

# Good Energy Group plc

## 2018 Interim financial results

11 September 2018



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# Today's Agenda

- Highlights
- Financial performance
- Strategic and operational performance
- Q&A

# Highlights



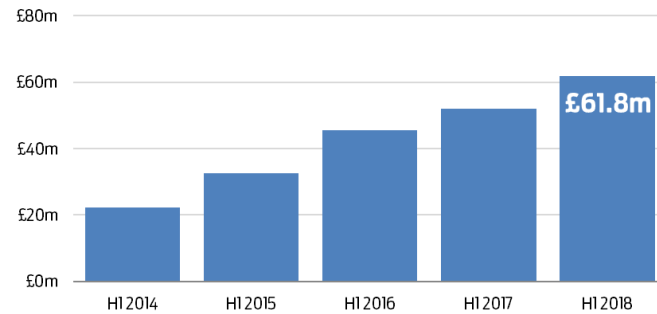
# H1 performance

- Strong first half despite challenging market conditions
- Performance driven by supply volumes and extreme weather conditions in February and March
- Price rises implemented earlier in the year due to rising commodity price environment
- Customer numbers remain flat while retention rates continue to improve
- Strong operating cash generation as billing improvements continue throughout 2018

**On track to meet full year expectations**

# Highlights of H1 2018

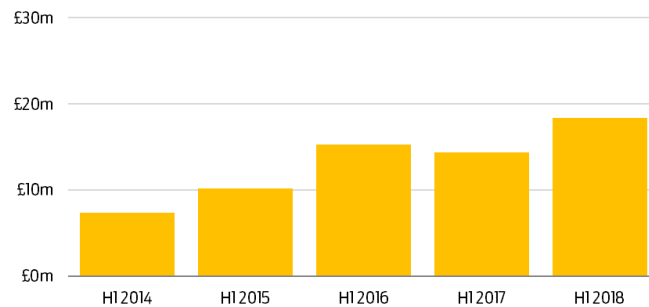
## Revenue




Revenue driven by supply volumes and extreme weather conditions

  
**+19%**  
YoY

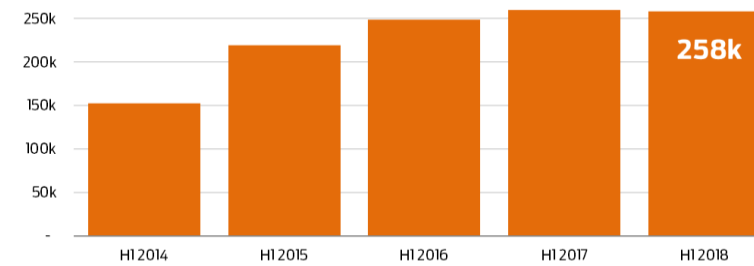
## Gross Profit



driven by gas volumes and the implementation of domestic price rise

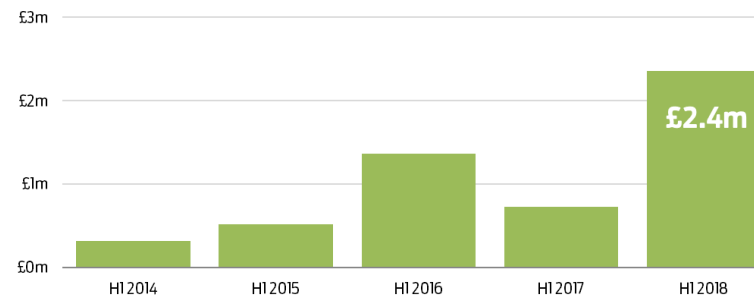
  
**+28%**  
YoY

## Customer Numbers



Increased customers in B2B and FIT services with lower retail growth

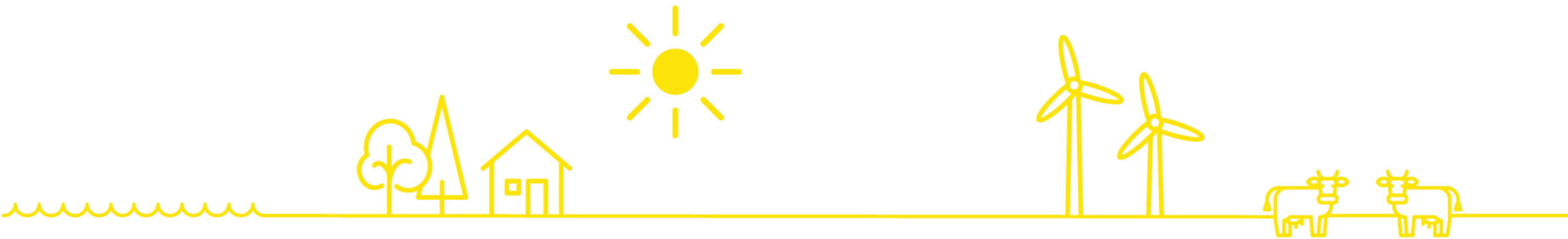
## Profit before tax - continuing operations



