eEnergy Group plc

eEnergy yesterday announced results for the six months ended 31 December 2021. As foreshadowed in its pre-close trading update and full year outlook released on 27 January 2022, management delivered significant gains in both revenues and profitability during the period, while also confirming significant strategic progress towards its stated goal of providing a simple, end-to-end solution to enterprises seeking an economic and effective path to Net Zero emissions. The completion of four complementary acquisitions since Admission, now enables the Group to offer a broad range of products, services and expertise in energy management, energy efficiency, intelligent measurement and analysis, through which it is cultivating a large and relevant customer base that presents multiple longer-term and cross-selling opportunities. While management notes that it issued more Energy Efficiency proposals in H1 FY22 than in the whole of FY21, and that contracted forward revenues for its Energy Management clients had risen 205% since 31 December 2020, it also recognises its exposure of certain risks outside of its control; these include the global consequences of continued war in Ukraine and the timing of customer decisions on Energy Efficiency contracting/installations. On balance, however, in anticipation of a full period contribution from UtilityTeam plus continuing strength within its opportunities pipeline, the Board has reconfirmed its expectation of trading in-line with market consensus for the current financial year.

Results for the six months ended 31 December 2021

- Revenue for the enlarged Group up 42% to £9.6 million (H1 FY21: £6.8 million).
- Energy Management revenue increased to £4.8 million (H1 FY21: £0.2 million) through underlying annualised growth of 25%, the inclusion of Beond for the full period and the acquisition of UtilityTeam in September 2021.
- Energy Efficiency revenue of £4.8 million was stable with H2 FY21 but down 28% on H1 FY21 (£6.6 million), primarily as a result of the catch-up effect in H1 FY21 of projects delayed from the first COVID lockdown.
- Group gross margin increased in the period to 57.6 % (H1 FY21: 38.2%) due to the change in sales mix towards Energy Management.
- Adjusted EBITDA up 117% to £0.8 million (H1 FY21: £0.4 million).
- Profit before exceptional items of £0.2 million (H1 FY21 £0.1 million).
- Cash at bank £2.6 million (30 June 2021: £3.3 million) and net debt (including IFRS 16 lease liabilities) of £1.1 million (30 June 2021: net cash £0.8 million).

Energy market conditions presently complicate lock-in of supply

The past year has witnessed investors discounting the impact of uncertainties resulting from both the growing list of insolvencies amongst the UK's smaller, undercapitalised energy suppliers and, more recently, the global consequences of the continuing war in Ukraine.

Notwithstanding the near-term interruption this is causing in terms of delays to pricing supply contracts and timing of customer decisions due to energy cost volatility/risk of supplier failure, there has also been a significant adjustment to longer-term expectations. Customers do now broadly accept that structurally higher energy prices will remain for the foreseeable future. Such an outcome clearly enhances the value implicit in EAAS's unique integrated Net Zero proposition, which now offers a stable platform of services that encompass energy efficiency, management solutions, demand

Stock Data

Share Price	12.00p
Market Capitalisation	£41.32m
Shares in issue:	344.3m
52 week high/low	30.80p/10.22p

Company Profile

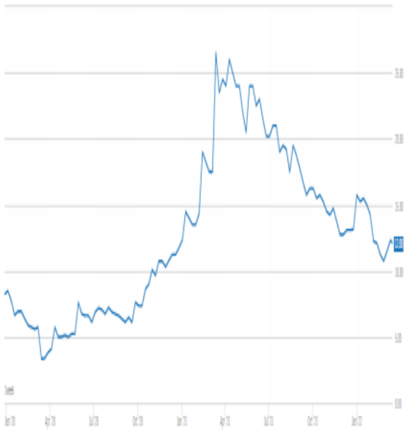
Sector:	Support Services
Ticker:	EAAS
Exchange:	AIM

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

Share price performance since Admission*



**9 January 2020*
Source: LSE

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

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reduction, waste elimination and onsite generation.

Indeed, the customer's willingness to recognise that around one-third of all energy presently being purchased is wasted and that, based on current market pricing, onsite solar generation is presently around 50% cheaper than buying on-grid, drives the point home. The Group's consultancy services, moreover, actively limit exposure to undercapitalised suppliers while also offering customer protection through 'supplier-of-last resort' agreements. The exceptional level of customer engagement this is creating not only reinforces management's confidence for the Group's FY2022 outcome, but also recognises the broad macro conditions and clear regulatory drivers that continue to be a tailwind for the business. The scale of the organic structural growth opportunity is reflected through more than a 200% increase in contracted forward revenues recorded for the period, with both the Beond and Utility Team acquisitions performing ahead of management's expectations (importantly, Energy Management solutions presently enjoy a c.80% renewal rate), while Energy Efficiency proposals issued H1 FY22 (which presently sustain a 30% to 40% conversion rate) exceeded the whole of FY21 following relaxation of COVID restrictions.

