# GROUP FINANCIAL RESULTS

FULL YEAR FY19 | 28 AUGUST 2019

**JOHN HUGGART**
Chief Executive Officer
Energy Action Limited

**TRACY BUCCIARELLI**
Chief Financial Officer
Energy Action Limited

EnergyAction

*Melbourne Cricket Ground*


Eric Geronimo and John Blazevski, Energy Consultants

# FULL YEAR FY19 RESULTS AGENDA

1. **RESULTS HIGHLIGHTS**
   John Huggart
2. **GROUP FINANCIAL RESULTS**
   Tracy Bucciarelli
3. **OPERATIONAL PERFORMANCE**
   John Huggart
4. **FY20 PRIORITIES**
   John Huggart

# FY19 FULL YEAR RESULTS HIGHLIGHTS



| | |
|---|---|
| Operating profit of $1.01 million | Down 69% vs FY18 |
| Operating EBITDA of $2.54 million | EBITDA Margin at 10.2% down 10.8 pts |
| Operating cash flow $3.9 million | Operating EBITDA conversion to cash > 100% |
| Statutory profit of -$12.09 million | $13.1M of significant items ($12.17M non cash items) |
| Operating Costs reduced by 12% | Down $2.4M with operational efficiencies being realised |
| Investment of $1.7 million in digital platforms | Priority to continued investment with nil final dividend |
| Secured over 1,000 sites under management | Won multi-year contract for retail billing services |
| Embedded Networks growth | Growth of 999 tenancies under management or 72% |

# GROUP FINANCIAL RESULTS

**"Our vision for a premium 'A' grade energy efficient site at One Canberra, is made easier through the OptEEmise service which provides practical solutions that have secured savings for our site."**

*Anthony De Salis, Property Operations Manager, Willemsen Group*

*One Canberra, Willemsen Group*

# OPERATING NPAT OF $1.01M

## *STATUTORY LOSS $12.09M, OPERATING PROFIT DOWN 69%*

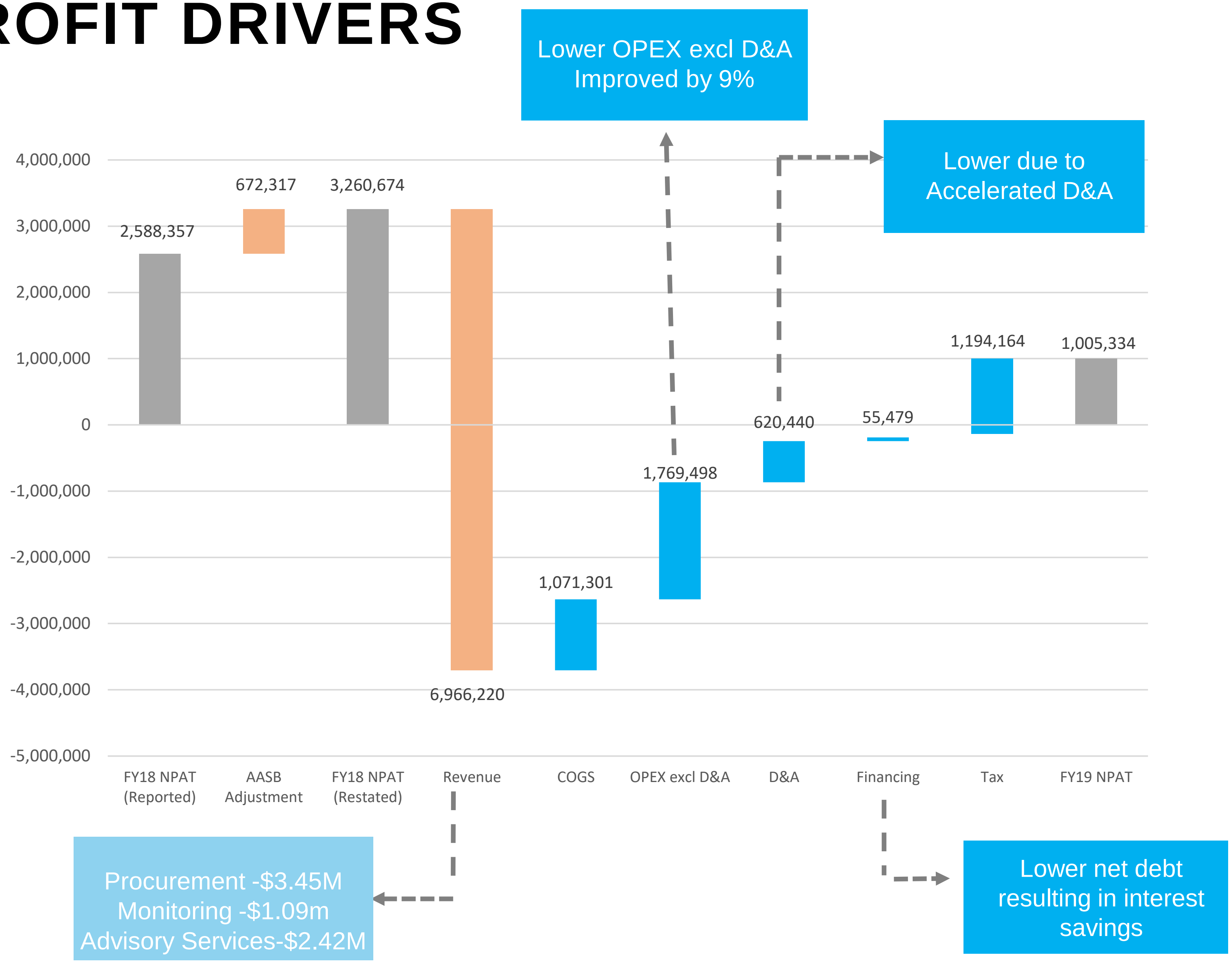
| P&L | FY19 | FY18 (Restated) | % Variance |
|---|---|---|---|
| Revenue | 24,801,100 | 31,767,320 | (22%) |
| COGS | 3,410,880 | 4,482,181 | 24% |
| **Gross Margin** | 21,390,220 | 27,285,140 | (22%) |
| Opex - excl D&A | 18,851,587 | 20,621,084 | 9% |
| **EBITDA** | 2,538,634 | 6,664,055 | (62%) |
| Depn & Amortisation | 914,641 | 1,535,080 | 40% |
| **EBIT** | 1,623,993 | 5,128,975 | (68%) |
| Financing Costs | 474,553 | 530,032 | 10% |
| **Profit before tax** | 1,149,441 | 4,598,943 | (75%) |
| Tax Expense | 144,107 | 1,338,270 | 89% |
| **Underlying NPAT** | 1,005,334 | 3,260,674 | (69%) |
| | | | |
| **Significant items:** | | | |
| Strategic Review | 265,086 | - | (100%) |
| Restructuring Cost* | 657,229 | - | (100%) |
| Accelerated D&A** | 1,252,357 | - | (100%) |
| Other Significant Item*** | 72,500 | - | (100%) |
| Impairment of Goodwill | 9,944,796 | - | (100%) |
| Impairment of Software | 906,250 | - | (100%) |
| **Total Significant Items** | 13,098,219 | - | (100%) |
| **Statutory Profit after Tax** | (12,092,885) | 3,260,674 | (471%) |

