



# The Environmental Group Limited

Welcome to the Annual General Meeting

24 November 2016

THE ENVIRONMENTAL GROUP LIMITED

**A G E N D A**

QUORUM / OPEN MEETING

CHAIRMAN'S WELCOME, INTRODUCTION OF  
BOARD MEMBERS

NOTICE OF MEETING – TAKEN AS READ

CHAIRMAN'S PRESENTATION

CEO PRESENTATION

BUSINESS – NOTICE OF MEETING ITEMS

- Financial Statements and Reports
- Resolutions
- Other Business

# Board Composition

- ▶ **David Cartney      Non Executive Chairman**  
Fellow of the Australian Institute of Company Directors  
Member of the Institute of Directors London  
15 plus years as an independent & non-executive Chairman & Director  
Past chairman of an electrical contracting and electrical engineering group  
Chartered Accountant, PHD in finance and a Master's degree
- ▶ **Ellis Richardson    Managing Director**  
Chartered Engineer  
30 years general management experience  
Managing Director of large listed Australian engineering companies  
Foundation Fellow of the Institute of company directors
- ▶ **Lynn Richardson    Non Executive Director**  
Past member of the Executive Committee of Baltec  
Well qualified with an MBA, Graduate Certificate in Accounting  
Member of the Australian Institute of Company Directors.

# Chairman's Presentation

## Group Overview

# AGM Chairman's Address

- ▶ Results
  - ▶ EGL achieved an operating profit of \$273k for the year to 30<sup>th</sup> June 2016, lower than the \$805k for the previous year to 30<sup>th</sup> June 2015.
  - ▶ And the Profit Before Tax also slipped to \$48k from the \$537k in the previous year.
  - ▶ The lower profit than the previous year largely reflects restructuring costs.
- ▶ Directors are however pleased that EGL has grown the project pipeline significantly and now has good projects for both its major businesses and with our new CEO are better positioned for future profitable growth.
- ▶ I will now discuss the Group's performance, the actions taken and conclusions.

# Group Overview

- ▶ Since the last AGM we have seen some strong changes in The Environmental Group (EGL).
- ▶ In the first half of FY 2016 the Board along with the then CEO Henk van Kruining completed a full assessment of both the Total Air Pollution Control (TAPC) and Baltec IES (Baltec)'s markets and operations.
- ▶ This resulted in a consolidation of the TAPC operations to reduce overheads and instil a greater revenue generation focus by its sales operations.
- ▶ These changes enabled a turnaround of TAPC from a significant loss in the first half of the FY 2016 year to a modest profit in the second six months of operations.
- ▶ Disappointingly the impact of TAPC's results on the Group was still a net loss for the year.
- ▶ However, the second half improvement provided confidence to both the board regarding the improving health and potential of TAPC to the Group's performance.
- ▶ The improving performance of TAPC has continued over recent months as reflected in our announcement to the market on November 2<sup>nd</sup>.
- ▶ As part of the strategy review and the TAPC consolidation the CEO Henk van Kruining by mutual agreement left EGL on good terms.

# Group Overview Continued

- ▶ After the CEO's departure Ellis Richardson stepped into the role of Managing Director to steer TAPC through the next stage of realignment and also to refocus Baltec.
- ▶ As outlined to the market in the April, September and November updates profit margins and risk profiles have been significantly improved in Baltec.
  - ▶ This was as a direct result of building deeper relationships with blue-chip customers that achieved a number of good repeat contracts.
  - ▶ One of the valuable outcomes from these efforts were significant improvements to cash flows.
- ▶ **The Board thanks Ellis for his ongoing dedication and support of the business.**

# Group Overview Continued

- ▶ This refocusing of projects in Baltec is reflected in the Statement of Profit or Loss and Comprehensive Income in a slight reduction in Revenue by \$924,047 to \$25,726,811 in 2016
- ▶ This is accompanied by an increase in the Gross Profit by \$671,467 to \$6,002,828 due to winning the better targeted contracts.
- ▶ Operating Profit was however reduced by \$533,003 from last year to \$272,756 due to largely the restructuring costs incurred in TAPC.
- ▶ This also adversely impacted the Profit which in the previous year was \$333,919, to a Loss of \$13,984 in 2016.
- ▶ In July of this year our Executive Director Sinan Boratav stepped down as a Director of EGL. Sinan has remained a valuable member of the EGL team focusing further on business development and we thank him for his contribution to the board and the EGL Group.



