



ASX Announcement

8 November 2019

ANNUAL GENERAL MEETING CHAIR'S ADDRESS AND MANAGING DIRECTOR'S PRESENTATION

In accordance with ASX Listing Rule 3.13, please find attached the following documents which will be presented at the Annual General Meeting of ERM Power Limited (ASX:EPW) which commences at the later of (1) 11:30 am (Brisbane time) and (2) the conclusion of the Scheme Meeting of the Company on Friday, 8 November 2019 at Brisbane Marriott Hotel, Grand Ballroom, 515 Queen Street, Brisbane QLD 4000.

Annexure 1: Chair's Address

Annexure 2: Managing Director and CEO's Presentation

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About ERM Power Limited (ASX: EPW) ("ERM Power")

ERM Power is an Australian energy business for business. ERM Power provides large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fuelled ERM Power's growth, and today the Company is the second largest electricity provider to commercial businesses and industrials in Australia by load.¹ ERM Power also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry's transition to renewables.

<https://ermpower.com.au/>

¹ Based on ERM Power analysis of latest published information.



FRIDAY 8 NOVEMBER 2019

CHAIR'S ADDRESS ANNUAL GENERAL MEETING

INTRODUCTION

ERM Power performed well in FY2019. The Company delivered on its stated strategy to meet the growing supply and demand needs of business energy consumers in an increasingly dynamic market.

All parts of the business performed in line with expectations. Strategic acquisitions delivered further capability and market reach for our growing Energy Solutions business. The Company is positioned strongly for FY2020 and the outlook is favourable.

FINANCIAL PERFORMANCE

Underlying Net Profit After Tax was \$25.9m¹ relative to \$30.2m in FY2018. An additional \$16.1 million of Net Profit After Tax was realised through the 2017 large scale green certificate strategy, which allowed the business to support two large renewable generation projects.

Earnings (EBITDAF²) were at \$90.5m relative to \$97.5m in FY2018 primarily due to lower earnings from Oakey Power Station and higher corporate costs related to IT and infrastructure to support growth.

The sale of the US business, Source Power & Gas, was completed allowing a focus on value creation in our Australian business. The growth and potential of our Energy Solutions business was underpinned by the acquisition of Out Performers in September 2018 and investment in Alliance Automation in July 2019. Both add substantially to the capability of our business across the energy procurement and productivity value chain.

In FY2019 electricity sales load was at 17.7TWh. Pleasingly forward contracted load at 30 June 2019 was the highest on record at 32.2TWh. The full-year gross margin was at the higher end of expectations at \$5.16/MWh. In Retail, we've driven growth in forward sales load and gross margin demonstrating the value and strength of this franchise with its exceptional customer service, satisfaction and preference.

In the Generation business, Neerabup Power Station performed strongly, primarily off the back of merchant opportunities. Oakey Power Station, which underperformed relative to FY2018 due to benign market conditions, will benefit from the increasing penetration of renewable generation and resulting wholesale price volatility. The power stations delivered outstanding availability and overall performance, while maintaining excellent safety records.

Energy Solutions recorded revenue of \$23.7 million and increased gross margin as we continued to invest in the growth of our energy productivity business. Energy Solutions is on track to make material contributions in the medium term and achieve breakeven at the NPAT level in FY2020.

¹ Continuing operations.

² Continuing operations. 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. EBITDAF excludes any profit or loss from associates.

INDUSTRY AND POLICY ENVIRONMENT

Our success throughout the year was achieved in the face of a volatile and transforming energy market, policy uncertainty and political rhetoric that further added to customer confusion and frustration. Our advocacy for commercial and industrial (C&I) customers, and ultimately all C&I energy users, has been core to our success.

Our business model has always placed customers at the centre of what we do. We help our customers to better navigate and manage through their energy supply side and demand side challenges.

On the supply side of the equation we work with businesses to manage wholesale market volatility through their retail contract. On the demand side of the equation we work with our customers to improve their energy productivity. We're motivated to help customers with their energy efficiency, demand management and renewable generation to drive energy productivity because customers want it and it is the future. We are offering solutions that harness smart data and analytics to give businesses meaningful ways of driving down consumption for cost and environmental benefits.

OUTLOOK

We are in the fortunate position of being able to outlook good profit growth over the next two years. We see continued growth in our C&I segment with sales volumes ahead of FY2019 levels and value being realised in our gas-fired peaking assets as they support the transition to renewables.

