Pat McCullough: Thank you, operator. Good morning, everyone, and thank you for joining us for our fiscal 2018 year-end conference call. I'm Pat McCullough, Chief Executive Officer of Just Energy. With me today is our Chief Financial Officer, Jim Brown. Jim and I will discuss the results of the year, as well as our expectations for the future. We will then open the call to questions.

Let me preface the call by telling you that our earnings release, and potentially our answers to your questions, will contain forward-looking financial information. This information may eventually prove to be inaccurate, so please read the disclaimer regarding such information at the bottom of our press release.

Today, we'll offer some perspective on our results, followed by a deeper dive into market trends and Just Energy's strategy. Let me begin by saying both Jim and I are excited to be in our new respective roles and are fortunate to have the support of our board of directors and employees who believe in our strategy and path forward for Just Energy. This is a pivotal time in Just Energy's transformation, and the entire organization is excited about our future.
Fiscal 2018 was an important, albeit challenging, year for Just Energy. On the positive side, we successfully executed the very meaningful growth initiatives discussed throughout the year. We also implemented critical steps along our path towards transforming Just Energy from a pure-play retail energy provider to a consumer-centric company that operates through the entire customer life cycle. We exceeded an aggressive goal in our retail channel expansion strategy, having established a presence in over 500 stores across 18 different retail partners in fiscal '18. Additionally, our positive customer addition trends continue, and we have now achieved five consecutive quarters of gross customer growth in our consumer division and positive net RCE additions in total during each of the past three quarters.

As an organization, we take great pride in the clear improvement with customers and brand loyalty, the momentum we are building as a result of our company’s significant investments and strategic sales growth initiatives throughout the fiscal year, and we're well positioned to build on this progress in fiscal '19 and beyond.

However, working against us during the year was a series of nonrecurring one-time events and unplanned activities. You'll recall some of those events from the first half of our fiscal year, such as the mild summer weather from tropical storms and hurricane patterns, but I also want to walk you through a few rather complex one-time events that occurred in our recent completed fourth quarter.

During the fourth quarter, we incurred charges totaling more than CAD 10 million related to a one-time weather event in January and unplanned severance costs. To clarify, this weather event was driven by deep freeze in Texas, which resulted in abnormal load shape, extreme price volatility and extra unexpected ancillary costs, creating a unique event.

Just Energy is exploring broad-form insurance coverage options that would provide protection against one-time events such as one-in-1,000-year Houston flooding and unusual record-breaking Texas winter freeze patterns, which occurred during fiscal '18, in addition to our present weather structures. The tailored insurance program being considered by Just Energy will complement the existing weather risk management activities and provide long-term earnings stability and predictability. Despite numerous challenges, our planned growth initiatives and the ongoing intense competitive pressures, we were still able to achieve significant profit and cash flow, laying the groundwork for a bright future.

Now, to be clear, we did benefit from an important investment gain that helped us offset the adverse Q4 events; let me add a little color. And I'll refer to -- I'll refer you to the MD&A for more detail. In our past, Just Energy has made investments into our strategic partners, such as ecobee, where we hold an 8% equity interest, and other companies. During the fourth quarter, we were able to recognize those investments in our financials. These investments come with real value and continue to benefit our business and our shareholders moving forward. Other equity positions that the company holds includes equity positions or warrants in Energy Earth, Skydrop, Big Data and FilterEasy, all partners of Just Energy.

A note about our overseas markets. Our geographic expansion efforts remain on track. The U.K. continues to perform exceptionally well, having grown RCEs by 35% during the fiscal year. In
our new markets, Ireland is setting up new customer growth every day and fully expected to contribute to our growth in the short term, and Germany and Japan have recently launched new products under the Just Energy brand. We entered into each of these new markets with very little capital investment, but we continue to provide operating expenditures to support their growth and to seek to maximize the opportunity over time.

As the new CEO of this organization, I want to make a few things very clear about our future. First, we're growing again. Our product channel and geographic expansion strategy has traction, and we're well positioned to deliver sustained growth. We expect solid earnings growth in fiscal 2019, and our customer trends are positive and poised to continue, given our progress on transforming our consumer-focused portfolio of value-added products, including Just Energy Perks, strategic partnerships and an optimized channel strategy.

Second, as I mentioned earlier, we are working very hard on solutions to reduce volatility and improve the transparency of our results, and thus delivering stability to our shareholders. Upon the successful implementation of such solutions, we eliminate future financial risk surrounding any event similar to the tropical storms we experienced in our fiscal Q2 and the January ERCOT event.

In short, Just Energy will become a more conservative organization, resulting in much more stable and predictable results that better allow us to plan for our future of strong growth and performance, and also protect our dividend. We recognize the importance of our dividend to our investors and remain committed to that dividend. Since we experienced some nonrecurring profit pressure in the second and fourth quarters of this year, the trailing 12-month payout ratio has stepped up and will remain elevated until those abnormal quarters roll off next year. With that in mind, we do expect to move back to a more normal trailing 12-month payout ratio once this rolls off the calculation at the end of fiscal '19. We expect that level will be below 80%. Our internal goal as a company is a 75% payout ratio at the end of fiscal '19, with less than 2.5x net debt to EBITDA at the current dividend levels.

Third, Just Energy is in the middle of executing a strategic shift from a retail energy provider to a consumer company. Historically, Just Energy was simply a retail energy provider viewed as offering price-based, push-driven, invisible products to our customers. Often these products were sold through third parties that caused JE to lose the direct interface with the customer.

