

24 January 2023

# Quarterly Report for the period ending 31 December 2022

## Highlights

- Embedded network business drives positive operating cash flow, \$1.8m, for the second consecutive quarter, while FY23's \$40m revenue guidance remains on track
- Pressure on margins continues to reduce, with a significant 16% fall in quarterly operating costs, reflecting ongoing benefits from 2022's restructuring exercise
- A \$10m growth facility for the high value-add embedded network business secured to fund capital works and acquire existing embedded operations / billing agents
- Crypto-miner, STAK Mining, advised that LPE will not exercise option to acquire a 50% stake, due to highly volatile and unpredictable crypto market conditions
- The Board is working closely with Bundaberg BioHub to secure the early repayment of the \$5m capital works fund which will materially strengthen the balance sheet

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LPE Chairman, Justin Pettett, commented: "LPE's performance continued to excel in the second quarter, with positive operating cashflow reflective of ongoing improvements in the core embedded network business. Moderating operating costs and securing new customers in 2HFY23 should enable LPE to transition to profitability in FY24. While improvements in the operating performance are readily apparent, the Board is open to acquiring complementary, value-adding bolt-on businesses, to drive forward growth. Concurrently, the Board is de-risking the operating platform by terminating plans to move into the crypto mining space and negotiating the early return of the \$5m capital works fund. Overall, the Board believes these operational changes provide full clarity and a clear path to create significant value for shareholders."

Embedded electricity provider, Locality Planning Energy Holdings Limited (**ASX: LPE**) (the **Company** or **LPE**), is delighted to provide an overview of activities for the period ending 31 December 2022 (**Quarter** or **Review Period**).

Cash receipts reached \$13m during the Review Period which remains on track for FY23's revenue guidance of \$40m. More encouragingly, LPE delivered consecutive positive operational cashflow quarters, directly reflecting the value-add from realigning the business towards the embedded network and strata community operations.

Pressure on margins continued to reduce with staff, administration, and corporate costs down a further 16% compared to the September quarter. The moderation in costs is a direct carry through from the transformational restructuring exercise undertaken across May-June 2022. At the close of the Review

Period, only a few hundred on-market customers remain, with over 99% having transferred to other service providers.

LPE's contracted embedded network customer base remained static during the Review Period at circa 28,000. However, management used the period productively via focusing on acquiring new embedded networks and buildings. As there is typically a 2-3 month lead time to bringing new embedded networks/buildings online, the uplift in the customer base should be reflected in the March quarter.

### **\$10m credit facility to grow embedded network business**

During the Review Period, LPE secured a \$10m credit facility from funding partner, Roadnight Capital, to expand its embedded network customer base. The credit facility, which has a 3-year term, will be utilised to install and upgrade strata communities' capital works (whether it be switchboard or metering replacement or upgrades), centralised hot water systems and/or renewable generation – at no upfront cost to the community – in return for long-term stable supply contracts.

Incrementally, LPE will pursue acquisition opportunities to further grow the embedded network customer base through existing retailers and billing agents looking to exit the industry or join forces with a well-established ASX-listed Queensland strata service provider.

### **Bundaberg BioHub and STAK Option**

With crypto currencies enduring extreme volatility during the Review Period, coupled with a substantial deterioration in the valuations of crypto miners globally, the Board informed STAK Mining that LPE will not exercise its option to acquire a 50%-stake (refer LPE ASX announcement dated 14 February 2022). As a result, the Board is now working with Bundaberg BioHub to secure the early repayment of the \$5m capital works funds.

### **Incremental value-add opportunities**

During the Review Period, the Board commenced studying incremental value-adding, bolt-on, opportunities within the energy space to complement LPEs existing embedded network business. Overall, the Board's strategic intent remains focused on growing the core business – organically and via selective acquisition – into a profitable operation with a robust balance sheet.

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

Authorised by the Board.

For further information:

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Non-Executive Chairman

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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.

[investors.joinlpe.com.au](https://investors.joinlpe.com.au)

## 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 2022

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		13,016	26,192
1.2 Payments for			
(a) research and development			0
(b) product manufacturing and operating costs		(8,257)	(18,219)
(c) advertising and marketing		(64)	(335)
(d) leased assets		(62)	(121)
(e) staff costs		(1,286)	(2,813)
(f) administration and corporate costs		(1,012)	(2,074)
1.3 Dividends received (see note 3)		0	0
1.4 Interest received		166	550
1.5 Interest and other costs of finance paid		(633)	(1,193)
1.6 Income taxes paid		0	0
1.7 Government grants and tax incentives		0	5
1.8 Other (provide details if material)		0	3,489
<b>1.9 Net cash from / (used in) operating activities</b>		<b>1,869</b>	<b>5,480</b>
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire or for:			
(a) entities		0	0
(b) businesses		0	0
(c) property, plant and equipment		(2)	(5)
(d) investments		0	0
(e) intellectual property		0	0
(f) other non-current assets		0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	6	32
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	600	2,600
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>604</b>	<b>2,627</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	0
3.5	Proceeds from borrowings	1,000	18,899
3.6	Repayment of borrowings	(4,310)	(24,908)
3.7	Transaction costs related to loans and borrowings	(82)	(2,457)
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>(3,392)</b>	<b>(8,466)</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	3,138	3,138
4.2	Net cash from / (used in) operating activities (item 1.9 above)	5,480	5,480
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2,627	2,627

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(8,466)	(8,466)
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	<b>2,779</b>	<b>2,779</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	2,779	3,698
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>2,779</b>	<b>3,698</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	231
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	23,406	14,406
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>	23,406	14,406
7.5	<b>Unused financing facilities available at quarter end</b>		9,000
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>As at the quarter end, \$13.3m of the amount drawn in item 7.1 represents the upfront payment by Roadnight Capital Pty Ltd to retire all of the Company's debts (refer LPE ASX announcement dated 14 February 2022 26 September 2022). The repayment of the upfront payment is fully covered and serviced by outstanding cashflows through to January 2025 from the unwinding of the wholesale electricity hedge positions, amounting to \$14.5m as at the quarter end. This represents a 10% discount to the face value of the future cashflow. The effective interest rate of the discount is 16.7% per annum due to the short timeframe and accelerated repayments from the closed derivative position being mostly repaid within 12 months.</p> <p>The Company has access to a \$10m loan facility to grow its embedded network business with Roadnight Capital Pty Ltd, maturing December 2025. \$1m of this facility has been drawn upon. This facility is secured, with interest payable monthly calculated at 9% per annum plus an annualised adjustment based on the 30-day bank bill swap rate (BBSW). After 12 months the interest reduces to 8% per annum plus an annualised adjustment based on the 30-day BBSW.</p> <p>The Company has various other loans totalling \$0.1m with interest rates varying from 4% - 6% p.a. for motor vehicles and insurance premiums.</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)	3,611
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,779
8.3	Unused finance facilities available at quarter end (item 7.5)	9,000
8.4	Total available funding (item 8.2 + item 8.3)	11,779
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
	<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?	
	Answer:	

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:

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:

*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: 24 January 2023

Authorised by: The Board  
(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.