Just Energy Reports Second Quarter 2019 Results

November 7, 2018

Base EBITDA growth of 81% year-over-year
Embedded gross margin highest in the Company's history
Base Funds from Operations TTM payout ratio improved to 82%

TORONTO, Nov. 07, 2018 (GLOBE NEWSWIRE) -- Just Energy Group, Inc. (TSX:JE; NYSE:JE), a leading consumer company specializing in electricity and natural gas commodities, energy efficiency solutions, renewable energy options, and water quality and filtration devices, today announced results for its fiscal 2019 second quarter ended September 30, 2018.

Key Highlights:

- Gross margin of $173.3 million for the second quarter increased 22% from the prior year, mainly due to improved pricing power in North America and increased international sales activities.
- Base EBITDA of $37.3 million for the second quarter increased 81% due to the significant improvement in gross margin driven by improved pricing power, offset by higher bad debts and an increase in administrative expenses to support the growth initiatives.
- Embedded gross margin reached a Company record of $2.3 billion increasing $721.2 million or 45% compared to the prior comparable period, as the result of pricing optimization actions during the quarter. The embedded gross margin includes $45.2 million from Filter Group Inc. which was acquired on October 1, 2018.
- Base FFO increased 241% to $26.2 million year-over-year, driven by the significant improvements in Base EBITDA.
- The payout ratio on Base FFO for the second quarter was 85%, compared with 279% in the prior comparable quarter. The payout ratio for the trailing 12 months was 82%, compared with 106% for the trailing 12 months one year ago.
- Administrative expenses increased by $11.7 million, or 25%, to support talent acquisition and retention, investment in process improvements and operational efficiencies and ongoing business acquisition activities. The Company continues its efforts to reduce administrative expenses through greater automation and consolidation of support activities. Selling and marketing expenses decreased $1.8 million, or 3%, for the three months ended September 30, 2018 due to the capitalization of upfront commission expenses and the reduction of non-commission selling expenses as a result of the consolidation of regional sales offices and diversification of sales channels.
- Finance costs of $20.1 million increased by 61% in the second quarter, primarily driven by the premium and fees associated with the partial redemption of the 6.5% convertible bonds, higher collateral related costs associated with Texas electricity markets and interest expense from the increased utilization of the credit facility and higher interest rates.
- Customer count increased 3% to 1.6 million, which includes 27,230 distinct customers from Filter Group Inc.'s water filter subscriptions. Filter Group Inc. has 32,488 home water filtration systems installed throughout Canada and the U.S.
- Total RCEs of 4.2 million improved 2% year-over-year. During the second quarter, gross RCE additions were 290,000 and net RCE additions were a negative 9,000.
- The Company reaffirms its fiscal 2019 Base EBITDA guidance range of $200 million to $220 million, including the implementation of IFRS 15. This represents approximately 10% year-over-year Base EBITDA growth at the midpoint of guidance over an adjusted fiscal 2018 Base EBITDA.

Financial highlights
For the three months ended September 30
(thousands of dollars, except where indicated and per share amounts)

	Fiscal 2019	% increase (decrease)	Fiscal 2018
Sales	**$ 956,843**	**12 %**	$ 851,927
Gross margin	**173,339**	**22 %**	142,663
Administrative expenses	**58,508**	**25 %**	46,806
Selling and marketing expenses	**56,749**	**(3)%**	58,577
Finance costs	**20,123**	**61 %**	12,521
Loss[1]	**(21,450)**	**67 %**	(64,923)
Loss per share available to shareholders - basic and diluted	**(0.16)**		(0.48)
Dividends/distributions	**22,330**	**4 %**	21,468
Base EBITDA[2]	**37,261**	**81 %**	20,548
Base Funds from Operations[2]	**26,223**	**241 %**	7,683
Payout ratio on Base Funds from Operations[2]	**85%**		279%

Financial highlights

For the six months ended September 30

(thousands of dollars, except where indicated and per share amounts)

	Fiscal 2019	% increase (decrease)	Fiscal 2018
Sales	**$ 1,833,300**	**8 %**	$ 1,699,633
Gross margin	**326,871**	**9 %**	300,226
Administrative expenses	**114,190**	**20 %**	95,437
Selling and marketing expenses	**107,292**	**(8)%**	116,653
Finance costs	**36,463**	**49 %**	24,511
Profit (loss) for the period[1]	**(62,873)**	**(242)%**	44,386
Profit (loss) per share available to shareholders - basic	**(0.45)**		0.21
Profit (loss) per share available to shareholders - diluted	**(0.45)**		0.17
Dividends/distributions	**44,592**	**3 %**	43,251
Base EBITDA[2]	**64,541**	**22 %**	53,057
Base FFO[2]	**44,337**	**57 %**	28,191
Payout ratio on Base FFO[2]	**101%**		153%
Embedded gross margin[2]	**2,336,200**	**45 %**	1,615,000
Customer count	**1,633,000**	**3 %**	1,580,000
Total ending RCEs	**4,164,000**	**2 %**	4,087,000
Total gross RCE additions	**619,000**	**12 %**	555,000
Total net RCE additions (reductions)	**1,000**	**NMF [3]**	(124,000)

