



HRL Holdings Limited

FY2016 Financial Results



FY2016 Highlights

- ▶ Successful acquisition and integration of New Zealand based RJL and Associates in March 2016
 - ▶ Expanded service capabilities into the fast growing property contamination market
- ▶ Successful acquisition and integration of Canberra based AAC Environmental in October 2015
- ▶ 6 accredited laboratories now in operation across Australia and New Zealand, plus three new consulting branches
- ▶ Property contamination revenue growth and returns have exceeded expectation



FY2016 Highlights

- ▶ Geographic revenue sources have diversified significantly
 - ▶ NZ businesses now account for around 75% of group turnover
 - ▶ New Auckland branch will further grow the NZ business
 - ▶ Active tender pipeline for major regional projects in Australia, NT especially strong
- ▶ Earn-out payments settled in FY2016, no further amounts to pay
- ▶ Existing cash reserves and available loan facilities will be used to expand existing branch capabilities when warranted



FY2016 Highlights - Financial

	Jun-16 \$000's	June-15 \$000's	Increase \$000's
Revenues	8,385	4,670	↑ 3,715
Underlying EBITDA	1,075	108	↑ 967
Operating cash flows generated ²	421	(270)	↑ 691
Net Assets	6,684	6,223	↑ 461
Undrawn loan facilities	1,485	-	↑ 1,485
Statutory profit after tax	117	(1,584)	↑ 1,701

1 Underlying EBITDA and profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Group, in accordance with AICD/Finsia principles of recording underlying profit. Underlying profit has not been audited. Refer to Appendix A for further details of non-underlying items.

