

FY20 Results Presentation

August 2020

John
Huggart

Chief Executive Officer
Energy Action Limited

Tracy
Bucciarelli

Chief Financial Officer
Energy Action Limited



FY20 results agenda

▶ **The Vision**

John Huggart

▶ **Group Financial Results**

Tracy Bucciarelli

▶ **Operational Performance**

John Huggart

▶ **FY21 Priorities**

John Huggart

We are back.



Back to black

- ▶ The business has recorded a small operating profit for the year, following a return to profitability in the second half in line with the outlook in February
- ▶ Commercial impact of COVID-19 offset by improved sales at end of year and the support of staff through a voluntary pay reduction



Back to growth

- ▶ Leading indicators are strengthening, and the business is on-track to grow sales orders in excess of revenue roll-off
- ▶ Auction and tender volumes have grown
- ▶ Net sales orders for Managed Services are the highest in 5+ years



Backing our technology future

- ▶ The transformation of our customer relationship management platform is complete and operational
- ▶ We have appointed an experienced CTO, Clint Irving, to drive the digital strategy
- ▶ Recruitment of in-house development team almost complete
- ▶ We are 'bootstrapping' technology investment to improve production and develop innovation

Financial highlights

▶ Operating cash flow of
\$2m
 Excluding government stimulus

▶ Operating profit of
\$0.02m
 \$1m FY19

▶ Operating costs & COGS down by
\$4.2m
 Reduced 19% during the period

▶ Operating EBITDA of
\$1.8m
 EBITDA margin at 8.9%

Operational highlights

▶ Auctions and metrics net sales order growth of
80%

▶ Increase in avg auction load of
7.7%
 2% increase in overall auction numbers

▶ Tender revenue growth
34%

▶ Completion of core technology platform
 Now live and operational

▶ **Higher retention rates**
 Best NPS score in 5+ years

▶ **Embedded network growth**
 Securing Sydney Trains Embedded Network business for three years for 303 sites

▶ **Strong employee engagement**
 Maintained at near-record levels

▶ **Demonstrated market leadership**
 Innovation in marketing and customer engagement

The Vision

“...we were pleasantly surprised when our Account Manager informed us that our Gas Metrics service had identified billing errors for two of our sites of approximately \$180,000.

Due to the complexity of electricity and gas meter data and often confusing billing dynamics, we may not have identified the billing errors associated with withdrawal charges.”

Adel Salman

General Manager, Supply Chain, Bega Cheese Limited



Our mission is to help customers understand and take control of their energy needs.

► **Why is this important?**

Energy is a minefield of rising financial and environmental costs and risks and data confusion

► **How does this benefit customers?**

We help businesses reduce their costs, reduce the effort to manage the energy category and navigate their journey to Net Zero

What sets Energy Action apart?

We help businesses make a good decision based on:



Our **expertise**
a national team with the capability to identify better ways of buying, using and generating energy



Our **leadership**
the buying power to fight for a better deal from retailers with independent comparison



Our **technology**
ensures automated and reliable delivery of valuable data rich information and insights

Our vision.

We are striving to be a category killer.



Our goal

A category killer for business energy procurement, contract and spend management services



What we do

We help businesses reduce costs, the effort to manage energy, and navigate their journey to Net Zero



Our advantages

EAX leads in procurement, with scale client base and deep industry and data expertise supported by technology and process



How will we get there

Invest in technology to drive efficiencies and commercial scale. Target high growth segments – procurement, managed services, retail services

Performance targets (1-2 years).



1,000+
Auctions



10%+
EBITDA



10,000+
Sites under management

Our long-term growth plan.



Foundations established

Strategy now complete:

- ▶ Realigned operating divisions with demand
- ▶ Re-built sales function
- ▶ Transformed systems
- ▶ Eliminated loss-making activities and continued cost control

Primary milestones:

- ▶ Maintained procurement market leadership
- ▶ Delivered contract management platform
- ▶ Delivered growth in sales orders, improved customer retention and staff engagement
- ▶ Repositioned Advisory business

Strategy:

- ▶ Accelerate leadership in procurement and managed services
- ▶ Build Retail Services business
- ▶ Bootstrap investment in technology platform to enhance scalability

Strategy:

- ▶ Leverage technology platform to grow sales and reduce costs
- ▶ Introduce additional products such as solar procurement
- ▶ Expand microgrid offer and capabilities

Strategy:

- ▶ Leverage local customer base, partners and technology platform to pursue cross-border expansion

Group Financial Results

“Australian Rail Track Corporation (ARTC) have worked with Energy Action for a number of years and we are very satisfied with the service the current team have provided. Services include reporting, procurement and account management.

