



# HRL Holdings Limited

Investor Presentation

February 2017



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# Company Overview



# Corporate Overview

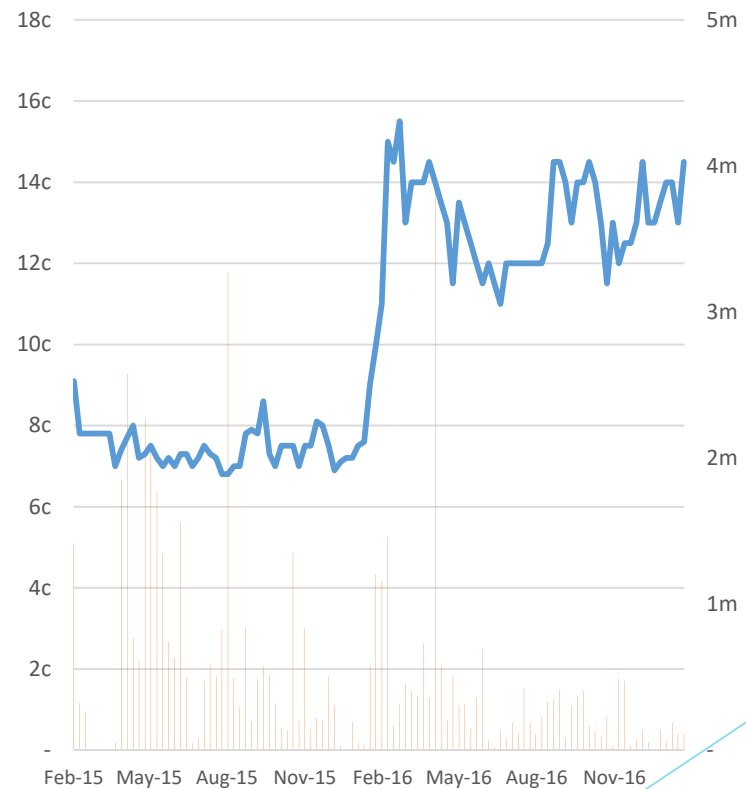
## Market Metrics

Share Price (9 February 2017)	\$0.145
Shares Outstanding	158,903,031
Market Capitalisation	\$23.0m

## Board

## Shares

Kevin Maloney	Non-Exec. Chairman	47.5m
Darren Anderson	Exec. Director	16.6m
Mark Elliott	Non-Exec. Director	2.8m
John Taylor	Non-Exec. Director	0.9m
Frederick Kempson	Alt. Non-Exec. Director	-





# Acquisition Led Growth

Acquisition	Octief	Precise	AAC Environmental	RJL & Associates	OCTFOLIO	Morrison Geotechnic
Date	Sep-14	Mar-15	Oct-15	Feb-16	Feb-17	Feb-17
Business	Environmental consulting & laboratory services	Environmental consulting & laboratory services	Environmental consulting & laboratory services	Drug screening & property contamination services	Hazardous materials compliance software	Geotechnical engineering & laboratory services
Location	Australia	New Zealand	Australia	New Zealand	Australia	Australia

