Stock Data

Share Price	8.35p
Target Price	23.89p
Market Capitalisation	£28.82m
Shares in issue:	345.14m
52 week high/low	26.00p/8.10p

Company Profile

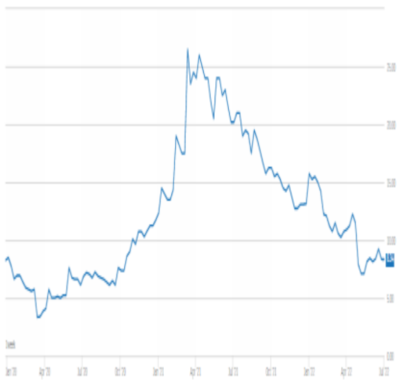
Sector:	Support Services
Ticker:	EAAS
Exchange:	AIM

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

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

eEnergy Group plc

TPI has set a new price target of 23.9p/share for eEnergy. Representing 180% upside from what TPI considers to be a currently significantly oversold position, TPI's assessment recognises the scale of forward opportunities now being presented to this high growth and profitable integrated energy services business that appears to have ideally positioned itself to service a more environmentally aware, post-pandemic and higher energy price market.

(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. Also please note that past performance is not a reliable indicator of future results.)

FY2022/23 appears primed for strong start

TPI considers there is opportunity for activity levels and customer enquiries at eEnergy's capital-free Energy Efficiency ('EE') and value-added, high-margin Energy Management ('EM') divisions to have recovered quite sharply since the Group released a cautionary Trading Update on 4 May 2022. At the time, management noted that extended COVID-19 lockdowns together with the shock response to spiralling energy prices due to the war in Ukraine were likely to result in full year revenues falling below the market's admittedly ambitious consensus. But after initially stumbling on these unavoidable circumstances, customers are likely to have responded by intensifying their search for reduced consumption while also looking to successfully navigate the complex energy markets through smart procurement and effective risk management. TPI considers this potentially allows eEnergy to end its FY2021/22E on much stronger than anticipated tone, leaving the new financial year primed to move sharply ahead. Fanned by both structural and regulatory tailwinds, eEnergy has ideally positioned itself to support customers in their urgent search for lowest cost clean energy through improved efficiencies and reduced carbon footprints, while also tackling waste and incorporating renewable generation in their mix on route to Net Zero.

eEnergy shares now look heavily oversold

eEnergy shares are now trading modestly above the level of their January 2020 IPO. Yet the ensuing two years have seen projected Group revenues multiply more than five-fold, while broadening operations through acquisition into the 'stickier', value-added and higher visibility integrated energy services market. Adj. EBITDA profits escalated over the same period in tandem with both structural and regulatory change (that will substantially expand the Group's long term market opportunity), followed by an energy crisis that is expected to keep prices on a much higher footing for the foreseeable future. Against this background, consumers not surprisingly are more urgently prioritising their transition to low-cost clean energy. Despite this, eEnergy shares presently trade below 6x current year's estimated adj. EBITDA profits.

Issuing a record level of investment grade proposals

Clear confirmation that customers' minds are now only focused not only on sharply rising energy bills, but also their ultimate passage to Net Zero, the first half saw eEnergy issuing a record level of investment-grade proposals across its two divisions. This bodes well for the opening of FY2022/23E, with a strong pipeline cushioning risk of further delays emanating from the ongoing energy market crisis.

TPI's valuation suggests significant upside potential for eEnergy shares

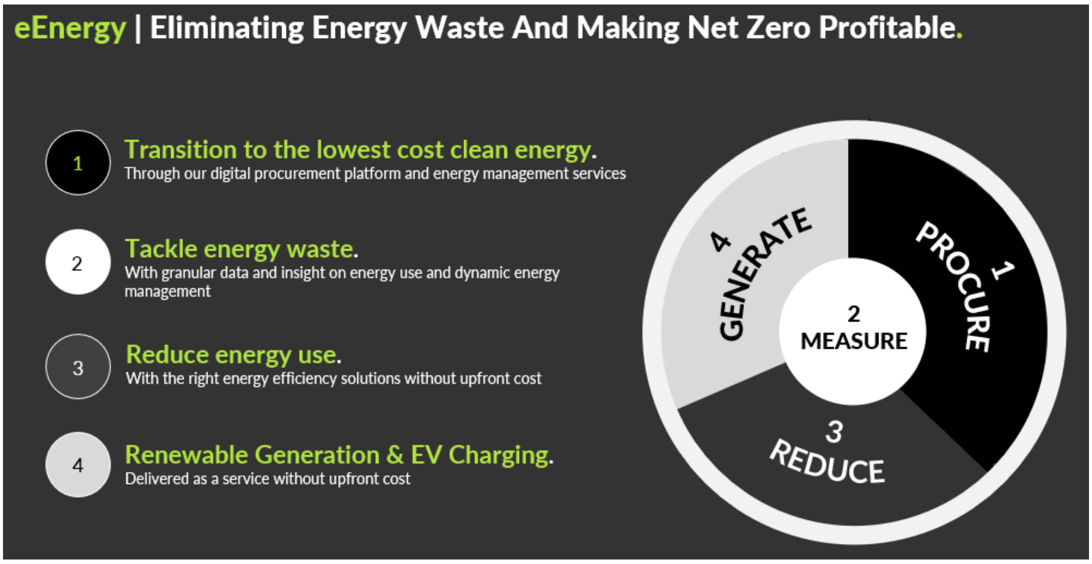
TPI's forecast FY2022/23E revenue growth of 32.6% to £30.5m (FY2021/22P: £23.0m) anticipates a degree of catch-up in EE (now also including solar) and continued post-integration growth in EM. Estimated adj. EBITDA of £5.0m (FY2021/22P: £3.0m) for the period is projected to result in eEnergy delivering its first net profit of £3.3m (FY2021/22E: £0.2m), which places the shares on lowly price/earnings multiple of 8.8x. TPI's DCF financial model for eEnergy, based a prudent 10% discount rate along with 2.0% terminal growth, places a 23.9p target price on the shares.

(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. Also please note that past performance is not a reliable indicator of future results.)

Timely evolution of eEnergy's efficiency and management solutions

eEnergy was established in anticipation of heightened need for energy efficiencies together with the evolution of government-regulated policies that would ultimately steer consumers toward carbon neutrality. Management recognised that new technologies enabled significant reductions in energy consumption which, in combination with elimination of wastage through smart management, could make an enforced transition toward Net Zero in tandem with adoption of renewables, a profitable green exercise for both it and its customers. The UK government published its Net Zero strategy in a policy document on 19 October 2021; it formally set out proposals for decarbonising all sectors of the UK economy with a view to achieving its target by 2050.

