# Strategic Acquisition of Pole Foundations Australia (PFA) and Capital Raising

February 2022

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- acquisition of 100% of the business known as Pole Foundations Australia (PFA) by Genus pursuant to a business purchase agreement dated 17 February 2022 between Genus, Genus No.2 Pty Ltd, BJ Fraser Pty Ltd ATF the BJ Fraser Family Trust, CC Rankine Pty Ltd ATF the CC Rankine Family Trust, Brett Fraser and Chris Rankine (Transaction); and
- placement of fully paid ordinary shares (New Shares) to institutional and sophisticated investors under section 708A of the Corporations Act 2001 (Cth) (Corporations Act) to raise approximately up to $20 million (the Offer).

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# Agenda



# Section 1

# Transaction Overview

# Transaction Highlights

**Strategic and highly accretive acquisition adding recurring maintenance earnings from highly complementary services & Tier 1 customers**

- Genus to acquire 100% of Pole Foundations Australia (PFA) for an upfront consideration of A$22m (comprised of A$16.5m cash and A$5.5m in Genus shares to be escrowed for 24 months)
- PFA is a QLD-based specialised provider of electrical pole inspection and reinforcement services to Tier 1 customers across the East Coast
- Highly complementary with Genus – provides Genus with the ability to become a full life-cycle service provider to utilities across pole inspection, maintenance, and replacement
- Strong growth potential with significant cross-selling opportunities across complementary Tier 1 customer base
- Upfront consideration implies attractive FY21 multiples of 5.7x PE, 4.0x EV/EBIT and 3.9x EV/EBITDA (based on unaudited FY21 EBITDA of A$5.7m, EBIT of A$5.5m and NPAT of A$3.9m)
- Acquisition is immediately ~8% EPS accretive to Genus (based on FY21 proforma)
- PFA Principals to receive contingent earn-out payments in cash subject to PFA's performance in FY22 to FY24
- Genus has a proven track record of successfully executing, integrating, and growing bolt-on acquisitions and this transaction represents the Company executing on its growth strategy stated at IPO
- PFA's Principals will continue to manage the business, with all staff offered continued employment under Genus
- Acquisition funded via a A$20m placement under Genus existing placement capacity
- Genus is tracking in line with 1H22 EBITDA of A$18-19m, and re-affirms its FY22 guidance previously announced on 30 August 2021, on an organic basis

# Key Transaction Terms

## Upfront consideration of A$22m, payable A$16.5m in cash and remainder in Genus scrip to be subject to 24 month voluntary escrow

| | |
|---|---|
| **Overview** | • GenusPlus Group Ltd (Genus) to enter into an agreement to acquire 100% of Pole Foundations Australia (PFA) for a mix of upfront cash, scrip and contingent consideration |
| **Upfront Consideration** | • Total upfront consideration of approximately A$22m, comprising:<br>  • A$16.5m in cash subject to certain customary adjustments; and<br>  • ~4.63m Genus shares (implies ~A$5.5m based on agreed fixed price of A$1.187/share)<br>• Upfront consideration implies acquisition EV multiple of 5.7x PE, 4.0x EV/EBIT and 3.9x EV/EBITDA based on FY21 unaudited EBITDA of ~A$5.7m, EBIT of ~A$5.5m and NPAT of ~A$3.9m<br>• All Genus shares received by Principals of PFA to be escrowed for 24 months |
| **Contingent Consideration[1]** | • Contingent consideration in cash across FY22-FY24 including:<br>  1. FY22 earn-out: A$3m subject to achieving FY22 EBITDA of A$6.175m, plus 1% of FY22 NPAT **above** A$5m<br>  2. FY23 earn-out: A$7m subject to achieving FY23 EBITDA of A$9.8m, plus 1% of FY23 NPAT **above** A$8m<br>    • Nil payable if FY23 EBITDA is A$6.675m or below. A$7m payable (plus 1% as set out above) if FY23 EBITDA is A$9.8m or above. Pro rata for anything in between<br>  3. FY24 earn-out: A$9m subject to achieving FY24 EBITDA of A$12.25m, plus 50% of FY24 NPAT **above** A$8.45m up to A$10.45m, plus 1% of FY24 NPAT **above** A$11m<br>    • Nil payable if FY24 EBITDA is A$9.8m or below. A$9m payable (plus 1% and sharing of NPAT as set out above) if FY24 EBITDA is A$12.25m or above. Pro rata for anything in between<br>• The earn-out payments set out above will be adjusted in favour of Genus if the aggregate capital expenditure of the business is more than A$1.327m during the earn-out period |
| **Conditions precedent** | • Completion of the transaction is subject to:<br>  • Completion of Genus' equity raising<br>  • No material adverse change in the PFA business<br>  • Change of control consents on Material Contracts; and<br>  • Other customary closing conditions precedent |
| **Funding** | • Genus to raise A$20m via a single tranche placement under its existing placement capacity<br>• Bell Potter Securities Limited and Euroz Hartleys have been appointed as Joint Lead Managers and bookrunners to the capital raising |
| **Advisers** | • Sternship Advisers acted as corporate advisor and Gilbert + Tobin acted as legal advisor to Genus |

Note 1: For the purposes of calculating the earn-out, EBIITDA and NPAT will be calculated based on invoice-based accounting per PFA's historical accounting method and will be normalized for abnormal, one-off costs and income. In the event of a change of control of Genus by a direct competitor of PFA during the FY22-24 period (Control Event), the PFA vendors will be paid the amounts set out in Part A of the Schedule in Genus' ASX Announcement "GenusPlus makes Strategic Acquisition" released on 17 February 2022. In the event of a divestment of the PFA business by Genus during the same period (Acceleration Event), the PFA vendors will immediately receive the amounts set out in Part B of the Schedule in Genus' ASX Announcement "GenusPlus makes Strategic Acquisition" released on 17 February 2022