Current acquisitions



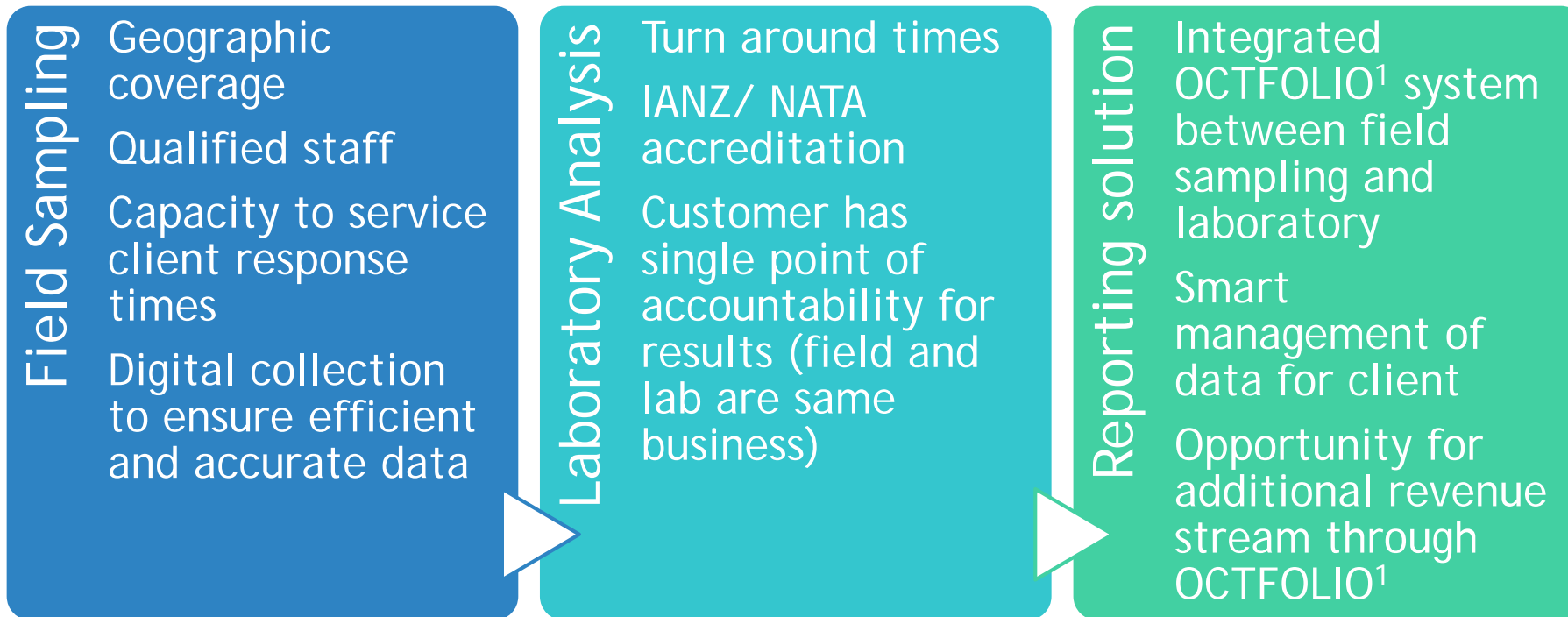
*Solid thinking. Grounded results.*



RJL & Associates



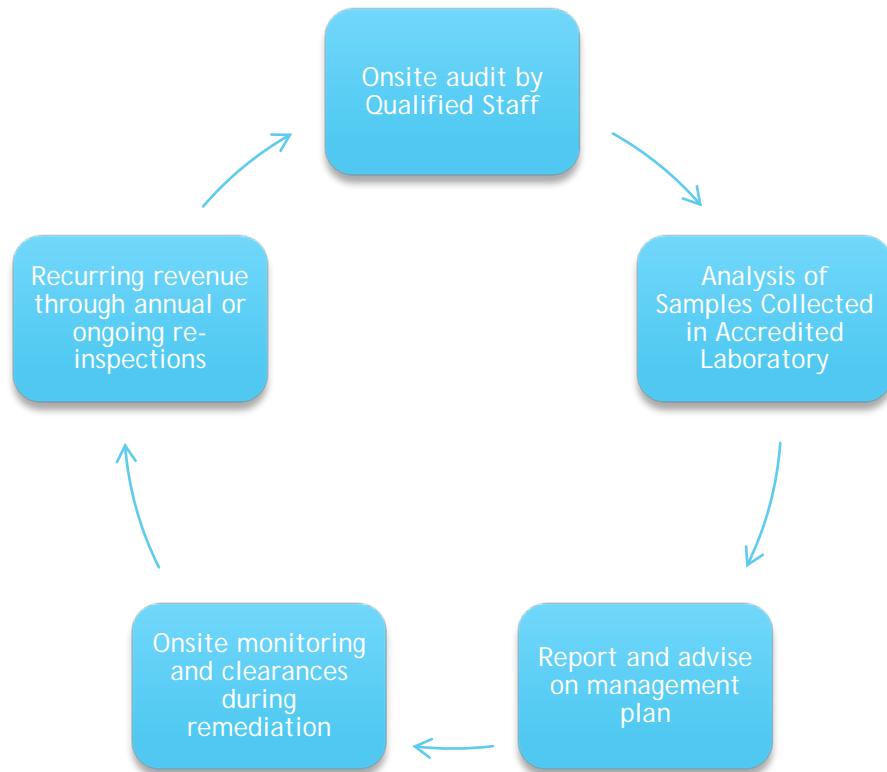
## The HRL integrated solution for HAZMAT services



