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# ACQUISITION OF ALS ASSET CARE & EQUITY RAISING

**16 FEBRUARY 2023**



Not for release to United States wire services or distribution in the United States

# ACQUISITION OVERVIEW



## Transaction Details

- SRG has entered into binding documentation to acquire 100% of ALS Industrial Pty Ltd (ALS Asset Care) (“**Asset Care**”) for \$80m on a cash-free, debt-free and normal level of working capital basis
  - Asset Care is a 100%-owned subsidiary of ASX-listed ALS Ltd (~\$6b market capitalisation)
- Implied acquisition multiple of 5.2x FY23E EBITDA<sup>1</sup> before cost and revenue synergies
- Transaction to be funded via a combination of new equity, debt and cash



## Overview of Asset Care

- Market leader in asset integrity and reliability services with 65+ years history operating in Australia
- Comprehensive service offering, including engineering services, testing, inspection, condition monitoring and certification
- National presence across key Australian markets with 70% East / 30% West geographic split
- Long-term, blue-chip customer base across mining, oil & gas, energy, infrastructure and utilities sectors
- Stable and predictable earnings from maintenance work, with strong FY23E revenue and EBITDA of \$135m and \$15.4m, respectively<sup>1</sup>
- Experienced leadership team each with +10-year tenure at Asset Care



## Transaction Funding & Financial Impact

- The acquisition will be funded through a combination of the following sources:
  - Up to \$51.4 million equity raised via a fully underwritten institutional placement for \$46.4m and a non-underwritten Share Purchase Plan for up to \$5m;
  - \$30m drawn from a new secured term loan with National Australia Bank; and
  - Existing cash
- Transaction expected to be accretive on an FY23E EPS basis<sup>2</sup>
- SRG maintains a conservative balance sheet with capacity to fund growth

Note:  
(1) Annualised estimate based on Asset Care's actual results for the 9-months ended 31 December 2022 and 3-month forecast to 31 March 2023, given ALS Ltd report on a March FY-end basis.  
(2) FY23E pro forma EPS calculated on NPAT(A) basis.

# STRATEGIC RATIONALE



|   |  |
|---|--|
|  <p><b>Market leader in asset integrity and reliability</b></p>         | <ul style="list-style-type: none"> <li>▪ Asset Care is the clear market leader in asset integrity and reliability services nationally with over 65 years of operating history and select customer relationships spanning 25+ years</li> <li>▪ Leading position in key end markets of mining, oil &amp; gas, energy, infrastructure and utilities</li> </ul>  |
|  <p><b>Highly complementary service offering</b></p>                    | <ul style="list-style-type: none"> <li>▪ Adds complementary technical expertise in asset integrity &amp; reliability engineering and inspection &amp; testing services</li> <li>▪ Enables SRG to leverage existing platforms to cross-sell and offer customers a one-stop-shop for identifying risks through inspection &amp; testing as well as carrying out repair and maintenance services</li> </ul> |
|  <p><b>Experienced management team and highly-skilled workforce</b></p> | <ul style="list-style-type: none"> <li>▪ Strong management team with decades of experience at Asset Care and in industry coupled with a large team of highly-skilled technicians and engineers (600+ full-time employees)</li> <li>▪ All key management personnel will transition across to SRG post completion</li> </ul>   |
|  <p><b>Accelerates SRG's transition to recurring earnings</b></p>       | <ul style="list-style-type: none"> <li>▪ ~99% of Asset Care's earnings is maintenance related. A high proportion of revenue is contracted with typical duration of 2-5 years providing consistent, predictable earnings</li> <li>▪ The combined group's pro forma business mix will be heavily skewed to recurring earnings (~74% pro forma)<sup>3</sup></li> </ul>                                      |
|  <p><b>Accretive on a range of key financial metrics</b></p>           | <ul style="list-style-type: none"> <li>▪ Transaction expected to be EPS<sup>1,2</sup> and margin accretive on a pro forma FY23E basis (pre revenue and cost synergies)</li> <li>▪ Strong EBITDA margins of ~11%<sup>2</sup> and capital-light business model, consistent with SRG's Asset Maintenance business</li> </ul>  |
|  <p><b>Multiple avenues for growth</b></p>                            | <ul style="list-style-type: none"> <li>▪ Enhanced customer value proposition through offering combined SRG and Asset Care capabilities and cross-selling across customer bases will drive accelerated growth in Asset Maintenance market share</li> <li>▪ Asset Care will benefit from further investment and attention under the SRG umbrella</li> </ul>  |

Notes:

- (1) FY23E pro forma EPS calculated on NPAT(A) basis.
- (2) Asset Care reflects an annualised estimate based on Asset Care's actual results for the 9-months ended 31 December 2022 and 3-month forecast to 31 March 2023, given ALS Ltd report on a March FY-end basis.
- (3) SRG reflects the last 12-months to 31 December 2022. Asset Care reflects an annualised estimate based on Asset Care's actual results for the 9-months ended 31 December 2022 and 3-month forecast to 31 March 2023, given ALS Ltd report on a March FY-end basis.

## WHO WE ARE

We are a **diversified industrial services** company



## WHAT WE DO

We bring an **engineering mindset** to deliver **critical services** for major industry

- Engineer
- Construct
- Sustain

## OUR VISION

The most **sought-after** diversified industrial services business

**MAKING THE  
COMPLEX**  

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# HOW ASSET CARE FITS WITH WHAT WE DO



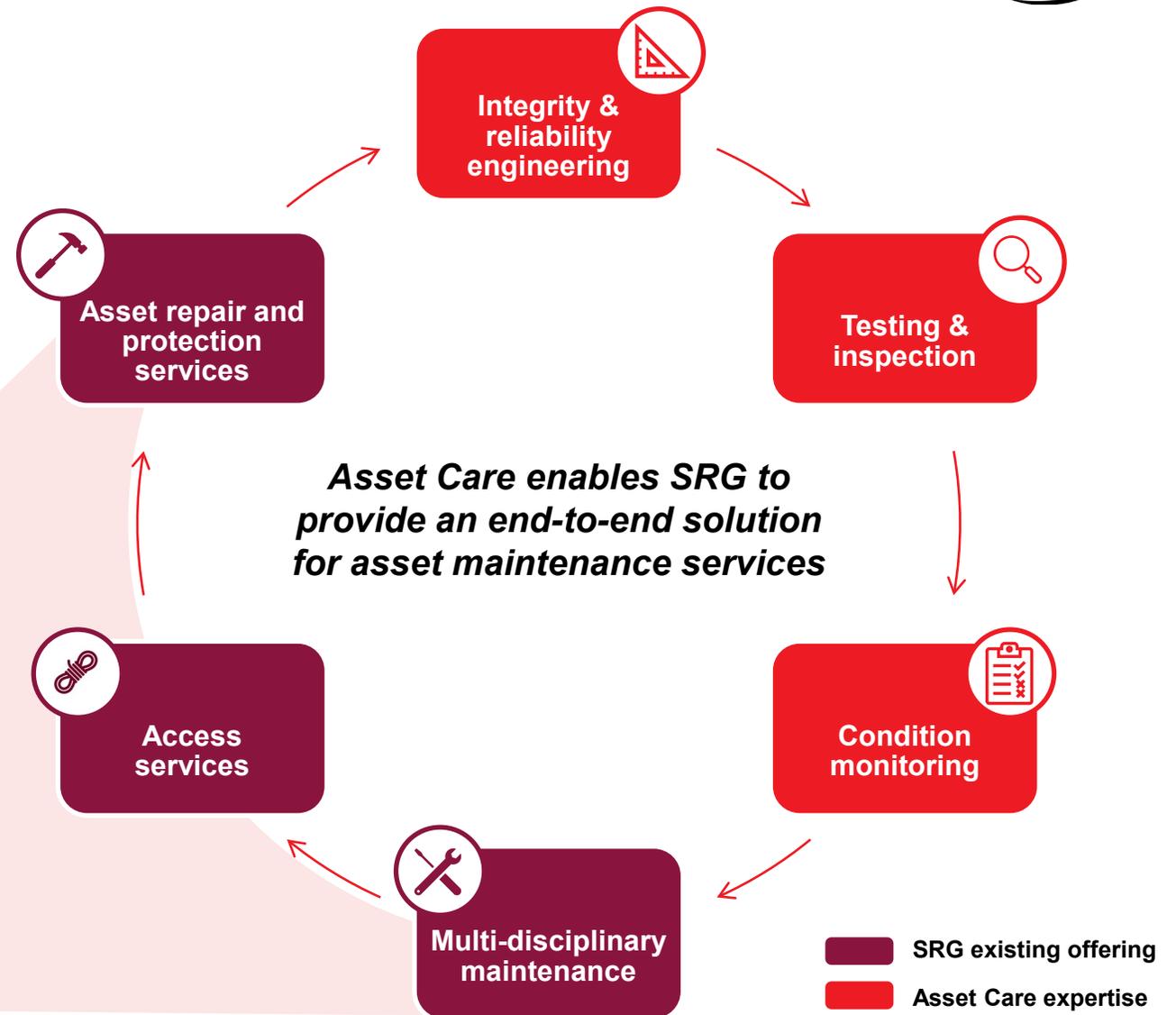
## WHAT WE DO

We bring an **engineering mindset** to deliver **critical services** for major industry

