

Non-Independent Research

MiFID II Exempt: Marketing Material

SP Angel provides research to YUG

21 January 2025

Stock Data

Ticker (AIM)	YU. LN
Share Price	1870p
Market Cap	£312m
Yr High/Yr Low	1960/1030p
Target Price	2100p
Rating	Buy

Price Chart



Source: hl.co.uk

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Yü Group Plc

£1bn contracted order book

FY24E revenues are expected to be up c40% YoY at c£650m and could have been materially higher had commodity prices not softened. The base effect of softer gas and electricity prices has mostly washed through so volume growth from this point should correlate more closely to higher revenues. Yu Group continues to take market share in the B2B market and we start a new fiscal period again with a conservative revenue forecast. Buy.

FY24E – key points:

- **Revenues +40% YoY.** Full year revenues are indicated to be c£650m in FY24E, up 40% YoY. This has been driven by a 65% increase in meter points served (+65% YoY to 88.0k) and a higher total volume of energy supplied (+78% YoY). The differential between these two growth rates and reported revenue growth is reconciled by a softer commodity pricing environment.
- **H2E margins up.** Yu Group has reported margins strengthening as the year progressed. The Group's adjusted EBITDA margin in H1A was 6.5% and our forecasts imply this figure could reach around 7.2% in H2E. This rise has been assisted by robust hedging and tight control over bad debts.
- **£1bn order book.** Yu Group's contracted order book of £1bn implies a 12% softening in average revenue per unit supplied equivalent energy. Compared to prior movements, this suggests the commodity cycle is bottoming. Furthermore, over half of this contracted order book (£566m, +9% YoY) will be recognised in FY25E.
- **£80m net cash.** Net cash is expected to end the year at £80m, sufficient to support a progressive dividend policy with c3x cover over the medium term.

Earnings forecasts unchanged

We revise our FY24E revenue forecast down by 3% to £645m to reflect the softer commodity pricing environment but the margin strength seen in H2E means our adjusted EBITDA forecast of £44.1m is unchanged. Similarly we leave our FY25E forecasts unchanged: revenue £715m (+11% YoY) and adjusted EBITDA £47m (+7% YoY).

Outlook

With the commodity cycle likely to wash through soon, the base effect of this means that future revenue growth will be more correlated with volume growth. At this stage of the cycle this is hugely positive for investors if the company can maintain its volume growth rates anywhere near historic levels. The contracted order book provides excellent revenue visibility with our revenue forecast for FY25E having over 79% cover. Supplied meter points could easily reach 100k+ this year. Smart meter roll-outs continue to gain pace with Yu Group now having an installed base of 22.9k smart meters (+169% YoY) which generates an index-linked annuity revenue base of £1.3m. With the stock trading on a FY25E P/E rating of <10x, a discount of c35% to the UK market, we continue to rate the stock as Buy.

Financial Statements

Table 1: Income Statements (2021-2025E)

YE December (£000s)	2021A	2022A	2023A	2024E	2025E
Revenue	155,423	278,587	460,001	645,055	715,553
<i>growth YoY</i>	-	79.2%	65.1%	40.2%	10.9%
Cost of sales	-140,180	-234,462	-376,959	-541,562	-601,064
Gross Profit	15,243	44,125	83,042	103,493	114,488
<i>gross margin</i>	9.8%	15.8%	18.1%	16.0%	16.0%
Operating costs	-14,206	-15,565	-26,347	-39,735	-45,795
Share option charge	-249	-284	-1,258	-2,000	-2,000
Net impairment losses	3,344	-21,420	-14,309	-19,352	-21,467
Gain / (loss) on derivatives	-644	-926	-3,046	0	0
Total operating costs	-11,755	-38,195	-44,960	-61,087	-69,262
Adjusted EBITDA	1,475	7,909	42,616	44,130	47,044
Operating profit	3,488	5,930	38,082	42,406	45,226
<i>operating margin</i>	2.2%	2.1%	8.3%	6.6%	6.3%
Finance Income	0	1	1,722	2,400	3,727
Finance costs	-96	-91	-105	-243	-353
Profit/(Loss) before tax	3,392	5,840	39,699	44,563	48,601
Taxation	1,059	-1,071	-8,839	-11,141	-12,150
Profit/(Loss) after tax	4,451	4,769	30,860	33,422	36,451
Earnings/(Loss) per share (GBP)					
Basic	27.3	28.9	184.9	196.2	210.8
Adjusted Basic	19.7	32.1	197.8	205.0	219.5
Basic diluted	25.6	26.2	169.4	178.2	191.7
Weighted Average Shares	16,281	16,316	16,650	16,838	17,038
Effect of shares issued in the year	19	181	37	200	250
Ordinary shares for basic earnings calculation	16,300	16,497	16,686	17,038	17,288
Dilutive effect of outstanding options	1,099	1,723	1,533	1,723	1,723
Ordinary shares for diluted earnings calculation	17,399	18,220	18,220	18,760	19,010
Dividend/share (£)	0.00	0.03	0.40	0.57	0.60
Interim	0.00	0.00	0.03	0.19	0.20
Final	0.00	0.03	0.37	0.38	0.40

Source: Company Accounts, SP Angel estimates

Table 2: Cash Flow Statements (2021-2025E)

