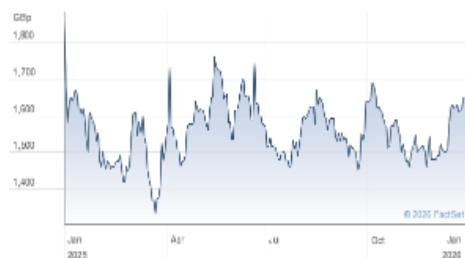


Stock Data	
Ticker	YU. LN
Share Price	1642p
Market Cap.	£278m

## Share Price



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# Utilities Flash Note

## Yu Group\*

**YU. LN**

**BUY**

## 48% YoY meter growth

Yu Group reported a 48% organic growth in meter points in FY25E. Energy prices have stabilised meaning the negative drag that has held back reported revenue growth since 2023 has now played out. The implied YoY revenue growth rate of 5% in FY25E could accelerate this year as contracted order growth begins to match meter growth. The stock trades on an unwarranted 55% discount to the UK market and offers investors a progressive 4.3% dividend yield.

### FY25 Trading update

The +48% YoY growth in meter points is expected to help deliver Group revenue of c£700m in FY25E. EBITDA is expected to be in line with expectations (SPA adjusted EBITDA forecast: £50.4m). Cash generation is expected to be strong and broadly in line with consensus which will continue to support the Group's progressive dividend policy.

### Implied 3.2TW/h delivery

Expected revenues of c£700m suggests a YoY growth rate of c5%, while the +48% YoY increase in deployed meters implies a consistent growth rate between H1A & H2E. Grossing these meters up for equivalent volume of energy supplied suggests Yu Group could have delivered around 3.2TW/h to its customers last year.

### 2022 contracts rolling off

Many fixed term, three year contracts were signed in 2022 at the peak of the UK's energy crisis. These contracts are now being renewed at current market prices meaning that these older contracts, which were priced at materially higher levels, will no longer be a drag on revenue growth. It is therefore reasonable to assume that average monthly bookings should stabilise YoY relative to meter growth in FY26E.

### Double digit order book growth likely

As at June 2025, contracted revenue for FY26E rose 15% YoY to stand already at £481m. We estimate that this figure could be substantially over £500m as at December 2025. While there is some expectation that energy prices will be stable, or could even rise, through 2026 and beyond, there are non-commodity related charges which will impact energy prices. The construction costs for Sizewell C will ultimately be passed on to consumers through a Regulated Asset Base pricing model, as will other transmission investment scheme costs. This could turn pricing trends from a headwind seen over the last three years into a tailwind.

### Cautious forecasts

Our FY25E forecasts are unchanged following this trading update. Management raised its budget for bad debt provisioning to 2.7% of sales (+70bp YoY) last year but we continue to base our forecasts off a 3.0% provisioning rate. We see upside potential to our year end net cash forecast of £106m as this implies a small net cash outflow in H2E which feels unlikely given the trading update. The stock offers investors a 4.3% FY25E dividend yield and, in our view, an unwarranted 55% discount to the UK market on a p/e of <8x.

# Financial statements & valuation

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
<b>EV/Sales (x)</b>	<b>1.1</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>
<b>EV/adj. EBITDA (x)</b>	<b>103.1</b>	<b>21.7</b>	<b>4.1</b>	<b>3.6</b>	<b>3.5</b>	<b>3.3</b>
<b>P/e (x)</b>	<b>60.1</b>	<b>56.8</b>	<b>8.9</b>	<b>8.2</b>	<b>7.8</b>	<b>7.3</b>
Yield (%)	0.0	0.2	2.4	3.7	4.3	4.6

Source: Company Accounts, SP Angel forecasts

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

December, £'000	2021A	2022A	2023A	2024A	2025E	2026E
<b>Operating profit</b>	<b>3,488</b>	<b>5,930</b>	<b>38,082</b>	<b>40,924</b>	<b>45,556</b>	<b>48,409</b>
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
Share based payment charges	249	284	1,258	3,987	2,000	2,000
<b>Adjusted EBITDA</b>	<b>1,724</b>	<b>8,193</b>	<b>43,874</b>	<b>48,816</b>	<b>50,381</b>	<b>53,359</b>
<b>margin</b>	<b>1.1%</b>	<b>2.9%</b>	<b>9.5%</b>	<b>7.6%</b>	<b>6.9%</b>	<b>6.9%</b>

Source: Company Accounts, SP Angel forecasts

Figure 1: UK gas price (5 yr)



