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EP&T Global H1 FY23 Results Presentation

27 February 2023

EP&T Global Limited (ASX: EPX) is pleased to release the attached H1 FY23 Financial Results presentation for the half year ending 31 December 2022.

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

John Balassis
CEO
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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.

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Environment, Property & Technology

Delivering operational efficiency and significant energy savings in all forms of commercial real estate

H1 FY23 Financial Results

February 2023

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"For over 25 years EP&T Global has been a leader in reducing operating costs and carbon emissions in the built environment."

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Corporate Snapshot

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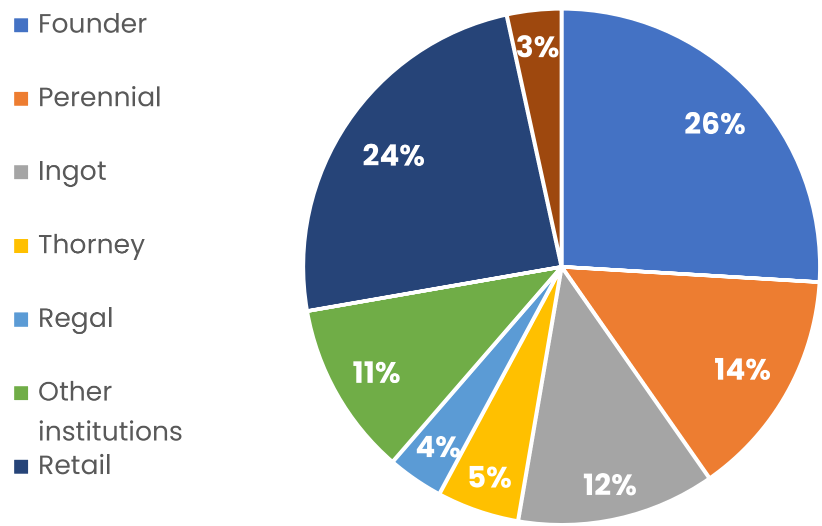
ASX: EPX

Share price (31 December 2022)	A$0.025
Fully Paid Ordinary Shares	426,913,711
Options on issue	18,190,553
Undiluted Market Capitalisation	$10.7 million
Cash (as at 31 December 22)	$4.0 million
Enterprise Value	$6.7 million

Board and management

Chairman	Jonathan Sweeney
Executive Director & CEO	John Balassis
Non-executive Director	Victor Van Bommel
Founder and executive Director	Keith Gunaratne
Non-executive Director	Stephe Wilks
Non-executive Director	Richard Doyle

Share register[1]



Note 1 – Based on substantial shareholding notifications lodged with ASX prior to 31/12/22

EP&T Global – H1 FY23 Highlights

Continued growth in operational and financial metrics

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- Annualised Contract Value (ACV[2]) as at 31 December 2022 of $13.9m , representing an increase of $0.6m (+5%) from June 2022
- Annualised Recurring Revenue (ARR[1]) as at 31 December 2022 of $10.3m, representing an increase of $1.1m (+12%) from June 2022
- Internal analysis projects that the monthly run rate operating cashflow[(3)] breakeven point of the business is achieved when ARR reaches ~$13.5m
- Contracted buildings increased +4% to 491 in the 6 months to 31 December 2022
- Operating half year statutory revenue increased to $5.0m (+40%) from December 2021
- Operating half year Reported EBITDA Loss reduced to ($1.1m) (reduction of 67%) from December 2021
- Current contracts on hand at 31 December 2022 have $43.4m of future ongoing fees yet to be invoiced
- Total cash on hand of $4.0m as at 31 December 2022

Key Metrics

$13.9m
Annualised Contract Value (ACV [(2)]) (Dec22A)

5%
ACV growth (YTD Dec 22A)

$10.3m
Annualised Recurring Revenue (ARR [(1)]) (Dec22A)

12%
ARR Growth YTD (Dec22A)

86%
Recurring Revenue[(4)] (YTD Dec 22A)

$43.4m
Unbilled contract value[(5)] (Dec22A)

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1. ARR is the contracted recurring revenue component of subscriptions on an annualised basis.
2. ACV is defined as the annualised monthly fees charged under contracts on hand at each period end.
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) but excluding new project deployment costs and other investing and financing cash flows.
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

