

H1 FY21 Results Presentation

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February 2021



H1 FY21 results agenda

► **Highlights**

John Huggart

► **Group financial results**

Tracy Bucciarelli

► **Operational performance**

John Huggart

► **H2 FY21 priorities**

John Huggart

Building the future



Building Sales

- ▶ Sales increased 25% from prior corresponding period (PCP)
- ▶ Auction volumes up 19% from PCP
- ▶ On track to achieve targets of 1,000 auctions and 10,000 sites under management in 1 - 2 years
- ▶ 168% growth in small business segment due to sales targeting and retention



Building the Business

- ▶ Future revenues increased \$0.3m to \$17.1m between Jun 2020 and Dec 2020, first growth in 5 years
- ▶ EBITDA impacted by COVID-19 in HY21, but improving conditions expected to support stated target of +10% EBITDA in 1-2 years
- ▶ Implemented cost reduction measures achieving \$2.1m in savings
- ▶ Record employee engagement and investment in sales and leadership capability



Building the Technology Platform

- ▶ Roadmap for next generation energy category management platform commenced
- ▶ Stabilising legacy systems to achieve improved client delivery and operational efficiencies
- ▶ Enhanced technology infrastructure and associated annualised savings of \$1m+

Financial highlights

▶ Statutory profit of
\$0.03m
 +109%

▶ Operating loss of
\$0.15m
 -3%

▶ Operating costs &
 COGS down by
\$2.1m
 +22% in savings

▶ Operating cash flow
\$0.14m
 Excluding govt
 stimulus

Operational highlights

▶ Auction volumes
 up
19%

▶ Reduction in avg
 electricity price
 (\$/MWh) of
35%

▶ Average load per
 auction up
4%

▶ AEX small
 business segment
 revenue growth of
168%

▶ Net sales order
 growth of
25%

▶ Net sales order
 growth for
 Metrics of
114%

▶ **Significant
 growth** in
 corporate client
 NPS

▶ Future
 contracted
 revenue up
 between Jun -
 Dec 2020

\$0.3m
 first time in over
 5 years

▶ Employee
 engagement
 maintained at
record levels

▶ Demonstrated
leadership
 in marketing and
 customer
 engagement

Highlights

“Working with Energy Action was one of the best decisions I have made. Comparing energy contracts yourself and deciphering what every charge is to ensure you get the best deal is a real nightmare. I'm so time poor having Energy Action go through everything so thoroughly made my life so much easier.

My Account Manager is very professional in her approach, and the auction was a great way to ensure a transparent approach to selecting an energy supplier. I highly recommend Energy Action.”

-

Calandra Barrett | Manager
Cockburn Ice Arena



Large and diverse client base

- ▶ Energy Action has thousands of clients, across all states and territories
- ▶ Our clients include commercial and industrial users and SMEs in every industry sector
- ▶ Our clients annual energy demand equates to ~10% of the total commercial national electricity market (NEM)



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



Initiatives now complete

- ✓ Launched Bill Buster
- ✓ Wholesale gas and demand response products launched
- ✓ Next generation platform technology roadmap has commenced

- ✓ Launched Solar Auctions



EnergyAction

Group financial results

“Technology Ski Club located in Perisher Valley NSW used Energy Action to obtain a better power deal for our club. We believe that this new deal will save us between 10% and 15% over our old arrangements.

The service was very easy to use, all we needed to do was to provide our last bill from the then-current supplier.

We would recommend that you try and see for yourself what you could save.”

