

# Is ovo energy still trading

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Two of Ovo Group's (Ovo) largest shareholders have raised their stakes in the company with transactions worth £200m, which has been announced the same day the company revealed a hefty downturn in profits amid higher hedging costs for buying gas.

Long-standing backers Mayfair Equity Partners and Morgan Stanley Investment Management have both increased their holdings in the owner of the UK's fourth-largest energy supplier by an undisclosed amount - buying shares from existing investors.

Both groups have invested in Ovo Group since 2015, and are among a handful of shareholders including Mitsubishi Corporation, which took a 20 per cent stake four years ago.

Following the announcement, Stephen Fitzpatrick, the billionaire founder of Ovo, now has a reduced stake in the business; although its exact size has not been shared publicly.

However, Raman Bhatia, chief executive of Ovo's retail division, argued the investment highlighted the company's "potential for growth" as it grows and innovates, despite challenging market conditions as the sector recovers from the energy crisis which saw 30 suppliers collapse.

He said: "We are in a solid position to create further value for customers, with a focus on continuing to invest in the technology and services that customers really need to decarbonise their homes."

But the company expected this to have "no cash impact" and "will reverse in future periods when customers use this energy".

Ovo blamed the decline in profits on the rising cost of energy it was buying in advance to meet its supply commitments for customers - known as hedging; due to highly volatile gas prices.

Such a downturn in earnings exposes the historic instability in commodity markets which energy firms have been wrestling with since post-pandemic demand and a Kremlin-backed supply squeeze on Europe saw gas prices soar well beyond conventional trading norms.

Dozens of energy firms collapsed between late 2021 and early 2022, exposed by a lack of hedging, including the de-facto nationalisation of Bulb Energy for nearly a year, which was home to 1.6m customers.

Russia's invasion of Ukraine then saw gas prices rise to record levels, reaching nearly £8 per therm on UK benchmarks.



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While markets have since eased, suppliers are still facing higher costs to meet hedging requirements.

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