



An Australian insight

4 April 2014

Agenda

Out-takes

Business Performance

Wholesale – Sustainably supporting
retail growth

Retail growth opportunity

Direct Connect

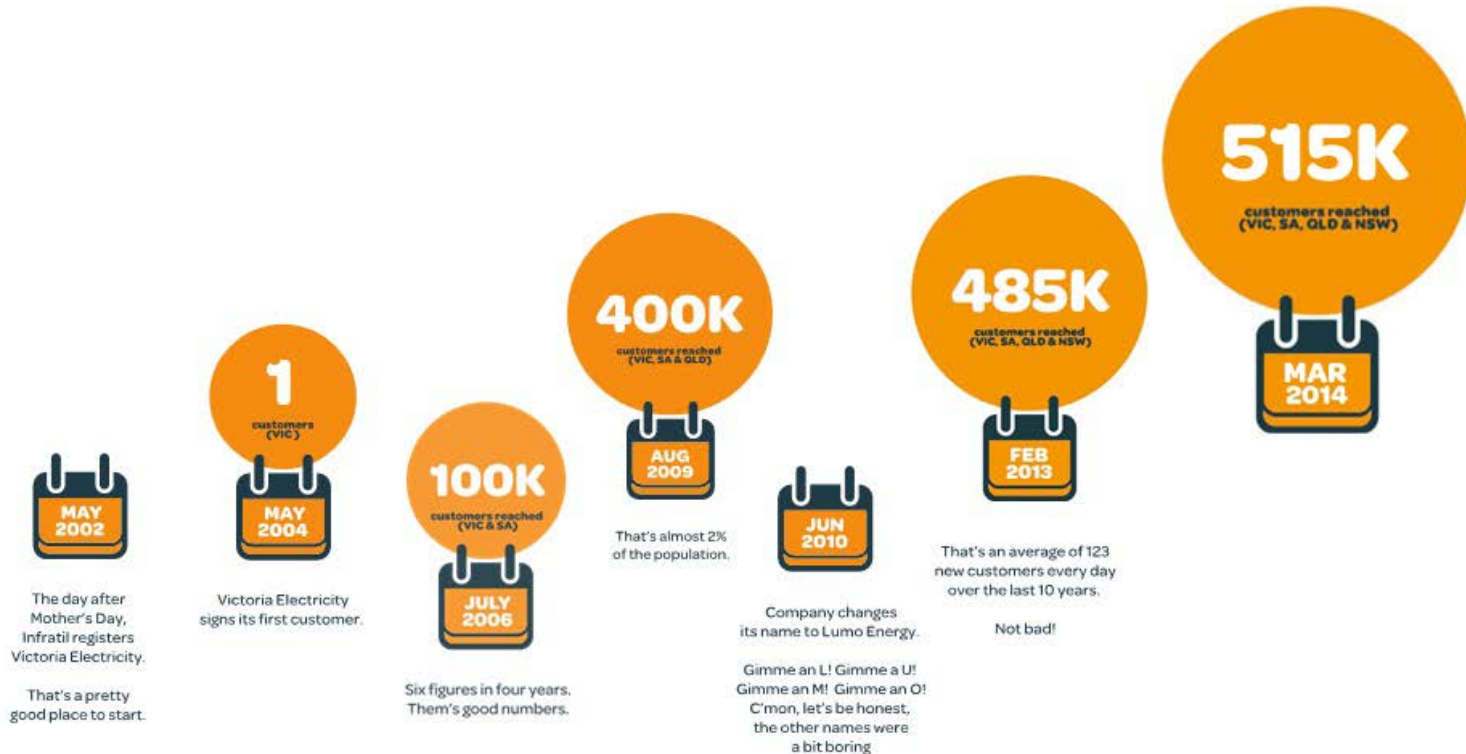


Out-takes

- This is a sustainable business with solid EBITDAF and cash flow
- The retail landscape continues to provide challenges.....Lumo has climbed to > 515k customers - still only 5% of the National Electricity Market (“NEM”)
- Lumo benefits from a lack of vertical integration
- Customer behaviour is changing with access to new technology and more information
- Ongoing investment will ensure core systems are fit for purpose for the next growth phase
- Cessation of door to door selling by the major players has reduced churn - the value of other channels is increasing - Direct Connect
- Strategy seeks to optimise Lumo’s advantages as a challenger brand with a reputation for great customer value



