

energy one

35% of Australia's electricity is traded using Energy One's software solutions, and growing



energy one

Energy One (ASX:EOL) – technology for Australia's energy trading future

energyone.com.au

Investor Presentation

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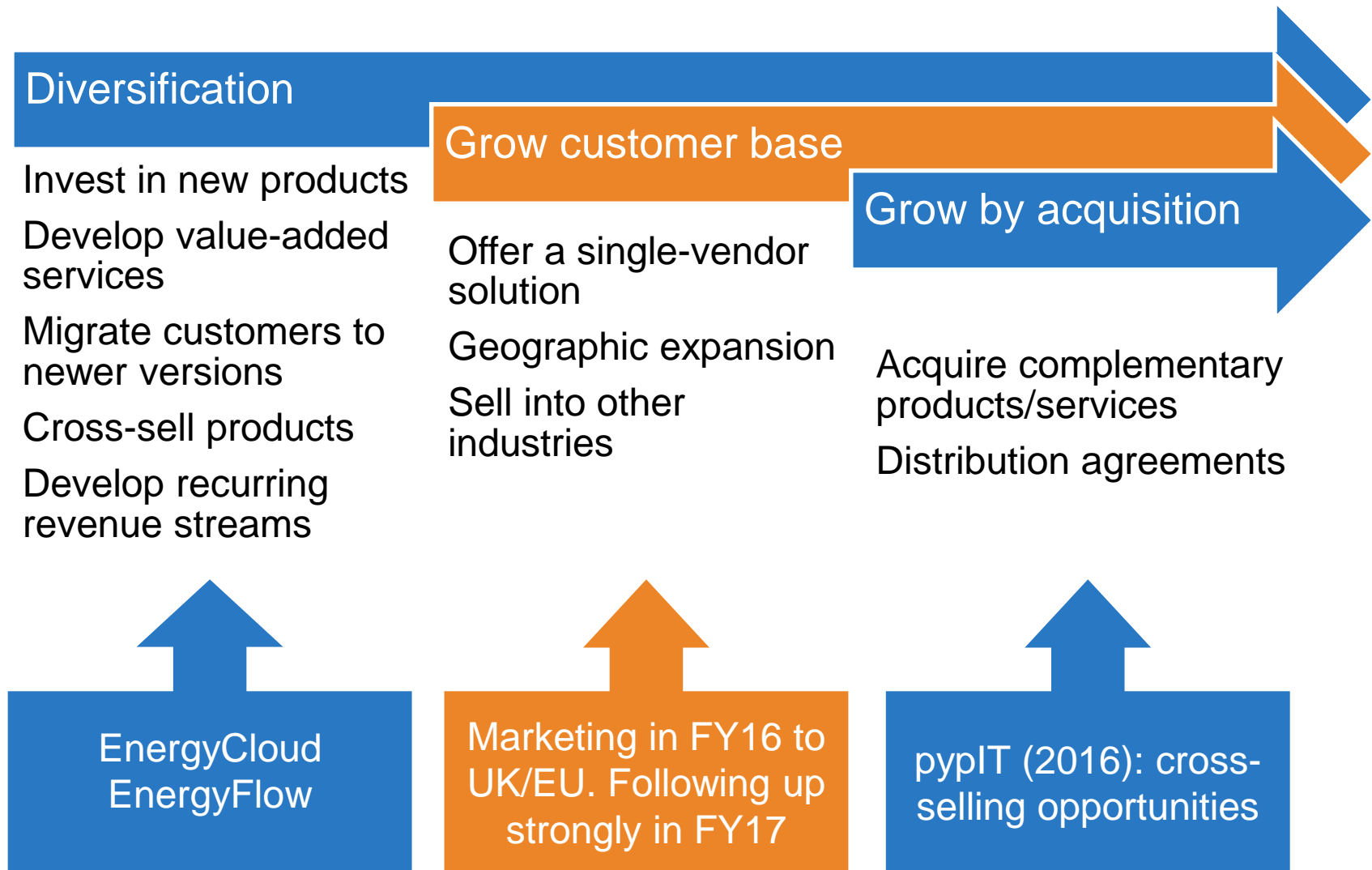
Presenters:

Shaun Ankers	Managing Director
Richard Standen	Chief Financial Officer

Operational review



Energy One's growth strategy



Good progress was made on implementing this strategy in FY16

1) Diversification

- pypIT acquisition - EOL's software now manages 40% of Australia's gas transmission.
- Places EOL at the centre of the gas market, offers new sales opportunities to new customer segment (gas shippers)