Increased profitability despite increase in bad debt provision

  
**+£1.6m**  
YoY

# Financial results



# Strong performance in a challenging market

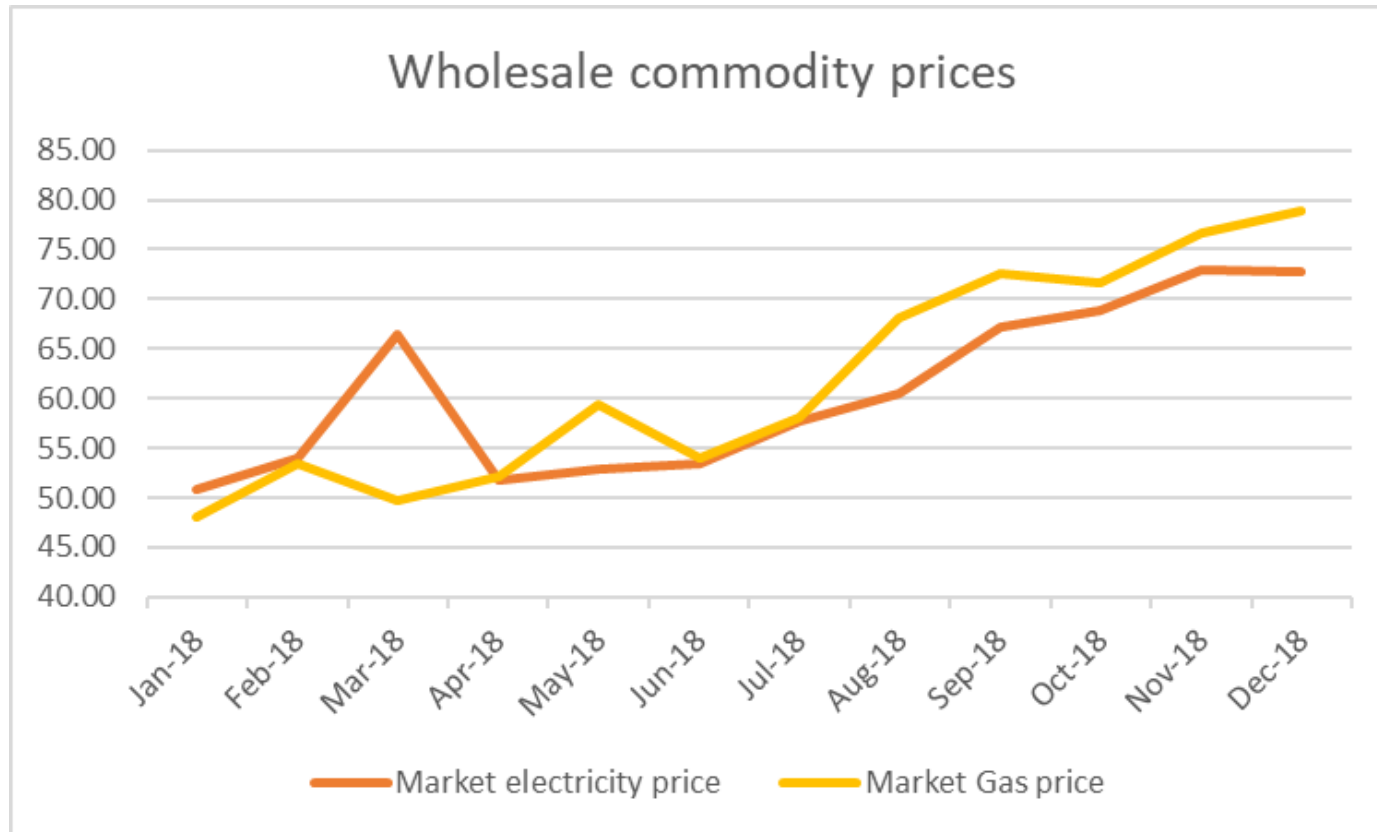
Year end £000s	H1 2018 continued operations	H1 2017 continued operations	H1 2018 - H1 2017 % change
Revenue	61,820	52,038	18.8%
Cost of Sales	(43,414)	(37,633)	15.4%
<b>Gross Profit</b>	<b>18,406</b>	<b>14,405</b>	<b>27.8%</b>
Administration Costs	(13,780)	(11,368)	21.2%
<b>Operating Profit</b>	<b>4,626</b>	<b>3,037</b>	<b>52.3%</b>
Finance costs	(2,267)	(2,307)	(1.7%)
<b>Profit before tax</b>	<b>2,359</b>	<b>730</b>	<b>223.1%</b>
Tax	(619)	28	(2,309.1%)
<b>Profit after tax</b>	<b>1,740</b>	<b>758</b>	<b>129.6%</b>

