

## CHAIRMAN'S ADDRESS TO SHAREHOLDERS

**Sydney – 27 November 2019 – MPower Group Limited (ASX: MPR)**

The company commenced trading on the ASX under the name MPower Group Limited on 31 January 2019, so this is the first AGM under our new identity.

But it's not just a new name, because it also marks the start of a significantly new direction as a technology-led company specialising in the delivery of reliable on-grid and off-grid power solutions and products. Our forward plan sees us increasing our focus on renewable energy, battery storage and hybrid systems, both for on-grid and off-grid situations, and for self-supporting microgrids which are considered the way of the future. We are also continuing to leverage our capability in high reliability conventional power systems for critical applications.

At the same time, we are pursuing our Build Own Operate (BOO) strategy to bring renewable power generating assets under our umbrella. To facilitate this, we are actively seeking to originate debt/equity solutions that will underpin our future pipeline of opportunities, and we are working closely with third parties to achieve that outcome.

This represents a major change to MPower's historical way of working because what we are aiming for is a suite of fully integrated end-to-end solutions; and whilst this is in its infancy we expect that our BOO strategy will open the door to new future streams of quality income.

This includes the potential for development margins and carried interests; increased overall project contributions; and the benefits of long-term management of assets which can generate a consistent stream of lower risk revenue, and ongoing operations and maintenance income. We already have a strong division that maintains assets in the conventional power sector.

MPower has developed an enviable ability to design and deliver high specification power systems, with a large list of significant projects under our belt which demonstrate the Company's technical prowess and ability to manage projects that are both complex in nature and technically innovative.

What is clear from the unsatisfactory financial result for the 2019 financial year is that building MPower's core capability and expertise has come at a high cost, particularly because of pilot projects where there was a degree of learning, and where different technologies were integrated for the first time. These costs are not capitalised and have been expensed as and when they have been incurred. The specific items impacting the 2019 result are detailed in the annual report.

The annual report details the financial results and several steps are being taken to strengthen the Company as it embarks on its forward plan. This includes the consideration of potential corporate transactions that could enhance the Group's core business imperatives. It is important to note that MPower is an acknowledged specialist in

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the renewable energy and power system sector, with deep technical capability across a range of emerging power technologies, and there is significant value in the investment that has been made.

The new and improved operating structure that MPower is implementing is designed to mitigate the risk of delays and overruns of the type that were incurred in the legacy projects which MPower commenced in earlier periods, and which are now largely at their tail end. A series of changes have been implemented this financial year to focus the business, including the following:

- pursuing high margin, low risk projects that draw on our established capability and track record;
- focusing on design and integration which differentiates us from our competitors;
- targeting critical infrastructure projects that value system reliability over project cost;
- outsourcing assembly and site work to reduce risks and improve scalability;
- building relationships with asset owners so we don't get squeezed by intermediaries.

At the same time, a renegotiation of Group banking facilities is progressing well and our bankers remain supportive. The renegotiation is predicated on the implementation of MPower's forward plan, and I will briefly summarise what is being done to execute on this plan:

- we are focussing on what we do best and walking past everything else;
- we are reducing our cost base to align with our revenue streams;
- we are leveraging the past investment in capability; and
- we are refreshing the management team and reducing committed costs.

Our plan is for this to be implemented during the 2020 financial year.

We are streamlining the core components of our project activities to achieve operational cost savings. A refreshed senior management team is now in place and is motivated to implement a more nimble and flexible design, engineering, procurement and delivery model. Using this approach, the technical integration of complex power systems will continue to be performed in-house and will be managed by leveraging variable resources on a project-by-project basis.

As MPower transitions towards this new model, we will soon be vacating our large industrial facilities in Ingleburn, New South Wales. We are consolidating the core operational components with our head office functions into one streamlined location.

We are also in the process of disposing of the property in Victoria in which MPower has a 54% ownership interest.

A major component of MPower's business plan is, of course, the ability of the Company to achieve its anticipated level of revenue, contribution and cash flow, and the conversion and delivery of pipeline opportunities. In this regard, the opportunity pipeline continues to grow, and a large number of potential projects are currently either in the planning, submission or negotiation stages.

However, timing is still difficult to manage, particularly because of factors which impact the evolving renewable energy sector; and therefore, the move towards a more flexible

and lower base cost business model is a central driver of the forward plan. A 'new normal' for the business will see a greater focus on higher quality revenue streams.

Notwithstanding all these changes, it is pleasing to note that revenue for the first four months of the current financial year is running around 2% ahead of the same period last year.

## **Ends**

### **Contact**

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### **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 and innovative products for blue chip corporate and government customers.

Headquartered in Sydney and with a presence throughout Australia, New Zealand and the Pacific Islands, MPower's team of 100 professionals has successfully delivered turn-key solar, battery storage and micro grid projects across the region.