



Chairman and Managing Director Address to Shareholders

Delivered at the Annual General Meeting
of Tasmea Limited ABN 22 088 588 425
on Tuesday 14 November 2023



Good afternoon Ladies and gentlemen,

My name is Joe Totaro, and as your newly appointed Chairman of Tasmea Limited it is my pleasure to welcome you to the 2023 Annual General Meeting.

I would like to Acknowledge that we meet today on the traditional lands of the Kurna people and we pay respect to their elders, past present and emerging.

CHAIRMAN'S ADDRESS

As you are aware, I was appointed to the Board of Tasmea Limited on 21 September in anticipation of the Company pursuing an Initial Public Offering. Kristie Young was appointed on the same day. I take over the Chairmanship from Mike Terlet who has been a Director of Tasmea for 16 years and has been Chairman for the past 5 years. Mike, your Board would like to take this opportunity to thank you for your commitment to Tasmea and your valuable service. I know Stephen and Mark deeply appreciate the support, loyalty, guidance and wisdom you have shown them and Tasmea as a director and Chairman over the years. Mike is now 80 years of age, and while men and women of Mike's age have, and still run great nations, as part of the preparation of the planned IPO he has decided to step down as Chairman and is not intending to reoffer himself as a director following the end of his current term.

In relation to today's meeting, the Company Secretary, Simone Thompson, has advised me that we have complied with the relevant requirements for convening this meeting and that a quorum is present. I therefore declare the meeting open.

As the notice convening the Annual General Meeting was sent to all shareholders on the Tasmea Limited share register in accordance with the Company's Constitution, I intend to take the Notice of Meeting as read and declare that the meeting is held at a time and place convenient to our shareholders.

The Agenda for this meeting will cover Introductions, Managing Director's address, and the Formal items of business covered in the AGM Notice of Meeting.

The annual report of Tasmea Limited and its controlled entities, together with the reports of the directors and auditors for the year ended 30 June 2023 have been published and distributed to shareholders. Representatives of Grant Thornton, the Company's auditors, are present to answer any questions relevant to the conduct of the audit, the audit report and the Company's accounting policies for the 2023 financial year.

I would now like to introduce the other members of the Board:

- Mr Stephen Young, Managing Director;
- Mr Mark Vartuli, Executive Director;
- Mr Jason Pryde, Executive Director;
- Mr Michael Terlet, Non-Executive Director; and
- Ms Kristie Young, Non-Executive Director.

Stephen will talk in more detail about the Company's operations and results but may I take this opportunity to point out that the last 12 months has seen Tasmea deliver on a number of its strategic initiatives.



Over the past 12 months:

- Tamea completed the acquisition and integration of 4 new businesses to the Group (Tasman Asset Management Services, A Noble & Son, Corfield's Electrical and Sigma Power Services). These acquisitions increase the specialist trade service offerings and national presence, of our Electrical and Mechanical segments. Furthermore, on the 1st of July 2023 we acquired Groundbreaking Mining Solutions which has already made a positive contribution to our first quarter's earnings.
- We renamed the parent company to Tasmea Limited in March 2023, with the new branding rolled out to all subsidiaries enabling stronger brand recognition by our customers and employees.
- We successfully scaled up our existing businesses, generating a record turnover of \$320 million, a 30.7% increase of the prior years revenue and generated an EBIT of \$30 million, a 38.4% increase on the prior year and importantly declared fully franked dividend of 3.5 cents per share for the FY23 financial year.
- Finally, we refreshed our Board as a precursor to Tasmea's proposed entry to the Australian Securities Exchange.

I would now like to hand over to Stephen Young for the Managing Director's address and to conduct the formal items of business.

MANAGING DIRECTOR'S ADDRESS

Thank you, Joe.

Ladies and gentlemen, today I will be reflecting on the 2023 financial performance, our forecast for the current financial year, and how our organic growth and programmatic acquisition strategy continues to build shareholder value. I will also provide an update on the Initial Public Offer process.

