



HRL Holdings Limited

FY2016 Half Year Accounts Presentation

February 2016



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 - ▶ Diversification through service offering and laboratory capabilities



The HRL Group - Environmental Services

- ▶ Asbestos and hazardous materials management (lead, mould, clandestine laboratories)
- ▶ Property screening for contamination, such as methamphetamine
- ▶ Building and contaminated land assessment
- ▶ Soil and ground water sampling
- ▶ Dust, noise and vibration monitoring
- ▶ Specialised NATA/IANZ laboratory analysis
- ▶ Training



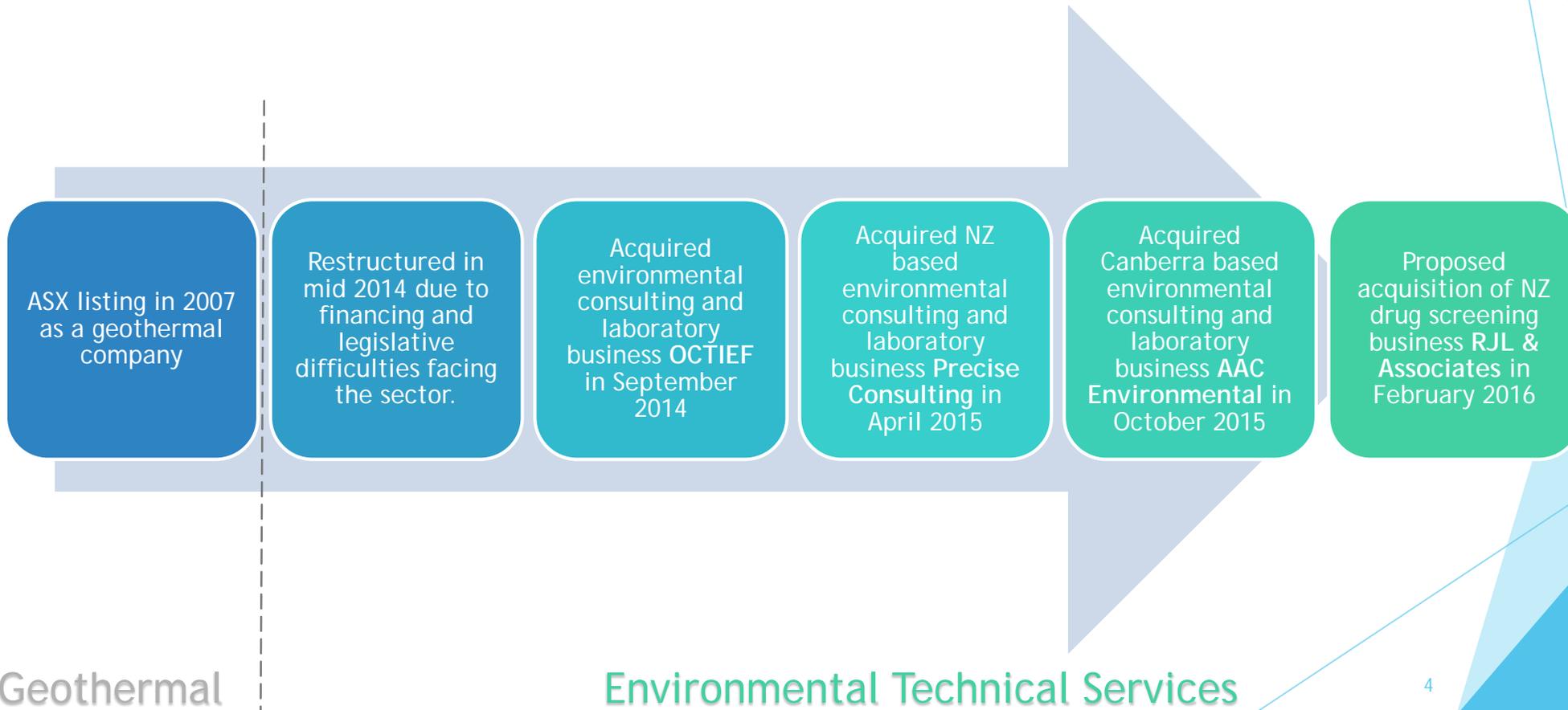
PRECISE
CONSULTING & LABORATORY



R J L & Associates Ltd



HRL Corporate History





Corporate Overview

Key Items:

