Strong operating performance and successful strategic initiatives contributed to a 7.6% increase in Embedded Margin in 2018

TORONTO, March 14, 2019 /CNW/ - Crius Energy Trust ("Crius Energy" or the "Company" or the "Trust") (TSX: KWH.UN) today announced its financial results as at and for the three and twelve month periods ended December 31, 2018. All figures are in U.S. dollars unless otherwise noted.

"In 2018, Crius executed on a 'return to core' strategy focused on the deregulated energy business," commented Michael Fallquist, Chief Executive Officer of Crius Energy. "It was a year of strategic shifts and resetting of our focus, and after achieving our cost reduction targets during the year, and substantially exiting the solar business, we are excited to enter 2019 with a simplified, streamlined organization."

2018 AND FOURTH QUARTER 2018 HIGHLIGHTS

Financial Highlights

2018

- Revenue of $1,235.1 million in 2018, representing an increase of 41.0% from $875.9 million in 2017.
- Gross margin of $220.8 million in 2018, compared to gross margin of $184.0 million in 2017.
• Net income of $19.0 million in 2018, compared to a net income of $20.1 million in 2017.
• Adjusted EBITDA of $70.2 million in 2018, compared to $64.7 million achieved in 2017. During the year, the deregulated energy business contributed Adjusted EBITDA of $88.8 million after normalizing for non-recurring costs of $9.3 million and a negative $9.2 million contribution from the solar business (including $1.9 million in wind-down costs).
• Cash flows provided by operating activities of $48.6 million in 2018, compared to $13.2 million in 2017.
• Distributable Cash of $21.9 million representing a Payout Ratio of 167.9% in 2018, which is elevated over recent levels due to the impacts of negative contribution from the solar business and certain non-recurring costs as described below. Normalizing for these impacts, the Distributable Cash and Payout Ratio for the year were $40.4 million and 90.8%, respectively.
• Total Cash and Availability at the end of 2018 of $37.9 million, compared to $49.4 million at the end of 2017.

Fourth Quarter 2018

• Revenue of $284.8 million in the fourth quarter of 2018, representing an increase of 14.6% from $248.5 million in the fourth quarter of 2017.
• Gross margin of $54.0 million in the fourth quarter of 2018, compared to gross margin of $54.8 million in the fourth quarter of 2017.
• Net income of $1.7 million in the fourth quarter of 2018, compared to a net income of $36.0 million in the fourth quarter of 2017.
• Adjusted EBITDA of $19.1 million in the fourth quarter of 2018, compared to $18.0 million achieved in the fourth quarter of 2017. During the quarter, the deregulated energy business contributed Adjusted EBITDA of $22.4 million after normalizing for $1.9 million in non-recurring costs and negative contribution of $1.4 million from the solar business (including $0.8 million in wind-down costs).
• Cash flows from operating activities of $23.2 million in the fourth quarter of 2018, compared to $14.8 million in the fourth quarter of 2017.
• Distributable Cash of $10.0 million in the fourth quarter of 2018, representing a decrease from $13.0 million in the fourth quarter of 2017.

Operational Highlights

2018

• Embedded Margin of the customer portfolio increased by $36.0 million, or 7.6%, in 2018 to $510.0 million.
• Net customer attrition of 206,000 customers in 2018 with Crius Energy's customer count totaling 1,204,000 customers at the end of the year.
  • Added 478,000 customers during 2018 from sales and marketing channels and 40,000 through
customer book acquisitions, compared to gross adds of 660,000 customers added organically and 360,000 added through acquisitions in 2017. Gross customer adds were lower during 2018 primarily due to the decision to no longer participate in the municipal aggregation segment and increased margin requirements across all sales channels.

- Gross customer drops in 2018 of 724,000 customers, compared to gross drops of 592,000 customers in 2017. Gross customer drops were elevated during 2018 primarily due to the non-renewal of 215,000 municipal aggregation customers as a result of the decision to no longer participate in the segment. Excluding the impact of municipal aggregation non-renewals, customer drops were 509,000 in 2018.

Fourth Quarter 2018

- Embedded Margin of the customer portfolio increased by $14.6 million, or 2.9%, in the quarter to $510.0 million.
- Net customer attrition of 148,000 in the fourth quarter of 2018, with customer count totaling 1,204,000 at the end of the fourth quarter of 2018.
  - Added 73,000 customers organically from sales and marketing channels and 10,000 through the acquisition of a customer book in the fourth quarter of 2018, compared to average customer additions in the prior four quarters of 138,000, or 91,000 when excluding the customer additions from municipal aggregations.
  - Gross customer drops in the fourth quarter of 231,000 customers compared to the average in the prior four quarters of 169,000. Gross customer drops were elevated during the quarter primarily due to the non-renewal of 120,000 municipal aggregation customers as a result of the decision to no longer participate in the segment. Excluding the impact of municipal aggregation non-renewals, customer drops were 111,000 in the fourth quarter of 2018.