Looking ahead, we believe in the convergence of the smart connected home, home automation, security, energy and water. We are building a platform to seamlessly integrate energy efficiency, water conservation, renewable storage and commodity products into any integrator of the broader convergence of this suite of products and services. Our strategy is to develop a more profitable offering as value-added products and services where Just Energy owns and controls the customer relationships through the entire customer experience.

The markets are experiencing a groundswell of change and disruption. This presents opportunities for Just Energy as we pursue new forms of technology and innovation, develop new routes to accessing customers and stand prepared to protect our position from existing and new entrants seeking to participate in the rapidly expanding energy retail ecosystem.
Our future as a consumer company centers on a real value creation and value delivery. You will hear us refer often to these two terms, value creation and value delivery. To our company, value creation centers on our ability to bring value-added products and services along with best-in-class customer experience to our customers. For our commercial customers, this includes current and soon-to-be-added energy management solutions such as commodity lighting systems, real-time monitoring, bill audits, HVAC optimization, safety and security and other potential offerings.

On the residential side, these include offerings such as commodity, sustainability, efficiency, water conservation, smart home and wellness products, to name a few key categories that really shape the future of how energy is consumed and managed. We know that when Just Energy creates real value for our customers, they are willing to pay more and stay longer, and this paves the way for our sustained profitability growth.

When we say value delivery, we're talking about an optimized channel strategy. We are currently adding captive broker and direct channels on the commercial side of our business to allow Just Energy greater customer ownership while also allowing us to continue selling into our existing commodity customer base.

On the residential side, we continue to drive sales growth through our primary channels, while also developing additional strategic alternative channels. This includes continued pursuit of our successful retail partnership channel. We continue to believe this is a critical and relatively new growth area for us and demonstrates why we must continue to explore and invest in new sales channels. We anticipate that our focus on speed and resolve in the delivery of our strategy will result in a meaningful contribution to base EBITDA in fiscal '19 and is what paves the way for our sustained profitable growth over many years.

In summary, after you parse through all of the one-time weather-related items, our fiscal 2018 performance was strong, and we are confident we can grow in fiscal '19 and beyond. These are exciting times, but also critical times for Just Energy to execute at our very best, with laser focus and commitment to real change and measurable results for our shareholders.

With that, I would like to turn the call over to Jim Brown, our Chief Financial Officer. Jim?

Jim Brown: Thank you, Pat. Let me begin by saying it's an honor to be part of this management team at such a pivotal, exciting moment in our future. I look forward to getting to meet as many of you as possible.

First, I'll begin with an earnings update on the fourth quarter and full year. Then I'll provide additional color on some key performance metrics, the balance sheet and our outlook for fiscal '19.

Gross margin during the fourth quarter was CAD 170 million, a decrease of 3% from last year. For the year, gross margin of CAD 641 million declined 8%. The gross margin declines reflect the one-time weather-related events, including reduction of consumption arising from
abnormally mild weather in the summer in North America, customer disruptions caused by Hurricane Harvey and higher supply costs due to the brief January deep freeze in Texas. The average gross margin for RCE per customer added and renewed during the quarter by the consumer division was CAD 216 per RCE, an increase from CAD 192 per RCE added in the same period last year. The average gross margin per RCE for commercial customers signed during the quarter was CAD 87 per RCE, a slight decrease from CAD 88 per RCE added in the same period last year.

Looking more closely at gross margin, the results show a very positive story within both divisions, as we are adding and renewing customers and the average gross margin per RCE well in excess of those lost. Additionally, the quarterly aggregation costs per customer continue to improve in both divisions. Management will continue its margin optimization efforts by focusing on ensuring customers added meet profitability targets in fiscal '19.

Turning to expenses. Administrative expenses increased CAD 17 million to CAD 49 million during the quarter and increased 15% to CAD 195 million for the full year. The increase was attributable to strong growth in the U.K. and costs associated with new strategic growth initiatives. In addition, during the fourth quarter of fiscal '18, we incurred unplanned severance costs of approximately CAD 4 million.

Selling and marketing expenses increased 13% to CAD 61 million during the quarter and 3% to CAD 233 million for the full year. These increases were due to planned investment in sales growth initiatives. Financing costs, net of noncash financing charges, improved 6% during the quarter and improved 25% for the year.

All of this resulted in base EBITDA of CAD 68.9 million, a decrease of 8% for the quarter, and base EBITDA of CAD 174.4 million, down 22% for the year.

Again, there were several pieces to this performance in the addition to the tropical weather effects of Quarter 2. First, we had planned investment strategies, sales growth initiatives, channel expansion and diversification efforts throughout the year. We also added very unique issue in higher supply costs during a brief, yet extreme, cold-weather pattern in Texas in January of 2018. This resulted in a CAD-10-million expense during the quarter. The adverse conditions were offset by an investment gain relating to the company's equity investment in ecobee during the quarter.

Now turning to some other key performance metrics for our business and the balance sheet. As discussed earlier, our positive net customer add trend continues. Fourth quarter gross RCE additions of 312,000 improved 37% year-over-year with strong double-digit improvements in both the consumer and commercial businesses. Net RCE additions of positive 49,000 during the quarter improved 74,000 from a negative 25,000 net RCE additions in the same quarter for last year.

The combined attrition rate for Just Energy was 12% for the year, an improvement of 3 percentage points compared to last year, and remain near historical lows for the company. The consumer attrition rate improved 4 percentage points to 20%, and the commercial attrition rate
improved 3 percentage points to 4%. The continued attrition improvement is a direct result of Just Energy's trusted advisor strategy and long-term loyalty programs.

The renewal rate was 55% for the trailing 12 months, a decline of 10 percentage points year-over-year. The decline was driven by a very competitive and aggressive pricing in the commercial markets, combined with consumer renewals being challenged by regulatory changes in Alberta and Ontario, which prohibit the selling of products door to door -- energy products door to door, bans contracting with consumers in their home and disallows the automatic renewal or extension of expiring contracts.

