

Tuesday, 29 May 2018

INVESTOR BRIEFING

ERM Power Limited (ASX: EPW) is hosting an investor briefing today in Sydney for institutional investors and equity analysts. The briefing outlines how ERM Power is meeting the energy supply and demand challenge in Australia. This operationally focused briefing is a deep-dive into the evolving Energy Solutions market and the opportunity it presents ERM Power.

Please find attached the presentation related to this briefing.



Phil Davis
Group General Counsel & Company Secretary
ERM Power Limited

About ERM Power

ERM Power is an Australian energy company operating electricity sales, generation and energy solutions businesses. The Company has grown to become the second largest electricity provider to commercial businesses and industrials in Australia by load¹, and is the only energy retailer licensed to sell electricity in all Australian states as well as the Northern Territory and the Australian Capital Territory. A growing range of energy solutions products and services are being delivered, including lighting and energy efficiency software and data analytics, to the Company's existing and new customer base. ERM Power also sells electricity in several markets in the United States. The Company operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland.

www.ermpower.com.au

¹ Based on ERM Power analysis of latest published information



MEETING THE

ENERGY SUPPLY AND DEMAND

CHALLENGE

Investor Briefing
29 May 2018

AGENDA



11.30 – 11.50	OVERVIEW	Jon Stretch CEO
11.50 – 12.15	ENERGY SUPPLY	Steve Rogers EGM Business Energy (AU)
12.15 – 12.35	LUNCH	
12.35 – 13.20	ENERGY DEMAND	Megan Houghton EGM Energy Solutions
13.20 – 13.45	WRAP-UP / Q&A / COFFEE	Jon Stretch
14.00	CLOSE	

ERM POWER

JON STRETCH CEO



CORE BUSINESS ACTIVITIES

ENERGY RETAILING TO
AUSTRALIAN BUSINESSES

ENERGY SOLUTIONS

PEAK ELECTRICITY
GENERATION

ENERGY RETAILING
TO US BUSINESSES

TOTAL FY2017 REVENUE

\$3.1 BILLION

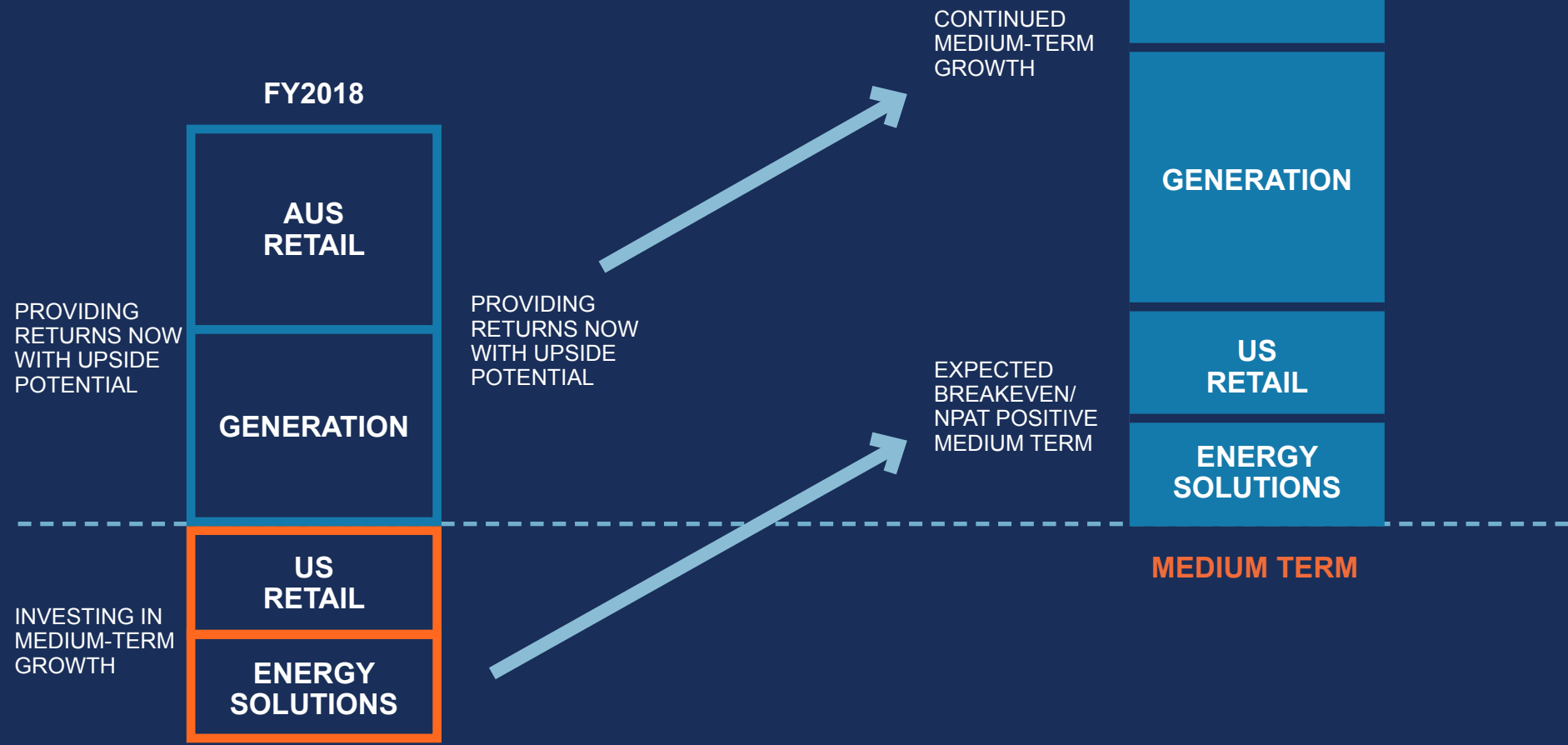
ASX 300

Multi-National Company

ASX: **EPW**

INVESTING & RETURNS

INVESTING FOR MEDIUM-TERM GROWTH



POWERED BY POSITIVE PEOPLE

FOR STRONG PERFORMANCE

AN ENGAGED
& EMPOWERED¹
TEAM OF EMPLOYEES

89%

of our people feel
proud to work for
ERM Power

¹ Hay Employee Survey, Feb 2017

No.1
IN CUSTOMER
SATISFACTION²

92%

Industry leading
customer satisfaction

² Utility Market Intelligence (UMI) Survey, Feb 2018

No.1
IN BROKER
SATISFACTION³

89%

Industry leading
energy broker
satisfaction

³ Markets and communication research (MCR), Feb 2018

LEADS TO MARKET LEADING WIN RATES AND
RECONTRACTING RATES **WITH GROWTH IN MARKET SHARE TO 22%**

IT'S ALL ABOUT THE

CUSTOMER EXPERIENCE



SUPPLY SIDE CHALLENGES

ERM Power is:

Mitigating the long-term risk of price volatility for our business customers

Providing visibility of long-term wholesale electricity market

Aligning to customer objectives

BUSINESS CUSTOMER

The customer experience is:

Rising energy prices

Security of supply issues

Growing need for support on energy consumption and cost efficiency

An increasing need for transparency in their energy use and costs

DEMAND SIDE OPPORTUNITIES

ERM Power is:

Improving the efficiency and productivity of business customers' energy consumption

