

ersonal use only

The Environmental Group Limited

Investor presentation

Acquisition of Airtight Pty Ltd and Equity Raising

18 April 2023



Important notices and disclaimers

This presentation has been prepared and authorised by The Environmental Group Limited (“EGL”) in connection with a proposed equity raising by EGL by way of an institutional placement (“Placement”) of new, fully paid ordinary shares in EGL (“Placement Shares”) and a share purchase plan (“SPP”) offering eligible shareholders the opportunity to acquire new, fully paid ordinary shares in EGL (“SPP Shares”). In this presentation, the Placement together with the SPP is the “Offer”, and the Placement Shares, together with the SPP Shares, are the “New Shares”.

NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES OF AMERICA

This presentation must not be distributed or released in the United States of America. This presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which such an offer would be illegal. The New Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”) or the securities laws of any state or other jurisdiction of the United States. The New Shares must not be offered or sold, directly or indirectly, in the United States.

This presentation is provided or shown to you on the basis that you are outside of the United States. If you are located in the United States, you must not read or consider this document.

NOT AN OFFER

This presentation is not a prospectus, product disclosure statement or other disclosure document under Australian law or any other law. It will not be lodged with the Australian Securities and Investments Commission (“ASIC”) or any other foreign regulator. This presentation is not an offer or an invitation to acquire the New Shares or any other financial products in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or invitation. The Placement Shares will only be offered or issued in Australia to investors to whom offers and issues of the Placement Shares may lawfully be made in Australia without the need for disclosure to investors under Chapter 6D of the Corporations Act 2001 (Cth).

Important notices and disclaimers (continued)

GENERAL INFORMATION

The information in this presentation is of a general nature and is provided for information purposes only. It should be read in conjunction with EGL's prior announcements, financial statements and information previously lodged with the Australian Securities Exchange ("ASX") which are available at www.asx.com.au. The information in this presentation is provided as at the date of this presentation (unless otherwise stated) and is subject to change. EGL is not obliged to update it or correct it.

NOT FINANCIAL PRODUCT ADVICE

This presentation is for general information purposes only. It is not and does not constitute financial, legal, tax, accounting, financial or other advice, or any recommendation whether to acquire the New Shares. This presentation has been prepared without taking into account the objectives, financial situation and needs of any individuals. Before making any investment decision, you should consider the appropriateness of the information having regard to your own objectives, financial situation and needs, and seek appropriate professional advice from your stockbroker, solicitor, accountant or other independent and qualified professional adviser. Each recipient of this presentation should make their own enquiries and investigations regarding all information included in it, including the assumptions and possible future events which may affect EGL's future operations.

KEY RISKS

Any investment in shares, including in the New Shares, is subject to investment risks. EGL does not guarantee any particular rate of return or the future performance of EGL. There is a risk that information provided to, and relied upon by, EGL could be incorrect, incomplete or misleading and that financial performance of EGL following the acquisition of Airtight Pty Ltd may be materially different to the expectations set out in this presentation. There is also a risk that the integration of Airtight Pty Ltd into EGL may encounter unexpected challenges or issues and that any expected synergies may not be achieved. Cooling-off rights do not apply to the acquisition of New Shares.

Important notices and disclaimers (continued)

FINANCIAL DATA

Certain financial measures included in this presentation are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC and are not recognised under AAS or International Financial Reporting Standards ("IFRS"). Such non-IFRS financial information does not have a standardised meaning prescribed by AAS or IFRS and 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.

Financial information of Airtight Pty Ltd has been provided to EGL by Airtight Pty Ltd and therefore EGL cannot guarantee the accuracy of it and does not take any responsibility for it. While steps have been taken to review the information provided by Airtight Pty Ltd, no representation or warranty, expressed or implied, is made as to its fairness, accuracy, correctness, completeness or adequacy. EGL cannot verify the accuracy, reliability or completeness of all the information which was provided to it. If any information provided to, and relied upon by, EGL in its preparation of this presentation proves to be incorrect, incomplete or misleading, there is a risk that the financial position and performance of Airtight Pty Ltd (and the financial position of EGL following the acquisition of Airtight Pty Ltd) may be materially different to the expectations reflected in this presentation. There is also a risk that the integration of Airtight Pty Ltd into EGL may encounter unexpected challenges or issues and that any expected synergies may not be achieved.

