

# Good Energy Group PLC ("Good Energy" or "the Company") Annual General Meeting Statement & Trading Update

John Maltby, Chairman of Good Energy, and Juliet Davenport, Chief Executive Officer, will give the following update on Good Energy at the Company's Annual General Meeting, to be held at 12pm today at Chippenham Town Hall, High Street, Chippenham, SN15 3ER:

## Market Overview – Power to the People

Energy, or rather the consumption and control of it, is shifting. It is not simply about the proliferation of new energy suppliers and tariffs; it is about the way we use and generate energy in our own homes and businesses. This means that the energy market is changing. More suppliers and more choice, but with a fundamental shift at its core, decentralisation.

Decentralised energy flips the axis of power, as households and businesses begin to generate, store, manage and sell energy rather than simply consume it. People are increasingly energy aware. Solar panels are more affordable. SMART (Self-Monitoring Analysis and Reporting Technology) innovations are allowing homes and businesses to track and manage consumption. Newsworthy price hikes, and a proliferation of price comparison sites and switching services, mean more than ever they're paying more attention to their bills too. There is an environmental and ethical awakening happening across society, with greater awareness of personal and corporate environmental footprints.

A key driver of this change is rapidly advancing and accessible technology:

- Smartphones with on-tap data and increasingly sophisticated apps: 96% of future generations, 16-24 year olds, in the UK own a smart phone.
- SMART metering is allowing households and businesses to track and manage energy consumption. Moreover, the Government has called on all energy suppliers to install SMART meters in 53m British homes by 2020<sup>1</sup>.
- In our experience, domestic solar panels are becoming the norm on a significant number of new build housing projects and are increasingly easy to retrofit to older houses. Since 1990, the cost per watt of solar panels has dropped 90%<sup>2</sup>; better technology, cheaper production and larger market all driving costs down.
- Battery performance, stability, efficiency, capacity and cost continues to improve at a rapid rate, giving households and businesses new storage and energy management potential. EV battery prices have fallen 79% since 2010<sup>3</sup>.

The balance is shifting. Old world to new generation. And Good Energy is at the forefront of that change.

## Good Energy, Good Prospects

Good Energy is well-positioned for this new market. We have spearheaded decentralised energy since 2004 with our forerunner offerings to the Feed in Tariff, Home and Smart generations. Today, we are the UK's third largest supplier in this market.

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<sup>1</sup> Energy UK Report, Summer 2017

<sup>2</sup> Morgan Stanley, 2017

<sup>3</sup> Bloomberg New Energy Finance, 2018

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We are growing through continued investment across multiple channels:

- Technology – Our SMART Programme will use the SMETS2 metering, the most advanced technologies being rolled out, with a setup that will give our home and business customers greater insight and control over their energy use;
- Strategic partnerships – we have developed a platform to accelerate innovation and bring new products and services to market faster for the benefit of our customers – through a range of partnerships in academia and business; and
- People – we have assembled a talented team to achieve these goals; our new Executive team, in-house digital expertise, modernised customer care and marketing leadership will accelerate our ability to deliver on our growth plans.

Our established knowhow and integrity means our customers can be confident that their energy future is in good hands.

### 2017 Highlights

2017 was a transitional year as we began to reshape our business to capture this opportunity for the benefit of our people, customers and shareholders. We still delivered solid financial performance and saw a growth in revenue, customer numbers and gross profit in line with our expectations for the year.

Our business volumes increased by over 46%, as we continued to take market share, and invest in the teams and propositions to deliver in this sector.

We have remained a market frontrunner in decentralised clean energy for over 15 years and have increased our market share to 18% of the FiT market, through improved service and better partnerships, and expect to continue to grow in this sector.

We invested in a new customer billing engine to allow us to unlock the power of SMART metering, key to delivering in this new decentralised market. Its launch was not without glitches, but we learned valuable lessons and now have great confidence in its performance, and our investment for the future.

We continued to release value from the generation assets we developed, selling Newton Downs solar farm for consideration of £5.83m for a pre tax profit of circa £0.75m.

This solid performance has set us up well for 2018.

### 2018 Trading Update

The impact of rising wholesale costs drove our decision to implement a price rise earlier than in prior years and in addition there was an increased benefit from the unseasonably cold winter.

Retail customer numbers have remained stable in the year to date, with churn trends as predicted following our annual price review. Our new billing infrastructure is working as planned, with 99% of customers now billed on time.

The sale of our large-scale solar energy asset remains on track to complete later this year. There was strong uptake for the extension of our original Bond at a lower coupon rate of 4.25%.

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## 2018 Expectations

Profit is expected to be weighted towards the first half of the year, particularly so following the unseasonably cold winter. We will be increasing investment in key growth areas of the business in the second half:

- Sales team – business sector focus, investing in increasing awareness of the brand in the business market and accelerating new customer acquisition
- Digital and developer capability – a new Good Energy app is launching in Q3 2018, that will be the foundation for our SMART customer service
- Retail customer relationship management – investing in modernising our customer experience across our customer base of consumers, prosumers and generators.

Overall we continue to expect 2018 to be a year of financial progress for the group.

