



RENEWABLES

Investor Update

May 2024



# Safe Harbor Statement

This presentation contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control. These forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), can be identified by the use of forward-looking terminology including “may,” “should,” “could,” “likely,” “will,” “believe,” “expect,” “anticipate,” “estimate,” “continue,” “plan,” “intend,” “project,” or other similar words. Forward-looking statements appear in a number of places in this presentation. All statements, other than statements of historical fact, included in this presentation are forward-looking statements. The forward-looking statements include statements regarding the impacts of Winter Storm Uri, cash flow generation and liquidity, business strategy, prospects for growth and acquisitions, outcomes of legal proceedings, the timing, availability, ability to pay and implied amount of cash dividends and distributions on our Class A common stock and Series A Preferred Stock, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans, objectives, beliefs of management, availability and terms of capital, competition, government regulation and general economic conditions. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we cannot give any assurance that such expectations will prove correct.

The forward-looking statements in this presentation are subject to risks and uncertainties. Important factors that could cause actual results to materially differ from those projected in the forward-looking statements include, but are not limited to:

- the ultimate impact of the Winter Storm Uri, including future benefits or costs related to ERCOT market securitization efforts, and any corrective action by the State of Texas, ERCOT, the Railroad Commission of Texas, or the Public Utility Commission of Texas;
- changes in commodity prices, the margins we achieve, and interest rates;
- the sufficiency of risk management and hedging policies and practices;
- the impact of extreme and unpredictable weather conditions, including hurricanes, heat waves and other natural disasters;
- federal, state and local regulations, including the industry’s ability to address or adapt to potentially restrictive new regulations that may be enacted by public utility commissions;
- our ability to borrow funds and access credit markets;
- restrictions and covenants in our debt agreements and collateral requirements;
- credit risk with respect to suppliers and customers;
- our ability to acquire customers and actual attrition rates;
- changes in costs to acquire customers;
- accuracy of billing systems;
- our ability to successfully identify, complete, and efficiently integrate acquisitions into our operations;
- significant changes in, or new changes by, the independent system operators (“ISOs”) in the regions we operate;
- competition;
- our ability to successfully obtain the requisite shareholder approval of and to consummate the merger and transactions contemplated by the Merger Agreement and other risks related thereto, including but not limited to, the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement, the failure to satisfy other conditions to completion of the proposed merger, the failure of the proposed merger to close for any other reason, the outcome of any legal proceedings, regulatory proceedings or enforcement matters that may be instituted against us and others relating to the Merger Agreement or otherwise, the amount of the costs, fees, expenses and charges related to the proposed merger, the effect of the announcement of the proposed merger on our relationships with our contractual counterparties, operating results and business generally, the risk that the pendency of the proposed merger disrupts current plans and operations and the potential difficulties in employee retention as a result of the pendency of the proposed merger, risks related to disruption of management’s attention from our ongoing business operations due to the merger and transactions contemplated by the Merger Agreement; and
- the “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023 and in our other public filings and press releases.



# Safe Harbor Statement (cont'd)

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You should review the risk factors and other factors noted throughout or incorporated by reference in this presentation that could cause our actual results to differ materially from those contained in any forward-looking statement. All forward-looking statements speak only as of the date of this presentation. Unless required by law, we disclaim any obligation to publicly update or revise these statements whether as a result of new information, future events or otherwise. It is not possible for us to predict all risks, nor can we assess the impact of all factors on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

In this presentation, we refer to Retail Gross Margin, EBITDA and Adjusted EBITDA, which are non-GAAP financial measures the Company believes are helpful in evaluating the performance of its business. Reconciliations of such non-GAAP measures to the relevant GAAP measures can be found in the Appendix.

Investors are advised that the Company does not furnish investor presentations on a Current Report on Form 8-K. Investors should consult the Company's website at [viarenewables.com](http://viarenewables.com) to review subsequent investor presentations.

# Via Renewables at a Glance

## Via Renewables, Inc.

Independent Retail Energy Services Provider

Current Price	\$10.86
52-Week Price Range	\$5.22 - \$13.31
Class A Shares Outstanding	3.2 MM
Avg. Daily Vol. (30 day)	17 K
Market Capitalization	\$78.5 MM
Net Debt*	\$40.6 MM
Preferred Stock	\$88.0 MM
Enterprise Value	\$207.2 MM



