



# ASX Announcement

Thursday, 21 February 2019

## FY2019 Half Year Results Announcement and Presentation

Please find attached ERM Power's Half Year Results Announcement and Investor Presentation for the six months ended 31 December 2018.

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 load<sup>1</sup>. 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.

<sup>1</sup> Based on ERM Power analysis of latest published information.



# ASX Announcement

Thursday, 21 February 2019

## ERM POWER REPORTS HALF YEAR RESULTS AND ANNOUNCES APPOINTMENT OF NEW CHAIR

ERM Power Limited (ASX: EPW) today reported first half FY2019 underlying EBITDAF<sup>1</sup> of \$47.3 million (1H FY2018 \$49.7 million) and Statutory NPAT<sup>2</sup> of \$69 million (1H FY2018 \$49.8 million<sup>3</sup>). Underlying NPAT<sup>4</sup> was \$14.9 million, down 13% on the first half of FY2018.

The Board declared an interim dividend of 4.5cps fully franked and a special dividend of 3cps fully franked.

### Results Summary (Continuing operations - excludes US)

\$m unless otherwise stated	1H FY2019	1H FY2018 <sup>3</sup>	% Change
Statutory NPAT <sup>2</sup>	69.0	49.8	38%
Underlying EBITDAF <sup>1</sup>	47.3	49.7	(5%)
Underlying NPAT <sup>4</sup>	14.9	17.2	(13%)
Underlying EPS (cps)	5.99	6.96	(14%)
Interim dividend (cps)	4.5 franked	3.5 franked	29%
Special Dividend (cps) announced	3 franked	N/A	N/A
Electricity sales volume – load (TWh)	8.9	9.6	(7%)

ERM Power CEO Jon Stretch said the Company achieved key milestones in the half while delivering strong net profit and improved gross margin driven by underlying sales, operational performance, product and customer mix, and portfolio optimisation.

“During the period we successfully completed the sale of our US business, Source Power & Gas, with proceeds received of AU\$37.2 million. We finalised the acquisition of Out Performers, a business that specialises in energy efficiency and productivity for large industrials, which adds substantially to our capability and scope in the Energy Solutions business,” he said.

“These are significant developments for ERM Power in support of our strategy across electricity retailing and solutions. The rationale for energy efficiency and solutions is more powerful than ever with customers needing help to deal with market and price volatility in an energy policy void.”

“Electricity sales load was down on the prior year but forward contracted load, which is electricity already contracted from FY2020, grew 3% to 29.9TWh in the half. This reflects our continued strong competitive position in the market and pricing discipline. We expect sold load to be stronger in FY2020 based on current forward sales.”

### Capital Management Framework – Update

Mr Stretch said capital discipline had provided for appropriate risk buffers, reservation of additional capital for substantial growth opportunities, increases in dividends and the distribution of surplus funds to shareholders.

A positive earnings outlook and the strong financial position of the Company has presented the opportunity to:

- reset the ordinary dividend annual base level from 7cps (fully franked) to 9cps (fully franked) for FY2019, with expectation that this will set a new floor for ordinary dividends;
- increase the capital reserved for organic and inorganic growth to \$60 million (from \$40 million in February 2018);
- continue the on-market share buyback by up to \$15 million; and

- declare a special dividend of 3cps (fully franked) with the expectation that a similar special dividend may be considered in the next 12 months subject, as always, to the Company's capital management review and market conditions.

## **FY2019 Outlook**

FY2019 outlook is as follows:

- For the Australian electricity retailing business, we expect:
  - Contraction of sales volume to about 18TWh from a forecast of 19TWh;
  - Increase in average gross margin from the previously communicated \$4.75/MWh to about \$5.10/MWh;
  - Medium-term gross margin range increased from \$4.00-\$5.50/MWh to \$4.50-\$6.00/MWh; and
  - OPEX maintained at ~\$22 million.
- FY2019 EBITDAF for the generation assets in Australia is expected to remain in line with:
  - Oakey Power Station underlying EBITDAF in the range of \$14 million to \$16 million; and
  - Neerabup is expected to deliver \$26 million EBITDAF.
- Energy Solutions underlying EBITDAF outlook of a loss of \$2.5 million (including contribution from Out Performers), as we continue to grow and invest in the business. Our expectation continues to be that the business will be NPAT positive by FY2020.
- Corporate costs are expected to remain materially on track at ~\$17m.
- The LGC strategy is expected to deliver \$37 million NPAT across FY2019 & FY2020 with around \$16 million in FY2019 and the remainder in FY2020.

## **Interim Dividend & Special Dividend**

The Board has declared a fully franked interim dividend of 4.5cps up from 3.5cps in 1H FY2018. The Board also announced a fully franked special dividend of 3cps. The record date for the interim dividend and the special dividend is 27 March 2019 and the payment date is 17 April 2019. The ex-dividend date is 26 March 2019.

## **ERM Power Chair Tony Bellas steps down and Julieanne Alroe appointed**

ERM Power Chair, Tony Bellas, today announced his resignation from the ERM Power Board, effective 28 February 2019, and the appointment of current Director Julieanne Alroe as Chair from 1 March 2019.

Mr Bellas has elected to step down from the Board after more than nine years as a director, as signalled at the Company's 2018 Annual General Meeting in October.

Mr Stretch said Mr Bellas has been instrumental in ERM Power's strategy, growth and success since joining on 1 December 2009 as a non-executive Director and then as Chair from 21 October 2011.

"Tony's passion and energy supported ERM Power's ASX listing in 2010 and the growth of our Retail and Energy Solutions businesses. On behalf of the Board and management team, I thank him for his advice, support and friendship over the years and wish him well as he embarks on a range of new business ventures," he said.