Trend in EP&T's Key Operating Metrics improving

Annual Recurring Revenue[1] grew 43% as compared to December 2021

$'000		Jun-21	Dec-21	Jun-22	Dec-22
Annualised Recurring Revenue (ARR)	**($'000)**	**5,307**	**7,209**	**9,228**	**10,312**
ARR annual growth rate	*(%)*	*5*	*37*	*74*	*43*
Annualised Contract Value (ACV)	**($'000)**	**10,872**	**11,451**	**13,341**	**13,942**
ACV annual growth rate	*(%)*	*43*	*46*	*23*	*22*
Unbilled Contract Value (UCV)	**($'000)**	**36,648**	**36,678**	**44,024**	**43,359**
Total UCV annual growth rate	*(%)*	*57*	*57*	*20*	*18*
Recurring revenue % total revenue	**(%)**	**82**	**85**	**89**	**86%**

- Annualised Recurring Revenue (ARR[1]) increased by $1.1m to $10.3m in H1 FY23, representing a 12% increase from30 June 2022.
- Annualised Contract Value (ACV[2]) has increased by $0.6m to $13.9m at 31 December 2022, representing a 5% increase from 30 June 2022.
- Long term contracts driving unbilled contract value[5], is $43.4m as at 31 December 2022.
- Recurring revenue[4] in H1 FY23 made up 86% of total revenue.

Other highlights

- 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 including product development and installation of contracted project backlog
- $0.9m received as financial settlement from a Middle East based customer regarding unpaid project costs and R&D credit received of $0.4m

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1. ARR is the contracted recurring revenue component of subscriptions on an annualised basis.
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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) 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. .Allowance made for $0.4m of increased operating costs in FY23, which may be subject to change as actual costs may be higher or lower than this estimate
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

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H1 FY23 Contract Wins

Over $4m in total new contracts in H1 FY23, with ACV of $0.8m and upfront capex fees of $1.3m

New Contract Summary		ACV	Capex	TCV
Total H1 FY23	**($'000)**	**774**	**1,329**	**4,373**

Highlights

- 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.
- Electricity and water monitoring for 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 projects 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 sites 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
- 2 further contracts with a TCV of $0.7m under our preferred supplier agreement with a leading UK property company with £13.3 bn assets under management. This brings the number of sites within this portfolio serviced by EP&T to 20
- A 3-year contract to supply tenant level energy consumption data to a pan-European real estate investment management firm with a TCV of $0.6m
- Award of a contract for energy monitoring 2 branches of a multinational bank in Dubai with a TCV of $0.2m. EP&T has an existing contract with two other branches of this bank, one in London and one in Dubai

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Annualised Contract Value (ACV[1])

