ENERNOC

Can Energy Be a SaaS(e)-Business?

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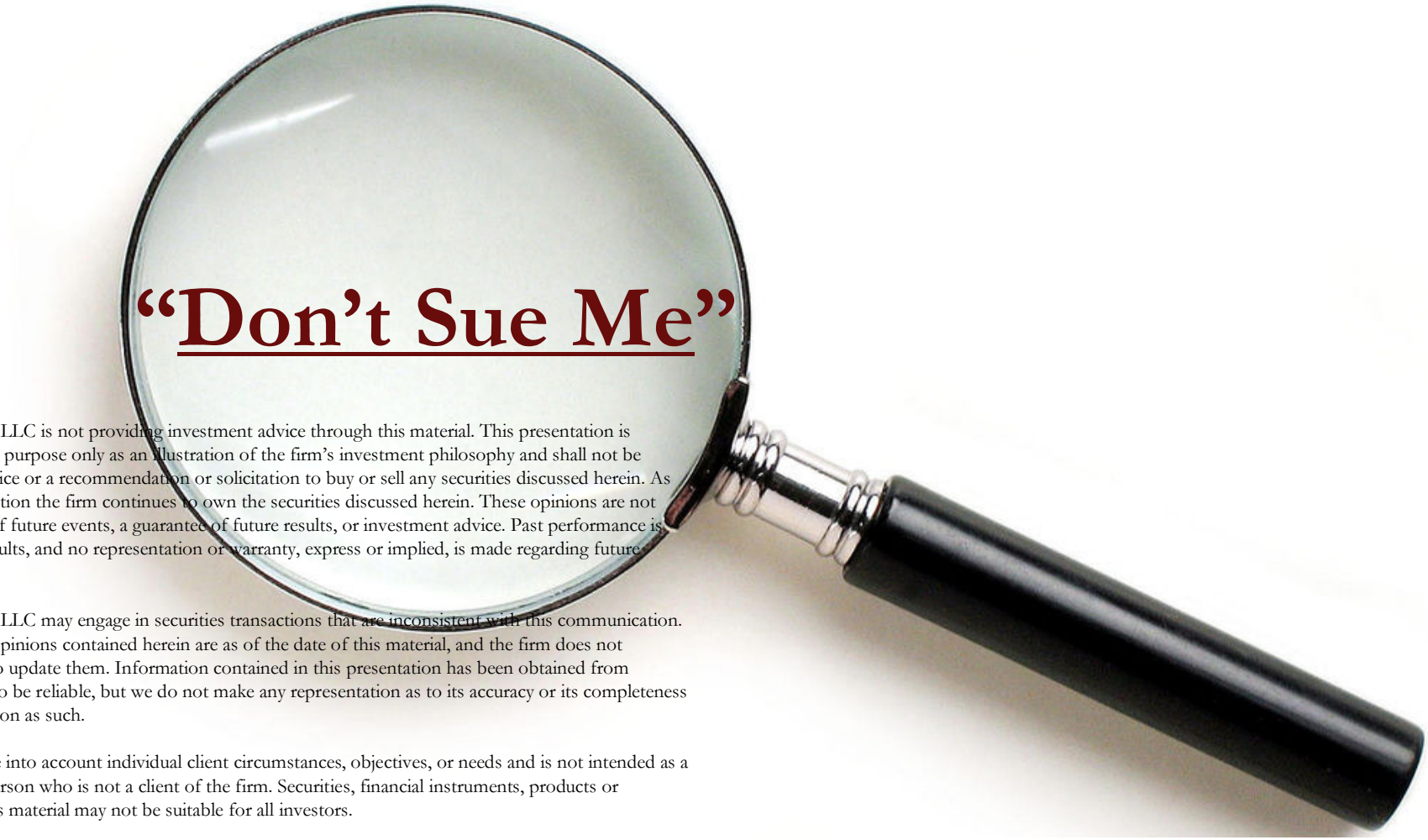
VALUE^{x} Vail

June 24-26, 2015

The Fine Print



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ENERNOC

Enernoc: Operates in niche segment of the Electrical Industry – **The Company does not….**

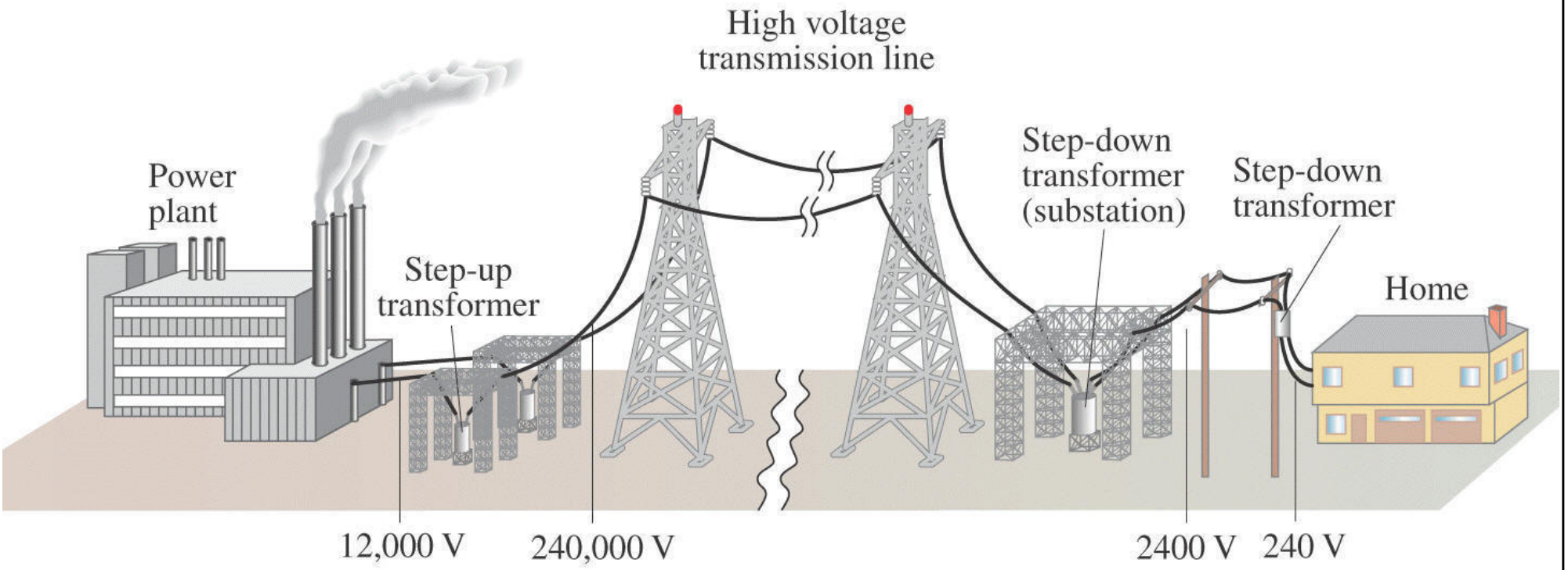
Generate **Transmit** **Distribute**

ENERNOC

Enernoc: Helps C&I Companies Actively Control Energy Expenses Through Demand Response & EIS