For the full year, base FFO was CAD 91 million, down 28% for the year. The payout ratio of base EBITDA on a trailing 12 months' basis was 95%, up from 60% one year ago. Because we experienced some nonrecurring profits pressure in the second and fourth quarters of the year, the trailing 12-month payout will step up for the abnormal quarters and roll off next year.

Managing our balance sheet remains a top priority. Long-term debt decreased 15% to CAD 422 million at year-end. Book value to net -- book value net debt to the trailing 12 months' base EBITDA was 2.8x higher than the 1.8x reported for March 31, 2017, as a result of lower base EBITDA in the current year.

With that, I'll turn it over to Pat for our fiscal 2019 outlook and final comments.

Pat McCullough: Thanks, Jim. In fiscal 2019, we will continue our focus on the entire customer life cycle built upon the strategic growth initiatives made over the past year, seek to drive sales growth through our primary channels while developing additional strategic alternative channels, and deliver solid earnings growth. As part of our outlook for the business, we remain focused on capital stewardship. We feel our cash generation capabilities are stable and fully support our commitment to the dividend and our needs to grow the business. Over recent years, we've taken swift action to dramatically improve our balance sheet and debt ratios. We are committed to maintaining this discipline while continuing to generate superior returns on our invested capital. We can do this and remain responsible in how we consider our optimal overall capitalization.

As I discussed earlier, we're also committed to taking further actions to remove weather-related volatility from our results. We understand the importance of transparency and stability to our shareholders. Just Energy will become a more conservative organization and deliver on that promise with more stability and predictability in our results.

Importantly, we intend to do all of this while growing our business. In line with all of this, we expect to deliver fiscal '19 full-year base EBITDA in the range of CAD 200 million to CAD 220 million. Please refer to our press release and disclosures within our MD&A for a comparability reconciliation.

We will also continue to monetize some of our strategic investments such as our ecobee investment in the interest of generating additional shareholder value.
Before we go into Q&A, I want to address a couple items. Let me tell you about my style and approach as the CEO of Just Energy. When it comes to daily operations or long-term strategic planning, I stress transparency, performance, accountability and shareholder value creation. In the near term, you will see Just Energy transition emphasis to cash created for the benefit of common shareholders in operating metrics and executive compensation. Creating accretive cash returns for our shareholders is my job #1. You will have noticed after 68 consecutive quarters that our Founder and Executive Chair, Rebecca MacDonald, is not presenting on today’s call. While she is active, leading delivery of shareholder value, she has entrusted this call to the CEO and CFO on a go-forward basis.

With that, I would like to open the call up for questions. Operator?

Question-and-Answer Session

Operator: We will now begin the question-and-answer session.

(Operator Instructions)

And our first question today comes from Nelson Ng with RBC Capital Markets. Please go ahead.

Nelson Ng: Great, thanks. Hey, Pat.

Pat McCullough: Good morning.

Nelson Ng: Quick clarification on the fiscal 2019 guidance. I presume it was positively impacted by the adoption of IFRS 15. I was just wondering, what was that positive impact? And I guess, separately, is it safe to assume that your guidance does not bake in any unrealized investment gains in ’19?

Pat McCullough: Thanks for the question, Nelson. Yes, the first answer to your question, as we reported for fiscal '18, the difference between pre-IFRS-15 upfront commission expense and the amortization of those commission expenses in post-IFRS-15 was the difference between CAD 188 million for fiscal ’18 with post-IFRS-15 treatment and CAD 174 million in pre-IFRS-15. So a difference of CAD 14 million, or what is that, roughly 7% of absolute EBITDA.

Our guidance for fiscal ’19 is CAD 200 million to CAD 220 million off of the basis of CAD 188 million, so that it's an apples-to-apples comparison. That's about 11% year-over-year growth. And while we haven't calculated a guidance the old way, we do have more growth assumed in fiscal '19 than fiscal '18. We're expecting the quarterly run rate of about 50,000 net adds to continue in fiscal '19. So you could assume that CAD 14 million grows a bit, but on an apples-to-apples basis, this was still 10-plus-percent. And you're correct to assume that we're not forecasting any fair value gains on any investments in fiscal '19. If anything like that happens next year, we'll be picking that up as upside the guidance.
Nelson Ng: Okay, thanks. And then just touching on the retail kiosks. I think you ended the quarter with 543. I guess, when do you expect this level – like, when do you start the number to start levelizing off, or do you -- are you still aggressively adding kiosks?

Pat McCullough: Yes, it's a great question, Nelson. We think we have the opportunity to grow stores and kiosks in fiscal '19, but we are starting to get to a level where we will start to switch out the poor-performing stores for the new stores that we can bring on, which means we will be stabilizing at a level in fiscal '19. I think we can get to a couple hundred more stores, but I think you will see us go flat at that point. So I think from a modelling and a projection perspective, to think about us on a 700-, slightly more, store basis and kind of going flat from there, and then really trying to bring more products through that channel and expanding horizontally, will be the strategy with our retail channel.

Nelson Ng: Okay. And then just on, like, modeling it, I think in the past you talked about two customer adds per day per kiosk, but I think in the quarter, was it closer to one customer per day per kiosk?

Pat McCullough: Yes. Within the quarter, you have to recognize that there was a ramping of stores. So, where we hit the end of the quarter well above 500, as you mentioned, we weren't there at the beginning of the quarter. The other thing that's happening is when you launch a new store, there is a learning curve where you're going to start selling at a lower rate and then you can get up to higher rate. We're not going to be able to hold two sales per store per day when we get to the 600-, 700-store level. We're planning something above what we based our financial returns on, which was one sale per store per day and something less than two. We honestly don't have full clarity yet, until we get stabilized and fully launched. It generally takes a couple months per store until you really know what it can do on an ongoing basis.

