

28 February 2023

essensys plc
("essensys" or the "Group")

Half Year Trading Update

Revenue growth of 18%, accelerated implementation of plan for profit and cash generation

essensys plc (AIM:ESYS), the leading global provider of flexible workspace technology, announces an unaudited trading update for the half year ended 31 January 2023 ("H1 FY23").

Financial Highlights

- Trading during H1 FY23 was in line with management's expectations
- Total revenue grew by 18% to £12.9m (H1 FY22: £10.9m), driven primarily by the Group's North American business, which generated growth of 36% to £8.1m (H1 FY22: £5.9m)
- New site deliveries increased by 31% year on year resulting in non-recurring revenue of £2.3m in H1 FY23, twice that of H1 FY22 (£1.1m), reflecting higher volume and value of sites, with average non-recurring revenue per site up 69%
- New sites are generating 17% higher contracted recurring revenue per site than closed sites on average, mitigating impact of lower value churn
- 76% of new sites live in H1 FY23 with strategic customers¹
- 89% of new deals signed in H1 FY23 with strategic customers¹
- £1.5m ARR from contracted sites not yet live at 31 January 2023
- Net cash at the period end was £12.6m (31 July 2022: £24.1m) due to the timing of working capital movements, expected to normalise post-period end; the Group remains debt free
- Accelerated strategy to drive profit and cash generation

Accelerated strategy to drive profit and cash generation

In line with previous guidance, the Group has commenced a reorganisation of its global operations to position it for sustainable growth, profitability and a return to cash generation whilst remaining within its existing cash reserves. This reorganisation is expected to deliver a total of £7.5m annualised cost savings and will result in the Group being run-rate Adjusted EBITDA positive during the first quarter of FY24 and run-rate cash flow positive by the end of FY24 with the Group expected to maintain a minimum cash balance of at least £3m going forward.

This simplification of global operations and move from regional to functional leadership will also deliver an improved customer journey with better alignment.

The reorganisation comprises a centralisation of the sales and marketing function, reorganisation of operational capabilities and streamlining the executive and regional management structures. The Group's go-to-market capability has been centralised under the leadership of a newly appointed Group Chief Revenue Officer, Daniel Brown, who will be responsible for all sales and marketing activities globally. The Group's APAC operations have been centralised in a hub location in Sydney, Australia, resulting in the closure of its Singapore and Hong Kong based offices. All Group customer operations have been streamlined into global functional teams. Collectively, these actions have removed the need for regional executive leadership and as a result the regional CEO positions have been removed.

The Board has concluded that the reorganisation and resultant simplification of operational structures has also removed the need for a Chief Operating Officer ("COO"). As a consequence and by mutual agreement, Alan Pepper will be leaving the business. Alan has been a valued and important leader at essensys as CFO and COO in the past five years, helping to oversee the significant development of the business including its culture, strategy and global operations. Alan will step down as an

executive director immediately but remain with the business until the end of May 2023 to provide an orderly handover of responsibilities.

Management will provide further detail on this reorganisation following the publication of the Group's half year results.

Customers

New strategic customers with whom we have taken first sites live during H1 FY23 include: a global commercial real estate leader with over 500 locations in over 100 countries; a North American operator with 100+ locations; the largest owner of offices and logistical assets in Dublin; one of Australia's leading flexible workspace consultants; and a Singapore based innovative provider of urban space solutions.

This solid performance with strategic customers and higher value accounts was achieved despite continued macroeconomic volatility which has seen continued churn at the lower end of our customer base. Large customers continued to close lower value sites as part of their ongoing focus on entering premium spaces to drive their growth plans; this was particularly prevalent in the second quarter of the financial year. The Group closed H1 FY23 with 459 Connect / essensys Platform sites, an increase of 1 on the FY22 closing position.

Outlook

- Early trading and outlook for H2 FY23 continues in line with management's expectations, with increasing value of pipeline including a number of significant new strategic customer opportunities globally.
- The Group remains on track to deliver revenue and Adjusted EBITDA² in line with market expectations³. Cash at the end of FY23 will be lower than expected as a result of the restructuring and inventory levels, but underlying net cash outflow will be lower than H1 FY23 as a result of working capital timing.
- The Group's focused approach on addressing the needs of and driving further growth with its strategic customer accounts, in particular in the US and EMEA regions, alongside a focus on profitable growth through its tried and tested land and expand go-to-market approach underpins the Board's confidence in delivering value to shareholders over the long term.

Jon Lee, Chairman of essensys, said:

"I would like to thank Alan on behalf of the Board and colleagues across essensys for his commitment and support during his five years with the business. Alan has been an integral part of the executive management team, as CFO and more recently as COO during a transformative period for the business. He will leave with our best wishes for his future career."

Mark Furness, Chief Executive Officer of essensys, said:

"essensys grew revenues strongly in the first half of our financial year and is accelerating plans to return to profitability and cash generation. Our performance has been positive despite challenging market conditions - and I would like to thank our people for their continued hard work and dedication, including those who have recently left us. Our customer base, focused on best-in-class global real-estate leaders, is benefiting from long-term, structural demand for premium flexible workspace.

The strength of our platform and market position is helping us win new customers which match our ambitions for significant growth through our proven 'land and expand' strategy. This is reflected in increases in the amount of revenue we are making from our sites. essensys has a clear strategy, a proven track record of growth and innovation and a clear plan to return to profitability in FY24 and generate positive annualised cash flow by the end of FY24."

This announcement contains inside information for the purposes of UK Market Abuse Regulation. The persons responsible for arranging the release of this announcement on behalf of the Company are Mark Furness, Chief Executive Officer, and Sarah Harvey, Chief Financial Officer.

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About essensys plc

essensys is the leading global provider of software and technology for flexible, digitally-enabled buildings, spaces and portfolios. As the intelligent digital backbone, essensys provides a powerful platform that simplifies the delivery and management of next generation, flexible commercial real estate.

The real estate industry is transforming - it must be flexible to changing market demands, to accommodate hybrid working styles, agile, move-in ready spaces and the delivery of on-demand digital services. The office sector is becoming an increasingly digital-first landscape - driven by end-user demand, delivering digitally enabled spaces is key to success. The essensys Platform has been designed and developed to help solve the complex operational challenges faced by landlords and flexible workspace operators as they grow and scale their operations. It helps our customers to deliver a simple, secure and scalable proposition, responding to changing occupier demands, providing seamless occupier experiences, and realising smart building and ESG ambitions.

Founded in 2006 and listed on the AIM market of the London Stock Exchange since 2019, essensys is active in the UK, Europe, North America and APAC.

Notes:

1. Strategic customers are those customers who have potential for at least 20 sites and \$1m ARR.
2. Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, exceptional costs and other non-trading items such as impairment, exchange differences and share option charges
3. The Board of essensys consider that current market expectations for the year ended 31 July 2023 are total revenue of £27.8m and an Adjusted EBITDA loss of £6.9m.

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