# Pole Foundations Australia (PFA) Overview

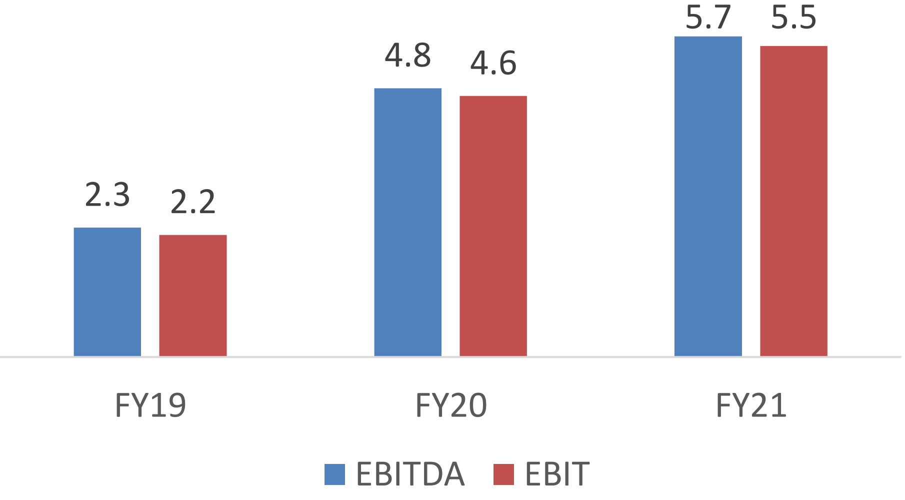
**PFA provides maintenance services under multi-year framework agreements with Tier 1 customers, providing more predictable recurring revenue**

- Established in 1992, PFA is a QLD based leading provider of electrical pole inspection and reinforcement services and hardware supplier to Tier 1 customers, with its own patented proprietary products
- Highly niche specialised market with key competitors being Downer (UAM) and Osmose (Logsys)
- PFA has ~40 highly specialised and experienced staff with operations across QLD, NSW, ACT and TAS
- FY21 unaudited EBITDA of A$5.7m, EBIT of A$5.5m and NPAT of A$3.9m
- Strong proven reputation in the market with long term core utility customers average tenure of 14 years
- PFA provides services under multi-year framework agreements with utilities – providing a more predictable recurring revenue stream
- PFA Principals, Mr Brett Fraser and Mr Chris Rankine, to continue to manage the PFA business within Genus
  - Mr Fraser joined PFA in 2002 and is currently General Manager responsible for the overall management of the business including planning, implementation and completion of all works
  - Mr Rankine acquired an interest in PFA in 2000, and is responsible for R&D activities, contract tenders, and client liaison

### Select Key Customers

### PFA Historical EBITDA & EBIT (A$m)

Note: historical results are unaudited




**Installation of wooden pole reinforcement**

# Strategic Rationale

**Highly complementary acquisition in terms of service offering and customer base, with no cannibalization**

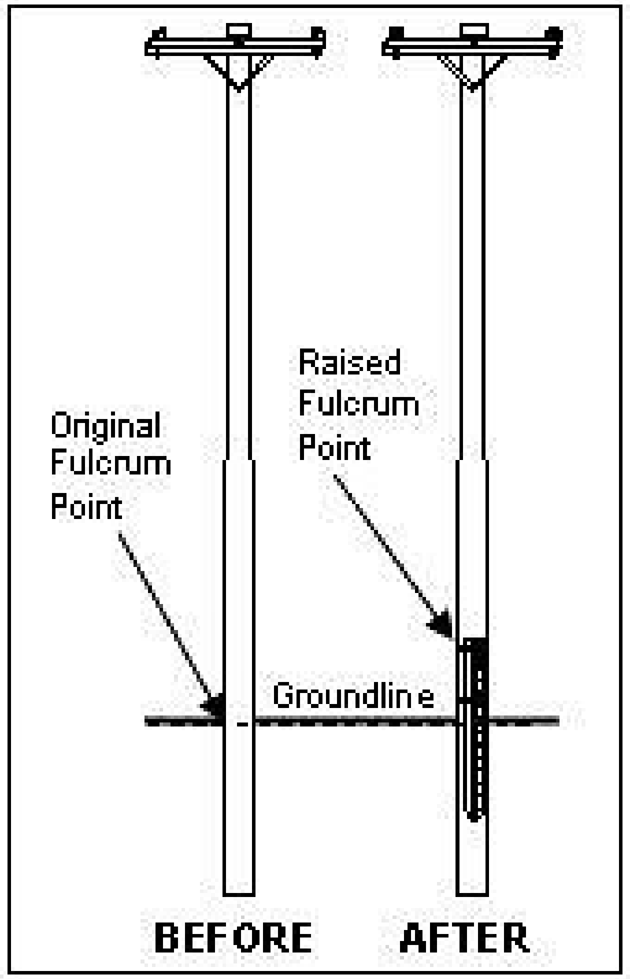
**Provides Genus the ability to become a full life-cycle service provider to utilities across pole inspection, maintenance and replacement**

| | |
|---|---|
| **Complementary specialised service offering** | • Very complementary to Genus' services as aged poles are either able to be reinforced (PFA) or will need to be replaced (Genus)<br>• PFA has a very specialised service offering with key competitors being Downer (UAM) and Osmose (Logsys) |
| **More predictable recurring revenue stream** | • PFA provides inspection and maintenance services under multi-year framework agreements with utilities<br>• Provides more predictable recurring revenue stream |
| **Complementary customer and geographical base** | • Strong strategic fit with Genus' strategy of east coast expansion – PFA has a Tier 1 customer base with utilities in QLD, NSW, ACT and TAS<br>• PFA's Queensland base provides critical mass to secure additional work in the east coast across Genus' other service offerings |
| **Cross-selling opportunities** | • Significant cross-selling opportunities with Genus' strong WA relationships and PFA's east coast presence and relationships<br>• Services are complementary and allows Genus to offer a full life cycle solution to utilities |
| **Highly earnings accretive** | • Highly accretive with ~8% EPS accretion to Genus based on FY21 pro-forma<br>• Attractive acquisition multiple of 5.7x PE, 4.0x EV/EBIT and 3.9x EV/EBITDA (FY21)<br>• Low capex intensity resulting in strong cash flow generation and strong returns on capital |
| **Significant growth potential** | • Significant growth opportunities available for PFA through penetration into other utility customers and other states<br>• Strong industry tailwinds – high proportion of distribution poles reaching end of usable life |
| **Consistent with stated growth strategy** | • Genus has a proven track record of successfully executing, integrating, and growing bolt-on acquisitions<br>• This transaction represents the Company executing on its growth strategy stated at IPO |

# Pole Reinforcement

**PFA’s pole reinforcement products is a cost effective method to extend the life of a wooden electrical pole and maintain safety standards**

- Wooden poles deteriorate as they age (eg rotting at the groundline, termites, etc), or can suffer damage which weakens the pole potentially leading to a pole collapse (eg storm/fire/impact events)
- A fallen pole represents extreme danger such as fire, electrocution or impact damage
- For this reason, electricity poles are typically inspected at intervals of no greater than 5 years to ensure adequate safety standards are maintained
- Where poles are identified during the inspection to suffer from excessive deterioration at or below ground, PFA’s pole reinforcement systems can bring the pole back up to required standards
- PFA’s pole reinforcement products can potentially extend the life of a pole by 30+ years, and is a cost effective method relative to the cost of a pole replacement and without disrupting supply




