



The Environmental Group Limited

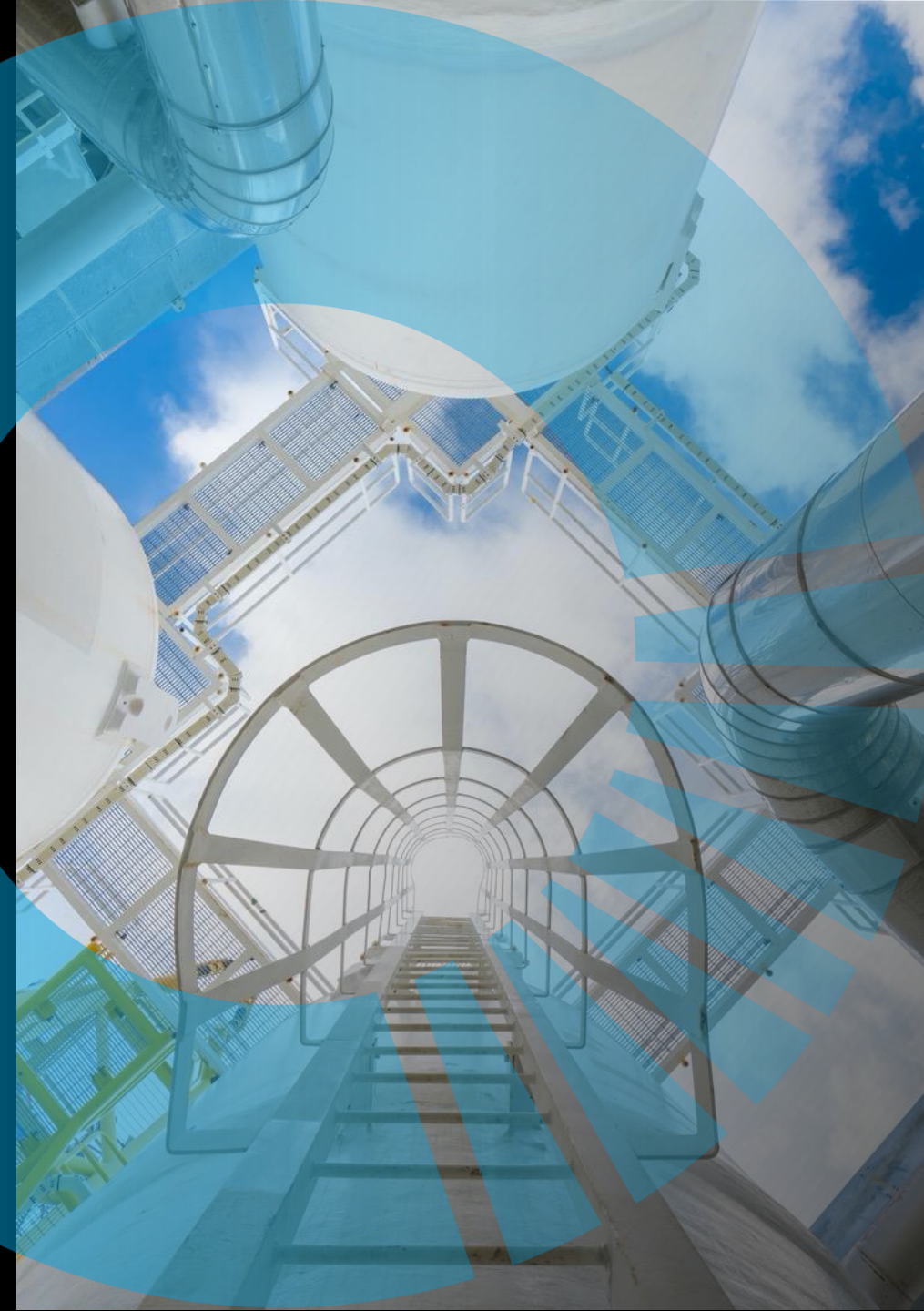
ENGINEERING A SUSTAINABLE FUTURE

Investor Presentation
1H23 Financial Results

February 2023

Presentation should be read in conjunction with the Interim Report 31 December 2022

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Disclaimer

EGL advises that these presentation slides contain forward looking statements which may be subject to significant uncertainties outside of EGL's control. No representation is made as to the accuracy or reliability of forward-looking statements or the assumptions on which they are based. Actual future events may vary from these forward-looking statements, and you are cautioned not to place undue reliance on any forward-looking statement. This presentation should be read in conjunction with the Interim Report 31 December 2022



EGL Waste encapsulates our service offering to the waste industry; world class recycling plants, dust extraction systems, odor control, boilers & autoclaves, Combustion technologies for biomass boilers and waste to energy plants.