EBITDA margin	10.6%	8.6%	23.9%
EBITDA £000s	6,555	4,454	47.2%
Basic EPS (p)	10.8	4.7	128.4%
Net debt £000s	51,350	60,422	(15.0%)
Total customer growth	(0.5%)	4.3%	

- Business volumes and B2B FIT driving performance
- Extreme winter weather boosting gas volumes
- Price rise implemented earlier than prior years
- Increased investment in capabilities and resourcing



# Rising wholesale commodity prices



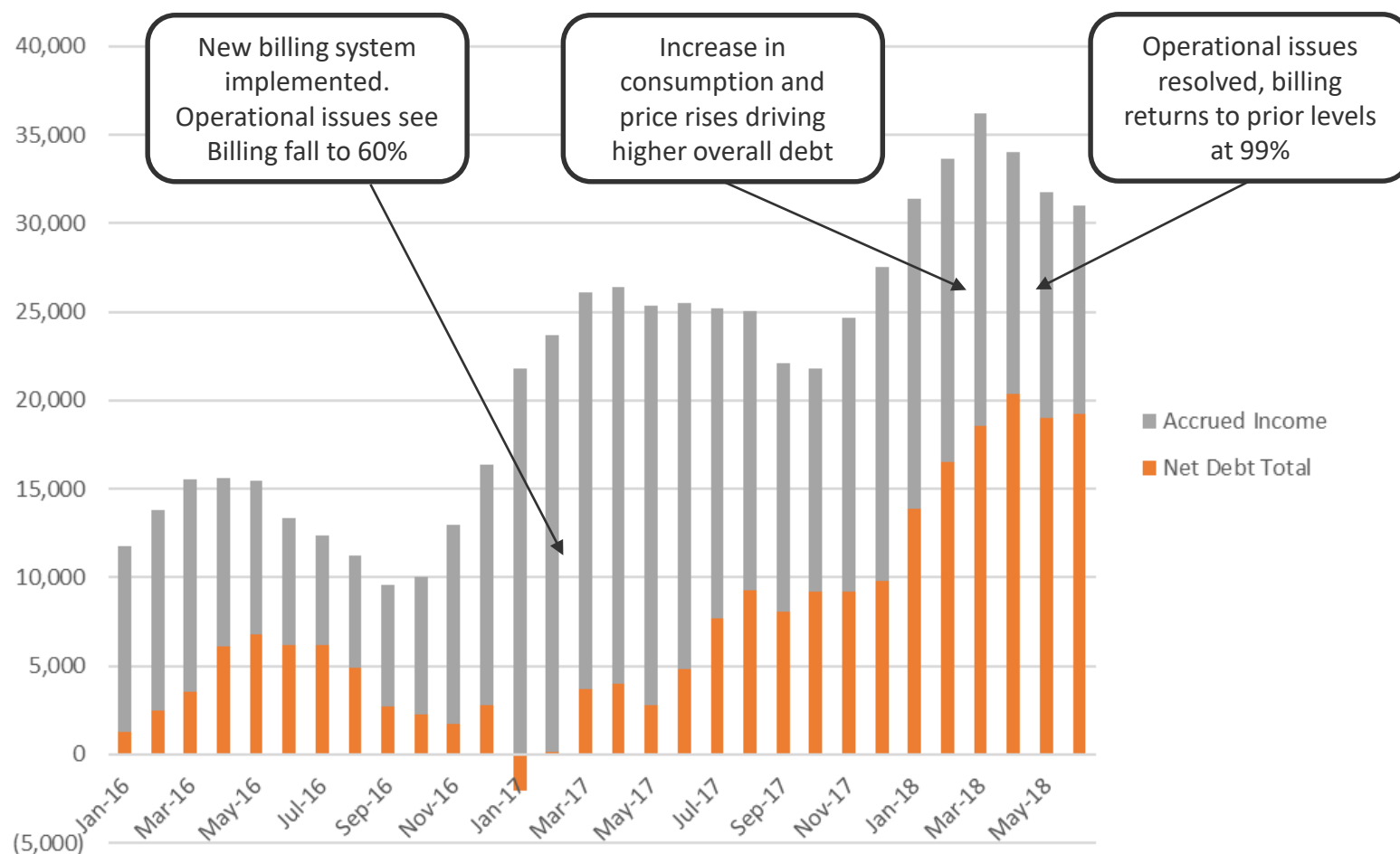
- Wholesale prices increased by over 30% in the year to date
- Continued cost pressure across the industry
- Proactive decision taken to implement price rise earlier than usual at the beginning of 2018
- Protecting margins to reinvest in future growth, provide customers with certainty and value
- Continued wholesale cost pressure anticipated for H2 2018

