ANNUAL GENERAL MEETING

ENEVIS™
ENERGY WITH VISION

CHAIRMAN AND MANAGING DIRECTOR ADDRESS

19 NOVEMBER 2020

Introduction

Good morning ladies and gentlemen and thank you for joining us today. I'm Peter Jinks, the Chairman and Managing Director of Enevis Limited, and I'd like to welcome you all to the 2020 Annual General Meeting.

Given we have a quorum, I now declare the meeting open.

I'd like to begin by introducing my fellow board members. With me today I have Executive Director, Greg Jinks and Non-Executive Director, Terence Grigg. I also have our Chief Financial Officer and joint Company Secretary, Gary Beaton and Chief Operating Officer and joint Company Secretary, Matthew Jinks. Furthermore, I would like to take this opportunity to formally thank Non-Executive Director, Thomas Krulis, for his contribution to the Board until March this year.

Also attending here today are representatives of our auditors. Mr. Frank Russo and Mr. Simon Corduff from Pitcher Partners the outgoing auditors and Mr. Kevin Adams from BKM Audit our incoming auditors.

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2020 was a year I could not have imagined when I addressed you all just over twelve months ago. I cannot think of an organisation, be it public or private, that has not been impacted in some way by the advent of the coronavirus pandemic, either positively or negatively, and it has undoubtedly changed, not only the way we interact as a society, but the way we transact business. At Enevis, we have had to be flexible in our day-to-day management of the business, and creative in how we continue to service our customers and deliver their requirements. And while there is much discussion about the "new normal", the longer-term ramifications and revised operating models are yet to emerge in any clear or substantive manner. However, as with any change, there are also positives that accompany the negatives. The significant re-thinking and designing of our workspaces opens up exciting prospects for our business that would have taken far longer but for the emergence of the pandemic, more of which I will talk about later.

While we characterised last year as our turnaround year, it was possibly a bit premature and then we experienced some fallout from the epidemic. FY20 was, in fact, a standout for the Board's complete re-assessment and overhaul of our strategy, our business model and our cost structure. The amount of corporate activity was enormous and we are now a very different business from twelve months ago; stronger, leaner, more efficient and more flexible. I will talk more about our year of restructure and rejuvenation once I have updated you on the FY20 financial performance in order to give it greater context.

Financial Performance

In FY20, the business disappointingly resulted in an after tax loss of $4.99 million, $3.3 million of which related to stock write-downs and goodwill impairments in the Lighting businesses. The continuing operations delivered a loss of $1.21 million, made up of a number of one-off costs including $300,000 relating to a successful litigation and $270,000 resulting from a fraud committed against the business during the first half of the year. I note that we were successful in claiming this amount on our insurance. A further $300,000 was incurred in restructuring costs, which I will talk more about later on. On a more positive note, revenue from continuing operations was up 5.5% despite the difficulties of the year.

Cash flows from operations were close to break-even at a loss $0.12 million. The discontinued businesses contributed a loss of $1.21 million, while the cash flow from operations for the continuing businesses was a positive $1.09 million. Debt was halved over the year from $6.6 million to $3.3 million, funded by the capital raising in May and the proceeds from the sale of the street lighting business.

There is no denying that this result was disappointing, however it was a big year with enormous effort invested in a range of activities designed to rebuild the business, and we're pleased with the early results of FY21.

Strategic Review

Throughout the first quarter of FY20, the Board conducted a strategic review across the entire company to identify areas of optimal performance. The review highlighted the strength of the SKS Technologies operating model, as a business with minimal demand on capital, significant growth prospects and solid profits. Conversely, the substantially lower revenue and operating losses incurred in the Lighting businesses, combined with their far greater demands on capital resources to fund inventory, formed the basis for the Board's decision to exit the lighting sector altogether. All human and financial resources will now be directed towards growing SKS Technologies, the biggest contributor to the Group.

Overview of Operations

With the lighting businesses identified as non-core by the strategic review, the focus was on restructuring them to achieve maximum value in the sale of those businesses. Some excellent work was achieved in the businesses, most notably for the State Government's school infrastructure energy efficiency program. However, given their heavy reliance on capital and low performance level, the street lighting business sale was completed in January and the commercial lighting business in July this year. The latter business contained the exclusive supply agreement with LumiGrow, given the major horticultural project in regional Victoria to supply LumiGrow lighting systems did not proceed. Without a flagship project, the supply agreement was folded into the lighting business and divested.

The business contributed a loss to the Group, partly due to the impact of COVID-19, which disrupted supply from China, resulting in delays and cancellations.

SKS Technologies continued to perform well, achieving 74% of total Group revenue in FY20. In line with our strategy, we also secured more service level agreements, providing an ongoing source of the revenue for the business. The South Australian branch contributed approximately 25% of the business unit's revenue in its first full year of operation, which is a commendable effort and shows the strength of our business in that market. In the Western Australian operations, we scaled back the operating cost base to better align with its revenue, while Queensland continued to expand its reach in that market. Efficiencies were also achieved across the board through a whole of business unit restructure.

