eEnergy Group plc

eEnergy yesterday announced a trading update and a senior change at Board-level. While the Group's underlying message remains one of strong sales momentum, with record contract signings across the Group's two core divisions during Q3 FY22, complications including both extended COVID-19 lockdowns and longer than expected conversion times for multi-service contracts, means that management now expects full year results to undershoot market consensus forecast. In terms of numbers, revenues are seen falling c.12% below consensus to c.£23m, with adjusted EBITDA not surprisingly being hit harder still, off some 30% to c.£3m, due to operational gearing and shortfalls concentrated in Energy Efficiency operations, most specifically from Ireland. Such 'growing pains' may, arguably, have been exacerbated by the expansion delivered from a business created through four complementary acquisitions over two years post-Admission, but this nevertheless has built a compelling and unique business model that empowers organisations to achieve net zero while transitioning to clean energy without the need for upfront investment. Management demonstrates this not only in its confidence of converting an expanding pipeline of new business opportunities during H1 FY23, but also through the willingness of major new customers to enter multi-year, Energy Management contracts spread across the Group's unique offering of different services.

Timing complications had been highlighted at the interim stage

In its half year results published on 16 March 2022, eEnergy's management noted 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. At the same time, it also recognised its exposure to 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. In anticipation of a full period contribution from Beond plus continuing strength within its opportunities pipeline at that time, however, the Board reconfirmed its expectation of trading in-line with market consensus for the current financial year.

Since that time, of course, international events have conspired to further muddy the waters. The conflict in Ukraine has now compounded into a global energy crisis which inevitably complicates near-term contract negotiations in Energy Management, while first half revenues also suffered from continued COVID-19 lockdowns (particularly in Ireland) on the pipeline in Energy Efficiency. Lead times from sale to revenue have, not surprisingly, also increased as the Group expands the value and breadth of its contracts, due not least to a higher level of interest from customers seeking to secure more than one of its products in a multi-service contract. With customers still relatively new to such arrangements, that are expected to be put in place for a number of years during which time eEnergy seeks to enjoy extended, high margin visibility, negotiations will take longer to complete. Greater familiarity and recommendation of the Group's unique offering in coming months/years, however, should simplify and standardise the process to help mitigate this dynamic going forward.

Current trading - New business pipeline expanding

In Q3 FY22, eEnergy delivered strong new customer wins across its two core divisions, signing £8.6m of total contract value (split roughly equally between Energy Efficiency new business and Energy Management new business plus renewals), which were

Stock Data

Share Price	8.25p
Market Capitalisation	£28.40m
Shares in issue:	344.3m
52 week high/low	26.00p/8.10p

Company Profile

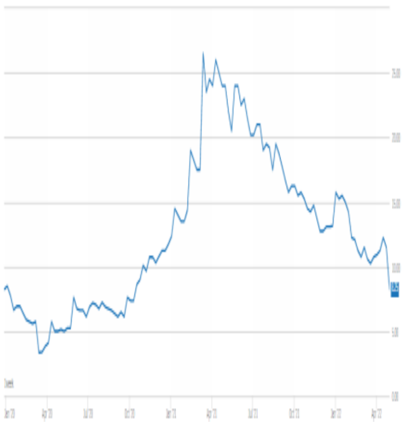
Sector:	Support Services
Ticker:	EAAS
Exchange:	AIM

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 sectors of 'Energy-Efficiency-as-a-Service' & 'Energy-Management-as-a-Service'.

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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delivered across a broad range of education, industrial and other public sector customers. Including larger multi-year, multi service contracts, this momentum has continued into the start of Q4 with further increases in the new business pipeline expected as commercial energy users seek to mitigate price increases through smart procurement and reduced consumption using energy efficiency measures, while also commencing their own onsite solar generation. This will be further supported by the full integration of UtilityTeam, which remains on track to be completed by end of FY22.

eEnergy recently launched eCharge, an EV charge point operating business aiming to create the UK's largest public sector charging network. Exceeding management's early expectations, it has already secured a strong pipeline of opportunities from existing Group customers built during the first 30 post-launch days.

The Group is also developing its solar capacity as a result of significant demand for onsite generation from both existing and new customers, benefitting particularly from the recently widened spread between implied cost per kWh for onsite generation and grid energy prices. During Q3 and Q4 to date, Heads of Terms have been signed for £8m contract value of onsite solar with existing customers, which the Board expects to start converting to revenues during H1 FY23. Whilst entry into these two areas will likely reduce the pace of growth in Group operating margins for the coming financial year, the Board nevertheless sees them as strategic move capable of opportunistically capturing significant longer-term growth opportunities.

Management and Directorate changes

Ric Williams, Chief Financial Officer, has advised the Board of his intention to step down from the Board to pursue other opportunities. Ric will leave the Company on 31 July 2022 following an orderly handover process.

