

Energy One Limited (ASX:EOL)

Acquisition of EGSSIS



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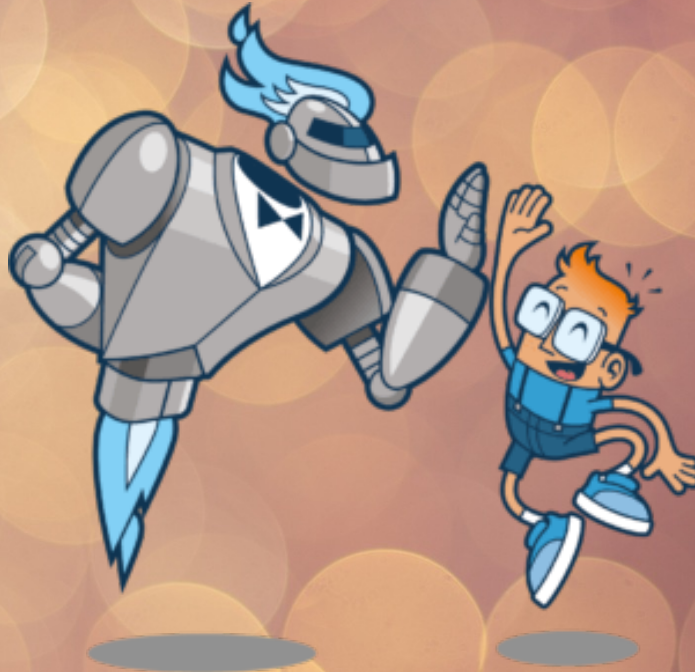
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Energy One is pleased to announce it
has signed a share purchase agreement
to acquire 100% of EGSSIS





Expanding our presence in Europe

Based in Belgium, EGSSIS (pronounced “egg-sis”) is an established, profitable company. The acquisition will be funded using existing facilities, internal funds and equity issued to the vendors. As such the transaction will be immediately earnings accretive with further synergies to follow.

About Egssis

Established in 2008, Egssis is based in Aalst, Belgium. The company is a leading vendor of energy trading solutions focusing on gas and power scheduling and short-term portfolio balancing for European markets.

Egssis provides SaaS software and “on behalf of” 24x7 scheduling and nomination services for European power and gas. Typical clients include power and gas utilities but also larger commercial and industrial companies.

The company is profitable with around 30 staff and 58 customers.

<https://www.egssis.com>

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A strategic acquisition placing us at the forefront of European scheduling markets

Combining Egssis with eZ-nergy and Contigo will place the company at the forefront of the European Gas and Power Trading, Scheduling and Nominations markets.

While there are around 10 vendors of trading software in Europe, only three provide 24/7 scheduling and nominations services, they are:

- GMSL (owned by the Belgian Gas Transmission System Operator)
- Egssis
- eZ-nergy

Combining eZ and Egssis will create a strong competitive force in the 24/7 services market

	eZ	Egssis	eZ+Egssis	GMSL
Staff	25	28	53	95
Software licenses	59	55	114	80
24/7 Services customers	10	19	29	50

The majority of customers in the 24/7 services market (around 70%) still use in-house DIY solutions for these trading and logistics operations.

We believe the software (and service) offered by eZ and Egssis is superior to that of the incumbent vendor.

Providing 24/7 scheduling and nomination services requires staff working around the clock. Combining Egssis and eZ will improve resourcing providing customers with greater comfort.

A well-resourced business with better solutions should, all things being equal, lead to a higher sales success rate when customers come to market.

Covering all the bases and providing real time energy trading solutions for European markets

Market type

Forward

Day ahead

Real time

Task

Contracts &
Derivatives

Balancing

Portfolio
optimisation

Scheduling/
Nominations

Intraday/
algo-trading

eZ + Egssis

Software & 24/7 services

Algo-trading

Contigo

Software

Software

EOL

← Business process automation →

- ✓ Comprehensive solutions for both Commodity and Derivatives trading
- ✓ Multi-commodity capability
- ✓ Multi-market (17 countries & 3 spot markets). European-wide coverage

Algo-trading and business process automation are exciting opportunities to win market share



Combining algo-trading and business process automation will be a major product differentiator in the 24/7 services market.

These additional services will appeal not only to customers with DIY systems but also customers using software from other vendors

The Energy One group is now well positioned in Europe's dynamic, fast paced, real time energy markets



Moving gas and scheduling electricity in the middle of the night - to ensure supply is where it's needed, when it's needed.