Nelson Ng: Okay, got it. And just one last question on, I guess, capital structure and capital allocation. So, you mentioned deleveraging. You flagged that the dividend is a priority. How are you planning to use your excess cash flow, it be towards, I guess, growth, debt reduction or -- I think in the past year you've bought back some shares? So, I was wondering whether you can prioritize – tell us how you're prioritizing your free cash flows.

Pat McCullough: Sure. So, when it comes to the free cash flow we expect to create in fiscal '19 with that 75% payout ratio that I projected, we're really focused on the balance sheet, still. We don't expect to be buying many shares back in the short term. We do not expect to be raising the dividend. We like the dividend where it's at. It's very high yield right now, as you know. So, we'll really be focused on building up the balance sheet.

Most importantly, though, we see tremendous volatility in the Texas market right now, and we see some smaller books already running into headwinds with potential liquidity concerns. So in an ideal scenario, we'd be looking at acquiring books at lower cost than our customer acquisition cost on organic growth. So that would be one potential use.

The other potential use would be a continued expansion with products that support our customer- or our consumer-centric vision. So if you think about the moves that we made in the commercial
business in the last 12 months buying EdgePower and Intell Enercare, which were monitoring and controls companies in commercial and LED retrofitting and energy efficiency type of plays, we're looking for those opportunities in both the consumer and the commercial segment to really enhance our product portfolio so we can really bring a suite of valued products and services to our end customers.

Nelson Ng: Okay, thanks. I'll get back in queue.

Pat McCullough: Thanks, Nelson.

Operator: The next question comes from Carter Driscoll with B. Riley. Please go ahead.

Carter Driscoll: Good morning, guys.

Pat McCullough: Good morning, Carter.

Carter Driscoll: So first question, just following up on Nelson's, within the consumer space, I mean, you have a lot of partnerships, or a broad number of smart energy management solutions. Can you maybe elaborate on some of the targeted types of follow-on or additional pockets that you don't have? Just specific types of technologies where you think you'd really make a difference?

Pat McCullough: Sure, yes. It's a great question because it is such a moving target and such a complex range of outcomes here. So we're looking at the integrators, if you think about some of the digital guys. Think Amazon, think Google, think Vivint. We see those guys as being necessary partners as we go forward. We see home service providers, so the people that call on individual residences or small businesses. So think of those national-footprint home-service companies. We see financiers as partners and we see things outside of our core. Think fulfilment, think R&D, think manufacturing. We see all of those areas as partnership strategy.

Other items like energy efficiency, like water conservation, that manage that utility commodity in a conservative or conservation-focused way, those are areas we think that fit our core competencies and we can bring great value. Things like storage that bring time-based pricing arbitrage opportunities to our customers, managing commodity risk and product structures, we see that as our core competencies, and we really want to focus our build-out of products and services around utility management or the utilities that you think of, electricity, gas and water, as our domain. We feel that if we have the best plug-and-play suite of products and services that we will be the go-to company in this space. So, when the Googles, the Amazons, the Vivints want to go into any market, regulated or deregulated, we feel like we'll be the choice if we're best-in-class at that.

Carter Driscoll: So is it fair to assume that you are trying to be almost the gatekeeper, but you'll still be tech-equipment-agnostic and to develop fulfilling partnerships, but again, you want to be the go-to person to manage that customer relationship? Is that a fair characterization?
Pat McCullough: Yes, that is. But we've done a very successful pilot with Vivint, and we're in the process of scaling that nationally right now, and we are -- we're essentially a co-branded solution. Vivint is the marquee as they are selling the fully integrated smart connected home, but Just Energy is the energy management solution. And I think that's the best way to think about it. We want to own the customer when it comes to delivering commodity or arbitrage or efficiency opportunities on the commodity. We want the customer to know that we're delivering that value, but we're happy to sit within somebody else's platform if there's a greater value proposition for the customer. Does that make sense?

Carter Driscoll: Yes. So you talk about -- so obviously you're not forecasting any of the unrealized gains in your fiscal '19 guidance. Can you talk about what that potential could be if you were to monetize, say, the entire portfolio, and not own any interest in any part of the companies?

Pat McCullough: Yes, it's really hard for us to say because we're not actively managing those companies or raising capital for them. What you will know is one thing: Material event happens to the value of our holdings, we'll be reporting it. And then that's what really happened here in the fourth quarter. There was an up-raise of ecobee that many companies participated in, an oversubscription, and that raised the value of the shares that we held, and we had to take that to the books. But I don't expect something in the short term. Ecobee will be probably the highest potential upside for us in the future, but I don't expect that to impact fiscal '19 unless something happens that's out of my purview, but don't have any expectations for anything material in the short term.

Carter Driscoll: Just so I understand correctly, Pat, this was a mark-to-market unrealized gain? You didn't actually reduce your position, did you?

Jim Brown: No, it's a change in the fair value of the existing investment.

Carter Driscoll: So you didn't actually monetize it by selling into that private round?

Pat McCullough: No, we're still holding our shares. We did not sell any shares.

Carter Driscoll: Got it, okay. If -- maybe just a couple of exogenous things: The insurance program that you're pursuing to couple the volatility, can we talk a little bit about what the practical effects are? And then you kind of estimated cost on an ongoing basis. I mean, is this a one-time cash outlay? Is this an ongoing margin share? I'm just trying to get a sense of the practical financial impacts, and then when it'll be implemented, if you're able to do so.