Energy = 30 - 50% of C&I Operating Expenses

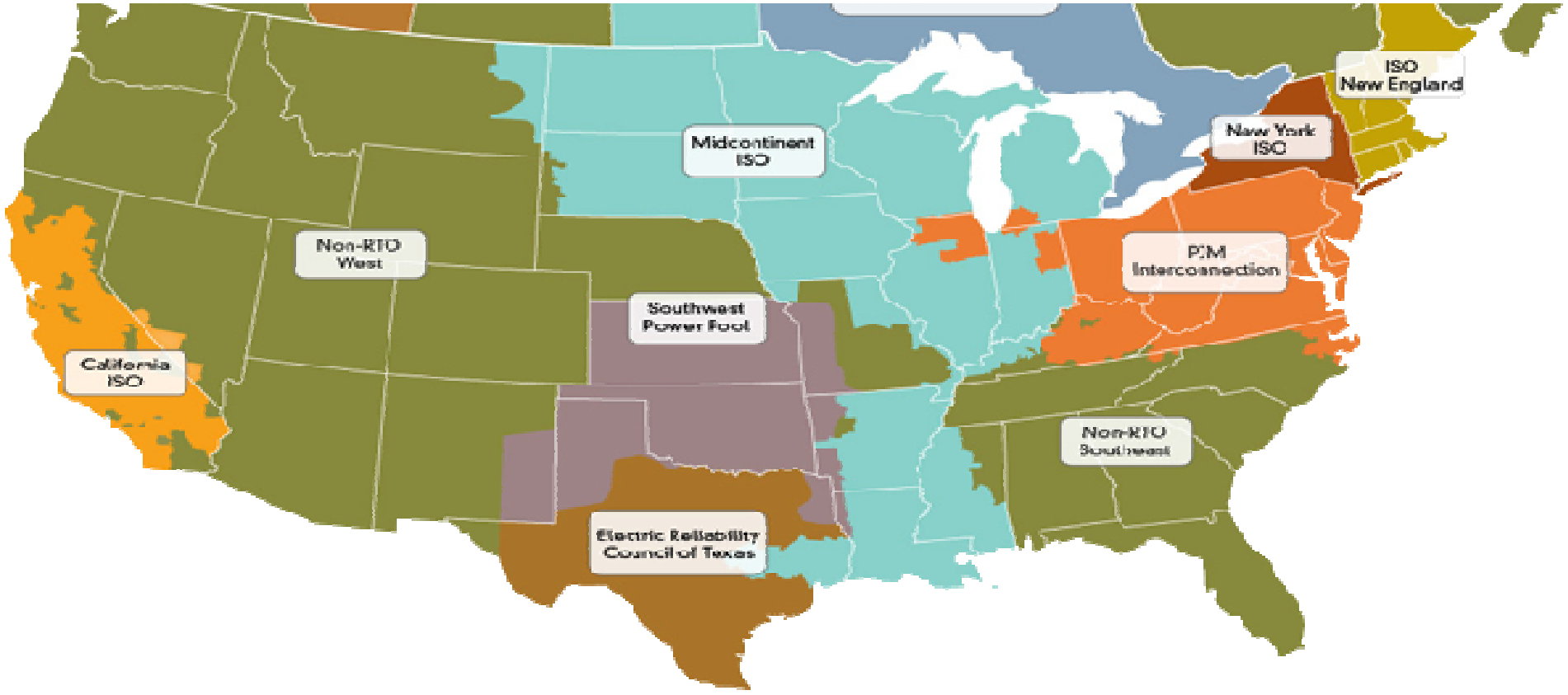
Energy Industry – Overview



No Significant Changed to Grid Over Past 100+ Years

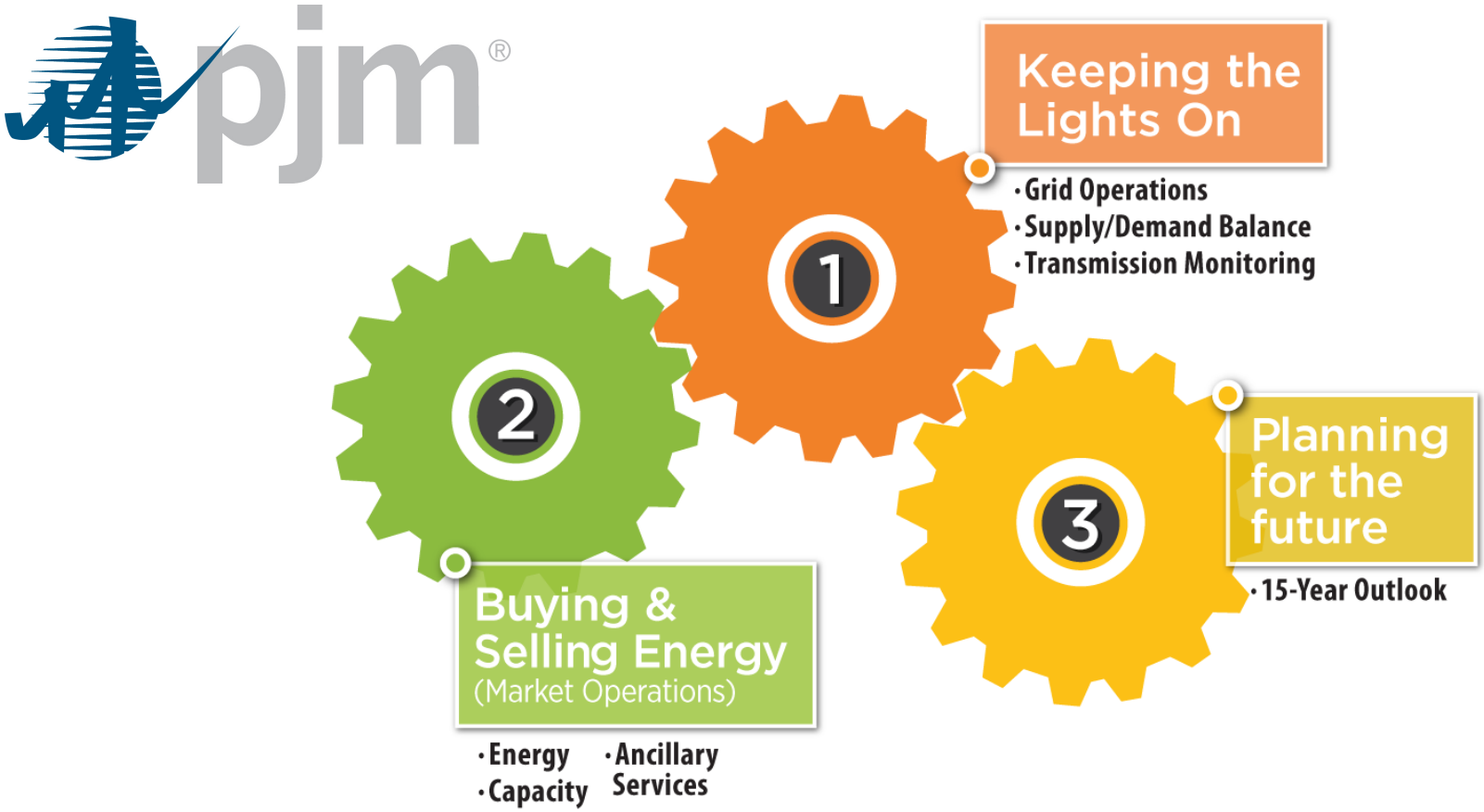
Energy Industry – Deregulation

Deregulation = ~60% of U.S. Electricity Managed by RTO/ISO



Energy Industry – RTO/ISO

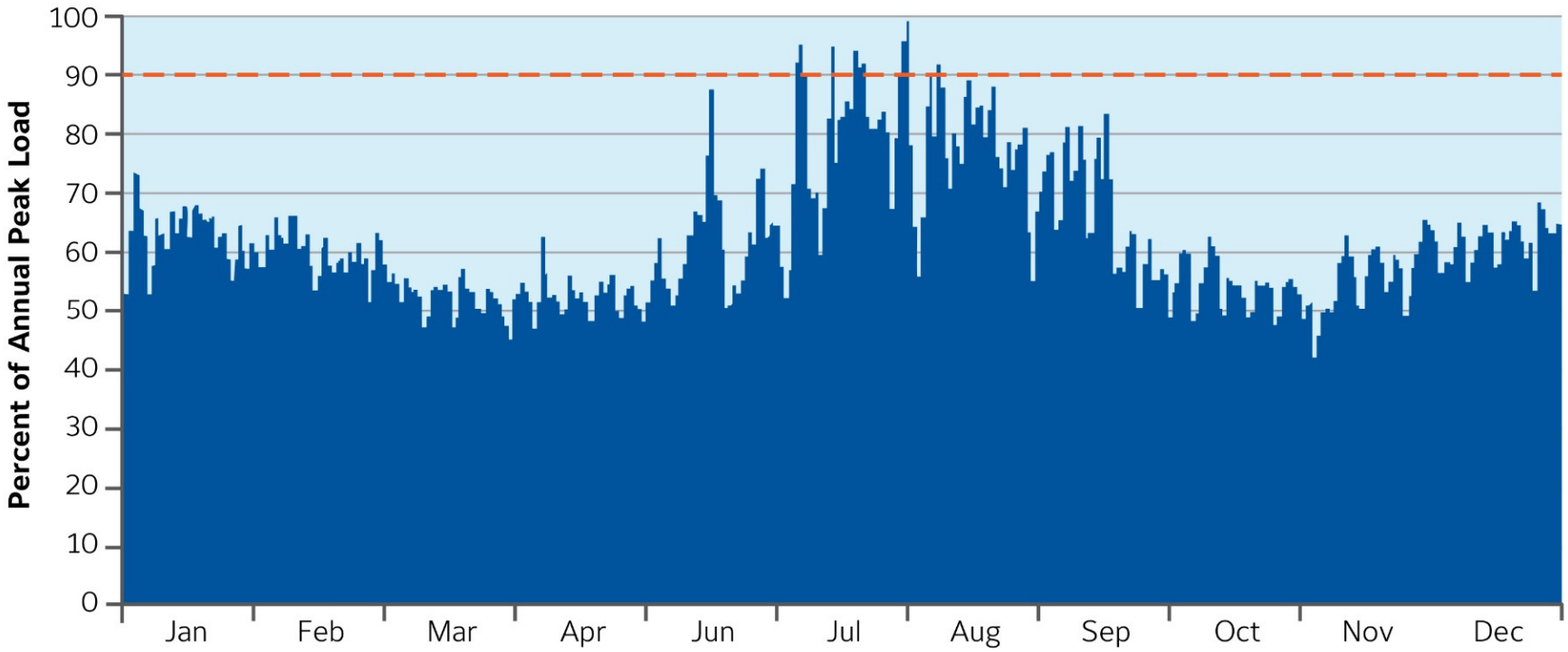
Grid Operators (RTO/ISO) Responsibilities