We continued to win and execute major projects, with work completed on The State Library of Victoria, Flinders Fertility Clinic in Adelaide and The Eminence in Brisbane, a multi-level, state-of-the-art, combined purpose development that includes retail and office space, and car parking.

SKS Technologies is now our core business and the national presence that we have been building over the past few years gives us reach into small and large projects around the country. With an exciting pipeline of opportunities, we are confident that we can grow the business to its full potential.

Restructure Program

On top of business as usual operations, an enormous amount was achieved last year, and I am proud of our team for their dedication and commitment in making it all happen. At any one time, we were working on numerous restructuring programs to achieve cost efficiencies, optimise processes, divest assets and businesses that were no longer deemed to be core, raise capital and reduce debt.

With the completion of the strategic review at the end of the first quarter, the process began in earnest with a restructure of the Western Australian branch of SKS Technologies and a complete overhaul of Urban lighting in preparation for its sale, which was completed in July this year. We have removed $1.1 million from the cost base of the continuing operations and successfully undertaken a rights issue, underwritten by the executive directors, to raise $1.5 million. The combined proceeds of the two lighting businesses of $1.74 million to date, along with the capital raised via the rights issue, have enabled us to halve debt during the year, from $6.6 million to $3.3 million. A further $1.5 million of debt has been retired this quarter, bringing our total debt down to $1.8 million. With the sale of the lighting businesses, we have also eliminated the requirement to carry inventory, thereby reducing our working capital and warehousing requirements as well as our foreign exchange risk. For example, inventory at 30 June totalled $0.17 million which related to specific projects, down from $5.34 million at the beginning of the year.

2020 was indeed a huge year, even without the onset of COVID-19, and is a true reflection of the quality of the people we have on our team.

We now have a clean slate, with:

- legacy issues resolved
- significant debt reduction
- a more efficient cost base for the size of our business
- cash to fund our growth plans
- an excellent technical reputation and a high level of repeat business, and
- a national footprint from which to expand the consolidated business.

Furthermore, we have an established client base that spans government and the private sector, across hospitals, sporting complexes, hotels, airports, universities, offices and other commercial buildings, government agencies and retirement villages. We are fortunate to operate in a space that is driven by technology and its rapid advancements with applications that transcend industry boundaries.

1Q21 Performance

The rewards for a tough year last year were evident in our first quarter performance, with strong revenue and cash flows from operations, reduced debt and an unaudited net profit of just under half a million dollars. Needless to say, the Board and employees have been boosted by the results and enthusiasm in the business, despite the impact of COVID, is higher than it's ever been. I am also pleased to note that we are not expecting this performance to weaken in the second quarter.

Market Opportunities

As with virtually every misfortune, opportunities arise. In the case of COVID-19 and our business, it has accelerated a re-think on the design and implementation of new, pandemic-safe workplaces that relies on a technological amalgam of audio-visual and information technology. When people return to the "new normal" working arrangements, be it from home or in the office, they need the systems and processes to be able to perform their roles properly. However, they also need to be safe-guarded with virus protection measures and an increased focus on distancing from work colleagues that have not been experienced before today.

Enevis has the expertise and experience to design solutions, in conjunction with information technology providers, that will keep employees connected and able to work effectively as a team. To this end, we are currently exploring potential partnering opportunities and have had initial discussions with a number of potential partners. These are the opportunities that must be grasped as soon as they emerge and we intend to be at the forefront of these developments.

The Future

While the current year will no doubt throw up more challenges and uncertainty, as we adapt to a new pandemic-aware environment, I believe that the huge body of work undertaken last year has made us more robust, more flexible, and thus more adept at meeting those challenges with creative solutions.

The convergence of AV and IT, the solid pipeline of opportunities, the further potential to build recurring revenue through longer-term agreements, and the encouraging results achieved in the first quarter of this year, mean that Enevis can now reach its full potential over the next few years.

I know now, more than ever, that we have the right team to do this, given what was achieved last year in running the business whilst concurrently undertaking a comprehensive redesign of the operations, all with the back-drop of the onset of a global pandemic and all that that entailed. Their dedication, resilience and resourcefulness has delivered a new business that can grow its existing offering as well as seeking and capitalising on the opportunities that inevitably come with change. I sincerely thank each one of our employees for their stellar effort.

We've had a bumpy ride over the past year in particular and our share price has reflected that turbulence. However, the Board is now confident that we can deliver our shareholders the return they deserve, and we thank you for your commitment and patience over the past year and beyond.

Thank you all again for joining our annual general meeting this morning.

Peter Jinks
Executive Chairman and Managing Director