1 Current acquisition



# 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
- ▶ SaaS - monthly fees for managing client HAZMAT compliance registers



# The HRL Group - Locations



## Existing

- ▶ Brisbane
- ▶ Canberra (October 2015)
- ▶ Darwin
- ▶ Perth (April 2016)
- ▶ Christchurch
- ▶ Wellington
- ▶ Palmerston North (Feb 2016)
- ▶ Dunedin (April 2016)
- ▶ Auckland (June 2016)







# 1H2017 Overview



## 1H2017 Highlights and Achievements

Over the last 6 months HRL Holdings Limited has continued to grow the Company through:

- ▶ Geographic expansion in to the Auckland region;
- ▶ Increased presence and market share in the New Zealand HAZMAT market;
- ▶ Accreditation application submitted to IANZ for Precise Consulting Auckland laboratory;
- ▶ Accreditation application submitted to IANZ for Precise Consulting methamphetamine property screening;
- ▶ Expanded service capability to Octief in Australia for methamphetamine property screening, leveraging experience developed in New Zealand;
- ▶ NSW loose fill asbestos property inspection program provides ongoing work through our NSW/ACT branch



## 1H2017 - Financial Highlights

	Dec 2016 \$000's	Dec 2015 \$000's	Change \$000's
Revenues	5,469	4,234	↑ 1,234
Underlying EBITDA <sup>1</sup>	371	874	(503)
Operating cash flows generated <sup>2</sup>	(158)	519	(677)
Net Assets	6,758	6,684	↑ 74
Undrawn loan facilities	693	3,708	(3,015)
Statutory profit after tax	(8)	339	(347)

1 Underlying EBITDA and 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.

2 Excludes cash outflows associated with earn out/settlement payments and acquisition costs.



## 1H2017 - Segment Performance

	Trading Entities			Corporate	Consolidated
	OCTIEF	Precise	Total		
Revenue	\$1,970,555	\$3,497,733	\$5,468,287	\$997	\$5,469,284
Underlying EBITDA <sup>1</sup>	\$185,160	\$791,666	\$976,826	(\$605,597)	\$371,229
Operating depreciation and amortization	(\$46,038)	(\$83,199)	(\$129,237)	(\$4,602)	(\$133,840)
Interest expense				(\$52,914)	(\$52,914)
Underlying profit before tax	\$139,122	\$708,467	\$847,589	(\$663,113)	\$184,476
<u>Non-operating adjustments</u>					
Amortisation of intangible assets arising from acquisitions	(\$62,500)	(\$126,901)	(\$189,401)	-	(\$189,401)
Management performance rights	-	-	-	(\$38,403)	(\$38,403)
Statutory profit before income tax	\$76,622	\$581,565	\$658,187	(\$701,516)	(\$43,329)
Income tax expense					\$35,419
Statutory profit after income tax					(\$7,910)

<sup>1</sup> Underlying EBITDA and 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.



## Segment Performance - Precise Consulting

- ▶ Activity in New Zealand continues to be very strong, with NZ revenues increasing 44% versus pcp
- ▶ Awarded Nelson Marlborough District Health Board asbestos survey works - this is the second district health board contract awarded to Precise
- ▶ Construction of Auckland branch laboratory was completed in October 2016 after strong initial response from clients justified business case
- ▶ Precise has transitioned resources and business development focus away from Christchurch as earthquake reconstruction activity has tapered off
  - ▶ Wellington in particular has seen very strong growth in the last 9 months
- ▶ Strong tender pipeline of opportunities with government agencies, councils, corporate and commercial clients



