

31 January 2022

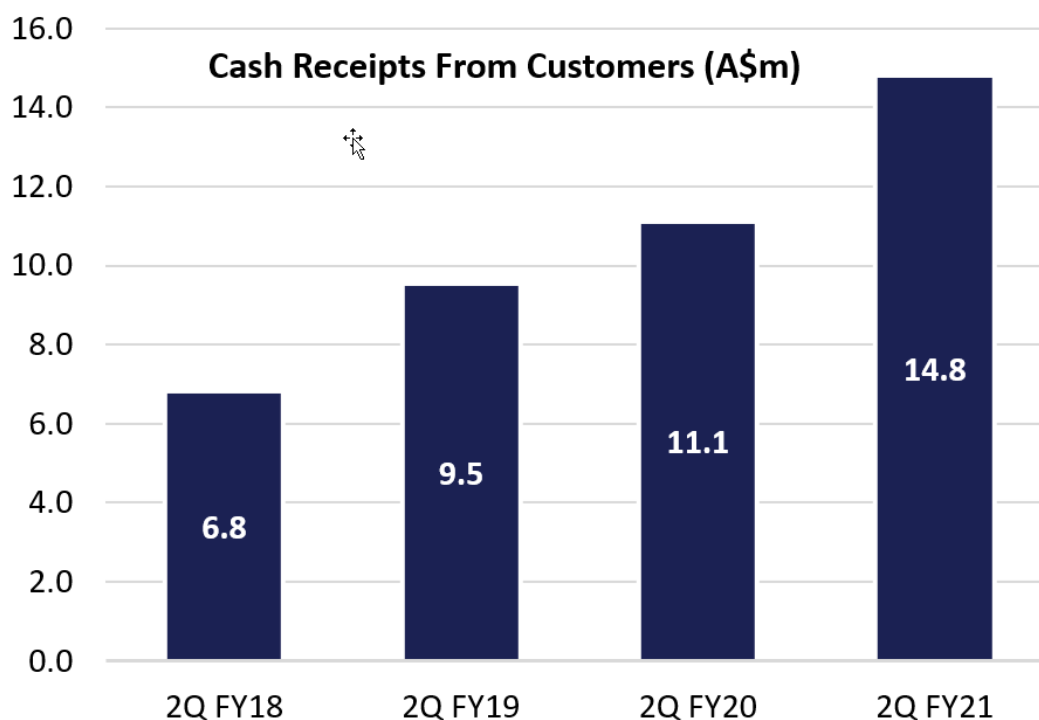
# Quarterly Report for the period ending 31 December 2021

## Highlights

- 46,000 customer base - up 30% from previous corresponding period.
- High-value contracted strata community customers continue to drive organic growth, making up 56% of customer base.
- \$3.9m cash on hand as at 31 December 2021.
- \$3.1m in secured bank guarantee deposits to secure credit for forward energy purchases.
- 3<sup>rd</sup> party financed solar and battery systems to be offered to customers in Q1 2022, further positioning LPE for strong growth in renewable energy revenue.
- VPP (Virtual Power Plant) launch across QLD in Q1 2022 increasing customer stickiness.

Fast growing electricity provider, Locality Planning Energy Holdings Limited (**ASX: LPE**) (the **Company** or **LPE**), is pleased to provide shareholders and investors with an overview of activities for the period ending December 2021 (**Quarter** or **Reporting Period**), to accompany the Appendix 4C.

The Company's cash receipts for the quarter were \$14.8 million excluding the asset ownership payment of \$1.4 million received from the Queensland Government in the September quarter for customer bills due and payable in December. This jump in revenue represents a solid increase of 33% compared to \$11.1m in the previous corresponding period of December 2020.



During the quarter, LPE secured an additional 2,000 contracted, high value embedded network customers and, together with the Company's consistent growth in direct market customers, LPE has now achieved a base of over 46,000 customers. The foundation of the Company has been built on its strata embedded network customers which continue to grow and attribute value to the business.

	<b>TOTAL</b>	<b>Sep-21</b>	<b>chg*</b>	<b>Dec-20</b>	<b>chg**</b>
Contracted (ENs)	<b>25,900</b>	23,800	8.8%	22,194	16.7%
Recurring (Direct Market)	<b>20,520</b>	19,700	4.2%	13,684	50.0%
<b>Total Customers</b>	<b>46,420</b>	<b>43,500</b>	<b>6.7%</b>	<b>35,878</b>	<b>29.4%</b>
			<b>*Compared to last quarter</b>	<b>**Compared to last year</b>	

Cash on hand as at 31 December 2021 was \$3.9 million. A further \$3.1 million was held on deposit against credit support bank guarantees required by the Australian Energy Market Operator (AEMO). Credit support is required by AEMO in relation to LPE's wholesale electricity purchases for its direct market or recurring customers. LPE's embedded network, or contracted customers, are fully hedged through fixed price forward purchase contracts that do not require AEMO credit support. The amount of credit support changes based on several factors including seasonality (more electricity used in summer than winter), wholesale pricing and LPE's overall load (number of customers consuming electricity).

