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PRESENTATION

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Good morning everyone. My name is Pat McCullough. I'm the Chief Executive Officer of Just Energy and delighted to have you with us this morning. Thank you for attending. Appreciate the interest.

Want to acknowledge a few folks first before we get started. First of all, the sell-side, the research analysts have definitely followed us to New York from places like Canada or a few in Manhattan, so thank you for coming. I think Nelson wins the award for the longest trip. Thank you for that, Nelson.

Want to thank and appreciate our shareholders, both in attendance and via the webcast. I know these have been tough times for the equity values, but appreciate your commitment to this cause and what we're doing. We think you're going to be real happy with what you hear today and what's happening going forward, but thank you for the interest and for that time. Want to thank partners that helped us today set up the trade show booths. We've got a lot to show you with product content and where this business is going and really appreciate the partners that showed up today and help us tell that story.

And then lastly the team, I'm very excited to present our team to you today, both in the trade show booth. These are the guys that make it go on the ground every day, but also our leadership team which we're going to introduce to you today. Why are we here? Why are we doing an Investor Day? First reason is [Demeer] told my board I should do it about 2 quarters ago, so we hopped right on that. But we haven't done an Investor Day in years, so it really was due. We needed to get our story more fully told, which you can do in a forum like this where we spend hours talking about the details of what we're up to, why we're doing it.

We obviously have a new leadership team, so effective April new leaders have taken the business over. We are approaching this business differently with the same end goal and the same strategy and we'll talk a lot about that today, you'll definitely hear what that's about. And then if you're paying attention to the news, there's been a couple of announcements this week that are timely to talk about with you and I'll just briefly give you an overview of the 2 things I'm referring to.

We announced the purchase of a water filtration company a couple of days ago. We're really excited about that. Our interest in that space really stemmed from our customers telling us health and wellbeing products and water filtration specifically was in the top couple of things they'd like to see in the future smart connected home ideas they have for themselves.

So one of the themes you're going to hear today and I want you to focus on is our customers -- our customers are telling us what to do. We're not so smart that we think we can tell our customers what they want, we're actually listening to our customers and our customers are saying we'll pay



compelling incremental premium value for health and wellbeing products with 85% margins, stickier longer term lifecycles that has the churn of our traditional business. Second thing we announced late last night, so some folks may not have even seen it yet, we announced a refinancing, a \$250 million U.S. credit facility subordinated to our first lien credit facility. This gives us the capital to refinance our Eurobond and grow organically and inorganically.

I'm excited to talk to you about those things today. We will -- we will move on in the agenda and make sure that you see the details on those as we go forward. Little bit of housekeeping; we're going to start with me talking a bit about the strategic vision for approximately 20 minutes, and then we're going to take a break, both on the webcast and in person and ask the folks in attendance to interact with the trade booth and call it a formal trade show. We'd like you to talk to our team, see some of the products and value we're creating and get an intimate understanding as we're talking about the strategy, what does it actually look like, what does the customer see and feel and why does this work for a customer or not work for a customer.

On the webcast, you're going to see a running video for about an hour's time. So when we break here, roughly 60 minutes later, the formal presentations will kick back up again and the team will take you through the various bits of the strategy. We'll return to our seats for the in-person crew and get back to the formal presentation. We will have a formal Q&A at the end, so we'll have the 6 presenters on stage, you can ask us whatever is on your mind and happy to take any and all questions.

And then couple of other housekeeping things for you to be aware of. Number one, we do have gift packs for the people present. They include carbon-offset product from TerraPass. I encourage you to take a look at that, understand how that works, but also an [Energy Earth] gift which we appreciate our partners from Energy Earth providing. So you can get a feel logging into our loyalty rewards site and actually see what the customer experience looks like. So I'd highly recommend you take advantage of those. And then lastly we have our safe harbor notice in the back of the deck for everybody's attention.

Okay. So we've got 6 gentlemen presenting to you today. This is not a great reflection of our overall team given we're about 50-50 men and women, but we had to get the right message to you today and the male portion of our leadership team is in front of you. Going to introduce a couple of people here. I suppose just a wave in the room so you can put a face with a picture up here.

James Pickren, our Chief Operating Officer. James is going to talk to you about product expansion, operational execution and some of the strategy around how we're going to grow. Dan MacDonald, CEO of [Home Water] or Filter Group, the acquisition we announced recently this week. Dan is going to talk specifically about that business and what that business means to Just Energy. Morgan Smith, Morgan is Chief Sales Officer. He's going to talk to you about the channel plans, but also how we're cracking the code with our customers and doing more there. Amir Andani, our Chief Risk Officer, is going to talk you about risk management and how we hedge the core part of the business. And then Jim Brown, our Chief Financial Officer, is going to talk to you about the financial implications of what we're doing.

I'm excited about what we're presenting today because I really believe this platform is something that's special, something that can be leveraged. We have millions of customers. We've done core commodity business with them which is not a high engagement or an empowered product or service. Okay, this platform can be leveraged to bring more products and services that do empower the customer, that do create greater engagement. That makes me very excited.

I'm very excited about the team that's taken over. The commitment to delivering excellence and taking this business to a new place with superior financial results is evident, it's already happening. We're seeing in real pricing, we're seeing in real sales, and it's there in front of us and we'll talk more about that in just a second.

But the focus from our team, the executive team, is really on performance and results and it's at a level which I've not seen in our company in the 4 years I've been here, but also at a level where I think we're going to (inaudible) real quickly as these results start to show up in the bottom line. And this is the right time to talk to us. Okay, we don't see a profit or a cash flow issue in our future. We see a dividend that we can support. We see [EV] that's about to be created. We cannot for the life of us understand why our future profit metric and better gross margin, which I'm about to tell you we revised up, is peaking an all-time high and the market caps an all-time low. But I do know that relationship can't stay that way for very long. So that's what we're focused on and frankly we're very excited about.



Okay, a little bit of the core messaging that you're going to hear today. Number 1, strong core business which is getting stronger, okay? You'd hear a lot about our focus and attention to that book and I'm talking about the classic electricity and gas book. Number 2, amazing opportunities to grow. Products, channels, geography, that's 3-dimensional growth on the top line and the bottom line. If you're expanding channels and expanding products within those channels and expanding the geographies, you take those 2, you're actually taking a 3-dimensional effect to your revenue and your bottom line.

That's very compelling to me, that gets exciting because when that traction hits an inflection point, it's going to go fast. It's not going to go slow despite the fact that we have multi-year customers and a multi-year book. The financial goals and the expectations of what happens are going to be presented to you at the end in generic fashion, but we're going to talk more about, okay, what does this mean specifically to value-added products versus the core. What does this mean to water filtration expectations versus commodity, we'll give you a real feel for those financial expectations.

Here's how we're thinking about our business. This is a different cut than the classic way we reported, and this is the cut of the business that you're going to see us migrate to while still respecting things like the consumer segment versus the commercial segment. And we're talking about 3 areas here and I'm going to describe them very quickly; essential needs, that is the classic electricity and natural gas commodity. We have that at the top. We have that larger because we believe that is the core. That is the profit and the cash flow engine that makes everything else go.

So you can't aspire to do more for your customer unless you respect what your customer already has and likes and trusts you with. This is honestly our impetus, our focus. This is the thing that we're never going to take our eye off the ball on, no matter what new thing we're trying to bring to the market, that still stays secondary until it's the core profit and cash machine.

If you move down to the bottom right, you see utility conservation. That is a general description of green and energy efficiency or conservation products. Think water conservation if you're thinking about the application into water. This is an area that we do address today quite well; 40% of our incoming residential customers take a green upgrade. We sold 4,500 Ecobees last month. That's 54,000 unit rate on the annual basis just by our call center talking to our existing customers in that first bucket essential needs. And then lastly, and the new space that we're thinking about is health and wellbeing. So water filtration, how do you have peace of mind at home, how do you keep your families safe from toxins or carcinogenic material in your water because it's in your city water right now.

Why are we cutting the business differently? Because this is how the customers think. They think about electricity as I need it because I've got to run my devices, I've got to charge my devices, okay? Why do they think about utility conservation differently? Because it is. There may be a noble cause where they want to green up their footprint or there may be a noble cause and/or a savings agenda which is why they prefer conservation.

Health and wellbeing is a totally different animal. This is customer saying I'm not price let's say obsessed. I'm not worried about the bill, I'm more worried about my health and wellbeing and I'm willing to pay a premium to get at that. So totally different customer experience as it comes to business models and making money. You're going to hear more about that today. I won't steal the thunder, but the thought process that a customer takes to health and wellbeing is unlike the thought process the customer takes to the rest of the business that we classically operate in.

Okay. A little bit on the first customer segment we're talking about, essential needs, okay? This is the core book that is strong and growing. We reported embedded gross margin at \$1.97 billion last quarter, okay? We're announcing today it's actually growing to \$2.2 billion in September. It's growing for 2 main reasons. Let me refresh everyone's memory on what embedded gross margin is. It's a depiction of the forward gross margin or the forward profit on our existing book with no growth, okay? It's a calculation that was agreed to between Just Energy and its wholesale suppliers, so it's a not perfect calculation as we think about valuing companies, but it certainly gives you an indication.

And in our case, we're taking the existing book, we're lowering the book for churn, okay? So think attrition and fail to renew and we're running it out 5 years and we're cutting it to a 0, okay? Why do we cut it to 0 in 5 years? Because we trade in 5-year windows with our wholesale supply classically. So they cared about the collateral value of our contracts, that's why this non-GAAP measure was created, that's why we put it out to the market in the way we did.



Now let me talk about what's changing and why we're announcing a higher number. Number one we bought a water filtration company. There's a little bit over \$30 million in this calculation the way our supplier methodology works. The reality is Dan and I will tell you it's \$70 million to \$75 million of true embedded gross margin because you only have 15% churn per year. At the end of 5 years, you have a lot of customers were in our commodity business with 2x the rate of churn, 28% if you take attrition and fail to renew together, you're left with a lot less customers at the end of 5 years.

So while we're going to be working within the construct that we've agreed with our creditors when we report, it's very important to start to pull this thing apart now and understand that water filters, health and wellbeing, different type of product, different type of customer lifecycle than anything we've sold before. That's one reason this came up.

The second and most important reason is our company has not tried to raise price and expand margin on the residential book in 5 years, okay? Why did we not raise price or take advantage of pricing power that we may or may not have had? Number one, we had declining energy prices, okay? So you had a lot of small mom-and-pop startups in retail energy popping up lowering price. Number 2 you worry about customer complaints if you push your customer too far.

The problem we have as a company is we let the market raise price for 5 years and we stayed out of that business thinking we were doing the right thing by our customers. Now the reality is we were delivering differentiated value that was compelling and our customers are telling us that you mean more to me than any other energy provider. Why is that? Because we deliver a loyalty rewards program which you're going to experience and find that very compelling, the amount of loyalty rewards we deliver is better than the airlines and the hotel programs. And we can talk more about that in the Q&A if you want to hear more.

Number 2, with the brand promise out there that we treat customers better than our competition, and it's being proved out by the awards we're winning as most trusted brand in Texas which we won again with the brand this year, these are the type of things that actually give us pricing power and should give us confidence that our customers don't see it as an invisible price-based product anymore. They see us as more than that on the commodity bit of the business.

How do I know what I'm telling you is true? Because we raised the price 4x on our book in the last 2 quarters and we have not seen attrition change, okay? So the big risk here if you sold a pure commodity product is that you push prices up, your customers are going to leave you. I'm telling you that's true if you only sell a price-based invisible product. And we've done everything in our power in the last 2.5 years to not sell a price-based invisible product, okay?

I can tell you empirically now 2 quarters into raising price, we're going to sustain the margin created by these price increases. We may even take a new price increase. We're selling at record levels. 2 weeks ago we sold 10,000 contracts to residential customers in our southern region which is Texas primarily, but also a little bit Georgia gas and California gas.

We're selling record levels at a higher price. What does that tell you? We might still have more pricing power out there. So the point here is we want to make sure that we understand the value that is perceived and understood by our customer and that we're leveraging that, we think we're doing that now. The net effect of these price increases though, I'll give you a couple of quick facts and anecdotes because you care.

We've raised our variable month-to-month pricing by over 60%, okay? The last increase was in August. So you haven't seen the net effect of this in our books and our reporting yet. We raised our gross margins on new fixed contracts and renewing fixed contracts by between 25% and 40%. You haven't seen the effect of that yet because as customers renew, it happens every day, you're getting a little piece and on an average 3-year book, it's going to take 3 years to complete that cycle unless you can lure your customer out to renew earlier, but we're doing that, and it's having an effect and it's moving the needle.

So we're happy to say all-time record embedded gross margin \$2.2 billion, up over 12% from the \$1.97 billion we just reported 2 months ago because of pricing actions we've taken in the last 2 months and in the prior quarter. That is an interesting fact as we think about the valuation of the company today which is tracking an all-time low.



Sales, first quarter we are now 80% gross add increase in residential and commercial year-on-year. It's a huge number. Why is that happening? Because the decline in door-to-door which we're leading and the addition of retail and digital enhancements and the new channels that Morgan's going to talk to you about are happening. They're getting traction now. We announced in Q1, retail is our largest residential channel. That's not a push marketing intrude on your customer channel like our industry was doing 5 to 10 years ago. This is a channel where people are in the shopping mode, people see our booths like you see right out here and they're comfortable engaging with us.

Little bit more about pricing and then the approach to managing the business model because I really think this is the key to where the short-term enhancement of results are going to come from. Pricing, if you could hold a 6% price increase to drop through your cost on the entire book, you double the bottom line in the company, okay? \$200 million plus of EBITDA is \$400 million. Only takes 6%.

I can tell you based on the number that is throughout, we're taking prices up more than that. How much of that can we hold? When does the elasticity curve hit and we realize we're dealing with churn and how far do we step back? These are unanswered questions. But I'll tell you what our leaderships team -- leadership team goal here is to ensure that that value is perceived in a way where we can grow the price and double the bottom line, and we talk about that internally. Doesn't mean I'm going to put guidance out that says I'm going to do \$300 million this year or \$400 million next year. We're not that confident yet, but that is what we're going for, and that is the potential here.

Let me tell you something about our industry and our company today. We price in an aggregate way. We tell the market we're going to give you this fixed price in Texas and we don't do a great job segmenting customers either that exist with us today under contract or new potential customers. So the opportunity for us to invest in predictive buying behavior data analytics and understand that Pat's asleep, we can price in, but Jim Brown is a crafty switcher and we can't raise his price, but we want to keep him because he's profitable, that's the next level of pricing dynamics that we can leverage and revenue management in our space, okay? Those are tools that have been done in the airlines industry, in the hotel industry, in the rental car industry. It's not been applied in energy, okay, but if you get into meet with customer and if you're a consumer company and you're not doing that, you're really foolish. So you'll see investment that's built within our guidance think small amounts of CapEx to build that predictive buying behavior data analytics to really leverage as we go forward.

There's a real focus on returns right now, not that there hasn't been in the past, there has, but obviously when a former CFO takes the CEO chair and you've got a qualified CFO, you've got a lot of financial acumen coming at this thing. So we are now pulling apart every product, every contract in every region and saying for my invested capital, which we think of as direct selling cost, customer acquisition cost, am I getting an appropriate return and is it good enough? And then can I manage a portfolio of products and channels and geographies to optimize that?

Meaning I'm going to slow down my spend in Germany because I don't have that return on invested capital fully baked. I don't see it yet. I've got to keep modifying at the pilot level. Meanwhile in Texas I'm going to double down and say I can deliver a 9-month payback cash-on-cash basis and we're really taking this to a different place.

So the sales, the operation leaders in the room will tell you, I've never seen better partnership with finance functions and new brains that we've brought into the organization to help us do that better. Very excited there's going to be big bang for the buck there.

And then G&A. There's an incredible amount of G&A that can be stripped out of our business. And I'm saying that because I'm honestly telling you as we grew we acquired mom-and-pop organizations. We did not integrate their systems, okay? As we grew organically, we sometimes chose to create a more complex environment by investing in new systems.

This is the story of 21 years in Just Energy. We've taken that on. We started in the last year really consolidating billing, consolidating CRM and we believe we can strip out an IPO loan over \$30 million on a run-rate basis in 2 years' time. We'll see about \$10-ish million of that this year, but it's going to step up to over \$30 million next year. That's a big part of the cost story which you're going to hear more about, but a huge opportunity for us on the base business alone.

Little bit more about the essential needs space. This is a unique business model which no one in our space has. Amir is going to talk to you about this in a little bit. We have 8 suppliers that provide us credit. Very competitive suppliers, some of the best investment grade wholesale suppliers in North America. We rarely have to go outside of those 8 suppliers. We're allowed to if we want to post collateral. Sometimes we threaten to, to make



sure those 8 stay in the right place, but these guys get us competitive pricing. We believe we're the largest buyer of wholesale in North America because we have no captive asset.

So we're not #1 in market share, we feel like we're #4 on the small fragmented resi and C&I space. The bigger guys have generating assets. So they're self-supplied for a portion of their load. So when we go out to the market with our load, aggregated from teeny little accounts which are hard to manage for a wholesale supplier, we have incredible advantage.