DIVIDENDS

A fully franked final dividend of 4.5 cents per share for FY2019 was declared on 22 August 2019. An interim dividend of 4.5 cents per share was paid, in addition to the fully franked special dividend of 3 cents per share paid on 17 April 2019.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank ERM Power's staff and management team for their continued commitment and focus on delivering for commercial and industrial customers. This strong and engaged team is the foundation of our success. To my fellow directors, your support and commitment to the business are greatly appreciated. A special thanks to Tony Bellas who served as Chair for seven years until his retirement from our Board in February 2019, as well as Albert Goller, who retires from the Board at this AGM, for his service and contribution over many years.

I'd also like to thank our shareholders for their support during a dynamic period in the industry's transition and indeed, throughout ERM Power's evolution. To our customers, thank you for supporting ERM, and inspiring and challenging the team to do more for your business.

As this is likely to be our last AGM, I reflect on the great success of ERM Power which has led to the acquisition proposal by Shell Energy Australia. Shell's proposal is testament to the hard work and commitment of this talented group of people led by CEO and MD Jon Stretch. His strong and unwavering leadership over ERM Power's strategy, execution, people and performance has been instrumental in the development of this Company over the past five years.

I'm enormously proud of all that has been achieved and I wish the ERM Power team every success in the years ahead.

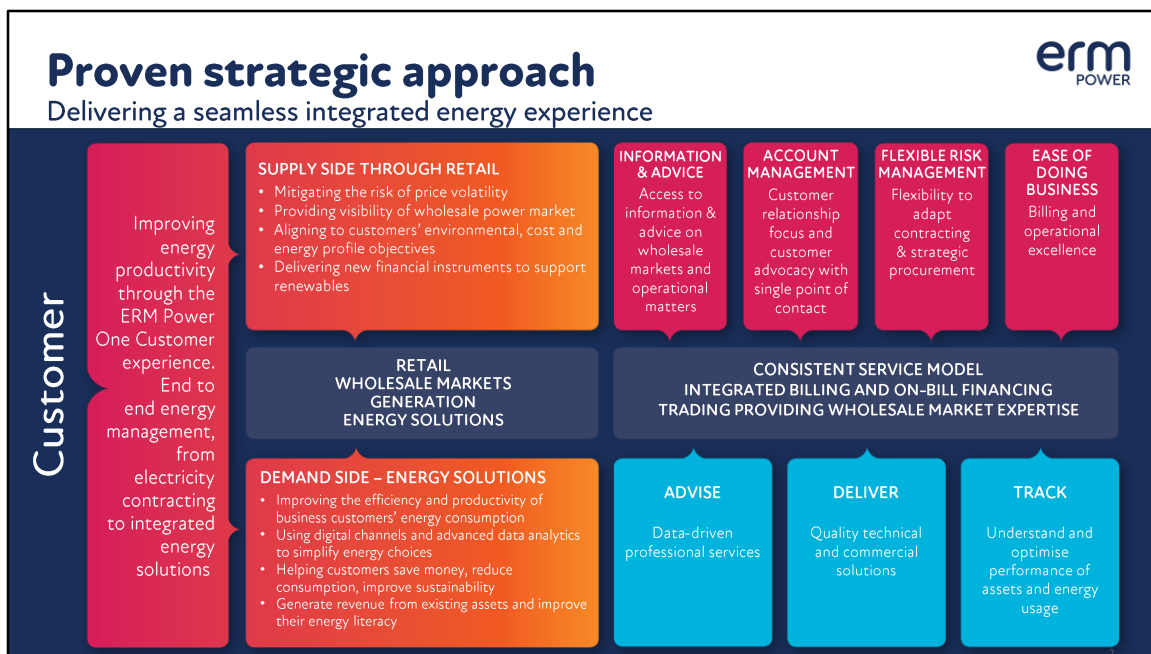
Julianne Alroe
Chair, ERM Power



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Jon Stretch
Managing Director and CEO's Presentation



Thanks Julieanne.

I'd like to start by taking you through our strategy. This has underpinned our performance and position as a leading, reliable and reputable Commercial & Industrial retailer in the Australian electricity market.

Our strategy is all about helping businesses take control of their energy consumption and cost and optimising their energy productivity. We're building out that proposition across supply and demand from energy contracting and procurement, through to energy advisory, program delivery and tracking for a broader C&I market.

The energy market has been plagued by policy inaction and missteps.

The National Energy Guarantee went from hero to zero and that void has been filled with a range of populist, short-term and non-integrated approaches, which can't really be called national and enduring policy.

