

Stock Data

Share Price	6.7p
Target Price	11.5p
Market Capitalisation:	£8.8m
Shares in issue:	130.9m

Company Profile

Sector:	Support Services
Ticker:	EAAS
Exchange:	AIM

Activities

eEnergy is a UK and Irish leader in the fast growing 'energy efficiency as a service sector'. Its wholly-owned division, eLight operates in the 'Lighting-as-a-Service' segment and aims to lead a revolution in how light is provided to Irish and UK commercial buildings. Its business model is based on investing 100% of the capital cost associated with the design, supply, installation, operation and maintenance of energy-efficient lighting projects in exchange for sharing the energy savings achieved. Company website: www.eenergyplc.com

Risk warning: Future performance and forecasts are not a reliable indicator of future results.

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eEnergy Group plc

A European Leader in Energy Efficiency

Commercial property owners and operators are waking up to opportunities being presented in the still relatively nascent Energy-Efficiency-as-a-Service sector ('EEaaS'). An early mover with focus on the UK and Ireland, eEnergy Group plc's ('eEnergy' or 'the Group') wholly owned eLight Group Holdings ('eLight') is one of Europe's leading operators in the Lighting-as-a-Service ('LaaS') segment of the industry, a global marketplace projected to grow at a compound-average-growth-rate ('CAGR') of 16.6%¹ over the next 7 years. A strong and growing contract pipeline with excellent cash conversion, provides Directors with confidence in the Group's ability to deliver its first net profits for its year ended June 2021E, after which we expect it to throw off significant free cash. In order to fulfil its business plan, eEnergy secured its AIM Admission on 9th January 2020 following the RTO of Alexander Mining plc (which has simultaneously disposed of its own operating business), while concurrently raising c.£2.0 million gross new funding. This will provide working capital plus sufficient cash to support an ambitious buy-and-build consolidation strategy to capture opportunity within the broader energy efficiency sector.

- Lighting typically consumes 25-40% of the energy used in commercial buildings. The convergence of technological development and cost reductions for light-emitting diodes ('LEDs') along with access to sophisticated smart lighting controls has opened up a major new business opportunity. eLight Group's customer proposition provides a low-friction, nil-capital optimised lighting solution that delivers immediate cost savings and a reduced carbon footprint in exchange for a commitment to a medium-term monthly instalment payment contract.
- Regulatory pressures provide further incentive for customers to adopt the LaaS model. The built environment has been identified by government as a major contributor to Greenhouse Gas (GHG) emissions, thus posing a threat to the UK meeting its carbon reduction targets for 2020 and 2050. An inflection point is now approaching, with awareness of the low risk, operational, regulatory and cost advantages available through LaaS and EEaaS service agreements continuing to build. Momentum appears sufficient to develop into something of a rush by owners/operators, suggesting potential for a decade or more of strong growth.
- Assuming eEnergy fulfils the growth strategy outlined in this report, TPI considers the Group has potential to secure a significant, long-term market position in the UK & Ireland, beyond which it also sees opportunity for expansion throughout Europe as well as scope possibly to internationally enfranchise the brand. Taking this together with other related opportunities the Board has identified in energy efficiency, TPI considers eEnergy has potential to secure revenues exceeding £100 million within ten years. On this basis, TPI has established both DCF and peer-group indicative assessments that suggest a post-Admission target valuation of £15.0 million for the businesses, equivalent to a target share price of 11.5p.

¹[Navigant Research](#)

Summary: eEnergy Group: TPI Financial Projections

Year to June (€'000)	2019A	2020E	2021E	2022E	2023E
Revenues	4,473	8,400	12,599	15,474	17,051
Gross Margin (%)	30.3%	40.6%	43.1%	44.7%	44.9%
EBITDA	(1,549)	(1,188)	678	1,824	2,221
Net Profit	(1,582)	(1,398)	458	1,525	1,812
Closing Cash Balance	161	629	959	1,824	3,090

A = Actual, Audited E = Estimated by TPI

Source: TPI estimates, Company Data

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Introduction to eEnergy Group plc

“Energy Efficiency as a Service” has become a recognised term and established concept for companies around the world wishing to reduce their energy consumption and carbon footprint. “Lighting as a Service” (‘LaaS’), is an example of EEaaS, and the area in which eEnergy’s wholly owned eLight Group (eLight’) operates to deliver exactly that. Offered as a commercial service, it contracts to provide the customer with a “win-win” situation, delivering immediate cost savings while also improving product efficiency, light quality, regulatory compliance and reliability without the need for new capital investment. Specifically, eEnergy aims to reduce operational expenses without loading up their customer’s balance sheet. The formal, typically 5 to 7 year agreement eLight offers, provides the customer with a simple, nil-friction transition into modern, high-efficiency LED lighting with no up-front capital cost that delivers multiple (electricity, parts, maintenance, HVAC, recycling) cost savings based on a model contract which forms a long-term, highly-transparent partnership through which the two enterprises both benefit from the accrued cost savings.

By contract number, eLight is presently amongst Europe’s most active LaaS companies with more than 800 projects completed by it and its legacy businesses across a broad spread of larger SME customers. For these it has unlocked over €5m from client cash flow through 300,000 LED fixtures while saving over 87 million KgCO₂. Moreover, the Group’s Directors estimate that of the 2 million plus rateable non-domestic buildings in the UK and Ireland, around 70% have yet to transition to LED technology. With an ambition to maintain its pre-eminent position in a still relatively nascent European market which is projected to deliver 17.5% CAGR¹ out to 2026, eEnergy secured Admission onto London’s AIM through a reverse-takeover (‘RTO’) of Alexander Mining plc. Concurrently, it raised gross new funds of around £2.0m, which it will use to accelerate organic growth, complete the development of the Automated Audit, Specification and Quotation tool and provide some capital to fund a potential small, acquisition in the energy management sector.

We expect eEnergy to deliver net profits to shareholders in the year to 30 June 2021, beyond which we believe strong free cashflow will facilitate the Group’s ambitious expansion strategy to become an active consolidator across the energy efficiency services sector.

Although LaaS presently generates all of eEnergy’s revenues and remains a central plank of its business plan, near-term strategy includes using a strengthened balance sheet plus free cash generation to fund available consolidation opportunities within the broader and complementary commercial EEaaS space. Similarly fragmented and still poorly defined, the EU market for energy efficiency services in 2017 was estimated at approximately €25bn¹ and is expected to double in size by 2025². In targeting this space, the Group introduces a compelling customer proposition that offers to deliver immediate cost savings through the reduction of energy consumption and a lower carbon footprint without the need for upfront capital investment.

Post-RTO eEnergy Group Corporate Structure



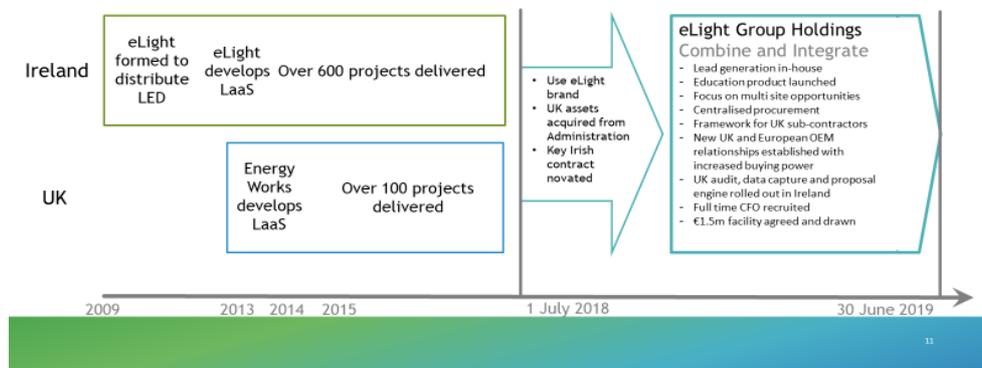
¹[Navigant Research](#)

²[Roland Berger, Energy Efficiency Services: European industrial landscape \(2019\)](#)

Corporate history and background

At the time of Admission, eEnergy's sole subsidiary, eLight Group Holdings Limited, owns a trading business in the UK and one in Ireland, as set out above. eLight traces its origins back to 2009 when Ian McKenna established his business in Ireland to distribute LED technology. eLight adopted its focus on LaaS in Ireland in 2013 and had completed 600 projects by the middle of 2018. In parallel Harvey Sinclair had established Energy Works in the UK which in 2013 independently developed its own LaaS proposition. Energy Works completed 60 projects over multiple sites by the end of 2017 after which it went into administration. Both businesses lacked scale to optimise procurement and David Nicholl saw the opportunity to combine the LaaS businesses in the UK and Ireland. Neither capital structure was designed to support an international combination and so eLight Group Holdings was created to enable the integration of the highly compatible businesses, in turn creating a leading LaaS provider that claims to be the Europe's largest sector player by number of completed projects by its legacy businesses.

