# eEnergy Group

## Strategic developments highlight valuation anomaly

8th November 2023

**eEnergy has announced a strategic investment from Luceco plc, whereby Luceco will invest £1.75m via a subscription for new ordinary shares at 5p per share, a 25% premium to yesterday's closing price. Luceco is a significant supply partner to eEnergy's eLight business (part of its Energy Services division). The investment looks strategically sensible, strengthening this longstanding relationship, as well as eEnergy's balance sheet. Additionally, the Board is exploring the potential disposal of the Energy Management division.**

**After receiving a number of indicative cash offers, which valued the division at >£30m, the Board has entered into a period of exclusivity with one of the interested parties. Irrespective of the outcome of this process, we feel that these developments shine a light on the underlying value of the Group, which, in our view, is not reflected in a current market cap of just £15m.**

### Strategic investment strengthens relationship and balance sheet

September's interims highlighted that the Board was *"reviewing a number of strategic options to further strengthen our balance sheet to support our continued strong growth"*. In our view, eEnergy looks to have found a sensible strategic investor in Luceco. The two businesses have a longstanding relationship with Luceco being a significant supply partner to eEnergy's eLight business. Luceco is a leading supplier of wiring accessories, EV chargers, LED lighting, and portable power products and is listed on the Main Market of the London Stock Exchange (LUCE.L, £168m Market Cap).

### Investment overview

Luceco has subscribed for 35,078,000 new shares at 5p per share, a premium of c.25% to last night's close. Following completion, Luceco will hold approximately 9.1% of eEnergy's issued share capital. Completion is subject to admission of the new shares to trading on AIM. Subscription proceeds will be used for working capital, including settlement of certain trading balances due to Luceco.

### Board representation and commercial details

Following the investment, eEnergy will maintain Luceco's share of applicable lighting spend at current levels, subject to competitive pricing and stock being made available. For so long as Luceco holds more than 6% of the voting rights in the Group, the investment entitles it to appoint a representative to the Board of eEnergy together with a right to participate, pro rata to its shareholding, in certain issues of equity or equity-linked securities including equity placings.

### Potential disposal of Energy Management division

During H1'23, the Board received a number of unsolicited approaches expressing interest in acquiring the Energy Management division. The Board engaged professional advisers to conduct a review, culminating in a number of indicative cash offers valuing the division at >£30m. The Board has now entered into a period of exclusivity with one of the interested parties. While discussions are at an advanced stage, there is no guarantee they will lead to a transaction. The Board intends to re-invest proceeds from any transaction to support the growth potential of the Energy Services division.

### Recent initiation highlights value and growth potential

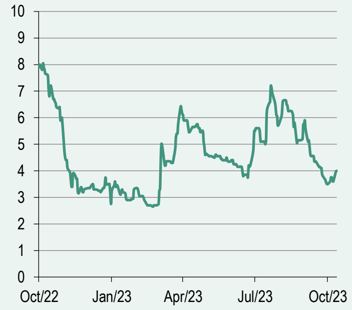
We initiated coverage of eEnergy in September with a Fair Value estimate of 13p per share (Click: Driving net zero through innovation and technology).

**In our view, today's strategic developments support our Fair Value analysis and reinforce the investment case.**

**Company Data**

| | |
|---|---|
| EPIC | EAAS.L |
| Price (last close) | 4.0p |
| 52 weeks Hi/Lo | 8.1p/2.5p |
| Market cap | £15m |
| ED Fair Value /share | 13p |
| Proforma net cash/ (Debt) | (£7.2m) |
| Avg. daily volume | 7.8m |

**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.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