

18 August 2015

Energy Action delivers Full-Year NPAT of \$2.7 million

- **FY2015 Revenue up 25% to \$32 million however below anticipated levels**
- **Operating¹ NPAT down 41% to \$2.7 million – in line with revised guidance**
- **Contracted energy auctions up 34% to 1,882**
- **Second half dividend of 1.06 cents - 3.65 cents for the full year**
- **Future contracted revenue² at \$76 million - \$24m to be realised in FY2016**
- **Restructure provides platform for reduced cost base and improved profitability**
- **Company focussed on driving organic growth from existing businesses**

Energy management and procurement company Energy Action Limited (ASX: EAX) (“Energy Action”) today reported FY2015 results in line with May guidance, delivering Operating¹ Net Profit After Tax (NPAT) of \$2.7 million, a 41% decrease on the prior year. The company delivered revenue of \$32.1 million - up 25% on the previous financial year.

As referenced in the trading update provided to the market in May, FY2015 Operating NPAT has been impacted by lower than anticipated revenue growth. FY2015 Operating NPAT has also been impacted by one-off abnormal adjustments related to historical bad debts and a billing reconciliation with Energy Action’s largest metering services provider. These one-off adjustments in total represented a \$0.4m impact on the FY2015 Operating NPAT.

The Directors have declared a fully franked final dividend of 1.06 cents per share for the six months to 30 June 2015, payable on 21 October 2015. This represents a total FY2015 dividend of 3.65 cents, fully franked.

Key Financial Metrics	FY15	FY14	Variance
Revenue	\$32.1m	\$25.7m	25%
Operating NPAT¹	\$2.7m	\$4.5m	(41%)
Statutory NPAT	(\$2.1)m	\$3.5m	(161%)
Future contracted revenue (\$m)²	\$75.8m	\$74.5m	1.7%
Earnings per share (statutory)	(8.28)c	13.60c	(161%)
Dividend per share	3.65c	7.35c	(50%)

1 – Before M & A and restructuring costs of \$0.9m related to the acquisition of EnergyAdvice, \$3.75m deferred consideration for Exergy and EnergyAdvice and share based payments associated with Energy Action’s PROP.

2 – Future contracted revenue includes Procurement Services, Contract Management Services and Projects & Advisory Services.

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CEO commentary

Energy Action's CEO Scott Wooldridge said: "The company's full-year performance was disappointing, and below expectations. Lower revenue growth, and the process of integrating two key acquisitions had a significant impact on Operating NPAT."

"The core focus of the business is to take advantage of the revenue and operational synergies that the company has gained through the acquisition of both the Exergy and Energy Advice businesses. The integration of these organisations is well progressed, a single, integrated companywide management structure has been in place since January 2015, and we expect to realise the benefits of this in the near term."

"Revenues delivered by both acquisitions are in line with historical levels, however projected increases from cross-selling across the customer base have not yet been realised. In response to a lower than anticipated revenue growth rate, the business undertook a significant restructure in Q4 to accelerate operational synergies and remove approximately \$1.5 million in costs."

"In conjunction with the integration of the Exergy and Energy Advice businesses, a number of key initiatives were undertaken in FY2015 to strengthen the company's traditional Procurement and Contract Management offering, including the launch of the Australian Energy Exchange (AEX) platform for the Western Australian market, and the launch of the Client Portal. Both of these initiatives have contributed to the increase in successful Auctions on the AEX platform."

Strong revenue growth driven by Projects & Advisory Services and Procurement Services

The Project and Advisory (PAS) division experienced 56% growth, following 137% revenue growth in FY2014.

The acquisition of Energy Advice added complementary procurement capabilities to the business in FY2015, including the addition of Tenders and Structured Products to Energy Action's traditional auction approach. These new offers, combined with a significant increase in auction volumes, saw Procurement Services revenue increase by 46% in FY2015.

The company also continued to increase auction volumes across its proprietary reverse auction platform in FY2015, with 1,882 successful auctions held on the Australian Energy Exchange (AEX), representing a 32% increase on the previous year.

Total auction bid value increased by 8% to \$231³ million in FY2015, reflecting a concentration of smaller size customers which limited the increase in total load auctioned to 16%. The duration of the contracts auctioned decreased by 6%, offsetting part of the load gain and directly reducing bid value.

Contract Management & Energy Reporting

Energy Action's Contract Management and Energy Reporting division performed below expectations in FY2015, with revenue growth of 8%, driven primarily by EnergyAdvice's "EnergyMetrics" and "Bureau" service offers.

Energy Action's traditional monitoring and contract management service, Activ8, was impacted by timing delays between the ending of service delivery for a number of larger customer contracts that were not renewed in the prior two financial years, and the commencement of new customer contracts.

3 – Energy only component of Electricity Contract

From a service delivery perspective, Energy Action achieved record refunds for customers relating to billing errors and large benefits associated with tariff reviews. Overall customer savings delivered from these two aspects of the Contract Management & Energy Reporting service topped \$5.9m for FY2015, compared to \$5.1m in the previous year.

The Contract Management and Energy Reporting service continues to deliver valuable results for customers and is a significant recurring revenue stream for Energy Action, representing 51% of revenue in FY2015.

Energy Procurement

With the addition of EnergyAdvice's Tender and Structured Products to Energy Action's procurement offering, the overall electricity load contracted on an annualised basis was 4.04TWh - a 119% increase over FY2014. For auction based procurement, the total bid auction value increased to \$231 million from \$214 million, while the average auction contract duration reduced 1.6 months to 24.4 months.

Electricity prices remained lower than historical levels driven primarily by the fact that there is currently a significant oversupply of available generation in the New South Wales and Victorian electricity markets, which is reducing wholesale and retail energy prices.

It is anticipated that with further privatisation in the generation market, and improved interconnector supply capability into the South Australian and Queensland markets, there will be an incremental increase in energy prices across New South Wales and Victoria in the near term.

Tendered gas procurement services also increased by 103.7% in volume in FY2015 to an annualised value of 6.57TJ's, predominantly related to the existing client base of EnergyAdvice.

Projects & Advisory Services

Projects & Advisory Services generated 56% revenue growth in FY2015, delivered primarily in the engineering projects space, where the company undertook an increased number of Solar and Power Factor correction projects for clients. Revenue growth in the consulting services offers of Analysis and Energy Reporting was below anticipated levels and this impacted the overall revenue growth obtained for Projects & Advisory Services.

Outlook

Scott Wooldridge added: “Energy Action’s FY2016 priority remains driving the synergies and operational efficiencies associated with the Exergy and EnergyAdvice acquisitions. Taking advantage of the organic growth opportunities in the businesses we have acquired is a key success factor going forward.”

“We remain focused on continuing to develop our market-leading IT platforms, with technology identified as a core differentiator in the provision of our services. We will further enhance the Australian Energy Exchange and the Client Portal to capture evolving market opportunities in FY2016.

“While the recently implemented organisational restructure has had a short term impact on performance, Energy Action expects to realise the full benefits of this in the near-term. The investments we have made in the business over the recent period provide us with a solid foundation by which to cross-sell a larger set of solutions, and we expect the results of this process will materialise in FY2016.”

“The company will provide an additional update to shareholders at the Annual General Meeting, to be held on 12 November 2015.”

ENDS

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