

TRANSFORMATIONAL PERIOD COMPLETED

- **Product distribution businesses sold**
- **New banking facilities finalised**
- **Forward business model refined**
- **Committed cost base reduced**
- **Melbourne property sold**

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Australia

Sydney – 28 February 2020 – MPower Group Limited (ASX: MPR)

The period which commenced on 1 July 2019 has been an exceptionally busy and transformational time for the Company. In the eight months to the date of this report, substantial progress has been made towards focussing MPower's future activities around high reliability renewable and conventional power projects where the Company already has an established track record.

The following significant changes have occurred:

- Earlier this month the Company announced that it had reached agreement on the sale of its Australian and New Zealand product distribution businesses to Legend Corporation Limited for \$4.6 million on a cash-free, debt-free basis.

The sale comprises the Bardic emergency lighting business and MPower's solar and battery product business, both of which are non-core to MPower's aspirations to focus on high reliability renewable and conventional power projects. The transaction was completed on 28 February 2020 and the activities relating to these business units have been classified in the half year results as discontinued operations. The cash consideration received at completion of the sale was \$5.6 million, reflecting the \$4.6 million purchase price plus an estimate of cash and working capital. The final purchase price is subject to a post-completion working capital adjustment.

- New banking facilities have been finalised, include a term debt facility and a multi-option facility amongst other facilities. The debt facility has a term until July 2020 and \$2.5 million was repaid at completion of the sale of the product distribution businesses.
- The forward business model for MPower's project business has been refined. The project opportunities being targeted and the method of delivering projects have been derisked and implemented. MPower is pursuing higher margin projects that draw on our established capability and track record. Legacy projects that have created challenges for the business are no longer being pursued and assembly and related work 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 change to headcount and a deliberate shift to a variable cost model that aligns with the new business model.
- To achieve these outcomes, one-off costs were incurred in the six months to 31 December 2019 totalling approximately \$1.2 million, including legacy project costs, termination costs, costs associated with changes to premises and other costs. The transition has also curtailed project revenue for the period as the old work has ceased and the new work has not yet come on stream.
- In a further move, the 54.6% owned Power Property Unit Trust has exchanged contracts for the sale of its property in Rowville in Victoria, which has been occupied by MPower's product distribution activities. Completion of the property sale is scheduled for late April 2020 with the gross sale value of \$2.6 million representing a net gain of approximately \$0.7 million over the carrying value which is not reflected in the half year accounts. Net proceeds to be received by MPower are expected to be approximately \$0.8 million.

The Group recorded a net loss of \$1.8 million for the half year ended 31 December 2019. This is broken into continuing and discontinued operations. Because major changes have occurred in the structure of the business, comparisons with the prior period should be read in this context. It should be noted that within the reporting for continuing operations, there are a number of one-off items that arise from the initiatives implemented over the period as outlined above.

The transformation that has been undertaken has resulted in a refocussed MPower which now intends to leverage itself into the renewable energy upside, specialising in those areas where its expertise is in demand. Whilst the sale of MPower Products and MPower Pacific will decrease the Group's top line revenue substantially, the prospect pipeline for MPower's project activities is very high. The nature and quality of anticipated future work is expected to result in both a different revenue and contribution profile for the future business when compared to the past. With the core project business now co-located with the former head office and finance functions, the move towards the origination of debt/equity solutions for Build Own Operate opportunities is enhanced and will come into clearer focus.

Ends

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 and innovative products 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.