Stock Data

Share Price:	5.90p
Market Capitalisation:	£20.78m
Shares in issue:	352.15m
52 week high/low:	8.20p/2.50p

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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eEnergy Group plc

Having reset its accounting reference date and year end to 31 December, eEnergy has released its unaudited interim accounts for the 12 months to 30 June 2023. Very much in accordance with its Trading Update of 27 July 2023, the Group delivered strong 50% revenue growth over the period driven by new contract wins. Significantly, cost management enabled a 90bp improvement to Energy Service's gross margins despite inflationary pressure and changing mix for its rapidly expanding eSolar & eCharge offerings. Net debt increased by £3.3m largely due to a £5.2m increase in working capital that was driven by net accrued revenues (representing future contracted cash due), repayment of legacy (non-trade) liabilities and a reduction in the provision for earn-out consideration related to the acquisition of Utility Team. This was mitigated, however, by various management actions and initiatives, limiting the net increase in trade working capital to just £1.3 million. With its forward order book presently standing at £27.5m (31 December 2022: £26.4m), the Board now has 90% visibility on revenue expectations for its extended FY2022/23, during which time focus will remain on adjustments to the operating model in order to deliver improved cash generation. The Group expects to report results for the Full Year in line with market expectations.

Understanding the Board is presently reviewing several strategic options with different parties to further strengthen its balance sheet, with a view to securing larger project opportunities and enable its trajectory of growth, TPI leaves its financial projections (which suggest the shares are presently trading on an exceptionally lowly 2024E EV/EBITDA of just 3.9x along with a P/E of 7.1x) and its target valuation of £61.5m for eEnergy unchanged at this time. While the past six months have seen its shares rebound from an oversold position, this still represents upside of over 200% from the current level. Moreover, it recognises the scale of forward opportunities being presented to this high growth and profitable integrated energy services and management business that appears ideally positioned 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.)

Financial highlights for the 12 months to 30 June 2023

- Revenue up 50% to £33.2m (FY 2021/22: £22.0m)
  - *Energy Services revenue £19.5m, up 87%, Adj. EBITDA £2.3m, up 131%*
  - *Energy Management revenue £13.6m, up 17%, Adj. EBITDA £4.4m, up 20%*
- Adj. EBITDA up 55% to £4.7m (FY 2021/22: £3.0m)
- Adj. PBT up 34% to £2.7m (FY 2021/22: £2.0m)
- PBT £1.1m (FY 2021/22 Loss Before Tax: £2.2m)
- Net Cash/(Debt) £(6.9m) (FY 2021/22 (£3.6m)), a consequence of a £5.2m increase in working capital, reflecting a strengthened balance sheet.

Outlook for the final six months of extended FY2022/23

eEnergy remains confident of its trading outlook for the remainder of its extended financial year and beyond. Despite tightening market conditions over the summer, as of 30 June 2023 its contracted forward order book stood at £27.5 million (31 December 2022: £26.4 million), of which £14.1 million are expected to convert into revenues in the six months to 31 December 2023. As a result, the Group expects to report results for the Full Year in line with market expectations.

At a divisional level, Energy Services ('ES') continues to benefit from accelerating momentum and has developed a strong pipeline of revenues in attractive new market segments. In particular, the final quarter is expected to benefit from strong revenue growth in eSolar, which is now converting the pipeline of opportunities built over the last twelve months and leveraging off the existing Group cost base. Continued investment in capabilities and infrastructure in Energy Management ('EM') is also delivering an enhanced customer proposition and user experience, supporting retention and new business wins. The Board underlines, however, the importance that this momentum is converted in a way that improves the Group's overall cash generation.

Indeed, its reputation for service, strong market position and 'one-stop shop' product offering, supported by a continued shift in regulatory and structural growth drivers, now appears to be opening much larger customer project opportunities. An example of this is the £3.0m (TCV) contract secured post-period from Tudor Grange Academies Trust, for a solar energy generation project across its collection of academies. The successful exploitation of such potential while also seeking to fully enable its trajectory of growth, will nevertheless demand eEnergy secures a stronger capital position. In the light of this the Board states that it is presently reviewing several strategic options to further strengthen the balance sheet.

Focus on working capital and cash generation

Net cash outflow from operating activities for the 12 months was £1.0m (FY2021/22 net cash outflow of £6.2m). This was the result of a significant £5.2 million increase in net working capital (whose main contribution came from much higher net accrued revenue of £6.2m) which, although representing a strengthened Balance Sheet and will support improved cash generation going forward, led to an additional funding requirement for the business. The increase in Net Working Capital during the period was financed principally through the issue of £2.525 million of subordinated debt facility in November 2022, which was structured in the form of secured discounted capital bonds. During the same period, it benefitted nevertheless from various management actions/initiatives, including increased accruals/trade payables, reduction in contingent consideration related to Utility Team, improved contract terms with energy suppliers for the EM division, diversification of supply chains etc. As well as reducing concentration risk and mitigating inflationary pressures, overall savings enabled delivery of £1.0m H2 FY2022/23 cash inflow from operating activities (H2 FY2021/22: £3.0m net cash outflow), although this was still somewhat below the internal cash generation targets set for the business.

