ep&t global
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EP&T Global Releases FY22 Results

29 August 2022

Building energy optimisation company EP&T Global Limited (ASX: EPX) (EP&T or the 'Company') is pleased to announce it has released its FY22 results for the year ending 30 June 2022.

FY22 Highlights

- Annualised Recurring Revenue[1] (ARR) increased 74% to $9.2m in the 12 months to 30 June 22
- Annualised Contract Value (ACV[2]) increased 23% from $10.9m to $13.3m in the 12 months to 30 June 22
- Contracted buildings increased +22% to 471 in the 12 months to 30 June 2022
- Recurring subscription revenue increased 27% on the pcp to $6.3m
- Current contracts on hand at 30 June 2022 have $44.0m of future ongoing fees yet to be invoiced
- Internal analysis projects that the monthly run rate operating cashflow[3] breakeven point of the business will be achieved when ARR reaches ~$13.5m – target Q3FY23
- Total cash on hand of $4.2m as at 30 June 2022

FY22 Results

	Consolidated		
	Jun-22	Jun-21	Change
Financial Results	**$**	**$**	**%**
Revenue	7,085,739	6,077,746	16.6%
EBITDA	(7,240,078)	(11,886,064)	39.1%
Interest, taxation and depreciation	(1,164,555)	(270,797)	-330.0%
Net Loss After Tax	(8,404,633)	(12,156,861)	30.9%

EP&T achieved revenue of $7.1 million in FY22, a 16.6% increase from FY21 driven by growth in the Company's subscription-based revenue model. EBITDA loss decreased 39.1% to ($7.2) million as a result of one-off costs and charges related to the Company's IPO in FY21 which were not repeated in FY22.

[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 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.

	Consolidated		
	Jun-22	Jun-21	Change
Revenue	**$**	**$**	**%**
Recurring subscription revenue	6,303,616	4,963,135	27.0%
Projects revenue	470,910	780,784	-39.7%
Service and maintenance revenue	311,213	333,827	-6.8%
Total Revenue	7,085,739	6,077,746	16.6%
Recurring subscription revenue % of total revenue	88.9%	81.7%	

Recurring subscription revenue increased by 27.0% to $6.3 million as a result of progress in the installation of contracted project backlog. Recurring revenue accounted for 88.9% of total revenue in FY22, an increase from 81.7% in FY21.

The growth in recurring revenue in FY22 was partially impacted by COVID-related restrictions and supply and resource disruptions for much of the year. This has meant that the Company has a contracted backlog of uninstalled projects with an ACV of $3.2 million at 30 June 22, which is targeted to be installed during FY23. Delays to 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.

Projects revenue decreased by 39.7% to $0.5m and Service and Maintenance revenue decreased by 6.8% to $0.3m as EP&T continues to transition to a recurring subscription model.

Operating expenses increased by $3.6m (+35%) to $14.2m in FY22, with the main contributors being:

- In order to meet growing opportunities in the UK and European markets, where the Company has seen a growth of 57% in ACV since IPO in May 2021, wages and salaries have increased by $2.1m from FY21 to FY22 and employee headcount has increased by 10.7% from 65 at June 21 to 72 at June 22. EP&T also expanded its management team with the addition of the role of Chief Product Officer (CPO) and a new Head of People and Culture during FY22. Both these roles are newly created roles to ensure the Company's products and services remain aligned with clients' needs as they continue to move towards net zero, as well as aligning the Company's values with our people's skills and capabilities. The growth in salaries and wages is also somewhat pronounced, as in FY21 salary cost savings of ~$0.8m were realised from temporary wage reductions for all staff in response to COVID-19. This was a one-off event.

- The Company also increased its marketing initiatives during FY22, to support growth, including global event sponsorship and attendance.
- FY22 was the first full year of EP&T being an ASX listed company and as such incurred listing and compliance related costs for the full 12 months.

Interim EP&T Chief Executive Officer John Balassis said that despite the impact on the conversion of ACV to ARR due to COVID restrictions and delays in being able to source and recruit new staff due to candidate shortages in key markets for a large part of FY22, the Company is well placed heading in to FY23 due to continued global ESG tailwinds, rising energy costs and an increasing emphasis on net zero targets.

"We were pleased to be able to make progress with the conversion of Annualised Contract Value (ACV) to Annualised Recurring Revenue (ARR) during the last quarter of FY22 and expect to carry this progress into FY23. We now have a pathway to reach monthly run rate operating cashflow breakeven which is projected to be achieved when ARR reaches ~$13.5m, targeted for Q3 FY23.

EP&T remains well placed to support our clients to meet their energy saving and emission targets and also for the Company to participate as a global player to assist clients in their net zero journey."

