



Media Release

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# Uptake of Ecosave Service Agreements

Ecosave Holdings Limited ('Ecosave' or 'the Company') has developed and successfully launched a ground-breaking new contract structure called the Ecosave Service Agreement ('ESA'). ESAs provide clients with an alternative to traditional capital funding of energy efficiency and end of life building services equipment upgrades. The ESA has been designed to shift Ecosave's business model away from one-off project revenues, toward annuity income streams.

The ESA delivery model allows clients to fund energy efficiency and end of life building services equipment upgrades over the long-term, typically 10 to 20-year contracts, as an operating expense. Under an ESA, Ecosave delivers building upgrades and ongoing services that are funded from the energy savings delivered by the ESA. The client benefits from building upgrades and reduced operating expenses, without the need to invest their own capital.

Ecosave introduced ESAs to the Australian and US market in late 2013 calendar year and has received considerable interest across a range of industries. In recent months the Company has executed its first 4 ESA contracts, with clients in both Australia and the US. Interest in the model continues to grow, with execution of a further 3 contracts pending and a strong pipeline of ESA proposals developing.

The ESA model has been well received across industry segments, with contracts executed in the commercial, healthcare, non-profit and industrial sectors. Total value of the contracts signed to date exceeds \$0.5M per annum in annuity income, with fixed annual escalations.

If this growing annuity revenue stream continues in line with management's expectations, it will increase the predictability and reliability of the Company's revenues.

The ESA delivery model negates many of the barriers to investing in energy efficiency demonstrated by Ecosave clients. As such, Ecosave anticipates strong growth of the delivery model in the coming months.

## The Ecosave Service Agreement in Detail

The ESA is an off-balance-sheet service agreement with monthly payments that can be funded from operational energy savings. It includes a structure that incentivises Ecosave to over-deliver on savings and drive client energy bills down even further.

Under an ESA, Ecosave delivers an energy efficiency and/or end of life building services equipment retrofit upgrade in a facility and funds the full capital cost of the project. Ecosave provides a suite of complimentary ongoing services to support the upgrade and maintain the savings, such as maintenance and our Utility Management Services. The equipment used to achieve the savings is owned by Ecosave and carried on the Company's balance sheet.



As the ESA savings are guaranteed, Ecosave has developed a proven suite of processes that work within the International Performance Measurement and Verification Protocol (IPMVP) to deliver surety to the client whilst managing the Company's risk.

The successful development and launch of ESAs opened a new and potentially very large market for Ecosave. Buildings that have equipment at end of life (15+ years old) where owners have postponed necessary upgrades are able to use the ESA to replace old equipment. Clients have cited their preference to spend their capital on core business and have Ecosave use the energy savings to upgrade and maintain their building services equipment.

### **ESA Model Impact On Financial Results**

Medium to long term the ESA model provides many benefits for Ecosave;

- Multiple year contracted revenue with annual escalations (Typically ESAs have 10-20 year terms)
- New revenue streams such as equipment maintenance and interest spread on financing
- Growing predictability for business forecasting and market guidance
- Mitigation of regulatory risk such as that recently experienced with Victorian Government Energy Performance Contracts

Short term however, it will impact the Company's financial results. What used to be project revenue, and therefore recognised in the year it was delivered, under an ESA fully owned by Ecosave, will now be spread across the contract term of the ESA. The financing component also adds a further 3-4 months to the sale closing cycle.

### **Ecosave's ESA Future**

After 12 years of being predominantly a project based business, Ecosave's management and Board is now focusing on transitioning the Company to an annuity income business through its Ecosave Services Agreement offering. Although this transition will have an adverse effect on our financials in the short term, the Board and management expect that the growing book of annuity contracts will provide a strong foundation for growth in shareholder value.

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