- **Decline in revenues**
- **Lower COGS with some improvement in margin**
- **Opex lowered by 9% vs FY18**
- **Accelerated D&A reducing remaining NBV**
- **Borrowing cost savings  with lower net debt**
- **Operating NPAT declined 69%**
- **Statutory NPAT declined 471%**

* Costs associated with restructuring and closure of rental premises.
** Accelerated Depreciation on Customer Relationships and specific items of Software
***Cost for PAS onerous project
^ Energy Action has adopted the full retrospective approach to implement AASB15 Revenue from Contracts with Customers and AASB9 Financial Instruments. Company Accounting Policy for Sales Commission Expense was changed. The Prior Corresponding Period has been restated accordingly. The impact of adopting this standard is detailed in the Appendix .

# OPERATING PROFIT DRIVERS

*22% REDUCTION IN REVENUE OFFSET WITH SAVING IN COGS AND OPEX RESULTING IN 69% LOWER NPAT*



One Canberra, Willemsen Group



# STRONG OPERATING CASHFLOW

*OPERATING CASHFLOW BEFORE INTEREST & TAX $3.9 MILLION*

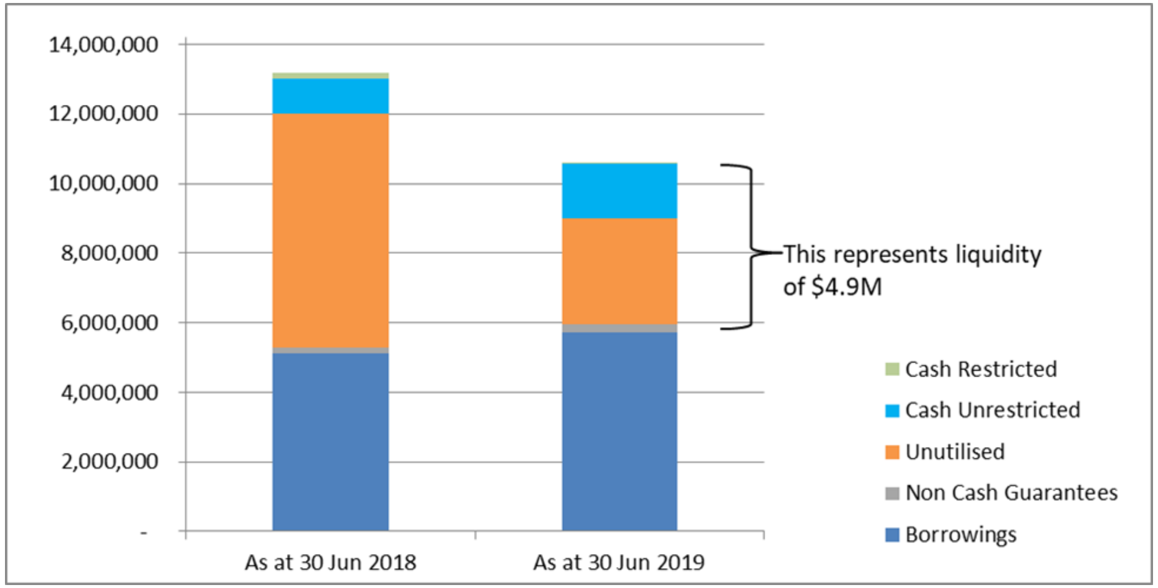
- Continued positive cash management with healthy EBITDA to cash conversion
- Continued focus on receivables maintaining debtor collections.
- Reduction in Revenue not Invoiced with invoicing exceeding new contracts added.
- Lower Other Creditors, with payments made in relation to rebates & channel partners and a reduction in employee provisions.
- Cash significant items relate to Strategic review and restructuring expenses.
- Significant investment in CAPEX with $1.7 million in software development
- FY18 dividend paid in September 18

