

## Yü Group Plc

19 July 2022

### Stock Data

Ticker (AIM)	YU. LN
Share Price	187.5p
Market Cap	£31.1M
Yr High/Yr Low	320/182.50p
Target Price	590p
Rating	Buy

### Price Chart



SOURCE: Bloomberg

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### Trading Update: Tracking Ahead of Forecasts

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.

#### Trading Update for the half year – H1 2022:

- These results represent the 4<sup>th</sup> consecutive period of revenue growth and margin improvement, and consistency in generating positive Adj. EBITDA. As such, the Group is delivering on KPIs in line with management expectations.
- Revenue** for H122 is expected to exceed £125m, a very strong performance, increasing +90% y/y and +39% consecutively from H221. Management has indicated that revenue for the full year 2022 will be ~50% higher than the £155.4m reported in 2021, or more than £230m based on the current trajectory.
- Average monthly bookings** increased to £14.3m for H1 2022, compared to £13m +81% in the first four months of the year. This is 49% higher than H1 2021 of £9.6m, and ahead of the full year average for 2021 of £13.8m.
- Cash** at 30 June 2022 was £15.7m, +36.5% higher than the £11.5m held at 30 June 2021, and more than double than the £7m held at year end. The annual ROC payments due shortly will be paid in the coming weeks, with cash to spare.
- Adjusted EBITDA** is continuing to track positively, driven by improved net customer contribution – strong operational leverage and careful management of debtors. Recall Adj. EBITDA doubled through 2021, reaching 0.7% at the half year and 1.4% in H221. Management anticipates a 50% uplift in Adj. EBITDA for the year to over 1.65%.
- Meter points** continue to increase, reaching 26.1k in H122 or +25.5% y/y. This accounts for the reduction in non-firm customers acquired in the SoLR process.
- The smart metering division, Yü Smart, is expected to launch in H222, with the first smart meters expected to be installed during Q422.

**Forecasts:** Our current forecasts for 2022E revenue call for £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 at year-end to £9.1m in 2022E, £12.6m in 2023E.

The current trajectory of results indicated in this trading update suggest that our revenue forecasts are about 7-8% too low and Adj. EBITDA about 5% too low. This suggests a forecast revision is warranted. However, we will await the detailed results for H122 to get greater clarity on the drivers before making any changes.

**Valuation:** We use a DCF valuation to derive a price target for YUG. In this calculation, we have 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 ~£96m, translating to a share value of 590p, ~3.1x higher than the current share price.

**Outlook:** YUG is continuing to build on the outstanding results reported for 2021, with better-than-expected headline results for H222. With what is a strong core business, establishing the Yü Smart division is expected to support additional value creation from the customer base, driving revenue higher and reducing bad debt.

The continuous improvement in financials through such a challenging period in recent months, really suggests that the changes management has made are working well for Yü Group. The Group is stronger than ever and still improving. As such, investors should be seriously looking at the potential of an investment in this stock, with its stable risk profile and strong growth potential.

## 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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