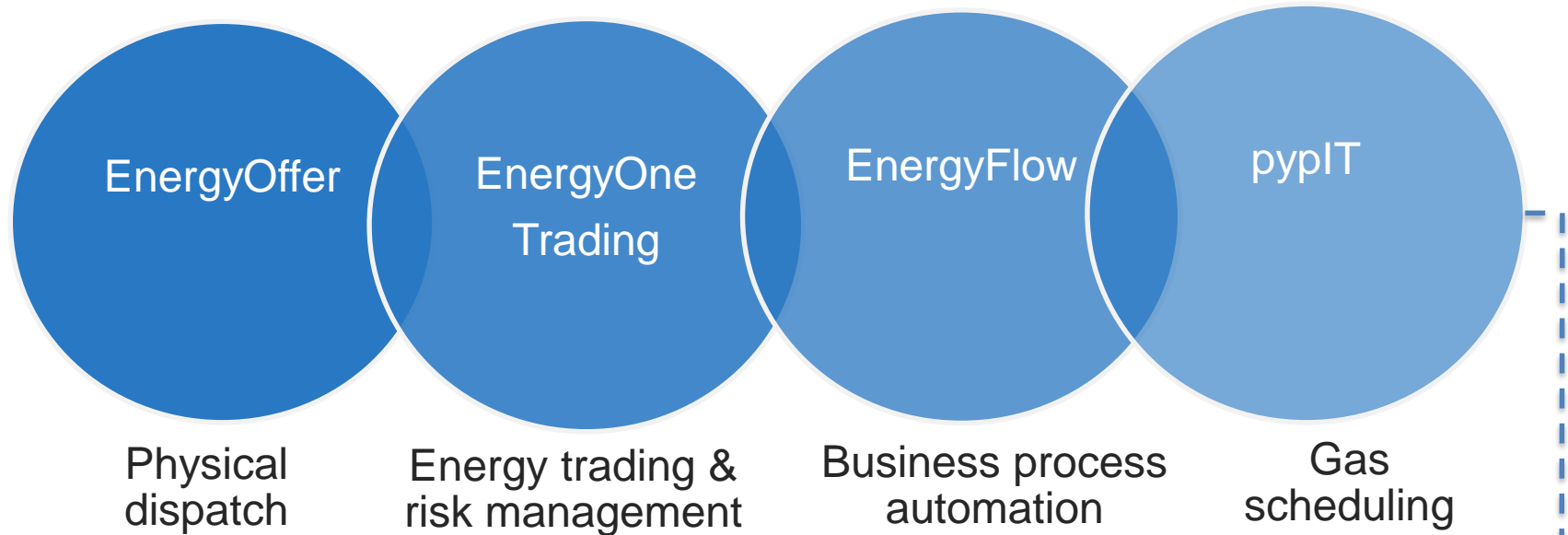
2) Innovation

- Energyflow - Our groundbreaking automation platform. We continue to innovate new features for new applications.
- Cloud - We now offer full cloud-hosted application platforms with managed services offering for large clients.

3) Pursuit of recurring revenue

- Favourable market research into UK/EU markets shows applicability for EOL software in those markets.

EOL software provides solutions across the energy trading spectrum



With dashboards, analytics and business intelligence overlay
Serving trading & risk management of physical and contract energy

EOL's software
is responsible for
dispatching 35%
of the physical
electricity in the
NEM and
managing >30%
of the derivatives
market



And our software is responsible for scheduling the transport of 40% of the domestic gas in Australia










A photograph of industrial infrastructure at night, featuring large, insulated pipes and red support structures illuminated by a bright light source, possibly a flare or a lamp. The sky is dark with some clouds. The text is overlaid on the left side of the image.

This gives
Energy One a
dominant
market position
in both gas and
electricity
trading
software

Financial review



Financial results summary

	30 June 16	30 June 15	Change	
Revenue	\$5,167,000	\$5,549,000		(7%)
Recurring Revenue	\$2,699,000	\$2,231,000		23%
EBITDA	\$1,176,000	\$1,359,000		(13%)
NPBT	\$924,000	\$837,000		9%
NPAT	\$464,000	\$687,000		(32%)
NTA / share (cents)	12.4	13.2		(6%)
Cash and equivalents	\$2,228,000	\$1,983,000		12%

Third consecutive year of profit

NPBT is up 9% despite flat revenue due to project timings.

