



16 October 2018

Energy One Limited (ASX : EOL)

Investor Update

Attached is our annual investor update.

We will not be holding a formal investor presentation at this time, however you are invited to attend our AGM on 22 October 2018, 10.30am level 13, 77 Pacific Highway, North Sydney, NSW, 2060 where you will have the opportunity in general business to ask questions in relation to presentation.

Richard Standen

Chief Financial Officer and Company Secretary

Energy One Limited (ASX:EOL)

Investor Update for FY18



energy one

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Operational review

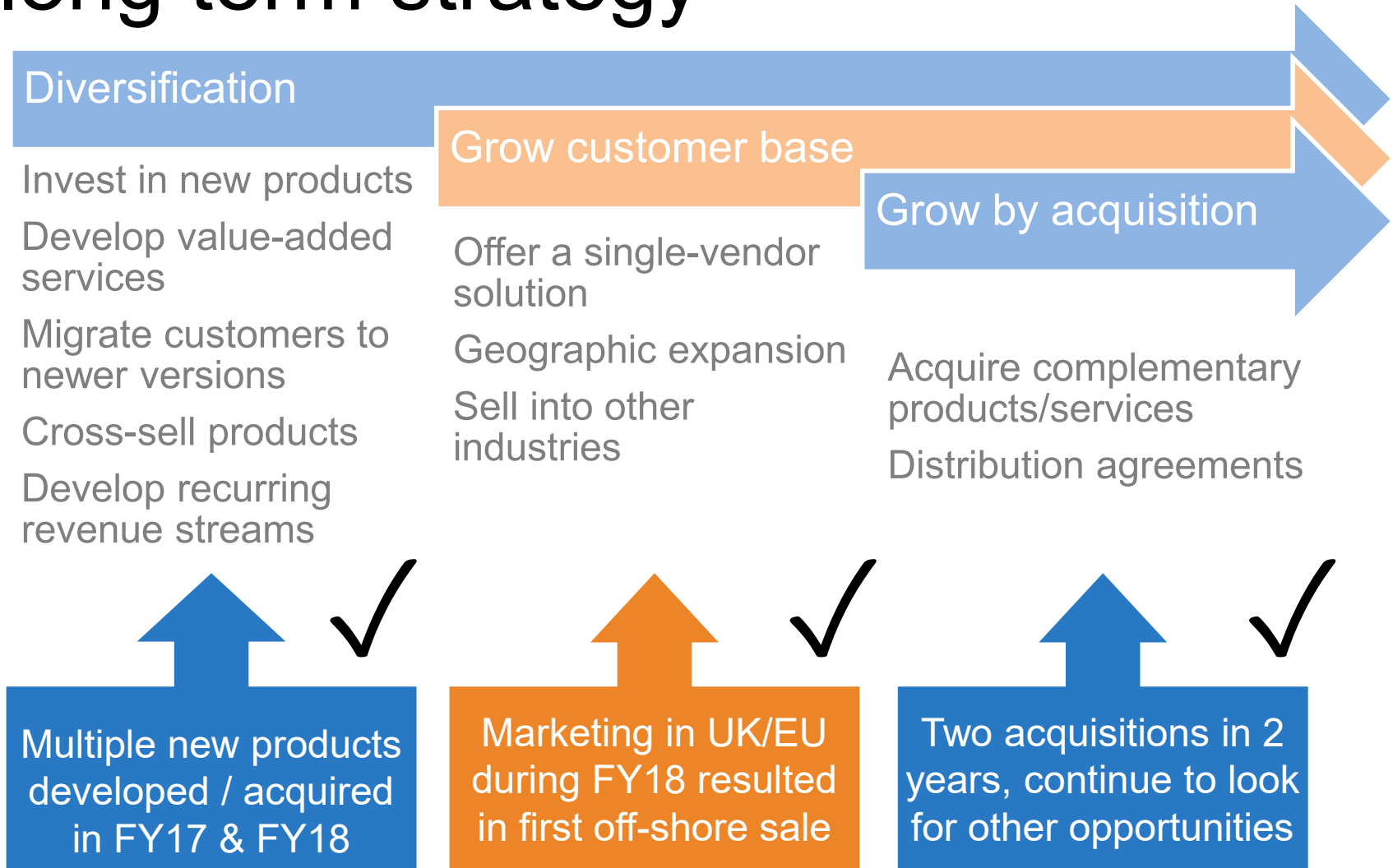


FY18 - Another strong year with more growth anticipated

- Successfully executing our growth strategy:
 - ✓ Diversification
 - ✓ Acquisitions
 - ✓ Geographic expansion
- Off-shore marketing results in first overseas sale
- Debt facility repaid
- Increased dividend