The Lumo Energy journey – Now over 515,000 customers

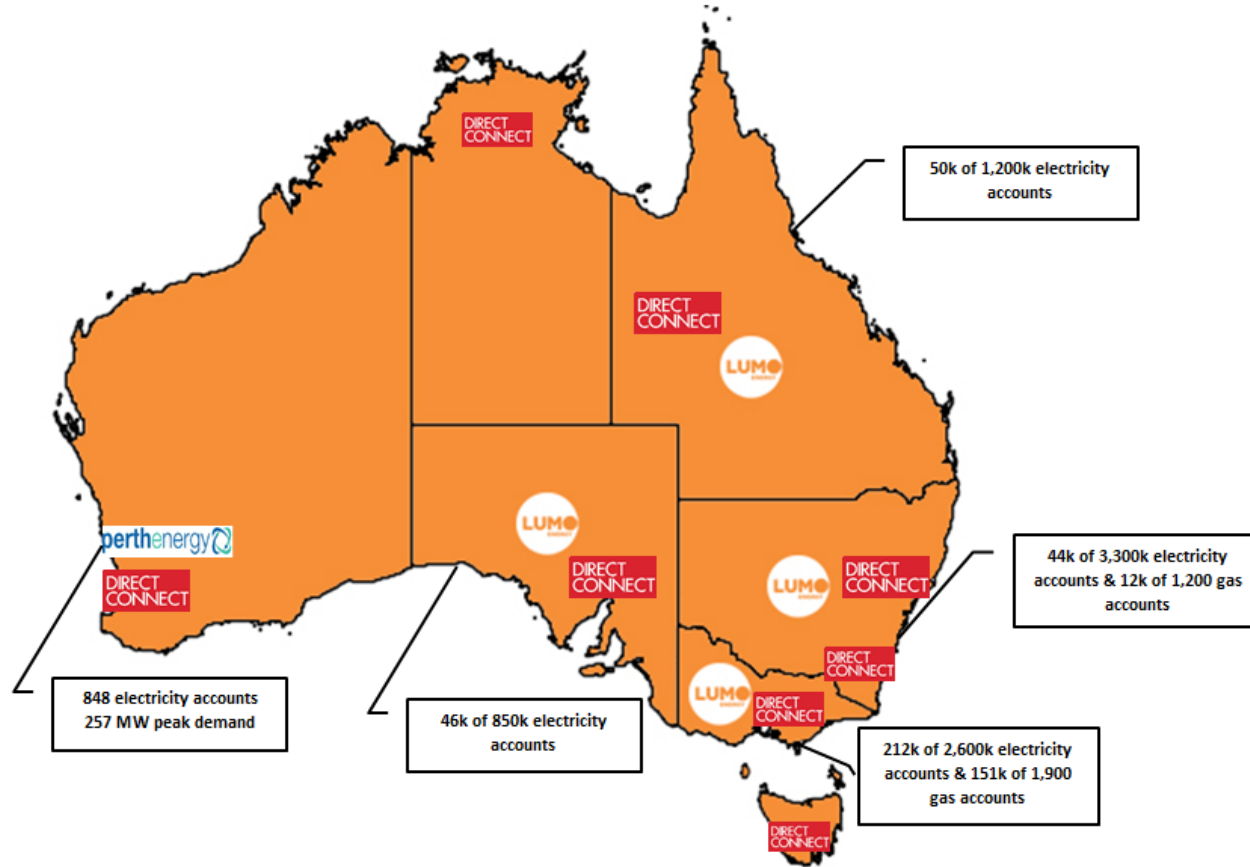


Our Energy business in Australia

- Lumo Energy is now over 515,000 customers - 4th largest energy retailer by customer base in the NEM with demonstrated loyalty emerging
- Non vertically integrated - manage wholesale risk via contracting
 - ✓ 160 MW of diesel peaking generators
 - ✓ Physical options - Bamarang
- Wholesale risk management expertise has delivered a sustainable business with competitive wholesale costs
- Direct Connect - largest utility connection service business in Australia
- Operational stability is now in evidence
 - ✓ Complaints at lowest level – 27% reduction in the last year
 - ✓ Recognised as best electricity company for customer service
- Strong outsourced sales capability - Door to Door, Outbound Telemarketing and energy comparison site aggregators
- Perth Energy continues to grow – 848 SME and C&I customers with 257 MW peak demand
 - ✓ 120 MW dual fuel generation

DEVELOPED ORGANICALLY BY INFRATIL

Established in all significant markets in Australia



National Electricity Market retail landscape

- South Australia retail price deregulation Feb'13
 - ✓ NSW and QLD yet to follow, but confident this will happen in 2014
- Cessation of door to door selling by majority of industry during May'13 to Sep'13 lead to a steady decline in market churn
 - ✓ Market churn reduced from ~30% to 24%
 - ✓ Sales methods and channels need to change
- Changing customer behaviour driven by enhanced access to information and technology
- Industry participants are changing
 - ✓ APG acquired by AGL
 - ✓ AGL bid for Macquarie Generation (subject to ACCC approval)
 - ✓ CEO changes at tier 1 and tier 2 organisations and offshore parent strategy shifts
- Unclear Regulatory regime
 - ✓ Renewable Energy Target, the debate continues
 - ✓ Consumer power

2013 A YEAR OF SIGNIFICANT CHANGE

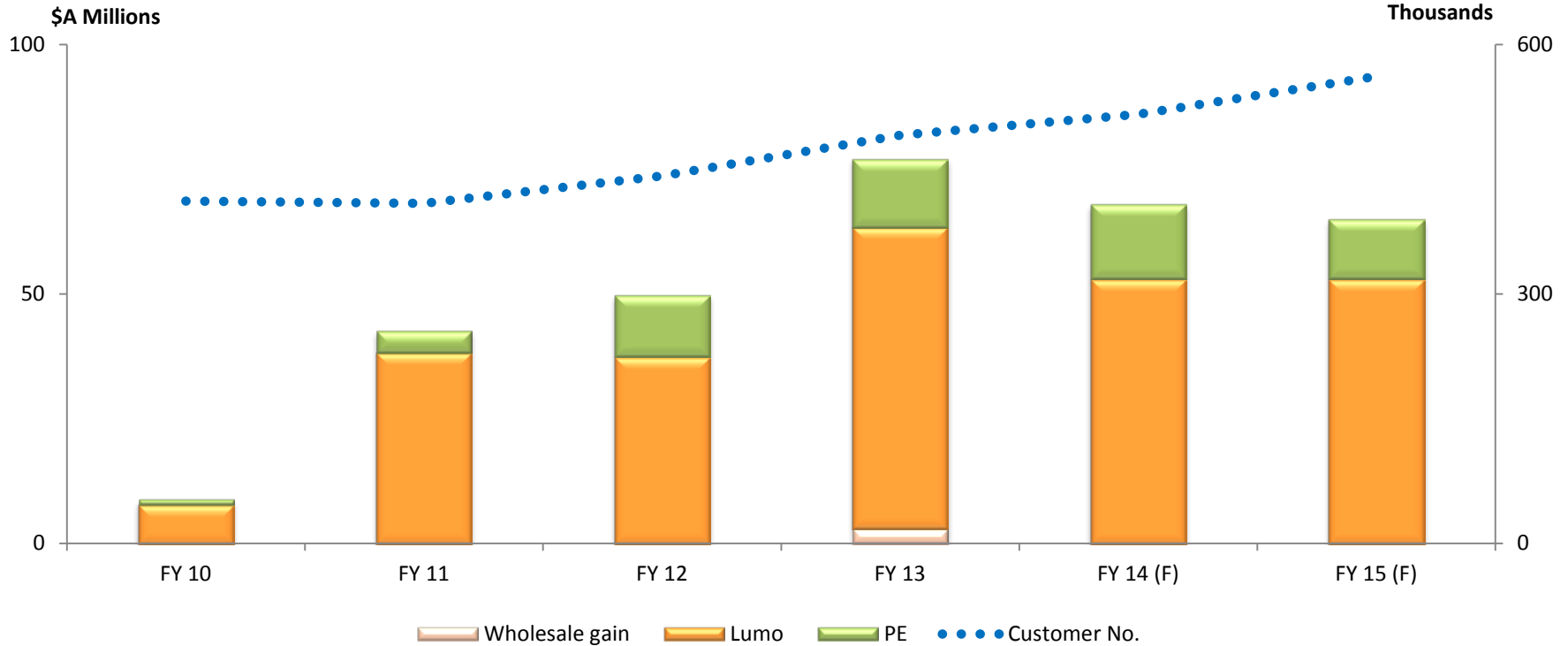
NEM Retail Landscape – implications?

