

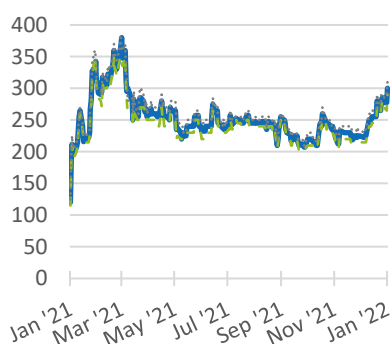
## Yü Group Plc

26 January, 2022

### Stock Data

Ticker (AIM)	YU. LN
Share Price	300p
Market Cap	£48.9M
EV	£37.8M
Yr High/Yr Low	380/120p
Price Target	500p
Rating	Buy

### Price Chart



SOURCE: Bloomberg

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### Trading Update: F2021 Stellar Performance

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 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 £35b UK B2B utility market.

**Event:** YUG provided a trading update for the year-ended 31 December 2021, with better-than-expected performance for the year.

#### 2021 Headline results:

- Revenue will be in excess of £150m, +50% y/y driven by organic growth and the integration of Ampower customers.
- Adj. EBITDA and profit after tax is expected to be well ahead of market expectations.
- Average monthly bookings** were £13.8m at 31 December 2021, vs. £8.3m reported at the end of 2020 (+66% y/y). This was supported by average monthly bookings of £24m during Q4 2021.
- Meter points** stood at 31,900 at 31 December 2021, 1.8x the 17,400 meter points tally at 31 December 2020;
- Customer contract lengths are at an average of 30 months
- Contracted revenue** for 2022 has reached £156.5m, up from £90.5m at 31 August 2021. Contracted revenue for 2021 at 31 December 2020 stood at £93m.
- Cash** at year-end 2021 was £7m vs £11.7m at year-end 2020. Recall during the year YUG invested in the property at its new Innovation Hub in Leicester, invested in the expansion of its digital programme to drive marketing and sales, and took on new clients on as the designated supplier of last resort for Ampower customers appointed by Ofgem, as well as made payment towards the covid VAT bill deferral.

**Forecasts:** Our revenue forecasts for 2021E were £128.4m. With the better-than-expected half-year results, we increased our 2021E forecasts for NCC, bad debt, Adj. EBITDA and net profit. 2021E NCC increased to 7.1%, bad debt decreased to 1.3%, Adj EBITDA increased to £0.9m, and net profit increased to £1.3m., with adjusted profit after tax of £0.5m due to the recognition of unrealised losses on derivative contracts.

With strong outperformance against our forecasts in 2021, coupled with 2022 contracted revenue of £156.5m – already at 97.9% of our 2022E revenue forecast – our forecasts for 2022E and beyond, clearly require revision to the upside.

**Outlook:** During 2021 YUG management has delivered on its strategic long-term growth plans with better-than-expected growth through what was a very challenging year for the sector. Recall that nearly 30 energy companies have ceased trading since the summer of 2021, including MA Energy and CNG Energy which supplied only non-domestic customers, due to the rise of wholesale energy prices. Though, there are still more expected to fall in 2022, with wholesale energy prices continuing to rise as the cold winter months set in and political tensions continue to mount in Russia and the Ukraine. However, YUG has been an acquirer of customers through this period, both organically and as a as supplier of last resort for Ampower appointed by Ofgem strategically protected by its mature and stable hedging program, mitigating the impact of fluctuating commodity prices. We expect this stability to continue to support growth for YUG through 2022E+.

YUG further strengthened its platform in 2021 with its 'digital as default' programme to drive customer penetration, while at the same time maintaining customer service levels and lowering costs. A key focus has been on ensuring that customer service is maintained, and contracts are properly priced within the context of current market conditions – both of which are closely monitored under stricts risk parameters

We expect YUG to continue on this growth trajectory as it remains keenly focused on its long-term strategy to scale growth, despite a very challenging market environment.