Group Background - Establishing a Platform to Deliver Growth in Energy Efficiency



Source: eEnergy Investor Presentation November 2019

The Directors believe they have established a sound operational platform to support the eLight's growth and expansion by centralising many of its operations, improving reporting, establishing standardised operating procedures and recruiting additional capability. In particular:

- **Lead generation activity has been brought in-house and operates from Malahide in Ireland with Salesforce CRM having been adopted across the Group in Q2 2019**
- **A number of sector specific sales initiatives have been launched and an increased focus has been given to education and large multi-site accounts**
- **New UK and continental European OEM relationships have been established on improved terms, providing the Group with increased buying power**
- **Within Operations, a standardised framework agreement for UK sub-contractors has been put in place and procurement centralised, with the Company also rolling out the audit, data capture and proposal engine developed in the UK into Ireland**

In the year to 30 June 2019, its first year of combined trading, eLight secured contracts with a total value of €7.4m, earned revenue of €4.5m and generated operating earnings before interest, tax, depreciation and amortization ('EBITDA') loss of €0.9m. By number of projects completed by its legacy businesses (now in excess of 800), the merger created one of Europe's leading LaaS businesses by number of projects and brings management experience capable of responding to an anticipated surge in demand as commercial property owners/operators recognise the cost and regulatory advantages LaaS contracts introduce.

Existing eLight clients are spread across a wide range of different business areas, including Education, Aerospace, Retail and Distribution as well as general commercial, etc. in the UK and Ireland.

- The Group head office is located at: 1-3 The Green, Malahide, County Dublin, Ireland
- Group staff numbers presently total 28 spread across three locations in the UK and Ireland.

Reverse transaction into Alexander Mining plc

On 20 December 2019, Alexander Mining plc (AIM:AXM, 'Alexander Mining') agreed, subject to shareholders' approval, to acquire eLight's entire share capital and simultaneously sell its own mining technology business to a third party.

Under AIM rules this constituted a reverse takeover ('RTO') of AXM, shareholder approval for which was received on 8 January 2020. The Company was relisted with the new name eEnergy Group plc on 9 January 2020.

Alexander Mining was originally founded in 2003 as a mining exploration company with an intention to develop into a diversified metal producer, latterly refocussing on the objective of commercialising breakthrough proprietary minerals processing technology.

On 25 September 2019, AXM's management announced it had completed a review of its operations and concluded that it was no longer in shareholders' interests to continue to provide indefinite financial support for its mineral processing technology activities, which were being carried out by the Company's wholly owned subsidiary, MetaLeach Limited.

AXM has acquired the entire issued share capital of eLight Group for shares, valuing the enlarged group pre new money at approximately £7.82 million and has raised c.£2.0 million gross through a placing with institutional and other investors.

At the same time, AXM has disposed of its mineral processing technology interests to a third party for approximately £150,000, changed its name to 'eEnergy Group plc', most of the existing Board resigned and a new Board has been appointed and a share consolidation on a 1 for 300 basis has taken place.

Following completion of the acquisition, disposal and consolidation, the enlarged Group's operations comprise exclusively those of the eLight businesses. The new Board of Directors expect this to represent the first step in the creation of a broader-based energy efficiency provider able to supply multiple complementary energy-related services to both existing and new customers, whilst using the currency of its AIM-quoted securities to participate in the consolidation and integration of other related operators in a highly fragmented marketplace.

eEnergy group's issued share capital now comprises 130,926,167 shares representing a market capitalisation of c£9.8m at the placing price of 7.5p/share.

All of AXM's existing options are far out of the money and can be expected to expire and there are warrants held by TPI over 133,333 shares, exercisable at 45p per share for another year, which we also expect to lapse.

As of the 9 January 2020 readmission date, a total of 3,650,929 warrants are held by various advisers, including TPI, which are exercisable at the 7.5p placing price for between 1.5 and 5 years.

Use of Funds and reason for Admission

The Directors believe that Admission will assist eEnergy in its development by (i) raising its profile in the sector; (ii) providing investment to expand its LaaS activities; (iii) providing a currency and some initial capital to enable the Group to acquire adjacent and complementary energy services companies; and (iv) providing transparent incentives for existing and future management and employees.

Pending these uses, the Directors intend to hold the net proceeds of the Placing in cash deposits.

The net proceeds of the Placing are expected to be used to:

- Expand the sales capability of the Company in the UK and Ireland;
- Complete the development of the online mobile tool that will be shared with the electrical contractor community;
- Provide some capital to potentially fund an initial tactical acquisition of assets or a company in the energy management sector; and
- Fund general working capital needs associated with an anticipated growth in revenue

eEnergy Group plc's Pre-RTO Capital Structure

Beneficial shareholder	Role	Total	Holding %
David Nicholl	Chairman	303,000	14.98%
Harvey Sinclair	Group CEO	476,500	23.55%
Ian McKenna	MD Ireland	476,500	23.55%
Employees	8 staff and 2 former staff	187,000	9.24%
Non-staff		580,000	28.67%

eEnergy Group plc's Post-Admission Capital Structure

Beneficial Party	Shareholding
Existing eLight Group plc shareholders	66.95%
Existing Alexander Mining plc shareholders	11.16%
Placing shareholders	20.37%
Adviser fee shares	1.52%

eEnergy Group plc's Post-Admission Significant or Substantial Shareholders

Significant or Substantial Shareholders	% of Existing Share Capital*
Ian McKenna	15.77%
Harvey Sinclair	15.77%
Stella Murphy	14.56%
David Nicholl	10.03%
Hawk Investment Holdings Ltd	9.93%
Marian Rainey	3.97%

*Correct as of 9th January 2020

eEnergy Group plc's Corporate Advisers

Nominated Adviser	Cairn Financial Advisers LLP, Cheyne House, 62-63 Cheapside, London, EC2V 6AX
Broker	Turner Pope Investments (TPI) Ltd, 8 Frederick's Place, London, EC2R 8AB
Financial Adviser	Cameron Barney LLP, 67 Grosvenor Street, London, W1K 3JN
Reporting accountant	PKF Littlejohn, 15 Westferry Circus, London E14 4HD
Company Solicitors	DWF Solicitors Law LLP, 20 Fenchurch Street, London, EC3M 3AG
Registrars	Link Asset Services Ltd, The Registry, 34 Beckenham Road, Kent, BR3 4TU

Directors and Senior Management

Upon Admission to AIM, Harvey Sinclair, David Nicholl, Richard Williams and Andrew Lawley will join the Board and all of the Existing Directors will resign other than Nigel Burton. As such, the Board now comprises a Non-Executive Chairman, two Executive Directors, and two Non-Executive Directors, with experience and biographies as set out below:

David Nicholl, Non-Executive, Chairman (age 50)

David is an internationally experienced and proven technology leader in Industrial Internet of Things (IIoT) energy management and connected lighting, who has led company revenue growth from £60m to £350m as President and CEO for Philips Lighting (UK and Ireland), Rockwell Automation (UK and Ireland) and Schneider Electric (Sweden and Romania). David has an MBA and a degree in electronic engineering and physics.

Harvey Sinclair, Chief Executive Officer (Age 48)

Harvey co-founded eLight and is a proven technology entrepreneur, who has created over £150m of capital value for investors over a 15-year period across a variety of different sectors; Software, Internet, ecommerce and in the Hospitality sector. In 2000, Harvey founded The Hot Group Plc (THG), which listed on AIM in 2002 and which he led on a successful consolidation of the online recruitment market, through a buy and build strategy, before leading the sale to Trinity Mirror in 2006. Harvey was investment director for Scottish Enterprise at Design LED between 2015 and 2019.

Ric Williams, Chief Financial Officer (age 53)

Ric was an audit and corporate finance partner with Deloitte from 2002 – 2009 and led their London Capital Markets practice helping international companies to list on AIM and the Main Market. He was CFO and then CEO of EQPaymaster, the Pension Administration, Payroll and software division of Equiniti Group plc, from 2013-2019 and the Deputy Group CFO at Waterlogic, having joined them to list on AIM, from 2011-2012. Prior to joining Deloitte Ric had joined Arthur Andersen after leaving University in 1988, trained as a chartered accountant and made partner in 1999.

Dr Nigel Burton, Independent Non-Executive Director (age 61)

Following over 14 years as an investment banker at leading City institutions including UBS Warburg and Deutsche Bank, including as the Managing Director responsible for the energy and utilities industries, Nigel spent 15 years as Chief Financial Officer or Chief Executive Officer of a number of private and public companies. Nigel is currently a Non-Executive Director of several AIM listed companies including Remote Monitored Systems plc, Digitalbox plc, Regency Mines plc.

Andrew Lawley, Independent Non-Executive Director (age 49)

Andrew is an experienced private equity investor and senior strategy leader specialising in supporting business through periods of significant scaling, transformation and M&A. Andrew is a qualified accountant and, after several roles in corporate finance and corporate recovery with PwC and Grant Thornton, focussed on private equity as a Managing Director of the RBS Special Opportunities Fund LLP, an off-balance sheet fund. In 2013 Andrew joined Dixons Retail Group plc as Group Strategy Director to lead strategy and M&A. Andrew played a leading role in the merger with Carphone Warehouse plc, subsequently becoming integration director and interim CEO of the services division, as well as leading strategy and M&A work for the enlarged group.