Investors should also note that there is no assurance that the due diligence conducted by EGL was conclusive, and that all material issues and risks in respect of the acquisition have been identified and avoided or managed appropriately. There is a risk that issues and risks may arise which will also have a material impact on EGL which could adversely affect the operations, financial performance or position of EGL.

The financial information in this presentation is presented in an abbreviated form in that it does not include all the presentations and disclosures, statements or comparative information as required by the AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

All figures in this presentation are in Australian dollars (unless stated otherwise or the context requires otherwise).

Important notices and disclaimers (continued)

PAST PERFORMANCE

Past performance and historical financial information are provided for illustrative purposes only. It should not be relied on and is not an indication of future performance, including future share prices. Historical information relating to EGL is available on EGL's website or at www.asx.com.au.

FORWARD LOOKING STATEMENTS

This presentation contains statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms 'anticipate', 'believe', 'could', 'estimate', 'expect', 'intend', 'likely', 'may', 'plan', 'project', 'should', 'target', 'will' or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Investors are cautioned not to place undue reliance on such forward-looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors (many of which are beyond the control of EGL and its directors, officers, employees, agents and advisers) which may cause actual results to differ materially from those expressed or implied in such statements.

Actual operations, results, performance, production targets or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including EGL or any of its advisers). No representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this presentation will actually occur.

Except as required by law or regulation (including the ASX Listing Rules), EGL disclaims any obligation or undertaking to update forward-looking statements in this presentation to reflect any changes in expectations in relation to any forward-looking statement or change in events, circumstances or conditions on which any statement is based.

Important notices and disclaimers (continued)

DISCLAIMER

While the information in this presentation has been prepared in good faith and with reasonable care, no representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimate, opinions or other information contained in the presentation.

EGL's advisers and their respective affiliates, related bodies corporate, directors, officers, partners, employees and agents, have authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this presentation and none of them makes or purports to make any statement in this presentation and there is no statement in this presentation which is based on any statement by any of them. To the maximum extent permitted by law, EGL and its advisers, affiliates, related bodies corporate, directors, officers, partners, employees and agents:

- exclude and disclaim all liability (including, without limitation, for negligence) for any direct or indirect expenses, losses, damages or costs incurred as a result of participation in the Offer or the information in this presentation being inaccurate or incomplete in any way for any reason; and
- make no representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of information in this presentation and take no responsibility for any part of this presentation.

Contents

	CONTENT	PAGE
1	Transaction overview	8
2	Overview of Airtight and acquisition rationale	13
3	Acquisition funding	20

1

Transaction overview

Key highlights

Unique opportunity to significantly expand in the air pollution control market

- **EGL has agreed to acquire Airtight Pty Ltd, a leading Australian air pollution services provider focused on mid-tier customers**
- **Consideration of \$7.0m cash plus up to \$5.0m¹ earnout based on FY24 earnings**
- **Major expansion of EGL's presence in the air pollution control market**
- **Diversifies revenue and client base with smaller, low-risk projects with recurring cash flow in the light industrials sector**
- **Synergies from cross-selling with EGL's TAPC and Waste Services divisions and opportunity to grow service revenue through Tomlinson personnel/experience**
- **Highly experienced and capable leadership team and excellent cultural fit**
- **Estimated >15% accretive to EGL shareholders on forecast FY24 pro forma earnings before synergies**

1. The earnout payable will be equal to the amount by which Airtight's FY24 EBITDA (calculated on a pre-AASB 16 basis, noting that cash rent is expected to be \$0.3 million) exceeds \$1.35 million, multiplied by 5, up to a maximum of \$5.0 million.

Transaction overview

Strategically aligned accretive acquisition funded by \$8.0m placement

TRANSACTION OVERVIEW	<ul style="list-style-type: none">• EGL has entered a binding agreement to acquire 100% of Airtight Pty Ltd (“Airtight”) for upfront cash consideration of \$7.0m plus contingent consideration of up to \$5.0m¹ dependent on FY24 earnings• Implied acquisition multiple of 4.0x forecast FY23 normalised EBITDA² based on initial purchase price• Acquisition will be funded by new equity from a placement to institutional and wholesale investors with a Share Purchase Plan (“SPP”) to fund general working capital requirements
OVERVIEW OF AIRTIGHT	<ul style="list-style-type: none">• Airtight is a leading air pollution solutions provider in Australia• Four key divisions include:<ul style="list-style-type: none">○ Dust & Fume Control – designing, supplying, installing and maintaining air pollution control equipment○ Engineered Solutions – pollution control project solutions○ Aftercare Servicing – preventative maintenance and servicing○ Waste-to-Energy – waste volume reduction technologies and solutions• Expected FY23 revenue of \$18.2m and normalised EBITDA² of \$1.8m• Mid-tier focus versus TAPC’s focus on larger projects for heavy industrials/refining