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The merger of eZ and Egssis will improve our offering to customers

- Combining eZ+Egssis will bring modern efficient services to European energy market participants.
- Great products, wide coverage and services for the fast paced, 24/7 real-time markets
- Egssis and eZ are proud of the shared cultural approach to good customer service, quality and responsiveness.
- We bring a clear and strong alternative to the incumbent vendor, but also to any market participants using internal or third-party solutions for short term balancing and logistics, including automated trading
- Combined with Contigo's ETRM contracts trading expertise, we offer customers solutions for both physical and derivatives trading and operations in European energy

Egssis increases our reach and coverage of European energy markets

Egssis increases geographic coverage and commodity offering. The group now offers software and services for:

- Gas in 17 countries (previously 11)
- Electricity in 12 countries
- Day ahead markets
- Intraday markets
- 3 major spot markets for auction bidding and algo-trading
- Forward markets (ETRM)

Numerous operational and technical synergies...

The technology stack for Egssis, Contigo's and eZ is very similar, allowing easier integration and sharing of functionality, tools and development resources.

Potential for sharing:

- 24/7 services teams
- Support teams
- Consulting, QA and Development teams
- Sales team
- Hosting services
- Back-office accounting systems etc

To maximise the synergies integration is expected to take ~24 months. One-off costs are likely to increase in the short term as we work through the merger process.





A strategic acquisition with synergies to flow over two years in order to realise the full scope of what we are trying to achieve

- As mentioned to maximise synergies, integration is expected to take ~24 months.
- This acquisition is not just about operational synergies. We will use our software capability to become a major vendor in the 24/7 energy services market.
- There are currently three providers in the 24/7 services market. Combining two “challenger” brands will give them sufficient scale to pursue larger customers.
- To this end Egssis have been investing heavily in capability in prior years.
- The opportunity for winning market share and cross selling represent a great opportunity with Egssis and Contigo already having some customers in common.

Excellent management with strong cultural fit



- The executive and technical team at Egssis are of a very high calibre.
- Culturally, the management teams across our three European businesses are a good fit
- Management teams at both Contigo and eZ are excited about the opportunity of merging with Egssis and the additional growth that will bring.

A strategic acquisition placing us at the heart of the emerging 24/7 services market

The acquisition:

- Expands our reach into new European markets
- Increased market share in the 24/7 scheduling and nomination services
- A strong competitive advantage by:
 - combining with eZ's algo-trading
 - bundling Contigo's ETRM software
 - offering automation from EOL
- Improved ability to win new customers in the 24/7 services market. The Energy One group now stands behind two of the three companies currently providing 24/7 operational services in European energy markets.
- Highly synergistic opportunity from merged capability
- Strategic development to facilitate *global* services operations - including for, and from, Australasia.

Transaction financials



Cost of acquisition is €4.25M over 18 months

Euro	AUD	Consideration	Payable
€2.5M	\$4.1M	Cash	On Completion
€0.75M	\$1.2M	Equity	On Completion
€0.5M	\$0.8M	Cash	12 months post completion
€0.5M	\$0.8M	Cash	18 months post completion
€4.25M	\$6.8M	Total Consideration	

EBITDA multiple paid is 7x based on FY23 expectations (FY24 : 5x).

The equity component is a contractual right issued at a price of \$5.67 which represents the 20 day VWAP prior to signing.

Assumes nominal AUD:Euro conversion rate of 0.62 : 1.00

The acquisition is immediately earnings accretive but synergies will continue for >2yrs

Proforma FY23	Euro	AUD
Revenue	€3.7M	~\$5.9M
EBITDA	€0.6M	~\$1M

Looking forward to the next full financial year, FY23, we expect Egssis will generate income of approximately AUD\$5.9M and EBITDA of AUD\$1M

While immediately earnings accretive, synergies will continue to emerge over the next couple of years.

We expect Egssis proforma EBITDA will be approximately \$1.35M by FY24.

Note: Due to the timing of the acquisition the financial results for the first half of FY22 will be impacted by one off acquisition costs with little corresponding revenue to offset these costs. Full FY22 expectations : Revenue A\$3.1M & EBITDA A\$0.35M. Assumes AUD:Euro conversion rate of 0.62 : 1.00.

A strong balance sheet means the acquisition can be self funded from internal cashflows



- We will utilize the existing Westpac debt facility which is currently undrawn. Facility sees debt amortising over 5-years
- Cash : the company currently has \$5.2M in cash
- Equity : will be issued to the vendors.
- The Group is generating strong free cash flow enabling debt repayment.



Strategy



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Rapidly changing energy markets are presenting new growth opportunities

- Energy markets are decarbonising and decentralising. In the future there will be fewer large generation units and more distributed energy resources.
- For example rather than a single 2,500MW thermal coal generator there might be 5 x 200MW solar farms plus 5 x 200MW wind farms combined with 5 x 200MW batteries. This fragmentation is referred to as distributed energy resources.