Driving energy productivity through digital platforms

SUPPLY SIDE AUSTRALIAN RETAIL

STEVE ROGERS EGM BUSINESS ENERGY AU

THE MARKET SIZE

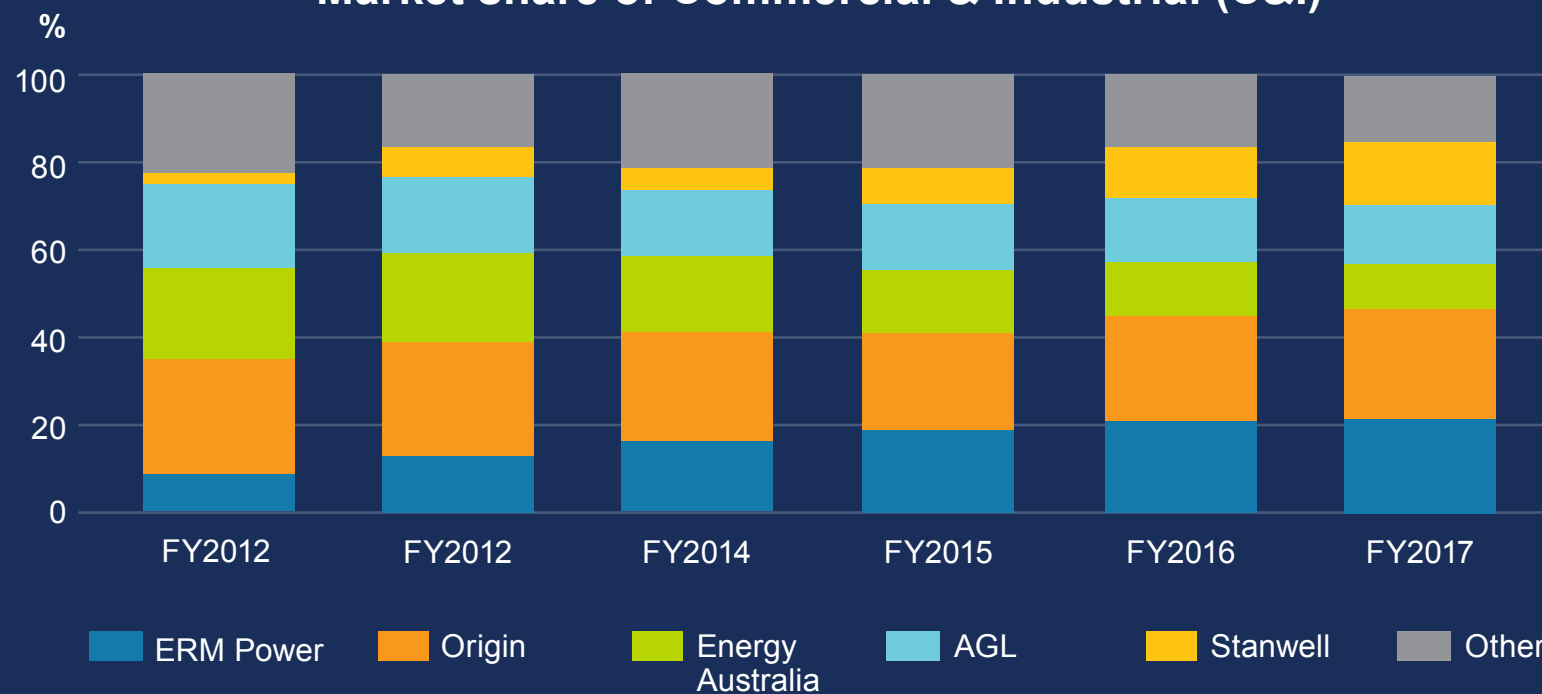
SIZE OF THE AUSTRALIAN ENERGY MARKET



172
TWh

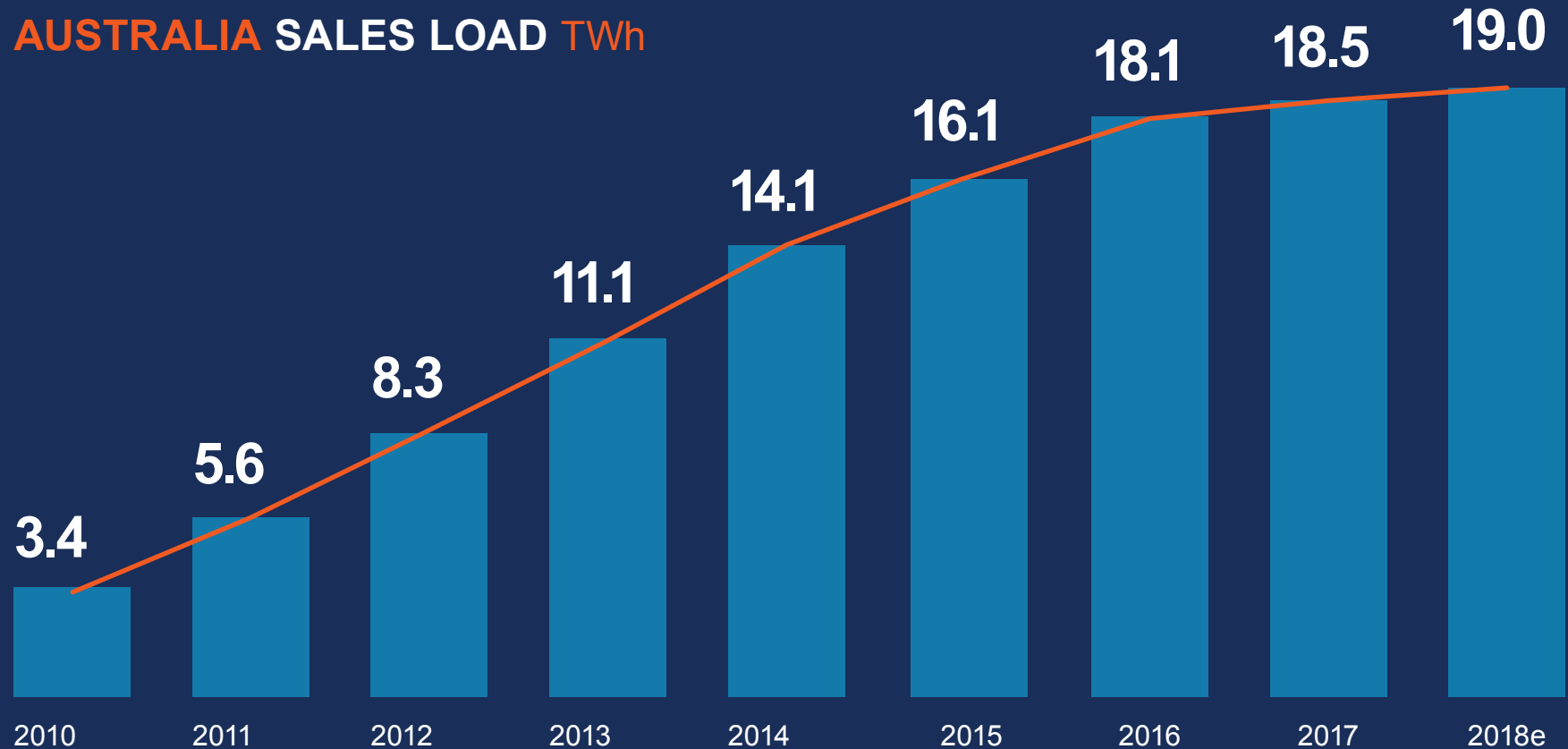


Market share of Commercial & Industrial (C&I)



LOAD GROWTH

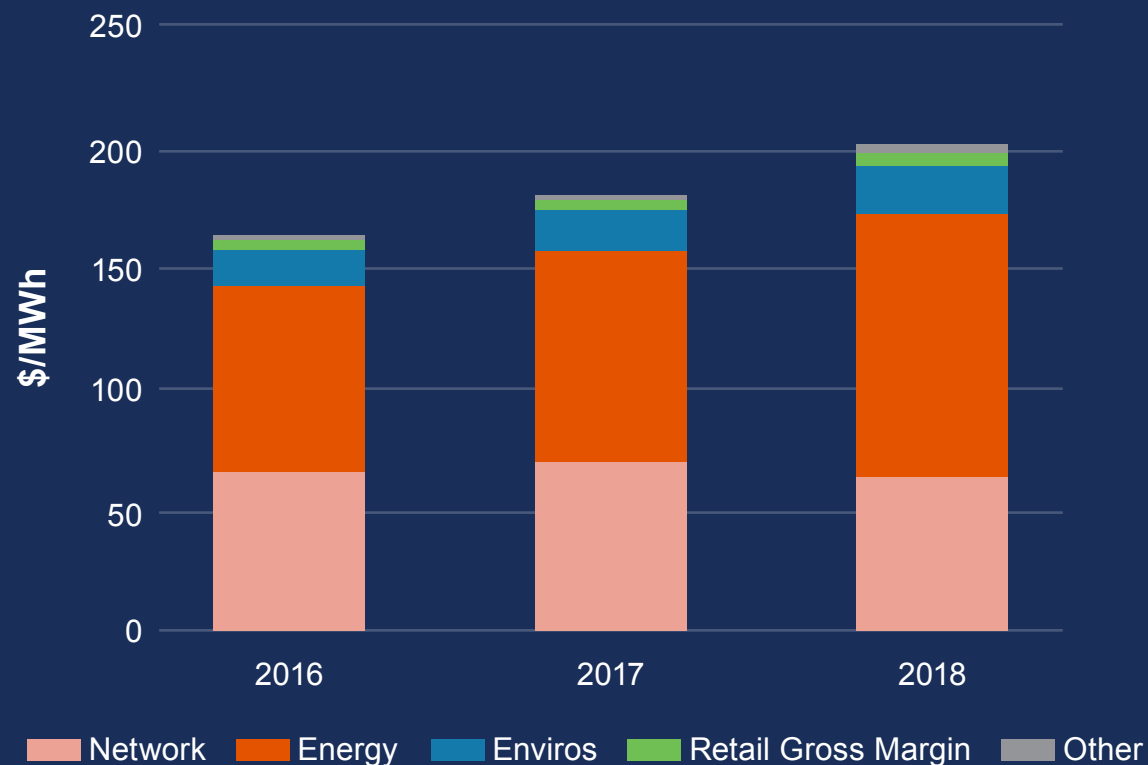
ENERGY RETAILING – AUSTRALIA



THE ENERGY BILL



CUSTOMER BILL THE COMPONENTS



Page 3 of 3

NMI: QLD1234567
Address: 123 Sample Street, SAMPLE TOWN, QLD 4000
Period: 01/12/2017 to 31/12/2017 (31 days)