We're successfully executing our long term strategy



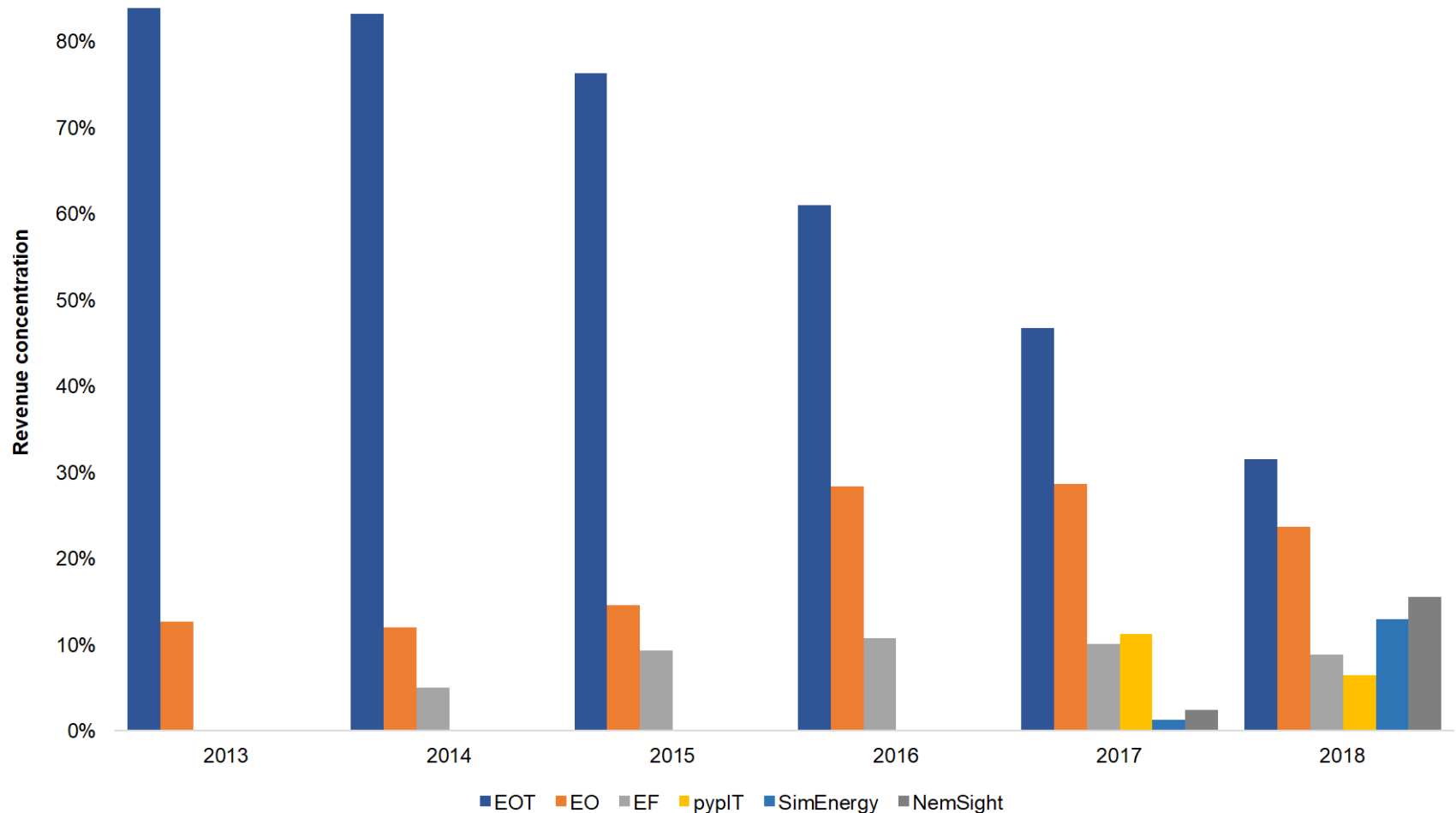
Acquisitions successfully integrated



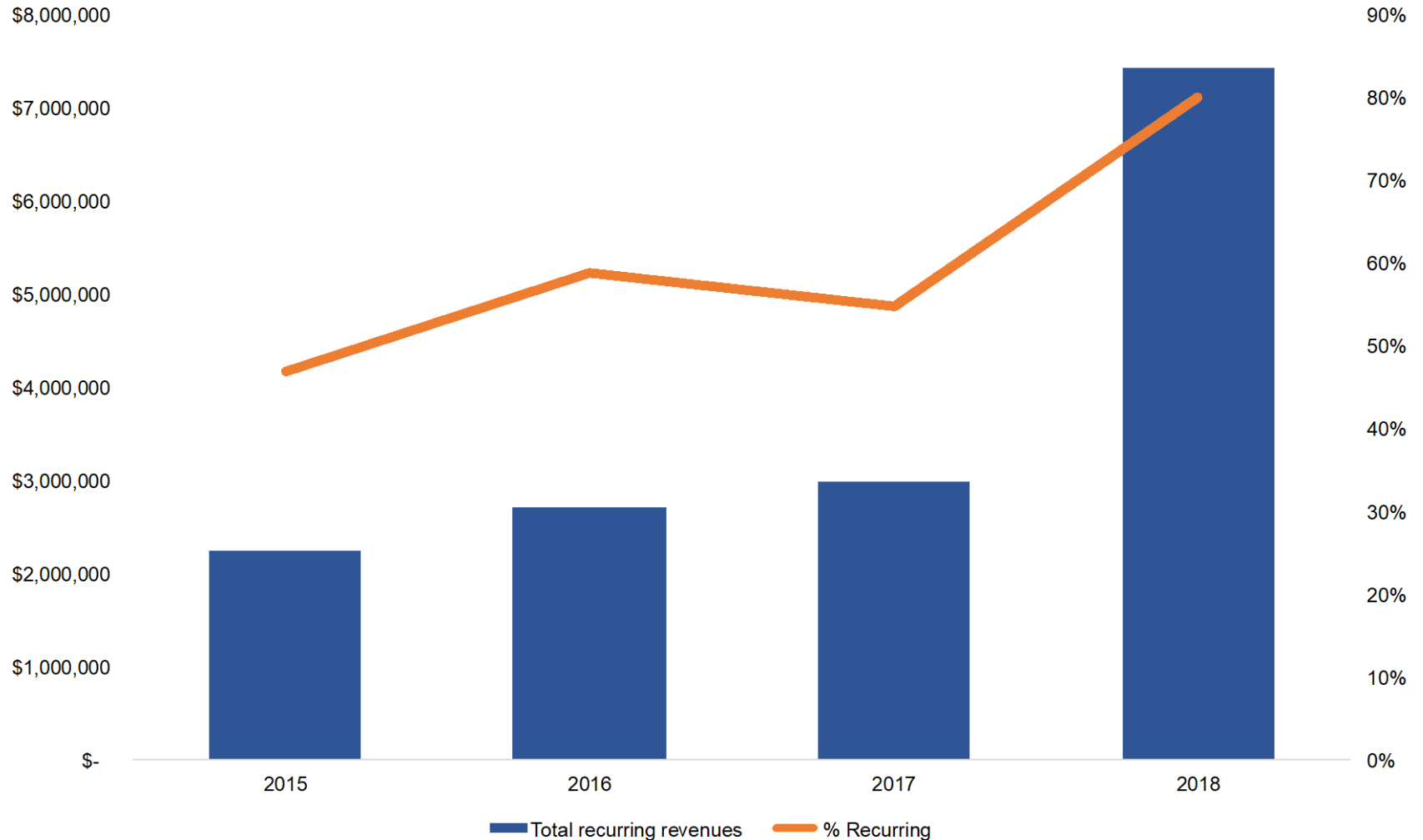
Energy One made two successful acquisitions, pypIT and Creative Analytics

- Expanded our range of wholesale energy product/service offerings
- No customers lost
- Operational integration completed during FY18

Revenue diversification continues to improve...