Eliminating Energy Waste and Making Net Zero Profitable



Source: eEnergy, Investor Presentation June 2022

At the time of its January 2020 IPO, eEnergy was a pure-play Lighting-as-a-Service business (through eLight, which now forms part of the Group's EE division). eLight's proposition is to assume responsibility for all of the customer's upfront capital costs, installation and maintenance of tailored light emitting diode ('LED') lighting solutions in exchange for a monthly ('pay-as-you-save') fee. A typical eLight customer (comprising small-to-medium sized enterprises across the UK and Southern Irish republic, including both private and public sectors) would be expected to have annual electricity consumption of at least £250,000 value (prior to the recent price hikes) rising up to several millions of pounds. Given that the energy savings generated are substantially greater than eLight's fees, unlocked cash flow is then shared (typically on a one-third : two-thirds basis) from day one, while in the process also significantly reducing the customer's carbon footprint. On average, customers are able to reduce their lighting energy costs by 70% and their total energy bill by 30%.

Targeting certain specific customer sectors to complement its existing organic growth, eEnergy selected its first acquisition, Renewable Solutions Lighting Ltd., shortly after its January 2020 AIM Admission in order to secure a foothold in the prospectively high growth area of education (including academies and trusts). Its business model is designed to eliminate financial risk through exposure to its customers' businesses (as well as freeing up capital by accounting for individual contracts as one-off sales) by forward selling eLight contracts (which typically extend over a 5 to 7 year duration) to a project funding facility provided through SUSI Partners Ag, a major Swiss fund manager specialised in sustainable energy infrastructure investments with a focus on equity and credit opportunities across the transition spectrum, including clean energy generation, energy efficiency measures, and energy storage and integrated solutions. On 13 April 2022, eEnergy announced it had extended both the scope and scale of this financing arrangement with a new €10m committed facility that extended the relationship beyond Ireland to also include the UK. With an eye to cost minimisation, the division is now also proposing to transfer its existing Irish sales and marketing teams to the Group's offices in London.

Operating in a young and still highly fragmented market place, in which no competitor offers the same quality, breadth of service, nor such 'capital free' installation and support, eLight's target markets even now are estimated to remain c.75% unconverted for what is probably a customer's most obvious first step in their green transition, significant opportunity for continued long-term growth remains. eEnergy presently provides energy-saving technologies to over 800 schools and 2,000 other workplaces across the UK. Various market reports confirm the scale of the opportunity being addressed, including a Roland Berger Energy Efficiency Services in Europe report suggesting a value of €25bn by 2025, while expanding at a CAGR of 41% according to a BIS Global Lighting as a Service report (2018 – 2025).

Recognising that there still remained a much larger, developing and substantially underserved opportunity in the broader area of EM, in December 2020 eEnergy completed the cash and shares acquisition of Beond Group Ltd., a UK renewable energy consulting and procurement business in tandem with an equity placing to raise £3.2m. Having demonstrated strong new/repeat organic growth Beond's key offering, which centres on a proprietary platform used to run renewable energy reverse auctions for clients, promised to be materially earnings enhancing in the first full year of ownership.

On 19 April 2021, eEnergy announced that it had made an initial investment in eEnergy Insights Ltd ('EIL'), the entity holding the Group's MY ZeERO smart metering and analytics platform, in the form of loan notes as well as a nominal equity investment, resulting in it holding a 33% equity interest. It also announced that EIL had acquired certain trade assets out of the administration process of Measure My Energy Limited as well as certain associated intellectual property ('IP') assets. Representing a key strategic opportunity for the identification and elimination of energy wastage, the measurement platform enables users to assess exactly where, how and when energy is consumed, providing a real-time reflection of a building's efficiency. Through rapid, elementary monitoring, analysing and optimising of a customer's energy usage at a granular level, it utilises IoT technology to transform buildings and equipment into 'smart assets', through which data is gathered using intelligent metering and sensors before being fed into an online secure-cloud portal where it can be accessed by the customer to view and act-upon simple-to-understand images and information.

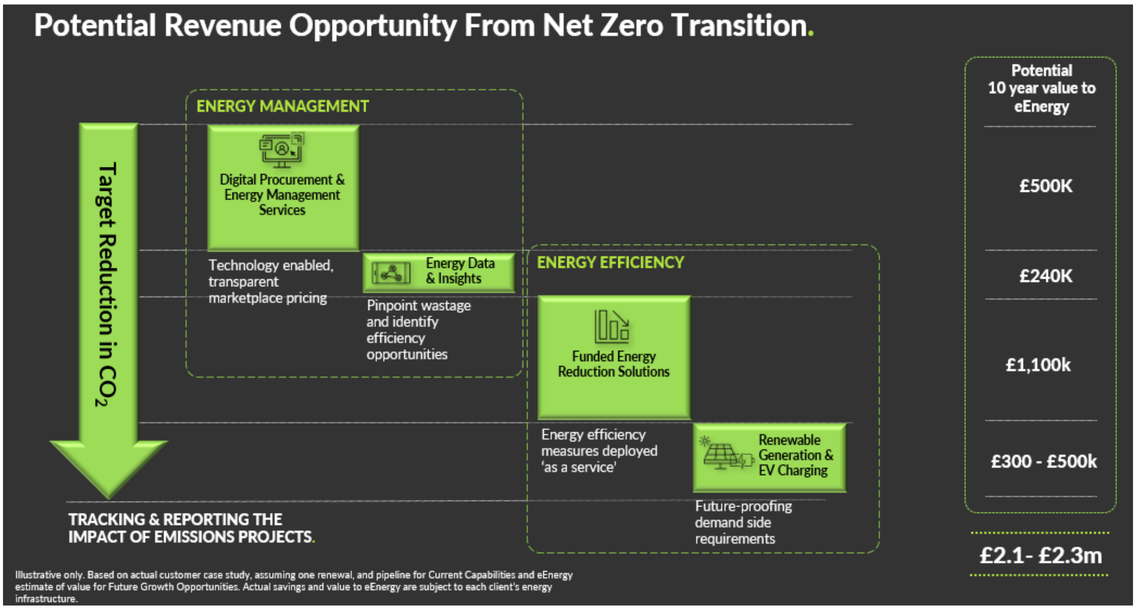
On 22 June 2021, EIL announced it had completed development of its next generation of intelligent smart meters which were immediately available for commercial launch. Providing enhanced accuracy at a lower price point than the previous generation, eEnergy placed an order for a number of meters which were rolled out to customers over the following months. In accordance with an agreement already entered with existing EIL shareholders, this amounted to the minimum cumulative demand required to exercise nominal-cost warrants that had been issued to the Group. Post exercise, further agreements entered in June 2021 provided opportunity for eEnergy to increase its interest in EIL to 100% over time. On 25 October 2022, eEnergy declared its participation had increased to 51%, which rose to 85.5% on 31 May 2022 following the successful completion of specific development milestones.

The Group's 'buy-and-build' strategy took a further significant step forward on 15 September 2021, when it announced its proposed debt-free acquisition of UtilityTeam TopCo Limited (together 'UtilityTeam'), for a total cash and shares consideration of up to £21 million. Financed through a c.£12m equity placing, this top 20 UK energy management business introduced comprehensive management, consultancy and procurement services to industrial and commercial clients (with a particular focus on large, complex, multi-site portfolios). The acquisition significantly broadened eEnergy's capabilities and customer base across its range of services in EM and EE, adding intelligent measurement & analysis, while also linking the value chain to key areas of energy conservation, management and transition that it expects to grow significantly in the years ahead.