○ Engineer

○ Construct

○ **Sustain**



# BUILDING THE MOST SOUGHT-AFTER DIVERSIFIED INDUSTRIAL SERVICES BUSINESS



## GROWTH HORIZON

- ✓ Step change growth in recurring Asset Maintenance Services
- ✓ Innovation and selective growth in Mining Services
- ✓ Targeted growth in Civil Infrastructure Construction / Remediation Specialist services and products in Building Construction with key repeat clients
- ✓ 67% annuity / recurring and 33% project-based earnings

## LEADERSHIP HORIZON

- ✓ Zero Harm / ESG industry leader and recognised employer / partner of choice
- Domestic / International growth in Engineered Products across all SRG operating segments
- ✓ Selective strategic acquisitions to complement capability / footprint
- ✓ Consistent, above market shareholder returns (EPS and TSR)
- ✓ 80% annuity / recurring and 20% project-based earnings



# ASSET CARE **TRANSACTION OVERVIEW**

# ASSET CARE AT A GLANCE

## MARKET LEADER IN ASSET INTEGRITY & RELIABILITY SERVICES



#1 in asset integrity & reliability services



65+ years of operating history in Australia



600+ highly skilled full-time employees



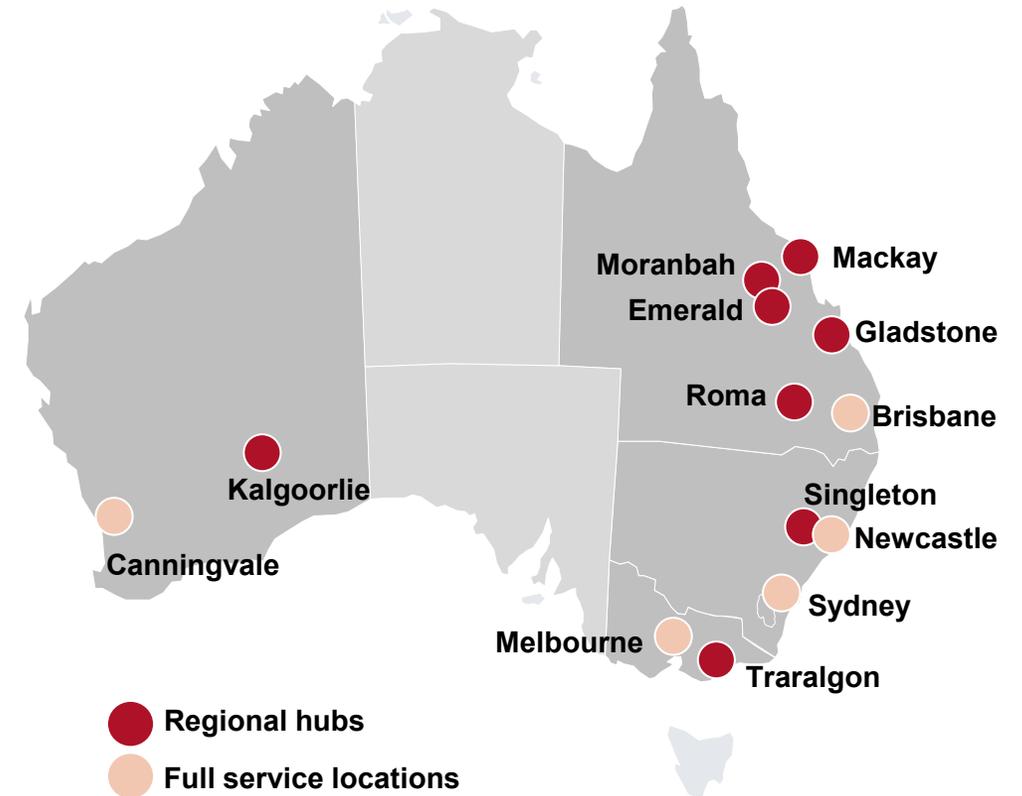
Stable and predictable cashflows with 99% of revenue derived through maintenance work



FY23E revenue of \$135m<sup>1</sup> and EBITDA margin of ~11%<sup>1</sup>



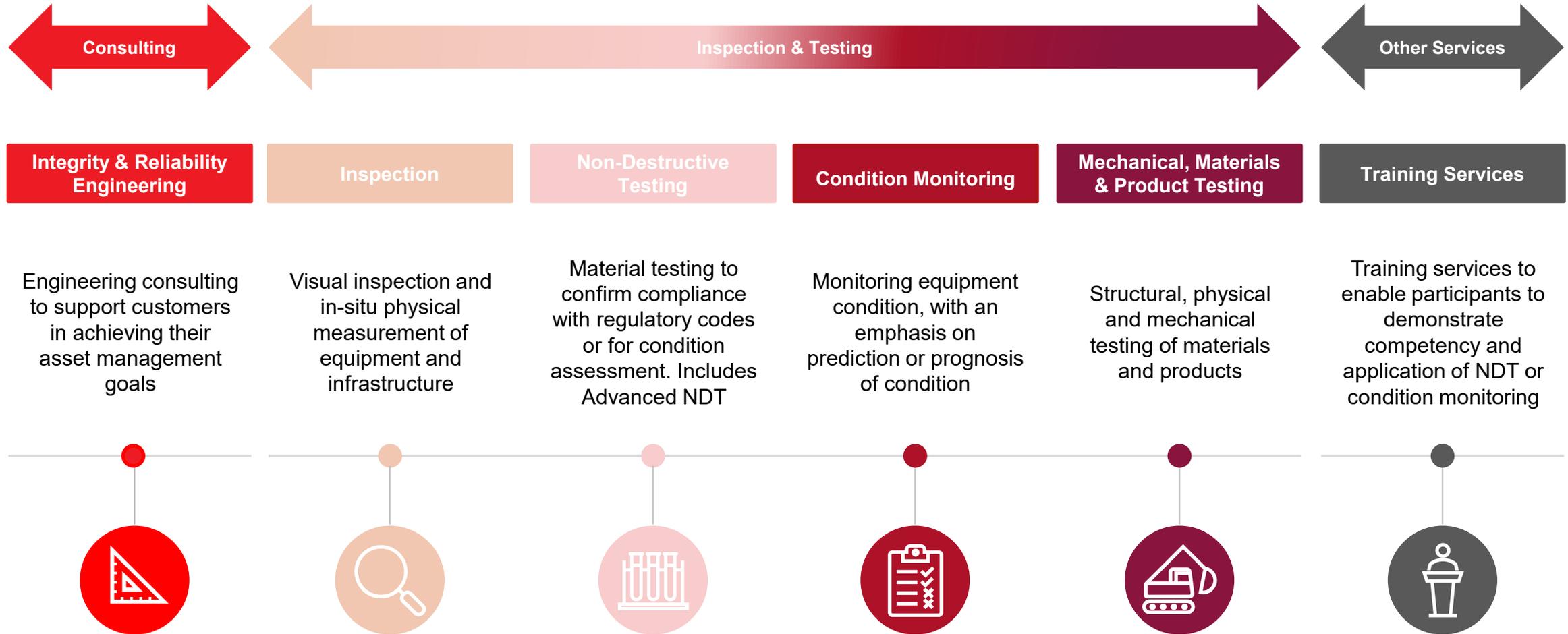
Geographic split of 70% East / 30% West



Note:  
 (1) Annualised estimate based on Asset Care's actual results for the 9-months ended 31 December 2022 and 3-month forecast to 31 March 2023, given ALS Ltd report on a March FY-end basis.