Senior Management posts include:

Ian McKenna, eLight Ireland Managing Director (age 52): Ian founded eLight in Ireland in 2009 and developed the “Light as a Service” concept in Ireland having initially set up businesses to research & design, manufacture and distribute LED fittings to the trade. Prior to that he was the Sales Director at FuturTek, responsible for managing sales and distribution of Phillips products throughout Ireland. He was a finalist in the EY Entrepreneur of the Year 2017 awards.

Nicole Street, eLight Finance Director (age: 32): With 15 years’ experience working in Finance, Nicole specialises in early stage start up and high growth businesses, helping them achieve their rapid growth plans whilst ensuring they have the infrastructure for longevity. She has extensive experience in raising finance and acquisitions and was pivotal to the journey of a bringing the hybrid estate agency Emoov to the market. Nicole is an FCCA.

Martyn Sheridan, eLight Sales Director: Martyn spent 8 years at EON, as head of sales for EON Energy Services Division, before being appointed by eEnergy in February 2020. Whilst at EON he worked across the large I&C supply area for corporate clients such as Virgin Media, Lucozade and DS smith. He also helped transform E.ON’s Energy Solution offering, bringing energy efficiency, energy generation, storage and Demand Side Response services making it one of the UK’s largest energy solution business for large businesses. Martyn has managed, grown and developed large senior sales teams and comes with over 20 years of sales leadership experience to help ensure the eLight continues to deliver for investors.

eEnergy – Recognising the Opportunity

The founding Directors recognised a number of specific, long-term drivers for their wider business plan focussed on energy efficiency. Group operations in this area presently remain focussed on commercial lighting, which therefore forms the principal focus of this assessment and basis of valuation, with prospective energy efficiency consolidation opportunities being treated as future upside. Within the lighting sub-sector, specific influences include the technical and operational development in light-emitting-diode ('LED') technology, pressure from the green agenda and regulation.

Traditional lighting technologies headed for obsolescence

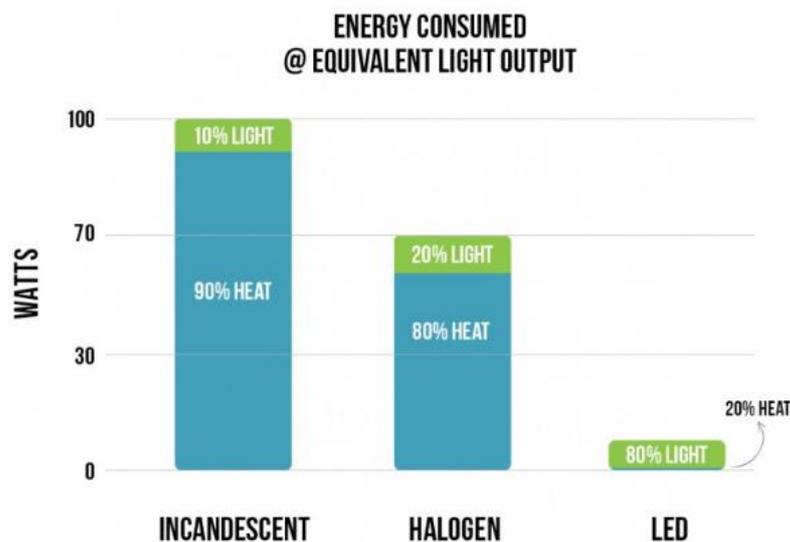
LEDs are the 'new kid' on the relatively crowded block of general commercial/industrial lighting options. These comprise a wide range of highly familiar conventional technologies which include:

- Incandescent
- Standard fluorescent
- Compact fluorescent ('CFL')
- High-intensity discharge ('HID')
- Halogen

While each of these bring characteristics that have historically made them more suited to specific needs for illumination, recent developments mean that all such categories can now be considered superseded by superior LED products. These outperform broadly in terms of efficacy (lumens/Watt), rated lifetime and colour rendering index.

As can be seen from the table below, LED technology typically saves 70% to 80% of kWh consumption against conventional alternatives. Indeed, ongoing LED product development is widely expected to render all other traditional lighting products, ranging from general office to domestic and amenity, accent and display, as well as for large interior or exterior locations, effectively obsolete in terms of technical specification and luminous delivery, while developed nations can be expected to continue their regulatory push for improved energy efficiency that will be seen increasingly to force mandatory replacement.

Comparison by type of Total Energies Consumed



Source: [Super Bright LEDs Inc.](#)

Regulation – Providing the incentive

The built environment has been identified by the UK government as a major contributor to Greenhouse Gas ('GHG') emissions and so is seen as potentially significant hindrance to meeting its carbon reduction targets for 2020 and 2050. Government estimates that 18% of commercial properties hold the lowest EPC ratings of 'F' or 'G'. While Building Regulations are designed to ensure that new properties meet current energy efficiency standards, additional regulation applicable to older properties came into force in England and Wales on 1 April 2018 in the form of the Minimum Energy Efficiency Standard ('MEES'). Applicable to private rented residential and non-domestic property, MEES aims at encouraging owners/operators' managers to improve the energy efficiency through a restriction on the granting and continuation of existing tenancies where the property has an Energy Performance Certificate Rating below the set Minimum Standard of 'E'.

Energy Efficiency Regulations 2015 dictate that commercial property owners/operators must upgrade their minimum energy performance standard ('MEPS') before they can renew existing leases or grant a lease to new tenants. The quickest, most obvious and elementary route to achieve this is generally through a lighting upgrade. The Energy Savings Opportunity Scheme ('ESOS') is a mandatory energy assessment scheme for organisations in the UK that meet the qualification criteria. The Environment Agency is the UK scheme administrator. The ESOS Regulations 2014 mandate that all large (£50m turnover and above) businesses in the UK undertake comprehensive assessments of energy efficiency opportunities at least once every four years. MEES Regulations are being enforced by Local Weights and Measures Authorities ('LWMA'), which have powers to impose civil penalties which are set by reference to the property's rateable value.

The penalty for renting out a property for a period of fewer than three months in breach of the MEES Regulations is now substantial, being equivalent to 10% of the property's rateable value, subject to a minimum penalty of £5,000 and a maximum of £50,000. After three months, the penalty rises to 20% of the rateable value, with a minimum penalty of £10,000 and a maximum of £150,000. Where a property is let in breach of the MEES Regulations or where a penalty is imposed, however, the lease between the owners/operators and the tenant remains valid and in force.

An obvious, open and long-term business opportunity

Still relatively nascent in its development and mostly supplied through a highly fragmented base of small operators/contractors, it is estimated by eLight that up to 80% of the built commercial environment has yet to commence conversion of any part of their lighting system. Customers who have not yet transitioned to LED lighting find themselves locked into:

- High utility costs
- High maintenance costs
- Generally lower-quality lighting levels which compromise operating performance/employee morale
- A high carbon footprint (and increasingly high related CCL charges)

Despite the large (70%+) energy savings available, commercial LED retrofits typically come with a high capital cost and an ROI of about 3 years. Furthermore, businesses struggle to prioritise energy efficiency projects ahead of other, core business, investments. The eEnergy business model provides something of a 'no-brainer' for operators/occupiers of commercial properties, with budget holders asking, 'what's the catch?' Customer education and marketing exercises from the industry, green lobby and regulator, however, are now producing results to the extent that deferrals by capital constrained enterprises are now declining whereby an inflection point may be approaching beyond which a more general 'rush' to convert could commence.

Removing the customer barriers to adoption

Recognising that capital availability is likely to remain one of the principal constraints toward speeding-up this more widespread upgrade of inefficient lighting systems, eLight's management chose to address the problem from a different direction.

Rather than requiring the target company to commit new capital investment for a lighting upgrade on the project's onset, it instead undertakes to specify, install, maintain and guarantee a new long-life, high-efficiency lighting system using a financing solution. The foundation of eLight's Lighting-as-a-Service agreement is that it allows customers to convert to LED for a fixed monthly fee, whereby the technology produces savings significantly greater than the fixed monthly fee, unlocking free cashflow for the customer on day 1 without the need to deploy new capital. The contractual arrangement (typically 5 to 7 years) is for eLight to supply a specified level of lux through a lighting service based on opex payments, immediately producing positive cash-flow but without gearing-up the customer's balance sheet. The LaaS business model goes further by ensuring both the service provider and customer are aligned and jointly incentivised for continuing deployment of the most cost-effective energy efficient lighting system. In this respect, eLight will choose an optimised system design, consisting of high-quality, warranted LEDs, sometimes with smart controls, in order to capture the value of any lighting-related energy savings.

eLight's agreement that it establishes with each customer specifies the desired performance levels for the lighting system – namely, illumination level, obligations to repair or replace underperforming and broken systems during the agreement term, and performance standards for system availability during occupancy and non-occupancy hours – rather than specific components or technologies to be used by the system. The control that the service provider has over the lighting system equipment and operation enables it to maximise lumen performance and related cost savings. eLight's use of performance-insured contracts (comprising installation, product and efficacy), along with a number of UK and Eurozone green/clean tech funding partnerships that secure a competitive cost of capital for its energy service agreements, enables eLight to generate high gross and operating returns without residual credit exposure to the customer. It has also secured direct original equipment manufacturer ('OEM') relationships with various of the world's leading lighting technology manufacturers, allowing it to bypass distributor and wholesale channels in order to ensure a price and quality advantage for its projects.