Beond and UtilityTeam have since been fully integrated at an operational level, with both continuing to perform ahead of the Board's expectations. The Group's 16 March 2022 release of its FY2021/22 interim results also provided confirmation that its EE division was now able to provide its clients with onsite solar generation, and also that it intended to add electric vehicle ('EV') charging solutions to its offering by the financial year end. With revenue contributions from the Group's two divisions expected to be roughly balanced in FY2022/23E, EM's largely recurrent earnings stream (as opposed to EE's one-off contract sales) can be expected to provide greater operational visibility going forward.

Having now expanded to include solar and eCharging solutions embedded within a comprehensive offering of EE and EM products, eEnergy appears to have ideally positioned itself to service what has become a much more environmentally-aware client base that is emerging from the COVID-19 crisis only to find itself confronted with what is likely to be an extended period of much higher energy prices. Within a highly fragmented and undercapitalised market place, the one-stop solution it presents is likely to gain favour forward, resulting in continued strong expansion of its client base while benefitting from significant cross-selling opportunities. The image overleaf provides an illustration of eEnergy's potential revenue opportunities from a sample customer seeking to transition toward Net Zero. Cross-selling the Group's broad range of services, based on one renewal and availability of its current capabilities plus estimates of the value of follow-on future growth opportunities, offers to multiply the value of an initial procurement and energy management agreement more than four-fold over a 10-year contract duration.

Potential Revenue Opportunity from Net Zero Transition



Source: eEnergy, Investor Presentation June 2022

Structural & regulatory tailwinds substantially heighten Group's long-term market opportunity

The Net Zero transition is set to be one of the world's 'next big things'. Despite the enormity of financial numbers involved, governments and companies (presently representing c.80% of global GDP) routinely voice their continuing commitment to rigorous climate action. A January 2022 report published by McKinsey 'The Net-Zero Transition: What it would cost, what it could bring', for example, suggests capital spending on physical assets for energy/land-use systems required to limit the global temperature rise to 1.5°C above pre-industrial levels through transition to net-zero between 2021 and 2050, would amount to c.US$275 trillion, or US$9.2 trillion/year on average, an annual increase of as much as US$3.5 trillion from the start of 2022.

Technological innovation could reduce capital costs for net-zero technologies faster than expected; pervading economic situations may limit the ability of individual governments to participate, while others may decide to only partially or not to become involved at all. The Network for Greening the Financial System ('NGFS'), a network of 114 central banks and financial supervisors, nevertheless aims to accelerate the scaling up of green finance and develop recommendations for central banks' role to help limit climate change.

The NGFS Net Zero 2050 scenario determines that coal production for energy use must almost end by 2050, and oil and gas production volumes need to be about 55% and 70% lower, respectively, than today. Conversely, some markets for low-carbon products and support services would expand, with demand for electricity in 2050 being seen to more than double that presently consumed. Given that the near-term cost of such evolution is likely to be passed onto the consumer through higher electricity prices, including escalating levies for non-compliance, enterprises of all sizes are now being persuaded to take their first steps toward achieving lowest-cost clean energy as part of their ultimately required transition to Net Zero.

In 2019, the UK became the first major economy in the world to legislate to such a commitment, with a binding target to reach net zero emissions by 2050. The detail has been set out in a 368-page policy paper that was published on 19 October 2021: 'Net Zero Strategy: Build Back Greener', which aims to deliver on the Prime Minister's Ten Point Plan for a Green Industrial Revolution mobilising/ring-fencing billions of pounds of government capital in the process to such ends. UK Greenhouse gas emissions have already fallen by more than two-fifths in the last thirty years, primarily as a result of the Government taking the most elementary decarbonisation step of eliminating fossil fuels from electricity generation; clearly, the next thirty years will need to see this go further and deeper into all aspects of the economy, affecting just about every element of society as a result.

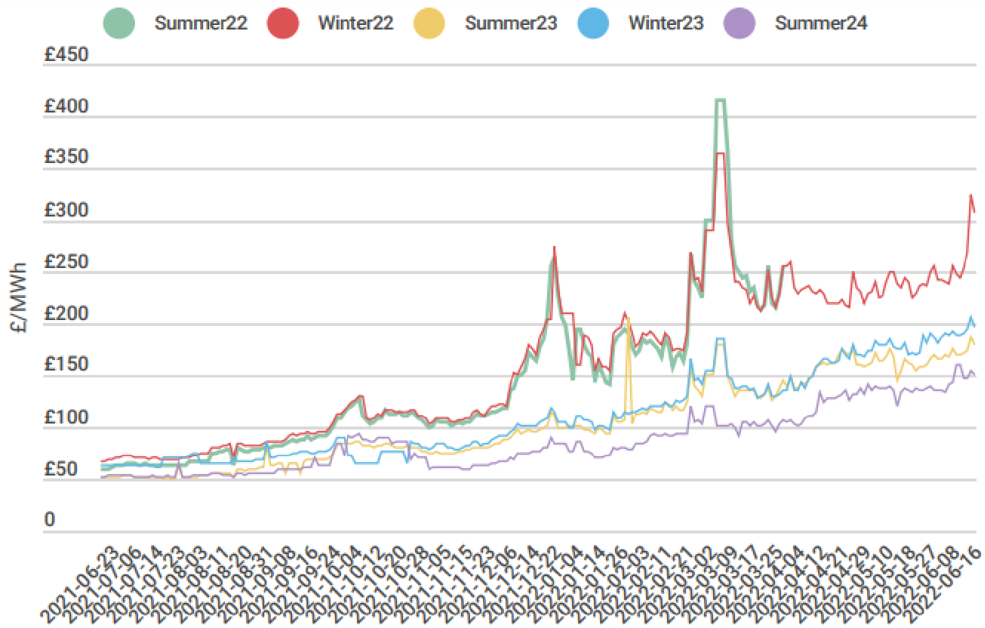
Transforming the UK's economy over the next three decades to reach Net Zero will therefore become a journey of unprecedented opportunity and change that will undoubtedly affect every consumer. While commitment is already evident from government office/major corporations, only more recently have smaller to medium-sized business and enterprises also started to recognise the role they will need to play. Being one of the few sector operators capable of offering a comprehensive range of services that effectively 'hold the customer's hand' during this period, eEnergy finds itself ideally positioned to secure a sizeable chunk of this rapidly expanding opportunity going forward.

Current energy market conditions

Extreme volatility and rising prices have been a feature of the UK and European energy markets for a number of months now, albeit recently significantly exacerbated by the war in Ukraine. Along with general acceptance from buyers that they are now likely to face higher energy prices for the foreseeable future, market uncertainty has been further compounded by the risk of failure of some suppliers.