ACV of $13.9m at December 2022

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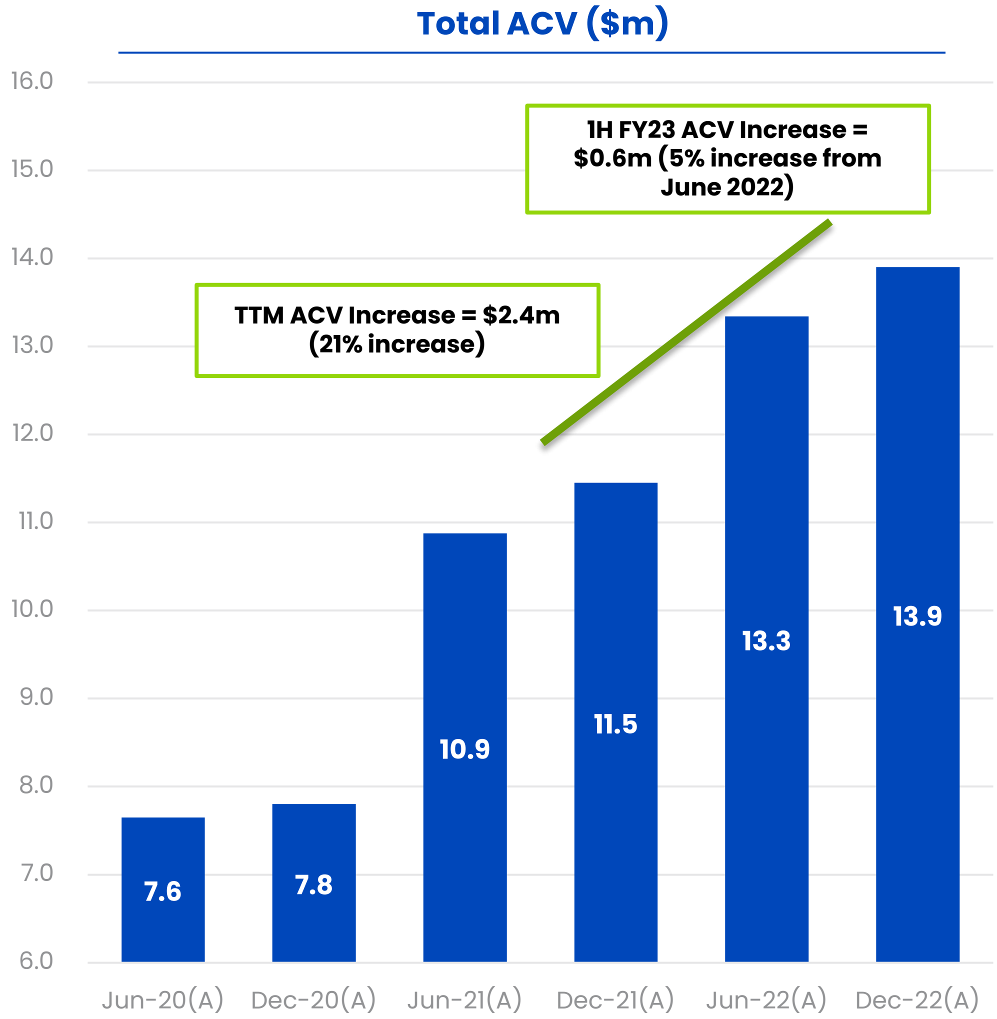
- At December 2022 ACV is $13.9 million, an increase of $0.6m (5%) from June 2022 and an increase of $2.4m (22%) from December 2021.
- ACV of ~$14.5m targeted to reach operating cashflow break even point.
- ACV is generated from ongoing fees for the provision of access to EP&T's Edge software platform and associated contracted ongoing services. ACV converts to ARR on completion of the installation at which point billing of subscription fees commences.
- Contracts typically range from 3 years to 7 years in duration and fees are typically invoiced monthly or quarterly in advance.
- Current contracts have an average remaining unexpired term of 3 years and 2 months[(2)].



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Notes:
1. ACV is defined as the annualised monthly fees charged under contracts on hand at each period end.
2. Weighted average based on contract value

Annual Recurring Revenue (ARR)

ARR of $10.3m - Targeted ARR of $13.5m to achieve operating cashflow breakeven[2] by end Q3 FY23 has slipped due to 3rd party installation issues

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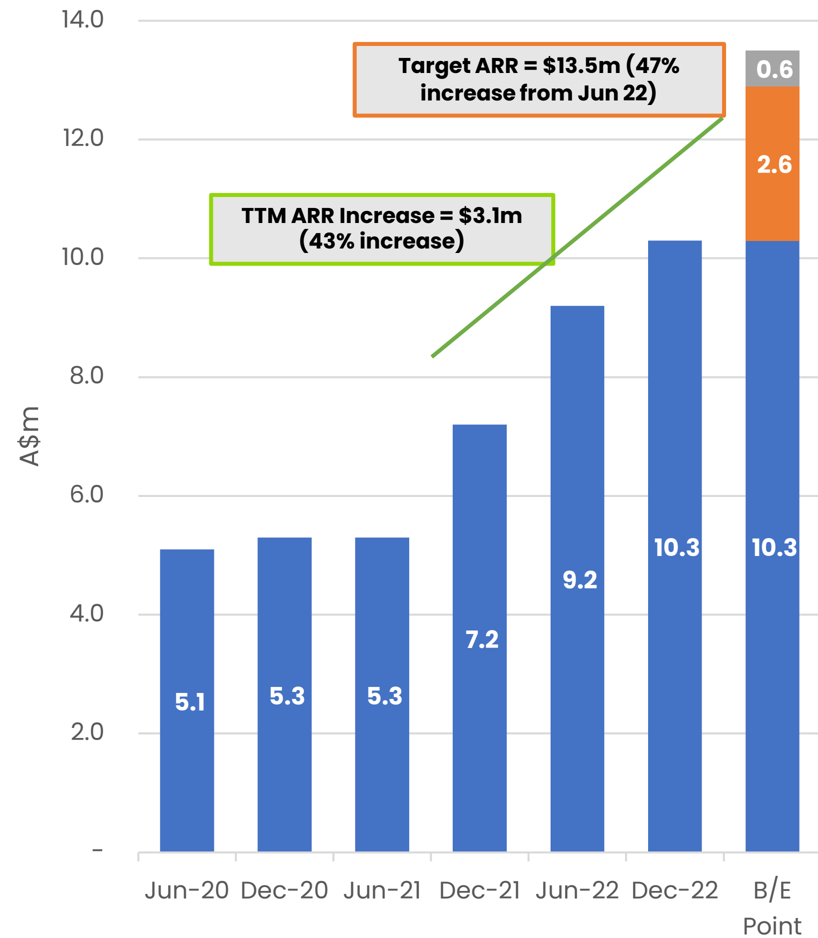
- At December 2022 ARR is $10.3 million, an increase of $1.1m (12%) from June 2022 and an increase of $3.1m (43%) from December 2021.
- ARR of ~$13.5m requires an additional ~$3.2m in ARR from December 2022:
  - $2.6m (81% of the $3.2m required) in contracted backlog, with activities underway to complete the project installations[1]
  - 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.
- ARR of ~$13.5m was targeted to be achieved by Q3 2023, 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 escalated quicker and resolved.