***More than 20 Years of Dedicated Service to the Deregulated Energy Markets***

Market Data as of April 23, 2024; Debt as of March 31, 2024

\*Net Debt is Debt of \$91 MM minus Cash of \$50.4 MM

# How Via Renewables Serves its Customers

## Delivering Electricity



GENERATION

TRANSMISSION

## Delivering Natural Gas



PRODUCTION

TRANSPORTATION

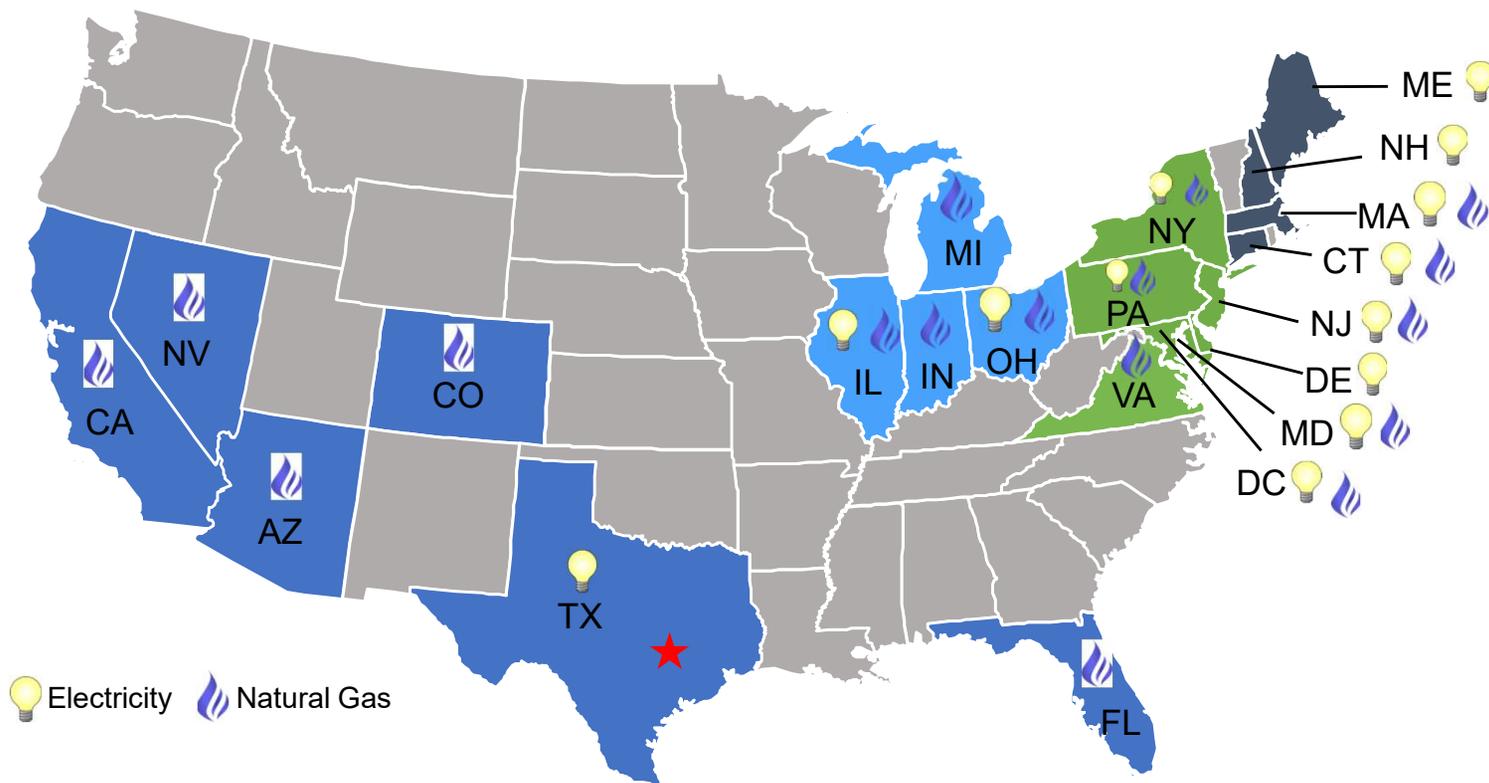
## Our Value Proposition to the Customer

Stable and Predictable  
Energy Costs

Potential Cost  
Savings

Green and Renewable  
Products

# Via's Geographical Diversity: 20 States and 105 Utility Service Territories



Residential Customer Equivalents (RCEs) as of March 31, 2024

(In thousands)	Electricity	Percent	Natural Gas	Percent	Total	Percent
<span style="color: darkblue;">■</span> New England	62	28%	12	10%	74	22%
<span style="color: green;">■</span> Mid-Atlantic	100	45%	52	44%	152	45%
<span style="color: lightblue;">■</span> Midwest	21	10%	20	17%	41	12%
<span style="color: darkblue;">■</span> Southwest	37	17%	34	29%	71	21%
<b>Total</b>	<b>220</b>	<b>100%</b>	<b>118</b>	<b>100%</b>	<b>338</b>	<b>100%</b>

# Via Renewables Recent Developments

- First Quarter Results
  - Reported \$15.1MM<sup>1</sup> in Adjusted EBITDA, compared to 1Q 2023 of \$18.8MM
  - Added approximately 41k RCEs in the first quarter through organic sales channels
- Customer Book Acquisition
  - Acquired ~12.5K RCEs in our existing markets which will be accretive to our bottom line in the second quarter of 2024
- Merger Agreement
  - The special meeting will be held on May 23, 2024. The transaction is expected to close in the second quarter of 2024



<sup>1</sup>Adjusted EBITDA is a non-GAAP measure. Please refer to table A-1 for a reconciliation of Adjusted EBITDA

