

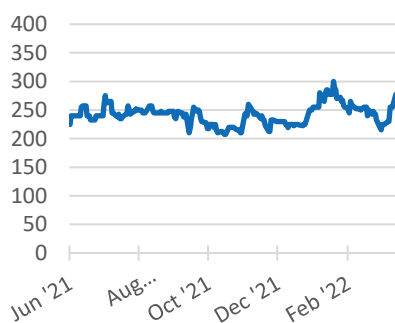
Yü Group Plc

26 May 2022

Stock Data

Ticker (AIM)	YU. LN
Share Price	209.50p
Market Cap	£34M
Yr High/Yr Low	380/187.50p
Target Price	590p
Rating	Buy

Price Chart



SOURCE: Bloomberg

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Trading Update: A Strong Start to 2022

Yü Group Plc (YU. LN) listed on the AIM Exchange in London is a multi-utility provider to SMEs, as well as larger corporates across the UK. As a direct supplier of electricity, gas, water, and other solutions such as EV charge points, smart meter installations and green energy solutions, Yü Group (YUG) provides a simple approach to 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 solidifying YUG as a trusted supplier in the £50b+ UK B2B utility market.

AGM Details: The AGM is being held, in person, today at DLA Piper LLP in London. Copies of the annual report and account will be available on the website, along with the presentation by the Chairman and CEO, shortly after the meeting.

Trading Update:

- Performance of the Group is in line with market expectations.
- Revenue growth for the first four months of 2022 have experienced significant revenue growth at higher profit margins compared to the same period last year.
- Average monthly bookings for the four months stood at £13m +81% y/y.
- The Metering Services Division was created during the period, providing the ability to control a larger part of the value chain.

Average monthly bookings at 81% higher than they were the same time last year.

Recall that last year average monthly bookings for the four months ended 30 April 2021 were £7.2m, up 26% compared to the £5.7m average monthly bookings for 30 April 2020. For the full year 2021 average monthly bookings reached £13.8m, up from £8.3m in 2020. This continuous year on year improvement is indicative of another period of strong performance by the Group in a challenging market environment. This is even more apparent given that January and March tend to be slower months for new bookings given trends for increased holidays and lower spending.

For 2022E, we expect average monthly billings to trend to over ~£16.5m. We also expect off-contract revenue to increase to 5-10% of contracted revenue, given current commodity price levels and movement of customers due to energy supplier failures over the last year or so. We expect this to reduce back to more normalised levels (<5% of contracted revenue) as commodity price volatility stabilises perhaps next year.

Forecasts: We expect 2022E revenue of £215.5m, increasing to £257.8m in 2023E and £294.9 in 2024E. This results in positive adjusted EBITDA in each year of £3.7m in 2022E, £5.7m in 2023E and £8.1m in 2024E. Net profits for the year 2022E are £2.98m or £0.18/shr, for 2023E are £4.99m or £0.31/shr, and for 2024E are £7.4m or £0.46/shr. With positive EBITDA and positive net profits we expect cash to increase to £9.1m in 2022E, £12.6m in 2023E.

Valuation: We use a DCF valuation to derive a price target for YUG. In this calculation, our WACC has stayed roughly the same as before – we've accounted for higher market risks and higher inflation, but this has been offset by lower relative company risks. The result is an equity value of ~£95.6m, translating to a share value of 590p, ~2.8x higher than the current share price. With this type of potential return, and the improved risk profile of the Group, investors should take a more serious look at the stock.

Outlook: YUG is continuing to build on the outstanding results reported for 2021, with strong average bookings reported for year-to-date 2022. Evidently management is committed to execute on its long-term growth strategy by building its customer base in a controlled and profitable manner. Establishing the Metering Services Division is expected to support additional value creation from the customer base over the medium-term, driving revenue higher and reducing the potential for bad debt.

We believe there remains significant upside potential for investors as the Group challenges the remaining incumbent energy providers with superior efficiency of operations, innovative products, and strong levels of customer service, and recommend that investors take a closer look at the potential in the stock price.