"We were delighted to welcome Julieanne to the Board in August and now to her role as Chair. She brings great insight from her executive roles in complex and changing industries, particularly as ERM Power grows and expands its energy efficiency and solutions business."

## For further information

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## 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 load\*. 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.

\* Based on ERM Power analysis of latest published information.

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<sup>1</sup> Earnings before interest, tax, depreciation, amortisation, impairment and net fair value gains / losses on financial instruments designated at fair value through profit and loss and other significant items, for continuing operations. EBITDAF excludes any profit or loss from associates

<sup>2</sup> Statutory Net Profit After Tax includes unrealised net fair value of \$62.3m on financial instruments designated as fair value through profit and loss after tax and loss from US discontinued operations of \$7.7m

<sup>3</sup> 1H FY2018 figures restated to exclude US operations following the sale of the US business in 1H FY2019

<sup>4</sup> Underlying NPAT is statutory net profit after tax from continuing operations attributable to equity holders of the Company after excluding the after tax effect of unrealised mark to market changes in the fair value of financial instruments, impairment, gains / losses on onerous contracts and other significant items. Underlying NPAT excludes any profit or loss from associates



# Half Year Results

6 months to 31 December 2018

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**ERM Power**

21 February 2019

# Important notice - disclaimer

## Disclaimer

This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of ERM Power Limited ABN 28 122 259 223 (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.

None of ERM Power, its officers, advisers or any other person makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statements or any outcomes expressed or implied by any forward-looking statements.

The information contained in this presentation does not take into account investors' investment objectives, financial situation or particular needs. Before making an investment decision, investors should consider their own needs and situation and, if necessary, seek professional advice.

To the maximum extent permitted by law, none of ERM Power, its directors, employees or agents, nor any other person accepts any liability for any loss arising from the use of this presentation or its contents or otherwise arising out of, or in connection with it.

## 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.
4. 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). 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 document that accompanies these results.

# Half Year Summary



# Half year summary

**Gross  
Margin /MWh**

**\$5.72**

1H FY2018 \$5.08

**Underlying  
NPAT**

**\$14.9m**

1H FY2018 \$17.2m

**Underlying  
EBITDAF**

**\$47.3m**

1H FY2018 \$49.7m

**Declared 1H FY2019  
Dividend** (fully franked)

**4.5cps**

1H FY2018 3.5cps

**Special  
Dividend** (fully franked)

**3cps**

Payable in April

## Additional Highlights

- ✓ Divestment of US business, Source Power & Gas, completed with proceeds received of A\$37.2m
- ✓ Acquisition of Out Performers completed in line with the strategy to deploy capital to expand Energy Solutions business and build long-term shareholder value
- ✓ Electricity Sales 8.9TWh. Forward sales increased 3% to 29.9TWh at 31 December 2018
- ✓ Net cash position at 31 December (excluding Neerabup project financing) of \$245.8m (an increase of \$181.6m)
- ✓ Capital Management Program - updated
  - Ordinary dividend annual base level reset from 7c (fully franked) to 9c (fully franked) for FY19 subject to continued market environment
  - Capital reserved for organic and inorganic growth increased to \$60m (from \$40m in February 2018)
  - On market share buyback continuing up to \$15m
  - Special dividend of 3cps fully franked payable in April 2019 and expectation that a similar special dividend may be considered in the next 12 months



# Meeting end-to-end customer supply & demand needs



ENERGY SOLUTIONS RATIONALE MORE POWERFUL THAN EVER

## ERM POWER STRATEGIC GROWTH PATH

- Acquisitions to build Energy Solutions capability and proposition
- Exit US to focus on core business and growing opportunities in Australia
- \$60m of capital being reserved for growth

# Financial results

# 1H FY2019 financials

## CONTINUING BUSINESS UNLESS OTHERWISE STATED

\$m unless otherwise stated	1H FY2019	1H FY2018 <sup>1</sup>	% Change
Contestable revenue	1,012	921	10%
Underlying EBITDAF	47.3	49.7	(5%)
Depreciation	(13.9)	(14.2)	2%
Net finance expense	(12.1)	(10.7)	(13%)
Income tax expense	(6.4)	(7.6)	16%
Underlying NPAT	14.9	17.2	(13%)
Statutory NPAT <sup>2</sup>	69.0	49.8	38%
Net cash excl. Neerabup	245.8	283.7	(13%)
Underlying EPS (cents per share)	5.99	6.96	(14%)
Interim dividend (cents per share)	4.5 franked	3.5 franked	29%

1. 1H FY2018 figures restated to exclude US operations following the sale of the US Business in 1H FY2019

2. Includes unrealised net fair value gains of \$62.3m on financial instruments designated at fair value through profit and loss after tax and a loss from US discontinued operations of \$7.7m