And recurring revenue is also increasing

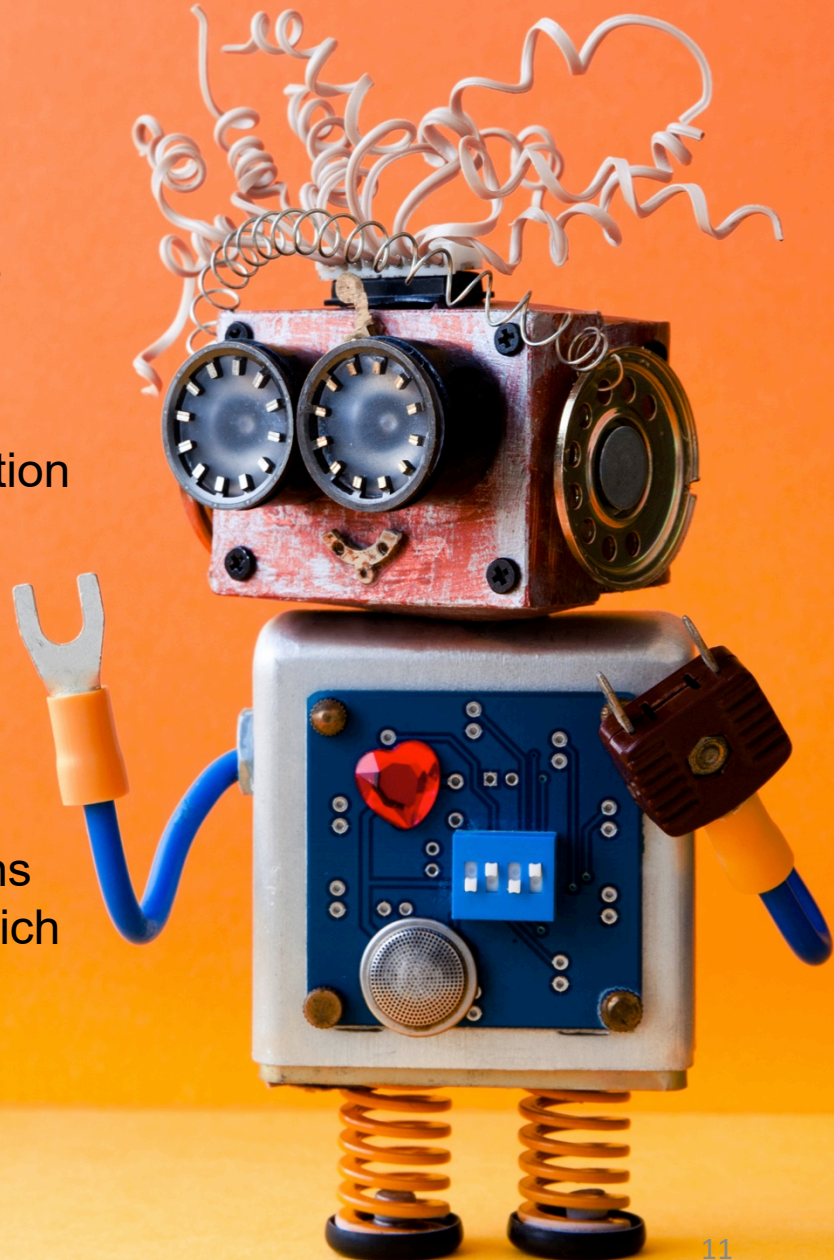


New opportunity with existing customers migrating to the cloud

- ✓ SaaS (Software as a Service) cost is bundled in a monthly amount
- ✓ Energy One is providing private cloud hosting to customers
- ✓ Depends on service levels provided but cloud hosting can add \$100k-\$200k p.a. for a medium sized customer
- ✓ Aiming to migrate 1-2 existing customer-systems per year
- ✓ Up to 50% of new clients may include some sort of hosting
- ✓ Using Amazon Web Services (AWS) to provide infrastructure

Robotic Process Automation (RPA)








- The new IT trend. Involves using software 'robots' to undertake multi-step manual processes with user-friendly interfaces
- Similar to older business process automation but aimed at smaller, desktop users