| Operating Cashflow | FY19 | FY18 (Restated) |
|---|---|---|
| **Operating EBITDA** | **2,538,633** | **6,664,056** |
| Share Based Payments | (147,392) | 55,458 |
| Trade Debtors | 342,702 | 2,153,828 |
| Other Debtors | 324,501 | 44,258 |
| Work in Progress | 13,591 | (271,427) |
| Revenue not Invoiced | 1,540,568 | (593,498) |
| Trade Creditors | 136,176 | 267,238 |
| Other Creditors | (805,417) | (1,427,787) |
| **Total Working Capital Movements** | **1,404,729** | **228,070** |
| **Operating Cash Flow before Interest & Tax** | **3,943,362** | **6,892,126** |
| Net Financing Costs | (405,679) | (468,118) |
| Income Taxes Paid | (168,952) | (1,150,702) |
| **Operating Cash Flow** | **3,368,731** | **5,273,306** |
| Cash flow Related to Sig Items | (666,088) | - |
| **Statutory Net Cash from Operating Activities** | **2,702,643** | **5,273,306** |
| Capital Expenditure | (1,850,972) | (1,744,440) |
| **Net Cash Used in Investing Activities** | **(1,850,972)** | **(1,744,440)** |
| Dividends Paid | (1,038,165) | (363,358) |
| Bank Loans | 623,721 | (4,100,000) |
| **Net Cash Used in Financing Activities** | **(414,444)** | **(4,463,358)** |
| **Net Increase/(Decrease) in Cash Held** | **437,227** | **(934,492)** |
| Cash at the Beginning of the Period | 1,171,288 | 2,105,780 |
| Cash at the End of the Period | 1,608,515 | 1,171,288 |

# DEBT STRUCTURE AND KEY FINANCIAL RATIOS

## *$4.9 MILLION OF AVAILABLE HEADROOM UNDER EXISTING DEBT FACILITIES*

- Prudent financial management of cash and debt
- EAX has a 2 year, $9.55 million market rate loan agreement expiring September 2021. Substantially the same terms and conditions as previous Facility.
- Current net debt stable at $4.38 million, increasing $0.1 million.
- Facility limit reduced from $12 million to $9.3 million during FY19, reducing liquidity by $2.7 million and savings $48,000 p.a. in borrowing costs.
- Focus on capital investment in digital platforms and reducing net debt with the Board determining a nil dividend for FY19.




| Financial covenant metrics | Threshold | June 19 | June 18 Restated |
|---|---|---|---|
| **Interest cover ratio (EBITDA : Interest)** | min 3.0 | 4.98 | 13.69 |
| **Gearing ratio (Total Debt : EBITDA)** | max 2.0 | 1.80 | 0.65 |

# OPERATIONAL PERFORMANCE

**"Excellent execution of the reverse auction – an innovative, flexible and fast procurement process and we felt well supported by our Account Manager."**

*Peter Wearne, General Manager – Facilities*
*Melbourne Cricket Club*

***Melbourne Cricket Ground***

# BACK TO BASICS

Following the completion of the Strategic Review and CEO appointment in 2H FY19, the company focused on five key priorities to stabilise the company and focus on delivering its strong market position in core energy procurement and monitoring services and streamline the delivery of its energy efficiency solutions:

| | "Back to Basics" | Progress |
|---|---|---|
| **Sales Growth** | Working with the mid-market sales team to accelerate acquisitions and retention of customers. A substantive change in sales and service model for the team has commenced. | First two phases of project has been completed. Retention rates for customers from January to June 19 have increased substantively due to improved sales and sales management. For the three months June to August 19 the number of auctions exceed the prior year. |
| **Capability** | The delivery of retail billing project which has now been completed | Complete and in BAU |
| | The delivery of the replacement of Group's core Customer and Contract Management Platforms | The project is in the final stages of completion, with a planned "hypercare" period to ensure any remaining system or training gaps are rapidly addressed. |
| | The refresh of the Metrics platform for retention and growth in CMER | Complete and in BAU |
| **Service** | Improve customer interactions and delivery to achieve improved retention and net promoter outcomes | Service delivery remains a continued focus to ensure customer expectations are met. Milestone reporting including Network Tariff Reviews and Budget estimates have now been on time for the past three months. |
| **Profit** | Continue to improve the operating margins of the PAS division, develop partnerships to assist with delivery of services to customers and strong performance and cost management. | Decision made to re-position PAS to Advisory Services, referral partners appointed for work previously undertaken by PAS. Benefits of a leaner and flatter leadership team with lower cost and continued cash and cost focus balanced with investment in ensuring support for recruiting skilled service delivery team and building capability. |
| **Engagement** | Building a high performance culture | Significant improvement in engagement score to 65% |