NPAT was down due to the Company utilizing the last of its prior year tax losses. With these prior tax losses fully utilised, the Company is now paying tax.

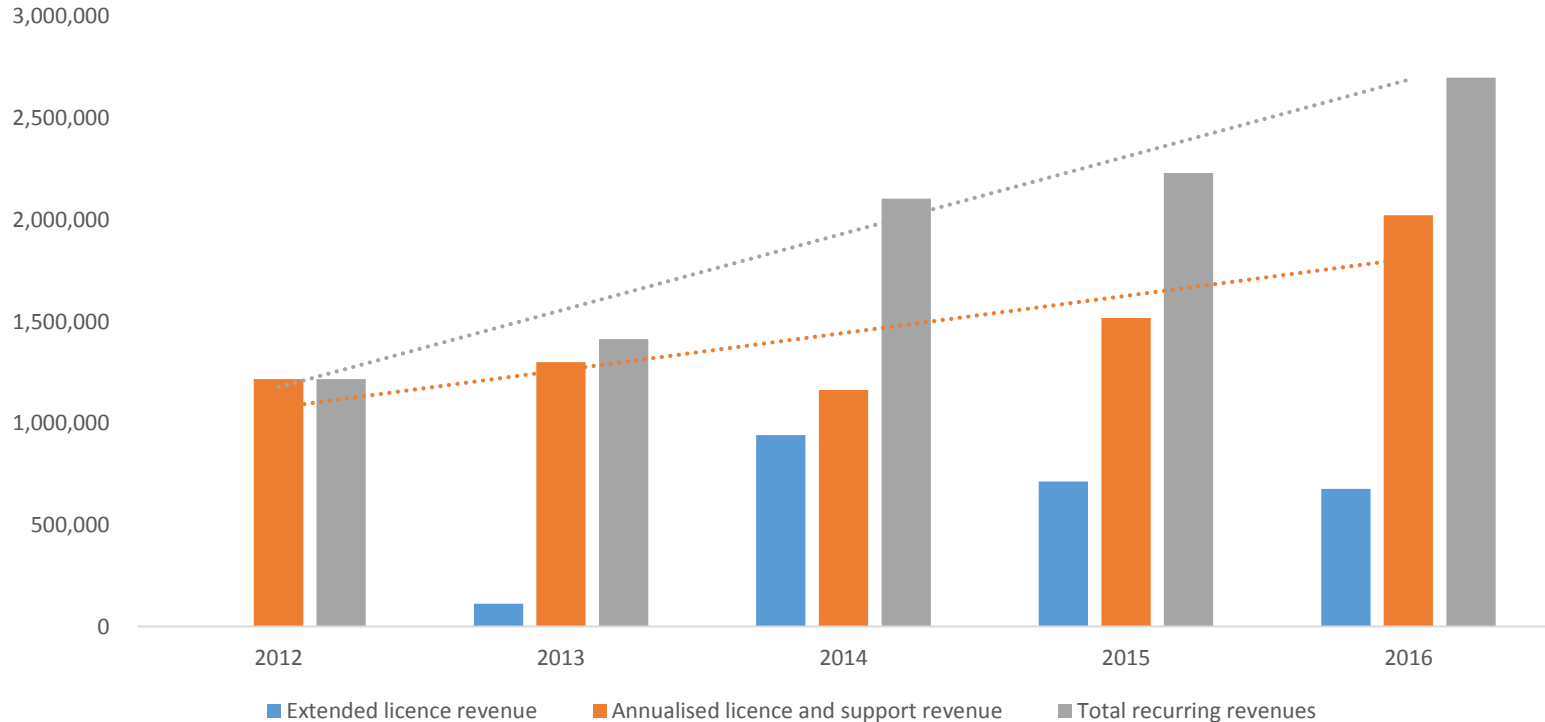
Net tangible assets decreased 6% vs. FY15 due to greater investment in product development.