Their service and professionalism is excellent, always quick to respond to queries and have taken the greater part of it when it comes to renewing contracts off our shoulders.”

Esther Venuh



Income statement FY20.

Operating profit \$0.02m

\$0.98m decline on PCP

Statutory NPAT loss of \$2.49m

Decrease compared to FY19

Revenue down 11% from FY19

20% decline including discontinued products

OPEX and COGS down \$4.25m

Down 19% vs FY19

Government Grants \$0.6m

Primarily Jobkeeper treated as significant item

Software impairment \$2.6M

Relating to Customer & Contract Mgt platform in CRM

	FY20	FY19	% Variance
Revenue	19,781,729	24,801,100	-20%
COGS	1,573,074	3,410,880	54%
Gross margin	18,208,656	21,390,220	-15%
Opex - excl D&A	16,442,099	18,851,587	13%
EBITDA	1,766,557	2,538,634	-30%
Depreciation and amortisation	1,369,955	914,641	-50%
EBIT	396,601	1,623,993	-76%
Financing costs	339,773	474,553	28%
Profit before tax	56,828	1,149,441	-95%
Tax expense	32,876	144,107	77%
Underlying net profit (loss) after tax	23,953	1,005,334	-98%
Significant items:			
Strategic review	-	265,086	100%
Restructuring Costs	328,265	657,229	50%
Accelerated Depreciation	148,423	1,252,357	88%
Impairment of Goodwill	-	9,944,796	100%
Impairment of Software*	2,618,365	906,250	-189%
Significant Item Other	23,393	72,500	68%
Government Grants **	(607,738)	-	100%
Total significant items	2,510,708	13,098,217	81%
Statutory profit (loss) after tax	(2,486,756)	(12,092,883)	79%

* Impairment of customer and contract management platform in CRM

**JobKeeper and payroll tax refund and waiver

Operational savings.

Operating overheads & COGS decreased 19% to \$18m in FY20



Reduction in employment costs



Consolidation of locations



Offshoring resources



Reduction in Directors fees



Cost control

- | | | | | |
|--|---|--|---|--|
| <ul style="list-style-type: none"> ▶ A reduction of 15 FTE as a result of Advisory exit | <ul style="list-style-type: none"> ▶ Annualised savings from consolidation of Sydney and Melbourne offices | <ul style="list-style-type: none"> ▶ Growth in offshore resourcing, replacing on-shore transactional roles as appropriate with 26 FTE in FY20 | <ul style="list-style-type: none"> ▶ Directors numbers reduced from 4 to 3 effective of 1 May 2020 | <ul style="list-style-type: none"> ▶ Reduced travel and costs due to COVID-19 |
| <ul style="list-style-type: none"> ▶ A reduction of 9 FTE with improved integration and efficiency | <ul style="list-style-type: none"> ▶ AASB 16 leases accounting standard adoption reducing rent expense | | <ul style="list-style-type: none"> ▶ Reduction of directors fees | <ul style="list-style-type: none"> ▶ Reduced audit fees with new auditors RSM appointed in FY20 |
| <ul style="list-style-type: none"> ▶ A temporary and voluntary salary reduction of 20% adopted the vast majority of staff | <ul style="list-style-type: none"> ▶ COVID-19 serviced office reductions and permanent rental discounts | | | <ul style="list-style-type: none"> ▶ Ongoing strict cost control across all discretionary spend areas |

Cash flow statement.

Strong operating cash flow of \$2m

Before interest and tax

Strong debtors collections

Impacting working capital +1.1m in FY20

Healthy conversion of

Operating EBITDA to operating cash flow of 112%

Government Grants \$0.5m

JobKeeper and payroll tax treated as significant items

Government relief of \$1.2m

Delays in government taxes payable

	FY20	FY19
Operating EBITDA	1,766,557	2,538,633
Share based payments	(3,002)	(147,392)
Trade debtors	1,093,467	342,702
Other debtors	(381,302)	324,501
Work in progress	479,134	13,591
Revenue not invoiced	106,839	1,540,568
Right of use asset	(992,365)	-
Trade creditors	(159,508)	136,176
Other creditors	(546,548)	(805,417)
Lease liability	622,150	-
Working capital movements	218,865	1,404,729
Operating cash flow before interest and tax	1,985,422	3,943,362
Net financing costs	(311,655)	(405,679)
Income taxes paid	18,517	(168,952)
Operating cash flow	1,692,284	3,368,731
Cash flow related to restructuring	(633,622)	(666,088)
Cash flow related to government assistance	545,117	-
Significant items working capital – government relief	1,203,511	-
Significant items working capital – other	206,444	-
Statutory net cash from operating activities	3,013,733	2,702,643
Capital expenditure	(1,902,628)	(1,850,972)
Dividends paid	-	(1,038,165)
Bank loans	476,279	623,721
Net increase/(decrease) in cash held	1,587,383	437,227
Operating cash flow as a % of EBITDA	112%	155%

Debt structure and key financial ratios.

