PKF

A catch up with...

An expert view of the Renewable Energy sector

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A catch up with...

The aim of the series: **"A catch up with…"**, is to promote a greater understanding of the current market through a series of interviews with respected industry leaders to find out more about them, their company, their views on the market and the challenges they might face in the next phase of their business journey. Each publication will examine a single industry from the viewpoints of different business directors and founders operating within the sector to provide a rare and insightful overview.

Foreword

Renewable energy is a key growth sector for the UK with the government committed to investment. Taking advantage of these energy sources can be excellent for businesses but as the sector changes so will the pressures that they face.

To better understand the sector, PKF spoke to three leaders from three different-facing renewables businesses to bring you their perspectives and insight on the industry, taking an inside look at the market.

As the drive towards decarbonisation is changing the way that electricity is generated, stored and managed, and as hydrogen becomes increasingly central to the delivery of global 'net zero' commitments, Clean Power Hydrogen Plc (CPH2) aims to be a leader in this transition, as Clive Brook, CPH2's CFO, explains.

Fear of rising interest rates and uncertainty around the war in Ukraine have driven many investors to liquidate their holdings and sit on their cash. But for how long? We speak to former credit markets analyst, Marc Chennault, who predicts that investors will be back very soon as they won't want to miss out on some spectacular ESG opportunities.

Ric Williams, Group CFO at eEnergy, explains how the company is helping businesses navigate their way to Net Zero, not just by transitioning to clean energy, but by tackling energy waste.

Thank you to our contributors for sharing their individual experiences in this edition. We would welcome your suggestions for industries to profile in future issues.

Record clean energy spending in 2022

A new report from the International Energy Authority published at the end of June, predicts that global energy investment is set to increase by 8% in 2022 to reach USD 2.4 trillion, with the anticipated rise coming mainly in clean energy.

According to the IEA's World Energy Investment 2022 report, the fastest growth in energy investment is coming from the power sector – mainly in renewables and grids – and from energy efficiency.

While the annual average growth rate in clean energy investment in the five years after the signature of the Paris Agreement in 2015 was just over 2%, since 2020, the pace of growth has accelerated to 12%, underpinned by fiscal support from governments and the rise of sustainable finance.
The report said that clean energy investment is set to exceed $1.4 trillion in 2022 and account for "almost three-quarters of the growth in overall energy investment", predominantly driven by investment from advanced economies and China. Investment in battery energy storage alone is expected to more than double to reach almost $20 billion in 2022.

However, despite the positive picture of rising investment in the clean energy transitions sector, the IEA warns that a significant chunk of the increased investment will be eaten up by higher costs rather than bringing additional energy supply capacity of savings. Factors such as rising inflation and oil and gas prices, combined with geopolitical tensions are impacting all industry sectors, and the energy sector is no different.

The IEA's executive director, Fatih Birol, said: "We cannot afford to ignore either today's global energy crisis or the climate crisis, but the good news is that we do not need to choose between them – we can tackle both at the same time." Birol added that a "massive surge in investment to accelerate clean energy transitions" is "the only lasting solution."

Sources:
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"We started considering an IPO on AIM in the Spring of 2021 with the idea of hitting the market during COP26 (end October/early November 2021), but for various reasons outside of our control that got delayed."

Clive Brook
CFO, Clean Power Hydrogen Plc (CPH2)

'Old school' science revolutionising hydrogen production

A catch-up with… Clive Brook

The problem with using hydrogen to help meet the world's carbon zero targets is that currently, its production creates more carbon! Dr. Nigel Williamson, a co-founder of CPH2, went back to his school text books to re-examine Faraday's Laws of Electrolysis and solved a problem not achieved in 200 years: how to create clean "green" hydrogen using water. A decade of dedicated research and product development has resulted in the creation of a break-through technology which is unique. As the drive towards decarbonisation is changing the way that electricity is generated, stored and managed, and as hydrogen becomes increasingly central to the delivery of global 'net zero' commitments, CPH2 aims to be a leader in this transition, as Clive Brook, CPH2's CFO, explains.

CPH2 was set-up by Dr. Nigel Williamson and Joe Scott in Ireland in 2012 to develop a cleaner alternative to PEM electrolysers (see below) by producing green hydrogen using membrane-free water electrolysis technology. Its IP-protected Membrane-Free Electrolyser™ ("MFE") technology is expected to produce hydrogen faster, more reliably and more cost-effectively than other electrolysers.

CPH2 operates from a 29,000 sq ft facility in Doncaster, and boasts a contracted orderbook of 6MW of unit production. It aims to become a globally recognised and highly-profitable designer, manufacturer and licensor of its MFE technology, and is targeting 4GW production capacity by 2030.

"Nigel, then CTO of ITM Power, was working on its hydrogen electrolysing systems, which basically separates the oxygen from the hydrogen by means of a proton electron membrane ("PEM")," recounts Clive. "These have inherent issues: they deteriorate quite quickly and they use a lot of platinum group metals which are not always cheap or reliable. So, Nigel thought, why don't we go back to the Faraday experiments from the 19th century and just use water to create an oxygen/hydrogen mixed gas and separate those out using cryogenics?

"I thought it had legs, so came on board and helped them form a UK company in 2016, becoming its Chairman and CFO."

All we're doing is updating that technology," says Clive modestly, "but nobody has managed to commercialize it in 200 years because it's so difficult to do!" he understates.

Passionate about developing this technology, Nigel duly left ITM to explore this opportunity further and was greatly assisted by Joe Scott, an Irish entrpreneur who provided the initial funding and technical support. Then, in 2012 they formed an Irish company and in 2015, I got involved to help them raise external finance," explains Clive.