Some of our direct competitors are pure retail energy of one supplier. That means they have to take a [sleeving] fee that can be tens of millions of dollars a year on a book a fraction of our size. They also have to give that one supplier a last look which makes them uncompetitive, okay? This is a big advantage for our business. I'm not sure we could create this again if we had to. This was a result of Just Energy growing very quickly in the late '90s faster than our first wholesale supplier's credit appetite.

So we're able to start bringing more wholesale suppliers and at this point that first suppliers told me directly we really regret doing that. The opportunity on the non-supplier business with us that they don't have is bigger than all the other opportunities in North America.

Secondly, we do back-to-back pricing. So there is not risk that we're going to enter into a contract with a design margin which doesn't produce an acceptable return for us. Now volatile commodity price markets, we're taking some of that commodity price volatility off by locking in 5 years at the point-of-sale. So if we're selling a 5-year contract, we lock in 5 years with our wholesale suppliers. We mark it up. We lock in the customer there. So as long as volume comes in, in a normal way, it never does, but as long as it comes in a normal way, you're covered. If it doesn't come in a normal way, Amir will tell you what we do here shortly.

What does all this mean? Means we think there's another \$100 in the short-term on gross margin for our CE. So as you guys think about the \$200-sih that we sign and we report on a trailing 12-month basis, we think we're going to move that over \$300 and we think it's coming fast. Does that mean this year you're going to see it? Not quite sure, but it's quarters away, it's not years away. So we will keep you updated on incoming margins in trailing 12 months on this core business, but we're going to take the commodity part of the business, which is probably the least exciting to our customers and do a lot with it.

Utility conservation. Pretty simple, this is us taking [SRX] carbon offset green gas products to market. We have water restoration units we sell through the TerraPass brand. Customers today are certifying green load at a 40% rate as I mentioned. That's a lot considering Texas is our primary market, our largest market.

Number 2, conservation, things like Ecobee Smart Thermostats. We believe in that technology. We're equity owners. We own 8.5% of Ecobee along with companies like Amazon. That company's footprint and conservation opportunity for any premise is impressive. We see 10% savings in residential properties and then with LEDs and motion sensors you can see 30%-plus real conservation savings in commercial premises. So very exciting product to us, had a lot of success selling it recently. James will tell you quite a bit more about that.

One thing to tell you, I hit the button too fast, I don't know how to go back. Maybe I do, there I do, as well take it down. One thing tell you about this, this is a stickier higher margin customer than the commodity business. So while the number of customers in this product are hundreds of thousands, if you think about the green certified bit JustGreen, it's stickier more profitable, okay? So interesting thing to invest in and develop from a commercial perspective.

Health and wellbeing, the best way to ensure this is saying this is the stickiest of them all and the highest margin opportunity of them all. This is a different space. You're selling peace of mind, you're selling to a customer's anxiety that maybe their water, maybe their air isn't as healthy as they'd like it to be. So this is a space we are keenly interested in and we're going to be in a very modest way supporting investments and health and wellbeing.

It really is about peace of mind from a customer perspective. This is why we got excited about water filtration. Despite the fact that there's a relationship between Dan and our founder actually had nothing to do with why we got into this, but the light bulb went on for us when we went



to our customers and we gave them a list of 40 devices or functions that we said could be in your future smart connected home, which ones do you value the most? Do you know where energy ranked? Not in the top half, very low, towards the end of those 40.

Energy is a necessity. People are scrambling. They don't see it as exciting at this point in its lifecycle. We think we can make it more exciting, but it's still not that exciting. When people are watching the television, they see the water in Flint, Michigan; they see the plastic leaching from plastic bottles into water when Houston puts out the toxicity report on the city water and the 6 carcinogenics in it, my wife is motivated to do something. She is not motivated to change energy providers unless there's a real reason to do that.

She is very motivated to invest in water filters. I'm not the target customer, right. And it's important that managers know don't try to be the customer, don't try to be the product designer, listen to your customers. That's what we did. That's why we got aggressive with water filtration. Our customers told us number 4 out of 40-something options is water filtration, right behind things like smart carbon monoxide detectors, smart smoke detectors.

Very interesting that those things are at the top of our customers' list and these are commodity energy company, our customers telling us that they value something that we don't do more than what we do for them. And they're also telling us they're happy with us overall. So interesting space, this is why we're motivated and fired up about it. You'll hear a lot more about this.

So what does this mean? We're going to market with these 3 segments. We think they're complementary. We think they're homogenous because our customers told us they are. And our customers told us they want these things. So I believe that as long as we work within the bounds of our customer voices are telling us yes, then we're in the right. If our customers start to say this is one step too far, you can't do this, then we'll adjust quickly as we've done in the past. With a low CapEx business model, it's not hard to do.

Why do we think this strategy overall is right? Well, we're observing the planet and the mega trends that are happening in all nations, in all cultures right now are like represented here. Things like connectivity and converging, interfaces that have bilateral communication, smart tech, smart connected home, this is real, it's happening now. The technology is finally here as you can see with our partner Vivint's display here. This is a real thing and people want it now. You can see the future of energy is quite a bit different from the past. There's a lot more we can do with energy now than we could do 10 to 20 years ago. We're trying to deliver all those things to our customer. And then lastly, customers are changing their expectations of anybody they do business with, right?

Millennials are a difficult breed. We all love to make fun of them if we're not millennials. But fundamentally they're looking for personalized customized value that's at their fingertips. We're a great goal for any consumer company to have, let's deliver that to customers who value it and we'll pay for it because we find a lot of us in this room that may not be millennials actually value that too. We're just not used to expecting it.

What we find as a consumer-oriented company is the expectations in our customers don't come from energy. They come from telecom. They come from their digital providers. They come from their experiences in service industries and if we're not meeting that level of products and services for our customers, we're really missing the mark and won't be competitive.

Okay, so final slide for me, our focus as we mentioned in our quarterly reporting the last 2 quarters is really about performance, okay? We want a stable environment we can deliver you something that you can trust that's not going to be whipsawed with weather and things of the past that we'll talk about later today. We want stability to that performance and we know the results that are coming are interesting and they're going to unlock real value for our shareholders.

So our focus is real simple, that's what we're focused on. I can't deal with moving the share price or what it's doing. I can't impact that, I can't control it. Frankly I don't care about it sometimes and we get too far apart with our working on the business and not addressing what's happening in the market. We're trying to improve there for the benefit of research and shareholders, but fundamentally I can't impact the share price on a daily basis, but I know if I impact results in the valuation isn't matching what the results are showing, that has the course correct and the market will get that right in time.

So the commitment you have for me and from our leadership team is we're going to focus on delivering results, we're going to deliver you some nice results. And then I know the market will accept that and correct that and get the CV moving in the right direction.

At this point, I'm going to break. We're going to roll into our trade show. For the folks on the phone, you're going to see a running clip of a video for about an hour's time, be back here in an hour and we'll get started with the formal presentations by the team I introduced earlier. And for the folks with us in the room, now is the point in time we'd really like you to engage formally with these trade booths, if you haven't already, get to understand what these things I'm talking about are all about and you'll really have a formula as you're thinking about the rest of the presentations and the detail the team is going to provide as to what it really looks like visually or from a customer perspective. Thank you very much.

(Break)

James Pickren - *Just Energy Group Inc. - COO*

We get started in about 1 minute. Well, good morning and welcome back. I'm James Pickren, I'm the Chief Operating Officer for the company. I joined the company -- I've been here about 1.5 year. I joined as the Chief Strategy Officer and about 9 months ago moved into the Chief Operating Officer role. So I'm here today to talk to you about our product and services strategy and really talk about our growth. And our growth starts with our core business. As Pat mentioned, we've got a very solid core business, it's a focus for us, \$2 billion embedded gross margin and 1.7 million customers and that's what really gets me excited. When I first started looking to come to JE, I saw this opportunity of a huge customer-base that is there to be leveraged and this is a great opportunity. So 1.7 million customers, a very diverse customer-base as well, so commercial and residential, we participate in gas and power we've got a very nice concentration in North America and a great footprint in the U.K. and Ireland.

We've been delivering a value proposition of comfort, convenience and control for some time now to this customer-base, all delivered by a trusted brand. So if you think about comfort of knowing what your bill amount is going to be each month from our flat bill product, which is a product that allows for one steady billed amount over the term of the contract; or the convenience and control of a smart thermostat that you can conveniently operate from your mobile phone, you can set profiles, heating and cooling profiles throughout the day that is going to help you save energy and reduce your bill. So comfort, convenience and control all delivered by a trusted brand and Pat had mentioned, but we were very honored this year again to receive trusted and most trusted utility brand for our Just Energy brand and our Amigo brand in our largest market, which is Texas.

So this is great for us and it tells us that the value proposition is working, that our customers care about it. The other thing I want to mention because we're talking a lot about a journey from a retail energy provider to a consumer company is that this value proposition is going to continue to be relevant. We're going to continue to focus on the core. That's always going to be a big part of what we do and as we move along this journey, this value proposition will get richer and richer. We're going to add value-added products and services, will bring in additional things that enhance the relationship with our customers. So we believe we won't be departing from this, this will just get better as we move along the journey.

Okay, our product strategy, we're trying to keep this very simple and very straightforward. I've talked to a few of you and you see the products that we've got here today and really it starts by listening to our customers, right? We want to include and add products that our customers want and that our customers are currently buying. And the product strategy is designed to evolve us from this commodity focus, commodity push business today to a consumer company.

So as we continue to stay focused on the core bit of the business, we're going to listen to our customers and we're going to add value-added products and services, and you saw some great examples of that here today. We were just under 2 products per customer today and our goal is to get to 4 products per customer and this is the beauty of the leverage of the customer-base, the 1.7 million. Just as an anecdote, if we were to add just one additional product per customer at current gross margin levels we could add \$400 million in gross margin. That's aspirational, but that just gives you an idea of the leverage that we have with the existing business. So there's a lot of power here for us on line.

So as we bring these value-added products and services and we want to be able to offer them in bundles with the commodity product as well as standalone, and that does a couple of things. In the standalone basis, it gets us more geography to go after, so we're not restricted to the deregulated markets, we can go into the regulated markets. So simple and straightforward. The other thing I've been asked a few times what have I been focused on since I've gotten here and it's really about execution. Anybody that's talked to me for more than about 5 minutes, you're going to hear me say operating rhythm and we've been very focused on trying to push a disciplined operating system throughout the company.



And in order to execute and execute properly, do what we say we're going to do, we need to keep things simple. And the product strategy we're trying to keep very simple. So with the essential needs category, it's focused on the core, there's still lots of growth opportunities in the core, not only on gross additions, but also on margin through pricing activity, so focus on the core.

In utility conservation, we want to focus on green. So green is a perfect add-on to the core business, accretive in gross margin and meets many of our customers sustainability needs. Staying within utility conservation on the residential side, it's going to be smart thermostats. You saw the Ecobee product back here today. For those of you that aren't familiar with Ecobee, fantastic leading smart thermostat. They're number 2 in market share in North America behind [Nest], so they're probably 3x the market share of Honeywell. So this is a very strong product, we're an equity partner and we're going to put our might behind selling that product.

On the commercial side within utility conservation, we're going to be focused on the LED business, the lighting business and the Edge Power business still within utility conservation. And then in health and wellbeing, it's the water filtration business that we just purchased. So we're trying to keep it simple, focus on the core, green, smart thermostats and the LED and Edge Power business and water filtration systems.

So hopefully you got to get around to all the different booths we had. You got to see some of the -- some of the products and services we're offering and most importantly got to get a bit of the customer experience. So you can go through what our customers would go through if you're signing up for our products at Sam's Club as an example, we've got the Sam's Club booth back there. So very excited about all the teams and proud of the teams that are here today, but I wanted to take a minute and talk about customer service and tie that back to our brand promise and value proposition. So our customer -- so we receive a little over 3 million calls a year in our 4 call centers and in our largest region in the south we receive anywhere between 4 to 5 contacts a year from our customers.

So in many ways if you think about it, it's our customer service agents that bring that value proposition alive for our customers and deliver the brand promised to our customers. And we've been working very hard to increase the engagement of those employees. We believe that when employees feel valued and supported, they give customers a better experience. We've been investing heavily in IT systems and the call centers, functional training as well as value-added sales training.

And what we're seeing is that we've got employees that are happier in their jobs, they're delivering better customer experiences to our customers and that's translating into customer loyalty and customer loyalty translates into shareholder value. We see this in our NPS, Net Promoter Score metric that we track very closely. So Net Promoter Score is basically from minus 100 to plus 100. It's derived by surveying our customers and asking one simple question, how likely are you to promote this company's products or services to your friends and colleagues?

And they score that question on 0 to 10. So 9 and 10 are promoters, 7 and 8 are neutral and 1 through 6 are detractors. And the ultimate score is just promoters minus detractors. And to give you some view of what good looks like, Apple is about 70; Amazon's about 60; Chick-fil-A in the high 50s; so that gives you a sense of what good is. If you look at our industry as a whole it's probably around 0, if you look at everybody that competes in our industry or single digits. So we're very proud of 22. That's up 10% over last year.

We originally set our goal for this year at 24.4, another 10%, we're already past 30. So we believe that the efforts we're taking around employee engagement are working, we're seeing an increase in customer loyalty and over time this has proven to be true higher customer loyalty scores will translate to shareholder value. You'll see it in faster revenue rates and faster earnings rates.

Okay. Let's think about these 3 groups that Pat mentioned. Essential needs, utility conservation, health and wellbeing. So our research has uncovered these and these are areas where we know that we're able to provide solutions and grow margins. As an example, essential needs, 58% of utility customers want personalized advice on how to reduce their bills. Well, it's a big focus for us is being able to provide easy to understand analytics to customers. We reach them in many different ways. We reach them through the bills, we reach them through e-mails, but helping them take data and use it to reduce their bills.

This is a great statistic, I love this one. Over 50% of millennials are willing to pay for real time usage information. They're not willing to pay for cable TV anymore. They're leaving cable at an unprecedented rate, but what they're willing to do is they're willing to repurpose some of their household budget to purchase data to help them manage their homes more efficiently. We can provide that.



Health and wellbeing. This is a big concern in the U.S., drinking water quality. Pat mentioned it, everybody's familiar with the stories from Flint, Michigan. There's hundreds of cities like Flint that are out there. 63% of Americans worry about drinking water pollution and that's a huge, huge percentage. And with the water filtration acquisition that we just made, this is going to be perfect for us to participate in this market.

Take some more time and go through each of these and talk about specifically what we're doing. So the core business, this is very important to us. We've been in this for over 20 years. We participate in gas and power, we have both residential and commercial. We're number 4 in market share in North America residential, we're big player there. We're number 9 in commercial market share and if you strip out sort of the large C&I players, we're probably closer to number 4 on the commercial side. This is the engine for our earnings today and it's going to continue to be for a long time. So we're going to not take our eye off the ball here, there are still lots of opportunities for us to grow this business.

And let's see, one of them that I want to talk about because Pat mentioned the price increases is revenue management. So this is an area that we've increased prices as he mentioned for the first time in 4 or 5 years, it's been a long time. Now, we're getting smarter and smarter about how to do that using consumer -- classic consumer segmentation techniques and being able to price for perceived value. So this is an area that we're going to continue to invest revenue management. We're going to continue to invest resources as well as technology.

And utility conservation. So this is an area where we're using partnerships, and partnerships is really allowing us the speed to execute. So in our partnerships, you've seen a couple of different ones I talked about Ecobee. Vivint is another one. Let's just talk about Ecobee for a minute.

So we've got an equity investment there and what we're doing is we're taking these products that we know our customers want, we know they're purchasing and we're offering those today on the back of customer care calls that come into the call center. So we sold 4,500 Ecobees in the month of August without adding any additional SG&A, it's already sitting there. On an annualized basis that's 45,000 to 50,000 units and that's just through one channel. So this is giving us a lot of confidence that the strategy is working and that our customers will buy these products from us.

Morgan's going to talk about the multi-channel approach, but when you think about being able to translate the success we've had in the call centers into retail where we're going to be pushing 1,000 units -- 1,000 outlets here soon, if we just sold 1 a week, that's another 50,000 units. Big time opportunities for scale here.

Also in utility conservation, I'm sure you're aware of our acquisitions we made last year. So we bought a lighting business that focuses on LED retrofits and we bought a real time energy monitoring and controls business called Edge Power and these are both for the commercial market, small, medium-sized commercial. They form the basis of an energy services platform and not only are we growing those businesses since we purchased them, so it's providing revenue and earnings in the short term, but we're able to offer our customers more products. This is creating stickier customers. It's gotten to the point now where on both the independent contractors, the brokers, our own employees, they're leading with these energy services bids when they're talking about renewal opportunities and new acquisition. That becomes the lead and the commodity gets pulled behind.

And the other piece here that's very important to us and I mentioned we're going to focus on, it is green. So we're one of the larger green providers in North America and this is higher gross margin rates than the core business, faster growth rate. So we're seeing about a 40% attach rate on new acquisitions and that's up from 32% last year, so that's very nice growth. The whole book is I think about 33% and that of course is going to keep increasing as we increase the attach rate on new acquisitions. So it's great product for us and it fits perfectly with the sale of the core commodity products.

