ASX/Media Release

For immediate release

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Energy Action reports H1 FY17 Operating NPAT of $0.8 million amid unprecedented market volatility

- **Unprecedented market volatility impacted procurement revenues and profits**
- **Revenue declined 10% to $15.6 million**
- **Operating[1] NPAT declined 45% to $0.8 million**
- **Growth initiatives tracking to plan**
- **Core systems being upgraded to enhance product offerings**
- **Projects & Advisory Services ("PAS") operations reviewed and streamlined, cost savings to be realised H2 FY17**
- **Full year Operating NPAT guidance of $2.4 million to $2.7 million, assuming normal trading conditions**

Energy management technology and services company Energy Action Limited (ASX:EAX) ("Energy Action") today reported H1 FY17 results, delivering Operating[1] Net Profit After Tax (NPAT) of $0.8 million, a 45% decrease on the previous corresponding period (pcp). The results were impacted by the unprecedented volatility in energy markets experienced during the period, which resulted in lower procurement revenues.

Energy prices increased over 50% from the prior year, and were driven by numerous factors including the announcement of the closure of Hazelwood power station, South Australian blackouts and the lack of affordably priced gas in the market place. This volatility lead to numerous instances of energy retailers withdrawing agreed pricing, or suspending energy pricing energy altogether during certain periods. Offer validity periods were also shortened, in some cases to hours, not days.

These events resulted in many instances of deferred or reworked procurement processes and higher churn as clients reacted to materially higher energy prices.

As a consequence, revenue declined by 10% to $15.6 million. The impact of energy market volatility was felt predominantly in the Procurement business, with revenue declining 9%.

PAS revenues declined by 32% to $3.0 million. PAS revenues are dependent on the timing of project works, and in the prior period a large building services upgrade was undertaken. There was no similar project in this half year, although another similar sized project is scheduled to be undertaken in the second half. The higher margin PAS consulting business grew by 3%.

Due to EAX's decline in Operating NPAT performance, the Directors have decided to suspend the payment of a dividend for the half year.

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Key Financial Metrics	H1 FY17	H1 FY16	Variance
Revenue	$15.60m	$17.36m	(10%)
Statutory NPAT	$0.29m	($0.61m)	148%
Operating NPAT[1]	$0.8m	$1.46m	(45%)
Earnings per share (Statutory)	1.13c	(2.37)c	148%
Earnings per share (Operating)	3.09c	5.61c	(45%)
Dividend per share	Nil	2.80cps	(2.8cps)

1 – Excluding deferred consideration and restructuring costs

CEO commentary

Energy Action's Interim CEO Michael Fahey said: "The Company has remained profitable despite extremely difficult market conditions that disrupted business operations for both Energy Action and our clients and has seen several market participants exit the market. Despite this, the company has been able progress a number of our strategic initiatives including establishing our Embedded Networks business and growing our Energy Metrics Platinum, Structured Product and Expert Monitoring and Diagnostic Services customer bases.

Following a review of our PAS business, the Company has decided to focus on the higher margin consulting business rather than the lower margin supply and install work. This review has resulted in five employees leaving the business at the end of January 2017."

Energy Procurement

Procurement revenue declined by 9% with the business impacted by energy market volatility as noted above. Although energy prices increased, energy contract duration shortened as clients opted for shorter length contracts in response to higher energy prices. We have signed several new clients to Structured Products as clients look for alternate solutions to better manage rapidly increasing energy prices.

Contract Management & Energy Reporting (CMER)

Overall CMER revenue is line with the previous period. The embedded network business has become operational with additional sites have signed up and expected to contribute to revenues in the second half. Further product enhancements are planned for the second half including launching a mobile app and additional improvements to the Energy Metrics Platinum service.

The CMER service has delivered potential cash savings of $2.5 million to our clients over the period.

Projects & Advisory Services (PAS)

PAS revenues were down 32% compared to the pcp. However, PAS revenues are influenced by the timing of project delivery and revenue recognition. In H1 FY16, a large building services upgrade project was undertaken. This was not repeated in H1 FY17, however a similar sized project will be undertaken in the second half. Excluding this, the higher margin consulting business grew by 3%. The PAS order book also grew during the year, with circa $4 million of work scheduled to be delivered in the second half.

The pipeline of Commercial Building Upgrade opportunities remains strong, with several projects likely to be approved in the second half of FY17.

Outlook

Energy Action's Interim CEO Michael Fahey added: "We have experienced volatile and challenging market conditions, and the half year results have been impacted by this. We have undertaken a review of our PAS operations and are focussing on our higher margin and more stable business lines, and have reduced costs accordingly.

The changing market conditions, whilst disruptive, also provide opportunities to deliver value added services to our clients as they look for solutions to mitigate the impact of higher energy prices. Our strategic growth options including Embedded Networks, Structured Products and Energy Metrics Platinum provide clients with new ways to manage energy needs, and we are pleased with the progress of implementing these initiatives and expect further progress in the second half."

Energy Action expects FY17 Operating NPAT to be between $2.4 million and $2.7 million subject to normal trading conditions for the remainder of the year. Earnings are expected to be weighted towards the second half of the year, in line with recent years.

ENDS

<u>Further information:</u>

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