# Cost Savings in Competitive Markets vs. Monopoly Markets

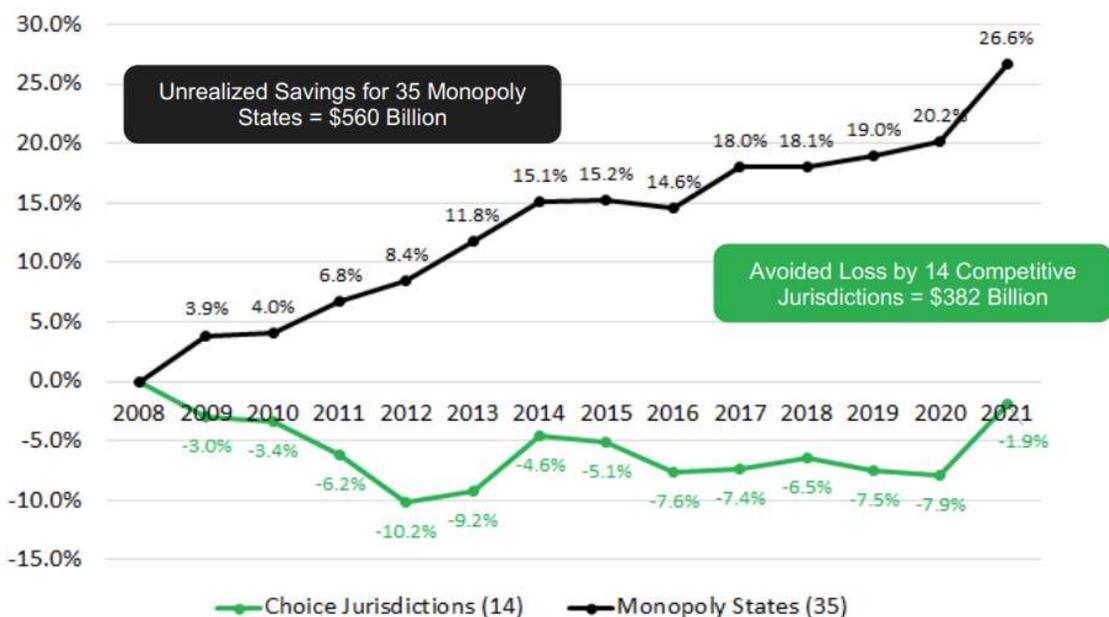
The Retail Energy Supply Association (RESA) 2021 data report highlighted the impact of cost savings that competitive power markets have realized.

- Monopoly states experienced cost increases of 28.5% more than their counterparts in the competitive states from 2008 through 2021.
- Customers in the monopoly states could have saved more than \$560 billion if they had experienced the same price trajectory as the competitive states during this time period.
- The competitive states saved an estimated \$382 billion compared to the monopoly states' price trajectory.

## All-Sector Weighted Average Percentage Price Change, Choice vs. Monopoly States, 2008-2021

% Price Change – 28.5% Spread

Source: EIA-861M



Source: U.S. Energy Information Administration (EIA)  
The Retail Energy Supply Association (RESA)

# Customer Lifetime Value Strategy

## Sophisticated Customer Acquisition Model

- Multi-channel sales provide access to various customer target markets
- Diverse sales geography
- Leverage analytics to determine market entry and product tailoring
- Contracted revenue model with subscription-like flow

## Increase Lifetime Value

- Analyze historical usage and attrition data to optimize customer profitability
- Customer retention team focused on product selection, renewal, and cross-sell opportunities
- Win-back strategy leverages customers across multiple brands
- Provide high-quality service

## Create Long-Tenure, High Value Customers

- Attractive Adjusted EBITDA margin and cash flow conversion
- Targeted payback period is 12 months
- Long-standing customer relationships

***Actively Managed Customer Base Drives Profitability***

# Managing Commodity Price Risk

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***Seasoned, in-house supply team provides a strong competitive advantage relative to our peers while providing risk mitigation***

- Proven hedging strategy that has been refined over Via Renewables' 20 plus year history
- Demonstrated ability to manage through up-and-down commodity markets, extreme weather events, and down economies
- Disciplined risk management supports business strategy
  - Virtually all fixed price exposure is hedged
  - Variable hedging policy is based on individual market characteristics
  - Hedging policy is monitored closely by CFO and Risk Committee
- Risk management policy approved by syndicate banks and Board of Directors
- Over \$237MM in available credit with wholesale suppliers<sup>1</sup>

<sup>1</sup>As of March 31, 2024

# Conservative Capitalization Minimizes Risk

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- \$195 million syndicated credit facility
- \$25 million subordinated debt - affiliate
- \$91 million drawn<sup>1</sup>

Leverage Ratio	
Net Debt <sup>2</sup>	\$40.6 MM
TTM Adjusted EBITDA <sup>3</sup>	\$53.1 MM
<b>Leverage Ratio</b>	<b>0.76x</b>

