

21 June 2022

Restructure to deliver \$30m cash inflow

Highlights

- LPE has undertaken a transformative restructuring exercise to focus on operations that create value including strata business and vertically integrated renewable assets
- All on-market customers should be transferred to alternate service providers by 30 June 2022
- This change in strategy will remove a costly overhang and will result in \$30 million flowing back to LPE from:
 - \$8m released from cash backed bank guarantees for AEMO credit support; and
 - \$22m realised from unwinding wholesale electricity hedge positions
- There are several value-add benefits to LPE from undertaking this restructure comprising:
 - Freeing up substantial working capital;
 - Moving to a positive net cash position in FY2023; and
 - Freeing up significant management capacity to develop the remaining businesses

LPE Chairman, Justin Pettett, said: *"This is a transformative restructuring exercise delivering a positive outcome for all stakeholders. LPE will receive a circa \$30m inflow from cash released from bank guarantees held for AEMO credit support and gains from closing out hedged positions. In turn, this will free up working capital and materially strengthen LPE's balance sheet. Moving forward, the Board will focus on growing the more stable strata business and developing the vertically integrated renewable assets which have the potential to create significant value for shareholders."*

Optimal Restructuring Exercise

Locality Planning Energy Holdings Limited (**ASX: LPE**) (the **Company** or **LPE**) is restructuring its on-market residential and business electricity retailing business (**on-market customers**) which will result in a \$30m inflow.

The Queensland wholesale electricity market continues to endure extreme and consistent price volatility never previously experienced. LPE can no longer provide competitive rates to its on-market customers and has been encouraging them to switch providers to avoid substantial increases to future power bills.

To date, over 70% of LPE's 21,000 on-market customers have switched to alternate providers, with the full complement expected to be transitioned by 30 June 2022. As a result of the reduction in customers and load, \$8m in cash secured bank guarantees (securing customer load), required by the Australian

Energy Market Operator (**AEMO**) for credit support, will be progressively released back to LPE in the coming weeks.

In addition, with the rapid reduction in load from on-market customers, LPE has closed its wholesale electricity hedge book and increased electricity charges to legacy clients yet to transfer away. The hedge book value has closed at \$22m and represents “in-the-money” value of LPE’s forward electricity purchases. This will result in fixed known cash in-flows into LPE monthly over the remaining term of the hedge book, with the majority to be settled by 30 June 2023.

With circa \$30m inflow, LPE can meet its outstanding \$21.2m obligation to BlackRock Group and move to a circa \$6m positive net cash position upon repayment of the additional short-term loan of \$2m. LPE’s working capital position will improve significantly and management will have considerably more time to develop the remaining businesses’ full potential.

A more in-depth discussion of forward plans for the remaining businesses follows:

Bolstering Strata Embedded Network Services

After identifying a niche in the marketplace, LPE was formed to service strata communities. In 2014, LPE supplied its first building and created its inaugural embedded network. Over the years, LPE has grown its reputation as one of the largest providers of embedded electricity, solar and hot water services for strata communities throughout Queensland. The way LPE supplies electricity to strata communities is different to on-market customers, as it is a “fixed price purchase contract” currently through larger retailers requiring no AEMO credit support from the Company. LPEs contracted strata communities remain unaffected by the restructuring exercise impacting its on-market business.

LPE has over 28,400 contracted strata customers. Strata customers are growing rapidly as LPE takes on existing embedded networks without the upfront capital requirement. Post the restructuring exercise, additional resources will now be focused on the strata business to build on LPE’s reputation as the strata provider of choice for body corporates and their occupants throughout Queensland.

While group revenues will come in lower in FY2023, without contributions from the on-market business, free cashflow is expected to be positive. The Board will provide fresh guidance to the market once clarity on the restructuring exercise and flow on adjustments are fully analysed.

Vertically Integrated Renewable Assets

The Board expects the renewable energy generation business to be a key growth driver in FY2023.

Currently, the BioHub facility in Bundaberg (Queensland), with its anchor tenant behind-the-meter digital currency miner STAK Mining Pty Ltd (**STAK**), is LPE’s inaugural generation asset. Based on current estimates, STAK should commence commercial operations late in Q4 CY2022.

Opportunities to co-locate other high energy users within two solar farms (refer ASX Release – 24 March 2022), have the potential to boost high margin revenues moving forward. While in its infancy, the Board is encouraged by the pace of development and positive reception from stakeholders with its plans to accelerate renewable asset development through vertically integrated, high-energy users that can significantly improve returns. More details on this will be released in the coming months.

Authorised by the Board.

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ENDS

About LPE

LPE is a fast-growing electricity provider to strata communities challenging the way customers receive their electricity; leaders in innovation, supporting communities to think of tomorrow. With first to market technology, LPE has delivered renewable solutions 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 strata communities. Supporting those living in strata communities to reduce their carbon footprint and energy bills with no upfront cost.

For more information visit: investors.joinlpe.com.au

About the BioHub

The BioHub is a large, embedded network that will generate renewable energy from solar, battery, biogas, and hydrogen on site. Located in Bundaberg, Queensland and consisting of 5 tenancies in total the project is being completed progressively in stages, with new tenants, who have all signed tenancy agreements, expected to begin operations as the stages complete.

The overall development is currently targeting to be fully completed in approximately 18 months. Tenants of the BioHub range from a freight logistics company which is contracted to convert local council waste trucks from diesel to hydrogen power; and STAK a data centre and digital currency mining start-up company with a mandate to run on 100% renewable energy.

About STAK Mining Pty Ltd

STAK Mining Pty Ltd (**STAK**) is a newly formed Australian company. The owners and directors of STAK are from the procurement and technology industries with experience in digital currency mining and secure tier III data centres. The directors and executives have significant relevant experience, and includes a former senior director of Microsoft, a former chief technology officer of private and listed companies in Australia, and a former executive in IT roles and IT companies.

STAK's mandate is to be energised by 100% renewable electricity for all their operations preferably from sites that are self-generating through solar, hydrogen and battery, thus eliminating their carbon footprint and any draw on the electricity network.

For more information visit: stak.solutions