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

December, £'000	2021A	2022A	2023A	2024A	2025E	2026E
<b>Revenue</b>	<b>155,423</b>	<b>278,587</b>	<b>460,001</b>	<b>645,456</b>	<b>731,626</b>	<b>775,523</b>
growth YoY	-	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
<b>Gross Profit</b>	<b>15,243</b>	<b>44,125</b>	<b>83,042</b>	<b>93,885</b>	<b>117,060</b>	<b>124,084</b>
gross margin	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
<b>Adjusted EBITDA</b>	<b>1,475</b>	<b>7,909</b>	<b>42,616</b>	<b>44,829</b>	<b>48,381</b>	<b>51,359</b>
<b>Operating profit</b>	<b>3,488</b>	<b>5,930</b>	<b>38,082</b>	<b>40,924</b>	<b>45,556</b>	<b>48,409</b>
operating margin	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
<b>Profit/(Loss) before tax</b>	<b>3,392</b>	<b>5,840</b>	<b>39,699</b>	<b>44,477</b>	<b>48,551</b>	<b>52,142</b>
Taxation	1,059	-1,071	-8,839	-10,978	-12,138	-13,035
<b>Profit/(Loss) after tax</b>	<b>4,451</b>	<b>4,769</b>	<b>30,860</b>	<b>33,499</b>	<b>36,413</b>	<b>39,106</b>
<b>Earnings/(Loss) per share (GBp)</b>						
<b>Basic</b>	<b>27.3</b>	<b>28.9</b>	<b>184.9</b>	<b>199.8</b>	<b>210.6</b>	<b>223.6</b>
<b>Adjusted Basic</b>	<b>19.7</b>	<b>32.1</b>	<b>197.8</b>	<b>222.8</b>	<b>219.3</b>	<b>232.2</b>
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
<b>Ordinary shares for basic earnings calculation</b>	<b>16,300</b>	<b>16,497</b>	<b>16,686</b>	<b>16,770</b>	<b>17,288</b>	<b>17,488</b>
Dilutive effect of outstanding options	1,099	1,723	1,533	1,170	1,170	1,170
<b>Ordinary shares for diluted earnings calculation</b>	<b>17,399</b>	<b>18,220</b>	<b>18,220</b>	<b>17,941</b>	<b>18,458</b>	<b>18,658</b>
<b>Dividend/share (£)</b>	<b>0.00</b>	<b>0.03</b>	<b>0.40</b>	<b>0.60</b>	<b>0.70</b>	<b>0.75</b>
<b>Interim</b>	<b>0.00</b>	<b>0.00</b>	<b>0.03</b>	<b>0.20</b>	<b>0.22</b>	<b>0.25</b>
<b>Final</b>	<b>0.00</b>	<b>0.03</b>	<b>0.37</b>	<b>0.40</b>	<b>0.48</b>	<b>0.50</b>

Source: Company Accounts, SP Angel forecasts

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

December, £'000	2021A	2022A	2023A	2024A	2025E	2026E
<b>Cash Flow from operating activities</b>						
Profit/(Loss) for the financial period	4,451	4,769	30,860	33,499	36,413	39,106
<b>Adjustments for:</b>						
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
<b>Net cash from operating activities</b>	<b>-774</b>	<b>14,737</b>	<b>16,132</b>	<b>72,075</b>	<b>35,878</b>	<b>44,047</b>
<b>Cash flows from investing activities</b>						
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
<b>Net cash from investing activities</b>	<b>-3,708</b>	<b>-2,641</b>	<b>-1,502</b>	<b>-9,692</b>	<b>-8,897</b>	<b>-9,402</b>
<b>Cash flows from financing activities</b>						
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
<b>Net cash from financing activities</b>	<b>-209</b>	<b>-175</b>	<b>-1,123</b>	<b>-9,656</b>	<b>-6,034</b>	<b>-7,355</b>
<b>Net increase in cash and cash equivalents</b>	<b>-4,691</b>	<b>11,921</b>	<b>13,507</b>	<b>52,727</b>	<b>20,947</b>	<b>27,291</b>
Gross cash and cash equivalents at start of the period	11,740	7,049	18,970	32,477	85,204	106,152
<b>Gross cash and cash equivalents at end of the period</b>	<b>7,049</b>	<b>18,970</b>	<b>32,477</b>	<b>85,204</b>	<b>106,152</b>	<b>133,443</b>
<b>Net cash (debt)</b>	<b>7,049</b>	<b>18,970</b>	<b>32,125</b>	<b>80,459</b>	<b>96,139</b>	<b>117,847</b>
<b>Free cash flow</b>	<b>-4,559</b>	<b>12,020</b>	<b>14,524</b>	<b>62,031</b>	<b>26,629</b>	<b>34,241</b>
<b>Free cash flow margin</b>	<b>-2.9%</b>	<b>4.3%</b>	<b>3.2%</b>	<b>9.6%</b>	<b>3.6%</b>	<b>4.4%</b>

Source: Company Accounts, SP Angel forecasts

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

December, £'000	2021A	2022A	2023A	2024A	2025E	2026E
<b>Current Assets</b>						
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
<b>Total Current Assets</b>	<b>47,510</b>	<b>75,138</b>	<b>160,245</b>	<b>182,688</b>	<b>218,981</b>	<b>254,090</b>
<b>Non Current Assets</b>						
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
<b>Total Non Current Assets</b>	<b>12,079</b>	<b>13,727</b>	<b>16,050</b>	<b>31,783</b>	<b>30,358</b>	<b>28,927</b>
<b>Total Assets</b>	<b>59,589</b>	<b>88,865</b>	<b>176,295</b>	<b>214,471</b>	<b>249,339</b>	<b>283,017</b>
<b>Current Liabilities</b>						
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
<b>Total Current Liabilities</b>	<b>-49,743</b>	<b>-73,860</b>	<b>-127,864</b>	<b>-136,432</b>	<b>-113,039</b>	<b>-100,404</b>
Trades & other payables	-541	-206	-1,281	-2,970	-158	-158
Borrowings	0	0	-352	-4,745	-10,012	-15,596
<b>Non Current Liabilities</b>	<b>-541</b>	<b>-206</b>	<b>-1,633</b>	<b>-7,715</b>	<b>-10,170</b>	<b>-15,754</b>
<b>Total Liabilities</b>	<b>-50,284</b>	<b>-74,066</b>	<b>-129,497</b>	<b>-144,147</b>	<b>-123,209</b>	<b>-116,158</b>
<b>Net Assets</b>	<b>9,305</b>	<b>14,799</b>	<b>46,798</b>	<b>70,324</b>	<b>126,130</b>	<b>166,858</b>

Source: Company Accounts, SP Angel forecasts

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