Addressable market: \$4-7.8 billion



Tomlinson Energy Service & Ignite Services are one of Australasia's largest fully accredited gas fired service and packaged boiler providers, with an extensive service network spanning across Australia.

Addressable market: \$150 million



Total Air Pollution Control (TAPC) provides highly efficient state-of-the-art industrial air pollution control technologies that prevent harmful gases, particulate matter, and odours from being released into the environment.

Addressable market: \$250 million



Baltec IES supports the gas turbine industry in its role in assisting the transition from coal-powered to renewable energy production. Engineering products and custom designs specifically to meet clients' requirements.

Addressable market: \$150 million



EGL Water division has enhanced patented technology designed to protect our environment by the removal of Per- and polyfluoroalkyl chemical substances (PFAS) from contaminated water.

Addressable market billion's



01

Financial Results

1H23 Financial Results – underlying*



\$40.8M

51.9% Increase in Revenue on 1H22



\$3.1M

EBITDA up 53.1% before significant items on 1H22



\$2.2M

EBIT up 65.2% before significant items on 1H22



\$2.5M

Net cash from operating activities



\$2.0M

Undrawn working capital facility



\$2.7M

Cash on hand

*Underlying profits excludes, FX Losses \$131K, Performance Rights \$158K, Other \$35K. Refer Appendix A Presentation should be read in with the Interim Report 31 December 2022

1H 23 Financial Results commentary

Revenue

\$40.8M



Revenue up by 51.9% on the prior comparable period (pcp), with all business units posting improved results. TAPC was an outstanding performer with revenue up 171% on pcp. EGL Energy provided strong revenue growth with a solid contribution from Ignite Services.

EBITDA

\$3.1M



EBITDA before significant items up 53.1% was an outstanding result. Margins remained stable in a period of rising costs and supply chain issues. Normalised items include unrealised FX losses of \$131k, share based payments of \$158k and redundancies \$35k.

EBIT

\$2.2M



EBIT before significant items of \$2.2M, is a 65.2% improvement on pcp reflecting the leverage of the top line growth in the business. EGL Waste continued its organic growth into the segment contributing \$318k for the half. Margin improvement was achieved despite increasing costs and significant inflation pressures.

1H 23 Financial Results commentary

NPAT

\$1.4M



Profit from ordinary activities \$1,410,906 up 76.4% on the pcp.
Earnings per share up 57.1% on pcp.

Operating Cash Flow

\$2.5M



Operating cash flow was \$2.5M for the period reflecting the improvement in risk management controls of the tender process to smooth project cash flows.

Cash on hand

\$2.7M



Continued improvement in the balance sheet with \$2.7M cash on hand plus a \$2M undrawn working capital facility available to fund future growth. Work in progress is high and should translate into cash further improving the balance sheet in the next half.

Executive Management

CEO – Jason Dixon. 10 years executive experience for a listed ASX 300 company.



CFO – Andrew Bush. 25 years experience in Industrial services and Contracting in senior financial management roles



National Sales & Marketing Manager - Paul Gaskett. 14 years Business Development and sales in Industrial services



COO – Brenda Borghouts. 20 years Defence and heavy engineering, operations and logistics



Senior Management

Peter Rankin – 30 years experience in the boiler and pressure vessel industry, responsible for Tomlinson Energy Services since Acquisition in 2019

Aldo Giachero – 15 years experience in emissions control systems, responsible for TAPC appointed July 2021

Charles Borg – 30 years experience in the Gas Turbine market, responsible for Baltec IES appointed September 2021

Stirling Schunemann – 14 years experience with EGL sales, engineering and projects, responsible for EGL Waste Services

Kiril Nikitin – 17 years engineering experience in heavy industry and renewables within the design, manufacturing, construction environments, Head of Engineering