# ASSET CARE'S SERVICE OFFERING

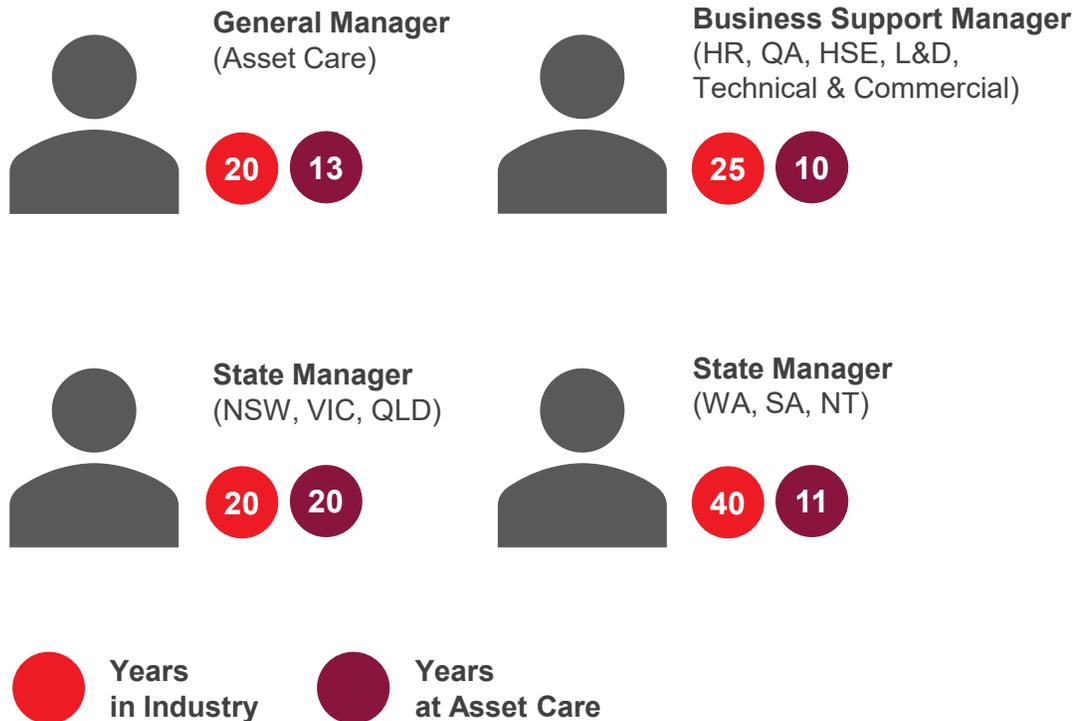
## INDUSTRY LEADING TECHNICAL EXPERTISE



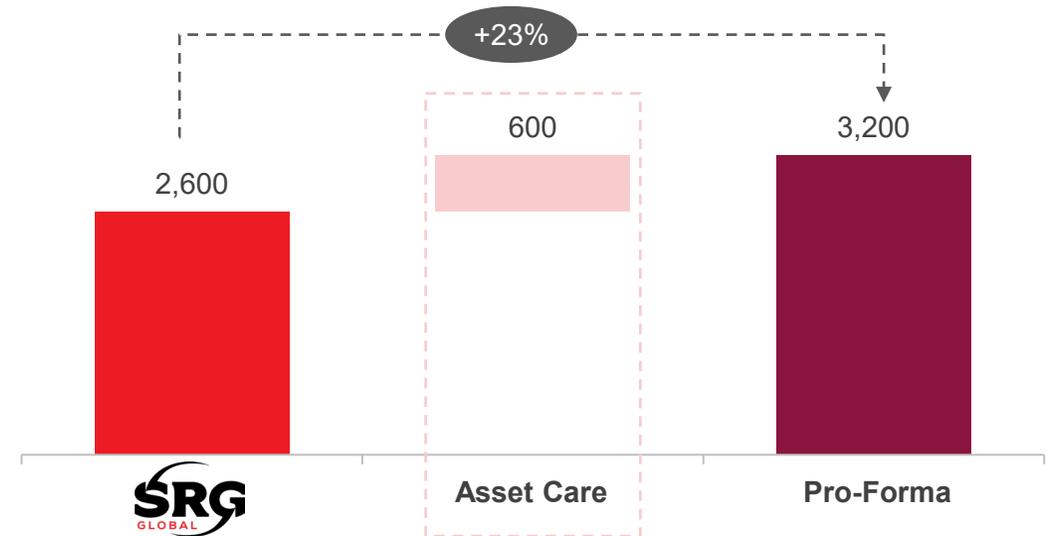
# EXPERIENCED MANAGEMENT HIGHLY SKILLED TEAM OF TECHNICIANS



## Experienced and Tenured Management



## Employees Post Acquisition



- ✓ Large, complementary team of highly-skilled engineers and technicians
- ✓ In-house Training Academy drives reliable supply of skilled workforce
- ✓ Key management have over 50 years of combined experience at Asset Care and over 100 years combined experience in the industry

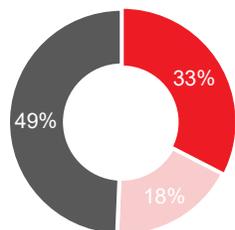
# SRG PRO FORMA BUSINESS MIX ACCELERATES SHIFT TOWARDS ANNUITY REVENUE AND EARNINGS



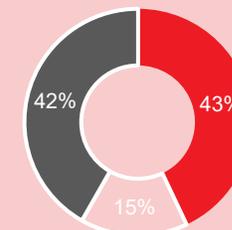
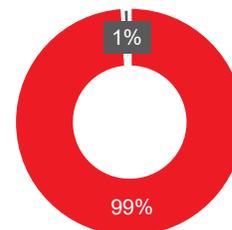
Asset Care

Pro-Forma

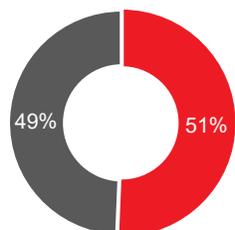
Revenue by Business Mix<sup>1</sup>



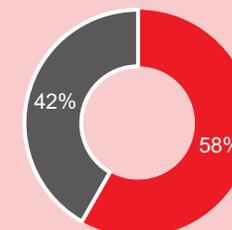
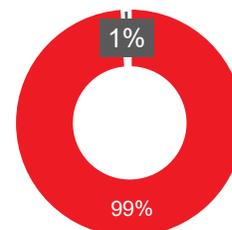
■ Asset Maintenance ■ Mining Services ■ Engineering & Construction



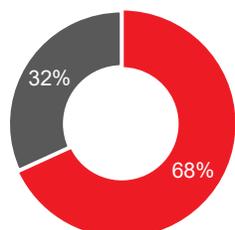
Revenue by Recurring vs. Project Based<sup>1</sup>



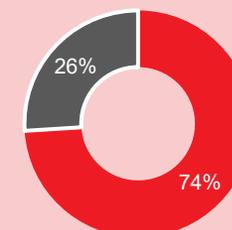
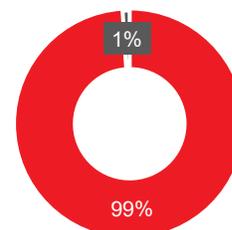
■ Recurring ■ Project Based