# Group Overview Continued

- ▶ New CEO
  - ▶ As we moved into FY 2017, with the stability achieved through the Baltec operations and the improving TAPC business, the board commenced a search process for a new CEO to lead EGL into the next stage of growth.
  - ▶ Several extremely well-qualified candidates were considered through a professional search process with the role offered to Mr. Peter Bowd in September. Welcome Pete.
- ▶ Pete has already made his mark in EGL starting with TAPC making considered changes to and strengthening TAPC's key personnel.
- ▶ Pete has had significant commercial input in contract negotiations.
  - ▶ This has resulted in contracts won at more favourable terms, as referred to in our latest ASX announcement.
- ▶ Despite some organisational changes in TAPC being expensed in the first half of FY17
- ▶ The improvements and contracts won should start to turn TAPC into a positive contributor to the EGL Group by the end of the second half of this financial year.

# Group Overview Continued

- ▶ Growth: In the November ASX update, we indicated the flexibility that we should expect to gain from EGL's improving performance.
- ▶ This may allow for further investment in the Group's growth in the medium to longer term and this will be fed into the strategic planning process for EGL, and we will review opportunities in line with the expected ongoing overall business performance and availability of cash flow.
- ▶ Funding
- ▶ In FY 2016, the funding of EGL was strongly supported by
  - ▶ the shareholders with the Rights Issue and is shown in the EGL Statement of Cash Flows with \$754k being invested in the Group.
  - ▶ Our banks and finance companies with Facilities and bonds to support projects
  - ▶ And the shareholders loans
- ▶ This rights issue provided extra working capital to support the refocusing of both main businesses and assist with working capital to support the growing projects pipeline
  - ▶ Baltec with a current pipeline that is well placed to take it forward, and
  - ▶ TAPC largely restructured and focusing on its sales efforts with improving performance.



# Group Overview Continue

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

We look forward to an improving period of profitability and growth in EGL over the next 2 years.

# Future Outlook

## ▶ **Baltec**

- ▶ Is now well placed with its order book and we expected it will continue to win good projects working with existing and new blue chip international customers
- ▶ We appreciate the support from our bankers and financiers that has enabled Baltec to confidently bid and win projects.

## ▶ **TAPC**

- ▶ Now under new operational management TAPC has turned the corner in terms of losses and is expected to positively contribute to the groups performance in the second half of this financial year.

## ▶ **Outlook for the Group**

The outlook for the year is characterised by the positive contracts in Baltec and the welcome turn around of TAPC to a valuable contributor to the EGL Group

The outlook is for improved EGL performance over the next 2 years

# Chief Executive Officers Review

EGL has continued to improve, delivering excellence in safety, and delivering client outcomes, which has in turn seen new strategic relationships forge across our client base.

The group has significantly progressed its revenue diversification strategy and repositioned the business to benefit from any market upturn, despite experiencing the impact of a very challenging restructure over the past 12 months

# Looking forward

- ▶ Greater alignment between to the two operations, including further development of our gas and vapour project management team at our Melbourne facility
- ▶ Currently **Developing** our ability to leverage strategic relationships through shared premises and services and enhanced tendering opportunities
- ▶ The TAPC operations revitalised under the stewardship of Ian Buick who has been promoted from Operations Manager to Business manager. The strengthening of this aspect of the business has seen an increased focus on safety, growing margins to ensure on-going viability, and the successful signing of ongoing and new contracts with key target organisations.