- Risk reduces with price deregulation
- Door to door selling pause for 8 months in 2013 – re-entered with caution in late 2013
- Churn falling below market is aiding growth and signals a “coming of age”
- Value of other channels has increased significantly
 - ✓ Direct Connect and other strategic marketing initiatives bring diversity to Lumo sales sources
 - ✓ Direct Connect strategic review will significantly increase and strengthen market share
- Disappearance of APG as a second tier challenger, provides the opportunity to strengthen Lumo’s position as the alternative provider of choice



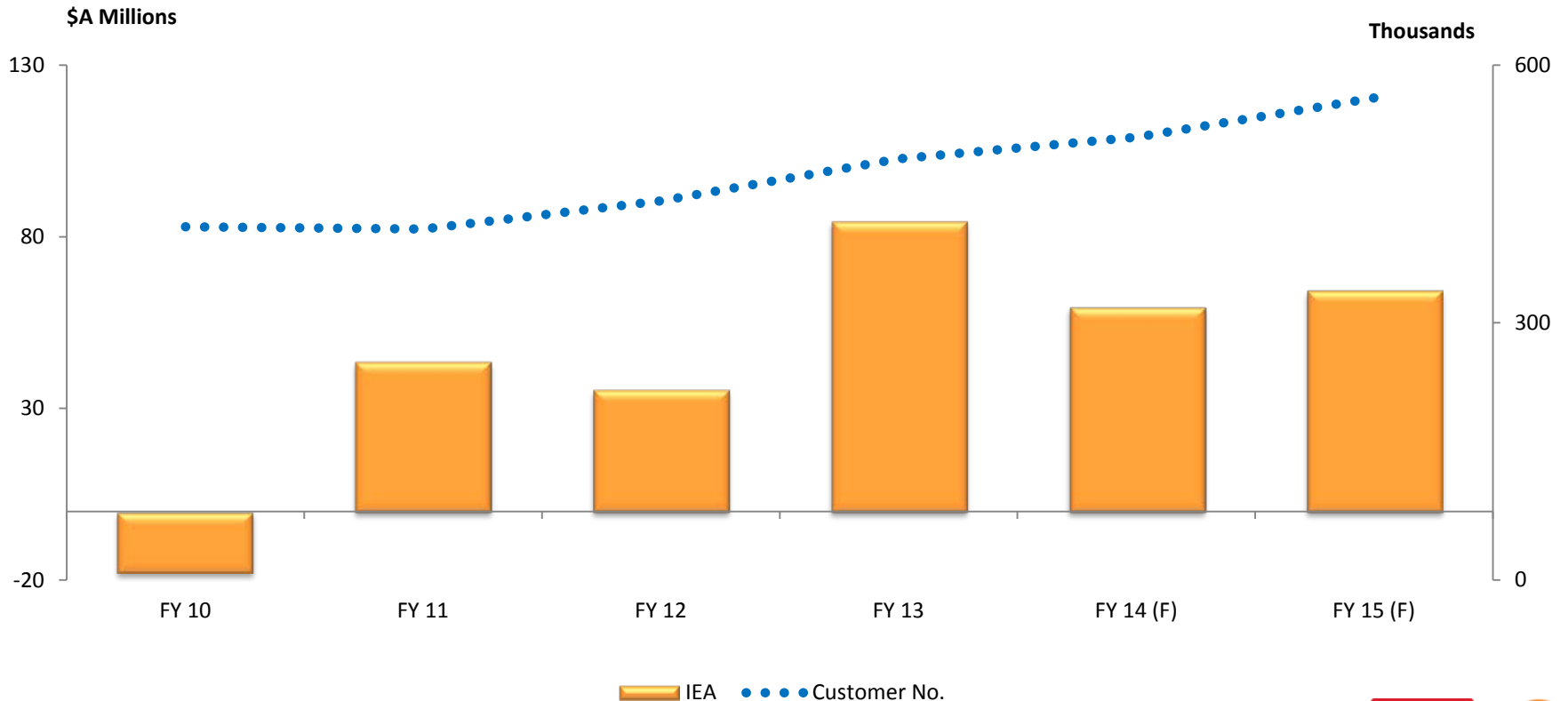
LUMO CONTINUES TO MEET THESE CHALLENGES AND GROW

Sustainable EBITDAF

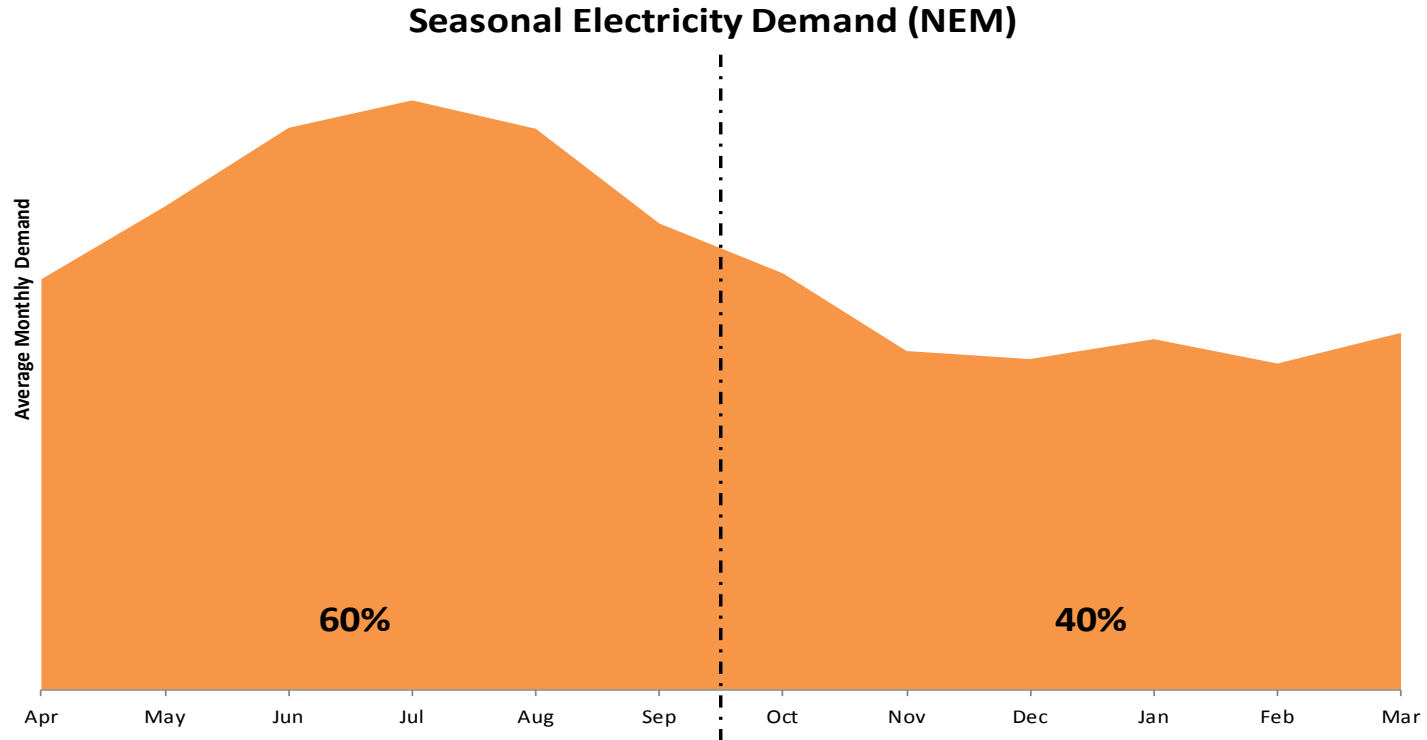


LUMO NOW A SUSTAINABLE BUSINESS WITH SOLID EBITDAF.... 2015 FORECAST EBITDAF REFLECTS POSITIVE INVESTMENTS IN OFFERINGS, CUSTOMER GROWTH AND BRAND, AND A SHIFT TO CLOUD BASED "AS A SERVICE" TECHNOLOGT

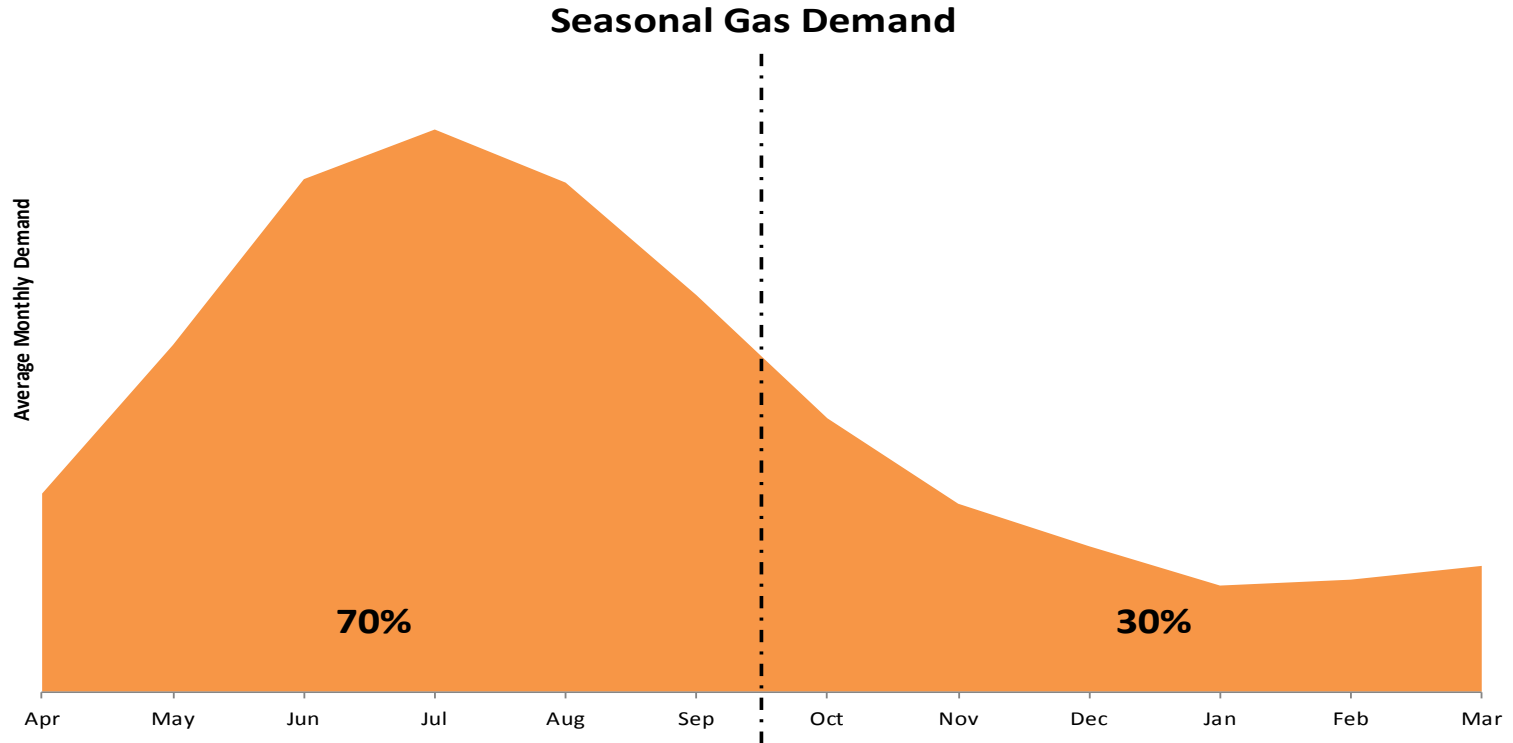
And operating cash flows...