-

Kelly Burke
Technology Ski Club



Income statement H1 FY21

Statutory NPAT of \$0.03m

109% increase compared to H1 FY20

Operating loss of \$0.15m

3% decline from PCP

Revenue down 17% from PCP

22% decline including discontinued products

OPEX and COGS down \$2.27m

22% in further reductions compared to PCP

Government grants of \$0.79m

Primarily Jobkeeper treated as significant item

Onerous contracts \$0.57m

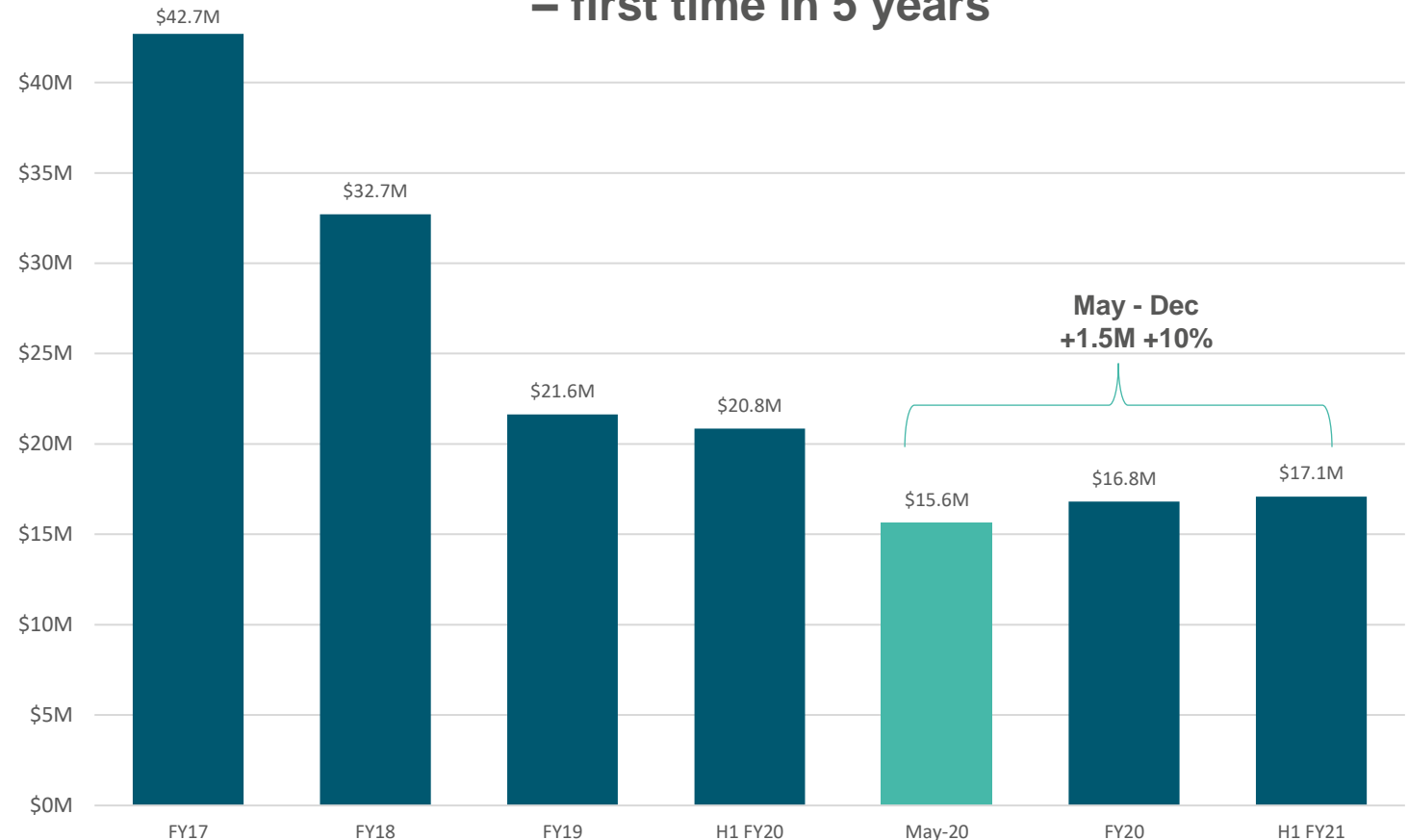
Technology infrastructure and rental premises

	H1 FY21	H1 FY20	% Variance
Revenue	8,078,363	10,418,670	-22%
COGS	403,368	905,654	55%
Gross margin	7,674,995	9,513,017	-19%
OPEX - excl D&A	7,347,019	8,967,739	18%
EBITDA	327,976	545,278	-40%
Depreciation and amortisation	399,788	544,583	27%
EBIT	(71,812)	695	-10433%
Financing costs	127,117	194,429	35%
Profit before tax	(198,929)	(193,734)	-3%
Tax expense	(46,484)	(45,521)	2%
Underlying net profit (loss) after tax	(152,445)	(148,213)	-3%
Significant items:			
Strategic review	-	45,284	100%
Restructuring costs	(19,692)	149,606	113%
Government support	(793,990)	-	100%
Onerous contracts	572,492	-	-100%
Tax expense on Significant items	62,709	(53,595)	-217%
Total significant items	(178,481)	141,295	226%
Statutory profit (loss) after tax	26,036	(289,509)	109%

Future contracted revenue growing

- ▶ May 2020 lowest point on future contracted revenue
- ▶ Growth of \$1.5m in May 20 to \$17.1m in Dec 20
- ▶ Long term contract roll-offs stabilising with managed services sites under management down by only 119
- ▶ Net sales for metrics up 98% from PCP
- ▶ Managed Services utilised on pathway to Net Zero
- ▶ Increased success in cross-sell of Managed Services

