

ASX Announcement

31 January 2022

Energy One to acquire CQ Energy (Australia)

Sydney, Australia - Energy One [ASX:EOL] today announces that it has entered into a share purchase agreement (SPA) to acquire 100% of the shares / units of CQ Energy Group, entities incorporated in Australia.

Shaun Ankers, Group Chief Executive Officer of EOL said; "Established in 2008 and based in Adelaide Australia, CQ Energy is the leading provider of operational energy services to the Australian gas and electricity sector. They provide similar 24x7 operational services as our European businesses eZ-nergy and Egssis, as well as running a sophisticated risk transfer/broking business.

"This on-strategy acquisition is our largest to date and will increase group EBITDA by ~50% on a pro-forma basis.

CQ Energy's clients include wind farms, solar farms, and large-scale batteries dispatching directly into the NEM. They also include large industrial gas customers who need to access the wholesale gas market.

The company has 20 staff and over 30 customers. <https://www.cqenergy.com.au>

"The acquisition of CQ Energy builds on our strategy of developing a global 24/7 energy software and services business and follows the acquisition of Belgium based Egssis (December 2021) and French based eZ-nergy (June 2020).

"CQ enhances our capability and now provides us with the opportunity to establish a global energy services operation with control rooms in both the northern and southern hemispheres.

"CQ Energy is a very sophisticated business providing high quality operational services to the Australia energy trading market (West Coast and East Coast) and we are very excited to welcome them into the family. I'd like to welcome Reza Evans, Ian Tannebring & Lino Fusco to our leadership team"

"Energy One has cemented its position in the 24/7 operational energy services market being the number two provider in Europe and with the acquisition of CQ energy the number one provider in Australia"; said Shaun Ankers, Group CEO.

Energy One Limited purchased CQ Energy for a total outlay of \$36,000,000 to be paid in cash and equity, over a 12-month period. The initial payment comprises \$26,400,000 cash and \$6,000,000 in EOL shares. The acquisition will be funded using a combination of debt and equity (issued to the founders). The later cash instalment will be funded internally from cash flow.

In its first full financial year post consolidation Energy One expects CQ to contribute approximately A\$7 million revenue and A\$4.5 million EBITDA.

Further information and financial detail will be included in the half-year reporting, once integration is underway.

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Energy One Limited (ASX:EOL)

Announces the acquisition of CQ Energy

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These forward looking statements speak only as at the date of this presentation. These statements are based on current expectations and beliefs and, by their nature, are subject to a number of known and unknown risks and uncertainties that could cause the actual results, performances and achievements to differ materially from any expected future results, performance and achievements expressed or implied by any such forward looking statements.

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



CQ Energy is our largest acquisition to date...

- Based in Adelaide Australia, CQ Energy provides 24/7 operational energy services.
- CQ is our largest acquisition to date and will increase existing EBITDA by roughly 50%
- It is a well established, profitable company with a loyal and growing customer base.
- The acquisition will be funded using a new acquisition facility and equity issued to the vendors. As such the transaction will be immediately earnings accretive.

About CQ Energy

Established in 2008 and based in Adelaide CQ Energy is the leading supplier of operational energy services to the Australian gas and electricity sector. They provide similar 24x7 operational services as our European businesses eZ-nergy and Egssis.

Typical clients include wind farms, solar farms, and large-scale batteries dispatching directly into the NEM. They also include large industrial gas customers who need to access the wholesale gas market.

The company has around 20 staff and over 30 customers. <https://www.cqenergy.com.au>