1. The earnout payable will be equal to the amount by which Airtight’s FY24 EBITDA (calculated on a pre-AASB 16 basis, noting that cash rent is expected to be \$0.3 million) exceeds \$1.35 million, multiplied by 5, up to a maximum of \$5.0 million.
2. Normalised EBITDA equals EBITDA normalised for one-off and non-recurring items.

Transaction overview

Strategically aligned accretive acquisition funded by \$8.0m placement

STRATEGIC RATIONALE	<ul style="list-style-type: none">• Acquisition expands EGL’s solutions offering to include small to medium size airborne dust collection solutions and associated services/products• Captures sections of the market outside of TAPC’s existing target network, including industry diversification• Significant cross-sell synergies with EGL’s TAPC and Waste Services divisions, plus opportunity to leverage Tomlinson personnel/experience to grow service offering
FINANCIAL IMPACT	<ul style="list-style-type: none">• Acquisition expected to deliver >15% EPS accretion in FY24 before synergies• Acquisition price includes \$4.0m of working capital• Potential earnout payment of up to \$5.0m¹ contingent on FY24 results and not payable until late calendar 2024

11 1. The earnout payable will be equal to the amount by which Airtight’s FY24 EBITDA (calculated on a pre-AASB 16 basis, noting that cash rent is expected to be \$0.3 million) exceeds \$1.35 million, multiplied by 5, up to a maximum of \$5.0 million.



Transaction overview

Strategically aligned accretive acquisition funded by \$8.0m placement

ACQUISITION FUNDING

- Up to \$9.0m equity raising (“Equity Raising” or “Offer”), comprising:
 - \$8.0m institutional placement (“Placement”) to new and existing institutional and wholesale investors
 - Up to \$1.0m SPP from existing eligible shareholders (“Eligible Shareholders”)
- Equity raising will be conducted at a fixed price of A\$0.20 per New Share (“Offer Price”), representing:
 - a 4.8% discount to the last traded price on Monday, 17 April 2023, A\$0.21
 - a 3.2% discount to the 10-day VWAP price A\$0.2066
 - a 2.9% discount to the 30-day VWAP price A\$0.2061
- Increase of \$3.0m in Westpac overdraft facility to provide additional working capital flexibility and funding flexibility for future acquisitions or investments¹
- EGL currently has net bank debt of \$0.9m, and will not be required to draw down debt in relation to settlement of the acquisition

12 1. The overdraft facility will not be used to fund the acquisition of Airtight.

2

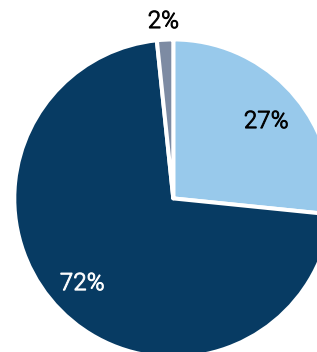
Overview of Airtight and acquisition rationale

Business overview

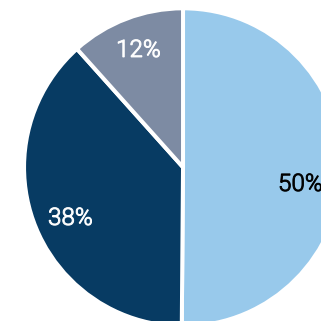
Leading specialist air pollution solutions provider with a successful 20-year track record

- One of the largest specialist air pollution control companies operating in Australia, with an extensive track record and a focus on reliability, premium service and safety
- Steady revenue growth with forecast of \$18.2m revenue in FY23 and 14% CAGR between FY20-FY23e. FY23e revenue has been impacted by slippage in timing of delivery of part of a large project into FY24
- Key operations include Dust & Fume Control, Engineered Solutions, Aftercare Servicing and Waste Management Solutions (Waste-to-Energy)
- Established in 2002 by senior air pollution control engineers who recognised a gap in the mid-tier market for air pollution control in Australia
- Key client industries include automotive, agriculture, manufacturing, joinery, metal & polishing, food & pharmaceuticals, paper & printing and recycling & waste recovery
- Project sales represent 72% of revenue and 88% of revenue is derived from customers in NSW and VIC
- Operates in Sydney (headquarters), Melbourne and Brisbane

