

Non-Independent Research

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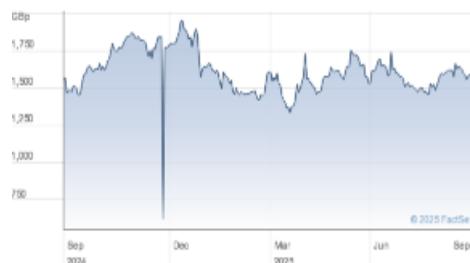
MiFID II Exempt

23 September 2025

Stock Data

Ticker	YU. LN
Share Price	1560p
Market Cap.	£260m

Share Price



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Utilities Flash Note

Yu Group*

YU. LN

BUY

20% organic volume growth

Longer term contracts from the peak of the UK's energy crisis, which commenced in early 2022 with the Ukraine war, are now washing through. The impact of this over the last three years has softened revenue growth relative to volume expansion. Now these contracts have been re-priced and market conditions returned to more normalised conditions, H2E should start to see revenue growth match volume growth more closely. We believe this could be a catalyst for a re-rating of the stock.

H1A results

Group revenue rose 9% YoY to £341m in H1A, net of 20% growth in equivalent volume energy supplied. Installed meter points grew 48% YoY to 107k while owned meter points rose 179% YoY to 36.6k. Gross margins were flat YoY at 13.6% and Net Customer Contribution margin softened 90bp to 10.8% reflecting a higher bad debt provision. Adj. EBITDA margin declined 30bp to 6.7% and adj. EPS rose 2% YoY to 96p.

Legacy contracts rolling off

The implied pricing drag of 11% reflects the impact of legacy fixed term, three year contracts signed in 2022, the peak of the UK's energy crisis. These contracts are now being renewed, often at non-firm pricing levels, meaning that these legacy contracts priced at substantially higher levels will no longer be a drag on revenue growth. Average monthly bookings softening 12% YoY in H1A similarly reflects this re-pricing of contracts at lower levels.

Double digit order book growth

Contracted revenue for FY26E rose 15% YoY to £481m while aggregate revenue under contract rose 24% YoY to £1.168m. These movements more closely track reported volume growth which is to be expected as contracts signed now no longer reflect the pricing disparity which has impacted reported revenue growth in H1A.

Pricing environment

Figure 1 overleaf shows the UK gas price stabilising post 2023. There is continuing public suggestion that energy prices will be creeping upwards as 2025 progresses and beyond due to government initiatives to invest both in grid infrastructure and renewable capacity. This has potential capacity to lift the pricing environment from headwind to tailwind.

Some note of caution

Bad debt provision was raised to 2.7% of sales (+70bp YoY) in H1A. Management actively monitors 30/60/90 days debtors for any change in operating environment. This rising charge reflects an incremental approach to be ahead of any arising debtor issues and accounts for the lower growth rate in Adj. EBITDA of 4% vs 9% growth in revenues. We use a 3% assumption in our forecasts (+90bp YoY) so H2E will have to deteriorate materially for this to be an issue for forecast earnings.

Forecasts unchanged

Revenues in H1A represent 47% of our FY25E forecast of £732m, and Adj. EBITDA 45%. Group revenue and EBITDA were weighted 52% and 57% to H2A last year respectively so we leave our estimates unchanged. With such strong cash generation in H1A (net cash +27% to £110m), an inflation busting dividend increase (+16% YoY, 5x covered), 4.5% dividend yield and FY25E EV/adj. EBITDA rating of 3.3x we remain Buyers.

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
EV/Sales (x)	1.1	0.6	0.4	0.3	0.2	0.2
EV/adj. EBITDA (x)	95.7	20.1	3.8	3.4	3.3	3.1
P/e (x)	57.3	54.1	8.5	7.8	7.4	7.0
Yield (%)	0.0	0.2	2.6	3.8	4.5	4.8

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
Share based payment charges	249	284	1,258	3,987	2,000	2,000
Adjusted EBITDA	1,724	8,193	43,874	48,816	50,381	53,359
margin	1.1%	2.9%	9.5%	7.6%	6.9%	6.9%

Source: Company Accounts, SP Angel forecasts

Figure 1: UK gas price (5 yr)



Source: tradingeconomics.com

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
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
Gross Profit	15,243	44,125	83,042	93,885	117,060	124,084
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
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
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
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 (£)	0.00	0.03	0.40	0.60	0.70	0.75
Interim	0.00	0.00	0.03	0.20	0.22	0.25
Final	0.00	0.03	0.37	0.40	0.48	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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