

News

For Immediate Release

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Ascendant announces 2018 results

Cost savings temper lower energy demand at BELCO; significant earnings growth in unregulated businesses

Highlights

- Continued to grow the non-utility businesses, with 30% year-over-year core earnings growth.
- Cost saving measures at BELCO tempered the impact of lower energy demand sales.
- Focused on operational efficiencies and cost reductions in an effort to lower the price of electricity for our customers.
- Received regulatory clarity in respect of how and when BELCO's electricity rates will be developed and approved by the Regulatory Authority through the new Retail Tariff Methodology.
- Received an Order from the Regulatory Authority to proceed with the construction of replacement generation and battery energy storage system.

Ascendant Group Limited ("Ascendant" or the "Company"), a publicly traded provider of energy and energy-related services, released its 2018 annual financial results today, with core earnings of \$18.3 million, or \$1.87/share, compared to \$20.4 million, or \$2.06/share, in 2017 and funds from operations ("FFO") of \$46.8 million, or \$4.78/share, for 2018 compared to \$44.1 million, or \$4.45/share, in 2017. Continued growth in Ascendant's non-utility businesses, slightly lower results from Bermuda Electric Light Company Limited ("BELCO"), higher group expenses, and the positive impact of share repurchases, combined to decrease core earnings per share by 9% year over year. The Company's Board of Directors ("Board") also declared a quarterly dividend of 11.25 cents per common share.

"Our performance in 2018 continued to be very strong from a financial and operational perspective," said Sean Durfy, President and Chief Executive Officer of Ascendant. "We are proud of the Company's efforts to control costs in the face of lower electricity sales in 2018. We continued to work constructively with the Regulatory Authority to ensure an appropriate rate compact. 2018 was a year of progress in implementing our capital plan and building a strong foundation for the future. We are currently halfway through the construction phase of the 56 megawatt (MW) replacement generation which will replace 50% of our older generators. The 10 MW battery energy storage system, which will be used for spinning reserve, will be up and running by May 2019. The Company also began the \$55 million grid modernisation

programme in 2018. All of these initiatives are in support of a more reliable energy system that will reduce costs for our customers over the long run.”

Dennis Pimentel, President of BELCO said: “2018 was another busy year with respect to regulatory matters. BELCO submitted an integrated resource plan in February 2018 as well as the final Grid Code in October 2018. Also in October 2018, the Regulatory Authority released the new Retail Tariff Methodology as well as the Feed In Tariff Methodology General Determination. Having certainty around the regulatory process enables us to continue to provide Bermuda with a reliable, cost-effective electricity supply.”

Consolidated Financial Review

In \$000's	2018	2017	VARIANCE	
			Change	Change
BELCO	\$21,356	\$ 23,987	\$ (2,631)	(11)%
AG Holdings Limited (“AG Holdings”)	4,430	3,409	1,021	30%
ABIL	660	534	126	(24)%
Unallocated Group Expenses	(8,183)	(7,562)	(621)	(8)%
Core Earnings	18,263	20,368	(2,105)	(10)%
Discontinued Operations (Bermuda Gas)	-	(361)	361	NM
Restructuring charges	(12,827)	(1,551)	(11,276)	NM
Income on Sale of Property (Ascendant Properties)	-	759	(759)	NM
Uplift in Investment (AIRCARE LTD.)	-	985	(985)	NM
Net Earnings	\$5,436	20,200	\$(14,764)	(73)%

The Company’s core earnings decreased 10% to \$18.3 million due to lower sales at BELCO and higher Ascendant Group expenses, offset by continued growth in non-utility earnings at AG Holdings. The Company’s net income declined 73% from \$20.2 million to \$5.4 million, largely as a result of the non-recurring \$12.8 million restructuring charge related to operational efficiency measures as well as costs for financial and strategic advisors.

The following table presents an analysis of FFO, free cash flow (“FCF”), core earnings, and related per share figures for the years ended 31 December, 2018 and 2017.

	2018		2017		Change	
	\$000’s	\$ / Share (Basic)	\$000’s	\$ / Share (Basic)	\$000’s	\$ / Share (Basic)
Funds from operations	\$46,783	\$4.78	\$44,101	\$4.45	\$2,682	\$0.33
Free cash flow	\$5,925	\$0.61	\$21,890	\$2.21	\$(15,965)	\$(1.60)
Core earnings	\$18,263	\$1.87	\$20,368	\$2.06	\$(2,105)	\$(0.19)

The Company generated \$46.8 million in FFO, which excludes the restructuring charges, and \$5.9 million in FCF during the period, compared to \$44.1 million and \$21.9 million respectively in 2017. FFO has increased due a reduction in cash costs. The decrease in FCF reflects the larger restructuring charges and higher maintenance capital expense recorded in 2018.