Supply Problems: 13 00 00
Emergencies: 13 00 00
Network Provider: SAMPLE

Account: ABC01

Charges	Usage	Unit Price	Loss Factor	Total Price (excl GST)
Retail Charges				
QLD Peak	94,344.912 kWh	7.7185 c/kWh	1.04164	\$7,585.24
QLD Off Peak	125,082.496 kWh	4.3821 c/kWh	1.04164	\$5,709.48
Environmental Schemes				
SRECs	219,427.408 kWh	0.2800 c/kWh	1.04050	\$639.28
LRECs	219,427.408 kWh	1.0435 c/kWh	1.04050	\$2,382.46
Network Charges				
8100 - Usage	219,427.408 kWh	0.6370 c/kWh		\$1,397.75
8100 - Demand	489.300 kVA	17.4770 \$/kVA/Mth		\$8,551.50
8100 - Supply Charge	31 Days	33.1280 \$/Day		\$1,026.97
Market Operator Charges				
AEMO Ancillary Fee	219,427.408 kWh	0.0505 c/kWh	1.04050	\$115.30
AEMO Market Fee	219,427.408 kWh	0.0374 c/kWh	1.04050	\$85.39
Metering Charges				
Meter Charge		991.25 \$/mtr/yr		\$84.19
GST				\$2,757.75
Total (excl GST)				\$27,577.56
TOTAL for NMI QLD1234567				\$30,335.31

NMI Profile Summary

Highest actual metered demand this period:
(Recorded 26/12/2017 01:00)
Power Factor at time of highest metered demand: 0.902
Load Factor 66.9%
Carbon Intensity 0.83637
Distribution Loss Factor 1.04050
Transmission Loss Factor 1.00110
Net Loss Factor 1.04164

TOTAL USAGE 219,427.41 kWh

Meter	Usage (kWh)	Meter	Usage (kWh)
E1-ABC01234567	219,427.41		

Maximum Daily Demand

CUSTOMER SATISFACTION

UMI CUSTOMER SATISFACTION SURVEY



ERM continuously achieves the highest level of customer satisfaction since UMI commenced in 1997