Clive spent nine years as an accountant before joining, what is now 3i, as a venture capitalist where after eleven years he progressed to becoming a director. He followed his interest in venture capital to join PKF (which subsequently merged with BDO) to restart its corporate finance activities in the North of England until the financial crisis hit in 2008. He took early retirement, but his clients refused to allow him to retire, so he set-up a corporate finance business called Amberley Advisory, which raises money for technology businesses, and this is how he was put in contact with Nigel.

"I thought it had legs, so came on board and helped them form a UK company in 2016, becoming its Chairman and CFO" explains Clive. "I've tried to retire three times but haven't been able to achieve it, although I have managed to pass-on the Chairman roles, and I'm still here! "

The company raised several rounds of external equity funding from private individuals which financed the business as it grew through to 2020. "During that time we were developing the technology, producing prototypes and refining the technology. It is technically quite difficult to make safe the mixed gas mixture. The only way you can do it is to ensure that there is no potential source of ignition that can come into contact with the gas, which is what the technology does," he recounts.

Using this break-through technology, the company produces hydrogen to 99.999% purity which is good enough to go into hydrogen fuel cells for use in electric vehicles, for example, and produce medical grade oxygen for use in hospitals. "We ended-up with two products which are very worthwhile," comments Clive. "The technology has taken us a long time to develop, but we got to the point last year where we had raised over £6m, we had a product, we had orders, so we decided it was time to IPO the business.

"We started considering an IPO on AIM in the Spring of 2021 with the idea of hitting the market during COP26 (end October/early November 2021), but for various reasons outside of our control that got delayed. We eventually listed on AIM in February, 2022, by which time the market for technology equities had tempered.

Dr. Nigel Williamson and Joe Scott established CPH2 (Ireland) in 2012 with the ambition to help clean up the environment for future generations.

CPH2 has advanced the development of hydrogen as a green energy by demonstrating a new form of production.

> It's taken us longer to commission than we had anticipated, but that's just because it's the first time that anybody has ever done anything of this type on this scale."

Despite this, the company still raised £30m and has ended-up with a largely private client shareholder base: "We currently have over 350 shareholders," he relates.

The company is on the cusp of delivering its first product. "It's taken us longer to commission than we had anticipated, but that's just because it's the first time that anybody has ever done anything of this type on this scale. So while we've produced prototypes before, the last prototype was one sixth of the size of the actual machine," says Clive referring to the MFE220, which runs with one megawatt (1MW) of input power and is capable of producing 450kg per day of high purity hydrogen output. "The exercise in scaling up to 1MW was quite a challenge," he comments.

The MFE220 is currently in factory acceptance testing. "It's a big bit of kit – each one fits into a 40ft container (which is the largest you can allow in the UK), so they are portable which means we can build the whole thing in one go in the factory and then ship it to the location," explains Clive. "It is designed to be 'plug and play' with the customer required only to provide the hard standing pad, electricity, and water supply. Its modular design also means that it's scalable. It's a one stop shop and that's quite deliberate," he adds.

The product is unique. "We are the only people using this type of electrolysis," claims Clive. "There are various different colour hues of hydrogen, going from grey, green and blue. Grey and blue hydrogen both use a different chemical process: a steam methane reduction process and that basically splits methane CH_4 to liberate H from C which pairs up with O to create CO_2 which is a greenhouse gas. So at the moment, when you generate hydrogen around the world, you are adding to global warming, not decreasing it.

"Green hydrogen on the other hand just uses water and there's no carbon in water and therefore, if your energy supply is coming from a renewable source, it is completely carbon free from beginning to end. That's it's main USP and why, as a result of the carbon zero agenda, there's increased focus on green hydrogen and we're right at the epicentre of that."

CPH2 might be reliant on one type of technology, but the markets that it can operate in are hugely diverse. "Our first six orders are all from differing market sectors, some of them not immediately obvious users of hydrogen."

"Once the product is out there and customers are satisfied with it, we anticipate a considerable influx of orders," he says. "We anticipate getting to 4GW per annum by 2030: the MFE220 that we are producing now, uses 1MW of power, so that's 4000 units!

> "The transition to carbon zero is what's driving the industry."

We won't just be doing that through our own production, we'll be licensing the technology as well to reach the 4GW target. But that's the scale of what we're looking at."

The transition to carbon zero is what's driving the industry. "If you rely solely on batteries to get to where everyone wants to get to, then you're going to need vast quantities of lithium, cobalt and copper, and it's debatable whether the world has sufficient quantities of those minerals in the ground to meet that demand, let alone, having those minerals in a form and location where they can be mined on a commercial basis. So there has to be more than one solution to achieving net zero and we believe that hydrogen is a key element in that," says Clive.

The development of the hydrogen economy is forecast to lead to a 650-fold increase in European demand for electrolysers by 2030, with an EU electrolysis capacity target equivalent to 40GW requiring investment of up to c. €47bn towards electrolysers. The addressable global green hydrogen market is predicted to be worth €10 trillion by 2050, with Europe accounting for in excess of €2 trillion of the total market, by which time green hydrogen is expected to supply 24 per cent of the world's energy needs and to become the largest electricity customer.

"I won't say that it will all be plain sailing, because I'm an accountant!" he joked. "There will be challenges down-route, and the one big challenge is growing at the speed that we all need to grow at whilst maintaining a tight control over the business, and that is a huge challenge."

Geopolitical factors are pushing the pace, he explains: "Lets start with the European gas situation, one of the uses for hydrogen is to mix it into the gas supply to reduce the carbon footprint of natural gas used in our homes and elsewhere. You can put up to 20% hydrogen into that mix without having to replace the gas mains. In some places in the world where you have plastic gas mains, you can actually add 100% hydrogen, so long as the end user appliances are hydrogen-compatible. That's becoming rather more urgent given that we are all trying to wean ourselves off Russian gas as a result of the Ukrainian situation.