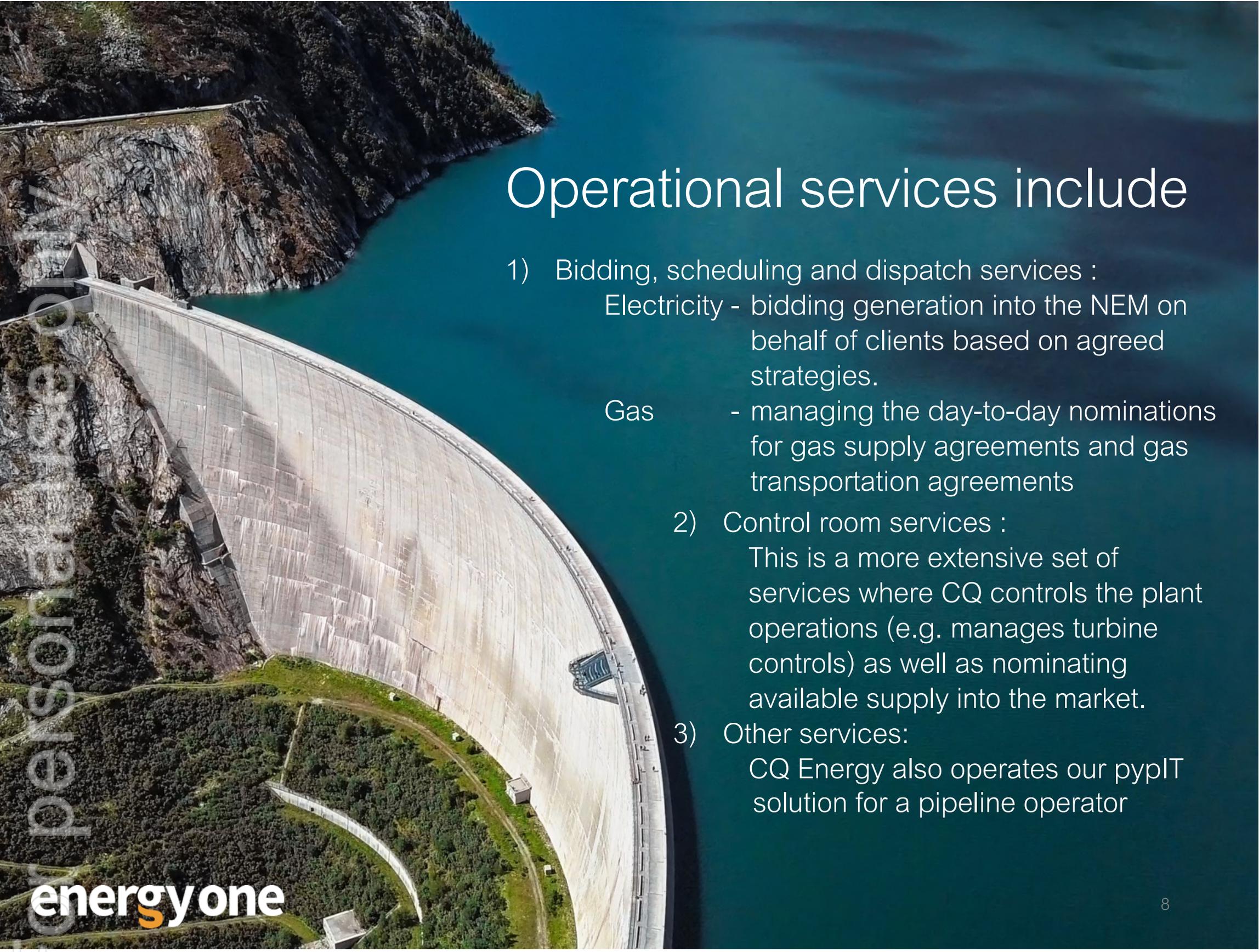
CQ is the largest provider of 24/7 operational energy services in Australia

The acquisition of CQ marks our entry into the energy services business in Australia.

Energy markets across the globe are decarbonizing and de-centralising. As large thermal power stations become a thing of the past numerous new smaller renewable generation assets will fill the gap.

Given the smaller size of distributed energy generation assets it is often uneconomical to operate 24/7 control rooms to dispatch/schedule energy.

CQ energy provide bidding and dispatch services as well as control room services.



Operational services include

- 1) Bidding, scheduling and dispatch services :
 - Electricity - bidding generation into the NEM on behalf of clients based on agreed strategies.
 - Gas - managing the day-to-day nominations for gas supply agreements and gas transportation agreements
- 2) Control room services :

This is a more extensive set of services where CQ controls the plant operations (e.g. manages turbine controls) as well as nominating available supply into the market.
- 3) Other services:

CQ Energy also operates our pypIT solution for a pipeline operator

CQ is facilitating the entry of renewable generation into the national electricity market

CQ offers software and services for:

- Electricity dispatch
- Algo trading in the spot market
- Managing contract positions in the forward market
- 24/7 operational control room services
- Scheduling and shipping of gas

