Good Energy Group plc

2017 Full Year Results

21 March 2018

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Management team

Juliet Davenport – CEO

Juliet is the founder and CEO of Good Energy, one of the UK's first renewable electricity supplier and generator companies.

Juliet was appointed to the Natural Environment Research Council in 2015 and conferred a Harmony Professor of Practice at the University of Wales in 2016. She has been awarded an OBE for services to renewables.

Denise Cockrem – CFO

Denise was appointed CFO in May 2014.

Her previous experience includes senior finance roles in FTSE 100 companies within the financial services sector.

Denise is an FCA, who qualified with Neville Russell and has an MA from Oxford in Law. Denise is also a Non-Executive Director of Skipton Building Society.

Rupert Sanderson – FD

Rupert will be appointed FD effective 1 April 2018.

His previous experience includes senior finance roles in FTSE250 companies within the energy and support services sector, such as British Gas, Serco and Avis Europe.

Rupert is an FCA, who qualified with PwC .

Today's agenda

1. **Highlights**
   Juliet Davenport, CEO

2. **Financial performance**
   Denise Cockrem, CFO

3. **Strategic and operational performance**
   Juliet Davenport, CEO

4. **Q&A**
   Juliet Davenport, CEO
   Denise Cockrem, CFO
   Rupert Sanderson, FD

Highlights

Led by

Juliet Davenport
Chief Executive Officer

Responding to a market in transition

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Shifting away from focus on retail supply

- Traditionally focused on retail supply market
- New entrants driving aggressive pricing creating a price war
- Majority of smaller suppliers remain unprofitable today

Shifting to growth in business supply and FIT services

- Focus on business supply market with strong volume growth up 46%
- Growth in FIT services leveraging existing 18% market share
- F4G programme supports future profitability

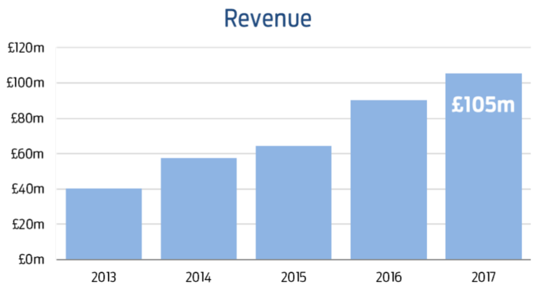
Investing in future value for energy services

- Domestic margin improvements through better systems and process management
- FIT energy services growth through added value services in year 2 and beyond

The Future

Good Energy will become an expert integrator of green energy and technical services in the home and in businesses

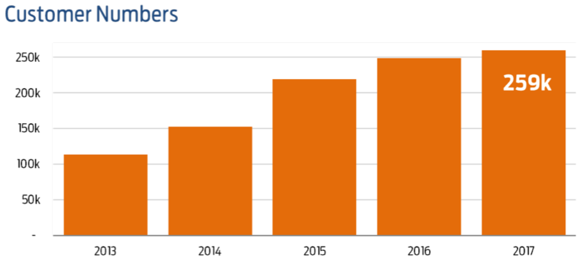
Highlights of 2017



+16.6%

YoY

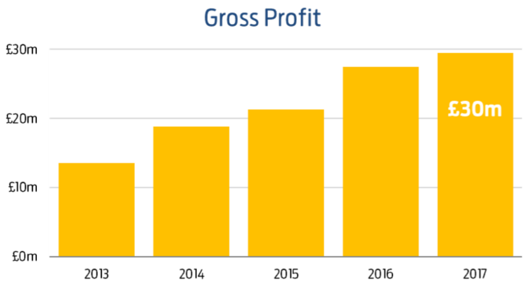
Revenue driven by supply volume



+4.3%

YoY

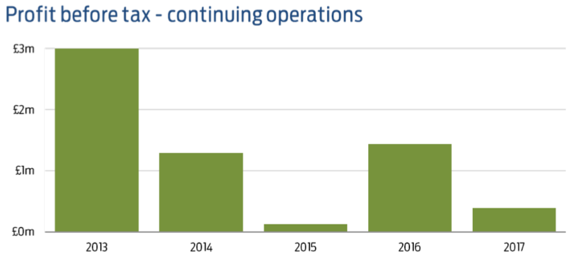
Increased customers in B2B and FIT services with lower retail growth



+8.2%

YoY

Shift in margin mix from B2C to B2B in the supply business



-£1.3m

YoY

Includes £1.1m of restructuring and strategic consultancy investment

Financial Results

Led by

Denise Cockrem
Chief Financial Officer

Resilient performance in a challenging market

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Majority of Supply profit from B2B and FIT