Power pole fulcrum point before and after reinstatement

↑ Ergon Energy photo taken in Queensland, Australia showing the height at which the power pole was burnt, when a bush fire went through the area. A Powerbeam, reinstated prior to the fire, is seen at the base of the pole

↑ Ergon Energy photo (side view of photo ←) showing how the entire base of the power pole was burnt, then washed away in the aftermath of a flood

# Complementary Services

**PFA adds a highly complementary service for Genus, with the ability to provide full lifecycle solution for Utilities' pole assets**

**Pole inspection**

Electricity poles typically inspected no later than once every 5 years to ensure adequate safety standards are maintained

Pole Foundations Australia

**If required, pole would be remediated / reinforced to extend life**

**Pole reinforcement**

Pole Foundations Australia

**If unable to be reinforced / remediated, pole would need to be replaced**

**Pole replacement**

GENUS

# Complementary Customer Base

**Significant cross-selling opportunities across complementary Tier 1 customer base, supporting future growth potential**

| State | Distribution networks | Length (km)[1] | PFA Customer | Length (km) | Genus Customer | Length (km) |
|---|---|---|---|---|---|---|
| QLD | Energy Queensland | 207,056 | ✓ | 207,056 | ✓ | 207,056 |
| NSW | Essential Energy | 192,538 | ✓ | 192,538 | ✓ | 192,538 |
| WA | Western Power | 93,347 | | - | ✓ | 93,347 |
| SA | SA Power Networks | 89,298 | | - | | - |
| VIC | Powercor | 75,815 | | - | | - |
| VIC | AusNet services | 45,494 | | - | | - |
| NSW | Ausgrid | 42,007 | | - | ✓ | 42,007 |
| NSW | Endeavour energy | 38,284 | | - | ✓ | 38,284 |
| TAS | TasNetworks | 22,862 | ✓ | 22,862 | | - |
| VIC | United energy | 13,408 | | - | | - |
| WA | Horizon Power | 8,430 | | - | ✓ | 8,430 |
| NT | Power and Water | 7,103 | | - | ✓ | 7,103 |
| VIC | Jemena | 6,628 | | - | | - |
| ACT | Evoenergy | 5,435 | ✓ | 5,435 | | - |
| VIC | CitiPower | 4,558 | | - | | - |
| **Total** | | **852,263** | | **427,891** | | **588,765** |

Mutual customer | Genus customer | PFA customer

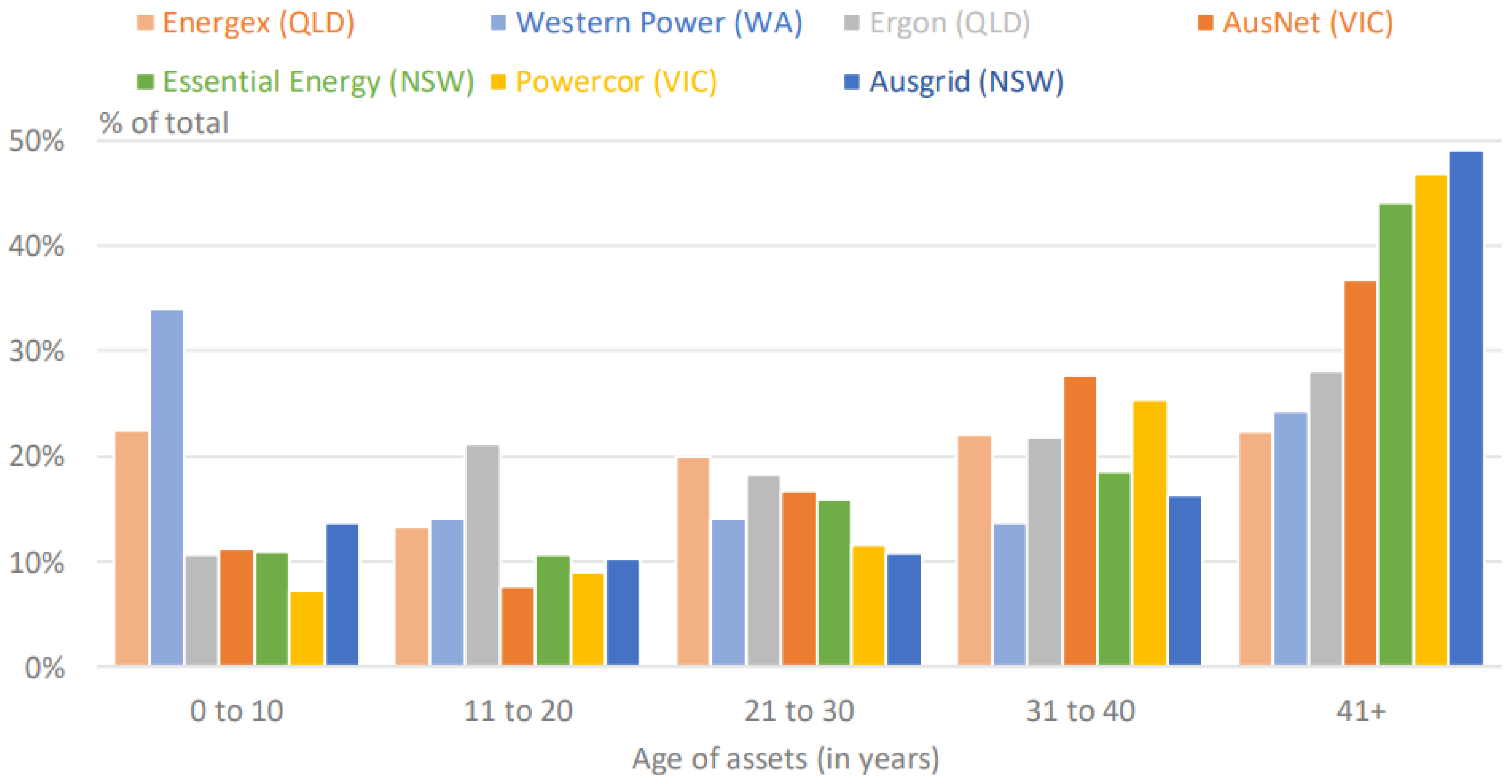
Source: 1. BIS Oxford Economics report in Genus Prospectus

