ASX Release

16 August 2018

Energy Action delivers strong growth in profit and cash flow in FY18

- **Statutory NPAT for FY18 increased 46% from FY17 to $2.59m**
- **Operating NPAT of $2.59m – up 3% from FY17**
- **Operating EBITDA margin extended to 18.3%**
- **FY18 revenue decreased 5% to $31.17m – lower CMER and PAS revenues offset by growth in procurement revenue**
- **Operating cash flow increased 92% to $6.9m with EBITDA to cash conversion of 121%**
- **Net debt reduced by $3.1m during FY18 - increases borrowing capacity to $7.7m**
- **FY18 fully franked dividend increased to 4.0c per share**

Energy management consultancy, Energy Action Limited (ASX:EAX) ("Energy Action") today reported its financial results for the year ended 30 June 2018, delivering a Statutory Net Profit After Tax (NPAT) result of $2.59m, a 46% increase compared to the $1.77m reported in the Previous Corresponding Period (PCP).

During the year, Operating NPAT grew 3% to $2.59m as a greater focus on core margin improvement and strong cost management resulted in EBITDA margins improving 1.2 percentage points to 18.3%. This higher Operating NPAT result was also underpinned by a 2% decrease in OPEX compared to FY17 and lower cost of goods sold (COGS) for the period.

Group revenues declined by 5% with strong growth in Procurement (+15%) offset by declines in Contract Management and Environmental Reporting (CMER) of 9% and Projects and Advisory Services (PAS) of 15%. PAS revenues declined following a decision to de-emphasise the low margin supply and install head contracts and a continued focus on higher margin core consulting work.

Energy Action's cash generation was reflected by the 92% increase in operating cash flow, increasing to $6.9m from $3.6m in the previous period, with the conversion of Operating EBITDA into cash of 121%. This result was driven by an ongoing focus on working capital management, particularly receivables collection, and enabled the repayment of $4.1m of gross debt ($3.1m net of cash on hand) during the year.

The increase in statutory profit and strong growth in cash flows in FY18 has enabled the Company to declare a fully franked dividend of 4.0 cents per share, payable on 27th September 2018.

As announced on the 6th August 2018, Energy Action has also appointed PwC to assist in conducting a review of the various strategic options available to the Company to maximise value for its shareholders. The review will encompass the potential sale, joint venture or merger of the Company with or to another organisation.

CEO commentary

Energy Action's CEO, Ivan Slavich, said: "The Company's continued focus on improving margins and lowering the operational cost base has supported a higher NPAT result for FY18 and allowed the business to declare a healthy dividend to shareholders and pay down $3.1m in debt. While revenues declined during the period, a significant uplift in operating cash flow illustrated the strong underlying cash generative nature of the business."

"The volatility within energy markets coupled with increased sales and marketing activity during FY18 has supported demand for Energy Action's solutions to assist clients better manage higher energy prices, and this materialised in increased demand for Energy Action's procurement services (revenue up 15%) the facilitation of a major PPA deal between UNSW, Origin and Maoneng, a 100% increase in embedded network revenues and a two-fold growth in the number of structured products clients."

Key financial metrics

	% change	30-Jun-18	30-Jun-17
Revenue from ordinary activities	-5%	31,173,824	32,957,103
Statutory Profit after tax attributable to members	46%	2,588,357	1,772,970
Operating Profit after tax attributable to members	3%	2,588,357	2,521,189
Basic earnings per share (Statutory)	46%	9.97	6.83
Diluted earnings per share (Statutory)	44%	9.71	6.76
Basic earnings per share (Operating)	3%	9.97	9.71
Diluted earnings per share (Operating)	1%	9.71	9.61
Final dividend	186%	4.0c/share	1.40c/share

Procurement

Procurement revenues grew 15% over the full year to $9.27 million, primarily due to higher $/MWh, an increase in average contract duration to 26 months, and the increase of AEX auctions from 1,306 in FY17 to 1,311 during FY18.

A revenue increase was also evident in the Structure Products segment, underpinned by the addition of eight new clients during the financial year. This provides ongoing validation of the service as a means for large business clients to effectively manage their electricity price risk.

Growth was also recorded in Tariff and Electricity Tenders, which was offset by a decline in Gas tenders due to the lack of affordably priced gas in the marketplace.

Contract Management & Energy Reporting (CMER)

Overall CMER revenue declined 9% on the previous financial year (FY 2017: $16.6m), with sites under management in the core energy Metrics service declining by approximately 800 sites during the year.

The Company has progressed a number of strategies to halt this decline, such as introducing competitive pricing and launching the 'Energy Metrics Insight' service, which offers an automated, simplified and lower cost solution to clients. Energy Action is pleased to advise that the rate of decline in Energy Metrics sites has slowed since the launch of these initiatives, with site numbers now more stable since January 2018.

In a more pleasing development, revenues generated by the Company's Embedded Networks business grew by over 100% to $428,000. Growth was attributed to an 83% increase in tenancies under management to 1,378 (FY 2017: 750), as new centres were added.

Projects & Advisory Services (PAS)

PAS revenues declined by 15% compared to FY17 to $6.64m in FY18, which followed a decision to focus on higher margin consulting work, and to de-emphasise and phase out supply and install head contractor project work. This has been somewhat offset by 5% growth in core project management, energy policy consulting, and growth in sites under management for OptEEmise, a service providing continuous monitoring and tuning of energy performance in commercial buildings.

Outlook

Ivan Slavich added: “While the Company advances its recently announced strategic review of the business in conjunction with its advisor, PwC, Energy Action remains well placed to continue capitalising on current energy market conditions. With a higher energy price environment and ongoing market uncertainty, business energy users will remain focused on seeking solutions to help manage their consumption, optimise pricing and reduce costs.”

“Energy Action has a number of planned initiatives to further strengthen its market position, including ongoing investment in core system development and streamlining the business through digitalisation and developing its products and services to grow the business with a focus on corporate PPAs, structured products to the mid-market and extending the AEX platform to provide services for other energy related products and services.”

ENDS

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