

EP&T Global June 2022 Quarterly Activity Report and Appendix 4C

29 July 2022 Building energy optimisation company EP&T Global Limited (ASX: EPX) ('EP&T' or 'the Company') is pleased to release its quarterly activity report and Appendix 4C for the quarter ending 30 June 2022.

Highlights

- Annualised Contract Value (ACV) as at 30 June 2022 of \$13.3m¹, representing an increase of \$1.2m (+10%) from March 2022
- Annualised Recurring Revenue (ARR²) as at 30 June 2022 of \$9.2m, representing an increase of \$1.6m (+21%) from March 2022
- ACV growth for 12 months to 30 June 22 of \$2.4m from \$10.9m to \$13.3m (+23%)
- ARR growth for 12 months to 30 June 22 of \$3.9m from \$5.3m to \$9.2m (+74%)
- Internal analysis projects that the monthly run rate operating cashflow³ breakeven point of the business will be achieved when ARR reaches ~\$13.5m – target Q3FY23
- Contracted buildings of 479 as at 30 June 2022, an increase of 92 (+24%) from FY21
- Cash receipts of \$2.0m in the quarter, a decrease of \$0.1m (-5%) from the prior quarter
- Total cash on hand of \$4.2m as at 30 June 2022

Key Metrics		
\$9.2m	74%	89%
Annualised Recurring Revenue (ARR) (Jun 22A)	ARR Growth YTD (Jun 22A)	Recurring Revenue ⁴ (YTD Jun 22A)
\$13.3m	23%	\$128m
Annualised Contract Value ⁵ (ACV) (Jun 22A)	ACV growth (YTD Jun 22A)	Lifetime Value ⁶ (Jun 22A)

¹ ACV is calculated into Australian dollars based on historical long term exchange rates. On conversion to actual cashflow, the exchange rate prevailing at the time of billing may be higher or lower to the historical long-term average exchange rates used to determine the ACV value.

² ARR is the contracted recurring revenue component of subscriptions on an annualised basis.

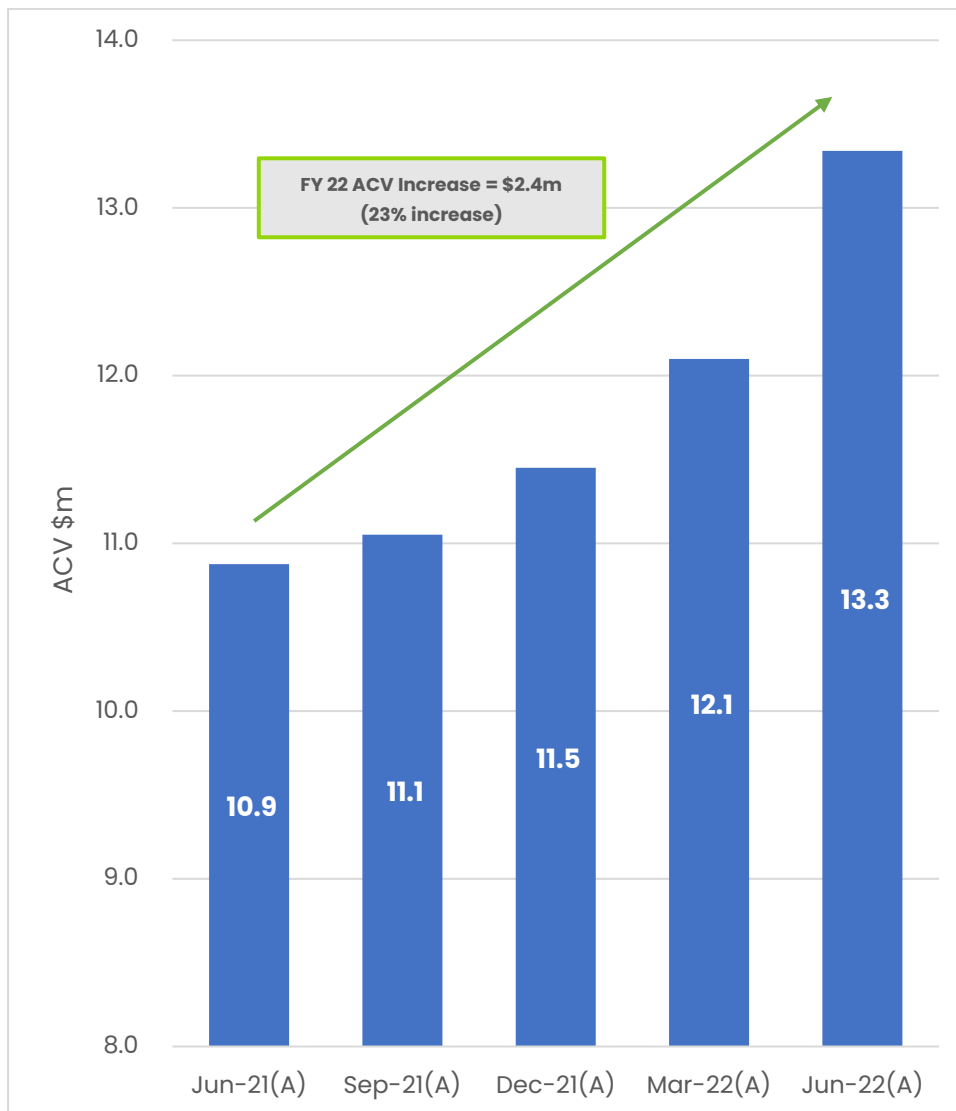
³ Monthly operating cashflow breakeven is defined as monthly operating cash inflows (being receipts from operations and other revenue) less monthly operating cash outflows (being ordinary operating costs of the business including employment costs, direct cost of goods sold, occupancy, marketing, corporate and other operating costs) but excluding new project deployment costs and other investing and financing cash flows.

