



ADDITIONAL COMMENTARY ON QUARTERLY REPORT 4C ANNOUNCEMENT

- Demonstrated consistent, continual strong growth
- Customer numbers grew by 62% in 2018 to 17,156
- Gross profit margins remain strong at 23% for residential customers
- \$30 million BlackRock debt facility to fund growth

Locality Planning Energy Holdings Limited (ASX: LPE) (the Company or LPE) provides the following additional explanation on its cash flow statement 4C for the quarter ending 31 December 2018. In particular, additional clarification regarding how the Company intends to report growth to the market moving forward and a further explanation about the gross revenue forecast downgrade.

Reporting Customer Growth vs Gross Revenue

Over the past two years, LPE has demonstrated strong, consistent customer growth, meeting forecasted targets.

During the 2018 calendar year, customer numbers grew by 6,467 to 17,156. This was a 62% increase in live customers coming on board with LPE, making us one of the fastest growing electricity retailers in Australia. Even with the sluggish end to 2018, the Company is extremely confident it will exceed last year's customer growth numbers to have more than 21,000 customers on board by June 2019. To support our increased sales target, we have expanded our sales team.

As an indicator of growth, LPE has historically provided energy under management in GWh in its monthly and quarterly updates to investors. This was taken as a reasonable indicator of growth versus gross revenue so investors could easily measure the performance of the Company. As LPE has grown and diversified its customer types, this method of reporting has become difficult to model and regularly report due to the mix in customer energy profiles and the wide-ranging energy consumption of these customer types. Moving forward, we will report customer number growth in line with the more traditional energy retailer indicators, making it easier for investors to compare LPE with its peers.

With the expansion of the LPE product suite into direct market electricity supply, we are seeing a significant number of larger (single) customers consuming a higher volume of electricity (GWh) compared to our traditional smaller consumers within embedded networks (apartments, units, townhouses etc.) Therefore, our previous guidance of GWh under management versus an annualised revenue formula is no longer an appropriate measurable. As such, the Company provides the following formula to measure growth:

Number of Live Customers Type x Gross Revenue Type = Gross Revenue Guide

There are two main customer types that we will report on:

- Residential (either embedded network or direct market).
- Small to Medium Enterprise (SME), which includes body corporate common area supply.

To enable shareholders to place a value on each customer type, we will provide gross revenue guidance based on published information from the Federal Government’s *Energy Made Easy* website and the ACCC’s *Retail Electricity Pricing Inquiry Final Report*.

Gross revenue for these product types is as follows:

- Residential – \$1,300 average annual gross revenue.
- SME – \$10,500 average annual gross revenue.

Our gross profit margin guidance for the customer types:

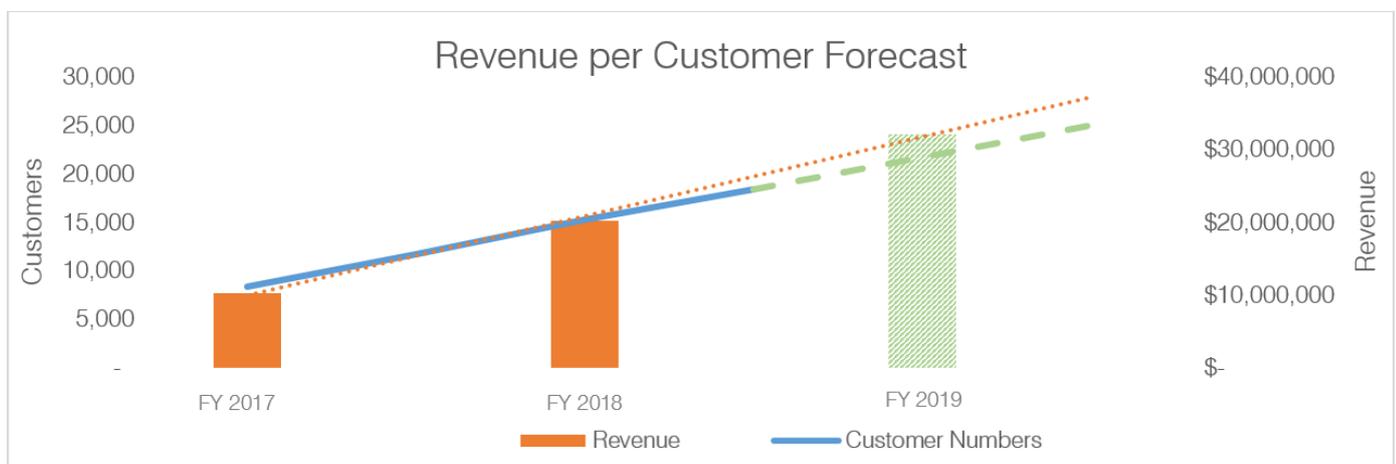
- Residential – 23%
- SME – 13%

Customer numbers by type as of 31 December 2018:

- Residential – 17,156
- SME – 340

The above metrics may vary depending on customer size, and the Company will point out any of these changes as required in future updates.

