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SPEAKERS

Deb Merrill
Pat McCullough
James Lewis
Rebecca MacDonald

Carter Driscoll
Orhan Eldarov
Kevin Chiang
Sameer Joshi

PRESENTATION

Operator: Welcome to the Just Energy Fiscal First Quarter 2017 Conference Call and Webcast. My name is Vanessa and I'll be your Operator for today's call. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session. Please note that this conference is being recorded.

I will now turn the call over to your host, Deb Merrill, Co-Chief Executive Officer. You may begin.

Deb Merrill: Good morning and thank you for joining us this morning for our Fiscal 2017 First Quarter Earnings Conference Call. My name is Deb Merrill, I'm the Co-CEO of Just Energy, and I have with me this morning our Executive Chair, Rebecca MacDonald, my Co-CEO James Lewis, as well as Pat McCullough our CFO. Pat and I will discuss to results of the quarter, as well as our expectations for the future. We will then open the call to questions.

Before we begin, 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.

Fiscal 2017 is off to a strong start. We are seeing the benefits of the many initiatives we put in place over the previous quarter and continue to make progress delivering on our strategic vision. Despite traditionally being our seasonally slowest quarter, as well as a very tough comparison to the strong first quarter of fiscal 2015, we are very pleased with the financial results. We achieved 8% year-over-year gross margin improvement, 7% on the Consumer side and 10% on the Commercial side. This improved profitability resulted in solid performance-driven base EBITDA growth of 6%. What's also impressive is that when excluding the incremental expense for pre-pay commissions during the quarter, base EBITDA increased by 25%.

We continue to have success in driving sales in our UK market, where we've now grown the customer base by 38% over the past year. We are very pleased with the growth in that market and are actively pursuing other European expansion opportunities to support our future growth. On the other hand in North America, we continue to see low volatility in prices, while we still maintain our discipline around margins. This led to negative net additions of 134,000 RCEs for the first quarter of this fiscal year.

As you've heard us talk about for well over a year now, we've taken action to change the business foundation and reposition the Company to capture more accretive profit and cash flow. We are transitioning Just Energy into a company that delivers differentiated products that have superior value to our customers. This is an evolution that will have near-term impact on our net RCE numbers, but we feel strongly that is the right path for long-term growth and profitability. The evidence that we are on track is shown by a reduction in attrition year-over-year of 2 percentage points in both segments, as well as increasing margins on new customers. Declining attrition and increasing margin has a compounding effect on life-time customer value.

We are very pleased with the progress we've made on the product front. We are focused on bringing energy-related products and conservation to our customers. For example, to date, we've installed well over 50,000 smart thermostats, which give us the ability to help customers conserve energy, as well as giving them technology in their home bundled with commodity. This is just one example of our value-driven product structures, and we are testing and rolling out others to support our growth initiatives.

In summary, we are off to a solid start to the year and we're confident our strategy will continue to deliver in this fiscal year.

With that, I'll pause and ask Pat to provide some additional colour on the quarter's financial results. Pat?

Pat McCullough: Thank you, Deb. We are pleased with the strong start to the year. The business is performing well and our consistency to deliver bottom line growth continues to provide stable, predictable earnings in just about any market environment. First, I'll cover some of the highlights of the first quarter and then provide some added colour in certain areas.

Our first quarter base EBITDA increased 6% to \$41.1 million, as a strong performance offset \$8.9 million of prepaid commission expenses during the period. If you exclude this additional expense item, base EBITDA for the quarter increased by 25% to \$48.8 million, compared to the prior year. The 25% increase is ahead of our guidance without prepaid commission of 17% to 21% improvement on a full-year-over-year basis. This translates to a \$9.9 million year-over-year improvement, of which \$1.2 million was due to foreign currency impact and \$8.7 million was driven by operational performance improvements.

During the quarter, gross margin improved 8% to \$162.7 million, as we remained focused on delivering superior value props in the markets we serve, a disciplined approach to our sales and renewal process, combined with strong customer growth in the UK. Our gross margin improvement supported profitability throughout the Consumer and Commercial customer base. Consumer Division gross margin increased 7% as a result of higher margin contribution per customer and the foreign exchange impact on US-based

sales, while the Commercial Division gross margin increased 10% due to the operational improvements in place to increase the margin for new customers added and the positive impact from the currency translation on the contribution from the US customer base.