TABLE 1: FINANCIAL SUMMARY - Prior Forecasts

Current Forecasts									
Financials (£000)	H1 2020	H2 2020	H2 2021	H2 2021E	2019	2020	2021E	2022E	2023E
Revenue	45,873.0	55,654.0	65,816.0	62,581.1	111,613.0	101,527.0	128,397.1	159,852.1	188,361.4
Gross Margin (%)	5.7%	9.1%	7.8%	8.9%	4.9%	7.6%	8.3%	9.4%	9.5%
Operating Income	(2,062.0)	488.0	1,168.0	452.9	(5,898.0)	(1,574.0)	1,620.9	2,050.6	3,354.4
Operating Margin (%)	-4.5%	0.9%	1.8%	0.7%	-5.3%	-1.6%	1.3%	1.3%	1.8%
Adjusted EBITDA	(1,846.0)	132.0	478.0	452.9	(4,242.0)	(1,714.0)	930.9	2,557.6	3,861.4
Net Income	(1,711.0)	546.0	920.0	415.9	(4,968.0)	(1,165.0)	1,335.9	1,699.7	2,742.7
Earnings per Share (£) basic	(0.105)	0.034	0.057	0.026	(0.305)	(0.072)	0.082	0.104	0.168
Adjusted Net Income	(1,711.0)	(14.0)	64.0	415.9	(3,950.0)	(1,725.0)	479.9	1,699.7	2,742.7
Adj. EPS (£) diluted	(0.10)	0.03	0.05	0.02	(0.29)	(0.07)	0.08	0.10	0.16
Diluted Shares (000s)	17,065.2	17,210.9	17,584.1	17,584.1	17,065.2	17,210.9	17,210.9	17,210.9	17,210.9
Net Cash in/(Out)-flow	15,509.0	(6,146.0)	(267.0)	(2,585.9)	(12,235.0)	9,363.0	(2,911.9)	3,933.6	7,770.4
Debt	-	-	-	-	-	-	-	-	-
Growth Rates (%)									
	H1 2020	H2 2020	H2 2021	H2 2021E	2019	2020	2021E	2022E	2023E
Revenue	-18.9%	1.1%	43.5%	12.4%	38.4%	-9.0%	26.5%	24.5%	17.8%
EBITDA	31.0%	108.4%	125.9%	243.1%	32.5%	59.6%	154.3%	174.8%	51.0%
Financial Health									
	H1 2020	H2 2020	H2 2021	H2 2021E	2019	2020	2021E	2022E	2023E
Working Capital (£000)	(2,498.00)	(1,423.00)	219.00	(1,275.10)	187.00	(1,423.00)	(1,275.10)	1,082.54	4,743.95
Current Ratio	(0.92)	(0.95)	(1.01)	(0.96)	(1.01)	(1.0)	(1.0)	(1.0)	(1.1)
Long-term Debt (£m)	-	-	-	-	-	-	-	-	-
Total Equity (£m)	3.75	4.51	5.59	6.00	5.30	4.5	6.0	7.8	10.6
LT Debt/Assets	-	-	-	-	-	-	-	-	-
LT Debt/Equity	-	-	-	-	-	-	-	-	-
Financial Position (£000)									
	H1 2020	H2 2020	H2 2021	H2 2021E	2019	2020	2021E	2022E	2023E
Cash	17,886.0	11,740.0	11,473.0	8,828.1	2,377.0	11,740.0	8,828.1	12,761.8	20,532.2
Inventory	-	-	-	-	-	-	-	-	-
Debtors	10,985.0	18,267.0	19,185.0	20,388.3	25,886.0	18,267.0	20,388.3	20,926.1	24,284.8
Creditors	(31,369.0)	(31,430.0)	(30,439.0)	(30,491.6)	(28,076.0)	(31,430.0)	(30,491.6)	(32,605.3)	(40,073.0)
Total Assets	35,496.0	37,052.0	39,592.0	39,730.5	33,822.0	37,052.0	39,730.5	43,644.0	53,954.4
Total Liabilities	(31,743.0)	(32,539.0)	(34,003.0)	(33,725.6)	(28,524.0)	(32,539.0)	(33,725.6)	(35,839.3)	(43,307.0)
Total Equity	3,753.0	4,513.0	5,589.0	6,004.9	5,298.0	4,513.0	6,004.9	7,804.6	10,647.3

SOURCE: Company reports

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