Profit & loss statement

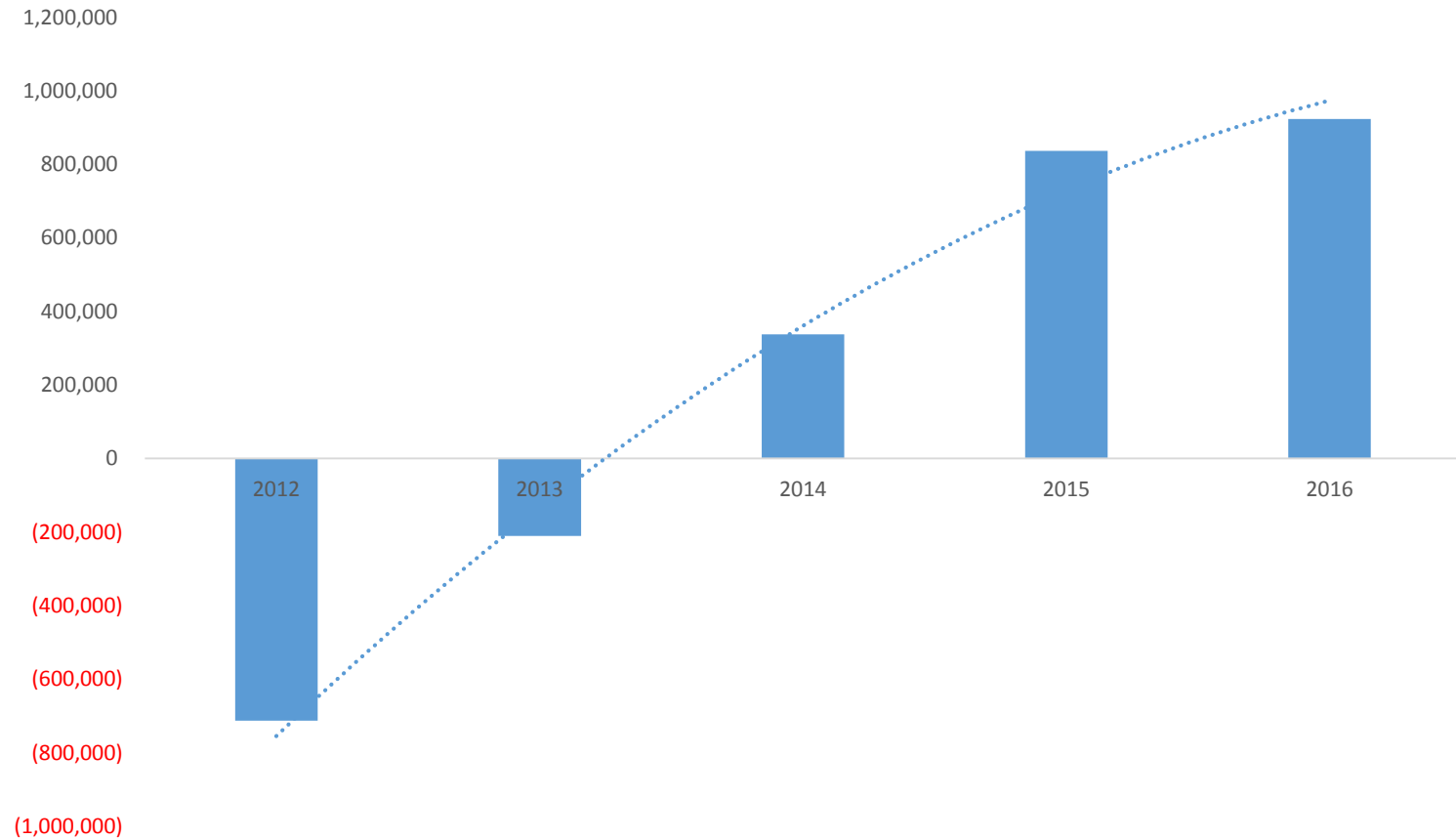
\$'000	2013	2014	2015	2016	
Revenue	1,844	2,848	4,768	4,583	Flat due to timing of projects
Other revenue	601	606	782	584	R&D grant & interest
Direct project related costs	(30)	(56)	(33)	(43)	
Employee benefits expense	(1,459)	(1,713)	(3,003)	(2,674)	Reduced due to successful conclusion of projects
Rental expense	(153)	(160)	(169)	(193)	
Consulting expense	(257)	(367)	(477)	(311)	Reduced due to successful conclusion of projects
Insurance expense	(46)	(44)	(58)	(60)	
Accounting fees	(52)	(62)	(78)	(88)	
Other expenses	(224)	(172)	(309)	(514)	
Depreciation & Amortisation	(437)	(542)	(585)	(361)	
NPBT	(211)	338	837	924	
Tax	-	-	(149)	(459)	The Company is now in a taxable position
NPAT	(211)	338	687	464	Prior period tax losses have been fully utilised
EBITDA	149	825	1,362	1,177	Due to lower revenue. Note corresponding cost control.
EBIT	(287)	282	776	816	
<i>EPS (cps)</i>	<i>(1.18)</i>	<i>1.90</i>	<i>3.86</i>	<i>2.51</i>	