FINANCIAL PERFORMANCE

2023 I am proud to announce was another outstanding financial year for Tasmea Limited, with group revenue of \$320 million, an increase of over 30%, and Earnings before Interest and tax of \$30.3 million an increase of over 38%. The increase is attributed to new acquisitions, and organic growth from existing subsidiaries in Western Australia and South Australia. The reported statutory net profit after tax was \$19.5 million compared to the previous year's net profit after tax of \$13.6 million an increase of 42.8%. This is a record result for Tasmea.

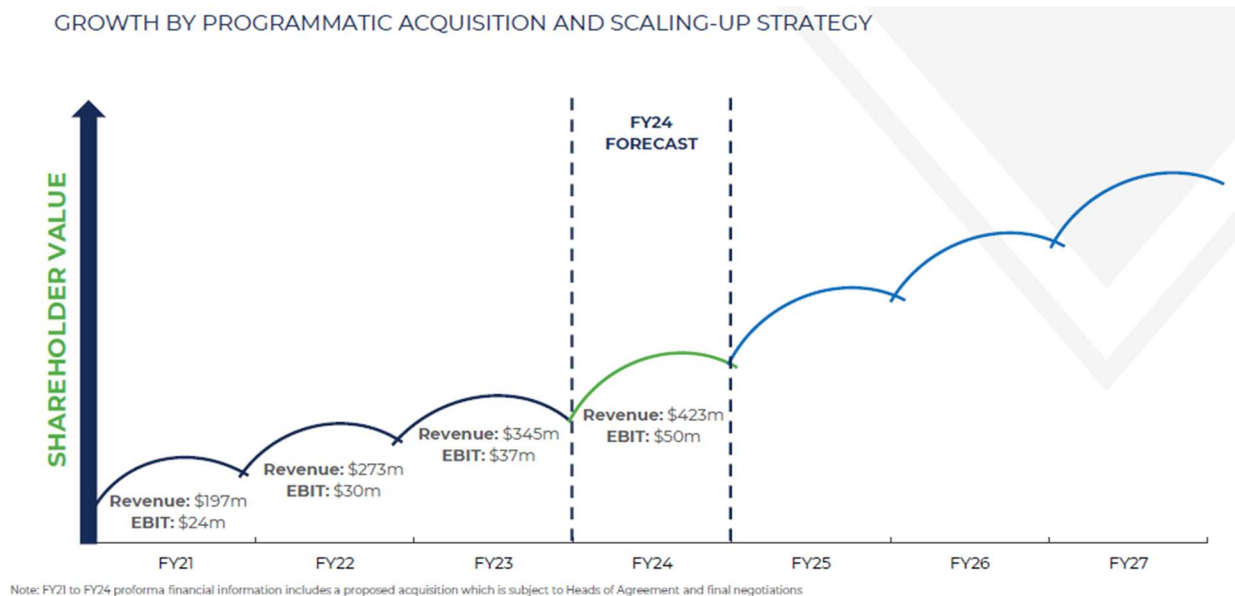
Tasmea generated positive cash flows from operating activities before interest and tax payments of \$22.8 million. The strong cash flows enabled debt reduction, dividend payments, the purchase of new subsidiaries, and funded capital expenditure for plant and equipment to increase operating capacity. As at 30 June 2023, cash on hand was \$17.0 million. Tasmea's net debt position, excluding property leases, was \$34.5 million at 30 June 2023, which was an increase of \$10 million from 2022. Importantly, our Net Leverage Ratio represents 0.87 times EBITDA.

