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Energy Mad releases its FY2014 results

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Energy-efficient light bulb manufacturer **Energy** Mad has released its preliminary results for the twelve months ending 31 March 2014.

Energy Mad delivered operating revenues of \$7.5 **million** for the 12 months ending 31 March 2014, compared to \$9.2 **million** for the 12 months ending 31 March 2013.

The main cause of the fall in revenue was the lack of repurchase orders from Walgreens in the United States as they sold through their initial stock. This saw the United States revenue fall to \$0.2 **million** for the 12 months ending 31 March 2014, compared to \$2.5 **million** for the 12 months ending 31 March 2013.

Walgreens stock has now fallen sufficiently for them to have already placed two reorders totalling \$0.14 **million** with **Energy** Mad for delivery in FY2015.

The Australian revenue fell to \$4.0 **million** for the 12 months ending 31 March 2014, compared to \$4.6 **million** for the 12 months ending 31 March 2013, as a result of one large customer who reduced their orders by \$1.4 **million**.

In contrast, the New Zealand Direct Installation revenue grew to \$2.9 **million** for the 12 months ending 31 March 2014, compared to \$2.0 **million** for the 12 months ending 31 March 2013.

The European revenue grew to \$0.4 **million** for the 12 months ending 31 March 2014, compared to \$0.02 **million** for the 12 months ending 31 March 2013.

In November 2013, **Energy** Mad wrote a \$2.0 **million** deferred tax asset off its balance sheet.

This was written off because of the uncertainty of timing of sales orders and the loss for the six months ending 30 September 2013.

At the time **Energy** Mad stated that this tax asset was not lost and could be utilised when **Energy** Mad became profitable, as long as **Energy** Mad maintained a 49% minimum continuity of shareholding between the beginning of the period in which the associated tax losses were earned and the end of the period in which they are offset.

Energy Mad has been advised that one of its long-standing international shareholders may sell their remaining shares in **Energy** Mad (as at 19 May 2014, this had not occurred). If that shareholder were to sell a further 115,000 of their shares in **Energy** Mad, **Energy** Mad will fall below the 49% minimum continuity of shareholding in respect of the \$2.0 **million** deferred tax asset. This will then not be able to be utilised upon **Energy** Mad becoming profitable, with gross tax losses of \$7.7 **million** being lost.

However, because the founding shareholders have maintained their shareholding, **Energy** Mad still has gross tax losses of \$12.4 **million** (\$4.7 **million** if the \$7.7 **million** of gross tax losses described above are lost) available to be utilised when **Energy** Mad becomes profitable (subject to maintaining a 49%

minimum continuity of shareholding between the beginning of the period in which these tax losses were earned and the end of the period in which they are offset).

Energy Mad has impaired \$1.4 **million** of its research and development intangible asset. This values **Energy** Mad's research and development intangible asset at \$0.4 **million** as at 31 March 2014.

This impairment covers **Energy** Mad's earlier research and development into selected Compact Fluorescent Lamps (CFLs), which **Energy** Mad is now superseding with growing sales of **Energy** Mad's new range of Ecobulb LEDs.

Energy Mad is also making a stock provision in the year end accounts of \$0.2 **million** in respect of some of its CFL stock. This is because of its transition to its new Ecobulb LEDs.

The reduction in revenue, the deferred tax write-off, the impairment in the intangible asset and the stock provision resulted in a 12 month after tax loss of \$5.7 **million** (\$3.7 **million** operating loss before tax). This compared to a loss of \$2.5 **million** (\$2.0 **million** operating loss before tax) for the 12 months ending 30 March 2013. The operating loss of \$3.7 **million** without the effect of the impairment charge and stock provision is \$2.1 **million** compared to \$2.0 **million** in the previous year. The increase in loss of \$0.1 **million** over the previous year is despite revenue being down \$1.7 **million**.

The deferred tax write-off, impairment in intangibles and the stock provision has no impact on **Energy** Mad's cash position for the 12 months ending 31 March 2014 or its carried forward tax losses.