► Prudent financial management

Of cash and debt

► 2-year, \$7.55m market rate loan agreement

Reduced facility limit by \$2m with savings in borrowing costs

► \$4.04m liquidity

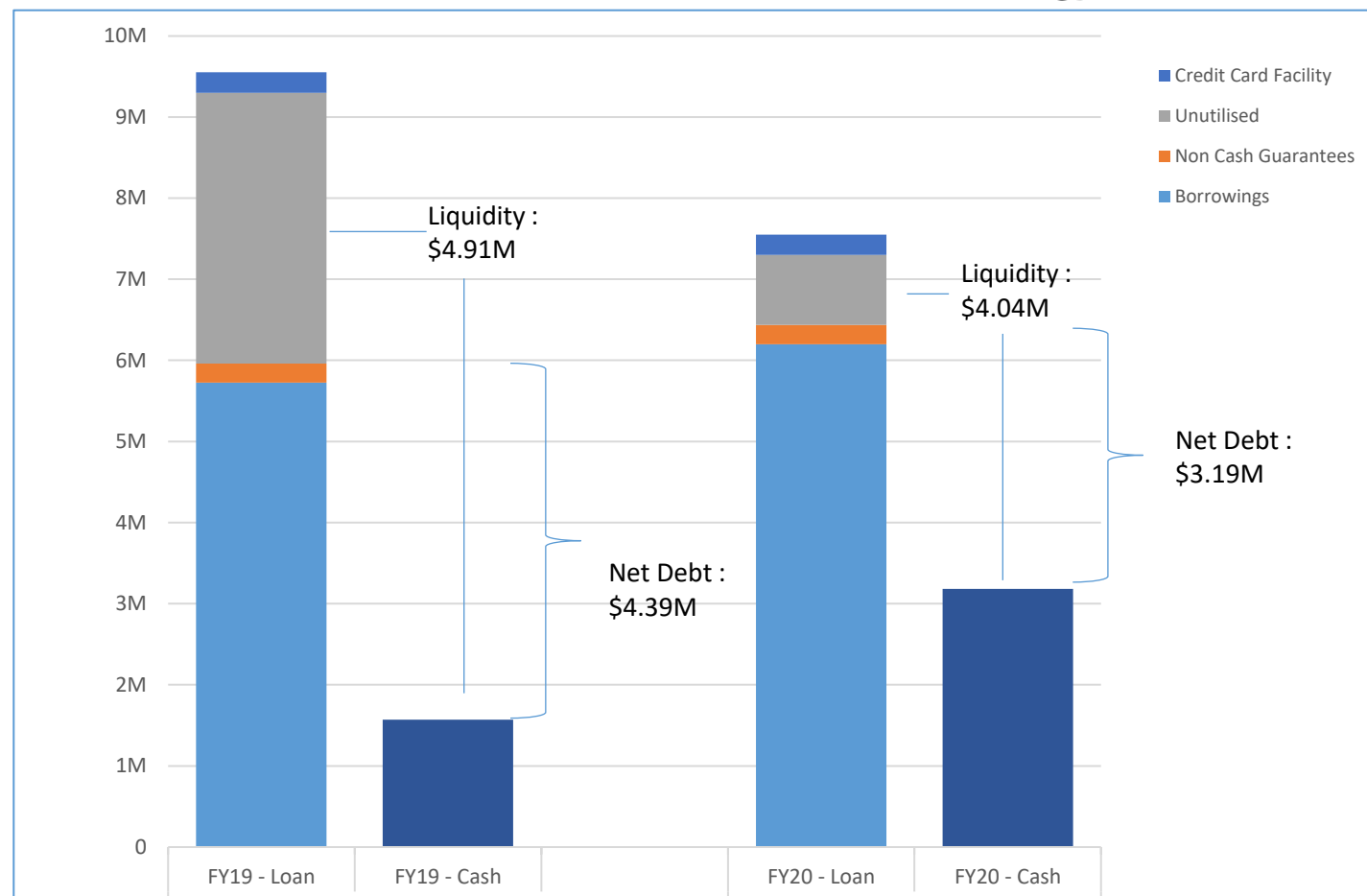
Under reduced debt facilities

► Current net debt at \$3.19m

Positively impacted by COVID-19 stimulus \$1.75m

► Bank covenant testing waiver

for the period ending 30 June 2020



- Bank agreement to waive the requirement to test and comply with the financial covenants as at 30 June 2020
- Ongoing and proactive partnership with bank to renegotiate to a long term facility agreement prior to 31 December 2020