Recurring revenue is up 23%



- Total recurring revenues up 23% on FY15.
- Recurring revenues now are 60% of operating revenue.
- Recurring revenue now majority related to annual recurring (rather than periodic).

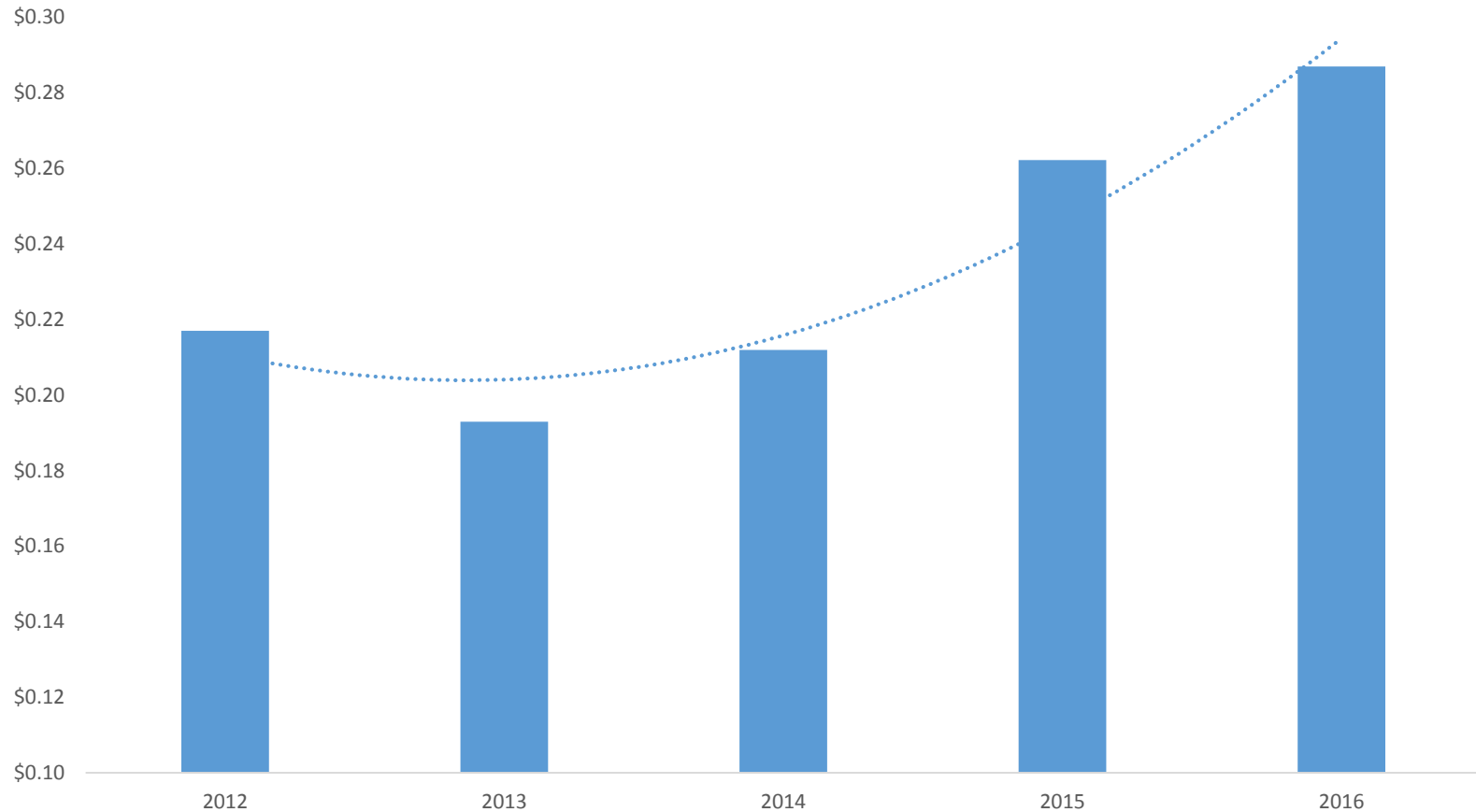
Net profit before tax continues to increase