02

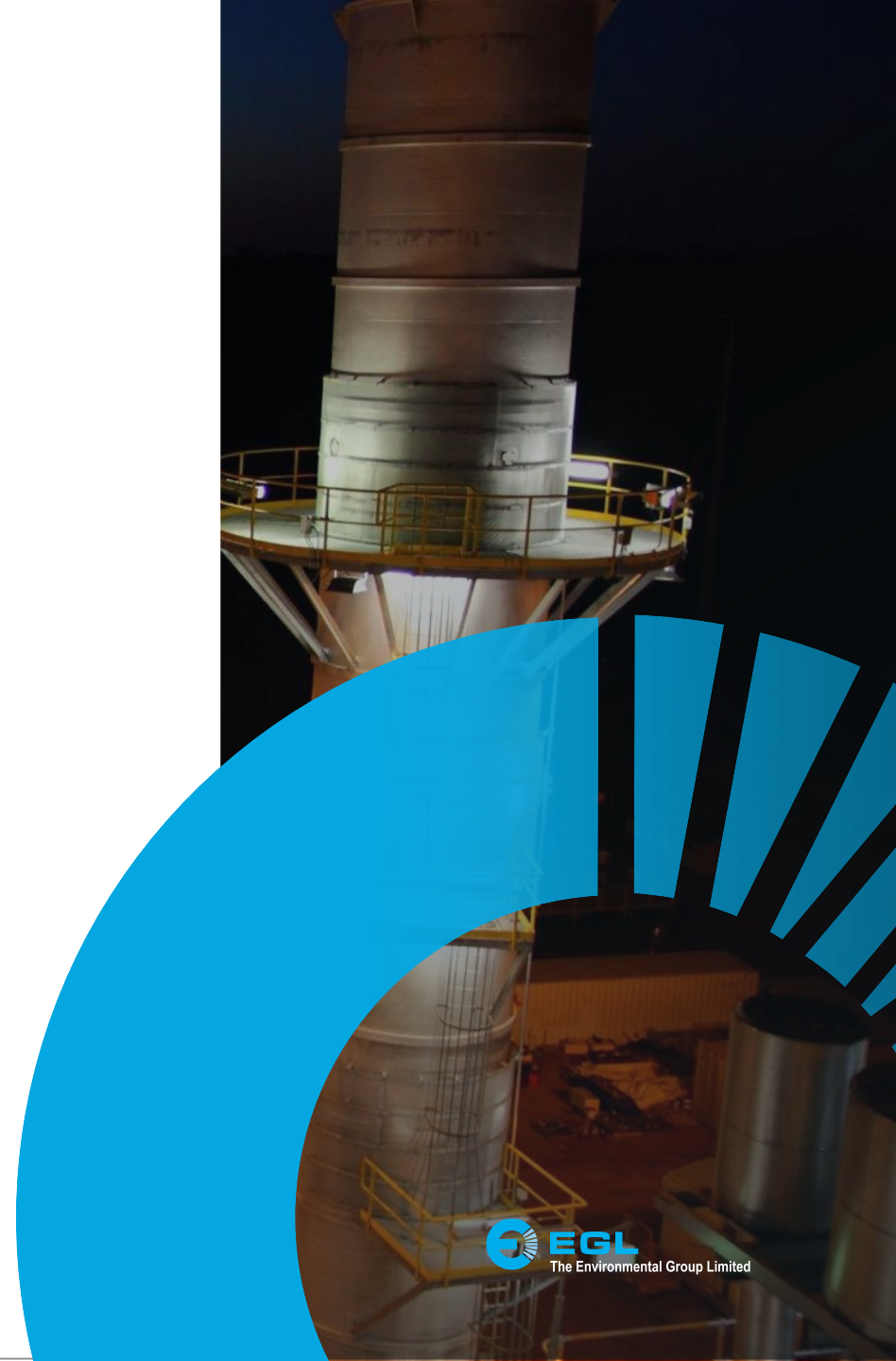
Operating Units





01

Baltec Inlet and Exhaust Systems





Baltec IES supports the gas turbine industry in its role in assisting the transition from coal-powered to renewable energy production. Engineering products and custom designs specifically to meet clients' requirements:

Key offering

- Turbine performance enhancement for lower emissions and higher output
- Project management
- Global manufacturing to a range of international standards
- Erection and commissioning
- After sales maintenance and spare parts

Revenue

1H23 \$10.5M
1H22 \$10.0M
Up 4.4%

EBIT

1H23 \$0.63M
1H22 \$0.61M
Up 2.2%

**Work in hand as at 31
December 2022
\$10.3M**



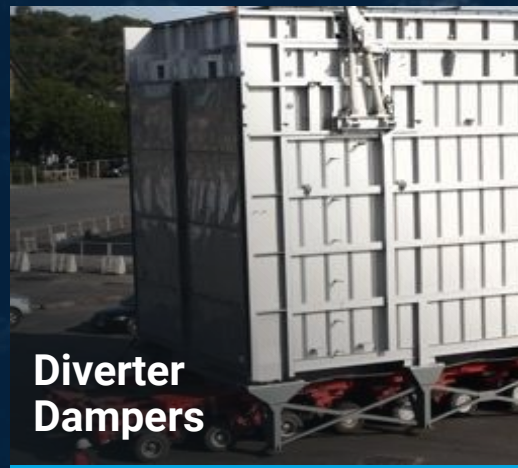
1H23 RESULTS COMMENTARY

- A very good result with engineering's resources supporting the huge growth in TAPC, while still delivering Baltec's core products.
- Our sales team is now able to visit clients again with 80% of revenue generated from offshore.
- Management focus continues to be on margin improvement.
- Warranty costs of \$142K impacted the result from an issue in 2020 which we have rectified post Covid travel restrictions.
- Good project management delivering projects at largely forecast margins in an inflationary environment.
- Tendering for Solar farm inlet system to prevent dust impacting inverters, an exciting new market.
- Tender pipeline remains strong.
- Lumpy large-scale projects can influence margin and cashflows in a reporting period.
- Forward contracts at \$10.3M