Operational Performance

“Energy Action’s procurement process identified an opportunity for Wilson Transformer Company to significantly reduce the cost of our energy account. Our Accounts Manager gave us excellent advice, drawing upon the team of energy experts within Energy Action.”

Scott Shepherd

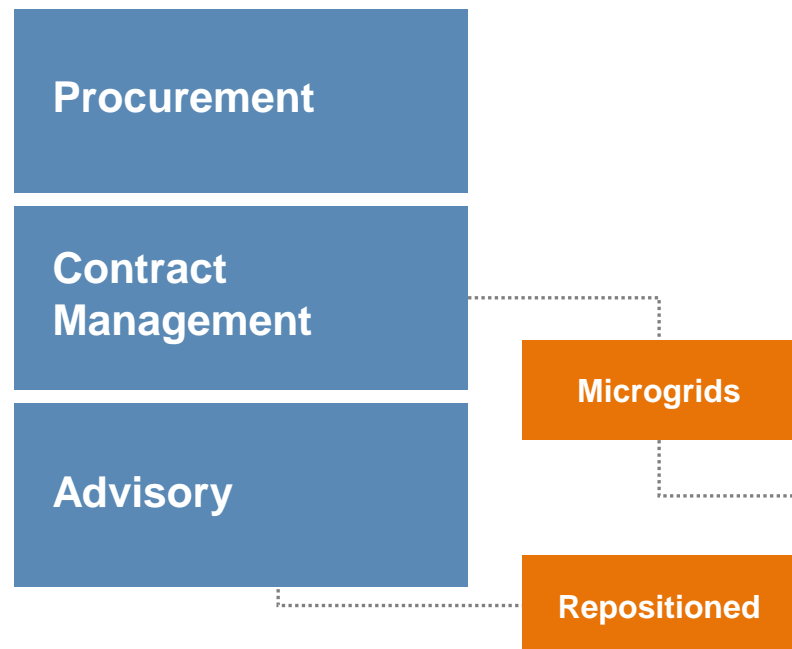
Supply Chain Manager, Wilson Transformer Company



Repositioning the business.

- ▶ Restatement of Business to 3 operating functions, Procurement, Managed Services and Retail Services
Repositioned businesses to be reported as Other
- ▶ New Retail Services division focuses on growth-oriented services including retailer billing sites and embedded networks

Prior business structure



New segments

Procurement	Auctions Tenders Progressive Consultancy Solar, LED, etc
Managed Services	Metrics General Service Agreements Environmental Reporting
Retail Services	Embedded Networks Retailer Services Microgrids Consultancy

Growth orientation



Growth



**Transition with
long term contracts
expiring**



Growth

Segment performance.

Overall revenue of \$19.8m

Procurement

\$6.5m
revenue

In line with
FY19

Key drivers

- ▶ 2% higher auction volume despite 11% less retention opportunities than PCP
- ▶ 7.7% increase in average Auction load



Progress

- ▶ Higher auction volumes
- ▶ Achieve higher average value customers on auction platform
- ▶ Solar channel partner revenue growth

Managed Services

\$11m
revenue

Down \$2.8m
from FY19 (20%)

Key drivers

- ▶ Poor prior year retentions
- ▶ Long term contracts expiring



Progress

- ▶ Strongest net sales of Metrics for five years
- ▶ Record low cancellations

Retail Services

\$1.3m
revenue

Up \$0.5m
from FY19 (51%)

Key drivers

- ▶ Growth in embedded networks annuity revenue
- ▶ Increase in retailer billing and embedded networks sites



Progress

- ▶ CS Energy secured additional sites
- ▶ Sydney Trains won and onboarded

Other

\$0.9m
revenue

Down \$2.7m
from FY19 (75%)

Key drivers

- ▶ Reposition from unprofitable business
- ▶ Repositioned operations down \$2.7m



Progress

- ▶ Advisory repositioning

▶ Leading the market with Net Zero

Launch Auction Blitz

Innovate or Hibernate

► **Launch Bill Buster**

Launch Market Wrap

Sydney Trains scope of service

FREE WEBINAR

Innovate or Hibernate in COVID-19 Climate?

