

EP&T Global December 2022 Quarterly Activity Report and Appendix 4C

25 January 2023 Building energy optimisation company EP&T Global Limited (ASX: EPX) is pleased to release its quarterly activity report and Appendix 4C for the quarter ending 31 December 2022.

Highlights

- Cash receipts of \$2.7m in the quarter, an increase of \$0.7m (35%) from the prior quarter driven by increasing ARR and upfront billing to customers
- Multiple new contracts awarded in the quarter comprised of upfront project revenues totalling \$0.2 million and an Annualised Contract Value (ACV) of \$0.5 million, with a weighted average tenure of 4.3 years equating to a Total Contract Value¹ (TCV) of \$2.3 million
- Annualised Contract Value (ACV) as at 31 December 2022 of \$13.9m², representing an increase of \$0.5m (+4%) from September 2022
- Annualised Recurring Revenue (ARR³) as at 31 December 2022 of \$10.3m, representing an increase of \$0.9m (+10%) from September 2022.
- Required additional ARR to target ARR of \$13.5m to achieve operating cashflow breakeven, reduced from \$1.1 million (Q1 FY23) to \$0.6 million.
- Recurring Revenue⁴ was 82% of total revenue for the December 2022 quarter
- Total Unbilled Contract⁵ value of \$44.2 million as at 31 December 2022
- Capital raise of \$5.1 million closed in December 2022 with \$4.6 million (pre costs) funded prior to 31 December 2022 and \$0.5m received in January 2023 to support further growth investment including product development and installation of contracted project backlog
- \$0.9m⁶ received as financial settlement from a Middle East based customer regarding unpaid project costs and R&D credit received of \$0.4m
- Total cash on hand of \$4.0m as at 31 December 2022

¹ Total Contract Value (TCV) is the contractual amounts which will be invoiced to a customer over the initial term of the contract and may include a combination of subscription revenues and upfront project / service payments

² ACV is calculated in Australian dollars based on historical long term exchange rates. On conversion to actual cashflow, the exchange rate prevailing at the time of billing may be higher or lower than the historical long-term average exchange rates used to determine the ACV value.

³ ARR is the contracted recurring revenue component of subscriptions on an annualised basis.

