TURNER POPE INVESTMENTS

Marketing Communication
Your Capital is at Risk

RESEARCH 16 September 2021

Stock Data

Share Price	16.00p
Market Capitalisation	£55.09m*
Shares in issue:	344.3m*
52 week high/low	30.80p/6.00p

**Post-Admission of Placing shares*

Company Profile

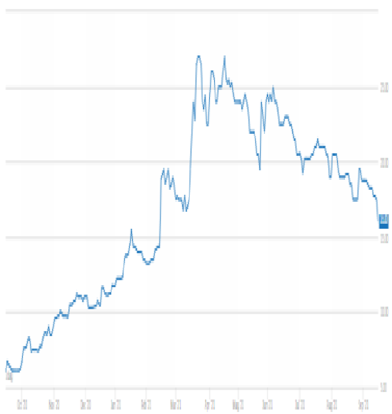
Sector:	Support Services
Ticker:	EAAS
Exchange:	AIM

Activities

eEnergy Group ('eEnergy', 'the Group', 'EAAS') is a leading UK and Irish B2B energy services company delivering Net Zero Solutions through the fast growing 'Energy-Efficiency-as-a-Service' and 'Energy-Management-as-a-Service' sectors.

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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eEnergy Group plc

eEnergy has announced its successful completion of the acquisition ('the Acquisition') of UtilityTeam Trading Limited ('UT') on a cash and debt-free basis for initial and deferred considerations totalling up to £21m. A placing (the 'Placing') of new shares to new and existing institutional investors by way of an Accelerated Bookbuild ('ABB') priced at 15p each raising £12m was completed yesterday in order to satisfy the cash element of the transaction, with the balance being due in ordinary equity. Coming with attractive deal metrics, this UK Top 20 Energy Management business is a high growth energy consulting and procurement company that generates exceptional quality, recurring revenues from a large contracted industrial and commercial customer base, is expected to materially enhance Group earnings in its first year of ownership. Very much in keeping with the Board's strategy of evolving into an integrated energy management and savings platform that places technology and analytics at the heart of its customer proposition, this latest acquisition builds further on the Group's ability to both cross and up-sell across its highly complementary offerings, while leveraging the platform operated by Beond to heighten operating efficiencies. Coming not long after providing shareholders with a trading update on its transformational year ended June 2021, in which eEnergy delivered both strong organic growth and a maiden profit, this latest acquisition is expected to help sustain current momentum in a capital-constrained post-COVID environment in which businesses will become increasingly focussed on cost reduction, capital-free solutions and net zero legislation. Its combination with the Group's existing offering, provides opportunity to become a UK Top 10 energy broker.

Terms of the Acquisition: UtilityTeam

eEnergy has conditionally agreed to acquire the entire issued share capital of UtilityTeam Topco Limited and 5% of the issued share capital of UT (not currently owned by UtilityTeam Topco Limited).

The total consideration for the Acquisition is for up to £21m, subject to certain cash/debt and working capital adjustments. This comprises an initial consideration of £15.855m, including an initial cash consideration of £9.528m payable on completion plus a further cash consideration of £2.000m payable on or before 31 December 2021, as well as £4.327m which will be satisfied by the issue of 18,031,250 new Ordinary Shares (the 'Consideration Shares') to be issued at a price of 24 pence each (representing a premium of 37.1% to the closing mid-market price on 14 September 2021 and fair value of £2.7m). The initial consideration represents an acquisition multiple of 7.1x UT's adjusted EBITDA for the year ended 31 December 2020. A maximum earn-out consideration of £5.145m will be paid in cash up to £1.473m and any balance in ordinary shares (at the higher of 24 pence each or the 30-day VWAP to 31 December 2021), based on a 7.0x multiple of UT's EBITDA for the year ending 31 December 2021, paying £7 for every £1 of EBITDA generated in excess of £2.265m, up to a maximum EBITDA of £3.000m.

