

CASE STUDY



COMPANY SPOTLIGHT



Market capitalisation at time of purchase \$35m	Market capitalisation at time of sale \$5m	Industry Sector Industrials
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ECOSAVE HOLDINGS LTD (ASX: ECV)

Ecosave provides energy and water efficiency services to businesses, larger enterprises and government clients. The company delivers these through energy and water saving projects, energy performance contracts (EPCs) and utility management services. Typical clients have annual power bills of more than \$1 million.

WHY DID WE INVEST?

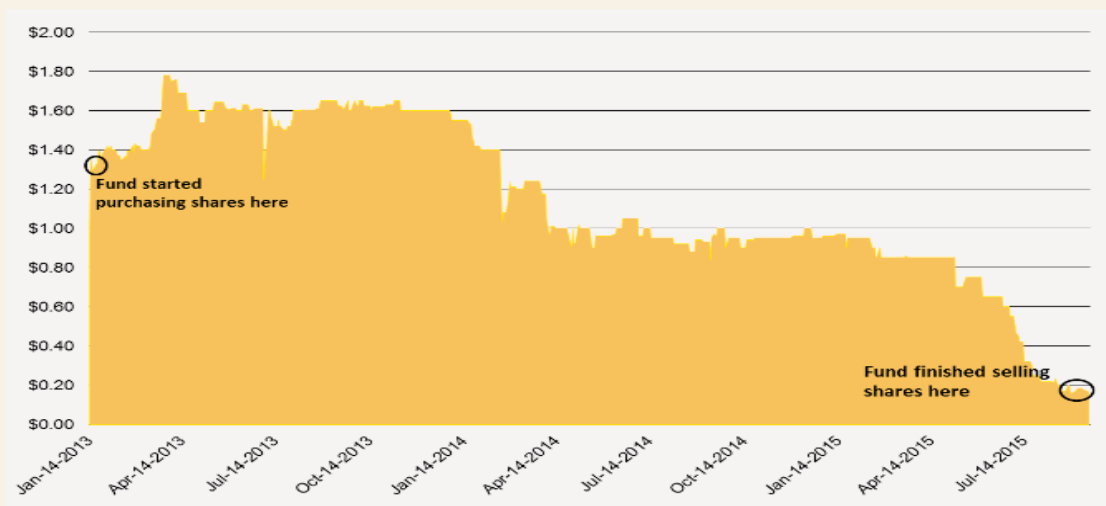
- New South Wales ('NSW') was following Victoria's ('VIC') lead and has developed a similar energy efficiency EPC tendering process.
- Ecosave was part of a select few contractors on the Victorian and NSW government energy efficiency EPC panels. Only panel members are allowed to tender for EPC contracts.
- Experienced management team and track record of successful project delivery with blue chip clients.
- Strong balance sheet and low capital expenditure requirements

ENTRY PRICE

- Began purchasing shares in 2013, with an average purchase price of \$1.19.

*Past performance is not indicative of future performance. This is general information only and should not be construed or relied upon as legal, financial or professional advice. Accordingly, the recipient should seek independent professional advice as to the risk, financial, taxation and other implications of investing.

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Source: S&P Capital IQ

WHY DID WE SELL?

- Misalignment of costs and revenue. EPC contracts usually took 12 months from tender to implementation and additional project delivery staff are typically brought on ahead of time to allow time for training. Resultantly, Ecosave had geared up for these contracts, which the government then pulled, leaving the company incurring costs with no associated revenue. This caused high variability in earnings from period to period.
- Reduction in VIC and NSW government funding for energy efficiency contracts meant contracts that Ecosave had geared up for were put on hold.
- The business ran into losses with little visibility of a return to profitability in the medium term. The business had also diverted resources to establish a US presence, which we believe was a distraction to management.
- Shares started falling upon the announcement that the company intended to delist from the ASX, from \$0.55 on 3 July 2015, to \$0.16 on the last day of trading on 16 September 2015.

INVESTMENT OUTCOME

- Beginning in 2012, at an average purchase price of \$1.19.
- Sold at an average sale price of \$0.20 with the last sale in 2015.
- Loss (excluding dividends received), of 83.2% of our investment over a period of approximately 3 years.

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