FY22 revenue by type



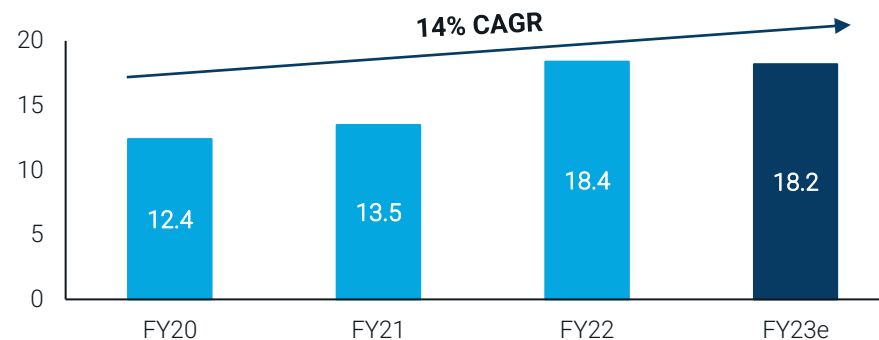
FY22 revenue by geography



■ Part sales ■ Project sales ■ Service sales

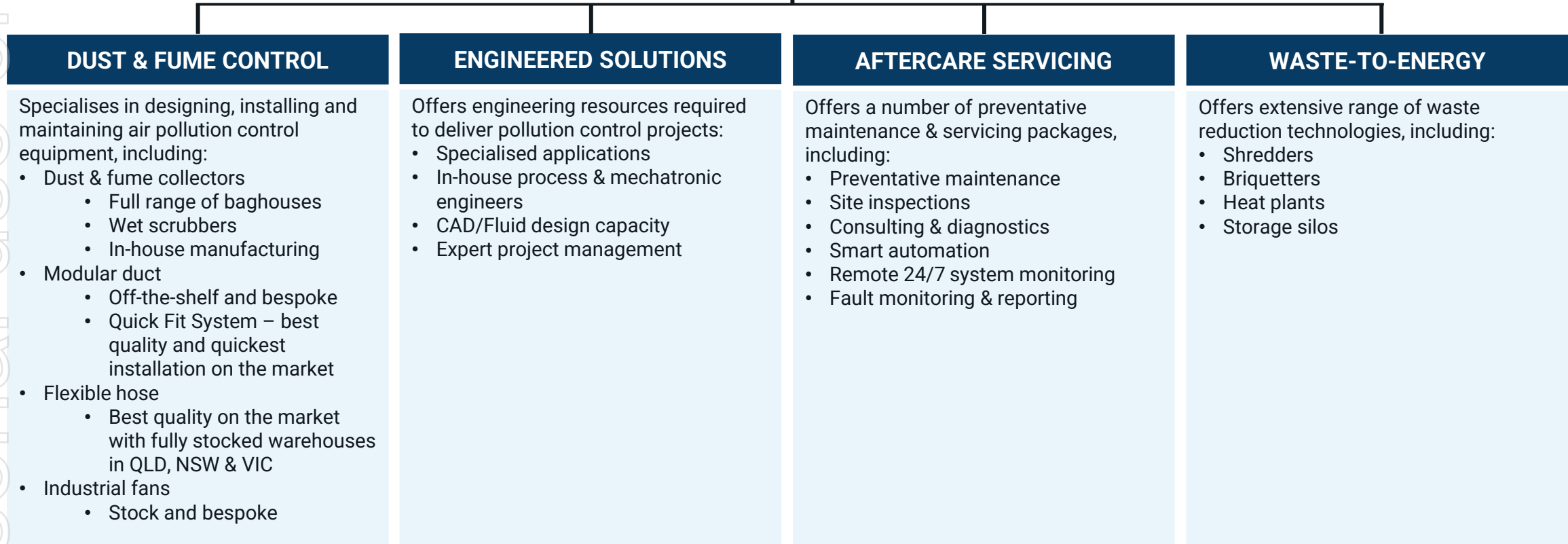
■ NSW ■ VIC ■ QLD

Airtight revenue (\$M)



