

# Welcome to the Annual General Meeting

## The Environmental Group Ltd

23 November 2017



# Agenda

- Quorum / open meeting
- Chairman's welcome, introduction of board members
- Notice of meeting – taken as read
- Chairman's presentation
- Group general managers presentation
- Business – notice of meeting items
- Financial statements and reports
- Resolutions
- Other business



## Board Composition

### **David Cartney      Non Executive Chairman**

David is a Chartered Accountant and holds a number of other qualifications including a Doctor of Philosophy (Ph.D.), Finance from Ashley University, and an MA (Hons.) from the University of St Andrews

### **Ellis Richardson      Executive Director**

Ellis is a foundation Fellow of The Institute of Company Directors, a Member of The Institute of Engineers Australia and a Chartered Engineer. He has over thirty years of business experience including - CEO of Comeng

### **Lynn Richardson      Non Executive Director (Chair Elect)**

Lynn holds an MBA, Graduate Certificate in Professional Accounting from Swinburne University and is a Graduate of the Australian Institute of Company Directors

### **Dean Dowie      Non Executive Director**

Dean holds an MBA from La Trobe University, has studied corporate strategy at Harvard Business School and is a Graduate of the Australian Institute of Company Directors

# Chairman's Presentation

## Group Overview



## Chairman's Address

- Ladies and Gentlemen it is my pleasure to provide you with some of the highlights and events over the past year for the Environmental Group Ltd (EGL)
- EGL achieved a substantial turnaround in performance with revenue growth of 27% delivering an EBIT of \$2.6M before legal fees, compared to \$272K for the previous year
- This significant improvement in results comes from a strong performance by Baltec IES Pty Ltd (Baltec) and a welcome return to profitability from Total Air Pollution Control Pty Ltd (TAPC). The Board thanks all of the EGL staff for their significant efforts and contribution to these results
- The board was also pleased to have recently announced a final fully franked dividend of 0.06 cents as a result of the significant improvements in the operational profitability of the organisation.



## Chairman's Address Continued

- The Board was very pleased to announce the appointment of Dean Dowie as a Non Executive Director after his successful role as acting CEO. Dean brings substantial international strategic experience to the Company
- The Board was also pleased to announce the appointment of Peter Murray as Group General Manager to strengthen the management team allowing Ellis Richardson to reduce his role from Managing Director to Executive Director with a focus on EGL's strategic goals
- I will now give a summary of the Group's performance for FY17 and strategic outlook before Peter provides a detailed review of operations.

# 2017 Group Performance

- Baltec had a strong year and delivered a revenue increase of 22% on FY16 with a strong EBIT result of \$2.7M at 11.4%
- TAPC revenue increased by 43% over FY16, and delivered an EBIT of \$830K at 9.4% compared to a loss of (\$638K) in FY16
- Project margins were significantly improved across the group in the year delivering Gross Margins of 27.5% compared to 23.3% in FY16
  - This was due to processes and project risk management being significantly improved across the group
  - We expect these margins to continue into FY18, as we selectively source contracts globally
- We continue to develop relationships with blue-chip customers resulting in repeat contracts
- The combination of these efforts have significantly improved the groups operational cash flows.



# Strategic Outlook


- The Board has set clear strategic goals over the next 3 years including a revenue target of \$50M and an EBIT of 8% as outlined in the Annual Report
- The Group has also invested in its highly skilled workforce with a 25% increase in staff this year and will continue to recruit and train employees required to support the growth strategies set by the Board
- We have established several initiatives that underpin our strategy including penetrating existing and new markets.





# Funding

- During the year the debt funding of EGL was strongly supported by:
  - Our Banks, EFIC and shareholder loans which provided facilities and bonds to support EGL's projects
  - We thank all of these stakeholders for their ongoing support
- As at the 30<sup>th</sup> June 2017 EGL had a solid cash and cash equivalents position of \$5.6M compared to \$3.1M at 30<sup>th</sup> June 2016
- During 2017 the group has significantly reduced its long term debt from \$2M to \$1M and we anticipate this should continue in FY18
- In FY18 EGL will seek to enhance its debt facilities in relation to additional working capital and performance bonds to support longer term strategic initiatives.



I would like to thank my fellow directors, the company secretary, executives and all employees for their significant efforts over the last 12 months and to shareholders for their ongoing support.

We now look forward to continued profitability and growth that should allow us to deliver on our strategy and generate stronger returns for shareholders over the medium to longer term.



# Group General Manager Peter Murray



# Group General Manager's Review

EGL continues to improve, during FY17 we maintained our excellent safety record, as expected by our Board, clients and staff.

Our delivery of quality projects has further enhanced our reputation as a partner of choice in inlet and exhaust systems for the global gas turbine power generation sector and our pollution control business also achieved milestones, particularly with our largest project in recent years which will be successfully completed in FY18.

The business has focused on implementing the EGL Strategic Plan and Goals, to this end we have positioned the Group to take advantage of the strong relationships that has been built with our clients in the industries and sectors we have targeted.