EOL business process automation software will reduce manual tasks and increase automation

Algo-trading and process automation are exciting opportunities to increase 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 as well as customers with legacy systems or those using software from other vendors

Excellent management with strong cultural fit



- The executive and technical team at CQ are of a very high calibre.
- Culturally, the management teams are a good fit
- Management teams at EOL and CQ are excited about the opportunity of providing operational control room services from both Australia and Europe to our customers

This is a strategic acquisition placing us at the heart of the emerging 24/7 services market

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Key benefits of the acquisition

The acquisition:

- Builds on our European expertise in energy services
- Expands our reach in Australia
- Increased market share in the global 24/7 scheduling and nomination services
- A strong competitive advantage by:
 - using EOL's existing automation software
 - combining with algo-trading
 - bundling EOL's ETRM software
- Improved ability to win new customers in the 24/7 services market. The Energy One group is now the number two provider of operational energy services in Europe and the largest provider of 24/7 operational services in Australia.
- Highly synergistic opportunity from merged capability
- Strategic development to facilitate *global* services operations

Transaction financials

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Total cost of acquisition is \$36M

AUD	Consideration	Payable
\$6.0M	Equity	On Completion
\$26.4M	Cash	On Completion
\$1.8M	Cash	6 months post completion
\$1.8M	Cash	12 months post completion
\$36.0M	Total Consideration	

EBITDA multiple paid is 8x based on proforma expectations.

The equity component is a contractual right issued at a price of \$6.11 which represents the 20 day VWAP prior to signing. Total consideration is net of any working capital adjustments.

The acquisition will increase annual proforma revenue by \$7M and EBITDA by \$4.5M

	EOL FY21A	CQ 12month proforma
Revenue	\$27.9M	~\$7.0M
EBITDA	\$8.1M	~\$4.5M+

Looking forward to the first full financial year we expect CQ Energy will generate income of approximately AUD\$7.0M and EBITDA of AUD\$4.5M+

The acquisition is immediately earnings accretive.

Due to the timing of the acquisition the financial results for the first half of FY22 will be impacted by one off acquisition costs of both Egssis and CQ with little corresponding revenue to offset these costs.

The acquisition will be self funded with a combination of debt and equity

- We have negotiated an indicative term sheet for a new acquisition facility
- The \$30M facility amortises over 7-years
- The facility will be provided by a major bank with interest rates and fees similar to our existing banking facilities
- Post acquisition debt will represent approximately x2 EBITDA
- The group is generating strong free cash flow enabling debt repayment.

Strategy

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Building a global energy services business will place Energy One at the forefront of the green energy revolution