Scheduling distributed energy resources in electricity networks can be difficult

- The growing share of green distributed power generation increases the complexity in both the European and Australian energy markets
- Given the smaller size of distributed energy resources it is often uneconomical for operators to man 24/7 control rooms to dispatch energy. Furthermore, the two-sided market (users also nominate) is active in Europe and coming to Australia
- eZ-nergy and Egssis offer software to facilitate market operations and also a bureau service to submit market notices on behalf of customers.
- This is done based on an agreed set of operational/commercial parameters.
 - EOL do not take energy market risk

Launching a new product offering to address this rapidly growing market by selling software with a service

- We intend expanding the types of services currently provided by eZ-nergy and Egssis.
- Aspiring to a global 24/7 operations function to complement our software
- Our automation software (enFlow) means EOL is well placed to automate these manual operations on behalf of customers
- Goal is to expand this offering not only in Europe but also introduce it to Australia.

Following the sun to provide global 24/7
operational coverage of energy markets



The results are evidence of the successful execution of our long-term strategy

Diversification

Invest in new products

- 5min settlement

Cross-sell products

- eZ, Egssis and Contigo solution offerings across Europe
- Products & Services in both Europe and Australia

Expand service offering in FY22

Grow customer base

Geographic expansion

- Expand into new European markets

Target the large number of potential smaller European customers

Now represents 54% of revenue

Grow by acquisition

Acquire complementary products/services

- Look for potential strategic acquisitions that will provide additional synergies

Continue to look for additional acquisitions



Mr Shaun Ankers - CEO and Managing Director

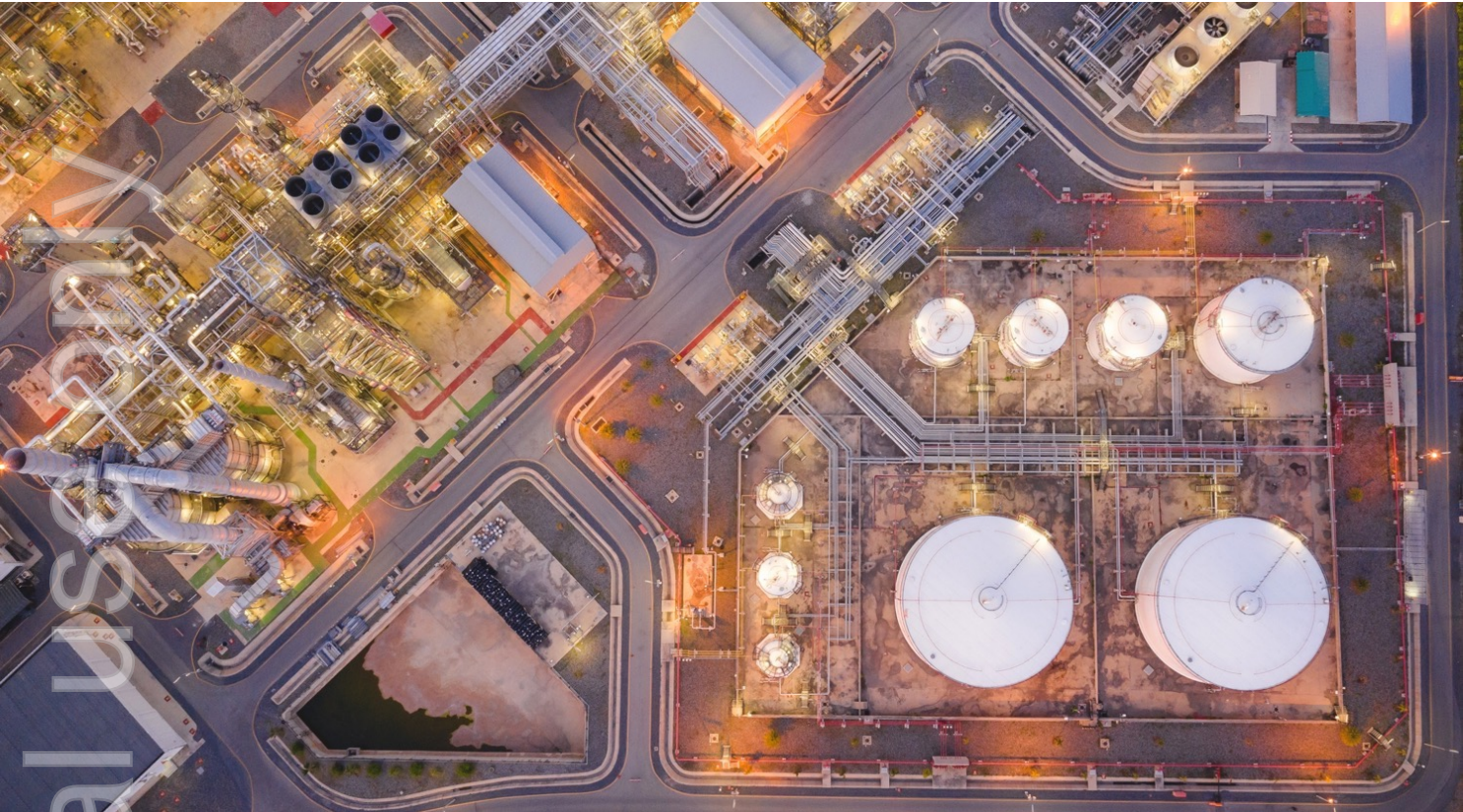
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Appendix