Turnaround for future contracted revenue – first time in 5 years



- ▶ While revenues continue to decline, future contracted revenue have been trending upwards over the past 8 months
- ▶ This demonstrates the success over the past year of lifting sales acquisitions and improving retentions

Operational savings

Operating overheads & COGS decreased \$2.1m (22%)



Reduction in employment costs

- ▶ A reduction of FTE as a result of Advisory exit
- ▶ A reduction of FTE with improved integration and efficiency
- ▶ A temporary and voluntary salary reduction of 20% adopted the vast majority of staff until September 2020



Consolidation of locations

- ▶ Melbourne reduction in space with rent now represented in amortisation (AASB16)
- ▶ South Australia end of lease and transition to flexible serviced office
- ▶ Perth serviced office exit with employees working remotely
- ▶ Lower makegood and other occupancy costs with reduced contracted premises



Offshoring resources

- ▶ Growth in offshore resourcing, replacing on-shore transactional roles as appropriate with 26 FTE in FY20



Technology

- ▶ Reduction in computer maintenance with improved technology infrastructure resulting in more than \$1m in annualised savings
- ▶ Lower capitalisation of internal resources, with the completion of Core Customer & Contract Management Platform



Cost control

- ▶ Reduced travel and costs due to COVID-19
- ▶ Directors numbers reduced from 4 to 3 effective 1 May 2020.
- ▶ Ongoing strict cost control across all discretionary spend areas

Cash flow statement

Operating cash flow of \$0.14m

Before interest and tax

Positive conversion of

Operating EBITDA to operating cash flow of 42%

Neutral revenue not invoiced

Strong sales orders now equivalent to invoicing

Government grants of \$1.1m

Jobkeeper, cash boost and payroll tax benefit treated as significant items

Government relief repayment of \$1.2m

Repayment of GST, PAYG, payroll tax & FBT deferral from prior fiscal year

	1H FY21	1H FY20
Operating EBITDA	327,977	545,278
Share based payments	4,936	2,313
Trade debtors	114,909	765,909
Other debtors	349,953	(86,013)
Work in progress	202,880	516,724
Revenue not invoiced	114	401,559
Right of use asset	(338,674)	(992,365)
Trade creditors	(326,336)	(260,263)
Other creditors	(294,207)	(358,735)
Lease liability	96,589	807,684
Working capital movements	(189,836)	796,813
Operating cash flow before interest and tax	138,141	1,342,091
Net financing costs	(121,735)	(174,829)
Income taxes paid	(19,105)	29,690
Operating cash flow	(2,699)	1,196,952
Cash flow related to other significant items	(292,031)	(360,413)
Cash flow related to government assistance	1,087,133	-
Significant items working capital – government relief	(1,181,764)	-
Significant items working capital – other	(206,443)	-
Statutory net cash from operating activities	(595,804)	836,539
Capital expenditure	(451,867)	(1,321,456)
Bank loans	-	1,200,000
Net increase/(decrease) in cash held	(1,047,671)	715,083
Operating cash flow as a % of EBITDA	42%	246%

