



ASX Announcement

Monday, 15 October 2018

ERM Power announces US\$27m (A\$38m) sale of US operations Source Power & Gas

ERM Power Limited [ASX: EPW] today announced the sale of its US business Source Power & Gas to Direct Energy Business LLC for US\$27m (A\$38m).

Direct Energy and ERM Power's US subsidiary Source Power & Gas have signed an asset purchase agreement for the electricity retailing portfolio and related assets of Source Power & Gas. The sale is subject to usual completion conditions and adjustments and is expected to close on 30 November 2018, followed by a period of customer transition.

Net after-tax cash proceeds will be around US\$23m (A\$32m) from the sale after termination and transaction costs. Assessment of the use of sale proceeds will be made in line with the Company's capital management framework which includes investment for growth and return of capital to shareholders as appropriate. The market will be further updated as part of ERM Power's FY2019 interim results announcement in February 2019.

For the purposes of ERM Power's FY2019 reporting, Source Power & Gas is expected to record a loss of approximately US\$6m (A\$8.5m) (unaudited) which includes operating results to completion and wind-down and transition costs to June 2019.

ERM Power CEO Jon Stretch said the business had grown strongly since acquisition in January 2015.

"Electricity load and forward sales grew by six and eight times respectively, which is a credit to the team," he said.

"We did however undertake a comprehensive review which determined the best strategy for realising shareholder value was divestment of the US operations given the value of this business to other participants in the US market.

"Given this strategic review of the business, and the success and potential of our Energy Solutions operations, we've determined that shareholder value is best served by focussing on value creation in our Australian business.

"Consistent with this we have deployed a portion of the A\$40m of capital earmarked for growth to the acquisition of industrial energy efficiency business Out Performers, as announced on 28 September 2018. This adds substantially to our Energy Solutions capability and reach in a growing market."

The on-market share buyback of up to A\$20 million in issued capital, suspended during the US sale transaction process, will resume on 26 October after the Annual General Meeting.

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. 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. The Company operates 662 megawatts of low emission, gas-fired power stations in Western Australia and Queensland.

¹ Based on ERM Power analysis of latest published information.

For further information

Olga Alexandratos

Phone: +61 7 3020 5545

Mobile: +61 409 004 298

Email: oaalexandratos@ermpower.com.au