Year end £000s	2017 continued operations	2017 Discontinued operations	2017 reported	2016 continued operations	% change continued operations
Revenue	104,509	17	104,526	89,651	16.6%
Cost of Sales	(75,178)	(3,701)	(78,879)	(62,538)	20.2%
Gross Profit	**29,331**	**(3,684)**	**25,647**	**27,113**	**8.2%**
Administration Costs	(23,739)	(328)	(24,067)	(20,914)	13.5%
Operating Profit	**5,592**	**(4,012)**	**1,580**	**6,199**	**(9.8%)**
Finance costs	(4,858)	0	(4,858)	(4,177)	16.3%
Profit before tax	**734**	**(4,012)**	**(3,278)**	**2,022**	**(63.7%)**
Tax	566	(21)	545	(51)	
Profit after tax	**1,300**	**(4,033)**	**(2,733)**	**1,971**	**(34.0%)**

Continuing operations	2017	2016	% change
Gross margin	28.1%	30.2%	(7.2%)
EBITDA	9,928	10,375	(4.3%)
Basic EPS (p)	8.1p	12.9p	(37.2%)
Net debt	53,144	52,138	1.9%
Total customer growth	259,362	248,605	4.3%
Businesss half hourly volumes (mw/h)	228,446	156,616	45.9%

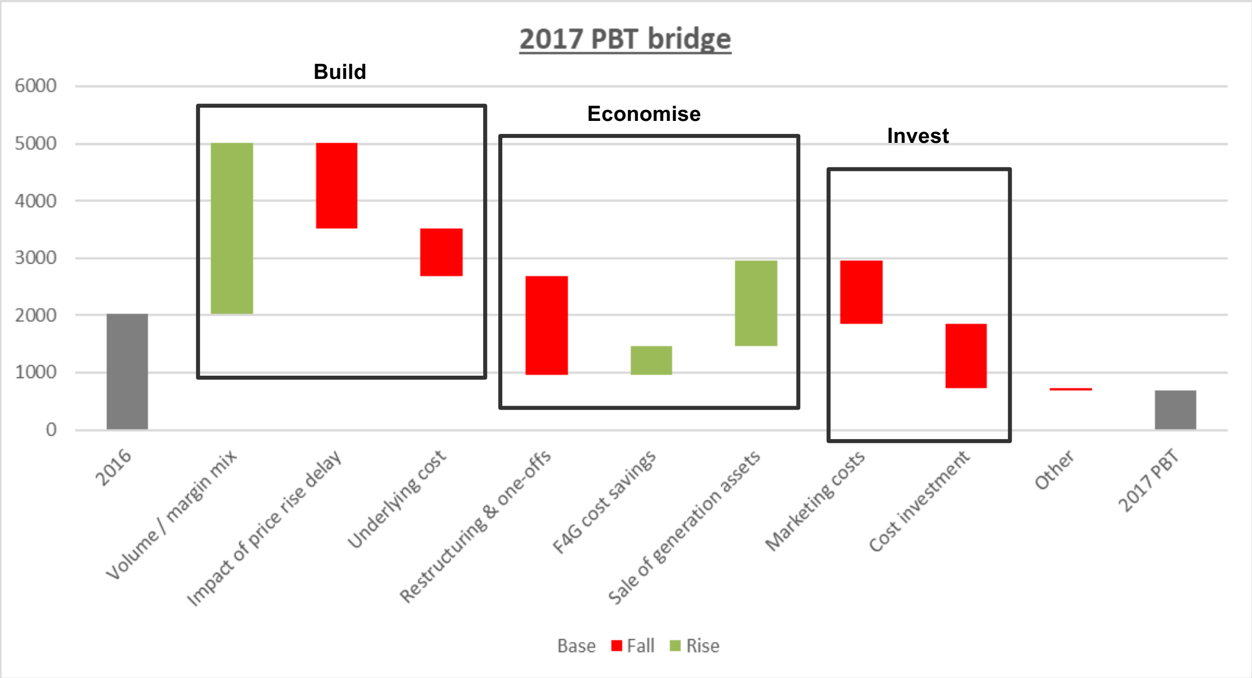
Revenue + 16.5%
- Driven by B2B supply volumes +46%

Gross Profit + 8.2%
- Shift in margin mix from B2C to B2B
- Delay in price rise impacted gross profit by £1.5m

Admin costs
- Increase due to marketing and investment in capabilities and restructuring

Discontinued ops
- Taking a prudent approach to the discontinued generation business reflecting the underlying economics