Debt structure and key financial ratios

Prudent financial management

Of cash and debt

3 year extension on loan facility

To October 2023

\$3.05m liquidity

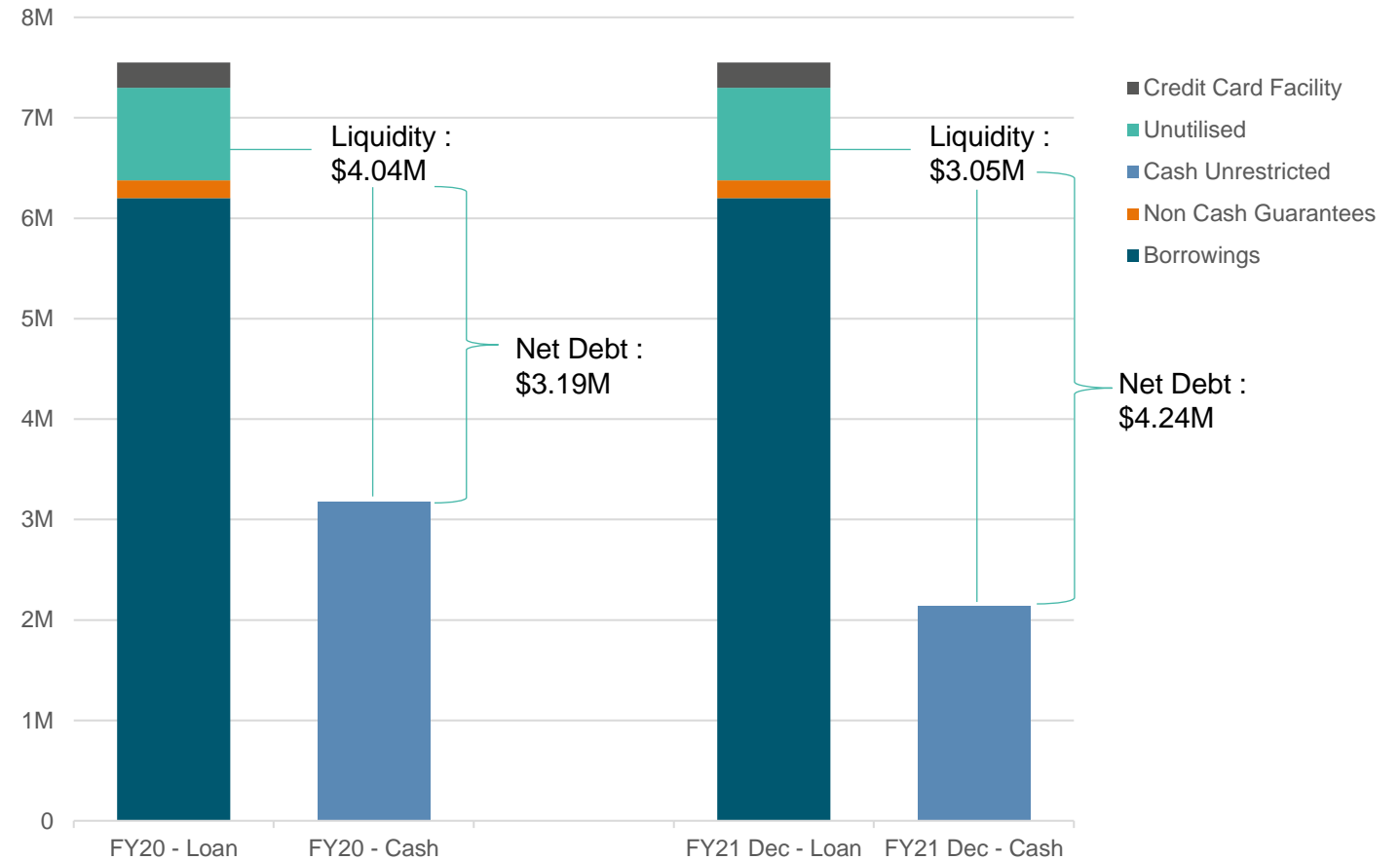
Under reduced debt facilities

Current net debt at \$4.24m

Increased primarily due to settling deferred government payments from prior fiscal year

Completion of placement to raise \$300,000 subsequent to H1 FY21

Placement of 1,034,483 fully paid ordinary shares at 29c per share



- ▢ Bank agreement extended for 3 years to October 2023
- ▢ Terms include agreed gearing, interest and asset covenants, and an amortisation schedule resulting in a reduction of the facility by \$1m between March 2022 and Sept 2023, with the remaining terms and conditions largely the same

Operational performance

“We have been a client of Energy Action’s since 2013 and recently used their services to take advantage of the low pricing in the market as advised by our Account Manager.

Following the advice from our Account Manager, we took our sites across NSW and QLD to auction and were delighted to save approximately \$290,000, which represented over 30% in savings on the retail portion of our electricity bill.

I would have no hesitations recommending Energy Action’s services to any aged care facility that is looking for a trusted partner for their energy management needs.”

—
Rob Hall | CFO / Secretary
Christadelphian Aged Care



Innovation to drive sales growth

▶ Leading the market with 'net zero at least cost' campaign

80% of clients want to achieve net zero, only 30% have a plan. Energy Action have released a whitepaper on how to achieve net zero at least cost following a roundtable with sustainability and procurement leaders.

▶ Auction Blitz

Initiative to help clients achieve more competitive pricing through having retailers bid on concurrent auction loads. This has attracted new clients to Energy Action.

▶ How to buy energy and save like the experts

Our webinars have continued to be a source of thought leadership. These free webinars have offered expert advice to help entry level business owners make positive changes through using Energy Action's services.

▶ Bill Buster

The continued success of our Bill Buster campaign has led to significant acquisition of SME clients and small sites under management.