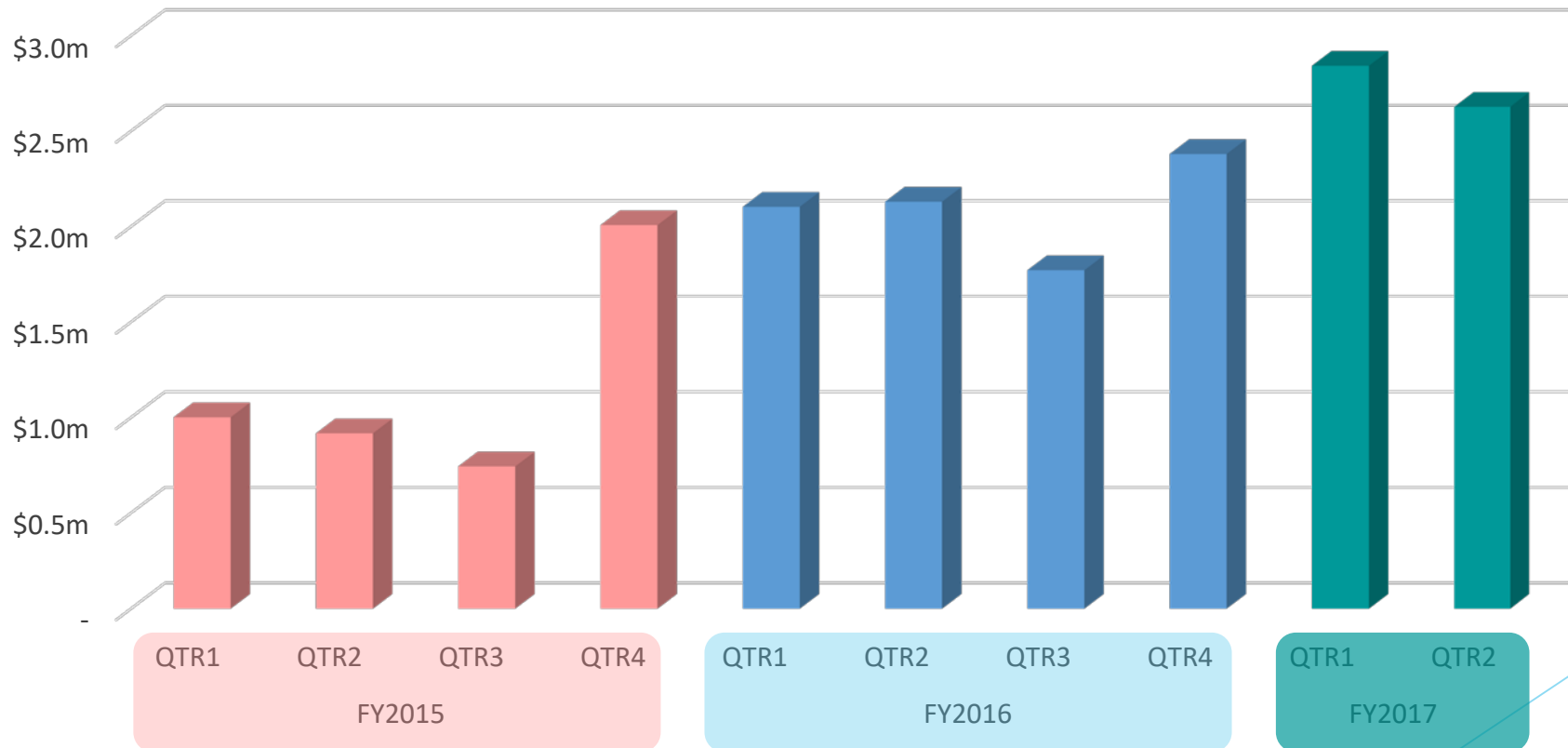
## Segment Performance - OCTIEF

- ▶ Northern Territory branch experienced continued strong activity in the last 6 months, driven by:
  - ▶ a major soil remediation project; and
  - ▶ substantial field monitoring works across a number of public sector assets including asbestos audits of hospitals
- ▶ ACT branch activity grew as the first package of the NSW loose-fill asbestos insulation properties were awarded for central NSW
- ▶ OCTIEF NZ continued the survey works on the Chorus New Zealand Limited (Chorus) assets across both the North and South Islands of New Zealand
- ▶ The environmental engineering/sciences service line demonstrated good growth during the 6 months and OCTIEF is looking to further expand this opportunity



# 1H2017 - Revenue Growth

HRL Group Quarterly Revenue





## Market Opportunities - Australia

- ▶ The proposed acquisition of Morrison Geotechnic will give OCTIEF the ability to bid jointly on major infrastructure projects which were previously inaccessible
- ▶ NSW loose-fill insulation work is expected to continue through to June 2017 and will help complement normal ongoing work from ACT based projects. Stage 2 is expected to commence through FY2018
- ▶ Asbestos audits for the QLD based assets operate on a 3 year cycle and an increase in activity is expected during CY2017
- ▶ Extend NZ methamphetamine property contamination screening capabilities to Australia:
  - ▶ Market for this service is currently in its infancy in Australia
  - ▶ HRL can leverage its NZ experience and gain first mover advantage in Australia
  - ▶ Customers to be developed through a mix of direct marketing, strategic relationships and education campaigns
- ▶ Expansion of contaminated land and water testing services throughout Australia



