

# Crius Energy Trust



## Acquisition of U.S. Gas & Electric Inc.

May 30, 2017

A preliminary short form prospectus containing important information relating to the securities described in this document has not yet been filed with the applicable securities regulatory authorities in the provinces of Canada, other than Québec. A copy of the preliminary short form prospectus is required to be delivered to any investor that received this document and expressed an interest in acquiring the securities. There will not be any sale or any acceptance of an offer to buy the securities until a receipt for the final short form prospectus has been issued. This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the preliminary short form prospectus, final short form prospectus and any amendment, for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

# FORWARD-LOOKING STATEMENTS AND NON-IFRS MEASURES

An investment in the securities described in this investor presentation is subject to a number of risks that should be considered by a prospective purchaser. Prospective purchasers should carefully consider the risk factors described under “*Risk Factors*” and “*Forward-Looking Statements*” to be included in the preliminary short form prospectus, final short form prospectus and any amendments thereof (collectively, the “**prospectus**”) of Crius Energy Trust (“**Crius**” or the “**Trust**”) before purchasing securities described hereunder.

An investor should rely only on the information contained in the prospectus. This investor presentation is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing in the prospectus. Neither the Trust nor any of the Underwriters has authorized anyone to provide investors with different or additional information. The Trust is not offering, or soliciting offers to acquire, the securities in any jurisdiction in which the offer is not permitted. For purchasers outside Canada, neither the Trust nor the Underwriters have done anything that would permit the offering or distribution of this investor presentation together with the prospectus in any jurisdiction where action for that purpose is required, other than in Canada. An investor is required to inform itself about and to observe any restrictions relating to the Offering (as described herein) and the distribution of this investor presentation and of the prospectus.

No securities regulatory authority has expressed an opinion about the securities of the Trust discussed in this investor presentation and it is an offence to claim otherwise. The securities of the Trust discussed in this investor presentation have not been, and will not be, registered under the U.S. Securities Act, or the securities laws of any state of the United States and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This investor presentation does not constitute an offer to sell or solicitation of an offer to buy any of the securities of the Trust in the United States

This investor presentation is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained in the prospectus. All amounts herein are in U.S. dollars unless otherwise noted. Terms undefined herein have the meanings ascribed to them in the prospectus.

## Forward-Looking Statements

This presentation contains forward-looking statements and forward-looking information (collectively, “**forward-looking statements**”) that involve substantial known and unknown risks and uncertainties, most of which are beyond the control of the Trust, including, without limitation, statements pertaining to the proposed Acquisition (as defined herein); our ability to complete the proposed Acquisition, if at all; the benefits of the proposed Acquisition, if any; the “bought deal” prospectus offering of subscription receipt of the Trust (the “**Offering**”); the timing and ability of Crius to complete the Offering, if at all; the timing and ability of the Trust to complete the acquisition of U.S. Gas & Electric, Inc. (“**USGE**”), if at all; the accretiveness of the Acquisition to existing unitholders of the Trust; the expected timeline; the impact of the Acquisition on taxation matters and payout ratio; financial results and business updates from the second quarter of 2017; customer revenues and margins; customer additions and renewals; customer consumption levels; distributable cash; revenue; payout ratio; cash availability; embedded margin; adjusted EBITDA; gross margin; selling expenses; general and administrative expenses; public float; current yield; annualized distribution; sufficiency of capital; stability of distributions; market penetration; cost-effective growth strategies; risk management; and treatment under governmental regulatory regimes. A statement may be considered a forward-looking statement when it uses what the Trust knows or expects today to make a statement about the future. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or describes a “goal”, or variation of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. All forward-looking statements reflect the Trust’s beliefs and assumptions based on information available at the time the statements were made, and are qualified by (i) the assumptions that are stated or inherent in such forward-looking statements, and (ii) the risks described in the section entitled “*Financial Instruments and Risk Management*” in the most recent MD&A of the Trust and in the sections entitled “*Risk Factors*” and “*Forward-Looking Statements*” in the annual information form of the Trust for the fiscal year ended December 31, 2016, dated March 16, 2017, which are available on SEDAR under the Trust’s issuer profile at [www.sedar.com](http://www.sedar.com). Forward-looking statements may involve estimates, assumptions and uncertainties, which could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements. While these statements are based on current expectations, forward-looking statements inherently involve a number of risks and uncertainties which could cause actual results to differ from those anticipated. These risks include, but are not limited to, market conditions; the trading price of trust units of the Trust on the Toronto Stock Exchange; the Canada-United States dollar exchange rate; impact of weather; levels of customer natural gas and electricity consumption; rates of customer additions and renewals; fluctuations in natural gas and electricity prices; changes in regulatory regimes and decisions by regulatory authorities; competition; growth of the U.S. energy industry; dependence on certain suppliers; financial performance; and other business and economic conditions. All of the Trust’s forward-looking statements No assurance can be given that the expectations set-forth in this presentation will ultimately prove to be accurate and, accordingly, such forward-looking statements should not be unduly relied upon. It is not possible for Management to predict new factors that may emerge from time to time, or to assess in advance the impact of each such factor on the Trust’s business, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in forward-looking statements. These forward-looking statements are given only as of the date of this presentation and the Trust does not assume any obligation to update or revise any forward-looking statement to reflect new events or circumstances, except as may be expressly required by applicable securities laws.