# Distribution Poles in Australia

**High proportion of distribution poles reaching end of usable life supports future growth for PFA**

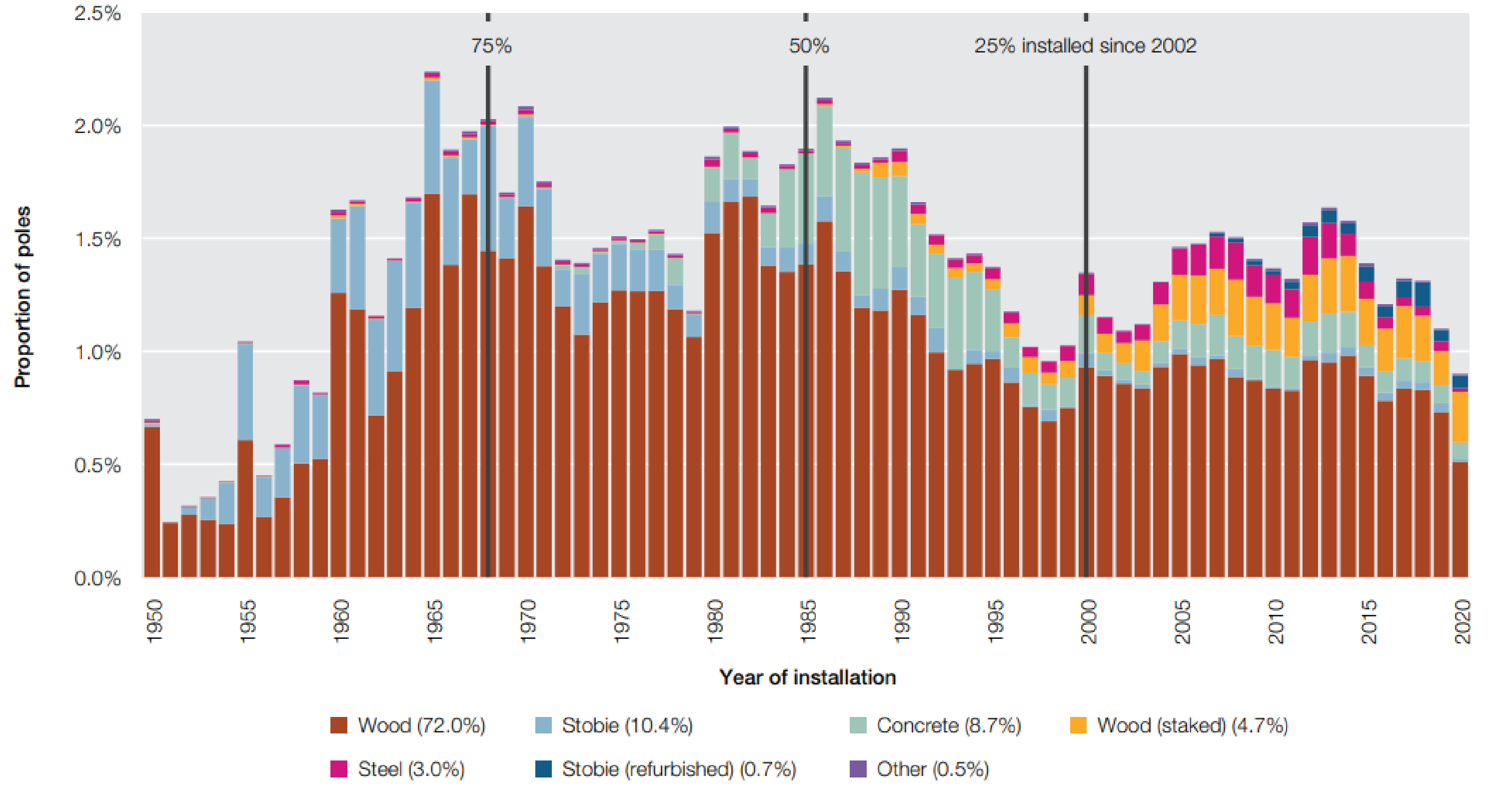
- The average usable life of a wooden pole is ~40 years
- A significant proportion of distribution poles in Australia are over 40 years old (see LHS figure below)
- In the NEM, ~77% of its distribution poles are wooden poles – with only ~6% of these currently staked / reinforced (see RHS figure below)
- Represents significant growth opportunity for PFA given the required continuous maintenance spend into the future

**Age profile of distribution poles – FY18**




Source: BIS Oxford Economics report in Genus prospectus

**Electricity distribution poles in the NEM – year of installation**




Note: Only includes distributors in the National Electricity Market and does not include Power and Water (Northern Territory). Stobie poles, used almost exclusively in South Australia, are made up of 2 vertical steel posts with a slab of concrete between them.

Source: AER state of the energy market report 2021

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# Section 2

# Capital Raising Overview

# Genus 1H22 Update

- Genus is pleased to provide the following preliminary update on its 1H22 results (subject to final audit):
  - 1H22 Revenue of A$210-220 million
  - 1H22 EBITDA of A$18-19 million
  - Net cash balance of A$5.5 million as at 31 December 2021 (Cash of A$27.1m and Debt of A$21.6m)
    - Dividend paid of ~A$2.8m in the half year
    - Tandem acquisition consideration of ~A$3.1m in the half year
    - Tandem advisory costs of ~A$0.1m in the half year
    - Acquisition legal costs (Tandem, BT, PFA) of ~A$0.3m in the half year
    - Wind-down of customer prepayments of ~A$7.1m in the half year
    - ~A$11m capex in the half year, inclusive of the ~A$6m equipment purchased for the FMG Stage 3 Pilbara Transmission Project contract awarded to Genus as announced on 17 December 2021 – significant portion of its earnings will flow into FY23
    - Expecting capex in 2H22 to be significantly lower
- Strong 1H22 operations with the ~A$180m FMG Stage 1 Pilbara Transmission Project (PTP) 90%+ complete, and award of the ~A$30m Stage 3 PTP contract representing the strong ongoing relationship with FMG
- Tandem and Connect acquisition now integrated into the Genus business and gaining significant traction
- Genus is tracking in line and re-affirms its FY22 guidance of A$34-38m EBITDA previously announced on 30 August 2021, on an organic basis

# Capital Raising Details

**Single tranche Placement to raise A$20m at an offer price of A$1.21 per share**

| | |
|---|---|
| **Offer structure & size** | • Genus to raise A$20m via a single tranche placement to institutional and sophisticated investors<br>• Issue of ~16.5m new shares under existing LR7.1 placement capacity |
| **Offer pricing** | • Offer price of A$1.21 per New Share represents a:<br>  • 9.9% discount to last closing price (on 16 February 2022) of A$1.343/share<br>  • 8.0% discount to the 10 trading day VWAP of A$1.316/share |
| **Ranking** | • Pari passu with existing fully paid ordinary shares on issue |
| **Use of proceeds** | • Proceeds intended to be used for:<br>  • Transaction consideration: A$16.5m<br>  • Transaction costs: A$1.6m<br>  • Capital raising costs: A$1.0m<br>  • Working capital: A$0.9m |
| **Joint Lead Managers** | • Bell Potter Securities Limited and Euroz Hartleys have been appointed as Joint Lead Managers and bookrunners to the capital raising |