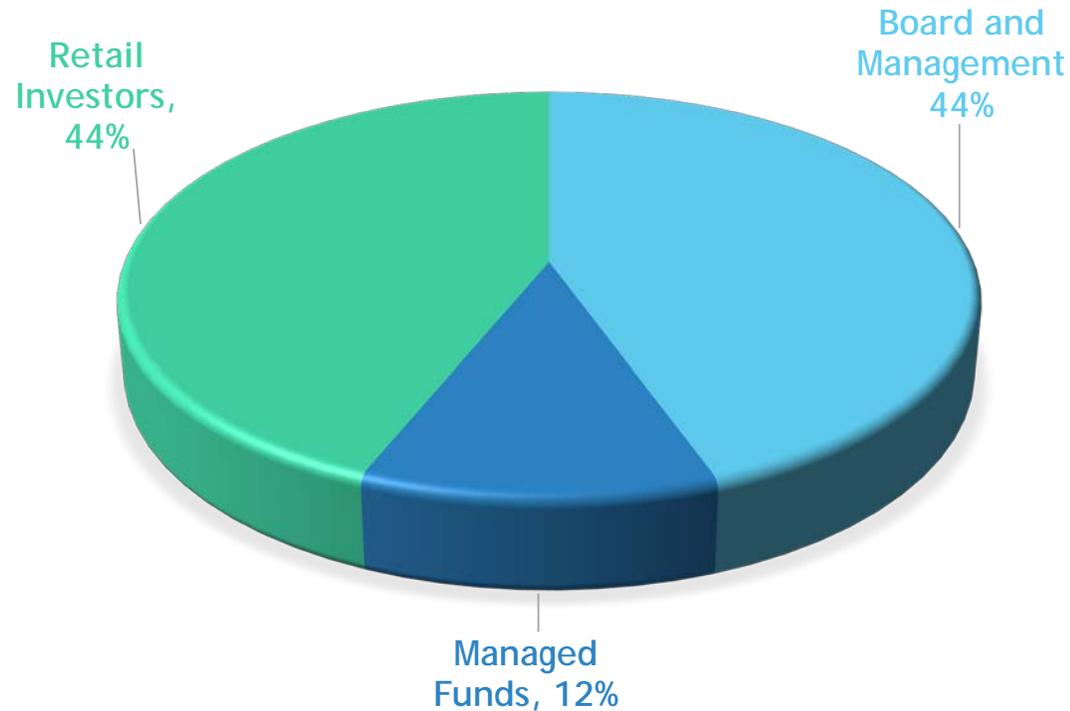
- ▶ Share Price (12 February): \$0.11
- ▶ Shares on issue: 158.9 million
- ▶ Market Capitalisation: \$17.5M
- ▶ Undrawn and available loan facilities \$3.7M

6 Month Trading History





Shareholder Composition



Top 20 Shareholders:

1. TULLA PROPERTY PARTNERS PTY LTD <Kevin Maloney, Chairman>
2. J P MORGAN NOMINEES AUSTRALIA LIMITED <Viburnum>
3. DARREN ANDERSON & JULIE ANDERSON <Darren Anderson, Executive Director>
4. CRAIG ANDERSON & AMANDA ANDERSON
5. GREG ANDERSON & NANCY ANDERSON
6. ANDERSON PROPERTY HOLDINGS PTY LTD
7. COWLEY SUPER PTY LTD
8. ELLIOTT NOMINEES P/L <Mark Elliott, Non-Executive Director>
9. ESTANZA PTY LTD
10. MR JONATHAN PAUL KERSHAW MARSHALL <Paul Marshall, Company Secretary>
11. NOVUS CAPITAL NOMINEES PTY LIMITED
12. POKTON PTY LIMITED
13. MISS KATHRYN HELEN THOMPSON
14. G4 INVESTORS PTY LTD
15. MR MAXWALD JAMES STEWART & MRS LYNETT VERA STEWART
16. H K PRICE PTY LTD
17. MR LESLIE JOHN BUNT
18. LOCANTRO SPECULATIVE INVESTMENTS PTY LTD
19. MR JOHN COOPER TAYLOR & MRS SHARON MAREE TAYLOR <John Taylor, Non-Executive Director>
20. LORRAINE JEAN ZILLMAN