This meant that despite having consultancy agreements in place with its clients, at the end of Q1 and early in Q2 FY2021/22, eEnergy found certain mainstream suppliers unwilling to price its future energy demand; this short-term situation was one of the reasons behind the caution management expressed in its 4 May 2022 trading update. While remaining susceptible to change as events in Ukraine trigger a broader political and economic response, trading conditions have since broadly regularised once again based on forward pricing out to 2024 and beyond remaining highly elevated (see chart below):

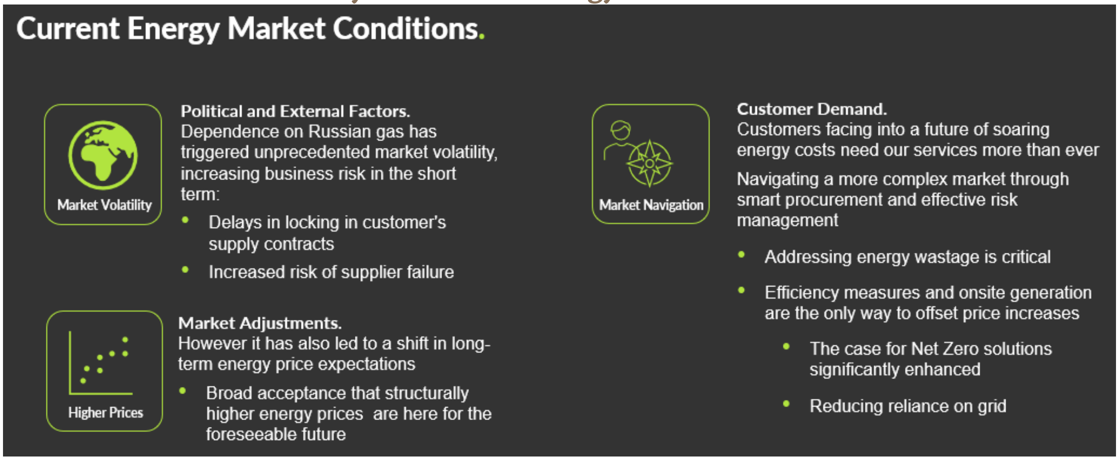
Forward Energy Market Snapshot (2022 – 2024) – UK Electricity Baseload



Source: Businesswise Solutions

The higher price environment of course increases the savings achievable by customers when implementing eEnergy's integrated energy solutions, while strict risk-management policies ensure the Group's procurement and consulting-led Energy Management operations only expose themselves to credit worthy counterparts.

Summary of Current Energy Market Conditions



Source: eEnergy, [Investor Presentation June 2022]

Creation of a high growth and profitable integrated energy services company

UK and Irish businesses now find themselves under increasing pressure to reduce carbon emissions, with government targets, supply chain pressures and consumers all playing a part. eEnergy's ambition is to add value to their customers' net-zero journeys through the visualisation and context of their current situations, identifying the path and actions they will need to take. Having completed and successfully integrated four acquisitions since its January 2020 IPO, the Group is able to offer a comprehensive portfolio of services. Together these now provide organisations with energy management and capital free energy efficiency solutions that offer a profitable long-term route to decarbonisation, eliminating wastage, incorporating off-grid generation while also unlocking hidden cost savings.

eEnergy – Successfully Integrated Acquisitions

eEnergy – Integrated Energy Services

Note: eEnergy also acquired education-focused LAAS business, Renewable Solutions Lighting Ltd, on 1 July 2020

Source: eEnergy, [Investor Presentation September 2021]

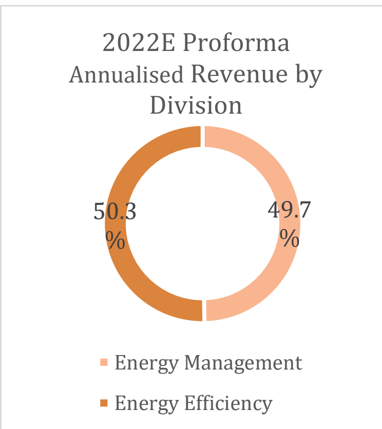
eEnergy's no. 1 goal is to transform all customers to its green, sustainable energy services; its no. 2 goal is to ensure customers are managed efficiently through a one-stop offering that is optimised by cost-effective use of the Group's operating platforms. Strategy is centred around its two principal divisions that offer Energy Management as a Service ('EMaaS') and Energy Efficiency as a Service ('EEaaS'), in support of business compliance through low carbon transition on route to Net Zero. This comprises a top tier energy procurement platform, supported by granular consumption analytics sourced through IoT smart metering on a subscription basis; consumption can also be lowered through LaaS and EEaaS solutions including renewables to provide customers with supply independence and resilience. With meters under management now achieving scale, energy intelligence can also be extracted from Big Data and the Group's consultancy services to minimise wastage.

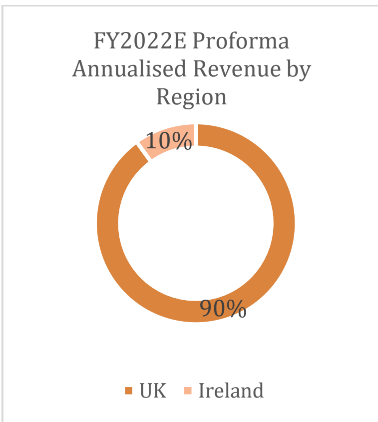
The Energy Management division presently has c.1,800+ existing customers, with over 30,000 meters under management. It manages over 4,470GWh (sufficient to power 0.4m households for a year). Significant cross-selling/customer acquisition opportunities continue to be generated between the Group's operations, deepening and extending interdependence in the process. The outcome has been highlighted in performance metrics released by Beond with the Group's H1 FY2021/22 results, confirming significant improvements in y-o-y contract duration (+27%), revenue per meter (+37%) and average fee (+29%), while contracted future revenues had risen +18%. The war in Ukraine and its associated spike in international energy prices has highlighted what an essential and valued business service energy procurement has become, particularly when considering customer demands to source only from green suppliers.

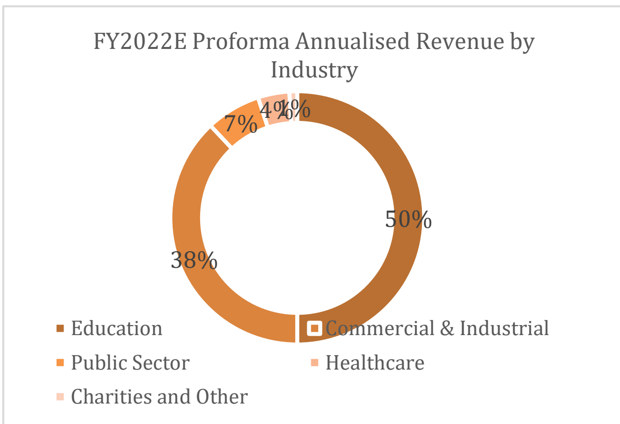
MY ZeERO's proprietary technology recognises that the buildings occupied by small-to-medium sized enterprise typically waste c.30% of energy consumed. The real-time identification and resolution of energy waste is an area that eEnergy intends to dominate. For a monthly subscription, this service provides live, 'behind the meter' energy consumption data with AI driven automated visibility and insights on usage at the circuit and asset level to identify and act upon. With partnerships already in place and working closely with established equipment producers, it aims to provide a bridge between traditional energy procurement services and delivery of Net Zero based on measurable savings. By taking recommended zero-cost actions, a customer can typically be expected to secure an initial 10%+ reduction in cost of consumption, beyond which fee-based recommendations can increase this substantially further. Supported by its Trusted Advisor status following just 5 months of operation, as of 15 June 2022 MY ZeERO had 522 eMeters under contract, contracted revenues of £0.8m along with pipeline opportunities amounting to £2.6m.

