

19 August 2014

Energy Action delivers Full-Year NPAT of \$4.5 million

- **Revenue up 17% to \$25 million**
- **FY2014 operating¹ NPAT of \$4.5 million**
- **Projects & Advisory Services revenue up 137%**
- **Second half dividend of 3.62 cents - 7.35 cents for the full year**
- **Future contracted revenue at \$74.5 million**
- **EAX well placed to pursue organic and acquisitive growth**

Energy management and procurement company Energy Action Limited (ASX: EAX) ("Energy Action") today reported FY2014 results in line with December guidance, delivering operating¹ Net Profit After Tax (NPAT) of \$4.5 million, an 8% decrease on the prior year. Statutory NPAT was \$3.5 million.

The second half of FY2014 saw a significant improvement over the first half, with procurement performance back to historical levels and energy contracts secured for customers 64% higher half on half. Operating Net Profit After Tax (NPAT) also increased 25% during the second half as projected.

Revenue for FY2014 was \$25.8 million, up 17% (FY2013: \$22.2 million) and basic earnings per share (EPS) was 13.6 cents per share.

Energy Action finished the year with a solid cash position of \$4.5 million and no debt, providing the company with the financial flexibility to pursue further growth opportunities.

The Directors have declared a fully franked final dividend of 3.62 cents per share for the six months to 30 June 2014, payable on 15 October 2014. This takes total dividends for FY2014 to 7.35 cents, fully franked.

Key Financial Metrics	FY14	FY13	Variance
Revenue	\$25.8m	\$22.2m	17%
Operating NPAT¹	\$4.5m	\$4.9m	(8%)
Statutory NPAT	\$3.5m	\$4.4m	(20%)
Future contracted revenue (\$m)²	\$74.5m	\$78.1m	(5%)
Earnings per share (statutory)	13.60c	16.98c	(20%)
Dividend per share	7.35c	8.65c	(15%)

1 – Before acquisition costs of \$0.4m related to the acquisition of Exergy and share based payments associated with Energy Action's PROP (\$0.3m)

2 – Future contracted revenue includes Procurement Services, Contract Management Services and Projects & Advisory Services. Projects & Advisory Services were previously not reported in future contracted revenue.

Strong growth in revenue driven by Projects & Advisory Services and small site electricity contract growth

The Projects & Advisory Services division experienced 137% revenue growth in FY2014 with 22% of revenue associated with the 3½ months consolidated revenue from the Exergy acquisition and the remainder from organic growth. Given the nature of the consultancy services and equipment based projects undertaken within this division, the EBIT contribution is at a lower level than achieved from Procurement, Contract Management and Energy Reporting Services.

Small site electricity procurement services grew in revenue contribution from \$0.427m to \$0.948m in FY2014, underpinning a 6% increase in overall procurement revenue. The company continued to increase auction volumes across its proprietary reverse auction platform, the Australian Energy Exchange (AEX), with 1,406 successful auctions, representing a 1% increase over FY2013.

Total auction bid value however decreased by 46% to \$214² million in FY2014, mainly as a result of the average price per MWh decreasing 23%, from \$58.12 to \$44.74 and a concentration of smaller size customers reducing the energy load auctioned from 6.87million MWh to 4.79million MWhs.

A significant investment in sales and Projects & Advisory Services personnel was made throughout the year in anticipation of higher revenue growth rates than were realised FY2014. This investment directly impacted profit contribution in the short term, however these measures are seen as critical in supporting the business' underlying long term business strategy.

Operational Metrics	FY14	FY13	% change
No. of successful AEX auctions	1,406	1,390	1%
Average AEX contract duration (months)	26	27	(4%)
MWhs sold	4.79m	6.87m	(30%)
Average \$/MWh	\$44.74	\$58.12	(23)%
Total Auction bid value³	\$214m	\$398m	(46)%
No. of AEX sites under contract	9,532	9,598	(1)%
Average Activ8 contract duration (months)	54	53	2%
No. of Activ8 sites under contract	9,011	8,472	6%

3 – Electricity component of contract only, i.e. excludes network and environmental charges

CEO commentary

Energy Action's CEO Scott Wooldridge said: "The second half performance was a solid recovery following a disappointing first half for the company. FY2014 was a year focused on establishing a foundation to return to accelerated growth in FY2015, as we made significant investments to position the company for the future.

