EnergyAction

ASX/Media Release

For immediate release

18 August 2016

Energy Action delivers 47% Operating NPAT growth and increases full year dividend by 73%

- **FY2016 Revenue up 6% to $34 million**
- **Operating[1] NPAT up 47% to $3.5 million**
- **Operating Cash Flow[3] up 12% to $6.6 million**
- **Sites under Contract Management up 3% to 15,688**
- **Second half fully franked dividend of 3.52 cents : 6.32 cents for the full year**
- **Launch of growth strategy focused on Macro Industry Trends**

Australia's leading energy management technology and services company Energy Action Limited (ASX:EAX) ("Energy Action") today reported FY2016 results, delivering Operating[1] Net Profit After Tax (NPAT) of $3.519 million, a 47% increase on the prior year. The company delivered revenue of $33.9 million, up 6% on the previous corresponding period. The increase in Operating Profit was underpinned by increased revenue from Projects and Advisory Services (PAS) and Contract Management & Environmental Reporting Services (CMER) in conjunction with improved operational delivery.

Due to EAX's improved Operating NPAT performance, the Directors have declared a fully franked final dividend of 3.52 cents per share, payable on 21 September 2016. This represents a total FY2016 dividend of 6.32 cents, fully franked, an increase of 73% from the FY15 dividend of 3.65 cents.

Key Financial Metrics	FY2016	FY2015	Variance
Revenue	$33.98m	$32.05m	6%
Statutory NPAT	($0.45)m	($2.15m)	79.1%
Operating NPAT[1]	$3.52m	$2.40m	46.9%
Future contracted revenue[2]	$66.7m	$75.8m	(12%)
Operating Cash Flow[3]	$6.64m	$5.93m	12%
Earnings per share (Statutory)	(1.73)c	(8.28)c	79.1%
Earnings per share (Operating)	13.56c	9.32c	46.9%
Dividend per share	6.32c	3.65	73%

1 – Before $3.85m deferred consideration for Exergy and EnergyAdvice and $0.12m of restructuring costs.
For prior periods share based payments were not included in Operating Profit. This has been amended, with comparatives restated.
2 – Future contracted revenue includes Procurement Services, Contract Management Services and Projects & Advisory Services.
3 - Operating Cash Flow before Interest, Taxes and Significant Items

CEO commentary

Energy Action's CEO Scott Wooldridge said: "The Company delivered 6% revenue growth in FY2016 with strong growth in Projects and Advisory Services and solid growth in Contract Management and Environmental Reporting Services. The core business focus for FY2016 was to integrate prior acquisitions and improve the operational performance from a systems, service delivery and a cost control perspective. This was achieved, resulting in the translation of revenue growth to improved Operating NPAT"

"Good progress has been made in simplifying and streamlining the organisation with the launch of a unified Energy Action brand and a single, integrated IT landscape. Strong focus on cash conversion and working capital management has delivered 12% growth in Operating Cash Flow. It was also pleasing to see the utilisation of our Projects and Advisory Division reach targeted levels of performance"

Key Objective FY16	Result
Increase PAS pipeline and utilisation	Pipeline increased by $1 million, utilisation met target
Tight cost control to realise cost synergies	OPEX cost reduction vs FY15 results
Finance and CRM systems upgrades	System upgrades completed
Complete brand migration to a single brand	All legacy brands migrated to Energy Action
Finalise product & service pilots ahead of FY17 launch	Embedded network business operational July 2016, Building efficiency upgrade products underway, Structured Products offerings in the market
Launch building efficiency benchmarking service "Expert Monitoring and Diagnostics Services (EMDS)"	Launched June 2016
Launch Energy Metrics Platinum (near real time data)	Launched June 2016
Implement strategic partnership with SunEdison	Not implemented due to financial collapse of SunEdison

Energy Procurement

Procurement revenue declined by 8% with growth in Structured Products being more offset by declines in the very competitive Electricity Tender sector. The number of Auctions conducted in FY2016 decreased by 18% to 1550, with all of the decline experienced in the second half of FY16. As previously cited, a large number of contracts were due for renegotiation by December 2015 and this impacted the available market for both renewal and new contracts in the second half of FY16. Whilst customer numbers due to renew their services have been in line with expectations, the number of newly acquired customers has been lower in a very competitive market.

Contract Management & Energy Reporting (CMER)

Contract Management sites under active contract increased by 407 in FY2016, contributing to an increase in CMER revenue of 8.2%. The solutions offered under CMER in FY2016 were rebranded and restructured into a logical suite of three products, Energy Manager, Energy Bureau and Energy Metrics. An enhanced "Platinum" version was launched in June, extending the capabilities with near real-time data and already a number of clients are benefiting from this solution. These products consolidate and align Energy Action's existing Contract Management portfolio into three clearly defined service and software offers that are the most comprehensive in the market.

A key new offer was launched in Q4 FY16 allowing Energy Action to offer advanced Contract Management and Billing Services for Microgrids, with Charter Hall being a cornerstone client for this service.

The CMER service continues to deliver tangible results for clients and is a significant recurring revenue stream for Energy Action, representing 53% of revenue.

Projects & Advisory Services

Projects & Advisory Services (PAS) generated 18.4% revenue growth primarily in the engineering projects sector. Key projects undertaken included a major building services upgrade, 500KW of commercial solar installations and forty (40) power factor correction projects.

Staff utilisation within PAS has also improved, delivering improved profitability.

Strong growth in Operating Cash Flow

Operating cash flow before interest, tax and significant items was $6.64 million up 12% versus the prior year. This solid result was driven by a continued focus on receivables and working capital management.

Forward Order Book

The forward order book has reduced from $75.8 million as at June 30, 2015 to $66.7 million as at June 30, 2016. The reduction is largely in CMER due to higher levels of cancellations of future start contracts, however more than 50% related to contract periods beyond 2020. Clients are also looking to align the contract length of CMER contracts with their retail electricity contracts. This has resulted in an overall shortening of contract lengths however the number of revenue generating contracts under active management have increased.

Launch of New Strategic Plan

Energy Action launched a new strategic plan in June 2016. The plan was developed in response to changing market dynamics, emerging technologies and maturing client expectations towards the management of energy. Key to these trends are changes within client buying behaviour. For many clients, energy is transitioning from a cost management exercise to a risk management commodity, or is being identified as an opportunity to generate incremental revenue streams.

In parallel to investments targeted at extending the reach and application of Energy Action's existing core solutions, Energy Action is accelerating its investment in sales, marketing and solution development to capitalise on three key emerging energy market macro trends. Each of these trends represents a significant market opportunity for Energy Action. These are the development of Microgrids, the advent of Big Data and the opportunity represented by NABERS (National Australian Built Environment Rating System) to improve building energy efficiency.

The solutions targeted to address these segments have been successfully piloted over the last 12 months. The solutions leverage Energy Action's unique energy lifecycle management suite of Procurement Services, Contract Management Services and Projects and Advisory Services and are strongly aligned to existing offers and capabilities.

Outlook

Energy Action's CEO Scott Wooldridge added: "We are pleased with the improvements in operational performance achieved in FY2016 including, finalising the integration of prior acquisitions, improving the operational performance from a systems, service delivery and a cost control perspective and believe the business in now well positioned to accelerate its growth. We are investing in FY2017 to capitalise on the opportunities presented to Energy Action by the Macro Trends in the energy markets in conjunction with targeted strategies to generate growth from our traditional service offers.

"The company will provide an additional update to shareholders at the Annual General Meeting, to be held on the 10 November 2016".

ENDS

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