- EnergyFlow already offers a solution to the energy industry using these principles and it meets/exceeds RPA functionality in wholesale energy applications
- We have been packaging specific solutions for customers; GasFlow, PPAflow, etc. which offer customers large productivity gains



Financial review



Financial results summary

	30 June 17	30 June 18	Change	
Revenue	\$6,117,698	\$9,926,946		62%
Recurring Revenue	\$2,978,355	\$7,438,903		150%
Underlying EBITDA	\$1,414,847	\$2,500,205		77%
NPBT	\$749,967	\$1,718,412		129%
NPAT	\$307,326	\$1,040,343		239%
NTA / share (cents)	9.83	14.86		51%
Cash and equivalents	\$362,567	\$727,856		101%

Fifth consecutive year of profit while investing for growth

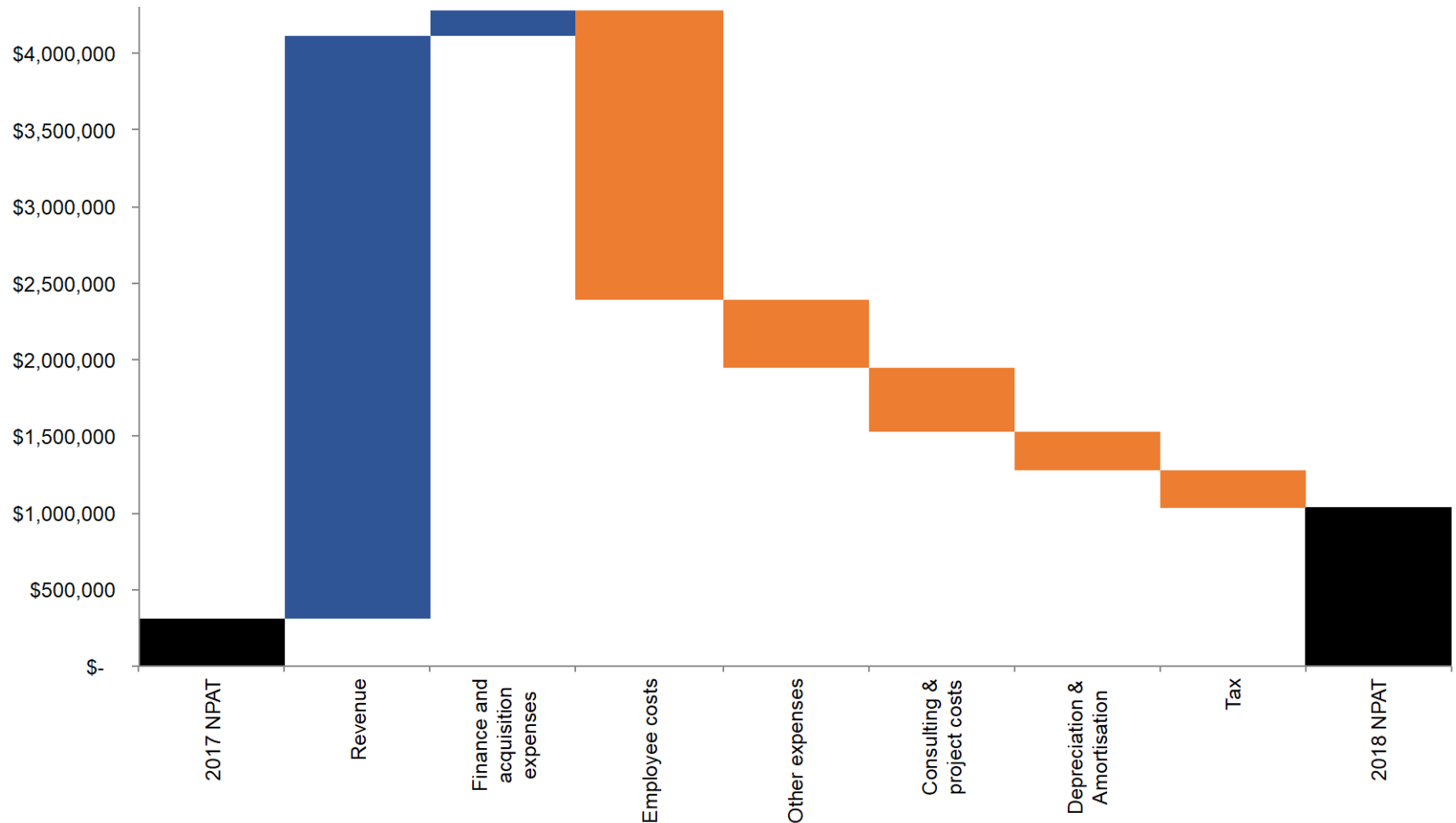
Maintained investment of ~\$1M or 16% of revenue in the research and development of new products