Energy Industry – Peak Load

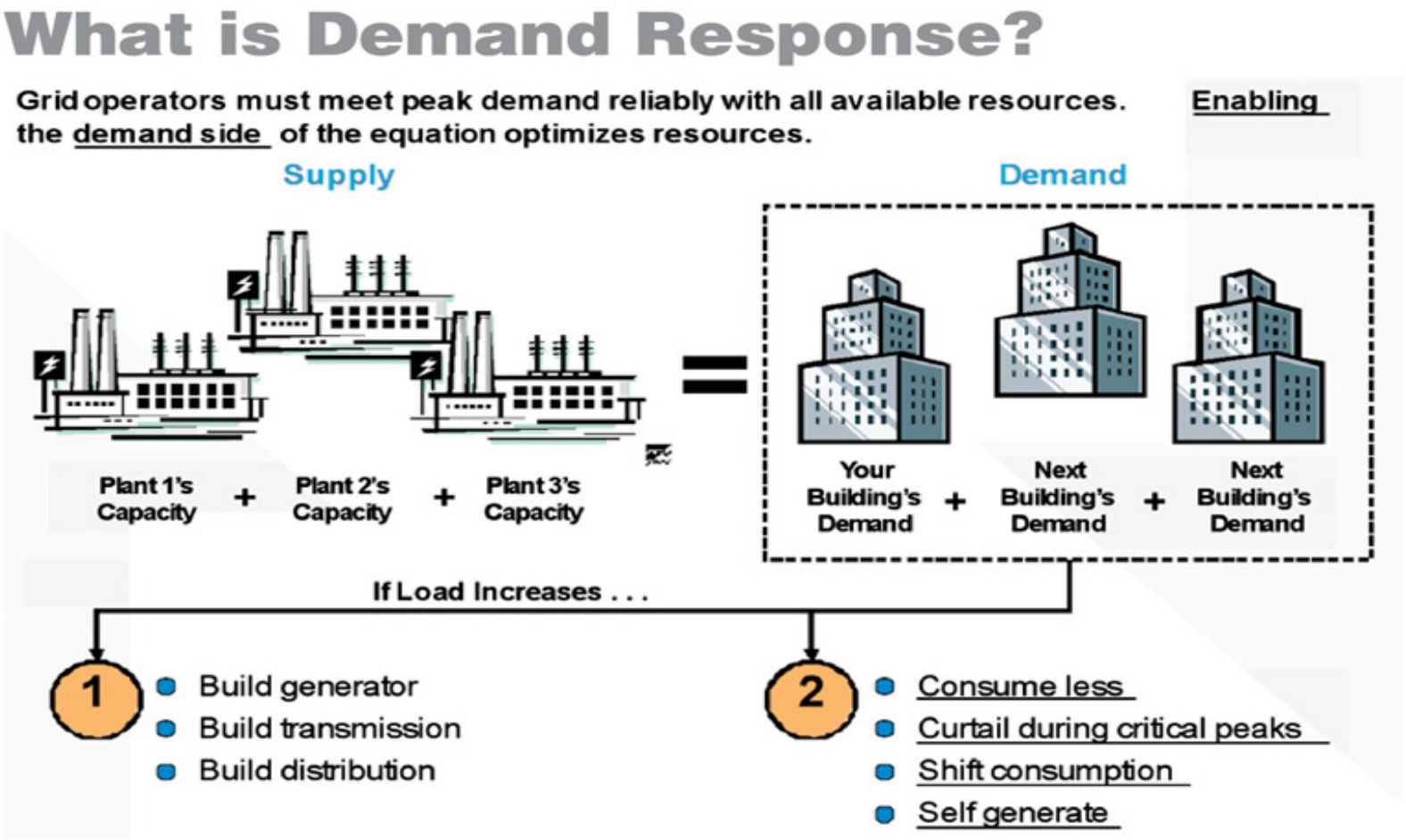
Grid Operators (RTO)

Figure 1. Peak Load Planning[1]