<sup>1</sup>As of March 31, 2024

<sup>2</sup>Net Debt is Debt of \$91 MM Minus Cash of \$50.4 MM

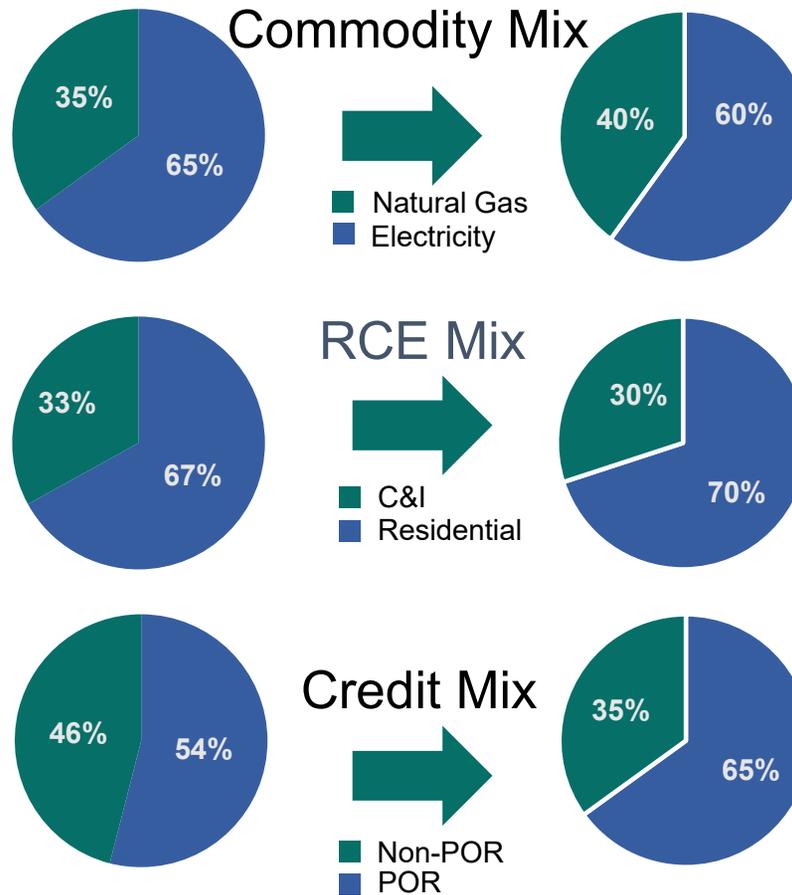
<sup>3</sup>Adjusted EBITDA is a non-GAAP measure. Please refer to table A-1 for a reconciliation of Adjusted EBITDA

# Portfolio Optimization

Via is focusing on customer base diversification

As of March 31, 2024

Future Target



# Investor Relations Contact Information

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Investor Relations

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<http://viarenewables.com/>

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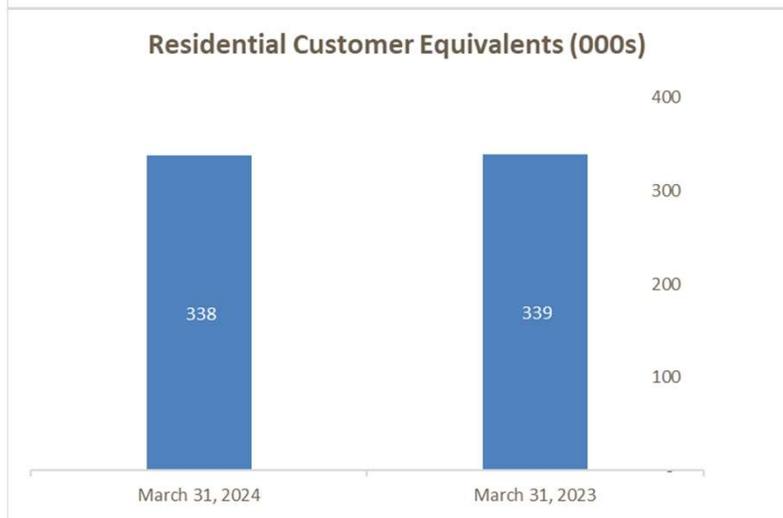
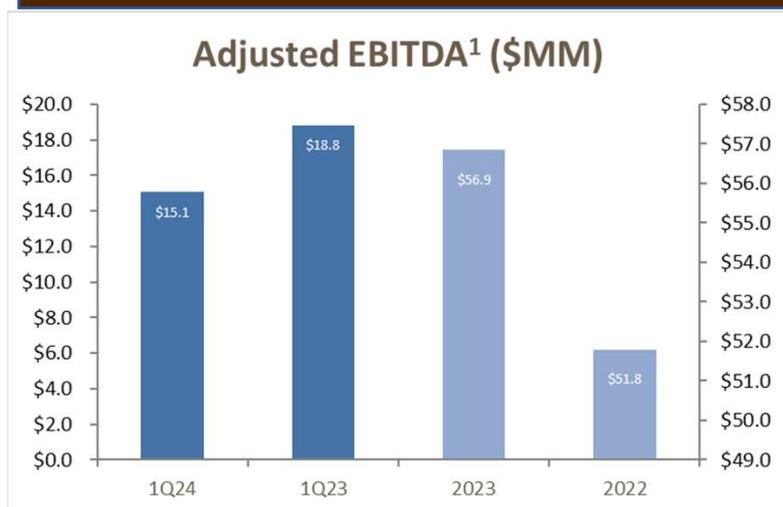


RENEWABLES

Appendix



# Via Renewables by the Numbers



(\$ in millions)	1Q24	1Q23	2023	2022
<b>Revenue</b>	\$114.1	\$131.9	\$435.2	\$460.5
<b>Retail Gross Margin<sup>2</sup></b>	\$35.7	\$40.3	\$136.7	\$114.8
<b>Adjusted EBITDA<sup>1</sup></b>	\$15.1	\$18.8	\$56.9	\$51.8
<b>Customer Acq. Costs</b>	\$2.4	\$1.8	\$6.7	\$5.9

	1Q2024	1Q2023
<b>RCEs (000s)</b>	338	339
<b>Average Monthly RCE Attrition</b>	3.9%	3.9%
<b>Electricity Volume (MWh)</b>	504,307	456,277
<b>Natural Gas Volume (MMBtu)</b>	4,252,945	4,547,826
<b>Electricity Unit Margin (\$/MWh)<sup>3</sup></b>	\$37.50	\$44.86
<b>Natural Gas Unit Margin (\$/MMBtu)<sup>3</sup></b>	\$3.81	\$4.37