"The requirement in China for ever increasing quantities of metals is making costs rise and battery production potentially a lot more challenging as the years go ahead."

"Everyone realises that the world's power consumption is increasing and the finite resources needed to meet those power consumption levels is not. New technologies need to be developed in order to make sure that we stay ahead of demand. We are using the most common liquid on earth: water, so we don't have quite the same demand constraints," explains Clive. The MFE220 uses very few litres of water per day: "One of the advantages of this technology is that we can put it into semi-arid regions," he says. "We use a small amount of potassium hydroxide, KOH, in terms of consumables, but that's it – all the rest is energy!"

The story sounds too good to be true. "You'd struggle to find any negatives," says Clive. "I've been involved in venture capital since the early 80s and this is one of the best opportunities I've ever seen. Which is why I'm on board. I try to look for the things that may go wrong, to make sure that I'm getting the risk-reward ratio right, but this is just one of those situations!"

The Government has now got behind the industry. "At long, long last, the UK now has a hydrogen agenda. They (the Government) have always run a one horse race with batteries and have suddenly realised that batteries alone are unlikely to solve the problem, so we now have a twin-track approach which is great," says Clive.

The Government says its ambition is to achieve 5GW by 2030, creating a thriving new hydrogen industry, which could support over 9,000 jobs and £900 million of GVA (Gross Value Added), as well as unlocking over £4 billion of private sector co-investment.

However, safety is a key concern and the Government's strategy document highlights technological uncertainty, regulation and infrastructure security as key challenges.

"We're members of the UK Hydrogen and Fuel Cell Association which is working with Government and is also developing standards for the industry. We're playing our small part in how the development of the regulatory side of our market," says Clive.

"Hydrogen has got to be safe. The mixed gas is potentially highly explosive and you've got to develop standards of production and standards for maintenance and operation that ensure the safety of the people around the plant and the plant itself. There's a very strong emphasis on safety, which is paramount," he adds.

CPH2 has also received government help through grant funding, but Clive emphasises that the company is not beholden to grant funding. "Frequently grant conditions are not commercial, so we don't want to get to a point where our survival is dependent on grants being awarded to us in the future. Our focus is very much on getting a product out there that can sell, at a fair price, to generate profit. We're hard-nosed about the commercial side. This is a business and it's got to be run as a business. It's not a charity, nor is it an R&D research organisation funded by the Government."

The market is still nascent. "The whole carbon neutral transition has got miles to go yet. We've only dipped our toes in the water," says Clive. "Equally, in our sector, the markets to which there are applications never ceases to amaze us and they come from all walks of life. If that's indicative of where the market is going, it will grow extremely rapidly. We believe that there will be a very, very large increase in market size over the next decade and we intend to make sure we grab our share of that," Clive predicts.

"There will be lots of technology copycats, but most of them won't be able to work out how to achieve what we have done, safely," he suggests. "We've got a ten year head-start over any serious competitors and we plan to maintain that ten year advantage. Everyone says their business is unique, but ours really is!"

> The business has its roots from 2015. Back then, no one was really doing impact investing. The argument was that you'd get sub-optimal returns and the investments in this arena were less than institutional quality."

Marc Chennault
CFO, i(x) Net Zero and WasteFuel

Market trader mindset provides perspective in turbulent times

A catch-up with… Marc Chennault

Investors are as rare as hens' teeth at present, according to the business pages in the national press; CNBC reports that Wall Street is preparing to wrap up the worst first half for stocks in decades (Jun 26, 2022). Fear of rising interest rates and uncertainty around the war in Ukraine have driven many investors to liquidate their holdings and sit on their cash. As a former credit markets analyst, Marc Chennault understands this instinct but predicts that investors will be back very soon as they won't want to miss out on some spectacular ESG opportunities.

i(x) Net Zero plc, has a number of eggs in that basket. As an investment firm it is unusual, not only because it is focussed exclusively on impact investments, but it floated on AIM in February, 2022.

"The business has its roots from 2015," explains Marc. "Back then, no one was really doing impact investing. The argument was that you'd get sub-optimal returns and the investments in this arena were less than institutional quality. The tide has turned and the investment world and every sector of industry is leaning in and deploying capital at scale in impact strategies. This approach has been i(x) Net Zero's since our founding and is at the core of our DNA.

The company has holdings in two main areas: Sustainability in the built environment and Energy transition.

"Sustainable Living Innovations (SLI), produces a ground breaking disruptive system for constructing multi-storey buildings with a very low carbon footprint and very little waste," explains Marc. SLI is currently building the world's first Net Zero Energy high-rise apartment building in Seattle, Washington. "We are also invested in MultiGreen Properties which is focussed on building very low carbon multifamily housing in areas where there is a housing shortage; and Context Labs which is a very high tech data platform that scans hundreds of thousands of data points throughout the world to determine actual carbon emissions footprints for a variety of industries, including real estate and every sector of global energy."

However, the holding that makes the largest contribution by far to i(x)'s Net Asset Value (NAV) is WasteFuel which converts municipal solid waste or agricultural waste into sustainable marine, land and air transport fuels.

"We really have three business lines there: one is converting municipal solid waste and landfill gas into green bio-methanol, and we have been able to team-up with shipping company, Maersk – which is also WasteFuel's largest investor – to produce fuel for its ships that are being built right now," says Marc. "The second vertical is land transportation fuel where we are taking landfill gas and converting it into renewable natural gas; and the third is taking municipal solid waste and converting it into sustainable aviation fuel where we have a partnership and an investment from NetJets," he concludes.