A Business Energy Pricing Update and Free Tools for Companies Looking to Educate Themselves

Tuesday, 21 April | 10:30am AEST

Andy Young
General Manager, Business Services

General Manager, Business Services

Register Now!

EnergyAction 

Helping small businesses
access secret discounts
reserved for large companies

Energy Action
4,191 followers
1mo •

With the possibility of a second wave of COVID-19 looming large, we examine it's impacts on the commercial electricity prices in the latest Energy Market Wrap. [#subscribedtoday #watchnow https://lnkd.in/gjuBdS4](https://lnkd.in/gjuBdS4)

ENERGY MARKET WRAP

Scott Easton
8 July 2022

Scott Easton
1 July 2020

Impact of COVID-19.

Energy Action is a resilient business, with quality cash flow and sales growth



Energy market

- ▶ Only moderate impact on total electricity demand
- ▶ Lower oil and gas prices leading to lower wholesale electricity prices
- ▶ Commercial usage fluctuations amid various restrictions across states



Client base

- ▶ Majority of clients stabilised, now engaging and contracting after some sales cancellations or deferrals in late March/April
- ▶ Highly diverse client base across industry sectors has mitigated disruption
- ▶ Client energy usage in Pubs Clubs and Accommodation impacted by restrictions
- ▶ High levels of engagement and response to COVID-19 related leadership webinars



Operational response

- ▶ Developing resilience through clear leadership and employee engagement
- ▶ Rapid and effective deployment of all staff working from home in all states and offshore locations
- ▶ Productivity stabilised and maintained at highly effective levels
- ▶ Continued customer remote and in person interaction and contracting



Financial considerations

- ▶ JobKeeper/payroll tax grants assisting to offset operating expenses
- ▶ Net debt positively impacted by government relief & assistance
- ▶ Operating cost reductions with lower travel and entertainment
- ▶ Adoption of 20% voluntary pay reduction by Directors, senior leadership and most staff

FY21 Priorities

“Energy Action have been valuable to our business in assisting us with analysis of usage, market conditions, and advice on providers across Australia. We recently procured a new contract with projected savings of ~35% per year in energy expenses.”

Wayne Jones

CEO Indoor Skydive Australia



Accelerate.

Outlook with strong foundations for growth in place



Operational

▶ **Sales:** Accelerate leadership in procurement and managed services and build retail services

▶ **Service:** Improve Net Promoter Score, client retention rates and quality of long term relationships

▶ **Technology:** Build team capability and invest in platform to enhance scalability

▶ **People:** Continued focus on building employee engagement scores and driving high performance culture



Target:

Return to 1,000 auctions and 10,000 sites under management



Financial

▶ **Profit:** Disciplined revenue, cost and cash management

▶ **Guidance:** remains withdrawn due to COVID-19 uncertainty



Target:

Return to 10% EBITDA



1300 553 551

info@energaction.com.au

energaction.com.au



@EnergyActionAUS



[linkedin.com/company/energy-action](https://www.linkedin.com/company/energy-action)

Appendix

“Energy Action made the tedious task of securing our multi-site energy contracts transparent and easy. Their process was simple, the results were quick and easy to compare and I’m happy with the service my Account Manager provided. I would recommend them to any Club seeking an energy partner that is highly knowledgeable and can secure them a contract in an efficient manner.”

Frank Raiti

CEO Blacktown Workers Club Ltd



Procurement.

Revenue of \$6.5m (flat overall YoY)



AEX auctions volumes up by 2% on FY19. 7.7% increase in average annualised MWh's per AEX



The average \$/MWh declined 6.7% to \$75.4 with contract duration increasing 4.6% to 29.4 months



Growth in AEX gas up 26% and tender 33%



Solar Channel Partner revenue grew 71% and continues to be a growth strategy for the Company

	FY20	FY19 ²	Variance
No. of successful AEX auctions	759	744*	2%
Average AEX contract duration	29.4mth	28.1mth	1.30mth
TWhs procured via auction	0.80	0.77	3.9%
Average annualised MWhs per successful AEX	1,124	1,044	7.7%
Average \$/MWh	\$75.4	\$80.8	-6.7%
Total auction bid value ¹	\$154m	\$147m	4.8%
No. of electricity tenders	31	27	14.8%
No. of gas Tenders	29	32	-9.4%

1. Electricity component of contract only, i.e. excluding network and other charge

2. Some FY19 comparables have been restated

*The revised values above reflect a restatement of historical auction volumes. This is due to excluding non-material, revenue neutral transactions to align with classifications implemented in new CRM development.