# Strong operational cash flows and improved billing

Year end £000s	H1 2018	H1 2017
Operational cashflows before working capital	6,408	4,077
Working capital movement	(1,949)	(10,013)
<b>Cash generated from operations</b>	<b>4,460</b>	<b>(5,936)</b>
Finance and tax cost	(2,106)	(2,510)
<b>Net cashflows from operating activities</b>	<b>2,354</b>	<b>(8,446)</b>
<b>Net cashflow from investing activities</b>	<b>(1,512)</b>	<b>(462)</b>
<b>Net cashflows from financing activities</b>	<b>(8,503)</b>	<b>10,751</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(7,661)</b>	<b>1,843</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>13,720</b>	<b>6,289</b>
<b>Cash and cash equivalents at end of year</b>	<b>6,059</b>	<b>8,132</b>

- Strong operating cash generation as billing improvements continue
- Working capital movements in line with seasonal trends
- Partial redemption of Good Energy Bond I following the sale of solar sites in 2017
- Sale of Brynwhilach solar site due to complete in late 2018

# Improvements in billing

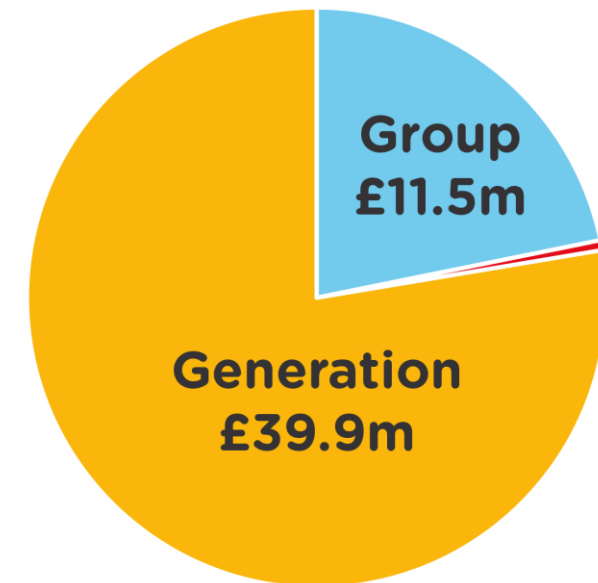


- Overall customer receivables increased by £3.5m to £31.0m
- Driven by high consumption levels following extreme weather conditions and implementation of price rise earlier in the year
- Billing levels improved from March to 99%, leading to higher levels of billed debt
- Accrued income and debt now returning to expected levels
- Bad debt provision increased by a one off £1.4m as a result of reviewing collection history on specific customer accounts
- Seasonal trends expected to continue with overall customer receivable balance growing in line with increasing commodity prices and business growth

# Net Debt & Capital Structure

- Good Energy Bond 1 redeemed in 2018
  - £3.6m continuing in Good Energy Bond 1
  - £4.3m repaid in March 2018
- Future finance costs lowered by £0.3m per annum as a result
- Net debt down 15.0% to £51.4m – following bond repayment
- Gearing ratio at 72.8% (H1 2017: 73.6%)
- Continued progress towards lowering ongoing finance costs and gearing