The Company continued with its share repurchase programme in 2018 in light of its strong financial position and the material discount to book value of its share price. Share repurchases during the year totaled 650,745 shares at an average price of \$16.43 per share, which compares to the book value of its shares of \$28.57 per share at 31 December 2018. These repurchases have increased 2018 core earnings per share and FFO per share, by approximately 6.2%, or \$0.12 per share and \$0.30 per share, respectively.

The Company’s earnings and cash flow enabled its Board to maintain the annual dividend rate at \$0.45 per share, thus continuing the Company’s proud history of paying a regular dividend.

Building a Foundation for the Future

The Company has made important strides in respect of its strategic plan during 2018, including the following key accomplishments:

- Received approval by the Regulatory Authority in March, 2018 to begin construction of the replacement generation and battery energy storage system;
- Received regulatory clarity in respect of future rate setting methods and timing through the issuance by the Regulatory Authority of a new Retail Tariff Methodology in October, 2018;
- Advanced planning for future generation through the submission and public consultation of BELCO’s Integrated Resource Plan;
- Continued efforts to reduce costs led to a series of measures, including, functional realignment

allowing for the more efficient delivery of work; a hiring freeze; and a voluntary early retirement programme designed to increase efficiency and labour costs over time;

- Began construction of the replacement generation and battery energy storage system, as well as the first phase of the five-year grid modernisation plan;
- Closed new financial facilities totaling \$158 million to support the capital plan and improve the Company's capital structure;
- Continued to grow the non-utility businesses, with 30% year-over-year core earnings growth;

With these accomplishments, the Company has laid the groundwork for Bermuda's energy future. The infrastructure improvements contemplated in the capital plan allows Bermuda to pursue any energy mix it chooses and ensures a cost effective, reliable supply of energy for the foreseeable future.

In January, 2019, The Board announced that it has begun a process of evaluating strategic alternatives, including the potential sale of Ascendant Group Limited. The Company understands that its responsibility is to a broad group of stakeholders, including shareholders, customers, employees, and regulators. Each of these stakeholders brings to bear on the Company a wide range of perspectives and expectations. Furthermore, the industry in which the Company operates is facing unprecedented change, and with change, we must have the ability to explore and leverage new opportunities for the betterment of Bermuda.

The Board remains enthusiastic about the future prospects of Ascendant, to the benefit of all of its stakeholders, and will continue to communicate progress on strategic alternatives for the Company as this process continues.

Mr. Durfy said: "Everyone in the Ascendant Group can be proud of their hard work and accomplishments during a very emotional and difficult year. These accomplishments are reflected not only in the excellent progress made in executing our strategic plan but also in the improved financial value of the Company. We are building a solid foundation for the future of the Company and all of Bermuda."

Non-IFRS Measures

Ascendant uses financial measures that are not defined under IFRS and may not be comparable to similar measures presented by other issuers. Ascendant calculated the non-IFRS measures by adjusting for specific items that management believes are not reflective of the normal, ongoing operations of the business. Refer to the Non-IFRS Financial Measures section of the Company's Management's Discussion and Analysis ("MD&A") which is available on the Company's website.

Forward Looking Information

This news release contains forward-looking statements that reflect management's current beliefs with respect to the Company's future growth, results of operations, performance, business prospects and opportunities. These statements are based on reasonable assumptions and information currently available to Ascendant's management and are subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Additional information about these assumptions, risks and uncertainties is included



in the “Primary Factors Affecting Ascendant’s Business” section in Ascendant’s MD&A, which can be found on Ascendant’s website at www.ascendant.bm.

The audited annual Consolidated Financial Statements and Management’s Discussion and Analysis are available on Ascendant’s website at www.ascendant.bm.

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About Ascendant Group Limited

Ascendant Group Limited is a Bermuda-based, publicly traded holding company that through its subsidiaries provides energy and energy-related services. Ascendant Group Limited (AGL.BH) is listed on the Bermuda Stock Exchange (BSX) and is the parent company of Bermuda Electric Light Company Limited (BELCO), and AG Holdings Limited, which includes AIRCARE LTD., IFM Limited, iEPC Limited and Ascendant Properties Limited. For further information about Ascendant Group Limited, visit www.ascendant.bm.