Board of Director Details

Kevin Maloney (Chairman)

- ▶ Extensive career in banking, finance and resources
- ▶ Founder and former Executive Chairman of The MAC Services Group - sold in 2010 for \$651M
- ▶ Has held numerous executive and board positions across a number of public companies
- ▶ Current Chairman of Altona Mining Limited

Darren Anderson (Executive Director)

- ▶ Former Executive Director and COO of Diversified Mining Services Limited (\$200M revenue and 850+ staff)
- ▶ Founder and former Managing Director of the Anderson Group of companies that service the domestic and international coal industry (300+ staff and 12 operating divisions)
- ▶ Current Executive Director of HRL

Mark Elliott (Non-Executive Director)

- ▶ Geologist with 40 years experience in project development and exploration
- ▶ Extensive experience in managing companies and exploration/mining operations in a wide range of commodities including energy
- ▶ Non-Executive Director of Nexus Minerals

John Taylor (Non-Executive Director)

- ▶ Senior Counsellor of the Queensland law Society with over 30 years' experience in commercial and property litigation
- ▶ Founding partner of Taylors Solicitors, Mackay.
- ▶ Former Director of The MAC Services Group and former Chair of the Mackay Port Authority



Dec 2015 Half Year Highlights

- ▶ Successful acquisition and integration of Canberra based AAC Environmental in October 2015 gives exposure to the Mr Fluffy demolition program
 - ▶ Total program value budgeted at \$1bn
 - ▶ Environmental services around \$10.5m
 - ▶ HRL currently working as preferred supplier to 3 principal project contractors
- ▶ 5 accredited laboratories now in operation across the Australian east coast and New Zealand, plus one new consulting branch
- ▶ New Zealand businesses providing excellent returns - further expansion opportunities identified
 - ▶ Recently announced acquisition will give a consulting branch presence in Palmerston North
 - ▶ Growth strategy will target further organic branches in NZ before 30 June



Dec 2015 Half Year Highlights

- ▶ Geographic revenue sources have diversified significantly
 - ▶ NZ businesses now account for around 60% of group turnover
 - ▶ New branch on North Island will further grow the NZ business
 - ▶ Recently appointed to a WA Government panel as result of a competitive tender
 - ▶ Active tender pipeline for major regional projects in Australia
- ▶ Solid operating cashflows generated
 - ▶ 6 month YTD operating cashflow \$520k (\$482k contributed in Dec qtr)
- ▶ Strong, simple balance sheet
- ▶ No net debt - focus on disciplined capital management
- ▶ Existing cash reserves and available loan facilities will be used to invest in expansion opportunities