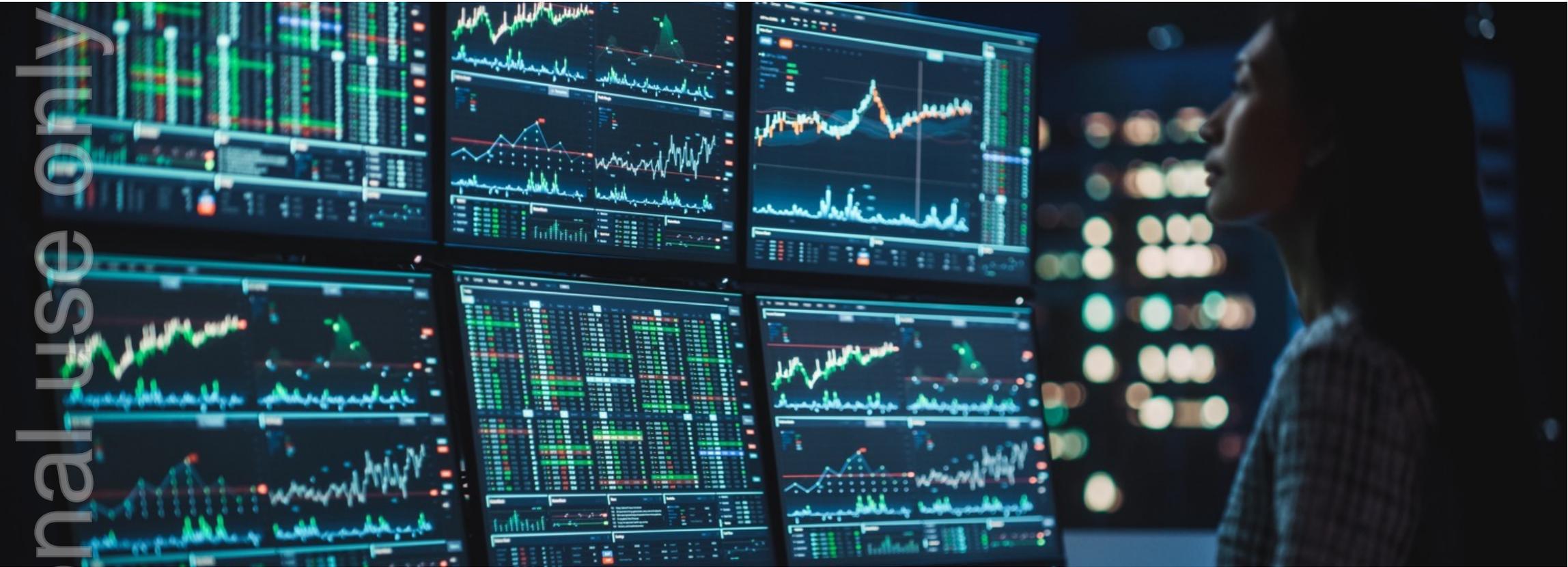
- We've seen energy services markets in both Europe and Australia growing with the development of new distributed renewable energy.
- The acquisition of CQ Energy, Egssis and eZ-nergy provides a strong foundation for establishing a global energy services business
- The services business model includes selling SaaS and then providing a service to operate the software on behalf of clients.
- A global energy services business will allow us to leverage EOL's suite of software products including automated bidding and algorithmic trading

Energy One is now the number one provider of 24/7 operational energy services in Australia and the number two provider in Europe

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With operational control rooms in Europe and Australia we will provide 24/7 global coverage



- In time we will look to utilise control rooms to provide a follow the sun global service.
- Two geographically distanced control rooms also provides redundancy and backup, a unique proposition and the only one we are aware of.
- We will leverage EOL's suit of software products including process automation, automated bidding and algorithmic trading

Covering all the bases and providing real time trading solutions for energy 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
CQ		Software & 24/7 services			Algo-trading
Contigo	Software			Software	
EOL					