Health and wellbeing. So the water filtration business is going to be the basis of this category. We're very fortunate to have Dan MacDonald back in the company and he's going to talk quite a bit next about the filtration business.

Talked a bit about our ability to move out of the deregulated markets and into the regulated markets. So today we consider our market share, there are 17 million meters in North America that have switched from the utility, they've made a choice about their electricity provider. That's our base market share. When you look at the whole of United States, there's 140 million meters available, right, so that's where the 8x comes from. So we're able to increase our obtainable market by 8x from where we are today, but being able to move from deregulated into regulated market spaces is value-added products that we're adding, they are not regulated, we're able to do that. We're able to sell green in all markets.

So this is exciting opportunity for us. If we're able to keep just the current penetration rate that we have today, that means 11 million more customers. I was excited earlier about the leverage of the 1.7 million. When you add that it's tremendous opportunity here.

One of the reasons why we think we're going to be able to do this again is back to the multi-channel approach. So we've got (technical difficulty). This is an illustrative example, gross margin and growth of the 3 different segments and you see essential services down in the lower left. There's still lot of growth there and there's a lot of exciting things happening. In our largest segment in the south we had our largest billing month ever in the month of August and that's very exciting for us.

Our Hudson business is up 150% year-over-year, new contracts signed, term margin and RCEs and we've got more pricing opportunities. They'll be selective, they'll be strategic, but we've got more pricing opportunities there. And utility conservation and health and wellbeing, very high gross margins, high growth rates, they're going to be fueling our growth for the next few years.

So here are the financials, we're not starting from 0. We contribute -- value-added products contribute anywhere from 10% to 11% of our EBITDA today and we expect 23% CAGR over next 5 years. So our goal is anywhere from 25% to 35% of EBITDA in 5 years will be derived from value-added products and you can see the impressive numbers from health and wellbeing and utility conservation. So we're trying to keep it simple, we're going to focus on the core, we're going to sell smart thermostats, we're going to sell water filtration systems, green. We're going to focus on the acquisitions we made last year and we believe that if we're able to execute on this and keep a disciplined approach to execution that this strategy is going to fuel our financial performance for the next few years.

Okay. Well, thank you very much. I'd like to invite Dan MacDonald up.

Daniel MacDonald

Good morning everyone. How are you? First I'd like open with just saying how excited I am to be back in Just Energy. It's been 8 years and I'd like to thank everyone both on my team on the Just Energy team and the third parties that worked diligently over the last quarter to get this transaction done. It was a competitive process and we ultimately chose Just Energy for a few reasons. First thing is that I really believe that Just Energy is committed to building a product division in the organization as we've talked about today. The second thing is that there's 1.7 million captive customers there. The last being that I believe in this management team's ability to execute.

So today I'm going to talk about 4 things. The first I'm going to talk about who we are. The second I'm going to talk about why water? The third I'm going to talk about our margin on unit economics. And the last thing I'm going to talk about how we're going to grow within JE. But before that, just a little bit about me. I'm an entrepreneur by nature. This is the second transaction business I've either founded or co-founded in the last 4 years. I started this business 8 years ago based on 2 fundamental principles that I believe to be true which is that home services businesses would continue to grow in value and that water quality would become an increasing issue for customers over time. I'd say I married -- I looked at what EnerCare was doing with their water heater rental model, and I focused it entirely on filters.

Those 2 bets turned out to be true. We've seen record transactions in the home services space. We've seen Reliance sold last year for -- to a private buyer, we've seen EnerCare was sold at 15x EBITDA just this summer. In the water space, there's been healthy transactions as well, A.O. Smith particularly is taking an interest they bought Aquasana last year for over \$100 million which is over 10x EBITDA and that was almost 2 years ago. And we've also seen the [Colagan] brands were sold in the last month for an undisclosed amount.

So just quickly here, let's see. Where is the quicker? Is it green arrow? Huh? Oh, there it is. Perfect. It's back. So who we are and how we got here. So I was -- I'm a veteran of Just Energy. So I only kind of know how to think of business in a certain way which is heavy sales upfront, recurring cash flow, good returns over time. So in that way while we're different business, we actually fit within the Just Energy infrastructure quite well. We have a strong team, it's not just me, we've got a lot of people with JE ties and what that really means is that not only are we experts in managing home services businesses, but we also understand the -- we've got a lot of institutional operational knowledge of Just Energy's core business that we can assist with as well.

We've been growing well for the last 8 years and we were recognized one of the top 10 fastest growing companies in 2015. We started with 0 companies, a cell phone, a laptop in my basement and now we're at 25,000 customers in Ontario and 2 years ago we started expansion in the United States and that's going really well and we now have over 5,000 customers. We also own the entire product -- the customer value chain, so we partnered with best-in-class manufacturers to design our own product that is custom to us that better suits the needs of our customers, that reduces our upfront product costs dramatically and finally creates a long-term stickier customer because customers can only replace filters that we control with our locking mechanism.

So why water? And really I think we spoke to this about a few times with a few slides is that there's clearly an underlying market sentiment that's occurring, we're seeing it play out in the news and also it speaks to the strategy that JE is trying to execute on which is health and wellbeing and utility conservation. One of the most important things about our business I think and one of the biggest values we bring is that there's no geographical barriers to our product. We can overlay our products on the regulated markets Just Energy is already in and we can also serve as springboard to the non-regulated markets we're in of which 2 are -- we are already in, which is Nevada and Arizona.

The other great thing about our products that requires continuous touch-points with the customer, where we have to send filter placements every year which are included in the package and these are positive touch-points. The customer all of a sudden gets a visualized value, it's going to help increase the good work we've already done on the NPS scores, but it's also an opportunity to afford us the opportunity to have another positive interaction with the customer and up-sell them to another JE product or offering. So the other kind of products are main product offering. We think this is a perfect offering for Just Energy's 1.7 million customers because it could be deployed to every single customer type, whether it's a single family home, a town home, an apartment or a small commercial unit.

The annual recurring revenues are approximately \$300. It's about \$24.95 a month. After customer maintenance and filter replacement cost, the gross margin is around \$250 a year. Our upfront costs are around \$125 which includes product and installation. Now depending on what channel we use and the total acquisition cost per customer based on how we roll it out, the IRR is going to range from 50% to 125% pre-tax un-levered. The reason we've got such healthy IRRs is that again we had our -- the underlying (inaudible) system that you see here, it actually lasts 15 years.

So as long as we're selling -- we're fulfilling the subscription, the customer continues to pay. We don't have any renewal cycles associated with that, so it leads to longer, healthier, sustainable margins at lower attrition rates than you see in the core commodity business.

So we're forecasting solid growth. Again, I spoke to this earlier that although we're different businesses, we actually have a lot of synergies in our operational and sales cadence and we're going to realize a lot of those G&A synergies in the first year, but if you look at our business we've been growing steadily probably around 25% a year for the last 8 years and we've been doing that with a single product, single channel, and single market primarily in Ontario for the first 6 of 8 years. So when you take that and during that time, we built a blow down book value or what we called embedded gross margin worth over \$75 million.

So take -- if we take that same thing and we start to overlay this platform on top of Just Energy's existing markets, if we take the success James has had with cross-selling into the -- into the markets, into the customers through the call center and then we start leveraging the multi-channel approach, I see very solid growth. So basically in summary I think we've demonstrated growth over the last 8 years. This is not new, it's what happened. We're going to continue to do that going forward, I'm very committed to this business and I'm here today.

We're going to be able to -- we address an underlying need for the customer that's growing. Our margin unit economics are very healthy and I think once we roll this out to all the platforms, we're going to -- I'm very excited to build a very significant sustainable business within JE that gets valued at the multiples that we see in the marketplace for these sorts of businesses. Thank you all so much. I will now turn it to Morgan.

Morgan Smith - Just Energy Group Inc. - Chief Sales Officer

Oh, I'm going to make sure -- I know that -- yes, there we go. Hi, hello. First of all, I have never in my career been in a room full of more attractive analysts than today. So thank you. Thank you for letting me participate in this.

My name is Morgan Smith. I'm the Chief Sales Officer. I have responsibility for creating new channel marketing opportunities, business development opportunities, joint marketing opportunities, and at the end of the day, I'm that one throat to choke that gets to step on if we don't hit our acquisition targets both on the commercial and residential space.

So I want to talk a little bit about where we came from, where we are and where we're going and why. And then I want to give you a couple of examples that we've demonstrated over the course of the last 2 years that should give you some confidence that what we're now building, going forward, has precedence.

I have the -- I have the fortune of coming from an entrepreneurial company that sent me around the world building sales channels for Accenture and AT&T in all parts of the globe. I had about a 10-year stint at NRG, which is a little bit more utility-based, building out their channel marketing organization through Reliant and Green Mountain. And I've spent about 3 years here at Just Energy, one of the most entrepreneurial speed to market, there is no bad idea, let's go fail, let's fail fast so that we can figure out what we can do next. And so this organization is poised for growth and I'm excited to be a part of it.

I'm going to do something that's probably a little bit redundant because I don't know what your basis of understanding of channels is. So my apologies, I'm going to do this fast. I'm here afterwards if you want me to elaborate, but let me walk through what these channels are.

We've been in business 20-plus years now. Most of these channels we've used door-to-door, pretty self-explanatory with one nuance. We had traditionally used independent contractors as our door-to-door sales-force. There's a lot of benefit in doing that in the residential space. You can turn it on and turn it off without a lot of employment issues. You can expand into territories without a lot of SG&A internally to be able to do so. And candidly if you build the right compensation structure, you get a very excited workforce.

That traditionally has been our model in the residential space. Our broker model which continues to be one of our largest models in the commercial space; Hudson which was an acquisition that we made several years back. It was best-in-class from a portal perspective. We do business with 348-ish brokers. But if you really look at where that load is coming from, it's a very small subset of that.

And so we're constantly looking to grow brokers so that we can expand our portfolio, expand our reach. The nuance with brokers and the reason why you'll hear us talk about expanding direct channels, the broker technically owns the relationship. And so what you saw James talk about, energy management services, LED retrofit, those products are products that are commercially viable to the end-customer, not necessarily the broker. So our initiative is to really find ways to own the customer directly so that when we bring him the commodity, we also bring a series of products. They're actually going to erode into the commodity itself, create additional margin streams that make a much stickier customer and make a much stickier relationship.

Our affinity relationships came through the acquisition of Fulcrum. Tara Energy and Amigo Energy continued to be targeting the Hispanic and South Asian communities. As you probably know, those communities are no longer centralized in Texas. They have expanded very dramatically into the northeast. For those of you in Toronto for example, I can think off top of my head probably 40 different South Asian Indian grocers that represent both commercial and residential opportunities for us from a sales perspective. So as that demographic has started to change and evolve throughout North America, we have as well from a sales channel perspective.

Our shopping sites, shopping sites -- shopping sites are the power to choose of the world. You don't get to rank anything but price. Our strategy has always been predominantly let's get our brands on there and when there's ebbs and flows, whether it's the U.K., the [Big Six], the site they don't want to buy a bulk of transactions. If we think we can be competitive, we will be. What we're doing, and you'll see this in the next slide, is we're using shopping sites as a weapon to acquire the customer, but we own it, we want to come back to them with (inaudible), we want to come back to them with messaging around value-added services, we want to come back to them about messaging around Ecobee, Skydrop, how we can give them efficiency products that will help them lower their consumption beyond what they signed up for, so that when the renewal comes up, they're not renewing the commodity, they're renewing the Just Energy relationship.

Independent contractors we mentioned on the door-to-door side already and then digital on the [JB] side. So as most of you know, by 2007, we weren't heavy in digital. We didn't have the core competency and capability set internally from a human capital perspective. So we opted to go to

what we felt like at the time was a best-in-class data aggregator and a developer called Red Ventures located in North Carolina, ginormous company. And we used them to develop our website, our presence, our image, how many different brand terms we would work through; how many search terms we would use that were non-branded and it worked. It worked from an overall count perspective, but what we saw evolve over the next course of 2 to 3 years is we began to lose control over what we wanted our methods to be into the marketplace.

Their methods was margin, margin, margin, 5 year, 5 year, 5 year, 5-year plans. And no matter who you called in for on the website, you ended up at [NRB] call center and that really wasn't what we wanted. We wanted a customer to be able to transact in the fashion that they're comfortable with. If that means chat, we want to do it over chat. If it means they want to do it online, if they want to go to an e-commerce site, we want to do it through an e-commerce site. It shouldn't always end up in transact with the call center even though the call center has some of the higher -- has some of the higher conversion rates.

Before I get into this slide, Friday night, how many of you have kids? Show of hands. How many of you let them eat at McDonald's? How many of you don't let them eat at McDonald's? Okay. The lawyers -- those that say they don't eat at McDonald's, I bet your kids recognize the brand, right? Like the brand impression from McDonald's is absolutely amazing. My kids don't eat there, but they know what Mickey D's looks like. My kids don't really shop at Apple, but they know the Apple brand.

So retail, one of the most important discoveries for us on the retail channel as we evolved this over the course of the last 14 months is let's take Sams for example. We're in about a sales map, a little bit challenged, don't quote me terribly, but we're about 170 stores. Let's say they do about 10,000 which is a very small, small number. They do about 10,000 transactions unique per week. We're talking 90 million impressions over the course of a year, brand impressions, brand impressions that we're not paying for. There's no value to it. We're not paying rent, we've set up a kiosk, we have a salesperson. That salesperson can sell any of our Just Energy, Amigo or Tara branded products depending on where the location is.

These brand impressions where net add to anything we were expecting when we built this channel. Retail is now the largest channel in our portfolio mix. It's after 14 months, it has replaced door-to-door, it has replaced digital as the largest channel that we have from a growth contract perspective. I'm going to show a chart in a second. The reason we made these changes is because our consumers started buying things differently. And I go back to sort of my kids that Friday -- last Friday night at the dinner table, my kids don't have iPhones. They have cellular, but they have the hand-me-down iPhones that work on Wi-Fi. And so [Kiran] who's 11 who's on Uber Eats ordering what she wants; [Chloe] who's 9 who's on Uber Eats ordering what she wants; I'm on Instacart ordering what I want groceries for.

And so 1.5 years ago, none of that would have happened. Buying, the way people are purchasing today is changing and it's being done by a demographic whether it's the millennials or the baby boomers, technology is sort of immersing itself differently within different people. And so we're trying to do the same thing from a channel perspective to make sure that we're in front of that curve.

Digital first and foremost, we had to take our digital presence back and repatriate it. So the first thing that we did was build a team, a digital team inside, brought on the right agency, created the team, repatriated the website, luckily got an incredible broker out of it who actually built a company called Save on Energy that Red Ventures had purchased, came to us with some really strong subject matter expertise and in doing so developed a website that what we believe is best-in-class.

It's phase 2. There's phase 3. There's phase 4. Over the course of time, we will use it to do everything from call deflection, which could save James somewhere in the neighborhood of \$2 million to \$3 million because all of those calls don't have to go to an agent. They can be deflected online through an IVR to a website, customers can get their question answered and they never have to call us. And it's a -- it's pennies on the dollar versus the actual 10 minute transaction they're doing on the phone.

Customer account management. Digital channel for us is a sales channel. It always will be. So you can sign up online. You can log in. You can sign up. You can go into our e-commerce website Energy Earth and you can buy non-commodity products. Most importantly, we still have the ability for those customers who are questioning a product that's complicated, they need somebody to talk to, they can click a button and call a company. The company's name is Clearlink, they're out of Utah. They are absolutely best-in-class from a conversion perspective, a wonderful partner for us to have.



We've actually expanded them now into the U.K. They're in Edinburgh doing something very similar for us in the U.K. and Ireland markets. And so the difference again between Red Ventures and Clearlink is Clearlink embraces the notion that we want to own the customer. We want own the customer relationship. NPS is important to us. All of the things that are tethered to our executive bonus structure, NPS, term of customer, growing embedded margin are tethered to the contracts within clearly. They've signed up for it. They're onboard with it.

Independent contractors. So in the residential space in the U.S., we made a couple of key discoveries. If you pay somebody a base rate, they show up to work more often than if you don't pay them a base rate. Now I know that's counterintuitive in a sales environment where you have commissions. But again the dollar values that we're talking about are not \$200,000 and \$300,000. And so what we found was paying a base rate, but still carving out a sizable piece of the compensation in a variable-based commission so that the manager's role now is to teach in and since you how to sell residential commodity and non-commodity products, but also manage you from a performance perspective so that you're not just making a base rate over a period of 30 days.

And so it's been a fundamental shift that we've gone -- that we've undertaken over the last year. It's been very successful. Pat mentioned or James may have mentioned door-to-door is diminishing. Surprisingly the number of contracts that we sell for door-to-door is actually almost as large as retail. It's the geography in which we sell. We measure sales by RCE, 10,000 kilowatt hours on the electricity side.

