eEnergy

£30m EM disposal to unlock growth potential

22nd January 2024

As trailed in November, eEnergy has now agreed the disposal of its Energy Management business for an initial consideration of £29m, plus earnout (estimated range of £8m to £10m subject to performance). This is a transformative deal, which will eliminate all debt (previously a constraint to growth and a drag on sentiment) and leave the Group with net cash in excess of £15m to reinvest in the high growth Energy Services division.

We note that the initial cash consideration (£25m) is similar to eEnergy's current market cap (£26m at Friday's close). We reiterate our 13p Fair Value estimate and will publish new forecasts post completion (General Meeting on 7th Feb).

Disposal of Energy Management (EM) Division

eEnergy reported in early November that it had received a number of unsolicited approaches for its EM division and that it had entered a period of exclusivity with one of the interested parties. An agreement has now been reached (subject to General Meeting) to dispose of the business to Flogas Britian Limited (a subsidiary of FTSE 100 constituent DCC plc).

Key terms of transaction

The initial consideration of £29.1m comprises £25.0m cash with the balance of £4.1m being used to repay amounts due from the Group to the EM division. The total initial consideration equates to an enterprise value of £30m after customary adjustments reflecting net debt and normalised working capital. Before factoring in the earnout, this represents an immediate return on the £23.4m invested in the division since December 2020, principally through the acquisitions of Beond and UtilityTeam.

£25m net proceeds will eliminate debt and fund growth in Energy Services

Net proceeds will be used to pay down the Group's debt facilities of £8.1m, to reinvest in the high growth Energy Services division and for general working capital purposes.

Earnout overview – estimated £8m to £10m

The contingent consideration is estimated by the Company to be in the range of £8m to £10m (and capped at £20m). This will be triggered by the EM subsidiaries delivering an agreed minimum level of earnings during the period, based on free cashflow targets and the number of My ZeERO installations over the period. Any contingent consideration will be payable in two instalments, covering the period from completion to 30th September '24, and the 12-month period to 30th September '25.

Unlocking growth opportunities in Solar and EV charging

Energy Services reported revenue of £19.5m and EBITDA of £2.3m in the 12 months to 30th June '23, +87% and +131% respectively year on year. With significant balance sheet strength, the Group will now have the opportunity to invest further in the higher growth segments of Solar and EV Charging. See our initiation note for a detailed overview of Energy Services activities (Click: Driving net zero through innovation and technology).

Full forecast update post completion

The Board expects trading for the period to 31st December '23 to be at the lower end of market expectations as a result of previous cash constraints, which have now been eliminated. We will publish new forecasts following the General Meeting (7th February) and completion of the disposal.

Company Data

EPIC	EAAS.L
Price (last close)	7.4p
52 weeks Hi/Lo	8.1p/2.7p
Market cap	£26m
ED Fair Value	13p
Proforma net cash/ (net debt)	(£7.2m) *pre transaction
Avg. daily volume	1,400

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 revenue and EBITDA growth since then through a combination of M&A and organic progress, reflecting positive underlying market drivers.

James Tetley (Analyst)
0207 065 2690
james.tetley@equitydevelopment.co.uk
Hannah Crowe
0207 065 2692
hannah@equitydevelopment.co.uk

Contacts

Andy Edmond
Direct: 020 7065 2691
Tel: 020 7065 2690
andy@equitydevelopment.co.uk

Hannah Crowe
Direct: 0207 065 2692
Tel: 0207 065 2690
hannah@equitydevelopment.co.uk

Equity Development Limited is regulated by the Financial Conduct Authority

Disclaimer

More information is available on our website www.equitydevelopment.co.uk

Equity Development, 2nd Floor, Park House, 16-18 Finsbury Circus, London, EC2M 7EB

Contact: info@equitydevelopment.co.uk | 020 7065 2690