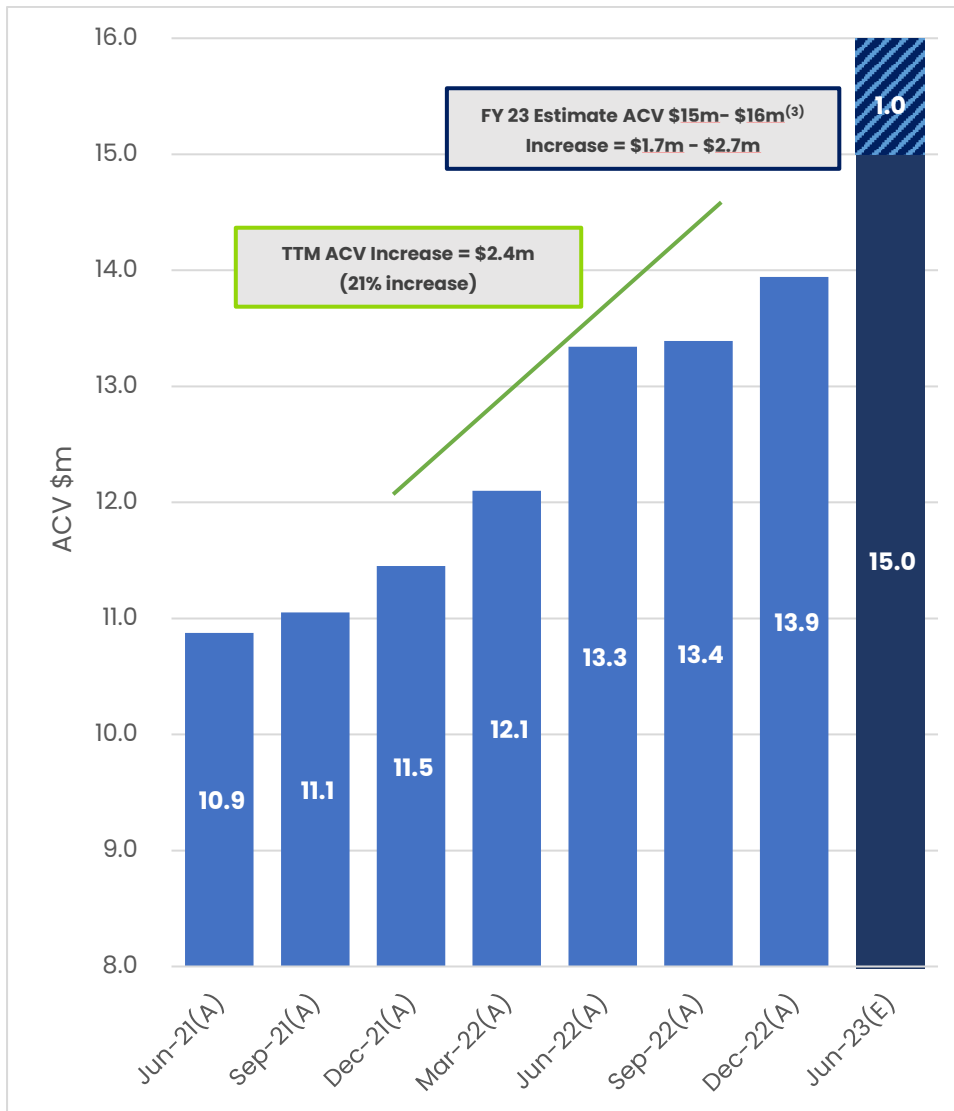
⁴ Recurring revenue is defined as contracted service and software revenue

⁵ Unbilled Contract Value represents the contracted amounts remaining to be billed by EP&T to customers over the unexpired contracted term of contracts on hand.

⁶ AED 2.3 million received – A\$ equivalent Based on exchange rate of 1AED=A\$0.41 as at 21 November 2022

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ACV growth (Global, \$m)

