

27 May 2021

Positive Trading Update

Stock Data

Ticker (AIM)	YU. LN
Share Price	265p
Market Cap	£43.1M
EV	£31.8M
Yr High/Yr Low	380/71p
PRICE TARGET	500p
RATING	Buy

Yü Group Plc (YU. LN) listed on the AIM Exchange in London is a multi-utility provider to small and medium sized business, as well as larger corporate customers across the UK. As a direct supplier of electricity, gas, water and other solutions such as electric vehicle (EV) charge points, smart meter installations and green energy solutions, Yü Group (YUG) provides a simple approach to a business's energy management, offering competitive fixed-price, bundled utility plans. The certainty of utility costs supported by a strong commitment to customer service and product innovation is rapidly solidifying YUG as a trusted supplier in the £35b UK B2B utility market.

Event: YUG is set to hold its virtual AGM this morning and has provided a trading update for the first months of the year.

Price Chart



SOURCE: Bloomberg

Highlights:

- **AGM at 11am this morning:** The AGM will be a virtual event again this year, given restrictions that remain in place for public gatherings. An audio presentation by the Chairman and CEO will be posted on the corporate website (yugroupplc.com) following the meeting, as well as responses to shareholder questions submitted to AGM@yugroupplc.com ahead of the meeting.
- **Group performance in-line with expectations:** Average monthly bookings for the four months ended 30 April 2021 are £7.2m, +26% y/y (30 April 2020: £5.7m) adding to the Group's strong forward contract book. With a strong start to the year, the Board and management affirms it is on track to meet operational targets and report profitable growth for the full year.
- **UK Government lockdown rules relaxation roadmap:** With vaccination levels increasing daily, and the approach to achieving herd immunity in the UK the government is, so far, following its guidelines to relax the lockdown restrictions. Inside venues were permitted to partially open in May, which is expected to be followed by a full opening with no restrictions in June. There has even been a push to relax travel restrictions with a reassessment of permitted destinations without quarantine every three weeks. There remains caution with this process as coronavirus variants are spreading aggressively through some regions of the UK. There are still about 2,400 infections of Covid-19 reported daily, and hospitalisations while low relative vs. last year's rates, continue to be variable. Overall, we expect increased market and economic activity to drive increased demand for utility services. In addition, with higher commodity prices this year, we continue to expect customers to prefer to be on fixed contract pricing terms. These two factors alone should support growth opportunities for the Group.

Special Sits Research

Tania Maciver

tania.maciver@spangel.co.uk
+44 7551444787

Equity Sales

Richard Parlons

richard.parlons@spangel.co.uk

Rob Rees

rob.rees@spangel.co.uk

Grant Barker

Grant.barker@spangel.co.uk

Abigail Wayne

abigail.wayne@spangel.co.uk

2021 Forecasts: Recall we increased our revenue estimates to £128.4m for 2021E, increasing further in 2022E to £159.9m. The 2021E contracted revenue book stood at £93m at 30 December 2020 (up from £71.7m at 31 August 2020), which we now expect is considerably higher with strong monthly bookings so far. This results in positive adjusted EBITDA of £0.45m in 2021E and £2.55m in 2022E. Net profits for 2021E are £0.05m or £0.00/shr and 2022E are £2.15m or £0.13/shr. With positive net profits and continued careful management of cash we expect cash flow generation to increase.

Valuation: We use a DCF to derive a price target for YUG. We remain somewhat conservative as the country comes out of lockdown with further Covid-19 impacts possible. The result is an equity value of ~£81m, or 500p/share, ~47% higher than the current share price. With this type of potential return, the stock warrants a Buy rating.

Outlook

With what appears to be a good start to the year, supported by improved market and economic dynamics, we continue to believe that YUG is well positioned for growth resulting in a solid investment profile for investors. Operational improvements continue to highlight the strength of the foundation that has been built and sets the stage for the next steps in the execution of the corporate strategy. We believe there remains significant upside in the stock for investors as the Group challenges the incumbent energy providers with innovative products and superior customer service.