## Non-IFRS Financial Measure

Statements throughout this presentation make reference to EBITDA, Adjusted EBITDA, Distributable Cash and payout ratio, which are non-IFRS financial measures commonly used by financial analysts in evaluating the financial performance of companies, including companies in the energy industry. Accordingly, Management believes EBITDA, Adjusted EBITDA, Distributable Cash and payout ratio may be useful metrics for evaluating the Trust’s financial performance as they are measures that Management uses internally to assess performance, in addition to IFRS measures. As there is no generally accepted method of calculating EBITDA, Adjusted EBITDA, Distributable Cash and payout ratio, these terms as used herein are not necessarily comparable to similarly titled measures of other companies. EBITDA, Adjusted EBITDA, Distributable Cash and payout ratio have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, net (loss) income or other data prepared in accordance with IFRS. EBITDA is calculated as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA adjusted to exclude any change in the fair value of derivative instruments, change in fair value of non-controlling interest, change in fair value of warrant liability, unit-based compensation, goodwill impairment and distributions to non-controlling interest. The items excluded from EBITDA and Adjusted EBITDA are significant in assessing the Trust’s operating results and liquidity. See the section entitled “*Reconciliation of Net (Loss) and Comprehensive (Loss) to EBITDA and Adjusted EBITDA*” in the management’s discussion and analysis of the Trust to which such financial information relates for a reconciliation of EBITDA and Adjusted EBITDA to net loss and comprehensive loss as calculated under IFRS for the relevant periods, the most directly comparable measure in the Trust’s consolidated financial statements. See the section entitled “*Distributable Cash and Payout Ratio*” in the MD&A of the Trust to which such financial information relates for a reconciliation of Distributable Cash to cash flows provided by (used in) operating activities as calculated under IFRS, the most directly comparable measure in the Trust’s consolidated financial statements. Other financial data has been prepared in accordance with IFRS.

All figures in this presentation are presented in U.S. Dollars and are reflective of information as at the end of the first quarter, March 31, 2017, unless otherwise noted.