# Pro-forma Capital Structure

**Existing Genus shareholders to own ~88% on a pro-forma basis, with founder David Riches holding ~52%.**

**PFA Principals to hold ~2.6% of Genus on a pro-forma basis.**

| Capital Structure | Shares | % ownership | Pro-forma Market Cap @ raising price (A$m) |
|---|---|---|---|
| Existing ordinary shares | 155.6 | 88.0% | 188.3 |
| Scrip Consideration to PFA Principals | 4.6 | 2.6% | 5.6 |
| Capital Raising | 16.5 | 9.4% | 20.0 |
| **Total** | **176.7** | **100.0%** | **213.9** |

# Indicative Pro-forma Balance Sheet

| A$m (30 June 2021) | Genus | PFA Acquisition & Capital Raising | Pro-forma Genus |
|---|---|---|---|
| Cash and cash equiv | 34.2 | 3.5[1] | 37.7 |
| Receivables | 57.7 | - | 57.7 |
| Inventories | 2.0 | 0.2 | 2.2 |
| PPE | 15.8 | 0.9 | 16.7 |
| Intangibles | 5.5 | 20.9[2] | 26.5 |
| Other assets | 40.3 | - | 40.3 |
| **Total assets** | **155.6** | **25.5** | **181.1** |
| | | | |
| Payables | 64.0 | 2.6[3] | 66.6 |
| Borrowings (incl HP liab) | 15.5 | - | 15.5 |
| Lease liabilities (excl HP liab) | 4.4 | - | 4.4 |
| Employee provisions | 7.5 | - | 7.5 |
| Other liabilities | 6.5 | - | 6.5 |
| **Total liabilities** | **97.8** | **2.6** | **100.4** |
| | | | |
| Issued capital | 28.9 | 24.5[4] | 53.4 |
| Reserves | (0.5) | - | (0.5) |
| Retained earnings | 29.3 | (1.6) | 27.7 |
| **Shareholders Equity** | **57.7** | **23.0** | **80.7** |

1. A$20m capital raising net of upfront A$16.5m cash consideration
2. Indicative intangible assets such as customer contracts, intellectual property, goodwill, and any other unrecognized intangibles to be recognized on acquisition
3. Transaction and capital raising costs
4. A$20m capital raising plus A$5.5m upfront scrip consideration, net of transaction costs

Note: Indicative only. The impact of Purchase Price Accounting (PPA) has not yet been completed, and therefore pro forma transaction adjustments are illustrative only subject to change upon finalization of PPA. Pro forma transaction adjustments also subject to actual stock and employee liabilities as at the completion date. Any provisions for contingent consideration has not been taken into account in the above.

Note: PFA figures are unaudited

# Indicative Timetable

| Event | Indicative Date[1] |
| --- | --- |
| Transaction announced and Genus resumes trading on ASX | Monday, 21 February 2022 |
| Settlement of Placement | Friday, 25 February 2022 |
| Allotment and normal trading of New Shares | Monday, 28 February 2022 |
| Estimated Completion of Acquisition | ~Early-Mid March 2022 |

**Notes:**

1. The above timetable is indicative only and subject to change without notice.

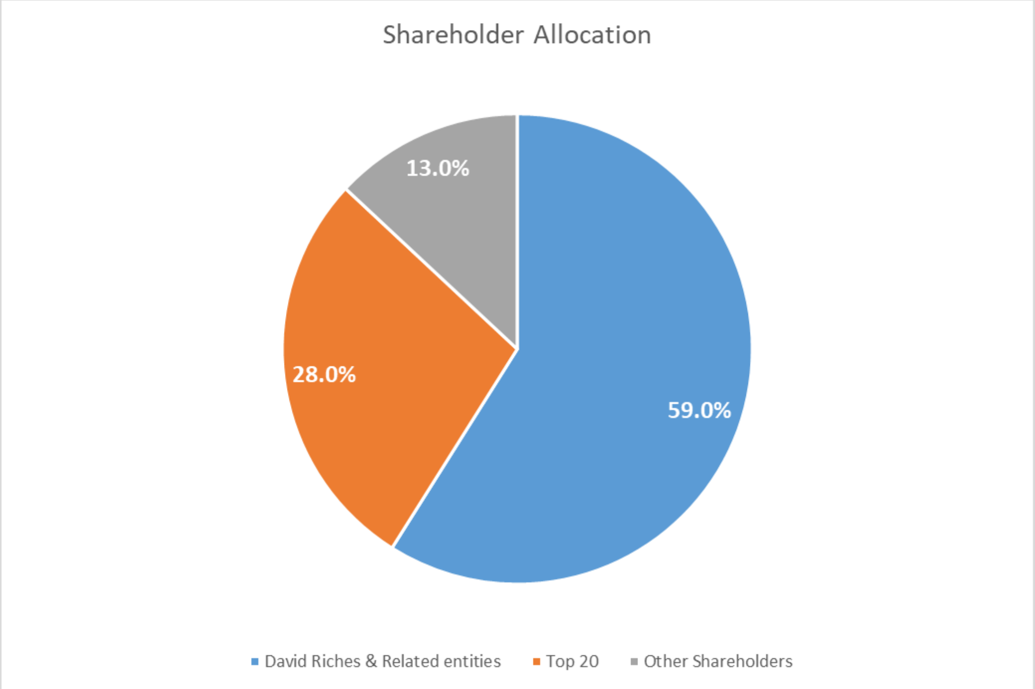
# Appendices

# Corporate Overview

| | | |
|---|---|---|
| Share Price (as at 16 February 2022) | A$/sh | $1.3425 |
| Number of Shares | M | 155.6 |
| **Market Cap** | **A$M** | **$209** |
| Cash (30 June 2021) | A$M | $34.2 |
| Debt (30 June 2021) | A$M | $15.5 |
| Dividend FY21 | Cents/share | 1.8c |

## Last 12 months Share Price Chart


## Shareholders (as at 25 November 2021)




## Board of Directors

| | |
|---|---|
| Simon High | Non-Executive Chairman |
| David Riches | Managing Director / Founder |
| José Martins | Non-Executive Director |
| Paul Gavazzi | Non-Executive Director |


# National Footprint. Regional Expertise.

GenusPlus Group (ASX:GNP) is an end-to-end services provider for essential power and telecommunications infrastructure.