Pat McCullough: Yes. I'm going to talk about volumetric volatility management in a holistic way to answer your specific question, Carter. So, in the past, Just Energy has been very good at a full weather-hedging model. We go much further than our competitors using reinsurance products. So if you think about what the company has done historically, we have bought that off-peak in that peak block. We've bought [inaudible] to match the parabolic low-profile curve, and then we've also gone out with [inaudible] swing products and ultimately weather-related, costless, collared swaps to really handle extremely mild weather. Those instruments are good, but they're
not perfect. So they're seasonal or monthly settlements. They're generally things that can help us in times like polar vortex, but they cannot avoid every challenge that comes our way.

What we're looking at now is two incremental steps to cover the potential leakage that we saw this year. We're really dissatisfied with the fact that we had two earnings blips associated with weather. That's not something we expected, but at the same time, there has never been mild weather this past summer like there was pushed up into the Northeast, where you're getting into markets that you would normally not be hedging mild weather in the summer. Additionally, we're talking about winter freeze in Texas, where normally the volatility worry is in the summer.

So, what we are planning in fiscal '19 is roughly CAD 10 million OpEx investment -- this is already built into our guidance -- to ensure that we can take tens of millions of dollars of incremental risk beyond our weather structures off the board. We're looking at multiple ways to do this that include reinsurance, that include insurance products, and a whole bunch of broad other competitive alternatives. We feel like we'll get something done here in the short term.

And then in addition to that, we're looking at being a bit more aggressive passing through some of the unhedgeable ancillary costs to our customers. We have been very conservative doing that in the past year or two, and to be honest, we've been more conservative than our competition. So, we are not at market when it comes to passing on some of the incremental costs that happen with the items like the [inaudible] cost and ancillary cost that you can't hedge. So our intention is to add the second two layers to our existing structure to ensure that we have coverage that will really be tens of millions of dollars, even pushed closer to CAD 50 million to CAD 100 million, if we get maximum support from that fourth and fifth layer that I described. And that's different than our past. So that's both that insurance idea and the pricing is not activities that we've had in place over, at least, the four years I've been with Just Energy.

Carter Driscoll: All right. So that dovetails into my question about guidance. So do you have a range of net RCE additions that's built into the CAD 200 million to CAD 220 million to reach that?

Pat McCullough: We do, we do. It roughly reflects the fourth quarter net additions run rate on a quarterly basis through fiscal '19. We think we'll be net positive close to a couple hundred thousand net RCEs.

Carter Driscoll: Okay. And just following up, just a clarification, so the CAD 200 million to CAD 220 million for fiscal '19 includes the changed IFRS? So I mean, I guess on an apples-to-apples basis, you're still looking at double digit, but if, I mean, optically it looks like a much bigger gain, but it's at least a 10% gain at the midpoint?

Pat McCullough: Yes, it's not the CAD 174 million to the midpoint CAD 210 million. It's the adjusted CAD 188 million, which we mention in our MD&A, CAD 200 million to CAD 210 million. So if you look at last year's business with amortization of upfront commissions, we would have reported CAD 14 million more earnings than that at CAD 188 million. So the apples-to-apples comparison with the way we're going to report ongoing profit is CAD 188 million to the midpoint of CAD 210 million.
Now that is definitely a more appropriate way to look at the profitability of this business, because in the past, those upfront commissions were expensed Day 1 and not matched to revenue, which is basic accounting principles. So now we're looking at what the true underlying long-term profit or eventual cash-recurring ability of the company is. So I think it's -- it does not impact payout ratio, of course, because that's a cash item, but it does show, we feel, our shareholders what the real underlying profitability of this business looks like.

Carter Driscoll: Right. I mean, it's about increasing transparency that you've been talking about and reducing volatility. Yes, that makes sense. Okay, a couple more from me if I may. So the U.K. spending: Is it -- is the U.K. getting a little more competitive? I mean, you've had very good growth, but are you having to spend a little more on an ongoing basis in that market?

Pat McCullough: In the case of the competitive market, we did see a little bit of margin pressure this past year. A little bit less than we had forecasted, but it obviously did not stunt our growth. We still received very nice uptick in 35% year-over-year growth at very acceptable margins, but we do see some compression there. The U.K. is a very open, very mature, very tough market. We differentiate ourselves with service and value-added product in different product structures. We expect to still be able to get better than North American growth in fiscal '19 in the U.K., but you're right, there is a bit of margin pressure there, at least as we sit here today.

Meanwhile, in North America, the pricing power is coming back to us because of the ERCOT forward pricing on the summer. It's really becoming uncoupled. It's the highest levels we've seen. We've gotten off to a hot May. We're -- but we have full weather hedges in place, protecting us in ERCOT, but we are seeing the ability to price because we have competitors who are not growing and stopping sales right now over concerns of amplifying their position this coming summer.

Carter Driscoll: The size of the books that you think might become available or become attractive and obviously accretive, could you kind of frame a rough idea of either how many you're looking at or just the range of some of the opportunities there?

Pat McCullough: A couple of the little ones that have come across our radar, I don't know if we'll get them done. It's too early to say. But we're seeing 10,000 to 50,000 RCEs. But to be honest, if ERCOT prints the volatility that people are worried about right now, you're going to see everybody's book at risk if they're not hedged, naturally or through weather structures like us.

Carter Driscoll: Yes, definitely a little scary times in Texas right now. The -- and then just, you did not include, obviously, the mark-to-market gain in the base FFO. What would have been, if you had included it? Would that have pushed you back to your target payout range?

Jim Brown: It was close to -- it'd be close to 80% if you took the CAD 20 million in the cash.