[1] Profit (loss) includes the impact of unrealized gains (losses), which represents the mark to market of future commodity supply acquired to cover future customer demand. The supply has been sold to customers at fixed prices, minimizing any realizable impact of mark to market gains and losses.

[2] See "Non-IFRS financial measures" in Q2 fiscal 2019's Management's Discussion and Analysis.

[3] Not a meaningful figure

"We are pleased with the second quarter results and our progress toward our fiscal year expectations, as our accomplishments are demonstrating our resolve and commitment to faster execution," said Just Energy's Chief Executive Officer, Patrick McCullough. "The second quarter results exceeded expectations as swift pricing optimization actions successfully expanded to a broader audience and our risk management discipline neutralized the impact of summer weather on supply costs. These actions are also evident in our record-level embedded gross margin on our existing book of business as our core commodity business continues to perform well. We expect to see these actions continue to contribute in the fiscal third and fourth quarters, driving performance beyond historical levels and supporting guidance for the current fiscal year and earnings growth into the future."

Mr. McCullough continued, "Looking ahead, our healthy core business, combined with the expanded offering of value added products and services, will generate significant capital to not only support future dividend payments, but also the pursuit of growth opportunities that support our strategic shift to be a consumer-focused company. While there is still much work to be done, we are beginning to demonstrate our resolve and commitment to faster execution, and we are confident we will build on our current momentum in delivering on our fiscal 2019 expectations while also setting the stage for profitable long-term growth."

Embedded gross margin

Management's estimate of the future embedded gross margin is as follows:

(millions of dollars)

	As at Sept. 30,	As at June 30,	Sept 30 vs. June 30	As at Sept. 30,	2018 vs. 2017

	2018	2018	variance	2017	variance
Future embedded gross margin	**$ 2,336.2**	$ 1,963.6	19%	$ 1,615.0	45%

- Embedded gross margin of reached a Company record of $2.3 billion as at September 30, 2018. The embedded gross margin includes $45.2 million from Filter Group Inc. which was acquired on October 1, 2018.
- Embedded gross margin increased by 19% sequentially, from $2.0 billion to $2.3 billion. The increase was a result of Just Energy's pricing optimization efforts, offset by a negative foreign exchange impact of $27.6 million from the weakening U.S. dollar on the exchange rate assumptions.
- Embedded gross margin increased 45% year-over-year from $1.6 billion to $2.3 billion as the pricing optimization efforts expanded to a broader customer base.

Annual gross margin per RCE

	Q2 Fiscal 2019	**Number of customers**	Q2 Fiscal 2018	Number of customers
Consumer customers added or renewed	**$ 333**	**257,000**	$ 197	285,000
Consumer customers lost	**210**	**174,000**	201	186,000
Commercial customers added or renewed[1]	**96**	**230,000**	88	180,000
Commercial customers lost	**82**	**125,000**	78	112,000

[1] Annual gross margin per RCE excludes margins from IEG and large Commercial and Industrial customers.

- The average gross margin per RCE for the customers added or renewed by the Consumer division was $333/RCE, an increase from $197/RCE in the prior comparable period, primarily reflecting the Company's improved pricing power.
- The average gross margin per RCE for the Commercial customers added or renewed during the quarter was $96/RCE, an increase from $88/RCE in the prior comparable period as the Company continues to focus on adding and renewing small and medium-sized customers and retaining larger margin customers.

Customer Aggregation (RCEs)

	July 1, 2018	Additions	Attrition	Failed to renew	**Sept. 30, 2018**	% increase (decrease)	Sept. 30, 2017	% increase (decrease)
Consumer Energy								
Gas	637,000	30,000	(27,000)	(19,000)	**621,000**	(3)%	627,000	(1)%
Electricity	1,189,000	102,000	(85,000)	(43,000)	**1,163,000**	(2)%	1,168,000	-
Total Consumer RCEs	1,826,000	132,000	(112,000)	(62,000)	**1,784,000**	(2)%	1,795,000	(1)%
Commercial Energy								
Gas	421,000	47,000	(10,000)	(4,000)	**454,000**	8%	337,000	35%
Electricity	1,926,000	111,000	(39,000)	(72,000)	**1,926,000**	-	1,955,000	(1)%
Total Commercial RCEs	2,347,000	158,000	(49,000)	(76,000)	**2,380,000**	1%	2,292,000	4%
Total RCEs	4,173,000	290,000	(161,000)	(138,000)	**4,164,000**	-	4,087,000	2%