The below graph shows expected future revenue based on increased customer numbers.



The Company will continue to report energy under management as part of its annual report.

LPE can be directly compared to its peers by way of the Australian Energy Regulator (AER), which places all retailer customer numbers in its annual report on compliance and performance of the retail energy market.

Revised Revenue Forecast

The gross revenue downgrade is a result of two factors:

- A reduction in our wholesale energy and network costs over the 12-month reporting period; and
- The later than anticipated finalisation of the debt funding facility with BlackRock in November 2018.

One of LPE's strengths has been ensuring transparency with our customers and delivering savings compared to traditional market offers, which has attracted more customers to us compared with other retailers.

We have seen a 10.6% decrease in the cents per kilowatt hour (c/kWh) rate charged to embedded network customers, which is the largest portion of our customer base. This has come about due to some well-timed energy contract purchases and Energex, the network provider, reducing network charges. Network charges are a statutory charge and are required to be passed through to the customer from the retailer by law. By way of reference, the network charge portion of a customer's volume charge (c/kWh) was reduced by 46%.

Customer Numbers to Grow Significantly now Funding is in Place

With the later than anticipated finalisation and drawdown of the debt funding facility with BlackRock, LPE took the prudent decision to slow the onboarding of new customers. The large capital cost to make the physical changes to embedded networks in order to provide LPE electricity could not be funded from the existing cash reserves at the time. This resulted in management deferring conversions of 739 new embedded network customers in order to preserve cash during the latter part of 2018. Now that LPE is fully funded, rescheduling of these conversions will take time as we work with the respective sites to arrange appropriate conversion dates.

The strata market continues to be the Company's focus, with emphasis on the creation and/or acquisition (takeover) of existing embedded networks. We see significant growth opportunity in retaining customers as they leave our embedded networks and move into direct market arrangements. LPE's competitive product together with the financial backing of BlackRock means the Company also expects to accelerate growth in their direct market customer space. This customer type has shorter lead times to onboard a live customer compared to those within an embedded network.

Our innovative solar electricity offer provides onsite behind-the-meter solar generation, facilitating supply to multi-tenant sites. This innovative way of reducing a community's electricity costs while providing a long-term supply arrangement has seen over 50 communities agree to begin the process to take it on board. The potential of this opportunity is substantially greater than our embedded network offer, with over 24,500 schemes registered in the 4 to 40 lot range being eligible for this offering.

Board Appointment

The Company has seen consistent growth, solid operational and financial controls, has secured a top tier debt partnership, and is now strategically positioned for future growth. To support the next stage in the Company's growth, the Board will be expanded. The Chairman, by way of his letter in the 2018 annual report, indicated the intention of expanding the Board. Once the selection process is complete, the Board will announce the appointment.

Going Forward

The Company has a thick pipeline of opportunities to pursue both in the embedded network space and our ever-growing direct market offering. We have the systems (and more importantly the personnel) in place, with over 36 people hired to support the operational side of the business and the expanding sales force. Together with the \$30 million BlackRock facility, we now have our funding secured to grow into profitability in the coming years. We look forward to keeping stakeholders up to date with our progress.

Ends

About Locality Planning Energy Holdings Limited (LPE)

LPE's wholly-owned subsidiary Locality Planning Energy Pty Ltd holds an Australian Energy Regulator (AER) Authority to sell electricity and utility services to residential, commercial and industrial customers throughout the National Energy Market. LPE specialises in electricity sales to strata communities, both existing and new developments, providing significant savings to its customers on electricity delivered.

LPE's unique purchasing model is matched against 5 to 10-year supply contracts, providing LPE with consistent recurring revenues. LPE is transforming the electricity supply industry by providing an intelligent solution to help its customers reduce high electricity costs, with no risk and no upfront cost. LPE is at the forefront of innovative electricity supply, with a commitment to the integration of technology to provide the highest savings and best consumer advocacy.

LPE's growth is financially backed by BlackRock, the world's largest investment manager. BlackRock is trusted to manage more money than any other investment manager in the world and manages approximately US\$6.44 trillion in assets on behalf of investors worldwide (as of September 30, 2018).