<sup>1</sup>Adjusted EBITDA is a non-GAAP measure. Please refer to table A-1 and A-2 for reconciliation of Adjusted EBITDA

<sup>2</sup>Retail Gross Margin is a non-GAAP measure. Please refer to table A-3 for reconciliation of Retail Gross Margin

<sup>3</sup>Please refer to table A-3 for a reconciliation

# Proven Leadership

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## ***Senior Management has over 50 Years of Retail Energy Experience***



### **W. Keith Maxwell III • Chief Executive Officer & Chairman of the Board**

- Served as Chairman of the Board of Directors since IPO in 2014
- Prior to founding the predecessor to Via Renewables in 1999, was a founding partner in Wickford Energy, an oil and natural gas services company, and partner in Polaris Pipeline, a natural gas producer, services and midstream company
- Extensive energy industry background, leadership experience, and strategic planning including several executive positions



### **Paul Konikowski • Chief Operating Officer**

- Extensive retail energy experience spanning 20+ years including sales, operations, risk and IT
- Wide-ranging M&A experience including more than 20 transactions in retail energy
- Prior roles including SVP and General Manager of National Gas & Electric, COO of Glacial Energy, and CIO of Via Renewables



### **Mike Barajas • Chief Financial Officer**

- Extensive finance, accounting and retail energy experience
- Experienced in M&A and integration of retail energy companies
- Certified Public Accountant

# Board of Directors

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## **W. Keith Maxwell III • Chairman of the Board of Directors**

Mr. Maxwell serves as CEO and Chairman of the Board of Directors. Prior to founding the predecessor of Via Renewables in 1999, Mr. Maxwell was a founding partner in Wickford Energy, an oil and natural gas services company, in 1994. Wickford Energy was sold to Black Hills Utilities in 1997. Prior to Wickford Energy, Mr. Maxwell was a partner in Polaris Pipeline, a natural gas producer services and midstream company sold to TECO Pipeline in 1994. In 2010, Mr. Maxwell was named Ernst & Young Entrepreneur of the Year in the Energy, Chemicals and Mining category. A native of Houston, Texas, Mr. Maxwell earned a Bachelor's Degree in Economics from the University of Texas at Austin in 1987. Mr. Maxwell has several philanthropic interests, including the Special Olympics, Child Advocates, Salvation Army, Star of Hope and Helping a Hero. We believe that Mr. Maxwell's extensive energy industry background, leadership experience developed while serving in several executive positions and strategic planning and oversight brings important experience and skill to our board of directors.

## **Kenneth M. Hartwick • Independent Director**

Mr. Hartwick was appointed to our Board of Directors in August 2014. Mr. Hartwick currently serves as President and Chief Executive Officer of Ontario Power Generation, Inc., an electricity producer, a position he has held since April 2019. Previously, Mr. Hartwick served as Senior Vice President and Chief Financial Officer of Ontario Power Generation, Inc. from March 2016 to April 2019. Mr. Hartwick also serves as a director of MYR Group, Inc. Mr. Hartwick served as the Chief Financial Officer of Wellspring Financial Corporation from February 2015 until March 2016. Mr. Hartwick also served as the interim Chief Executive Officer of Atlantic Power Corporation from September 2014 until January 2015 and as a director from October 2004 until March 2016. He has served in various roles for Just Energy Group Inc., most recently serving as President and Chief Executive Officer from 2006 to February 2014. Mr. Hartwick served as the Chief Financial Officer of Hydro One, Inc., an energy distribution company, from 2002 to 2004. Mr. Hartwick holds an Honours of Business Administration degree from Trent University. Mr. Hartwick was selected to serve as a director because of his extensive knowledge of the retail natural gas and electricity business and his leadership and management expertise.