Regulated pricing, payment for new generation, and big stick legislation were all born out of need but implemented in an interventionist way that actively discourages investment of the scale and scope required.

Fast forward to today and things just get worse. Industry, regulators and state and federal politicians are arguing simplistic points via social media and the popular press on matters of national importance. We have seen a range of market changes come to life in a rushed, isolated and expensive way. These include the move to a 5-minute market; generation and transmission reviews; the demand response mechanism; and the reliability obligation. Each with a suspect business case, and little thought for the interaction between the interventions.....let alone the unintended consequences.

This really just accelerates what large energy consumers have been feeling over the past 3 or 4 years. You can't rely on sensible policy to deliver competitive price and acceptable reliability. Business energy users need to take control – they need to invest in their energy efficiency and productivity, just as any business would do in order to manage any volatile commodity in their supply chain. Our strategy and business model deliver to that need.

What sets us apart

Positive culture underpinning financial performance & outperforming competitors

erm
POWER



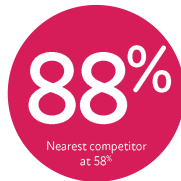
An engaged & empowered¹
team of employees



Proud to work at ERM and above
global high-performing norms



No.1 in customer
satisfaction²



Industry leading
customer satisfaction



No.1 in broker
satisfaction³



Industry leading energy
broker satisfaction



Net promoter score²
Well above competitors



Industry leading
customer preference

1 Hay Employee Survey Feb 2019
2 Utility Market Intelligence (UMI) Survey, Feb 2019
3 Markets and Communication Research (MCR), Feb 2018

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Our world-class employee engagement helps us solve customers' problems much faster than our competitors.

This drives world-class customer and broker satisfaction which sees customers stay longer with ERM Power and recommend us to others. This has been the secret of our success for a long time, and will continue to differentiate us in the market.

Sustainability is not just a policy

It's our DNA



ERM Power is helping build a more sustainable energy market and environment by:

- Owning and operating gas-fired power generation which supports the transition to intermittent, renewable generation. ERM Power does not own or operate coal-fired generation;
- Helping cut emissions through energy management solutions that reduce the electricity used by commercial and industrial customers;
- Supporting the development of renewables infrastructure through offtake agreements;
- Creating new renewables financial instruments; and
- Harnessing the passion of its people for a more sustainable future

ERM Power believes:

That climate change is **REAL**.
In the **SCIENCE** behind climate change.
That climate and energy are
inextricably **LINKED**.
That **RENEWABLES** are the future.
That ERM Power can
PUNCH ABOVE ITS WEIGHT
in helping Australia cut emissions.
The quickest and cheapest way to
CUT EMISSIONS is to use less energy.

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As a diversified energy company, we recognise the potential for our business to both burden and protect the natural environment. This influences how we run our business, as well as the products and services we offer to our customers.

We are technology agnostic and have a public position of supporting efforts to develop the electricity market to deal with the three imperatives of reliability, affordability and emissions reduction.

Our business model is aligned to supporting the largest energy users in the country to improve energy productivity, lower their emissions and meet climate change challenges.

Full year summary



Gross Margin /MWh

\$5.16

FY2018 \$4.90 /MWh

Underlying EBITDAF

\$90.5m

FY2018 \$97.5m

Underlying NPAT

\$26m

FY2018 \$30.2m

LGC Strategy NPAT

\$16.1m

Additional to NPAT

Declared 2H FY2019 Dividend

4.5cps

4cps fully franked 2H FY2018
12cps fully franked dividends for FY2019
 7.5cps fully franked dividends for FY2018

Additional Highlights

- ✓ Additional \$16.1 million NPAT delivered as part of the Large-scale Generation Certificate (LGC) strategy
- ✓ Electricity sales of 17.7TWh. Forward sales increased by 11% from 28.9TWh at 30 June 2018 to 32.2TWh at 30 June 2019 - highest ever forward contract load
- ✓ Electricity gross margin up \$0.26/MWh on FY2018 to \$5.16/MWh for FY2019
- ✓ Reported Statutory NPAT of \$123.1m
- ✓ Fully franked 2H ordinary dividend of 4.5cps was declared in addition to 4.5cps 1H ordinary dividend and 3cps special dividend paid in April 2019
- ✓ Divestment of US business, Source Power & Gas, completed with sale proceeds of A\$34.9m received
- ✓ Acquisition of Out Performers in September 2018 and 50% acquisition of Alliance Automation in July 2019, in line with the strategy to deploy capital to expand the Energy Solutions business

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Turning now to how our strategy has driven financial performance.