Importantly in this respect, the largest vendor shareholders are demonstrating ongoing commitment by agreeing to be locked-in for a total of 24 months, followed by a further 12 months which will be subject to an orderly market agreement.

Given that the Placing was undertaken within existing Group authorities, no shareholder approval is required. The proceeds are to be used for the acquisition consideration (including cash acquired with the business) and for general working capital purposes.

Delvin Lane, UT's Chief Executive Officer, will join the Group's management team and will lead its enlarged Energy-Management-as-a-Solution ('EMaaS') division as well as becoming a member of eEnergy Executive Committee going forward. He brings over 25 years' experience in the energy sector with him, having worked for a number of the UK's largest utilities, including having been Head of Energy Services for EDF.

The next stage of eEnergy's successful 'buy and build' strategy

UT is expected to represent the next important stage of eEnergy's successful 'buy and build' strategy. It introduces a large, aligned existing customer base with LaaS potential, strengthening its position with larger customers seeking energy efficiency solutions. Its acquisition moreover recognises the corporate world's increasing focus on Environmental, Social, and Governance ('ESG') criteria at a time when post-COVID markets are likely to remain highly capital constrained. Seeking cost reduction and capital free solutions, businesses now also widely anticipate increased governmental pressure through net zero legislation and higher compliance reporting requirements. Being able to provide such sophisticated managed solutions to reduce their carbon footprint and unlock hidden cost savings, the Group expected to transition UT's customer portfolio into a single procurement platform and leverage operations to provide synergies estimated at c.£200,000/year. Sector specific sales channels will also be created in order to focus on the Public Sector (Beond) and industrial & commercial/mid-market (UtilityTeam) customer bases with strong cross-sell potential, while repurposing capacity to develop and grow energy price risk management products to lock-in longer term revenues. The result is expected to provide enhanced visibility and quality of earnings for the Energy Management division. UT's key performance indicators ('KPIs') are as follows:

- >800 customers (comprising a mix of government, mid-market, SME and enterprise)
- c.30,000 meters under management
- c.80% renewal rates
- 36 employees (of which, 22 are client facing)

Introducing high quality revenue streams, comprising both upfront and recurring fees from a broad existing range of over 800 contracted industrial/commercial/mid-market/SME users, integration is expected to be straightforward while offering good cross-selling potential and an efficient customer acquisition funnel. Ongoing customer engagement continues to deliver an exceptional renewal rate for multi-year contracts which, together with a current £10.3 million forward order book, suggest it has opportunity to become a trusted advisor. This is expected to open an important marketing opportunity with its large scale customers to deliver £1m+ EEaaS solutions, while eEnergy's recently created proprietary MyZeERO, which operates an additional IOT-enabled firmware and software platform for energy consumption measurement and analytics, also offers potential to become embedded into all the Group's new EMaaS energy procurement solutions with the ambition to increase its 'share of energy savings wallet' through identification of energy conservation measures.

eEnergy Group plc – Transformational Period since January 2020 IPO

Source: eEnergy, Investor Presentation September 2021

UT- Strategic Rationale for the Acquisition

Established in 2009 and headquartered in Coventry with c.37 employees, UT has grown into one of the UK's top-15 energy consulting and procurement businesses. It is a founder member of the Future Net Zero Standard, offering energy and water consulting and procurement services to reduce costs, while supporting and adding value to such proposed transitions. With a dedicated energy services function – identify, design, finance, implement - all tenders come with a renewable option with 39% of contracts signed in the year to 2021 utilising renewable energy. The Company presently has over 800 contracted customers delivering a strong recurring revenue base.

These are aligned in complementary sectors (e.g., Healthcare with clear LaaS/EEaaS potential), which provide substantial opportunity with large scale customers to deliver high contract-value solutions. It also presents opportunity to leverage eEnergy's existing platforms, with some £200,000 in operating efficiencies already identified by transitioning UT's customer portfolio, while creating a digital journey through an enhanced product offering for customers.