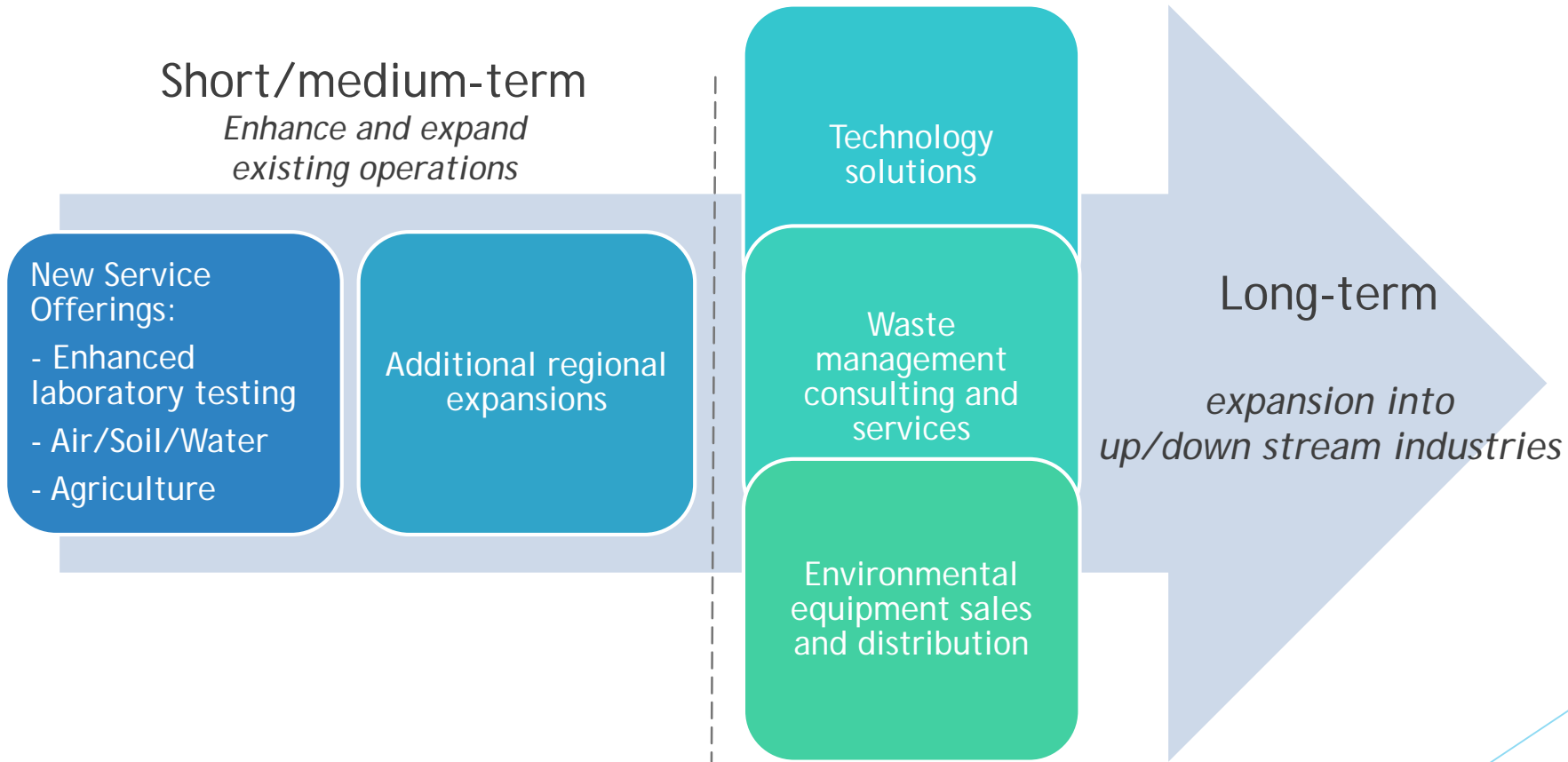


## Market Opportunities - New Zealand

- ▶ Laboratory accreditation for Auckland is underway and full accreditation is expected early in March 2017. Once the laboratory is accredited, field works will increase as an all in one audit, testing and compliance management service can be offered
- ▶ Expansion into the Auckland region represents the largest potential market for Precise Consulting services
- ▶ Continue to expand the property contamination service across the nation
  - ▶ Current market leaders for the Wellington/Palmerston North regions
  - ▶ Aggressively promoting service in the Auckland and South Island markets
- ▶ Second stage Chorus project expected to continue through to April 2017. OCTIEF NZ is currently bidding on further packages of work