- Just Energy's total RCE base increased 2% to 4.2 million RCEs year-over-year.
  - Gross RCE additions for the second quarter of fiscal 2019 were 290,000, a decrease of 6% compared to RCEs added in the second quarter of fiscal 2018.
  - Net additions were negative 9,000 for the second quarter of fiscal 2019, compared with a positive 11,000 net RCE additions in the second quarter of fiscal 2018.
- Consumer gross RCE additions of 132,000 in the second quarter, a decrease of 22% from 169,000 gross RCE additions recorded in the prior comparable quarter. The variance was primarily driven by tougher competition compared to the prior year due to the significant increase in U.K. residential adds from the switching sites last year.
  - The Company's launch of the new retail Consumer sales channel continued to meet expectations during the second quarter. The retail channel added 34,000 new RCEs during the second quarter through retail partnerships across North America, a total of 78,000 new RCEs, the highest growth to date for the six months ended September 30, 2018. Just Energy currently has access to sell products and services in over 700 retail locations.
- Commercial RCE additions of 158,000 in the second quarter increased by 12% over the prior comparable quarter. This growth was primarily driven by an increase in the number of U.S. Commercial electricity RCEs as well as the addition of one large Commercial customer in the U.K. Net RCE additions for the Commercial division improved to 33,000 in the fiscal second quarter from 26,000 reported in the prior year.
- The Company continues to expand and diversify its sales channels. For the three months ended September 30, 2018, 40% of the total Consumer and Commercial RCE additions were generated through commercial brokers, 37% from online and other non-door-to-door sales channels, 13% from retail channels and 10% from door-to-door sales. In the prior comparable quarter, 51% of RCE additions were generated from retail, online and other non-door-to-door sales channels,

33% from commercial brokers, and 16% using door-to-door sales.

- The combined attrition rate was 13% for the trailing 12 months ended September 30, 2018, consistent with the prior comparable 12 months. The Consumer attrition rate decreased three percentage points to 20% while the Commercial attrition rate remained the same as a year ago. The decrease in the Consumer attrition rate is a result of Just Energy's focus on higher margin customers while becoming the customers' "trusted advisor" and providing a variety of energy management solutions to its customer base to drive customer loyalty.
- The renewal rate was 57% for the trailing 12 months, declining four percentage points year-over-year. The Consumer renewal rate decreased by two percentage points to 71%, and the Commercial renewal rate decreased by five percentage points to 47% from the prior year. The decline in the Commercial renewal rate reflected a very competitive market for Commercial renewals with competitors pricing aggressively, and Just Energy's focus on improving retained customers' profitability rather than pursuing low margin growth. Although the renewals have improved over the past six months, the renewal rate is depressed for the trailing 12 months due to lower renewal rates from Q3 and Q4 of fiscal 2018.

Balance Sheet & Liquidity

- Cash and short-term investments decreased from $48.9 million as of March 31, 2018 to $17.2 million as of September 30, 2018. The decrease in cash is primarily attributable to the Company's significant investment in upfront customer acquisition costs and risk management activities.
- Debt increased from $543.5 million as at March 31, 2018 to $661.3 million as at September 30, 2018. This increase is a result of the issuance of the 8.75% loan, offset by the partial redemption of the 6.5% convertible bonds.
- As of September 30, 2018, Just Energy's book value net debt to the trailing 12 month Base EBITDA was 3.5x, higher than the 2.8x reported for March 31, 2018.
- Base FFO for the three months ended September 30, 2018 was $26.2 million, an increase of 241% compared with Base FFO of $7.7 million for the prior comparable quarter. The increase was driven by the significant improvements in EBITDA as a result of the gross margin improvements.
- The payout ratio on Base FFO was 85% for the second quarter, compared to 279% reported in the comparable period in fiscal 2018, primarily resulting from the significant improvements in EBITDA.
- Dividends and distributions for the second quarter were $22.3 million, an increase of 4% from the prior comparable quarter in fiscal 2018.

Outlook

Just Energy is executing a strategic shift from a retail energy provider to a consumer company focused on differentiated value-added products, unparalleled customer satisfaction, and profitable customer growth. Just Energy's strategic transformation from an era of price-based commodities sold through third parties to a future as a more customer-centric consumer company is well underway. Just Energy's unique offering of value added products and services seeks to address its customers' concerns around their family's health and wellbeing, utility conservation and essential energy needs in their homes. To achieve profitability and optimize growth in the remainder of fiscal 2019 and beyond, Just Energy will drive sales, gross margin and customer growth through its retail and other primary channels by aggressively promoting these three product growth categories, while developing additional strategic, alternative channels. Just Energy will also deploy a consistent value-creation product strategy across the consumer business.

