

# Business overview

**A robust business model allows the Group to provide competitively priced, profitable longer term tariffs**

## 1) Lean Operating Model underpinned by:-

- **a) Low customer acquisition cost**
  - The Group does not use switching sites, who charge £50 - £70 per customer referral
  - Switching sites are also the industry's biggest competitor, leading to higher customer attrition
- **(b) Bespoke IT systems providing quality data, HQ location and strong social agenda**

## 2) BP Wholesale Agreement, providing the Group with:-

- **(a) The ability to fix energy costs for up to 3 years**
- **(b) A competitive advantage in allowing the Group to offer customers 3 year tariff's**

## 3) Accuracy of Energy Demand Forecasting

- **In-house expertise and quality of CRM data** provides long term certainty over energy costs

## 4) Higher Value Customer Base

- **Higher energy users** targeted with average customer revenue of £1.3k p.a. v industry average of £950

## 5) Strength of Ofgem Relationship

- The Group has the **confidence of Ofgem**, evidenced by the successful SoLR bid for One Select

Overall Group customer acquisition cost is c.£56 for a 1 - 3 yr customer generating c.£1.3k p.a. v sector average of c.£90 for a 1 yr customer generating £950 p.a.

Forecasting capability and BP relationship allows the Group to maintain forward hedges for c.90% of expected energy demand

High customer renewal rate of c.70% v sector average of <50%

The robust business model puts the Group significantly ahead of many of its major competitors in key performance measurements such as revenue and opex per customer









# People who have left the market

## Significant Market Disruption

- Increasing competition, the regulatory environment, technological advances and customer preferences.
- Some of the cheapest deals on the market are unsustainable in the longer term.
- Suppliers who do not have access to hedging arrangements are facing challenges in a rising wholesale price market, particularly with Ofgem's recent price cap announcement.
- In addition to the above, recent exits have occurred due to a lack of sector knowledge; high operational costs; poor customer service; introduction of the price cap; customer base; a lack of valued partnerships

### Unsuccessful Energy Supplier Businesses & Mitigants to Reduce Exposure

Supplier	Estimated Capital Raised	Assessment	Group Mitigants
	Unknown	<ul style="list-style-type: none"> <li>▪ No wholesale deal in place</li> <li>▪ High level of unbilled</li> <li>▪ Poor billing platform</li> </ul>	<ul style="list-style-type: none"> <li>▪ Wholesale contract with BP in place</li> <li>▪ In house billing platform</li> </ul>
	£2m	<ul style="list-style-type: none"> <li>▪ No wholesale trading in place</li> <li>▪ Lack of leadership team</li> <li>▪ Poor industry knowledge</li> </ul>	<ul style="list-style-type: none"> <li>▪ Wholesale contract with BP in place</li> <li>▪ Strong Leadership team with significant industry expertise</li> </ul>
	£5m	<ul style="list-style-type: none"> <li>▪ Parent company in Holland fell into difficulties</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>
	Unknown	<ul style="list-style-type: none"> <li>▪ Underhedged and poor demand forecasting</li> <li>▪ Poor customer service</li> <li>▪ Poor cash management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Demand forecasting expertise</li> <li>▪ 90% forward hedged</li> <li>▪ Daily, weekly and monthly cash flow tool, 12 months out</li> </ul>
	>£40m	<ul style="list-style-type: none"> <li>▪ Price cap and high opex made next tier of investment unsustainable</li> <li>▪ Void model left Spark cash exposed</li> </ul>	<ul style="list-style-type: none"> <li>▪ 99% of customers pay by Direct Debit</li> <li>▪ Strong billing practices</li> <li>▪ Lowest opex in UK</li> </ul>
	£15m	<ul style="list-style-type: none"> <li>▪ No wholesale deal in place</li> <li>▪ Poor billing platform</li> <li>▪ Large number of void properties</li> </ul>	<ul style="list-style-type: none"> <li>▪ Wholesale contract with BP in place</li> <li>▪ In house billing platform</li> <li>▪ Majority direct debit payments</li> </ul>

# Eradication of Debt Poverty – An Overall Solution

Our goal is to provide a solution that provides prepay customers access to fair finance rates allowing them to reduce their energy consumption through the purchase of modern home appliances

There are many energy companies who have approached the market with a promise to alleviate fuel poverty through fair pricing and transparency. With several companies pricing with loss making tariffs, price alone is never going to alleviate fuel poverty.

