

Non-Independent Research
 MiFID II Exempt: Marketing Material
 SP Angel provides research to YUG

Yü Group Plc

19 March 2025

Stock Data

Ticker (AIM)	YU. LN
Share Price	1460p
Market Cap	£250m
Yr High/Yr Low	1960/1030p
Target Price	2100p
Rating	Buy

Price Chart



Source: hl.co.uk

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40% organic revenue growth

40% organic growth in FY24A was driven by strong increases in both meter points and volume of energy supplied. The contracted order book for FY25E stands at over £0.5bn. We upgrade our FY25E revenue forecast to the bottom end of the range of guidance which pulls through an additional £1m upgrade to Adj. EBITDA. We forecast the business to have over £96m of net cash on the balance sheet this year. Buy.

FY24A – key points:

- **Revenues +40% YoY.** Revenue of £645m was driven by a 64% increase in meter points supplied to 88k, a 78% increase in volume of energy supplied to 2.2TWh offset by lower commodity prices.
- **Contracted order book +25% YoY.** The total contracted order book rose 25% YoY to £1.0bn with £566m contracted for the current year. The order book beyond T+1 grew 52% YoY to £468m implying customer contracts are lengthening. A 9% price reduction is embedded in this book.
- **Provisions down.** The annual provision for bad and doubtful debtors ('net impairment loss') reduced 100bp YoY to 2.1% of sales, or £13.5m, and decreased YoY in absolute terms.
- **Adj. EBITDA +5% YoY.** Adjusted EBITDA growth of 5% YoY to £43.8m reflected the well flagged normalisation of the commodity pricing environment. This generated an Adj. EBITDA margin of 6.9% but notably this margins actually increased 80bp sequentially to 7.3% in H2A suggesting that the weakness in commodity pricing is beginning to wash through.
- **Adj. FD EPS rose 11%** to 210p and a 40p final dividend has been declared (FY24A total 60p). A net working capital inflow of £32m assisted net free cash flow generation of £62m (free cash flow margin: 9.6%) and net cash balances to rise by 150% by the year end to £80.4m.

Earnings upgrade and new FY26E forecast

Management has guided to a likely revenue outcome for FY25E in the range of £730-760m. We have upgraded our FY25E forecast by 2% to £731m. We maintain our net impairment loss forecast at 3% of sales, and the higher revenue base increases our FY25E adj. EBITDA forecast by 3% to £48.4m. We introduce a conservative new FY26E revenue forecast of £775m (+6% YoY revenue growth) and a maintained Adj. EBITDA forecast of 6.6%. This delivers Adj. EBITDA next year of £51.4m (+6% YoY). We see net cash ending next year at over £96m.

Outlook

The FY24A revenue base has carved Yü Group a market share of 2.7% in the UK B2B utility supply market. The digital-by-design sales platform is clearly gaining traction in the marketplace. Our forecasts feel very conservative relative to historic growth rates - our FY25E revenue forecast is barely above the bottom end of the range of guidance. Contracted orders for FY25E provide for 77% visibility over our revenue forecast. The current year EV/Adj. EBITDA rating of 3x suggests the stock is being materially mispriced.

Financial Statements

Table 1: Valuation data (2021A-2026E)

December, £'000	2021A	2022A	2023A	2024A	2025E	2026E
Sales (£m)	155.4	278.6	460.0	645.5	731.6	775.5
Adj. EBITDA (£m)	1.5	7.9	42.6	44.8	48.4	51.4
PBT (£m)	3.4	5.8	39.7	44.5	48.6	52.1
Basic EPS (p)	27.3	28.9	184.9	199.8	210.6	223.6
Dividend (p)	0.0	3.0	40.0	60.0	70.0	75.0
EV/Sales (x)	0.9	0.5	0.3	0.2	0.2	0.2
EV/adj. EBITDA (x)	100.0	18.6	3.5	3.3	3.0	2.9
P/e (x)	53.5	50.5	7.9	7.3	6.9	6.5
Yield (%)	0.0	0.2	2.7	4.1	4.8	5.1

Source: Company Accounts, SP Angel forecasts

Table 2: Adjusted EBITDA calculation (2021A-2026E)