⁴ Recurring revenue is defined as contracted service and software revenue

⁵ ACV is defined as the annualised monthly fees charged under contracts on hand at each period end.

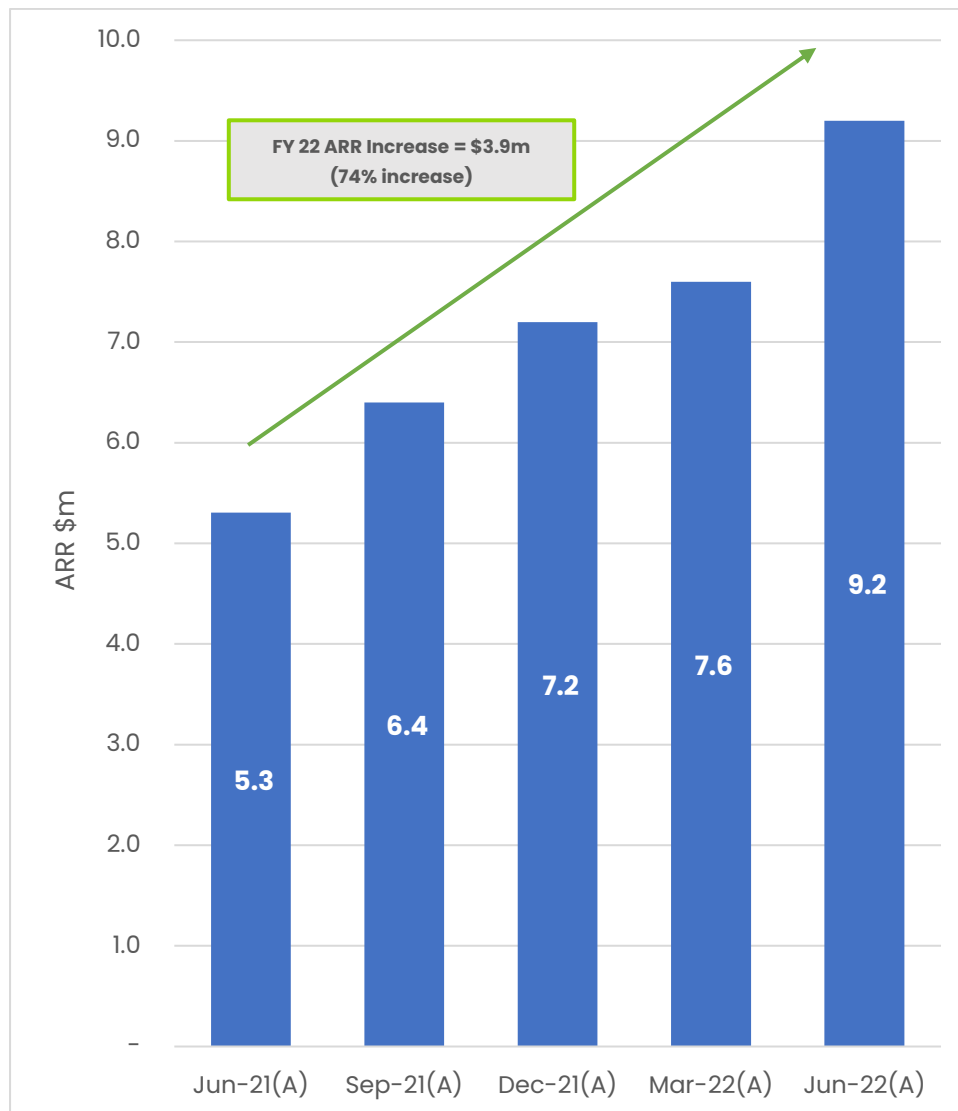
⁶ Lifetime value LTV is the estimated gross margin contribution from contracts on hand over the projected life of the customer, including initial contract term and projected renewal rates. LTV has been calculated assuming a GP% of 73.4% (COGS of 4.8% and ongoing support costs as a % of ACV (23.8%) and a 3 year average ACV churn rate of 7.4%. ACV churn is calculated as total ACV losses as a percentage of opening ACV for a period

