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# exponential energy

## FORTUNES

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Exponential Energy Opportunity:  
The UK-listed 'Big Six Killer'  
every British energy investor  
needs to own



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# Exponential Energy Opportunity #2: The UK-listed 'Big Six Killer'

By James Allen  
Publisher and editor, *Exponential Energy Fortunes*

Dear Fellow Investor,

The year is 2025.

And 'exponential energy' has well and truly arrived.

Energy costs have cratered. Fossil fuels have become fuel fossils. And the energy market has radically changed.

More than that... the world around you looks completely different.

You have a solar panel on the roof, a battery in the utility room and an electric vehicle in the garage. So does your neighbour. In fact, everyone in your town is the same.

Virtually everything you look at either generates, stores or trades energy. Cars, houses, shops, factories... rooftops, windows, greenhouses, garden sheds... they're all generating power.

They're all storing it.

And they're all trading it.

You no longer rely on a single power company to fully supply your home. No more grumbling at how your energy bills always seem to rise at the first sign of cold, but mysteriously stay the same when temperatures rise.

In fact, you sometimes receive money back from the power supplier.

Now, your solar panel, car, home battery and smart meter do all the work for you.

Your solar panel generates power for you to consume when the sun shines.

Your battery stores any surplus power for when it doesn't, including at night time.

Your electric vehicle works in tandem with your home, with the car's battery charging overnight or at your firm's charging point whilst you're at work, before supplying your home with leftover energy in the evening.

And the blockchain-powered smart meter?

It helps you tap any spare energy you need. Up all night working? Your house is powered

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by the surplus from next door. Off on holiday – your home automatically sells your energy to someone else in your town.

It's much cheaper... cleaner... and more effective than the energy system of the 20th century.

You see, you're not just generating and producing power for yourself, or your family.

You're part of a distributed grid made up of all your neighbours and the wider community. This will enable you – or your meter, more like – to sell your surplus power to your neighbours when they really need power and buy it back when you're caught short yourself.

The smart meter will automise billing, switch appliances on and off based on knowledge of previous usage and respond to real-time changes in the energy costs. All without you doing a thing.

You are effectively your own mini, virtual power plant.

And so is everyone else.

You are, in fact, what's known as a “prosumer”, producing and consuming your own power, and selling on surplus electricity.

Even better, you invested in the technology that made this shift possible. Technology like my second pick for you today. It's a company I call the ‘Big Six Killer’. It's aiming to fragment, disrupt and replace the cosy ‘cartel-style’ set up that has seen just six companies supply 80% of the UK's domestic energy.

But it's certainly not aiming to do it by taking them on at their own game. It doesn't invest in dirty power stations and push its fossil fuels into consumers' homes via the old, inefficient power grid.

It fits my mission perfectly. It's the kind of company that could destroy your old energy supplier's business model for good, just as other exponential technologies helped Amazon, Microsoft, Netflix and others disrupted major markets (making a killing in the process).

The companies that now dominate the new energy world, generating smart energy for everyone and enormous profits for early stakeholders.

People like you.

## **Prosumer revolution**

Today, the prosumer revolution is just beginning.

It's in its earliest stages. But I think it'll change the world far quicker than anyone realises.

It is estimated that 3m energy users in Europe are already generating at least some of

their own power. It's a trend that is set to expand hugely over the next decade.

According to the UK's National Grid, installed capacity from distributed generation hit 26 GW in 2016, or 27% of total installed capacity. But it could reach 93 GW by 2050, totalling half of all generation in the UK.

According to Navigant Research, Europe is set to install 119.9 GW of distributed generation capacity in 2026, up from around 29 GW in 2017.

The picture looks similar for the UK, where distributed generation capacity additions are expected to be 6.5 times more than central generation deployments over the next decade.

Globally, the distributed energy generation market is expected to reach \$179.65bn by 2020, up from \$113.53bn in 2013.

More and more homes and businesses are seeking to save money by using locally sourced power, sidestepping utilities and sparking a global market for decentralised energy.

Prosumers won't just be part of the system in the future.

They'll BE the system.

By 2025, we will have moved from a centralised to a decentralised energy production... and from conventional utilities to a sharing economy.

What does that really mean?

It's actually very simple.

Right now energy is almost entirely centralised. Handfuls of power stations owned by an even smaller number of companies.

But soon that'll change. Decentralised energy essentially means thousands – millions, even – of smaller 'micro' power stations (that could be as small as a house or car), all connected and trading with another.

Digitalisation, blockchain, artificial intelligence, smart grids and the increasing dominance of renewables will evolve the energy market from a limited number of centralised generation units towards millions of distributed sub-systems capable of producing cheap, clean energy.

Now, obviously, this has big implications for utility companies.

Using home and car batteries that integrate with solar to store excess energy generated during the day to be consumed exactly when you need it minimises reliance on the traditional utility.

In fact, it could destroy it altogether.