And so if you're in a community that has small homes, multi-family homes, town homes, you don't necessarily get the opportunity to get full credit for that until you have a water filter product that is coupled with an Ecobee bundled into the gas product or bundled into the electric product. That becomes a more meaningful margin product.

And so door-to-door, while we don't see it diminishing to the point of no return, we do see it as a kitchen table opportunity for us to use retail, digital, social media and our other channels to create interest so that Dan's team has an invitation into somebody's home to sit down at the kitchen table and say we'll talk about your home efficiency. Who does your insulation? When's the last time you checked your windows? How are you doing smart thermostat?

There's a host of products and services that are vertical to what we provide that we're not given the opportunity to talk about because that 5-minute transaction is 5 minutes in the retail store. It's 3 minutes at the door and it's about 35 seconds on the phone and that's a lot to try to cram in into a small period of time.

Shopping sites are always going to be part of our strategy, the difference being once we onboard a customer in a shopping site, we have a quarterly path in which we offer them additional products and services in concert with our Energy Earth communications process. So whether it's going to be water filters, whether it's going to be Ecobee, whether it be Skydrop, we'll use the analytics to determine the propensity to purchase based on who bought the commodity product from the shopping site and then we'll use that as the catalyst to offer our strategy of new products and services.

There we go. Affinity, I mentioned the growth of affinity. I mentioned the growth of Tara and Amigo. Let me tell you, I mentioned digital 2.0. That's the transformation from Red Ventures to Clearlink. We now own the website. We now have full control over everything from content creation to our strategy of search and display and by territory.

Social media has been one of our largest investments. We spent a lot of money in, not necessarily traditional television, radio and print, but we've done a lot of radio and print direct mail in the past. We opted to use social media as both an acquisition engine, but also as a way of leveraging content at a social media level to drive traffic into stores. So we know we're launching the Sams store and we can get Facebook to do ads and run ads and drop cookies around that geography to try to drive traffic to Sam. Sams helps funds that on our behalf.

So we say a little bit about retail. So this is how we know it works. The right side of this slide are logos. These logos are the business development cycle of retail. Surprisingly enough, these brands don't necessarily always want to do business with us, right? Anytime you have a door-to-door channel, you're going to have some complaints. The first thing we have to do is go in and talk about our NPS strategy. We have to go in and talk about our transformation, our technology, how we're going to handle their customer because it is their customer.



These are the logos that we have launched. Sams is probably the largest from a contributing contract perspective, customers that are larger in size as you would expect. They're geographically diverse. They're willing to buy more products and services.

HEB for those of you that are in the south and Texas is a very high-end grocer. It's a great opportunity for us. Our second largest retailer is La Michoacana. It's a small Hispanic base grocer that has a very loyal following and who recognizes the salespeople that we put in front of them on a first name basis for Amigo that over the course of time has become our largest retail provider. This is a 14-month view of monthly sales \$250 -- or \$150, sorry, to \$17,000. And that trend continues. So these are 17,000 contracts from a channel that didn't exist within Just Energy 14 months ago.

So what are we doing next and how did we do that. It's selecting the right partners. It's making sure that the demographics match the retailers, so La Michoacana probably doesn't need Just Energy and it probably doesn't need Skydrop because predominantly multifamily. It needs Amigo Energy and it needs -- we'll talk about this in just a minute, it needs a joint marketing opportunity that tethers the Amigo electricity product into something that that customer is already using.

It's creating a product suite that makes sense and its relevance is developing, acquisition marketing campaigns that use everything from social media, digital search and display, brand terms to door-to-door and direct mail. And then finally it's the execution. We haven't seen the retailers -- we haven't seen the people that have done retail as other REPs that we have pulled together from a team perspective. And so the key learnings that we've had to go through, we went through and made those mistakes at other providers. We've been able to bring a speed to market that really is unparalleled.

I'll give you just a frame of reference, please don't quote this number, not to a bunch of analysts. We're in that ish -- 170-ish same-wholesale-stores; NRG, a much larger company than ours, is at about 30. And the reason they are in 30 is, one, we perform better; but two, our speed to market is about 3x of what theirs is. So when they say, hey, we want you to be in Michigan, we say, okay, and 3 weeks later we're in Michigan, 3 months later they're still trying to figure out how to get into Michigan. And so that competitive advantage for us is enormous in this channel.

What are we doing with it next? Authorization. So the great thing about authorization is it's a channel that doesn't require salespeople for us. Think about HVAC service repair people, think about Terminix, think about people that are already walking into your home or your business and they have a base in a variable compensation program. If I add my product sets and it resonates with the salesperson and the consumer, I've now expanded exponentially my sales-force based on the company that I've done business with on the authorization perspective. Things we have to look out for, we need to make sure their brand resonates with our brand and there is a halo effect. There's got to be a quality control piece of it which we are very, very tight on.

But from an authorization perspective, we just signed our first 3 contracts. These are people that are going into households, selling dish, network, television and wireless. They're doing the install. They can install an Ecobee while they're there and then they can also sell the electricity and/or gas depending on if it's a dual commodity. All I paid for is the commission, I didn't pay for the salesperson, didn't pay for the manager, didn't pay for the list. What the company receives is lower attrition from their sales-force because they're making more money. The company is receiving an increased revenue stream because there's a residual component to that and we're getting an accretive base to our overall customer-base.

In the joint marketing, we just launched a joint marketing campaign with BBVA. They're the fifth largest bank in the state of Texas, larger than outside of Texas, but it's relevant to us in Texas. BBVA is a -- predominantly targeting the Hispanic community. They send billions of dollars from the U.S. back to Mexico. And they have a product called [Troyo] that they use for that.

Our joint marketing campaign is simple. If you sell Amigo electricity to your existing Troyo customers, we'll give you \$100 of fees that we're going to amortize into the kilowatt hours so there's really no cost to us, you're going to put it in your direct mail piece, your e-mail pieces, your call centers, your sales-force and you're going to say, hey, listen if you want to send this and you need electricity anyway, why not use Amigo electricity? And now all of a sudden you're going to save \$100. Conversely we've got somewhere in the neighborhood of 400,000 customers in Texas of which -- I'm making numbers up now, 200,000-ish are in Amigo electricity space.



We will market those customers the same product set, use Troyo and we'll give you \$100 bill credit on the Amigo electricity which again is going to be amortized into the kilowatt hour. And so those types of joint marketing campaigns give us brand recognition, halo effect and give us the ability to expand outside of North America because most of these companies that we're talking to have a global presence in the U.K. and in Ireland and they would rather do one campaign than do multiple.

Finally we think about our competitive advantage from the channel marketing perspective. And we touched a little bit on this. When I go to a business development meeting, I have an international reach that most of my competitors don't. The U.K., Ireland and the U.S. global national companies have large presence in all of those. Let's take RE/MAX for example. When the process of launching a move [concierge] program in Canada in RE/MAX, they now put us in contact with RE/MAX in the United States who we've done business for in a previous REP who has put us in contact with the RE/MAX in the U.K. They want one program that services all 3 -- all 3 countries and they want the products and the economics to be designed based on the geographies. But they want the service offering to be the same, the move concierges that the salesperson can come to and say this person's buying a house, here are the products and services that they have.

Innovative home products and services, we've talked about this. You saw slide -- it's 30 more slides. We have a funnel of products and services based on market research that we are exploring and looking to expand upon and over the course of the next 18 months, we'll have a package. And my dream is I no longer walk into your home and talk to you about commodity at all, it's an afterthought. I walk into your house and I talk to you about water filters and what it's going to do for your children. And I talk to you about Ecobee, what it's going to do to your energy savings. And I talk to you about Skydrop and how it can conserve water. And I talk to you about 3 or 4 of other products. And oh, by the way, it just happens to be powered by this gas and electricity commodity products. It's relatively boring, but it's a home service package. And it's a home service package is what I want to sell to you, it's not the commodity product itself.

And then finally the people. We've collected some really great people across the space. I hope you get a chance to meet with them here. I hope you get a chance to meet with them when you come on site because from our sales, from our operations, from our technology we've developed really a best-in-class space for the REP space.

That's all I've got. Let me close by this. I have never ever presented to a group of analysts as attractive as all of you, so thank you. Amir?

Amir Andani - Just Energy Group Inc. - Chief Risk Officer

Thank you Morgan. Hello? Okay. Hello everyone. I'm Amir Andani, Chief Risk Officer at Just Energy. And I'm here to present to you the risk management competitive advantage we have at Just Energy and what it means. A little bit about myself. I've been with Just Energy for over 12 years, a large part of that in the risk management group, learning retail energy, commodity risk management from ground up and being part of a team developing and enhancing an ever-evolving risk management policy that we have that we share with our investors on our corporate website which gets a lot of them to read. And I'm proud of what we have accomplished so far in that program and in that risk management policy.

What is risk management at Just Energy? Look at our core business model of delivering stable, predictable returns and cash flow and earnings to our investors and providing a peace of mind and comfort fixed price products to our end-use customers, it really is a philosophy, it really is a philosophy in our business -- in our company to ensure that we mitigate the risks that are inherent in serving this fixed price commodity to our customers, ensure that as a company we are able to mitigate the commodity price volatility risk and get the earnings and stable cash flow required to meet our needs for our investors. If you open up the risk policy, that's what you see as the philosophy and all of the controls and procedures we have in place to be able to deliver just that.

Why hedge, why mitigate the risk in supplying energy commodity to end-use customers? As an investor who's looking for exposure maybe in the equity markets such as S&P or the emerging markets or also looking for some commodity exposure by looking at price returns in the crude oil futures product, you could see fluctuations in your -- or volatility from 5% to 35% annualized rate. That's okay, some investors may want that exposure.

But when you start looking at electricity price volatility, and this is an example of Texas electricity commodity prices, that gets uncomfortable. That gets to a level where it's not an investment, it is just a highly volatile space that a prudent investor and a prudent customer wanting to manage

either their investment returns or their energy bill is wanting stability. And we are there to do that. We look at this volatility and we have developed a 5-layer risk program that we will review shortly to mitigate this volatility and feel comfortable that we can deliver these stable returns.

How do we do that? How do we start managing the risks? We start looking at identifying the key external risks to Just Energy. We talked about commodity volatility or commodity price risk. In addition to that serving full requirement contracts to retail energy customers, there is a volume uncertainty risk. The customer has the flexibility to crank up the air conditioning when it gets very hot or turn off the furnaces when it's mild in the winter or vice-versa.

That creates uncertainty on volume we have to deliver to the customers and we need products and tools to meet that extra demand or sell back the existing supply we have bought back to the market for demand that may not be showing up. Being part of a global operations, we have foreign exchange risk for any floating rate debt instruments we may have. We may have interest rate risk and credit.

In our business where we stand we basically procure commodity from suppliers and we're delivering it to customers and we're standing in the middle managing credit risk on both sides and collateral risks from participating and procuring commodity from our suppliers. How have we developed our hedging approach? If you look at companies in our industry in retail energy space, on average they may have some hedging. Maybe I'll walk you through some of these steps -- are some companies that may not have a complex hedging or they may just want exposure.

If they're going un-hedged, basically a coin flip, a coin flip on being able to make your target returns or target margin or not based on commodity prices. On average though, some companies -- retail energy companies, will layer in wholesale commodity blocks, lock in the cost of supplying that energy to the customers through their location, and maybe tailoring those hedges to meet the hourly requirements to the customers and being able to deliver their target margins under normal weather patterns.

But as Pat alluded to earlier, consumption and weather patterns are hardly normal if they're volatile and they create uncertainty. Over the years, we have partnered with reinsurance companies to -- sorry, reinsurance companies to create these customized weather-derivatives -- weather solutions that help us mitigate over 90% of weather uncertainty risk linked to temperature. In addition to that, we have certain customer contracts where if we have unforeseen costs during this event that we cannot control, we have the ability to pass them through to our customers either through variable rate contracts or in commercial contracts with some pass-through language provisions that give us additional control of passing through some of these costs and achieving our target margin.

I'll spend a little bit of time on the last one, the insurance wrap. We've talked about this at earnings call and this is really a product we're looking at to enhance our 4 layers of risk management and get a structure that sits on top of our existing risk management program to give us a \$50 million per year capacity or a insurance policy that we can tap into should we have experiences such as a major hurricanes, cyber attacks on the grid, or in cases where our weather hedge program is really sitting as an average hedge over the season, we may have daily volatility, we have exposure at -- that it's unable to capture and this wrap program comes in and covers that. I truly feel confident that this -- with this 5-layer risk management program, we have taken out significant volatility from our earnings. We feel confident that we can deliver stable and predictable returns and cash flow to our investors and really protect that \$2.2 billion embedded margin asset we have that we've spoken about, and realize that over the next 5 years.

What enables us to -- sorry, so I'll spend a little bit time on how have our hedges performed as an actual case study we experienced in July of this year. For those of you who may be from Texas, we experienced some of the hottest temperatures we have seen in end of July with Dallas temperatures reaching 108-109 degrees Fahrenheit on some hot days. That created a lot of pressure on the grid, there was high price volatility, there's extra demand that had to be procured. And if we had not executed our strategies of weather hedging and beyond that and only kept basic block structures, we would have had an impact to our bottom line of \$35 million, a \$35 million loss in just one month from this one event.

Due to our enhanced and sophisticated hedging strategies, we were able to get a payoff from our weather hedge providers and our hedge providers of \$31 million essentially mitigating \$35 million risk to only a \$4 million impact to the bottom line.

Does it have a cost to hedge? Yes, it does. We spent \$5 million to hedge in the month of July, but this is the cost that's part of our pricing to our customers. It's built into the pricing, adjusted for in the embedded margin and for that premium that we collect from the customers and we in turn



go out and pay to hedge, we get peace of mind for events such as this, our customers get peace of mind that they have a fixed product that they're not paying high commodity prices for during extreme needs, and we're able to meet our earnings and cash flow requirements.

What enables us to hedge? It is really the unique supplier pool facility that we have where to give you an example, as an investor or as a hedger, if I have to go to the derivative market or the futures market you're required to post margin. And as market conditions move, that margin requirements may increase creating a liquidity concern where you need to come up with cash or credit to keep continue hedging. This unique facility allows Just Energy to enter into hedges without having to post collateral to these 8 suppliers which are rated balance sheet. It really allows us to scale, allows us to go after many markets where one supplier may not be competitive, but we have a pool of 8 where we can shift our business around and get the best cost of energy to market to our customers. And not -- scale not only from market perspective, but scale from a hedging perspective without having to worry about liquidity concerns.

It's truly a unique advantage. It gives us the competitive advantage relative to a lot of our competitors who may have one supplier facility or have to post credit or collateral to continue hedging. All this, the risk management we have and the unique facility we have allows us to deliver that stable predictable return that we want to deliver and protect our embedded margin. Thank you very much. I'll now invite Jim Brown for the finance section.

James Brown - *Just Energy Group Inc. - CFO*

Good job. Thank you guys for coming out. And thank you Amir, and I want to thank Amir for several things. I'm actually going to stand right here, I don't stand in the middle of the room because I have this issue. If I'm standing here and have my glasses on, I can see my notes, I can't see the screen. If I stand right here I can see actually both, so I'm here, so -- and we have a different clicker. So I get the same clicker issues as Dan.

Amir Andani - *Just Energy Group Inc. - Chief Risk Officer*

Green button.

James Brown - *Just Energy Group Inc. - CFO*

Green button, okay. Well, thanks Amir and I love Amir and I love Amir for several reasons. One is, he protects our largest asset, our balance sheet, which is our future gross margin, \$2.2 billion. I want to reflect a little bit though on what some of the other presenters said today. Pat stayed true to the core business while embracing transformation. James; wrap our customers and value-add products and services. We feel like this is essential to continue as a company to justify our existence.

Pure commoditized selling of retail energy is probably not forward-looking. Amir; preserved design gross margin. All these are key to our future financial success. I'm excited about the management team. We're taking -- we're different than other energy companies. I come from a 25 years, as you can tell by the gray hair, of being in the energy industry. I started my career back at Enron, very earlier stages of deregulated markets and deregulated retail electricity. Amir's been his entire career in the commodity business. Morgan's been in the commodity business. But James and Pat -- and Pat, our ultimate CEO, are from non-commodity businesses. And they look at the retail energy business in a very different way.

And I would actually -- I was at another retail provider prior to this, great company, did a lot of great things, but I really had trouble understanding how the company was going to exist in the long run. So I went to another retail company and I said, listen, if this retail company isn't what I want it to be, I'm getting out of retail. So the interesting thing is I've actually been able to get out of retail without leaving the company because where this company is headed and if you look around the trade show, it has a very different feel to when I used to be in the utility business.

We're engaging the customer in different ways, we're looking at ways to expand margins, we're looking at ways to stabilize future income. So I'm very excited about the growth. I'm also excited about Dan MacDonald coming to join the team. The entrepreneurial spirit he brings, every time I go have drinks with Dan and we get to talk about things we can do in the future, I get very excited. And I also think Dan's a guy who's about delivery and I fully expect he'll deliver on the results he promised.

