ep&t global
ENVIRONMENT | PROPERTY | TECHNOLOGY

EP&T Global Releases H1 FY23 Results

27 February 2023

Building energy optimisation company EP&T Global Limited (ASX: EPX) is pleased to announce its results for the half year ending 31 December 2022.

1H FY23 Highlights

- Statutory half year Revenue of $5.0m, up 40% from December 2021
- Statutory half year EBITDA Loss reduced by 67% to ($1.1m loss), as compared to December 2021
- Statutory half year Net Loss After Income Tax reduced by 49% to ($1.9m loss), as compared to December 2021
- Annualised Contract Value (ACV) as at December 2022 of $13.9m[2], representing an increase of $0.6m (+5%) from June 2022
- Annualised Recurring Revenue (ARR[3]) as at December 2022 of $10.3m, representing an increase of $1.1m (+12%) from June 2022
- ARR of $13.5m projected to achieve operating cashflow breakeven[1] was targeted by Q3 FY23 has slipped, due to identified installation challenges, with better second half installation conversion projected
- Recurring Revenue[4] was 86% of total revenue for H1 FY23 to December 2022
- Customer engagement model changes to standard sales terms have seen 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. The Company has received $0.3m in the first half.
- Total Unbilled Contract[5] value of $43.4 million as at 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
- Total cash on hand of $4.0m as at 31 December 2022.

1 Monthly operating cashflow breakeven 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. Installation of projects on hand and conversion to ARR may be subject to delays caused by further COVID-19 related restrictions or other factors outside of the Company's control.

2 ACV is defined as the annualized monthly fees charged under contracts on hand at each period end.

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

4 Recurring revenue is defined as contracted service and software revenue

5 Unbilled Contract value is the amount yet to be invoiced to customers under long term contracts.

H1 FY23 Statutory Financial Result

	Consolidated		
	Dec–22	Dec–21	Change
Financial Results	**$**	**$**	**%**
Revenue	5,021,405	3,575,400	40.4%
EBITDA	**(1,071,852)**	**(3,207,551)**	**(66.6%)**
Interest, taxation and depreciation	(815,005)	(518,681)	57.1%
Net Loss After Tax	**(1,886,857)**	**(3,726,232)**	**(49.3%)**

EP&T achieved revenue of $5.0million in H1 FY23, a 40% increase from H1 FY22, driven by growth in the Company's subscription-based revenue model. EBITDA loss decreased to ($1.1) million (-67%) because of ongoing conversion of ACV to recurring revenue.

Statutory Revenue

	Consolidated		
	Dec -22	Dec -21	Change
Revenue	**$**	**$**	**%**
Recurring subscription revenue	4,327,799	3,031,330	42.7%
Projects revenue	631,346	355,718	77.5%
Service and maintenance revenue	62,260	188,352	(66.9%)
Total Revenue	**5,021,405**	**3,575,400**	**40.4%**

Highlights:

- Recurring subscription revenue increased to $4.3 million (+43%) from December 2021, as a result of progress in the installation of contracted project backlog. Recurring revenue accounted for 86% of total revenue in FY23, an increase from 85% in FY22. Current contracts have an average remaining unexpired term of 3.2 years[1].
- The Company's customer engagement model was reviewed to identify opportunities to bring forward cash receipts from customers. ACV contracts awarded since 1 July 2022 contain approximately $1.3m of project revenue, of which the Company received $0.3m in the half. This has contributed to an increase in Projects revenue to $0.6m (+77%) from December 2021.

[1] Average based on contract value.

Statutory operating costs

	Consolidated		
	Dec -22	Dec -21	Change
Expenses	**$**	**$**	**%**
Raw Material and Consumables	(304,781)	(277,732)	9.7%
Employee benefits and expenses	(5,074,292)	(5,022,799)	1.0%
Other Expenses	(2,049,993)	(1,700,458)	20.5%
Total Expenses	**(7,429,066)**	**(7,000,989)**	**6.1%**
Finance Costs	(40,000)	(43,755)	(8.6%)
Depreciation and amortisation	(714,433)	(461,131)	54.9%
Impairment reversal/(Impairment) of assets	1,116,360	(7,971)	n/a
Total operating costs	**(7,067,139)**	**(7,513,845)**	**(5.9%)**