In addition, i(x) also has investments in Carbon Engineering, a large Canadian company focused on direct air capture, and Enphys Acquisition which is a $345 million USD, NYSE blank cheque company (SPAC) targeted on acquiring solar and wind assets in Ibero-America. "We've partnered with a very talented team (LAIG Investments) that are in the process of completing the first of its acquisitions and that will be very interesting.

> "When you are a private investment company like we were, you spend almost all your time looking for capital."

In February 2022, the privately held and privately capitalized investment company i(x) Net Zero, became a plc. "We decided to float for a few reasons," explains Marc. "Number one is to have access to liquidity. When you are a private investment company like we were, you spend almost all your time looking for capital. We thought that going public would eventually, once we could demonstrate value creation, allow us to go back to the market as needed.

> We chose London, and AIM specifically, because we felt that it was a great market for growth: one of the premier markets in the world for impact or green types of companies."

"Secondly, we chose London, and AIM specifically, because we felt that it was a great market for growth: one of the premier markets in the world for impact or green types of companies. We were able to achieve the LSE Green Mark, which shows that we focus on the sorts of spaces many investors on AIM really appreciate. And then third, there are opportunities in Europe that we've been looking at for the last several years. Also, a lot of our original investors are from Europe, so it made sense to move the centre of our universe to where those things were happening," says Marc.

According to Marc, there is no doubt that Europe is light years ahead of the United States in understanding the impact of climate change: "It's not even a question," he says. "But, I will say, we're changing (Marc is American). Even climate sceptics are beginning to accept the reality. But because Europe has been so far ahead, there are companies, technologies and solutions that are working in Europe at scale. One of our strategies is to identify those potential partners and bring them over to the US and really stoke a growth market," says Marc. "And also the other way around. For example, some of the things that we're invested in at WasteFuel don't have a European presence right now and we would hope to cross-pollinate with joint ventures and joint projects," he explains.

However, the experience of floating on AIM was a challenge.

"That was a bear of a process!" Marc laughs. "I was the CFO of a private business owned primarily by family offices around the world. It's a different reporting style and it's generally a bit more laid back. We have always had good governance, but all of a sudden – and it happened relatively quickly – we're cast into this rigorous process. We had to complete three years of audits, a UK reporting accounting review, and every single number and statement in the offering documents had to be supported and backed-up. It was incredibly rigorous and only then were we able to go on a roadshow to explain what we do," explains Marc.

"Our business is not as straight forward as many others out there: it's NAV based. Many of our investments are in growth stage and they are level three assets, so it can be a challenging story to explain, but once people get it, they really get it," he adds. "You can see by the NAV appreciation of the business throughout 2021 - and I believe we're going to see further expansion this year, too - that we've made solid investments that will continue to prove out and it's attributable to a great team."

i(x) now has a different Board post-flotation, chaired by Nick Hurd, a former MP who has led a lot of impact and green initiatives in the UK government. Steve Oyer, the CEO, has 35 years of company and investment experience, and Pär Lindström is the Chief Investment Officer. "We've had a strong board of directors, both prior to the IPO and after," says Marc. "That's one of the things that sets us apart and allows us to punch above our weight. We get access to additional equity, or management teams where we can invest in joint ventures as they expand, largely because we spend a lot of our internal resourceshelping our investee companies move forward."

Steve Oyer is an advisor and on the Board of MultiGreen Properties. "He's really helped them to navigate their expansion," says Marc. "Pär is CFO of Enphys Acquisition Corp. (NYSE:NYFS.US) and also on the Board of WasteFuel. I split my time as CFO with WasteFuel which accounts for 70 per cent of our NAV, and this year, an important year of significant growth for them, I will step down as CFO of i(x) to focus exclusively on WasteFuel," he reveals. "The management team and the team in general have spent a lot of sweat equity with our investee companies which allows us to understand the businesses in a much deeper way, but also to help to create value," he adds.

The timing of the IPO was unfortunate. "That's just one of those things that is difficult to control," comments Marc. "The day we went public was the day many of the Central Banks announced they would be increasing interest rates, which didn't help. And Russia was on the cusp of war in Ukraine. We, along with a lot of companies focused on climate change, green investments and impact investments, are looking at an immediate situation where there is a global shortage of resources for energy and agricultural products.

i(x) Net Zero PLC is an investment company which focusses on Energy Transition and Sustainability in the Built Environment.

It provides its shareholders the opportunity to create long-term capital growth with positive, scalable, measurable and sustainable impact on the environment and on the communities it serves.

Germany, despite the fact that it has been a leader in green solutions, announced that it is going to extend the life of its coal plants, because it's facing an emergency. That's the kind of thing that we're going to see in the near term in a lot of places," says Marc.

"So, we are facing these two major transitory challenges. But once we get past the immediate emergency, the discussion will return to one that's not being had enough, and that is the diversification away from fossil fuel in the medium to long term," predicts Marc.

"One of the reasons that companies like Enphys have attracted so much interest is because, regardless of what government is in charge, nobody wants to turn-off, or disrupt, low marginal cost power that provides energy independence and diversification away from fossil fuels – that's a story that's not being told enough," says Marc. "I get that people are more focussed on how to stay warm next winter, but renewables fuels and energy have got to be in the mix from a geopolitical perspective, and we're starting to see things happen, particularly on the Continent, where some governments recognise that they need to speed this up a bit. In the near term, it's hard to focus on renewable fuels and green energy, but in the intermediate term, I believe we are going to experience a more urgent push, not just to save the planet, but for nationalistic, energy independence and diversification reasons," he adds.