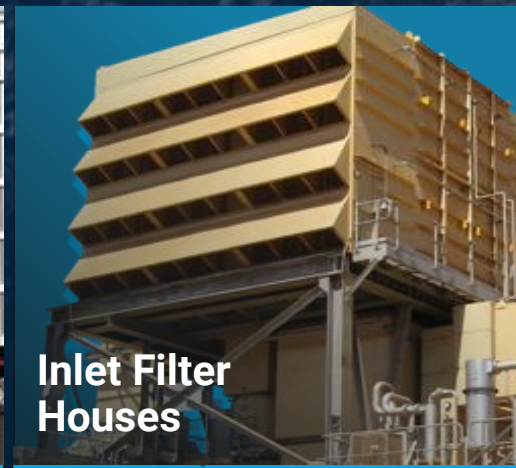




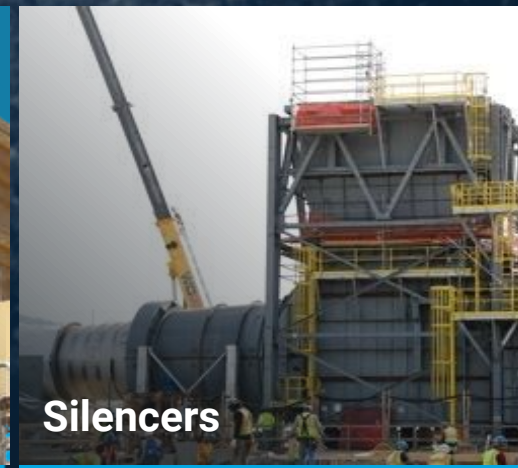
Key Products



Diverter Dampers



Inlet Filter Houses



Silencers



Bypass and HRSG Exhaust Stacks



Guillotine Dampers



Heating and Cooling Systems



02

EGL Energy





EGL Energy offers a network of service offices across Australia providing 24/7 sales, service, maintenance and repairs of boilers, gas fired equipment and other OEM equipment optimising energy efficiency.

Key Offering

- Sale and Installation of cost-effective boilers with a design focusing on maximum reliability, long-term operating efficiency, fuel flexibility and ease of access for inspection and maintenance.
- Ongoing service and maintenance of boilers burners and steam equipment through a national network of service technicians.
- Service and maintenance of gas fired equipment, combustion efficiency analysis .

Revenue
1H23 \$18.5M
1H22 \$13.0M
Up 42.3%

EBITDA
1H23 \$1.8m
1H22 \$1.7m
Up 2.7%

EBIT
1H23 \$1.26M
1H22 \$1.3M
Down 5.6%



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1H23 RESULTS COMMENTARY

- Tomlinson revenue increased \$2.95M, with EBITDA down \$498K on PCP.
- Ignite's revenue was \$2.55M with EBITDA \$545K, an outstanding performance.
- Four projects with 10MW boilers ordered mid year 2021 installed and commissioned this half lost a total of approximately \$515K.
- The costs of boilers increased 62% in the last twelve months, due to steel, freight, burners and valve price increases.
- The price validity on quotes has been reduced from 6 months to 14 days.
- Freight and steel costs are now returning to normal levels which should return TES to normal margins this half.
- Order book remains very strong at \$11.2M





Key Products



Industrial Steam Boilers



Industrial Package Burners



Large Commercial Hot Water Boilers



Thermal Oil Heaters



Biomass Steam and Hot Water Generation

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03

Total Air Pollution Control



TAPC designs, manufactures and services flue gas treatment systems which prevent harmful contaminants being discharged into the atmosphere.

Key offering

- Scrubbers including dry and wet for the removal of particulates and gaseous contaminants.
- Electrostatic Precipitators & Bag filters for particulate removal and flue gas clean up.
- On going service, parts and maintenance of pollution control equipment.
- A team of specialist engineers and designers who understand the clients need for specialist pollution control equipment.