So first I'd like to talk about the customer book. As Pat mentioned earlier -- and whenever the CFO -- the CEO is the prior CFO, he's going to say all your slides before you go up. So little bit is to be repeat, but I will go through it rather quickly. \$2.2 billion embedded gross margin. Unlike most companies, our largest asset isn't on our balance sheet. And we feel like the embedded gross margin is the best indicator of the future profitability of the company. As Pat said earlier, we've been focused on value selling and unit margin optimization. Recent price actions have increased the embedded gross margin to \$2.2 billion.

The way our embedded margin works -- I've got no lock with the screen button, what's up? I swear to God I'm pushing the green button here. Hey, there we go. Somebody do it for me maybe. So we've got our suppliers on the left, world class group, some of who are in the room with us today. We actually have the Exelon folks with us today and we appreciate them being here, one of the longest time suppliers of energy to Just Energy. Shell, Morgan Stanley, Macquarie, world class names all who bring different products and different approaches and things we can consider when we're looking at how to manage risk.

Like one of the very unique things that we brought to the table recently is we were concerned about ERCOT posting for collateral, I was talking about this with the gentleman from NextEra earlier. So when you're selling to ERCOT, you have to post for 2 reasons. One is you have to post for what you're going to buy tomorrow and the day ahead or they won't let you buy it, and then you have to go to real time and you don't want to do that, that's very risky.

The second is there's a base level of collateral that you have to maintain with ERCOT over time. That's kind of like initial maintenance credit versus the variable. And that went from a backward-looking metric to a forward-looking metric. So it used to be when you walked in in the morning you actually knew 9/10 of what that would be because it was on settlement basis. And this year they switched it towards a forward-looking basis and you actually can walk in one day and the [ICE] might be trading at twice what it was yesterday and your collateral posting is due upon that time.

We don't like that risk. We surely could handle it, but we don't like that volatility. So we -- 1 of our -- 2 of our suppliers up here actually came up with a structure whereby we were able to buy physical from them, sell it our ERCOT and then sell financial back which basically created an index position, but eliminated collateral requirements on our part, moved it to their balance sheet, which is far larger than ours and it was a win-win situation.

So those are the types of transaction we have extremely unique with respect to our relationship and we have the ability to shop it around and say, listen, price A, price B, no last words from these guys. So the embedded gross margin sits in the middle if the purchase is from the suppliers versus the sales to our customers. Yes, the way I like to think of it is, A-rated balance sheet and massive diversification, so, 1.7 million customers; 4.2 million RCEs; and in several markets primarily in the U.K., Canada, and the U.S.

I would like to stop and acknowledge that we do recognize that the enterprise value shrank over the last year. But we believe the core business remained strong. Maybe if you throw the remote at the screen, it will change. Very frustrating. So this is our current issue for me. We did this same exact thing in our -- with our employees. We did a practice run of this and I was unable to use the clicker. So apparently I have a clicker deficiency. So this is our trailing 12 months and total gross adds for quarter. And as you can see, this inflection point that's happening here, if I was to show you net adds you'd see the exact same thing. And there's 2 things going on here. One is, during the last several years I was actually the president of our commercial division before I had this job. We were consciously firing large commercial customers that we really just didn't have the ability to serve profitably.

And while it was always very tempting to sign these customers because they are marquee names and you can go home and tell the wife and kids you signed XYZ big company. We remained disciplined and we had a lot of negative adds from our commercial business over the last couple of years. We believe that's behind us now and Brent Moore who's sitting right there, Brent, if you want to raise your hand, is coming in behind me to run that business; fantastic guy, 10x better sales guy than me, I come from back office and operations, I was brought in more to deal with the pricing issues and make sure that we signed the right profitable business, get the operations going.

Now with Brent's leadership that business has been turbocharged and I think, Brent, what you're up 50% over last year as Pat mentioned, which is an incredible statistic in a market that's super competitive. But second and probably the most transformational item we have is going from the

door-to-door markets into these other more forward-thinking channels. And I think Morgan did a great job of describing why it matters where you engage the customer.

We see several things. One is that the customers tend to be larger in size. Second, the customers are more likely to buy value-added products and services, so. Anyways, moving on, I don't know if I actually did that, but it happened this time, so there you go. Remain focused on our customers, and I mean this literally. I don't know if you guys saw in the trade show, but we've got a device called [CallMiner] that actually listens to calls and of course the first thing everybody does is go try and listen for all the dirty words that people are saying on the calls and who said this word and what were they meaning, which is actually great feedback because when someone gets to a point where they're using that type of language on a call they're probably not very happy. And there's probably an issue and that person, as James had talked about, is going to be a detractor when we survey them for our Net Promoter Score. So that's very important information.

The relationship with the customer is our largest asset. The relationship with the customer is derived through the customer contract with us, which is our embedded gross margin which is the \$2.2 billion I brought up before. And listening to our customers and understanding their needs, acting in accordance with their desires is critical to our success. I want to give you an example of the deal from the commercial business, that's what I'm the most familiar with. We had a customer who had sustainability needs, it was into -- the customer, large [turbo tax] and used to be quick and now mint, they had sustainability needs, but their facility wasn't large enough that they wanted to have a full off-take agreement from a wind farm.

We actually were able to go to a wholesale provider and get a piece of that wind farm. And what the deal is, it's called [Direct Green]. It's basically you're ensuring that the consumption of the customer equals the PPA volume from the wind farm. And the first thing everybody says is, well, you can't make the electrons go to their facility, physics doesn't work that way. And we agree, but what they can say is there is a direct support of the PPA for that wind facility from and to it that they can specifically recognize and say this is our contribution to local jobs, this is our contribution to a cleaner environment in my neighborhood, not some Texas wind rack that I bought that I don't even know where it's coming from. And based on that relationship and what we worked with, with the customer, they came and did the same thing in Texas and we actually signed the Plano deal, I think actually Brent signed the Plano deal, not me, but he signed that deal this last quarter maybe I think it was.

Further, they love Brent so much because they were tired of me for sure that now they're going downstream and actually wanting to sell this to their customers and vendors, so they're going to turbo tax customers and saying, hey, you of course could not participate individually in a Direct Green deal, but participate through us, we can just keep adding megawatts to this PPA and we're going to sell that downstream.

So that's the way we like to engage our customers, and the reason I bring that up I can't talk about as much as I would love to talk about as the leader of the commercial business because I loved that job when I had it, it does matter to me as CFO, that's for sure, and increase margins. Obviously that's critical, quality matters. Anybody can make -- anybody can sign customers in retail, we see it all the time, customers -- or sorry other competitors who are below your price on a constant basis taking deals and then 6 months later they're showing up at your doorstep or the bank, guess what, we're for sale. And a lot of times we say, yes, we've kind of figured you would be for sale. And guess what, your books were 0 or negative. And sometimes they just go away, sometimes they will relinquish their book. And sometimes they live to fight another day and try to do better.

But we've seen -- as you can see we've seen expanded gross margins over the last several quarters and in the short run there's a few drivers, in the long run there's a few drivers. In the short run, as Amir mentioned when he showed his massive chart of risk in ERCOT which still can't believe that's why he made the cut because it's like this is a scary business. But I think the way he described is perfectly, it is a scary business and that's why only certain people should participate and those people need to be experts in hedging.

But there has been increased volatility in ERCOT and we see that the competition has decreased which has led to increased commercial sales and increased residential sales. Then there was also the collateral issue I was talking about which also is limiting the amount of competitors, but the other item which Pat talked about is we are committed, the new leadership team and especially the people with the mindset from outside of energy where I've lived with -- I lived within the (inaudible) for many, many years, I didn't have customers, I had counterparties. I didn't think about the customer as my asset and that's just what happens when you come up through a wholesale power.

A commitment to understand the customer price elasticity and optimize our margins to maximize our return to shareholders. So as we're engaging the customer as I described that Brent's done so well and now Morgan gets the customer in the right environment is able to latch on to him and



getting those customers who want to stay with us because they feel like we're a better company than the others. We expect margins to continue to expand. Our goal is to have the margins for the consumer -- customers at \$300 per RCE in the near future and we expect to achieve that through the increase in the quality and quantity of products per customer engagement and customer segmentation.

So what's all this mean? It means we expect to get more out of this asset than ever before. We are going to pull every lever we can to maximize shareholder returns, expand margins, increase customer account. So I want to talk for a second about how this actually shows up in our financial statements. And I think Nelson had made the comment earlier this week of like our back-ended can you get, which I had to laugh a little when I read that, but I wanted to help you guys understand that when we sign the customer, we're not on mark-to-market basis, we don't recognize all the income on day 1 like we would have been in trading which is my background.

We've got the committed book which is depicted in blue here which is basically the customers we have today. Those were priced at whatever pricing they were. Profitable deals, but you don't get the full benefit of margin expansion on those deals. The yellow piece is the growth wedge. This is the new deals, new and renewal deals that we're going to sign in the future. This was actually taken at the budget time because you can see the growth wedge goes all the way back to April. And so you're saying, well, how are you doing on that yellow piece because you're pretty long way for long and we're doing very well.

And the interesting thing is we're doing well volumetrically, but from a price standpoint we've had several price increases and have yet to really have a lot of resistance on gaining sales. And I think it's largely attributable to the quality of the sales channels and the increase in the customers we are trying to sell to. And then the final piece on the top is the variable which is we don't really sell, so when you hear variable and you hear retail, if you know enough of our retail, you're going to go, uh, don't know about that because bad behavior has happened in those markets. People go out with variable rates, they're super low and then they jack the price up at the end and say got you. That's not our strategy.

These are variable customers who have been acquired almost 99% on fixed price contracts and they've flowed to a variable contract because they failed to renew. So this is on them, not on us and we want them to renew. We want to be on term contracts because we like to hedge in accordance with term contracts. I always kind of analogize this to when you go have a rental car and you're running late to get back to the airport and you know that you're going to end up having to pay \$9 a gallon for gas, but you just go there anyway and you go, well, that's the price. Hertz doesn't want to be in the business of gasoline, so when you bring it back, they're going to charge you a whole bunch of money.

The variable rates are very high profit customers and it's for several reasons. One is they've rolled the post-term. They're not under contract, they can leave us at any time, so there's a premium for that. And that's the final piece of the wedge, that's a very highly profitable piece. We see a lot of customers come in and out of that, but almost all of them like I said are coming from a term contract where they signed under a fixed price.

So the other piece I wanted to talk about is the value-added products and services. We expect, as James said, to have value-added products and services as a 10% contribution to EBITDA this year. Again that's kind of in the latter half of the year. A lot of the first part of the year has been reinvestment in Edge Power, reinvestment in the LED company. So as we look forward, we're -- oops, sorry about that. As Pat said earlier, value-added products have a higher perceived value than our standard product. And we're very excited about having Dan MacDonald on and his Home Water Company and the leadership we think he'll bring and that entrepreneurial spirit.

One thing that was very attractive about Dan's business for me from a CFO standpoint is his subscription-based approach to acquiring customers provides for stable recurring revenues. Like I said I come from trading and the only revenues you had then were the deals you closed that day all subject to market risk. Retail is better, right, because you have customers and you have long-term arrangements where you have recurring revenues, but you still have weather risk and other things which are mitigated, as Amir said, but this is like Netflix, right, I mean this is you put the asset in the customer's house, you have the ongoing relationship with them and you just keep churning cash as long as they stay as the customer.

And with our plan to engage the customer the way we want to, we expect them to stay for a very long time. We actually are piloting the same arrangement with Ecobee. Currently our Ecobee is just a point of sale wherein we sell you an Ecobee, you got an Ecobee. That's good, but I think what's better is to sell a subscription on the Ecobee to the customer and likely to embed a call op -- now I'm putting on my wholesale ad again -- embed a call option in the Ecobee where I'm able to use demand side management from the customer to get Texas power during summer months

when prices are \$3,000. The customer is not going to perceive that value to be that much. Consolation over there is going to perceive that to be a whole bunch and that arbitrage is worth something to me.

So moving to a subscription-based model, getting our asset in the customer's house, having arrangement with the customer that says, hey, we're going to give you this much credit for giving us the right to call your energy, and by the way if it's uncomfortable, you can go over and override it. But we think most people won't. And take a probabilistic view on what that call option is worth. So you see there's kind of on purpose here, there's not numbers, right, because we're not fully set on what exactly the percentages are going to be. But as you could see, there's an increase in percentage of EBITDA that's coming from these more stable subscription-based revenues.

Now every CFO's favorite topic cost containment being the whip. When Pat and I started back at the beginning of the year and we were doing the budget for the year, we said we are committed to reduce income -- I can't believe I said that -- reduce G&A -- not reduce income. That would be the wrong thing. We put those plans in place and James and others were key in the -- actually James drove a lot of the efforts himself, and we were the beneficiaries of that. Whenever you do these things, there is upfront cost that we're going to kind of take the place of the savings and then you actually start getting the savings as time goes on. The classic example would be severance cost with employees that actually increase the expense in the short run, but then you get the massive benefit that goes on forever. So we expect to see these materialize in the third quarter and to have a annual run-rate at \$20 million.

These take 3 forms. One is an overhaul of our IT. As Pat mentioned before, we have a lot of patched-in systems. I think we have 8 total billing systems across the company. We have 8 groups of people who sit and do that billing. We've got IT people who support all the different billing platforms and Sam Mavalwalla -- Sam, are you here? I was going to point to Sam. I was just trying to recognize all the other EC members we have here. Sam has been a leader and he's driving that process and he's already accounted for \$7 million of savings from the balance of the year through infrastructure changes, moving things to the cloud, automation and elimination of redundant systems. So thank you for that, Sam.

Secondly, headcount rationalization. Just being very careful that we don't have -- we see shadow organizations a lot. And that -- again, this was a big part of IT where the actual functional group was not serving the business unit and they then created their own IT group who was doing their sequel searches or whatever the case may be, trying to make sure all that goes away and everything's working out as it should be.

And then the third is the structural changes and that comes in 2 forms. One is just consolidation of back office operations. I personally have undertaken effort right now to consolidate (inaudible) into one global group. And secondly, the India first-party BPO which is -- I have to be honest, was very skeptical about, I've never used anything like that in my career. It's fantastic. We -- it's our employees sitting in India and we train them up on the work and it's -- the time zone thing works so well, because if there's things you need, the end of the day you hand it off, and then in the morning it's ready. And the quality works fantastic. Employees are extremely engaged there. Like I said, it's not third party, it's first party. They're our employees. They're Just Energy employees. We go there and visit them. And the biggest request we hear from those people is we want to come see you. We want to come to Houston and work here directly, and we think that's fantastic because of the type of things that they're learning when they do that are fantastic.

Just got a few more things here. On August 23rd we reaffirmed our guidance for the year, which is then prompted in our -- now which I mentioned earlier. We're focused on the core operations. We're very focused on the North America Residential and U.K. Residential business. Those are -- well, I love the commercial business. Like I said, I was part of it for a long time, but the biggest profits come from the residential business. And it is worth noting that a disproportional amount of our P&L is coming from the third and fourth quarters of the year and that's just a function of ERCOT being -- sorry, Texas being very expensive for the summer. And then also the backend nature of the pricing increases we've had, which I showed you all earlier.

So we will deliver. And I'd be quoting Pat when I say the strategy remains the same, however the speed and resolve to which we get there needs to improve. And a lot of you I'm sure is saying, listen, we've heard this story before that the energy company is going to be something different than what it is. And it's my job to make sure those numbers show up and you have something to actually look at and hang your head on. So operational excellence; enhanced commodity products like the one I described with Intuit; value-add products and services, which you can see all around here; optimized channel strategies which Morgan went through in detail; targeted geographic expansion which could include regulated markets or will include regulated markets, we're in them now with Dan's business; and then best-in-class customer service.

This is those things that I just mentioned which are stair steps are the screensaver of every JE employee -- whoever had the idea, was fantastic idea. Every time your screen saves, it's our strategy on your screen, so every employee think about the strategy every day and all of us in the leadership group are mapping our goals of our employees to those.

So what's all this mean? Final slide of the day, so appreciate your patience and you guys staying here for the whole thing. Customer growth, as previously mentioned we're at inflection point on what the customer growth is going to be. We expected 10% increase in customers annually. However, that being said, we will never sacrifice our minimum margin threshold to achieve those goals. Second, value-added products and services, I think we covered that in considerable detail. Expect that to grow as a percentage of our business, but also to drive us to \$300 target for residential customers' margin per RCE. Cost savings I just went through, expect 10% annual -- sorry, \$20 million annual run-rate. All this results in EBITDA growth of 10% CAGR on year-on-year basis which will equate over \$300 million of base EBITDA in 5 years.

So thank you guys very much, appreciate your attention. Want to turn it back to Pat for final comments, and appreciate you coming out today.

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Thank you Jim. I appreciate it and personal thanks to all the presenters. You guys did a great job explaining what this is all about and what it's all for. I'm going to wrap up really quick and get to Q&A for you.

Couple of points though that are really important to me. Summarizing the day, we're talking about a very strong core business, and I'm going to give you some facts, okay? This is not an opinion. This is a fact. We're calculating forward gross margin at \$2.2 billion. If we stop running this business today and ran off that book, cost you about \$200 million of residual commissions; will cost you about \$200 million of admin to bill and answer the phone and trade the daily positions; cost you about \$450 million of tax and you'd be left with CAD 1.45 billion. Our enterprise value is not that high, okay? That's running off today's book, doing nothing else. Just facts.