"Some of the key initiatives undertaken in FY2014 include the launch of the new Australian Energy Exchange (AEX) platform, the acquisition of Exergy, the formation of the new Projects & Advisory Services Division and the finalisation of the sales team restructure. Over the year we also appointed Paul Cooper as Sales Director and completed the Group's re-branding.

"These measures ensure that Energy Action is well placed to take full advantage of future growth opportunities."

Contract management & energy reporting

Energy Action's contract management and energy reporting division performed well in FY2014, with the number of sites under management growing to 9,011 - up 6% from 30 June 2013. This service continues to deliver value added results for customers and is a significant recurring revenue stream for Energy Action, representing 54% of revenue in FY2014.

Energy procurement

The number of sites under management in FY2014 was steady compared to the previous years at c.9,500 sites. The total bid auction value however fell from \$398 million to \$214 million, due to a fall in the number of megawatt hours (MWhs) sold (from 6.87 million in FY2013 to 4.79 million in FY2014) and a fall in the average price per MWh (\$58 to \$44). The average auction contract duration remained steady at 26 months.

Lower electricity prices were driven primarily by the fact that there is currently a significant oversupply of available generation in the electricity markets which are reducing wholesale and retail energy prices.

The drop in volume on the platform was the result of an increase in sales to relatively lower load users and the impact of disruptions caused by the sales team restructure in the first half of 2014. The second half volume of 3.05 million MWh's was aligned with prior year performances following a disappointing first half which was 57% below prior year.

Offsetting this decline in large market electricity procurement was an increase in small site procurement, delivered from a sustained sales focus in this market (up from \$0.4m in FY2013 to \$0.9m in FY2014). Accordingly, overall procurement revenue was up 6% to \$5.9 million.

It is anticipated that with the repeal of the Carbon Tax and further privatisation in the generation market, there will be an incremental lengthening of contract durations and an increase in energy prices. Both of these factors will have a positive impact for Energy Action's procurement services going forward.

Projects & Advisory Services

Sustainability Solutions (Activ8+), Ward Consulting and Exergy were successfully integrated into one division in the second half of FY2014, now called Projects & Advisory Services. Since being acquired in March 2014, Exergy has brought considerable energy efficiency expertise and has provided Energy Action with a critical mass of delivery personnel.

The division achieved a substantial increase in revenue in FY2014, from \$2.4 million to \$5.8 million and is now well positioned for continued growth moving into FY2015.

Projects & Advisory Services is now headed by the previous Managing Director of Exergy, Dr Paul Bannister, and combining the teams into a single structure has built a strong foundation by which the company can offer a broad range of services to customers under a unified brand.

Outlook

Energy Action is well placed to continue delivering increased year-on-year revenue and return to profit growth. Energy Action made significant investments in operations in FY2014, particularly in the Projects & Advisory services space, aligning the sales teams to take advantage of the extended portfolio of services and the upcoming market dynamics for procurement services.

These investments have the Group in a solid position to benefit from both cross-selling a larger set of solutions, and capitalising on the 'renewal cliff' in the electricity procurement market in FY2015. Energy Action has 77% of its customers due for renewal of their electricity contracts by the end of calendar year 2015 which is typical of the overall market.

This 'renewal cliff' has also been caused by uncertainty in the electricity generation market surrounding the repeal of the Carbon Tax legislation and has driven the shortening of energy contracts. This dynamic now provides Energy Action with a unique opportunity to gain market share by acquiring new customers across this period.

Scott Wooldridge added: "We anticipate that FY2015 will be a year of solid growth for the company, following a period of significant investment and restructure over the past year to position the company for the future.

"We remain focused on continuing to develop our market-leading IT platforms, with technology identified as a core differentiator in the market. We are also committed to aggressively increasing our market share in the procurement brokerage market by taking advantage of the upcoming 'renewal cliff' and the reinvigorated sales team. The procurement function remains core to our business, as this acts as a lead opportunity for our additional suite of energy management services.

"We continue to assess complementary, earnings accretive M&A opportunities in the market as part of our ongoing strategy to aggressively build our presence in what remains a highly fragmented market."

ENDS

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