eEnergy Group plc

eEnergy has announced its acquisition of Renewable Solutions Lighting Limited ('RSL'), a specialist in providing the UK education sector with fully funded LED lighting solutions. The total consideration for the acquisition, assuming all earn-out payments are made, is £2.2 million, which is to be paid to the existing shareholders of RSL entirely in new eEnergy shares issued at a 27.7% premium to yesterday's closing price. This follows yesterday's Trading Update which detailed unaudited revenues for the Group's changed financial year to end-June 2020, including a resilient quarterly performance during the lockdown.

Creating a UK education sector market leader

eEnergy's Board believes its combination with RSL will create the UK's market leader in providing energy efficiency-as-a-service ('EEaaS') solutions to the education sector. Significantly, there is limited overlap between the two businesses, which together provide opportunity for the Group to rapidly become recognised as a trusted nationwide provider of its lighting and, in due course, additional energy, services to the sector in response to calls for improved efficiencies and reduced costs as part of a wider green agenda. Such initiatives are likely to be bolstered by the UK government's newly proposed £1bn schools rebuilding programme detailed as part of a broader 10-year investment plan for upgrades/refurbishments in support of the country's wider economic revival.

Resilient quarterly performance

On 6th April 2020, eEnergy provided an update on its third quarter performance. Since then, the business has secured a further 18 contracts with schools in the UK and Ireland with a total contract value of €1.6 million and has completed installations at 23 schools, recognising revenue of €1.4 million. It also evolved its service offering to include a COVID-19 package for schools. This ensures customers are able to sanitise their buildings effectively and its popularity has opened several new leads to interested establishments. In anticipating a return to more predictable trading patterns, Harvey Sinclair, CEO of eEnergy, noted his "Board is looking for the Group to come out of this Pandemic stronger and moving towards a bottom-line breakeven run-rate in the coming six months."

Targeting net profits in the current year

A strong and growing contract pipeline with excellent cash conversion provides eEnergy's Directors with confidence in the Group's ability to deliver a first net profit for its year ended June 2021E. Following this, TPI expects the Group to start throwing off significant free cash which, in turn, will support its Board's wider ambitions to operate an ambitious European buy-and-build consolidation strategy with a view to capture opportunity in the broader, but still relatively nascent, energy efficiency-as-a-service ('EEaaS') sector. TPI considers eEnergy's business model has potential to secure revenues exceeding £100 million within ten years. On this basis and precluding today's acquisition announcement, TPI's Initiation research of January 2020 had established both DCF and peer-group indicative assessments that suggest a target valuation for eEnergy's businesses of £15.0 million, which is roughly twice its current level.

Please note that TPI's valuation is based on 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.

Stock Data

Share Price	6.25p
Market Capitalisation	£9.02m*
Shares in issue:	144.3m*

**Incl. Consideration shares*

Company Profile

Sector:	Support Services
Ticker:	EAAS
Exchange:	AIM

Activities

eEnergy Group ('eEnergy', 'the Group', 'EAAS') 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.

Company website: www.eenergyplc.com

1-year share price performance

Source: LSE

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

Turner Pope contact details

Turner Pope Investments ('TPI') Ltd
8 Frederick's Place
London EC2R 8AB

Tel: 0203 657 0050
Email: info@turnerpope.com
Web: www.turnerpope.com

Attention is drawn to the disclaimers and risk warnings at the end of this document.

This is a non-independent marketing communication. The analyst who has prepared this report is aware that TPI has a relationship with the company covered in this report. Accordingly, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

TPI acts as sole broker to eEnergy Group plc.

Retail clients (as defined by the rules of the FCA) must not rely on this document.