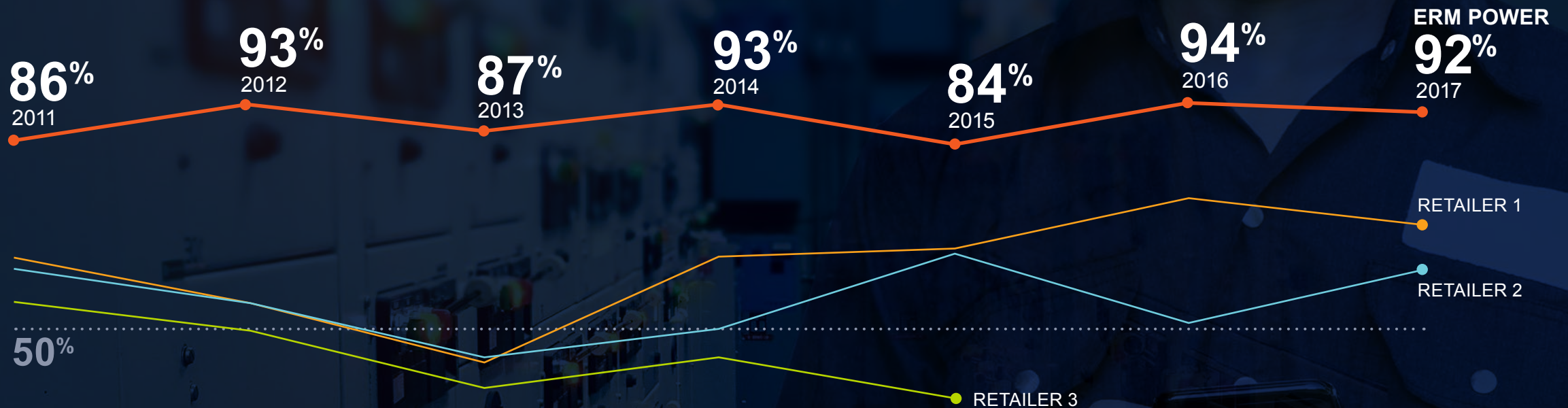


CONSISTENT CUSTOMER SERVICE

CUSTOMER SATISFACTION PERFORMANCE OVER 7 YEARS



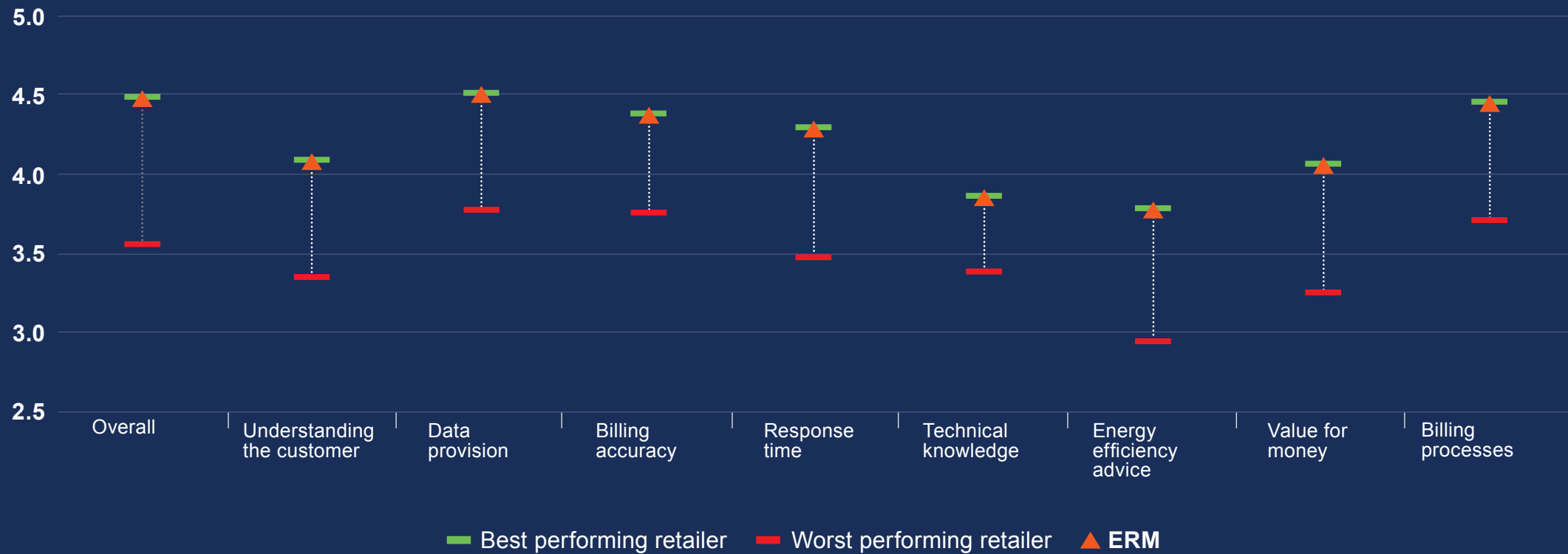
22% HIGHER SATISFACTION RATING
OVER BEST PERFORMING RETAILER IN 2017



NUMBER 1 IN ALL SERVICE AREAS

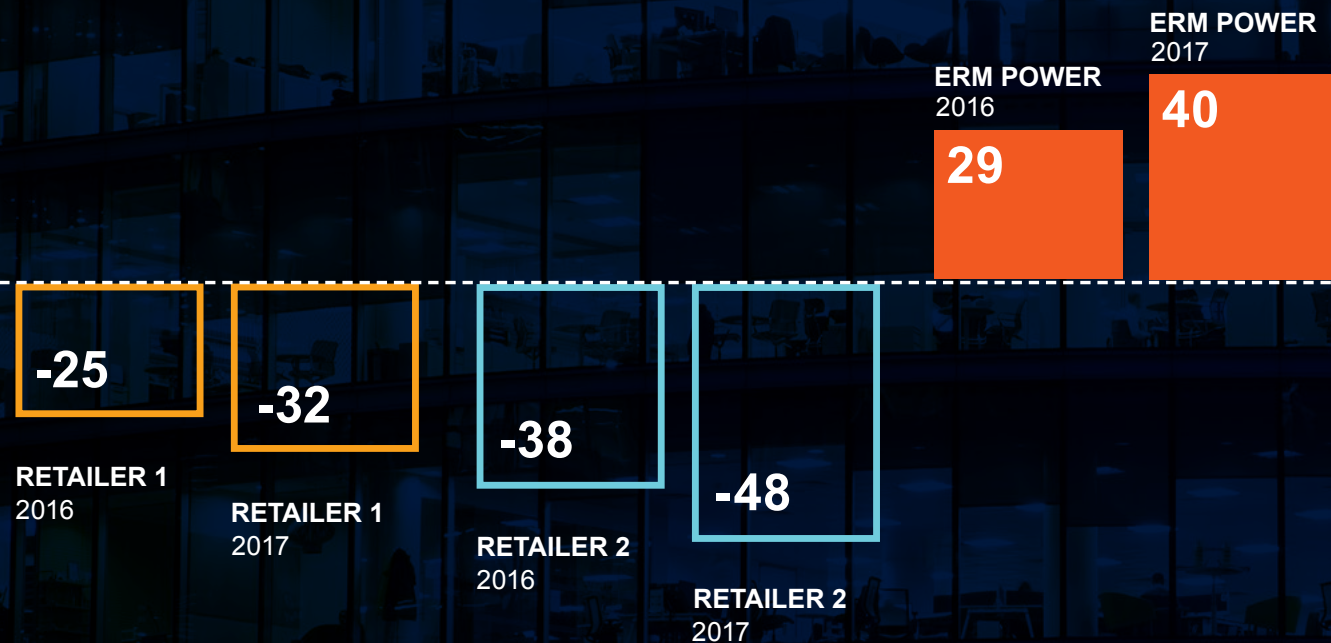


Satisfaction with Service Areas 2017¹



¹ Top 4 retailers

NET PROMOTER SCORE



“

The billing data and the accuracy and format of it, especially compared to our previous provider, the account manager is always so helpful gets back to us straight away which makes it easy to deal with and very personable.

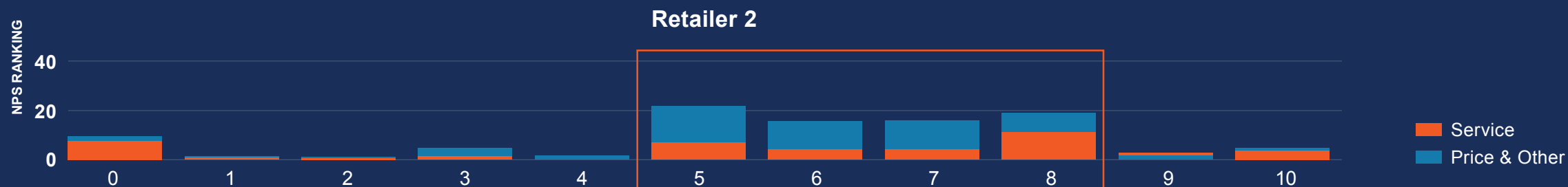
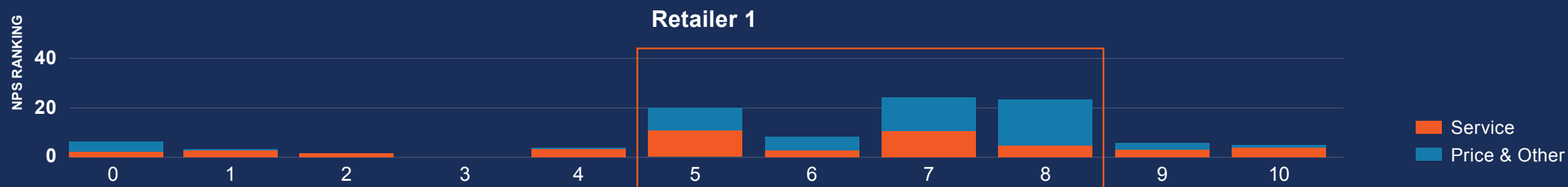
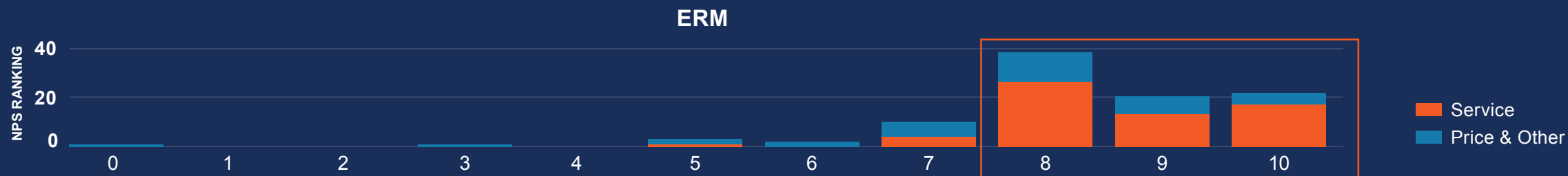
“

The service level ERM sets is the benchmark on service. Always someone available to contact and they provide feedback to help you reduce costs.

“

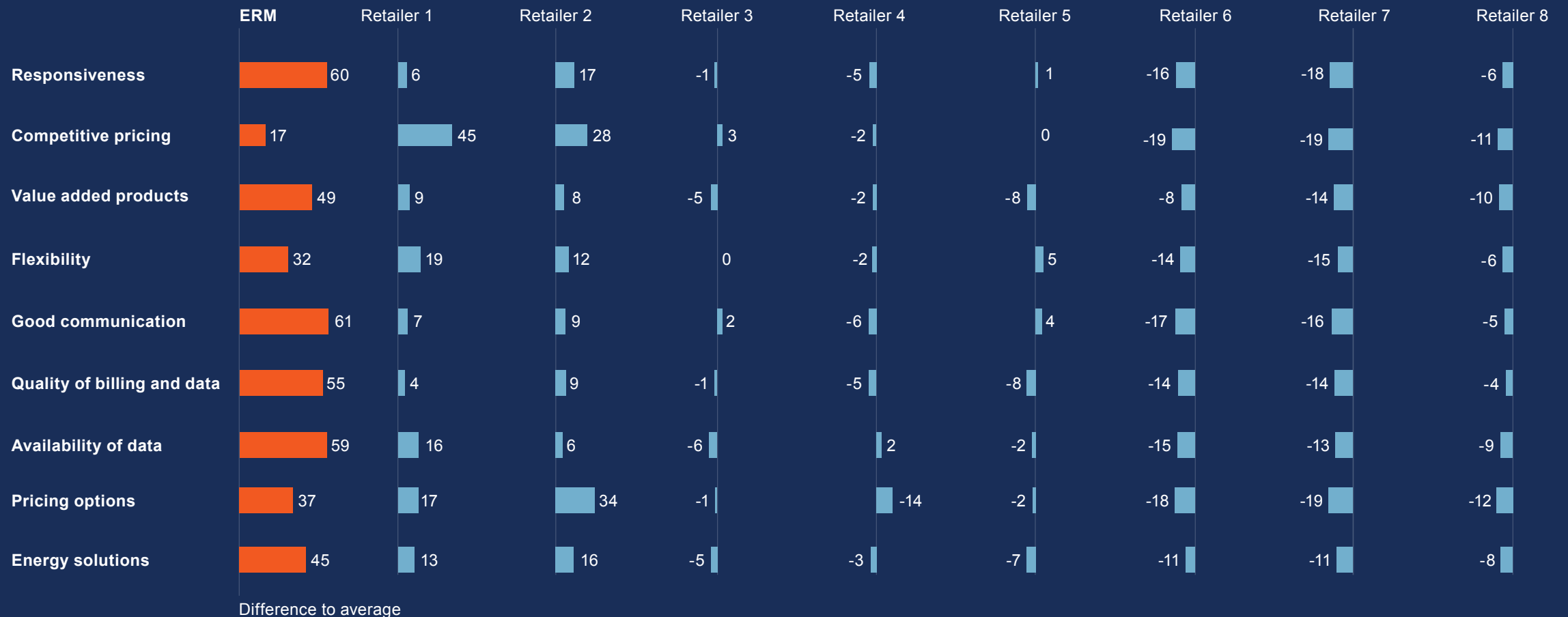
Compared to other providers we have used in the past ERM are much better, the billing detail is excellent and the online portal is user friendly and they always answer our queries without having to chase them

WHY CUSTOMERS PROMOTE ERM



ENERGY BROKER SATISFACTION

2018



STEP ONLINE

 <https://myportal.ermpower.com.au/#/login>



To find out more about STEP Online visit our website,
www.ermpower.com.au/step-online

DEMAND SIDE: ENERGY SOLUTIONS

MEGAN HOUGHTON EGM ENERGY SOLUTIONS

THE DYNAMIC ENERGY LANDSCAPE

C-SUITE INCREASING DEMAND FOR SOLUTIONS



CUSTOMER CHALLENGES

WE ARE SOLVING



TAILORED ENERGY MANAGEMENT PLANS HELPING OUR CUSTOMERS



SAVE MONEY



**REDUCE
CONSUMPTION**



**SECURE
SUPPLY**



**IMPROVE
SUSTAINABILITY**



**GENERATE
REVENUE
FROM ENERGY
ASSETS**

\$16BN

Energy market

86 TWh x \$190/MWh

25%

Energy savings

\$4bn worth of annual
savings to be made

\$1BN*+

Energy productivity
addressable market

THE POTENTIAL

*Addressable market estimate assumes a required payback period of 4 years and an industry investment period of 10 years.