Accounting: Working within IFRS 16⁴

eLight's key customer objective is to shift business spend from Capex to Opex through the sale of a turn-key solution. This is based on its ownership and management of the lighting system over a specified period in exchange for regular payments. For accounting purposes, eLight's LaaS customer agreement is treated as a service agreement – rather than a lease or asset purchase. This simplifies and enhances the business case for many prospective customers. Specifically, IFRS16, which became effective in January 2019, sets out a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It applies a control model for identification, distinguishing between leases and service contracts on the basis of where there is an identified asset controlled by the customer⁴.

Given that the asset is owned, supported and maintained by the service provider it remains off the customer's balance sheet. However, for those clients who want to have assets and lease liabilities on their balance sheet (which offers a lower operating charge in the P&L as the costs are largely taken as depreciation and finance charges) eLight also offers an "on balance sheet" variation of their contract.

Lighting Systems – Becoming part of the connected environment

eLight contracts are typically agreed for a period of 5 to 7 years. Within this agreement, the customers retain rights that allow them to terminate the contract for reasons other than cause, along with an appropriate breakage fee, during the term of the service agreement. A high level of customer satisfaction, however, is

⁴[IFRS 16](#)

perhaps best demonstrated by us being informed that to-date eLight has confirmed that it has experienced no early customer terminations. Upon the ending of its eLight service contract, the customer has a number of options; including (1) taking on a new LaaS contract that allows it to take advantage of new technological lighting solutions as they become available, (2) opting for a maintenance-only agreement or, (3) allow the agreement to lapse, opting instead to maintain the capital equipment itself.

Customers are becoming aware that lighting systems are verging on the second phase of their revolution, beyond energy efficiency toward also incorporating them as part of a connected system within the enterprise's broader IT networks for the collection, control, distribution, and storage of large amounts of collected/detected building management, health & safety and/or security data. Given the potential cost and consequences of being left behind during such a significant technological phase, customers are increasingly expected to rely on their LaaS providers to oversee and implement such changes.

eEnergy Group plc's wider commercial ambitions

eEnergy's Board considers its longer-term business opportunity expands beyond its current focus on LaaS, into a broader digitally-enabled energy efficiency EEaaS marketplace where it will similarly target the upper-end of the SME and specialist market sectors, including education. This is expected to be accelerated through a buy & build strategy, adopting a centralised process for client acquisition through an integrated offering that includes eHeat (heating efficiency as a solution), eSwitch (energy management services) and ePower (solar storage as a service). Leading this charge from the outset while introducing its customer base to these wider cost-saving opportunities, LaaS is still expected to present multiple opportunities for organic expansion within the Group's existing model and geographies for a decade or more; eLight, for example, already is planning to scale revenues through the development of an automated 'audit & quotation' tool to capture the electrical contractor market, with longer-term potential to also expand into the wider Eurozone and ultimately to even consider model enfranchisement in order to capture related activity in other international territories.

Energy Efficiency and EEaaS

Energy efficiency ('EE') is defined as a process by which the amount of energy utilised in provision of a level of service or work (for example, lighting level, mechanised process, temperature etc.) can be reduced. Energy efficiency can be optimised by better management of existing plant and equipment or through replacement with equipment that is either better suited to the task in hand or otherwise capable of imparting higher efficiencies through new approaches or technical innovation.

Energy-efficiency-as-a-Service is a business model for delivering improvements with no upfront capital costs to the end user or customer. It is an emerging segment of the overall energy efficiency market and Lighting as a Service (LaaS), which takes advantage of the high efficiency of LED lighting, is one of the first examples of EEaaS to gain significant market traction. A lack of historic government and regulatory focus is responsible for the relative under-development of energy efficiency in western zones. The industry such that it is, divided among various types of equipment vendors and service providers, remains highly fragmented with multiple types of service providers including consultants, equipment vendors and contractors ranging in size from SMEs to divisions of multi-nationals.

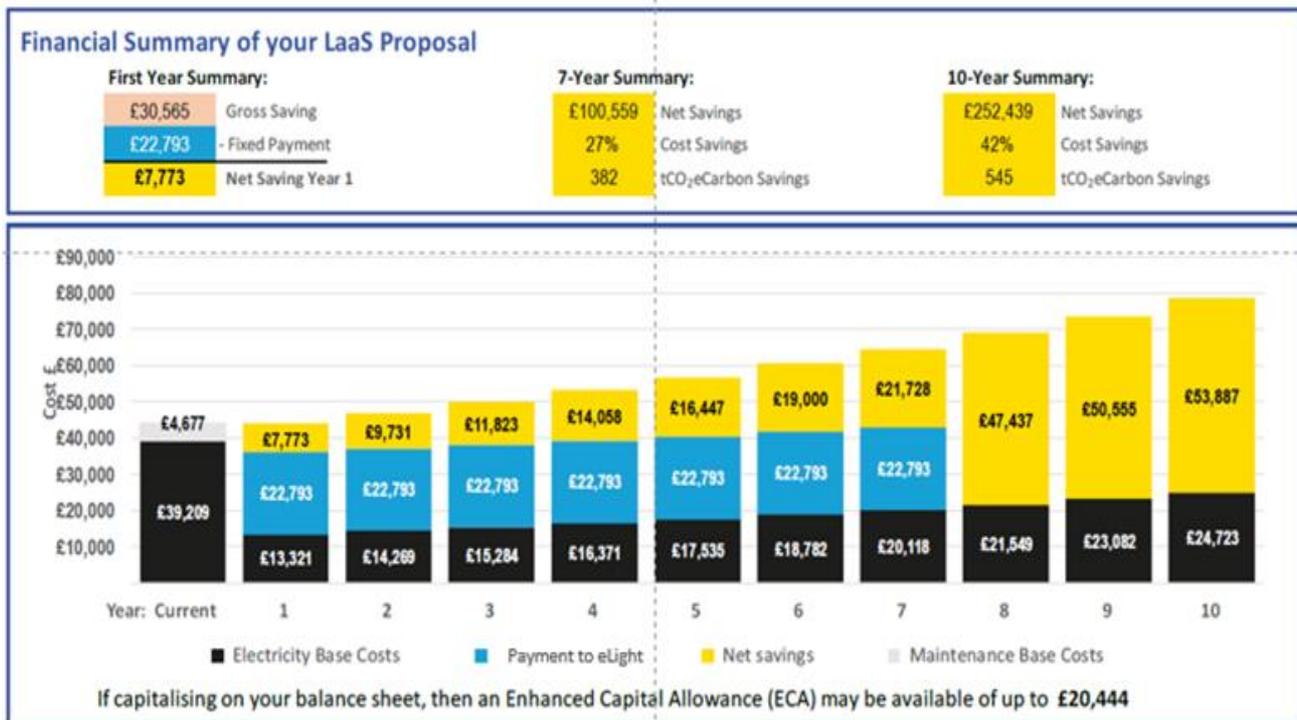
The energy efficiency industry^{5,6} also offers multiple types of non-standardised technology, including inter alia; lighting, Building Management Systems ('BMS') and other discrete controls systems, Combined Heat and Power ('CHP'), more efficient boilers, more efficient refrigeration and ventilation systems, motor controllers, voltage optimisation, and fabric improvements such as insulation and high-performance windows and doors.

The market in the EU for EE services was estimated at €25 billion in 2017 and is expected to double by 2025⁷. The [World Green Building Council's Global Status Report 2017](#), concludes that buildings account for 39% of the EU's total final energy consumption and 75% of the EU's building stock is regarded as still energy inefficient. The pace of building renovation remains low, at around 0.4% to 1.2% per year, relative to where it needs to be (perhaps 3% per annum) in order for the EU to meet its emissions targets⁸. The European Commission estimates that €100 billion needs to be invested annually to achieve Europe's 2020 energy efficiency targets⁹.

eLight's Business Model

According to the Building and Environment Journal, lighting typically consumes 20 to 40 percent of the electricity used in commercial and industrial buildings. eLight's LaaS contract provides a much-needed solution for energy efficiency customers, offering an affordable outcome that is suitable for almost every lighting need, offering significant savings with immediate paybacks. This is demonstrated in the savings outlined below, taken from an eLight customer proposal:

eLight Model Customer Proposal



Source: eEnergy Investor Presentation August 2019

The eLight business model is built on four foundations:

- OEM Pricing** Direct relationships with leading European and UK OEMs means eLight buys at a discount to wholesale
- Funding Structure** Specialist Funding Partners underwrite EEaaS contracts at competitive rates and assume the ongoing credit risk
- Project Delivery** A network of regional specialist contractors under the eLight Framework Agreement provide installation and maintenance to clients across the UK & Ireland. Stock is delivered direct to site and the cycle from signing a contract through installation to receipt of funds is typically 60 days
- Lead Generation** Centralised in house in Malahide using Sales Force CRM and event-based activity to target specific sectors, such as education

This business model is cash positive immediately upon completion of the customer installation.