# DECLINING REVENUE OF 22% WITH DIFFERENT DRIVERS AND PROGRESS BY SEGMENT

| | FY19 | FY18 | Variance | % Variance |
|---|---|---|---|---|
| Procurement | 6,419,299 | 9,872,786 | (3,453,488) | (35%) |
| Monitoring | 14,165,024 | 15,256,838 | (1,091,814) | (7%) |
| Advisory Services | 4,216,777 | 6,637,696 | (2,420,919) | (36%) |
| **Total Revenue** | **24,801,100** | **31,767,320** | **(6,966,220)** | **(22%)** |

***"BACK TO BASICS"*** *STRATEGY ARRESTED SALES PERFORMANCE AND LAID* ***"FOUNDATIONS FOR GROWTH"***

| | FY19 Drivers | Progress |
|---|---|---|
| **Procurement** | ▼ Poor Sales performance | ▲ Improved Sales performance from Q4<br>▲ FY20 Focus on growth products:<br>• Progressive purchasing<br>• SME segment |
| **Monitoring** | ▼Poor Sales performance<br>▼Long term contracts expiring<br>▼Poor Service Delivery<br>▼Price pressure<br>▲Growth in Embedded Network<br>▲Growth in Bureau Services | ▲Improved Sales performance from Q4<br>▼Long term contracts expiring<br>▲Improved service:<br>• On time Milestone Reports from Q4<br>• Portal refresh and enhanced capability with SME Metrics from Q4<br>▲Growth in Embedded Network and Bureau Services |
| **Advisory (formerly PAS)** | ▼Cease unprofitable and higher risk business | ▲Repositioned Advisory Services aligned to core offer with improved commercial performance |

# INVESTMENT IN DIGITAL CLIENT PLATFORMS

## Transformation of the core Customer and Contract Management platform

- **Enhanced operational efficiencies -** IT architecture to deliver core products and services, leveraging significant levels of automation and data validation
- **Speed to market for new services -** modular framework supports the introduction of new products and services
- **Refocused resources -** self-service reporting model to support data-driven decisions

## Refresh of the Energy Metrics portal and addition of small market capability

- **Better user experience** - substantial improvements to both back-end functionality and mobile friendly interface
- **Better service for multi-site client**s - Added capture of small sites (SME), as well as large market sites, within one portfolio view
- **Improved scalability** - expanded capability to accommodate more users making it simpler for clients with multiple team members

# CORPORATE HIGHLIGHTS

| | | | |
|---|---|---|---|
| An increase in Embedded Network tenancies under management of 999 (72% growth) | Winning a multi year contract to supply retail billing services to CS Energy with a successful go-live in January 2019 | Delivering a comprehensive multi-year energy strategy for Western Sydney Airport | Expansion of the Business Processing Offshore team to 17 Full Time Equivalent (FTE) |
| Operating cash conversion to EBITDA > 100% | Action to adopt a leaner management structure and reduce operating costs | Replacement of Core Customer & Contract Management Platform | Retention Rates for customers from January to June 19 increased substantively |
| Metrics portal refresh & SME functionality added | Strong improvement in employee engagement | Decisive action to reposition PAS to Advisory and appoint partners for non-core work | Closure of 4 leased premises reducing costs |

**Sales Growth** | **Capability** | **Profit** | **Engagement**

# OPERATIONAL SAVINGS

Operating overheads totalled $19.8 million for the period, compared to $22.2 million in the pcp, a decrease of $2.4M, (12%), reflecting a continued focus on cost management, in particular:

- Employment costs were $1.6 million lower than pcp primarily as a result of :
    - A flattening of the management structure reducing leadership by 5 FTE and resulting in forecasted savings in excess of $1 million per annum from FY20, with some savings achieved in the second half of FY19.
    - The Company continues to expand its offshore resources replacing on-shore transactional roles as appropriate with 17 FTE in FY19.
    - The number of employees in the Advisory (previously PAS) business reduced by 27 FTE.
    - Investment in recruiting additional operational staff, often with relevant industry experience, to underpin service delivery improvements and ensure improved customer service outcomes.
    - Investment in Campaign Sales Capacity in conjunction with the substantive change in the sales and service model for the mid-market sales team.
- Closure of 4 rental premises, with consolidation of 3 office locations into Sydney and Melbourne and the Perth office relocating into a flexible serviced office. This will result in cost savings of approximately $0.2 million per annum.
- Reduction of Directors fees by 40% resulting in annualised savings of $0.126 million effective 1 February 2019.
- Ongoing strict cost control across all discretionary spend areas.
- A decline in operating D&A with accelerated depreciation and amortisation from the reassessment of customer relationships and specific software useful life to 30 June 2019.