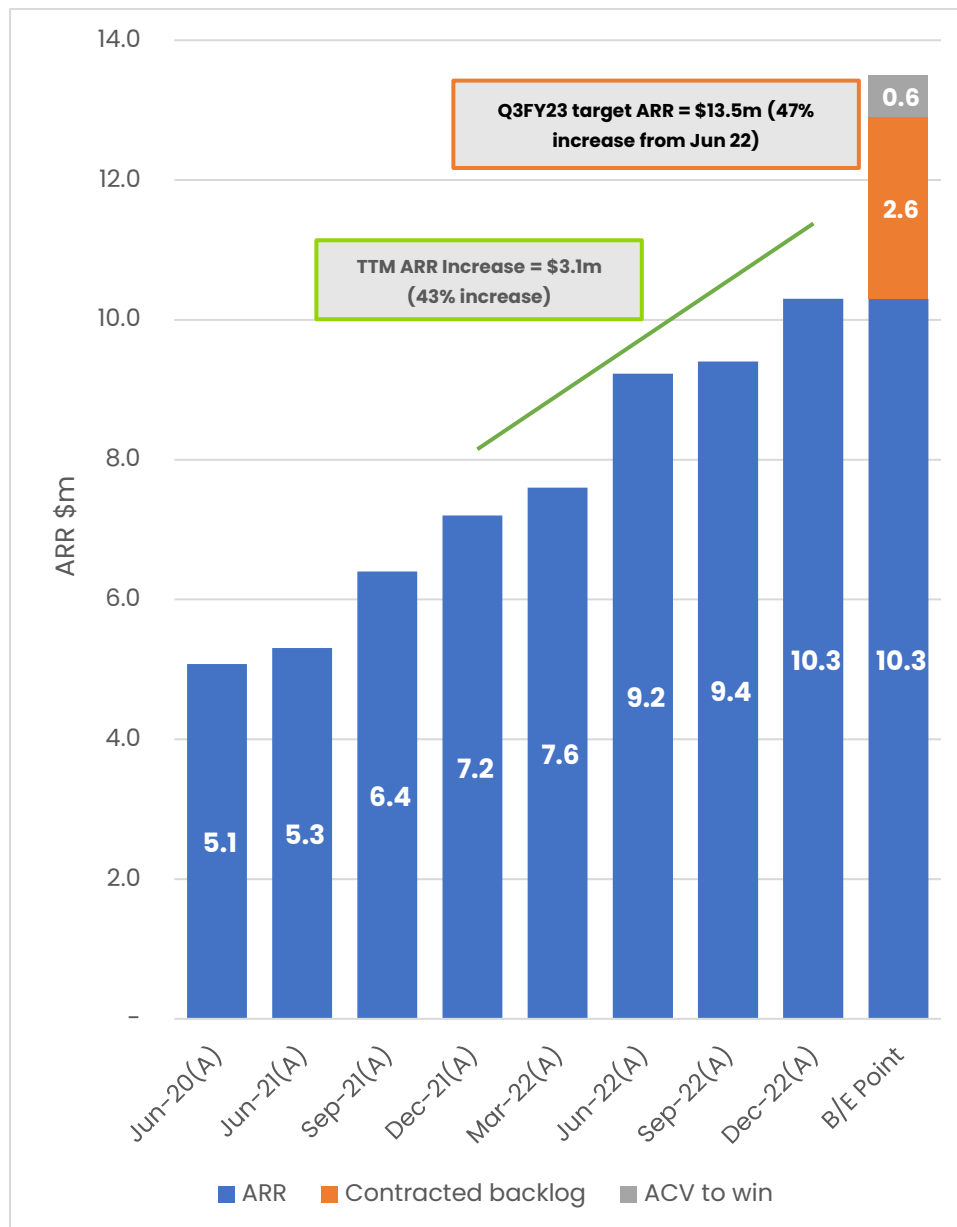


At 31 December 2022 ACV is \$13.9 million representing a net increase of \$0.5m (+4%) from September 2022. The FY23 target ACV range remains between \$15.0m –\$16.0m⁷, targeting a growth of between 13% and 20%.

⁷ Assumptions: ACV of \$13.3m at 30 June 2022 + new contract wins to 31/12/22 of \$0.8m ACV – allowance for 5% annual ACV churn + estimated conversion of sales pipeline of \$1.6m–\$2.6m prior to 30 June 2023. Prospective financial information is predictive in character, may be affected by inaccurate assumptions or by known or unknown risks and uncertainties and may differ materially from results ultimately achieved

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ARR growth on implementation of ACV backlog (Global, \$m)



EP&T's ARR as at 31 December 2022 was \$10.3m, an increase of \$0.9m from September 2022.

EP&T has a target ARR of \$13.5m by end Q3FY23, which is estimated to be required to achieve run rate operating cashflow break even^{8,9}. An increase in ARR of \$3.2m is required to reach this point. Of this, as at 31 December 2022, the Company has:

- \$2.6m (81% of the \$3.2m required) in contracted backlog, with activities underway to complete the project installations

⁸ Backlog installation (and therefore ARR conversion) may be impacted by COVID-19 delays and other factors outside of EP&T's control. Future ARR may be impacted by unforeseen events leading to contract termination or cancellation

⁹ Operating cashflow is defined as monthly operating cash inflows (being receipts from operations and other revenue) less monthly operating cash outflows (being ordinary operating costs of the business including employment costs, direct cost of goods sold, occupancy, marketing, corporate and other operating costs) but excluding new project deployment costs and other investing and financing cash flows. Prospective financial information is predictive in character, may be affected by inaccurate assumptions or by known or unknown risks and uncertainties, and may differ materially from results ultimately achieved

