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EP&T Global Releases FY23 Results

28 August 2023

Building energy optimisation company EP&T Global Limited (ASX: EPX) (EP&T or the 'Company') is pleased to announce it has released its annual results for the year ending 30 June 2023.

FY23 Highlights

- Statutory recurring subscription revenue up 49% on the prior corresponding period to $9.4m (30 June 2022: $6.3m).
- EBITDA loss reduced by 32% on the prior corresponding period to ($4.9m) (30 June 2022: ($7.2m).
- Annualised Contract Value (ACV[1]) up 8% to $14.4m (30 June 2022: $13.3m).
- Annualised Recurring Revenue[2] (ARR) up 27% to $11.7m (30 June 22: $9.2m).
- Revenue of $12.2m required for projected operating cash flow[3] breakeven – 96% achieved (ARR: $11.7m).
- Contracted buildings up 11% to 523 as at 30 June 2023 (30 June 2022: 471).
- Total cash on hand of $1.2m as at 30 June 2023.

FY23 Results summary

	Consolidated		
	Jun-23	Jun-22	Change
Financial Results	**$**	**$**	**%**
Revenue	10,629,870	7,085,739	50%
EBITDA	(4,912,921)	(7,240,078)	32%
Interest, taxation and depreciation	(1,832,716)	(1,164,555)	57%
Net Loss After Tax	(6,745,640)	(8,404,633)	20%

EP&T achieved revenue of $10.6m in FY23, a 50.0% increase from FY22, driven by growth in the Company's subscription based, data-as-a-service revenue model. EBITDA loss decreased 32% to ($4.9)m reflecting the strong revenue growth in the period.

Given the strong revenue growth, depreciation of installed hardware assets required to deliver the EDGE data-as-a service, increased by $0.8m (or 76%) from FY22: $1.0m to FY23: $1.8m.

[1] ACV is defined as the annualised monthly fees charged under contracts on hand at each period end.
[2] ARR is the contracted recurring revenue component of subscriptions on an annualised basis
[3] 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.

FY23 Statutory Revenue

	Consolidated		
	Jun-23	Jun-22	Change
Revenue	**$**	**$**	**%**
Recurring subscription revenue	9,406,322	6,303,616	49.0%
Projects revenue	1,045,516	470,910	122.0%
Service and maintenance revenue	178,032	311,213	-43.0%
Total Revenue	10,629,870	7,085,739	50.0%
Recurring subscription revenue % of total revenue	89%	89%	

Recurring subscription revenue increased by 49.0% to $9.4m because of continued installation of contracted project backlog and business growth during FY23. Recurring revenue accounted for 89% of total revenue.

The contracted installation backlog as at 30 June 2023, being the difference between contracted ACV and the installed ARR, is $1.9m[4]. This contracted backlog, once installed is projected to increase ARR to $13.6m.

Projects revenue increased by 122% to $1.0m. This was a focus of the business in FY23 as a means to bring cashflow forward from projects to better match installation cashflows to business cashflows.

FY23 Statutory Expenses

	Consolidated		
	Jun-23	Jun-22	Change
Expenses	**$**	**$**	**%**
Raw Material and Consumables	(736,167)	(805,696)	(8.6%)
Employee benefits and expenses	(10,834,186)	(10,355,929)	4.6%
Other Expenses	(4,332,187)	(3,486,075)	24.2%
Total Expenses	**(15,902,540)**	**(14,647,700)**	**8.5%**
Finance Costs	(114,020)	(77,701)	46.7%
Depreciation and amortisation	(1,780,825)	(1,009,552)	76.4%
Impairment reversal/(Impairment) of assets	281,612	(280,079)	n/a
Total operating costs	**(17,515,773)**	**(16,015,032)**	**9.3%**