# Transaction Overview

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- A subsidiary of Crius has agreed to acquire USGE, a leading energy retailer in the United States (the “**Acquisition**”)
- Total consideration is US\$152.5 million plus approximately US\$20 million in working capital, subject to customary post-closing adjustments, for an aggregate purchase price of US\$172.5 million
- Purchase price implies a multiple of ~4.7x LTM EBITDA<sup>(1)</sup>
- *Pro-forma* leverage ratio to remain below 1.0x LTM EBITDA
- Consideration to be paid as follows:
  - US\$95.0 million in cash
  - US\$47.5 million through the issuance of non-amortizing promissory notes having a term to maturity of 8 years, redeemable by Crius without penalty at any time prior to maturity
  - US\$30.0 million through the issuance of trust units of Crius (the “**Consideration Units**”)
- Cash consideration to be funded through:
  - US\$20 million drawn on the Macquarie credit facility
  - Concurrent C\$110.0 million public equity offering of subscription receipts of Crius
- Acquisition expected to close early in the third quarter of 2017

1) Transaction value excludes transaction costs



# USGE Overview

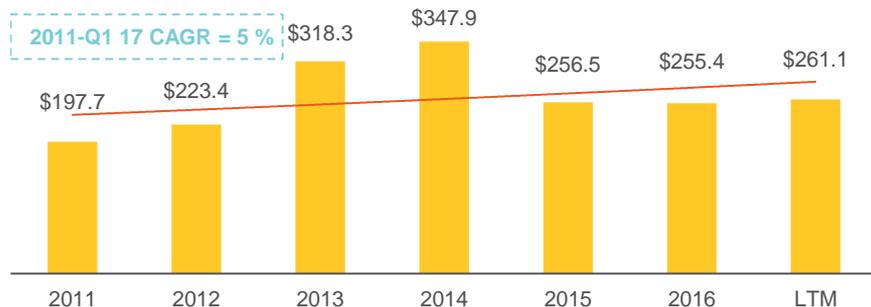
- Leading U.S. retail energy company
  - Electricity and natural gas markets
  - Residential and small commercial customers
  - ~375,000 RCEs<sup>(1)</sup>
  - Customers in 11 states and D.C., comprising 62 deregulated utility markets
- Founded in 2003; headquartered in Miramar, Florida
- Operates primarily in Purchase of Receivables (“**POR**”) utility territories where individual customer payment / credit risk is minimized through investment-grade utility guaranty and POR on a non-recourse basis
- Solid organic growth and strong margins per RCE
- ~170 employees

1) RCE means residential customer equivalent, which is an industry standard unit of measurement of consumption per annum equivalent to 10 MWh in the case of the electricity and 100 MMBtu in the case of natural gas

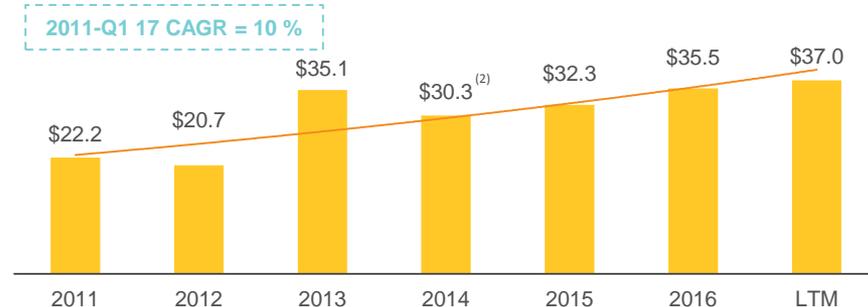


# USGE Historical Performance

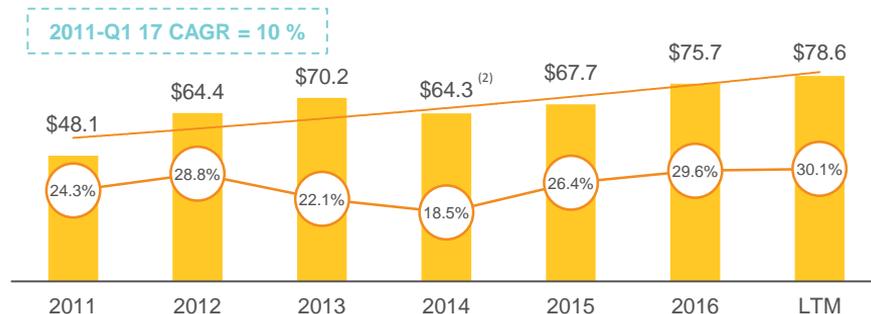
## REVENUE (US\$ million)