Growth and Corporate Highlights

2018

- Continued positive results from the integration of the USG&E business and broader cost-reduction initiatives
  - Based on activities achieved through the end of 2018, the Company achieved an annualized run-rate of $25.1 million in cumulative cost-synergies.

- Consolidated credit facilities and added an expanded syndicated working capital credit facility
  - In August 2018, the Company announced the combining of its existing credit facilities into a single consolidated credit facility ("Credit Facility") for the Company's wholesale energy supply requirements
with a limit of $140 million, and adding a syndicated working capital facility with an initial limit of $110 million for cash advances and letters of credit.

- The Credit Facility, which has a three-year term ending in August 2021, benefits Crius through improved trading terms and pricing, with lower volumetric energy fees and the interest rate on working capital advances of LIBOR plus 5.5% changing to a tiered pricing structure of between 1.75% and 4.25% plus the applicable LIBOR or prime rate, in the case of cash advances, based on leverage levels.

- Exiting the Solar business
  - As of the end of 2018, the Company had substantially wound down its solar business, with the exception of the Verengo solar installation business which it is winding down in the first half of 2019.

- Normal Course Issuer Bid
  - As of December 31, 2018, the Company had re-purchased 449,445 Units at an average price of C$7.23 per Unit under its normal course issuer bid, which became effective in March 2018.
  - As of the end of 2018, Crius had 56,605,607 Units outstanding.

- Implemented a Distribution Re-Investment Plan
  - In October 2018, the Company announced the implementation of a distribution re-investment plan ("DRIP"), which offers Canadian resident unitholders an opportunity to increase their investment in the Trust by receiving distribution payments in the form of Units, without paying additional transaction costs, broker commissions, administrative costs or other service charges.
  - Units available for the reinvestment of distributions under the DRIP may, at the discretion of the Trust, be (i) issued from treasury, or (ii) purchased on the open market at the applicable best efforts open market purchase price.
  - Initially, Units available for reinvestment of distributions under the DRIP will be purchased on the open markets at the applicable best efforts purchase price.

- Strengthened Board of Directors
  - Added three new highly-qualified members to the Board: Bob Gries, Ali Hedayat, and Marcie Zlotnik.
  - Long-serving director Brian Burden was appointed as the new Chairman of the Board following the retirement of the former Chairman, David Kerr.
  - Management and the Board own or control approximately 17% of the Company.

Fourth Quarter 2018
Customer portfolio acquisition

- In November 2018, the Company purchased the customer contracts and associated assets of approximately 10,000 residential electric customers in Massachusetts and New York from a New York-based energy retailer for an estimated purchase price of $0.7 million, subject to customary post-closing adjustments.

Highlights Subsequent to the End of 2018

- Announced change from a monthly to a quarterly distribution
  - In January 2019, the Board approved a change in the Trust's distribution schedule from a monthly distribution to a quarterly distribution. In conjunction with the change to a quarterly distribution schedule, the Board also approved a distribution of $0.209 per Unit for the first quarter of 2019.

Proposed Transaction

On February 7, 2019, the Company and Vistra Energy entered into a definitive agreement pursuant to which Vistra Energy will acquire the Company for cash consideration of C$7.57 per Unit, for the Company's 56,605,607 Units. On February 20, 2019, the Company and Vistra Energy announced they had agreed to amend the cash consideration to C$8.80 per Unit. In addition to the purchase price, Unitholders will receive the Company's previously-declared distribution for the first quarter of 2019, in the amount of C$0.209 per Unit, for total consideration in the amount of C$9.009 per Unit. The transaction is subject to certain customary closing conditions, including the approval of at least two-thirds of the Company's Unitholders and the regulatory approvals, including the expiration or termination of any applicable waiting period under the United States Hart-Scott-Rodino Antitrust Improvements Act, and approval by the Federal Energy Regulatory Commission. The acquisition is expected to close in the second quarter of 2019. The announcement of this transaction follows a competitive strategic review process led and unanimously recommended by the Independent Directors of Crius, and unanimously approved by Crius’ Board of Directors.

Review of Year End Results

In 2018, Management focused on a transformational strategy that emphasized the improvement of the profitability of our deregulated energy business through cost-reduction, high-margin customer growth, and increasing customer lifetime value through portfolio optimization. Our strategic initiatives have contributed to the overall value of the portfolio, increasing by $36.0 million or 7.6% in 2018, as measured by Embedded Margin, which we believe contributes to long-term Unitholder value.