NEM consumption profile



Gas consumption profile



Wholesale landscape - Electricity

- Wholesale electricity markets are significantly oversupplied and forecast to remain so across the next decade – **uncertainty exists**
- Wholesale markets are **fundamentally changing**
 - ✓ Supply being driven to market through **regulatory** incentives, **technology** and **socket parity**
 - ✓ Demand no longer unresponsive – driven primarily through **price** and **technology**
 - ✓ Thermal Plant to respond – supporting a price range
- Contract market **liquidity remains**, options required to cover longer term uncertainty
 - ✓ Liquidity also exists in renewable market
- An **evolving political environment**
 - ✓ Renewable and carbon policy
- Pending sale of NSW & QLD Generation assets

WHOLESALE ELECTRICITY PRICES WILL REMAIN SUBDUED IN THE MEDIUM TERM

Wholesale landscape - Gas

- **Uncertain short to medium term** supply/demand balance - demand increasing **four fold** from 2015
 - ✓ International drivers, no longer just domestic
 - ✓ Impacts on end users – already seeing increase in forward commodity prices
 - ✓ Producers managing ramp gas – so far...
- Development uncertainty leading to **increased risk** – both price and supply
 - ✓ Political uncertainty delaying development of NSW coal seam gas fields
 - ✓ Scale of QLD LNG developments
- **Developing a sustainable gas portfolio is challenging**
 - ✓ Ability to achieve a flexible and cost effective portfolio
 - ✓ Contract liquidity remains a high risk

WHOLESALE GAS PRICES INCREASING IN THE SHORT TO MEDIUM TERM

Wholesale portfolio outlook

Electricity

- Wholesale risk management very important
 - ✓ Enables a sustainable and cost competitive business
- Flexibility in managing wholesale is essential, remaining **non-vertically integrated** where sustained contract liquidity exists
- Lumo wholesale strategy continues to pay off
 - ✓ Lumo can adapt to the changing market and take advantage of it

Gas

- Have been able to contract at required volumes and flexibility
- Lumo contracted out to 2020



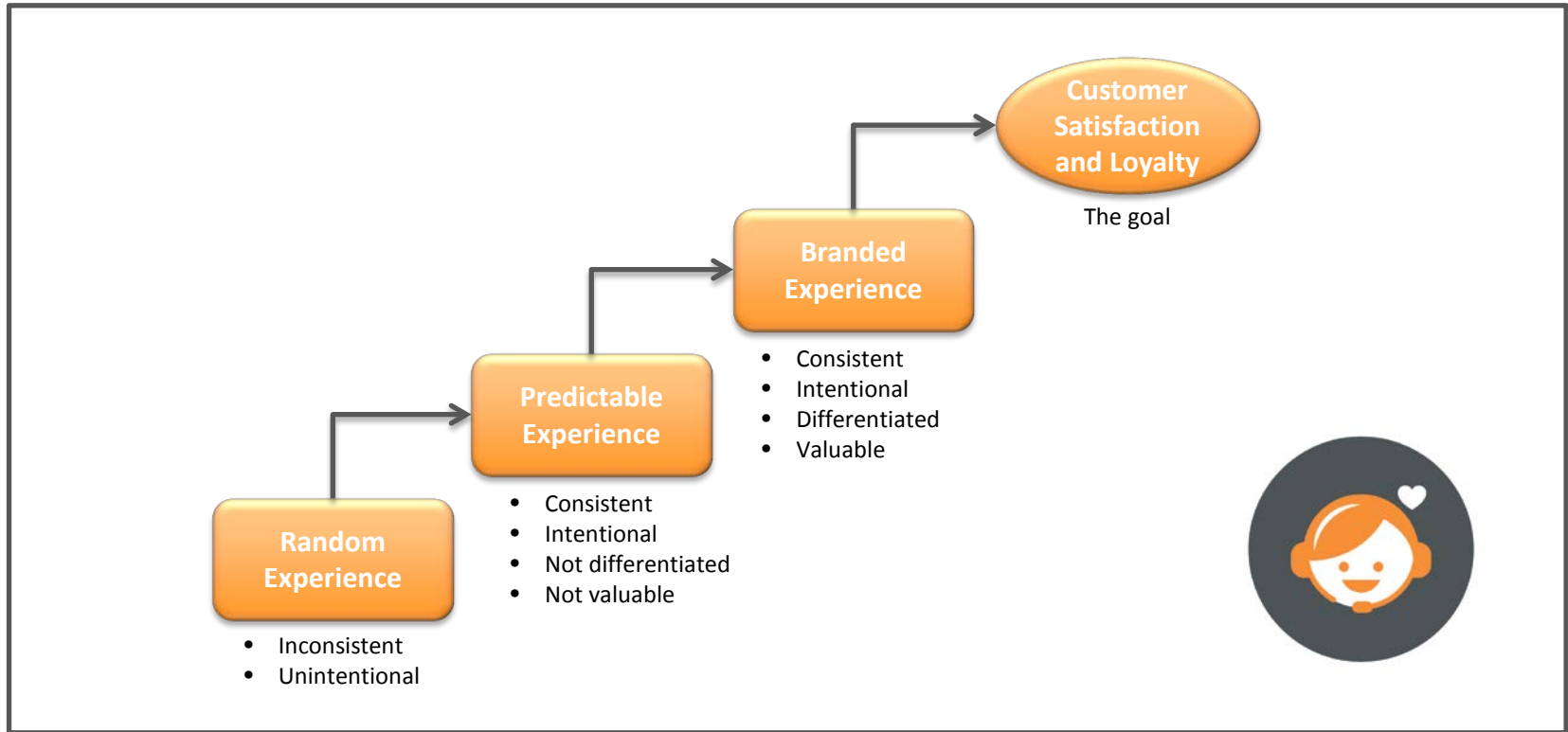
LUMO HAS A PROVEN FLEXIBLE, SUSTAINABLE & COMPETITIVELY PRICED PORTFOLIO IN AN UNCERTAIN MARKET

