JUST ENERGY
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Operator: Good afternoon, ladies and gentlemen, and welcome to the Just Energy Group Inc. conference call to discuss the third quarter results for the period ending December 31st, 2011. Please note that all your lines are on listen-only mode, and there will be time for a question-and-answer session towards the conclusion of this meeting. For any assistance you may require at any time or to speak to an operator, please press star-zero on your telephone keypad. And now, I'd like to turn the call over to Ms. Rebecca MacDonald. Go ahead, Ms. Macdonald.

Ms. Rebecca MacDonald: Good afternoon, everyone. With me this afternoon reporting our third quarter conference call is Ken Hartwick -- our CEO, and Beth Summers -- our CFO. Ken and I will make a short presentation and then we will open the call to questions. Let me preface the call by telling you that our earnings release and potentially our answers to your questions might contain forward-looking financial information. This information may eventually prove to be inaccurate, so please read the disclaimer regarding such information at the bottom of our press releases. Our third quarter results show how changes we have made to our business over the past years have brought on a bright future for our shareholders. In 2007, 100% of our new customers were generated door-to-door by our sales force, with our offer being a five-year fixed-price contract to residential and small commercial customers. Since then, we have seen the worst market environment for that business, flat for declining commodity prices with little or no volatility. Had we not taken steps to diversify our business, we would have faced little growth in our customer base and squeezed prices with lower margins. Instead, today our business is thriving. We have diversified our products and markets, and we are now seeing by far the largest customer additions in the company's history. How was this accomplished? First, we diversified. Three years ago we started with National Home Services, our water heater HVAC rental business. Today it has 153,000 installed customers, up 39% year-over-year. Its gross margin is up 65% year-over-year. Most important, the future margins embedded in its rental contracts has grown to 352 million at quarter end. -- This from a business which had a very small customer base when we acquired it with Universal three years ago. This is one diversification away from our core product, and it has generated more than $300 million in value. Our acquisition of Hudson put us into the commercial market. We were aware that this was a lower-margin market but that we would have a lower customer aggregation and ongoing customer service costs in the future. We have gone from 33% commercial customers to 48% in the seven quarters we have had the Hudson platform. We now offer our Just Green and Just Clean environmentally-friendly gas and electricity products. Currently 33% of our new residential customers are taking Green for an average of 87% of their supply. While it takes time to work to a long-term customer base, currently 12% of our residential power and 9% of our residential gas [INDISCERNIBLE] are Green supply. We have participated in more than 25 Green projects across our markets, and we believe that our Green business is one of the most profitable in the world. Our Fulcrum acquisition has moved us into affinity marketing space and we are already expanding this platform from Texas to new markets. Our Momentis network marketing unit has also seen tremendous growth. The unit had 4,000 agents two quarters ago; 11,000 agents three months ago; and 25,000 agents at the quarter end. -- Again, diversification into new marketing channels which has been tremendously successful. Through these diversifications to-date, only 50% of our customers are generated through the door-to-door channel. We are looking to expand telemarketing, internet sales, and direct mail. Combining this with diversified product offerings, variable rates, and short-term contracts where our customers demand them, has ramped up our customer growth to the point where it is more than offsetting the lower margins on our commercial customer base. We have also looked at our operations to improve our business. Two winters ago, our markets experienced the warmest weather on record, and it cost us $35 million or about 10% of our margin. We did not want a repeat of this event, and in November of this year, we entered into weather derivatives hedges at the cost of $2 million, which would cover up to $15 million in losses for warm weather. As you are well aware, this winter has again been mild. Without the options, we would have foregone margins of $12 million attributable to November and December, which would be realized over Q3 and Q4. $9 million of this lost margin has been offset by the options so far, and the remainder of the $15 million will be offset further cost of the warm January. I can't predict February or March weather, but we are pleased that we were able to mitigate much of the foregone margins so far. As you will see when Ken talks about the numbers, we are in a great position heading into Q4. Let me turn it over to Ken.

Mr. Ken Hartwick: Thanks, Rebecca. I will run through our results and then we'll open the floor to questions. Rebecca has talked about the changes that have taken place in the business. We have never been more confident in the future of our business given the positive impact of our diversification. Looking at the top line, our sales declined by 3% year-over-year. This should come as no surprise. Gas prices for customers coming out of five-year contracts were double the renewal prices today. The result is a lower sales line. Margins, on the other hand, continue to show the solid growth seen throughout the year. For both the quarter and the nine months, margins were up 9% per share, well ahead of our published 5% growth guidance. This was accomplished in a number of ways. First we added a record 310,000 new customers through marketing in the quarter, up 30% from the 238,000 adds in Q2. The growth we're seeing across both our divisions was commercial additions up 29% and our residential adds up 33%. Net additions were 115,000 RCs, which when combined with the 240,000 customers we acquired from Fulcrum, meant that our total customer base increased 10% in the quarter. Record additions were also supported by another quarter of low attrition rates, but we were challenged by lower-than-hoped for renewals. We believe that we will see improved renewals in fiscal 2013, as prices on renewal contracts will be much more in line with the current market. With 10% more customers in the quarter, we were able to grow our energy marketing margins by 5% despite the decline in sales due to lower prices. Our growth in home services and improved operations at our Fresno plant brought the year-over-year Q3 margin growth to 9%. As we have in the past, we tightly controlled administrative costs to ensure that our adjusted EBITDA growth is greater than our growth in margin and sales. We had a jump in cost reflecting the administration of recently added Fulcrum and the rapid growth of Momentis. Bad debt expense remain at target levels, at 2.5%, down slightly from 2.6% a year earlier. Overall, adjusted EBITDA, the best measure of our business success, was up 12% per share for the quarter and 18% per share for the nine months. This is well ahead of our published guidance of 5% growth per share for the year. We have a strong fiscal 2011 Q4 to compare to, and the remaining winter weather is uncertain; but we're very confident that our annual results will meet or exceed our guidance for both margin and adjusted EBITDA. There are those in the market community who continue to speculate that will have difficulty maintaining our dividend. Let me provide the following figures with respect to this. In Q3, our payout ratio on adjusted EBITDA was 50%, down from 55% a year ago. For the nine months, the payout ratio was 75% versus 88% a year earlier. Our payout ratio has been lower each of the three quarters this year compared to the prior year, a year in which we comfortably paid $1.24. We have higher margins, higher EBITDA, and lower payout ratio. Just Energy is in a very sound financial position. A major step for Just Energy was taken January 30th with our listing on the New York Stock Exchange. This listing will simplify the purchase of our shares for U.S. retail investors. This should result in greater liquidity and more transparent value for our shareholders. A recent article in *Forbes* magazine identified Just Energy as one of its best yield ideals for 2012. We believe that this type of greater visibility associated with our listing should result in a better trading range for our shares. We thank our shareholders for their continued support. We are confident that Just Energy is very well positioned for a bright future. We will now open for questions.

Operator: Ladies and gentlemen, please press zero-one on your telephone keypads for any questions you would like to ask at this time. -- That's zero-one on your telephone keypads for any questions you may have at this time. Our first question is from Nelson's location. Go ahead, please.

Nelson: Great, thanks. Just in terms of the weather derivatives. You mentioned there's a $15 million maximum. So based on the if-expected warm weather were to continue, would you expect the full $15 million would be paid out?

Ms. Beth Summers: Yeah. With respect to the weather derivatives, by the end of January, we are at a state where the whole $15 million, we would reach that cap.

Nelson: I see. So was the $9 million recognized in Q3? I think in the third quarter, you mentioned there was $9 million -- was it recognized in Q3 or does it kind of carry forward into Q4?

Ms. Beth Summers: The $9 million was recognized as it reflected in the growth margin in A3, yes.

Nelson: Okay, perfect. And then just in terms of the various business segments, about three of the four energy segments have seen a small decline in the past quarter, with the exception of I guess the U.S. Electricity segment being the bright spot. Do you expect the three segments to continue to see a small reduction going forward?

Mr. Ken Hartwick: No. I think certainly we are now, in the U.S., in the particularly more electricity markets just because there are more electricity markets deregulated, so some of our growth of that product relative to gas is going to be bigger because of the markets. But again, we believe that each of the sales channels that we have operating right now are performing very well and that we will have growth across the segments, both gas and electricity. -- And in Canada, as we've always said, it's a smaller market, more saturated, so again, a bit more of a challenge to get that back to a flat book, but it's something that, like I say, with the growth in sales channels, we feel confident we can do.

Nelson: Okay. And then just one more question -- on the Solar business, you have about I guess 62.5 million of commitments to date. What's your target for the next twelve months?

Ms. Rebecca MacDonald: Solar Business targets.

Ms. Beth Summers: Solar business for the next twelve months, we will continue to look at that market and grow.

Mr. Ken Hartwick: Yeah. I think at the pace we're adding them, now, sir, if you count on 62, so we should, again, in the quarter, probably be in the range of 80 to 100 on an annual basis, and that's probably a pace that we might look at longer-term and say, assuming the tax rules stay the way they are, and tax incentives stay in place, we'd be very comfortable being in that range.

Nelson: Okay. And then just in terms of financing the solar projects, I believe you're currently just using your balance sheet. Are you looking to set up some kind of non-recourse financing for the Solar business?

Mr. Ken Hartwick: Yes. Again, very similar to how we've set up our other businesses in National Home Services is we will -- and are some ways along in setting up that financing -- but we'll want it specific and recourse to that business.

Nelson: Okay. Great, thanks. Those are all my questions.

Mr. Ken Hartwick: Thank you.

Ms. Beth Summers: Thank you.

Operator: Thank you, Nelson. Ladies and gentlemen, as a reminder, you may press zero-one on your telephone keypads at any time.

Ms. Rebecca MacDonald: Excuse me! Excuse me! Excuse me!

Operator: Yes?

Ms. Rebecca MacDonald: Hello? Hello?

Operator: Yes, can you hear me?

Ms. Rebecca MacDonald: Yeah, but the line is breaking up a lot on our end.

Operator: We hear you just fine.

Ms. Rebecca MacDonald: I have a hard time hearing you and understanding the questions because there's a break-up in the line. Now it's better, but I don't know what went on during the last set of questioning.

Operator: I'm not sure. I can hear everybody fine. Is your line better now?

Ms. Rebecca MacDonald: Now it is better, but it was breaking up through the whole set of the questioning that we had earlier.

Operator: Okay. It is a possibility it is because you are on a speaker phone. Would you like to continue with the Q&A?

Ms. Rebecca MacDonald: Yes.
Once again, ladies and gentlemen, as a reminder, zero-one on your telephone keypads for any questions you may have at this time. Next we have Trevor.

Trevor: Hey, good afternoon, folks. Congrats on the quarter. Just a couple of quick questions. **--** With regards to the Momentis momentum you're getting in the last few quarters in terms of number of agents, can you just talk to the recruiting efforts that you're doing there and what exactly is drawing folks to come in and work with JE on this front?

Mr. Ken Hartwick: Yes. It's a sales channel that we have, or business we have building really, and as you've seen from just a growth in independent representatives over the last three quarters, that is something we're very encouraged by, and very similar to our door-to-door model, we know that as we build that rep base, both it helps build itself, and more importantly, or as importantly to us, will then bring in the customer growth to come with it. So it's an area that we are very positive on. We have a very solid leadership group there that is helping to drive that forward, and the growth you've seen from Q2 to Q3 is something we would anticipate again from Q3 to Q4 and forward. -- So very encouraged, and very early stages, which is why we believe it'll be a major contributor particularly to our residential base, which is really the primary focus of that business model, versus smaller commercial.

Ms. Rebecca MacDonald: And just to add to that, that channel is really not interfering with our door-to-door channel on the residential side because it's targeting more a warm sale and it's more of a living group type of sale versus cold calling. So there is always going to be a group of people that are not receptive to door-to-door, and we recognize that, and this is where we are going to be getting the penetration to the group that we normally would not get through our door-to-door channel.

Trevor: Gotcha. And in terms of the cash-flow profile these customers that the Momentis agents are signing up, it's very similar to the Legacy door-to-door RCE, with the profile?

Mr. Ken Hartwick: Yeah. It'll have a similar characteristic from a margin expectation, but the one feature that we think might be very different, or actually know is very different, is the attrition off of a Momentis customer is, we believe, going to be less than attrition off of a customer brought in through the door-to-door channel, in part because it is a friend, a family member, an associate of sorts, of that representative who is incented to keep the customer flowing because they get paid a residual based on a customer flowing. So it has some characteristics that are actually very favorable to us.

Trevor: Great. So, sorry, these are typically all retail customers and not businesses?

Mr. Ken Hartwick: Yeah. I'd say it's predominantly a residential channel. It will pick up some smaller sole-proprietor type of businesses on the small end of commercial, but yeah, it's predominantly residential.

Trevor: Okay. And obviously the derivative program kicked in nicely in these winter months. Is this something that's going to continue for potentially the summer? I realize the impact isn't quite as extreme then on JE, but is this is a hedging tool that we expect going beyond just winter?

Mr. Ken Hartwick: Yeah. Actually we used it in Texas last summer as well, and again, in the northeast markets we'll look to use the winter hedges; in the south market we'll look to use the opposite of the weather hedge. And again, we view our business as getting a customer, knowing what the margin is for the customer, and we'll pay the insurance premium to remove as much of the risk of weather-related volatility as what we can, which we don't know. We don't know the prices of commodity and which way they're going to go or the weather, so we just think it's part of what we want to do as a business.

Trevor: Okay. And I guess just kind of a big-picture question here, but in terms of kind of the black box that fuels JE behind the scenes, as winters come and go and you get a different weather pattern, be it heating degree days, etc., does JE's model adapt to that so that every year it kind of takes in the most recent data?

Mr. Ken Hartwick: Yes. So a lot of our supply assumptions are typically driven off of ten-year patterns, but again, it's why we put things like weather hedges in place. So yeah, we've had between two years ago and this year, two of the warmest winters on record in the last 100 years, so far in February. Now who knows how the rest of February and March end up? So while we look at that from a supply curve standpoint, like I say, we will gladly pay the insurance premium to just remove the risk from it and be quite happy just getting the margins that we expect from the customer. So we're very risk-adverse when it comes to what the weather might or might not be.

Trevor: Okay. Thanks. And then just finally, obviously we see the numbers coming in and they're pretty good from customer adds, but in terms of just anecdotal evidence from your frontline sales people, are they finding it easier to sell gas contracts in this environment? -- Any evidence of that coming back to you folks?

Mr. Ken Hartwick: Yeah. I think it's been interesting for those that read out of the *Globe and Mail* or *Toronto Star*, and Rebecca and I were talking about this, both papers recommend that people lock into a fixed-price gas contract, and it's the first time I think any of us have seen it ever happen. So again, I think as gas prices have gone as low as they have now, I think we are beginning to see customer sentiment shift to, "Yeah, they're low, so why not just lock in for the next five-year period", so that is encouraging on the gas side of the business.

Ms. Rebecca MacDonald: And the other encouraging side for us is that through these last couple of years in particular of a low-priced environment, a number of competitors have exited the marketplace, so from a competitive point of view, particularly in here in Ontario, it's a very clean landscape for us.

Trevor: That's very helpful. Thanks for the color.

Mr. Ken Hartwick: Thank you.

Operator: Next we have Damir. Go ahead, please.

Damir: Thank you.

Ms. Rebecca MacDonald: Damir, what did you think of our quarter?

Damir: It was good. It was good.

Ms. Rebecca MacDonald: Damir, Is this a quarter you like?

Damir: I did. I did.

Ms. Rebecca MacDonald: That's good.

Damir: I just wanted to touch on the seasonality. I guess with the shift of the business to electricity, that will arguably smooth out the adjusted EBITDA throughout the year. Can you just maybe talk about that?

Mr. Ken Hartwick: Yeah. I think it begins to shift it a little bit, but even within the northeast, if you go into New York, they have a dual peak for electricity, both summer and winter. But yeah, I'd say in particular as you look to the Texas business growing, and Georgia and Maryland, and to a little bit lesser degree, New York, it does shift it a little bit, but we still will have a lot of seasonality. Because even in the winter months, what is our fourth quarter -- January, February, March -- you will get the gas heating load, but you also have those people in Texas heating as well.

Damir: So I guess if one wanted to ballpark it, I guess the two winter quarters would still be, I don't know, 60/40 versus the summer?

Mr. Ken Hartwick: Yes, I think you're still in that range. Yes.

Damir: Okay, and maybe just a second follow-up on the tax side, maybe for Beth, how shall we think about the timing for you guys to start paying I guess more meaningful cash taxes?

Ms. Beth Summers: I think as you look at next year, one of the impacts you're going to see on tax is as that solar business builds, it generates based on that structure significant investment tax credit, so you will see, I'm going to say, going forward, lower than the corporate tax rates in Canada and the U.S. as a result of that.

Damir: Okay. Thanks very much.

Mr. Ken Hartwick: Thank you. Thanks, Damir.

Ms. Beth Summers: Thanks, Damir.

Operator: Next we have Kevin.

Kevin: Hi. A quick question, just on the derivative again -- how did you guys get to the maximum of 15 million, and is that a number that gets reviewed I guess on an annual basis?

Mr. Ken Hartwick: Yeah, when putting the derivative in place, again, we look at the size of the book that we have and determine what the relative pricing, sort of the premium is to get the derivative itself, and then just look at what we think the trade-off between the two is. So 15 is something based on historic patterns, a little bit that we talked about earlier, as well as what we saw two winters ago when we had the more severe impact, that we thought that was a reasonable level to be at. And I think looking at it and the fact that it's covered out in November, December and January for us, and like I say, we'll leave a balance of the winter months at a relatively immaterial amount to the extent that we don't have a winter show up, maybe points to it being about the right number for us. But we have said that as we grow, we might do something different.

Kevin: Okay, and that was my next question. As your book gets bigger, I guess in theory that maximum number should also grow with it.

Mr. Ken Hartwick: Right, yeah. The maximum number can grow with it, but as well our sensitivity. You know, as the business doubles, your sensitivity to the amount of the impact changes as well so it's a bit of iterative process.

Kevin: Okay. And then just going back to a comment in the prepared remarks, you had mentioned your hopes of getting back to your target renewal rate -- I guess at roughly 70% -- next year. I guess there's a bit of the delta there. What are some of the things you think you need to do in order to get that renewal rate from the 60% it's currently sitting at to the 70%? Is it all going to be on the gas price, or if you were to put it in buckets, I guess, how are you going to get that upswing in renewal?

Mr. Ken Hartwick: Sure. The first part, as you mentioned, is exactly what we said on attrition. As our book of customers are re-priced closer to market, our attrition rates are coming in. We have one more year to go on renewals where customers are on very high rates, and then we believe the same dynamic will begin to happen naturally, so there will be some element of improvement just by that alone. Like anything, I think the second bucket is, as a management group, we can get better again at what we're doing -- operationally better, better with the customer interaction, better with the offer to the customer, coupling together other products to that customer, i.e. electricity or home services in Ontario to allow it to happen. And then the third part is that there's some element within that customer stream that will just begin to look and say, "Yeah, maybe I didn't like the deal I had last time, but if I get a competitive offer, I will respond to it." -- And I think what we're seeing is a better ability to provide different options on those offers to the customer. So I don't want to break up the three and say, "It's a third, a third, a third"; but between those three elements we think we can move that rate back higher than where it is now, back to what we had historically seen. I think there's other factors in there -- commercial has better renewal rates to some level, and as I mentioned on Momentis, as those customers come in, although it won't affect us for the next year or two, we believe there is a naturally better renewal rate for that customer book as well, based on what we see from others in the business.

Kevin: That's very helpful. And then just a clarification point on the tax question earlier -- when you had mentioned I guess cash taxes next year, is that next fiscal year or next calendar year?

Ms. Beth Summers: Next fiscal year.

Kevin: Fiscal year, perfect. That's what I thought. Perfect, thank you very much.

Mr. Ken Hartwick: Thanks.

Ms. Beth Summers: Thanks.

Operator: Ladies and gentlemen, once again as a reminder, zero-one on your telephone keypads to ask a question. Next we have Elias.

Elias: Hi, good morning. I have a few questions. I don't know if they will be appropriate ones, but one of them is this -- by the way, I just want to thank you because I think you guys are doing great. This whole thing with Momentis is doing great. It has reduced my energy bill by almost 40%, so thank you very much.

Ms. Rebecca MacDonald: You're very welcome.

Elias: I was trying to look through your report from a few years ago -- how much money, in terms of marketing money, have you set aside for the Momentis structure, and is that going to continue on a yearly basis or have you put a limit as to when you cut off whatever marketing expenses you're going to add to that?

Mr. Ken Hartwick: Sure. I'll start and then Rebecca can add to it. You know, we've been in the business since 1997, in the retail business. I have grown from zero customers to now almost 3.8 million customer equivalents, so we don't really put a cap on our marketing expense. If the sales channel is profitable, if the customers we are getting are profitable, we will continue to grow the business so that if we double our size again in a number of years, we'll be very happy doing that. So like any decision we make, it's based on the profitability of our path to making those decisions, so we've never had an internal cap. Profitable businesses get all the money they need to expand their business.

Ms. Rebecca MacDonald: And I don't have anything else to add.

Elias: Okay. So basically right now there is an unlimited amount for the Momentis side of the business, is that correct?

Mr. Ken Hartwick: There is an unlimited amount for any successful part of the Just Energy business.

Elias: Okay. That's great. Second one, I noticed that you can see, based on the promise that the solar energy has gone through, I can see that the gas has come down quite sharply, and as you know, you guys, we have set up a yearly renewal rate for residentials. Do you feel that a year from now when you get all these renewals, do you see that the energy gas price is going to come down a lot lower than what it is today, and if you will change the rates to make them even lower so you can compete better against the established energy companies?

Mr. Ken Hartwick: Firstly, I think we are the established Energy company, not the others. -- But no, we do not have a view on energy prices. We don't take one. We don't know what gas prices are going to be a year from now, or electricity prices, or any other prices. That's something we deal with as we move towards it, and if prices go up, we'll make the product reflects what they should so our shareholders and customers are both aligned; and if prices go down, then we adjust that accordingly as well. But like I say, what happens a year from now from a pricing standpoint is something that we will look at one year from now, and like I say, be favorable to our our consumers, which we need to be, as well as our shareholders.

Elias: Great. A third one -- in terms of the new market, I think I've heard, and I don't know if I got into the call a little late, but are you planning to extend out any further maybe in Latin America in the next few months or years?

Mr. Ken Hartwick: No. Like I say, to the extent that you have specific questions for Momentis, I'd really encourage you to contact your regional director or the Momentis team, but like I say, as a company, we are very focused on being the top retailer in the markets that we're in. Once we establish that, then we look to move elsewhere, but we have a lot of work to do in North America for the time being.

Elias: Sounds great. And the last one is, what do you see is affecting the attrition rate? Is it the fact that residential customers feel that they're not being treated properly, or is that the price has gone up, or what do you see is affecting the attrition rate in renewals on the residential market?

Mr. Ken Hartwick: For the attrition rate, I'd say the predominant element of attrition of both Canada and the U.S. is moves. -- So, much as people moving, whether it's moving in-state or in-province, whether it's moving out-of-state or out-of-province, moving between utilities. The second contributor, it tends to be default on payments, so whether it's on a purchase market, purchase receivable market, where the utility bears the risk but we still lose the customer, or in one of our [PH]non-PO markets like Texas where if you fall behind on your payment, then unfortunately we're not able to keep that individual as a customer. Those tend to be the two predominant reasons for attrition in general, and that's true of every market.

Elias: Oh, that's great. Thank you. That's very encouraging. You have good quality in terms of [INDISCERNIBLE]. Thank you.

Ms. Rebecca MacDonald: Thank you.

Operator: That was our last question.

Ms. Rebecca MacDonald: So if there are no more questions, thank you very much for joining us for this conference call. We appreciate your support. If there are any further questions, feel free to call Ken, Beth or myself, and we look forward speaking to you when we report our last quarter. Thanks very much. Bye-bye.

Operator: Ladies and gentlemen, this concludes today's conference. You may now disconnect from your telephone line. Have a wonderful remainder of your afternoon.