Overall revenues increased 41.0% in 2018 to $1,235.1 million from $875.9 million for the year ended December 31, 2017. The increase was largely driven by increased volumes due to higher average electricity customer numbers.
resulting from the acquisition of USG&E at the beginning of the third quarter of 2017.

Gross margin for 2018 was $220.8 million, up 20.0% from $184.0 million in 2017. The increase in gross margin was primarily attributable to the addition of the customer portfolio acquired from USG&E at the beginning of the third quarter of 2017. As a percentage of total revenue, gross margin was 17.9% in 2018, a decrease from the 21.0% achieved in 2017, with the year-over-year decrease resulting from the increased mix of commercial and municipal aggregation customers in the portfolio as well as regulatory changes resulting in significant incremental wholesale cost factors in New Jersey and Massachusetts, namely Regional Transmission Expansion Plan (RTEP) and Renewable Portfolio Standards (RPS) costs, which the Company was not able to fully pass through to customers as a result of how the customer contracts are structured.

Adjusted EBITDA in 2018 was $70.2 million, representing an 8.4% increase from $64.7 million reported in 2017. In 2018, Adjusted EBITDA results were comprised of a $79.4 million contribution from the deregulated energy business and a negative $9.3 million contribution from the solar business, which is inclusive of $1.9 million in costs incurred to wind-down the solar business. The deregulated energy contribution to Adjusted EBITDA in 2018 was adversely impacted by $9.3 million in non-recurring general and administrative expenses incurred in the year, primarily related to the achievement of cost-synergies. Normalizing for these non-recurring costs, Adjusted EBITDA from the deregulated energy business was $88.8 million in 2018, an increase of 25.9% from $70.5 million in Adjusted EBITDA contribution from the deregulated energy business in 2017.

Net income in 2018 was $19.0 million, representing a decrease of 5.3% from net income of $20.1 million in 2017. Distributable Cash was $21.9 million in 2018 representing a Payout Ratio of 167.9% in 2018 compared to $45.0 million in 2017 and a Payout Ratio of 63.8% in 2017. The period-over-period decrease was a result of $9.3 million in non-recurring charges and $9.2 million in negative performance from the solar business (including $1.9 million in wind-down costs). As well, increased upfront selling costs of $25.9 million in 2018 reflected the channel mix of new sales with an increased contribution from residential customer-focused direct-to-consumer marketing channels which have higher upfront costs to acquire. The Company expects to benefit in the future from these increased upfront selling cost investments which are focused on higher-margin customers, as reflected in the $36.0 million increase in Embedded Margin during the year. Normalizing for the above-mentioned non-recurring costs and solar contribution, the Distributable Cash and Payout Ratio for 2018 were $40.4 million and 90.8%, respectively. Management are comfortable with a temporarily elevated Payout Ratio as the Company implements its strategic initiatives to refocus on the core deregulated energy business and benefit from achieved cost-reduction targets.

Cash flows provided by operating activities were $48.6 million in 2018, an increase of 268.1% from $13.2 million in 2017, with the year-over-year increase driven by changes in operating assets and liabilities after adjusting for the
$29.9 million in contract initiation costs due to the implementation of IFRS-15 in 2018. Excluding changes in operating assets and liabilities, cash flow provided by operations was $86.9 million for the year ended December 31, 2018, compared to $50.8 million for the year ended December 31, 2017, impacted by $29.9 million in contract initiation costs, which are included in the changes in operating assets and liabilities in 2018 under IFRS-15.

At December 31, 2018, the Trust had Total Cash and Availability of $37.9 million, consisting of $16.7 million of cash and cash equivalents and $21.2 million available under the Company's credit facilities. This compares to the Total Cash and Availability as at December 31, 2017 of $49.4 million, consisting of cash and cash equivalents of $18.2 million and $31.2 million available under the credit facility. Crius Energy ended the year with net debt of $111.0 million, representing a leverage ratio of 1.6x based on net debt to 2018 Adjusted EBITDA. Both liquidity and leverage metrics were impacted by ongoing solar losses, non-recurring restructuring costs as well as settlement payments related to the legal reserve booked in 2017.