Balance sheet

\$'000	2013	2014	2015	2016	
Cash and cash equivalents	1,721	1,398	1,983	2,228	FY16 cash balance is pre acquisition of pyplIT
Trade and other receivables	835	2,190	2,319	2,056	
Total Current Assets	2,585	3,624	4,344	4,108	
Plant and equipment	147	96	64	502	Relocation of head office
Intangible assets	1,828	2,030	2,327	3,015	Software development life 10 years
Other assets	104	104	104	331	Restricted cash – rental guarantee
Total Non-Current Assets	2,079	2,230	2,765	4,244	
Total Assets	4,664	5,854	7,109	8,631	
Trade and other payables	129	479	554	820	
Deferred revenue	663	1,050	882	619	
Total Current Liabilities	907	1,633	1,944	2,059	
Total Non-Current Liabilities	324	450	493	1,257	R&D tax incentive claimed over 10 years
Total Liabilities	1,230	2,083	2,437	3,316	
Net Assets	3,434	3,771	4,672	5,315	
Net assets per share (cps)	19.3	21.2	26.2	28.7	

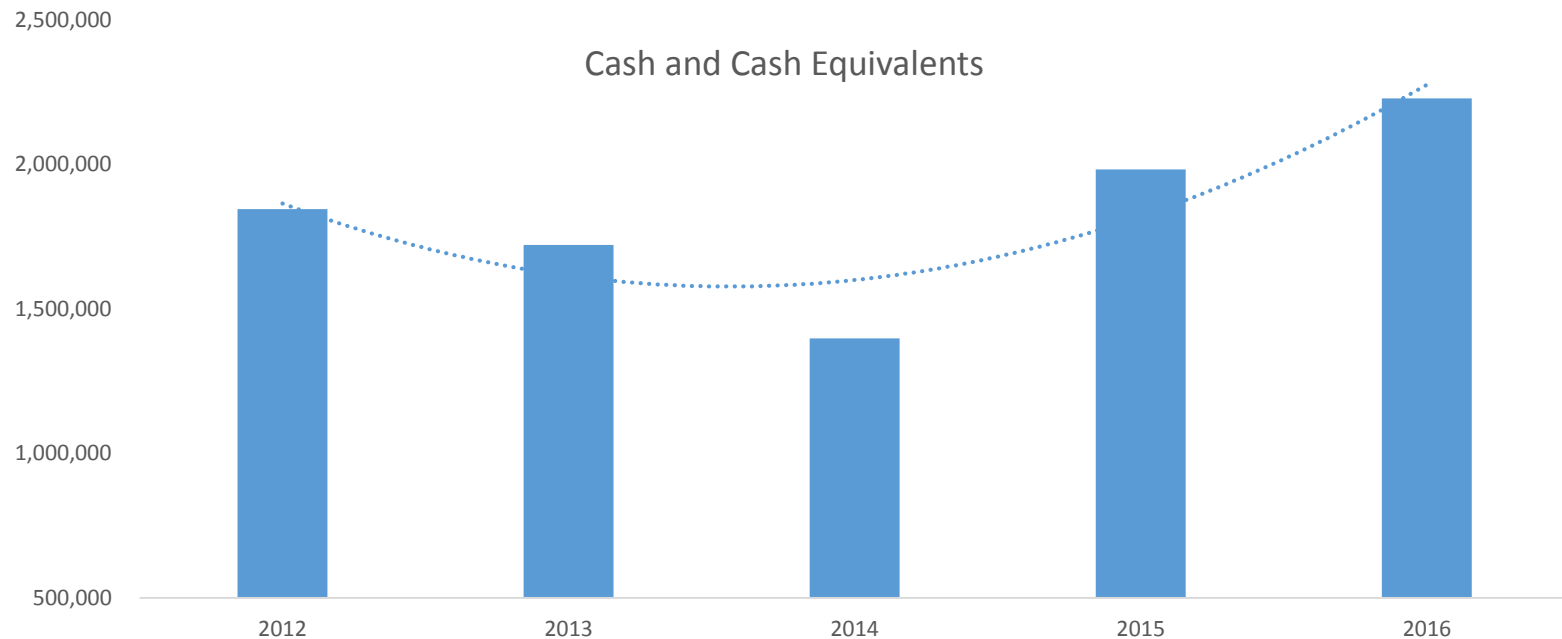
Net assets per share continue to increase