ARR growth on implementation of backlog ($m)



1. 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
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3. 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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International Client Base now spanning 26 countries in 5 continents

Site numbers continue to grow, with an increase of 87 sites (+22%) from December 2021

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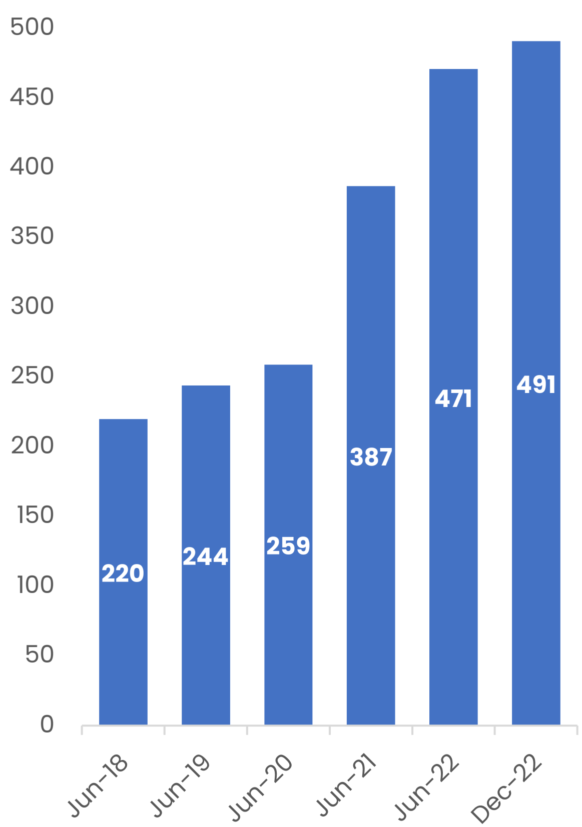
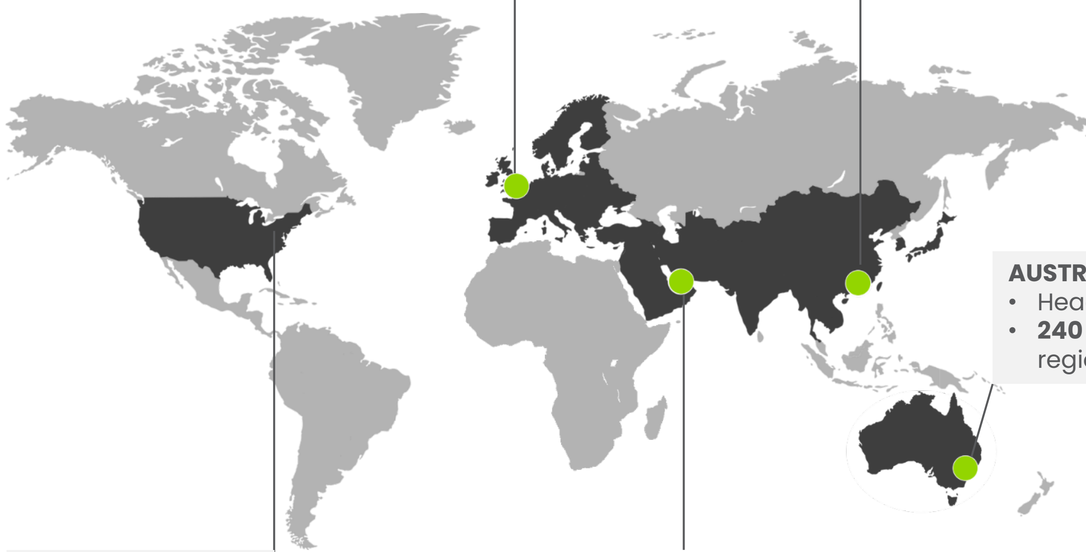
Contracted Building #s