# Executive focus for FY2017

- ▶ Return to profitability in the second half of the financial year
- ▶ Bedding down the structural changes implemented in the first quarter
- ▶ Developing an executive team that brings strength and experience in our key markets to build on the synergies and opportunities between business operations
- ▶ Extend our focus on a safety first culture throughout the organisation including upstream suppliers and contractors
- ▶ Invest in our people through structured learning and development opportunities to drive growth and depth within the team.

# Total Air Pollution Control Pty Limited (TAPC)

- ▶ As you may be aware our TAPC brand has underperformed over the past few years, however commitment by the board and management to re-structure has lead to a leaner and more effective business unit
- ▶ We continue to make ground in a number of areas, winning projects both nationally and internationally in new plant and maintenance markets
- ▶ The lessons learnt as a business have proven difficult, but have opened the TAPC business to explore diversification, this has lead to an increased market presence and exploration of new technology that in-turn has opened new exciting international markets for the TAPC brand
- ▶ TAPC's ability to re-engineer itself has also aligned it with the Baltec brand, allowing the group to offer our client base a "one supplier strategy" across a number of solutions that some of our competitors are unable to achieve
- ▶ TAPC have focused on reducing costs, this has made the brand much more competitive in the markets we now operate within.



# TAPC performance

- ▶ The hard work and commitment over the past year is now being recognised
- ▶ TAPC financial performance continues to improve, new projects and a leaner business has allowed the brand to reinvent its self in the market
- ▶ Successful tendering for new large and medium size contracts has been achieved through group alignment and a revitalized team. This has dramatically enhanced the business profile for TAPC
- ▶ The board remain positive and is considering further strategic options for TAPC as this part of the group turns its performance around

# Ongoing Support for the Baltec Brand

- ▶ The Board continue to invest in the executive team and remain focused on the Baltec business as a leading brand within the EGL group
- ▶ The Board recognises that the Integrated service offering across the national and international energy, and infrastructure asset lifecycles sets Baltec and the group apart from its competitors
- ▶ Baltec have become a long term program manager to blue-chip renewable energy sector clients, with an expanding client base.
- ▶ On going investment in the operations supports the geographic presence and service offering Baltec provides its clients
- ▶ The Baltec business provides a comprehensive capability, covering the entire lifecycle - from asset creation to asset management
- ▶ Delivering a project portfolio with a number of blue chip clients across the globe

# Approval of Items

# Agenda Items A

Consideration of Reports – Annual Report for the Year  
Ended 30 June 2016

# Agenda Items B

Questions & Comments on management of the  
Company – Questions for auditor

## **Agenda Item C**

### **Items for Approval**

1. Remuneration Report
2. Re-election of David Cartney

# Resolution 1

## Remuneration Report

That, the Company's Remuneration Report for the financial year ended 30 June 2016 (set out in the Directors' Report) be adopted.

# Resolution 1 – Proxies

Totals	For	Against	Open	Total	Exclusion	Abstain	Total
1. Remuneration Report	37,502,896	2,949,456	88,674	40,541,026	99,185,870	15,140	139,742,036
% to of proxy's excl abstains	92.51%	7.28%					



## Resolution 2

### Re-election of David Cartney

*That David Cartney, who was appointed as a Director of the Company in accordance with clause 19.3(f) of the Company's Constitution, retires in accordance with clause 19.3(a) of the Company's Constitution, and having offered himself for election and being eligible, is hereby elected as a Director of the Company."*

# Resolution 2 - Proxies

Totals	For	Against	Open	Total	Exclusion	Abstain	Total
2. Election of Mr David Cartney	131,272,741	8,328,338	88,674	139,689,753	0	52,283	139,742,036
<b>% to of proxy's excl abstains</b>	94.04%	5.96%					

# Other Business

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**