	FY20	FY19	FY18	FY17	FY16
Restated AEX numbers	759	744	1078	1078	1336
Published numbers	759	854	1311	1306	1550
Variance	-	-110	-233	-228	-214

Managed Services.

Revenue of \$11m (down 20% YoY)



5,446 sites currently under management

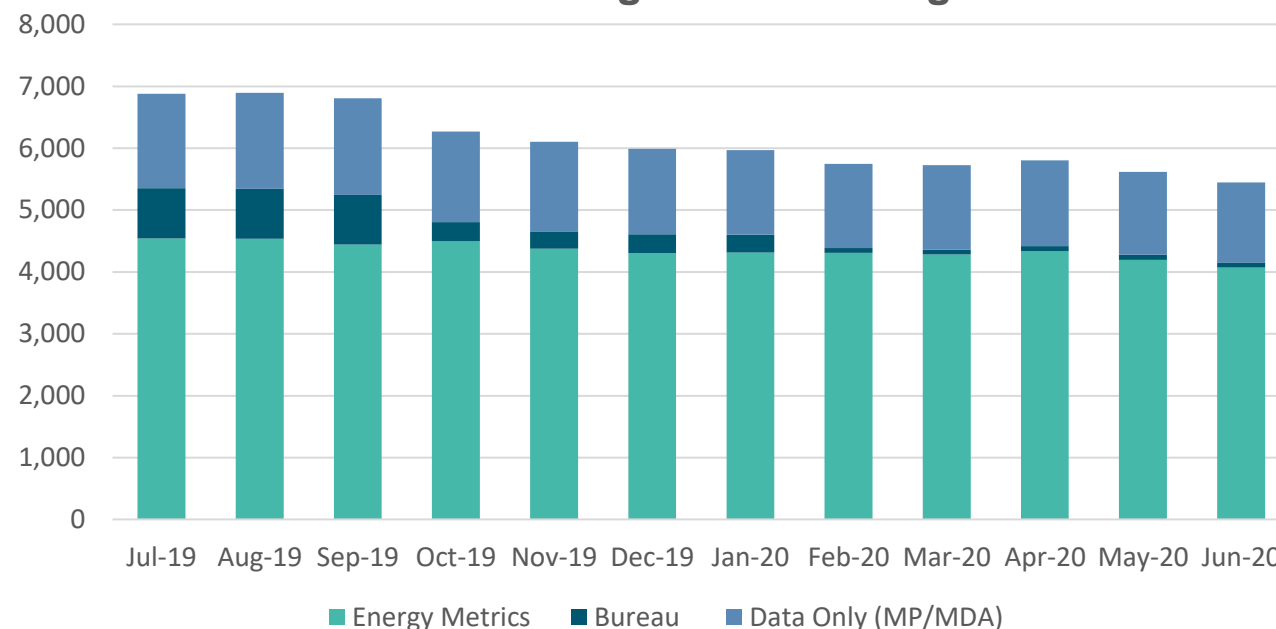


Metrics gross sales order growth 52% compared to FY19



36% of the sites lost in Metrics and Data only contracts, relates to multiple small customers <10 sites, contracted over a 5 year period and now ending

Sites Under Management* - Managed Services



* Sites under current contract does not included contracts which are signed, but yet to commence service delivery

- ▶ Launched Energy Metrics SME – a small market monitoring service providing a whole portfolio view commonly excluded from other broker and consultant capability
- ▶ Key strategy to invest in value added technology, service and delivery and expand customer value
- ▶ Focus on improve the customer value of the managed service, and enhance attachment rate of Metrics to procurement
- ▶ Bureau services revenue reduced significantly from 1 key customer not renewed in October 19

Retail Services

Revenue of \$1.3m (up 51% YoY)



