



VivoPower Shareholder Conference Call

Slide 1

Good afternoon everyone, and thank you for joining the Shareholder call for VivoPower International Plc. With me this afternoon is Philip Comberg, Chief Executive Officer of VivoPower. Philip will provide an overview of VivoPower and he will then be available to answer your questions.

With that, I will turn the call over to Philip.

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Thank you Shawn.

During this call, we will be making "forward-looking statements" relating to VivoPower International PLC within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, estimates relating to our future energy development and investment activities. These forward-looking statements discuss future expectations; contain projections of future results of operations or financial condition; or state other "forward-looking" information. These forward-looking statements are based on our current assumptions, expectations and beliefs and involve substantial risks and uncertainties that may cause results, performance or achievement to materially differ from those expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: (a) our ability to obtain financing for our projects, our customers or our general operations; (b) our ability to build, sell or transfer projects; (c) regulatory changes and the availability of economic incentives promoting use of solar energy; (d) global economic, financial or commodity price conditions; (e) our ability to develop technologically advanced products and processes; and (f) other risks discussed in filings we make with the Securities and Exchange Commission (SEC) from time to time. Copies of these

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filings are available online from the SEC or on the SEC Filings section of our website at www.vivopower.com. All forward-looking statements are based on information currently available to us, and we assume no obligation to update these forward-looking statements in light of new information or future events.

Today's presentation also includes references to non-IFRS financial measures. You should refer to the information contained in the slides accompanying today's presentation for definitional information and reconciliations of historical non-IFRS measures to the closest IFRS financial measure.

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Before walking through the slides, I would like to make some remarks about the global power industry and identify the key trends that we believe offer an exceptional opportunity to capture rapid growth and profitability. First, the cost of electricity generated by solar power is continuing to decline rapidly, such that solar will soon produce the lowest cost of electricity in the world. Second, attracted by stable, long term returns, capital availability for new solar generation is robust. Finally, spurred by the strategic and economic benefits of shifting to low carbon activities and the acceleration of technological advances, corporate and industrial users of electricity are increasingly procuring and managing their power load directly.

Against this background, VivoPower provides investors with direct exposure to these global trends with a focused, high growth business model. We have an extremely capable management team with deep experience in the entire value chain of the industry, including manufacturing, development, engineering, operations, acquisitions and financing. Our team has a clear vision and a disciplined approach to the allocation of capital, and we are committed to creating sustainable shareholder value.

Turning to the presentation, VivoPower is an international solar power company which achieved a public listing on NASDAQ in December of 2016. We have created a unique solar power platform with a very experienced management team and a global reach.

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A key to understanding VivoPower is our Build, Transfer and Operate business model, which we refer to as BTO, and is rooted in our deep understanding of the solar industry. I will discuss this model in more detail later, and in a short summary, our approach is to acquire projects from small, regional developers that we can build profitably and transfer to long term, institutional investors. We may retain a small equity stake in these projects and also operate them on behalf of the investors.

It is a low risk, asset light approach to the market, with a high return, capital efficient profile. As we recycle our profits and grow a base of recurring revenues, we aspire to provide data driven energy services to our clients in the commercial, industrial and government sectors.

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The next slide provides an overview of VivoPower.

We are active in three regions where we see the most significant opportunities. We cover the United States with offices in New York, Dallas and San Francisco, Australia and Asia with offices in Sydney and Singapore and the rest of the world from our headquarters in London. Our teams in these offices give us local expertise and a global footprint.

In our first year as a public company, we achieve several significant milestones, which proved the viability of our business model. Aside from establishing our global footprint and management team and a public listing, we generated \$18.9 million in Adjusted EBITDA. On the transaction side, we secured a major pipeline of utility scale projects in the United States, representing over 1.8 GW of generating capacity. We also formed a proprietary alliance with an institutional investor for our pipeline in Australia, and we closed several significant transactions with blue chip investors such as US Bancorp and Starbucks.

We have a strong shareholder base, supported by a significant, 61% equity stake held by our founding financial sponsor, Arowana, which is a listed investment firm based in Sydney, Australia. Our board and management has a meaningful equity stake of 12%, and our public shareholders represent 27%. At our current share price, our enterprise value is \$85.1 million

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which represents a low 4.5x multiple of enterprise value to our Adjusted EBITDA of \$18.9 million for the year ended March 31, 2017. With a reported 92 cents per share of earnings, we have a low P/E ratio of 3.6x.