**H1 2018 Borrowings  
£m**



● Group      ● Supply  
● Development      ● Generation

# 2018 Expectations

Increased investment in key growth areas in the second half of the year

New Brand launch in Q3 2018 to drive customer engagement and overall awareness

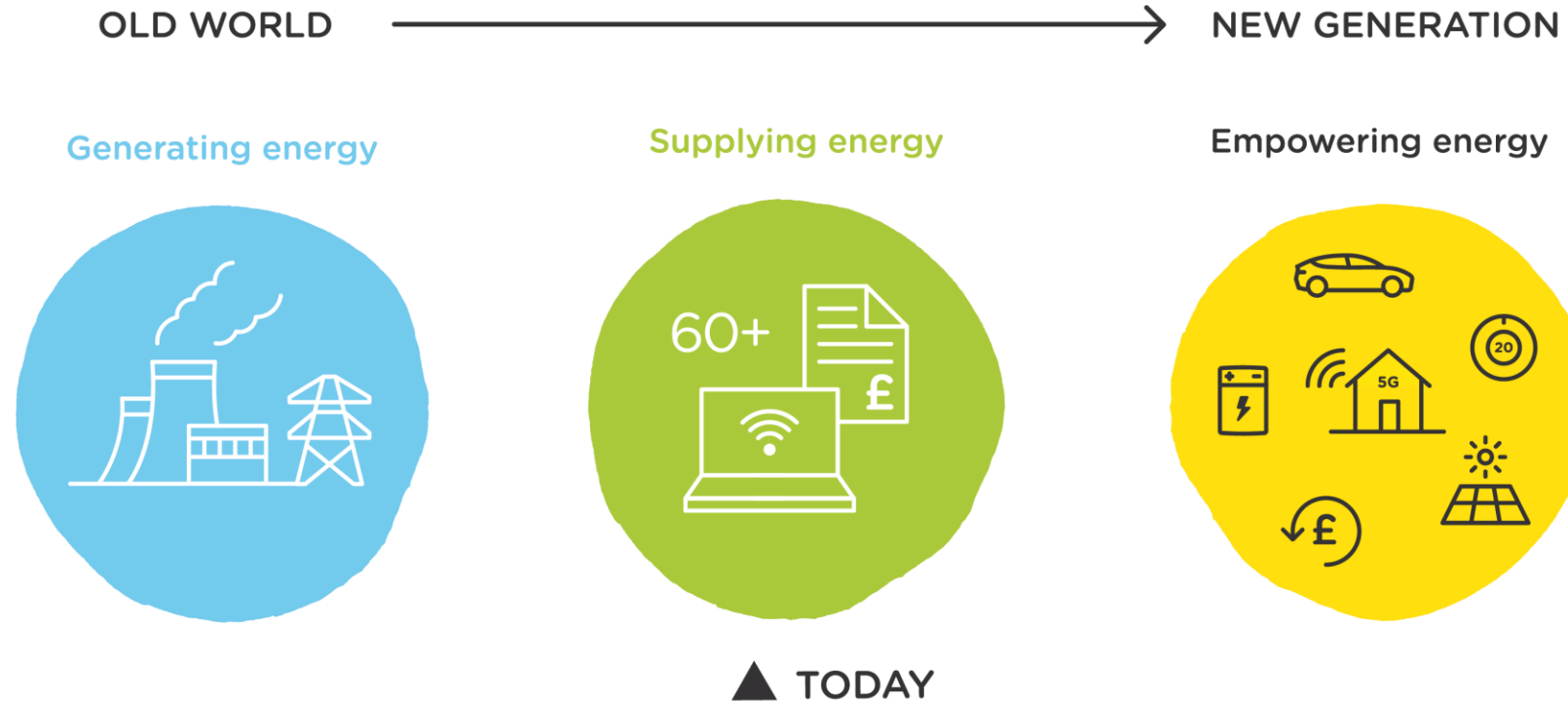
Expect 2018 to be a year of financial progress for the group

Profit weighted towards the first half of the year

# Strategy – 2018 & beyond



# Strategic overview



Good Energy constants: →  
100% renewable  
Trusted customer experience

# Good Energy, Good position

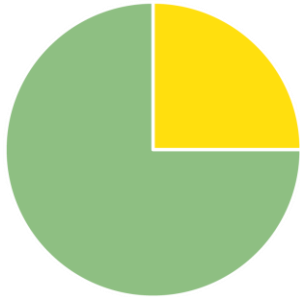




# Customer – at the heart of our business

## Existing customers – Eco Warriors

- A passion for sustainability, renewable energy & Good Energy
- But it's hard(er) to be good
- And hard(er) to choose Good Energy.
- They want someone else to take control & make being good easier.
- They recognise they are the trend-setters
- And they want help in spreading the word and making it normal.