Key Operating Metrics

	June 21	June 21	FY22 Change	FY22 Change %
Annualised Recurring Revenue (ARR) ($000)	9,228	5,307	3,921	+74%
Annualised contract value (ACV) ($000)	13,341	10,872	2,469	+23%
Unbilled contract value (UCV) ($000)	44,024	36,648	7,376	+20%
Recurring revenue %	89%	82%	7%	+9%
Number of contracted sites	471	387	84	+22%

ACV Growth in FY22 (Global, A$m)

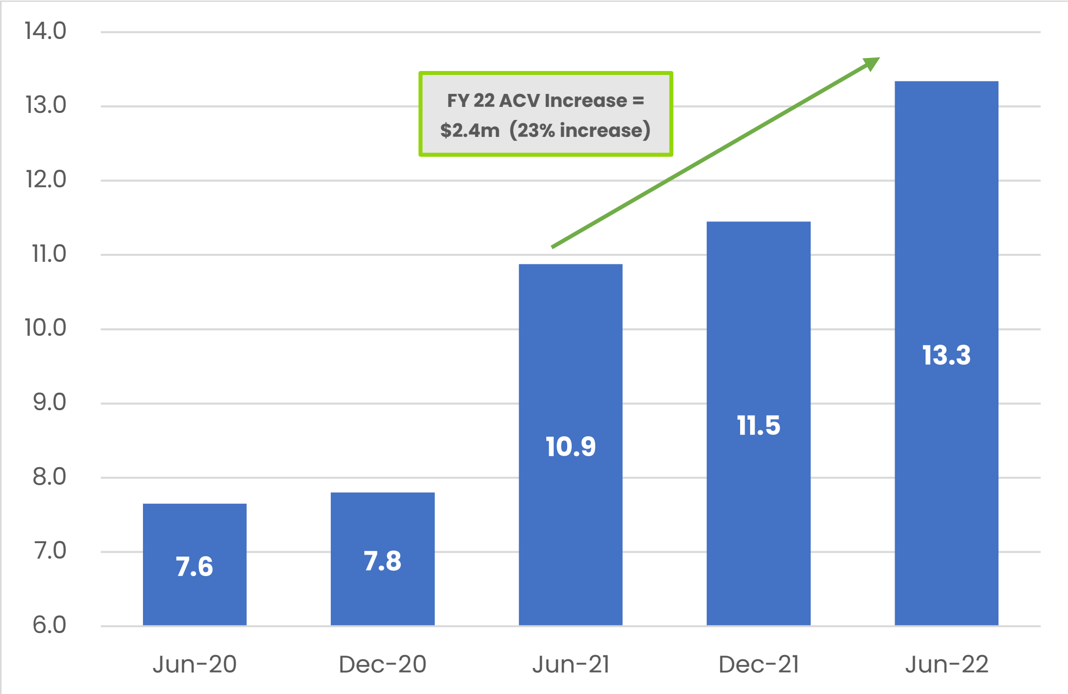
During the year ended 30 June 2022, ACV increased by $2.5 million (+23%) to $13.3 million. Key contract wins during FY22 include:

- Marathon Capital for their IHG portfolio, that comprises 17 sites in the UK, to deliver energy, carbon emissions, and cost savings. The multi-year contract will bring a Total Contract Value (TCV[4]) to EP&T in excess of ~A$1.6M
- A property portfolio that is managed by global hotel brands across multiple countries, for an ACV of A$0.8m and a TCV of A$5.5m

[4] TCV is defined as the total of all monthly fees charged under the contract over the total term of the contract

- Appointed as the preferred supplier of tenant billing services to an existing UK based portfolio customer which owns over $15 billion of assets
- Seven properties from a large NSW based club operator for an ACV of ~A$0.1m
- Renewal of a Hong Kong based client, which extends the relationship with the client to over 5 years for a total contract value of ~A$0.1m.
- Three schools with a combined ACV of $0.2m added to an existing portfolio with an operator of an international school network based in the Middle East.
- The new contract wins in FY22 added 84 new buildings to EP&T's portfolio, increasing the Company's total contracted buildings to 471, and its global customer footprint to 26 countries.

The growth in ACV since FY2020 is shown below:

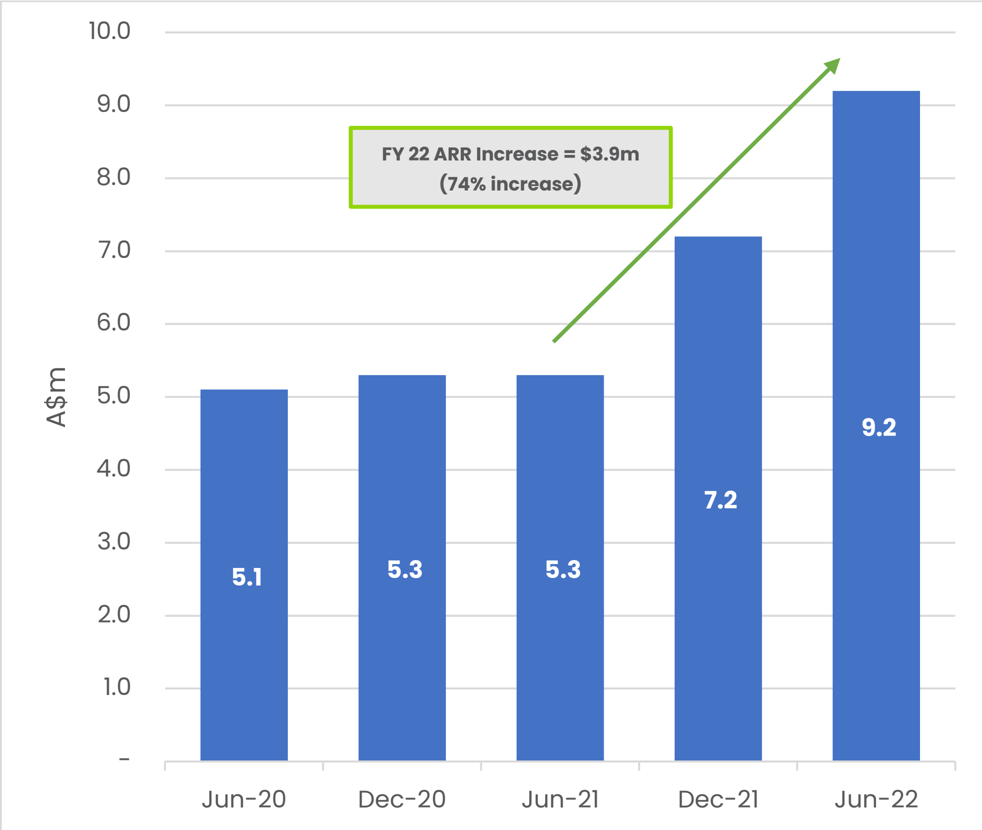


ARR growth on implementation of ACV backlog (Global, $m)

ARR growth is the key metric for future revenue and cash generation. ARR increased by 74% to $9.2 million in the year ended 30 June 2022, and a further $3.2m of ACV backlog is contracted but not yet installed. The backlog is an indicator of future ARR growth to be delivered from the pipeline of projects on hand once ongoing services commence. The backlog includes the uninstalled balance of ~$1.2m of ACV relating to the three-year contract with leading asset manager, DWS out of the total $2.0m total ACV for this contract.

Installation of all remaining sites in the contracted backlog are targeted to be complete through FY23[5].

The growth in ARR since June 2020 is shown below:



Unbilled Contract Value (Global, $m)

Unbilled Contract Value (UCV) represents the contracted amounts remaining to be billed by EP&T to customers over the unexpired term of contracts on hand. Over the course of FY22, UCV increased by $7.4m (+20%) to $44.0m. The average term remaining on total contracts on hand is 3.3 years.

[5] Subject to delays which may be caused by further COVID-19 related restrictions

Outlook

EP&T is targeting operating cashflow breakeven. Internal EP&T analysis projects that the monthly run rate operating cashflow[6] breakeven point of the business will be achieved when ARR reaches ~$13.5m. The Company estimates that this will be achieved during Q3 FY23.

EP&T's ARR as at 30 June is $9.2m. Of the additional $4.3m ARR required to achieve monthly run rate operating cashflow breakeven:

- currently $3.2m (74%) is already contracted and included in EP&T Global's current ACV. Planning is underway to install and commence billing of these contracts; and
- the required ARR balance of ~$1.1m (26%) is targeted to be delivered from EP&T's current global sales pipeline.

As EP&T progresses towards monthly operating cashflow break even, the level of monthly net operating cash outflows and subsequently cash burn is expected to improve, compared to historical cash runway levels[7].

The Company has numerous growth opportunities and initiatives across its global operations, including planned further investment in sales and marketing activity and product development. Available cash reserves are being closely monitored in light of these growth and investment opportunities.

There are significant tailwinds for EP&T and its products and solutions in the areas of:

- An increasing focus on sustainability, ESG and net zero emissions by building owners, operators and tenants
- Increasing energy prices across the globe enhances the value proposition of reductions in energy consumption
- Data and reporting complexities for building owners and operators to meet sustainability reporting requirements

EP&T is progressing its evaluation of M&A opportunities to enable expansion into new markets and / or acquisition of complimentary products and services that support its customers' emission reduction and energy efficiency needs.

Mr. John Balassis, who currently serves on EP&T's Board of Directors, assumed the position of interim CEO on 2 May 2022. The Board is working with a specialist executive search firm to complete a market-wide search for a new CEO. Further progress will be announced to the market when an appointment has been confirmed.

The Board is also progressing its search to appoint a new independent director with experience in technology, product strategy and development.

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[7] Compared to the Company's cash runway based on historical levels of operating cash outflows as per FY22 Quarterly Appendix 4C releases

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

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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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