

Acquisition of leading energy efficiency business Exergy for \$4 million

Energy Action Limited (ASX: EAX) announces the acquisition of Exergy, a leading specialist energy efficiency business.

- **Exergy is a leading and profitable energy efficiency business**
- **EPS accretive for EAX¹**
- **Acquisition funded from cash on balance sheet**
- **\$4 million consideration, \$2 million upfront payment**
- **Purchase price of 5.4x EBITDA²**
- **Exergy will be integrated into EAX's Sustainability Solutions division**
- **Exergy's Dr. Paul Bannister to head EAX's Sustainability Solutions division**

Leading energy management company, Energy Action Limited (ASX: EAX), today announced that it has acquired a highly-regarded specialist energy efficiency business, Exergy Holdings Pty Limited ("Exergy"). The transaction values Exergy at an enterprise value of \$4.0³ million, representing an EBITDA multiple of 5.4x².

Established in 1999 by Dr. Paul Bannister, Exergy is a highly regarded, profitable, debt free business with a core competency in energy efficiency. Its operations will complement EAX's energy procurement and contract management services, and significantly strengthen the EAX's Sustainability Solutions division.

Exergy provides a full range of energy efficiency services to its customers, including assessments, retro-commissions and building tuning, environmental performance monitoring, ratings (NABERS, Green Star), lighting design and review, building performance simulation and new building design assistance services. The company employs over 30 staff and has offices in Canberra, Sydney, Melbourne and Auckland. Further information about Exergy can be found at www.xgl.com.au.

The acquisition will be funded through EAX's existing cash on balance sheet. The consideration will consist of an initial cash payment to the vendors of \$2.0 million with additional consideration of \$2.0 million potentially payable to the vendors in three instalments over 24 months, subject to the fulfilment of certain conditions⁴.

1. Based on Exergy's average annual NPAT for the 3 years ended 30 June 2013. Excludes acquisition costs and the expenses referred to in note 4 below.
2. Based on Exergy's average annual EBITDA for the 3 years ended 30 June 2013
3. Before post completion net asset adjustments (if any).
4. As the deferred consideration of \$2 million is contingent on the continuing employment of the vendors EAX will be required to account for the payments as remuneration expense in its FY15 and FY16 financial statements. These amounts will be classified as non-operating expenses and added back for the purpose of Operating Net Profit After Tax.



EAX is also pleased to confirm that Exergy's current Managing Director and founder, Dr. Paul Bannister, will remain with the business and will lead EAX's Sustainability Solutions division.

The acquisition of Exergy increases the depth, quality and range of services offered by EAX through its Sustainability Solutions division. By adding additional energy management services through this acquisition, EAX's will have the ability to cross-sell a broader service offering to a wider customer base. There are strong synergies between EAX's Ward Consulting business (now integrated into EAX's Sustainability Solutions division) and Exergy, for example both provide complementary energy management services to blue chip property REIT's.

Energy Action CEO, Scott Wooldridge, commented: "We are pleased to have completed this acquisition and secured what is a highly regarded business with an excellent team. It complements our Sustainability Solutions division very well, and we can now offer a more complete sustainability service to our clients. We will now have a much larger foundation from which to grow this division and we believe there are significant organic growth prospects that we intend to capitalise upon.

"I am also delighted that Dr. Paul Bannister will lead the Sustainability Solutions division. Paul is well known in the energy management sector and was the original technical developer of the NABERS Energy and Water Ratings. The intellectual property that Paul and his team bring to EAX gives us a major competitive advantage."

Exergy Managing Director Dr. Paul Bannister added: "This transaction is a natural progression for Exergy, and it is the beginning of an exciting new chapter for our team. The enlarged energy management service offering means we will be able to provide our combined customer base with a more comprehensive range of services under the one contract. We will also be much better positioned to capitalise on growth opportunities and the ongoing consolidation in the energy management sector."

The transaction exchanged and completed today. EAX received financial advice from Fort Street Advisers, legal advice from Greenwich Legal, and financial and tax due diligence was conducted by Ernst & Young.

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