Average payday loan quoted by StepChange is £1,700 and the average APR is c.40%

Improving energy efficiency is critical to consumers saving money but the poorest are excluded from many of these savings.

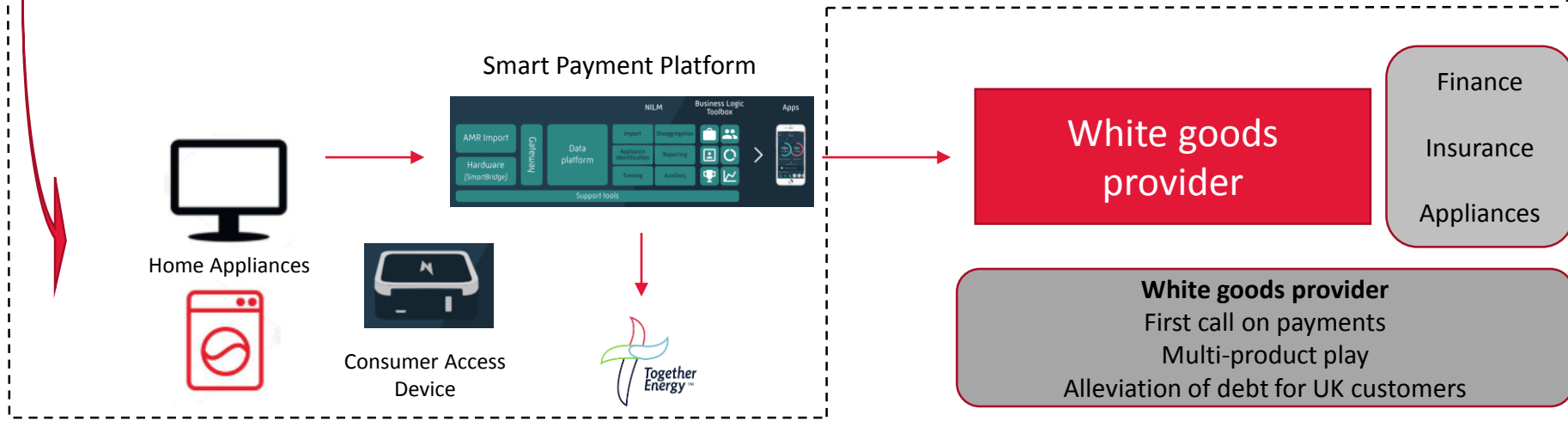
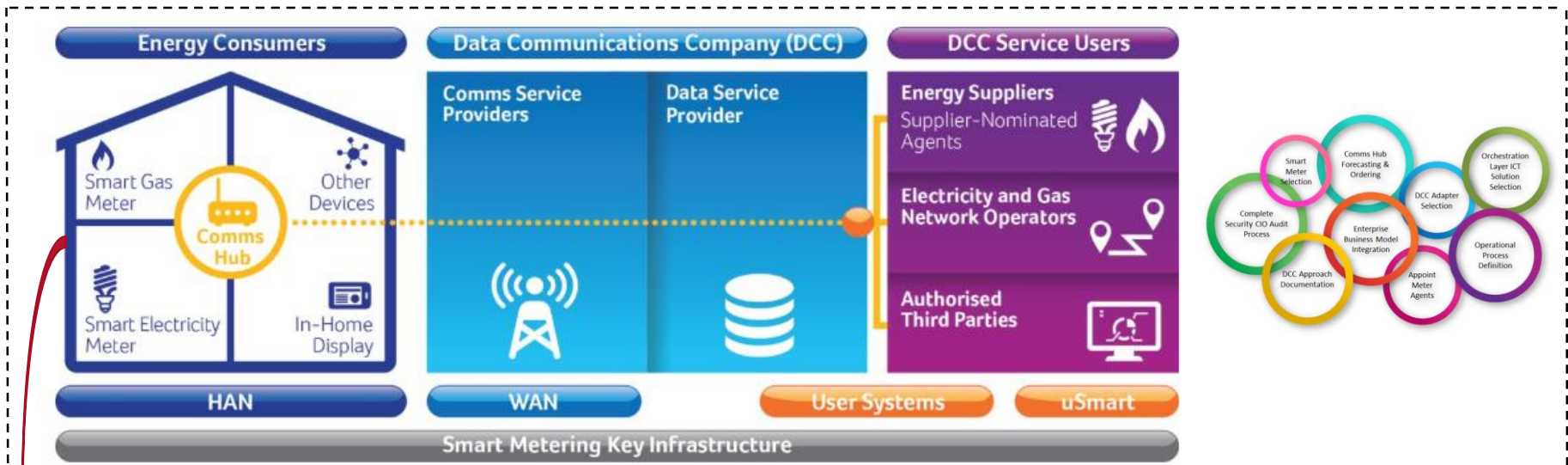
An A+++ fridge freezer will save a consumer £225\* over the life of the product versus an A+ but cheaper appliances are also likely to require more maintenance.