FINANCIAL SUMMARY

Current Forecasts										
Financials (£000)	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Revenue	16,264.0	45,631.0	80,635.0	111,613.0	101,527.0	128,397.1	159,852.1	188,361.4	210,670.9	231,931.2
Gross Margin (%)	21.2%	14.9%	4.0%	4.9%	7.6%	9.2%	9.4%	9.5%	9.5%	9.5%
Operating Income	(1,518.0)	784.0	(9,595.0)	(5,898.0)	(1,574.0)	(27.6)	2,080.6	3,384.4	4,157.8	4,625.5
Operating Margin (%)	-9.3%	1.7%	-11.9%	-5.3%	-1.6%	0.0%	1.3%	1.8%	2.0%	2.0%
Adjusted EBITDA	(1,518.0)	1,537.0	(6,283.0)	(4,242.0)	(1,714.0)	449.4	2,557.6	3,861.4	4,634.8	5,102.5
Net Income	(1,359.0)	711.0	(6,267.0)	(4,968.0)	(1,165.0)	37.6	2,154.6	3,458.4	4,231.8	4,699.5
Earnings per Share (£) basic	(0.1029)	0.0506	(0.4223)	(0.3)	(0.0716)	0.0023	0.1323	0.2124	0.2599	0.2886
Adjusted Net Income	136.0	1,413.0	(5,555.0)	(3,950.0)	(1,725.0)	37.6	2,154.6	3,458.4	4,231.8	4,699.5
Adj. EPS (£) basic	0.0103	0.1005	(0.3743)	(0.2426)	(0.1060)	0.0023	0.1323	0.2124	0.2599	0.2886
Basic Shares (000s)	13,212.2	14,054.1	14,841.4	16,278.7	16,281.1	16,281.1	16,281.1	16,281.1	16,281.1	16,281.1
Net Cash in/(Out)-flow	5,150.0	(1,822.0)	9,725.0	(12,235.0)	9,363.0	(589.0)	4,832.3	11,225.3	8,192.6	8,621.4
Debt	-	-	-	-	-	-	-	-	-	-
Growth Rates (%)										
	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	
Revenue	180.6%	76.7%	38.4%	-9.0%	26.5%	24.5%	17.8%	11.8%	10.1%	
EBITDA	201.3%	-508.8%	32.5%	59.6%	126.2%	469.1%	51.0%	20.0%	10.1%	
Net Income	152.3%	-981.4%	20.7%	76.5%	103.2%	5634.1%	60.5%	22.4%	11.1%	
Adjusted Net Income	939.0%	-493.1%	28.9%	56.3%	102.2%	5634.1%	60.5%	22.4%	11.1%	
Financial Health										
	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Working Capital (£000)	4,748.00	7,021.00	6,664.00	187.00	(1,423.00)	(3,673.61)	(906.60)	3,411.91	8,650.71	14,446.09
Current Ratio	(1.89)	(1.65)	(1.31)	(1.01)	(1.0)	(0.9)	(1.0)	(1.1)	(1.1)	(1.2)
Long-term Debt (£m)	-	-	-	-	-	-	-	-	-	-
Total Equity (£m)	5.41	8.81	10.44	5.30	4.5	4.7	6.9	10.5	14.8	19.6
LT Debt/Assets	-	-	-	-	-	-	-	-	-	-
LT Debt/Equity	-	-	-	-	-	-	-	-	-	-
Financial Position (£000)										
	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Cash	5,197.0	4,887.0	14,612.0	2,377.0	11,740.0	11,151.0	15,983.4	27,208.6	35,401.3	44,022.7
Inventory	-	-	-	-	-	-	-	-	-	-
Debtors	4,891.0	13,011.0	13,569.0	25,886.0	18,267.0	21,797.9	26,806.1	31,345.2	34,897.3	38,282.3
Creditors	(5,340.0)	(10,877.0)	(21,517.0)	(28,076.0)	(31,430.0)	(36,622.6)	(43,696.0)	(55,142.0)	(61,647.8)	(67,858.9)
Total Assets	10,821.0	20,061.0	31,955.0	33,822.0	37,052.0	41,882.1	51,210.2	66,214.6	77,052.2	88,062.7
Total Liabilities	(5,412.0)	(11,248.0)	(21,517.0)	(28,524.0)	(32,539.0)	(37,231.6)	(44,305.0)	(55,751.0)	(62,256.8)	(68,467.9)
Total Equity	5,409.0	8,813.0	10,438.0	5,298.0	4,513.0	4,650.6	6,905.2	10,463.6	14,795.4	19,594.9
Profitability										
	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
ROE	-25.1%	8.1%	-60.0%	-93.8%	-25.8%	0.8%	31.2%	33.1%	28.6%	24.0%
ROA	-12.6%	3.5%	-19.6%	-14.7%	-3.1%	0.1%	4.2%	5.2%	5.5%	5.3%

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