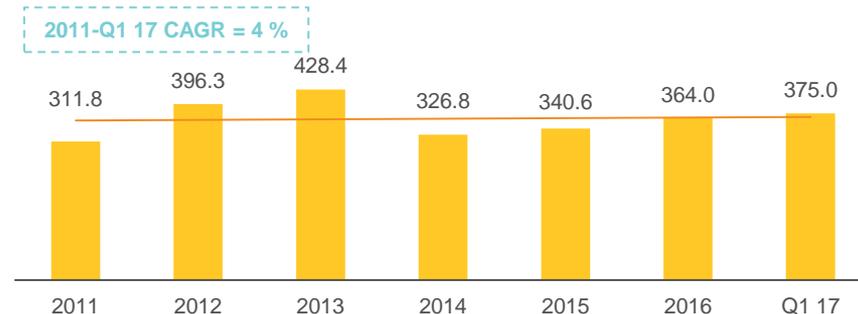
## ADJUSTED EBITDA <sup>(1)</sup> (US\$ million)



## GROSS MARGIN (US\$ million)



## RCEs (000's)



1) Includes certain adjustments to remove certain non-cash, non-operating or non-recurring items, including a US\$24.2 million adjustment for the polar vortex in 2014

2) Includes US\$24.2 million polar vortex adjustment







# Key Transaction Benefits

# Key Transaction Benefits



## FINANCIAL

- Strong gross margin contribution of over \$200 per RCE
- Expected to be highly accretive to distributable cash per share by ~16% pre-synergies on a *pro-forma* basis for the 12 month period ending March 31, 2017, and expected to deliver strong accretion in 2017 and 2018, before synergies
- Reduced payout ratio, from ~62% to ~53% on a *pro-forma* basis for the 12 month period ending March 31, 2017



## DIVERSIFICATION

- Diversifies sales channels and adds new direct to consumer channels
- Enhanced commodity diversification with natural gas contribution to total RCEs increasing to ~14% from ~6%
- Geographic diversification expanding into Michigan and Kentucky