Being one of the UK and Ireland's leading EEaaS providers, eEnergy uniquely offers its customers capital free energy efficiency solutions through LaaS based on a 'pay-as-you-save' business model. The Group has installed and operated a total of over 1,000 LaaS projects to date and has a current pipeline of a further c.1,200, with education remaining the largest individual sector. The embedding of intelligent smart metering, along with the offer of solar installations implemented through working relationships with established producers since 31 May 2022, has been demonstrated as an ideal means to improve conversion rates, permitting identification (though IoT/automated controls/HVAC etc.) of additional ways to minimise energy wastage in order to capture greater share of a customer's wallet. The division has now also entered the EV charging space (via the new 'eCharge' brand) in order to further future-proof customer's demand-side requirements. Here, a JV partnership agreement was put in place on 30 March 2022 with EO Charging ('EO'), the trading name for Juuce Ltd, the EV technology solutions provider, with the potential to install at least 50,000 EV chargers by 2030 as part of its commitment to create the UK's largest public sector charging network. By providing EV charging in conjunction with clean energy procurement, energy management, and high-impact energy efficiency solutions, eEnergy considers eCharge could make the service accessible for thousands of drivers and organisations struggling with the energy price crisis without requirement for upfront investment. Initial feedback across its target customers has been exceptionally positive.

TPI Estimates of eEnergy's 2022 Proforma Annualised Revenue







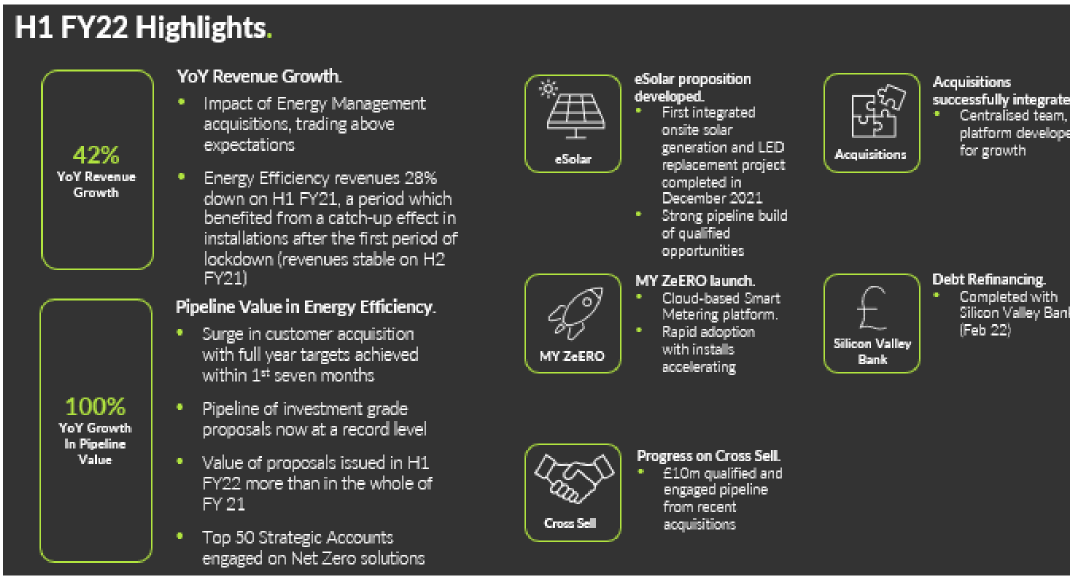
Source: TPI estimates

FY2021/22 - Inevitably knocked by COVID lockdowns and the ongoing energy crisis

eEnergy's 4 May 2022 trading update reminded shareholders that the Group had been unable to avoid the negative impacts of both the COVID-19 lockdowns and the more recent energy crisis sparked by the conflict in Ukraine. The former hit the Group's Irish EE operations in particular, due to the region suffering from harsher and longer lockdowns during the period, while the latter initially complicated procurement operations for EM. In tandem with this, lead times from sale to revenue also increased as a result of the Group expanding the value and breadth of its offering, with customers requiring extended periods of diligence when adopting multiple services through a single all-encompassing contract for the first time. As a result, the Board cautioned investors that it was expecting current year revenue and adj. EBITDA to fall below current market expectations, projecting revenues of approximately £23 million including a full six months contribution from UtilityTeam (up c. 70% from £13.6 million in FY20/2021), and adj. EBITDA of approximately £3.0 million (up c. 250% from £0.8 million in FY2020/21).

At the time, however, management went on to highlight the fact that the Group continued to have a growing pipeline of new business opportunities across both its EM and EE divisions. As of at end-December 2021, for example, £4.0m of H2 FY2022 EM revenue had been newly contracted, with over 80% of the division's clients base being expected to renew during the same period contributing a further £6m total contract value. EE meanwhile had issued more investment grade proposals in H1 FY2021/22 than in the whole of FY2020/21, with £17m of unweighted opportunities to deploy ECMs and on-site generation with existing clients. As at 31 March 2022 therefore, the Group's total contracted forward revenues split between £19.6m related to EM and £3.4m related to EE. Of this, management estimated c.£8.3m would now fall into FY2022/23. It also noted that that during FY2022/23, the Board plans to increase operational investment, in particular in eCharge and onsite solar generation, to capitalise on enhanced long-term growth opportunities presented by the energy crisis. As such, it was also expecting to deliver adj. EBITDA margins in FY2022/23 below the current market consensus, albeit still delivering an improvement on FY2021/22.