▶ Solar auctions launched

The launch of Energy Action's unique solar auction platform helps clients minimise the cost of and maximise the instillation of rooftop solar through a technology-driven reverse auction platform.



H2 FY21 priorities

“Our experience with the Energy Action Bill Buster campaign was a very positive one, with all the hassle of trying to source the most competitive provider taken care of for us. Steven was easily contactable and most helpful, with responses to all queries being prompt.

The summary we were provided with was clear and concise and made the decision-making process a very simple one. We are making significant savings as a result of Energy Action’s campaign, and wouldn’t hesitate to recommend them in future.”

-

Christine Harrop
Moses & Son



Technology update



Technology milestones

- ▶ Stabilised legacy systems to improve client service via speed, accuracy and reliability
- ▶ Automated and streamline workflow to improve operational efficiencies and reduce costs
- ▶ Improved technology infrastructure and lower annualised savings in excess of \$1million
- ▶ Cyber security review complete and recommendations implemented



Building the future

- ▶ Product development roadmap for next generation energy category management platform in place with implementation underway
- ▶ **Roadmap benefits:** enhance client value and simplify market complexity, improve integration with client and partner systems and provide ability to scale locally and internationally
- ▶ **Roadmap includes:**
 - ▶ Unification of EAX products into a single platform
 - ▶ EAX's development spend focused on value for all customers
 - ▶ Deliver data, analytics, insights and reporting for both clients and Energy Action team
 - ▶ Building the foundation for future value add product launches
 - ▶ Open APIs enable integration into client financial and environmental reporting systems
 - ▶ Jurisdiction agnostic, enabling a platform for global deployment

Share placement and new director



Bruce Macfarlane



- ▶ Bruce Macfarlane to join Energy Action Board as non-executive director following completion of subscription agreement



- ▶ Mr Macfarlane has agreed to subscribe for 1,034,483 fully paid ordinary shares to raise \$300k taking his interest in EAX to 10.84%



- ▶ Mr Macfarlane is one of the co-founders of BidEnergy (ASX: BID) and was instrumental in structuring their solution architecture



- ▶ Over the past year, Mr Macfarlane has been working in the Energy Action Solution Design team advancing the technology roadmap

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 with continued uncertainty due to COVID-19



Target:
Return to 10%
EBITDA



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Appendix

“...I am really impressed with Energy Action’s performance in embedded network management. Energy Action sorted out all the problems that we could not resolve over the past 12 months and corrected all the billing errors that we have since we took over the site.

For Dandenong Plaza, just the revenue and saving that Energy Action recovered from the billing errors already covered the setup fee.”

—

Ping Chai | Operations Manager
Armada Dandenong Plaza



Procurement

Revenue of \$3.2m (4% down YoY)



AEX auction volumes up 19% from PCP.
4% increase in average annualised load per auction



The business has been impacted by COVID-19 as clients deferring decisions, especially in Victoria with prolonged lockdown



Growth in AEX tariff up 168% with strong retentions and Bill Buster launch for small sites



Solar Auction launch during the period with significant client interest aligned with net zero pathway

	H1 FY21	H1 FY20 ²	Variance
No. of successful AEX auctions	450	378	19%
Average AEX contract duration	30.6	28.3	2.3months
TWhs procured via auction	0.57	0.45	27%
Average annualised MWhs per successful AEX	1,247	1,204	4%
Average \$/MWh	\$55.3	\$84.48	-35%
Total auction bid value ¹	\$79.1m	\$90.5m	-12.6%
No. of electricity tenders	11	14	-21%
No. of gas tenders	13	18	-28%

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

² Some FY20 comparable key performance indicators have been restated

- ▶ Average \$/MWh declined 35% with market stabilising after reaching 5 year lows
- ▶ Fixed fee tender decline with product mix switch to auction
- ▶ 4% increase in average annualised load per auction

Managed services

Revenue of \$4.3m (down 27% YoY)