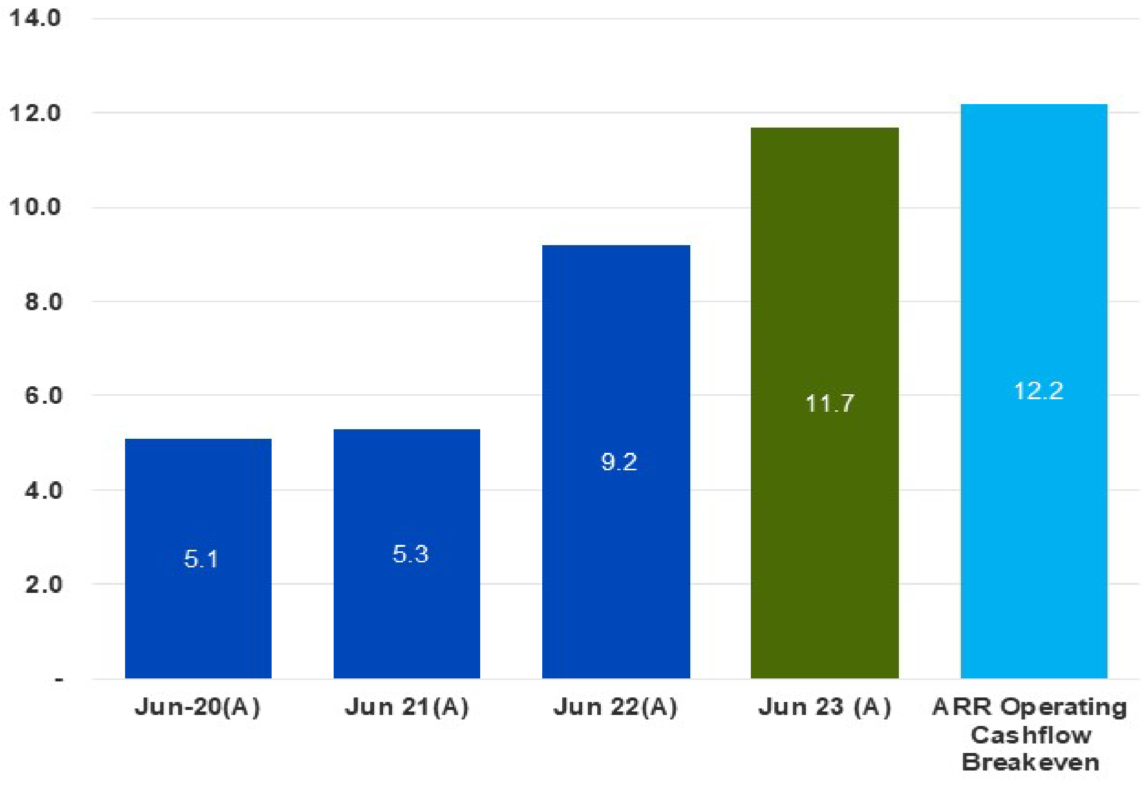
[4] The installation backlog is a timing issue and can arise due to the timing needed for final design work, engaging work crews and the installation itself. Conversion of project backlog to revenue generating contracts does not reduce the total contract value to be derived by EP&T, as the contract term only commences when ongoing services are first delivered.

Total operating costs for the year ended 30 June 2023 increased from $16.0m to $17.5m (9.3%). Key items to note are:

- Employee benefits expenses increased 4.6% to $10.8m. The increase includes redundancy and one-off costs of exited staff during the financial year of ($0.6m), as well as the associated costs in restructuring the EP&T executive team and the new hires.
- Other expenses increased by 24.2%, from $3.5m to $4.3m. This was due to the increased spend on IT (up by $0.15m), increased travel to install the contracted backlogged ACV and pursue new ACV (up by $0.4m), and consultancy costs (up by $0.35m) associated with improving the project installation process and recruitment of new executive leadership team members. Some of these additional costs are non-recurring in the ongoing maintainable cost base of the Company.

Operating Cash flow breakeven[5]

Operating cash flow breakeven is a key focus of the Company, and a strategic priority of EP&T. The projected point at which the company achieves operating cashflow breakeven is when ARR reaches approx. $12.2m. As at 30 June, the company achieved ARR of $11.7m, which is 96% of the ARR required to hit this important inflection point.