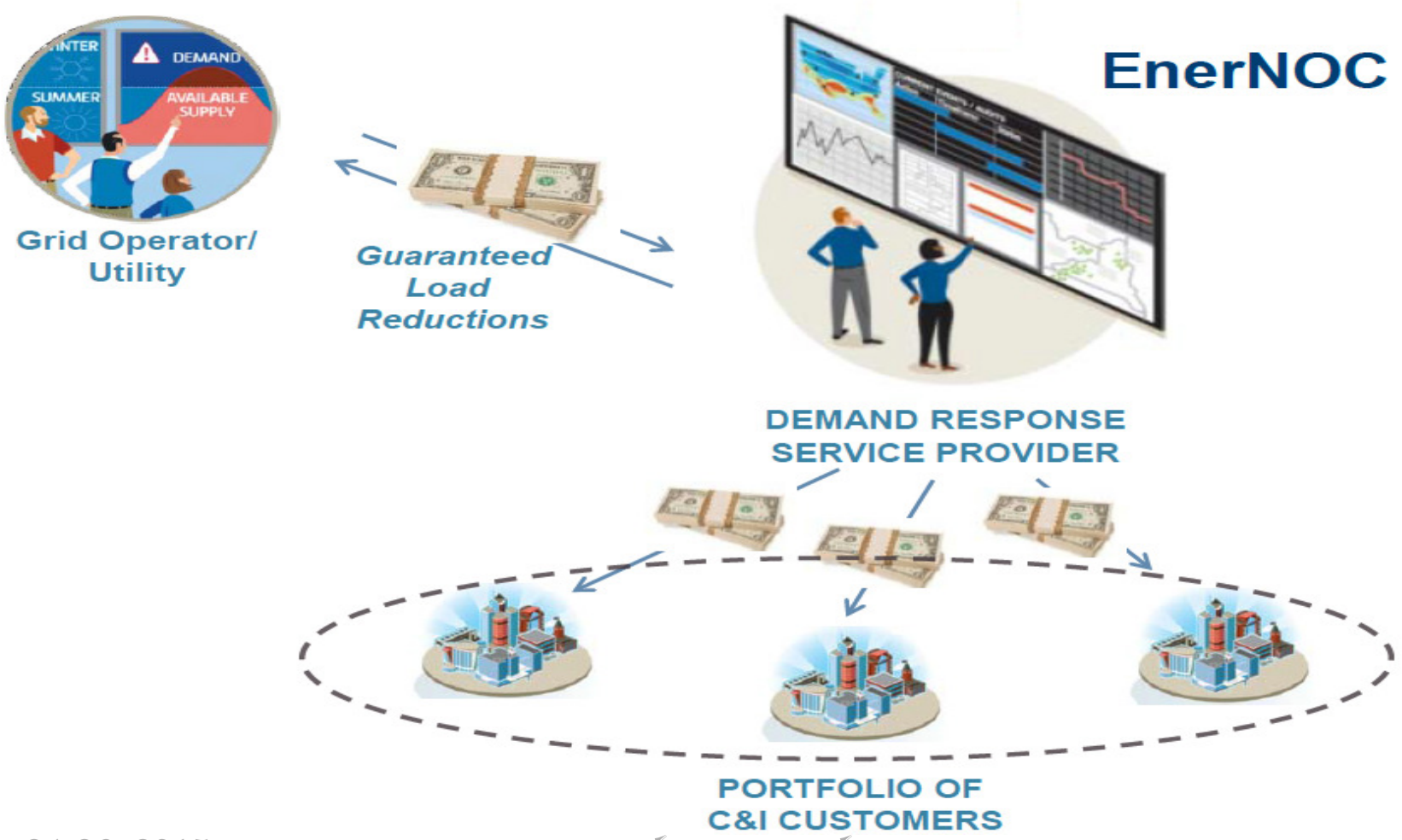
Energy Industry – Demand Response

Yearly Capacity Auction to Meet Expected Demand



Energy Industry – Demand Response

DR Load Aggregator: Business Model



EnerNoc – Demand Response

How Demand Response Works


Utility Anticipates Supply Shortfall


Utility Notifies EnerNOC of pending grid emergency

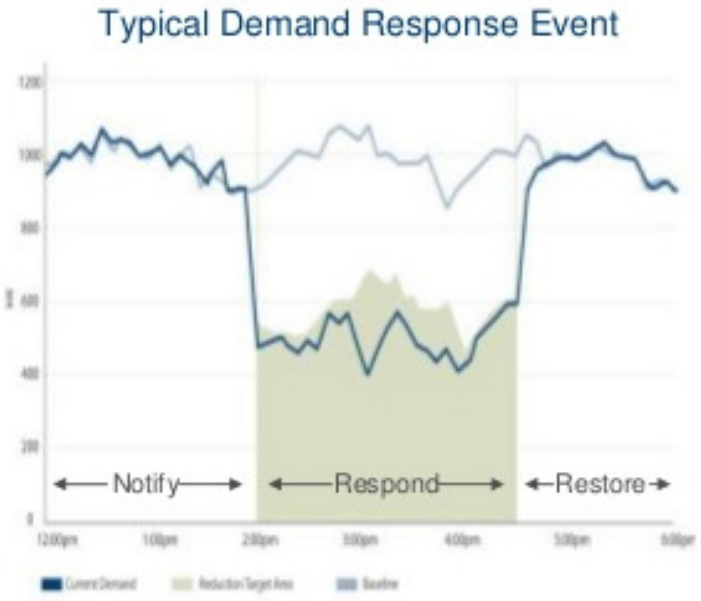

EnerNOC dispatches its portfolio of customers to curtail energy usage


Customers initiate curtailment plan


EnerNOC network operation center coaches underperformers


Load reduction is delivered to the grid at precisely the time it is needed


Customers receive payment for verifiable load delivery

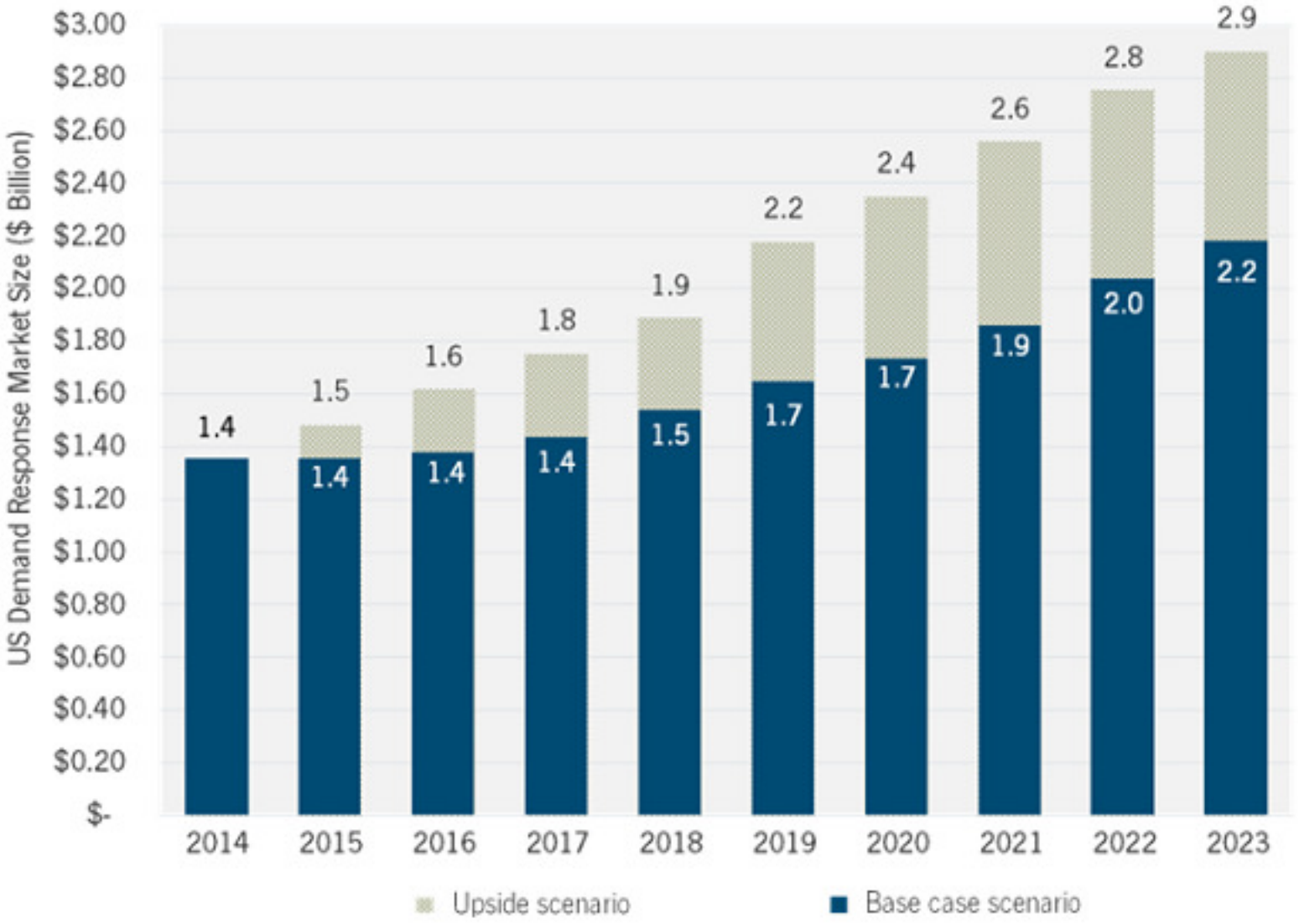


ENERNOC

Frequency:
5–6 Times/Year

Duration:
Average < 3 hrs

EnerNoc – Demand Response



DR Market:

- $1.4 Billion
- ↑6% / Year
- ENOC = 35% Market Share
- ~78% of Rev

EnerNoc – Demand Response

Been Rewarding to ENOC

Lucrative Business

\$470m from \$10m
- GM ~ 40%
- 40% CAGR

Strong Acquisition Model

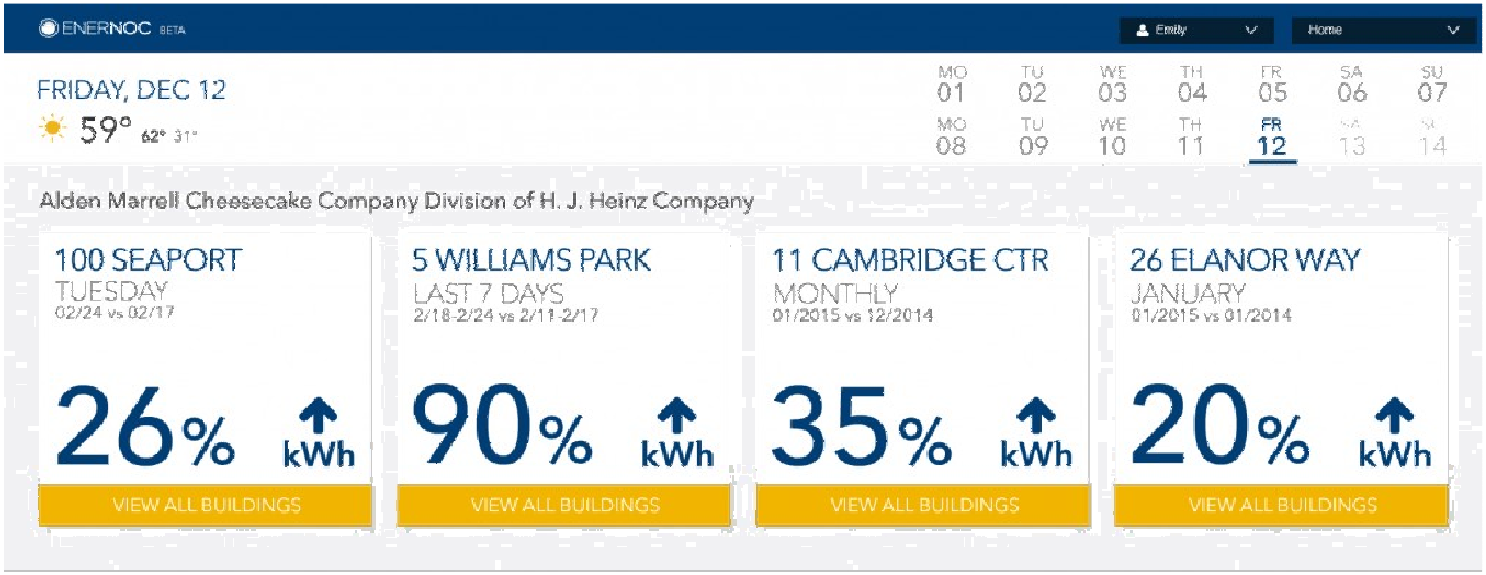
6,500 DR Customers
- Reward C&I with \$
- Low Churn