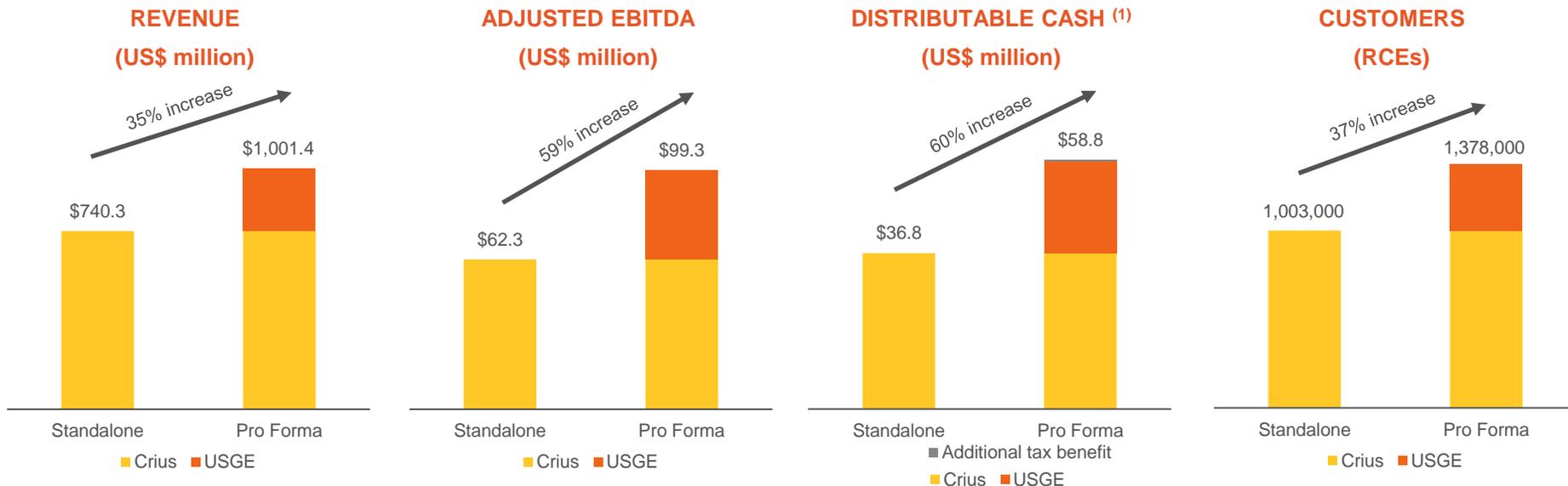


## SYNERGIES

- Potential for significant cost savings
- Substantial growth opportunity from cross-selling solar and energy efficiency products



# Enhanced Business Profile (LTM as at March 31, 2017)



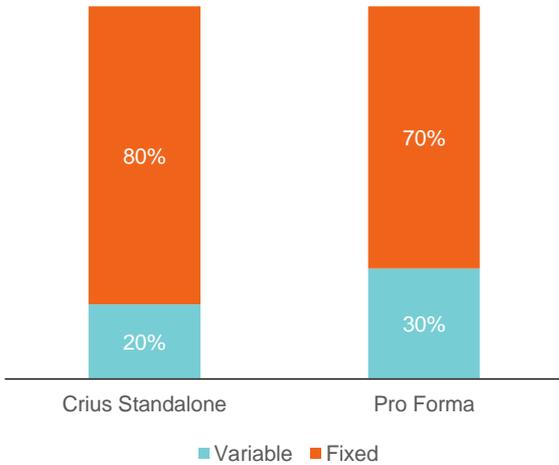
**ACQUISITION OF USGE WILL PROVIDE INCREASED SCALE AND ADDITIONAL DISTRIBUTION CHANNELS ALLOWING CRIUS TO REACH CRITICAL MASS IN KEY MARKETS**

1) *Pro-forma* adjustments made to reflect additional interest expense and associated tax benefit from the US\$20M draw on the Macquarie credit facility and the US\$47.5M promissory notes as well as the intercompany funding of the net equity proceeds