Profit bridge 2016 – 2017



Build

- Volume growth driven by B2B volumes offset by margin mix and delayed price rise

Economise

- F4G transformation costs offset by realisation of profits from asset development

Invest

- Investment in capabilities to support strategic development

Segmentation performance

Majority of Supply profit from B2B and FIT

Year end £m	2017	2016	2015
Consolidated - continued operations			
Revenue	104.4	89.7	64.3
Gross Profit Margin	28%	30%	33%
EBITDA	9.9	10.1	7.3
EBITDA Margin	9.5%	11.3%	11.3%
Supply Companies (including Group costs)			
Revenue	95.6	81.8	56.6
Gross Profit Margin	25%	28%	29%
EBITDA	3.3	4.6	3.2
EBITDA Margin	3.5%	5.6%	5.6%
Electricity generation			
Revenue	8.9	7.8	7.5
Gross Profit Margin	46%	45%	54%
EBITDA	6.6	5.6	5.8
EBITDA Margin	75%	41%	49%
Development - discontinued operations			
Revenue	0.0	0.8	0.2
EBITDA	-4.0	-0.2	-1.6

* 2015 and 2016 show combined continued and discontinued operations as development business classed as discontinued from 2017

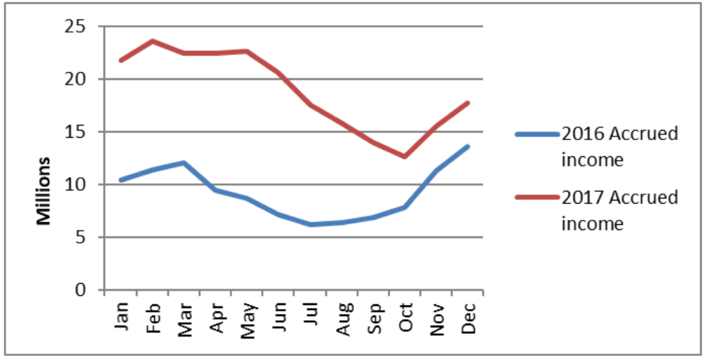
Supply

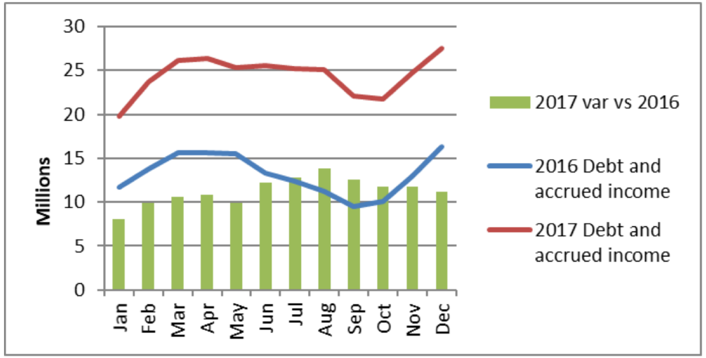
- 2017 EBITDA delivered by B2B and FIT services
- Shift to lower margin B2B impacts overall margin
- Includes investment and restructuring costs

Generation

- 2017 saw wind output return to more normal levels
- Part contribution from newly developed sites before sale

Increased collection in 2018





- New system was implemented to provide scale and digital platform for future growth, including being Smart enabled
- Delays in billing lead to accrued income peaking at c. £10m higher in June 2017, with c. 60% of customers billed
- By December 2017, accrued income is only c. £3m higher as billing has reached c. 95% and has now moved into debt to be collected
- Remaining accrued income gap will be largely eliminated by 31 March 18 with billing on track to hit 99%
- Delays in billing in 2017 have impacted cash flow negatively. Growth in B2B half hourly customers has contributed £2m additional debt at year end
- Improving cash collection continues in 2018
- Debt and accrued income expected to return to more normalised levels
- Reported debt is gross of c. £4.5m provision