Business **Transition**

US Growth ↓ Intl ↑
- Volatile Pricing
- Govt Regulation

Enernoc – EIS

Reduce Reliance on DR & Focus on EIS



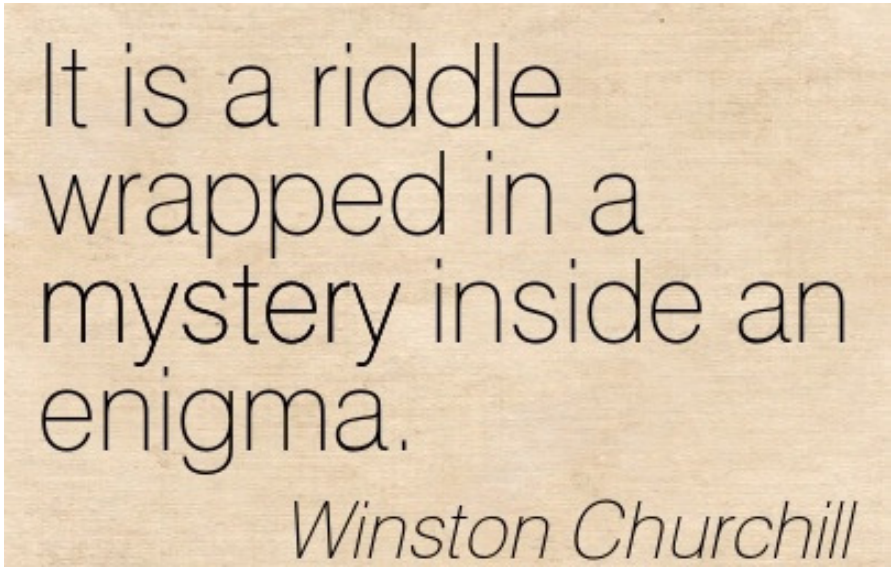
Did you know peak demand charges can contribute **up to 30%** of your energy bill?

Enernoc – Energy $aving

Technology Has Helped Reduced Power Consumption

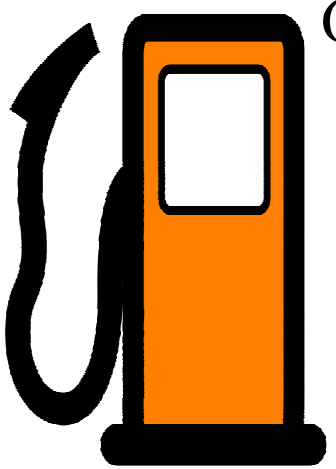
Cost of Electricity

For Most Commercial & Industrial Companies
Cost of Electricity is Riddle…..



Electricity = 30 - 50% of C&I Operating Expenses

Cost of Energy

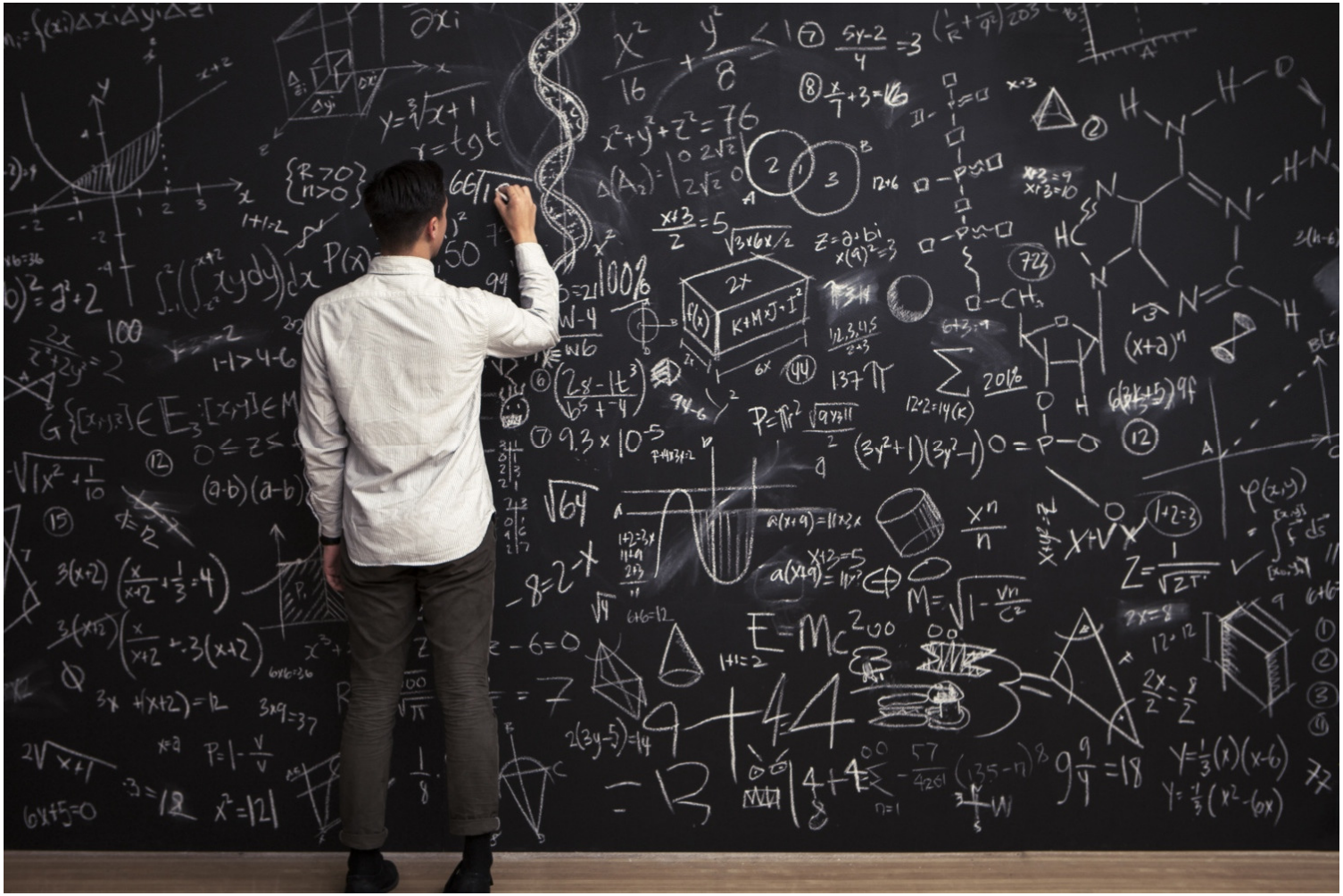


Cost = 1600mi/20mi Gallon →

80 gallons * $3.00/gal = $240

Cost of Electricity

Is a Complex Equation to Solve



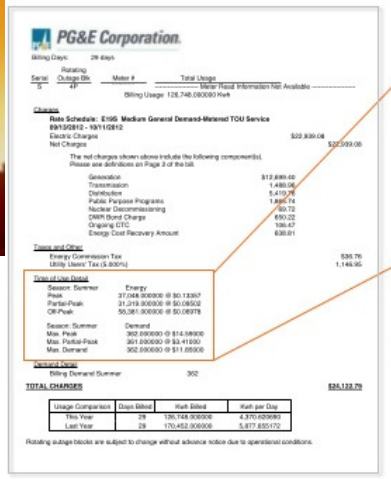
Cost of Electricity

….and Very Confusing

Cost of Electricity

Cost of Electricity Varies Widely Based on:

Demand charges aren't always obvious



Energy vs. Demand charges

Time of Use Detail

	Energy
Season: Summer	
Peak	37,048.000000 @ $0.13357
Partial-Peak	31,319.000000 @ $0.09502
Off-Peak	58,381.000000 @ $0.06978
Season: Summer	Demand
Max. Peak	362.000000 @ $14.59000
Max. Partial-Peak	361.000000 @ $3.41000
Max. Demand	362.000000 @ $11.85000

After adding these up, you find…

Energy charges (kWh)	$11,998	50%
Demand charges (kW)	$10,802	45%
Miscellaneous	$1,322	
Total bill	$24,123	