ERM Power performed well in FY19, delivering on our strategy to meet the growing supply and demand needs of commercial and industrial energy consumers in an increasingly complex market.

Earnings were at \$90.5m EBITDAF relative to \$97.5m in FY18. This was primarily due to lower earnings from Oakey Power Station compared to the prior year, and higher corporate costs associated with investment in IT and infrastructure to support new energy productivity platforms and an expanded proposition for customers.

Underlying Net Profit After Tax was \$26m, not including the proceeds of the LGC strategy that delivered an additional \$16.1m of NPAT in FY19.

The Board declared a final fully franked dividend of 4.5 cents per share, which was paid on 9 September, in line with the capital management plan. This brings the total declared dividend for the financial year to 12 cents per share fully franked.

The sale of the US business Source Power & Gas was completed, allowing a focus on value creation in our Australian business.

FY2020 outlook



		Actual FY2019	Outlook FY2020
Retail	Sales volume	17.7TWh	~18.5TWh
	Gross margin ¹	\$5.16/MWh	~\$5.00/MWh
	Opex	\$20.5m	~\$22m
	LGC strategy (NPAT)	\$16.1m	~\$21m
Generation	Oakey EBITDAF ²	\$15.2m	\$14-\$16m
	Neerabup EBITDAF ²	\$27.1m	~\$26m
Energy Solutions	NPAT	(\$5.5)m	Breakeven
Corporate & Capital expenditure	Corporate EBITDAF	(\$17.7)m	~(\$18)m
	Capital Expenditure	\$19.5m	~\$24m

Medium-term gross margin outlook increased by \$0.50 to \$4.50-\$6.00/MWh (FY2020-2022)

1. Gross margin excludes the impact from LGC strategy
2. FY2020 outlook includes \$17m generation overhead expenditure

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Looking forward to FY20, we are a third of the way through the financial year and are reaffirming the outlook we gave in August.

We expect sales volumes in our Retail business to be ahead of FY19, at about 18.5TWh.

The mid-case electricity retail gross margin of \$5.00/MWh is in line with the range previously provided of \$4.50-\$6.00/MWh. OPEX is forecast to be around \$22m in line with previous years' outlook.

We anticipate that the Large-Scale Generation Certificates (LGC) strategy will deliver further NPAT of ~\$21m in FY20, in line with the previous outlook. This is not included in the outlook for gross margin.

Our expectation is that generation earnings will be in line with FY19 for both Oakey and Neerabup.

Energy Solutions is expected to reach NPAT breakeven as per our previous outlook.

Corporate costs are expected to remain steady at around \$18m. Capex will increase to around \$24m due to investment in digital solutions to support the growth of our Energy Solutions business and other upgrade projects.

We are in the fortunate position to be outlook good profit growth in the coming years.

Our strategy and performance have been such that a company of the calibre of Shell has made an attractive offer to acquire the business. This is testament to the hard work and quality of talent at ERM Power.

Pending the court approval on November 12, ERM Power will de-list and become part of the Shell organisation.

I'm enormously proud of what we've achieved. I can look back on my time at ERM Power with real satisfaction.

I would like to thank Directors past and present for their support and commitment to the success of ERM Power, and in particular, Tony Bellas and more recently Julianne Alroe for their chairmanship. The relationship between a Chairman and a Managing Director is a unique and important one in the business world relying on a combination of trust and scepticism, and when it works well it is a delight to operate within.

I would also like to single out our company founder, founding chairman of the listed company and former non-executive director Trevor St Baker. Trevor is a doyen of the industry and a tireless advocate for the need for Australian business to have access to cheap and reliable energy in order to compete effectively on the global stage. Trevor's passion for the success of this business that he founded has never been in question. I have sometimes not agreed with the advice that has come my way from Trevor, but I have always appreciated the respect he has paid me in my role and trust he feels the same way.

Finally, and most importantly, I want to recognise the Executive team of ERM Power, and all employees past and present. ERM Power's journey from start-up retailer to number two in commercial and industrial and a leading energy solutions provider could not have been achieved without the hard work and dedication of a fantastic team. The acquisition by Shell recognises and values those achievements. Indeed, the combination of the Shell strategy, brand and capital along with ERM Power's people, process and technology points to an exciting future for our customers and employees..... a combination which I am sure will make our competitors very nervous.

I know the team and this business will go from strength to strength and I wish you all the best for the future.

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.

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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.

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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 and joint ventures.
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 and joint ventures.
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.

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