Solid and improving cash flow despite billing issues

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Year end £000s	2017	2016	2015	2016-2017 change
Operational cashflow before working capital	5,132	10,356	7,341	
Working capital movement	(5,106)	300	(5,751)	
Cash generated from operations	**27**	**10,656**	**1,590**	**(10,629)**
Finance and tax cost	(4,946)	(4,057)	(3,195)	(889)
Net cashflows from operating activities	**(4,919)**	**6,599**	**(1,605)**	**(11,518)**
(Purchase) / disposal of assets	4,288	(6,809)	(18,240)	11,097
Long term deposits	(389)	(29)	(2,803)	(360)
Net cashflow from investing activities	**3,899**	**(6,838)**	**(21,043)**	**10,737**
Payment of dividend	(422)	(491)	(451)	69
Net proceeds / (repayment) from borrowings	8,835	(614)	14,401	9,449
Net proceeds / (purchases) issue of shares	38	2,882	(254)	(2,844)
Net cashflows from financing activities	**8,451**	**1,777**	**13,696**	**6,674**
Net increase in cash and cash equivalents	**7,431**	**1,538**	**(8,952)**	**5,893**
Cash and cash equivalents at beginning of year	6,289	4,751	13,703	
Cash and cash equivalents at end of year	**13,720**	**6,289**	**4,751**	**7,431**

* Working capital movement excludes WIP write down

CIS Billing

- Billing issues have impacted 2017 cash flow
- Billing expected to hit 99% by 31 March 2018
- Supply business will be cash generative in 2018

Sale of assets

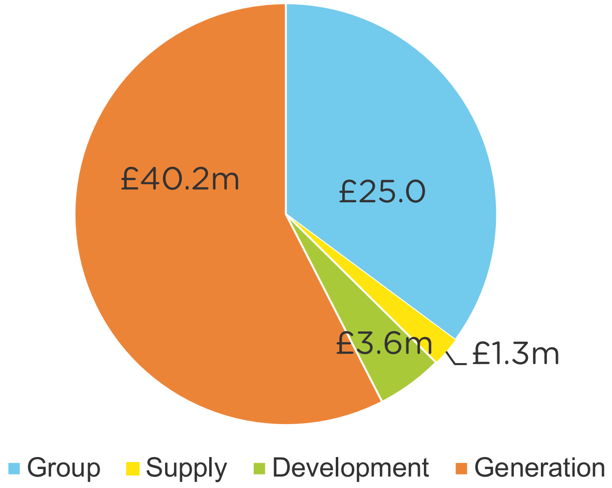
- Disposal of 2 sites in 2017
- Brynwhilach sale to complete in 2018

Net Debt & Capital Structure

Funding update

- Completion of Good Energy Bond I and launch of Bond II
  - Bonds together raising £25m gross
  - Good Energy Bond I redeemed in 2018
    - £3.6m continuing in Good Energy Bond 1
    - £4.2m due to be repaid in March 2018
  - Will lower future finance costs by £0.3m per annum
- Net debt up 1.9% to £53.1m - due to Bond phasing
- Overdraft facility reduced to £10m from £12.5m at H1
- Gearing ratio at 74.6% (2016: 71.2%)

2017 Borrowings



Positive progress towards lowering ongoing financing costs

2018 expectations

Build on areas of success

- Continued growth in B2B and FIT
- Discontinued operations – explore options for the sale of remaining sites
- 2018 will include continued investment in business sales capabilities

Economise

- F4G growth operating model already delivered annualised savings of £1m
- Further operational F4G savings to come in 2018
- No significant CAPEX expected

Returns and investment

- Repayment of £4.3m of GEB I will reduce interest costs by £0.3m
- Cost of funding improved with lower interest rate on GEB II
- Returns to shareholders maintained via dividend policy

Current expectations remain in line with market expectations

Market detail & outlook

Led by

Juliet Davenport
Chief Executive Officer

Building for the future

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Energy market is in transition

Zero marginal cost fuels have reduced the value of energy

This has led to significant low cost competition in retail

Future value will be in energy services

Decentralised Energy services has huge market potential

Good Energy is an established player in the decentralised energy market

Our future business

Good Energy will become an expert integrator energy services, focused in the decentralised energy market

How will we get there?

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Build on Success

Economise

Invest

Grow our core business

- Retain existing domestic customers
- Growth in business customers
- Enhance services for FIT customers

A F4G operating model

- Lean the existing business model to improve margins
- Upskill technical capability within operations to leverage the investment in our systems, reduce our costs and improve service

Generate future business opportunities

- New Service Development
- Digital platform to deliver services
- Research to bring new services into the pipeline

Drivers of market growth

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Increasing capacity of renewables

- Greater than 35% Renewable capacity growth since 2014
- Decreasing cost of generation and storage
- Renewable generation now 29% of total capacity

Expanding Policy & Regulation

- Increased support for EV networks and storage
- Green transition and infrastructure part of the Industrial Strategy
- Price caps on default domestic tariffs, likely to exclude green tariffs

Increased Ethical Spending

- UK ethical spending growing at 3% to £80bn
- Support for renewable energy remains strong
- Number of green tariffs quadrupled in two years