WHAT SETS US APART?

GENUINE CUSTOMER CENTRIC APPROACH ACROSS SUPPLY AND DEMAND



CUSTOMER LED

SOLUTIONS



SUPPLY AND DEMAND

PERSPECTIVE



DATA

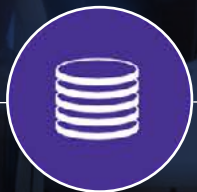
SCIENCE

UNIQUE POSITIONING

ACROSS THE ENERGY MANAGEMENT SUPPLY CHAIN



**ERM OFFERS THE ONLY TRUE END-TO-END SOLUTION
AND IS PRODUCT AGNOSTIC**



Data science
& analytics



Analyse, calculate,
monitor & report



Tailored integrated
solutions



Source multiple
products



Quality installation
& project
management



Performance
monitoring &
proactive control



Finance & funding
solutions

ENERGY SOLUTIONS

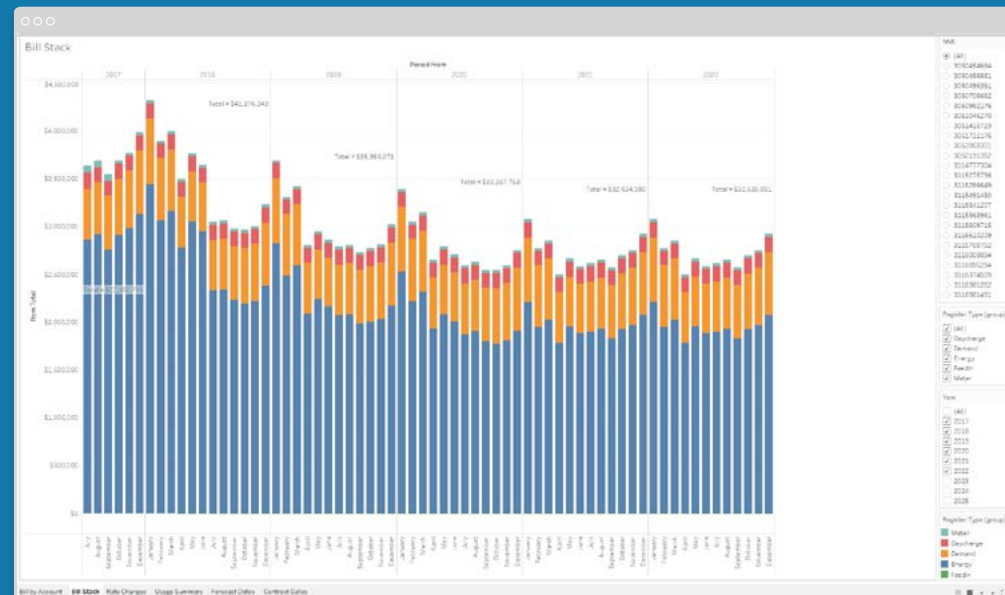
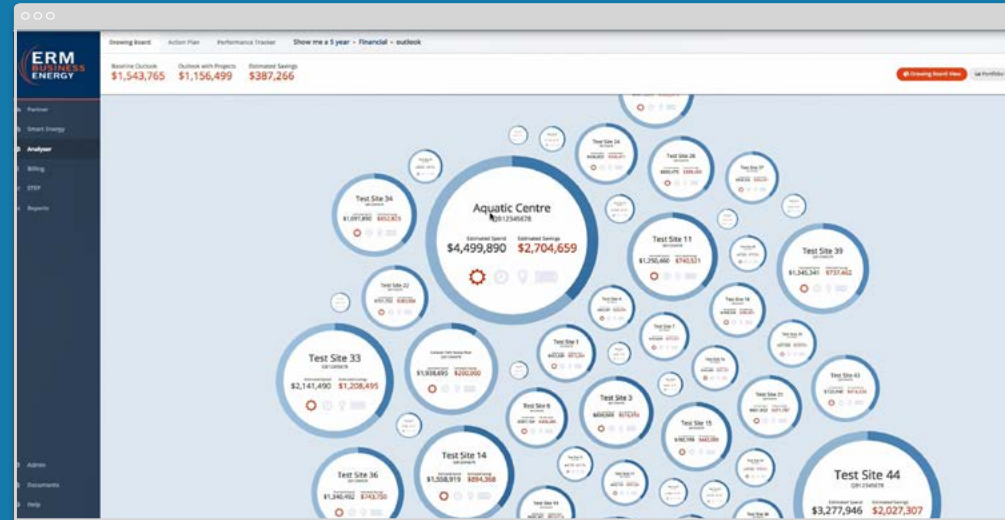
THE BUSINESS MODEL



ADVISE



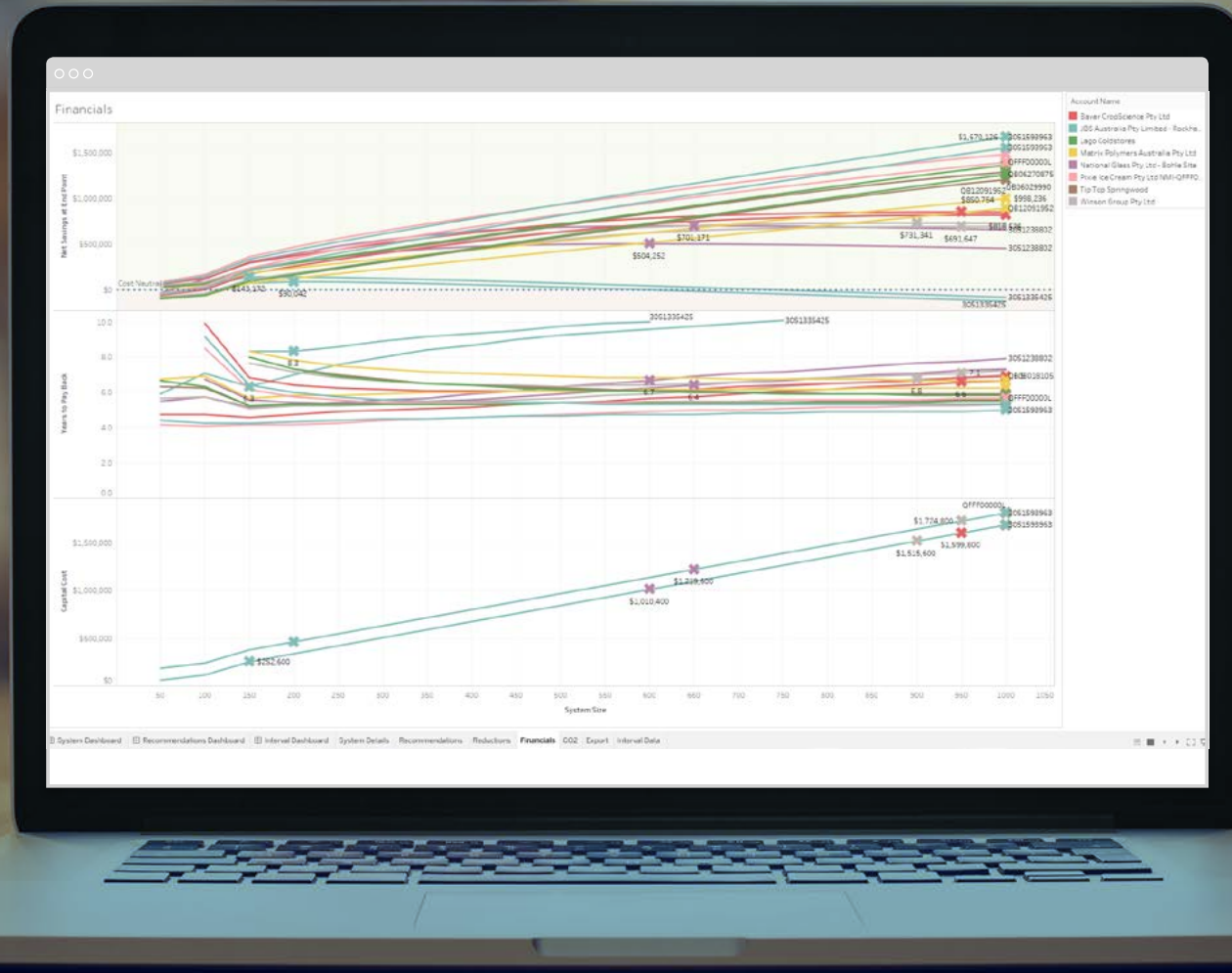
- › ENERGY DISCOVERY
- › DATA ANALYTICS
- › INTEGRATED SOLUTIONS DESIGN
- › STRATEGY AND ACTION PLANNING