# FY20 PRIORITIES


**" In response to growing energy market complexity, the proportion of C&I customers engaging consultants and other intermediaries is increasing. Amongst those C&I customers using a consultant or broker for energy procurement and reporting, Energy Action has the highest customer share".**

As reported in Utility Market Intelligence – UMI C&I Customer Benchmarking Survey, 2018. Utility Market Intelligence is a wholly owned subsidiary of The NTF Group

EnergyAction

# OUR TOP PRIORITIES FOR FY20

## *BUSINESS STRATEGY & PROSPECTS FOR FUTURE FINANCIAL YEARS*

**"Priority to leverage the value and efficiencies from systems investment, and improving focus on core business, with a plan to increase the future contracted revenue."**

| | "Key Priorities: Foundations for Growth" |
|---|---|
| **Sales Growth** | Continuing with sales and customer management programs to lift retention rates and acquisition across all customer segments. Launch new products to key customer segments, including expansion of progressive purchasing clients and environmental reporting |
| **Capability** | Continue to develop the scalable platform to capture additional efficiencies and eliminate remaining legacy systems |
| | Continued improvements in Metrics platform for customers to meet existing and emerging customer demand and develop energy insights underpinned by data management and analysis |
| | Enhanced capability to assist small market customers |
| **Service** | Improve customer interactions and delivery to achieve improved retention and net promoter outcomes |
| **Profit** | Maintain disciplined performance management and cost control, lift the value of forward revenue, leverage the efficiencies of the newly built core systems and ensure Advisory business achieves commercial outcomes |
| **Engagement** | Building and maintaining a high performance culture |

# GETTING IN TOUCH

**John Huggart**
**Chief Executive Officer**
(02) 9633 6476
john.huggart@energyaction.com.au

**Tracy Bucciarelli**
**Chief Financial Officer**
(02) 9633 6401
tracy.bucciarelli@energyaction.com.au

www.linkedin.com/company/energy-action

info@energyaction.com.au

www.energyaction.com.au

1300 553 551

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Any investment decision with respect to any transaction involving Energy Action Limited should be made based Solely upon any offering documents, if applicable, and appropriate due diligence by the prospective investor.

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Past performance is not a reliable indicator of future performance. This presentation may include forward-looking statements that represent opinions, estimates and projections, which may not be realised. Forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Energy Action Limited. Actual results may vary from any forecasts and any variation may be materially positive or negative. This presentation includes forward-looking statements that represent opinions, estimates and projections, which may not be realised. We believe the information provided herein is reliable, as of the date hereof, but do not warrant its accuracy or completeness. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources.

All information contained herein is current as at 30 June 2019 unless otherwise stated.

EnergyAction

# APPENDIX

*Tracy Bucciarelli CFO, Eric Geronimo and John Blazevski, Energy Consultants*

## Our Expertise

A national team with knowledge and capability to offer better ways of buying, using and generating energy

## Our Independence

To fight for a better deal, ensure “apples” to “apples” comparison and that retailers and providers deliver what they promise

## Our Systems & Processes

That ensure automated and reliable delivery of valuable information, validated bills, tariff reviews and insights

# *TO HELP OUR CLIENTS UNDERSTAND, AND TAKE CONTROL OF, THEIR ENERGY NEEDS*

*WE HELP BUSINESSES TO MAKE A GOOD DECISION TO SAVE ON ENERGY COSTS, REDUCE EMISSIONS AND INCREASE THE VALUE OF THEIR ASSETS*

- **“ ….the proportion of C&I customers engaging consultants and other intermediaries is increasing…. Energy Action has the highest customer share”**.
  As reported in Utility Market Intelligence – UMI C&I Customer Benchmarking Survey, 2018. Utility Market Intelligence is a wholly owned subsidiary of The NTF Group
- The business remains profitable and continues to generate operating cash of $3.9M in FY19.
- The core strength and relevance of Energy Action remains, with a large customer base facing rising energy costs, regulatory uncertainty and an increasing range of often confusing options relating to buying, using or generating energy.
- The Energy Action proprietary platform delivers great savings and consistently achieves a significant net promoter score of > +50

**6.8%**

of savings achieved through Auction for customers (comparing high to low bid)

**Over $5M**

of savings identified through Bill Validation and Network Tariff Reviews for CMER clients in FY19

**Over 16.6%**

of energy bills identified with errors

# PROCUREMENT

## *TOTAL REVENUE DECLINE 35% PRIMARILY DRIVEN BY LOWER VOLUME OF AUCTIONS*

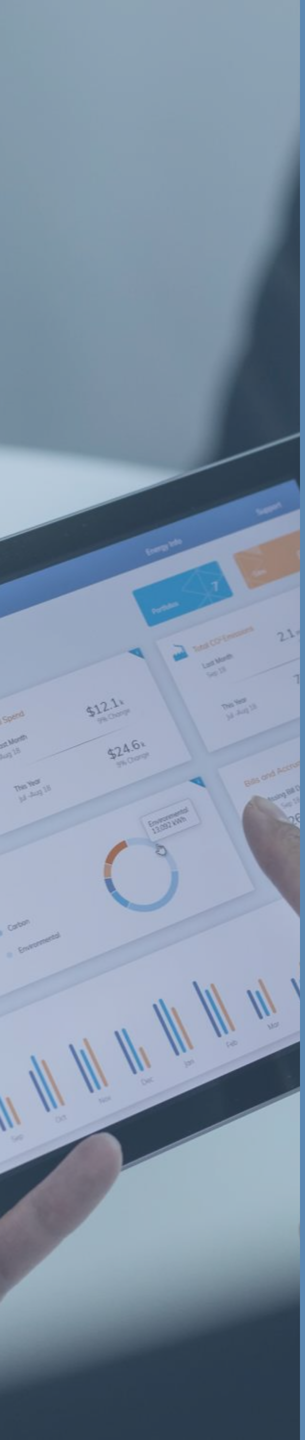
**Energy Action provides a complete range of procurement options across four distinct market segments:**