⁵Rocky Mountain Institute, *Lumens as a Service (2017)*

⁶AMA Research

⁷Roland Berger, *Energy Efficiency Services: A key market in the European industrial landscape (2019)*

⁸European Commission, *An EU Strategy on Heating and Cooling (2016)*

⁹European Commission, *Financing energy efficiency (2015)*

Lighting Environment Improvement



Source: [eEnergy](#)

Project funding structure

eLight has secured a number of specialist project funding partners, two of whom have signed framework agreements which underwrite eLight's EEaaS contracts, providing flexibility according to sector, size of project and length of contract. eLight has secured competitive rates with its funding partners, in turn delivering competitive advantage to its proposals.

In the UK, eLight has agreements with its funding partners to assign client contracts at an agreed discount to the total receivables for the duration of the contract. This allows it to settle all third-party costs, whilst retaining a margin. This structure provides a positive cash flow model for eLight and essentially ring-fences the security of the contracts for the client, passing credit risk to the funding partner and thereby offering protection against any perceived operating/commercial risk of the services provider.

In Ireland, eLight has historically had an arrangement with a Special Purpose Funding Vehicle MPL. Unlike the UK eLight receives a proportion of the total contract value in advance, then a commission paid quarterly on the service fees collected by MPL and a €250,000 annual fee. eLight Ireland can fulfil a client's demand for a capex project outside of the agreement with MPL and also retains the benefit of energy credits arising on each contract.

eLight expects to replace the MPL arrangement this financial year with one more closely aligned to the structure in the UK and recently signed heads of terms with one of Europe's largest Energy Efficiency Funds to provide eLight with a dedicated facility for Ireland and Euro denominated projects, sufficient to match its business plan objectives over the medium term.

Project delivery

eLight has secured a network of regional partners (electrical contractors) who are engaged via a framework agreement which governs the minimum service levels required for an eLight EEaaS lighting installation, while working on a strict commercial matrix to ensure consistent project pricing nationwide. Regional partners are selected according to eLight's strict vetting criteria which assesses their levels of expertise, relevant engineering experience, adoption of British Standards (BS 7671) working practises, history, reputation and balance sheet.

The eLight technical team coordinates each project centrally and project manages supply chain, operational engagement and commissioning/verification (sign-off) to ensure strict quality control. In order to optimise its proposal, eLight has created a unique Managed Energy Service Agreement ('MESA') in order to tailor lighting solutions specific to the individual customer, with a view to mapping out their requirements and delivering a superior LaaS solution.

Technology partners/suppliers/OEMs

eLight has agreed direct terms with a number of well-known and established European manufacturers which enables it to secure pricing at significant discounts to wholesale, in turn providing an important competitive advantage when delivering value through financial returns of an energy services contract. eLight offers a 'zero upfront' investment solution, with service fees payable over a fixed term at an overall level comparable to the total cost of an upfront supply and installation cost, i.e. no pricing premium for a 'pay monthly' solution but with added service benefits. In taking advantage of the project funding structure detailed earlier, it is able to engage the supply chain without upfront commitments or balance sheet exposure.

Client engagement

Once a lead has been generated and the client wants to pursue a LaaS solution eLight adopts a data-driven approach to its energy efficiency projects; it has developed its own proprietary specification and analytics tool, MESA, in order to optimise energy savings whilst delivering the correct lighting levels for its projects. The eLight analytics and specification engine allows for the automation of the client proposal which provides a scalable client engagement model as the business looks to accelerate its growth. The customer engagement cycle is a three-stage process, as detailed below:

- i. **Data Capture / Energy Audit** – eLight provides customers with a free energy consumption evaluation which involves a detailed audit & operating review of their premises which enables eLight to accurately calculate the optimal energy savings possible through an energy efficiency services contract. eLight has developed a bespoke auditing and data capture process which takes into account a number of different variables which provides the client with a precise energy consumption profile of their existing lighting infrastructure. This audit process is digitised, and cloud enabled which provides a fast and scalable methodology to capture multiple data points in an efficient way across a portfolio of different buildings. It is intended that the process will also be distributed to third parties for increased scalability.
- ii. **Specification & Energy Efficiency Solution** – The data captured by the audit is synced via the cloud to the eLight specification & analytics engine which automatically specifies the correct technology from a comprehensive database in order to deliver the optimum, cost effective and longest term energy savings for the project, whilst delivering the precise lighting levels required, designed to at least British Standards. Whilst data capture can be distributed to third parties, this is a centralised process, managed and controlled by eLight.
- iii. **EEaaS Proposal & Client Agreement** – The proposal is automatically generated by the eLight specification & analytics engine and clearly outlines the projected energy savings and financial cash-flow profile presented graphically for the customer. The EEaaS Agreement is an 'easy to navigate' one-page agreement, outlining the service obligations of eLight and the quantum/number of monthly service payments by the customer.

Once the contract is signed, eLight will typically have completed the installation within eight weeks. The key steps are illustrated in the graphic below:

The LaaS project

Illustration of a typical project timeline



Source: eEnergy plc Investor Presentation November 2019

Forces driving eLight revenues

The pressure is now on for UK and Irish property owners/operators to adopt energy saving initiatives. It is true to say that internationally, energy efficiency has been a relatively neglected topic in recent decades. But governments worldwide, pressured by a populist 'green agenda' demanding reduction, or at least minimisation, of the environmental impact from global economic development, have now begun to push the agenda through both public and private sector organisations.

In this respect, the UK government has taken a relatively responsible stance, by becoming the first major economy to legally adopt (in June 2019) regulation enforcing a reduction in total carbon emissions to zero by 2050 (its 'Net Zero' commitment).

For its part, the EU Energy Efficiency Directive ('EED') (amended in 2018) now requires member states to make numerous improvements in energy efficiency, including reducing energy consumption by 1.5% per annum and prepare long-term building renovation strategies as part of a National Energy Efficiency Action Plan. The UK Government has stated that it intends to 'at least' maintain EU levels of environmental protection.

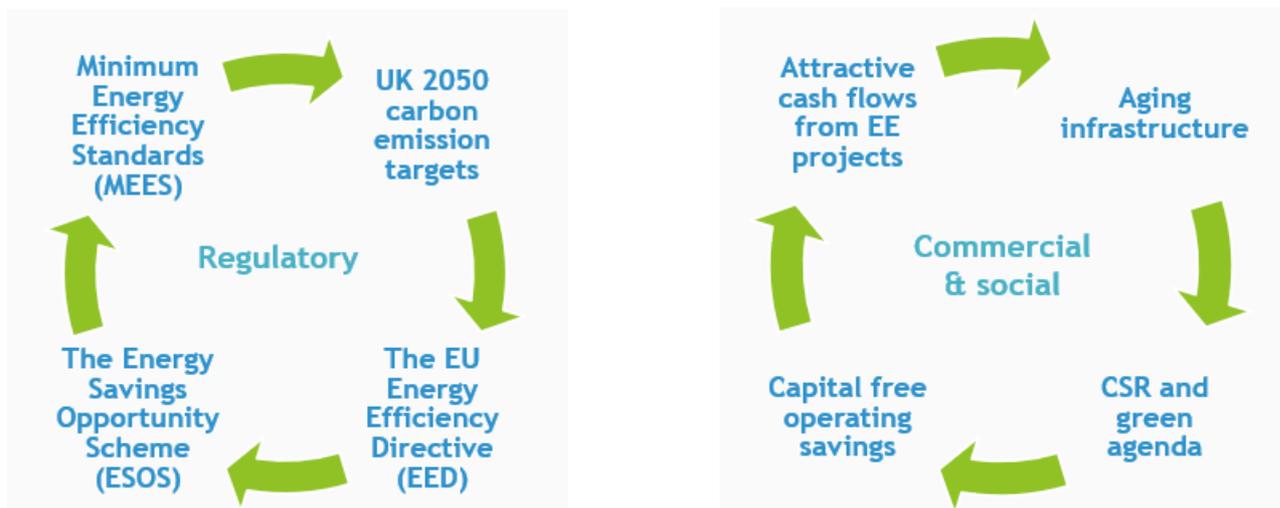
The Energy Savings Opportunity Scheme ('ESOS') is one of the UK policies enacted in response to the EED which requires large organisations with more than 250 employees to have an energy assessment every four years. The Minimum Energy Efficiency Standards ('MEES') was introduced on 1 April 2018 and makes it unlawful, subject to certain exemptions, to grant a new lease for a non-domestic property that has an Energy Performance Certificate ('EPC') below E.