2 Excludes cash outflows associated with earn out/settlement payments and acquisition costs.

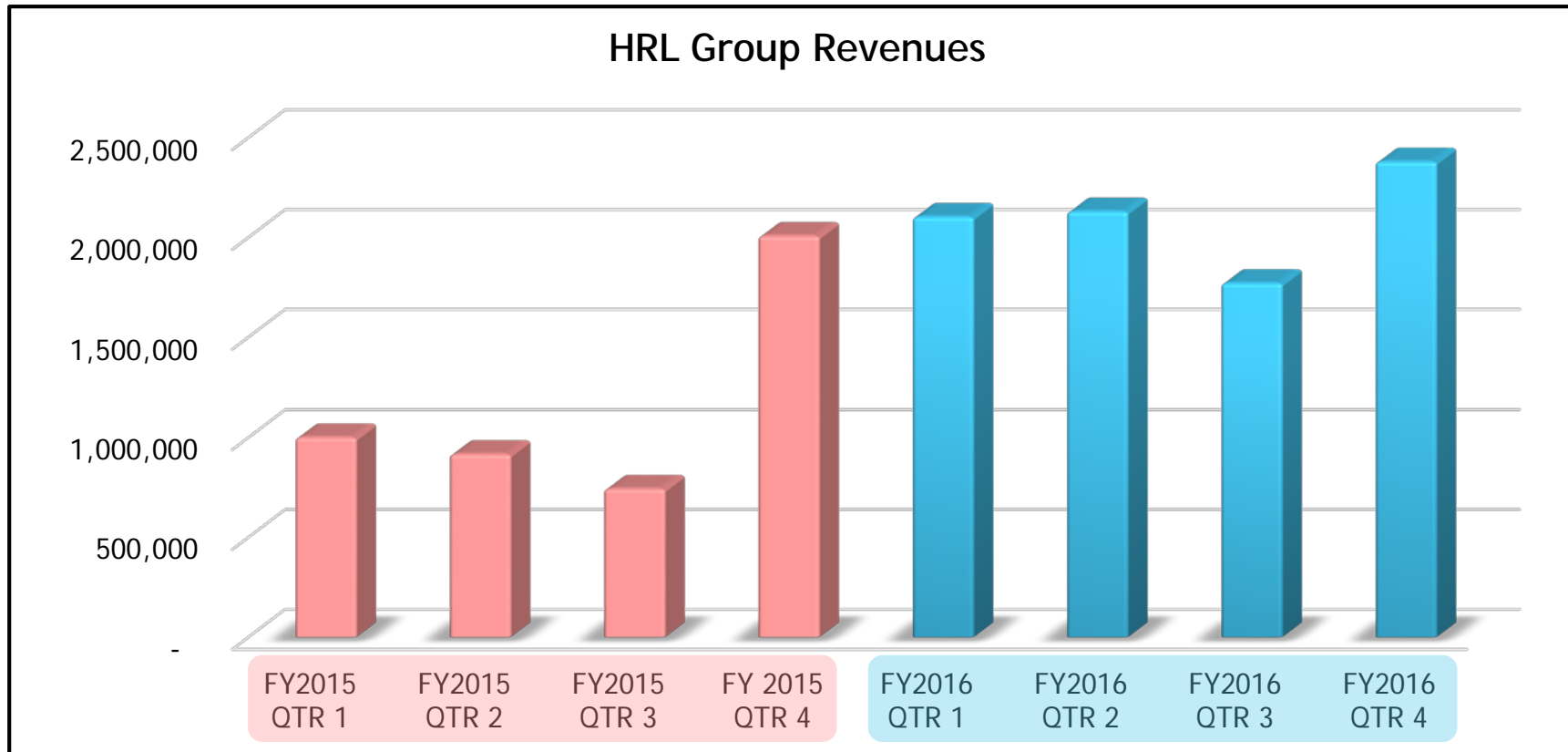


Segment Performance

	Trading Entities			Corporate	Consolidated
	OCTIEF	Precise	Total		
	\$	\$	\$	\$	\$
Revenues	4,025,922	4,359,256	8,385,178	4,888	8,390,066
Underlying EBITDA	709,986	1,525,547	2,235,533	(1,160,888)	1,074,645
Operating depreciation and amortization	(88,241)	(78,781)	(167,022)	(12,364)	(179,386)
Interest expense	-	-	-	(81,719)	(81,719)
Underlying profit before tax	621,745	1,446,766	2,068,512	(1,254,971)	813,540
Operating income tax					(225,686)
Underlying profit after tax					587,854
<u>Non-operating adjustments</u>					
Acquisition related expenses	-	(28,769)	(28,769)	(62,609)	(91,378)
Amortisation of intangible assets arising from acquisitions	(151,687)	(155,911)	(307,598)	-	(307,598)
Precise Earn-out and AAC Settlement	(79,119)	(160,433)	(239,552)	-	(239,552)
Statutory profit before income tax	390,939	1,101,654	1,492,593	(1,317,580)	175,012
Tax on non-operating items					(57,024)
Statutory profit after income tax					117,988



Quarterly Revenue Growth





The HRL Group - Locations



- ▶ Brisbane
- ▶ Canberra (October 2015)
- ▶ Darwin
- ▶ Perth (April 2016)
- ▶ Christchurch
- ▶ Wellington
- ▶ Palmerston North (March 2016)
- ▶ Dunedin (April 2016)
- ▶ Auckland (June 2016)





Future Developments

During FY2017, the Group will continue to focus on growing both the OCTIEF and Precise Consulting businesses through:

- ▶ Focussed business development plans to target new customers and protect the existing customer base;
- ▶ Utilising new equipment and software platforms to improve efficiencies and margins;
- ▶ Promotion of new property contamination service lines in the Australian market;
- ▶ Geographical expansion into new markets when justified; and
- ▶ Capitalise when possible on the introduction of new regulations surrounding the HAZMAT sector.

The Group will continue to evaluate acquisition opportunities of high quality businesses both within the environmental services sector and across other complimentary industries.