Revenue

1H23 \$9.6M

1H22 \$3.5M

Up 171%

EBIT

1H23 \$1.5M

1H22 \$0.5M

Up 186%

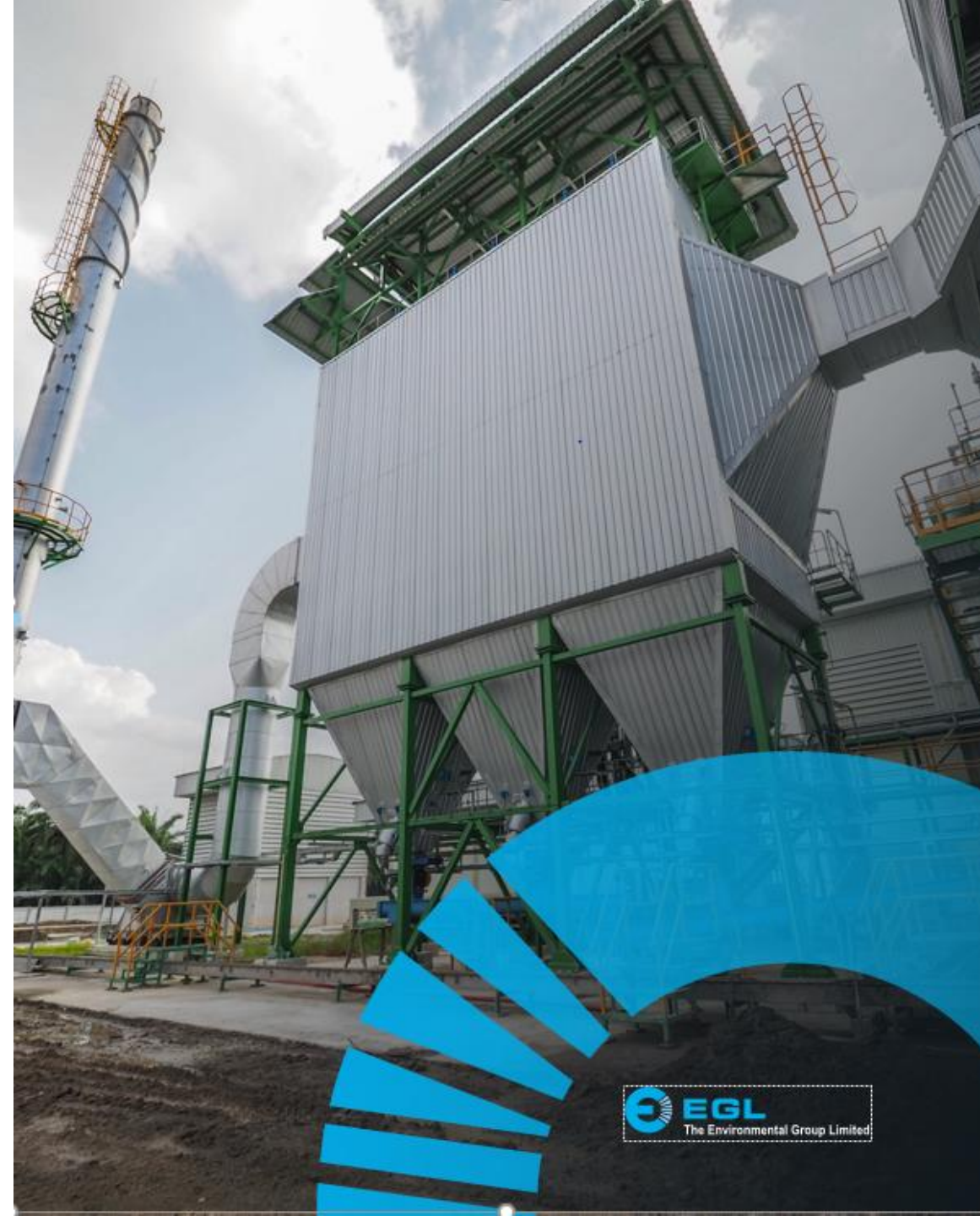
EBIT MARGIN

1H23 15.8%

1H22 15.0%

1H 23 RESULTS COMMENTARY

- Massive revenue growth up 171% with new projects in the lithium and rare earth sector performing very well.
- EBIT \$1.5M for the half up 186%, with margin expansion to 16%.
- Orders are placed for large componentry of the major projects at the time of contract award to mitigate cost increases during the execution phase protecting margins.
- The pipeline remains strong for new lithium and rare earth projects globally.
- Servicing of plants and spares organically grew revenue by 50% and EBITDA by 102% on pcp to \$432K for the half.
- Good recurring revenues, high margin with consistent cashflows from servicing and spare's sales.