Core business is strong. It's worth something. I don't know why the market values us the way they do, but you understand my opinion on that. We're improving it. It's about to get better, okay? This is the ultimate focus of this business. Let's drive value creation through forward earnings. We calculate embedded gross margin. We take customer price and we subtract our cost. Yes, there's volatility we're managing, that's a key element to experiencing that. But we feel good about our ability -- and frankly, that insurance wrap product really puts the last layer of security to ensure that the volatility we saw in fiscal '18 does not happen on a go forward basis. That's one of the most important imperatives for me as a new CEO, get the volatility out of this thing, experience the real value that's there.

Number 2, lot of opportunities for growth. We heard products, we heard channels, we heard geography. You saw some meat on the bone, happy to talk more about it. But we are still focused on that big core business because that is our lifeblood. And we see all kinds of exciting things to do around that as long as they don't steal from our ability to deliver the core.

And then lastly the financial results and opportunity here is exciting. We're fired up about what can happen for this company as we go forward and we start to experience these financial results, and looking forward to riding that journey with everybody in the room, shareholders and analysts, and showing them what a well-run energy company that's growing beyond its core can actually be because we view that as multiple unlocking once those value-added products become a big enough core of profit that you start to ask yourself, should we be traded the way Enercare was just traded or should we be traded the way a retail energy provider is traded, and we want to make that a hard discussion for everybody as we go forward. And then if we're not extracting that value, we'll think about how we manage this thing, divestiture, spin-offs, et cetera. But we are entirely trying to create a consumer company at a higher multiple.

At this point, I'm going to ask the presenters to hop back up here. We're going to transition quickly into Q&A. There's a microphone that Mike Cummings is going to be passing around. Can we get a microphone up here as well? Beautiful. And I'm going to act as a bit of an MC up here, then pass the microphone to the team as the relevant questions come on. Thank you, gentlemen. Nelson, first question.

QUESTIONS AND ANSWERS

Nelson Ng - RBC Capital Markets, LLC, Research Division - Analyst

On the water filtration business then, could you just talk about how -- like what is the current sales channel you're using to I guess get the product to customer? And you talked about how you could use Just Energy's existing sales channel. So just -- can you just address what you're currently doing versus what could be the possibilities? And also where -- like, is it -- like, how competitive is the market because you talked about the gross margin of \$200 million to \$250 million per year? And have you seen any upward or downward pressure or any trend over the last 8 years since you started the business?

Daniel MacDonald

Yes, so for the first part which was the channel, so I did say that we are in a single channel and I alluded to the fact that our growth has been on a single product, single channel and for 6 of the 8 years it's been in a single market, Ontario. We've got 25,000 customers in Ontario. The penetration rate is less than 1% relative to the total number of homes. So again we're primarily using -- and we've primarily done door-to-door, that's sort of the bread and butter, which I think complements what JE is doing really well because they're predominantly -- if you look at their ads, what they talked about today, the multi-channel approach, we haven't even begun to tap in that. When you look at our kind of products, it's a touch and feel. It's a little more visceral than most products because you can -- you actually have touch-points consistently as I spoke to when you fulfill the product and the customers feel that value. So we're able to capture higher margin. In terms of -- and I think again it will complement a lot of the retail channels where they're in stores as a captive audience and you can actually look and feel the product. So -- and then in terms of -- your second question was along the lines of margin suppression -- compression. So what I would say is that we are a fairly unique water filter operation. If you look at us -- if you look at a lot of the companies out there, there's a lot of fragmentation associated with franchising. There's some merging happening now with Culligan's brands, but there's a lot of legacy systems. There's very few companies that hold all 3 value chains as I would say, which is product creation, which is kind of the -- our partnership with our manufacturers; customer origination, which is entirely organic; and ongoing fulfillment. We actually own all 3 of those value chains and because of that we're able to offer quite a competitive product. If you look in the marketplace, we are best-in-class in price for the most part. Now, I think, we can -- before I came to Just Energy, I required higher IRRs. We're smaller business. But I think there is a lot of opportunity to potentially reduce the price and the net effect will be much more customer -- like far more customers being acquired. And then the last thing is that a lot of the Culligan's brands, they're typically more rural than they are urban and our demographics is far more urban than it is rural. Just the nature of our marketing channels.

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

So 2 things here. It's one of the big advantages of Just Energy. So when we find earlier stage companies that have really gone to market through 1 channel, we're talking about national footprints when you think about Sam's Club, you think about RE/MAX or international footprints in Morgan's example. So that's a great leverage point for something that's ready to be scaled in a mass market way. So I think when Dan's business looks at us, he says, boy, if I could harness that -- those national brands that are ready to go in markets that are regulated and unregulated -- deregulate, that's a great thing. Regarding pricing, it depends on the customer, right? We're going listen to the customer. If the perceived value is there, we're going to raise the price, okay? That's literally the change in how we're going to market. We're putting our organization through value selling training right now. This is probably a first of its kind in our industry. We're bringing the experts from outside of energy who have sold things at massive premiums because of perceived value to train commodity people how to value sell. So the goal for us is margin expansion, raise prices as long as the market will bear it. The market won't bear it, we'll make a different decision. As Dan said, if there's more accretive absolute margin by coming in a unique price point because it's compressed margin and competitive, we'll do that. But there's a lot that goes into those decisions. Next question, Carter.

Carter William Driscoll - B. Riley FBR, Inc., Research Division - VP & Equity Analyst

Yes, couple of questions. First, in terms of the value-added products, how do you think about the opportunity set for your existing customer-base and the up sell versus the kind of migration to different channels and maybe targeting different customer segment? And how you think about the attach rate to those 2 different customer buckets? And then maybe the margin -- I know you don't want to put numbers on it going forward, but maybe the incremental margin either between or -- and a mixed base between those 2 customer sets?



Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

Yes, good question. It's definitely a different game. A new customer doesn't know versus existing. Let me turn the mic over to James Pickren, Chief Operating Officer, who's really working on the existing customer and the new product footprint. But it is a different animal, those 2.

James Pickren - Just Energy Group Inc. - COO

So today the vast majority is all with existing customers and we believe that that's where the fastest growth is for us. That's a very warm lead. Our attach rates are high, we're able to convert them with quite a bit of success in a fairly low cost to acquire. We do much of it through our internal outbound call center. So on the new space, I think that's yet to come. I believe we're going to have to think more about that and see where that goes. We don't do much of that today.

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

Yes, I think it's interesting because you heard Morgan talk about these partnerships, these channel synergies that we can bring, and it does start with your partner there. Your partner there has to understand their customer and what they'll pull through. Sometimes we can help educate them on that based on surveys or results we've had. But the thing we control directly is our own customers. And giving our customers a value proposition that we can deliver in a direct way is the easiest path. But obviously you quickly get to a higher penetration levels than you would if you're addressing the non-customer potential market. We are very optimistic that retail kiosks would be a place to go with water filters pretty quickly.

Carter William Driscoll - B. Riley FBR, Inc., Research Division - VP & Equity Analyst

And just second question, shifting gears. The insurance wrap seems to be an important product for reducing cash flow volatility, which obviously experienced a lot from weather-related events recently. Can you talk about where you stand in that process? Maybe put some quantitative numbers around the impact, what you think it's going to be able to shield? But you're also giving up some potential upside. Is that insurance wrap in your long term -- your 5-year forecast in terms of what your expectations are for margin enhancement? And then how competitive is that marketplace? I mean is it very discrete one-to-one relationship that you're negotiating with the reinsurance?

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

Sure. I'm going to let Amir address some of the details. The short answer to your question is, we will have that closed this month. We're very confident it's getting closed this month. This is a first of its kind instrument in the energy industry. So there's no market for it. The beautiful thing of what we're negotiating is a multiyear deal. Right now it's pegged at 44 months. So the answer to your question is, yes, for the first 2/3s of that 60-month period we have that assumed in. We also assume we can renew it. It's beneficial to both parties, but we can transfer a bit of risk in it.

Amir Andani - Just Energy Group Inc. - Chief Risk Officer

Going through some of the details of the insurance program, we shared earlier it's a \$50 million per year coverage program. It's a multiyear program with capacity escalating to up to \$250 million with ability to renew thereafter as Pat mentioned. The cost of it we have included in our forecast is \$10 million per year over the -- and it's baked into the embedded margin and the enterprise forecast as well.

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

An important point on the \$10 million is if we don't use it, we get almost half -- we get \$4 million or \$6 million refunded back -- \$6 million refunded back.



Amir Andani - Just Energy Group Inc. - Chief Risk Officer

Yes, we get \$6 million refunded back.

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

So it only costs us \$4 million if nothing happens to us. If something happens to us, then we use the next \$6 million to cover it. So obviously it's got to be a big event to actually put a claim in.

Unidentified Analyst

So just continuing on that topic of risk management, you also mentioned passing that cost down to the customer, how has that affected your attrition historically if you have passed down the cost?

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

Yes, so I think that the short answer to this question is we have raised the level of hedging we have done significantly in fiscal '19 versus prior years, and we are recording all-time lows in attrition right now. So we don't see an impact of having to price that through. In fact, we're pricing that and quite a bit of margin expansion. Now there's no question -- this is a period in the energy sector where volatility came into ERCOT and it bounced out a lot of the little guys who were not behaving responsibly with pricing. So we definitely have pricing power right now. Now the key is take as much of that pricing power that you can leverage, ensure the customer believes in your value and then hold it as long as you can. Eventually the little guys will come back into the market. They'll create havoc. But right now there is volatility. Forward pricing is remaining high. We love volatility because it keeps people out. We can manage it better than others. And in fact you could find yourself in a position where you can buy discounted books when they fail to manage that risk.

Unidentified Analyst

So on that point of pricing, is pricing being driven by lack of competition? Or is it driven by the value-added products and services that...

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

So because we haven't raised the price in 5 years, we can't pinpoint the actual cause and effect of why our customers taking price increases and not attriting. We recognize that our value proposition is greatly superior to what it was 5 years ago, compelling loyalty rewards, brand promise, service levels that are off the charts and options to do more with us. We're winning awards like most trusted brand. So the customers are speaking that this is because we're better. Now having said that, we recognize there's a macroeconomic environment that's positive for us. We raised variable month-to-month pricing from \$0.129 to \$0.209. We're still in the middle of where the market is. We didn't price ourselves out of the market. We just kept up with the market for the first time. So my instinct is it's at least majority. We're doing better by our customers. We never leveraged the great things we did in the past couple of years with them. They valued us and we end-priced for it. But there's no question this is a good time we're raising price in our markets.

Unidentified Analyst

To continue on this topic I guess, so you guys are expecting a fairly back end loaded year given the events in ERCOT and elsewhere over the summer? Given all of the changes you've implemented to your hedging program and insurance program, what kind of a weather event should we be on the lookout for that could potentially derail that forecast for you?

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

See, I don't see one now. It's the interesting part. 2 years -- well, think about the last 2 years. We got hit with a couple events that were meaningful to our bottom line. So Q2 last year we did not have mild weather hedges in place in the northern markets in the summertime. Why not? Because they cost millions of dollars and we've never seen moderate volatility in those markets. The tropical storms and the hurricane patterns pushed mild weather to the north. We saw it and it cost us \$20-plus million to normal weather conditions, \$30-ish million year-on-year, if you remember the math in that period. We are now hedging mild weather in all markets. So we are now investing the dollars. It's baked within the guidance. One of the reasons I think the analyst community -- I know your guidance is a little bit light for what we know is going on. That's because the cost of summer ERCOT is higher this year than previous years -- the previous last 7. And we've added structural hedging costs which we are passing on, the pricing that what's happened in Q1 and Q2 and you get the step up in margin in Q3 when those ERCOT costs come back down because you're out of the high volatile summer months, okay? And you get the pricing that's layering on every contract that you're renewing. The second issue that got to us was the January freeze event. So if you remember we reported I think it was \$11 million or \$12 million deterioration in profit in our Q4 and that was due to the fact that we had Texas freeze for 5 days, you had a commercial load profile which normally would look like a normal distribution. It imploded, nobody went to work, nobody used energy in their commercial premise. And the residential load, because everybody stayed home, went into like a super peak type of mode. Who would hedge for extreme weather which is driven by air conditioning in January, right? That's something that you say I don't really need to hedge for that because it doesn't get hot in January, it gets hot in August and September, just to say it simply. That's where the insurance wrap covers that event, okay? That's the type of thing that with an insurance wrap in place we can actually go out and say, okay, can I come up with ways to break our hedging design? Sure. It's a monthly and a seasonal settlement. What if you have daily volatility up and down and a normalized -- on a monthly basis, you don't get settled with your reinsurance provider. So that's why the insurance wrap is interesting to us. There's always scenarios or one of a 1,000 year weather events that can come our way and that's where we just said enough of this volatility, let's offload it to a third party who'll take it.

Unidentified Analyst

One more?

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

One more? Yes.

Unidentified Analyst

One more from me. And shifting gears to your value-add products and all the new areas you're branching into, I guess a couple of angles I'd like to explore. First where is the -- what do you see is your competitive advantage there being -- I'm assuming you're one of the partners with any of those firms, right? So what's your value proposition? How are you going to make money on that on a simple resale? And secondly, is there a scope of types of products that you could define for us? So you've got water, you've got smart thermostats. Is there something where you wouldn't go? Like, what's the scope of expertise or where would you be comfortable staying those kind of products?

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Sure. I'll start the answer and then pass it to a member of the team that wants to help out. So the way we're thinking about where to go and how to deliver value, it starts with who we are and what we can do. If you think about utilities, so think about water, electricity, gas, managing risk, structuring products, aggregating customers, serving customers, delivering unique adjacent things, we feel we're in the best position to do. This idea of rounding up energy management solutions and creating let's say a module that you can plug and play within a smart connected home, that idea is not new. That's been discussed in our industry for 20-plus years. So the idea is not a value. The execution and pulling that off and being in a position to do that is a whole different animal, and that's where the difficulty comes. When we look at (technical difficulty) -- can we R&D water filters? No. Can we manufacture and fulfill? No, don't have those capabilities. Is that beyond what we want to get into? Pretty much. However, can



we acquire customers, can we serve customers, can we deliver something of compelling value? Can we listen to our customers who are saying I want to have this? Yes, yes, yes, yes. We found a company that doesn't have a heavy R&D or manufacturing footprint, a company that's low CapEx, like our business model and a company that has a cost advantage and a product that's as good as anything out there. That's where we say, okay, we can control that, so let's acquire it and it's not going to break our high return on invested capital business model. If that wasn't for sale, then we would go down the path of thinking should we partner with it and then what value do we bring to an earlier stage company like a Skydrop, like an Ecobee. We're very attractive because of our multiple channels and 1.7 million customer-base. So we bring something that's easy to leverage, and that's really what we get into. Now we recognized we're not going to get into the integration space of smart connected home. We're not competitive there. We don't want to compete with Amazon, Vivint, Google. We recognize though that could Amazon bring energy efficiency products to this market and create a time-based pricing arbitrage value or create a demand response value, they could. Could they do it as well as we can with our knowledge and understanding of making markets in energy? Absolutely not. We can deliver much more value to our customers. We don't think Amazon's going to ever want to come into the space of volatile commodity and volumetric markets. So it's important for us to carve out that space now, show the world that we're best-in-class to deliver those solutions and then make sure that we're the first person they think of when it comes to partnership. It's not just Just Energy gets to choose, right? We've got to prove ourselves the most worthy to get pulled through by the bigger brands. If you want to add anything to that, Morgan?

Morgan Smith - Just Energy Group Inc. - Chief Sales Officer

Yes, I think the only thing that I would add is our distribution channel is little bit different than our competitive set. In that when Pat goes to the U.K. and plays Clash of Clans, for example, on his on his phone or Candy Crush or some other video game --

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

Don't like that.

Morgan Smith - Just Energy Group Inc. - Chief Sales Officer

-- something like that. So we actually have a channel that if you sign up for our service, we give you virtual currency that you can use inside that game. That didn't exist a year ago. Our retail distribution network -- the brick-and-mortars that we are representing our brands in today are represented really by one product. And as we begin to add those products, because we're a trusted advisor to the individual products that they stopped for, it gives us an exponentially larger group of customers to showcase those products and service to. We don't necessarily see our competitive set doing that. They're still going door-to-door. They're still selling a single product. In some cases they might add a Nest as a bundle or they might add a Google Home in a television ad. But the traditional channels where you're face-to-face having that customer interaction gives us that competitive advantage and that's what we've spent the last 2 years building out.

James Pickren - Just Energy Group Inc. - COO

In the near term, it's just simple as we have 40%, 45% of the calls coming in the call center are either making payment plans or complaining about their bill. So we're able to sell them conservation devices, they want it, they want it right there. We're able to put it on the bill -- in the bill so they get one billed amount, and we're able to essentially finance it over the term. So that's tremendous value for them and that's where we're getting a lot of short-term gain right now.

