



30 November 2017

**Flowgroup plc**  
**("Flowgroup" the "Company" or "the Group")**

**Trading Update and Directorate Change**

Flowgroup plc (AIM: FLOW), which provides residential gas and electricity supply and other energy services, announces a restructuring of its business, including the implementation of significant cost savings and management changes, to bring forward profitability by six months to the year commencing July 2018.

In its Interim Statement on 19 September 2017, Flowgroup reiterated its focus on building a profitable and sustainable energy supply business by controlling costs and increasing the Lifetime Value of its customers. The Company believes that it has sufficient scale to achieve profitability sooner than previously expected based on its existing customer account base and management has intensified its focus on the retention of higher margin customers and on winning new customers with a similar profile through direct sales channels.

The Board has taken a view that Flowgroup should maintain a total of just under 250,000 customer accounts, a level above which regulatory payments in the energy supply business significantly increase. The decision to remain below 250,000 customer accounts will save the Company approximately £2.5 million. The Directors believe this creates a strong foundation for further, profitable and sustainable growth.

**Board of Directors**

As part of this cost saving initiative, the Company will streamline the group structure to focus solely on the energy supply business. Tony Stiff, Chief Executive Officer, has resigned as CEO and from the Board with immediate effect. The resulting executive team will be sized at a more commensurate level with the size of the business. Nigel Canham, Flowgroup's Chief Financial Officer since 2014, will assume responsibility for the restructuring and Andrew Beasley, the Managing Director of Flow Energy since 2012, will continue to run the day-to-day operations of the energy supply business.

With the recent appointment of Alan Lovell as Chairman, the Board is confident that this completes a strong team who are well set to manage the restructuring and future growth of the business.

**Working Capital**

Whilst profitability remains broadly in line with market expectations, the flat level of customer accounts will have an impact on the seasonal working capital needs of the Company. The Company typically generates working capital in the summer and autumn, and uses working capital in the winter and spring. Loan note holders and other stakeholders remain fully supportive of the business and have given strong indications of their willingness to support any temporary and seasonal working capital requirements if needed.

**Green Energy**

The Company has successfully transitioned 100% of energy customers to 50% renewable electricity at no additional cost to them. This is more than twice the proportion in the national average energy mix. In addition, the Company launched the new Flow Green tariff in October 2017. This tariff features a 100% renewable electricity tariff and green gas offset available at a small premium to the standard tariff.

**Outlook**

The decarbonisation, decentralisation and digitalisation of the energy market is creating opportunities for new entrants and new business models in the energy supply business. The proposed merger between SSE and npower also highlights the changing dynamics of the marketplace. With the appointment of Alan Lovell, the Board has refined its strategy and the Directors believe that achieving profitability earlier will put the Company in a stronger position to take advantage of opportunities as the market continues to change, consolidate and innovate.

**Alan Lovell, Chairman, commented:** *“Flowgroup is focused entirely on achieving profitability, and we will realign our corporate structure to ensure that this goal is met as soon as practicable without sacrificing the long-term promise to our customers. Energy customers typically provide stable, consistent revenues and we believe that a challenger energy business of our size should prove its worth as early as possible by delivering profitability. I have joined Flowgroup at this exciting time and I firmly believe that driving towards profitability more quickly, by reducing costs and increasing customer value, is the right decision. I’d like to thank Tony Stiff, Group CEO, for his very significant contribution to the Group over the years.”*

**Enquiries:**

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