We provide an integrated service delivered through key complementary businesses to our clients in the resources, power, utilities and communications sectors across Australia.

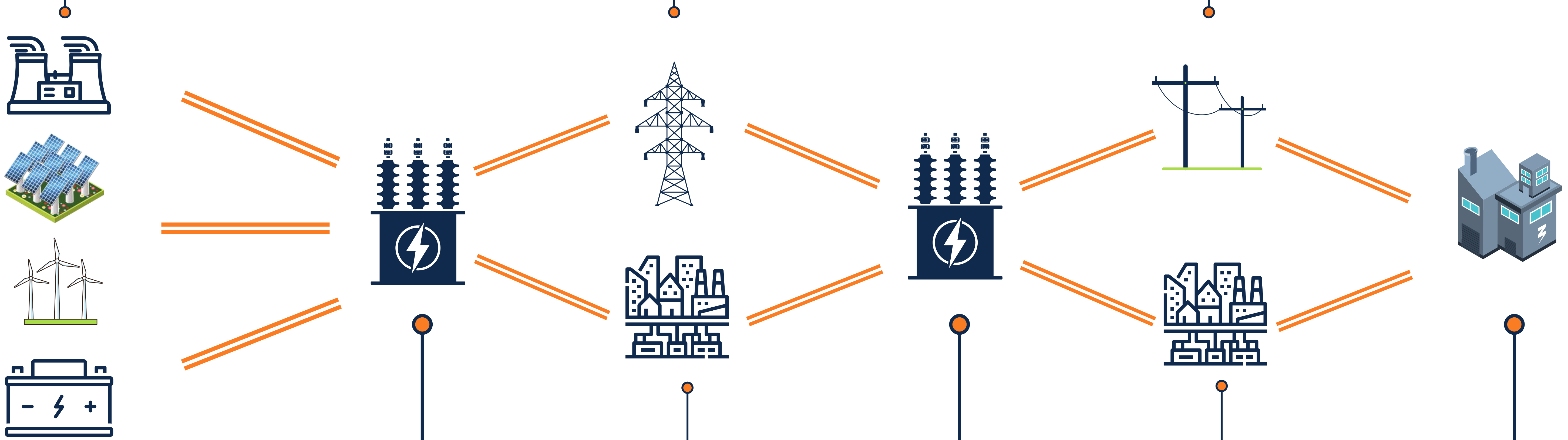
Built on a bedrock of three generations of accumulated family expertise, today the GenusPlus Group is a leading ASX-listed provider of critical infrastructure services to a blue-chip client base.

# Power infrastructure capabilities

Generating source

Transmission infrastructure - overhead

Distribution infrastructure - overhead



Power station E&I/construction

Solar/wind/ Battery Storage/ hybrid solutions

Terminal substations

Transmission infrastructure - underground

Zone substations

Distribution infrastructure - underground

Primary customer connection

GENUS

End-to-end Communications capability

Capabilities

# Communications infrastructure capabilities

## Networks: from concept to construction

- Complete network designs
- Line route selection & optimisation
- Experienced field delivery capability
- Field services from planning & design through to construction & maintenance

## Civil & infrastructure construction

- Direct ploughing & optic fibre installation
- Directional drilling
- Trenching
- Cable hauling & cable jointing
- Pit & pipe installation
- Asset installation

## Mobile & wireless infrastructure

- Field services covering site acquisition, engineering & and design (SAED), construction & install
- Extending mobile construction capability to grow into mobile blackspots, 5G and beyond

## Digital solutions

- Dedicated Workforce Operations Centre and field management platform (WFM)
- Data analytics toolsets
- Virtual assessment, technician mobility apps
- Proprietary app connecting to customers

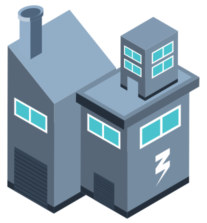
nbn OPTUS NOKIA ERICSSON

# Growth Strategy & Market Drivers

- Continuing expansion into east coast markets - leveraging strategic acquisitions in Qld & NSW
- Capitalise on regional investment in energy-intensive assets; creating demand for upgraded or new transmission infrastructure
- Leverage strong interconnector investment through Genus' increasing East Coast footprint & capability set
- Renewable generation project pipeline - geographic diversity of regionally-based assets requires significant network investment

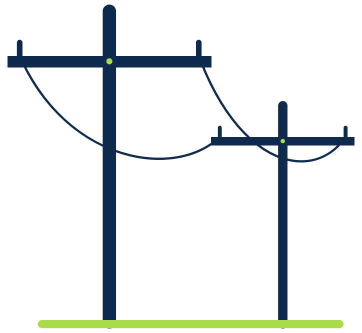
**1**

Surge of investment into Renewables which require connection to the grid



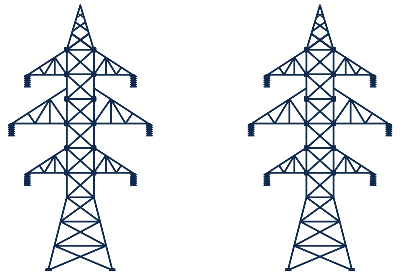
**2**

Rising population and electricity demand driving growth in networks



**3**

Ageing distribution network infrastructure requiring continuous maintenance spend