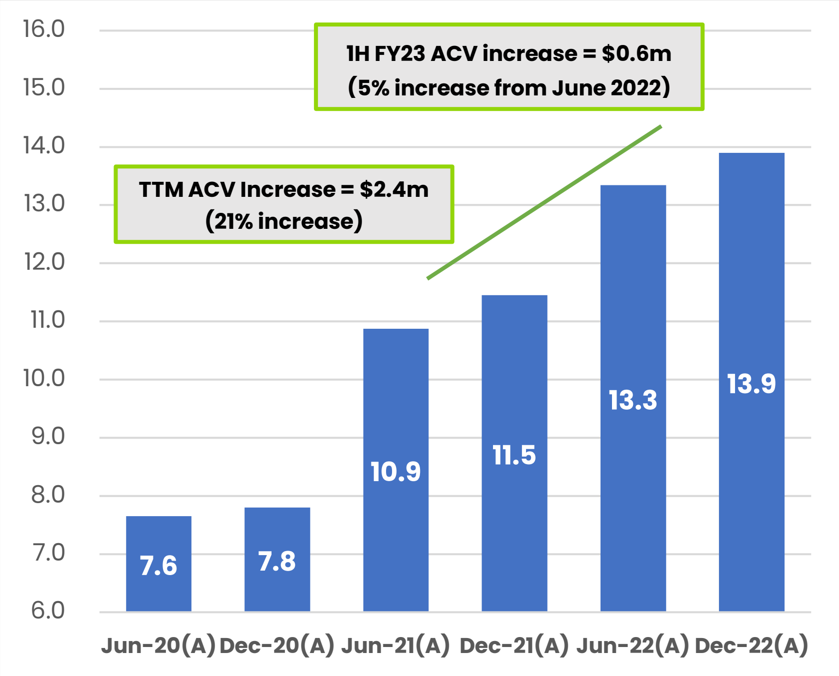
Highlights:

- Total expenses increased to $7.4m in 1H FY23 (1H FY22: $7.0m), with the main contributors being:
  - Raw materials and consumables increased due to higher ACV;
  - Other expenses include higher costs for travel due to increased sales and project activity and non-recurring expenses for make good costs for the former Sydney office and legal fees for a financial settlement in the Middle East[2].
- Employee expenses remained flat, with ongoing operational improvements continuing in the business and monitoring more sites
- Depreciation and amortisation expenses increased following completion of the project installations for subscription-based contracts in 2022
- Impairment reversal relates to accrued project revenues and receivables recognised in prior years as impaired, as this is no longer considered impaired. Contained in this balance is $0.9m[2] from a Middle East based customer where a financial settlement for unpaid project costs was agreed and $0.2m which relates to previous debtor balances considered non recoverable.

EP&T Chief Executive Officer, John Balassis, said "we continue to focus on the dual task of growing profitable revenue and achieving operating cashflow breakeven. Progress was made in the half, with Statutory Revenue growing, and we were able to reduce the Company EBITDA loss for the half year to December 2022. The Operating cost environment is challenging, but we have been able to manage staff costs, even though the number of monitored sites is growing.

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

Annual Contract Value (ACV)