Highlights of eEnergy's Interim Results to 31 December 2021



Source: eEnergy, Investor Presentation June 2022

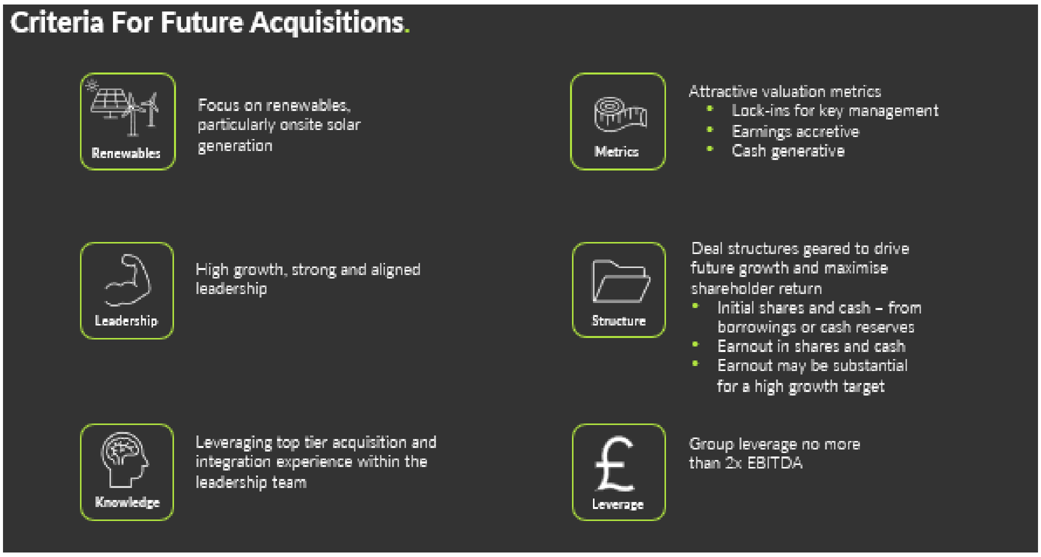
TPI considers eEnergy is positioned for a strong current year rebound

So, what has changed over the past few weeks? TPI considers that the level of incoming customer enquiries is likely to have increased noticeably since it became clear that recently escalated energy prices were likely to remain in place for some years to come. With lockdowns slowly being consigned to history, this will also be accompanied by a much greater willingness to engage with energy services companies in order to commence their long transition to Net Zero. Thankfully, following a brief period in which energy suppliers had become unwilling to price forward contracts, procurement has largely regularised once again. Based now on much higher forward prices, such contracts tend to be more profitable for eEnergy and are now typically being fixed for longer durations. There is also evidence of proposals for the installation of energy efficient products being turned around more rapidly in tandem with accelerated closure of outstanding multi-service agreements seeking to eliminate wastage. While FY2021/22E is still expected to end roughly in line with the guidance management provided in its 4 May 2022 trading update, FY2022/23E now appears primed for a strong start and, from TPI's point of view, suggests current expectations for the year remain too cautious and are likely to be subject to upgrades as the year progresses.

EE proposals issued in H1 FY2021/22 (sustaining a 30% to 40% conversion rate) exceeded the whole of FY2020/21 following relaxation of COVID restrictions. With the division now also able to offer installation and management of customer's own on-site solar panels which, based on current pricing, are capable of generating electrical energy at 13p to 15p/kWh (compared with current grid prices in the range of 25p to 30/kWh), an unusually positive response from both existing and new customers continues to be received. The scale of EM's organic growth opportunity was also reflected through more than a 200% increase in contracted forward revenues recorded in H1 FY2021/22, during which time both the Beond and UtilityTeam acquisitions performed ahead of management's expectations while enjoying a c.80% renewal rate with average customer relationships extending to around 6 years.

Going forward, the intensification of structural and regulatory pressures requiring all elements of the economy to contribute to the Government's ambition of achieving Net Zero by 2050, can also be expected to quite dramatically enlarge the Group's opportunity in coming years. Given that the Board has demonstrated its ability to select, acquire and integrate accretive targets with strong pipelines, acquisitions selected from a highly fragmented and innovative marketplace can be expected to remain central to the Group's forward planning. While in recent months JV agreements with specialist providers have been used as a means to rise up the learning curve while seeking to participate in identified new business areas (such as solar, EVs etc.), eEnergy should be expected to return to leveraged cash and shares based buy-outs in the future, albeit based on strict criteria as outlined below:

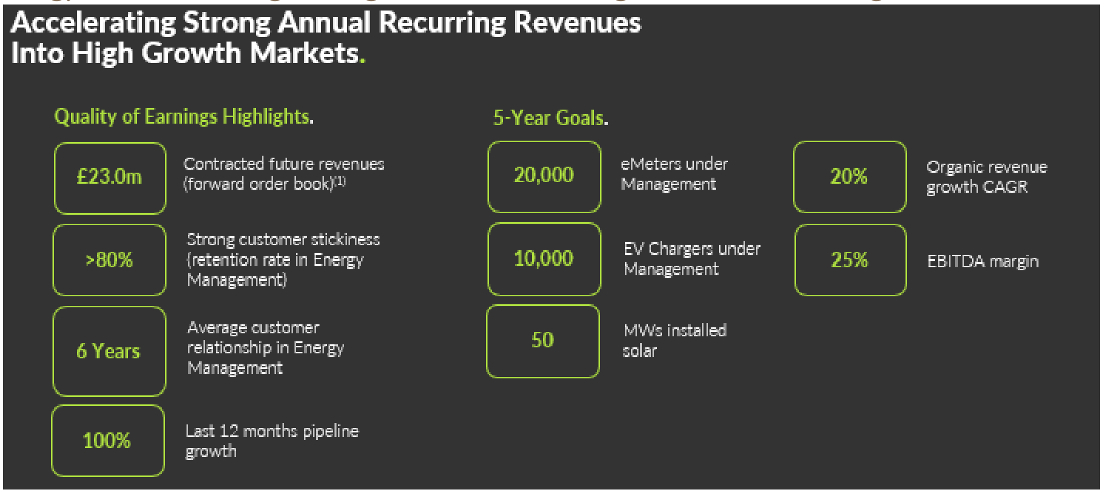
eEnergy – Criteria for Future Acquisitions



Source: eEnergy, Investor Presentation June 2022

Quality and visibility of eEnergy's earnings of course remain central to its valuation. While customers may historically have found EE to be their most obvious entry point for energy services, management rapidly extended its product offering to encompass the larger, longer-term opportunity in EM. Partly this was because it provides greater operational visibility through streams of recurrent earnings (as opposed to one-off contact sales in the case of LaaS), but also because it is capable of sustaining significantly higher gross/operating margins within the Group structure that benefits from strategic customer relationships with significant opportunity for cross-selling. This is down to the fact that EMaaS products are primarily capital-light software-based (procurement, analytics, measurement, consultancy etc.) subscription services, as opposed EEaaS (which remains dominated by LaaS) that requires it to commit upfront capital while also retaining indirect responsibility for installation and maintenance throughout contract duration. Based on a steady state run-rate, TPI's own estimates suggest EM should be capable of offering longer-term gross margins in the range 75% - 80% with EBITDA margins sustaining 35% - 39%, compared with LaaS offering gross margins in the range 42% - 48% and an EBITDA margin of 20% - 25%. While operating as part of a JV, with eEnergy primarily assuming responsibility for client introduction and contracting, more recently introduced renewables (such as solar, EV charging etc.) should be capable of boosting the EEaaS's profitability somewhat, given their potential to deliver gross margins in excess of 70%. Based on the fact that the past twelve months has seen more than a doubling of the Group's overall pipeline, the Board has set out a realistic set of five-year goals, as overleaf:

eEnergy – Accelerating Strong Annual Recurring Revenues into High Growth Markets

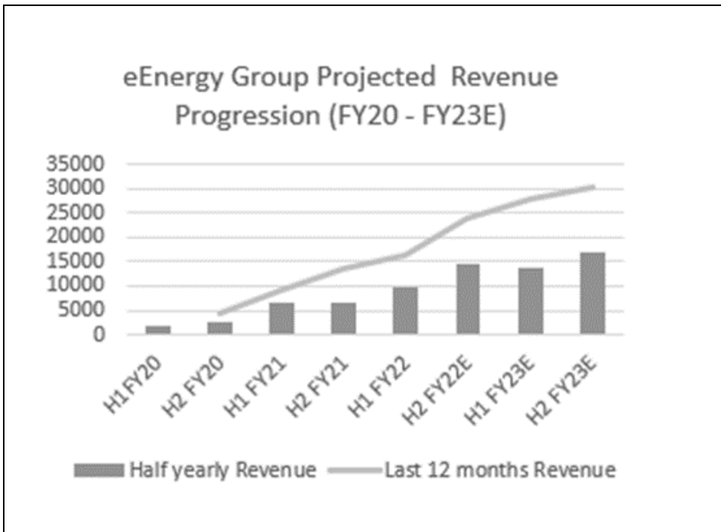


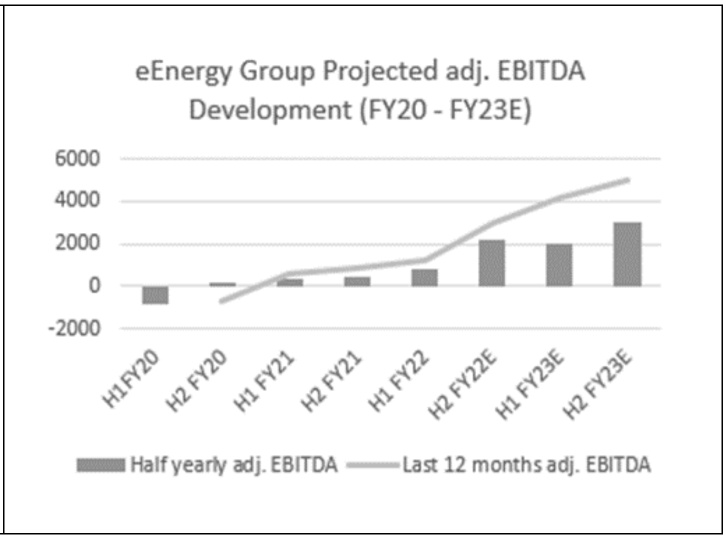
Note: The value of contracted future revenues is based upon estimated future consumption for Energy Management clients. *[1]As of 31 March 2022* *Source: eEnergy, [Investor Presentation June 2022]*

Valuation – Modelling suggests significant prospective upside

TPI's financial model for eEnergy has been based on the expanding customer activity/enquiries seen during the final quarter of FY2021/22E being sustained into the current financial year, while retaining sufficient balance sheet strength to be able to service medium-to-longer term growth opportunity afforded by regulatory tailwinds within a higher energy price environment.

With H1 FY2021/22 cash at bank of £2.6m, along with a Silicon Valley Bank providing a revolving credit facility of £5 million over three years (against which it has refinanced £3.1m of existing Group borrowings and drawn down a further £1 million to cover part of the deferred consideration payment to the vendors of UtilityTeam) with potential for additional capital facilities based on forward activity, financial resources currently appear adequate. The Group's track record of delivering strong organic growth amplified through strategic acquisition is expected to be sustained into the current year, as illustrated in charts below:





Source: eEnergy, TPI estimates

TPI has used estimated forward cash flows for the prospective ten years ending June 2031E to model eEnergy's forward opportunity. Applying a prudent 10% discount factor to their sum, beyond which a 2% terminal growth rate ('TGR') has been assumed, provides a discounted cash flow ('DCF') valuation of £82.5m for the Group after having netted off estimated net debt as of 30 June 2022. Based on the current 345.1m ordinary shares in issue, this suggests a target price of 23.89p/share. Given the Group's unique positioning, its extensive client base and continuing profitability, subject to it seizing a reasonable share of the opportunities presented in this report, there is clearly potential to both reduce the discount factor and/or increase the TGR going forward. This could raise the target price presently set for eEnergy further. eEnergy presently has no obvious direct UK or European quoted competitors capable of offering a similar portfolio of funded efficiency, sustainability and management services and so no peer group valuation can be provided at this time. A US-based company, Redaptive Inc., which operates a comparable deployment model, on 15 September 2021 filed a draft Registration Statement with the SEC for a proposed public listing through which it hopes to raise up to US$100m new equity funding.

eEnergy Group plc - Discounted Cash Flow Model Valuation

DISCOUNTED CASH FLOW VALUATION												
Forecast Period			1	2	3	4	5	6	7	8	9	10
Financial Year to June			**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**
£'000												
Free cash flow in model			975.00	1802.00	4385.00	5481.25	6577.50	7564.13	8623.10	9485.41	9959.68	10258.47
Extrapolated free cash flow	*Growth rate (%)*					*25%*	*20%*	*15%*	*14%*	*10%*	5%	3%
Discount factor	10%		110%	121%	133%	146%	161%	177%	195%	214%	236%	259%
Residual growth rate	2.0%											
Discounted cash flow summation FY22 - FY31		34797	886.36	1489.26	3294.52	3743.77	4084.11	4269.75	4425.02	4425.02	4223.88	3955.09
PV of residual cash flow		50427										
Estimated net cash as at 30 June 2022		-2,769										
DCF Valuation (£'000)		**82,455**										

Source: TPI estimates

(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. Also please note that past performance is not a reliable indicator of future results.)

eEnergy Group plc – Forecast Profit and Loss Accounts (FY2020 – FY2024E)