Carter Driscoll: Got it. Okay. And then I think you referred to the severance as unplanned, but I mean, I thought the kind of the transition was, it was a planned transition to having you take the reins. Can you just square those two?
Pat McCullough: Yes, so what we are trying to say is, when we contemplated the year in our original guidance, we [inaudible] those executive severance costs. And in fact, there was a point where we thought it may trickle into fiscal '19. So that was our view on the fact that we felt it was unplanned.

Carter Driscoll: Got it, okay. And then, I'm sorry, just from -- the factors that get you from CAD 200 million to CAD 220 million, like at a high level, is it spending, is it hitting that 200,000 net RCE addition? I'm just trying to understand the wriggle room between the two figures, roughly.

Pat McCullough: Yes. So going forward, unlike the past, net additions drops directly through Day 1 on profit, right? So we always had this dilemma in our company where we grew sales and we backtracked on profit or we shrunk sales and we grew profit, and it was really sending a difficult message to shareholders in the outside world. So definitely, that customer growth is part of that nice step up in fiscal '19.

We also see pricing opportunity around revenue management and you heard me say, I think pricing power is coming back. We will be more productive on our overhead, so G&A and nontradition selling costs are expected to grow in the 5% range, where gross margin we're looking at growing well above 10% right now.

But then I think, importantly, you have to recognize that we have a capacity cost up-step in our gross margin and we have -- I'm drawing a blank on the other major item that we were -- the CAD 10 million of insurance wrap. So we have those things planned in our costs, in addition to those growth opportunities. So really, the net of those main drivers is why we're seeing the net growth in our [inaudible].

Carter Driscoll: And the capacity costs are largely confined to Texas? Is that correct?

Jim Brown: The capacity costs are -- Carter, this is Jim Brown. They're driven in a [PJM]. Capacity costs have stepped up over the last two years and then dropped down dramatically in the plan year that'll overlap with our fiscal 2020.

Carter Driscoll: Got it. Appreciate you guys taking all my questions. I'll take the rest offline. Thanks, guys.

Pat McCullough: Thanks, Carter.

Operator: Next question comes from Kevin Chiang with CIBC. Please go ahead.

Pat McCullough: Hi, Kevin.

Kevin Chiang: Hey, how's everyone doing? I just have one question, actually: When I looked at the composition of the puts and takes for EBITDA in fiscal 2018, when I -- it seems to net out to, at least for fiscal '18, a negative roughly CAD 18 million of, call it unique expenses, that you probably didn't model in or forecast originally. So if I were to look at that CAD 188 million
IFRS-15-adjusted 2018 EBITDA you put out there, why shouldn't I add back that CAD 18 million of, let's say, unique weather costs and things like that? Which puts me closer to about CAD 206 million of EBITDA, let's say, run rate you could have done last year, which already puts me within the guidance that range -- that you have for this coming year for EBITDA. So I guess, long story short, like, why isn't your EBITDA growing even faster than the guidance suggests, based on a lot of the unique events you saw last year?

Pat McCullough: Yes, I think it -- the story is the second half of the answer to Carter's question, which is, we're planning an incremental CAD 10 million on weather protection and the incremental capacity costs are about CAD 15 million, to the bottom line. So we've got a big headwind in fiscal '19, but we have growth and we have these one-timers going away.

The math that we ran on fiscal '18, just to put it in perspective, we took the CAD 174 million and we backed out the ecobee gain, which would take you down to CAD 155 million. Then if you took out the net effect of Harvey, Q2 weather, executive severance and January ERCOT freeze of CAD 10 million, we were at, call it a pro forma CAD 190 million in fiscal '18. So we took that CAD 190 million and then modified for the post-IFRS-15 step up to CAD 14 million, you're at CAD 204 million. So we're all over what you're talking about, but then we have some headwinds and some growth on top of that.

Kevin Chiang: So does the stuff roll off, let's -- and I know I'm pushing the years out here, but at some point, I guess, these events, these various headwinds roll over. And let's assume it's -- or should I assume it's fiscal 2020? Is that the year that we should see an accelerated or a step up in your earnings growth because you don't just get the better base and these unique events aren't there anymore, but you don't have to have these additional spend, or is that pushed out further? Or I'm not even -- or am I not even thinking about this correctly in terms of the earnings trajectory for this company of a multi-year horizon?

Pat McCullough: Yes, sure. Let me give you some color here. So, the first thing that's happening here is, we don't like how we went through this year and missed expectations. So we're going to under-promise and over-deliver, and we're going to get that done in fiscal '19.

You heard in fiscal '20 that step up on capacity costs goes away, so we have a cost advantage in [PJM] rolling into 2020, and we have the continued traction of product channel and geographic growth. So I would expect 2020 would look very strong on the profit basis, but obviously, we've not built a detailed plan on 2020 yet. A lot of that will be an output of what happens in the short term.

We are planning an Investor Day in the fall, though, where we want to give a longer-term outlook than five years. So we'll be able to address the years beyond fiscal '19 in the next quarter or two for you, and let you deep dive with our team into channels, products and the strategy. So, more to come on that later, Kevin, but I think your thinking is right. It's aligned with how I think about fiscal '20 and beyond.

Kevin Chiang: That's all from me. Congratulations to the two of you to your new roles there.
Pat McCullough: Thank you, Kevin.

Jim Brown: Thank you.


Ammar Shah: Hey, good morning, guys. Thanks for taking my questions.

Pat McCullough: Good morning.

Ammar Shah: Yes, I was just wondering if you could speak to the 2019 contract maturity. I think there's, like, 30-odd percent. And if you think that these present opportunities to boost margins?