Diving a bit deeper, you can clearly see that the margin per customer improvement opportunities continue to exist. Average realized gross margin over the rolling 12 months ending June 30 was \$252 per RCE in the Consumer Division, well ahead of our previously reported design margins, and \$76 per RCE in the Commercial Division. This equates to year-over-year improvements of 19% and 27%, respectively. If you take a look at our MD&A, you can also see these incremental design margin improvements between customers added and lost continue to hold true in the recent standalone quarter.

Our strong customer value propositions are allowing us to price our energy management solutions competitively, while enhancing customer satisfaction. This is evident in the attrition rate improving two percentage points year-over-year and one percentage point sequentially in what we consider a highly competitive market.

General and administrative expenses for the first quarter increased \$7.1 million, or 19%, year-over-year. This was primarily driven by the impact from the exchange rate on the US dollar-denominated administrative cost and costs of serving our UK customer base.

Selling and marketing expenses decreased 8% year-over-year, primarily due to lower commission costs associated with lower gross customer additions and decreased residual commission expenses.

I'd like to turn to an update on our other key financial metrics and balance sheet items.

Base funds from operations of \$25.7 million decreased 14% from the prior year despite the increase in base EBITDA. This was primarily due to a decrease in net cash receipts from greater gas sales one year ago, as well as a year-over-year increase in maintenance cap ex associated with IT systems improvements. Additionally, this resulted in a higher payout ratio of 73% for the quarter. While on a trailing 12-month basis the payout ratio is 56%, one year ago the trailing 12-month ratio was 70%, so we've seen an improvement of 14 percentage points.

During the quarter, we utilized previously accumulated free cash flow to continue to pay down debt. We remain committed to further reducing our debt until we reach our goal of two times net debt to EBITDA.

Cash and cash equivalents of \$87.4 million were down during the quarter due to the early repayment of \$25 million of senior unsecured notes in June 2016, combined with normal working capital needs for the first quarter.

Cash flow from operating activities was lower in the current period as a result of the seasonally warmer winter weather in the fourth quarter of fiscal 2016.

As of June 30, Just Energy's book value net debt was 2.6 times base EBITDA, consistent with the net debt to EBITDA reported in March 31, 2016, and lower than the three times reported in the prior comparable period. Total debt was \$637.2 million as of June 30, 2016, decreased 4% from \$660.5 million as of March 30, 2016. This decrease was partially offset by the higher valuation of the US-denominated 150 million convertible bonds as a result of changes in the exchange rate to Canadian dollars. In addition, as of June 30, 2016, the Company had not drawn on its \$277.5 million credit facility, although letters of credit totaling \$132.6 million remain outstanding. The Company remains committed to refinancing its debt. Just Energy has evaluated multiple options with respect to the refinancing of its upcoming convertible debenture maturity. The Board has been briefed on the benefit of each of these options and has given direction to pursue a path that the Company intends to execute in the short run.

Turning now to our outlook, fiscal year 2017 is off to a strong start and places us squarely on the path to achieving our previously provided base EBITDA guidance of \$223 million to \$233 million. This range reflects continued double-digit year-over-year percentage growth. Our guidance includes deductions to base EBITDA of approximately \$40 million for prepaid commissions, which represents a \$22 million increase over fiscal 2016, and reflects a go-forward run rate for this incremental deduction in future years.

With that, I'll turn it over to Deb for some concluding remarks.

Deb Merrill: Thank you, Pat. We're off to a strong start and remain confident we can deliver on our previously provided base EBITDA guidance for the full year, while also achieving significant strategic milestones. We remain focused on restructuring our debt in a favourable manner in the coming months, while also pursuing geographic expansion in Europe where we expect to expand into two new countries in this fiscal year. As we pursue international expansion, we continue to be confident that our product and strategic vision will differentiate us in these new markets. As we've seen in the UK, Just Energy can enter a mature market and still achieve strong margin and customer growth. We believe that our focus on the customer and value-driven product is a differentiator in our industry in North America, as well as the rest of the world.