Contacts and More Information

- ▶ Steven Dabelstein, CEO
- ▶ 0405 770 166
- ▶ steven.dabelstein@hriholdings.com

www.hriholdings.com



Appendix A - Details on non-underlying profit adjustments

Adjustment	Description
Acquisition related expenses	<p>Acquisition related expenses relate to third party supplier costs that related to the merger/acquisition of:</p> <ol style="list-style-type: none"> 1. OCTIEF Pty Ltd on 15 September 2014; 2. Precise Consulting and Laboratory Limited in April 2015; 3. AAC Environmental Pty Ltd on 30 September 2015; and 4. RJL & Associates in March 2016
Amortisation of intangible assets arising from acquisitions	<p>The excess purchase price over the value of the tangible assets acquired during the acquisitions of Octief Consulting & Laboratory Services Pty Ltd in June 2013, the Precise Consulting and Laboratory Limited in April 2015, the AAC Environmental Pty Ltd in September 2015 and the RJL & Associates in March 2016 has been allocated against specific identifiable intangible assets.</p> <p>These intangible assets are being amortised over a 2 – 3 year period.</p>
Provision arising on estimate of Earn-outs and Settlements	<p>The vendors of Precise Consulting and AAC had the opportunity to receive and earn-out payment if certain profit targets are met. Payment of the earn-out consideration is contingent on ongoing service of certain key staff, with the earn-out reduced proportionally if employment is terminated prior to the minimum service period.</p>
Listing expense arising on deemed acquisition	<p>The merger with OCTIEF Pty Ltd in FY2015 resulted in OCTIEF Pty Ltd shareholders holding a controlling interest in HRL after the transaction. This transaction has been accounted for as a continuation of the financial statements of OCTIEF Pty Ltd together with a deemed issue of shares. The deemed issue of shares is, in effect, a share-based payment transaction whereby OCTIEF Pty Ltd is deemed to have received the net assets of HRL, together with the listing status of HRL.</p> <p>The cost of the acquisition, and amount recognised as contributed equity to affect the transaction, is based on the deemed number of shares that OCTIEF would have needed to issue to give the shareholders of HRL the same shareholding percentage in the Combined Entity that results from the transaction.</p> <p>OCTIEF is deemed to have issued shares in exchange for the net assets of HRL together with the listing status of HRL. The listing status does not qualify for recognition as an intangible asset and the relevant cost has therefore been expensed as a listing expense.</p> <p>The fair value of the deemed number of shares that OCTIEF would have needed to issue is estimated to be \$2,899,715. The fair value of HRL's net assets at acquisition date was \$1,647,260. Deducting this from the deemed consideration results in a listing expense of \$1,252,455.</p>



Appendix B - FY2016 Underlying Results - Reconciliation

	June 2016 \$	June 2015 \$
Underlying EBITDA	1,074,645	107,782
Operating depreciation and amortization	(179,386)	(80,153)
Interest expense	(81,719)	(1,953)
Operating Income tax	(225,686)	4,014
Underlying profit after tax	587,854	29,690
<u>Non-operating adjustments</u>		
Acquisition related expenses	(91,378)	(268,358)
Listing expense arising on deemed acquisition	-	(1,252,455)
Amortisation of intangible assets arising from acquisitions	(307,598)	(352,413)
Precise Earn-out and AAC Settlement	(239,552)	(51,650)
Initial recognition of tax losses	-	113,823
Tax on non-operating items	168,662	197,608
Statutory profit/(loss) after income tax	117,988	(1,583,755)

¹ Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Group, in accordance with AICD/Finsia principles of recording underlying profit. Underlying profit has not been audited. Refer to Appendix A for further details of non-underlying items.



Disclaimer

- ▶ Investment in HRL Holdings Limited (“HRL”) is subject to investment risk, including possible loss of income and capital invested. Neither HRL, nor any other member company of the HRL Group, nor any officer or employee guarantees any particular rate of return or performance, nor do they guarantee the repayment of capital.
- ▶ The presentation may contain forward-looking statements regarding the potential of the Company’s revenues, projects, interests and the development potential of the Company’s business. Any statement describing a goal, expectation, intention or belief of the Company is a forward-looking statement and should be considered an at-risk statement. Given these risks, readers are cautioned not to rely on forward-looking statements. Actual results could differ materially from those anticipated in these forward-looking statements due to many important factors, risks and uncertainties including, without limitation, risk associated with product sales, development and manufacture, risks inherent in the business, future capital needs, general economic uncertainty and other risks detailed from time to time in the Company’s announcements to the ASX.