**4**

Upcoming large State interconnectors

**5**

Telco – roll out of 5G and continuous NBN & Fibre maintenance

# Key Risks and Offer Jurisdictions

# Key Risks

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| **Completion risk** | Completion under the agreement to acquire 100% of Pole Foundations Australia (**PFA**) (the **Business Purchase Agreement**) is conditional on several conditions: completion of Genus' equity raising to raise $20 million, no material adverse change in the PFA business, change of control consents on Material Contracts and other customary closing conditions precedent (see slide 8). If these conditions precedent are not satisfied or waived by 30 April 2022, and there is no extension, the Business Purchase Agreement may be terminated, and the Transaction will not proceed. Failure to complete the Transaction could have a material adverse effect on the Company and its share price.<br><br>Further, if the Offer is successful but the Transaction does not proceed, the Company will need to consider alternative uses for the funds, including, but not limited to, a return of capital, balance sheet management, working capital and/ or alternative investment opportunities. If the Company elects to use the proceeds of the Offer for an alternative purpose, the return on investment may ultimately be less than if the proceeds had been used for the Transaction. |
| **Due diligence risk and reliance on information provided** | The Company undertook due diligence investigations in respect of the Transaction. While the Company considers that this review was adequate in the circumstances, the information reviewed was largely provided by the vendors (or on the vendors' behalf). Consequently, the Company has not been able to verify the accuracy, reliability or completeness of all of the information which was provided to it against independent data. There is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the Transaction have been identified or appropriately dealt with, therefore there is a risk that unforeseen issues and risks may arise which may also have a material adverse impact on the Company. While certain contractual representations and warranties are included in the Business Purchase Agreement, contractual remedies may be limited or not ultimately available.<br><br>In addition, the Company has prepared (and made assumptions in the preparation of) the financial and other information relating to the Transaction included in this presentation in reliance on information provided by the vendors. If any of the information relied on by the Company proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of the Company may be materially different to the financial position and performance reflected in this Presentation. |
| **Equity funding risk** | The Company intends to fund the Transaction by a placement of fully paid ordinary shares in the Company. The Company's obligation to complete the Transaction is conditional on successfully raising $20 million under the Offer. |
| **Acquisition assumptions may not be achieved** | The Company has undertaken financial, operational, legal and commercial analysis on the Transaction in order to determine its consideration and determining whether or not to proceed with the Transaction. Genus notes that despite its analysis and best estimate assumptions, the conclusions drawn may not be accurate or realised. To the extent that the actual results achieved upon successful completion of the Transaction are different to those indicated by the Company's analysis, there is a risk that the performance of the Company following the Transaction may be different (including in a materially adverse way) from what is reflected in this Presentation. In addition, there is a risk that the Company may be unable to realise the strategies, operational objectives and benefits set out in this Presentation (in whole or in part) or that they will not materialise, or will not materialise to the extent that the Company anticipates. This may occur for several reasons, including loss of key personnel (including Chris Rankine and Brett Fraser), expert capability or employee productivity, failure to attract new employees and failure to derive the expected benefits of its strategic growth initiatives. Any failure to meet these strategies, operational objectives and benefits could have an adverse effect on the Company's operational or financial performance. |
| **Future earnings risk** | The Company has undertaken financial and commercial analysis on PFA in order to determine its attractiveness to the Company and whether to acquire it. To the extent that PFA does not perform as anticipated there is a risk that the profitability and future earnings of the Company may differ (including in a materially adverse way) from the assessment mentioned in the Presentation. |
| **Risk of default / counterparty risk** | In the event of default by the Principals as sellers under the Business Purchase Agreement, the Company may have certain remedies, such as a right to recover damages for breach. However, the obligations of the vendors under the Business Purchase Agreement are unsecured obligations, which means that, if the vendors were to become insolvent, then the Company's rights to enforce those obligations would be those of an unsecured creditor. In addition, if the Transaction completes, the Company may become directly or indirectly liable for liabilities that have been incurred by the vendors, and in respect of which the warranties and indemnities in favour of the Company under Business Purchase Agreement are not ultimately adequate (in terms of compensating the Company for the financial or other impacts of such liabilities). Such liabilities may have an adverse effect on the Company's operational or financial performance. |

# Key Risks

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| **Dilution and control risk** | Upon completion of the Offer, the number of Shares in the Company will increase from ~155.6m to up to approximately 176.8m (including the scrip consideration to PFA). This equates to approximately 12% of all the issued Shares in the Company immediately following completion of the Offer This means Shareholder's holdings are likely to be diluted by approximately 12% following completion of the Offer.<br><br>David Riches' interest in the Company prior to the Offer is ~59% and is expected to be ~52% following completion of the Offer. |
| **ASX quotation** | A decision by ASX to grant Official Quotation of the Shares issued under the Offer is not to be taken in any way as an indication of ASX's view as to the merits of the Company. |
| **Share market conditions** | There are risks associated with any investment in securities. Publicly listed securities have experienced large price and volume fluctuations that have often been unrelated to the operating performances of such companies. General factors that may affect the market price of shares include economic conditions in both Australia and internationally, investor sentiment and local and international share market conditions, changes in interest rates and the rate of inflation, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws and changes to the system of dividend imputation in Australia.<br><br>These factors may materially affect the market price of the Company's Shares, regardless of the Company's performance. The past performance of the Company is not necessarily an indication as to the future performance of the Company.<br><br>There can be no guarantee that there will continue to be an active market for the Company's Shares or that the price of the Company's Shares will increase. Neither the Company nor the Company's Board warrants the future performance of the Company or any return on an investment in the Company. |
| **Project risk and reliance on key clients and contracts** | The Company derives the majority of its revenue at any given time from a concentrated number of substantial contracts which may be terminated, delayed or incur unforeseen costs in performance which may not be recoverable. |
| **Contracting risk** | The Company is and will in the future be a party to contracts for the provision of services to clients. Such contracts are typically over a material term on the client's terms which the Company may or may not be able to negotiate amendments to. The Company's business is generally characterised by large, long term fixed price contracts. Accordingly, the Company is subject to contract execution risk and pricing risk, and risks of counterparty default and insolvency.<br><br>The terms of these contracts typically impose financial and/or other claims on the Company for non-performance of the Company's obligations under the contract, including rectification obligations in respect of completed works during defects liability periods applicable to the Company for work performed (the periods and limits of which vary from contract to contract), obligations to pay liquidated damages for late delivery of works under the contract. The provision of warranties and extensive indemnities are also provided by the Company in relation to the work performed under the contract. A material claim under such provisions could adversely impact on the Company's financial performance and/or financial position. |
| **Dependence on key personnel and skilled labour constraints** | The Company depends on the expertise and experience of its personnel as its primary assets.<br><br>It is essential that appropriately skilled personnel be available in sufficient numbers to support the quality of the Company's services and maintain the diversity of its business skills. The Company requires personnel that are professionally skilled in many areas, some of which may be considered niche specialties in which few practitioners are available for recruitment.<br><br>Growth in the demand for skilled personnel in the mining and minerals industries has also created greater competition, and the Australian border restrictions imposed in response to the COVID-19 pandemic has impacted the Company's ability to recruit foreign personnel.<br><br>If David Riches or a number of the Company's other key personnel left the Company (including, for example Chris Rankine or Brett Fraser), this may have a negative impact on the Company as it may be difficult to replace them, or to do so in a timely manner or at a comparable expense. Additionally, any key personnel of the Company who leave to work for a competitor may adversely impact the Company.<br><br>The Company's ability to attract and retain personnel will have a direct correlation upon its ability to deliver its project commitments and consequently, its ability to win new contracts. Any failure to retain existing employees and recruit and retain additional personnel, may have a negative impact on existing operations and future growth prospects of the Company, and adversely affect the financial performance and/or financial position of the Company. |