ACV growth in FY22 (Global, \$m)



EP&T's ACV as at 30 June 2022 was \$13.3m, being a 23% increase from \$10.9m at 30 June 2021.

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



EP&T's ARR as at 30 June 2022 was \$9.2m, being a 74% increase from \$5.3m at 30 June 2021.

At 30 June 2022, the Company has \$3.2m of ACV backlog that is already contracted, with planning underway to install and commence billing of these contracts to convert them to ARR.

Sales & operating update

The Company added 41 new contracted buildings in the quarter with a combined ACV of \$1.2m. Recent contract wins that contributed to the continued ACV growth included:

- Increased penetration in the hospitality vertical with a property portfolio that is managed by global hotel brands across multiple countries, for an ACV of A\$0.8m and a TCV⁷ of A\$5.5m

⁷ TCV is defined as the total of all monthly fees charged under the contract over the total term of the contract

- Further extending EP&T's Australian hospitality and club presence with securing a further 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.
- Renewal of a UK based client in the hospitality / leisure vertical with an ARR of \$0.2m. This extends EP&T's relationship with this client to over 7 years.
- Increased penetration into the schools vertical in the Middle East, with a further three schools with a combined ACV of \$0.2m added to an existing portfolio with an operator of an international school network.
- An initial contract with an ACV of \$0.1m awarded with a major property owner and developer in Dubai

EP&T is also seeing continued interest in its building energy efficiency and optimisation product offering, which is being reflected in the Company's sales pipeline.

Overall, the business remains well placed due to global ESG tailwinds and a continued global emphasis on Net Zero targets combined with continued upward pressure on energy prices, in particular across the European markets.

Financial

Receipts from customers for the quarter were \$2.0m and a \$0.15m R&D tax incentive was received. Total net operating cashflows for the quarter were (\$1.5m) compared to (\$1.8m) in the prior quarter.

Payments for property, plant and equipment include payments for hardware and installation costs of new customer projects of \$1.0m for the quarter. This investment delivers ARR growth, which was \$1.6m in the quarter.

Total cash on hand as at 30 June 2022 was \$4.2m.

Payments totalling \$174,232 included in cashflows from operating activities were made to related parties of EP&T in the quarter as per Section 6.1 of the 4C. These payments comprise NED fees and Executive Director salary payments.

Internal analysis projects that the monthly run rate operating cashflow⁸ breakeven point of the business will be achieved when ARR reaches ~\$13.5m. The Company estimates that this will be achieved during Q3 FY23.