## Potential customers – Eco 'Worriers'

- Are trying to do the right thing (if not necessarily with the same passion/commitment).
- But energy supply is not currently part of the “do the right thing” conversation.
- There is a lack of understanding as to why renewables are good and why the alternative is bad
- The category is not part of the ‘everyday’. It's not salient.



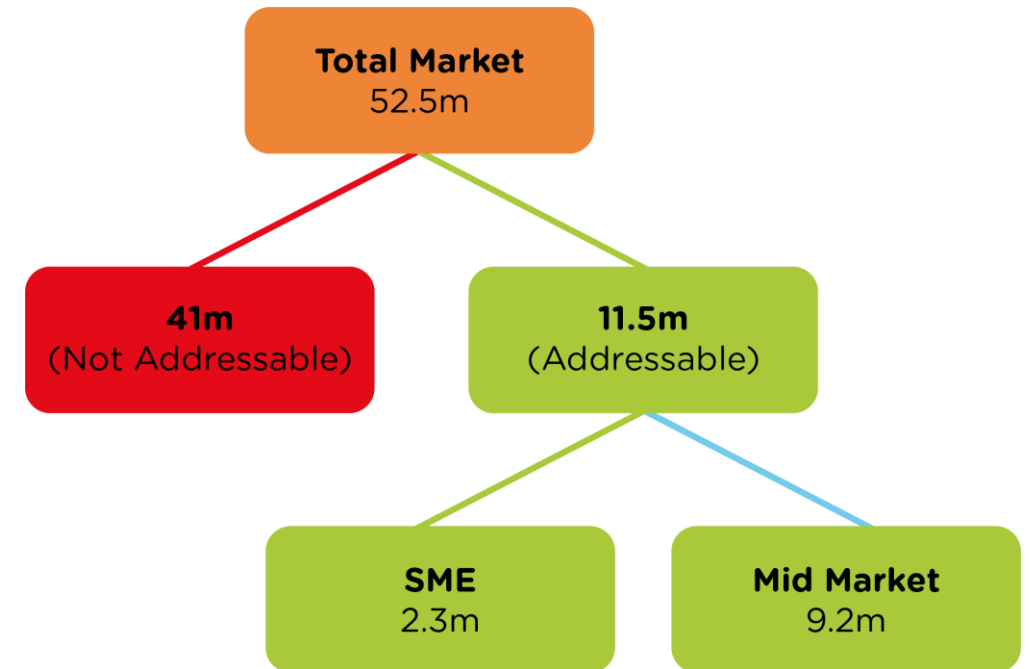
# Significant addressable market Identified across supply markets