Homeowners and commercial building owners will have all sorts of new choices for how to generate, store and manage their own electricity — solar panels, home batteries, electric vehicles, smart thermostats and appliances, with more gizmos coming along every day.

The more they take advantage of these new distributed energy resources, the less power they buy from their utility.

If you're a utility, that's not great news, right? I'll answer my own question:

It's a nightmare scenario for utilities.

Why?

Right now, utilities don't control any of those distributed energy resources. That's because they tend to be located on the customer side of the electricity meter (or "behind the meter" as it's known in the industry).

But this is where the real opportunity lies. The companies creating these technologies are fuelling a wave of disruption that will destroy the traditional, centralised energy system.

They'll shift the power (both literal and metaphorical) AWAY from big, established firms... and towards a new kind of business.

A new type of utility, one that will dominate the market by 2025.

Think of them not as utilities... but YOU-tilities. Because they wrest control away from the companies that have dominated energy for over a century and hand it to people like you and me.

## **Age of the YOU-tility**

The You-tility of 2025 will be much less active in unprofitable generation and much more prominent on the customer side of the meter. In fact, it'll have a digital footprint right in your home or office.

There, it will connect your needs for flexible, cheap and green energy to new services and charging models based on a virtual mob of new technologies.

It will offer storage systems and energy services combined in one compelling package.

It will help manage your energy demand, modifying your usage to make sure you have enough for when you really need it using smarter technology. This will help fuel the prosumer movement and provide the main grid with additional flexibility and stability.

The YOU-utility of 2025 will connect prosumers together to form giant virtual power plants.

It will be a digitally enabled shared services organisation that provides corporate services, predictive analytics and forecasting – all fully automated and integrated.

This new kind of utility will dominate the market within a decade.

Perhaps sooner than that.

You see, in some respects, the future is already here.

Indeed, we have a You-utility emerging here in the UK. Today.

A company that is moving its business model away from retail supply and towards a model based around local distributed energy and energy trading between neighbours.

It's right on the vanguard of the revolution in decentralised energy.

It's a small UK listed company that could play a big role in the next generation energy system.

It's already launched the UK's first peer-to-peer renewable electricity matching platform, allowing businesses to match their usage with local renewable generators.

All of the electricity the company provides comes from over 1,000 different locations across the UK, harnessing local, natural sources like sunshine, wind, rain and biofuels.

It has a simple mission: it wants to inspire a UK energy revolution and break the stranglehold of the big, old-fashioned energy generators and move to a cleaner, greener future.

The company is called **Good Energy**. Its ticker symbol is GOOD and it's traded on the AIM in the UK. It's a tiny £16m company that I believe is on the verge of enormous growth.

## Big Six Killer

As I said above, Good Energy is a company that I call the Big Six Killer. It's aiming to fragment, disrupt and replace the business models of the large vertically-integrated incumbents that push dirty power into your homes via the old, inefficient and centralised power grid.

In fact, Good Energy isn't active in the generation business anymore – a market that has been decimated by the collapse in wholesale power prices amid the growth in renewable energy.

In these tricky market conditions, the company discontinued its generation business last year.

What's more, it's also moving its focus away from the retail supply business, where a multitude of small suppliers fight for the market share not taken up by the Big Six.

With new entrants increasingly driving aggressive pricing, creating a price war, the majority of smaller suppliers remain unprofitable.

The UK energy market continues to evolve rapidly and Good Energy's business model is evolving with it as it seeks to take advantage of emerging opportunities... opportunities that lie in decentralised, distributed energy.

You see, Good Energy has worked hard to become an established player in the distributed energy market. It's fast becoming a new breed of You-tility that will become dominant in energy services in a decentralised market – a company that integrates green energy and technical services in the home and in businesses.

You see, to complement its existing supply business, Good Energy is moving into both the energy storage and electric vehicle charging network sectors, as well as green business consultancy work to help consumers and businesses adapt to a decentralised energy market.

Although the company has invested in renewable energy including wind, solar, hydro and tidal, it is now positioning itself towards renewable energy services and associated sectors such as behind-the-meter battery storage instead of just energy supply and renewables development.

The company is working with technology providers and its customers to accelerate the acceptance and wider adoption of electric vehicles and emerging technologies in battery storage solutions for businesses, infrastructure and transport markets.

From a consumer perspective, this could involve advice around the sourcing, installation and management of a home EV charging and tariff solution.

For a business, it could be how to use “behind the meter” storage solutions to better manage generation from renewable assets, consumption or change the cost structure of sourcing 100% renewable energy from the company.

The company also plans to roll out a commercial EV charging solution to the market, allowing business and customers to conveniently charge their EVs at work and in public places. It has already launched a new EV tariff designed to make charging your EV with 100% renewable electricity more affordable.

This strategic initiatives in both electric vehicle chargers and battery storage have already borne fruit.