# Board of Directors

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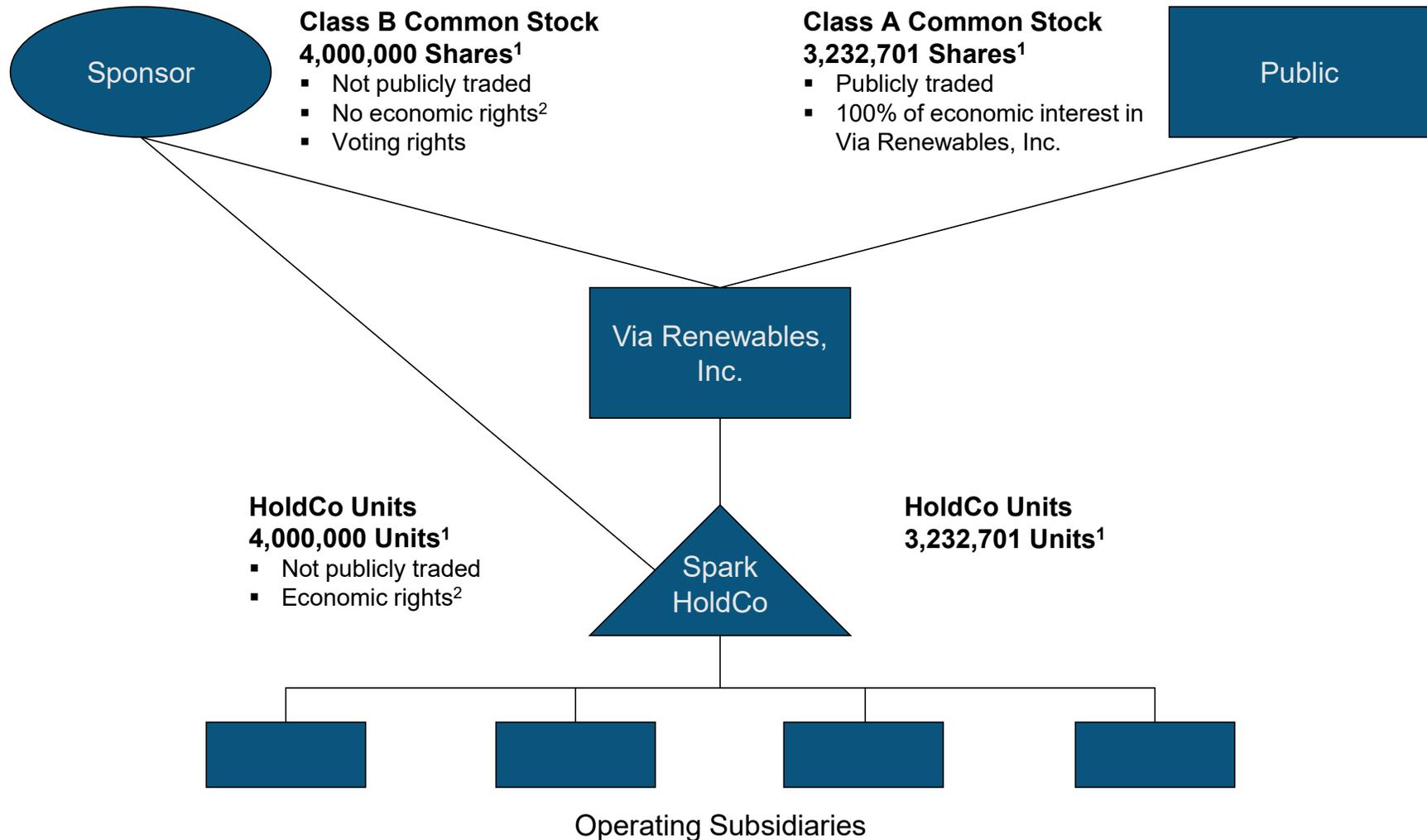
## Amanda Bush • Independent Director

Ms. Bush was appointed to our Board of Directors in August 2019. Ms. Bush is the Chief Financial Officer of Azure Midstream Energy, LLC. Prior to joining Azure Midstream, Ms. Bush was the Chief Financial Officer at Marlin Midstream Partners, LP, leading their successful IPO in 2013. Prior to being the CFO of Marlin Midstream, Ms. Bush held various finance and accounting roles within the energy industry. Ms. Bush began her career in public accounting with PwC auditing Fortune 500 companies. Ms. Bush has a master's degree in accounting from the University of Houston and is a Texas certified public accountant. Ms. Bush was selected to serve as a director because of her substantial knowledge of the retail electricity and natural gas industry as well as her financial expertise and experienced background in auditing.

## A. Stephen Kennedy • Independent Director

Mr. Kennedy was appointed to our Board of Directors in June 2023. In July 2023, he joined Opportune LLP, a Houston-based energy consulting firm, where he is currently employed as a Managing Director. Prior to that, Mr. Kennedy spent 37 years in energy banking. He formed the energy banking group for Zions Bancorporation, dba Amegy Bank in 1997 and managed the group for more than 25 years where he was EVP & Head of Energy Banking. Beginning in May 2022, he transitioned to Founder & Senior Advisor of that Energy Banking Group, serving in that capacity until the end of 2023. Before his time with Amegy, he held a position as VP of Energy Banking at Wells Fargo. Prior to joining Wells Fargo, Mr. Kennedy held a position of AVP of Energy Banking at Bank One. He holds an M.B.A. with a concentration in Finance from Baylor University and received his Bachelor of Science degree in Petroleum Engineering from Texas A&M University. He has authored several articles on energy matters, including one regarding energy derivatives published in the October 2005 edition of the "Oil & Gas Financial Journal." He also served as the President of the Petroleum Club of Houston from 2022 to 2023 and is a founding board member of the Houston Energy Forum.

# Up-C Structure



<sup>1</sup>Shares/Units Outstanding as of March 31, 2024

<sup>2</sup>Sponsor receives distributions through direct interest in Spark HoldCo

# Proven Track Record of Acquisitions and Integration

## Prior Transactions

 <p>~65,000 RCEs 13 New Markets</p> <p>July 2015</p>	 <p>~40,000 RCEs 7 New Markets</p> <p>July 2015</p>	 <p>~121,000 RCEs 9 New Markets</p> <p>August 2016</p>	 <p>~220,000 RCEs 15 New Markets</p> <p>August 2016</p>	 <p>~60,000 RCEs 1 New State &amp; Market</p> <p>April 2017</p>	 <p>~145,000 RCEs 3 New Markets</p> <p>July 2017</p>	
 <p>~29,000 RCEs N.E. / Mid-Atlantic / Midwest</p> <p>March 2018</p>	 <p>~50,000 RCEs N.E. / Mid-Atlantic / Midwest</p> <p>April 2018</p>	 <p>~60,000 RCEs Mid-Atlantic / Midwest</p> <p>October 2018</p>	<p>Four Agreements</p> <p>~57,000 RCEs Mid-Atlantic / Midwest</p> <p>May 2021</p>	 <p>~50,000 RCEs Mid-Atlantic</p> <p>July 2021</p>	 <p>~18,700 RCEs Southwest</p> <p>August 2022</p>	 <p>~12,500 RCEs Northeast</p> <p>April 2024</p>