The **Energy** Mad Directors and Management know the FY2014 loss and previous losses are disappointing for its shareholders.

The Directors and Management have invested considerable resource into developing and implementing a strategic focus for **Energy** Mad that it believes will deliver a growing and profitable **company**. This strategic focus is outlined later in this Media Release.

Energy Mad 15W 3-pack supplied to Walgreens that were reordered

Highlights

- o New Zealand Direct Installation revenue grew from \$2.0 **million** in FY2013 to \$2.9 **million** in FY2014.
- o **Energy** Mad's new LED Ecobulb sales growing in New Zealand through its direct to consumer sales channel.
- o Secured 20,000 hour lifetime Victorian State Government Scheme accreditation for its new 12V LED Ecobulb that replaces 12V halogen light bulbs.
- o Completed two United States direct mail projects in Massachusetts with the electricity utility National Grid. The second of these sold 2,200 of **Energy** Mad's **energy** saving Walgreens "Ology" light bulbs in February 2014.
- o Commenced an LED trial in 10 Walgreens stores in New Jersey in May 2014, with these LEDs heavily discounted by utility funding from the State of New Jersey's Clean **Energy** Program.
- o Commenced selling its **energy** saving bulbs through Amazon United States in late January 2014.
- o Delivered \$0.4 **million** of spiral Ecobulbs to its German Distributor Eisen-Fischer, with the bulk of these order supplying a major German Supermarket chain.
- o Received \$1.7 **million** from selling its remaining 20% factory shareholding in the **Chinese** joint venture factory, while retaining its preferential supply arrangements.
- o Secured a \$2.25 **million** Convertible Note facility from SuperLife Limited in February 2014.
- o Delivered cost reductions (excluding the costs attributable to the growth in Direct and excluding the foreign exchange) of \$0.9 **million** for the 12 months ending 31 March 2014, compared to the 12 months ending 31 March 2013.

Strategic Focus on **Energy** Mad's Strengths

As a result of extensive work by the Directors and Management, **Energy** Mad is shifting its strategic focus to a new LED sales model and developing new LED Ecobulbs, while outsourcing elements of its **operations** to an international third party field force.

This is intended to allow **Energy** Mad to deliver profitable growth on a leaner overhead structure.

New Zealand Direct Installations of Downlights

Energy Mad's Direct Installation business sells and installs Ecobulb Downlights and associated insulation in New Zealand homes. This can cut home power bills by up to 25%.

There are around 900,000 homes in New Zealand with inefficient incandescent and halogen downlights.

Given this market potential, **Energy** Mad is implementing further improvements over upcoming months to grow the sales and profitability of this business.

New LED Ecobulb Direct to Consumer Sales Model in New Zealand

Energy Mad has successfully piloted a direct to consumer LED Ecobulb sales model in New Zealand.

This model sells **Energy** Mad's new LED Ecobulbs that use up to 90% less electricity than the inefficient light bulbs they replace, while lasting up to 25 times longer.

This LED Ecobulb direct to consumer sales model involves an outsourced field force demonstrating **Energy** Mad's LED Ecobulb light bulbs in consumer homes, then calculating the electricity savings for that consumer from replacing their old light bulbs with Ecobulb LEDs.

The current low uptake of LEDs in New Zealand, combined with little competition in the direct to consumer space, creates a significant market opportunity that **Energy** Mad is well positioned to take advantage of.

Energy Mad plans to aggressively scale-up this direct to consumer LED Ecobulb sales model throughout New Zealand by utilising the large size of the outsourced field force.

Australian **Energy** Efficiency Schemes

Australia continues to provide growth potential for **Energy** Mad in Victoria, the Australian Capital Territories and the South Australian State Government electricity utility **energy** efficiency schemes.

Spiral Ecobulb Sales:

Energy Mad has grown its customer base from 6 accredited **energy** efficiency scheme providers for the Victorian and South Australian State Government schemes at the start of FY2013 to 19 accredited providers as at the time of this release.