The Company is currently in the process of refinancing its debt facility with BlackRock and, as part of this refinance, is restructuring its debt to include a facility for AEMO credit support which will free up the Company's cash currently used for this purpose.

### **Refinance of BlackRock Facility**

The Company, together with a third-party broker who is engaged with numerous interested lenders, is well underway refinancing its BlackRock debt facility. The Company is confident that its high-value, contracted, embedded network customer base will provide sufficient support for increased refinancing, thereby providing headroom to grow.

Justin Pettett, LPE's Chairman commented, "The Christmas and New Year break slowed the process of our debt restructure, but we are well advanced with our broker and look forward to a more flexible solution in order to enable the Company to continue to grow its contracted and recurring customers."

### **Strengthening Renewable Energy Credentials with LPE Virtual Power Plant (VPP)**

Whilst LPE's key focus remains on growing the base of embedded strata customers, the Company's direct market focus will target product related customer acquisitions by launching the LPE VPP where LPE provides solar and battery systems bundled with energy retailing services. This innovative solution will enable real choice in the energy market for consumers to contribute as part of a sustainable community, accessing renewable energy as well as being more cost effective.

The LPE VPP product will be offered to all customer types who have, or install, a solar system and want to adopt a battery. The Company currently has over 4,500 solar customers without a battery so will be reaching out to this group of customers first. LPE customers will have the opportunity to finance their purchase of solar and battery systems via a third-party, which will offer a 10-year power purchase agreement enabling them to lock in the cost of their electricity now and spread the repayment of the system over time. The customer will also have the benefit of becoming a member of the LPE VPP.

Customers will benefit from increasing their personal sustainability through adopting the fastest growing renewable energy source, solar electricity, and batteries, and be provided with the ability to earn extra bill credits by being a part of the LPE VPP program. LPE's VPP will only be available to LPE customers who agree to enter a 5-year term for the VPP program and have purchased their solar and battery systems from LPE. The individual batteries will be programmed to discharge small amounts of electricity in unison during high priced energy events, which will enable LPE to earn revenue from selling solar electricity back to the grid.

A customer funding offer for this product has been secured off balance sheet, with the cost of the system, installation and maintenance covered by a third party, thereby preserving the Company's cash on hand. Despite utilising third party financing, LPE will maintain its margin for selling grid electricity to the customer, in addition to receiving a sale commission and margin on the installation of the system and ongoing revenues from the management of the VPP.

## Summary Financial Results

<b>Statement of Cash Flows (AUD million)</b>	<b>YTD</b>	<b>YTD</b>	
<b>Cash Flows From Operating Activities</b>	<b>Q2 21</b>	<b>Q2 20</b>	<b>% Change</b>
Receipts from customers	30.6	20.8	47.1%
Payments for product manufacturing & operating costs	(28.4)	(19.6)	44.9%
<b>Cash Gross Profit</b>	<b>2.2</b>	<b>1.2</b>	<b>83.3%</b>
Cash Operating Expenditure	(5.9)	(5.2)	15.1%
<b>Cash EBIT</b>	<b>(3.7)</b>	<b>(4.0)</b>	<b>n/m</b>

Cash receipts of \$14.8 million for the quarter do not include \$1.4 million received from the Queensland Government for residential asset ownership dividends in the September quarter, which are applied directly to residential accounts that would have otherwise been received as customer payments in the December quarter. The timing of LPE's cash flows can fluctuate when comparing individual quarters, however the Board's primary focus for reporting quarterly performance is with reference to year-to-date results which are summarised above.

LPE generated a cash gross profit of \$2.2 million for the quarter. It should be noted that seasonality can cause volatility in LPE's cash gross margin profile in any one quarter, however over the full year, margins are expected to be driven primarily by customer mix due to the lower margin percentage (although higher gross profit per customer) from business customers.

Product manufacturing and operating costs include \$0.6 million in capital works related to the roll out of the supply and install costs for shared solar and embedded networks. Electricity costs increased slightly from last quarter, due to a combination of increased customer load and wholesale electricity prices. Staff costs were lower during the quarter as operational efficiencies continue to take effect. Administration and corporate cash outflows are lower than last quarter due to Q1 including a number of prepaid annual expenses.