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

And I think it's an interesting comment to reflect on for a second. So it's obvious to see if you're experiencing a high summer bill and you call us why an Ecobee is going to make sense to you. The question is can you then translate that dialogue over to conservation and water and open up a water filtration discussion. That's going to be an interesting experiment that we go through in the short term. And that's going to test how far adjacently can we go into the utility space, where it's not going to impact your electricity bill, but it could do something else for you. So the question

is do our customers trust us enough? Do our customers like us enough? And will they perceive that value and take it? And we'll obviously be reporting out on that in earnest as we go forward.

Unidentified Analyst

Yes, couple of questions. The first one is on your growth targets. I kind of find it interesting that the 10% was for both the customers. And in EBITDA, I would think the EBITDA could go a bit higher given operating leverage, value-add products. Maybe just help reconcile those 2 things, and the challenges to get to 10% of the customer growth versus hitting 10% on the EBITDA growth?

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Yes, I think you're right. I think what we were trying to say there is, we see a lot of growth addition opportunity. But you're right, if we're dropping 10% on the bottom line, we ought to be dropping more than 10% on gross margin. With scale, we ought to be dropping more through SG&A. And you've heard the product mix going towards more profitable value-added products. There's no question we expect more than that. It's credibility thing at this point. I can tell you what I think this number should be in 2 years and you'd laugh me off the stage. But I see the contracts. I see what we're signing every day. I know that my margin in August and July was up over \$100 versus a year ago. So as we start to experience that, get the markets credibility, we'll show you what we think the true bottom line can be. But I don't think the problem is on the top line. I think it's conservatism on the bottom line at this point.

Unidentified Analyst

Okay, thanks for that color. And next on the gross margins, you guys provided targets for the residential and the commercial. Just wondering which one you think is harder to get to? And when you think about that -- the split between sort of value add products and maybe customer segmentation as well as top line growth, how you guys get to those gross margin?

James Pickren - *Just Energy Group Inc. - COO*

So if I had to pick, I'd say the commercial is harder. It is a more savvy buyer. They're going to be more conscious of price. That being said, the opportunities of value-added products are immaterial. And because they're more savvy buyers, and because they care more about the cost, they actually are more likely in some cases to participate in that. On the residential side, as a buyer and probably an awful buyer of products, I'm looking for something I have to worry about. And I think if we get the right engagement with our customers there -- and the right customers. Not necessarily, as Pat alluded to earlier, the guy who is going to Costco to buy 100 rolls of toilet paper, so he can save \$0.10 on each one. That's not our ideal customer. I think he will be -- so if I had to choose, I'd say it seems like the residential will be easier to get there. And the opportunities with -- now with the acquisition of the Filter Group, we really have a foothold in the value-added products as well. But I'm not counting commercial out, one because I love the business. But secondly, because the value-added products is -- when I was doing it, was a real hook and it was a great way to get customers engaged on the commodity and a great way to make higher margins.

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

I think a little bit more color too, on resi we've signed the contracts, we already have it. We just haven't seen it roll through yet, because we're signing new contracts on a 3-year average basis. So when a renewal comes up you're getting a 1/3 in year one, a 1/3 in year 2, a 1/3 in year 3 if all things are equal. So the risk to residential is attrition. Okay. Have we gone too far with pricing? Are we going to push customers away? And time will tell, but I can tell you in the first 2 quarters, we haven't seen that. First quarter, I didn't tell you much about it, because I was still worried about attrition. Now we're getting into the big bill months. You heard James say that biggest bills ever -- biggest billing month ever was in August for Texas. That's the risk for resi, but we don't see it right now. So if things stay as they are today, \$300 million is there. The \$100 million is going to have to come from non-commodity add-ons. And we think with acquisitions like Edge Power and Intell EnerCare, we've got the footprint to do that. We have new relationships with partners like SaveMoneyCutCarbon who are in the room, where we think we can expand commercial



value-added products even further. SaveMoneyCutCarbon actually supplies our loyalty awards program in the U.K. for us today. We think we can grow that relationship and do more with it to achieve and derisk the path to a \$100 million.

Unidentified Analyst

It might be early days for this question, but given the retail channel is now your biggest, do you have any comments on sort of the profile or the quality of the customers coming in via that channel relative to door-to-doors, some of the old?

Morgan Smith - *Just Energy Group Inc. - Chief Sales Officer*

Yes. So that -- let's take that 17,000 number for a moment. Directionally correct, 7,800 of those came from Sam's. The Sam's customer profile, we think the tenure is probably 6 to 9 months longer when we look at that comparatively speaking to -- and it of course depends on the term comparatively speaking to a La Michoacana or one of the smaller end grocers that are signing up for smaller terms. It's really important to note that we've migrated away from 12 month terms in those stores and are selling 2, 3, 4 and soon to be 5 year terms inside those store fronts. The economic demographic of a Sam's and an H-E-B has a much higher credit score. And then so we expect that customer to be of higher value, then we see in some of the lower portfolio of brands. When we look at our funnel and where we're going, it's the Best Buys, the Targets, the Costcos of the world -- people that pay a membership fee to belong to that store. And our solution is, sign up for us and when your renewal comes up, we'll pay your renewal fee. Sam's is happy, the customer is happy. We bill that end of the kilowatt hour price and it becomes a much stickier customer.

Unidentified Analyst

Maybe a second one for me. You talked a little bit about the U.K., curious about any other geographic expansion plans. And I guess you had a bit of foray into Ireland and Germany, but we didn't hear much of an update.

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Yes, Ireland actually has gone quite well, because we're leveraging the U.K. back office and it's -- for us it's adding the channel bit to the Irish market. We expect to breakeven in Ireland this year, which is about a year ahead of schedule. So that's good news. It's not a huge market though, so it's not going to pop as a big material item to overall JE enterprise. Germany and Japan are slower growth markets as we've mentioned before. Japan's not fully opened up yet. Retail was deregulated, wholesale wasn't. There's not enough wholesale liquidity yet. So the little bit of business we're doing in Japan is bilateral deals with suppliers and small commercial accounts. But practicing that, being there matters, so that when that market fully opens up, we have a chance with it. Germany isn't such an interesting market, because the majority of the bill is feed-in tariff subsidies from the power, solar and wind deployments. So if you go in there and want to compete on a commodity basis, you're addressing the minority of the bill. So the thought process is energy efficiency, conservation should be monetized better in Germany than other markets. And we're trying to crack that code right now, wondering if the German marketplace is ready for it, wondering if we've got the capability to do it. But, again, I don't expect much in the next couple of years there. The real geographic opportunity for us was a slide that was mentioned earlier with the 8x the addressable market in North America. So what we're saying there is, if you take the deregulated markets that we play in and you take the proportions of those markets that have switched, meaning they've left the default utility, we're saying that's all we can address. We can't address the people that rolled over to ConEd and stay with ConEd. But we can address the people that understand they have choice and have made a decision to choose. So if we then bring products in that aren't regulated or quasi-regulated by energy, think water filters, we can address the folks that have never switched in deregulated markets and the entirety of the regulated marketplace. That's 8x the addressable market to what we serve today. So that is the geographic expansion priority and focus for us, because this is our backyard. We have compelling consumer products. We believe we have value props that resonate and we are really focused on North America.

Unidentified Analyst

Can you share with us the gross margin per RCE and attrition rate assumptions that you guys are using to come up with embedded gross value?

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Yes. So the new embedded gross margin calculation is an update for the pricing actions and the churn that we are seeing today. So it is subject to change. We update this calculation from time-to-time, never more than once a year or once every 2 years, because we want to see the recurring effects. We've now seen the marketplace step-up pricing. We are within that band of market pricing. We have not priced ourselves above what the market is pricing themselves at. So I think that's an important thing. We haven't seen attrition happen. We've been at this now since the beginning of the fiscal year. We didn't change anything after Q1, even though we knew that \$1.97 billion was probably \$2.1 billion. We have made the change now, because we continue to take pricing action. The attrition continues to stay in check and we have some conservatism in those assumptions already in the embedded gross margin cal. So our expectation -- and by the way, you heard one earlier today, we've got \$75 million of run up value in the water filter business we just bought. We only booked \$30 million-\$35 million in the embedded gross margin calculation. So we cut it off at the end of 5 years. Okay, so there is conservatism built in what we say that forward earnings number is, because we have an agreement with our suppliers how to calculate it so we respect that methodology. But there is no stretch in there. If you saw the market change tomorrow and everybody lower their price that will have an impact on us. As people renew or as we get new accounts, we will have to start rolling in lower margins and you will see that. But what you are hearing from our strategy is, we are not as price dependent as we used to be 5 years ago. We now have compelling value where we are disconnecting that invisible price based mindset with how this company is doing more for me and I appreciate and I do not want to let it go. You can see the feedback we get from people who checkout at Energy Earth, and we probably ought to make this public and put some of these survey results out. The little feedback box when you checkout which says, "Do you want to leave feedback, yes or no?" It's not a formal survey. We get comments in there like, "You are the greatest energy company of all-time. I am going to tell my family and friends." We have comments in there that, "I am proud to be associated with you, because you are doing the right thing for the environment with energy efficiency and water conservation." So whatever that thing is I am describing right there, which to me is the hearts and minds of your customer, that's valuable. And you can hold pricing power, and it is a funny thing, because people who have spent their lives in energy do not get it. You can price perceived value if you understand what your value is and you clearly demonstrate it to your customers, we are just learning how to do that.

Unidentified Analyst

Right. And second question on this front. I mean, when it comes to customer pricing it seems like energy retailers are using forward curves whereas utilities are more backward looking, trying to get back their costs. It's a pretty interesting dynamic. So I am wondering how does that -- when we look at the market right now, the U.S. market, and lets us takeout Texas as a different market altogether. Where are the energy retailers right now in terms of cost competitiveness relative to utilities?

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

All right, I have a little trouble hearing cost competitiveness amongst suppliers -- retail suppliers.

James Pickren - *Just Energy Group Inc. - COO*

No, I think with respect to ERCOT or Texas as we say, we see less competition if that's what you are asking. In the Northeast, you still have a lot of large number of people haven't switched. You are competing against headroom a lot of times with the utility. In the U.K., U.K. is more like Texas, so you are competing against -- and you are billing the customer. You are actually interacting with them directly. The one place we have seen a considerable advantages is in Canada, a lot of people pulled out of Canada. And we are in every province, we are in Ontario, which is challenged due to regulatory side for residential. It's still growing conservatively on the commercial side. We are in Saskatchewan, we are in Manitoba. We have Alberta business, a considerable amount of commercial business in Alberta. So we try to play wherever we have the biggest advantage.

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Texas is an interesting one. You heard that 2 weeks ago we set an all-time record for 10,000 sales in Texas plus Georgia and California. We did that after significantly raising price for the last 2 quarters. So why is that important? Texas is the most aware market. Customers in Texas do not have a



default utility. They are forced to choose the online switching sites or as publicized and known as any market we serve. We have heard this from investors or creditors in the past, "I really don't care about how you compete in these quasi regulated markets which have a lot of awareness to them. The truly open markets where competition is the most fierce, like Texas, show me if you are growing, show me if you are competitive, show me if you deserve to exist. And that is something I am proud of. Despite the volatility in Texas, which always gives us a lot of cost because we got to manage that, we are growing at higher pricing in that market. And that tells you something about our abilities, but also what competition is doing right now. And there is no question -- the little guys have been shook out. We had several calls come in the last 2 quarters when collateral calls went up for ERCOT in the summer, people do not want to post that collateral. So imagine a little mom and pop, they've been distributing profit out of their business. They don't have a personal guarantee and the thing, they can turn it over. Or they just say to wholesale supplier or to the PUC I am done, take this thing, that's happening. So that's one of the reasons that we are experiencing this unique time in the marketplace. But the other thing is to act on it, secure sustainable revenues and profits and hold those.

Unidentified Analyst

Just a couple of questions for me. So with the focus for value-added product being in North America, when, if at all, would you expect to perhaps serve all the markets in the -- say, in the U.K. and Ireland markets specifically versus not in Germany. And the second one, with Nevada potentially opening up, deregulating the markets, I mean the vote I think is in November. Would you expect to go in there and would you expect to go with just -- if you are to go with just a commodity product with a whole package of value add?

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

First question was about value-added products in Europe?

Unidentified Analyst

In U.K.

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

In U.K., right, sure. So, look, the strategy is the same and the efforts are probably consistent in the U.K. versus North America in terms of bringing value-added products. Our U.K. leadership is doing a nice job building out a roadmap for both residential and commercial partnerships. Again, SaveMoneyCutCarbon who is in the room, is part of that U.K. approach. So I feel like they are right behind, if not on the same pace as we are. Sorry, your second question.

Unidentified Analyst

Nevada.

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Nevada. So Dan's business sells in Nevada, and we are quite aware of that November vote. In fact, quite hopeful. Many of our partners -- that Morgan partners with are sitting in Nevada praying that deregulation happens and actively talking to us about it.

Morgan Smith - *Just Energy Group Inc. - Chief Sales Officer*

But I believe the November vote -- if it's a yes, still puts us 2 years out -- 2 to 3 years out from being able to sell deregulated market products, 1. 2, on the U.K., we actually have a (black belt) project that we initiated about a year ago that said, what does the U.K. and Ireland, European value-added

products requirement and need and service look like. Let's not make the assumption that the U.S. -- what people want in the U.S. want in the U.K. We made the assumption long ago that people wanted something electronic and cool, we were completely off base when we got the market research back. And so we pivoted. We have products and services, we actually are in concert and deep conversations with Amazon right now to launch something in the U.K. that will add on to our commodity products, services as well. And so I think we are full speed ahead in there in the U.K. and in Ireland.

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Yes, and I think it is important to know that, while it might sound simplified when I talk about that we have one survey from our customer that tells us what to do we do it by region, we do it by product, we do it by channels, because preferences vary wildly. And if you sit from a management position and decide more about the market and the product then your customers do, they're going to end up in a bad place.

Daniel MacDonald

So our beachhead for United States was Nevada actually, that's our first market that we opened up. And so we've got a very decent growth curve there. Our current marketing team there has experience in selling energy as well. So we are going to be here for a while and we are going to continue to grow that market. And so as we grow that market, we are going to increase our presence, so that even if it is in 2 years -- we are going to grow for more than 2 years, we are going to have good footprint there. And as I spoke to my presentation it will provide a springboard to those non-regulated markets that are coming up. And so, again, as we grow our customer base, it will actually just give us a head start once we get in there so we can start cross selling immediately.

Unidentified Analyst

So just thinking about the, you talked about the number of products per customer that you have right now just under 2 products per customer and you are targeting to move to 4 products per customer. Can you give us a sense for what the profitability looks like for 2 products a customer versus 4 products a customer? And if you were to hit the 4 product target, does that get you to the \$300 -- the margin level of \$300 per RCE?

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Yes, so we think we're getting to the margin level of \$300 per RCE with the pricing we're already taking. So we don't need it to get there. The ultimate question, if you start to bundle 3, 4 more products is, do you hold gross margins and drop through the one plus one plus one plus one over that lower cost of acquisition or to give some of that up to the customer. And again, it really depends on competition -- whether you have any competition. So if we're one of the few that can get out there and bring a more bundled energy management solution, we probably will try to hold margin on each component and drop it through on one sales acquisition cost versus 4 if you were to sell 4 things to 4 customers. But the market will tell us that and the customers will tell us that, once we get to that point. Today, we're seeing these attachments sales for Ecobee as the cost is very little, because we're paying a small commission. I think single digit percentage of a normal commodity commission to these folks. Think about Dan's door-to-door channel, that's one most expensive ways to sell. When we start to bring that product at similar margins, assuming the customer accepts that price at lower sales costs, we get a great return on investment step up. So I think the market will tell us. We don't know the answer to that. Does that mean \$300 goes to \$400 and beyond? Unclear, until we really start to integrate and get traction with the bundling. The way we like to do it is pilot it on its own at first to know that the value proposition stands on its own, right? If you have too many things helping, let's say, less compelling value propositions. You may be missing the fact that the customer is telling you, you're offering me a component here that has less value. And then, you're ripe for disruption from a competitor. So want to prove these things on a standalone basis and then think about smart ways to bring them together.

Unidentified Analyst

One just a follow up question, so looking at your product suite right now, do you think you can get to 4 products per customer or do you need to go out and look for additional products that you can offer to customers?

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Yes, when we think about products today, we think about commodities delivered through the grid as one. If you can green it up, which we do 40% at a time, JustGreen as a second. If we can add an Ecobee or water filter on, that's where we're drawing the product lines. To get to 4, you probably need a couple more things, because we're talking 4 an average across every residential customer. Yes, so I think about it as probably need a couple more to achieve the 4. We're definitely looking at that survey list by market, determining where to go next.

Unidentified Analyst

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I have a few questions. But first can you talk -- a follow up to the earlier one. Can talk a little bit more about the customer acquisition cost from the retail channel versus the door-to-door channel, just kind of how they're comparing in maybe little bit more detail there?