Year to June	2020	2021	2022E	2023E	2024E
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
£'000					
Continuing operations					
EE contribution	4501	9517	11500	15500	16800
EM contribution (incl. eCharge)	0	4079	11650	15000	20200
Revenue from contracts with customers	**4,501**	**13,596**	**23,150**	**30,500**	**37,000**
Cost of sales	**-3,109**	**-8,059**	**-10,996**	**-14,183**	**-15,500**
%Cost of Sales	*-69%*	*-59%*	*-47%*	*-47%*	*-42%*
Gross profit	**1,392**	**5,537**	**12,154**	**16,317**	**21,500**
% Gross margin	*30.9%*	*40.7%*	*52.5%*	*53.5%*	*58.1%*
Operating expenses	-4,237	-4,955	-11,300	-11,700	-13,800
%Operating expenses	*-94%*	*-36%*	*-49%*	*-38%*	*-37%*
Included within operating expenses are:					
- Exceptional items	1,320	248	2200	400	500
Adjusted operating expenses	-2,917	-4,707	-9,100	-11,300	-13,300
Adjusted EBITDA	-1,525	830	3,054	5,017	8,200
Adj. EBITDA Margin	-34%	6%	13%	16%	22%
EBITDA	**-2,845**	**582**	**854**	**4,617**	**7,700**
EBITDA Margin	*-63%*	*4%*	*4%*	*15%*	*21%*
Depreciation and amortisation	-72	-333	-450	-600	-600
Finance costs - net	-277	-426	-200	-600	-400
Profit/Loss before tax	**-3,194**	**-177**	**204**	**3,417**	**6,700**
Income tax	0	205	0	-100	-1600
Profit (loss) for the year from continuing operations attributable	**-3,194**	**28**	**204**	**3,317**	**5,100**
Other comprehensive income					
Change in the fair value of other current assets	0	34	0	0	0
Translation of foreign operations	-82	102	0	0	0
Total other comprehensive profit (loss)	-82	136	0	0	0
Total comprehensive profit (loss) for the year attributable	**-3,276**	**164**	**204**	**3,317**	**5,100**
Shares in isssue	108,080,337	199,038,204	345,142,243	345,142,243	345,142,243
eps (p)	-0.296	0.010	0.06	0.96	1.48
P/E (x), based on ref. share price 8.42p (30-6-2022)	-31.7	842.0	142.5	8.8	5.7
Mk Cap (£m)	9.1	16.8	29.1	29.1	29.1
Net Cash/Debt (£'000)	-452	1,052	-2,769	-2,292	913
EV/EBITDA (x)	-3.20	28.79	34.03	6.29	3.77
EV/Revenues (x)	2.02	1.23	1.26	0.95	0.79

Source: eEnergy, TPI estimates

(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. Also please note that past performance is not a reliable indicator of future results.)

eEnergy Group plc – Forecast Cash Flow Statement (FY2020 – FY2024E

Year to June	2020	2021	2022E	2023E	2024E
CONSOLIDATED STATEMENTS OF CASHFLOWS					
£'000					
Operating profit (loss) - continuing operations	**-3,194**	**28**	**204**	**3,317**	**5,100**
Adjustments for:					
Depreciation and Amortisation	72	333	-1200	-1200	-1200
Finance cost (net)	277	311	-600	-300	-300
Shares and warrants issued to settle expenses	108	301	300	300	300
Share based payments	-	485	0	0	0
Gain on disposal of subsidiary - Metaleach	-	-	0	0	0
Share of loss in associate	-	34	0	0	0
Finance charge on lease liabilities	53	65	60	60	60
Foreign exchange movement	-14	34	0	0	0
Gain on derecognition of contingent consideration	-	-1444	0	0	0
Reverse acquisition share-based payment expense	1,052	-	0	0	0
Operating cashflow before working capital movements	**-1,646**	**147**	**-1,236**	**2,177**	**3,960**
(Increase) decrease in trade and other receivables	-998	-2406	-2500	-2500	-2500
Increase (decrease) in trade and other payables	1,236	2760	2900	3100	3400
Increase in inventories	-187	-23	25	25	25
Increase in deferred income	-	-264	0	0	0
Net cash inflow (outflow) from operating activities	**-1,595**	**214**	**-811**	**2,802**	**4,885**
Cash flow from investing activities					
Amounts received from (paid to) group undertakings	-	-	0	0	0
Acquisition of subsidiaries	-	-2395	-11500	0	0
Cash acquired on acquisition of subsidiaries	105	1218	2886	0	0
Cash from exercise of options in acquired business	-	521	0	0	0
Proceeds from disposal of subsidiary	150	-	0	0	0
Expenditure on intangible assets	0	-217	-500	-1000	-2000
Purchase of property, plant and equipment	-82	-134	-300	-1100	-1500
Net cash inflow (outflow) from investing activities	**173**	**-1007**	**-9414**	**-2100**	**-3500**
Cash flows from financing activities					
Interest (paid) received	-225	-319	-400	-500	-300
Repayment of lease liabilities	-40	-163	0	0	0
Proceeds from the issue of share capital, net of issue costs	1,664	3149	11300	0	0
Proceeds from loans and borrowings	1,342	294	0	0	0
Repayment of borrowings	-	-314	-500	-500	-200
Net cash inflow from financing activities	**2,741**	**2,647**	**10,400**	**-1,000**	**-500**
Net increase (decrease) in cash & cash equivalents	1,319	1,854	175	-298	885
Effect of exchange rates on cash	14	0	0	0	0
Cash & cash equivalents at the start of the period	145	1,478	3332	3507	***5,629***
Cash & cash equivalents at the end of the year	**1,478**	**3,332**	**3,507**	**3,209**	**6,514**

Source: eEnergy, TPI estimates

(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. Also please note that past performance is not a reliable indicator of future results.)

eEnergy Group plc – Forecast Balance Sheet (FY2020 – FY2024E)

Year to June	2020	2021	2022E	2023E	2024E
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
£'000					
NON-CURRENT ASSETS					
Property, plant and equipment	130	80	389	450	600
Intangible assets	211	11,693	30,000	27,000	24,000
Right of use assets	538	610	610	610	610
Deferred tax asset	0	415	415	415	415
Investment in associate	0	155	-	-	-
Total non-current assets	**879**	**12953**	**31414**	**28475**	**25625**
Inventories	356	371	800	1,100	1,400
Trade and other receivables	1,073	4,276	9,297	13,000	18,000
Other current assets	0	47	47	47	47
Financial assets at fair value through profit or loss	414	140	140	140	140
Cash and cash equivalents	1,478	3,332	3,507	3,209	6,514
Total current assets	**3,321**	**8,166**	**13,791**	**17,496**	**26,101**
TOTAL ASSETS	**4,200**	**21,119**	**45,205**	**45,971**	**51,726**
NON-CURRENT LIABILITIES					
£'000					
Lease liability	506	434	676	500	500
Borrowings	1,120	1,245	4,400	4,400	4,500
Deferred tax liability	0	415	1,500	2,000	2,300
Other non-current liabilities	0	468	300	300	300
Total non-current liabilities	1,626	2,562	6,876	7,200	7,600
CURRENT LIABILITIES					
Trade and other payables	3,955	7,819	10,655	13,500	16,200
Lease liability + Def & Conting Liabilities	76	264	4,264	5,500	6,500
Borrowings	304	601	1,200	601	601
Total current liabilities	**4,335**	**8,684**	**16,119**	**19,601**	**23,301**
TOTAL LIABILITIES	**5,961**	**11,246**	**22,995**	**26,801**	**30,901**
NET ASSETS (LIABILITIES)	**-1,761**	**9,873**	**22,210**	**19,170**	**20,825**
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT					
Issued share capital	15,725	16,071	16,380	16,800	17,200
Share premium	22,375	33,014	47,700	48,200	48,600
Other reserves	82	601	771	800	900
Reverse acquisition reserve	-35,246	-35,246	-35,246	-41,251	-43,062
Foreign currency translation reserve	-115	-13	-	-	-
Accumulated losses	-4,582	-4,554	-5,500	-3,400	3,246
TOTAL EQUITY	**-1,761**	**9,873**	**24,105**	**21,149**	**26,884**

Source: eEnergy, TPI estimates

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