# Key Risks

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| **Increased competition from new and existing competitors** | The Company operates in markets that are competitive (including in relation to the pole inspection and reinforcement sector) and in which a number of companies compete. Competition in these markets is expected to continue, presenting the Company with numerous challenges relating to its ability to maintain growth rates and acceptable margins. If the Company is unable to meet these competitive challenges, it may lose market share to its competitors and experience an overall reduction in its earnings. |
| **Ability to win new contracts** | The Company's performance is influenced by its ability to win new contracts and complete projects in a timely manner. The failure of the Company to win new contracts could adversely impact its growth prospects, operational results and financial performance.<br><br>The Company's ability to execute on its growth strategy of penetrating into the large East Coast markets, and integrating the PFA business in the Western Australian market, depends on its ability to successfully compete against its competitors to win new contracts and build relationships with new clients in these geographies. |
| **Additional funds and financing** | Whilst the Company has sufficient funding (based on existing estimates of funding requirements) in relation to its existing operations, the Company's ability to implement its future business plan and growth strategy may depend upon appropriate access to funds. |
| **Cyclical nature of the business** | A number of the Company's clients are involved in mining and minerals processing industries. While conditions in these sectors are generally positive at present, the level of activity and profitability is cyclical and sensitive to a number of factors outside of the Company's control, such as movements in commodity prices. The Company is not able to predict the timing, extent or duration of these activity cycles which may affect the financial performance and/or financial position of the Company. The cyclical nature of the business is somewhat mitigated by the Company's revenues from the Government utilities sector, particularly on maintenance related works which are typically more stable year on year. |
| **Operating risks** | The Company and its clients are exposed to a range of operational risks relating to both current and future operations. Such operational risks include, but are not limited to, the following items:<br>• equipment and information technology system failures;<br>• unanticipated and/or undetected quality problems or departures from specifications;<br>• costs arising from unforeseen claims and events that are not or cannot be covered by the client or the Company's insurance;<br>• defects as a result of faulty design, construction or improperly carried out maintenance service, whether within the Company's control or not;<br>• plant and equipment constraints;<br>• external suppliers' or subcontractors' failures;<br>• delays to project timetables and scheduled maintenance shutdowns; and/or<br>• potential disruptions to operations resulting from industrial accidents, industrial disputes or natural disasters.<br><br>Whilst the Company endeavours to take appropriate action to mitigate these operational risks and, in some circumstances, insure against them, the Company cannot control the risks its clients are exposed to nor can it completely remove all possible risks relating to its own business. A disruption to the operations of the Company or its clients may have an adverse impact on the financial performance and/or financial position of the Company. |
| **Workplace health and safety** | The Company's employees are at risk of workplace accidents and incidents given the nature of the industry in which the Company operates, which often involves employees working on remote sites. Industrial accidents may occur with respect to the Company's activities. In the event of a serious accident, for example resulting in a fatality, or a series of accidents on the same project, substantial claims may be brought against the client and/or the Company or the client may terminate their contractual arrangement with the Company. Such an accident could impact upon the Company's reputation, growth prospects and financial performance. The Company is committed to the health, safety and wellbeing of all of its employees and others influenced by the Company's work, including subcontractors and the general public. |
| **Remote locations** | The Company frequently undertakes projects in remote locations. This may involve logistical difficulties for plant, equipment and materials, as well as skilled personnel and general labour. Some locations may involve inherent risk to personnel. |

# Key Risks

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| **COVID-19** | The global and Australian economic outlook is facing continued uncertainty due to the current COVID-19 pandemic.<br><br>To date, the COVID-19 pandemic has not had a material impact on the Company's operations. There is a risk that the recent Omicron variant outbreak in Western Australia may have a disruptive impact on the Company's operations. Any infections at the site of the Company's projects could result in the Company's operations being suspended or otherwise disrupted, which may have an adverse impact on the Company's operations as well as adverse implications on the Company's future cash flows, profitability, and financial condition.<br><br>Supply chain disruptions resulting from the COVID-19 pandemic, in particular as a result of the recent Omicron variant outbreak, and measures implemented by Governmental authorities in Australia to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty caused by the COVID-19 pandemic, also adversely impact the Company's operations, financial position and prospects.<br><br>The Company has implemented a COVID-19 management plan across its business at all locations in order to minimise the risk of infection for individuals. |
| **Insurance** | The Company will endeavour to maintain insurance for the Company within ranges of coverage in accordance with industry practice. However, in certain circumstances, this insurance may not be of a nature or level to provide adequate cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the Company's operating and financial performance and financial position. |
| **War, terrorism and natural disaster** | Events such as acts of terrorism, civil disturbance or protest, war, political intervention and natural activities such as earthquakes, floods, fires and adverse weather conditions may adversely impact the Company by affecting the operations of the Company or its suppliers, service providers or customers, or the transport or other infrastructure relating to the operations of the Company |
| **Risks related to acquisitions and future growth initiatives** | The Company regularly identifies and assesses potential opportunities for acquisitions and growth initiatives where it considers the opportunities may create shareholder value. The Company will continue to identify and assess such opportunities. However, while the Company intends to undertake appropriate due diligence to properly assess any such opportunities, benefits expected from investments, acquisitions or growth opportunities may take longer than expected to be achieved, or not be achieved at all, which may have a material adverse impact on the value of the Company. |
| **Global economic conditions** | The Company's funding position, financial performance and ability to execute its strategy is impacted by a variety of general global economic, political, social and business conditions. Factors that have the potential to impact the Company's business include inflation, interest rates and other general economic factors. Deterioration in any of these conditions could have an adverse impact on the Company.<br><br>Domestic and global conditions may affect the value of the Company's Shares. General worldwide economic conditions, changes in government policies, investor perceptions, movements in interest rates and stock markets, prices of the Company's products, variations in the operating costs and development and sustaining capital expenditure which the Company will require in the future will all impact the value of the shares, some outside of the control of the Company. |
| **Tax risk** | Future changes in tax laws in Australia and other jurisdictions in which the Company has activities and investment interests, including changes in interpretation or application of existing laws by the courts or taxation authorities, may affect taxation treatment of the Company securities or the holding or disposal of those securities. The tax consequences for individual investors in the Company will depend on the individual tax profile and circumstances of the investor and all investors should obtain independent taxation advice with respect to their personal position. |
| **Other risks** | Additional risks and uncertainties not currently known to the Company may also have a material adverse effect on the business of the Company. The information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting the Company. |

# International Offer Restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

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