Payments to related parties as shown in the accompanying Appendix 4C were for directors' fees, remuneration and superannuation.

## Outlook

As mentioned in previous updates, LPE continues to receive a high volume of inbound enquires from retail, business and strata customers seeking assistance in lowering their carbon emissions and reaching their sustainability goals. These enquiries include assistance in distributing renewable energy, requests



to partner in the development of redundant solar, battery and hydrogen generation assets, including from high energy needs businesses such as manufacturers, data centres and cryptocurrency miners. The Company is close to executing its first large scale renewable distribution opportunity, creating further shareholder value in the future.

**LPE Chairman, Justin Pettett, commented on the opportunities currently being evaluated by the Company:** “In line with our high environmental, social and governance principles, we have been working to better align the Company with green energy generation opportunities. While there are many opportunities in the marketplace, LPE has many stakeholders, including customers, seeking to access greener renewable electricity, as well as shareholders aiming for higher valuations and operational leverage. With the objective of finding the right balance for all stakeholders, we hope to be in a position to update the market soon in relation to some exciting developments currently being worked on in this space.”

Authorised by the Board.

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**ENDS**

## **About LPE**

LPE is a fast-growing electricity provider challenging the way customers receive their electricity; going beyond being just a traditional supplier, leaders in innovation, supporting strata communities to think of tomorrow. With first to market technology, LPE has delivered shared solar for apartment living and carbon neutral centralised hot water systems, creating shareholder value through long term supply agreements that provide strong recurring revenue.

LPE predominantly service the Queensland energy market, selling electricity, hot water, solar and battery systems to homes, business, and strata communities. Providing strata communities, the solution to reduce their carbon footprint and energy bills with no upfront cost. Empowering people to save money and create sustainable communities of the future.

For more information visit: [localityenergy.com.au/investors](http://localityenergy.com.au/investors)

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Locality Planning Energy Holdings Ltd

**ABN**

90 147 867 301

**Quarter ended ("current quarter")**

31 December 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	14,814	30,651
1.2 Payments for		
(a) research and development	0	(1)
(b) product manufacturing and operating costs	(14,346)	(28,405)
(c) advertising and marketing	(145)	(305)
(d) leased assets	(53)	(105)
(e) staff costs	(1,856)	(3,784)
(f) administration and corporate costs	(581)	(1,736)
1.3 Dividends received (see note 3)		
1.4 Interest received	152	307
1.5 Interest and other costs of finance paid	(382)	(764)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	5	5
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,392)</b>	<b>(4,137)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(60)	(75)
(d) investments		
(e) intellectual property		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	(f) other non-current assets	(1,483)	(3,096)
	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,543)</b>	<b>(3,171)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,737	5,671
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	0	39
3.6	Repayment of borrowings	(73)	(136)
3.7	Transaction costs related to loans and borrowings	(58)	(119)
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,606</b>	<b>5,455</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	5,221	5,745
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,392)	(4,137)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,543)	(3,171)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,606	5,455
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	<b>3,892</b>	<b>3,892</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,892	5,221
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,892</b>	<b>5,221</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	290
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <ul style="list-style-type: none"> <li>The amount at 6.1 includes payment of directors fees, remuneration and superannuation (excluding GST).</li> </ul>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	15,135	15,135
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>	15,135	15,135
7.5	<b>Unused financing facilities available at quarter end</b>		
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>The Company has a \$15 million loan facility with BlackRock maturing November 2022. This facility is secured and the interest rate is 10% p.a.</p> <p>The Company has \$82,581 in secured motor Vehicle loans with Westpac at 4% p.a.</p> <p>The Company has a loan with Principal Finance of \$52,349 regarding its general insurances (including directors and officers liability insurance), to be fully paid by March 2022. Interest is at flat rate of 5.9%.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,392)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,892
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	3,892
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.63
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	<p>Answer: The Company expects to have higher net cash outflow in the following quarter, largely due to an increase in AEMO credit support required for the summer season, as well as generally higher underlying cost of goods associated with summer electricity demand. This higher net cash flow reverses in the winter season as the Company will receive cash inflows due to lower AEMO credit support required during that period.</p>	



8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes, the Company is well progressed in obtaining additional funding to fund any short term credit support requirements as explained in 8.6.1 above, and is confident of securing such funding.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, through one of the options outlined in 8.6.2 above.

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022 .....

Authorised by: The Board of Directors .....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.