EUROPE
- Office in London
- **142 sites in United Kingdom and greater Europe** including Holland, Portugal, Belgium, Poland, Turkey, Malta, Spain, France and Germany

ASIA
- Office in Hong Kong
- **6 sites**



AUSTRALIA
- Head office in Sydney
- **240 sites** in cities and regional areas

NORTH AMERICA
- **2 Sites** in NY

UNITED ARAB EMIRATES & AFRICA
- Office in Dubai
- **101 sites** in Middle East and North Africa

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H1 FY23 – FINANCIAL REPORT

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H1 FY23 Financial Results

Profit and Loss Summary

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- Total Revenue of $5.0 million, a 40.0% increase from 1H FY22
- Recurring subscription revenue has increased by 42.7% to $4.3 million. Recurring revenue accounted for 86.2% of total revenue in H1 FY23, an increase from 84.8% in H1 FY22.
- Projects revenue has increased by 77.5% to $631k as a result of contract wins following changes to the company's commercial model to increase upfront project invoicing.
- Operating expenses increased by $0.5m (+8%) to $7.3m in H1 FY23, with the main contributors being:
  - Cost of goods sold increased by $0.2m, driven by higher ACV
  - Other expenses increased from $1.7m (December 22) to $2.0m (December 2023), (+$0.3m), being largely due to:
    - costs for travel and accommodation due to sales trips and higher levels of project activity; and
    - Growing the R&D team and specific consultancy on product development
- Depreciation on capitalized project costs and other plant and equipment has increased as a result of installation of new projects during 2022.
- Client one-off financial settlement of $0.9m[1] regarding unpaid project costs relating to two contracts entered into with a Middle East based customer in 2019.
- Share-based payments expense of $0.1 million relating to options issued prior to IPO.

	Consolidated 31-Dec-22	Consolidated 31-Dec-21	% Change
	$	$	
Revenue			
Recurring subscription revenue	*4,327,799*	*3,031,330*	*43%*
Projects revenue	*631,346*	*355,718*	*77%*
Service and maintenance revenue	*62,260*	*188,352*	*(67%)*
Total Revenue	**5,021,405**	**3,575,400**	**40%**
Net Loss After Tax	**(1,886,857)**	**(3,726,232)**	
Interest, taxation and depreciation	(815,005)	(518,681)	
Reported EBITDA	**(1,071,852)**	**(3,207,551)**	**67%**
(Less)/add: (Impairment reversal)impairment	(181,325)	7,971	
(Less): Client Financial settlement[1]	(935,035)	-	
Add: Share based payments expense	135,935	243,289	
Underlying EBITDA	**(2,052,277)**	**(2,956,291)**	**31%**

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

H1 FY23 Financial Results

Balance Sheet Summary

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- Cash on hand at 31 December 22 was $4.0m
- Current assets include trade receivables of $2.6m, R&D incentive receivables of $0.5m, inventory of $1.0m (equipment to be allocated to project installations), contract assets of $1.2m
- Non-current assets include project assets and other PPE of $4.8m, contract assets of $2.2m, deferred tax $0.5m and right of use asset of $0.8m
- Current liabilities include trade payables of $1.4m, accrued payroll, commissions and incentives of $1.8m, accrued leave and end of service liabilities of $1.8m, lease liabilities of $0.4m and borrowings of $0.2m
- Non-current liabilities include borrowings of $0.4m and lease liabilities of $0.4m
- No intangibles – R&D costs are expensed as incurred