RENEWABLES

## Appendix: Reg. G



# Reg. G

## Appendix Table A-1: Adjusted EBITDA Reconciliation

The following table presents a reconciliation of Adjusted EBITDA to net income (loss) for each of the periods indicated.

(\$ in thousands)	<u>1Q24</u>	<u>1Q23</u>	<u>2023</u>	<u>2022</u>	<u>TTM</u>
Net income (loss)	\$ 19,064	\$ (6,771)	\$ 26,105	\$ 11,203	\$ 51,940
Depreciation and amortization	2,040	3,336	9,102	16,703	7,806
Interest expense	1,929	2,697	9,334	7,204	8,566
Income tax expense (benefit)	<u>4,752</u>	<u>(1,996)</u>	<u>11,142</u>	<u>6,483</u>	<u>17,890</u>
EBITDA	27,785	(2,734)	55,683	41,593	86,202
Less:					
Net, (loss) gain on derivative instruments	(4,205)	(42,770)	(71,493)	17,821	(32,928)
Net, cash settlements on derivative instruments	15,425	20,137	66,632	(35,801)	61,920
Customer acquisition costs	2,444	1,773	6,736	5,870	7,407
Plus:					
Non-cash compensation expense	514	685	2,295	3,252	2,124
Non-recurring event - winter storm Uri	-	-	-	(5,162)	-
Merger agreement expense	<u>433</u>	<u>-</u>	<u>752</u>	<u>-</u>	<u>1,185</u>
<b>Adjusted EBITDA</b>	<b>\$ 15,068</b>	<b>\$ 18,811</b>	<b>\$ 56,855</b>	<b>\$ 51,793</b>	<b>\$ 53,112</b>

# Reg. G

## Appendix Table A-2: Adjusted EBITDA Reconciliation

The following table presents a reconciliation of Adjusted EBITDA to net cash provided by operating activities for each of the periods indicated.

(\$ in thousands)	1Q24	1Q23	2023	2022	TTM
Net cash provided by operating activities	\$ 17,099	\$ 13,060	\$ 49,315	\$ 16,207	\$ 53,354
Amortization of deferred financing costs	(206)	(206)	(825)	(1,125)	(825)
Bad debt expense	(304)	(955)	(3,442)	(6,865)	(2,791)
Interest expense	1,929	2,697	9,334	7,204	8,566
Income tax expense (benefit)	4,752	(1,996)	11,142	6,483	17,890
Non-recurring event - winter storm Uri	-	-	-	(5,162)	-
Merger agreement expense	433	-	752	-	1,185
Changes in operating working capital					
Accounts receivable, prepaids, current assets	(7,273)	(14,075)	(17,159)	34,731	(10,357)
Inventory	(1,761)	(3,849)	(1,281)	2,423	807
Accounts payable and accrued liabilities	2,216	21,587	15,206	(884)	(4,165)
Other	(1,817)	2,548	(6,187)	(1,219)	(10,552)
<b>Adjusted EBITDA</b>	<b>\$ 15,068</b>	<b>\$ 18,811</b>	<b>\$ 56,855</b>	<b>\$ 51,793</b>	<b>\$ 53,112</b>
Net cash provided by operating activities	\$ 17,099	\$ 13,060	\$ 49,315	\$ 16,207	\$ 53,354
Net cash used in investing activities	\$ (450)	\$ (374)	\$ (1,435)	\$ (6,871)	\$ (1,511)
Net cash used in financing activities	\$ (8,821)	\$ (2,875)	\$ (40,636)	\$ (49,305)	\$ (46,582)

# Reg. G

## Appendix Table A-3: Retail Gross Margin Reconciliation

The following table presents a reconciliation of Retail Gross Margin to gross profit for each of the periods indicated.