EBITDA by Recurring vs. Project Based<sup>1</sup>



■ Recurring ■ Project Based

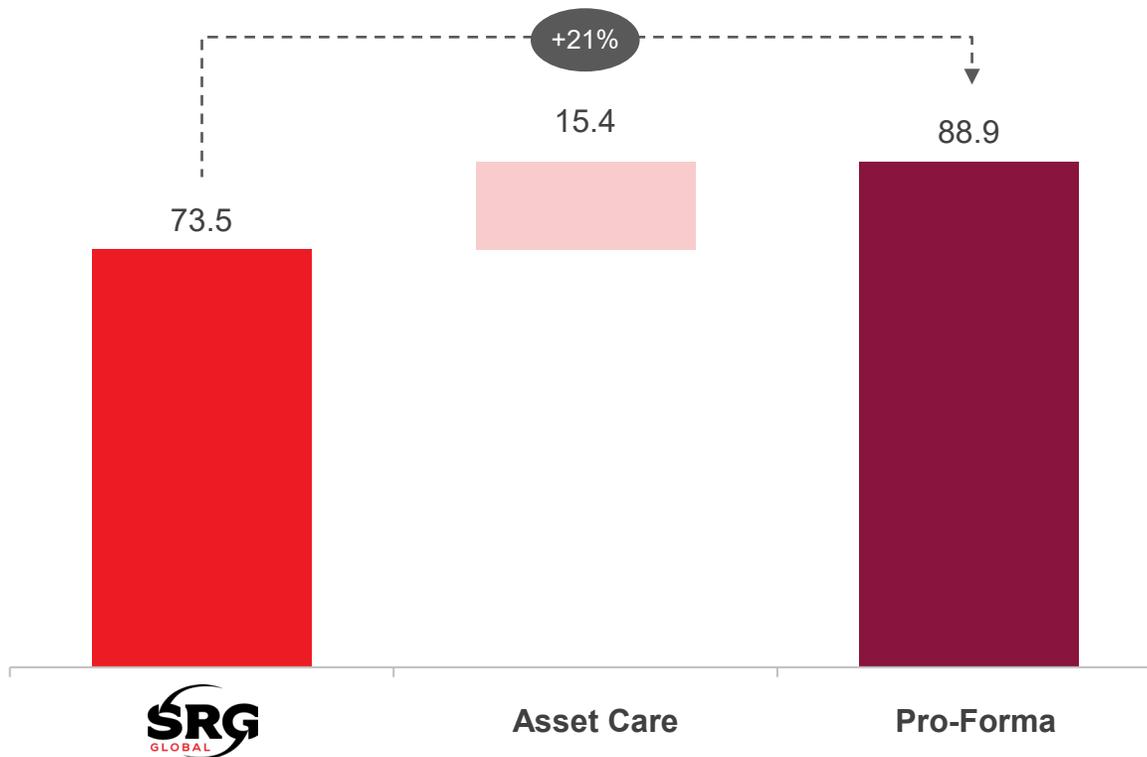


Note:  
(1) SRG reflects the last 12-months to 31 December 2022. Asset Care reflects an annualised estimate based on Asset Care's actual results for the 9-months ended 31 December 2022 and 3-month forecast to 31 March 2023, given ALS Ltd report on a March FY-end basis.

# FINANCIAL IMPACT STEP CHANGE, ACCRETIVE ACQUISITION



## Pro-Forma 12-Months EBITDA



## Key Financial Highlights

- ✓ EPS(A) accretive, pre cost and revenue synergies, on a pro-forma FY23E basis<sup>1</sup>
- ✓ EBITDA and EBIT(A) margin accretive<sup>1</sup>
- ✓ Asset Care has a capital-light business model (circa 2-3% of revenue)
- ✓ Asset Care has historically delivered strong FCF conversion of >100%

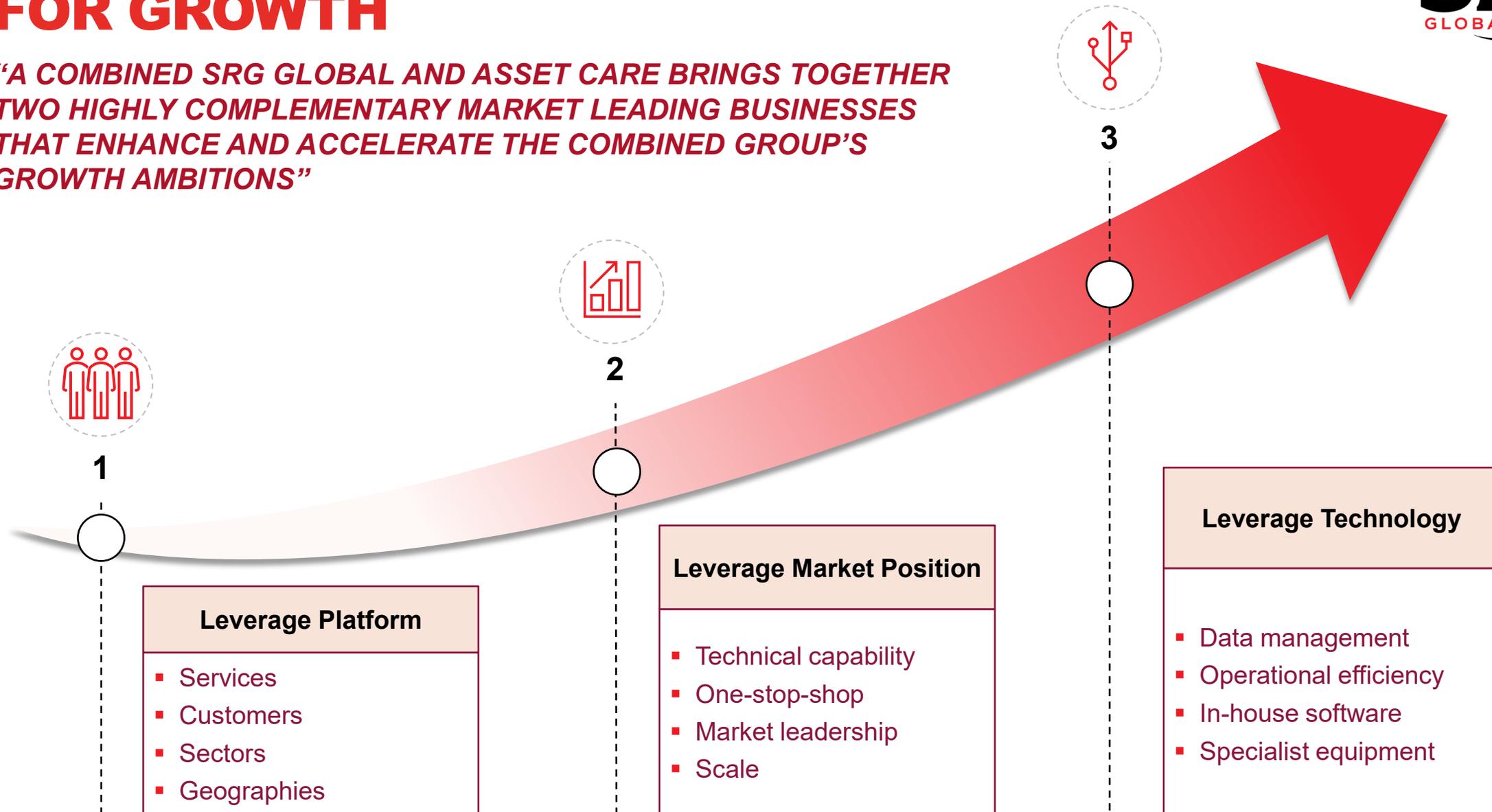
Note:

(1) SRG based on the mid-point of SRG's FY23 guidance range. Asset Care reflects an annualised estimate based on Asset Care's actual results for the 9-months ended 31 December 2022 and 3-month forecast to 31 March 2023, given ALS Ltd report on a March FY-end basis.

