

EBITDA

1H24 \$0.3M

1H23 \$0.1M

1H24 COMMENTARY

- Our pipeline for recycling plant tenders remains very strong at \$129M.
- Very good near-term prospects after recently being engaged to do a detailed engineering design on a large-scale construction and demolition recycling facility.
- The Rino Resources plant was successfully commissioned during the period, including our dust extraction for the facility, which was a great milestone for EGL and Turmec.
- Working as “One EGL” the dust extraction system was designed, installed and commissioned by both TAPC and Airtight.
- Our provision of servicing, maintenance and spares which was launched this half.
- We now also represent Kadant PAAL exclusively in Australia as a leading manufacturer of baling presses, specialising in the design and manufacture of high-performance balers and ancillary equipment.





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.

- Society and industry are aligning in their need to remove PFAS from the environment.
- Our technology is effective, but importantly can be provided at a low operating and capital cost, with no additional waste streams generated through our process.
- EGL PFAS separation technology requires no pre-treatment and is simple to operate. The technology utilises Gas Foam Fractionation for both Soil and Water remediation. EGL Water's
- 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.





FY24 COMMENTARY

- EGL Water has continued to progress forward with our first commercial PFAS separation plant.
- All documentation required is now fully submitted to the EPA to obtain license amendments to operate at the liquid waste facility in Melbourne.
- While this process has taken longer than expected timing is out of our control as the license amendment is submitted by the facility operator.
- We expect approval for commercial operation will be granted in the current quarter.
- Trials for soils and biosolids have been ongoing. We have conducted three initial trials for each waste stream, seeing consistent enhancements with each iteration.
- On going refinement of the process has yielded highly encouraging results utilising the same technology platform.
- Our technology is effective, but importantly can be provided at a low operating and capital cost, with no additional waste streams generated through our process.

03

Outlook

Outlook

01

Normalised EBITDA to increase approximately 45% this 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

Over 50% of our revenue is now recurring building a stronger more reliable earnings stream.



Outlook

05

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



06

Baltec is set to have strong performance delivering both revenue and margin growth.



07

TAPC continuing to grow service & maintenance revenue to improve the quality of the business.



08

EGL Waste & Water to continue organic growth by entering products and markets.



EGL outlook continued

- At this stage we expect EBITDA to increase approximately 45% year on year before significant items.
- Continue to build products and services delivering recurring revenue.
- Drive margin expansion through improving our business practices and importantly valuing the IP that the company has created
- Management's focus is now moving towards improved business processes, service delivery and standardization.
- Supply chain, purchasing and logistics will be the target areas for savings and margin improvement.
- 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 (4D) to underlying results			
	4D	Less Significant Items	Underlying Business
FY24(\$M)			
Revenue	46.7		46.7
Costs of sales	(33.3)		(33.3)
Gross profit	13.4		13.4
Employee expenses	(5.5)	0.0	(5.5)
Professional fees	(0.9)		(0.9)
Travel expenses	(0.8)		(0.8)
Marketing expenses	(0.2)		(0.2)
Occupancy expenses	(0.3)		(0.3)
Other expenses	(1.4)	0.2	(1.2)
Operating EBITDA	4.3	0.2	4.5
Depreciation and amortisati	1.1		1.1
EBIT	3.2	0.2	3.4
Interest Income	0.0		
Interest expense	(0.1)		(0.1)
Profit before tax	3.1	0.2	3.3
Tax expense	(1.0)		(1.0)
Profit after tax	2.1	0.2	2.3
Earnings per share (EPS)	0.56		0.56
Significant Items Reconciliation		\$M	
Performance rights		0.1	
Redundancy		0.0	
FX		0.1	
Acquisition cost		-	
Total		0.2	

Appendix B

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



CCM - Paul Gaskett
17 years Business
Development and sales in
Industrial services



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



Senior Management

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

Aldo Giachero
17 years
experience in
emissions
control systems,
responsible for
TAPC

Charles Borg
30 years
experience in the
Gas Turbine
market,
responsible for
Baltec IES

**Stirling
Schunemann**
16 years
experience with
EGL sales,
engineering and
projects,
responsible for
EGL Waste
Services

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

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