When customers sign up to a long-term Together Energy contract we propose providing them with a home appliance and collecting the payment for this through payment for energy providing an increased level of security for a provider.

\*Energy Saving Trust



# Innovative partnership



# Market Overview

## Competition Benchmark

- Together Energy compares favourably with other companies in the sector with a significant increase in EBITDA margin and low Opex per customer as demonstrated below:

Together Energy Ltd	FY18 £'000	FY19 £'000	FY20 £'000	FY21 £'000	FY22 £'000	FY23 £'000
Turnover	35,069	83,993	141,610	190,891	197,828	204,092
Gross profit	(1,840)	2,506	16,092	21,758	24,011	25,465
GP%	-5.2%	3.0%	11.4%	11.4%	12.1%	12.5%
EBITDA	(5,478)	(3,090)	8,494	13,086	15,060	16,254
EBITDA %	-15.6%	-3.7%	6.0%	6.9%	7.6%	8.0%
Net Assets	(6,507)	(11,702)	(6,901)	1,873	13,268	26,476
Cash	2,012	(4,048)	5,876	17,323	30,310	43,662
Customers (period end)	55,092	76,419	141,955	145,417	149,741	152,990
Revenue per customer (£)	955	1,192	1,266	1,326	1,337	1,347
Opex as % of revenue	10.4%	6.7%	5.4%	4.5%	4.5%	4.5%
Opex per customer	66	73	54	60	60	60

Source: Working papers



- Together Energy's EBITDA % and operating costs per customer compares favourably with many of the major energy suppliers (see below):
- FY20 forecast:
  - EBITDA % 6.0%
  - Rev/customer £1,266
  - Opex/customer £54

	OVO Energy		First Utility		Bulb Energy		Octopus Energy	
	FY16	FY17	FY16	FY17	FY17	FY18	FY17	FY18
Customers (period end)	676,000	935,000	883,000	808,000	25,370	313,017	77,937	198,655
Revenue per customer (£)	1,061	892	1,029	1,062	396	584	452	650
EBITDA %	-0.6%	2.2%	-0.8%	4.2%	-20.4%	-12.7%	-19.4%	-4.1%
Opex as % of revenue	15.0%	15.3%	10.7%	11.3%	31.5%	19.4%	16.1%	8.6%
Opex per customer	159	136	110	120	125	113	73	56

(More detailed analysis on the above competitors is provided in Appendix I)