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

So door to door and retail are similar, they both have close to a couple hundred dollars of upfront acquisition costs. Most of that is paid up front, like door-to-door, so it does have a cash out, the door element to it. But happens to be some of our richest profit sales. So we're generally seeing less than a year payback for that up front direct selling costs, sometimes in commissions, sometimes in gift cards with Sam's Club et cetera. Those 2 are most expensive channels. Now, I hesitate to think too much about margin per RCE or customer acquisition cost, because we've had examples where we could bring in an aggregated switching site bid a business at half the normal margin, but at a 1/3 the normal cost of acquisition. So the return on invested capital of what I just described, albeit a very low margin, is superior to the normal business. So we really do look at product and channel decisions on a unique return on invested capital basis. We've hired new resources, a new organization, to ensure that we're doing that in a very formal smart way as well. We don't get too hung up on trying to optimize gross margin or trying to minimize customer acquisition costs. We're really looking at the relationship between the 2, trying to ensure that our shareholders get the biggest returns they can.

Unidentified Analyst

Thank you, that's helpful. In ERCOT, you earlier were talking about how of the some of the little guys have been shaken out by this volatile summer. As you think about the competitive landscape right now do you have any appetite for acquiring entire books or you mostly looking at expanding your shares through your traditional sales channels?

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Yes. I'd give you a history as the best way to answer that question. So we've seen retail books trade between 5x and 6x earnings for the past few years, before the volatility and we've stayed out of market. You haven't seen us buying any pure retail books. But you've seen us buy things that promote this value-added product, health and wellbeing now, but, utility conservation before that. So we clearly have a keen appetite to expand the product, so the services we can bring our customers, number 1. But number 2, when real volatility happens on a real-time, real-life basis, which we haven't quite seen yet in ERCOT and maybe we won't. But if that happens, that's when you could see a real shake up, and you could see companies trade less than 3x EBITDA. That's when our attention is going to pick up and that's when we would say, "Okay, we got some new money we announced this morning. We've got an element of that. Let's set aside for growth capital for inorganic moves and we'd be thinking hard about that if we saw multiples fall that far. At today's multiples and the recent history multiple, probably avoiding it.



Morgan Smith - Just Energy Group Inc. - Chief Sales Officer

I just wanted to -- that's actually, kind of, chicken and the egg thing here. Our actual initial interaction with the SIGUARD was around acquisitions. We originally, gone to them for capital on acquisition where you think about doing. We can't just turn it around. We liked the guys so much -- and by the way I'd like to recognize National Bank, who's here, who helped us with that transaction and HSBC who worked with us on the Reg S tender offer as well. Very -- we instantly liked working with the SIGUARD guys, and there's some other investors as well that Pat may allude to later. But so we got it turned it around and said, "Listen, let's take out the Eurobond. We want to take it as a term maturity. We're going to do it orderly fashion. But we put into it dollars that can be drawn immediately for M&A or for organic growth either or. So we're definitely keen on doing that. I agree with Pat that -- 2 things, one is, we'd really like to diversify out of ERCOT more and we see most the opportunities in ERCOT. We haven't quite seen a lower -- we've seen some of the lower distressed books, they've been very small. So even though we've acted on, we haven't really noticed the difference. But we've seen some larger ones come too. I know there was a large book that went a couple weeks ago that you guys would have noticed that was from a foreign investor in Texas (technical Difficulty] -- decide they strategically didn't want to be in ERCOT anymore. So we expect to see more of it. But you could have the same thing come out Northeast Gas, right? I mean, you could have a non New York zone 6 trading at \$25 or whatever the case or New York zone, whatever the case may be or at \$100. We do have the same type of volatility there. There's lots of opportunities. So we're -- yes, we're very excited about that.

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

So patient on retail book acquisition...

Unidentified Analyst

All right, that makes sense. Thank you. And then I guess last question for me. Just you've spoken a lot about the attrition not really changing as you've introduced these price hikes and I just wanted, is there any way of quantifying exactly that in terms of both attrition on your existing customers? And then also, has there been any perceptible difference in your rate of new customer additions in the markets that have seen price increases?

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

Yes. So -- I mean we're -- of course, we're reporting attrition in failed to renew. So if you think about churn you put the 2 of those together. We've been reporting historic lows. Now attrition does have seasonality to it. So if you're talking electricity, you get the bigger bill in the summer. You're going to see normal attrition go up during those periods, so we need to compare year-on-year or seasonally adjust to understand what we're looking at. You can't just take raw attrition numbers. And the best we can tell right now is, we've had no material deterioration in churn that worries us. We would actually take some churn and risk eating my words on a 200,000 net adds this year, if I'm growing price on the remaining 90% of the book, right? So there is definitely a financial trade off there. The good news is we haven't gotten the gun to our heads yet to have to make that decision, which I'm encouraged about. With regards to new sales, we're setting records for new sales right now. 80% up year-on-year, 10,000 to sell. I don't see that being an issue for us right now.

Morgan Smith - Just Energy Group Inc. - Chief Sales Officer

Pat, just last week we had the largest retail sales week that we've had historically since we launched 14 months ago in addition to what you've already said about Texas.

Unidentified Analyst

I'm not seeing what the recurring revenue component to the additional products, water I see that, but not in the Ecobees et cetera, what is the game plan there.

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

James, you want to answer that?

James Pickren - Just Energy Group Inc. - COO

Certainly do. We're working on that. So at the beginning we wanted to prove we could do this. We wanted to prove that our customers would buy the Ecobees from us and we went to market with a 2 year term product. We since have moved to a 3 year term product. We're looking at a 5 year term and a subscription model where we include other value into the subscription. So that is in the works and I'm expecting that to come out in the next month or so.

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

So think about \$10 to \$15 of monthly revenue for an Ecobee. And if you think about the Ecobee value proposition, one of the reasons it's a bit hard to think about Ecobee is, you can go to your hardware store and buy one for a couple hundred bucks. You can install it yourself or spend a \$100 and install it. The problem with thinking your customers are going to do that is, they get hung up on does the technology really save me money? Is it really worth me going out there and investing my time in it, do I want to pay for it upfront or am I more open to -- I've got my energy provider offering a service for me which is going to save me money. I can justify \$10, \$15 a month, because I'm going to get incremental savings to that on an monthly and annual basis. So we actually believe water filters are even set up better, because that is not as standard a product. It's easy to install as actually an Ecobee is, and that's another part of how we think about where is the real value from the customer perspective, are we really delivering a worthwhile service to them that they can't do themselves.

Daniel MacDonald

Sorry, Pat, don't mind, if I just add one more thing, is that. I think one thing that we didn't talk about is our fulfillment capabilities. We addressed it earlier. One of the 3 core competencies we have is fulfillment. We have trucks on the road. We have installers that can install and I think, we're going to be able cross-sell quite a few Ecobees in our subscription model. And when a installer is at the home, so we will be able to up sell a customer install it on say while he does the filter as well, and we'll be able to bundle those 2 things together and provide -- you kind of tack onto our existing subscription model or in our separate billing platform -- and Skydrop as well.

Unidentified Analyst

My other question is what's the plan to sell into the more green conscious customer as in the blue states or in the say the northeast high income places, is that in the expansion plan?

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

It is. We've really thought about a green led product with conservation attached to it. That does not even need to be thought about as a deregulated market product. It can actually address any market. So we are in the planning stages and early stages of testing. Take green certified, energy conservation, water conservation bundles that really are almost -- think about it as a utility concierge type of approach. Our channel partners that Morgan has developed so aptly are very interested in this idea. So, again, idea -- lot of people have that idea, who's actually pulled it off in a comprehensive way that's where the challenge is on those type of things. But we are working on that.

Morgan Smith - Just Energy Group Inc. - Chief Sales Officer

It's an interesting question because it tends to get posed as a residential problem, but if you go look at the Fortune 500, they have sustainability managers, departments, groups, targets and goals. The products that we have acquired over the course of the last year on the commercial side actually use less of our commodity. They're designed whether it's LED retrofit or energy management services. It's designed to help use less of our commodity and in doing so reach sustainability goals that those companies want. So the cost goes where the Iron Mountains of the world can actually use that products as a way of saying, "Look, we're doing better for the environment by offsetting our carbon footprint, here's how we're doing it." And then allowing customers and employees of that company to do things like TerraPass, which is a great way for us to allow customers or employees of those companies to buy in and offset their own carbon offset footprints.

Unidentified Analyst

Just 2 quick ones. On the retail, can you just talk about penetration of the footprint you're going for and where you are on productivity of your targets? And then just quickly on, if there's any states besides Nevada that could potentially deregulate or there's been any concern -- if you guys have any concerns in states actually going the other way.

Morgan Smith - Just Energy Group Inc. - Chief Sales Officer

Okay, so --

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

Retail footprint.

Morgan Smith - Just Energy Group Inc. - Chief Sales Officer

-- retail footprint looks like this big box, high traffic areas, deregulated markets, in particular where there are dual fuel. And then from there it's -- do they have a demographic that matches someone that is able to buy a multiple of products downstream. And so if you were to look at our funnel, there's probably 300 or 400 different logos in there. Some of that is because we don't want to be just in Best Buy, we want to be in La Michoacana, because we think that targets a niche. We have a solution for it. From a penetration perspective, I don't think we've even scratched the surface. We don't have a lot of competitors that are out knocking on doors right now, trying to get into brick and mortar and retailers. We've developed through our Sam's wholesale a reputation of being able to protect Sam's customers brand, which is super important, provide a compelling and value proposition to the customer and to Sam's and then from a speed to market perspective do what we say we're going to do. The second question in the deregulated markets, I think.

Patrick McCullough - Just Energy Group Inc. - CEO, President & Director

Yes, it's such a long term phenomenon, I think a lot of people worry about it. But as we just heard Nevada votes and then you've got a couple years -- yes we've got Virginia, California where there's rumblings, Arizona where there's rumblings going. We actually think Ontario, which we call the regulated, but might as well be regulated, because we can't even communicate to our customers under regulations there. It's flipping the other way, so they just voted a conservative government in and we actually think they'll be more open to doing business. So we expect Ontario, which most people have left, kind of move back to a normal quasi regulated market versus an almost regulated market. New York is trending poorly, Ohio is trending poorly. What am I missing guys, Massachusetts, which we haven't actively sold in for some time. I mean, if we only cared about where is there deregulated space to go play all of Europe is open, okay, Brazil is open, Australia is open, Singapore -- there's a lot of markets we could go attempt to serve. What we're trying to do here -- and I think you're hearing it loud and clear, we're trying to optimize our core, we're trying to add on some really compelling things. Once that commercial engine is firing on all cylinders then we're going to get really excited to push that into to

new foreign markets. In the meantime, we're not. We're going to focus on the core and we're going to make a lot more money in the short term that way.

Unidentified Analyst

Just one quick, on the retail kiosks -- to productivity compared to your expectations and target where you want to get just sales per day or -- I know the bar is kind of low.

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Yes, we said publicly a while back that we budget and always planned that channel to have one sale per store per day. We're exceeding that dramatically. And you can do the math as you look at what we report in terms of store count and sales. We're not holding the 2 plus amount that we referred to one time publicly because we've expanded now to a very large number, well beyond our publicly stated 700. So what we're doing right now and what I think everybody needs to understand is, we're not trying to go to 2,000 stores, that's not a plan. What we're trying to do is find the richest ROIC mix of 700 to 1,000 stores. And we're going to constantly reevaluate, okay, did we stretch ourselves too thin. We're not making enough here, let's exit that store. And we've got credibility with our partners now, so we're able to make those trades seamlessly. So expect us to stay in the zip code per store we have today, expect us to be well above one sale per store per day and have a great return from that channel.

Morgan Smith - *Just Energy Group Inc. - Chief Sales Officer*

And I think the -- what we would add to that is that, not all stores are the same. And so the kiosks are not permanent fixtures. So a store might want to be in there for a week and then rested for a week and then come back the next week. And so having a linear one store per day for a number of stores on 7 days, we're in Sam's 7 days a week, but most of our other stores were not necessarily in there during the low traffic areas. We want to capitalize when -- as many people are walking through the door as possible and in many cases we're in 3, 4 and 5 sales per day in the stores.

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

But to be helpful, because I know you guys are trying to model this, think 700 plus, think 1.5 to 2 sales per store per day, and you'll be in the right zip code.

Unidentified Analyst

Just thinking about your close to 2 million customer relationships and trying to blue sky all of these opportunities 2, 3, 4 products per customer, I guess before we get carried away, is there a segment of the customer-base that realistically will never take more than say, 1 or 2? Or I'm just thinking about the demographics of the customer. Obviously, a lot of this is geared towards higher income zip codes, whether you're doing the CapEx upfront for yourself or just taking a monthly sort of rental. Just trying to think realistically about...

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Yes, we're still a mass market player. And if you think about some of the sales commercially we do through brokers, those can be very price sensitive discussions. And that customer may already have the capability to do energy efficiency themselves, okay? Now, that's not the norm, but I'm saying that type of customer exists. We've -- we're selling multiyear contracts that range as long as 5 years, so we weren't positioning this type of value 5 years ago. So we have contracts that we took on a purely price competitive basis. So the customer we have today may not be the customer we want in the future. And resi is the same thing, we're mass market, so we're going to sell people who just want commodity and we're going to sell people who want health and wellbeing. We don't think health and wellbeing at 75% of the addressable market. We think it's the minority today despite the great fact that James shared.



James Pickren - *Just Energy Group Inc. - COO*

I think the joint marketing program that we talked to earlier, part of the design that's going to BBVA was we both have this tranche of customers that are a growth Hispanic marketplace in Texas and beyond. Credit score is a little bit lower than what we see in the Sams, for example. They take an enormous amount of money and send it home to Mexico. We found a product solution that makes them loyal to both us, but also to be BBVA. And so we're looking for value-added products and services that we can add at every tranche of our demographic. Probably the most profitable ones will be up in the Sams and in the commercial space -- I'm sorry, water filters.

Daniel MacDonald

And so I think Pat's spot on in terms of the number of people that will take a health and wellness product. But I kind of disagree with your premise that it's a higher end customer who's going to require these things. If you just -- I'm speaking to water, I don't know the specifics of all the other business. But a lot of people are already doing something with their water. They're buying bottled water, they're spending money on it, so it's a displacement issue. It's not like other products. So I don't think it's necessarily true that you have to be higher income earner to get a water filter.

Unidentified Analyst

Just a question from me, it's a bit more on the capital structure and focusing actually on the balance sheet. I mean you've been very levered before -- significantly delevered just about 2x the debt to EBITDA right now, targeting to go below that. I was just wondering if you can talk a little bit about a balance sheet, particularly in the context of the financing that you announced last night?

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Yes, maybe I can start and then turn it over to Jim. So we've been pretty direct on a couple things. We don't want to hold a ton of debt. Our business not -- our business model doesn't require it either as long as we're responsible when it comes to the capital. Having said that, when you're growing upfront commission sales channels aggressively, you do have a working capital need. So it's a short-term working capital need, but you do have a need. So the main reason for the deal we announced with [SIGUARD] LED and we weren't allowed to press release the name of the company that participated with SIGUARD. So we weren't able to put their name in the press release. But it's a West Coast firm that you saw and we're obviously delighted to have PIMCO in this thing. But a great deal for us because it allows us to go attack the Eurobond without having to draw. So when we have people ready to tender the Eurobond, we're sitting there pulling the capital at that point and delivering the resolution, but not paying interest until we take that. So it's not going to be lever up, it's going to be a lever replacement as the timing happens, with the exception of the growth capital component, which will be \$50 million up front with another \$50 million available to us later. Do you want to add?

James Brown - *Just Energy Group Inc. - CFO*

No. I mean that pretty much covers. But I love Pat's subtle points of the investment group there. There was a lot of interesting discussions among negotiations and that was one of the ones that was surprising to us. But we're very excited to have the PIMCO name associated with us and it's technicality that we didn't press release...

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

They have a corporate policy against press release in their name, PIMCO.



James Brown - *Just Energy Group Inc. - CFO*

But with respect to your question, the thought here is that the \$50 million that initially is drawn comes right against credit facility for the growth and other acquisitions we made in the past, which we didn't borrow anything against. The Eurobond is a tender offer and we offer that one-on-one, which we thought was -- should be compelling to the investors. Of course, as soon as you walk across and start talking to these guys about that they think it's the greatest piece of paper in the world. But we're offering a one-on-one as the press release says. And as the tender we draw from SIGUARD, so there is no incremental debt that basically is debt for debt replacement as they tender and we can do that for many months. We can go out to technically July, 30 July.

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Yes, we should say, we have the right to take the thing back at face in July.

James Brown - *Just Energy Group Inc. - CFO*

Yes.

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

So we'll give incentive to get out now or wait, yes.

James Brown - *Just Energy Group Inc. - CFO*

Yes. And then the -- just as I alluded to before, the additional \$50 million is dry powder for -- we can very quickly now do an acquisition that's small or provide leverage to a larger acquisition, so.

Patrick McCullough - *Just Energy Group Inc. - CEO, President & Director*

Other questions? Going one. Well, thank everyone for coming here in the first place, investing the time, the participation, the intelligent questions. We greatly appreciate the support and the investment and excited to be reporting to you in the future about our success based on this plan. Thank you very much.

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