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- The balance of ~\$0.6m (19% of the \$3.2m required) in ARR is targeted to be delivered from EP&T's current global sales pipeline

Sales & operating update

Contract wins in Q2 of FY23 include:

- The Australian and New Zealand dealership network of one of Europe's most prestigious car manufacturers. This contract has an ACV of \$0.1m and one-off project revenue of \$0.2m
- A 3-year contract with an ACV of \$0.13 million (TCV of \$0.4m) with the property manager of a hotel situated at a landmark UK golf course
- 3 further contracts with an ACV of \$0.2 million (TCV of \$1.1m) with an existing global hotel portfolio customer. This brings the number of sites within this portfolio serviced by EP&T to 15
- Orders from a further 7 clients (a mix of existing and new) with a combined ACV of \$0.1m (TCV of \$0.3m) for ongoing energy optimisation and related services in Australia and United Kingdom

The initial contract term for the ongoing services elements of these contracts ranges from 3 to 5 years, with a money weighted average term of 4.3 years.

As part of EP&T's focus on operating cashflow, the Company's customer engagement model is being reviewed to identify opportunities to bring forward cash receipts from customers. The contracts awarded since 1 July 2022 contain approximately \$1.3m of project revenue which is to be invoiced upfront as the corresponding projects are delivered.

EP&T is continuing to see high levels of interest in our building energy efficiency and optimisation product offering, particularly in light of the increasing focus on net zero targets and rising global energy prices. This is being reflected in our sales pipeline across all the key markets in which EP&T operates.

Financial

Receipts from customers for the quarter (excluding one-off receipts) were \$2.7m. This represents an increase of \$0.7m (35%) from the prior quarter. This increase was driven by a combination of changes to the Company's customer engagement model intended to bring forward cash receipts from customers and increased recurring revenue billing levels as ARR increases.

EP&T also received a one-off financial settlement of approximately \$0.9m¹⁰ regarding unpaid project costs relating to two contracts entered into with a Middle East based customer in 2019. The contracts to which the settlement relate were terminated on receipt of the settlement amount by EP&T. Neither EP&T nor the customer will have any ongoing obligations or liabilities in relation to the terminated contracts. EP&T fully provided against the unpaid project costs receivable in the 2020 and 2021 financial years and has not recognised any revenue or assets in relation to these projects since the 2021 financial year.

¹⁰ AED 2.3 million received – A\$ equivalent Based on exchange rate of 1AED=A\$0.41 as at 21 November 2022

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This settlement will be recognised as a one-off benefit to EP&T in the 2023 financial year of approximately A\$0.9m.

An R&D credit of \$0.4m was received in the December quarter.