Energy Management – Now representing half of the Group revenues

Driven by acquisitions, the division produced half year revenues of £4.8m (H1 FY21: £0.2m). It performed ahead of management expectations delivering underlying organic growth up 25%. Beond, which was acquired December 2020 and effectively laid the foundations for Energy Management, has subsequently reported a 27% increase in average contract length with revenue/meter increasing by 37%. Overall, this enabled the division's EBITDA margin to rocket to 29.8% (H1 FY21; 15.4%) for the period, as the range of services that customers pay for expanded in tandem with higher operating efficiencies upon delivery and an 8% growth in average contract length (to 30 months). Quality of service has also been improved through automation of key data collection and manipulation processes as well as provision of an online customer platform. Contracted forward revenues amounted to £17.0 million at 31 December 2021, up 250% (31 December 2020 £4.9 million), of which 27% was organic, with 87% of all H1 FY22 energy management contracts signed being for 100% renewable supply (FY21: 82%).

Within this, UtilityTeam (which was acquired in September 2021) has key contracts that are typically longer and larger than Beond's more diversified portfolio; its customers also demand a broader range of services. While good pipeline visibility remains with no increase in customer churn, disruption to the marketplace over the past year has nevertheless resulted in delay for some larger contracts which, in turn, has a bearing on the timing of revenue, given that it recognises c.20% of the value on signing.

eEnergy also increased its stake in MY ZeERO from 37.5% to 51% in October 2021. It went on to sign and then installed its first standalone monitoring and data insights as a service contract with a multi academy trust in December 2021. As at 31 December 2021 the Company had 132 eMeters installed, with a strong level of customer interest resulting in a further 260 being installed or contracted as at 11 March 2022; this is expected to rise to over 1,000 by the end of June from a sales pipeline of c.£1.8 million.

Energy Efficiency – Strongest ever new opportunities pipeline

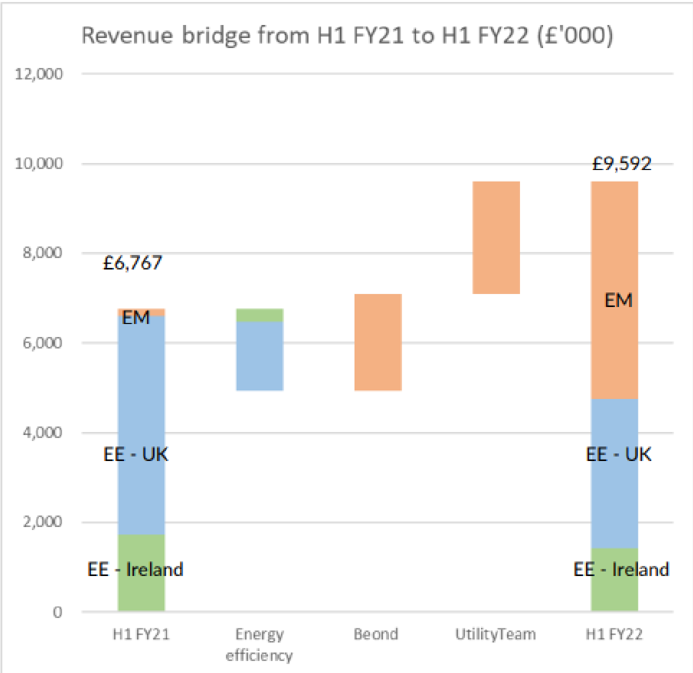
Revenues contracted by 28% to £4.8m during the period (H1 FY21: £6.6m), although improved buying power/supplier arrangements saw gross margins rise to 37.8% (H1 FY21: 33.4%). 108 projects were completed in the period, with an average revenue of £44,000 (H1 FY21: 111, with average revenue of £59,000).