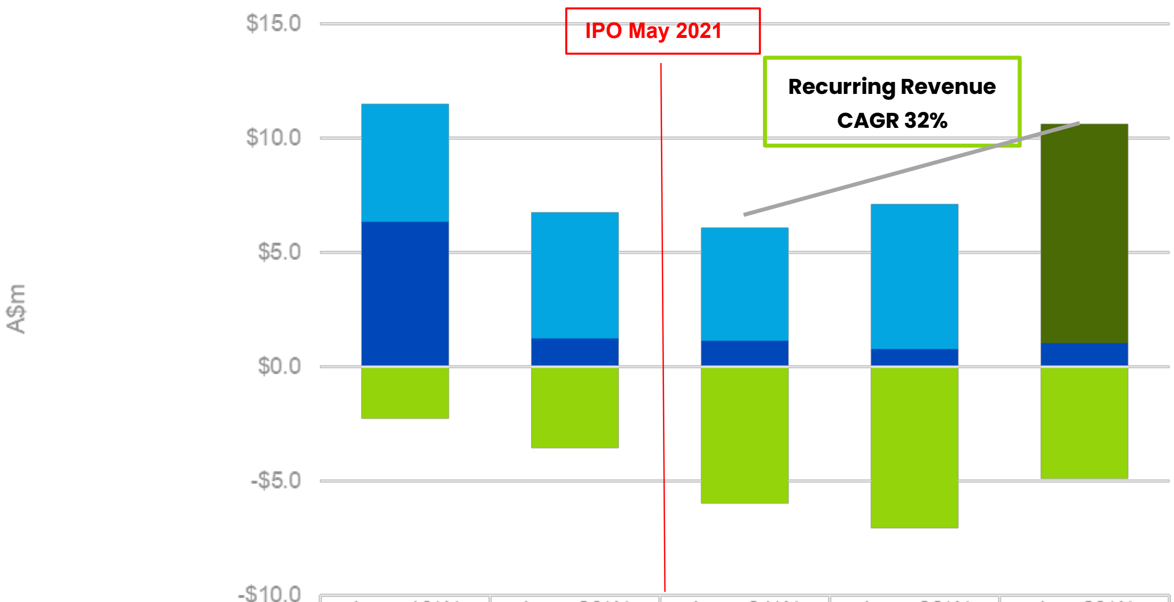


[5] Operating cashflow is defined as monthly operating cash inflows (being receipts from operations and other revenue) less monthly operating cash outflows (being ordinary operating costs of the business including employment costs, direct cost of goods sold, occupancy, marketing, corporate and other operating costs) but excluding new project deployment costs and other investing and financing cash flows.

Preparing for growth

EP&T Chief Executive Officer, John Balassis said “FY23 was a year of major progress across all aspects of the business priming EP&T for growth. The Company’s key strategic priority was to attain operating cash flow breakeven, which is now very close, a result of the significant work put in by our people and customers to work collaboratively to install the large, contracted backlog of ACV we had in June 2022 of over $3m. This revenue growth, together with the cost and efficiency measures now in place, means we are close to achieving operating cashflow breakeven. With a new executive management team now in place, we are well positioned to deliver sustainable growth”.