ADVISE



To find out more about ADVISE visit,
https://youtu.be/_V4UCHZw0lw



DELIVER



- › PROJECT MANAGEMENT
- › PROCUREMENT
- › ASSET LIGHT PARTNERSHIP MODEL



TRACK



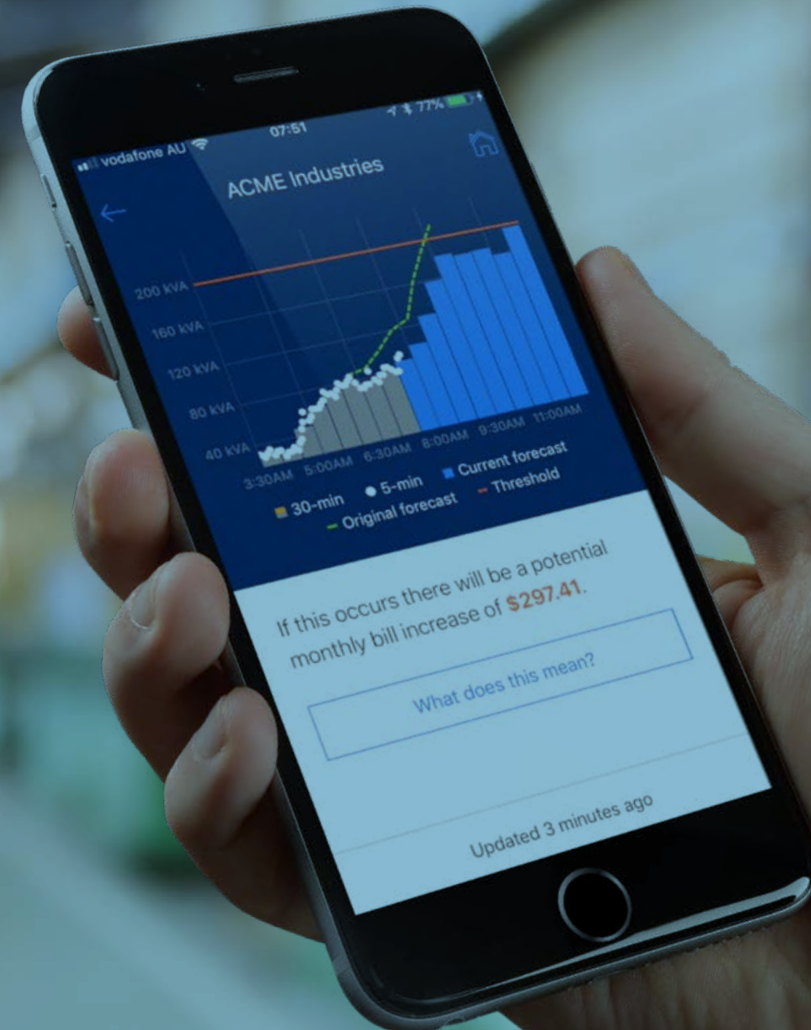
- › MEASUREMENT & VERIFICATION
- › ONLINE DATA VISUALISATION
- › DEMAND MANAGEMENT ALERTS
- › DATA INSIGHTS & OPTIMISATION



TRACK



To find out more about TRACK visit,
<https://youtu.be/33E86us5b94>

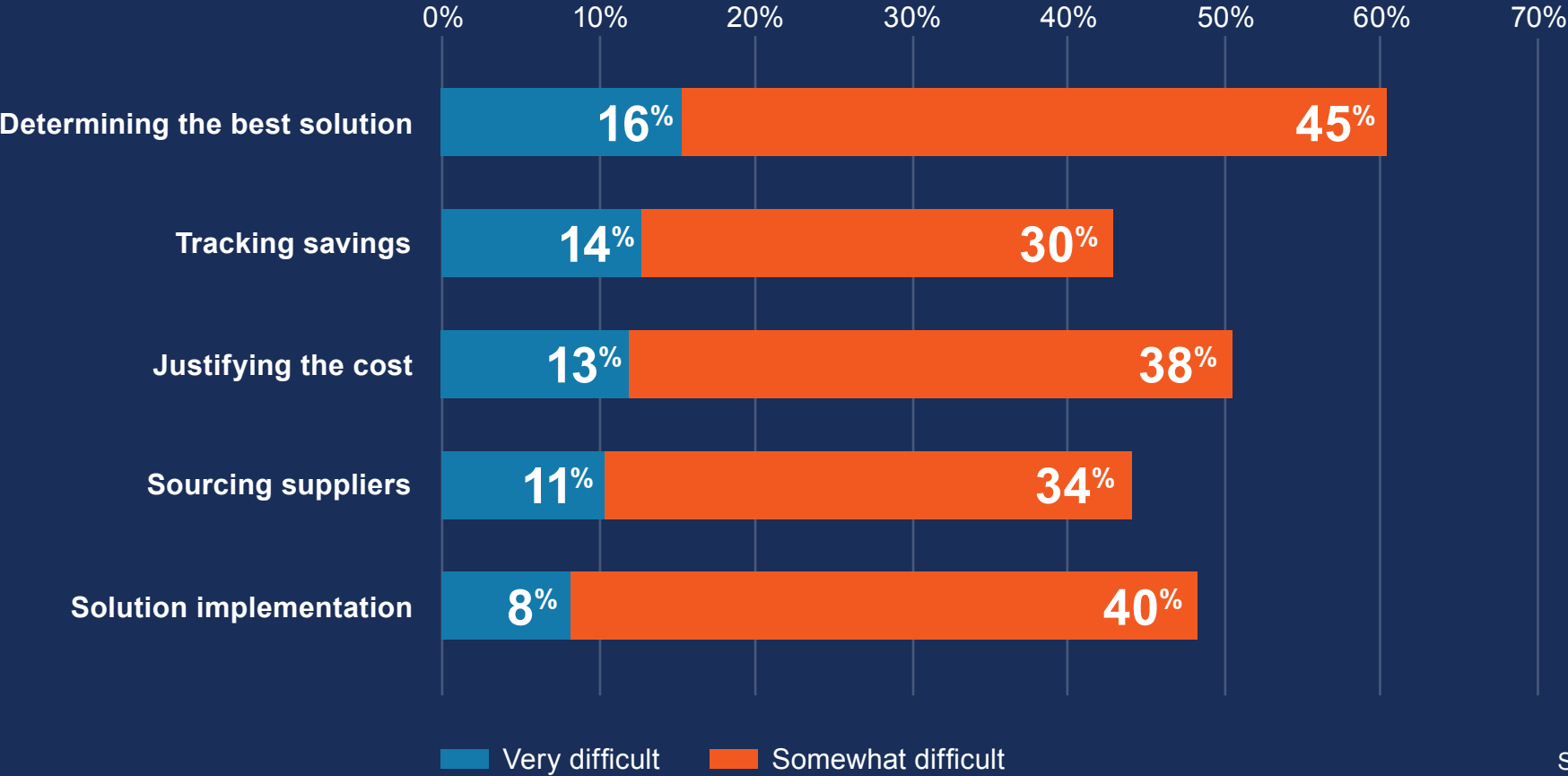


ENERGY MANAGEMENT

REMOVING BARRIERS CUSTOMERS FACE



Top 5 energy solutions barriers customers cite



Source: Survey of 200 ERM C&I customers

EDUCATION SECTOR INITIATIVES

NATIONAL SCHOOLS PROGRAM ROLL OUT



MARKET PENETRATION

- › Well advanced in entering the three largest school markets in Australia. (i.e. NSW, VIC, QLD)
- › \$120m of energy solution opportunities in QLD and VIC across 900+ public schools coming to market in FY19



CUSTOMER BENEFITS

- › Tailored integrated solutions
- › Partner based approach
- › ~20% bill savings
- › >\$18m savings identified
- › Payback 3.2 years