## Good Energy Strategy – 2018 and Beyond

The old energy model of production is evolving to a new generation of energy services, with customers and technology driving this change. We believe this is an opportunity to invest further in our proven capability and skill sets, to lead into this new energy world

### Energy Awakening - An Evolving Good Energy Customer

Our target market is broadening, based on our market research. Caring about ethics and the environment is not just for "Eco Warriors".

A growing number of "Eco Worriers" want to be part of a movement to "do the right thing", but in a way that is straightforward and efficient; the customer experience is therefore crucial. A broader proposition using digital technology to deliver simple, straightforward service is the answer.

Beyond ethics and the environment, energy is becoming tangible in the home and in the boardroom too.

Costs are rising; there are myriad suppliers to choose from, and while it is easier than ever to switch, it's more confusing too.

Based on our research, households and businesses want guidance and clarity, as they seek to monitor and manage their energy consumption, and any energy they may have surplus. Good Energy is well-positioned to respond to this changing market. Through investing in a personalised energy planning services approach, we are able to optimise energy usage, with the view to a low-waste power environment.

With this attitude in mind and the opportunity that digital services and SMART technologies are creating, Good Energy believes that its potential addressable market could grow further to be one in five business and retail customers. There will still be a heavy focus on price with some customers in these markets, but an increasing number of customers look beyond prioritise environmental, efficiency and service considerations before price when choosing an energy supplier. This is a market we can grow and compete in profitably.

We currently supply over 70,000 homes and less than 1% of the business market. We believe that the potential market is one in five, who may be interested in Good Energy. Instead of fighting for a big share of a small market, we will

## Good Energy Group PLC ("Good Energy" or "the Company") Annual General Meeting Statement & Trading Update

engage a small share of a bigger market, with technology, service and the fundamental ethics of the company - powering a cleaner, greener world. We are now investing in both technology and people to deliver this vision.

### Technology

Whilst SMART meters are the foundation of this new energy market, it is the data they produce, distilled at the right time, securely, with the required permissions, that provides real customer value.

Data will empower consumers of all types to understand the potential value of investment in new technologies like energy usage control, storage, electric vehicles and renewable energy.

Our clarity of purpose, and the trust customers already place in us to do the right thing mean Good Energy is perfectly placed to help customers navigate, manage and benefit from this new world of connected energy, which we will achieve by investing in three core areas:

- Strategic partnerships – high-profile strategic partnerships, with leading lights in industry, technology and research, to deliver new customer propositions. We are already collaborating with Honda, the Eden Project, Salford University and the London School of Economics.
- Innovation and invention – in-house intellectual property generation to create and build new systems and methodologies, which influences change whilst ensuring that our customers benefit from the derived value.
- New revenue models – evolving to a subscription service model as we facilitate the technology for our customers, shifting reliance away from energy margins in the longer term.

### People

People are key to delivering this change for Good Energy. Reshaping our senior team to provide the right leadership and expertise to help Good Energy to match the change and the challenges in the energy market, to drive both our technology capability and customer experience.

David Ivell joins Good Energy as Chief Technology Officer, effective June 2018.

David was Chief Information Officer at The Prince's Trust, where he was responsible for technology transformation. David also held similar posts at Kew Royal Botanical Gardens, the British Film Institute and Credit Suisse. David's expertise will help to deliver Good Energy's new digital strategy, driving the investment into new technologies and systems to improve our digital products and services, operating systems and the customer experience.

Sarah Morgan joins as Customer Services Director, effective June 2018. Sarah comes to Good Energy from Ovo, where she was Customer Services Director. Before that, Sarah was part of the team that transformed the digital customer experience at ASOS.

Sarah brings her digital and customer expertise to support Good Energy and will focus on delivering a consistently high level of customer service and experience, building long-term engagement and trust.

Paul Tavener joins as Interim Marketing Director, effective May 2018. Paul brings proven experience from the retail sector, most recently in his role as Group Brand Director at WHSmith. Paul led Funky Pigeon's UK launch and was previously Head of Marketing at Sainsbury's, where he delivered the 'Try Something New Today' campaign. Paul brings

## **Good Energy Group PLC ("Good Energy" or "the Company") Annual General Meeting Statement & Trading Update**

his extensive customer marketing experience to develop the Good Energy brand and to develop customer-focused campaigns.

The appointment of these three roles completes the senior leadership appointments and new strategic structure for the executive team at Good Energy.

The Board is also shifting, following the appointment of Tim Jones, Chief Information Officer of moneysupermarket.com to the board as NED in December 2017. We are well progressed in our search for an additional NED with technology and disruptor brand experience and we will provide further updates on this appointment over the summer.

As previously announced, Rick Squires steps down from the Board today. Good Energy thanks Rick for his expertise, insight and support; we wish him the best in his future endeavours

### **Summary**

Following a solid 2017 performance and a strong start to 2018, we continue to reshape Good Energy, reflecting our view of the changing market, the challenges and the opportunities for Good Energy's future. Technology, changing customer behaviours and attitudes, and the people making up the Good Energy team mean we can continue to lead the shift from old energy to new generation.

In closing, I would like to thank all of our people, customers and shareholders for their continuing support of Good Energy through this exciting period of transition. Our next update to the market will be for our interim results in September 2018, for the 6-month period ended 30 June 2018.