Continued investment (\$136k) in exploration of the UK and European markets

Invested \$4.5M in two strategic and synergistic acquisitions



A focus on costs whilst improving revenue has increased NPAT



EOL repaid its debt facility

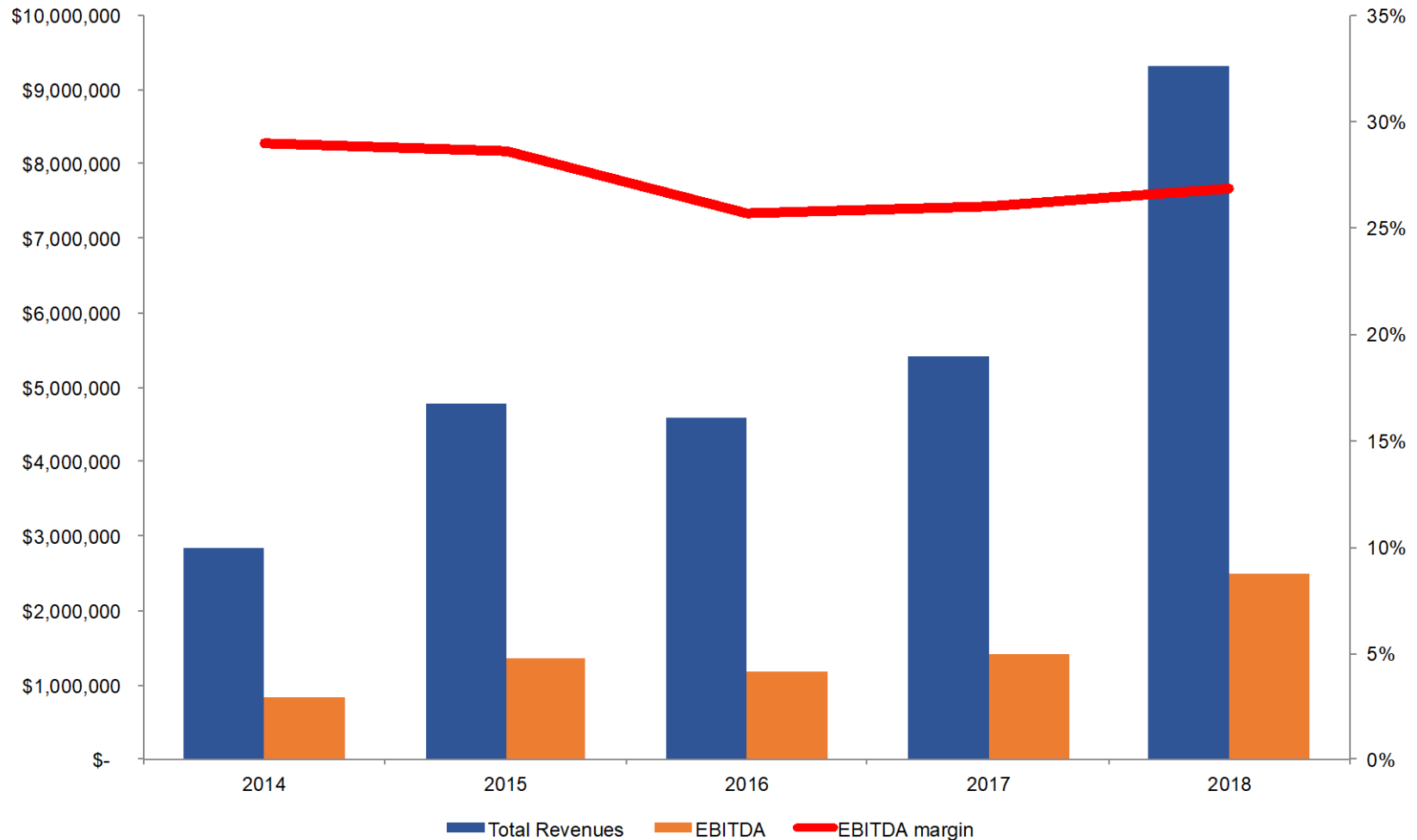
- The \$1.75M debt facility was used to finance an acquisition
- Gearing ratio was less than 20%
- The strong free cash flow being generated by the business enabled early repayment
- At the end of FY18 Energy One was debt free
- Cash and equivalents balance at the end of FY18 was \$728k



