

## Trading Update and Revised Earnings Guidance

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- **FY2014 operating<sup>1</sup> NPAT now expected to be approximately in line with FY2013 operating NPAT of \$5 million.**
  - **Revised FY14 earnings guidance provided due to lower than target earnings from the Sustainability Solutions division and unexpected issues relating to the implementation of the sales function restructure.**
  - **EAX to capitalise on the large number of energy contract renewals in the Commercial and Industrial sector in 2014 and 2015.**
  - **EAX well placed to resume growth in the medium term, organically and through strategic acquisitions.**
  - **Dividend payout ratio to be maintained at 50% of statutory NPAT.**
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Energy management and procurement company Energy Action Limited (ASX: EAX) (“Energy Action” or “EAX”) provides the following trading update and revised earnings guidance for the year ended 30 June 2014.

Previous earnings guidance for FY2014 estimated operating<sup>1</sup> Net Profit After Tax (“NPAT”) would be 10% to 15% higher than FY2013 NPAT (FY2013 NPAT: \$5.02 million).

After considering its current trading results, Energy Action now expects FY2014 operating NPAT to be approximately in line with FY2013 operating NPAT of \$5 million.

FY2014 operating NPAT for the half year ending 31 December 2013 is expected to be approximately \$2 million (unaudited) with overall revenue growth of approximately 15% compared to the corresponding half year period ending 31 December 2012. As previously announced FY2014 operating NPAT is expected to be weighted to the second half of the year.

The revised earnings guidance primarily reflects:

- A lower than budgeted earnings contribution from the Sustainability Solutions division (previously called Activ8+); and
- Restructuring of the Sales function.

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1 – before corporate acquisition related costs, amortisation of customer relationships and employee incentive plan non cash expense.

## **Sustainability Solutions**

The additional sustainability services now offered by Energy Action secures Energy Action's position as a full service energy management business, ensuring customers have access to a suite of products spanning the procurement of energy, contract management, reporting of energy usage, energy efficiency, sustainability advisory and project services.

The Sustainability Solutions division has achieved 40% year on year growth which is below Energy Action's targets based on the investment made in both people and product development. The Sustainability Solutions division has been adversely impacted by the removal of existing energy efficiency funding schemes preceding the introduction of the Government's Direct Action climate change policy. In FY2013, customers benefited from various energy efficiency funding schemes, which have now ceased.

## **Sales Team Restructure**

Earlier this year EAX announced significant changes to the structure of its Sales team and the way Sales employees are incentivised. Whilst the changes are expected to have a positive impact on future revenue growth, the full benefits are expected to be realised partially in FY2014 but more so in FY2015.

Energy Action is well placed to resume NPAT growth in FY2015. The diversity of the business in terms of the provision of end to end energy management services, supported by leading edge technology, continues to be a fundamental strength and a key differentiator in the market.

Energy Action, Chief Executive Officer, Scott Wooldridge, said: "Whilst we are disappointed to report this revised earnings guidance to shareholders, we believe the investment in Sustainability Solutions and our commitment to completing the sales restructure will place the Group in a stronger position for accelerated growth.

"Given the previous uncertainty around carbon pricing, procurement services opportunities exist with the majority of Commercial & Industrial customers needing to have their energy contracts renewed from mid-2014 to the end of 2015 calendar year. Energy Action will be very well placed to aggressively grow market share with the investment in sales structure changes and the offering of additional value added services across this period."

"Consolidating the fragmented energy management market via organic growth and targeted acquisitions remains our key strategic direction. We are working on opportunities addressing the broker market and remain focused on growing our emerging Sustainability Solutions division."

The board intends to pay a dividend for the half year ending 31 December 2013 at the current payout ratio of 50% of statutory NPAT.

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## **Further information:**

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