EnergyAction®

ASX/Media Release

For immediate release

Tuesday, 18 February 2014

Energy Action delivers operating[2] NPAT of $2 million

- **Revenue up 17% - to $12.1 million**
- **HY2014 statutory NPAT of $1.9m, up 7% on PCP[1]**
- **HY2014 operating[2] NPAT of $2.0m, down 14% on PCP**
- **Strong cash position with no debt - $6.4 million cash at bank**
- **Fully franked half-year dividend of 3.73 cents – up 5%**
- **EAX continuing to assess organic and acquisitive growth opportunities**

Energy management and procurement company, Energy Action Limited (ASX: EAX) ("Energy Action"), today reported statutory net profit after tax (NPAT) of $1.9 million for the six months to 31 December 2013, representing a 7% increase on HY2013. In line with the revised FY14 guidance provided on 19 December 2013, Operating[2] NPAT was $2.0 million, a 14% decrease on the previous corresponding period (PCP).

Revenue for the year was $12.1 million, up 17% (PCP: $10.3 million), driven by higher Energy Monitoring and Sustainability Solutions revenue. Operating NPAT was impacted by flat procurement revenue and higher overheads as a result of investment in staff resources. Total overheads increased 20% with employee related expenses increasing 18%.

Earnings per share (EPS) was 7.46 cents per share, 4% higher than the previous period. Given the solid financial performance, the Directors have declared a fully franked dividend of 3.73 cents per share for the first half, a 5% increase on PCP, which is payable on 13 March 2014. The dividend payout ratio is 50% of statutory NPAT, consistent with previous periods.

Key financial metrics

	1H FY14	1H FY13	Variance
Revenue ($m)	12.1	10.3	17%
Statutory NPAT ($m)	1.9	1.8	7%
Operating[2] NPAT ($m)	2.0	2.3	(14%)
Operating cashflow ($m)	2.0	2.4	(17%)
Future contracted revenue ($m)	73	76[3]	(4%)
Earnings per share (statutory)	7.46c	7.15c	4%
Dividends per share	3.73c	3.55c	5%

1 – previous corresponding period (6 months to 31 December 2012)
2 – before non-cash share based payments expense of $17,390 (FY13: nil)and acquisition costs of $22,842 (FY13: $491,303),.
3 – as at 30 June 2013
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Energy Action finished the half-year with a cash position of $6.4 million and no debt, which provides the company the financial flexibility to pursue growth opportunities.

CEO Commentary

Energy Action CEO Scott Wooldridge commented: “The first half of FY2014 has been a period of transition for Energy Action in which we continue to invest in our business and streamline our operations in order to deliver growth in the longer term.

“Energy Action holds a distinct advantage over its competition through its unique technology platforms, large and varied customer base, and its broader sustainability service offering. With three distinct and integrated divisions now firmly in place, we have the foundation to continue our track record of growth.”

Contract management & energy reporting

Energy Action’s contract management and energy reporting division, driven by the Activ8 platform, performed well in the first half of FY2014, with the number of sites under management growing to 8,897 - up 5% from 30 June 2013. This service continues to deliver value add results for customers and is a significant revenue stream for Energy Action, representing 58% of revenue.

Activ8 revenue increased 14% to $7.0 million, compared to PCP.

Energy procurement

The number of sites under management was steady at c.9,600 sites (compared to 30 June 2013), whilst the total bid auction value fell from $201 million to $86 million, as a result of a fall in MwHs sold (from 3.65 million to 1.87 million) and a fall in the average price per MwH ($54 to $50). The average auction contract duration was steady at 27 months.

Lower electricity prices were driven by the fact that the majority of contracts were auctioned on a carbon exclusive basis and due to the current soft wholesale pricing for electricity.

The drop in activity on the platform was driven primarily by the impact of sales to relatively lower load users and the sales team restructure, which, for a period negatively impacted the company’s ability to drive volumes on the exchange. We expect to contract large load businesses in the second half and into FY15.

As a result of the above, AEX large site revenue decreased 7% to $2.0 million, compared to the PCP. Offsetting this decline was an increase in small site procurement (up from $0.2m to $0.4m). Accordingly overall procurement revenue was up 1% to $2.6 million.

Whilst thee sales team changes have affected large site volumes in the short term, it is anticipated that the sales team restructure will have a positive impact on future revenue growth. The full benefits of the restructure are expected to be realised in the current half and into FY2015.

Sustainability Solutions

Ward Consulting and Activ8+ were successfully integrated into one division in the first half of FY2014, now called Sustainability Solutions. This restructure provides a strong foundation by which the company can offer a broad range of services to customers under a unified brand.

Excluding Ward Consulting, the division achieved a substantial increase in revenue, from $0.7 million to $1.8 million, which was however below Energy Action’s targets based on the investment made in both people and product development. The division has been impacted by the removal of existing energy efficiency funding schemes preceding the introduction of the Government’s Direct Action climate change policy. As a result, Energy Action is not currently able to assist customers to benefit from various energy efficiency schemes that were available in FY2013.

Ward Consulting delivered revenue of $0.6 million, bringing total Sustainability Solutions revenue to $2.4 million, compared to $1.4 million in the previous period.

Sustainability is a growth area for the company, and Energy Action continues to invest in the division to deliver improved profitability.

Outlook

As announced on 19 December 2013, Energy Action expects FY14 operating NPAT to be approximately in line with FY13 operating NPAT of $5 million. Earnings are expected to be weighted to the second half due to the likely increase in contract renewals among Commercial and Industrial customers, who previously did not renew contracts because of the uncertainty around carbon pricing. Also, Energy Action expects the benefits of the restructure of its sales function to materialise in the current half and Sustainability Solutions revenue is growing at a fast rate.

Scott Wooldridge added: “Our immediate priority is to deliver on the benefits of our recent sales restructuring program, and capitalise on the increase in Commercial and Industrial customer contract renewals which are expected in this half and into FY2015.

“The energy broking procurement market remains fragmented with a number of consolidation opportunities apparent. As well as pursuing organic growth opportunities, Energy Action’s strong cash position gives the company the financial flexibility to pursue acquisition opportunities that make an immediate contribution to earnings and complement our existing operations. These opportunities are being actively investigated.

“We look forward to updating our shareholders on the company’s progress in the coming months.”

ENDS

Further information:

Scott Wooldridge, Chief Executive Officer: (61 2) 9633 6403
Nathan Francis, Executive Director Finance: (61 2) 9633 6405

Released through: Sam Wallman, Six Degrees Investor Relations: 0405 399 430