UT provides a differentiated client offering with particular focus on large, complex multi-site portfolios and a dedicated energy services function. Its Net Zero strategy is fully integrated into a traditional energy procurement policy which is facilitated through a highly accomplished digital sales/marketing capability that delivers strong new business wins. The strategic rationale for the acquisition is summarised below, along with UT's service offering, selected top clients and summary financials:

eEnergy's Strategic Rationale for the Acquisition of Utility Team Trading Limited

COMPELLING & ALIGNED COMMERICAL STRATEGY

- High quality sales engine delivered 27% revenue growth in 2020
- Differentiated proposition and strong 'Zero Carbon' credentials
- Ability to secure large-scale, high-volume energy users with a strategic solution

LEVERAGING EXISTING TECHNOLOGY PLATFORM

- £200k operating efficiencies identified by transitioning customer portfolio to existing platform
- Increased scalability to leverage existing cost base for future growth
- Enhanced product offering and creating digital journey for customers
- Improved industry ranking for combined entity

ATTRACTIVE AND COMPLEMENTARY CUSTOMER BASE

- 800+ customers aligned in complementary sectors e.g Healthcare with clear LaaS/ EEaaS potential.
- Provides substantial opportunity with large scale customers to deliver high-contract-value EEaaS solutions

HIGH QUALITY OF EARNINGS

- Multi-year contracts with strong (c. 80%) renewal history
- £10m forward order book

Source: eEnergy, Investor Presentation September 2021

UT's Services Offered and Selected Top Clients

UT – Current Services Offered	UT - Selected Top Clients
• Green energy strategy • Hedging strategies • Bill validation • Consultancy expertise • Bureau services • Market intelligence	Atos, amey, dpd, MK Dons, workman, Cloud, Columbia Threadneedle, EMCOR UK, NHS, Homebase, Wasps, Zurich

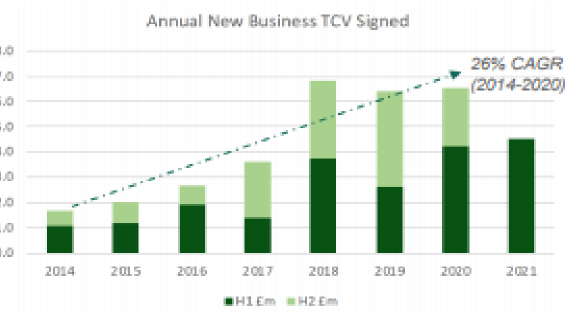
**Top10= XX% of Company revenues*

Source: eEnergy, Investor Presentation September 2021

UT's business model is based on fixed upfront fees plus commissions earned through consumption, with a differentiated client offer focussing on large, complex multi-site portfolios with a dedicated energy services function. A highly accomplished digital sales and marketing capability delivers new business wins and contract renewals. With current customer contracts (which are seen to enjoy more than twice the upfront suppliers' commission that Beond achieves) delivering >69% of forecast revenues for FY2022, a c.80% average contract retention rate with an average length of 2.8 years, plus a £10.3 million forward order book, UT displays a high quality of earnings. 2021 is presently on track to outperform 2020 in terms of new business volumes.

UT's Organic Revenue Growth and Summary Accounts

UT – Consistent Organic Revenue Growth



UT – Summary P&L

Year end 31 December £'000	2020	2019	% change
Revenue	**5,171**	**4,178**	23.8%
Gross Profit	**4,590**	**3,298**	37.7%
Margin (%)	*88.8%*	*78.9%*	
Reported EBITDA	**2,449**	973	151.7%
Margin (%)	*47.4%*	*23.3%*	
Revenue adjustments	(344)	(281)	
Cost adjustments	36	853	
Provision adjustments	99	(43)	
Adjusted EBITDA	**2,240**	**1,502**	49.1%
Margin (%)	*43.3%*	*36.0%*	

