ASX Release

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Energy Action FY20 financial results

Return to profitability in second half as sales grow

- **Operating profit after tax of $0.02m**
- **Strong operating cash flow of $2.0m**
- **OPEX and COGS down $4.25m**
- **Net debt reduced by $1.2m**
- **80% growth in net sales orders for Auctions and Metrics**
- **Demonstrated resilience during COVID-19 uncertainty**

Energy Action (ASX: EAX) or ('the Company') reported a $0.02m operating profit for the full year ended 30 June 2020 (FY20) after returning to profitability in the second half of FY20, in line with expectations. When accounting for significant one-off items including impairments, the Company reported a statutory loss of $2.49m.

Despite the challenges brought about by COVID-19, Energy Action remains resilient. The Company delivered a strong operating cash flow of $2.0m before interest and tax and excluding government COVID-19 support, recorded year-on-year net sales order growth for Auctions and Metrics of 80%, and significantly improved customer retention rates over FY20.

Overall, revenues of $19.78m were recorded in FY20 representing a 20% decline compared to FY19. A significant contributor to the decline was the cessation of unprofitable services following the repositioning of the Advisory Services (formerly PAS) business. Removing these activities shows an 11% decline in revenue.

Revenue also continues to be constrained by the roll-off of long-term contracts in the Managed Services business due to Metrics contract expiries and poor prior year retentions. However, a 52% year-on-year gross sales order uplift for Metrics was achieved, which will underpin future revenues.

While the ongoing impact of COVID-19 remains uncertain, there are some positive early signs. The majority of clients' operations have stabilised, and engagement and contracting have resumed after some sales cancellations and deferrals in March and April 2020.

With the support of staff, most of whom accepted a voluntary pay reduction of 20%, Energy Action continued to implement prudent cost management measures, and the Company reported a combined reduction in operating expenditure (OPEX) and cost of goods sold (COGS) of $4.25m. The Company has also received Government support in the form of JobKeeper payments that have been treated as a significant one-off item.

Net debt was also reduced by $1.2m in FY20 to $3.19m, positively impacted by COVID-19 related government stimulus of $1.75m. As a result of prioritising the management of net debt, as well as continued investment in technology, service and delivery to grow sales, a nil dividend was declared.

Chief Executive Officer, John Huggart, said: "It is pleasing to see our sales performance significantly improve over FY20 and the business return to profitability."

"There is no denying that COVID-19 has had a commercial impact, however, earlier signs of sales cancellations or delays have stabilised. I would also like to acknowledge the support of our staff and directors that participated in a temporary voluntary pay reduction. The team's contribution has helped ensure the business has navigated the impact of COVID-19 and remains well placed to continue its growth plans."

"Having successfully rebuilt our sales function, completed our customer and contract management platform and realigned our operating divisions with client demand, our focus now is on accelerating growth. This includes embedding our market leadership in procurement and managed services and building retail services."

"Technology will play a crucial role in helping to achieve greater client value and efficiencies and is a central part of Energy Action's future. We have appointed an experienced Chief Technology Officer to drive our digital strategy and are recruiting a highly capable technology team to take responsibility of the next development phase for software-based services."

Access to liquidity and debt covenants

The Company reduced its facility limit by $2m during FY20 and holds a $7.55m loan agreement, expiring September 2021, of which $7.3m is available to be utilised for liquidity purposes. As at 30 June 2020, the Company had used $6.38m of the facility comprising a loan of $6.20m and bank guarantees of $0.18m. The Group had $3.18m of unrestricted cash at bank at 30 June 2020, and total undrawn facilities and cash of approximately $0.92m.

Energy Action continues to work closely with its bank, who agreed to waive the requirement to test and comply with financial covenants at 30 June 2020. The Company is engaged in negotiations to renegotiate a long-term facility agreement before 31 December 2020.

FY20 outlook

Guidance remains withdrawn due to the prolonged and unclear impact of COVID-19. However, the business expects to achieve the following minimum milestones in the next 1-2 year period:

- 1,000+ Auctions per annum
- 10,000+ Sites under management
- 10%+ EBITDA

-ENDS-

The release of this announcement was authorised by John Huggart, CEO

<u>Further information:</u>

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About Energy Action

Energy Action is a leading provider of innovative Energy Procurement, Contract Management & Environmental Reporting, and Retail Services. As the energy market experts, we are committed to bringing innovation to energy management technology and services, enabling our people to deliver positive environmental and financial outcomes for our clients through the best relationship management, analytics and data integrity. We are authorised to provide financial product advice on electricity derivatives to wholesale clients under the Corporations Act AFSL no. 362843.