New Technology & Innovation

- Behind the meter Solar will be the first to deploy in a subsidy free environment
- Revenue growth and system flexibility to focus on energy and imbalance markets not capacity market

Delivering our competitive advantage

Leveraging our leadership in Green technology

Leaders in delivering decentralised green electricity

- Market leader for over 20 years in Green energy
- Experience in supplying, developing and trading 100% renewable
- Established the decentralised market in 2004

Competitive landscape

- Green price war in the retail sector
- Changes in the wholesale market will require more energy balancing services
- Focus of our competitors on retail

Adapting the business model

- Short term grow focused on business supply and FIT services
- Brand refocused on technology with ethics
- Development of skills and platforms to deliver integrator of green energy services

Delivering sustainable value to shareholders

- Mature business improvements to deliver margin, and green yield for shareholders
- Growth in new areas to deliver value growth for the future with technology expanding the market

Vision for the Customer

The future of the business

Environment

Investing in energy balancing and renewable generation in households and businesses will support low carbon energy in the UK

Security

Battery storage combined with renewable energy or standalone will be able to provide resilience to frequency and power fluctuations

Value

Both solar and storage suggest that these will be value enhancing technologies before 2020 for customers

Investing in strategic initiatives

The future of the business

R&D projects with partners

- Exploring Vehicle to grid solutions
- Partnership with European virtual power stations and innovative technology
- Trial to look at community scale shared battery paired with micro-generation

Pilot projects

- Launch trial in Q4 2017 with New Motion for electric vehicle charging stations
- Battery storage targeting launch in Q4 2018: Eden Project

New services development

- Working strongly with third parties in partnership
- Behind the meter propositions for business and domestic customers
- Energy management digital app for customers pre and post SMART

Coupling with continued innovation and our unique customer base of early adopters is setting our strategy up for success

Well positioned for future growth

- Building on the business supply and FIT business that will grow profitability providing, a sustainable green yield long term
- 2017 is the first year of transition for the Group as we evolve to focus on energy services, achieved by:
  - **Build** will focus on business customers and energy services and market leading services to FIT customers
  - **Economise** will focus on a Fit for Growth restructure providing lean business model to support the business in long term goals
  - **Invest** will focus on research, digital and new energy services evolving from our FIT service.
- Strategic investment initiatives progressing at pace and coupling with continued innovation and our unique customer base of early adopters is setting our strategy up for success
- Future ambition is that the company will be able to provide a yield from the core business, with future value driven by investment in new energy services

Appendix

Development – the story so far

Successfully achieving £23m from asset sales over 5 years

2013		2014	2017		
Homeland Farm	Rose Cottage	West Raynham	Oaklands	Newton Downs	Brynwhilach
Dec '13	Dec '13	Nov '14	Jan '17	Dec '17	2018
£1.7m	£2.3m	£6.8m	£5.8m	£5.8m	£TBC

£23.1m
Proceeds of sale of developed sites over 5 years

£8.2m
Profit from site sales

52.5 MW
This investment has helped to fund our generation capacity

Remaining discontinued development business:

- Discontinued generation business reported an operating loss of £4.0m
- Main driver was prudent provision against the work in progress portfolio of £3.6m
- Changing conditions in planning approval regime for on-shore renewable development increase planning risk
- Combined carrying value of these assets of £5.8m has been reduced by £3.6m to £2.2m
- Continuing to explore options for the sale of remaining sites to realise value from the portfolio

2017 Highlights

Well positioned for future growth

FiT Services

- 18% of market share today with 1% growth of market share
- Strong NPS B2B score driving new business wins
- Focus on further market share gains
- Post 2019 growth will be driven by switching, with an improved proposition on payments and data for both b2b and b2c

Supply - Business

- Strong volume growth in 2017 off the back of low market penetration
- Business volumes increased by 46%
- Improved offering to include Fixed tariffs
- Increased SME sales and retention team
- Digital online quoting tool

Supply - Retail

- New customer system implemented to deliver on SMART metering, and better customer insight
- 2018 Focus on customer retention and improvement in margin
- Digital proposition key to improved customer experience and reduce cost to acquire

Continuing to invest for growth

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Ensuring the business is will positioned to maximise future growth potential

Data

- Investment in digital and technology team
- Data architecture and strategy review
- API strategy to deliver agile approach
- Improving the CRM interface across all stakeholder types

Digital

- New customer focused app
- Business portal for SME customers
- Corporate website upgrade
- Generator and FIT digital offering

Brand

- Customer experience to map the Brand
- Greener, cleaner, technology story and content
- Ongoing digital investment to drive engagement