Notes: (1) adjustments identified in due diligence, as outlined in appendix; (2) financials shown are for UtilityTeam Trading Ltd, the operating subsidiary of UtilityTeam Topco Ltd, which is the entity to be acquired. Consolidated Topco revenues are the same as for Trading as above. Adjusted EBITDA for Topco was £1,504k for 2019 and £2,301k for 2020. *Source: eEnergy, Investor Presentation September 2021, RNS of 15 September 2021*

eEnergy – Trading update for the year ended June 2021

On 13 July 2021, eEnergy provided a trading update for the financial year ended 30 June 2021. This highlighted the success of its business planning, not only through delivery of strong organic growth despite the challenges of the global pandemic, but also by continuing its planned evolution through entrance into the energy management market. During a period in which it was able to deliver a maiden profit (in line with market expectations), the Board also oversaw the acquisition of Renewable Solutions Lighting ('RSL'), in order to strengthen the Group's LaaS position in Multi Academy Trusts and State Schools and Beond, a UK top 20 energy management business, while also launching MyZeERO, the smart metering and intelligent data analytics platform. These operations have already been fully integrated into the Group structure, with deployment through its single, cloud-based collaboration platform.

Exceptional full year performance despite the lockdown

eEnergy's unaudited trading update detailed a 69% increase in eLight projects completed (FY2021: 211, FY2020: 125) with average revenue per project increasing by 52%, lifting full year revenue to £13.5 million, up 200% on the FY2020 figure of £4.5 million, despite being hindered by the lockdowns. Organic growth of 75% generated revenues of £7.9m for the core eLight business. All principal business units were profitable at the EBITDA level for FY2021, with the Adjusted figure improving to £0.7 million (FY2020 - loss of £1.5 million). Profit before and after tax but before exceptional items was £0.1 million (2020 - loss £1.9 million). The Group's cash balance at 30 June 2021 totalled £3.2 million (30 June 2020 - £1.5 million), while net cash (including £0.6 million of IFRS 16 lease liabilities) ended at £0.7 million (30 June 2020 - net debt of £0.5 million, including £0.5 million of lease liabilities). eEnergy is expected to release its audited final results for the period ended 30 June 2021 in late September 2021.

Divisional Strategy

As an integrated energy services company, eEnergy enables organisations to transition to 'Net Zero' through 'Energy as a Service', through different offerings:

- Energy Management as a Service, providing energy measurement, monitoring and analytics on top of core 'Zero Carbon' procurement services.
- Energy Efficiency as a Service; zero upfront capital, energy reduction solutions through measured savings contracts.
- An enhanced customer value proposition through data gathered/analysed with its proprietary MyZeERO platform.

The Group's Energy Efficiency as a Service ('EEaaS') division is anchored in the core eLight business. Having installed and managed over 1,100 LaaS projects to date and continuing to achieve a rate around one-third conversion of proposals, activity levels are expected to remain high. Indeed, as detailed below, the increasing inclusion of smart metering and customers' ongoing 'share of savings', this figure might be expected to increase going forward. The primary UK and Irish focus during FY2021 centred on the education sector, accounting for approximately 85% of revenue during the period. This stood the business in good stead during the lockdown, with vacant premises becoming available for upgraded lighting to be installed. Momentum in this particular sector (which, based on some 28,000 UK establishments has been valued at c.£1.5 billion) is expected to remain high, given that only an estimated 20% to 25% of the total are presently operating energy efficient lighting. In addition to this, Q4 2020/21 also witnessed a renewed appetite from the commercial sector, during which time the Group secured its largest retail contract with a leading UK health food chain.