Just Energy has undertaken several initiatives in the first half of fiscal 2019 to attract higher margin customers in conjunction with implementing a price optimization strategy company-wide. To further drive profitability, Just Energy has implemented cost cutting initiatives and will continue its efforts to reduce administrative expenses through greater automation and consolidation of support activities. Just Energy expects to see the results of these actions continue to contribute in the fiscal year's third and fourth quarters, driving performance beyond historical levels and supporting guidance for the current fiscal year and earnings growth into the future.

As a result, Management reaffirms its guidance for fiscal 2019 Base EBITDA in the range of $200 million to $220 million. This expectation reflects the implementation of IFRS 15 for the full fiscal year.

Just Energy's balance sheet remains strong and the Company remains fully committed to returning capital to shareholders through dividend distributions. Upon achieving the stated guidance range for fiscal 2019, the Company will achieve a dividend payout ratio of approximately 75% which is well within management's expectations and offers support for the dividend moving forward.

Earnings Call

The Company will host a conference call and live webcast to review the fiscal second quarter results beginning at 10:00 a.m. Eastern Time on November 8th, 2018 followed by a question and answer period. Chief Executive Officer, Patrick McCullough, and Chief Financial Officer, Jim Brown will participate on the call.

Just Energy Conference Call and Webcast

- Thursday, November 8th, 2018
- 10:00 a.m. ET

Those who wish to participate in the conference call may do so by dialing toll-free, 1-877-300-9306 in the U.S. or 1-855-669-9657 in Canada, and ask to be joined into the Just Energy call. The call will also be webcast live over the internet at the following link:

https://www.webcaster4.com/Webcast/Page/1731/27819

An audio rebroadcast will be available starting one hour after the conference concludes and will be available until November 15th, 2018. To access the rebroadcast please dial 1-877-344-7529 and use replay access code 10125190. The webcast will also be archived on the JE investor relations website for one year.

About Just Energy Group Inc.

Founded in Canada in 1997, Just Energy (NYSE:JE, TSX:JE) is a leading consumer company focused on essential needs, including electricity and natural gas commodities; health and well-being, such as water quality and filtration devices; and utility conservation, bringing energy efficient solutions and renewable energy options to consumers. Currently operating in the United States, Canada, the United Kingdom, Germany, Ireland and Japan, Just Energy serves residential and commercial customers. Just Energy is the parent company of Amigo Energy, EdgePower Inc., Filter Group Inc., Green Star Energy, Hudson Energy, Interactive Energy Group, Just Energy Advanced Solutions, Tara Energy, and terrapass.Visit justenergygroup.com to learn more. Also, find us on Facebook and follow us on Twitter.

FORWARD-LOOKING STATEMENTS

Just Energy's press releases may contain forward-looking statements including statements pertaining to customer revenues and margins, customer additions and renewals, customer attrition, customer consumption levels, general and administrative expenses, dividends, distributable cash and treatment under governmental regulatory regimes. These statements are based on current expectations that involve a number of risks and uncertainties which could cause actual results to differ from those anticipated. These risks include but are not limited to levels of customer natural gas and electricity consumption, rates of customer additions and renewals, rates of customer attrition, fluctuations in natural gas and electricity prices, changes in regulatory regimes and decisions by regulatory authorities, competition and dependence on certain suppliers. Additional information on these and other factors that could affect Just Energy's operations, financial results or dividend levels are included in Just Energy's annual information form and other reports on file with Canadian securities regulatory authorities which can be accessed through the SEDAR website at www.sedar.com, on the U.S. Securities Exchange Commission's website at www.sec.gov or through Just Energy's website at www.justenergygroup.com.

NON-IFRS MEASURES

The financial measure such as EBITDA, Base EBITDA, FFO, Base FFO, Base FFO Payout Ratio and Embedded Gross Margindo not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and may not be comparable to similar measures presented by other companies. This financial measure should not be considered as an alternative to, or more meaningful than, net income (loss), cash flow from operating activities and other measures of financial performance as determined in accordance with IFRS, but the Company believes that this measure is useful in providing relative operational profitability of the Company's business. Please refer to "Key Terms" in the Company's management's discussion and analysis of financial condition and results of operations of the Company for the three and nine months ended September 30, 2018 for the Company's definition of "EBITDA" and other none-IFRS measures.

Neither the Toronto Stock Exchange nor the New York Stock Exchange has approved nor disapproved of the information contained herein.

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