"The week we launched, we started to see a lot of equity investors, within a day, move significant amounts of their porfolios to cash. It was a market phenomenon," explains Marc. "Will those investors come back? I believe so," he insists. "We had an incredible NAV expansion in 2021, so at the end of the day, when you have holdings like WasteFuel, which over the course of a year has been able to attract capital investment from companies like Maersk for a product that is market driven - not driven by government mandates or incentives - then you've got to say, this business is going to produce a lot of value at some point, and there are always value investors who want to make sure that they're not too late," predicts Marc.

"Once we start to see the pace of Central Banks' tightening slow and inflation brought under control, I think you're going to see a rush back into growth stocks like ours.

I believe its largely a matter of the markets: they go up and they go down. But we have the liquidity to make it through, and our portfolio companies are going to continue to show acretion in value," claims Marc. "Wastefuel's a big focus, but for every single company in that portfolio – big things are happening. Management's job to execute on the business plan as best we can and keep moving forward on what we can control. It's going to be an interesting year," he predicts.

Marc is not a typical CFO. "I came from a trading desk and spent 17 years on Wall Street," he admits, "so I see things in terms of trading a lot of times and the general trend is positive for us. If I were an investor in the market right now, I'd say, well, I may pull away for a little while but then I'll jump back in because I can see the long-term opportunity and see the value – I believe that will be the play," he claims.

"What we have to do is to continue to execute, to continue to find those opportunities that we believe will create value, and quite frankly, we're not out there making ten bets a year. We are very, very conscious of the work we must do, our due diligence is very deep, we really do understand the companies, the management teams and the markets in which they operate - we may work with a company, or interact with them, for a couple of years before we decide to make a financial investment - so we're confident that the investments we make are highly thought out from the perspective of risk and return. That takes a substantial contribution of time and resources, but will continue to be reflected in our asset value," says Marc.

"As our NAV increases, based on really positive momentive at our portfolio companies, it will signal to investors that, yes interest rates are higher, but I really need to focus on getting involved in this business. We've got a talented team, a really thoughtful strategy, very high value growth prospects within the portfolio, and liquidity - it's just a great opportunity," he claims. "At some point the markets will stabilize and folks will start to recognise what we, and other growth companies in the ESG space, are talking about. ESG ain't going away and will actually become more important in the intermediate term.

"I've been involved in road shows as an analyst, but was pleasantly surprised on our road show. Once investors understood what we're about, what we've done and where we're going, they could see the value. I really am very confident in where things are going," he says.

“As energy becomes significantly more expensive the only way to really save money is to reduce your consumption, that’s why being able to measure it at a detailed level is so important.”

Ric Williams
Group CFO, eEnergy

A buy and build strategy brings energy efficiency to the mid-market

A catch-up with…
Ric Williams

Typically, with a buy and build strategy, a company acquires similar businesses to expand its platform and rapidly add customers. eEnergy has approached this strategy from the opposite end of the telescope. It has bolted-on complementary businesses to expand the service it can offer to its existing client base. As a result, it is unique in offering holistic energy efficiency solutions to the education sector and the mid-market, as Ric Williams explains.

eEnergy’s objective is to help businesses navigate their way to Net Zero, not just by transitioning to clean energy, but by tackling energy waste. As its website says: The cheapest kilowatt is the one you never use.

“Our solution is about reducing carbon and reducing costs,” says Ric. “The macro drivers are the series of commitments made by governments and businesses to reduce their carbon footprint to reach Net Zero by 2030; and at the same time we’re seeing an acceptance of much higher energy prices. As energy becomes significantly more expensive the only way to really save money is to reduce your consumption,” Ric explains, “that’s why being able to measure it at a detailed level is so important,” he says. “These tail winds are driving our offering which is that we can reduce your carbon consumption, but we can reduce your absolute level of energy consumption, too.”

eEnergy does this in four main ways. “We have a reverse auction platform that enables us to help our clients buy renewable, green energy and therefore reduce their carbon consumption,” says Ric. “There’s no particular cost saving for customers from that, but it’s the first step towards becoming Net Zero because buying genuinely renewable energy has the biggest impact on reducing your carbon footprint,” he explains.

The second part of the business is geared around measuring how businesses consume their energy. “We have a metering technology solution called MY ZeERO, which sits at an asset or circuit level and enables our clients to identify what particular equipment or circuits are consuming energy. That really enables them to identify wastage – when things should be turned off – and it gives a clear visualisation of energy consumption. Understanding what energy you’re consuming is the first step to being able to manage it. You can’t manage it, if you can’t measure it!” Ric quips. Using this data the company claims to be able to identify ways to reduce energy consumption by up to as much as 30 per cent.

eEnergy’s vision is to make net zero possible and profitable for all organisations.

eEnergy helps companies transition to the lowest-cost clean energy through their digital procurement platform and energy management services.

The third, an energy efficiency business, stems from the original business which was eLight. “eLight was about replacing existing lighting with energy efficient LED, but we have now moved into a wider range of technologies” explains Ric. “There’s no up-front cost for any of our energy efficiency solutions. The client signs for a fixed term and makes monthly or quarterly payments over a five, seven, or potentially ten year term, and the savings companies make on their energy bill from switching the technology will more than cover the cost of that regular payment,” claims Ric.

> “You can’t manage it, if you can’t measure it!”

“eLight is the origins of the group and it’s our bread and butter,” he adds. “We’ve done nearly 1,500 LED replacement projects across the UK and Ireland.”