# Looking Forward

- To cater for our anticipated growth we have identified the resources required and are currently recruiting and training
- A new management structure is in place, learning & development programs are being identified to enhance our staff skills with a stronger focus managing our client relationships
- New premises have been obtained to house our operations and support teams, and our new MYOB Enterprise System is due to be fully implemented in FY18 that will enhance tracking and monitoring of our financial and operational performance
- Work has commenced on a new group wide Integrated Management System that will improve our processes in relation to Safety, Quality and Environment.



# Executive Focus for FY18

- Extending our focus to further develop our safety culture throughout the organisation, particularly as we build our teams
- Continuing to grow profitability year on year by focusing on quality delivery at margins in line with our strategic plan
- Resourcing the business by a mix of experience and fresh ideas in addition to new and proven technologies
- Developing our management team, building on their strengths and experience in our key markets to enhance our quality services and solutions
- Investing in our people through structured learning and development opportunities.



# Total Air Pollution Control (TAPC)

- The TAPC business has performed well in FY17 after several years of lows, the strong delivery of our Turkish project combined with a leaner business model has reflected in a solid year
- A much stronger business development focus was implemented towards the end of FY17 resulting in a improved forward pipeline. Pleasingly we have a high level of loyalty from our customers due to previous well delivered projects which we will continue to build on
- Our business will also benefit from stronger WH&S as well as stricter environmental controls on industry emissions, both in Australia and throughout Asia
- TAPC and Baltec are collaborating closely, creating synergies that will continue throughout FY18.



# Baltec Inlet & Exhaust Systems (BIES)

- Baltec continues to build on the strong relationships established over many years with key global players, our technology is continually being enhanced to improve the investments of our clients
- We have identified new or hybrid processes to enhance the efficiency of gas turbines, which will become a larger focus of Baltec delivering growth over the next five years as energy consumption continues to grow globally
- Service, maintenance and repairs have also been added to our offering as our clients strive to maintain higher operational output and longer asset life of aging facilities
- Ongoing investment in operations across wide geographic regions for our clients has meant less pricing pressure and led to more repeat business. We envisage this will continue.
- The Baltec business now provides an even more comprehensive capability, covering the entire lifecycle - asset creation, service & maintenance through to asset rebuilds.





# Group Operational Improvements

- New management structure established (completed)
- Improved facilities obtained (completed)
- Implementation of new MYOB Enterprise system (commenced)
- Implementation of integrated Management System (commenced)
- Development of Innovation & Technology Group (commenced)
- New Business Development implemented (ongoing)
- Focus on Continual Business Improvement program (ongoing)
- Additional resource requirements identified & implemented (ongoing)

**I would like to thank the management team and all our employees for their effort over FY17 in delivering value to the shareholders.**

# Approval of Items



# Agenda Items A

Consideration of Reports – Annual Report for the Year Ended 30 June 2017



# Agenda Items B

Questions and comments on management of the Company – Questions for the auditor



# Agenda Items C

1. Remuneration Report
2. Election of Dean Dowie
3. Employee Share Option Plan (ESOP)



# Resolution 1

## Remuneration Report

That, the Company's Remuneration Report for the financial year ended 30 June 2017 (set out in the Directors' Report) be adopted.

# Resolution 1 – Proxies

Totals	For	Against	Open	Total	Exclusion	Abstain	Total
1. Remuneration Report	10,557,270	113,198	4,670,687	15,341,155	99,185,870	40,972	114,567,997
% to of proxy's exc abstains	68.82%	0.74%	30.45%				



# Resolution 2

## Election of Dean Dowie

That Dean Dowie be elected as a director of the Company



## Resolution 2 – Proxies

Totals	For	Against	Open	Total	Exclusion	Abstain	Total
2.Election of Mr Dean Dowie	109,762,298	101,205	4,700,412	114,563,915		4,082	114,567,997
% to of proxy's exc abstains	95.81%	0.09%	4.10%				



# Resolution 3

## Approval of Employee Share Option Plan (ESOP)

That the employee share options plan (ESOP) be approved

# Resolution 3 – Proxies

Totals	For	Against	Open	Total	Exclusion	Abstain	Total
3.Approval of Employee Share Option Plan (ESOP)	104,135,456	164,993	4,661,284	108,961,733		5,606,264	114,567,997
% to of proxy's exc abstains	95.57%	0.15%	4.28%				

# Other Business



# Board Succession Planning

All Board members have unanimously agreed that our deputy Chairperson Lynn Richardson should Chair the Board from the conclusion of this AGM, and Lynn has accepted. I therefore announce my resignation as Chairman and I will continue on the board as an Independent Director. Let me thank the shareholders, directors, the company secretaries both past and present, and all EGL staff for their support for me as Chairman.

And let me be first to congratulate Lynn, as the Chairperson of EGL and I look forward to working with you.

I therefore hand over the chair to Lynn to conclude this AGM of the Environmental Group Ltd.

Thank you for your attendance, we invite you to join us for some refreshments and an opportunity to speak with the Directors and Senior Management

**The Environmental Group Limited**



# Disclaimer

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