# US business divestment

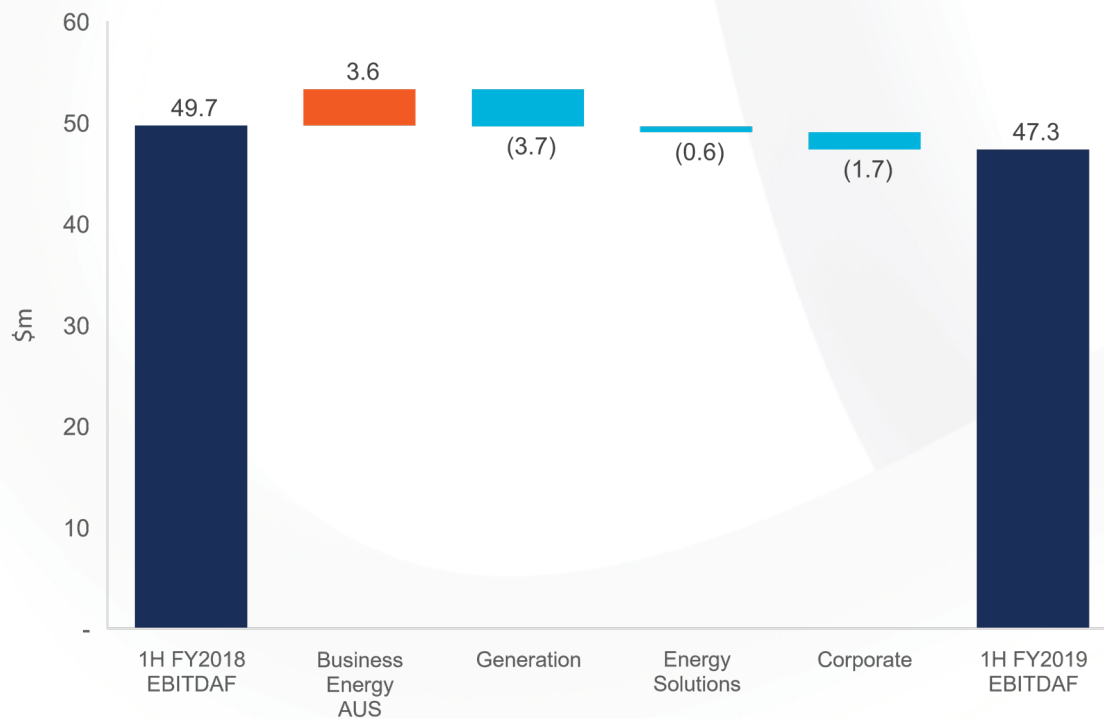
SOURCE POWER & GAS SALE TO DIRECT ENERGY COMPLETED 31 DECEMBER 2018

A\$m	1H FY2019	1H FY2018	Change
Underlying EBITDAF	1.7	1.4	0.3
Underlying NPAT <sup>1</sup>	(4.4)	(7.9)	3.5
Statutory NPAT	(7.7)	(8.9)	1.2

A\$m	1H FY2019
Sale proceeds received	37.2
Transaction costs on sale <sup>2</sup>	(3)
<b>Net sale proceeds<sup>3</sup></b>	<b>34.2</b>
Net assets disposed and forecast sales price adjustment	(32.7)
<b>Accounting gain on sale</b> (before tax and the reclassification of foreign currency translation reserve)	<b>1.5</b>

1. Underlying earnings excludes the loss on sale after tax of \$0.6m, impairment of PPE of \$0.8m, an onerous lease provision of \$1.1m and write-down of deferred tax assets of \$0.8m. Customer brokerage costs paid under agreements to acquire customers are not amortised for accounting purposes while the assets are held for sale and these costs are excluded from underlying earnings.
2. Transaction costs include legal and professional fees and costs paid to terminate the sleeving arrangement in place.
3. Net cash proceeds exclude further cash costs incurred between 1 July 2018 and 31 December 2018 for the acquisition of customer contracts sold on 31 December 2018. Final cash proceeds is subject to a completion adjustment, which is expected to be finalised prior to 30 June 2019.

## Underlying EBITDAF movement \$m



\$m	1H FY2019	1H FY2018	Change
Electricity Retail AUS	41.3	37.7	10%
Generation	16.9	20.6	(18%)
Energy Solutions	(2.4)	(1.8)	(33%)
Corporate	(8.5)	(6.8)	(25%)
Underlying EBITDAF	47.3	49.7	(5%)