BUILDING SHAREHOLDER VALUE

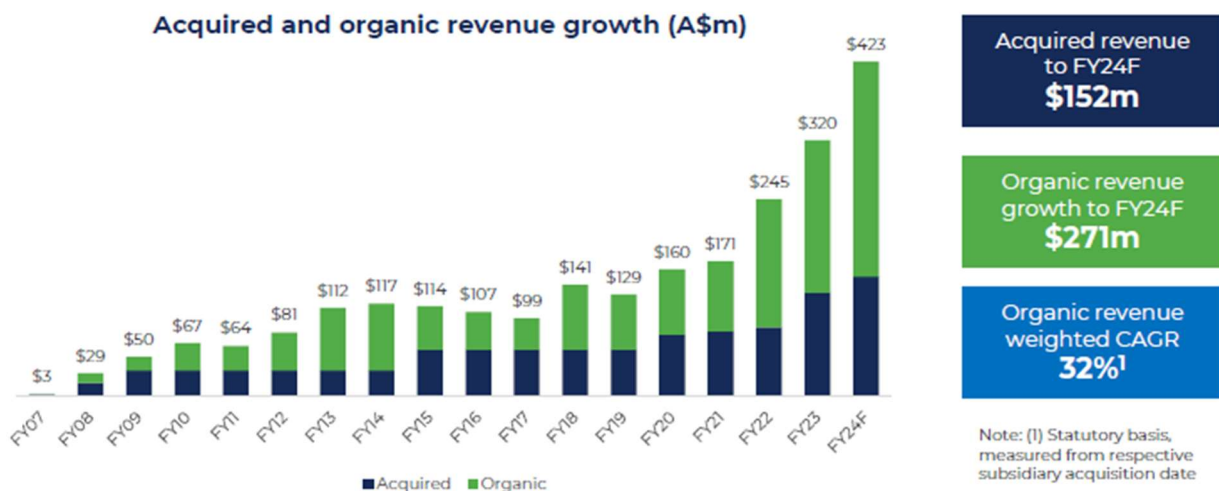
The diagram below depicts Tasmea's Shareholder Value, Growth Strategy through programmatic acquisitions and scaling-up organic revenue of our businesses. Tasmea's future strategy is more of the same, namely growing organically by approximately 15% per annum and complementing that growth by acquiring one or two businesses with a combined EBIT of circa \$10.0 million per annum. As a matter of fact, our pro forma turnover in FY21 was \$197 million, (statutory turnover \$170.6 million) and our pro forma



EBIT was \$24 million (statutory EBIT \$18.2 million). Our Forecast pro forma turnover in FY24 will be \$423 million and our pro forma EBIT is forecast to be \$50 million. Our aspiration as we go forward is to maintain our past trajectory and momentum ie double our revenue and double our earnings over the next 3 to 4 years.



Since we originally listed in 2007, we have grown significantly. If we only focus on the businesses we still own, we have acquired revenue of \$152 million and we have scaled that revenue up through organic growth a further \$275 million in all a total of \$423 million, being this year's forecast (see below diagram). I will use Tasman Power as an example to assist your understanding of this statement. In October 2014, we acquired Tasman Power with a turnover of approximately \$20 million per annum. That turnover has grown organically a further \$60 million. And is forecast to be \$80 million in FY24. Importantly, Tasman Power as at the end of September (quarter one) 2023 is on track to deliver its full year EBIT budget as is the remainder of Tasmea.





FY24 OUTLOOK

Tasma is forecasting to deliver \$423 million in revenue in FY24, an increase of 32% over FY23, while achieving a strong gross margin of 27.5% and an EBIT of \$50 million (before IPO costs) at an EBIT margin of 12%.

In the first quarter of FY24 we are pleased to report that Tasma generated a turnover of \$97.5 million generating an EBIT of \$13.3 million which was better than budget, and 45.9% higher than at the same time prior year. Tasma delivered record monthly profits for each of July, August and September.

Our future performance is underpinned by 8 key principles.