Profit & loss statement

\$'000	2015	2016	2017	2018	
Revenue	4,768	4,583	5,429	9,299	
Other revenue	782	584	688	628	R&D grant & interest
Direct project costs	(33)	(43)	(59)	(257)	
Employee benefits expense	(3,003)	(2,674)	(3,065)	(4,964)	Increased in line with revenue
Rental expense	(169)	(193)	(215)	(263)	Offices in Sydney, Adelaide & Melbourne
Consulting expense	(477)	(311)	(402)	(613)	Project resources (predominantly a variable cost)
Insurance expense	(58)	(60)	(71)	(94)	
Accounting fees	(78)	(88)	(78)	(93)	
Acquisition expense			(217)		One-off
Overseas marketing			(136)	(157)	Market exploration of UK/EU potential
Other expenses	(309)	(514)	(611)	(941)	In line with prior as a percentage of revenue
Depreciation & Amortisation	(585)	(361)	(513)	(772)	
NPBT	837	924	750	1,718	
Tax	(149)	(459)	(443)	(678)	High effective tax rate due to prior R&D incentives
NPAT	687	464	307	1,040	
EBITDA	1,362	1,177	1,414	2,500	FY17 figure was underlying (excluding one-offs)
<i>EPS (cps)</i>	<i>3.86</i>	<i>2.51</i>	<i>1.62</i>	<i>5.16</i>	
<i>Dividend</i>		<i>0.01</i>	<i>0.01</i>	<i>0.02</i>	Unfranked

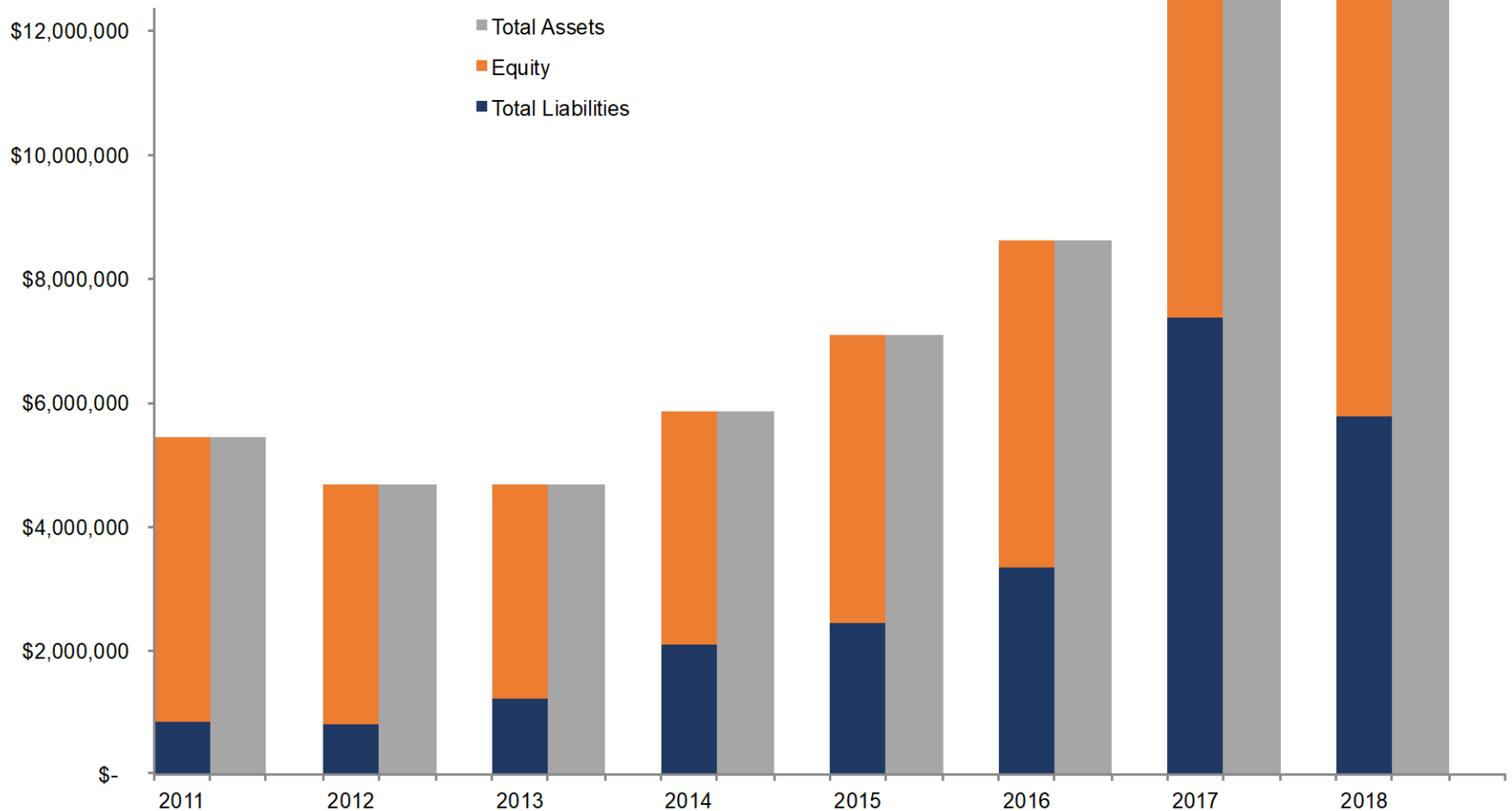
Pleasingly EBITDA margin remained stable during strong revenue growth