Barry Gibb
Research Analyst
Tel: 0203 657 0061
barry.gibb@turnerpope.com

Andrew Thacker
Corporate Broking & Sales
Tel: 0203 657 0050
andy.thacker@turnerpope.com

Trading during the Pandemic and beyond

The fact that the coronavirus Pandemic and its associated lockdown followed so shortly after eEnergy's market Admission on 9 January 2020, provides a good insight into the Group operational resilience. Its third-quarter trading for the three months to 31 March 2020, produced 48 new contract wins, of which 21 were for schools in the UK and Ireland. Since then it has secured a further 18 school contracts from the same geographical regions. With many schools managing the complexities of pupils returning following the easing of the lockdown, some planned installations have been delayed to the July and August holiday period. Given that the Group only recognises revenue at the point of installation, more of the revenue from these contracts that was previously expected in June, will now be recognised in the financial year ending 30 June 2021.

The Group's quarter ended 30 June 2020 nevertheless expects to have recognised unaudited revenues of €2.1 million, a 40% increase of over the comparable period in 2019. Unaudited Group revenues for the full year ended 30 June 2020, are expected to be €5.1 million (compared with audited 2019: €4.5 million).

As eEnergy had already reported, while some installations have been delayed, no projects have been cancelled. The Group has 19 schools under contract for installations over July and August, with a total contract value of €2.1 million. Some of these contracts were secured before the start of the fourth quarter, which have been held over to the Summer, and some were won in the fourth quarter. Strong interest in Group services has produced a pipeline of over 200 proposals with schools in the new financial year and beyond. As a result, it generated an operating profit before Group costs in each month of the fourth quarter and the Board expects it to achieve its breakeven run rate in the six months to 31 December 2020.

With more than 25,000 schools in the UK, the Board believes the education sector represents a major opportunity for the Group. The Directors estimate that over 80% of UK schools have not yet transitioned to energy-efficient lighting, which represents a market opportunity in excess of £1 billion.

Fully funded turnkey solutions for the UK education sector

RSL provides fully funded, turnkey LED lighting solutions to the education sector across the UK. Founded in 2016 and based in Suffolk, RSL focuses on the state school sector and successfully completed 32 projects last year with an average contract value of over £50,000. It has built a market-leading position in the Academy sector, which presently serves almost four million pupils across England and recently secured deals with two major Multi-Academy Trusts to immediately install lighting at 20 schools in the UK. By comparison, eEnergy has completed LED lighting installations at 170 schools over the last three years

RSL acquisition consideration

The consideration is to be paid entirely in new eEnergy shares and structured as follows:

- Initial consideration, payable on completion, of £1 million. This will be satisfied by the issue of 13,333,333 new ordinary shares of eEnergy (the "Initial Consideration Shares") based on an issue price of 7.5 pence per share (a premium of 27.7% to the closing mid-price on 30 June 2020;

- Contingent consideration, payable after one year, up to a maximum of £1.2 million in new eEnergy shares based on an issue price of 7.5 pence per share ('The Earn Out'). The Earn Out will be calculated for the 12-month period to 30 June 2021, based on six-times adjusted EBITDA in excess of £296,000 generated by RSL.

The maximum number of shares payable, assuming all earn-out payments are made, is 29,333,333 new eEnergy shares, or approximately 18.3% of the share capital. In addition to the consideration payable, RSL will make payments equal to 3% of revenue generated during the Earn out period to a RSL director as settlement of historical obligations agreed between RSL and the director, plus RSL will repay an existing loan of £250,000 due to a RSL director, £130,000 on completion and £120,000 on the first anniversary of completion.

The Initial Consideration Shares will be subject to a lock-in of 12 months the admission of the shares to AIM and any new ordinary shares issued pursuant to the Earn Out will be subject to a lock-in of 6 months from the date of their admission to AIM, such lock-ins to be subject to limited carve-outs. At the expiry of those periods, both the Initial Consideration

Shares and any new ordinary shares issued pursuant to the Earn Out will be subject to ongoing orderly market arrangements.

For the year ended 31 March 2020, RSL recorded revenues of £1,607,000 (2019: £986,000) with a significantly reduced net loss of £82,000 (2019: net loss £206,000).

