Yü Group – AGM Q&A

Are you still able to grow in a Covid-19 world?

Yes – we have deployed a business continuity plan in response to Covid-19 and the management team is working tirelessly with key partners and stakeholders to ensure continued and effective delivery of our services to customers.

We continue to see the results from the work done in 2019 to redesign our sales organisation, and the introduction of new systems and processes to achieve higher margin contracts with lower risk. We continue to add to our strong forward contract book, with Average Monthly Bookings of £5.7m in the four months to 30 April 2020 (H1 2019: £3.2m; H2 2019: £5.3m) despite the impact of Covid-19 which temporarily reduced the level of enquires in the early stages of lockdown. We have launched new products specifically designed to support businesses through these difficult times which are performing well. Whilst more emphasis is being placed on customer segmentation risks due to Covid-19, and acknowledging customers consumption may continue to be lower than the amount booked as a result of lockdown, the level of bookings made highlights that the market opportunity remains.

Has the board instigated cost savings measures during Covid-19 like many other companies? ie furlough, pay cuts etc.

Yes – the Company furloughed some staff, from the 'non front line' teams. Other cost saving measures include: delaying certain discretionary spend, and taking advantage of certain HMRC benefits. We have maintained good customer service levels throughout this period, as well as billing and customer collection performance.

Trading impact during Covid-19 on client usage and also cash receipts and bad debts – is this manageable and how big of drain on current cash resources. Are new clients being signed up and at what rate?

Covid-19 has had a very direct impact on all businesses, including our segmentally varied customers, across the UK. Customers' energy usage has been far lower than was previously forecast for April 2020 as a result of the lockdown, with a fall in demand of approximately 35% which will reduce revenues accordingly.

Despite this relatively positive performance to date, the Board and Executive Management Team will continue to remain focused on the potential for increase of customer receivables, and the bad debt and expected credit losses to be incurred, as the Covid-19 pandemic continues to impact the UK economy.

We continue to support and have a close engagement with all our clients, and are still signing up new clients, but with an even greater emphasis on risk.

Smartest arrangement – more clarity on the Covid-19 situation and impact with Smartest. How big is the financial risk?

The risk of the Covid-19 is considered to be a material uncertainty for the Group in view of its unprecedented impact across society and the potential to impact the UK economy and the Group's target market.

The Board is continuing to assess the risks but believe the Group is better placed, after improving various controls and processes, and obtaining the new credit facilities for trading arrangements. The benefit of the trading arrangement is a significantly higher credit limit than the previous position, and a credit line that will scale with the Group as it grows. This arrangement will significantly reduce the need to post-cash collateral deposits. The Group is pleased with the successful deployment of the business continuity plan, but the risks associated with Covid-19 will be continually monitored and reassessed.

You have announced a new team and focus. What results are you looking to see?

Long term profitable growth. The Board has taken action to provide very strong foundations upon which we can seek to effectively manage the current economic turmoil, with a view to driving growth once the market recovers.

You state that the sales bookings achieve higher gross margins. What is the split of direct sales vs energy brokers?

In FY 2019, the sales spilt was 16% direct bookings vs 84% indirect bookings. The Board is focused on increasing the percentage of direct bookings.

In your financial results 6/4/20 you had gross margin at 4.9% for FY 2019. What is it now – first quarter 2020? What is it on new customers? Does the GM include fees paid to energy brokers?

We only provide gross margin figures at the full year and interim results – so the next update will be at interim results.

Why have the directors not purchased shares at his low level? I can understand BK but not other directors especially when I own considerably more than the majority of the directors combined.

The Directors' share position is a matter for them.

Bobby Kalar already owns in excess of 50% of the shares and has expressed his personal desire to hold on to shares to benefit from the actions taken.

Director remuneration seeks to align shareholder and Executive management incentives.

It appears that the business is progressing nicely. For example, the deal with Smartest Energy, new board members, cash in the bank and new office in Leicester etc. However, this has not been reflected in the share price and acknowledged by market analysts. The share price of Yu is almost at is lowest. What further can the business do to achieve its real value and convince investors to stay supportive?

The Board is very aware of the share price which, to an extent, is a reflection of the current environment. We are keen to explain the investment case to potential investors, both institutional and retail, and are actively discussing timing of activity and strategy with our advisers.

Is current cash sufficient?

Yes – our balance sheet remains strong with £13.0m net cash at the end of April, plus a further £4.8m in prepaid cash collateral. Our cash position is supported by the structured commodity hedging facility with Smartest Energy (Marubeni Group) which we announced in December 2019 and which frees up cash to support our future growth.

Do you require funding?

No – the Board is comfortable there is sufficient headroom in the Group's cash position without recourse to seeking additional equity. As noted in the Annual Report, the Board will continually assess this position as the impact from Covid-19 is understood.

Merger and acquisitions?

The Board is always looking at opportunities to enhance the growth of the business. We have a strong balance sheet and cash position, so will consider opportunities when they arise.

Profitability now 2021?

YU's evolution from H1 2019 to H2 2019 was significant. The Group beat market expectations, which also showed close to break-even in 2020 – despite significant investment in sales / marketing. Whilst we expect an impact on performance due to Covid-19, the Board continues to stress-test and manage the situation.

Is the board planning an investor roadshow as since the reset you have lost 2 institutional investors without replacement.

The Board continues to interact with institutional investors at regular intervals.

Why should we invest in Yu?

- One-stop-shop for business utilities
- Disruptor via innovation and services levels
- Highly scalable and growing in a huge market
- Experienced and committed team – vested in the success of the group
- Robust systems and controls – to see us through the next stages of growth. We have worked hard to embrace technology and will continue those incremental improvements.