

FULL YEAR RESULTS

Sydney – 31 August 2020 – MPower Group Limited (ASX: MPR)

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The 2020 annual results mark the first full year for the Company since it changed its name to MPower Group Limited, trading on the Australian Securities Exchange under the code ASX: MPR.

However, the changes undertaken by the Company in the last year have been far more important than simply a cosmetic change in name, because in the intervening period MPower has successfully progressed along its chosen path as a technology-led company with a dedicated focus on renewable and conventional power system projects, specialising in the design and delivery of renewable energy, battery storage and microgrid solutions.

The transformational activities that took place during the financial year included:

Sale of MPower's Australian and New Zealand product distribution businesses

On 17 February 2020, MPower announced that it had entered into an agreement to sell 100% of its Australian and New Zealand product distribution businesses, including the Bardic emergency lighting business and MPower's solar and battery products business. The sale was transacted at \$4.6 million on a cash-free, debt-free basis and the transaction completed on 28 February 2020. The final purchase price is subject to a post-completion working capital adjustment that is in the process of being finalised in accordance with the Share Sale Agreement.

Following the end of the financial year, the purchaser filed legal proceedings relating to an alleged breach of the Share Sale Agreement and associated claims relating to the transaction. The claim has not been quantified and MPower is defending the matter.

The sale of the businesses has been strategically important to MPower as it enables MPower to focus its future activities around high-reliability renewable and conventional power projects where MPower has an enviable track record.

New banking facilities

In February 2020, MPower finalised new banking facilities, including a term debt facility and a multi-option facility amongst other facilities. A repayment of \$2.5 million was made at completion of the sale of the product distribution businesses, bringing the term debt facility balance to \$5.5 million.

Following the end of the 2020 financial year, MPower successfully agreed an extension of its banking facilities until July 2021, with regular principal repayments of its debt facility to commence in March 2021.

Sale of Rowville property

Settlement of the sale of the group's property in Rowville in Victoria occurred in May 2020. The gross sale value of the property was \$2.6 million representing a net gain of approximately \$0.7 million over the carrying value. The property was owned by the Power Property Unit Trust in which MPower had a 54.6% interest. The property had been occupied by MPower's product distribution activities. Since balance date, the Power Property Unit Trust has been wound up and the funds have been distributed.

In parallel with these transformational activities, substantial progress has been made during the year on refining the business model of MPower's core activities, as well as advancing its project activities and aspirations to Build, Own and Operate distributed energy power plants.

Refining the business model and reduced cost base

The forward business model for MPower's project business has been successfully refined during the year. The project opportunities being targeted and the method of delivering projects has been de-risked and implemented. MPower is pursuing higher margin projects that draw on our established capability and track record. The business is no longer pursuing the type of work that created past challenges. Assembly and associated work on new projects that was previously performed in-house is now being outsourced.

Aligned to the refined business model is a material reduction to the committed cost base of the business. Our head office and operating business have relocated to a new combined office and the large industrial facilities which for many years housed the activities required for the assembly of power generation equipment have been relinquished. There has also been a significant reduction in headcount and a deliberate shift to a variable cost model that aligns with the new business model.

Targeted project work

In January 2020, MPower commenced early work on two new solar farm projects in South Australia with a generation capacity of approximately 5MW_{AC} each. The two solar farm projects developed by Astronergy are grid-connected and feature single axis tracking technology. The tracking technology facilitates the movement of the solar panels to track the sun during the day, thereby maximising the power output of the solar farm.

Contracts for the full design and construction of the two 5MW_{AC} solar farms were executed with Astronergy in March and May 2020 respectively. Each contract has a value of more than \$4 million, taking the total value of the contracts executed with Astronergy this calendar year to close to \$9 million.

In February 2020, MPower announced the successful completion of the construction and commissioning of the 5MW_{AC} Mannum Solar Farm Project in South Australia that was announced in June 2019. The grid-connected Mannum Solar Farm Project is owned by a wholly owned subsidiary of Canadian Solar and comprises approximately 17,000 solar panels and utilises single axis tracking technology.

MPower is in particular targeting solar projects of this size due in part to their relative ease in connection to the grid and is actively pursuing further projects in this niche segment of the renewable energy sector.

At the same time as it is pursuing new opportunities, MPower is also completing work on legacy projects that do not form part of the group's strategy moving forward. Legacy projects have hampered the group's financial performance for some time and efforts are being made to close out the projects as quickly as possible.

Build Own Operate activities

The expertise and capability that MPower has developed in the design and construction of 5MW_{AC} solar farms is also the focus of MPower's Build Own Operate plans. MPower is pursuing structured debt and equity solutions centred on a diversified portfolio of 5MW_{AC} solar farms in Australia. MPower has identified several key advantages of this strategy, including benefits of diversification in the market and minimal grid-related risks.

The aim of MPower's Build Own Operate aspirations is to leverage MPower's inhouse capability and experience and increase the revenue streams available from each individual project opportunity.

Financial performance

MPower's financial results for the year to 30 June 2020 are to be read in light of the many changes that have taken place over the period and the required application of the relevant accounting standards, particularly in relation to accounting for discontinued operations.

The financial accounts reflect continuing operations, being MPower's core activities and discontinued operations, being the product distribution activities that were disposed part way through the financial year. Revenue from continuing operations was \$10.9 million, which was down from \$21.6 million in the prior year as the scope of work targeted has been deliberately narrowed and the focus is on higher contribution projects. A loss of \$2.1 million from continuing operations was recorded for the financial year, mainly as a result of the poor performance of legacy projects that MPower is no longer pursuing, but also as a result of the benefits of the lower cost base of the business only starting to appear towards the end of the financial year.

MPower's cash balance of \$6.5 million at the end of the financial year reflects strong and positive cashflows from MPower's project activities together with the proceeds of the

transformational activities that have been undertaken. The group's cash position is expected to reduce during the first half of the 2021 financial year after financial commitments are met and the group closes out the structural changes that have taken place.

There was a significant improvement in cashflows from operating activities for the year which improved from a net outflow of \$3.9 million in FY2019 to slightly positive in FY2020. There was a net outflow of \$2.9 million in financing activities, primarily because of the retirement of bank debt following the sale of the product distribution businesses.

Looking ahead

Mpower is targeting project opportunities in the renewable and conventional power sectors where Mpower's core expertise overlaps with high growth areas. Mpower is recognised as a leader in its core markets and is actively pursuing opportunities that further cement its leadership position. While the full impact of COVID-19 on the group's target markets and the broader economy is not yet known and may cause some delays to project commencements, the nature and scale of identified opportunities is encouraging.

As Mpower commences the 2021 financial year, it is a very much leaner and more focussed business. The strategy is to leave behind the past legacy matters and achieve a higher profit contribution from a lower revenue base, employing a significantly lower and more flexible cost base. When Mpower's now well-honed technical expertise is coupled with its strategic Build Own Operate aspiration, the Company believes that progress will continue to be made in the coming year.

Ends

Contact

For further information, please contact:

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This announcement has been authorised by the board of Mpower Group Limited.

About Mpower

Mpower Group Limited (ASX: MPR) is a technology-led company with a long history specialising in the delivery of reliable on-grid and off-grid power solutions for blue chip corporate and government customers.

Headquartered in Sydney, Mpower's team of professionals has successfully delivered turn-key solar, battery storage and micro grid projects across the region.