3,799 sites currently under management

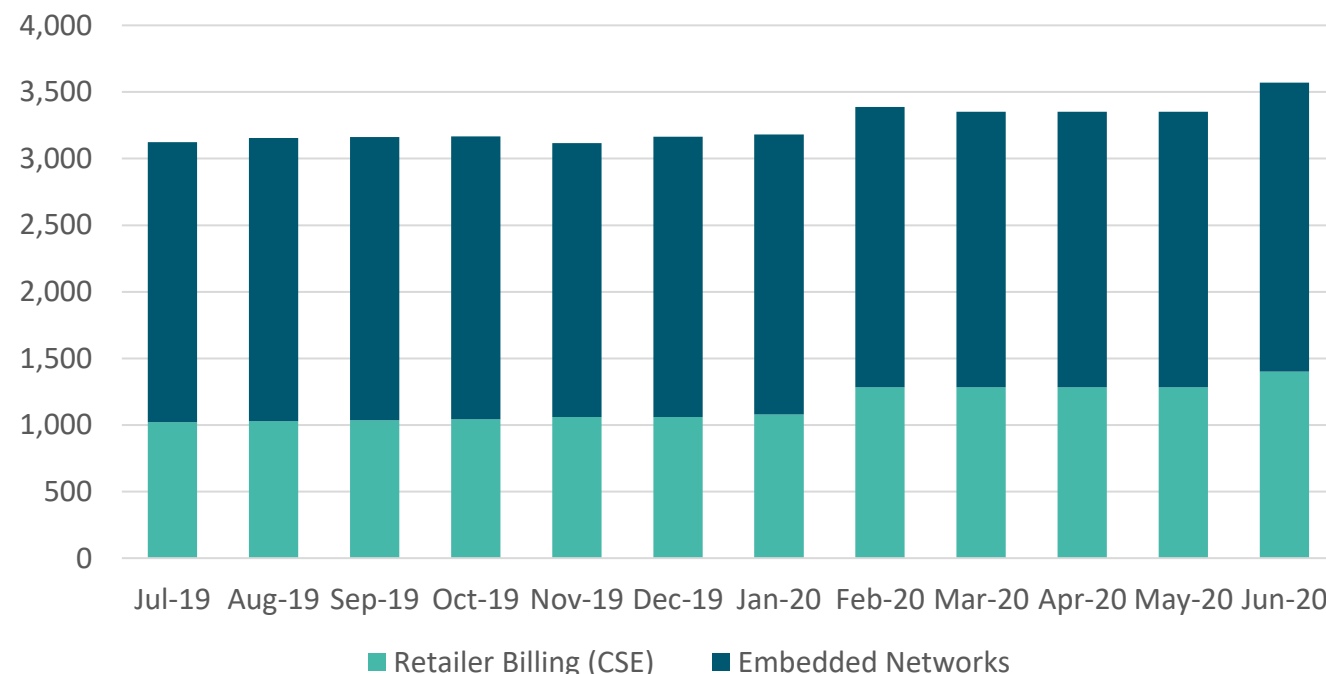


Growth in sites under management of +385 sites in Retail Services and +69 sites in Embedded Networks



Growth in annualised revenue from significant onboarding in FY20

Sites Under Management* - Retail Services



* Sites under current contract does not included contracts which are signed, but yet to commence service delivery

- ▶ Increase in sites +454 in Retail Services
- ▶ Retailer Billing sites increased driven by CS Energy gain of sites
- ▶ Embedded Networks sites increased by driven by Sydney Trains secured in FY20 and onboarding in progress
- ▶ Retail Services annuity revenue continues to grow, increasing 64%, primarily with annualisation of CS Energy onboarding in FY20

Operating profit drivers.