# MULTIPLE AVENUES FOR GROWTH



*“A COMBINED SRG GLOBAL AND ASSET CARE BRINGS TOGETHER TWO HIGHLY COMPLEMENTARY MARKET LEADING BUSINESSES THAT ENHANCE AND ACCELERATE THE COMBINED GROUP’S GROWTH AMBITIONS”*





# EQUITY RAISING **OVERVIEW**

# OFFER SUMMARY



## SRG is conducting a fully underwritten institutional placement to raise ~\$46.4 million and a non-underwritten Share Purchase Plan to raise up to \$5 million

|   |  |
|---|--|
| <b>Offer size, structure and underwriting</b>     | <ul style="list-style-type: none"> <li>▪ Fully underwritten institutional placement to eligible institutional investors to raise approximately \$46.4 million (“<b>Placement</b>”)</li> <li>▪ Non-underwritten share purchase plan to eligible shareholders to raise up to \$5 million (“<b>SPP</b>”)</li> <li>▪ Comprising the issue of approximately 64.4 million new fully paid ordinary shares in SRG (“<b>New Shares</b>”) under the Placement, and up to approximately 6.9 million New Shares under the SPP, representing ~15.9% of existing ordinary shares on issue</li> </ul>   |
| <b>Placement pricing</b>                          | <ul style="list-style-type: none"> <li>▪ The Placement will be conducted at \$0.72 per New Share (“<b>Placement Price</b>”), which represents a:             <ul style="list-style-type: none"> <li>– 4.6% discount to the last closing price of \$0.755 per share on Wednesday, 15 February 2023</li> <li>– 6.0% discount to the 5-day VWAP of \$0.766 per share as at Wednesday, 15 February 2023</li> </ul> </li> </ul>   |
| <b>Share purchase plan</b>                        | <ul style="list-style-type: none"> <li>▪ Existing eligible shareholders, being those shareholders that are residents in Australia or New Zealand that held SRG shares as at 7.00pm AEDT on 15 February 2023, will be invited to apply under the SPP for up to \$30,000 of New Shares at the Placement Price, free of any brokerage, commission and transaction costs</li> <li>▪ The SPP may raise up to \$5 million</li> <li>▪ SRG may decide to accept applications (in whole or in part) that result in the SPP raising more or less than \$5 million in its absolute discretion. SRG reserves the right (in its absolute discretion) to scale back applications under the SPP if demand exceeds \$5 million, raise a higher amount or close the SPP at an earlier date</li> <li>▪ A SPP Booklet containing further details about the SPP will be made available to eligible shareholders on 23 February 2023</li> </ul> |
| <b>Ranking</b>                                    | <ul style="list-style-type: none"> <li>▪ New Shares issued via the Placement and SPP will rank equally with existing SRG shares from respective issue dates and will be entitled to the interim dividend for the half year ended 31 December 2022 of 2 cents per share, payable on Friday, 14 April 2023</li> </ul>  |
| <b>Joint Lead Managers &amp; Sole Underwriter</b> | <ul style="list-style-type: none"> <li>▪ The Joint Lead Managers are Barrenjoey Markets Pty Limited, Shaw &amp; Partners Ltd and Euroz Hartleys Ltd, with Barrenjoey Markets Pty Limited also acting sole Underwriter to the Placement</li> </ul>  |

# ACQUISITION FINANCING SOURCES AND USES OF FUNDS



| Sources of Funds <sup>1</sup>          | \$m         | %           |
|--|-------------|-------------|
| Proceeds from Placement (before costs) | 46.4        | 54.9%       |
| Acquisition debt facility              | 30.0        | 35.5%       |
| Existing cash                          | 8.1         | 9.6%        |
| <b>Total Sources</b>                   | <b>84.5</b> | <b>100%</b> |

| Uses of Funds                     | \$m         | %           |
|-----------------------------------|-------------|-------------|
| Purchase consideration            | 80.0        | 94.7%       |
| Transaction and integration costs | 4.5         | 5.3%        |
| <b>Total Uses</b>                 | <b>84.5</b> | <b>100%</b> |

## Overview of the Acquisition Debt Facility

- \$30m secured term loan with existing lender National Australia Bank on attractive terms
- Covenants typical for a facility of this nature
- SRG maintains a conservative balance sheet (pro-forma net cash of nil, see slide 17)
- Remains significant headroom under SRG's existing debt facilities

Note:  
(1) Shown exclusive of the SPP as this is non-underwritten

# PRO-FORMA CAPITAL STRUCTURE



|                              |            | SRG Standalone     | Pro-Forma <sup>1</sup> |
|------------------------------|------------|--------------------|------------------------|
| Share price                  | \$ / share | 0.755 <sup>2</sup> | 0.720 <sup>3</sup>     |
| Shares outstanding           | M          | 448.1              | 512.5                  |
| <b>Market capitalisation</b> | <b>\$m</b> | <b>338.3</b>       | <b>369.0</b>           |
| Cash <sup>4</sup>            | \$m        | 75.8               | 67.7                   |
| Debt <sup>4</sup>            | \$m        | 37.7               | 67.7                   |
| <b>Net debt / (cash)</b>     | <b>\$m</b> | <b>(38.1)</b>      | <b>(0.0)</b>           |

Note:

- (1) Shown exclusive of the SPP as this is non-underwritten.
- (2) Based on SRG's closing share price as of 15 February 2023.
- (3) Based on the Placement Price.
- (4) Standalone cash and debt as of 31 December 2022.

# EQUITY RAISING TIMETABLE



| Event   | Date <sup>1</sup>                       |
|---|---|
| Record date for SPP   | 7PM AEDT on Wednesday, 15 February 2023 |
| Trading halt and announcement of Acquisition, Placement and SPP | Thursday, 16 February 2023              |
| Placement bookbuild   | Thursday, 16 February 2023              |
| Trading halt lifted – trading resumes on ASX                    | Friday, 17 February 2023                |
| Settlement of Placement shares                                  | Tuesday, 21 February 2023               |
| Allotment and normal trading of Placement shares                | Wednesday, 22 February 2023             |
| Dispatch SPP Offer documents and SPP Offer open date            | Thursday, 23 February 2023              |
| SPP closing date  | 5PM AEDT on Wednesday, 8 March 2023     |
| Allotment of SPP shares   | Wednesday, 15 March 2023                |

Note:

(1) These timings are indicative only and subject to variation, SRG reserves the right to alter the timetable at its absolute discretion and without notice, subject to the Listing Rules, Corporations Act and other applicable laws.



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This Presentation has been prepared in relation to:

- SRG's proposed acquisition of 100% of the share capital in ALS Industrial Pty Ltd (**ALS Industrial**) (the **Acquisition**); and
- a fully underwritten placement of new fully paid ordinary shares in SRG (**New Shares**) to eligible institutional investors (**Placement**) and a non-underwritten offer of New Shares to eligible SRG shareholders under a share purchase plan (**SPP**) (the Placement and SPP together, the **Offer**).

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An offer booklet in respect of the SPP will be made available to eligible shareholders in Australia and New Zealand following its lodgement with ASX (**Offer Booklet**). Any eligible shareholder in Australia or New Zealand who wishes to participate in the SPP should consider the Offer Booklet before deciding whether to apply for New Shares under the SPP. Anyone who wishes to apply for New Shares under the SPP will need to apply in accordance with the instructions contained in the Offer Booklet and the application form.

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## Investment risk

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Non-IFRS financial information/non-GAAP financial measures do not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information may not be comparable to similarly titled measures presented by other entities and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Although SRG believes these non-IFRS financial measures provide useful information to investors in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-IFRS financial information /non-GAAP financial measures included in this Presentation.

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## Future performance and forward-looking statements

This Presentation contains certain forward-looking statements. The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements in this Presentation include statements regarding the completion of the Acquisition, the impact of the Acquisition and the future strategies and results of the combined group and the opportunities available to it, the integration process and the timing and amount of synergies and the timing and outcome of the Offer. Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of SRG, its directors and management.

Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. These statements may assume the success of SRG's business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are strongly cautioned not to place undue reliance on forward-looking statements, particularly given the current economic climate and the significant volatility, uncertainty and disruption caused by the ongoing impact of COVID-19. None of SRG, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this Presentation. The forward-looking statements are based on information available to SRG as at the date of this Presentation.

Except as required by law or regulation (including the ASX Listing Rules), none of SRG, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.

# IMPORTANT NOTICES AND DISCLAIMER

## Reliance on Third Party Information

To the extent this Presentation contains information that has been derived from publicly available sources, SRG has not independently verified the information obtained from such third party source. While the SRG believes that such information is reliable, accordingly, no representation or warranty is made as to the accuracy, completeness or reliability of any third-party information and undue reliance should not be placed on any of the third-party information contained in this Presentation.

## Disclaimer

Barrenjoey Markets Pty Limited is acting as joint lead manager and sole underwriter to the Placement (**Underwriter**) and Euroz Hartleys Ltd and Shaw & Partners Ltd are acting as joint lead managers to the Placement (together with the Underwriter, **Joint Lead Managers**). A summary of the key terms of the underwriting agreement between SRG and the Underwriter is provided in Appendix C. The Joint Lead Managers are acting for and providing services to SRG in relation to the Offer. The Joint Lead Managers have been engaged solely as independent contractors and are acting solely in contractual relationships on arm's length basis with SRG. The engagement of the Joint Lead Managers by SRG is not intended to create any agency, fiduciary or other relationship between the Joint Lead Managers and SRG, its shareholders or any other investors. The Joint Lead Managers, in conjunction with their respective affiliates, are acting in the capacity as such in relation to the Offer and will receive fees and expenses for acting in this capacity.