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Our senior management team is in place and represents an outstanding group of experienced professionals. I personally have over twenty years of experience as CEO, board member, investor, investment banker and attorney in Europe, the US and Asia. In the past ten years, I have had deep involvement the solar industry, most recently non-executive Chairman of Solarcentury Holdings in London as well as investing in more than 300 MW of solar power assets in the UK in 2014/2015. From 2011 to 2014 I was Chairman and CEO of Germany's foremost solar company Conergy leading its restructuring and sale to Kawa Capital. Prior to that, I served on the board of Chinese NASDAQ listed solar manufacturer Solarfun Power Holdings (now Hanwha QCells).

Kevin Chin, our founder and Chairman, as well as Chairman of our financial sponsor, Arowana International Limited, brings an extensive growth management experience as a CEO, CFO and COO of growth companies.

Carl Weatherley-White, our Chief Financial Officer, has several senior management roles at solar operating companies in multiple jurisdictions. He combines this operating experience with over two decades of investment banking, with a focus in the global power generating industry, and was Formerly Managing Director, Global Head of Project Finance at Barclays and Lehman Brothers.

Nicholas Olmstead who is acting as our general counsel as a senior advisor. Previously he was a Managing Director of Financial Products with the commercial team at SunEdison. He was co-founder and co-manager of InSource Energy, which he sold to SunEdison, and was former general counsel at Mosaic and former GC and VP of Corporate Development at Serious Energy.

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Finally, Rick Borry rounds out our senior management team, as head of our project and technology capabilities. He was formerly chief technology officer at Principal Solar and was founder of Capstone Solar, where he lead project development and technology.

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I would like to explain our BTO business model, in more detail. Fundamentally, the opportunity for BTO is driven by a supply/demand imbalance in the solar development space. On the project supply side, the development market for utility scale solar is highly fragmented with upwards of half of the market dominated by small developers who have excellent local or regional capabilities but often lack access to capital providers and the internal capabilities to design, structure and execute solar projects that would appeal to institutional investors. Even the most successful developers can fail to complete projects due to limited relationships with global engineering and equipment suppliers and providers of finance. This is the market from which we identify projects to acquire and build at a significantly lower cost than buying operating projects. We target the acquisition of projects at a very specific stage; after they have passed the early development stage, and are thus significantly de-risked, but before they are built. We have the ability to create value by building projects efficiently and profitably by controlling design, engineering and procurement with low risk.

On the demand side of the equation, we see a large and steadily growing appetite from institutional investors globally to invest in quality solar operating projects, because solar projects offer a steady, long term stream of cash flow. These investors often lack the internal resources to effectively screen the vast array of projects to find the most rewarding ones, let alone build and operate the projects themselves. Based on our relationships and expertise, we have the credibility to secure capital commitments prior to building and then to transfer projects to these investors once built. This approach allows us to lock in our BTO profit before we risk a significant amount of capital, as well as to generate stable recurring revenues from long term asset management agreements and residual equity interests in the projects.

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Another revenue opportunity comes from the consumers of the electric power produced from the projects that we operate. We intend to capture valuable data related to power generation and consumption from our growing base of solar projects in order to provide energy management services and to optimize our energy clients' needs. We will use operational information to improve the profitability of our projects and to take advantage of technological improvements to create additional revenues.

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This slide highlights both our disciplined approach to capital allocation as well as the unique profitability of our BTO model from a financial perspective. We believe that the best balance of risk and reward in the solar development market exists during a very specific and fairly short time frame. We focus on identifying projects in which regional developers achieved certain critical milestones, such that the probability of completing development is very high, but in which VivoPower can add significant value in design, engineering, construction management and financing. By completing the project in a manner that will offer institutional investors and strategic partners the opportunity to deploy capital in operating projects, we can generate a high return on our capital in a relatively short period of time. This allows us to recycle our capital to redeploy in additional projects and grow our business rapidly.

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The next few slides summarize a few key accomplishments of the last year.

The first case study is our successful BTO for 91 megawatts of solar projects in North Carolina in our last fiscal year. We believe that this success proves the viability of our BTO business model. We acquired the two projects from a small developer and completed the development and brought the projects to operations. We secured construction financing, tax equity and the long term institutional investor prior to commencing construction, locking in our BTO

profit. We deployed \$13.7 million of capital to the projects and generated BTO revenues of \$25.4 million and delivered the projects to commercial operation on time and on budget.

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The second case study illustrates the results of both our commercial and industrial project origination strategy as well as a very attractive alliance agreement with ReNu Energy, a strategic investor in Australia. Under the terms of our alliance agreement, ReNu Energy will have a right of first offer to acquire solar projects originated by VivoPower in Australia below 5MW in size. In addition, VivoPower has entered into a term sheet with ReNu Energy for the transfer and operation of the first of these, the 600kW Amaroo Solar PV Project, subject to customary conditions precedent.

Under the terms of the agreement, Renu Energy will pay an annual alliance fee for the initial five year term of the agreement calculated based on the number of projects acquired from VivoPower, which may be extended by VivoPower for an additional five years. For each project acquired, ReNu Energy will also pay an up-front origination fee to VivoPower, and will enter into a long-term agreement under which VivoPower will provide asset management services.

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The third case study presents our joint venture in the US, which is at the core of our business model, as it represents a long term partnership with an excellent development company, where we have secured exclusive rights to acquire and build over 1.8 gigawatts of solar projects in a diversified portfolio of 38 projects in 9 states. We have a demonstrated track record with the developer, who was the original developer for our 91 megawatts completed last year. We have complementary skill sets and both believe that we are mutually aligned to ensure the successful execution of the joint venture.

Under the terms of the joint venture, we have a modest capital commitment for which we have a pre-agreed purchase price to acquire fully developed projects. If we find the developed projects to be attractive, our purchase price is significantly below the price at which we could acquire similar projects in the broader market. In this approach, we have protected our downside and preserved the opportunity to capture all of the upside related which is possible under our BTO model.

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A core part of our Australian strategy is based upon our wholly owned subsidiary, Aevitas, which we acquired as part of our IPO transaction in December 2016. The historical revenue profile of Aevitas has been extremely steady, representing energy services for over 300 commercial and industrial customers in Australia. Our goal with Aevitas is to maintain and grow their core business, and also leverage their customer base to generate new solar projects. The agreement with ReNu Energy provides a commitment from an investor to whom we can transfer projects that we build. This relationship should provide a highly efficient means to create BTO revenues for smaller projects originated in Australia with the Aevitas client base.

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We have a well-defined growth strategy, under which we intend to grow four sources of revenues that we will build in the future. The first revenue stream is related to building and transferring projects to investors, which we have demonstrated last year and which we expect is sustainable for the future, supported by the massive build out of solar generation globally as well as our qualified pipeline of projects. As we execute on this activity, we will build a second revenue stream, representing recurring revenues from asset management and production optimization. In addition, as we add minority equity interests in individual projects, we will begin to grow the third revenue stream, which is a steady long term cash profile supported by long term contracts to sell power. Over time, we also expect to add a



fourth revenue stream, representing energy services such as storage, demand response and data driven technology services.

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As we move into the financial overview of VivoPower, it is important to identify the key performance metrics that we believe drive our financial model. For the year ended March 31, 2017, which was our first fiscal year, we executed BTO transactions on 91 megawatts of projects out of our 2.0 gigawatt pipeline. On annualized revenues of \$52.5 million, we generated adjusted EBITDA of \$18.9 million. We deployed \$13.7 million of equity capital to acquire and build the 91 megawatts of projects, from which we generated BTO revenues of \$25.4 million, representing a return on invested equity of approximately 1.85 times. Importantly the weighted average time that we deployed our equity was about 8 months for these projects.

Looking to our next fiscal year, we intend to increase our BTO activity to between 100 to 150 megawatts, which at the mid-point of 125 megawatts, represents approximately 6% of our pipeline. If we are able to maintain the same level of profitability that we achieved last year, we can meet our guidance of \$22 – 25 million in EBITDA.

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It is important to note that the project development cycle is extremely difficult to predict with certainty, as many milestones are subject to decisions of third parties outside of our control. As a result, our financial performance is subject to change. However, with a diversified pipeline of projects in multiple jurisdictions, we believe that we have the opportunity to meet our guidance. We have over 2 gigawatts of qualified projects, and while the portfolio is weighted to the United States due to our joint venture, we have a solid pipeline of projects in Australia, Asia and Europe. To meet the mid-point of our targeted 100 – 150 MW of BTO transactions, we need to convert approximately 6% of our qualified pipeline.

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We clearly demonstrated the viability of our model last year, by delivering Adjusted EBITDA of US\$18.9 million for the period ended 31 March 2017, significantly above our initial goals. We are pleased with our forward growth outlook, and are providing guidance for next year of 20-25% growth in our EBITDA results. This outlook is supported by two strategic initiatives that we believe have laid the foundation for revenues and profits for several years; a joint venture for over 1.8 gigawatts in the United States and an alliance agreement with ReNu Energy in Australia.

As can be seen on this slide, our expected revenue and EBITDA represents a strong growth story. From a revenue perspective, we have grown revenues from \$27.1 million for the 2016 fiscal year to an annualized rate of \$52.5 million for fiscal 2017. We expect to generate revenues of \$56 to \$61 million for fiscal 2018, which will represent a compound annual growth rate of 48% over this period.

From an EBITDA perspective, the story is even more dynamic. From a very low base of slightly above breakeven in fiscal 2016, we generated adjusted EBITDA of \$18.9 million for fiscal 2017, and we have provided guidance of between \$22 – 25 for fiscal 2018.