eEnergy – Integrated Energy Services Strategy

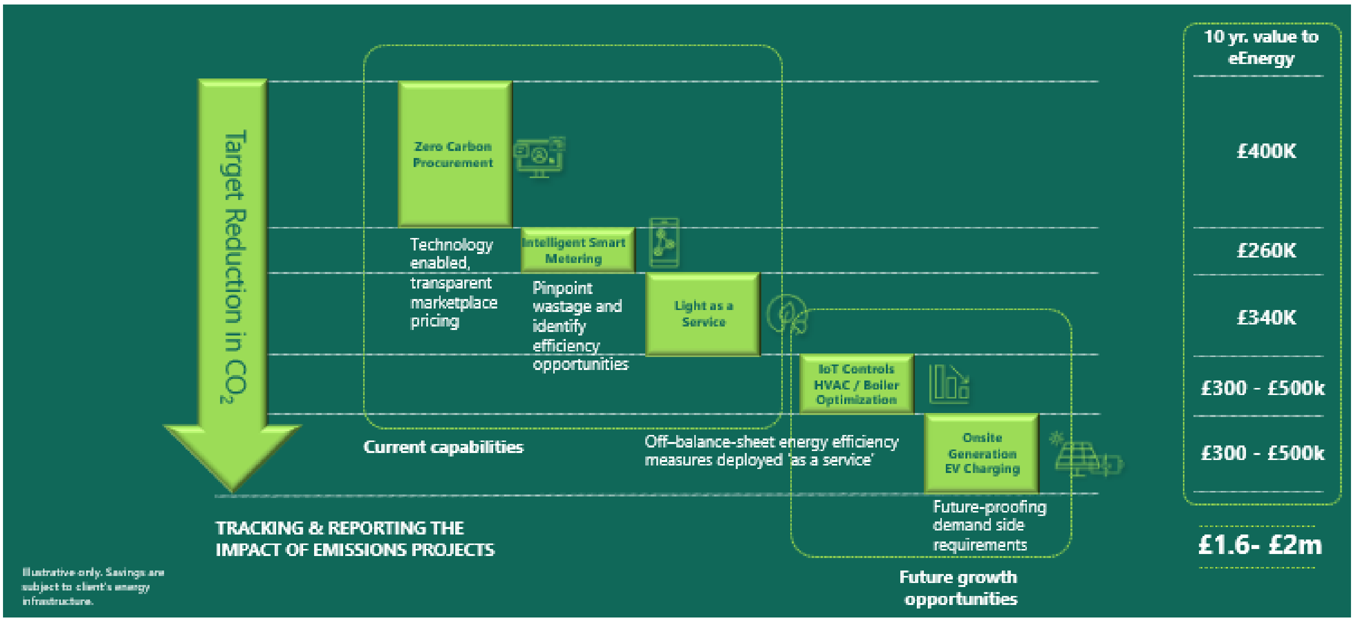
Source: eEnergy, Investor Presentation September 2021

eEnergy has also secured its first integrated contract for a leading recycling business, providing a full service EaaS solution through its LaaS offering with the Group's new MyZeERO smart metering monitoring & intelligent data analytics solution. By embedding this platform into its energy efficiency solutions, eEnergy intends to offer measured savings contracts to its clients using the certified International Performance Measurement and Verification Protocol ('IPMVP') methodology to evidence the savings delivered through efficiency measures. Through provision of live, 'behind the meter' energy consumption data to the cloud, the technology enables businesses to monitor and measure energy usage at the circuit and asset level in order to identify wastage and energy conservation measures ('ECM'). The Board believes this will differentiate the Group's solutions from its competition, while providing high margin firmware and software based 'recurring share of savings' returns for shareholders.

The strategic partnership with Venture Lighting, which provides the Group with eLight branded technology, signed in November 2020, has supported pricing to the Group's clients as well as contributing to an improved gross margin. After commissions, this increased 350 bps to 34.4% in FY2021 (FY2020: 30.9%).