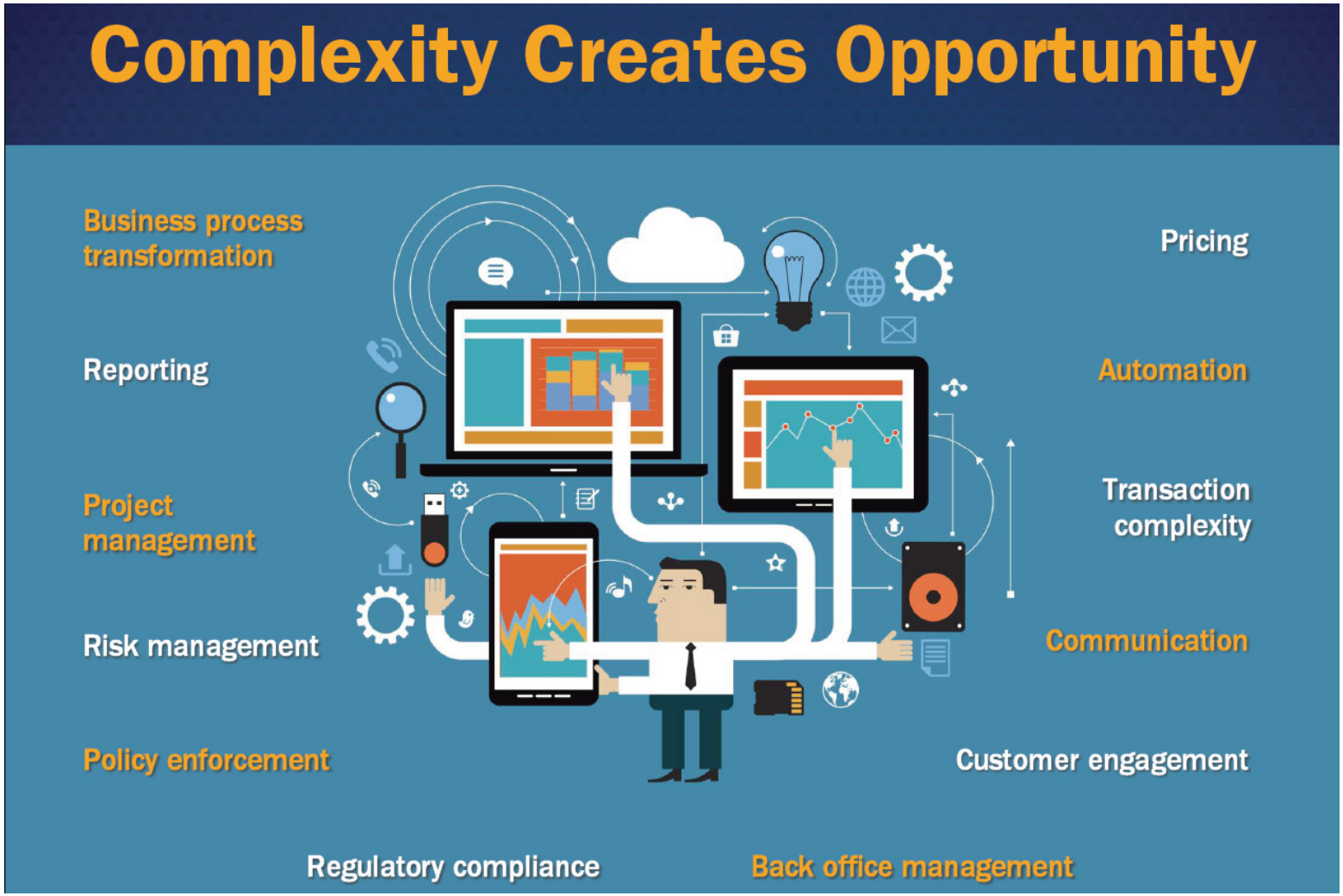
… and realize the demand charges are nearly 50% of your electricity bill

Time Weather Demand Charge=50% of Bill*

*See Appendix

EnerNoc – EIS

You Cannot Manage What You Cannot Measure



EnerNOC's Energy Intelligence Software

Our solutions focus on the three energy cost drivers

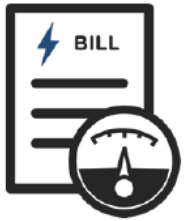
How you buy it

Budgets and Procurement

- Develop accurate energy budgets
- Track cost accruals before the billing period ends
- Manage exposure to real-time prices
- Procure energy through competitive auctions

Utility Bill Management (UBM)

- Collect historical utility bills
- Track trends in utility usage & cost
- Discover & report billing errors
- Streamline accounts payable



How much you use

Visibility and Reporting

- Track trends in energy use & carbon impact
- Visualize real-time energy data to understand consumption patterns
- Automate ENERGY STAR reporting
- Disaggregate and track actual consumption and demand costs

Facility Optimization

- Benchmark & compare facilities
- Analyze meter data to identify cost saving opportunities
- Prioritize actions across a portfolio

Project Tracking

- Track the impact of measures

When you use it

Demand Response

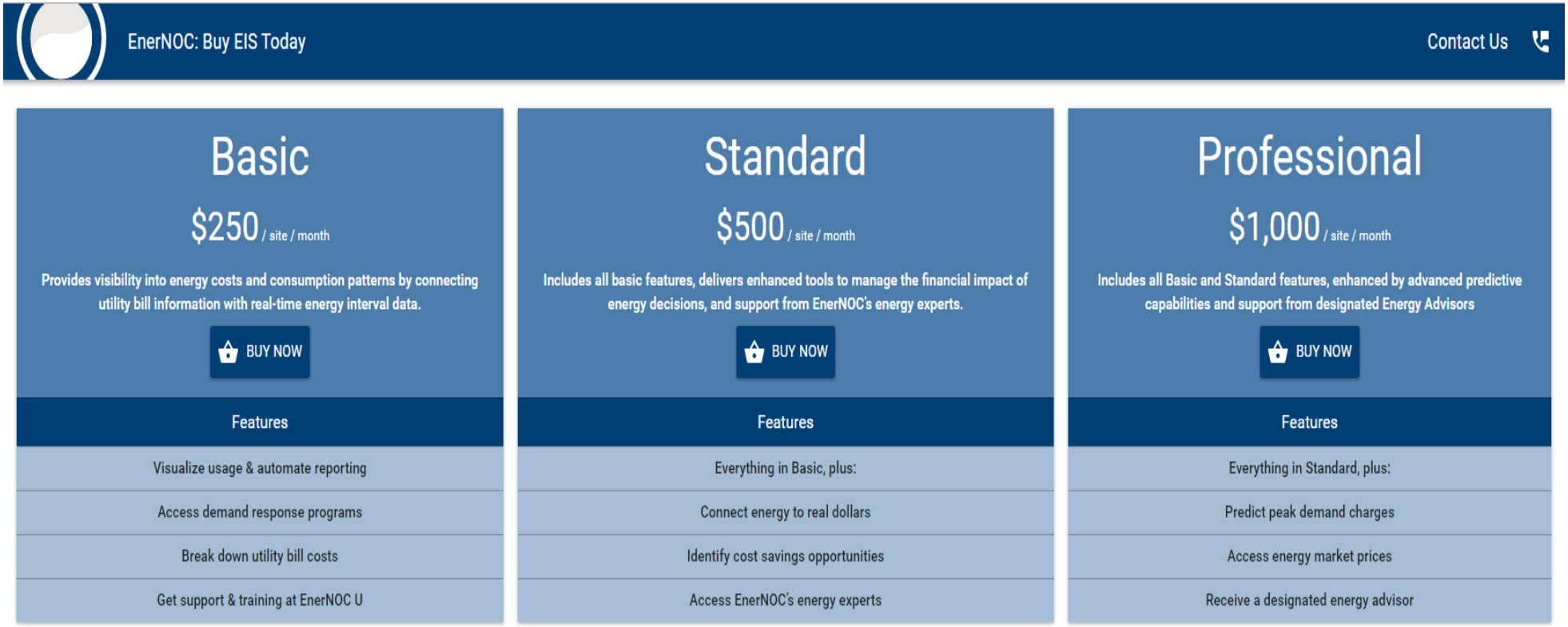
- Earn revenue to fund your energy projects
- Measure & manage DR event performance
- Track payment history

Demand Management

- Alert on demand thresholds
- Quantify cost impact of demand peaks
- Forecast new facility & system peaks
- Alert on real-time and day-ahead index prices