Statutory Revenue and EBITDA profile FY19 to FY23

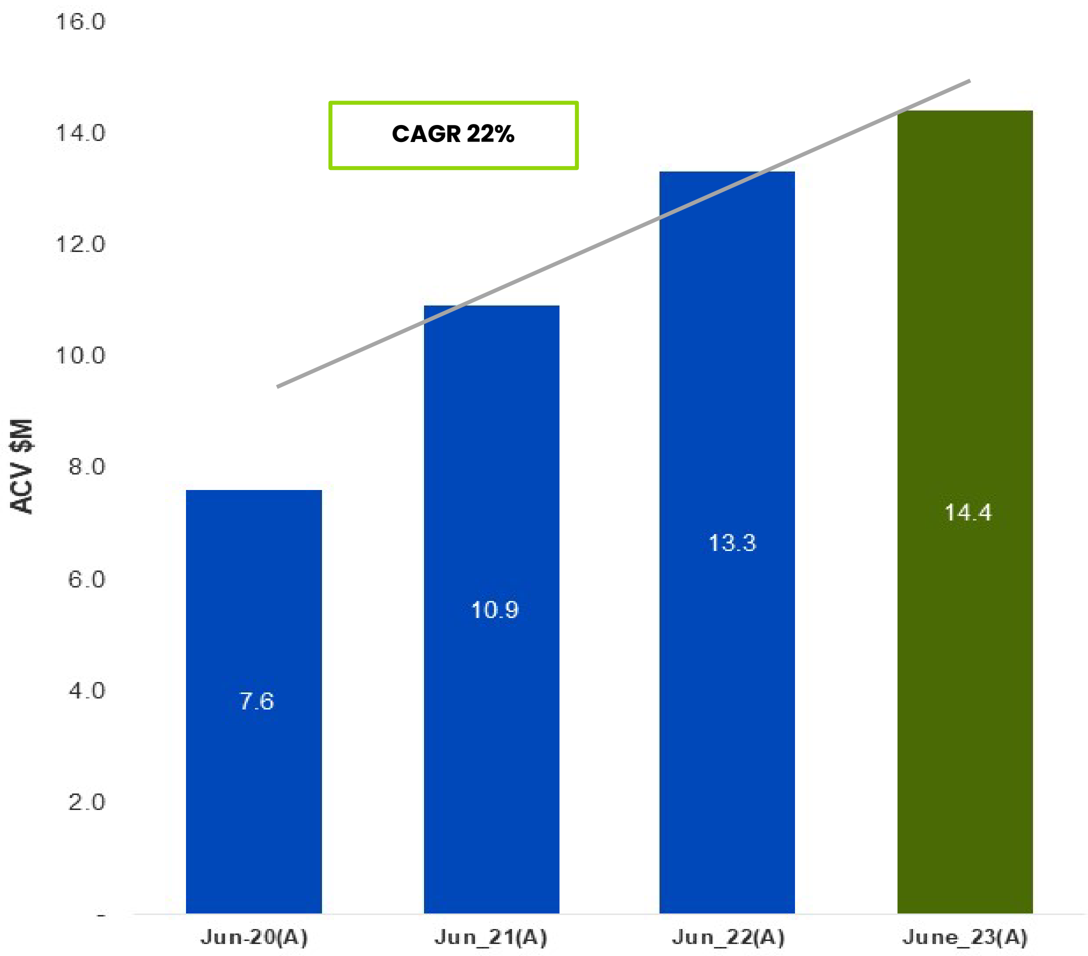


	June_19(A)	June_20(A)	June_21(A)	June_22(A)	Jun_23(A)
EBITDA	(2.3)	(3.6)	(6.0)	(7.1)	(4.9)
Recurring Revenue	$5.2	$5.5	$5.0	$6.3	$9.6
Projects and Other Revenue	$6.3	$1.2	$1.1	$0.8	$1.0

ACV

During the year ended 30 June 2023, ACV increased by $1.1m (+8%) to $14.4m. Key contract wins throughout the financial year included:

- An 11-site hotel portfolio for Salter Brothers Australia.
- Expansion of sites within the existing client portfolio including a large UAE education provider which now includes both water and energy monitoring services.
- European hotel wins from Cedar Capital Partners.
- The Australian dealership network of one of Europe's most prestigious car manufacturers.
- A 3-year contract with the property manager of a hotel situated at a landmark UK golf course.
- The Company's first win in New Zealand with an independent global investment company, with offices in 20 countries – this is an extension of an existing Australian customer relationship and the Company's first commercial site in New Zealand.
- Award of a contract for energy monitoring of two branches of a global bank in Dubai. EP&T has an existing contract with two other branches of this bank, one in London and one in Dubai.
- Two further sites under our preferred supplier agreement with a leading UK property company with £13.3bn assets under management. This brings the number of sites within this portfolio monitored by EP&T to 20 sites.



Outlook

John Balassis said, “Whilst I am disappointed we were not able to achieve 100% of the critical inflection point of operating cash flow breakeven by 30 June 2023, I am very pleased with the progress the company has made. Every single employee of the business has worked hard to meet this important strategic objective, whilst still working towards growing revenue in all markets. EP&T enters FY24 with a sizable pipeline of opportunities in all markets, with our customers telling us they are focussed on not only achieving their net zero and ESG targets, but also continuing to optimise their assets and reduce costs. This puts EP&T in a prime position to assist our customers on all their objectives”.

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

John Balassis
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Patrick Harsas
CFO & Joint Company Secretary

ABOUT EP&T Global

EP&T Global, the most trusted building efficiency platform provider, is a data as a service platform that delivers sector leading cost and energy efficiency in buildings. EP&T is a global leader in reducing energy costs and delivering energy efficiency in the built environment, servicing over 7 million sqm of floorspace across 5 continents. 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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