As at December 31, 2018, Crius Energy had 1,204,000 customers compared to 1,410,000 at the end of 2017, representing net customer attrition of 206,000 customers. The year-over-year decrease in customers was primarily driven by elevated non-renewals of municipal aggregation and large commercial customers that came up for renewal during the year that the Company chose not to renew. Gross additions of 478,000 customers, were lower than 660,000 in 2017 primarily due to the decision to not participate in the municipal aggregation segment, which was a key contributor to customer additions in 2017, and increased margin requirements across all sales channels. Gross customer drops in 2018 totaled 724,000 customers compared to gross customer drops of 592,000 in 2017. Gross customer drops were elevated during 2018 primarily due to the non-renewal of 215,000 municipal aggregation customers as a result of the decision to no longer participate in the segment.

While the Company experienced net attrition of 206,000 customers, or 14.6%, during the year, Embedded Margin of the customer portfolio increased by an estimated $36.0 million or 7.6% in the year, which is a direct result of our focus on higher-margin customer growth and portfolio optimization.

The consolidated financial statements of the Trust as at and for the period ended December 31, 2018 and accompanying management's discussion and analysis have been filed with the securities regulators and are available on SEDAR at www.sedar.com under the Trust's issuer profile, and are available on the Trust's website at www.criusenergytrust.ca.

Conference Call Notice

Given the pending acquisition of Crius Energy by Vistra, which is expected to be completed in the second quarter of 2019, the Trust will not hold a conference call to discuss the fourth quarter and year end 2018 financial results.
About Crius Energy Trust

With more than one million residential customer equivalents, Crius Energy provides competitive electricity and natural gas products to residential and commercial customers in 19 states and the District of Columbia in the United States. The Company sells energy products through a family of brands strategy utilizing a multi-channel sales approach including exclusive partnerships, direct-to-consumer channels, and broker marketing channels. Crius Energy offers consumers a broad suite of energy products and services including fixed and variable contracts, renewable energy, and bundled products to support their energy needs beyond what is offered by their local utility.

The Trust intends to continue to qualify as a "mutual fund trust" under the Income Tax Act (Canada) (the "Tax Act"). The Trust will not be a "SIFT trust" (as defined in the Tax Act), provided that the Trust complies at all times with its investment restriction which precludes the Trust from holding any "non-portfolio property" (as defined in the Tax Act). Material information pertaining to Crius may be found on SEDAR under the Trust's issuer profile at www.sedar.com or on the Trust's website at www.criusenergytrust.ca.

Caution Regarding Forward-Looking Statements

This news release contains forward-looking statements and forward-looking information (collectively, “forward-looking statements”) including, without limitation, statements relating to non-IFRS financial measures; the Trust’s outlook, strategy, and ability to execute its business objectives; future payments owed to the Company; the electricity and natural gas industries; governmental regulatory regimes; acquisitions and strategic partnerships; marketing channels; customer mix and customer growth; hedging strategies; risk management; market risk; credit risk; off-balance sheet arrangements; related party-transactions; liquidity and capital resources; critical accounting estimates; potential transactions; results of operations; cost-synergies; the Trust’s exit from the solar business; portfolio optimization; focus on higher-margin sales; the continued strength of the Company's deregulated energy business; repurchases under the Trust's normal course issuer bid program; financial position or cash flows; expenses and distributions to Unitholders. 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. Actual results or events may differ from those predicted, assumed or inferred in forward-looking statements. All of the Trust's forward-looking statements are qualified by: (i) the assumptions that are stated or inherent in such forward-looking statements; (ii) the risks described in the section entitled "Financial Instruments and Risk Management" in the MD&A and in the sections entitled "Risk Factors" and "Forward-Looking Statements" in the annual information form of the Trust for the fiscal
Forward-looking statements involve known and unknown risks, future events, conditions, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, prediction, projection, forecast, performance or achievements expressed or implied by the forward-looking statements. Although the Trust has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Trust disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events, or otherwise, except in accordance with applicable securities laws.

Non-IFRS Financial Measures

Statements throughout this news release make reference to EBITDA, Adjusted EBITDA, Distributable Cash, Embedded Margin, Total Distributions, Payout Ratio, Adjusted Working Capital, Total Cash and Availability and Maintenance Capital Expenditures 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 these non-IFRS financial measures 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 these non-IFRS financial measures, these terms as used herein are not necessarily comparable to similarly titled measures of other companies. These non-IFRS financial measures have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, net income (loss), cash flow provided from (used in) operating activities or other data prepared in accordance with IFRS. Additionally, there may be certain items included or excluded from these non-IFRS financial measures that are significant in assessing the Trust's operating results and liquidity. Refer to the MD&A for additional information concerning these non-IFRS financial measures and reconciliations to the closest IFRS measures, as applicable. Also, please refer to "Key Terms and Abbreviations" in the MD&A for the definitions of non-IFRS financial measures and other terms. Other financial data has been prepared in accordance with IFRS.

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