Beyond these initiatives, we feel the consistent performance-based results that have now become the norm at Just Energy will be accentuated as we continue to successfully embrace the customer and build longer term loyalty programs.

We are very proud to announce that we've rolled out Just Energy Perks, a comprehensive reward program that gives our customers the benefit of this discounted energy efficiency and water conservation tools to make them more efficient users of energy in their home and business. Alternatively, they may elect for a range of gift card or Visa cash card to give them the ability to use as they see. This reward program is aimed at our entire customer base and gives them the ability to accumulate benefits as long as they are with Just Energy. This is intended to deliver benefits to our customers that will drive better conversion, lower attrition and higher end-of-contract renewal rates.

In addition to our Just Energy Perks program, we've previously talked about the many other products and initiatives, such as the Unlimited Plan, Just Green, Smart Thermostat, Just Solar, and commodity bundled with energy-efficient LED bulbs and air filters, just to name a few. We feel we have a very well-rounded set of value propositions to offer our many different types of customers.

In summary, we're off to a solid start to the year and we're squarely on the best path to becoming a premier world class provider of energy management solutions. Our business is healthy and growing even stronger. We're committed to delivering another year of double-digit earnings growth, maintaining our stable dividend, pursuing prudent geographic expansion, and further strengthening the Company's financial and strategic position in the coming year.

With that, we'll now open for questions.

Operator: Thank you. We will now begin the question and answer session. If you have a question, please press star, then 1 on your touchtone phone. If you wish to be removed from the queue, please press the pound sign or the hash key. If you're using a speaker phone, you may need to pick up the handset first before pressing the numbers. Once again, if you have a question, please press star then 1 on your touchtone phone.

I see we have our first question from Carter Driscoll with FBR. Please go ahead.

Carter Driscoll: Good morning, folks. How are you?

Deb Merrill: Good.

Carter Driscoll: Thanks for taking my question. My first question is, is there a metric that you can share with us, or maybe tracking internally, in terms of kind of the attached rate for some of these services, the additional services you're trying to upsell, that has helped lower your attrition and obviously lead to what you're hoping is better customer—or better lifetime value for the customer over time, and then maybe kind of give us an update of where you stand in terms of rolling out these products across the various territories in which you operate?

Pat McCullough: Yes, thanks for the question Carter. This is Pat. Yes, you're right. We're starting to think about our customer base and the amount of products that we sell per customer differently. We've begun internally calculating total customers, products per customer and profit per customer, versus the RCE metric which only captures our commodity business. We're going to run with that set of internal metrics for a couple of quarters, refine them, make sure that we've got accuracy, and then we intend to deliver that transparency to you and the market by the end of this fiscal year.

Carter Driscoll: Okay, all right. Shifting gears, can you talk about—you've had a couple of quarters now of net customer attrition and can you talk about what—obviously, you're really focused margin per customer and that probably plays out for some period of time. Can you talk about when you think you could grow net customer additions again and is that wrapped up with some international expansion—obviously the low price volatility isn't helping people from switching perspective—give me your thoughts about when you think it may be able to at least flat-line or maybe grow again?

James Lewis: Carter, it's Jim Lewis here. We're looking at overall customer experience. We're looking at increasing the Net Promoter Score, and as Deb and Pat mentioned, delivering product with better value, so that's the big thing for us, and as we look at those things, we're seeing the benefits due to the lower attrition and the higher customer satisfaction. One of the things that we're doing a lot more of is more advertising. A lot of our customers come to us through the push marketing channel. So, as we get out there and communicate more, we expect even better reactions to our product. But, that's the way we're looking at it going forward.

Deb Merrill: Maybe just to add a little bit, Carter—you know, you mentioned international expansion. I believe that that is one thing that we know, based on our experience in the UK, we can grow our businesses and grow our customer base profitably over there. So, again, we're looking and optimizing kind of the entire geography, and knowing that we can get better margins somewhere else, that's probably the best place for us to put our time and energy and effort, not changing the RCE.

