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ASX Release

A Year of Restructure

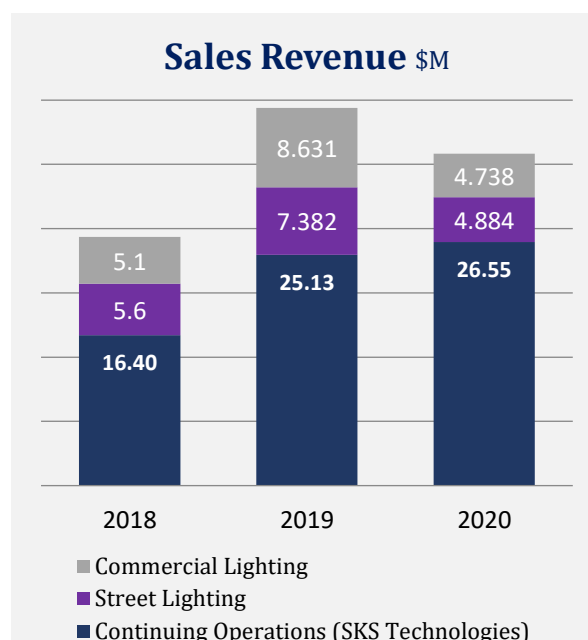
- **Revenue from continuing operations increased by 5.7% despite the impact of COVID-19**
- **Substantial restructure completed to capitalise on the most profitable area of the company, resolve legacy issues and increase funding for growth**
- **NPAT from continuing operations was a loss of \$1.2 million after the resolution of several one-off legacy issues**
- **Debt was reduced by 50% from \$6.67 million to \$3.26 million**

Enevis Limited (ASX: ENE) announces a small increase in revenue from continuing operations of 5.7% to \$26.55 million from \$25.13 million in the previous corresponding period. Revenue from continuing operations incorporates SKS Technologies revenue only, with the commercial lighting and street column lighting businesses, formerly operating under SKS Lighting, having been sold.

Executive Chairman and Managing Director, Mr Peter Jinks, said “We’ve spent the year redesigning our business to centre on SKS Technologies so that we can capitalise on the business unit which makes the most robust returns and has the most attractive pipeline of opportunities.

“Over the past year, we have streamlined the business, divesting non-core business units, raising capital and retiring debt, building working capital, reducing inventory and implementing efficiency measures across the continuing operations. We are now well-structured, with a stronger financial base to build a first-rate technology business,” he said.

Net profit after tax for the year was a loss of \$4.99 million compared with a small profit of \$0.02 million in FY19. Of this loss, \$3.77 million accrued from the combined divested lighting businesses primarily related to stock write downs and goodwill impairments, supporting the Board’s decision to exit the lighting sector. Net profit after tax from continuing operations was a loss of \$1.2 million, consisting of one-off items relating to the successful litigation, a fraud perpetrated on the business in 1H20 and costs relating to the wholesale restructure carried out over the year.



Corporate Restructure

The Board's plans for a more streamlined and profitable entity were instituted by management throughout the year, paring back the business to the core operations it has relied upon for the lion's share of its revenue for the past few years. In December last year, the street lighting column business was sold for a total of \$2.6 million, while the remaining SKS Lighting commercial business was sold in early August this year for total consideration of \$0.814 million. Similarly, \$1.46 million was raised via a rights issue in May and \$1.1 million was stripped out of the company's continuing operations cost base.

The combined proceeds from the raising and the divestments have drawn cash back into the business, enabling it to be used for further debt reduction and working capital. These proceeds have been complemented by the increased focus on working capital which has driven a reduction in trade debtors from \$9.29 million to \$6.23 million.

As a result of these and other efficiency measures, debt has fallen by 50% to \$3.26 million while trade creditors were reduced by \$2.3 million to \$5.89 million. Furthermore, inventory has been reduced from \$5.3 million to effectively zero with the only requirement being to hold small amounts of supplies for customers who have already purchased them. Thus, the cost of carrying inventory has been eliminated.

The proceeds and efficiencies from some of the restructuring activities will be used to further reinforce the SKS Technologies business, growing its client base and expanding its presence in existing markets across Australia.

COVID-19 Impact

While the business has continued to deliver solutions to its broad client base, to date, the pandemic has largely manifested itself in some projects being delayed or scaled back as well as issues with sourcing products from offshore locations. Enevis is fortunate to have a national footprint, operating in states where local economies are less constrained than Victoria.

Outlook

Mr Jinks said "The year 2020 was one of simplifying and streamlining the business, reducing debt, cutting costs, raising capital, selling businesses that are no longer core to our operations, resolving legacy issues and realigning our priorities to support the most profitable areas of our company. The business is now in a financial position that is stronger than it has been for several years with a sound base of working capital that we can use to build the business and that we expect to further improve as our business grows.

"We're now looking forward to the prospect of focusing solely on the things we do well. We have the resources, both people and financial, to do what we have done before with past businesses and build SKS Technologies into a larger, more resilient, more profitable company," he said.

The pipeline of opportunities for SKS Technologies remains solid despite the changes in the economic landscape delivered by COVID-19. The Board is confident that the business is in far better shape to weather the impacts that will inevitably arise from a situation that has no precedent.

~ ENDS ~

Further Information:

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About Enevis Limited (ENE)

Enevis delivers energy efficient technology solutions through the creative design and installation of audio-visual, communications and electrical solutions to the commercial, industrial and retail markets nationally.