To the maximum extent permitted by law, SRG and the Joint Lead Managers and their respective related bodies corporate and affiliates, and their respective officers, directors, partners, employees, agents and advisers (Limited Partners): (i) disclaim all responsibility and liability (including, without limitation, any liability arising from fault, negligence or negligent misstatement) for any loss arising from your participation or failure to participate in the Offer or this Presentation (including your reliance on anything contained in or omitted from it or otherwise arising in connection with this Presentation for any reason); (ii) disclaim any obligations or undertaking to release any updates or revision to the information in this Presentation to reflect any change in expectations or assumptions; and (iii) disclaim all liabilities in respect of and do not make any representation or warranty, express or implied, as to the accuracy, reliability, completeness of the information in this Presentation or that this Presentation contains all material information about SRG, ALS Industrials or that a prospective investor or purchaser may require in evaluating a possible investment in SRG or acquisition of shares in SRG, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement.

Neither the Joint Lead Managers, nor their or SRG's Limited Partners have authorised, permitted or caused the issue, submission, dispatch or provision of this Presentation and, for the avoidance of doubt, and except for references to its names, none of them makes or purports to make any statements in this Presentation and there is no statement in this Presentation which is based on any statement by any of them. Further, the Joint Lead Managers and their related bodies corporate, affiliates, officers, directors, employees, agents and advisers do not accept any fiduciary obligations to or relationship with you, any investor or potential investor in connection with the Offer or otherwise.

You acknowledge and agree that determination of eligibility of investors for the purposes of the Placement and SPP is determined by reference to a number of matters, including legal and / or regulatory requirements and the discretion of SRG and the Joint Lead Managers and each of SRG and the Joint Lead Managers disclaim any duty or liability (including for negligence) in respect of the exercise or otherwise of that discretion, to the maximum extent permitted by law.

## Joint Lead Managers

The Joint Lead Managers and their affiliates and related bodies corporate are full service financial institutions engaged in various activities, which may include (but are not limited to) underwriting, securities trading, financing, corporate advisory, financial advisory, investment management, investment research, principal investment, hedging, market making, market lending, brokerage and other financial and non-financial activities and services including for which they have received or may receive customary fees and expenses. In the ordinary course of their various business activities, the Joint Lead Manager and their affiliates or related bodies corporate may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of SRG, and/or persons and entities with relationships with SRG. The Joint Lead Manager and their affiliates and related bodies corporate may also communicate independent investment recommendations, market colour or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

**This Presentation has been authorised for release to ASX by the SRG Board of Directors.**



# APPENDIX B: KEY RISKS

# KEY RISKS



## Overview

This section discusses some of the key risks associated with any investment in SRG, which may affect the value of SRG shares. The risks set out below are not necessarily listed in order of importance and do not constitute an exhaustive list of all risks involved with an investment in SRG. Before investing in SRG, you should be aware that an investment in SRG has a number of risks, some of which are specific to SRG and some of which relate to listed securities generally, and many of which are beyond the control of SRG.

Before investing in New Shares, you should consider whether this investment is suitable for you. Potential investors should consider publicly available information on SRG (such as that available on the websites of SRG and ASX), carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional advisers before making an investment decision.

## Risks related to the Acquisition

### **Integration risks and realisation of anticipated synergies**

The integration of a business of the size and nature of ALS Industrial carries risk, including potential delays or costs in implementing necessary changes and difficulties in integrating various operations. The success of the Acquisition, and the ability to realise the expected benefits of the Acquisition outlined in this Presentation (including any synergies), is dependent on the effective and timely integration of ALS Industrial's business alongside SRG's business following completion of the Acquisition. A failure to fully integrate the operations of ALS Industrials, or a delay in the integration process, could impose unexpected costs or prevent the realisation of benefits that may adversely affect the financial performance and position of SRG.

### **ALS Industrial's future earnings**

SRG has undertaken financial and business analysis of ALS Industrial in order to determine its attractiveness to SRG and whether to pursue the Acquisition. It is possible that such analysis, and the best estimate assumptions made by SRG, draw conclusions and forecasts that are inaccurate or which will not be realised in due course. To the extent that the actual results achieved by ALS Industrial are different than those anticipated, or any unforeseen difficulties emerge in integrating the operations of ALS Industrial, there is a risk that the profitability and future earnings of the operations of SRG may differ (including in a materially adverse way) from the performance as described in this Presentation.

### **ALS Industrial's historical liabilities**

Following completion of the Acquisition, SRG will be responsible for any outstanding liabilities that ALS Industrial has incurred prior to the Acquisition, including any liabilities that were not identified during SRG's due diligence or which are greater than expected, for which insurance may not be available, and for which SRG may not have post-Acquisition recourse under the agreement for the Acquisition. Such liabilities could include liabilities relating to current or future litigation or other proceedings or investigations, failure by ALS Industrials to hold required regulatory approvals, authorisations or licences, regulatory actions (including without limitation in relation to any such failure), health and safety claims, warranty or performance claims, historical tax liabilities and other liabilities. ALS Industrial's historical liabilities may adversely affect the financial performance or position of SRG.

### **Completion of the Acquisition**

SRG expects the acquisition to proceed as advised in this Presentation. If the Acquisition fails to complete or completion is delayed, SRG may not be able to realise some or all of the benefits that it expects to achieve within its expected timeframe or at all. If the acquisition is not completed, SRG would assess the best way to utilise the proceeds of the Placement and SPP. Any failure to consummate the acquisition could materially and adversely affect SRG and its share price.

### **Due Diligence**

SRG undertook a due diligence process in respect of ALS Industrial, which relied in part on the review of financial and other information (including unaudited financial information) concerning the business of ALS Industrial, which was provided to SRG by ALS Limited. Despite making reasonable efforts, SRG has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. If any of the data or information provided to and relied upon by SRG in its due diligence process and its preparation of this Presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of ALS Industrial and the combined may be materially different to the financial position and performance expected by SRG and reflected in this Presentation.

There is no assurance that the due diligence conducted was comprehensive and that all material issues and risks in respect of the Acquisition have been completely or accurately identified and avoided (or managed appropriately) and actual performance or circumstances may differ from SRG's conclusions. There is a risk that unforeseen issues and risks in respect of the Acquisition in relation to ALS Industrial and its business may arise, which may have a material adverse impact on SRG (for example, SRG may later discover liabilities or issues which were not identified through due diligence). This could adversely affect the operations, financial performance and/or financial position of SRG and ALS Industrial on a combined basis.

### **Funding the Acquisition**

SRG has entered into an underwriting agreement with the Underwriter pursuant to which the Underwriter has agreed to underwrite the Placement (**Underwriting Agreement**). The Share Purchase Plan is not underwritten. If certain conditions are not satisfied or if certain termination events occur, the Underwriter may terminate the Underwriting Agreement. Those termination events are summarised in Appendix C of this Presentation.

Termination of the Underwriting Agreement could have an adverse impact on the amount of proceeds raised under the Placement, which could result in SRG needing to seek alternative sources of funding to fund the Acquisition. Alternative sources of funding may result in SRG incurring additional costs (for example, by way of interest payments on debt) and/or potential restrictions being imposed on the manner in which SRG conducts its business and deals with its assets.

## Risks relating to SRG and its business

While the risks set out in this section are stated to relate to SRG and its business, investors should consider that some or all of these risks will also apply to ALS industrials and its business, which SRG will own following completion of the Acquisition.

# KEY RISKS



## Professional negligence and product liability claims

As a professional service provider, and manufacturer and supplier of specialist products, SRG is exposed to the risk of professional negligence and product liability claims against it. SRG maintains professional indemnity and product liability insurance to mitigate its exposure to liability in the event of a professional negligence or product liability claim against it. However, if a professional negligence or product liability claim against SRG was successful, this may adversely affect SRG's reputation, increase future insurance costs and, to the extent the claim was not insured or indemnity was refused by the insurer, cause material financial loss.