Carter Driscoll: Fair enough. Maybe, Pat, could you remind us again—you talked about maybe in the near term addressing the converts that are maturing in the middle of next year. Could you run us again the options that you're looking at, and maybe if any more specificity of when you think the Board might give you the go-ahead to pursue a particular path?

Pat McCullough: Yes, and thanks for the question, Carter. The second half of your question, let me start with first. The Board has given us direction to go towards implementation now. So, we have moved from the planning and market-making activity to execution. So, without saying anymore than that, we will be talking about this further publicly in the short run, a matter of months, not our previous end-of-calendar-year guidance, we're ahead of that schedule.

What we've always thought is that working capital improvement, pure debt, convertibles are the likely places that we'll look to to get our entire long-term balance sheet refinanced over time. Working capital

financing is specifically payment terms extensions, third-party payables financings. We'd like to find debt, if it was competitive, without a potential stock warrant or convert dilution, but we know the convert market is strong and therefore as—and we'll be going through that range of instruments as we put together a plan to refinance the whole balance sheet. In the short term, though, we'll be addressing the 330 squarely here.

Carter Driscoll: Okay, and would that potentially include the remaining debt for CPP?

Pat McCullough: It could, yes.

Carter Driscoll: Okay. Okay, I'll get back in the queue. Appreciate you answering my questions.

James Lewis: Thank you.

Operator: Thank you. Our next question comes from Orhan Eldarov with RBC Capital Markets.

Orhan Eldarov: Hey guys. Congrats on the good quarter.

James Lewis: Thank you.

Pat McCullough: Thank you.

Orhan Eldarov: Yes, so just wanted a more of a big-picture question for you. So, with respect to Commercial business, I know guys want to set yourself how was the differentiator and show the value proposition. I think on our Residential side, there's multiple ways you guys can do that, and, you know, the Just Energy Perks program is probably an attractive way to do that, as well. On the Commercial side, though, it seems like that business is more commoditized, if you know what I mean, and over the last couple of quarters I think the gross margin spread has been sort of narrowing, so how do you guys look at that moving forward? Would you just accept kind of losing customers if it doesn't meet your profitability threshold or is there any strategies in place to kind of mitigate the attrition in that business?

James Lewis: Well, I'll answer your question two ways here. The first, on the Perks program, it is developed on the Commercial side, so we feel good about that, and then when you look at the approach, when you talk about the financials, it applies to Commercial, as well. We look at a customer's usage, whether Residential or Commercial. We're looking at how to help that customer use less or more efficient or to help them with their renewable plan, and so we feel good that we can apply that same concept to Commercial, as well.

Orhan Eldarov: Okay.

Rebecca MacDonald: I'd just like to add something. This is Rebecca. We have been saying quarter after quarter that this Management Team is incredibly focused on the financial metrics in the business and we have been saying quarter after quarter that as long as it takes, we will clean up the book from a very small margin customer, particularly on the Commercial side. Some people find that negative. We are prepared to take the pain on a short run for the long term thing gain, but the commitment is around margin, and the long-term commitment that we have in this organization is generating margin per customer from different products. So, that is plan that we have till 2020, and we are not going to change our view.

Pat McCullough: Oran, this is Pat. Thanks for giving Nelson a much needed day off. We spoke in the past about piloting battery storage within Commercial accounts. That's something that's working in our industry. The other value props that are unique to Commercial customers are LEDs with control systems,

we see our industry doing some of that. Those are the type of energy efficiency or even potential energy savings type of opportunities that we can bring to Commercial accounts, more than just commodity.

Orhan Eldarov: Mm-hmm, okay. Then, on the solar roll-out program, can you guys provide some additional colour? I know that some of the peers have seen a decrease in the value proposition given the declining utility rates and sort of low energy prices. Have you guys seen any of that or is there any update on how that's doing?