# Future Strategy





# Acquisitions



## Acquisition Highlights

- ▶ HRL's acquisitive growth strategy continues with the acquisition of OCTFOLIO and Morrison Geotechnic, adding:
  - ▶ Greater geographic and customer reach and diversity;
  - ▶ Highly complementary new service offerings and and enhancement of existing; and
  - ▶ A portfolio of repeat blue-chip clients
- ▶ On a full-year run rate, acquisitions are expected to increase underlying EBITDA (before corporate overheads) by >100%
- ▶ OCTFOLIO and Morrison acquisitions are expected to be immediately EPS accretive
  - ▶ Additional cost saving synergies are expected to be realised from services that were previously outsourced to OCTFOLIO



# Morrison Geotechnic Overview



**MORRISON  
GEOTECHNIC**

*Solid thinking. Grounded results.*

- ▶ Established in 2000 with 58 FTE staff across Brisbane, Gold Coast and Sunshine Coast offices
- ▶ Services the civil, engineering and construction industries primarily across south-east Queensland with a portfolio of 12,000+ completed projects
- ▶ Provides laboratory and engineering services including:
  - ▶ Geotechnical investigations and studies;
  - ▶ Temporary works designs and inspections;
  - ▶ Construction phase verification;
  - ▶ Earthworks supervision;
  - ▶ Soil, concrete and aggregate testing in its NATA accredited laboratories; and
  - ▶ Onsite mobile laboratory testing



**MORRISON  
GEOTECHNIC**

*Solid thinking. Grounded results.*

# Morrison Geotechnic Acquisition Benefits

## ▶ Established & Performing Business

- ▶ Derives 65%+ revenues from existing blue chip customers and referrals
- ▶ Highly experienced and qualified management team
- ▶ Balanced portfolio of clients with its top 10 customers accounting for only ~54% of revenues
- ▶ Diversified revenues sourced across NATA laboratory and engineering services over 3 locations
- ▶ Synergy achieved between services with large scale engineering work generating laboratory work

## ▶ Competitive Advantage

- ▶ Limited direct comparable competition
- ▶ Loyal and experienced workforce
- ▶ NATA and ISO9001 accredited

## ▶ Growth Opportunities

- ▶ Pre-Qualified Contractor status with Dept. of Housing and Public Works
- ▶ Standing Offer Arrangement with QLD Dept. of Transport and Main Roads
- ▶ Investment in technologies to support field staff real-time data collection and sample registration
- ▶ Opportunity for regional expansion



# Morrison Geotechnic Acquisition



- ▶ HRL will acquire 100% of the share capital of Morrison Geotechnic for:
  - ▶ \$3.75m cash on completion of acquisition; and
  - ▶ \$0.75m cash earn-out based on:
    - ▶ financial performance in the first 12 months after acquisition; and
    - ▶ minimum tenure of the vendors
- ▶ Highly experienced and qualified management team will be retained



## OCTFOLIO Overview



- ▶ OCTFOLIO is a specialist software vendor providing an information management software solution for asbestos and hazardous materials compliance
- ▶ Flagship product - “Octfolio Hazardous Material Compliance Software” - is a cloud-based platform providing hazardous material such as asbestos, environment and OH&S management services to clients in Australia and New Zealand
- ▶ OCTFOLIO provides:
  - ▶ Hosting of HAZMAT compliance data and registers;
  - ▶ Laboratory and quality management systems;
  - ▶ Field surveying tools;
  - ▶ On demand programming services; and
  - ▶ Data migration and training