The other two areas that eEnergy has more recently moved into are eCharge – an EV (electric vehicle) charging solution, and eSolar - putting roof-top solar into a customer’s premises. “The two often go together,” says Ric. “The benefit of local solar generation is the price: there’s no up-front capital requirement from the client, but the difference between the rate a client pays for grid energy and the rate that a client pays for their solar installation is significant – it’s about half of the grid energy price at the moment, and that difference is only increasing,” he adds. “The drive for EVs is ramping up the need for electricity so often our solar solution is combined to supply the energy for the EV charging points,” Ric explains. “I think solar and EV are going to be the areas that grow the most rapidly, because there’s an irreversable push towards electric vehicles.” New diesel and petrol vehicles will no longer be sold from 2030.

The energy efficiency services the company offers appear to be a no brainer: “No up-front costs and we save you money – that’s the logic,” says Ric.

eEnergy’s biggest industry segment is education. “The time when a school uses energy is during the day when the sun shines, which makes the solar solution a particularly sensible solution for them,” explains Ric. “We think we are the only people really focused on the education sector and the mid-corporate market who are doing this,” he says. “There are a number of much bigger players, such as Schneider Electric and ABB, but they offer solutions aimed at multinationals. There are also companies that compete with parts of our business model, but we don’t think anybody is really addressing all of those five services in the same way that we are,” claims Ric.

eEnergy came to AIM by way of a reverse takeover in January 2020. At that time, the business was just eLight. From the start it identified a path to build out a broader capability to help businesses on their journey to Net Zero. “At the time, a lot of the people who were talking the talk came from the energy management and energy procurement side. Our differentiator is that we are all about how to reduce energy consumption,” explains Ric.

eEnergy is not a renewable energy company, he says, it is a technology and consulting company. “We use technology to enable businesses to reduce their carbon and reduce their costs. We don’t do energy generation – we’re a technology-led consultancy, with a very practical aim in terms of how you deliver energy efficiency. It means we can be more efficient, and we can be more scalable in terms of how we deliver those solutions across our client base,” Ric adds.

The company has made two acquisitions of energy management businesses: Beond Group in December 2020 and UtilityTeam in September 2021, both of which now trade under the eEnergy brand. It is now a top 5 B2B digital energy services company, currently managing 4.2TWh of energy for more than 1,800 customers.

> “At the time, a lot of the people who were talking the talk came from the energy management and energy procurement side. Our differentiator is that we are all about how to reduce energy consumption.”

“That positioning enables us to have conversations with the clients for whom we help to buy energy, about measurement, efficiency and how to reduce their carbon and reduce their costs, as well as about how we can deliver solar solutions and EV,” says Ric. eEnergy bought the measurement business, MY ZeERO in May last year: “That measurement business is very much at the heart of what we’re doing,” he explains.

The company decided to float on AIM back in 2019: “The decision was between private equity or the public markets,” says Ric. “For a variety of reasons, that include a very significant founder shareholder base within the company, we decided to go to AIM.” Access to the markets has worked well for the company: “The public markets have been understanding and taken the rough with the smooth.

We’ve got a good set of institutional shareholders who have proved to be supportive of us to date.

We now need to knuckle down and deliver the numbers because one of the disadvantages of the public markets is that investors have a relatively short term horizon,” he states.

“We were a very small company when we came to the market. We had a few institutional investors, but we were predominantly supported by retail investors. As we did placings to fund the Beond and UtilityTeam acquisitions, we’ve been able to broaden our institutional investor base,” explains Ric. “In simple terms, we became a bit bigger and institutions were prepared to invest. One of the features of the sector that we are in is that there is a category of investor prepared to invest in smaller companies than they would in other industry sectors, because they see the growth opportunity.”

“Our growth drivers, those macro tail winds around energy prices and a commitment to Net Zero, are very strong. We’ve grown rapidly. When we came to the market our last audited revenue was £4.5m and market expectation for this year (our year end is June) is c£23m.

It's been a pretty rapid journey over the last two years and that's a combination of organic growth, and growth that's come from the acquisitions" explains Ric.

Integrating multiple acquired companies in a short space of time is no easy feat. "The management team that we've brought together was with an eye to integrating the acquisitions that we planned to make," says Ric. "So while it's never straight-forward, we were ready for it and those integrations have gone well. We were always going to pursue a buy and build strategy. Our strategy was to bring together the components so that now we've got a fully integrated offering that we can take into our clients," he explains.

Ric has a history of helping businesses raise money on the equity markets. He was one of two partners that led the AIM team at Deloitte helping to bring UK and international businesses to the public markets. When he moved to work company side he continued to work with businesses that were looking to grow rapidly, to make acquisitions and to raise capital. Ric was introduced to Harvey Sinclair, the co-founder and CEO three years ago; "Harvey articulated a very clear and attractive vision. What makes one opportunity particularly interesting?

I think it's the people in the business, the narrative: the story we are telling to the market, how to deliver that vision and personally, how you can add value to that narrative, and I think I have. It was the right place at the right time." Ric has now taken the decision to move on to his next challenge and has been working through the planned transition to Crispin Goldsmith, the chief strategy officer who will become CFO in July.

Despite the strong tail winds propelling the business forward, not everything has worked out as well as the company thought: "It actually takes longer than expected to bring clients on board," explains Ric. "In many respects it should be a no brainer decision, but there's still a process that clients need to go through. We do a lot of work with schools, which involves public sector procurement procedures and things just take longer."

The company has also suffered the same challenges as other business over the recent few years. "We came to the market in January 2020 and we've had to deal with the ups and downs of Covid and how the economy has adjusted in a post-Covid environment.

For example, when we came to the market, the business was pretty much half in the UK and half in Ireland, but all of our acquisitions have been in the UK not only because the opportunity is greater in the UK, but also because Ireland has been particularly badly affected by the pandemic – it didn't have the bounce that we saw in the UK which has impacted the rate of adoption and makes Ireland more of a challenge," Ric says.