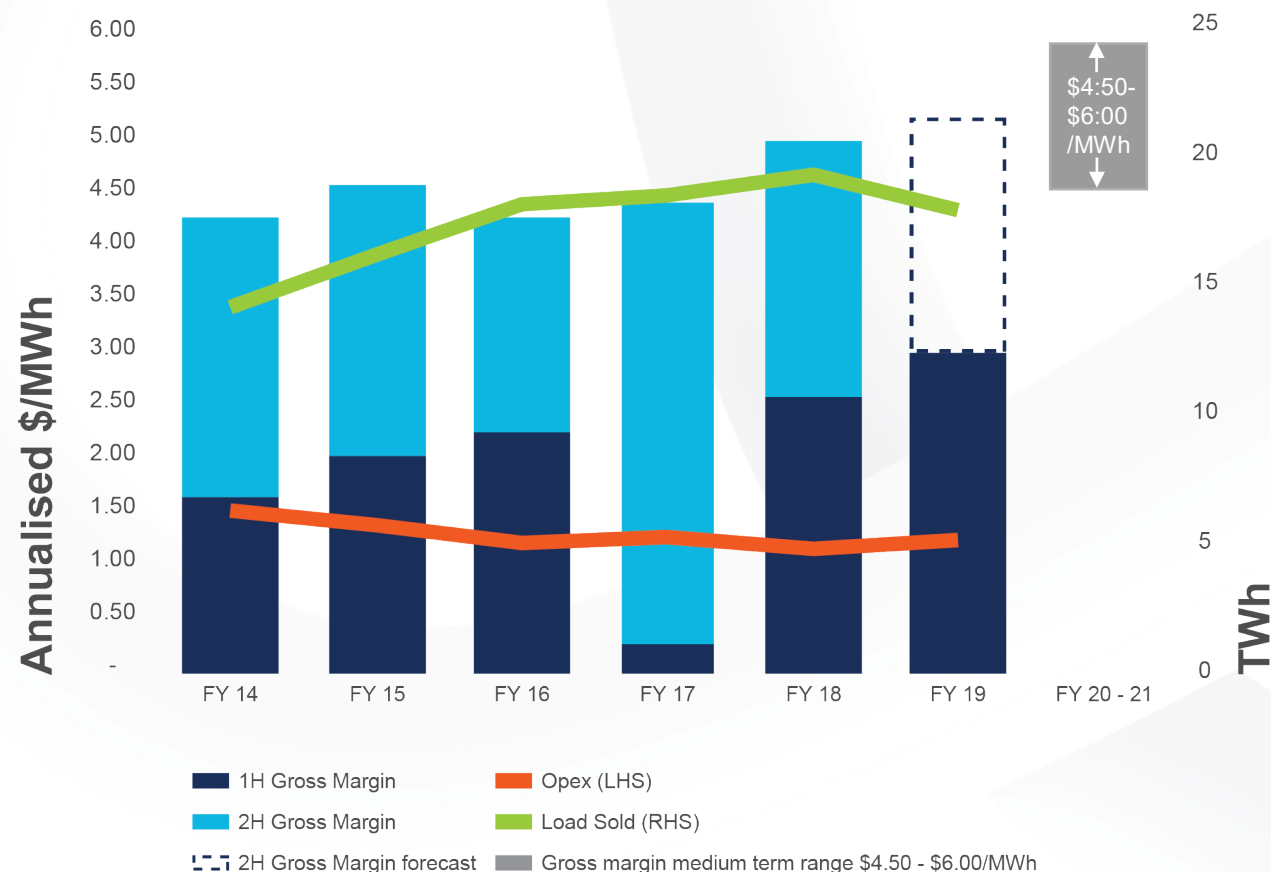
# Underlying NPAT by segment

	\$m	1H FY2019	1H FY2018
<b>Established</b>	Aus. Retail	23.4	21.3
	Generation	2.0	4.7
	Corporate	(7.6)	(6.9)
		<b>17.8</b>	<b>19.1</b>
<b>Growth</b>	Energy Solutions	(2.9)	(1.9)
	<b>Underlying NPAT</b>	<b>14.9</b>	<b>17.2</b>



NPAT positive by  
FY2020

# Electricity retailing Australia



\$m unless otherwise stated	1H FY2019	1H FY2018	Change
Load sold (TWh)	8.9	9.6	(7%)
Underlying gross margin	51.2	48.7	5%
Gross margin \$/MWh	5.72	5.08	13%
Opex	(9.9)	(11.0)	10%
Underlying EBITDAF	41.3	37.7	9%

The LGC strategy is expected to deliver ~\$37m NPAT across FY2019 & FY2020 with around \$16m in FY2019 and the remainder in FY2020 (not included in gross margin outlook)



# Generation

\$m	1H FY2019	1H FY2018	% Change
<b>Revenue<sup>1</sup></b>	<b>48.2</b>	<b>38.1</b>	<b>27%</b>
Oakey	30.7	18.8	63%
Neerabup	16.7	18.6	(10%)
<b>Underlying EBITAF<sup>1</sup></b>	<b>16.9</b>	<b>20.6</b>	<b>(18%)</b>
Oakey	3.1	6.2	(50%)
Neerabup	13.9	14.5	(4%)

1. Includes revenue and earnings from Generation development and operations of \$0.8 and (\$0.1m) respectively

# Energy Solutions

\$m	1H FY2019 Excl. Out Performers	1H FY2018 Out Performers	1H FY2019 Total	1H FY2018	Change
Revenue	7.6	2.1	9.7	9.7	-
Gross margin	4.9	1.6	6.5	5.0	30%
Opex	(7.7)	(1.2)	(8.9)	(6.8)	(31%)
EBITDAF	(2.8)	0.4	(2.4)	(1.8)	(33%)

Out Performers acquired on 28 September. Performing strongly.

Transition to the Advise, Deliver, Track model is underway and resulting in higher gross margin.

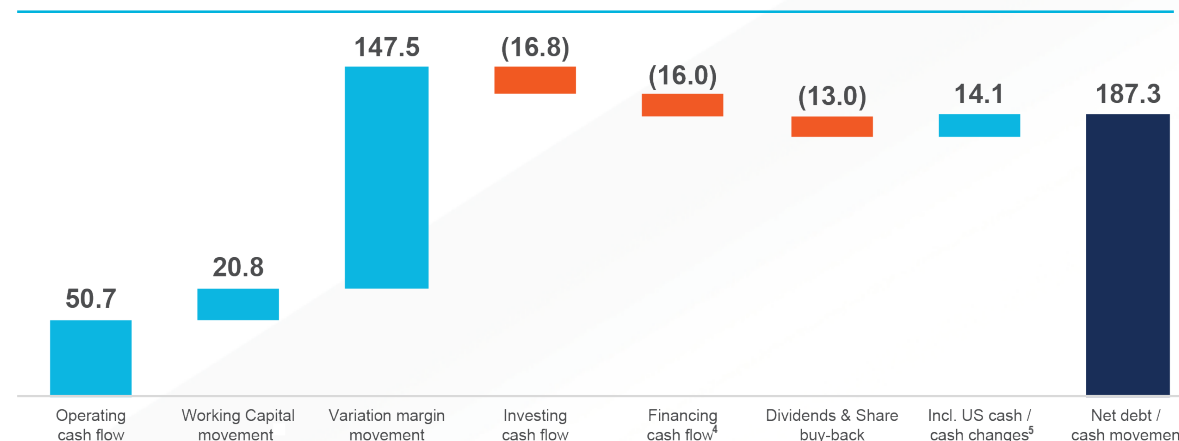
Longer lead conversion time for large projects and the ramp up of new product sales have impacted 1H revenue.