- **Auctions via the Australian Energy Exchange (AEX)**
- **Tariff (SME)**
- **RFP's or tenders**
- **Structured Products**
- **Corporate Power Purchase Agreements (PPA)**

| | FY19 | FY18 | Variance |
|---|---|---|---|
| No. of successful AEX Auctions[1] | 854 | 1,311 | -34.9% |
| Average AEX contract duration | 25.9mth | 26.1mth | -0.2 mths |
| TWhs procured via Auction[2] | 0.81 | 1.48 | -45.3% |
| Average $/MWh | $77.53 | $88.85 | -12.7% |
| Total Auction Bid Value[3] | $136m | $285m | -52.3% |
| No. of electricity tenders[4] | 27 | 47 | -42.6% |
| No. of gas tenders[4] | 32 | 52 | -38.5% |

1. Contracted auctions
2. Annualised equivalent
3. Electricity component of contract only, i.e. excluding network and other charges
4. Includes C&I and tariff tenders

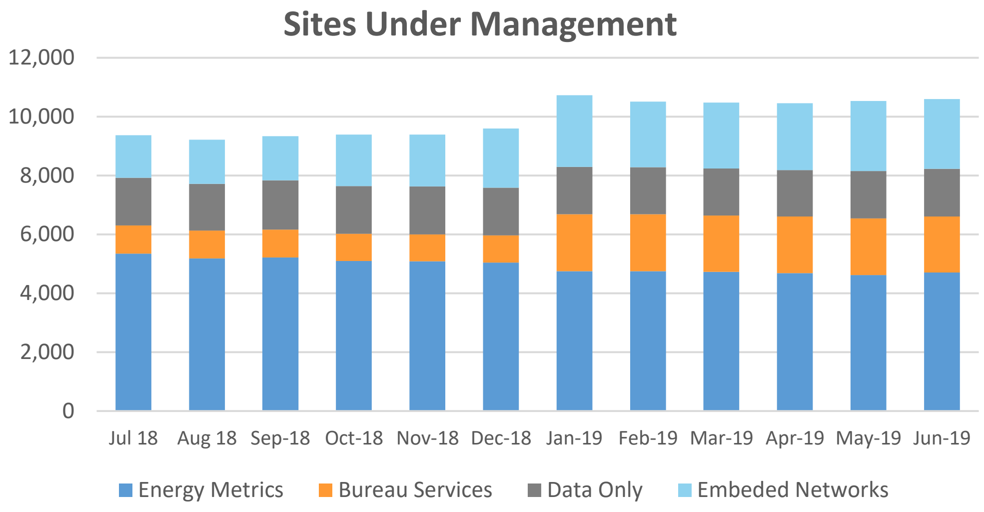
- AEX auctions volume significantly down -34.9% on FY18. Strategy in 2H to improve retention and acquisition sales has seen the number of Auctions June 19 – August 19 exceed the prior year.
- Stable contract duration, lower volumes and lower $/MWh resulted in 52.3% decline in total auction bid value.
- Number of clients using strategic procurement maintained at 15.
- Decline in tariffs and tender revenue with movement to progressive purchasing over a longer period cannibalising the frequency of tenders.



# MONITORING

*MONITORING REVENUE DECLINED 7%*
*SITES UNDER MANAGEMENT UP 11.5%*

- **10,600 sites are under management.**
- **Monitoring revenue declined 7% with sites under management in the core Metrics service declining -793 sites compare to FY18.**
- **Decline in core Metrics service offset by growth service lines:**
  - **Embedded Networks had +999 sites added during the period (72% growth)**
  - **Won a multi year contract to supply retail billing services for several hundred sites on behalf of CS Energy, with a successful go-live in January 2019.**




- Energy Metrics SME added in Qtr 4, a small market monitoring service to our suite of offers that gives clients a whole portfolio view including properties that with industry defined "small market" consumption - these are commonly excluded from other broker and consultant capability.
- Embedded Network portfolio diversified across retail, airports and commercial buildings including addition of one major real estate trust to the portfolio.
- Project development capacity expanded to support green field and brown field embedded network conversions on behalf of Charter Hall.

CS energy

Charter Hall

# ADVISORY SERVICES

- **Appointed new partners to deliver non-core work including Ecosave**
- **Significant 1.05 MW Solar project achieved for client D'Sorgna through partnership**

- Advisory revenues declined 36% across the full range of services, with operating performance impacted by high staff turnover and the repositioning of the PAS division.
- The majority of projects in discontinued activity is completed with no material exposure continuing into FY20.
- Leichhardt Marketplace head-contractor works has stage 1 in the final stages, with stage 2 to be substantially finalised in 1H FY20.
- The newly positioned Advisory division will focus on optimising energy efficiency from commercial buildings, as well as environmental reporting and NABERS rating services for property portfolio clients.
- The division is engaging with partners with appropriate expertise to ensure delivery of services to clients.
- Continued focus on margin and operations improvement for retained Periodic Sector and growth in Channel Partners.