Crispin Goldsmith, a member of the Group Executive team and currently Chief Strategy & Commercial Officer, has been appointed by the Board as Interim CFO. Crispin has over 20 years of experience in corporate finance and M&A and substantial board level experience across a range of businesses. His previous roles include Director of Strategy and Corporate Development at Dixons Carphone, Investment Director at Duke Street, a leading UK private equity firm and Director at Royal Bank Equity Finance, the manager of the £1.1 billion RBS Special Opportunities Fund. Crispin started his career at PwC where he qualified as a Chartered Accountant. The Board expects to confirm Crispin's permanent appointment as CFO and as a Group Board Director once customary due diligence by the Company's nominated adviser is completed.

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 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. The exceptional level of customer engagement this is creating not only reinforces management's confidence going forward, 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 was reflected through more than a 200% increase in contracted forward revenues recorded in H1 FY22, during which time both the Beond and Utility Team acquisitions performed ahead of management's expectations (importantly, Energy Management solutions enjoy a c.80% renewal rate), while Energy Efficiency proposals issued in H1 FY22 (which was sustaining a 30% to 40% conversion rate) exceeded the whole of FY21 following relaxation of COVID restrictions.

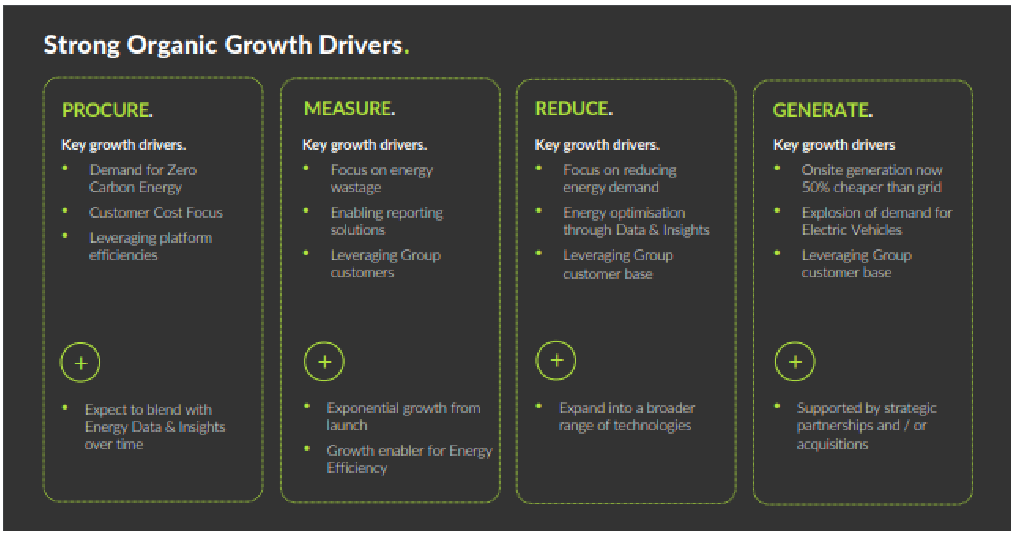
Outlook for the year to end-June 2022 and beyond

As at 31 March 2022, the Group's contracted forward revenues had increased to £23.0 million from £18.0 million at 31 December 2021. Of this, £19.6 million was related to energy management and £3.4 million related to energy efficiency contracts. Of the £23.0 million, approximately £8.3 million is expected to be recognised in FY23. Despite the strong start reported for Q4 FY22, revenues for the full 12 months are seen falling c.12% below forecast market consensus to c.£23.0m (up c.70% from £13.6m reported in FY21), with Adjusted EBITDA (pre-exceptional) not surprisingly being hit harder still, off some 30% to c.£3.0m (up c.250% from £0.8m in FY21), due to operational gearing and shortfalls concentrated in Energy Efficiency operations, most specifically from Ireland.

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, not only does it see a growing pipeline of new business opportunities across both Energy Management and Energy Efficiency that it expects to convert during H1 FY23, but it is also clear that the global uncertainties of the past couple of years together with customer's overwhelming willingness to accelerate their transition toward Net Zero, substantially enhance eEnergy's overall value proposition.

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 year 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 navigate the complex energy market for clients through smart procurement and effective risk management, something that is reflected in an existing £23m forward order book and a pipeline that has doubled in the past 12 months amid exceptional customer 'stickiness', is something that clearly highlights the quality of the Group's earnings.

eEnergy Group – Strong Organic Growth Drivers



Source: eEnergy, Investor Presentation 16 March 2022

With the rush toward Net Zero continuing to gather pace, eEnergy'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, the Group remains positioned to secure strong annual recurring, high margin revenues in future years. Amongst other things, its Board recently 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. Against this background, TPI 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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