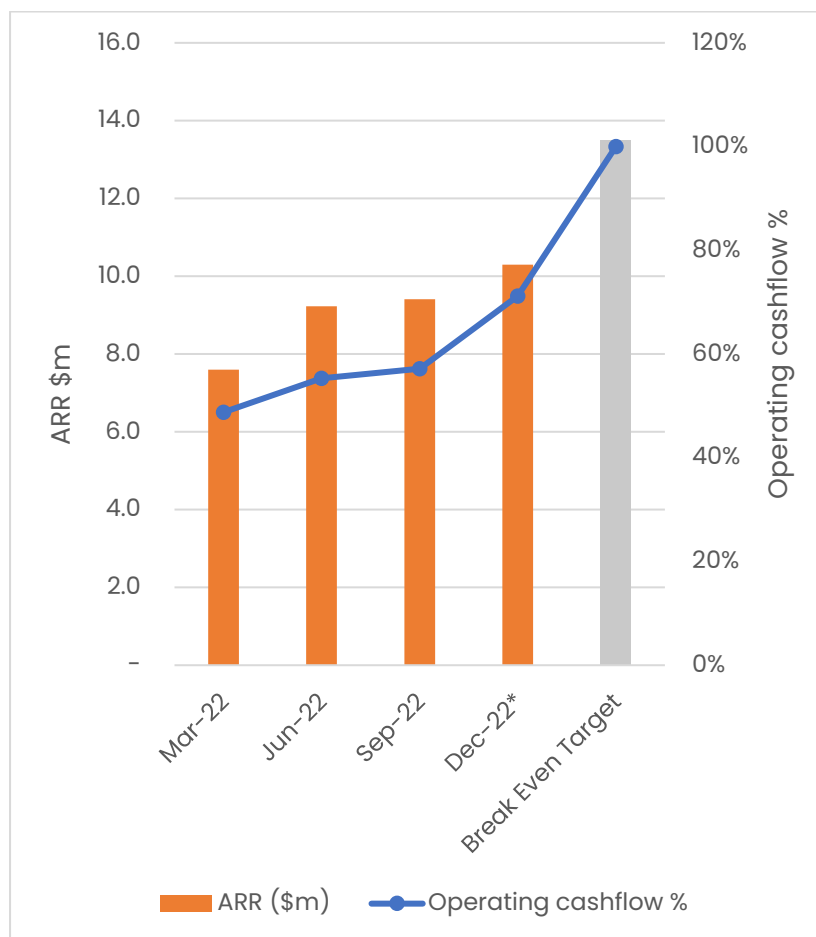
Total net operating cashflows for the quarter were (\$0.3m) including the financial settlement described above and the R&D credit.

Payments for property, plant and equipment include payments for hardware and installation costs of new customer projects of \$0.9m for the quarter. This investment is required to deliver future ARR growth.

Total cash on hand as at 31 December 2022 was \$4.0m.

Payments totalling \$232,960 included in cashflows from operating activities were made to related parties of EP&T in the quarter as per Section 6.1 of the 4C. These payments comprise NED fees and Executive Director salary and sales commission payments.

The below graph tracks EP&T's trajectory towards the operating cashflow breakeven ARR target of \$13.5m. The operating cashflow % is calculated as operating cash inflows divided by operating cash outflows for the respective quarter. Operating cashflow breakeven is achieved when this reaches 100%.



* Dec 22 operating cashflow % excludes the one-off financial settlement receipt of \$0.9m.

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Corporate

EP&T successfully completed a \$5.1 million capital raising in December 2022. Of the total raised, approximately \$4.6m was received prior to 31 December 2022 and the balance of \$0.5m received in January 2023. The capital raising comprised a placement to sophisticated and professional investors, a conditional placement to certain directors, and a 1-for-1.47 pro rata accelerated non-renounceable entitlement offer. Funds will be used for working capital, including product development, as the Company progresses towards operating cashflow break even targeted in Q3 FY23 and installation of contracted project backlog to drive Annualised Recurring Revenues and to fund future growth opportunities.

On 1 December 2022, EP&T announced the appointment of Mr Stephe Wilks and Mr Richard Doyle as non-executive Directors.

Mr. John Balassis, who currently serves on EP&T's Board of Directors and has been serving in the position of interim CEO since June 2022 was appointed as CEO on 20 December 2022.

Mr Richard Pillinger, the Company's CFO and joint Company Secretary has resigned his position. Richard will be available until February 2023 to support the Company to ensure an orderly transition. An executive search for a replacement CFO is underway.

This announcement has been authorised for release to the ASX by the Board of EPX

About EP&T Global

EP&T Global is optimising buildings for a sustainable future. EP&T's proprietary technology solution combines multiple information sources with cloud-based data analytics to detect real-time energy inefficiencies in buildings. This highly accurate identification of faults and inefficiencies enables EP&T to collaborate with building managers to improve and optimise building plant operating systems.

EP&T's "EDGE Intelligent System" is a data repository incorporating 20+ years of building energy efficiency knowledge – collecting and analysing more than 5.6 billion points of data per annum with proprietary algorithmic analysis and machine learning.

To learn more visit www.eptglobal.com

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