EnerNoc – EIS

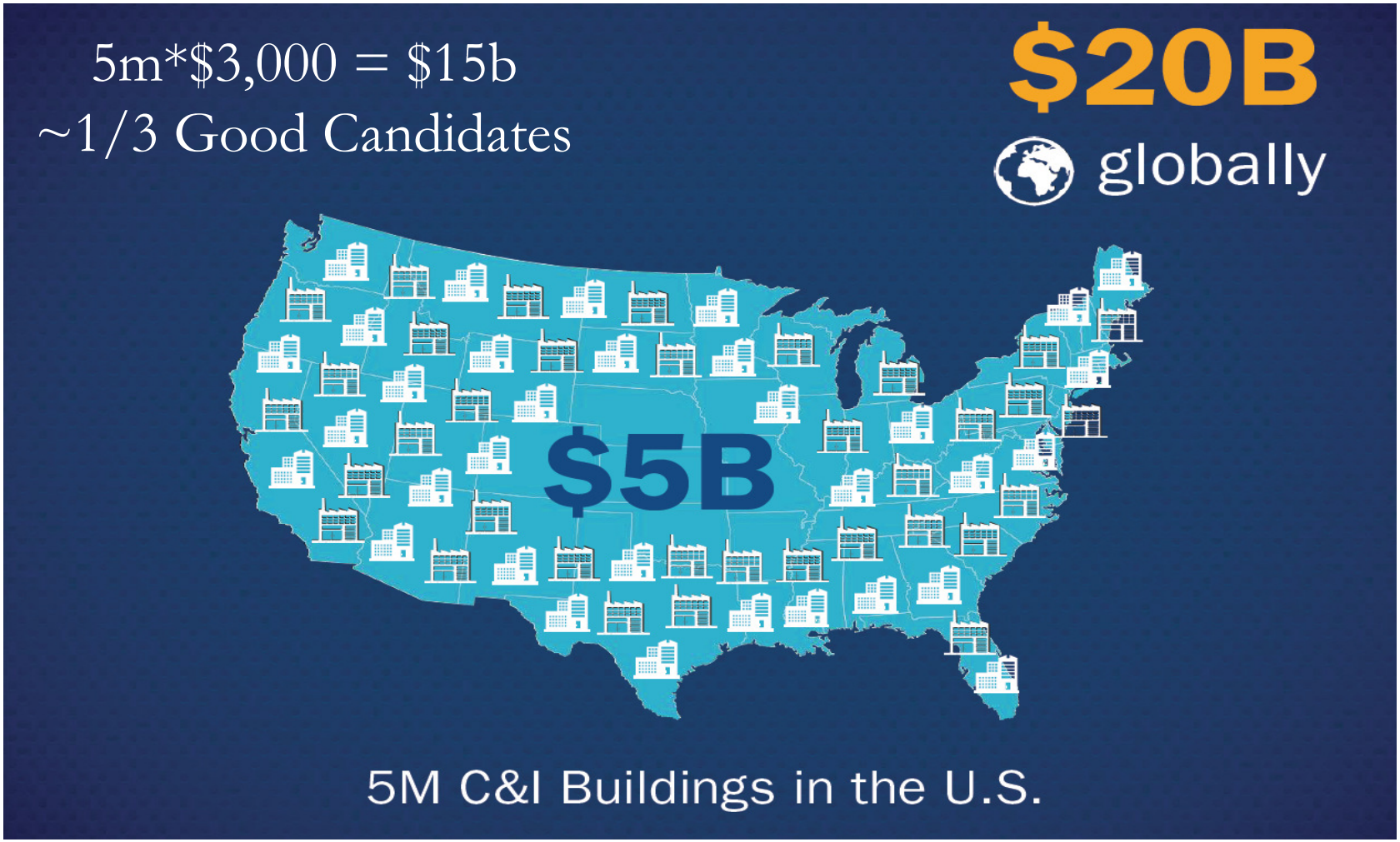
Good, Better & Best SaaS Model



ARR = $4,000/Site/Year → $333/Site/Month

EnerNoc – EIS

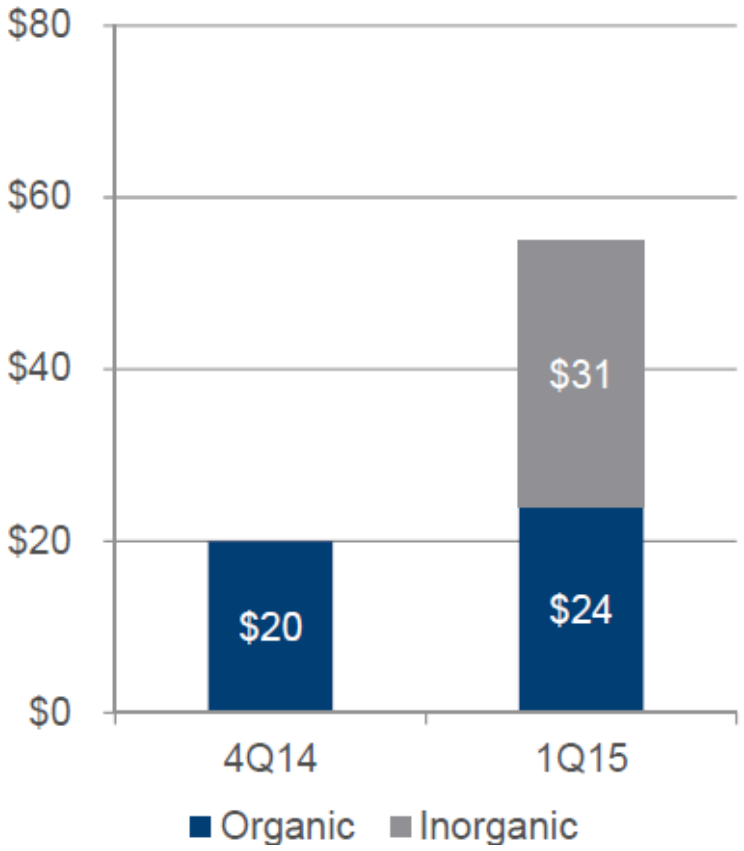
Market Could Be Meaningful

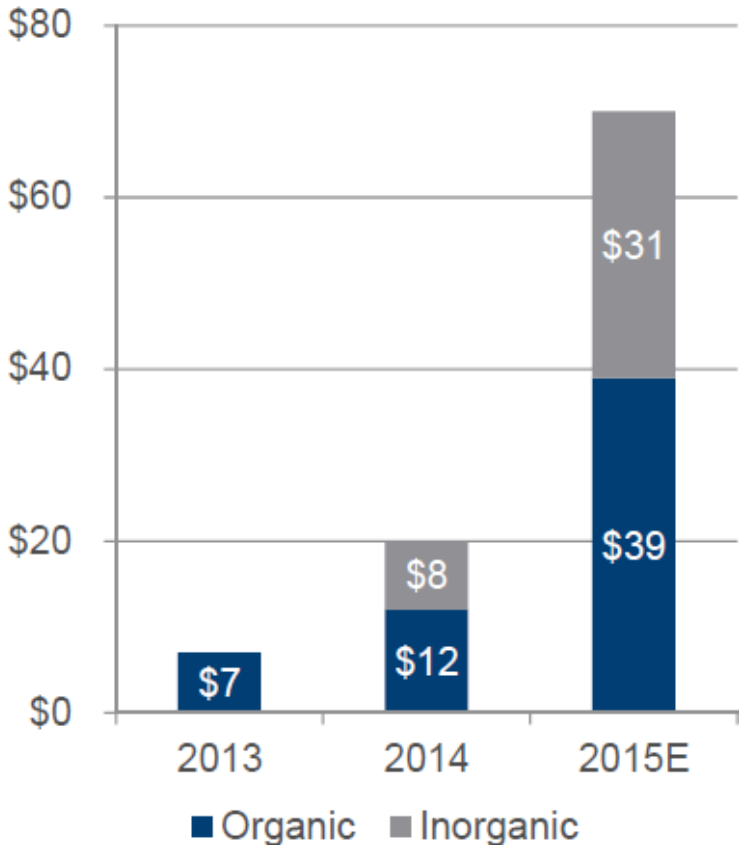


EnerNoc – EIS

Enterprise Annual Recurring Revenue

We continue to drive significant growth in our Enterprise ARR





EnerNoc – Recent Acquisitions

EnTech

- Date April, 17 2014
- Cost $13m
- Focus Utility Bill Management

Pulse Energy

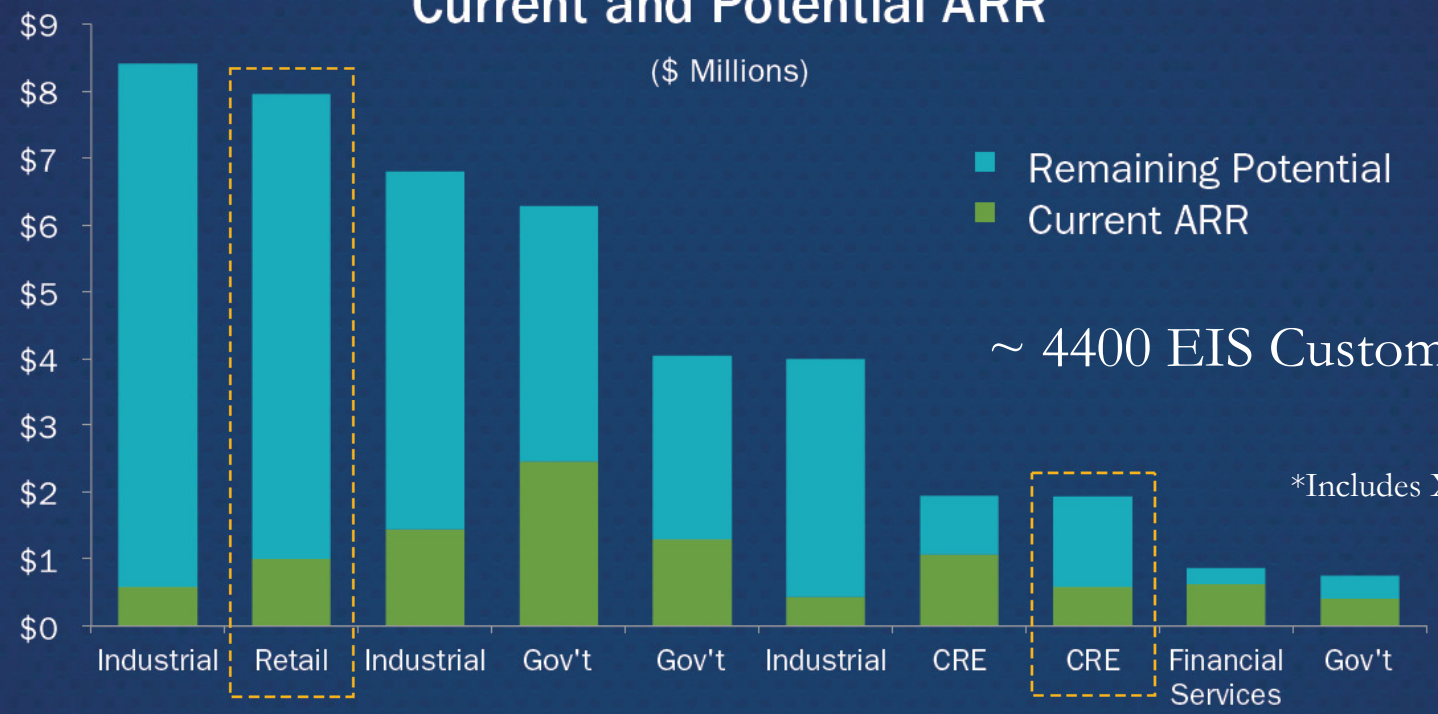
- Date December 1, 2014
- Cost $25m
- Focus Regulated Efficiency Targets, Customer Engagement

World Energy Solutions

- Date January 5, 2015
- Cost $77m
- Focus Energy Procurement – SaaS Model – 3,000 Customers

EnerNoc – EIS

Top EnerNOC EIS Enterprise Named Accounts



Total Sites	766	2,500	255	7,492	1,050	137	9,540	175	2,911	404
% of Sites Penetrated	79%	31%	100%	10%	44%	56%	60%	51%	100%	100%
ARR per Site Penetrated	$955	$1,313	$5,655	$3,205	$2,820	$5,601	$188	$6,439	$215	$1,009

EnerNoc – Key Metrics

Enterprise	3/31/2015	12/31/2014
• **Enterprise Customers**	4,400	1,300
• **Enterprise Sites**	71,800	35,700
• **Enterprise ARR**	$55m	$20m
• **Gross Margins**	60%	< 60%
• **Enterprise Net Churn Rate**	6%	15%
Utility		
• Utility Customers	52*	52
• Utility ARR	$67m	$67m
• Gross Margins	60%	< 60%
• Utility Net Churn Rate	8%	10%
Grid	*43 – 3/31/2014	
• Grid Operators	14	14
• Grid Revenue	$275m*	$368m**
• Demand Response Customers	6,500	6,500
	*Rev Est – See Appendix	**2014 Revenue

EnerNoc – Competitive Edge

Niche Segment of Electricity Industry

- Market is Nascent & Fragmented
- ~35% Market Share in DR

DR Help Paying for Customer Acquisition

- Established Customer Base to Migrate to EIS
- Strong Brand Recognition & Trusted Name

"The Edge"

EIS – No Longer Software Package

- New EIS Platform → SaaS Model Upside
- Actively Manage Energy Procurement, Expenses & "Real Time" Costs

EnerNoc – Scarce Resource

Growing Global Footprint

- Expanding International Markets - ↑ MW 25%
- 1 Platform for Multinational Corp

Extensive Database of MW Usage

- Improve Algorithm Accuracy
- Cater Platform to User Needs

1st Mover Advantage

- 1st Mover in DR → 35% Market Share
- 1st Mover in EIS → ????

Valuation – EPS & FCF

Earnings (2015)*	Revenue	GM	Profit	Exp	Net Inc
• Grid	= $270m**	40%	$108m		
• Utility	= $70m	60%	$42m		