Key Products



Dry Scrubber



Wet Scrubber



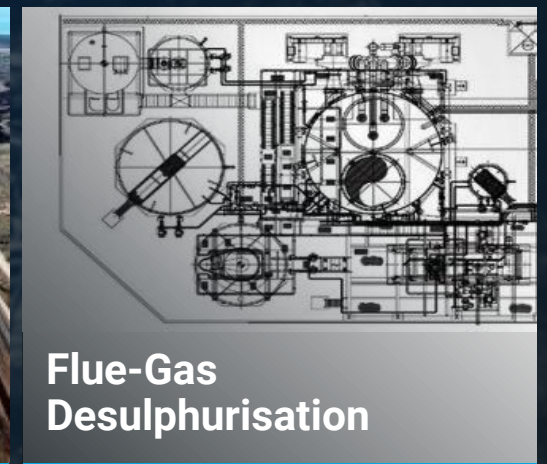
Electrostatic Precipitators



Fabric Filters (Baghouse)



Aeromixes & Cyclones



Flue-Gas Desulphurisation



04

EGL Waste





EGL Waste division encapsulates offering many of EGL's service lines to the waste industry

- Turmec's world class recycling plants under the exclusive Australian agency.
- Dust extraction and asbestos detection systems in waste processing facilities.
- Boilers & autoclaves in the medical waste treatment sector.
- Combustion technologies for biomass boilers and waste to energy plants.
- PFAS and liquid waste treatment plants.
- After sales service and parts.

