ASX/Media Release

For immediate release

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Energy Action reports strong growth in H1 FY18 NPAT

- **H1 FY18 revenue increased to $16.3m – up 4% compared to PCP**
- **Operating NPAT for the half increased 27% from PCP to $1.02m**
- **Revenue and profit growth driven by rising procurement volumes, higher margin consulting services and cost management**
- **Operating cash flows of $2.1m – up circa $2m from PCP with an EBITDA to operating cash conversion of 88%**
- **Contract Management and Environmental Reporting (CMER) revenues moderately decreased – product and service enhancements already supporting further client acquisition**
- **No interim dividend with surplus cash flow applied to debt reduction**

Energy management and advisory company, Energy Action Limited (ASX:EAX) ("Energy Action") today reported its H1 FY18 results, delivering an Operating Net Profit After Tax (NPAT) of $1.02m, a 27% increase compared to the Previous Corresponding Period (PCP). The strong uplift in Operating NPAT accompanied revenues for the half of $16.3m, a 4% increase from PCP. This growth was supported by an increase in procurement and Projects & Advisory Services (PAS) revenues, as well as ongoing cost management.

Revenues from procurement services increased by 38% to $5.2m during the half, driven by steadily rising reverse auction volumes and higher energy prices, and revenues for PAS also experienced growth of 8% to $3.2m compared to PCP, which benefited from a 19% rise in higher margin consulting revenues.

This was offset by a 10% decline in revenues derived from CMER, with $7.8m recorded in H1, due to increased competition and the loss of a government contract for bureau services. Energy Action is now focused on enhancing its sales, marketing and product development strategy, and is well placed to strengthen its position within the CMER market.

Energy Action has continued to implement a number of operational improvements designed to increase the effectiveness of sales and marketing execution in priority segments and target client acquisition in regional locations. These initiatives are already delivering an uplift in activity across the business, supported by a continued focus on responding to growing customer demand for integrated energy management solutions, covering procurement, contract management and monitoring, energy efficiency and renewables.

CEO commentary

Energy Action's CEO, Ivan Slavich, said: "We are pleased to have delivered a strong result in the first half of FY18, experiencing increases in revenues, NPAT and operating cash flows. We have continued to adapt our products and services to better meet the needs of our clients operating within a volatile energy market, and the resulting improvement in procurement revenues and higher margin consulting work is supporting steady bottom line growth."

"Energy Action is positioned to help clients understand and take greater control of their energy needs. We achieve this by providing an integrated energy management solution to help them move to best practice energy management and reduce cost. The four key areas include Procurement, Contract Management and Projects and Advisory Services which includes energy efficiency and Solar PV."

"Our strategy to address the decline in sites under management within our CMER business is already underway, including enhanced sales enablement, new offers to clients and investment into IT systems, and we are confident that this can assist to maintain or grow our market share."

Key financial metrics

Key Financial Metrics	H1 FY18	H1 FY17	Variance
Revenue	$16.26	$15.60m	4%
Statutory NPAT	$1.02m	$0.29m	247%
Operating NPAT[1]	$1.02m	$0.8m	27%
Earnings per share (Statutory)	3.94c	1.13c	247%
Earnings per share (Operating)	3.94c	3.09c	27%
Dividend per share	Nil	Nil	-

1 – Excluding deferred consideration and restructuring costs

Energy Procurement

Procurement revenue grew 38% to $5.2m, driven by a 21% increase in the number of reverse auctions performed, rising from 704 in H1 FY17 to 854 in H1 FY18. This was accompanied by an increase in the average price per megawatt hour of 24% to $95.77. Growth was also recorded in tariffs, tenders and structured products, in response to rising demand given energy market conditions.

Contract Management & Energy Reporting (CMER)

CMER revenues declined by 10% to $7.8m with an accompanying reduction in sites under management. This remains a competitive segment and revenues were impacted by the loss of a government contract for bureau services. Energy Action is focused on improving client delivery, platform enhancements and upgrades to increase market penetration and competitiveness through reduced costs to clients.

Projects & Advisory Services (PAS)

PAS revenues were up 8% to $3.2m compared to the PCP with growth predominantly in the consulting operations. A focus on higher margin consulting project revenues delivered 19% growth in this area, and lower margin supply and install projects are now largely managed by partner organisations, which generates a fee for Energy Action.

Following the successful delivery of Commercial Building Upgrade projects including the multi-award winning 747 Collins Street Office Tower in Melbourne, EAX is looking to build on this success with further business nationally on a similar basis.

Outlook

Ivan Slavich added: “We remain firmly committed to accelerating and improving our sales and marketing activity to achieve sustainable growth in the Company’s revenues and profitability. While energy markets remain volatile, our focus on maintaining a flexible approach to servicing changing client demands means the business is well positioned to capitalise on current market conditions.”

“We will further work towards providing a fully integrated energy solution for clients and penetrate the substantial market opportunity that exists within our market via cross selling to help clients reduce energy cost both in terms of how much they pay and how much they consume.”

“We will also continue to build on increased activity in the Power Purchase Agreement (PPA) market, establishing relationships with Solar PV and LED specialist businesses, developing and exploiting opportunities in regional locations and utilising surplus operating cash flow to reduce debt.”

ENDS

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