# Net debt and cash

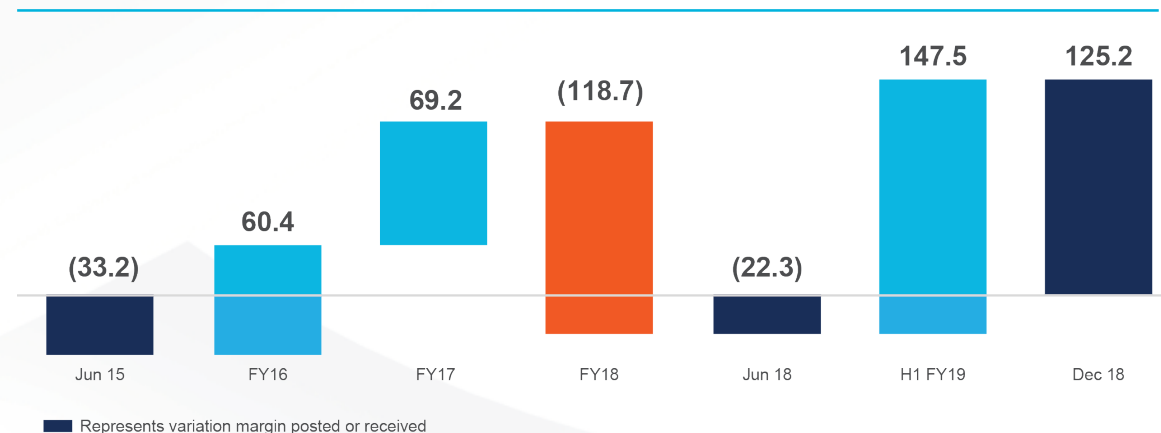
\$m	31 December 2018 <sup>2</sup>	30 June 2018 <sup>2</sup>	Change <sup>1</sup>
Neerabup debt	183.5	185.5	(2.0)
Other debt	-	150.8	(150.8)
<b>Total debt</b>	<b>183.5</b>	<b>336.3</b>	<b>(152.8)</b>
<b>Total cash</b>	<b>262.0</b>	<b>227.6</b>	<b>34.4</b>
<b>Net debt / (cash)<sup>5</sup></b>	<b>(78.6)</b>	<b>108.7</b>	<b>(187.3)</b>
<b>Net (cash) excl. Neerabup<sup>3</sup></b>	<b>(245.8)</b>	<b>(64.2)</b>	<b>(181.6)</b>

1. The movement in balance sheet net debt includes non-cash movements such as the unwind of capitalised borrowing costs. These movements are offset against the "financing cash flow" item depicted in the charts. Components may not sum to total because of rounding.
2. Continuing operations only.
3. This excludes cash and debt that has recourse to the assets of Neerabup Partnership only.
4. Excludes dividends and buy back costs
5. December 2018 includes \$14.1m of cash held in US operations. Final cash available in US operations to be repatriated by 30 June 2019 after pay down of remaining working capital items and windup costs. Cash held in US operations previously was not classified within net debt / (cash) at 30 June 2018 whilst the business was held for sale.

NET DEBT / CASH MOVEMENT<sup>1</sup> - \$m



VARIATION MARGIN MOVEMENTS (JUN-15 TO DEC-18) - \$m



Free cash increased by \$206.6m and restricted cash decreased by \$104.6m. The main driver is changes to core financing facilities providing greater flexibility to reduce restricted cash.

# Capital management framework

## Capital Management Framework

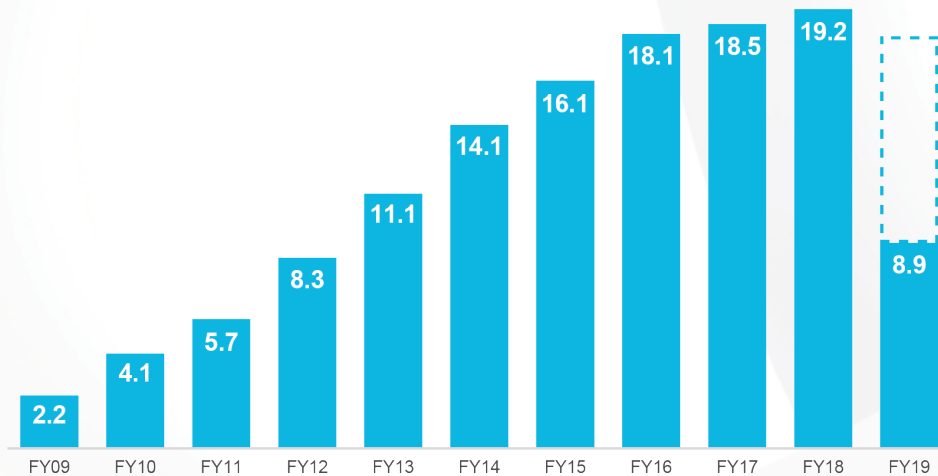
	From February 2018 Announcement	February 18	February 19
<b>Determine capital available for distribution/reinvestment</b>	<ul style="list-style-type: none"> <li>✓ Determine surplus capital with reference to liquidity requirements of the business</li> <li>✓ Maintain suitable buffers</li> <li>✓ Extend tenor &amp; increase size of financing facilities<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>✓ Establish Plan</li> </ul>	<ul style="list-style-type: none"> <li>✓ Updated Plan</li> </ul>
<b>Maintain ordinary dividend</b>	<ul style="list-style-type: none"> <li>✓ Expect to maintain an annual ordinary dividend base</li> <li>✓ Reduce only in the event of material earnings volatility</li> <li>✓ Increases to be assessed regularly considering business performance, earnings outlook, sustainability, yield and payout ratio</li> </ul>	<ul style="list-style-type: none"> <li>✓ 3.5 cps interim dividend</li> <li>✓ 7.0 cps baseline, fully franked</li> </ul>	<ul style="list-style-type: none"> <li>✓ 4.5 cps interim dividend</li> <li>✓ 9.0 cps baseline, fully franked</li> </ul>
<b>Reserve funds for anticipated growth opportunities</b>	<ul style="list-style-type: none"> <li>✓ Program of investment in growth FY2018 and FY2019</li> </ul>	<ul style="list-style-type: none"> <li>✓ \$40m capital reserved for investment</li> </ul>	<ul style="list-style-type: none"> <li>✓ \$60m capital reserved for investment</li> </ul>
<b>Distribute surplus funds</b>	<ul style="list-style-type: none"> <li>✓ Determine most efficient distribution mechanism e.g. special dividend, buyback, subject to circumstances at the time</li> </ul>	<ul style="list-style-type: none"> <li>✓ Share repurchase program of up to \$20m</li> </ul>	<ul style="list-style-type: none"> <li>✓ Continuation of share repurchase program - up to \$15m</li> <li>✓ Special dividend of 3cps, fully franked - with additional special dividend to be considered in 12 months</li> </ul>