Balance sheet

\$'000	2015	2016	2017	2018	
Cash and cash equivalents	1,983	2,228	363	728	
Trade and other receivables	2,319	2,056	2,867	1,829	
Total Current Assets	4,344	4,108	3,457	2,733	
Plant and equipment	64	502	429	524	
Software development	-	2,373	4,662	5,065	Stated separately from intangibles since FY16
Intangible assets	2,327	641	3,454	3,475	Includes goodwill on acquisitions
Other assets	104	331	227	147	Restricted cash – rental guarantees
Total Non-Current Assets	2,765	4,244	9,614	10,131	
Total Assets	7,109	8,631	13,175	12,864	
Trade and other payables	554	820	1,290	1,035	
Borrowings			505		
Deferred revenue	882	619	2,027	2,125	Includes pre-paid (unearned) income of \$1.9M
Provisions & tax payable	508	620	837	1,165	
Total Current Liabilities	1,944	2,059	4,658	4,325	
Total Non-Current Liabilities	493	1,257	2,703	1,446	Paid down \$1.75M loan in 12 months
Total Liabilities	2,437	3,316	7,361	5,770	
Net Assets	4,672	5,315	5,815	7,094	
Net assets per share (cps)	26.2	28.7	29.5	35.9	

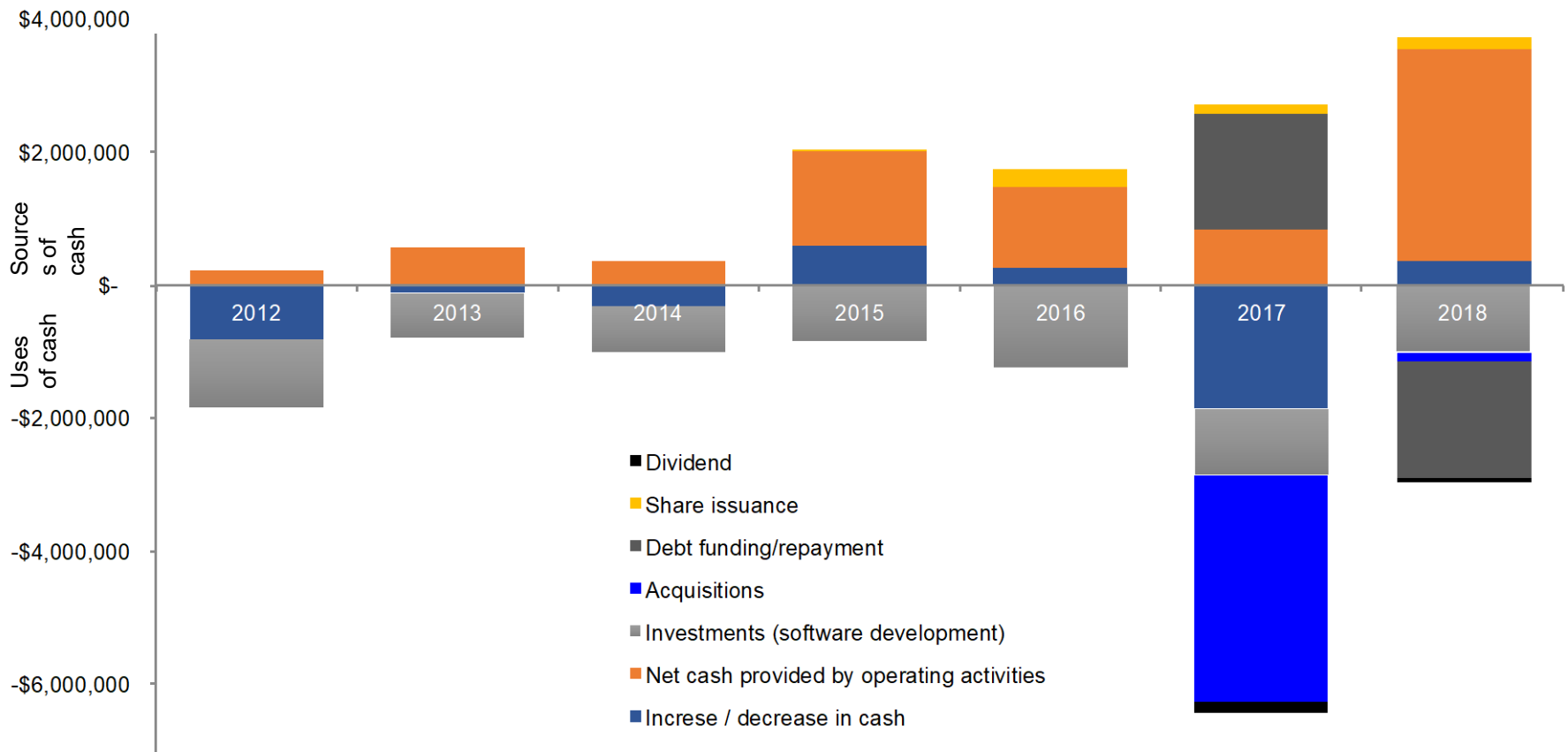
There has been positive balance sheet growth