Revenue

1H23 \$2.2M

1H22 \$0.1M

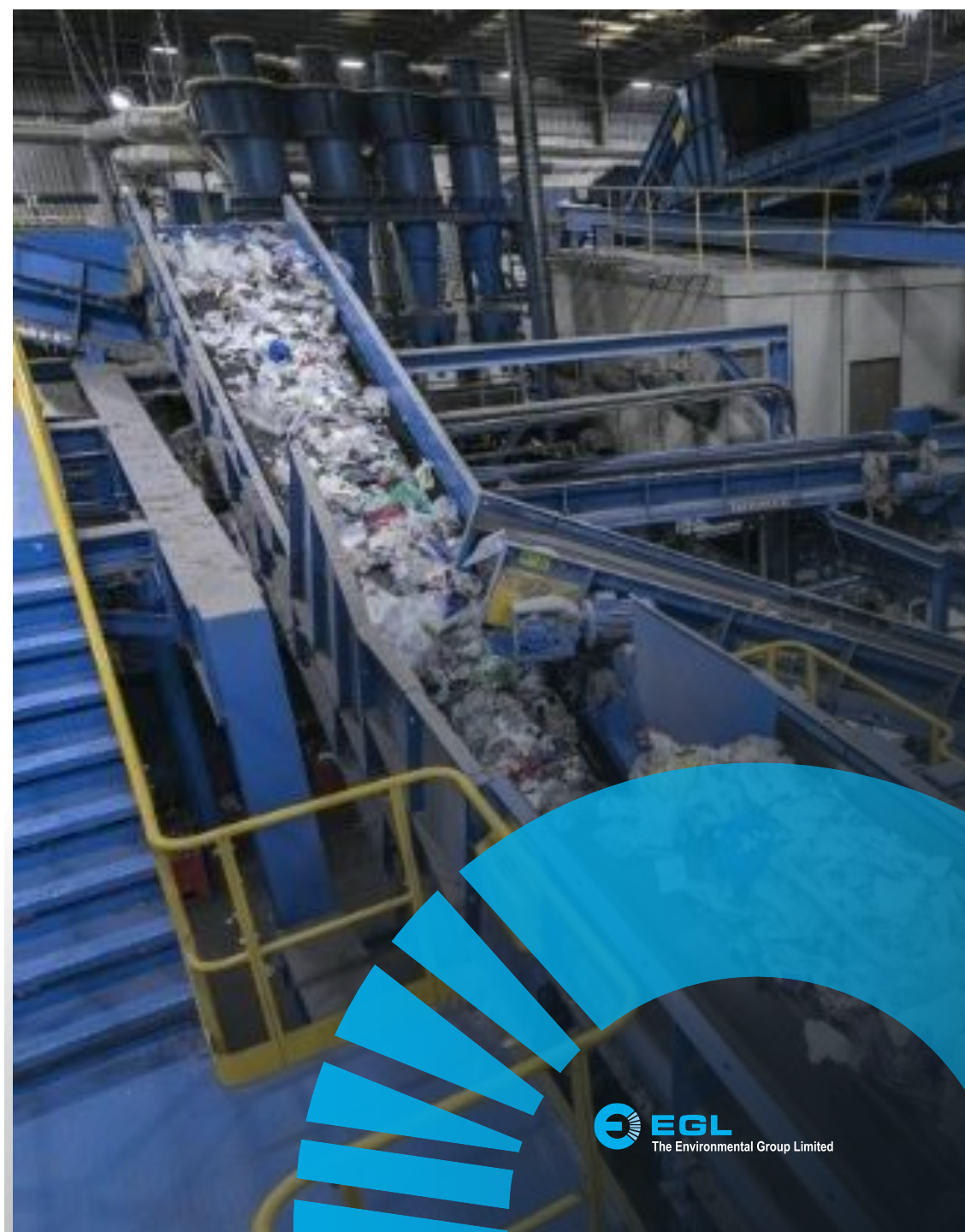
EBIT

1H23 \$0.3M

1H22 \$0.1M

1H23 COMMENTARY

- For the half year EGL Waste generated revenue of \$2.2M and delivered EBIT of \$318K.
- Fabrication of the Rino Resources plant on schedule with phase 1 & 2 shipments arrived in Australia. Installation commenced mid January and is expected to take approximately six months to complete.
- Service technicians are being employed for installation and post installation servicing.
- A Memorandum of Understanding (MOU) with 374Water Systems, Inc. (NASDAQ: SCWO) signed for the establishment of a Strategic Partnership Agreement (SPA) between the two companies.
- Agreement is for EGL to act as the exclusive reseller of 374Water's AirSCWO™ technology within the Australia and New Zealand territories.
- Implementation of AirSCWO™ technology into EGL PFAS Concentration projects for PFAS destruction.
- The exploration of 374Water to market EGL's PFAS Concentration technology in the North American market as a complement to the AirSCWO™ technology
- Tender pipeline remains strong with a total value of over \$115M in tenders provided to clients.





05

EGL Water





EGL Water division has enhanced patented technology designed to protect our environment by the removal of Per- and polyfluoroalkyl chemical substances (PFAS) from contaminated water.

- PFAS was primarily used in aircraft fire fighting as a fire retardant however its use expanded into plastics and clothing prior to its detrimental impact on our environment being fully understood.
- Successful class actions have highlighted increased awareness and the urgent need to find solutions to remove contamination in water, soil, landfills, farmland and housing estates.
- EGL recognises that one of the world's most valuable assets is water and will persist in our vision to reduce water pollution, leading to an improved environment, through low-cost technology solutions.