1. ANZ facility extended to July 2022 and limit increased by \$20m to a maximum limit of \$320m. Liberty facility increased by \$50m to \$300m and tenor extended until July 2021.

# Operational performance

# Electricity retailing Australia

ANNUAL SALES AUS (TWh)



FORWARD CONTRACT LOAD (TWh)

As at	Following FY	Following FY Contracted Load	Actual/Expected FY Total Sold Load	Growth
Dec 15	FY2017	13.4	18.5	5.1
Dec 16	FY2018	12.4	19.2	6.8
Dec 17	FY2019	13.0	18.0	5.0
Dec 18	FY2020	13.8		

## Outlook

- ✓ Strong forward book offsetting loss of two large, low margin customers
- ✓ C&I small site division rebounding strongly with 25,247 sites under contract
- ✓ STEP customer numbers continue to grow impressively with pipeline of additional product features to enhance experience and breadth of use

## Customer satisfaction

- ✓ ERM Power has won the UMI<sup>1</sup> customer satisfaction survey for the 8th year running with 88% of customers satisfied or very satisfied
- ✓ Increased margin over nearest competitor from 22% to 30%

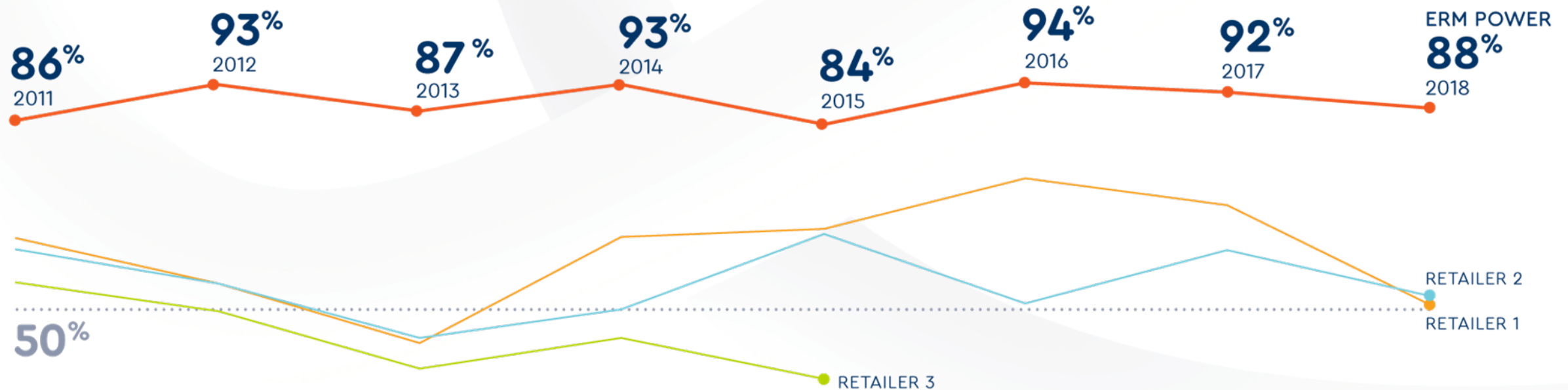
1. The customer satisfaction award refers to the Utility Market Intelligence (UMI) survey between 2011 and 2018 of large customers of major electricity retailers in Australia by independent research company NTF Group.