# Growth Opportunities

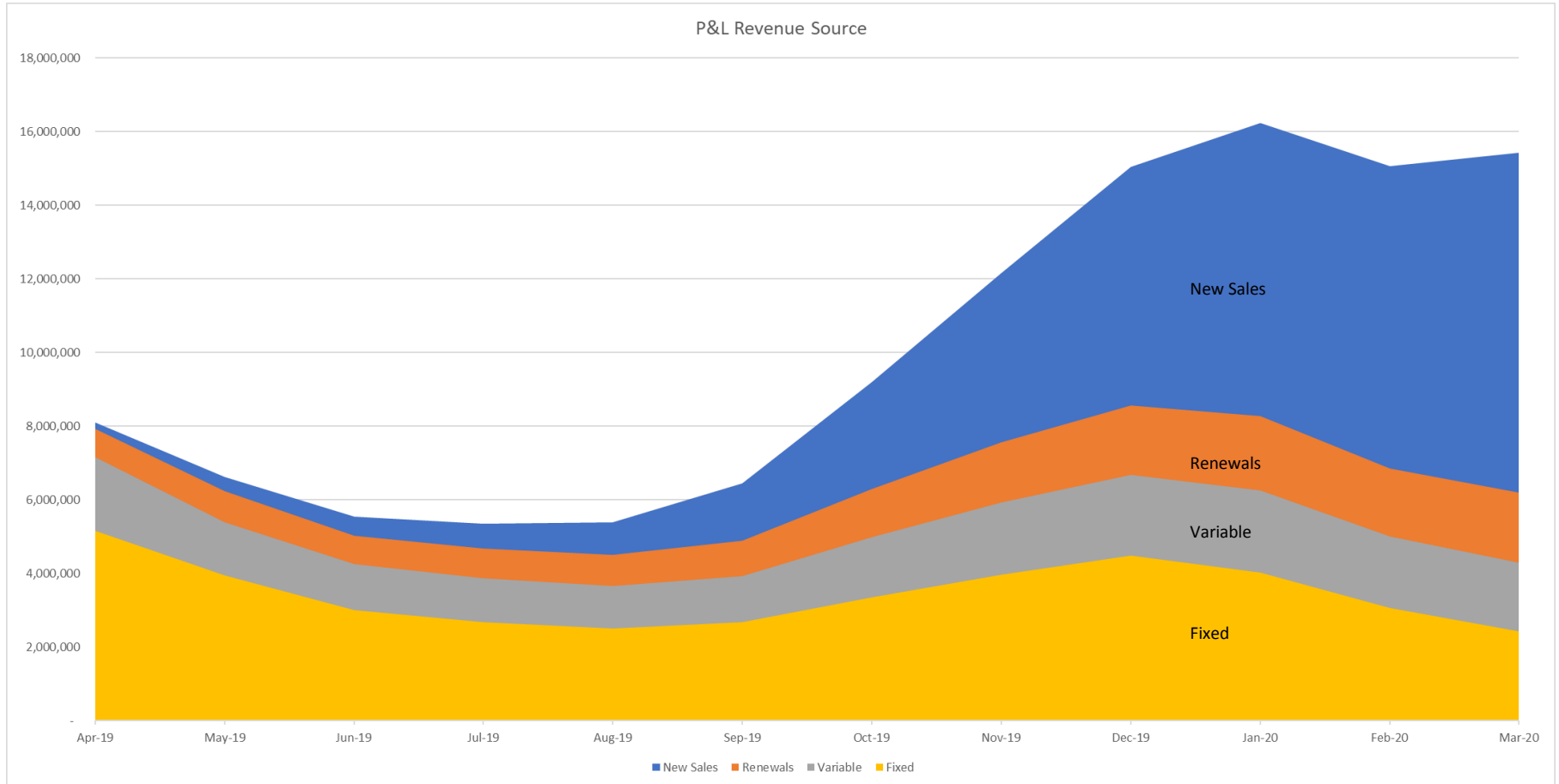
**Revenue Growth will be delivered through organic growth of the customer base, expansion of the service offering and taking advantage of consolidation opportunities which present themselves.**