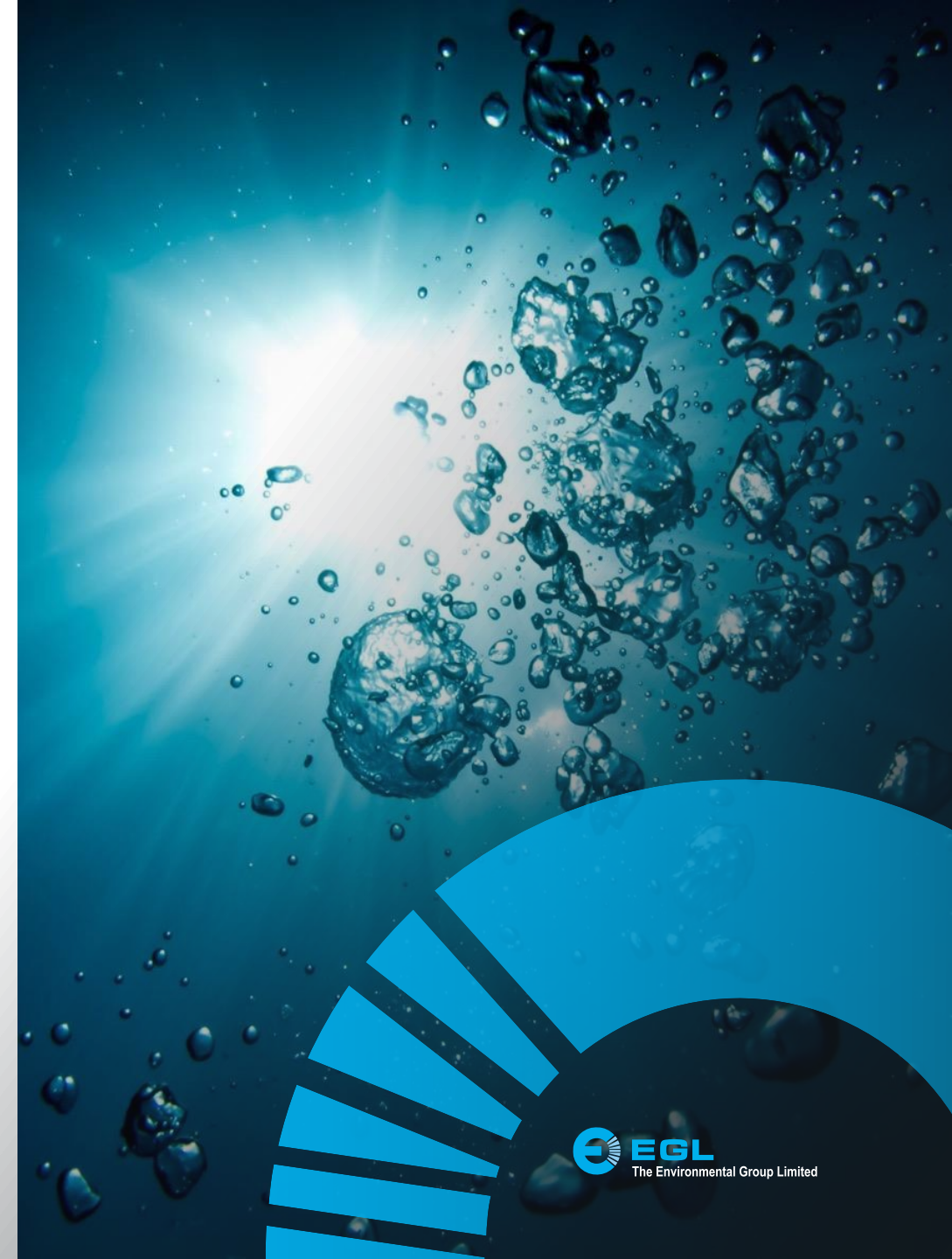




1H 23 COMMENTARY

- The first commercial plant was delivered on time and on budget in September.
- Installation commenced on site late November, with the plant completed by mid January for EPA approval.
- The current pilot licence for PFAS separation trials has been closed with all information provided to the EPA.
- Commercial unit EPA documentation was submitted and approved by the EPA to process PFAS waste streams, 31 January 2023.
- Water testing and pressure testing completed prior to processing PFAS contaminated waste.
- The plant is processing various waste streams with samples collected and sent to laboratories for analysis.
- Initial testing results have shown all regulated PFAS separated to below detectable levels.
- Further testing will continue on various levels of PFAS contamination and waste streams as we continue to optimise the plant.

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03

Outlook



Outlook

01

Updated forecast at the AGM for normalized EBITDA to improve greater than 35% for the financial year.



02

Margin and process improvement will remain a focus of the business.



03

Continue to develop the "One EGL" culture to sell multiple services lines to the one customer



04

TAPC, Baltec & Engineering to report directly to COO Brenda Borghouts to improve processes.



Forward Outlook

05

Tomlinson improve margin in the second half with boiler inflation costs abating.



06

TAPC will continue its strong performance delivering very good earnings growth for the year.



07

Baltec focus will be steady margin improvement.



08

EGL Water – commercial sale of PFAS separation plants to commence and could be a significant opportunity.



EGL outlook continued

- EGL has budgeted for improved earnings in all operating divisions.
- At this stage we expect EBITDA to increase by over 35% year on year after significant items*.
- Risk mitigation strategies are constantly assessed while working in the current inflationary environment.
- Management's focus will remain on margin improvement, but is now moving towards improved business processes.
- Corporate costs remain under tight control as the business grows.
- The two organic growth areas of Water (PFAS separation) and Waste will focus on the commercial opportunity. New organic growth strategies through technology innovation remains a focus.

* Whilst maintaining a positive outlook, the impact of COVID-19, cannot be fully predicted and may affect final results.

Questions?



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Appendix A

Reconciliation of Statutory (4D) to underlying results

1H FY23(\$M)	4D	Less Significant Items	Underlying Business
Revenue	40.8		40.8
Costs of sales	(32.4)		(32.4)
Gross profit	8.3		8.3
Employee expenses	(3.3)	0.19	(3.1)
Professional fees	(0.7)		(0.7)
Marketing expenses	(0.1)		(0.1)
Occupancy expenses	(0.2)		(0.2)
Other expenses	(1.3)	0.13	(1.2)
Operating EBITDA	2.7	0.32	3.1
Depreciation and amortisa	(0.8)		(0.8)
EBIT	1.9	0.32	2.2
Interest expense	(0.1)		(0.1)
Profit before tax	1.8	0.32	2.1
Tax expense	(0.4)		(0.4)
Profit after tax	1.4	0.32	1.7
Earnings per share (EPS)	0.44		0.54

Significant Items Reconciliation	\$M
Performance rights	0.16
Redundancy	0.04
FX	0.13
Total	0.32