Pat McCullough: Sorry, could you repeat the question? I didn't hear the beginning of it.

Ammar Shah: Yes, sorry. I was just asking, with regards to the 2019 contract maturities, I think in the MD&A it's, like, 30-odd percent, let's say. I was just wondering if you think these present opportunities to boost margins.

Pat McCullough: Yes. So it's interesting: Fiscal '19 commercial contract renewals are well below what we walked into '18 with; '18, if you remember, the first quarter was a challenge for the company because we had a lot of commercial contracts renewing, and we have a lot of price pressure with the competitive market.

Two better things are happening to us in fiscal '19: There's less contracts coming up for renewal, so less risk of those big, bulky customers who are looking for a better price and leaving us, and pricing power is coming back to us, based on the volatility in ERCOT and also some of the changes that we're taking to revenue management. So I do expect that fact that you're looking at actually be very helpful to us on a relative basis prior to the headwind that we saw in Q1 of fiscal '18.

Ammar Shah: Okay, great. Thanks for that disclosure. And then, with regards to that 50k run rate, this quarter was really good from the U.K. I was just wondering, is that something that you would expect to continue in 2018? Or is some of those net adds going to come from elsewhere in the portfolio?

Pat McCullough: Yes, I think a lot of those net adds are going to come from that retail channel that's getting to full capacity and full scale. Because if you think about the 500-plus stores we achieved in fiscal '18, it really started in the second quarter and it was a linear ramp. So we were at 500 stores at the beginning of the quarter; we were at 100 the quarter before that. So we haven't gotten the full year effect of that retail channel platform yet. So that is the largest driver of net adds.

We're having a great deal of success with our commercial growth right now. Our commercial sales team is on fire, doing great things. We have more products to offer there now. That is just being scaled for the first time. And we do expect the U.K. to continue to outpace average growth
in the rest of the company. They won't be able to hold 35% in fiscal '19 over '18 like they did this year. I would expect something about half the size of that on a percentage growth basis.

Ammar Shah: Okay, great. That's all from me. Thanks for taking my questions.

Pat McCullough: Thank you.

Operator: Our next question comes from Raveel Afzaal with Canaccord Genuity. Please go ahead.

Raveel Afzaal: Yes. Thank you, [inaudible], for hosting the call. A couple of questions relating to your guidance. First of all, with respect to your gross margin for RCE for the consumer division, it was close to 236 in 2018. How should we think about that in 2019? Because obviously the -- if you take out the weather impact, and then you're also adding high-margin customers from the U.K. and [inaudible] strategy, so where can this 236 per RCE number go to in 2019?

Pat McCullough: Thank you for the question, Raveel. You just allowed me to win a bet. I bet that you would ask us this question this morning, so thank you for making me a winner there; 260 is the place that you should think about it. Two quarters ago we were in the 255 to 260-plus range, and we had to deal with Q2 weather and that January freeze. We're putting assurances in place so we don't have those big blips going forward, which means as we get to the end of fiscal '19 and those two quarters roll off, we expect we'll be realizing on a trailing-12-month 260. And I think you see with the incoming design margin this quarter, I think it was 216, that normally ends up rolling through at 20% to 25% improvement when you get all of the fees and the cross-selling opportunity added on to that.

Raveel Afzaal: Got it. And just a follow-up on that: So if you just look at your 2018 gross margin for RCE for the consumer division, and then you exclude the impact of the weather impact, where would those gross margins be? Just so I can do a more apples-to-apples comparison by excluding the weather events.

Pat McCullough: Yes. The easiest way to do it is take the Q2 year-over-year impact of weather, which -- I think we recorded CAD 18.6 or CAD 19, roughly. And then the CAD 10 million on January ERCOT. And then know that the majority of that actually impacts consumer.

Now there has been an averaging down. If you remember, in Q1, we recorded a switching site aggregation sale of, I believe it was 71,000 customers. And those were at a gross margin that was half of normal. But if you remember our explanation back then, the customer acquisition cost was covered in just over two quarters. So while it wasn't impressive from a gross margin per RCE perspective, it was some of our best business because it paid back -- the upfront costs were paid back in two quarters, which is about half the time of, let's say, the retail or door-to-door channels.

So gross margin per RCE is a good thing to watch. It's not perfect, though, when you think about EBITDA, because you -- this difference in customer acquisition costs by channel is really what
we're watching. It's -- remember our explanations in the past. We care about annual gross margin as it covers our direct acquisition costs. That's really the return on OpEx that we're managing every day. When we have our Investor Day later this year, we're going to give you more visibility into the channel economics and how they're made up, but you've got to adjust for a bit of that as well. We probably have 100,000 sales like that in total across the year in consumer that drag that average down a bit.

Raveel Afzaal: Great, thank you. Thank you for that. And now, looking at the administrative expenses, will they also be amortized using IFRS 15, or will it only apply to sales and marketing expenses?

Pat McCullough: Which expenses did you ask about, Raveel?

Raveel Afzaal: Yes, administrative expenses.

Pat McCullough: No, those will not be amortized. Those will be expensed as incurred.

Jim Brown: Yes, the best way to think about it is, would the expense exist without the deal? It sounds -- it's -- there's just -- there's a big long rule that explains how the whole standard works, but that's the easiest way to think about it.

Pat McCullough: There's really just direct selling cost, if you base it [inaudible].

Raveel Afzaal: Got it. And so if you look at your Q4 run rate, and I'm talking about the consumer division, Q4 run rate with respect to administrative expenses, we take out the severance expense, and can we assume that is the run rate for 2018? For 2019?

Pat McCullough: It's a pretty good assumption. The company didn't hit its goal, so the bonus targets that were planned were not incurred. So we had slightly lower admin costs associated with the reversal of the majority of our bonus accrual.