## OCTFOLIO Acquisition Benefits



- ▶ **Complementary and Enhanced Service Offerings to HRL Existing Businesses**
  - ▶ OCTFOLIO is currently used by HRL and has been a significant factor in HRL's successful large on-going contract wins "Tier 1" corporate and government clients
- ▶ **Exposure to Other HAZMAT Revenue Streams**
  - ▶ OCTFOLIO has been successful in its own right in securing long-term contracts hosting client's HAZMAT registers
  - ▶ OCTFOLIO is a substantially differentiated offering and HRL will have the capability to licence the software to other HAZMAT service providers in geographic territories where HRL does not compete
- ▶ **Expand OCTFOLIO to Different Markets**
  - ▶ OCTFOLIO may be applied to a much wider range of asset tracking and auditing, enabling HRL to roll out additional modules and market to a much wider range of asset managers and owners



## OCTFOLIO Acquisition



- ▶ HRL will acquire 100% of the share capital of OCTFOLIO for:
  - ▶ \$2.75m cash on completion of acquisition; and
  - ▶ \$0.75m cash earn-out based on:
    - ▶ financial performance in the first 24 months after acquisition
- ▶ HRL expects to realise significant synergy benefits, exposure to other HAZMAT revenue streams, expansion opportunities in new markets
- ▶ The vendors of OCTFOLIO are directors of HRL and the acquisition will be subject to shareholder approval
- ▶ The purchase price is subject to adjustments pursuant to the IHG Share Sale Agreement.
  - ▶ The vendors are liable for all taxes payable until settlement. If lodgement of the tax return results in a refundable position this will be passed back to the vendors



# Capital Raise



## Capital Raise Overview

- ▶ HRL is seeking to raise approximately \$8.5 million via:
  1. A partially underwritten 4 for 11 Non-renounceable Pro-rata Entitlement Offer to raise ~\$5.8m; and
  2. a Placement of \$2.75m (subject to shareholder approval)together, the Offer.
- ▶ The capital raising will be used to:
  - ▶ Fund acquisition of Octfolio
  - ▶ Fund acquisition of Morrison Geotechnic
  - ▶ Reduce debt, strength the Company's balance sheet and provide flexibility for further strategic acquisitions
  - ▶ Pay for costs of the Offer
  - ▶ Working capital



# Capital Raise Details

## Entitlement Offer

- Approximately \$5.8m to be raised through a 4 for 11 Entitlement Offer of approximately 57.8 million shares
- Entitlement Offer will be made to eligible shareholders registered as at 24 February 2017 (Record Date)
- Top Up Facility - Eligible shareholders may apply for additional shares over and above their current holding at the Record Date. Rules apply.

## Placement

- Raising approximately \$2.75m
- Subscribed for by Directors of the Company
- Subject to Shareholder approval

## Pricing

- \$0.10 per share for both the Entitlement Offer and Placement

## Underwriting

- The Entitlement Offer is partially underwritten up to \$5,000,000 by Canaccord Genuity Australia Limited

## Non-renounceable

- Entitlement Offer is non-renounceable. Entitlements not taken up by shareholders will lapse and will have no value

## Ranking and Eligibility

- New shares issued under the Entitlement Offer will rank equally in all respects with existing ordinary shares



# Capital Raise Timetable

Event	2017 Date
Trading Halt	Friday 10 <sup>th</sup> February
Announcement of Entitlement Offer	Thursday 16 <sup>th</sup> February
Ex Date	Thursday 23 <sup>rd</sup> February
Record Date	Friday 24 <sup>th</sup> February
Offer Booklet dispatched to eligible shareholders	Tuesday 28 <sup>th</sup> February
Entitlement offer opens	Tuesday 28 <sup>th</sup> February
Entitlement offer closes	Tuesday 14 <sup>th</sup> March
Shortfall announced to ASX	Friday 17 <sup>th</sup> March
Settlement	Monday 20 <sup>th</sup> March
Allotment of new shares under Entitlement Offer	Tuesday 21 <sup>st</sup> March
New shares expected to commence trading on ASX	Wednesday 22 <sup>nd</sup> March
Extraordinary General Meeting	Wednesday 29 <sup>th</sup> March
Settlement of Placement	Wednesday 12 <sup>th</sup> April



## Sources and Uses of Funds

Sources		Uses	
Entitlement Offer	~\$5.8m	Octfolio acquisition	\$2.75m
Placement	\$2.75m	Morrison acquisition	\$3.75m
		Debt repayment	\$1.20m
		Costs of the offer	\$0.44m
		Working capital	\$0.39m
<hr/>		<hr/>	
Total Sources	~\$8.5m	Total Uses	~\$8.5m

Note: HRL has existing cash and cash equivalents of \$0.48m as at 31 December 2016