

21 December 2018

### **Energy Action – Update on strategic review and operations**

Energy Action (ASX:EAX) (“Energy Action”) provides the following update on developments and outlook in relation to the Company’s strategic review, and operational and financial performance.

#### **Update on Strategic Review**

Energy Action has now concluded the strategic review of options available to the company, as announced to the ASX on the 6 August 2018.

The strategic review highlighted that the Company should continue to focus on developing its strong market position in core energy procurement and monitoring services and streamline the delivery of its energy efficiency solutions.

Through the strategic review process, Energy Action was seeking to identify synergies between the Company and third parties that would maximise the value for shareholders. While discussions with a number of parties in relation to a potential sale, joint venture or merger of the Company to or with another organisation were advanced, a compelling final proposal that met the criteria for synergies and value was not received.

#### **Trading Update**

Energy Action notes that while it has traded profitably and expects to generate positive operational cashflows before interest, tax and significant items of \$1.7m in the first half of FY19, its operational revenue and Operating Net Profit after Tax (NPAT) results are materially behind the prior corresponding period.

This includes a decline in revenues of approximately 20% from the prior corresponding period, and although Energy Action continues to drive operating costs lower, the decline in revenues is likely to lead to an NPAT result more than 50% lower than in the first half of FY18.

There are a number of contributing factors to lower revenues in FY19 to date, including the one-off impact of the strategic review process on the focus of the executive team. In addition, during FY19 to date, the Company has experienced lower auction volumes and tenders, and unexpected delays in project delivery for the project management and advisory services (PAS) business.

With the conclusion of the strategic review, Energy Action will refocus its attention on improving core sales activity, delivering to the full order book for the PAS business, right-sizing the business and reducing operational overheads.

These initiatives are already advancing, as evidenced by the significant recent contract win to provide retail billing services to an electricity retailer supplying the Queensland Government. The contract will deliver in excess of \$2m in revenue over a 3-year period commencing January 2019.

Energy Action will provide a further financial and operational update to the market in conjunction with its interim results for the first half of FY19.

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### **Resignation of Chief Executive Officer**

Ivan Slavich has tendered his resignation<sup>1</sup> and will be relocating to Canberra for personal reasons.

Chairman Murray Bleach said the Board had accepted Mr Slavich's resignation and thanked him for his significant contribution. "During his time at Energy Action, Ivan brought renewed vigour to our strategy and developed our vision of implementing an integrated energy plan for all our clients."

### **Appointment of Interim Chief Executive Officer**

The Company is delighted to appoint John Huggart, currently the General Manager of the Consultancy Division, as interim CEO effective 1 January 2019.

John joined Energy Action in 2018 as General Manager Consultancy Services, during which time he has led the formation of a division dedicated to Australia's largest energy customers with tailored services for procurement, monitoring, energy efficiency, projects, engineering services, embedded networks and innovative sourcing and generation strategies.

John has a strong track record in achieving sales growth in mature and emerging markets and has highly developed sales practice expertise. He formerly established and ran a sales consulting business attracting clients such as Coca Cola Amatil, Scotwork and Dyson.

John has deep energy industry experience, having held positions with AGL, Origin, Alinta Energy and new technology start up, Pooled Energy. His industry roles have spanned CEO, sales, marketing, strategy, service & operations, engineering services and projects.

Commenting on the appointment, John Huggart, said: "I am delighted to take on the leadership role at Energy Action with a focus on growing the sales pipeline to drive growth. I am confident in our team and strategy to help customers reduce their energy cost, risk and emissions, and improve the value of their assets."

"Our ability to create value for clients with our Auction and Progressive Purchasing services and Contract Management provides a sound foundation for growth in an uncertain energy market."

In addition, Nitin Singhi, a current non-executive director of the Company will provide additional assistance to the executive team in the areas of finance and strategy.

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<sup>1</sup> Energy Action shall pay Mr Slavich 3.3 months salary in lieu of notice in connection with his resignation.

A summary of the key terms of John's employment agreement with Energy Action are set out in the attached schedule.

Ends

For further information, please contact:

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Non-executive Director

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**Schedule – Summary of material terms of Employment Agreement**

The material terms of Mr Huggart’s employment agreement are summarized below in accordance with ASX Listing Rule 3.16.4

Position:	Interim Chief Executive Officer
Term:	Until 30 June 2019 with review after March quarter.
Base Remuneration:	\$330,000 per annum inclusive of superannuation
Short Term Incentive (STI):	Mr Huggart will be eligible to participate in the Company STI plan, applicable in the FY19 financial year up to 20% of base remuneration. The actual STI paid will be based upon the achievement of pre-determined key performance indicators set by the Board at the beginning of the FY19 financial year.
LTI	Subject to any required approvals Mr Huggart will be issued with performance rights annually, up to value of 10% of his annual salary. The number of performance rights that will be issued and vest will depend upon the satisfaction of yearly performance criteria – 75% of which is based on achieving EPS targets and 25% based upon meeting TSR targets in comparison to the ASX 300. The rights will be tested annually and will vest over the course of a three year period. No performance rights have been issued to Mr Huggart as at the date of this announcement.
Termination:	The Agreement may be terminated in the circumstances described below: <ul style="list-style-type: none"> <li>a. Resignation by Mr Huggart with three months written notice</li> <li>b. Termination by Energy Action with three months written notice</li> <li>c. Immediate termination by Energy Action by written notice for serious or gross misconduct, fundamental breach or other circumstances justifying summary dismissal.</li> </ul>
Other provisions	From cessation of his employment with Energy Action, Mr Huggart will be subject to restraint arrangements for a period of 12 months including not working for a competitor organization, non-solicitation of employees or contractors and the non-solicitation of clients or suppliers.

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**About Energy Action**

Energy Action is a leading provider of innovative Energy Procurement, Contract Management & Environmental Reporting, and Projects and Advisory Services. As the energy market experts, we are committed to bringing innovation to energy management technology and services, enabling our people to deliver positive environmental and financial outcomes for our clients through the best relationship management, analytics and data integrity. We are authorised to provide financial product advice on electricity derivatives to wholesale clients under the Corporations Act AFSL no. 362843.

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