Cash flows

\$'000	2013	2014	2015	2016	
Receipts from customers	2,190	2,063	4,920	5,072	
Government grants	715	720	709	836	Research & Development
Payments to suppliers and employees	(2,434)	(2,476)	(4,260)	(4,723)	
Interest	88	62	51	554	
Cash provided by operating activities	559	369	1,420	1,231	
Purchasing plant & equipment	(1)	(4)	(10)	(75)	
Purchasing intangibles	(1)	(2)	(31)	(17)	
Development costs	(680)	(687)	(810)	(924)	
Restrictive term deposits			(104)	(227)	Rental guarantee
Cash used for investing activities	(682)	(693)	(955)	(1,243)	
Cash flows from financing activities	0	0	16	257	Share rights approved at AGM
Net increase / (decrease) in cash	(123)	(324)	481	245	
Cash at beginning of year	1,948	1,825	1,501	1,982	
Cash at end of year	1,825	1,501	1,982	2,228	

The company continues to generate free cash from operations



Company Outlook



Investing for additional growth



- 1) Domestic sales:
Continue to develop opportunities. Projects pending and in development.
- 2) Explore other geographies
EnergyFlow offers great flexibility and has strong potential in overseas energy markets so we will continue investing in market research in FY17.
- 3) Growth by acquisition
Continue actively pursuing strategic acquisitions.

Growing the domestic market

Interest in gas/oil trading rising

More activity in gas/oil markets:

- export LNG coming on-line (gas pegged to Oil indexes)
- market rule changes and adjustments by regulators in Aus/NZ

EOL has recently provided oil trading functionality for an existing customer and will deliver a gas trading upgrade during the year.

In discussions with other existing/new customers for this functionality

Software ‘in the cloud’ on the rise

Increased interest from customers in “cloud-hosted” systems as opposed to traditional on-premise arrangements.

EOL products are all web-deployed. Using a specialist vendor can greatly improve efficiency and reduce risk for larger customers and provide convenience for smaller customers.

Off shore marketing has yielded positive feedback



During FY16 we conducted market exploration in UK/EU. The feedback was positive so we will invest further to develop this opportunity

Acquisition would be a preferred strategy to leverage an existing distribution channel. Ideal target would :

- Be an established (profitable) business with blue-chip customers and complementary product(s)
- Create opportunities to cross-sell EOL products

But we are also considering distribution agreements with existing companies and direct marketing with an on the ground presence in UK/EU.

Off shore marketing will require additional investment

To fully access the overseas opportunity we will need to make a **material** investment in the next 12-18 months. The size of investment will ultimately depend on the route to market.

- Investment would include:
 - Technical resources to adapt the product(s) for those markets
 - Direct sales and marketing costs
 - Corporate costs for transacting in those markets
 - Market opportunity in UK/EU is potentially 10x the size of the Australian market
 - Any investment would be progressive and subject to successfully achieving milestones
 - Integration costs

Energy One well placed for growth in 2017

- ✓ Solid financial performance for the year past
- ✓ Strong market position & good products
- ✓ Opportunities for domestic sales in FY17
- ✓ Overseas opportunity to expand reach
- ✓ Further investment in product development
- ✓ Marketing domestically and internationally



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Appendix

Additional information



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Sales pipeline update

- Software projects represent a large project for customers requiring significant planning, development and resourcing (This increases customer retention).
- Sales cycle can be 1-5 years especially for 'large' projects (e.g. ~\$1m, over 12-18 month project). Difficulty predicting when customers will come to market. Expectation is to win 1-2 new large (or medium ~\$0.5m) projects per year.
- Now marketing cloud services as part of the solution.
- Our goal at any one time for the pipeline (and current status) is a mix of projects:
 - a) 4-5 in sales stage,
 - b) 2-3 in prospective stage; and
 - c) 1 in procurement.
- We have successfully built a strong market share with Origin being the only large retailer who is not yet a customer.
- We are now looking for new opportunities in other markets (e.g. UK/EU), to diversify via new segments (e.g. gas) and via products & services (e.g. cloud).