Technology – The emerging landscape

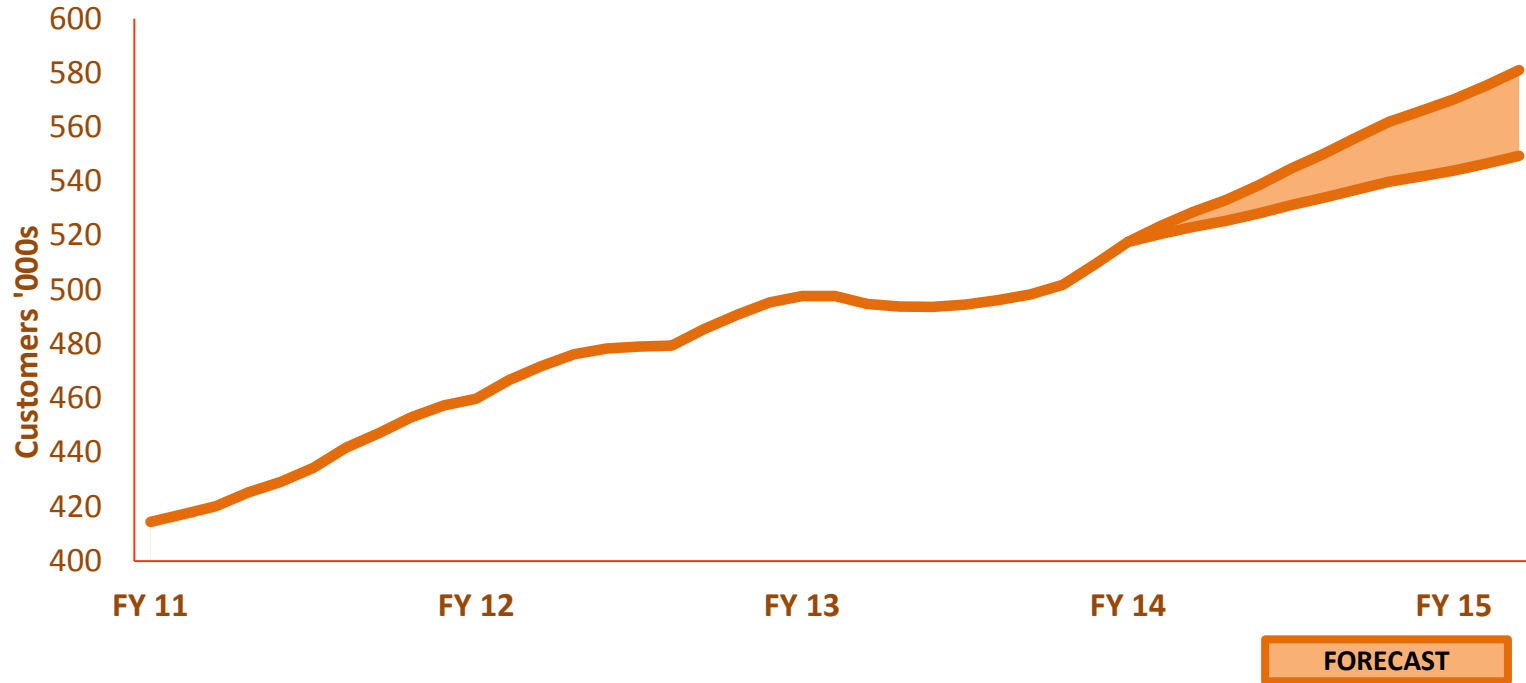
- **Technology is fundamentally changing the energy market**
 - ✓ Monitor and manage consumption – **Smart Meters**
 - ✓ On site generation – **Solar**
 - ✓ Manage load variability – **Storage**
 - ✓ Electrification of the transport sector – **EVs**
 - ✓ The integration of appliances and energy management – **The Digital Home**
 - ✓ Focus on energy efficiency – **Appliances & Building Standards**
- Technology fast moving and potentially disruptive – Lumo positioning for the opportunity
 - ✓ Drives uncertainty and reinforces benefits of being non-vertically integrated

LUMO DEVELOPING PRODUCTS THROUGH TECHNOLOGY PARTNERSHIPS TO
CAPITALISE ON NEW REVENUE OPPORTUNITIES

Increasing sophistication in approach to our market



Well positioned for continuing customer growth



Balanced customer experience and sales approach

Customer Experience Focus

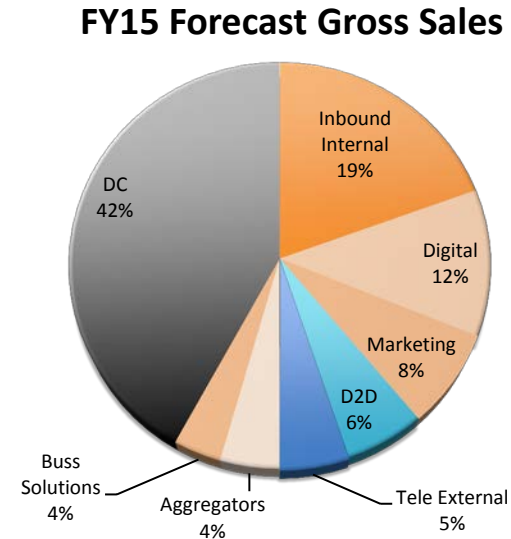
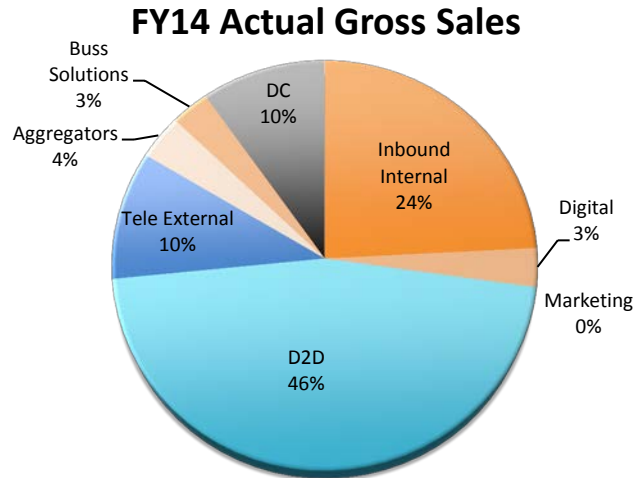
- Building the Lumo Energy **Brand**
- **Segmentation** of the market
- Greater **reliability and repeatable service** experience
 - ✓ Complaints down 27% over 12 mths
 - ✓ Canstar Blue most satisfied electricity customers in Victoria 2013
- Investment in our **people**
 - ✓ Employee engagement up 19% (3 years)
 - ✓ Voluntary turnover down 54% (2 years)
- **Technology refresh**
 - ✓ CRM, Digital, Telephony, Infrastructure

