eEnergy

Activity building after period of strategic change

26th July 2024

eEnergy's H1 update confirms that trading remains in line with expectations with momentum building at the start H2'24. As previously reported, H1 started slowly as a result of weak market conditions and balance sheet constraints, which were resolved by the sale of the Energy Management (EM) division in Q1. Encouragingly, market conditions have improved and full year revenue guidance has been maintained at £25-26m. We make no changes to our underlying forecasts. The interim accounts are expected to reflect an exceptional adjustment following a thorough review of Group structure post the EM disposal. In our view, recent months have been transformative for eEnergy, positioning the Group to capture the significant market opportunity that exists across Solar and LED lighting, in particular.

H1'24 impacted by EM disposal; activity and pipeline now building

The highlight of the period was the disposal of the Group's EM division for £29.3m. The net proceeds are being used to reinvest in the high growth Energy Services division now that all previous debt facilities have been repaid. Previous balance sheet constraints and weak market conditions impacted trading in the early months of the year, as previously reported. By contrast, H2'24 has begun with strong trading momentum, building on the previously announced £5.2m solar contract with Spire Healthcare, the Group's largest to date, and the new £40m project funding facility with NatWest.

No change to underlying expectations

With revenue guidance reiterated in today's update (£25-26m for the full year), we make no changes to our underlying forecasts within this note. H1 revenue of £6.2m (pro forma H1'23: £11.0m) implies a strong H2 weighting, and this is supported by a strong forward order book (£12.9m for delivery in H2'24), comprising 75% of forecast Solar revenues and 44% of forecast LED lighting revenues. Adjusted EBITDA in H1 is expected to be a loss of £2.1m. A Group-wide restructuring post the EM disposal will result in a balance sheet adjustment in the interim accounts (estimated at up to £2.5m) as well as exceptional costs relating to the separation.

Continuing to invest to capture long term growth

eEnergy now has the balance sheet strength to tender for much larger contracts, which we expect to drive long term growth. Trading is encouraging at the start of H2, and the Group continues to invest in the executive team with Nick Clark recently joining in the new role of Chief Operating Officer.

Key Financials & Valuation metrics (Annualised to Dec)

Year-end Dec, £m	2022A	2023A	2024E	2025E	2026E
Sales	27.6	30.5	25.5	31.5	36.5
EBITDA	3.7	3.6	0.8	3.2	4.2
Adjusted PBT	2.5	0.9	-0.7	2.2	3.2
FD EPS (p)	0.6	0.4	-0.1	0.4	0.6
DPS (p)	0.0	0.0	0.0	0.0	0.0
Net Cash/(Debt)*	-6.9	-8.0	8.9	9.3	10.6
Net Cash/(Debt)**	-6.2	-7.4	9.5	9.9	11.2
P/E	9.2x	15.1x	-41.8x	14.3x	9.6x
EV/EBITDA	7.2x	7.8x	14.3x	3.3x	2.2x
EV/Sales	1.0x	0.9x	0.4x	0.3x	0.3x

*Source: ED analysis, IFRS 16 basis * including leases ** excluding lease, Share price as at 25/07/24*

Company Data

EPIC	EAAS.L
Price (last close)	5.3p
52 weeks Hi/Lo	8.4p/3.5p
Market cap	£19.8m
ED Fair Value/share	13p
Proforma net cash (Dec '24)	£9.5m
Avg. daily volume (k)	1,700

Share Price, p

Source: ADVFN

Description

eEnergy is a leading energy services company, helping corporate and public sector clients to achieve their Net Zero goals profitably. The business listed on AIM in early 2020 and has delivered significant underlying revenue and EBITDA growth since then, reflecting positive underlying market drivers and successful strategic execution. The Group recently divested its Energy Management business to DCC plc, strengthening the balance sheet to support the growth of the Energy Services business.

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