From 1 April 2023 owners/operators will not be able to continue letting a property with an EPC below E and the minimum EPC requirement is intended to be increased in future years.

As a result, commercial pressure on UK and Irish commercial organisations has become increasingly compelling due to a number of different factors, including:

- **High energy prices** – UK non-domestic electricity prices are the 10th highest amongst the EU-28. The non-commodity element of electricity prices, which is made up of various obligatory system charges is approximately 50 per cent. of the total energy bill and this element is expected to increase in future.
- **Ageing infrastructure** – Old technology is failing and less widely available while new technology is expensive, thus reinforcing opportunity for ‘as a Service’ models.
- **Regulatory pressures and increasing individual focus on the threat of climate change** - Is driving corporates and investors to progress programmes to reduce carbon emissions. Users of buildings such as students, customers and workers, are increasingly aware of energy usage and encourage building managers to implement energy efficiency programmes.
- **Inadequate installed lighting** - Most existing fittings, if not upgraded within the past decade produce inadequate lighting, with an increasing number of commercial buildings in the UK failing to comply with British Standards Institute (BSI) Safety Standards. As much of the existing lighting infrastructure has reached or exceeded its intended life maintenance costs are high and it is not always possible to obtain replacement parts.
- **The cost of energy efficiency equipment is falling.** This is most noticeable in the case of LEDs but other relevant technologies, such as control systems and sensors based on IoT, are also becoming cheaper and with higher capabilities.
- **Increasing interest in energy efficiency from stakeholders.** EE projects can provide investors with an opportunity to gain exposure to stable and predictable cash flows.
- **The emergence of ‘as a Service’ business models** are making energy savings less complex to achieve.

Sustainable Factors Driving LaaS Growth



Source: eEnergy plc Investor Presentation November 2019

Against this background and with eEnergy management confirming it has incurred no customer churn following successful delivery of well over 800 projects by its legacy businesses, eLight’s management identify considerable further sales potential. An estimated 80% of target premises have yet to commence any transition to LED lighting, while around half of the UK and Irish new builds remain wholly dependent on conventional products.

Within this, its immediately addressable universe appears to be in excess 49,000 organisations, which includes educational establishments (comprising schools, colleges and universities) as ideal targets, along with commercial and industrial enterprises.

The market landscape

There are several major lighting equipment/lighting services companies that list LaaS amongst their skillset. For most of these highly diversified multinationals, however, their focus is centred on product supplies and/or long-term participation in giant infrastructural projects. This is not eLight's area of focus; to this extent, eLight in fact presently faces only limited direct competition in its target LaaS and EEaaS market areas. Amongst UK and Irish SMEs, the principal challenge still remains one of education and overcoming customer reluctance, as opposed to 'head-on' pressure from other players.

It is true that a good number of equipment vendors, fitters and contractors do 'play around the edges' of energy efficiency, but these cannot be considered service providers to an end customer, having neither the financing facilities nor the OEM procurement relationships required to deliver and sustain such a relationship. The ability to compete is foremost one of scale and credibility, whereby the provider needs to be capable of achieving favourable procurement terms with OEMs and entering longer-term contractual agreements facilitated through substantial infrastructure, a strong balance sheet and/or financing arrangement.

In this respect, it is considered that eLight's only true competitors in the UK and Ireland are Future Energy Solutions Limited (<http://feslighting.co.uk/>), Signify (previously Philips Lighting) (<https://www.signify.com/en-gb>), UrbanVolt Limited (<https://urbanvolt.com/>) and Zumtobel (<https://www.zumtobel.com/gb-en/index.html>).

Of these the private, Dublin-based UrbanVolt is perhaps the most comparable in terms of target customer profile, even if the size of the overall market opportunity and the two operators different target market segments and geographical focus means that eLight will only rarely find direct competition for a specific project. Indeed, when a target customer insists on offering its opportunity out to tender, other participants typically attracted are more likely to come in the form of simple electrical contractors or lighting equipment/control manufacturers whose business plan is not set up to offer a medium-term, capital-free service agreement. The UK & Irish LED retrofit market opportunity is seen as being classified into four different customer 'Tiers', as follows:

Tiered Customer Profile – UK & Ireland

Customer Tiers	Description	Est. Market Share
Tier 1	Major enterprise/large-scale infrastructure such as airports and roads, etc	5%
Tier 2	Large retailers, malls, major venues, supermarket chains etc. typically with 5,000-50,000 LED fixtures	5%
Tier 3	SMEs, including offices, factories, warehouses, schools, requiring 500-5,000 LED fixtures	10%
Tier 4	Single/small chain/family businesses requiring between 50-500 LED fixtures	80%

Source: TPI estimates

For very large Tier 1 infrastructure projects and other large-scale developments, lighting manufacturers such as Philips and lighting solutions companies such as Zumtobel and Future Energy Solutions compete for this business. eLight's focus instead is on Tier 2 and Tier 3 customers, representing a 15% slice of the available LED retrofit market and comprising an estimated 49,000 premises in the UK. In this area, eLight is expected to compete more directly with UrbanVolt, a private Dublin-based LaaS business that operates on a similar business plan, albeit having its principal marketing focus in the US.

eEnergy growth strategy

eEnergy's growth strategy is underpinned by three pillars:

1. **Continuing the growth in LaaS by scaling its 'direct to customer' commercial strategy**, with a particular focus on the education, industrial and retail sectors. This is being accelerated by investment in proven marketing initiatives and further investment into sales resource;
2. **Expansion of the LaaS proposition to the wider SME market** via a channel partner network by licensing a proprietary 'eLight App' to enable regional electrical contractors to also offer LaaS to their existing SME customer base.
3. **Broadening eEnergy's range of services by acquiring** and integrating selected providers of energy management and service solutions, which provide complementary services to existing and new customers.

The financial forecasts prepared by TPI only reflect the first of these pillars to the growth strategy. Of particular significance to this "organic" growth is the focus on education and multi-site key accounts.

Targeting Education: There are over 25,000 schools in the UK, of which 2,500 are Independent and 8,000 are Academies (multi-academy trusts). In the first instant, eLight is focused on the Independent Schools and Academies that are run as commercial entities. A number of Multi Academy Trusts are building infrastructure to manage multiple sites, although these are at varying stages of development. The UK & Irish education market for LaaS is estimated to be worth over £400 million and at this stage 80% of targets have not transitioned to LED.

This is considered an ideal market for eLight, given that the sector is both capital-constrained and highly motivated to reduce carbon footprint. Specific targeting has demonstrated a high success rate with 33% of proposals converting to contract within 6 months together with excellent testimonials, having already completed 150+ proposals.

Typical contact value is high (£100,000+) with Multi Academy Trusts (£1 million+ per group) and eLight is presently looking to open 100+ qualified opportunities within FY20 to deliver over £2,000,000 of new business in the UK alone. Given that various major associations (e.g. ISBA) have embraced affiliation with eLight, the potential for upside appears significant.

Targeting Multi-site Key Accounts: Having already demonstrated its credentials in the medium enterprise market, eLight has started to move up the value chain by winning of a number of higher profile corporate accounts. Within these, an existing pipeline of opportunities is advancing rapidly, with contract opportunities in the range £1 million - £5 million.

The target list includes: Plumbase, Holland & Barrett, Carphone Warehouse/Currys, Kilsaran Concrete and Boyle Sports, amongst others. These roll-out clients prospectively account for more than 50% of the required contract value to deliver the FY20 budget.

Financial Analysis

Investment case

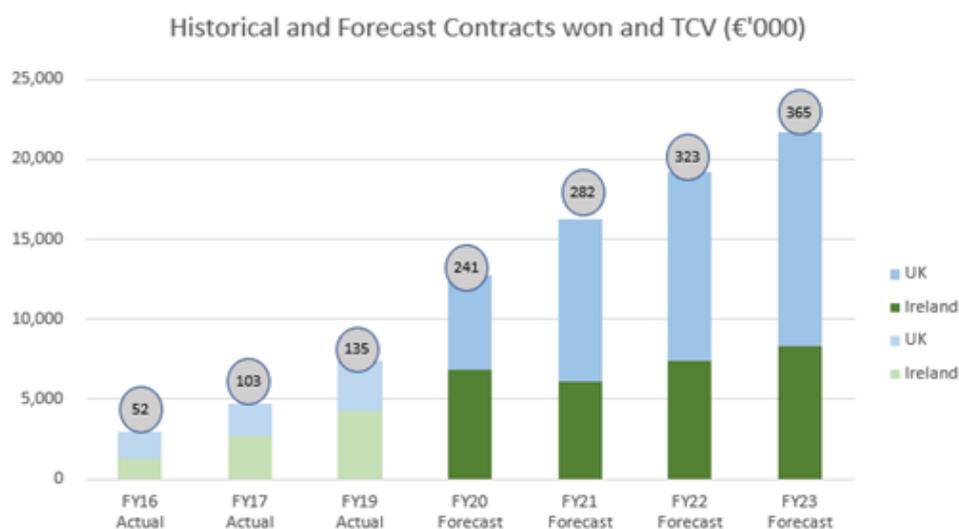
eEnergy is one of the leaders in the fast-growing energy EEaaS sector in the UK and Ireland. For investors, its offer includes a proven platform through which to access this high growth business area, together with the opportunity to participate in an active and opportunistic phase of buy-and-build led consolidation.

