eEnergy Group plc

eEnergy yesterday released its financial results for the six months ended 31 December 2020. In line with guidance already provided through a trading update published on 4 February 2021, an exceptional second half of the calendar year saw the enlarged Group's revenues rise 245%, underpinned by organic growth of 140% having completed 111 projects (up 95% on the comparable period). Significantly also, the average contract value of each project was 50% higher year-on-year. In particular, the Group enjoyed strong growth within the UK academy and state school sectors as well as entry into new markets, including Northern Ireland. The successful integration of Renewable Solutions Lighting Ltd ('RSL') reduced the division's unit costs and improved pricing to its clients.

Taking advantage of its exclusive OEM partnership with Venture Lighting Europe Limited ('Venture Lighting'), more competitive overall technology pricing helped eLight's H1 2020/21 gross margin improve by more than 460 bps on the same time last year. Having also seen activity levels somewhat flattered by a carry-over of business, that had otherwise become temporarily stalled by the COVID-19 related Q2 2020 lockdown, into the new financial year, eEnergy passed an important milestone by generating a first half-year net profit (before exceptional items[1]) for the first time of approximately £0.1 million. This figure is in-line with previously announced guidance, as is the Board's expectation that it will deliver breakeven net income for its full year to end-June 2021. Having reiterated its belief that the recently completed Beond acquisition will be materially earnings-enhancing in the first full year of ownership, while it also continues to evaluate a good number of other strategic opportunities supported by end-December 2020 cash in hand of £2.8m, eEnergy continues to deliver beyond both TPI's best expectations and its clearly stated business plan.

An exceptional first half trading performance

Despite the challenges posed by the Pandemic, H1 2020/21 proved to be a transformational period for eEnergy. The Group delivered an exceptional financial performance (as detailed below), with all entities reporting positive operating EBITDA while important steps were also taken toward its strategic objectives. Significantly, the core Light-as-a-Service ('LaaS') division, eLight, began to scale during the period in which it registered almost a doubling of the number of completed light emitting diode ('LED') installations at schools and businesses.

- Revenue for the enlarged Group up 245% to £6.8 million (H1 2020: £2.0 million)
- Organic revenue up 140% to £4.5 million (H1 2020: £2.0 million)
- eLight gross margin increased by 460 bps to 37.1% (H1 2020: 32.5%)
- Positive operating EBITDA in each business unit
- Profit before exceptional items[1] of £0.1 million (H1 2020 loss £1.0 million)
- Cash at bank £2.8 million (30 June 2020: £1.5 million) and net cash (excluding IFRS 16 lease liabilities) of £0.6 million (30 June 2020: £0.1 million).

Second half expected to deliver on Group's clearly stated business plan

The number of LED lighting installations eLight completed at schools and businesses in the UK & Ireland during the period almost doubled to 111 (H1 20: 57). Supported by last July's highly successful acquisition of Renewable Solutions Lighting Ltd ('RSL'), this reflects a background of heightening pressure on businesses and public sector

[1]Net income before exceptional items (defined as transaction-related costs & share based payment expenses)

Stock Data

Share Price	17.50p
Market Capitalisation	£43.1m
Shares in issue:	246.3m
52 week high/low	20.75p/3.20p

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.

www.eenergyplc.com

1-year share price performance

Source: LSE

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

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organisations such as schools and hospitals, to save money while also cutting their carbon footprint. With the total UK market estimated to be only c.80% penetrated, calendar 2021 and beyond might be expected to witness further acceleration in LaaS generally, with well capitalised, national players (like eEnergy) that are capable of providing strongly supported, competitive offerings likely to be preferred as a longer-term partner by such organisations. By continuing to achieve a high level of customer satisfaction, TPI expects strong organic growth to be sustained, with eLight successfully securing and retaining a good slice of this rapidly growing market.

eEnergy's business plan, of course, goes beyond just lighting efficiency into the broader areas of energy management and efficiency. December's acquisition of Beond Group Limited ('Beond'), a top 20 UK-based renewable energy consulting and smart procurement business, represented a first, important step in this direction. Beond's key offering is its proprietary platform used to run reverse energy auctions for clients, although it also offers services for provision of clean energy strategy, smart energy procurement, hedging strategies, bill validation, bureau services and market intelligence. Completed through a mix of consideration shares and a placing to new/existing institutional/other investors, raising gross proceeds of £3.2 million, Beond's integration into the Group is now progressing well. Performing as expected to date, Beond contributed revenues of £162,000 and an operating EBITDA of £25,000 to the Group's H1 2020/21 results. As per previous guidance, the Board continues to expect this acquisition to be materially earnings-enhancing in the first full year of ownership as energy efficiency services are introduced to the Beond client base and its capabilities are built-out to offer a wider range of value-added services to existing and prospective customers. Considered a model for the Board's 'Buy and Build' M&A strategy, eEnergy continues to adopt a disciplined approach to assessing future potential acquisitions. A good number of pipeline opportunities are presently being evaluated including, (i) Established smart energy procurement platform and smart metering & software analytics businesses; and (ii) Heating-as-a-Service ("HaaS") companies capable of scaling the existing EEaaS business through cross-selling. Such strategic targets potentially comprise the building blocks required to deliver on eEnergy's planned integrated energy management and energy efficiency platform strategy.

TPI expects activity levels to continue to build strongly as 2021 progresses

The Group's business model has successfully navigated the impact of COVID-19 with multiple new contract wins and accelerated installations during the school holidays. Whilst its pipeline of opportunities continues to grow, TPI also believes that the second quarter of the new calendar year will see a significant number of eLight's customer decisions, that have almost inevitably been delayed by the most recent lockdown, start to alleviate. With expectation of a return to some form of UK normality gathering pace, such extended project timeframes could now start to contract, suggesting activity levels could spike quite sharply in the second half as further customers focussed on the benefits of cost reduction, energy efficiency and carbon elimination move to contract. The enlarged Group might then be expected to start throwing off free cash and enjoy a high level of forward visibility. Arrangements agreed last August with new project funding partner, SUSI Partners AG, have also proved successful. Providing eLight with an increased share of the total contract value through a dedicated facility of up to €15 million for projects in the Republic of Ireland, management is now seeking to extend and enlarge this agreement into a longer-term funding partnership that also includes LaaS projects in the UK. Last December's appointment of Derek Myers, the controlling shareholder of Beond prior to the acquisition, to the Board as Chief Innovation Officer, along with the (non-Board) appointment of Rob Van Leeuwen, who brings with him 20-years of experience in the energy management sector, as Group Chief Operating Officer, are also seen playing key roles in the Group's continuing expansion. The building of such momentum in turn, might be expected to further support its wider ambitions to facilitate an ambitious 'buy-and-build' consolidation strategy with a view to capturing opportunity in the broader, but still relatively nascent, Energy Efficiency-as-a-Service ('EEaaS') sector. Having delivered on the market's best expectation since last year's AIM Admission, successfully integrated RSL and broadened its offering through the acquisition of Beond, TPI is now reassessing its valuation for eEnergy with a view to resetting expectations based on recent successful initiatives, positive news flow and its ability to efficiently capture an enlarged its market opportunity through strategic acquisition.

(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.)

[1] *Net income before exceptional items (defined as transaction-related costs & share based payment expenses)*

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