December, £'000	2021A	2022A	2023A	2024A	2025E	2026E
Operating profit	3,488	5,930	38,082	40,924	45,556	48,409
Non-recurring operational costs	644	0	0	0	0	0
Loss on derivatives contracts	-3,344	926	3,046	1,359	0	0
Depreciation of property plant and equipment	335	405	808	1,698	1,725	1,750
Amortisation of intangibles	352	648	680	848	1,100	1,200
Adjusted EBITDA	1,475	7,909	42,616	44,829	48,381	51,359
<i>margin</i>	<i>0.9%</i>	<i>2.8%</i>	<i>9.3%</i>	<i>6.9%</i>	<i>6.6%</i>	<i>6.6%</i>

Source: Company Accounts, SP Angel forecasts

Figure 1: UK gas price

EVOLUTION OF FORWARD GAS PRICE



Table 3: Income statements (2021A-2026E)

December, £'000	2021A	2022A	2023A	2024A	2025E	2026E
Revenue	155,423	278,587	460,001	645,456	731,626	775,523
<i>growth YoY</i>	-	79.2%	65.1%	40.3%	13.4%	6.0%
Cost of sales	-140,180	-234,462	-376,959	-551,571	-614,566	-651,440
Gross Profit	15,243	44,125	83,042	93,885	117,060	124,084
<i>gross margin</i>	9.8%	15.8%	18.1%	14.5%	16.0%	16.0%
Operating costs	-14,206	-15,565	-26,347	-34,088	-47,556	-50,409
Share option charge	-249	-284	-1,258	-3,987	-2,000	-2,000
Net impairment losses	3,344	-21,420	-14,309	-13,527	-21,949	-23,266
Gain / (loss) on derivatives or non-recurring costs	-644	-926	-3,046	-1,359	0	0
Total operating costs	-11,755	-38,195	-44,960	-52,961	-71,504	-75,675
Adjusted EBITDA	1,475	7,909	42,616	44,829	48,381	51,359
Operating profit	3,488	5,930	38,082	40,924	45,556	48,409
<i>operating margin</i>	2.2%	2.1%	8.3%	6.3%	6.2%	6.2%
Finance Income	0	1	1,722	4,194	3,348	4,138
Finance costs	-96	-91	-105	-641	-353	-405
Profit/(Loss) before tax	3,392	5,840	39,699	44,477	48,551	52,142
Taxation	1,059	-1,071	-8,839	-10,978	-12,138	-13,035
Profit/(Loss) after tax	4,451	4,769	30,860	33,499	36,413	39,106
Earnings/(Loss) per share (GBP)						
Basic	27.3	28.9	184.9	199.8	210.6	223.6
Adjusted Basic	19.7	32.1	197.8	222.8	219.3	232.2
Basic diluted	25.6	26.2	169.4	186.7	197.3	209.6
Weighted Average Shares	16,281	16,316	16,650	16,741	17,019	17,019
Effect of shares issued in the year	19	181	37	29	0	0
Ordinary shares for basic earnings calculation	16,300	16,497	16,686	16,770	17,288	17,488
Dilutive effect of outstanding options	1,099	1,723	1,533	1,170	1,170	1,170
Ordinary shares for diluted earnings calculation	17,399	18,220	18,220	17,941	18,458	18,658
Dividend/share (£)						
Interim	0.00	0.00	0.03	0.20	0.23	0.25
Final	0.00	0.03	0.37	0.40	0.47	0.50

Source: Company Accounts, SP Angel forecasts

Table 4: Cash flow statements (2021A-2026E)