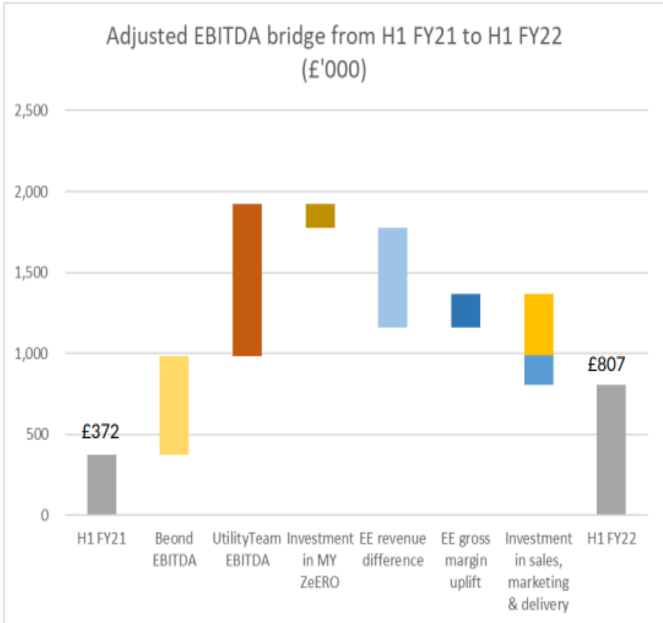
Despite the difficult market conditions brought about by the third national COVID lockdown in early 2021 the financial performance of the Energy Efficiency business in H1 FY22 was stable at the level achieved in H2 FY21, albeit behind that of H1 FY21 which benefited significantly from the roll-over of projects from the first lockdown (estimated at c.£1.2m value) into the summer of 2020. Very positively, however, following the recommencement of face-to-face marketing at events and conferences in October and November 2021, which is a key direct sales channel for the education marketplace, by Christmas the division had produced lead generation targets for the whole of FY22 that resulted in the year-end pipeline of proposals and opportunities spiking to a record high. This amounts to £17 million of unweighted opportunities to deploy ECMs and on-site generation (where the Group has seen a surge in demand) with existing clients, of which £1.3m of future revenue has been contracted for installation in H2 FY22.

The focus is now on completing the committed installations by the end of FY22 and continuing to develop pipeline opportunities, while also securing projects through key channel partners. Success in securing the first phase with a number of large multi academy trusts provides confidence in a substantially improved outcome for H2 FY22. Although Ireland was hit harder than the UK by COVID restrictions, with revenue falling 18% compared with H1 FY21, bringing the territory into a unified management structure along with a gradual easing of the Pandemic means that sales volumes are presently increasing in line with management expectations.

Revenue and adjusted EBITDA bridges

The Group's revenue and Adjusted EBITDA bridges for H1 FY21 to H1 FY22 are illustrated below. Note that Energy Management's EBITDA increased from £25,000 to £1.4 million primarily as a result of including a full six months of Beond and Utility Team since acquisition. Both Beond and Utility Team performed ahead of expectation in H1 FY22, with MY ZeERO remaining pre-breakeven after incurring a net expense of £149,000 for the period. Lower Energy Efficiency revenues reduced the adjusted figure by £0.6 million, although improved divisional gross margins added £0.2m, while £0.6 million was incurred on incremental marketing, sales and operational delivery to drive client acquisition and project management.





Note: Adjusted EBITDA is Earnings before interest, tax, depreciation and amortisation before exceptional items, which are transaction-related items, incremental integration and restructuring costs and share based payment expenses

Source: eEnergy, [Investor Presentation 16 March 2022]

Financial Position – Taking a prudent approach to working capital management

eEnergy's closing cash at the end-December 2021 was £2.6 million (30 June 2021: £3.3 million), with debt of £3.7 million (including IFRS 16 lease liabilities) being predominantly long term in nature. Borrowings increased £1.1 million between 30 June and 31 December 2021 to £2.9 million. In February 2022, refinancing of all secured debt was completed with Silicon Valley Bank as part of a £5 million committed revolving credit facility which provides more flexibility at a significantly lower average cost of finance.

During H1 FY22 the impact of the shift from energy suppliers paying commission income in advance to favouring paying in arrears became more pronounced and was a particular factor in the reduction of the Group's period end cash balance. Although the working capital profile has changed, there is no resultant reduction to the overall cash commission that the Group receives over the life of the effected contracts. The Board has sought, however, to take a prudent approach to working capital management, with ongoing monitoring of its financial position and scenario analysis to reflect downside risk cases that may arise from potential disruption to the business, whether as a consequence of the Pandemic or continuing volatility in the energy market. Having considered all unexpected but potential scenarios, however, the Board states its confidence that the Group has sufficient financial resources and headroom within its debt facilities (including the ability to meet its debt covenants) for the foreseeable future.