Deb Merrill: Yes, Oran, so as you know the solar market right now, a lot of the players, the direct player are struggling quite a bit. The good thing about us is that we're not out there putting panels on roofs ourselves, we're partnering with others that are doing all the work for us, which is good for us because the slowdown that we're seeing in that market isn't necessarily impacting us, maybe just from a sales perspective. So, we're seeing a bit more headwind in getting in and ramping up than we expected, but continue to be optimistic that that it will work itself out and we'll be able to grow that business.

Orhan Eldarov: Okay.

Rebecca MacDonald: I would add to it that we are definitely analyzing out markets as it is shaking out and we are figuring out how we can possibly structure different products and sell to our customer that's going to differentiate us from others, and as soon as that's figured out, which is going to be hopefully within the next quarter, we could roll out the detail.

Pat McCullough: Oren, as Carter knows well, covering so many solar stocks, the equity cost of capital and the equity returns are under pressure right now, so there is a little bit more margin pressure on everybody in the solar space and it has slowed down a bit.

Orhan Eldarov: Okay, all right, thanks for the colour, and I have one more question before I get back in queue. You mentioned Europe. In terms of the competitive landscape there, how does it sort of compare to North America? Is it as tight there, is it as competitive, or would you maybe see an incremental uptick in gross margins if you're successful at really expanding in that space?

Deb Merrill: Are you talking about our expansion or our current UK operation?

Orhan Eldarov: Well, I meant the new ones that you're thinking—or you're thinking of entering two new geographies, correct?

Deb Merrill: Yes, yes. So, you know, that's one of the criteria in our evaluation, is to look at margins and look and determine whether or not it's a return better or as good or better than what we can get somewhere else, so the answer is yes, we expect to get as good if not better margins in these jurisdictions we're looking at.

James Lewis: Oran, we generally look for three things in new markets, wholesale liquidity, price volatility and underserved customers, and while most European markets are more mature, they have a fuller form of deregulation, so we can bring differentiated value to underserved customers in a much easier way than some markets in North America that don't have the same level of deregulation, think like New York as an example. So, we're pretty kin to replicate the UK successes in other markets. Despite the fact that there are lots of competitors, there remain very little innovation and quite underserved customer base, so we're pretty excited about the opportunities there.

Rebecca MacDonald: What excites us more than anything is that we have proven, and over the years we have said time and time again, it's not about geography grab. We actually feel way more comfortable going in more mature markets because we know our ability to manage the whole process better than

anyone else, and one of the reasons we are looking to these two new markets is the level of maturity, a level of penetration, and, as Pat said, we do firmly believe we can satisfy customer needs better than players that are operating there at the moment.

Orhan Eldarov: Okay, thanks, yes, that'll be it for now.

Operator: Thank you. Our next question is from Kevin Chiang with CIBC. Please go ahead, Kevin.

Kevin Chiang: Hi, thanks for taking my question, and I got on the call late, so apologies if these have been asked or discussed in your prepared remarks, but maybe just turning back to the Commercial segment, when I look at the performance in Q1, it was about half of your revenue, but a de minimis percentage of your base EBITDA. How do you look at that business? Do you look at that business from like a return on investment perspective or a return on capital? I know there's not a lot of capital in your business today, but it does generate significantly lower returns than your Consumer Division. I'm just wondering how you think of that Commercial moving forward and if you really view it as a necessary distribution channel for what you're trying to do more broadly here?

Pat McCullough: Yes, thanks Kevin, this is Pat, and certainly with us pushing the prepaid commission expense within that EBITDA calculation, we're giving, we think, a better view of the real returns in the Commercial business, and as you've noted, they are smaller. Let us give you a little bit of thinking about the Commercial business and why we're committed to it.

Number one, that scale that it provides us does give us incredible leverage, as we're going to larger counterparties like Shell, BP and Exelon, negotiating pricing, to support both the Consumer and the Commercial business. The ability of running larger accounts, like Commercial accounts, is very efficient on our back office. So, if you look at our cost of serving per unit of energy, it's much, much lower in the Commercial business. Fundamentally, while that Commercial business has largely been a brokered business with a lot of competition on low prices, we see the opportunity to position ourselves as trusted advisors and differentiate and deliver new value props to customers, Commercial customers, and grow that bottom line margin.