# Consistent and leading customer satisfaction

Customer satisfaction performance over 8 years

erm  
POWER

**30** Percentage points  
**HIGHER SATISFACTION RATING**  
**OVER NEXT BEST PERFORMING RETAILER IN 2018**

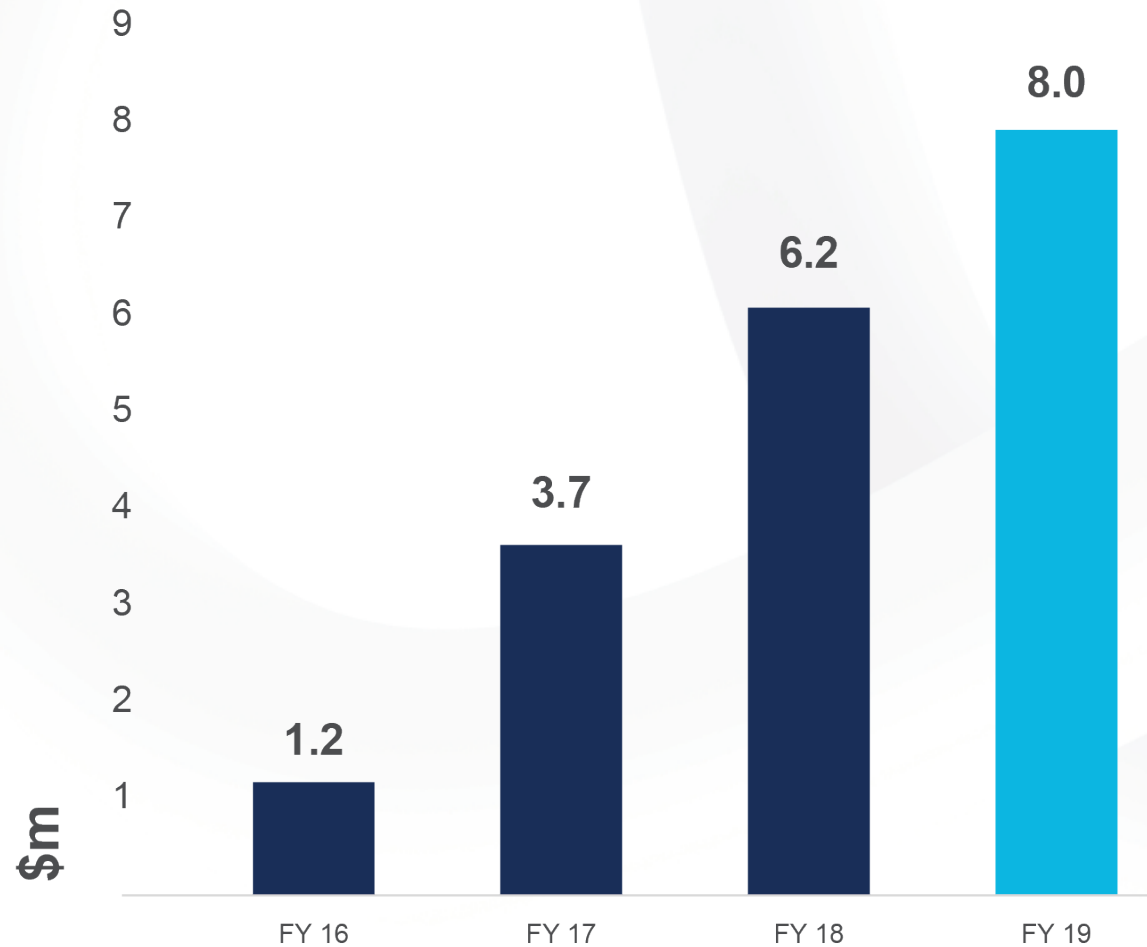


Utility Market Intelligence (UMI) Survey, 2018

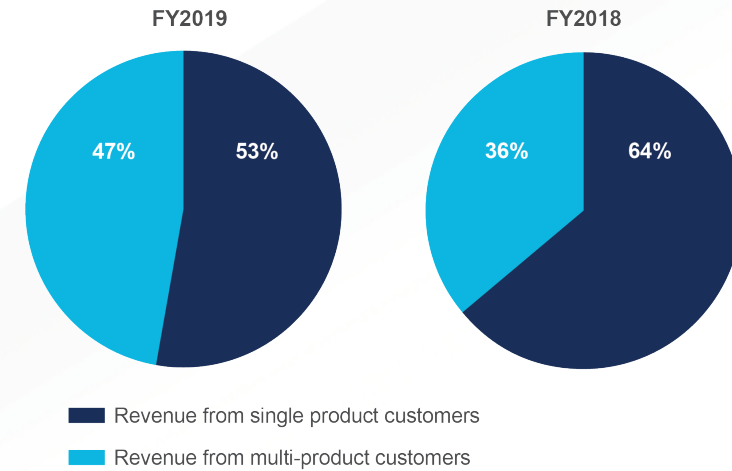


# Energy Solutions

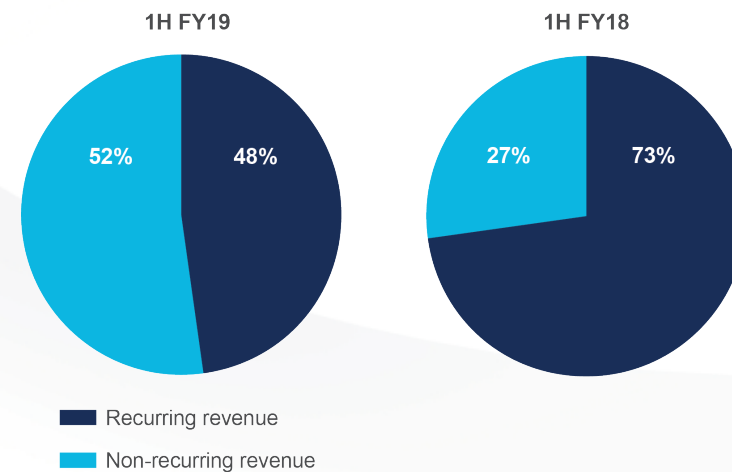
## FULL YEAR RECURRING REVENUES



## REVENUE FROM MULTI-PRODUCT DEALS

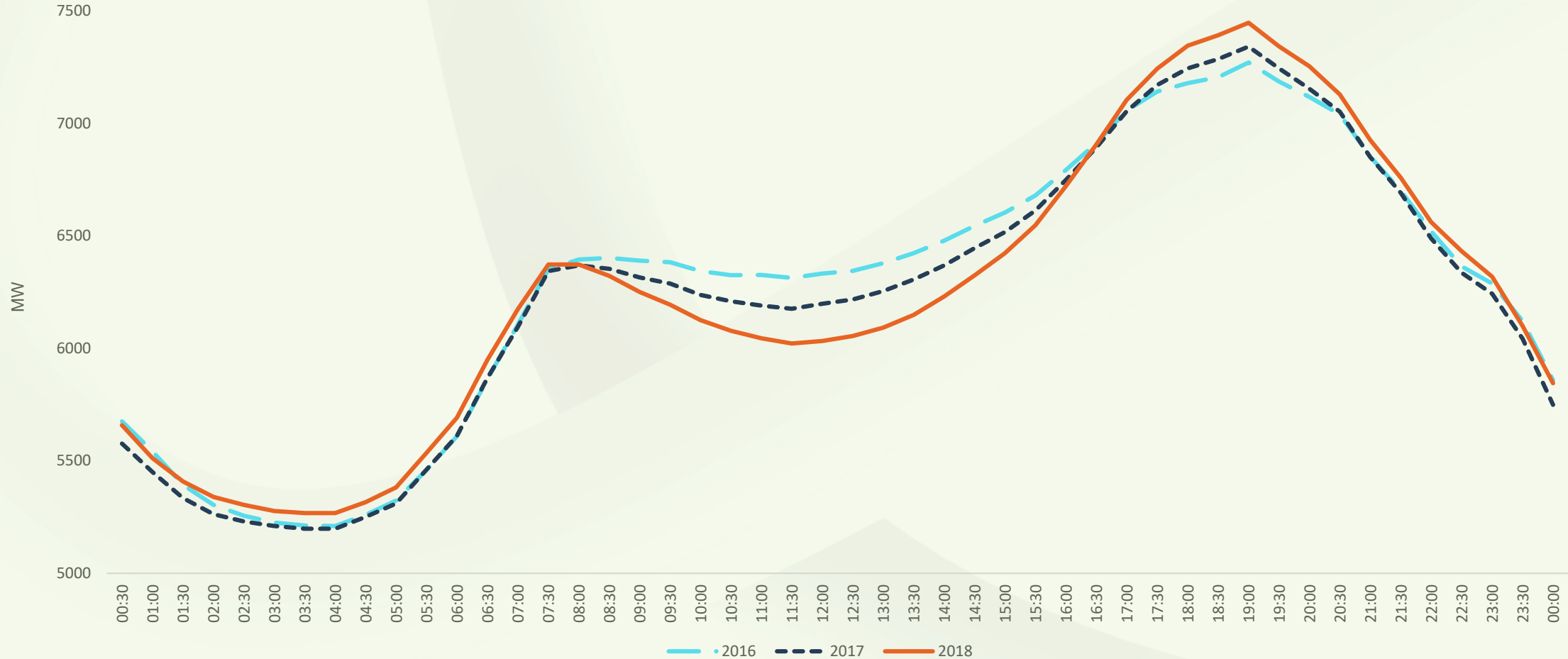


## PORTION OF TOTAL REVENUE FROM RECURRING SOURCES



# Generation

## QUEENSLAND ELECTRICITY DEMAND



**ERM's peaking power stations are well placed to:**

- ✓ take advantage of changing market dynamics; and
- ✓ provide firm capacity and are operationally and commercially flexible

# Outlook

# FY2019 outlook

		FY2019 Outlook 23 August 2018	FY2019 Outlook 21 February 2019	Progress from August 2018 Outlook
<b>Australia Retail</b>	<b>Sales volume</b>	~19TWh	~18TWh	✗ outlook revised
	<b>Gross margin</b>	~\$4.75 <sup>1</sup> /MWh	~\$5.10 <sup>1</sup> /MWh	✓ on track
	<b>Opex</b>	~\$22m	~\$22m	✓ on track
	<b>LGC strategy</b>	\$35m-\$45m FY2019/2020	~\$16m NPAT FY2019	✓ on track
<b>Generation</b>	<b>Oakey EBITDAF<sup>2</sup></b>	\$14-\$16m	\$14-\$16m	✓ on track
	<b>Neerabup EBITDAF<sup>2</sup></b>	~\$26m	~\$26m	✓ on track
<b>Energy Solutions</b>	<b>Revenue</b> - Excl Out Performers - Incl Out Performers	~+50% on FY2018	~+50% on FY2018	✗ at risk ✓ on track
	<b>EBITDAF</b> - Excl Out Performers - Incl Out Performers	~(\$2.5)m	~(\$2.5)m	✗ at risk ✓ on track
<b>Corporate and Capital expenditure</b>	<b>Corporate EBITDAF</b>	~(\$16)m	~(\$17)m	✓ on track
	<b>Capital Expenditure</b>	N/A	~(\$21)m	

- Medium-term gross margin outlook increased by \$0.50 to \$4.50-\$6.00/MWh (FY2020-2021)