A successful RTO and Placing of c£3 million will result in the Alexander Mining plc cash shell and eLight operations together being valued at c.£10 million on Admission. With a 2020/21E EBITDA forecast of €1.0 million along with significant free cash flow, eEnergy can be expected to undertake the first of a series of 'bolt-on' acquisitions capable of both contributing to Group EBITDA and introducing an additional customer base receptive to the Group's wider offering.

As with many operations capable of positioning themselves to take advantage of new technologies and a tightening regulatory environment, early mover advantage is key. While eEnergy's underlying business plan can be emulated by younger enterprises, its scale, financing and OEM agreements together with the added credibility of a stock market quotation would make it both complex and expensive to successfully challenge; major sector players on the other hand will initially focus on infrastructural-scale projects and government initiatives, only seeking to secure the free cash that can be generated from SME contracts some years into the future. In this respect eEnergy, which realistically is positioned to secure in excess of a 10% share of the UK and Irish LaaS markets by 2029E, might then be considered an ideal acquisition target for such utility/energy majors.

Revenue model and income statement

Customer appreciation of the saving available through EEaaS is expected to rise sharply in coming years to the extent that an inflection point may be reached and a general 'rush' to convert ensue. eLight generated €4.5 million revenues from the UK and Ireland for the year ended June 2019 (subject to audit) and the pipeline, which stood at more than €30 million as at 31 October 2019, provides good visibility of sustained revenue growth. Based on this, TPI's financial model projects the UK supporting a stronger CAGR of 47% during this period, compared with 31% Ireland, due primarily to the average project value in Ireland being smaller than that of the UK, although the total new project count in Ireland still remains higher in each of the four projected years.



All periods are 12 months. Year end changed to 30 June in 2019

Source: TPI estimates

Note: Future forecasts are not a reliable indicator of future performance

Market penetration

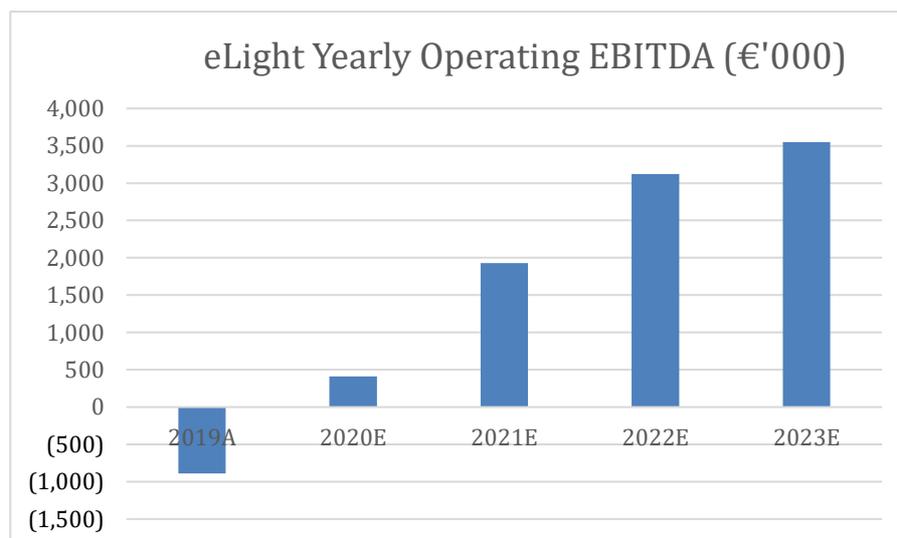
The Model assumes only modest market penetration in both territories with, for example, management projecting a count of just 1,100 UK LaaS customers by end-2022E.

Extrapolating this out one further year Turner Pope has prudently estimated 1,403 UK customers (or 2.0% market share), compared with 980 Irish customers (or an estimated 5.4% market share). A 10% market share in the UK is considered achievable by 2030E.

Reducing cost of sales

While eLight enjoyed a 31.5% gross margin for the period ended-June 2019, TPI is projecting that this will rise to 45.5% for the period to June 2023E. This improvement is derived from operational scale as the Company deepens its relationships and product volumes with its OEMs, resulting in CAGRs for cost of installation and materials of just 29% and 33% respectively, to produce a compound average growth rate for total cost of sales of 32% for the period. During the same period, Group headcount rose from 23 to 54, representing less than a 24% CAGR. Finance costs (primary loan interest) is seen peaking in year to June 2020E at €200k, declining thereafter to €50k within three years.

As a result, it is projected that eLight's monthly operating EBITDA (before Group central costs) moves into positive territory in February 2020 and remains so going forward.



All years to June

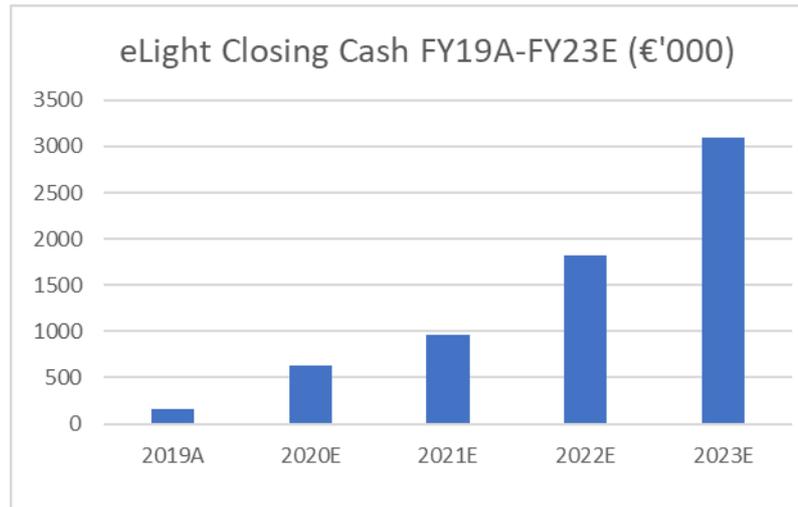
Source: TPI estimates

Note: Past performance and future forecasts are not a reliable indicator of future performance

Cash flow and balance sheet

The TPI Model assumes a small opening cash balance at end-June 2019, rising significantly in the current financial year due to eEnergy's successful debt raise in September 2019 and then the RTO and concurrent placing of new equity which resulted in the raising of €3.25 million gross new funds in December 2019.

The funds raised will be applied to accelerate organic growth, complete the development of the mobile App and partially fund an initial tactical acquisition in the energy management sector (although note that at this time we have not included either the development of the contractor channel nor any acquisitions in our TPI forecast). eEnergy is expected to move sharply into net profits in the period ended June 2021E, with cash balances building strongly thereafter.



All years to June

Source: TPI estimates

Note: Future forecasts are not a reliable indicator of future performance

Establishing an indicative valuation

Given the expectation that eEnergy will fulfil the growth strategy that has been outlined in this report, TPI has extrapolated its estimated free cash flow projection beyond those contained in its detailed forecasts (see below) out to 2029E. Having estimated annual revenue growth of 26% in the period ended June 2023E, the rate has prudently been tapered annually over the following six years down to 3% in 2029E, whereafter a terminal growth rate ("TGR") of 2.5% has been assumed in order to generate an indicative discounted cash flow ("DCF") valuation for the business. By this time, eLight's annual revenues are expected to reach around €40 million with a gross margin remaining in the mid-forties. This projection takes no account of the numerous sales initiatives indicated in the body of this report (including the creation of an app to target the UK & Ireland's electrical contractors).

Modest additional scale benefits have been factored into the cost assumptions along with a rising corporation tax obligation. Together these assumptions translate into our free cash flow generation estimates as depicted below:

Key assumptions of DCF assessment

Within these valuation calculations, given that eLight's business model and market opportunity is reasonably established, TPI has applied a 10% discount rate to its DCF calculations and assumed a prudent long-term growth rate of 2.5% beyond 2029E. Such caution identifies appreciable risk that eEnergy's business plan might not gain significant further market traction over the coming years as major sector players move quicker than expected to emulate its business plan, potentially even loss-leading to capture customers with a vision of securing their long-term energy efficiency opportunity.

Recognising however that eEnergy's business opportunity comes with good visibility of contracted orders and that is already one of the largest players in this relatively nascent but high-growth market, it is not considered appropriate to apply a further commercial risk factor to the gross DCF calculation.