Raveel Afzaal: Got it. And then, one more question with respect to the sales and marketing expense for the consumer division, again. We were at CAD 47 million in Q4 '18. Now just looking at it excluding IFRS impact, should we think about this number going higher on a per-RCE, per-customer basis? Of course, it might -- it should go higher because you're adding more customers on a cash basis, but should it also go higher on a per-RCE basis? I'm just thinking about whether you're going to be using door-to-door marketing a lot as well in 2019 and how much cost this kiosk channel might add on a per-customer basis.

Pat McCullough: Yes. So as we report customer-acquisition costs per RCE, there's two major things happening to it in fiscal '19. First of all, to your question, door-to-door is shrinking, so door-to-door is going to be helpful to the average, because it's a high-cost channel. However, the retail channel is also high-cost, similar to door-to-door, and that's growing. So to some extent, as retail become a larger percentage of our sales, you're going to see both the absolute and the gross margin for -- or, sorry, the customer-acquisition cost per RCE go up.
However, there is an offset to it because there are some fixed costs which get absorbed as you grow. So as you bring more sales in, you'll see that number shrink. And that's what's been happening a bit recently to us. It also explains why customer-acquisition cost per RCE grew in years past, where we had a decline in the book.

Raveel Afzaal: That's great, thank you. And two more quick questions: With respect to natural gas profitability, those gross margins have been shrinking, especially on the consumer side. Can you help me think about how to model it out for fiscal '19?

Pat McCullough: In terms of gas margin?

Raveel Afzaal: Margin, yes.

Pat McCullough: I really think we're going to be similar to what we're experiencing in fiscal '18. Those margins have been challenged. What we're doing to counteract it is include things on the gas product like JE Perks and then try to upsell things like a Skydrop water-conservation device or an ecobee energy-efficiency device. But that's going to be come slowly, and that's going to be low penetration. So I think while we saw some pressure there, we've got some good things coming that will help with a bit of it, but I think a flat assumption on that is probably a pretty good one for us.

Raveel Afzaal: Perfect. And just finally, with respect to the payout ratio, I understand that the target here is 75%, but just based on the guidance, can you give me what the payout range could look like, based on your 2019 guidance?

Pat McCullough: Yes. So if we're at CAD-210-million-ish, the midpoint, we think we're going to be significantly under 80%, maybe not quite to 75%. So if we're down in the CAD 200 million range, you're creeping up to 80% or maybe 81%.

Raveel Afzaal: Perfect. Thank you so much.

Pat McCullough: You're welcome. Thanks, Raveel.

Operator: And our next question comes from Sameer Joshi with H.C. Wainwright. Please go ahead.

Sameer Joshi: Thanks for taking my questions. Most of the questions have been answered, but just wondering if you're seeing any more customers taking this from the customers that are availing you of your value-added offerings as against the regular retail customers? Is there any more customer stickiness in that?

Pat McCullough: We sure do. So if you look at our overall attrition rates, and that's churn within the tenor of the contract, meaning before we get to that economic decision at the end of a contract, we've had great improvement in the last six quarters. But if you were to actually pull out the value-added products, which are the minority of our business, and things that have Just Energy Perks on them, which is about half of our residential business today, you see a big
difference in attrition. In fact, we generally see an improvement in sales conversion, an improvement in attrition, an improvement in renewals, a higher profit and a higher customer net promoter score or customer loyalty score. So those are the five metrics we watch very closely with value-added products, or noncommodity products, or commodity products with those complements, and we're very encouraged. That's why everything you hear us talking about is going full force into those value-added products.

Now, this does not mean we're exiting the commodity business. In fact, the commodity business is the bread and butter and the cash cow and really the funding for everything we're doing. So with great respect, determination and focus, we're trying to optimize our commodity business, but we do see us slowly diversifying away from complete dependency on it.

Sameer Joshi: Okay. And this other topic has been discussed a lot on this call related to price, colder weather, but in addition to pricing management and also in addition to insurance, are there other plans, like having storage facilities or something like that, that are to hedge against fluctuations?

Pat McCullough: No, the primary five methods were what I described earlier, three forms of real direct commodity hedging, weather structures, hopefully a reinsurance or insurance product, and then more passthrough contract pricing or price increases where we have pricing power.

Sameer Joshi: Okay. And then just the last one, clarification on the guidance: Does -- do you envisage any meaningful revenues from Japan and Germany, and also maybe Ireland, in the 2019 forecast?

Pat McCullough: We have a bit of revenue coming in from Ireland right now. We're in the thousands of customers. We hope to be in the ten thousands of customers in fiscal '19. Japan and Germany are more still seeding the products, seeding the business, and will come later. So we're not expecting any meaningful contribution from Germany or Japan in fiscal '19, which means we're carrying some OpEx cost in our guidance to support the future opportunity there. But Ireland, we believe, will be breakeven or profitable at the end of fiscal '19.

Sameer Joshi: Understood. Thanks for taking my questions, and congratulations on your new roles.

Pat McCullough: Thank you very much.

Operator: At this time, this will conclude our question-and-answer session. I would like to turn the conference back over to Pat McCullough for any closing remarks.

Pat McCullough: Thank you, operator. Thank you again for joining us today. Before we conclude today's call, I wanted to extend my deepest gratitude to the employees of Just Energy. Their dedication to building our business through innovation and commitment to a customer service organization is the backbone to our success. We know that we can't win with the customer unless we win the hearts and minds of our employees, so it's greatly appreciated.
And we look forward to updating you on our fiscal first quarter results and progress on our strategic initiatives in August. Thank you very much.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines.