EP&T Global Releases 1H FY22 Results

25 February 2022

Building energy optimisation company EP&T Global Limited (ASX: EPX) (EP&T or the 'Company') is pleased to announce it has released its half year FY22 results for the period ending 31 December 2021.

1H FY22 Highlights

- Annualised Recurring Revenue[1] (ARR) increased 36% to $7.2m in the six months to 31 December 2021

- Annualised Contract Value (ACV[2]) increased $0.6m to $11.5m in the six months to 31 December 2021, representing 46% trailing 12-month (TTM) growth

- Recurring subscription revenue increased 25.8% on the pcp to $3.0m

- Current contracts on hand at 31 December 2021 have $36.7m of future ongoing fees yet to be invoiced

- In 1H FY22 EP&T completed the installation of the EDGE Intelligent System in 57 buildings. Contracted buildings as at 31 December totalled 404 sites

- $8.25m share placement completed to support further growth investment, including in sales and marketing and installation of project backlog

- Total cash on hand of $9.0m as at 31 December 2021

FY21 Results

Financial Results	Consolidated Dec-21 $	Aggregated Dec-20 $	Change
Revenue	3,575,400	3,223,118	10.9%
EBITDA	(3,207,551)	(2,869,923)	-11.8%
Interest, taxation and depreciation	(518,681)	(15,424)	N/A
Net Loss After Tax	(3,726,232)	(2,885,347)	-29.1%

EP&T achieved revenue of $3.6 million in 1H FY22, a 10.9% increase from 1H FY21. Increased investment in sales resources and marketing activity, increased administrative costs, and additional resourcing required to deliver the ACV growth achieved since 1H FY21 resulted in a decrease in 1H EBITDA to -$3.2m.

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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.

Revenue	Consolidated Dec-21 $	Aggregated Dec-20 $	Change %
Recurring subscription revenue	3,031,330	2,409,562	25.8%
Projects revenue	355,718	645,785	-44.9%
Service and maintenance revenue	188,352	167,771	12.3%
Total Revenue	3,575,400	3,223,118	10.9%

Recurring subscription revenue increased by 25.8% to $3.0 million as a result of progress in the installation of contracted project backlog. This increase has been achieved despite the ongoing COVID-related restrictions to building access and travel in a number of markets. 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 44.9% to $356k as EP&T's transition to a recurring subscription model continues.

Operating expenses increased to $6.8m in 1H FY22 as a result of continued investment in resources to generate and support growth. In order to meet growing opportunities in the European market, two additional multi-lingual sales executives have been hired. Investment in marketing initiatives has continued, including sponsoring and attending the Proptech Next summit in Australia and the International Real Estate Community Management Summit (IRECMS) in Dubai.

EP&T Chief Executive Officer Trent Knox said, despite the impact on the rate of new ACV growth due to COVID restrictions and delays in being able to source and recruit new staff due to candidate shortages in key markets, the Company is well placed due to continued global ESG tailwinds and an increasing emphasis on net zero targets.

"We were pleased with the growth in recurring subscription revenue in 1H FY22, which increased by 26% to $3.0 million. We continue to have a strong focus on the conversion of Annualised Contract Value (ACV) to Annualised Recurring Revenue (ARR), which is key to increasing recurring revenues and improving operating cash flows. At December 2021, we have an ACV backlog which, when fully implemented, will increase ARR by a further $3.5 million. EP&T is well placed due to continued global ESG tailwinds and an increasing emphasis on net zero targets. Our track record of delivering energy savings and proven reductions in carbon emissions plays an important role in assisting building owners and operators achieving their net zero goals.

"We were delighted with the level of support shown from both existing and new shareholders which enabled EP&T to complete a share placement of $8.25 million during the six months to December 2021. The proceeds of the placement will be used to fund continued growth opportunities for the Company."

Key Operating Metrics

	Dec-21	Jun-21	Dec-20	1H FY22 Change	12 Mth PCP Change
Annualised Recurring Revenue (ARR) ($000)	7,209	5,307	5,280	36%	37%
Annualised contract value (ACV) ($000)	11,451	10,872	7,826	5%	46%
Unbilled contract value (UCV) ($000)	36,678	36,648	25,605	0%	43%
Recurring revenue %	85%	82%	80%	4%	6%
Number of contracted sites	404	387	294	4%	37%

ARR represents the annualised amounts being invoiced by EP&T to customers under long-term contracts at a point in time. ARR increased by 36% to $7.2 million in the six months to 31 December 2021, and a further $3.5m of ACV backlog is yet to be deployed as of that date. The backlog is an indicator of future ARR growth to be delivered from the pipeline of projects on hand once ongoing services commence. As COVID-related travel and building access restrictions recede, the speed at which ACV backlog can be installed and converted to ARR is expected to improve. The backlog includes $2.0m of ACV relating to the three-year contract with leading asset manager, DWS. Installation of sites under the DWS project commenced in the quarter ended 31 December 2021. The DWS contract has an ACV of A$2.0m, with total contract value (TCV) of A$6.1m, and the majority of EDGE Intelligent System installations are targeted to be complete by June 2022[3].

During the six months ended 31 December 2021, ACV increased by $0.6 million (5%) to $11.5 million. The rate of ACV growth was impacted by COVID restrictions and delays in being able to source and recruit new staff due to candidate shortages in key markets. EP&T has been successful in hiring two additional multi-lingual sales executives to meet growing opportunities in the European market. Subsequent to December 2021 the Company has signed new multi-year contracts with UK-based customers with a combined ACV of ~A$0.6m.

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 1H FY22, UCV remained flat at $36.7m. The average term remaining on all contracts that EP&T has on hand is 3.4 years.

The new contract wins in 1HFY22 added 17 new buildings to EP&T's portfolio, increasing the Company's total contracted buildings to 404, and its global customer footprint sits across 22 countries.

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

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

ARR growth is the key metric for future revenue and cash collections. Under EP&T's business model, ARR is invoiced to customers on a recurring basis (typically monthly) following the completion of installation and commencement of EP&T's services, with revenue recognition commencing in line with these services. EP&T continued to focus on the conversion of ACV to ARR in 1H FY22. The growth in ARR since June 2020 is shown below[4]:
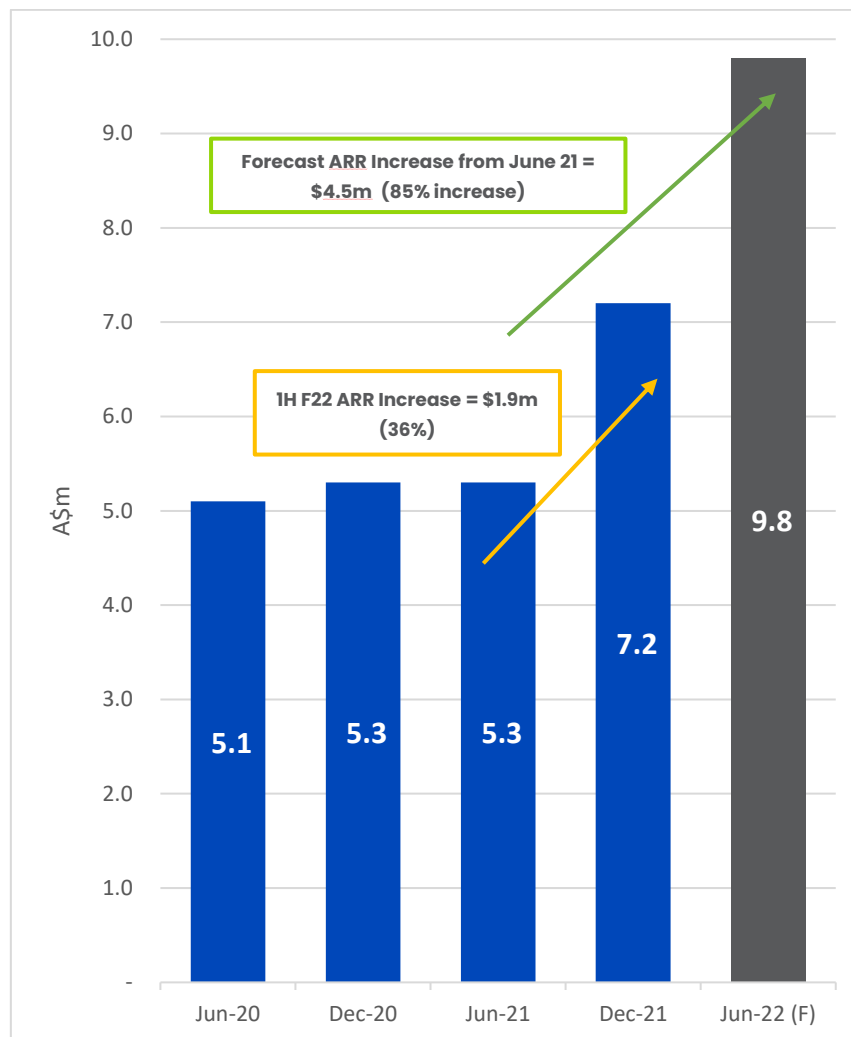
Outlook

There are significant tailwinds for EP&T as a result of the growing focus on Environment, Social, Governance (ESG) outcomes and net zero emissions. An example of this is Germany's Federal Funding for Efficient Buildings initiative, for which EP&T successfully completed accreditation of its EDGE Intelligent System during 1H FY22. Under this initiative, users of EP&T's EDGE Intelligent System in Germany may be eligible for funding support of up to 40%[5] of the contract value with EP&T. The market tailwinds and value proposition of

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[4] Forecast ARR based on existing contracts only and may be subject to delays which may be caused by further COVID-19 related restrictions or other events outside of EP&T's control

[5] Maximum is 40%, or up to €15 million. Subject to funding scheme conditions.

the EP&T solution and its subscription engagement model should enhance sales opportunities.

EP&T's priorities continue to be focussed on growth through investment in sales and marketing activity, supported by product development and innovation. EP&T is expanding its executive team and is currently recruiting a Chief Product Officer (CPO) who will have responsibility for reviewing the product suite with a view to increasing cross and up-sell opportunities within current customer portfolios and also increase EP&T's addressable market for new customers.

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.

The Company has made strong progress in the conversion of uninstalled ACV to ARR, which is key to increasing revenues and improving operating cash flows. Uncertainties do remain in some markets relating to the ongoing impacts of COVID-19; however, access restrictions for EP&T to complete installations have continued to ease in recent months.

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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