EnergyAction

ASX Release

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Energy Action reports financial results for FY19

- **Operating NPAT of $1.01m**
- **Operating EBITDA of $2.54m**
- **Operating cash flow of $3.9m with EBITDA to cash conversion > 100%**
- **Statutory NPAT of -$12.09m following $13.1m in one-off significant items (93% non-cash items)**
- **Revenue of $24.8m, down 22% from FY18**
- **Net debt steady at $4.38m with prudent financial management**
- **Bank facility extended with lower limits to reduce borrowing costs**
- **Ongoing focus on cost management with significant reduction of operational overheads**
- **Significant investment of $1.7 million in digital client platforms**
- **Priority to continue investment in digital client platforms and to reduce net debt with NIL final dividend**
- **New management's five-step plan to improve operational and financial performance delivering early results**

Energy management consultancy, Energy Action Limited (ASX:EAX) ("Energy Action"), today reported its financial results for the 12 months to 30 June 2019 (FY19). During FY19, Energy Action delivered a statutory net loss after tax of $12.09 million, which included $13.1 million in significant one-off items. This delivered an operating profit of $1.01 million.

Energy Action reported $24.8 million in group revenues which represented a decline of 22% compared with FY18. This result includes a 35% decrease in revenues from the Procurement division to $6.4 million given lower auction volumes and value, and a 7% decline in the Contract Management and Environmental Reporting (CMER) division to $14.16 million following a reduction in sites under management.

Revenues from Advisory Services (AS) also fell 36% to $4.2 million after repositioning the former Projects & Advisory Services (PAS) division (announced in April 2019) which included a prudent exit from underperforming service areas. The removal of unprofitable activity from the division is expected to stabilise future divisional revenues, albeit at lower levels.

Operating EBITDA fell to $2.54 million, however, Energy Action continues to generate cash with operating cashflows of $3.9 million and an operating EBITDA conversion to cash of 155%. This was supported by a continued focus on working capital and cost management, with a 12% year-on-year reduction in operating overheads.

During the financial year, statutory profit decreased due to significant one-off items totaling $13.1 million, $12.2 million of which were non-cash items. These largely included the impairment of goodwill of $9.94 million related to previous acquisitions, impairment of software $0.9 million (net of tax) and accelerated depreciation and amortisation of $1.25 million (net of tax).

Chairman, Murray Bleach, said "The Board acknowledges that FY19 was a difficult period for the company and its shareholders given the deterioration in financial performance. However, the business remains profitable with a strong market presence, and the new management team's focus on stablising the company's performance is showing early results."

Chief Executive Officer, John Huggart, said “At the beginning of the second half, we initiated a ‘back to basics’ strategy designed principally to address deficiencies in our sales and customer service function and improve capabilities, operating margins and organisational culture.”

“Encouragingly, we have now implemented substantial changes to our sales and service model, which is supporting improved customer retention rates, and we have seen auction volumes trending up in recent months.”

“We have delivered key projects in the second half including rebuilding the Energy Metrics portal and adding SME sites, and the multi-year program to replace our core Customer and Contract Management platforms is nearing completion. Both major projects are expected to deliver better customer engagement and greater efficiencies. We also repositioned the PAS business to eliminate loss-making activity and support the group’s commercial focus on scalable, platform-based services that add value to our clients.”

“As a result of these steps, I believe we are already a fitter business with a stronger team, and we have a brighter and better future. It also now allows the company to transition its focus to building the foundations for future growth. This includes leveraging the value and efficiencies from systems investment, and improved focus on core business with the plan to increase the future contracted revenue.”

Key financial metrics

	% change	30-June 19	30-June-18 Restated
Revenue from ordinary activities	(22%)	24,801,100	31,767,320
Statutory Profit after tax attributable to members	(471%)	(12,092,885)	3,260,674
Operating Profit after tax attributable to members	(69%)	1,005,334	3,260,674
Basic earnings per share (Statutory)	(471%)	(46.59c)	12.56c
Diluted earnings per share (Statutory)	(479%)	(46.59c)	12.28c
Basic earnings per share (Operating)	(69%)	3.87c	12.56c
Diluted earnings per share (Operating)	(68%)	3.87c	12.28c

Operational savings & Investment
Energy Action continues its focus on cost management, with operating costs down $2.4 million. Operational efficiencies include a $1.6 million reduction in employment costs reflecting the flatter management structure, a lower FTE following the repositioning of Advisory Services, and increased business process outsourcing. In addition, ongoing savings have been achieved through the consolidation of office space.

Energy Action has invested $1.7 million in software development in FY19, primarily on the replacement of the Core Customer and Contract Management systems and the Metrics platform, which included a redesign to enhance customer engagement, improved functionally, and capturing SME sites on the portal. The Board has determined a Nil dividend to focus on continued investment in digital client platforms and reduce net debt.

-ENDS-

Further information:

John Huggart, CEO **02 9633 6476**

Tracy Bucciarelli. CFO **02 9633 6401**