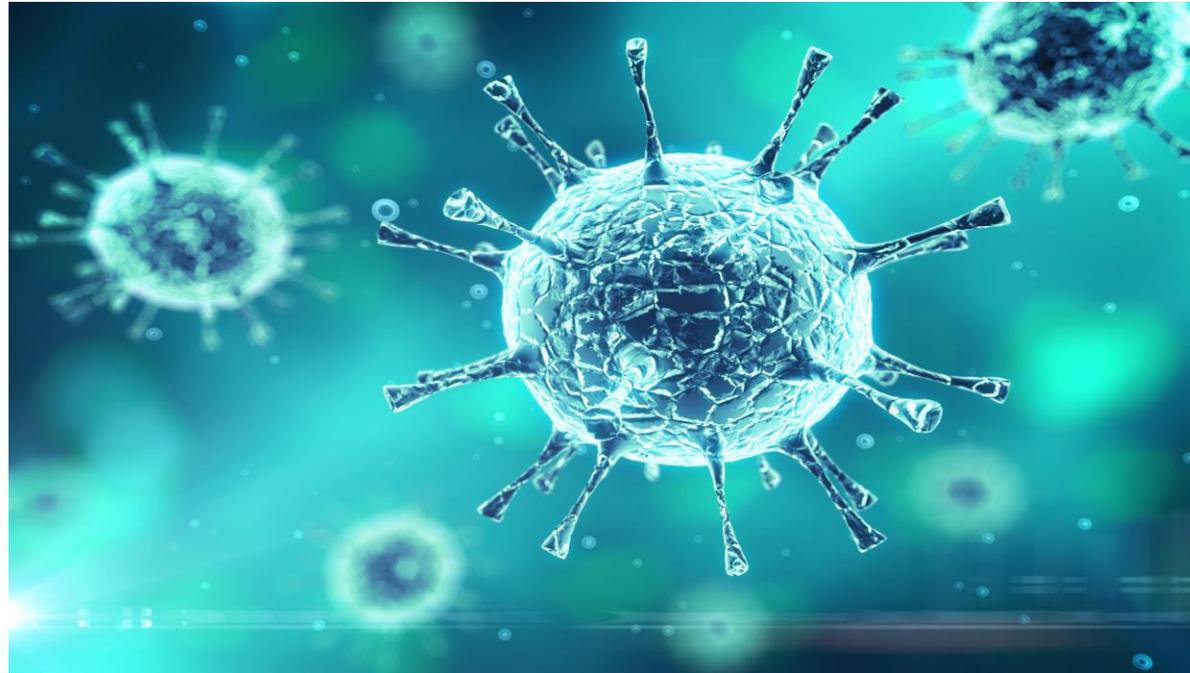




goetzpartners

STRATEGY | M&A | TRANSFORMATION



COVID-19 | goetzpartners' Energy Industry Assessment

MUNICH, MAY 2020

Energy Industry | Shareholder Sentiment

The European utilities sector outperformed the European stock market since the discovery of COVID-19 by 10.3%. Still, within the utilities sector, some public companies clearly outperform their peers based on common patterns

INDUSTRY STOCK PERFORMANCE

Index (Stock price on December 1st = 100)

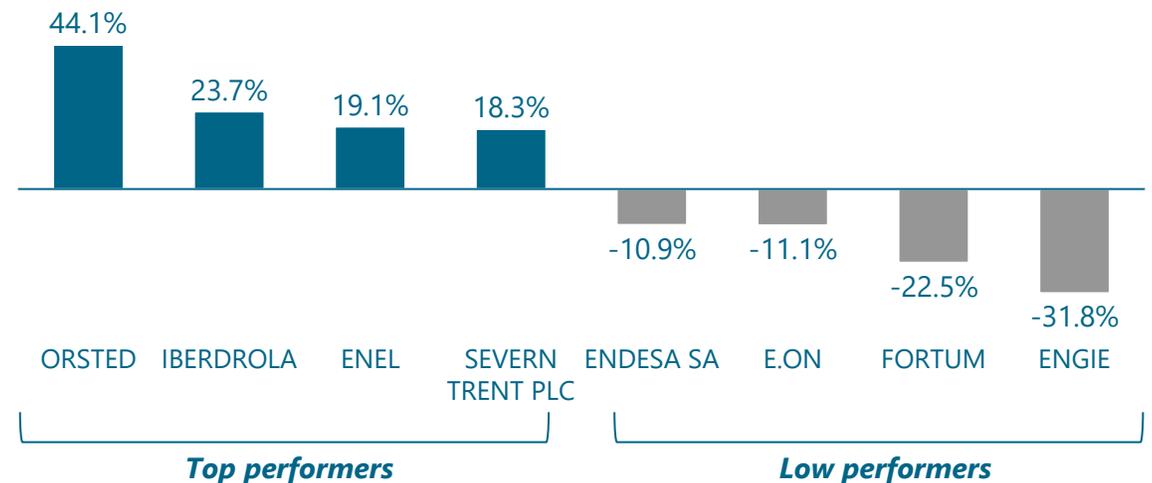


COMPANY STOCK PERFORMANCE¹⁾

SELECTION

Relative stock price change since December 1st in %

- Overall, demand for power, gas and water from the commercial and industrial sectors dropped, however, demand has not collapsed
- The wholesale prices for electricity have already reacted significantly to the crisis
- Companies who cannot reduce their production must push electricity into the market at negative prices
- Impact is lower for pure networks and integrated utilities which serve regulated networks and contracted renewables than for companies with large merchant generation and supply exposure
- Impact depends on the split of customers between business and households



1) Showing the four best and worst performing companies from the fifteen largest utility companies within the STOXX Europe 600 Utilities Index
Source: Investing.com, goetzpartners

Energy Industry | The CEO's Crisis Journey

After securing employee health and immediate liquidity, energy suppliers should consider to move on towards a comprehensive damage assessment before deciding about defensive and offensive strategic decisions



DAMAGE ASSESSMENT

INTERNAL (BM RESILIENCE, LEARNINGS)

- Assess options of fix cost structure towards a higher variability, in particular
 - Leaner administrative structures
 - Insourcing of purchased services
- Review portfolio of business segments towards a fully integrated energy provider
- Adapt product portfolio for residential customers regarding an independent household

EXTERNAL (MARKET, CUSTOMERS, SUPPLIERS, COMPETITORS)

- Analyse decreasing power demand of already contracted volumes at a fixed price/kWh
- Review losses of both conventional and renewable power plants due to lower demand
- Review reduction of grid fees caused by lower power demand peaks and overall lower electricity flow
- Analyse open positions of energy supply according to current trading strategy (short vs. long)

CONTINUOUS FINANCIAL IMPACT ASSESSMENT (AGILE)



CONTINUOUS DIGITAL AND BUSINESS MODEL TRANSFORMATION

FIREFIGHTING

- Firefighting will be necessary to reduce immediate impact of new occurring damages
- Ensure continuously employee health and safety, liquidity, and operations



STRATEGIC REPOSITIONING

DEFENSIVE (FINANCING, CARVE-OUT)

- Access to sufficient financing in crisis situation should be key focus for company planning
- The ability to reduce costs on a short-term basis should also be reviewed carefully
- Group set-up may benefit from a more agile structure in which there is a group core and other parts can be put under insolvency protection

OFFENSIVE (ACQUISITION, MARKET CATCH-UP)

- External shock should not keep attention from mid- to long-term strategic goals
- Long-term trend to renewable energy and service business is not impacted by COVID-19 crisis
- Acquisitions may benefit from (temporary) lowering of valuations

**See other
gp publications**

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