The company has also been effected by some of the well-documented supply chain challenges in the economy, predominantly in the MY ZeERO, core lighting business where it is using a contract manufacturer. And then there's the war in Ukraine.

"The war in Ukraine was very disruptive earlier in the year," explains Ric. "It's slowed down decision making from our clients, and caused a spike in energy prices.

But as Europe and the UK seek to wean themselves off their dependency on Russian energy, whether that's oil or pipeline gas, it gives rise to an expectation that we are now looking at sustained higher energy prices - broadly for ever. While there may have been a temporary consideration of other fossil fuel solutions, actually fossil fuels are not the answer to the energy crisis, and so there is an increased emphasis on renewables," Ric says.

While the war has caused some short term disruptions across the market as a whole, Ric claims the secular trend in the energy markets had been visible for a while: "We may not have forecast the war in Ukraine, but we had been advising our clients to move to the more financially robust, the more financially sound energy suppliers, for a while," he says. "Although we offer a 'whole of market' scan on energy prices when we're evaluating the different offers received from suppliers to supply the energy that we are tendering, one of the key factors is the security of supply from that supplier," he adds.

The current geopolitical factors are strengthening the tail winds that are driving the business. "Our buy and build strategy has been about assembling the capabilities. Now we've got the component parts that can deliver that entire energy efficiency solution for our clients," says Ric. "I think we are well placed to see a higher rate of growth because we are able to integrate all of those connected offerings to help businesses on their journey," predicts Ric. "We view the next three to five years with a very positive outlook. The market drivers are going to remain strong and we are well placed to take advantage of those."

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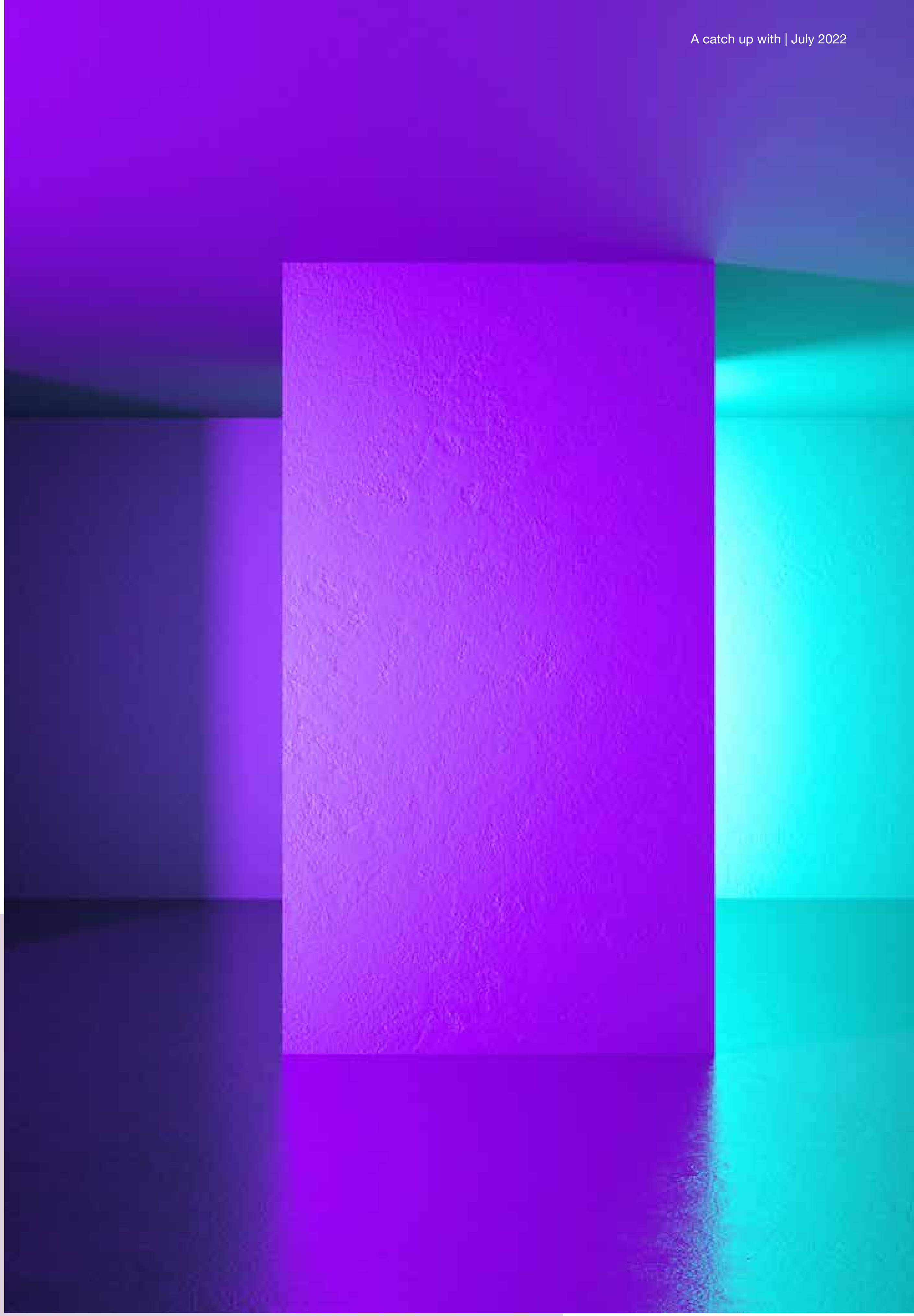

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Our auditor rankings from ARL