FINANCIAL SUMMARY

Current Forecasts							
Financials (£000)	2019	2020	2021	2022E	2023E	2024E	2025E
Revenue	111,613.0	101,527.0	155,423.0	215,493.0	257,770.0	294,885.0	335,815.2
Gross Margin (%)	4.9%	7.6%	9.8%	9.9%	9.9%	10.0%	10.1%
Operating Income	(5,898.0)	(1,574.0)	3,488.0	2,978.4	4,985.9	7,424.3	8,885.7
Operating Margin (%)	-5.3%	-1.6%	2.2%	1.4%	1.9%	2.5%	2.6%
Adjusted EBITDA	(4,242.0)	(1,714.0)	1,724.0	3,663.4	5,670.9	8,109.3	9,570.7
Net Income	(4,968.0)	(1,165.0)	4,451.0	2,978.4	4,985.9	7,424.3	8,749.1
Earnings per Share (£) basic	(0.305)	(0.072)	0.273	0.183	0.306	0.456	0.537
Adjusted Net Income	(3,950.0)	(1,725.0)	4,451.0	2,978.4	4,985.9	7,424.3	8,749.1
Adj. EPS (£) diluted	(0.29)	(0.07)	0.26	0.17	0.29	0.43	0.50
Diluted Shares (000s)	17,065.2	17,210.9	17,398.8	17,380.2	17,380.2	17,380.2	17,380.2
Net Cash in/(Out)-flow	(12,235.0)	9,363.0	(4,691.0)	2,050.9	3,544.9	14,100.2	15,592.2
Debt	-	-	-	-	-	-	-

Growth Rates (%)	2019	2020	2021	2022E	2023E	2024E	2025E
Revenue	38.4%	-9.0%	53.1%	38.6%	19.6%	14.4%	13.9%
EBITDA	32.5%	59.6%	200.6%	112.5%	54.8%	43.0%	18.0%
Net Income	20.7%	76.5%	482.1%	-33.1%	67.4%	48.9%	17.8%
Adjusted Net Income	28.9%	56.3%	358.0%	-33.1%	67.4%	48.9%	17.8%

Financial Health	2019	2020	2021	2022E	2023E	2024E	2025E
Working Capital (£000)	187.00	(1,423.00)	(2,253.00)	54.98	6,372.40	15,987.82	27,393.39
Current Ratio	(1.01)	(1.0)	(1.0)	(1.0)	(1.2)	(1.4)	(1.7)
Long-term Debt (£m)	-	-	-	-	-	-	-
Total Equity (£m)	5.30	4.5	9.3	12.5	17.7	25.4	34.4
LT Debt/Assets	-	-	-	-	-	-	-
LT Debt/Equity	-	-	-	-	-	-	-

Financial Position (£000)	2019	2020	2021	2022E	2023E	2024E	2025E
Cash	2,377.0	11,740.0	7,049.0	9,099.9	12,644.8	26,745.0	42,337.2
Inventory	-	-	-	-	-	-	-
Debtors	25,886.0	18,267.0	40,441.0	33,598.9	32,701.7	29,001.4	25,893.5
Creditors	(28,076.0)	(31,430.0)	(49,743.0)	(42,643.8)	(38,974.0)	(39,758.5)	(40,837.3)
Total Assets	33,822.0	37,052.0	59,569.0	55,698.2	57,264.3	65,723.2	75,801.1
Total Liabilities	(28,524.0)	(32,539.0)	(50,284.0)	(43,184.8)	(39,515.0)	(40,299.5)	(41,378.3)
Total Equity	5,298.0	4,513.0	9,285.0	12,513.4	17,749.3	25,423.7	34,422.8

Profitability	2019	2020	2021	2022E	2023E	2024E	2025E
ROE	-93.8%	-25.8%	47.9%	23.8%	28.1%	29.2%	25.4%
ROA	-14.7%	-3.1%	7.5%	5.3%	8.7%	11.3%	11.5%

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