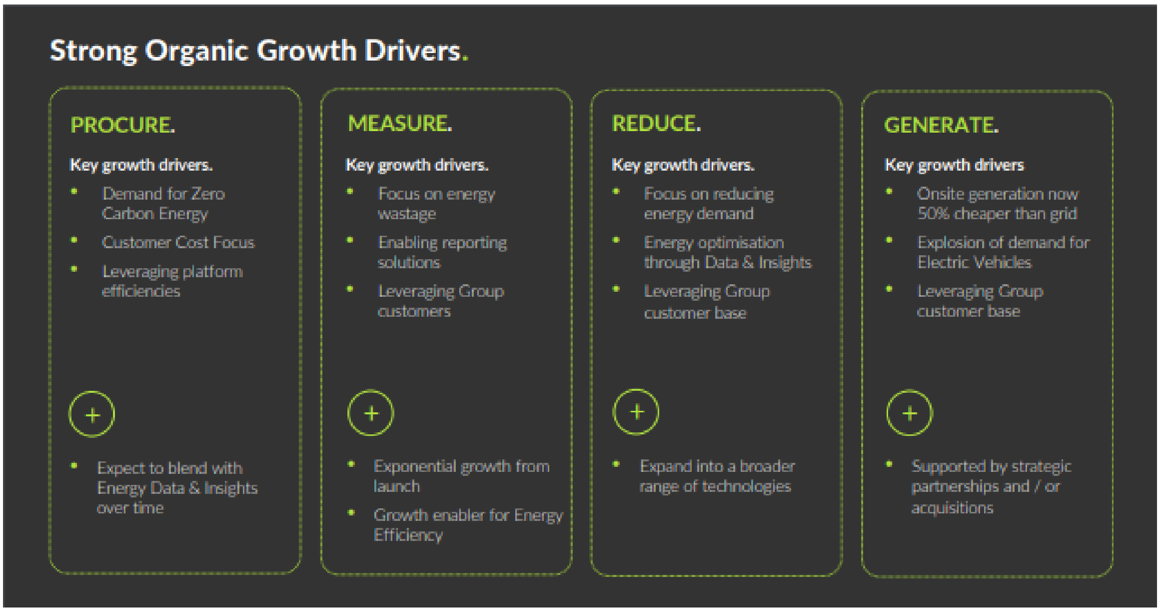
Within this, management has clearly stated its acquisition strategy, which is based on focused criteria in which targets must be capable of providing maintainable EBITDA multiples, with earnout and lock-ins for key management. To date, the Group has utilised flexible acquisition structures, which involve a mix of consideration shares and cash, something that it intends to continue to utilise using available debt facilities, albeit limiting the Group's net leverage to no more than 2x EBITDA.

Outlook for the 12 months to end-June 2022 and beyond

The Board recognises that there remains a number of risks outside of the Group's control, including challenges in the arrangement of new energy supply contracts in the current market environment and timing of customer decisions on Energy Efficiency contracts and installations. Positively, however, the Board on balance not only considers with the strength of its pipeline of opportunities will permit the Group to trade in line with the current market expectations for FY22, but it is also clear that such global uncertainties substantially enhance eEnergy's overall value proposition as customers accelerate their move toward Net Zero.

While higher energy prices are expected to remain a feature of the global energy markets in the short-to-medium term, the exceptional volatility that has characterised the supply market for the past twelve months is expected to reduce and become more predictable once again over the coming months. The customer response, however, is likely to be longer-lasting with a flight to quality along with much greater willingness to seek energy management solutions and improved efficiencies, in an effort to increase confidence and visibility of supply, eliminate wastage and reduce costs, while also seeking opportunity for onsite generation in their path to Net Zero by 2030. This is perhaps already being reflected by the fact that 44% of eEnergy's Top 50 clients are actively engaged in procuring significant additional services from the Group. Its ability to navigating the complex energy market for clients through smart procurement and effective risk management, something that is reflected in an existing forward order book of £18.3m, a pipeline that has doubled in the past 12 months amid exceptional customer 'stickiness', is something that clearly highlights the quality of its earnings.

eEnergy Group – Strong Organic Growth Drivers



Source: eEnergy, Investor Presentation 16 March 2022

With the rush toward Net Zero continuing to gather pace, the Group's strategy to exploit granular energy data as a means to drive customer change at zero capital cost can be expected to gain momentum. Against a background of high, long-term organic growth supported by structural market tailwinds along with multiple acquisition opportunities, eEnergy is positioned to secure strong annual recurring, high margin revenues going forward. eEnergy's Board accordingly has set a 5-year goal to increase the number of eMeters it has under management to 20,000 with 10,000 EV chargers also under management supported by 50MW of installed solar generation. In delivering this, management targets 20% organic CAGR revenue growth while also enjoying a 25% EBITDA margin. TPI accordingly is now reassessing its valuation of eEnergy, with a view to resetting expectations based on recent initiatives and anticipated news flow plus its ability to efficiently identify, capture and integrate an expanding market opportunity through strategic acquisitions in what remains a highly fragmented, albeit innovative, marketplace.

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