FINANCIALS

- › +80 schools
- › \$3.1m in revenue

DRIVERS OF REVENUE



RECURRING REVENUE

- › Powermetric
- › Monitoring & management services
- › High retention



VALUE

- › Fee for service
- › Average deal size >\$100k
- › Low cost of delivery

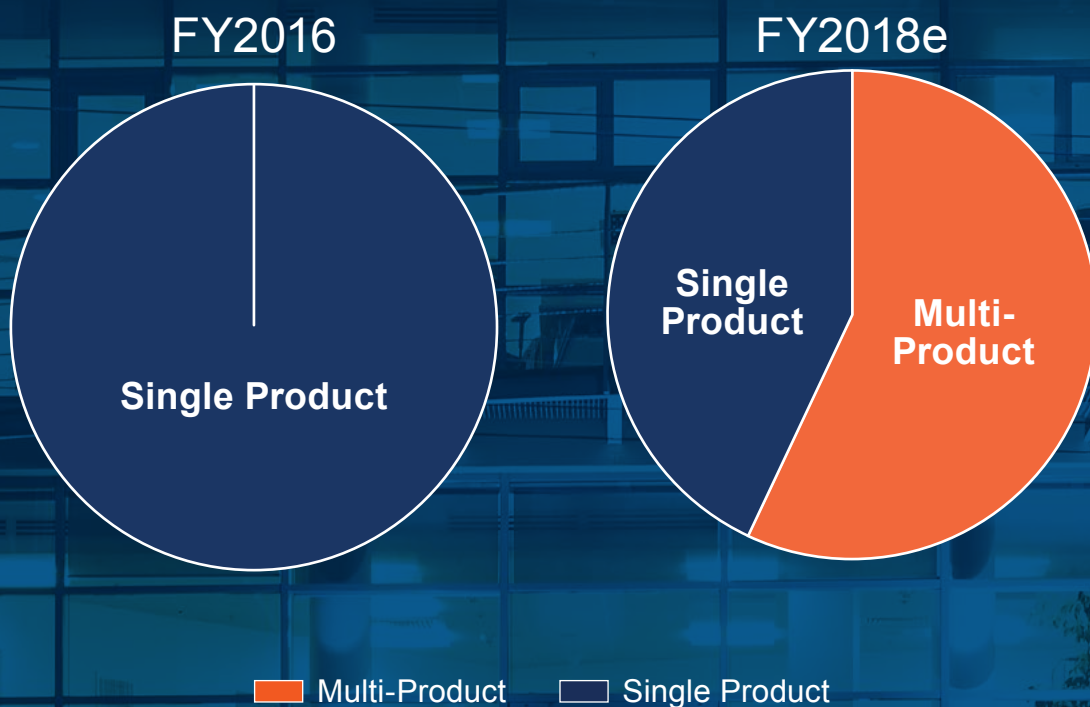
SCALE

- › Project management fee
- › Product commissions through partnerships
- › Gross margins on own products