6,322 sites currently under management

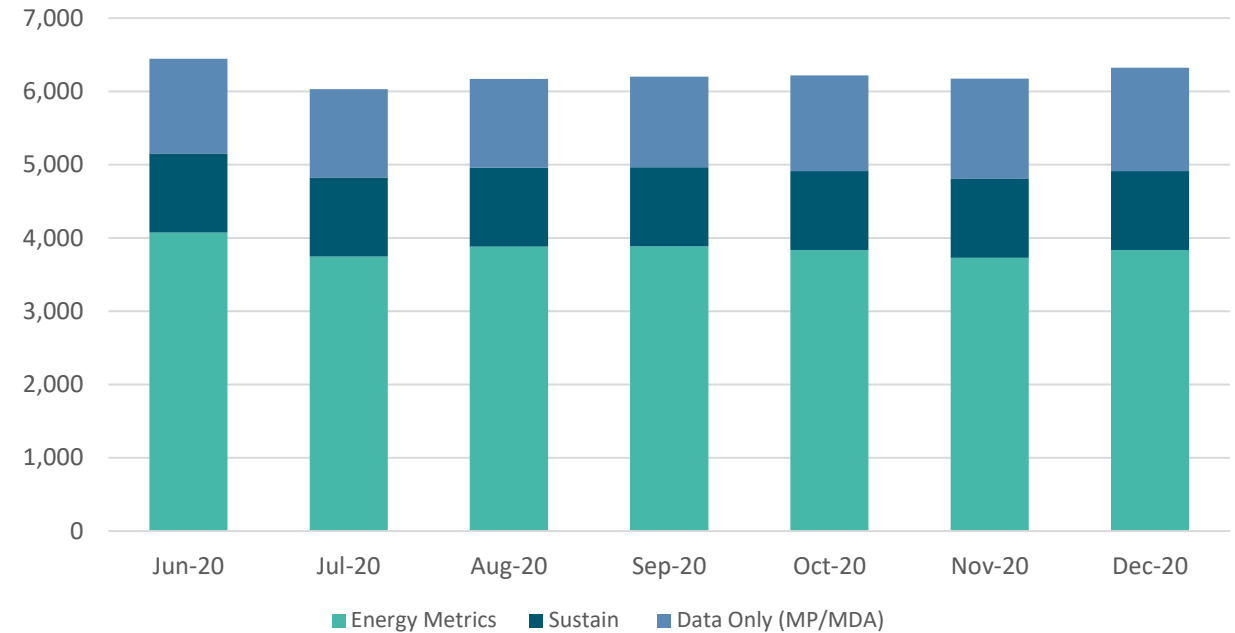


Metrics gross sales order growth up 98% compared PCP



Decline in sites under management stabilising with significant sales order growth offsetting long-term contract expiries

Sites Under Management - Managed Services



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

* Jun 20 Bureau sites have been restated and reclassified as "Sustain"

- ▶ Sites under management stabilising with smaller decline -123
- ▶ Decline in sites from reduced proportion of long term contract expiry and the loss of Corporate retention sites, offset by corporate acquisition and strong metering sites
- ▶ 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

Retail services

Revenue of \$0.7m (flat overall YoY)