In addition, any claim or litigation, whether or not settled and whether or not determined in SRG's favour, may result in negative publicity, significantly increase SRG's operating costs and require significant time and attention of management and technical personnel. This may adversely impact the financial performance, financial position, cash flow and share price of SRG.

## Key personnel and labour

A number of key personnel are important to attaining the business goals of SRG. One or more of these key employees could leave their employment, and this may adversely affect the ability of SRG to conduct its business and, accordingly, affect the financial performance of SRG and the price of SRG's shares. Recruiting and retaining qualified personnel are important to the success of SRG.

The number of persons skilled in the types of services which SRG provides (and specialises in) is limited and competition for such persons is significant. SRG cannot be certain that it will be successful in managing, attracting and retaining the personnel required to successfully conduct its operations. In addition, any disputes with employees (through personal injuries, industrial matters or otherwise), changes in labour regulations, or other developments in the area may cause labour disputes, work stoppages or other disruptions in production that could adversely impact SRG's operations.

## Cost overrun

Commencement of contracts by SRG and provision of services under those contracts may be delayed past the expected commencement date. In addition, SRG's provision of services under existing contracts may also be impacted by the customer requesting to delay or reduce the level of services provided, or adverse weather conditions.

SRG's ability to perform its obligations and commence earning revenue may also be dependent on customers or other third parties performing their own contractual arrangements in a timely manner. Any delay in the commencement or performance of services under a contract for any reason may result in a delay in SRG receiving revenue or may cause SRG to incur additional costs.

SRG perform certain services under fixed price contracts. If unforeseen circumstances arise and the costs of performing those services increase, SRG may not always be able to recover those increased costs, resulting in lower revenues or even losses under those contracts. If future fixed price contracts are priced incorrectly, or costs increase above those anticipated at the time of entering the contracts, then this may adversely affect SRG's financial performance and/or financial position.

The above factors could have an adverse impact on SRG's financial performance.

## Foreign exchange rates

Doing business internationally exposes SRG to risks related to the value of one currency compared to another. The functional currency for SRG for accounting purposes is Australian dollars. However, SRG may earn revenues and incur expenditures in other currencies, principally denominated in the currency in the location in which activities are undertaken. In cases where SRG's debt or other obligations are in currencies different to the functional currency of the borrowing entity, SRG's earnings may be impacted positively or adversely as a result of fluctuations in exchange rates. As a result, the financial performance and results of SRG will be impacted by the relative performance of the relevant currencies and conversion of costs and revenue to Australian dollars. SRG may use derivative instruments in order to hedge against movements in currency exchange rates. Too much exposure in the derivative markets relative to SRG's exposure in the spot market may have a material adverse effect on SRG.

## Key contractors

SRG may use external contractors or service providers for its activities, and as such the failure of any current or proposed contractors, sub-contractors or other service providers to perform their contractual obligations may negatively impact the business of SRG. SRG cannot guarantee that such parties will fulfil their contractual obligations and there is no guarantee that SRG would be successful in enforcing any of its contractual rights through legal action. Further, the insolvency or managerial failure by any such contractors or other service providers may pose a significant risk to SRG's operating and financial performance and financial position.

## Regulation

SRG's business activities will be subject to laws and regulations. A failure to comply with relevant laws and regulations may result in operations being impacted and financial penalties, along with the potential for associated damage to the reputation of SRG. The possible nature and extent of changes to legislation, regulations or guidelines or their interpretation or administration cannot be predicted with any certainty. Such changes may result in the imposition of more onerous obligations on SRG and, in turn, impact on the planned activities of SRG and its operating and financial performance.

In addition, the import and export policies of any jurisdiction in which SRG operates may change in the future. As the revenues of the SRG depends (at least in respect of its product operations) upon the process of exporting, the profitability and financial position of SRG may be adversely affected by any such adverse import and export regulations.

## Workplace health and safety

SRG's operations involve a variety of risks to the health and safety of its personnel. A failure to maintain adequate systems and processes to avoid or mitigate the risks of health and safety incidents may result in events effecting the health and safety of SRG's personnel which, in turn, may result in regulatory or other legal action against SRG. This could lead to increased operating costs, legal liability, regulatory action, the loss of operating licenses and/or damage to SRG's reputation.

## Availability and cost of key equipment

SRG requires specific products, plant and equipment and construction materials to provide its full suite of complex services. Any delay, lack of supply or increase in price in relation to such equipment and material could adversely impact the financial position of SRG.

# KEY RISKS



## Competition

Competition in the construction and services industry is significant, and competition from other construction and specialist contracting and services companies may impact the future profitability of SRG. Competition includes major construction companies in Australia and internationally, some of which possess greater financial and other resources than SRG and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that SRG can compete effectively with these companies. Further, SRG may face competition from new construction and specialist services companies or facilities, which may lower contract prices. SRG may be unable to acquire new projects required to sustain or increase its future production level due to competition from such other companies.

## Early contract termination and contract variations

As is common practice in industries and sectors within which it operates, some contracts to which SRG and its subsidiaries are party may be terminable for convenience or otherwise on short notice. The contractual relationship for such contracts might allow termination for convenience without penalty, with the customer paying for all work completed to date, unused material and in most cases demobilisation from the site and redundancies.

In addition, some contracts to which SRG and its subsidiaries are party may be able to be varied to reduce the scope of SRG's scope of work through granting appropriate notice. There is a risk that customers could exercise its rights to reduce the scope of work.

As a result, there can be no assurance that work in hand will be realised as revenue in future periods.

## Permits, licences, accreditations and certifications

SRG will be required to hold certain operating permits, licences, accreditations and certifications to conduct its business. Loss of, failure to comply with or failure to hold such required permits, licences, accreditations and certifications may directly impact SRG's ability to fulfil its contractual obligations and adversely affect profitability.

## Insurance

SRG maintains insurances across its businesses, notably its contractual covers (e.g. professional liability/indemnity, general/third-party liability, contract works, etc) and employment covers (workers compensation, travel, etc). Although SRG maintains insurance, no assurance can be given that adequate insurance will continue to be available to SRG in the future or on commercially acceptable terms.

## Financing risk and capital requirements

SRG's capital requirements will depend on a number of factors. While every care has been taken in estimating the capital cost and future operating costs for SRG's business, including contingency, the actual costs experienced in SRG's services may vary from its estimates. Any variations could adversely affect SRG's financial position and performance.

Following the Offer, SRG is expected to have sufficient funding (based on existing estimates of funding requirements) in relation to SRG's operations. However, further funding may be required in the future for SRG's growth, development and ongoing activities. SRG may need to seek alternative or further funding (either in the form of debt or equity).

Any debt funding, if available, may involve restrictions on SRG's financing and operating activities, or its business strategy, and additional equity funding may dilute shareholders and may be undertaken at lower prices than the current market price. No assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to SRG's or at all. In the ordinary course of operations, SRG will be required to issue financial assurances, particularly insurances and bond/bank guarantee instruments, to secure statutory and environmental performance undertakings and commercial arrangements. SRG's ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position.

## Litigation

The risk of litigation and claims is a general risk of SRG's business. The nature of SRG's business means that it is likely to be involved in litigation or regulatory actions arising from a wide range of matters, including customer claims, contractual claims, and occupational health and safety claims. Any claims, litigation or investigation, with or without merit, and whether or not settled out of court or determined in SRG's favour, may result in negative publicity, significantly increase SRG's operating costs and require significant time and attention of management and technical personnel. SRG may incur costs in making payments to settle any such claims or complying with any court order which may not be adequately covered by insurance, or at all. This may adversely impact the financial performance, financial position, cash flow and share price of SRG.

## Technology failure or access

SRG is dependent upon the use of computer, information and communications technology and systems. SRG's technology systems could be interrupted or damaged by a diverse array of events, including natural disasters, acts of war or terrorism, telecommunications failures or other similar occurrences, and are exposed to the potential risk of computer hackers, unauthorised users, computer viruses, malicious codes and cyber-attacks. Any disruption in SRG's computer and communications systems could adversely impact SRG's operating results. SRG's security precautions may be unable to prevent attacks, which could directly impair SRG's operations and necessitate increased expenditure on technology protections in the future.