Growth will be dependent on the following strategic objectives:

- a) Achieving a 150k customer base and consolidate with a view to a step change in customer numbers;
- b) Grow to c.500k customers and absorb the implications of surpassing the ECO threshold;
- c) Achieve a 150k customer base and focus on selling services (billing system; cost to serve; shipper)


Growth Opportunities		
1.	<b>Partnerships</b>	<ul style="list-style-type: none"> <li>• The Group is currently in discussion with a major provider of personal finance for white goods with the view to entering a partnership</li> </ul>
2.	<b>Smart Metering</b>	<ul style="list-style-type: none"> <li>• All UK suppliers required to use reasonable endeavours to install smart meters at customer premises by the end of 2020</li> <li>• Key growth area and opportunity to create further market disruption</li> </ul>
3.	<b>Marketing / PR</b>	<ul style="list-style-type: none"> <li>• Initiatives such as Refer a Friend have been introduced to attract new customers at limited cost of acquisition.</li> </ul>
4.	<b>Lease CRM &amp; Billing System</b>	<ul style="list-style-type: none"> <li>• Approaches have been received in relation to the internally developed systems</li> </ul>
5.	<b>Acquire a Shipper licence</b>	<ul style="list-style-type: none"> <li>• Significant cost savings could be made by acquiring a shipper licence.</li> </ul>
6.	<b>Reduce Cost of Acquisition</b>	<ul style="list-style-type: none"> <li>• Further reductions to cost of acquisition could be realised through additional outsourcing initiatives.</li> </ul>



# Revenue by Tariff





# Appendix I: Market Overview

## Competition Benchmark

<b>OVO Group Ltd</b>	<b>FY16 £'000</b>	<b>FY17 £'000</b>	 <ul style="list-style-type: none"> <li>• uSwitch supplier of the year winner 2019</li> <li>• Recent investment from Mitsubishi Corporation</li> <li>• FY17 stats:           <ul style="list-style-type: none"> <li>➢ EBITDA % 2.2%</li> <li>➢ Rev/customer £892</li> <li>➢ Opex/customer £136</li> </ul> </li> </ul>											
Turnover	716,980	833,575												
Gross profit	103,196	145,603												
GP%	14.4%	17.5%												
EBITDA	(4,039)	18,432												
EBITDA %	-0.6%	2.2%												
Net Assets	(9,149)	(3,526)												
Cash	66,930	78,177												
<table border="1"> <tr> <td>Customers (period end)</td> <td>676,000</td> <td>935,000</td> </tr> <tr> <td>Revenue per customer (£)</td> <td>1,061</td> <td>892</td> </tr> <tr> <td>Opex as % of revenue</td> <td>15.0%</td> <td>15.3%</td> </tr> <tr> <td>Opex per customer</td> <td>159</td> <td>136</td> </tr> </table>			Customers (period end)	676,000	935,000	Revenue per customer (£)	1,061	892	Opex as % of revenue	15.0%	15.3%	Opex per customer	159	136
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Opex per customer	159	136												
<i>Source: Financial statements (31 Dec 2017)</i>														