Business units

Key divisions include Dust & Fume Control, Aftercare Servicing, Engineered Solutions and Waste-to-Energy



ersonal use only

Key products

Dust collector & extraction systems



Cyclones & insertable filters



Modular ducting



Industrial fans



Engineered products



Fume extraction systems



Rotary valves



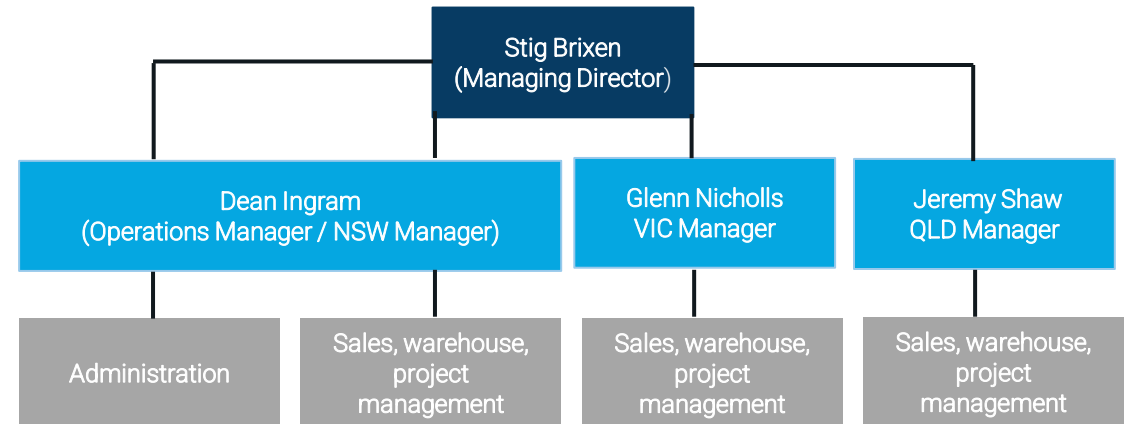
Wood waste fired heat plants



Leadership team

Experienced leadership team with high quality staff

- Stig Brixen joined Airtight in 2011 and leads a highly experienced and capable team; culturally well aligned to EGL
- Dean Ingram joined Airtight in 2011 and is responsible for the day-to-day operations with strong capability and technical expertise
- Stig and Dean were both minority shareholders of Airtight



Key investment highlights

Airtight represents an attractive opportunity to expand EGL's presence in the air pollution solutions market

MARKET LEADER

- Airtight holds a leading position in the mid-tier air pollution solutions market
- Provides EGL with a major expansion in the air pollution solutions market and strengthens TAPC

EXPERIENCED MANAGEMENT AND STAFF

- Experienced management with Airtight MD/CEO aligned with EGL's culture and motivation
- High quality staff with great reputation in the market

ROBUST MARGINS

- Airtight has a track record of strong gross margins
- Opportunity to improve by applying EGL management and finance processes

REVENUE AND INDUSTRY DIVERSIFICATION

- Airtight generates most of its revenues from projects that are relatively simple in design and implementation and across diversified industries, generating stable, recurring revenues and improving cash flow consistency
- Airtight focuses on the lighter industrials market compared to TAPC in the heavy industrials/refining sector

ACCRETIVE TRANSACTION

- Expected to generate >15% EPS accretion in FY24 on pro forma forecast earnings, before synergies

SYNERGY POTENTIAL

- Opportunity to achieve incremental margins through cross-selling between EGL's TAPC and Waste Services divisions
- Well positioned to grow additional service revenue by leveraging Tomlinson's go-to-market experience and ~70 technicians

Potential synergies

Opportunity to achieve incremental margins and significantly grow service sales

INCREMENTAL MARGINS



- Airtight currently subcontracts gas and vapour works (ESP's, scrubbers, pack towers etc.). This can be directed to TAPC going forward



- EGL currently subcontracts dust extraction works (baghouses, filtration units etc.) on EGL Waste Services projects. This can be directed to Airtight going forward
- Airtight's Waste-to-Energy division to combine with EGL Waste Services



ADDITIONAL REVENUES



- Airtight have not traditionally focused on securing service contracts (~2% of revenues)
- Additional revenues anticipated in relation to service sales that can be performed by ~70 technicians within the Tomlinson division



3

Acquisition funding

Funding overview

Fully funded via new equity from institutional and retail shareholders

- Up to \$9.0m Equity Raising comprising:
 - \$8.0m Placement to new and existing institutional and wholesale investors; and
 - Up to \$1.0m SPP from Eligible Shareholders
- Equity Raising will be conducted at a fixed price of A\$0.20 per New Share, representing:
 - a 4.8% discount to the last traded price on Monday, 17 April 2023, A\$0.21
 - a 3.2% discount to the 10-day VWAP price A\$0.2066
 - a 2.9% discount to the 30-day VWAP price A\$0.2061
- Approval obtained from Westpac to increase overdraft facility by \$3.0m to provide for additional working capital flexibility post-acquisition and additional funding flexibility for future acquisitions or investments¹
- EGL currently has net bank debt of \$0.9m, and will not draw down debt in relation to settlement of the proposed acquisition

21 1. The overdraft facility will not be used to fund the acquisition of Airtight.

Sources and uses

Fully funded via new equity from institutional and retail shareholders

- Acquisition fully funded by proceeds of Placement. Proceeds of SPP will be used for general working capital purposes
- Acquisition agreement requires Airtight to deliver \$4.0m net working capital at completion. EGL anticipates further savings of up to \$0.5m in working capital will be achievable as inventory levels are optimised following reversal of Covid-related supply chain issues
- Airtight has limited PP&E (having been depreciated in accordance with taxation allowances), with capex typically limited to vehicle/forklift purchases and leasehold improvements as required

SOURCES	A\$M
New equity – Placement	8.0
New equity – SPP	1.0
Total sources	9.0

USES	A\$M
Purchase price payable at Completion	7.0
Transaction expenses	0.8
Additional working capital	1.2
Total uses	9.0

Equity raising details

EGL is undertaking a \$9.0m equity raising

OFFER SIZE AND STRUCTURE	<ul style="list-style-type: none">• \$9.0m Equity Raising consisting of:<ul style="list-style-type: none">○ A Placement to raise \$8.0m; and○ A SPP from Eligible Shareholders to raise up to \$1.0m• Approximately 45 million New Shares to be issued under the Offer
OFFER PRICE	<ul style="list-style-type: none">• Equity Raising will be conducted at a fixed price of A\$0.20 per New Share (“Offer Price”), representing a:<ul style="list-style-type: none">○ a 4.8% discount to the last traded price on Monday, 17 April 2023, A\$0.21○ a 3.2% discount to the 10-day VWAP price A\$0.2066○ a 2.9% discount to the 30-day VWAP price A\$0.2061
USE OF PROCEEDS	<ul style="list-style-type: none">• The proceeds from the Equity Raising will be used to fully fund the acquisition of Airtight, associated transaction costs and working capital
INSTITUTIONAL PLACEMENT	<ul style="list-style-type: none">• Placement to be conducted on Tuesday, 18 April 2023 and Wednesday, 19 April 2023
SHARE PURCHASE PLAN	<ul style="list-style-type: none">• SPP to open on Monday, 1 May 2023 and close on Monday, 15 May 2023• Only Eligible Shareholders with an address on the EGL share register in Australia or New Zealand may participate in SPP
SPP RECORD DATE	<ul style="list-style-type: none">• 7pm Melbourne time Monday, 17 April 2023
RANKING OF NEW SHARES	<ul style="list-style-type: none">• New Shares issued will rank equally with existing EGL shares from the date of issue

Equity raising timetable

SUMMARY OF KEY DATES	DATE
SPP record date (7.00pm Melbourne time)	7.00pm Monday, 17 April 2023
Announcement of Equity Raising and trading halt	Tuesday, 18 April 2023
Announcement of results of Placement	Thursday, 20 April 2023
EGL shares recommence trading	Thursday, 20 April 2023
Settlement of New Shares issued under the Placement	Wednesday, 26 April 2023
Allotment and commencement of trading of New Shares issued under the Placement	Thursday, 27 April 2023
SPP Booklet dispatched to Eligible Shareholders	Monday, 1 May 2023
SPP opens	Monday, 1 May 2023
SPP closes (5.00pm Melbourne time)	5.00pm Monday, 15 May 2023
Settlement of New Shares issued under SPP	Friday, 19 May 2023
Allotment of New Shares issued under SPP	Monday, 22 May 2023
Commencement of trading of New Shares issued under SPP	Monday, 22 May 2023

The timetable presented is indicative only and subject to change without notice (subject to applicable laws and the ASX Listing Rules). A reference to a date or time in the timetable is a reference to Melbourne date and time.