Specifically, how we think about it, is we do think about it on a return on operating investment. We look for cash-on-cash returns. One of the reasons you've seen those smaller margins grow over last two years, since the C-suite change, is we've really been focused on walking away from the truly commoditized space of our Commercial accounts, and that's why 106,000 less Commercial clients this quarter, is we could have taken those customers, we could have made a small incremental profit, but it wasn't commensurate with the risk and the return we were looking for.

James Lewis: Kevin, when you look at it compared to competitors, our margins, typically, on the Commercial side are bigger, sometimes two or three times, because we're after that small- to medium-sized Commercial, not the larger-sized. So, yes, we do look at it and that return on invested capital and the benefit that Pat laid out there.

Kevin Chiang: That's helpful. Then, I believe in the last quarterly call, you had highlighted a target of net adds of up to 300,000 this year, loud and clear, that the focus is more on profitability versus just customer adds, but an update on what you think that number could end the year at—I presume will probably be less than 300,000

James Lewis: No, that was the medium. When you look at it, we were looking at the number with our targeted budgeted gross margin here, 180 to 200 there. When you're looking at the margins that we're getting now, we feel good that we can deliver on the EBITDA and gross margin numbers, like we said before, not really focusing on the RCE numbers that much. I know from the modeling standpoint, it's

easier to have an RCE number, but I think when you look at the value we're driving towards and the continued profitability for customers, that's an important thing that we're looking at.

Kevin Chiang: That makes a lot of sense. and maybe just last one from me, I think you mentioned it earlier. Looking at your Net Promoter Score, it sounds like in the UK that's a positive score and it probably helps you to sell more product there. When you look at the history of your Net Promoter Score in your various geographies, do you see that moving higher and in the—if I presume that the newer markets have a higher Net Promoter score for Just Energy because of this new energy advisor strategy you have, do you think you can see convergence over time to drive kind of—to drive that as a distribution network for you?

Deb Merrill: Yes, Kevin, we're on this journey, really, in the last two or three quarters, really pushing Net Promoter Score, so we're just kind of doing the first phase of understanding what it is in all these markets, and then it's driving all of our behaviour, so we're in a bit of discovery stage, still kind of seeing where we stand as a starting point, but I would say, as we look at Net Promoter Score based on—it's not just based on geography, it's also based on product, so, it's more product driven, I would say, than geography driven. So, as we roll out the products, like the flat bill, like some of these other, you know, Just Energy Perks, and things like that, that we are seeing, and we're measuring every single customer and looking at it based on product, based service territory, based on length of how long they've been here, you know, what are the trends we're seeing, which helps us measure how effective our products are, as well, and that drives new product development and new bundling strategy, so it's a bit of a cycle that we're in. To answer your question, we've had great reviews in the UK from Consumer advocates, that's definitely true, but we're also seeing good consumer feedback from our newer products that really focus on value in North America, as well.

Kevin Chiang: Okay, that's helpful, and maybe on that front, in this discovery stage, is the idea that if there is a product, if you're doing—because you're doing it by product, if there's a product that has a low Net Promoter Score, maybe is not conducive to bundling, are those, on the flip side, products that you potentially get rid of as part of the portfolio you have there?

Deb Merrill: Absolutely, yes. So, I mean, we're adding products all the time. This is not an indefinite curve, but we can keep it just adding and maintaining everything. So, the idea is to test, see what the customer feedback is. If it works, great. If not, drop it and move on to the next one. So, yes, for sure.

Kevin Chiang: Perfect. That's all for me. Thank you.

Rebecca MacDonald: Kevin, this is Rebecca.

Kevin Chiang: Yes.

Rebecca MacDonald: I don't want to put it in perspective. Next year, our Company is going to be celebrating its 20th anniversary. We have been in this space for 20 years and we have seen many change in the corporation and the way we look at the business and our customers, and our approach towards the customers has changed because we want to the very relevant 20 years from now. The transparency around product and our offerings is increasing with time and we want be ahead of that curve, so bundling of those products is definitely the answer.