Additional information



Egssis software is modern, scalable and built on a strong technology framework

Egssis software comprises three modules all of which are mature and highly functional:

- Cosmos - Market Communications Software that provides a solution for gas and power messaging across Europe towards TSO's, storage operators and counterparties
- egssPort Gas— Used for nomination and balancing of gas portfolios. Whether physical or financial trade. Supports the gas markets across Europe, including Fluxys, GTS, NetConnect, GASPOOL, National Grid, GRTgaz, Gas Connect Austria and more (16 countries in total)
- egssPort Power - Solution for nomination towards TSOs in the power market. The scheduling tool handles communication with TSO's across Europe and the UK. It also stores the online metering of end users where available.

Energy One - a profitable SaaS & Services company



- Energy One Limited (ASX:EOL) is a leading independent global supplier of Energy Trading and Risk Management (ETRM) software systems and services.
- Hybrid business model of recurring (SaaS) revenue (80%) and project T&M (20%)
- Solutions for the trading of energy derivatives and the scheduling of physical energy (including electricity, gas, liquid commodities and environmental and carbon trading).
- EOL has offices in Australia, UK and France, with 200+ customer installations in 19 countries, many with blue-chip international utility and infrastructure companies.
- With a market share approaching 50% in Australia, 15% in the UK and less than 5% in Europe, there is a long runway for growth.
- EOL has a strong track record of year-on-year growth in revenue and earnings.

Supplying large
blue chip
companies in
essential
industries

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Our customers are often large:

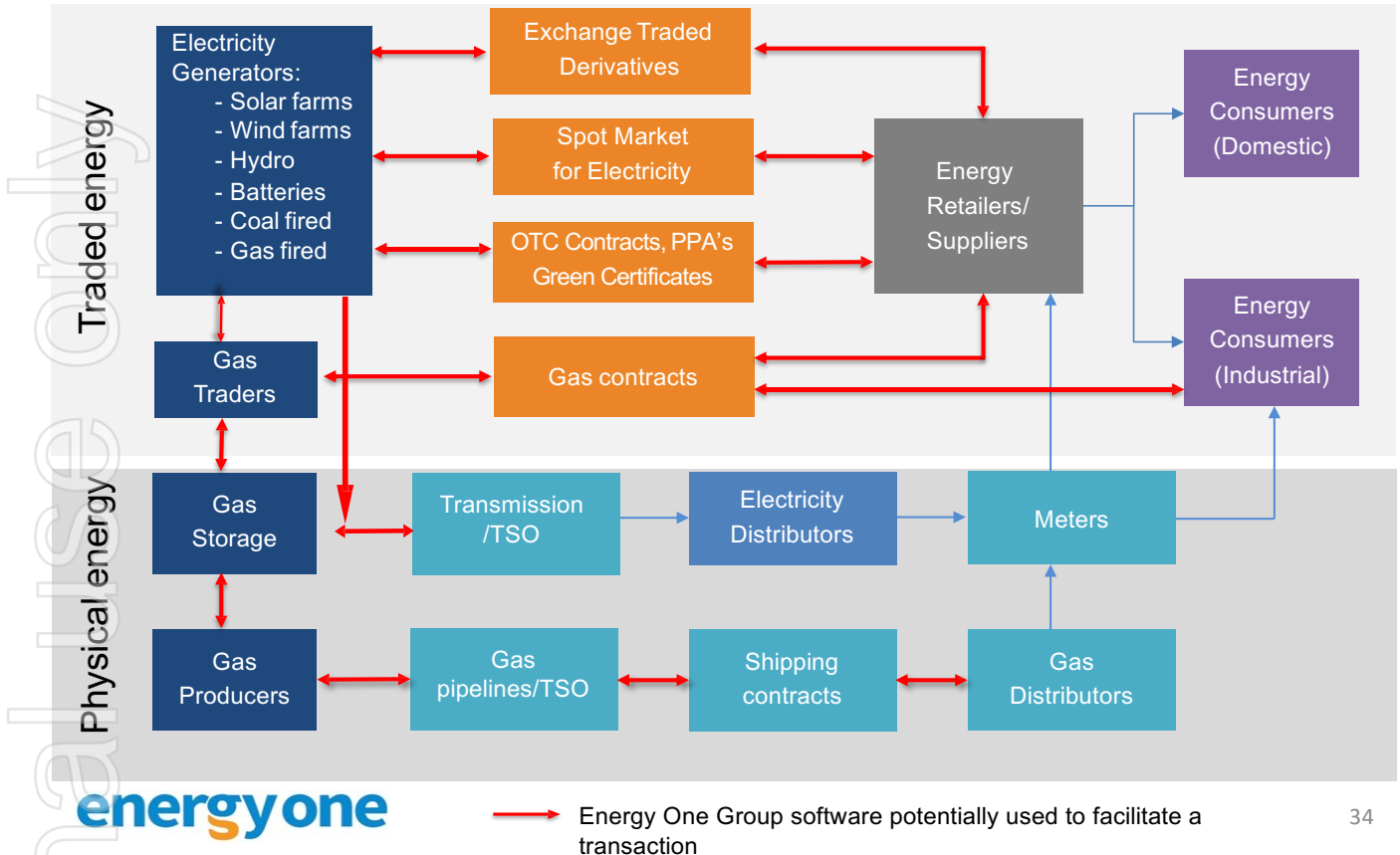
- Utilities – such as power stations and vertically integrated retailers
- Infrastructure providers – such as gas pipelines, electricity transmission
- Include new generation sources (such as wind and solar)
- Our customers supply an essential service, namely gas and electricity
- The software we supply is mission-critical to these enterprises
- Offices in Australia, UK and Europe