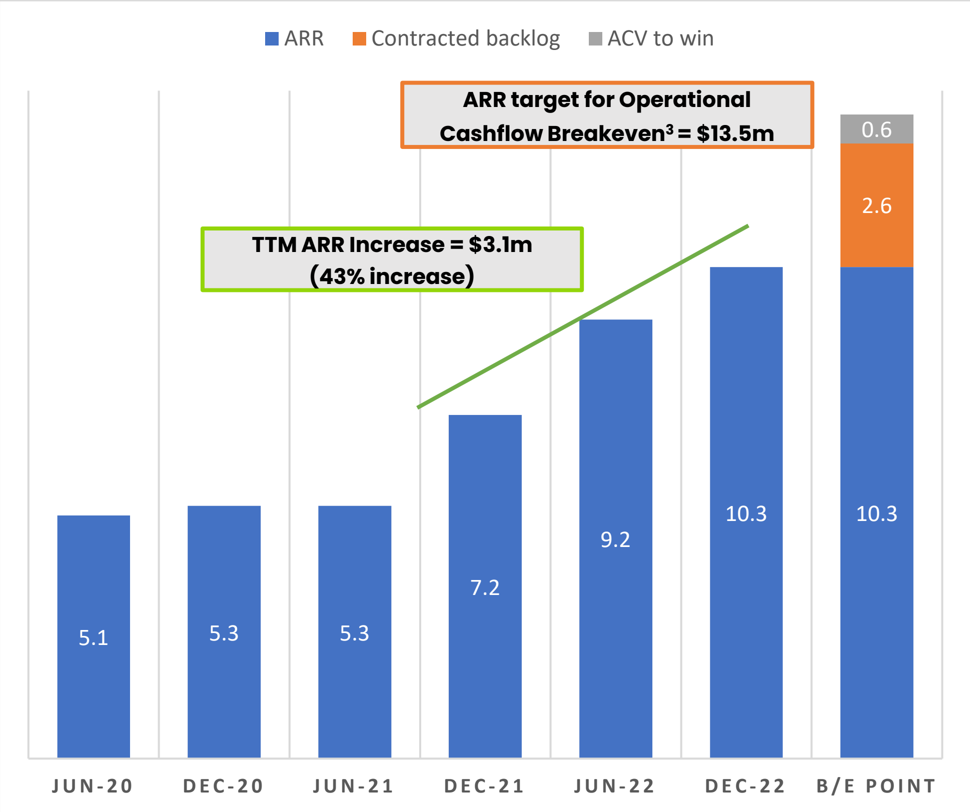


At 31 December 2022 ACV is $13.9 million representing a net increase of $0.6m (+5%) from September 2022. Contract wins in Q2 of FY23 include:

- 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 new 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 was 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.

Annual Recurring Revenue (ARR)



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, estimated to be required to achieve run rate operating cashflow break even[3]. As at 31 December 2022, an increase in ARR of $3.2m is required to reach this point. The Company has:

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

EP&T was targeting ARR of approx. $13.5m by Q3 FY23. Based on internal analysis, this is projected to be the pathway to reach operating cashflow breakeven[3]. However, some installations have fallen behind, with one customer, which has contracted sites being installed across 8 countries. A joint installation team is now in place and issues are being

[3] Monthly operating cashflow breakeven 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. Installation of projects on hand and conversion to ARR may be subject to delays caused by further COVID-19 related restrictions or other factors outside of the Company's control.

escalated quicker and being resolved. The Company is projecting a better second half installation delivery profile.

John commented, "We are making progress with the conversion of Annualised Contract Value (ACV) to Annualised Recurring Revenue (ARR), and hence disappointed we will not achieve this by Q3. This is largely due to installation issues in mobilising 3rd party installers to complete installations across 8 countries. The issues have been identified, and now with a joint customer installation team, we are seeing quicker resolution of these matters.

The process is projected to move more rapidly in the forward six months due to higher value sites currently being commissioned and continual improvements to our installation process. I also recently visited the main impacted customer, when I was in Europe. We are working collaboratively with them to deliver these contracted sites."

Executive update and Outlook

EP&T remains well placed heading in to the second half of FY23, due to continued global ESG tailwinds, rising energy costs and an increasing emphasis on net zero targets. The Company will also continue to focus on achieving ARR of $13.5m, being the projected inflection point to attaining operating cashflow breakeven.

EP&T is also pleased to announce new additions to its executive team:

- Mr Patrick Harsas is joining, effective 13 March 2023, as the new Chief Financial Officer of the Company. Patrick has extensive experience in both listed and unlisted companies. Prior to joining EP&T, Patrick was CFO at iPSI, GreenCollar, CommsChoice, Essential Energy and Sydney Desalination Plant. He has also had commercial roles with Macquarie Crop Partners (Macquarie Group) and DUET. Patrick is a Chartered Accountant, GAICD and has a Bachelor of Economics (Accounting and Finance) from Macquarie University
- Mr Peter White is joining, effective 27 February 2023, as the Head of Global Sales. This new role has been created to ensure better coordination among EP&T's global sales team and global customer base. EP&T currently has local sales presence in four countries, and customers who own, manage or operate sites in over 26 countries. Peter has over 25 years of international sales and marketing experience. Prior to joining EP&T, Peter served as General Manager Asia Pacific at Red Box Recorders, Head of Sales and Marketing at CrossPoint Telecom, and held similar roles at companies including Dimension Data, Polycom, Avaya, and Intel. Peter has a Bachelor of Engineering (Electrical) degree from the University of New South Wales.

John commented, "I welcome our two new executives to the Company, and look forward to them adding value to the business. Having recently returned from visiting our overseas offices and customers, there continues to be tailwinds for EP&T's products and solutions. Meeting customers in all markets, reinforced to me that EP&T's solutions continue to remain resilient and needed."

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

John Balassis
CEO
investor@eptglobal.com

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.

www.eptglobal.com