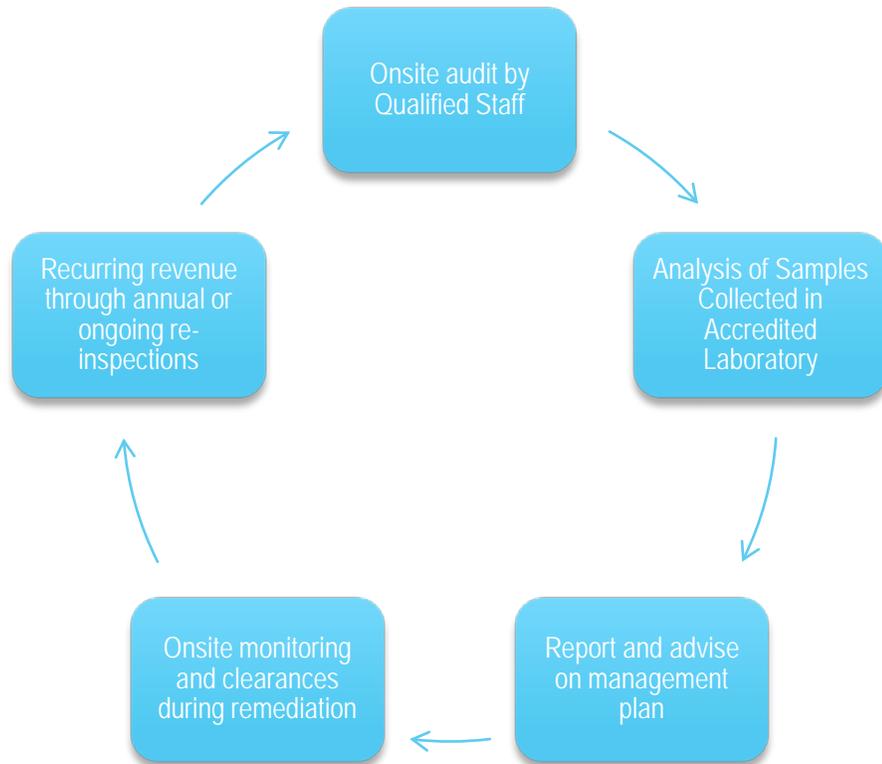
Dec 2015 Financial Results - Highlights

	Dec-15 \$000's	Dec-14 \$000's	Increase \$000's
Underlying profit before tax ¹	766	(100)	↑ 863
Underlying profit after tax ¹	556	(70)	↑ 626
Statutory profit after income tax	339	(1,483)	↑ 1,822
Revenues	4,234	2,043	↑ 2,191
Operating cashflows generated	520	(26)	↑ 546
Undrawn loan facilities	3,708	-	↑ 3,708

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.



Revenue Cycle and Sources (Hazardous Materials)



Revenue Streams:

- ▶ Audit - onsite labour
- ▶ Laboratory analysis - charge per sample
- ▶ Report - fees for management plans
- ▶ Clearances - onsite labour and analysis of samples
- ▶ Recurring revenue - re-audits and management of registers



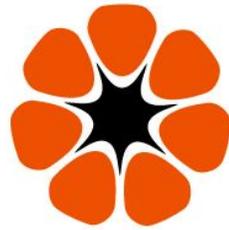
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The HRL Group - Key Clients



**Northern Territory
Government**



Chorus





The HRL Group - Laboratory Facilities



- ▶ Five operating laboratories across Australia and New Zealand, 1 consulting branch
- ▶ New expansion into Canberra - Australia's largest asbestos project currently underway
- ▶ Opportunity to open branches in Perth, Auckland, Dunedin



Brisbane - Canberra - Darwin - Christchurch - Wellington - Palmerston North



Methamphetamine use and addiction growing

Christchurch construction boom fuelling meth surge - study

2nd December 2015

<http://www.radionz.co.nz/news/regional/291050/surge-of-meth-addiction-in-christchurch>



Housing New Zealand meth contamination numbers growing

5th February 2016

<http://www.stuff.co.nz/auckland/local-news/east-bays-courier/76628498/housing-new-zealand-meth-contamination-numbers-growing>

"664% increase in contamination in Auckland in past 3 years"

NZ's world-high drug use no surprise - Experts

6th January 2012

http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10777109

Housing NZ eyes meth test

1st February 2016

http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11582684



West Coast meth problem: It used to be cannabis, now it's P

31st January 2016

<http://www.stuff.co.nz/national/76351063/west-coast-meth-problem-it-used-to-be-cannabis-now-its-p>

"Police figures show methamphetamine (P) offending rose 252 per cent in the first five months of the 2015/2016 financial year compared to the previous year"

"Housing New Zealand says 6 out of 19 recently built state houses were found "P" positive"



Public Housing New Zealand

- ▶ 70,000 properties - to be screened annually and at change of tenants
- ▶ Tenant turnover in approx. 7,000 properties per annum
- ▶ Detailed site investigations currently costing \$2,750 per property (according to nzherald.co.nz)
- ▶ YTD spend on meth contamination confirmed to be >\$20mil
- ▶ HRL to provide:
 - ▶ Baseline screening, and change of tenant testing
 - ▶ Detailed site investigations (high levels of contamination)
 - ▶ Clearance screening post-remediation