# BALANCE SHEET



| BALANCE SHEET AS AT - June 2019 | | | |
|---|---|---|---|
| | 30 Jun 2019 | 30 Jun 2018 (Restated) | % Variance |
| **Current Assets** | | | |
| Cash and cash equivalents | 1,608,515 | 1,171,288 | 37% |
| Debtors | 3,495,883 | 3,838,586 | -9% |
| Income tax Receivable | 74,638 | 56,738 | 32% |
| Other Assets | 271,200 | 522,884 | -48% |
| Work in Progress | 851,649 | 865,241 | -2% |
| Revenue not Invoiced - Current | 3,340,288 | 4,526,092 | -26% |
| **Total Current Assets** | **9,642,173** | **10,980,828** | -12% |
| **Non Current Assets** | | | |
| Trade and Other Receivables | 86,043 | 91,358 | -6% |
| Revenue not Invoiced - Non Current | 2,935,228 | 3,289,970 | -11% |
| Software Development | 3,264,423 | 3,959,114 | -18% |
| Goodwill at cost - Ward, Exergy & E Advice | - | 9,944,796 | -100% |
| Customer relationships | - | 1,167,090 | -100% |
| Computer Equipment | 146,284 | 217,302 | -33% |
| Furniture & Fixtures | 110,998 | 312,588 | -64% |
| **Total Non-Current Assets** | **6,542,977** | **18,982,218** | -66% |
| **Total Assets** | **16,185,150** | **29,963,046** | -46% |
| **Current Liabilities** | | | |
| Trade Creditors | (695,339) | (559,164) | -24% |
| Other Payables | (1,588,611) | (1,439,607) | -10% |
| Payroll Related Payables | (336,672) | (428,879) | 21% |
| Employee entitlements | (1,079,751) | (1,179,695) | 8% |
| **Total Current Liabilities** | **(3,700,373)** | **(3,607,344)** | -3% |
| **Non Current Liability** | | | |
| Employee Entitlements - Non current | (234,402) | (354,256) | 34% |
| Loans and Borrowings - Non current | (5,688,471) | (4,997,225) | -14% |
| Deferred tax liability | (868,145) | (2,071,215) | 58% |
| **Total Non Current Liabilities** | **(6,791,018)** | **(7,422,696)** | 9% |
| **Total Liabilities** | **(10,491,391)** | **(11,030,040)** | 5% |
| **Net Assets** | **5,693,759** | **18,933,005** | -70% |
| **Equity** | | | |
| Shareholders equity | (6,542,088) | (6,542,088) | 0% |
| Byback Employee Shares | 4,182 | 4,182 | 0% |
| Retained income previous year | (18,267,935) | (15,007,264) | 22% |
| Dividend | 7,181,853 | 6,143,688 | -17% |
| Foreign currency translation reserve | (1,430) | 39,810 | 104% |
| Interest Rate Reserve | 9,610 | 7,567 | -27% |
| Net Income for the Year | 12,092,883 | (3,260,674) | -471% |
| Share based payments | (170,833) | (318,226) | -46% |
| **Total Equity** | **(5,693,759)** | **(18,933,005)** | -70% |

# STATUTORY TO OPERATING PROFIT RECONCILIATION

| $ | Operating profit after tax | | | EBITDA | | |
|---|---|---|---|---|---|---|
| | FY19 | FY18 (Restated) | Variance | FY19 | FY18 (Restated) | Variance |
| **Statutory results** | **(12,092,885)** | **3,260,674** | **(471%)** | **(10,028,320)** | **6,664,056** | **(250%)** |
| Add back Significant Items after tax : | | | | | | |
| Tax rate change | | | | | | |
| Strategic review | 265,086 | - | **(100%)** | 365,634 | | **(100%)** |
| Restructuring cost* | 657,229 | - | **(100%)** | 906,523 | - | **(100%)** |
| Accelerated D&A** | 1,252,357 | - | **(100%)** | - | - | **0%** |
| Other Significant Items *** | 72,500 | - | **(100%)** | 100,000 | - | **(100%)** |
| Impairment of goodwill | 9,944,796 | - | **(100%)** | 9,944,796 | - | **(100%)** |
| Impairment of Software | 906,250 | - | **(100%)** | 1,250,000 | - | **(100%)** |
| **Operating Profit after tax / Operating EBITDA** | **1,005,334** | **3,260,674** | **(69%)** | **2,538,633** | **6,664,056** | **(62%)** |

Statutory Profit / (Loss) is prepared in accordance with Australian Accounting Standards and the Corporations Act. Statutory Profit / (Loss) after tax (NPAT) of ($12.09M) for the year ended 30 June 2019 compared to a statutory net profit after tax of $3.26M for prior corresponding period (pcp). The FY19 full year results included significant Items of $13.1M (nil pcp) resulting in operating net profit after tax for the year ended 30 June 2019 of $1.01M compared to $3.26M for the pcp, a decrease of 69%.

** Costs associated with restructuring and closure of rental premises*
***Accelerated Depreciation & Amortisation on specific items of Software and Customer Relationships*
****Cost for PAS onerous projects*

Operating Profit is reported to give information to shareholders that provides a greater understanding of operating performance by removing Significant Items and therefore facilitating a more representative comparison of performance between financial periods.

# SIGNIFICANT ITEMS

The Group incurred significant items totaling $13,098,219. Of this amount $12,170,575 (93%) were non-cash items. These significant items net of tax effect were:

- Costs associated with the strategic review of $265,086
- Costs associated with an organisational restructure of $657,229
- Accelerated amortisation of software of $406,217
- Accelerated amortisation of customer relationships intangibles of $846,140 related to previous acquisitions
- Costs associated with PAS onerous project of $72,500
- Impairment of goodwill of $9,944,796 related to previous acquisitions
- Impairment of software of $906,250

# FY18 ACCOUNTING STANDARD CHANGE

Energy Action has adopted the following Australian Accounting Standards, AASB interpretations and change in the company accounting policy as of 1 July 2018:

- AASB15 Revenue from Contracts with Customers
- AASB9 Financial Instruments
- Sales Commission Expense

The Company has restated 2018 comparative figures to reflect the adoption of these new standards.