Strengthened Sales Management

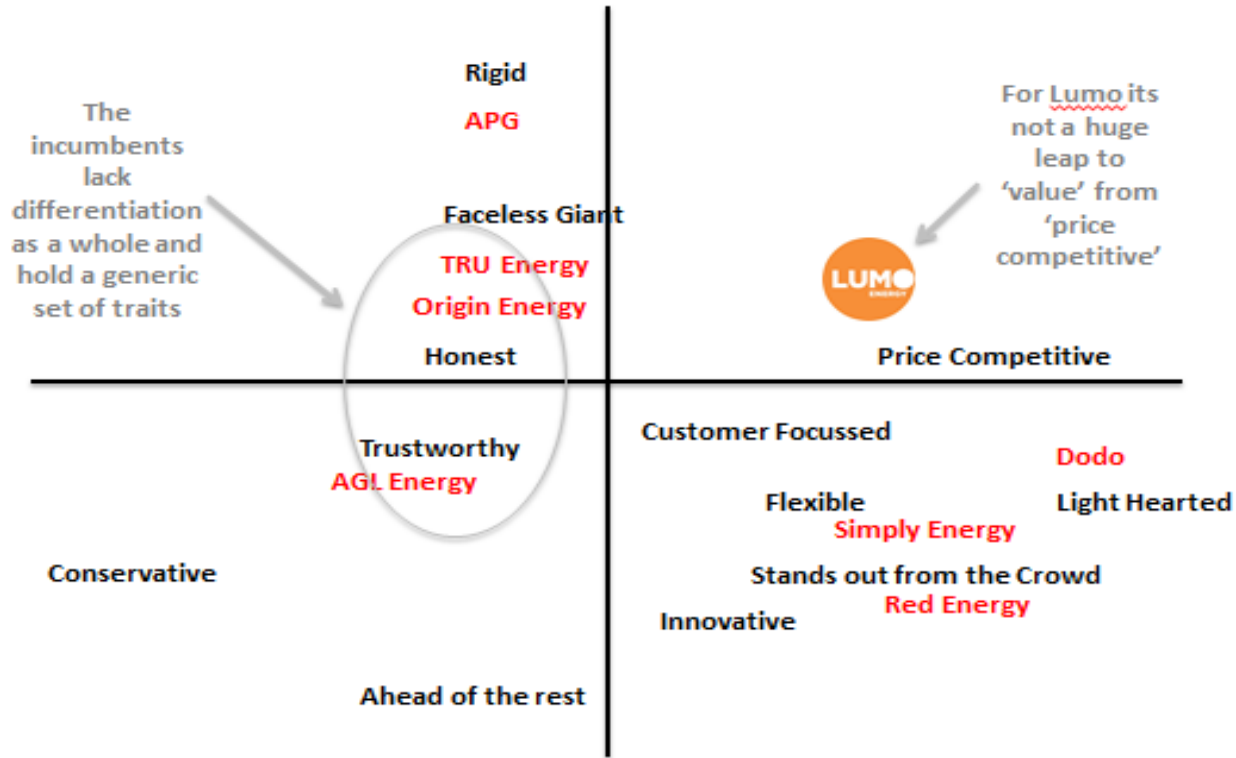
- Less reliance on direct selling
- **Diversified and sustainable new channels**
 - ✓ New marketing & online capability
 - ✓ Offshore for some sales & service activity
- Operationally able to take more Direct Connect customers
 - ✓ **Greater percentage of same day 'move-ins'**
- Using **data to drive sales** productivity
 - ✓ Aligning commission to value drivers
 - ✓ More sophisticated channel management practices

Diversified and sustainable sources of new customers

- Door to door becomes a smaller part of our overall new customer sources
- Inbound sales from **marketing activity and new customers from Direct Connect** provide a higher quality sale and are more sustainable
- Most proactive focus is on Victoria and SA – as price de-regulation occurs we are ready to capture new opportunities in Qld and NSW