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

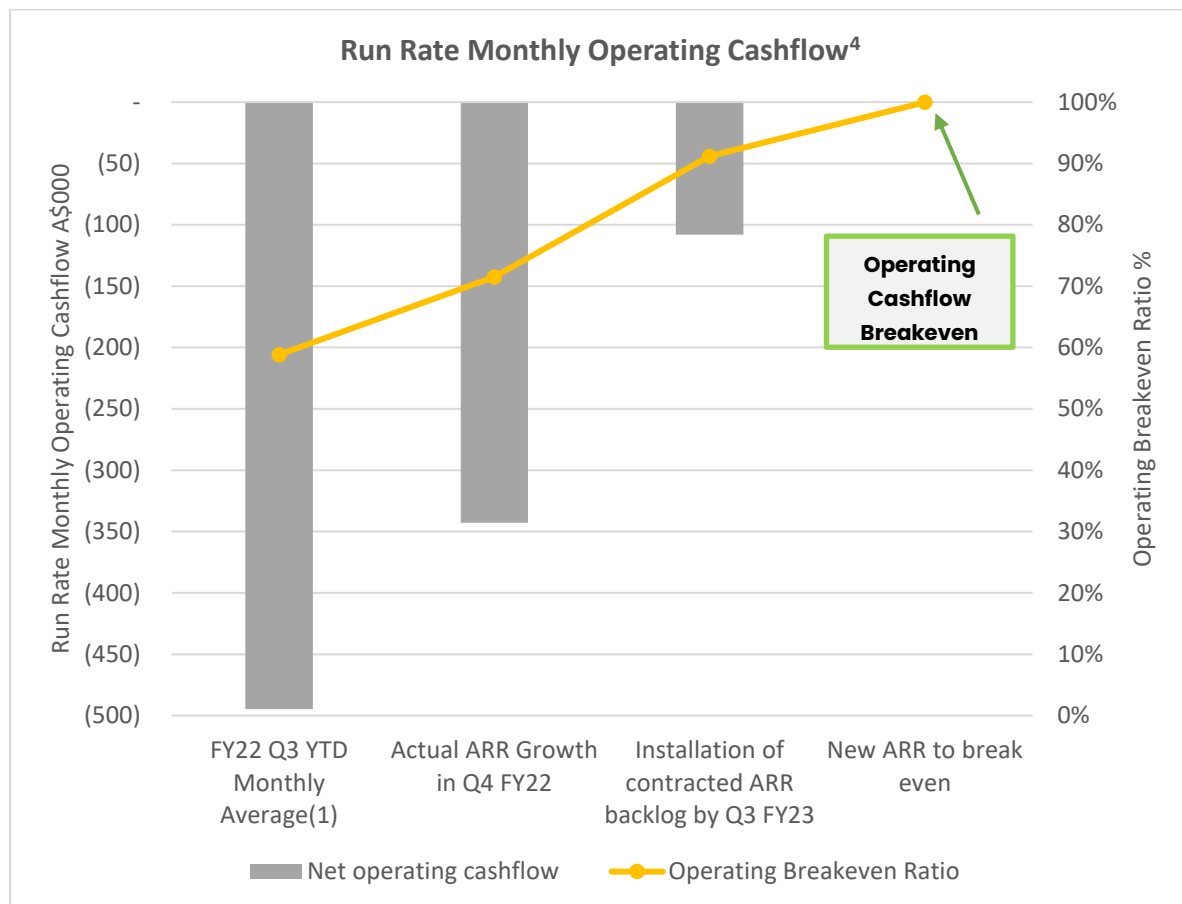
⁸ Monthly operating cashflow breakeven is defined as monthly operating cash inflows (being receipts from operations and other revenue) less monthly operating cash outflows (being ordinary operating costs of the business including employment costs, direct cost of goods sold, occupancy, marketing, corporate and other operating costs) but excluding new project deployment costs and other investing and financing cash flows.

- 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 levels⁹.

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

The Company's planned pathway to reach monthly run rate operating cashflow breakeven³ is outlined below.



Notes:

- FY22 Q3 YTD monthly average operating cash flow is the average YTD FY22 operating cash usage as disclosed in EP&T's March 2022 Appendix 4C.
- Installation of projects on hand and conversion to ARR may be subject to delays caused by further COVID-19 related restrictions or other factors outside of the Company's control.
- Allowance made for \$0.4m of increased operating costs in FY23, which may be subject to change as actual costs may be higher or lower than this estimate.
- Monthly 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.

⁹ Compared to the Company's cash runway based on historical levels of operating cash outflows as per FY22 Quarterly Appendix 4C releases

Corporate

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 specialist executive search firm, Mitchellake, 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.

Use of IPO funds

As demonstrated in the Quarterly Activities Report released to the ASX on 29 April 2022, the Company has fully utilised the funds from the IPO and therefore this and future periods are not covered by a use of funds statement.

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

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.

To learn more visit www.eptglobal.com

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