Beond, the Group's existing Energy Management business was acquired in December 2020 and offers Zero Carbon procurement through eEnergy's proprietary reverse auction platform, ESG reporting and risk management and bureau services. Since then, it has generated revenue of £2.2 million, which is ahead of the Board's expectation at the time of acquisition. It has increased its number of meters under management by 9% over this same period now totalling in excess of 30,000, with 82% of all electricity sourced since 1 January coming from renewables. Integration continues to be on plan, with sales, marketing and finance teams integrated and common data platform delivered.

eEnergy Illustrative Case Study: Potential Economic value of delivering Net Zero*



**Illustrative only. Based on actual customer case study, assuming one renewal, and pipeline for Current Capabilities and eEnergy estimate of value for Future Growth Opportunities. Actual savings and value to eEnergy are subject to each client's energy infrastructure.*

Source: eEnergy, Investor Presentation September 2021

In its trading update, the Group noted it expects to continue to assess strategic and accretive acquisition opportunities that will enable it to accelerate the rate of growth across the business, with its Board having already identified opportunities to accelerate revenue growth in FY22 and beyond. As a result, it brought forward investment in the Group's management capability alongside investing in the development of MyZeERO, as well as committing to additional sales and marketing expense (including additional headcount) in both Energy Efficiency and Energy Management to support that revenue growth. As such, today's announcement of the acquisition of UT represents an ideal fit, scaling up the Group's Energy Management division and lifting its pro-forma revenues to an estimated £10.5m for the financial year to June 2021, with the number of installed meters rising to 38,000 and annualised electricity consumption of 5TWh.

Multiple drivers for improved energy efficiency

The Group's existing capabilities across Energy Management, Energy Efficiency and Intelligent Measurement & Analysis are powering strong organic growth, supported by an acquisition strategy to in-fill expertise gaps and accelerate growth. Driven by legislation, pressure on businesses for broad compliance and reporting will intensify in coming years. New UK government procurement rules, for example, will require businesses to commit to net zero by 2050 before they can bid for major government contracts, while the sixth Carbon Budget, which will incorporate the nation's share of international aviation and shipping emissions for the first time, enshrines in law a new target to slash emissions by 78% by 2035. ESG reporting is to become mandatory for LSE main market listed companies from 1 January 2022, with streamlined energy & carbon reporting requirements already in force.

Against such a background, eEnergy has listed multiple current drivers for improved energy efficiency:

eEnergy Group – Key Drivers for Energy Efficiency and Near-term Growth

Source: eEnergy, Investor Presentation September 2021

TPI expects UT to strongly support activity levels in FY2022 and beyond

Although it is still too early in the current financial year to make a formal forecast, the Board stated in its 13 July 2021 trading update that it expected revenue and profit before and after tax but before exceptional items for FY2022 for existing operations to be materially ahead of FY2021. Noting also that it projected FY2022 revenues to be significantly ahead of the then current market consensus, it came as no great surprise that management were expecting profit before tax and exceptional items for the period to be c.10% below estimates, given the hefty additional costs incurred in anticipation of completing targeted acquisitions while committing to higher marketing/headcount. Following its transformational FY2021, during which the Group produced strong organic growth, entered the energy management market and delivered a maiden profit despite the challenges presented by the global pandemic, confidence in the Group's corporate direction, its ability to make and integrate carefully selected acquisitions on attractive metrics as part of its 'Buy & Build' strategy while also delivering on financial projections, are set to be further reinforced by yesterday's news. The acquisition of UT is seen not only significantly enhancing FY2022 earnings while substantially contributing to annual revenues, but also as an ideal strategic fit with eEnergy's strategic mission to develop energy management and capital free energy efficiency solutions to reduce their carbon footprint and unlock hidden cost savings. Against the background of a large and fast growing, wholly addressable opportunity which, according to the BIS Global Lighting as a Service report 2018-2025, sees the global LaaS market growing at a 41% CAGR, with the Roland Berger Energy Efficiency Services in Europe report projecting value rising to €50bn, there is a high level of confidence that its Board will continue to build out its business model while delivering on the market's best expectation. Accordingly, TPI is now reassessing its valuation for eEnergy with a view to resetting expectations based on recent initiatives, positive news flow plus its ability to efficiently identify and capture an expanding market opportunity through strategic acquisitions.

(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.)

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