Future sales are being assisted by the Australian Capital Territories **energy** efficiency scheme. This scheme, which started in 2013, saw its targets double for 2014.

12V Halogen Replacement Sales with LED Ecobulbs:

The 12V halogen replacement market in Victorian homes is poised for growth in FY2015 through the Victorian **Energy** Efficiency Scheme.

Energy Mad has helped develop a 12V LED Ecobulb bulb that replaces 12V halogen bulbs.

This 12V LED Ecobulb recently secured 20,000 hour lifetime Victorian State Government Scheme accreditation.

Within two days of gaining accreditation, the initial order of 12V LED Ecobulbs, worth \$15,000, had been pre-sold to **Energy** Mad's VEET customers. This order is due to arrive in Australia in June.

This customer demand is because of its combination of appearance, high performance, high transformer compatibility and attractive price relative to the other 12V LEDs that have secured VEET Scheme accreditation.

The United States

Energy Mad is focused on expanding its relationship with Walgreens and the number of electricity utility **energy** efficiency projects it completes in partnership with Walgreens.

Energy Mad has funding for electricity utility projects through 1,300 Walgreens stores and is targeting to grow these numbers during 2014.

Utility funding allows the retail pricing of **Energy** Mad's light bulbs to be heavily discounted, without impacting **Energy** Mad's margins.

Energy Mad recently commenced a one month LED trial in 10 Walgreens stores in New Jersey using **Energy** Mad's "Ecospiral" branded reflector LEDs on standalone displays.

The reflector LEDs replace 65W incandescent reflector bulbs, while using only 10W of electricity. They also last up to 25 years.

They are heavily discounted by utility funding from the State of New Jersey's Clean **Energy** Program. As a result, shoppers in the 10 Walgreens New Jersey stores can **purchase** the Ecospiral reflector LEDs at virtually the same price as the inefficient 65W incandescent reflector bulbs they replace.

There is significant potential to rollout to a larger number of Walgreens 8,000 United States stores using utility funding if **Energy** Mad can get this model right.

Research has shown there are over 600 **million** incandescent reflector lamps in the United States and replacement with LED reflector bulbs would create significant **energy** savings.

Energy Mad recently signed a Sales and Marketing Agreement with Advantage Sales and Marketing ("Advantage") in the United States.

Advantage procures new sales on behalf of manufacturers from United States retailers and is paid a commission on the sales they generate for these manufacturers.

Advantage employs 38,000 people and generates US\$59 **billion** in sales for manufacturers through United States retailers.

Advantage is also the exclusive provider of in-store merchandising to Walgreens.

Advantage is working with **Energy** Mad to grow the sales of **Energy** Mad's **energy** saving light bulbs through Walgreens.

Advantage has strong relationships with many of the other large retailers in the United States, and is working with **Energy** Mad to secure sales to selected retailers.

Innovative New Ecobulb LED Range

Energy Mad has developed and sourced a range of LEDs to supply the rapidly growing LED markets in New Zealand, Australia and the United States.

This follows extensive testing of various LEDs available from different manufacturers throughout the world.

Energy Mad's LEDs have market leading appearance and performance. **Energy** Mad's first LEDs have been manufactured for the New Zealand, Australia and the United States markets.

Maximizing **Energy** Mad's Growth and Profitability

Energy Mad is focused on maximizing its growth and achieving profitability.

It believes it will become profitable through its focus on its core strengths of developing innovative sales models matched with high performance **energy** saving Ecobulbs, and outsourcing elements of its **operations** to a large international field force.

Energy Mad expects growth in the short term will come from the New Zealand scale-up of the Ecobulb Downlight Direct Installation business and the LED Ecobulb direct to consumer sales model with the outsourced field force.

Additional growth will come in Australia through the ramp-up of the 12V halogen replacement market in the Victorian **Energy** Efficiency Scheme, and in the United States through Walgreens, electricity utility projects and the introduction of **Energy** Mad's LEDs.

We would like to thank our team and shareholders for their ongoing efforts and support for **Energy** Mad during the challenging last few years.

ENDS

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