YE December (£'000)	2021A	2022A	2023A	2024E	2025E
Cash Flow from operating activities					
Profit/(Loss) for the financial period	4,451	4,769	30,860	33,422	36,451
Adjustments for:					
Depreciation of property, plant and equipment	255	325	400	596	650
Depreciation of right of use assets	80	80	408	408	408
Amorisation of intangible assets	352	648	680	720	760
Unrealised loss (gain) on derivative contracts	-3,344	926	3,046	0	0
Change in stock	0	-345	-201	0	0
Change in trade and other receivables	-19,700	-17,000	-27,848	-33,336	-13,520
Increase in cash collateral deposits lodged with tradii	0	0	-49,820	49,800	0
Change in trade and other creditors	17,468	23,889	49,584	14,629	5,389
Employee costs & benefits provisions	0	0	-108	0	0
Net finance income	0	-1	-444	2,400	3,727
Finance costs	96	91	105	-243	-353
Taxation	-1,059	1,071	8,839	11,141	12,150
Corporation tax paid	0	0	-627	-11,141	-12,150
Share based payment charge	249	284	1,258	300	300
Cash received on customer contracts	378	0	0	0	0
Net cash from operating activities	-774	14,737	16,132	68,697	33,811
Cash flows from investing activities					
Purchase of property, plant and equipment	-2,629	-215	-1,372	-500	-500
Payment of software development costs	-1,079	-2,210	-130	-1,000	-1,000
Purchase of Smart Meters	0	0	0	-5,525	-5,828
Acquisitions	0	-216	0	0	0
Net cash from investing activities	-3,708	-2,641	-1,502	-7,025	-7,328
Cash flows from financing activities					
Net proceeds from issue of new shares	-12	22	125	-3,995	0
Net interest	-77	-76	-106	-243	-353
Equity dividends paid	0	0	-1,002	-9,541	-10,027
Debt facility Smart Meters - drawdown	0	0	0	2,025	2,328
Net change in borrowings & lease obligations	-120	-121	-140	0	0
Net cash from financing activities	-209	-175	-1,123	-11,754	-8,052
Net increase in cash and cash equivalents	-4,691	11,921	13,507	49,918	18,432
Gross cash and cash equivalents at start of the period	11,740	7,049	18,970	32,477	82,395
Gross cash and cash equivalents at end of the period	7,049	18,970	32,477	82,395	100,827
Net cash (debt)	7,049	18,970	32,125	80,019	96,123
Free cash flow	-4,559	12,020	14,524	61,429	26,131
Free cash flow margin	-2.9%	4.3%	3.2%	9.5%	3.7%

Source: Company Accounts, SP Angel estimates

Table 3: Balance Sheets (2021-2025E)

YE December (£000s)	2021A	2022A	2023A	2024E	2025E
CURRENT ASSETS					
Stock	0	345	546	546	546
Trade & other receivables	37,359	54,339	127,222	160,558	174,078
Financial derivative assets	3,102	1,484	0	0	0
Trade and other receivables	40,461	55,823	127,222	160,558	174,078
Cash and cash equivalents	7,049	18,970	32,477	82,395	100,827
Total Current Assets	47,510	75,138	160,245	243,499	275,451
NON CURRENT ASSETS					
Property, plant and equipment	3,751	3,641	4,613	4,517	4,367
Right-of-use asset	193	113	1,676	1,268	860
Intangible assets	1,333	3,111	2,561	2,281	2,041
Deferred tax	5,932	5,300	1,969	1,969	1,969
Financial derivative/other asset	870	1,562	5,231	5,231	5,231
TOTAL NON CURRENT ASSETS	12,079	13,727	16,050	15,266	14,468
TOTAL ASSETS	59,589	88,865	176,295	258,765	289,919
CURRENT LIABILITIES					
Trade payables	-3,690	-4,636	-6,492	-21,121	-26,510
Accrued expenses and deferred income	-34,545	-55,281	-88,737	-83,857	-76,922
Other payables	-11,508	-13,943	-32,635	-15,893	-17,385
TOTAL CURRENT LIABILITIES	-49,743	-73,860	-127,864	-120,872	-120,817
Trades & other payables	-541	-206	-1,281	-158	-158
Borrowings	0	0	-352	-2,377	-4,705
NON CURRENT LIABILITIES	-541	-206	-1,633	-2,535	-4,863
TOTAL LIABILITIES	-50,284	-74,066	-129,497	-123,406	-125,680
NET ASSETS	9,305	14,799	46,798	135,359	164,239

Source: Company Accounts, SP Angel estimates

Table 4: Valuation

YE December (£m)	2021A	2022A	2023A	2024E	2025E
Sales (£m)	155.4	278.6	460.0	645.1	715.6
Adj. EBITDA (£m)	1.5	7.9	42.6	44.1	47.0
PBT (£m)	3.4	5.8	39.7	44.6	48.6
Basic EPS (p)	27.3	28.9	184.9	196.2	210.8
Dividend (p)	0.0	3.0	40.0	57.0	60.0
EV/Sales (x)	1.5	0.8	0.5	0.4	0.3
EV/adj. EBITDA (x)	157.3	29.3	5.4	5.3	4.9
P/e (x)	68.5	64.7	10.1	9.5	8.9
Yield (%)	0.0	0.2	2.1	3.0	3.2

Source: Company accounts, SP Angel estimates

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