December, £'000	2021A	2022A	2023A	2024A	2025E	2026E
Cash Flow from operating activities						
Profit/(Loss) for the financial period	4,451	4,769	30,860	33,499	36,413	39,106
Adjustments for:						
Depreciation of property, plant and equipment	255	325	400	704	725	750
Depreciation of right of use assets	80	80	408	994	1,000	1,000
Amortisation of intangible assets	352	648	680	848	1,100	1,200
Profit on disposal	0	0	0	-39	0	0
Unrealised loss (gain) on derivative contracts	-3,344	926	3,046	0	0	0
Change in stock	0	-345	-201	177	0	0
Change in trade and other receivables	-19,700	-17,000	-26,208	-11,174	-15,345	-7,817
Change in customer acquisition costs	0	0	-8,478	-12,335	0	0
Change in industry related deposits	0	0	6,838	-2,586	0	0
Change in cash collateral deposits lodged with trading counterparties	0	0	-49,820	49,820	0	0
Change in trade and other creditors	17,468	23,889	39,108	-4,921	6,285	3,265
Increase in renewable obligation liability	0	0	10,476	13,457	0	0
Employee costs, benefits provisions & other	0	0	-108	-570	0	0
Net finance income	0	-1	-444	-123	3,348	4,138
Finance costs	96	91	105	641	353	405
Taxation	-1,059	1,071	8,839	10,978	12,138	13,035
Corporation tax paid	0	0	-627	-11,282	-12,138	-13,035
Share based payment charge	249	284	1,258	3,987	2,000	2,000
Cash received on customer contracts	378	0	0	0	0	0
Net cash from operating activities	-774	14,737	16,132	72,075	35,878	44,047
Cash flows from investing activities						
Purchase of property, plant and equipment	-2,629	-215	-576	-2,151	-500	-499
Payment of software development costs	-1,079	-2,210	-130	-1,280	-1,300	-1,380
Purchase of Smart Meters	0	0	-796	-6,261	-7,097	-7,523
Acquisitions	0	-216	0	0	0	0
Net cash from investing activities	-3,708	-2,641	-1,502	-9,692	-8,897	-9,402
Cash flows from financing activities						
Net proceeds from issue of new shares	-12	22	125	-3,619	0	0
Net interest	-77	-76	-106	-352	-353	-405
Equity dividends paid	0	0	-1,002	-9,399	-10,949	-12,533
Debt facility Smart Meters - drawdown	0	0	356	4,647	5,267	5,583
Net change in borrowings & lease obligations	-120	-121	-496	-933	0	0
Net cash from financing activities	-209	-175	-1,123	-9,656	-6,034	-7,355
Net increase in cash and cash equivalents	-4,691	11,921	13,507	52,727	20,947	27,291
Gross cash and cash equivalents at start of the period	11,740	7,049	18,970	32,477	85,204	106,152
Gross cash and cash equivalents at end of the period	7,049	18,970	32,477	85,204	106,152	133,443
Net cash (debt)	7,049	18,970	32,125	80,459	96,139	117,847
Free cash flow	-4,559	12,020	14,524	62,031	26,629	34,241
Free cash flow margin	-2.9%	4.3%	3.2%	9.6%	3.6%	4.4%

Source: Company Accounts, SP Angel forecasts

Table 5: Balance sheet (2021A-2026E)

December, £'000	2021A	2022A	2023A	2024A	2025E	2026E
Current Assets						
Stock	0	345	546	369	369	369
Trade & other receivables	37,359	54,339	127,222	97,115	112,460	120,278
Financial derivative assets	3,102	1,484	0	0	0	0
Trade and other receivables	40,461	55,823	127,222	97,115	112,460	120,278
Cash and cash equivalents	7,049	18,970	32,477	85,204	106,152	133,443
Total Current Assets	47,510	75,138	160,245	182,688	218,981	254,090
Non Current Assets						
Property, plant and equipment	3,751	3,641	4,613	12,318	12,093	11,842
Right-of-use asset	193	113	1,676	1,844	844	-156
Intangible assets	1,333	3,111	2,561	2,993	2,793	2,613
Deferred tax	5,932	5,300	1,969	2,842	2,842	2,842
Trade receivables and derivative/other assets	870	1,562	5,231	11,786	11,786	11,786
Total Non Current Assets	12,079	13,727	16,050	31,783	30,358	28,927
Total Assets	59,589	88,865	176,295	214,471	249,339	283,017
Current Liabilities						
Trade payables	-3,690	-4,636	-6,492	-10,237	-16,522	-19,787
Accrued expenses and deferred income	-34,545	-55,281	-88,737	-108,568	-78,650	-62,042
Other payables	-11,508	-13,943	-32,635	-17,627	-17,868	-18,576
Total Current Liabilities	-49,743	-73,860	-127,864	-136,432	-113,039	-100,404
Trades & other payables	-541	-206	-1,281	-2,970	-158	-158
Borrowings	0	0	-352	-4,745	-10,012	-15,596
Non Current Liabilities	-541	-206	-1,633	-7,715	-10,170	-15,754
Total Liabilities	-50,284	-74,066	-129,497	-144,147	-123,209	-116,158
Net Assets	9,305	14,799	46,798	70,324	126,130	166,858

Source: Company Accounts, SP Angel forecasts

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