This provides a DCF fair value for the company of £16.4 million. This valuation does factor in the outstanding (post-raise) cash balances given that the Group operations become significantly cash generative from next year and so it can be assumed that available cash is 'free' to fulfil the Board's wider ambitions to 'buy & build' an energy efficiency operation through acquisition of selected sector opportunities (energy management, energy storage etc., renewable generation).

Discounted cash flow valuation summary

Year to June (€'000)	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Free cash flow	-3,032	330	865	1,266	1,519	1,732	1,905	2,038	2,140	2,205
Discounted cash flow	-2,756	273	650	867	944	978	977	953	907	851
<i>Discount Rate= 10%</i>										
<i>TGR=2.5%</i>										
Cumulative DCF	7,400									
PV of residual value	11,633									
Plus: cash (debt)	161									
Value of equity	€19,194									
Value of equity	£16,266									

£=€1.18
Source: TPI estimates
Note: Future forecasts are not a reliable indicator of future performance

Peer Group valuation summary

Given that there are no market-quoted companies operating directly and exclusively in the same business area as eLight, various valuation multiples have been taken from a peer group of selected smaller companies that trade on the LSE's AIM and Main Market, offering related energy efficiency/services/carbon reduction etc. for commercial buildings, owners/operators, facilities managers etc., as follows:

Peer Group Multiples			Mk Cap/SALES		EV/EDBITDA*		P/E x	
Company	Year-end, Ticker	Market Cap (£m)	2018A	2019E	2018A	2019E	2018A	2019E
Luceco	December, LUCE	221	1.22	1.15	8.52	10.50	20.10	17.56
Inspired Energy	December, INSE	142	4.19	2.82	17.8	16.0	30.5	10.66
Thorpe (FW)	June, TFW	397	3.67	3.63	17.49	15.60	24.88	25.62
LPA Group	September, LPA	12	0.46	0.59	6.56	9.38	13.32	43.42
Checkit	January, CKT	19	0.67	0.49	1.58	8.05	12.81	-
APC Technology	August, based on Nov. 2019 agreed take-over price	18	1.05	0.80	15.29	18.78	21.32	-
Aggregate Micro Power Holdings	March, based on delisting price on 20 Jan 2020	55	1.11	1.03	27.9	-	-	62.00
Average Peer Group Multiple			1.78	-	13.56	-	20.69	-

**pre-exceptional A= Actual, Audited E= Estimated by TPI*
Source: TPI estimates, Bloomberg (data valid 21st Jan 2020)

Peer Group Valuation €'000	eEnergy FY21E Results	Multiplied	incl. net cash	Discount factor (10%/yr) to present value
Revenue	12,599	22,428	23,387	21,260
EBITDA(pre- exceptionals)	678	9,194	10,153	9,230
PAT	458	9383	10,435	9,486
Net cash (debt)	959			
	Average	€13,842	€15,943	€13,325
<i>£=€1.18</i>				€11,292

Source: TPI estimates
Note: Future forecasts are not a reliable indicator of future performance warning

Having selected the most recent reported full year actuals as at 10th December reported actuals, average multiples for seven companies market cap/sales, EV/EBITDA and P/E were used. Averaging the three figures and then equating them to eEnergy's 2021E projections, a fair value of €13.3 million (or £11.3 million based on £=1.18€) having been discounted back from future value to present at 10%.

In making its final valuation assessment, while recognising that none of the cited peer group operate a business model that exactly resembles that of eEnergy, TPI has decided to weight the DCF by 75% and the Peer Group by 25% in order to arrive at a final target valuation for eEnergy Group plc of £15.0 million, equivalent to 11.5p.

Please note that this valuation is the result of financial modelling and there is no guarantee that such a valuation will ever be realised, therefore please do not base investment decisions on this valuation alone.

Note to reader: Unless otherwise stated, factual information in the note has been sourced from the company and opinions are those of the author.

Risk warning: Future performance and forecasts are not a reliable indicator of future results.

Income statement (2019A – 2023E)

Year to June (€'000)	2019A	2020E	2021E	2022E	2023E
Contracted orders					
UK contracted orders	3,176	5,695	9,721	11,286	12,692
Ireland contracted orders	4,258	6,573	5,814	7,037	7,964
Total Contract Value	7,433	12,269	15,535	18,324	20,656
Revenue					
UK Revenue	-	3,600	7,899	9,674	10,550
Ireland Revenue	-	4,800	4,700	5,800	6,501
Total Revenue	4,473	8,400	12,599	15,474	17,051
Cost of Sales (COS)	3,116	4,988	7,170	8,550	9,400
Gross Profit	1,357	3,412	5,428	6,924	7,651
<i>Gross margin</i>	<i>30.3%</i>	<i>40.6%</i>	<i>43.1%</i>	<i>44.7%</i>	<i>44.9%</i>
Total Adj. Operating Costs	2,246	3,000	3,500	3,800	4,100
Operating EBITDA	-889	412	1,928	3,124	3,551
Total central costs	571	1,100	1,150	1,200	1,230
Exceptional costs (gains)	86	500	100	100	100
Forex loss (gain)	3	-	-	-	-
EBITDA	-1,549	-1,188	678	1,824	2,221
<i>EBITDA margin</i>	<i>-34.6%</i>	<i>-14.1%</i>	<i>5.4%</i>	<i>11.8%</i>	<i>13.0%</i>
Funding charges plus translations losses (gains)	11	200	200	100	50
Depreciation and amortisation	22	10	20	30	40
Profit before tax	-1,582	-1,398	458	1,694	2,131
Tax	0	0	0	169	320
<i>Tax%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>10.0%</i>	<i>15.0%</i>
Net Profit (loss) after Tax	-1,582	-1,398	458	1,525	1,812

A = Actual, Audited E = Estimated by TPI

Source: TPI estimates

Note: Future forecasts are not a reliable indicator of future performance

Balance sheet estimates (2019A – 2023E)

Year to June (€'000)	2019A	2020E	2021E	2022E	2023E
Total Fixed Assets	321	200	215	230	235
Total Cash/Near Cash	218	1,914	2,428	3,573	5,291
Accounts Receivable	193	909	1,080	1,587	1,889
Financial Assets Fair Value	365	302	302	222	222
Prepayments & Other Debtors	-	21	21	21	21
Stock	250	277	277	277	277
Total Current Assets	1,347	3,423	4,108	5,680	7,700
Total Current Liabilities	2,909	3,146	3,369	3,928	4,226
Net Current Assets (Liabilities)	-1,562	277	739	1,752	3,475
Total Creditors: more than 1 year	-	1,200	800	200	100
Net Assets	-1,562	-723	154	1,782	3,610
Capital and Reserves					
Ordinary Capital	20	2,076	2,076	2,076	2,076
Retained Earnings	-1,575	-1,668	-1,668	-1,668	-1,668
Forex translation reserve	-7	-	-	-	-
Current Year Earnings	-	-1,131	-254	1,374	3,202
Total Capital and Reserves	-1,562	-723	154	1,782	3,610

A= Actual, Audited E= Estimated by TPI

Source: TPI estimates

Note: Past performance and future forecasts are not a reliable indicator of future performance.

Cash flow estimates (2020E – 2023E)

Year to June (€'000)	2020E	2021E	2022E	2023E
Opening Cash Balance	161	629	959	1,824
UK Customer Receipts	4,000	9,550	11,580	12,670
IRE Customer Receipts	3,983	5,486	6,280	7,418
Total Customer Receipts	7,983	15,036	17,860	20,088
Funding				
Share Capital	2,000	0	0	0
Acquisition	-	-	-	-
Debt/Loans	-	-	-	-
Total Incoming Cash	11,233	15,036	17,860	20,088
Total Outgoing Cash	-9,515	-14,706	-16,995	-18,822
Net movement in cash	468	330	865	1,266
Closing Cash Balance	629	959	1,824	3,090

A= Actual, Audited E= Estimated by TPI

Source: TPI estimates

Note: Future forecasts are not a reliable indicator of future performance

SWOT Analysis – eEnergy Group plc

Strengths

- Early sector mover, claiming to be Europe's largest LaaS operator by legacy business project count
- Compelling business plan producing strong gross margins and free cash flow
- Sufficient scale to achieve favourable procurement and financing terms
- Significant, long-term market opportunity in under-served SME/Education market
- Opportunity to capture broader addressable market through electrical contractors

Weaknesses

- Over-supplied wider LED market could result in margin squeeze
- Customers historical reluctance to enter long-term service agreements
- Large-scale/international LaaS opportunities already targeted/served by sector majors

Opportunities

- Potential to capture wider European LaaS market opportunity
- Potential to also broaden offering into developing EEaaS market
- Potential to internationally enfranchise business model
- Consolidation of fragmented sector
- Potentially attractive acquisition for major lighting manufacturer(s)/service providers

Threats

- Major lighting manufacturer(s) seeking to loss-lead/dominate market
- Higher LED pricing/reduced supply of premium components
- Governments de-emphasising green agenda
- Tighter banking conditions
- Changes in International Financial Reporting Standards (IFRS)

Source: TPI market analysis

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