## General investment risks

### Investment in shares

There are general risks associated with investments in equity capital such as SRG shares. The trading price of SRG shares may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Shares being less or more than the Offer price. Generally applicable factors that may affect the market price of shares include: general movements in Australian and international stock markets; investor sentiment; Australian and international economic conditions and outlooks; changes in interest rates and the rate of inflation; changes in government legislation and policies, in particular taxation laws and climate-related laws and regulations; announcement of new technologies; pandemics (such as COVID-19); epidemics; geo-political instability, including international hostilities and acts of terrorism; demand for and supply of SRG shares; announcements and results of competitors; and analyst reports.

No assurance can be given that the New Shares will trade at or above the Offer price or that there will be an active market in SRG shares. None of SRG, its directors nor any other person guarantees the performance of the New Shares.

# KEY RISKS



## **Investment in shares (cont.)**

The operational and financial performance and position of SRG and SRG's share price may be adversely affected by a worsening of general economic conditions in Australia, as well as international market conditions and related factors. It is also possible that new risks might emerge as a result of Australian or global markets experiencing extreme stress, or existing risks may manifest themselves in ways that are not currently foreseeable. The equity markets have in the past and may in the future be subject to significant volatility.

## **Changes in accounting standards**

Australian Accounting Standards are set by the Australian Accounting Standards Board (AASB) and are outside the control of SRG and its directors. The AASB may introduce new or refine Australian Accounting Standards, which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables. There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in SRG's consolidated financial statements.

## **Dividends**

The payment of dividends in respect of SRG's shares is impacted by several factors, including SRG's profitability, capital requirements and free cash flow. Any future dividends will be determined by SRG's board having regard to these factors, among others. There is no guarantee that any dividend will be paid by SRG, or if paid, paid at historical levels.

## **Changes to tax laws**

Future changes in taxation laws in jurisdictions in which SRG operates, including changes in interpretation or application of the law by the courts or taxation authorities, may affect the taxation treatment of an investment in SRG shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which SRG operates, may impact the future tax liabilities of SRG.

An investment in shares involves tax considerations that differ for each investor. Investors are encouraged to seek professional tax advice in connection with any investment in SRG.

## **Force majeure events**

Events may occur within or outside Australia that could impact upon the global and Australian economies, the operations of SRG and the price of the SRG shares. These events include but are not limited to terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for SRG's services.



# APPENDIX C: SUMMARY OF PLACEMENT AGREEMENT

# SUMMARY OF PLACEMENT AGREEMENT

SRG has entered into an underwriting agreement with the Underwriter in respect of the Placement (**Underwriting Agreement**). The Underwriting Agreement contains representations and warranties and indemnities in favour of the Underwriter. Details of the fees payable to the Underwriter are included in the Appendix 3B released to ASX on the date of this Presentation. The Underwriter may terminate its obligations under the Underwriting Agreement in the following circumstances:

- the share purchase agreement in relation to the acquisition of Asset Care (Acquisition Agreement) is (i) terminated, rescinded, repudiated or released; (ii) is varied or amended in any material respect, or any material rights thereunder are waived in any respect, without the prior written consent of the Underwriter (such consent not to be unreasonably withheld or delayed); or (iii) is breached; or, or an event or circumstance has occurred which will result in the acquisition of Asset Care not proceeding;
- the ASX/S&P 200 Index, on a business day in the period up to and including the date of settlement of the Placement, closes at a level 10% or more below its level at market close on the ASX trading day immediately prior to the date of the Underwriting Agreement;
- SRG is in breach of the Underwriting Agreement or any of SRG's representations or warranties in the Underwriting Agreement are not true or correct when made or taken to be made;
- in the Underwriter's reasonable opinion, a statement in SRG's public statements made by, or on behalf of the Company (including announcements in respect of the Placement), is or becomes misleading or deceptive or is likely to mislead or deceive (including by omission), in each case in a material respect;
- any amendment or update to the cleansing notice in respect of the Placement is materially adverse from the point of view of an investor;
- an event in the timetable for the Placement is delayed for more than one business day without the prior written approval of the Underwriter;
- a condition precedent, as set out in the Underwriting Agreement, is not satisfied or waived by the Underwriter by the time required;
- there is an omission from or misstatement relating to the completed due diligence questionnaire provided by SRG to the Underwriter; or any other information supplied by or on behalf of the Company to the Underwriter for the purpose of due diligence inquiries in relation to the Placement;
- SRG is unable to issue the New Shares under the Placement on the allotment date as specified in the timetable;
- SRG alters its capital structure or its constitution without the prior consent of the Underwriter;
- SRG or any member of the SRG group breaches, or defaults under, any provision, undertaking, covenant or ratio of a debt or financing arrangement, which has an adverse effect on the SRG group, or an event of default or event which gives a lender or financier the right to accelerate or require repayment of the debt or financing, or other similar event occurs;
- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of SRG or the SRG group from those disclosed;
- a change in the senior management or the board of directors of SRG occurs or is announced;
- SRG or any of its directors, Chief Financial Officer or other officer engages in any fraudulent conduct or activity whether or not in connection with the Placement;
- SRG or a material subsidiary of SRG is insolvent or there is an act or omission, or circumstance that arises, which is likely to result in SRG or a material subsidiary of SRG becoming insolvent;
- SRG withdraws the Placement or any part of it;
- ASIC makes, or threatens to make, an application for an order under Part 9.5 of the Corporations Act in relation to the Placement or SPP and such application (or threat) becomes public or is not withdrawn by the time stipulated in the Underwriting Agreement; or ASIC issues, or threatens to issue, proceedings or commences any inquiry or investigation under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Placement or the SPP and such becomes public or is not withdrawn by the time stipulated in the Underwriting Agreement;
- ASX makes any official statement that New Shares will be suspended from quotation, SRG will be removed from the official list or that quotation of all of the New Shares under the Placement will not be granted by the ASX, or such suspension from quotation or removal from the official list occurs;
- any regulatory body commences any public action against any officer of SRG in his or her capacity as an officer of SRG or announces that it intends to take any such action or an officer of SRG is charged with an indictable offence or is disqualified from managing a corporation under the Corporations Act;
- any government or any governmental or regulatory body issues, or threatens to issue, proceedings or commences any inquiry or investigation into the Placement or the SPP and such proceedings, inquiry or investigation become public or is not withdrawn by the time stipulated in the Underwriting Agreement;
- a certificate or notice which is required to be furnished by the SRG under the Underwriting Agreement is not furnished when required;
- hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, Japan, South Korea, North Korea, the United Kingdom, any member state of the European Union, Japan, Hong Kong, Iraq, Syria, Ukraine, Russia or the People's Republic of China, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of these countries elsewhere in the world;
- there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement), any of which does or is likely to prohibit, regulate or otherwise adversely affect the Placement, capital issues or stock markets;
- a general moratorium on commercial banking activities in Australia, the United States, Hong Kong, the People's Republic of China or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
- trading in all securities quoted or listed on ASX, the London Stock Exchange, the Hong Kong Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for more than one day on which that exchange is open for trading.

In some cases, the ability of the Underwriter to terminate the Underwriting Agreement is limited to circumstances where the Underwriter has reasonable grounds to believe and does believe that the event: will, or is likely to, give rise to a liability of the Underwriter under, or give rise to, or result in, the Underwriter contravening, or being considered to be involved in a contravention of, any law, or has, or is likely to have, a material adverse effect on the marketing, settlement or outcome of the Placement, or on the ability of the Underwriter to market or promote or settle the Placement, or the likely trading price of the Shares, or the willingness of investors to subscribe for New Shares.

If the Underwriter terminates its obligations under the Underwriting Agreement, the Underwriter will not be obliged to perform any of its obligations that remain to be performed. Termination of the Underwriting Agreement could have an adverse impact on the amount of proceeds raised under the Placement. In these circumstances, SRG would need to utilise alternative funding to meet its obligations under the Acquisition Agreement.



# APPENDIX D: FOREIGN SELLING RESTRICTIONS

# FOREIGN SELLING RESTRICTIONS

This Presentation does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful. In particular, this Presentation 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.

## Hong Kong

WARNING: This Presentation has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). Accordingly, this Presentation may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

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- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

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