Replacing its previous funding arrangements, during the period eEnergy completed a new €5 million two-year project funding facility with the Solas Sustainable Energy Fund (which is supported by the European Investment Bank, the Ireland Strategic Investment Fund) to finance LED lighting projects in Ireland. Meanwhile, eEnergy's senior secured revolving credit facility with HSBC Innovation Finance (previously known as Silicon Valley Bank) is scheduled to be repaid in February 2024. With the subordinated bonds also scheduled to be repaid in May 2024, the Board is confident in its ability to secure a combined refinancing facility for both (particularly give the latter's relatively high financing costs that were incurred during the Pandemic) at an improved level ahead of vesting dates.

eEnergy Group - Key Performance Indicators

	Period to 30 June 2023	Period to 31 Dec. 2022	Year to 30 June 2022	Period to 31 Dec. 2021	Year to 30 June 2021
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Revenue	33,159	15,124	22,096	9,592	13,596
Adj. EBITDA	4,666	1,508	3,021	807	830
Adj. EBITDA%	14.10%	10.00%	13.70%	8.40%	6.10%
Cash & cash equivalents (exc. restricted balances)	818	1,050	1,380	2,430	3,332
Net Cash / (Debt) (excl. Of IFRS16)	(6,935)	(6,567)	(3,642)	(516)	1,486

Source: eEnergy, RNS of 28-September 2023

Energy Services – Sales increased by 87% over the 12 months

This exceptional growth was driven partly through increasing penetration into the education sector, along with greater diversification in the broader public sector and through the ability to cross sell to customers across the Group. Revenues of £19.5 million for the 12 months to end-June 2023 represented growth of 87% compared to FY2021/22 and drove substantial growth of 131% in Adjusted EBITDA to £2.3 million (FY2021/22 £1.0 million). Going forward, additional growth opportunities are being developed from new products being launched in both the education sector and multi-site organisations, supported by the Group's data services division's access procurement services combined with smart granular energy data within buildings, tackling energy wastage, through a unique capital free subscription service.

Focus on cost management helped deliver a 90bps improvement on Gross Margins to 35.1% (FY2021/22: 34.2%), despite inflationary pressures across the economy and a changing product mix within rapidly expanding eSolar and eCharge revenues. The division's three verticals: Measure (primarily MY ZeERO), Reduce (primarily lighting) and Connect (eSolar & eCharge) have a range of budgeted gross margins based on their different product and service contents, that vary from 50% in Measure, 38% in Reduce to 25% - 30%in Connect. New contract signings totalling £26.4m were delivered during the period, representing an increase of 76% on FY2021/22. This accelerating momentum has continued into the current quarter, including the award of a £3.0 million TCV eSolar contract by Tudor Grange Academies Trust (resulting in £1.9m revenues for the Group) that was announced earlier this week. This is an ideal demonstration of the Group's ability to execute against its cross-selling strategy within its existing customer base.

A strong pipeline of Solar opportunities has been built over the last 12 months, with 29MW under Heads of Terms ('HoT') as at 30 June 2023 (+226% on the 8.9MW figure from 30 June 2022) . Lead times on eSolar projects are long given the number of stakeholders involved and consents required, but following such lengthy development cycles these projects are now converting into revenue, which is expected to further accelerate growth during the remainder of FY2022/23 and into FY2024.

Energy Management – Performed well despite unprecedented volatility in energy prices

Underlying organic revenue growth of 5% during the period was boosted by annualisation of the Utility Team acquisition (completed September 2021) to record overall 17% revenue growth to £13.6m (FY2021/22 £11.6m). Improved contract terms secured with energy suppliers helped lift Adjusted EBITDA to £4.4 million, representing robust 20% growth (FY2021/22: £3.7 million), while margin increased to 32.4% for the period (FY2021/22: 31.6%). This was achieved despite a challenging market backdrop of unprecedently high volatility in energy prices and a period where the primary focus has been on integration rather than growth. A calmer market amid expectations of continuing high prices and increasing desire for greater independence from the grid, should ensure strong customer interest going forward.

All but c.5% of the division's revenues are generated from commissions paid by energy suppliers linked to long-term customer supply contracts with a retention rate on renewal of 85%+. The Board believes this dynamic gives the business unit an attractive quality of earnings. Since completing its integration into the Group, management focus has centred service quality and delivery, investing in both the team and platform to ensure a best-in-class customer experience throughout the life of the relationship. The result is to maintain and enhance retention rates, as well as giving a differentiated proposition for new business acquisition. Having secured off-balance sheet funding for the first batch of MY ZeERO eMeters, the first drawdowns against this facility have been made post-period end.

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