When Deb mentioned that we are analyzing Net Promoter Scores on the different product lines, we are taking that very seriously, because ultimately we all want to have all happy customers. That might be unrealistic, but we want to come as close as possible to satisfying individual needs instead of blanketing everyone with the same product.

Kevin Chiang: That's the make lot of sense. Thanks a lot Rebecca, Jim, Deb, Pat. Thank you very much.

Deb Merrill: Thank you, Kevin.

Pat McCullough: Thanks, Kevin.

Operator: Thank you. As a reminder, if you have a question, please press star then 1 your touchtone phone, and we have our next question from Sameer Joshi with Rodman and Renshaw.

Sameer Joshi: Yes, thanks for taking my question. Most of this has been answered, but I have a question that sort touches multiple areas. One is, in the base EBITDA guidance you have given one portion of that is from the UK operations. What portion of that is from Just Energy—sorry, Just Green and Just Solar initiatives, and what foreign exchange assumptions have been made in getting to this guidance?

Pat McCullough: Thanks for the question, Sameer. This is Pat. We've not provided segmented guidance, as you are looking for. The one segment that we did call out is \$10 million from solar and other renewables, that kind of new space that we've entered into. We're assuming a 1.25 rate, so, obviously, we're getting some support around guidance, at least here recently, but on an average year basis we're thinking 1.25 between USD and Canadian dollar.

Sameer Joshi: Okay, and the UK exchange rate?

Pat McCullough: I don't have that off of the top of my head, but I can go back to you with that.

Sameer Joshi: Okay. Okay, I think that's all I had.

Operator: Thank you. We now have a follow-up question from Carter Driscoll with FBR.

Carter Driscoll: Hey guys. Can you talk about the flat bill roll-out, in particular, maybe, in markets like Texas that have around specific regulatory agenda, for lack of better term?

James Lewis: So, in Texas specifically, we've taken an approach there where we rolled it out—actually, we just launched a campaign on Monday. So, we have billboards and radio with the launch of our flat bill in Texas that we're excited about. We rolled it out in Ontario. We talked about the Midwest and the Northeast, as well. So, Texas was one of the—

Carter Driscoll: And the UK.

James Lewis: Yes, and the UK, but Texas was one of our last markets there just to roll out that prop.

Carter Driscoll: Do you see it as really a differentiated product and one which you could also potentially upsell, or use it as an entry point to upsell?

James Lewis: Absolutely. We've seen great response, great discussion on it, customers call up, and even the discussions, we've seen higher conversion rates across the board, on that product as well others. I think consumers appreciate the differentiated product, appreciate somebody not trying to over-price it. We do a really good job, our Risk Management Team is phenomenal, they do a really good job of pricing the product and customers see that, and they also see the benefit of our other products, as well.

Pat McCullough: This is Pat, just to add a few things. We haven't seen a lot of volatility in last two years, so as we've rolled this product out customers aren't experiencing that bill shock that they can during volatile times. The fact that we've got it now into Texas, which is the largest deregulated market, we plan—and we've got the advertising campaigns with the top 25 radio stations and billboards right now, and Houston's at a 100 degrees plus 15% for heat Index this week, and Dallas is at 105 this week. It's a pretty exciting experiment, because we're watching very closely to see if prices change. They've been pretty stable to date, but we're in the right place at the right time with the right product.

Carter Driscoll: Okay, and then maybe just last—obviously, there's been some noise in New York State, regulatory changes for the energy retailers. Can you talk about your exposure there? Obviously, you're well diversified, but any potential other geographies, maybe some regulatory headwinds that we should be aware?

James Lewis: Yes, you look at New York and what they are trying to do there, on one side it's making sure you have products of value to the consumers. We believe we're doing those things. The thing that limits you in New York and some of the other jurisdictions is your ability to actually deliver the product and services because of the market structure there. Those markets are utility (inaudible) billing markets. We believe that as the markets look at restructuring there, is they allow us to deliver innovative product there, like we can in Texas, Alberta, and Georgia and the UK. We think we can deliver compelling products to the end-use customers and looking to push that. But you see some headwinds there in New York, you have some in the Midwest and a few places, evaluating, but we think across the board deregulation is here to stay, and as we talked about earlier, we think, really, the world is our oyster as we look to expand not this year but also the following years out. Japan, we have been talking about, Mexico. So, there's a ton of opportunities around the world for us.