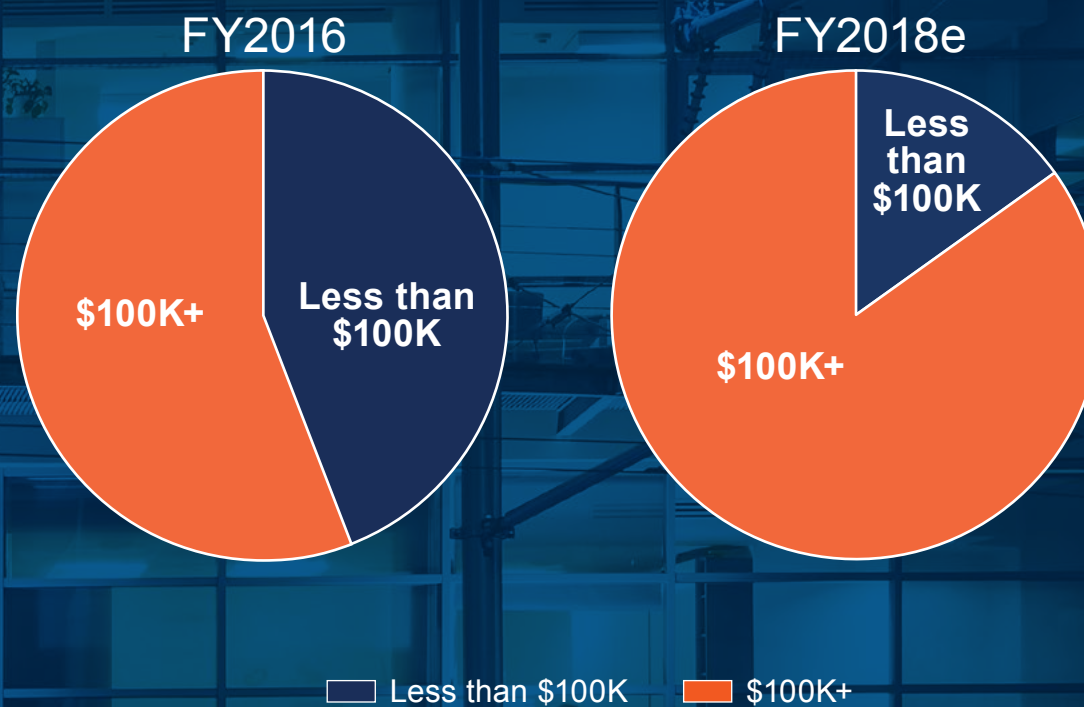
REVENUE MIX



REVENUE FROM MULTI-PRODUCT DEALS

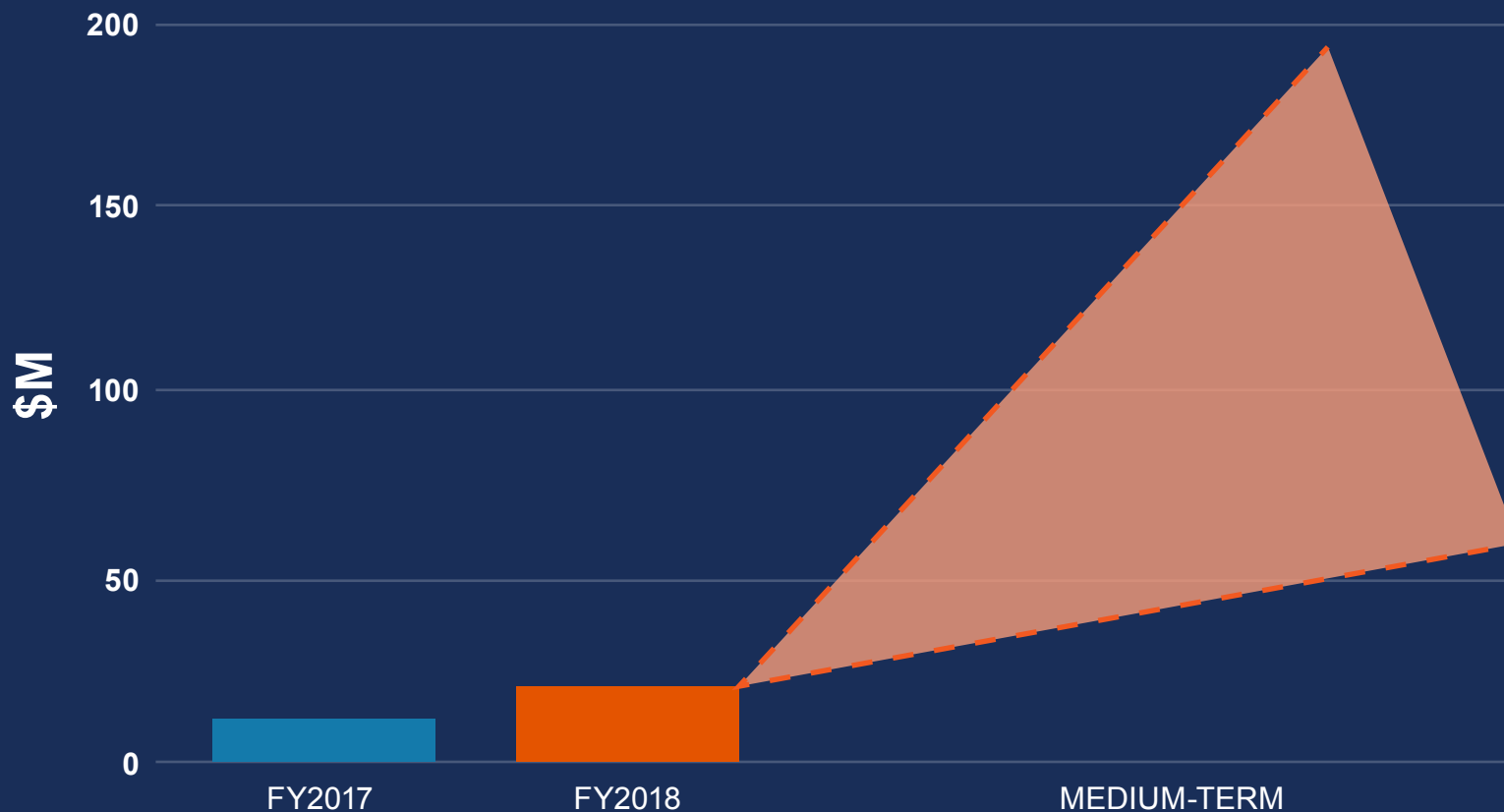


REVENUE FROM PROJECTS >\$100K



MARKET OPPORTUNITY

ENERGY SOLUTIONS POTENTIAL



REVENUE TRAJECTORY

HIGH CASE

20%

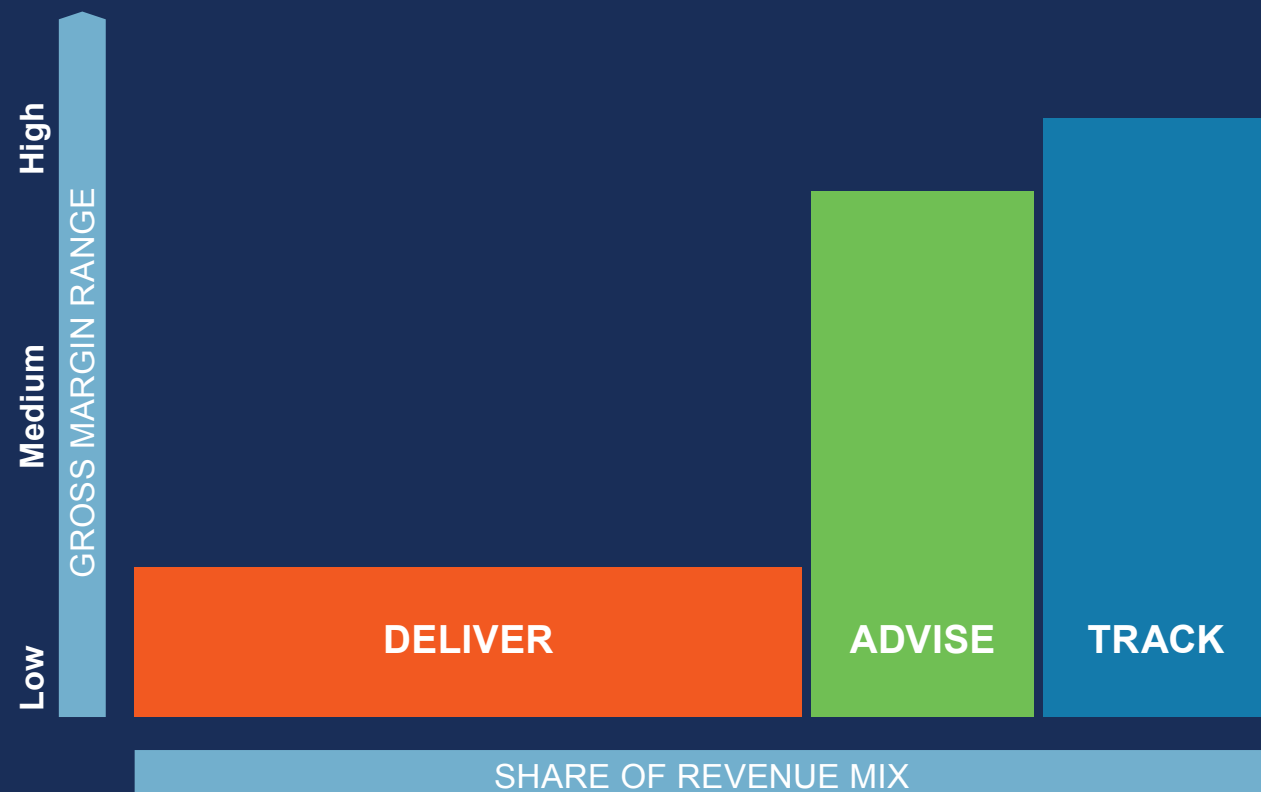
ENERGY SOLUTIONS
MARKET SHARE

LOW CASE

5%

ENERGY SOLUTIONS
MARKET SHARE

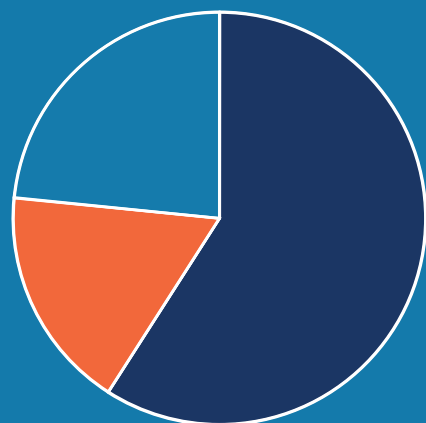
DRIVERS OF GROSS MARGIN



OPEX AND CAPEX



OPERATING COST MIX



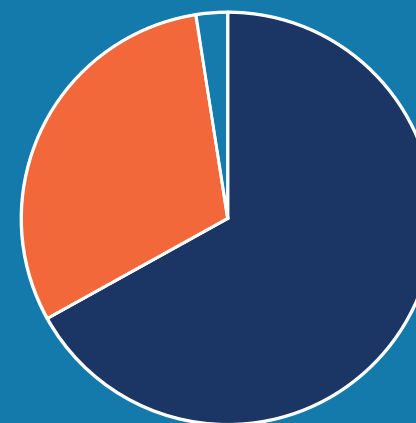
OPEX

~\$15m

FY2018e



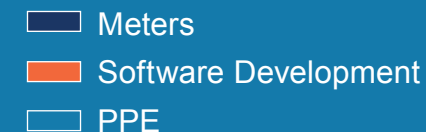
CAPEX FY2017



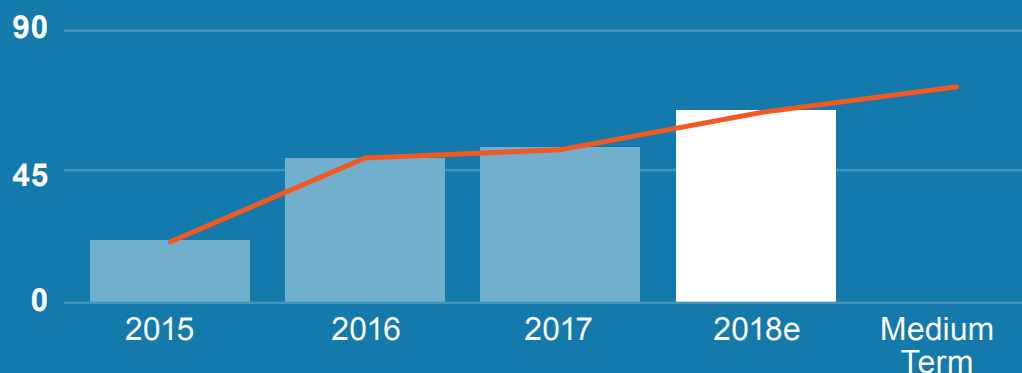
CAPEX

~\$7m

FY2018e



HEADCOUNT



Capex requirements:

- › \$5M investment over five years in software and digital
- › Metering based on demand

THE ONE CUSTOMER EXPERIENCE

FROM RETAIL ELECTRICITY CONTRACT THROUGH TO ENERGY SOLUTIONS



ERM-WIDE VIEW ACROSS THE ENTIRE VALUE CHAIN

RETAIL CONTRACT



INNOVATIVE
CUSTOMER
SOLUTIONS



ONE VIEW OF CUSTOMER
TO DELIVER END TO END
INTEGRATED SOLUTIONS
ACROSS SUPPLY AND DEMAND

WRAP UP

BUILDING

A STRONG FOUNDATION

TRANSFORMING

THROUGH INVESTMENT IN
DIVERSIFICATION & GROWTH

SUSTAINED

HIGH PERFORMANCE



QUESTIONS & ANSWERS

JON STRETCH CEO

DISCLAIMER



This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of ERM Power Limited (ERM Power) and certain plans and objectives of the management of ERM Power.

Such forward-looking statements involve both known and unknown risks, uncertainties, assumptions and other important factors which are beyond the control of ERM Power and could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements.

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Non-IFRS information

This document may contain certain non-IFRS financial measures and other defined financial terms.

The directors believe the presentation of certain non-IFRS financial measures is useful for the users of this document as they reflect the underlying financial performance of the business.

The non-IFRS financial profit measures are used by the managing director to review operations of the Group and include but are not limited to:

1. EBITDAF – Earnings before interest, tax, depreciation, amortisation, impairment and net fair value gains / losses on financial instruments designated at fair value through profit and loss. EBITDAF excludes any profit or loss from associates.
2. Underlying EBITDAF – EBITDAF excluding significant items.
3. Underlying NPAT – Statutory net profit after tax attributable to equity holders of the Company after excluding the after tax effect of unrealised marked to market changes in the fair value of financial instruments, impairment and gains / losses on onerous contracts and other significant items. Underlying NPAT excludes any profit or loss from associates.

All profit measures refer to continuing operations of the Group unless otherwise noted.

A reconciliation of underlying NPAT and underlying EBITDAF is supplied in the operating and financial review (OFR) section of ERM Power's financial reports. The above non-IFRS financial measures have not been subject to review or audit. These non-IFRS financial measures form part of the financial measures disclosed in the books and records of the Consolidated Entity, which have been reviewed by the Group's auditor.

All reference to \$ is a reference to Australian dollars unless otherwise stated. Individual items, totals and percentages are rounded to the nearest appropriate number or decimal. Some totals may not add down the page due to rounding of individual components.

Full glossary of terms used in this presentation can be found in the OFR section of ERM Power's financial reports.