## Retail supply market

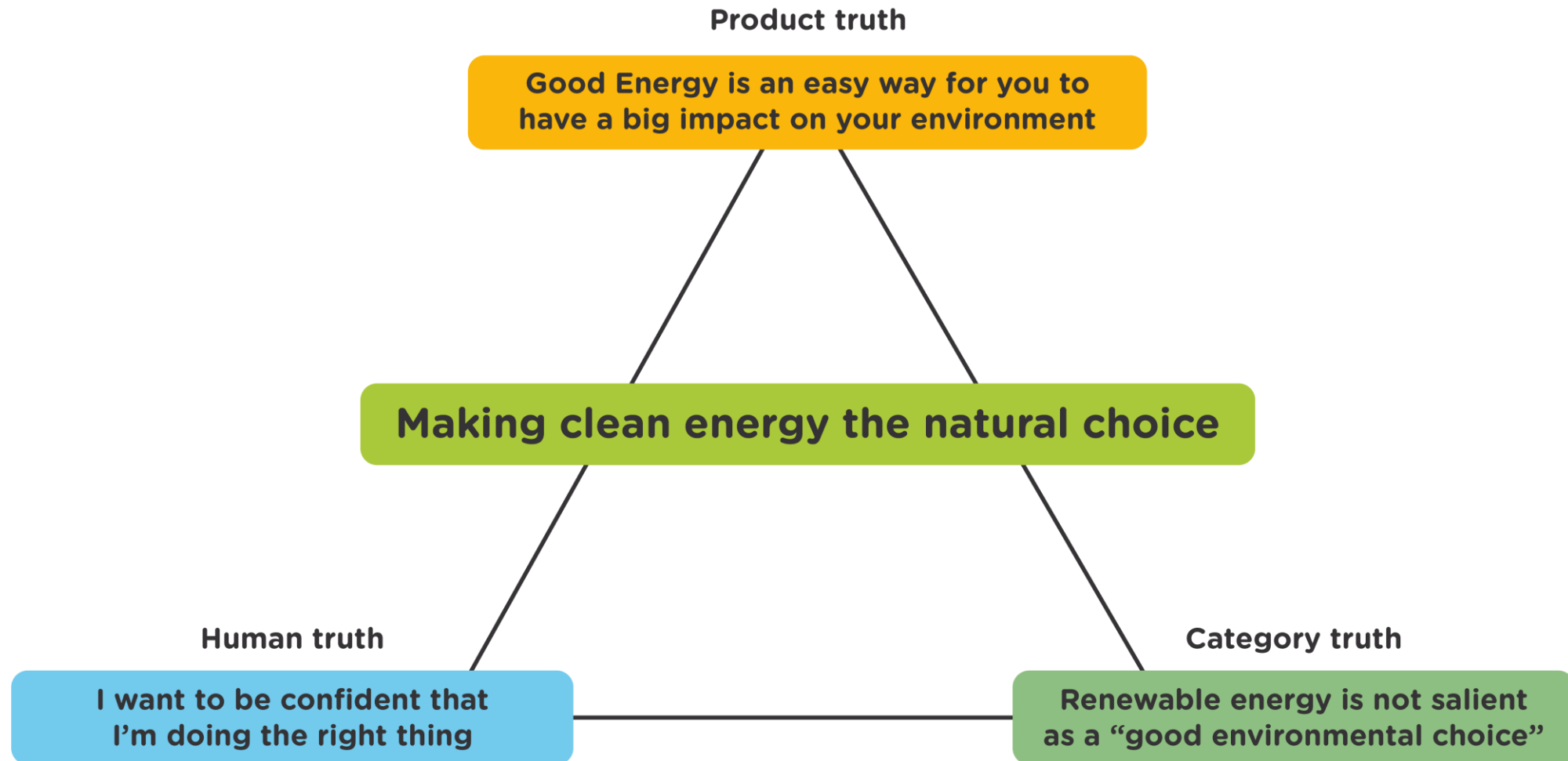


## Business supply market

Household Equivalent Conversion



# Customer – making clean energy the natural choice



# Supply: Solid performance despite challenging environment

## Performance

### Retail Supply

- Customer numbers remain flat in a challenging market
- Retention rates continue to improve
- H1 marketing reprioritised
- Overhead reductions

### Business Supply

- Increased investment in sales team delivering strong pipeline
- Continued high retention rates
- Continued growth in business volumes
- Focused marketing, updated tariffs and digital investment starting to drive customer growth

## Growth drivers

### Customer acquisition

- Overall customer growth whilst improving retention
- Effective marketing to drive customer engagement and brand awareness

### User experience and digital proposition

- App, online portal and switching tool drive service levels and customer experience

# Customer – brand promise developed to drive awareness

- New digital agency, starting mid September
- Built a new digital media plan based on reaching our retail and business segments
- New creative content being developed by our new brand and creative agency
- Bringing the Brand promise to life and drive up brand awareness
- Relaunch planned for Q3 2018

# Technology – enabler for customer engagement and growth

- New app to launch in Q3 2018
- Improved online and digital proposition for customers
- New SMART meters to be rolled out from 2019 enhancing user experience
- Increased digital capabilities will improve retention and improve margins
- Internal systems and process improvements across the business
- Added focus on data within the organisation. Development of better business intelligence and integration capability.
- Launch of new Salesforce CRM. First team live August with rolling implementation in 2018/19

# People – delivering the strategy

- New Executive team and structure in place to deliver customer focused strategy
- Significant level of expertise and resources acquired in key growth areas