2 Total AIM listed clients

6 Total UK stock market clients

1 Basic materials sector

5 Energy sector

6 Technology sector

6 Financials and Real Estate sector

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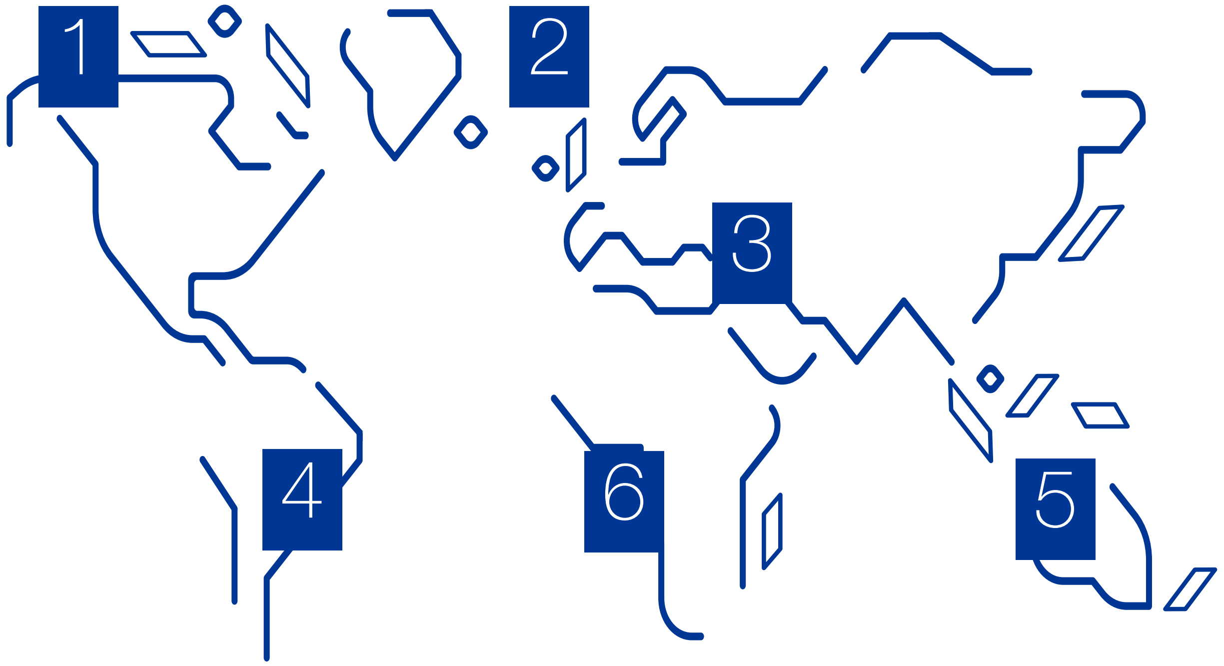
35 Offices across the UK	**£2.7bn** Value of transactions advised on in last 10 years	**480** Offices in 150 countries
2,035+ Employees and 167 partners	**100+** Transactions advised on in last 5 years	**$1bn+** In aggregate fee income
£182.5m Fee income and growing rapidly	**26** International businesses brought to the UK in last 10 years	**20,000** Employees



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Canada
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Solo Oil Plc
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USA
Bens Creek Plc
Thor Mining Plc
Richland Resources Plc

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Ireland
Erris Resources Plc
Predator Oil & Gas Holdings Plc

Channel Islands
SigmaRoc Plc

United Kingdom
i3 Energy Plc
Trident Resources Plc
Hurricane Energy Plc

3. Europe & Middle East

Cyprus
Chesterfield Resources Plc
Caerus Minerals PLC

Finland
Bluejay Mining Plc
SigmaRoc PLC

Germany
Panthera Resources Plc

Greenland
Bluejay Mining Plc
Greenroc Mining Plc

Kazakhstan
East Star Resources Plc

Italy
Coro Energy Plc

Macedonia
Fox Marble PLC

Romania
Serinus Energy plc

Slovakia
ARC Minerals Ltd

Sweden
Erris Resources Plc

Turkey
Arianna Resources Plc

4. Central & S. America

Argentina
ECR Minerals Plc

Brazil
Cadence Minerals Plc

Chile
Great Southern Copper plc
Altus Strategies Plc

Nicaragua
Condor Gold Plc

Peru
Minera IRL Ltd

Trinidad
Columbus Energy Resources plc
Predator Oil & Gas Holdings Plc

5. Asia & Australia

Australia
Altus Strategies Plc
Consolidated Minerals Ltd
Cadence Minerals Plc
ECR Minerals Plc
Empire Metals Ltd Greatland Gold plc
Keras Resources Plc
Mila Resources Plc
Red Rock Resources Plc
Rockfire Resources Plc
Tectonic Gold Plc
Thor Mining Plc

India
Lionsgold Ltd
Panthera Resources Plc

Indonesia
ECR Minerals Plc
Coro Energy Plc

Tajikistan
China Nonferrous Gold Ltd

6. Africa

Botswana
Kavango Resources Plc

Cameroon
Oriole Resources Plc

Democratic Republic of the Congo
Red Rock Resources Plc

Djibouti
Oriole Resources Plc
Thani Stratex Resources Ltd

Egypt
Thani Stratex Resources Ltd
Altus Strategies Plc

Ethiopia
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Thani Stratex Resources Ltd

Ghana
Consolidated Minerals Ltd

Ivory Coast
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Liberia
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Mali
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Cora Gold Ltd

Morocco
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Emmerson Plc
Predator Oil and Gas Holdings Plc

Mozambique
Pathfinder Minerals plc
Xtract Resources Plc

Nambia
Kazera Global Plc

Senegal
Oriole Resources Plc

South Africa
Clean Invest Africa Plc
Kazera Global Plc

Tanzania
Helium One Ltd
Solo Oil Plc

Togo
Keras Resources Plc

Tunisia
Serinus Energy plc

West Africa
Panthera Resources Plc

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