Application will be made for the Initial Consideration Shares to be admitted to trading on AIM, and it is anticipated that trading in the Initial Consideration Shares will commence on AIM on or around 6 July 2020.

Harvey Sinclair, CEO of eEnergy, went on to note in today's RNS release that "Our strategy remains to supplement our organic growth with high-quality strategic acquisitions in the energy management sector, and RSL is the first."

THIS DOCUMENT IS NOT FOR PUBLICATION, DISTRIBUTION OR TRANSMISSION INTO THE UNITED STATES OF AMERICA, JAPAN, CANADA OR AUSTRALIA.

Conflicts

This is a non-independent marketing communication under the rules of the Financial Conduct Authority ("FCA"). The analyst who has prepared this report is aware that Turner Pope Investments (TPI) Limited ("TPI") has a relationship with the company covered in this report. Accordingly, the report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing by TPI or its clients ahead of the dissemination of investment research.

TPI manages its conflicts in accordance with its conflict management policy. For example, TPI may provide services (including corporate finance advice) where the flow of information is restricted by a Chinese wall. Accordingly, information may be available to TPI that is not reflected in this document. TPI may have acted upon or used research recommendations before they have been published.

Risk Warnings

Retail clients (as defined by the rules of the FCA) must not rely on this document.

Any opinions expressed in this document are those of TPIs research analyst. Any forecast or valuation given in this document is the theoretical result of a study of a range of possible outcomes and is not a forecast of a likely outcome or share price.

The value of securities, particularly those of smaller companies, can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of smaller company securities may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. Past performance is not necessarily a guide to future performance and forecasts are not a reliable indicator of future results.

AIM is a market designed primarily for emerging or smaller companies and the rules of this market are less demanding than those of the Official List of the UK Listing Authority; consequently AIM investments may not be suitable for some investors. Liquidity may be lower and hence some investments may be harder to realise.

Specific disclaimers

TPI acts as sole broker to eEnergy Group plc ('eEnergy') which is listed on the AIM Market of the London Stock Exchange ("AIM"). TPIs private and institutional clients may hold, subscribe for or buy or sell eEnergy's securities.

This document has been produced by TPI independently of eEnergy. Opinions and estimates in this document are entirely those of TPI as part of its internal research activity. Where information utilised in this document has been provided to TPI by eEnergy and/or is attributed to eEnergy or a third-party source, that information has not been subject to any independent verification or evaluation by TPI or any other party. TPI has no authority whatsoever to make any representation or warranty on behalf of eEnergy.

General disclaimers

This document, which presents the views of TPIs research analyst, cannot be regarded as "investment research" in accordance with the FCA definition. The contents are based upon sources of information believed to be reliable but no warranty or representation, express or implied, is given as to their accuracy or completeness. Any opinion reflects TPIs judgement at the date of publication and neither TPI nor any of its directors or employees accepts any responsibility in respect of the information or recommendations contained herein which, moreover, are subject to change without notice. Any forecast or valuation given in this document is the theoretical result of a study of a range of possible outcomes and is not a forecast of a likely outcome or share price. TPI does not undertake to provide updates to any opinions or views expressed in this document. TPI accepts no liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document (except in respect of wilful default and to the extent that any such liability cannot be excluded by applicable law).

The information in this document is published solely for information purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. The material contained in the document is general information intended for recipients who understand the risks associated with equity investment in smaller companies. It does not constitute a personal recommendation as defined by the FCA or take into account the particular investment objectives, financial situation or needs of individual investors nor provide any indication as to whether an investment, a course of action or the associated risks are suitable for the recipient.

This document is approved and issued by TPI for publication only to UK persons who are authorised persons under the Financial Services and Markets Act 2000 and to professional clients, as defined by Directive 2004/39/EC as set out in the rules of the Financial Conduct Authority. This document may not be published, distributed or transmitted to persons in the United States of America, Japan, Canada or Australia. This document may not be copied or reproduced or re-distributed to any other person or organisation, in whole or in part, without TPIs prior written consent.