	Consolidated	
	31-Dec-22	**30-Jun-22**
	$	**$**
Cash and cash equivalents	3,951,436	4,218,773
Other Current Assets	5,802,813	3,877,514
Total Current Assets	9,754,249	8,096,287
Non-Current Assets	8,437,402	6,539,033
Total Assets	**18,191,651**	**14,635,320**
Current Liabilities	6,542,711	5,849,463
Non-Current Liabilities	779,745	604,764
Total Liabilities	**7,322,456**	**6,454,227**
Net Assets	**10,869,195**	**8,181,093**

H1 FY23 Financial Results

Cash flow Summary

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- Cash receipts of $5.7m for HI FY23 up from $3.7 million (+54%) in H1 FY22 – improvements due to a combination of changes to the customer engagement model intended to bring forward receipts from customers.
- The cash receipts also include a one-off financial settlement of approximately $0.9m[1] for unpaid project costs relating a Middle East based customer.
- Payments to suppliers increased by $2.0m, largely due to :
  - Increase in cost of goods due to higher sales of $0.2m
  - Increase in operating costs of $0.2m;
  - Increased VAT taxes on sales being higher in H1 FY23 of $0.2m
  - Increase in bonus and commissions due to higher ACV sales of $0.4m
- Other operating cash flows include R&D credits received during the December quarter 0f $0.4m
- Investing cash flows relate to project implementation costs for projects installed. This investment supports future revenues from ongoing fees for new projects when complete.
- Financing cash flows in H1 FY22 includes the December 22 share placement completed. HI FY21 financing cashflows were from the December 21 share placement.

	Consolidated	
	31-Dec-22	31-Dec-21
	$	$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	5,691	3,694
Payments to suppliers and employees (inclusive of GST)	(8,727)	(6,724)
Other operating cashflows	459	106
Net cash used in operating activities	**(2,577)**	**(2,924)**
Net cash flows from investing activities	(1,508)	(967)
Net cash flows from financing activities	3,818	7,587
Cash and cash equivalents at the end of the period	**3,951**	**8,996**

1. 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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OUTLOOK H2 FY23

Targeting profitable growth

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EP&T is focussing on profitable growth

Alongside continuing to deliver growth in key markets, EP&T is focussed on three key levers

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Operating Cashflow Break Even[2]

- Operating Cashflow Breakeven[2] continues to be projected to be reached at ARR of ~$13.5m
- Progress being made in converting ACV backlog to ARR, with the installation process projected to move more rapidly in the second half of the financial year
- Continue improvements to internal installation processes

Product Development

- New Head of Global Sales appointed with a clear remit to focus on global sales growth
- Horizon 1 Product Roadmap delivery started with near term release of updated dashboard and further Horizon 1 initiatives identified and being planned for remainder of FY23

Operational Improvements

- Customer commercial proposals now include an installation fee/establishment fee – improvement to cash receipts started to yield some success with approx. $1.3m in upfront invoicing on sales in H1 FY23
- Operating cost metrics continue to be reviewed, and staff cost base servicing a larger number of sites

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Summary H1 FY23

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- **Proven energy saving technology** – proprietary technology operating in multiple sectors of commercial real estate **continuing to deliver portfolio average of 22% pa energy savings resulting in annual reduction of over 100,000 tonnes of CO2 emissions.**

- **Continued growth in international blue chip client base** – EP&T's clients include **leading blue chip companies and global real estate brands, currently contracted with 490+ sites in 26 countries in 5 continents.**

- **Market tailwinds support EP&T's core strength based on granular data**– EP&T takes a holistic view of the full equipment ecosystem to give **deeper insights and verifiable data** which continues to attract global customers.

- **Improving Operating Metrics and near-term pathway to operating cashflow break even[1]**
  - H1 FY23 **ARR growth of 12%** to $10.3m
  - H1 FY23 **ACV growth 5%** to $13.9 million
  - Strong recurring revenues – 86% of total revenue as at December 2022.
  - Operating cashflow breakeven[1] projected ARR of $13.5m
  - Sales pipeline continues to be strong.

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