- We have strong market fundamentals supporting long term growth of shareholder value
- We have a successful acquisition strategy and proven ability to acquire, integrate and scale up businesses
- We have a broad suite of specialist services exposed primarily to production and maintenance
- We partner with blue chip customers, and have a high level of recurring revenue
- We have a large accredited workforce, comprising over 1,300 employees, located across six states and territories, giving us both flexibility and a national presence.
- We have competitive strengths and proven strategies to scale up to deliver growth
- We have a highly experienced, committed and motivated management team with skin in the game; and finally
- Our programmatic acquisition strategy is complemented by a strong track record of consistent organic revenue growth, high margins and resilient predictable cash flows.

IPO Update

Unfortunately, from an IPO perspective the Capital Markets could not be in a less favourable state. This is a consequence of inflation, high interest rates, high energy and fuel costs, geopolitical unrest, and the poor performance of IPOs over the past 24 months. A successful IPO requires a mix of institutional and retail investors, and generally speaking the retail investors follow the lead of the institutions.

At the time of entering into the Engagement Letter with our Joint Lead Managers to undertake an IPO, the ASX All Ordinaries Index was 7,224. On the 25 October 2023, when the Joint Lead Managers advised that there was insufficient demand for them to raise \$150 million without heavily discounting the price, the ASX All Ordinaries Index was 7,162, ie a diminution in value of less than 1%. Today the ASX All Ordinaries Index is essentially unchanged at 7,145. However, whilst the ASX All Ords Indices has remained unchanged there has been a significant shift to the ASX 100 ie the larger companies who offer established track records, stable earnings and high levels of shareholder liquidity. Smaller listed companies have been significantly devalued. Details of Tasma's peer set at the time of the engagement of the Joint Lead Managers on 7 July 2023 and as at the 25 October 2023 is set out on the slide. The average value of our peer set has fallen 18% from 11.4 times to 9.4 times.

Notwithstanding the very encouraging response to our non-deal roadshow, the Tasma story and our future prospects in general, there has been a marked reduction in institutional investors' appetite for IPOs as part of the shift away from small caps to large established listed companies.

The terms of the joint lead managers engagement letter contemplated an IPO raising \$150 million at a maximum discount of 20% to the average Enterprise Value to Earnings Before Interest and Tax (EV/EBIT) multiple for the year ending 30 June 2024 of the peer-set. One of the terms of the engagement letter



included forfeiture of their IPO management fee, in the event they were unwilling to provide an underwriting agreement prior to December 31st to facilitate the agreed IPO outcome. Accordingly, your Board were confident that the IPO should eventuate. However, given the present market conditions, it is your board's opinion, there is no purpose to be served by pursuing an IPO at a deeply discounted share price well in excess of the discount contemplated in the JLM Engagement Letter, being a maximum discount of 20%.

The process of preparing Tasma for IPO has been both constructive and demanding. We have, through the journey, tightened our focus on the objectives of an IPO. They are as follows:

1. Tasma wishes to establish a publicly traded market for its equity. This will enable us to offer equity in lieu of cash to our Chief Executives and their direct reports as they earn bonuses. This will complement their sense of ownership with actual ownership.
2. The established listed weighted average trading price of Tasma's equity will be available to be offered to vendors at the time of acquisition in lieu of cash which will both reduce our need for debt and if accepted would complement the founders' commitment to Tasma;
3. As Tasma continues to deliver against its 3 to 4 year plan of doubling revenue and doubling EBIT through a combination of organic scaling up growth and programmatic acquisition growth, its increasing valuation is a source of remorse and missed opportunity from potential investors as opposed to a sense of participation and wealth creation from existing investors. That is, if we were to defer our IPO to March or April 2024 we would expect to list with a forecast annualised EBIT of \$60 million (assuming execution of our programmatic acquisition strategy) and if we deferred to the second half of Calendar Year 2024 with an annualised EBIT of between \$65 to \$70 million based on the Company continuing to execute against its plans.
4. Listing would have provided over time an opportunity for all existing shareholders to sell at value into a liquid market. Specifically, we had planned to list creating sufficient liquidity to allow our participation into the ASX 300 as soon as our earnings warranted inclusion as re-rating could arguably deliver as much shareholder value as the delivery of increased earnings.