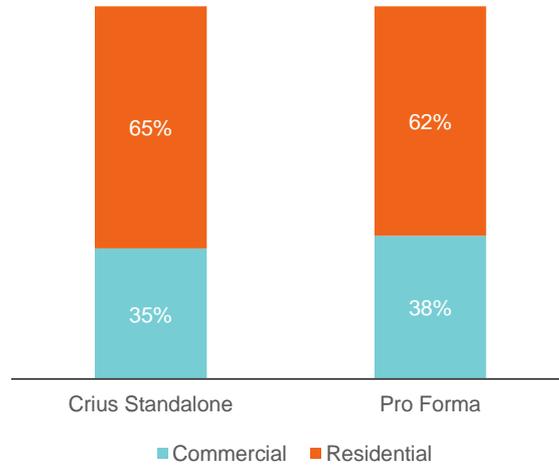


# Optimizing Portfolio Diversification

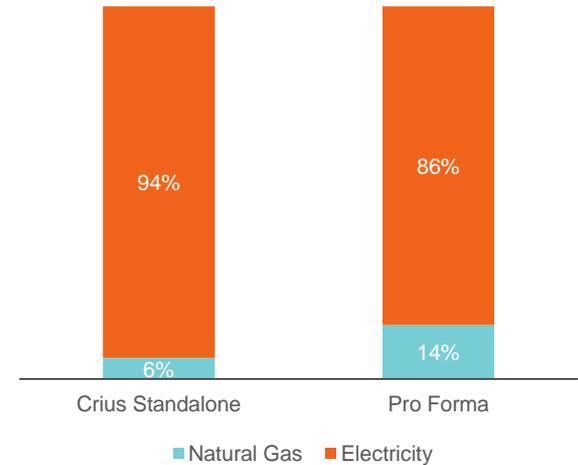
## CONTRACT TYPE



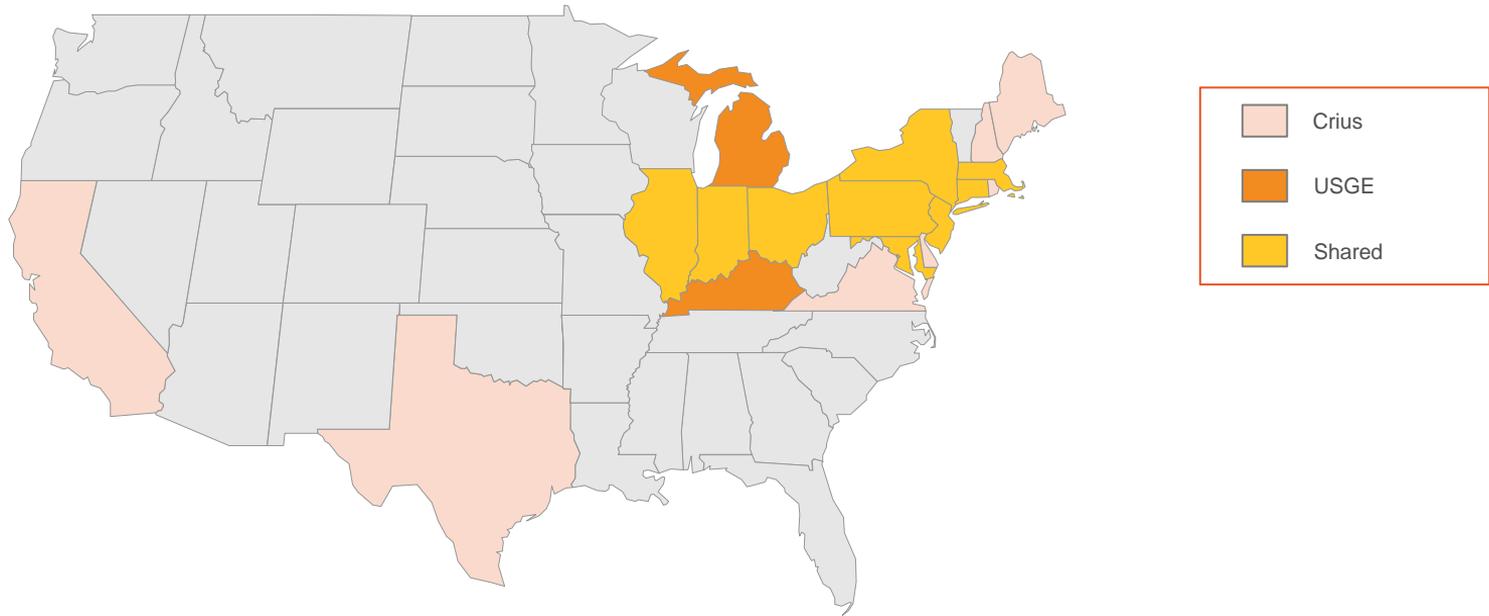
## CUSTOMER SEGMENT



## COMMODITY



# U.S. Geographical Expansion into Existing and New Markets



**ACCESS TO NEW MARKETS AND EXPANDED PRESENCE IN A NUMBER OF EXISTING CRIUS MARKETS**





# Financial Considerations

## Fully Committed Financing

- Total consideration is US\$152.5 million plus approximately US\$20 million in working capital, subject to customary post-closing adjustments, for an aggregate purchase price of US\$172.5 million
- Consideration to be paid as follows:
  - US\$95.0 million in cash
  - US\$47.5 million through the issuance of non-amortizing promissory notes having a term to maturity of 8 years, redeemable by Crius without penalty at any time prior to maturity
  - US\$30.0 million through the issuance of trust units of Crius to certain shareholders of USGE and subject to a six month lock up agreement for MVC Capital and a four month lock up agreement in the case of the other USGE shareholders
- Cash consideration to be funded through:
  - US\$20 million drawn on the Macquarie credit facility
  - Concurrent C\$110.0 million public equity offering of subscription receipts of Crius