- LGC Strategy ~\$21m NPAT FY2020

1. Gross margin excludes the impact from LGC strategy

2. FY2019 outlook includes \$1.6m generation overhead expenditure

# Q & A

# Half year 2019 highlights

- Divestment of US business, Source Power & Gas, completed on 31 December 2018 with proceeds received of A\$37.2m
- Acquisition of Out Performers completed on 28 September 2018 in line with the strategy to deploy capital to expand Energy Solutions business and build long-term shareholder value. Outperformers is performing well
- ERM Power has won the UMI<sup>1</sup> customer satisfaction survey for the 8th year running with 88% of customers satisfied or very satisfied
- Strong forward book in our Electricity Retail operation which increased by 3% to 29.9TWh at 31 December 2018
- Net cash position at 31 December (excluding Neerabup project financing) of \$245.8m (an increase of \$181.6m)
- The LGC strategy is expected to deliver ~\$37m NPAT across FY2019 & FY2020 with around \$16m in FY2019 and the remainder in FY2020 (not included in gross margin outlook)
- Ordinary dividend annual base level reset from 7c (fully franked) to 9c (fully franked) for FY19 subject to continued market environment
- Capital reserved for organic and inorganic growth increased to \$60m (from \$40m in February 2018)
- On market share buyback continuing up to \$15m
- Special dividend of 3cps fully franked payable in April 2019 and expectation that a similar special dividend may be considered in the next 12 months

1. The customer satisfaction award refers to the Utility Market Intelligence (UMI) survey between 2011 and 2018 of large customers of major electricity retailers in Australia by independent research company NTF Group.



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