<b>First Utility Ltd</b>	<b>FY16 £'000</b>	<b>FY17 £'000</b>	  <ul style="list-style-type: none"> <li>• Recently acquired by Shell and rebranded as Shell Energy</li> <li>• Focus on retail energy sector</li> <li>• FY17 stats:           <ul style="list-style-type: none"> <li>➢ EBITDA % 4.2%</li> <li>➢ Rev/customer £1,062</li> <li>➢ Opex/customer £120</li> </ul> </li> </ul>											
Turnover	908,395	858,335												
Gross profit	90,110	133,461												
GP%	9.9%	15.5%												
EBITDA	(7,319)	36,260												
EBITDA %	-0.8%	4.2%												
Net Assets	9,182	38,972												
Cash	58,232	67,518												
<table border="1"> <tr> <td>Customers (period end)</td> <td>883,000</td> <td>808,000</td> </tr> <tr> <td>Revenue per customer (£)</td> <td>1,029</td> <td>1,062</td> </tr> <tr> <td>Opex as % of revenue</td> <td>10.7%</td> <td>11.3%</td> </tr> <tr> <td>Opex per customer</td> <td>110</td> <td>120</td> </tr> </table>			Customers (period end)	883,000	808,000	Revenue per customer (£)	1,029	1,062	Opex as % of revenue	10.7%	11.3%	Opex per customer	110	120
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<i>Source: Financial statements (31 Dec 2017)</i>														

<b>(Bulb Energy) Simple Energy Ltd</b>	<b>FY17* £'000</b>	<b>FY18 £'000</b>	 <ul style="list-style-type: none"> <li>• The UK's biggest green energy supplier</li> <li>• Offers a single tariff and aims to 'make energy simpler, cheaper and greener'</li> <li>• FY18 stats:           <ul style="list-style-type: none"> <li>➢ EBITDA % -12.7%</li> <li>➢ Rev/customer £584</li> <li>➢ Opex/customer £113</li> </ul> </li> </ul>											
Turnover	10,036	182,770												
Gross profit	1,112	12,103												
GP%	11.1%	6.6%												
EBITDA	(2,052)	(23,303)												
EBITDA %	-20.4%	-12.7%												
Net Assets	(2,004)	(19,889)												
Cash	338	10,616												
<table border="1"> <tr> <td>Customers (period end)</td> <td>25,370</td> <td>313,017</td> </tr> <tr> <td>Revenue per customer (£)</td> <td>396</td> <td>584</td> </tr> <tr> <td>Opex as % of revenue</td> <td>31.5%</td> <td>19.4%</td> </tr> <tr> <td>Opex per customer</td> <td>125</td> <td>113</td> </tr> </table>			Customers (period end)	25,370	313,017	Revenue per customer (£)	396	584	Opex as % of revenue	31.5%	19.4%	Opex per customer	125	113
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Opex as % of revenue	31.5%	19.4%												
Opex per customer	125	113												
<i>Source: Financial statements (31 Mar 2018)</i> *FY17 - 7 months trading only														

<b>Octopus Energy Ltd</b>	<b>FY17 £'000</b>	<b>FY18 £'000</b>	 <ul style="list-style-type: none"> <li>• Renewable focused supplier backed by Octopus Investments</li> <li>• Acquired customers of M&amp;S Energy, Iresa, Affect Energy and Gen4U in 2018</li> <li>• FY18 stats:           <ul style="list-style-type: none"> <li>➢ EBITDA % -4.1%</li> <li>➢ Rev/customer £650</li> <li>➢ Opex/customer £56</li> </ul> </li> </ul>											
Turnover	35,242	129,200												
Gross profit	(1,152)	5,811												
GP%	-3.3%	4.5%												
EBITDA	(6,840)	(5,343)												
EBITDA %	-19.4%	-4.1%												
Net Assets	(6,711)	(12,627)												
Cash	7,526	4,953												
<table border="1"> <tr> <td>Customers (period end)</td> <td>77,937</td> <td>198,655</td> </tr> <tr> <td>Revenue per customer (£)</td> <td>452</td> <td>650</td> </tr> <tr> <td>Opex as % of revenue</td> <td>16.1%</td> <td>8.6%</td> </tr> <tr> <td>Opex per customer</td> <td>73</td> <td>56</td> </tr> </table>			Customers (period end)	77,937	198,655	Revenue per customer (£)	452	650	Opex as % of revenue	16.1%	8.6%	Opex per customer	73	56
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<i>Source: Financial statements (30 Apr 2018)</i>														





**Together**  
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