



sparkenergy<sup>™</sup>

CELEBRATING  
**20**  
20<sup>TH</sup> ANNIVERSARY  
SINCE 1999  
YEARS

Investor Update  
November 2019



# Safe Harbor Statement

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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," "likely," "will," "believe," "expect," "anticipate," "estimate," "continue," "plan," "intend," "projects," or other similar words. All statements, other than statements of historical fact included in this presentation, regarding strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans, objectives and beliefs of management are forward-looking statements. Forward-looking statements appear in a number of places in this presentation and may include statements about business strategy and prospects for growth, customer acquisition costs, ability to pay cash dividends, cash flow generation and liquidity, availability of terms of capital, competition and 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:

- changes in commodity prices;
- the sufficiency of risk management and hedging policies and practices;
- the impact of extreme and unpredictable weather conditions, including hurricanes and other natural disasters;
- federal, state and local regulation, 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 in our debt agreements and collateral requirements;
- credit risk with respect to suppliers and customers;
- changes in costs to acquire customers as well as actual attrition rates;
- accuracy of billing systems;
- ability to successfully identify, complete, and efficiently integrate acquisitions into our operations;
- significant changes in, or new charges by, the ISOs in the regions in which we operate;
- competition; and
- the "Risk Factors" in our latest Annual Report on Form 10-K for the year ended December 31, 2018, and in our Quarterly Reports on Form 10-Q, and other public filings and press releases.

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. Except as otherwise noted, reconciliation of such non-GAAP measures to the relevant GAAP measures can be found in the 10Q.

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 [ir.sparkenergy.com](http://ir.sparkenergy.com) to review subsequent investor presentations.

# Spark Energy at a Glance

## Spark Energy, Inc.

Independent Retail Energy Services Provider

Current Price	\$9.20
52-Week Price Range	\$7.20 - \$11.71
Class A Shares Outstanding	14.4 MM
Avg. Daily Vol. (30 day)	68 K
Market Capitalization	\$323.7 MM
Net Debt*	\$66.4 MM
Preferred Stock	\$90.6 MM
Enterprise Value	\$480.7 MM
Annual Dividend	\$0.725
Implied Dividend Yield	7.9%



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

Market Data as of November 5, 2019; Debt as of September 30, 2019

\*Net Debt is Debt of \$109 MM minus Cash of \$42.6MM

# How Spark Energy Serves its Customers

## Delivering Electricity

SPARK ENERGY

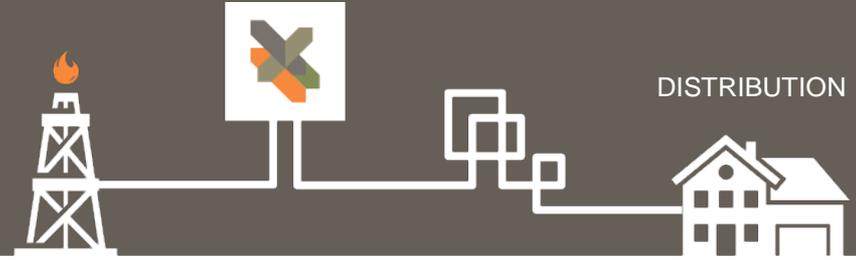


GENERATION

TRANSMISSION

## Delivering Natural Gas

SPARK ENERGY



PRODUCTION

TRANSPORTATION

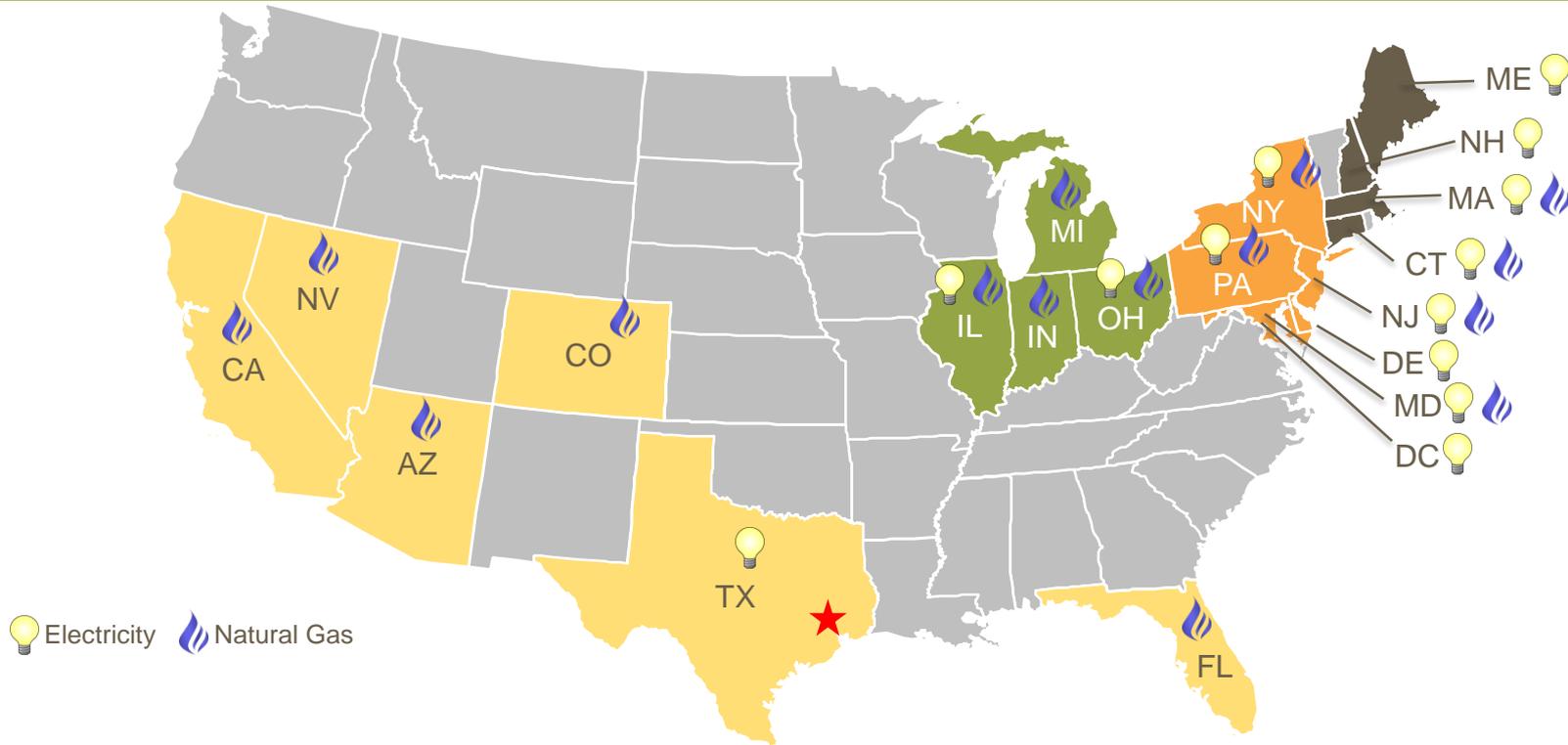
## Our Value Proposition to the Customer

Stable and Predictable  
Energy Costs

Potential Cost  
Savings

Green and Renewable  
Products

# Spark's Geographical Diversity: 19 States and 94 Utility Territories



Residential Customer Equivalents (RCEs) as of September 30, 2019

(In thousands)	Electricity	Percent	Natural Gas	Percent	Total	Percent
 <b>New England</b>	286	45%	28	20%	314	41%
 <b>Mid-Atlantic</b>	224	35%	47	34%	271	35%
 <b>Midwest</b>	60	10%	43	31%	103	13%
 <b>Southwest</b>	64	10%	20	15%	84	11%
<b>Total</b>	634	100%	138	100%	772	100%

RCE counts do not include contribution from eREX Spark Marketing joint venture in Japan

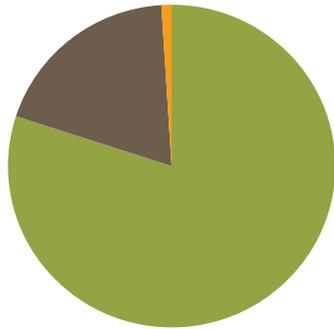
# Spark Energy Recent Developments

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- Strong third quarter
  - Unit margins returning to normal run rates
  - Summer insurance hedging strategy performed very well
  - Attrition in line with expectations
- Approaching final steps of our brand and system consolidation efforts
  - Over \$22 MM in run rate savings
- Over 70% of all new sales YTD fully renewable electricity or carbon-neutral natural gas



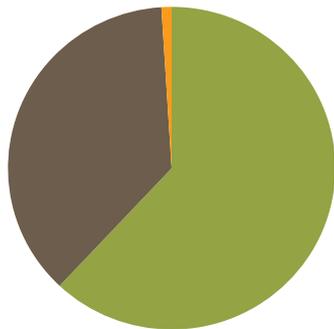
# Opportunities for Organic Growth



## Natural Gas

**36MM Eligible RCEs<sup>1,2</sup>**  
**19% Penetration**  
**<1% Spark Share**

*Only 19% of eligible natural gas customers and 37% of eligible electricity customers have made a competitive supplier choice<sup>2</sup>*



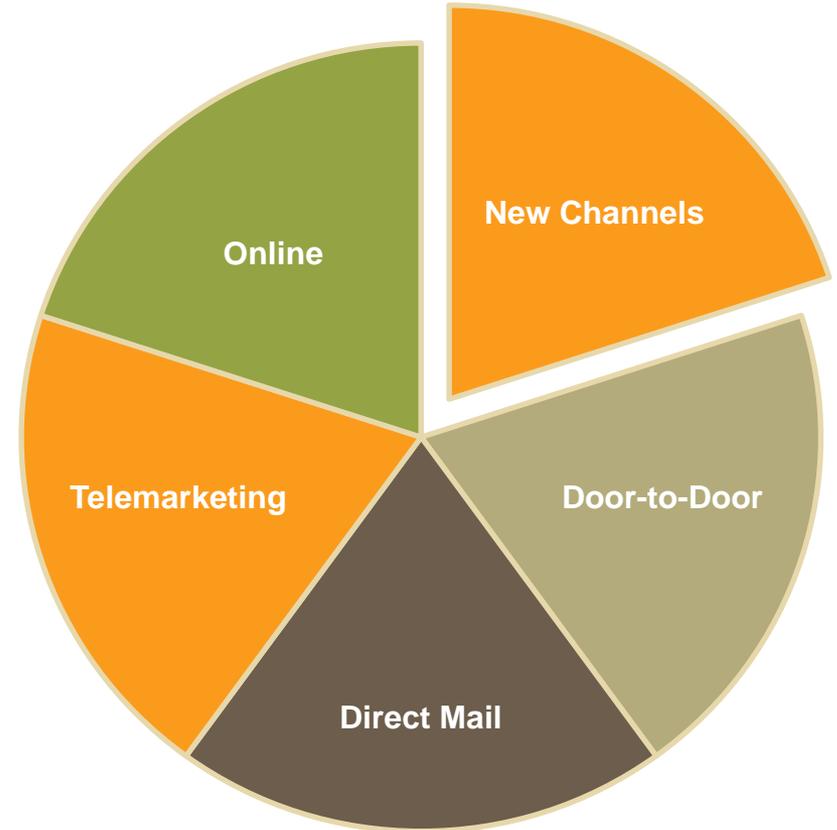
## Electricity

**149MM Eligible RCEs<sup>2</sup>**  
**37% Penetration**  
**<1% Spark Share**

Source: EIA

<sup>1</sup>Residential customers only

<sup>2</sup>Eligible customers defined as customers in deregulated states



- Multiple brands allow for brand positioning and winback strategies
- Outsourced vendor relationships allow rapid scaling and low fixed costs while driving quality, efficiency and flexibility
- Organic commission structure ensures customer quality and lifetime value

# Customer Lifetime Value Strategy

## *Increase Lifetime Value*

### Sophisticated Customer Acquisition Model

- Multi-channel sales
- Diverse sales geography
- Leverage analytics to determine market entry and product tailoring
- Contracted revenue model with subscription-like flow

- 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 EBITDA<sup>1</sup> margin and cash flow conversion
- Targeted payback period is 12 months
- Long-standing customer relationships

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

<sup>1</sup>EBITDA is Non-GAAP measure please refer to table A-1 in the appendix for reconciliation of EBITDA

# 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 Spark Energy's 20 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 based on individual market characteristics
  - Hedging policy monitored closely by CFO and Risk Committee
- Risk management policy approved by syndicate banks and Board of Directors
- Over \$280MM in available credit with wholesale suppliers<sup>1</sup>

<sup>1</sup>As of September 30, 2019

# Conservative Capitalization Minimizes Risk

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- \$217.5 million syndicated credit facility
- \$109 million drawn<sup>1</sup>
- Low cost of capital

<b>Leverage Ratio<sup>1</sup></b>	
<b>Net Debt*</b>	<b>\$66.4 MM</b>
<b>TTM Adjusted EBITDA</b>	<b>\$86.9 MM</b>
<b>Leverage Ratio</b>	<b>0.76x</b>

<sup>1</sup>As of September 30, 2019

\*Net Debt is Debt of \$109 MM Minus Cash of \$42.6 MM

# Portfolio Optimization

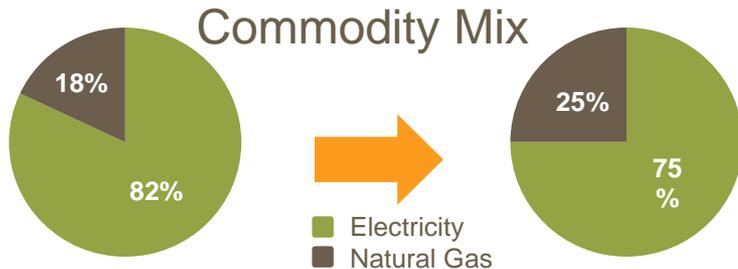
*Spark is focusing on high-value customers to increase cash flow diversification and stability*

As of September 30, 2019

Future Expectation

TTM at September 30, 2019

Future Expectation



### Electricity Unit Margin

\$21.57 / MWh → \$27.00 - \$30.00 / MWh

### Natural Gas Unit Margin

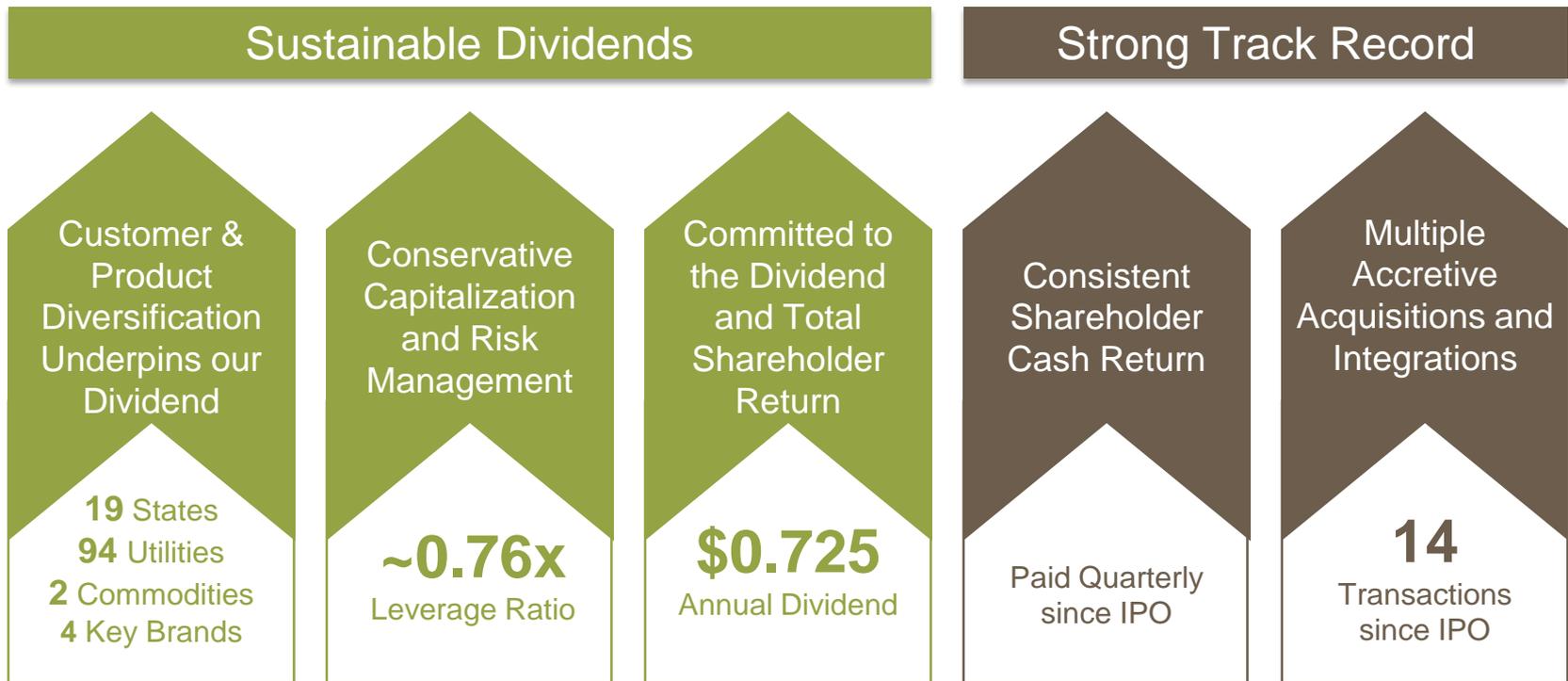
\$3.86 / MMBtu → \$3.75 - \$4.00 / MMBtu

### G&A<sup>1</sup> / Gross Margin

45% → 40-45%

<sup>1</sup>excludes un-capitalized CAC, Non Cash Compensation and Non-Recurring legal Charges

# Key Investment Highlights



- Clear line of sight for meaningful uplift to Adjusted EBITDA through mass market focus and unit margin normalization
- Full supply desk and risk department work together to hedge portfolio and optimize margins
- Highly experienced senior management team

# Investor Relations Contact Information

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Investor Relations

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Houston, TX 77079

<http://ir.sparkenergy.com/>

Contact: Mike Barajas

[ir@sparkenergy.com](mailto:ir@sparkenergy.com)

832-200-3727





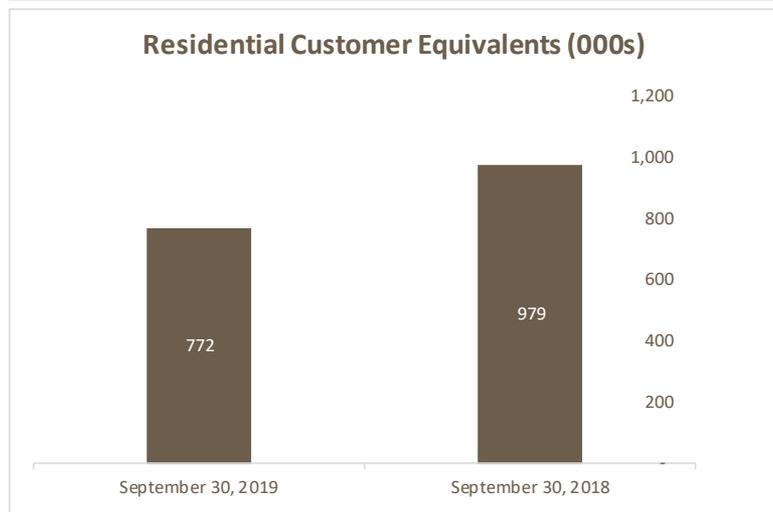
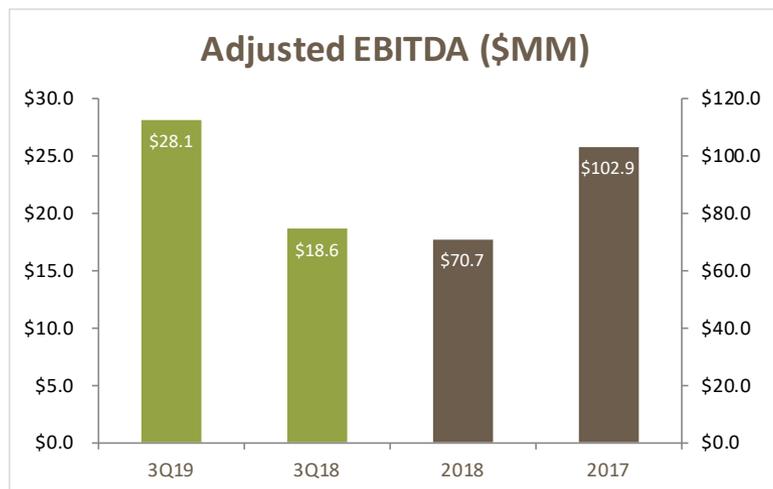
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Appendix



# Spark by the Numbers



(\$ in millions)

	3Q19	3Q18	2018	2017
<b>Revenue</b>	\$207.3	\$258.1	\$1,001.4	\$798.8
<b>Retail Gross Margin<sup>1</sup></b>	\$58.2	\$45.8	\$185.1	\$224.5
<b>Adjusted EBITDA<sup>2</sup></b>	\$28.1	\$18.6	\$70.7	\$102.9
<b>Customer Acq. Costs</b>	\$4.4	\$2.7	\$13.7	\$25.9

	3Q2019	3Q2018
<b>RCEs (000s)</b>	772	979
<b>RCE Attrition</b>	4.0%	4.0%
<b>Electricity Volume (MWh)</b>	1,808,276	2,432,314
<b>Natural Gas Volume (MMBtu)</b>	1,119,126	1,395,377
<b>Electricity Unit Margin (\$/MWh)</b>	\$29.39	\$16.55
<b>Natural Gas Unit Margin (\$/MMBtu)</b>	\$4.50	\$3.97

<sup>1</sup>Retail Gross Margin is a Non-GAAP measure please refer to table A-3 for reconciliation of Retail Gross Margin  
<sup>2</sup>Adjusted EBITDA is a Non-GAAP measure please refer to table A-1 or A-2 for reconciliation of Adjusted EBITDA

# Proven Leadership

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



### **Nathan Kroeker • Chief Executive Officer and President**

- Veteran leader in sales strategy, global energy supply, and M&A across the upstream, downstream, and midstream energy sectors
- Extensive international experience; board member of ESM (a Japanese retail energy company); previously worked for Macquarie and Centrica
- Certified Public Accountant and Chartered Accountant



### **James G Jones II • Chief Financial Officer**

- Served as Spark Energy, Inc. Independent Director and Chair of Audit and Special Committees until his appointment as CFO
- Extensive finance and tax experience, including as partner at Ernst & Young LLP, Padgett Stratemnn & Co and Weaver Tidwell, LLP



### **C. Alexis Keene • Interim General Counsel and Corporate Secretary**

- Former SVP and General Counsel to EDF Energy Services, LLC
- Seasoned legal executive with extensive regulatory, compliance, and M&A experience

## *Extensive Experience Across the Team Ensures Value Creation*

# Board of Directors

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

Mr. Maxwell serves as non-executive Chairman of the Board of Directors, and was appointed to this position in connection with the IPO in 2014. Mr. Maxwell also serves as Chief Executive Officer of NuDevco Partners, LLC and National Gas & Electric, LLC, each of which is affiliated with us. Prior to founding the predecessor of Spark Energy 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.

## Nathan Kroeker • Director, President and Chief Executive Officer

Mr. Kroeker was appointed President of Spark Energy in April 2012 and Chief Executive Officer in April 2014. He has served as a director since August 2014. Mr. Kroeker is responsible for overseeing the day-to-day operations and helping shape the overall strategy of the company. Mr. Kroeker is a 15-year industry veteran with diverse experience in public accounting, M&A, and both retail and wholesale energy. Nathan first joined the company in July 2010 as Executive Vice President and Chief Financial Officer of Spark Energy Ventures. Prior to Spark, Nathan held senior finance and leadership roles with Macquarie and Direct Energy. He began his career in public accounting, including both audit and M&A advisory functions. Nathan holds a Bachelor of Commerce (honors) degree from the University of Manitoba, and has both a CPA (Texas) as well as a CA (Canada). Mr. Kroeker was selected to serve as a director because of his financial expertise and his extensive background in the retail energy business.

## Nick W. Evans, Jr. • Independent Director

Mr. Evans was appointed to our Board of Directors in May 2016. He is currently the majority partner of ECP Benefits after having worked in the broadcast and communication industry for over twenty-five years. He began his broadcast career at WAGT-TV in Augusta, GA. Prior to that he was with the Georgia Railroad Bank. He served as President and CEO of Spartan Communications Inc., headquartered at the time in Spartanburg, S.C. He was responsible for the operation of thirteen television stations in seven states. He has served on the boards of many broadcast industry organizations including the Georgia Association of Broadcasters, South Carolina Broadcasters Association, National Association of Broadcasters, and was Chairman of the Television Operators Caucus. He, also, served on numerous civic, community, and non-profit boards and organizations. While a Rotarian, he was selected a Paul Harris fellow. He has served on advisory boards for Wachovia Bank of SC, Wells Fargo Bank – Augusta, Azalea Capital and currently Coca Cola Bottling Company United. He holds a BBA degree from Augusta University. Mr. Evans was selected to serve as a director because of his leadership and management expertise.

# Board of Directors

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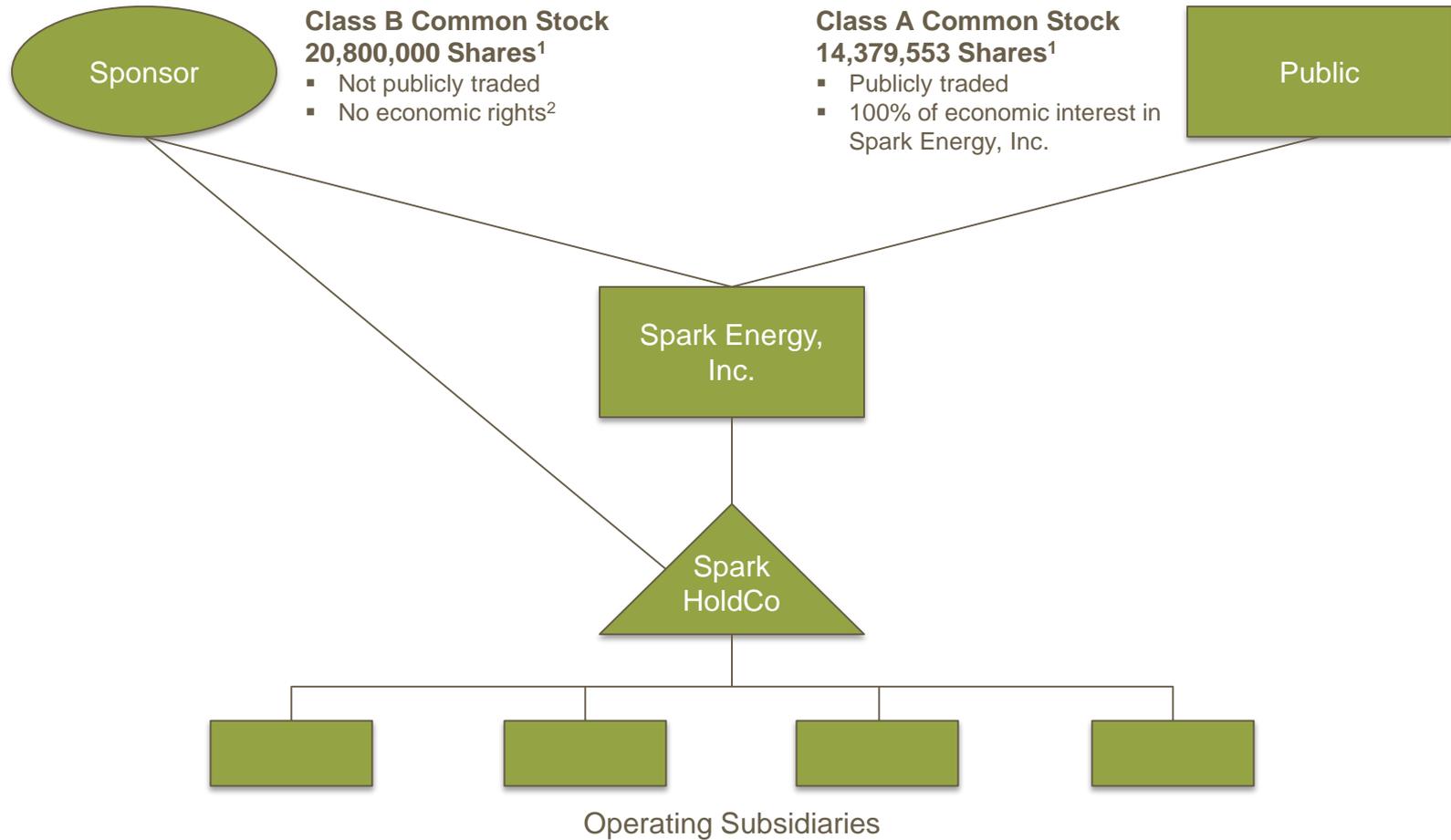
## **Kenneth M. Hartwick • Independent Director**

Mr. Hartwick was appointed to our Board of Directors in August 2014 and re-elected in May 2015 and May 2018. 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.

## **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 joined the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. Ms. Bush serves as Chair of the Audit Committee. 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.

# Up-C Structure



<sup>1</sup>Shares Outstanding as of September 30, 2019

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

# Proven Track Record of Acquisitions and Integration

## Recent Transactions



~65,000 RCEs  
13 New Markets

July 2015



~40,000 RCEs  
7 New Markets

July 2015



~121,000 RCEs  
9 New Markets

August 2016



~220,000 RCEs  
15 New Markets

August 2016



~60,000 RCEs  
1 New State & Market

April 2017



~145,000 RCEs  
3 New Markets

July 2017



~29,000 RCEs  
N.E. / Mid-Atlantic / Midwest

March 2018



~50,000 RCEs  
N.E. / Mid-Atlantic / Midwest

April 2018



~60,000 RCEs  
Mid-Atlantic / Midwest

October 2018

# Spark in the Community

## Empower What Matters Most

Spark partners with organizations that:

- Raise the quality of life for children
- Make communities better places to live and work
- Provide an avenue for employees to get involved in the community and to support the company's green values



Spark is directly connected to the Clubs through active Board representation, volunteerism, and in providing critical resources. The **Boys & Girls Clubs** provides a safe and positive place, particularly in at-risk areas, for youth to go after school and in the summer. Through the Clubs, Spark provides direct support to youth via programs focused on Academic Success, Healthy Lifestyles, and Good Character/Citizenship.



**The Woods Project** promotes the importance of getting underserved students outdoors. To help students trade screen time for green time, The Woods Project hosts after-school programs, weekend excursions, and a summer program. Spark participates in the biggest annual fundraiser, the Walk for the Woods Project 5K, and in 2019 took home the Golden Boot award for the most participants.



Through Spark's work with the **Arbor Day Foundation**, Spark is able to extend its environmental efforts far beyond green energy.



Every August Spark Energy employees get involved as 'personal shoppers' alongside a child at a designated Target store during **Child Advocates'** annual Childspree, helping children select back-to-school clothes, eat breakfast, and return home with a backpack full of school supplies.



1.6 million people around the world lack proper access to electricity. Through Spark's relationship with **LuminAID**, it is developing programs to distribute solar-powered inflatable lights to areas that need it the most.



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Appendix:  
Reg. G

# Reg. G

## Appendix Table A-1: Adjusted EBITDA Reconciliation

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

(\$ in thousands)	<u>3Q19</u>	<u>3Q18</u>	<u>2018</u>	<u>2017</u>
Net income (loss)	\$ 37,676	\$ 18,827	\$ (14,392)	\$ 75,044
Depreciation and amortization	9,496	13,917	52,658	42,341
Interest expense	2,174	2,762	9,410	11,134
Income tax expense	6,567	3,818	2,077	38,765
EBITDA	55,913	39,324	49,753	167,284
Less:				
Net, gain (loss) on derivative instruments	12,307	18,117	(18,170)	5,008
Net, Cash settlements on derivative instruments	12,721	922	(10,587)	16,309
Customer acquisition costs	4,423	2,695	13,673	25,874
Plus:				
Non-cash compensation expense	1,622	1,021	5,879	5,058
Change in Tax Receivable Agreement Liability	—	—	—	(22,267)
<b>Adjusted EBITDA</b>	<b>\$28,084</b>	<b>\$18,611</b>	<b>\$70,716</b>	<b>\$102,884</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)	<u>3Q19</u>	<u>3Q18</u>	<u>2018</u>	<u>2017</u>
Net cash provided by operating activities	\$ 26,510	\$ 5,443	\$ 59,763	\$ 62,131
Amortization and deferred financing costs	(497)	(631)	(1,291)	(1,035)
Allowance for doubtful accounts and bad debt expense	(3,170)	(2,755)	(10,135)	(6,550)
Interest expense	2,174	2,762	9,410	11,134
Income tax expense	6,567	3,818	2,077	38,765
Change in Tax Receivable Agreement Liability	—	—	—	(22,267)
Changes in operating working capital				
Accounts receivable, prepaids, current assets	1,821	16,248	10,482	31,905
Inventory	1,560	2,218	(674)	718
Accounts payable and accrued liabilities	(2,204)	(5,946)	(5,093)	(13,672)
Other	(4,677)	(2,546)	6,177	1,755
<b>Adjusted EBITDA</b>	<b><u>\$28,084</u></b>	<b><u>\$18,611</u></b>	<b><u>\$70,716</u></b>	<b><u>\$102,884</u></b>
Cash flows provided by operating activities	\$ 26,510	\$ 5,443	\$ 59,763	\$ 62,131
Cash flows provided by investing activities	\$ (295)	\$ 307	\$ (18,981)	\$ (77,558)
Cash flows provided by financing activities	\$ (10,937)	\$ 1,344	\$ (20,563)	\$ 25,886

# Reg. G

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

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

(\$ in thousands)	<u>3Q19</u>	<u>3Q18</u>	<u>2018</u>	<u>2017</u>
Operating income (loss)	\$ 46,095	\$ 25,454	\$ (3,654)	\$ 102,420
Depreciation and amortization	9,496	13,917	52,658	42,341
General and administrative	27,629	25,695	111,431	101,127
Less:				
Net asset optimization (expense) revenue	(254)	348	4,511	(717)
Net, gain (loss) on non-trading derivative instruments	12,528	17,888	(19,571)	5,588
Net, Cash settlements on non-trading derivative instruments	12,764	1,035	(9,614)	16,508
<b>Retail Gross Margin</b>	<b><u>\$58,182</u></b>	<b><u>\$45,795</u></b>	<b><u>\$185,109</u></b>	<b><u>\$224,509</u></b>
Retail Gross Margin – Retail Electricity Segment	\$ 53,143	\$ 40,252	\$ 124,668	\$ 158,468
Retail Gross Margin – Retail Natural Gas Segment	\$ 5,039	\$ 5,543	\$ 60,441	\$ 66,041

## 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. 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 (losses) gains 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. Finally, we also 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 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 condensed 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 or historical cost basis
- 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.

## Retail Gross Margin

We define Retail Gross Margin as operating income (loss) plus (i) depreciation and amortization expenses and (ii) general and administrative expenses, less (iii) net asset optimization (expenses) revenues, (iv) net gains (losses) on non-trading derivative instruments, and (v) net current period cash settlements on non-trading derivative instruments. 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 an indicator of our retail energy business's operating performance, retail gross margin should not be considered an alternative to, or more meaningful than, operating income (loss), 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 measures most directly comparable to Adjusted EBITDA are net (loss) income and net cash provided by (used in) operating activities. Our non-GAAP financial measures of Adjusted EBITDA and Retail Gross Margin should not be considered as alternatives to net income (loss), net cash provided by (used in) operating activities, or operating income (loss). 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 net income (loss), net cash provided by operating activities, and operating income (loss), 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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