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From a revenue perspective, we have a diversified revenue base which we expect to grow over the next fiscal year. For the last fiscal year, the bulk of revenues were fairly evenly split between our BTO revenues from the completion of the 91 megawatts of projects in the United States, and the energy services and Aevitas revenues. It is important to note that since Aevitas was acquired in December 2016, we captured only 3 months of their revenues up to March 31, 2017. The balance of revenues were related to other activities, such as owning and operating our solar projects.



Going forward, we have provided guidance of \$30 – 40 million of BTO revenues, between \$26 to 27 million of Energy Services revenues (including Aevitas) and \$56 – 61 million of total revenues for the fiscal year ended March 31, 2018.

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The following slide provides a reconciliation of our adjusted EBITDA to net income under IFRS. The largest adjustment includes tax and a one-time transaction costs of \$5.8 million related to our IPO.

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In summary, we strongly believe that VivoPower represents a compelling investment opportunity. Our industry has very strong tailwinds, with several major trends supporting rapid deployment of solar generation, which represents a major addressable market. We have created a financial model that will create a growing base of recurring revenues, and we will remain profitable due to our capital efficient model and diversified revenue streams. Underpinning this outlook is our highly experienced management team.

We see a bright future for our activities and we are focused on execution. Overall, we are committed to capturing the exciting trends in our industry and to delivering value for our shareholders. The entire industry is evolving rapidly, and we have conviction that VivoPower and our shareholders will benefit from these trends.

Thank you for your support and confidence in our team.

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Questions

VivoPower's model is unique among the public companies. Can you highlight what is different and advantageous to your model?

We have focused very directly on a very specific part of the value chain, where we can optimize not only our business model, but also our return on capital. This opportunity exists because of the large and fragmented developer market on the one hand and the growing desire for institutional investors to deploy capital in long term, operating solar projects. For many public companies, whether equipment suppliers, independent power companies or utilities, this profitable activity is somewhat buried in their vertically integrated profile. We believe that we therefore offer investors a “pure play” opportunity to participate in the rapid growth of the solar power market.

You say that you are capital efficient. How does this drive growth and provide investors with strong returns?

As mentioned before, we do not see many comparable public companies with our focused and disciplined strategy and thus we offer investors one of, if not the only, opportunity to target this segment of the solar power value chain. We expect to deploy capital for a period of six to twelve months and earn a multiple of our money during that phase. We identify and invest at an inflection point that offers the highest return for the least amount of risk through the value chain and therefore offers the opportunity for the public equity markets to participate in that high-value activity.

A key part of your business is your ability to partner with developers. What value do you provide to developers to acquire projects at an attractive price?

Markets are certainly fairly efficient but the specific dynamics of solar development are very suited to our business model. Solar development is a very local business requiring

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relationships with permitting officials, with landowners and with local utilities. However, we find that many successful developers do not have relationships with long-term investors or global suppliers of equipment and services. By focusing our team on these missing capabilities, we bring value to the table. Developers can focus their resources on managing development risk and we can focus on optimizing the value of projects by focusing on specific items: optimizing the design as well as the procurement of equipment and services at attractive costs and monitoring and financing the construction of projects.

You imply that distributed power generation is a megatrend which will continue long-term. What does the term “energy services” mean to you and VivoPower’s strategy?

It is the future of energy. We are seeing evidence of that throughout the world. In the U.S, for example, the amount of renewable power that was secured by corporations exceeded that secured by utilities for the first time, and we are seeing evidence of that in Australia and Europe as well. Providing energy services means to support the realization by commercial and industrial companies that energy usage is a strategic imperative to manage more proactively. That means first of all, recognizing that this is a data management business. Having a very granular minute-by-minute accurate understanding of both the generating profile as well as the load profile of companies is vital to optimize that. It will also be important to bring new technology. We are seeing rapid improvement in battery storage and the cost of battery as the technology applications improve, and there will be other examples, such as smart grids. The entire industry is evolving in that way and we believe will bring Vivo to the forefront of that and provide an opportunity for public equity investors to participate in what is a rapidly evolving industry.

You delivered adjusted EBITDA of \$18.9 million last year and have provided guidance for fiscal 2018. How does your model give you this type of visibility and repeatability with your strategy long-term?

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The revenue side of the equation is a combination of energy services and revenues from our build and transfer and operate model. Our Australian business is primarily energy services which has produced steady revenues for many years, and represents a strong source of solar clients. The build, transfer and operate revenue component is a higher growth effort and focused upon converting a pipeline of solar projects into operating projects and transferring them to investors. Our ability to generate BTO revenues is a function of a large and diversified pipeline as well as our ability to build the projects and to convert them into the transfer business. Our joint venture has strengthened that pipeline and gives us very solid and long-term visibility into the BTO revenue component of our business.

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