## Marketing

New brand  
launched in Q3  
2018

Marketing  
capabilities  
improved brand  
awareness

## IT & Digital

Investment to  
enhance online  
proposition and  
user experience

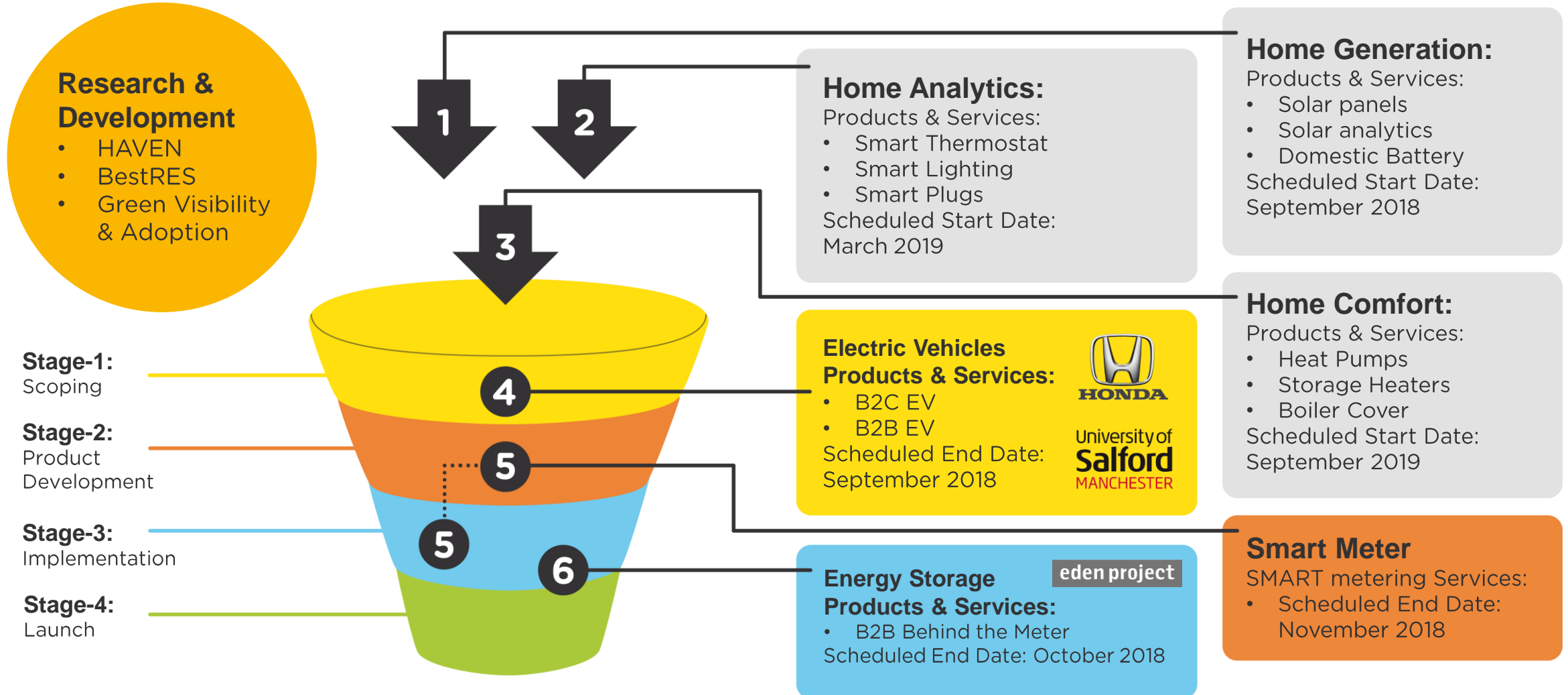
Significant  
investment in  
resources

## Customer services

Driving process  
and system  
improvements to  
deliver best in  
class customer  
experience

# Partnerships – accelerating growth potential

*good energy*





# Summary: strong performance and well positioned for future growth

- Strong start to 2018
- Continued resilience within supply business despite challenging environment
- Cash generative business model with reduced gearing
- Well placed for developing opportunities in tomorrow's distributed, technology-enabled but uncertain world
- Good progress implementing our strategic plan
- Continue to expect 2018 to be a year of financial progress for the group
- Leading the change from old energy to new generation

# Q&A