EOL's suite of software tools are used by customers to manage their exposure to risk and volatility



Our software is used to trade and manage both physical energy and derivative contracts either bilaterally (B2B) or on public exchanges.

Many energy market participants use EOL group software



A comprehensive suite of software

Physical Bidding

Allows a power station to bid it's electricity (quantity, price, time and place) into the National Electricity Market. Takes into account potential constraints in the transmission system allowing optimum dispatch for companies with multiple generators.

Market Analytics

Detailed data and market analytics platform and various trading tools for energy traders

ETRM

Contract management for recording physical trades (PPA's) and financial derivatives (Swaps, Options, Caps etc). Records the trade allocating it to a hedge book / portfolio. As market prices change hedge books are revalued. Forward books can be five years or more. Provides risk analytics such as GMaR, VaR, CaR, Monte Carlo etc. Electricity, gas, carbon, diesel, coal and Fx

Business Process Automation

Many systems and contracts in energy markets can be very complex. These tools automate complex but mundane tasks increasing not only accuracy but also efficiency. Can be used to help transport gas from one point through several different pipelines to an end point. Pipeline capacity for each pipeline has to be bought in advance

Business analytics, intelligence and reporting

Wrapping around various software products is a user-configured dashboard that can provide alerts, various market feeds, task management etc. It also offers comprehensive reporting and analytics

EOL group software makes life easier

Participant	Challenges faced	EOL group products
Generators	Accurate, compliant energy spot market bidding and nominations	✓
	Efficiently dispatching generation	✓
	Energy operations (B2B, bid preparation, monitoring, compliance)	✓
	Hedging output against volatile spot market using derivatives	✓
	Management and valuation of complex PPA's	✓
Renewables	Automated balancing, bidding, scheduling and nomination to market	✓
	Curtailing dispatch during negative price events	✓
Retailers/Suppliers	Hedging load against the spot market and reconciliation with spot market	✓
	Trading energy derivatives deal capture and contract management	✓
	Logistics – transporting gas across multiple pipelines	✓
	Evaluation of risk exposure, monitoring risk limits	✓
	Renewable energy compliance	✓
	Energy operations (B2B, bid preparation, monitoring, compliance)	✓
Pipelines/TSOs	Deal capture, settlements, capacity trading	✓
	Contract and network optimization	✓
Industrial customers	Management of PPA's and power & gas scheduling and nomination	✓
	Carbon trading management	✓
	Energy monitoring	✗
	Retail invoice reconciliation	✗
Energy traders	Single comprehensive source of market data and analytics	✓
	Trading tools to facilitate / manage complex derivative trades	✓