• Enterprise	= $75m	60%	$45m		
• **Total**	**= $420m**	**43%**	**$195m**	**$280m**	**($85m)**
	EPS = ($3.04)		**FCF = $0**		

*Company Guidance

**See Appendix

Earnings (2016)	Revenue	GM	Profit	Exp	Net Inc
• Grid	= $285m	40%	$114m		
• Utility	= $95m	60%	$57m		
• Enterprise	= $105m	60%	$63m		
• **Total**	**= $485m**	**48%**	**$234m**	**$308m**	**($46m)**
	EPS = ($2.46)		**FCF = $13m**		

$15m*15 = $225m/30m → $7.50/share

Valuation – SaaS

Earnings (2015)	Revenue	GM	Saas Rev	Growth
• Grid	= $275m	40%		
• **Utility**	**= $70m**	**60%**	**$65m**	**↑20%**
• **Enterprise**	**= $75m**	**60%**	**$55m**	**↑40%**
• **SaaS Multiple***	**= 2.5 x $120 = $300m/30m → $10.00/share**			

***SaaS Multiple Range (3x – 8x) Based on Market Size, Margins, Churn, CAC, ARR & Growth**

Earnings (2016)	Revenue	GM	Saas Rev	Growth
• Grid	= $285m	40%		
• **Utility**	**= $95m**	**60%**	**$78m**	**↑20%**
• **Enterprise**	**= $105m**	**60%**	**$85m**	**↑40%**
• **SaaS Multiple**	**= 2.5 x $163 = $407.5m/30m → $13.58/share**			

Why is Enoc Cheap

Market is Focused on Grid Business

- Grid Represents 80% of Revenue
- Growth Has Slowed & ↓ in Auction Pricing → Uncertainty
- Legal Battle Over Regulatory Authority - FERC 745

Utility & Enterprise Business Hidden in Plain Sight

- Masked By Grid Market Volatility
- Valuing Company by Short-Term Earnings & FCF
- Others Have Tried to "Crack" EIS Market – Why is This Time Different

Management Not Communicating Their Message Clearly

- Focus on SaaS Model & Growth
- Doing a Better Job – Explaining Business Model

Thank You!!

Can Energy Be a SaaS(e)-Business?

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Appendix – Demand Charge

Let's assume these rates apply to tow different companies:
Electricity charge = $.0437 per kWh
Demand charge = $2.79 per kW

Example 1: Company A runs a 50 megawatt (MW) load continuously for 100 hours.
50 MW x 100 hours = 5,000 megawatt hours (MWh)
5,000 MWh = 5,000,000 kWh
Demand = 50 MW = 50,000 kW

Consumption: 5,000,000 kWh x .0437 =	$218,500	
Demand: 50,000 kW x $2.79 =	$139,500	**~40% of Total Bill**
Total:	**$358,000**	

Example 2: Company B runs a 5 MW load for 1,000 hours.
5 MW x 1,000 hours = 5,000 MWh
5,000 MWh = 5,000,000 kWh
Demand = 5 MW = 5,000 kW

Consumption: 5,000,000 kWh x .0437 =	$218,500	
Demand: 5,000 kW x $2.79 =	$13,950	**~6% of Total Bill**
Total:	**$232,450**	

Appendix – Grid Revenue 2015