(\$ in thousands)	1Q24	1Q23	2023	2022	TTM
<b>Reconciliation of Retail Gross Margin to Gross Profit</b>					
Total Revenue	\$ 114,056	\$ 131,852	\$ 435,192	\$ 460,493	\$ 417,396
Less:					
Retail cost of revenues	68,962	117,441	310,744	357,096	262,265
<b>Gross Profit</b>	<b>\$ 45,094</b>	<b>\$ 14,411</b>	<b>\$ 124,448</b>	<b>\$ 103,397</b>	<b>\$ 155,131</b>
Less:					
Net asset optimization expense	(1,597)	(3,273)	(7,326)	(2,322)	(5,650)
Net, (loss) gain on non-trading derivative instruments	(4,296)	(42,769)	(70,304)	17,305	(31,831)
Cash settlements on non-trading derivative instruments	15,242	20,123	65,428	(35,966)	60,547
Non-recurring event - winter storm Uri	-	-	-	9,565	-
<b>Retail Gross Margin</b>	<b>\$ 35,745</b>	<b>\$ 40,330</b>	<b>\$ 136,650</b>	<b>\$ 114,815</b>	<b>\$ 132,065</b>
Retail Gross Margin – Retail Electricity Segment <sup>(1)</sup>	\$ 18,911	\$ 20,469	\$ 87,566	\$ 82,749	\$ 86,008
Volumes - Electricity (MWhs)	504,307	456,277	2,008,947	2,433,906	2,056,977
Retail Gross Margin - Electricity per MWh <sup>(2)(3)</sup>	\$ 37.50	\$ 44.86	\$ 43.59	\$ 34.00	\$ 41.81
Retail Gross Margin – Retail Natural Gas Segment	\$ 16,197	\$ 19,861	\$ 47,489	\$ 32,066	\$ 43,825
Volumes - Natural Gas (MMBtus)	4,252,945	4,547,826	11,252,862	11,558,952	10,957,981
Retail Gross Margin - Natural Gas per MMBtu <sup>(3)</sup>	\$ 3.81	\$ 4.37	\$ 4.22	\$ 2.77	\$ 4.00
Retail Gross Margin – Other	\$ 637	\$ -	\$ 1,595	\$ -	\$ 2,232

(1) Retail Gross Margin for year ended December 31, 2022 includes a deduction of \$9.6 million related to proceeds received under an ERCOT (winter storm Uri) securitization mechanism in June 2022.

(2) Retail Gross Margin - Electricity per MWh excludes winter storm Uri impact.

(3) Reflects the Retail Gross Margin for the Retail Electricity Segment or Retail Natural Gas Segment, as applicable, divided by the total volumes in MWh or MMBtu, respectively.

# Reg. G

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## Adjusted EBITDA

We define “Adjusted EBITDA” as EBITDA less (i) customer acquisition costs incurred in the current period, plus or minus (ii) net (loss) gain on derivative instruments, and (iii) net current period cash settlements on derivative instruments, plus (iv) non-cash compensation expense, and (v) other non-cash and non-recurring operating items. EBITDA is defined as net income (loss) before the provision for income taxes, interest expense and depreciation and amortization. This conforms to the calculation of Adjusted EBITDA in our Senior Credit Facility. We deduct all current period customer acquisition costs (representing spending for organic customer acquisitions) in the Adjusted EBITDA calculation because such costs reflect a cash outlay in the period in which they are incurred, even though we capitalize and amortize such costs over two years. We do not deduct the cost of customer acquisitions through acquisitions of businesses or portfolios of customers in calculating Adjusted EBITDA. We deduct our net gains (losses) on derivative instruments, excluding current period cash settlements, from the Adjusted EBITDA calculation in order to remove the non-cash impact of net gains and losses on these instruments. We also deduct non-cash compensation expense that results from the issuance of restricted stock units under our long-term incentive plan due to the non-cash nature of the expense. We adjust from time to time other non-cash or unusual and/or infrequent charges due to either their non-cash nature or their infrequency. We have historically included the financial impact of weather variability in the calculation of Adjusted EBITDA.

We believe that the presentation of Adjusted EBITDA provides information useful to investors in assessing our liquidity and financial condition and results of operations and that Adjusted EBITDA is also useful to investors as a financial indicator of our ability to incur and service debt, pay dividends and fund capital expenditures. Adjusted EBITDA is a supplemental financial measure that management and external users of our consolidated financial statements, such as industry analysts, investors, commercial banks and rating agencies, use to assess the following:

- our operating performance as compared to other publicly traded companies in the retail energy industry, without regard to financing methods, capital structure, historical cost basis and specific items not reflective of ongoing operations;
- the ability of our assets to generate earnings sufficient to support our proposed cash dividends;
- our ability to fund capital expenditures (including customer acquisition costs) and incur and service debt; and
- our compliance with financial debt covenants in our Senior Credit Facility.

# Reg. G Cont'd

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## Retail Gross Margin

We define retail gross margin as gross profit less (i) net asset optimization revenues (expenses), (ii) net gains (losses) on non-trading derivative instruments, (iii) net current period cash settlements on non-trading derivative instruments and (iv) gains (losses) from non-recurring events (including non-recurring market volatility). Retail gross margin is included as a supplemental disclosure because it is a primary performance measure used by our management to determine the performance of our retail natural gas and electricity segments as a result of recurring operations. As an indicator of our retail energy business's operating performance, retail gross margin should not be considered an alternative to, or more meaningful than, gross profit, its most directly comparable financial measure calculated and presented in accordance with GAAP.

We believe retail gross margin provides information useful to investors as an indicator of our retail energy business's operating performance.

The GAAP measure most directly comparable to Retail Gross Margin is gross profit. Our non-GAAP financial measures of Adjusted EBITDA and Retail Gross Margin should not be considered as alternatives to gross profit. Adjusted EBITDA and Retail Gross Margin are not presentations made in accordance with GAAP and have limitations as analytical tools. You should not consider Adjusted EBITDA or Retail Gross Margin in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA and Retail Gross Margin exclude some, but not all, items that affect gross profit, and are defined differently by different companies in our industry, our definition of Adjusted EBITDA and Retail Gross Margin may not be comparable to similarly titled measures of other companies.

Management compensates for the limitations of Adjusted EBITDA and Retail Gross Margin as analytical tools by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these data points into management's decision-making process.



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Thank You!