3,451 sites currently under management

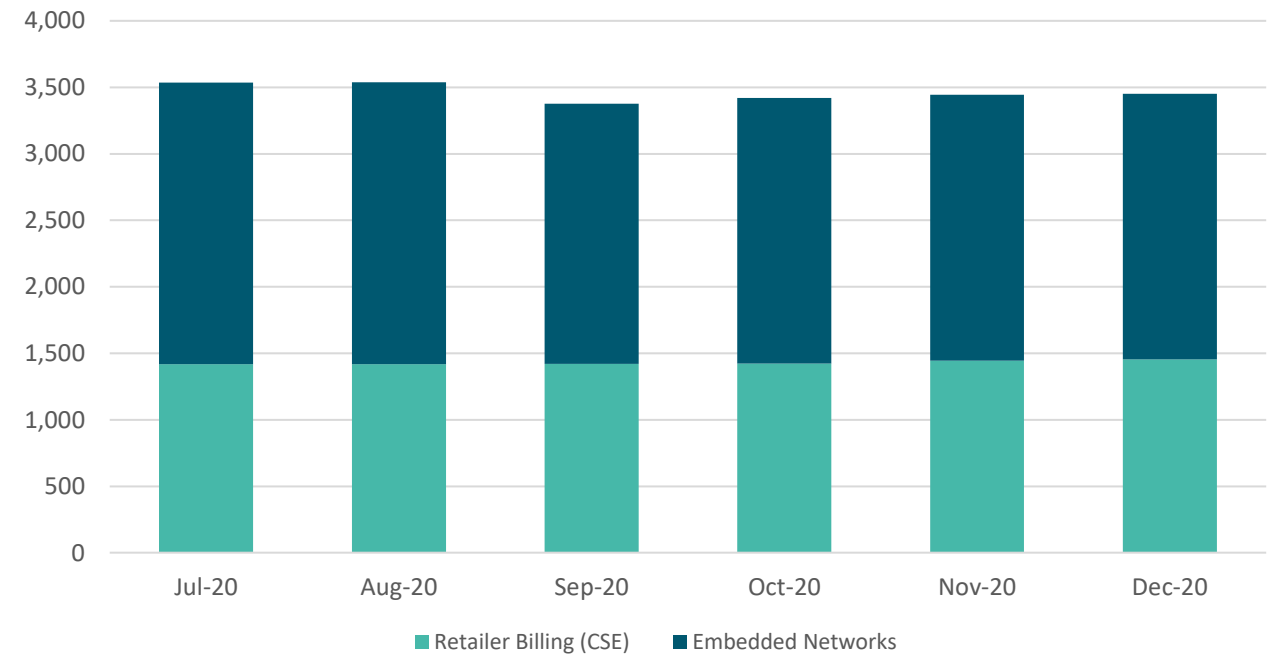


Decrease in sites under management of 119 sites in Retail Services



COVID-19 impact with less active sites for billing and delayed projects

Sites Under Management - Retail Services

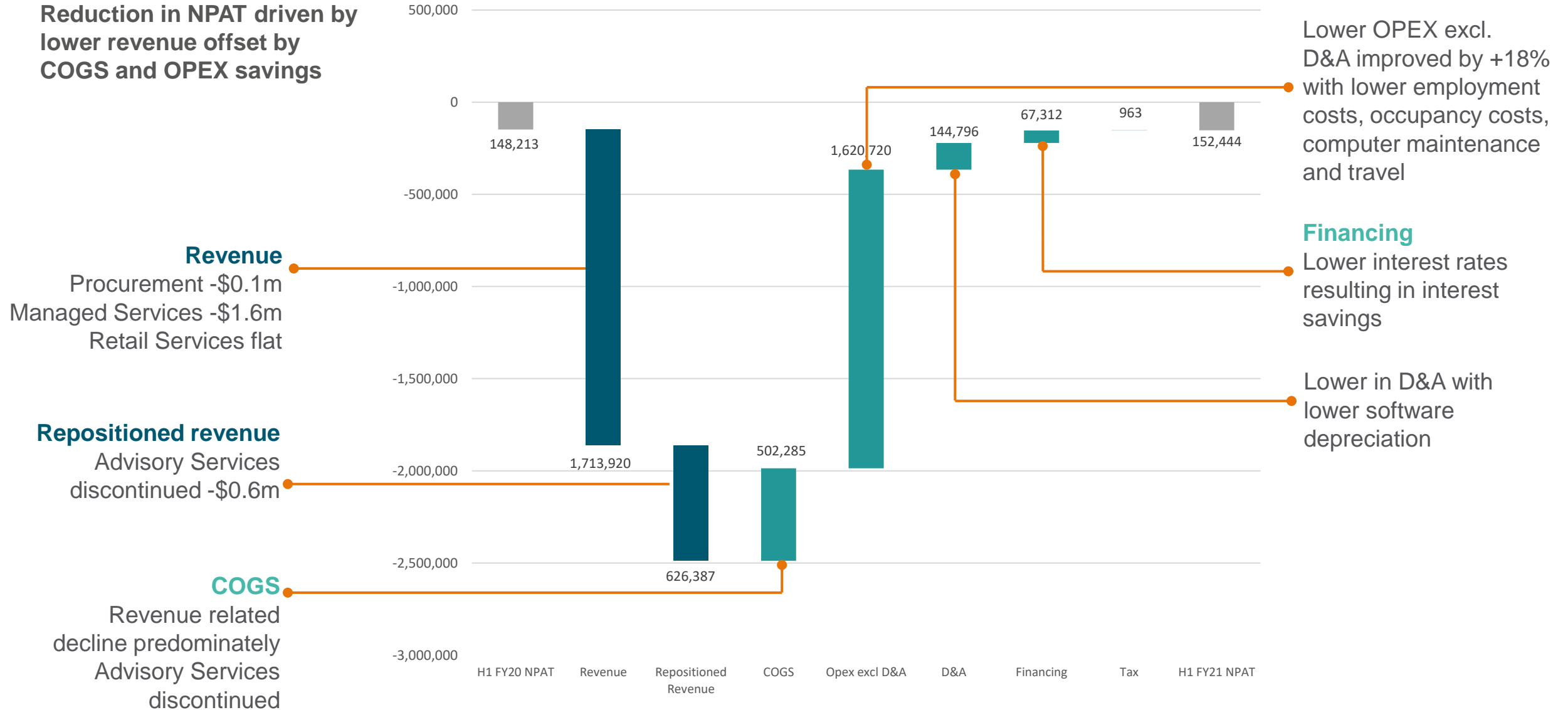


* Sites under current contract does not included contracts which are signed, but yet to commence service delivery

