



30 November 2022

ASX Announcement (ASX: EPX)

INTERIM CEO'S AGM ADDRESS

Fellow Shareholders, I would like to touch on a few items. Most of the matters pertaining to the FY22 Operations are contained in the EP&T Annual Report, but I will touch on a few items today, as well as an outline FY23 Outlook.

Overview

- EP&T's proprietary technology solution remains more relevant than ever in the current market environment of high energy prices, as it is able to combine cloud-based data analytics to detect energy inefficiencies in buildings that are highly accurate and consistent.
- EP&T does this by not only tapping into the Buildings Management System (BMS) of a building, but also through our proprietary technology to tap into the main meters of buildings. We are one of very few companies that can deliver Active Energy and Water Management and triangulate data from different sources, including the main meters.
- Our EDGE platform is a data repository, currently collecting data across over 8million SQM of Net lettable area, internationally, and analysing data from more than 5.6 billion data points per annum.
- We continue to achieve, on average, 22% energy savings per annum for our customers and have a track record of doing this consistently across international markets.
- Our blue-chip customers continue to achieve the highest standard of environmental energy management and continue to win global awards, ably assisted by EP&T's technology; and
- The general macro business environment for our products and services, continues to show long term opportunities for our company to grow and achieve its full potential.

Key achievements in FY22

Outlined in EP&T's Annual Report is a more detailed assessment of operations, but to re-confirm FY22 key achievements, being:

- Annual Recurring Revenue (ARR) growing from \$5.3m (FY21) to \$9.2m (FY22), being an increase of 74%.
- Annual Contract Value (ACV) growing from \$10.9m (FY21) to \$13.3m (FY22), being an increase of 23%.
- Continued increase in the number of buildings (contracted sites) growing from 387 (FY21) to 471 (FY22), being a 22% increase, which now places the Company in five continents.
- Statutory revenue was \$7.1m up 16.6% from FY21.
- Recurring revenue represented 89% of FY22 Statutory revenue and was an improvement to FY21 of 82%.

- An identified pathway to achieve monthly run rate operating cashflow breakeven¹ when ARR reaches \$13.5m.
- Implementing the Company's vision, mission and values including the Company purpose.

ARR growth was the key growth metric to improve substantially. To put this into some perspective, EP&T grew its global monitored square meterage from approximately 5 million sqm of Net Lettable Area (FY21) to 8million sqm of Net Lettable Area, an increase of 60% in overall sqm monitored globally.

This level of increase brought with it some 'growing pains' and really challenged our internal operating processes, as we added just short of 100 new buildings (approximately 3 million sqm of net lettable area) to our implementation pipeline.

The EP&T core offering requires a hardware installation element, as this underpins the unique proposition of EP&T's platform. This is our key and unique offering, but it impacts the speed at which the Company can convert ACV to ARR and hence generate cash receipts from new projects. This has been a learning for the Company given the quantum of conversions needing to be implemented simultaneously and clearly impacted our planned cash generation during the year.

Outlook

As the Chairman has noted, the Company has been successful in raising additional capital of approx. \$5m. Whilst not necessarily planned, particularly at this juncture of the global technology market, the use of funds will support our focus to achieve profitable growth being:

- \$2.5m in supporting sales growth and new project installations;
- \$1.0m in product investment and associated sales and marketing to support the company's Horizon 1 product development road map; and
- \$1.5m in working capital

The period of 1 July to 30 September has been active and supports our focus on seeking to achieve Operating Cashflow Breakeven¹ by Q3 FY23, with some key highlights being:

- Awarded multiple new contracts with a combined contract value of \$2.7m, with these contracts comprising:
 - Upfront project revenue totalling \$1.1m; and
 - ACV of \$0.5m, with a weighted average tenure of 3 years
- Following the award of these contracts, ACV has grown to \$13.6m
- These wins have also now narrowed the additional contract wins required to achieve operational cashflow breakeven by Q3 FY23, reducing from \$1.1m as at 30 June, to approx. \$0.8 million
- Recouped, previously fully provided for unpaid project costs of AED2.3m (approx. A\$940,000) as settlement relating to two contracts entered into with a Middle East based customer in 2019

Our focus for the remaining of FY23 is to, alongside continuing to deliver revenue growth in our key markets, continue to manage three levers to achieving profitable growth:

¹ 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.

Operating Cashflow Breakeven

Operational cashflow breakeven is seminal to the Company's position to allow for scalable growth. As EP&T progresses towards this target, the level of monthly net operating cash outflows and subsequent cash burn is expected to improve, compared to historical cash runway levels.

There are cost pressures, with the largest being associated with our people, and to assist with staff retention. Within our industry, EP&T is experiencing skills shortages which are pushing up wage growth at higher than historical levels. As a global business, EP&T does have the ability to drive efficiency through allocating resources across different regions, but each territory still requires local delivery with skilled and experienced staff, and hence the Company is not immune to wage pressures.

Product Development

Our product strategy has been developed with 3 near term horizontal opportunities identified. Our focus is to deliver on Horizon 1 opportunities, with a detailed product roadmap currently being developed. A large part of Horizon 1 opportunities is in introducing further automation to our delivery process, as well as creating product adjuncts which will support customers on their journey to achieving their efficiency and emissions objectives, through making informed decisions with reliable and accurate data.

Operational Improvements

We have undertaken a commercial review of customer engagement and identified opportunities to bring cash forward to assist in cash receipts from customers. This has yielded some early success with approx. \$1m in upfront invoicing on sales achieved to-date in FY23.

We have also spent some time in assessing our operational cost base and consider we have a base in place, whilst more work needs to be done, can support the on-going growth of our business.

In summary

- FY22 was a year to consolidate the company and seek to improve and update our go to market approach
- EP&T's technology continues to perform at an international level, with all markets showing signs of growth, and our technology continuing to consistently deliver, on average, 22% energy savings per annum for our customers
- Growing international customer base, which includes blue chip customers with global real estate brands, spanning 26 countries and 5 continents; and
- Improving operational performance metrics and we are within close proximity of delivering on operational cashflow breakeven.

I would like to thank all the wonderful and hard working people in EP&T. Their dedication to the business is one of the best I have seen and I thank them for what they do every day. I would also like to thank my fellow board and shareholders for standing by me with your patience and wisdom, and in working with me as your Interim CEO.

This announcement has been authorised for release to ASX by the Chairman of EP&T Global Limited.

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