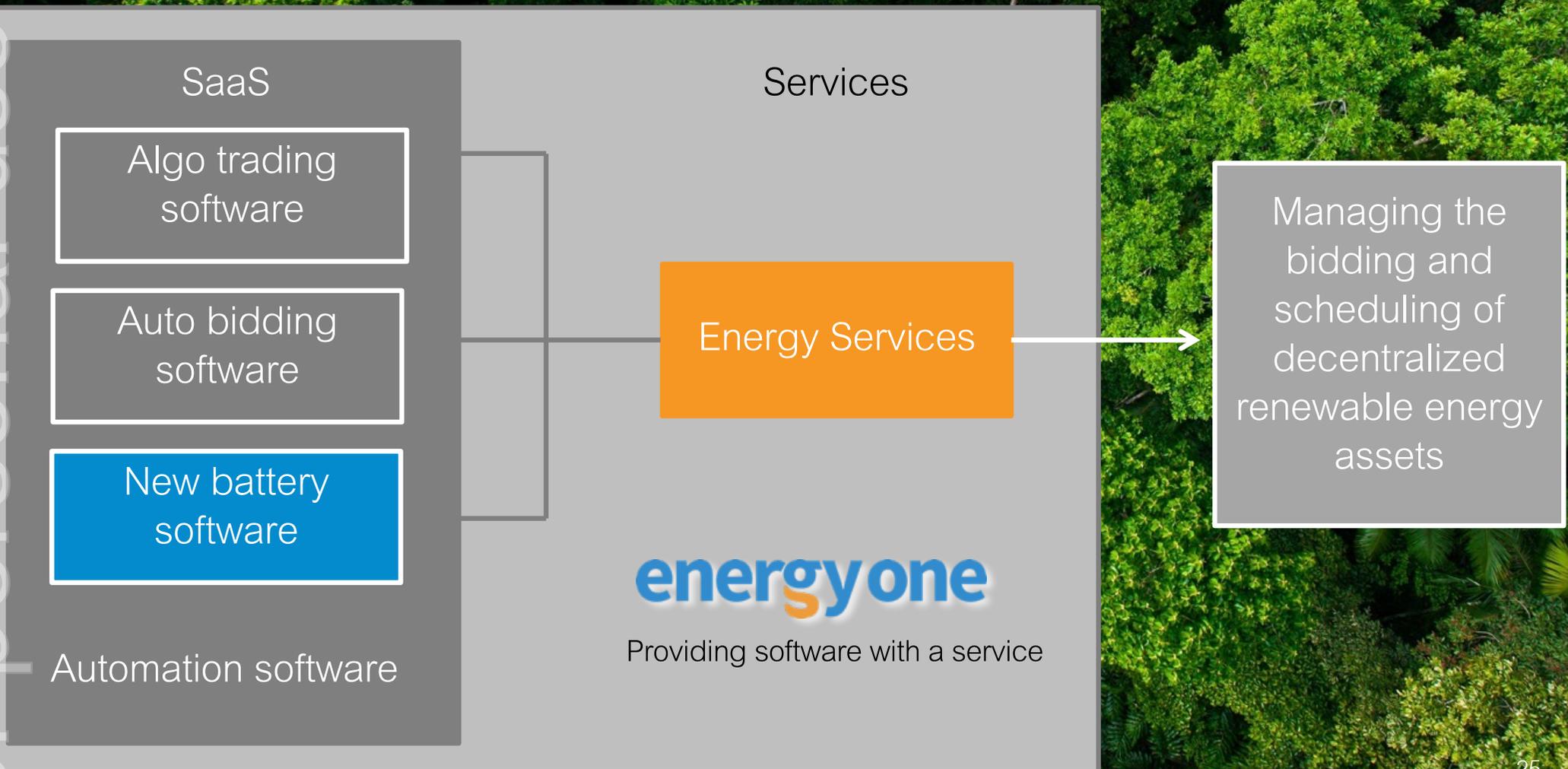
- ✓ Comprehensive solutions for both Commodity and Derivatives trading
- ✓ Multi-commodity capability
- ✓ Multi-market (17 countries & 3 spot markets). European-wide coverage

None of our traditional competitors provide 24/7 operational energy services

Many of our competitors only provide ETRM software to manage financial derivatives. For a long time we have focused on the physical side of the equation with dispatch and scheduling software to provide a more holistic solution.

We believe that by adding services to the physical side of our business puts us ahead of the curve and provides us a strong first mover advantage.

Combining our software with a premium service offering gives us an enviable position in facilitating the entry of renewable energy into national electricity markets



EOL introduces Software with a Service

Renewable generators require sophisticated software to operate in national energy markets.

However these same renewable generators often don't have, or don't want, the hassle associated with the resources required to operate the software.

To this end, Energy One can now provide the software and a service not only to operate the software but also manage the operation of renewable assets on behalf of the customer.

The expansion into services is a logical progression of our long-term strategy

Diversification

Invest in new products

- Battery software

Cross-sell products

- Combine products
- Offer software with services
- Offer 24/7 operational services

Expand service offering in FY22

Grow customer base

Target a larger number of smaller customers in the rapidly growing market of decentralised renewable energy

A much larger addressable market

Grow by acquisition

Acquire complementary products/services

- Look for potential strategic acquisitions providing additional synergies

Continue to look for additional acquisitions



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Expanding the physical side of our business into operational services will also see a considerable increase in our addressable market as we move from a niche market to a much larger industrial type market.

Appendix

Additional information

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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%) in FY21
- Solutions for the trading of energy derivatives and the scheduling of physical energy (including green power, electricity, gas, liquid commodities and environmental and carbon trading).
- EOL has offices in Australia, UK, Belgium and France, with 250+ customer installations in 19 countries, many with blue-chip international utility and infrastructure companies.
- With a market share approaching more than 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

Our customers are often large:

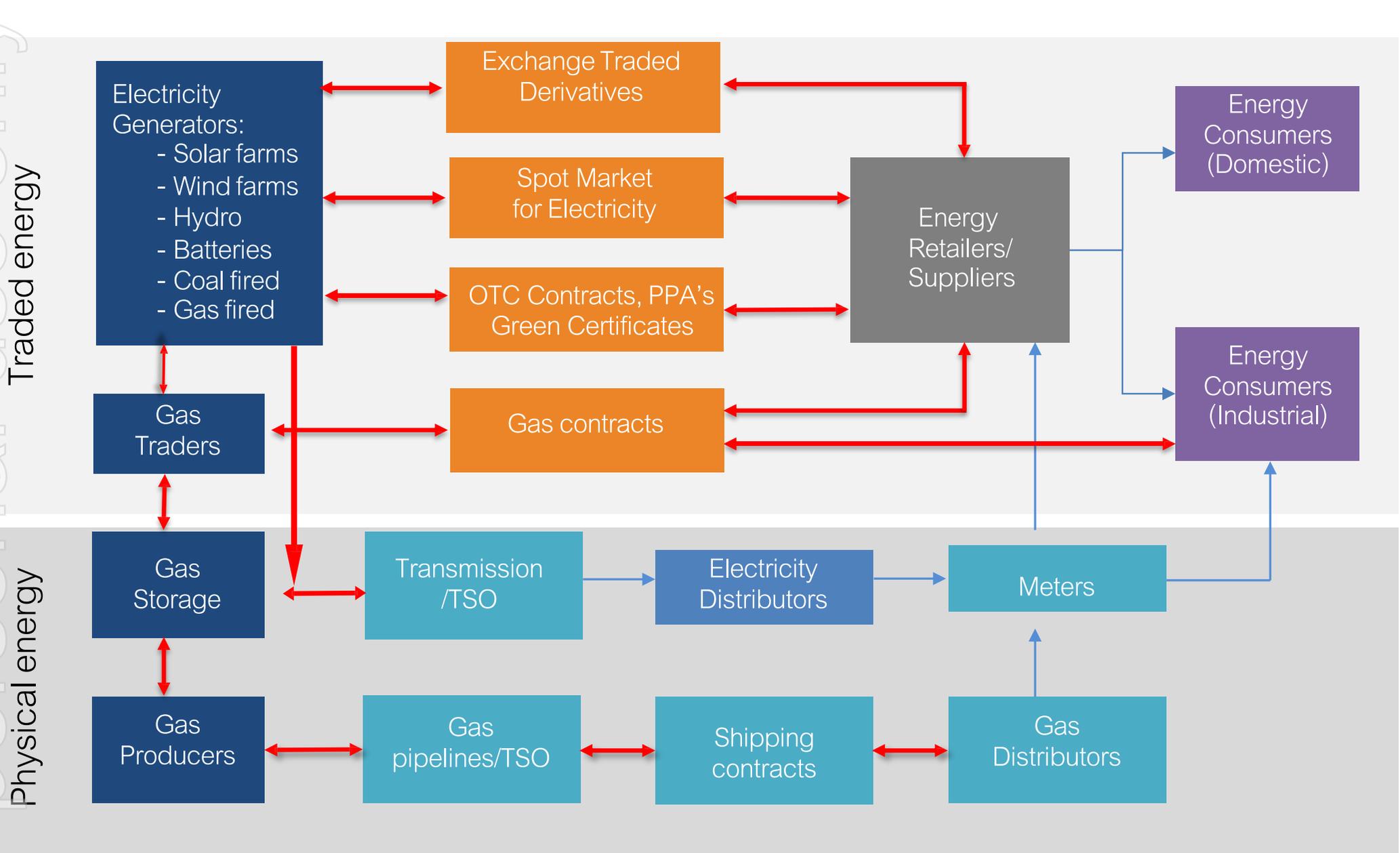
- Utilities – such as power stations and vertically integrated retailers
- Infrastructure providers – such as gas pipelines, electricity transmission
- Industries
- Market traders, banks and hedge funds
- Include new generation sources (such as wind and solar) and increasingly diverse generation and demand side players
- Our customers supply an essential service, namely gas and electricity
- The software and services we supply are 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



→ Energy One Group software or service can be used to facilitate a transaction

A comprehensive suite of software and services

Physical Bidding

Allows a power station to bid its 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 and 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 solutions
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	x
	Retail invoice reconciliation	x
Energy traders	Single comprehensive source of market data and analytics	✓
	Trading tools to facilitate / manage complex derivative trades	✓

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