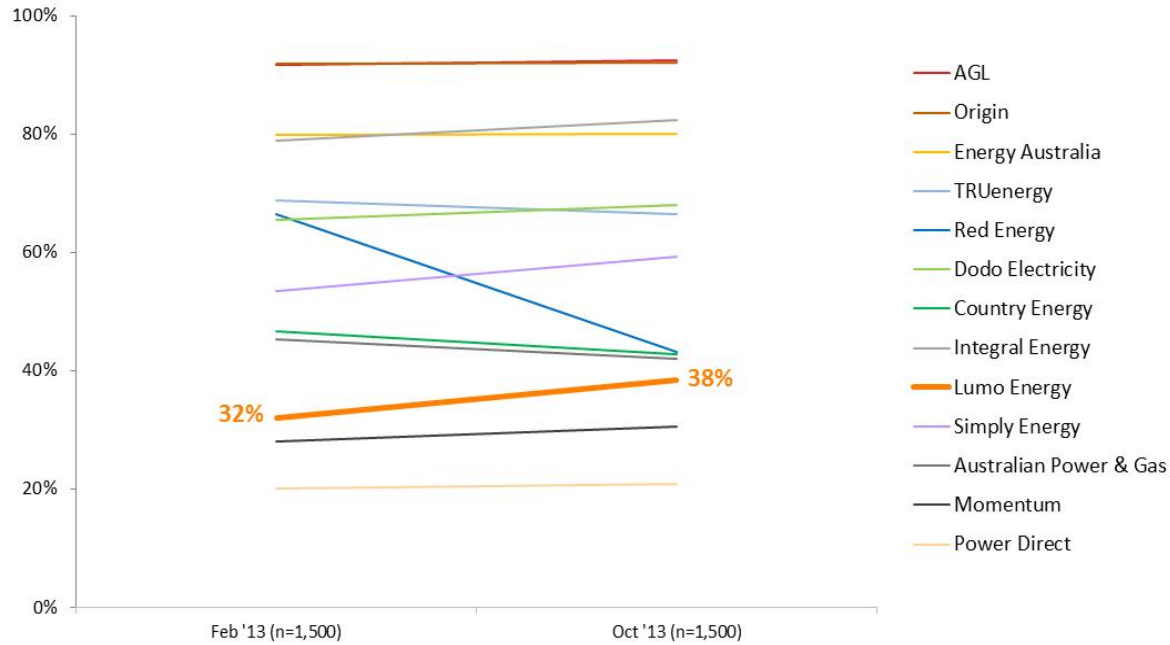


Lumo stands out from the crowd



Increasing brand awareness is the next challenge

Prompted Brand Awareness



New advertising platform delivering strong results



Direct Connect – A quick history recap

- Started 2004 – now provides its moving home service to over 3,500 Real Estate offices across Australia - 50% of the market
- Channel for Lumo, AGL and Origin
 - ✓ Low Cost to Acquire
- A typical DCA energy customer....
 - ✓ Smaller dwelling and an active mover; BUT
 - ✓ Less price sensitive and have a good credit history
- Multi connection/product strategy
 - ✓ DCA customers do want more products



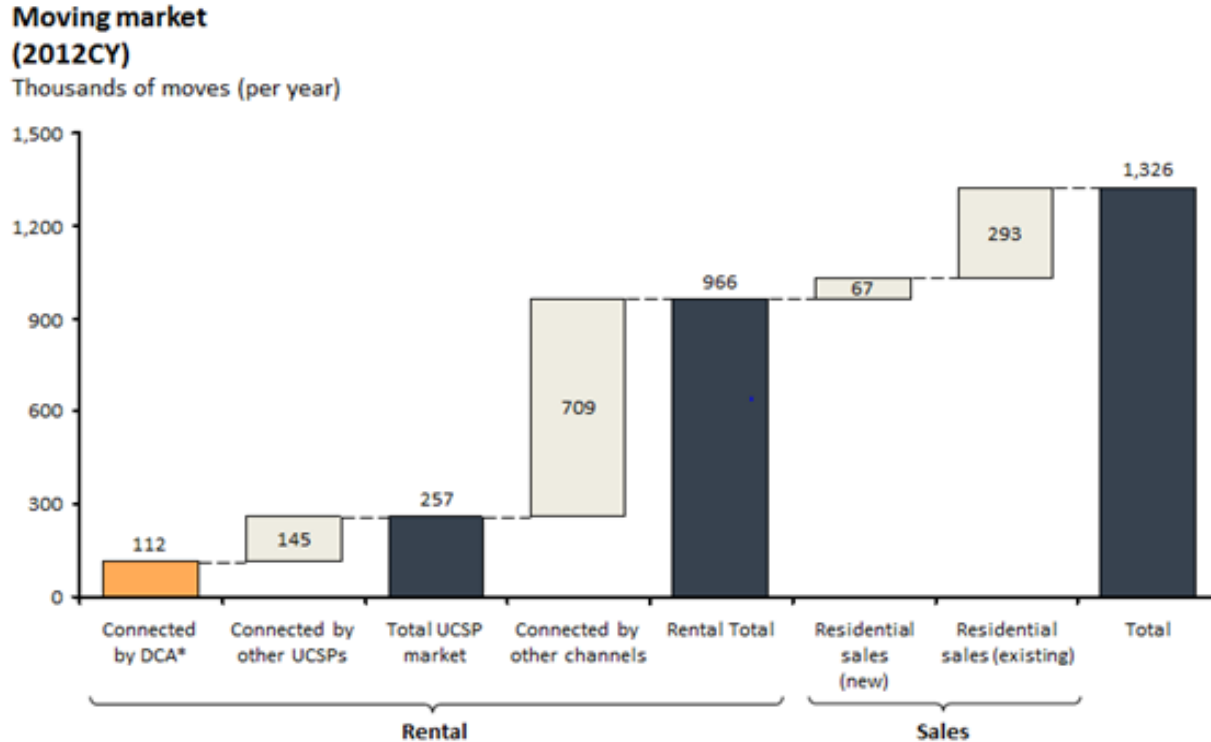
Moving market

- Large, fragmented with changes occurring in the value chain
- Characterised by multiple data hand-offs
- There are three core categories of agent operations
 - ✓ DCA's extensive agent network is a key advantage
- Property management has become an increasingly important source of agent revenue
- Energy retailers are already an active part of the market through their own channels
 - ✓ They also utilise a number of UCSPs



THE ALWAYS ON GUARANTEE
















Small market share – currently rental focused



Note: *Less than 5% of DCA's connections relate to residential sales

Source: DCAM data (Oct 2013); ABS; HIA, Commonwealth Bank, Sate Bond Authorities, Macquarie, 2012; L.E.K. analysis

Impressive product set

Electricity and Gas	  
Water	  
Phone and Internet	   
Pay TV	
Insurance	
Removalists/Truck Hire	 
Cleaning and Other	

Five pillar strategy for growth



Ongoing investment supports growth of Lumo and Direct Connect

CRM

- Campaign management consistency
- Trigger based marketing
- Data capture validation

Data & Analytics

- Interval data
- Data driven decision making
- Propensity modelling
- Hypothesis testing

Digital Channels

- Website refresh
- Online sales
- Service extensions
- Enhanced reporting
- Social Media

Billing Enhancements

- Faster response time to market
- Flexible offers
- Behavioural inducements

Telephony as a Service

Infrastructure as a Service

Summary

- Lumo is a significant business with solid EBITDAF and steady cash flow
 - ✓ EBITDAF will be impacted in the short term with the change in sales strategy
- At ~5% of the NEM, Lumo's strategy is to take advantage of the growth opportunity
 - ✓ Scale benefits continue to come with growth
- Ongoing investment to improve technology platforms and ensure core systems are optimised for growth
- Churn reducing – Lumo better than market
 - ✓ Retail margins may increase
- Value of other channels and particularly Direct Connect has increased
- Lumo's non vertically integrated strategy has delivered a competitively priced wholesale portfolio – Lumo can compete on wholesale cost.
 - ✓ Gas contracted out to 2020

Disclaimer

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