According to *Clean Energy News*,

*‘In Q4 2017 the firm clinched two important strategic firsts. It installed its first behind-the-meter battery storage system at the Eden Project, one of Good Energy’s most prominent business supply customers, and agreed a partnership with Shell-owned NewMotion for an electric vehicle charging pilot at the firm’s HQ in Wiltshire.’*

Those projects are a precursor for Good Energy to move its core business away from that of just energy supply.

The company is also pushing into energy services, offering new behind-the-meter storage,



solar and thermostatic propositions for both businesses and domestic customers, to gain traction as the UK energy market continues its transition to more decentralised systems.

It also has a toe in the peer-to-peer trading model.

In late 2016, Good Energy launched the UK's first peer-to-peer renewable electricity matching platform, Selectricity, allowing businesses to match their usage with local renewable generators.

The service allows its business customers to pick and choose where their energy is sourced.

As *Clean Energy News* explains in another related report,

*'Customers who sign up to the service are given access to an online portal where they can set preferences and priorities for their energy supply at certain points throughout the day. If a generator is available, the two parties are matched and payments the business will effectively pay that generator for the electricity it consumes.'*

*'Businesses can set various preferences depending on technology, location and the generator's profile.'*

Keep in mind: I believe this is the way the ENTIRE system will work in the future.

That's why Good Energy is so exciting. It's right on the forefront of the shift to decentralised energy.

CEO, Juliet Davenport says,

*'We believe that the energy market is undergoing fundamental change, where the future value will be in energy services in a decentralised market.'*

*'As regulation and policy to support the transition of the UK to a low-carbon economy continues to expand, new technologies and innovation are broadening the market for energy services. This is an exciting position for Good Energy.'*

### **Let's look at the numbers**

The company described 2017 as a year of transition, as it pivoted away from generation and retail supply.

Revenue rose 17% to GBP 104.5m from GBP 89.7m the prior year. In 2018, it rose again, to £116.7m, double where it was in 2014. However, pretax profit reduced 64% to GBP 734,000 in 2017 compared with GBP 2m the year before, impacted by GBP 1.1 million of one-off restructuring costs. This then doubled to GBP 1,554,000 in 2018, showing that Good Energy is still firmly on a positive growth setting, as it has been for half a decade.

Its strong cash generation also allowed it to pay down its net debt by 23% to £40.1m, emphasising management's conservative approach to gearing and financial management (which I like).

It is also one of the UK's leading Feed-in Tariff providers in the UK, servicing its customers and making it as easy as possible for them to access their payment to generate their own renewable electricity.

Financially, Good Energy is on a very strong and stable footing, with revenues and profits growing steadily over the last five years, and net debt now falling. As we've highlighted they've gone through a recent restructuring to realign the business to more profitable pursuits. We think that's going to pay off in spades as it becomes the UK's first major You-tility and as the market for decentralised energy grows.

What's more, it also pays a dividend yielding at around 3%.

Of course that bears substantial risk as well.

### **Here come the risks...**

The key risks for Good Energy are political and regulatory, but there is also a new emerging threat from cyber-security.

Politically, Good Energy avoided last year's Standard Variable Tariff price-cap which set maximum prices that providers could charge, which was a relief for the company and investors alike, but the government could change its mind under pressure from consumer groups, for example. The company has been lobbying hard to ensure this doesn't happen.

Regulatory change will continue to be a burden as the industry develops, as new regulations (especially in the wake of Brexit which may cause changes) will be both time- and capital intensive.

Another regulatory risk pertains to falling government subsidies for some renewables. The UK has seen falling investment in solar panels since the government's feed-in tariffs (FiT) were cut in 2016. This could also hamper earnings as fewer homes and businesses look to install solar panels.

However, Good Energy's peer-to-peer marketplace paves the way for individuals to sell their excess generated electricity to their neighbours rather than accepting a very low rate from the government instead that simply serves to protect the big energy companies.

And although the Conservative government has downgraded financial and policy support for renewables in recent years, it has also made a number of announcements supporting technologies that will help accelerate the UK energy industry to a modern, decentralised and low carbon structure.

Investment in battery storage development and smart energy system innovation, as well as support for EVs by banning all new petrol and diesel cars and vans from 2040, can help aid the transition.

This evolution will create opportunities and I believe Good Energy's new strategy will put it at the heart of this new landscape.

In a nutshell, Good Energy is the perfect stock for UK energy investors to own – an early stage ‘seed-stake’ in this business could pay off big time. It’s perfectly positioned to become a key player in the growing market for distributed energy, and I expect it to shoot higher as the prosumer revolution takes hold.

Right now it’s above its buy-up-to limit, but it’s a small company and the situation is volatile, meaning you’ll have to wait to pull the trigger. I don’t want you to overpay after all.

**Action to take: BUY Good Energy Group [AIM:GOOD], current share price: 147.00p (as of 04/11/19). All advice good until further notice.**

Name: Good Energy Group  
Ticker: GOOD:LN  
Current price: 04/11/2019: 147.00p  
Market cap: £24.43 million  
52-week high/low: £164.00/£87.50