NZ private rental market > \$50mil

- ▶ *“If landlords rent out a property that is contaminated by Meth, they are breaching the Residential Tenancy Act 1986”*
- ▶ More than 453,000 families rent their home in NZ (Census: 2013)
- ▶ Market size estimated to be in excess of \$50mil and growing
- ▶ *Tauranga Property Investors Association president Grant Harris said “members of the association carried out regular inspections of their rental properties which would assist in identifying if P was being used or manufactured”.*

▶ http://www.nzherald.co.nz/bay-of-plenty-times/news/article.cfm?c_id=1503343&objectid=11584383



Aus rental property market > \$200mil

- ▶ In the 2013 National Drug Strategy Household Survey (NDSHS), 7 per cent of the Australian population aged 14 years or older reported using methamphetamine at least once in their lifetime
- ▶ More than 1.7million households rent their home from private landlords (Census: 2006)
- ▶ More than 369,000 households rent from state/territory housing authorities
- ▶ 147,000 households rent from employers (eg, Defence Housing).
- ▶ Market size estimated to be in excess of \$200mil and growing



The HRL integrated solution for HAZMAT services

Field Sampling

- Geographic coverage
- Qualified staff
- Capacity to service client response times
- Digital collection to ensure efficient and accurate data

Laboratory Analysis

- Turn around times
- IANZ/ NATA accreditation
- Customer has single point of accountability for results (field and lab are same business)

Reporting solution

- integrated Octfolio system between field sampling and laboratory
- smart management of data for client
- opportunity for additional revenue stream through Octfolio



Asbestos services in Australia - market size

- ▶ Quantities of asbestos in Australia and New Zealand is currently unknown
- ▶ Records also show that between 1930 and 1983, approximately 1.5 million tonnes of all forms of asbestos was imported into Australia.
- ▶ Asbestos, predominantly chrysotile and crocidolite, was mined in Australia until late 1984
- ▶ Federal government **Asbestos Safety and Eradication Agency** published the National Strategic Plan with an “aim to eliminate the risks of asbestos from government and commercial structures by 2030” - asbestos to still be present in the built environment, but management plans to be in place
- ▶ Conservative estimate of the Australian market to be in excess of \$200mil per annum for HRL services.





HRL Market Opportunities

Australia

- ▶ Extend the NZ drug screening capabilities to Australia
- ▶ Canberra branch gives immediate access to the federal government backed Mr Fluffy demolition and remediation program
- ▶ New panel provider to WA Govt.
- ▶ Expansion of contaminated land and water testing services throughout the ACT and central NSW regions via the Canberra branch

New Zealand

- ▶ New legislation takes effect 4 April 2016 which will bring NZ WH&S standards in line with Australia. HRL have been involved in the drafting of the bill and advising government on standards. HRL have a “first mover advantage”
- ▶ Deliver current asbestos and drug screening services to national contracts across multiple branch locations



Summary

- ▶ HRL actively involved in \$1bn ACT Mr Fluffy loose-fill asbestos insulation demolition program
- ▶ New Zealand expansion well underway - new drug screening services to be replicated across all branches
- ▶ New WH&S legislation in NZ will continue to drive HRL compliance focused business
- ▶ The merged group will allow the sharing of resources across branches and countries to maximise revenue and profits.
- ▶ Foundations laid for growth across balance of FY16 and into FY17
- ▶ Cash holdings and banking facilities available to pursue further expansion and acquisition opportunities.



Contacts and More Information

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Appendix A - Details on non-underlying profit adjustments

Adjustment	Description
Acquisition related expenses	<p>Acquisition related expenses relate to:</p> <ol style="list-style-type: none"> 1. Third party supplier costs that related to the merger with OCTIEF Pty Ltd on 15 September 2014. 2. Third party supplier costs that related to the acquisition of AAC Environmental Pty Ltd on 30 September 2015.
Amortisation of intangible assets arising from acquisitions	<p>The excess purchase price over the value of the tangible assets acquired during the Octief Consulting & Laboratory Services Pty Ltd acquisition in June 2013, the Precise Consulting and Laboratory Limited in April 2015 and the AAC Environmental Pty Ltd in September 2015 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	<p>The vendors of Precise Consulting and AAC have 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.</p> <p>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>



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.