Cash flows

\$'000	2015	2016	2017	2018	
Receipts from customers	4,920	5,072	5,528	11,399	
Government grants	709	836	751	815	Research & Development
Payments to suppliers and employees	(4,260)	(4,723)	(5,480)	(8,981)	
Interest	51	46	27	9	
Cash provided by operating activities	1,420	1,231	826	3,188	
Purchasing plant & equipment	(10)	(75)	(11)	(155)	
Purchasing intangibles	(31)	(17)	(0.1)	(16)	
Development costs	(810)	(924)	(983)	(1,020)	
Payments for acquisitions of businesses	-	-	(3,868)	(150)	
Cash acquired on acquisitions	-	-	463	-	
Restrictive term deposits	(104)	(227)	(0)	(184)	Rental guarantees
Cash used for investing activities	(955)	(1,243)	(4,397)	(1,157)	
Proceeds from borrowings	-	-	1,750	-	Bank loan for acquisition
Repayment of borrowings	-	-	-	(1,750)	
Receipts from share issues	-	257	137	152	Share rights approved at AGM & DRP
Payment of dividends	-	-	(182)	(68)	To shareholders not in DRP
Cash flows from financing activities	16	257	1,705	(1,666)	
Net increase / (decrease) in cash	481	245	(1,865)	365	
Cash at beginning of year	1,501	1,982	2,228	366	
Cash at end of year	1,982	2,228	363	728	

A record \$3.2 million in cash was generated from operations



We've introduced a dividend policy

Directors declared a dividend of 2.0 cents per share for FY18

The dividend reinvestment plan (DRP) will issue shares at \$1.05

The DRP is underwritten to avoid cash leakage from the business and to provide incremental improvements in liquidity of EOL shares

Our new dividend policy aims to return 40% of net profit after tax, to shareholders each year



Company Outlook



Our first UK customer went live



The UK division of a multinational energy company is using EnergyFlow to manage bespoke Power Purchase Agreements. Project is being led & delivered by Dunstan Thomas with our support.

Continuing to invest in off-shore marketing

To capitalise on opportunities off-shore our investment will continue, including:

- Technical resources to adapt product(s) for those markets
- Direct sales and marketing costs
- Corporate costs for transacting in those markets, legal, contracts etc

Any investment will be progressive and subject to successfully achieving milestones

Market opportunity in UK/EU is potentially 10x the size of the Australian market





EOL's software now dispatches almost half the physical electricity in the NEM and manages more than a third of the financial derivatives

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



This gives Energy
One a leading
market position in
both gas and
electricity trading
software and
strategically
positions us for
future market
developments



And future market developments look positive

Future market developments that EOL is well placed to service:

- Capacity trading in the gas market (2018)
- Potential move to 5-minute electricity settlements (2020)
- Batteries, solar, demand-side management and other disruptive technologies
- Regulatory changes promote system renewal opportunities



Regulator changing the way Australian gas markets operate

- The Australian Energy Regulator is implementing a capacity trading market ~2019
- Gas pipelines will need to publish data related to their spare pipeline capacity
- AEMO will arrange an auction of this spare capacity
- This is a major change in way gas transmission operates in Australia



pypIT is being enhanced for the changes

- EOL's pypIT software serves 40% of the gas transmission market and will play an important role in facilitating the data transfer for capacity trading and (consequent) scheduling of the traded capacity.
- Changes to pypIT are commencing in FY19 and while we expect a modest increase in customisation revenue for this, other business-as-usual projects will likely be delayed offsetting this additional revenue.

Electricity market reform will also provide additional opportunities

- The Australian Energy Market Commission has announced that, from 2021, electricity market settlement periods will change from 30-minute intervals to 5-minute intervals
- This reform is intended to encourage new-technologies such as battery storage and fast-peakers by facilitating quicker economic price-signaling
- This will necessitate a 6-fold increase in the amount of data being processed in wholesale trading operations.
- Battery technology 'generators' starting to appear in the market place providing near-term opportunity for new customer acquisition



Energy One well positioned to address the new 5-minute market



- EOL understands the market and its proposed changes better than our (overseas) competitors
- Our software systems are currently being adapted to address the new standards and the first example will go-live in mid-2019
- The effort is incremental and additional staff are already budgeted in FY19
- This reform is expected to start a product renewal cycle and EOL expects to implement medium-sized upgrades and 2-3 new med/large projects in the next two years

Investing for growth

- 1) Domestic sales:
Continue to develop new products. New projects pending and in development.
- 2) Explore new markets:
EnergyFlow offers great flexibility and has strong potential in overseas energy markets so we will continue investing in market development.
- 3) Growth by acquisition:
Continue actively pursuing strategic acquisitions where appropriate.

Energy One well placed for growth in FY19

- ✓ Solid financial performance for the year past
- ✓ Strong market position & good products
- ✓ Opportunities for domestic sales in FY19
- ✓ Overseas opportunities to expand reach
- ✓ Further investment in product development
- ✓ Marketing domestically and internationally



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Appendix

Additional information



Sales pipeline update

- Trading system projects represent a large investment 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.
- In general, smaller accounts are <\$100k per year. Sales cycles are shortened and revenues are largely subscription or annuity based.
- Assisting this, the addition of NemSight (in particular) gives us a product that can be quickly utilized, giving balance to the longer sales-cycle traditional offerings. We are positioning EnergyFlow in the same way.
- 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) 1-2 in procurement.