- ▶ Small decline in Embedded Network sites of 172 with COVID-19 impacting large shopping centres and other corporate tenancies
- ▶ Small increase of 53 retailer billing sites with growth in existing clients

Operating profit drivers

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



Statutory to operating profit reconciliation

	NPAT			EBITDA		
	H1 FY21	H1 FY20	Variance	H1 FY21	H2 FY20	Variance
Statutory results	26,036	(289,509)	109%	569,166	350,388	62%
Add back significant Items after tax:						
Strategic review	-	32,831	100%	-	45,284	100%
Restructuring cost*	(14,572)	108,464	113%	(19,692)	149,606	113%
Government Support**	(587,553)	-	100%	(793,990)	-	100%
Onerous Contract***	423,644	-	(100%)	572,492	-	(100%)
Operating profit (loss) after tax	(152,445)	(148,214)	(3%)	327,976	545,278	(40%)

- 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 offset by reversal of legal costs from prior year

** Jobkeeper & cash boost government grant

*** Onerous contracts relating to technology infrastructure and rental premises

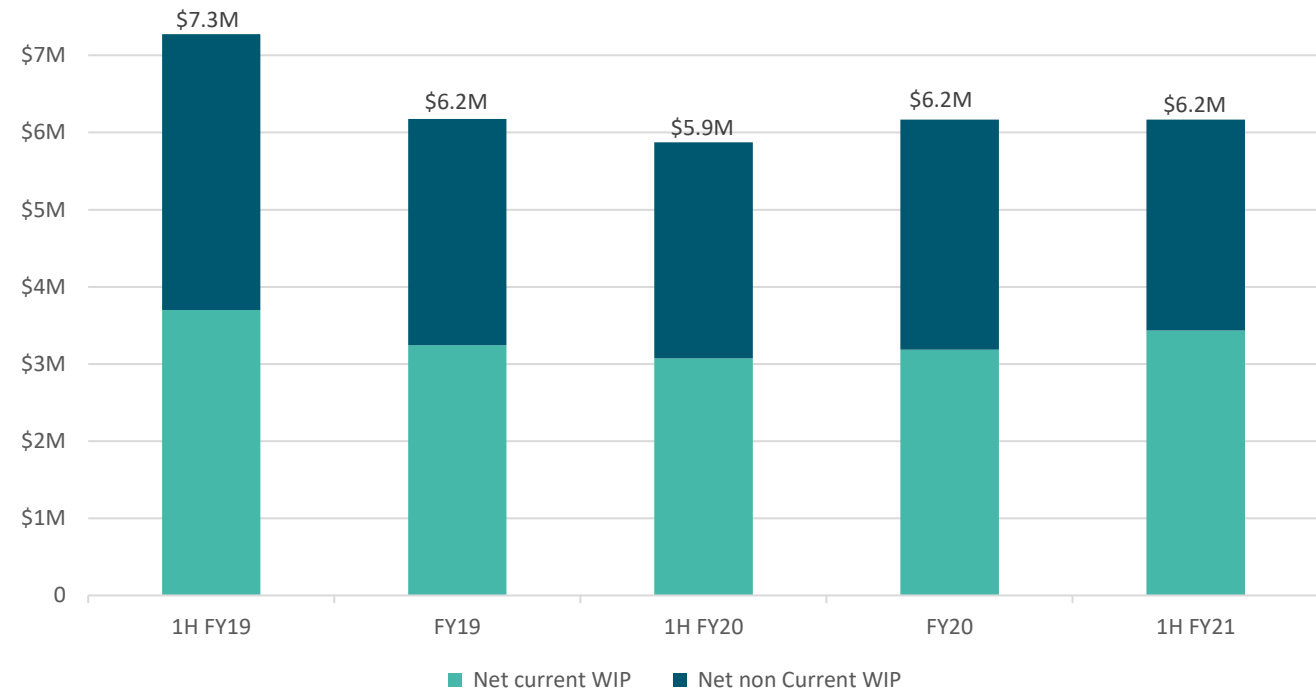
Revenue not invoiced



Strong asset “Revenue not invoiced” of \$6.2m holds the cash to be received in the future for revenue recognised in current and previous fiscal periods



Balance stable with growth in new sales orders offsetting the reduction in the balance from invoicing



- ▶ Revenue from Auction and Commission based Tenders are recognised upfront once the Auction is complete and the contract signed between the retailer and customer
- ▶ The payments are received over the life of the contract

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