

26 February 2016

Energy Action delivers double digit growth in Revenue and Operating Cash Flow, increases dividend by 8%

- **HY2015 Revenue up 11% to \$17.4 million**
- **Operating¹ NPAT down 4% to \$1.7 million**
- **Operating Cash Flow² up 15% to \$2.9 million**
- **Sites under Contract Management up 3% from H2 FY2015 to 15,706**
- **First half fully franked dividend of 2.80 cents – up from 2.59 cents in H1 FY2015**
- **Establishment of Technical Advisory Board**
- **Announcement of SunEdison solar and storage partnership**
- **FY2016 full year guidance confirmed at \$3.4m - \$3.9m Operating¹ NPAT against \$2.7m FY2015**

Energy management technology and services company Energy Action Limited (ASX: EAX) (“Energy Action”) today reported FY2016 first half results, delivering Operating¹ Net Profit After Tax (NPAT) of \$1.655 million, a 4% decrease on the prior year. The company delivered revenue of \$17.4 million, up 11% on the previous corresponding period. Profit was slightly down on the prior period with majority of sales growth from lower margin products limiting gross margin growth to 4%, and higher finance costs.

Due to EAX’s ability to strengthen cash flow, the Directors have declared a fully franked interim dividend of 2.80 cents per share for the six months to 31 December 2015, payable on 21 March 2016. This represents an increase of 8% from the H1 FY15 dividend of 2.59 cents, fully franked.

Key Financial Metrics	H1 FY2016	H1 FY2015	Variance
Revenue	\$17.36m	\$15.66m	11%
Statutory NPAT	(\$0.61)m	(\$0.42m)	(46%)
Operating NPAT¹	\$1.66m	\$1.73m	(4.3%)
Future contracted revenue³	\$72.7m	\$75.8m	(4%)
Operating Cash Flow²	\$2.92m	\$2.53m	15%
Earnings per share (statutory)	(2.37)c	(1.62)c	(46.2%)
Earnings per share (Operating)	6.38c	6.67C	(4.3%)
Dividend per share	2.80c	2.59	8%

1 – Before \$2.07m deferred consideration for Exergy and EnergyAdvice and share based payments associated with Energy Action’s PROP.

2 – Operating Cash Flow before Interest, Taxes and Significant Items

3 – 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 delivered 11% revenue growth in the first half-year with strong growth in Projects and Advisory Services. This division has lower average margins than Procurement and Contract Management, resulting in gross margin growth of 4%. The Company is realising cost savings following the organisational restructure in FY2015, with cost growth limited to 1% on a like for like basis."

"Good progress has been made in simplifying and streamlining the organisation with the launch of a single unified Energy Action brand and single CRM system. Strong focus on cash conversion and working capital management has delivered 15% growth in Operating Cash Flow."

"Contract Management client numbers under active contracts have increased and we anticipate launching the Activ8 Platinum Service in the second half of FY2016, delivering additional value to clients."

Energy Procurement

The number of Auctions conducted in the first half increased by 7% to 969, the mix of clients was however skewed towards lower volume clients. Although good growth was achieved in Structured Products, intense competition in the Electricity Tenders market resulted in a decline compared to the previous corresponding period.

Contract Management & Energy Reporting (CMER)

The number of sites under management grew by 425 since June, with Activ8 resuming growth. This resulted in an increase in CMER revenue of 4%.

The CMER service continues to deliver tangible results for clients and is a significant recurring revenue stream for Energy Action, representing approximately 50% of revenue.

Projects & Advisory Services

Projects & Advisory Services (PAS) generated 49% revenue growth in the first half, delivered primarily in the engineering projects space. Major projects undertaken include a major building services upgrade, 500KW of commercial solar installations and 40 power factor correction projects.

Staff utilization with PAS has also improved, delivering improved profitability.

Strong growth in Operating Cash Flow

Operating cash flow before interest, tax and significant items was \$2.924 million up 15% versus the prior comparable period. This solid result was driven by a continued focus on receivables and working capital management.

Technical Advisory Board

Energy Action has established a Technical Advisory Board (TAB) so that the Company can remain abreast of current technologies, market and regulatory changes and continue to provide our clients with the most innovative energy efficiency and energy management solutions. The members of the TAB are external experts, Dr Lorraine Stephenson and Dr Chris Strickland plus Energy Action director Dr Ron Watts and executives Dr Paul Bannister and Mr David Rylah.

The TAB will assist with the medium to long term planning in the development and acquisition of technology and solutions and will assist in validating the impact industry trends have on current and future markets within which the Company operates. The TAB will keep the Board and senior management apprised of the implications of new and emerging technologies.

Sun Edison Solar Energy Partnership

Energy Action has today announced a solar partnership with leading international solar energy company, SunEdison (SUNE). SunEdison is a vertically integrated solar product and services provider to the Residential, Commercial & Industrial markets in Australia and overseas. SunEdison is collaborating with Energy Action as its preferred Energy Management solar partner. The partnership is a natural fit for both organisations where SunEdison gains the benefit of Energy Action's supply side market domain knowledge and Energy Action benefits from the scale of SunEdison's solar business. The agreement allows for the provision of solar technology and solar power purchase agreements (SPPA) within the Australian Commercial and Industrial Markets. This partnership enhances Energy Action's ability to assist its clients mitigate the risks of rising electricity prices by providing alternate financial options, these help remove the barriers to entry represented by the initial capital investment in solar projects.

Outlook

Energy Action's CEO Scott Wooldridge added: "The core focus of FY2016 is on around generating operational efficiencies within the business to provide the platform to capitalise on business acceleration initiatives. The Company remains well funded and has the financial flexibility to continue delivering organic growth across key business units. "

"Given the dynamic nature of the energy sector at present, there are a number of opportunities evolving that suit Energy Action's unique supply side and demand side energy management capabilities extremely well. These solutions leverage both our data management and value added services capabilities. We are currently piloting a number of these solutions at present and will announce details concerning these in Q4 FY2016."

Energy Action expects FY2016 Operating NPAT to be delivered with the published guidance range of \$3.4m to \$3.9m subject to normal trading conditions for the remainder of the year. This is in comparison to \$2.7m Operating NPAT delivered in FY2015. Earnings are expected to be weighted to second half of the year, building on recent momentum in the PAS business.

ENDS

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