Reduction in NPAT driven by lower revenue offset by COGS and OPEX savings

Revenue

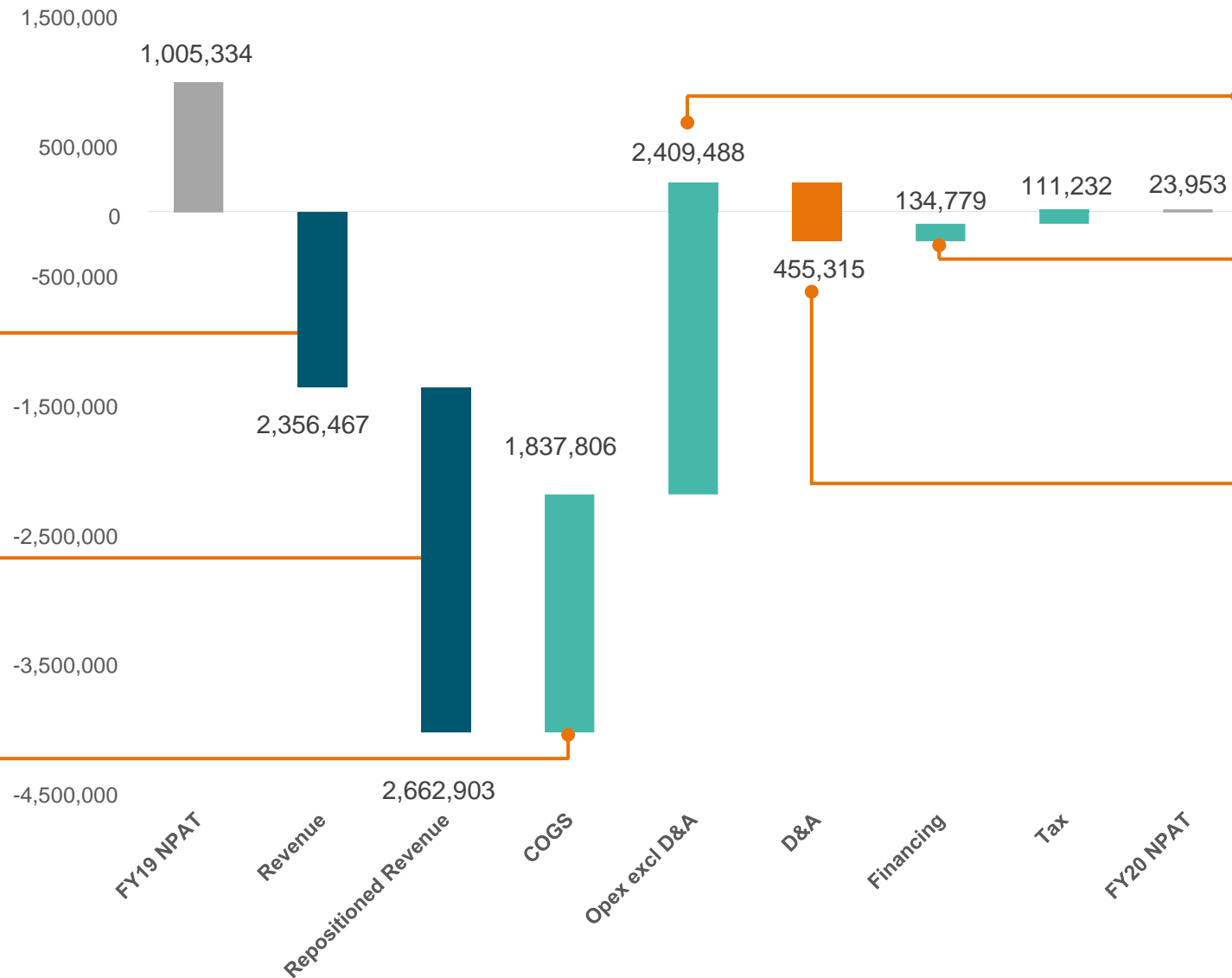
Procurement +\$0m
Managed Services -\$2.8m
Retail Services +\$0.5m

Repositioned Revenue

Advisory Services discontinued -\$2.7m

COGS

Revenue related decline predominately Advisory Services discontinued



Lower OPEX excl. D&A improved by +13%

Financing

Lower net debt & interest rates resulting in interest savings

Higher in D&A with adoption AASB16 Leases on balance sheet

Statutory to operating profit reconciliation.

	NPAT			EBITDA		
	FY20	FY19	Variance	FY20	FY19	Variance
Statutory results	(2,486,756)	(12,092,885)	79%	(1,491,769)	(10,028,320)	85%
Add back significant Items after tax:						
Strategic review	-	265,086	100%	-	365,634	100%
Restructuring cost*	328,265	657,229	50%	452,780	906,523	50%
Accelerated D&A**	148,423	1,252,357	88%	-	-	0%
Impairment of goodwill	-	9,944,796	100%	-	9,944,796	100%
Impairment of software***	2,618,365	906,250	-189%	3,611,538	1,250,000	-189%
Other SI	23,393	72,500	68%	32,268	100,000	68%
Government assistance****	(607,738)	-	100%	(838,260)	-	0%
Operating profit (loss) after tax	23,953	1,005,334	-98%	1,766,558	2,538,633	-30%

► Operating profit (loss) 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

* Costs associated with restructuring & retention

**Accelerated Depreciation & Amortisation on specific items of Software

*** Impairment of customer and contract management platform in CRM

**** JobKeeper and payroll tax refund and waiver

Disclaimer.

This presentation has been prepared by Energy Action Limited ABN: 90 137 363 636.

This presentation is not intended as an offer or solicitation with respect to the purchase or sale of any security nor does it constitute an offer or solicitation in any jurisdiction in which such an offer or solicitation is not authorised or to whom it is unlawful to make such solicitation or offer.

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.

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.

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 2020 unless otherwise stated.