Your board will continue to monitor the capital markets, in conjunction with IPO Lead Managers, for an appropriate window in time where we are confident of achieving fair value for the Company and an IPO structure which would allow for the Company to enjoy aftermarket support and success on the ASX exchange. We believe the most likely earliest window is next March 2024.

At this time, I would like to discuss with you the merits of a much smaller capital raise or a compliance listing. Both of these alternatives will require the executive shareholders, Mark, Jason and Myself, to escrow our shares for 18 to 24 months and the other major shareholders would be asked to escrow at least one third of their shareholding for 6 months and a further third for 12 months. Your Board's current view is, subject to improving market conditions, that Tasma should pursue a more modest IPO listing rather than wait until market conditions might support a much more significant capital raising.

VALUES

During the last year, Tasma has worked with its senior management to roll out our shared common purpose "Delivering Value, Always!" and the 6 supporting values that underpin our high performance objectives. The diagram shown below is the Tasma culture statement that now appears in our offices, lunch rooms, websites, and safety task lists. Consistent with our objectives, our entire workforce has once again delivered against our safety expectations, and we have completed a further year without a lost time injury. We are now in our 10th year since our last lost time injury, which is an exceptional outcome and I

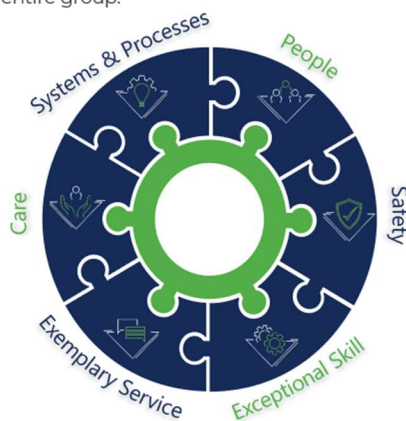


wish to take this opportunity to thank our employees for their ongoing commitment to safe work, care and diligence.

TASMEA's PURPOSE

DELIVERING VALUE. ALWAYS!

Driven by the principle of "Delivering Value. Always!" Tasmea's core values serve as the foundation for the company culture and guide decision-making, and interactions with customers, employees, and partners across the entire group.



TASMEA's VALUES

PEOPLE

People are the Company's greatest asset. Tasmea employ a diversely expert workforce and advocate for learning through development. Tasmea foster a teamwork culture to empower and encourage accountability & respect.

SAFETY

Safety first is Tasmea's first priority. As an organisation the Company is committed to disciplined implementation of highest safety protocols

EXCEPTIONAL SKILL

Tasmea's teams are skilled and experienced, forward thinking solution providers utilising niche sector knowledge to expertly fulfill customer needs

EXEMPLARY SERVICE

Tasmea listen to understand and commit to deliver a wholesome customer experience by assigning actionable urgency

CARE

Imperative to the Company's outcome focused operations is maintaining a human perspective. Tasmea build strong working relationships by demonstrating care in every interaction

COMMON SYSTEMS & PROCESSES

Tasmea are committed to innovative improvement in systems and processes that lead to accurate & fluent reporting, crucial for internal and external operations

CONCLUSION

I would like to take this opportunity to thank my fellow board members Mike, Mark and Jason who have collectively made an exceptional contribution to Tasmea's performance and achievements this past year and also welcome onboard both Joe and Kristie who we look forward to working with to grow and build Tasmea. The Board's gratitude and appreciation is also extended to our executive team and all of our employees for their tireless work and to our valued clients for their ongoing support.

Prior to moving on to the consideration of the formal items of business, I invite questions on my address.

On behalf of the Tasmea Limited Board, I thank you for your attendance today.