Carter Driscoll: Excellent, and I appreciate that colour. Congratulations on a solid quarter.

Pat McCullough: Thanks, and Sameer a follow-up—this is Pat. The brains of our outfit and my Corporate Controller, Lisa O'Connor, texted me. Our GBP to CAD rate for the budget this year as 1.9, so that's what we are working our guidance off of.

Operator: Thank you. Carter, did you have anything further before I release your line?

Carter Driscoll: No, I am all set. Thank you very much.

Operator: Thank you. Once again, if you have a question, please press star then 1 on your touchtone phone, and we will now take a follow-up question from Orhan Eldarov with RBC Capital Markets.

Orhan Eldarov: Hey guys, yes, just a quick follow up. Just drilling deeper into the numbers here, I noticed that there was a bit of an uptick in the Commercial customers lost, gross margin per RCE. Is that sort of a timing thing? Had you a large customer leaving or not renewing, or how should we look at that moving forward?

Pat McCullough: Yes, I think one of the things that we're watching very closely is what you're talking about here—and this is Pat obviously. So, as we've increased margins in general over the last eight quarters, the Commercial book is a shorter duration book, so we're going to start seeing the exiting customers at those higher margins as they or fail to renew, depending what you're looking at, starting to come through. We did have an abnormally large quarter of renewals, and we'll watch that closely. What we're really caring about most is can we continue to grow that incoming design margin and then can we experience that or better on a realized basis, which we feel very confident we're doing a good job of right now.

Orhan Eldarov: Yes, and so I guess it's fair to say that given that the customers leaving move forward, would have higher margins, you're going to be focusing on improving attrition as well, right?

Pat McCullough: Absolutely. One of the reasons that we were so keen to see the attrition improvement in both Commercial and Consumer is we think the strategy is really starting to stick with customers, and then what's you've got, as Deb mentioned, you have this compounding effect of higher margins per customer staying with you longer and that embedded margin expectation has to go up, versus the normal trends in attrition and renewal rates we put to it.

Orhan Eldarov: Okay, and just a quick follow-up on that, I guess. In terms of the duration of a Commercial customer book, is that sort of going to stay at the level that it is right now or is there a plan to sort of extend the cycle, or what are your thoughts on that?

Pat McCullough: We're generally offering two- and three-year contracts with Commercial accounts, but they have the opportunity go longer if they'd like. We're not going to be changing the trading period that we buy wholesale or sell it to our customers, we'll go as long as five years right now. We do notice Commercial customers are a bit savvier, so when there's relatively low market prices, like there are today, you do see them going a little bit longer, but it's not material to what we've been living with historically. Generally speaking, your Residential contracts are three-and-a-half years to four years, on average, they attrite at a higher rate. Your Commercial contracts are two to three years, they attrite at a lower rate. Your average customer lifecycle today, real customer life is two to two-and-a-half years; however, our goal is to lengthen that, and that's without renewals.

Orhan Eldarov: Mm-hmm. Okay, well, that'll be it for me. Congrats again on a good quarter.

James Lewis: Thank you.

Pat McCullough: Thank, Orhan.

Operator: Thank you. We have no further questions at this time. I will now turn the call back over to Deb Merrill for closing remarks.

Deb Merrill: Great. Thank you, everybody, for joining us. It was a pleasure talking to you today. We're again very excited about our first quarter, looking forward to talking to you again next quarter.

I want to take a quick minute to make sure on behalf of the Management Team we want to again thank our employees who have been at the helm of making a lot of these things possible. We have a great team that makes Just Energy's successful quarter in and quarter out and we want make sure that they know that we appreciate them. So, again, thanks to all the employees. Thanks for joining us and we'll talk to you next time. Thank you.

Operator: Thank you. Ladies and gentlemen, this concludes today's conference and webinar. We thank you for participating and you may now disconnect.