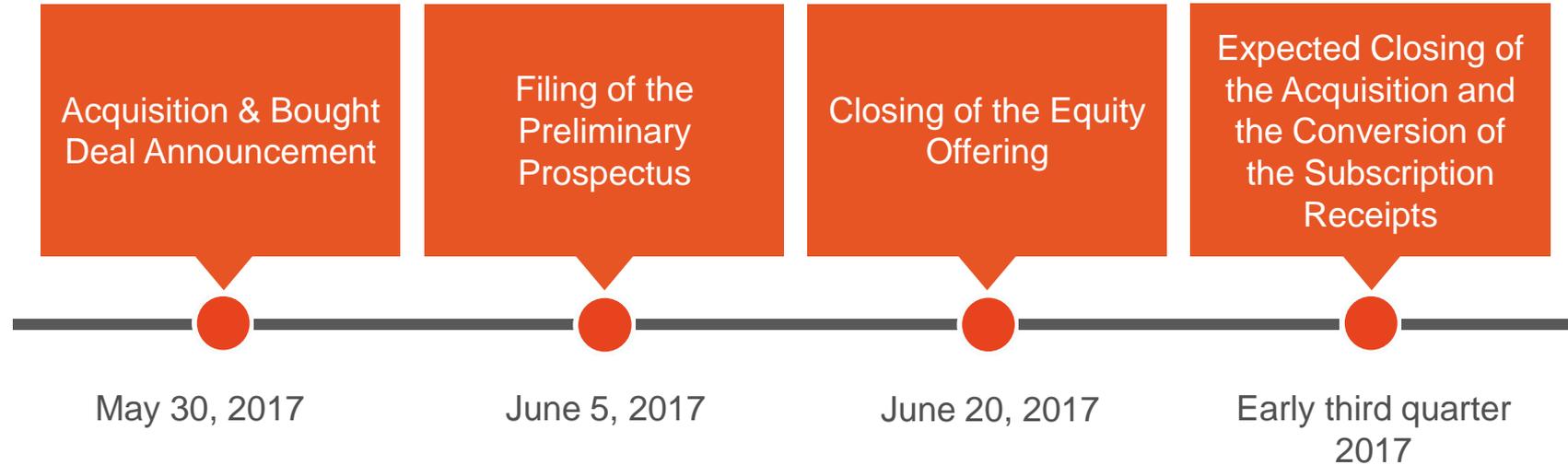


## Offering of Subscription Receipts

- “Bought deal” public offering of subscription receipts of Crius by way of short form prospectus in all provinces of Canada, except Québec. Private placement in the U.S. to QIBs under rule 144A
- Issuance of 11,224,500 subscription receipts of Crius to partially fund cash portion of the Acquisition consideration
  - Proceeds to be held in escrow pending satisfaction of conditions precedent to the closing of the Acquisition (other than the payment of the purchase price therefor)
  - Each subscription receipt will entitle the holder to receive one trust unit of Crius upon the closing of the Acquisition
- Offering price of C\$9.80 per subscription receipt for total gross proceeds of C\$110.0 million
- Upon completion of the Offering and the Acquisition and assuming no exercise of the Over-Allotment Option, the conversion of the Subscription Receipts and the issuance of the Consideration Units, 55,158,821 Units will be issued and outstanding. If the Over-Allotment Option is exercised in full, 56,842,496 Units will be issued and outstanding after the completion of the Offering and the Acquisition
- Offering expected to close on or about June 20, 2017



## Expected Timeline





# Contact Information

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