This table summarises the adjustments against the Financial Statements including the Consolidated Statement of Comprehensive income and Consolidated Statement of Financial Position.

Refer Note 2.2 in the Financial Report for the Year ending 30 Jun 2019 for a full summary of the overall impact of adoption of new and revised Standards and Interpretations.

| Consolidated Statement of Comprehensive Income | FY18 (As Reported) | AASB 15 Adjustment | AASB 9 Adjustment | Sales Commission Expenses | FY18 (Restated) |
|---|---|---|---|---|---|
| **Total Revenue** | 31,173,824 | 593,496 | - | 0 | 31,767,320 |
| COGS | (4,466,526) | - | - | (15,655) | (4,482,181) |
| Expenses | (21,003,695) | - | - | 382,612 | (20,621,083) |
| **EBITDA** | **5,703,603** | **593,496** | **-** | **366,957** | **6,664,056** |
| Depreciation and Amortisati | (1,535,080) | - | - | 0 | (1,535,080) |
| **EBIT** | **4,168,523** | **593,496** | **-** | **366,957** | **5,128,976** |
| Financing Costs | (530,032) | - | - | 0 | (530,032) |
| **Profit before Tax** | **3,638,491** | **593,496** | **-** | **366,957** | **4,598,944** |
| Income Tax Expense | (1,050,134) | (178,049) | - | (110,087) | (1,338,270) |
| **Profit/(loss) after Tax** | **2,588,357** | **415,447** | **-** | **256,870** | **3,260,674** |

| Consoloidated Statement of Financial Position | 30 Jun 2018 (As reported) | AASB 15 Adjustment | AASB 9 Adjustment | Sales Commission Expenses | 30 Jun 2018 (Restated) |
|---|---|---|---|---|---|
| Total Current Assets | 7,440,656 | 4,111,610 | - | (571,438) | 10,980,828 |
| Total Non-Current Assets | 16,031,636 | 3,289,971 | - | (339,389) | 18,982,218 |
| **Total Assets** | **23,472,292** | **7,401,581** | **-** | **(910,827)** | **29,963,046** |
| Total Current Liabilities | 2,928,535 | - | - | 678,809 | 3,607,344 |
| Total Non-Current Liabilities | 5,679,113 | 2,220,474 | - | (476,890) | 7,422,697 |
| **Total Liabilities** | **8,607,648** | **2,220,474** | **-** | **201,919** | **11,030,041** |
| **Net Assets** | **14,864,644** | **5,181,107** | **-** | **(1,112,746)** | **18,933,005** |
| **Equity** | | | | | |
| Issued Capital | 6,537,906 | - | - | - | 6,537,906 |
| Retained Earnings | 5,467,532 | 5,181,107 | - | (1,112,746) | 9,535,893 |
| Profit/(Loss) for the period | 2,588,357 | - | - | - | 2,588,357 |
| Reserves | 270,849 | - | - | - | 270,849 |
| Dividend paid | - | - | - | - | - |
| **Total Equity** | **14,864,644** | **5,181,107** | **-** | **(1,112,746)** | **18,933,005** |

# FULL RETROSPECTIVE IMPACT OF ACCOUNTING STANDARD CHANGE



Total Impact as at 1 July 2018 is increase to retained earnings of $4.068M as a result of adjustments as below:

- Revenue adjustment with Auctions and Commission-based Tender revenue being recognized upfront once the Auction is complete and contracts signed between the Retailer and the Customer.
- The commercial and payment terms of Auctions and Commission-based Tenders remain unchanged, with a “Revenue not Invoiced” Asset being recognised on the Statement of Financial Position.
- The Company has historically experienced cancellation of Auction revenue during the contract period. Accordingly a “Provision for Cancellations” has been recognised on the Statement of Financial Position.
- The Company has expensed sales representative and agents’ commissions upfront in line with the revenue also being recognised upfront
- Tax impact of these changes
- Nil impact as a result of adoption of AASB9

| Total Impact to Group's Retained Earnings | FY18 Full Year Jun 18 | FY17 Full Year Jun 17 | Total Impact |
|---|---|---|---|
| **Retained earnings, as previously reported** | **-** | **5,830,890** | **5,830,890** |
| **Retained earnings, restated (B/F)** | **9,226,934** | **-** | |
| Changes arising from the application of AASB 15 | 593,498 | 6,392,509 | 6,986,007 |
| Changes arising from the application of AASB 9 | - | - | 0 |
| Changes in relation to sales commissions expense | 366,955 | (1,541,017) | (1,174,062) |
| Tax impact of the above | (288,136) | (1,455,448) | (1,743,584) |
| **Profit/(Loss) after tax** | **672,317** | **3,396,044** | **4,068,361** |
| Profit/(Loss) for the period | 2,588,357 | - | 2,588,357 |
| Dividends paid | (363,358) | - | (363,358) |
| **Retained earnings, restated** | **12,124,250** | **9,226,934** | **12,124,250** |